



- Press Release -

Slavonski Brod, Croatia, October 28th, 2011

Congress of the Sawmill Industry: Through Joint Projects in the SEE Region to EU Funds for Wood-Processing Industry

The **2nd Congress of the Sawmill Industry of Southeast Europe** finished on October 26th, with a visit to local sawmills near **Slavonski Brod, Croatia**. 270 participants from Bosnia and Herzegovina, Serbia, Slovenia, Montenegro and Croatia, as well as distinguished guests from Finland, Austria, Germany, France, Hungary and Italy tried to find answers to a series of open questions threatening to close down half of the sawmills in the following five years.

Local sawmills in the Western Balkan countries, that is former Yugoslavian Republic, are still facing great difficulties in product placement on the global market. Due to continuous effects of the global economic and financial crisis, their commercial business deals have been placed in danger. Many Congress participants see the solution in foreign investors, who are already showing interest in primary wood-processing sector. According to their assessments, it is foreign investors who are the leaders in investing in modern technologies, which guarantee competitiveness at the global level and survival of local sawmills. It is important to emphasize that by investing in sawmills, foreign investors obtain access to raw material.

Cooperation with forestry sector is crucial for many sawmills. Every country of the Southeast European region, apart from Slovenia, is experiencing shortage of raw material and overcapacity of production lines which often lack lumber for optimal efficiency of their technological plants. Unstructured state-owned forestry companies, which are the main suppliers of raw material, often have ramifications on the competitiveness of sawmills. However, positive examples of using FSC certificates, without which the placement of products on the global market is impossible, were also illustrated during the Congress. While Croatia certified its state-owned forests ten years ago, other countries of the SEE Region are doing it presently. For instance, Great Britain limited the import of sawn timber to FSC certified products. However, there are frequently more cases of misuse of customs papers and wrong labeling of wood products in the export of wood from the countries of the SEE Region.

Primary wood-processing, namely sawmill industry, is becoming frequently less popular, second-rate profession, because state strategy favors the production of compound final wood products. The marginalization is visible not only in the distribution of financial aid, but also in the educational system, since the interest of children for vocational profession in the wood-processing sector has been dropping year after year.

The Congress gave a detailed overview of the latest trends in the sawmill industry, with the analysis of the availability and quality of raw material and the presentation of technological novelties, some at the global level, such as the latest solutions to securing saw blades with magnetic cushions from the German producer EWD, as well as production lines for economical prices modified to the market of the company WEINIG, main partner of the Congress. In a resolute manner, WEINIG proposed the modification of the existing production and commercial model, which is responsible for unprocessed raw material being exported to foreign countries. Therefore, they suggest that all raw material should be processed on site, in the countries of the SEE Region, which would place new value to quality raw material. Congress participants are appealing to regional governments to abide by recently accepted EU policies which favor industrialization, according to which EU will distribute lucrative financial packages for the adaptation of technologies in those sectors which have raw material and



developmental potential suitable to 21st century surroundings and principles of sustainable economy and to ensure appropriate aid for the same purpose.

The representatives of the Slovenian Wood Cluster and the Austrian association ProHolz made propositions for stronger involvement in European developmental projects, since Congress participants, in their presentations, panel discussions and debates, raised a series of developmental questions and issues, compatible with existing programs of international cooperation, regional development, utilization of wood biomass and the development of wood-processing industry in EU. The German LHK – Rosenheim Training Institute for Forestry Industry, Woodworking and Plastic, Congress co-organizer, proposed a regional educational project with the purpose of strengthening the existing workforce and preparing the future workforce, which will be able to cope with the challenges of wood-processing in the 21st century, characterized by unfair market competition in which business enterprises from Asian countries aspire to push most of the European wood-processing companies out of their traditional markets.

Congress organizers, Wood Cluster and Wood & Furniture Magazine, believe that there still exists a good perspective for sawmill industry based on successful forestry in the countries of the SEE Region, despite all aforementioned limitations. The Congress was sponsored by Brodsko-posavska County, the city of Slavonski Brod and the Croatian Ministry of Regional Development, Forestry and Water Management, in addition to numerous institutional partners from the countries of the SEE Region.

