

Current situation of forest companies in the Czech Republic

PRACOVNÍ VERZE VE FÁZI UPŘESNĚNÍ METODIKY

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Abstract

Introduction

Forest as a ecosystem is an extraordinary longevity system in proportion with one human life. It is a gift received from our ancestors and transmitted to our descendants. Each one tree is important for forest as well as others abiotic and biotic elements. Besides economic use of the renewable natural source of raw material, wood, there are many non-woods –producing, ecological benefits for all people. They include direct opportunity for recreation and tourism, or indirectly they provide ecosystem services as well as preventing biodiversity especially by national parks.

The total area of forestland in the Czech Republic is about 2,593,923 ha, of which 60.32 % is owned by state, 19.44 % is owned by natural person and 16.39 % is owned by municipalities and the rest is owned by others legal bodies. (MZe ČR, 2009) The percentages will probably soon change a bit in context with church restitutions which is expected to be included about 7 % of all forest area.

Main forest management is done by state forest company, state enterprise – Lesy České republiky, s. p. (LCR) founded by Ministry of Agriculture in the year 1992 (LCR Annual report 2001). Services are provided mainly by forest private or public limited companies¹. Management in national parks is provided by National park administrations, which are state allowance organisations and fall under the public sector and generally does not tend to be cost-effective unlike the other forests. Services in these woods-producing forests are provided by forest companies.

The forestry has been one of the primary manufacturing sectors in the Czech Republic (CR).

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Some of the forest companies were funded in privatisation process in the year 1992, which were privatised and competed for tenders of caring, seeding and harvesting works. The five years tenders are invited by LCR from year 2005 for five year period. The contracts get companies which offer the lowest price of their services. This system had firstly influence to increasing number of forest shareholders and partnership companies too and secondary later in their mergers. These companies employ mainly entrepreneurs (Hýbalová et al. 2012) and foreign workers from abroad, very often from Poland, Slovakia, Ukraine, Turkey.

¹ According the Act No. 513/1991 of Coll., the Commercial Code, as amended following regulations ("*Obchodní zákoník*") equity capital of private limited company (společnost s ručením omezeným – s. r. o.) must be minimum 0.2 mil. CZK (8,000 EUR) and equity capital of public limited company must be minimum 2 mil. CZK (80 000 EUR), or 20 mil. CZK (0.8 mil. EUR) publicly traded company.

Some of the forest state companies were transformed to the joint-stock ones in year 1992 and they were privatised in the year 1994 in the second wave of coupon (voucher) privatisation². “Based on the privatisation projects of 7 state forest enterprises (operating in the territory of the former Regions of Czechoslovakia) 90 joint-stock companies and 2 limited companies were established and entered in the Commercial Register of the Ministry of Justice of the Czech Republic in 1992. These entities took over the delimited infrastructure of forest and specialised companies of the former enterprises in the total book value of 8 billion CZK.” (Kupčák 2003, p. 28)

These companies were competed for tenders of caring, seeding and harvesting works in the state forests. Since 2005 the five years tenders have been invited by LCR. The contracts get companies which offer the lowest price of their services. This system had firstly influence to increasing number of forest shareholders and partnership companies too and secondary later in their mergers. These companies employee mainly entrepreneurs (Hýbalová et al. 2012) and foreign workers from abroad, very often from Poland, Slovakia, Ukraine, Turkey.

The paper takes a closer look at the financial situation of LCR within the years 1998 – 2011 and try to find answer to a very high profit of LCR generated last years, even though the same amount of wood is harvested every year, called allowable cut according forest economic plans. Aim of the paper is to find or speculate some reasons for so high profit.

There is a hypothesis that the profit of LCR follows market price of wood. It means the higher is the price the more profitable LCR is. The second hypothesis says, that LCR profits at the expense of the others forest and wood processing companies (FWC), which were worked with the contracts in the forests.

