Forest products developments in the Russian Federation

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Production structure of forest sector in Russia

Forest resources

- Procurement of resins
- Non-wood forest resources
- Edible forest resources
- Hunting and agriculture
- Recreational services (ecotourism)

Wood products

- Timber harvesting
  - Sawlogs
  - Veneer logs
  - Constructional timber
  - Others
  - Pulplogs
  - Forest residue

Semi-finished products

- Chopped wood, wood chips, sawdust
- Pulp wood
- Wood pulp (CTMP, DMM, CTM)
- Viscose fibers
- low-grade wood

Primary processing

- Mechanical woodworking
  - Sawn timber
  - Railway sleepers
  - Hunch
  - Pit-prop
  - Veneer
  - Plywood
  - Particleboard, OSB, MDF
  - HDF, flooring, fiberboard

Further processing

- Furniture components: Tabletop, Others
- Construction elements: molding, trim, Glulam, Exterior finish materials, Wooden construction, Furniture
- Pulp & paper products
  - Paper
  - Paperboard
- Wood chemistry
  - Tall oil and others
  - Ethanol, bioethanol, Lignin
- Biofuel
  - Wood coal
  - Firewood
  - Pellets, briquettes

Forest products market research conducted by WhatWood on a regular basis

• 45% of Russia is covered by forests
• Forest area is 1.2 billion hectares
• Growing stock is 83 billion m³
• AAC is 700 million m³ per year
• Timber harvesting is 238 million m³ (2018)
Financial indicators of forest industry

Growth of GDP and forest industry sales (2006 = 1,0)

Contribution of forest products to GDP

Share of forest industry in the country’s GDP

Sales profitability in 2017-2018, %

Number of employees

Sources: WhatWood, Rosstat
• The contribution of the forest sector to the Russian economy is about 1.6%.
• The main contribution (about 30%) was provided by the products of the pulp and paper industry.
• In 2018, there was a strong growth in forest products. The main reasons are high prices in the world market, which persisted up to 3Q 2018. In 4Q 2018 and 2019, prices continue to decline on world markets, which is likely to lead to slightly lower results for the year.

Sources: WhatWood, Rosstat
Exports and imports structure of forest products

Russia: Exports of forest products in 1998-2018 (billion USD)

Russia: Imports of forest products in 1998-2018 (billion USD)

Source: customs statistics, WhatWood

Forest Products Trends & Developments.
Market Discussions.
Exports and imports structure of forest products

Russia: Exports of forest products by countries in 1998-2018 (billion USD)

Sources: customs statistics, WhatWood

Market Discussions.
Timber harvesting

- Industrial roundwood removals increased by almost 12% in the CIS subregion in 2018, to a record 245 million m³, driven by increases in both coniferous and non-coniferous logs in the Russian Federation.

- It is expected that most future investments in the Russian forest industry will be in Siberia and the Far East to meet rising demand for lumber, plywood and pulp in China. There are also plans, however, to increase investment in panels, cross-laminated timber and pulp in the western provinces.

- The Russian Federation is the only country in the CIS subregion exporting substantial volumes of roundwood. Belarus and Ukraine have both banned log exports.

Sources: WhatWood, Rosleskhoz, FAOstat
The Russian Federation is the only country in the CIS subregion exporting substantial volumes of roundwood. Belarus and Ukraine – the two other countries in the subregion with large forest resources – have both banned log exports.

The volume of coniferous industrial roundwood exports from the Russian Federation has fallen for two straight years and was only 11.0 million m\(^3\) in 2018, the lowest export volume in more than 20 years.

Export shipments have fallen by more than 55% since the country imposed high log export taxes in 2009, increasing the availability of logs for the domestic industry, and softwood lumber exports have doubled over the same period (a win for the Russian Federation in terms of money and jobs staying in the country).

Sources: WhatWood, customs statistics
Three macro-region for the production of sawn timber

I. North-West
share: 28%

II. Siberia
share 42%

III. Far East
share: 7%

Sources: WhatWood
Note: the share is calculated from the total sawnwood production in the country

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Market Discussions.
Trade of industrial roundwood

- The CIS subregion produced almost 48 million m³ of sawn softwood in 2018, up by 7.1% over 2017.

- Sawn softwood production increased by 4.4% in the Russian Federation in 2018, to 39.4 million m³, which was more than 82% of the CIS subregion’s output (47.0 million m³).

