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A magazine for SCA's solid wood products customers | www.scatimber.com

2010

Swedish timber gaining ground in Finland

World-leading door manufacturer chooses SCA

SCA partnership creates new sawmill company





timber news

Laura Sojakka, CEO, and Juha Sojakka, Marketing Director and owner of Siparila Oy, Finland.
Photo: Mats Wigarat

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SCA Timber is one of the largest sawmill companies in Europe and includes seven sawmills, wood-processing units, distribution and wholesale operations. The total production of solid-wood products amounts to 1.8 million cubic meters.

SCA Timber is part of SCA's Forest Products business area, which produces publication papers for newspapers, magazines and catalogues, pulp and forest-based biofuels. SCA Forest Products also manages SCA's extensive forest holdings, supplies SCA's Swedish industries with wood raw materials and offers cost-efficient transport solutions to SCA's units.

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tel +46 60 19 30 00
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If everyone in China...

"... if everyone in China were to toast a slice of bread in the morning, 100 new nuclear power stations would need building..."

Influenced by the Swedish nuclear power referendum, this was something we as children joked about at the end of the 1970s. I hadn't counted on that figure being correct, but it's a fascinating thought... and now more relevant than ever!

A population of 1.3 billion, growth of 10 percent per year and 600 million people set to take the step from poverty to being middle class over the next 10 years is a terrifying prospect. The map of how the world's resources are distributed must be redrawn. The need for energy, housing, cars, furniture, etc. seems to be inexhaustible. It could be a massive threat or a massive opportunity. That about sums up the state of things as China takes its first steps into 2010, the Year of the Tiger.

The question I'm most frequently asked is whether China has a lot of its own forest. The answer is both yes and no.

In terms of area, China has the world's fifth largest forest holding. However, if you look at the amount of area that is actually covered with trees and the volume timber stocks per capita, China falls way down the global list. Domestic timber resources are not sufficient to satisfy all the country's needs. Consequently, China is currently the world's biggest importer of round timber. The majority of that import comes from Russia, although their timber exports to China have reduced in recent years.

If the trend for round timber is a negative one, the opposite is true for sawn solid wood products. Volumes are increasing from both Russia and Canada. Large volumes of Canadian insect-damaged timber from BC (British Columbia) are being exported at low prices for use as formwork or in the Chinese packaging industry.

However, for European sawmills (and for SCA Timber), China remains a small market.

Our customers are primarily furniture and door manufacturers who produce both for export and, increasingly, for the local market. Our timber competes with pine and spruce from Russia. Northern China is almost completely dominated by Russia, whilst we are more competitive in the south of the country. In addition, cheaper Radiata pine from New Zealand is used by our customers to a large extent.

How does the future look? Chinese industry will focus less and less on exporting and shift its attention to the domestic market. A key issue will then be whether our type of timber will be accepted for furniture and joinery in Chinese homes. Another issue will be to see how the Chinese choose to value solid wood products derived from sustainable forests in relation to Russian solid wood products, whose origins are usually shrouded in mystery. In both these issues I see signs that make me optimistic for the future.

There is also significant potential in the building and construction sector. Timber construction in the world's biggest building market is currently marginal, most due to the fact that there has never been a Chinese timber building standard. But, thanks to tireless efforts in both Europe and Canada, a standard has now been produced. The aim is to increase the extent to which timber is used in interior walls and roof structures. There are good economic and environmental arguments for such an increase in timber use. If China accepts these arguments, a market that swallows up huge volumes of softwood products will open up.

The Chinese have unshakable faith in their own progress. When I talk to people in China, I sometimes hear: "Don't worry, in a few years China will be the biggest market for SCA Timber. Nothing can stop this development." The trend being shown for other types of raw material means that you can't simply brush aside such comments. There's one thing we can be certain of though – what happens in China affects us all. And who knows...
"... if everyone in China lived in timber houses..."

