



***Response by Industry and  
Government to the Global  
Economic Recession***

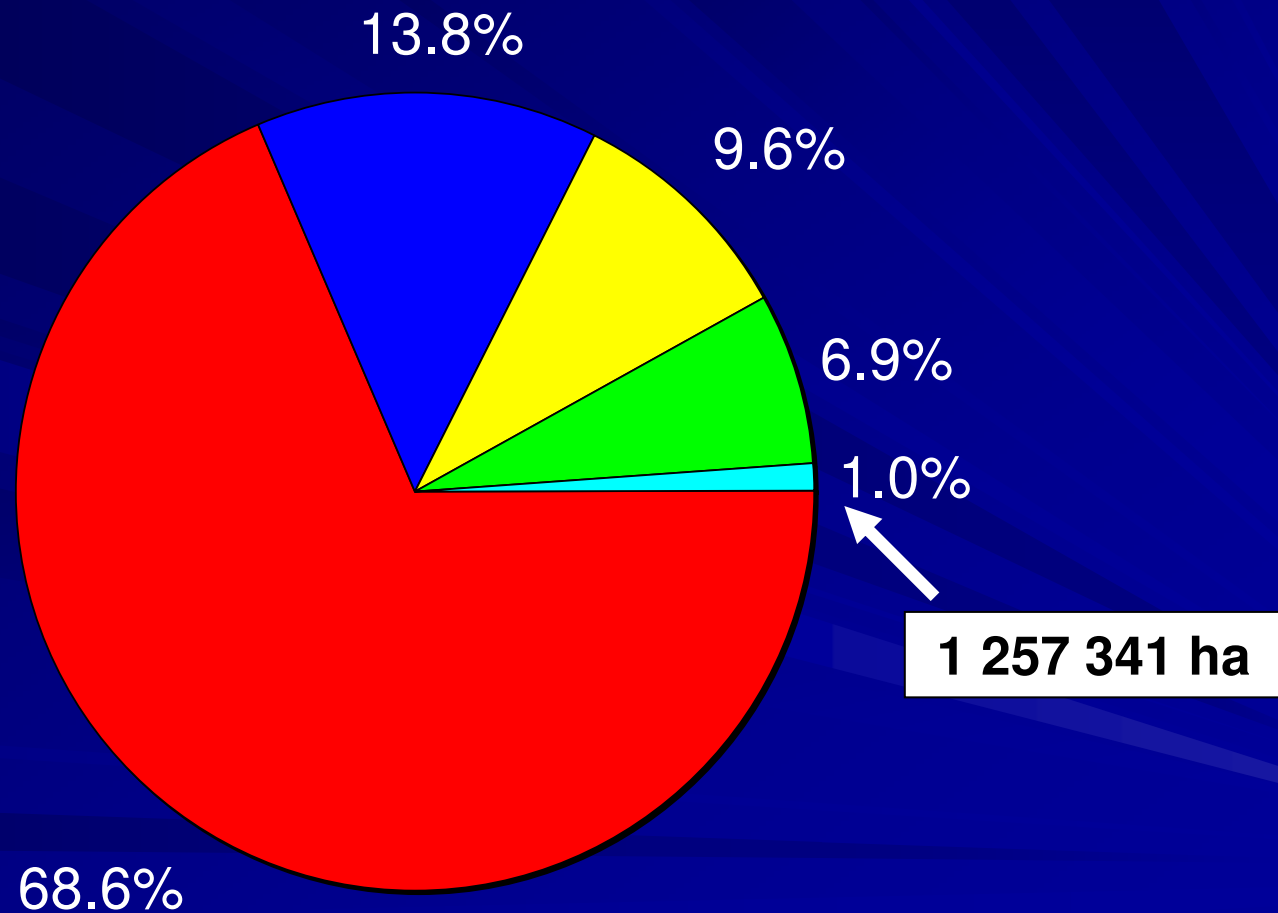
***Michael Peter***

# **Section 1**

**Latest