

Third Joint Conference on Forestry

The BiH Wood Processing and Forestry Cluster, supported by USAID CCA and in cooperation with the BiH Foreign Trade Chamber, the World Bank, and the RS and FBiH Ministries of Agriculture, Forestry and Water Management organized the Third Joint Conference on Forestry in BiH, on November 8 and 9, 2007 in Sarajevo. A large number of local and international officials and forestry experts attended the conference. Mr. Gregg Wiitala, Director of BiH USAID ERO Department opened the conference. The conference included presentations on:

- Progress and activities on implementation of the entity Action Plans combating illegal activities in forestry
- The Benchmarking Project for development of best practices in forestry
- Activities and plans for forest certification and Chain of Custody (CoC)
- Timber sale methods
- State forestry inventory in BiH – pilot project results and follow-up activities for phase II
- World Bank Forest Development and Conservation Project

The Conference featured an exceptionally attention-grabbing workshop and presentation from the United State Forest Service representatives, who demonstrated contemporary methods of forest management in USA, highlighting the methods and practice for timber contracting, training and certification of sale administration personnel, Chain of Custody, and implementation and improvement of forestry-related laws. The participants expressed interest in further cooperation with USFS through education, exchange of experiences and training for employees.



Participants of the Third Joint Forestry Conference

The main precondition for establishing sustainable and responsible forest management, as repeatedly stated by various conference participants, is to adopt a long-term integrated forestry and wood processing development strategy, which would be harmonized at the BiH level. This is the only way to avoid misunderstandings between foresters and wood processors, as well as among wood processors at different processing levels. Only in this way, this valuable resource will be put in its generally accepted optimal function for social and economic development in BiH.

The Conference, traditionally held every year in autumn, was an ideal opportunity to verify the results achieved in the past period and to offer incentives for future activities on reform implementation.

All presentations are available at www.usaidcca.ba.

Wood Cluster Business Results Survey

This summer USAID CCA conducted a survey of cluster companies to collect data on their reported sales, exports, and employment. A short questionnaire was distributed to 127 cluster companies, and 35 companies (21 small, 10 medium and 4 large) responded with completed questionnaires. The survey results indicate strong growth in overall sales, exports, employment, and productivity growth. Focusing on the 31 SMEs in the sample group, the results are even more impressive. Over the past three years, SME exports have grown 140% and SME sales have grown 70%. SME employment has expanded 45%, accounting for ¾ of the cluster sample's total employment gain.

Highlights of the survey results are presented in the tables.

The entire USAID-supported wood cluster probably accounts for well over half of BiH's value-added wood products exports. These remarkable results demonstrate the successful application of the cluster model to business development in the BiH wood sector.

The entire report can be found at www.usaidcca.ba.

Growth Rates	2005	2006	2007 proj
All Companies (total 35)			
Sales	4.0%	22.3%	8.2%
Exports	5.2%	33.5%	28.4%
Employment	2.1%	4.8%	9.6%
SMEs (total 31)			
Sales	11.2%	39.1%	28.4%
Exports	5.5%	63.5%	39.1%
Employment	4.3%	13.3%	23.0%

Shares	2004	2005	2006	2007 proj
SMEs' / All Companies				
Sales	28.0%	29.9%	34.0%	40.4%
Exports	51.4%	51.6%	63.1%	68.4%
Employment	26.3%	26.9%	29.1%	32.6%
Exports / Sales				
All Companies	32.3%	32.7%	35.7%	42.4%
SMEs	59.4%	56.3%	66.2%	71.7%

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Presenting a Cluster Member: KESTEN, Vitez

KESTEN d.o.o from Vitez is co-owned by four brothers Kesten. The furniture distribution firm was established in 1996 in partnership with the Oriolik Company from Croatia. In mid 2004 KESTEN developed its own production capacities, and since then has produced approximately 70 models of furniture including upholstered sofas, armchairs, and beds. In 2006, the Company developed a new line for the manufacture of composite furniture, producing approximately 50 different kitchen elements in the first year of the program. The company owns 15.000 m2 of manufacturing and storage space and employs one hundred workers. All products are subject to quality control of material and design at the Quality Testing Laboratory in Slavonski Brod, Croatia. KESTEN Furniture's business strategy is to position the company as a prominent furniture manufacturer in the high-quality domestic and international furniture market, offering a diversified line to meet broad market demands. KESTEN's success can be seen in its 30% growth in exports and its expanding production. The KESTEN Management Team plans to manufacture furniture from black pine in the factory it recently purchased from VARDA Višegrad, and in 2008 expects to start manufacturing the much sought-after beech solid wood furniture.



