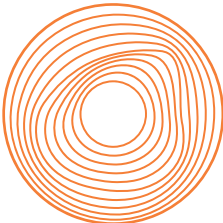


Annual Report 2021/22



**SAWMILLING
SOUTH AFRICA**
We saw the future



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The association continues to provide the following services to its members.

- A lobbying platform
- Research support
- Legal assistance
- Technical advice
- Collective project financing
- Government representation
- Skills development
- Partnerships & networking



Chairman's Report

The sawmilling industry has been relatively stable over the past 12 months, which has had a positive impact on employment, enhanced growth (albeit small) and stimulated economic activity in the regions we operate.

Although margins have improved, they must be seen against a background of below average returns for more than five years. It would appear that, as a result, sawmillers are investing in their own operations to do much needed improvements to their assets, as well as focus on efficiencies.

The latter has occurred against a background of excessive damage to property during the July 2021 insurrections as well as from excessive summer rainfall. In addition, the poorly managed electricity network (Eskom) is pushing up operating costs, which is exacerbated by the dramatic increases in diesel. Production cost increases will have to be carefully managed over the next year to ensure we remain profitable and stable. Projected interest rate increases, as well as the continued high unemployment in the regions we operate, are also a big concern.

Our members have continued to be innovative and resilient – much needed in a business environment where the private sector generally receives limited support from government. It has been encouraging that our association is growing – the recent renewal of the membership of Hans Merensky is particularly gratifying. As Sawmilling South Africa (SSA) is recognised by government as the representative of the sawmilling industry, it is vital that we have the support of the majority of the sawmilling companies in South Africa.

Our relationships with the various industry bodies (Forestry South Africa, the South African Wood Preservers Association, the Institute of Timber Construction, the Paper Manufacturers Association of South Africa, etc.), as well as a number of government departments, have continued to strengthen, and are slowly delivering positive results.

Our association has had a productive year with numerous ongoing initiatives, which will impact on our businesses. These are detailed in the Executive Director's report.

I would like to highlight a few of these matters:





Skills and Technical Development through FP&M Seta

Our industry suffers from a serious lack of skilled persons in various production and maintenance occupations. The programme to implement apprenticeships and learnerships continues to be delayed by government red tape and incompetence. This needs urgent intervention by the Forest Sector Charter Council and Higher Education Ministry. The irony is that unemployment is relatively low for persons with higher education qualifications. It would therefore have been expected that government fast-track these courses. This training must start in 2022.

New plantings – Forestry Master Plan (FMP)

We are all aware that growth in our industry is linked to increasing our plantation areas. This would either be through new plantings or reviving existing forestry areas (Western and southern Cape fire damaged and exit areas; old Category B and C plantations). Both the DFFE and DTIC are very important in this process – again little progress is evident. It is hoped that SSA and FSA, through the PPGI forum, will be the catalyst for this process to be sped up, with extensive development during the next 12 months.

Marketing initiatives

One of the key activities for SSA is marketing of our products. The new branding is fresh and modern, and should position SSA (and its members) as a forward and outward thinking association.

The recent facilitation of an exercise to investigate exporting various products to Australia is extremely exciting. If successful, supplying sawmills could add value to their existing product range while broadening their customer base.

In addition, the Wood App will become operational this year. This will have a significant impact on the knowledge base for our products, as well as provide online training. Initially, training will focus on architects and designers/engineers, with a plan to broaden the target market in future.

I would again like to thank our Exco members for all their input over the past year. We continually strive to ensure our association will add value to our members' companies while maintaining an objective and balanced approach. It is a relief that the 'Age of Zoom/Teams' will slowly be replaced by physical meetings, where discussion tends to be more interactive and hopefully more productive.

The work done by Roy, our ED, is also much appreciated. He has been instrumental in a number of new initiatives such as the export project, association branding and the Wood App, while at same time growing our member base and managing regular association business.

Although Covid is still very much part of our lives in 2022, it is hoped that sawmilling companies and their employees will act as responsible citizens to ensure that the pandemic is managed appropriately to ensure individuals remain healthy and active.

We have an association that we can be proud of, and which continues to make a difference in our industry. I believe we will continue to have a significant impact on our economy and in the regions where we operate. We need to actively contribute to creating an environment where all role players will benefit!

