Market Statement of

SERBIA AND MONTENEGRO

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Momentarily, there are 2767 companies dealing with wood processing and furniture manufacturing in Serbia, where 2365 companies are in wood processing sector and 402 firms produce furniture.

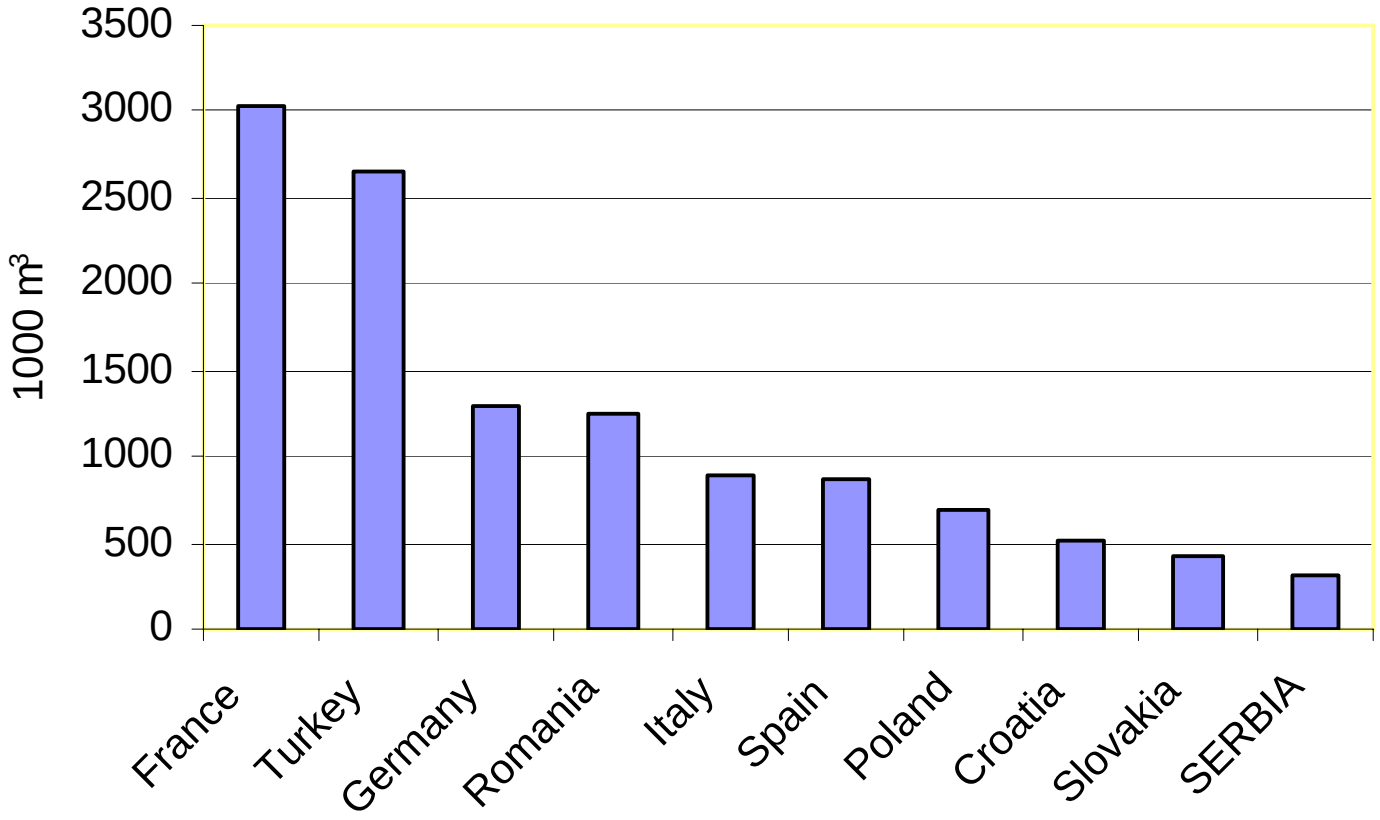
The largest number of the companies is in private ownership. According to the source of capital, the largest number of these companies runs on domestic capital (98.21%) although the presence of mixed and foreign capital is noted.

Reformation processes in the area of legislation in Serbia, which is undergoing, will significantly affect the incoming of foreign capital and opening of many companies with foreign and mixed capital.

In that regard, so far passed regulations stimulates foreign investment mainly through machines and equipment duty free as well as through the lowest regional tax rate on companies' profit in the amount of 10%.

As the result of the above mentioned, and also because of the existence of raw materials, qualified labour and other conditions, the investment in the construction of the Swedish factory for multiply floor production "Tarkett" worth US $ 36 million is completed in 2005. The factory's capacity is 2 million m^2 per year, and as such, it represents one of the biggest factories for wooden floor production in South-East Europe.

Serbia and Montenegro takes the tenth place in the production of hardwood sawn timber in Europe.



Beech is dominant wood species with the participation of about 70% of total production.

