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Expert Market Statement of
MACEDONIA

Production of wood products in Republic of Macedonia has very long tradition. It origins from the first stream sawmills, which produced pruning wood. The transitional process, which covered all of the countries from our neighborhoods, had great influence on the whole industry, especially on the production of wood products. It caused decomposition of the large wood and industrial enterprises, and formation of numerous small companies.

In the Republic of Macedonia, according to the data of the Institute for Statistics, in the primary processing of wood, beech pruning wood is mostly produced for example 20,414m³ in 2003, and then follows pruning conifers and parquet. The production of plywood and veneer leaves is symbolic. In 2003 the production was only 32m³ plywood and 63m³ veneer leaves. The production of chip-boards and fibrous boards in the Republic of Macedonia doesn't exist at all.

From the furniture chairs are mostly found with 85,482 pieces or 55% from the total furniture production in 2003. Then follows the wood furniture production in parts with 28% or 43,684 pieces. The rest sorts of furniture: upholstering, office and kitchen furniture were produced in very small amount.

Table No. 1: Production of wood products in the Republic of Macedonia

| Products | Year | | | |
|---|--------|--------|---------|--------|
| | 2000 | 2001 | 2002 | 2003 |
| Pruning wood from conifers in m ³ | 11,901 | 7,571 | 7,569 | 7,901 |
| Pruning wood from deciduous in m ³ | 24,934 | 15,938 | 13,785 | 20,414 |
| Plywood in m ³ | 357 | 257 | 132 | 32 |
| Veneer leaves in m ³ | 90 | 12 | 31 | 63 |
| Parquet m ² | 42,303 | 23,441 | 26,138 | 5,058 |
| Chairs / piece | 5,617 | 82,145 | 101,414 | 85,482 |
| Armchair, two-seaters and sofas / piece | 94,364 | 10,751 | 8,598 | 11,731 |
| Office wood furniture / piece | 12,579 | 10,569 | 11,785 | 5,184 |
| Kitchen furniture / piece | 9,066 | 7,096 | 7,003 | 7,555 |
| Wood furniture and parts / piece | 53,168 | 82,233 | 33,460 | 43,684 |

The external trade balance in the exchange of wood products is negative. The import value is several times bigger than the value of realized export. Main export products from Republic of Macedonia in 2004 were: pruning beech wood which was \$ 3,126,848 or 27% from the entire import, then follow chairs with 22% and furniture for dinning and living rooms with 13%.

Table No. 2: Export of separate wood products in 2004

| Products | Value in US\$ | Participation in % |
|--------------------------|----------------------|---------------------------|
| Unprocessed wood | 930,654 | 18 |
| Processed wood in length | 3,617,680 | 71 |
| Veneer leaves | 23,216 | 0 |
| Chip-boards | 246,889 | 5 |
| Plywood | 79,776 | 1 |
| Fibrous boards | 63,982 | 1 |
| Timberwork | 180,099 | 4 |
| Total: | 5,142,296 | 100 |

The furniture export of all products in the entire export were 55% or \$ 6,320,908. If we add to this percent the participation of the pruning beech wood with 27%, then it means that 82% from the entire export belongs to these products.

Table No. 3: Furniture export in 2003

| Products | Value in US\$ | Participation in % |
|-------------------------|----------------------|---------------------------|
| Chairs | 2,499,698 | 40 |
| Office furniture | 116,320 | 2 |
| Kitchen furniture | 337,588 | 5 |
| Bedroom furniture | 718,052 | 11 |
| Dinning and living room | 1,461,605 | 23 |
| Other wood furniture | 1,187,685 | 19 |
| Total: | 6,320,908 | 100 |

Main markets for beech pruning wood are Greece and Slovenia. All the products were distributed on the markets in Serbia and Montenegro and Greece.

