So that’s it mate... that’s how to beat us Kiwi’s.....
South African Forestry Industry
South African Forestry Industry

• 1.22 Million Hectares of plantation timber

• Ownership:
  • 11 Corporate Timber Companies
  • 1300 independent commercial timber farmers
  • 25 000 small scale timber growers
  • State and limited municipalities

• Between 15 and 17 million tons produced annually on a sustainable basis with a production value of R9.6 billion for 2017

• Investment in the Forestry Sector estimated at around R42 billion, around half of which is the “trees”, the rest being land and other assets

• Estimated contribution to SA’s GDP for 2016 was 0.6%

• 690 000 estimated people’s livelihood dependent on Forestry
• Wetland delineation and withdrawal from marginal land.
• More accurate mapping and accounting
• Removal of some illegal timber.
• Some conversion to more profitable land use.....sugar, macs, avos etc.
Linking independent timber growers to markets

1% of SA Land

Ha per Species - 20 year change

1996:
- Pine: 790,042
- Eucalyptus: 583,456
- Wattle: 0
- Other: 0

2016:
- Pine: 607,815
- Eucalyptus: 521,347
- Wattle: 87,101
- Other: 104,575

Species Split 1996:
- Pine: 53.1%
- Eucalyptus: 39.2%
- Wattle: 7.0%
- Other: 0.6%

Species Split 2016:
- Pine: 49.7%
- Eucalyptus: 42.6%
- Wattle: 7.1%
- Other: 0.4%
South African Forestry Industry

- Forestry South Africa (FSA) currently promoting a number of initiatives with a view to growth and transformation in the Forestry Industry:
  - Facilitation of new afforestation, predominantly in KZN and E.Cape
  - Rehabilitation of areas damaged by pests and fire
  - Facilitation of recapitalising “exit areas”
- Focused on small scale timber growers
- Job creation, investment opportunities and stimulate economic activity
Linking independent timber growers to markets

Round Wood Sales (Million Metric ton)

- Softwood: 50.9%
- Eucalyptus: 38.9%
- Wattle: 10.2%

2002-2017 sales data shown in the chart.
Wood Chip Exports
2.4 million GMT’s
South African Chip Exports
Linking independent timber growers to markets

- Eucalyptus surplus > export capacity
- New export chipping capacity & strong Japanese demand
- Peak exports but unsustainable – relied on previous build up
- Surplus consumed, rising transport costs = smaller source distances
- Recession and reduced demand ex Japan
- Stability?
Rainfall Patterns

- Commercial forestry concentrated on eastern coast line
- Durban and Richards Bay are 2 of the largest African Ports
South African Export Chipping Facilities

Durban Wood Chip

- Based in Durban Port
- Chip storage in enclosed shed
- 650k gmt annual capacity
- Jet slinger loader 600 tph
- FSC
South African Export Chipping Facilities

Richards Bay Port

TWK Chipping Mill
• 800k GMT’s capacity
• FSC

NCT Chipping Facilities
• Bayfibre and RBWC
• 1.6m GMT’s capacity
• FSC

• Share a single berth with other commodities
• Pneumatic Loader 800 – 1000 tph
South African Export Chipping Facilities

Richards Bay

- NCT’s Shincel facility
- Capacity 700k GMT’s
- Located in port perimeter on leased land
- Ceased operations 2018
(Mozambique – Maputo)

• Former Sojitz facility now owned by consortium headed by NHR Holdings
• 2 pine chip (ex Swaziland) biomass vessels loaded in past 12 months
• Cross border logistics and port costs remain a massive challenge
Genus exported

- **Acacia mearnsii** (Black Wattle)
  - Moistures 25 – 28%
  - Basic Densities + 600kg/m³
  - Typical pulp yields 54%

- **Mixed Eucalyptus** (Grandis rich)
  - Moistures 35 – 38%
  - Basic densities 460 – 540 kg/m³
  - Typical pulp yields 50 – 51%

- **Eucalyptus smithii**
  - Moistures 36 – 38%
  - Basic densities 540 – 560 kg/m³
  - Typical pulp yields 52 – 54%
South Africa – Relevance for Asian Markets

