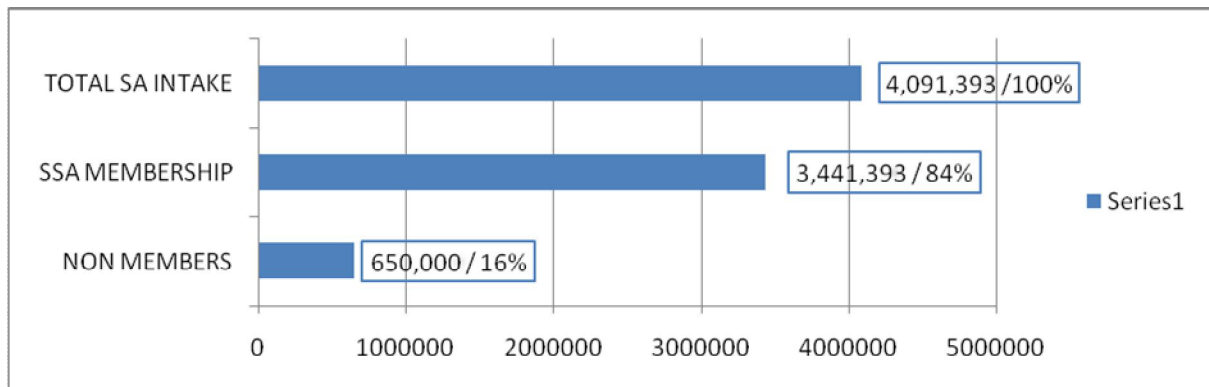


**EXECUTIVE DIRECTORS REPORT TO THE EXECUTIVE COMMITTEE AND AGM
OF SAWMILLING SOUTH AFRICA MARCH 2009 JHB**

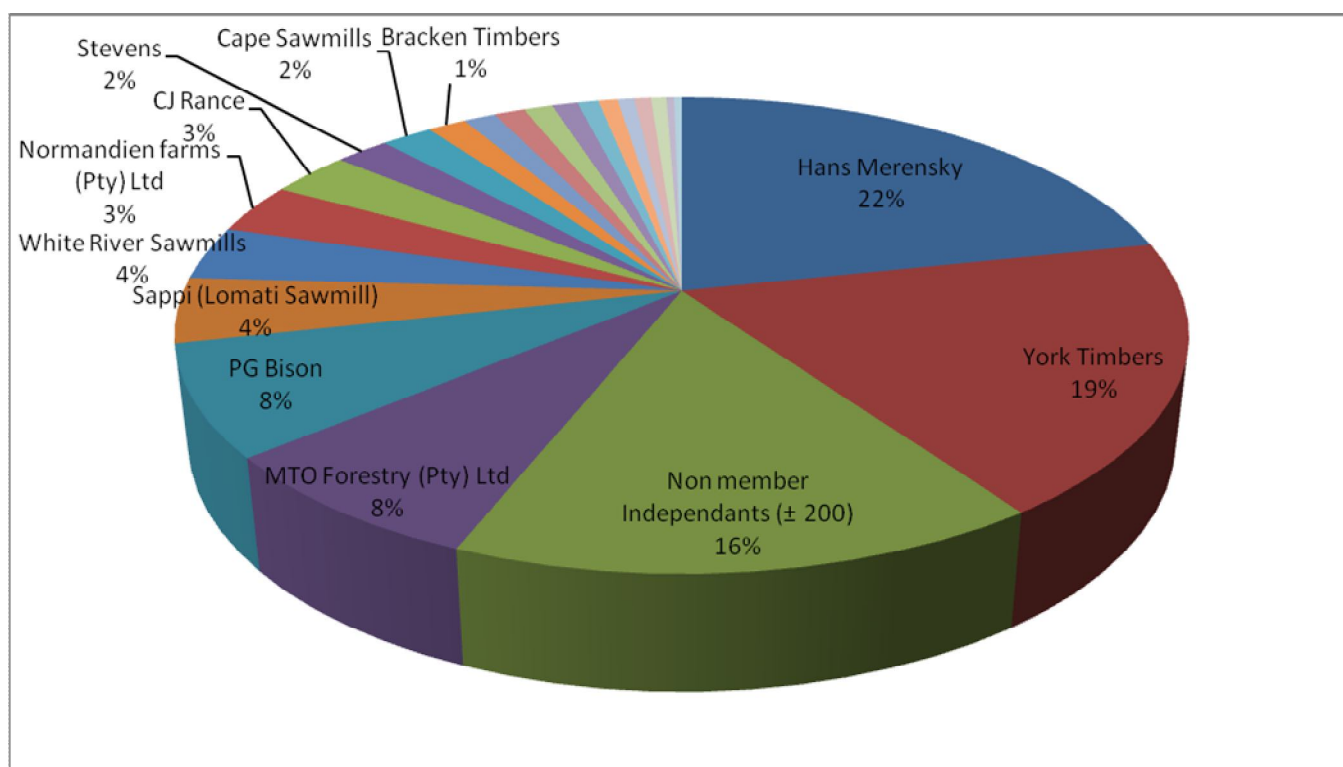
MEMBERSHIP:- 2008 being the first year of SSA's operation was dedicated to spreading the word to the industry and concentrating on recruiting as many formal sawmilling operator members as possible. In this respect I am pleased to say that we have been very successful. SSA now represents 84% of the formal sawmilling sector and all the major players are members, both corporate and private millers. The membership is calculated as a percentage of the South African sawlog intake. (See chart below)