Duncan Mackay

June 2022

Executive Report

2021 Highlights



Return to normality



Australian Exports



AQA Legal Challenge



Skills Development



Timber Promotion



Bright Future for Sawmilling

2021 saw South Africa and the sawmilling industry slowly returning to normality after the strain of the previous two years. Covid-19 started to ease its grip on the country until it came back with a vengeance in the form of the Omicron variant, but fortunately this was less severe, of shorter duration and caused less disruption. After approximately mid-year, we were able to get back to relative normality and the industry took advantage of a surge in the demand for sawn board.

Membership

Thankfully with the return to normality after the Covid-19 restrictions we have been able to resume physical meetings once again, and this has led to much needed communication between sawmillers from all corners of the country.

Despite Covid-19, SSA membership has grown. The association now represents more than 70% of the formal sawmilling sector. This reinforces the fact that the association is seen as the official representative and mouthpiece of the formal sector.

As we continue to expand, so does our focus, and we now find that we are moving closer towards promoting sawmilling and sawmill products, which in turn is encouraging sawmills to join the ranks of the association.

We would also like to take this opportunity to thank all our members for their loyal support through the past year. Despite the fact that we were reasonably free from Covid-19, it was nonetheless a challenging year and our appreciation goes to all.

Executive Committee

The executive management committee (Exco) comprising Duncan Mackay, Sean Hoatson, Craig Rance, Jaco Oosthuizen, Pieter Briel, Thabo Maloi, Manny Ferreirinha and Dr Johan de Graaf, have served the association and the industry faithfully during the year.

The Exco met three times in the year, twice in a virtual situation on MS Teams and once in a physical meeting in Johannesburg. The chairman, Duncan Mackay, also served on the timber subcommittee of the SABS and Jaco Oosthuizen represented Southern Cape sawmills on the DFFE established subcommittee of the Southern Cape exit reversal initiative.

Financial

The association once again made its budget this year despite tough times (Covid-19) and the discounted membership levy introduced as a result of the pandemic. This can be seen from the audited association financials prepared by Mazars.

The 2022 budget, as approved by the Executive, shows a marked increase in spending on promotion for the new year and includes expenditure on the redesigned logo, the website, the Wood-App, and the Timber Webinars, which are produced in collaboration with the DTIC and other association partners.

If the sawmilling situation in the value chain is seen in context, we see that the average input costs, including wage increases, over the last two years which have escalated by approximately 22%. Fuel costs have also rocketed out of proportion, resulting in increased log intake costs. Added to this is the down-time as a result of Eskom load shedding and costs associated with delays in spare parts delivery resulting from port congestion. Bearing all of this in mind, you must accept that producers – and in this case, sawmillers – have been one of the shock absorbers in the value chain. We need to inform and highlight this to our customers and hopefully get them to accept that timber costs are going to have to compensate going forward.

Technical

Air Quality Act Challenge

This year saw a lot of frustration in the matter of our challenge to the DFFE and the minister regarding section 9.5 of the regulations of the AQA pertaining to kiln emissions. As explained in last year's report, we did in fact win our case with costs in the Gauteng High Court. But to recap the situation for this report, I am adding the explanation on the following page from our attorney.

We won in the Gauteng High Court.

The Minister and Department applied for permission to appeal which was refused (because the judge was of the opinion that they had poor prospects of success). The Minister and Department then petitioned the Supreme Court of Appeal for permission to appeal – the only remedy available where one is refused permission to appeal by the High Court. The State Attorney did not file all of the documents needed for a valid petition.

The Supreme Court of appeal asked the State Attorney to remedy that. The State Attorney didn't do so and the petition is regarded as lapsed. The State Attorney is permitted to resubmit the petition, but there is no time limit within which to do so.

The longer the delay, the less likely the court will be to grant it.

We will oppose any new petition lodged as this matter has been characterised by delays which are either explained by implausible excuses or

are not explained at all, causing prejudice to Sawmilling SA.

Our advocate is of the opinion that it is unlikely that a new petition will be lodged.

