South Africa
Emerging Market Opportunity??

What we have and
What we need

Presentation to the ITTO 50th Session
Yokohama Japan

Roy Southey
The Wood Foundation SA
November 2014

THE WOOD FOUNDATION

THE WOOD FOUNDATION IN SA

- **2008 -** Established as The Timber Marketing Forum (TMF)
  Founder members SSA, SAWPA, TFBA, FSA, ITC

- **2009 -** Name changed to The Wood Foundation & registered as a section 21 company (no profit)
  Membership opened to all institutions , associations, Government Departments, private companies and individuals

- **2009 -** Launched to the public

Aims & Objectives

To promote the benefits and virtues of growing trees and using timber

To promote the use of wood and wooden products in everyday life in SA

To educate and disseminate the benefits of forests and forest products

To establish a voice for the “Timber/Wood Industry”

To supply technical expertise on all matters concerning the growing of trees and the production of wooden products (technical sub committee)

THE WOOD FOUNDATION

THE WOOD FOUNDATION IN SA

Structure

- Managed by a board of directors comprised of representatives of all the major industry associations in SA plus two private members.
- Includes a representative of Government from the Department of Agriculture Forestry and Fisheries (DAFF).
- Has the power to co-opt experts to address problems from time to time.
- Membership is voluntary.
- Funded by donations from the various industry associations and a nominal membership fee .
- Receives no assistance from the SA Government or any NGO.

THE WOOD FOUNDATION

HISTORY OF TIMBER INDUSTRY IN SA

1652	**-**	Indigenous timbers used (Afro Temperate Coastal) primitively milled in forest (pit saws). Construction, Furniture / Joinery.
1802	**-**	First commercial sawmill established in the Southern Cape cutting Indigenous timbers.
1910	**-**	Introduction of exotic specie plantings in plantations. Pine and Eucalyptus. Imports of hardwood started.
1937	**-**	First two softwood sawmills commissioned by State. Small private sawmilling started.
1970	**-**	State announced curtailment in sawmilling and assets. sold to private companies.
1980 – today	**-**	Formal Private sawmilling growth (softwoods).

