



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 5/16/2006

**GAIN Report Number:** RS6029

## Russian Federation

### Solid Wood Products

### Forestry Sector Policy and Trade Update

**2006**

**Approved by:**

Kimberly Svec  
American Embassy, Moscow

**Prepared by:**

Kimberly Svec and Marina Muran

---

**Report Highlights:**

Dysfunctional export structure, illegal logging, and lack of transparent regulation continue to prevent Russia's forestry sector from reaching its growth potential. The Head of the Federal Forestry Agency announced a new government initiative called "National Plan", with the purpose of reducing timber poaching by 20-30 percent and unifying the administrative efforts of several government, public, and private institutions. The new Forestry Code is unlikely to be adopted in summer 2006 as previously expected.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow [RS1]  
[RS]

## FORESTRY CODE

The second Forestry Code hearing at the State Duma has been postponed and thus its chances of adoption in summer 2006 are dwindling. As of April 25, nearly all draft amendments have been reviewed, but it is unclear which amendments will be adopted and which will be discarded. The major issue is whether there will be any amendments related to the government resolution signed by President Putin on December 31, 2005, which will transfer responsibilities of forest resource management from the Federal Center to the regional level, beginning in 2007. It is unclear whether or not the government will have to revoke the resolution if appropriate modifications to the latest Forestry Code are not adopted. The publication delay of the new Forestry Code prevents Russia from attracting urgently needed foreign investment.

## ILLEGAL LOGGING

Timber poaching remains the main constraint facing sustainable forestry development in Russia. The most recent government initiative to combat illegal logging was the announcement of a "National Plan" against poaching. During a meeting of the Ministry of Natural Resources Consultative Council in March 2006, Valeriy Roshchupkin, head of the Federal Forestry Agency (FFA) stated that the volume of illegal logging in Russia is estimated at ten to fifteen percent (nineteen million m<sup>3</sup> of overall logging in Russia) and he pointed out three factors contributing to this situation:

- a) Social-economic conditions: Poor living conditions in forest areas combined with highly profitable illegal wood trade due to strong demand from domestic and overseas markets;
- b) Lack of transparent regulations: mostly administrative and customs requirements;
- c) Poor law enforcement: weak coordination efforts in forest management, inaccurate estimates of forest resources, weak effective control, and poor transportation.

The objective of the National Plan is to unify all administrative efforts between government, public and private institutions that are responsible for economic policy and safety in the country, at both federal and regional levels. The purpose is to monitor every link of the process from logging, transportation, processing to distribution.

During the first two years, it is expected that the National Plan will reduce timber poaching by 20–30 percent, increase the accuracy of forest resources, and certify nearly 15 million hectares of forestland. The other important objective is to increase budget revenues from the forestry sector by two billion rubles per year.

## TRADE

Despite the government's objective of unprocessed wood export reduction, recent trade data shows the opposite. According to the Federal Customs Committee, export of round wood during January-March 2006 increased 8.9 percent, as compared to the same period in 2005. On the other hand, the export share of high value wood products decreased.

**Table 1. Forestry Sector Exports.**

Code TN VED	Position	Jan-March, 2006	Jan-March, 2005	Change (%)
4403	Timber in the rough, 1000 m <sup>3</sup>	11,778	10,813	8.9
4407	Treated timber, 1000 m <sup>3</sup>	2,069	1,950	6.1
4412	Veneer, 1000 m <sup>3</sup>	390	375	4.2
4702-4704	Cellulose, 1000 tones	446	477	(- 6.5)
4801	News paper, 1000 tones	316	345	(- 8.4)

Source: Federal Customs Service

Note: Numbers have been rounded

Aleksandr Belyakov, Chairman of the Russian Trade Industrial Chamber of Forestry Sector Development, advocates removing all export tariffs on processed forestry products and establishing a diversified regional forest fee policy in order to stimulate optimal forest usage. According to Mr. Belyakov, the new forest legislation is unlikely to provide stimulus for processing facility investment in eighty percent of inaccessible forest areas, but will likely strengthen repartition in twenty percent of previously developed forestry territories.

The Ministry of Economic Trade and Development estimates that the forest sector's share of overall Russian exports dropped from 3.8 percent in January-February 2005 to 2.9 percent for the same period of 2006. The import share declined from four percent during January-February 2005 to 3.4 percent in the same period of 2006.