



SOUTH
AFRICA

Factsheet

2020

Investing in South Africa's Forestry, Pulp and Paper, and Furniture Sector

Growing a sustainable industry



the dti

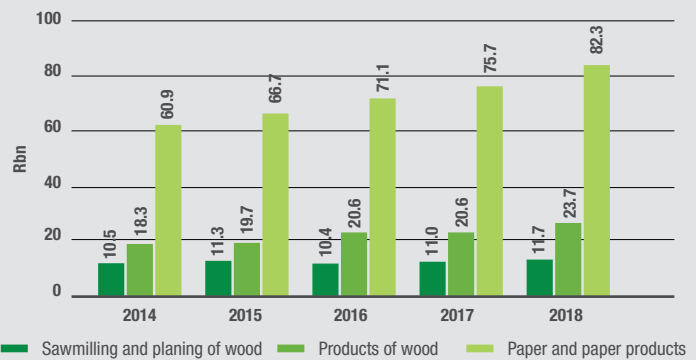
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Trade and Industry
REPUBLIC OF SOUTH AFRICA

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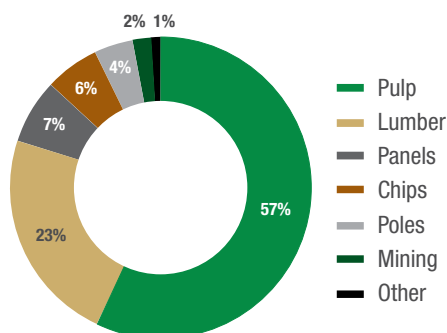
Forestry, Pulp, Paper, and Furniture in South Africa

- > South Africa has a well-established forestry sector with a fully-integrated value chain including pulp, paper and furniture manufacturing.
- > Across five provinces, South Africa has about 1.2 million hectares of afforested land, accounting for 1% of South Africa's total land area.
- > Pine (49.6%), eucalyptus (43%) and wattle (7%) are the most commonly cultivated tree species on South African plantations.
- > According to StatsSA, wood and wood products, paper, paper products and furniture manufacturing contributed about R134bn to the local economy.

Sales of forestry-related manufacturing, 2014-18



Contribution to sales of primary processing plants, 2016/17



1.2m ha

of afforested land

R134bn

value of wood-related manufacturing

Why invest?

Integrated value chain

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

R16.2bn

annual furniture manufacturing sales



Robust market growth

Between 2014 and 2018, wood-related manufacturing output increased more than 25% to almost R134bn, 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 R46bn in investments. Close to R20bn was invested in machinery and equipment. Pulp and board production attract the largest share of investment accounting for about R19bn.



+R46bn

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 1.4m 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 12.5m m³ of pulpwood worth close to R7bn per year. The pulp and paper mills produce close to R18bn in output per year, supplying both domestic and foreign markets. South Africa is the world's 12th largest pulp exporter, exporting close to R12.5bn of pulp per year.



12th

largest pulp exporter in the world

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 located 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.

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**

KEY:

- | | |
|--------------|----------------------|
| ● Paper | ◆ Chemical cellulose |
| ■ Paperboard | ◆ Packaging paper |
| ▲ Newsprint | ▲ Packaging board |
| ✚ Kraft | ✚ Linerboard |
| ★ Pulp | ▼ Tissue |

GAUTENG

- No notable plantation activities
- Type of pulp/paper manufacturing: ▼ ▲ ● ✚ ■ ◆

