

**DEVELOPMENT PLAN  
OF STATE FOREST MANAGEMENT CENTRE  
2011–2014**



1.	Introduction	4
2.	Changes in External Factors Influencing RMK's Functioning	5
3.	Objectives of the Organisation	6
3.1	Functioning in Accordance with the International Rules for Sustainable Forestry	6
3.2	Efficient Governance	7
3.3	Increasing Forestry Awareness in the Society	8
3.4	Research and Development	9
4.	Area-specific Objectives	10
4.1	Forest and Conservation Administration	10
4.2	Forest Management and Organisation of Practical Conservation Works	12
4.3	Timber Marketing	14
4.4	Visits and Nature Education	15
4.5	Production of Reforestation Materials	17
4.6	Hunting	18
APPENDIXES		
	Appendix 1. Development Plan of State Forest Management Centre 2011–2014	20
	Personnel Policy of State Forest Management Centre	37
	Quality Management Policy Of State Forest Management Centre	39
	Environmental Policy Of State Forest Management Centre	40

**Estonian State Forest Management Centre (RMK) has extended its activities considerably over the last few years; the economic environment has also changed. All of this creates the need to review our action plans and development goals regularly.**

This document fine-tunes the objectives of the previous RMK development plan valid for 2009–2012 and extends the horizon to 2014. It includes an overview of the most important changes in the external factors influencing the activities of RMK, the main objectives for the whole organisation, as well as objectives specific to areas of operation. The annex contains an analysis of the fulfilment of RMK's operational objectives for 2009 and 2010.

Before, RMK's operations were mainly limited to forestry and focused on managing every piece of forest to the highest gain for the society; the years 2009 and 2010, however, brought us new responsibilities.

In addition to its recreation areas, RMK is also responsible for receiving guests in the five Estonian national parks and nearly 40 other protected areas. We are no longer only the provider of recreational possibilities in state forests but we also introduce the diverse Estonian wildlife to Estonians and foreign visitors. Another new task involves nature conservation works on state land – an activity that keeps growing in importance together with the growth of our know-how. Due to the new responsibilities, we are now no longer only the manager of state forests but also a protector of wildlife.

All of this has to be taken into account now and in the future when describing RMK and its goals. Balancing different values, combining sustainable forestry with nature conservation – all of this has to become part of our identity and visions.

I wish us all strength in achieving our objectives!

Aigar Kallas  
Chairman of the RMK Management Board

## 1. INTRODUCTION

State Forest Management Centre (RMK) is a profit-making state agency founded in 1999 by the Forest Act to manage the state forest belonging in the area of government of Estonian Ministry of Environment and ensuring opportunities for its multi-purpose use. RMK's governance structures and rights and obligations as forest manager have been determined in the Forest Act. State forest management objectives are set in the National Forestry Development Plan.

The state's expectations towards RMK have not changed. Estonian Forestry Development Plan valid until 2020 continues to underline the need to balance RMK's environmental protection, social, and economic objectives by seeing state forest as a stabilising force in the timber market, a wildlife conservation environment as well as the provider for everyman's right. Based on this RMK has been assigned a concrete task: ensuring the protection of the interests of the majority of the society's members in setting objectives and following them in the course of state forest management with the aim of achieving the application of the forestry policy principles of sustainability and efficiency to the management of state forests.

The fulfilment of the aforementioned tasks is described in detail in RMK's development plan. The version of the development plan currently in force was approved by RMK's Supervisory Board in September 2008 for a period of 4 years (2009–2012). Due to constant changes in RMK's operating environment and the increasing capability of the organisation, the development plan is reviewed and renewed every two years. Therefore, the current document is not a completely new development plan but rather a document that details the existing plans for the coming years and prolongs them to 2014.

The texts and tables in this development plan give an overview of the execution of the plan during the last two years. The general assessment is positive – regardless of the relatively unbeneficial economic environment, we have been able to fulfil most of the objectives (see Annex 1, based on the data from 2009 and 2010). On a critical note, however, one has to admit that not all the chosen success indicators have proven to be appropriate (e.g. pricing indicators, division of tasks between the areas of forest administration and forest management), resulting in replacement or deletion of certain indicators in the current version of the development plan.

One also has to underscore the fact that as the tasks evolve and concretise over time, the two years immediately following the renewal of the plan remain the key execution period for the development plan, also subject to more accurate prognoses. The description of the third and fourth execution years of the development plan is based on the best available knowledge and the length of the execution periods for planned works. E.g. the uniform regeneration cutting area remains largely unchanged and is referred to as such for the years 2013 and 2014. At the same time, as the forest inventories can take place only after entering the relevant territories in the land register,



the whole work cycle has been mapped out for the period of four years. The four-year period therefore reflects trends that RMK's cooperation partners may take into account.

Upon the approval of the development plan version in force, a review of RMK's governance policies was agreed. By now, RMK's Management Board has approved RMK's Quality and Environmental Management Policy, as well as the Human Resources Policy ensuring motivated staff and fair compensation. All the three documents are available as annexes to the current development plan.

As the views of our partners have an important impact on shaping RMK's development, the development plan will be published on RMK's website.

## 2. CHANGES IN EXTERNAL FACTORS INFLUENCING RMK'S FUNCTIONING

The biggest change compared to the period before drawing up the development plan in force relates without doubt to the supply-demand ratio in timber market. The timber price of EEK 800 per solid cubic metre (at times, up to EEK 1,000 per solid cubic metre) valid two years ago, has since dropped below EEK 400 to reach the current level of EEK 600 per solid cubic metre. As the Estonian timber market is still dependent on the export of pulpwood and Russia's trade policy for the next few years remains largely unpredictable, the future timber prices will also remain practically impossible to forecast. That is why our financial prognosis is based on the current price level. We have to concede that if the mentioned factors undergo significant changes, the financial prognosis and the selected development strategies will need to be reviewed.

The increased use of wood in energy (electricity and heat) production has to be referred to as a positive trend stabilising the market and increasing the market volume. The EU goals on renewable energies and the financing from the appropriate financing mechanisms have increased the opportunities for gathering and marketing low-quality wood. As a result, RMK has seen the volume of regeneration cutting and thinning increase in 2010, specifically in forest stands with lower turnout of high-quality timber. The new option for collecting logging waste has increased our collection and marketing volumes of logging waste threefold compared to last year. It can be said that the optimal regeneration cutting area set as an objective upon the approval of the development plan in force, as well as the increase in the area of forest stands improved through thinning, have materialised thanks to the steeply increased consumption of energy wood in Estonia. The use patterns of renewable energy sources in the Baltic Sea region have to be considered the biggest factor impacting the timber market during the execution period of this development plan.

The third factor impacting RMK's operating environment involves the last two years of structural reorganisation of the area of government of the Ministry of Environment that have given RMK

significantly larger responsibility as the organiser of nature visits and provider of nature education, as well as the organisation carrying out practical conservation works on state land. Hereby, it needs to be underlined that RMK that used to be treated as an organisation knowing and managing specifically forest biomes (also taking into account the specifics of the nature education programmes offered) is now expected to have the competency necessary in mediating all types of wildlife. RMK has also become a shaper of natural environments, including selection of species, biomes and landscapes, traditionally treated apart from the forest. That is why RMK has started work on the improvement of the coastal meadows and reed beds and restoring the historical water regimes of wetlands. The task of planning and execution of conservation works obliges us to adapt the organisational structure, as well as staff training to the demands of the new tasks.

The last factor to be expressly mentioned is the Estonian Forestry Development Plan valid until 2020 that defines the main objectives of forest management as maximisation of the productivity of forest land and increasing the growth of valuable timber. The detailing of these objectives will bring about inescapable changes in the operations of RMK which, in turn, need thorough scientific analyses. For that purpose, the development plan prescribes an increase in research financing and creation of new posts for research fellows.

### 3. OBJECTIVES OF THE ORGANISATION

Tasks related to good governance and environmentally friendly action concerning all RMK's areas of activity, as well as RMK's public duties related to accurate and timely forestry information and science-based forestry are treated as objectives for the whole organisation.

