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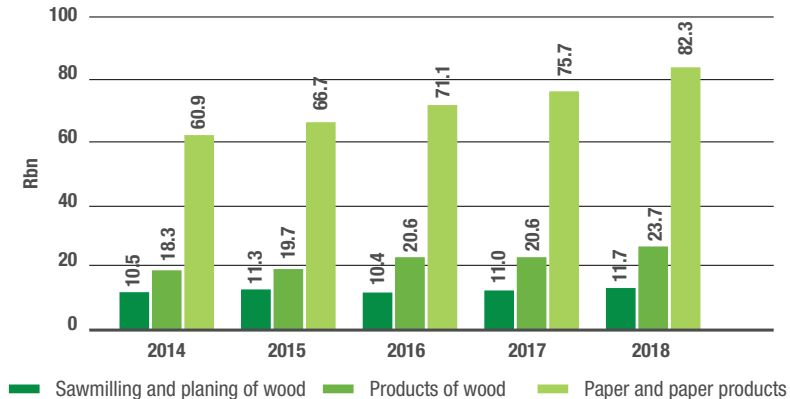
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Investing in South Africa's Forestry Sector

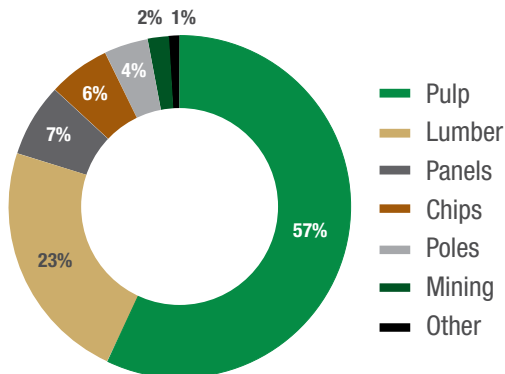


- South Africa's forestry sector has a well-integrated value chain and plays a crucial role in supplying raw materials to many sectors of the economy.
- The sector is a multibillion-rand industry accounting for less than 1% of South Africa's gross domestic product (GDP), 10.4% of agricultural GDP and 4.5% of manufacturing GDP.
- It directly and indirectly employs approximately 147 400 people.
- In terms of land use, South Africa has approximately 1.2-million hectares of afforested land, which is equivalent to 1% of the total land area of 122.3-million hectares.
- The bulk of forestry plantations are located in Mpumalanga, KwaZulu-Natal, Eastern Cape, Western Cape and Limpopo. The largest industry contributions as a share of regional GDP are in KwaZulu-Natal and Mpumalanga.
- Pine (48.6%), eucalyptus (44.2%) and wattle (6.8%) are the predominant cultivated species in South Africa's forestry plantations.
- In 2018, gross value of output for forestry and forestry products contributed about R10 billion and R26.3 billion to the South African economy.
- Given its growth potential, the forestry sector has been earmarked as a priority under the Public Private Growth Initiative (PPGI), a partnership between national government and the private sector to stimulate investment.
- The sector is a key contributor to the South African economy in terms of foreign trade, with an export value of more than R24.7 billion.

Sales of forestry-related manufacturing, 2014-2018



Contribution to sales of primary processing plants, 2016/17



1,2m ha

**of afforested
land**

R134bn
**value of
wood-related
manufacturing**

Why invest?

Fully integrated value chain

South Africa's forestry industry supplies diverse value chains, producing pulp, paper, boards, packaging construction, building material and furniture.

4

16-billion

annual furniture manufacturing sales



Robust market growth

Between 2014 and 2018, wood-related manufacturing output increased more than 25% to almost R134 billion, with the paper and paper products segment recording the highest growth of 35% during this period.



+25%

increase in wood-related manufacturing

Robust investment demand

In 2017, the forestry industry attracted more than R46 billion in investments. Close to R20 billion was invested in machinery and equipment. Pulp and board productions attract the largest share of investment, accounting for about R19 billion.



+46 billion
in total investments

Sustainable, certified source of wood

About 80% of South African plantations are certified under the Forest Stewardship Council (FSC) system.

In total, 1.4-million hectares of South African forest area are FSC-certified, accounting for about 20% of all certified forest areas in Africa.