Pre-recession Stats**

# Land Use in South Africa

■ Grazing ■ Arable ■ Nature Conservation ■ Other ■ Forestry

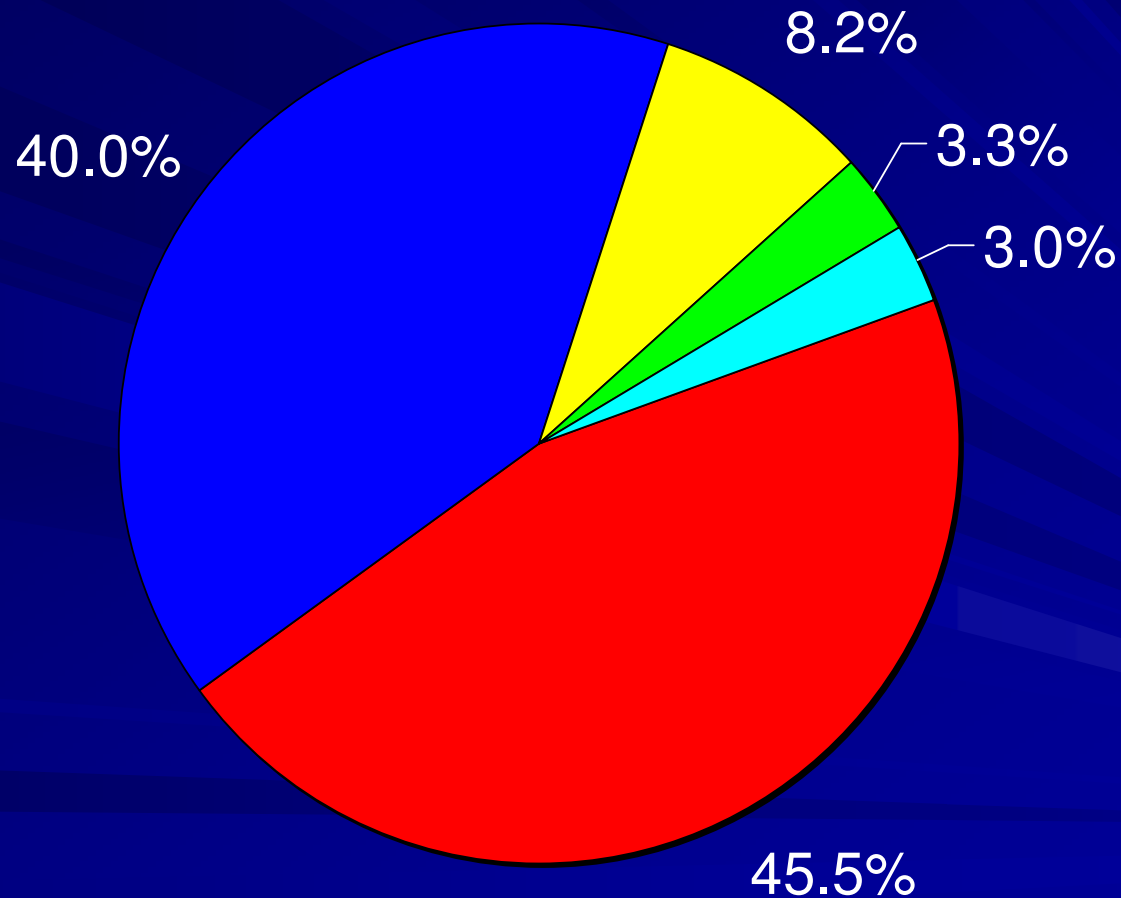