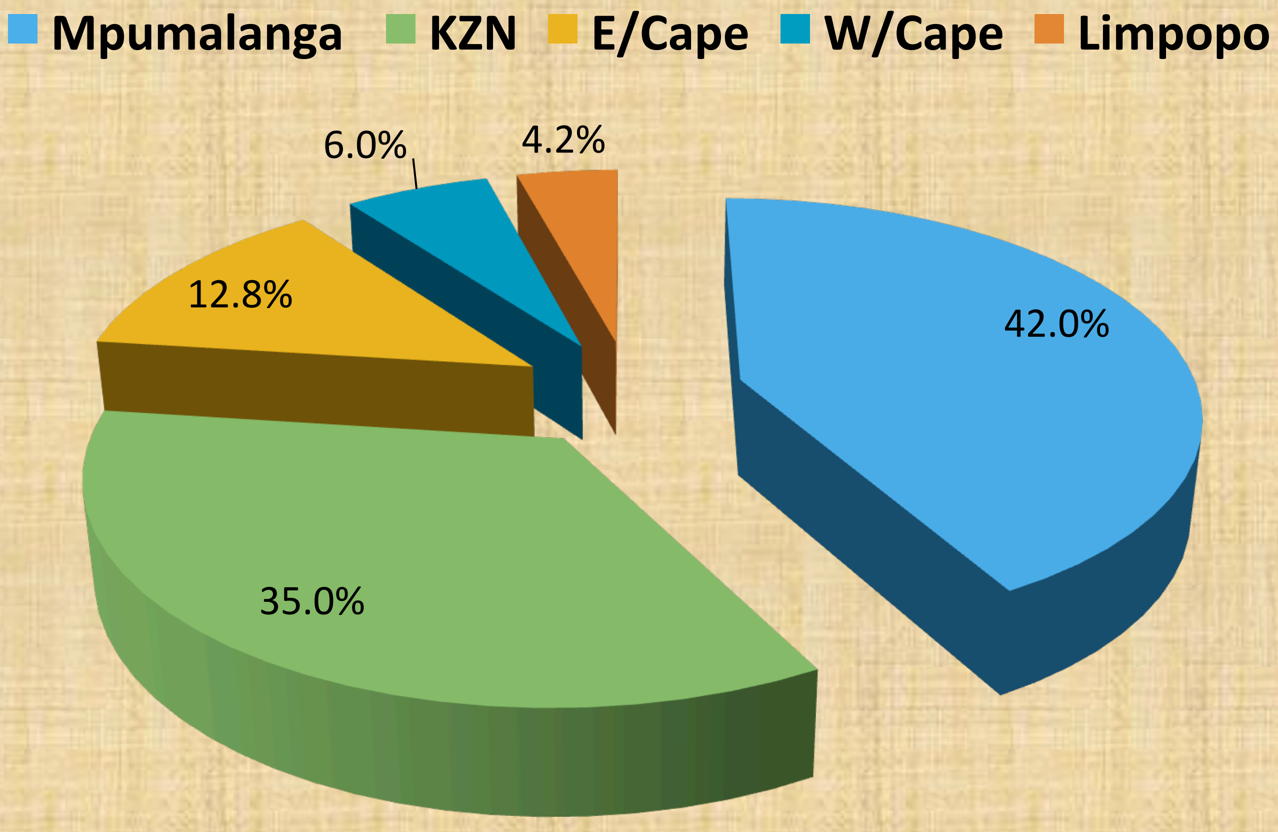
THE WOOD FOUNDATION

INDUSTRY TODAY

- Well developed Industry, more than 200 enterprises producing lumber.
- Pine softwood is dominant.
- Structural Pine market is the most important.
- Exports limited (Indian ocean islands).
- Classification of sawmills;
  - Formal sawmills (*kiln drying, SANS grading*)
  - Informal sawmills (*air drying, basic grading*)
  - Bush mills (wet lumber production, *low grade utility lumber*)
- Eucalyptus small by comparison predominantly converted into joinery and Packaging.
- Imported lumber almost exclusively hardwoods.
  - Plays a significant role in furniture , door & joinery industries

