



Food and Agriculture Organization
of the United Nations

PANEL DISCUSSION

Opportunities for and barriers to forest products from the perspective of the private sector

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UNECE/FAO Forestry and Timber Section
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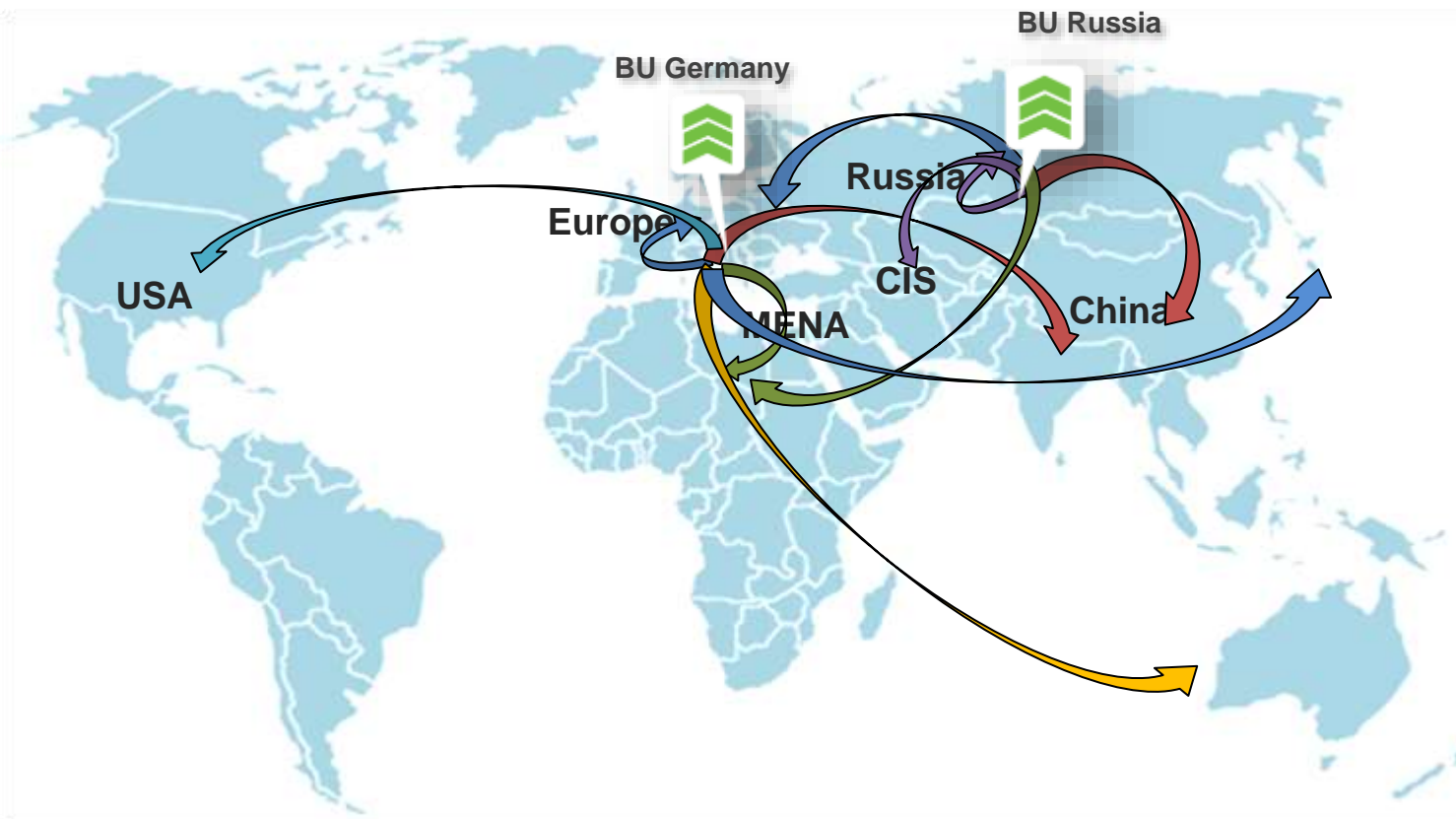
ILIM TIMBER CORPORATE PROFILE OPERATIONS



