

EDITORIAL

SHOULD WE BE SURPRISED BY THE HIGHER EXPORT OF TIMBER THAN FURNITURE FROM CROATIA?

At the end of May this year, *Večernji list* published an article analyzing a research by Dr. Goran Buturac from the Institute of Economics in Zagreb, titled "Croatia's choice: Timber export or furniture production?" According to the analysis, over the past 20 years timber export has doubled and is now 3.3 times higher than furniture export. Among other things, the article reveals a discouraging picture of the Croatian wood industry and its competitiveness in both domestic and foreign markets.

The Croatian Forestry Society is "tired" of repeatedly writing editorials about the (in)efficient use of state resources, without extensive analyses. For many years, these editorials have expressed the opinion of the profession and the Croatian Forestry Society regarding the non-market allocation of state-owned timber resources, using the familiar term "RAW MATERIAL ALLOCATION" – something unheard of even in the era of planned economy before 1991. Starting with the recent past, we list some of the editorials in Forestry Journal that dealt fully or partially with this issue. These can easily be accessed with a few clicks in the journal's digital archive: <https://www.sumari.hr/sumlist/rijecurednika.asp>. In chronological order: 3-4/2024 *What does Croatian Forestry Society expect from the future government?*, 7-8/2021 *Who is to blame for poor business results of wood processors?*, 1-2/2020 *Should the forest pay for everything?*, 1-2/2019 *Is the profession or the system to blame?*, 11-12/2018 *What percent of the population is aware of the forestry profession?*, 5-6/2018 *How to proceed in the future?*, 3-4/2018 *Forestry regulations and politics*, 1-2/2018 *Is the forest act binding for all forest owners?*, 11-12/2017 *The forestry profession and public relations*, 9-10/2016 *Evaluation of forests in the climate policy and the cascade use of forests*, 1-2/2016 *The problem of formulating a consistent forestry and wood processing policy in Croatia*, 9-10/2015 *Have we learnt something from history?*, 3-4/2013 *Where did politically based personnel recruitment and non-market management lead us?*, 5-6/2012 *The relationship between forestry and wood processing*, 5-6/2011 *Development strategy (strategies)*, 7-8/2010 *Do we use biomass as an energy source? If so, how do we use it?* To summarize: in the past 15 years, we have written about this same topic 16 times – on average once a year.

Now we shall quote ourselves from the editorial *The forestry profession and public relations*, published in *Forestry*

Journal no. 11-12/2017, which outlines our position on market-based forest management and efficient use of state resources:

First and foremost, we advocate the principle of market forest management in the sale of forest products, which means competing for raw wood material rather than purchasing it by contracts/allocation at prices which are much lower than those in the EU and in the surrounding countries. We have repeatedly warned that such low prices, particularly of the most valuable wood assortments, lead to squandering the national wealth and enabling some to make good profit at the primary wood processing stage. This is not conducive to the production of highly finalized products, which would provide high employment of professional workers and engineers as well as ensure the economic use of raw material. Market prices of raw material have never been a problem to proper finalists. An article in Slobodna Dalmacija commends wood processing as an important component of GDP and of growing export, with the exception of furniture. Let us ask ourselves why it is only export of furniture that is not growing. The answer is very simple: we export raw wood material at the lowest possible processing stage. Consequently, we also export work places for the benefit of foreign buyers. Add to this the FSC certification and our squandering nature is complete.

Let us also remind you of this: wood, as the base raw material in a highly finished product, accounts for about 14% to a maximum of 20% of the product's value, which means that the price of wood is not a decisive factor in production costs. And let us repeat: by comparing the selling prices of key timber assortments in the neighbouring markets (Austria, Italy, Hungary, Bosnia and Herzegovina, and Serbia) with those at which Croatian Forests Ltd. sells timber assortments to domestic processors, we arrive at an annual figure of about HRK 500 million (EUR 66 million), which is the amount by which the state is already subsidizing the wood processing industry. Despite that, most of the media coverage over an extended period has been focused on the PRICE of timber assortments and the way they are ALLOCATED.

After all mentioned above, we should not be surprised by the higher export of timber than furniture from Croatia.

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