#### 3.1. Functioning in Accordance with the International Rules for Sustainable Forestry

International attention and the resulting strict global forestry rules set expectations to the management of state forests of specific countries, including Estonia. Consumers of forest-based products are placing an ever higher value on the following of the sustainability principle by forest managers.

Objective	2009	2010	2011	2012	2013	2014
3.1.1 Retaining the FSC sustainable forestry certificate	Yes	Yes	Yes	Yes	Yes	Yes
3.1.2 Obtaining and retaining the PEFC sustainable forestry certificate	–	Obtaining the certificate	Yes	Yes	Yes	Yes

As an international recognition, RMK has been a holder of the international FSC sustainable forestry certificate since 2002. We consider it important to hold on to the FSC certificate. To ensure a balanced approach, we also obtained the European sustainable forestry (PEFC) certificate based on an audit concluded in RMK in October 2010.

### 3.2 Efficient Governance

The management efficiency and quality of RMK can be described through our conformity with international management standards. Since 2002, RMK is holding the ISO 14001 environmental management system certificate; in 2010 we obtained the ISO 9001 quality management system certificate, the related audit took place at the end of the year.

We also consider customer satisfaction and the organisation's competitiveness in the labour market necessary prerequisites for successful governance and achieving results. Therefore we assess RMK's image as an employer compared to others and would like to ensure that our employees' compensations exceed the median wages in the market, in accordance with the approved human resources policy.

We would like to achieve efficiency comparable to that of the private sector in all RMK's areas of activity. In the areas where such comparison would not be reasonable, we continue to compare ourselves with other state forest managers in Europe.

Objective	2009	2010	2011	2012	2013	2014
3.2.1 Retaining the ISO 14001 certificate	Yes	Yes	Yes	Yes	Yes	Yes
3.2.2 Obtaining and retaining the ISO 9001 certificate	–	Obtaining the certificate	Yes	Yes	Yes	Yes
3.2.3 Handling and solving customer complaints within an agreed timeframe			Yes	Yes	Yes	Yes
3.2.4 Employer reputation in the TOP 10 of relevant studies <sup>1</sup>	4. place	3. place	Yes	Yes	Yes	Yes
3.2.5 Employee salary above the wage market median level for the relevant position <sup>2</sup>	No	Yes	Yes	Yes	Yes	Yes

<sup>1</sup> Employer reputation assessment based on the relevant studies by TNS EMOR.  
<sup>2</sup> Employee salary level assessment based on the relevant studies by Fontes PMP AS.



### 3.3 Increasing Forestry Awareness in the Society

Due to the rapid increase of cutting volumes of the end of 1990s and the beginning of 2000s and the resulting violations of forestry law, the reputation of forestry as a whole is low. At the same time, forestry has a long tradition for Estonians and therefore forests and their use carry major significance for the society. Thus the tasks of RMK as the largest forest owner include restoring of the reputation of good-practice-abiding forestry through science-based management and informing of the public. We are also investing in improving the recognition and reputation of RMK as the biggest forest manager among the general public in order to support a positive image for the field of forestry.

Objective	2009	2010	2011	2012	2013	2014
<b>3.3.1</b> Improvement of the reputation of forestry and timber usage through targeted forest information campaigns	Un-changed	> 2009	> 2010	> 2011	> 2012	> 2013
<b>3.3.2</b> RMK recognition in the TOP 10 of relevant studies <sup>3</sup>	18 <sup>th</sup> place	9 <sup>th</sup> place	Yes	Yes	Yes	Yes

<sup>3</sup> RMK recognition/awareness assessment based on the relevant studies by TNS EMOR.



### 3.4 Research and Development

Contemporary forest management is characterised by the versatility of the use of forest and the minimised environmental impact of the activities, educated and competent employees, and cost-effective technologies. Changing environmental and economic conditions requires the forest manager to be flexible and innovative, as well as embrace new knowledge for coping with the changing circumstances.

To retain and improve RMK's sustainable forestry capabilities, RMK has set an objective of supporting applied research and education in the field of forestry. Identification of the applied research priorities and assessment of the financing requests is carried out by the scientific council of RMK consisting of recognised professionals. The main criteria for choosing research and development projects for support are the number of innovations applied in practice and the budgetary resources earmarked for this specific objective.

In order to support forestry education, RMK has established the Heino Teder Grant, which is awarded each year to two Master's students of forestry, and the Toomas Ehrpais Grant, which is awarded each year to one vocational forestry student. In addition, doctoral grant will be created in 2011 with the intention of supporting two doctoral students throughout their 4-year nominal scientific studies period.

Objective	2009	2010	2011	2012	2013	2014
<b>3.4.1</b> Number of applied innovations	3	2	> 0	> 0	> 0	> 0
<b>3.4.2</b> Financing of applied research (EEK)	1	≥ 1	≥ 3	≥ 3	≥ 3	≥ 3
<b>3.4.3</b> Personal grant for two doctoral students in forestry (EEK/year)			150,000	300,000	450,000	600,000
<b>3.4.4</b> Heino Teder Grant for two master's students in forestry à EEK 50,000/year (EEK)	100,000	100,000	100,000	100,000	100,000	100,000
<b>3.4.5</b> Toomas Ehrpais Grant for a vocational student à 30,000 EEK/year (EEK)	30,000	30,000	30,000	30,000	30,000	30,000

## 4. AREA-SPECIFIC OBJECTIVES

### 4.1 Forest and Conservation Administration<sup>4</sup>

The objective of forest and conservation administration function is meeting all the interests related to the versatile use of forest (including preserving nature and environmental conservation). Forest and conservation administration is an equal function among the other five operational areas in the RMK organisation structure. It should, however, be considered somewhat different in substance - it sets the tasks of the other operational areas and controls their fulfilment.

During the first two years covered by the development plan in force, the territory managed by RMK has increased by ca 100,000 ha, accounted for by the previously not used so-called residual state forest areas and protected state land. Looking at the location of state land and its estimated privatisation potential, it may be concluded that another 200,000 ha of land could be reasonably considered susceptible for state ownership. A criterion for that could be the location of the plots next to traditionally state-owned areas, being covered by forest, and/or having high conservation value. Optimising land usage in the area of government of the Ministry of Environment has been based on preferring one user to a split user group, thus the administrative procedure of registering these plots as state land and their inventory during the next 4 years will become the task of RMK.

The operational area of forest and conservation administration is responsible for collecting and administration of state forest information in order to guarantee survey data on the whole state forest managed by RMK in the quality prescribed by the forest planning guidelines. During the development plan period, we plan to reach a situation whereby the inventory data concerning all state forests administrated by RMK are in the cases more recent than 10 years<sup>5</sup>.

Based on the collected information long-term (10 years) forest management plans for all forest districts will be compiled through consultation with stakeholders of local and national level. These plans have to be seen as strategic documents describing the possible uses of forest land, serving as planning tools for RMK as well as communication tools in the relevant county. Increase in RMK's conservation activities has brought about a more in-depth approach to these plans, which in turn has meant more time directed towards creating the suitable methodology. We still intend to approve the first plans in 2011; all districts will be covered by forest management plans by 2013.

Since 2009, RMK has been responsible for practical conservation works on state land. This works are carried out based on protection management plans in force. To assess the feasibility

<sup>4</sup> Extending the name of the area of forest administration to forest and conservation administration is for now arbitrary, not agreed by the management and is not reflected in the Statutes. At the same time it is clear that in the light of RMK's new responsibilities, the titles of different operational areas and structural units should be reviewed together with organisational structure and staffing.

<sup>5</sup> As we presume that there will be changes to the forest territory under RMK administration, while inventory can take place a bit later, we have to accept a certain inevitable delay related to this objective.

and execution of these works, we consider it important to develop the relevant expertise within RMK. As management plans for protected areas are usually long-term, while planning and budgeting of the works demand a much faster approach, our plans for conservation works on state lands cover a 5-year cycle. Plans are reviewed every year and prolonged for the next year. To ensure the effectiveness of all conservation works, all relevant work plans are submitted to the Environmental Board for approval.

