



**Faculty
of Forestry
and Wood
Technology**

May 4 - 6, 2009

Ing. Roman Dudik, Ph.D.

**Head of Department of Forest
and Wood Products Economics and Policy**

Twenty Years After the Velvet Revolution: Possibilities for Solving Problems of Czech Forest Management

Western Forest Economists 2009

Welches, Oregon

Mendel
University
of Agriculture
and Forestry
in Brno



Outline of presentation

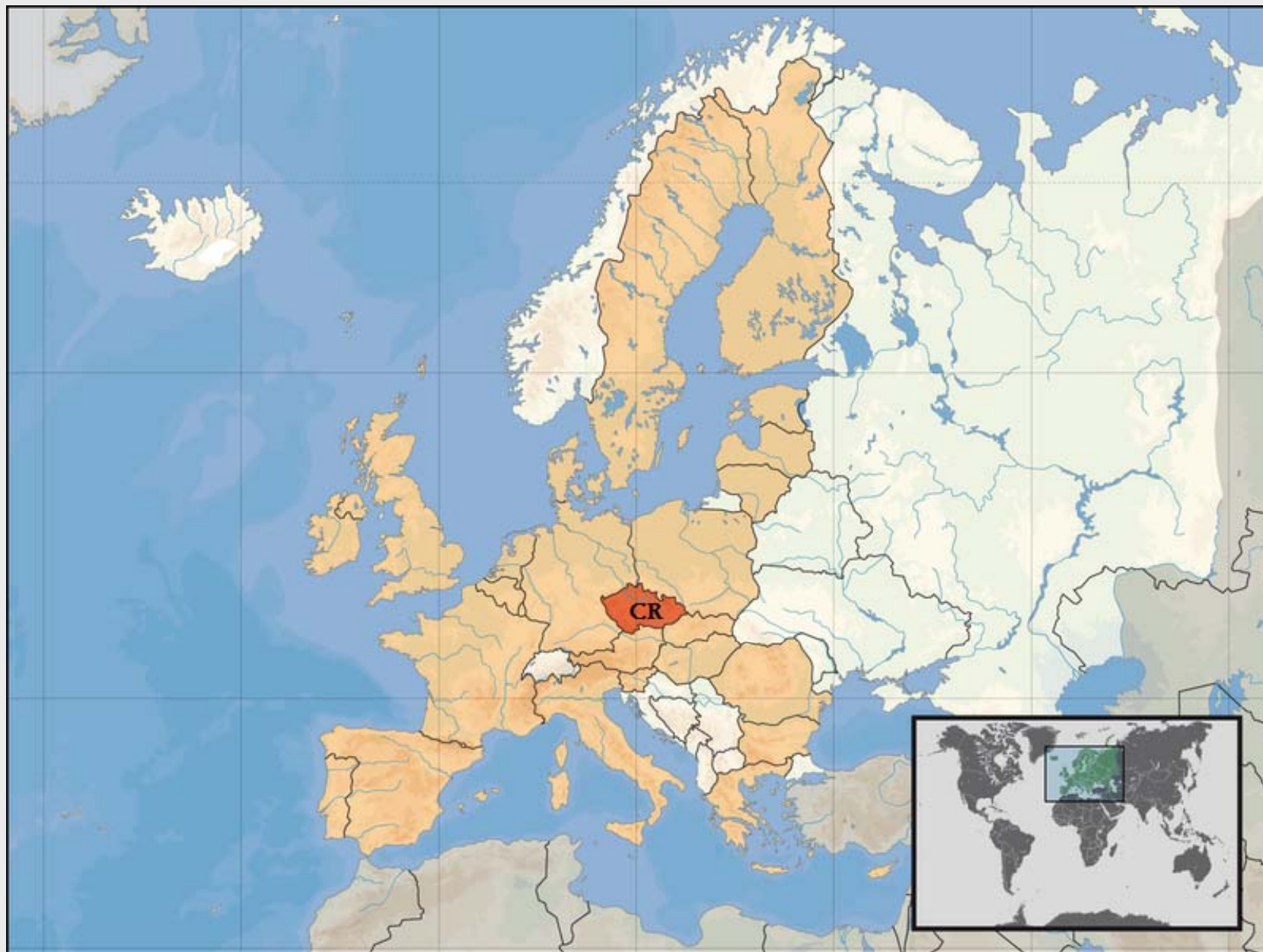
- Introduction
- The Velvet Revolution in Czechoslovakia
- Transformation of state forests
- Time scale of the forestry economic reform
- Current problems of Czech Forestry
- Possibilities for solving problems of Czech forestry
- Financial allocations for the period 2007 – 2013
- Main Themes of Forest Economics Research in the Czech Republic

Structure of Mendel University of Agriculture and Forestry in Brno

More than 9,000 students are currently enrolled in:

- Faculty of Agronomy
- Faculty of Forestry and Wood Technology
- Faculty of Business and Economics
- Faculty of Horticulture
- Faculty of Regional Development and International Studies

