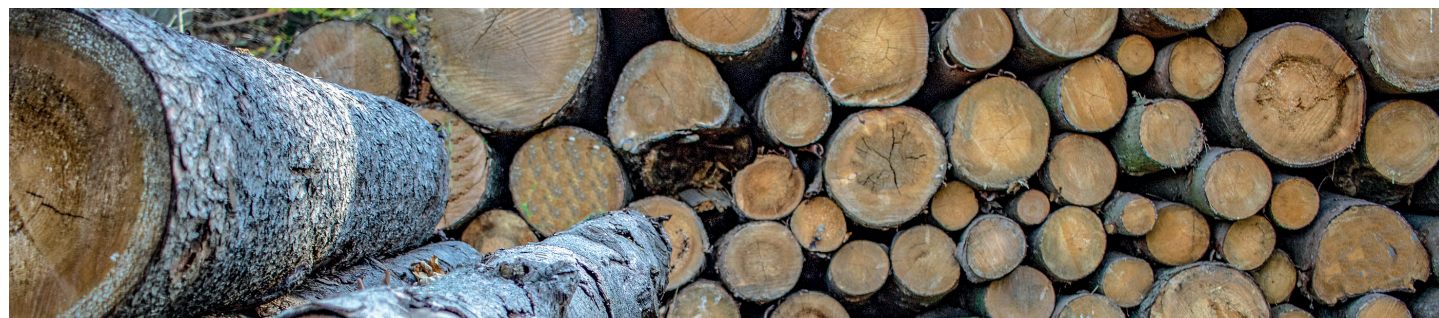


Roman Yaniv, chief communications officer at the Belarusian Universal Commodity Exchange, provides a comprehensive overview of Belarus' wood pellet market



Pellet potential: Belarus

Despite vast resources of raw wood (forests cover nearly 40% of the country's territory), the production of wood pellets is a relatively new industry for Belarus. The first production facilities appeared some 13 years ago as part of the large-scale upgrade of the national woodworking sector. Since then, Belarus' wood pellets market has been growing exponentially and reached 480,000 tons by 2021.

Belarus produces two grades of wood pellets: industrial (70% of the total volume) and premium (30%). With the domestic consumption of only 34,000 tons per annum, wood pellets in Belarus are primarily an export commodity.

According to the Belarusian National Statistics Committee (Belstat), in 2020, Belarus exported 446 thousand tons of wood pellets to the tune of \$63.8 million (€52.7 million), which is almost 30% more than in 2019. Huge private manufacturers, including SWOODS Export, Borisovski DOK, Postavy Furniture Center, Profitsystem, Forinia, and Massiv-Drev, accounted for about 80% of all exports.

Besides private businesses, wood pellets are also produced by state-run pellet mills operating under the

umbrella of the Ministry of Forestry of the Republic of Belarus. In 2020, in addition to the existing production facilities, seven new wood pellet plants were commissioned by Borisov, Klichev, Kopyl, Mozyr, Novogrudok, Pruzhany, and Zhitkovichi forestries. Their cumulative annual production capacity is currently 171,000 tons. Apart from that, by the end of 2021, six more wood pellet mills are expected to come on stream in various forestries across the country. This is expected to boost Belarus's export potential up to 600,000 tons of wood pellets per year.

In 2020, just as in 2019,

Denmark, Latvia, Lithuania, and Sweden were the main consumers of Belarus-made wood pellets. Put together, these countries account for over 90% of Belarus' total wood pellet exports.

The popularity of Belarus-made wood pellets in foreign markets stems from their high quality and streamlined manufacturing process compliant with the Forest Stewardship Council's (FSC) principles of sustainable forest management as well as criteria stipulated in the Programme for the Endorsement of Forest Certification (PEFC). In addition, some wood pellet manufacturers also have

SBP and ENPlus certificates that make their products even more appealing to foreign buyers.

