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Policy for wood consumption in Romania
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ABSTRACT

Throughout 1990 the raw material needs of the Romanian wood sector exceeded the available wood volume. In short, production capacities were too high. At the same time the production was intended mainly for export while imports were kept at minimum for the majority of products.

At the beginning of the transition period, removals fell, because of new forest management limits and changes in structure and legislation, arising from the transition to the market oriented economy. This caused a severe fall in production of all wood products. Privatisation, which is practically complete now, has been reflected in a new configuration of the Romanian wood industry. There are now more than 8000 small and medium size companies as well as some large companies set up by foreign investors. The latter have had a significant impact on the development and production of new value-added products in Romania.

Another important impact on the Romanian policy in the field of wood was due to the alignment to the European legislation – Directive 68/89 EEC, Directive 94/62 EEC, and Directive 88/378 EEC – and also by the adoption and harmonization of more than 87 % European standards regarding wood and wood products.

After hesitating at the beginning of the transition period, activities aiming at opening and improving the Romanian wood market resulted in complete liberalization of wood and wood products trade from 1 January 1998. At the end of 2002 there was a positive balance in the wood trade. 45 % of wood products exports are of secondary processed products. Furniture, the traditional product demanded by the markets, exceeded the level of production and export recorded in 1989. At the same time there has also been a significant increase of imports, representing for furniture 30 % of internal consumption. There are still differences between companies and sectors in the level of modernization, implementation of quality control systems, and management.

Professional associations play a major role in development of market economy. The strategy of medium term development (2010) issued by the Romanian Government takes into consideration trends in domestic and foreign markets with special emphasis on the suitable steps to support investment in the field with perspective of diversification and improvement of demandable products.

Key words: wood consumption, wood production, restructuring, privatisation, wood policy.

INTRODUCTION

When adopting the market oriented economy principles, respectively in 1990, the Romanian wood industry, state property as a whole, was characterized by just a few number of large companies, some of them having the entire manufacturing profile of this sector. Worse, the production capacities were considered for the yearly cut of 18-20 million m³ / year much above the real available quantities of the growing stock at that time.

Under these circumstances, the wood industry which depends on existing renewable wood material logged over considering the conditions requested for sustainable forest management was forced to answer the following challenged:

- *lessening of raw material sources;*
- *changes on domestic and foreign markets which called for the increased wood product competitiveness;*
- *restructuring of state companies in view of privatization.*

Without ascendancy over the specific market mechanisms, the basic element in the production structure and development being only the demand factor in the period after 1990 there has been set up the legal frame work which by a system of organizations and also by a proper legal activity, contributed not only to better utilization of wood starting from harvesting and ending with the processing in finished products but also to education of consumers for increasing their acquaintance with sound wood utilization.

1. INSTITUTIONAL FRAMEWORK

In Romania, the forestry sector and wood industry are separated.

Beginning in 2001, the Ministry of Agriculture, Food and Forests as specialty organization in the central public administration, elaborates the policies in the field of national forests irrespective of their ownership. They directly control forest management.

The legal framework for forest preservation and sustainable management is provided by the Forest Bill (Law 26/1996). The section 6 – Wood Removal – specifies:

- the harvesting of wood products is in compliance with the provisions of forestry management and with the instructions concerning the terms, methods and ages, logging and handling of wood materials, issued by the central authority responsible for the forestry;
- when harvesting the wood material, the forest districts, economic agents and legal persons are bound to use methods for harvesting – skidding of wood properly selected to avoid soil degradation, damaging of seedlings and of trees.

We consider that above provisions are essential in the term of spreading of grousing stock between various owners, some of them being not familiar with new concepts of sustainable management and sound wood utilization.

During this period there have been supported those companies specialized in wood harvesting which owing to the available equipment and staff can comply with the requests of forestry management providing also proper utilization of wood resources (Decision of Government No. 695 / 1998 approving the wood selling by the National Forest Administration to the economic agents).

On the same principles operates also the recent regulation – Law 654 / December 2002 – approving the conclusion by the National Forest Administration of long term contracts (for a quantity up to 20 % of maximum wood volume for industry) with economic agents working in the field of wood, processing. The contracts are concluded with the economic agents assigned by public auction for 20.000 m³ standing trees / year / economic agent and for a period of minimum 3 years and maximum 10 years. It is envisaged that taking into account above condition the following can be avoided: degradation of raw material changing the destination.

