

CHAPTER 6

SAWN SOFTWOOD SUPPLY, TRADE AND CONSUMPTION

Highlights

- European and North American consumption and trade move to record levels in 1997.
- Russian Federation production and exports decrease again.
- Baltic Countries continue to gain market share in Europe.
- Sawnwood prices continue cyclical trends and move up again in 1998 in Europe.
- Falling Asian demand threatens both new and established sawnwood trade channels.
- First exports of certified sawnwood occur in ECE region.

6.1 Consumption

Apparent consumption of sawn softwood moved strongly upwards in *Europe* in 1997, by 8.6% over 1996 (table 6.1.1 and graph 6.1.1). The volume of 79 million m³ moved consumption ahead of the last 6 years, but did not reach the 1990 level of 84 million m³. This advance came as exports (some intra-European) hit a record 31 million m³, which were up approximately 50% over 1990. Imports grew 7.7% over 1996 to reach the level of 1990 again of 30 million m³ (note 1994 imports were higher at 32 million m³). Spurred by heightened demand for sawnwood in mid 1997, production soared to 80 million m³, an all time record in Europe.

The United Kingdom increased consumption of sawn softwoods by 1.2 million m³ and by 16.1% to reach 8.6 million m³ in 1997, below the high in 1994 of 10 million m³. In early 1998 consumption was still strong, but tightening of interest rates in mid year may slow housing starts, and hence demand for sawnwood in the latter half of the year. It was the unexpected strength of the United Kingdom demand, along with that of a few other countries, which drove the European apparent consumption beyond the forecast of the Timber Committee which was made in October 1997.

Germany also increased consumption to a record high of 16.7 million m³, a rise of 4.3% from 1996. While the boom in demand from the reunification

construction needs is over, and domestic construction fell as noted in Chapter 2, there was continued strength in the repair and remodelling sector which resulted in higher production and imports.

1996 was a difficult year for some other European Union member countries, including Italy, as most countries had to take tough economic measures to prepare for the European Monetary Union requirements. Italy's tightened interest rates were reflected in a drop in forest products consumption in 1996, but once the EMU criteria had been met, the economy surged and in the case of sawn softwood, consumption hit a new record in 1997 of nearly 6 million m³ as imports climbed to their highest level ever.

Two other western European countries marked record consumption over 1996: Austria up by 22.5% and Norway up by 12.5%.

Improvement in the 1997 Nordic domestic markets is evidenced by increased consumption in Sweden, up 41% to 4.7 million m³, in Finland, up 38% to 3.3 million m³, and in Norway, up 13% to 2.7 million m³.

North American housing starts accelerated consumption of sawn softwood to a new high of 137 million m³. The United States demand for private housing continued to rise in 1997 and with it the need for sawnwood and wood-based panels, especially

TABLE 6.1.1
Sawn softwood balance in Europe, the Russian Federation and North America, 1993 to 1997

	1993	1994	1995	1996	1997 ^a	Timber Committee estimates ^b	
						for 1997	for 1998
(million m ³)							
EUROPE							
Production	67.90	73.60	76.31	75.24	80.13	78.34	78.02
Imports	27.11	32.35	27.41	27.76	29.82	28.54	28.87
Exports	26.12	30.00	30.14	29.19	30.98	30.36	30.41
Net trade ^c	-0.99	-2.35	2.73	1.43	1.16	1.81	1.54
Apparent consumption	68.89	75.95	73.58	73.81	78.97	76.52	76.48
RUSSIAN FEDERATION							
Production	32.80	24.64	22.53	17.53	15.60	15.53	17.53
Imports	0.01	0.04	0.04	0.01	0.02	0.01	0.01
Exports	6.46	5.33	5.64	4.35	4.54	4.38	4.93
Net trade ^c	6.45	5.29	5.60	4.34	4.52	4.37	4.92
Apparent consumption	26.35	19.35	16.93	13.19	11.08	11.16	12.61
NORTH AMERICA							
Production	136.39	141.14	135.34	141.83	145.22	148.94	149.02
Imports	36.17	38.98	41.36	43.75	43.32	43.07	43.29
Exports	48.35	49.98	52.14	53.55	51.55	50.72	50.94
Net trade ^c	12.18	11.00	10.78	9.80	8.23	7.66	7.65
Apparent consumption	124.21	130.14	124.56	132.03	136.99	141.29	141.37

^a Preliminary.

