DESCRIPTION OF THE SITUATION IN THE VÕRU COUNTY AND VIDZEME PLANNING REGION OF THE WOOD AND FURNITURE INDUSTRY AND RECOMMENDATIONS FOR PROMOTING EXPORT CAPACITY

Research summary of the project "Innovation and export of wood and furniture in Võru County and Vidzeme Planning Region"

LATVIA
(VIDZEME PLANNING REGION)

ESTONIA
(VÕRU COUNTY)

Within the framework of the research and the project, Vidzeme Planning Region (VPR) respondents represent all groups of companies (from micro to large enterprises), while the Võru County has a high proportion of microenterprises and almost no large companies. Analyzing data, the size of regions needs to be taken into account – VPR by area is 6 times larger than the Võru County. The authors of the study exclude large companies from the analysis and focuses on micro, small and medium-sized enterprises.

FOREST SECTOR GENERAL STATISTICS (2015)

	Forest area	Wood stock	Yearly development volume	Forest industry exports
LATVIA	3,4 million ha	670 million m³	~11 million m³	2,04 billion EUR
ESTONIA	2,2 million ha	478 million m³	~10 million m³	2,04 billion EUR

	The proportion of the sector in the export structure	The proportion of the sector in the manufacturing industry	The import-export balance	Employment
LATVIA	20%	26%	+1,4 million EUR Import – 0.7 Export – 2.0	~40 thous. or 5% of Latvian labor force
ESTONIA	16%	22%	+1,3 million EUR Import – 0.75 Export – 2.04	~36 thous. or 5% of Estonian labor force

