FORESTRY SOUTH AFRICA™

19th Annual Report

For the year ended 31st December 2020

FSA 2020 Annual Report

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Foreword by the Chairperson

Given the scale of the economic and social impact of the Covid-19 pandemic during 2020, last year's Chairperson's Foreword to the 2019 Annual Report, devoted a significant amount of attention to the impact of the pandemic on the Forestry Industry. Since this is the Foreword to the 2020 Annual Report and given the extraordinary success of FSA in protecting most of the Industry during the pandemic in 2020, I think it is appropriate to again reflect on some of the key outcomes for the Industry.

The impact of the pandemic on the Forestry Industry in terms of tonnages, has now been quantified in this report. Timber volumes dropped 14.6% year on year, which while being of tremendous concern, should be seen in the context of other sectors and indeed in the context of what the impact may have been in our Sector, had FSA not succeeded in getting Forestry declared as an essential sector. Many other sectors came to a complete halt during the lockdown, with some like the restaurant and retail Sectors, experiencing massive closures of well-established businesses. It is estimated that without the swift action of FSA at the start of the crisis, timber volumes would have dropped by 25%, costing the Forestry and Forest Products value chains, in the order of R15billion in lost revenue.

FSA succeeded, following our Executive Director's meeting with the President in March, in having Forestry declared as an essential sector during the lockdown. This was not a simple task, as we had to demonstrate the direct and indirect links between our Industry and other essential sectors, like those involved in the production and packaging of food, medicine, cleaning and hygiene products and energy. FSA was fortunate to have already been a key sector in the Public Private Growth Initiative, also reported on in this report, as this was the vehicle through which we were able to engage the President at the start of the lockdown.

FSA was part of the essential sectors forum which was convened out of the broader PPGI sectors and the forum held daily meetings for the first eight weeks of the lockdown, to report and unblock issues with enforcement agencies and to engage the Presidency, the DTIC and the National Joint Operational and Intelligence Structure, on further regulatory relief for our Sector and the risk-adjusted measures which our sectors were putting in place, to prevent and control the spread of the virus.

After five weeks of the lockdown, FSA had succeeded in opening all forest product value chains. We also lobbied Minister Patel for the opening of the Construction Industry, which was achieved on 19 May, which meant that all forestry value chains were able to operate, all their key markets were open and the PPGI construction projects of our members could resume.

While for nearly a decade until 2018, meaningful engagement and support from government, was nearly impossible to achieve, we should be most grateful for the extraordinary leadership which was displayed by our President during the Covid-19 crisis, especially compared to what was seen in many other parts of the world, including in developed countries. The Presidency listened to advice from experts in health, economics and sociology, among others and through this, we were firstly able to limit the spread and impact of the Covid-19 virus on the citizens of the country and we were able to gradually open up the economy.

The Forestry Industry was proud to have been able to support the domestic and international efforts to manage the pandemic by continuing to produce the multitude of products used in the fight against the disease. As FSA has often pointed out, the products we produce like tissue products, medicines, cleaning materials, food and medical packaging etc, rarely provide pleasure like other products do but they are an essential part of daily human life and their absence would have been catastrophic during the pandemic. The pandemic is not over, and we look forward to partnering with the State in the roll-out of the vaccine programme but we remain grateful to the State for the leadership shown generally to the country and for the support to our Sector specifically during the pandemic.

Fortunately, we have witnessed strong growth in demand for timber and forest products, both domestically and abroad and it is our sincere hope that this will continue.

I would like to express our sincere gratitude to Mike and the team at FSA for saving the Industry from what could have been a much more disastrous outcome during the lockdown in 2020 and for the massive communication effort during the crisis and since that time. Members of FSA as well as those of other Associations and even other Sectors, relied heavily on the communications which FSA was putting out and I encourage all members to join FSA's Telegram channel and to encourage their staff to do so too.

I would also like to thank our partners in education, research, protection, transformation, other Associations and government departments, who complement our efforts to grow and transform the Industry, for its own benefit and for the benefit of the entire country.

Finally, and most importantly, I would like to thank all our members for their financial support to FSA and to specially thank those members who additionally give of their time to serve in the Regional Committees, General Committee, Executive Committee and the many subject-specific working committees. This investment of your time and effort, which takes you away from your own businesses and jobs to serve all of us, means that FSA can continue to access the brightest minds in the Industry, at a fraction of what it would otherwise cost, to buy in those sorts of skills. We are most grateful to you for your generous contributions to the Industry.

I wish all our growers and partners in the public and private sectors, the very best outcomes for the rest of 2021 and beyond and we look forward to a time of greatly improved economic and social outcomes for our Industry and our country.

Andrew Mason
Chairperson
Forestry South Africa

List of Office Bearers

As at 31st December 2020

Executive Committee

Mr Andrew Mason (MGG) (Chairperson)
Ms Busisiwe Mnguni (SGG) (Vice-Chairperson)
Mr Mark Armour (R&B Group)
Mr Ferdie Brauckmann (TWK)
Mr Graeme Freese (MGG)
Dr Johan de Graaf (Merensky)
Mr Heiner Hinze (MGG)
Ms Itumeleng Langeni (MTO)
Mr Penwell Lunga (PG Bison)
Mr Enoch Maponya (SGG)
Mr Murray Mason (MGG)
Mr Tsepo Monaheng (SAFCOL / KLF)
Mr Thandokuhle Nxele (SGG)
Mr Duane Roothman (Sappi) *
Mr Piet van Zyl (York)
Mr Themba Vilane (Mondi)

**Dr Terry Stanger retired August 2020 and was replaced by Duane Roothman*

Medium Growers Group

Mr Andrew Mason (Chairperson)
Mr Heiner Hinze (Vice-Chairperson)
Mr Murray Mason (Vice-Chairperson)
Mr Graeme Freese (Past Chairperson)
Mr Rupert Beneke
Dr Pat Coleby
Mr Hendrik Klopper
Mr Vusi Dladla
Mr Ralph Dobeyn
Mr Neil Engelbrecht
Mr Juan Freyer
Mr Glynn Hogg
Mr Patrick Kime
Mr Vaughan Lascelles
Mr Trevor Phillips
Mr Harald Niebuhr
Mr Micheon Ngubane
Mr Malcolm Stainbank
Mr James Stegen

Large Growers Group

Mr Pieter de Wet (PG Bison)
Mr Sibalo Dlamini (SAFCOL / KLF)
Mr Pieter Keeve (TWK)
Mr Kudakwashe Phairah (York)
Mr Jaco Oosthuizen (MTO)
Mr Davron Swift (Amathole)
Mr Mark Banardo (Sappi)*
Mark Armour (R&B Group)
Mr Denzil Venske (Mondi)
Mr Hamish Whyle (Merensky)

**Mr Mark Barnardo replaced Mr Duane Roothman*

Honorary Life Members

Dr Doug Crowe
Mike Edwards
John More
Werner Weber

Small Growers Group

(KwaZulu-Natal)

Ms Busisiwe Mnguni (Chairperson)
Mr Thandokuhle Nxele (Vice-Chairperson)
Mr Watson Nxumalo
Mr Simeon Cele
Mr Bonginkosi Zondi
Mr Vusumuzi Mfeka
Mr Elliot Nkomo
Mr Sipho Mkhize

(Limpopo)

Mr Enoch Maponya (Chairperson)
Mr Fhatuwani Netsianda (Vice-Chairperson)
Mr Emmanuel Machaba
Ms Phethani Neluvhola
Mr William Sambo
Mr Dominic Makwela
Mr Colbert Nedzingahe

Internal Forestry South Africa Matters

FSA Staff Matters

A major realignment of the staff structure of FSA followed the retirement of Mr Roger Godsmark at the end of March 2020. Roger had worked for the Forest Owners Association and subsequently Forestry South Africa for 33 years and for a good number of years in the post of Operations Director for FSA. During these years he saved the Industry billions of Rands in accumulated averted costs, particularly in the areas of property rates, port duties and the proposed wealth, land and property taxes. Roger's institutional memory and expertise will be missed by the Association and the Industry, to which he dedicated a large part of his life. We are grateful to him for his many years of dedicated service to the Industry and we wish him well in his retirement.

Following Roger's retirement and the consequent undertaking of job evaluations, as well as considering cost cutting measures during challenging times for the Sector, it was opted not to retain both the Operations Director and Operations Manager posts. Some functions previously performed by Roger were taken on by other staff members, particularly Mr Francois Oberholzer. Whilst this led to an increase in the workload for the remaining staff members and had led to certain capacity gaps, FSA intended to fill such gaps through the use of service providers. These changes had, nevertheless, led to significant budget savings, which are outlined later in this Report.

FSA Membership

There were no changes in membership during 2020 and, as reported in last year's Annual Report, the vast majority of timber growers in the country, remained valued contributors to FSA.

We would like to sincerely thank all members for their continued support in both financial terms to the Association as well as for their investment of intellectual capital and time to ensure that the Association was able to function as an effective Industry. The benefits of having a strong Industry Association like FSA, to act collectively on our members' behalf, was never more evident than in 2020, when FSA was able to protect the vast majority of forestry businesses and jobs during the lockdown.

Benefits Derived from FSA Membership

This Report contains many high-level achievements by FSA during the year in review. It should be noted, however, that besides the highly visible achievements in any given year, the more routine activities of the Association make an immense difference to the businesses of our members. Something as routine as responding to proposed tariff increases or managing the Industry's forest protection programmes, save our members literally hundreds of millions of Rands in costs and avoided losses. FSA continued to serve its members in key areas including:

- Lobbying platform
- Collective research and protection platforms
- Leveraging of funding from external sources
- Deferring or stopping potential costs before they occurred.

Readers are encouraged to read about and share with other timber growers, the work that FSA does and the impact that this has on growers' businesses.

FSA Committees

Executive and General Committees

Following a decision by the Executive Committee, at its meeting held in November 2019, to cut the August meetings of both the General and Executive Committee meetings, thereby saving costs, only two meetings of both Committees were scheduled to take place during 2020 – in May and November. Unfortunately, due to Covid lockdown regulations introduced on 27 March 2020, this prevented physical meetings taking place and as a result thereof two meetings, the first being June 2020 and the second, which was held to coincide with the postponed AGM, took place on 19 November 2020. These, as other meetings post March 2020, took place via virtual platforms.

Executive Committee

There was only one change to the membership of the Committee during the year.

Dr Terry Stanger (Sappi), who had served for many years on the GENCOM and subsequently the EXCO, retired in August 2020 and was replaced by Mr Duane Roothman as Sappi's representative on the EXCO. As Terry was its Chair at the time of his retirement, Mr Andy Mason (MGG) stood in as Acting Chair until the AGM, held on 19 November, when he was elected Chair. Ms Busisiwe Mnguni (SGG) was elected as Vice-Chair.

FSA extends our sincerest gratitude to Terry for the enormous contribution that he made, not only to FSA but also to the Industry at large. We wish him well in his retirement.

As at 31 December 2020, the EXCO comprised 16 members – Large-Scale Growers (9), Medium-Scale Growers (4) and Small-Scale Growers (3). The names of these representatives appear elsewhere in this Report.

Group Committees

Nine Annual Regional Meetings of the Group Committees were able to be held across the country during February 2020 as this was before the Covid-19 level 5 lockdown imposed by Government on 27 March

2020. Once again it was encouraging to report that FSA members of all sizes (Corporate, medium-sized private growers and small-scale-growers) were all well represented at these meetings. This not only indicated the importance that growers placed in FSA's ability to represent their interests but also the importance of them giving feedback to FSA on issues that they would like FSA to take up on their behalf.

A list of the members of each of the respective Group Committees is given elsewhere in this Annual Report.

Working Committees, Groups & Task Teams

The number of FSA's Working Committees and Task Teams have been increasing over the years in response to the ever-growing number of challenges being faced by the Industry. Given the fact that FSA has a small staff complement, it is essential that for FSA to remain effective and affordable, that our members continue to invest their time, experience, expertise and knowledge in actively participating in these structures. This investment by members once again proved invaluable in 2020.

The above structures, run under the auspices of and convened by FSA, deal with environmental, transport, human resources, communication, land reform, business development, research, pests and diseases, broad-based black economic empowerment, health and safety, forest operations, fire and timber and equipment theft.

In addition to these specific working committees and task teams, FSA's nine regional Group Committees, comprising large, medium and small-grower representatives, also provide valuable input and insight. The collective knowledge and inputs provided by the above structures greatly assist FSA's GENCOM and ultimately, the EXCO, to make considered and well-informed decisions on a multitude of pertinent issues which benefit the Industry at large.

