

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

WRQ reports that domestic sawlog prices in Russia have gone up 25% in three years, despite higher log export tariffs; will they climb even higher now that Russia is a member of WTO?

Log costs for Russian sawmills did not fall as the Russian government intended when it implemented a 25 percent log export tariff in 2008. Instead, sawlog prices have increased by 24 percent the past three years and the supply of logs has been tight in 2012, as reported by the Wood Resource Quarterly.

Seattle, USA. Domestic log prices in Western Russia did not decline long-term as the Russian government had hoped when Russia increased log export tariffs to 25% in April of 2008. Initially, domestic log prices fell when the tariffs were implemented, but from the 1Q/09 to the 3Q/12 the average softwood sawlog price in Ruble terms went up by 24 percent, according to the Wood Resource Quarterly (www.woodprices.com).

When Russia joined the World Trade Organisation (WTO) in August 2012 the government was forced to reduce these export taxes to 13% and 15%, respectively, for spruce and pine logs. Despite these tariff reductions, there is not likely to be a major increase in the flow of logs from Western Russia to Finland, the major destination for Russian logs. Finnish sawmills close to the Russian border will continue to buy mostly from the domestic market in Finland, using only marginal volumes from Russia when the costs are competitive.

Overtime, as lumber markets improve in Europe, exporting sawmills in Finland will need additional sawlogs, and it is therefore likely that Finland will increase its reliance on Russian sawlogs again. However, log trade between the two countries will never return to the same levels as before the implementation of the export tariffs because Finnish sawmills have now established other log sources. The decline in trade has been dramatic the past eight years, from a record high of 6.4 million m³ down to an estimated 600,000 m³ this year.

Sawmills in Western Russia have kept up production relatively well during the summer months this year despite the weak lumber demand in Europe because markets in Western Europe account for a fairly small share of the Russian export volumes. Instead, Egypt and former CIS countries are the major destinations for softwood lumber produced in the Western provinces of Russia, and these markets have stayed fairly healthy and even improved during 2012.

The steady demand for sawlogs by the sawmills in Northwest Russia coupled with the fairly tight log supply resulted in close to record-high price levels (in Ruble terms) throughout the year, a development in contrast to many log markets in Europe where log prices have fallen the past six months, as tracked by the WRQ.

*Global timber, pulpwood and biomass market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). 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. **To subscribe to the WRQ, please go to www.woodprices.com***

Contact Information

Wood Resources International LLC

Hakan Ekstrom

info@wri-ltd.com

www.woodprices.com