

Table of Contents

| | | |
|----------|--|-----------|
| 1 | PART 1: INTRODUCTION & EXECUTIVE SUMMARY – LOG IMPLICATIONS | 1 |
| 1.1 | INTRODUCTION | 1 |
| 1.2 | PART 1: EXECUTIVE SUMMARY | 2 |
| 1.2.1 | <i>Background to the Tax</i> | 2 |
| 1.2.2 | <i>The Impact of the Tax on the Major Importing Countries of Russian Logs</i> | 4 |
| 1.2.3 | <i>The Winners and Losers</i> | 6 |
| 1.2.4 | <i>China will see the Greatest Impact from the Tax</i> | 8 |
| 1.2.5 | <i>The Impact of the Tax on the Russian Industry</i> | 8 |
| 1.2.6 | <i>Stop Press</i> | 9 |
| 2 | RUSSIA..... | 10 |
| 2.1 | CURRENT SITUATION: 2007/2008 | 10 |
| 2.2 | LOG EXPORTS: IMPLICATIONS OF THE TAX | 13 |
| 2.3 | DOMESTIC INDUSTRY: IMPACTS OF THE TAX | 14 |
| 2.4 | SUMMARY | 15 |
| 3 | CHINA..... | 17 |
| 3.1 | CURRENT SITUATION: 2007/2008 | 17 |
| 3.1.1 | <i>Northern China (Heilongjiang, Jilin, Liaoning and Inner Mongolia Provinces)</i> | 18 |
| 3.2 | LOG IMPORTS: IMPLICATIONS OF THE TAX | 19 |
| 3.2.1 | <i>Northern China</i> | 19 |
| 3.2.2 | <i>China Log Imports</i> | 21 |
| 3.3 | IMPORT OPTIONS: AFTER THE TAX (TO REPLACE RUSSIAN LOGS) | 22 |
| 3.4 | DOMESTIC INDUSTRY/MARKET: IMPACTS OF THE TAX..... | 24 |
| 3.5 | SUMMARY | 25 |
| 4 | JAPAN..... | 27 |
| 4.1 | CURRENT SITUATION: 2007/2008 | 27 |
| 4.2 | LOG IMPORTS: IMPLICATIONS OF THE TAX | 27 |
| 4.3 | IMPORT OPTIONS: AFTER THE TAX (TO REPLACE RUSSIAN LOGS) | 28 |
| 4.4 | DOMESTIC INDUSTRY/MARKET: IMPACTS OF THE TAX..... | 29 |
| 4.5 | SUMMARY | 30 |
| 5 | SOUTH KOREA..... | 31 |
| 5.1 | CURRENT SITUATION: 2007/2008 | 31 |
| 5.2 | LOG IMPORTS: IMPLICATIONS OF THE TAX | 31 |
| 5.3 | IMPORT OPTIONS: AFTER THE TAX (TO REPLACE RUSSIAN LOGS) | 32 |
| 5.4 | DOMESTIC INDUSTRY/MARKET: IMPACTS OF THE TAX..... | 32 |
| 5.5 | SUMMARY | 32 |
| 6 | FINLAND..... | 33 |
| 6.1 | CURRENT SITUATION: 2007/2008 | 33 |
| 6.2 | LOG IMPORTS: IMPLICATIONS OF THE TAX | 35 |
| 6.3 | IMPORT OPTIONS: AFTER THE TAX (TO REPLACE RUSSIAN LOGS) | 36 |
| 6.4 | DOMESTIC INDUSTRY/MARKET: IMPACTS OF THE TAX..... | 36 |
| 6.5 | SUMMARY | 37 |
| 7 | BALTIC STATES..... | 39 |
| 7.1 | CURRENT SITUATION: 2007/2008 | 39 |
| 7.2 | LOG IMPORTS: IMPLICATIONS OF THE TAX | 40 |
| 7.3 | IMPORT OPTIONS: AFTER THE TAX (TO REPLACE RUSSIAN LOGS) | 40 |
| 7.4 | DOMESTIC INDUSTRY/MARKET: IMPACTS OF THE TAX..... | 41 |
| 7.5 | SUMMARY | 41 |

