



Forest Coverage of the former Soviet Union

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Japanese log imports fell 34% in 2008 – US replaces Russia as the leading supplier to Japan

Importation of logs to Japan has declined for four consecutive years and was in 2008, 34 percent lower than the previous year and 50 percent lower than in 2004, reports the Wood Resources Quarterly. Practically the entire decline from 2007 has been that of Russian shipments and the US has now become the leading supplier of logs to Japan.

Japan is the second largest importer of logs in the world after China. For many years, sawmills in the country have been very dependent on the importation of saw logs for their wood raw-material needs, relying on 35 percent foreign logs in 2006. Imports of logs have fallen over the last ten years, while imports of processed products such as lumber, plywood and fiberboard have increased during much of the past decade. In 2008, log imports equaled only 40 percent of 1998 imports, whereas import volumes of lumber and wood-based panels were practically the same as ten years ago.

Over the past 15 years, Russia has been a very important supplier of logs to sawmills and plywood mills in Japan and has consistently had the largest market share of the Japanese log market. This share was 28 percent in 1998 and grew to almost 55 percent at the peak in 2006, but has fallen substantially since then, reaching a low of only 17 percent in early 2009. This is because Russia is no longer the low-cost timber source it once was. Only five years ago, Russian saw log prices in Japan were on par with Radiata pine from New Zealand and over US\$100/m³ cheaper than US Douglas-fir logs. Now, however, they are 75 percent higher than Radiata pine and only US\$30/m³ less expensive than Douglas-fir.

Japanese companies are likely to increase imports of logs from New Zealand and North America because costs for Russian logs are going up and the supply is considered less reliable long-term. Short-term, this shift is more a matter of changing markets shares from Russia to other supplying regions, but as the housing starts increase in Japan in 2010 or 2011 as they are expected to do, log import volumes will go up and opportunities will therefore exist for log exporters in the US, Canada, New Zealand and even Europe to ship more logs to Japan in the future if the freight rates are acceptable.

Informational resource: Wood Resources International LLC

Terneyles to supply timber products to Sumitomo Corporation

JSC Terneyles (Primorye Area) is to supply timber products to Sumitomo Corporation (Japan) to the amount of 5.5 billion RUB (126 million EUR). The deal was approved at shareholders' meeting dated April 25, 2009.

At the same time shareholders of Terneyles approved the freight contract to be signed between Sumitomo Corporation and JSC Terneyles on timber products shipping to the amount of 1 billion RUB (about 23.7 million EUR), as well as agreement of equipment purchase to the amount of 400 million RUB (over 9 million EUR), and on purchase of machinery and spare parts to the amount of 300 million RUB (about 7 million EUR).

Informational resource: "Globe" www.globe.biz

Russia's Syktyvkar and Gagarin plywood plants broaden product portfolio

On April 24, 2009 a meeting of the founding parties of Syktyvkar plywood plant OJSC and Gagarin plywood plant OJSC took place. Generally, the parties approved activities of the management under conditions of financial crisis and economic meltdown, as informed by Syktyvkar plywood plant Commercial Director Viktor Uvarov.

At Syktyvkar plywood plant, commissioning of a new six-head plywood grinding line produced by Austria's Steinhilber is under way. A new program of equipment modernization is adopted, which is mainly aimed at improvement of plywood and wood particleboard quality. Modernization of

particleboard grinding line will be among the first activities undertaken. The plant continues widening product portfolio: production of hybrid plywood grades is launched again (both grinded and laminated), it is also decided to broaden the line of laminated wood particleboard decorations. The new product line will be presented on the market within the next few months.

The management of Gagarin plywood plant also works on widening product portfolio: the enterprise started manufacturing laminated wood particleboard with all thicknesses from 6 to 38 mm and of all formats stipulated in the contract by the equipment supplier, which allows adopting production to customer requirements. In April the plant also started industrial production of waterproof wood particleboard, which is used in production of tabletops and bathroom furniture. The quality of the products manufactured meets European swelling requirements. Attendants of the meeting also approved activities concerning marketing the products, widening the dealer network and reaching full rated capacity of the plant by autumn 2009.

Informational resource: LesProm

IKEA's contract manufacturer to shut down plant in Finland; production goes to IKEA plants

Incap Furniture Oy, one of the largest manufacturers of pine furniture in the world, has announced that it is to shut down its production unit in Kärsämäki due to the fact that its largest customer, the Swedish furniture retailer IKEA, has decided to discontinue its purchases. The last 150 employees will be left jobless.