THE WOOD FOUNDATION

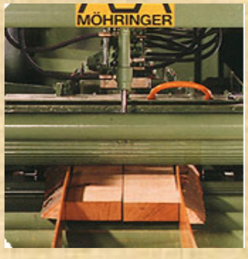
INVESTMENT IN SECTOR

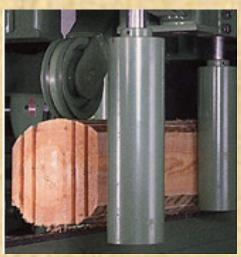


Investment - $4.6 billion

THE WOOD FOUNDATION

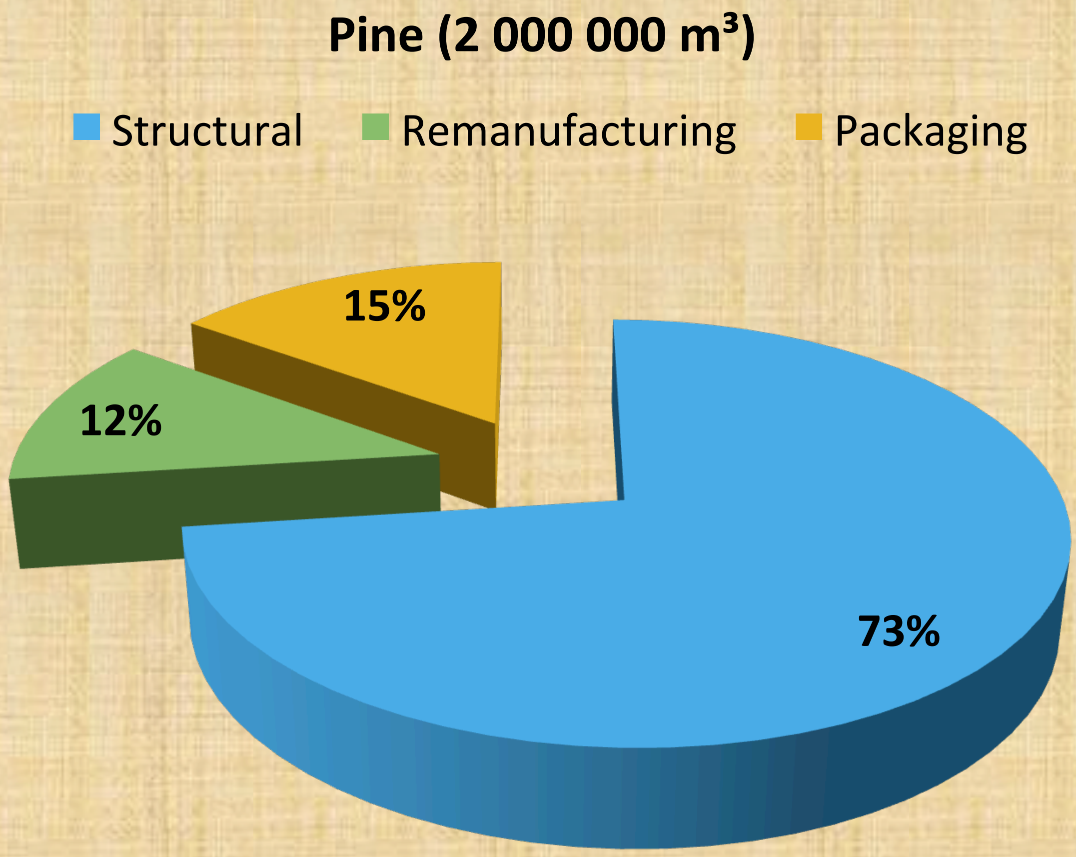
MODERN SAWMILLING IN SA





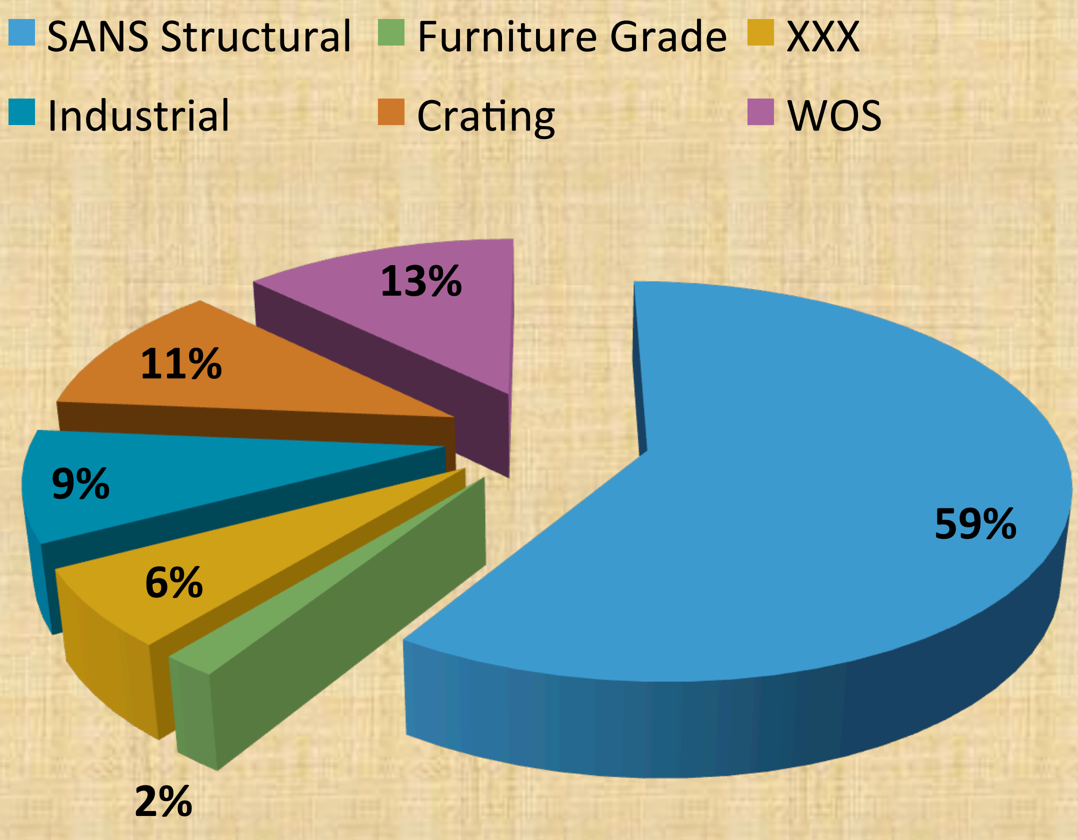
THE WOOD FOUNDATION