Key biotopes serve as an indicator for the biological diversity of forests and we have decided to preserve them and avoid damaging them with our management activities. More than 11,000 ha of key biotopes have been identified in state forests and their discovery is ongoing. In 2010, all RMK's forest planners obtained key biotope assessor certificates, thus hopefully minimising the danger of accidental destruction of key biotopes in the future.

Objective	2009	2010	2011	2012	2013	2014
<b>4.1.1</b> Registration of land transferred to RMK for administration and increase in the area of registered land (ha)	22,600	77,400	100,000	100,000	–	–
<b>4.1.2</b> Inventory of the new land, including its natural values (ha)	5,665	9,600	55,000	55,000	80,000	95,000
<b>4.1.3</b> Inventory of state forest conducted pursuant to forest planning requirements, i.e. data not older than 10 years (cumulating %)	80%	84%	88%	92%	94%	100%
<b>4.1.4</b> Long-term forest management plans (including forest improvement plans) by districts (cumulating %)			47%	70%	100%	100%
<b>4.1.5</b> Concluding 5-year plans for conservation works			As prescribed by protection management plans	As necessary	As necessary	As necessary
<b>4.1.6</b> No decrease in the number and area of key biotopes as a result of RMK's forest management activities	Yes	Yes	Yes	Yes	Yes	Yes

#### 4.2. Forest Management and Organisation of Practical Conservation Works

The objective of the operational area of forest management is to ensure the organisation of forest management and conservation works in state forests in the most efficient manner possible. All works set as tasks by the operational area of forest and conservation administration have to be carried out in accordance with the set conditions – i.e. on time and adhering to the necessary quality. Efficiency is created through fair competition and the best logistical solutions. In forest harvesting, we aim for maximising the revenue for timber unit per stump, taking it into account when selecting trees for cutting, distribution into assortments, as well as in optimising the logistical chain from the cutting area to the customer.

In forest management, our principle is to renew every cut area in time and in the right manner using the tree species most convenient for the location. The time difference between cutting and registration of the new forest is 6 years on the average. Therefore, a difference can be observed between the area of regeneration cutting and the area considered regenerating in any given year. Presuming that in the future, cutting will be based on the uniform cutting area size, this difference will disappear in 2016.

Volumes of forest growing works are determined based on the best forestry know-how and practice; the relevant task is set for the operational area of forest management by the operational area of forest and conservation administration. Volume of cutting in any given year is determined mainly by the weather and the market situation, thus certain volatility may be presumed in the execution levels. RMK's objective is to cut the same surface area of fully grown forest every year. As the weather or market situation may not always allow for the fulfilment of this objective, we rely on the principle of not exceeding the total surface area of regeneration cutting set for five years (i.e the uniform cutting area), even if the cutting volume differentiates between years.

The development plan in force set the objective that all forest roads managed by us (ca 8,000 km) must adhere to the corresponding quality requirements. The 2009 inventory of roads indicated that ensuring quality requirements at all times is not possible (e.g. transport of cut wood inevitably damages roads; repairs before the cutting in the area has been finished are, however, not financially founded). Therefore we consider it necessary to review the quality evaluation methodology, conduct a second inventory and provide for the fulfilment of quality requirements during the next 4-year development plan cycle. In the area of drainage, we consider it necessary to conduct an inventory of all the objects, based on which we can set objectives concerning activities concerning the maintenance of drainage systems.

In addition to forest growth works, the area of forest management also has to fulfil tasks related to practical conservation works. The carrying out of this function is arranged between the different structural units of the operational area, based on the professional competency of the work in question (e.g. forest improvement unit, forest management region). 5-year work plans containing the tasks for practical conservation works are presented by the operational area of forest and conservation management.

Legal compliance is an important indicator describing the activities in this area. Previously, our development plan included the objective of avoiding breach of forest or environmental protection law by our employees; from 2011 on, our aim is to achieve the same by our contractual partners.

Objective	2009	2010	2011	2012	2013	2014
4.2.1 Area of regenerated forest (ha)	6,600	6,850	5,500	6,750	6,100	6,100
4.2.2 Performed maintenance of young growths (ha)	12,220	14,121	15,000	15,000	15,000	15,000
4.2.3 Performed thinnings (ha)	8,618	11,135	13,000	13,000	13,000	13,000
4.2.4 Performed regeneration cuttings (ha)	7,296	8,386	8,400–8,600	8,400–8,600	8,400–8,600	8,400–8,600
4.2.5 Performing conservation works			As prescribed by protection management plans	Based on 5-year plans	Based on 5-year plans	Based on 5-year plans
4.2.6 Compliance of forest roads with requirements (%)	54%	54%	Update of methodology	80%	90%	100%
4.2.7 Functioning of forest drainage systems	–	–	Inventory	Post-inventory decision	Post-inventory decision	Post-inventory decision
4.2.8 Number of breaches of forestry or environmental protection law in forest management by RMK and subcontractors (cases)	1	1	0	0	0	0

### 4.3. Timber Marketing

The objective of the marketing function is to sell all the timber at the highest price to users who are able to maximise the added value, by using selling methods and strategies that contribute to the stability of the timber market and to continuous investment attractiveness. In addition to maximising the timber sales price, the operational area must also strive for finding new uses for timber and product development.

In the last years, timber has undergone quite drastic price changes: in the first half of 2009, the market went through a deep recession, permitting only sales of select product groups. By the first half of 2010, timber sales price had increased by 15% year-on-year. This volatility and lack of predictability has made us give up sales price as a measurable indicator in the development plan. We presume that creating fair competition will provide the opportunity to get the best price regardless of the fluctuations of the global market or uncontrollable circumstances.



To fine-tune the sales process of timber, we adopted the additional RMK timber marketing strategy document in March 2011 and conducted thematic discussions with the Estonian Forest and Wood Industries' Association.

Objective	2009	2010	2011	2012	2013	2014
<b>4.3.1</b> Quantity of timber sold (million m <sup>3</sup> )	2.36	2.65	2.75–2.80	2.75–2.80	2.75–2.80	2.75–2.80
<b>4.3.2</b> Share of long-term contracts for log and pulpwood	79%	80%	85%	85%	85%	85%
<b>4.3.3</b> Share of long-term contracts for firewood	25%	50%	50%	50%	50%	50%
<b>4.3.4</b> Share of the sales of final stock	94%	95%	98%	99%	99%	99%
<b>4.3.5</b> Sales of logging waste, stumps and bushes (m <sup>3</sup> )	20,550	77,170	125,000	150,000	150,000	150,000

#### 4.4. Visits and Nature Education

The objective of the nature management function is to offer recreational possibilities in the wild and introduce sites of protection value through the nature tourism system based on everyman's right in recreational and protected areas. This improves the wildlife and nature preservation awareness of the general population and reduces the potential harm of the visits. Nature education programmes are developed so as to match the curricula of schools and provide the participating teachers and students, as well as laymen, with accurate and relevant information on the functioning of wildlife and sustainable use of natural resources, including forests. As to visits to state forests, we consider it necessary to expand the current possibilities by creating health and sports tracks, both through interested external parties and by ourselves, maintaining the existing tracks, and making use of them in the informational activities related to forest management and nature preservation.

Optimal funding – balancing customer expectations, remaining within the nature's carrying capacity, and increasing nature awareness of the general public – for visits and nature education should also be considered important. Based on studies on the matter, Estonians would be willing to pay between EEK 40 to 45 per event for nature visits and education programmes<sup>6</sup>.

<sup>6</sup> Study of Faktum Research Centre on moving in nature, 2003..

## AREA-SPECIFIC OBJECTIVES

In 2009, RMK's duties were extended to organised visits in protected areas, which demand additional focus on guiding the visitors and shaping people's habits of moving in nature. That is why we plan to set up action plans in this area to ensure organisation of visits in a manner compatible with the objectives related to the protected areas and development of nature education infrastructure. We deem it necessary to get the approval of the Environmental Board to the aforementioned visits action plans.