The plant has employed up to 270 persons, but the production has been run down gradually. Increasing quantities of IKEA's ready-to-assemble furniture, including beds, tables, and chests of drawers made of solid pine, are henceforth to be manufactured at IKEA's own plants in Sweden, Poland, the Baltic States, and in Russia.

To secure inexpensive wood for its own production, IKEA's subsidiary Swedwood leases forests in Karelia. In addition, the company has opened a new glued-laminated panel production plant in Kostomuksha in Russian Karelia, supplying semi finished products for the company's own furniture plants.

"The competition has become more intense. The latest burden on our shoulders was the favorable exchange rate of the Polish zloty against the Swedish krona from IKEA's point of view", says Managing Director Matti Vahe of Incap Furniture.

Vahe points out some pieces of furniture in IKEA's catalogue that have been made in Kärsämäki. Customers do not know the place of manufacture, as all products carry the IKEA quality and price. When everything was still fine, around a million furniture packages and some thousand truckloads were transported mainly to IKEA from the Kärsämäki plant every year.

The atmosphere at the packing department's assembly line is gloomy, as the last IKEA products are to be finished and readied for delivery by mid-May.

"The plant implements economies of scale. For example, for IKEA we have been able to deliver really large orders cost-effectively and at a brisk pace, packing some 3,000 beds per day. A production plant like this, with a size of some 17,000 square meters, cannot easily be converted into a workshop which produces large numbers of small series for dozens of customers", says Matti Vahe.

However, the smaller plants owned by Incap Furniture in Haapavesi and Varpaisjärvi will be easier to convert into serial production.

"After severe cutbacks, these plants are likely to be able to employ some 30 people each until the end of June", Vahe estimates. The large-scale production of Finnish pine furniture has come to the end of its road. "Unfortunately, as the best prerequisites for such production in Finland would be here", he says with a sigh.

As a result of the shut-down threat, Kärsämäki has asked to be recognized as a region undergoing structural change, whereupon it would be entitled to structural funds.

Across the border in Western Russia, IKEA's subsidiary Swedwood Karelia is dominating nearly the entire loggable part of the forests located in the Kalevala national region and the Kostomuksha urban district.

According to communications officer Ingrid Sten, the company has signed a 25-year lease contract with the Republic of Karelia, covering a total of 450,000 hectares of forests. Swedwood has also constructed a production unit with a total area of more than 10,000 square meters in Kostomuksha in order to manufacture glued-laminated panels using local wood as raw material.

The plan was to construct a new furniture factory as well, but as the profit of the enterprise has been lower than expected, the project will not make any progress for the time being.

Director Sten Svensson of Swedwood's Russian department is unwilling to comment on the situation in Kostomuksha in any way. The arrival of Swedwood led to unemployment in the area, as their previous employer, a forest company in Uhtua, declared bankruptcy at the same time. At that point, a total of more than 700 men - or most of the working-age men in the village - were left without work. Even though Swedwood's Ingrid Sten says that the company is to employ some 600 people in Kostomuksha, "most of them being local residents", the word "local" does not mean the jobless people in the Kalevala national region.

According to local residents, Swedwood promised to offer them jobs in compensation for the lost ones, but the villagers have not had any news from the company. Unemployment is a major human tragedy in Karelian villages, as there simply are very few employers - if any. The villages are becoming more and more deserted, which means that the Karelian and Finnish languages are becoming extinct and the cultural heritage is under threat of destruction.

A new law on forest use was introduced in Russia two years ago, geared to raising the level of utilization. The responsibility for sustainable development passed to the parties renting the forests, but according to Karjalainen this did not necessarily involve any obligation to replant trees. "Natural" regrowth is more often than not the order of the day. According to the 2007 statistics, clear felling amounted to more than five million cubic meters in the Republic of Karelia.

The conservation of old forests is also statutory in Karelia, but it is partly voluntary, while not all forests have been mapped. The largest individual protected area is the Kalevala National Park. In

total, slightly over six per cent of all forests are protected.