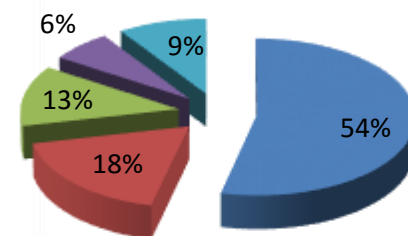
- Business Units: Russia and Germany
- Sales organizations: EU, USA, China, Russia and NIS, MENA
- Annual production capacity: **2,65 million m³** of sawn timber and **220 000 m³** of plywood
- Company headcount: about **3000** people
- Species: pine, Siberian larch, spruce, Douglas fir, Sitka spruce
- Long-term contracts with strategic log suppliers

ILIM TIMBER CORPORATE PROFILE

MARKETS AND PRODUCTION VOLUMES 2015



Key markets*
(cbm.)



- Europe 54%
- China 18%
- MENA 13%
- Russia & CIS 6%
- RoW 9%

*incl. sales of plywood

- Total production: **2.300.000 m³**
- Total sales: **600 mln. USD**

BUSINESS UNIT RUSSIA

Ust-Ilimsk branch of Ilim Timber

- Location: Ust-Ilimsk, Irkutsk region, 700 km North from Baikal lake
- Foundation: 1983
- Products: softwood sawn timber («Taiga» brand)
- Raw material: Angara pine, Siberian larch
- Project capacity (output) per year: 650 000 m³
- Sales: China, MENA, EU, Japan



Bratsk branch of Ilim Timber

- Location: Bratsk, Irkutsk region, 500 km North from Baikal lake
- Modernization: 2012
- Products: softwood plywood
- Raw material: Angara pine, Siberian larch
- Project capacity (output) per year: 220 000 m³
- Sales: Russia, EU, NIS



