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REVIEW OF ACTIVITIES SINCE THE FIFTY-FOURTH SESSION AND PROGRAMME OF WORK FOR 1998 TO 2002

BALTIC COUNTRIES FOREST AND FOREST INDUSTRIES: STUDY TOUR REPORT

(Item 6 of the Provisional Agenda)

Note by the secretariat

This note presents a résumé of the Timber Committee Baltic Countries Forest and Forest Industries Study Tour in May 1997.

The Committee is invited to:

1. Thank the three host countries for the exceptional arrangements and warm hospitality displayed throughout the tour;

2. Comment on any aspects of the tour or raise questions;

3. Consider the suggested venue for a tour in 1998 (pending invitation for Karelia);

4. Solicit hosts for future study tours.

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Introduction

1. The Timber Committee study tour to Estonia, Latvia and Lithuania was held 4-9 May 1997. Thirty participants, representing 10 countries from across the ECE region, had an opportunity to witness the state of the forest resources in each country and a sampling of their forest industries, both traditional, state-owned industries, and new private enterprises. In the years since their independence in 1991, each of the three countries has made great strides in forest and forest industries sector during the transition process.

2. While together they are called the "Baltic Countries," participants learned to appreciate the differences between the them. Not only do they have different languages and cultures, but they have varying levels of dependence on their forest resources as measured by their consumption of forest products.

3. All three countries are rich in forest resources of Scots pine, spruce, birch and other species, such as aspen, alder, ash and oak (45% of Estonia, 42% of Latvia and 30% of Lithuania are forested). Still the participants were impressed by these countries' rapid increases in forest products exports, especially of sawn softwood and logs and pulpwood (see graph).

4. Situated on a healthy domestic resource, these countries are strategically located between the important CIS resources, from which imports are growing, and their ports on the Baltic Sea, from which exports are growing. Constant political change within these countries and in neighbouring countries is normal during the transition process; one recent development, the elimination of Russian roundwood export tariffs, has allowed wood to flow into the Baltics, compensating for domestic wood which is still encumbered by the transition process. Not only did the tour see imports of equivalent species of softwoods, but some sawmills were importing beech and oak logs from Belarus, Ukraine and the Kaliningrad Region of Russia.

5. One result of the transition process has been considerable privatization of the industries, especially those companies which were in good financial and mechanical condition. For companies which are saddled with old equipment, some have been closed, while others are still operational, sometimes through government assistance, because of the need to provide local employment. Progress in the restitution process for forest land has varied between the countries, sometimes contingent on availability of records, many of which were lost during occupation and collectivization. Restitution of forest land has advanced faster where there was less land to return to original owners, like in Lithuania.

6. Also impressive is the development of statistical information about the FFI sector in these countries. Current and precise information was given about some segments of the FFI, but naturally during the transition process there are some difficulties in accurately assessing all segments. Statistical systems are being established to account for the rapid privatization and the shift from traditional eastward bound exports to the USSR to westward bound exports to Europe and further destinations. Forest products exports of roundwood and sawnwood rank among the highest value of all commodities, in fact in 1995, Latvia's wood and wood products exports made up over 20% of total exports by value.

7. Exports are mainly roundwood and sawnwood but the countries are quickly adding exports of value-added products like furniture, prefabricated wooden buildings and building components.

8. Each government is developing policies to more fully utilize the commercial potential of the forests. Legislation has been established to encourage joint ventures and to facilitate the flow of raw material from the forests to the mills and the ports. Still the costs for raw materials and energy have increased rapidly, often with negative consequences for the forest and forest industries sector. Simultaneously, areas of forests are being set aside for nature conservation, parks and recreation.

9. The following is a short summary of distinctive features observed in each country.

Estonia

10. The tour formally began with presentations on Estonian forest resources and forest industries at the Estonian National Board of Forestry (NBF) in Tallinn. The NBF controls approximately 1 million hectares (ha), with the rest, approximately 1.5 million ha being in private or other control. Currently Estonia has approximately 1 million ha of agricultural land, but since only about 0.8 million ha are necessary with improved yields, some 200,000 ha are being

converted to forests. Conversion of wetlands to forests through draining has been discontinued in favour of protecting biodiversity.