Methodology

The unification of methods of financial analysis was main purpose of Kupčák (2003) and contributes to the elaboration of industry average values, applicable to the evaluation of financial situation of companies in the forestry, judgment of the forestry economy as an organic whole or a part of industry in the national economy. He applied ratio financial analysis in two variants with and without value of land in some of the ratios.

In this paper elementary external financial analysis was applied to the state enterprise LCR for the period 1998–2011. Annual reports have been used as a source of financial data and other information. Since 1992 legal entities have had the duty to publish accounting data according Act No. 563/1991, with reference to Act No. 513/1991, Commercial Code, as amended following regulations. These data are

² “The voucher scheme provided for the allocation of shares of these firms under the following procedure: For each wave every adult citizen was entitled to buy a voucher book that contained 1000 investment "points" for 1000 crowns (about a week's wages). [...]Citizens used these voucher points to buy shares of eligible enterprises in a series of bidding rounds. Before the bidding began individual had the opportunity to allocate some or all of their points to any of over 400 investment privatization funds (IPFs).” (Hanousek, J., Kroch, E. A. 1995, p. 5)

available on webpages of company or must be available from company register online (www.justice.cz). The aim of this analysis is finding out reasons of in last year's growing profit of LCR.

It is made vertical analysis of assets and liabilities in the researched period and common sized financial statements in several years were compared. Average price of one m² forest land was calculated from the value of forest land and its area.

There is analysed value of wood in previous period and the situation of other companies which

Results and discussion

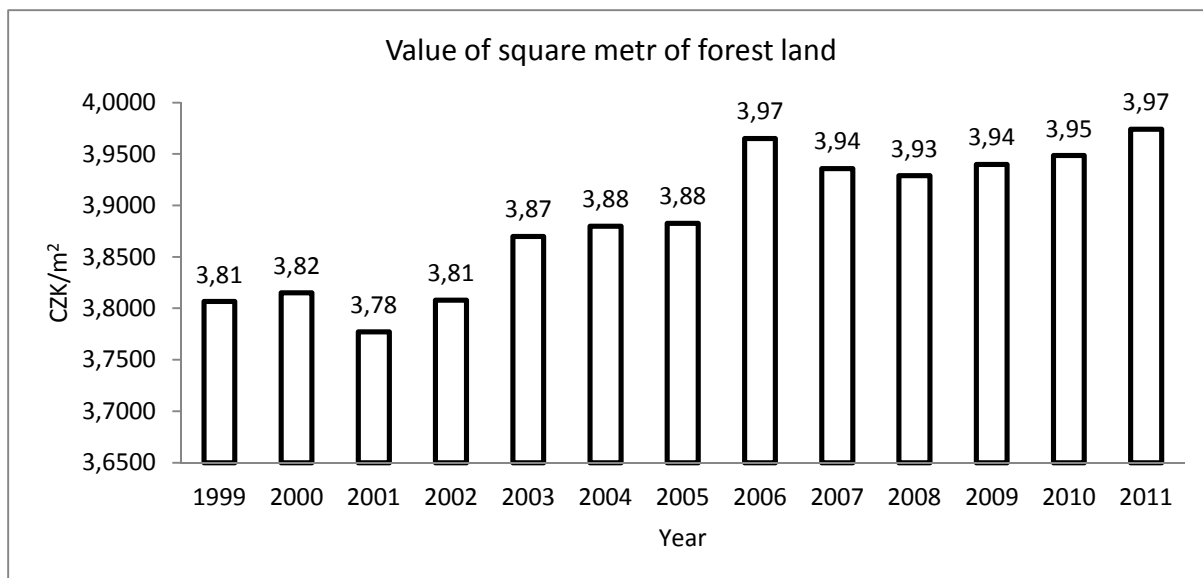
Area of forestland managed by LCR 1.342 million ha was in the year 2011. Value of total assets increased in researched period from 65.325 milliard CZK (1998), about 61 milliard CZK in years 2003 – 2008 and 78.222 milliard CZK (2011). The most significant change was in increasing of financial assets five times from the year 1998. From the vertical analysis in table 1 is expressed assets structure and its change within the researched period (table 1).