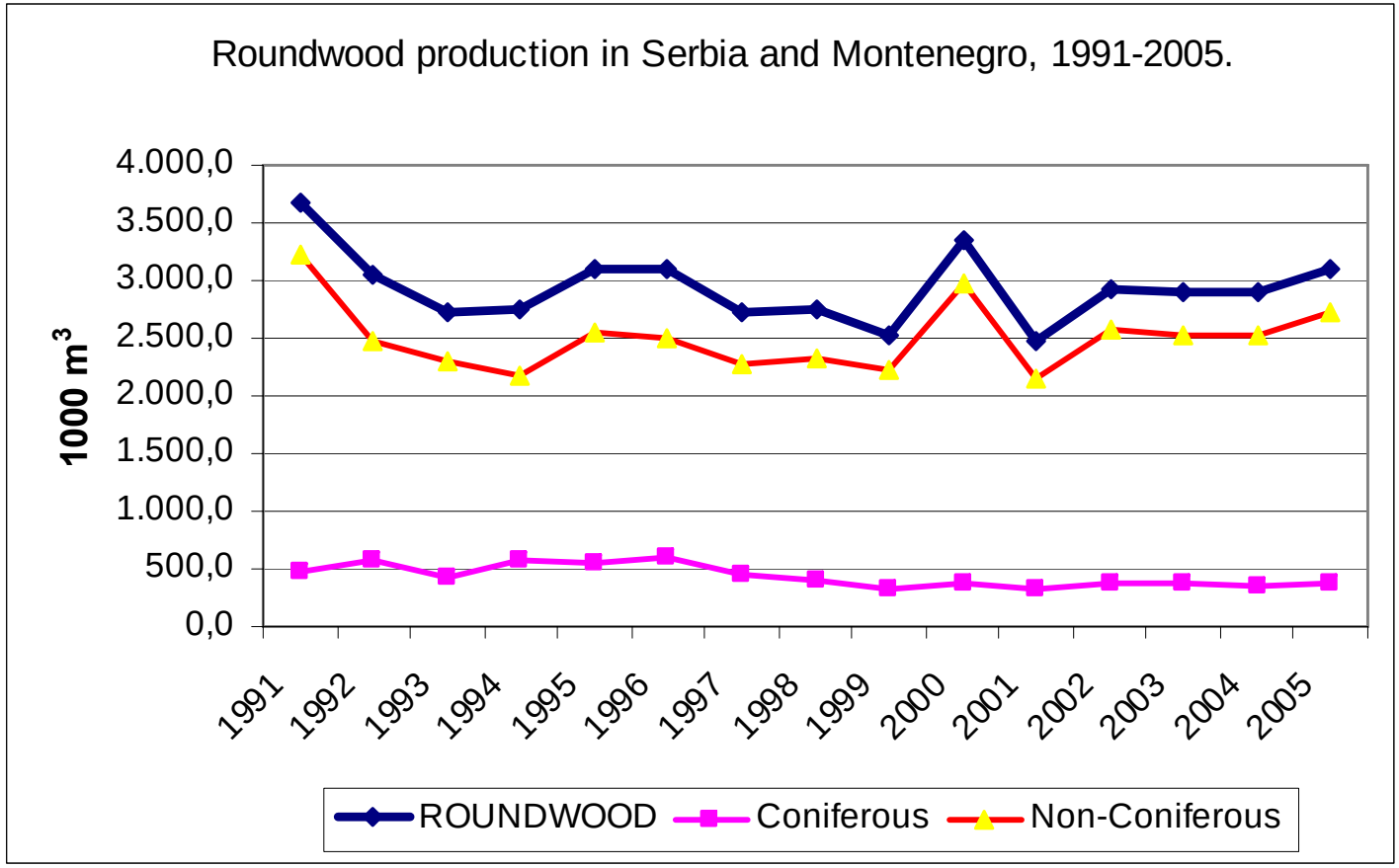
Oak sawn timber takes part, in average, with 8.3% and poplar with 11.4%.

Of all other wood species, with regards to the achieved production, only ash stands out, whose average participation in overall hardwood sawn timber production is 2.7%.

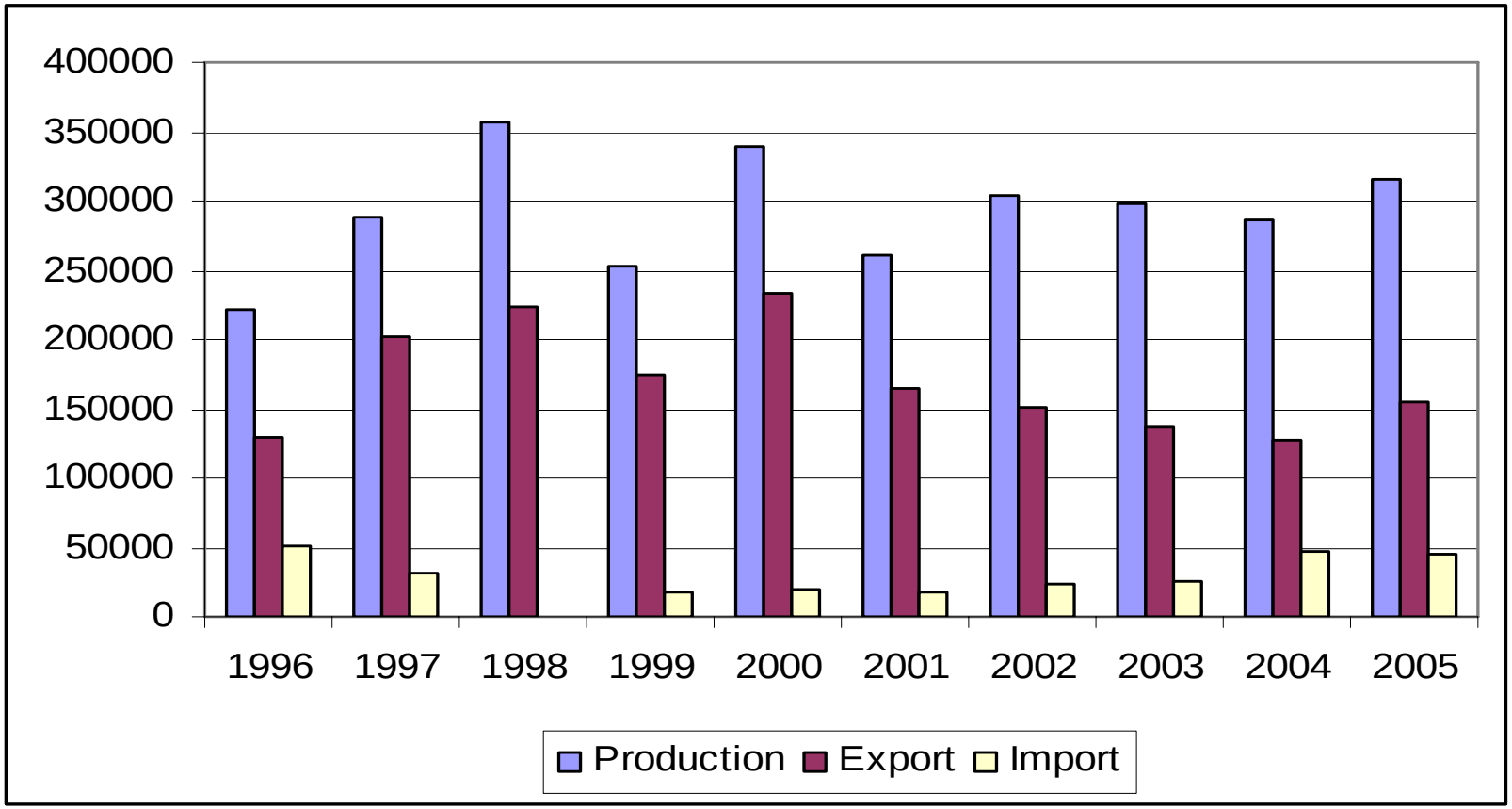
There are about 1400 firms (sawmills) dealing with hardwood sawn timber production, mainly in private ownership.

