

# THE MANDELA INITIATIVE

*Dialogue and action to overcome poverty and inequality*

A summary of research undertaken for the Mandela Initiative, May 2017  
Supported by the Department of Science and Technology and National Research Foundation

## Job creation in forestry, timber, pulp and paper

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“Job creation in agriculture, forestry and fisheries” study, led by Ben Cousins,  
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### 1. What is the project about and why is it important?

- Forestry (together with downstream timber, pulp and paper industry) is a mature and well developed sector of the South African economy.
- The sector contributes 1% to GDP and 6% to manufacturing GDP. Exports amount to 70% of sector revenue, a total value of R2.2 bn; 99% of exported products are value added.
- The industry provides an estimated 236 500 formal sector jobs, many in economically depressed rural areas.
- Growth in forestry and forestry value chain industries in South Africa is constrained mainly by water availability that limits the total extent of timber plantations. This in turn limits the supply of timber to value chains.

The aim of this study was to collate and analyse information on opportunities and constraints for further job creation in the FTTP industry. Research and analysis was based on three main sources:

- Documented sources including research studies, government and industry reports.
- Interviews and discussions with a wide range of industry specialists and professionals.
- Case study research to learn from best practice:
  - Labour intensive forestry and mixed farming: Greytown timber farmers
  - Forestry as a driver for rural revitalisation: Umgano DevCo
  - The timber marketing cooperative success story: NCT

### 2. What are the main research findings to date, and their significance?

There are a number of key opportunities for growth and employment creation in forestry and downstream industries. Realisation of these opportunities is however hindered by a range of constraints, as depicted in the table below.



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<b>A commercial forestry as catalyst for rural revitalisation in communal areas</b>			
Domestic and global markets for sustainably produced timber are rapidly growing and a supply shortage is forecast. There is considerable potential for commercial timber production in communal areas, particularly in Eastern Cape and KwaZulu-Natal. Timber plantations can provide jobs, and a source of revenue to capitalise a wide range of community-based businesses.			
	Opportunities	Constraints	Potential new jobs
Eastern Cape community-based afforestation	60 – 100 000 hectares of land suitable for new afforestation Successful community businesses that provide leadership Experienced support partners Well-developed market and marketing agents	Finance for (costly) project development and plantation establishment Distance to markets, poor transport infrastructure Weak tenure rights and poor governance	28 000
Small growers in KZN	In excess of 10 000 existing growers 40 – 60 000 hectares suitable for new afforestation Support partners with good track record Well-developed market and marketing agents	Finance for recapitalisation and new afforestation Access to technical and advisory services Illegality may bar access to markets in future	15 500
DAFF plantation recap and transfer	65 587 hectares of plantations in areas with high forestry potential Support partners with good track record Well-developed market and marketing agents	Severely degraded resource Finance for recapitalization Lack of capacity and commitment to plantation transfer (DAFF)	Already overstaffed Job opportunities in new processing

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<b>B. Further industrialisation of forestry value chains</b>			
Forestry, pulp, paper and furniture is identified as a lead sector in the National Industrial Policy Framework because of its growth and employment creation potential, much of it in rural areas, and potential for economic and industrial decentralisation. The timber industry, especially sawmilling and activities further down the value chain, is one of most labour-intensive industries in the economy.			
	Opportunities	Constraints	Potential Jobs
Biofuels	Rapidly expanding market internationally High volumes waste in plantation and sawmills Rapid development of bioenergy technology	Lack of government commitment to renewable energy	No available estimates
Dissolving pulp industry	Sappi is the leading producer in the world of dissolving wood pulp (DWP) Rapid DWP product development globally Good market – green alternative to non-renewables Key Action Programme in the IPAP – PPP for industry development	IPAP action plan still to be implemented	No available estimates
Furniture and housing	Labour-intensive sectors Niche and preferential government procurement market opportunities, eg furnishing for schools and low-cost housing Timber from clearing invasive trees	Competition from cheap imports and dominant domestic players Access to timber Lack of state support for training and capitalisation	No available estimates

### 3. What are the wider policy implications of these findings?

- Instruments for state investment in community-based commercial forestry ventures are required to unlock the considerable potential that exists for forestry to create jobs and revitalise rural economies in communal areas.
- Renewed state commitment to transfer of DAFF plantations in communal areas, along with the necessary recapitalisation and project development finance, are required.



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- State-led programme must assist communal area growers to obtain water use licenses and comply with other legal requirements.
- Tenure and governance reform in communal areas is required to prevent elite capture and corruption.
- Monitoring and support for implementation of the IPAP Key Action Programme in forestry and forest-based industries are necessary.

*For more on the Mandela Initiative research projects, see:*

[www.mandelainitiative.org.za/research/research-areas-themes.html](http://www.mandelainitiative.org.za/research/research-areas-themes.html)

