

EUROPE & RUSSIA WOOD PRODUCTS INDUSTRY TRENDS & OUTLOOK

Strategic Assessment of the
European & Russian Industries and Their
New/Entrepreneurial Business Models

This 530-page report is NOW AVAILABLE (Published April 2004)

Prepared by R.E. Taylor & Associates Ltd.

Published by International Wood Markets Research Inc.

R.E. Taylor & Associates Ltd.
FOREST INDUSTRY STRATEGIC SERVICES



**INTERNATIONAL WOOD
MARKETS RESEARCH INC.**

INCLUDING

In-the-field research on the fastest-growing wood products manufacturing region in the world: the Chinese–Russian border towns, where Russian logs and lumber exports are fueling an economic boom in China!



FEATURING

- Benchmarking of Log and Lumber Production Costs
- Analysis of Current European & Russian Business Cases
- A Strategic Look at Expanding Capacity in Europe and Western/Eastern Russia
- Outlook on Log and Lumber Exports to the U.S. and Asia
- Review of the Current Status of Europe's Wood Products Industry
- Assessment of Potential Risks of Doing Business in Russia

EUROPE & RUSSIA

WOOD PRODUCTS INDUSTRY TRENDS & OUTLOOK

Table of Contents

1	INTRODUCTION & OBJECTIVES	1		
2	EXECUTIVE SUMMARY	2		
3	GLOBAL SUPPLY/DEMAND-TRENDS.....	15		
3.1	Global Supply-Side Dynamics	15		
3.2	Global Log Harvest Outlook	19		
3.3	Global Lumber Production	25		
3.4	Overview Of Europe & Russia's Fit	38		
4	EUROPE MARKET OVERVIEW	48		
4.1	Top European Lumber Producers	48		
4.2	European Lumber Exports To U.S	50		
4.3	European Exports By Product	51		
4.4	Major European Exporters To U.S	52		
4.5	Ranking Of Global Sawmills	52		
4.6	European Exporting Mills	57		
4.7	European Sawmill Cost SUMMARIES	59		
5	EUROPEAN COUNTRY PROFILES	66		
5.1	Global Currencies	66		
5.2	Finland	69		
5.3	Sweden	77		
5.4	Germany	86		
5.5	Austria	91		
5.6	Czech Republic	95		
5.7	Poland	100		
5.8	Baltic States — Overview	102		
5.9	Estonia	106		
5.10	Latvia	115		
5.11	Lithuania	128		
6	RUSSIA COUNTRY PROFILE	137		
6.1	Global Perspective	137		
6.2	Russian Forest History	143		
6.3	Timber Harvest (Aac)	159		
6.4	Russian Species & Forests	161		
6.5	Timber Harvest & Exports	169		
6.6	Sawn Timber Production	185		
6.7	Plywood Production & Exports	194		
6.8	Particleboard	201		
6.9	Fiberboard/Mdf	206		
6.10	Furniture Sector	210		
6.11	Pulp & Paper	213		
6.12	Summary of Exports	215		
6.13	Summary of Demand	216		
7	RUSSIAN INDUSTRY ASSESSMENT	223		
7.1	Economy & Business Trends	223		
7.2	Wood Products Industry	224		
7.2.1	Industry Overview	224		
7.2.2	Regional Analysis	230		
7.2.3	Industry Profitability	235		
7.3	Western Russia Overview	241		
7.3.1	Background	241		
7.3.2	Timber Supply	243		
7.3.3	Timber Harvest Trends	248		
7.3.4	Major Companies	250		
7.3.5	Infrastructure & Logistics	260		
7.3.6	Issues & Outlook	267		
7.3.7	Regional Focus	275		
7.3.8	Log Prices & Margins	284		
7.3.9	Sawmill Costs & Margins	286		
7.3.10	Log & Lumber Selling Prices	288		
7.4	Siberia & Rfe: Overview	289		
7.4.1	Timber Harvest Trends	291		
7.4.2	Allowable Annual Harvest	293		
7.4.3	Profile By Major Krajs	298		
7.4.4	Lumber Production Trends	318		
7.4.5	New Investments Planned	320		
7.4.6	Delivered Log Prices & Margins	323		
7.4.7	Sawmill Costs & Margins	333		
7.4.8	Lumber Selling Prices	339		
7.5	Russian/China Border	342		
7.5.1	China Market Overview	347		
7.5.2	Russian Log Exports To China	351		
7.5.3	China Vat Tax Rates	354		
7.5.4	Manzhouli, China	355		
7.5.5	Suifenghe, China	366		
7.5.6	Summary Of Export Potential	373		
7.6	Russian Forestry Reform	378		
7.7	Foreign Investment	380		
7.7.1	Summary Of Projects	380		
7.7.2	Selected Press Releases	387		
7.8	Investment Risks	393		
7.8.1	Legislation & Institutional Risks	393		
7.8.2	Property Rights & Criminality	394		
7.8.3	Privatization Shortcomings	395		
7.8.4	Transparency	395		
7.8.5	Political Risks	396		
7.8.6	Social Responsibility	396		
7.8.7	Government Policy Directions	397		
8	OBSERVATIONS & OUTLOOK	402		
	Appendix 1: Russia Overview	425		
	Appendix 2: Selected Articles	441		
8.1	Europe: Investments	442		
8.2	Russia: Economy & Politics	455		
8.3	Russia: Infrastructure	456		
8.4	Russia: Forest Policy	458		
8.5	Russia: Environmentalism	463		
8.6	Russia: Forestry & Logging	466		
8.7	Russia: Illegal Logging	479		
8.8	Russia: Wood Products Trade	502		
8.9	Russia: Foreign Investments	497		
8.10	Russia: Investment Strategy	502		

