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Midway United Ltd. BVI

Russian Forestry News Update

MARCH 15, 2009

VOLUME 2, NUMBER 5



South Siberian forest steppe

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PEFC International announced the endorsement of the Russian National Forest Certification System (RNCFC).

Developed through a multi-stakeholder, consensus-driven decision making process supported by the World Bank, the RNCFC will now be able to contribute significantly to the global certified wood fibre basket and further sustainable forest management in Russia, as the PEFC informed Lesprom Network.

"Despite the current global economic crisis, there is still an increasing demand for certified wood based products that requires an increased supply of timber from certified, sustainably managed forests," said Mr. Ben Gunneberg, Secretary General of the Programme for the Endorsement of Forest Certification schemes (PEFC).

Estimates predict that the engagement by global certification organizations in Russia may increase the area of certified forest globally by one-third over the next ten years to more than 400 million hectares.

"The potential and significance of such an increase of forest certification in Russia, with all the associated environmental, social and economic benefits, cannot be underestimated," Mr. Gunneberg continued. "With only 9% of the world's forests currently certified, the endorsement of the Russian forest certification system has the potential to substantially contribute to tackling societal challenges such as climate change."

The certification of Russian forests will also add significantly in the delivery of PEFC's strategic objective: consolidating clear market leadership, over the long-term, in credible certification of sustainably managed forests and to leverage this leadership to the measurable benefit of its stakeholders and members throughout the whole forest products supply chain up to, and including, the final consumer.

Apart from the home market, the two key global markets for Russian timber are Asia, in particular China and Japan, and Europe. Given the rapid growth of certified chain of custody certifications especially in the Far East, the potential new supply of certified timber will be particularly welcome in this region.

The PEFC Council (Programme for the Endorsement of Forest Certification schemes) is an independent, non-profit, non-governmental organization, which promotes sustainably managed forests through independent third party certification. The PEFC provides an assurance mechanism to purchasers of wood and paper products that they are promoting the sustainable management of forests.

Beetle damage spreading in the US

In an article out from the US, Colorado State forestry officials have reported that global warming is contributing to the spread of beetle forest damage across the state. The state House and Senate agriculture committees have been told that an aerial survey last year showed another 500,000 acres of lodgepole and ponderosa pine were killed by the mountain pine beetle compared to the year before. Foresters also reported that a sharp increase in sudden aspen decline had been picked up that affected another 542,000 acres last year.

Arkhangelsk – the Mezensky sawmill and timber conversion plant (Arkhangelsk Region in northwest Russia) resumed production after years

The new owner of the mill, the St. Petersburg-based Alivekt Group, has invested RUR18mn (\$497,790) in revitalizing the enterprise. The Group plans to completely modernize it, set up a carpenter and a house-building shops, and start deep processing of timber. Total investment in the project is expected at RUR300mn (\$8.3mn). The Mezensky sawmill and timber conversion plant will export sawn timber and supply it to the domestic market.

78mn to be invested in timber production in Leningrad Region

To date, the companies have invested €70mn of the €78mn project, enough to ensure a 90% readiness of the plant, which will process wood and produce sawn timber, laminated veneer, and

biofuel pellets from local raw materials.

Founded in 1993, the LSR Group is one of the leading real estate development, construction and building materials companies in St. Petersburg and the Leningrad Region, also actively developing operations in Moscow, Yekaterinburg, Ukraine and the Baltic countries.

Mayr-Melnhof Holz Holding AG is the leading European provider in the wood-processing sector and ranks third on the European market for sawn timber.

Forest fire fighting network in Russia to save RUR 4 bln annually

The creation in Russia of the network of interregional forest fire-fighting centres is expected to cut the material damage from forest fires by 4 billion roubles annually say specialists of the Federal Forestry Agency.

