Forestry South Africa
(Non-profit Organisation Registration Number – 017-638 NPO)

14th Annual Report for Year Ended 31st December 2015

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Ronald Heath - Research Director
Suzanne Blows - Financial Manager
Precious Singo - Office Assistant

Roger Godsmark - Operations Director
Nathan Dlamini - Business Development Director
Nathi Ndlela - Development Manager
Judy Dowsett - Pietermaritzburg Office Manager

Website Address
- www.forestry.co.za
Bankers
- Standard Bank of South Africa Limited
Auditors
- Watermans, Chartered Accountants (S.A.)

Cover Photograph
- Sappi, also used as the backdrop to the SA Forestry Inc.
  exhibition at the World Forestry Congress
Inside Back Cover Photograph
- ICFR
Layout and Design
- Beatrice Bosch, ABC&D
The positive growth trend in timber volumes, which had started in 2014 and was helped greatly by the weaker Rand, continued for the first three quarters in 2015. Unfortunately, in the last quarter of the year, the impact of the severe drought was felt, when timber volumes slumped to 10% below the expected volume for that period. As a result, where we were projecting a healthy budget surplus for the year, volumes ended up just 0.7% higher year on year and income was 0.6% below budget.

While this was not a good end to an otherwise good year from the perspective of timber volumes, it was at least encouraging to note that it was not a consequence of depressed demand and we hope that with improved late summer rainfall, we will see a recovery in timber volumes in 2016.

Industry is very fortunate that we are able to collaborate through FSA, to reduce the costs and risks of doing business in South Africa and it is our sincere wish that all timber growers will join the Association and contribute to its important work. While our membership has grown over the years, there are still some timber growers who are not yet members of FSA. Aside from the benefits which these growers derive from having such a strong and effective Association in FSA, with our world-leading research partners, having them as members of FSA, would also add to the strength of the Association in both the financial and intellectual contributions which they could make. FSA is a relatively small Association in terms of its staff complement but is able to achieve major outcomes, due to the contribution of its own members to the various activities of the Association.

There were a number of highlights in 2015 which are important to note in this foreword and which are dealt with in more detail in this Report. The first of these was the publication of the revised draft BBBEE Forest Sector codes, the development of which was strongly influenced by FSA. The changes in these codes, if approved, offer a sea-change for accelerating the transformation and growth of the Industry through leveraging the authority and assets of State actors, towards this important national objective.

The World Forestry Congress held in Durban in September 2015, was a resounding success in many ways for both the Sector and the country. Having attended the event personally, I can vouch for the impact that the Congress had in raising awareness domestically and internationally, of the importance of our Industry. Having the event opened by the Deputy President of South Africa, His Excellency Mr Cyril Ramaphosa MP, and hearing him speak extensively about the importance of our Industry, was a major outcome.

On the Grower Development Programme, which is obviously close to my heart, we are delighted that the FP&M SETA have agreed to fund further training of small-scale growers in a number of forestry and business disciplines and that the uThungulu District Municipality has shown a strong interest in assisting small-scale growers in producing more resilient and better yielding plantations.

On the political front, the World Forestry Congress also served as a platform for more structured engagement between Industry and the Deputy Minister of DAFF, the Honourable Bheki Cele MP, who is responsible for the forestry portfolio. The Deputy Minister met with FSA and undertook to try to assist Industry in addressing some of the key regulatory constraints to the growth and transformation of the Industry.

I would like to offer our sincere thanks to our FSA staff under the leadership of Mike Peter. As mentioned, they are a small but highly effective team who really internalise and are passionate about all the issues which timber growers face in South Africa.

I would also like to thank our Vice-Chairperson, Ms Viv McMenamin for her amazing support and strength through possibly the toughest year that I can recall us having to face as an FSA family. The support from our Executive and General Committees as well as the various other operational and regional committees in FSA, has again been extraordinary.

I thank all of our partners in the private and the public sector involved in the development and protection of the Industry.

Lastly and above all, I thank all of our members who through their membership and contribution to FSA, ensure the sustainability of our Sector and the value chain which it supports. I wish you all the very best for 2016.

Watson Nxumalo
Chairperson
Forestry South Africa
List of Office Bearers
As at 31st December 2015

Executive Committee
Mr Watson Nxumalo (SGG) (Chairperson)
Ms Viv McMenamin (Mondi) (Vice-Chairperson)
Mr Ferdie Brauckmann (TWK)
Mr Sisa Damoyi (SGG)
Mr Philip Day (MGG)
Dr Johan de Graaf (Merensky)
Mr Graeme Freese (MGG)
Mr Goodman Gcaba (SAFCOL / KLF)
Mr Irvine Kanyemba (Cape Pine)
Mr Hilton Loring (Masonite)
Mr Andrew Mason (MGG)
Mr Murray Mason (MGG)
Mr Fhatuwani Netsianda (SGG)
Dr Terry Stanger (Sappi)
Mr Themba Siyolo (PG Bison)

Large Growers Group
Mr Pieter de Wet (PG Bison)
Mr Goodman Gcaba (KLF)
Mr Pieter Keeve (TWK)
Mr Leander Jarvel (Sappi)
Mr Pieter le Roux (Timrite)
Mr Herald Ponoyi (MTO – Cape)
Mr Craig Rance (Amathole)
Mr Erik Söderlund (Masonite)
Mr Louis Terblanche (MTO – Lowveld)
Mr Pieter van der Merwe (York)
Mr Louis van Zyl (Merensky)
Mr Themba Vilane (Mondi)

Medium Growers Group
Mr Graeme Freese (Chairperson)
Mr Philip Day (Vice-Chairperson)
Mr Andrew Mason (Vice-Chairperson)
Mr Murray Mason (Immediate Past Chairperson)
Dr Pat Coleby
Mr Vusi Dladla
Mr Ralph Dobeyn
Mr Neil Engelbrecht
Mr Ant Foster
Mr Hans Gevers
Mr Mark Gallagher
Mr Heiner Hinze
Mr Ian Hill
Mr Patrick Kime
Mr Vaughan Lascelles
Mr Colin Morgan
Mr Harald Niebuhr
Mr Micheon Ngubane
Mr Neville Schefermann
Mr Malcolm Stainbank
Mr Shaun Westcott
Mr Hendrik Ziervogel

Small-Scale Growers Group
(KwaZulu-Natal)
Mr Sisa Damoyi (Chairperson)
Mr Watson Nxumalo (Vice-Chairperson)
Mr Simeon Cele
Mrs Ntokozo Dladla
Mr Vusumuzi Mfeka
Ms Busi Mnguni
Mr Elliot Nkomo
Mr Mangisi Sindane

Small-Scale Growers Group
(Limpopo)
Mr Fhatuwani Netsianda (Chairperson)
Mr Solomon Thagwana (Vice-Chairperson)
Mr Gerson Mudzunga
Ms Judith Muthala
Mr Samuel Netshiavha
Mr Elias Netshitongwe

Honorary Life Members
Dr Doug Crowe
David Earl
Mike Edwards
Friedel Johannes
Fred Keyser
John More
Vernon Schefermann
Spatz Sperling
Werner Weber
FSA Membership
As mentioned in last year’s Annual Report, the work that FSA does in all spheres of its operations benefits the Industry as a whole. As such, all growers, whether members of FSA or not, collectively benefit from the work that FSA does for the greater good of the Industry. Although it is heartening to report that FSA’s membership currently covers approximately 95% of the timber produced by the private sector, it is nevertheless disappointing to report that the membership of FSA is not higher than it is. It is in the interests of not only FSA’s members but the entire Industry to ensure that as many timber growers as possible make a contribution to the Association, as by doing so, this will spread more equitably the costs associated with the work we do for and on behalf of the entire Industry.

Although FSA made efforts during 2015 to increase its membership, it is unfortunate to report that our advances were not successful and that as such, no new members were enlisted during the year under review.

FSA would, as always, like to sincerely thank all our current members for their continued support in both financial terms as well as through the time which many of them give to the business of the Association. Without such meaningful support, the Association would not be able to do the work that it does on behalf of members and the Industry at large.

Benefits Derived from FSA Membership
This Report contains details of the extensive benefits which our members derive from their membership. It is heartening to report that by far and away the majority of timber growers remain members of the Association, despite the tough economic climate. The following is a short list of the key functions which FSA performs.

• Lobbying Platform
Responsible Governments like to deal with one “contact point” which in the Forestry Industry’s case is FSA. Industry in turn can also lobby far more effectively on issues which affect it if it acts collectively. FSA thus gives members a platform through which their collective voices can be heard when lobbying Government and other bodies on issues of importance to the Industry. This is becoming an increasingly important aspect of FSA’s work, as political uncertainty and economic difficulty increasingly make the investment and operating environment more challenging.

• Collective partnerships
Of the total FSA budget in 2015, the vast majority was spent on research and forest protection (R14.5 million and R8.8 million respectively). Combined, this represented 70% of FSA’s entire budget. The returns on this investment are orders of magnitude higher than the investment made, from higher growth and avoided loss from pests and diseases. In terms of yield, timber growers collectively, currently harvest 85% more timber per hectare than they did in 1980. In monetary terms, this means that FSA members get around R8 billion per year from roundwood sales, whereas this figure would have been just R4.3 billion without their investment into research.

In terms of pests and diseases, FSA is often asked to quantify the extent of the avoided loss from pests and diseases research, which is a lot harder to do as we cannot say for sure how widespread an outbreak would have been, had we not had the benefit of our pests and diseases research and the interventions it has provided. In the worst case scenario of total crop loss as has happened in some parts of the United States and elsewhere in recent years, the potential loss for South Africa, is the entire standing timber resource.
As mentioned, this figure is a potential loss of R8 billion per year in perpetuity. The potential loss in terms of forest products which are processed from this timber is around R40 billion per year in perpetuity.

• **Leveraging of Funding from External Sources**

  Through its own initiatives, FSA has managed to “save” the Industry considerable sums of money through leveraging funding from Government and the FP&M SETA. During the course of 2015 the following applies:

  **DST:**
  
  R25 million over a three year period. The second tranche of R10 million was received in 2015.

  **DAFF:**
  
  An MoU was signed for R23.5 million over a five year period for Sirex funding. The second tranche of almost R3.2 million was received in 2015.

  **FP&M SETA:**
  
  The SETA committed over R3 million to forestry related bursaries for 2015. The SETA also granted FSA funding of R3 million during the year to initiate 4 separate small-scale grower training initiatives. FSA also secured R7.8 million of funding from the SETA to develop 7 new qualifications. The former two initiatives commenced during 2015.

• **Deferring or Stopping Potential Costs before they Occur**

  As with avoided losses from pests and diseases, members are often less conscious of avoided costs, which FSA has helped to achieve, since they were not incurred by them in the first place. It is easier to demonstrate the value of an intervention, once a cost is incurred and is subsequently stopped or reduced through the intervention. Typical examples of this relate to the increase in the minimum wage which was limited to 6.6% this year and port dues in which a 0% increase was achieved. Without FSA and other strong lobby and advocacy organisations, one can see from the originally proposed increases every year that these costs would have become prohibitive for all timber growers in South Africa years ago. In 2015 alone, FSA’s interventions have saved the Industry tens of millions of Rands.

  Although membership of FSA is voluntary, it is in all our interests that as many timber growers as possible belong to the Association in order that the costs of addressing Industry issues are shared equitably by all stakeholders who benefit therefrom. FSA will redouble its efforts in 2016 to try to persuade those few private growers who remain outside of the Association, to become members as they have enjoyed many years of benefit from FSA’s activities and will continue to do so in the future. This is only fair to those who currently do make financial and in-kind contributions for the “common good”.

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Photo: ICFR
FSA Committees

Executive Committee

Three scheduled Executive Committee meetings were held during the course of the year under review.

Various changes to the Committee occurred during the year. These were as follows:

• Mr Ferdie Brauckmann replaced Mr Andre Myburgh as TWK’s representative.
• Mr Watson Nxumalo replaced Mr Murray Mason as Chairperson and Ms Viv McMenamin was elected as Vice-Chairperson.

As mentioned in last year’s Annual Report, as of 2014, the FSA Executive Committee comprises 15 members in total – Large Growers (8), Medium Growers (5) and Small-Scale Growers (3). This representation did not change during the course of the year under review.

