

WESTAS

Westas Group's stakeholder magazine 1/2020

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TIMBER TOGETHER

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ONE FARM, FOUR FARMERS

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*SALESMEN
JUHA NUMMINEN AND
ARTTU JALAS*

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WESTAS

Westas is Westas Group's magazine for forest owners, customers and other stakeholder groups. It is published twice a year.

Westas Group produces high-quality spruce and pine sawn timber for the domestic market and for global export markets. The Group is one of Finland's largest private wood-processing companies. Its current mills are located in Koski and in Pori.



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EDITORIAL



ON THE EDGE OF THE UNKNOWN

When I started to write this article, I was wondering what positive I could say about our industry's recent past, current situation and the near future outlook.

Finnish sawmills profitability become under serious pressure during last year after a relatively good year in 2018. With the sawntimber price drop that started in early 2019 the raw material prices in Finland have not adjusted downward sufficiently.

The calamities in the central European forests have created an unprecedented market situation and it is having an impact in sawmills and sawntimber markets everywhere. Hundreds of millions of m³ of forests have been impacted and we still do not have clear view on how large the calamities have been in 2019 and what 2020 will bring us.

The positive thing is that the forecasts predict that wood construction will be growing and during the coming years multistory wooden buildings will become more mainstream building technology. CLT is taking market share and it is being used alongside concrete and steel in new structures. For example, the French government has decided that 50% of public buildings must be built with

wood starting 2022. This type of development will be good for the Finnish sawmill industry and this type of development will increase investments and development of the Finnish sawmills.

It is disturbing to read the development of the Coronavirus in the news. At the moment we don't know where this is heading and how much this will affect the sawmilling industry but it is clear that nothing positive will come out of this. The Chinese market is a very important destination for Finnish sawntimber and the market will slow and logistical challenges will occur as there will not be enough containers available for transporting sawntimber to Asia.

By the time this article will be published things will have developed and possibly changed but at the moment it looks clear that the Coronavirus will impact the global economy and we will have tough times ahead of us. ✕

SAMPPA AUVINEN
MEMBER OF THE BOARD, WESTAS GROUP OY

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ONE FARM, FOUR FARMERS

Isokallio farm has stood in Lassila, Pori, for several hundred years. The size of the farm has varied over the years, but its location hasn't changed, surrounded by wolves, lynxes and deer. The eighth generation, at least, is now making its living from farming and forestry.

The farmhouse is humming with activity: all four generations are there because of the winter holidays. The kitchen smells like coffee, the old baking oven is glowing hot, the door opens and closes as work calls and someone's fingers get squashed under the rocking chair's rocker.

"Ownership transferred from my father **Reino** to me in 2011 and **Juho** there is waiting to take my place," the current farmer **Antti Isokallio** laughs and nods at his son.

ONLY MANAGED FOREST IS PRODUCTIVE

The Isokallios have altogether close to 200 hectares of forest and in addition to early produce, they breed suckler cows and pigs. Antti and his wife **Helena** have gradually left the farm work to the younger generation and focus more on their forests. As they live in western Finland, the 2011 Tapani storm inevitably comes up. A little luck is also linked to the bleak events, however.

"That December, we bought a recently thinned plot of land and I called the insurance company immediately to get my forest insurance up to date. Then two weeks later, the storm hit and knocked down everything in that area – every single tree," Antti says. "We haven't been hit by any bad storms recently, but the overpopulation of elks in the area is tough on the seedling stands."



Although each of the farmers has their own forest, they manage them together. The youngest farmer, Juho, says that he rode his tricycle in the forest and around the cows when he was little.

"We've had our differences on how to manage the forest but we all agree that it needs to be managed," he describes the multi-generational co-operation. Antti agrees.

"An unmanaged forest doesn't do well. If a forest doesn't yield well, look in the mirror. One thing I don't get though is how we planted seedlings on both sides of the road with the girls, and the trees I planted are now 80 cm shorter than the ones they planted," the middle farmer says with a grin.

"I think it has to do with the quality of the work," his father Reino quips. "Forest management hasn't changed that much over the decades. Of course, the use of machinery in the forest has increased over time but the principle is still the same: Cut it at the base."

Forests needs to be managed. That we all agree.

— Juho Isokallio

THE BEST BUCKER GETS THE LOGS

They sell wood through standing sale transactions almost annually. Their first encounter with Westas took place in 2014 through Sami Tuomola. Alongside reliability and smooth co-operation, the company's bucking made an impression.

"The cold fact is, the price is what matters in the end. Forest owners get their income from logs and, in that respect, Westas's bucking is the best," says Antti.

The intense climate debate has been closely monitored in Lassila. According to Reino, climate work should start somewhere other than in Finnish forests and with reducing harvesting.

"The people with the loudest opinions on forests know the least about them and don't own forests. For us, our forests have always been important: our small fields have provided us with food but the forest has been our bank. The forest industry has been Finland's only chance and we believe that it will continue to be just that. It is what our kids are building their future on," the older farmer concludes.

AT THE TABLE



Sami Tuomola buys wood in Westas's northern wood procurement area that covers Pomarkku, Kankaanpää, Jämijärvi, Honkajoki and Lavia. The choice of career was a no-brainer for the man who had spent his whole life in forests and doing forest work, and he got his forestry engineer degree in 2004. Since then, Tuomola has been traversing the forests for a living.

"I've seen all kinds of things. Once a wood seller called and asked why I hadn't informed them that the forest stand I had bought was already being felled. After talking with the harvester operator, it became clear that he was working for our competitor and were actually supposed to fell a similar stand at a neighbouring farm. Due to a GPS glitch, he had followed the ribbons I had placed. After a quick meeting over the phone, we agreed that he would finish cutting the stand and that he would be paid the normal amount for the work. Without flexibility from the parties, we could have started a major dispute, but in the end, everyone was happy with how it turned out," Tuomola recalls.

