

## China still importing (and requiring) huge volumes of Russian Logs and Lumber

### *China's domestic wood consumption close coupled to Russian imports*

**August 12, 2009 — Vancouver, BC.** Russia still remains China's most important softwood log supplier, representing nearly 85% of China's total softwood log imports in 2008 and also through mid-2009. This is despite the meltdown that occurred in Russia in late 2008 following the global financial collapse and while the Russian log export tax has remained at 25% (or a minimum of €15/m<sup>3</sup>) in 2009 on softwood logs. In fact, Russian log exports have had a surprising rebound in the first half of 2009 to remain close to their 2008 levels. These and other assessments were provided in the August issue of the *China Bulletin*, a monthly report published by International WOOD MARKETS Group Inc.

With a ban on timber harvesting in North China in place since the late 1990s, Russia emerged as the dominant log supplier to China feeding most of China's growth in timber processing. In 2008, China imported 29.6 million m<sup>3</sup> of logs, with softwood's share at 63% (18.5 million m<sup>3</sup>). After Russia, other suppliers of softwood logs represent a small part of China's supply but their share has been growing in 2009, especially that of New Zealand and Canada.

Russia also dominates China's hardwood log imports, led by ash, oak and birch. However, the log export tax on Russian oak, beech, ash, maple, and cherry increased to minimum of €100/m<sup>3</sup> on Jan 1, 2009, so Russian hardwood log exports have been falling while Russian hardwood lumber imports have been on the rise in China.

Strong domestic consumption from a growing housing industry and a rapid increase in international demand for China's low-cost manufactured wood products and furniture has fueled a dramatic rise in timber consumption and trade in China during the last ten years. "The softwood log and lumber trade has been particularly crucial for domestic Chinese consumption," said Russell Taylor, President and Publisher, "where an estimated 80% of imported Russian softwood logs are consumed within the Chinese market for Chinese end uses and the balance is used in products that are exported." Without Russian logs and lumber, China's wood deficit would be extreme (and is currently unsteady).

Although the volumes are much smaller, Russia also leads in China's softwood lumber imports. In 2008, China imported 3.6 million m<sup>3</sup> of softwood lumber with nearly 50%, or 1.8 million m<sup>3</sup> coming from Russia. This was followed by Canada, New Zealand, Chile, USA and others. The threat of further hikes in Russia's log export tax has increased the supply of lumber from other countries as a replacement to volatile and expensive Russian logs. In particular, Canada has increased its softwood lumber shipments, but mainly as low grade lumber as raw material inputs for China's factories.

Softwood log and lumber imports have increased from other countries during the last two years, including radiata pine from New Zealand, and SPF, Douglas fir, and hemlock from North America to substitute for Russia softwoods. With the potential of an 80% export tax still looming on Russian logs, new sources of raw materials will be required in China to offset uncertainties surrounding Russian log export volumes and prices.

Imported Russia softwood logs and lumber are mainly distributed to China's end users through the railway ports of Manzhouli, Suifenhe, and Erenhot – these are the three most important inland border cities used for importing timber from Russia. Some logs are also shipped via ship from Russian ocean ports to various Chinese ports closer to the log and lumber consuming regions in China. The *China Bulletin's Special Report* further assesses the imports of Russian logs and lumber by volume and species at land and sea ports. The most recent development for offshore log imports is the establishment of two ocean ports featuring fumigation facilities with a third port now being planned.

### **About International WOOD Markets**

International WOOD Markets Group ( [www.woodmarkets.com](http://www.woodmarkets.com) ) comprises wood products industry, market and business consulting services for industry and government clients. The firm maintains a global data-base and also offers numerous industry or market specific multi-client reports, including its landmark *WOOD Markets Monthly International Report*.

Strategic business assessments of matching the timber resource to the global commodity and specialty wood products market coupled with our feasibility analyses of timber processing options are trademark skills of the firm. Our ability to conduct in-the-field investigations coupled with our global network of contacts and comprehensive data-base delivers strategic results for clients looking to review or expand their domestic or global business or in evaluating investments.

The *China Bulletin* is one of eight reports published by WOOD MARKETS. The *China Bulletin* is a 16-17 page report that has been published monthly since 2007 and provides Special Reports, monthly imports and exports of logs and major wood products, and monthly imported log and lumber prices. Starting in October, 2009, coverage will be expanded to include plywood and domestic log prices.

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