The forest industry expects purchases of domestic and imported roundwood to increase during next year, compared with the current year’s volumes. Most of the increase will be in pulpwood. Of the forest owners, 41 per cent, i.e. more than last year, intend to sell timber next year. Investments in timber production will also increase compared with the current year. Both forest industry and forest owners expect stumpage prices to go up next year, with the exception of sawlogs, whose price the forest industry expects to go down slightly.

Implementation of the Survey

The survey is designed to examine the forest industry’s and forest owners’ expectations of price, demand and supply developments in the roundwood market. The data for the survey were collected by postal questionnaires sent to the respondents in August and September. The questionnaire concerning the forest industry was sent to all production plants based in Finland and to sawmills with an annual output of at least 5,000 cubic metres. Altogether the questionnaire was sent to 215 plants, of which 80 answers were received, 24 of them representing the pulp, paper and paperboard industry. When interpreting the results concerning pulp and paper mills, it is important to note the relatively low response rate. Answers by sawmills and plywood mills totalled 56. The pulp, paper and paperboard mills which answered the questionnaire represent about 40 per cent and the plywood mills and sawmills about half of their respective sectors’ outputs. In processing the results, the distribution of quantities, prices and statements were weighted with the output.

Because of the large number of private forest owners (roughly 300,000), the survey was based on a sample. Thus, a sample of one thousand forest holdings was selected throughout the country by means of simple random sampling. The questionnaire was sent to the owners of the sampled forest holdings, and by the due date 522 forest owners had returned a questionnaire that fulfilled the requirements for the survey. The survey responses contains a greater-than-average number of large forest holdings and holdings owned by one person or jointly by spouses, so-called “family-owned holdings”. How-

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1. The roundwood market business survey is an independent part of the Forest Sector Economic Outlook. Its results have not been used as a basis for the forecasts presented elsewhere in the Outlook. The survey is based on a mail inquiry sent to forest industry plants and private forest owners in August and September. The forecasts of the Forest Sector Economic Outlook are based on the demand situation for Finnish forest products and the supply situation in the roundwood market. Moreover, the forecasts in the Outlook are founded on the underlying international and domestic economic development up to the middle of October. Thus, the projections presented in the survey and the Outlook may deviate from each other. For example, according to the survey, both forest industry and forest owners expect average stumpage prices to go up next year, whereas the Forest Research Institute forecasts a slight decline in prices.
ever, as regards to other characteristics of private forest ownership, the survey responses can be regarded to be a representative sample of the population characteristics. In computing the results, the distributions of quantities, prices and statements were weighted with the area of the forest land.

### 4.1 Stumpage Prices

In the same way as last year, the forest industry’s and forest owners’ expectations regarding the development of stumpage prices are quite close to each other (Figure 22). Both expect stumpage prices to go up next year compared with the current year’s prices. In the forest industry, the balance figure for price expectations, i.e. the difference between respondents expecting prices to go up and those expecting them to go down was +13. Among forest owners, the corresponding figure was +31. A large majority of the forest industry representatives and forest owners who expected prices to go up estimated price increases to amount to 2–10 per cent.

The forest industry assumes that next year’s sawlog prices will remain roughly at this year’s levels. However, there were slightly more production plants expecting prices to go down than plants expecting them to go up. In the sawmilling and plywood industries, there were slightly more respondents expecting sawlog stumpage prices to go down than respondents expecting them to go up, whereas in the pulp and paper industry the situation was the opposite.

On the other hand, forest owners expect sawlog prices to go up next year. Expectations are highest among forest owners in northern Finland. This may be partly due to the fact that of the three big timber buyers, only UPM-Kymmene has come to an agreement with the forest owners’ on stumpage price development, and UPM-Kymmene does not buy timber from northern part of Finland. The number of forest owners expecting sawlog prices to go up is below average among forest owners in western part of Finland and among farmers.

