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# **Russian Federation**

## **Solid Wood Products**

### **Annual**

### **2001**

Approved by:

**Geoffrey W. Wiggin**

**U.S. Embassy, Moscow**

Prepared by:

Michael A. Smith and Mikhail Maximenko

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#### **Report Highlights:**

**During 2001, Russian output is expected to expand in most forestry sectors.**

**However, the lack of financial and capital resources to fully develop export potential indicates that much of Russia's forestry sector will remain dormant in the near future.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
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## Executive Summary

Although Russia has some 22 percent of the world's total timber reserves, it accounts for only 2 percent of the world's forest product output. Limited capital, an unfavorable investment climate, and a lack of restructuring hinder development of Russia's forestry potential. In 2001, Russian production of softwood and hardwood logs are projected at 66 million cubic meters and 22.4 million cubic meters, respectively, slightly above 2000 levels. Roundwood continues to account for most exports. However, Russia's forestry sector is expanding output of processed wood products in border areas, as several foreign companies are making investments. Annual output of softwood lumber and temperate hardwood lumber is expected to expand during 2001 and 2002. Limited expansion of processed wood products is expected in the near future.

## Production

During 2001, most of the forestry sector is expected to show increased levels of wood production in comparison with the previous year. In 2001, Russia is expected to fell approximately 102 million cubic meters of logs, about 2 percent more than in 2000. Russia continues to expand production of processed wood products. In 2001, combined softwood and hardwood lumber output grew 3 percent in response to increased domestic and export demand. Approximately, 1.6 million cubic meters of total plywood is expected to be produced in 2001, or 7 percent more than 2000 output.

Large-scale leasing of forest land and the auctioning of timber stands are currently increasing output. The Russian Forestry Service reports that in 2000, over 2,500 plots -- a combined 70 million hectares -- are now being leased, 18 percent more than in 1999. In addition, some 30 million cubic meters of standing timber were sold at auctions during 2000. While the privatization of forestry resources remains a hot topic of discussion, the current forestry code restricts prospects for commercial development of the industry. All forestry resources belong to the Federal Government, which decides annually on rates to charge firms for the right to harvest trees. The government issues forestry licenses for cutting timber. Rates are differentiated by each district within provinces, as well as by the density, quality, and distance from the market for each forestry concession.

The lowest production year on record was 1999. Between 1990 and 1999, sawn wood output declined 75 percent, from 75 million cubic meters to 18.7 million cubic meters, according to the Russian State Statistics Committee. At the same time, the quality of sawn wood products suffered, as smaller lumber mills with poor equipment accounted for most of the output. In order to develop Russia's commercial forestry potential, the domestic forest industry will require huge investments to upgrade their aging harvesting and wood processing equipment. Without significant investment to replenish the capital stock and expand production capacity, output of wood products is expected to remain limited. The future of the forestry sector remains uncertain until Russia develops new policies affecting private investment in the forestry sector.

As a result of the weak ruble, domestic companies became relatively inexpensive to purchase. According to Russian Forest Service statistics, domestic company sales doubled from 1996 to 1999. International investors include American International Paper, the Swedish furniture company IKEA, and Stora Euro, a Finnish-Swedish concern. Reportedly, an American investment company spent some \$30 million within the last two years to create a timber company located in the Vologda region, processing and selling logs and sawn lumber domestically and in Europe. However, most of Russia's timber resources are located in remote areas with weak infrastructure. These areas are unlikely to develop the ability to produce high value wood products to justify

exploitation for commercial purposes anytime soon.

**Table 1: Russian Production of Wood Products, 1998 - 2000**

Commodity	1998	1999	2000
Timber harvest million cu. m	85.0*	95.0*	100.0*
Logs, cu. m	69.0*	76.8*	86.3*
Sawn timber, million cu. m	18.0	17.4	18.7
Plywood 1,000 cu. m	1,094	1,319	1,480
Railway ties 1000	5,404	3,590	5,255
Door blocks 1,000 m2	3,590	3,529	3,880
Ore bars 1,000 cu. m	45.8	29.6	21.3
Mine boards 1,000 cu. m	32.3	27.7	19.5
Window blocks 1,000 m2	2,760	2,770	3,147
Parquet 1000 m2	1,910	2,208	1,991
Box sets 1000 cu. m	240	189	171
Fiber board million m2	187	237	271
Particle board million cu. m	1,566	1,969	2,323
Industrial Houses, 1000 m2	52.7	53.4	81.3
Containers, pieces	3,432	4,060	7,505
Summer houses	3,560	2,242	2,369
Tables, 1,000s	2,600	3,097	3,513
Chairs, 1000s	2,930	3,011	3,378
Wardrobes, 1,000s	2,000	2,458	2,724
Wooden beds, 1,000s	428	544	639

Source: Russian State Statistic Committee

\*Post Estimate

## Consumption

The 1998 weakening of the ruble strengthened the domestic wood products industry as foreign goods were priced out of the local market, mergers were encouraged, and domestic wood products became more competitive abroad. Many Russian forestry companies are now benefitting from larger orders, as furniture and construction companies respond to growing domestic demand. However, a significant part of Russian wood products are now being processed by the timber cutting companies themselves. Table 2 below makes a comparison between the percentages of various wood products that are processed by forestry companies and wood products that are sold to other processors .

