

International Forestry Forum Report with regard to the three years

The Forum is the only industrial B2B event dedicated to the development of forestry industry sector of Russia and its integration into the global forestry community. **Over the years of existence of the International Forestry Forum, more than 500 events have been held within its frameworks that were visited by over 240,000 leading forestry industry experts.** All events of the International Forestry Forum fall into four categories: **congress, exhibition, business and competition programs.**

The first Forum was held in St. Petersburg in 1999, and since then the event became annual. In 2007, the number of participants of the Forum reached 2400 people. Several Forums included All-Russian Congresses of Foresters.

Nine-year history of the Forum accounts for over a hundred of events, including round table meetings, conferences, seminars, competitions, awards, exhibitions and presentations. The Forum is annually represented within the world's largest projects in Russia, Sweden, Finland and Germany.

The Forum is a leading industrial project and is one of the events contributing to the improvement of the Russian economy. The event joins experts, politicians, businessmen, economists, scientists and managers.

Venue: St Petersburg, Park Inn Pribaltiyskaya Hotel, Lenexpo Fairgrounds in Gavan.

Major topics:

- Forestry
- Bioenergy
- Investment in the forestry industrial sector
- Economy
- Management
- Competitiveness
- Transport and logistics for the forestry industry
- Wooden Building
- Staffing

The International Forestry Forum held **in 2006**, became a worthy successor to the International Forestry Forum. Three key industry events were held within the framework of the Forum: the 8th International Forestry Congress "Russian forestry complex in the 21st Century", the 6th All-Russian Congress of Foresters and the 3rd International Junior Forestry Contest.

The Forum first met on the same site representatives of forestry and the lumber industry from all regions of Russia and 57 countries around the world.

It held: VI All-Russian Congress of Foresters, VIII International Forestry Congress, III International Junior Forest Contest, and numerous round table meetings, exhibitions and conferences. During these events, held a thorough exchange of views on the whole range of issues were clarified and expanded business contacts between representatives of various segments of the forest sector, considered a number of promising for use in the Russian legislation and enforcement of foreign participants of the Forum.

It was the first time that the International Forestry Forum has brought together representatives of forestry and forestry industry complex from all Russian regions and 57 countries of the world.

The following events took place within the framework of the Forum: the 8th International Forestry Congress, the 6th All-Russian Congress of Foresters and the 3rd International Junior Forestry Contest, as well as various round-table discussions, thematic exhibitions and conferences. These events implied a thorough exchange of views on the whole range of issues. A lot of new business contacts between representatives of various segments of the forest sector were established or expanded, a number of advanced proposals to be applied in the Russian legislation and law enforcement practice introduced by foreign participants of the Forum were considered thereat.

The International Forestry Forum was opened by the parliamentary hearings with regard to the new revised edition of the Forest Code. In the course of the hearings, 150 representatives of the executive and legislative branches discussed materials prepared and introduced their recommendations and suggestions on the Forest Code project follow-up revision and completion.

It was the first time that ***the International Conference: Advanced technologies for pulp, paper and tissue industry (IPPTF 2006)***, organised in cooperation with the Swedish company ADFORUM, took place within the framework of the Forum. Over 150 experts from 19 countries of the world, including experts from Russia, Europe, the USA and the UN, CEOs of a number of Russian enterprises, took part in the Conference.

Following the results of the Conference, it was noted that the Russian pulp-and-paper industry did not meet the country's economic requirements with regard to the development of high-tech enterprises specializing in deep and complex wood processing. In this respect, the Ministry for Education and Science of the Russian Academy for Sciences, the Ministry for Industry and Energy and the Ministry for Natural Resources were recommended to intensify their efforts with a view to create a strategic technological platform for the Russian Forestry Complex by 2030 and to ensure its compatibility with the European technological forestry platform.

The 9th International Conference held by the Association of wood house-building "Resources of the Russian Forest – a comfortable and affordable housing" also played an important role in the Forum. The participants of the Conference discussed the problems of implementing the national project "Affordable and comfortable housing for Russian citizens" and its implementation in the framework of a number of pilot mass building projects of houses with the use of wooden components at all construction stages.