Product of KESTEN-kitchen Marcipan

Benchmarking Project: Internal Benchmarkers Certification

The Forestry Faculty of the University of Sarajevo (FFS) organized a two-day seminar on September 27-28, 2007 for four cantonal forest management companies (FMC) that have been actively involved in the USAID CCA-supported "Benchmarking Project" to advance best forest management practices. With the completion of this interactive seminar, participants are now certified as FMC "Internal Benchmarkers", qualifying them to conduct internal reviews in forest management companies. They received clear guidelines on procedures for collection of basic data on FMC, as well as data related to 105 "Key Performance Indicators" (KPIs) contained in the analytical benchmarking framework.

After having successfully completed the seminar, the attendees were presented with certificates awarded by the FFS. The next activities in the overall Benchmarking Project, after already completed internal benchmarking analysis in the FMCs, include (i) analysis and presentation of the results, and (ii) drafting of the final report containing recommendations for improvement for each FMC. The Benchmarking Project is expected to be finalized by January 2008.

	BiH Wood Products Exports			Year to Date	
	2004	2005	2006	Sep-06	Sep-07
<i>KM Millions</i>					
Primary Wood Products	390	338	414	294	367
Value-added Products	174	189	248	179	223
Furniture	150	160	203	147	185
Joinery	24	29	45	32	38
Total Exports	564	527	662	473	590
Value-added / Total exports	26.6%	35.9%	37.5%	37.8%	37.8%
<i>Growth Rates</i>					
Primary Wood Products		-13.2%	22.3%		24.8%
Value-added Products		8.5%	31.1%		24.7%
Furniture		6.5%	26.8%		26.1%
Joinery		20.8%	54.2%		18.2%
Total Exports		-6.5%	25.4%		24.7%

Source: BiH Agency for Statistics, BiH Foreign Trade Chamber, USAID CCA Analysis

Jane Nandy Visited LASER

USAID Mission Director Jane Nandy, as a part of her visit to Una Sana Canton, visited LASER in Bihać on August 10, 2007. LASER is a renowned manufacturer of composite furniture and distinguished member of the Regional Cluster. Mr. Džemaludin Harčević, the company's owner and director, introduced its modern technology for composite furniture production for kitchens and bathrooms, the distinguishing feature of this company for both domestic and international markets.

SERDA Initiated Establishing Regional Cluster

Following the positive experiences of BiH Wood Processing and Forestry Cluster, the SERDA Agency initiated establishing a new regional cluster in Sarajevo Canton, where there are a large number of wood processors and furniture manufacturers. The initiative is part of the agency's 2008 plan, and all interested parties are invited to participate in future cluster activities.



BiH Forest abundance

3rd "2007 Forestry Competition"

The Forest Management Unit from Bosanski Petrovac, as a part of the FMC Una Sana Šume, organized the 3rd gathering of forest workers on September 7-8, 2007 with close to 300 participants. The FMC Una Sana Šume, as a part of the event, organized a meeting of the FBIH Forest Management Companies' Council of Directors to discuss the current situation in the forestry sector, as well as the methods of timber sale.

BiH Timber Market Overview

According to official data given in the prewar 1986-2000 BiH long-term forestry development program, forestlands cover 53% of the total territory of BiH, or about 2.7 million hectares. Twenty percent of this area is private forest; however, these are fragmented areas delivering small quantities of logs to sawmills.

The prewar BiH wood processing industry was organized into a few large combinat systems. Following the war, the big state-owned companies faced major difficulties and some closed. Meanwhile, close to 2000 private sawmills appeared, and only a few new manufacturing units for value-added production. A large number of these sawmills operated illegally, without being licensed. Today there are 1006 legal sawmills in BiH and number of non-licensed ones is rapidly decreasing.

The majority of production and exports are still primary products, mainly cut lumber (see table). However, value-added production is on a rising trend, from 27% of total exports in 2004 to 38% so far in 2007. Overall exports are rising strongly, but are still well below prewar levels.

Wood processors' requirements are estimated at 3.1 million cu. mt. of logs, which is 30% higher than the current annual allowable cut. Except for special woods needed by some value-added manufacturers, the discrepancy between supply and demand should not be covered by imports. An optimal strategy – which needs to be developed for the entire industry – would include re-orientating sawmills to semi-final and value-added production, encouraging sale of lumber to BiH value-added producers instead of exporting it, and sustainably increasing the annual allowable cut.

