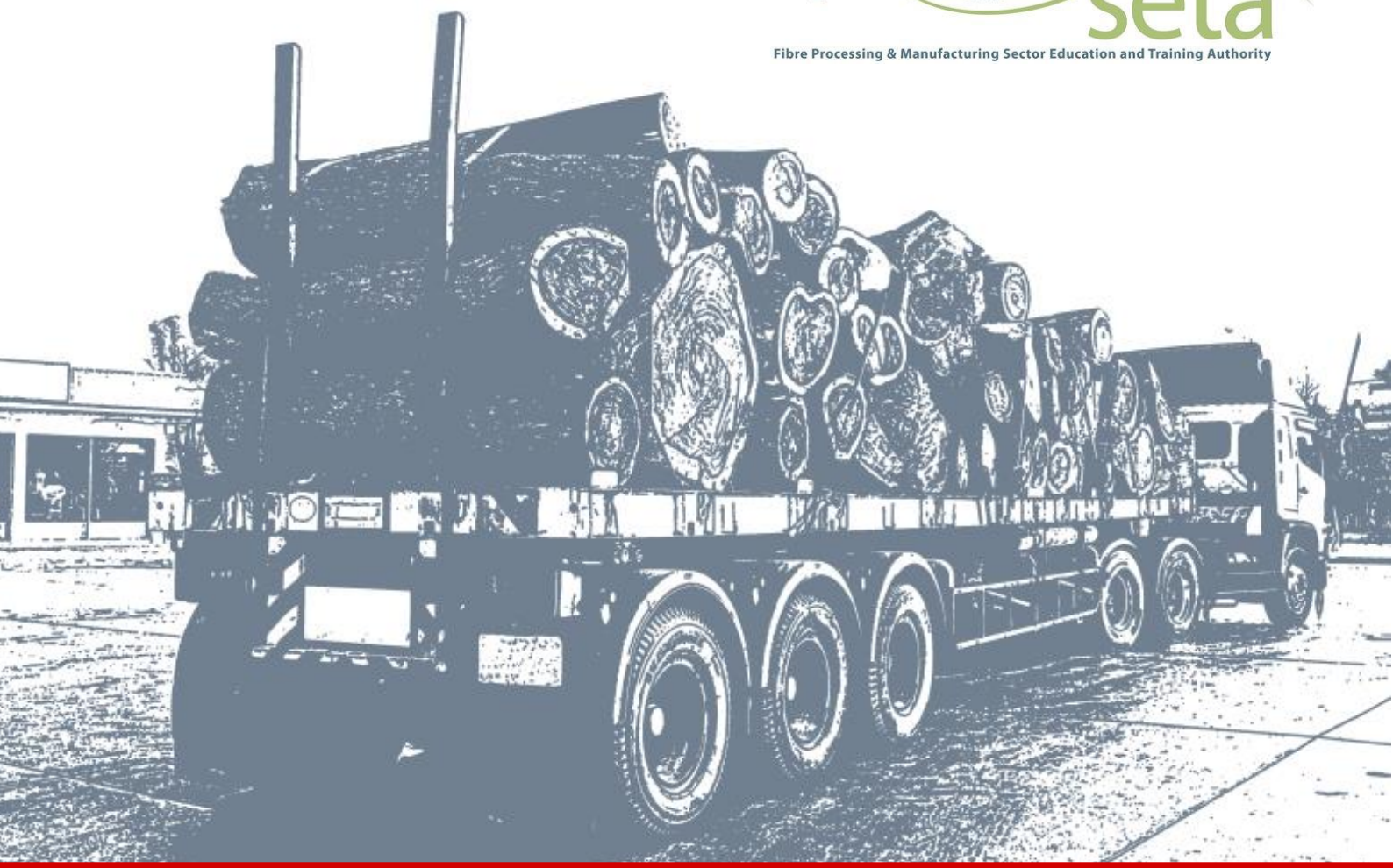
Forestry and Wood products Sector

A profile of the forestry and wood products sub-sector

December 2014

fp&m seta

Fibre Processing & Manufacturing Sector Education and Training Authority



IQbusiness

Our team. Your advantage.

