3 August 2020

The following Global Agricultural Information Network (GAIN) reports were released on Friday, July 31, 2020.

South Africa: Declining Area Planted May Present Opportunities for US Lumber Exports to South Africa

The production of timber is forecast to decrease by 20 percent to 12.4 million Metric Tons (MT) in the 2020/21 Marketing Year (MY), based on the decrease in area planted, fire damage, pests/diseases, and the slow-down in industry logging rates caused by the COVID-19 pandemic. The area planted to timber is expected to continue its decline to 1.18 million hectares (HA) in the 2020/21 MY, based on the low replanting levels, stringent government restrictions on water licenses and environmental policies restricting plantations in protected areas, and farmers replacing timber with other crops such as citrus, macadamia and avocados. South Africa is a promising market for U.S exports of wood pulp and high quality hard wood used in furniture making. The continued decline in timber area planted may also present opportunities for U.S exports of timber used for structural and industrial purposes if demand increases in the next 5 – 10 years.

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Report Name: Declining Area Planted May Present Opportunities for US Lumber Exports to South Africa

Country: South Africa - Republic of

Post: Pretoria

Report Category: Wood Products

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Report Highlights:

The production of timber is forecast to decrease by 20 percent to 12.4 million Metric Tons (MT) in the 2020/21 Marketing Year (MY), based on the decrease in area planted, fire damage, pests/diseases, and the slow-down in industry logging rates caused by the COVID-19 pandemic. The area planted to timber is expected to continue its decline to 1.18 million hectares (HA) in the 2020/21 MY, based on the low replanting levels, stringent government restrictions on water licenses and environmental policies restricting plantations in protected areas, and farmers replacing timber with other crops such as citrus, macadamia and avocados. South Africa is a promising market for U.S exports of wood pulp and high quality hard wood used in furniture making. The continued decline in timber area planted may also present opportunities for U.S exports of timber used for structural and industrial purposes if demand increases in the next 5 – 10 years.

Sources:

Forestry South Africa - www.forestry.co.za
The Institute of Timber Frame Builders (ITFB) - www.itfb.co.za
Institute for Timber Construction - www.itc-sa.org
Sawmilling South Africa - www.sawmillingsouthafrica.co.za
The South African Wood Preservers Association (SAWPA) - www.sawpa.org.za or www.sawpa.co.za
Paper Manufacturers Association of South Africa (PAMSA) - www.thepaperstory.co.za
Department of Agriculture, Land Reform and Rural Development (DALRRD) - www.daff.gov.za
South African Bureau of Standards (SABS) - www.sabs.co.za