Exhibiting and Visiting Fairs

EkoBis 2007

The fifth International Ecological Fair "EkoBis 2007" was held in Bihać over 6-9 September 2007. Close to 200 exhibitors from nine countries of South East Europe presented their eco-products. The fair, also known as the "Healthy Life Festival", was opened by the Chairman of the BiH Presidency, Željko Komšić, as well as officials from the FBiH government, Una Sana Canton, and Municipality Bihać. USAID BiH Mission Director Jane Nandy also spoke at the opening, highlighting USAID's support for the fair over the past several years.

USAID CCA partnered with the USK Chamber of Commerce to support a USK Wood Processing & Forestry Cluster presentation at the fair. Eleven Cluster members jointly exhibited on 331 sq. mt. indoors and 180 sq. mt. outdoors. LASER, a Cluster member, received a special award for the best exhibition stand at the fair. The fair featured many events, promotions, round tables and conventions and BiH Wood Processing and Forestry members actively participated in those.

Ambienta 2007

Ambienta, the 34th International Furniture, Interior Decoration and the Supporting Industry Fair was held in Zagreb, Croatia over October 16 - 21, 2007. For the third time, USAID CCA supported the joint presentation of BiH Wood Processing and Forestry Cluster members. This year, the fair hosted 718 exhibitors from 38 countries. There were 29 companies from BiH, 23 of which were the members of the BiH Wood Processing and Forestry Cluster. The joint exhibition of the BiH companies on 1,000 sq. mt. was organized by the Cantonal Chamber of Commerce Tuzla.

Ambienta also featured a "BiH Wood Processing Sector" day. The BiH Ambassador to Croatia, Aleksandar Dragičević attended the event, as well as representatives of the Ministry of Foreign Affairs, Tuzla Canton Government, Foreign Trade Chamber, GTZ and USAID CCA. Speakers noted that the wood sector plays a major role in BiH economic development, currently representing 13% of total BiH export, with a growing share.

Four companies from BiH were awarded, three of which being cluster members: SINKRO from Sarajevo for successful presentation of dining room chairs, JANJ from Donji Vakuf for manufacturing veneer door-jamb and doors, and the Tuzla Canton Chamber of Commerce for the high-quality exhibiting.

SASO 2007

For the first time this year USAID CCA supported BiH Wood Processing and Forestry Cluster members' participation at the SASO Fair, held over October 24-28, 2007 in Split, Croatia. The fair gathered 2000 exhibitors and 55000 visitors. It was composed of several specialized fairs, including a Construction and Wood Industry Fair attended by the BiH wood cluster. The Mostar and Tuzla Chambers of Trade, in cooperation with the FBiH Ministry of Entrepreneurship and Crafts, arranged with six cluster members, predominantly joinery manufacturers, to participate in the fair. Exhibition and business contacts made during the fair will provide our companies with opportunities to participate in the new investment cycle for hotels and tourist accommodations in Croatia.

Belgrade Furniture Fair

A delegation of fifteen cluster representatives visited the furniture fair in Belgrade, Serbia over November 13-14, 2007. The Belgrade fair featured more than 600 companies from twenty countries, enabling cluster members to get insights into the latest trends in production, furniture design and marketing, raw materials, machines and tools used in wood processing and supporting industries, as well as to establish business contacts.

Project supporting Export of CBH Cluster Companies Ends

The REZ Agency in Zenica, with financial support from USAID CCA, implemented a project over May-September 2007 to support CBH Cluster Companies in export promotion. The project consisted of several segments: survey of cluster members export potential, support in designing and developing web sites for selected companies, assistance in designing and printing products catalogues, and establishing contacts with potential partners.

Following the survey, 10 companies were selected who were considered to have the greatest export potential. The selected companies were assisted in web design and catalogue development. The web sites are bilingual, as are maps and catalogues. Along with the printed materials, the companies received digital versions to be used for their promotion at trade fairs and in direct contacts with potential business partners. The companies also received pamphlets with their export profiles that were sent to the addresses of potential business partners, embassies, Euro Info Centers, and trade agencies.

This project was preceded by a similar project designed to support export-related activities of 13 companies. Consequently, total of 23 companies received assistance through REZ activities.

Reports on the subject can be found at www.usaidcca.ba.