CONTENT

1. Executive Summary

This sector profile provides a brief overview of forestry and wood products sectors. It covers the key trends and challenges, the drivers of change and the key role players in the forestry and wood products sectors. A profile of FP&M SETA learners in the forestry and wood products sectors is provided.

2. Overview

Forestry is a key driver for the development of South Africa's local economies, particularly in rural areas where poverty is compounded by the lack of employment opportunities. The Industrial Development Corporation (IDC) reports that the sector contributes a modest 1% to gross domestic product (GDP) (IDC, 2014). The industry employs approximately 165 000 people, of which 92 700 jobs are attributed to the forestry sector in particular, the sawmilling, mining timber, pulp and paper and other related industries accounting for the remaining 72 300 jobs (Forestry SA, 2013).

Figure 1: 2014 tree of the year "heteropyxis spp" (lavender trees)

South Africa is lightly forested with a plantation area of 1 268 443 hectares, which represents 1.1% of the country's land area (Forestry SA, 2013). This percentage pales in comparison to the plantation areas of 30% in the United States of America and 67% in Japan.

The bulk of South Africa's forestry plantations are located in Mpumalanga followed closely by KwaZulu-Natal. Other plantations are spread across the Eastern Cape, Limpopo and the Western Cape. Pine and eucalyptus are the predominant species in the South African forestry industry.

The plantation forests of South Africa use just 3% of the country's total water resources. Irrigation is never utilised in forest plantation management and therefor rainfall needs to be higher than 750 mm per annum to sustain commercial forestry (Sabie, 2014).

According to the Food and Agriculture Organisation (FAO) of the United Nations, about 3.4 million hectares of tropical forest was lost annually in Africa between 2000 and 2010 due to illegal logging and other unsustainable practices in the forest sector, accounting for approximately 26% of global forest loss (FAO, 2014). The FAO estimates that globally some 13 million hectares of forest are cut down and converted to other uses such as agriculture each year. The illegal timber trade costs the world economy an estimated US$30 - 100 billion annually.

Given the limitations of natural resources, the forestry industry is tightly regulated - particularly in relation to the environmental impact of forestry activities. Legislation governing the forestry industry is listed below:

- National Forest Act, Act 25 of 2014 (exemptions to Act 84 of 1998)
- National Forest and Fire Laws Amendment Act, Act 12 of 2001
- National Forest Act, Act 84 of 1998

In April 2013 the minimum wage for forestry workers in South Africa increased by 56% to R2 229 per month, or R11.43 per hour (SA Forestry Mag, 2013). Although key players in the forestry industry were concerned that an increase of this magnitude would make the cost of doing business unprofitable, the largest employers implemented the wage increase successfully. Unfortunately smaller forestry businesses have, in many instances, not been able to absorb the increase citing that the new minimum wage threatens the viability of their businesses and could result in job losses. An unintended consequence of the wage increase is the speedy mechanisation of forestry operations which may reduce the number of jobs available in the sector.

Did you know?

The growing and cultivation of trees is called "silviculture"

Until recently research and development in respect of the forestry industry was limited due to lack of funding. In the beginning of 2014 the Department of Science and Technology awarded a grant of R25 million over a period of three years to Forestry South Africa (FSA). The objective is to boost research and development in the industry, with a particular focus on addressing challenges faced by the industry (SA Forestry Mag, 2014).

The three largest employers in the sector are briefly described in Table 1 below.

Table 1: largest employers in the forestry sector

Producer	Core business	Plantation location(s)
Komatiland Forests	KLF is a subsidiary of SAFCOL whose sole shareholder is the government, represented by the Department of Public Enterprises. It operates 18 commercial plantations comprising a total surface area of 187 320 hectares. Its main business is the conduct of forestry, timber-harvesting, timber-processing and related activities (Komatiland Forests, 2014).	Limpopo Mpumalanga, KwaZulu-Natal
Mondi South Africa	Owns and manages over 307 000 hectares of forestry plantations. The organisation employs more than 1 600 people; and has a contractor base of around 15 000 people, most of whom are employed in the forestry sector. All Mondi SA plantations are certified by the FSC. (Mondi Group, 2014)	KwaZulu-Natal
Sappi Forests	Sappi Forests supplies over 70% of the wood requirements of Sappi Southern Africa, from its own and managed commercial timber plantations of 561 000 hectares. This equates to more than 35 million tons of standing timber. All Sappi plantations are certified by the FSC. (SAPPI, 2014)	KwaZulu-Natal Mpumalanga

3. Key features

3.1 Trends

There is a serious focus on responsible forestry operations and how forestry activities contribute to the economic viability of local communities both locally and abroad. New Generation Plantations strive to establish plantations that make a positive contribution to ecosystems and communities by sharing knowledge and experience across the global industry (NewGenerationPlatations, 2014). Participants in the New Generation Plantations initiative represent one third of world's certified plantations and manage over 5 million hectares of plantation land.

