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## *Russian Forestry News Update*

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***Siberian Forest Steppe***

**Questions or comments?**
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## Eniseyskiy mill to produce 450,000 cubic meters of plywood and veneer per year

Rated production capacity of Eniseiskiy plywood mill that is under construction in Sosnovoborsk (Krasnoyarsk region, Russia) was decreased, as the company's representative Irina Samsonova informed Lesprom Network. The mill will produce 450,000 cubic meters of products (instead of 600,000 cubic meters planned earlier), namely 350,000 cubic meters of large-format softwood and birch plywood and 100,000 cubic meters of market softwood veneer.

The project is invested by MS Management CJSC belonging to joint Russian-American Midway United LTD. The management supposes American market to become the major consumer. The project cost amounts to approximately $150 million. The project is included into top priority investment projects list of Russian Ministry for Industry and Trade.

The mill launch is scheduled for December 2009. It is reported that the enterprise will reach its rated capacity in 2011.

Wood fiber is supplied from six municipalities of the region. The enterprise will use 9 sites with a total forest use volume of approximately 2,000 cubic meters annually.

The project was publicly presented in 2006. The mill is being constructed on the site of former Krasnoyarsk trailer plant (KZPT) and is the largest woodworking investment project in Krasnoyarsk region.

*Informational resources: Lesprom Network*

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## John Deere to invest 125 million USD in skidder production in Russia

John Deere is to invest 125 million USD in construction of facilities for skidder production at the site of Industrial park Yuzhnye Vrata. It amounts to ¼ of expected investments in Russia.

The final decision to be taken by the Ministry of Industry and Trade of the RF, John Deere is to start machinery supply. Expected start-up falls on QI 2010. The production is to be localized in future with imported spare parts to be mainly used at first.

Yuzhnye Vrata industrial park –total square of 75 000 sq. m – belongs to Giffels Management Russia. The site is situated in 30 km from Moscow.

*Informational resources "Runa" www.runa.info*

## IKEA to invest in construction in the Kostroma and Tumen regions

IKEA chose a construction site of 40 ha near Sharya (Kostroma region). At the same time IKEA considers several sites in the Tumen region, of them a 36 ha site in the Ishim district seems to be more perspective currently.

Investment project includes wood processing and production of birch furniture components that makes up the significant part of IKEA product range.

Terms and other project details are not reported so far.

*Informational resources "Runa" www.runa.info*

## Jartek to supply machinery in Komi Republic

Moscow investment group ordered Jartek machinery for a new sawmill being constructed in the Komi Republic.

Plant capacity at start-up is to reach about 100 thousand cubic meters of sawn timber with the production output to be increased as much as two times in 2010. The customer is to also invest in deep wood processing – the preliminary arrangements being already made with Jartek.

Jartek is to deliver full scope of machinery for sawmilling plant, except timber sawing machines being supplied by Veisto (Mäntyharju).

Project costs amount to 10 million EUR. The machinery is to be supplied in autumn 2009 and will be put into operation in spring 2010.

*Informational resources "Runa" www.runa.info*

## BRUKS is to deliver drum chopping machine in Krasnodar

BRUKS is to deliver BK-DH 400x1000 8WT drum chopping machine with two main engines (250 kW) for chip production at AltBiot (Alternative fuel biotechnologies) in Krasnodar. It is the first delivery of such equipment in Russia.

The machinery is to produce the chips with design size of 4 mm from low quality round wood and other wastes left after thinning operations, which allows escaping primary chip crushing before drying.

This technology allows economizing space for machinery arrangements, intermediate warehousing, labor force, expandable materials and electricity, i.e. increasing quality and rate of pellet drying.

*Informational resources "Runa" www.runa.info*

## Imports of logs, lumber and pulp to China increased substantially in the 2Q/09 as the country’s economy grow by almost 8%,

China became the major import destination for many globally traded forest products in 2009. The country is the world’s largest importer of wood pulp and logs, and was the 2nd largest importer of softwood lumber in the world in the 2Q/09, reports the Wood Resource Quarterly.

The Chinese economy continues to positively surprise, with the GDP growing by 7.9% in the 2Q. Domestic consumption of forest products has increased, with new construction and remodeling being the major drivers for higher consumption of wood products.

Imports of softwood logs were 51% higher in the 2Q than the previous quarter and 27% higher than in the 2Q/08, a sign of improved operating rates in the sawmilling and plywood industry. The biggest increases in imports originated from Russia and New Zealand. Although Russia is still the largest supplier of logs, New Zealand has increased its market share from 10% in the 2Q of last year to 23% the same quarter this year.

The average import value for softwood logs has been in decline for three consecutive quarters and was, in the 2Q, down 25% from its peak in the 3Q/08. So far this year, Russian logs have cost substantially more than have logs from New Zealand and Australia.

Prices for Chinese fir sawlogs, a common species used by the sawmilling industry in southern China, were 18% lower in the 2Q/09 than at their all-time high last fall, according to the Wood Resource Quarterly. Prices for domestic logs, which in general have been higher than those of foreign logs, have followed a similar trend as imported wood.

The increased demand for softwood lumber has not only been met by higher production at the country's sawmills, but also from an increase in the importation of lumber. During the first six months this year, China imported 28% more than during the same period last year. Much of the increased demand has been filled by lumber from Russia, Canada and New Zealand.

Chinese paper companies have been aggressive buyers of wood pulp in 2009, with import volumes being more than 40% higher the first half of this year as compared to the same period in 2008. Pulpmills in Latin America have been the major beneficiaries of the recent surge in pulp imports to China. As reported in the Wood Resource Quarterly, Brazil has increased its exports of wood pulp to China by over 50% this year.