The **Ministry of Industry and Resources** is the body responsible for the implementation of Government policy in the field of industrial production and goods. The wood industry is as present under the coordination of **State Secretary for Industrial Development and of General Direction for Consumer Goods** which by proper industrial strategy and policies are in charge with the regional development, economic and industrial cooperation, searching of foreign investors, integration into EU and harmonization of legislation, accreditation of quality infrastructure and access of products on international markets.

The structural and economic transformations taking place in Romania and the strong request for speeding up the restructuring and privatization process together with the development of small and medium size enterprises SME's , have determined the setting up at the beginning of January 2001 of the **Ministry for SME's Development and Cooperation**. The newly established **State Agency for Privatization and Capital Investment** (former FPS) plays an active role in the privatization of state companies. The social and economic development programme is under the control of **Ministry of Projections and Development** which is responsible for the activity of **National Institute for Statistics and Economic Surveys**, and the activities for the integration of Romania within the European structures are under the coordination of the **Ministry for European Integration**.

The activity of central public administration bodies is derived at present from the **Government Program for medium term (2001-2004) and for long term (2001-2010)**. The policy in the field of sound wood utilization in Romania find full support in a series of laws and regulations of which:

- ❑ Law 133 / 1999 concerning the stimulation of private entrepreneurs in the setting up and development of small and medium size companies (SME's);
- ❑ Law 96 / 2000 concerning the organization and operation of Export-Import Bank of Romania – EXIMBANK SA and the specific instruments for supporting the foreign trade;
- ❑ Decision of Romanian Government No. 1570 / 2002 concerning the approval of mechanism for affording the financial support from the Budget by the Program for increasement of industrial products competitively (A program under the administration of Ministry of Resources and Industry);
- ❑ The emergency ordinance No. 120 / 2002 concerning the approval of support system and export promotion with financing from the Budget;
- ❑ The Decision of Romanian Government 1493 / 2002 concerning the exempt and temporary reduction of custom duties from import for some goods – the wood sector taking advantages from reduction for: sawn timber, veneer, plywood of tropical wood species.

The last regulations place a special stress on the increment of product quality. The state support is found in same extents for: implementation and certification of quality systems and environmental management; accreditation of testing laboratories and equipment; registering and protection foreign market of Romanian industrial designs and models; carrying out of market surveys and product studies; participation at international fairs and shows; general advertising activities for products / product groups on target markets.

In order to spread out of mechanisms for granting the financial support it has been set up a commission in the Ministry of Industry and Resources which includes also the representatives of the employers and of professional associations.

It is worth mentioning to remember here the professional association which, by their united membership policies can strengthen the wood harvesting and processing industry: Romanian Furniture Manufacturers Association- APMR, Association of Romanian Foresters-ASFOR , Romanian Panels Manufacturers Association- APSLR, Patronizing Organization for Pulp and Paper Industry-ROMPAP.

It is highly appreciated the role of these Association in the improvement of regulations in the field in the stimulation of domestic and foreign trade development, by organising exhibitions, fair and symposiums, supporting the access to information concerning modern products and technologies as well as promotion of business relationships with domestic and foreign companies.

2. THE WOOD PRODUCTION AND CONSUMPTION

2.1. The structure of wood trading companies

The large existing companies at the beginning of 1990 underwent structural changes. These have been split to facilitate their control and to be more attractive for privatisation.

Several SMEs have been set up with private capital mainly for the production of sawn timber, building materials, furniture and, in the last period, the production of paper and. As a results, the configuration of this sector is completely different from 1990.

From a total of 8634 companies existing at the end of 2002 it prevails these small and very small companies amounting 6774 (see table 1).

Table 1 Structure of companies in the wood sector, 1990-2002 (Number of companies)

Branch	1990	2002			
		Total	of which:		
			Large	medium	small
1.Wood industry	107	5235	65	245	4925
2.Furniture and other finished wood products	114	2965	180	1225	1560
3.Pulp and paper	23	434	26	119	289
TOTAL	244	8634	271	1589	6774

Sources: Ministry of Industry and Resources, 2002

In case of a large member of such companies, the inadequate equipment does not provides for a proper manufacturing process. The products are accomplished with high raw material consumption and low efficiency. It is the situation of some companies working in harvesting, production of sawn timber and joinery components.

There have been sustained concerns in the technological development for the implementation of new capacities. The investments achieved during 1990-2002 totalled 1526 million USD of which 920 million foreign capital.