In addition to the freedom related to planning work, the purchasing supervisor values his interactions with different people. Tuomola also enjoys spending time in the great outdoors during his free time, fishing and hunting grouse with his Finnish Spitz. ✕



STORMS RATTLE PROFITS

The past financial period was characterised by weather events, bark beetles and lower demand.

The rebound effects of global market disturbances also showed in Westas's financial figures.

Year 2019 was a challenging year in many ways. At the same time as demand in some markets weakened, major destruction caused by storms and insects in Central Europe and southern Sweden flooded the markets particularly with inferior grades of sawn timber. The oversupply caused sawn timber prices to fall throughout the year – spruce by some 15–20% and pine by as much as 25% from their peak prices – and with the price of log raw material remaining largely unchanged, this brought profitability challenges to the entire industry. The pressure to drop the price of raw materials was reflected in sawmills mostly in the form of a scantier wood offering.

“At the start of 2020, production volumes were lower than usual, as a result of which, excess stocks have fortunately been purged and sawn timber demand and supply is somewhat more balanced. Part of the reason for that was a four-week-long strike early in the year that resulted from labour market negotiations: the strike all but shut down sawmills. The coronavirus that spread worldwide early in the year is also causing new

disruptions; its impacts on demand cannot be estimated as of yet,” states Westas Group's CFO, **Joonas Ilmolahti**.

SOLVENCY AT A GOOD LEVEL

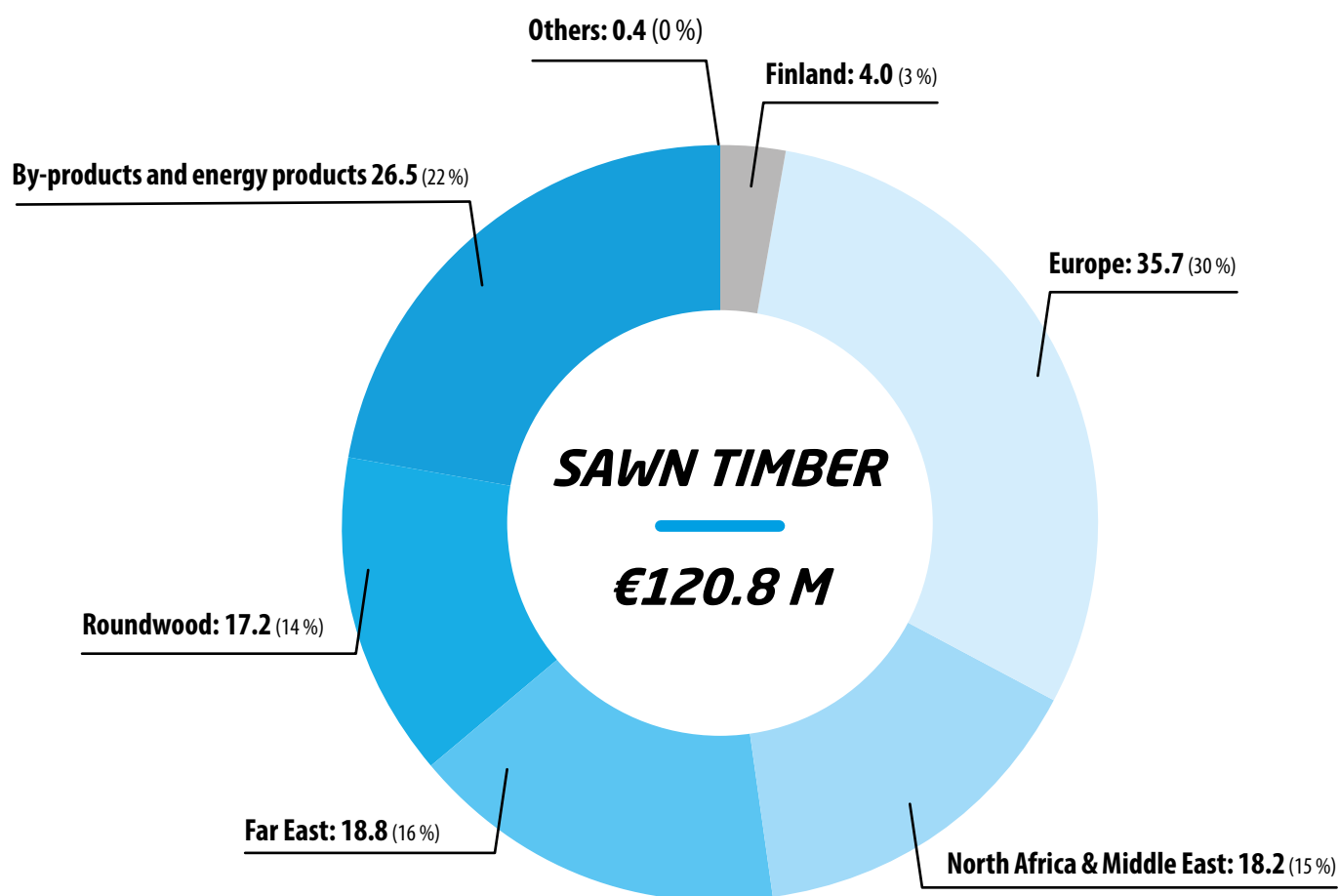
Westas Group's net sales for the 2019 financial year were €120.8 million (2018: €123.0 million), and the parent company Westas Group Oy's net sales were €86.5 million (2018: €86.6 million). The parent company is responsible for the Group's sales and administration services, as well as for the procurement of the raw materials needed in the sawmilling and biofuels businesses.