The largest number of those sawmills produces between 300-400 m3 and 4000-5000 m3 of sawnwood per year.

The reduction of log production, on one side, large number of producers and fashion trends in furniture production which haven't been in favour of using beech, on the other side, are the most significant causes of difficult condition with the greatest number of sawnwood producers in Serbia during the last three years.



The increase of hardwood sawn timber production is the result of log import increase, while their own domestic production decreased for 4.3% in 2005.



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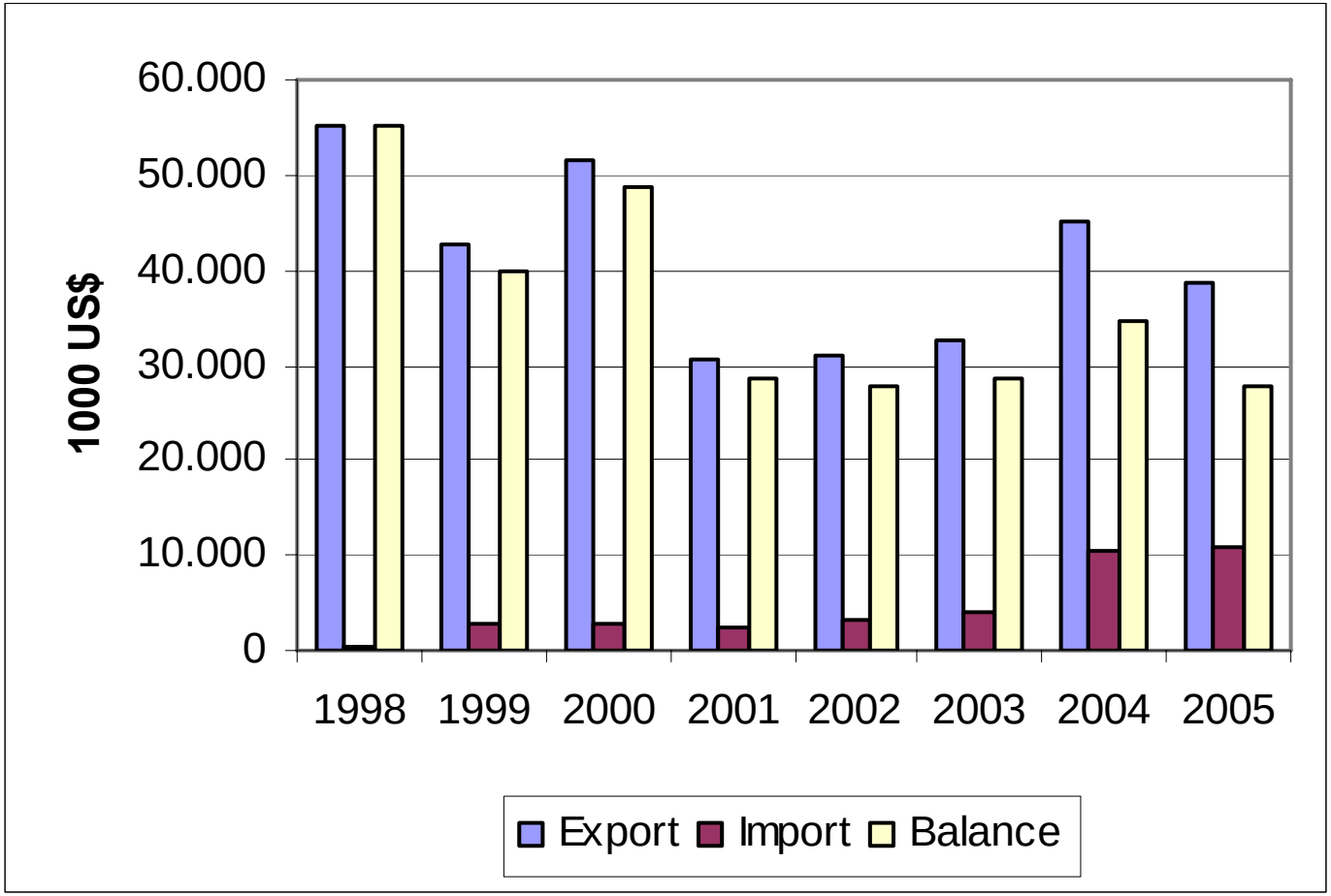
Export value decrease in 2005 was the result of many factors of which the following particularly stand out: repeated price fall, strengthening the positions of exporters from the competitive countries on the markets in Italy, Spain, Egypt and Israel and structural change of assortment in hardwood timber export.