SOFTWOOD PRODUCTION IN SA



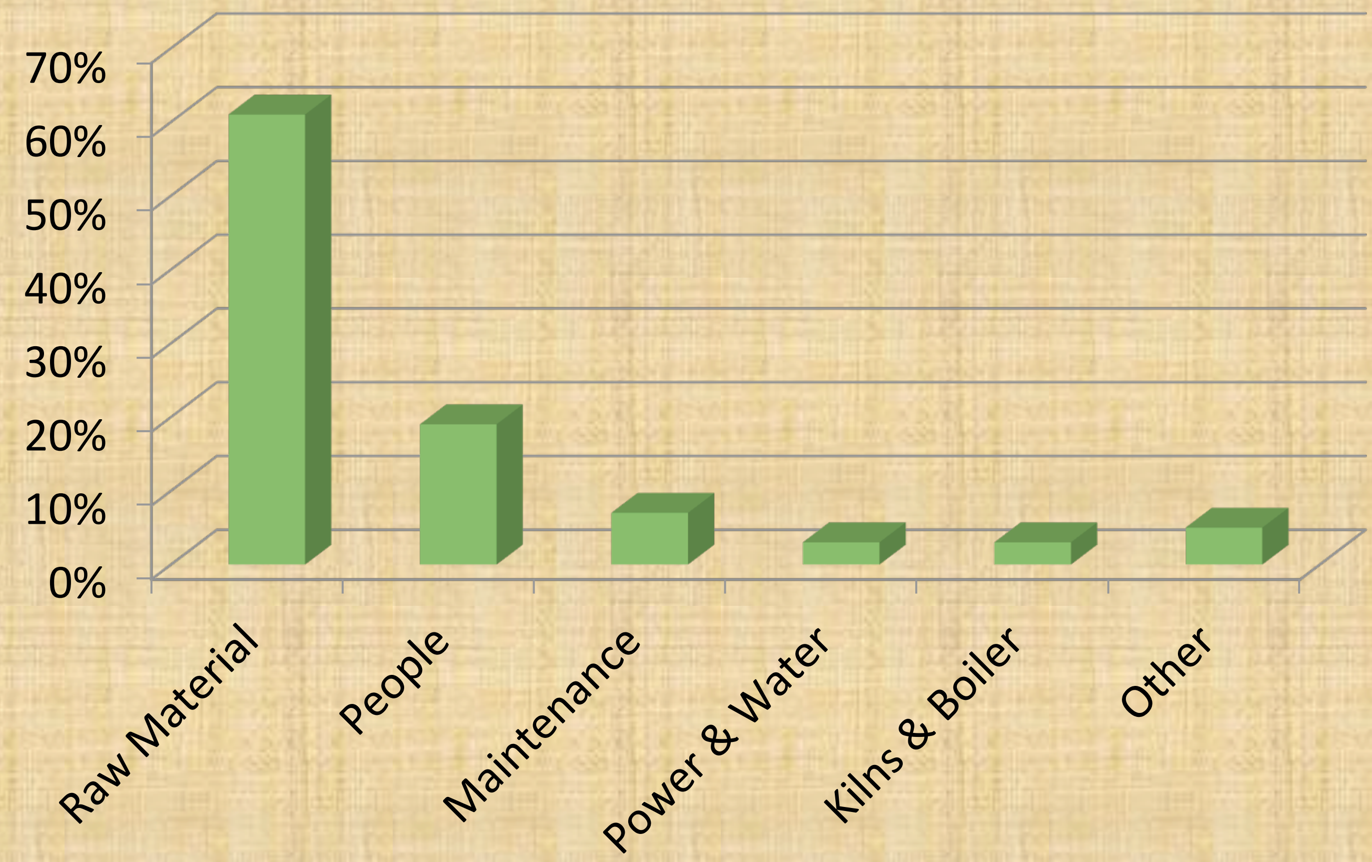
THE WOOD FOUNDATION

SOFTWOOD LUMBER PRODUCTS

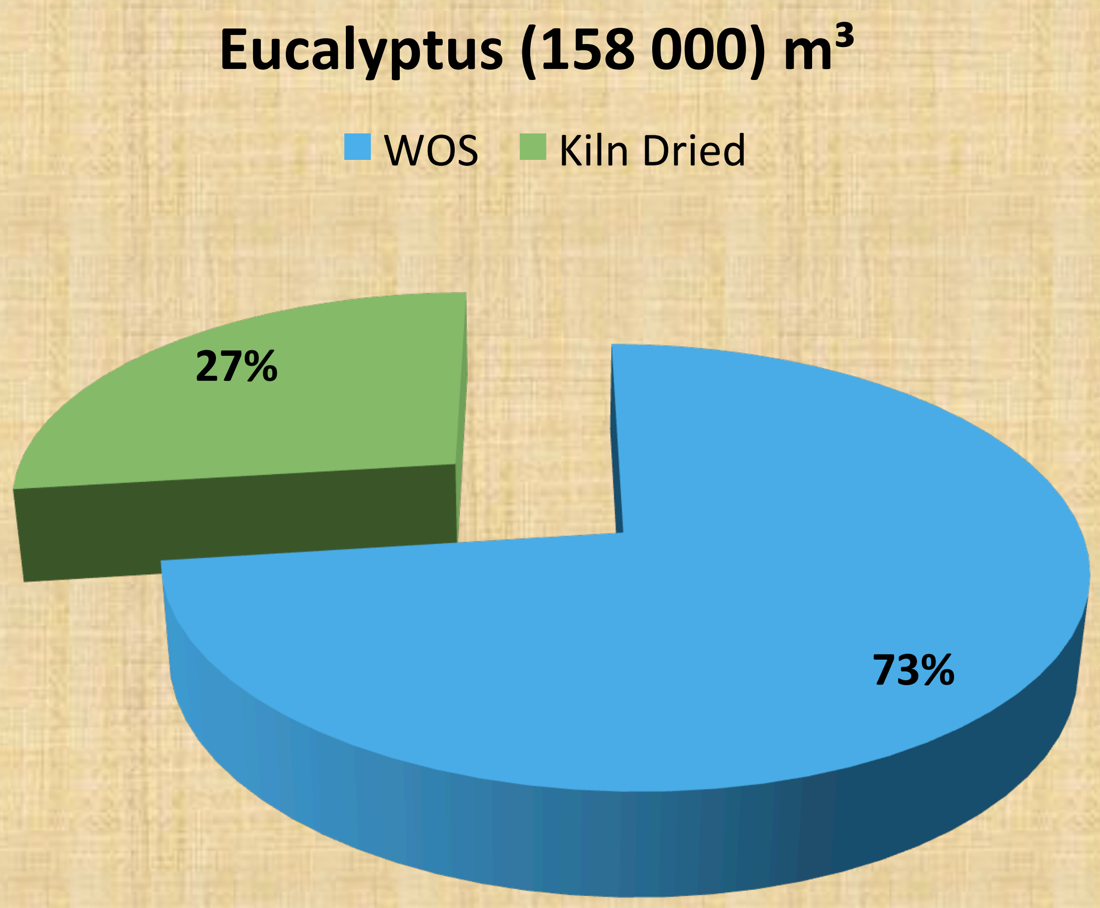


THE WOOD FOUNDATION

KEY INPUT COSTS



HARDWOOD PRODUCTION IN SA



DOWN STREAM BENEFICIATION

- Lumber beneficiation into products such as
  - Roof truss
  - Housing (Timber frame)
  - Joinery (doors, flooring, paneling, moldings)
  - Furniture
  - Packaging (pallets, Fruit boxes, cable drums, Dunnage).

- Eucalyptus replacement of Imported hardwoods

- Imported hardwoods exclusively used in the value adding market segment (Shop Fitting, Joinery, Doors, Furniture)