The responsible management of forestry operations cannot be separated from the priority of achieving sustainability in the forestry industry. Stakeholders in the South African forestry industry are committed to implementing and maintaining sustainable plantation forests.

Mondi South Africa has engaged in the following activities to achieve sustainable plantation forests:

- Identification and protection of natural high conservation value areas such as wetlands, grasslands and natural forests and, where practical, linking these areas as effective ecological networks to enhance their biodiversity value;
- Consideration of the social values of forests and associated ecosystems;
- Fully respect the rights of indigenous people and communities;
- Engagement in stakeholder dialogue; and
- Practising resource efficient forestry operations.

(Mondi Group, 2014)

The Forest Law Enforcement, Governance and Trade (FLEGT) Initiative of the European Union has pushed legislators to adopt new measures to stop the circulation of illegally logged timber in relation to consumer concerns about environmental degradation, biodiversity loss and associated climatic changes. In other words, failure to demonstrate legality will increasingly limit access to markets in the years to come, and this also impacts on the South African export of forestry products. As more and more governments and enterprises embrace new sustainability and legality standards, few will be able to afford "short-cuts" or alternative routes (FAO, 2014).

Agri-Vie, a private equity fund focused on food and agribusiness investments in sub-Saharan Africa, advises that investors in the forestry industry to have a long-term outlook (Agri4africa, 2014). Investment in the forestry industry requires a long-term outlook as it takes long to generate revenues and cash returns. For example, eucalyptus trees need to grow about 8 years from planting before they can be harvested; for pine trees it can be anything from 12 to 17 years. The limited number of potential investors can be attributed to the time taken before profits are realised.

3.2 Challenges

The Sawmilling Association of South Africa has identified the lack of sufficient land for forest development as a challenge (Industry SA, 2012). It is important for the industry to develop strains and species that are more suited to South African growing conditions, and additional land is required for this. The association is in dialogue with the government to address this challenge.

In its 2012 Annual Report in relation to the forestry and wood industry, the IDC has identified the onerous processes required to comply with legislation to develop commercial forestry as a barrier to entry for entrepreneurs and investors. (IDC, 2012) Specific challenges in this regard refer to environmental impact assessments, water licences and land reform. The lack of investment in the maintenance and upgrade of machinery and equipment, and access to scarce skills exacerbates the already challenging economic environment.

Forestry in Africa is not for the faint of heart. The scale of deforestation in Africa and the fact that many people depend on illegal logging for their energy needs, has become "a political hot potato" in the forestry industry (Forestry South Africa, 2014).

Challenges identified by industry organisations include poorly-developed infrastructure, large geographical areas and distances, a declining rural population as young, skilled people move to urban areas, an ageing rural workforce, increasing labour costs; and, in South Africa, high labour turnover and the impact of HIV/AIDS (Mondi Group, 2014).

3.3 Drivers for Change

To support local economic development and combat rural poverty it is essential for stakeholders in the forestry industry, particularly government, to invest in the development and up skilling of small and medium wood growers. Coupled to this is the identification and categorisation of the technical and managerial skills sets required to be successful in the forestry industry. Small business owners need to be equipped with the necessary information to ensure that their forestry activities are responsible and sustainable.

To maximise the potential of the forestry sector's contribution to GDP it is necessary to review and address barriers to entry for both local and international entrepreneurs and investors. Focussed research is required to address those barriers which impede the growth of the sector. The departments of Agriculture, Forestry and Fisheries, and Water Affairs, should engage with one another and stakeholders to drive this much-needed research process.