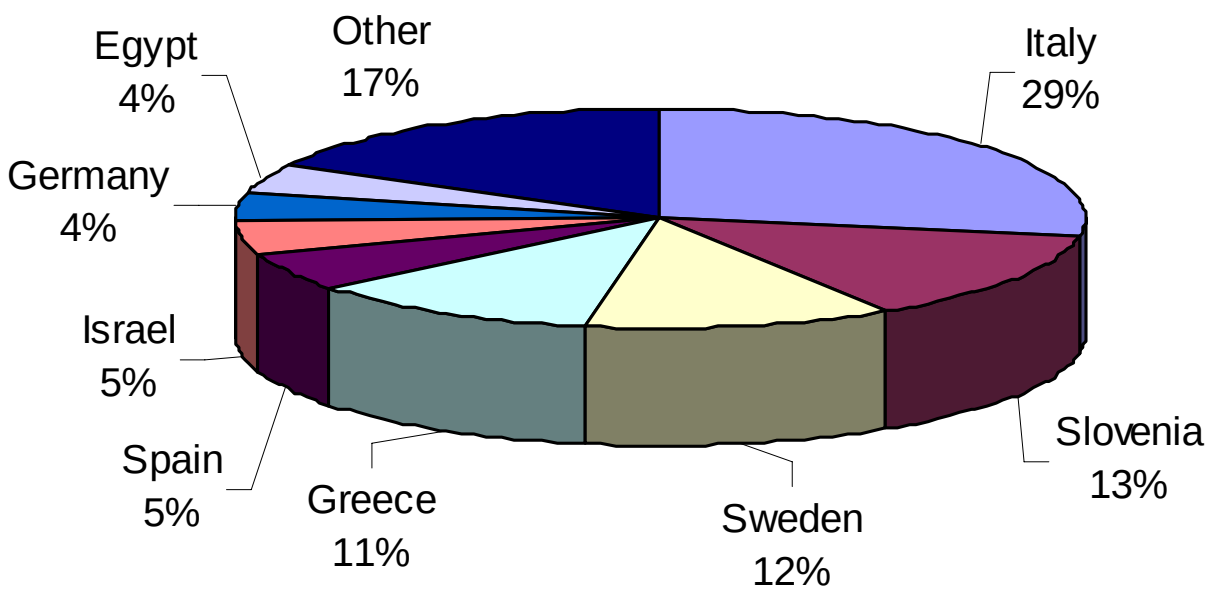
What changes of hardwood sawn timber prices have been attained is best illustrated by the next fact: in the year of 2005 kiln seasoned hardwood lumber prices were approximately at the same level as raw materials (air seasoned) prices in the year of 2000.

The mentioned, as well as other factors affected the reduction of the export's profitability.

For comparison, in the middle of 1998, an export company from Serbia accounted profit of 4.8% in the export of beech furniture elements, and in the same business and on the same market in February of 2006 the accounted profit was only 2.3%.