So if we have heard nothing by June, I think it is safe to assume the matter is at an end and that we have successfully set aside the double regulation contained in the regulations made under the National Environmental Management: Air Quality Act. As a result, no AEL will be needed for a kiln.

Timber Promotion

2021 saw much work being done behind the scenes together with the DTIC on the promotion for the increased use of timber products in the built environment. The association hosted and committed to sponsoring the first two in a series of webinars aimed at professionals in the building sector, namely architects and engineers.

The first webinar was attended by approximately 90 participants and the second, which is scheduled to take place in May, already has 70 registrations. This shows that there is a very keen interest by professionals to educate and inform themselves on the matter of using more timber in the future.

The worldwide move towards a more sustainable and carbon neutral economy has motivated this desire to incorporate more timber in the built environment, and we are taking advantage of this.

Another major step towards the promotion of the use of timber was taken between the association and the University of Stellenbosch with the development and launch of the "Wood-App". This is an online reference guide and instruction on the use of timber in the building environment. It is aimed at all users, professionals and interested parties, and includes online courses for architects and engineers that garner CPD points for those who complete them.

This initiative is deemed so critical that other associations like SAWPA and the ITCSA have also

joined and are contributing towards the costs of the continued development of the initiative. To date SSA has donated R300 000 to the project and SAWPA a similar amount.

The association has also taken numerous advertisements in the many publications dealing with the use of timber.

A major initiative that was implemented by the executive management committee was the rebranding of the association to better suit the future for sawmilling in a changing South African landscape. Much work was done on this together with our trusted partner Frog Communications. Samantha Choles assisted us in dealings with Creative Caterpillar to develop a new corporate identity.

We will also be redesigning our website in partnership with Fevertree Media.

Getting people to recognise the value of timber in the built environment will be set in motion by our modernised visual identity and corporate logo and will be directed by our new positioning statement: 'We saw the future'.

A play on words, 'We saw the future' demonstrates that we use renewable and responsibly sourced timber to saw products that are aimed at the future of sustainable, low-carbon design, architecture and construction. It fundamentally embodies our vision for the timber industry in South Africa and globally.

Cape Town-based agency Creative Caterpillar was given the task to visually reflect SSA's renewed focus and vision, resulting in the association's brand transformation. The team adopted a contemporary, future-minded approach when re-imagining the SSA logo, which made it possible to step away from our previous, more literal logo and embrace a more inclusive and relatable design for all stakeholders in the industry.

The aim was to visually represent the new positioning while still honouring wood's unique qualities. Therefore, the logo simultaneously represents a portal to the future and a stylised cross-section of a timber log. Coupled with this are themes of biophilic design and the positive ripple effect of sustainability within the timber sector. In this manner, when the timber sector brings their sustainability commitments to life, it will boost relevance and increase its business value connection with the target audience.

The evolution of the visual identity, corporate logo and a refreshed colour palette of orange (representing creativity and innovation) and olive green (representing nature and growth) has given the sector new focus and a refreshed approach to enhancing its long-term sustainability and profitability.



Australian Export Opportunity

The association's initiative to explore an industry-wide export opportunity in the Australian market gathered pace in 2021 with the strengthening of relations with Wespine in Western Australia. Six test containers of stock standard South African grade S5 were dispatched to Wespine for inspection and testing, to establish how suitable it would be for that country's market needs.

Results of the extensive testing were both encouraging and disappointing – encouraging in that the inherent quality of the South African timber compared favourably with its Australian equivalent, but disappointing in that the South African methods of grading and nominal dimensions were not up to Australian standards.

This is, in fact, good news, as should South African mills alter their grading to suit the Australian requirements and be prepared to saw

the desired dimensions, then we can supply and compete in this market. Australian predictions are that the sky is the limit for structural timber in their country.

We will be fortunate to host two senior executives of Wespine at our 2022 AGM and are sure that all South African sawmillers will derive great benefit from meeting and hearing all about the Australian industry and market first-hand.

COVID-19 and Labour

The scourge of Covid-19 was still with us for much of the year under review, but I am pleased to report that all sawmills responded to the situation and took the situation very seriously. They ensured that all safety and health protocols were in place to safeguard their staff and workers. This resulted in little or no work stoppages with very little or no productive time lost.