1US$ = R16.79 as at July 13, 2020

Background

The commercial timber industry in South Africa is reported to have started between the years 1889 –
1893, with the establishment of Tokai Plantation in the Western Cape Province with about 400 hectares
(HA). Thereafter, the timber industry grew to a peak of 1,518,138 hectares (HA) in the 1996/97
Marketing Year (MY). However, the area planted to timber has declined to an estimated 1,191,638 HA
in the 2018/19 MY, due to restrictions on water licenses, environmental conservation regulations, and
competition for land from crops such as citrus, avocados and macadamia. The South African area
planted to timber is still relatively small when compared to the United States, which has an estimated
27 million HA under commercially planted timber. Commercial timber production in South Africa is
mainly concentrated along the country's Eastern Coast as shown in **Figure 1**.
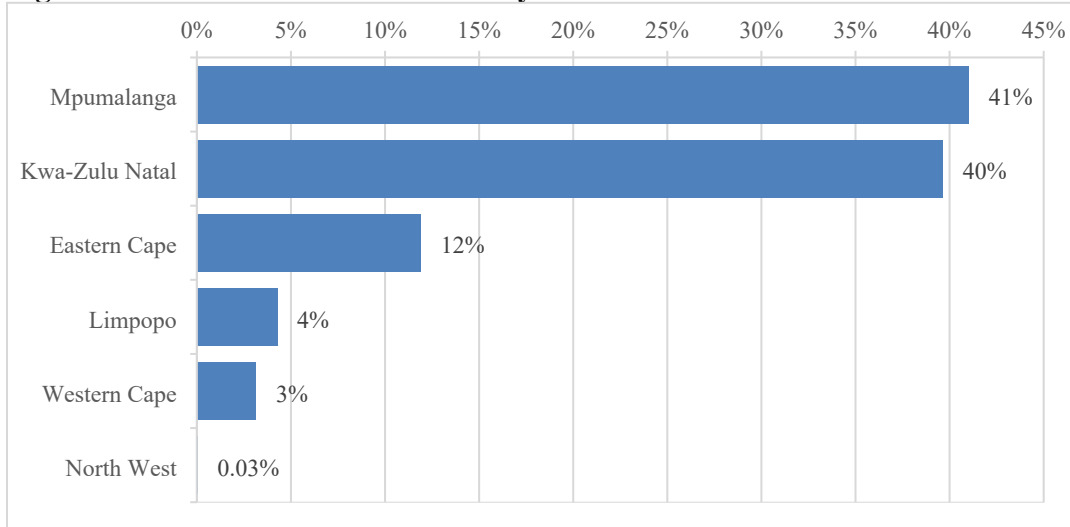
Figure 1: Map of Timber Production Areas in South Africa
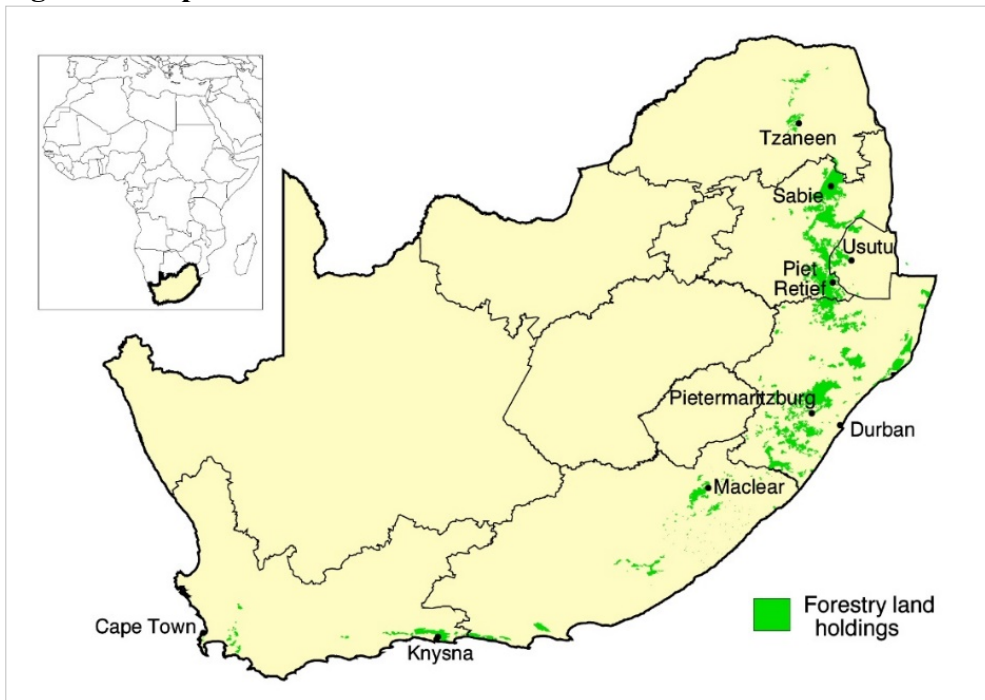
Source: Forestry South Africa

The Mpumalanga Province is the leading timber production area, accounting for 41 percent of the total area planted in 2020, followed by Kwa-Zulu Natal (40 percent), Eastern Cape (12 percent), Limpopo (3 percent), and Western Cape (3 percent).

Figure 2: Timber Production Areas by Province

Source: Forestry South Africa

Pine is the predominant timber species planted in South Africa. In the 2019/20 MY, pine accounted for 49 percent of the total planted area, followed by eucalyptus (44 percent), and wattle (7 percent) as shown in **Figure 3**. About 51 percent of the total timber area was planted with softwoods and 49 percent with hardwoods. Pine takes about 15 – 18 years to mature, while eucalyptus only takes up to 8 years. The availability of improved species through breeding and the shorter maturity years is driving the growing shift from pine to eucalyptus in South Africa.