**Total RSA land area – 122.3 million ha**



# *Total Roundwood Production ex Plantations by Province 2008*

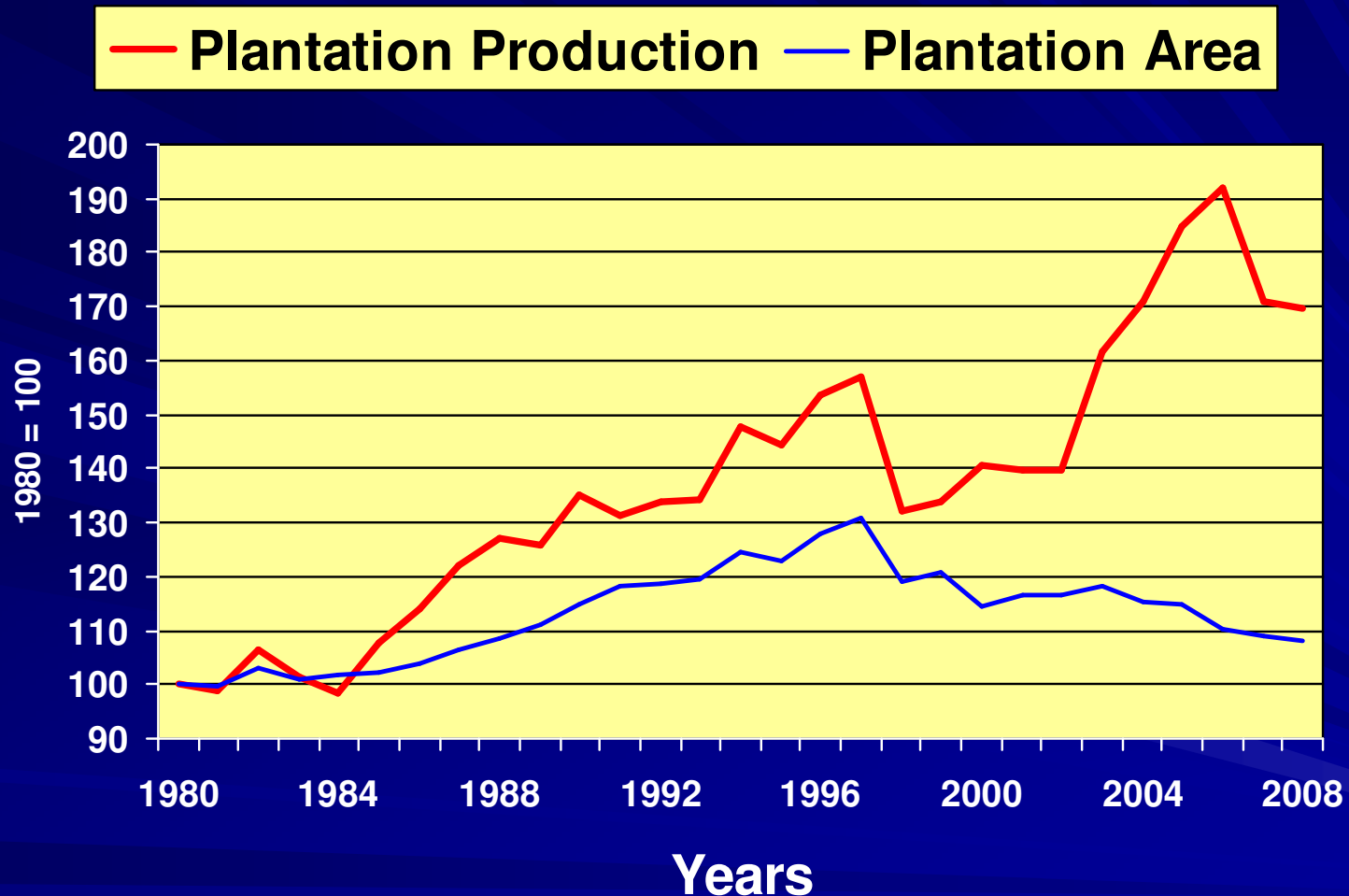
■ KZN ■ Mpumalanga ■ E. Cape ■ Limpopo ■ W. Cape