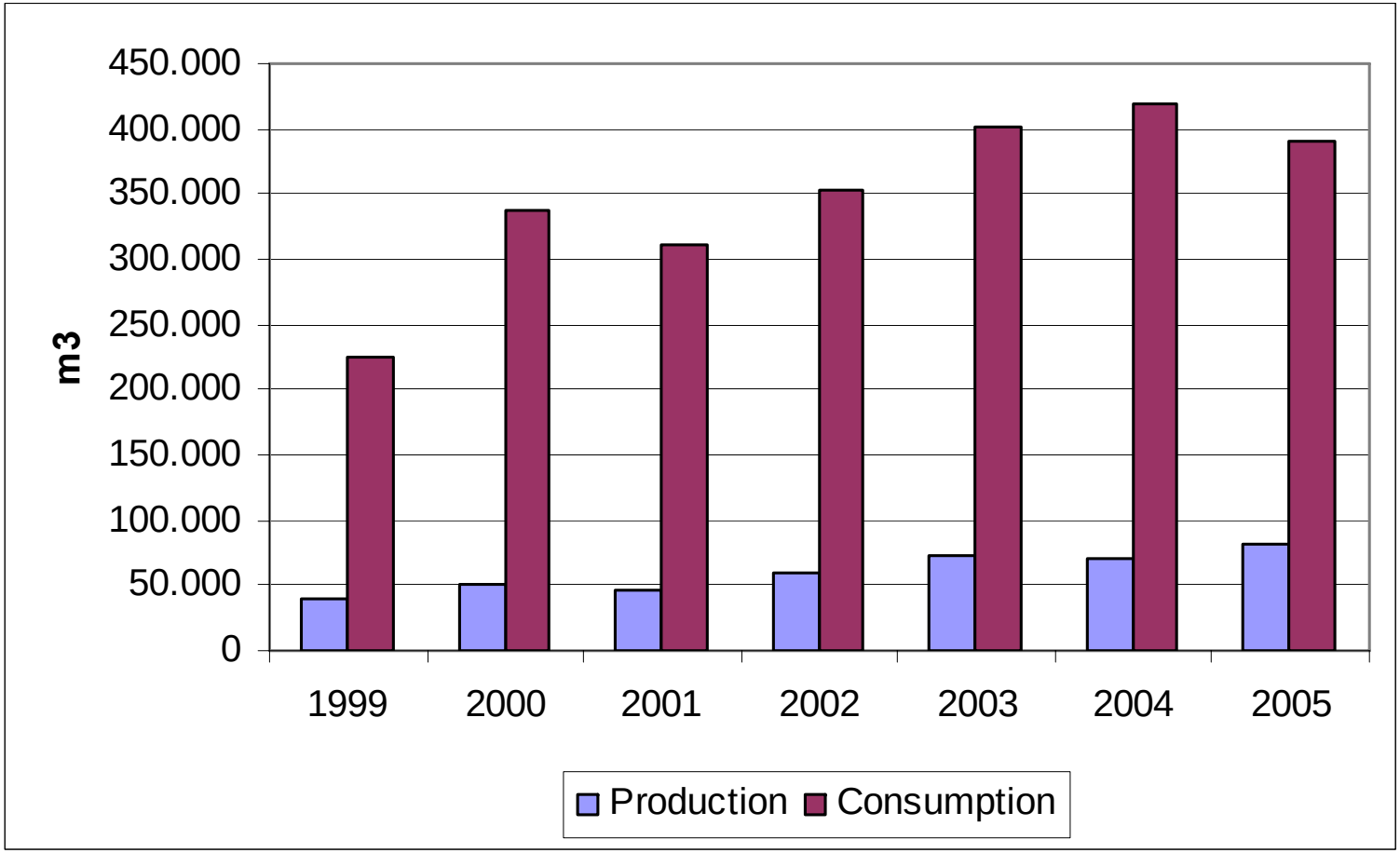
Such drastic fall is the result of beech element price decrease of 10% and the growth of transport price, postponed payment with two month limit and high working capital interest rates which the company must use with its business bank in order to finance export.

The most important markets where Serbia exports hardwood sawn timber are Italy, Slovenia, Sweden and Greece.



Softwood sawn timber

Softwood sawn timber presents one of the rare wood products whose production cannot totally cover up domestic needs.



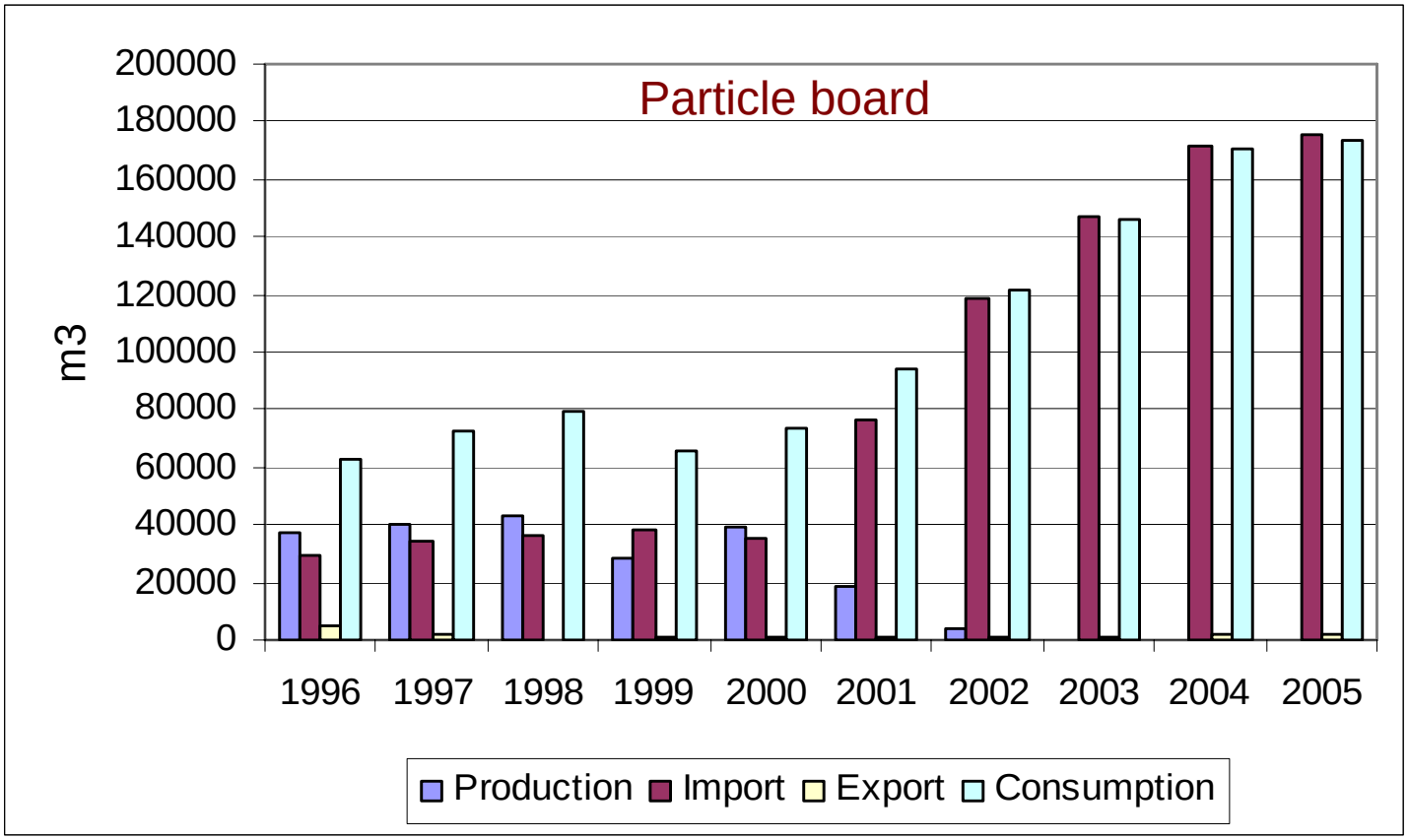
Domestic production covers about 20 % of overall softwood sawn timber consumption while the rest of the needs are covered by importing. Since the decreased consumption, the import was less by 10,7% in 2005.

