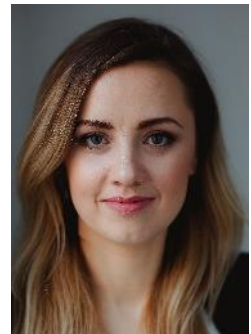


# Overview of Baltic Forest and Wood Industry

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# Overview of Baltic Forest and Wood Industry

We can certainly call Baltic states the land of forests. Almost every inhabitant is related to forest, forestry and forest products in one or another way. Since long ago wood has been used in heating, construction, production of furniture and other household items. Today forest sector and its wood processing industry have developed into one of the most important sectors of the regional economy. And despite the fact that it occupies only 4,1% of the EU's territory, the commercial forest stock accounts for 6,3% of the EU.

Forest has deep roots into Baltic States culture traditions, as well as provides opportunities for spending free time in forest hunting, in sports activities or picking berries and mushrooms. And furthermore, there are large nature values in our forests that in some cases are unique not only on European, but also global level.

However, it's not an opportunity because it's simply here. The forest that grows by itself represents beautiful nature values, but it becomes „the green gold“ because we have learned to use and manage it wisely – by protecting nature values, by securing resources for national growth and contributing to the wellbeing of our society.

Forest sector in Baltic States is understood by all further included – forestry and felling, timber production, woodworking and also furniture production (furniture is included as mostly it's made from wood).

## 1. Countries territory and forests

### 1.1. Estonia

Forests cover a half (51,0%) of Estonia's land territory (4,5 million ha) and though Estonia ranks sixth in Europe in the percentage of forest coverage of the total country area, after Finland, Sweden, Slovenia, Montenegro and Latvia.

In 2016 it was 2 273 000 ha of forest and other wooden land; the area of stands was 2,14 million ha. Total growing stock in 2016 was 476 million m<sup>3</sup>.

The most common stands of the total area of stands in Estonia are: pine 42,0%, birch 30,7%, spruce 20,2%, aspen 3,6% and grey and black alder 3,2% and other.

### 1.2. Latvia

Latvia's forests cover 3,35 million ha what is 52 % of the country's territory.

Latvia is the fourth most forested country in Europe after Finland, Sweden and Slovenia. Total growing stock volume in 1935 was 176 million m<sup>3</sup> where in 2015 it's increased till 670 million m<sup>3</sup>.

The predominant forest species in Latvia are: pine 34,3%, birch 30,8%, spruce 18%, grey alder 7,4%, aspen 5,4%, black alder 3%, ash 0,5%, oak 0,3% and other species 0,3%.

### 1.3. Lithuania

Lithuania's forested land is about 33,3 % of total land area, with 2,2 million ha. Its area of stands 2 056 000 ha and growing stock volume is 521,3 million m<sup>3</sup>.

The most common stands of the total area of stands in Lithuania are: pine 33,2%, birch 21,1%, spruce 19,7%, black alder 6,5% and grey alder 5,9%, aspen 3,6% and oak and ash 3,5% and other.

## 2. Forest Industry value in national economy

The share of the Baltic States in the EU GDP is negligible 0,6%, but at the same time 4,1% of the value added of the EU woodworking sector is generated by Baltic States.

### 2.1. Estonia

About 89% of Estonian forests are available for wood supply.

The volume of timber harvested or annual felling in 2016 was 11 million m<sup>3</sup>.

Of harvested timber, around 60% is made up of coniferous wood, mainly pine and spruce, and the rest deciduous trees, dominated by birch.

Net turnover (Nace C16 and C31) in Estonia is ~2.5 billion Euro.

The production volumes in the Estonian timber industry today are at the highest level of all time. Nearly one thousand companies operate in wood processing and manufacture of wood products in Estonia. And the furniture industry in Estonia is a sector with long traditions. More than 500 companies operate in the furniture industry in Estonia.

Over the last 5 years, the production has increased by 28%, while in the European Union as a whole it has dropped by 2%. The sub-sectors where entrepreneurs managed to increase export volumes the most in 2015 were wooden pellets (32%), prefabricated timber houses (21%) and plywood (19%).

Export makes up nearly two thirds of sales for the Estonian timber industry. According to the Estonian Statistical Office, in 2015 total wood industry exports reached 1.83 billion euros, with the most important position held by sawn and planned wood (EUR 343 million), followed by wooden buildings (EUR 278 million), wooden furniture (EUR 254 million), wooden construction details (EUR 243 million), pellets (EUR 124 million), round wood (EUR 111 million), pulp (EUR 71 million), unbleached paper (EUR 50 million), and others.