^b From Timber Committee's October 1997 session, adjusted for compatibility with historical (actual) data.

^c Negative values are net imports.

oriented strand board, because in contrast to most European construction methods, American framing and siding are mostly wooden, and occasionally even foundations are made from preservative-treated wood. United States consumption increased by approximately 1% or 1 million m³ to reach 120 million m³ in 1997. The increased United States consumption was met by higher domestic production, up 1.5 million m³, and not as in the past by imports which decreased by 0.5 million m³. Responding to lowered home mortgage rates, Canadian housing shot up and domestic consumption of sawn softwood advanced by 30% over 1996 to regain the 16.9 million m³ level of 1992. At mid year, reports are confirming the Timber Committee forecasts for another increase in North American consumption in 1998.

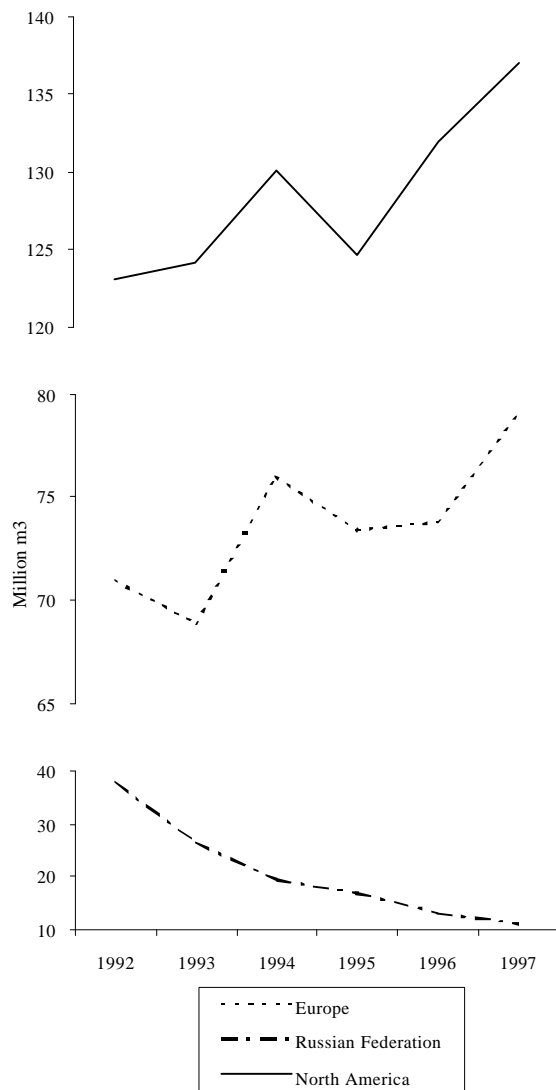
The *Russian Federation* continued to suffer economic difficulties in 1997 and sawnwood consumption fell by 16% or 2 million m³. At 11 million m³, consumption was but 30% of the 38 million m³ recorded in 1992 when separate statistics became available from the countries in the former USSR. However, some local consumption may not be recorded in the official statistics. As imports of sawnwood are minor, the fall in consumption is resulting from decreased production. Some 40% of

domestic consumption of sawnwood is for construction, including industrial construction, 20% is for repair and remodelling, 10% is for packaging, 5% is for furniture and 10% is for other uses according to a speaker at the Timber Committee workshop in 1997 in Arkhangelsk, Russia on "Development of marketing of sawnwood and value-added forest products in countries in transition."

Other *countries in transition* to market economies fared better in general. Establishing new record sawn softwood consumption levels in 1997 were Poland to 4.4 million m³ and Slovakia to 0.5 million m³. For some other countries the transition process continues to retard economic growth and consumption of sawnwood fell in Hungary by 14% to 0.7 million m³ and by 46% in Romania to 0.2 million m³. However it must be noted that Romania's production was up 21% and both Hungary's and Romania's exports rose, by 33 and 65% respectively.

The *Baltic Countries* domestic consumption rose, but not to the higher levels recorded in 1992. While production rose in Estonia, Latvia and Lithuania, three-quarters of that was exported. Because the Baltic Countries are in the process of re-establishing their role as trading nations, it is difficult to be precise on

GRAPH 6.1.1
Consumption of sawn softwood, 1992 to 1997



Source: UN/ECE TIMBER database.

the exact proportion of production which is exported. The Timber Committee Study Tour which visited the Baltic Countries in 1997 noted some sawnwood, both soft and hardwood, is imported from neighbouring countries, especially Russia (including the Kaliningrad region), then remanufactured and re-exported.

