

FORESTRY – DRIVER OF RURAL DEVELOPMENT & JOB CREATION

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Forestry Indaba

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FORESTRY

- Plays a significant role in the South African economy:
 - It is globally competitive
 - It earns the country important foreign exchange
 - more than 80% of commercial plantations are FSC certified
 - Compliance with UN and National Forest Act principles of Sustainable Forest Management
 - 170 000 job created in 2006;
 - Majority of people in rural areas depend on forestry for their livelihood and income earning opportunities



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FORESTRY (CONTD)


- Job creation – priority for current administration;
- Forestry - well positioned to contribute to job creation and rural development;
- Small Forest Enterprises - receiving attention globally as engines of growth and drivers of job creation;
- We need to build a strong SMMEs sector in forestry to:
 - Respond to the Forestry Sector Charter;
 - Respond to international developments;
 - Need to develop new generation of entrepreneurs
 - Contribute to nationally identified priorities; and
 - Respond to the current international financial crisis, which is killing SMME businesses silently.



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FORESTRY SMMEs - COMPARISON

Brazil	90% of all forest enterprises are SMMEs and contribute 20% to the GDP (Mayer et al. 2003).
India	95% of all forestry enterprise activity within SMMEs and account for 500,000 jobs
South Africa	<ul style="list-style-type: none">-Small Growers – less than 5%- Saw millers – less than 5%-Similar trends for contractors and charcoal producers
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PROJECTS – SMALL GROWERS

- Provides important source of fiber:
- 25 000 – 30 000 growers – 44 000 (less than 5%)
- Important source of income and job creation
- Siyathuthuka Co-op & Amandlemvelo
 - **±3000 members**
 - Pool timber (economies of scale) for the market
 - Receives mentorship and financial admin support from **NTE**
 - Members invested in depots surface and office infrastructure
 - Received R500 000 from KZN DED transportation support. R1.5 million towards rehabilitation of a plantation



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Challenge - fires



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Challenge – lack of road networks



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Challenge - lack of depot infrastructure increases transport costs



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SMALL SAW MILLERS – EASTERN CAPE

- 60 - 70 emerging saw millers, employing about 25 people per saw mill – **±2000 jobs**;
- Timber from DAFF plantations;
- Sell wet-off saw to local hardware outlets;
- Lose R000's per ton and opportunities to create jobs
- Project to form a co-op to add value on timber:
 - Buy timber from members;
 - Dry, grade, treat and distribute to national hardware outlets and supply to furniture producers in KZN
- Could not secure long term ss agreement
- Serious challenges with mgmt of Cat B and lack policies



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Extensive experience – majority 4th generation millers



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CHARCOAL PRODUCERS - MPUMALANGA

- 70 – 85 emerging charcoal producers
- Average 15 employees per enterprise - **± 1200 jobs**;
- Burn and distribute charcoal to intermediaries and agents;
- Challenges – raw material, administration and marketing;
- District Municipality has agreed to support setting up of secondary co-op to:
 - Secure long term access to raw material
 - Provide administration support
 - Provide marketing



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BOLETUS MUSHROOM

- Joint Venture between communities (Mushroom co-op) and Boletus Mushroom CC
- Estimated that **±1200 people** to work on a permanent basis from picking boletus mushrooms in Mpumalanga, KZN and Eastern Cape
- Pick boletus mushrooms from pine plantations in summer;
- Specialise in picking, processing and distributing mushroom mainly to European markets;
- Paid weekly and get bonuses at the end of the financial year
- They will be trained on business management and on how to support forestry companies against fires, etc



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MANAGERIAL TRAINING

- Funded by FIETA to train 310 entrepreneurs
 - In Mpumalanga;
 - Eastern Cape;
 - KwaZulu-Natal; and
 - Limpopo
- Focus on increasing competitiveness and productivity amongst existing entrepreneurs - saw millers; small growers; charcoal producers;
- Give them skills - Business identification; Market research; Business planning
- Particular focus on women and youth



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NEW PROJECTS

- New Afforestation
 - It takes too long to get permit.
 - It is expensive
- Buying into existing forestry plantations – LRAD Grant
 - Won't allow beneficiaries to buy land and standing timber
- Provide business support to claimants within the forestry sector
 - MOU signed with Land Claims Commission
 - Consultative workshops planned
 - Support from the DAFF key



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LESSONS LEARNT

- SA has comparative and competitive advantage in forestry – we need to maintain and build on this foundation
- We need to develop a strong and dynamic SMME sector – focusing existing enterprises first;
- Need to develop integrated approach – contribute to increased supply of round wood and increased local beneficiation;
- Focus on building regional competitiveness based on existing comparative advantages;
- Ensuring economies of scale by pooling resources to penetrate markets is an old business principles in forestry – NCT, TWK



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LESSONS LEARNT (Contd)

- Impact based approach to business support – job creation and turn over
- Training and Skills Development – business management, continuous, link theory and practice (mentorship)
- Government must provide strategic leadership and create enabling environment



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CONCLUSION

- Demonstrated importance of forestry in the South African economy – job creation and rural development;
- Demonstrated need for the government to play a strategic role in promoting further growth and development
- Highlighted the need for integrated business support to look at the following:
 - regional comparative advantages
 - Pooling resources to ensure economies of scale
 - On going and targeted training focusing on entrepreneurship
 - Linking training with practical mentorship
 - Focusing on the value chain



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Thank you for your time !



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