80%

of plantations are FSC certified



Large supply of pulp

South Africa produces about 12.5-million cubic metres of pulpwood per year worth close to R7 billion. The pulp and paper mills produce close to R18 billion in output per year, supplying both domestic and foreign markets. South Africa is the 12th-largest pulp exporter in the world, exporting close to R12.5 billion of pulp.



12th
largest
pulp exporter
in the world

Notable achievements

First in 2014: South African Woodfibre giant Sappi patented a world-first, low-cost process to produce nanocellulose.

#1 in Africa: South Africa accounts for about 60% of all FSC chain-of-custody certificates issued in Africa, reflecting the country's commitment to sustainability.

The Forestry Sector Master Plan is in support of the Re-imagined Industrial Strategy (RIS) for South Africa, approved in October 2020.

Where to invest

South Africa's forestry industry is concentrated in the Eastern Cape, KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape.

The country's major timber processing mills are concentrated in KwaZulu-Natal and Mpumalanga.

Pulp and paper manufacturing is concentrated in Gauteng, KwaZulu-Natal and Mpumalanga, with smaller hubs in the Free State and the Western Cape.

Furniture manufacturing is concentrated in Gauteng, KwaZulu-Natal and the Western Cape in proximity to major consumer markets. Smaller clusters exist in the Eastern Cape, Mpumalanga and Limpopo, located close to forestry plantations.

Mpumalanga

- Share of national plantation area: **41%**
- Forestry share of provincial GDP: **3.19%**
- Forest products share of provincial manufacturing: **16.9%**
- Forestry employment: **53 610** (4.5% of provincial workforce)
- Dominant tree species: **Pine**
- Type of pulp/paper manufacturing: chemical cellulose, pulp, newsprint, kraft and tissue

Gauteng

- No notable plantation activities
- Type of pulp/paper manufacturing: tissue, packaging board, paper, paper board, kraft and packaging paper

Limpopo

- Share of national plantation area: **3.95%**
- Forestry share of provincial GDP: **0.74%**
- Forest products share of provincial manufacturing: **22.2%**
- Forestry employment: **8 030** (0.8% of provincial workforce)
- Dominant tree species: **Pine**

Free State

- No notable plantation activities
- Type of pulp/paper manufacturing: newsprint

Western Cape

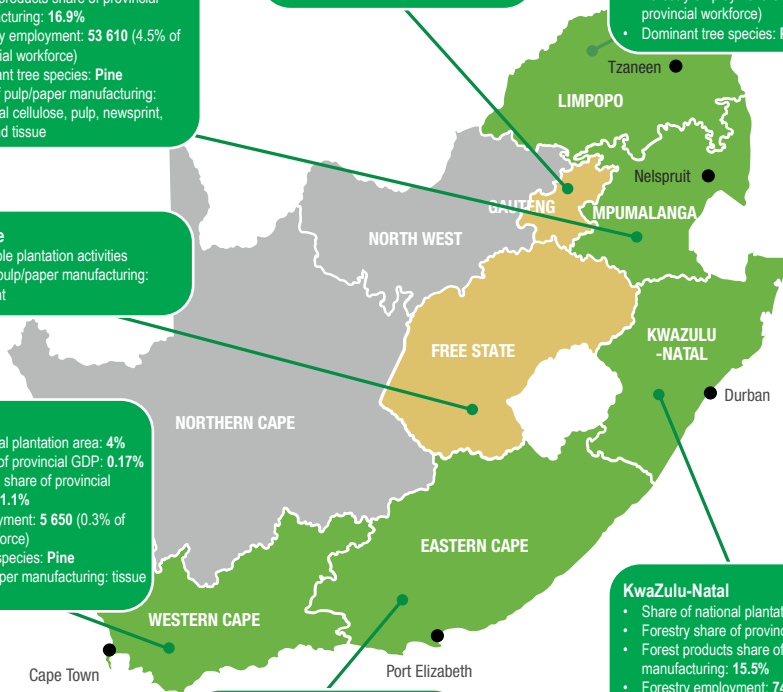
- Share of national plantation area: **4%**
- Forestry share of provincial GDP: **0.17%**
- Forest products share of provincial manufacturing: **1.1%**
- Forestry employment: **5 650** (0.3% of provincial workforce)
- Dominant tree species: **Pine**
- Type of pulp/paper manufacturing: tissue and kraft

Eastern Cape

- Share of national plantation area: **11%**
- Forestry share of provincial GDP: **0.75%**
- Forest products share of provincial manufacturing: **3.8%**
- Forestry employment: **16 390** (1.2% of provincial workforce)
- Dominant tree species: **Pine**

KwaZulu-Natal

- Share of national plantation area: **40%**
- Forestry share of provincial GDP: **3.32%**
- Forest products share of provincial manufacturing: **15.5%**
- Forestry employment: **74 690** (2.9% of provincial workforce)
- Dominant tree species: **Eucalyptus**
- Type of pulp/paper manufacturing: tissue, packaging paper, liner board, pulp, paper, paper board, kraft and chemical cellulose



What support exists?