There have been started or in progress of starting during 2003-2004 large production capacities by foreign companies:

- a sawmill of 80,000 m³/year – the investment by Holzindustrie Schweighofer – with start up in 2004;
- a fibreboard (MDF) plant of 285,000 m³/year started in 2000, a particleboard plant of 240,000 m³/year and melamine laminated board plant of 5million m²/year started in 2001 by the investment of the Group FRATI – Italy at the Company MDF Sebes – FRATI;
- a plywood plant of 12,000 m³/year started in 2001, veneer plant of 12,000 m³/year with starting in 2003 by the investment of the German Company Bloemberger Holzindustrie, at SC CILDRO Drobeta Turnu Severin;
- a packaging paper plant of 150,000 metric tons / year started in 2000 by the investment of the Group Rosman-France at SC AMBRO Suceava;
- Tissue paper plant from deinking waste paper – capacity of 30,000 metric tons/ year with starting in 2003, by the investment of the company Perrini at CONCEH Calarasi;
- Newsprint plant from deinking waste paper , 40,000 metric tons/ year, with starting in 2003 at LETEA Bacau.

It is also to be mentioned the investment effort mainly for equipment, information technologies of the manufacturing processes in the existing furniture and paper plants, implementation of new plants for solid wood furniture, parquet floorings, prefab houses at the state of the art.

In the support of modernisation of wood industry there have been sped out some projects with the financing by international programs:

-The project ROM/000/001 – financed by SWISS Government and PNUD Program “Strengthening Romania’s Export Capacities” for furniture factories;

-The program ECOLINKS financed by USAID for 4 pulp and paper plants in live with the reduction of pollutants.

2.2. Wood consumption policy

The changes in the volume of removals and in the wood products markets, the liberalization of price of wood by the regulation of public auctions and negotiations and, last but not least privatization of companies are the major factors which can be found in the production level of the main products. After the first transition stage(1990-1994) when production fell throughout the wood industry, production of most wood products improved to meet new market demand (table 2).

Table 2 - Wood products production, 1990-2002

Products	1990	1994	2000	2001	2002 ^{x)}	Change 1990/ 2002 %
Sawnwood 1000 m ³	2.853	1.727	3.396	3.059	3.150	+ 10,4
Particleboard 1000 m ³	581	240	133	134	270	- 53,5
Fibreboard 1000 m ³	184	102	82	206	290	+ 57,6
Plywood 1000 m ³	123	97	72	79	80	- 35,0
Pulp 1000 m.t	667	221	293	268	270	- 59,5
Paper 1000 m.t	547	288	340	395	400	- 26,9
Furniture million \$	456	450	608	700	770	+ 68,9

Sources: Romanian Statistical Yearbook 2001

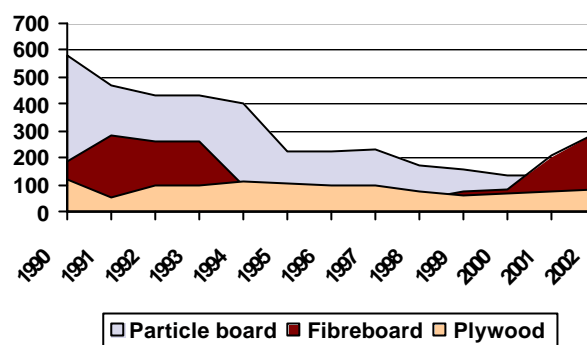
Statistical bulletins 1/2002

^{x)} Provision data

The first sector emerging from the crisis by re-orientation of capacities depending on the new markets and by a sustained effort of modernizing is the furniture sector which, beginning with 1994 knew a constant development exceeding from 1998 the production recorded in 1990.

At the level of the year 2002 it has been registered an outrun of 68,9% compared with the reference year. In 2002 the furniture production represented 39% from the entire wood industry and 45% from export. A favourable situation is created for the sawnwood industry by liberalisation of exports. Under the conditions of wood removals reduction the production exceeding in 2002 by 10,4% the volume recorded in 1990.

The product quality, the outdated technologies did not allow the coming out from the crisis of all wood industry- particle board, veneer sheets, plywood- of which results are well below the production achieved in the reference year. Nevertheless it is observed the recurrence of fibreboard production as a result of the investments. MDF is a significant example with production growth beginning with 2001 and the export of 83% from the production envisaged. Also, for plywood and particle board, the investments in progress of achievement will allow for increases of physical production in the same time with the diversification of assortments (graph 1).

