



Presentation to Select Committee on Department of Public Enterprises and Communication  
**09 November 2022**





# THE MANDATE

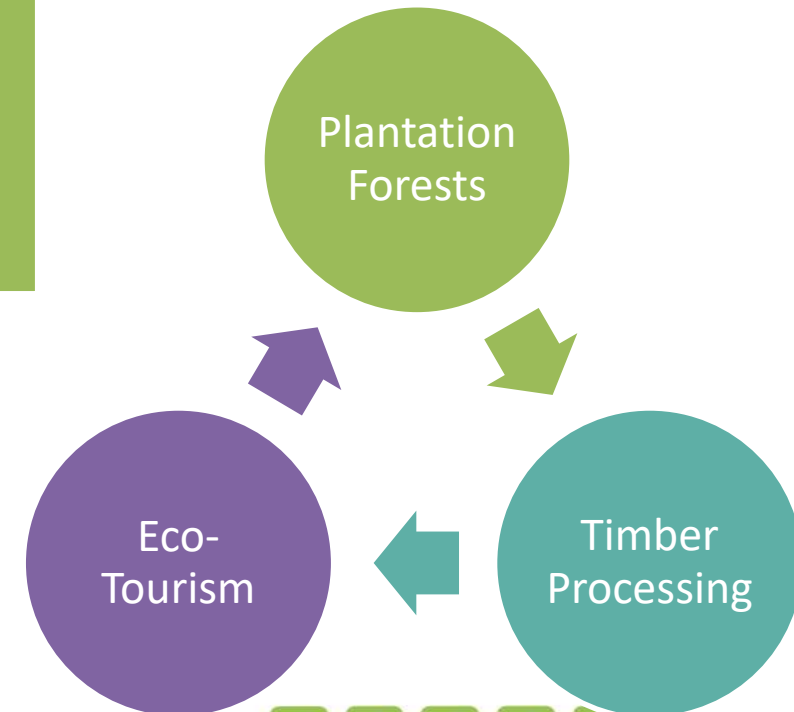


SAFCOL was established in 1992, under the Management of State Forests Act (MSFA) No. 128 of 1992.

In terms of Section 3 of the MSFA, the objective of SAFCOL is described as the development in the long term of the forestry industry according to accepted commercial management practice

We are an integrated forestry business operating in South Africa and Mozambique

- SAFCOL conducts its business through sustainable management of Plantation Forests, Timber Processing and Eco-tourism
- Revenue is generated from the sale of logs and lumber, as well as other non timber- related products and services