Objective	2009	2010	2011	2012	2013	2014
<b>4.4.1</b> Number of graduates of RMK's nature education programme	39,395	39,500	40,500	41,000	42,000	45,000
<b>4.4.2</b> Number of different nature education programmes	122	130	135	140	160	180
<b>4.4.3</b> 5-year action plans for organising visits in protected and recreational areas	Recreational areas	Recreational areas	Recreational protected areas	Recreational protected areas	Recreational protected areas	Recreational protected areas
<b>4.4.4</b> Number of forest visits in RMK recreational and protected areas	1,450,000	1,500,000	1,550,000	1,600,000	1,700,000	1,800,000
<b>4.4.5</b> People receiving information from RMK on gathering areas for berries and mushrooms	56,500	55,000	65,000	70,000	100,000	100,000
<b>4.4.6</b> Customer satisfaction (scale 1–5)	4.1	4.2	≥ 4.2	≥ 4.2	≥ 4.2	≥ 4.2
<b>4.4.7</b> Carrying capacity of nature (index)	< acceptable	< acceptable	< acceptable	< acceptable	< acceptable	< acceptable





#### 4.5. Production of Reforestation Materials

The objective of the operating area of the production of reforestation materials is to annually grow and/or stock forestry plants and forest seeds in the amount based on the needs of the reforestation materials of state forest. As the stock of forest seeds is quantitatively small and the technology suitable for stocking and storing them allows covering the entire demand for forest seeds in Estonia, RMK has also been assigned the task of creation and storage of the national forest seed reserve. With this, RMK fulfils the forest seed stocking and storage needs of all Estonian forest owners.

Stocking of forest seeds is a seasonal activity and therefore based on the principle of securing enough seeds during a seeding year to cover all needs until the next seeding year. As seeding years are impossible to predict, the objective states the maximal necessary quantity of stocked seeds after a seeding year. The actual volume of stocked seeds goes down during the years following the seeding year. Provisioning and storage of the forest seed reserve is arranged in accordance with the National Forest Seed Management Development Plan.

Objective	2009	2010	2011	2012	2013	2014
<b>4.5.1<sup>7</sup></b> Production of forestry plants (includes the production of AS Eesti Metsataim) (million pcs)	10.1	10.2	12.4	16.0	16.0	16.0
<b>4.5.1.1</b> Of this, covered root plants (million pcs)	3.4	3.9	4.7	6.0	7.0	9.0
<b>4.5.1.2</b> Of this, bare root plants (million pcs)	6.7	6.3	7.7	10.0	9.0	7.0
<b>4.5.2</b> Stock of forest seeds (kg)	4,750	3,900	6,500	6,500	6,500	6,500
<b>4.5.2.1</b> Of this, pine seeds (kg)	3,250	2,550	3,000	3,000	3,000	3,000
<b>4.5.2.2</b> Of this, spruce seeds (kg)	1,500	1,150	3,500	3,500	3,500	3,500
<b>4.5.3</b> Cost of founding and maintenance of new seed growing areas (EEK million)	1.1	1	1	1	1	1

<sup>7</sup> Share of total production used in state forests

#### 4.6. Hunting

As the objectives set in the development plan of RMK for 2009–2012 for the organisation of hunting were not attained regardless of the changes in the structure and management carried out, RMK will liquidate the independent operating area of hunting from March 1, 2011. The remaining tasks arising from the role of state as a landowner and holder of hunting rights will be merged with the operating area of forest and conservation administration.

The hunting-related objective of RMK is to install contractual relations with all users of state land by 2013. The objective of RMK in distributing hunting rights to this land is not earning profit; the contracts will regulate the specific conditions for hunting and the procedure for avoiding and/or compensating excessive damage to forest.

In the future, hunting grounds will be distributed through 1-year contracts awarded through public tender, whereby we assume that the contractual price resulting from the tender will cover the costs of excessive damage of young growths by animals. Damage is considered excessive, if it does not allow for normal growth of the regenerated or young forest in accordance with the requirements concerning the number of healthy trees per area unit set with the rules of forest management.

Conducting research is possible on the hunting grounds in RMK's disposition; for that, research areas will be determined and the necessary conditions agreed.

Objective	2009	2010	2011	2012	2013	2014
<b>4.6.1</b> Conclusion of contracts for the use of hunting grounds	–	–	1/3 of total area	2/3 of total area	Entire area	Entire area
<b>4.6.2</b> Income from tenders, compensating for excessive forest damage by animals (EEK/ha)	–	–	≥ value of excessive damage	≥ value of excessive damage	≥ value of excessive damage	≥ value of excessive damage

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**APPENDIXES**



## APPENDIX 1.

### ANALYSIS OF ACHIEVING THE GOALS OF DEVELOPMENT PLAN OF STATE FOREST MANAGEMENT CENTRE (2009–2010)

Council of State Forest Management Centre (RMK) has approved the development plan of RMK for years 2009-2012. This report gives an overview of the activities of the organization from 2009 to 2010 in achieving the goals of the development plan.

#### 3.1. Expansion of the Area of State Forest

Goal	Goal		Achievement	
	2009	2010	2009	2010
<b>3.1.1</b> Evaluation and selection of forest land still in state ownership (ha)	100,000		70,000	47,700
<b>3.1.2</b> Entering forest land to be managed by RMK to cadaster (ha)		50,000	22,600	26,150
<b>3.1.3</b> Inventory of the forests given to management of RMK, including inventory of their natural values (ha)			5,665	9,600

Evaluation and selection of land still in state ownership was initially planned only for 2009; total of 100,000 ha. Since the evaluation and selection process is time-consuming and depends inter alia on the procedure of other state authorities in the area of government of the Ministry of the Environment, the total volume for 2009-2010 was 117,700 ha, incl 47,700 ha in 2010.

Although it was not initially planned to enter the lands still in state ownership to the cadaster in 2009, still 22,600 ha of land was entered to the cadaster. Here year 2010 should also be observed as a continuing process: During that year RMK entered 26,150 ha to the cadaster. In addition the Ministry of the Environment and the Environmental Board gave ca 50,000 ha of land with high nature conservation value to the ownership of RMK. Big part of the latter is not a forest land.

9,600 ha of forest land added to RMK were inventoried within 2010. Forest inventory to added forest lands can only be performed after entering the forest land to the cadaster hence achievement of this goal is planned with a delay.

### 3.2. Preserving the Biological Diversity of the Forest

Goal	Goal		Achievement	
	2009	2010	2009	2010
<b>3.2.1</b> Number of violations of nature conservation-related legislative and regulatory provisions (pcs)	0	0	1	–
<b>3.2.2</b> No decrease in the number and area of key biotopes as a result of RMK's forest management activities	Yes	Yes	Yes	Yes

For better achievement of the goal of preservation of the biological diversity of the forests, RMK has the task from 2009 to perform also the nature protection works in the forests owned by the state. Respective function was taken over from the closed Nature Conservation Centre.

Key biotopes serve as an indicator for the biological diversity of state forests which RMK cannot harm them with its management activities. The activity of RMK in achieving the goal is evaluated through adherence to limitations and keeping the key biotopes in respect of which the goal is achieved.

### 3.3. Functioning in Accordance with the International Rules for Sustainable Forestry

Goal	Goal		Achievement	
	2009	2010	2009	2010
<b>3.3.1</b> Retaining the FSC sustainable forestry certificate	Yes	Yes	Yes	Yes
<b>3.3.2</b> Retaining the ISO 14001 certificate	Yes	Yes	Yes	Yes
<b>3.3.3</b> Obtaining and retaining the PEFC sustainable forestry certificate	–	Yes	–	Granted in 2010
<b>3.3.4</b> Obtaining and retaining the ISO 9001 certificate	–	Yes	–	Granted in 2010

As an international recognition, RMK has been a holder of the international FSC sustainable forestry certificate and ISO 14001 environmental management system certificate since 2002. Following the requirements of both certification schemes, two environmental management system regular audits and one sustainable forestry audit (in addition also follow-up audit) were performed in 2010. As the result of the audits, RMK retained the FSC as well as ISO 14001 certificates. RMK was also successful in PEFC sustainable forestry and ISO 9001 quality management system audits held in 2010 and obtained respective certificates.