The conifer pruning wood is main product which was mostly imported because its worth in 2004 was \$ 11,302,571 or 30% from the entire realized import of wood products. Main market for import of conifer pruning wood are Bulgaria and Ukraine. Second product which was mostly imported was chip-boards with 20% from the entire import. These were imported from Slovenia and Greece. Fibrous boards are imported from Germany and the furniture was imported from Slovenia and Serbia and Montenegro. It was 24% or \$ 9,164,443 from the entire import.

Table No. 4: Import value of separated wood products in 2004.

| Products | Value in US\$ | Participation in % |
|--------------------------|----------------------|---------------------------|
| Unprocessed wood | 96,405 | 0 |
| Processed wood in length | 12,096,898 | 43 |
| Veneer leaves | 252,401 | 1 |

| | | |
|----------------|-------------------|------------|
| Chip-boards | 7,719,856 | 27 |
| Plywood | 796,343 | 3 |
| Fibrous boards | 3,218,693 | 11 |
| Timberwork | 4,207,168 | 15 |
| Total: | 28,387,764 | 100 |

Table No. 5: The worth of furniture import in 2004

| Products | Value in US\$ | Participation in % |
|-------------------------|----------------------|---------------------------|
| Chairs | 2,635,717 | 29 |
| Office furniture | 771,718 | 8 |
| Kitchen furniture | 582,310 | 6 |
| Bedroom furniture | 1,693,001 | 19 |
| Dinning and living room | 1,601,150 | 17 |
| Other wood furniture | 1,880,547 | 21 |
| Total: | 9,164,443 | 100 |

The information presented in the table above, it can be seen that chairs are furniture product which was mostly imported or 29% from the entire furniture import, and then follows other wood furniture with 21% and bedrooms with 19%. The lowest value was realized in the kitchen and office furniture import.

The basis raw material – unprocessed round wood is supplied from domestic production i.e. from PE “Macedonian forests”. Because of the low production of conifer logs, the conifer pruning wood is imported. In the Republic of Macedonia there is no production of chip-boards, fibrous boards so that the furniture production imports them. Besides the furniture producers, the materials for reproduction such as ironwork, furniture cloth, varnish and paints are imported. So the ironwork is imported from Turkey, Italy and Greece and the varnish and paints mostly from Germany.

In the Republic of Macedonia according to the data from the Economic Chamber there are 40 companies from the primary processing – sawmills and 100 companies for final wood processing. Their common characteristic is that they are in private property and function as joint stock companies or LTDs. Those are mainly small or medium companies because the average number of employees is 40.

In the companies which are wood producers the biggest problem in their working is disloyal competition of the small family firms, unregistered, which drastically ruin the market, repayment, especially when it comes to contracts with foreign partners, sale of products at foreign markets.

In the Republic of Macedonia there is no market organization in the production of wood products. According to our knowledge the only form of aligning is the association within the Economic Chamber. Last year EUROCONSULTANTS were contacted for forming cluster in the wood industry but the activities are going on.

Having that in mind we can conclude that on wood production level there is no marketing information system. The realization of marketing activities especially market exploring is reduced to minimum since the large number of small firms this is “misplaced investment”. Market information which some companies use are on the basis on information and publication of the Economic Chamber, Statistics Institute, Ministry of Agriculture, Forestry and Water economy and the Faculty of Forestry. These institutions just perform some surveys and analysis about the conditions and movements at the market of wood products.

Promotional activities by the wood processing companies are one of the instruments of the marketing which is being realized to some extend. The larger companies have designed their own WEB`S, continuously advertise in the printed media, television and radio, participating in fair manifestations and almost all of the companies have designed their own catalogues and leaflets.

The furniture distribution and sale from the larger companies is being realized in their own sale salons within the company or separately. Otherwise the other producers realize the sales through delivery in specialized shops on the basis of a signed contract by the producer and the trader, owner of the sale salon. According to the survey carried out by the students from the Faculty of Forestry, the size of the sale salons is between 100-300m². In the salons usually furniture from different supplier is sold, whose number can be up to 10.