The Group's total production volume of sawn timber amounted to 408,000 m³, which is roughly at the same level as the previous year (2018: 411,000 m³).

“Westas Bioenergy Oy's sales grew moderately and operating profit was €0.6 million. Biofuels were delivered in the amount of 670 GWh,” says Ilmolahti.

The Group's operating profit was €0.1 million, and the parent company's was €0.8 million. Westas Group's balance sheet (€54.1 million) remained strong despite the challenges, and the Group's liquidity is good. The Group's equity ratio, taking capital loans into account, is 36.3%.

DISTRIBUTION OF WESTAS GROUP'S NET SALES IN 2019



TREE SPECIES SET SAWMILLS APART FROM ONE ANOTHER

Westas Raunio Oy mainly focusses on the production of spruce sawn timber, and its net sales in 2019 amounted to €50.7 million (2018: €55.2 million). As the markets grew quiet and stocks expanded, limits had to be set on sawmilling, and the company's sawn timber production declined from 221,000 cubic metres in the previous financial period to 209,000 cubic metres. The drop in the prices of sawn timber that followed the oversupply also affected the company's result and profitability. Operating profit for the period was €1.1 million; 2.2% (2018: €5.9 million; 10.6%).

In terms of their financial figures, the financial year differed slightly for Westas's Raunio and Pihlava sawmills; for Pihlava, pine accounts for more than half of its production. The company increased its sawmilling production (199,000 m³) by roughly 5 per cent compared to the previous financial period, but net sales still fell slightly and amounted to €45.3 million (2018: €46.3 million). This can be attributed to the strong drop in the prices of sawn

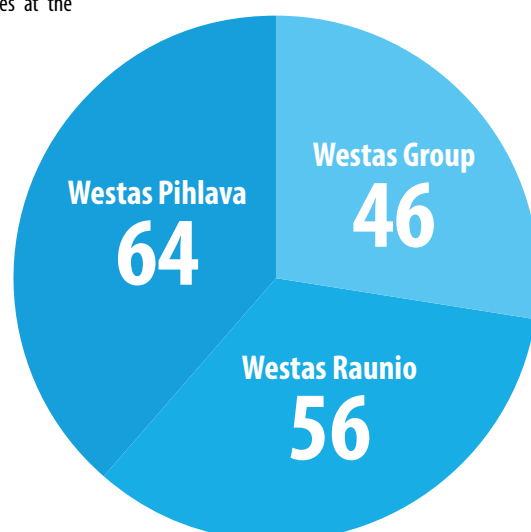
timber. At the end of the financial year, Westas Pihlava Oy's operating profit was €-2.2 million, and the balance sheet total was €26.1 million (2018: €22.5 million).

A total of approximately €1.6 million was invested in the Pihlava Sawmill. Investments to make production smoother were made in the storage facilities and other smaller areas. Likewise, close to a million euros was invested in individual production line upgrades at the Raunio Sawmill.

2020 appears to be showing strong demand for sawmilling by-products. Since the market outlook is rather uncertain for a number of reasons, no major investments are planned.

"Looking back on 2019 as a whole, we did fairly well. However, we face a year of low economic growth and new challenges," Ilmolahti concludes. ✕

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MOVING FORWARD DESPITE HARDSHIPS

This past winter, or rather the lack thereof, has been challenging in terms of sawmills' wood supply. The early arrival of spring, however, is expected to accelerate both trade and access to forests.

Westas's Director of Forestry **Juha Mäki** describes the past winter as a five-month-long November.

"The situation has been difficult in all of southern Finland, but especially in our procurement area. Less wood than usual has been harvested along the coast, as the weather has not been very co-operative. Wood harvesting has been better in Ostrobothnia, Pirkanmaa and northern Satakunta, however, and logs have been passed on from the northern areas to the south," says Mäki.

Heading into spring, the situation will likely improve, as the forests and roads are dry and the spring thaw will not disrupt harvesting operations this year.

"I think we'll get back to our normal pace and trade will pick up again before summer. The price level has remained stable, and selling trees when the economic outlook is unstable is worthwhile. Now is a great time for forest owners to call their purchasing supervisor," reckons Mäki.

He points out that logs are still needed and there may even be a shortage of pulpwood. Westas's competitive forest regeneration and clearing packages make timber trade decisions easier, and the Log Account (Tukkitili) still offers a stable 3.5 per cent interest rate on income from timber sales.

MANY VARIABLES

The industrial actions of recent months and the global market situation have both influenced the need for raw materials. Although harvesting has been scarce, there has been a sufficient volume of raw materials to meet Westas's needs.

"Sawmills must be kept running through it all, so there is interest in buying in the future, too," says Mäki.

The markets have been rattled by, among other things, the unprecedented damage from insects in Central Europe and southern Sweden which, in turn, flooded the markets with cheap sawn timber. In connection with that, the mild winter also leaves a question mark over Finland's

insect situation. With the very obvious lack of a winter, many insects have probably survived the winter better than normal.

"Wood from insect-affected areas has also been imported to Finland. It has mainly been used as energy wood, but logs and pulpwood have also been offered," Mäki points out.

Besides the lousy winter, market situation and falling sawmill production volumes, Mäki also believes the Finnish Government's actions have contributed to the muted timber trade.

"After the parliamentary elections, there was increased talk about felling, carbon binding and various forms of carbon compensation for forest owners. I think it's worth pointing out that only well-managed forests bind carbon and serve climate issues in the long run. Forest felling continues to be one element of good forest management and possibly even the best climate action for future generations," he sums up. ✕

"Westas's competitive forest regeneration and clearing packages make timber trade decisions easier."

