SAWMILLING IN SOUTH AFRICA

2 September 2014

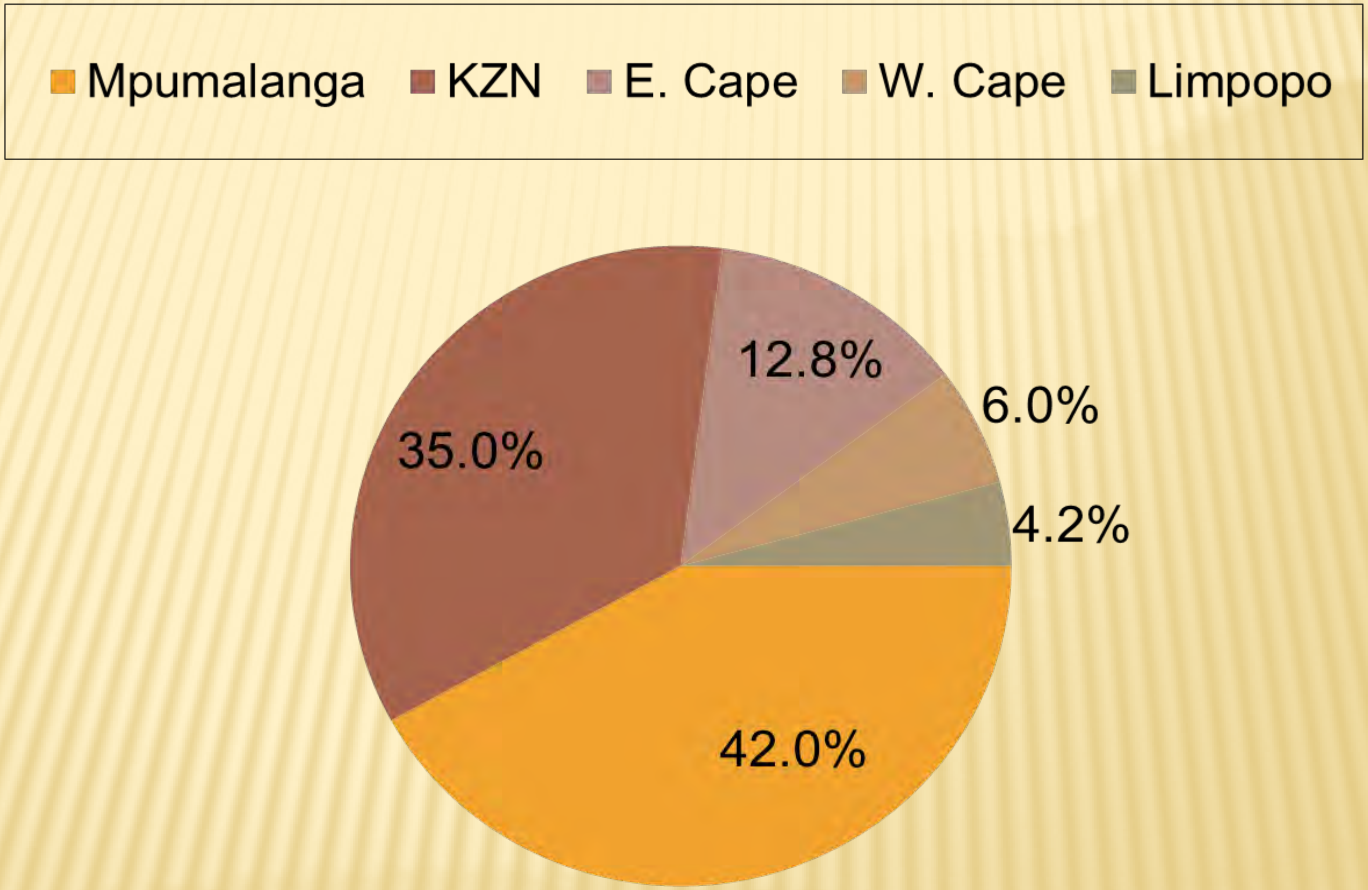
HISTORY

- 1652 → Indigenous wood used primitively
  Construction and furniture use
- 1802 – 1860 → First commercial sawmill
  Located in Knysna
- 1910 → Introduction of exotic specie plantings in plantations
  Pine and Eucalyptus
  Supplementing indigenous resource
- 1937 → First two sawmills commissioned by State
  George and Elandshoek
  Small private sawmilling started
- 1970 – 1980 → State announced curtailment in development in sawmilling
- 1980 – today → Private sawmilling growth
- 2000 – today → State plantation privatization packages

