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Russian Forestry News Update

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Logs being loaded on to rail wagons

Russia to drop planned tariff hike on log exports to Finland, Putin tells Finnish Prime Minister in Helsinki

Russia will drop its planned hike in timber export tariffs to Finland, the Russian Prime Minister Vladimir Putin told Finnish Prime Minister Matti Vanhanen on Wednesday, as reported by Norwegian BarentsObserver newspaper.

Putin confirmed that the two countries had found a compromise in their troubled timber trade.

Putin told Vanhanen that Russia had reversed its former decision on the introduction of timber export tariffs in order to help Finland in the current crisis, according to a Russian government press release.

Russia is a major exporter of round timber to Finland, and introduced the tariffs in a bid to strengthen its own processing industry. The duties resulted in serious problems for the Finnish forestry industry, which is dependent on the Russian raw materials.

During the bilateral talks held in Helsinki, Finland, Putin also said that cooperation with Finland was a factor helping Russia overcome its own current difficulties.

The two government leaders touched upon as many as 25 issues, Vanhanen told the press following the meeting.

Informational resource: Lesprom Network

Questions or comments?

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In May, Russian roundwood prices fell 0.3%

In May, Russian roundwood prices fell 0.3% on the average, as reported by the Analytic Service of Lesprom Network.

Average price of one cubic meter of softwood sawlog (pine, spruce) with a diameter of 16-30 cm and length of 4-6 m in May was 4% higher than in April, one cubic meter of hardwood sawlog (birch) with a diameter of 16-30 cm and a length of 3-6 m depreciated by 0.7% in May. One cubic meter of spruce pulpwood (length: 4 m, diameter: 6-16 cm (1st, 2nd and 3rd grade) was 2.6% cheaper on the average. Price of one cubic meter of pine pulpwood (length: 4-6 m, diameter: 6-16 cm (1st, 2nd and 3rd grade) decreased by 4.1% in May, one cubic meter of birch pulpwood (length: 4-6 m, diameter: 6-16 cm (1st, 2nd and 3rd grade) lost 0.3% in price.

In May, roundwood spot market saw different trends. Prices for sawlog began to stabilize: average appreciation of raw wood in May was only 1.8%. Producers relate this to increase of sawnwood demand with the start of the construction season. Prices for pulpwood fell by 2.3% on the average, which is mostly due to the fact that pulp and paper mills do not make large procurements.

In the Siberian federal district, roundwood prices decreased. Harvesting companies note that there is demand, but due to consumers' incapability to strike advance payment deals, contracts are not concluded at all.

In the Ural federal district, producers note stabilization of prices and demand for sawlog due to the seasonal factor, however, selling pulpwood is still a challenge.

In the North-Western federal district, May saw growth of roundwood prices. This is primarily due to increased demand for raw wood.

In the Central federal district, sawlog was growing in price this month, while pulpwood, on the contrary, was cheapening.

In the Volga federal district, harvesting companies note an unsteady demand and payment delays. Many producers stopped striking deals that do not entail 100% advance payment.

Analytic Department of Lesprom Network specializes in forest industry market research. The department gathers statistic data on timber processing and pulp & paper companies. Among Lesprom Network clients are largest Russian and foreign timber industry and investment companies.

[Informational resource: Lesprom Network](#)

Russian Customs: In Jan-Apr 2009 round timber export to non-CIS countries fell 50.5%

As reported by the Federal Customs Service of Russia (FTS), in January-April 2009 country's export of raw timber to non-CIS countries shrank 50.5% compared to the similar period of the previous year down to 6.972 million cubic meters or \$613.6 million in terms of value.

Share of wood and pulp & paper products in non-CIS export in the first four months of the year grew up to 3.1%, while in the similar period of 2008 this indicator made up only 2.7% of the total export volume).

Export of plywood decreased by 15.9% down to 375,100 cubic meters in volume and \$143 million in value, pulp export lost 24.2% and amounted to 485,600 tons (\$176.3 million in value). Export of newsprint in January-April of this year was 438,100 tons or \$223.3 million.