THE WOOD FOUNDATION

EMPLOYMENT IN THE SECTOR

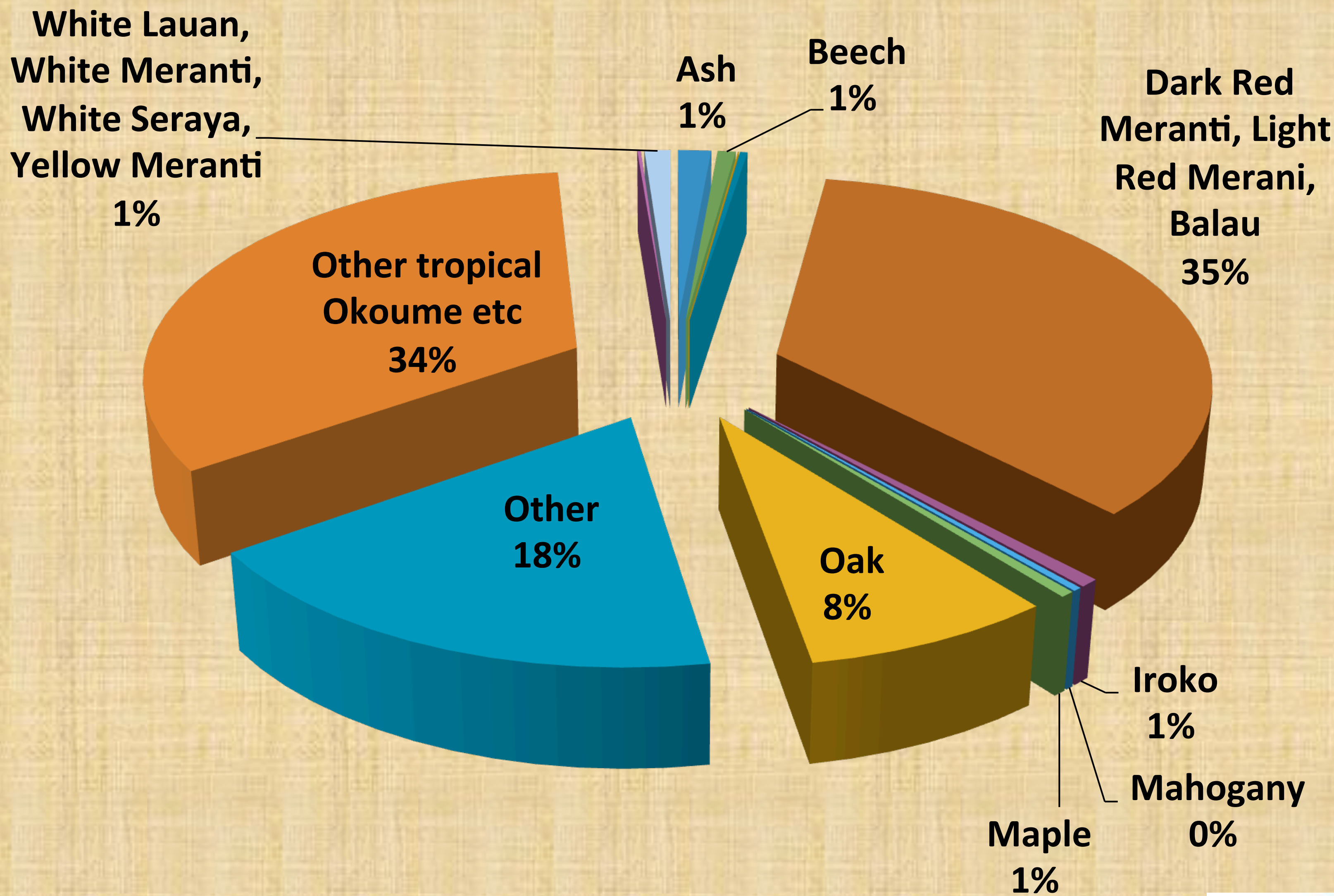
Sub-sector	No. of employees		Total Employment
	Direct	Indirect	
Forestry	62,7000	30,000	92,700
Pulp and Paper	13,200	10,800	24,000
Sawmilling	20,000	10,000	30,000
Timber Board	6,000	n/a	6,000
Mining Timber	2,200	n/a	2,200
Other	11,000	n/a	11,000
Total	**115,100**	**50,800**	**165,900**

THE WOOD FOUNDATION

IMPORTED HARDWOODS

THE WOOD FOUNDATION

MAJOR HARDWOODS IMPORTED INTO SA



THE WOOD FOUNDATION

MAJOR HARDWOODS IMPORTED INTO SA

	ZAR	USD	%
Ash	15,765,005	1,576,501	1.4%
Beech	8,521,406	852,141	0.8%
Blackwood	419,175	41,918	0.0%
Cherry	3,588,339	358,834	0.3%
Dark Red Meranti, Light Red Merani, Balau	392,134,257	39,213,426	35.4%
Iroko	7,006,547	700,655	0.6%
Mahogany	3,166,658	316,666	0.3%
Maple	5,096,293	509,629	0.5%
Oak	88,930,156	8,893,016	8.0%
Other	198,115,282	19,811,528	17.9%
Other tropical (E.g. Wawa or Obeche, Okoume)	371,650,956	37,165,096	33.5%
Sapele	1,660,553	166,055	0.1%
White Lauan, White Meranti, White Seraya, Yellow Meranti	12,336,010	1,233,601	1.1%
TOTALS	**1,108,390,637**	**110,839,064**	**100.0%**