The furniture export and import in the Republic of Macedonia is performed individually because there is no such registered firm for that kind of work. Most of the companies that produce furniture have contracts with foreign partners, who act individually, direct export and import is realized with dynamics arranged in advance.

In the companies not only from the primary processing but also from the furniture production there is no unified method for calculation of the production cost. It is usually formed on the basis of the competitors’ price with which it is strived to avoid the margin and it means lower price compared to the competition.

The education from the marketing area is performed at the departments Mechanical technology of the wood and Designing and technology of furniture and interior through the contents of the subject Marketing, and at the department Forestry through the contents of the subject Marketing and prices. Students can attend lessons of these subjects during their studies at the Faculty of Forestry in Skopje. Besides that during the post graduate studies at the Wood and Industrial management department they attend Marketing lessons.

36 % of the total area of R. of Macedonia is covered with forests. The concern for the forests, the right direction of the forest management, their regeneration and sane utilization, is an assignment for PE "Macedonian forests".

The basic function of this enterprise is forest protection, maintenance, usage and all other subsequent forestry activities like hunting, hunting tourism, medicinal herb and forest food selection etc.

PE "Macedonian forests" manages the surface of 965 650 ha out of which 859 427 ha or 89% of total forest fund are stately owned forests while the other 106 223 ha or 11%, are privately owned ones. In practice, exists and association of private forest owners, while PE "Macedonian forests" has the obligation to the process of marking.

According to its quality, the forests in Macedonia, which are managed by PE "Macedonian forests", are high stem forests 29 % and coppice ones on 71 % of total forest area.

According to the purpose, 90,2% of the forests have economy character which cover 816 633 ha. The others are protective forests on 17 617 ha and special purpose forests cover 53 689 ha.

Total wood volume managed by PE "Macedonian forests" is 78 900 000 m³, with total annual increment of 2.02 m³/ha.

Table No. 6: Assortment structure of planned production
In PE "Macedonian forests"

| Sort of wood | Assortment structure, in m ³ | | | Total, m ³ |
|--------------|---|-----------|-------|-----------------------|
| | Timber | Fuel wood | Waste | |
| Beech | 96.419 | 308.537 | | 404.956 |
| Oak | 180 | 253.218 | | 253.398 |
| Fir | 12.229 | 0 | | 12.229 |

| | | | | |
|----------------------------------|----------------|----------------|---------------|----------------|
| Spruce | 0 | 0 | | 0 |
| White pine | 17.908 | 0 | | 17.908 |
| Black pine | 16.830 | 0 | | 16.830 |
| Other | 341 | 4.957 | | 5.298 |
| Waste | | | 81.559 | 81.559 |
| Total: | 143.907 | 566.712 | 81.559 | 792.178 |
| Participation percentage: | 18,17 | 71,54 | 10,30 | 100,00 |

Table No. 7: Participation percentage of certain sorts of wood in the total quantity of timber and fuel wood

| Sort of wood | Assortment structure, in m ³ | |
|---------------|---|---------------|
| | Timber | Fuel wood |
| Beech | 67,00 | 54,44 |
| Oak | 0,13 | 44,68 |
| Fir | 8,50 | 0,00 |
| Spruce | 0,00 | 0,00 |
| White pine | 12,44 | 0,00 |
| Black pine | 11,70 | 0,00 |
| Other | 0,24 | 0,87 |
| Total: | 100,00 | 100,00 |

PE “Macedonian forests” has got its divisions on the whole territory of the Republic of Macedonia and the actual work is done through 30 branches which previously were independent forest economies with approximately 2 500 full time employees and about 500 part time ones. Establishing LTDs, the number of the employees reduced to 2286.

The annual allowed cut in the state owned forests is 1.500.000m³.