Contrary to the price expectations for sawlogs, the forest industry’s and forest owners’ expectations regarding the price development of pulpwood are fairly close to each other. In the pulp, paper and paperboard industry, more respondents expected prices to go up than in the sawmilling and plywood industry. Among forest owners, the number of respondents expecting pulpwood prices to go up was higher than average in northern and in eastern parts of Finland and among pensioners.

### 4.2 Roundwood Demand

About 30 per cent of the production plants in the forest industry expected purchases of domestic roundwood to increase by 2–10 per cent. About one tenth of them expected purchases to decrease by 2–10 per cent during next year, compared with the purchases in current year. The difference between the number of production plants expecting sawlog purchase volumes to go up and the number of plants expecting them to go down, i.e. the balance figure, was +10
Pulpwood purchase volumes are also expected to go up, with the balance figure reflecting a change in purchase volumes being +34. Pulpwood purchase volumes are expected to go up in the pulp, paper and paperboard industry, and also in the sawmilling and plywood industry. However, the latter two industries also included numerous respondents who expected purchase volumes to go down. The expectations among respondents in the sawmilling and plywood industry that pulpwood purchase volumes will go up, is probably partly due to the fact that sawlogs are primarily purchased from stands that also include pulpwood. Consequently, in order to purchase sawlogs, they also have to purchase pulpwood.

**Wood Imports Will Increase**

About 30 per cent of the production plants in the forest industry reported using imported wood during the current year. Nearly the same number of plants reported using imported wood also next year. Imported wood is primarily used by the pulp, paper and paperboard industry. In the sawmilling and plywood industry less than one fifth of the plants use imported wood. Of the plants using imported wood, three quarters estimated the purchase volumes of imported wood to remain at the current year’s level during 1999. A quarter of the plants estimated purchase volumes of imported wood to increase by 2–10 per cent.

A large majority of the production plants in the forest industry expects that the quantity of timber stocks at mill, by waterways, at railway sidings and roadside landings will remain roughly at current year’s level. Only slightly over one tenth of the plants expected their stocks to go down next year. Stocks of wood will go down most in the sawmilling and plywood industry.

**4.3 Roundwood Supply and Investments in Wood Production**

Forest owners will continue to sell timber at a major scale, in the same way as last year. Among the forest owners, 32 per cent had already made one timber sales contract during the current year. In addition, 19 per cent of the forest owners said they would still sell timber during this year. On this basis, over half of the forest owners, which is more than in last year’s survey, have already sold or are planning to sell timber during the current year.

However, the industry’s purchases of roundwood from private forests will be smaller than last year. The larger proportion of sellers this year than last year is mainly explained by the fact that the sample contains a greater number of large forest holdings,
which are selling timber more frequently than owners of smaller forest holdings. In eastern and in northern parts of Finland, timber sales will be less frequent than the average, as will sales from forest holdings owned by pensioners, estates (of diseased owners), and associations. In contrast, farmers are selling timber more frequently than the average, which is due to the fact that they own larger holdings than average.

**Supply of Wood Will Increase**

Among the forest owners, 41 per cent are planning to sell timber next year, whereas 51 per cent will abstain from selling timber. In the last year’s survey, forest owners were asked to report their selling intentions according to a three-stage scale. According to the results, 24 per cent stated that they intend to sell wood, 43 per cent that they intend to abstain, and 33 per cent that they were still uncertain. The results of this year’s survey show, that selling intentions in 1999 are higher than average among the farmers, while among pensioners’ they are lower than average.

The balance figure indicating timber sales propensity makes it possible to estimate whether the roundwood purchase volume will increase or decrease compared with the previous year (Figure 24). According to the figure, the timber sales propensity in the previous year is a good indicator of the following year’s actual roundwood trading volumes. Because the balance figure is higher than last year, its would seem that next year roundwood purchases from private forests will exceed this year’s volumes.

The forest owners who have already sold timber during the current year, or who intend to sell next year, if not earlier, expect sawlog sales volumes to decline clearly during next year and pulpwood sales volumes to remain at the current year’s level. However, this does not provide a sufficient basis for drawing any conclusions regarding next year’s timber supply of sawlogs and pulpwood. This is because such an estimate should be based on a comparison of corresponding sales estimates for different years. This kind of information has not been requested in previous years. Instead, the expectations of next year’s sales volumes can be used in examining differences by region and by ownership categories.

