



Challenges for Sustainable Timber Supply *Strategies to Reduce Complexity, Increase Transparency, and Encourage Legality*

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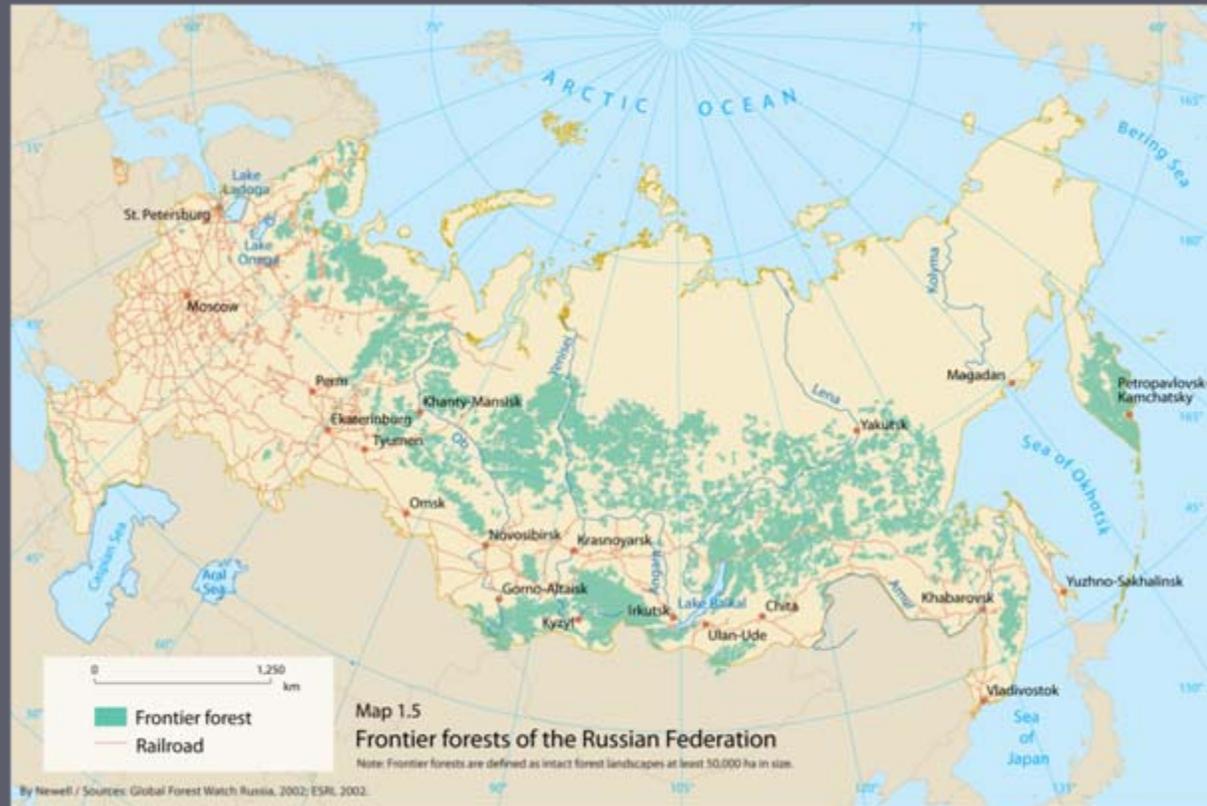




The Setting

Chinese Manufacturers

- Russia a vital wood resource
- Facing rising pressure to ensure legal wood supply
 - e.g. IKEA – No wood from Intact Natural Forests
- Limited certified forests or CoC certified companies, particularly in Eastern Russia and parts of Siberia
- How to identify immediate, cost effective approaches to securing legal wood supply?





Russian-Chinese Wood Trade Project

Four Goals

- Map supply chain configurations of two Chinese furniture manufacturers
- Build typology of Russian wood supply chains
- Identify suitable legal verification systems and technologies
- Provide recommendations to ensure supply chain transparency