6.2 Production

Production of sawn softwood in *Europe* eclipsed the previous high in 1988 and moved up 7% to reach 79.7 million m³ in 1997 following the dip in 1996 (table 6.2.1). Most of the main exporters registered significant increases, for example Sweden up 8.8% to 15.4 million m³, Finland up 14.0% to 10.6 million m³ and Austria up an estimated 11.3% to 8.1 million m³. Germany which is a both a heavy consumer and an

exporter of sawnwood, increased production by 5.2% to reach a record level of 10.6 million m³.

Switzerland was one European country which did not follow the general trend of increased sawnwood production. Construction rates have been down over the past couple years which has directly reduced timber consumption. Some sawmills closed in 1997 and although some remaining mills have invested in sophisticated machinery, they have not been able to fully take advantage of the investment. A recent study had proven that residential wood construction has responded well to promotional efforts and with a greater share of wood in housing, the sawmilling sector is poised to improve pending a general amelioration in construction.

In *North America* production swelled by 2.4% to meet both domestic and export market demands and reached a new high level of 145 million m³ in 1997. Canada increased production to 63.7 million m³ as exports to the United States continued despite the continuing restrictions of the Softwood Lumber Agreement between the Governments of Canada and the United States of America. The United States produced 81.4 million m³ of sawnwood, which was below the levels before the western National Forest lands reduced harvesting. Both the United States and Canada also benefited in the first half of 1997 from strong Asian demand, partly stimulated by the rush in housing construction brought on by the April 1997 increase in consumption tax in Japan.

Production in the *Russian Federation* continued to fall in 1997, dropping by 11% to 15.6 million m³. Since separate figures became available for Russia in 1992, production has fallen by almost two-thirds. The Timber Committee workshop mentioned above identified some reasons for the decrease. In Arkhangelsk, a northern port, and largest sawnwood producing region in Russia, the distance to the log resource has increased as the most readily available timber was logged off some time ago (regeneration is slow in the harsh climate). Transportation costs have multiplied making former resources truly uneconomical (in 1990, 8% of the sawnwood cost was for transportation, but in 1996 that had increased to 42%). Deregulation has changed business methods, not always for the better according to a sawnwood exporter in Arkhangelsk; he also mentioned that in addition, the new norms, regulations and taxes have constricted the production. The workshop visited a non-working sawmill which was apparently running only a night shift due to difficulties in purchasing electricity; meanwhile in late November the port was blocked by ice as the icebreakers were broken down.

TABLE 6.2.1
Production of sawn softwood, 1994 to 1997

	1994	1995	1996	1997 ^a	Change 1996 to 1997	
					Volume	Per cent
	(1000 m ³)					
EUROPE	73600	76308	75241	80131	4890	6.5
of which :						
Main exporting countries	57071	59261	58429	62952	4523	7.7
Sweden	13616	14737	14170	15419	1249	8.8
Germany	12365	12925	13123	13801	678	5.2
Finland	9700	9400	9300	10600	1300	14.0
Austria	7316	7552	7950	8122	172	2.2
France	6649	6827	6506	6900	394	6.1
Poland	4500	4600	4280	5010	730	17.1
Czech Republic	2925	3220	3100	3100	0	0.0
Other countries	16529	17047	16812	17179	367	2.2
of which :						
Norway	2400	2205	2400	2500	100	4.2
Spain	1995	2507	2378	2378	0	0.0
Turkey	2334	2502	2308	2308	0	0.0
United Kingdom	2122	2106	2140	2214	74	3.5
Portugal	1244	1250	1250	1250	0	0.0
Romania	867	877	924	1115	191	20.7
Switzerland	1200	1342	1240	1100	-140	-11.3
Russian Federation	24640	22525	17530	15600	-1930	-11.0
Canada	60648	59343	61828	63764	1936	3.1
United States	80493	75992	80004	81453	1449	1.8
North America	141141	135335	141832	145217	3385	2.4

^a Preliminary.

Production in the *Baltic Countries* is making up for some of the decreases from their neighbour. Increasing production by 69%, Latvia reached 2.5 million m³ and Estonian reached 0.6 million m³. However in Lithuania, where a log supply problem negatively affected sawmill output, production fell by 15% from 1996 (table 6.2.2).