Mathias Fridholm
Business Development Manager,
SCA Timber, Hong Kong



Mathias Fridholm.

Photo: Sai Kirthi Daswani

Procurement criteria drives up demand for FSC wood

The UK has created a set of National Indicators on Sustainability for its local government authorities, and, in its wake, social housing providers are now demanding certified timber for their repair and maintenance programmes.

Procurement processes involve a 'pre-qualification' stage, at which competing builders' merchant suppliers are filtered according to their compliance with a range of criteria. Holding chain-of-custody certification on timber and wood products is giving merchants a solid competitive advantage. "For the independent builders' merchant tendering for supply contracts, pre-qualification is a stark business issue. Putting in place timber chain-of-custody certification is often essential to reaching the next round of selection," says Bob Bastow, SCA Timber Supply's Environment & Quality Assurance Manager.

Some time ago, Bob invented a simple 10-stage plan for builders' merchants, enabling them to or-

ganise their systems and staff training procedures in preparation for successful FSC chain-of-custody audit by independent auditors. His pre-certification advice is still in high demand and even smaller independent merchants are now able to discern direct business benefits from seeking it.

Throughout the UK's recent recession in construction, the social housing and local authority repair and maintenance markets have continued to offer a business lifeline to hard-hit builders' merchants – or at least to those which can jump the necessary procurement criteria 'hurdles'.

"Established systems like FSC represent the 'gold standard' in the eyes of local authority and housing association procurement managers," Bob asserts.



Bob Bastow, SCA Timber Supply's Environment & Quality Assurance Manager.

"In the past twelve months SCA's help has brought 22 companies successfully through FSC chain-of-custody audit. It's a service to our customers and it's a service to our industry, helping to boost its reputation for responsible purchasing. It's also a service to the wider environment by encouraging sustainable forestry, as practiced by SCA."

Camilla Hair

SCA and Persson Invest announce plans for joint sawn products company

SCA and the Persson Invest Group, based in the County of Jämtland, have announced plans to form a joint sawn products company, Gallo AB. The company will consist of Persson Invest's two sawmills Gällö and Tjärnvik, and SCA's Jämtlamell sawmill in Stugun. Persson Invest and SCA will own equal stakes in Gallo AB.

SCA and Persson Invest already co-operate extensively, both with respect to sales of sawn products in certain markets and in the procurement of raw materials.

"Gallo will utilise SCA Timber's well-developed sales organisation,

which will significantly boost our strength in the market for sawn products," says Bob Persson, President of Persson Invest.

"With the addition of Gallo's products, SCA Timber will be able to offer larger volumes of sawn products – more than two million cubic

meters in total – making us a more attractive partner for the most dynamic wood products customers in Europe and in other markets," says Jonas Mårtensson, President of SCA Timber.

A total of 161 employees will be affected at the sawmills at Gällö, Tjärnvik and Stugun, in addition to some 10 contractor staff. The combined production of the three sawmills is 380,000 cubic meters of sawn products.



Pellopuu Oy manufactures timber houses in the traditional style. Pictured is the company's Sales Manager Aatos Keskitalo (left) and owner Armas Kristo (right). In the centre is SCA Timber's Ville Liimola.

Photo: Mats Wigardt

Dynamic Finnish companies supplied with timber from Sweden

For just over a year, SCA Timber has had a presence in Finland. From a sales office in Tampere, Ville Liimola collaborates with industrial solid wood product customers and distributors, primarily in the north of the country.

“We focus on developing long-term relationships,” he summarises.

A hazy sun does nothing to significantly heat up this frozen landscape. In the middle of a cold snap and with temperatures down to -36°C, spindly spruce trees line the road between Rovaniemi and Pello, standing rigidly to attention.

“At least it’s cold enough to kill

off the eggs of the bark beetle,” says Liimola, failing to conceal his delight.

Immediately to the south of Pello, on the Finnish side of the Torne River, lies the little settlement of Turtola. This is the hometown of former Finnish Prime Minister Paavo Lipponen, and is the current base of Armas Kristo, otherwise known as the Emperor of Lapland.