Its head Alexei Savinov who arrived in Khabarovsk said that it is planned "to build in the country within 3 to 5 years about 40 centres that will be furnished with new equipment for all processes, starting from the reception of seeds to growing of seedlings." The funds for extinguishing fires this year will be supplied to regions, including the Far East as early as in the first ten days of March, Savinov stressed at a meeting at the office of the RF presidential plenipotentiary representatives in the Far East Federal District that focused on issues of the preparation for the fire-hazard season. The Forestry Agency chief noted that "none of subjects of the Far East Federal District has adopted resolutions on the preparation for the fire hazard period." In the Primorsky Territory its governor its governors has not approved the forest plan yet. This means that "Primorye may be left without subventions from the federal budget for this year," the official said.

The leaders of RF subjects and forest services in the region believe that "the federal centre provided insufficient funds for fighting forest fires, unjustifiably cutting costs." Thus the Khabarovsk Territory last year was given 34 million roubles for these purposes, and the factual average annual spending over the past 10 years was exceeding 120 million roubles.

The shortage of funds impedes reliable preparation for the protection of forests from fires, it makes impossible to replace the worn out equipment, and create material resources- stock. A total of 2,032 forest fires occurred in the Far East in 2008, their number grew 1.4 times as compared with the previous year. The most difficult situation was in the Khabarovsk Territory, Amur Region and Primorye.

This year, the budget of the Federal Forestry Agency is cut by more than 3 billion roubles. It was stressed at the meeting that only regions that are increasing the shares of co-financing of forest protection works have the right to count on major subventions from the federal budget. According to regulations on the Forestry Agency, the Russian Federal Forestry Agency is a federal body of executive power performing its functions on implementing state policy; delivering state services and managing state property in the field of forest relations. The Federal Forestry Agency is under the authority of the Ministry for Natural Resources of the Russian Federation.

Stora Enso outlines wood sourcing position

Stora Enso has released a statement outlining its position on wood sourcing from old-growth forests in northern Finland.

The company's statement comes against a background of campaigning by environmental groups for further forest protection in Lapland. Groups have claimed that 300-year-old trees felled by state forester Metsähallitus have been found in log piles.

"Stora Enso's position is that it can receive wood from those areas now addressed by the environmental organisations, as they meet FSC Controlled Wood requirements," said Stora Enso. "Audits carried out by Stora Enso Wood Supply Finland in the logging areas confirm this. The company said it does not buy wood from forests which have been defined as old-growth in a national stakeholder process.

Stora Enso said the European Commission recognised that Finland has achieved an adequate level of boreal forest protection. It has discussed the matter with Greenpeace and Metsähallitus and is encouraging all relevant stakeholders to participate in face-to-face dialogue.

Increase in Demand for Wood Pellets Pushed Prices Upward in Europe in the 4Q/08

Europe is currently both the largest producer and consumer of wood pellets in the world. Wood pellet prices in Europe has trended upward the past six years reaching record levels in the 4Q/08 as demand stays strong, reports WRQ.

Consumption in 2008 was estimated to be over eight million tons, with Sweden, Denmark, the Netherlands, Belgium and Italy being the largest consumers on the continent. Sweden is the largest producer and consumer of wood pellets in the world with a total production of about 1.7 million tons in 2008. The country also imported about 400,000 tons last year to meet the total domestic demand of 2.1 million tons from both power plants and households.

There are currently over 450 pellet-producing plants in Europe, with many new projects planned over the next five years. Several investments are being delayed due to the global financial crisis,

but there is no doubt that the increase in pellet capacity will continue even if the pace of expansion has temporarily slowed. The United Kingdom, Denmark, Sweden and Germany are the countries that likely will see some of the fastest increase in pellet consumption over the next few years. These countries will both invest in domestic production capacity and increase imports in the coming years.

Wood pellet prices in Europe have trended upward in key markets over the past six years. They increased substantially in Germany and Austria during the winter of 2006/07, partly because of higher demand in Germany, but also because of increased exports to Italy where demand grew substantially. With a major expansion of the production capacity in Germany and Austria in 2007, prices declined from their temporary peak in late 2006 and leveled off slightly above the 2005 prices. In recent months, demand and prices have picked up as a result of investments in large-scale energy plants in a number of countries throughout Europe.

