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THE RUSSIANS ARE COMING!

*April Lumber Export Volumes to China are
'Off the Scale'
with Huge Implications to Competitors*

Vancouver, BC - June 14, 2016: Russian softwood lumber exports to China were 1.55 million m³ in April, up by 81% from March's 853,000 m³. March volumes were already up by 55% from February. In fact, Russia's March export volumes to China had been the largest-ever single month's volume to China by a single country; that makes the April export volumes even more staggering. Russian softwood lumber exports are now 50% higher than the same four-month period in 2015 - or 3.6 million m³ (2.2 billion bf- nominal) versus 2.4 million m³. The specific reasons for this massive increase and whether this is a blip on the radar or not still needs to be qualified, but initial reports indicate that it is partly related to shifting exports away from weak markets in Egypt and diverting excess production to China. "Nevertheless," said Russell Taylor, President, "it should be a wake-up call to exporters to China that Russia can make some big swings in the markets it ships its lumber to, and has a favourable cost structure and supply chain plus increasing capacity to do so."

This analysis was reported in the June issue of the [WOOD Markets Monthly International Report](#) and was also summarized earlier in the [China Bulletin](#).

The WOOD MARKETS' *Global Softwood Log and Lumber Conference* held in Vancouver in early May was designed to have an expanded focus on industry developments in Russia and China. This was a strategic decision that came from WOOD MARKETS' ongoing global travels and the steady changes we have witnessed in both industries over the course of the last two years. Our analysts have come to believe that these developments will change the dynamics of softwood log and lumber export markets worldwide. "The Russians are coming" was a key theme of the Vancouver conference, and current trade data certainly supports this changing trend.

At the Global Conference, it was quite evident from the various Russian speakers that major reductions in logging costs and transportation costs had occurred from the devaluation of the ruble. This allowed the reach of Russian lumber to expand, where new markets can be



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explored when existing markets become over-supplied. As well, new sawmill investments had been established in Russia and additional ones, including large-scale export-oriented facilities, are in various stages of planning.

Of course, this does not bode well for lumber (and log) exporters to China. Already, evidence of lower prices has occurred: SPF lumber prices in China were flat to down in early June, with some of the impact likely coming from increased Russian competition. Log prices were affected too: radiata pine and hemlock/Douglas fir log prices also moved lower. China is Russia's largest and most important export market: in 2015, 90% of Russian log exports and 45% of lumber exports were to China.

We continue to believe that further production or trade developments could emerge with little warning in both China and Russia - changes that could have profound and sometimes immediate effects on supply dynamics/export markets, in turn boomeranging back into domestic/other export markets. That's one reason we decided, in late 2015, to relaunch our [Siberia Forest & Industry & Northern China Tour \(September 11-19, 2016\)](#) and tie it into our [China Supply Chain & Logistics Conference and Industry Tours \(September 20-23\)](#), as you really need to see and feel the industry pulse for yourself. Added Russell Taylor, "we could just say we "saw some of these new dynamics coming," but it really springs from our regular travels throughout global markets, where we visit with major exporters and producers (most exporters speak only to buyers)." This broad international network enables us to see new trends much earlier than most, and it is our current view that many in the industry do not understand the industry scale and low costs in both China and Russia and how this will impact global trade. We suggest that those with an export business need to look closer at these new, visible trends; those who do may just find themselves with a strategic advantage.

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Publishers of *WOOD Markets Monthly International Report, China Bulletin* and 5 other strategic/forecast reports.

Organizers of:

Siberia Forest & Industry & Northern China Tour (September 11-19, 2016)

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China Market, Supply Chain & Logistics Conference, and Industry Tours (September 20-23, 2016).

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