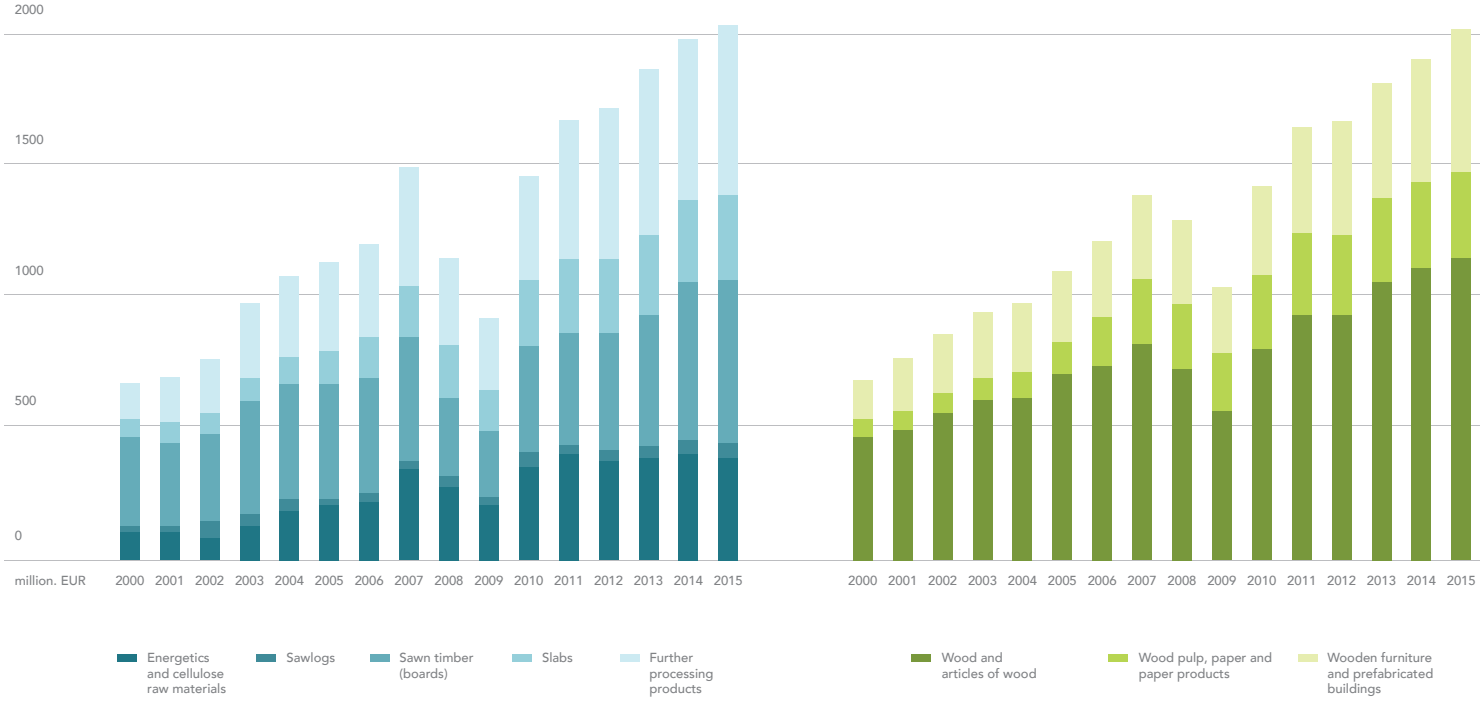
Region

VPR: The wood and furniture sector has been marked as important in the region's development, but in the future it will be a priority, especially in the area of employment and related problem-solving. In the context of Latvia, VPR is to be regarded as a region with sufficient wood resources (forests 52%).

Võru County: In the context of Estonia, this region is significant because of labour availability, less availability of wood resources. In the Võru County, the volume of resources (50%) is below the average in the country (53%).

FOREST SECTOR EXPORT DYNAMICS (2000 - 2015)

In Latvia, the forest sector among all the manufacturing industries is the only one capable of producing a positive trade balance – the value of exports is greater than the value of imports. In Latvia, the value of imports is about one-third of the value of exports. The main import products are cellulose, paper and cardboard.



DURATION OF THE RESPONDENTS PERFORMANCE BY PRODUCT AND COMPANY GROUPS IN VIDZEME PLANNING REGION AND VÕRU COUNTY

Respondents included in the research are just a part of the regional companies in the industry, thus reflecting trends, possible correlations between the project partner regions.

Furniture

13 years (4;25)*
13 years (1;20)*

Wooden houses

11 years (4;25)*
8 years (3;14)*

Components

12 years (<1;25)*
11 years (4;20)*

Wooden design products

8 years (2;12)*
7 years (3;12)*

Micro

11 years (2;25)*
9 years (1;19)*

Small

11 years (<1;25)*
16 years (3;20)*

Medium

15 years (11;25)*
18 years (13;20)*

Large

12 years (12;13)*
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*In the brackets minimum and maximum values of duration of the respondent performance by product and company groups are shown.

