



# **The Economic Impact of the Forest Sector in Uruguay: Survey Results**

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# Outline

- Objective
- Forest Sector in Uruguay
- Uruguayan Forest Policy
- Survey
- Policy Results

# Forest Sector in Uruguay

- GDP Uruguay: 12 billion US\$ (2005).
- Forest Sector:
  - Silviculture: 0.8% GDP (2004).
  - Industry: 0.92% GDP (2003).
- Area planted: 715,000 (2004) - 750,000 ha  
74% Eucalyptus, 26% Pine (2004).
- Native Forest Area: 740,000 ha.
- Ongoing importance.



# Forest Sector in Uruguay

- Ownership: 100% private. Five companies own 30% of the land. If pension funds are added (local and foreigners): 53%. The rest of the land is fragmented among small (local) producers.
- Industry: sawmills (local and foreigners), pulpmills under construction (foreigners).



# Forest Policy: Law 13723 (1968)

- **Objective:** increase forest area.
- **Instruments:** tax exonerations, credit, taxes reinvestment (in plantations).
- **Results:** did not achieve results.  
Reasons: regulation was not complete (Forest Fund not instrumented, priority zones not defined), short run loans.



# Forest Policy: Law 15939 (1987)

- **Objectives:**

- 1- To encourage forestation as an alternative and/or complement activity for producers.
- 2- To protect native forest (new).

- **Instruments:** tax exonerations, subsidies, credit programs. Priority zones classified according to soil's quality.

- **Results:** Increasing in area planted: 645,620 ha between 1989-2004, from which 600,669 ha were planted between 1992-2002.



# Current Forest Policy

- Changes: soils classifications, subsidies.
- Management plans + environmental impact studies.
- Investments Promotion and Protection (Law 16906): taxes exonerations and tax breaks. Investments considered as National Interest Projects.
- Free Trade Zone: companies located in the zone have to pay a canon or fee. Benefits and costs.

# Forest Policy: Costs and Benefits

## ■ **Costs:**

Estimation conducted by Forest Division considering 1990-2004: US\$149,381,759. Includes: taxes exoneration and subsidies to plantations.

## ■ **Benefits:**

### ✓ Employment:

- Plantations: 28.6 employees/1000 ha planted.

714,000 ha planted → Benefits = 20.449 new employees

- Industry: 5,424 employees (6.25% of Manufacture's Industry Employees-2003).

✓ Exports: Forest Products Trade Balance negative until 2002, currently positive.



# Forest Sector Survey

- July 2006.
- 15 interviews:
  - ✓ Forest Division.
  - ✓ Agricultural Planning and Policy Office-Agricultural Ministry (OPYPA).
  - ✓ Republic of Uruguay University.
  - ✓ Forest Producers Society (SPF).
  - ✓ 5 Companies.

# Companies Surveyed

Uruguayan Entity		International Firm in Control	Origin of (Foreign) Capital
Manufacturing	Forest Plantations		
Botnia	FOSA	Oy Metsa Botnia	Finland
Eufores	Eufores	Ence	Spain
Colonvade	Colonvade	Weyerhaeuser	USA
Fymnsa	Fymnsa	-	Uruguay
COFUSA	URUFOR	-	Uruguay

# Survey: Plantations

	<b>Planted Area (ha)</b>	<b>Land Area (ha)</b>	<b>Planted/ Land Area</b>
Total 5 Companies	220,893	391,000	56.49%
<b>Total Uruguay</b>	714,000	16,666,670	4.30%
% Total (5 Co/Uruguay)	30.94%		

# Plantations by Species (ha)

<b>Euc. Grandis</b>	<b>Pinus Taeda</b>	<b>Euc. Globulus</b>	<b>Pinus Patula</b>	<b>Pinus Elliotti</b>	<b>Total Area</b>
38,120	77,265	105,000	129	379	<b>220,893</b>



## Estimated Rotation Ages (Average)

Pine	Eucalyptus
23 years	15 years

## Estimated Growth Rates (Average)

Pine	Eucalyptus
20 cubic meters/year	22 cubic meters/year



# Policy Results

- Positive impact on exports and employment.
- Negative impact in Trade Balance: increasing imports during mills' construction.
- Qualitative impacts: improve labor skills, local development.