**Total – 20.1 million m<sup>3</sup> or 17.5 million tons**



# Roundwood Production vs. Plantation Area Area 1980 to 2008

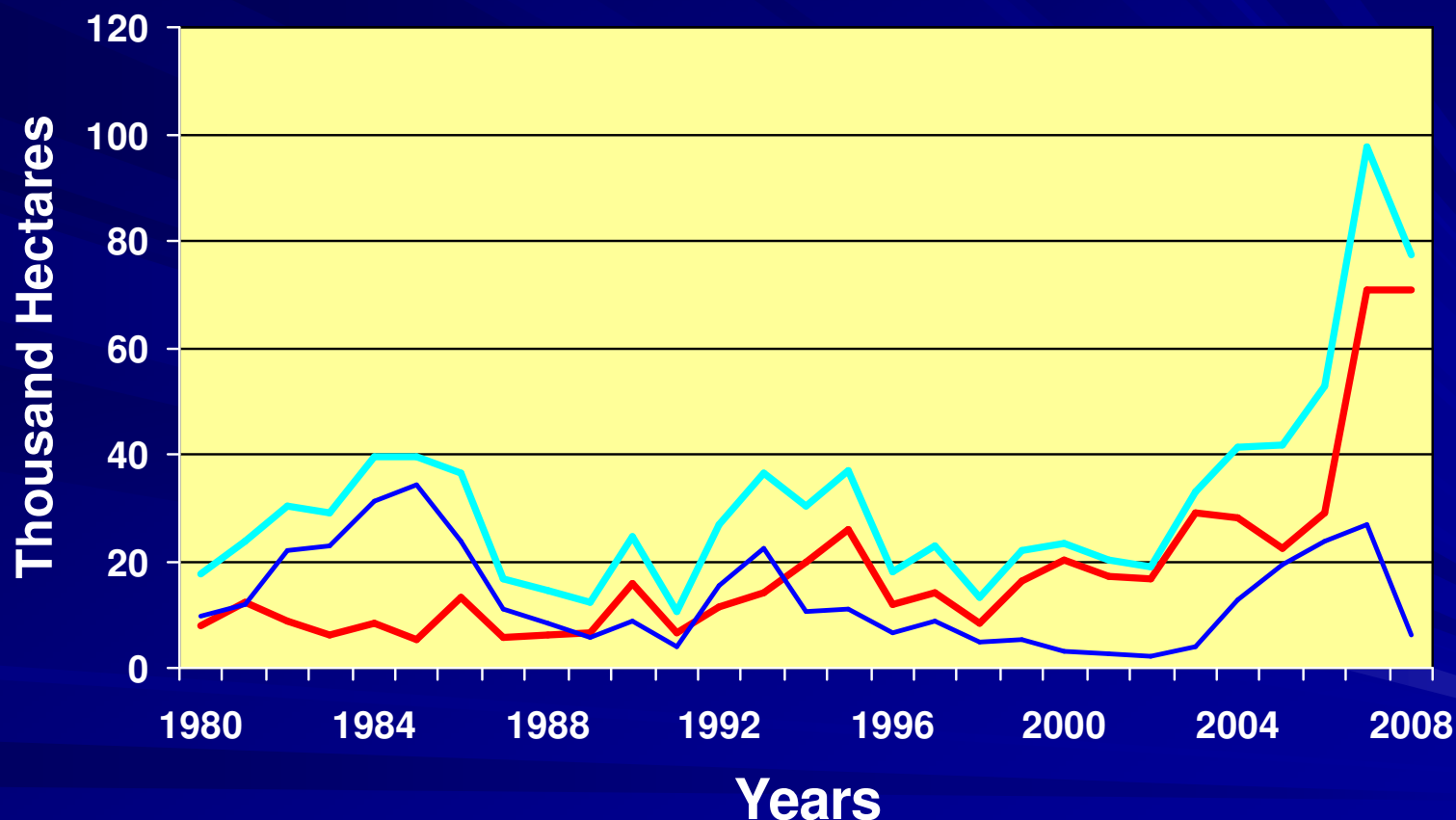


**Total increase in production over period : 69.5%**  