Once again, we would like to encourage members to participate in these structures in order for them to have a voice in determining FSA's position on various issues as well as getting maximum benefit from being an FSA member.

Other Industry Committees

As well as the various internal FSA Committees mentioned, there are several external collaborative partnerships in which FSA is involved and through which we are able to address our members' interests. The most important of these are listed below:

Institute/Convenor	Committee/Structures
(i): ICFR	Board of Control Body of Members
(ii): FABI	TPCP Board of Control FABI External Advisory Board
(iii): NMU (Saasveld)	Forestry Advisory Board
(iv): Stellenbosch University	Forestry Advisory Board
(v): University of Pretoria	SAFCOL Forestry Chair Board FMG Cluster Steering Committee
(vi): Fort Cox	Forestry Advisory Board
(vii): FP&M SETA	Board Audit Committee
(viii): Provincial LAACs	Members
(ix): DEFF	Forestry Masterplan Steering Committee, Executive Oversight Committee, Operational Manco (still to be convened) National Forestry Research Forum Research Apex Body Kabelo Trust
(x): DWS	Forest Sector Raw Water Tariff Committee
(xi): DARDLR	Phytosanitary Risk Forum PSHB Steering Committee
(xii): Water Research Commission	Various Project Reference Groups
(xiii): Forest Sector Charter Council	Charter Council Audit and Risk Committee Forest Enterprise Development Task Team
(xiv): Forest Industries Training Providers Association (FITPA)	Member
(xv): The Presidency	Public Private Growth Initiative (PPGI) Human Resources Development Council (HRDC)

Non-industry Affiliated Committees

Further to the above-mentioned Committees which have a forestry-specific interest or focus, 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, General Council and Centres of Excellence on Land and Economics and Trade, Kwanalu, Mpumalanga Agriculture, Working for Water, Working for Wetlands and Working on Fire Programmes, the Free Market Foundation and the South African Institute for Race Relations.

Co-operation with Other Industry Organisations

Since the primary sub-sector of the forestry value chain, represented by FSA, provides the feedstock for a great number of beneficiated forest products in the various value chains, it has always been critical that FSA and the other Associations work very closely on issues of mutual interest or concern.

In 2020, beyond dealing with the Global Pandemic, FSA worked closely with pulp and paper, sawmilling, treated timber and other sub-sectors and Associations, in numerous areas. Chief among these were on ensuring the successful production of the Forestry Sector Masterplan (reported on elsewhere in this report), working together to ensure a sustainable and enabling regulatory environment to deal with South Africa's commitments to reducing Green House Gas emissions and working together to minimise the impacts of the Carbon Tax on the various sub-sectors, both of which issues are also reported on elsewhere in this report.

Co-operation with Government Departments, Agencies and Programmes

The Presidency

Public Private Growth Initiative and the Covid-19 pandemic

Forestry's inclusion in the Public Private Growth Initiative continued in 2020, to reap massive benefits for the Sector.

Firstly, the PPGI led to Presidential intervention and resolution of the six-year-old water licencing dispute with the DWS. The Presidency arranged a meeting in March between FSA's Chairperson, Executive Director and the Director-General of the Department of Water Affairs and the following day, the long awaited changes to the prohibitive water-use licence conditions, were received by FSA from the DG of DWS.

Then just two days after the national lockdown was announced by the State President, FSA's Executive Director and a select group of other leaders from key PPGI sectors, had a meeting with the President at his residence. In that meeting, they were able to successfully motivate for the continuation of essential sectors and services during the lockdown and particularly those which formed part of the PPGI. These appeals were well-received by the President, as he remains passionate about the importance of the PPGI, in turning the country around from the decade of disaster which we experienced, under the Presidency of Jacob Zuma and his administration.

When the first set of regulations was published, the Sector was immediately able to continue with all forestry operations (including fire prevention and control) and several forest product value chains. We achieved this by demonstrating the links (direct and ancillary) between our forestry value chains and those involved in the production and packaging of food, medicine, cleaning and hygiene products and energy.

Since not all sectors in the PPGI were deemed to be essential, FSA co-founded an Essential Sectors

Committee out of the broader PPGI leadership. This committee held daily meetings for the first eight weeks of the lockdown, to report and unblock issues with enforcement agencies and to engage the Presidency, the DTIC and the National Joint Operational and Intelligence Structure, on further regulatory relief for our Sector and the risk-adjusted measures which our sectors were putting in place to prevent and control the spread of the virus. Through the Essential Sectors group, we were able to secure further concessions in transversal areas like ports (for exports and imports), rail and road and the transportation of staff. Systematically, as new regulations and directions were issued, we were able to get more specific references to forestry and forest products into the regulations, which assisted our members and others in the various forestry value chains, in reducing interference in their operations, from enforcement agencies.

After five weeks of lockdown, we achieved the breakthrough for the production of paper, roofing timber and board products, although for the latter-mentioned products, this was of limited benefit, until the Construction Sector was allowed to operate. FSA therefore also lobbied strongly through the Essential Sectors group, for the opening up of the Construction Sector.

Following the meeting that FSA and the Essential Sectors committee had with Minister Patel on 19 May, it was agreed that the Construction sector had to be unlocked under the Level 3 regulations. Overcoming this last obstacle, meant that all forestry value chains were able to operate, all their key markets were open and the PPGI construction projects of our members could resume.

It is important to note that even though the Forestry Masterplan has been concluded, the PPGI will and must remain an independent Presidentially-led initiative, as it will maintain the impetus and focus on the key Forestry issues for the country. We saw this in 2020 on the licencing and pandemic issues reported on above and without ongoing oversight from the PPGI of the Forestry Masterplan, we run the risk of it becoming just another excellent plan, which isn't implemented.

We would like to express our sincere appreciation to both the Presidency and to the Private Sector PPGI leadership team, without whose dedication to the process, we would not have achieved the kinds of successes we have done for our Sector and without whose support, the impact of the Covid-19 crisis on our Sector, would have been devastating.

While our interactions with DEFF (reported on later) continues to be quite chequered, it is important to acknowledge, that in respect of the DEFF response by the Minister of DEFF and the acting DDG to the Covid-19 crisis, Industry is most grateful to them for their leadership. We were in daily contact with the acting DDG to ensure the systematic relaxation of regulations on all Forestry value chains and she and the Minister were extremely helpful in assisting in dealing with over-zealous enforcement agencies.

Human Resource Development Council

FSA's Executive Director attended his first meeting of the HRDC, which is chaired by the Deputy President of South Africa and has several Cabinet Members and Provincial Premiers who also serve on the HRDC.

The need for the kind of work done by the HRDC was thrown into sharp relief in 2020, as among the greatest impacts of the pandemic, were those on employment, education and training. The number of people (especially young people) who are not in employment, education or training in South Africa, has ballooned as a result of the crisis. The HRDC worked with STATSSA to quantify some of these impacts, some of the most alarming of which were that:

- 72% of learners were either not able to access online learning or were unable to cope with the requirements thereof during lockdown.
- This was driven by a number of factors such as access to and affordability by learners to computers and data and the abilities of teachers and schools to provide online teaching.
- The drop-out rate increased during lockdown and many Grade 11 and Grade 12 learners who were not able to participate in online learning, will not return to school.

The impacts of this on South Africa's youth and their ability to secure employment in the future, as well as the impacts on the economy and society (from rising poverty and inequality) from having such a massive loss of educated and trained citizens, will be enormous. As a result, the Council will focus on a number of areas to address these growing challenges as follows:

- Ensuring digital skills and access to digital technology, especially for young people.
- Supporting all employment creation initiatives in the public and private sectors.
- Encouraging entrepreneurship, especially for those people not in employment, education or training,
- Stimulating economic opportunities to empower all the vulnerable groups of society.
- Bolstering support to TVET and Community Colleges to try to absorb those learners who have dropped out of school or other HEIs.

Department of Environment Forestry and Fisheries (DEFF)

As mentioned earlier, the levels of support which Industry receives from DEFF, are highly variable.

On a positive note, the role of DEFF in supporting FSA's efforts through the Essential Sectors Forum and the PPGI, during the hard lockdown period of the pandemic, was greatly appreciated and assisted particularly, in overcoming some enforcement challenges. The role of the acting Deputy Director-General, Ms Morongoa Leseke and the media statements made by Minister Creecy, were of particular value during this trying time.

Still on a positive note, DEFF partnered closely with FSA to ensure the successful finalisation of the Forestry Masterplan, which details the key focus areas for investment, employment and transformation of the Sector, including the PPGI mega-investment Forestry projects. This was approved by Cabinet in October of 2020 and the associated detailed implementation plan, provides the basis for government's medium term planning framework for the Forestry Industry and should be used to oversee the performance of forestry official's in DEFF.

That DEFF however, remained without a Deputy Director-General for Forestry, for the fourth consecutive year in 2020, is a terrible indictment on the administration, especially since Forestry is a key PPGI Sector with a Cabinet-approved Masterplan. This was in spite of repeated public assurances to FSA by various Ministers and Directors-General over the years, that the process of filling the position was well underway.

FSA furthermore believed that we had made a breakthrough in January of 2020 when we held what we regarded as an excellent meeting with Minister Creecy, Deputy Minister Sotyu, the erstwhile Director-General and the acting Deputy Director-General for Forestry, among other senior staff and advisors to the Ministry. Our enthusiasm was brought about by the fact that the Minister gave a number of undertakings to FSA including that:

- That there is in-principle support for a PPP-type model for the recapitalisation of Category B and C State Forests (including those in the Western Cape and Mpumalanga, which were further devastated by the impacts of the 2017 and 2018 fires).
- By the end of February 2020, the process for the recapitalisation will be set in motion and at some time thereafter, Industry can expect to start seeing requests for proposals/expressions of interest from DEFF.
- The long-overdue renewal and consolidation of the MoU between DEFF, FSA and the University of Pretoria's FABI, to ensure the protection of South Africa's plantations, would be finalised immediately and that payment for the 2019-2020 year would be forthcoming.
- That the Minister or Deputy Minister will chair the Executive Oversight Committee, to oversee implementation of the Forestry Masterplan.

Regrettably, with the exception of the last important bullet above, DEFF have failed to deliver on a any of the critical other undertakings of the other undertakings since our meeting with the Minister and Deputy Minister in January of 2020. The lack of delivery on these long-overdue commitments has had the following detrimental impacts on the Sector:

- The lack of movement on the establishment of PPP-type partnerships, to recapitalise State plantations, is threatening the current and planned mega-investments in Forestry in the PPGI, as these plantations offer the fastest route to securing additional timber to support these investments. They also continue to limit the empowerment and enterprise development opportunities for local communities. They continue to result in ongoing losses to the State through timber and equipment theft and the rise of special interest groups, as was reflected in a recent Auditor-General report on State forests. This situation also presents in many other State-owned plantations at the municipal level, throughout the country.

- The failure by DEFF to finalise the MoU and pay the 2019 payment to FSA, has led to the closure of the world-leading Sirex Control Programme. This has also led to the loss of some of South Africa's top scientists to other countries. *At the time of writing this report, the MoU had still not been finalised and so the 2020 payment from DEFF to FSA was also not received. This threatens not just the control of Sirex but also of all other pests and diseases, as the world-leading Tree Protection Co-operative Partnership at UP, has once again lost key South African scientists to forestry countries with whom South Africa competes.*

FSA 2020 Annual General Meeting

The FSA AGM had originally been scheduled to take place in May 2020, as in previous years. However, following the Government's decision to introduce strict Covid lockdown regulations on 27 March 2020, the Executive Committee resolved to postpone the FSA AGM until such a time as the AGM could be held in its normal format. Unfortunately, due to extended lockdown regulations, this was not possible and as such, FSA held a virtual AGM with members on 19 November 2020. The meeting, using MS Teams, was attended by over 80 members.

Forestry Industry Matters

Forest Protection

Government Funding

As reported in last year's Annual Report, Government funding for R&D in the Industry had become a major concern with a gradual decrease in such funding over the past five years being experienced. Despite FSA's attempts to build more positive relationships with the relative Departments to address this challenge, there appears to be no indication that this situation will change in the short to medium term. The most concerning source of State funding is the delay on the renewal of the Memorandum of Understanding with the DEFF related to forest research and protection. The reprioritisation of State budgets to address the pandemic, has exacerbated this concern.

FSA/DEFF MoU

As reported in last year's Report, FSA has been trying to finalise the MoU with DAFF (and latterly DEFF) since November 2017. After numerous requests made by FSA to DEFF during 2020 regarding the progress being made by themselves on the renewal/restructuring of the Sirex and TPCP MoU, FSA received a request from DEFF to assist them with queries that they had received from National Treasury regarding the MoU.