INDUSTRY TODAY

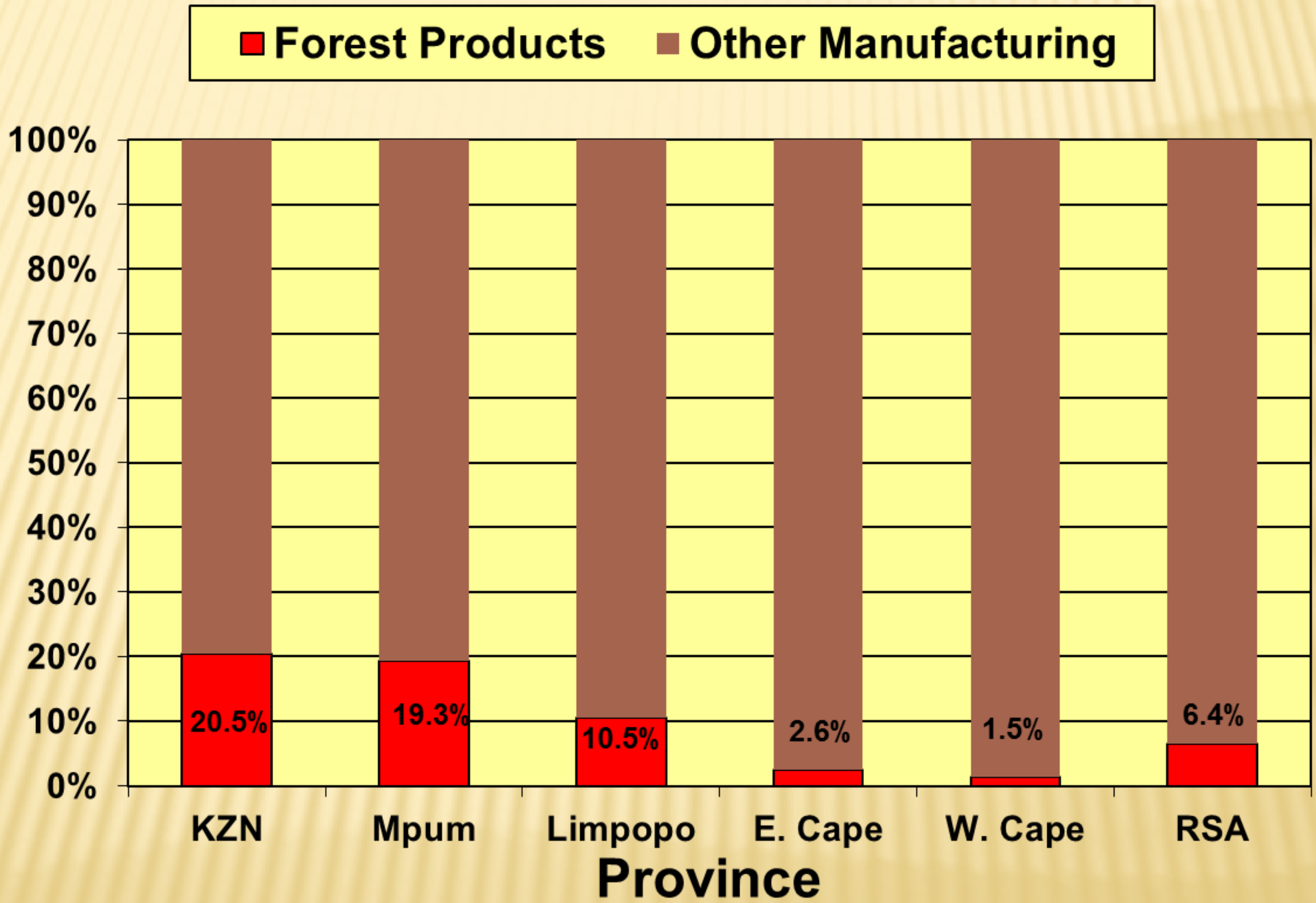
- Well developed Industry, more than 200 enterprises producing lumber
- Pine sawmilling is dominant
- Structural Pine market is the most important
- Imported lumber plays a role – Mainly in furniture industry
- Exports very limited
- Classification of Pine sawmills;
  - Formal sawmills. (*kiln drying, SANS grading*)
  - Informal sawmills (*air drying, basic grading*)
  - Bush mills (wet lumber production, *produce lower grade utility lumber*)
  - Seasonal mills (*opportunistic milling*)
- Beneficiation of Pine is limited – Roof truss's
- Beneficiation of Imported lumber is high - Furniture
- Large employer in rural areas
- Limited returns
- Renewable resource being maintained

INVESTMENT IN SECTOR



Investment - R 46 billion

CONTRIBUTION TO GDP



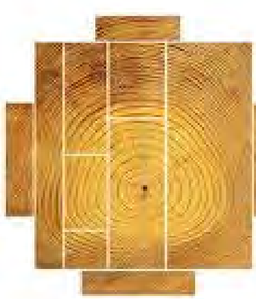
R 35.4 billion (27 % of Agric GDP)