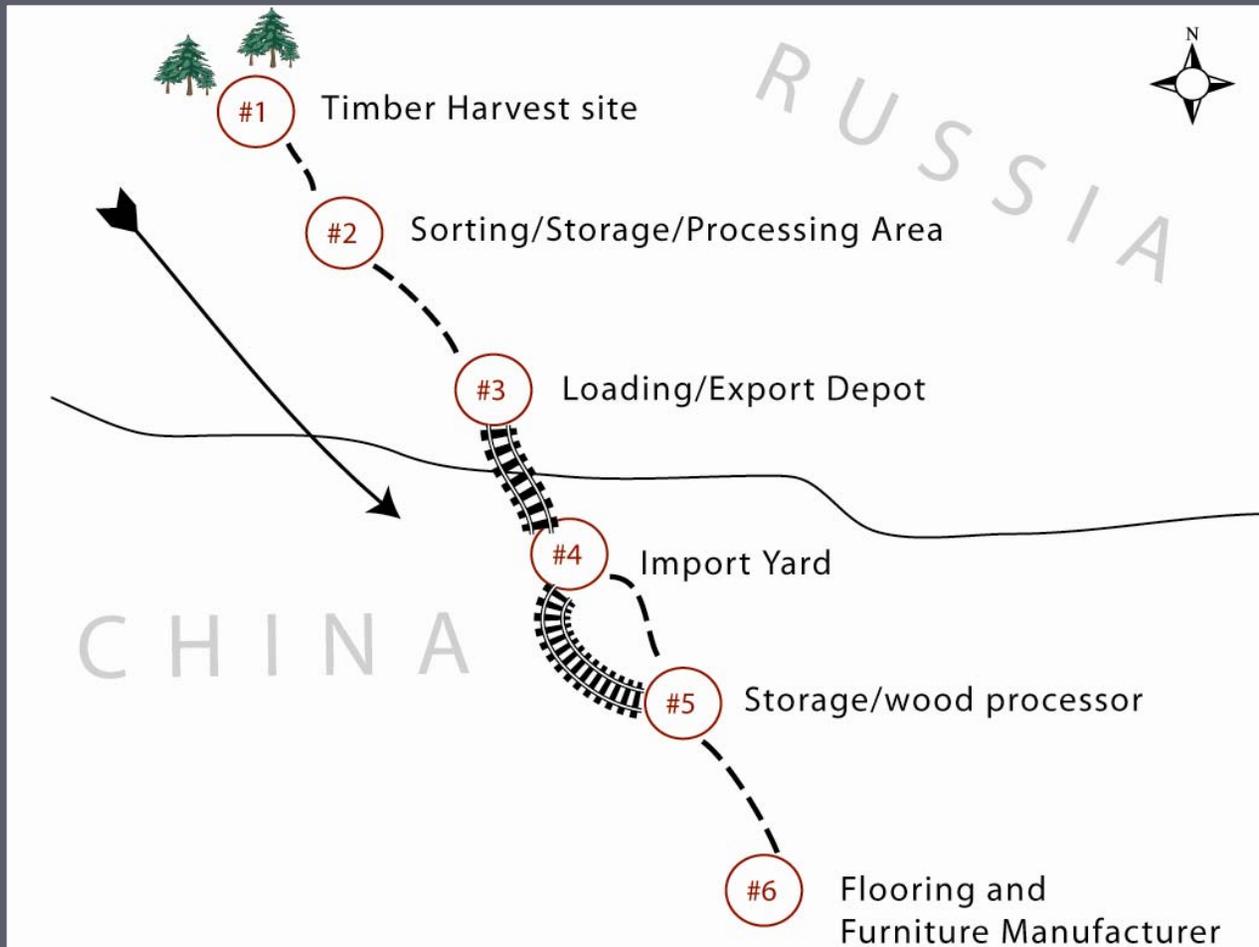
Data Sources

- Supplier Case Studies: Tracking wood from 'Forest to the Factory'
- Field research in Irkutsk, Primorsky, and Northeast China





Typical Russian-Chinese Wood Chain

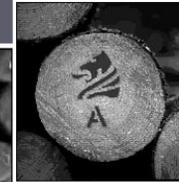
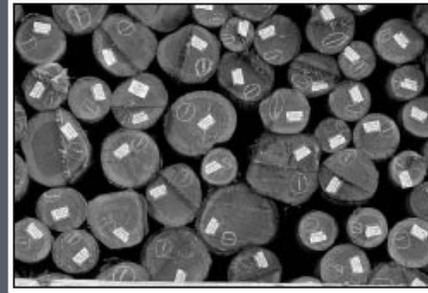




FSC Chain of Custody

CoC: Three pillars

- Identification
 - Hammer branding
 - Tracer paints (inc. chalk)
 - Labels: Nail-based to RFID
 - Chemical and genetic fingerprinting
- Segmentation
- Documentation
 - Key document: Logging ticket