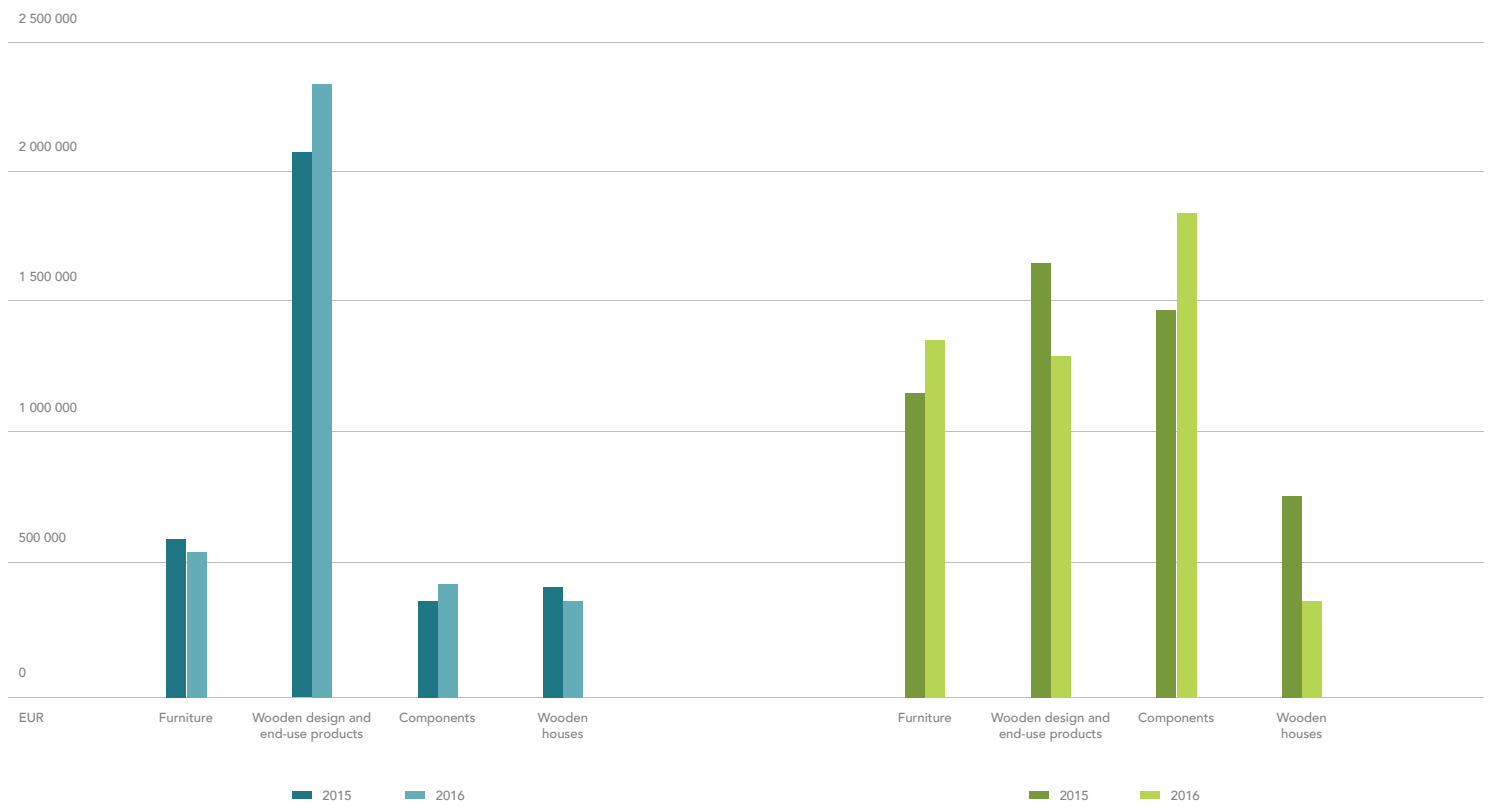
LATVIA

Average operating time of the companies – 12 years
The maximum – 25 years
The youngest <1 year

ESTONIA

Average operating time of the companies – 11 years
The maximum – 20 years
The youngest – 1 year