Hardwood Chip Suppliers to Asia-Pacific 2014 to 2017

- Vietnam
- Australia
- Chile
- South Africa
- Thailand
- Brazil
- Indonesia

2014 2015 2016 2017

Thousand BDMT

9,000 8,000 7,000 6,000 5,000 4,000 3,000 2,000 1,000
Volumes Exported by Destination

- Japan still largest destination for SA wood chips
- India has had 4 consistent years but dropping as rupee weakens
- China has usually been spot/surplus business but 2018 has seen a change in mindset
- 2018 is expected to be down over previous years
Volumes Exported by Species

- Wattle volumes down
  - Durban berth availability
  - Slight easing of Japanese demand vs SE Asian sources
- Smithii volumes down
  - Domestic demand influencing availability for export
- Eucs volume steady but domestic demand will influence play into 2019
Log exports

- South Africa has not exported bulk timber logs in any meaningful volumes for 20+ years.
- Currently there are limited logs being exported out of Durban Port, although they are containerised.
- Estimated volumes around 100 000 GMT’s per year.
- Species include Eucalyptus mostly, with some pine softwood.
South African Future Volumes
Beyond 2018?

What volumes are available for export?

Influencing factors:
1. Rising forestry costs vs competitive log pricing
   • Exchange Rate?
2. Domestic demand for hardwoods

Labour costs up 6+ %

Port loading costs up 6.8%
• Weakening exchange rate kept SA in the game, same as Chile, Brazil, Australia…
• 2017/18 - chip exporters struggling to match Euc domestic log pricing
• Rand has recently lost ground again…. 
• 2019 ?
Log Pricing vs Cost Effective Catchment Area

- An increase in log price of say $2 can strongly influence flow of timber to the exporters.
Domestic Players - Sappi

- Paper, tissue and containerboard production = 675 kt and steady
- Dissolving Wood Pulp capacity in South Africa = 1 million ADT
- Has firm plans to expand DWP production at Saiccor facility by 250 k ADT:
  - Will start with initial increase of 110 k ADT to come online in 2019
  - Started signing up additional hardwood supply contracts
  - Some softwood plantations being converted into hardwood
  - Initiated debottlenecking projects in preparation for capacity expansion
  - Preferred genus is Eucalyptus, but are also using a % of Acacia
  - Balance of 140 k ADT in 2 – 4 years time
Domestic Players - Sappi

- Has also initiated DWP expansion plans at Ngodwana Mill by 50 k ADT
- Both projects are and will continue to significantly increase domestic demand of hardwood timber in Southern Africa
Domestic Players to watch – Mondi / EvoWood

- Mondi’s Richards Bay operation:
- Producing 300 k ADT fully bleached eucalyptus market pulp and 250 kt white top liner board
- Expansion plans also on the cards 2023 – 2025?

- MDF plant located near Escourt:
- Currently producing 30m m² of MDF pa
- may look to expand in 2 – 3 years
Why did NCT shut it down?

- Lease costs expected to rise 9% per annum
- Domestic demand for logs on the rise and less surplus for chip exports
- NCT already had enough installed chipping capacity for anticipated timber available for export
- Lease was up for renewal – timing was ideal
South African Woody Biomass
What about Biomass in SA?

Some basic facts you should know:

• There is not 1 MILLION tons of woody biomass available in South Africa!
• There has not been, nor is there currently, a successful, economically viable pellet operation anywhere in Southern Africa!
• In the past 4 years, there have been exactly 5 shipments of biomass grade wood chip shipments out of South Africa.
• NCT has been involved directly or indirectly in 4 of those via Richards Bay. Mostly > 98% *Eucalyptus* timber with fire or other damage
• Local sugar mills are the largest domestic consumer of woody biomass
• SA is inundated with enquiries for biomass!
What about Biomass in SA?

- NCT currently has ongoing long term biomass commitments with Japanese buyers
  - Volumes are less than 5% of quoted wood chip exports
  - Quality of source timber is only marginally lower than pulpwood grades
  - There is a limited amount of this second tier timber available

- All previous investigations to export the clearing of harvest areas of “tops and thinning's” and harvest residues have proven to be financially non-viable. Market pricing vs logistic costs do not talk to each other.
- There are potentially softwood chip opportunities although to date no deals have been concluded (excluding Maputo)
Thank You!