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## Forest industries' business environment remains challenging - Finnish mills need 10-15 million cubic metres more domestic wood at competitive prices

Forest industry production in Finland was up approximately 2% in January-March 2007, compared with the year before. Growth was overshadowed by concern about the availability of wood raw material at competitive price, however, as the forest industries' demand for domestic wood is continuously increasing. At the same time the production of bioenergy raises demand for wood and forest biomass and thus competition for raw materials. On the other hand the production of bioenergy offers the forest industries interesting new business opportunities. Concern of raw material availability is emphasized by the increases in Russian export duties to be expected from the beginning of July.

Finnish mills need about 10-15 million cubic metres more domestic wood annually. Increasing the share of domestic wood would raise GDP by 600-900 million euros and the state's tax revenues by about 120 million euros a year. The sustainable and versatile processing of domestic wood would bring 4,000-6,000 person-years of work in different parts of Finland.

"The new Government programme includes several positive measures that will encourage wood production and increase the supply of mature stands. Inheritance tax, which is planned to be eliminated in generational transfers of agricultural and forest holdings so as to prevent the fragmentation of holdings. Additional funds under the Act on the Financing of Sustainable Forestry and resources for advising forest owners have been promised. Measures to promote the use of wood and building with wood will also continue. Sustainable forestry helps finance Finnish welfare services and has a positive effect on the state economy," says Dr **Anne Brunila**, President and CEO of the Finnish Forest Industries Federation.

More expensive wood increases the cost pressure particularly for small and medium-size sawmills. "The figures for January-March indicate that roundwood's share of production costs in the sawmilling industry has continued to rise. Although demand is good, we are worried about increased costs and sawmills' competitiveness," says Dr Brunila.

The availability of domestic wood is especially important because Russia has announced that it will gradually increase export duties on wood beginning in July 2007. Russia and the European Commission are negotiating on increases in export duties, which are not in harmony with Russia's intention to join the WTO.

"Taking export industry's special needs into consideration in domestic energy solutions is also forward-looking industrial policy," notes Dr Brunila. "If there is an adequate



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supply of energy, the price can remain competitive, which in turn strengthens industry's trust in Finland as a profitable operating environment."

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The Finnish Forest Industries Federation represents companies in the wood-processing industries in Finland. We promote the competitiveness and profitability of the forest industries by strengthening its operating environment and public image in Finland and abroad. Our membership covers the pulp, paper and paperboard industries and most of the sawmilling, wood-based panel and wood products industry in Finland.

The forest-based sector employs directly and indirectly for nearly 200,000 Finns. It also boosts income and vitality in sparsely populated areas and accounts for one-third of the nation's export earnings.