Other *countries in transition* which secured good export markets and combined them with improved domestic consumption, like Poland, increased production. In the case of Poland the 17% increase in production more than offset the decrease in 1996 and a new record level of production was achieved at 5.0 million m³.

TABLE 6.2.2
Baltic Countries sawnwood production, 1992 to 1997
(million m³)

	1992	1993	1994	1995	1996	1997	% Change 1997/1996
Estonia	0.3	0.3	0.3	0.3	0.4	0.6	69.4
Latvia	0.5	0.4	0.8	1.0	1.5	2.6	68.9
Lithuania	...	0.6	0.7	0.9	1.4	1.2	-14.8
Total	...	1.3	1.8	2.2	3.3	4.4	33.3

Source: UN/ECE TIMBER database.

6.3 Trade

European net trade in sawn softwood decreased slightly in 1997, despite an increase in exports, as imports swelled by roughly 2 million m³ to meet increasing demand for sawnwood. With increased export markets, including those in Asia in 1997, Europe continues for the third year to be a net exporting region for sawn softwood.

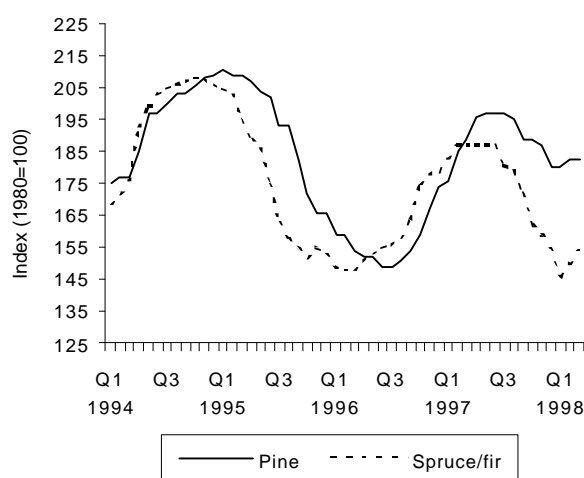
Japanese markets for European sawnwood increased strongly in 1997, by 71% in volume and 56% in value, to reach over 2 million m³ and \$645 million (note that a unknown, but probably small, percentage of this is hardwoods). Europe had a 17% market share of all Japanese sawnwood imports in 1997—an amazing growth from 2% in 1993. The booming Japanese market, and with it other Asian countries for which statistics were unavailable, has become segregated with some countries focusing on sawnwood, like Sweden, Austria and Germany, while others have exported more logs, like Finland and Denmark. Still there is no clear distinctions as Finland and Germany export both logs and sawnwood to Asia. It merits mention that more and more European countries are entering the Asian sawnwood market, including many countries in central and eastern Europe. Regrettably the Asian market is considerably weaker in 1998 as economies there suffer through a recession. A more detailed discussion of the Japanese trade appears in Chapter 4 with some consequences on the ECE region trade in 1998.

Following destocking at the mill in the beginning of 1996 when sawn softwood prices were low, demand picked up from some major importing European countries, like the United Kingdom, and with the temporary short supply, prices began to rise (graph 6.3.1). Prices continued to climb and peaked in mid 1997, but then as the sawmills had gathered momentum, and with some European demand met, plus weakening in the Asian markets in the latter part of 1997, the oversupply cycle came in to play—stocks rose and prices fell. Now in mid 1998 there has been a renewed upward movement of prices as noted on the graph and the cycle is starting again. A report from Fédération Française des Importateurs de Bois du Nord (FFIBN) confirmed this rising price trend for April and May 1998 also. The European Organization of the Sawmill Industry stated that although prices for some assortments/qualities were rising with increased demand in mid 1998, there was also a simultaneous increase in sawlog prices.

However the same market effects were not universal among exporting countries as relatively stable prices were reported by Austria and by the United Kingdom for their Russian imports. Russian

GRAPH 6.3.1

Swedish sawnwood price indices, 1994 to 1998



Source: Swedish Wood Exporters Association, 1998.

export prices to Japan have lowered according to recent reports, but remained higher than prices paid by European importers of Russian sawnwood. It should be noted that the qualities of sawnwood may be different and hence although all the prices are stated in dollars, the sawnwood may not be directly comparable in value; rather the intention is to show the effects of prices on sawnwood trade and vice versa.

According to *Timber & Wood Products*¹, first United Kingdom quarter imports were up 30%, but demand was slowing in the second quarter. According to an article on the website of the Finnish Forest Research Institute, sawnwood sales from Finnish and Swedish sawmills in the first quarter of 1998 had increased by 10% over the same period of 1997 due to strengthened economies in the European Union and the stronger dollar.