### 3.5 Efficient Governance

Goal	Goal		Achievement	
	2009	2010	2009	2010
<b>3.5.1</b> Efficient governance by areas of activity comparable with other state forest managers in Europe	Yes	Yes	Yes	Yes
<b>3.5.2</b> Employer's reputation in the TOP 10 of relevant studies	Yes	Yes	Yes	Yes
<b>3.5.3</b> Employees' salary above the wage market median level for the relevant position	Yes	Yes	No	Yes

The goal of RMK is to be comparable with other state forest managers in Europe regarding the efficiency of governance. The criterion for achieving this goal is 12,000 stocked cubic metres and 4,000 ha of manageable forest for one administrative employee of silvicultural field of activity. RMK currently already has necessary capability for working with such intensity – this can be confirmed by the volume of works performed in summer months of 2010. Currently the area of forest land managed by RMK is 842,000 ha; as of the end of 2010 the achieved work volume per one administrative employee of silviculture was 11,000 cubic metres and 3,300 ha of manageable forest. After formulation of 20% of land territory to state ownership, the area- as well as timber volume-related goals have been achieved without increasing the number of employees.

RMK uses the results of a survey by TNS Emor for assessment of RMK's image as an employer. According to the survey in 2009, RMK held the fourth place according to evaluation of people working in Estonia and the twelfth place according to evaluation of the students. In 2010 the places were third and tenth accordingly.

To guarantee the satisfaction of employees, we consider it important to keep the salaries above the wages market median. According to the relevant survey by AS Fontes, we had not yet achieved this goal by 2009 for all positions – salaries were below an average in the areas of forestry, nursery and seed industry, hunting industry and nature management which drew an average of the whole organisation below the market median. An objective reason for the lower salaries in the field of hunting industry and nature management is in some cases the seasonality of the works. In 2010 we adjusted the salary system in the fields of forestry and nature management; in addition we performed supplementary analysis and adjusted the salaries in the fields of nature management and nursery and seed industry from 2011. Competitive salaries are so achieved with applying the performance pay system.

### 3.6 Increasing Forestry Awareness in the Society

Goal	Goal		Achievement	
	2009	2010	2009	2010
3.6.1 Increased reputation of forestry	> 2008	> 2009	> 2008	> 2009

The task of RMK as the biggest forest owner in Estonia is to increase the reputation of forestry among Estonian population. To perform this task, we use the survey “Recognition and reputation of a company” performed by TNS Emor according to the data of which 2/3 of Estonians (62%) knew RMK in 2009 and compared to the previous year our image increased by 0.5 points, raising RMK to the 18th position among Estonian enterprises (in 2008 the position was 52–53 accordingly.) Based on a survey from April 2010, ca 2/3 of Estonians (59%) knew RMK and compared to 2009 our image increased for 0.3 more points rising from 18th position to 9th position. Based on the survey results we may declare that the reputation of RMK as well as the whole forestry has improved during the observed period<sup>1</sup>.



<sup>1</sup> On request of RMK, TNS Emor performed a survey in October 2010 which gives an overview of the opinions and evaluations of Estonian population within the age range of 15 and 74. The main aim of the survey was to map the recognition of reputation and advertising campaign of RMK. The results of the survey showed that compared to a similar survey performed 4 years ago, the recognition of RMK has remarkably improved (57% in 2006 and 74% in 2010.) A large-scale advertising campaign in 2010 definitely influenced rise of recognition.

### 3.7 Research and Development

Goal	Goal		Achievement	
	2009	2010	2009	2010
3.7.1 Number of applied innovations	> 0	> 0	3	2
3.7.2 Financing of applied research (EEK)	≥ 1	≥ 1	1	1
3.7.3 Heino Teder Grant for two master's students in forestry à EEK 50,000/year (EEK)	100,000	100,000	Yes	Yes
3.7.4 Toomas Ehrpais Grant for a vocational student à 30,000 EEK/year (EEK)	30,000	30,000	Yes	Yes

Changing environmental and economic conditions require the forest manager to be flexible and innovative, as well as embrace new knowledge for coping with the changing circumstances.

RMK applied new services in 2009. It was possible to buy Christmas trees on the mobile phone, get information about places for picking mushrooms or berries from our homepage. Test phase of production of wood chips was transferred to production and sales.

#### Year 2010

It was decided to use EEK 2.3 million for applied research. EEK ca 1 (one) million of the amount was paid during 2009; the rest will be paid during further periods. Two grants were given to researches dedicated to evaluation of impact of forestry works and one to the **project for enhancement of increment model of survey features of forest stand**.

For the first time the Heino Teder and Toomas Ehrpais Grants were given to two forestry Master's students and one forestry vocational student in 2009.



## 4.1 Area of activity of silviculture

### 4.1.1. Forest administration

Goal	Goal		Achievement	
	2009	2010	2009	2010
4.1.1.1 Inventory of state forest conducted pursuant to forest planning requirements	100%	100%	100%	84%
4.1.1.2 Long-term forest management plans by districts	25%	50%	31.12.09 work group, methods, schedule	Due to added nature conservation works we postponed the enforcement of the plans to 2011
4.1.1.3 Long-term forest improvement implementation plan	25%	50%	35%	Due to added nature conservation works we postponed the enforcement of the plans to 2011
4.1.1.4 <sup>2</sup> Area of forest regeneration (ha)	8,400	8,400	6,110	6,610
4.1.1.5 Area of young growth improvement (ha)	13,000	14,000	13,000	14,121
4.1.1.6 Area of thinning (ha)	10,000	12,000	10,000	11,135
4.1.1.7 <sup>3</sup> Area of reforestation cutting (ha)	8,400	8,400	8,340	8,386
4.1.1.8 Number of forest notifications not approved in environmental authority	< 0,05%	< 0,05%	0,04%	< 0,05%
4.1.1.9 Volume of sites covered with forest notifications delivered to area of forest management compared to the goal (4.1.1.4-4.1.1.7)	110%	110%	100%	100%

Content of measure for inventory of state forest has been changed compared to earlier. The age of the whole state forest land inventory data and the percentage of 10 year old survey data are

2 The set goal is an estimated cutting of current year being equal to an area deemed as regenerated. Since regeneration of forests occurs with an average of 4-6 year delay from cutting year and during the previous years the cutting area has been smaller, the specified number differs from the area of regeneration cuttings planned for the current year. Regeneration area equal to estimated cutting will hence be achieved in some years.

3 Area of regeneration cutting for 2009-2012 is calculated based on methods provided for in Forest Act following the distribution of the age and composition of forest; following the conditions of placing the cutting areas and accessibility to the forest it is grounded to presume the performance of cutting of 90-95% optimum of the calculated amount.



evaluated. In 2010 this indicator was 84%. During the subsequent four years the match will be 100% and the goal has so been described in an updated development plan.

Preparation of long-term (10 years) forest management plans has reached the status where they can be approved for 8 forest districts by the end of the first half of 2011. The process of preparation of the plans was extended since a need for supplementary reviews occurred during preparation works (use perspectives of agricultural lands) and need to describe tasks added to RMK (e.g. improvement of semi-natural areas).

Forest improvement plans are prepared for all forest districts for 2010-2014. Long-term (for 10 years) forest improvement plans are prepared together with long-term forest management plans. Hence also the forest improvement plan is approved for 8 (eight) forest districts in 2011.

Regeneration area (area considered as regenerated) for 2009 was 6,110 ha and for 2010 it was 6,610 ha. The goal set with development plan – 8,400 ha was not achieved during either of the years. The reason was the nature of used measure. It is inexpedient to compare the area of regenerated forest with the area of forest cut at the same year since the regeneration cutting and forest regeneration have a shift of ca 5 years. To receive more objective overview of the success of forest regeneration, it would be better to use a measure comparing the regeneration volume of the current year with the regeneration cutting 5 years ago. This measure is changed in an updated development plan.

Considering the preparation for improvement of young growth, thinning and reforestation cutting the goals are achieved during both years. The volume of sites delivered for forest management exceeded 100%.