About This Report



Over the course of twelve months, consultants **Gerry Van Leeuwen** and **Russell Taylor** spent a total of thirteen weeks investigating the wood products business in Western and Eastern Europe, as well as in Western Russia, Siberia and the Russian Far East. **This field work and office research has compiled a unique story on Europe and Russia that has not been told before.** In fact, only the active players in Russia would be able to attest to the fact-finding details that this report presents. Similarly, some of the details on the European industry presented in the report provides the first country-by-country summary of the major trends in the wood products sectors. From the cost of logs and lumber production throughout the various countries to the export potential of Europe and Russia, this 300-page report covers many previously unpublished facts on what makes this region one of the world's powerhouses in wood products. Features include the following:

KEY ATTRIBUTES

- Unique strategic report that presents new information on the competitiveness of the European and Russian wood products industries
- A North American perspective that is unique to any previous report on Europe or Russia, culminating from 13 weeks of field investigations
- Based on extensive forest and sawmill owner/executive interviews
- Based on extensive review of published literature and reports
- Detailed log and manufacturing costs presented by country
- European country profiles and overviews of timber harvest, lumber and plywood supply and demand
- Log and lumber prices in Russia for domestic mill and for export
- Investment risks, issues and strategies for Russia outlined based on interviews and research
- Competitive assessment of the European & Russian industries

QUESTIONS ADDRESSED

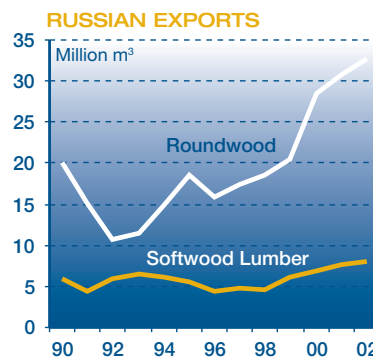
- What is the short- and long-term potential for lumber exports from Europe and Russia to the U.S., Japan, China and other Asian markets?
- Which region in Europe (or Russia) is the low-cost lumber producer today? How is that changing? How does that compare with North America?
- How will freight costs and/or logistics improve or slow down exports from Russia or Europe?
- What are the Scandinavians doing as the low-cost wood products from Russia and Eastern Europe invade their traditional markets in Europe?