European imports of sawn softwood in 1997 rose strongly, by 7.7%, to 29.9 million m³, a volume below the 1994 peak of 32 million m³. The free movement of goods within the European Union continues to screen the direction of trade among the current 15 member countries.

The United Kingdom is the largest European importer and while import volumes increased dramatically, by 22% from 1996, they did not move up to the levels before 1995. According to COMTRADE, the United Nations database, 1996 imports came from the following countries in descending order by

¹ *TTJ Timber & Wood Products* magazine incorporated *Timber Trades Journal*, *Timber & Plywood Board News* and *Wood & Timber Construction*.

quantity: Sweden, Finland, Latvia, Russian Federation, Canada, Lithuania, Portugal, etc. The United Kingdom's imports of Canadian sawnwood have eroded over the past years due to phyto-sanitary requirements and competition from closer sources. According to trade reports in mid 1998, the United Kingdom and hence the total European imports from all sources, could decrease in 1998 due to a forecast slowdown in construction.

Italy's sawn softwood imports, like their hardwood imports, rebounded in 1997 and achieved a record 5.1 million m³. While most softwood imports originated in Austria, a small portion of Italy's imports came from Switzerland, which increased exports by 81% on the small volume of 134,000 m³; as Italy is Switzerland's main market, export volumes are directly dependent upon, and have been constrained by, the exchange rate between the Swiss franc and the Italian lira.

Germany's imports increased in 1997, but only to regain 1995 levels and not the peak of 5.3 million in 1994. Neither actual data nor estimates were available for Europe's fourth largest importer, the Netherlands.

North American sawn softwood export surplus shrank in 1997 as the early effects of the Asian crisis were felt in the second half of the year. While United States exports continued their slow decline which started at the beginning of the decade, by 1.1% in 1997, Canadian exports ended their trend upwards at the 1996 record of approximately 50 million m³, and

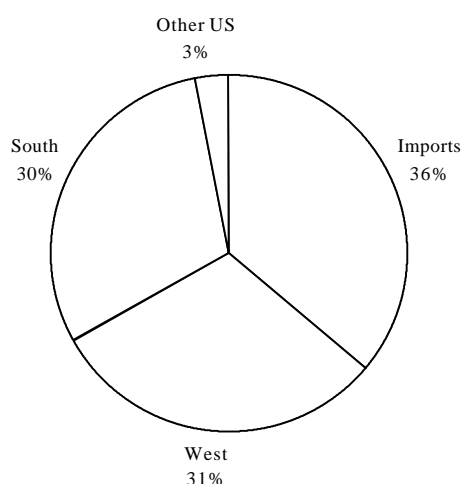
fell by 4%, or 2 million m³, to 47.7 million m³ in 1997. Trade journals indicated that Canadian shipments of construction sawnwood to the United States rose with the increase in housing construction, but that the Softwood Lumber Agreement between the countries continued to have a constraining effect on Canadian exports.

United States imports of sawn softwood fell by 1% in 1997, down to 42.5 million m³. According to COMTRADE, in 1996 the United States was the largest importer, buying 46% of the total sawn softwood imports; of that, 96% was imported from Canada. Following successful trial shipments of European sawnwood graded according to the Western Wood Product Association's grading standards in 1996, Finland and Sweden exported 37,000 m³ to the United States in 1997. However that volume is smaller than Austria's exports of 51,000 m³ in 1997, a dramatic increase from nothing in 1994. The Czech Republic, Lithuania and Germany also exported softwoods to the United States in 1997. In 1993 Russia exported 9 million m³ to the United States, but that volume dropped to 1.3 million m³ in 1996 before rising back to 5.4 million m³ in 1997.

In the first quarter of 1998 the United States imported 8% more sawn softwood than in the first quarter of 1997. The majority is from Canada but the United States is also importing from some new sources (graph 6.3.2 and table 6.3.1).

GRAPH 6.3.2

United States sawn softwood supply, 1998



Source: Western Wood Products Association, 1998.

TABLE 6.3.1

United States sawn softwood imports, first quarter 1998

	1000 m ³	% Change
Canada	9883	8
Europe		
Austria	17.2	943
Finland	9.4	186
Lithuania	4.2	800
Latvia	1.9	(none 1996)
Sweden	5.7	300
Latin America	227.8	2
New Zealand	39.6	18
Russia	0.2	-50
Other	314.9	15
Total	10,504	8

Note: % change is first quarter 1998 over the first quarter 1997.

