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

[Images of sawmilling processes and equipment]
SPECIES AND VOLUME

Source: Industry stats
DEMAND

Total Annual Sales
2003 to 2012

Source: Crickmay
MAIN PLAYERS

Sawn Softwood Market Share by Ownership

Source: Industry stats
PRODUCTS PRODUCED

Source: Industry stats
PINE LUMBER PRODUCTS

Source: Industry stats
LUMBER SALES BY END USE

Source: SA Lumber Index, Crickmay
DELIVERED PRICE: APR 2010 TO MAY 2014

May 2014  LPI R2,448/m³

[LPI inflated base Apr 2010]
SAWMILLING
INDUSTRY PROFITABILITY

Source: Intermill Comparison, Crickmay

R282/m³ (2007)
R85/m³ (1Q 2014)
R75/m³
Chip contribution

Source: Intermill Comparison, Crickmay
KEY INPUT COSTS

Source: Crickmay
## EMPLOYMENT

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>No. of employees</th>
<th></th>
<th>Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
<td></td>
</tr>
<tr>
<td>Forestry</td>
<td>62,700</td>
<td>30,000</td>
<td>92,700</td>
</tr>
<tr>
<td>Pulp and Paper</td>
<td>13,200</td>
<td>10,800</td>
<td>24,000</td>
</tr>
<tr>
<td>Sawmilling</td>
<td>20,000</td>
<td>10,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Timber Board</td>
<td>6,000</td>
<td>n/a</td>
<td>6,000</td>
</tr>
<tr>
<td>Mining Timber</td>
<td>2,200</td>
<td>n/a</td>
<td>2,200</td>
</tr>
<tr>
<td>Other</td>
<td>11,000</td>
<td>n/a</td>
<td>11,000</td>
</tr>
<tr>
<td>Total</td>
<td>115,100</td>
<td>50,800</td>
<td>165,900</td>
</tr>
</tbody>
</table>
ESTIMATED % OF POPULATION DEPENDANT ON FORESTRY INDUSTRY (2011)

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)
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
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