

MONTENEGRO MARKET STATEMENT

Las2017

1. General economic trends affecting the forests and forest industries sector

Montenegro, as the smallest country from the countries of the former Yugoslavia, has the least impact on subregional and regional economic trends, and on the other hand is very sensitive to the situation on the regional markets of wood. During 2016 and 2017, as in other SEE countries, there was an increase in supply and demand for wood and wood products. The demand for wood from neighboring countries, primarily by Albania, has a long-term impact on the forestry sector and the wood processing industry in Montenegro. Impacts have a positive and negative side. It is positive that these sectors have no problems selling their products, which, with the recorded increase in the sale of wood in the countries of the Middle East (primarily Egypt) has led to a certain increase in prices of wood products. The negative impact lies in the fact that the banning of timber felling in Albania in 2015 significantly increased demand for wood raw material, whose outflow has partly compromised the supply of domestic wood industry and population by fuel wood.

2. Policy measures taken in 2016 and 2017

Due to the significant outflow of wood raw materials during 2016, measures have been taken to establish fees for issuing certificate for the export of timber raw materials. Given that the measures only gave partial results, in May 2017 the Government made a decision on the temporary banning of exports of timber assortments of tariff codes 4401 and 4403 (fuel wood and timber assortments for industrial production). The decision is valid for two years, and is primarily a response to the ban on commercial logging in Albania.

The fact is that Slovenia, the only state in the former Yugoslavia with Montenegro that developed a concession system for forest utilization, stopped this concept in 2016 and established a State Forest Management Company. This fact, as well as the displeasure of the Montenegrin Government with realized revenues from the concession fees, followed by insufficient development of the domestic wood industry, became decisive factors for the reform of the forestry sector in Montenegro to start in the direction of changing the concession system. The key challenge is to create a market for timber assortments, instead of selling standing wood (on the stamp), as the main form of selling wood from state forests.

The process of preparation of studies and analyzes necessary for decision-making by the Government on the establishment of a new organization and management of forests has been initiated.

It is important to point out that Montenegro has launched several facilities for the production of pellets (3 pellets of total capacities at an annual level of 170,000 tonnes) from the private sector in recent years (2015, 2016, 2017). Due to incentives in the form of interest-free loans for installing pellet stoves in

public buildings and households, the consumption of pellets has increased a lot. However, the biggest share of pellet production continues to be exported.

A further trend of growth of pellet consumers in Montenegro is expected, which is positive from the aspect of strengthening the sustainability of forest management, since in the previous period there were no silviculture and sanitary measures in the forests, because there was no demand for low quality wood.

3. Market drivers

The limitation of exports of timber raw materials led to the stabilization of the domestic market, which means a higher amount of industrial wood for wood processors in Montenegro. Intensified construction activities during 2016 and 2017 (construction of highways, residential construction), as well as the establishment of several plants for the production of pellets, led to higher demand for wood. These factors will continue to influence the growth of demand for wood in Montenegro in the coming years.

4. Developments in forest products market sectors

a) Increase in the production of wood assortments was recorded (9% in relation to the same period in 2016); Wood chips production grew up rapidly (41%) in the same period.

b) There are not yet government policies to promote wood energy production.

c) There are still no certified areas under the forests in Montenegro. There is a public invitation to submit offers for the first certification activity.

d) The main product of the domestic wood industry is sawnwood. The main markets where the boards and beams are sold are yet countries in the region (Albania, Serbia, Kosovo and Macedonia). Beech elements are increasingly selling to the Middle East (mainly Egypt). There are two major investments that can be in the function of value-added products development: one in the production of wooden panels and the other in the production of laminated wood. The factory of laminated elements has begun production, while it is expected to start production in the factory of wooden boards.