Graph 2 - Wood-based panels production in Romania 1990-2002 (1000m³)

Sources: Romanian Statistical Yearbook 1994, 1999

Statistical bulletins 1/2000,1/2001

The pulp and paper production, without major changes in the capacity, knew in 2002 an increase of value, about 9%, by changed the assortments as a result of modernization. The growth resulted from the doubling of technical paper production, compared with 2001, and increase by 33,5% of duplex- triplex packaging materials, while the newsprint paper production decreased by 33%.The changes in the production of various wood products determined also, the change of the whole structure of this sector.(table 3)

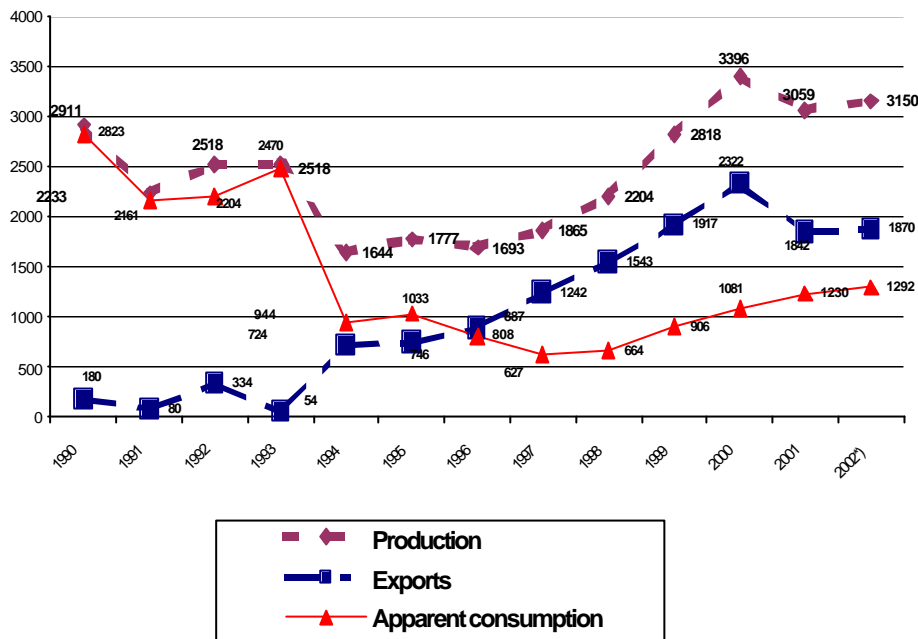
Table 3 - Changes in wood industry structure in Romania, 1989-2002**(Based of production)**

	1989 %	2000 %	2002 %
Wood working industry	46	54	49
of which:			
wood-based panels	26	7	8
Pulp and paper industry	28	12	12
Furniture industry	26	34	39
Total forest products industry	100	100	100

Sources: Ministry of Industry and Resources, 2002

The Romanian wood industry has had an evolution influenced mainly by foreign market demand. The trade liberalization allowed also the increase of impact for various products with value added which come in the completion of short assortments. For example, 30 % of domestic furniture consumption is from import and paper and paper board sector is further dependent on imports besides, per total, the wood sector balance is in excess.

The production modernization and diversification policy with a special stress on the achievement of value added products has changed beginning with 2002, the option of sawnwood companies. It is requested by domestic market for the increased production of furniture, solid wood panels, building components. (graph 2)

Graph 2. Sawnwood consumption, production and trade in Romania,1990-2002 (1,000 m³)

2002*) – provision data

2.3. Wood for energy

The sound wood consumption means also the finding out of methods for reduction of useless waste. In this context it can be stated two of the projects concerning wood waste utilization as raw material for energy production:

- "Wood waste utilization for district heating"-project PHARE RO-9504-01004-L001, a solution implemented in Campeni town with a population of 10000 inhabitants.
- Project CEE-NNE 5/1999-00048 IMPROVE RES-" Improving the acceptability of RES in Romanian wood industry for energy production through an appropriate management"- by which it have been established solutions for using as fuel in the thermal power station belonging to enterprises about 950,000tons of wood residues in 2000 and 1340,000 tons in 2010 (32% of the fuel demand) .