CERTIFICATION



FSC certificate
BU Russia



EC Certificate of Production Control
BU Russia



PEFC Certificate
BU Germany



ISO 50001:2011 Certificate
BU Germany



IPPC Certificate
BU Germany



ISO 9001:2008 Certificate
BU Russia
BU Germany



The mark of
responsible forestry



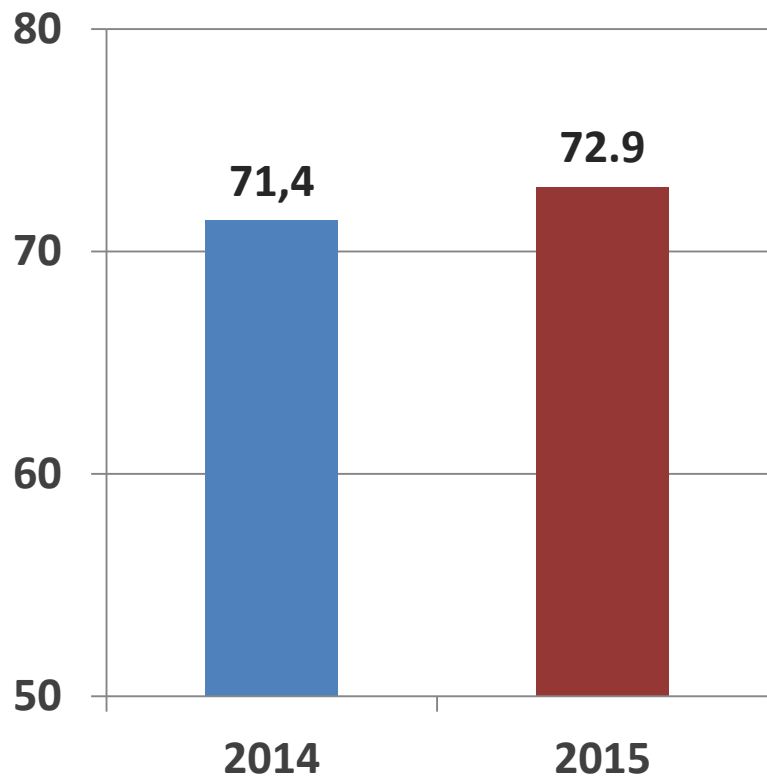
SOFTWOOD ROUND WOOD VOLUMES 2015

- Softwood harvesting in 2015 is over **145 million m³** **+4,3%**



- Annual available cut in Siberia & Russian Far East is less than 20% utilized while utilization rate in NW Russia exceeds 60%