SAWMILLING


www.shutterstock.com · 48958254

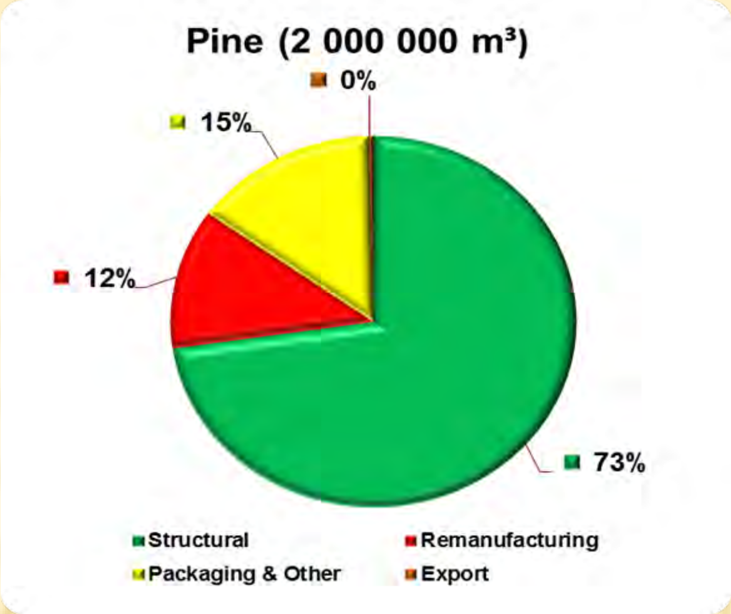

LINCK

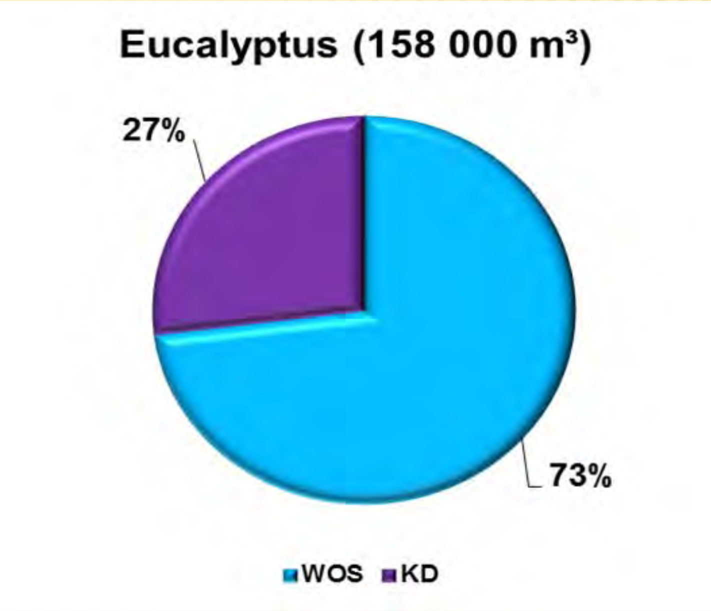

MÖHRINGER

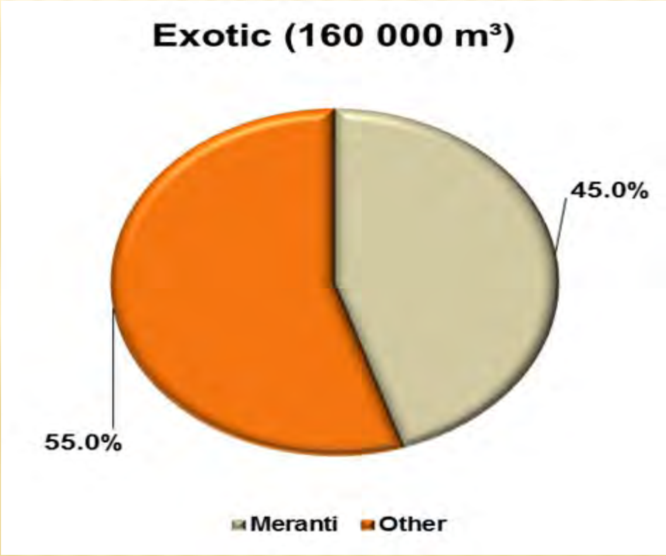



25
25 x 76
25 x 102
25 x 114
25 x 152
25
25 x 228
38
38 x 38
38 x 50
38 x 76
38 x 102
38 x 114
38
38 x 152
38 x 228
50
50 x 76
50 x 152
measurements shown in millimeters
50
50 x 228