**Figure 3. Timber Plantation Area by Species**
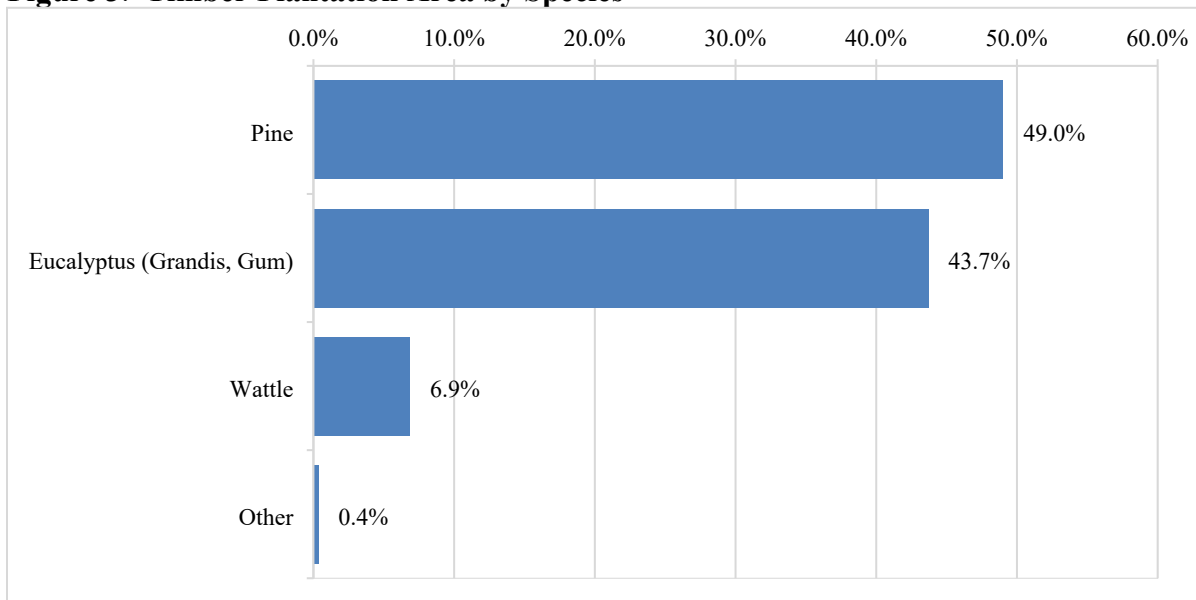
Source: Forestry South Africa

Similar to most agricultural commodities in South Africa, the forestry and timber industry is well organized, and is managed by key associations. Forestry South Africa is the largest forestry organization representing growers of timber in South Africa. The Association's membership includes 11 corporate forestry companies, 1,300 commercial timber farmers and 25,000 small scale growers. The Paper Manufacturer's Association of South Africa was formed in 1992 to represent South African pulp and paper producers. Members include manufactures or distributors of recycled paper, pulp, paper, board and tissue products. Sawmilling South Africa was established in late 2007 and represents the 38 sawmills found throughout the country. The South African Wood Preservers Association was established in 1980 and represents all the timber treaters and preservative manufactures.

Area Planted

The area planted to timber is forecast to decrease by 1 percent to 1.18 million HA in the 2020/21 MY, from 1.19 million HA in the 2019/20 MY. This is based on the continued trend of low replanting, stringent government restrictions on granting water licenses and establishing new plantations, environmental policies restricting plantations in protected areas, and farmers replacing timber with other crops such as citrus, macadamia and avocados. **Figure 4** shows that the area planted has decreased by 11 percent to 1.18 million HA in the 2020/21 MY, from the peak of 1.37 million HA in the 2013/14 MY. Notably, the timber industry record area planted of 1.51 million HA was in the 1996/97 MY.