Table 1 – Structure of main kinds of assets of LCR in the years 1998 and 2011

Name		1998		2011		Change (%)
		Net current in CZK	in %	Net current in CZK	in %	
Fixed assets	Intangible fixed assets	50,017	0.08	509,670	0.65	918.99
	Tangible fixed assets	61,300,350	93.84	62,224,740	79.55	1.51
	Financial investments	250,556	0.38	2,862,949	3.66	1,042.64
Current assets	Inventories	158,933	0.24	190,570	0.24	19.91
	Long-term receivables	130,790	0.20	7,328	0.01	-94.40
	Short-term receivables	1,251,911	1.92	2,068,942	2.64	165.26
	Financial assets	2,147,018	3.29	10,252,140	13.11	477.51
Accruals	Accruals	35,758	0,05	105,981	0.14	296.38
Total assets		65,325,330	100.00	78,222,320	100.00	119.74

Source: Made from the data from annual report LCR 2011

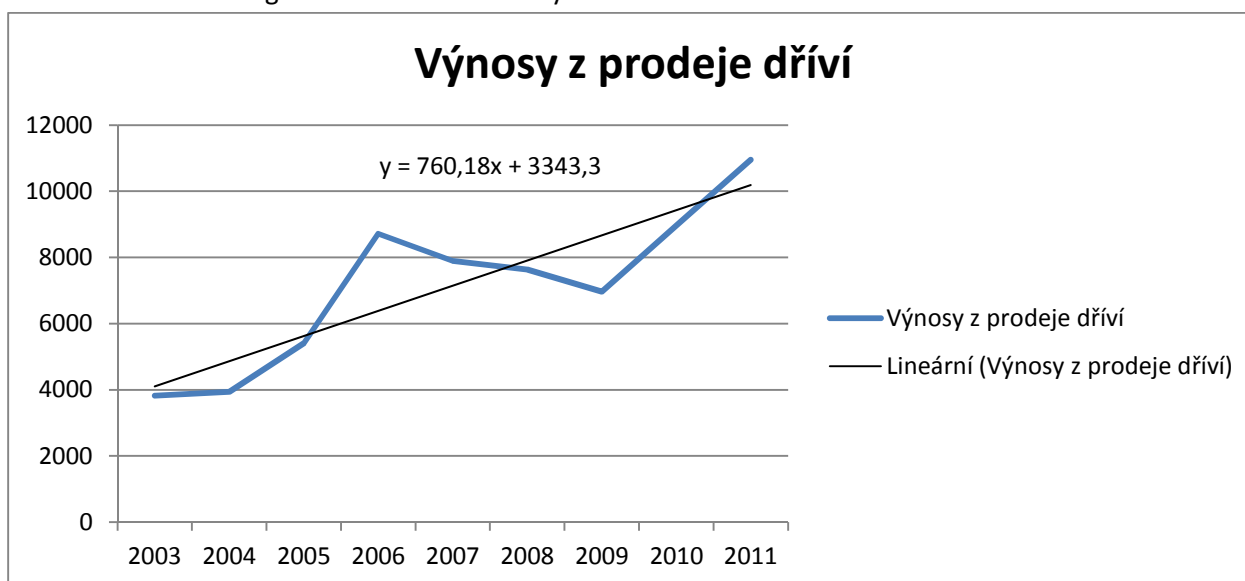
Total assets consist of 79.55 % of tangible assets in the year 2011. Within the researched period it changed from 93.84 %. Value of the forest land participates with 85.7 % on the tangible assets. Average price of one square metre changed from 3.81 CZK to 3.97 CZK (graph 1). The price did not have big influence to the value of assets because it did not change so much previous years. Paradoxically, market price of tangible assets in the Czech Republic decreased last years.