Kristo has been in business since he was 12. Shops, stores, tourist and skiing facilities, holiday villages, hotels, grocery shops – it’s easier to say what this 70-year-old hasn’t been involved in.

For the past few years, he has also been the main shareholder in Turtola-based timber house company Pellopuu Oy.

“I didn’t have any Lego when I was little, so now I build real houses instead,” he says with cheeky glint in his eye.

The sawmill in Turtola was founded in 1870. The factory has produced laminated beams for a few years and wooden houses for almost 50 years.

Three years ago, Kristo initiated an extensive programme of investment in the company. About € 5.5 million has been spent on repairs, new premises, modern machinery and employee training. The only

thing left to do now is to invest in a new finger jointing line.

“I’m getting old and want to ensure that there is work here in the village for when I’m no longer active in the company,” he explains.

Pellopuu Oy manufactures timber houses in the traditional style. Laminated wood produced in-house measuring from 88 mm up to 274 mm is used instead of solid timber logs.

“Laminated wood has no cracks, does not shrink and retains its shape much more easily,” says Sales Manager Aatos Keskitalo.

Every year, the company produces the parts for about 200 houses, 80 percent of which are exported to countries such as the US, Sweden, Japan and Chile. The houses come in standard models that are modified according to each customer’s specific requirements. Each house sold is therefore unique.

“Demand for timber houses is increasing,” assures Keskitalo, who has just packed his bags for a trip to visit a new customer in Kazakhstan.

In the company’s design studio, Kari Pasma shows how the house blueprints can be modified. Each customer gets their house just as he or she wants it. The biggest timber house Pasma has designed – so far – measured 850 m² and was sold to a customer in Russia.

“We supply a drawing and all the timber components for the house, including doors and windows,” he says. “It’s then assembled on site. On average, one of our houses contains 40 cubic metres of finished timber and costs in the region of € 84,000.”

The raw material used in the company’s timber houses and laminated wood beams comprises late maturing Norrland pine that has a high proportion of heartwood. Every year around 20,000 cubic metres of this beautiful reddish pine is used, with an estimated 7,000 cubic metres set to come from SCA Timber during 2010.

“The best material for our purposes is 75 x 225 sawn timber,

which can be a little difficult to get hold of,” says Keskitalo.

“But,” he continues, “when SCA said that they could offer us a regular supply of FSC-certified timber from their Munksund sawmill, there was no reason to hesitate.”

We leave Tornedalen and travel south into Finland, towards Jyväskylä.

Liimola often spends his working days on the road. The trips are frequent and long. During the past year, he has signed agreements with customers throughout northern Finland – in Oulu, Tornio, Kemi, Pello, Rovaniemi, Kajani, Haapavesi... and around Vaasa. And, of course, on the outskirts of Jyväskylä.

Because of poor profitability, production volumes at Finnish sawmills have been reduced dramatically. At some mills, this has led to production being slashed in half.

At the same time, domestic felling has shrunk and round timber from Russia has almost ceased to be imported, whilst demand for timber has remained relatively stable.

“This has created a vacuum in the Finnish solid wood products market, a vacuum that SCA is now trying to fill,” he says.

In the past, if Swedish sawmills had tried to sell sawn timber in Finland, it would have been like trying to sell sand in the Sahara. But the situation has completely changed.

“I could easily sell much greater volumes than I have access to,” assures Liimola. “The Finnish resistance to buying Swedish timber has all but vanished, and customers are satisfied with both the quality on offer and the deliveries.”

Liimola previously worked as a product manager for a major Finnish forest corporation. It was a job he enjoyed. But when he was offered a job as a sales rep for SCA Timber in the Finnish market, it was an opportunity he couldn’t resist.

“I thought it was time to try something else,” he says. “And it’s a decision I’ve had no cause to regret.”