**Table 2: Percentages of Wood Products that are Processed and Marketed By Timber Cutting Companies**

Wood Products	Percent of Production	
	Processed into Wood Products by Timber Companies	Sold to Wood Processors
Round wood	23	77
Sawn wood	25	75
Veneer	15	85
Boards	33	67
Boards	25	75
Cellulose	57	43
Newsprint	13	87
Cartoon	9	91

Source: Moscow State University of Forestry, 2000

**Table 3: Russian Demand for Wood Products (1990 compared to 1997 and 1998)**

Product	Unit	1990	1997	1998
Marketable wood	mln. cu m	224	58.5	58.2
Sawn wood	mln cu. m	59.3	14.8	13.9
Veneer	1,000 cu. m	1.092	341	39.4
Boards	1,000 cu. m	4825	1400	1616
Furniture	mln rubles, (1998 wholesale prices)	32492	16486	12273

Source: Moscow State University of Forestry, 2000

## Trade

In 2001, Russia's forestry exports continued to rise as a weakened ruble improved price competitiveness in world markets. In addition, strong competitiveness between companies in the domestic market led to further price declines. On average, Russia's timber exports are 20 - 30 percent less expensive than competitive products from other countries. According to the State Statistical Committee, Russia's timber complex exported \$3.3 billion in timber products in 2000, significantly up from 1998 levels.

The majority of Russia's timber exports are unprocessed logs exported to nearby countries. From Siberia and the Far East, thick logs of oak, ash, pine and spruce are shipped to Japan, China, and South Korea, some of the world's largest timber importers. From Northwestern Russia, logs and semi-processed wood products are exported to Western Europe. In 2001, there was a visible rise in exports of sawn lumber, plywood, pulp, paper and cardboard.

## Stocks

Almost 75 percent of Russia's timber reserves are located in Siberia. However, poor infrastructure and lack of railway connections keep most of these resources out of reach. The European, Northern, and Far East regions have easier access to Moscow and foreign markets. According to the State Forestry Service, Russian timber reserves grew by 335 million cubic meters in 2000, exceeding 75 billion cubic meters.

## Policy

### New Structure of Forestry Ministry

Russian forestry is now managed by the State Forest Service (Goslessluzhba) as part of the Ministry of Natural Resources. The new service inherited the functions and responsibilities once tasked to the Federal Forestry Service (Rosleskhoz). It is headed by First Deputy Minister of Natural Resources Yuri Kukuyev (previously deputy head of Rosleskhoz). It is uncertain whether Russia will move towards policies to allow private ownership of forest resources.

### State Certification Program

According to the Ministry of Natural Resources, Russia intends to begin the process of certifying forests. In 2001, certification of more than 2 million hectares of forest is to take place. Only those forest tracts meeting World Wildlife Fund standards will be certified. An auditor will monitor the ecology of forest tracts. According to the State Forestry Service, more than 10 large holding companies intend to begin certification programs.

### Export Licenses

Russia issues export licenses for certain types of timber products based on voluntary certification of timber output and the professional testing of specialized exporters. However, the Ministry of Industry, Science and Technology believes that export customs duties on industrial timber should be repealed (except for valuable types of timber) by the end of 2001. This decision would increase the competitiveness of Russia's timber

exports.

## **Marketing**

Given present conditions, export markets represent the most profitable focus for Russia's forestry sector. Several international companies are making investments with the view to develop Russia's export potential. In the near future, European Russia and other regions located close to border areas are expected to increase commercial timber exports. However, without capital development for manufacturing high-value processed products, remote forest areas with the greatest resources are expected to remain commercially underdeveloped.

PSD Table						
Country:	Russian Federation					
Commodity:	Softwood Logs					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	60000	64000	61000	66000	0	68000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	60000	64000	61000	66000	0	68000
Exports	16000	20000	16000	22000	0	23500
Domestic Consumption	44000	44000	45000	44000	0	44500
TOTAL DISTRIBUTION	60000	64000	61000	66000	0	68000

PSD Table						
Country:	Russian Federation					
Commodity:	Temperate Hardwood Logs					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	19200	22300	19500	22400	0	23500
Imports	0	0	0	0	0	0
TOTAL SUPPLY	19200	22300	19500	22400	0	23500
Exports	5500	8580	5700	8740	0	9200
Domestic Consumption	13700	13720	13800	13660	0	14300
TOTAL DISTRIBUTION	19200	22300	19500	22400	0	23500

PSD Table						
Country:	Russian Federation					
Commodity:	Softwood Lumber					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	13800	14000	14000	14400	0	14500
Imports	0	0	0	0	0	0
TOTAL SUPPLY	13800	14000	14000	14400	0	14500
Exports	4250	4500	4350	4550	0	4600
Domestic Consumption	9550	9500	9650	9850	0	9900
TOTAL DISTRIBUTION	13800	14000	14000	14400	0	14500

