

<b>TRADE NOTE</b>	Impact of trade restrictions on Russia and Belarus
<b>FOR</b>	Importers, Merchants, Manufacturers
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<b>DATE ISSUED</b>	070322

**The Russian invasion of Ukraine has, rightly, dominated headlines and debates recently. The rest of the world has been fairly quick to react and an unprecedented number of sanctions have been placed on Russia and Russian trade which will have considerable impact on global timber supply.**

**This trade note looks at the impact of sanctions on the trade of Russian wood and wood products, and the responses from governments, NGOs and the private sector to the crisis.**

On 7 March 2022, Timber Development UK chaired a pan-European meeting with the leading timber and sawmilling associations to coordinate action across the continent. **In this meeting there was unanimous support for the sanctions imposed on Belarus and an expectation that these measures will soon be extended to ban trade in timber with Russia.**

It should be stated that both Russia and Belarus are major suppliers of timber into the European and global market – with Russia responsible for around 10% of the European softwood market – so these restrictions will have a significant impact. While neither country is a large source of direct imports into the UK, uncertainty remains about the volume of processed products which the UK imports where the raw materials will have a Russian origin. Another factor to consider is that timber from Ukraine could soon be designated as ‘conflict timber’ under UK and EU Timber Regulations (UKTR) and be restricted.

Amidst this humanitarian crisis the sector has united to focus on how we can support Ukraine, mitigate the loss of timber, and maintain the sustainable management of forest resources. Across the market in most cases alternative sources do exist to replace Russian imports, though pressure on these alternative sources will be hugely increased. Therefore it is anticipated that some product categories will be under strain in the short to medium term.

As the UK does not import any Russian logs, nor export any logs to Russia, this trade note focuses on

the sawn wood and panel products sectors. We believe the primary effects of these restrictions for our UK members are likely to be in their broader impact on the global market. Although, as highlighted in this trade note, it is likely that panel products and joinery will face much of the initial impact, restrictions may also impact customer confidence and overall demand in the wider sector.

#### **IMPACT ANALYSIS BY PRODUCT CATEGORY**

**Softwood:** In 2021, the UK directly imported 492,538m<sup>3</sup> of softwood from Russia, with a value of £158,227,432 (HMRC figures at customs values). This represents 5% of softwood imports. Belarus and Ukraine are small sources of softwood into the UK.

**Impact of trade restrictions:** Structural softwoods for the construction and housing sectors will be affected little as Russian raw materials are not common sources for these products. However, it is anticipated that increased demand for Scandinavian joinery redwood and whitewood, which will be affected, will put upwards price pressure on these products, which could start to pull logs away from the structural softwood sector.

**Hardwood:** In 2021, the UK imported 8,359m<sup>3</sup> of hardwood from Russia, with a value of £2,707,962. This represents 1.6% of hardwood imports. Direct imports of hardwood from either Belarus or Ukraine are again significantly smaller.

**Impact of trade restrictions:** While small amounts of hardwoods are directly imported from Russia or Belarus, indirect imports of hardwood products from Europe may be significant for some species. Ukraine is also a major hardwood exporter, and in some estimates may represent as high as 20% of the import market for oak into Europe.

**Panel products:** In 2021, the UK imported 68,600m<sup>3</sup> of hardwood plywood from Russia at a value of £36,344,564, most of which is birch plywood. This represents 6.3% of hardwood ply imports, and this is the largest single product category which will be

directly affected. Across other product categories, from softwood ply to OSB, there are little direct imports of these products.

**Impact of trade restrictions:** While there is a clear direct impact on the hardwood ply market as imports from Russia are restricted, it is difficult to ascertain the full impact of trade restrictions on panel products due to the processing these goods will undergo in other European nations before coming into the UK. The impact on Birch Ply is likely to be most pronounced, as several other European producer nations use Russian input feedstock material before exporting elsewhere.

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## IMPACT ANALYSIS BY SECTOR

**Joinery:** It is anticipated that the most significant effect of these trade restrictions will be on the joinery sector. Russian joinery redwood, whitewood, and birch plywood provide many joinery workshops and shop fitters with a significant element of their raw materials.

Russian joinery timbers are also often processed by importers and specialists into Planed All Round Timber (PAR) and mouldings for the merchant sector. This means merchant companies will often be less aware of the original source countries - as such products will be traded under generic titles like Premium or Trade packs.

Although alternative supply chains are in place from Finland and Latvia for birch plywood, there is little or no spare capacity, and some of the birch logs used by these sources may be crossing the border from Russia. Swedish and Finnish sawmills can also provide alternative supply chain options for joinery redwood and whitewood, albeit at higher rather than lower costs.

Siberian larch for external cladding is another product used in the UK which will be impacted. However, it is difficult to ascertain exact volume or value information as much of this material is sorted, kilned and sometimes processed in EU member states before entering the UK

**Construction:** While we believe the direct impact of import loss will not be that great for structural softwood, it is anticipated these restrictions will contribute to prices remaining firm in 2022, along with broader inflationary pressures already present throughout the market. There are also concerns that these restrictions will impact some specialist construction products, such as tile battens, which were already under strain.

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## RESPONSES TO CRISIS

**UK Government:** Wide ranging sanctions have been

imposed on Russia which will both directly and indirectly affect the timber supply chain including:

**Maritime sanctions.** UK ports have been asked not to provide access to any ship which they have reason to believe is owned, controlled, chartered, or operated by any person connected with Russia.

**Financial sanctions.** These have been wide ranging with the banning of transactions from some banks as they have been excluded from the SWIFT payment system, and the freezing of assets. This has made electronic transactions very difficult, essentially shutting suppliers out of the market.