Source: Random Lengths Export, 1998.

United States imports from countries outside the ECE region are also expanding rapidly, albeit on small volumes. More and more radiata pine, despite stringent phyto-sanitary standards, is making its way

from Chile (283,000 m³ in 1997) and New Zealand (170,000 m³ in 1997). In 1997 Latin American softwoods were imported from Brazil, 388,000 m³, Mexico, 283,000 m³, and on much lower volumes, Argentina, Honduras, Uruguay, Bolivia and Colombia. Some smaller volumes were imported from African countries too. In January 1998, radiata pine imports were up strongly and the same ECE region countries had initiated shipments, with the addition of Latvia.

North American sawnwood prices peaked earlier than European prices and have been falling in 1998 (graph 6.3.3).

Russian exports of sawnwood increased slightly in 1997, by 4% to 4.5 million m³. It should be noted that exports in 1996 were the lowest since the beginning of the economic transition period in 1991.

The *Baltic Countries* continue to be a dynamic region and while their exports dominate, domestic consumption has increased and along with it imports, part of which are remanufactured from rough, unedged boards and upgraded for re-export. Thus some small amounts of re-exported sawnwood finds their way into the statistics (table 6.3.2).

TABLE 6.3.2

**Baltic sawn softwood exports,
1992 and 1995-1997**

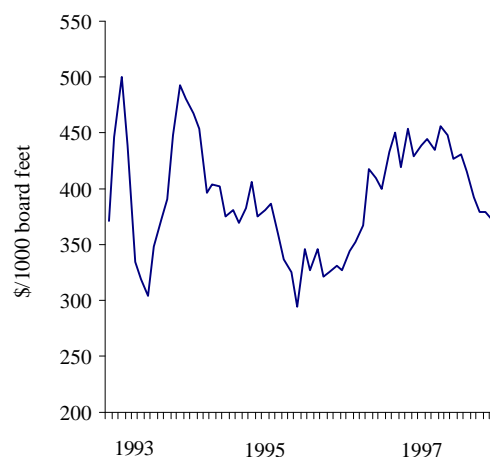
	1992	1995	1996	1997	% Change 97/96
Estonia	37	283	485	621	28.0
Latvia	42	700	1286	2030	57.9
Lithuania	26	728	1046	847	19.0
Total	105	1666	2817	3498	24.2

Source: UN/ECE TIMBER database.

The decrease in Lithuanian exports in 1997, which apparently could be repeated in 1998, deserves explanation. According to the Lithuanian Center of Forest Economics, the export of sawnwood in the first 3 quarters of 1997 was equivalent to the same period in 1996 but then domestic harvesting was reduced from its previous high rates which had been deliberately boosted for phyto-sanitary measures against the spruce beetle. Bringing the annual cut back in line with sustainable levels resulted in a decrease in domestic log stocks at the sawmills, a decrease in sawnwood production, and the resulting decrease in export volumes for the year. Sawnwood exports to Germany, the principal trading partner, decreased in 1997 by 9% to 560,000 m³ while exports to the United Kingdom increased by 12%, to 140,000 m³. The Center forecasts a decrease in sawnwood exports again in 1998 due again to sawlog supply and increased domestic consumption.

GRAPH 6.3.3

**North American composite sawn softwood prices,
1993 to 1998**



Source: *Random Lengths Export*, 1998.

Lithuanian imports of roundwood increased by a factor of 5 in 1997, from 19,000 m³ in 1996 to 102,000 m³ in 1997. About 85% of the imported roundwood was softwood species with the majority coming from Russia (including neighbouring Kaliningrad) and Belarus.