SPECIES AND VOLUME

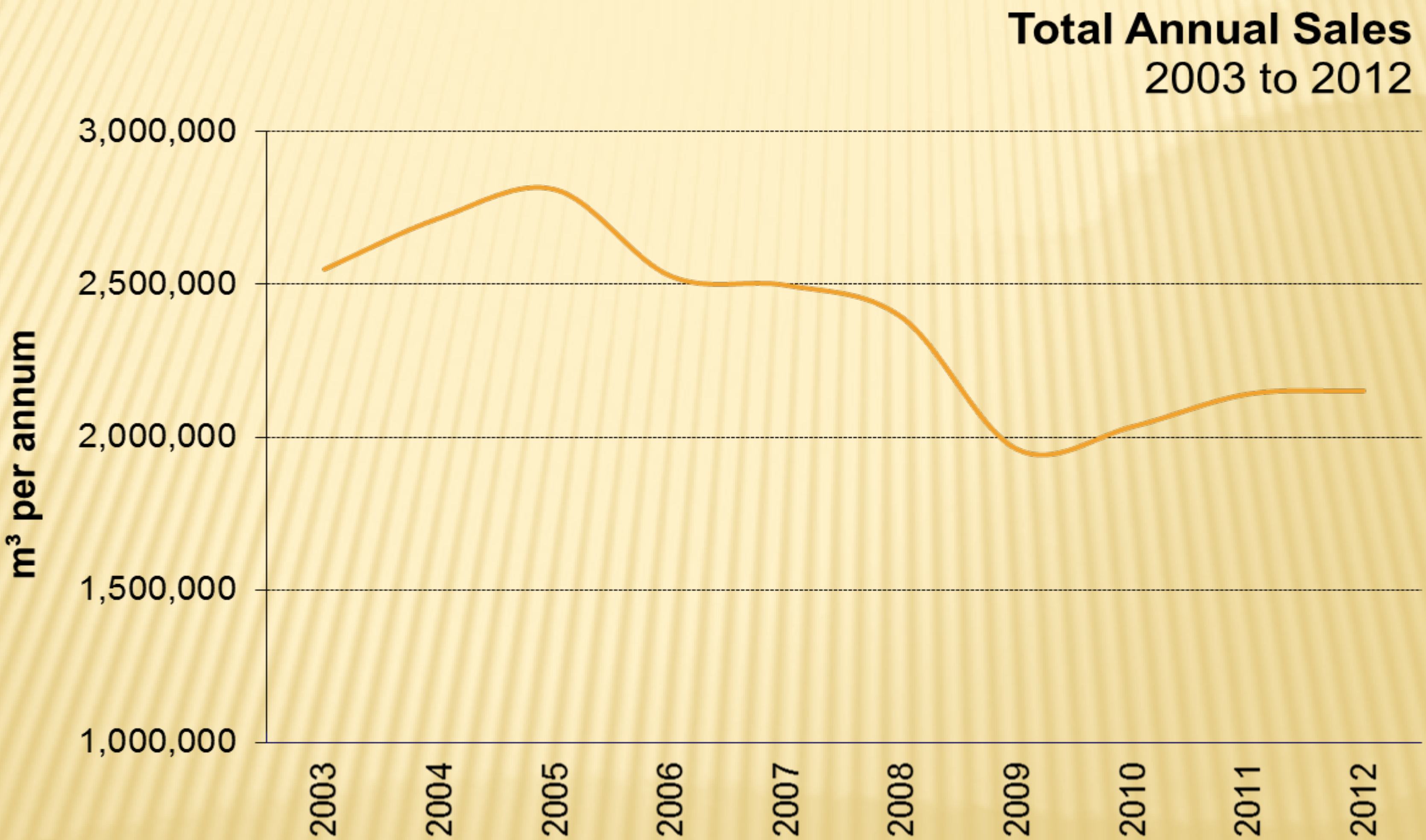






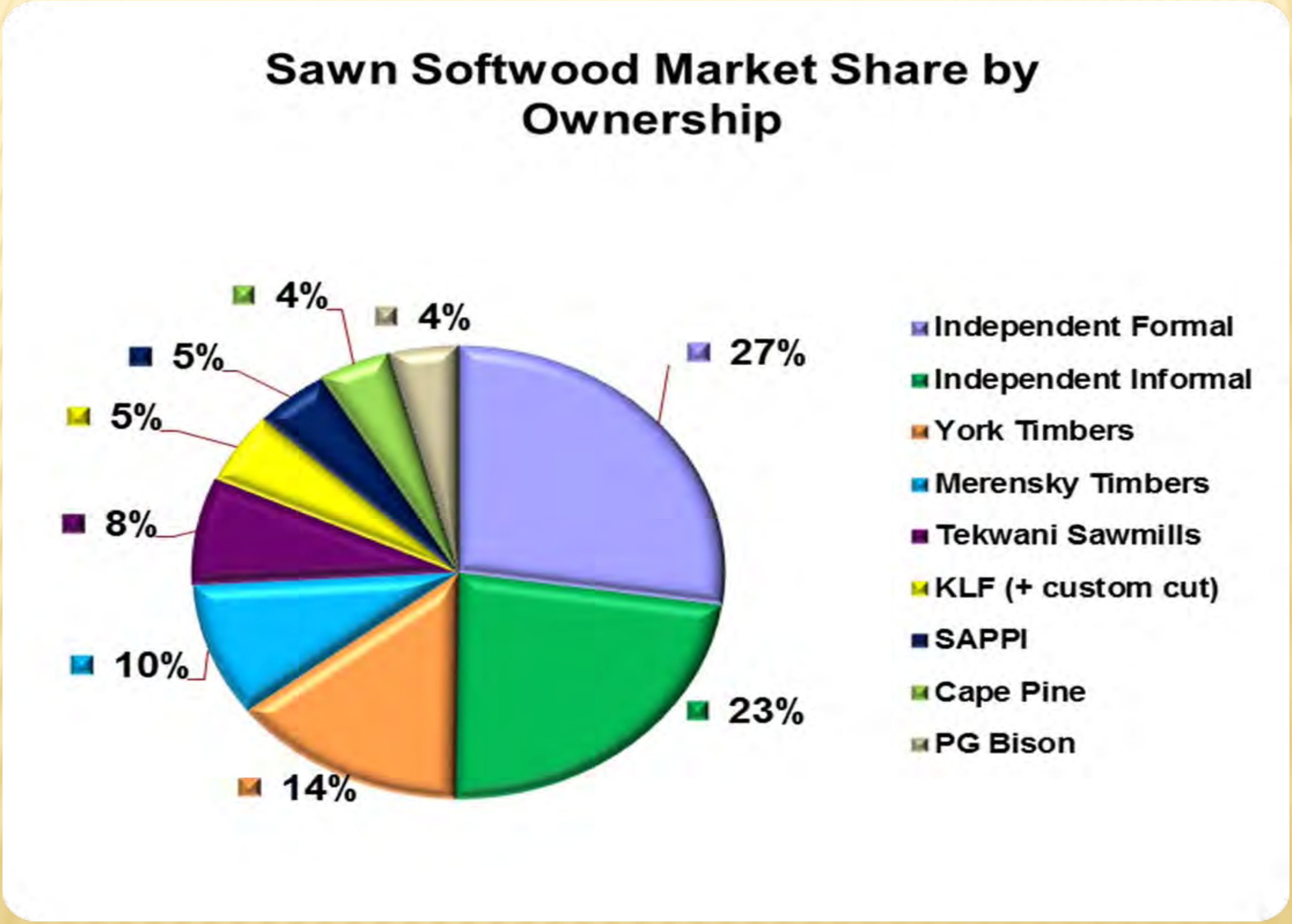
Source: Industry stats

DEMAND