[Informational resource: Lesprom Network](#)

Ilim Timber appoints Mikhail Kokorich as the company's new CEO

Current General Director of Ilim Timber LLC Nikita Leonov was appointed as the head of the coordination council at the corporate board. This body was established in order to survey business development and shareholders' timber and other assets management, as the company's representative Yekaterina Kazmina informed Lesprom Network.

During the period Mr Leonov was in charge the company finalized legal and general steps to form holding assets and verbalized business development strategy.

In the framework of the planned changes in the corporate management structure Mikhail Kokorich was appointed the company's new CEO. The major task of the new director is implementation of the development strategy developed earlier which entails operating activities management of the holding.

Ilim Timber LLC was established as far as in 2007 and is comprised of several woodworking assets that earlier belonged to the largest timber industry corporation in Russia, Ilim Pulp: IlimSeverDrev (Koryazhma, Arkhangelsk region), Ilim Bratsk DOK and Ilim Bratsk LDZ (Bratsk, Irkutsk region), Ust-Ilimsk sawmilling and woodworking plant (Ust-Ilimsk, Irkutsk region).

Ilim Timber produces annually over 520,000 cubic meters of marketable sawnwood, over 145,000 cubic meters of plywood and 45 million sq m of wood fiberboards. The corporate strategy of development includes promotion of wooden housing construction solutions on the Russian market as well as export of primary woodworking products to emerging Asia-Pacific markets, primarily to China.

Before his appointment as Ilim Timber LLC General Director in October 2007, Nikita B. Leonov was the business managing director of Ilim Group OJSC.

Mikhail V. Kokorich before his new position in Ilim Timber was Senior Vice President, member of the board and co-owner of PlanetaStroy LLC that includes Uytterra and Chudodom chainstores. PlanetaStroy is the leader on the Russian market of household products with over 55 stores throughout the whole country. Company's revenue in the previous year was more than 6 billion roubles (\$194 million). Ilim Timber employs about 2,500 people.

[Informational resource: :ITI](#)

Russian division of Mondi received FSC forest management certificate

The crisis has not slowed down the process of voluntary forest certification in Russia, as regional FSC affiliate reported Lesprom Network. Since late April two more forest harvesting companies have received FSC forest management certificates, Mondi SLPK (Republic of Komi, 718,000 ha of forests) and Lesnoy Profil (Kirov region, 101,000 ha). Both certificates are issued by Smartwood/NEPKon company.

Since April another five companies have been awarded with delivery chain and controlled timber certificates: Lesnoy Profil, Arkhangelsk plywood plant, Ilim Timber Industry, Interpulp Trading (the latter two belonging to Ilim Group), IT-Sibir. The first two certificates were issued by Smartwood/NEPKon company, the third and the fourth – by GFA Consulting Group, the last one – by Lesnaya Sertifikatsiya LLC.

[Informational resource: ITI](#)

Unique project in Amur region

Profit Pro's Oy, the Amur region Government and LLC KEDR Amur woodworking company signed an agreement on construction of wastless woodworking facility in Fevralsk.

The Finnish company is obliged to attract investors that are to design a project and supply the machinery. All organizational issues are to be resolved in a month. All engineering and construction works are to be performed by KEDR (Amur region).

The project is to be realized in three stages within 4 years. The first stage (woodworking) includes formation of elements of low-rise house construction, whereas the final stage includes construction of pulp and paper mill.

Thus, project capacity is to make up 240 thousand cubic meters of sawn timber and 500 thousand tons of pulp annually. There are no analogous mills in the region – Far East.

[Informational resource: "Runa" www.runa.info](#)

European Timber News

The amount of European softwood lumber products received in March 2009 decreased to 181,400 cubic meters, a 5.7% decrease compared to the previous month. Compared to last year, the amount received increased by 41.0% showing the recovery trend continuously. As the timber demand is stagnant in the Japanese market, the arrival of imported lumber products, especially Russian lumber products, decreased significantly. Under the circumstance, however, European lumber products eat into other imported lumber products' market keeping their shipping amount, the balance between arrival and shipment in European lumber products quite favorable at the moment. As the price of lumber products in Japan reached bottom price, a rise in the price of lumber products in short such as 30mm x 90mm and 33mm x 72mm may realize.

