REPUBLIC OF BULGARIA
COUNCIL OF MINISTERS
STATE FORESTRY AGENCY

Timber market statement

1. General economic trends affecting the forest and forest industries sector (brief description)

The year of 2007 was the first year of Bulgaria's full-membership in EU. The prospects of EU membership and accession endeavour had been the factors, predetermining Bulgaria's economic development. The vigorous investment activity in the country made the strongest contribution to real GDP growth. For a four year (incl. 2009) in a row real GDP growth is expected to run well over 6% due mostly to the robust contribution of the service and manufacturing sectors. Financial intermediation, construction, retail trade and food were the most vigorously performing industries.
The stable macroeconomic environment and improving terms of business have been the main factors at work behind the strong country's performance.

Major macroeconomic indicators

Economic indicators	**2006**	**2007**	**2008 Prognosis**	**2009 Prognosis**
GDP – bil. BGN	49. 1	54.9	61.7	68.4
Real growth of GDP (%)	6.1	6.4	6.4	6.8
Inflation (%)				
-at the end of the year	6.1	9.3	4.5	4.7
-average for the period	7.4	7.2	6.9	4.4
Rate of exchange (BGN/USD)				
-at the end of the year	1.49	1.41	1.40	1.44
-average for the year	1.56	1.44	1.40	1.44
Level of unemployment (% at the end of the period)	9.61	7.75	6.68 *till September	6.6
Foreign direct investment (FDI)				
-mil euro	4 364.0	4 655.4	4 738.5	4 734.9
-% of the GDP	17.4	16.6	15.0	13.5

*****Source of information – Ministry of finances, National statistics institute, Agency for economic analysis and forecasts, National employment agency

2. Political and legislative measures related to trade and marketing of forest products

Bulgaria's forest policy is articulated in its *National Strategy for Sustainable Development of the Forest Sector in Bulgaria, 2006 – 2015* and *Strategic Plan for Development of the Forest Sector, 2007 -2011*, which was adopted by the minister of Agriculture and forests in 2006.
In April 2008 the Parliament of Bulgaria has amended and adopted the Forestry Law in order to adapt to the challenging situation. Thus the State Forestry Agency (SFA) was established by transforming the National Forestry Board, which was under the mandate of the Ministry of Agriculture and Forests, into a State Forestry Agency under the direct authority of the Council of Ministers. This institutional reform was realized based on the strategic decision to separate economic management functions from regulatory functions. The functional separation aims to improve the prospects for public funding and the financial management of the Forestry Directorates. For the financial support of the activities of SFA and to guarantee the sustainable management of the forests by SFA was created a National financial fund "Bulgarian forest". The financial sources from this fund will be used for investments in forestry and hunting for infrastructure and technical equipment, afforestation, utilization effectiveness, forest reconstruction, protection of forests, forest certification, etc.

As an EU Member state, Bulgaria has fully harmonized its legislation related to the forestry sector prior to EU Accession.

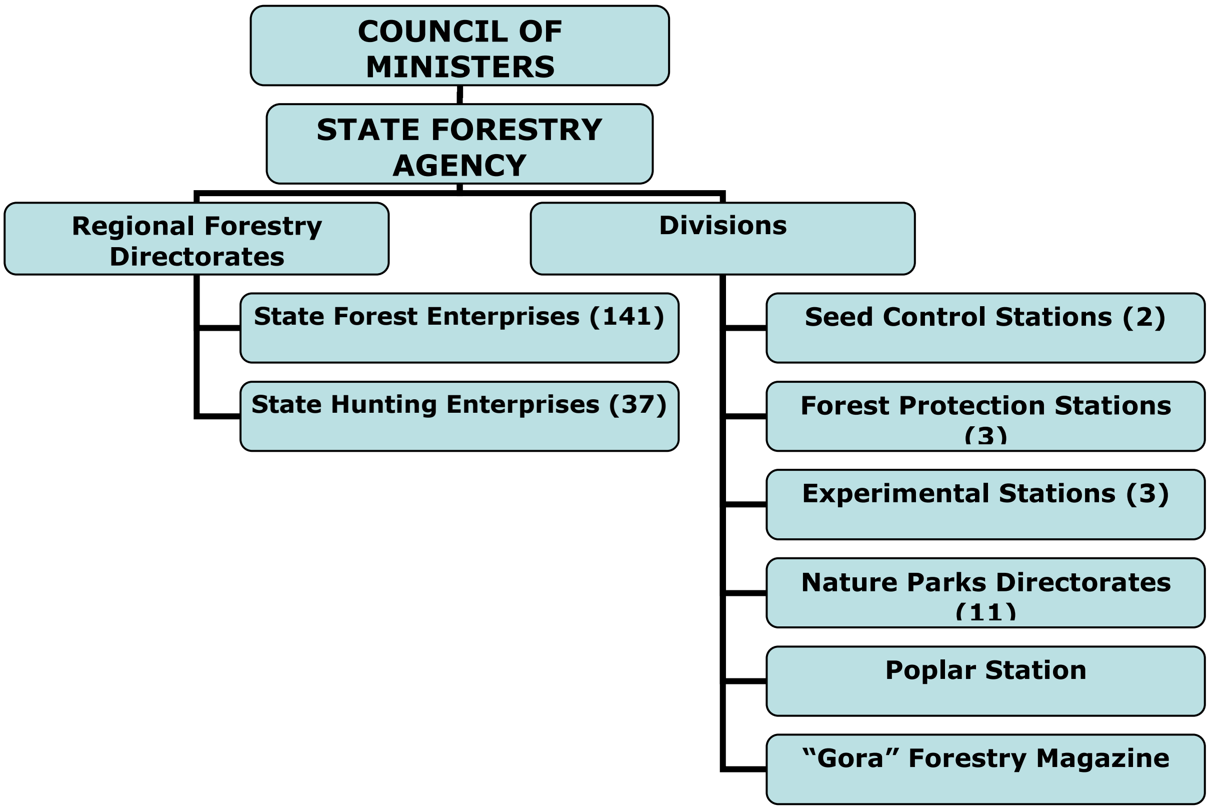
3. Market drivers, including wood and paper procurement policy developments.