TURNOVER DYNAMICS (2015 AND 2016), EUR



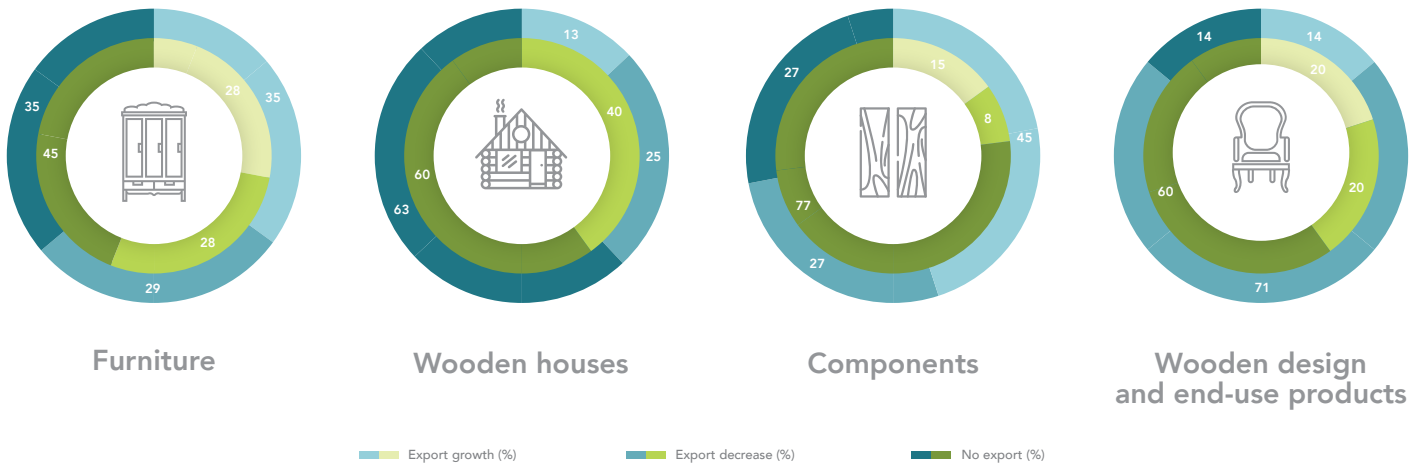
EXPORT GROWTH AND REDUCTION BY PRODUCT GROUPS IN REGIONS

Percentage share of respondents

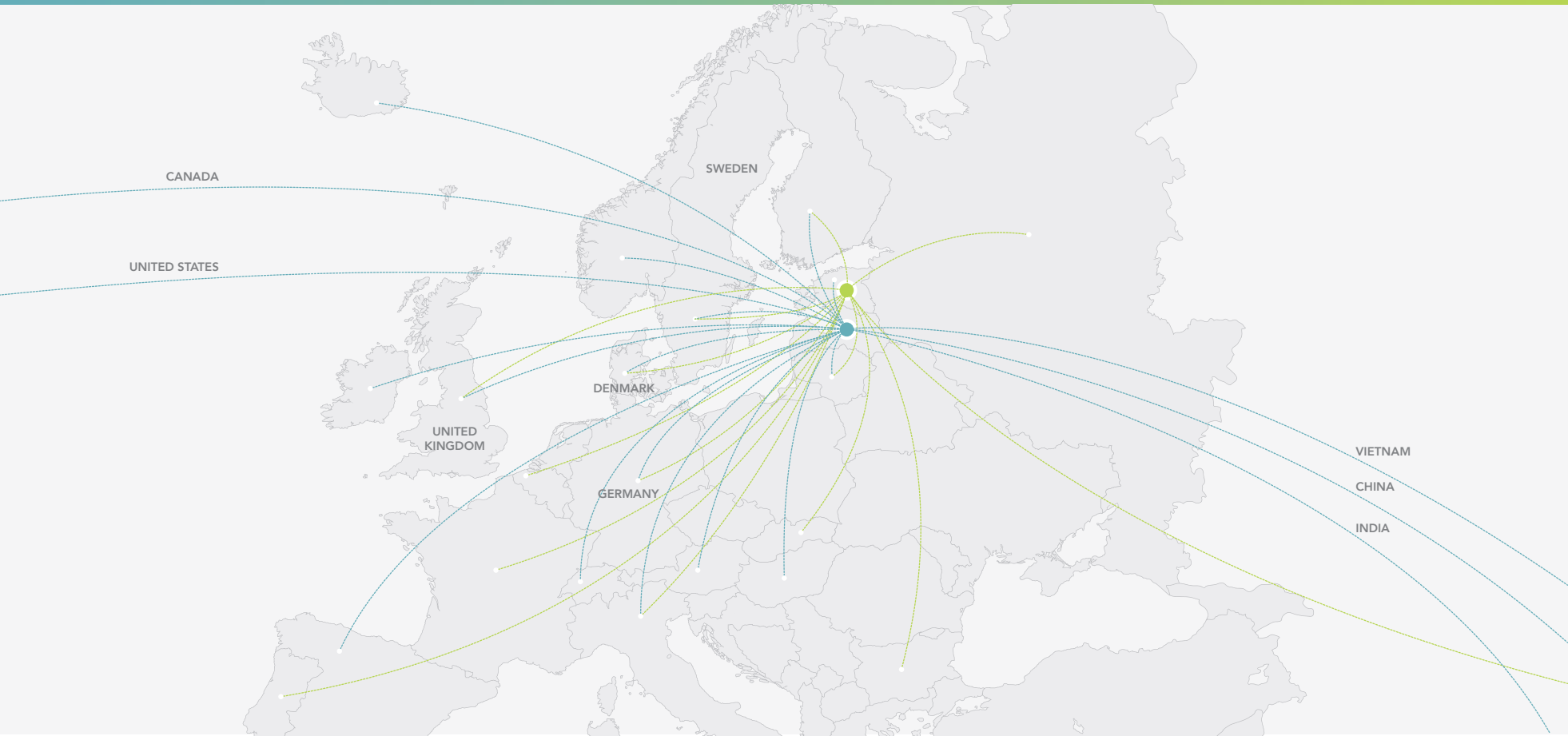
		Furniture	Wooden houses	Components	Wooden design and end-use products
LV	67%	41%	10%	28%	21%
EE	44%	55%	9%	10%	7%