**Total in increase in afforested area over period : 8.3%**



# Damage to Plantations by Fires 1980 to 2008

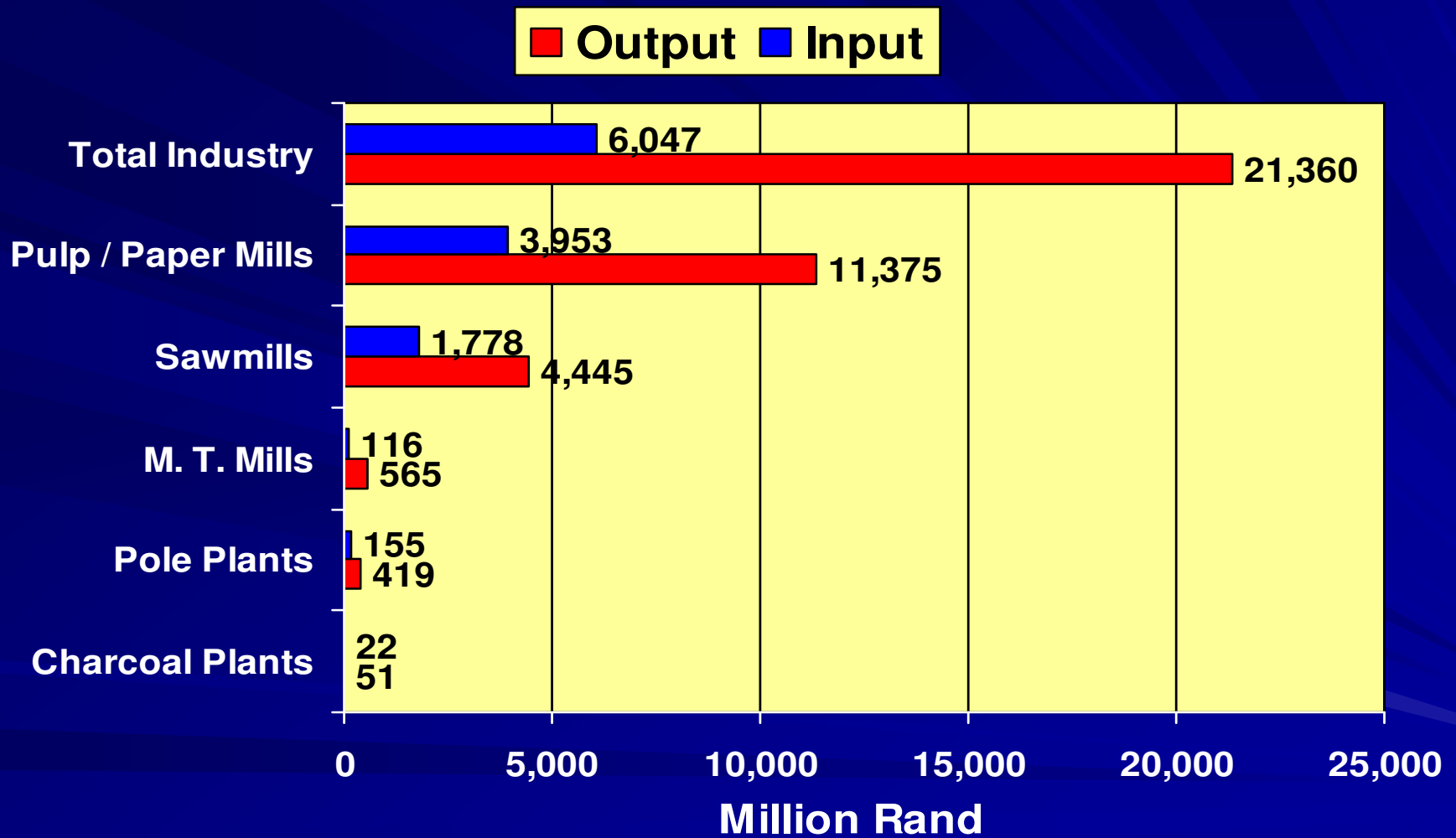
— Fire — Other Causes — Total



**Total area damaged over period - 907 