— Juha Mäki



SIX EASY MEASURES

The Finnish Sawmills Association and its member companies have published a forest environment programme, the goal of which is to increase nature management in felling sites and make improving forest biodiversity a given part of day-to-day forest management.

Photo: Rauno Pelkonen, Vastaväli

The Finnish Sawmills Association's forest environment programme aimed at forest owners was published early in the year and originally came about as an initiative of the member sawmills' forestry departments.

"Forestry managers had witnessed demand for this kind of programme and decided that there were grounds to take action. The easiest way to approach the matter was through a joint project that included forest and nature management expert Tapio Oy," says Manager of Public Affairs for the Finnish Sawmills Association **Anniina Kostilainen**.

According to Kostilainen, forest owners are increasingly aware and more and more of them would like options for managing their forests, as well as guidelines in nature management. To that end, the aim became to diversify the service range offered by wood buyers.

"Measures that were considered to be the most effective in relation to their cost and ease of implementation were selected from Tapio's existing forest management guidelines.

Besides the programme presentation on the Sawmills Association's website, an online course has been created on the topic to help sawmills train their personnel and machinery contractors. The aim of the training is for professionals to look into the various measures, know how to apply them where appropriate and implement them in practice.

"With people's knowledge and awareness increasing, it has become clear that nature's biodiversity has narrowed worldwide. It is our duty to reinforce the biodiversity of forests. As a cross-generational industry, sawmilling is responsible for ensuring that forests and raw materials remain and are sufficient also for future generations," says Kostilainen, referring to the Sawmills Association's interests.

PART OF EVERYDAY TIMBER TRADE

Westas's Forestry Director Juha Mäki has been closely involved in developing the forest environment programme. He agrees with Kostilainen's view that nowadays an increasing number of forest owners want nature management factors to be taken into account in their forest plot.

"For some time now, the prevailing wisdom has been that nature management should focus on clear and essential measures, which also lead to results. The measures that have now been chosen are concrete and visible operations in the forest, and they are also effective.

The courses at Westas have begun, and the forest environment programme is already part of this spring's timber trades. The company's management is also highly committed to the programme.

"Its measures are especially well suited to the sites in our procurement area, as particularly in Southwest Finland, there is a high number of rocky, low-producing sites and marshland borders.

From now on, nature management services will thus be offered to all forest owners in connection with timber trade. The contract of sale includes a separate attachment from where the seller can easily select the desired measures. Depending on the site and the forest owner, either all or some of the measures can be implemented.

"Or then none," Mäki points out and adds, "These are not being forced on anyone, and it is not bad nature management if none of the measures are carried out. It is important to remember that certifications and the Finnish Forest Act already stipulate a minimum level, and these are only additional measures. We leave all forests in equally good condition regardless of the choices that are made." ✕

MEASURES UNDER THE FINNISH SAWMILLS ASSOCIATION'S FOREST ENVIRONMENT PROGRAMME

1. Thickets for game

Thickets for game are small-scale thickets in which the existing bushes and small trees are left to grow.

2. Mixed forests

Growing other tree species alongside a forest's predominant tree species.

3. Marshland borders

Safeguarding the border zones of marshlands either entirely or through partial management.

4. Decaying wood

Sparing decaying wood in all felling operations.

5. Artificial stumps

Leaving artificially created high stumps in the forest in connection with felling to increase the amount of decaying wood.

6. Low-producing sites

During felling, bypassing sites that are low producing in terms of timber.

Read more (in Finnish): www.sahateollisuus.com/metsaymparistoohjelma

PONSSE'S JUBILEE TOUR STARTS IN SOUTHWESTERN FINLAND

The Finnish success story Ponsse has reached a respectable age and is celebrating its 50-year anniversary in a big way. Westas was there for the big opening event of the jubilee year in Aura.

More than 100 events around the world, 30 countries, a show truck and the latest machinery. These are the foundation for Ponsse's road show, which will tour throughout the spring and summer, culminating at the FinnMETKO fair in September. An event organised together with Westas at the end of January, featuring a felling demonstration, attracted a big crowd and proved that, for Finns, Ponsse is still number one.

GOOD MOMENTUM CONTINUES

Ponsse's Sales Director **Jarmo Vidgrén** says that 2020 looks positive in every respect. Ponsse's plant in Vieremä expanded to four hectares last year and despite the uncertain global economy, its order book is good. Although the mild winter and decline in the price of pulp have had an impact on demand, the harvesting of areas that experienced insect damage in Central Europe and growing exports to Russia have kept the situation stable.

"The annual global market for cut-to-length forestry machines is around 4,000 machines, of which Ponsse makes up approximately a third," says Vidgrén.

Over fifty years, Ponsse has grown from a local

player into a global market leader. The number of staff, languages and cultures has multiplied along the way, the product has developed significantly and the focus of operations has moved from hardware to, above all, software development. Alongside machines, services have also been improved, such as maintenance and training, which have been brought as close to the customers as possible. One thing remains unchanged, however.

"Vieremä is our home, both now and in the future. In 2017 and 2018, we invested altogether some EUR 40 million in the plant area and there is no reason to move successful operations out of Finland."

The future for the forestry machine manufacturer looks bright. Machine harvesting is increasing and, as a result, also demand for machines will grow. Vidgrén mentions the United States as an interesting market with its potential to transfer from the full-tree method to the cut-to-length method. Product development-wise Ponsse is also on the verge of something new.

"In addition to serving contractors and forest owners, we also need to take environmental issues into account. Emissions must be reduced and this drives the development towards electrification, for example," Vidgrén says.