SOFTWOOD SAW LOG PRODUCTION, mln. m³



+2,1 %

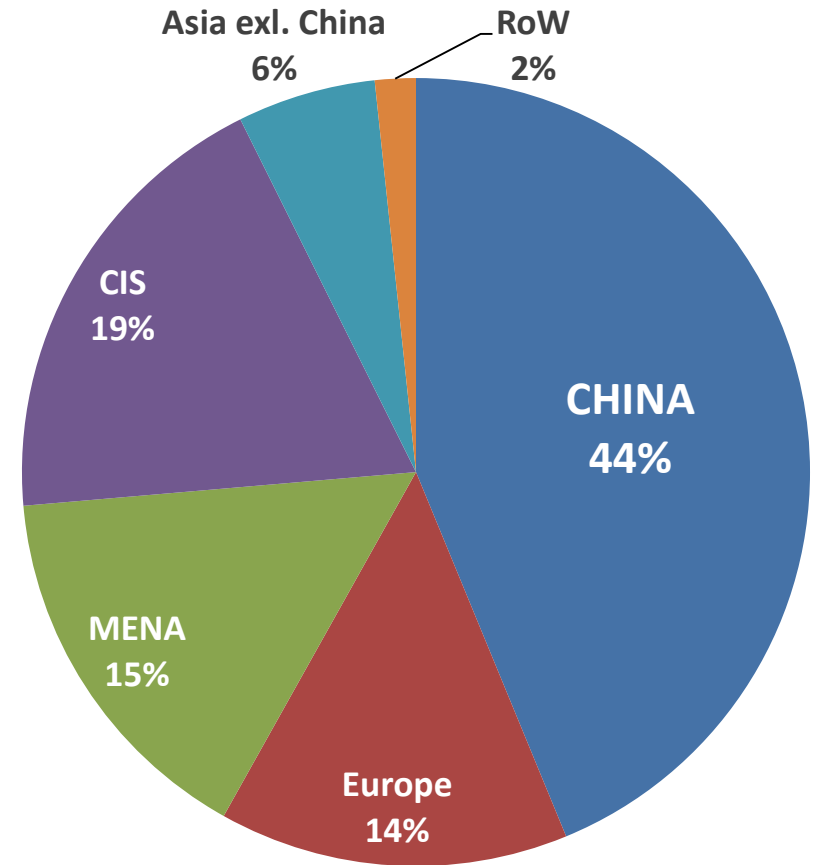
Source: Rosstat



Source: Rosstat

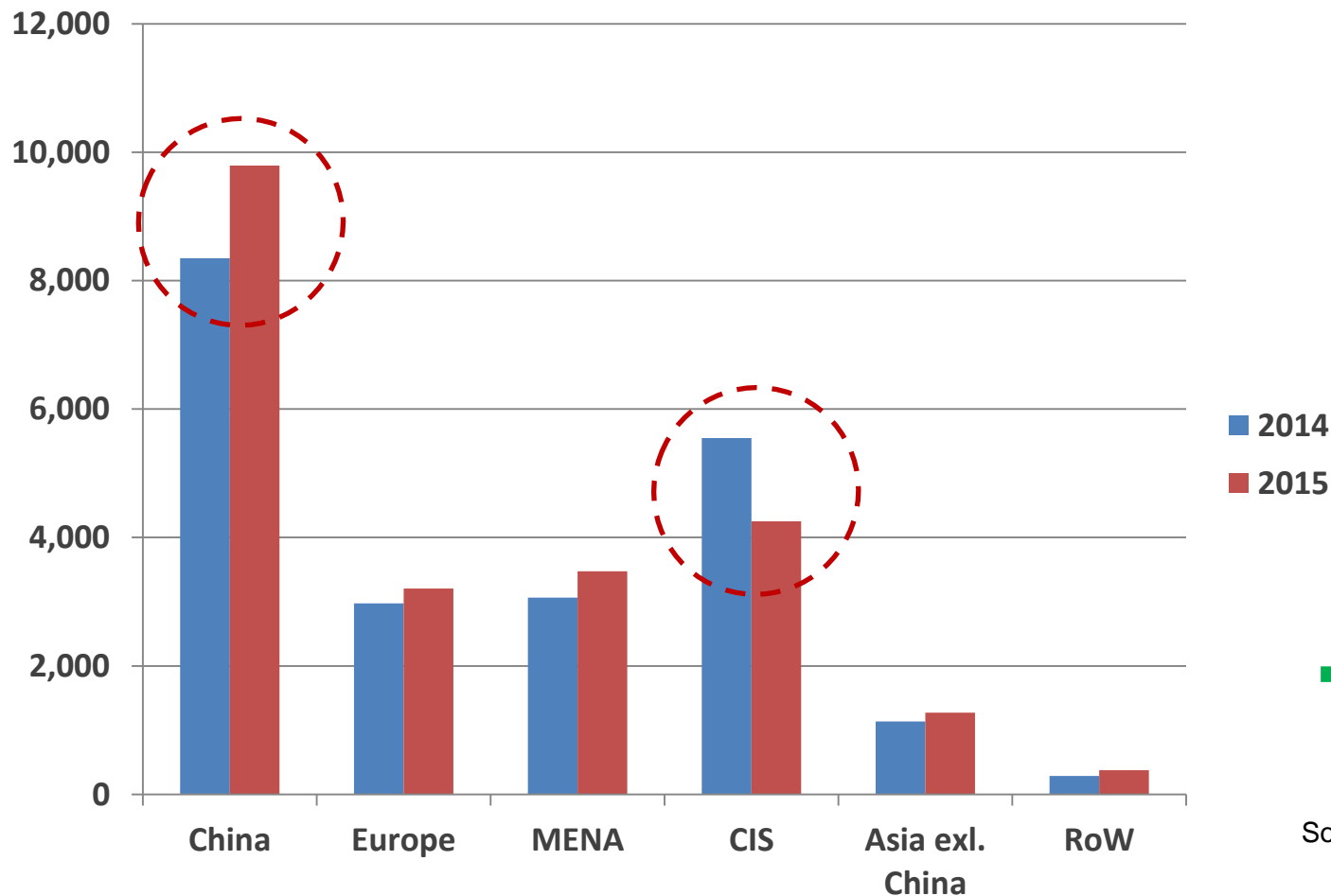
SOFTWOOD SAWN TIMBER EXPORT 2015

- Total export volume - **22.4 mln. m³**
- China the main market – 9.8 mln. m³
- CIS – 4.25 mln. m³
- MENA – 3.47 mln. m³
- Europe - 3.2 mln. m³
- Asia excl. China – 1.3 mln. m³