This intake is made up from only 39 sawmill's (19 corporate mills and 20 independent mills). That leaves approximately 200 mills as non members that make up the remaining 16%. SSA needs to concentrate on recruiting as many of the 200 as possible in the future. If one accepts that the average intake of each of these mills is less than 3,250m³ per year then according to our constitution they will not be paying members of the association.

Ownership of the industry is reflected in the chart below and it is interesting to note that 61% of the industry is under control of only 5 owners. The intake includes hardwood at those mills that cut hardwood but excludes mining timber. When SSA was established it was envisaged that the mining timber sector would form part of the association but despite repeated approaches no mining timber mills have joined.

OWNERSHIP



As far as the previously disadvantaged millers are concerned a meeting between Mr Rico Hamman who claims to represent 20 small millers in both the Eastern Cape and KZN was convened and held in Weza. At this meeting Mr. Hamman expressed the opinion that these millers would indeed join SSA. The chairman, vice chairman and executive director are meeting with a delegation of these millers in Kokstad again in March 09 to further encourage their participation.

FINANCIAL:- The finances of the association have been placed in the hands of Moores Rowland, Mazars in George. Mrs Adele van Zyl from Mazars has taken over from Felicity Prince as our bookkeeper and so MRM are now totally in control of the accounts and the audit. They are providing this service for a monthly fee that is cheaper than we could do it ourselves if we were to set up an in house bookkeeper.

SSA was extremely fortunate in that for the first eight months of our existence the old SALMA account carried all expenses and once SALMA was wound up the remaining moneys, in the amount of R390,759.00 were transferred to the SSA account. This allowed SSA to get on its feet before it needed to fund itself and is the reason why we are now in a favourable financial position.

Technical Matters:- Technical matters that SSA has dealt with through the year include the following:-

A The ISPN 15 issue were the department of Agriculture; the department responsible for the implementation of the ISPN15 regulations was ignorant to the difference between kiln dried timber and heat treated timber and as a result were giving certain members a hard time over the issue. After a meeting between SSA and the department the problem was largely resolved.

B The matter of the ITC issuing instructions to its members not to use Finger Joint sections in tension members. After debate with the ITC this was resolved in so much that FJ originating from Zimbabwe was deemed not to be suitable for tension member usage and the instruction was duly amended to reflect this.

This issue was once again brought up by the ITC who were still not happy with the situation. A technical delegation from SSA met formally with the ITC and SATAS in October to try and resolve the issue. This was an extremely important issue to sawmillers as it had the effect of casting doubt on the use of all FJ material. I am pleased to report that the problem was resolved at this meeting, but that sawmillers need to be vigilant with regard to the rest of the industries suspicions of FJ.

C SSA supported the objection by SAWPA to the proposed changes to the regulations pertaining to the treatment of timber. In this proposed change the regulator would have the power to appoint whom-so-ever he chooses as an accredited certification body. SAWPA felt that only SANAS accredited bodies should be able to be appointed and we lodged our support for this opinion.

D A technical subcommittee of SSA was formed at the end of last year to deal with and advise the Executive on all issues of a technical nature that challenge the industry. This committee is made up of Messer's Duncan Mackay, Andre Barnard, Deon Breytenbach and Chris du Toit and is assisted from time to time by Messer's Abe Stears, Ivan Welsh and Dr Peter Stohr. The committee has already made a recommendation to the Executive with regard to the grading strength of SA lumber.

