

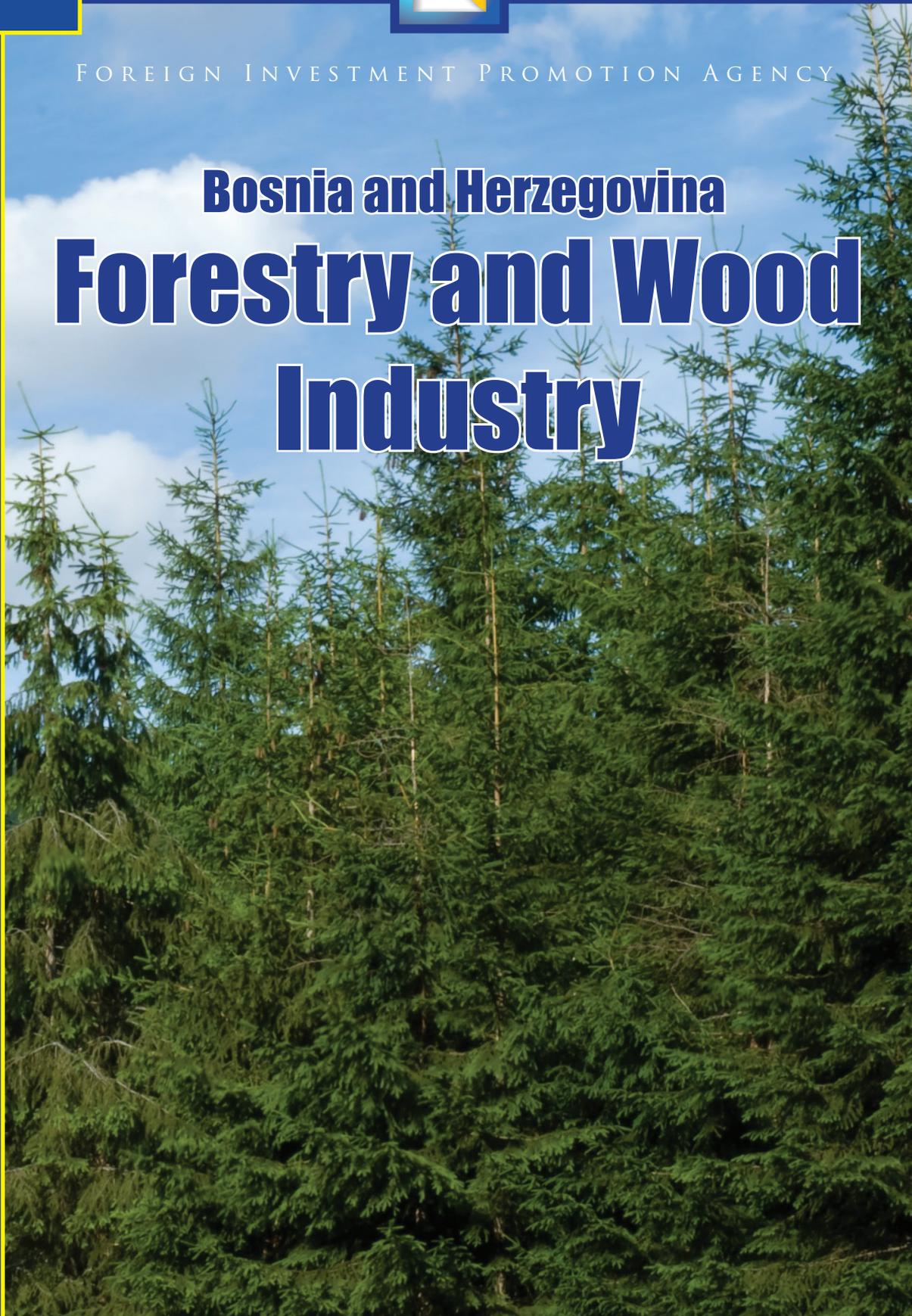
2013



FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina
Forestry and Wood
Industry

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES



Bosnia and Herzegovina Forestry and Wood Industry

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

53% OF B & H
TERRITORY
IS COVERED BY FOREST



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Forestry and Wood industry in Bosnia and Herzegovina

INVEST IN FORESTRY AND WOOD INDUSTRY IN B&H

Bosnia and Herzegovina has a long tradition in forestry and wood processing, going back to the second half of the 19th century. The abundance of both hard and softwood, as well as the competitive and skilled workforce, make this sector attractive for investment, particularly in export-oriented production programs.