Group Committees

As in previous years, nine Annual Regional Meetings of the Group Committees were held in various forestry regions across the country during February 2015. These meetings not only give members an opportunity to learn about what FSA has been doing on their behalf but also for them to raise issues of concern that they would like FSA to take up on their behalf. It is thus encouraging to note that attendance at these meetings continues to grow from year to year as large, medium and small-scale growers are increasingly aware of the importance of being informed and involved in the many issues being dealt with by the Association on their behalf.

In addition to the abovementioned meetings, three “General Committee” meetings, comprising representatives from all growers and regions, were held in Pietermaritzburg during May, August and November 2015.

A list of members of each of the respective Group Committees is given at the front of this Annual Report.

Working Committees

In order for the FSA Executive Committee to make informed decisions, information and recommendations are fed into it by the FSA’s General Committee, Regional Committees as well as its various Working Committees. The latter includes Committees dealing with Environmental Management, Transport, Human Resources, Land, Research, Forest Protection and Bio-Energy.

Additional requests were made to FSA during the year to establish two additional Committees / Working Groups – these being the FSA Fire Working Group and an Occupational Health and Safety Working Group. These will be established during the course of 2016.

The role that FSA plays in Industry affairs keeps growing year by year and, given our limited internal capacity to handle all these issues, the participation of FSA members in supporting the efforts of FSA on behalf of the Industry as a whole is greatly appreciated.
### Other Industry Committees

In its overall objective of promoting the interests of its members, FSA members and staff are represented on numerous collaborative structures which serve our members’ interests. Although by no means an exhaustive list, the most important ones are listed below:

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<thead>
<tr>
<th>INSTITUTE/CONVENOR</th>
<th>COMMITTEE/STRUCTURES</th>
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<td>(i): ICFR</td>
<td>Board of Control Remuneration Committee Risk and Audit Committee Research Advisory Committee Sirex Control Programme Steering Committee</td>
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<tr>
<td>(ii): FABI</td>
<td>TPCP Board of Control TPCP Finance Committee CTHB Board of Control</td>
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<td>(iii): NMMU (Saasveld)</td>
<td>Forestry Advisory Committee</td>
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<td>(iv): Stellenbosch University</td>
<td>Forestry Advisory Committee</td>
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<td>(v): FP&amp;M SETA</td>
<td>Board Audit Committee Governance and Strategy Committee</td>
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<td>(vi): Provincial LAACs</td>
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<td>(vii): DAFF</td>
<td>Minister’s Advisory Council (NFAC) CEO’s Steering Committee CEO’s Forum Commercial Forestry Liaison Committee Kabelo Trust National Forestry Research Forum (est. 2015)</td>
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<tr>
<td>(viii): DAFF-DWEA-FSA</td>
<td>National Afforestation Technical Task Team Forest Sector Raw Water Tariff Committee</td>
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<tr>
<td>(ix): Forest Sector Charter Council</td>
<td>Charter Council Interim Joint Management Committee Finance Committee Land Task Team Forest Enterprise Development Task Team Council Review Task Team</td>
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<tr>
<td>(x): The Wood Foundation</td>
<td>Executive Committee</td>
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<tr>
<td>(xi): Forest Industries Training Providers Association (FITPA)</td>
<td>Member</td>
</tr>
<tr>
<td>(xii): DRDLR</td>
<td>Regulation of Land Holdings Bill Working Group</td>
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### Non-Industry Affiliated Committees

There are several other collaborative structures which have significant impact on the Industry and in which FSA is represented either by staff, our members or our partner organisations. Amongst the most important of these are Business Unity South Africa, the Agricultural Business Chamber, Agri SA’s Commodity Chamber and General Council, Kwanalu, Mpumalanga Agriculture, Working for Water, Working for Wetlands and Working on Fire Programmes, the Free Market Foundation and the Institute of Race Relations.

### Co-operation with Other Industry Organisations

The timber growing sub-sector which is supported by FSA, provides the feedstock for the much larger forest products value chain. Greater influence is thus effected when we collaborate with our partner Associations and other organisations, in presenting an integrated view of the issues affecting the entire Industry.

In 2015 FSA worked closely with the Paper Manufacturers Association of South Africa (PAMSA), Sawmilling South Africa (SSA), the South African Wood Preservers Association (SAWPA) and the South African Forestry Contractors Association (SAFCA) on the very important realignment of the Forest Sector BBBEE Sector Code which is reported on in more detail in this Report.

The other key area of collaboration in 2015 between our partner Associations and other key partners in research, was on the World Forestry Congress. This is also reported on in more detail later in this Report.

Other important matters in which a collaborative approach was important, included Carbon Tax (see Climate Change and Carbon Tax under Environmental Issues), Sector promotion, media interaction, responding to environmental legislation and in skills development, through the FP&M SETA, where PAMSA are also represented with FSA. Details on these activities are found elsewhere in this Report.

Unfortunately, the Wood Foundation continues to struggle to gain further traction in promoting the entire value chain in forestry. This is mainly as a result of the lack of funding and human resources. FSA decided at the end of 2015 that alternative mechanisms needed
to be sought to address the promotion issues facing
the timber growing sub-sector represented by FSA
as this is where most media, public and Government
interest is directed.

Co-operation with
Government Departments,
Agencies and Programmes

Department of Agriculture,
Forestry and Fisheries (DAFF)

FSA participated in a number of interactions with
the Minister, Deputy Minister and Director-General,
through the Minister’s budget speech, Ministerial
Imbizos in Mpumalanga and the Western Cape, DAFF’s
CEO’s Steering Committee and CEO’s Forum.

While the relationship with the Director-General
and the Forestry Branch grew particularly strong as a
result of our collaboration with DAFF on the World
Forestry Congress and other areas of collaboration, we
initially didn’t have the opportunity for a structured
engagement with the Minister or Deputy Minister,
even though we had invited this in 2014 and again in
2015. It was unfortunate that the Minister and Deputy
Minister were unable to attend the CEO’s Forum, as
FSA was asked to present a Sector overview in the
Forum which would have assisted them in getting to
grips with the key issues in the Sector. Nonetheless,
in September we managed to secure a structured
engagement with the Deputy Minister, who has the
forestry portfolio. During this engagement, the Deputy
Minister both acknowledged the crucial role played by
the Sector in the rural landscape and committed to
assisting Industry in addressing the binding constraints
to our growth and transformation by holding a high-
level interaction with key Government Departments.
FSA produced a “Roadmap” of the key issues for this
engagement, which is planned for early in 2016.

It was with great disappointment that FSA had
to bid farewell to the Director-General in DAFF –
Professor Edith Vries during the year under review.
This was especially the case as she had developed a deep
understanding of the importance of forestry within the

Photo: ICFR
DAFF portfolio and had worked hard to elevate our key issues into the national discourse. This followed the departure of the DDG: Forestry and Natural Resource Management in 2014 with whom Industry had also developed an excellent working relationship. The high turnover rate and high vacancy levels in very senior posts in Government, are not unique to our Sector but they severely hamper both Industry and Government’s ability to ensure that the investment and operating climate in the country remain favourable.

On a more positive note, a new DDG for Forestry has been appointed in Dr Mmaphaka Tau. FSA has been working closely with him and his team in the Forestry Branch to ensure that our issues continue to receive the needed attention. This has already produced results in the creation of the National Forestry Research Forum, reported on elsewhere in this Report and the structured interactions which we have achieved with the political principals in DAFF.

We were also delighted to note in 2015 that Cabinet approved the Agricultural Policy Action Plan into which FSA had made extensive input. The APAP captures the key challenges of the recapitalisation of the forestry areas in the Western Cape, Mpumalanga and DAFF’s Category B+C plantations, SMME development and funding, afforestation, R&D and Forest Protection. We believe that having Cabinet oversight of the APAP will assist DAFF in securing the resources and political support to be able to address these challenges. As mentioned, the establishment of the National Forestry Research Forum in 2015 was an important step towards this.

We remain committed to working with DAFF and other role players in ensuring that we continue to turn the tide on the last 20 years of decline in forestry and we are encouraged by the activities and progress in the latter part of 2015 towards this objective.

National Afforestation
Technical Task Team

There were two meetings of the NATTT during 2015. These meetings attempted to resolve the challenges which had arisen from the Department of Water and Sanitation (DWS) having made unilateral and in our view, irregular changes to water use licence conditions for forestry and to address the persistent difficulties surrounding the issue of genus exchange.

In spite of this, DWS published draft regulations on Genus Exchange which, in the view of FSA, are also irregular for several reasons. FSA has made formal comment on the draft regulations and raised the issue with DAFF’s Deputy Minister as one of the issues requiring political intervention during the high-level engagement reported on above.

These matters are dealt with in more detail elsewhere in this Report.

Meeting with the Department of Environmental Affairs on Alien and Invasive Species Regulations

FSA met with DEA to discuss the equally controversial Alien Invasive Species Regulations which were also Gazetted without adequate consultation with FSA, on these potentially devastating regulations. FSA had made extensive comments on several previous draft regulations and yet there has been almost no engagement with Industry by DEA outside of the legislative process. While DEA seemed willing to address some of the concerns which FSA raised about the Regulations, they remain in our view, highly irregular in law.

This issue has also been raised as one that requires political intervention because, as with the draft Genus Exchange Regulations and the unilateral changes to water use licence conditions, there were platforms for discussing these issues, such as the NATTT, which were by-passed by the officials in those Departments who created these regulatory constraints. This issue is reported on in more detail elsewhere in this Report.

While we lament the fact that there is not a more constructive, equitable and results-based approach to environmental and water matters between Government and Industry, especially given the outstanding track record of the Industry in which South Africa is still the global leader, it nonetheless points to the importance of having strong Industry Associations to intervene on behalf of timber growers.

World Forestry Congress

Following an initially slow start, preparations by DAFF to host the World Forestry Congress gained rapid momentum in 2015. The support of the Local Organising Committee, in which both Ms Viv McMenamin and Prof Colin Dyer worked so hard, was pivotal in the successful hosting of the Congress.
While the final Report from DAFF on the WFC is still due to be published, below are some highlights from the Congress:

• It was the first time in almost 90 years since the inception of the WFC, that it was held in Africa.
• It attracted over 3 900 delegates from 142 countries as well as many high level local and regional delegates.
• The opening address given by the Deputy President of South Africa, contained many important references to the value of the Commercial Forestry Industry to South Africa. This was a major boost for the profile of the Industry domestically, as this is something that one rarely hears from politicians in South Africa, even those entrusted with the forestry portfolio.
• Africa had the highest participation in WFC history, with 40 participating countries accounting for 73% of attendees.
• After South Africa, Kenya had the largest number of delegates from Africa at the WFC and the USA had the largest number of delegates from outside of Africa.
• 60 Community representatives, largely supported by FSA, attended the Congress.
• A total of 162 youth participated, again with strong support from FSA and our members for their participation.
• 61 exhibitions were held covering an area of 1.7 hectares and the “SA Forestry Inc.” stand, which was supported by all of our members and our key research and Association partners, was a resounding success. A special word of thanks must be made once again to Ms Sally Upfold for the extraordinary role that she played in co-ordinating such a large and diverse collaborative exhibition. Mr Mike Edwards (the former Executive Director of FSA) is also sincerely thanked for having given his time at no cost to FSA, to manage the exhibition for the entire duration of the Congress.
• The ICFR-led Science Symposium, which was hosted jointly with IUFRO, was hugely successful. While the details of this major event are reported on elsewhere in this Report, FSA would like to again extend its sincere appreciation to Ms Sally Upfold and our own Dr Ronald Heath for this hugely successful and well-attended event.
• The FAO’s Forest and Farm Facility (FFF), (previously the NFP Facility from whom FSA had received major funding in the past) held a two-day Community-based Forestry and Farm Producer Organisations event. Mr Norman Dlamini served on the Organising Committee and FSA supported 28 small-scale growers to attend the event. The event was a resounding success and both FSA and Mr Dlamini received high praise from the FAO for the roles played in organising the event. There is every possibility that we may see future funding from the FFF into our Grower Development Programme as a result thereof.
• Legacy Projects – While the Minister did not announce the 147 000ha of new afforestation and recapitalisation of lost areas, which FSA believed to be the most important Legacy Project of the WFC, he nonetheless announced the “Beat Leptocybe” and “Hluhluwe Weighbridge” Projects which had been proposed by Industry. Both of these Legacy Projects will save small-scale growers many millions of Rands on an ongoing basis.