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: ▲ ✚ ★ ◆ ▼

FREE STATE

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

WESTERN CAPE

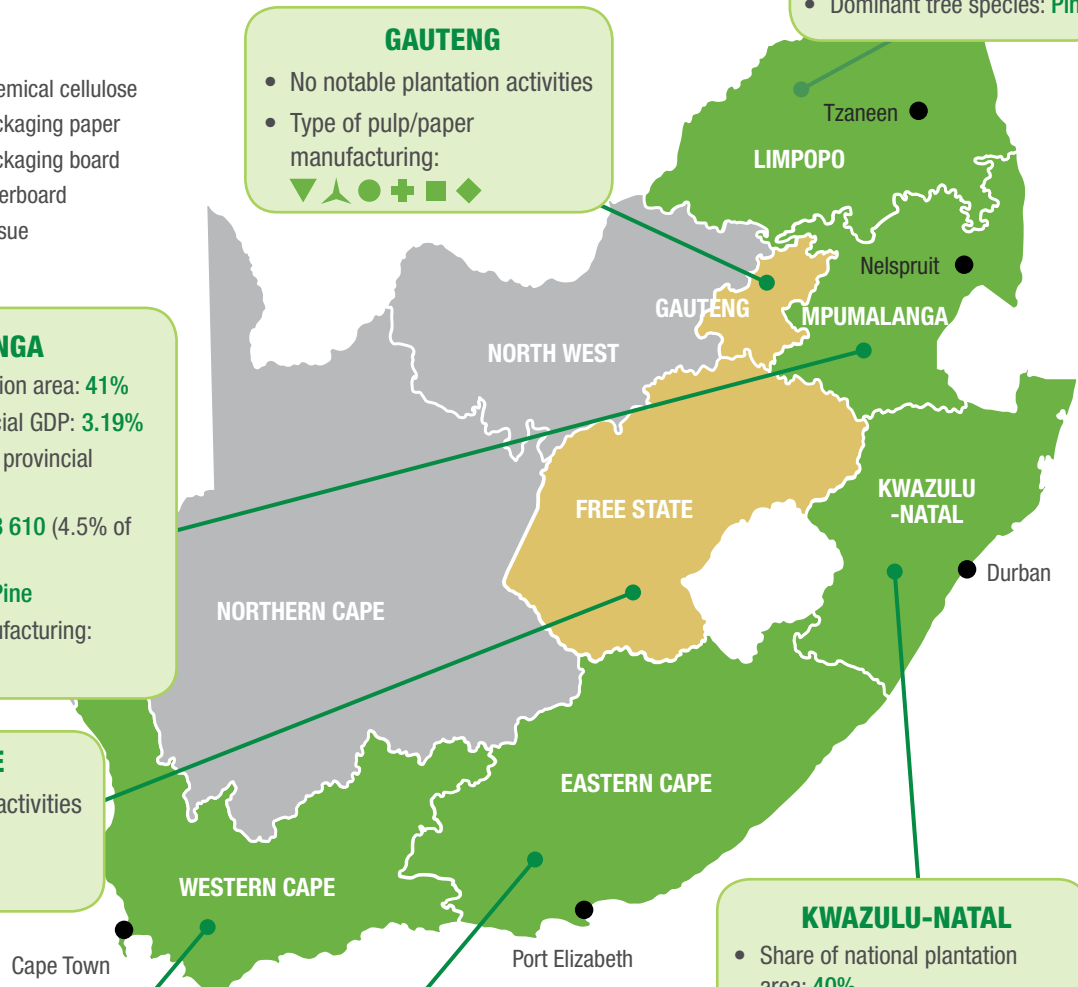
- Share of national plantation area: **4%**
- Forestry share of provincial GDP: **0.17%**
- Forest products share of provincial manufacturing: **1.1%**
- Forestry employment: **5 650** (0.3% of provincial workforce)
- Dominant tree species: **Pine**
- Type of pulp/paper manufacturing: ▼ ✚

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: **Eucalypt**
- Type of pulp/paper manufacturing: ● ■ ✚ ★ ▼ ✚ ◆



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 KwaZulu Natal, FABI, IFSCR, CSIR 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 in order to improve competitiveness.



Furniture Manufacturing Hub

The South African Government plans to establish a Furniture Manufacturing Hub in the near future. It will function as an incubator and shared manufacturing facility to develop skills, introduce modern manufacturing systems techniques and provide market access.

1st in 2014:

South African woodfibre giant Sappi patented a world-first, low-cost process for the production of 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.

What are the opportunities?

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

Investment opportunities include:

- **Re-afforestation** and new **afforestation**
- Timber construction – Use of **timber in construction**
- Manufacturing of **Engineered Wood** and Orientated Strength Board (OSB)
- **Bio-refinery** and transformative technologies
- **Technical training** (chemical engineers, technicians and artisans)
- Supply of **wood processing equipment**
- Supply of **pulp and paper manufacturing equipment**
- R&D for packaging **design/development**
- **Manufacturing** of school and office furniture

How to invest?

Opportunity identification

- 1 Consult feasibility study for your product or service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

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 HR/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 interviews, 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 licenses and permits
- ✓ • Apply for National Level Incentives Schemes, Skills and Other Support Programmes

✓ InvestSA ready to assist

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Information sources

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

Research partner | **Deloitte.**



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