Empirical data suggest that, in terms of shipping costs and profit margins, the EU is the market of choice for Belarusian wood pellet exporters. Although this is true for all the EU Member States, due to the close economic ties and well-trodden transportation routes, the bulk of purchases over the last couple of years have been coming from Belgium, Denmark, France, Italy, Latvia, Lithuania, Poland, and Sweden. This trend can be explained by the fact that along with

Largest exporters of wood pellets in Belarus in 2020

Company	Ownership	Export volume, tons
Bellesexport	State-run	147,320
SWOODS Export	Private	141,522
Borisovski DOK	Private	29,224
Profitsystem	Private	27,600
Forinia	Private	20,000
Massiv-Drev	Private	14,755
Imperiya Green	Private	12,785
PRB Industry	Private	8,910
Peat briquetting plant Lidsky	Private	8,281
Lambermil-plus	Private	8,000

Source: BUCE

Belarusian wood pellet exports by country in 2020

Country	Export volume, thousand USD
Lithuania	22,672.9
Denmark	21,486.2
Latvia	10,661.1
Sweden	2,719.1
Poland	2,208.4
Italy	1,504.9
Germany	1,156.8
Belgium	586.5
Czech Republic	372.1
France	167.4
Slovakia	167.0
Netherlands	33.8
Russian Federation	30.3
Serbia	25.1
Bulgaria	6.2
Austria	5.5
Estonia	5.4
United Kingdom	2.4
Ukraine	0.7
Moldova	0.5

Source: BUCE

their significant purchasing capacity, these markets also provide the highest cost-effectiveness among other potential export destinations.

The Belarusian Universal Commodity Exchange (BUCE) has been actively promoting exports of Belarusian timber and wood products since its inception in 2005. By 2021, some \$336 million (€277 million) worth of timber has been sold via BUCE to 40 countries worldwide. Sawn timber and wood chips were responsible for more than 90% of this figure. In this respect, wood pellets are an emerging commodity with the potential to become a best seller in the years to come, provided all the prerequisites are in place.

At present, the majority of Belarusian wood pellet producers are registered as traders on BUCE's electronic marketplace. Similarly, BUCE is already cooperating with some of

the largest suppliers of wood pellets to the EU, namely SIA Latgran, CM Biomass Partners, Graanul Invest AS, SIA Graanul Pellets, KREX, SIA Akvarius, SIA Latgranula, and UAB Granulita. The needs of any of these companies well exceed Belarus' annual production capacity, even with the anticipated boost in production volume due to commissioning of new manufacturing facilities in 2021.

Furthermore, BUCE's foreign brokers operating in the EU — SIA Business Support Services (Latvia), MSG Commodities (Poland), and Nordic Industries (Lithuania) — are ready to provide extensive marketing support and help find buyers for Belarusian wood pellets.

Wood pellets are currently traded on BUCE twice a month. To take part in these trades, a foreign company must register on BUCE's

website, get an e-signature (required for signing electronic contracts), and complete a short training course — all free of charge. After that, the would-be trader is good to go.

So far, companies from the Baltic region have been the most active buyers scooping up nearly everything the Belarusian exporters have to offer. Nonetheless, BUCE's long-term efficiency as a tool for the promotion of Belarusian wood pellets will hinge on the impact of external factors — both positive and negative. For example, the seasonal nature of wood pellet consumption creates extra risks for exchange traders because of the possible price fluctuation throughout the year. One more thing to consider is that gradually changing climatic conditions (warmer winters) in the main export

markets may reduce the demand for wood pellets and simultaneously increase competition among the suppliers of these products.

On the other hand, by selling wood pellets via BUCE, Belarus will be able to accumulate the entire supply and demand on its electronic marketplace thus creating a conducive environment for fair competition and transparent pricing. Apart from that, the transaction monitoring and quality control measures implemented on BUCE, coupled with the option to buy wood pellets with delivery costs included in the final price, will generate a pool of regular customers, enhance the profitability of export sales, and attract new players into this booming market. ●

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