Aside from the people acknowledged above, there were a number of other staff members who contributed to FSA’s successful participation at the WFC. Our Development Manager, Mr Nathi Ndlela admirably looked after our small-scale growers on a daily basis throughout the Congress. Our Operations Director, Mr Roger Godsmark, assisted through the production of information pamphlets on the Industry, which were given to each delegate in their registration documentation and producing an audio
visual presentation highlighting the positive impact that the Industry had on the South African economy. In addition, he assisted with helping to manage the SA Forestry Inc exhibition stand at the Congress alongside Mr Mike Edwards, our Company Secretary.

In addition to these onsite functions, Mesdames Judy Dowsett, Suzanne Blows and Precious Singo kept the Pietermaritzburg and Johannesburg offices functioning during the entire two weeks that the rest of the staff were involved in the WFC and ensured that staff were informed of all other business which needed to be attended to during this period. These members of staff are thanked for the massive effort they made prior to and during the WFC to ensure that it was so successful and to ensure that our core business activities continued throughout this time.

**FSA 2015 Annual General Meeting**

FSA’s 13th AGM was held on 7th May 2015 at the Fern Hill Hotel & Conference Centre near Howick in the KwaZulu-Natal Midlands. It is encouraging to note that the importance of FSA in Industry affairs and the consequent regard in which the Association is held by members, resulted in a record number of attendees. Those attending were treated to excellent talks by the following speakers:

- **Keynote Speaker: Mr John Kane-Berman**
  “A 12-point plan to get the country back on track”

- **Guest Speaker: Dr Oscar Mokotedi**
  “Can South African commercial forest plantations mitigate the effects of climate change: fact or friction?”

- **Guest Speaker: Dr Ronald Heath**
  “Enhancing returns through forest research, development and innovation”

Running the AGM is a costly exercise, especially as the number of members attending keeps growing from year to year. It is thus with sincere gratitude that we thank our existing sponsors (ABSA Bank, NCT, PAMSA, Sunshine Seedlings and Safire). Safire has contributed to the holding of our AGM through the provision of stationery in the past and in 2015 they made a generous financial contribution as well. Special thanks are also given to ABSA Bank, whose sponsorship of R30 0000 (the 2nd out of a three-year commitment) is the largest we receive and to Ezigro, who made a generous financial contribution to the AGM for the first time.

FSA would like to thank the abovementioned speakers for their contributions and the many members and other forestry stakeholders who attended the AGM.

**FSA Staff Matters**

Ms Muriel Farquharson, who provided off-site financial services on contract to FSA for several years after her retirement, terminated her services during 2015.

FSA appointed Ms Suzanne Blows as the Finance and Administration Manager, based in FSA’s Head Office in Illovo, Johannesburg. The increase in responsibilities arising from the additional funding
which FSA receives and disburses through the DST Sector Innovation Fund, the FP&M SETA and potential new future funding, made this a critical and timeous appointment.

The vast majority of FSA’s budget is spent on Research and Development. Given this fact and the crucial role of the Research Director, inter alia, in co-ordinating Industry’s research efforts and securing new funding into this area, it was decided to make this a permanent position in FSA.

The scope and intensity of the work which FSA does on behalf of its members has increased dramatically in recent years, partly out of the often contradictory and ever-changing legislative and regulatory environment in South Africa. Examples of this have been seen in areas such as Broad-based Black Economic Empowerment, Water, Environmental, Land Reform and Labour matters. Other factors are the increases in requests by members and external parties for more detailed and more current information on the Industry, greater calls from growers for operational support and increased public and media engagement. These factors led the FSA Executive Committee to approve some additional capacity for FSA and to review the job-design and organisational structure of FSA, to ensure that we can continue to meet these challenges. This process will be implemented carefully in the coming years to ensure that FSA remains as efficient as it has always been but is also able to adequately handle the ever increasing number of issues that it needs to deal with in future.
Forestry Industry Matters

Forest Protection

Pests and diseases remain some of the most serious threats to the Industry. This is reflected in FSA’s budget where, after research funding, the largest FSA expenditure budget is allocated to forest protection – R8.8 million (26% of the total FSA budget).

Even though 2015 was a relatively positive year from the perspective of limiting the impact of pests and diseases, the Sector recognises the ever-present threat they pose and the potential for extremely rapid escalation. This year, significant improvements were made in the co-ordination and prioritisation of Industry’s responses to these threats. This was seen in the formalisation of structures dealing with each of the various threats and most importantly in the activities of the National Forest Pests and Diseases Committee, chaired by Dr Johan de Graaf. Although DAFF have not yet been able to implement the National Forest Protection Strategy, Industry took the initiative and established the National Forest Pests and Diseases Committee as a first step in implementation of the Strategy. DAFF are also represented on the Committee which has played an integral role in optimising and aligning Industry’s efforts to reduce the impact of pests and diseases. It also, for the first time, played a crucial role in the FSA budget process, through prioritisation of expenditure on each threat.

Some important developments regarding pests and diseases are summarised below. Members are encouraged to visit www.fabinet.up.ac.za/index.php/tppcp to obtain greater detail on all these and all other pests and diseases being worked on by FABI, FSA’s members and other partners, on behalf of the Industry.

• Kirramyces leaf spot is a new Eucalyptus leaf and shoot disease caused by a fungus known as Teratosphaeria destructans. It has spread rapidly throughout South East Asia causing very severe damage to pure stands of E. grandis and E. camaldulensis as well as hybrids with these species. Commonly referred to as Destructans Leaf Blight, it appeared in the Zululand area mid-2015. The National Forest Pests and Diseases Committee responded to this new introduction by initiating a delineation survey which indicated that the fungus was already widely spread throughout Zululand. It was, however, positive to note that the disease was not present in any of the nurseries surveyed and that clonal tolerance was also observed during the delineation survey. This seems to offer the best solution currently for limiting the impact of the disease.

• At the end of June 2015 Leptocybe-like galls were observed on E. macarthurii in the Piet Retief area. The gall morphology appeared somewhat different to those known for L. invasa. Molecular data later confirmed that the former gall was not the known L. invasa but was indeed a different type and likely a separate cryptic sister species. This second type of Leptocybe is common in Asia and has been reported from Ghana as well. There is uncertainty as to what the effect of the current biological control deployed for L. invasa will be on the newly introduced species and what the possible implications for management will be. Industry, along with its research partners, are continuing research with regard to this new Leptocybe sp.

• With the emergence of Wattle Rust in 2013, wattle growers formed a Working Group to focus efforts in dealing with this threat to Black Wattle. The availability of resources and the collective effort by Industry and its partners were invaluable in ensuring rapid responsiveness to combating this new disease. Unfortunately the disease has continued to spread and it is now reported in all Wattle growing areas. The research, however, which is also partially funded by FSA, has shown promising results and will receive continued support from FSA in 2016.

While it is difficult to predict what impacts we may sustain in 2016 from pests and diseases, there is the strong possibility that drought-induced stress on trees will exacerbate the situation. This will make efforts to prevent and react rapidly to new introductions even more important.

Fortunately, in 2015, FSA positioned Industry through the structures and processes discussed above to meet these challenges.
Damage Causing Animals Project
This Project, funded by FSA, has now been running for several years, the initial focus thereof being on the damage caused to pine plantations by baboons as this problem was identified as being the most serious. Although no figures have been calculated as to what the actual damage is, estimates at this stage suggest that it may be tens of millions of Rands per annum. Full details of the Project appear later in this Report.

There are increased concerns about other damage-causing animals such as the impact of Samango monkeys, the Three-striped mouse and livestock and antelope damage. Although localised at this time, the situation will be closely monitored to assess whether a broader approach to dealing with such impacts may be needed in time.

Forest Fires
It is pleasing to report that DAFF signed off on the Integrated National Forest Protection Strategy during 2015. This is a significant development, as it is the first time that South Africa has a Strategy to combat pests, diseases and forest fires. As with the National Forestry Research and Development Strategy which was approved several years ago by DAFF, FSA was instrumental in the development of the Integrated National Forest Protection Strategy.

• Establishment of FSA Fire Working Group:
  During the year under review the FSA Executive Committee agreed to the establishment of the above Working Group. This is because fire poses a massive risk to the sustainability of the Industry and thus requires a co-ordinated response in both operational matters and more importantly in the institutional arrangements for preventing and combatting fire, particularly at a national level. Although it had been hoped to convene the inaugural meeting of the Working Group during 2015, it was not possible to do so and this will be pursued early in 2016.

• Use of Paraquat in Firebreak Preparation:
  It is pleasing to report that through the efforts of the Pesticide Working Group (TIPWG), last year the FSC eventually reversed an earlier decision and approved a “once-off” derogation for the use of Paraquat during the 2014 burning season under certain conditions. The FSA Environmental Management Committee engaged with the FSC during 2015 to extend this derogation for three years and members are reminded that each company needs to make its own application to the FSC for derogation.

Timber Theft
It is pleasing to note that the sterling work being undertaken by "Timber Theft Forums" in Mpumalanga (Lowveld), Piet Retief / Vryheid, Richards Bay and Greytown, is beginning to bear fruit in that the theft of timber and equipment is being addressed effectively.

In a separate initiative, FSA distributed information to members on how they could become "Honorary Forest Officers". This is an important issue as currently forest owners neither have the power of arrest nor seizure of suspected stolen property or the assets (e.g. vehicles) used in the perpetration of a crime. By becoming Honorary Forest Officers, they would enjoy such powers.

Despite the excellent work being done by "Timber Theft Forums", timber and equipment theft still remains a serious problem. FSA would like to thank all members involved in these Forums for the work that they do to combat this scourge.

Forestry Research and Development
Forestry research and development are crucial to the sustainable development of South Africa’s plantation resources. This has always been the area of the greatest expenditure by FSA and while financial resources are important for R&D, so too is human capital. It is thus pleasing to report that during the course of 2015, the contract position of the Research Director in FSA, held by Dr Ronald Heath, was converted into a permanent position. This has given the Association the much needed capacity to advance the progress that has been made in recent years since the appointment of a Research Director. FSA is grateful for the excellent work being done by Dr Heath for the Association and by extension, the Industry.

During the last year the recently established research and development structures, including the FSA Research Advisory Committee, had proved extremely valuable. For the first time the Committee was integral in reviewing and prioritising the research portfolio of FSA and the Committee made valuable
contributions and recommendations regarding FSA’s research budget. This task was made quite difficult with the pressure placed on forest research funding and with uncertainty arising regarding the Technology and Human Resources for Industry Programme (THRIP). The THRIP Programme has been a major source of funding to the Sector and its research partners for some time. When it was announced that the Programme would come to an end, it created concern in the research and development arena.

Following several enquiries made by Dr Heath and by DAFF on behalf of Industry, it was revealed that the Programme would not be discontinued as originally thought but rather that the management structures and processes would change. Although this is seen as a positive development, as it offers hope that there is still an opportunity to leverage additional funding for forestry R&D, FSA and our research partners will have to produce new applications for THRIP funding. Fortunately, we now have the capacity in our Research Director and our RAC to make such applications.

The effectiveness of the RAC cannot be overstated and the RAC members and our member Companies who make them available to FSA are sincerely thanked for providing this capacity to FSA and to Industry.

**Forest Sector Innovation Fund**

2015 has seen significant progress with the Forest Sector Innovation Fund. After receiving 35 Expressions of Interest, 10 Projects were approved by the Steering Committee. The Projects address a wide range of areas which include increased capacity to manage pests and diseases, the development of spatial technologies for pest and pathogen monitoring and risk mapping, advances in gene/marker assisted breeding, the establishment of GMO protocols & infrastructure, the optimisation of propagation systems for *Eucalyptus* planting material, addressing climate change through investigating new softwood material, understanding site water balance and nutrient supply resilience in forest areas and the development of business management tools to assist small-scale timber growers.

These Projects are set to deliver significant outputs beyond the listed research deliverables. 10 new jobs in forestry R&D have resulted already from the Programme. With capacity building being a “Level One” deliverable, this is a key outcome of the SIF and it has already seen one Honours student, 4 Masters students and 3 Doctoral students registered. In all, the Forest Sector Innovation Fund is progressing well and will contribute significantly to improving the...
competitiveness of the Sector and addressing the challenges the Sector faces.