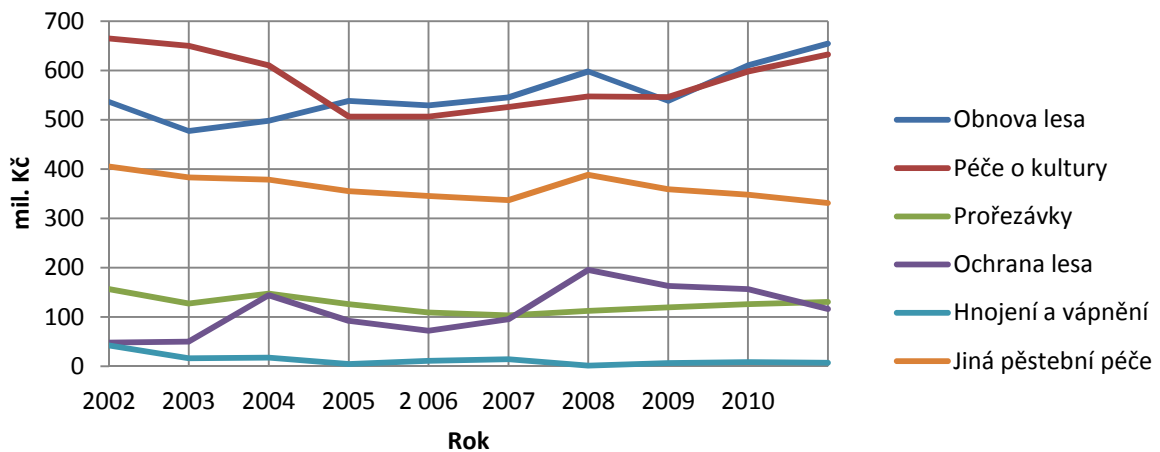
Source: Calculated from annual reports LCR 2011

“ Lesy České republiky, s.p. monitors forest stand valuations at market value while quantifying the official price according to pricing rules. As this involves a complex, difficult conversion process, quantification is not carried out every year. The last quantification of forest land values was carried out in 2008. The official price was quantified in accordance with Decree of the Ministry of Finance No 3/2008. The market price of forest stands is carried out by reference to the yield value in accordance with LČR methodology based on average linear surveys of forests managed by LČR.” (VZ 2011, p. 68)

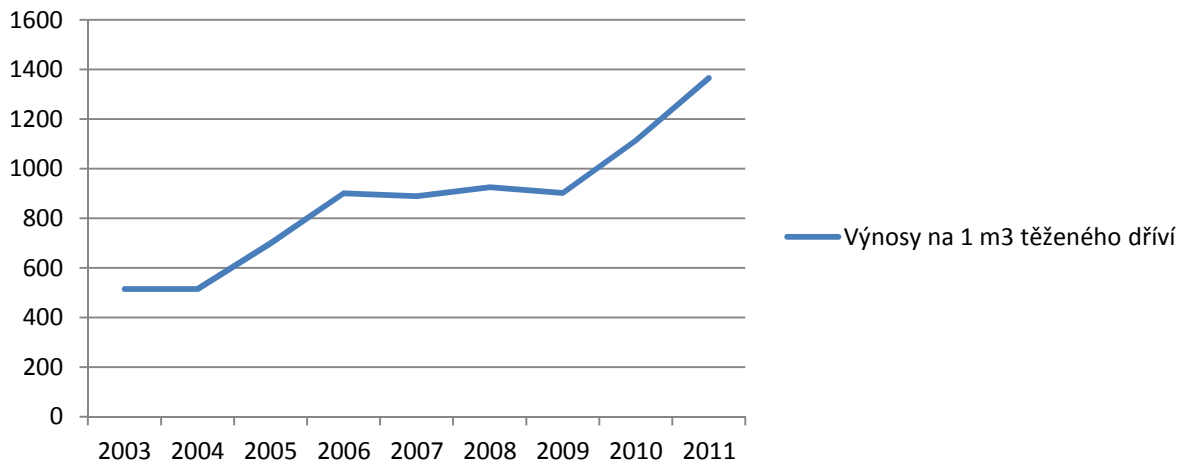
Market value of intangible assets includes only valuation of lands and not of wood.