THE WOOD FOUNDATION

MAJOR TROPICAL HARDWOODS IMPORTED

	ZAR	USD	%
Blackwood	364,800	36,480	0.0%
Dark Red Meranti, Light Red Merani, Meranti, Balau	392,134,257	39,213,426	50.4%
Iroko	7,006,547	700,655	0.9%
Mahogany	3,166,658	316,666	0.4%
Other tropical (E.g. Wawa, Okoume)	367,097,225	36,709,723	47.2%
Sapele	1,660,553	166,055	0.2%
Virola, Imbuia and Balsa	1,833,845	183,385	0.2%
White Lauan, White Meranti, White Seraya, Yellow Meranti	448,364	44,836	0.1%
Other tropical wood (flooring, moulding etc)	4,553,731	455,373	0.6%

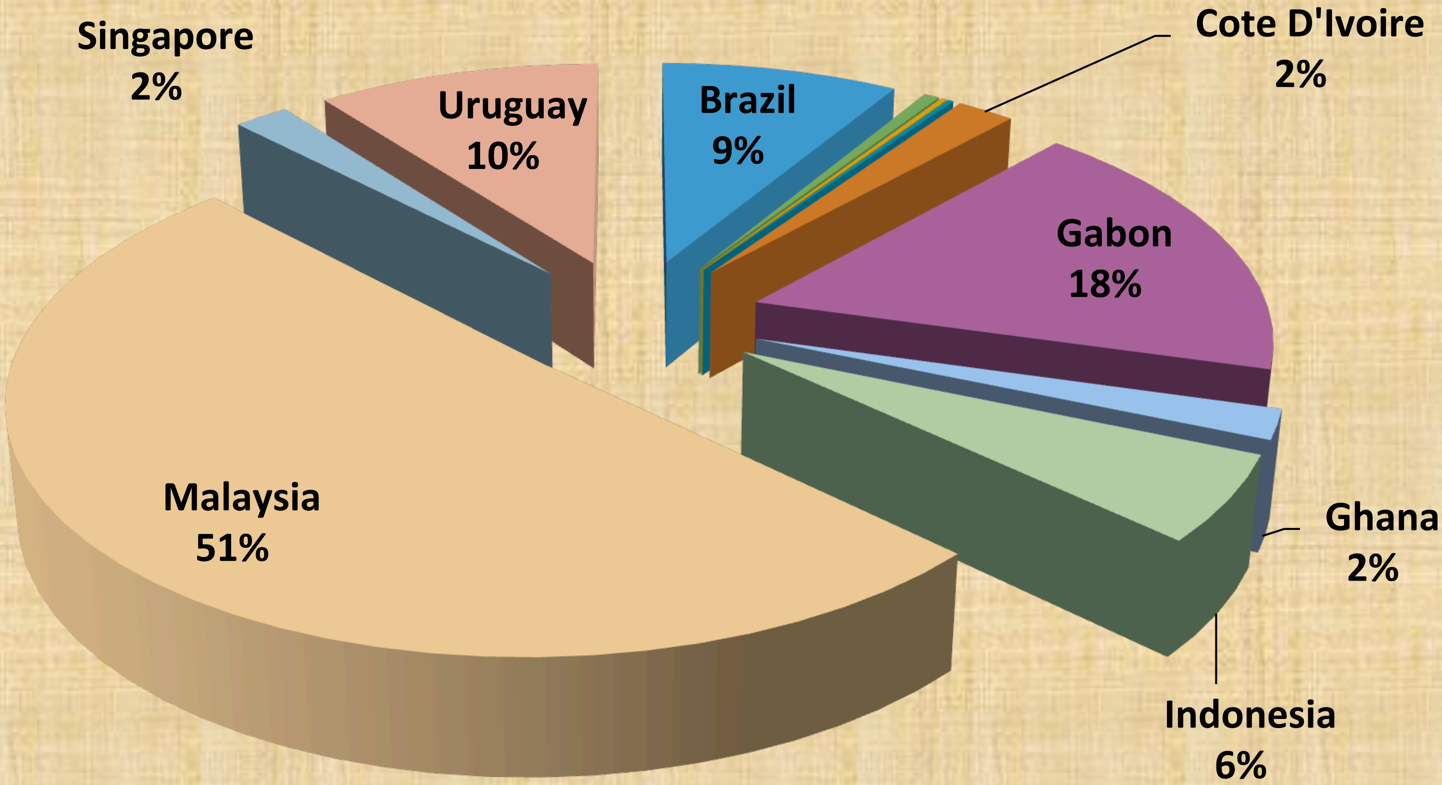
THE WOOD FOUNDATION

MAJOR TROPICAL HARDWOOD SUPPLYING COUNTRIES TO SA

Country	ZAR	USD	%
Brazil	66,257,198	6,625,720	8.6%
Cameroon	4,283,789	428,379	0.6%
Congo, Democratic Republic	1,794,535	179,454	0.2%
Congo, Republic	1,470,084	147,008	0.2%
Cote D'Ivoire	16,167,123	1,616,712	2.1%
Gabon	135,597,468	13,559,747	17.7%
Ghana	14,917,288	1,491,729	1.9%
Indonesia	42,957,710	4,295,771	5.6%
Malaysia	389,013,456	38,901,346	50.7%
Singapore	15,265,474	1,526,547	2.0%
Uruguay	79,102,338	7,910,234	10.3%

THE WOOD FOUNDATION

MAJOR TROPICAL HARDWOOD SUPPLYING COUNTRIES TO SA



THE WOOD FOUNDATION

OTHER HARDWOOD SUPPLYING COUNTRIES

Australia
Austria
Belgium
Bosnia
Canada
Chile
France
Germany
Hungary
Italy
Netherlands
Norway
Romania
Slovenia
Spain
Swaziland
Ukraine
United Kingdom
United States

THE WOOD FOUNDATION

DISTRIBUTION OF HARDWOODS

- Most consignments are purchased C&F.
- Container loads (20ft and 40ft).
- 30% goes to large Remanufacturers on direct indent.
- 60% to Import agents or Distributors.
- Distributors with warehousing at the ports supply smaller quantities to smaller businesses.
- Major ports of entry Durban, Cape Town and Port Elizabeth.

THE WOOD FOUNDATION

FUTURE FOR HARDWOODS

- **Growth in South Africa**
  - Population 54 million