765 ha**  
**Total area damaged by fire - 528 763 ha (58%)**  
**Total area damaged by other causes - 379 002 ha (42%)**



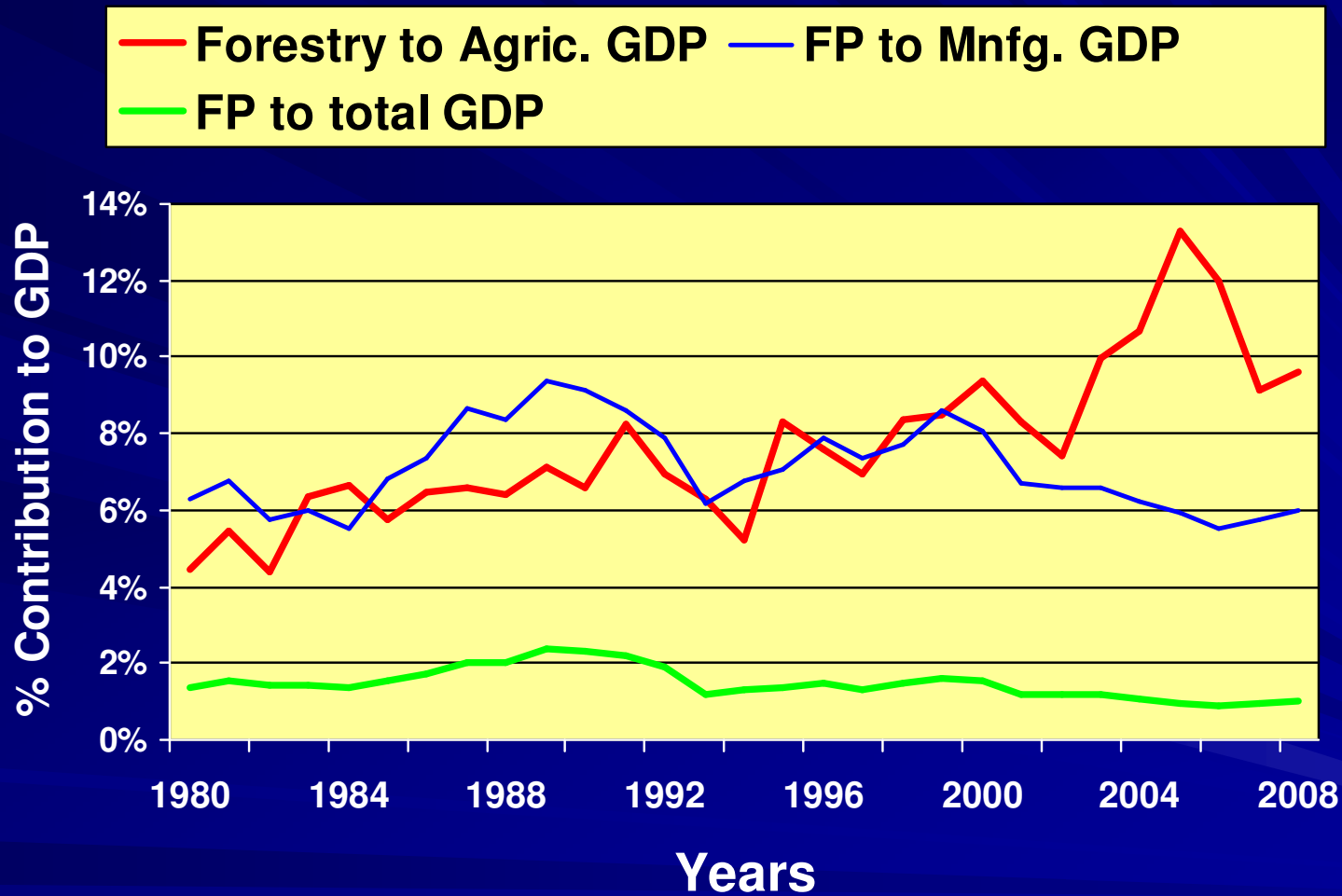
# Value Addition in Primary Processing Industry 2008