From that, usually 65-70% is planned and cut in the PE, because larger planned cut produces stock which because of the disloyal competition on the market, there is no place where to sell them. From the establishment, in the PE structure, existed seven sawmills: Suvi Laki – Berovo, Dervisnica – Delcevo, Pilana – Prilep, KU-PI – Kumanovo, Pilana – Struga, Pilana – Bitola, Brajcino – Resen, till 01.03.2006, when with governmental decision the sawmills were transformed in to LTDs established by the PE.

Hunting is considered as separate profitable activity and is in close relationship with basic works of PE “Macedonian forests”. It gets special position and scope for its improvement and rational usage to aim higher financial effects.

The PE “Macedonian Forests” - Skopje encompasses 17 hunting sites, with total area of 205.434 ha. The animal stock includes red deer, fallow deer, roe, mouflon, chamois, wild boars and bears, and lower parts of the hunting sites, along the river basins, various types of hens: (partridges, turtledove, quails, and pheasants) and large numbers of rabbits can be found. The configuration of the surface is varied, with a lot of streams and various types of forests. They are all connected with roads and equipped with hunting facilities, and some hunting sites offer cottage houses that include full board. In Macedonia there are registered over 26.000 hunters.

Among the most important secondary forest products which can be used in PE “Macedonian forests”, are:

- Forest seed form these sorts of trees: oak, black and white pine, fir, spruce, pseudotsuga menziesti, cedrus spp., maple, acacia, sophora japonica, fraxinus spp. etc.
- Fruits: raspberry, bramble, blueberry, strawberry, hazel-nut, chestnut etc.
- Mushrooms: boletus, morchella esculenta, cantharellus cibarius, lactarius deliosus etc.
- Herbs that are used in the medicine and teas: arctosta phylos uva ursi, hypericum perforatum (erythraea centarurium pers.), thymus pp., malva silvestris, tilia cordata, crategus monogyna, sambucus nigra, juniperus communis, etc.
- Oak and pine tetter
- Feeding the cattles and grass mowing

The ones that belong to the non organic genesis are utilization of sand, limestone, silicon, marble and clay.

Heaving in mind the volume and the variety of these products, the accent is given on the useful sides which for the forest economy is of a great value, and are used in the human nutrition, pharmaceutical, alimentary and cosmetic industry, and for production of non-metal goods. By using these products not only the forest is used up but also good financial effects can be achieved.

In the impressive Macedonian beauty mosaic, three national parks with exceptional natural, ambient and cultural values exist: Glaicica, Mavrovo and Pelister.

On the territory of Republic of Macedonia there is one forest reservoir and several park forests.

Conclusion

In the Republic of Macedonia pruning wood from beech and chairs is most manufactured. The other products are produced in smaller amounts, which above all is caused by the restricted resources and the need for import of many materials for reproduction.

In the market exchange Republic of Macedonia has negative external market balance, which means that the needs for wood products are satisfied through import. This means that the wood industry has to make additional efforts in modernization of the production process and to follow the modern trends if we want to be on the international markets for those products. It is a fact that the investments in this branch are small or they are not at all.

Main markets for these wood products are our neighbors markets, which can be justified with the low transport expenses, and of course the quality which is under the selective European countries market level.

Implementation of the market instruments in this phase is on very low level and requires additional education, especially for the people who are involved in the process of production and marketing of the products.

The forests in Macedonia are managed by PE "Macedonian forests", and only 10% are in private property.

In that direction, PE "Macedonian forests" realizes a new way of functioning according to the modern marketing principles. According to the market researches, we specified so-called eligible buyers on the basis of target groups researches, buying and selling contracts for mutual cooperation are made on the basis of advanced payment of certain clients who, in the future, will constitute the wood industry in the Republic of Macedonia.

The information flux on internal level within the PE is improved and the external marketing by nursing and improving the existing external associates, through the magazine "Nasi sumi", the web site of the PE and nursing the cooperation with customers and medias. Cooperation with the institutions from the forestry in Republic of Macedonia, the forest enterprises from our neighborhoods and wider is improved.