- South Africa has committed to creating a competitive environment in the forestry, pulp, paper and furniture sector.
- The South African government collaborates with industry stakeholders to create an enabling and favourable environment for the forestry sector.

Local government procurement scheme

State entities are requested to procure various types of furniture (office and school furniture) with minimum local content of between 85% and 100%.

Skills development Support

Nelson Mandela University, Stellenbosch University, University of Witwatersrand, University of Pretoria, University of KwaZulu-Natal, the Forestry and Agricultural Biotechnology Institute, IFSCR, the Council for Scientific and Industrial Research and Fort Cox Agriculture and Forestry Training Institute offer forestry and wood-science-related courses. The Department of Agriculture, Forestry and Fisheries offers forestry-sector skills development initiatives.

Import rebates for inputs

Rebate provision for certain goods used in the manufacturing of furniture to improve competitiveness.

Furniture manufacturing Hub

The South African government plans to establish a Furniture Manufacturing Hub that will function as an incubator and shared manufacturing facility to develop skills, introduce modern manufacturing systems techniques, and provide market access.

What are the opportunities?

- > Preferential public-sector procurement provides significant incentive for supplier development in the furniture manufacturing industry

Investment opportunities include:

- **Re-forestation** and new **afforestation**
- **Timber in construction**
- Manufacturing of **engineered wood** and oriented strand board (OSB)
- **Biorefinery** and transformative technologies
- **Technical training** (chemical engineers, technicians and artisans)
- Supply/manufacturing of **wood-processing equipment**
- Supply/manufacturing of **pulp and paper manufacturing equipment**
- **Research and development** for packaging design or development
- **Manufacturing** of school and office furniture
- **Manufacturing** of board

How to invest?

Opportunity identification

- 1 Conduct feasibility study for your business process outsourcing (BPO) service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy to best align with market opportunity
- 4 InvestSA ready to assist

✓ InvestSA ready to assist

Go ahead



Investment preparation

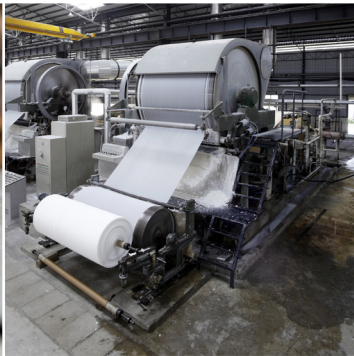
- ✓ Decide on geographic location most suitable for investment
- ✓ Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ Conduct site visits of suitable locations
- Consult with human resource/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers
- Determine corporate structure
- ✓ Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ Consult with InvestSA to identify eligibility for incentives, skills and other support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)
- ✓ Conduct interview, hire staff
- ✓ Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set up IT infrastructure/systems
- ✓ Register company
- ✓ Apply for licences and permits
- ✓ Apply for national level incentives schemes, skills and other support programmes

Key industry contacts

Organisation	Website
InvestSA	www.investsa.gov.za
Department of Forestry, Fisheries and the Environment	www.environment.gov.za
Department of Trade, Industry and Competition	www.thedtic.gov.za
South African Furniture Initiative	www.furnituresa.org
Forestry South Africa	www.forestrysouthafrica.co.za
South African Forestry Company Limited	www.safcol.sa
Sawmilling South Africa	www.timber.co.za
Proudly South African	www.proudlysa.co.za
Paper Manufacturers Association of South Africa	www.thepaperstory.co.za
South Africa Wood Preservers Association	www.sawpa.co.za



Notes:

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Key contacts for more information

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Information sources

the dtic, various years; Forestry South Africa, various years; Paper Manufacturers Association of South Africa, various years; StatsSA, various years; Who Owns Whom, various years.