Conservation of forestry plantations is an equally important driver for change. Alien invasive species pose a serious threat to biodiversity and water resources as they consume more water than indigenous grassland vegetation, shade out indigenous fauna and flora and, if located in wetland/ riparian areas, can have a significant negative impact on fresh water and wetland systems (Mondi Group, 2014).

Concern, awareness and interest surrounding climate change is increasing. It has become widely accepted that climate change is a reality, with the debate now focused on the magnitude and timing of change, the increasing frequency and intensity of extreme events, as well as on the potential impacts of change on natural and anthropogenic systems, including the commercial forestry sector in South Africa (Forestry SA, 2006). Of particular concern in this regard is the rate and magnitude of global warming over the last decade that resulted in more frequent insect and disease outbreaks as well as a greater likelihood of wild fires occurring.

3.4 Standard industrial classification code

SIC code	Description	Category
32101	Sawmilling and preserving of timber	Manufacture of wood and products of wood, except furniture: sawmilling and planning of wood
32109	Other mill products, including wattle bark grinding and compressing	
32210	Veneer sheets, plywood, laminboard, particle board and other panels and boards	Manufacture of wood and products of wood, except furniture: wood, cork, straw and plaiting materials
32220	Builders' carpentry and joinery	
32230	Wooden containers	
32291	Coffins (excluding the manufacture of coffins by funeral undertakers)	
32292	Picture frames and framing	
32299	Other articles of wood, cork, straw and plaiting materials, including woodcarving and woodturning	

3.5 Trade unions active in the sector

The Chemical Energy Paper Printing Wood and Allied Workers' Union (CEPPWAWU) appears to be the primary union for forestry workers. The union was formed in February 1999 as a result of a merger between the Chemical Workers Industrial Union (CWIU) and the Paper Printing and Allied Workers Union (PPWAWU) (CEPPWAWU, 2014). The union has a membership of 68 000 and staff of 106. The aim of the unions are to recruit and unite workers in order to share their economic and social welfare; to protect the job security of members, to advance their employment prospects, and to serve their individual and collective interests. CEPPWAW is affiliated with the Congress of South African Trade Unions (Cosatu).

The South African Forestry Contractors Association (SAFCA) was established in October 1989 to further the interests of forestry contractors. The current membership of the Association amounts to more than 300 from emerging to corporate contractors in all fields of forestry contracting. SAFCA offers assistance to all contractors regarding public liability and other insurance, forestry technical assistance, business-related assistance and training (SAFCA, 2014).

The Food and Allied Workers Union (FAWU) was initially established as the Food and Canning Workers' Union in 1941 in the Western Cape. FAWU has about 114 000 members and the South African Agriculture Plantation and Allied Workers' Union (SAPAAWU) was incorporated in 2004 to widen its scope to include workers from the agriculture and plantation sectors (FAWU, 2014).

3.6 Professional associations

Forestry South Africa (FSA) is South Africa's premier and largest forestry organisation representing growers of timber in South Africa. The Association's membership includes all 11 corporate forestry companies active in the industry, approximately 1 300 commercial timber farmers and some 20 000 emergent small scale growers, who between them own or control no less than 93% of the total plantation area in the country (Forestry South Africa, 2014).

The Southern African Institute of Forestry is an association of forestry related to professionals geared towards delivering a professional service to forestry. The Institute aims to assist members to achieve excellence in the practice of forestry, to promote growth and sustainability in the industry whilst being responsible as custodians of a sensitive environment. Members are bound by a Code of Ethics and are required to uphold the dignity of the profession and to act in an honourable manner in all business conducted (Southern African Institute of Forestry, 2014).

The Forestry Stewardship Council (FSC) is an international, independent, non-governmental, not-for-profit organisation which promotes the responsible management of the world's forests. Established in 1993 as a response to concerns over global deforestation, the FSC is a pioneer forum where the global consensus on responsible forest management convenes and through democratic process effects solutions to the pressures facing the world's forests and forest-dependent communities. As a multi-stakeholder organisation, the FSC applies the directive of its membership to develop forest management and chain of custody standards, deliver trademark assurance and provide accreditation services to a global network of committed businesses, organizations and communities. Over 80% of South Africa's plantations are FSC certified (Forestry Stewardship Council, 2014).

