

# **Global Timber and Wood Products Market Update**

*- a news brief from Wood Resources International LLC*

## **Reduced log export tariffs in Russia unlikely to boost the country's log export volumes back up to historic levels, reports the Wood Resource Quarterly**

*Export tariffs on logs shipped from Russia, the world largest log supplier, are set to be reduced as the country becomes a member of the WTO. The proposed new lower tariffs are not expected to increase export volumes to pre-tariff levels, according to the Wood Resource Quarterly.*

**Seattle, USA.** Log exports from Russia have plummeted the past five years mainly because of the country's implementation of a log export tariff of 25% in 2008, as reported in the WRQ. Despite having suffered a sharp decline in global market share, Russia is still the largest exporter of softwood logs in the world.

When Russia was accepted into the World Trade Organisation (WTO) in December of 2011, one of the requirements for the entry into the organization was that the country had to reduce export and import tariffs on forest products. According to persons close to the negotiation process, the not yet official proposal for the amendment of the Russian log export tariff system will lower the tariffs on softwood logs from 25% to 15% for pine logs, and to 13% for spruce logs. The new proposed tariff for birch will actually be higher than the current tariffs for small diameter logs.

In addition to the lowering of the tariffs, the proposal also includes a volume quota for softwood logs. Below the quota limit, the new tariffs will apply, and for volumes above the quota, current tariffs will continue to be in effect.

The proposed quotas will almost certainly have no impact on trade with the EU, since they are set substantially higher than the volumes shipped in 2011, and are close to the record high levels of 2006. The quota level for countries outside the EU is proposed to be 13 million m<sup>3</sup>, of which pine species account for 95%. China is the major destination for Russian pine logs, and in 2011, shipments were well below the proposed quota volume. Over the past ten years, there have been three occasions when the annual shipments of pine logs have been higher than the quota volume.

Even with a reduction in export taxes of 12%, it is not likely that foreign log buyers will rush back to Russia to purchase higher log volumes in the coming years since the business climate in the country continues to be challenging in terms of political uncertainty, continued corruption, increasing domestic log costs and infrastructure problems.

This uncertainty makes many forest companies wary about investing or trading with Russia, so they will likely try to diversify their timber sourcing further to include other

regions. China, which is the largest importer of Russian softwood logs is increasingly choosing to import lumber rather than logs from its northern neighbor.

For more information regarding the proposed new log export tariffs in Russia, historical log export trends and implications for log trade in Asia and Europe, please consult the latest issue of the Wood Resource Quarterly.

*Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. 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](http://www.woodprices.com)***

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