

Featuring Lumber, Panels  
and Wood Products Analysis

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## RUSSIA: INDUSTRY AND EXPORT TRENDS

### Export Focus is on China

**R**ussia is one of the world's dominant log and lumber producers and exporters. Due to its immense land mass, roughly half of which is forested, Russia accounts for nearly 20% of the world's standing forest resource — nearly 82 billion m<sup>3</sup> out of a global standing stock of roughly 434 billion m<sup>3</sup>. With this tremendous resource, Russia ranks as one of the world's major players in the global trade of timber and wood products. Specifically:

- Russia harvested 157.6 million m<sup>3</sup> in 2017, representing a 14.4% share of global softwood timber (log) production after having passed Canada in 2014 as the second-leading producer (behind the U.S.);
- Russia is the third-largest softwood lumber producer (37.8 million m<sup>3</sup>), representing 11.1% of worldwide production;
- Russia ranks second in log exports at 11.9 million m<sup>3</sup> (14% global market share, ranking behind New Zealand); and
- Russia is the second-largest lumber exporter with 28 million m<sup>3</sup> (22% global market share, ranking behind Canada).

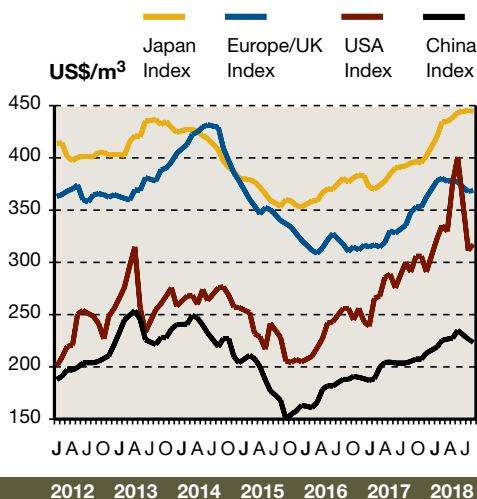
The Russian forestry and sawmilling industry has become a much greater competitive force in log and lumber export markets since the late-2014 devaluation of the ruble. In recent times, the country's industry has undergone a rapid change and is now seen to be remaking itself into an influential worldwide competitor. Today, with global markets becoming increasingly competitive, it's more important than ever to truly understand the changing competitiveness and strategy of the Russian industry and its exporters — particularly given its expanding role in the ever-significant Chinese market.

The cost-competitiveness of the Russian industry was once considered bleak. This was back in 2012–14, when high costs, constrained road and rail infrastructure, and prevailing poor forest logistics were responsible for an inability to access economic timber. With many Russian forests comprising a mixture of hardwood and softwood (particularly in Siberia), the lack of markets for low-grade hardwoods (especially aspen/poplar) hampered the economics of processing mixed stands and led to escalating logging and road costs. The outlook was also dimmed by the lack of new investments in the early 2010s.

In late 2014, however, the weakening of Russia's currency significantly brightened the picture for investing in the forest products sector, ultimately leading to peak earnings in 2015 and early 2016 when the ruble's devaluation was most extreme. The currency's subsequent strengthening, however, worked in combination with increased log prices to create a state of inflation in 2016 and 2017 that eroded Russian exporters' competitiveness. Nevertheless, many companies had made considerable investments that helped to improve the sector's overall financial and export market position.

...continued

## GLOBAL PRICE TRENDS



Source: WOOD MARKETS  
Note: Features structural lumber products from our Global Prices section

## SPECIAL REPORT

**RUSSIA: INDUSTRY AND EXPORT TRENDS (cont'd)****Export Focus is on China**

Russia is strategically placed within the Chinese government's BRI (one belt/one road) initiative to take advantage of improved logistics costs to inland China. Its newly weakened currency has allowed for domestic costs to be reduced, while major capital investments have been made into logging, sawmilling, value-added processing and logistics. Chinese border mills are adding equipment to process Russian logs in order to produce high-value kiln-dried lumber that can be shipped much further afield. Furthermore, Russian producers that have FSC-certified timber/lumber to sell are learning fast about the economic returns of providing customers with the sizes and grades of lumber they need and want. ■

*This article is a summarized excerpt from our newest publication, China's Import Demand for Softwood Logs & Lumber to 2023 • The Changing Supply Chain in China, with a Focus on Russia's Industry/Export Potential (200-pages; now available).*

## MARKET REPORT

**MSR LUMBER POISED FOR GROWTH  
Tight Supply and Strong Premiums**

Machine stress-rated (MSR) lumber continues to enjoy ongoing growth in the prefabricated truss industry, benefiting from the advent of such techniques as optimum-value engineering and the widespread use of modern design software. Further, with shortages of skilled on-site labour having reached crisis proportions in many areas of the U.S. and Canada, more builders are moving substantial portions of their building processes off-site. However, machine stress-rating alone will not meet all of the needs of off-site construction: the lumber must also be straight, true, four-square and dimensionally accurate for peak operational efficiency to be achieved.

The price premium enjoyed by MSR lumber has grown markedly. Going forward, the MSR premium is expected to average out at about US\$70+/Mfbm, and demand for MSR is projected to grow on a line that runs parallel to that of housing starts. ■

(The full articles contain in-depth details, complete with graphs to tell the story.)

## MARK YOUR CALENDARS:

**FEA Forum**

- Tuesday, September 25, 2018
- World Forestry Center, Portland, Oregon

**IWBC 2018: Industrialized Wood-Based Construction Conference**

- October 24–26, 2018
- Seaport Hotel and World Trade Center, Boston MA

## NOW AVAILABLE:

**China's Import Demand for Softwood Logs and Lumber to 2022**

- Examines the changing supply chain in China, with a focus on Russia's industry/export potential
- Available Q2/2018
- <https://www.woodmarkets.com/publication/china-book/outlook-to-2022/>

## PUBLICATIONS AVAILABLE:

**Global Timber/Sawmill/Lumber Cost Benchmarking  
2016 Annual Basis & Q2/2017**

- Available now
- <https://www.woodmarkets.com/publication/global-costbenchmarking/benchmarking-report-2016/>

**WOOD MARKETS • 2018 Edition****Detailed Analysis and Forecast for the North American Wood Products Industry & Market**

- Outlook 2018–2022
- Available early December 2017
- <https://www.woodmarkets.com/publication/5-year-outlook/outlook-2022/>

**CHINA BULLETIN (monthly)**

- [www.woodmarkets.com/publication/china-bulletin/](http://www.woodmarkets.com/publication/china-bulletin/)

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