

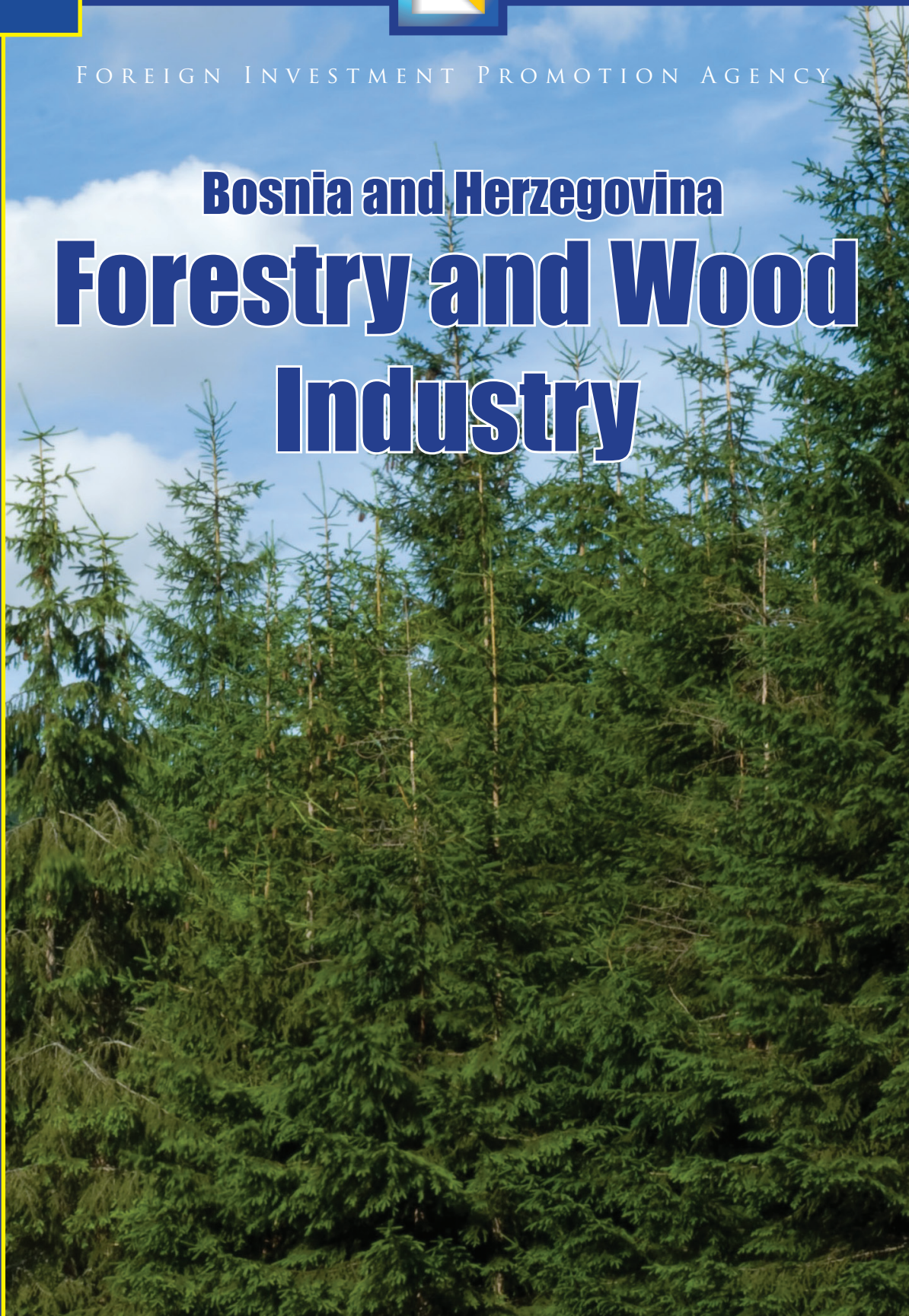
2013



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 m<sup>3</sup>, of which conifers around 135 million m<sup>3</sup>, and sawmills around 205 million m<sup>3</sup>. The annual increment is about 9 million m<sup>3</sup>, of which 4 million m<sup>3</sup> Softwood and Hardwood 5 million m<sup>3</sup>. 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 2012., growth in production of wood and wood products amounted to 7%, 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?

- Natural Resources and Potential (53% of B&H territory is covered by forest)
- Excellent forest growth potential
- Favorable geographical location of the Bosnia and Herzegovina
- Liberalized trade (CEFTA)
- Wood processing tradition of more than 150 years ,
- Available quality labor and cheap labor costs
- Presence on the markets of Europe and USA of many years
- Traditionally and permanent export - orientation
- 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, planning 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 2012 year, according to official statistical data were : 24.391 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 345 million m<sup>3</sup>, of which conifers around 38% -135 million m<sup>3</sup>, and sawmills around 62% - 212 million m<sup>3</sup>. The annual increment is about 6 million m<sup>3</sup>, of which 2.5 million m<sup>3</sup> Softwood and Hardwood 3.5 million m<sup>3</sup>. Underused biomass potentials.

## 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 / m<sup>3</sup>, railway transport cost about 0.023 EUR/m<sup>3</sup>/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 (SITUATION in 2012)

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.

Total number of companies: 1257 in B&H (716 FBiH / 541 RS)

Total export: 1.528.124.225 mil. BAM (Export import ratio: + 219 % ) in B&H

Share in GDP: 9% FBiH / 1.5% RS

Share in total industrial production: 5.55% FBiH / 6.7% RS

Share in processing industry: 8.1% FBiH / 8.66% RS

Share in total export: 10.8 % FBiH / 10.63% RS

## INVESTMENT OPPORTUNITIES

### I. Greenfield investments

- Production Wood assortment of small-diameter logs (up to 30 cm),
- Production of final products,
- Production of biomass and energy based on biomass...

### II. Brownfield investments - privatization

- Production of MDF,
- Production furniture of solid wood,
- Investment in companies in Bankruptcy Acquired by the Government during bankruptcy proceedings...

### III. Production of intermediate goods for wood processing

- Production of laminated elements for construction,
- Production of wooden panels,
- 60% of companies import some of the intermediate goods such as: medium-density fiberboards, natural veneer, plywood, edge bands, paints, varnishes, fittings, emery paper, abrasive brushes, etc.

## SUCCESS STORIES

Foreign companies, investors in this sector:

- Natron Hayat doo Maglaj-Hayat Group, Turkey
- Standard a.d. Prnjavor- Daccomet 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 .....	<a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a>
Federal Ministry of Agriculture, Water Management and Forestry .....	<a href="http://www.fmpvs.gov.ba">www.fmpvs.gov.ba</a>
Ministry of Agriculture, Forestry and Water Management RS .....	<a href="http://www.vladars.net">www.vladars.net</a>
Wood Cluster Association in B&H .....	<a href="http://www.drwni-klaster.ba">www.drwni-klaster.ba</a>
Foreign Trade Chamber, Association of Forestry and Wood Processing Industry-Timber group .....	<a href="http://www.komorabih.ba">www.komorabih.ba</a>
Federal Chamber of Economy, Division of Forestry, Wood Processing and Printing Industry .....	<a href="http://www.kfbih.com">www.kfbih.com</a>
Chamber of Economy Republic of Srpska, Association of Forestry and Wood processing .....	<a href="http://www.komorars.ba">www.komorars.ba</a>

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