

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Russian log and lumber exports increased substantially in 1Q/11 thanks to higher wood demand in China, Finland and Japan, reports the Wood Resource Quarterly

The world's largest log exporter, Russia, increased the shipments of logs in the 1Q/11 after having declined for four years, reports the Wood Resource Quarterly. Russian exports of softwood lumber have also gone up substantially, especially to China, Uzbekistan, Japan and Egypt.

Seattle, USA. Russia has for many years been, by far, the largest exporter of logs in the world. When the country announced a log export tax of 25 percent in 2007 and the intention to increase this tax to 80 percent in 2009, many forest companies in Asia and Europe decided to reduce their reliance on Russian logs. As a result, total log exports from Russia fell from 51 million m³ in 2006 to about 22 million m³ in 2009 and 2010.

This downward trend, however, appears to have been broken in 2011. During the first few months, total softwood and hardwood log exports have been up by almost 40 percent compared to the same period last year, as reported in the Wood Resource Quarterly. Much of this increase in shipments has been to China, Finland and Japan. This recent upward trend can be expected to continue during 2011 and 2012, albeit less dramatically, as Russian log export taxes are reduced. During discussions between Russian and EU representatives in December last year, it became clear that Russia has been pressured to reduced log export taxes if the country wants to join the World Trade Organisation (WTO).

It is still not clear exactly what the new log export taxes may be and when they will be implemented. Softwood log taxes may fall to somewhere between 5-10 percent, and hardwood log taxes will probably be lower than those for softwood. The lower tax rates are not likely to be instigated until Russia has been recognized as a full member in the World Trade Organization (WTO), which may not be until early 2012.

Russia has not only increased its exports of logs but also of softwood lumber. From 2008 to 2010, exports were up 18 percent, reaching an all-time high of 17.5 million m³ last year, according to the Wood Resource Quarterly. So far this year, exports have been over 50 percent higher than the same period last year; 2011 may very well be a record-year. China is the largest market for Russian logs, followed by Uzbekistan, Japan and Egypt. Shipments to China tripled between 2007 and 2010; during the first quarter this year, exports were 150 percent higher than the same quarter in 2010.

The trade of logs and lumber between Russian and China can be expected to expand in the coming years because of the continued increase in demand for wood products in China and the country's relative close proximity to Russian forests and sawmills.

Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices and market developments in most key regions around the world.

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