Environmental activist Aleksander Markovski has examined the protection situation in Karelia together with some Finnish experts. He says that initially cooperation between the civil organizations and Swedwood was impossible, but now it has made some progress. Markovski notes further that IKEA alone must not be blamed for the loss of jobs in the area, as it is the local administrative body's duty to monitor the development of local employment.

[Informational resource: Tapio Mainio and Kirsikka Moring in Käräsämäki and Kostomuksha, Helsingin Sanomat](#)

China raises export rebate for 36 wood products

China has increased export rebate rate for 36 wood products as of 1 April 2009. The rates for paper products have jumped to 13%, as ITTO informed Lesprom Network.

The export rebate rate for some wood products such as photo frames has risen to 11% from 9%. The adjustment of the export policy is expected to play an active role in encouraging exports of wooden and paper products to allow China's forest industry to be resilient as the international economic downturn continues.

[Informational resource: ITTO](#)

IlimSeverLes finished preparation for the shipping season

IlimSeverLes OJSC (timber harvesting enterprise of Ilim Zapad business division of Ilim Group) finished preparation for the shipping season, as reported by the Group's press service. IlimSeverLes located all the vessels at the log receiving port, including those which were earlier based at forest enterprises. This enables to improve availability and efficiency of the ships.

This season IlimSeverLes is planning to deliver 100,000 cubic meters of winter-jointed wood by rivers and about 50,000 cubic meters by barges. Forecasters predict that the period of spring flood will be short. However, according to corporate experts, this will not affect the volume of timber delivery by water.

The fleet of IlimSeverLes includes 18 self-propelled vessels, one floating crane for timber trucking, three barges for timber transportation, five barges that transport logging trucks, and two pontoon ferries.

[Informational resource: ISL](#)

1Q/2009 Siberian Customs Exported 2.9 Million Tonnes of Timber

Siberian Customs has exported around 2.9 million tons of wood (processed and unprocessed) of \$ 538.1 million (according to the FCS press service). It amounted to 8.6% of the total value of exports in Siberian Customs. Compared to the 1Q/2008 the volume of timber shipments fell by 33%, the value – by 23.5%.

Sawn timber has 4.9% of the total value of exports of Siberia. Compared to the 1Q/2008 the volume of shipments declined by 6.5%, in value – by 4.5% (to 1.1 million tonnes for \$ 305.4 million). The supply of raw timber in the 1Q/2009 amounted to some 2.5 million cubic meters for \$ 232.7 million (3.7% of the total value of exports of the region) and compared with the same period last year, declined in volume to 38.5%, in value – by 39.3%.

Foreign countries accounted of 82.7% of export value of wood (processed and unprocessed), first of all – China (56.5%), Japan (12.3%), Egypt (4.9%), Afghanistan (1.8%) and Germany (1.5%). Among the CIS countries there were Uzbekistan (10%), Tajikistan (2.5%), Azerbaijan (2.4%) and Kazakhstan (1.1%). Compared to the 1Q/2008, exports of wood products in foreign countries decreased by 27.3%, while the CIS countries – increased by 2% and amounted to \$ 444.9 million and \$ 93.1 million respectively.

The greatest value of sawn timber processed in Irkutsk, Bratsk, Krasnoyarsk, Altai, Chita and Buryat Region (96.3% of the total value of exports of timber). Compared to the 1Q/2008 the value of exports of goods decreased in all Customs regions, except Bratsk (an increase of 3.7%) and Omsk (an increase of 2.7%) Customs.

[Informational resource: Wood.Ru](#)

Russian Neighbors: Estonian Wood Manufacturing Falls Sharply

Industrial production in Estonia fell by 30 per cent year-on-year in March, new figures have revealed. Data released by Statistics Estonia revealed that only energy production saw an increase in activity over the 12 month period, growing by 7.3 per cent.

The manufacture of wood and related products fell by 35.4 per cent when compared to March 2008, and by 3.6 per cent compared to the preceding month.

It was also revealed that the chemical sector was hardest hit, with output falling by 63.3 per cent over the last year.

According to Statistics Estonia, the latest figures are simply the continuation of a trend which began in November of last year when a drop of 15 per cent was recorded.

Recently, it was revealed that inflation in Estonia stood at two per cent in March when compared to the same period in 2008, a larger fall than had been expected.