FSA, on behalf of the entire Industry, would like to express its sincere gratitude to DST for this support and we look forward to future collaboration to advance the Sector and increase its contribution to National Outcomes and Priorities.

Research Symposium
The ICFR, in collaboration with the International Union of Forest Research Organisations (IUFRO), hosted a research symposium as a formal side event to the World Forestry Congress in September. The Symposium, entitled “Underpinning Sustainable Tree Plantations in Southern Africa”, was a resounding success and was well attended by the research community, Industry and Government representatives.

The keynote address was delivered by the Minister of Science and Technology, the Honourable Naledi Pandor MP, on Science and Technology Policy in support of the Forest Sector and forest research.

The keynote address was followed by a number of presentations including one by Dr Heath of FSA, showcasing the value of forestry research and how it will position the Sector in addressing challenges and ensuring international competitiveness.

The Minister and her senior officials who attended the event, both within and outside of the plenary, expressed their great satisfaction for the progress and contribution of the Industry and expressed the view that more State funding was needed to support R&D in forestry.

Ms Sally Upfold from the ICFR and Dr Ronald Heath from FSA are sincerely thanked for the enormous effort that they went to, in ensuring that this Symposium was such a great success.

National Forestry Research Forum
2015 saw the first step by the Department of Agriculture, Forestry and Fisheries (DAFF) towards implementing the National Forest Sector Research and Development Strategy with the establishment of the National Forestry Research Forum (NFRF).

This Forum is a forestry specific Research Forum which will inform the National Agriculture Research Forum of DAFF on which FSA has had representation since 2011. The Forum will enhance the communication and collaboration between the private sector and Government with regard to Forestry Research and Development. Most importantly, the
Forum will play a role in prioritising funding for forestry research and development out of the DAFF R&D budget. The Cabinet-approved APAP, mentioned elsewhere in this Report, has as one of its objectives, the more equitable allocation of research funding between agriculture, forestry and fisheries and the NFRF is the structure which will inform the forestry requirements in such allocations.

While the NFRF will focus on all three types of forests for which DAFF are responsible, FSA is delighted that Prof Colin Dyer of the ICFR and Dr Ronald Heath from FSA were elected as the Chair and Vice-Chair of the NFRF respectively. This demonstrates that DAFF is aware of the importance of placing emphasis on commercial forestry research, as this offers the greatest potential for economic growth, job creation and transformation.

Science Forum South Africa
The Department of Science and Technology hosted the inaugural “Science Forum South Africa”. The Science Forum was inspired by events such as ESOF, AAAS and the Japan Agora and was an open event where leading scientists, researchers, business people, policy makers, science and technology communicators and the general public attended. The aim of the event was to showcase how science, technology and innovation were contributing to society.

The Forest Sector Innovation Fund exhibition, put together by Dr Heath with support from our FSIF partners, was one of only two exhibitors to secure prime exhibition space in the foyer of the event. The other was the internationally acclaimed Square Kilometre Array Project. This provided an excellent opportunity to showcase the ground-breaking research being performed within the ten projects being run through FSA.

Dr Heath is congratulated and thanked for ensuring that the FSIF was so well represented at this high-level DST showcase event, not least of all as ours was the only Sector Innovation Fund to take up the opportunity to exhibit at the event.

Institute for Commercial Forestry Research (ICFR)
2015 was a productive and successful year for the Institute in its primary aim of providing research, development and innovation solutions for the Forestry Industry.

The retirement of Professor Charles Breen as Chairperson of the ICFR in 2014 necessitated that the Board should find a suitable new Chairperson. While the Vice-chair, Mr Michael Peter of FSA, took on the responsibility in the interim, Industry was delighted to note the appointment in 2015 of Professor Ahmed Bawa, Vice-chancellor of the Durban University of Technology, as Chairperson of the ICFR’s Board of Control. FSA looks forward to the wisdom, guidance and experience that Professor Bawa will bring to the ICFR.

The ICFR held its first Annual Research Meeting in 2015, which provided an excellent opportunity for interaction between FSA’s members and the ICFR’s researchers. This interaction was always limited in the past, to engagement around member-led research projects at the ICFR. The ICFR continues to build the scientific credibility of its research and researchers through the publication of peer-reviewed papers as well as Research and Technical Reports and this Annual Research Meeting provided an opportunity for showcasing this to a wider audience.

Four Forest Sector Innovation Fund Projects commenced at the ICFR in 2015 and work on all of these is progressing well. Outcomes from the Projects will add a high level of value back to the Industry and the Sector, in developing spatial technologies for pest and pathogen risk mapping, understanding water balance and nutrient supply resilience, developing effective seed production systems for temperate eucalypts, and the development of a forest enterprise simulator (in partnership with the University of Stellenbosch).

The ICFR was intensely involved in the organisation of the XIV World Forestry Congress held in Durban in September 2015, through the Local Organising Committee, Advisory Committee and in the Forestry Indaba held prior to the Congress.

A specific highlight was the ICFR’s co-hosting of the Forest Science Symposium with the International Union of Forest Research Organisations (IUFRO), reported on elsewhere in this Report, as a pre-Congress event to the World Forestry Congress. The event drew over 220 delegates from both public and private sectors. Copies of all of the presentations are available on the ICFR website (www.icfr.ukzn.ac.za).

The ICFR also co-ordinated an exhibition (also reported on elsewhere in this Report) at the World Forestry Congress, on behalf of Forestry South Africa. Themed “SA Forestry Inc.”, the exhibition brought together a unique combination of 22 key role-players in the Sector representing FSA members, Industry Associations, FSA research partners and higher education institutions serving the Sector.
Given that the ICFR is the research partner through which most of FSA’s budget is deployed, the continued commitment and dedication of its staff, in striving to meet the research needs of the Industry, both in terms of the relevance and excellence of their work, is of paramount importance and is greatly appreciated.

**Forest Engineering South Africa (FESA)**

As reported in last year’s Annual Report, at a Special General Meeting of Forest Engineering South Africa (FESA) held in October 2014, it was unanimously decided to dissolve FESA in its current format, effective 31st December 2014. Subsequently, a Task Team, under the auspices of FSA’s Research Advisory Committee, was convened to evaluate the FESA operational model and to revisit the operations research needs of Industry.

A Report was drafted during the year under review and was distributed to all relevant stakeholders for comment. Once stakeholder inputs have been recorded, a final Report will be presented to FSA’s General and Executive Committees for consideration during 2016.

**Afforestation Issues**

While there has been some progress, through DAFF’s intervention, in addressing the unjustified and unilaterally imposed conditions (by the DWS), which were introduced into water-use licences for afforestation, the issue still remains unresolved. FSA escalated the matter to a political level through engaging with the Deputy Minister of DAFF (responsible for forestry) for intervention. The Deputy Minister agreed to facilitate a high-level engagement with Industry and top-management in DWS to attempt to address this and other constraints which are discouraging investment in the Sector.

FSA has furthermore developed a draft “Roadmap” for resolution of this and other challenges facing the Industry such as Genus Exchange and the Alien and Invasive Species Regulations, which have been developed with scant regard for the socio-economic impacts of these constraints on the sustainability, growth and transformation of the Industry. Fortunately, Cabinet approved the Agricultural Policy Action Plan for DAFF and the DRDLR in March of 2015 and this has placed a much greater focus (at Cabinet level) on objectives in APAP like the 100 000 ha of new afforestation that was committed to by Government, in terms of their Forest Sector Transformation Charter obligations.

FSA remains committed, with DAFF’s leadership to ensuring sustainable, equitable and economically beneficial outcomes, in the current and future allocations of water to ensure that new afforestation takes place in South Africa.

**Water Issues**

**Water Resource Management Charges**

The **2015/2016 Tariffs**: FSA attended the Sector Specific and National Consultation meetings to discuss the upcoming 2015/16 water resource management charges. As a result of the reduction in the number of Water Management Areas from 19 to 9, increases for the 2015/2016 year in the respective consolidated WMAs both increased and decreased. The result was a decrease in charges in some areas (-65%) and an increase in charges in others (+240%). However, increases for the most important forestry growing areas were more modest. The Department of Water and Sanitation had an impossible task of limiting the increases to inflation levels as a result of the consolidation outcome. Importantly though, the published raw water charges indicated that increases for 2016/17 and 2017/18 would be inflation linked. This will save the Industry millions of Rands in the coming two years.

**Revised National Water Pricing Strategy**

FSA, amongst other stakeholders, has been involved with the DWS in revising the first National Water Pricing Strategy. FSA made inputs into the Strategy since it was first developed and further inputs have been made to the revised Strategy. It remains in draft form but is expected to be promulgated during 2016.

Should the changes which FSA has proposed and which have largely been accepted in the latest draft, be promulgated, this will save the Industry potentially many millions of Rands per year on an ongoing basis. These costs would have been incurred through the proposed abstraction costs, infrastructure charges, the removal of the R10 per hectare cap, proposed full cost
recovery billing and the removal of the exemption for small-scale growers of <10 ha of timber plantations all of which have now been removed through FSA’s intervention.

**National Water Resources Strategy 2**

The National Resources Strategy 2 was published in June 2013 and approved for implementation from December 2013. The DWS initiated sector specific Implementation Plans towards the end of 2014 and at the beginning of 2015 and FSA participated in the development of the Forest Sector Implementation Plan in which FSA committed itself to certain actions. The Strategy identifies three broad objectives: water supports development and the elimination of poverty and inequality; water contributes to the economy and job creation; and water is protected, used, developed, conserved, managed and controlled in an equitable and sustainable manner.

FSA would like to believe that this participatory approach will lead to improved relations with the DWS which have become strained over the last decade. We have already seen changes in the revised implementation plan, where, following FSA’s inputs, the proposed targets for clearing of invasive species have been removed and the powers of the Licencing and Advisory Committees have been limited to their original purpose.

**Genus Exchange**

The DWS has remained persistent in its views that changing a compartment of pines to gums (genus exchange) would require an authorisation. This, it is claimed, is due to the increased use of water by gums and therefore a reduction in the area allowed to be planted to gums (as much as 30% in reduction of a compartment area). FSA does not share this view for a number reasons, including that the model used by DWS to estimate water use by commercial forestry species, cannot scientifically be used at the farm level to manage water resources.

Draft Regulations for genus exchange were published in the Government Gazette for comment, and FSA responded to these Draft Regulations in December 2015 by rejecting the intent of the Draft Regulations, the manner in which they would be used and the authorisation process proposed.
Aside from questioning the legality of the regulations, FSA has raised a number of other factors which should be taken into account before DWS insist on a reduction in area when a grower switches genera. These include, *inter alia*:

- Whether the original water-use allocations for plantations, which were much higher than more recent calculations, have been taken into account.
- Whether the 80 000 ha of voluntary withdrawals by Industry have been taken into account.
- Whether all the water that has been allocated to agriculture and other water users, has been taken up and if not, whether this will be taken into account. This is important, as compulsory water-use licencing, where it has been done, suggests that a very high percentage of water allocated in most catchments, has never been taken up. Further reductions in agricultural activity through failed land reform projects in agriculture, indicates that this trend will have increased in recent years. It makes logical sense in these instances, to therefore allocate a small amount of this water which was not taken up, to offset any real additional water that genus exchange may use.

Industry will gladly pay for the extra water use, once the science is in place to quantify at the farm and compartment level, what this quantum is but it makes no sense to require a reduction in area with all the negative social, economic and environmental risks this poses.

This issue, along with the others discussed elsewhere in this Report concerning the Alien and Invasive Species regulations and the changes to afforestation licence conditions, has also been escalated for political intervention. It is sincerely hoped that this intervention may prevent yet another piece of poorly drafted and contentious regulation coming into existence, which will threaten current and future investments in forestry and forestry processing facilities.
Environmental Issues

Environmental issues have become an increasing focus of the Industry's attention over the last decade. To deal with the increasing regulatory regime, the Association has an extremely active Environmental Management Committee (EMC), chaired by Dr David Everard, but also has a dedicated FSA Environmental Consultant, Dr John Scotcher, to handle these issues on our behalf. In brief, some of the more important developments during the year under review were as follows:

Forest Stewardship Council (FSC)

• **FSC Principles and Criteria Version 5:** The FSC International Generic Indicators were approved by the FSC members and the FSC Board during 2015. The South African FSC Standards Development Group began the development of the South African FSC Standard in March 2015 in accordance with the FSC requirements and sent the first draft to stakeholders for their input at the end of 2015. The implementation plan for 2016 will be the inclusion of stakeholder comments, a visit from the FSC in Bonn, the testing of the standard with stakeholders and certification bodies, further revisions and submission of the South African Standard to the FSC in Bonn.