Note : excludes secondary processing (e.g. paper manufacturing)



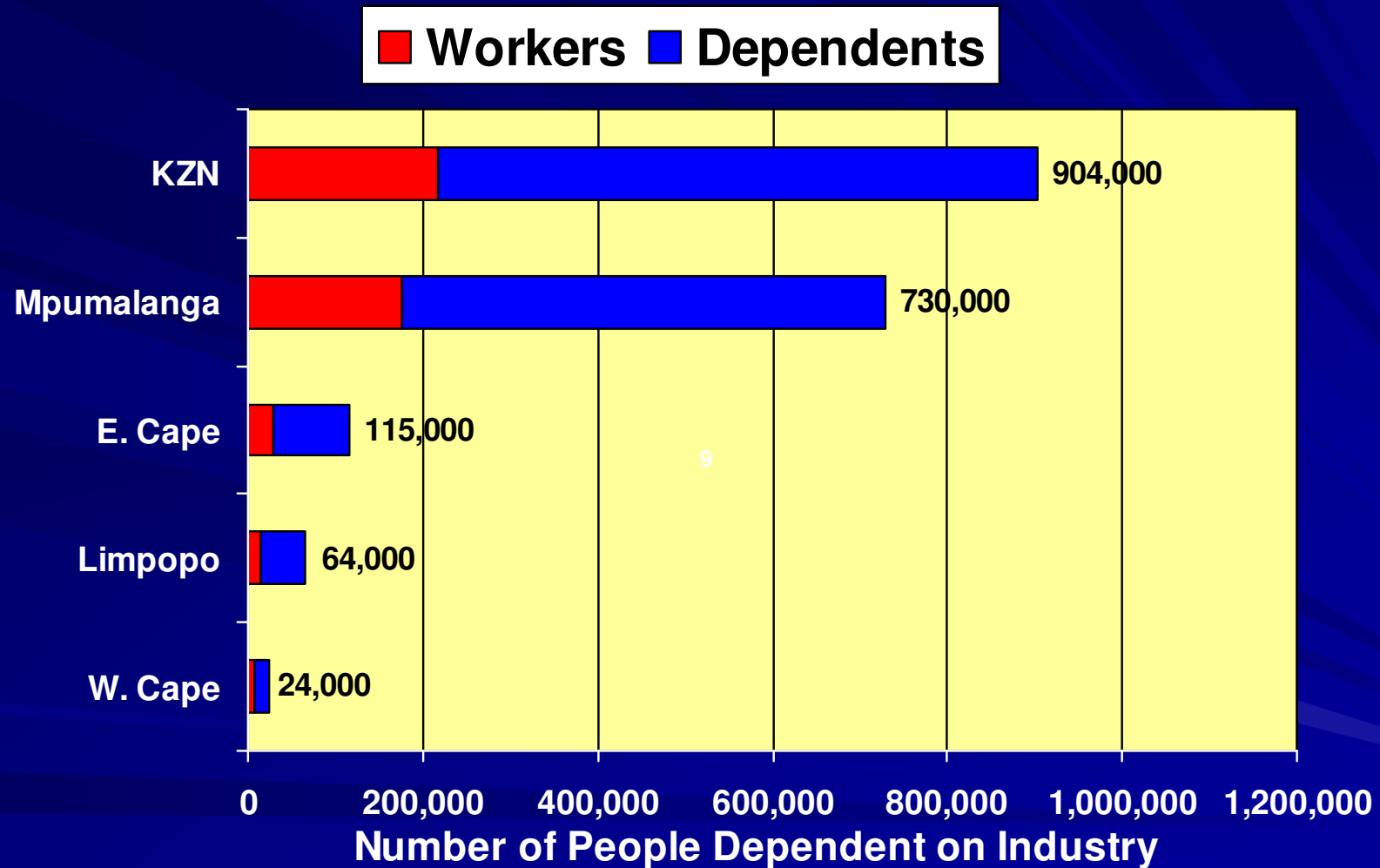
# Contribution to GDP 1980 to 2008



**Increase in Forestry GDP over period from 4.5% to 9.6%**  
**Decrease in For. Prod. GDP over period from 6.3% to 6.0%**



# Total Number of People Dependent on Forestry Industry by Region 2008



**Estimated total – 2.3 million livelihoods**



2009

# Volumes ex FSA Levy

Year	Budget	Actual
2007	16.3 mt	16.0 mt
2008	16.7 mt	16.7 mt
2009	14.9 mt	14.7 mt*

\* Estimate

12% decrease

# Impact of Economic Downturn on Forest Product Sectors

**Not all Forest Products Sectors have been affected to the same degree**

<b>Sector</b>	<b>Impact</b>
<b>Pulp &amp; Paper</b>	<b>Bad</b>
<b>Woodchips</b>	<b>Very bad</b>
<b>Panel Products</b>	<b>Severe</b>
<b>Sawmilling</b>	<b>Very bad</b>
<b>Mining Timber</b>	<b>Doing well</b>
<b>Pole Treating</b>	<b>Not affected</b>

# Markets

## ■ Domestic

- National Credit Act (50% decrease in residential housing starts)
- Slowed state housing programme

## ■ International

- Major reduction in demand for paper, pulp and chips
- Initial slowdown now followed by more buoyant pulp demand

# INDUSTRY RESPONSES

## ■ Domestically

- Cost cuts
- Sawing to inventory
- Reduced harvesting (not all bad vs others)
- Training lay-offs
- Investigating tariffs and duties
- Appealing for reason to prevail i.r.o. SAP(DTI-EDD-DAFF)

## ■ International

- Widespread subsidisation