The Wood Foundation originated when various stakeholders in the forestry, wood processing and related industries identified the need to form an association to promote wood in a generic manner. The Foundation was constituted in June 2009. Its core objectives are to promote and encourage the growing of trees and the use of wood and wood products, and to promote wood as a naturally renewable and environmentally friendly product (The Wood Foundation, 2014) Established in 1980, the South African Wood Preservers Association (SAWPA) is a non-profit association formed by the South African wood preserving industry, primarily to promote timber treatment and treated timber products (SAWPA, 2014).

4. Learner Profile

IQ Business received MIS data from FP&M SETA regarding all learners the SETA has interacted with. The learner profile provides an overview of the FP&M SETA's learner who entered in financial years 2011/12, 2012/13 and 2013/14.

Fields of interest are the learners':

- **Equity distribution**: ethnic group of the learner.
- **Socio-economic status**: employed or unemployed.
- **Disability status**: being disabled, this includes sight, even with glasses.
- **Age at time of enrolment:** age was calculated off of the learner's ID number and worked back to reflect his/her age at the time they entered the course.
- **Home language.**
- **Gender.**
- **Geographical distribution.**
- **Intervention.**
- **Sub-sector.**

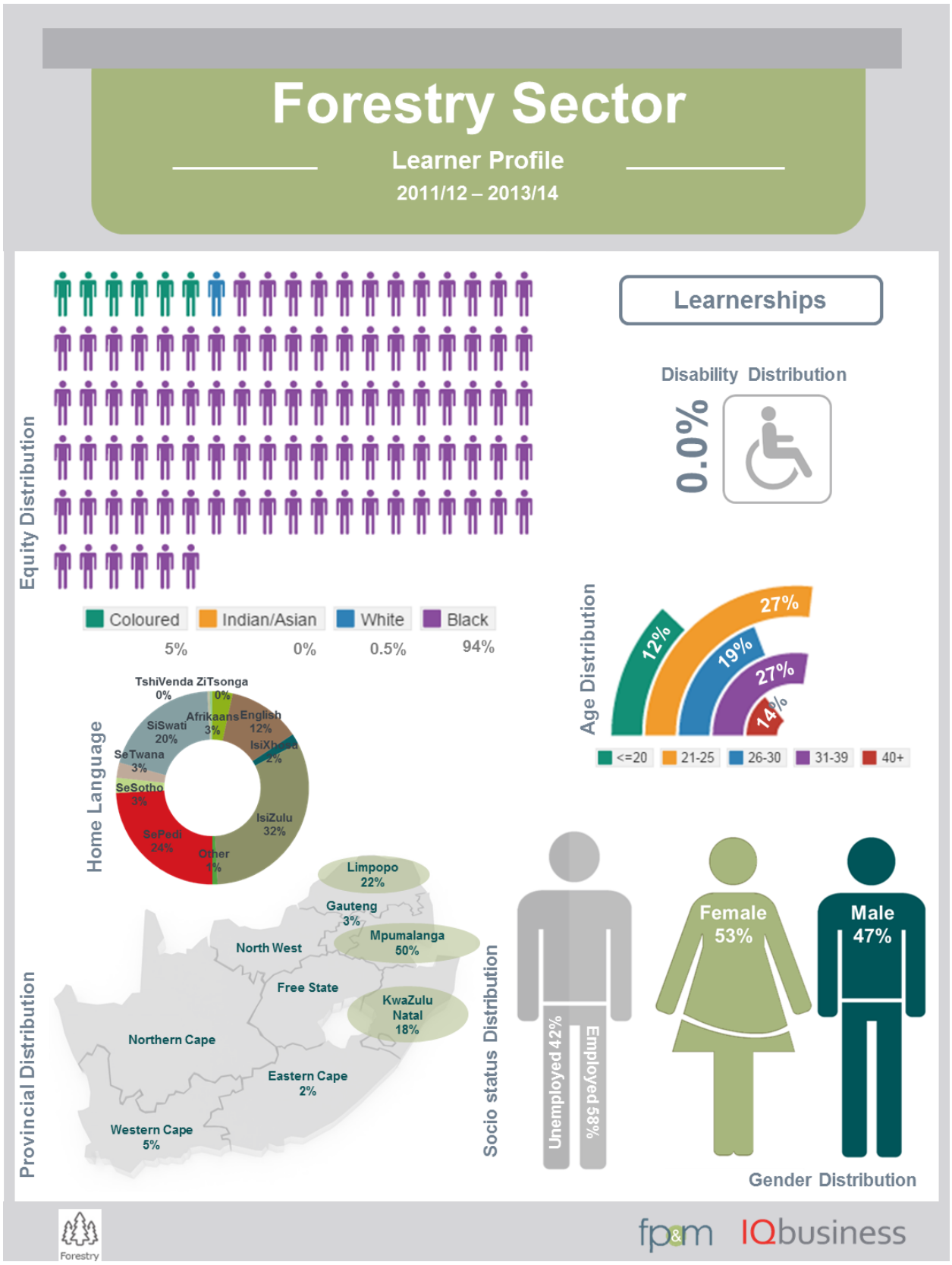
In this section a focus was placed on the sub-sectors, namely forestry and wood products sectors. Data[1] is reported in the infographic[2] below per sub-sector.

