

Press Release – For Immediate Release

Seattle, USA. April 2009

The forest industry in Finland dramatically reduces its dependence on logs from Russia in 2008, reports the Wood Resource Quarterly.

Finland imported 24 percent fewer logs from Russia in the 4Q/08 as compared to the same quarter in 2007. With the uncertainty surrounding the log export taxes and timber market conditions in Russia, it is likely that the Finnish forest industry will rely less on Russian timber in the future.

Log consumption in Finland was substantially lower in 2008 than in the previous year. Total harvests were down about seven percent, with log deliveries from small private owners 25% lower than in 2007. Contrary to domestic log deliveries, log imports increased by three percent, totaling over 13 million m³ last year. However, shipments fell dramatically late in 2008, with softwood imports in the 4Q/08 down 24% from the same quarter in 2007 and hardwood log imports declining 28% over the same time period.

Demand for logs was quite different for the pulp industry compared to the sawmilling sector. The total harvest of sawlogs was down an estimated 22% in 2008 and the decline in the imports of conifer sawlogs was close to 45%, with the biggest reduction originating in Russia. On the other hand, logging of pulpwood was up by approximately 7% and imports were 24% higher than in 2007. The biggest increases in pulpwood imports were of pine and birch logs from the markets around the Baltic Sea.

Despite the postponement of the Russian log export taxes for 9-12 months, it is not likely that Finland will rush back to its Eastern neighbor and increase log imports again. This is because many major Finnish companies have already cut back on their presence in Russia and/or closed some of their offices.

It would be a big surprise if the log export tax of €50/m³ that was announced by President Putin in 2007 is actually implemented. There are a number of reasons for this; 1) Russia is in need of income from the timber exports, 2) many Russian logging companies have had to shut down, resulting in increased unemployment, 3) there is not enough domestic capacity to convert all logs that are now being exported and 4) the Russian government's involvement in restricting free trade has only created uncertainty, which discourages foreign investors from investing in manufacturing facilities in Russia.

Despite the reduced operating rates in the Finnish industry, pulpwood and sawlog costs did not decrease much in the 4Q (in the local currency). Because the Euro continued to weaken, pulpwood prices fell 15% and conifer sawlogs were down 17% in US dollar terms, according to the Wood Resource Quarterly.

Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks sawlog and pulpwood prices in most regions around the world and also includes regular

updates of the latest developments in international timber, pulp, lumber and biomass markets.

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