

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Sawlog costs have fallen faster than lumber prices in Russia the past two years resulting in higher profitability for the sawmilling sector, according to the Wood Resource Quarterly

The sharp depreciation of the Russian Rouble has resulted in substantially lower sawlog costs for the sawmilling industry in Eastern Russia during 2015 and 2016, reports the Wood Resource Quarterly. Lumber prices in Russia have also declined the past few years, but not at the same rate as prices for sawlogs, and as a result sawmills in Siberia have become some of the most profitable sawmills in the world.

Seattle, USA. Softwood lumber production in Russia was practically unchanged from 2014 to 2015, according to official statistics. Domestic consumption fell by almost ten percent, while export volumes were up from 21.7 million m³ in 2014 to 23.1 million m³ in 2015. The export shipments have continued to go up this year with volumes during the first six months reaching 12% higher than during the same period in 2015. By far, the biggest increases in exports have been to China, Japan and South Korea.

Higher production levels at the sawmills in Siberia and the Russian Far East have slowly increased sawlog prices (in Roubles) in this region over the past two years. In the 2Q/16, average log prices were over 20% higher in Rouble terms than in the 2Q/14, according to the Wood Resource Quarterly (WRQ). However, since the value of the Rouble against the US dollar has plunged since early 2014, log costs in dollar terms has fallen by almost 50% making Russian sawmills very competitive in the global market place.

Very low production costs in Eastern Russia have resulted in major inroads for Russian sawmills in the Chinese market at the expense of particularly Canadian sawmills. Russian sawmills' market share in China has reached 58% in 2016, up from 42% in 2014. It is important to note that lumber import prices to China have fallen quite substantially the past 12 months, as reported in the most recent issue of the WRQ (www.woodprices.com). A higher market share does not necessarily mean higher profitability. But the good news for the sawmills in Siberia and the Far East is that log prices have declined more (37% by the 2Q/16), than lumber prices (down 10%) the past two years so the profitability for many sawmills has gone up substantially.

The wood costs for larger sawmills in Eastern Russia as a percentage of the lumber export prices, have fallen from a range of 65-80% in 2012-13 to below 50% in 2016

making this region's sawmills some of the lowest cost producing mills in the world.

*Global lumber, sawlog and pulpwood market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, lumber and pellet prices, trade and market developments in most key regions around the world. **To subscribe to the WRQ,** please go to www.woodprices.com*

Contact Information

Wood Resources International LLC

Hakan Ekstrom

Seattle, USA

info@woodprices.com

www.woodprices.com