The FP&M SETA courses in these sectors are learnerships and learners in these sectors are mainly black South Africans. It can be seen that 86% and 100% of learners in the forestry and wood products sector respectively are under the age of 40 and all learners are not disabled. This is indicative of a labour intensive, physical sector where the labour force needs to be able to do physical work.

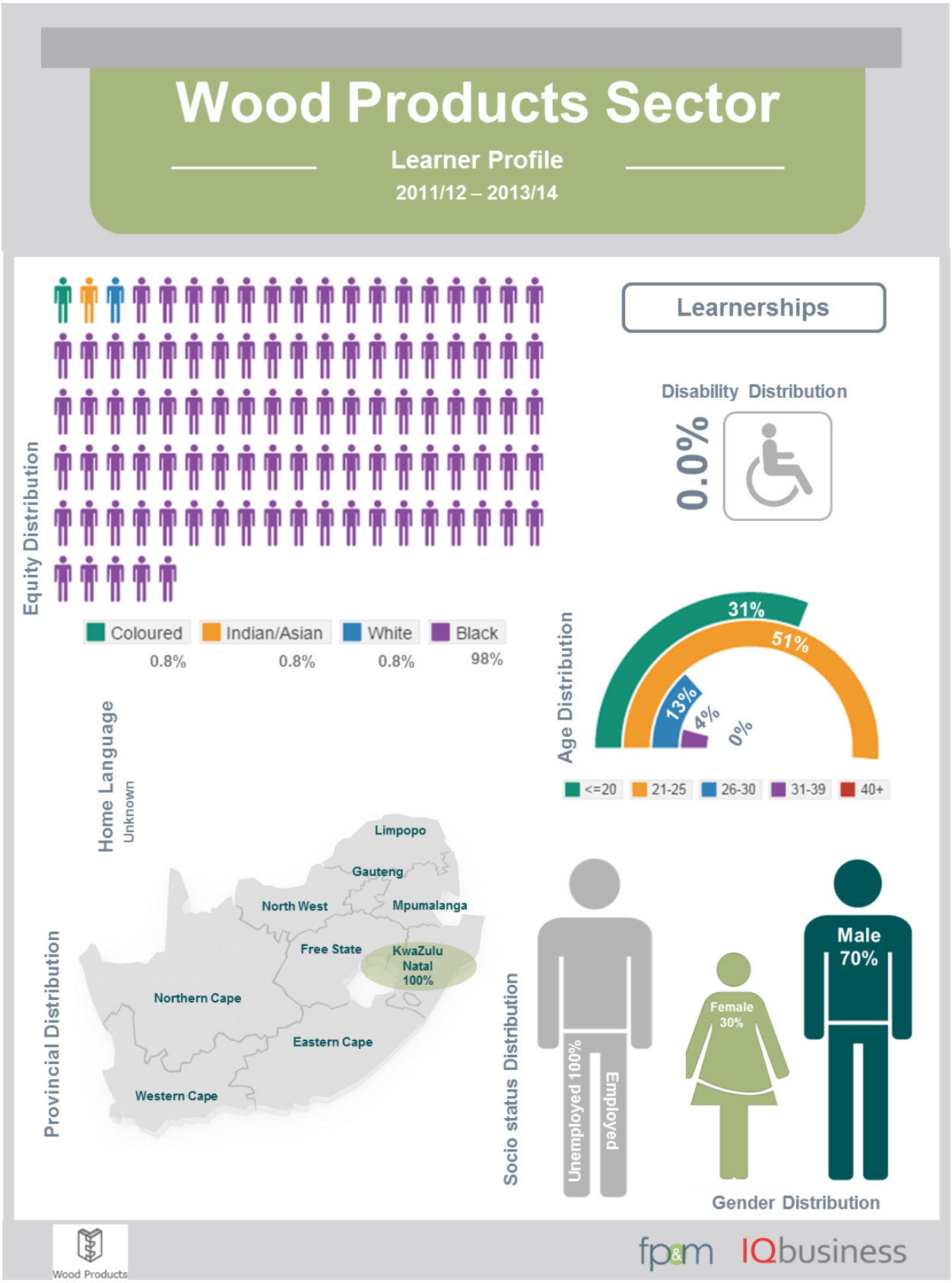
The forestry sector has an almost equal distribution between male and female learners, whereas the wood products sector is dominated by males at 70%. The forestry sector is again almost equally distributed between enrolling employed and unemployed persons in learnerships, while wood products take in a majority of unemployed learners. Learnerships for forestry occur mostly in Limpopo, Mpumalanga and Kwa-Zulu Natal, the three provinces that are home to the bulk of South Africa's plantations. All the learners in the wood products sector that had geographical information populated resided in Kwa-Zulu Natal.

