



**ITTO ANNUAL MARKET DISCUSSION
DECEMBER 2019 | LOME, TOGO**

BRIEF HISTORY OF COMMERCIAL TIMBER INDUSTRY IN SOUTH AFRICA

1652 - Dutch occupation of the Cape

- Strategic refuel and repair base for wooden ships of the day - wood obtained from forests on Table Mountain

1867 - Diamonds discovered in Kimberley

These two events lead to establishment of world's richest mining industry

1795 - English established as Administrators of Cape

- Expansion of City of Cape Town
- Rudimentary sawmilling started (pit saws) supplying basic building materials

1886 - Discovery of gold on the "Reef" - now Gauteng (place of gold)

- Economy of SA changed from agricultural to mining
- Accelerated growth in SA and an influx of more skilled people who demanded conventional housing and products

HISTORICAL CONTEXT CONTINUED

Demand for forest products flourished (paper, structural lumber, board & panels, mining supports)

- Most lumber imported from Europe and North America

Eucalyptus soon followed driven mainly by mining demand

1936 - Sappi was established

- Built first pulp mill near Johannesburg
- Heralded start of local pulp and paper sector

After WWI and II, SA Government promoted self-sufficiency

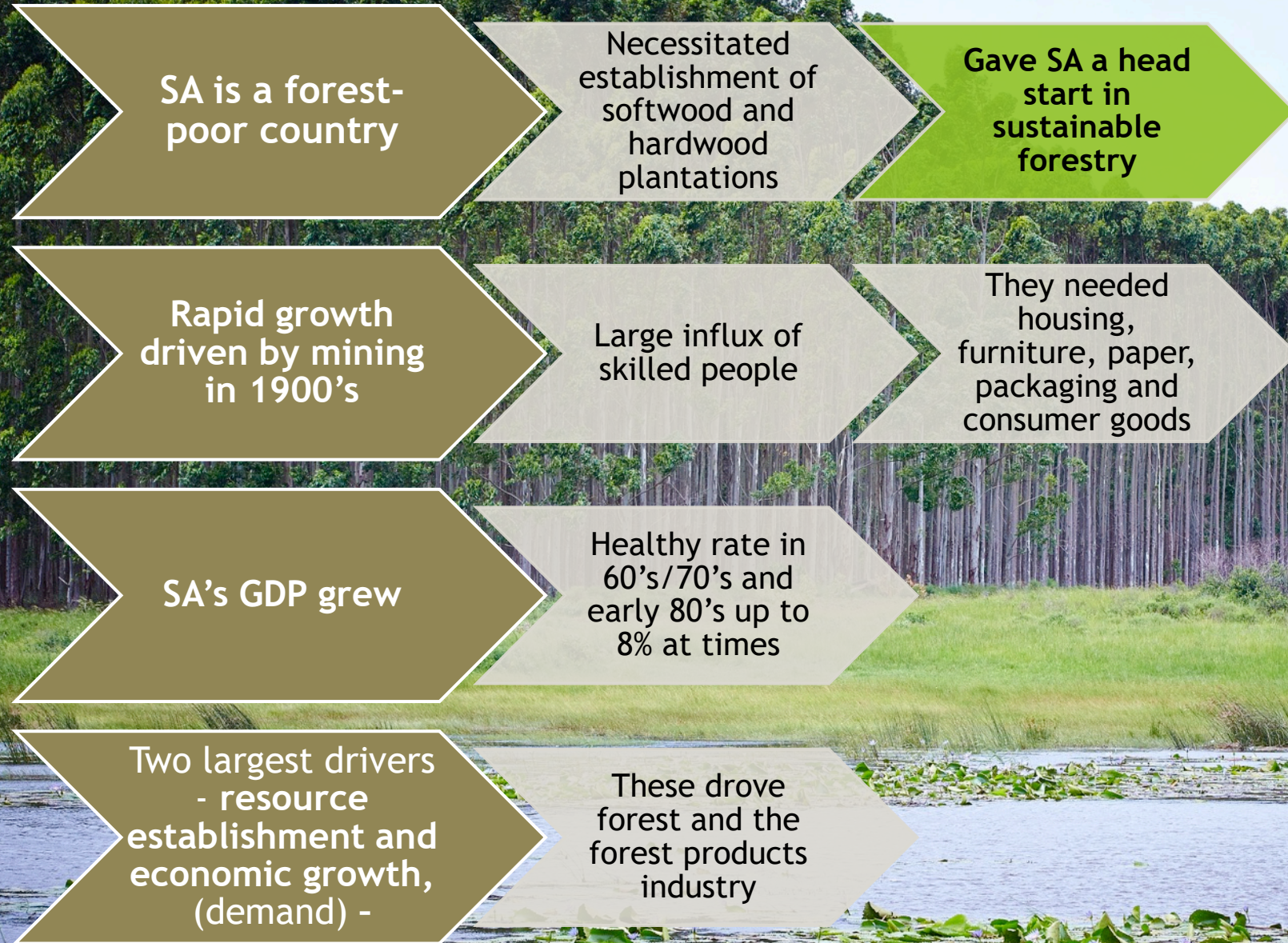
- Plantations of softwood (pine) established
- At one point, SA had largest man made softwood forests in the world