3. PATTERNS OF DECISIONAL ANALYSIS IN THE MARKETING MANAGEMENT:

The external environment analysis of the economic agent in the wood industry is based on the following aspects: definition and determination of wood products market, psychological behaviour of final users and / or brokers (procurements, frequency, fidelity etc.) competition between producers (manifested form, value, hierarchy) extent in which the macroeconomic policy and legislation have influence on the activity of company.

The importance of psychology in the marketing management typical for the wood industry is given by the mentality of managers and consumers which are not even in a full agreement and generates the conflict of interests.

The nowadays client is looking more for meeting his requirements while the managers do not come with him, these preferring the tactics "to wait" (as before 1989) by the principle that "is more important to produce". In the last years it can be seen that private firms became flexible in relation with the clients starting with the financial reasons and ending with the convex services.

In the present stage it is necessary to place a special stress on the human interrelation and next to affairs itself, this situation being due to uncertainty, permissive legislation systems and specially on the laws concerning the trading agreements which can be interpretative and detrimental to the producers.

The figure 1 shows a synthesis of the external environment.

It results that policies of the economic agent can be directed to: resource market of user (consumer), competition, distribution channel and legislation in force.

The economic policy choices of the wood sector will be based on the forest management principles with main emphasis on: encouraging the highly turning to account of wood and respectively the transition and also the development of new markets, products, development of communication and coordination, life cycle analysis, promotion a new image of wood product to the consumer, use of forest marketing techniques, creation and education of consumer.

A special stress is laid up on the forming up of non-antagonistic relation between forestry and wood logging taking into consideration the economic factors and environment protection for the development of modern management.

For the above considerations the company National Institute of Wood proposed a new method for determination value added extent starting from the client (see fig.2). The main elements are traditionally P_v (analyzing the contradiction between the rough conversion and high process) and the new ones: V_s , E_c , V_{pi} .

It is also traditional for costs F_c but laying stress on C_t , C_e , M_c .

The consumer oriented policy shall be more striking on V_{pi} , (value of product image) to be obtained mainly by promotion to the varied fairs. Certainly, the most important is BIFE-TIMB organized by ROMEXPO – Bucharest, every year in September. The international and national character is given by the number of participating countries.

Some significant years have been selected to show the growth of participation underlining also the different quality, which places it near the similar external events. Whether at the first edition in 1991 there were in total 4 countries with 92 exhibitors of which 80 Romanians and 12 foreigners, in 2002 to the XI edition enjoins the participation of 17 countries with 437

exhibitors of which 301 Romanians and 136 foreigners. The number of visitors was more than 35.000 and the exposition area was 30.000 m².

This edition of BIFE-TIMB (having all the furniture, indoor decorations, wood products, hardware and assembling elements, accessories, machine - tools and equipment for wood removals and processing), strengthened its position among the important specialized fairs from Europe, as agreed by the General Council of UEA in the last conference. The professional Associations have organized, with the Governmental support, the participation at international fairs from Paris, Köln, Hanover, Milane, Brussels, Moscow, a good occasion to present the Romanian offer, but also for knowing to the Romanian producers, the trends on the foreign markets.

The quality of wood products shows the extent in which it complies with client needs observing also the limits requested by general interests concerning the socio-economic efficiency and environment protection. The product quality warrants its value which can be increased by the concept of integrating functions, the most important being the marketing which provides a delivery to the customers a new product with the higher value to the competitors.

It results that background element for the consumption policy promoted by the economic agent is the distribution channel. The best model recommended by National Institute of Wood is shown in the fig.3

The managerial decision at micro and macroeconomic level is emphasized by the first example through the turnover. This will derive from the relation of wood products, rough converted, and the high processed products generating the added value. The answer is given by psycho-sociologic analysis of the consumer and by the feed-back resulted from this and which stands for the mopping of preferences which in turn is actualized by: sinectics, dialogue, complex team.

From this it is derived the decision for market development – the segment with particularities of exclusivity type, and so on.

It is worth mentioning that from this example (the fig. 3 can generate tenth of variants) it can be solved legal aspects of cooperation / claim, producer / distributor.