• **FSC Smallholders’ Sub-Committee:** The FSA EMC’s Smallholders’ Sub-committee has researched the options available for small-scale timber growers in South Africa to pursue FSC certification. Substantial funding from the FSC and FSA itself was secured for the research.

Other Environmental Matters

• **Environmental Guidelines:** The FSA EMC’s Editorial Sub-committee has revised the Environmental Management Guidelines for Plantation Forestry in South Africa and a final version will be available in 2016. The Guidelines have been totally rewritten and are aimed at the forester and not environmental managers or scientists. It is the objective to make them user-friendly, with links to other sites, the inclusion of a statement of intent, and a list of actions that can be used to meet the statement of intent.

• **Timber Industry Pesticide Working Group (TIPWG):** The use of chemicals/pesticides for the control of pests and diseases has become extremely important for the continued sustainability of forestry in South Africa. The functioning of an effective Pesticide Working Group under the FSA Environmental Management Committee to address the many issues that arise from the use of pesticides has been a very successful intervention under the Chairperson, Dr Jacqui Meyer. The emphasis of TIPWG is on the safe use of pesticides where it is necessary to use such control measures, but there is also a focus on research that investigates the use of alternative pesticides that are safer to use, as well as research on the reduction in the use of pesticides.

A research project to assess alternative new chemicals and a reduction in chemical use will begin in 2016 under the leadership of Dr Keith Little of the Nelson Mandela Metropolitan University.

• **National Environmental Management Biodiversity Act – Alien and Invasive Species Regulations:** The Department of Environment Affairs published a list of Alien and Invasive Species Regulations for implementation on 1st October 2014. Considerable communication took place between FSA and the DEA on the Regulations and some relief was achieved. However, the implication for forest plantations in the Western Cape is that all existing plantations would need to apply for permission to continue with what is essentially an existing lawful form of land-use. Furthermore, all new plantations established after 1st October 2014 in South Africa will require an authorisation from the DEA.

FSA is of the view that this retrospective application of new regulations is irregular in law and has thus initiated a number of interactions with the DEA. This has resulted in the agreement from the DEA to amend certain regulations. We have not yet, however, achieved the objective of having the regulations amended to exempt all commercial forestry plantations and only apply to alien and invasive species outside of formal planted areas. Discussions in this regard are ongoing.

• **Carbon Tax:** The ICFR, under the leadership of Dr Stephen Dovey, is currently researching an appropriate method that can be used to both calculate and verify the carbon stocks available in the South African plantation forests to support the Industry in minimising the impact of the planned Carbon Tax on the Industry value-chain.
Although the Treasury has again postponed the introduction of the carbon tax, its introduction appears inevitable and FSA will continue to ensure that the Industry is well placed to minimise or avoid the impacts of it, should it materialise.

- **Review of the Principles and Criteria contained in the National Forests Act:** The FSA Environmental Management Committee formed a small Working Group with the DAFF to review the current Principles, Criteria and Indicators developed under the National Forests Act, 1998. The objective is to use the revised PC&Is to develop a Sustainable Forest Management Standard for South Africa. The Institute of Natural Resources was appointed to review the current standard during 2015 with funding made available from certain members who see the potential for an additional certification system in South Africa. With only one certification system operating in South Africa, FSA believes they may be at risk, which a second system may alleviate. The review was completed and published for stakeholder input at the end of 2015.

  DAFF are sincerely thanked for their leadership and support in getting the review implemented.

- **Baboon Damage Working Group:** Two studies were initiated in 2015 to contribute towards the understanding of the potential economic impact of baboon damage on pine plantations. The first study on the quantification of the impact that baboon damage has on productivity, is being investigated by the establishment of a network of 24 monitoring plots across various pine plantations in Mpumalanga. From the preliminary results of the baboon damage on tree growth, it is evident that baboon damage has a strong impact on tree mortality. Baboons seem to prefer dominant trees and a decrease in Basal Area Increment (BAI) is clear. The second study is investigating the use of moderate resolution satellite imagery (Landsat 8) for mapping stand damage in pine plantations. A baboon damage risk model, based on environmental variables, is being developed to highlight which damage identified by the satellite image-derived map is likely to be caused by baboons. The remote sensing based monitoring, coupled with the risk model, will provide a system for targeted ground surveillance.

- **Fracking in KwaZulu-Natal:** Rhino Oil and Gas Exploration South Africa (Pty) Ltd have lodged an application for an exploration right with the Petroleum Agency of South Africa. Minerals included in the application are oil, gas, condensate, coal bed methane, helium and biogenic gas. The exploration area is broad and covers approximately 10 000 farm properties in the KZN Midlands covering 1.5 million ha. FSA has registered as an interested and affected party and will maintain a watchful eye on proceedings in so far as they affect the existence of commercial forestry plantations in this area.

- **Environmental Management Committee (EMC):** The scope and complexity of the work being done by FSA’s EMC has escalated to such an extent that resources, institutional arrangements and prioritisation of effort were necessary in 2015. Part of doing this was the appointment of the EMC Chair, as a member of the FSA General Committee, to facilitate inter alia, the prioritisation of budget requests by the FSA EMC. The role that the FSA Environmental Management Committee played during the year in helping to advance the Industry’s environmental credibility on the one hand and on the other, preventing potentially damaging regulations coming into effect, cannot be underestimated. All members of the Committee must be thanked for their efforts in this regard. Special thanks must go to the Chair of the Committee, Dr Dave Everard, the Chair of the Timber Industry Pesticide Working Group, Dr Jacqui Meyer and to their respective companies, as well as to FSA’s Environmental Consultant, Dr John Scotcher.

**Land Reform**

As was the case last year, 2015 continued to be characterised by contradictory and confusing statements, policies and legislation in respect of Land Reform.

FSA continued to serve on the Regulation of Land Holdings Bill Working Group, established by Minister Nkwinti. It was finally agreed by the DRDLR that the
Bill would be withdrawn for the reasons advanced by FSA, Agri SA and others. These included the fact that neither farm sizes nor foreign ownership had posed significant barriers to land reform and more importantly, that neither of these factors were the cause of the widespread failure of land reform in agriculture to date.

It was also pointed out that this policy would discourage much needed foreign and local investment into forestry and agriculture, which was needed to stimulate the rural economy. Most importantly, however, it was agreed that farm size or foreign ownership limitations could not even be discussed, until such time as the State understood who owned private land in South Africa. Without this information, placing limitations on foreign ownership and on farm sizes, was entirely arbitrary. This audit of privately-owned land could only be determined through compulsory disclosures by land owners who in turn, could only be enforced to do so through the yet to be established Land Commission.

It was agreed therefore that the Bill would be withdrawn and that a separate Bill, with the provisions for the establishment of the Land Commission, would be tabled. The DRDLR stated that the revised Bill would be passed by August 2015, the Land Commission would be established and the audit of privately owned land would be completed within two years. FSA and others expressed our sincere skepticism about the likelihood of this plan materialising as the audit of State-owned land alone, took more than a decade to conduct and was fraught with glaring errors.

It is disconcerting and confusing to report therefore, that following these previous agreements with DRDLR, in September there was another reversal of position, when they stated that the entire Bill was back on the table and would be passed as an Act before the end of 2015. We once again asked how this was possible as an audit of privately-owned land had not yet been undertaken. In response, we were informed that DRDLR had (astonishingly and highly unlikely) completed an audit of private land but that they were unable to provide details on this beyond saying that it had been done as a desktop exercise from the Deeds Office. Then, also in September 2015, a leading business newspaper carried an article stating that the
The re-opening of the land claims process, as predicted by FSA, almost completely halted the settlement of land claims in 2015. According to DRDLR, over 57 300 new claims had been lodged in the first nine months since the reopening of the claims process and according to the State President, that figure stood at almost 120 000 new claims by the end of 2015. These are over and above the 8 035 outstanding land claims, some of which are nearly 20 years old and many of which, will be contested by the new claimants.

While the DRDLR have stated that they will prioritise old claims first, provided that there are no new competing claims, they will only know whether there are new claims on land already claimed, once the new claim window closes in 2019. Already, the reported claim by the Zulu Monarch, in respect of the whole of KZN, will require that this claim is first investigated against all other outstanding claims in KZN.

FSA remains committed to ensuring that land reform takes place in a manner which both creates meaningful opportunities for land claimants and other people living in rural areas and ensures the sustainability of production, as these two objectives are co-dependent. As has been seen in neighbouring Zimbabwe, receiving land without the means to use it productively, is a massive liability to both recipients of land (who themselves become impoverished) and to the State (who have to fund the import of food and fibre previously produced on productive farms). Fortunately, there is every indication that the ruling party in South Africa is increasingly aware of these massive risks. The models which were developed by FSA and approved by DRDLR for settlement of land...
claims continue to produce vastly more successful outcomes in forestry land claims than in other claims in agriculture.

FSA along with many other stakeholders, have consistently challenged the findings of the State Land Audit. While the office of the Surveyor General repeatedly defended the accuracy of the audit, DRDLR finally conceded in September that, the entire former Transkei area as well as the majority of Kruger National Park, were never surveyed and as such, were allocated as “unaccounted land”. The same applied to land that was vested in but not transferred to the State, since the Deeds Registries Act came into force. This would explain the large percentage of land unaccounted for as well as the small area of land in the Eastern Cape, which was recorded as State Land. Communally held land and tribal land were also not counted as State land. All of these factors provide a very skewed picture of the real extent of State Land and black-owned land in South Africa and this needs to be resolved to inform policy on land reform in South Africa.

While FSA reported previously that the revised draft Expropriation Bill was a vast improvement on the version that was proposed several years ago, it still contains many provisions which are very concerning. These include the attempt to bestow powers of expropriation on all organs of State – over 700 of them (currently only vested in the Minister of Public Works), several concerns around compensation and legal recourse for land owners, the authority of the courts vis à vis the powers of Government officials and the definitions of public interest and public purpose. We believe that many of the existing provisions are irregular in law and in contravention of the Constitution and we will continue, through Agri SA and BUSA, to make further input into the Bill.

FSA will continue to work with Agri SA, with whom we have a close working relationship, as well as other key stakeholders, through our engagements with Government and the media, to ensure that the land question is answered in ways which advance the interests of all of our members and of the country as a whole.

**Labour Issues**

Although FSA's Human Resources Committee did not meet during the year under review, a lot of work was nevertheless undertaken by FSA's Operations Director, Mr Roger Godsmark. Two issues were concentrated on both relating to wages. These are summarised as:

**Forestry Sectoral Determination – 2015/16**

As reported in last year’s Annual Report, in terms of the Forestry Sectoral Determination, from 2014 the minimum wage paid to forestry workers became the same as those paid to agricultural workers.

The minimum wage for Forestry workers was thus increased, w.e.f. 1st April 2015 from R2 420.41 to R2 606.78 per month – a 7.7% increase.

As the current three-year cycle for both the Agricultural and Forestry Determinations came to an end at the end of March 2016, DoL asked stakeholders during 2015 for submissions regarding what the basis for new minimum wages should be. FSA sent DoL a comprehensive submission in which we warned against increasing wages in quantum leaps at the beginning of each three-year cycle (56% last time), as had been the case in the past, and the need to base increases on CPI.

It is gratifying to note that the Minister listened to our advice and announced that from 1st March 2016, the minimum wage would increase by 6.6% (to R2 778.83 per month). This development, although surprising, given the pressure she was under politically to do otherwise, is to be welcomed and will result in the retention of many thousands of jobs.

FSA's Operations Director, Mr Godsmark's, continued efforts in this area, have saved the Industry millions of Rands in avoided costs and limited further job losses in the Sector, which would have certainly followed, had the increases not been inflation-related. He is commended on doing an excellent job.

**National Minimum Wage**

The debate about the introduction of a National Minimum wage has now been going on for over two years in Nedlac, with no end in sight, nor clarity on the level to be regulated. It is not even certain whether a National Minimum Wage will be implemented by the Government. During the course of 2015 the debate was extended to public participation, through the holding of a number of Workshops countrywide. FSA not only encouraged members to attend these Workshops but also made a submission thereon to DoL.