In 2007, the International Forestry Forum hosted a number of momentous events. It was the first time when part of the Plenary Session: Strategic Vision and Scenarios of Long-Term Development of Russian Forestry Complex till the Year 2015: National and International Aspects, a joint session featuring FAO UN and the Federal Forestry Agency of the Russian Federation was held. The session was headed by V.P. Roshchupkin, Head of the Federal Forestry Agency of the Russian Federation and Jan Heino, Assistant General Director of Food and Agriculture Organization of the United Nations (FAO UN). Each of the nine sessions was represented conducted in the form of an open discussion and was dedicated to one of the challenges faced by the forestry sector of the Russian Federation.

The People's Republic of China became the guest country of the 2007 Forum. The delegation of leaders and representatives from the Ministry of Forestry of China and the Ministry of Trade of China organised a workshop as part of the Forum titled The Cooperation of Russia and China in the Field of Forestry and Lumber Industry.

Over 35 delegations from all Russian forestry regions took part in the work of the International Forestry Forum. On the whole, the Forum brought together more than 2500 participants from 22 countries of the world.

2007 Forum events included:

- Plenary Session: Mechanisms to Encourage the Development of the Forestry Complex of Russia;
- Plenary session: Strategic Vision and Scenarios of Long-Term Development of Russian Forestry Complex till the Year 2015: National and International Aspects;
- Seminar organised by the guests country of the 2007 International Forestry Forum - the People's Republic of China: Woodworking Technologies and Equipment in China. Recommendations for Russia;
- Public meeting of the expanded Forestry college of the Ministry of Natural Resources of the Russian federation;
- Conference: Forestry in the Context of the Adoption of the Forest Code;
- Round table meeting: Lesinvest: Investment in Forestry;
- Conference: Economy. Management. Competitiveness;
- Conference: Young Professionals. An Outlook into the Future;
- Conference: Panel and Veneer Production;
- Conference: Bioenergy in Russia
- International Pulp, Paper & Tissue Forum - IPPTF 2007 – the Second International Technical Conference and Exhibition New Available Technology and Improvements for the Pulp, Paper and Tissue Industry,
- Round table meeting: The current status of and forecasts for the development of forest certification in the national forest sector of the economy.

The Forum implied the discussion of the development of a national forestry policy, encouragement of the investment activity in the forestry industry, increasing the competitiveness of the domestic lumber industry for deep wood processing, expanding the use of wood origin fuel sources, of the regulatory basis for the forestry in conditions of the new forestry legislation, of the education system reform to provide training and retraining of highly skilled human resources for the industry.

The 10th Anniversary International Forestry Forum took place in 2008.

Over 2500 delegates from 35 countries and 52 regions of Russia visited the congress part of the Forum.

The International Research and Practice Conference "The Role of Forests in Stabilizing Climate: Research – Innovations – Investments – Staff potential" took place within the frameworks of the Forum. The conference included 3 sessions: "Scientific research", "Innovation and technology" and "Investments". The main topics for discussion were concerning the issues of climate change and its influence on the forest management development, attraction of investment into climate projects, including reforestation, afforestation and forest management. The event was organised by the Federal Forestry Agency of the Russian Federation and FAO UN and was visited by over 150 participants from 35 countries of the world.

The main programme of the Forum was opened on October 7, by **the Plenary Session "Integration of Russia into the Global Forest Community"**.

Other events included:

- Round table meeting: Regions of Russia: Forestry Complex Investment Potential;
- Conference: "Wooden House-Building Industry" supported by the Wooden House Building Association;
- Round table meeting: Solution of the Problem of Personnel Support of Innovational Development of Russian Forestry Complex According to its Development Strategies up to 2020;
- Conference: Improvement of Forest State Management and Forestry Sector Development;
- Conference: Infrastructure of Russian Forestry Complex. Prospects and Development Trends;
- Conference: Board Industry arranged in cooperation with the Saint Petersburg State Forestry Academy;
- Round table meeting: Establishment of Self-Regulatory Organizations: advantages and drawbacks. Cooperation with Government Authorities;
- Conference: Bioenergy in Russia" organised in cooperation with the National Bioenergy Union.

Over 100 experts from 12 countries took part in the 3rd International Technical Conference IPPTF "Topical Issues of Russian Pulp and Paper Industry Development. Trends and Advanced Technologies".

JSC "Ilim Group" became the **sponsor** of the International Forestry Forum.

The Forum program was rich and covered all key issues in forest industry. Participants of the anniversary Forest Forum discussed the development priorities of the forestry complex, the staffing issues in industry, talked about improving the state management of forests and forestry development, debated with regard to the prospects and development of the forestry complex infrastructure. In addition, round table meetings devoted to the development of bioenergy and wood production in Russia were held.