Figure 4: Area Planted to Timber in South Africa
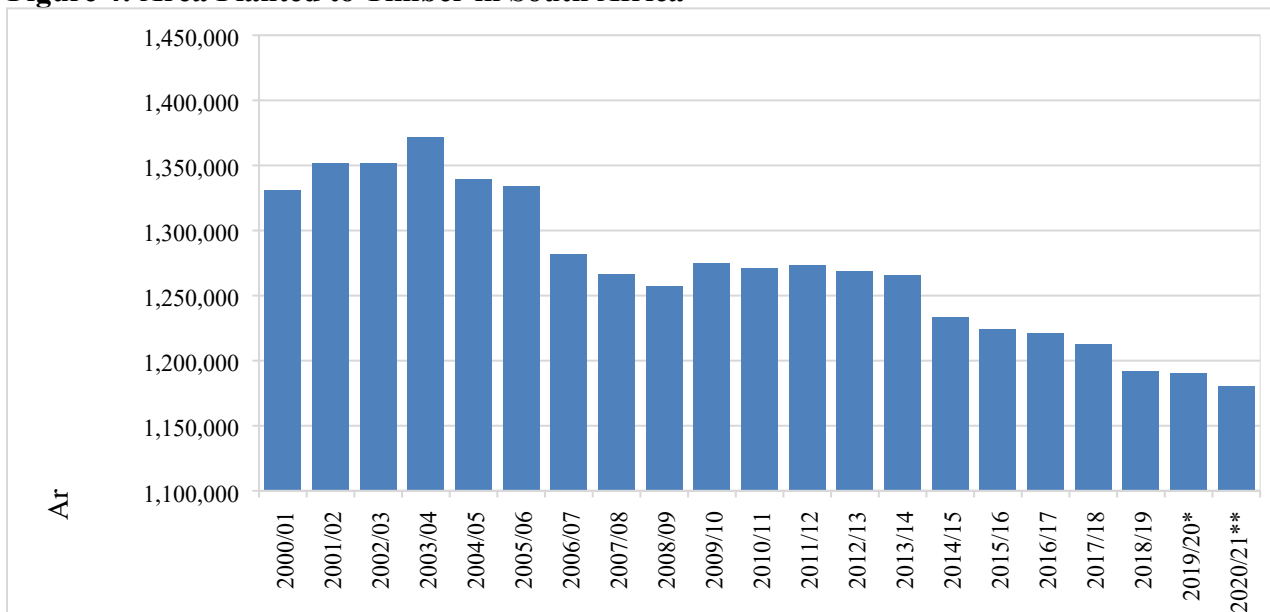
*Estimate, **Forecast
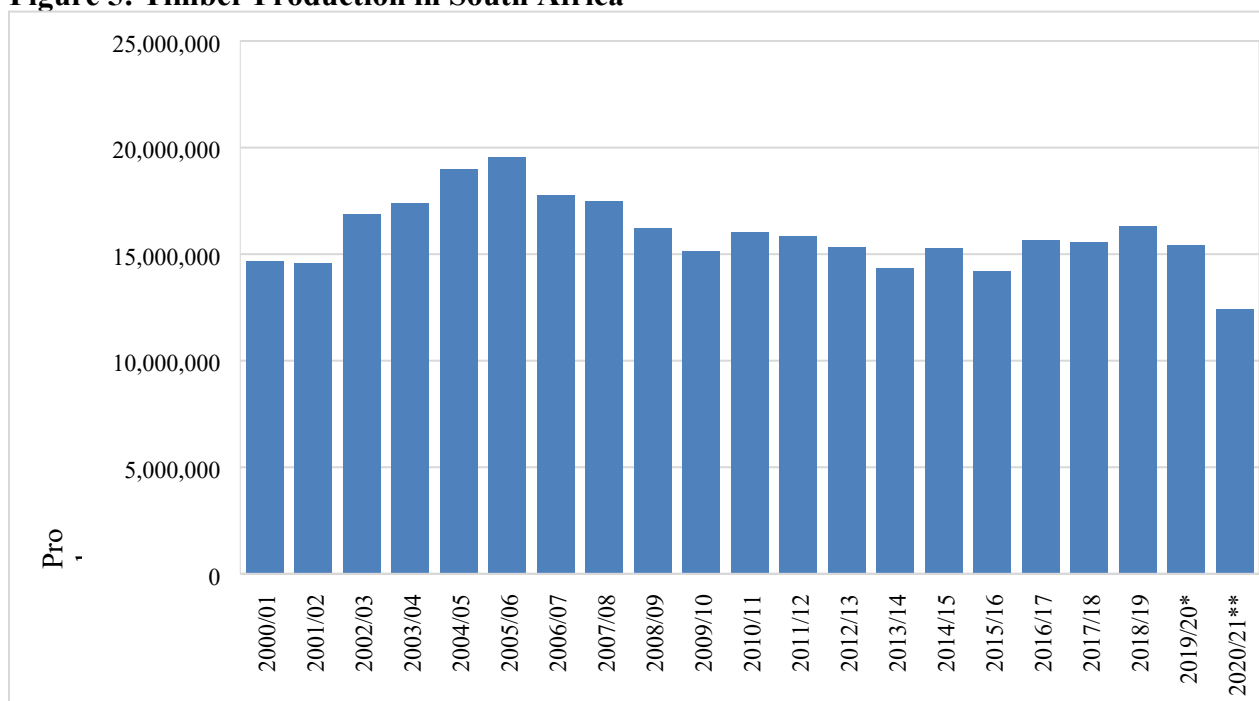Source: Forestry South Africa & Post Forecasts

Production

The production of timber is forecast to decrease by 20 percent to 12.4 million Metric Tons (MT) in the 2020/21 MY, from 15.4 million MT in the 2019/20 MY, based on the decrease in area planted, fire damage, pests and diseases, and the slow-down in industry logging rates (cutting down trees) in

response to the decline in demand from sectors impacted by the national lockdown. In April 2020, the South African government implemented a lock down of non-essential and non-food sectors to address the spread of COVID-19. While the forestry sector was classified as essential and operated at 60 – 70 percent capacity, the ongoing lockdown has affected sectors such as construction, mining, furniture manufactures and other businesses which utilize timber. The closure of these businesses during the lock down, significantly slowed down demand for timber and timber products by 20 – 30 percent. The reduction in production due to the impact of COVID-19 will not be recovered despite most the businesses fully operating at the beginning of July 2020.