Softwood sawn timber import from Bosnia & Herzegovina takes almost 97% (2005) in overall softwood sawn timber import of Serbia.

The prices of certain wood products imported from Bosnia & Herzegovina are considerably lower than those of domestic producers. Fir and spruce sawn timber prices imported from Bosnia & Herzegovina, 48 mm thick and 3-6 m long, in I /III quality class are around 180 $ /m3 (Fco border) .

Wood based panels

Despite the fact that large number of different types of board has emerged during the last years, particle boards have still retained the leading position in Serbian wood based panel consumption. Furniture making is the most significant particle board application area.



Hungary is the most significant paricle board market for the import from where around 36 % of total quantity import is imported. The value of import from Hungary in 2005 was US $11.4 million. The second significant country for particle board import is the Czech Republic from where US $4.6 million is imported.

Average import prices of enriched paryicle board from Hungary are 155 $/m3 for 18 mm of thickness, while domestic enriched particle board prices of the same thickness are 145 $/m3, but of considerably lower quality.

Plywood

With the production of almost 13.000 m3 of plywood in 2005, Serbia took the fifth place in the Balkan region, behind Romania, Bosnia & Herzegovina, Bulgaria and Greece. Achieved plywood production in 2005 is approximately twice smaller than plywood production in 1990.

Poplar plywood is mainly produced in Vojvodina and beech in Central Serbia. The presence of lower quality class in the poplar plywood production is dominant for two reasons: the decrease in raw material quality which was in offer to the producers and partly, first of all, because of the demands of foreign buyers. Namely, the demands of buyers, first of all from Italy, are related to plywood in CC quality class which is mainly used for upholstery production. The most often dimensions in plywood production are: 2500x1220x18/20 mm and 2250x1220x18/20 mm.

Export plywood in 2005 - US $2.8 million

Italy is the most significant market for plywood export from Serbia. Almost 2/3 of total export is exported on this market, and the rest on the markets of Macedonia, Germany and Hungary.

Low quality class of poplar plywood is mainly exported to Italian market because local buyers (furniture producers) use them for upholstery production. The participation of CC class in export to this market passes 60% and, of from classes, plywood of BB/BB and BB/C quality class are also exported. Poplar plywood prices of CC quality class were 260-265 US$/m3 and in BB/BB quality class 310-320 US$/m3 (EXW) by the end of 2004.

Hardboards

In 2004, hardboards production in Serbia was about 25.400 m3. Non-enriched hardboards has dominant participation in the hardboards production structure, and with regard to dimensions, the dimensions for door production prevail.

Serbia imports large quantities of hardboards because of reduced production and growing needs in furniture and joinery production. Record import level in the amount of US $31.2 million was noted in 2005. The import of enriched hardboards is dominant in the hardboards import structure. Germany, Austria and Switzerland are the most significant countries for the import of these boards in Serbia.

MDF Boards

Serbia doesn't have a factory for MDF board production. All domestic market needs are, thus, import covered.

The record level of import in the amount of US $13.9 million was achieved in 2004. Slovenia and Romania are the most significant countries from which MDF boards are imported in Serbia with over 60% participation in overall import. Beside these countries, MDF boards are imported in considerable amounts from Germany and Poland, as well.

Laminated boards

Annual production of these boards in Serbia is about 15.000 m3 of which almost 2/3 of total production represents widen laminated boards. They are mainly used for stairways, tavern table production and other, and are mostly made of beech. The most often production dimensions of laminated boards are:

a) widen laminated boards
thickness: 40-50 mm
width: 650 mm
length: 900-2000 mm

b) linear-widen laminated boards
thickness: 19,27,40 mm
width: 1210 mm
length: 2100 mm and up

Dominant quality class of laminated board production is A/B, the producers of quality class B,B/C and C can be hardly found.

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Added value wood products

Windows and doors

By the middle of 2003, 275 registered companies were engaged in windows and doors production in Serbia, where 96% of them were small-size companies. The largest number of companies deals with the production of wooden windows and doors. The leading company is situated in Novi Sad.

The largest number of small–size companies deals with plastic windows production (PVC). Several middle-size companies from Valjevo and Belgrade deal with PVC windows production.

Beside wood and plastic, there are companies involved in aluminum and combined aluminum/wood window and door production. The leading company of this type is situated in Čačak.

The most often wood species in window production are, first of all, softwoods (fir/spruce), although hardwoods have been more widely used during previous years. With regard to design and workmanship, the situation varies in different companies. Those with contemporary technology are producing windows of high quality and design (by Euro nut system) with high quality surface dressing.