The pandemic seemed to place labour relations in to a somewhat sombre mood, with not much disruption reported from mills when it came around to wage and industrial negotiations in 2021.

2022 has the promise of more difficult times ahead as unions and labour start to resume normality. Between the time of our year end and the writing of this report, strike action has already started to manifest itself at some mills.



Government

Dealings with the various government departments and agencies were also affected by the pandemic, as no physical meetings were allowed and this – in an unexpected way – resulted in closer dealings, especially with the DTIC, as interaction was as simple as scheduling a virtual meeting. This resulted in a lot of work being done between us and the DTIC, DFFE and the DPE.

These departments, together with the private sector, were responsible for the rollout of the Forestry Masterplan (FMP) that was accepted and implemented in 2020. Sawmilling South Africa plays a prominent role in the Master Plan under the key focus area, “Processing”, and here we head up a number of initiatives to promote, strengthen and develop the sector.

The FMP aims to encourage investment and job creation in the entire forestry sector and as sawmills are generally situated in rural districts,

the sub-sector is seen as a significant incubator and growth driver. Coupled to this is an initiative to encourage modernisation in the SMME sawmilling sector, and here we are dealing with institutions such as the IDC and DTIC.

It would be remiss of me to not welcome the newly appointed Director General of the Department of Forestry, Fisheries and Environmental Affairs (DFFE), Nomfundo Tshabalala. We welcome her most warmly into our small but significant family of sawmillers.

FP&M Seta

After much frustration and disappointment in our efforts to complete and have the initial establishment of material for the trade of Sawdoctor and the occupations of Kiln Operator, Wetmill Operator and Drymill Operator approved, we ran up against what can only be described as very frustrating bureaucracy in our efforts to get the qualifications accepted by the various players and subsectors of the Department of Higher Education. The insert below from Diane Randall summarises the current situation.

Other Industry Organisations

The year saw us working very closely, as usual, with our sister associations, especially FSA and SAWPA. Our relationship with FSA is one of big brother, as we rely on them for advice and guidance on matters of resource availability and government interaction.

We all know well their executive director’s leadership on the PPGI panel, which is a great asset to the forest industry. Likewise, as the majority of sawmills are also timber treaters in their own right, we often work very closely with SAWPA on matters of wood preservation and the ITC-SA on matters of structural timber specification and use.

Forest Sector Charter Council

As expected, the activities of the Forest Sector Transformation Charter Council (FSCC) were also adversely affected by the pandemic, and no physical meetings took place during the year under review. The only issue that was partially addressed was the matter of SAFCOL's facilitator status.

The chairperson of the council, Mr Mavimbela, submitted a support document to the DPE, who in turn have made application to the DTIC for the accreditation of SAFCOL. We were informed that this application is still awaiting the minister's signature.

Going forward the term of the existing council has expired and we are awaiting the minister's approval for the appointment for the next term. This places the council in suspension for the time being.

The council also moved its headquarters from the SAFCA building in Isando to the PAMSA building in Woodmead, Sandton.

TMB

The association continued to administer the TMB investment. Fortunately for the TMB, the JSE performed reasonably well in the latter part of 2021. This was after a disappointing start to the year, but the investment grew in excess of 11%.

The fund supported both the association's timber promotion initiatives by financing some advertising as well as Stellenbosch University's progress with the "Wood-App". The reason for our involvement in Wood-App is that we recognised the potential of this initiative for the ongoing in-service education for architects, engineers and others in the building sector and therefore the TMB committed significant financial support to the project.

The courses offered as part of the Wood-App have all been registered with the relevant professional associations, and individuals completing any of these will garner CPD points.



Sawmilling SA Exco Qualifications Development Report

Status Of Qualifications

Saw Maker and Repairer: Saw Doctor

Full Qualification: Saw Doctor as Trade

This was registered in August 2019 and has to be developed as a trade by NAMB. We will be meeting in July and August this year to finalise the trade test, which will then be piloted early next year.

Part Qualifications:

Head Saw Doctor and Saw Filer

These are in the process of being revised and re-submitted to the South African Qualifications Authority (SAQA) as the part qualifications exceed 120 credits. A new policy regarding part qualifications was introduced by the Quality Council of Trade and Occupations (QCTO) post-2018.