- Consolidation and closures (Japan, EU Canada and US)
- Tariff barriers
- Dumping
- Mercantilism – Beggar thy neighbour

# Government Responses

- Typically Governments offer protectionist responses
  - Bail outs
  - Subsidies (Motor Industry)
  - Tariffs and duties on imports (Textiles)
  - Non-tariff barriers (standards etc)

Need to look at certain products i.t.o. anti-dumping and countervailing but these are short term interventions

**Much greater and sustainable impact is to increase the country's comparative advantage**

**25%-50% = capital flight**

# SA Government Response

## ■ Produced Framework Response

- 6 focus areas including distressed sectors
- Include training lay offs - PAMSA
- Speaks to regulatory burden and research - again not new

## ■ Another document

- ASGISA
- POA
- IPAF
- Genesis report
- Charter
- Framework Response

## ■ How should Government be responding

- Expanded public works programme good but mainly steel and concrete (board) – promote use of FPs
- Accelerate housing delivery (for the social benefits as well as sawtimber and board demand)
- ITAC interventions
- **NB – IMPLEMENT !!! commitments i.t.o. all the planning documents i.e. streamline licensing (scale), intervene in rail, water pricing, property rates, sectoral determination, electricity and provide support for protection, promotion and FED**
- **In short reduce the cost of doing business in South Africa to restore our global competitiveness**

THANK YOU