FSA's view, as outlined in this submission to DoL, was essentially that the (a) those Industries currently covered by Sectoral Determinations (including Agriculture and Forestry) should be excluded from
such regulations, (b) that a “one-size fits all” approach to setting a minimum wage across all sectors of the economy was not appropriate and, most importantly, (c) that should a minimum wage be set at too high a level, thousands upon thousands of jobs could be lost, especially within the Agricultural and Forestry Sectors, given their specific employment characteristics.

Although no final decision has yet been made, it is important to note that the Minister of Labour seems of have listened to our concerns in that she has mentioned that Agriculture and Forestry are “special cases” and may, therefore, be exempt from such a national minimum wage determination. It is hoped that sense will prevail and that the Minister’s views will be adhered to. FSA is working closely with PAMSA on this matter and through them, with Business Unity South Africa as well.

Business Development Unit
Business Development Committee

The Business Development Committee continued with the overall objective of promoting greater business and development opportunities between FSA’s larger and small-scale timber growers, especially in the area of enterprise support, development and transformation. The focus for the year was to mainstream forestry into the planning processes of Local Government through their respective IDPs.

Small-Scale Timber Grower Development Programme

Fire Safe Workshops were conducted in collaboration with Working on Fire (WoF) in eleven different communities. All these communities were earmarked for training on fire prevention and fire-fighting which will take place in 2016.

Various Municipalities have made provisions to assist communities by providing them with basic fire-fighting hand tools and to assimilate them into existing Fire Protection Associations (FPAs) or establish new FPAs where assimilation would not be possible.

In addition, FSA held a number of meetings with District Municipalities during 2015 on how forestry activities could be “mainstreamed” into the affairs of these Municipalities. It is pleasing to note that various Municipalities, in recognising the economic importance of forestry in their respective local communities, have begun capturing forestry into their local planning processes.

This development is significant and as such, the FSA Business Development Unit, under the management of FSA’s Business Development Director, Mr Norman Dlamini, has been encouraging its small-scale timber growers to attend the Integrated Development Plan (IDP) and Local Economic Development (LED) Forum meetings held by Local and District Municipalities, in order for them to promote their businesses and the Sector within their respective Municipalities.

As a result of such engagements, the uThungulu District Municipality, has in principle, agreed to financially support growers in the Sokhulu area, in order to re-establish their plantations. An initial amount of R387 000 has been offered to determine the feasibility of the Project and thereafter more funds may be forthcoming, if the Project will improve the socio-economic status of the residents of uThungulu. The uThungulu District Municipality is sincerely thanked for their intention to support our small-scale timber growers and Mr Dlamini of FSA is commended on this important achievement.

After a number of stakeholder discussions, a Forestry Sector Stakeholders’ Forum was launched in Mpumalanga at a meeting held on 18th June 2015. This Forum was similar to those already established in the Eastern Cape and KwaZulu-Natal where forestry development issues were discussed. Funding still remains a critical challenge to the success of the Programme.

Collaborations with Other Partners

During 2015 FSA continued its collaboration with different partners in a bid to harness the important synergies required for overall grower development. These collaborations included the following:

- Two final year BSc. students at the Agricultural Engineering Department at the University of KwaZulu-Natal (Namisani Nduli and Thankslord Hadebe), under the supervision of Prof Smithers (UKZN) and with the support of Simon Ackerman (ICFR), Duncan Fryer (Stihl) and Norman Dlamini
(FSA) undertook a project to “Design, Construct and Evaluate a Mechanical Winch for Timber Extraction”. The Project was aimed at constructing a robust, inexpensive prototype winch, to be used by private timber growers when extracting timber from steep slopes. The Project is yielding positive results and recommendations for further development were submitted in October 2015. It is anticipated that the Project and final design will be concluded by another set of final year students in 2016.

• FSA was approached during the year under review by the United Nation’s Industrial Development Organisation (UNIDO) to ascertain if there was an opportunity to partner with FSA to establish high-tech “containerised” training facilities that could be used to upskill small-scale growers. FSA, through its Operations and Business Development Directors, had numerous interactions with UNIDO during the course of the year to get this Project up and running. The Project hinged on getting international funding. It is disappointing to report that, despite the best efforts of UNIDO to obtain funding from UN members and, as a last resort, from the Japanese Supplementary Budget Fund, no funding for the Project was forthcoming – the reason given was that South Africa was no longer regarded as being a “vulnerable nation”. This is because of the aggregate manner in which development needs are determined e.g. through average per capita income and similar indices, which do not recognise the skewed income disparities of countries. This points to the need for both Government and the private sector, to increase our efforts to assist those people in our society who are economically and socially marginalised.
FSA Forestry Training Academy

In collaboration with the KZN Provincial Department of Agriculture and Rural Development (DARD) as a funding partner, FSA planned during 2015, to establish a Forestry Training Academy in Mtunzini, Zululand. Although the “Implementing Agent” would be Mondi Zimele (as they were willing to provide the training centre), training would benefit all growers in the region in (a) basic technical forestry skills, (b) entrepreneurial skills and (c) small-scale contractor skills.

FSA has, through the efforts of its Business Development and Operations Directors, made no less than five presentations to various KZN Provincial Government Committees to try and get funding for this Project (R5 million per year for three years – with the same being contributed by Industry). Despite the fact that the KZN DARD is keen on funding the Project, it is highly concerning to note that DAFF indicated that as forestry was a “national” competency, the KZN DARD did not have the mandate to fund forestry related Projects. FSA has raised these concerns with both the officials and political principals in DAFF and we sincerely hope that a mechanism can be sought to harness this opportunity, especially given the deficiencies in DAFF’s own budgetary provision to support initiatives in the commercial forestry sector.

Following a presentation made by the Business Development and Operations Directors to the Action Working Group 1 of the Provincial Growth and Development Plan on 30th October 2015, the Committee decided that the Project was an excellent one and that it should be presented to the KZN Provincial Planning Commission. The Project was seen as being of such importance that a special meeting of the KZN Provincial Planning Committee was convened on 17th November 2015, at which FSA again gave a presentation on the Project. Members present were highly impressed and they unanimously resolved that political intervention was needed to allow the Provincial DARD to fund our “forestry” Project. They thus agreed to also take the matter up with the relevant authorities.
Skills Development

Three growers were sponsored by FSA to attend a course on “Productivity Standards and Machine Costing Training” conducted by FESA, ICFR and Stellenbosch University in February 2015. The attendees were expected to share the information they gained with other small-scale growers which should go a long way in helping them to understand costs associated with the transport of timber, amongst other things.

One grower was supported to attend a course in Agricultural Enterprise Management offered by the University of Pretoria, a course that was fully sponsored by Agri SA. This is another example of how FSA’s partnership with Agri SA yields positive results and they are sincerely thanked for this support.

The FP&M SETA funded FSA in the amount of R3.06 million in order to implement four training interventions aimed at upskilling small-scale timber growers. These interventions focused on skills training in Silviculture, Fire Fighting, Advanced Chainsaw Operation and Business Practice Training. FSA established a Training and Skills Development Steering Committee to oversee the implementation of these Projects and to generally guide training of small-scale growers. Two FP&M SETA accredited training providers (Skills Unlimited and Dibanisa Learning Solutions) were appointed to conduct these training interventions.

FSA’s sincere thanks are extended to the FP&M SETA for providing the funding needed to initiate these Projects and to the two Service Providers involved. We also commend Messrs Dlamini and Godsmark respectively for their efforts in making and supporting the application through the FP&M SETA.

Forest Governance Learning Group (FGLG-SA)

The fruits of a Programme on Social Justice in Forestry, initially funded by the IIED until 2013, are still being enjoyed in the work being conducted by the Forest Governance Learning Group (FGLG-SA), now funded by FSA. The Group held a session in April 2015 to engage with two processes driven by the Department of Rural Development and Land Reform (DRDRL), namely: District Land and Agricultural Committees (DLACs) and the Voluntary Guidelines for Governance of Tenure on Forests (VGGTs). However, in both engagements, it was not clear how these processes would stand to benefit timber growers.

With regard to VGGTs, South Africa is amongst a few other countries that have, in theory, embraced the idea of voluntary guidelines rather than hard regulations and laws to govern tenure but is yet to find a way of implementing such. The Group made extensive contributions to numerous DRDRL forums but the adoption and implementation of the recommendations made, has still to be implemented.

Change of Grower Representation on FSA Structures

During the year under review, Mr Fhatuwani Netsianda stepped down as Chairperson of the Limpopo SGG Committee. Mr Enoch Maponya was elected as the new Chairperson. FSA would like to extend its thanks to Mr Netsianda for his contribution to the Association over the years that he served on FSA’s structures, including the General and Executive Committees and welcomes Mr Maponya onto these respective FSA Committees.

World Forestry Congress (XIV WFC 2015)

FSA supported 28 of our small-scale grower members to attend. The members enjoyed the event and benefitted from their participation. In the words of FSA’s KZN SSG Chairperson, Mr Sisa Damoyi, “the WFC 2015 was a big eye opener and we thank FSA for supporting us to go there – we learnt a great deal”.

Beyond the learning experience for our growers, their contribution to the “Building Momentum” pre-Congress event was also greatly appreciated by the FAO and other attendees from around the world.

One of the Projects submitted by FSA for consideration as a “Legacy Project” was “Project Beat Leptocybe”. Given that this pest is causing great damage to Eucalyptus woodlots and plantations, it is pleasing to report that this Project was selected and announced as one of the XIV World Forestry Congress Legacy Projects at the end of the Congress.
Transport Issues

Despite the fact that the FSA Transport Committee only met on a few occasions during the year under review, work behind the scenes by Committee members and our Operations Director, carried on apace, particularly on issues related to the Thut’ Ihlathi Project and dealing with new legislative issues. A brief summary of the main issues dealt with by the Committee follows.

Railage Matters

Since the revitalisation of the Thut’ Ihlathi Project in 2013, a considerable amount of the FSA Transport Committee’s time has been spent trying to ensure that the Project becomes a resounding success.

Thut’ Ihlathi Project

We remind members that this is a major Project aimed at substantially increasing the volume of timber transported by rail on the Pietermaritzburg Cluster of branch lines (700 kms of them), thereby reducing volumes being transported by road and saving the Industry millions of Rands in transport costs. Following FSA’s survey 3 years ago, it was found that the Industry could potentially increase tonnages of timber transported on these branch lines 10 fold to some 1 300 000 tons per year.

As reported in last year’s Annual Report, following the introduction of competitive tariffs (lower than road haulage rates), the volume of timber on these lines steadily increased during 2014. This trend continued during the course of 2015.

Although competitive rail tariffs have encouraged the shift of timber off road and onto rail, of great concern is the continued poor service levels being experienced, particularly regarding wagon supply to customers. It is, however, pleasing to note that TFR are committed to improving the service rendered to the Industry and numerous meetings continue to be held between Industry and TFR’s operational personnel to address the situation on a regular basis. It is hoped that as a result of these interactions, service levels will improve significantly during the course of 2016.
Road Matters

Amendments to National Road Traffic Regulations

Amendments to the National Road Traffic Regulations became effective 1st February 2015. Of particular concern to FSA were the provisions related to the accurate weighing of trucks from their point of departure and the consignee / consignor regulations. Following FSAs submissions in this regard, our initial concerns were allayed by DoT, who stated that the regulations stipulated that consignors only had, “to the best of their ability determine” that a timber vehicle leaving their property was not over-loaded.

Regarding the consignee / consignor regulations, the FSA Transport Committee held an emergency meeting in January 2015 in order to develop standardised Industry documentation to overcome potential operational and legal difficulties.

It is pleasing to report that both issues have now been adequately dealt with.

Toll Roads

We are pleased to report that once again, following FSAs previous submissions, SANRAL’s plans to start tolling roads upon which timber is transported have not been implemented during the year under review.

Other Road Transport Issues

• Administrative Adjudication of Road Traffic Offences (AARTO): As previously reported, the implementation of these new regulations would have severe cost implications for Industry in general and the Forestry Industry in particular. It is once again pleasing to note that the DoT have, following inputs from FSA and other Industry bodies some time ago, postponed its implementation indefinitely. This is certainly good news as the compliance costs would have cost the Industry many millions of Rands per annum. It is hoped that sense will prevail and that these onerous regulations will be scrapped in their entirety.

