

## **CHAIRPERSON'S REPORT 2008**

### **INTRODUCTORY REMARKS**

Prior to the onset of the global economic crisis, the challenges which we were facing as an industry included effectively addressing land claims, reducing regulatory barriers to growth and new entrants, the provision of support to new entrants and the appropriate positioning of the Sector in the minds of key stakeholders including government, communities and civil society. Addressing all of these challenges, as well as those relating to forest protection and research and other key environmental and social considerations, remain critical for the growth and transformation of our industry. What the global economic crisis has done, is limit the resources we have to address these challenges.

The role of government as sector leader, enabler and promoter is well described in the Forestry Charter and the National Forests Act (1998) and if there was ever a time for government to step up its support for such an important economic sector then this is that time. Already we have witnessed a change in the relationship we have with key government departments.

While the Annual Report contains much detail on all the areas of activity and progress of Forestry South Africa, allow me just to mention a few key ones here.

### **LAND CLAIMS AND NEW FARMER SUPPORT**

The sustainability of the Forestry and the dependent Forest Products Industry will be greatly influenced by the levels of successful resolution of land claims over forestry land. Successful resolution of land claims is in turn dependant on two key factors. These are sufficient incentives for new land owners and existing growers to continue to use the land for forestry and the provision of support to new entrants into forestry both in terms of access to affordable capital and skills needed in forestry. The risks of failed land reform in forestry are much higher than those in agriculture, since there is a massive dependent downstream value chain, with the associated benefits of jobs, foreign exchange earning and many other benefits to the country. Moreover the crop losses which may arise from failed land reform or pests and diseases in food production are much quicker rectified in a single year, whereas the loss of a timber crop takes many years to recoup.

Fortunately, Government, through the Department of Land Affairs and its governance partners are equally concerned about ensuring successful land reform in Forestry, as this will provide for the meaningful empowerment of land reform beneficiaries and the future of the Forestry Industry. A major breakthrough was achieved in 2008 in which the Minister of Land Affairs and Agriculture approved models for dealing with land claims on afforested land. Several subsequent engagements have taken place with the Chief and Regional Land Claims Commissioners as well as other Government partners to develop standardised settlement and lease agreements. These are aimed at optimising returns, capacity building and socioeconomic development for

land reform beneficiaries and at ensuring the ongoing sustainability of the Forestry Industry. It is anticipated that these models, which will provide for all scales of forestry operations, will be implemented in 2009.

As mentioned earlier, the need for post-settlement support to new entrants is of paramount importance in order to avoid the failure for both communities and the Sector, as seen in many previous settled claims on agricultural land. It is anticipated that the models which are being proposed, when combined with the Forest Enterprise Fund which DWAF must establish, will ensure that this objective is met.

## FOREST PROTECTION RESEARCH AND DEVELOPMENT

While the estimated 25 000 ha of plantation which was burnt in 2008 is less than half the area that was lost to fire in 2007 it was still almost as bad as the worst year we had ever had prior to 2007.

Assuming a recovery rate of 66% of this area, the fires have potentially cost the Sector in the order of R470 million not to mention the losses this represents in the processing sector which would be around R1,4 billion.

A great deal more needs to be done around fire prevention and control and DWAF have extended the terms of reference for the development of the integrated pests and diseases strategy (as described in the Charter) to include fire protection too. This strategy which is currently being developed through the ICFR will provide clear guidance on what is needed in this field.

Similarly the integrated protection strategy will spell out what is required for the continued battle against forest pests and diseases.

The encouraging decline which we have recorded this year in the intensity of *Sirex* infestations (although the area of new infestations continues to increase) must be largely attributed to the work of our key research and implementation partners in FABI and the ICFR. The pivotal roles in particular played by the *Sirex* co-ordinator Mr Philip Croft and the *Sirex* steering committee members must be acknowledged. The work that the researchers and implementers do on our behalf as a sector and the international recognition which South Africa enjoys in this area, is of tremendous value to the sector and the country. The funding which DWAF provided again of R2,45 million which has increased for 2009 to R2,7 million is gratefully acknowledged. The DWAF support for increased forest protection (including research to this end) will be increased once the integrated protection strategy is in place.