1930's - State established number of sawmills to make use of timber coming from plantations and to supply structural lumber

- Majority of these "state sawmills" privatised in 1990's

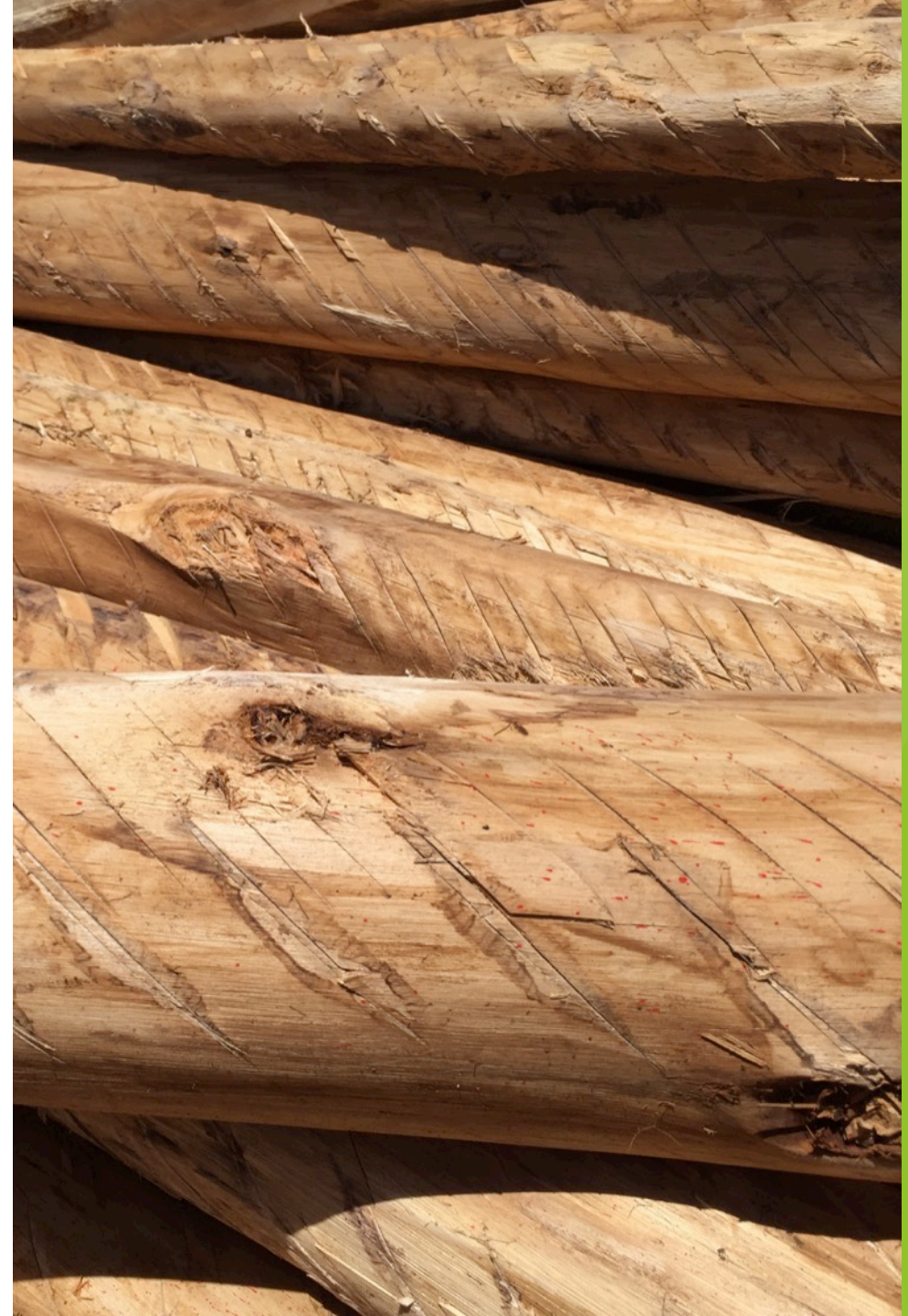
Growth continued in timber panel production, pulp and paper conversion and furniture & joinery production

WHAT MAKES SA WOOD PROCESSING DIFFERENT FROM OTHER AFRICAN COUNTRIES?