FSA immediately realised from the National Treasury questions, that DEFF had submitted the wrong version of the MoU to National Treasury, which version had been rejected by the National Forest Pests and Diseases Committee. FSA had secured agreement from the former acting DDG: Forestry and Natural Resource Management on the correct version and repeatedly asked DEFF to confirm that they had submitted the correct version. To make matters worse, many of the Treasury questions would not have been raised, had DEFF submitted the correct version.

FSA pointed this out to DEFF, who confirmed that they had subsequently submitted the correct MoU to Treasury. This was followed by numerous engagements with DEFF officials, who by the end of 2020 indicated that the matter was to be discussed between the Chief Financial Officers of DEFF and National Treasury. At the time of writing this report, however, the MoU had still not been finalised and so DEFF has failed for two consecutive years, to honour their funding commitments for forest protection.

FSA views this situation as being totally unacceptable when one considers the impacts of this failure by the State on the country's competitiveness and our world-leading programmes and institutions, to say nothing of the impact on the investment appetite of the Industry. FSA thus escalated the matter through the PPGI processes as finalisation of the MoU by DEFF, should have been one of the "low-hanging fruits" for the Department to achieve, among their few commitments in the PPGI and Masterplan. Despite commitments made by the Minister, Deputy Minister and DG of DEFF to FSA, at a meeting held in January 2020, that the MoU would be finalised, after more than a year, no progress has been made. FSA will strive to secure finalisation of the MoU in 2021, in the hope of stemming the damage to South Africa's research capacity and the total closure of our key research programmes and institutions.

In the meantime, FSA has been exploring collective initiatives with other commodities in the agriculture sector, to lessen the burden on our members. The latter has been very successful with these partnerships not only securing human capacity, but also increasing institutional capacity. FSA would like to acknowledge Grain SA in particular in this regard.

Sector Innovation Fund

As reported on in last year's Report, this programme, funded by the Department of Science and Innovation (DSI), has been crucial in supplementing FSA members' own investment into R&D, particularly in the fields of forest protection, tree breeding, forest operations and climate change. A number of the project leaders supported by the SIF had expressed concern with non-delivery of commitments due to the impact of the Covid lockdown regulations. FSA had communicated this problem to DSI and along with the department, continue to monitor and assess the possible impact. The DSI, similar to other departments, had indicated that the department had to re-prioritise their budget due to Covid and that this could negatively impact research funding and would result in a significant decrease in research funding for 2021. On a positive note, DSI had indicated that their funding of R3.4m for FSA's projects, as agreed to in the contract, would not be affected.

FSA would like to commend the researchers working on our projects for their hard work and efforts under very trying lockdown circumstances, to ensure continuation of the projects resulting in limited amendment of work schedules.

THRIP Funding

Challenges with THRIP continued during the year under review. Despite the fact that FSA raised this issue as a matter of concern in discussions with the PPGI, in a subsequent meeting with Minister Patel in January 2020 and again in our meeting with the President in March 2020, it is highly concerning that this issue has not been resolved. Even interventions through the Masterplan have not resulted in resolving the inefficiencies of the programme or resulted in any discernible progress being made.

The major problem relates to the inefficiencies of the programme, particularly related to the inordinate delays in getting projects approved and subsequently funded. FSA has thus formally requested extensions of the two standing contracts to allow for the disbursement of funds. FSA had been informed that the extension of the currently funded projects had been approved, but unfortunately formal extension had not been concluded by the end of the year in review. Unfortunately, the long-awaited finalisation of new Application Guidelines for future rounds of THRIP had not been published and no new calls for applications have been issued been. It is also somewhat alarming that FSA received notification from DTIC that due to re-prioritisation of departmental budgets due to the Covid pandemic, current approved projects may not be fully funded to their conclusion. This is very concerning as both FSA projects have reached completion and the shortfall of DTIC funding had to be sourced from industry and university funds. Over the past five years, the Forestry Sector has seen an approximately annual loss of R8 million due to changes in THRIP funding. This includes the suspension of THRIP funding to our research partners that had historically won numerous THRIP awards.

Institute for Commercial Forestry Research

Even though the ICFR's new business plan showned positive results in 2020, the poor economic climate caused by the Covid pandemic had severely impacted the ICFR's financial situation due to the fact that two major funders had indicated that they would suspend

funding to the ICFR in July 2021. This move had forced the ICFR's management team to relook at their business model so as to try and ensure the future sustainability of the Institute.

Although some innovative models had been proposed for implementation during 2021, it was disappointing to note that the ICFR would embark on a second retrenchment process, which would, unfortunately, result in a further loss of its capacity to service the research needs of the Industry.

It was also disturbing to note, as mentioned above, that the ICFR had been forced to terminate the services of the Sirex Programme Co-ordinator, following the suspension of the Programme due to the lack of funding received from DEFF.

Water Research Commission (WRC) Projects

The WRC was currently funding two projects that were highly relevant to the Sector and which could influence future policies. FSA serves on the Reference Group of both Projects. Industry is collaborating closely with the research teams on both projects. The projects relate to:

The expansion of knowledge on evapotranspiration and stream flow reduction of different clones/hybrids to improve the water use estimation of SFRA species (i.e. *Pinus*, *Eucalyptus* and Wattle species).

The application of national scale remotely sensed evapotranspiration (ET) estimates to quantify water use and differences between plantations in commercial forestry regions of South Africa.

Pests and Diseases

The maladministration by the DEFF with regard to the MoU as reported earlier which resulted in long delays in the processing and payment of related funds (R12 million) had, unfortunately, begun to negatively impact the Industry during the year under review. As reported above, the National Sirex Control Programme, a flagship programme displaying the success of public private partnerships, initially downsized its operations during 2020 and was subsequently terminated at the end of 2020.

This also resulted in the termination of the post of the Sirex Control Programme Coordinator at the ICFR. It should also be mentioned that following the resignation of Dr Yolanda Roux as the Chairperson of the Sirex Steering Committee, FSA's Research Director, Dr Ronald Heath, took over as Chairperson until such time as a permanent Chairperson can be appointed.

The TPCP had re-allocated funds in 2020 to make up the funding shortfall caused by the delay in the MoU and because FSA could no longer cover this shortfall from its reserves, as it had done in the past. This was regarded as being unsustainable and like the Sirex Control Programme, the TPCP are considering downsizing their research and operational efforts in 2021, unless Government funding was made available. Unfortunately, the lack of Government funding has resulted in loss of critical and scarce human capacity at the TPCP with four posts being terminated.

These failures by the State to assist in the protection of the national forestry resources of South Africa, are most concerning, not least of all because the mega-investments being made by the Industry through the PPGI, are predicated on the fact that there will be more timber to process. In truth the State is failing in its duty to protect even the existing timber resources and unless this is urgently addressed, it will threaten the investment undertakings which the Industry has made to the President.

New Pests & Diseases

For the first time in many years, it is encouraging to report that no new pests or diseases affecting commercial forestry plantations had been discovered in the country during the year under review. Notwithstanding this, there had been a report of an aphid that may be new. FSA's research partners were currently investigating the matter.

Fire Matters

Kishugu – National Fire Risk Assessment

During 2020 Kishugu, the commercial arm of Working on Fire, approached FSA with a proposal to partner with them to perform a National Fire Risk Analysis. FSA, in turn, tasked its Fire Committee to assess the proposal. Although the need for such an analysis was acknowledged, the Fire Committee expressed various concerns regarding the Kishugu proposal and as such recommended that FSA did not enter into a formal partnership agreement with them. FSA instead agreed to support and participate in the process, as the Industry would benefit from the development of such a document.

FSA Fire Data Project

During the year under review, the FSA Fire Committee tasked FSA to initiate a "Fire Data Project", the primary objectives being to accurately quantify the Industry's investment in fire prevention and firefighting interventions (capital and manpower) as well as an analysis of fire damage incurred. At the time of writing, responses from members had not been sufficient to produce a comprehensive Industry-wide report. It is hoped that such a report will be finalised in 2021.

Covid-19 Regulations vis à vis Fire Issues

Despite the fact that all forestry-related operations, including fire-fighting activities, were deemed to be "essential services" from the onset of Level 5 Covid regulations, it was disturbing to note that a large number of timber growers and associated contractors had faced challenges with enforcement of the related regulations. Of concern is that this situation has deterred many landowners from implementing responsible fuel load and fire break policies and procedures. FSA ensured that all members were well-informed of the published regulations and how this impacted on daily operations, as they related to fire management, which should have ensured that operations continued according to set protocols.

AFIS

As reported in last year's Annual Report, the future of the Advanced Fire Information System (AFIS) was under serious threat due to reduced staff capacity and lack of Government funding. In 2020 a further blow to this critical organisation manifested itself in the suspension of its mobile App as well as the majority of the services offered to users of its platform. FSA has raised this concern in the appropriate forums and is still awaiting response from them.

Crime and Criminality

Timber and equipment theft remained a major concern for our all our members, but particularly small-scale and medium-sized growers who are more vulnerable due to a lack of resources, necessary to deal with it effectively. Major issues dealt with during the year under review were as follows:

Timber Theft Survey

This Survey, initiated by FSA and concluded during 2020, was completed by eight companies representing just under 80% of the Industry – key findings and recommendations flowing from the Survey and subsequent discussions being the following:

- Timber and equipment theft on a national level was not as severe as anticipated, although at the local level the incidence of theft varied considerably and for this reason it could weaken FSA's efforts to get Government to agree to a national specialised timber theft unit.
- The lower than anticipated impact at the national level was also a likely cause for the apparent lack of reporting of timber theft due to lack of responsiveness by the law enforcement agencies.
- FSA had encouraged members to drive timber theft issues at a local / regional level through their respective Anti Timber Theft Forums (ATTFs) (if they had one) or through their FSA Regional Committees.
- There was a definitive need to collect timber and equipment theft data and to share this between the various ATTFs along with other illegal activities. In this regard, FSA would play a bigger role in the co-ordination and information-sharing between the various local timber theft forums.

Timber Theft from State Plantations (DEFF / Municipalities)

DEFF plantations

FSA was approached by DEFF early in 2020 to intervene in the KwaMbonambi area where timber theft from their plantations was out of control. A meeting was held between relevant role players in the area, under the auspices of FSA.

A proposal by DEFF to resolve the challenges associated with the disposal of the stolen DEFF timber was discussed as was an undertaking by the above companies and DEFF to give active support to the resurrection of the ATTFs in Richards Bay and Nelspruit.

Timber Theft from Municipal Plantations

In 2019, FSA raised the issue of illegal timber harvesting with the Director-General and Minister of DEFF, not only in respect of DEFF plantations but also in those owned by municipalities.

Despite the Minister viewing the development of PPP type arrangements as the only feasible option for these plantation assets to be recapitalised and undertaking to issue requests for proposals during 2020, no progress thereon had been made. In the mean-time timber theft and that of other assets, added to the total mismanagement of assets continues unabated, the latest casualty being the commercial forestry plantations owned by the Msunduzi (formerly Pietermaritzburg) Municipality. Under the management of City Forests, who took over the "running" of the 1 400 hectares of commercial plantations from NCT some time ago on behalf of the Municipality, the valuable asset to the municipality has degraded from a once thriving business into a loss-making enterprise due to having its biological assets stolen on a daily basis, as well as being a massive fire risk.