The imports from Belarus could fall considerably during the second half of 1998 if new regulations barring exportation of logs greater than 13 centimetres in diameter are enforced. These regulations are intended to maintain a sufficient supply of large diameter logs for Belarus' sawmills. Exports of sawnwood will not be encouraged since boards wider than 15 cm or thicker than 14 cm are prohibited. All oak exports have likewise been prohibited, again to ensure satisfactory domestic supplies.²

Investments in Estonian sawmills have raised production capacity to 650,000 m³ which could be achieved with favourable market conditions in 1999 according to the Estonian National Forestry Board. Export destinations according to the Board are Germany, Belgium, Netherlands, United Kingdom, Ireland, Sweden and Finland. Sawnwood to Sweden and Finland is assumed to be for re-export. *Japan Lumber Journal* listed Estonia as the source of 1125 m³ of sawnwood--a small volume but a big increase on their 1996 export to Japan of 41 m³. Some sawmills

² A separate report on trade flows of sawnwood and roundwood in Belarus is intended to be completed in autumn 1998. Copies are available upon request from the secretariat.

are using Scandinavian export marketing services to produce sawnwood to order, i.e. standard sizes and qualities and kiln-dried. Diversification is occurring and more value-added products are produced, like joinery and furniture.

6.4 North American developments

The "Softwood lumber agreement between the Government of the United States of America and the Government of Canada" entered into its second year in 1997 and is to continue until 2001. The Agreement was detailed in the last Review, but basically it limits duty-free Canadian exports to the United States at 34.7 million m³. Thus far Canadian exports have extended each year beyond the limit, despite the additional C\$50 to 100 paid per 1000 board feet.

Some of the Canadian sawnwood volumes turned away from the United States found markets in Asia, but in 1998 with the weakness in Asia, sawmillers are scaling back production as domestic markets cannot consume the excess capacity.

A way around the quotas was for Canadian mills to invest in added-value processing as these products are not restricted. In an interesting twist, as "building components" are not subject to the same duty as softwood lumber (sawnwood), a new practice was developed of drilling a hole into each 2x4 stud so that it escaped the quotas of the agreement.

6.5 European developments

Nordic sawmillers have made inroads into new markets, for example the United States as mentioned before. In 1998 some members of the Swedish Wood Exporters' Association have found new markets in the United Kingdom for Forestry Stewardship Council labelled sawnwood. Currently there are no statistics available on the volume or value of these sales of sawnwood from forests certified to be sustainably managed.

Two Nordic forest products companies, Enso of Finland and Stora of Sweden have announced a merger which would create the world's largest wood products producer with a combined sawnwood capacity of about 3 million m³ per year. This is about 1 million more than the second largest Nordic producer, UPM-Kymmene which merged last year. In addition Enso/Stora would have a combined capacity of 13 million tonnes of paper and paperboard.

The United Kingdom market for sawn softwood could slow in 1998 with increasing interest rates. Latvia became the second source of supply in 1997, behind Sweden and supplanting Finland. More

worrisome than changes in supply sources is the trend noted by the *World Wood Review* is substitution of plastic and metal in windows and doors, as well as the substitution of composite wood products for formerly solid wood applications.

A large German sawmill has been built on the Baltic Sea to take advantage of sawlog imports from the Nordic and Baltic Countries, as well as 30% domestic logs. The mill capacity is 400,000 m³ of sawnwood output per year according to *Timber & Wood Products*, of which 90% may be dried. Principal markets are domestic and the United Kingdom.

While Belarus may not be typical of other countries in transition, a glimpse into its sawmilling industry is enlightening. Privatization has been occurring through passage of 80% of the country's forest products companies from the control of the Ministry of Forestry to the Bellesprom Concern. Many companies had been privatized through purchase by vouchers by management and workers in order to form joint-stock companies. In 1997 and 1998, some of these companies were made public again when they reverted back to local authorities.

In June 1998 a chipper-canter sawmill near the Belarus capital, Minsk, was sawing 10 to 30 centimetre diameter pine logs which had been sorted at the forest landing. The output was air-dried sawnwood, of which 50% was exported to Germany. This mill which is owned and operated by the Ministry of Forestry priced its exports according to the indicative prices set by the Ministry of External Foreign Relations, which is responsible for setting the prices of all export commodities. Considering that the grade may change appreciably with the specific market requirements, the company received \$125 per m³ for export grade, \$60 per m³ for domestic grade and \$20 per m³ for local use sawnwood. Export markets were said to be good and with their small diameter input, the new export width restrictions would not be of concern.

6.6 Russian Federation developments

Russian forest products industry organization continues to undergo transformation with Rosexportles, the largest supplier dividing into Rusexportles and Corporation Rosexportles. In order to halt declining sales to Japan, a council to coordinate export strategies was created of nine leading Russian timber exporters (including Rusexportles, Rosexportles and Exportles). According to a spokesman for Rosexportles quoted in the *Timber & Wood Products*, prices for timber exported to Japan have fallen 15% due to "enigmatic internal reasons".