With the increased trade of wood pellets within Europe, it is likely that pellet prices for large district heating facilities will equalize between different countries. Prices for pellets delivered to households, on the other hand, will be more influenced by regional balances between consumption and production of pellets, and by the costs of competing energy sources.

Wood fiber costs, which by far are the largest cost component in the production of wood pellets, are likely to decrease in 2009 in both Europe and North America as competition for wood chips and pulpwood from the pulp and wood-panel sectors is weakens.

Wood pellet producers are increasingly competing with pulp manufacturers for wood fiber

Global pellet production was close to 10 million tons in 2008, according to the Wood Resource Quarterly (WRQ). It is estimated that production will double over the next 4-5 years and some industry experts forecast an annual growth of 25-30% globally over the next ten years.

Europe is currently the major market for pellets, but the interest for non-fossil fuels in North America is growing. The new leadership in the US government is going to have a positive impact on alternative fuel usage and the expected change in energy policy could very well result in increased imports of pellets from Canada to the US, which will eventually diminish the flow of biomass from North America to Europe. As a result, European pellet consumers will have to search for alternative supply sources in Asia, Latin America, Africa and Russia.

It can be expected that European pellet manufacturers will increasingly use forest residues, urban wood waste and fast-growing tree species. They will also begin to compete more aggressively with pulpmills and wood-panel mills for sawmill chips and pulplogs. Imports of wood chips from over-seas may also be an option for some pellet plants.

The rapid expansion in global trade of biomass (both wood chips and pellets) is likely to continue over the next three to five years as more countries favour renewable energy and as local, relatively inexpensive supplies of biomass reach their limits. The question is how long expansion of the overseas water-borne transport will continue to grow, given the uncertainty of future costs of oil and the paradox of consuming large quantities of low-refined heavy fuel oils for the shipments of green energy to European customers.

RISI ECONOMISTS: Pacific Rim woodchip markets hit record levels in 2008, but face a tough 2009

Despite a relatively weak fourth quarter, imports of woodchips in the Pacific Rim markets of Japan, China, South Korea and Taiwan increased 3.1% in 2008 to a record volume of 17.2 million BDMT. Australia remains the largest supplier of both hardwood and softwood chips to the Pacific markets, accounting for 37% of total trade in 2008. The next three largest suppliers, Chile, South Africa, and Vietnam, all had remarkably similar volumes in 2008, around 2.1-2.4 million BDMT each. The USA, which in decades past was the dominant supplier of woodchips to the international markets, managed to hang on to fifth place in 2008, exporting close to 1.0 million BDMT. US woodchip exports included about 2/3 softwood chips (Douglas-fir) from the Pacific Northwest (Coos Bay, Oregon) to Japan, and 1/3 mixed hardwood chips from the US South (Mobile, Alabama) to Japan and Korea.

March 4, 2009. Federal consulate has approved the Federal law on "Modifications in RF Forestry Code and different legislative acts"

Federal consulate has approved the Federal law on "Modifications in RF Forestry Code and different legislative acts". As Nicolay Churkin, first deputy chairman of Federal Consulate Committee said, the monitoring of Forestry Code realization in RF showed up fundamental contradictions between the legislative acts and economic conditions.

According to press service of Federal Consulate, approved modifications allow to eliminate existing contradictions and omissions in RF forestry legislation, remove duplication of norms and to make precise a raw of Forestry Code regulations. In particular, the important addition to the operational forestry legislation is the expansion of the privileges of public authorities in forestry controlling and fire supervision.

There was also introduced the norm of concession of forestry lots to citizens in gratuitous fixed-dated use as service allotment due to the Land and Forestry Code of RF. The document specifies the legislative regime of forests that function as natural defense.

Russia-Japan trade in Jan halved due to world crisis

After an uninterrupted growth of the volume of Russian-Japanese trade during the last ten years, it was halved under the influence of the world economic crisis in comparison with the same month of 2008. It amounted to a little bit less than 91 billion yens or about 918 million US dollars according to the current rate of exchange, PRIME-TASS learnt at the Japanese Finance Ministry on Thursday.