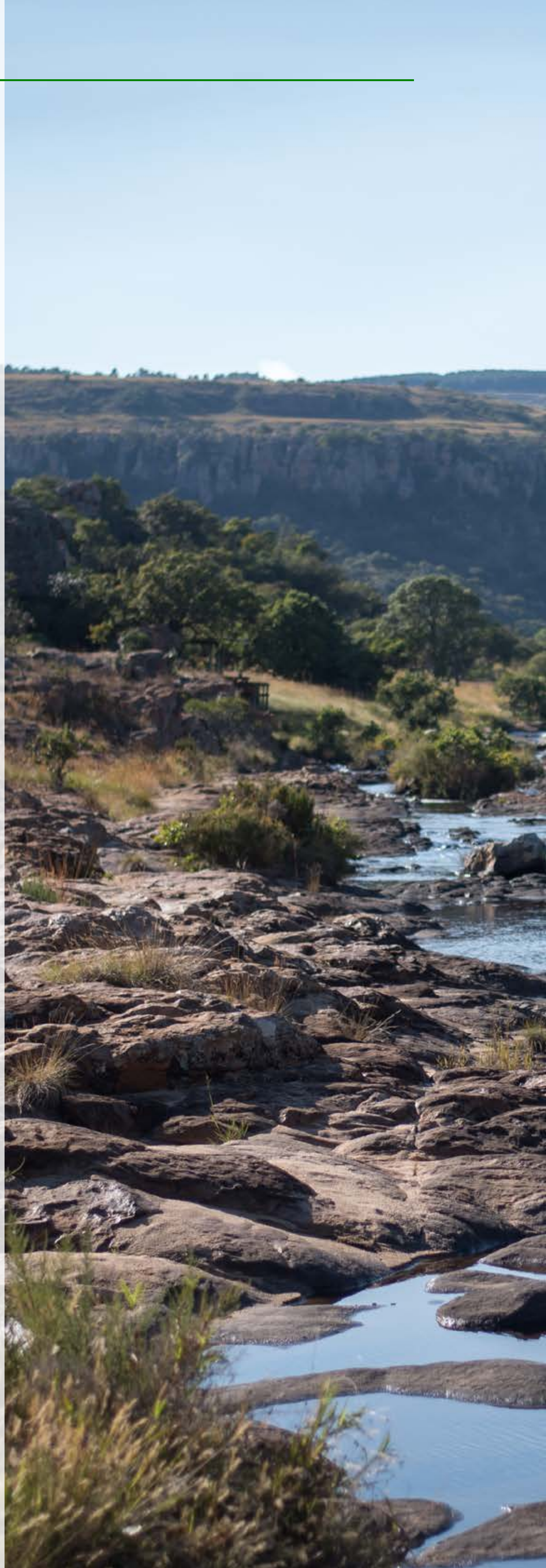
Establishment of an ATTF in Southern KZN

During the Annual Regional Meetings held in February 2020 it became evident from members that there was a need for an ATTF in Southern KZN. FSA had been tasked with assisting to establish such a forum.

Special Interest Groups

Of particular concern in 2020, was the rise of special interest groups, like those seen in the Construction Sector. These groups actively prevent timber growers and other operators in the various forestry value chains, from accessing or operating their own properties or facilities.

This sort of rent-seeking or "mafia" type behaviour was reported by FSA to DEFF and the PPGI and was influential in the President's decision to elevate economic crimes as priority crimes.



We trust that under the current administration, the focus on the restoration of law and order in our Sector, as with all other sectors of the economy, will strengthen and we welcome the bolstering by the State, of the resources which it has provided to the National Prosecuting Authority.

Environmental and Water Issues

The FSA Environmental Management Committee (EMC) once again played an important role in dealing with numerous key environmental and water issues on behalf of Industry, through its engagements with the relevant Government Departments. These include the Department of Water and Sanitation (DWS), the Department of Environment, Forestry and Fisheries (DEFF) and their Provincial counterparts.

FSA extends its thanks to the members of the EMC and particularly to Dr David Everard (SAPPI), its Chairperson and to FSA's own Environmental Consultant, Dr John Scotcher. A summary of all the issues dealt with by the EMC during the year under review are summarised below.

Water Issues

National Water Act

Stream Flow Reduction Activity (SFRA) Water Use Licence Conditions

FSA had been busy over several years trying to demonstrate to the DWS that many of the current conditions included in SFRA WULs were outside the mandate of the DWS, vague, contradictory, unimplementable or not enforceable. On a positive note, progress has been made by FSA in the following areas:

- FSA had been successful in reaching an agreement with the DWS for a new template for a SFRA WUL for **new** plantations that were established from 1 April 2020 that reduced the number of conditions and frequency of audits significantly.
- A revised SFRA WUL template **for existing** WULs was developed and submitted to the DWS to replace existing WULs issued from October 1998 until the present time. Although the Forestry Masterplan requires that this be done and while FSA had completed our side of the commitment, we were still awaiting a response from the DWS to our many emails for comment and input.
- A third WUL template for all plantations established prior to 1998 (when the National Water Act came into effect) has been developed by FSA for submission to the DWS, once we start to receive feedback from them on the template discussed above.

Existing Lawful Water Use

FSA approached the High Court for a declaratory order to resolve years of dispute with DWS over the proper interpretation of existing lawful water use (ELU).

Our interpretation of an existing lawful water use for a stream flow reduction activity (afforestation) was that a plantation need only to have been in existence during the two-year qualifying period before the National Water Act, 1998 came into effect, for that plantation to be considered as lawful and thus an existing lawful water use.

The DWS interpretation was that afforestation during the two-year qualifying period needed to have been lawfully established during the period between 1972 and the coming into effect of the NWA.

The failures by DWS and some of the other respondents, to timeously follow the legal process, were among the key reasons for a second postponement of the Court hearing, which was set down for October 2020. The matter was postponed to February 2021.

We can report that the matter was heard to conclusion in the Cape High Court from 15 to 25 February 2021 and we are awaiting judgement, which we are advised can take between three to six months from the conclusion of the hearings.

Genus Exchange

FSA's position as far as genus exchange was concerned, remains that the exchange ratio between *Pinus* and *Eucalyptus* (or any other commercial forestry species for that matter) should be on a

one hectare for one hectare basis, irrespective of the genus.

The DWS, however, had previously held that firstly an authorisation was required to exchange genera but also that there should be a massive reduction of 30% in the size of the area, when converting from *Pinus* to *Eucalyptus*, to effect the same use of water between the genera. FSA had previously reported that there was a breakthrough in 2016, when DWS acknowledged, following a report commissioned by FSA, that there may be an fatal error in their water use calculation methodology, for the purposes of genus exchange and that the regulations which would have required growers to reduce the area under plantations, would be suspended. This was indeed the case, as the regulations were never implemented by the DWS.

In 2020, however, there were potentially-damaging public claims made by certain environmental activists that there was a legal requirement for timber growers to obtain authorisation from DWS and to reduce area when exchanging genera. Bizarrely, this incorrect claim was then supported by certain DWS officials and thus FSA was forced to seek a second declaratory order from the High Court in respect of genus exchange. This added millions of Rands in costs to timber growers and this matter along with that of Existing Lawful Water use referred to above, was also set down to be heard in October 2020 and then postponed to February 2021.

The damaging statements and actions of certain officials and other parties in respect of both ELU and Genus Exchange, forced FSA to seek interdicts against these parties to prevent further reputational and economic damage to the Sector. In spite of the interdicts having been secured from the Court, several of the parties acted in contempt of the Court by failing to adhere to the Court's rulings, which necessitated further legal action by FSA and further associated legal costs. This was however successful, and the respondents ceased further defamatory statements and irregular regulation against FSA's members.

As reported above, the matter of Genus Exchange, along with ELU was heard to conclusion in the Cape High Court from 15 to 25 February 2021 and we are awaiting judgement, which we are advised can take between three to six months from the conclusion of the hearings.

Environmental Issues

National Environmental Management: Biodiversity Act

The National Environmental Management Act: Alien and Invasive Species Regulations

The revised Alien and Invasive Species Regulations were published on 18 August 2020 and were scheduled to come into effect on 1 March 2021.

Additions to the 2016 version included descriptions of dormant plantations, existing plantations, extensions to existing plantations and new plantations. Some of the implications for the Sector, were that permits that would be required from the DEFF for the extension to existing plantations and for new plantations. Permits for extensions of existing plantation would be required for all extensions that exceeded 100 ha, whilst extensions to existing plantations that exceeded 100 ha would require an environmental authorisation under the National Environmental Management Act (NEMA), as well as a risk assessment. Any change in species in an existing plantation would also need a permit.

FSA had previously raised these matters as serious concerns and in-principle agreement had been reached with the Department, that they would not be necessary in the regulations. Once the regulations were published therefore, FSA engaged with the new officials in the department, to again raise these concerns. Discussions are ongoing but we will insist that the regulations only contain requirements which are practical, affordable and effective in their objectives.

FSA Environmental Guidelines

Revision 4 (2020) of the Guidelines had been completed and are available on the FSA website. The version includes a section on rehabilitation of land, an update on the new Alien and Invasive Species Regulation as well as a revision of the Greenhouse Gas (GHG) reporting regulations.

United Nations Framework Convention on Climate Change

Under the Presidency of Jacob Zuma, South Africa agreed to the voluntary alignment and compliance with the United Nations Framework Convention on Climate Change (UNFCCC), countries Reducing Emissions from Deforestation and Forest Degradation (REDD+) and Intergovernmental Panel on Climate Change (IPCC) initiatives through the South African Department of Environment, Forestry and Fisheries. These initiatives necessitate reduction of greenhouse gas (GHG) emissions, mitigation of the causes and effects of past emissions and adaption to climate changes caused through past emissions. Commercial forestry plantations play a role in mitigating the effects of anthropogenic climate change through capture of atmospheric carbon dioxide (CO_2) and storage of carbon (C) in tree biomass, dead organic matter and soil carbon pools.

National Greenhouse Gas Inventory

In response to its voluntary commitment to provide an annual inventory of GHG emissions to the DEFF, South Africa developed a National Greenhouse Gas Inventory System (NGHGIS) to manage the climate change obligations under the (UNFCCC). The system serves to track emission levels in relation to international pledges, commitments and other reporting obligations. The DEFF is responsible for the provision of data for the GHG Inventory report, while members are required to report annually the extent of their own and managed plantations which exceed 100 hectares in extent.

National Green House Gas Reporting

The National Greenhouse Gas Emission Reporting Regulations came into effect on 3 April 2017. The purpose is to allow the DEFF to gather information from business to assist South Africa to update and maintain a National Greenhouse Gas Inventory as required in terms of the National Environmental Management: Air Quality Act.

These reporting regulations allow processing plants to claim carbon credits from their own or managed plantations in excess of 100ha as well as additional carbon credits from entities that are outside the direct control of the processing plants. Thus, any person in control of or conducting an activity above the threshold of 100 ha of plantation or forest land must have registered their area of plantations on the South African National Atmospheric Emission Inventory System (NAEIS). The reporting guidelines for forestry were published in early December 2020 and FSA's comments were currently being addressed by the DEA.

Carbon Tax Act

The agriculture, forestry, other land use (AFOLU) and waste sectors will be excluded from paying a carbon tax during the first five-year period largely due to the administrative difficulties in measuring and verifying emissions from this sector. The intention was to include them in the carbon tax regime in 2024. FSA will continue to propose that plantation forestry be completely excluded from Carbon Tax, due to its extremely low net emissions.

FSA, along with its sister Associations have argued that, in terms of ownership of credits or debits, liability for emissions from Harvested Wood Products (HWPs) outside the mill gate should be the responsibility of the user downstream of the primary HWP facility. This means that users of paper, pulp or wood products should be responsible for emissions from the products, and this was not to be a debit against the primary processing facility. The rationale was the same for fertiliser or fossil fuel use, where users, not producers, were liable for emissions as a result of using the products. As a result, all carbon leaving the mill gates in paper, pulp, wood chips, bio-products or sawn timber should count as a credit for carbon tax purposes.

Regeneration of harvested sites is also audited by the mills to verify that the mass balance of timber is conserved. This is a requirement for FSC accredited plantations and is audited annually. Timber from other non-certified plantations was monitored and audited annually independently to ensure sustainable production.

National Business Initiative – Just Transition

The National Business Initiative (NBI) is co-ordinating business' response to the Agriculture Forestry and Other Land Uses (AFOLU) role in climate change mitigation and adaptation. The objective is for business is to have a just transition to net zero carbon emissions by 2050.

FSA has participated in several meetings to ensure that the interests of timber growers, as well as those of the various forestry value chains are protected and advanced through this process, as there is the real risk that the sector could be negatively impacted upon, without a strong voice in the NBI process. Net zero carbon emissions could for example, be partially achieved by having major emitters in other sectors, like energy, simply buying up plantations across the country and then offsetting their emissions against the standing timber. This could negatively impact on the forest products Industry, the associated economic contribution and all the jobs the Sector provides.

So far FSA's inputs have been greatly welcomed and have steered the process in a practical direction which protects the interests of the entire forestry value chain. It is interesting to note that the NBI process has so far revealed that the net GHG emissions from the entire agricultural and forestry Industry, is just 2.5% of South Africa's emissions, further supporting FSA's long-held view, that our Sectors should be exempt from paying the Carbon Tax in 2024, as the cost of administering the tax for such a low environmental benefit, cannot be justified.

FSA Climate Resilience Working Group

Given the complexity involved in implementing Government's commitments to a low carbon economy, FSA established a Climate Change Resilience Group in 2020 which met in early 2021 to determine membership, terms of reference and to elect a Chair. Following the meeting, Dr Ronald Heath was elected Chair while Dr John Scotcher would continue as the current liaison person, both within FSA, Business Unity South Africa and the Department of Environmental Affairs (Air Quality Directorate). With varying roles and responsibilities, Mr Michal Peter, Drs Ronald Heath and John Scotcher would represent the sector in the National Business Initiative reported on above.

