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FACT SHEET

The Forests of Eastern Russia:

A Time to Be Bullish or Bearish?

The highly productive forests of the U.S. Pacific Northwest, western Canada, and eastern Russia have enabled these regions to become the major global suppliers of coniferous industrial roundwood. As the outlook dims for sustained supplies of softwood saw and veneer logs from the Pacific Northwest and other conifer-producing regions, will wood from the forests of eastern Russia fill the gap in Pacific Rim markets?

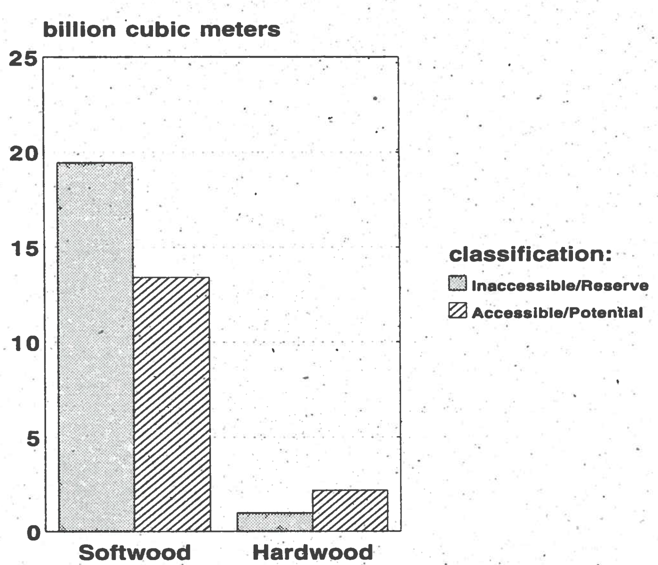
Land and Timber Resources

The forests of eastern Russia (East Siberia and the Far East) are significant and potentially offer the greatest competition for North American temperate coniferous timbers in global international trade. While Russian roundwood has been predominantly oriented to internal domestic needs and the needs of China and Japan as trading partners, these forests are also increasingly viewed as a potential source of timber for world markets. Is this potential realistic and will North American producers face stiff new competition in the Pacific Rim?

The Russian Republic is an immense area, with approximately 6.6 million square miles (17.1 million square kilometers) of land, an area nearly twice as large as the United States. Eastern Russia covers approximately 4.1 million square miles (10.4 million square kilometers), representing approximately 61% of the Russian Republic's land area. Yet the population is only 17 million, or about 12% of Russia's total population. Thus forest sector development, if it occurs, will depend on shipments to European Russia or international markets.

Russia is a major source of forest land, wood production, and forest growth. Especially significant is its share of world coniferous forest area (51%) and world coniferous growing stock volume (55%). Coniferous forests account for about 75% of the total forested area and 87% of the growing stock in eastern Russia. According to recent inventory data, Russia's eastern coniferous forest is made up of about 33% young, middle-aged, or nearly mature stands, and 67% mature or overmature stands. Mature and overmature coniferous forests in eastern Russia contain almost 13.4 billion cubic meters of growing stock which is accessible or potentially accessible in the near term.

Eastern Russia Stocked Forests
Mature and Overmature Inventory



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Harvest and Production

The reported annual timber harvest in the east Russian economic region was approximately 85 million cubic meters in 1991, well below estimated sustained capability. This gives rise to optimistic estimates of future timber supplies coming from this region. The estimated accessible and potentially accessible allowable cut of softwood timber in this area is 240 million cubic meters. However, an additional 230 million cubic meters of estimated annual allowable harvest exist in reserve and/or inaccessible forests.

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North Pacific Trade

Of primary interest to the forest sector in North America is the realistic potential for significant Russian participation in the timber markets of the North Pacific. The focal point for these markets has been Japan, the major importer of softwood timber and construction products. Import markets in China, Korea, and Taiwan are also significant, but at levels below the Japanese market.

Since the early 1960s, Japan has relied upon imports for a dominant share of softwood timber used to manufacture lumber and plywood for construction. The import of logs has declined, however, since 1979, with the largest change taking place in the import of South Seas tropical hardwood logs. In total, imported volume has averaged about 30 million cubic meters per year since 1981. Imports of softwood logs have been more stable at about 16-17 million cubic meters, declining to about 15 million cubic meters in 1991-92.

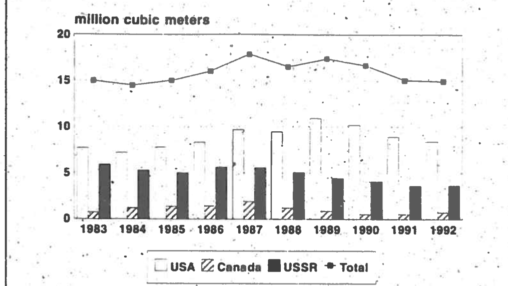
The major suppliers of softwood logs have been the U.S. and the Russian Far East. While the U.S. has annually exported approximately 9 million cubic meters of logs (primarily Douglas-fir, hemlock, and spruce), the Russian Far East has been supplying Japan with log exports averaging about 5 million cubic meters (primarily spruce, larch, pine, and fir) annually since 1980. For both suppliers, however, volumes have declined in recent years. U.S. coniferous log exports to Japan dropped to approximately 8.4 million cubic meters in 1992, while Russian exports of coniferous logs declined to 3.6 million cubic meters.

The Future Outlook

The export of greater volumes of softwood timber from the eastern Russian region to meet Pacific Rim demand is uncertain. In spite of the large conifer reserves and some investment in the forest sector, future Russian exports are clouded by the unstable political and economic environment, a lack of infrastructure, harsh environments for logging, and a lack of investment capital and technology. In recent years, eastern Russia has been unable to sustain its level of coniferous sawlog exports and has yet to develop a significant capacity to export processed timber. The combination of low quality and low value species, low stocking, and harsh climate contribute to high operating costs. Together with the uncertain sustainability of the resources, these factors will prevent large supplies of wood originating from the reserve and inaccessible forests of eastern Russia coming to market in the short to medium term.

However, the need for hard currency in the present period of economic and political change will undoubtedly stimulate Russia's interest in increasing forest products exports from its eastern forests. While striving for joint venture investment of capital and technology for value-added production is desired, the immediate returns from greater log exports well be hard for the region to resist. Such exports will be increasingly difficult under economic reforms and after costs and prices in Russia rise to world levels. But this factor could be moderated if forest preservation efforts around the world continue to limit global wood supplies and result in higher prices.

Japan Softwood Log Imports, 1983-92
USA, Canada, and USSR



Source: Japan WPIRC/trw

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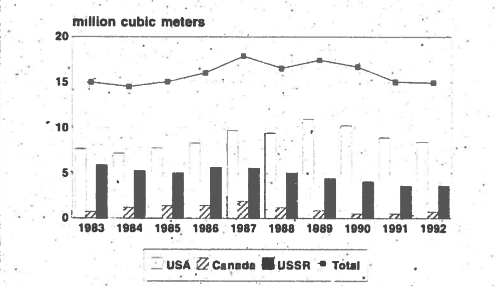

Source: Japan WPIRC/trw

For more information, contact CINTRAFOR and ask about the following publications:

"Soviet Timber Resources and Utilization: An Interpretation of the 1988 National Inventory," WP-35.

"Soviet Forests at the Crossroads: Emerging Trends at a Time of Economic and Political Reform," WP-28.

"Potential Expansion of Soviet Far East Log Exports to the Pacific Rim," WP-21.

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