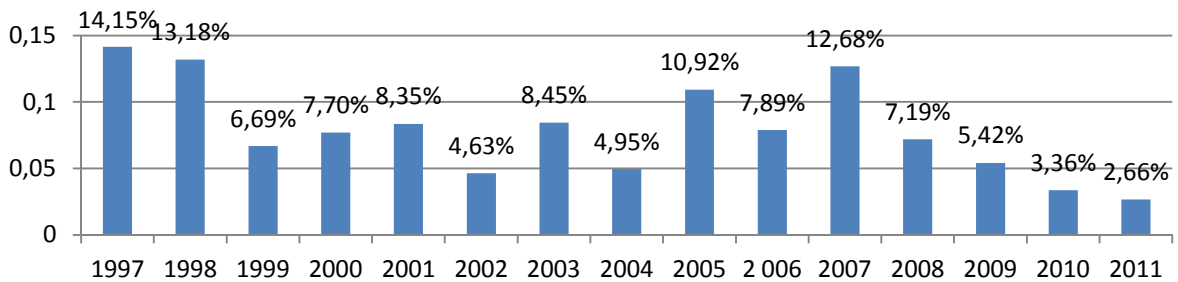
Náklady Lesů ČR, s. p. v letech 2002 - 2011



Výnosy na 1 m3 těžného dříví

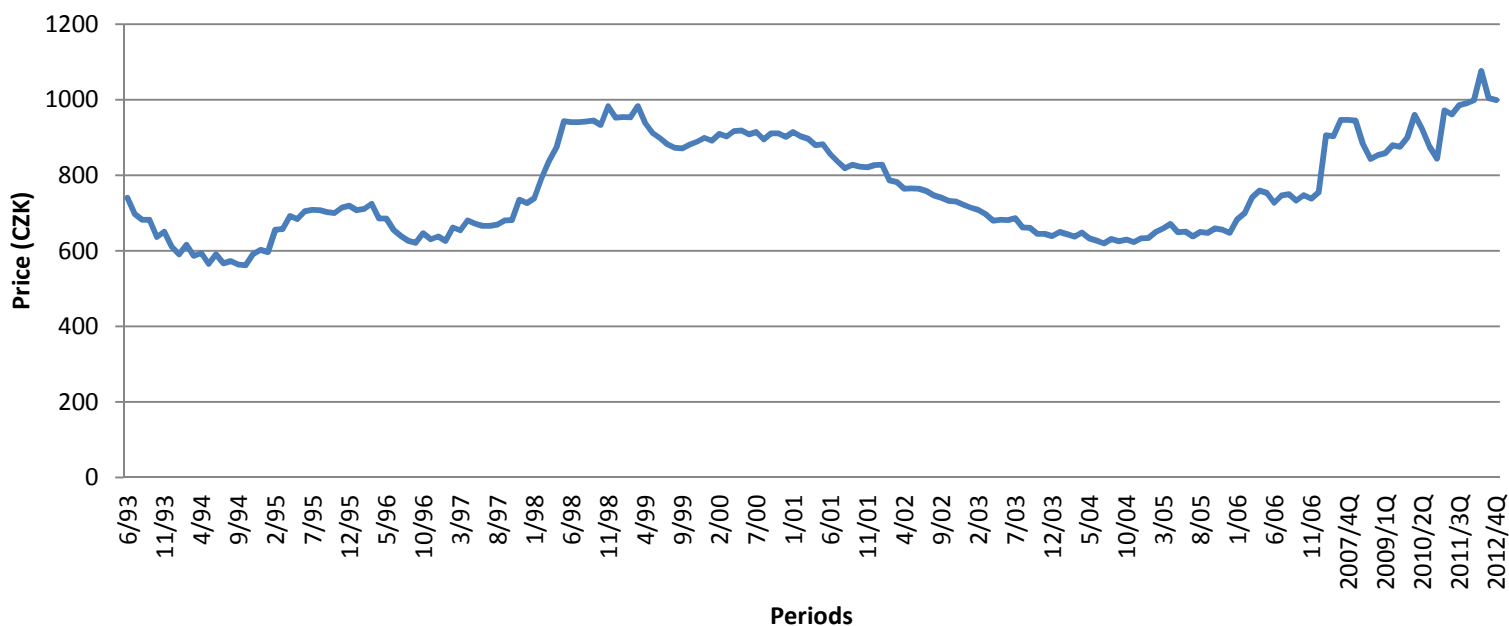


Annual change of average salaries in LCR, s. p.



Development of wood prices:

Softwood prices - V. grade - in years 1993 - 2011



Do these prices follow prices of other goods or services???

Situation with forest join-stock companies founded by privatization process:

Předmět vytěsnění	Nominální hodnota/Cena	Hlavní akcionář (podíl)	Datum promlčení nároku
Krušnohorské lesy a.s. (FNM 348,802,000 Kč)	500/386	vyvlastnění* (squeeze out) – nový majitel LESS, a.s. (91.66 %)	2011
Lesní společnost Hradec Králové a.s. (FNM 500,049,000 Kč)	966,-/257,-	vyvlastnění dle §220 - Hradecká lesní, a. s. (97.34 %)	2009
Lesní společnost Jihlava, a. s. (FNM 43,131,000 Kč)	691/293	převzetí jmění – Jihlavská lesní a.s. (97.67 %)	2007
Lesní společnost Ledec nad Sázavou, a. s. (FNM 32,774,000 Kč)	1,000/1,400	vyvlastnění* (squeeze out) – nový majitel WOOD-FOREST, s. r. o. (97.96 %)	2009
Lesní společnost Ledec nad Sázavou, a. s.	1,000/4,438	vyvlastnění* (squeeze out) – nový majitel WOOD-FOREST GROUP, a.s. (98.05 %)	4.9.2014
Lesní společnost Nové Město na Moravě, a. s. (FNM 49,196,000 Kč)	1,000/487	převzetí jmění - Lesní společnost Jihlava, a.s.	2008