WHAT MAKES SOUTH AFRICAN WOOD PROCESSING DIFFERENT

- ▶ Late 80's and 90's - development slowed as a result of, amongst other things, political pressures
 - ▶ SA could not trade freely with the world.
 - ▶ Resulted in establishment of local manufacture.
- ▶ Multinationals had to diversify in order to keep growing
 - ▶ Furniture manufacture is a typical example.
- ▶ Total SA annual resource yield - 18 million tonnes/cubic metres
- ▶ 80% of SA forests Forest Stewardship Council (FSC) certified



SOUTH AFRICAN WOOD PROCESSING SUB-SECTORS



PULP AND PAPER

- Contributes 1.5% to national GDP (\$4,5bn)
- Value of exports \$2bn

1938 - Sappi's first pulp mill commissioned near Johannesburg using mainly straw and a little timber

1950's - Sappi opened second mill on KZN North Coast

1960's/1970's - Global mining house Anglo American established Mondi, eventually building large mill at Richards Bay on the North East coast

1980's - Sappi's flagship Ngodwana mill commissioned

Later mills processing sugarcane bagasse and waste paper were also opened

Today - Sappi and Mondi are large international players with assets around the world

Pulp and paper mills export bulk of production; also supply secondary converters (tissue, packaging, fine papers)

Larger mills are concentrating on developing and expanding sophisticated products like viscose and rayon, nanocellulose, micro crystalline cellulose, xylitol, organic acids, bio-energy etc.



SAWMILLING

1869

- First mechanical mill commissioned, cutting indigenous timbers

1930/1940's

- Government established 8/10 softwood mills

Preferred method of breakdown were gangs saws (frame saws)

- Largely the same today

± 200 sawmills

- 50 formal, 50 informal 100 small enterprises

Utilize 4.2 million m³ of total SA resource

- 99% softwood

Products

- 75% structural (building & construction)
- 25% industrial (packaging & furniture)

50% - average national recovery

Quality controlled (SANS)