Forest Certification

South African Forest Stewardship Certification (FSC) Standard

There were no significant changes to FSC requirements nor significant developments that materially affected certified members during 2020. The implementation of the new and updated FSC pesticide use policy, however, was postponed during 2020 and would be fully implemented by 1st January 2021.

Sustainable African Forestry Assurance Scheme (SAFAS)

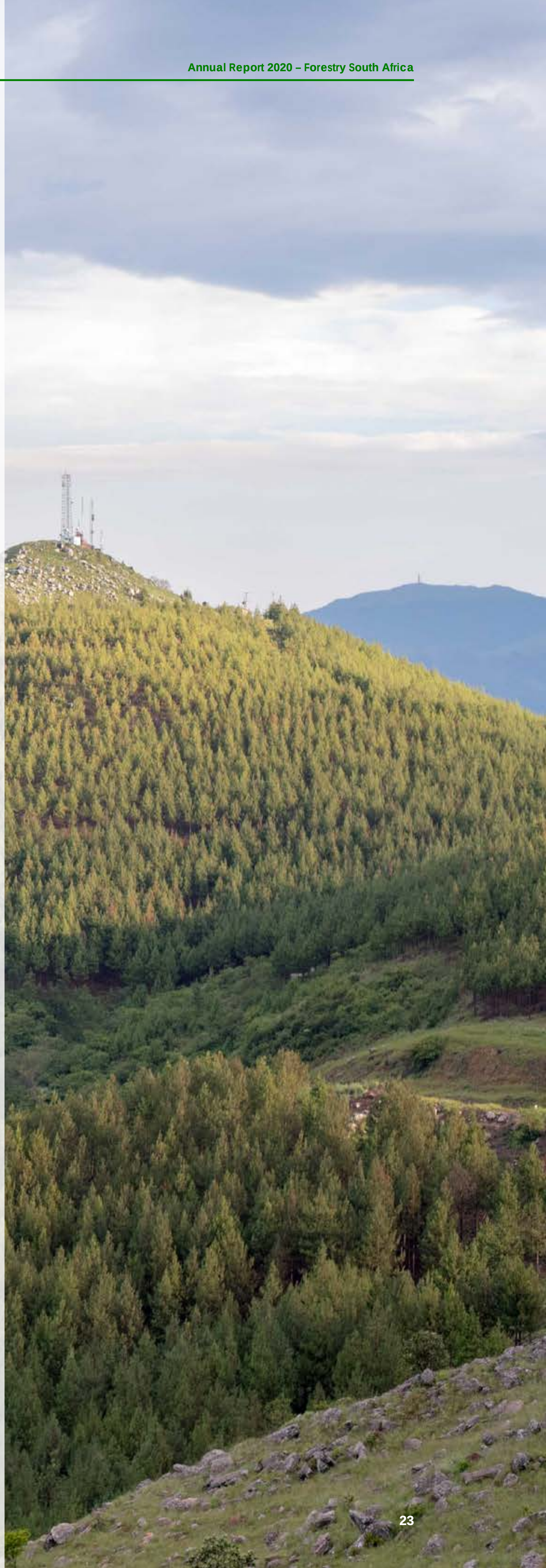
The SAFAS National Governing Body had been working with two Certification Bodies (CBs) in conjunction with Forestry organisations to assist them to achieve accreditation to audit against the standard. After a long delay owing to many constraints, including the Covid-19 lockdown, the Soil Association in association with the South African Bureau of Standards (SABS) were able to conduct a certification audit witnessed by the United Kingdom Accreditation Service (UKAS) for accreditation purposes. Accreditation of a Certification Body would open the door for increased small and medium scale grower certification and plans were well advanced to get a number of small grower schemes certified.

In June 2020, a pilot project was implemented in the KZN Midlands to test the SAFAS system on mixed farming operations and small-scale timber growers (SSTG's). The pilot project illustrated that the risk-based approach of the SAFAS system catered for the certification of all scales of forestry operation. FSA welcomes this development.

Timber Industry Pesticides Working Group (TIPWG)

Expanding into Africa

In August 2020, Exco approved TIPWG to expand its membership to our African neighbours with set limitations. The proposal had been initiated on the back of numerous African forestry companies inquiring about membership. We are optimistic that the number of African institutions that join TIPWG or purchase Environmental and Social Risk Assessments (ESRA's) will increase, thereby not only benefiting TIPWG by increasing revenue and capacity but which in turn,



will enable FSA to expand our research, training and communication portfolios with no cost to our members. This was already evident in the reduced budget submitted by TIPWG for 2021.

Deciphering Environmental and Social Risk Assessments (ESRA's)

TIPWG had been working tirelessly since the Forest Stewardship Council (FSC) had announced their revised ESRA-based Pesticide framework. A basic ESRA framework for every active ingredient currently used in South African forestry and reflected in the TIPWG Approved Pesticide List (APL) had been developed and ESRA's were now available on the members section of TIPWG website.

Raising Pesticide Awareness

Part of TIPWG's remit is to communicate both pesticide awareness amongst FSA members to reduce their reliance on pesticides. New Standard Operating Procedures (SOPs) had been developed which inform FSA members on the necessity of reading the label while also illustrating our members' commitment, as an Industry, to reducing our environmental footprint.

FSA would like to acknowledge Mr Roger Poole, the Chairperson of TIPWG and the members, for their sterling efforts in developing TIPWG into such an outstanding initiative within the Sector.

Land Matters

There were a number of crucial matters that the FSA Land Committee had to deal with during the year under review. A brief summary thereof is detailed below.

Constitutional Amendment to Allow Expropriation Without Compensation

The proposed amendment to the Constitution, to allow for the expropriation of property without compensation, was finally published in December 2019. FSA has continuously held the view that the proposed changes to the Constitution would be benign and that view is now shared by most other sectors, including the media and most recently, by the Minister of DARDLR herself.

While extremely poorly run public hearings on the proposed amendment had been held in three Provinces, it should be noted that the Ad Hoc Committee in Parliament, charged with leading the process of the amendment, had not met since the Committee was resuscitated in June 2020. Given that its mandate expired in December 2020, it is unclear how it would conclude the work of consolidating the outcomes of the public hearings and effecting an amendment to the Constitution before the end of this year.

Expropriation Bill of 2020

The Expropriation Bill of 2020 which is, in our view, similarly benign in its provisions as the proposed Constitutional amendments and contains all the conditions for which FSA and other sectors have fought for (e.g. recourse to the courts, just and equitable compensation, no commercial land to be expropriated, expropriation as a last resort etc), was released. It would again require public hearings on the content of the Bill after which it would go back to the Portfolio Committee before being processed by the National Council of Provinces and the House of Traditional Leaders for ratification or otherwise.

The only remaining major concern which FSA has with the Bill and which FSA and Agri SA are still contesting, is the State's attempt to slip in a new definition of expropriation (after the NEDLAC process) which stated that expropriation could only occur when the State acquired the land. This was a crucial change, as the State could then deprive landowners of their rights to the land (and compensation) and even transfer such land directly to a third party without it being defined as "expropriation" as they had not "technically" acquired the land. FSA and Agri SA would fight this attempted deception and were of the view that it would not comply with the current Constitution and would fall down in the Constitutional Court.

It was also important to note that the President, during his opening speech made at the 2020 Investment Conference, where there were a large number of international investors, only briefly referred to the Expropriation Bill and then only referred to leveraging State land, as the main thrust of the Bill. This once again confirmed what FSA had said since 2017, that the President has consistently tried to ensure that the ruling party's policy on EWC, did not pose a significant threat to property rights and the economy. We will nonetheless continue to oppose any legislation which potentially erodes property rights, as it is through the legislation (and not political statements) that the State derives is powers to act on these matters.

Agri SA Study on Economic Impacts of Proposed Constitutional Amendment and Expropriation Bill

Notwithstanding the seemingly benign nature of both the proposed Constitutional amendment and the Expropriation Bill, Agri SA had commissioned a study on the economic impact of expropriation where no compensation was paid, which could support future litigation against the amendment of the Constitution and the Expropriation Bill itself. The Report produced highlighted several challenges with the proposed amendment, the most important ones being that the policy position announced by the ANC in 2017 thereon had had a massively negative impact on investor confidence and consumers, posed serious threats to SA's food security and would negatively impact SA's GDP growth, which was already at a 100-year low.

Land Reform Settlement Models and Post-Settlement Support

During the year under review, the FSA Land Committee engaged with the Commission on Restitution of Land Rights (CRLR) on the Commission's proposed settlement models and post-settlement support. Given that the Industry had already developed models for the transfer of land to new beneficiaries, related to both corporate and private timber farms some years ago, which had worked well, specifically the sale and lease back models, FSA had motivated for these models to remain in place.

The FSA Land Committee would focus on the following matters during 2021:

- Settlement models;
- Post settlement support and settlement grants;
- Cooperation between Commission on Restitution of Land Rights and the Department of Agriculture, Land Reform and Rural Development;
- Governance issues related to the land claims process (i.e. corruption);
- Category A plantation rentals;
- Land invasions and special interest groups; and
- Any new land reform legislation that had the potential to harm the Industry.

Property Valuation Regulations

As reported in last year's Report, since the implementation of these regulations, FSA had consistently been of the view that these regulations were not only arbitrary, but also grossly unfair to landowners in the sense that the compensation paid by the State to landowners for land earmarked for land reform purposes was far less than the market value. Our viewpoint was supported by the judgements in two critical court cases in 2019 (Melmoth and Moloto) in which the respective Courts not only rejected the Minister's contention that she had to abide by the Valuer General's (VGs) valuations (based on flawed logic) but invalidated the decisions made by the VG in both matters. Importantly, the judgements clearly stated that neither the VG nor the Minister could determine property values and that the final arbiter thereon was a matter for the Courts to decide.

A third case (Jakkalsdans), was heard by the Court in 2020. Of interest to note was the following:

- Attorneys defending the affected landowners had again exposed the flawed logic in the formula in the Act, particularly with regards to the current use value being used as a basis for the valuation of a property and had successfully demonstrated that, using international best practice, current use value was only ever used when there was no market value available upon which to base a valuation, which was not the case in South Africa.
- Most disturbing, however, was that, as with the FSA Court cases regarding Existing Lawful Water Use and Genus Exchange regulations, the State had again employed delaying tactics, including allegedly making false statements in their affidavits, changing documents after they had been served in the Court and requesting postponements. We regard these actions as being totally unacceptable.
- It was encouraging to note that Agri SA held the same view as FSA, which was that this was a good sign, as it showed that the State did not have a credible argument or defence against the arguments being made by the private sector.

Labour Issues

National Minimum Wage (NMW)

The national minimum wage was increased by 3.8% and came into effect on 1 March 2020. The 90% special dispensation for forestry workers was still in place.

Although outside the timeframe of this Report, it is, especially given the record level of unemployment, alarming to note that although the NMW was increased by a modest 4.5% w.e.f. 1 March 2021 to R21.69 per normal working hour, the NMW applicable to farm and forestry workers increased by 16.1% as the previous 90% dispensation was scrapped. This would undoubtedly have a negative impact on employment levels within the Industry.

Employment Equity Amendment Bill

When the Employment Equity Act (Act 55 of 1998) was promulgated, it imposed various legal requirements on employers over a certain size, to comply with the Act, thereby being required to submit annual Equity Reports and Equity Plans to the Department of Labour in order that they could check the advance being made with the demographic composition of the employer's respective staff compliment. These requirements proved to be costly, both in terms of administrative and operational costs to employers, especially for small businesses. The Amendment Bill was a positive amendment in that businesses employing less than 50 employees would now be no longer be deemed as being a "designated employer", thereby exempting them from the submission of the abovementioned reports – thereby saving them administration costs.

Notwithstanding the above positive development, of possible concern was that sectoral targets for employment equity would, in future, be set by the Minister in consultation with the sector concerned. As a result thereof FSA, in conjunction with Agri SA and AGBIZ, had held a meeting with the Employment Equity Directorate in the Department of Employment and Labour during the year under review to ensure that they recognised the uniqueness of the Forestry and Agricultural Sectors. They seemed to have understood this and had requested that our sectors submit proposals on what changes we would like to

see being made to the Bill so as to take into account our concerns and uniqueness.