A PONSSE CAN HANDLE JUST ABOUT ANYTHING



Ponsse's Area Sales Manager **Petteri Mella** has collaborated with southern and western Finnish contractors for close to 15 years. According to him, the company is a clear market leader with an almost 50 per cent share of the area's total market. Mella says that he has come to know the area's entrepreneurs over the years, and he considers their co-operation to be excellent.

"Our founder **Einari Vidgrén**'s slogan 'Ask an entrepreneur, they're the experts' is our guideline to this day. We engage in continuous dialogue with the contractors and welcome their development ideas," Mella says.

He explains that the area's machine base is new and maintenance contracts guarantee a high uptime.

"Local maintenance offers fast spare parts and service, which allows for a high uptime."

Before joining Ponsse, Mella worked as a forestry expert and the region's forests and forest owners became familiar to him over the years. He describes western Finland as a region with varied forests: on the one hand, the area has a lot of old-growth forests and fields, on the other hand, habitation and power lines.

"These areas are not proper forest country and the coastal areas' mild winters make work in the forests very difficult at times. Inspired by these challenging conditions, we launched the first lower-surface-pressure, lighter-weight 8-wheeled harvesters. When you have a machine that can handle Finland's conditions and its four seasons, it can handle just about anything," Mella points out. ✕





MAKING THE SWITCH FROM AEROPLANES TO SAWMILL MACHINERY

*Eight years ago, **Arto Koivunen** stepped into a sawmill for the first time in his life, and he never looked back. His fixed-term employment contract became a permanent one a long time ago, and the man who now monitors quality in dimension sorting is happy by all accounts.*

While studying to be an aircraft mechanic, Arto Koivunen heard about job openings at the Pihlava Sawmill.

"My study mate Jukka was working here at the time, and he still is. He spoke very highly of the place and encouraged me to apply," recalls Koivunen.

Koivunen had previously gained work experience in the aeronautics industry, but was not keen to move to the capital city area for work. And so, he applied for the job of sawmill forklift driver, but ended up in the grading plant.

"I didn't know anything about the sawmilling industry, but I figured the machines and equipment can't be all that different, so my education would not be entirely wasted. I learned the job quickly as I worked and spent my first five years working in packaging and sorting," he recounts.

ONE PHASE AT A TIME AT THE SAWMILL

Three years ago, Koivunen inched forward in the sawmilling process and started working in dimension sorting. Variations in sawn timber demand and market fluctuations

also affect the employees working in production, but Koivunen says he takes it one day at a time.

"Every day we work to the best of our abilities. When quality – dimensions and visual quality – is on point in green sorting, the drying result will also be as desired. Overall quality must be such that the customer wants to make repeat purchases," he stresses.

In that respect, too, everyone at Pihlava Sawmill pulls together. A good group of people means good team spirit and trust that help is available when needed.

"My colleagues are really the best part of my job. I enjoy all aspects of my work, otherwise I would not have been here for as long as I have," Koivunen stresses.

The work environment also influences work satisfaction. Koivunen says the sawmill has changed at a fast pace in the past few years. The machinery has been upgraded and work areas have been cleaned up, which has pushed occupational safety "light years" forward.

"Tidiness is a positive and self-perpetuating cycle. When things are in order, it guides your own behaviour and interest in keeping the place clean," says Koivunen.

Now that he has mastered the final end of sawmilling operations, Koivunen would be interested in trying, for

"I enjoy all aspects of my work, otherwise I would not have been here for as long as I have."

– Arto Koivunen

example, stick-stacking or edging. He is not in any rush, however, and day-to-day life is good the way it is.

"I have a young son and a home nearby. I enjoy my work and it doesn't spill over into my leisure time, which I spend building, repairing and playing around with old Commodore 64 computers. I have around 20 of them, so it keeps me busy," says Koivunen with a grin. ✕



A WAITING GAME

The weakening demand for sawn timber that started last year and the simultaneous oversupply quickly put the outlook for the industry on shaky ground. Although the drop in prices has now stopped and, for some products, prices have even corrected slightly, the average price is still weak.

The pine market has been especially challenging since the second half of last year, and as stocks have filled up, sawn timber has been sold to the fiercely competitive bulk markets at lower prices. In the high-pine-consuming northern African countries of Egypt, Algeria and Morocco, there is a need for construction, but economic challenges are putting the brakes on projects. Now timber has been squeezed into the markets at the expense of price.

"The price has been disproportionately cheap considering the quality," says Westas's Managing Director **Pekka Kopra**.

The strike in the Finnish forest industry that took place at the end of last year balanced the oversupply situation slightly, but it also gave Sweden, which is in a better competitive condition, the opportunity to keep the markets saturated. Alongside uninterrupted production, the price of the raw material gives Finland's neighbour a head start.

"The price of a log in Sweden is 15 per cent lower than it is in Finland. Here, the price development of the raw material has not been in line with the drop in the price of sawn timber, which has fallen by as much as 25 per cent," states Kopra.

Although logs have been available at a steady rate,

the disproportion in tree species is one of the challenges for the future. There would be more markets for high-quality Finnish spruce, whereas for pine, it appears the saturation point has been reached. There are essentially no new markets to be found, and demand right now is also focussed on countries that have both multiple societal challenges and a highly competitive sawn timber market.

"Unfortunately, the structure of Finnish forests has increasingly shifted towards pine, even though this is not corroborated by the market outlook," Kopra points out.

BETTER AND BETTER SERVICE IS THE CURE

In terms of volume, trade was reasonable early in the year, but there is considerable uncertainty surrounding the spring – from the global economic situation to coronavirus. Besides the acute problems, there are also structural factors that are difficult to influence.