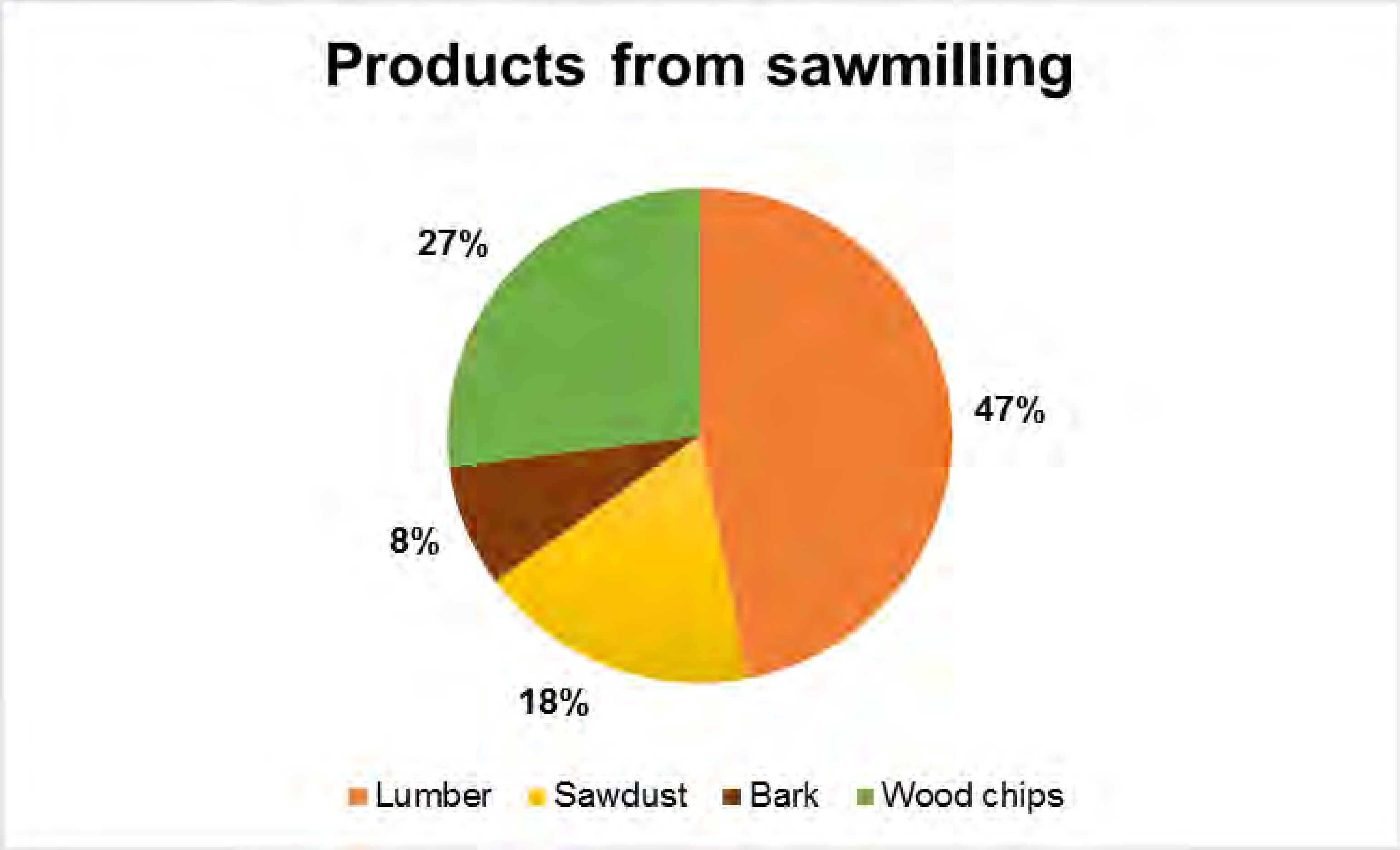
Source: Crickmay

MAIN PLAYERS



Source: Industry stats

PRODUCTS PRODUCED



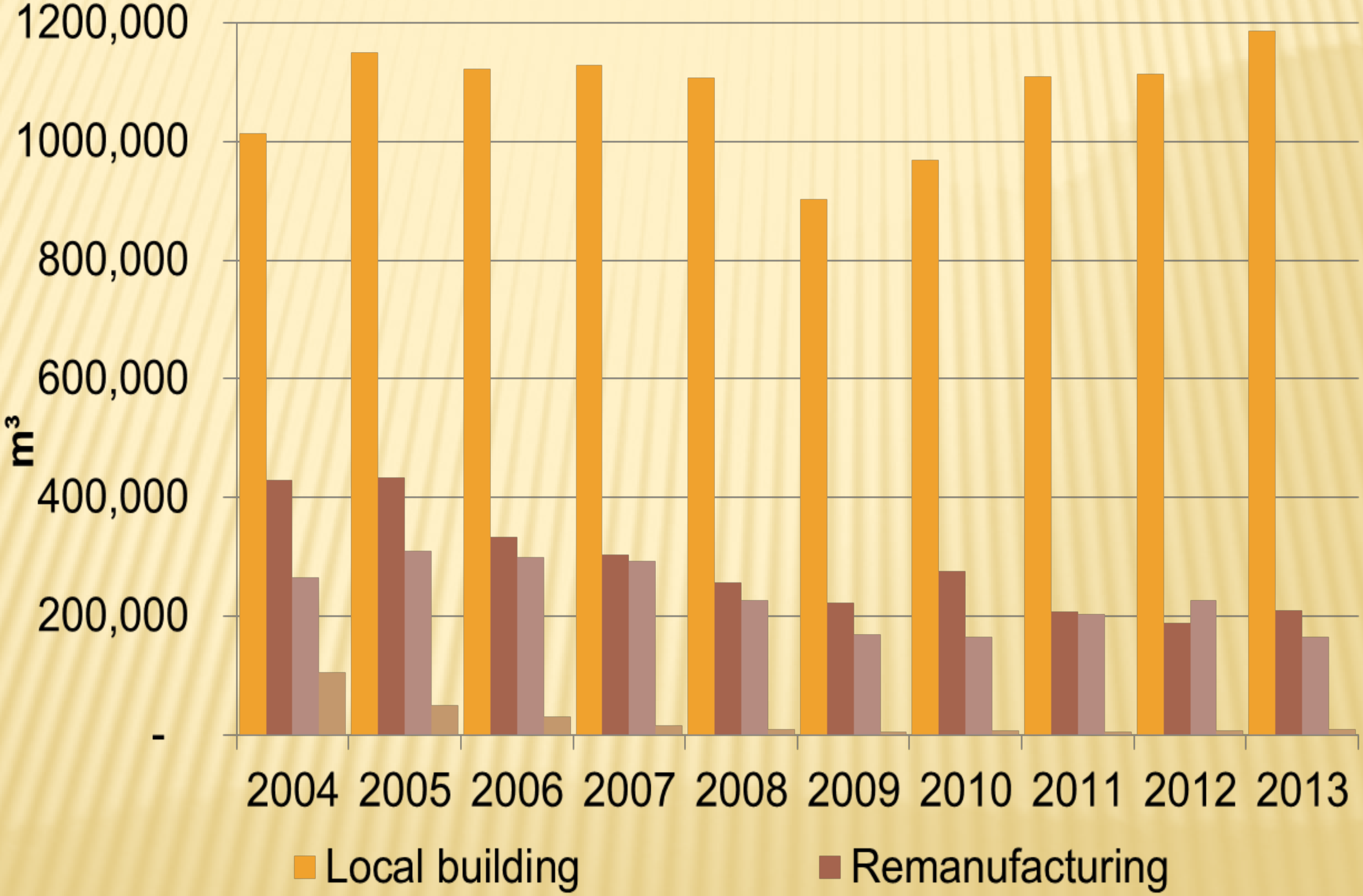