**NB:** We have contacted the government about payments made in advance of receiving the goods but prior to the invasion and they stated that those affected should contact [customer.service@ukexportfinance.gov.uk](mailto:customer.service@ukexportfinance.gov.uk).

**European Union (EU):** As these sanctions have been internationally coordinated a similar set of restrictions are in place for both Russia and Belarus following the invasion, though in some instances EU restrictions are wider ranging and long standing - particularly for Belarus where there is already a ban on timber imports in place.

**NGO response:** There has been a campaign from the NGO sector to ban the import of all Russian and Belarussian timber and wood products (see [Earthsight](#))

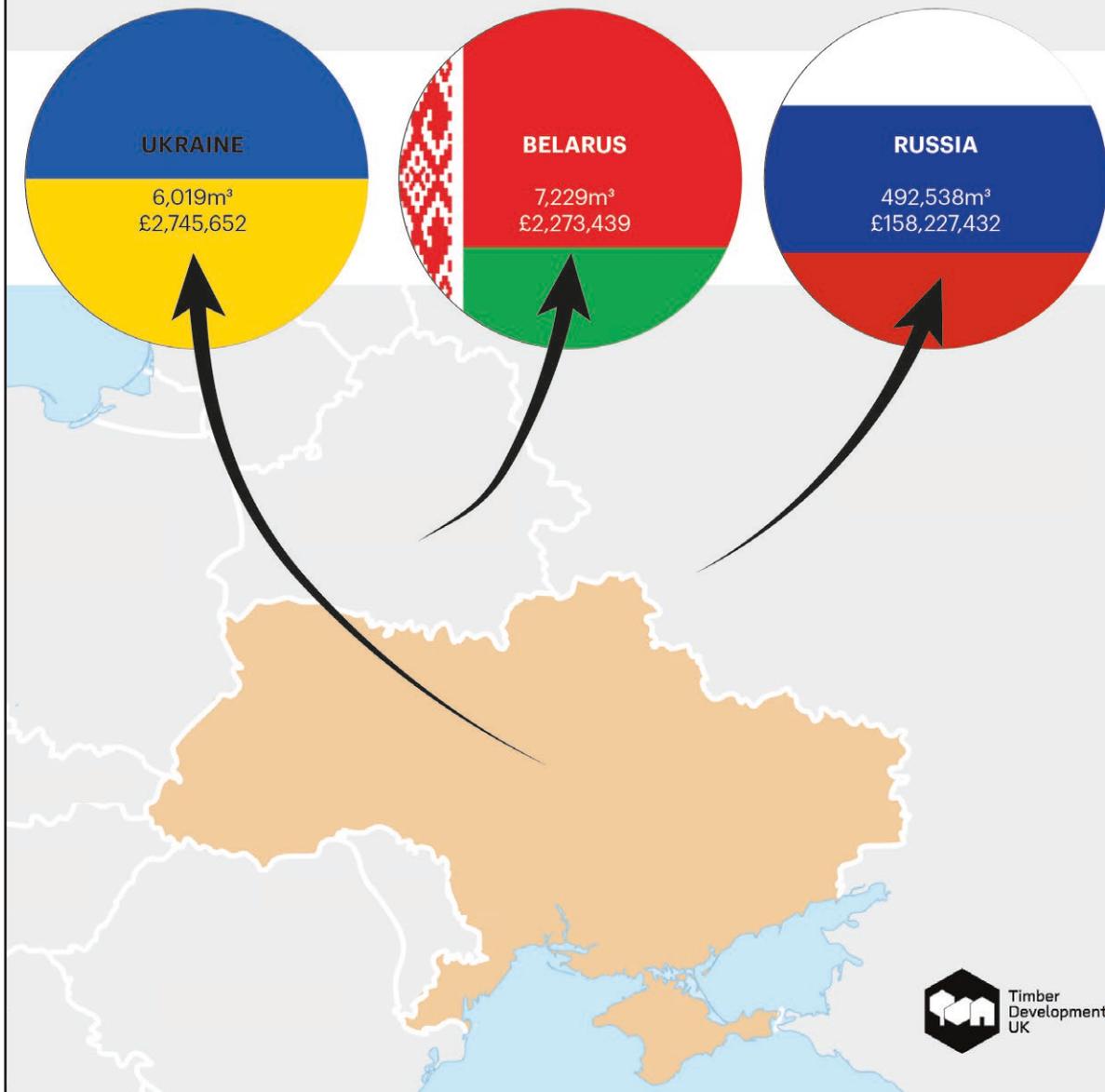
PEFC have labelled all timber originating from Russia and Belarus as 'conflict timber' and therefore cannot be used in PEFC-certified products. FSC at the date of this note being published have not made any such declaration.

**Private sector:** Many individual companies in the UK and Europe have already announced that they will stop all production and sales in Russia, and stop purchasing raw materials that originate in Russia. It is anticipated that following the joint statement from the leading member associations that the sector will follow suit.

## About Timber Development UK

Timber Development UK was formed from the merger of two of the largest and longest established organisations in the supply chain, the Timber Trade Federation (TTF) and Timber Research and Development Association (TRADA). It is the largest, most comprehensive supply chain body in the UK, spanning from sawmill to specifier and all points in between. Find out more about the merger at [www.timberdevelopment.uk](http://www.timberdevelopment.uk).

# DIRECT IMPORTS OF TIMBER TO THE UK FROM RUSSIA, BELARUS, & UKRAINE IN 2021



## UK COMBINED IMPORT FIGURES IN 2021

	m <sup>3</sup>	value
Russia	492,538	£158,227,432
Belarus	7,229	£2,273,439
Ukraine	6,019	£2,745,652
Combined	505,786	£163,246,523

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