Looking at it based on country, the amount received was 68,500 cubic meters from Sweden, 60,100 cubic meters from Finland, 17,100 cubic meters from Austria, 14,400 cubic meters from Romania, 7,900 cubic meters from Latvia, 6,000 cubic meters from Germany, and 7,300 cubic meters from other countries. The amount received from Sweden exceeded that from Finland. Compared to the previous month, the amount received from Austria increased largely by 35%. Compared to the previous year, the amount received from all the countries except for Latvia increased. Especially, the amount received from Sweden increased continuously more than 100%.

The amount of laminated lumber received from Europe in March was 28,800 cubic meters, a 10.5% increase compared to the previous month and a 46.5% increase compared to last year. The arrival of laminated lumber has recovered steadily. Based on country, the amount received was 13,100 cubic meters from Austria, 10,800 cubic meters from Austria exceeding 10,000 cubic meter level. The amount received from Sweden was 1,100 cubic meters, and the amount received from "other countries" including Germany was 3,900 cubic meters.

The overall price (CIF Japan Port) of European lumber products in March increased by 4.0% to 29,796 yen per cubic meter from 28,638 yen in the previous month. It still fell 25.2% compared to last year expanding its competitiveness over domestic lumber products. Based on the leading countries, the price was 36,815 yen from Austria, 28,279 yen from Finland, 27,541 yen from Sweden. For the price compared to the previous year, the price was a 29.7% fall for Sweden, a 25.5% fall for Finland and a 12.9% fall for Austria respectively.

The price of structural laminated lumber was 48,558 yen per cubic meter almost same with 48,441 yen in the previous month. Compared to last year, the price was a 7.7% decrease. The prices of Austrian products and Finnish Products almost leveled off with 50,505 yen and 46,977 yen from the previous month respectively. The price of Finnish products decreased by 13.6% from the previous year in downward trend.

Informational resource: JI-J

Decline in global demand for forest products reduces timber prices in China

Sawlog prices in China declined for the second consecutive quarter in the 1Q 2009 because of reduced demand for lumber, panels and paper products both domestically and from export markets. Softwood sawlog prices were by about ten percent from the peak in the 3Q/08, while Eucalyptus pulpwood prices only have fallen three percent during the same period.

Production in the forest industry in China has declined the past six months because of reduced demand for most forest products both domestically and from export markets. As a result, softwood log imports were down again in the 1Q for the second consecutive quarter. China's importation of logs in the 1Q was the lowest level in more than six years.

Practically all of the decrease was due to falling importation of logs from Russia; other suppliers have actually increased their presence in China. New Zealand has doubled its shipments of pine logs the past 12 months. The market share has gone up from five percent in early 2008 to as much as 14 percent in just 12 months. Log imports from North America have also increased the past year, although the total volume is still relatively small.

Despite the downturn in the economy and reduced demand for logs, China still imports large volumes of logs to supply its forest industry sector. An estimated 45% of the total softwood log consumption and 22% of hardwood log demand was sourced from outside China in 2008.

It is interesting to note that while imports of softwood logs have fallen, softwood lumber imports increased by almost 30% from 2007 to 2008. The transition from importing processed products rather than raw-material can partly be explained by the higher Russian log export taxes and by the substantial increase in costs of domestic sawlogs the past few years.

The reduced demand for sawlogs in China resulted in the first reduction in log costs in the 4Q/08 since 2005. Average costs for Chinese fir sawlogs in Southern China were down 10 percent from 3Q/08 to 1Q/09 as reported by the Wood Resource Quarterly. Costs for other domestic species throughout China also peaked in the 3Q last year and started to decline in late fall.

It was not only domestic log prices that fell in the 1Q/09, but also prices for imported logs. Average softwood log prices have their greatest Q/Q reduction since at least 2002 ever. This recorded downward price trend is likely to continue but at a slower pace to reach a bottom later in 2009.

Informational resource: www.glgroup.com