Source: Industry stats

PINE LUMBER PRODUCTS

Source: Industry stats

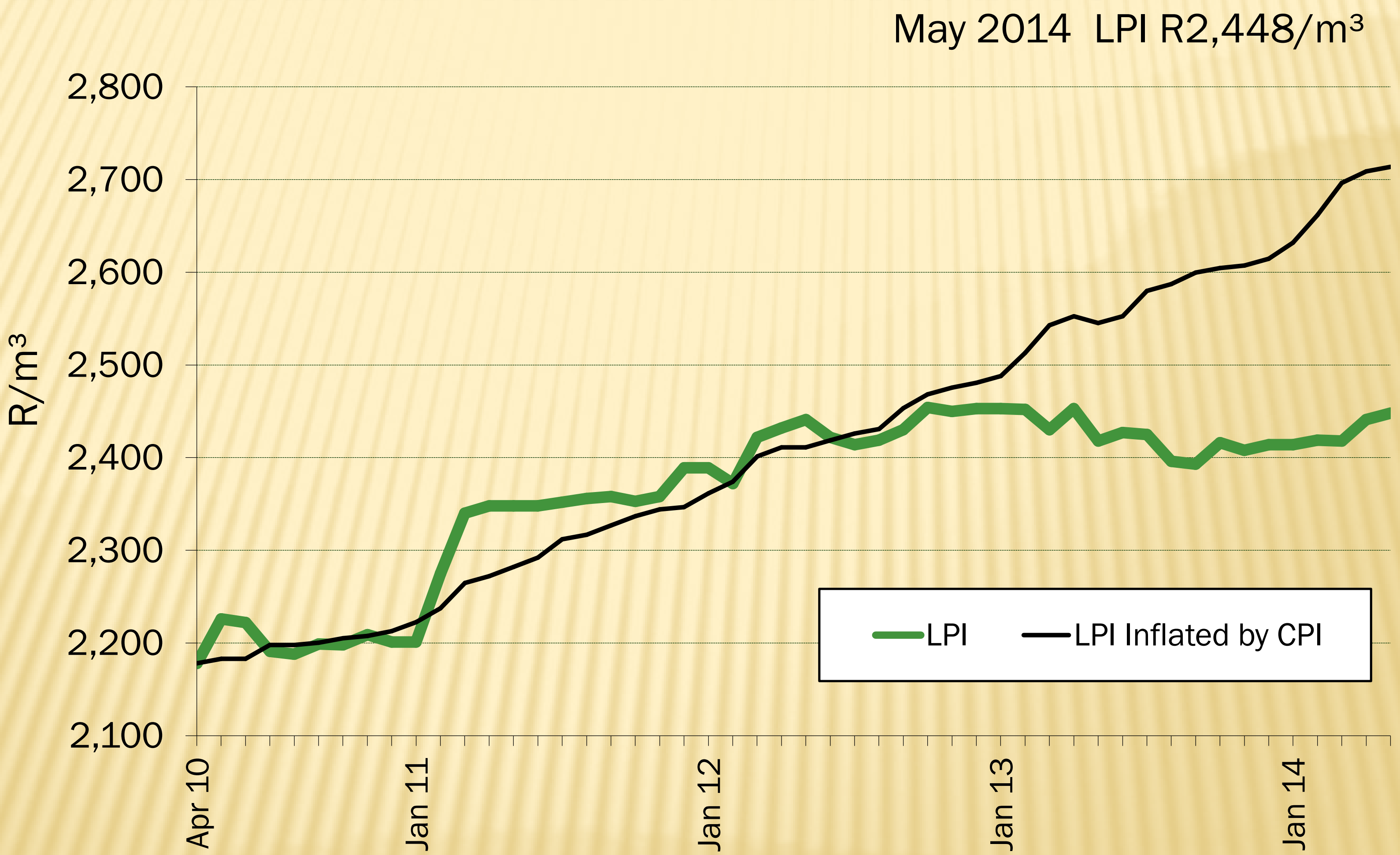
LUMBER SALES BY END USE

Sawmilling South Africa