Benchman

This was withdrawn as a part qualification and is instead being developed as a skills programme.

All learning material will be finalised and submitted to FP&M Seta for quality assurance by August this year.

Wood processing machine operator and dry mill machine operator occupational qualifications and part qualifications (log yard machine operator and wet mill machine operator)

These were revised and re-submitted in October 2020 and sent to SAQA for evaluation in February 2021. The full qualification and part qualifications have all been registered with SAQA. They have been developed into the learnership format to be submitted to DHET for approval by 31 May this year.

All learning material is completed and will be moderated and submitted to FP&M Seta for quality assurance in August this year.

Dry Kiln Operator Occupational Qualification

This was revised (part qualifications were removed) and re-submitted as only a full qualification on 17 May 2021 to the QCTO, who submitted it to SAQA. It has subsequently been registered with SAQA and has been developed in to the learnership format to be submitted to DHET for approval by 31 May this year.

Dr Peter Stohr has handed the completed learning material to a moderator, who will amend it into prescribed format; this should be completed by August this year and submitted to the FP&M Seta for quality assurance.

Additional Funding Request

1. Dry Mill Operator had now been registered as a full qualification and SSA has subsequently accessed funds that had been initially allocated to the project. These funds may be used for an additional qualification development to be identified and developed.
2. Additional funding (over and above that allocated for the project) would be required for policy changes that required revisions of already completed curriculum documents and development of the Saw Doctor trade pilot programme. SSA will be meeting with the newly appointed FP&M Seta Project Manager in early June.
3. A new discretionary grant window has been opened for Project Development where SSA could apply for additional funding for new qualifications development and which will be discussed at the FP&M Seta Project Management meeting on 17 May 2022.

Dianne Randall

Qualifications Development Project Manager

Conclusion

I would like to take this opportunity to thank the executive of SSA, our service providers and our members for assisting and supporting us in what was a very challenging year. We look forward to a bright, successful and virus free 2022/23. As I have mentioned in another section of this report, the sky is the limit, and the future for sawmilling is looking brighter.

Roy Southey

June 2022

PHOTO CREDITS:

Cover page: Adobe Stock.
Inside front cover and inside back cover: University of Pretoria, Future Africa campus - Photo by Dook Photography.
Page 1: Sappi pine plantation.
Page 2, 5, 7, 8: Adobe Stock.
Page 9: Forestry South Africa.
Page 10: 'HAUT' Timber Residential Building, Amsterdam, Netherlands. Photo by Team V Architecture



EXCO members

- Roy Southey (Executive director)
- Duncan Mackay (Chairman) - White River Sawmills
- Piet Briel - Sappi
- Dr Johan de Graaf - Merensky Timber
- Manny Ferreira - Verulam Sawmills
- Sean Hoatson - Tekwani
- Thabo Maloi - SAFCOL
- Jaco Oosthuizen - MTO
- Craig Rance - Rance Timbers
- Jane Tennant - Limpopo Lumber

SSA members

- AC Whitcher
- Alien Feuls
- CJ Rance
- AP Green
- Biligom International
- Bracken Timbers
- Bubanangu Sawmill
- Busby Sawmills
- Cape Sawmill
- Dulini Sawmill
- Evergreen Timbers
- Geelhoutvlei Timbers
- Guy Payne Sawmills
- Karkloof Sawmills
- Lawa Estates
- Lazybend Sawmill
- Merensky Timber
- MTO
- NHR Investments (Swaziland)
- Normandien Farms (Tekwani)
- PG Bison
- RF Gevers
- SA Forestry Co (SAFCOL)
- Sappi (Lomati)
- Stevens Lumber
- Swartland Boskor
- Swaziland Plantations
- UCL Company (Kusel)
- Verulam Sawmills
- Weatherboard (Chep)
- White River Sawmills
- Yonderlea Timbers

ASSOCIATES

- Crickmay Supply Chain
- Nucor Sawmilling
- University of Stellenbosch
- Nelson Mandela University
- SAWPA
- Forestry South Africa
- ITC-SA
- NewSaw
- University of Pretoria



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