Source: Russian Customs

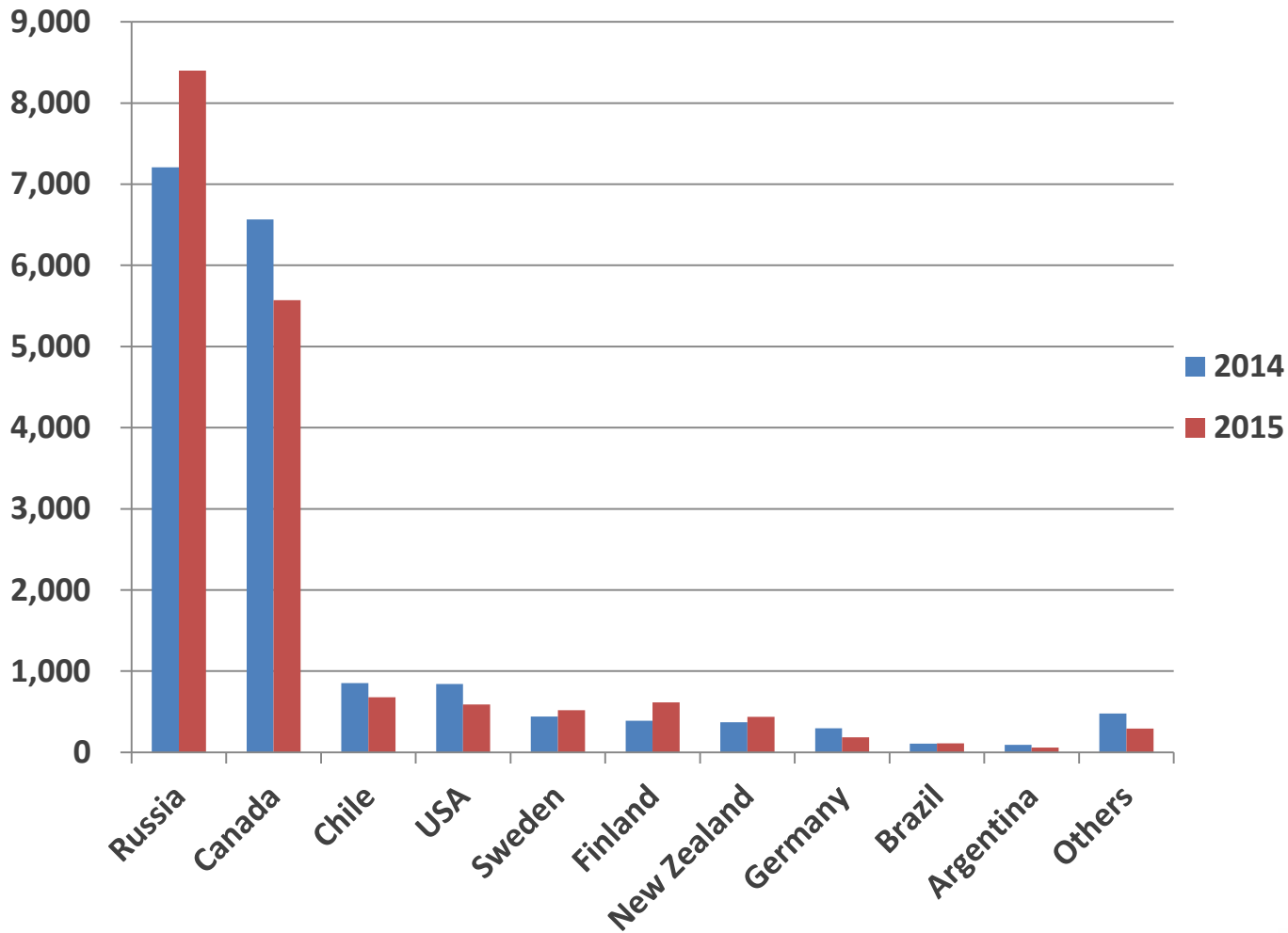
RUSSIAN EXPORT OF SOFTWOOD SAWN TIMBER BY REGIONS 2014 vs 2015 (th. m³)



