

# The State Forest Management Centre concluded a wood sales contract with VKG for the purpose of establishing a bioproducts plant

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**The State Forest Management Centre and VKG Fiber signed a ten-year contract for the purchase and sales of wood, which is one of the preconditions to the birth of a production complex for the biochemical valorisation of low-value wood in Ida-Viru County.**

VKG's planned production facility will annually consume 700,000 cubic metres of pulpwood harvested from state-owned forests. This long-term contract with the State Forest Management Centre will ensure about a third of the necessary raw material for VKG.

According to the Chairman of Management Board of the State Forest Management Centre, **Mikk Marran**, it is now – after the conclusion of the framework contract – worth keeping fingers crossed that VKG Fiber will successfully complete all the milestones in reaching an investment decision. The success of the plans would also ensure stability for the State Forest Management Centre, as the sales volume would be seven million cubic metres of pulpwood over ten years.

“When the plant is born, VKG will become the State Forest Management Centre's biggest client. The planned plant in the Lügänuuse rural municipality would start valorising about a fifth of the total volume of wood harvested from state-owned forests. The chemical processing of wood is of iconic importance from the viewpoint of the entire forestry and wood sector, because the majority of pulpwood is currently being exported from Estonia without adding value to it. Now we have laid a proper foundation to keeping more jobs and more revenue in Estonia,” Marran said.

The contract between the State Forest Management Centre and VKG stipulates that within two months VKG has to submit a specified time schedule for the construction of the production facility; the schedule can be further updated within one year from the conclusion of the contract.

The completion of the new production facility as stated in the specified time schedule may differ from the time schedule initially submitted together with the business plan. The contract includes the option of postponing the completion by two years, and upon additional postponement beyond the two years, the volume of the supplied wood would decrease by up to 10% per year.

At the price offer proceedings held at the end of March, VKG Fiber won both deciduous and coniferous pulpwood quantities, 340,000 and 360,000 cubic metres, respectively. The

contract is based on a price model where the Scandinavian price is the base price, to be adjusted by the price difference between Estonia and Scandinavia. The price would be reviewed before each supply period.

The State Forest Management Centre and VKG have agreed on the establishment of a right of superficies on a 170-hectare immovable property in the Lügänuuse rural municipality. The Lügänuuse rural municipality approved the designated spatial plan last week.

Long-term contracts concluded between the State Forest Management Centre and VKG Fiber:

- [Coniferous pulpwood](#)
- [Birch pulpwood](#)

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