Despite the decline in area planted, timber production has remained relatively stable since the 2009/10 MY, due to improvement in species through breeding and better plantation management. **Figure 5** shows that timber production has decreased from the peak production of 19.6 million MT in the 2005/06 MY. The decline in timber production in the last two decades, is mainly due to the decrease in area planted.

Figure 5: Timber Production in South Africa

*Estimate, **Forecast
Source: Forestry South Africa & Post Forecasts

Approximately 63 percent of timber produced in South Africa is pulpwood. This is mainly driven by the five major pulp and paper manufactures (Sappi, Mondi, Mpact, Nampak and Kimberly-Clark) who own or contract at least 70 percent of the total area planted to timber in South Africa. The bulk of the pulp wood products are exported. There are still growth opportunities for timber production supplied to the pulp and paper manufactures, based on the rising innovative solutions or products being manufactured using pulp. Saw logs and veneer logs production which accounts for 32 percent of the total production is mainly for the domestic construction/building industry, with small amounts reserved for furniture making, wood pallets and packaging. South Africa has very limited production of high quality

hardwood timber primarily used for furniture making, which has presented export opportunities for other countries including the United States. Production of mining timber accounts for 1.9 percent of total production is targeted for supplying the domestic underground mining industry which uses timber as a support structure due to its strength and light weight. Mining timber production is currently stagnant based the slump of the mining sector in South Africa. Pole production is mainly used by Eskom (South African electricity public utility Company) for the rural electrification program in South Africa. Eskom has completed about 90 percent of its electrification program and it is expected that domestic demand for poles may slow down in future and the industry is considering the viability of several African export markets.

Figure 6: Type of Timber Produced in South Africa in 2020
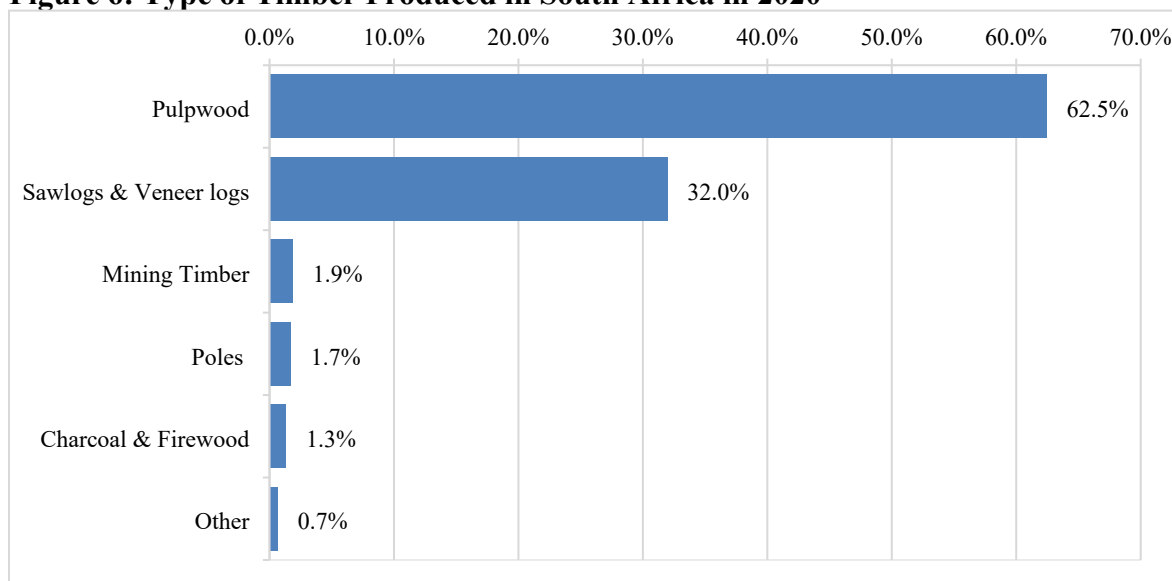
Source: Forestry South Africa
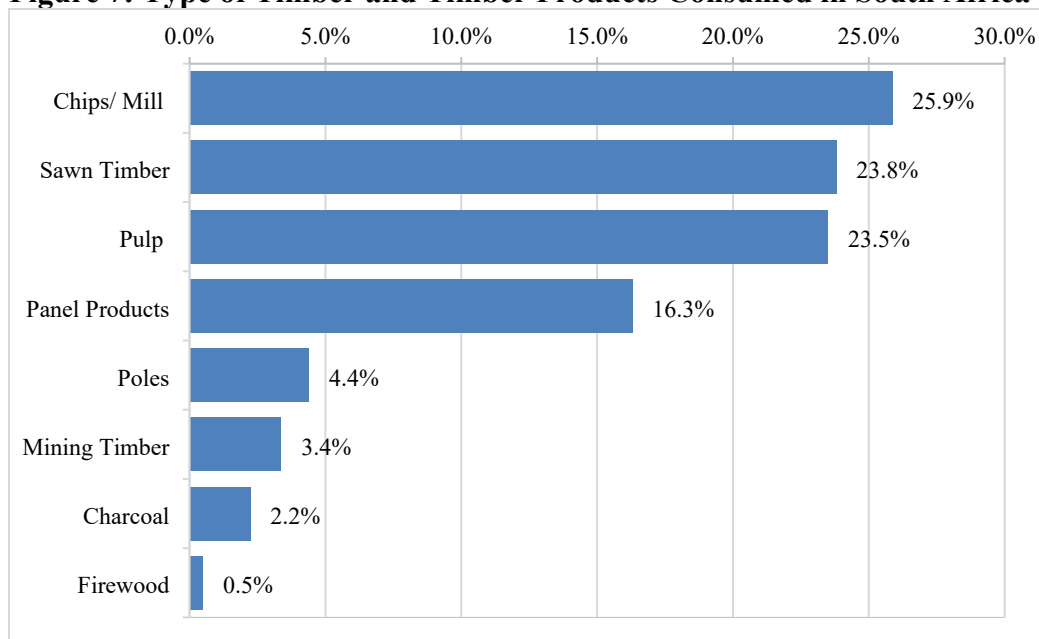
Domestic Consumption