Map of position of the Czech Republic in Europe



The Velvet Revolution in Czechoslovakia

- On November 17, 1989, the regime led by the Communist Party harshly intervened against demonstrations organized by students on the occasion of the 50th anniversary of the closure of Czech schools by the Nazis. People came out on the streets to protest the brutality of the intervention and organized demonstrations and strikes
- A few months later, political parties were reinstated and the first free elections were held in 1990
- Vaclav Havel, who had led the negotiations with the communist government, became president

The Velvet Revolution in Czechoslovakia



Origin of the Czech Republic

- The Czech and Slovak political representatives were unsuccessful in finding a suitable bilateral model for the coexistence of the Czech and Slovak nations. This resulted in the organized and orderly **split of the joint state**

The **Czech Republic** and **Slovakia** have existed separately since January 1, 1993

- The Czech Republic was accepted as a member of the North Atlantic Treaty Organization March 12, 1999
- The Czech Republic was accepted as a member of the the European Union May 1, 2004

Transformation of state forests beginning in 1992

- Economic reform of forestry in the Czech Republic began immediately after November 1989 (The Velvet Revolution). The basic idea of the reform was separation of forest ownership from management activities in the forests.
- The implementation of the last version of the reform created a new state enterprise, Forests of the Czech Republic, to manage state forests after settling all restitutive requirements.

Time scale of the forestry economic reform

- 1990 – 1991: preparation and modification of the reform concepts
- 1991 – 1993: process of restitution of ownership before Communist era (mainly property confiscated between February 25th 1948 and December 31th 1989)
- 1992: transformation of state forest enterprises to state joint-stock companies; the origin of the Forests of the Czech Republic State Enterprise
- 1994: state forest joint-stock companies were privatized using coupon (voucher) system
- 1995: introduction of private capital resulted in a new ownership structure

Transformation of state forests beginning in 1992

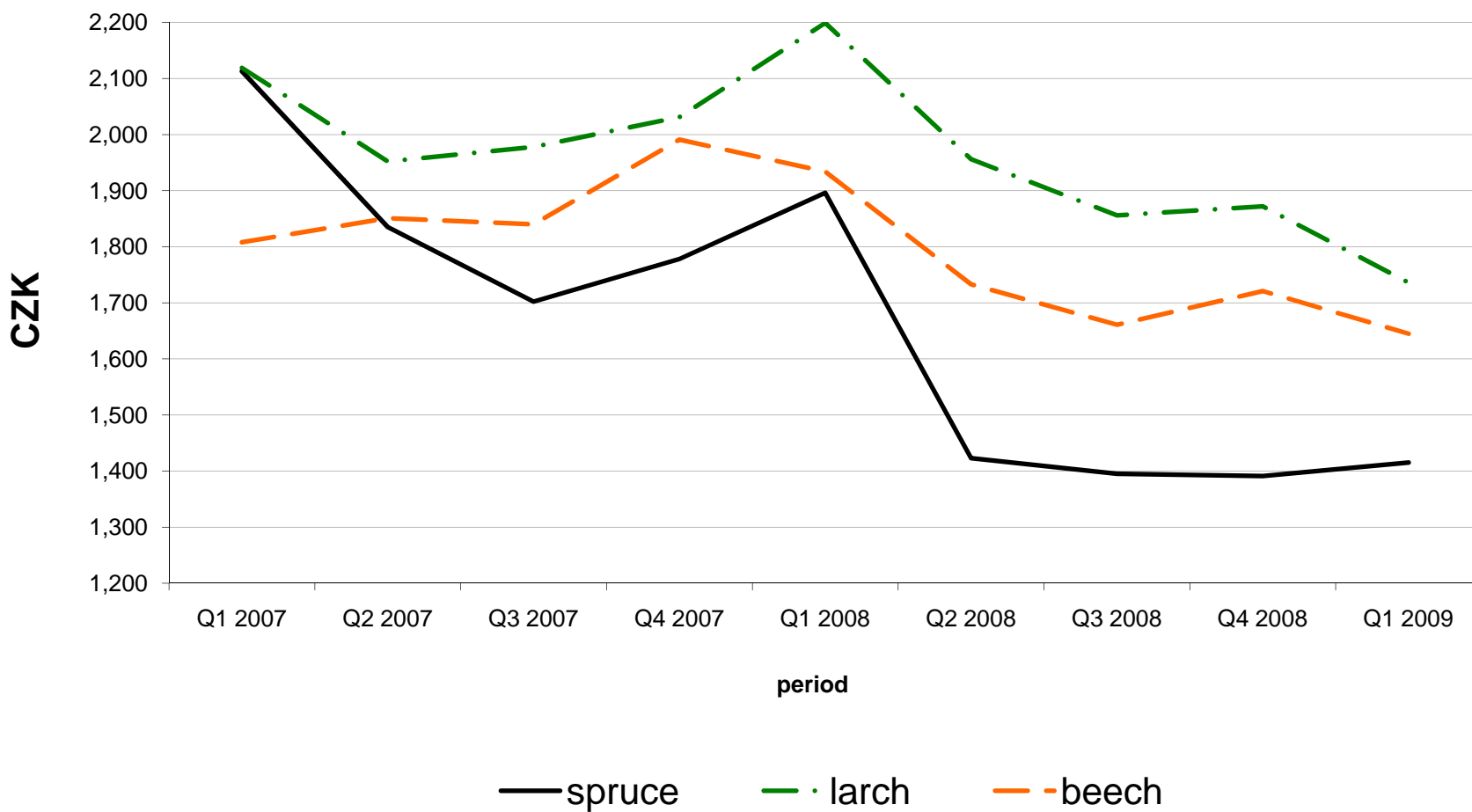
- Practical activities in the forests were to be carried out by private forest joint-stock companies (FJSC) and other entrepreneurial entities of the market environment
- The relationship between FJSC and Forests of the Czech Republic State Enterprise was established by contract based on procedures developed and approved for each particular territorial unit (type)