J. Nandy at the opening of the Fair EkoBis 07



Ambassador Dragičević at the opening of "BiH Wood Processing Sector" day at Ambienta 07

DI Sanica Opened New Production Program

DI Sanica opened a new production facility for manufacturing value-added wood products on September 10, 2007 and intends to employ twenty new workers. The USK Prime Minister Šemsudin Dedić and other USK and Ključ municipality officials and many other business partners and guests attended the opening. DI Sanica was privatized in 2002 and since its takeover until today, the Swiss Company Enderley Global Holding SA from Geneva has directly invested close to € 12.0 million. The value of the new plant is € 1.8 million.

Wood Cluster Association To Be Established

Representatives of wood processing and forestry companies and USAID CCA Project partners met in Sarajevo on October 30, 2007 to discuss the establishment of an Association of Wood Processing and Forestry Clusters. Twelve wood processing and forestry companies' representatives and three representatives from development agencies and the USK Chamber of Commerce endorsed the idea, rationale and objectives for establishment of the Association. The Association would continue current cluster activities and conduct additional ones. Legal documents and registration papers are being prepared in advance of a formal founders meeting planned for January 2008.

USK Wood Processing and Forestry Cluster

CE Marking training, covering the CE marking concept for exporting to the EU, and the procedure for obtaining the mark, was the focal point at the Marketing Working Group meeting held on August 7, 2007 in Bihać. Participants were informed on the expansion of support being provided to cluster members from the USK QMS Fund to co-finance CE Marking. WG participants also agreed on their joint presentation at the 2007 EkoBis Fair and the Saso 2007 Fair in Split. Furthermore, they were presented with the details of web portal and homepage development project for BiH wood processors.

Improving the criteria for distribution of logs and further development of a standard sale contract were activities pursued by the Raw Material Supply WG that met on September 26, 2007. Participants were given the details on the volumes already supplied in this year and the projections until the end of the year and they agreed on the activities for raw materials contracting for 2008.

Quality and Innovation Day of the BiH North West Region, aiming to mark the World Quality Day on November 22, 2007, was organized for SMEs by the USK Chamber of Commerce, in cooperation with the EU TAC project. Participants used this opportunity to visit Smrča Company from B. Krupa, a USK Wood Processing and Forestry Cluster member.



Participants of Quality and Innovation Day Meeting

CBH Wood Processing and Forestry Cluster

The Raw Material Supply Working Group held a series of meetings with forestry officials in Zenica, Vitez and Travnik between May and November 2007. The objective of the meetings was to determine the most advantageous and transparent criteria for raw material distribution and to discuss timber sales contracting methods. The proposed criteria have already been submitted to the competent institutions in Middle Bosnia Canton, and the criteria for Zenica-Doboj Canton will be completed soon.

A seminar on CE Marking for certain wood products was held on September 26, 2007 for CBH Regional Cluster members. The importance of certifying was demonstrated, especially for companies that are already exporting their products and companies that are planning to start expanding their marketing to the EU. This seminar represents a continuation of the certification activities, which was initiated by issuing the Technical Guide for CE Marking, and it stirred a great interest of all present members.

Expanded BiH Wood Industry Fair and Conference

Furniture fairs, interior design, wood processing, machine and tools, and supporting industries, that have been organized in BiH so far, have not satisfactorily presented the potential of the wood processing industry. The BiH Foreign Trade Chamber's Wood Industry Group has initiated organization of an improved, high-profile international fair for forestry, wood, furniture and supporting industries, aiming to strongly support sector development and exports. The first fair is to be held in the spring 2008 in the Skenderija Center, Sarajevo, under the name INTERIO 08. USAID CCA and the WP&F cluster will actively participate in this effort, supporting expansion of the fair agenda to include a second annual BiH wood sector conference, including business-to-business events, jobs fair, and a design competition.

USAID Cluster Competitiveness Activity

"LIST" is the Newsletter of the B&H Wood Processing and Forestry Cluster. Its production is supported by USAID Cluster Competitiveness Activity (CCA).

CCA is a four-year program to support economic growth in B&H in the two strategic sectors: wood processing & forestry, and tourism. CCA functions as the cluster's secretariat and provides support to and co-finances joint activities that improve competitiveness of cluster members both in local and export markets. This is a quarterly newsletter produced by an Editorial Board which consists of five members from the two regional B&H clusters. Operational tasks on publishing this newsletter are carried out by the Wood Processing and Forestry Team of CCA. Contributions to "LIST" to be sent to: Hamdije Kreševljakovića 19/V, Sarajevo, fax: +387 (0)33 202 972 or Kralja Petra I Karađorđevića 109, Banja Luka, fax +387 (0)51 218 390. Contact telephone in Sarajevo: +387 (0)33 205 590 or Banja Luka: + 387 (0)51 218 814.

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