

# EDITORIAL

## THE PROBLEM OF FORMULATING A CONSISTENT FORESTRY AND WOOD PROCESSING POLICY IN CROATIA

In his article entitled “**Can a state holding company be efficient? If governed by the logic of profit, there will be dividends!**”, Mr Borislav Škegro illustrates his standpoint with the example of the forestry and wood processing industry business (relationship). According to him, the wood processing industry records outstanding results in the production, export and employment, but cannot satisfy the demand because it is faced with the limiting factor of the lack of raw wood material (there is not enough wood, says he). He thinks this is absurd, because “there is a surplus of wood in the forests today – up to one third of the total mass of oak, for example.” The wood processing industry would pay for these excess quantities in cash, it would employ new labour force, it would export, earn and pay increased taxes, but “it just does not work – nobody wants dividends”, says he. Evidently, a message for the new minister is to “for a start, add the additional 200 million kuna of dividends to the budget income”; by doing so, there will be “wood in excess, and dividends and taxes in abundance”.

When he expostulates on the manner of how a holding company conducts business, he says that only income from the invested capital is measured and that there are no second or third “socially sensitive, generally developmental social criteria ... a dividend becomes an important part of the tax-exempt income of the government budget ... there is no justification for preserving working places and for the social, local and political criteria”. There are also opinions of some wood processing companies which require a ban on the export of logs. They point out that we spend 200 million dollars on the import of furniture made of Croatian logs that were exported cheaply – which is a way of squandering our national wealth.

With regard to forestry, the uninformed musings of Mr Škegro, according to which one can fell as much timber as he or she needs, and not according to management plans, are complemented by similar thoughts of the president of the Employers’ Association, which concern primarily the price of raw wood: if it were lower (although currently it is the lowest in Europe), then the Croatian wood processing industry would be more competitive. The first gentleman should be informed that the capacities of the annual cut are limited and that in the spirit of the principle of sustainable management, forestry follows the principle of cutting slightly below the annual wood mass increment and not according to the demands of the over-capacitated sawmill processing. Therefore, it is out of the question that there will be wood in excess and dividends in abundance. There can be

dividends only if the Croatian wood processing industry applies itself to cutting down on the 80% of production costs, rather than constantly lamenting on the excessively high price of raw wood material, which accounts for a maximum of 16–20% in the cost structure. In addition, it should do its utmost to use the best quality raw material in the final product with the highest added value. We are sure that the wood processing industry can be forced to do the aforesaid only by market prices of wood assortments. Another step to take is to turn to cutting edge technologies and investment into knowledge on all levels. We agree that log export should be banned, because we have already pointed out in previous texts that 8 m<sup>3</sup> of exported logs equals one exported work place. However, as far as we know, apart from some soft broadleaves and products which the Croatian wood processors are not interested in, the company Hrvatske Šume Ltd does not export logs, unlike some wood processors. This means that for the sake of export, they “camouflage” a part of the quantities contracted at a non-market price into different forms of minimal sawmill products (Count, Flitch, Square and similar).

As for imported furniture, we are confident that people would rather buy a home-made piece of furniture on condition that it is cheaper but of equal quality as the imported one. Why it is not cheaper and of good quality rests on our wood processors, who have home raw material available at non-market prices and at almost no transport costs. Our articles have repeatedly pointed at squandering the national wealth when writing about forestry as a specific economic branch, but not as an economic branch viewed by Mr Škegro and some private wood processors. Obviously, in vain have we tried to explain that apart from its raw material role, the forest also has other roles, such as the ecological, social and eco-physiological roles, which are several times more valuable than the raw material role. Consequently, managing a forest is in stark contrast with the proclaimed “holding approach”. It is high time we finally formulated a consistent forestry policy (we wrote about this in *Forestry Journal* 11-12/2014), adding to this the wood processing industry, which should implement the newly-formulated strategies. By doing so we will put a stop to absurd irrational contemplations on forests, do away with non-market relationships between forestry and wood processing industry, and define an adequate status of forestry within Croatian economy.

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