“There is a risk of oversupply in the air. Sawmills continue to run at full capacity, and even though some capacity has been closed, Finland is still over-producing. Weak competitiveness should be seen as a drop in capacity, but that is not the case. I understand that pulp mills need raw material, but at the same time, they are causing an oversupply in sawmills. The sawmills of some large-scale operators have become part of pulp production, which has affected the earnings capacity of other areas of the sawmilling industry and made them increasingly vulnerable to changes in demand,” says Kopra.

He reckons the sawmilling industry today is more about logistics than business:

“Activities seem to be guided nowadays by how to get a large volume of sawn timber out the door as quickly as possible.”

According to the Managing Director, Westas has a clear cure for the problem: Operations must evolve more and more towards demanding customer needs, better customer service and customer products.

“Japan, Westas’s largest and very important market, is a good example of this. There is growing demand in the country for customer service and products. We let others concentrate on bulk; our strategy is to focus, above all, on the kind of markets and customer accounts that value factors other than just price,” explains Kopra.

The company’s second important foothold – the domestic market – continues to struggle with familiar challenges: single-family homes are not being built like they used to. Industry operators and the field have changed significantly in recent years, and the winners have been those who have managed to bring added value to their operations through services.

“In a country with large production and a small market, however, it is difficult to increase the degree of processing and focus production. I understand the talk about the need to raise the processing degree of sawn timber, but I believe that processing would be more profitable if it were brought as close as possible to end



users. This would make it possible to respond to customers’ needs in the best possible way,” says Kopra.

In comparing Finland’s dwindling production of single-family homes, Kopra points to Japan, where urbanisation goes hand in hand with the construction of single-family homes.

“In Japan, construction of single-family homes is going strong, and many new detached homes are being made from wood. Why can’t we do the same?”

SMALL GLIMMERS OF HOPE

In China, an important playing field for Finnish sawmills, competition is tougher than anywhere and, correspondingly, prices are low. Despite the standstill in the market and the coronavirus epidemic that is shaking the country right now, product is moving, and Westas has also managed to increase its volumes.

“China has been able to retain its ability to function, and I believe that at some point trade will return to its former vigour,” assures Kopra.

In the smaller East Asian markets surrounding China, demand for Finnish sawn timber has gradually increased. No major market breakthroughs are in sight, however.

“The Philippines, Vietnam and India are all emerging markets, and it is good that the use of sawn timber is increasing in these countries. They are, however, cheap, bulk-quality countries and perhaps not exactly targets for sawn timber made from high-cost Finnish raw materials. On the other hand, with the flow of products from bulk producers turning towards these countries, it could make

room in other markets that are more suitable for us,” says Kopra.

Even in Europe, demand for sawn timber has declined somewhat, but the changes have not been dramatic. UK sales have grown, in spite of Brexit, and the market appears to be stable. In France, activities are focussed on large industrial operators, and the Finnish sawn timber segment is narrow but clear: spruce is used, above all, for exterior cladding products. Demand for unedged timber used by the packaging industry has also remained stable.

“That is a good product for us. There is demand in several European countries, and it is not produced everywhere,” stresses Kopra.

The most significant growth is actually close to Finland. In the Baltics, and especially Estonia, the market development has been positive. According to Kopra, Estonia’s advantages are a wide wood-processing network, a lower cost level than Finland and cheaper shipping costs to markets in Central Europe. Even though the country has its own sawmilling industry, demand for Finnish sawn timber could still be higher in Estonia.

Germany, for its part, is a good example of what decisive actions and good service can achieve. The country has not been spared from oversupply, a fall in demand and price pressures, but its long-term, good customer relationships have withstood the market volatility.

“We have many good examples of what happens when the parties have committed to working together even during difficult times. Where there is a will, there is a way to find solutions to challenges together,” says Kopra with a smile. ✕

“Operations must evolve more and more towards demanding customer needs, better customer service and customer products.”

– Pekka Kopra

TIMBER TOGETHER

The kitchen of the house built in 1830 is occupied by both the current and former owner. The barbs and banter flying back and forth make it clear that the relaxed mood is the result of a long history of working together.

In Lankoski, Merikarvia, next door to the home of Antti Ahlström, the sawmill patron, forests dominated by conifers and fields ripe with hay, oats, barley and alfalfa surround the Tarkkio farm, which has been around since the 1700s.

Two years ago, the reins were handed over to **Anne-Mari Tarkkio**, the next in line.

"I do the field work and my dad fixes things when I manage to break something. He gets to live out his dream of tinkering with machinery. He has an opinion on everything and he always thinks he's right. The more the old man lets go, the more I take on," Anne-Mari describes their division of labour, with an amused glance at her father.

Anne-Mari explains that her choice of career was clear since childhood. There were exactly two options: she would be either an adventurer or farmer.

"Well, this farming thing is quite an adventure, isn't it?" says her mum **Airi**.

"It was probably clear to other people as well because not too long ago the school taxi driver from my school days said to me 'So you became a farmer after all!'," laughs Anne-Mari.



DAD AS A MENTOR

The sixth owner and second female owner of the house shares her first distinct memory of the forest from before she was old enough to go to school.

"The whole family was collecting pinecones and I was walking along a fallen tree trunk. There should be a picture of it somewhere," Anne-Mari says.

"We went on those collecting outings more as fun excursions than anything else. We had a packed lunch and warm jackets with us. Every now and then we would sit on a rock to rest and eat," Anne-Mari's father Aarno says.

Collecting pinecones and forestry work took on another level when Anne-Mari turned 12. The family went shopping on "Don't Buy Anything Day".