Deliveries of goods from Japan to Russia dropped by 65 percent. In particular, Japan's export of electronic components reduced by more than 86 percent, and cars – by over 75 percent. Deliveries of foodstuffs, first of all components and foodstuffs for Japanese restaurants, which are living through a crisis, dropped by almost 80 percent. Russia's export to Japan reduced in January by 35 percent. Deliveries of aluminium and non-ferrous metals, which earlier occupied a very important place in supplies from Russia, reduced especially considerably. It is connected with a sharp reduction of industrial production in Japan, in particular, in motorcar construction. At the same time, deliveries of Russian wood, coal and steel increased. In 2008, the volume of bilateral trade reached a record-high level exceeding 29.6 billion dollars. It increased by more than 47 percent as against 2007. Russia became the second important trade partner of Japan in Europe after Germany in 2008.

UPM earns C-TPAT certification

UPM North America has achieved certification with the US Customs and Border Protection's security-based program C-TPAT (Customs-Trade Partnership Against Terrorism).

Launched in 2002, C-TPAT was developed to hold importers accountable for all facets of security as it relates to products being brought into the United States. UPM imports magazine, catalogue and label paper to the US market.

"UPM North America strives to be not only the most attractive provider in the paper business but also the most secure," said Angelo LaMantia, Director of Supply Chain for UPM North America. "Through C-TPAT certification, UPM is able to validate the security of our supply chain and assure customers that any threats or unusual events will not stop the flow of our paper products to them. We are pleased to be a partner in this important US Customs and Border Protection initiative."

The C-TPAT certification process requires that applicants have written and verifiable processes in place related to all aspects of security in their operation, including the physical work site, personnel, information technology systems and emergency response planning.

This is the first of three certification tiers in the C-TPAT program and the level which UPM has now achieved. The next tier requires foreign validation in which CBP will visit a UPM mill abroad to inspect security processes offshore.

Swedish forest industry companies increased rail transports by 75%

Swedish forest industry companies have increased their rail transports by 75% in the period 2001-2008 and the positive development is expected to continue, according to Staffan Thonfors of Skogsindustrierna trade association. Sveaskog will continue to increase its rail transports and SCA has decided to start transports of wood chips by rail, as Finland Logistics informed Lesprom Network.

The forest industry's rail freight volume in 2008 was 7.7 million cubic metres, compared to 4.4 million cubic metres in 2001.

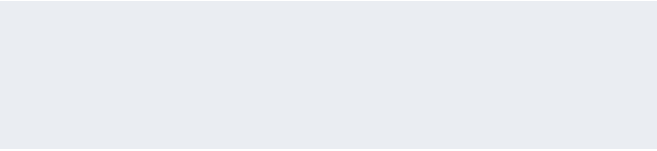
The increase corresponds to 77 thousand truck loads. Total costs for transports of round timber is about SEK 7.30 billion (\$839 million) a year of which truck transports account for SEK 6 billion (\$690 million). The remainder is transported via rail SEK 545 million (\$63 million) and sea SEK 660 million (\$76 million).

Vietnam expects to earn \$3.2 billion from wood exports this year

Vietnam plans to earn revenue of \$3.2 billion from wood products exports this year, up from \$2.8 billion over 2008 despite difficulties fueled by the global economic crisis, as Xinhua News agency informed Lesprom Network.

To slash difficulties for the country's wood exporters, Vietnam's Ministry of Industry and Trade urged local wood processing and exporters to ensure a stable supply of raw materials instead of the imported ones to reduce production costs.

At present, Vietnam's major wood sources are in Malaysia, Laos, Cambodia and Indonesia, whose governments are narrowing wood materials exports.



Simultaneously, the domestic wood industry needs to raise competitiveness by stepping up investment in technologies and equipment, said the ministry.

Vietnam's biggest importers for wood products are the United States, European countries and Japan.