With his extensive network of contacts and keen insights into the Finnish forest products industry, Liimola has succeeded in achieving, and surpassing, the targets he has been set. In addition, the fact that he is a Finnish national with Finnish as his mother tongue has contributed to opening doors that otherwise would have probably remained closed.

“Each country’s business culture is slightly different,” he says. “Because we’re new to the Finnish market and have everyone’s eyes fixed on us, it’s important not to make any faux pas.”

We pass Tampere and get closer to Jyväskylä, a big, modern university town in central Finland and the birthplace of renowned architect Alvar Aalto.

>>>



Armas Kristo’s company manufactures timber houses made from laminated wood.

Just outside the town centre, in Vaajakoski, are the premises of wood finishing company Siparila Oy.

The company is named after a small village in Karelia, which is now in Russia, whose inhabitants were known for their creative methods of using and developing timber.

“We try to be innovative and flexible and want to work in the same spirit as those villagers,” explains Juha Sojakka, the company’s Marketing Director and owner. Laura Sojakka is the CEO and married to Juha.

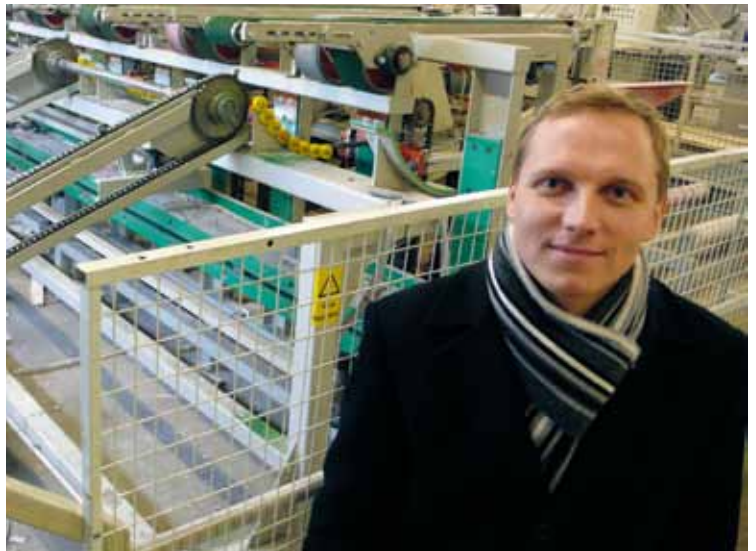
He was previously the manager of a factory that was a subcontractor for IKEA. In 2003, he bought the run-down house construction factory that is now home to the Siparila finishing company.

“I’d wanted to start my own company for some time when I stumbled on this, and was given the green light by the bank,” he says.

When he took over, the factory in Vaajakoski had a turnover of around € 3.5 million.

During 2010, it is estimated that the company will enjoy a turnover of up to € 15 million, with 70 or so employees. The financial crisis certainly seems a long way away...

Siparila Oy produces mouldings and other types of interior and exterior panelling, the majority of



Juha Sojakka, owner of timber finishing company Siparila Oy, near Jyväskylä.

which is pre-treated and cut in lengths suitable for loading on the roof of a car. The products are sold at builders’ merchants in Finland, throughout Europe and in the Far East.

“When people renovate their houses, chances are they’ll also want to replace their panelling,” explains Juha. “and it’s likely they’ll choose a panel that they don’t have to paint themselves.”

Things have gone well for Siparila. Now that the Finnish house building boom has come to an end, people are decided to renovate their properties instead. When it became difficult to get suitable raw materials - dried and environmentally cer-

tified high quality spruce – from Finnish or Russian suppliers, Juha turned to Sweden.

Last year, the company used approximately 40,000 cubic metres of raw spruce. Seven thousand of these came for the first time from Finland’s neighbour to the west, sent by SCA Timber.

“My colleagues’ raised eyebrows have now gone back down again,” summarises Juha. “They’ve come to realise that buying timber from Sweden is no stranger than Swedes buying mobile phones made by Nokia.”