"We bought a chainsaw and the smallest safety boots the shop had to offer. They were a size 41 and there wasn't any protective wear in the right size either," says Aarno.

"The trousers were so big that I could easily have hit the trouser leg with the chainsaw and still had half a metre of space before the blade hit my leg," Anne-Mari laughs.

Ever since she was small, she wanted to drive a tractor. Anne-Mari got her chance the minute her legs were long enough to reach the pedals. In addition to mowing hay, she got to plough the fields.

"The instructions were 'just make sure the entire place is ploughed'. Work never felt like work to me. It was more like a game or something."

Anne-Mari will always remember the feeling when her dad let her transport the wood home from the forest by herself.

"I was bursting with pride and thrilled to be worthy of my dad's trust. Looking back, I don't think I was entirely alone though. I'm pretty sure my dad was no more than five metres away the whole time, but was polite enough to stay hidden," Anne-Mari recalls.

TRYING OUT THE REGENERATION PACKAGE

Slowly, Anne-Mari's skill set built up and, together, the two of them took care of the clean-up work after the

Tapani storm damage in 2011. If anything stuck in her mind from what her dad told her in the forest it was thinning.

"Every time when we would walk through the thinned out stands my dad moaned that he should have taken more. Now when I did my own thinning, he complained that I took too much. I guess nothing is good enough?" she says.

"I suppose the forest isn't completely ruined. I think things are moving in a good direction here, but sometimes I just have to keep my mouth shut, even if it pains me," Aarno says.

They have sold forest annually, whether through sale at delivered price or standing sale transactions. The most recent trade with Westas took place before Christmas. Early on, Anne-Mari's dad Aarno introduced an old partner, purchasing supervisor **Markku Erkintalo**.

"Even that he did in his own way," Anne-Mari grins.

"All kinds of salesmen have come to visit us. The glibbest ones I've turned away immediately and the same goes for the ones who have asked whether the man of the house is around."

The approximately four hectares that are now being sold are located on an island and the harvesting will be carried out in late summer. Usually, they have carried out the post-harvesting work themselves, but this time the Tarkkios decided to try out Westas's regeneration package. The package includes the regeneration measures taken after harvesting, from soil preparation to planting seedlings.

"Forest owners can put together a package that suits them from the available services. Some may choose the entire package while some might want to prepare the soil themselves but still buy the planting," Erkintalo explains.

THE MANY USES OF FORESTS

For the Tarkkios, the forest is a way of life. The wood is used for construction and heating up their own buildings and the nearby school as well. The forest offers a source of income and a place to relax.

"Even though my folks have a flat in Pori, they can't seem to stay there. In the countryside, the forest and nature are always nearby and they like spending time here in Lankoski. They take a romantic forest walk every morning," Anne-Mari scoffs.

"Me and my sweetheart go and inspect the forest and admire the nature, but she is not that responsive to my anecdotes," Aarno says, glancing mischievously at his wife. ✕

THE EASIEST WAY TO REGENERATE A FOREST

1. Ask your purchasing supervisor about our regeneration package when making a timber trade.
2. Select the service package you require.
3. Sit back in your armchair, put your feet up and let Westas's partners take care of the regeneration work for your forest.



THE CUSTOMER SHOULD HAVE IT EASY

Sawn timber may be a simple product, but selling it is anything but simple. Sales involves many factors inside and outside the company that can only be reconciled by skilled professionals who know their business and their customers.



Salesmen Arttu Jalas (left) and Juha Numminen (right)

In the 1980s, a young **Juha Numminen** applied to university to study genetics, but ended up studying cellular biology in Jyväskylä instead. The field was not for him, however, so he went to work at a sawmill for a while. Numminen eventually started studying to be a sawmill technician, but when he graduated, in the late 1980s and early 1990s, Finland was in a deep recession. This didn't slow Numminen down, however – he headed for Lahti to begin a forwarding course.

“It was a pure accident that I ended up studying in this field. Once I got a taste for it, I was hooked!” he recalls.

Numminen's trainee period at Paloheimo was followed by an employment relationship that lasted several years, during which time he advanced to the position of sawmill foreman. And in 2005, he started a new career in sales.

“My goal has always been to work at the Raunio Sawmill. The re-introduction of pine sawmilling opened that door to me,” he says.

PROBLEM SOLVING WHERE EVERYONE WINS

Sales Manager **Arttu Jalas**, for his part, graduated as a forestry engineer in Kotka in 1997. He started working in the Kyrö Sawmill's dispatch department and log reception already in 1993, however. After graduating, Jalas tried his hand at logistics and sawn timber forwarding for a while, but returned to domestic sales at the Kyrö Sawmill. He started working at the Raunio Sawmill in 2002.

“I guess I inherited my interest in this industry. I have worked in forests and in the forest industry my whole life, so it seemed like a natural choice,” he says.

At work, Jalas considers himself to be, above all, a problem solver who bears his responsibilities.

“My motto is ‘do it well or don't do it at all’. I believe that sawn timber sales is largely about optimisation. When I find the best possible solution for both the customer and the sawmill, I believe I have succeeded. An integral part of my work also involves inspiring, winning and maintaining customers' trust,” he says.

Sawn timber sales sets numerous challenges – from global markets to changes in raw material prices. Being aware of them and accepting them is an important part of coping and succeeding.

“Here too, experience helps. It's important to be able to focus on what is important, to navigate matters and adapt your own actions. You have to do your best under the circumstances and try to influence what you can,” says Jalas.

The sales managers agree that, contrary to common perceptions, the real work only begins once the sale is done. Responsibility for the transaction stretches throughout the chain, from stump to delivery. The customer also bears responsibility for working together and for the future.