The second important characteristic of wooden window production is the usage of contemporary window furniture, opening mechanisms and surface dressing materials which are imported from Germany and Italy. They represent an important component for the increase of competitiveness of wooden windows which are exported to the markets of Western countries.

The third important characteristic of wooden window production is the three-ply laminate production used for wooden frames. Such made composite materials have much better properties than those made of one part.

Furniture

Momentarily, there are 422 companies and over 3000 independent workshops producing furniture in Serbia. The biggest number of registered companies is in private ownership, where 91.7% of them belong to the category of small-size companies, 7.1% are medium and 1.3% are big companies.

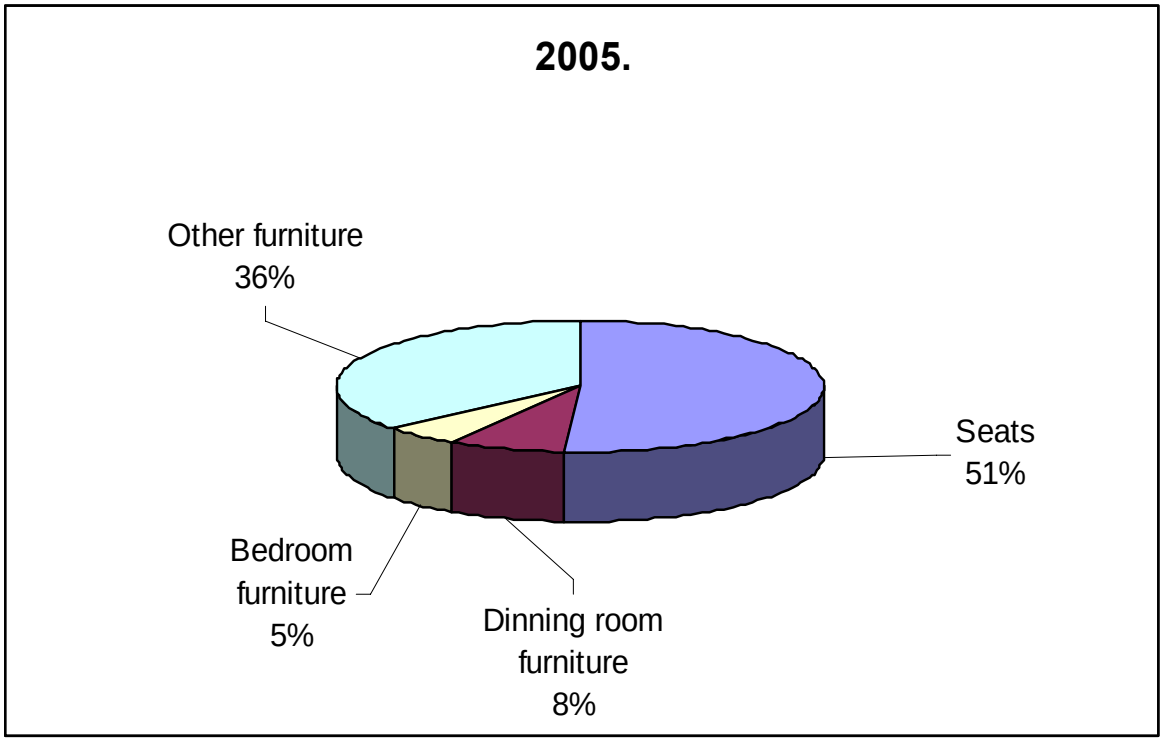
In respect of material presence in furniture, solid wood is dominantly used and that is followed by particle boards and MDF board to a certain extent.

Chairs are mostly made of solid wood and chipboards and they represent main export product.

Particle boards and MDF boards are dominant in kitchen and office furniture manufacturing.

Serbian furniture industry is export oriented branch and as such, it has huge significance for Serbian business and economy.

More than a half of the overall value of furniture production is exported (58%, 2005). Furniture export makes 51% of overall wood industry export and 3.5% of overall Serbian export. In 2005, furniture export was US $81.8 million.



Serbian furniture is exported in over 50 countries in the world.

However, almost 2/3 of export is attained markets of Italy, France, Bosnia and Herzegovina and Great Britain.

Upholstered chairs and seats are mostly being exported on Italian market. Attained export value of this furniture category on Italian market (2005) has amounted of 17.5 millions US $ what represented 21.4% of total export.

Serbia takes the fourth place in Italian furniture import with total amount of 11.2% in Italian overall import. Beach made chairs of middle price class have dominant share in total export on this market.

Global duty free trade is objective of WTO...

Foreign trade sale liberalization, large number of private companies and strong marketing performance of foreign producers and merchants are the main reasons for increased furniture import during the previous years.

In 2005, it reached the amount of US $72.7 million. Furniture import participated with 28.6% of overall wood industry import and 0.6% of overall Serbian import.

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	- - visine 80 cm ili manje:				
9403 30 11 00	- - - pisaci stolovi	27	20	10	20
9403 30 19 00	- - - ostalo	27	20	10	20
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9403 30 91 00	- - - ormani sa vratima, rolo orman ormani za kartoteke i ostali ormani sa fiokama	27	20	10	20
9403 30 99 00	- - - ostalo	27	20	10	20
9403 40	- Drveni kuhinjski nameštaj:				
9403 40 10 00	- - ugradne kuhinjske jedinice	27	20	10	20
9403 40 90 00	- - ostalo	27	20	10	20
9403 50 00 00	- Drveni nameštaj za spavace sobe	27	20	10	20
9403 60	- Ostali drveni nameštaj:				
9403 60 10 00	- - drveni nameštaj za trpezarije i dnevne sobe	27	20	10	20
9403 60 30 00	- - drveni nameštaj za prodavnice	27	20	10	20
9403 60 90 00	- - ostali drveni nameštaj	27	20	10	20

Wood products marketing

Distribution

Distribution of the most important furniture categories on the EU market is carried out as business cooperation with foreign partners who completely finalize domestic products before their further distribution under their own trade mark. Approach to strong distribution channels has not been achieved so far, because of relatively small physical scope of production of domestic producers. This specially refers to furniture for sitting.

