

## CBI MARKET SURVEY

## THE TIMBER AND TIMBER PRODUCTS MARKET IN SLOVENIA

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**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the timber and timber products market in Slovenia. The information is complementary to the information provided in the CBI market survey 'The timber and timber products market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

**1 Market description: industrial demand and production**

In this survey, we will mainly focus on Forest Stewardship Council (FSC) certified timber and timber products. It should be noted that detailed statistical data on the certified timber market are scarce and that reliable figures are hard to obtain. Please be aware that data discussed throughout the report does not differentiate between FSC-certified and non-certified timber. However, when information is available on certified timber and timber products, this is specifically mentioned. The International Tropical Timber Organization's (ITTO)<sup>1</sup> is normally the most relevant source when discussing the EU market for timber as the organization is, on a global scale, the most detailed and reliable in its data recording. However, ITTO only records data of the EU15<sup>2</sup>, in stead of the EU27. Unfortunately, Slovenian Industry Associations do not record data either. Furthermore, ForesSTAT and UNECE do not cover Slovenian industrial demand for timber. The latest figure known dates back to 2000, when apparent consumption of round wood was estimated at 550 thousand m<sup>3</sup>. (<http://www.forest.joensuu.fi/silva/Main/DOCUMENTS/files/PDF/Slovenia%20Update.pdf>).

**Production**

The European Commission on Forest-Based Industries (F-BI) recognises the following sectors of forest-based industries: forestry, woodworking, pulp and paper manufacturing and related activities (paper and board converting, printing).

**Forestry**

- Slovenia is one of the most densely forested countries in Europe. Forests cover 58% of the surface area and dominate as much as three-quarters of the landscape. Total forest area amounted to 1.3 million hectares. Most of Slovenia's forest species are beech (44%), beech-fir (15%) and beech-oak (11%), all of which have a relatively strong productive capacity (<http://www.mkgp.gov.si>).
- In Slovenia, 72% of the forests are private-owned and 26% is state-owned (<http://www.mkgp.gov.si>).
- In the 2000-2005 period, output of the forestry industry kept increasing. In 2005 it increased by 7.9% compared to 2004. The main reason for this high output was the higher production of raw wood categories and the higher value of forestry services ([http://www.stat.si/eng/novica\\_prikazi.aspx?id=431](http://www.stat.si/eng/novica_prikazi.aspx?id=431)).
- In May 2006, the Slovenian national forest certification system was submitted to the Programme Endorsement of Forest Certification Schemes (PEFC).

<sup>1</sup> For information on ITTO and the main producing and consuming countries, refer to the CBI Market survey covering the EU market for timber and timber products.

<sup>2</sup> EU15 refers to the 15 countries in the European Union before the expansion on 1 May 2004. EU25 refers to the composition of the EU as it was until January 2007 (without Bulgaria and Romania).

### Wood-working industries

- Wood processing is one of the traditional production and export activities of the Slovenian industry. The Slovenian wood processing branch is ranked as one of the most important sectors in the framework of the processing industry.
- In the first half of 2004, investments in the wood industry increased by 20.5% while in the furniture industry investments decreased by 8.2% (<http://www.trademeeting.com/>).
- The wood-working industry in Slovenia is showing signs of mechanization and economies of scale, as output is increasing while the number of employees is decreasing. In 2004, the number of employees in the wood industry decreased by 5.2% and in the furniture industry by 4.9% (<http://www.trademeeting.com/>).
- Slovenia is a net exporter of timber and timber products. However, the export growth of the forest-based industry sector lagged behind the average of Slovenia exports. Woodcutting, shaving and impregnation dominate the wood-working industry's export. These activities are low-value added products.
- EU-known Slovenian trademarks are Javor, Alples, SVEA, Meblo, Lipa, Brest, Marles, Inles, Novoles, LIP Bled, Jelovica.