Possible Agreement Between Forestry Industry and CCMA

A proposed Memorandum of Understanding (MoU) between the Forestry Industry and the Commission for Conciliation, Mediation and Arbitration (CCMA) was in the process of being negotiated, the objective thereof being to give FSA members direct access to CCMA officials, so as to allow for a pro-active and pre-emptive approach to dispute resolution, thereby saving time and costs.

Business Development Matters

Development Finance

Land Bank & CASP

As reported in last year's Annual Report, the Minster of DEFF, at a meeting held in January 2020 with FSA, had indicated that the CASP funding originally pledged by the former DAFF, for the development of small-scale timber growers, including funding for land reform initiatives and which was to be administered by the Land Bank would "probably" not be honoured as the Land Bank was technically insolvent.

This dire situation had been reported by the Land Bank to the National Treasury and various Parliamentary Portfolio Committees in which they had indicated they were no longer able to service their debts as they had lost R2.8bn in the past financial year and were technically insolvent. Given the importance of the Land Bank in the South African Agricultural Sector, Agri SA had called on National Treasury to consider supporting the Land Bank's request of R18bn over 5 years to ensure the bank's sustainability.

Agri SA – Motsepe Foundation

Agri SA re-considered a proposal submitted by FSA in March 2019 to Kwanalu for funding by the Motsepe Foundation to assist small-scale timber growers. Almost forgotten, the original proposal caught the interest of Agri SA because of its multi-disciplinary nature involving timber, vegetables, broilers, egg and honey production. Following the re-discovery of this proposal, Agri SA, who were managing the funds that were allocated for agricultural projects, discussed the proposal at great length with FSA in a meeting that was held with them in April 2020.

Whilst there were many potential benefits provided by this project, the funding available from the Motsepe Foundation to uplift the Sokhulu community was in the form of a repayable loan rather than a grant. Unfortunately, the potential implementation partners in the project, who include members of FSA, could not commit to the project, because neither the loan amount nor interest rate could be determined prior to finalisation of the contract.

COVID-19 / National Lockdown and small-scale growers

Uncertainty and fear among our thousands of small-scale growers about the potential impacts of the COVID-19 pandemic and the lockdown, resulted in FSA's Business Development Unit (BDU) responding to literally hundreds of telephone calls and emails from concerned small-scale growers on how to navigate the new regulations.

FSA's BDU, led by its Business Development Director, Norman Dlamini and its Development Manager, Nathi Ndlela, must be thanked most sincerely for the support they offered our small-scale growers. Since it was impractical and extremely time-consuming for the BDU to respond to each enquiry from our SSGs, the BDU developed a WhatsApp group for our SSGs and translated into isiZulu, all the many updates on the regulations, which FSA was putting out via our Telegram Channel, WhatsApp group and our website.

Financial Relief for Small-Scale Timber Growers

FSA had investigated all the Covid-19 relief funds available to check those that were relevant and accessible to small-scale timber growers, those who were formal enterprises and those that operated in the informal sector. Unfortunately, our considerable efforts to secure such funding came to naught. Noting that there was no relief fund managed by the DEFF to support small-scale forestry, FSA assisted several growers to apply to the Covid-19 Agricultural Disaster Support Fund for Smallholder and Communal Farmers that was coordinated by the Department of Agriculture,

Land Reform and Rural Development. None of the applicants were successful and the prospects of success for timber farmers were very slim from the beginning because the fund was expressly designed to support poultry, vegetables, fruits, livestock and Winter crops' farmers. *FSA learnt in February 2021 that one of the assisted growers who had mixed operations, also farming in maize and the production of sugar beans eventually received funds from the Covid-19 Agricultural Disaster Support Fund.*

FSA assisted a few other growers, at their insistence, to apply for the Department of Small Business Development's Covid-19 SMME Common Relief Fund. But again, no growers were considered as they did not meet the requirements for such assistance (e.g. being registered with the Companies and Intellectual Property Commission (CIPC), SARS and the UIF amongst other things).

The lack of relief funds made available to small-scale timber growers during the Covid-19 pandemic from Government was a lesson and acted as an incentive for such growers to register their businesses with the CIPC as proper business entities.

Despite the efforts of FSA's Business Development Unit to persuade growers to do so, given the plethora of regulatory compliance requirements that came from the Department of Labour, SARS, UIF, etc., most growers opted not to register, thereby denying them access to Government funding.

Presidency-led Economic Recovery Plan

Responding to the call by National Treasury for funding proposals, in relation to the Presidency-led job creation and preservation initiative, which had set aside R 19.6 billion for the resuscitation of the economy in 2020, FSA had submitted a community forestry programme proposal, with a budget of R447 million involving 27 projects, which would be led by FSA. Unfortunately, our proposal was declined in September 2020, the reasons being a lack of clarity on the institutional arrangements around the project (between FSA, DEFF and DTIC) and that the Minister of DEFF had asked the National Treasury to only consider the proposal once the overall DEFF allocation had been approved.

Given that an initial allocation of R1.98 billion to DEFF had been approved by Treasury and that we had been given an option to resubmit our proposal, FSA did so on 7 October 2020. However, we were told on 29 October that all second-round applications for funding from the employment stimulus package had been withdrawn in order to re-prioritise available funding for the extension of social grants. As much as the Minister of DEFF had indicated that her officials must try and find ways to support our proposal, there was little chance of this being successful given the above and the fact that apparently only 5% or R98m of the original R1.98bn had been allocated to the Forestry Branch.

We remained hopeful, however, that DEFF would still make some funding available for the "*Beat Leptocybe Project*", one of the legacy projects announced at the XIV World Forestry Congress, held in Durban in 2015 and to which Government committed to. *Encouragingly, the Presidency had expressed its sincere regret to the PPGI meeting held on 22 January 2021 at the way our application had been handled and indicated their belief that they would still be able to find funds to support Forestry. Importantly, SSG funding is now firmly on the Presidency and DEFF Minister's radar and FSA would pursue this aggressively at every opportunity.*

Despite these setbacks, FSA wishes to thank all members for the effort and time they spent on putting up a formidable proposal in record time.

Business Development Unit Programmes

Many planned physical engagements of the Unit with members, such as training interventions, the pilot of the Green Business Value Chain projects and the Youth and Women Outreach programmes were either postponed or cancelled due to the Covid-19 lockdown regulations and given the fact that most participants attending these programmes did not have access to the internet so as to participate in virtual meetings. The KZN Growth Coalition Initiative was also postponed until further notice due to these difficulties.

Grower Consultations

Consultations with District Structures

The first round of grower consultation meetings was cut short by the National Level 5 Lockdown imposed in response to the Covid-19 pandemic on 27 March 2020. FSA's Development Manager, Mr Nathi Ndlela, thus only managed to convene four out of the nine meetings scheduled for the KwaZulu-Natal Province. Evidence of the effects of the global lockdown was already starting to be felt as growers brought up issues of restrictions of timber delivery in some markets. Other issues raised by the growers and discussed in the meetings included the traditional lack of access to development finance and poor extension support. These were ongoing issues of concern and FSA's BDU would again take these up with the relevant authorities.

Consultation with Provincial Structures

No leadership changes were made in all the structures consulted and, as such, committee members remained the same leading up to the FSA Annual General Meeting held on 19 November 2020. The threat posed by the Covid-19 pandemic continued to force all grower consultations to be conducted virtually, where conditions permitted, through virtual platforms and would be done so for the foreseeable future.

Education and Training

FSA places great importance on increasing the education and training of those either already employed in the Industry (through training programmes) or those who are to become involved in the Industry (through educational courses). FSA would like to acknowledge the significant financial support received from the FP&M SETA during 2020 as well as the efforts that FSA staff, particularly Norman Dlamini, FSA's Business Development Director, Nathi Ndlela, FSA's Development Manager, Dr Ronald Heath, FSA's Research and Protection Director and Francois Oberholzer, FSA's Operations Manager, to ensure that the education and training needs of the Industry were dealt with. A summary of FSA's education and training activities during 2020 is highlighted below.

Capacity Building for Higher Education in South African Forestry

FSA successfully coordinated a consortium to apply for funds to advance capacity building for Higher Education Institutions offering Forestry programmes. Mr Norman Dlamini needs to be commended for all his efforts in leading this process. The consortium was awarded a grant of €1 million by the Erasmus+ Programme for the three-year programme. The team included Dr Brand Wessels (Stellenbosch University), Dr Phillip Tshidzumba (Fort Cox Agriculture & Forestry Training Institute), Prof Jos Louw (Nelson Mandela University), Prof Peter Adesoye (University of Venda), Prof Puffy Soundy (Tshwane University of Technology), Dr Eija Laitinen (Häme University of Applied Sciences), Ms Subra Riina (Aalto University), and Prof Vladimir Naumov (Inland Norway University of Applied Sciences).

The project was titled, "21st Century Climate-Smart Forestry (FOREST21)" and sought to mainstream climate change and forestry entrepreneurship into the forestry curricula in South Africa and to improve teaching and learning by introducing a problem-based learning ecosystem.

Contract documents for this grant were signed in November 2020, after completing the validation of all the participants. The first meeting of associate partners that have been carefully identified by FSA, which included the Department of Environment, Forestry and Fisheries (DEFF), Quality Council for Trades and Occupations (QCTO), Council for Scientific and Industrial Research (CSIR), Department of Higher Education, Science and Technology (DHEST), Council for Higher Education (CHE), and the Fibre Processing and Manufacturing SETA (FP&M SETA), Witwatersrand University (WITS), University of Pretoria (UP), and the University of Mpumalanga (UMP), was held in November 2020.

Special participation was extended to members of FSA who would like to be part of the associate partners, because of their strategic inclination and interest to the issues addressed by the project – e.g. climate change, forestry entrepreneurship, problem-based learning ecosystems etc. All these associate partners would play the role of a reference group during the project lifetime, a very instrumental role in the success of the project, even beyond the three-year project lifetime.

FSA-led Training Interventions

The following interventions are to be noted:

- FSA signed a Memoranda of Agreement with the FP&M SETA to support three training interventions which had been scheduled to start in April 2020 but all three were postponed because they required physical face-to-face interactions which, due to the Covid-19 lockdown, was not possible. The total funds to have been received from the SETA for these projects was R1.3 million. FSA had already submitted a motivation to the SETA that this funding be made available to FSA once the Covid-19 lockdown regulations permitted the training projects to take place.

- The training matrices for the FP&M SETA-sponsored Supervisor and Advanced Chainsaw Operator courses were completed.
- The initial training for 28 operators of the FSA designed small-scale timber winch was completed in March. Evaluation and follow-up training had been delayed but the first follow-up training was completed on 18 November 2020 in Richmond at Inkanyezi Community.
- At a FP&M SETA Discretionary and Mandatory Grant workshop held in Durban on 18 March 2020, the SETA again emphasised the concern that many learners were still not being absorbed into the workplace after completing SETA-funded programmes. FSA was again a shining example because all our training was directed to either employed but not fully competent learners (uncertified operators/employees) or learners in preparation for employment in community projects.
- Arrangements were made to start the training of learners on the supervisor and advanced chainsaw operator courses on different dates, under the Covid-19 restrictions of Level 1 lockdown regulations. The training eventually started in November 2020 but was then suspended when the adjusted Level 3 lockdown regulations came into effect.
- The FSA Business Unit continued to train grower representatives on how to use Microsoft Teams and Zoom platforms so that they could continue to be effective in their roles of representing growers in many meetings which were nowadays conducted through one of these platforms.

FSA Supported Training Initiatives

FSA extended an invitation to growers and contractors to attend two short courses on Business Management and Fire Management, respectively. The courses were

conducted by well-known industry figures, Dr Jaap Steenkamp and Ben Potgieter under the banner of CMO and were sponsored by the FP&M SETA. Class numbers were limited to 20 learners for each of the seven venues. These were Tzaneen – Westfalia HM Training centre, Sabie – Platorand, Piet Retief – FFA, Kwambonambi – Sappi Training Centre, Pietermaritzburg – Stihl Boardroom, Tsitsikamma – Witels & Die Stal and Knysna – Concordia Centre) and were conducted between November 2020 and January 2021. FSA must thank the kind co-operation of both our members and non-members in making these venues available for these training courses.

Other Training Matters

New Representation on FP&M SETA Structures

New Boards, applicable to all SETAs, were appointed by the Minister of Higher Education and became effective from 1 April 2020 and would remain in office for the next five years. Mr Francois Oberholzer, FSA's Operations Manager, had replaced Mr Norman Dlamini as the Forestry sub-sector's employer representative on the Board of the FP&M SETA. He had also taken over from Mr Roger Godsmark, as the Sector's representative on the SETA's Audit and Risk Committee, a position that Roger had held for over 20 years. The industry would like to thank Norman Dlamini for the service he rendered to the SETA, not only on behalf of the forestry sector but the entire organised business of the 13 sub-sectors during his term on the Board.