Source: SA Lumber Index, Crickmay

DELIVERED PRICE: APR 2010 TO MAY 2014

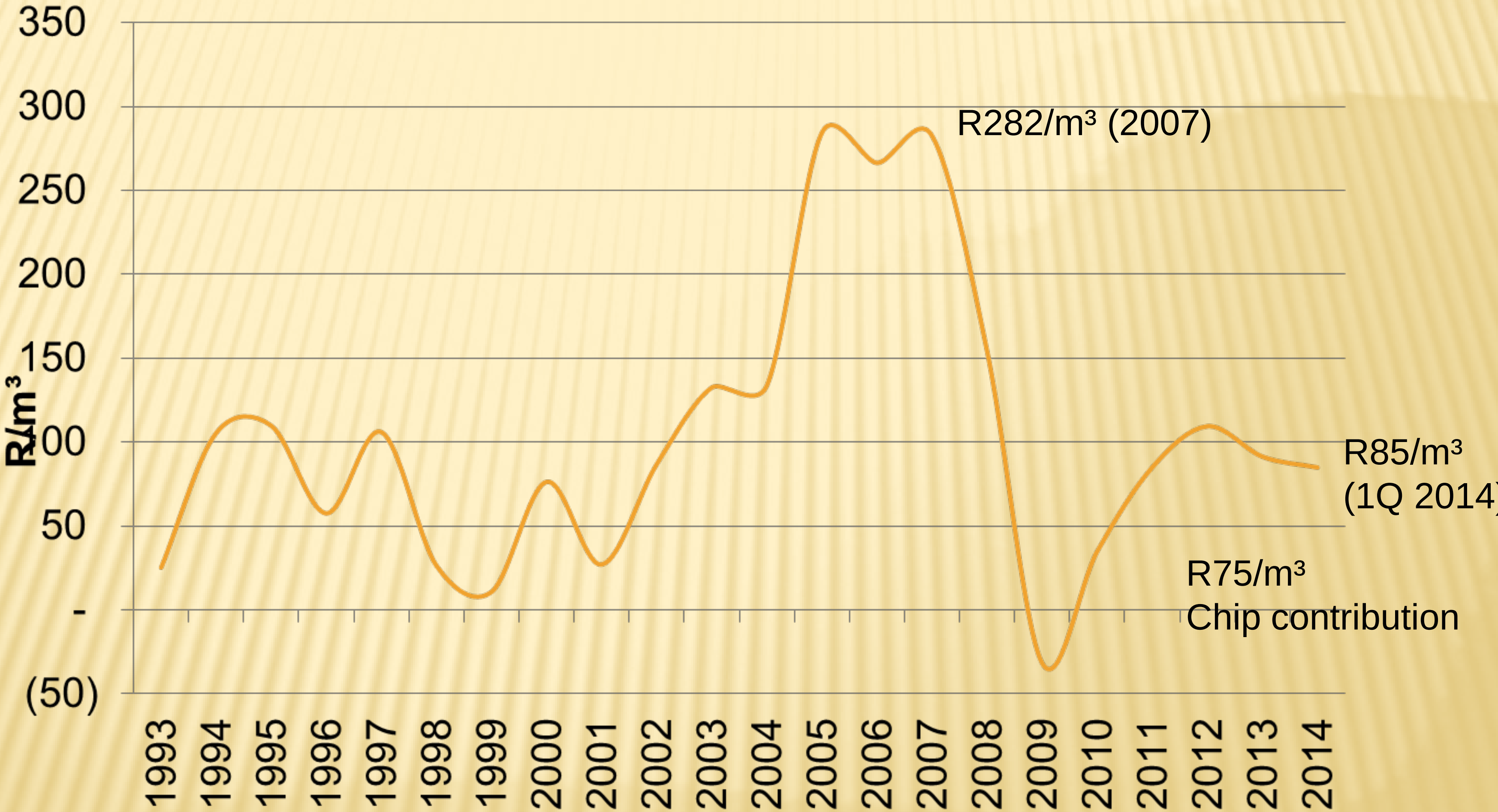


[LPI inflated base Apr 2010]