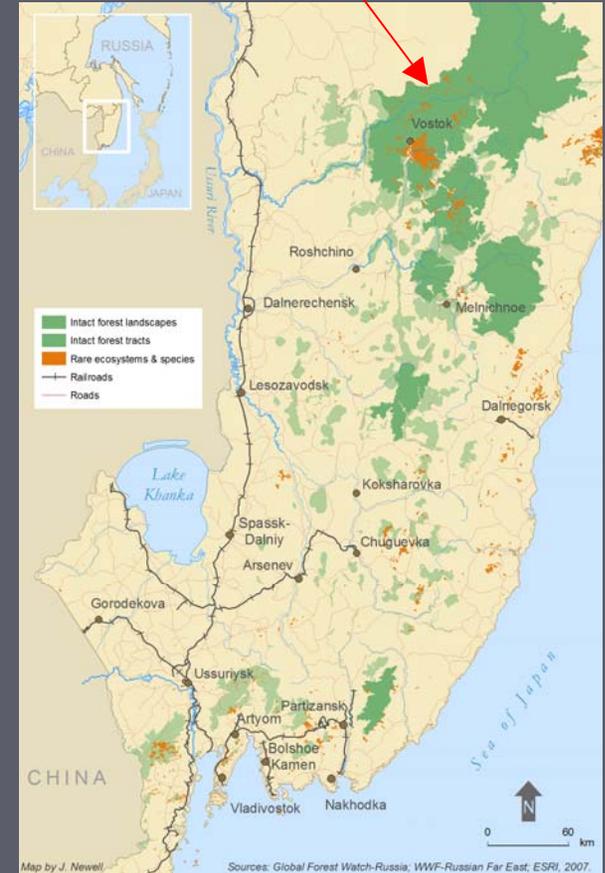




Case Study: Sikhote-Alin Forests

Key Resource Base
for Furniture and
Flooring Industries

- Oak
- Ash
- Korean Pine





#1

Timber Harvest site

Site visits

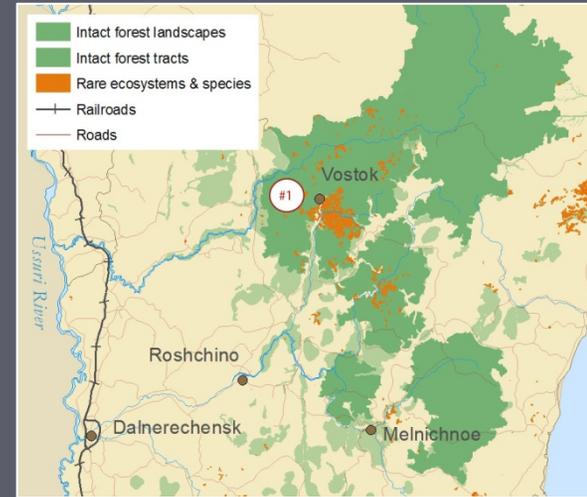
- Krasnoarmeisky Region

Timber Harvest

- Long-term lease
- "Other cutting"
- Illegal logging

Upper Yard

- Species and sort quality

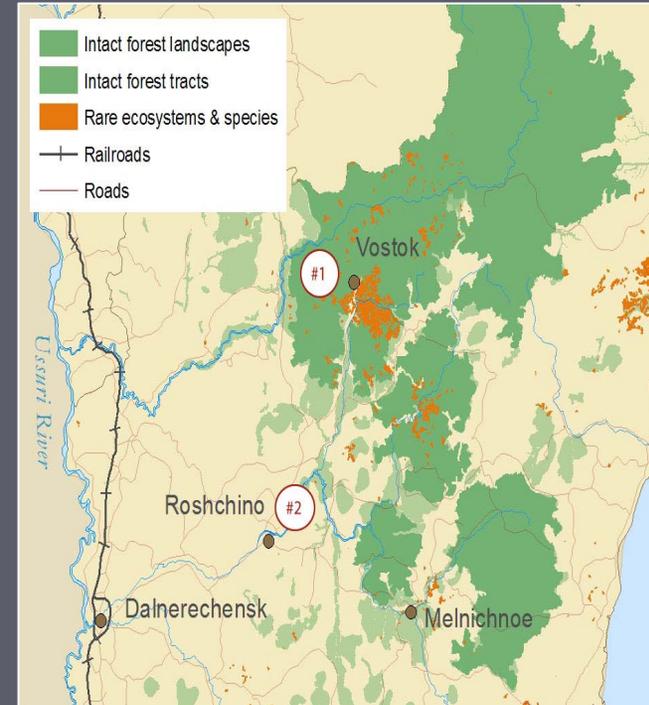




#2

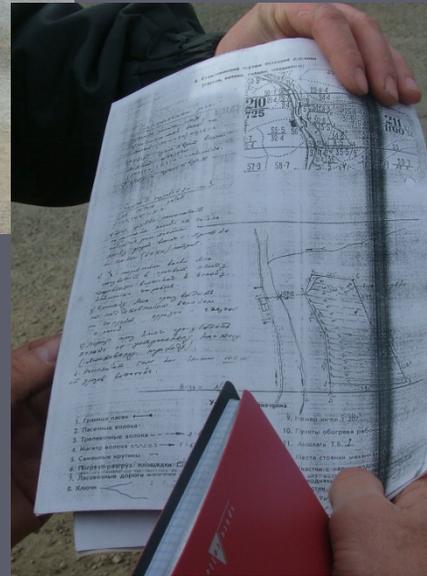
Sorting/Storage/Processing Area

- Company office
 - Lower yard
 - Sawmills
- No identification
- No segmentation
 - Timber from multiple harvest areas
 - Company buy logs from other harvesters
- Chinese agents purchase here
- Critical 'control' point





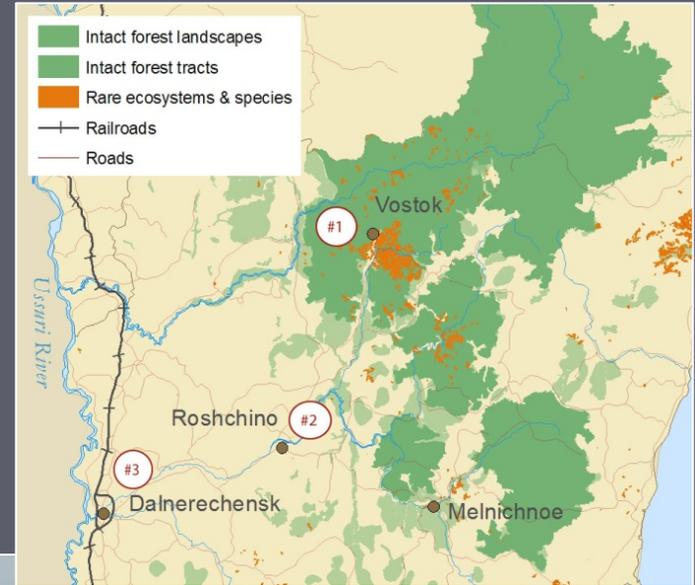
Log Transport





#3 Loading/Export Depot

- Logs consolidated from multiple harvesters and harvest sites
- Loaded onto rail cars
- Sold to Chinese traders or exported to China





Customs Checking



- Some Customs branches do not check for wood origin





#4

Import Yard

Major Import Points

- Suifenhe, Manzhouli, Erlianhot
- Ship import points

Identification

- Species and sort

Segmentation

- By species not shipment

Chinese Importers

- Large companies have buyers in Russia

Chinese wholesalers and traders

- Buy for Sawmills, Manufacturers, or other traders





#6

Flooring and Furniture Manufacturer

Purchasing

- Most import through multiple Chinese Importers
- Semi-processed products (not just logs) from numerous vendors
- Shift frequently based on price, availability, and need

CoC

- Do not segment logs or identify them
- Wood often changes 'hands' many times before reaching Manufacturer





Summing Up

Identification

- Species and sort only

Segmentation

- Logs are mixed at virtually every node

Documentation

- 'Logging Ticket' – Not checked at all stages
- Often no real connection to log shipments due to lack of identification, mixing or document forgery