Placing of Students in Industry

The placing of forestry students in Industry for their practical training year has been a problem over several years, as the financial situation of those of our members who take on these students has become more dire, given the declining economic circumstances in which they operate. This became more challenging when the State stopped taking on such students some years ago. These challenges escalated considerably during 2020 due to the added impact of the Covid-19 pandemic and the resultant negative financial impact on the Sector.

FSA is extremely grateful to those members who were still able to assist students in providing the practical training. FSA was working closely with

affected institutions to resolving these challenges but implores our members to consider hosting students for their practical (experiential) training. This is highly important as students must have successfully passed their practical year for them to receive a qualification at the end of their studies. If they don't even get a chance to do their practical year, that would be tragic. The academic institutions should also be commended for securing funding to support the students during their experiential training.

Development of New Qualifications

We are pleased to report that the South African Qualifications Authority approved the registration of an Advanced Diploma in Forestry Management at Fort Cox during the year.

Women in Forestry Project

As mentioned in other sections of this Report, FSA had supported the organisation, co-ordination and formation of an association for women in Forestry. The new organisation was now working towards registering as a formal entity. In August 2020, the newly formed organisation managed to host a live webinar to celebrate women in the Sector. The event was attended by no less than 231 people from 26 different organisations and was opened by Deputy Minister Sotyu of DEFF. At this virtual meeting, the organisation raised R70 000 to alleviate social ills in some carefully chosen schools in the five Provinces of South Africa which have a forestry footprint.

Transport Issues

As in previous years, the FSA Transport Committee had to deal with various critical transport issues facing the Industry as the transportation of timber to mills (and its export) had become a major cost driver for the Industry. It is thus positive to note that during the year under review numerous transport and transport infrastructure issues had been included in the PPGI and the Forestry Sector Masterplan to address the challenges and constraints that the Industry faced. Below is a summary of the issues dealt with during the year.

Road Matters

Diesel Rebate

As reported in previous Annual Reports, FSA had, over the past three years, made numerous written submissions to SARS regarding the diesel rebate system in which we pointed out concerns that we had with the rebate system and in which we made recommendations on how to resolve these concerns. Following a meeting with SARS in 2020 they had agreed that the peculiarities of the Industry warranted them developing a specific diesel rebate system for the Forestry Industry. Although this had not been done (we are still included with the agricultural sector), further submissions made by FSA during 2020 have resulted in some positive developments, namely the inclusion of diesel used in the transport of wattle bark and that used by forestry contractors.

Despite these positive developments, certain challenges still remain – particularly with regard to the exclusion of diesel from the rebate system used for the following purposes or by certain vehicles:

- Transportation of labour
- Empty return trips from mills / processing plants
- Refuelling on roadside or site
- A list of vehicles authorised to claim the rebate (which excludes certain vehicles included in a comprehensive list supplied to SARS by FSA).

FSA would continue to liaise with SARS in order to resolve these and other outstanding concerns.

Performance Based Standards Vehicles

As mentioned in previous Annual Reports, the Performance Based Standards (PBS) initiative, which was still being run as a pilot project after many years, had resulted in huge savings on transport costs for the industry. FSA, through its Operations Manager, Francois Oberholzer, has led this initiative on behalf of the Industry for some years. The latest developments during the year under review are as follows.

- The PBS Steering Committee, on which FSA served, submitted its final report on the results of the PBS Pilot Project to the Abnormal Loads Technical Committee (ALTC) for approval. Once the ALTC had approved the report the National Department of Transport would be approached to incorporate the PBS model into the National Road Traffic Act.

- Another positive development was that through FSA's intervention, the Department of Transport and Public Works in the Western Cape had started processing outstanding PBS permit applications during 2020. This was particularly influential to assist members in these areas to transport timber cost effectively over long distances to processing plants due to the shortage of timber caused by the 2017 and 2018 fires, and the lack of progress with the recapitalisation of the State-owned plantations in the province.

Speed Bumps

FSA's Operations Manager had engaged with the KZN Department of Transport to determine to what level speed bumps on provincial and district roads had been built according to design criteria. Although speed bumps were designed to calm traffic flow, the incorrect construction thereof led damage to vehicles, increase in wear and tear and longer transport times, thereby resulting in increased transport costs. This matter will receive further attention in 2021.

South African Forest Roads Handbook

During the year under review, the Forestry Operations Committee had initiated the updating of this handbook, the original one having been published many years ago. Mondi volunteered their staff's expertise to conduct a review of the current handbook to ascertain which sections needed updating. Mondi is sincerely thanked for doing this work.

Rail Matters

A meeting between Transnet and the FSA Transport Committee was held in November 2020. In its report, TFR reported that:

- Transnet Engineering had completed a new timber wagon (SLT-19), which would be tested early in 2021. The new wagon had a 18m loading deck and could accommodate a payload of 58 tons.
- TFR and FSA would have more frequent meetings to address problems or challenges as they arise.
- Three joint TFR / FSA task teams had been established, the purpose of which being to run with various projects through to completion. These task teams would cover the following projects: better use of current rolling stock, long-term replacement of existing wagons, introduction of Telematics, replacement of broken transponders and the establishment of a "Mega Depot" between Pietermaritzburg and Durban.

Port Matters

FSA continued dealing with these matters as they are a key constraint to investment and growth in the PPGI process.

Tariffs for 2020/21

As reported in last year's Report, following a request by the National Ports Authority (NPA) for an average 4.21% increase in tariffs for their services and facilities for the 2019/20 year, the Ports Regulator of SA granted them an average **decrease** of 6.27%. Furthermore, they capped the Rand per ton tariffs for the export of break bulk (e.g. logs and timber products) and dry bulk (e.g. woodchips) commodities at R31.50 and R20.00 per ton respectively.

It was encouraging to note that despite a request by the NPA for an above inflation average tariff increase of 4.8% for the 2020/21 year, the Ports Regulator granted them a zero-percentage average increase and furthermore, maintained the cap of R31.50 per ton on the export of break bulk commodities and **reduced** the capped tariff of R20.00 per ton on dry bulk commodities, imposed the previous year, to R18.00 per ton.

This is good news for the Industry, as it not only shows an acceptance and willingness by the authorities to deal with our concerns but will also save the forest sector considerable amounts in terms of export costs.

Essential Sectors Forum

Through the Essential Sectors Forum, FSA was able to successfully lobby for the continued operation of ports and rail for our Sector during the Covid-19 lockdown, even though Portnet and Transnet had attempted to invoke *force majeure* clauses to close operations. This undoubtedly helped the Industry and the processing sector from the potentially huge losses that would have occurred should the ports and TFR have halted operations. It also saved many jobs that could have been lost.

Forest Operations Matters

Forest Operations Working Group

Two major matters were dealt with by the working group during year under review. These are the following:

Forestry Valuation Guideline Task Team

As mentioned in last year's Report, FSA had received a letter from the Department of Public Enterprises, requesting us to establish standardised Forestry Valuation Guidelines (FGVs) for the valuation of biological assets. FSA held an initial workshop to discuss the pros and cons of such an initiative, the upshot of which was that it was decided to go ahead and draft such FVGs but that, until such time as there was general agreement on them, they not be published for use. Progress to date is summarised below.

- A first draft of the Forest Valuation Guidelines had been completed and submitted to the Working Group for comment.
- The combined review of Australian / New Zealand guidelines had also been completed and these changes would be worked into the current document.
- The completed document would then be published and available to all members for further comment.

Competition Commission Report on the Forestry Sector

The Competition Commission released a draft Report in July 2020 on their findings of the Forest Sector Impact Assessment that they had conducted and called for submissions to be made thereon. Of importance to note and certainly a positive outcome, was that the Report found no evidence of collusion or other forms of anti-competitive behaviour in the Industry. Having said that, the Industry did have some major concerns with their Report. These related to the following matters:

- Despite the Report's focus on the participation of SMEs and Historically Disadvantaged People (HDPs) in the various sub-sectors of the Industry, in which the private sector invested heavily in the development of such growers, they neglected to mention extremely important issues in this regard.

- Although nearly 70% of South Africa's roundwood production was pulpwood, most of the recommendations in the Report concerned the solid wood sub-sectors (sawmilling and pole production). Yet SMEs and HDPs overwhelmingly produced pulpwood due to shorter rotation ages and hence better cash flow.
- The Report also failed to mention the failure by the State to meet any of its stated objectives for the Forestry Sector in terms of the PPGI and Forestry Masterplan which would, if implemented, lead to an increase in new afforestation, the re-capitalisation of degraded State-owned plantations, the exit by the State from the direct management of State Forests, the funding of SME and HDP development and funding for forestry research, development and innovation.
- In relation to the promotion of SMEs and HDPs, there was also an absence of any reference to the Forest Sector Code, which was specifically focused on the promotion of HDPs and SMEs in the Sector and to provide detailed analysis on the barriers and constraints to these objectives, as well as recommendations for addressing these matters.
- The recommendations made in the Commission's Report also differed significantly with those that the State, the private sector and organised labour had already agreed upon in the Forest Sector Code, and subsequent planning documents, most importantly the PPGI and the Forest Sector Masterplan.

Given these concerns and following wide consultation with Industry, FSA made a submission to the Commission stating it was our belief that the Commission's findings and recommendations should not be relied upon by Government, either for the development or refinement of policy or legislation, or as justification for any organ of State (including the Commission) to interfere in mergers, acquisitions or timber swaps.

Transformation and the Forest Sector Charter Council

The Industry remained the only one in the entire economy that consistently reported annually on its transformation status to the Department of Trade Industry and Competition (DTIC). More importantly, the 11th Transformation Status Report (the 3rd submitted under the Amended Forest Sector Code) for the 2019 year, submitted in 2020, had demonstrated that the Industry had continued to make great strides in its BBBEE status. This showed that, overall, the Sector was at level 4. As such, those entities that met this or better levels were classified as "preferred entities". Of particular importance to note was that, for the first time in the history of the Forest Sector Codes, both Medium and Large Enterprises (MLEs) and Qualifying Small Enterprises (QSEs) had improved their performance in all five scorecard elements. This was a remarkable achievement.

In terms of reporting for the 2020 year, members had found it either extremely difficult or impossible to pursue all their scorecard element targets due to the Covid-19 pandemic and the resultant lockdown regulations. FSA had highlighted these problems to the Charter Council who had appealed to the DTIC to Gazette amendments to the Forest Sector Codes to take into account the extraordinary circumstances that had been caused by the Covid-19 pandemic.

Unfortunately, the DTIC did not take heed of the Council's request nor to similar requests being made by other sectors.

To the Council's credit, they agreed to issue letters (on request) to all affected companies to use in dealing with suppliers, clients and funders to highlight these problems and that these should be taken into account when assessing a company's BBBE status. They were also willing to state what the modified score for each of the 5 elements of the scorecard should be, using the elements against which each company was able to perform during lockdown.

FSA is extremely grateful for the assistance rendered to the Sector by the Council in this regard.

Industry Communication and Promotion

Implementation of the new FSA Communication Strategy progressed well during the year under review. Dr Ronald Heath, FSA's Research and Protection Director, who has taken on the Industry Promotion portfolio, together with Dr Katy Johnson, a private consultant, as well as FSA staff and members must be thanked for the excellent job that they have done in improving FSA's media and

communication profile. The main highlights during 2020 are detailed below.

Communication

FSA Website

The new FSA corporate website page (www.forestrysouthafrica.co.za) was launched in January 2020. The new website format, which now gives easier access to visitors to the comprehensive information contained therein, has proved very successful judging by the website access data received. It has received 30,855 visitors from 21,810 unique IP addresses, with over 354,215 page views with, on average, 11.47 pages viewed per visit. The site has also registered just over 1.987 million search engine hits since inception.

New FSA Database

Home to all FSA and Sector documents, a photographic library and database of forestry research. This was an FSA members' only one-stop-shop for forestry related information. Unfortunately, registration to the database had been slow during 2020 and this was something that FSA would need to work on during the course of 2021.

Forestry Explained Website

Information contained in this specific website (www.forestryexplained.co.za) was currently being updated and once completed would be uploaded to FSA's website.

FSA Breaking News Telegram Channel

The function of the Telegram Channel, introduced in 2020, was to alert members on major issues, breaking news or key events which were deemed to be of crucial importance to members. This method of communication, providing information on relevant regulations, guidelines and information proved to have been of immense value to members, especially during the ongoing Covid lockdown period that was endured until the end of the year.