Lesní společnost Planá u Mar. Lázní, a.s. (FNM 72,999,000 Kč)	1,000/775,-	listinky, vyvlastnění dle §220 - nový majitel, převzetí jmění- Lesní společnost Přimda, a. s. (91.16 %)	2009
Lesní společnost Plasy, a. s. (FNM 41,484,000)	1,000/550,-	vyvlastnění* - CiMS, a. s.; listinky (94.93 %)	2009

Lesní společnost Přeštice, a.s. (FNM 34,654,000 Kč)	400,-	vyvlastnění* - CiMS; listinky	2009
Lesní společnost Přimda, a.s. (FNM 81,07,000 Kč)	1.175,-	vyvlastnění* - FS Reality; listinky?	2009
Lesní společnost Stříbro, a.s. (FNM 129,349,000 Kč) - KALESPOL	940/778,-	vyvlastnění* - KM Partner	2009
Lesostavby Šumperk / poté OLZ (FNM 37,963,000 Kč)	last 60/30,-	převod na listinné akcie	
Lesostavby Třeboň, a.s. (FNM 103,627,000 Kč)	500/200,-	listinky, vyvlastnění* - nový majitel Retrana holdings, obchodník Cyrrus	1.12.2012
Lesy Mladá Boleslav, a.s. (FNM 20,534,000 Kč)	1006,-	listinky, vyvlastnění* - nový majitel Josef Viktorin, obchodník Gaudea	30.8.2012
Lesy Vyšší Brod, a.s. (FNM 54,363,000 Kč)	335,-	listinky, vyvlastnění dle §220 - nový majitel Vyšehradské lesy	2007

Zdroj: Inserver.cz (<http://www.in-server.cz/databaze-vytesneni/>) cit.: 19. 03. 2013

Conclusion

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