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Solid Wood Products

International Forestry Forum

2008

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Report Highlights:

The 10th International Forestry Forum held in St.Petersburg, October 10-14, 2008, brought together federal and local governments, industry and business leaders, to address important issues for the future development of Russia's forest sector. The following issues considered important for the sustainable forestry development: management of forest resources under the new Forest Code, investment potential in the regions, decentralization of the management system and infrastructure, and mechanisms for fighting timber poaching.

Includes PSD Changes: No
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The 10th International Forestry Forum held in St.Petersburg, October 7-10, 2008, brought together federal and local governments, industry and business leaders to address crucial issues for the future development of Russia's forest sector. The following issues were considered important for the sustainable development of forestry in Russia: management of forest resources under the new Forest Code, investment potential in the regions, lack of qualified personnel, decentralization of the management system, infrastructure of the Russian forestry sector, further development of the paper and pulp industry, and mechanisms for fighting timber poaching and illegal trade.

Mr. Boris Bolshakov, Deputy Head of the Federal Forestry Agency, delivered some data at the forum regarding the sector's performance in the past years, such as: increase in veneer production by 6-8 percent and chipboards by 11 percent. He also mentioned that only 29 percent of the annual allowable cut is being used (around 137 million m³), and only 26 percent of round wood is subjected to further processing. In the export structure, round wood accounts for 49.3 million m³ or 31.7 percent of the total wood exports. The major destination for round wood is China with (56 %), Finland (20.3%) and Japan (9%). The change in the export tariff for unprocessed wood products (on January 1, 2009, it will go up to 80 percent, but not less than 50 euros) is expected to have some long-term impact for Russia's main trade partners.

For example, trade estimated that by 2010, the total customs tariffs for Finnish industry will go up to \$900 million. Russia's profits for exporting logs to Finland are estimated at EUR500 million annually. Finland will likely be forced to source timber from other suppliers, such as the Baltic states and Latin America

Mr. Boris Bolshakov also explained that the objectives of the new government plan "Forestry Development Strategy by 2020", are based on two main lines of thoughts: to improve the federal management of forest resources and to set a unified policy in the forestry sector.

Under decentralization of the forest management system, it is foreseen that the regional level will be responsible for drafting and implementing forestry plans (short-term forestry sector development in the region), such as forestry use, forestry registration, developing list of investment priority projects; while the federal level will be responsible for the law enforcement aspects, such as state forest inventory, developing rules for forest management, protection and reproduction, and monitoring implementation of responsibilities by the regions. Under the program the major roads will be constructed at the government expense, however, approach roads will be the responsibility of the leaser. It is the intention of the some regional governments to encourage private funding for infrastructure by linking the cost of the lease to the level of investment or provide leases outside of auctions. The report also cited several ways to combat illegal logging, including: establishing better interagency cooperation; mandatory forestry certification; improving monitoring; and tightening enforcement for illegal logging. Mr. Bolshakov also expects that by implementing this Plan Russia will be increasing its logging area by 4 percent by 2020.

The issue regarding investment attracted a lot of attention during the conference. It was stated that total investment in the forestry sector will reach 44 billion rubles in 2008. However, according to trade sources at the Forum the sector needs at least 120 billion rubles annually. More than 80 percent of the investment is located in the northwestern Russia. Currently there are 64 priority investment projects under review by the government, of which 34 of the projects have been already approved. According to government officials, if all priority investment projects were implemented, Russia would increase production of timber to 300 million m³.

This year's speakers from the regions delivered more lectures and were involved in the discussion. The report from the regions highlighted positive experiences with the projects the region implemented recently, such as timber tracking system, or curbing illegal logging. The regional forestry representatives voiced concerns about the lack of coordinated forest management and failure of the government to take into consideration the specifics of individual region. It is extremely difficult for Russian government authorities to monitor the large number of small-scale timber operations, which often exist for one or two years, conduct their illegal logging and trade activities, and disappear before authorities can catch them at illegal harvesting or not paying taxes. Current regulation makes it more difficult for the small companies involved in the forestry business to survive; on the other hand it improves business conditions for larger ones.

Social aspect continues to be an obstacle for the sector's development. The regional officials appealed to the federal level with the help to sustain forestry settlements by increasing wages in the forestry industry and attractiveness of the sector as well as combat criminal activity.

Forum's Profile

During October 7-10, 2008, the city of St. Petersburg and Leningrad Oblast hosted the 10th International Forestry Forum entitled "Russia and the World Forestry Community: New Priorities for Forestry Enterprises Development" under the sponsorship of the Russian President's Plenipotentiary Representative for the Northwest Federal District, Federal Forestry Agency of the Ministry of Agriculture of the Russian Federation. The Forum had the active participation of the Russian Ministry of Industry, Science and Technologies, the Ministry of Natural Resources, the Government of Leningrad Oblast and the Administration of St. Petersburg, as well as leading trade associations and unions of Russia's forestry sector.

St. Petersburg and Leningrad Oblast were the venue for this forum because of their advantageous geographic position, high level of research and investment potential, effective transport links with European Union nations, and the fact that the region accounts for over 50 percent of forest resources and woodworking enterprises of European Russia.

The International Forestry Forum is an annual event held in October and has become one of the most important forestry events in Russia. The Forum featured conferences and round tables, where participated heads of forestry ministries and administrations, top managers, scientists and forestry experts from more than 20 world countries. This year's forum enjoyed the participation of more than 900 enterprises and organizations from 35 Russian regions and 20 countries.

In addition to the plenary and roundtable meetings, the Forum highlighted the following conference topics: forestry complex investment potential, forestry sector in conditions of the management system decentralization, prospects and development trends for infrastructure of the forestry complex problems of sustainable forest management and development, outlook for demand of forestry products on the world market, legal and economic issues of structural reforms of forest management systems, forests management and distribution of responsibilities for controlling and handling of forestry resources, use of high technology for the Russian forest products market, trends in the development of the Russian furniture market, the paper and pulp industry of northwest Russia, and developments in the wood processing industry. Representatives of the federal and local governments, and industry and business leaders addressed changes in legislation and increasing investments in the Russian forest complex.

The Forum included the following international specialized exhibitions that can be viewed at the following site: <http://www.spiff.ru/en/exhibitions.html>