Mats Wigardt

Also see www.pellopuu.fi and www.siparila.fi



Always on the road. The trips are frequent and long, covering the length and breadth of northern Finland, for Ville Liimola, SCA Timber’s sales representative in the Finnish market.

Facts:

Between 2003 and 2009, Finnish sawmill production fell from almost 14 million m³ to 7.6 million m³. During 2009 alone, Finnish sawmill production fell by 24 percent.

Between 2004 and 2009, consumption of sawn solid wood products fell from approximately 5.6 million m³ to 4.5 million m³.

In 2007, Finland had the highest per capita consumption of sawn solid wood products in Europe.



Quick-thinking workers at SCA Timber Supply. Andy Williams to the left and Malcolm George to the right. In the middle Lenny Russel, Mill Supervisor.



A Weinig Powermat machine will shortly be installed replacing the previous machine, resulting in increased capacity.

Opportunity from adversity

SCA Timber Supply in the UK has turned adversity into opportunity at its Stoke-on-Trent headquarters. Modernisation is in progress after a fire in a planing machine that produced PAR and profiles for the builders' merchant and DIY sectors just before Christmas. A Weinig Powermat machine will shortly be installed replacing the previous machine, resulting in increased capacity.

Russel, agrees: "The new machine will cut set-up times by up to 50 percent making run changes easier. Potentially this will increase our capacity by around 25 percent when the machinery is fully commissioned."

"Our multi-site business strategy stood us in good stead with no interruption to customer service in the aftermath of the fire, as we were able to switch some production to our Welshpool plant," comments Jonathan Bower, Production Director, SCA Timber Supply.

"This adversity brought out the best in our team. Our colleagues Malcolm George and Andy Wil-

liams acted quickly to shut the fire down and prevent its spread. They also made sure that all staff were safe and accounted for.

"The incident has given us an opportunity to update our technology. The new Weinig machine will enable us to increase capacity at Stoke right across our range of machined products for builders' merchant and DIY customers."

Mill Supervisor at Stoke, Lenny

Malcolm George, cited by his colleagues along with Andy Williams as 'local heroes', adds: "We really appreciate the help from our Welshpool team in tiding us through the reconstruction. I'm really looking forward to a fresh start with the new machine, which we hope will be up and running before Easter."

Camilla Hair

Winning on the Lightside

SCA Timber Supply was named Timber Supplier of the Year 2009 at the Cemco Merchant Network Lightside Conference held in February this year. Cemco members describe themselves as 'entrepreneurial' independent builders

merchants with businesses that grow faster than market average. They have a combined purchasing power of around £400 million.

"Cemco Merchant Network companies have values similar to our own on service excellence and

quality of offering," says Rob Simpson, managing director of SCA Timber Supply. "We're proud to win this award, and proud to be a key element in the supply chains of such forward-thinking companies."



JELD-WEN is the UK's leading supplier of doors, windows, and stairs, offering a wide product range that is found in thousands of UK homes.

Photo: JELD-WEN

World-leading door manufacturer chooses SCA

JELD-WEN was established in 1960 as a small family-owned company with fifteen employees in Oregon, USA. Today, JELD-WEN is a world-leader in doors and windows. Since autumn 2009, SCA Timber has accounted for around 90 percent of all softwood materials supplied to JELD-WEN's various production units in the UK.

With a population of more than half a million, Sheffield in South Yorkshire is one of the eight biggest cities in England.

The city played an important part in the industrial revolution and gained early worldwide fame for its steel production. For example, it was in Sheffield that stainless steel was invented.

Since the 1980s the city's economic base has become considerably broader. One example of this new variety is the door and window manufacturer JELD-WEN. Sheffield is the location not only of the company's UK head

office but is also home to a large factory making doors.