BOARD AND PANELS

Four particle board mills

- Produce 1.2 million m³ of chip board & MDF pa

Three veneer plants

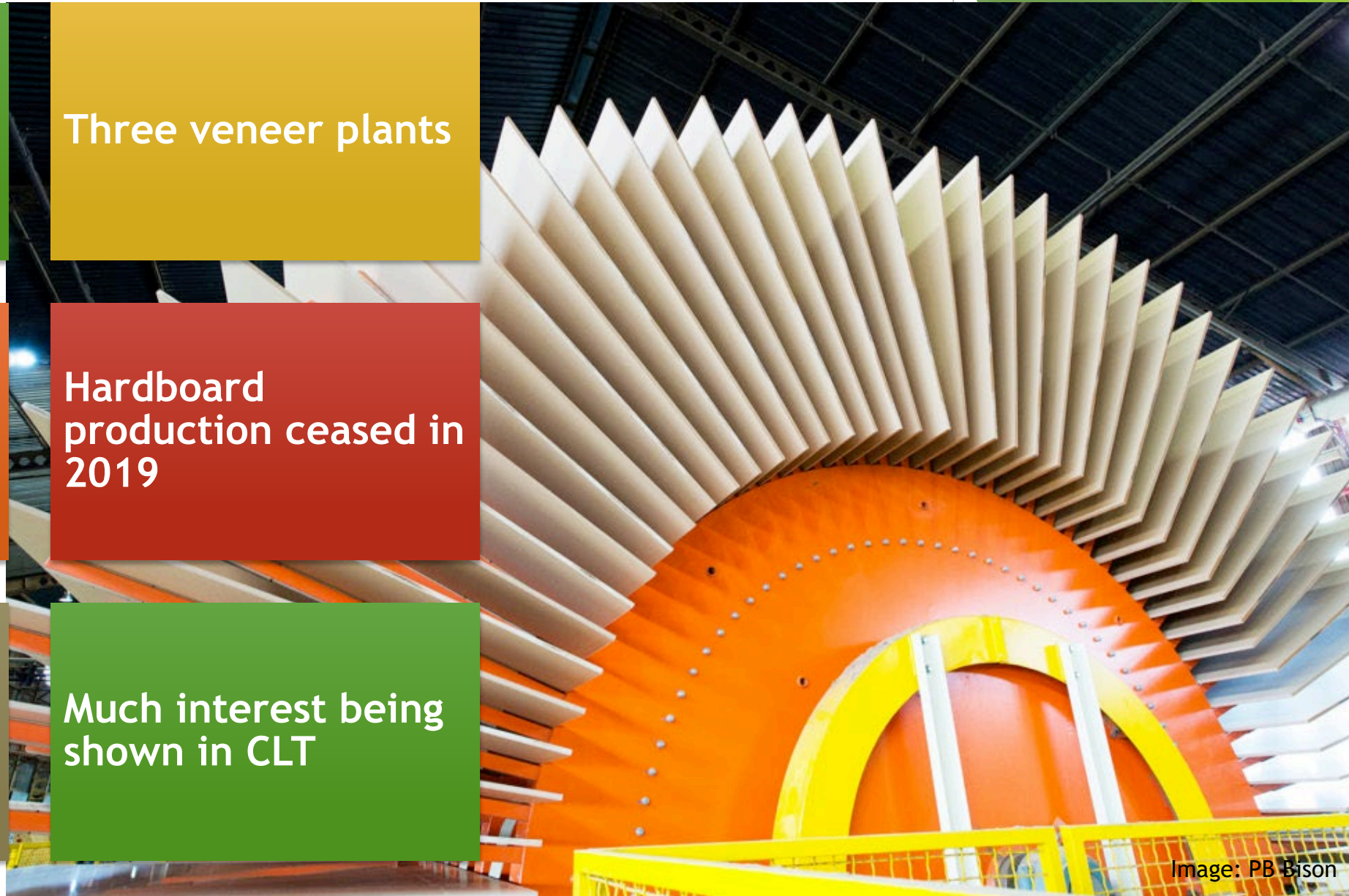
Two plywood plants - all softwood

Hardboard production ceased in 2019

One plant producing small volumes of cross-laminated timber (CLT)

- Started in Cape Town 2017

Much interest being shown in CLT



MINING TIMBER AND POLES

Mining timber

- Initial demand for props was vibrant due to deep level mining

At its peak, over 50 mills producing mainly mat packs

- Exclusively hardwood (eucalyptus & wattle)

Mining timber usage

- 1960/70s 3+ million m³
- Today 350 000 m³
- (Reduction in mining activity and changing technology)

Poles

- 70 plants using ± 700 000 m³
- Transmission & telegraph poles
- Agricultural poles
- Building and fencing poles

OTHER SOUTH AFRICAN FOREST AND WOOD PRODUCTS



ARTS AND CRAFTS



Wood carving and African art

- Traded at airports / hotels and tourist destinations
- Displayed in galleries and exhibitions
- Very sought after and a threat to some species



Exclusively out of indigenous/exotic hardwoods

Wood turning

Bespoke furniture



SKILLS THAT SUPPORT DEVELOPMENT IN WOOD INDUSTRY

Professional Skills

- Forest Scientists, Wood Scientists

University of Stellenbosch

Technical Skills

- Foresters, Wood Technologists

Nelson Mandela University

Artisan Skills

Technical colleges

Occupational Skills

Service providers

Compliance/regulatory skills

Basic skills

In-house training

FINANCE, SUPPORT & INCENTIVES

Original development financed by mining houses - pulp & paper

- Government developed and later privatised - sawmilling

Industrial Development Corporation (state owned enterprise)

- Development loans
- Large and mid-sized

Government incentives/grants through Department of Trade and Industry (DTI)

- Focused on SMME development & BBBEE

At one time Commonwealth Development offered loans

Private banks

Foreign direct investment

- Larger projects

AVAILABLE SUPPORT SERVICES THROUGH THE SECTOR

Saw doctoring - skills in all main centers

- Saw doctor training & qualification available
- Kiln operator training & qualification available
- Paper machine qualification & training

Research, Process and Product development - 4 universities

Trade and Industry associations

- Forestry South Africa (FSA)
- Sawmilling South Africa (SSA)
- South African Wood Preservers Association (SAWPA)
- Institute for Timber construction (ITC)

Marketing and Management training at graduate and industry level

SETBACKS

Political developments

Economic slow downs

Bureaucracy

- Public private growth initiative (PPGI) at presidential level

Regulation - Labour, Water, Environmental

- EIA
- Stream flow reduction
- Air pollution

Myths and perceptions around forestry and wood products

- Habitat destruction
- Green cancer
- Mono culture

Resource management

- Afforestation expansion
- Genus exchange
- Forestry Exit
- Drought
- Pests & disease

THANK YOU

Resources

www.timber.co.za

www.forestryexplained.co.za

www.forestry.co.za

www.thepaperstory.co.za

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CHOOSE WOOD

It's good for the environment. It's good for you.

As a sustainable and renewable resource that stores carbon, wood is not only the environmentally responsible choice, it also creates a sense of warmth and wellbeing.

