Forest and timber issues in Serbia and Montenegro

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Overview

• Forest resources
• Strengths and weaknesses
• Illegal logging
• Forest industry
• Policy challenges
• Refers to Serbia and Montenegro, but many issues common to south-east Europe
General background

Forests cover about 2.8 M ha, or 28.7% of the total area of Serbia and Montenegro:

- in Serbia 2.3M ha, or 26.7%;
- in Montenegro 0.5M ha, or 39.3%.
National parks

- 3.9% of whole state forest area.

www.npdjerdap.com
Ownership

- 41.5% of forests privately owned in Serbia and Montenegro,

- The average size of private forests holdings is small, about 0.5 ha

- Private forest problems
  - poor quality timber (mostly fuelwood)
  - largely unproductive.
  - owners cannot afford to pay for professional management of their forests.
Logging and forest roads

- Commercial fellings: 4 million m³ of which 2.5 million m³ is from the State forests.

- Average forest road density about 5 m/ha. It is planned to increase road density.
Hunting

- Serbia has 321 hunting areas totalling 8.8 mill. ha,

- Montenegro has 26 hunting areas on ~ 950,000 ha.
Strengths and weaknesses of the forestry sector: Weaknesses of the resource

- Forest understocked.
- Too much coppice, especially in private forests
- Unfavorable level of forestation. Aim to increase forest cover from 26% to 41.4%: more than 1 million ha of new forests. The accomplishment of the plan is threatened by lack of means.
Organization weaknesses

• on all levels.
  - insufficient adaptation to market conditions of companies and institutions,
  - lack of modern and practical knowledge,
  - sluggishness in decision making,
  - insufficient motivation,
  - bad material base and technical capability.

• lack of
  - forest inventory data,
  - forest management plans for private owners,
  - association of private forest owners

• a general indifference of owners for the improvement of the privately owned forests..
Potentials

- natural conditions,
- market position.
- The organization of the State management is improved.
- More state support for improvement of the forests' state and management of privately owned forests
- The development and improvement of the sector is present, but it is necessary to induce and accelerate it.
Illegal logging

- 624 rangers currently employed in Serbia.
- In the State forests the greatest number of illegal activities is related to wood theft and illegal hunting.
- Local population, elementary or organized in smaller groups, mainly commits theft.
- The object of stealing most often is firewood, or technical wood of different quality.
- Illegal logging is most intense in forest managements near Kosovo and Metohija.
Change our own structure !!!

- no significant problem with the forest restitution process, since there was no a significant nationalization after II WW.

- There are initiatives for Denationalization law. After implementation of such a law, the return of forest to the church ownership is expected (over 200,000 ha). Privately owned forests that should be included in denationalization is not significant.
Wood Industry pressure on Forestry?

- demands for better assortments: but resource is mostly small-size
- Poor access to forests
- Low level of forest road construction for the lack of financial means.
New Forestry law is due, in the first half of 2005. (part of FAO nfp project)

- new Law on reproduction material of forest trees (seeds and planting material) in accordance with EU Directives that concern this field (supported by OSCE and Swedish Government). The law has been adopted by the Government of Republic Serbia and it is currently in the Parliament for adoption.
Standards in forestry and wood processing

In the beginning of 2004 the process of standards coordination, in the field of forestry and wood processing, with the EU standards has started. The expectations are that this process will last about 2 years.
EU support to forestry sector?

- No direct support for the modernization of the sector.
- Twinning project, (partner countries are Holland and Slovenia).
- The support project concerns the restructuring process of public companies.
Cooperation with other countries from the region!

- The cooperation with other countries is very intensive, especially with the surrounding countries.

  The greatest financial help to the forestry sector has been given by Norway and Finland.
Cooperation with international organizations and institutions!

Serbia and Montenegro, after isolation have actively joined the work of all relevant international institutions. This is one of policy priorities of Ministry and forest management.

- FAO project Institutional Development and Capacity Building for the National Forest Programme of Serbia, which will define the forestry policy and strategy, the revision of forest laws, the building of capacities and make possible the creation of national forest program.

- three projects that concern the inventory of forests and introduction of GIS in Serbian forestry and Forest industry rehabilitation have been accomplished. The financial support by the Norwegian Government
• OSCE and EU have helped the creation of Law on forest reproduction material.

• The government of Canada has also through OSCE given advisory help in the creation of public relation for forest management and for introduction of certificates in Serbian forestry.

• The accomplishment of forest monitoring project in Serbia (ICP) has started again, and is financed by the Serbian Government.

• Significant cooperation and active participation has also been accomplished with the other organizations MCPFE, Timber Committee, UNFF, EFI, etc.
Strategy of forestry development!

Creation of strategy and forestry policy of Serbia and Montenegro is due, will be finished in next few month and will be sent to the Governments for adoption. The political concept is based on the priority necessity to improve the state of forests and increase the forest area.
Wood processing industry

The wood processing industry significant for Serbia and Montenegro:

- relatively high share of GDP (1.2%) and industry (3.6%);
- positive net currency effect in the years after the Second World War (there is an exception in recent several years),
- the export orientation (3.8% of the total exports in 2003),
- 2.5% of total employees (2000).
Current problems of wood processing industry: low prices!

- **Causes:**
  - Loss of market due to the economic sanctions
  - Mutual disloyal competition of great number of exporters.
  - The decline of quality of raw material (logs) and of final products.
  - Disregard of delivery deadlines.
  - Bad structure of exports (high participation of lower quality classes of sawn wood and plywood so ay the export of not dried sawn wood)
  - Slow development of new products and use of new materials.

In furniture production everybody produces everything (no specialization)
Development potentials of wood processing industry

- Domestic raw material resources.
- Existing production infrastructure (objects, installations ....)
- Qualified labour force
- Tradition in production of wood products
- Existence of market for furniture (chairs), veneer, plywood and sawn wood.
- Relatively small investments and the short time for their payback.
Strategic aims and the priority list

• Production for domestic market

AIMS

• Satisfaction of domestic market need by existing products.

• Development of new products (floors, laminated beams...)

• Production for export

• Aim : to reach the export level of 150 millions USD by 2005, and 400 million USD by 2010.

• Main export products
  • Furniture and furniture parts
  • Sawn wood and processed elements.
  • Plywood and VF pressed parts for furniture.
  • Finger jointed laminated wood boards.
  • Veneer
  • Other final products, gallantry products, toys for children, floors, windows and doors.
Proposed legal, institutional and other measures

• Stable finances, acceptable interest rates
• Stimulation of furniture export, by exempting companies from income tax for 5 years,
• Passing the laws to stimulation establishment of mixed companies. By passing the suitable law and reduction of investment risk in Serbia, the number of mixed and foreign companies has started to increase.
• The reduction of custom tariffs for import of wood processing machines and equipment from current 10-12% to 1-3%, in order to modernize the technological process and increase the quality, and by that the competitiveness of wood products.
Proposed legal, institutional and other measures

• To associate small and medium companies in suitable clusters and create professional associations in order to eliminate harmful competition on the foreign market.

• Coordination of national standards with EU standards. The existing standards in the field of production and export of sawn wood, veneer, plywood and furniture were introduced 20 years ago.

• Establishment of a center for certification of wood products. Domestic producers associations should join relevant European association.
• Thank you for your attention