Conclusions

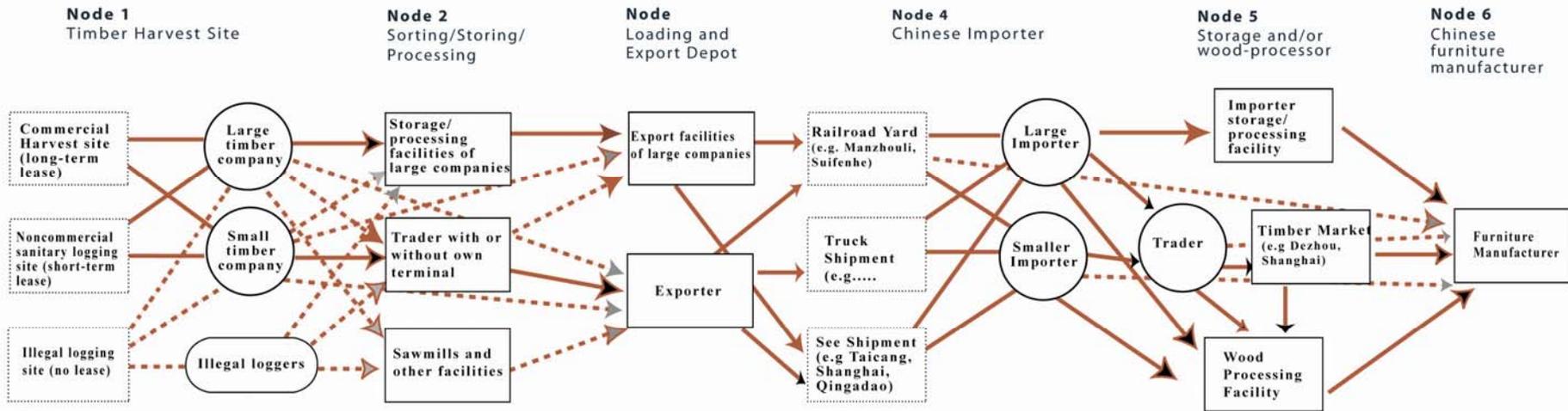
- Weak Chain of Custody procedures
- Only a strong identification system tied to rigorous segmentation and documentation, coupled with regular enforcement, will ensure a clear CoC.





Conclusion: Too many 'actors' in the Trade

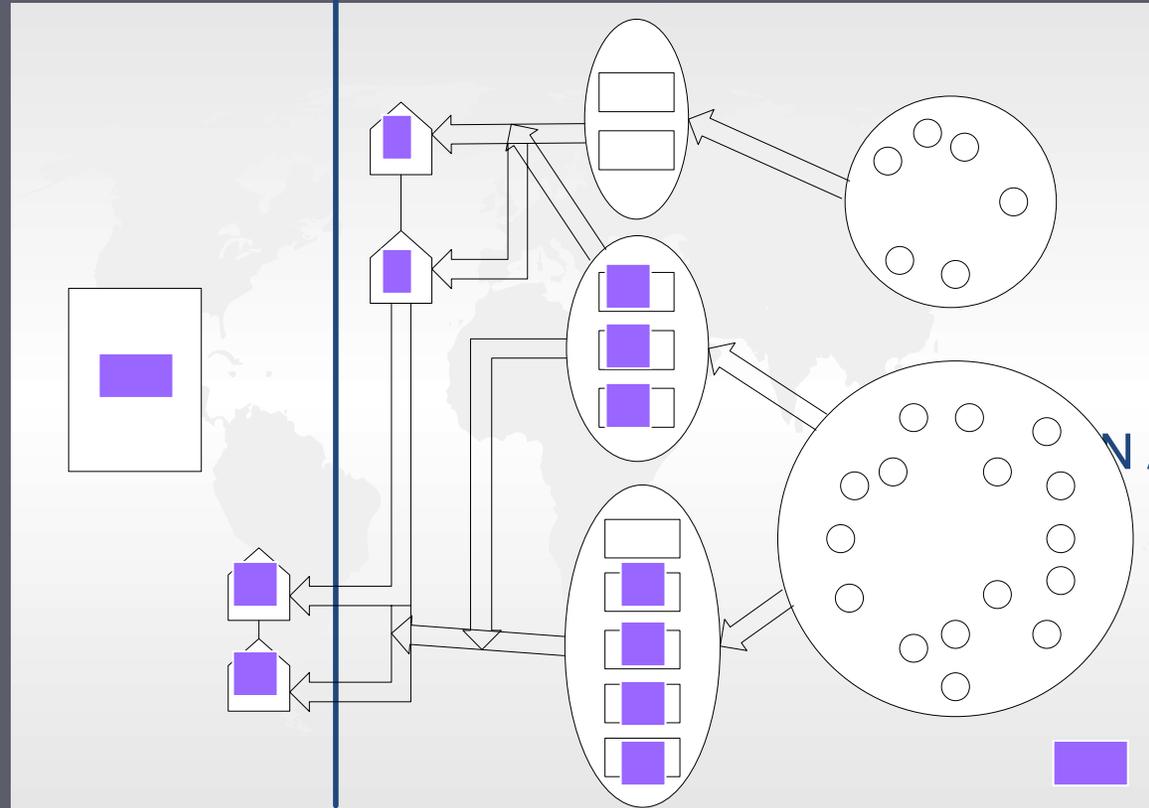
Furniture CoC Patterns: Russia and China





Does Establishing sawmills in Russia ensure better CoC for Chinese manufacturers?

