

## Press release – For Immediate Release

Seattle, USA. August 20, 2008

### **Sawlog prices rebound in Russia during the 2Q of 2008, reports Wood Resources International**

*Wood Resource Quarterly reports that softwood sawlog prices increased in Russia during the 2Q, in contrast to the sharp decline noted during the 1Q. Contrary to earlier price movements, this time it was the domestic market rather than the export market that was the main price driver as the housing market in western Russia strengthened substantially.*

As a result of the implemented and planned log export taxes in Russia, shipments of softwood logs from Russia have declined both to Europe and Asia in 2007 and 2008. In the first quarter of 2008, Russia shipped 44% less to Europe and 15% less to Asia. During the 1Q/08, Russia exported less to all of its major trading partners except China, which increased purchases by 14%. Softwood log exports are, so far in 2008, at the lowest level in four years. The major consumers of exported pine and spruce logs from Northwest Russia are sawmills and to a lesser extent Sweden. In 2007, Sweden and Finland alone imported 89% of Russia's total shipments to Europe. Other importers included sawmills in Estonia and Latvia, which increasingly have become dependent on Russia for sawlogs.

The declining exports of softwood logs have benefited the domestic industry in Russia for two main reasons: increased availability and lower costs for sawlogs. This was particularly true in the 1Q this year, when raw material costs declined substantially in both Northwest

Russia and Siberia. In the 2Q, sawlog prices rebounded slightly as demand from domestic sawmills increased.

One key reason for the changing market conditions has been the ample supply of logs thanks to favorable logging and hauling conditions during the winter months. In the past, it was quite common that wood prices would fall early in the year due to good weather conditions, but then increase in the spring when bad road conditions limited the timber volumes that could be hauled out from the forests. Another reason for the reduction in prices has been the unusually high domestic sawlog supply as the result of declining log exports to Europe. In the 1Q/08, European countries imported 43% less softwood roundwood from Russia than in the same quarter in 2007, while hardwood log exports were up by over 50%.

Despite the recent fall in prices, log costs in Russia have still not come down to the same level as a couple of years ago, according to WRQ. With the recent reduction in log costs, Russian sawmills currently have some of the lowest wood costs in the world. With the possibility of a plentiful supply of logs next year secondary to the log tax increase, log costs within Russia are likely to stay down during 2009.

*Global pulpwood and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international pulp, lumber and biomass markets.*

**Contact Information**

Wood Resources International

Hakan Ekstrom

[info@wri-ltd.com](mailto:info@wri-ltd.com)

[www.woodprices.com](http://www.woodprices.com)