• Diesel Rebate: This matter has been a contentious one for the Forestry Industry following the commencement of SARS auditing timber growers in the past year or so. Because many timber growers were unaware of the procedures required to enable them to benefit from the diesel rebate being offered by SARS, many did not follow the correct reporting procedures and as a result thereof attracted, in some cases, substantial non-compliance fines.

The crux of the matter was that the correct filing of the SARS “logbooks” for both equipment and diesel bowsers needed to be adhered to in order for members to successfully apply for a diesel rebate. In order to inform members as to what was required of them regarding the completion of these logbooks, Agri SA, Kwanalu and FSA were successful in getting SARS to hold various workshops around the country to inform members of the agricultural and forestry sectors as to what their obligations in this regard were. These Workshops were held during the course of 2015.

In addition, FSA submitted a comprehensive report to SARS on concerns that the Industry has with the current rebate system, chief amongst these being the following:

• The administrative requirements to complete logbooks accurately are not only onerous but impractical.
• A rebate on the diesel used for bakkies (used solely on a farm) and labour carriers is not allowed.
• A rebate on diesel used to transport wattle bark is not allowed.
• Most bizarrely, a rebate is allowed for diesel used to transport timber to a processing plant but not that used on the (empty) return journey.

It is once again hoped that sense will prevail and that our concerns will be addressed.

Port Matters

Once again, it is pleasing to report that FSA, together with various other cargo owners, following making submissions to the Ports Regulator of SA, recorded some successes regarding port dues during the year under review. In brief, they are as follows:

• 2015/16 Tariffs: The National Ports Authority’s initial application for a 9.47% increase in tariffs for the 2015/16 year was rejected by the Ports Regulator of SA, who granted them a much lower weighted average increase of 4.8%. However, as reported in last year’s Annual Report, the port dues increase for forest products, w.e.f. 1st April 2015 were a mere 3.55%. This increase was considerably lower than inflation and saved the Industry many millions of Rands in port dues during the year under review.
Tariffs for 2016/17: In terms of the deal made between the National Ports Authority and the Ports Regulator of SA reached in 2015, the latter indicated that port dues for the next two years would be limited to a maximum of CPI. FSA is delighted to report that in February 2016, the Ports Regulator of SA granted the National Ports Authority a 0% increase. This again will save the Industry many tens of millions of Rands per year in terms of our members’ export costs and the three-year price determination, for which FSA lobbied, will enable them to better plan their cost structures.

Once again, interaction between FSA (and other cargo owners) with the Ports Regulator of SA has resulted in considerable cost savings for the Industry and as a result, increased the profitability of forestry exports. As mentioned, a major part of this achievement, is due to the particular efforts of our Operations Director, Mr Roger Godsmark and he is once again thanked for these outstanding achievements on behalf of the Industry.

Bio-Energy Working Group
As mentioned in last year’s Report, the FSA Executive Committee approved the establishment of an FSA Bio-Energy Working Group, the inaugural meeting, facilitated by FSA, being held in September 2014.

TORs for the Committee were drafted and a sub-committee was established to look into various issues deemed to be important, one of the most important being how to interact with regulatory authorities regarding the use of woody biomass as a source of energy generation.

The work programme of the Bio-Energy Working Group will be finalised and implementation will commence in 2016.

Transformation and the Forest Sector Charter Council
The publication, in November 2015, of the revised draft Forest Sector code was a major achievement as it offers for the first time, a collective approach to leveraging both private sector and State resources into the transformation and growth of the Sector, through having a “shared” scorecard.

It is sincerely hoped that after nearly two years of development, this new, aligned code will be finalised early in 2016. Should it be approved, it will create a model for other Sectors too, in which the Government versus private sector approach to transformation, which has characterised much of the process to date, is replaced with a de-politicised and collective approach between the private and public sectors.

The new Forest Sector Charter Council was established during the year under review by the Minister of DAFF, under the Chairpersonship of Dr Diphoko Mahango. FSA’s representatives on the Council are Messrs Themba Siyolo and Michael Peter.

Education and Training
FSA continued, as it has done over many years, to provide direct funding support to the University of Stellenbosch and the Nelson Mandela Metropolitan University (Saasveld) during 2015. In addition, it is important to note that, in recognition of the efforts of Fort Cox to engage with the Industry in developing a Forestry Diploma in 2014 (the curriculum thereof being developed with the assistance of the University of Stellenbosch and Saasveld), FSA also started to provide funding for Fort Cox in 2015. As part of FSA’s interaction with Fort Cox, FSA has been invited to sit on their Advisory Board.

In addition to the above, FSA staff and members, plus other Industry representatives from the SA Forestry Contractors’ Association (SAFCA) and the Forestry Industry Training Providers’ Association (FITPA) continued to work together to assist in initiatives aimed at uplifting educational and training skills in the Industry. A brief summary of these activities follows.

Tertiary Educational Institutions: Stellenbosch, NMMU (Saasveld) Universities & Fort Cox
Support Rendered
FSA values its partnerships with the Tertiary Institutions that we support, as they have, over many years, provided the Industry with professionally trained forestry graduates and diplomats upon which we, as an Industry rely, to sustain the Industry into the future. In recognition of this, the Industry, through FSA, not
only funded various activities at these Institutions but are also represented on their respective “Forestry Advisory Boards”.

During 2015 FSA provided total funding to Stellenbosch, NMMU (Saasveld) and Fort Cox of R200 000. R130 000 of this was to the University of Stellenbosch (R120 000 for three bursaries and R10 000 for the IFSS Project), R35 000 went to NMMU (Saasveld) (R25 000 for travel funds and R10 000 for the IFSS Project) and R35 000 to Fort Cox (R25 000 for travel funds and R10 000 for the IFSS Project).

Experiential (Practical) Learning
As reported in last year’s Annual Report, the placing of students in Industry for practical training is becoming more and more difficult, primarily due to the continuing depressed economic climate and thus the costs associated therewith for the employer. However, this was greatly assisted during the year under review by the provision of funding from the FP&M SETA to (a) provide a stipend to students during their practical training (thereby relieving employers from doing so), (b) funding to provide driving lessons and tests for those students who needed to obtain driving licences and most importantly, (c) to fund the 3-month practical training done at NMMU (Saasveld) prior to students being placed in Industry.

All of these interventions have assisted greatly in the placement of students during their 2nd year at NMMU (Saasveld).

FSA would like to sincerely thank the FP&M SETA for the provision of funding, the NMMU (Saasveld) staff for their continued commitment to student development and last but not least, those employers within the Industry with whom the students were placed.

FSA Forestry Training Academy
As mentioned earlier under the Business Development Unit report, FSA has held numerous meetings with the KZN Department of Agriculture and Rural Development (DARD) regarding the establishment of this Academy. Despite the willingness of KZN DARD to fund the Project, the issue of whether a Provincial Department can fund a “National Competence” such as forestry, has prevented any further progress being made. It is hoped that political intervention by the Deputy Minister of DAFF can address the issue as it is a sad day when interventions needed to benefit
disadvantaged members of society, are stymied by policies and legislation which prevent Government Departments from working together for the common good.

Other Matters

• Fort Cox College of Agriculture and Forestry: The new Diploma in Forestry offered by Fort Cox, fills a niche market and has proved to be a success. In recognition of this, FSA, for the first time, provided funding to Fort Cox in its 2015 budget. Provision has also been made for the funding of this Institution in the 2016 budget.

• World Forestry Congress: In addition to the funding that FSA provided to the University of Stellenbosch, Saasveld and Fort Cox for the funding of students to attend the annual, International Forestry Students’ Symposium, FSA set aside R70 000 to sponsor the attendance of 18 students from these Institutions and the University of Venda at the World Forestry Congress. This proved to be a good investment, as feedback we received from the students indicated that their participation had been highly beneficial and a significant portion of these funds, was carried by some of our members who are also providing bursaries to some of these students.

All members and supporting companies specifically, are thanked for this additional ad hoc support to the students. It went a long way in demonstrating Industry’s appreciation to them for having chosen forestry as a career and exposed them to a very wide range of other students from around the world, also engaged in the business of forestry.

Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA)

FSA and its Sector partners, namely, SA Forestry Contractors’ Association, Sawmilling South Africa, PAMSA, SA Wood Preservers Association and the SA Utility Pole Association, continue to play an important role in the functioning of the FP&M SETA – a SETA representing 13 various sub-sectors. The Industry, through primarily FSA and specifically our Operations Director, are represented on the Board, Audit and Risk Committee and the Governance and Strategy Committee, whilst SAFCA has direct representation on the Quality Assurance Committee.

• Stakeholder Information Sessions / Workshops: In an attempt to promote the work that the FP&M SETA does, various “Stakeholder Information Sessions” were held during the course of the year under review. These sessions were, once again, well attended and gave stakeholders an opportunity not only to hear from the SETA as to what developments were taking place but also to raise any concerns that they had. In short, these sessions proved to be very valuable exercises and all members are encouraged to attend such sessions.
• **SETA Performance 2014/15:** At its 2015 AGM, it was reported that the SETA’s performance had continued to improve. For this FSA would like to thank the CEO, Ms Felleng Yende and her management team for their continued efforts to make the SETA an efficient and effective organisation. FSA is confident that the management team will continue to successfully address outstanding performance issues. On the financial side, it must be noted that the FP&M SETA had another clean audit from the Auditor General for the 2014/15 financial year which in itself is an encouraging achievement.

• **Proposed Change in SETA Landscape:** In late December 2015, the Department of Higher Education and Training published a Government Gazette in which various proposals were made regarding the SETA landscape. Many of the proposals made were highly contentious, the more important ones being the following:
  ◦ The clustering of the 21 current SETAs into 5 “clusters” (under the direct management of DHET) and their conversion into “Sector Education and Training Advisory Boards”;
  ◦ The centralisation of grant funding, skills development and quality assurance (currently undertaken by SETAs) into the DHET/NSF;
  ◦ The appointment of senior Government officials (with veto powers) onto SETA Board;
  ◦ The moving away from “sector” based interventions to “national” training interventions;
  ◦ The proposed focus on the funding of tertiary education institutions and PIVOTAL (vocational training) Programmes; and particularly
  ◦ The substantial reduction in skills levy income currently available to SETAs for discretionary grants (from 50% of levy income to a mere 9.9%) to fund skills development initiatives within their respective sectors.

FSA made a comprehensive submission on the proposals. In essence, FSA’s viewpoint was that they would not serve the best interests of education and training in the Forestry Industry – indeed, they would, in our view, harm it greatly.

It is our view that the proposals will greatly increase bureaucracy into the system (which is already cumbersome), add significantly to employment within the DHET/NSF and hence add significantly to staff costs and, most importantly, lead to a huge reduction in the grants that the Forestry Industry currently receives from our own FP&M SETA (most of which is currently funded by discretionary grants and focused on skills programmes).

In short, the new proposals are totally unacceptable to the Forestry Industry, in the sense that employers’ levy contributions, which should be going towards funding focused education and training initiatives within their respective Sectors, would be considerably diluted in order to, in effect, subsidise DHET’s budget. Should DHET want to bolster funding to Universities and TVET colleges, they should do so via applying for funding from the fiscus – not the Industry. Having seen various other submissions, it appears that there is universally condemnation of the proposals.

The deadline for submissions is the end of February 2016. It is hoped that a public hearing process will be followed during which the Industry can again put its views forward. A final decision on the proposals made will be eagerly awaited.

FSA is currently considering lawful mechanisms to ensure that sector-specific education and training funding is indeed used for the purposes for which it is intended and that it is not arbitrarily used for other objectives.

**Operational Issues:**

• **Conversion of Qualifications onto QCTO System:** As reported last year, FSA, SAFCA and FITPA staff and members have continued to fully participate in the process of developing OFO codes needed for the conversion of qualifications onto the new QCTO system. These were completed during the year under review.

• **Development of Forestry Qualifications based on OFO Codes**
  FSA, in co-operation with SAFCA and FITPA, started a process to develop seven qualifications based on the new OFO Code System – these being the following:
  ◦ Tree Feller
  ◦ Forestry Worker
  ◦ Safety Inspector
  ◦ Logging Plant Operator
  ◦ Agricultural Plant Operator
  ◦ Product Operations Supervisor
  ◦ Production Operations Foreman
FSA would like to extend its thanks to the staff of these organisations, who gave their time and expertise during the course of 2015, to develop these qualifications.