### Product groups

- As shown in Table 1.1, between 2001 and 2005, Slovenia increased its production of fibreboard, on average by 38% annually. Production of particle board and plywood decreased by 20% and 9% respectively.
- Slovenia is responsible for 3% of total production of veneer sheets in the EU. Its importance as a veneer producer will most likely remain, as production of veneer sheets increased on average by 14%. annually in the reviewed period.

**Table 1.1 Production of selected timber and timber products in Slovenia, 2001-2005, in 1,000 m<sup>3</sup>**

	2001	2003	2005	Annual change	Share in EU27 production (2005)
Round wood	2,257	2,591	2,733	5%	1%
Sawn wood	460	511	461	0%	0%
Wood based panels	480	472	410	-4%	1%
Fiberboard	51	156	187	38%	1%
Particle board	364	240	150	-20%	0%
Plywood	37	24	25	-9%	1%
Veneer sheets	28	52	48	14%	3%
Paper and paperboard	633	511	558	-3%	1%

Source: Foresstat (2007)

### Trends

- Because of its geographical location, Slovenia is strongly focused on its neighbouring European countries. Joint ventures and outsourcing of production to countries such as Austria, Croatia and Hungary represents a clear trend.

### Opportunities and threats

- There is no concrete information on Slovenian consumption of tropical timber.
- FSC does not play a role in certification in Slovenia, as the country is starting to implement the PEFC classification.
- Approximately more than 25% of the total cost of the production of furniture in the EU15 consists of labour costs. This gives the newer EU member states (i.e. Poland, Hungary, Slovakia, Slovenia) a stronger starting position in the cost race because, today, the labour cost in these countries is still a fraction of what it is in the EU15. Furthermore, the European market is relatively far away. Therefore, Eastern Europe will not be a great threat to developing country producers of hardwood furniture, as could be expected (for more information refer to the EU Survey).
- Please refer to chapter 7 of the CBI market survey covering the EU for more information on opportunities and threats.

## 2 Trade channels for market entry

- The most important trade channels for exporters in developing countries to enter the Slovenian market are through sales agents, importers/traders and importers/processors.
- The Slovenian Wood Industry Cluster comprises about a third of the Slovenian wood-processing industry, one of the biggest in the country, and is the most prominent research institutions for the wood sector.
- Both the use and the processing of FSC are increasing in importance in Slovenia. The country is increasingly functioning as a production location for West European companies. The trade structure is showing more and more similarity with other European countries. No large differences exist regarding the role of different intermediaries.
- FSC-certified products in Slovenia are marketed mostly in DIY stores but also in the paper sector. The Slovenian DIY market remains fragmented. Players include international players such as Baumax (Austria) play an important role. National players include: Slovenijales-Trgovina: <http://www.slovenijales-trgovina.si/> Please note that DIY chains usually source through wholesalers or buying agents. As the market is not very transparent, information about the suppliers they are dealing with can be obtained through contacting these chains.
- The use of tropical timber in Slovenia is very limited. Companies importing FSC products and which could be interesting for developing country suppliers can be found through <http://www.fsc-info.org/>. Although the role of FSC is increasing in Slovenia, the Slovenian market is focused on locally produced, temperate species. Developing country imports consist for a considerable part of imports from Balkan countries.
- Interesting players might be:
  - Gozdno Gospodarstvo Postojna d.d, is a local producer, but also a trader/distributor: <http://www.ggp.si>
  - The Sead, trading house in timber and flooring, sources in Asia <http://www.thesead.net/si>
- It is very difficult to present an overview of the different margins which apply throughout the various trade channels, as margins depend on species, quantity, quality and stage of processing. Also, the transport costs vary, depending on the country of origin and destination, the proximity of the forest plantation and the saw mill to a port, the volume of the shipment, fuel prices etc. In general, timber prices at the final consumer destination (DIY, wholesalers, garden centres) do not vary much across Europe. Prices found at DIY chains can be indicative for prices wholesalers are willing to pay. As a rule of thumb you should be able to offer products for not more than 40% of retail prices. Please refer to the survey covering the EU market for more specific information on margins.
- There is a growing trend in the timber trade to use the Internet for sourcing timber and timber products (E-commerce). The use of Internet reduces the trade chain by several links, cuts transaction costs and improves efficiency. *On-line company database* for finding companies working in the timber and timber products market are:
  - Europages, an online business directory, with full EU coverage. Wood and furniture are a separate product group and it is possible to include Slovenia in the search options: <http://www.europages.com>
  - Also refer to the CBI market survey covering the EU market for more information on on-line company databases.