  - Africa's 2^{nd} Largest economy ($281 billion)
  - Current Growth rate (2%)
  - Projected Growth Rate (4,5%)

Market Segments

- **Joinery**
  - Extensive scope for the increased use of hardwoods e.g. Meranti, Okume, Sapele, Oak, Ash, Beech.
  - Door sector consuming upward of 100k m^3 per annum but this could double if solid doors were promoted vigorously.

THE WOOD FOUNDATION

Market Segments

- **Furniture**
  - Limited growth in domestic use, fashion driven, colour, grain, price.
  - Good potential in office and restaurant furniture.

- **Construction**
  - Limited growth potential except for outside structures like decking etc. stiff competition from alternatives (Aluminium, PVC, Steel).
  - Potential in higher income homes (expanding market).
  - Good growth for Softwoods.

- **Shop Fitting**
  - Great potential in the commercial space for new and revamped Banks, Hotels, Offices, stiff competition from alternatives.

THE WOOD FOUNDATION

WHAT WE NEED

Change of perception

- Environmental message of responsibly managed forests (FSC) must be promoted. Perception is that Tropical woods are environmentally unattractive.

Active Promotion

- Wood as a Sustainable and Natural choice.

Price competitiveness

- Tropical Hardwoods are expensive in SA .
- Replaced by alternative products, MDF / Particle board / Aluminium.

THE WOOD FOUNDATION

WHAT WE NEED

Visits from supplying mills

- Some mills do not visit SA to assist in the promotion of their products.
- Promotion of alternative species

Consistency of Supply

- Quality variations (colour / grain / dimensions).
- Reliable shipping.

Education

- Many users are small family owned businesses entrenched in their ways and preferences.
  (If Father used meranti, it's good enough for me).

THE WOOD FOUNDATION

What Wood we do without Wood

THANK YOU

5TH November 2014

THE WOOD FOUNDATION