The 3rd Congress of the Sawmill Industry of Southeast Europe will be held on October 24th, 2012, in Slavonski Brod.

Emphases from Discussions at the 2nd Congress of the Sawmill Industry of Southeast Europe:

- *440,000 m³ of sawn lumber was exported from Croatia in 2009, and 506,000 m³ from Slovenia, with the overall export of lumber from all countries of the SEE Region totaling 1.25 m³, that is 8.6% of overall production*
- *33% of lumber exported from Croatia corresponds in quality and the following documentation, while the rest is mislabeled in the exporting documentation, causing frequent maltreatment*
- *68% of sawn lumber does not match export parameters*
- *-2.5% is the drop rate of the sawmill industry in Croatia last year. At the same time, Germany records a 7% increase. According to the analysts, export of sawn hardwood is expected to drop by -10.2% in 2012 in Croatia, while 2011 will end with a -7% drop. In addition, France will end 2012 with an increase of export of sawn lumber by +12%*
- *+37% is the growth rate of import of oak sawn lumber to China in 2010, in relations to the previous year. Countries of the SEE Region fail to import their goods directly, which is why local oak is sold mostly through Italian re-exporters.*
- *2.9 mil. USD is the Slovenian export of beech to Japan during 2010, followed by Germany with 2.3 mil. USD and Croatia with 1.75 mil. USD. The German overall export of sawn hardwood increased by +27% in the same year.*
- *87% of production in the countries of the SEE Region is sold outside the SEE Region, while only 23% of products is a subject of mutual trade*
- *90% of all expenses in sawmills fall to workforce and raw material and 1% to maintenance and sharpening of saws and tools*
- *2,300 sawmills operate in Southeast Europe, 70% of which process mostly beech, oak and ash, and to a smaller degree fir, spruce and pine*



- 130,000 workers are employed in primary wood-processing industry, together with forestry in this part of Europe
- 14 mil. m³ are the installed sawmill capacities, with only 7 mil. m³ of sawmill lumber available
- 1/3 of the overall beech timber in Europe is produced in the Western Balkan countries, where 24% of the European sawn beech is produced. Southeast Europe holds 11% of the overall European forest reserves.

Conclusions and Recommendations:

The global economic and financial crisis can and must be an opportunity for new improvements. The crisis is still evident and presents a challenge for sawmills to survive and adapt to global standards and trends in this branch of economy. Congress participants are appealing to all relevant institutions in the countries of the SEE Region to provide an active support to the wood-processing industry, in order to strengthen its existing market positions, both foreign and domestic, secure the necessary technological progress and improve their production line. This scenario is becoming the only exit out of this burdening situation, characterized by the regression and decrease of the majority of important business indicators. The process of reconstruction and market repositioning is inevitable, alongside the adoption of additional alternatives in the form of strengthening of foreign investments or large-scale regional alliance, particularly through launching and creation of joint projects similar to EU programs. Statistical data does not give encouragement; the majority of sector analysts foresee an even worse scenario in the following years. In order for these trends to be prevented or changed, the participants of the 2nd Congress of the Sawmill Industry propose the following:

1. *To conduct an emergency organizational and technological reconstruction in the sawmills across the SEE Region;*
2. *To provide appropriate financial aid for the transfer of the latest technologies, without which international competitiveness could not be achieved;*
3. *To prevent illegal labor market and ever more frequent occasions of false labeling of timber and wood products in export business deals by means of which companies facing difficulties try to cushion the effects of the global economic and financial crisis;*
4. *To improve the cooperation between sawmills and state-owned forestry companies, with an objective of establishing better coordination, conciliating the policies of prices with the dynamics of delivery, and mobilizing more raw material from private forests, since the current mobilized quantity is symbolic (apart from Slovenia);*
5. *To pay special attention to educating workforce, through a series of professional education courses and seminars, in order to strengthen the current workforce potential and transfer top European practice and knowledge of sawmill management – through a more intensive cooperation with higher education institutions it is necessary to improve the existing curricula and educational programs, in accordance with the requirements and economy;*
6. *To adopt European norms for roundwood without which the integration in European production and commercial area would be impossible, and introduce statistical monitoring of production in the countries of the SEE Region, based on EU methods, as well as encourage the drafting of enactments which will prescribe the minimal technical standards for sawmills;*
7. *To initiate joint regional projects of technological, educational, innovative, commercial and statistical character, suitable for running as an EU project*