JELD-WEN established operations in the UK in 1999. By then, the company had, in just forty years, grown from a small family business in Oregon, USA, to a major international wood manufacturing group, with more than 150 factories and 20,000 employees.

For example, by acquiring the Danish company Vest-Wood, which included the Swedoor brand, the group had become the biggest supplier of door and window systems in Sweden.

JELD-WEN UK Ltd. was established through the acquisition of two UK joinery businesses, John Carr and Boulton & Paul. JELD-WEN also bought up a door factory in Penrith.

Since then, it has expanded into the country's leading supplier of doors windows, and stairs, offering a wide product range that is found in thousands of UK homes.

These include both standard and special doors for use internally and externally. The range includes sliding doors, glazed doors, folding doors and fire doors intended for use in both new build homes and the domestic replacement market – together with a range of windows that is at least as varied.

Today, JELD-WEN operates four manufacturing sites in the UK.

In Sheffield, a number of the company's more advanced door

products are made. In the heart of the East Midlands lies Melton Mowbray, famed for its pork pies. The company's windows and stair manufacturing is based here.

The market town of Penrith in the Lake District attracts tourists with its shopping facilities and excellent food. It is also where JELD-WEN's manufacturing unit for production of certain internal doors is based.

Until last autumn the wood raw material for JELD-WEN's UK factories was delivered from some 15 different sawmills around northern Europe. Sawn timber in descending lengths was shipped by sea to the port at Lowestoft, where it was stored at JELD-WEN's millwork plant awaiting precision cutting and finger jointing for the production of doors and windows.

For several years, SCA Timber had been interested in offering JELD-WEN a service in which SCA's highly developed logistics and customised products together delivered a convenient solution to JELD-WEN's raw material supply needs.

In summer 2009, Simon Thurman ensured that the two companies were introduced to each other. And they both liked what they saw.

Representatives of JELD-WEN were invited to Sweden and to a tour of SCA's sawmills.

"We understood each other from the outset," says Thurman.

Steve Pinder, JELD-WEN's UK purchasing manager, agrees.

"Having visited the Tunadal and Munksund sawmills, we were clear that SCA had the resources to offer the all-round, comprehensive solution we were looking for," he confirms.

By this, Pinder means that, with its huge forestry holdings and its control of the entire value chain from sapling to sawn solid wood products, SCA could guarantee the right raw material in sufficient volumes.

As further factors influencing the choice of supplier, he cites

SCA's high-precision logistics system, enabling JELD-WEN to cut down its own buffer stocks at Lowestoft; additionally SCA's customer-specific quality and developed components which generate a minimum of wastage.

"Also," adds Steve Pinder, "it's important to our customers that we have total traceability through chain of custody certification."

The majority of the products now transported by road, via SCA's terminals at Hull and Tilbury, are precision-cut door components from SCA's sawmill at Tunadal. Deliveries arrive regularly every week, subject to strict logistics and quality requirements.

Today, the volume totals around 16,000 cubic metres annually, freighted in cassettes from Tunadal to JELD-WEN in the UK.

"This is the biggest piece of new business Tunadal has taken on in ten years," says Markus Henningson, product manager at Tunadal.

"It's wholly in line with the trimmer and cutting line investments recently carried out at the sawmill," he continues. "We now anticipate gradual growth in the volume of deliveries to JELD-WEN."

The agreement signed by SCA Timber and JELD-WEN UK also covers pine solid wood, Green Split and finger-jointed laminated window blanks for window production in Melton Mowbray.

"Raw material from Munk-

sund sawmill is used to produce the Green Split and laminated window blanks and SCA's other pine mills provide the joinery pine products," explains Thurman, who now spends around half his working hours aiding JELD-WEN with advice, material selection and technical support.

"When you have a contract of this size and significance, it's important to have close co-operation throughout the supply chain, to keep the business moving forward," he says.

To John Shaw, General Manager of the JELD-WEN factory in Melton Mowbray – which now has all raw materials for its window production delivered by SCA Timber – the agreement with SCA is just the first step towards continuous process development and rationalisation of costs.