Furniture distribution on the markets in Macedonia and Bosnia and Herzegovina is carried out through personal or rented sale objects of the companies which export furniture on these markets. Beside that, the furniture is distributed through wholesale system as well.

Furniture distribution on domestic market is accomplished through:

1. Sale in own sale objects
2. Common (commissioning) sale with retail stores
3. Through the wholesale system

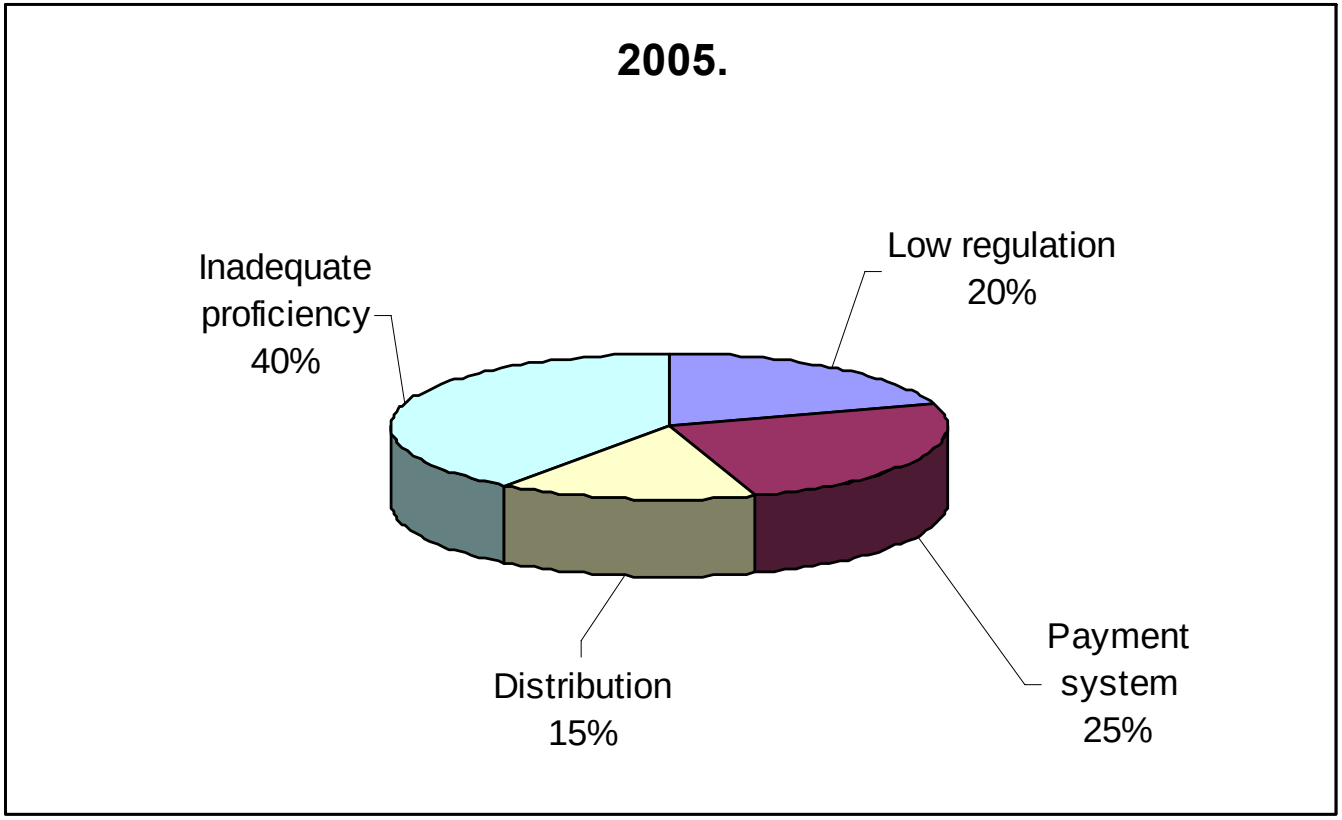
HOME MAKET ‘’EUROSALON’’

Product advertising is mostly undertaken via radio, daily and specialized papers, magazines, rarely via TV. Very high TV prices are the main reason for that. It is usual that advertising of companies via TV is done during big furniture sales and discounts.

Every serious company dealing with furniture production and sale owns an internet website.

According to conducted poll, among the leading companies for furniture production and sale, their internet websites are mostly intended for promotion, information and contact with buyers.

As the main reason for not introducing on-line purchase and sale system for their products, the companies have stated the present problems in Serbian payment system (small amount of citizens possess paying cards) and also inadequate proficiency of their personnel for this type of trade.



Thanks to its natural diversity and different flora and fauna, Serbia has preferable conditions for sustainable production and trade of NWFP. Production of NFWP, such as: berries, edible mushrooms, fruits, etc., could contribute to the development of the national economy.

Regarding the quantities and values, the most important species are: juniper berry (*juniperus communist*), bilberry (*vaccinium myrtilu*), and boletus mushroom (*boletus edulis*), fox mushroom (*Cantharellus cibarius*).

Thank you for your attention!!