

COPY.

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M E M O R A N D U M

of a Scheme for the limitation of the production of TIMBER from RUSSIA, FINLAND & SWEDEN, on the following lines:

In 1930	Russia	exported from all ports	about	1,200,000	¢	Sawn Timber
In 1931	"	"	"	1,200,000	"	"
In 1932	"	's estimated exports	"	1,100,000	"	"

In 1930	Finland	exported	about	1,200,000	standards	Sawn Timber.
In 1931	"	"	"	1,100,000	"	"
In 1932	"	's estimated exports	will be	about	750,000	stds.

The quantities of Sweden's exports are practically the same as Finland's.

England	has	been	buying	yearly	about	1,500,000	standards	in	all.
Belgium	"	"	"	"	"	350,000	"	"	"
Holland	"	"	"	"	"	400,000	"	"	"
France	"	"	"	"	"	400,000	"	"	"
Germany	"	"	"	"	"	350,000	"	"	"

In 1930 the price was about ~ 18.0.0. C.I.F. basis 7" Red.III, but this has gone down to ~ 10.0.0. C.I.F. to-day for Russian Timber, and Finnish and Swedish is approximately the same.

In 1929-1930 a Syndicate was formed in England which bought all sawn Timber from the Russians for the English market.

In 1932 the Syndicate, ^{which} was reformed, bought from the Russians 450,000 Stds. at the price of ~ 10.10.0. C.I.F. with a fall clause, i.e. if Finland or Sweden start to sell cheaper the price must be reduced accordingly.

On the present level of prices, after covering all expenses for cutting, sawing etc. and bringing the Timber C.I.F. no profit remains in the majority of cases, and sometimes even there is a loss without reckoning the cost of the wood itself. There is a minimum quantity which, in spite of the depression, is freely saleable, but the market is so nervous about prices that nobody is buying any stock, and the whole trade is disorganised. With regard to this minimum which in any event must be consumed, it has been considered by experts in the trade and on good authority that instead of having the average supply of Timber from these principal countries of about 3,600,000 Standards per year, an arrangement should be made to cut down the quantity by about 50% viz: to about 1,800,000 stds and as Russia is the biggest supplier of Timber with more possibilities of increasing the production than any other country the idea is to allow Russia ³⁵40% Finland ³⁵30% and Sweden 30%, which would work out as follows:

About	720,000 ^{630,000} Stds.	Russia	630,000
"	540,000 ^{540,000} "	Finland	690,000
"	540,000 ^{540,000} "	Sweden	540,000

and this should be done by the following method:-

1. The firm "C", on behalf of a Group, should buy all the 720,000 stds of Russian Timber at the present market price of £ 10.10.0.
2. Before the firm "C" purchases this quantity of 720,000 stds it should enter into a contract with the British Syndicate to resell to them 450,000 stds, and the remaining 270,000 stds should be sold to Syndicates which will be formed in Holland, Belgium, France and Germany, so that the whole quantity is distributed in different countries. The resale by the firm "C" to the British Syndicate should be made with a minimum profit to the Syndicate of £ 1.0.0. per std.
3. The Finnish and Swedish Timber should be dealt with direct by the shippers, as in the past, but limiting them not to sell more than the quota of 550,000 stds of each kind.
4. If the demand can absorb further quantities, these should be distributed proportionately on the same basis.
5. A contract should be entered into with the Russians for five years or minimum three years, and they should undertake to sell to the firm "C" a certain quantity which will be fixed each year at a fixed price which will be agreed according to the position of the market.
6. In order to get the scheme through it will be necessary on purchasing the goods from the Russians, to make them an advance on the beginning of the season between October and December, of £ 2,000,000 which would be £ 4.- per std., and this should be deducted from each standard shipped. In 1931 the Russians have been getting an advance in the beginning of the season, from a group of London Banks, of about £ 4,000,000.
7. £ 1,000,000 of this advance should be insured through Lloyds or other first class Companies in London, the premium for the insurance to be paid by the Russians to be deducted from the advance. £1,000,000 should be guaranteed: 50% by the Finnish State Bank jointly with two other private Banks who are interested in the export of timber, and £ 500,000. by the Swedish Bank. These guarantees together with the insurance policies should be placed ^{with} "H" Bank in London who, jointly with a group of other English Banks, would supply the money to the firm "C", under the above guarantees and insurance policy and it should be paid off from each shipment on arrival of the goods.

A meeting has been held with the Russians in Berlin last week, when the above scheme was fully discussed, and the Russian representative of the Timber exporters who attended the meeting was favourably disposed towards the scheme, and left for Moscow to place it before his Government. He promised to give ad definite reply in a fortnight.

After receiving a reply from the Russians it will be necessary to go out to Finland and Sweden and to take up the matter there, in order to arrange it with the Finnish and Swedish Bankers on the above lines. Finland and Sweden have already tried during the last few years to come to terms with the Russians on a similar basis, but they failed on account of the quota question. However, since then the market has become so demoralised and all concerns are suffering so heavily, that there is good reason to believe that this scheme will go through.