### 4.1.2. Forest management

Goal	Goal		Achievement	
	2009	2010	2009	2010
4.1.2.1 Volume of performed reforestation	100%	100%	4,314	4,627
4.1.2.2 Volume of performed improvement of young growths	100%	100%	12,220	14,121
4.1.2.3 Volume of performed thinnings	100%	100%	8,618	11,135
4.1.2.4 Volume of performed regeneration cuttings	100%	100%	7,296	8,386
4.1.2.5 <sup>4</sup> Average price (EEK/ha) of reforestation	< 2008. a	< 2009. a	6,895	7,443
4.1.2.6 Average price (EEK/ha) of improvement of young growth	< 2008. a	< 2009. a	2,360	2,527
4.1.2.7 Average price (EEK/cubic metre) of reforestation	< 2008. a	< 2009. a	238	236
4.1.2.8 Average price (EEK/cubic metre) of reforestation cuttings	< 2008. a	< 2009. a	135	137
4.1.2.9 Compliance of forest roads with requirements	inventuur	80%	44%	50%
4.1.2.10 Number of non-compliances to provisions of forestry law in forest management (pcs)	0	0	1	1

The volume of reforestation works planned for 2009 is total of 4,385 hectares. Actually there were forest plantations (planting, seeding, LUK (contribution to natural regeneration) planting, LUK seeding) to 4,318 ha – we achieved the set goal in the extent of 98.4%. The reason for smaller volume of cultivation resulted mainly from insufficiency of planting material. The planned volume for reforestation works for 2010 was 4,535 ha, actually the works were performed on 4,627 hectares - hence the goal was achieved in the extent of 102%.

The initially planned volume for improving young growth in the budget of 2009 was 13,000 ha. In connection with a very poor timber market situation at the beginning of 2009, the work volume was diminished by 1,000 ha with the aim to save costs. The new goal was set to 12,000 ha. In 2009 young growth was improved on 12,200 ha.

4 In respect of calculating average prices for 2007, an actual price is submitted and for 2008 a price planned in the budget; in case of reforestation an average price of planting the forest is given. Comparison of prices further follows the permanent price retracted to similar natural conditions – or prices adjusted to inflation.

The planned volume for improving young growth for 2010 was 15,000 ha of which we performed 14,121 ha (94%). The reason for failure was withdrawal of several performers from their contractual obligations and extraordinarily early and snowy winter.

The goal of thinning was achieved only in the extent of 86% for 2009 as very complicated situation in the timber market forced to lower the volume of thinning by 80,000 m<sup>3</sup> and 2,000 ha. In the second half of the year the exceptionally big amount of precipitation did not allow to catch the volumes diminished at the beginning of the year.

The task set for thinning on 11,135 ha in 2010 was fully performed and an average price of cutting remained 3% lower than planned in the budget.

The goal of reforestation cutting for 2009 was achieved in the extent of 87%. The reasons for smaller volume than planned were the same as for thinning – poor market situation in the first half of the year and exceptionally rainy autumn. 2010. In 2010 the goal for reforestation cutting was achieved by 100%.

The inventory for compliance of forest roads to requirements was performed by the forest districts first in autumn of 2009 and repeated in autumn of 2010. When the inventories were summarized it became clear that used methods and inventory performed by the forest districts do not give a true picture of the condition of the forest roads and needs for improvement and reforestation works. Before performing the inventory of forest roads in 2011, the forest administration needs to specify the methodology and perform training for performers of inventory.

There was only one violation of provisions of forestry law but to diminish the risk of occurrence of similar violations, the management system must be continuously improved and employees trained.

#### 4.1.3. Timber marketing

Goal	Goal		Achievement	
	2009	2010	2009	2010
4.1.3.1 Amount of sold timber (m <sup>3</sup> )	2.5	2.5	2.36	2.65
4.1.3.2 Timber price (EEK/m <sup>3</sup> )	≥ 2008	≥ 2009	514	637
4.1.3.3 Percentage of long-term contracts as average of all commodity groups, incl log and pulpwood incl firewood	75%	80%	79%	86%
		80%		88%
		50%		52%
4.1.3.4 Percentage of terminal sales	90%	95%	94%	96%
4.1.3.5 Number of delivery claims	< 0.05%	< 0.05%	0.01%	0.01%
4.1.3.6 Sales of logging waste, stumps and bushes (m <sup>3</sup> )	75,000	100,000	20,550	77,170



Due to the poor timber market situation the sales goals were not achieved in full extent in 2009. During the first six months less than 1 million cubic metres were sold and during the second half the volume amounted to 1.4 million cubic metres. Permanent demand for all commodity groups emerged only in the fourth quarter.

Due to weak domestic demand and almost non-existent foreign demand the timber prices fell to the level of 2009.

When as an effect of 2008 the salary level was still high in January 2009, the subsequent months saw a remarkable fall of prices in the timber market. Sales opportunities for logs narrowed and one-month price agreements were concluded with customers. In spring RMK organised export sales of conifer logs after which also the domestic market started to open up again and the prices started to increase but the annual average price still remained below set goal.

Demand for pulpwood decreased during the first months of 2009 radically and in the second quarter there was actually no demand at all. The prices fell to the level of direct costs of production and it was possible to sell only to few customers evaluating long-term cooperation. The prices remained low until the end of the year.

Firewood price also fell and at the first half of the year it was in some cases equal to cutting costs and this resulted in low sales and the stock increased. The amounts consumed by heat- and electrical energy cogeneration stations did not help to avoid the price fall of firewood. The price rose a little in autumn and this helped to realize the supplies from the beginning of the year.

Based on long-term contracts it was planned to sell 75% of the total volume of all commodity groups. This volume was exceeded due to greater stability of long-term customers compared to

general demand of the market and possibility to enter into additional long-term contracts for selling pulpwood.

The sales percentage of terminal was a little higher than planned but since the number of customers who wished to buy timber from intermediate warehouse (incl people buying firewood) has become lower.

Delivery claims are mainly submitted orally (one claim was files in writing) and solution were found without submitting official claim. 2009. The volume of goods being the basis for claims submitted in 2009 formed ca 0.01% of sold forest material.

The sales volume of logging waste and bushes was lower than planned since there was no sufficient demand due to poor timber market conditions. 2009. Wood energy department started activities in the second half of 2009 and it started to produce wood chips from that material. The logging waste was realized only in regions where there were no contracts entered into with wood chip consumers. Approximately 8,000 m<sup>3</sup> of wood chips and 12,500 m<sup>3</sup> of logging waste was realised from the total amount of logging waste and bush.

The demand started to recover and interest to purchase increased in respect of the whole assortment. Volume sales goals for the year were achieved. During the first six months 1.14 million cubic metres of timber was sold and during the second half of the year the number was 1.43 million cubic metres.

Recovery in demand brought along the increase in timber prices which amounted to 24% in That quick recovery of prices could not be predicted and price agreements were concluded mainly by 1-3 months. This shows the conservative attitude of our customers towards the recovery of our economy.

The most stable was firewood market where the price increased the least. This was sort of a surprise since the volume of renewable energy increased and the amounts of consumed firewood increased accordingly. Despite that the foreign demand increased the price of firewood most.

Based on long-term contracts it was planned to sell 80% of the total volume of all commodity groups. This volume was exceeded thanks to higher stability of the long-term customers compared to general demand in the market and capability to pay higher price. From 2010 the percentage of long-term contracts will be observed separately for log and pulpwood.

The percentage of sales of terminal was on the planned level.

Delivery claims were submitted for the 0.01% of sold timber in 2010.

Sales volume of logging waste and bush was lower than planned since during the first half of the year it was not possible to sell wood chips in agreed amount due to cold and snowy winter. The logging waste was realized only in regions where there were no contracts entered into with wood chip consumers. Approximately 68,016 m<sup>3</sup> of wood chips and 9,155 m<sup>3</sup> of logging waste was realised from the total amount of logging waste and bush.