- Exports of Russian sawn softwood set a new volume record in 2018 of 29.8 million m³, up by 6.2% over 2017. Export growth was due largely to China, which was the largest consumer of Russian sawn softwood (58% market share of exports) in 2018, at 17.3 million m³.

Sources: WhatWood, UNECE
Trade of sawn timber

Russia: sawn timber exports by region (million m³)

Russia: sawn timber exports by country (million m³)

Sources: WhatWood, Rosstat

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Market Discussions.
Wood-based panels market in Russia

• The consumption of wood-based panels in Russia in 2018 was 12.8 million m³ (+ 12% year to year).
• The growth of wood-based panels consumption was mainly due to an increase in the share of particleboard, plywood and OSB.

Russia: wood-based panels consumption in 2000-2018, million m³

Russia: wood-based panels consumption in 2018, million m³

Source: WhatWood

Forest Products Trends & Developments.
Market Discussions.

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In 2018, plywood production in Russia exceeded 4 million m$^3$ for the first time in history, + 7.6% (y/y). The increase in volumes was influenced by the stable wood supply of plywood plants (in comparison with the failed season of wood removal in Q3 2017) and the growth in production at enterprises engaged in investment projects.

About 90 plywood mills are engaged in the production in Russia. The average annual growth rate of plywood production in Russia over the past 5 years was 4%, the industry average capacity utilization rate is 76%.

Plywood consumption in the domestic market has remained at a minimum since 2010. In 2018, domestic consumption amounted to 1.42 million m$^3$, a slight increase of 2.8%.

Source: Federal Service of State Statistics, Custom declaration, WhatWood
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Market Discussions.
Plywood export

In modern Russia plywood is more an export-oriented product. The share of sales in foreign markets in the last three years does not fall below 65%. In 2018, the share of exports is 67.

In 2018, due to the introduction of import duties, deliveries to Turkey fell sharply (-56% to 40 thousand m³). The USA increased purchases: +22% to 412 thousand m³, Egypt: +13% to 310 thousand m³.

Plywood export from Russia 1998-2018 (million m³)

Plywood export from Russia in 2018 (000, m³)

Source: Customs declarations, WhatWood

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Market Discussions.
Russia: the main plywood export flows in 2018

Source: Customs declarations, WhatWood

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Market Discussions.
In 2018, MDF/HDF production increased by 6% to 3.1 million m³. The main increase was provided by Kastamanu, Kronospan, Swiss Krono.

The export of MDF/HDF, fiberboard from Russia has been growing for seven years in a row, in 2018: +16% y/y to 1.2 million m³. The basis of exports from Russia is base panels and laminate flooring.

MDF/HDF import in 2018 did not increase relative to 2017: 501 thousand m³, +1% y/y. Since 2014 the leading positions has the Republic of Belarus: the share in total imports in 2018 is 39%.

Source: WhatWood
Fiberboard capacity map of Russia, Republic of Belarus, Ukraine

Source: open source, companies press-release
Note: the size of the circle is proportional to the design capacity. Capacities are indicated, including for the production of MDF (fiberboard) of the dry production method.
Russia: Production, Consumption, Export, Import of OSB

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Market Discussions.

Source: WhatWood
OSB Implemented and planned investment projects

Source: WhatWood
Note: the area of the circle is proportional to the design capacity

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Market Discussions.
2018 was marked by the consumption increase of particleboard on the domestic market +1 million m³ or +17% y/y. The growth occurred against the background of production volume increase (+15% to 8.4 million m³).

Since 2013, there has been a steady export increase. Export from Russia have been growing for five years in a row, CAGR 17% (in 2018: 1.75 million m³, +4.2%). Import in 2018 increased compared to 2017 by 5.4% and amounted to 276 thousand m³.
Particleboard projects of new particleboard plants

2) the area of the circle is proportional to the design capacity (000, m³)
Wood pulp

- The pulp and paper industry is growing in the CIS with increased investment, and the production and consumption of all major pulp and paper products rose in 2018. Paper and paperboard production grew by 3.8% in the subregion, to almost 10.7 million tones. The Russian Federation accounted for a large part.
- Wood pulp production in Russia increased by 0.9% in 2018 to 8.5 million tons.
- Ilim Group provides 78% of the market wood pulp.

Sources: WhatWood
Wood pellet mills location

Источник: WhatWood

Forest Products Trends & Developments.
Market Discussions.
Production and exports

Russia: Wood pellets production (million tons)

Russia: Wood pellets exports (million tons)

Source: Custom statistic, Federal Service of State Statistics, WhatWood

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