THE GROWTH OF THE SOVIET LUMBER INDUSTRY AND EXPORTS

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ABSTRACT

The natural wealth of the U.S.S.R. has been a key factor in this country's rapid economic expansion. One of its major resources is its forests, which, in turn, has provided a sound basis for its lumber industry and lumber exports. This industry has played an important role in the transformation of Soviet Russia from a predominantly agricultural state to a modern industrial country by providing a valuable building material and by earning much needed foreign funds. In the latest decade, the growth of Soviet lumber production and trade has been most remarkable. Currently, the bulk of her foreign lumber sales have been concentrated in European countries, particularly the United Kingdom. Over the next five years, evidence suggests a continued growth of both lumber production and exports.

INTRODUCTION

The presence of a vast commercial forest represents a valuable resource to any nation on the road to rapid economic development. In the case of the Soviet Union, the harnessing of this natural asset for the lumber industry facilitated the country's economic growth by providing a valuable foreign currency earner and a vital building material. Currently, the Soviet Union is not only the world's largest lumber producing country accounting for approximately 30 percent of all sawnwood and about 35 percent of sawn softwoods but also the world's second most important lumber exporter with its major market the United Kingdom.¹ The United Kingdom commonly absorbs about one third of Soviet Russia's lumber exports.²

Considering the vast timber reserves of Soviet Russia, the expected growth of its sawmilling facilities, and the strategic location of its lumber producing centres to export markets as well as the accelerating requirements of the Soviets for foreign currencies, the output and exports of Soviet lumber can be expected to increase over the next decade. While the major flow of exports will be to European countries, there may be sizable gains in other areas of the world, particularly with regards to the Japanese market. By the early 1970's the Soviets probably will be producing over 130 million cubic meters of lumber per year of which about 10% would likely be designated for export. Even at this estimated level of future exports, the Soviets will only be approaching the volume of Canadian lumber exports in the early 1960's.

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THE GROWTH OF THE SOVIET LUMBER INDUSTRY

Over the last fifty years, the growth of this industry, even though it has been seriously disrupted by two major wars, has been considerable and is closely related to the volume of logging. While there has been a gradual shift of sawmilling installations to the vast forested lands of the Northwest, Urals, and Eastern Siberia economic regions, the bulk of the output still occurs in the populated areas of European Russia, which have at best modest wood reserves. The transportation of vast quantities of round wood from major logging areas of the north and east to these sawmilling areas of European Russia is a questionable economic arrangement.

The recovery and rapid growth of sawmilling capabilities following the virtual collapse of production and marketing systems during World War I and the ensuing civil war mainly took place in the Five-Year industrialization programs (1928-1940). For example, during the 1930's, the average output was double that of the maximum annual output of Tsarist Russia. Prior to World War II, the greatest annual production of nearly 41 million cubic meters was achieved in 1963.

While there is a paucity of information for the Second World War period, the lumber industry certainly suffered a severe blow for at one time nearly one third of the sawmilling installations were in the hands of the Nazi invaders. Since by 1945 the level of output was very low—nearly 15 million cubic meters—this suggests that from 1942 to 1944 the average annual production was around 10 million cubic meters.

In the decade and a half following the last world war, the growth of this industry was most dynamic. The degree of success can be measured by the seven fold increase of production from 1945 to 1959. In 1959, for the first time the output of lumber exceeded 100 million cubic meters. However, during the early 1960's there has been a noticeable slow down of growth. For example, from 1945 to 1959, the average annual growth was about 8% while from 1959 to 1964, it was about 1%.³ Even so, the 1964 production was nearly 111 million cubic meters, which was about five times that of Canada.⁴

The major possibilities accounting for the low rate of growth are (1) a satisfactory level of output vis-a-vis the domestic and export markets, (2) an unwillingness and/or inability to substantially expand existing capabilities, (3) a short term situation reflecting a growth lag while logging and lumbering activities are relocated in areas of large timber reserves.