FSA Newsletter

The monthly FSA newsletter was launched in the latter part of 2019 and had gone from strength to strength, generating a lot of positive feedback from FSA members who had not only found the information shared of value but had also used it as a platform to showcase their various initiatives. It had also received positive feedback from our forestry partners, including FSCC, FSC, academic and research institutes and value-chain partners. The newsletter would go forward in 2021, taking on a magazine format with six rather than 12 issues being published per annum.

Promotion

Social Media Presence

Instagram: During the year under review FSA continued to have a presence on the Instagram platform @forestry_explained as a social media platform. During 2020 there had been a 121% increase in followers which had indicated that it had proven to be extremely popular amongst our followers, with increasing numbers entering photos in 2020. A year-long #ForestryFriday promotional campaign had generated a huge spike in the number of profile visits and likes, thereby raising the profile of forestry. The #LoveofForestry campaign, started in June, had resulted in a huge spike in follower numbers and page views, whilst the #ForestryFun competition had resulted in just under 1000 likes, comments and profile views. Given the success of the above, FSA was planning to use some of the images entered to make a promotion video, showcasing the forestry landscape. Two specific campaigns during 2020 to be highlighted include the following:

21 Days of Gratitude: This was initiated in response to a global social media effort to thank those who, during the Covid pandemic, had been at the forefront of trying to counter the impact of the pandemic sweeping the world. The response to this initiative had been very positive.

Forestry Explained: Followers were asked to take over the page for a day. This resulted in 60 posts, with an average reach of 446 individual accounts per post and a combined reach of 26,771 over the duration of the campaign.

Women in Forestry (Women's Month): To celebrate Women in Forestry, a video profile of 31 inspiring women involved in the Industry was posted every day during August 2020. The profile videos had been visited over 1,500 times, with the webpage itself receiving over 3 610 unique visits during Women's Month. In addition, six of the profiles were selected by Sibisi News to be featured on their website.

Publications and Media Coverage: FSA's promotional activities, resulted in significant media coverage during the year under review, including FSA participating in one national television programme, Grootplaas, as well as two radio interviews on RSG as well as a podcast by Mr Michael Peter on a prominent web-based platform. Some other highlights of our achievements in this regard are detailed below:

International Day of Forests: A media release featuring an article by Dr Ronald Heath which, in turn, featured in seven digital media publications, where all aspects of forestry were discussed, was subsequently selected to feature in the FSC Africa newsletter.

Pelargonic Acid TIPWG Article: Was published in SA Forestry and received positive feedback from the Industry.

The Rise of ESRA TIPWG Article: Was first published in TWK Agri's Radius magazine and later adapted for Seedling Growers Association of South Africa's Leaflet circular.

Be careful of things that Buzz TIPWG Article: Was published by SA Forestry on the use of drone technology which received a lot of positive feedback and resulted in the planned development of an SOP early next year with respect to the use of drones.

Honey Bee SOP: Was launched in conjunction with World Bee Day 20 May. It resulted in a CropLife Q&A article, which was currently featured on their website, and used as part of their training programme. It had also resulted in Roger Poole, the TIPWG Chair, being asked to speak on the SOP to various audiences. Two other SOP's, IPM for Infrastructure Pest Management and Aquatic weed control had also been released.

First issue of TIP-Mag: This had been released on 1 June 2020 and had resulted in an article being published by Farmer's Weekly which involved a Q&A session with FSA Research and Protection Director, Dr Ronald Health, during which he promoted both the research being conducted by the Industry and its commitment to funding both research and innovation.

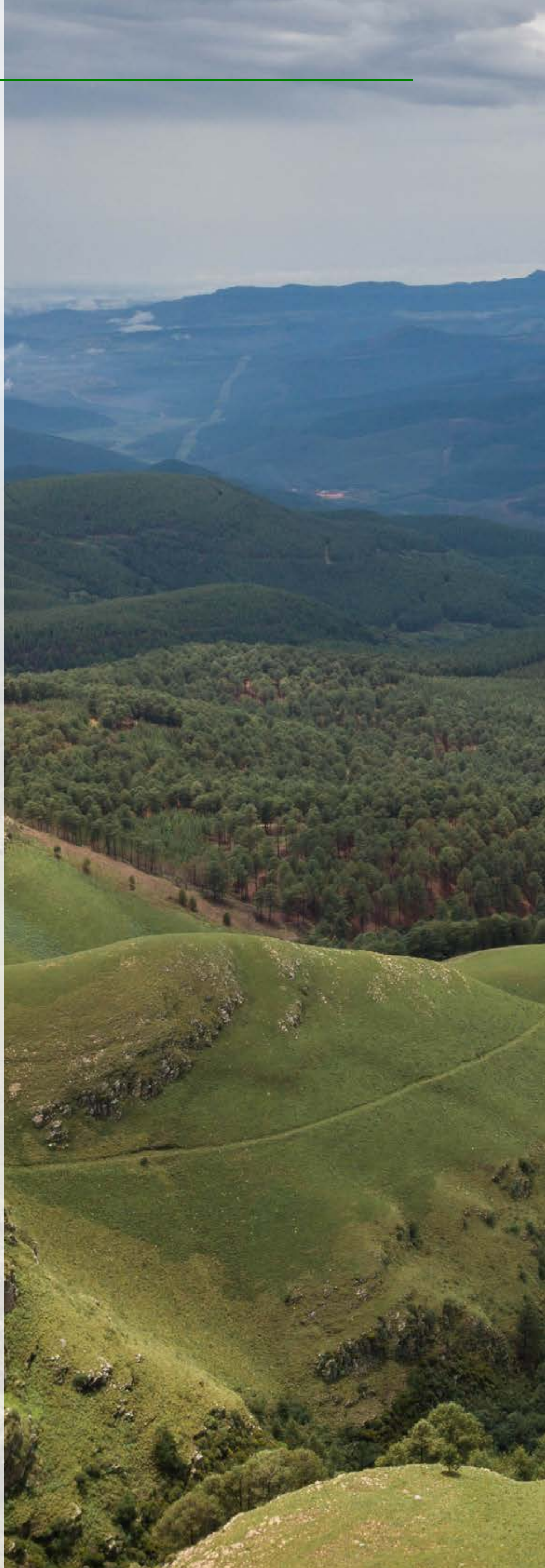
Appreciation

We would like to extend our sincerest gratitude to our members, for their continued commitment to the collective efforts of the Industry, both in terms of their financial contributions to FSA and in the investment of their time. As we have mentioned in the past, without the additional investment of members' time and skills in the multitude of structures and processes which FSA has in place, which work on the issues of common concern to timber growers, we would be much less effective and efficient.

We sincerely thank our partners in education and training, research, protection, transformation, environmental management and those in other Associations and Government Departments, whose efforts support the growth and transformation of the Sector.

In particular, the role played by officials in the Presidency and many others in government, proved critical in 2020, in managing the Covid-19 crisis. Similarly, the enormous effort of our private sector partners and the leadership of the PPGI, proved critical for navigating the Sector and country through the impacts of the Crisis and will remain critical in growing the country and Sector into the future.

Michael Peter
Executive Director
Forestry South Africa
April 2021



Finances

FSA Timber Sales Tonnages in 2020

It is again concerning but not surprising that timber sales fell again for the sixth consecutive year in 2020. This was, in large part, due to the Covid pandemic which had a severe impact on both local and export markets. The total tonnage sales recorded by FSA members in 2020 was 11 639 000 tons – the lowest on record since FSA was formed in 2002. This was a decrease of 1 986 000 tons (or -14.6%) on the sales figures recorded in 2019. In terms of the budget for 2020 of 15.2 million tons, the 2020 sales figures were no less than 3 561 000 tons (or 23.4%) lower than that budgeted for. A brief analysis of the sales from plantations by FSA members in 2020, in comparison to 2019, reveals the following:

By genera:

- Softwood sales of 4.8mt, were down (-11.5%)
- *Eucalyptus* sales of 6.9mt, were down (-15.3%)
- Wattle sales of 1.1mt, were down (-22.8%)

In product terms:

- Sawlog sales of 3.1t, were down (-17.1%)
- Pulpwood sales of 8.1mt, were down (-13.2%)
- Other sales of 0.5mt, were down (-20.3%)

Despite these rather depressing figures, of importance to note is that had it not been for FSA's intervention in June 2020 to persuade Government to open up the Construction Industry, losses would have been much greater (10.2m tons or a 25% drop). The positive result of these actions was particularly felt by the sawmilling, board and pole sub-sectors of the Industry and, in our estimation, saved approximately R6bn throughout the value chain and saved almost all jobs in the Sector.

FSA Finances 2020

The Audited Financial Statements for the year ended 31 December 2020, are available on the Association's website (www.forestrysouthafrica.co.za) once they have been ratified by the AGM. Income for the year under review of R28.04m was R1,08m under budget. The shortfall was mainly due to members who, for 2020 still paid on variable cost. We are glad to report that from 2021, all members will contribute on the fixed funding model. It is positive to note that the shortfall on income was offset by savings. In this regard, Operational expenses were R2.07m underspent. This was mainly due to savings from the retirement of the Operations Director and Covid-related savings on items like transport and meetings. Industry expenses on the other hand was R 474 000 "overspent". This was due to late submission of R1.2m invoice from a research partner for the 2019 financial year. This, however, had no impact on the 2020 budget as the funds were ringfenced from the 2019 budget. An overall total of R1.7m in savings for 2020 was due to the impact of lockdown on Operating and Industry expenses.

FSA Budgets and Funding for 2021

In terms of the "equitable share" funding model adopted by FSA three years ago, which had proved itself to be fair to both contributors and FSA alike, the FSA Executive Committee, as per the original agreement, approved that the base for contributions for the period 2021 to 2023 be based on the "equitable share" of members' tonnages for the three -year period – 2017, 2018 and 2019. It must also be noted that given the prevailing economic climate, FSA produced a budget for 2021 that took this into account and limited any increase in member's contributions to the bare minimum including a zero increase in staff salaries in 2021.

Following structural staff changes at FSA during the previous financial year, the impacts of the Covid pandemic on reduced operational costs (primarily, travelling, meeting and AGM costs) and following input thereon by the General Committee, the Executive Committee, at its virtual meeting held on 19 November 2020, approved the following FSA operational and Industry budgets for the 2021 financial year. FSA reduced every possible cost due to terrible trading conditions. These reductions included a 4.3% decrease in the Operational budget to R11.719m as well as 2.1% decrease in the Industry budget to R16.835m. Member contributions for 2021 will reduce by 4.2% (8.1% in real terms after inflation). Very important to note is that FSA, for 2021, has secured leveraged and consortium income at the highest level ever at R20.923m.

FSA Contributors

AMATHOLE FORESTRY CO.
BRACKEN TIMBERS LOGGED INTO QUALITY
BTG Pactual
GEELHOUTVLEI
The Lion Match Company (PTY) LTD
MERENSKY
MOKOBULAAN PLANTATION
The Molozi Trust
mondi
MTO | group
NCT NCT FORESTRY CO-OPERATIVE LIMITED
Paulpietersburg
PG BISON
R & B TIMBER GROUP
SAFCOL OUR FORESTS. OUR FUTURE.
sappi
SIYAQHUBEKA Forestry for Life Together, Moving Forward
SLM STEVENS LUMBER MILLS
SUREJOY INDUSTRIES (Pty) Ltd.
TWK agri
UCL
United Forest Products
YORK TIMBERS

Small Growers Group

(SGG Co-operatives)

Amakhaya
Amahlathiwethu
Athole
Brooklyn
Clare
Craigburn
Driehoek
Donderhoek
Emapheheni
Ezakheni
Ezimakade
Fhuluphelo
Green Valley
Imizamoyethu
Ingogo
Jabulane
Konanani
Libhaba
Mahongwane
Masibambaneni
MATMT
Mhlongomvula
Mkhondo
Msibi
Ntithane
Ozwathini
Ratomobo
Sizabantu
Sukumani
Suzzanahof
Tshitongwe
Ukhalokamsithi
Umzimkhulu GA
Vezimpilo
Vhembe Mbofhano
Zamokunzima
Zaaihoek

Organisation Details

Forestry South Africa

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

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Ronald Heath – Research & Protection Director
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Precious Singo – Office Assistant

Norman Dlamini – Business Development Director
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Nathi Ndlela – Development Manager
Judy Dowsett – Office Manager

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Bankers	Standard Bank of South Africa Ltd
Auditors	Rabie Deysel Incorporated Chartered Accounts (S.A.) Registered Auditors
Photographs	www.forestrysouthafrica.co.za, unless specified


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