Post forecasts that the domestic consumption and use of timber and wood products will decrease by 15 percent to 8.0 million MT in the 2020/21 MY, from 9.4 million MT in the 2019/20 MY, based on the decrease in production and the impact of restrictive measures implemented to reduce the spread of COVID-19. In April 2020, the South African government implemented a lock down of non-essential and non-food sectors to address the spread of COVID-19. This affected sectors such as construction, mining, furniture manufactures and other businesses which are the main utilizers of timber. While some pulp and paper manufactures were open, they were not operating at full capacity during the first 3 months of the lock down.

Timber and wood products used in South Africa are both locally produced and imported. **Figure 7** shows the type of timber and wood products by market share sold in South Africa. South Africa is largely self-sufficient in the supply of mining timber, poles, and structural timber used in the construction of roof-trusses and in building. While South Africa produces sufficient timber for use in pulp and paper manufacturing, the industry's strategy of prioritizing exports and its innovative use of pulp for various products has created a growing domestic demand for wood pulp which has created opportunities for imports. South Africa has very limited production of high-quality hardwood timber

primarily used for furniture making, which has presented export opportunities for the United States and other countries.

Figure 7: Type of Timber and Timber Products Consumed in South Africa

Source: Forestry South Africa

Exports

Post forecasts that the export of timber and wood products will decrease by 13 percent to 7.0 million MT in the 2020/21 MY, from 8.0 million MT in the 2019/20 MY, based on the decrease in production. The 2019/20 MY export of timber and wood products is estimated to decrease by 17 percent to 8.0 million MT, from 9.6 million MT in the 2018/19 MY, based on the slow pace of exports up to June 2020, the restrictions on non-food exports during the lock down in South Africa, and depressed global demand due to the impact of COVID-19. South African timber and wood exports since the year 2015 are shown in **Table 1**.

In 2019, Botswana was the leading export market, accounting for 16 percent of the total South African exports followed by Japan (15.6 percent), Lesotho (13 percent), Mozambique (12 percent), Namibia (7 percent), Zambia (6 percent), China (5 percent), India (4 percent) and Eswatini (3 percent). Eswatini, Botswana, Lesotho and Namibia are part of the Southern African Customs Union (SACU) in partnership with South Africa. Hence, South African exports to SACU members are duty free. United States only accounted for about 1 percent of the total exports in 2019. Wood pulp is the leading product being exported to the United States by South Africa. The value of South African exports to the United States were US$ 11 million in the 2018/19 MY.