While all three possibilities may have acted at different times upon the rate of expansion in the early 1960's, the key factor is the third one. In face of the economic reality that it is more expensive to transport round wood than lumber, that more and more logging will take place in northern and eastern Russia, and that integrated forest complexes greatly reduce the cost of all forest products through the utilization of so-called waste products, the Soviets simply must adjust their sawmilling production to the major logging areas.⁵ By 1967, the basic relocation program should be completed. Consequently, during the rest of the 1960's, there is every reason to anticipate an average annual growth rate of around 2% to 3%. Accordingly by 1970, production should be approaching the 130 million cubic meter level, and most of this

FIGURE 1. Production Growth of Wood Products, 1928-1964.

additional production will be absorbed by the expanding domestic requirements. However, if Soviet efforts to accelerate lumber exports bear fruit, the growth rate may be even greater.⁶

THE POSITION OF LUMBER EXPORTS

In international lumber trade, the presence of Russian forest products is well established. Historically, one of the most important exports from both the Russian Empire and the U.S.S.R. has been wood products, especially sawnwood. In 1913, wood products comprised nearly 11% of total Russian exports.⁷ At the same time, nearly 42% of the lumber produced — nearly 6 million cubic meters — was exported. In comparison the average annual lumber exports of the 1960-1964 period were only slightly greater than the 1913 figure. Clearly, prior to World War II, the lumber industry was strongly oriented to the European market. Under the Soviets, the lumber industry has expanded greatly in order to satisfy the growing requirements of the domestic market and to earn much needed foreign currency. The economic build up of the Soviet Union has involved the consumption of vast quantities of lumber. Consequently, even though total output has risen sharply, the proportion of exports is well below the level of sixty years ago.

During the first major drive towards industrialization initiated by Stalin, the availability of lumber for export was a critical factor in the international trade program of the U.S.S.R. With the absence of foreign credit, almost all Soviet imports of industrial goods required for the rapid growth of her heavy industry had to be paid for with convertible funds. Since the lumber industry was relatively easy to harness for expansion — mainly through the application of additional low priced labour inputs — and since Soviet lumber was acceptable by many European countries, particularly Great Britain, a substantial portion of the industry was geared to the export market. From 1928 to 1932, the period of the first Five Year Plan, the average annual sale involved 4 million cubic meters of lumber or one fifth of the production.⁸ During the second Five Year Plan (1933-1937), the average annual export of lumber was slightly greater than the previous period. However, since production has grown at a more rapid rate, lumber exports comprised only 14% of total output. In 1939, foreign sales dropped sharply to 1.4 million cubic meters reflecting the disruption of trade with European countries owing to the outbreak of the Second World War.⁹ From this time to 1956, the annual lumber exports of the U.S.S.R. did not approach that of the 1929 to 1938 period.

In the immediate post-war period, both lumber production and trade were well below the level of the pre-war period. Since the middle of the 1950's, the flow of lumber to other countries has increased steadily with the main customer the United Kingdom. Most significant, the proportion of exports to production is rising. In 1950-1954, the average annual foreign sale of lumber comprised 2.3% of production while in 1960-1964 it was 6.1%. In 1964, exports composed nearly 7% of production. These figures strongly suggest that a growing proportion of Soviet lumber production is designed for the international market. By 1970, over 10% of the lumber output may be sold abroad.

TABLE 1

RELATIONSHIP OF LUMBER EXPORTS TO PRODUCTION
(MILLION CUBIC METRES)

	1913	1938	1952	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Exports	5.9	3.2	0.7	2.3	2.2	3.5	3.6	4.4	5.0	5.2	6.0	6.5	7.7
Production	14.2	34.5	60.5	75.6	76.6	81.6	93.7	104.0	105.6	104.3	104.6	106.4	110.9
Percentage of exports to production	41.6	9.3	1.2	3.0	2.9	4.3	3.8	4.2	4.7	5.0	5.7	6.1	6.9

AVERAGE ANNUAL FIGURES

	1928 - 1940	1945 - 1949	1950 - 1954	1955 - 1959	1960 - 1964
Exports	3.9	0.4	1.4	3.2	6.1
Production	28.7	26.8	60.3	86.3	106.4
Percentage of exports to production	13.6	1.5	2.3	3.7	5.7

Sources: *Vneshechnyyaya trgovlya SSSR za 1955 - 1965 gody*, pp. 116-117; *Narodnoe Khozyaystvo SSSR v 1964 g.*, pp. 196 and 661; *Ibid.* 1962, pp. 181 and 545; *Ibid.*, pp. 236 and 669; and Ivan M. Elchibegoff, U.S.S.R. "International Timber Trade", *Journal of Forestry*, Vol. 59, No. 10 (October 1961), p. 755.