+4,7 %

Source: Russian Customs

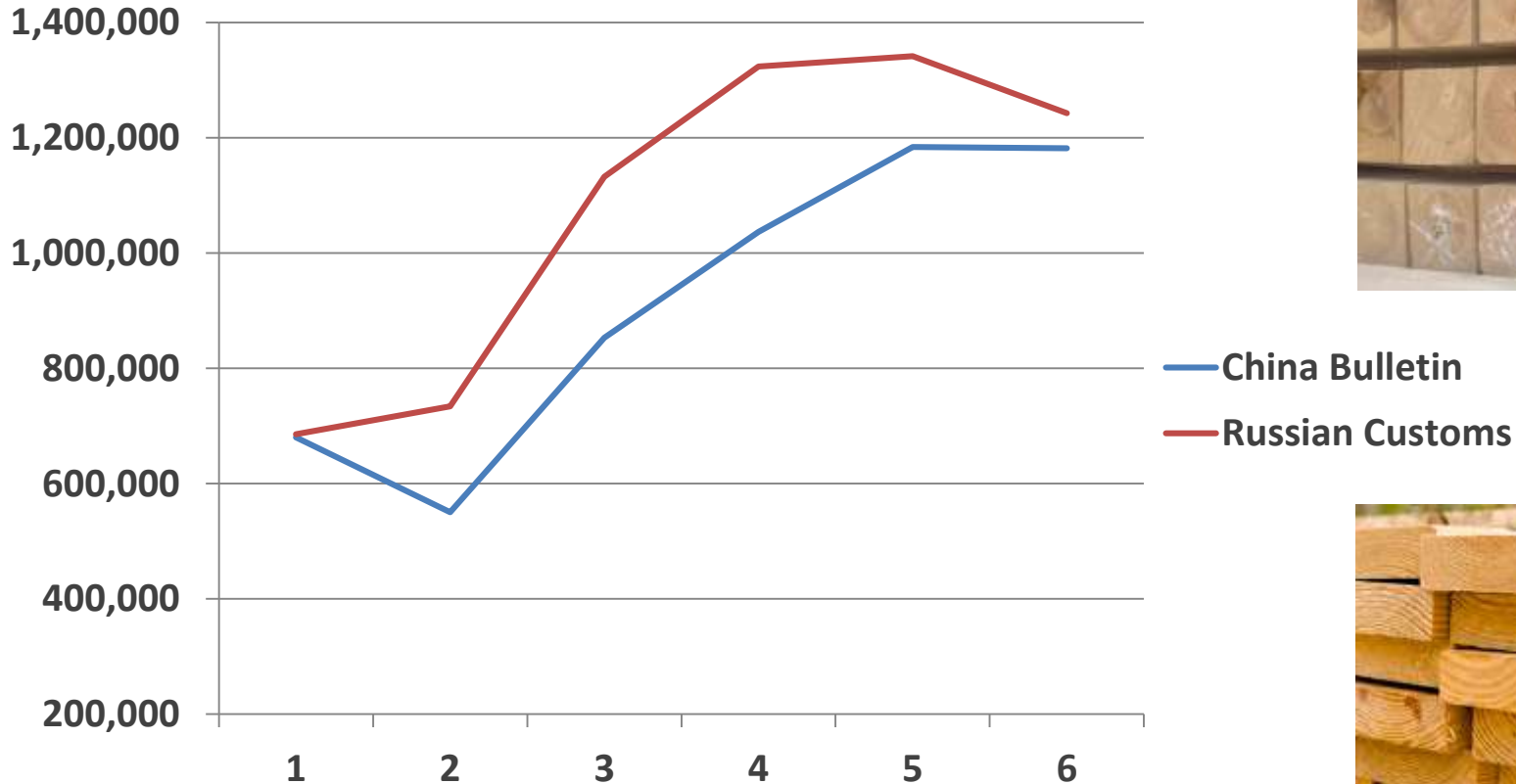
CHINA SOFTWOOD LUMBER IMPORT 2014 VS 2015, th. m³