8. *To complete existing initiatives of founding professional regional associations which will integrate in EU association more easily, thus securing sawmills access to information on primary wood-processing industry in the EU;*
9. *To promote trading and mutual exchange of wood products, since only 23% of sawmill products are sold in countries of the SEE Region, while the majority is exported to other markets – thus it is necessary to implement additional statistical monitoring and create a sawmill and wood products database, which can also be used as a means of strengthening mutual exchange and competitiveness at the global level;*
10. *To initiate a regional campaign for the promotion of wood, compatible with current marketing campaigns in countries involved, taking into consideration European, particularly Austrian experience appropriate to regional and traditional architecture, which can be a direct incentive to sawmill for a larger supply of lumber to local markets.*

Statements:

Douglas Clark - UNECE/FAO Forestry and Timber Section, Geneva

Countries of the SEE Region have a great potential for the strengthening of wood-processing industry. However, your promotional presence in the global market is insufficient. I believe there is a lot of room for the strengthening of the position of your wood in the world, because I see that wood-processing is a key element in all economies of the SEE Region. This Congress has given me a lot of useful information.

Visnja Jurnjak - ProHolz Austria

There lies a large potential in the increase of building with wood and ProHolz is ready to assist in expanding the supply of wood products. Naturally, we are interested in sharing our experiences in creating and leading campaigns with the companies and institutions in the SEE Region. In Austria, we have succeeded in incorporating into legislation a decree which obligates one to use wood for at least a part of a structure, in addition to cases of politicians openly lobbying for a larger consumption of wood.

Prof. dr. Branko Glavonjic - Belgrade Faculty of Forestry, Republic of Serbia

Over 3.2 mil. hectares of forests in the SEE Region have the FSC certificate, in addition to 268 local companies. These are relevant indicators at the global level and can be used as an argument when selling on important markets, such as Japan, where sawn timber from the SEE Region is already largely present.

Murat Pasic - Serif export-import d.o.o., Croatia

I have over 60 years of experience in wood-processing and can say that the market has never been more unfavorable and there have never been so many problems than these days. However, to us, a family company, this serves as an incentive to work even harder. We have just recently returned from a trade fair in Vietnam where we succeeded in closing a sale of Croatian beech.

Damir Felak, Croatian Forests Ltd Board Member, Croatia

With the law prescribing the yearly cutting down rate, we have reached our top and these 5.3 mil. m³, which are going to be cut down by the end of the year, is the amount we can offer to the market. Thus there is no room from pressuring Croatian Forests Ltd. for more. We have a good cooperation with Croatian sawmills.



Zdenko Lastro – President of Wood-processing Association, B&H

Last year's Congress helped us in Bosnia to take steps and found a professional organization, and link all business entities in the sawmill wood-processing industry. I believe that the situation in Bosnia is not as bad as others might think, although many large producers have declared bankruptcy.

Bernard Likar – Slovenian Wood Cluster

Slovenia shares similar sawmill problems, even though we have no problems with the supply raw material, apart from the fact that it is being exported to Austria and Italy more frequently. We are currently preparing a strategy for forest based companies with an objective of determining developmental priorities of this sector in Slovenia. Subsequently, we can offer an active cooperation in the drafting and of applying EU projects to partners in the SEE Region.

Organizers

Wood & Furniture Magazine, Croatia
Wood Cluster Delnice, Croatia

www.see-sawmill.com