- Prefer to purchase from Chinese traders in Russia
- 'Distance' from harvest site remains
- Supply sources shift frequently





Strategies to Ensure Legal Wood supply: Chinese Private Sector

Strategy #1

Build direct partnerships with stable Russian timber harvest companies and reduce reliance on intermediaries

- 'Risk Rate' Russian Companies
 - 'Keep It Legal' Manual
 - % from long-term concessions
 - % purchased from other companies
 - % from 'HCVF' forests
 - Preference to harvesters-exporters
- Encourage Russian Partners to obtain CoC and Forest Management certification
 - Numerous Russian firms interested but see no demand





Strategies to Ensure Legal Wood Supply: Chinese Private Sector

Strategy #2

Establish document management procedures

- Lists of wood suppliers
- Copies of sales contracts
- Logging Permits, etc
- Tracking technologies (bar coding, etc) not feasible at this point.

Strategy #3

Consolidate multiple orders in large shipments

- Work with other Chinese suppliers and international retailers (e.g. IKEA)
- Shandong and Shanghai based manufacturers
- Easier to track and significant cost savings





Strategies to Ensure Legal Wood Supply: Government and NGO sectors

Strategy #1

Develop tools to facilitate B2B partnerships

- Making timber concession Data publicly available
 - Internet-based public GIS system
- Lists of preferred timber harvesters and exporters
- Workshops on Russian regulations and codes, corporate exchanges, etc.

Strategy #2

Develop long-term sustainability of Russian wood supply

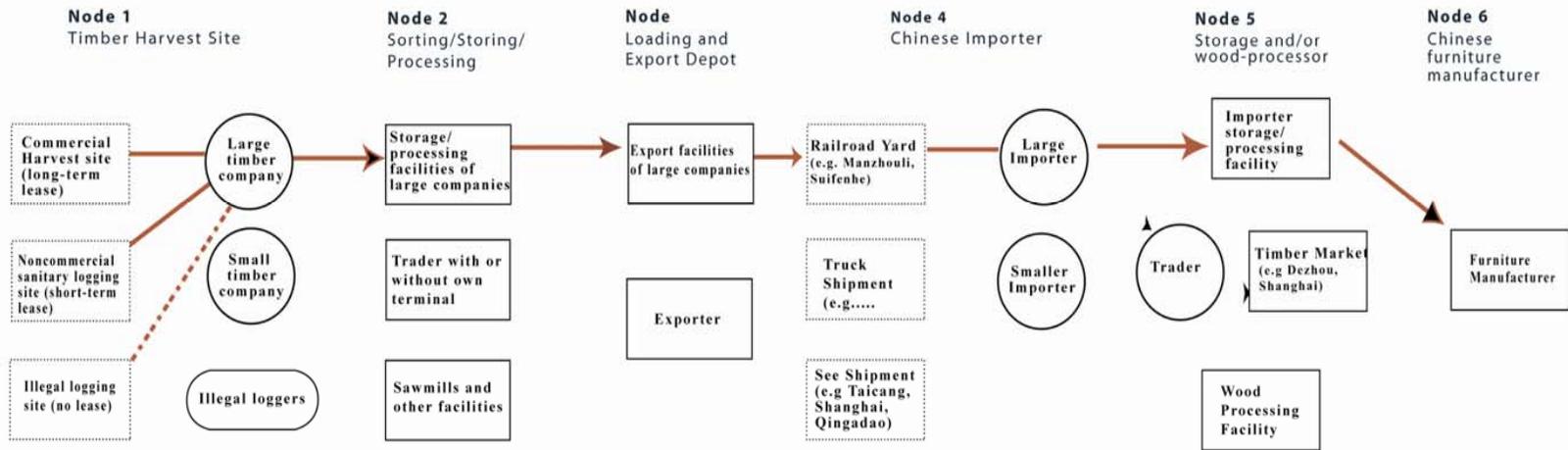
- Updating Russian forest Inventory
- Expanding forest certification in Siberia and the Russian Far East
- Foreign investment in FSC certified timber operations in Russia





Simplification

Supply Networks: Reconfigured





Thank You

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