Table 1: South African Exports of Pulp Wood, Sawlogs, Veneer, Plywood, Poles, Charcoal, Fuel Wood and Other Woods

Partner	Unit	2015	2016	2017	2018	2019	2020*
South Africa Exports to the World							
Commodity: 4404,4406,4413,4414,4415,4416,4417,4410,4419,4420,4421, 4403,4407,4408,4409,4410,4411,4412,4401,4402,4405,4701,4702,4703,4704,4705.							
World	**T**	**10,865,621**	**9,506,139**	**9,526,321**	**12,032,911**	**9,608,005**	**2,158,292**
Botswana	T	2,217,124	1,241,188	1,551,158	4,040,898	1,523,072	192,620
Japan	T	1,764,322	1,975,954	1,958,641	1,961,969	1,501,796	388,512
Lesotho	T	1,693,252	866,125	988,637	403,332	1,231,024	241,264
Mozambique	T	516,610	923,799	563,520	860,689	1,157,779	120,610
Namibia	T	1,428,820	930,271	585,847	484,559	660,500	104,613
Zambia	T	312,270	396,096	751,706	389,498	552,698	126,823
China	T	618,845	521,978	458,642	490,603	504,126	135,604
India	T	548,171	832,556	672,850	465,206	410,611	77,380
Eswatini	T	577,510	433,368	433,211	510,787	306,901	97,983
Congo (DROC)	T	11,523	61,983	4,857	376,528	284,650	1,533
Zimbabwe	T	379,016	395,715	388,599	755,477	227,619	57,612
Indonesia	T	166,014	172,256	182,424	192,069	226,902	46,106
Mauritius	T	3,839	125,285	15,652	24,895	129,711	6,746
Thailand	T	103,057	104,737	101,956	106,106	112,570	25,464
Tanzania	T	17,148	2,944	7,520	7,562	99,367	831
Netherlands	T	9,362	31,191	65,786	89,793	72,268	10,818
Unidentified	T	9,866	9,525	13,427	37,535	61,273	6,592
United Kingdom	T	44,756	45,897	58,618	64,073	59,059	411,100
Vietnam	T	3,723	5,413	4,239	82,277	57,164	488
Ghana	T	5,092	1,538	913	3,159	52,011	574
United States	T	52,244	48,722	32,674	31,073	50,670	12,722
Kenya	T	17,593	18,102	23,012	64,297	49,298	3,662
Ireland	T	18,042	34,546	17,193	12,183	27,971	10,646
Malawi	T	10,173	29,063	18,006	20,568	24,426	4,269

*Year to date Exports up to March 2020
Source: Trade Data Monitor (TDM)

Imports

Post forecasts that the import of timber and wood products will decrease by 17 percent to 2.2 million MT in the 2020/21 MY, from 2.7 million MT in the 2019/20 MY, based on the slow pace of imports up to June 2020, and depressed domestic demand due to the impact of COVID-19 to the economy, furniture manufactures, and wood product users. South African timber and wood imports since the year 2015 are shown in **Table 2**.

In 2019, Eswatini was the leading supplier of timber and timber products, accounting for 33 percent of the total South African imports followed by Mozambique (12 percent), Botswana (7 percent), China (7 percent), Namibia (7 percent), Brazil (4 percent), Denmark (3 percent), India (3 percent) and the United

States (3 percent). The European Union (EU) and Southern African Development Community (SADC) countries have access to the South African market duty free on all wood and wood products.

South Africa is a promising market for United States wood products. South African imports from the United States amounted to US$ 15 million in the 2018/19 MY and are mainly wood pulp and high quality hard wood used in furniture making. The decline in South African timber production is expected to result in shortages for structural timber in the next 5 – 10 years if demand grows, and it is estimated that South Africa will have to import nearly half its pine for structural purposes. This presents further opportunities for U.S. lumber exports.

Table 2: South African Imports of Pulp Wood, Sawlogs, Veneer, Plywood, Poles, Charcoal, Fuel Wood and Other Woods

South Africa Imports to the World							
Commodity: 4404,4406,4413,4414,4415,4416,4417,4410,4419,4420,4421, 4403,4407,4408,4409,4410,4411,4412,4401,4402,4405,4701,4702,4703,4704,4705.							
Partner	Unit	2015	2016	2017	2018	2019	2020*
Total	**T**	**5,908,690**	**5,057,076**	**2,442,381**	**2,856,545**	**2,988,931**	**726,840**
Eswatini	T	3,742,023	3,070,872	797,736	985,171	1,001,032	182,634
Mozambique	T	465,225	40,069	159,320	310,053	364,681	6,821
Botswana	T	102,209	198,717	158,372	250,717	212,724	42,691
China	T	275,594	328,211	253,600	242,776	204,548	51,993
Namibia	T	155,144	156,155	231,721	176,567	195,382	65,885
Brazil	T	243,572	266,775	203,329	173,382	121,856	13,395
Denmark	T	146	185	156	821	90,533	315
India	T	9,757	82,715	28,961	96,513	89,159	8,398
United States	T	48,442	51,727	44,145	83,973	74,746	15,714
Germany	T	36,140	24,096	30,248	31,574	43,247	6,876
Lesotho	T	26,442	25,475	4,767	11,576	24,217	508
Russia	T	6,961	15,960	16,369	30,164	18,916	4,717
Sweden	T	5,767	5,310	10,519	14,598	15,548	3,201
France	T	2,587	41,652	2,847	2,099	15,403	4,579
Malaysia	T	106,197	121,551	17,227	17,735	14,237	3,174
Poland	T	3,100	5,989	6,346	2,350	14,213	21,087
Zimbabwe	T	14,557	51,765	10,561	11,743	14,066	43,136
Finland	T	21,922	12,283	10,650	23,425	13,808	706
New Zealand	T	100,705	53,219	42,483	18,172	13,568	454
Portugal	T	4,791	3,156	3,033	1,503	12,459	4,096