- **Skills Development Initiatives for Small-Scale Timber Growers:** As reported upon earlier in this Report, through FSA’s Business Development Unit, the Association was able to secure over R3 million of funding from the FP&M SETA to initiate four separate training courses related to the upskilling of these growers during the year under review.

### Industry Promotion

#### The Wood Foundation

It is, once again, disappointing to report that the Foundation was hampered in its ability to actively promote the benefits of the industry due to a lack of funding. Despite efforts having been made to institute a new funding model, this did not materialise. Promotional activities were thus limited to placing adverts promoting the Foundation and the benefits of timber in various Industry Trade Magazines.

The idea of founding the Wood Foundation was essentially a good one but, without funding, it has been unable to do the work that it was meant to do. The Wood Foundation Executive Committee, on which FSA sits (as represented by the Operations Director), will be taking a decision early in 2016 regarding its future. In all likelihood, it will be wound up – this being hastened by the fact that the FSA Executive Committee decided at its meeting in November 2015 that no further funds be allocated to the Foundation’s activities until such time as concrete benefits could be derived from its participation.

At its AGM held in August 2015, Mr Roy Southey, the Executive Director of Sawmilling South Africa, was again re-elected as the Wood Foundation’s Chairperson for a fifth one-year term. Given what has been reported above, it is likely that Mr Southey will, unfortunately, have to preside over the folding up of the Foundation.

### Other Promotional Activities

- **Specific World Forestry Congress Promotional Activities:** Although reported on elsewhere in this Annual Report, with specific regard to Industry promotion, the following can be reported:

- **Media Interaction:** It is encouraging to note that not only do publications that focus on issues pertaining to the Forestry Industry, such as SA Forestry, Wood SA & Timber Times and the Farmers Weekly, maintain a close relationship with FSA to get its views on developments, but also national newspaper titles. This close co-operation that we have with the media is to be welcomed as it gives the Industry an opportunity to put across our own perspective on topical issues related to the Industry. During the year, many such interactions with the media were conducted and FSA would like to extend a word of thanks to all of them for their willingness to publicise the benefits that the Industry contributes to the economy.

- **Annual Abstract of Forestry Facts:** This pamphlet, viewed, as an important means of promoting the economic benefits of the SA Forestry Industry to both local and international audiences was produced by FSA and published in time to be distributed to attendees at the World Forestry Congress held in September 2015. DAFF is thanked once again for funding the production of the pamphlet which they have done for many years.

- **FSA members are thanked for their contribution to the production of a Financial Mail supplement on the Industry which was given to each of the 3 900 delegates at the Congress and which was also distributed as a supplement in the general circulation of the Business Day to over 176 000 daily subscribers.

- **The Saturday Star** carried an informative article to which FSA had contributed and in which we had put the Industry’s water and land use into perspective using tangible benefits like GDP contribution, job creation and environmental sustainability.

- The Executive Director and Business Development Director conducted three live interviews with SAFM where similar messages were conveyed on national radio. The Business Development Director had also done an interview on Ukhosi FM where these messages were conveyed to the listeners.

- FSA helped manage a magnificent “SA Forestry Inc.” exhibition stand which was a collaborative effort with other Associations / Institutions and Companies involved in the Industry. This proved to be a resounding success.

- **Annual Abstract of Forestry Facts:** This pamphlet, viewed, as an important means of promoting the economic benefits of the SA Forestry Industry to both local and international audiences was produced by FSA and published in time to be distributed to attendees at the World Forestry Congress held in September 2015. DAFF is thanked once again for funding the production of the pamphlet which they have done for many years.
Appreciation

Michael Peter

While our Chairperson has alluded to the benefits of having an appropriately resourced and effective Industry Association, it goes without saying that this is only possible when all who operate in the Industry are committed to this collaboration. FSA would like to sincerely thank our members for this commitment and we encourage them to engage with other actors in the Sector, who are not yet members of FSA and invite them to apply for membership. This lessens the financial burden on members and adds to the “brains trust” which FSA enjoys through its extremely diverse membership.

While we are grateful to the FSA Executive Committee regarding its decision to review our internal capacity to serve our members, we will continue to seek new funding from outside of our members as well, so that this capacity does not simply add to the cost of membership. As reported, we achieved this again in 2015 with the FP&M SETA grant and we are planning to make several new applications for funding to different sources, early in 2016.

As mentioned, the intellectual capacity among our members is one of our strongest assets and we sincerely thank our members for making this available to the Association through the investment of their time to serve in the many FSA Committees and processes which FSA leads. These Committees and our members who serve on them are listed in this Report.

We would also like to express our sincere thanks to those partners in Government, who, through their support, contribute to the attainment of our vision of a growing and transformed Forestry Industry. This is not always possible to do in challenging fiscal times but we have seen a marked shift in the support for the Industry in several key Departments.

Our sincere thanks must also go to our key partners in research, environmental management, tertiary institutions, education and training and other Sector Associations. The collaboration with these partners around the World Forestry Congress and dealing with the financial challenges facing the Industry, demonstrated once again that they are deeply committed to the sustainability of the Sector.

Lastly, we would like to express our sincere thanks to our Chairperson, Vice-Chairperson and each member of the Executive and General Committees, for the leadership and support which they have provided to the staff of the Association.

MICHAEL PETER
EXECUTIVE DIRECTOR
FORESTRY SOUTH AFRICA
APRIL 2016

Photo: ICFR
FSA Finances

FSA Timber Sales Tonnage in 2015

On a positive note, tonnage sales in 2015 were greater than in 2014 and greater than the 15.5 million ton budget. At 15 830 000 tons they were 329 000 tons (+2.1%) more than the budgeted figure and 117 000 tons (+0.7%) more than those recorded in 2014. Of concern, however, was that tonnage sales in the last quarter of the year slumped – being 405 000 tons or 10.5% below budget. It is likely that this situation occurred as a result of depressed wattle sales during the period as a direct result of drought conditions and the consequent difficulty in stripping bark. It is hoped that the situation will normalise in the first quarter of 2016 should late rains occur.

In summary, details of tonnage sales in 2015 are as follows:
• As mentioned, tonnage sales of 15.830 mt were 117 000 t (+0.7%) higher than in 2014 and 329 000 t (+2.1%) more than the 15.5 mt budget.
• In comparison to 2014, the only genera to show an increase in sales in 2015 was pine. The following can be reported:
  ◦ Pine  6.1 mt up 253 000 tons (+4.3%)
  ◦ Eucalyptus  8.2 mt down 27 000 tons (-0.4%)
  ◦ Wattle  1.5 mt down 107 000 tons(-6.6%)
• In terms of sales per product in 2015, as compared to those in 2014, the following can be reported:
  ◦ Sawlogs  4.6 mt up 198 000 tons (+4.5%)
  ◦ Pulpwood 10.3 mt down 29 000 tons (-0.3%)
  ◦ Other  0.8 mt down 52 000 tons (-5.8%)

Details of sales comparisons between 2014 and 2015 appear in the Table below.
• Income generated from these sales of R28.1 million was down R183 000 (-0.7%) on the budgeted amount of R28 210 000 although R1.5 million or a 5.8% increase on that recorded in 2014.

Despite the decline in volumes during the last quarter of 2015, it would appear that tonnage sales will improve during the course of 2016, as indicated by the fact that the 2016 budget has been based on tonnage sales of 15.7 million tons – 200 000 tons more than in 2015.

FSA Timber Sales Analysis – 2015 compared to 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>Sales 2014</th>
<th>Sales 2015</th>
<th>Change (tons)</th>
<th>Change (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sawlogs</td>
<td>4 438 001</td>
<td>4 636 152</td>
<td>198 151</td>
<td>4.5%</td>
</tr>
<tr>
<td>Pulpwood</td>
<td>10 497 191</td>
<td>10 344 588</td>
<td>-152 603</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Poles</td>
<td>427 920</td>
<td>377 906</td>
<td>-50 014</td>
<td>-11.7%</td>
</tr>
<tr>
<td>Mining Timber</td>
<td>271 290</td>
<td>303 555</td>
<td>32 265</td>
<td>11.9%</td>
</tr>
<tr>
<td>Other</td>
<td>78 958</td>
<td>167 686</td>
<td>88 728</td>
<td>112.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15 713 360</strong></td>
<td><strong>15 829 888</strong></td>
<td><strong>116 527</strong></td>
<td><strong>0.7%</strong></td>
</tr>
</tbody>
</table>

FSA Finances 2015

Due to space and cost considerations, the Audited Financial Statements for the year ended 31st December 2015 have not been printed within the body of this Report but are available on the Association’s website (www.forestry.co.za) and in hard copy form on request.
FSA Budgets and Funding for 2015

At its meeting held on 19th November 2015 and following recommendations received from the General Committee, the Executive Committee approved the 2016 budget, a summary of which appears below.

- The FSA operational budget be set at R8 085 739 (9.6% increase)
- The Industry budget be set at R30 768 096 (19.2% increase)
- The combined budget be thus set at R38 853 835 (17.1% increase)
- That the budget be based on 15.7mt (15.5mt in 2015)
- The funding requirement thus be R30 775 218 (6.6% increase)
- The new levies applicable for 2016 be:
  ◦ Higher levy: R1.93 per ton (R1.82 in 2015)
  ◦ Lower levy: R1.55 per ton (R1.07 in 2015)

Of particular importance was the decision taken by the FSA Executive Committee in November 2015 that the “two tier” levy system, currently in operation, be phased out over a period of two years as it was felt that all members should contribute to the core funding of the ICFR as all members gained value from their research services. As a result thereof, one levy will be applicable to all FSA members w.e.f. 1st January 2017.

A summary of these budgets is shown in the Table on the next page.
FSA Operational and Industry Budgets: 2016

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Approved 2015</th>
<th>Approved 2016</th>
<th>R Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1): FSA Operations</td>
<td>7 378 269</td>
<td>8 085 739</td>
<td>707 470</td>
<td>9.6%</td>
</tr>
<tr>
<td>(2): Industry support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry Research</td>
<td>14 477 234</td>
<td>18 937 361</td>
<td>4 460 127</td>
<td>30.8%</td>
</tr>
<tr>
<td>Forest Protection</td>
<td>9 189 270</td>
<td>6 287 661</td>
<td>-2 481 609</td>
<td>-28.3%</td>
</tr>
<tr>
<td>Environment &amp; Water</td>
<td>1 190 795</td>
<td>1 455 793</td>
<td>264 998</td>
<td>22.3%</td>
</tr>
<tr>
<td>Charter Council</td>
<td>583 180</td>
<td>612 339</td>
<td>29 1589</td>
<td>5.0%</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>195 000</td>
<td>200 000</td>
<td>5 000</td>
<td>2.6%</td>
</tr>
<tr>
<td>Promotion</td>
<td>45 000</td>
<td>150 000</td>
<td>105 000</td>
<td>233.3%</td>
</tr>
<tr>
<td>World Forestry Congress</td>
<td>300 000</td>
<td>0</td>
<td>-50 000</td>
<td>n/a</td>
</tr>
<tr>
<td>Small Grower Project</td>
<td>250 000</td>
<td>3 124 942</td>
<td>2 874 942</td>
<td>1150.0%</td>
</tr>
<tr>
<td>Industry total</td>
<td>25 810 479</td>
<td>30 768 096</td>
<td>4 957 617</td>
<td>19.2%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>33 188 748</td>
<td>38 853 835</td>
<td>5 665 087</td>
<td>17.1%</td>
</tr>
</tbody>
</table>

To be noted from the above please refer the above notes, as indicated below:

1. The apparent dramatic changes in these budget items are nothing for members to be concerned about as they merely relate to FABI’s funding request proposal for 2016 (based on a globular amount), which, unlike in previous years was based on the apportionment of funds requested to various interventions. FSA has requested FABI to, in future, submit a full breakdown for the funding they are applying for. The sum for 2016 also includes R580 000 for three new projects.

2. This includes new funding for EMC Communication (R101 000), production of new Environmental Guidelines (R41 500) and TIPWG operational expenses (R232 000).

3. Includes production of banners for Science Forum SA. It should be noted that no funding was allocated to the Wood Foundation.

4. The small grower budget funded by FSA was reduced from R250 000 in 2015 to R200 000 in 2016. The marked increase in the budget relates to a R2 924 942 contribution from the FP&M SETA for the initiation of 4 small-scale grower training projects.