We will need to be vigilant in 2009 and beyond about our capacity to meet the increasing challenges of fighting all the pests and diseases which we face. Research into *Thaumasticorus*, *Leptocybe* and *Fusarium* for example continues and we need to ensure that we have the capacity to produce sufficient number of biological control agents to combat pests such as *Sirex* without compromising our research ability to develop new agents to combat these and other potential pests and diseases.

We are confident however that under the outstanding leadership of Professors Wingfield and Dyer and their staff at FABI and the ICFR, our protection requirements as a sector will continue to be met.

## COLLABORATION WITH KEY STAKEHOLDERS

Much of the progress which was made in 2008 arose from engaging constructively with key stakeholders, key among whom are government.

FSA collaborated with DWAF, DLA, FIETA, ASGISA-EC, the Charter Council, several Provincial and Regional Authorities and several others as described in the Annual Report in both workshops, fora, task teams and meetings. The key issues around which we have co-operated are Forest Enterprise Development, Skills Development, Land Reform, Sector Promotion, Sector Growth, Environmental Management and Forest Protection.

This collaborative approach to addressing issues of common interest is the only one that is likely to result in progress on issues and the good progress which has been made in the area of land reform and the further commitment from DWAF for Forest Protection funding and Small Grower support are examples of this. FSA would like to thank all the people involved in these engagements as without their commitment we would not have progressed as we have.

FSA looks forward to the conclusion of a comprehensive MoU with DWAF to best leverage our collective capacities and competencies in the interests of all those involved in growing timber in South Africa.

## FORESTRY CHARTER

As you will all know we signed the charter with Government in May 2008 and since that time we have aligned our business processes and plans around the shared priorities reflected in the charter. We are pleased to say that DWAF have done so too.

The Charter Council continues to meet and are finalising their operating structure so that they can provide effective oversight and support to the parties to the charter.

## FORESTRY SOUTH AFRICA'S INTERNAL AFFAIRS

The 2008 financial statements and discussion of these are contained in the Annual Report and I would refer members to these for noting. I would note however that there was significant approved but unfunded expenditure during 2008, much of which fortunately were once-off costs which we had to incur.

What is of even greater importance here however, is the 2009 budget. The process of developing a strategic plan and a subsequent costed business plan for FSA was thoroughly done by our staff with inputs and guidance from the EXCO and key stakeholders. At the initial presentation to the EXCO of the

business plan in September there was strong support for it but already there were indications that we were in for a difficult year in 2009. As a result two more meetings were held and at each one FSA were asked to revise the budget downwards further, to ensure that expenditure was in line with the economic realities being felt in the sector.

As a result the conditionally approved 2009 budget is 18,3% lower in nominal terms than last years approved expenditure and 8,3% higher than the approved budget for 2008.

I would like to express our thanks to the entire FSA staff for managing this critical element of the organisation in this manner, while still ensuring that the key challenges we are facing are not left unattended.

On the issue of staff we are pleased to report that our new Executive Director has gotten to grips with the internal and industry-related challenges in the organisation and has also managed to get around the country to interact with many of our more than 21 000 members. Nathi Ndlela who was also appointed on a full time basis has also continued to make his mark as our Small Grower Project Officer and this portfolio will become increasingly important in the future.

On a somewhat sadder note we bid farewell to Muriel Farquharson our Financial Controller who is retiring at the end of May. While Muriel will be formally retiring, so that she can spend more time with her family, she will nonetheless continue on a contract basis to provide services to FSA in a very cost-effective way. We would like to thank Muriel for her many years of loyal service to FSA and wish her and her family well in the years ahead.

## CONCLUSION

I would like to conclude by stating that 2008 was a turbulent year for our industry and our association and 2009 has proven to be at least as challenging. What I have seen however is that even in the most severe challenges, such as the current economic crisis we are facing, with the right people, we can steer a course through such obstacles.

On this note I would like to thank all our members and our EXCO in particular, for the trust you have placed in me and to further wish Mr Dinga Mncube our new Chairperson every success. Dinga's proven track record, combined with the support that we enjoy from our EXCO, members and partners will surely take us forward through the challenges which lie ahead.

**Ms Viv McMnamin**  
**FSA CHAIRPERSON**  
**May 6, 2009**