of all respondents

Increase and decrease in exports in 2015 and 2016



MAIN EXPORT MARKETS



VPR main markets - Sweden, Germany, United Kingdom, Denmark and Lithuania. Small part of the production is also exported outside the Europe (Canada, USA, India, China, Vietnam).

In the Võru County, most of the production is sold to Finland and Sweden. The Baltic countries are also important markets. Outside the Europe furniture and wood products market is much more fragmented and more based on direct contacts with small traders or on personal contacts.

FACTORS AFFECTING FURNITURE PRODUCTION AND USE OF LIVING SPACE

Social

- The growing furniture user segmentation;
- The growing number of seniors in the world makes the manufacturer pay attention to the necessity for furniture, which is functionally adjusted to the needs of this group of costumers;
- Overcrowding and migration encourage thinking about furniture multifunctionality.

Technological

- A changing and progressive technological environment is a precondition for the technological solutions of furniture and living spaces to be easily replaceable and scalable;
- The incorporation of technology into furniture will affect user behaviour and facilitate changes in the design of workplaces.

Ecological and environmental

- The focus should be on creating long-term and high-quality furniture and living space solutions;
- The natural raw material is an important factor for health, and it is a renewable resource.

Design

- In the future furniture will have to be comfortable, easily modifiable and adaptable;
- Workplaces and public spaces should be built according to principles of inclusive society;
- To effectively use the living spaces, multifunctional and modular furniture should be created;
- Suitable furniture design should be used in order to match the body functionality of elderly people.

RECOMENDATIONS

In the VPR it is necessary to further promote the formation of new micro-enterprises in the wood processing and furniture sector. Most perspective sectors are wood-based design and consumer products and furniture production, which according to authors of "Forest and related sectors development strategy 2015–2020" are classified as industry products with high added value and meets customer needs. The following activities recommended for VPR are:

- To participate in solving problems related to the availability of skilled labour in regions;
- To promote organising the necessary infrastructures for production development purposes;
- To promote the implementation of a favourable investment policy for further processing product manufacturing;
- To participate in the improvement of entrepreneurs knowledge of the latest tendencies and risks in business environment;
- To ensure cooperation between companies in the region, both - in the field of products and services, and sectors not related to wood and furniture industry.

In the Võru County, entrepreneurs were looking for opportunities to grow by producing high added value products, capital accumulation and by investing in modernization of further processing production facilities. Estonia has well-developed sectoral and regional associations that develop support instruments, for example clusters and competence centres. They help to promote business experiences and encourages companies to collaborate. These circumstances are the reason why Estonia has many more micro-enterprises and more rapid development in medium and large enterprise (investment attraction) sectors. The following activities recommended for Võru County are:

- To develop local product brands in partnership with designers, thus improving development of products with high added value;
- To promote cooperation between enterprises, between companies and public administration, by improving the overall efficiency of the industry and investing in the creation of cooperation network;
- To promote investment in modern technologies or the creation of new technologies, and in product sales;
- To support in-formal training programs and seminars on the necessary areas of the company in order to improve the professionalism of workforce.

2018

The project "Innovation and export of wood and furniture in Võru County and Vidzeme Planning Region (Wood & Furniture)" implemented within the framework of the Estonia-Latvia Cross Border Cooperation Program 2014-2020. It's aim is to enhance cross-border cooperation in Võru County and Vidzeme Planning Region between wood and furniture sector companies to innovate industry and add value to wood and furniture products, introduce design-thinking and increase export capacity.

The above information in this publication reflects the views of the author. The managing authority of the programme is not liable for how this information may be used.

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