## 4.2. Area of activity of nature conservation

Goal	Goal		Achievement	
	2009	2010	2009	2010
4.2.1 Number of graduates of RMK's nature education programme	25,000	28,000	39,395	42,238
4.2.2 Number of different nature education programmes	85	120	122	130
4.2.3 Number of forest visits in RMK recreational and protected areas	850,000	900,000	1,450,000	1,570,000
4.2.4 Customer satisfaction (scale 1–5)	4.2	4.3	4.1	4.3
4.2.5 Carrying capacity of nature (index)	< acceptable	< acceptable	< acceptable	< acceptable
4.2.6 Expense per time of visit (EEK)	48	50	40	38
Number of people informed about areas for picking berries or mushrooms	10,000		56,500	33,282

The indicators for achieving the nature conservation goals in development plan of RMK are influenced from the fact that from 2009 RMK started to organize visits to recreational as well as protected areas. Following that the number of forest visits in the territory managed by RMK increased remarkably.

Compared to 2009, the number of participants in nature education programmes increased by ca 3,000 participants in connection with continuous interest of general education schools in provided nature education service.

The number of different programmes is also higher than planned in connection with full operation of new nature centres (Emajõe-Suursoo and Matsalu).

In connection with extraordinarily hot summer of 2010, the number of visits to the forests in RMK recreational and protected areas increased by 120,000 visits.

The goal of customer satisfaction (scale 1-5) is also achieved. Despite the fall of satisfaction indicator (4.1) of visitors, the nature conservation department was able to improve the possibilities for moving in the nature so that the visitor satisfaction rose to 4.3 (scale 1-5).

The fall in the price of visit compared to the planned one proceeded from higher number of visits and primarily from more efficient employment of personnel.

A goal added in 2009 to improve informing people about the picking areas of forest berries and mushrooms exceeded the initial goal (12,000) but compared to 2009 (56,500) it was much lower in 2010 (33,282). The lower number of interested people may come from cooling off of media attention after the start of the programme and mastering of the groups using this information.

### 4.3. Area of activity of producing reforestation material

Goal	Goal		Achievement	
	2009	2010	2009	2010
4.3.1 Production of forest plants (Together with production volume of AS Eesti Metsataim) (mil pcs)	11	11	14.9	13.4
4.3.2 Stock of forest seeds (kg)	6,500	6,500	4,980	3,931
4.3.3 Profit of planting forest plants	10%	10%	19%	9%
4.3.4 Forest seed management loss (EEK)	1	1	1.1	1.0

#### Plant production

The goal for forest plant production in the development plan of RMK is to produce 11 million plants for reforestation of the state forest. RMK and Eesti Metsataim AS produced 14.9 million plants in 2009 and 13.4 million plants in 2010.

From the nurseries of RMK the realization was as follows:

- 8.7 million forest plants in 2009 and 7.7 million in 2010. By tree species the realisation in 2009 was as follows: 5.2 million spruce, 3 million pine and 0.5 million broad leaf plants. 7.37 million plants were used in state forest. By tree species accordingly 4.16 million spruce, 2.75 million pine and 0.46 million broad leaf plants.
- By tree species accordingly in 2010: 5 million spruce, 2.2 million pine and 0.5 million broad leaf plants. 7 million plants were used in state forest. By tree species accordingly 4.39 million spruce, 2.16 million pine and 0.43 million broad leaf plants.

The following number was realized from AS Eesti Metsataim:

- In 2009 – 5.7 million plants of which 2.9 million plants for the state forest (by tree species 1.48 million spruce, 0.86 million pine and 0.25 million birch plants accordingly).
- In 2010 – 6.2 million plants of which 2.59 million plants for the state forest (by tree species 1.48 million spruce, 1.49 million pine and 0.27 million birch plants accordingly).

The profit of forestry plant growing was EEK 3.4 million (19.7% from the turnover) in 2009. An extraordinary profit was gained due to favourable weather conditions for spruce plants in 2007-2008 which resulted in ca 10% higher percentage of sellable plants than usual and saved labour force costs.

The profit of forestry plant production was EEK 1.4 million (8.6% from the turnover) in 2010. The production volumes of further periods were established in planned volume. The prices of forestry plants did not change at the observable period.



## Seed industry

Total of 1,131 kg of forestry seeds were realised in 2009 of which 365 kg were used for RMK forestry planting and 315 kg for nurseries. 451 kg of seeds were sold for other forest owners. Compared to 2008, the sales volume and income both diminished by 25%.

Total of 1,151 kg of forestry seeds were realised in 2010 of which 472 kg were used for RMK forestry planting and 356 kg for nurseries. 323 kg of seeds were sold for other forest owners. Compared to 2009 the volume and income of selling the seeds increased a little. The selling prices for seeds did not change.

The planned forestry seed volume was not stocked from 2009–2010 since it was not expedient due to little seed-bearing of cones. 360 kg of pine seeds were stocked in 2009 and 185 kg in 2010.

As of the end of 2010 there was still 3,931 kg of seeds left (1,167 kg of spruce seed, 2,552 kg of pine seed, 128 kg of white birch seed and 84 kg of other seeds.)

The stock of pine seed covers the 3–4 year need of forestry seed of the republic and stock of birch seeds the need of 3 years. The stock of spruce seed is problematic as there is insufficiency by regions although by volume it covers the need of 3 years.

The planned loss of seed industry in 2010 was EEK 1 million. This limit has been adhered to and in 2009 EEK 1.1 million and in 2010 EEK 1 million was used for establishment, maintenance and administration of seed stock of seed orchards.



#### 4.4. Area of activity of hunting industry

Goal	Goal		Achievement	
	2009	2010	2009	2010
4.4.1 Performance of hunting plans	100%	100%	100%	100%
4.4.2 <sup>5</sup> Number of game surveys (pcs)	According to orders	According to orders	1	2
4.4.3 Number training days (pcs)	According to orders	According to orders	7	1
4.4.4 Number of visits by local hunters (pcs)	3,000	3,000	3,400	2,400
4.4.5 Loss from hunting (EEK)	0	0	2.38	0.98

The hunting grounds managed by RMK diminished by more than 200,000 ha in 2009. 6 hunting grounds with the total area of 160,000 ha remained. Obligations provided for in hunting plans and use of right permits were performed during both observable years.

In addition to common surveillance and collection of scientific research materials also the data were collected about the roe deer population in Kilingi-Nõmme hunting ground in 2009. 7 ordered training days were organized on practical hunting issues together for 127 participants.

In addition to common surveillance and collection of scientific research materials also the project for surveying the wild boar population in Kilingi-Nõmme hunting ground was prepared in 2010. One ordered training day was organized in practical hunting issues.

An auction for hunting permit of big game was organized with the aim to provide different hunting possibilities for local hunters in Angus and Kilingi-Nõmme hunting grounds. Hunting possibilities as a short term renting service at prepared hunting place was provided in all hunting regions. Issuing of permits for hunting of small games in RMK hunting grounds was continued.

<sup>5</sup> Bigger surveys performed in cooperation with Forest Protection and reforestation centre are indicated: Analysis of elk population in state owned hunting areas, cloven-hoofed game damages in conifer young growth and observation of game parasites.

**Financial forecast (mil. EEK)<sup>6</sup>**

	Goal 2009	Goal 2010	Achieved 2009	Achieved 2010
<b>TOTAL INCOME</b>	<b>2,000</b>	<b>2,050</b>	<b>1,529</b>	<b>1,865</b>
<b>EXPENSES</b>				
Silvicultural works				
Reforestation	69	73	64	57
Improvement of young growth	48	51	28	35
Thinning	143	152	106	134
Reforestation cutting	283	292	254	279
Sanitary cutting	27	28	20	20
Forest improvement	42	45	47	65
Other silviculture	16	17	20	76
<b>Total expenses of silvicultural works</b>	<b>628</b>	<b>657</b>	<b>538</b>	<b>666</b>
Transport	280	297	220	269
<b>Total</b>	<b>908</b>	<b>954</b>	<b>759</b>	<b>935</b>
Salary	225	239	169	186
General management expenses	133	140	84	72
Nature conservation	41	45	42	39
Scientific fund and grants	1	1	1	–
Other ways of forest use	0	0	20	19
Depreciation	100	100	107	136
<b>TOTAL EXPENSES</b>	<b>1,407</b>	<b>1,479</b>	<b>1,182</b>	<b>1,387</b>
Land tax	75	75	54.6	57.8
Forest income / Income tax	275	275	143	10.6
Profit	243	221	149.5	410
Profitability	12%	11%	10%	22%
Investments to forest improvement	150	175	77.8	74.6
Investments to equipment	50	50	14.6	11.3
<b>TOTAL INVESTMENTS</b>	<b>200</b>	<b>225</b>	<b>92.4</b>	<b>85.9</b>

<sup>6</sup> 6% inflation rate is taken into account in expense forecast; planned increase in income is due continuous taking into use of forest land owned by the state and sales of logging waste/stumps/bushes.