Fig. 1 External factors analyse of economic agent in the wood industry

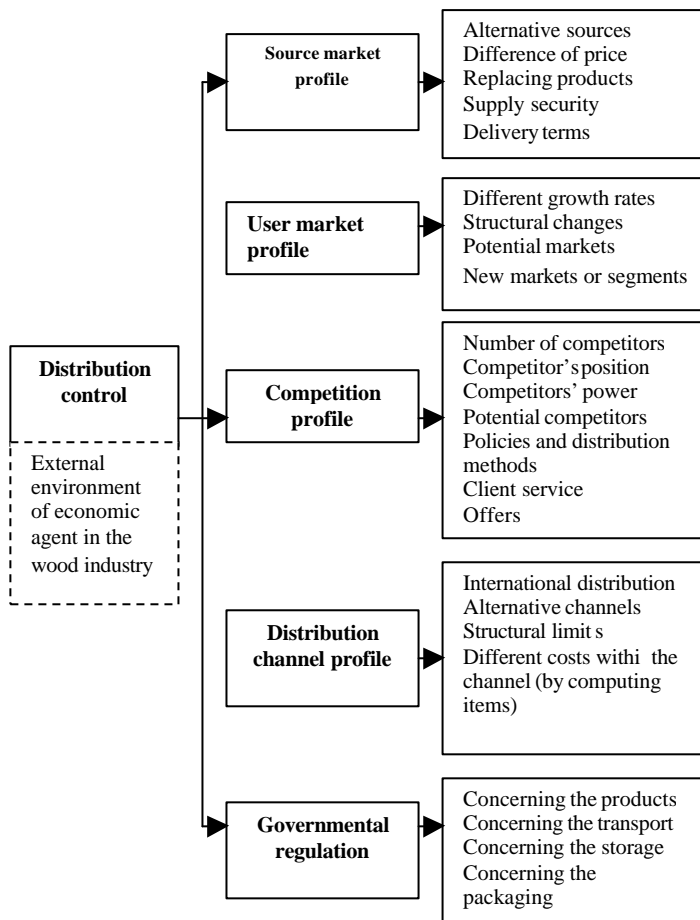


Fig. 2 Method for determination of added value extent supplied to the client by the producer of wood product