11. In contrast with its Nordic neighbours, Estonia does not allow free passage on private forest land. Hunting is restricted through licensing and hunting territories are regulated.

12. Estonia does not have any systems of certification of sustainable forest management (SFM) in place at this time. The net annual increment is 10 million m^3 per year, but the harvest is only 8 million m^3 per year. The NBF expects higher annual harvests as the restitution process is achieved.

13. In order to determine national forest policy, Estonia has been receiving assistance from abroad to define general objectives and actions necessary for efficient SFM through a multi-party process. To facilitate forest products production, forest owners associations or cooperatives have been formed, and an extension service has been established.

14. According to the marketing manager from the Centre of Forestry, all state enterprises have been privatized. Market channels for export of roundwood are in place and in 1996 Estonia exported some 50% of their roundwood harvest of 1.9 million m^3. Nordic markets are the main targets for pulpwood exports.

15. But concentration is on further-processed industries, for example the exports of sawnwood rose from 160,000 m^3 in 1993 to 500,000 m^3 in 1996. By value the sawnwood exports are equivalent to the roundwood exports. Panel exports, especially fibreboard increased significantly in 1996. To meet the raw material needs of the paper mills, pulp is imported and to meet the sawmill and panel mill needs, roundwood imports increased by 150% in 1996.

16. The first industry stop in Estonia was to a sawmill that became a joint-venture after it was successfully started with only Estonian investments. Then in recent years a 20% share was sold to the Finnish Enso corporation. The sawmill which began producing 80 million m^3 per year has grown to 200 million m^3 and employs 65 workers. Running on 60% spruce and 40% pine, the logs which come from both large forests and small farm woodlots, range in size down to an incredible 7 to 8 centimetre small-end diameter. Of its sawnwood production, 80% is exported to the Netherlands, Germany, France, Spain and Denmark.

17. Study participants received a cultural and history lesson at the C. R. Jakobson Farm Museum. Jakobson was an early sawmiller, farmer, politician and philosopher who left an impressive legacy which has served generations of sawmillers and farmers alike.

Latvia

18. The first stop in Latvia was at the Ligatne Paper Mill. The paper mill is still a state-owned company and because of its rather antiquated paper machines it probably will remain so. The mill makes low-grade paper from mostly recycled paper and pulp. Nevertheless this was an extremely educational stop because it showed the dilemma faced by these countries as they proceed through the transition process. In this particular case, although the mill needed some state financial assistance to run, it was deemed better than laying off all the workers in this rural village and then paying them welfare benefits.

19. Located next to the mill was the Gauja National Park which was founded in 1973. From its high observation tower the participants could see the rolling forests of both hardwood and softwood species and its lakes. The park also had a zoo and examples of Latvian fauna. There is limited cutting in the park which receives some 70,000 visitors per year.

20. Birch plywood is made from 250 million tons per year of logs at Latvijas Finieris company's Lignums plywood plant near Riga. The company employs 800 people and operates 3 shifts per day for 5 days per week. About 90% of production is exported, mainly to Germany, the United Kingdom and the Netherlands. Latvijas Finieris produces in this and other plants, 110 million m^3 of particle board, 20 million m^3 of fibreboard and 90 million m^3 of plywood.

21. The goal after restitution is to achieve a 50/50 balance of private-owned land to public-owned forest land. Currently the average size of a private holding is 5 ha.

22. There has been a tremendous change in scale of operations, for example prior to 1991 there were 10 sawmill companies, but now there are some 2000 companies using smaller Latvian-made saws. Prior to 1991 there were large furniture factories, but the industry has collapsed and small niche producers are being established.

23. Forestry and forest technician education has been established with the ability to specialize in woodworking, wood engineering and forest management. These curriculums as well as a forestry extension service have been established with the assistance of at least Sweden, Finland and the Netherlands.

24. In Latvia the tour went to the Saldus Regional Forestry District where harvesting for pulpwood was conducted by the Silva company which also would later display their shipping facilities at the Liepaja Port. At the port Silva had tremendous stocks of pulp logs as the market was slow at that period. They provided log measurement, handling and loading services and exported pulp logs, saw logs and wood chips.