Sale volumes of sawlogs from eastern part of Finland and from wage earners’ forest holdings are estimated to decrease more than average. On the other hand, farmers expect sawlog sale volumes to decrease less than average. Pulpwood sale volumes are estimated to decrease more than average in eastern and in western parts of Finland. This is contrary to northern part of Finland, where pulpwood sale volumes are even expected to increase. Wage earners and pensioners also expect pulpwood sales volumes to decrease more than average.

![Figure 24. Private Forest Owners' Roundwood Sales Intentions and Realised Roundwood Purchases.](image-url)
Investments in Wood Production on the Increase

The record logging volumes of recent years are also reflected in the investments in timber production in private forests. More than 60 per cent of forest owners have already carried out silvicultural and forest improvement works this year or intend to perform or commission such works next year. In northern part of Finland, slightly more than half of forest owners belong to this group. In forest holdings owned by estates and pensioners, silvicultural and improvement works were below average, whereas three quarters of farmers had carried out silvicultural and basic improvement works.

More than 70 per cent of forest owners intend to carry out or commission silvicultural and improvement works next year. In northern part of Finland and among estates, the proportion of forest owners planning silvicultural and improvement work was below average, among farmers above average. Forest owners carrying out such work during this year or who are planning to do such work next year, expect the work input to increase clearly during next year. The balance figure indicating a change in work input was +24 for this year, compared with a range of –1 to +3 in the previous five-year period (Figure 25). Work inputs in forest holdings owned by estates, associations and wage earners are expected to increase less than average during next year.

Figure 25. Private Forest Owners' Plans for Next Year’s Silvicultural and Basic Improvement Works.
## Authors

**Editor:** Lauri Hetemäki (Ph.D. Econ), *research specialist*

**Authors**

Jukka Aarnio (M.Sc. For., M.Sc. Econ.), *researcher*

Pertti Elovirta (M.Sc. Soc. Sc.), *researcher*

Riitta Hänninen (Ph.D. For. Econ.), *researcher*

Jarmo Mikkola, (B.Sc. Stat), *planner*

Pekka Ollonqvist (Ph.D. Econ.), *research specialist*

Johanna Pohjola (Lic. Econ.), *researcher*

Jaana Rekikoski (B. Sc. For. Econ.), *research assistant*

Pekka Ripatti (Ph.D. Geogr.), *researcher*

Heikki Seppälä (M.Sc. For. Econ.), *researcher*

Risto Seppälä (Ph.D. Stat.), *professor*

Yrjö Sevola (Lic. For.), *research specialist*

Olli Tahvonen, (Ph.D. Econ.), *professor*

Anne Toppinen (Ph.D. For. Econ.), *researcher*

Jussi Uusivuori (Ph.D. For. Econ.), *researcher*
The System of Forecasting Business Cycles in the Forest Sector (MESU) - research project

Purpose

• produce the Finnish Forest Sector Economic Outlook
• develop models for forecasting Finnish forest industry exports
• develop roundwood market forecasting models
• produce market reviews on the short term developments of the Finnish forest sector
• develop and maintain the MESU-data base

Staff

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project leader</td>
<td>Lauri Hetemäki (Ph. D. Econ), research specialist</td>
</tr>
<tr>
<td>Researchers</td>
<td>Riitta Hänninen (Ph. D. Forest Econ)</td>
</tr>
<tr>
<td></td>
<td>Anne Toppinen (Ph. D. Forest Econ)</td>
</tr>
<tr>
<td></td>
<td>Jussi Uusivuori (Ph. D. Forest Econ)</td>
</tr>
<tr>
<td>Computer planner</td>
<td>Jarmo Mikkola</td>
</tr>
<tr>
<td>Project secretary</td>
<td>Pirjo-Riitta Lind</td>
</tr>
</tbody>
</table>

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