[1] The data excludes missing data within the variables.
[2] A visual representation of information or data, e.g. as a chart or diagram.

4.1 Forestry Sector



4.2 Wood Product Sector



Bibliography

Agri4africa. (2014). *Newsletter Number 37*. Retrieved November 2014, from http://agri4africa.com/index.php?dirname=docs_02newsletters/00010newsletter.php&lookupAricleId=198

CEPPWAWU. (2014). *Chemical Energy Paper Printing Wood & Allied Workers Union*. Retrieved November 2014, from wwwceppwawu.org.za

FAO. (2014). *EU FAO FLEGT Programme*. Retrieved November 2014, from Food and Agriculture Organization of the United Nations: http://www.fao.org/forestry/eu-flegt/en/

FAWU. (2014). *Food and Allied Workers Union*. Retrieved November 2014, from www.fawu.org.za/index.php

Forestry SA. (2006). *Climate Change and the South African commercial forestry sector.*

Forestry SA. (2013). *Employement in the South African Forestry and Forest Products Industry 2011.*

Forestry SA. (2013). *Forestry Facts for the year 2011/12.*

Forestry South Africa. (2014). Retrieved November 2014, from www.forestry.co.za

Forestry Stewardship Council. (2014). *FSC International*. Retrieved November 2014, from www.fsc.org

IDC. (2012). *Forestry and Wood*. Retrieved November 2014, from www.idc.co.za/IR2012/forestry-and-wood.php

IDC. (2014). Retrieved from www.idc.co.za

Industry SA. (2012). Retrieved November 2014, from www.industrysa.co.za

Komatiland Forests. (2014). Retrieved November 2014, from www.komatilandforests.co.za

Mondi Group. (2014). Retrieved November 2014, from www.mondigroup.com

NewGenerationPlatations. (2014). *NewGenerationPlatations Platform*. Retrieved November 2014, from http://newgenerationplantations.org/

SA Forestry Mag. (2013). *New Minimum Wage Boosts Mechanization.*

SA Forestry Mag. (2014). *Sector Innovation Fund to Boost RD in the Forest Sector.*

Sabie. (2014). Retrieved November 2014, from About Forestry: www.sabie.co.za/about/forestry

SAFCA. (2014). *South African Forestry Contractors Association*. Retrieved November 2014, from www.safca.co.za

SAPPI. (2014). Retrieved November 2014, from www.sappi.com/regions/sa/SappiSouthernAfrica

SAWPA. (2014). *The South African Wood Preservers Association*. Retrieved November 2014, from http://www.sawpa.org.za/about.html

Southern African Institute of Forestry. (2014). *SAIF*. Retrieved November 2014, from www.saif.org.za

The Wood Foundation. (2014). *What wood we do without wood?* Retrieved 2014, from www.thewoodfoundation.co.za