25. The Liepaja Port had another less prosperous side which was an abandoned military base consisting of port facilities, soldier barracks, warehouses and other buildings. The city intends to convert it into a free-trade zone through various tax and other incentives.

Lithuania

26. En route to Vilnius the tour went to Klaipedos Mediena AB, a manufacturer of plywood and moulded plywood products like furniture. The company, which has been operating almost 100 years, was destroyed in WWII but was rebuilt after the war to produce plywood and blockboard and later particle board and moulded products. After privatization in 1992 it acquired new machinery to produce a fine face particle board. The company exports 70 million m^3 annually. The company is Lithuania's sole plywood producer and it will produce plywood valued at about US$25 million in 1997. The company is focusing on increased value-added products such as furniture components.

27. The tour also visited the Pojurio Mediena AB sawmill which was a Canadian-Lithuanian joint venture producing 2000 m^3 per month of kiln-dried sawn softwood on Russian-made frame saws from 60% domestic logs and 40% imported Russian logs.

28. The next stop was to Taurage Forest Enterprises to watch strip clearcut thinning operations by mechanical harvesters and forwarders as well as precommercial chainsaw thinning.

29. The last day of the tour included a visit to the Libra wood processing industries, a cooperative organized with separate, independent profit centres. The operations begin with the Dominga sawmill which was obtaining sawlogs from domestic sources as well as Belarus, Ukraine and the Kaliningrad Region of Russia. It branched out to a variety of smaller companies manufacturing value-added products like hardwood strips, edge-glued panels, fingerjointed table tops, stair parts and other products. This was truly an entrepreneurial-spirited company with small enterprises often centred around one primary piece of equipment. The company had a retail shop in Vilnius and was conducting export marketing through a trade association as well as directly and by agents.

Survey of participants

30. At the end of the tour an informal survey was distributed to the participants, the results of which are attached in order that they might be preserved and considered in preparation of the next tour.

31. At the 1995 Timber Committee Session, informal questionnaires were distributed concerning interest in participating in a 1997 Baltic Country study tour. There were about 15 questionnaires returned to the secretariat. All of the 11 countries which returned the questionnaire responded favourably and of those countries, only 4 were not represented eventually on the tour. This procedure was helpful to the organisers and the secretariat and will be repeated this year.

Next tour

32. From the responses to the survey, the secretariat has made initial inquiries about the possibility of a study tour in 1998 to Karelia, both the Finnish side and the Russian side. Results of discussions with potential hosts and with the Committee Bureau will be presented at the session. Of course delegations will be notified when any firm plans have been made through two means of communication: by post and an announcement will be placed on the Timber Committee website (http://www.unece.org/trade/timber).

33. All delegations, with the exception of those recently hosting a tour, are requested to consider the possibility of hosting a study tour in 1999. If possible in advance of the session, potential hosts are requested to contact the secretariat and then to make an announcement of intent at the 1997 session.

STUDY TOUR QUESTIONNAIRE - SUMMARY

(23 responses from tour participants)

Did you like?	**Very much**	**O.K.**	**No**
Broad selection of companies	12	10	1
Description of each country	13	9	1
Forest visits	19	4	
Discussions with other participants	18	5	
Cultural/social occasions	11	12	

Other, please list	*Responses*
Hospitality	2
Well organized	1
Good accommodation	1
Site-seeing historical	2

Where should we go next?	*Responses*
Russian Federation	12
Ireland	10

Others? Norway(2);Indonesia(1);Malaysia(1);NorthAmerica(1);Canada(2);Scandinavia(2);Germany(2); Poland (1);United Kingdom/Scotland (1);Sweden(1);Finland/Czech Republic/Slovenia (2), Hungary (1)

Was the 5-day tour *Responses*

Too short? - Too long? -

About right? 23

What should be changed next time?	*Responses*
Nothing (all O.K.)	4
Daily evening debriefing	2
Better hotel even if it means more cost	1
Add other wood-fibre uses	1
Less bus time (especially in morning)	3
More time at companies	1
More companies	1
Name badges	2
Order visits from forests to products	1
See more forest types	1
Omit national parks	1
Better economic sector overview	2
Less details	1
Free time at mid-trip	2
Less food	3
Food choice	1
Deliver background material, including list of participants, before tour	3
Days too long	3
Single theme	1
Plane charter	1