The main export destinations are Scandinavian markets, neighbouring countries like Latvia and the main EU wood buyers like Germany, United Kingdom. Estonia sells its products also to Japan and South Korea. The main exported product groups were seats, furniture parts, dining and living room furniture, wooden kitchen furniture, wooden bedroom furniture and other furniture products.

More than 8,000 wood construction companies operate in Estonia, of whom 90 % are micro enterprises with less than 10 employees. Estonia's construction industry has largely been oriented to the internal market.

Estonian processors focus on new technologies and high value production. With great success new technologies have been used in wood houses production (high tech acoustic wood sheets used in many storages wood houses) or in the ship industry (liquid natural gas containers).

Estonia is the biggest exporter of wood houses in Europe. Wooden building construction materials export in 2016 in 277 333 728 euros. And 2nd in Europe export data charts by producing and exporting energy pellets and though 4th in World.

Forests and wood industries' share of country's reached ~5% and in manufacturing GDP reached 22% in 2014. According to Estonian statistics, in 2015 the wood products trade balance was positive and reached EUR 1,226 million.

### 2.2. Latvia

About 87% of Latvian forests are available for wood supply from total forest area ~3.4 million ha.

The volume of timber harvested annually from Latvia's forests is fairly stable – between 10 and 12 million m<sup>3</sup>.

The number of companies in forest industry is more than 3 thousand, but with turnover more than 140 thousand Euro per year less than 800.

Net turnover in manufacturing of timber and wood products is 1,967 million euros and profit – 102 million. Net turnover in forestry and wood processing subsector is 922 million euros from what 104 million are profit. And in furniture sector 236 million from what only 2 million are profit.

Latvia is the 3rd place in World exporting countries of OSB producers and 2nd in Europe. And if to compare energy pellet production then Latvia is in 1st place in Europe and 3rd in World. If to see plywood production export rates, then producing birch plywood Latvia is in 2nd place in Europe and in World in 4th place.

Today the processing capacity, at least in conifers' segment exceeds the harvesting volumes in Latvia by 40-50%, thus changing the status from net exporter to net importer country. With practically same harvesting volumes since 2003 the consumption of round wood has increased by a quarter, and in 2015 conifer sawn wood import exceeded export by 380 000 m<sup>3</sup>.

In Latvia from common export ~20% makes forests, woodworking and furniture products, what is approximately 2 billion euros. Wooden building construction materials export in 2016 in Latvia was 69 million euros. Latvian softwood sawmilling is 9th in Worlds export charts and 5th of Europe softwood exporting countries.

Forests and wood industries' share of countries GDP in 2015 was 5% and in manufacturing GDP reached 24%.

### **2.3. Lithuania**

About 88% of forests are available for wood supply from total forest area ~2.2 million ha. In 2015 gross felling in total was 6,7 million m<sup>3</sup>. Timber companies are located all over Lithuania, with the majority of them located in small towns or villages.

The number of companies in Lithuanian forest and wood processing sector has over 2,000 operating companies as of 2014.

Statistical information on the wood manufacturing sector is very limited in Lithuania. The wood products industry is adverse to sharing information or promoting its potential and business opportunities. Publicly data available is usually old and does not present the current market picture. The furniture and paper industries are the fastest developing segments within the industry.

Forest and wood processing sector's share of total national value added reached 4,5%, with forestry adding about 0,6%. The biggest share of the value added in the sector was generated by the furniture industry, some 2%. The number of companies in forestry, logging and the forest industry diminished while their average size increased in recent years.

The furniture and wood processing industries provide over 30% of the jobs available in the whole Lithuanian manufacturing industry. In recent times the furniture industry developed mostly due to foreign investments.

In 2016 furniture exports from Lithuania amounted to EUR 1.486 million (6 percent increase in relation to 2015). Imports of furniture amounted to EUR 1.210 million (6 percent increase in relation to 2015). Production of sawn wood was about 0.9 million cubic meters in 2014. Lithuanian furniture industry is 14<sup>th</sup> in World export charts and 8<sup>th</sup> in Europe.

Lithuania exports about 20 percent of its wood resources, but to a great extent the wood is unprocessed and this suppresses the sector's income possibilities. More value-added orientation would be beneficial for all parties in the wood industry. The growth in the furniture industry in Lithuania and solid potential for increasing processed sawn wood and wood products in Lithuania can be seen to provide opportunities for cooperation

Wooden building construction materials export in 2016 Lithuania 160 765 059 euros.