*Informational resources: Wood Resources International*

## Russia to postpone increase of roundwood export duties?

Russia is to postpone the increase of prohibitive export duties on roundwood for one year more.

Within two last years Russia increased export duties twice: from 4 till 10 EUR per m3 in July 2007 and up to 15 EUR in April 2008. Starting from January 1, 2009 export duties were to reach prohibitive level and make up 50 EUR per m3. However, at the end of December 2008 the Russian government decided to postpone the increase of wood export duties by 12 months until the beginning of 2010, as informed by Prime Minister Putin in mid-November.

During 2009 the export duty levels on round wood stay on the present level. The export duty for softwood and birch with diameter over 15 cm is 25% or 15 EUR/m3 at least. The duty for aspen wood amounts to 10% or 5 EUR/m3 at least. Zero duty is valid for birch with diameter less than 15 cm during the period of 2009-2010.

However, Russia might postpone the increase of duties for at least by one more year till 2011. The decision is to be taken in October 2009, as Russian exporters were also affected by crisis and introduction of new tariffs significantly influenced their activity.

Initially the Russian Government planned to stimulate the development of woodworking inside the country due to increased export duties. The Strategy developed by the Ministry of Industry and Trade aims at reducing the volume of exported roundwood as much as 10 times by 2020 – up to 5 million cubic meters. As expected, Russia is to stop import of wood boards and sawn timber with paper and cardboard import making up 1.5 million ton at 12 million ton neing consumed.

Many experts support this proposition as it otherwise it could puzzle the branch into pieces. However, the issue is under consideration.

*Informational resources "Runa" www.runa.info*

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## Log prices reduced by 0.3 % in August

Log price reducing was 0.3 % in August. In August, an average price for 1cub.m of softwood timber of 16-30 cm diameter, 4-6 m of heights was 2.6 % higher than in July. 1 cub m of hardwood timber of 16-30 cm diameter, 3-6 m of heights was 0.6 % higher than in July. And 1cub m of softwood balance of 4 m of heights and 6-16 cm diameter (1, 2 and3 class) cost 2% less in August. As well as 1cub m of the same hardwood balance, that cost 1.5 % lower compare to July.

Given prices can vary due to the volumes of delivery, place of delivery and delivery rates. These prices were taken from the log producers with the volume of delivery at 500 cub m.

Spot market in August had shown the prices growing by 1.3%.This growth caused by the season demand on timber (because of the house building). The reduce of the raw material is being also one of the reason to change the price. The balance wood prices were 2.2 % lower than in July. It shows the lack of stability on the market of balance wood.

Costs and demand on softwood timber even grew in Siberian region even grew. While the prices on the balance wood remained stable in average.

The visible growth of the prices was in the Ural region due to the top of building season. The prices on the balance wood remained stable

North-West region of Russian faced the 0.7% growth of the prices for hardwood timber. Balance wood didn’t change a lot. The general part of loggers told that they sell the raw materials only according to the long-term contracts, signed years ago.

Central District has also witness the growth of the hardwood timber prices, while the balance wood prices dropped because the main part of the raw material remains unsold.

The same situation is obvious in the Privolzhsky region. The Pulp and paper mills have to limit their purchase because there is a lot of raw and material offer on the market.

*Informational resources: Lesprom Network, Russian Forestry Review*

## Sweden consumes more than 20% of the world's wood pellets and demand is growing

The decision by EU to use a minimum of 20% renewable energy by 2020 has driven a rapid increase in wood pellet production in Europe. Sweden, Germany, Denmark and the UK are expected to have the fastest growth in consumption the coming 10 years, reports the Wood Resource Quarterly.

Demand for wood pellets and investments in pellet plants continue to grow despite the global financial crises and tight credit markets. In some countries, the current slowdown in the economy has actually had a positive effect on the biomass industry because politicians have often favored bio energy and pellet-heating projects in governmentally funded economic stimulus packages.

The bio energy sector is attracting a lot of attention from the forest industry, timberland owners and, increasingly, from interests with limited past participation in the forest resources sector. Many of these companies have historically have been in the business of oil exploitation and energy generation of fossil fuels.

The biggest expansion in the use of forest-based biomass has occurred in Europe, mainly as a result of the decision by EU to reduce dependence on fossil fuels and use a minimum of 20% renewable energy by 2020.

Sweden is currently the biggest consumer of wood pellets in the world, consuming over 20% of the world's production of wood pellets. In order to meet the demand from a fast growing market, the country produced almost 1.6 million tons in 2008 and imported another 300,000 tons mainly from other countries in Europe but also from Canada. There are no signs portending any slowdown in demand for wood pellets, and the annual growth is expected to be between 8% and 10% in the coming years.

There are currently over 450 pellet-producing plants in Europe with many new projects planned over the next few years. The United Kingdom, Denmark, Sweden and

Germany are some of the countries that are expected to have the fastest growth in forest biomass consumption (both pellets and wood chips) over the next ten years. These countries will both invest in domestic production capacity and increase imports.

Pellet prices have trended upward the past seven years, as reported in the Wood Resource Quarterly. Prices in Sweden have generally been higher than in Central Europe, but in 2009, prices fell the most in Sweden, resulting in a convergence with prices in Germany and Austria. Wood fiber costs are expected to increase later this year, which would result in higher production costs for many pellet manufacturers. As a consequence, it is probable that wood pellet prices will start moving upward again this coming winter after a few months in retreat.

*Informational resources: Wood Resources International*