

EDITORIAL

THE RELATIONSHIP BETWEEN FORESTRY AND WOOD PROCESSING

There are at least two indicators that are needed in order to develop and improve the condition of any economic activity: the current condition as a starting point, and the goal to be achieved. It goes without saying that all the principles of the profession should be strictly followed. This is called Strategy or Forest Policy in forestry, which, as we have already mentioned in an earlier column, is sadly missing (not counting the 2003 policy set forth by the Government). Still, the quality, naturalness and biodiversity of Croatian forests have been preserved by strict adherence to the principle of sustainability applied for two and a half centuries. This renewable natural resource makes a certain amount of profit by providing wood products, raw material for wood-technological processing and non-market forest functions. Not only is this modest financial profit used to cover investments in this economic branch, but a certain amount is also paid into the state budget. Why do we say "modest profit"? On the one hand, forest wood products do not have their market value, yet on the other, it is required that they make profit. Profit can be made if the principles of sustainable management are neglected, e.g. savings are made by postponing or even eliminating silvicultural activities from the Management Plan, increasing the annual cut and carrying out "qualitative felling" (figuratively: veneer producers advance, the others halt!). Is it possible that we have reached, or will soon reach this situation if we keep silent and not raise our voice against the current state of affair? The current state of affair primarily involves non-market evaluation of wood assortments and drastic cuts in the financial means intended for the preservation of non-market forest values. These means should, according to the law, be paid by all the users. The goals and terms of completion of silvicultural activities are prescribed by the Management Plan. In terms of wood assortments, it is necessary to identify future bearers of production in the stands. In order to obtain the best quality assortments, the bearers should be favoured through management and protection activities. For example, in the case of oak, these activities may last until a stand reaches 160 years of age, or in other words, for four generations of forestry experts. We may well ask ourselves if this is at all worthwhile if such a high quality wood product does not achieve an adequate price on the market. If wood processing companies were forced to pay a proper price, then an oak veneer log would end up under the veneer knife (cut to 0.8 mm thickness) and not in a sawmill cut into unedged boards or even worse, into planks, which a foreign wood processor would then "upgrade" into veneer.

In a matter of fact, there are still many who do not realize that such an uneconomic attitude towards forest wood assortments squanders the country's national resources. Sadly, it is the State (politics) as the major owner of this resource, that supports this attitude by favouring private capital and by falling for the incessant complaints of wood processing companies about excessive prices of wood assortments (which are cheaper by half that those on the European market and the lowest in the nearest environ-

ment). "The same old tune" was played at a recently held conference of wood processing companies in Opatija; at the same time, the competent foresters, as usual, did not say a word. There was nobody to raise any questions, such as, for example: why does the announced minimal increase in price relates only to forest products and not to other production costs when wood as the basic resource participates in the highly finalized product with about 14 to maximally 20% of the product value? Or: how come that it is profitable to produce pellets from raw material and not from the already dry biomass resulting from final wood processing? In the rest of the world, where the price of forest products is realistic, pellets are normally produced from waste biomass.

There is a term in economics known to many – "position rent". It is precisely this rent that our wood processing companies possess – to some of them, logs, conditionally said, fall straight to the depot – how come they are not more competitive than those who have high transportation costs? The production of a high quality wood product that has high additional value (which leads to higher employment) and is competitive on the world market requires knowledge, expertise, worker skills and technologically equipped producers. How much is invested in knowledge, expertise and new wood processing technologies? Or maybe, in the race for easy and short-term profit, companies invest money outside the basic activity (e.g. housing), while at the same time remaining in debt to the suppliers and requiring prolongation of payment or even write offs of debts for wood as the basic raw material. In principle, private entrepreneurs say that salaries in the real sector are lower than salaries in the public sector. According to the available data, this is true, but whether these are real salaries or only "reported" salaries so as to pay lower taxes and levies is doubtful.

The means invested in non-market forest functions help obtain FSC certification for Croatian forests. These are used exclusively by wood processing companies which sell their products by stressing that their raw material comes from certified forests. Why then do they support the reduction and even elimination of these means? Are contracts on the delivery of certain quantities of wood raw material mutually honoured, or are more raw materials required from forestry only at the time of favourable market rise, but when the conditions worsen then not even the contracted quantities are accepted?

There are many more issues to discuss, but we mentioned the few above in order to provide the authority with food for thought. There is one more vital question: are wood processing companies sawing off the branch they are sitting on? Naturally, these questions do not refer to an, unfortunately, small number of correct wood processing companies, but to the majority of those who have sauntered in wood processing waters, seeking easy profit regardless of the consequences for the forests. They look for the justification for their incompetence and ignorance everywhere else but at their own doorstep.