SOVIET LUMBER MARKETS

Europe represents the main market of Soviet lumber. Since 1955, it has absorbed approximately 90% of the foreign lumber sales of the U.S.S.R. In 1963, European countries purchased nearly 6 million cubic meters of sawn-wood.¹⁰ The communist countries of Europe received less than one-third of total exports while other European countries bought around 60%. Of these nations, the major importers from 1955 to 1963 were the United Kingdom (35%), the German Democratic Republic (14%), Hungary (9%), the Netherlands (7%), and the German Federal Republic (7%). Over the next decade, since the Soviet lumber exports should easily hold their share of the European market and since lumber imports of these countries are expected to rise during this period, the U.S.S.R., even without capturing an even greater share of this market, should enlarge their lumber sales. By the early 1970's, the average annual foreign sales should total well over 10 million cubic meters. In addition, while lumber exports to other areas of the world particularly the wood deficient countries of the Middle East and North Africa currently comprise only about 10% of total Soviet sales, the prospects for gaining entry to new market areas, particularly Japan, are reasonably bright. Combining these sales with those of Europe, Soviet lumber trade within five years could exceed 13 million cubic meters per year.

TABLE 2

SOVIET LUMBER EXPORTS BY REGION
(%)

EUROPE	Average of 1955-1963	1963
United Kingdom	35.2	32.2
Netherlands	6.6	3.8
Federal Republic of Germany	6.6	6.7
Belgium	4.7	4.7
France	3.4	4.3
Italy	2.7	3.0
Greece	1.9	1.9
Denmark	0.9	0.8
Iceland	0.6	0.4
TOTAL	62.6	57.8
COMMUNIST EUROPE		
German Democratic Republic	13.6	17.1
Hungary	8.9	9.3
Czechoslovakia	3.2	2.4
Bulgaria	1.6	1.0
TOTAL	27.3	29.8
MIDDLE EAST AND NORTH AFRICA		
United Arab Republic	3.5	4.0
Lebanon	0.7	0.8
Iran	0.5	0.3
Iraq	0.4	0.2
Turkey	0.4	0.0
Sudan	0.4	0.4
Syria	0.3	0.3
Algeria	0.3	0.0
TOTAL	6.5	6.0
Unaccounted exports	3.6	6.4

Source: *Vneshchnyaya Torgovlya SSSR za 1959-1963 gody*, pp. 116-119.

CONCLUSION

The lumber industry has played a formidable role in the economic development of the U.S.S.R. Not only has this industry provided much needed products for the domestic market but also it has earned large sums of foreign currencies through exports. In recent years the expansion of lumber sales abroad has been considerable. Both the desire of the Soviets to capture a larger share of the

world market and the capacity of its lumber industry to produce more "surplus" lumber for export can mean only one thing—the expansion of lumber sales on the international scene. Within five years, the U.S.S.R., with an aggressive export program, could nearly double its lumber sales of the early 1960's.

NOTES

¹ F.A.O., *Yearbook of Forest Products Statistics*, 1964, pp. 24-25.

² *Vneshchnyyaia trgovlya SSSR za 1959-1963 gody*, pp. 116-117.

³ *Narodnoe Khozyaystvo SSSR v 1964 g.*, p. 196.

⁴ *Ibid.*, p. 196; and *Yearbook of Forest Products Statistics*, 1964, pp. 24-25.

⁵ United States Department of Agriculture, *Forestry and Forest Industry in the USSR*, Report of a Technical Study Group, March 1961, p. 43.

⁶ "Khrushchev's Speech to Conference on Agriculture", *The Current Digest of the Soviet Press*, Vol. XVI, No. 10 (April 1, 1964), p. 24; and Robert M. Bone, "A Geographical Appraisal of the Soviet Forest Resource", *Forestry Chronicle*, (Sept. 1965), pp. 346-347.

⁷ *Narodnoe Khozyaystvo SSSR v 1964 g.*, p. 663.

⁸ *Ibid.* v 1961 g., p. 236; and Ivan M. Elchibegoff, "U.S.S.R. International Timber Trade", *Journal of Forestry*, Vol. 59, No. 10 (Oct. 1961), p. 755.

⁹ *Ibid.*

¹⁰ *Vneshchnyyaia trgovlya SSSR za 1959-1963 gody*, pp. 116-117.