"We've been working closely with SCA on calculating our future needs for window components and are engaged in regular discussions as to how raw materials and processing can be better adapted to our specific needs," he says.

To Thurman, there is only one comment that covers what he feels about having played a part in enabling SCA and JELD-WEN to play together on the same side of the pitch:

"It's just great," he concludes enthusiastically.

Mats Wigardt



Simon Thurman, SCA Timber UK.

Facts:

- JELD-WEN's head office is located at Klamath Falls, Oregon, USA.
- The company's name originates from the names of the founder's parents and brothers/sisters.
- JELD-WEN operates in 22 countries.

See also www.jeld-wen.co.uk
or www.jeld-wen.com



"On the new website, you'll find information about SCA Timber's products and the supplier concepts we offer to customers in the timber industry and the builders' merchant sector. We've also made it easier to find contact details," says Ingrid Löfqvist, Web editor and Communications manager at SCA Timber.

Photo: Per-Anders Sjöquist

SCA Timber launches new website

The process has been a long one, both the planning stage and the more tangible construction stage which has been underway for the past six months, but now visitors to the SCA Timber website, www.scatimber.com, will be greeted by a completely new look.

"Everything's new – the structure, design and content," says Ingrid Löfqvist, Web editor and Communications manager at SCA Timber.

For some time now, there has been a desire within the company to have a website oriented more towards the visitor's perspective. When the SCA Group announced that a common platform was to be developed for external websites, it was natural to take the opportunity to think 'outside the box' instead of just migrating the current set of pages.

"My impression of the current

website was that it focused more on production units and technical criteria than on what is actually being produced. But the solid wood products market has also changed. The introduction of more finished and customer-specific products means that we have a more extensive range of products and supplier concepts to offer. Our target audience is customers, first and foremost. But we're also inter-

ested in journalists, various types of organisation, students, jobseekers, the general public and, last but not least, our own employees," says Löfqvist.

"The aim of the new website is to market our products and services, to provide information and to market SCA Timber as a company, to highlight its place in the SCA Group and to identify relevant contacts. The web isn't just our shop front to the outside world, it's also a tool for our colleagues in sales and marketing."

The new website has been designed in accordance with the SCA Group's common web publication tool, which means that the whole of SCA now has uniform graphic objects, typefaces and page layouts. The common platform also makes it easier to link to other businesses within SCA.

"In SCA's Forest Products business area, we have a strong, integrated value chain, which means that we have control – from plant all the way to product. Under the Sustainability tab, you can, for example, access information about SCA's business units that make good use of our by-products (sawdust, bark and chippings), or find out about the SCA Group's sustainability policy.

"My ambition has been to build a user-friendly website that has a clear and well-organised structure and contains relevant information in the form of brief, informative texts, as well as to steer away from filling the site with more content than there is time to update. To get a quick overview of the structure and content of the site, you can click on Sitemap, which appears at the bottom of the page," summarises Löfqvist.

Mats Wigardt

New Sawmill Manager

Anders Nilsson has been appointed new Sawmill Manager at SCA's sawmill in Munksund, Piteå. He joins the company after being sawmill manager at Södra Timber in Mönsterås. Nilsson took up his new post on 15 March 2010.



New Business Development Manager

Anders Nordmark, currently Sawmill Manager at Munksund sawmill, has taken up a new post on SCA Timber's staff as Business Development Manager.

New Chief Financial Officer



Eva Somero Sörensen has been appointed as CFO on SCA Timber's staff. Her last position was as CFO at Vattenfall Pan Europe Wind, and she will take up her new post on 1 May 2010.

Steady recovery for solid wood market

Demand for sawmill products has been high since last spring. The reason for this robust level of demand was that the production of solid wood products during 2009 fell more than consumption. Prices rose primarily during Q2 and Q3 as the result of low stocks and the difficulty in meeting the needs of the market.