SKILLS DEVELOPMENT:- SSA has been active in the skills development field in so much that this year saw us being accepted by all the major institutions as the legitimate representative body for the sawmilling industry and as such we have been included on the faculty advisory boards of both Stellenbosch University and Nelson Mandela Metropolitan University (Saasveld). We have also been included on the board of FITA and so now are in a position to ensure that Sawmilling gets its fair treatment in each of these institutions.

GOVERNMENT:- SSA has engaged government through the year on various issues but by far the most important of these was SSA's participation and inclusion in the Forestry Charter Council. Despite the fact that we only came into the process at the eleventh hour, the council accepts SSA

as the legitimate voice of the industry and having Gay as well as Moses and Nthato serving on the council will ensure that the industry gets the attention it deserves from the policy makers. Gay and I were invited to address the "Parliamentary Portfolio Committee on Water Affairs and Forestry" earlier in the year and with a good presentation your Chairman ensured that we got the correct introduction and that the body will take the industry seriously in the future. These two steps were important for us in our quest to demonstrate to government that sawmilling is back on the organised track. A word of caution though to the industry is that we still have significant work to do amongst previously disadvantaged millers and we need, as an industry, to address the issue of gender in our decision makers. We are indeed a male dominated industry.

The association will continue to lobby government in the New Year with regard to the critical situation with our raw material resource. Sawmillers across the country both large and small face increasing shortages of sawlogs. The government and DWAF must be continuously reminded that the sawmilling industry is a primary one and a major contributor to rural development.

OTHER REPRESENTATIVE BODIES:- Another objective of ours was to engage the other industry bodies that had similar objectives or directions to ours. This we have done and have worked closely with FSA, SAWPA, the ITC and the TFBA.

Your chairman Gay and I held an official meeting with FSA to discuss recent developments with regard to how SSA can take a leading role in guiding DWAF on its objective of establishing a national sawlog policy.

SSA has been asked by both SASDEA and SALDEA to play the role of co-ordinator for each organisation and to use our contact and structure within the industry as a promotions tool for each of them. This we do willingly.

REGIONAL MEETINGS:- This year saw us holding a round of regional meetings in Mpumalanga, KZN and the Southern Cape. These meetings were well attended and were used as an opportunity to engage with sawmillers at operational level. It was however evident that those mills situated outside of the main areas such as the Far North, Eastern Cape and Western Cape found it difficult to or did not attend these meetings and this needs to be addressed in the New Years program.

PROMOTIONS:- The TFBA, SAWPA, the ITC and SSA have been exploring the viability of forming a timber promotions forum with the idea of promoting the use of timber and timber derived products in not only the building industry but across the broad spectrum including the environmental advantages and enhancements of the use of more timber in everyday life. This is considered to be of strategic importance to the combined timber industry especially in the light of

advancements being made by the light weight steel business into traditional structural timber markets.

SSA has appointed a web designer to assist with the development of a website, I hope to have this up and running in the near future although I would welcome and encourage the assistance of promotions and web design experts from within the industry.

IMPORT REPLACEMENTS:- An area of threat to the local sawmilling industry is the importation of structural and industrial timber from outside South Africa. We have been trying to monitor the volumes and value of timber coming into the country since the beginning of the year. Statistics gained by Crickmay showed that the importation of sawn lumber was on the increase throughout the year but recent statistics show that this has slowed which is to be expected given the economic situation.

If we as sawmillers think that this is the end to the threat then we would be making a grave mistake. Countries such as Argentina, Brazil and New Zealand now know that South Africa is a potential market and are already cutting and grading our grades and sizes. This means that if we continue to see the escalation of sawlog prices it will become ever more attractive to them to take advantage of the resultant higher lumber prices. This is a grave threat to us as producing and job creating sawmillers and one that we need to address.

FUTURE:- SSA has concentrated this year on its membership and establishing itself within the industry. We have achieved the objective in this regard, but what now for the future. I feel that there are a number of areas of concentration for the next year and these are;

- 1 Recruit and assist the emerging sawmillers as these guys are the future of sawmilling in SA.
- 2 Assist FSA and exert our own pressure on efforts to preserve and expand the country's sawlog resource.
- 3 Continue to engage government, as DWAF, the Ministry and the forestry Council will continue to play a leading role in our lives
- 4 Form connections and partnerships with similar associations in other Southern hemisphere countries as we will need assistance and guidance on issues such as energy consumption, residue management, emissions control and many others.
- 5 Play a constructive role in the promotion of SA sawn pine.
- 6 Get more involved with the development of skills in the industry

It has been a both exciting and a privilege to help establish and serve the association through the year and for this I thank the chairman Gay Mokoena and the rest of the Executive committee.

R D Southey
March 2009