ANSWERS ON EUROPE

- What are some of the current developments in the European sawmilling and export sectors?
- How competitive have European sawmillers become?
- What are the Europeans doing right that has caused offshore customers to switch from North American to European supply?
- Has the strong euro closed the door on exports to the U.S., or is it just a short-term reprieve?

ANSWERS ON RUSSIA

- What is the future of the Russian timber harvest, log exports and wood products production?
- Is the timing right for investing in Russia or establishing supply linkages?
- What are the risks, opportunities and strategies for investing in Russia, including going in alone vs. joint-venture partners?
- Will log exports continue to increase, and will China remain the main market?
- Or, will log exports slow down due to pending government objectives to process more raw materials inside Russia and export processed products?



ABOUT R.E. TAYLOR & ASSOCIATES

Forest Industry Strategic Services, Vancouver, B.C. Canada

One of the world's leading wood products consulting firms, R.E. Taylor & Associates Ltd. specializes in solid wood products research, analysis, benchmarking and business strategies. From North American and international consulting contracts to featured speaking engagements, R.E. Taylor & Associates' consultants are widely recognized as the experts in global solid wood products market/product research and development. The firm conducts projects for the who's who of the global wood products industry on a wide variety of strategic topics, products, markets and outlooks.

INTERNATIONAL WOOD MARKETS RESEARCH INC.

Forest Industry Intelligence and Analysis, Vancouver, B.C. Canada

As the publishers of WOOD Markets 2002 and WOOD Markets Monthly newsletter, International Wood Markets Research Inc. provides database, forecasting and market information services to the global solid wood products industry.

EUROPE & RUSSIA

ORDER FORM

WOOD PRODUCTS INDUSTRY • TRENDS & OUTLOOK

■ How to Order

- FAX this form to 604-801-5997 (Note: country code is 1).
- CHARGE-BY-PHONE (VISA/MasterCard): Call International Wood Markets Research Inc., Vancouver, B.C. at 604-801-5996/5998.
- MAIL: Complete this order form and send with cheque, money order or credit card information, to International Wood Markets Research Inc., Suite 501, 543 Granville Street, Vancouver, B.C. Canada V6C 1X8. (Note: Non-North American companies must issue cheques drawn on a U.S. bank having computer encryption. Please make your cheque or money order payable to International Wood Markets Research Inc.). Alternatively, payment may be made by Electronic Funds Transfer to Royal Bank of Canada, Hastings & Granville Branch, 685 West Hastings Street, Vancouver, BC V6B 1N9 (please quote U.S. dollar account number 400-230-9, transit number 6550).
- MORE INFORMATION? Call R.E. Taylor & Associates Ltd. at 604-801-5996 (e-mail: retaylor@woodmarkets.com) or visit our website at www.woodmarkets.com.

Subscription Rates and Options

NORTH AMERICA* & INTERNATIONAL

REGULAR PRICE	US\$8,450	Now Available!
CORPORATE PACKAGE**	\$9,450	

*Canadian subscribers please add 7% GST to total; in Maritimes, please add 15% HST.

**Corporate Package includes 4 copies of the complete report plus one 2- to 3-hour presentation at your corporate office (travel expenses additional).

Note: Sent by Air Mail. For delivery by courier, please add US\$75 (or Cdn\$75 plus GST or HST).

Payment and Order Information • Please Print

VISA MasterCard Cheque/money order for U.S. Cdn \$ _____ enclosed Bill me P.O.# _____

Name of Cardholder _____ Card # _____ Expiry _____

Signature (ALL orders must be signed to be valid) _____

Name _____ Title _____

Company _____

Address _____

City _____ State/Province _____

Zip/Postal Code _____ Country _____

Telephone () _____ Fax () _____ E-mail _____

NOTE: If outside North America, please include country code for contact numbers.