The financial crisis continues to have a significant effect on the construction industry in the West, although construction activity appears to have bottomed out. In fact, some markets are now showing signs of cautious recovery. However, in the US, which is the biggest market for solid wood products in the world, the rate of new builds is still at its lowest since the depression of the 1930s.

National support programmes, such as Sweden's repair, rebuilding and extension (ROT) grant, have helped to counteract the generally negative trend. For the solid wood sector, this manifested in there being higher than expected levels of demand for renovation work in many of our markets during 2009.

During the year, China developed to become a major import market for sawn solid wood products. So far, the quality demands

are quite low, but volumes are now growing very rapidly. Canada and Russia are currently the biggest suppliers. It is anticipated that imports to China will continue to increase significantly.

During the period January-October, production in the 'big five' European producer countries (Germany, Russia, Sweden, Austria and Finland) was 15-16 per cent lower than for the corresponding period in 2008. From the peak year of 2007, the reduction was almost 25 per cent, or around 18 million cubic metres of sawn solid wood products. However, production started to increase again during Q4, with the rate in Scandinavia now coming close to the level achieved at the beginning of 2008 – albeit still significantly lower than in 2007.

In Finland, there was a major

wave of permanent closures during 2009, and this is set to continue during 2010. The reason for this is that the current industry structure was adapted to the national timber supply capacity (imports of Russian timber are being phased out as a long term source of supply).

After experiencing rapid growth during Q2 and Q3 2009, the price trend for sawn solid wood products has slowed. Prices from sawmills in the northern pine forest area are currently stable. If demand were to increase when the 'season' gets underway in spring, prices will rise, as stocks are relatively low throughout the chain, from production to consumption.

However, production increased during December and January following a long period during which levels were continually falling. SCA's sawmills were completely outsold for Q1, which serves to reinforce the belief that the market will remain stable or even become stronger during the spring.

Anders Ek
Marketing Director, SCA Timber



It may be cold outside, but it's warm indoors with pellets as a heating source.

Photo: Per-Anders Sjöquist

WARM HOMES

with raw materials from the forest

Wood pellets constitute a refined biofuel from Sweden's biggest renewable resource: the forest. At SCA BioNorr, which has been part of SCA Timber since 2009, around 180,000 tonnes of pellets are manufactured every year. Customers include both homeowners and heating plants, all of whom are contributing to a sustainable society.

Pellets are a wood-based biofuel with a high energy content. The raw material used comes from the forest and is made up of sawdust and chippings recovered from sawmills and the timber industry.

In Sweden, there are some 80 factories producing pellets. With two production units, located in Härnösand and Stugun, SCA Timber is one of the biggest pellet producers in the country.

Thirty-five trucks a day pass through the gates of SCA BioNorr's factory in Härnösand, delivering huge quantities of residual product collected from SCA's sawmills. Put simply, this material is ground down, dried and then, under high pressure, pressed into small rods of compressed biofuel.

Pellets are easy to both store and transport, in bulk or by the sack, to the customer. For homeowners, pellets are an economical, simple and environmentally friendly alternative to heating the home using fossil fuels.

Two tonnes of pellets have the same energy content as a cubic metre of oil. A normal household consumes around six tonnes of pellets a year.

Pellet stoves are available for houses with direct electric heating, the output of which can be adjusted to meet the needs of the building.

If instead you have a water-borne heating system that has previously been fired by oil, it's usually enough to change the burner on the boiler in order to be able to switch over to using pellets as a heating source.

A modern pellet-fired heating system is easy to manage, and it doesn't contribute to the greenhouse effect. Each cubic metre of oil replaced corresponds to a significant reduction in the emission of hydrocarbons, dust and particulates into the atmosphere.

The ash produced is an excellent fertiliser that is ideal to use in the garden or on your lawn.

Pellets are both economical and environmentally friendly, and are guaranteed to keep your homes warm throughout the cold winter.

Mats Wigardt

