

Why Does Russia Need a Rental Approach to Forest Resource Pricing?

P. Voronkov

*Russian Research Institute of Silviculture and Mechanization of Forestry,
Principal Consultant of Forest Economics, Candidate of Economic Sciences,
Pushkino, Moscow region, Russian Federation,
vniilm_voronkov@mail.ru*

I. Rusova

*Russian Research Institute of Silviculture and Mechanization of Forestry, Leading
Researcher, Candidate of Economic Sciences,
Pushkino, Moscow region, Russian Federation,
rusova_68@mail.ru*

Keywords: forest resources, payment for forest resources, root price, rental approach, bidding, initial price, price models, competition.

The purpose of this article is consideration of the main reasons that prevent Russia from taking full advantage of the potential of the market mechanism of pricing for forest resources, and possible ways to overcome these obstacles. This is especially important for the assessment of tree resources, which provide 2/3 of the country's forest income.

The method used to achieve the goal of the study is to consider the concept of «perfect competition» in relation to the forest resources markets of Russia, Europe and North America. The possibility of using a multifactor statistical model of the price of forest resources is analyzed. The conditions required for use by the residual value method are analyzed. There are proposals for creating such conditions in Russia.

The amount of payment for the use of state forests in Russia, as in many other countries, is set based on the results of a public auction. To determine the initial auction price using fees. In 1997, for the first time, the Russian government set the All-Russia minimum wage rates for standing timber on a rental basis [1]. However, bidding results are unsatisfactory. In recent decades, the State Duma and the Government of Russia have repeatedly changed the size and method of calculating payments for forest resources.

To improve the pricing system, it is necessary to understand the peculiarities of the Russian forest resources market. In Russia, almost all forests are in federal ownership. There are no private forests. Forests are under the joint jurisdiction of the Russian Federation and its subjects. The Federal Government sets the rates of payment per unit of measure for forest resources. The subjects of the Federation organize the use of forests.

Forests are used by private business. The main form of obtaining the right to use forests is a long-term lease (up to 49 years). The main tenants are large woodworking firms, so the number of new transactions for the transfer of forests for use during the year is small. The domestic market for roundwood is small, since tenants themselves process most of the harvested wood. The domestic roundwood market is the seller's market (oligopsony), so prices are low. State statistics for forest products is unsatisfactory.

In these conditions, the main problem of using the residual value method for calculating the initial price of the subject of the auction is to obtain reliable information. To solve this problem, it is proposed to amend the forest legislation and other measures.

References

- 1. About the minimum rates of the payment for the wood released on a root. The decree of the RF Government dated 19.09.1997 № 1199 [Electronic resource]. – Consultant plus.*