Several specialized exhibitions were traditionally as part of the Forum, including those dedicated to the wooden house building, investment potential of the forestry complex and the development of the pulp and paper industry.

A certain positive progress in the development of the forestry complex in Russia was noted at the Forum, including: a stable increase in the output of main wooden products; substantial investments in timber processing, the development of bioenergy and wooden house building.

Over the year 2008, the situation in the pulp and paper and wood processing industry has changed significantly under the influence of the new effective forestry legislation. These changes are primarily due to the increased activity of and the influence from administrations of constituents of the Russian Federation, owners of enterprises involved in the development of expansion and modernization programs and potential investors exploring the possibilities of establishing new wood deep processing enterprises.

Flake board and MDF production facilities are created at priority rates, new plants are constructed and existing plants are upgraded. The development of wood processing companies was triggered by the large western specialized companies' entering the Russian market.

In her speech at the opening of the Forum, the chairman of the State Duma Committee on Natural Resources, Natalia Komarova noted the predominance of foreign specialized equipment manufacturers among the exhibitors. "This means that Russian producers still have a lot to achieve, particularly in one of the most advantageous lines of development – low-rise house building. For example, frame houses assembled, literally, in a couple of days, are currently produced by a German technology. More than half the population of Finland and Germany live in such houses. Such housing would prove useful in many regions of Russia", - Natalia Komarova emphasized.

The overall status of the forestry industry:

- MDF market is booming: the demand for MDF panels is on the increase, due to increased competition the level of prices is reducing gradually.
- Increased production of flake board and MDF panels is combined with a slight increase in the production of wood veneer.
- In terms of the global pulp and paper production, Russia makes no significant impact on the world market.
- Increased application of wooden building products for residential construction and the development of wooden housing triggered an increase in the output in the wooden building structures production sector.
- Despite a steady growth since 2000, the production and consumption of laminated wood structures in the country is still low. The output of laminated wood structures is far from the level of the developed countries.
- The Russian furniture industry has been dynamically developing since 2000. In recent years, small business has accelerated the development in the furniture industry.

Foreign trade and wood products marketing outlets:

- By the results of 2006, the United States rate as the world's leader in production of workable wood. The largest global manufacturers include also Canada, Russia, Brazil, and China.
- The dominant position in global wood exports is occupied by Russia. China is the largest importer of workable wood, despite the fact it rates among the five largest producing countries – its own production does not meet the demand for wood.
- Annually the world produces over 400 million m³ of sawn timber. The major producers of sawn timber include the United States, Canada, Germany, Brazil, and Russia. The major exporting countries are Russia, Sweden, Germany, Finland, and Austria.
- The main sawn timber importing countries are the USA, Japan, Italy, United Kingdom, and China.
- The main furniture importing countries in the world - the United States, United Kingdom, France and Japan. Wooden furniture accounts for about 2 / 3 of total furniture imported into developed countries.
- The main furniture exporters in the world are China, Italy, Germany, Poland and Canada.

Challenges, trends and prospects of the forestry industry development:

- low competitiveness with regard to many product types due to lack of modern production technologies and high-tech equipment at the majority of forestry enterprises;
- relatively low investment attractiveness of the lumber industry (the acceleration of the development of forest industry requires 50-55 billion rubles of investments per year);
- unavailability of reserve capacities in some industries (capacity utilization at a number of pulp and paper and plywood enterprises exceeds 90%).

Major trends of the forestry industry include:

1. Increasing foreign investments in the forestry sector. Despite the difficult situation with regard to the adoption of the new Forest Code, foreign investors, one after another, started to announce major investment projects in Russia, including the major projects by Stora Enso, Metsa Botnia, Avantazh Kapital, Khenda-Sibir, and several other companies.
2. In 2006, a trend for the acquisition of forest assets by specialized and non-specialized companies was established. The emerging of new and the expansion of the existing forest holdings is to be expected.
3. Due to the increased export duties on round timber, large enterprises arrange the wood deep processing operations, while small businesses either go bankrupt or change their specialization towards other activities.
4. Consolidation and integration of the forestry industry, the globalization of the wood products market, the transition of forestry companies to IPO (Russian Timber Group was the first company to declare an intention to conduct an IPO).