Wood processing industry, having an important share in the structure of the BiH industrial production (15%) and including a wide selection of products, starting with lumber all the way to final products such as furniture, records an increase in production. Of all the natural resources of Bosnia and Herzegovina, its timber is best known. 53% of the country is covered in forests that can serve both the furniture and the construction industry. Growing stock of forests is estimated at about 340 million m³, of which conifers around 135 million m³, and sawmills around 205 million m³. The annual increment is about 9 million m³, of which 4 million m³ Softwood and Hardwood 5 million m³. Beech, oak, ash, pine and fir, as well as more specialized woods such as walnut, apple and cherry, are exported as raw material, half fabricates and finished products. During 2011, growth in production of wood and wood products amounted to 9%, while its contribution to the overall production growth amounted to almost 0.5%.

This industry is still export-oriented, and exports account for about 11% of total exports of Bosnia and Herzegovina. As an inevitable step in the further development of the sector is certainly the investment in revitalization and modernization of technology and stronger connections with supporting industries.



WHY INVEST IN THE B&H WOOD INDUSTRY?

- Plenty of forest lands
- Quality raw materials for the wood processing industry
- Favorable geographical location
- Long tradition and practice in wood processing and craftsmanship
- Relatively good training of the workforce
- Presence on the markets of Europe and USA of many years
- Traditionally export oriented
- Cheap labor costs
- Increasing number of newly equipped plants
- Issuing of state standards for certification of forests based on the FSC principle
- Preservation of the natural resources and environmental protection
- Satisfactory forest management

LONG TRADITION

Wood industry in BiH has a long tradition of producing wide range of products. In the interwar period (The First World War) Bosnia and Herzegovina had 129 mining and wood processing industrial companies. By 1992, BiH wood industry accounted for 10% of gross national income (about \$ 3 billion), 11% in BiH exports and employed about 61 000 workers or 13% of the total number of workers in industry and mining. Today, we have separated enterprises, mostly privatized, or brand new privately-owned enterprises, which have their own export departments.



Lack of finances and anticipation of the final outcome of the shareholder structure in the enterprises, are the cause of reduced production capacities and obsolete equipment in some enterprises. The enterprises of the wood processing industry of BiH are prevalently primary manufacturers: sawmills, planing mills, plywood and veneer plants and the like.

WORKFORCE

Reliable basis for sustainable development of the wood industry is availability of all categories of qualified, adaptable, innovative, foreign language spoken, and highly motivated labor force. There is well-developed university education system, providing sufficient qualifications for entry to professions with high skilled requirements. In addition there is abundance of labor of all categories, under competitive prices, being app. 20% of West Europe and USA wages. Average net wages are app. 300 Euros. In BH timber sector in 2011 year, according to official statistical data were more than 30 000 employees.

FOREST RESOURCES-ROW MATERILAS

BiH forestry provides reliable resource base (volume, species, quality) related to the supply of various high quality row materials (beech, oak, ash, pine and fir, as well as walnut, apple, cherry etc.), to the wood processing industry, on long term basis. „Bosnian beech” is particularly famous worldwide, due to its high quality.



The BiH forests (80.7% state owned) have the sustainable potential. Growing stock of forests is estimated at about 340 million m³, of which conifers around 135 million m³, and sawmills around 205 million m³. The annual increment is about 9 million m³, of which 4 million m³ Softwood and Hardwood 5 million m³.