## 3 Trade: imports and exports

### Imports

- Slovenia is a minor importer of timber and timber products in the EU, accounting for 0.8% of total EU imports in 2005. Between 2001 and 2005, imports increased on average by 10% annually in terms of value, totalling € 234 million / 923 thousand tonnes in the latter year.
- Slovenia imports more low-value timber products than further processed products. For instance, Slovenia was the fifteenth largest importer of fuel wood in the EU, accounting for

1% of total EU fuel wood imports. More than 40% of Slovenia's demand for fuel wood was supplied by Austria, another 33% by Croatia.

- Developing countries accounted for 29% of Slovenia's timber imports, which is far above the EU average of 19%. Furthermore, imports from developing countries increased on average by 12% annually between 2001 and 2005. The main supplier was Croatia, accounting for 17% of Slovenian imports.
- 65% of total timber imports comes from intra-EU sources. Nearby countries, such as Austria and Germany, are the main suppliers.

### Exports

- Slovenia is a growing exporter of timber and timber products. Exports increased on average by 10% annually between 2001 and 2005, totalling € 403 million / 1.4 million tonnes in 2005.
- Slovenia mainly imports and exports products with limited value addition (e.g. fuel wood).
- Slovenia's exports of sawn wood increased on average by 27% annually between 2001 and 2005, turning the country into the thirteenth largest exporter of sawn wood in the EU. Around 40% of the sawn wood exports was destined for Italy and Algeria. Furthermore, substantial amounts are exported to Croatia.

### Opportunities and threats

- + Slovenia is a growing trader of timber and timber products in the EU and may also be an interesting market for developing country producers. This is foremost because of the increasing market share of developing countries. However, it is important to notice that imports from nearby developing countries, like Croatia and Bosnia & Herzegovina, are increasing.
- Furthermore, Slovenia mainly trades raw or basic processed timber products, which are not really interesting for developing countries because of the globally applied import/export bans on raw timber material and because of the limited value-addition possibilities.

Please refer to chapter 7 of the CBI market survey covering the EU market for more information on opportunities and threats.

### Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

## 4 Price developments

Slovenian tropical timber market prices do not differ from general EU prices. Therefore, no country specific websites exist for up-to-date prices and price information. Please refer to chapter 5 of the CBI market survey covering the EU market for information on price developments and useful sources.

## 5 Market access requirements

As a manufacturer in a developing country preparing to access Slovenia, you should be aware of the market access requirements of your trading partners and the Slovenian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select timber and Slovenia in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

## 6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Slovenia, visit the following websites:

### *Trade Associations*

- Wood Processing Association (CCI) – no website available  
Dimičeva 13, SI - 1504 Ljubljana - Slovenia  
Telephone: + 386 1 58 98 284
- Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments (JAPTI): <http://www.investslovenia.org/>

### *Trade Fairs*

- Ljubljana Furniture Fair is the Slovenian furniture fair. It takes place every year in Ljubljana and the next one will be held in November 5 -11, 2007: <http://www.ljubljanafair.com/>
- SEJEM DOM presents Slovenian and foreign manufacturers of products for the home and surroundings, construction products, doors and windows. This fair is organized once a year in Ljubljana and the next one will be held in March 2008: <http://www.ljubljanafair.com/>

### *Trade Press*

- Slovenia Partner.com gives information on Slovenian Business: <http://www.sloveniapartner.com/>
- Slovenia News for news in English: <http://slonews.sta.si/>
- Slovenia Times: <http://www.sloveniatimes.com/>

This survey was compiled for CBI by ProFound - Advisers in Development

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