The economical goal of RMK is obtaining state income via the sales of forest management produce and performance of works necessary for managing the state forest compared to economy of private companies. The economic results of RMK are greatly influenced by the volume of cut timber and price received from it in the market. Both are features not depending on RMK – the volume of cut timber is determined by the Government of the Republic following the valid standards; the price of timber is designed in the world market.

The development plan of RMK for 2009–2010 was prepared in 2008 – immediately after the beginning of global economic decline. Hence the forecasted incomes in the development plan are quite optimistic and an actual result is not so good. In respect of the sales volumes the plan for 2009 was performed by 94% but the price of the timber fell at the same year so much that financially only 75% of the income forecast was performed.

In respect of the expenses the outsourced service and forestry planting costs were 16% lower than planned in the development plan. General management costs and salary costs were lower by 29% from the plan which means that an additional EEK 105 million was saved. The expense forecast of the development plan for 2009 was performed in the extent of 84%.

The profit of 2009 for RMK was EEK 149.5 million and it was more modest than a goal set in the development plan due to smaller income. The achieved 10% profitability was quite similar to the planned one.

2010 was much more successful since the demand in the timber market recovered remarkably quickly and RMK was able to sell sufficient amount of forest material with an average of 24% higher price than during previous year.

Compared to the goal of the development plan, the sales plan was performed in the extent of 91% but the profitability and profit exceeded the set goal significantly – 11% and EEK 189 million accordingly.

In connection with the increase in the volume of stocks, the expenses increased in 2010, the unit prices did not change essentially. The expenses of outsourced services and silvicultural works diminished by 2% compared to forecast in the development plan. The general management and salary costs were lower by 33% and EEK 124 million. The expense forecast of the development plan for 2010 was performed in the extent of 94%.

The profit of RMK in 2010 was EEK 410 million and profitability was 22%.



## PERSONNEL POLICY OF STATE FOREST MANAGEMENT CENTRE

**The goal of the State Forest Management Centre (further referred to as RMK) is to word the principles and goals related to human resource management supporting though the achievement of strategic goals determined in the development plan of RMK.**

**The goal of RMK management is to manage the organization taking into account the aspirations of the owners, wishes of the customers and needs of the employees – only taking into account all three at the same time will ensure the success of the activities of RMK.**

People are the most essential resource of RMK. The performance and development of the activities of RMK relies on commitment and competence of the employees.

The goals of RMK in managing its people are to:

- Create a company with strong feeling of togetherness, support our corporate culture where the openness, personal development, loyalty of employees and responsibility for results are evaluated;
- Raise and maintain the image of RMK as evaluated employer;
- Emphasise the honesty, positive attitude, teamwork as employees' values.

All RMK managers are involved in implementation of human resource policy.

### **Supporting the corporate culture – creation of OUR environment**

The management of RMK continuously supports and designs **open, regular and efficient information exchange** between the management, areas, managers of structural units and managers-subordinates with the aim to make the cooperation more efficient and increase the feeling of togetherness of people of RMK – or the feeling of **OUR**. We strengthen the OUR feeling of togetherness also with organizing **joint events** and information days for RMK employees.

### **Keeping people**

To achieve the commitment of employees we ensure that our people are well-informed about the goals of the organisation as well as current matters. Good working environment is essential for us; we favour the generation of supporting micro climate at working places (task of a direct manager). Information is forwarded via formal channels as well as direct communication. Employees and structural units share their news and experience with the others either during direct work process or via other internal channels of RMK. The information exchange and communication among the areas is guaranteed to enable the occurrence of OUR feeling and creating the integral internal image of RMK.

We evaluate our employees by ensuring fair and competitive salary and motivation package corresponding to the contribution of an employee. RMK has developed integral remuneration principles for all employees based on assessment of positions.

We recognize excellent work by more talented employees of the areas and introduce them inside the organization.

We provide different fringe benefits and perks following the principle to support the preservation of employee's health and capability to work and support significant events in their personal life. We favour healthy way of life by providing sports opportunities through the sports club established for that.

### Development of people

**Development of our people** follows the goals and strategy of RMK. We provide our employees development through trainings and development programmes with the aim that our people **are competent and have high qualification**. The employees have the possibility to develop with RMK. Each employee is responsible for his or her competence.

To ensure viable development of RMK, the managers perform development discussions and performance appraisals with employees to assess their work results and attitude towards work, clarify their training need and development opportunities. The employees receive **feedback from manager** giving an overview of **achieved results** as well as **further expectations**. Goals for a subsequent period are determined together. If an employee has failed to perform all tasks as expected, he or she can improve himself or herself. If during a longer-term working relationship it appears that an employee does not suit for the position or he or she is not capable to develop, RMK considers voluntary resignation of an employee to a position with lower qualification or termination of the working relationship natural.

### Recruitment of new people

We **welcome people with values similar to ours** and who are **experts in their field of activity** to the RMK family. Depending on the position and situation in the labour market different search methods are used. We provide our people opportunity to rotate among the internal positions in RMK and for work-related development, and through public competitions we expect new family members to our team through public competitions. We inform about public competitions in our web page and via job vacancy ads. We cooperate with forestry schools to ensure the new generation of employees.

### Leaving of employees from RMK

All RMK employees have sufficient work load and responsibility. RMK considers it natural that all employees have sufficient work load and responsibility. The obligation of a direct manager is to take care that there are no employees with too little work load. In case the employee with little work load or his or her manager are not able to provide an alternative distribution of responsibility which would eliminate the insufficiency of work and would contribute to achieve the goals of RMK, the organisation considers it natural that the position will be liquidated and the tasks will be redistributed.

Long-term employees retiring from RMK will have a dignified farewell party. The employee will get a gratitude note and a memento from the Manager of the Board of RMK and single bonus the size of which depends on the worked years following the provisions of the collective agreement.

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by management of RMK

## QUALITY MANAGEMENT POLICY OF STATE FOREST MANAGEMENT CENTRE

1. We consider efficient and result-oriented management of all areas of activity of RMK essential.
2. We provide our customers quality products and services following their requests and considering the opportunities of RMK.
3. In our production activities we strive for at least equal efficiency and quality compared to private undertakings.
4. We continuously develop the management system of RMK and ensure its compliance with the requirements of ISO 9001 standard.
5. We set measurable operational goals and continuously follow their implementation.
6. We govern our activities with well-functioning and thoroughly mapped processes.
7. We ask for feedback from our customers about the quality of our products and services and follow it in enhancement of our production and supply chain.
- 8.



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## ENVIRONMENTAL POLICY OF STATE FOREST MANAGEMENT CENTRE

1. We are acting pursuant to legislation and performing the requirements of FSC and PEFC sustainable forestry standard and environmental management standard ISO 14001 in management of state forest.
2. We use state forest diversely and in a way and scope which will guarantee preservation of biological diversity of the forest.
3. The parts of the forest have different purposes of use and taking those into account we always find environment-friendly methods of management and guarantee the skillful implementation of those methods.
4. We pay special attention to the protection of wet forests and cutting during the spring and summer seasons.
5. Following the need to protect the environment we, as well as our co-operation partners, use environment-friendly equipment and principles of activities in a state forest.
6. We ensure sustainability of a state forest by managing the forest in a way guaranteeing its regeneration ability and increasing the growth of the forest.
7. We grow a vital reforestation material of local origin in an environment-friendly way.
8. To increase the environmental awareness of our personnel and partners we share comprehensive information and arrange trainings.
9. We manage all assets possessed by RMK environment-friendly.
10. We connect the environmental management of the organisation with other daily activities through an integral management system and distribute the environment-related tasks and responsibilities among all employees.





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