Current problems of Czech Forestry

- The division of forest management into both a state enterprise and joint-stock companies created new problems which result from imperfect contracts between these parties. This relationship reduces profits of state forest relative to private and municipal forests
- Unconditional acceptance of market principles has had negative effects on the condition of forests when only forest law and relevant authorities of the state administration evaluate the basic parameters of forest conditions
- Contract disputes between state forest and private contractors

- Restitution of ownership to small landowners (< 2 ha; 4.94 ac) in some cases resulted in deterioration of forests due to inadequate financial resources for good management practices
- Concern that this mechanism created poor earnings of state enterprises
- It is difficult to evaluate the contribution of actual owners to the conditions of the forest
- The division of economic results does not always follow the development of forest companies and profit is often allocated into subsidiary firms and not necessarily reinvested in forestry as a whole
- Decline in prices of timber

Price development for IIIA/B logs per cubic meter



Possibilities for solving problems of Czech forestry

- No solution
- New act about Forest State Enterprise
- New long term-strategy for Forest State Enterprise
- Transfer of state forests from the Ministry of Agriculture to the Ministry of Environment
- Return to the system of management of Czech State Forests before 1992

Main Czech forest indicators (2007)

- Total land area of the CR 19.49 mill. ac
- Total forest land area 6.55 mill. ac
- Forests as percent of total land 33.61 %
- Total annual felling 653.7 mill. cu ft
- Salvage felling mill. 525.8 mill. cu ft
 - windstorm Kyrill mill. m3 381.4 mill. cu ft
- Forest regeneration per year 52.6 thous. ac
- Tending operations per year 304.1 thous. ac
- Timber reserves 23.8 bill. cu ft

Main Czech forest indicators (2007)

Profit of forest owners (includes contributions for forests management) in \$/ac per year

Profit before taxation	2005	2006	2007
State forests	15.2	34.9	13.1
Municipal forests	12.4	14.3	22.5
Private forests	17.1	30.8	35.3
Average	15.2	30.7	19.9

Financial allocations for the period 2007 – 2013

- Financial allocations from European Agricultural Fund for Rural Development for selected forest measures of the Rural Development Programme

State budget: 54.94 mill. € EU funds: 190.37 mill. €

- Proposed public aid to forestry from the state budget

State budget: 116.90 mill. €

- Notified regional allocations to forestry

State budget: 98.33 mill. €

Main Themes of Forest Economics Research in the CR

- Audit of the management of the forest estate
- Evaluation of the profitability of the small forest estate
- New business relationships between Forests of the Czech Republic State Enterprise and forest contractors
- Advantages and disadvantages of transferring Forests of the Czech Republic State Enterprise from the Ministry of Agriculture to the Ministry of Environment

Main Themes of Forest Economics Research in the CR

- Utilization of financial incentives as an instrument to support small forest estates
- Possible ways to increase the use of wood with a special focus on small diameter trees
- Economics of managing structured forest stands
- Economics of managing special forest protected areas
- Quantification and evaluation of forest functions – monetary expression of market and nonmarket values

Reference

- Kupcak, V. 1998. Economic Transformation of Forestry and Management of Forest Joint-Stock Companies in the Czech Republic.
http://lta.hse.fi/1998/3/lta_1998_03_d6.pdf
- Map of the CR. 2009. http://cs.wikipedia.org/wiki/Soubor:EU_location_CZE.png
- Velvet Revolution.
<http://www.czech.cz/en/czech-republic/history/all-about-czech-history/the-velvet-revolution-and-its-consequences>
- Restitucion. 2009.
<http://www.ochrance.cz/dokumenty/dokument.php?back=/pomoc/index.php&doc=655>
- Forestry Act No. 289/1995 Coll. The Czech Forestry (CD-ROM). Issued by Forest Management Institute Brandys n. L.
- Prices of timber
http://www.czso.cz/csu/2004edicniplan.nsf/publ/7007-04-za_zari_2004

Thank you very much for your attention.