*Year to date Imports up to March 2020
Source: TDM

Regulations and Trade Policies:

Standards and regulations

An import permit in terms of the Agricultural Pests Act, 1983 (Act No. 36 of 1983) is required for importation of wood and wood products into South Africa. The application form and tariff regarding importation of wood and wood products can be obtained and submitted to the following email addresses; PlantHealthPermits@daff.gov.za. **Table 3** provides links to useful resources and regulations pertaining to importing wood products into South Africa. Post also publishes the Food and Agricultural Import Regulations and Standards (FAIRS) Country Report and the FAIRS Export Certificate Report, to assist U.S. exporters with the relevant regulations, certificates, permits and procedures. The FAIRS reports are publicly available for download on the following GAIN link, https://gain.fas.usda.gov/#/search.

Table 3: South African Forest and Timber Standards and Regulations

Regulations and Standards	Website Link
Import Procedures	http://www.nda.agric.za/doaDev/sideMenu/plantHealth/docs/importProcedure.pdf
Protocol for the treatment of imported timber	http://www.sawpa.co.za/documents/Protocol_treatment_of_timber_imported_revison%20_1_2011_06_30.pdf
Agricultural Pests Act, 1983	http://www.nda.agric.za/doaDev/sideMenu/plantHealth/docs/Agricultural%20Pests%20Ac t.pdf
South African Bureau of Standards (SABS) Timber Certification and Standards	https://www.sabs.co.za/Sectors-and-Services/Sectors/Timber/timber_ac.asp
SABS Building and Construction Certification and Standards	https://www.sabs.co.za/Sectors-and-Services/Sectors/Building/building_ac.asp
National building regulations and building standard s Act No. 103 of 1977	http://www.thedti.gov.za/business_regulation/acts/building_standards_act.pdf
National Forestry Act, 1998	https://www.dwaf.gov.za/Documents/Forestry/NFA1998Regulations29April2009.pdf
Amendments to the National Forestry Act, 1998	https://www.dwaf.gov.za/Documents/Legislature/a35-05.pdf
National Veld and Forestry Fire Act, 1998	https://www.dwaf.gov.za/Documents/Forestry/Tact101.pdf

Sources: South African Bureau of Standards; Department of Trade and Industry; Department of Agriculture, Land Reform and Rural Development (DALRRD)

Customs Duties

The following link provides the customs duties applicable to wood and wood products imported into South Africa. Chapter 44 and parts of 47 of the schedule applies to wood and wood products. Download South Africa`s Customs Duties. The European Union and SADC countries have access to the South African market duty free on all wood and wood products.

European Union Economic Partnership Agreement (EPA)

The European Union (EU) is South Africa's traditional export market for most agricultural products. South Africa has a Free Trade Agreement with the EU under the Southern African Development Community (SADC) - EU Economic Partnership Agreement (https://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/). The member states included under the SADC - EU EPA are Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini (formerly Swaziland). As a result, South Africa benefits from duty free access for wood under this Free Trade Agreement.

The UK and Southern African Customs Union (SACU) and Mozambique EPA (SACUM-UK EPA)

South Africa's duty free access to the United Kingdom (UK) continued after BREXIT, based on the previous SADC-EU EPA arrangements. In 2019, the UK, Southern African Customs Union (SACU) member states (Botswana, Lesotho, Namibia and South Africa) and Mozambique signed a new free trade agreement, the SACUM-UK EPA. This is expected to take effect from January 1, f2021. As a result, South Africa's duty free access to the UK were not affected by BREXIT and will not be affected in future.

South African Forestry Industry Master Plan

The South African forestry and wood industry is in the process of drafting a master plan under the guidance of the Department of Trade and Industry. The objectives of the master plan is to address the expansion of the industry; transformation; processing and innovation; illegal trade; research and development; and infrastructure development such as rail and ports. The master plan is expected to be completed in August 2020.

Attachments:

No Attachments.