“Knowing the customer well is especially highlighted during bad times. The customer must have the sense that the seller likes what he does. At least I really like my job and I am proud to be a timber salesman,” says Numminen with a smile.

JOINT RESPONSIBILITY

Sales at Westas is organised more by product and customer group than by traditional geographic area. There are no distinct boundaries, however, and the co-operation between sales is close.

“This operating model has found its groove over the years. For customers, the most important thing is ultimately that we take such good care of them as a team that it makes everything easier for them. We share responsibility for this success,” states Numminen.

For these professionals, their path in the sawmilling industry has been a long one, and they have seen the world getting smaller over the years. Sawmilling has become an increasingly global operation, communication is faster and trade takes place more and more on a quarterly basis.

“Of course, the systems have developed, and the customer field changes constantly. One significant change is that stocks are nowadays at the sawmill or on the road. Customers don't exactly stock goods anymore,” says Numminen.

Jalas agrees with his colleague, but also points out:

“Despite all the technological development, a personal approach is still the most important part of managing customer relationships. We are not serving a list of products, we serve people. There is no software that can replace the tacit knowledge that has given us insight into our customers and their backgrounds. That is at the heart of a good and confidential partnership.” ✕

“The real work only begins once the sale is done. Responsibility for the transaction stretches throughout the chain, from stump to delivery.”

– Juha Numminen and Arttu Jalas

A SHIP TURNED INTO A HOUSE

Sometimes a crisis can lead to a success story. This is exactly what happened to the Turku-based company Late-Rakenteet Oy, whose story began more than 70 years ago with the Second World War.

After the Second World War, Finland was obligated to pay war reparations to the Soviet Union, above all, in the form of timber, forestry and metal industry products and ships. Finland's war reparations committee, called SOTEVA, established the company Oy Laivateollisuus Ab in Turku in 1945; its purpose was to manufacture altogether 60 wooden sailing-motor schooners. The work started up in 1948, and four years later, all promised vessels had sailed away from the Turku harbour towards the east. That same year, in 1952, a special schooner that was part of a separate agreement was completed.

"Once Finland's obligations were taken care of, the company began to think about how to take advantage of this newly acquired expertise in glue-laminated timber, or glulam. Someone turned the frame drawing upside down and remarked that it looks like the load-bearing structure of a house. In 1953, production began with portal frames and boomerang beams for houses," recounts **Veijo Lehtonen**, Managing Director of the company that is today called Late-Rakenteet.

Over the years, the owners changed, and the company's name was shortened to 'Late' (pronounced similar to 'latte' in the western Finnish dialect). In the late 1980s, after Wärtsilä had long been seeking a buyer for Late, the company's employees stepped into the picture. Three men took over ownership of the maritime industry's construction elements department.



"On the first day of 1989, Late-Rakenteet Oy started up its operations. We would have liked to continue as Late, but the Patents and Registration Office was opposed to it," Lehtonen says with a laugh.

SHORTAGE OF ENGINEERS

Late-Rakenteet is Finland's first manufacturer of glulam structures. Competitors began to appear on the markets in the 1960s, but for decades the company managed to hold onto its position as the biggest supplier in the industry. In the 1970s, in particular, there was a high number of glulam manufacturers, but as sawmills began to streamline their operations, the number of significant competitors dwindled to three.

"If you look at glulam manufacturing overall, our share nowadays is small, but within projects it is large. Our expertise lies in special structures," says the company's Purchasing and Production Director and future Managing Director **Marko Lehtonen**.

The company's annual production volume averages 10,000 m³, and it has 35 employees. In 1998, the company

decided to focus mainly on project-based products. According to Veijo, this decision was influenced by, among other things, the company's location by the sea, some five kilometres from Turku's market square.

"Permission to build a production plant in such a location would not be possible today. We are right by the sea and residential areas, near the city centre! That is why we cannot increase our production and bulk volumes, as it would substantially increase traffic in the area," he stresses.

Throughout its history, the company has focussed on its own engineering. In the early stages, developing glue-laminated structures was kind of pioneering work. Even back then, society was very well informed, and norms and standards were drawn up alongside R&D work.

"It is still a matter we wrestle with today. Norms are still continuously changing, and outside engineers would not even be able to keep up with them. Our strategy has been to snatch up new graduates and train them ourselves," says Lehtonen.

CUSTOMER ORIENTATION HIGHLIGHTED IN PROJECTS

Late-Rakenteet has delivered projects around the world, from an indoor swimming pool in Norway to a theatre building in the Philippines. Navigating the global playing field is challenging, however, and the price competitiveness of the Finnish timber products industry is weak. Nevertheless, exports account for some 15% of the company's close to six million euros in net sales.

The company uses spruce as its main raw material and has half a dozen sawn timber suppliers. Alongside domestic species – spruce and pine – glulam can also be made from more exotic tree species.

"We have delivered a music studio made of white oak to Bermuda, for instance," says Marko.

The company has a decades-long history of co-operation with Westas. Alongside quality and delivery reliability, the Lehtonens value Westas's customer-focussed approach.

"Westas takes care of the final drying of the sawn timber, which is a major benefit in terms of our production. Flexibility is also important, as our production is built around two types of operating models: we manufacture glulam that is made first and then sold, and glulam that is sold first and then made," explains Veijo.

Although competition for the forest industry's raw materials may tighten in the future and, in turn, put the industry's price competitiveness to the test, Late-Rakenteet sees a promising horizon ahead.

"Wood as a building material is a current, competitive and ecological choice. We believe that glulam will maintain its foothold also going forward," Veijo concludes. ✕





WESTAS

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WE HAVE A SAW.***

***THANK YOU FOR
YOUR CO-OPERATION.***

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