**+16,5
Russia**

Source: China Bulletin

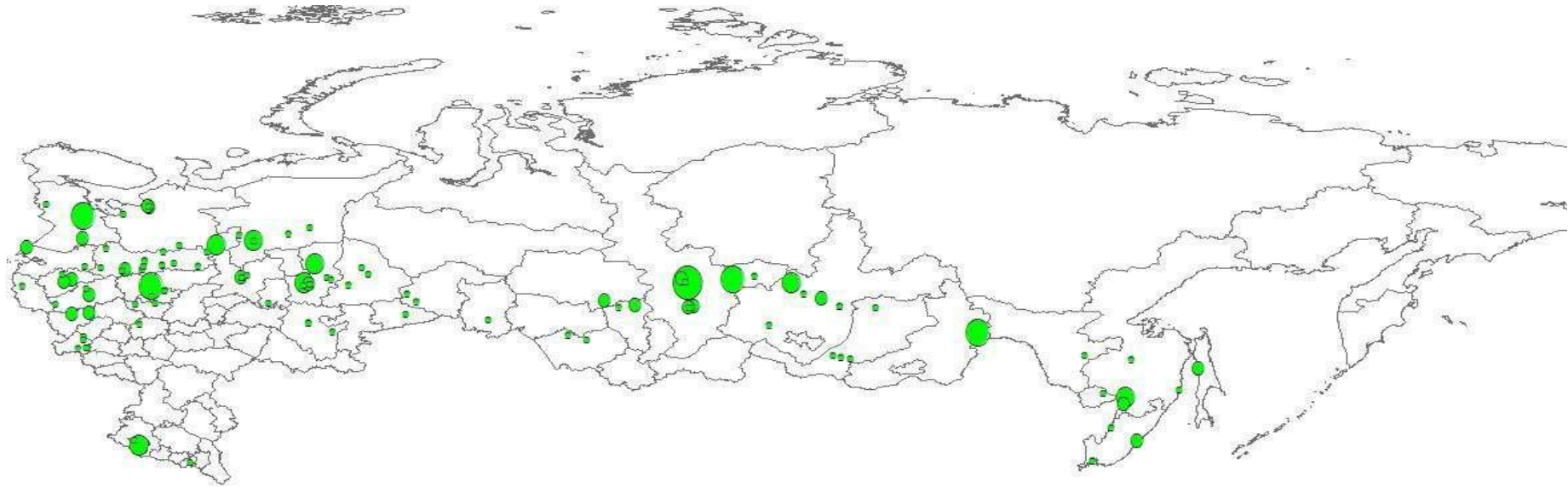
SOFTWOOD SAWN TIMBER EXPORT to CHINA 2016 H1, m³



Source: Russian Customs, China Bulletin



RUSSIA WILL INCREASE WOODWORKING CAPACITY PRIORITY INVESTMENT PROJECTS



- Implementation 2006 – 2021, average payback time 6-7 years
- 121 state supported investment project
(so far 41 are accomplished and 8 will come in 2016)
- Reserved 70 mln.m³ from AAC (10% from whole Russian AAC)

GOVERNMENT INCENTIVES



- Electronic system for monitoring of round wood turnover on federal level started to operate successfully July 01, 2015 (415 Federal Law)
- June 10, 2016, the State Duma adopted in the third (final) reading the largest set of amendments to the Forestry code of the Russian Federation since its adoption in 2006:
 - compulsory application of remote sensing data (including GPS survey data, aerial photography), photo and video recording, reports on the use of forests and reports on reforestation
- Intensive forestry model promotion by the Ministry of natural resources of Russia



MAJOR CHALLENGES FOR THE FORESTRY BASED BUSINESS



1

Infrastructure and economic barriers

- Lack of investment in forest roads
- High railway tariffs for the transportation of wood products



2

Domestic market development

- Wooden frame houses promotion
- Use of wood in public sector construction



3

Low investment attractiveness

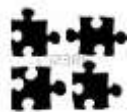
- Investments return is highly dependent on access to log and infrastructure (not fast enough)
- High interest rates



4

Dependence on imported equipment

- No locally made equivalents to imported equipment
- Lack of quality components (chemicals, glue, parts) necessary for production process



5

Supply chain territorial disruption

- Exceeding volumes of timber in Asian part of Russia
- Exceeding production capacities and major consumption regions in the European part