SAWMILLING

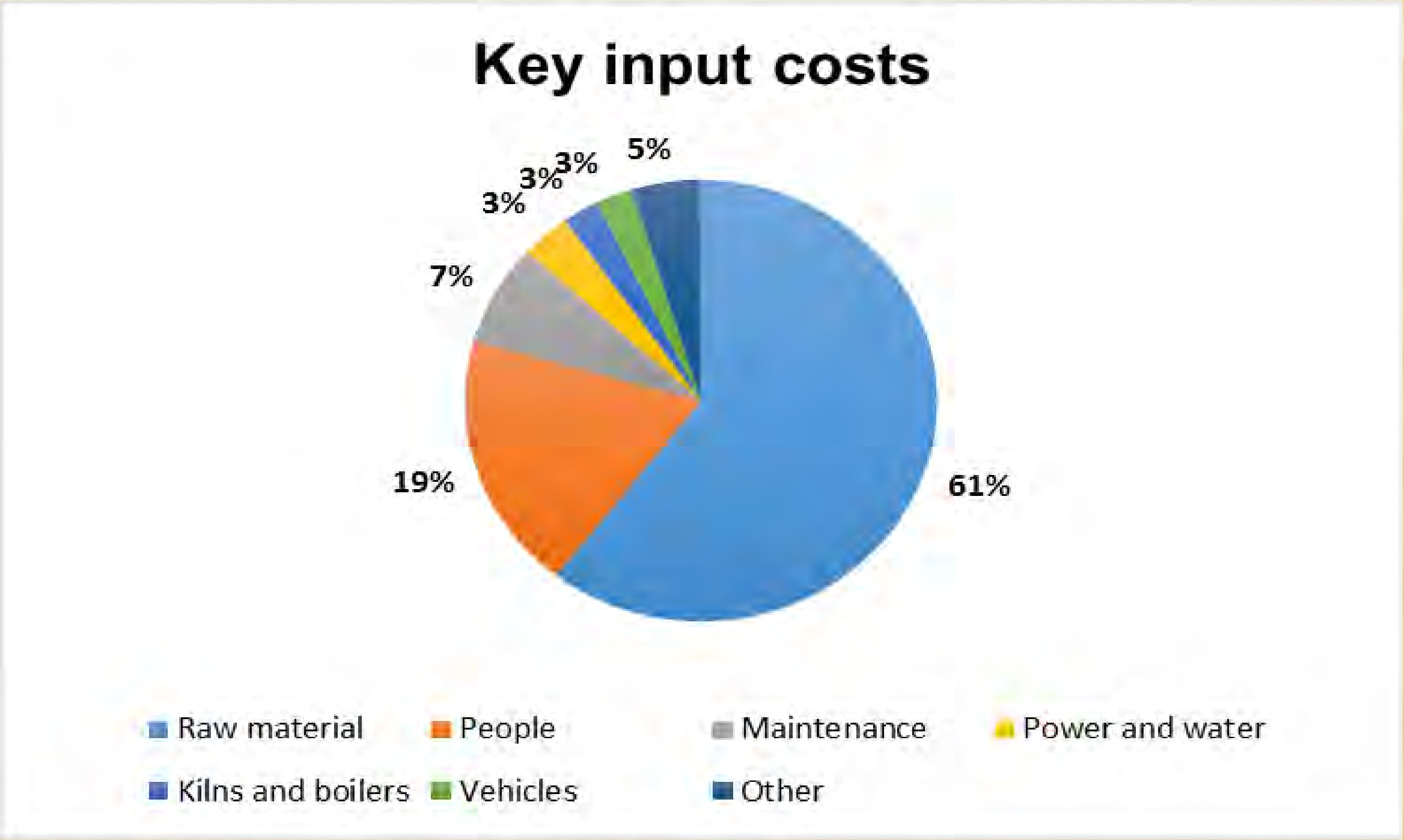
Sawmilling South Africa

INDUSTRY PROFITABILITY



Source: Intermill Comparison, Crickmay

KEY INPUT COSTS



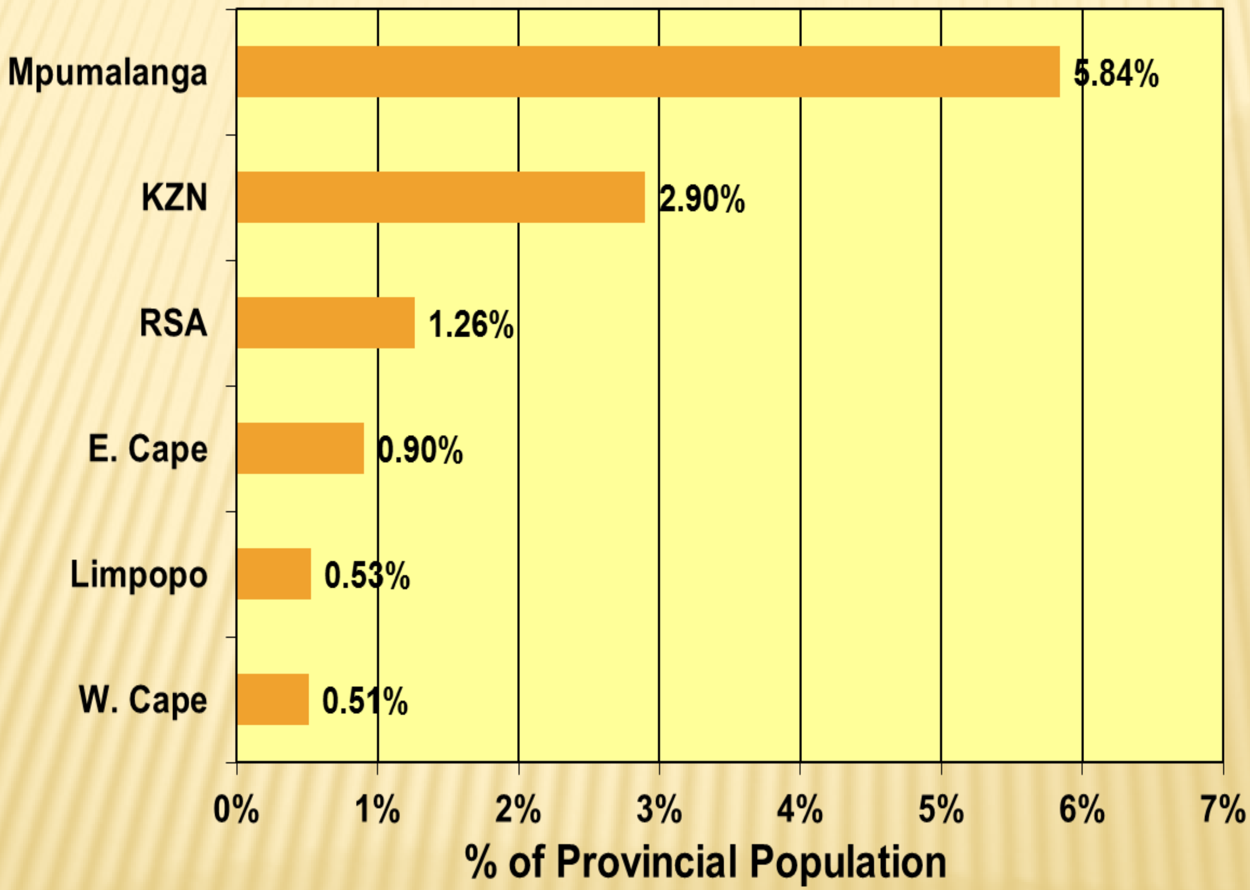
Source: Crickmay

EMPLOYMENT

Sub-sector	No. of employees		Total Employment
	Direct	Indirect	
Forestry	62,700	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

ESTIMATED % OF POPULATION DEPENDANT ON FORESTRY INDUSTRY (2011)

Sawmilling South Africa



Total Population
4 040 000
10 267 000
51 771 000
6 562 000
5 405 000
5 823 000

Total population – 51.8 million

STRATEGIC IMPORTANCE

- Section 12.9 of Industrial Policy Action Plan (IPAP)
- Beneficiates a local resource
- Supplies feed stock to
  - Building & Construction
  - Furniture & Joinery
  - Packaging
- Eco Friendly Industry
  - Renewable resource raw material
  - Capable of generating own energy requirements
  - Primary lumber processing in rural areas
- Rural and Urban job creation
- SMME opportunity broker
- Infrastructure user
- Skills development-incubator

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)

- Import replacement of Tropical hardwoods (Eucalyptus)
- Product development opportunities from renewable resource
- Industry unable to compete Internationally against Countries where there is Government subsidies assisting Industry developments
- Imported Exotics are virtually exclusively used in the value adding market segment

ENHANCING BENEFICIATION

- Export incentive schemes of lumber export to assist with:
  - Marketing of oversupply of lumber Internationally as currently there is a risk of job losses relating to potential mill closures
  - Skills development to enhance productivity
  - Resource utilization improvements programs ➔ Product development
  - Out-bound transport / logistics
- Carbon footprint acknowledgement and exploitation
- Incentives for value adding of by-products ➔ Energy
- Carbon Tax re-bate vs rain tax
- Cost reduction initiatives to ensure competitiveness
  - Railways as a means of transport vs Road
  - Productivity program enhancement
  - Equipment replacement assistance.
- Job security in the plantations
- Assistance with log marketing (free market principle to remain)

  (compete with NZ and Canada focusing on log export to East

SUNMMARY

CHALLENGES

- Prolonged construction market weakness
- Cost pressures
  - Rising administered costs and taxes
- Skills shortage
- Profitability
- Infrastructure
  - Roads & Rail
- Government Policy needs to give Stability with regard to
  - Role of SAFCOL needs to be defined, at present it's a supplier, partner to some and a competitor
  - BBB-EE
  - Land Claims
  - Labor legislation

- Aging equipment/facilities

SUMMARY CONTINUED

OPPORTUNITIES

- Promotion of the use of renewable resource; Green building
- Downstream beneficiation into non construction products
  - Furniture, joinery
- Expansion into export markets
  - Assistance needed to make SA Internationally Competitive
- Ability to grow the Forestry resource and create jobs
  - Governments undertaking to streamline licensing procedure
  - Development of the committed 100k ha
- Construction of dwellings
  - Use and approval for timber dwellings in sub-economic housing

THANK YOU