

## Russia Log Export Tax — Global Implications

A new report by International WOOD MARKETS Group

**R**ussian softwood and hardwood log exports peaked at almost 50 million m<sup>3</sup> (10 billion bf, Scribner scale), and the country was the largest exporter in 2007, with 40% of global log exports.

While Russia's move to an 80% log export tax (minimum €50/m<sup>3</sup>) has been delayed until late 2009, the projected reduction in Russian log production and exports, in combination with higher log export costs (due to the current 25% tax with a minimum of €15/m<sup>3</sup>), will increasingly change global log markets. China, Japan and Scandinavia have already incurred major negative impacts as a result of the 25% tax — to the point where new wood supply strategies are being rapidly implemented.

This report highlights why the 25% log export tax will encourage increased Chinese and Russian investment in the construction of sawn lumber capacity in Eastern Russia in 2009. With Chinese demand for softwood lumber expected to continue strong in 2009, prices there are still projected to remain high for exporters (lumber export prices to China have risen by 100% since 2000 and 50% since 2006). Similar supply and price dynamics have already occurred in log and lumber markets in Japan and Finland as a result of the 25% tax.

### Are You Ready?

- How will the current 25% export tax continue to play out in Russia's key log markets in 2009?
- Could the 25% tax and the crippling 80% tax impact your business or market later in 2009 and in 2010?
- Can you benefit or not? The 25% tax is already impacting lumber, panel and chip exporters (as well as logs) in 2009 and could be huge in 2010!
- What are the best markets and product opportunities today for exporters to take advantage of current Russian log supply issues and higher costs?
- The ripple effect from Russia's log export tax on imports and exports will continue to disrupt markets, and higher prices are a given!

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addresses the likely supply, demand and price outcomes on logs and lumber to 2012 from this unprecedented supply shock — still the most pressing supply event since the “spotted owl crisis” in the early 1990s.

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