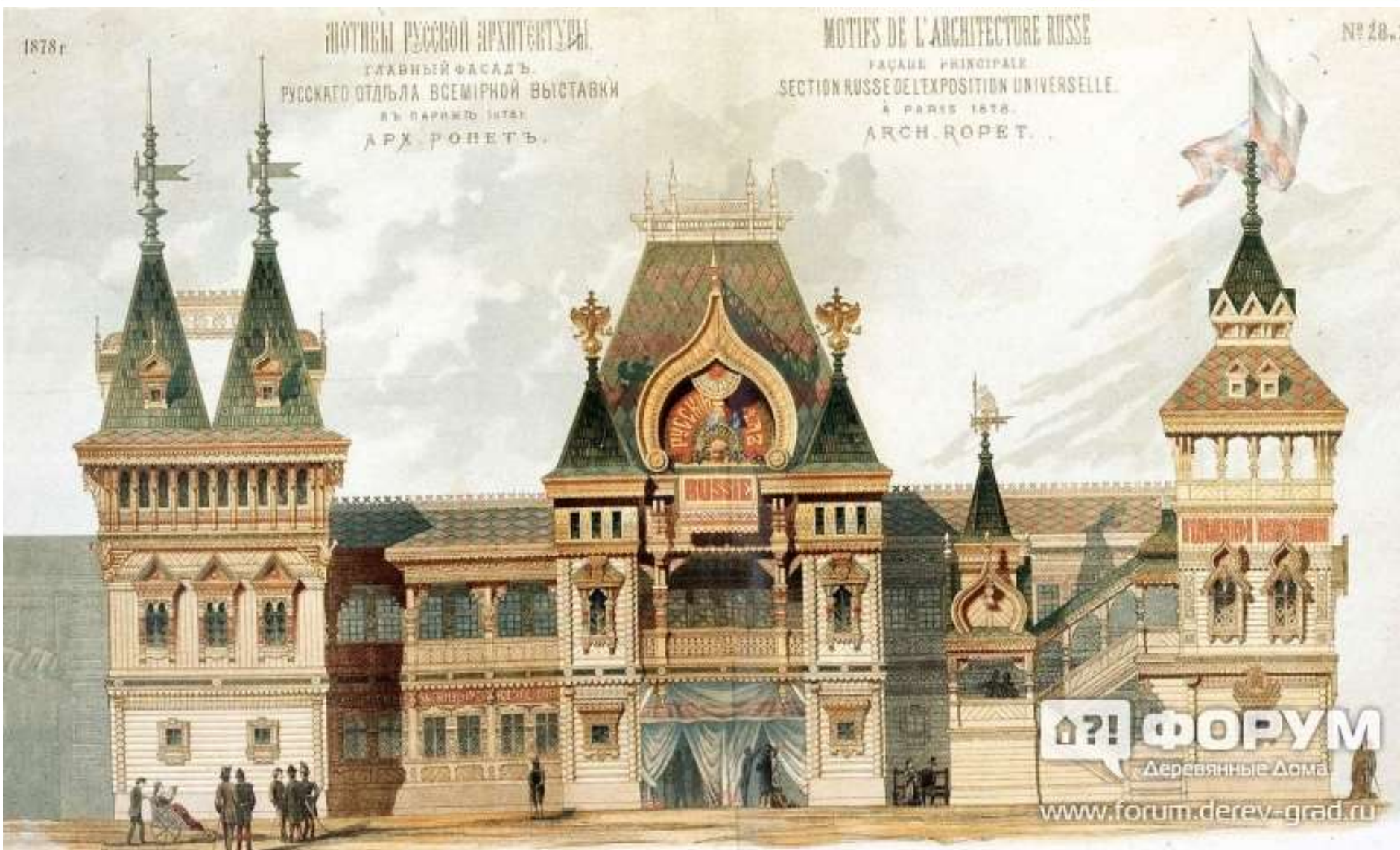


6

Personnel and R&D deficit

- Common for the ROW

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