OPERATIONAL COSTS

Existing infrastructure, including railway and road network, as well as respective transportation costs can satisfy entirely all requirements for successful development of BiH wood sector. BiH disposes with 4 international airports, 2 river ports, and 1 sea port too. BiH distribution network brings most of Europe within 24-48 hours by truck, under acceptable prices. BiH possesses well-developed telecommunications infrastructures (close to European standards).

Transport costs on railway are based on official tariffs (approximately 0.05 EUR/ton/km). Discounts up to 25% are however applied, depending on the number of wagons that are being moved. Using a wood density of 0.65 tons / m³, railway transport cost about 0.023 EUR/m³/Km.

PRODUCTION CAPACITY

Results achieved in the industrial wood processing are largely a result of its comparative advantages (a large share of domestic raw materials, cheap labor, relatively low investment in production facilities, etc.). The structure and the assortment of the products of the BIH wood processing industry are highly versatile, and almost everything that can be produced in the plants around the world, can be produced in the facilities of the BIH wood processing industry.

The spearhead of the BIH wood industry is the production of the following products:

- Furniture elements;
- All types of furniture (softwood and hardwood, wood-based panels, solid wood, bedding, mattresses, cushions etc.)
- Wood constructions, carpentry and joinery products (windows, doors, cabinet makers),
- Engineered products (tool bodies, handles)
- Prefabricated houses;
- Parquet panels;
- Plywood, veneer, sawn lumber, planed and dimension stock, wood panels
- Wood containers, Wood package ware and boxes;
- Pallets, load boards, tool bodies and handles;
- Confectionery, decorative and ornamental.

EXPORT - IMPORT

Wood industry in B&H is export-oriented, and exports account for about 11% of total exports of B&H. The most exported was seats and wood parts, wood, furniture for dining rooms, bedrooms and other wooden furniture. Forestry products (mostly lumber) were mostly exported to: Italy, Slovenia, Serbia, Croatia, Austria, Germany and Egypt. B&H exports of furniture in 2011 increased by ca. 15% as compared to the previous year. Relative to the previous year, rise in value of furniture exports amounted to 12.1%, achieving the value of about 388 million Eur. Export of furniture in 2011 accounted for 9.2% in the total exports. Furniture was mostly exported to the markets of Germany and Italy.

THE MOST PROMISING OPTIONS

The most promising options for potential investors in BiH forestry / wood industry lie in processing of sawn wood to edge glued panels (EGP), veneer, parquet and furniture, especially as there are small and medium companies which may be suitable for joint ventures.



In addition, there is potential for investment in one Medium-density fiberboard - MDF and one particleboard mill of global market competitive size.

There are many, primarily economic, reasons why it pays to invest in BiH forestry and timber industries, a key to make:

- high share of high-quality, relatively cheap and readily available local raw materials into products for all stages of processing,
- permanent export orientation, a steady increase in demand for timber products in both domestic and foreign markets,
- the ability to provide quality and cost-competitive workforce in the entire BiH territory,
- wide distribution of primary wood processing enterprises in the whole BH territory and the ability to establish partnerships and cooperative relations with them,
- Environmentally friendly (meaning long term) business that provides a viable and very promising development company.

SUCCESS STORIES

Foreign companies, investors in this sector:

- Natron Hayat doo Maglaj-Hayat Group, Turkey
- Standard a.d. Prnjavor- Dacommet AG, Switzerland
- AD Nautic doo Goražde-Prevent Group, Slovenia
- Lipa drvo doo Omarska-Cora Group, Italy



USEFUL CONTACTS

Ministry of Foreign Trade and Economic Relations of B&H	www.mvteo.gov.ba
Federal Ministry of Agriculture, Water Management and Forestry	www.fmpvs.gov.ba
Ministry of Agriculture, Forestry and Water Management RS	www.vladars.net
Wood Cluster Association in B&H	www.drwni-klaster.ba
Foreign Trade Chamber, Association of Forestry and Wood Processing Industry-Timber group	www.komorabih.ba
Federal Chamber of Economy, Division of Forestry, Wood Processing and Printing Industry	www.kfbih.com
Chamber of Economy Republic of Srpska, Association of Forestry and Wood processing	www.komorars.ba

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