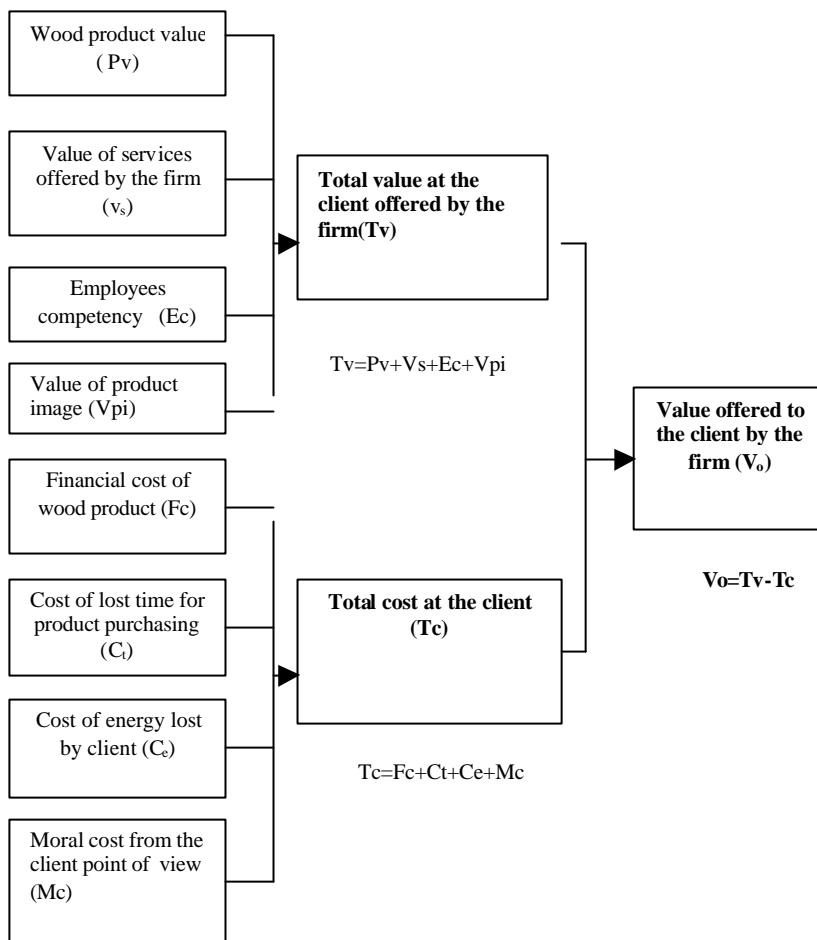
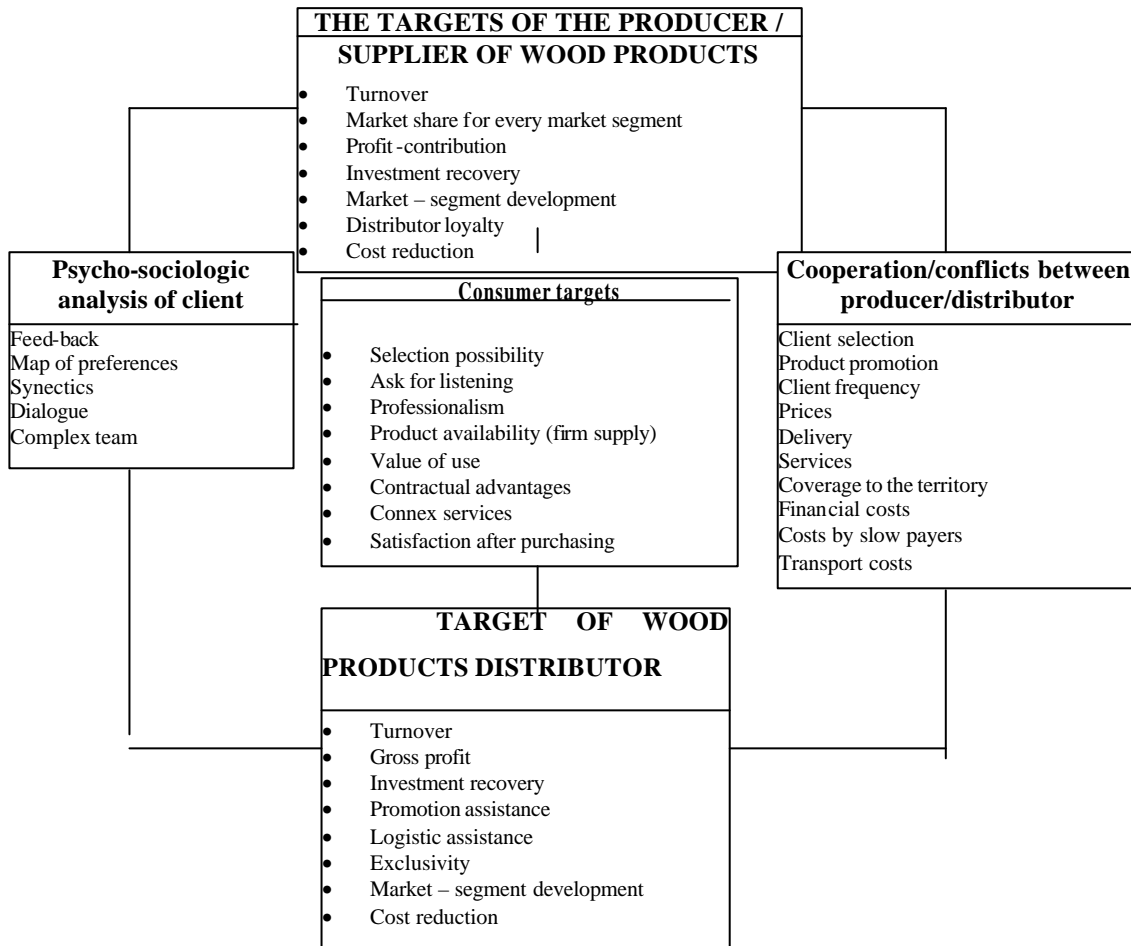


Fig. 3 Distribution channel propose for wood industry – Background element for consumption policy promoted by the economic agent



CONCLUSIONS:

This paper is aimed at the pinpointing of the concerns for the placing of wood consumption on the first rank. It can be concluded that after socio-economic and legislative changes a proper feeling for the concept of sound wood consumption begins to take place as mirrored by the changes in the structure of the industry.

The economic agents have invested mainly in the technologies to ensure the production of value added products and the state administration bodies are willing to support many initiatives.

Same data concerning the production, consumption and wood trade have not been rendered minutely. It is considered that complete information in this respect can be found in the Wood Bulletin ECE / TIM / BULL 54/3 section 3 “Romanian Wood Products Market” and also in other issues of the Wood Committee and in the Romanian statistics (quoted in the paper).