PSD Table						
Country:	Russian Federation					
Commodity:	Temperate Hardwood Lumber					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	4900	4700	4950	4800	0	4850
Imports	0	0	0	0	0	
TOTAL SUPPLY	4900	4700	4950	4800	0	4850
Exports	300	320	310	360	0	430
Domestic Consumption	4600	4380	4640	4440	0	4420
TOTAL DISTRIBUTION	4900	4700	4950	4800	0	4850

PSD Table						
Country:	Russian Federation					
Commodity:	Hardwood Plywood					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	1200	1233	1250	1380	0	1410
Imports	0	0	0	0	0	0
TOTAL SUPPLY	1200	1233	1250	1380	0	1410
Exports	845	873	860	980	0	1000
Domestic Consumption	355	360	390	400	0	410
TOTAL DISTRIBUTION	1200	1233	1250	1380	0	1410

PSD Table						
Country:	Russian Federation					
Commodity:	Softwood Plywood					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	175	247	180	253	0	258
Imports	2	2	2	2	0	2
TOTAL SUPPLY	177	249	182	255	0	260
Exports	107	179	110	180	0	182
Domestic Consumption	70	70	72	75	0	78
TOTAL DISTRIBUTION	177	249	182	255	0	260

Export Trade Matrix			
Country:	Russian Federation	Units:	1,000m3
Commodity:	Softwood Logs		
Time period:			
Exports for	2000		2001
U.S.	100	U.S.	110
Others		Others	
Finland	4000	Finland	4200
Japan	5500	Japan	5700
China	5500	China	5700
Sweden	2000	Sweden	2200
Korea, Rep.of	1000	Korea, Rep.of	1100
Germany	600	Germany	700
Turkey	800	Turkey	900
Total for Others	19400	Total for Others	20500
Others not listed	500	Others not listed	1390
Grand Total	20000	Grand Total	22000

Export Trade Matrix			
Country:	Russian Federation	Units:	1,000m3
Commodity:	Hardwood Logs		
Time period:			
Exports for	2000		2001
U.S.	30	U.S.	40
Others		Others	
Finland	6000	Finland	6400
Sweden	1000	Sweden	1100
China	400	China	450
Japan	300	Japan	310
Estonia	100	Estonia	120
Korea, Rep.of	200	Korea, Rep.of	220
Total for Others	8000	Total for Others	8600
Others not listed	550	Others not listed	100
Grand Total	8580	Grand Total	8740

Export Trade Matrix			
Country:	Russian Federation	Units:	1,000MT
Commodity:	Softwood Lumber		
Time period:			
Exports for	2000		2001
U.S.	10	U.S.	
Others		Others	
Japan	350	Japan	355
Egypt	340	Egypt	345
Great Britain	250	Great Britain	250
Italy	275	Italy	278
Finland	190	Finland	195
Germany	290	Germany	290
Azerbaijan	180	Azerbaijan	180
Hungary	115	Hungary	120
Lebanon	70	Lebanon	85
Kazakhstan	86	Kazakhstan	90
Netherlands	210	Netherlands	220
France	150	France	155
Iran	80	Iran	85
Lithuania	140	Lithuania	140
Syria	70	Syria	75
Uzbekistan	80		90
Eatonia	120	Eatonia	125
Latvia	150	Latvia	160
Belgium	120	Belgium	140
Turkey	130	Turkey	135
Total for Others	3396	Total for Others	3513
Others not listed	1094	Others not listed	1037
Grand Total	4500	Grand Total	4550

Export Trade Matrix			
Country:	Russian Federation	Units:	1,000MT
Commodity:	Hardwood Lumber		
Time period:			
Exports for	2000		2001
U.S.	5	U.S.	5
Others		Others	
Italy	85		90
Ukraine	40		50
Kazakhstan	40		40
Lithuania	20		25
Great Britain	15		25
Germany	15		25
Total for Others	215		255
Others not listed	100		100
Grand Total	320		360

Export Trade Matrix			
Country:	Russian Federation	Units:	1,000
Commodity:	Softwood Plywood		
Time period:			
Exports for	2000		2001
U.S.	10	U.S.	12
Others		Others	
Great Britain	25		26
Denmark	10		11
Ireland	85		88
Estonia	4		5
Italy	6		7
Sweden	9		10
Finland	4		5
Germany	10		11
Total for Others	153		163
Others not listed	16		5
Grand Total	179		180

Export Trade Matrix			
Country:	Russian Federation	Units:	1,000m3
Commodity:	Hardwood Plywood		
Time period:			
Exports for	2000	2001	
U.S.	182	190	
Others		Others	
Great Britain	155	170	
Egypt	92	90	
Estonia	84	100	
Italy	55	70	
Ireland	50	75	
Denmark	25	35	
Sweden	23	30	
Poland	30	20	
Total for Others	514	590	
Others not listed	177	200	
Grand Total	873	980	