[Informational resource: KMS Baltics](#)

Ilim Group to modernize machinery for chip production in Ust-Ilimsk

Ilim Group modernized machinery for chip production in Ust-Ilimsk with investment volume making up 1.3 million USD. The first stage included restoration of the machinery efficiency, i.e. replacement of axle with chipping disc at Rader chip sorting installations.

Equipment for chip sorting used to exclude getting foreign objects and oversize slabs on the transporting bands that can damage the equipment. The installations are equipped with advanced three staged purification system. December 2008 axles with discs were replaced at one of the Rader sorting installations, due to which the machinery reached project capacity of 9.6 thousand cubic meter of chip per day.

Currently specialists of the company changed axles with discs at the other two sorting machines of the first stage. All in all there are 96 discs replaced. The project being realized machinery capacity exceeded project indicators and made up 10 thousand cubic meters of chips per day.

The second stage includes replacement of the discs at the Rader installation of the second stage. The project is to be realized by the end of the year. As expected output of chips used for cooking is to reach at least 10 thousand cubic meters/ day.

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

Solombala Pulp and Paper Mill to get Morbak debarker-chipper

Morbark Inc. (USA) is to deliver the second Morbak debarker-chipper at Solombala Pulp and Paper Mill (Investlesprom, Arkhangelsk region).

Delivery works started in the middle of 2008 within the framework of the contract worth 870 thousand USD that was signed in September 2008. However, due to the economic crisis delivery period was postponed for 6 months. In April 2009 Europcell GmbH – longtime and reliable partner – assisted in the project realization.

Expected date of machinery delivery falls on July 1, 2009. Commissioning works are to take up to 2 weeks. The second complex put into operation will allow increasing chip output by 25%, decreasing mill's dependence on regional chip market as well as ensuring stable operation of two technological flows.

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

Investlesprom is the first to start LWC-paper production in Russia worth 90 million EUR

Investlesprom is the first to start LWC-paper production in Russia – investment volume amounting to 90 million EUR (4 billion RUB). New facilities with annual capacity making up 85 thousand tons of LWC-paper are to be launched at Kama PPM in 2010.

"LWC-Kama" project aims to organize manufacture of high quality LWC-paper (weight making up from 51 till 80g per sq. m) and to meet demand in LWC-paper of large publishing and printing companies in Russia.

Russian economy to overcome crisis, demand in different types of coated paper is to reach about 400 thousand tons per year. Demand in LWC-paper used for printing is to make up 200 thousand tons annually. Currently analogous types of products are supplied from Finland and Germany

Perm project entered its final stage: the main machinery is purchased, designing and construction and assembly works are in progress. Construction is to be finished by the end of 2009, with commissioning works to be performed and project capacity to be reached in 2010.

Specialists from Investlesprom developed production technology and unique paper structure. It is to be the first in the world manufacture of coated paper based on birch semi-product instead of traditional coniferous mechanical mass.

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

Pulp Gets Authorities Involved

The authorities of Leningrad Region will help Vyborg Pulp Ltd. to buy a back part of the business until the end of the year. This land is planned to use as collateral to obtain credit.

The president of the Vyborg Pulp, Alexei Kazmin reported that VTB had promised to give the company about 1 billion rubles. These funds are requested to send to the modernization of production, which will increase the capacity of the enterprise by 50% to about 140 thousand tons of paper per year. Moreover, the loan funds are necessary to replenish the revolving fund of the enterprise. However, according to Kazmin, this year VTB gave only 600 million rubles of the promised 1 billion rubles. After that, all negotiations on the remaining amount were delayed. He thought that putting the plant land in pledge would be collateral to provide the remaining 400 million rubles.

Vyborg Pulp Ltd. leases an area of about 12 hectares. The company owed the district authorities for more than 70 million rubles in rent (the amount owed for the previous year). As Vice-Governor of the Leningrad Region, Alexander Drozdenko explained, if a plant bought out a site, it would have to pay for it only the land tax, which is approximately half the size of the rent. Buy the station will be on concessional terms – about 20 million rubles.

Notably, the administration of the Vyborg Region delays the sale of the site. Initially, local officials said that more than a half of the site is in special conservation zone and it can not be redeemed. However, after the changed federal law, such a purchase became possible. According to provincial officials, local authorities do not want to lose the income from rent in their budget.

But business has finally been able to attract an administrative resource: the Governor of Leningrad region Valery Serdyukov vowed Vyborg Pulp Ltd. an assist in obtaining the site for the current year.