| | | |
|-----------|--|------------|
| 8 | ADDENDUM TO PART 1 REPORT | 42 |
| 8.1 | RUSSIAN LOG PRICE TRENDS IN KEY EXPORT MARKETS | 42 |
| 8.2 | RUSSIAN LOG EXPORT PROFORMAS TO JAPAN & CHINA | 47 |
| 8.2.1 | <i>Delivered Russian Log Prices to Japan.....</i> | 47 |
| 8.2.2 | <i>Delivered Russian Log Prices to China.....</i> | 49 |
| 8.3 | 80% LOG EXPORT TAX DELAY – IF IMPLEMENTED ON JANUARY 1, 2010 (INSTEAD OF JANUARY 1, 2009) 53 | |
| 9 | PART 2: INTRODUCTION & EXECUTIVE SUMMARY – LUMBER IMPLICATIONS..... | 60 |
| 9.1 | PART 2: INTRODUCTION..... | 60 |
| 9.2 | PART 2: EXECUTIVE SUMMARY | 60 |
| 9.2.1 | <i>The Impact of the Tax on Russian Sawmill Output.....</i> | 61 |
| 9.2.2 | <i>The Impact of the Tax on the Major Lumber Importing Countries.....</i> | 62 |
| 9.2.3 | <i>The Impact of the Tax on Processing Costs & Prices.....</i> | 63 |
| 9.2.4 | <i>Stop Press</i> | 65 |
| 10 | RUSSIA | 67 |
| 10.1 | LUMBER..... | 67 |
| 10.1.1 | <i>Background</i> | 67 |
| 10.1.2 | <i>Sawn Lumber Exports</i> | 68 |
| 10.2 | SOFTWOOD LUMBER..... | 70 |
| 10.2.1 | <i>Softwood Lumber Production.....</i> | 70 |
| 10.2.2 | <i>Softwood Lumber Exports</i> | 72 |
| 10.3 | HARDWOOD LUMBER | 74 |
| 10.4 | RUSSIAN PLYWOOD | 75 |
| 10.5 | FORECASTS AND OUTLOOK..... | 77 |
| 11 | CHINA | 79 |
| 11.1 | LUMBER..... | 79 |
| 11.1.1 | <i>Background</i> | 79 |
| 11.1.2 | <i>Chinese Plantations.....</i> | 80 |
| 11.1.3 | <i>Sawn Lumber Production.....</i> | 81 |
| 11.1.4 | <i>Sawn Lumber Supply & Demand</i> | 83 |
| 11.1.5 | <i>Sawn Lumber Imports</i> | 84 |
| 11.1.6 | <i>Sawn Lumber Exports</i> | 85 |
| 11.1.7 | <i>Sawn Lumber Exports by Destination</i> | 87 |
| 11.2 | SOFTWOOD LUMBER IMPORTS | 88 |
| 11.2.1 | <i>Imported Softwood Lumber by Species</i> | 90 |
| 11.3 | HARDWOOD LUMBER IMPORTS..... | 90 |
| 11.4 | CHINA PLYWOOD..... | 91 |
| 11.4.1 | <i>Plywood Supply & Demand</i> | 91 |
| 11.4.2 | <i>Plywood Production.....</i> | 92 |
| 11.4.3 | <i>Plywood Imports</i> | 94 |
| 11.4.4 | <i>Plywood Exports</i> | 96 |
| 11.5 | PROFORMAS AND PRICES | 97 |
| 11.5.1 | <i>Proformas.....</i> | 97 |
| 11.5.2 | <i>Price Trends.....</i> | 99 |
| 11.6 | FORECAST AND OUTLOOK | 100 |
| 12 | JAPAN..... | 104 |
| 12.1 | LUMBER..... | 104 |
| 12.1.1 | <i>Sawn Lumber Production.....</i> | 105 |
| 12.2 | SOFTWOOD LUMBER..... | 105 |
| 12.2.1 | <i>Softwood Lumber Imports</i> | 105 |
| 12.2.2 | <i>Softwood Lumber Demand Outlook</i> | 107 |
| 12.2.3 | <i>Softwood Lumber Outlook.....</i> | 108 |

| | | |
|-----------|--|------------|
| 12.3 | JAPANESE PLYWOOD | 109 |
| 12.4 | PRICE TRENDS | 110 |
| 12.4.1 | <i>Price Trends</i> | 110 |
| 12.5 | OUTLOOK | 111 |
| 13 | FINLAND | 113 |
| 13.1 | LUMBER..... | 113 |
| 13.1.1 | <i>Background</i> | 113 |
| 13.2 | OUTLOOK | 115 |
| 14 | BALTICS | 117 |
| 14.1 | LUMBER..... | 117 |
| 14.2 | OUTLOOK | 119 |
| 15 | SOUTH KOREA | 120 |
| 15.1 | OUTLOOK | 121 |
| 16 | OPPORTUNITIES FOR OFFSHORE LUMBER SUPPLIERS | 122 |