The sustainable development, efficient progress and multifunctional use of the Bulgarian forest sector will inter alia depend on the quality of the legal framework to best benefit from the current opportunities and to mitigate the market risks of the current situation as a new EU member state. In this respect further amendments to the forest law are in political discussion and the respective "Regulations on the implementation of the Forestry law" as well as the "Rules of structures and operations" are developed in order to implement the new Forestry law.
Bulgaria has successfully negotiated a forest package for the period 2007-2013 within the framework of the "Rural development programme". The financial funds will be available to promote the improvement and intensification of forest management in Bulgaria.

4. Developments in forest products markets sectors (major emphasis)

As a result of the restitution of forests currently around 76 percent of the forest land is owned by the state, about 14 % are property of municipalities, churches and schools, and 10 % of forests are privately owned. The private forests are small scaled and rather fragmented. State Forestry Agency governs the state forestry fund and it is structured on 3 levels – State Forestry Agency, Regional Forest Directorates (16) and State forest enterprises (141) and State hunting enterprises (37). State forest and hunting enterprises are registered under Commercial law of the R of Bulgaria and are responsible for the management of state forest fund and for the implementation of forest management plans.

Structure of State forest administration in Bulgaria



The wood harvesting, wood processing and furniture industry are almost 100% private as the wood processing and furniture industry are about 2.5% of the GDP of the country.

Wood energy, with a focus on government policy promoting wood energy

In compliance with EU legislation, and in order to implement the EU membership negotiation commitments and Commission recommendations, the Republic of Bulgaria drafted a Renewable and Alternative Energy Sources and Biofuels Act . In addition "National Long-Term Programme to Encourage the Use of Biomass 2008 -2020" and "National Long-Term Programme to Encourage the Use of Renewable Energy Sources 2005-2015" were prepared and adopted by the Ministry of economy and energy. On the territory of the country there are more that 300 000 m^3/yr of unutilized wood biomass quantities /branches and twigs/ and more than 50 000 t dry matter/yr industrial wood waste, which equals about 88 000 toe/yr. At the moment only about 9 % of the planned quantities of branches and twigs are currently being utilized. The forecast for 2020 for the possible increase of wood production for energy purposes is about 1 431 000 m^3/yr. The main obstacle to the utilization for energy purposes of branches, twigs and small-sized trees are the expensive harvesting, collection of the wood biomass and the inadequate forest road network. For this reason, the forecasted use of branches and twigs only takes into account the accessible quantities.

Forest certification

Almost all certified areas with forests are state owned and they are certified according to FSC system. FSC (Forest Stewardship Council) was established in 4 State forest enterprises (1 in 2006 and 3 in 2008) with a total area of 104 000 ha (0.34% of the total forest land). Another 4 State forest enterprises are in the process of certification under FSC with a total area of about 50 000ha. All of the above mentioned certified forests are managed by the State Forestry Agency. One private wood processing company was also certified in 2006 according to FSC (2000ha). PEFC certification is still not represented in Bulgaria.

Type timber material/product	2006	2007	2008 Prognosis	2009 Prognosis
1	2	3	4	5
1. Roundwood (1000m^3)				
/production/	**5992**	**5696**	**5600**	**5500**
- coniferous	**2125**	**2067**	**2100**	**2000**
- broadleaved	**3867**	**3629**	**3500**	**3500**
-import	**46**	**138**	**150**	**180**
-export	**727**	**696**	**450**	**700**
2. Sawlogs and veneer logs (1000m^3)				
/production/	**1300**	**1495**	**1470**	**1350**
-coniferous	**858**	**1019**	**1000**	**900**
-broadleaf	**442**	**476**	**470**	**450**
3. Pulpwood (1000m^3)				
/production/	**1717**	**1595**	**1450**	**1550**
-coniferous	**927**	**721**	**650**	**750**
-broadleaf	**790**	**874**	**800**	**800**
-import	**15**	**20**		
-export	**48**	**45**		
4. Fuelwood (incl. wood for charcoal)				
/production/	**2885**	**2526**	**2380**	**2080**
-coniferous	**270**	**267**	**150**	**215**
-broadleaf	**2615**	**2259**	**2100**	**1730**
-import	**0**	**21**	**10**	**15**
-export	**147**	**116**	**50**	**120**
5.Sawnwood (1000m^3)				
/production/	**683**	**569**	**550**	**480**
-coniferous	**498**	**431**	**430**	**370**
-broadleaf	**185**	**138**	**120**	**110**
-import	**28**	**41**	**40**	**35**
-export	**269**	**181**	**160**	**140**
4. Plywood (1000 m^3)				
a) production	**43**	**58**	**60**	**62**
b) import	**43**	**62**	**58**	**60**
c) export	**18**	**27**	**23**	**25**

5. Wood-based panels (1000 m^3)				
a) production	**497**	**471**	**450**	**465**
b) import	**235**	**349**	**320**	**330**
c) export	**381**	**449**	**400**	**410**
6. Paper and paperboard(1000mt)				
a) production	**313**	**330**	**320**	**325**
b) import	**246**	**342**	**300**	**320**
c) export	**87**	**124**	**100**	**120**

*Categories “import” and “export” include the trade inside EU