# STRATEGIC ROLE

Management of State  
Forests Act No. 128 of 1992

Conduct commercial forestry business

Commercial  
viability

Socio-economic  
development

Mandate



Effective return to the  
Shareholder

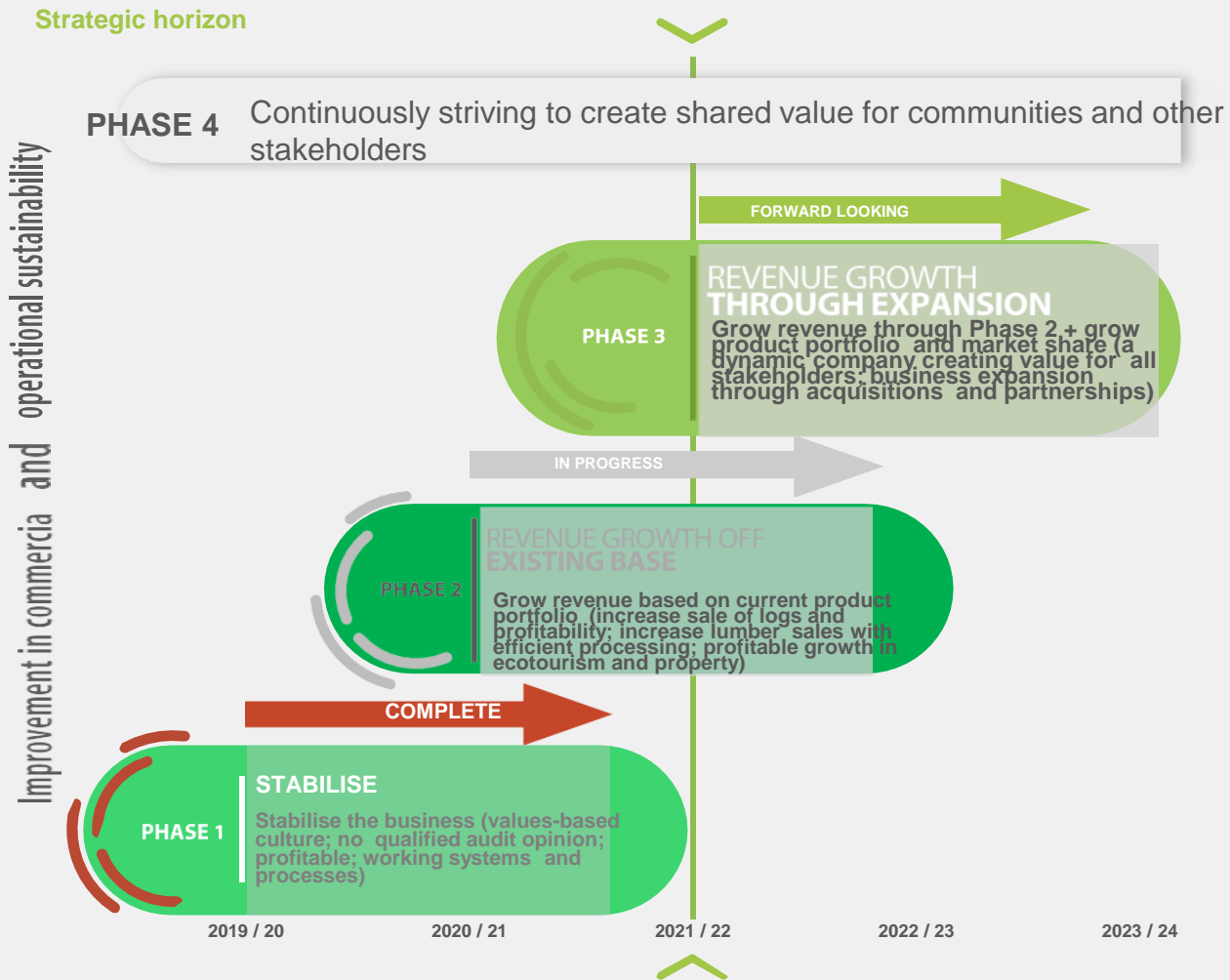


Economic development  
mainly in rural areas

High performance values-based culture



# COMPANY STRATEGY



Our work to improve the commercial and operational sustainability, contribute to the economy and communities neighbouring our operations, will be delivered in three +1 phases, namely:

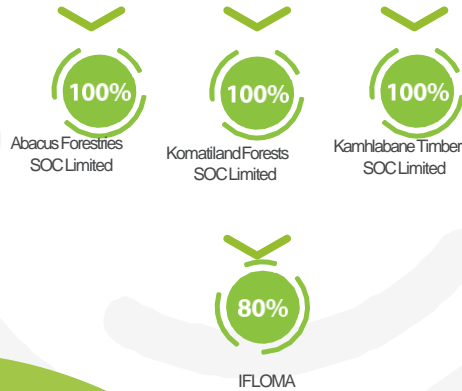
- **Stabilisation**
- **Revenue growth off existing base**
- **Revenue growth through expansion; and**
- **Continuous creation of shared value for communities and stakeholders**



# OVERVIEW OF SAFCOL

Government of the Republic of South Africa  
through the Minister of Public Enterprises

## current THE SAFCOL GROUP CURRENT STRUCTURE



## future SAFCOL FUTURE STRUCTURE



Amathole Forestry Company (Pty) Ltd - Eastern Cape.



Siyaqhubeka Forests (Pty) Ltd - Kwazulu Natal



Singisi Forest Products (Pty) Ltd - Eastern Cape



MTO Forestry (Pty) Ltd - Western Cape

# ENVIRONMENT, SOCIAL and GOVERNANCE

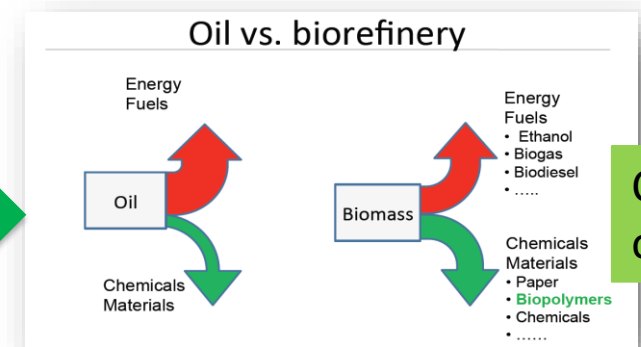
Sustainably managing the Company's risk and opportunities related to Environment, Social and Governance:

Shareholder Compact	86% of targets achieved
Environment	<ul style="list-style-type: none"><li>🌳 KLF is fully FSC certified (Forestry Management and Chain of Custody);</li><li>🌳 Climate change strategy and Just Transition Plan implemented</li></ul>
Land Claimants	<ul style="list-style-type: none"><li>🌳 Signed two MOUs to partner (13 social compacts are in place);</li><li>🌳 Signed one land lease agreement.</li></ul>
Communities	<ul style="list-style-type: none"><li>🌳 CSI spend &gt; R5m</li><li>🌳 13 Agroforestry projects established and supported.</li><li>🌳 106 job opportunities were created and sustained.</li></ul>
Transformation	<ul style="list-style-type: none"><li>🌳 ESD spend &gt; R75m.</li><li>🌳 Seven (7) black women-owned suppliers contracted.</li><li>🌳 Silviculture contracts - 1 693 jobs created and sustained</li><li>🌳 YES Program implemented.</li></ul>
Customers	<ul style="list-style-type: none"><li>🌳 Relationships with customers improved (continuous improvement)</li></ul>

# TREES TO PRODUCTS

Species	Percentage	Rotation age (time to harvest)	Product
Pine	93	28 – 30 years	Construction Furniture Pulp and paper Pallets and Bioenergy
Eucalyptus	5	6 – 10 years	Transmission poles Cellulose Mining timber Pulp and paper
Wattle	2	8 – 12 years	Clothing Leather Pulp and paper Charcoal

Partnership with CSIR will result in more high value products



Courtesy of CSIR

# OPERATIONS

## IFLOMA MESSICA DISTRICT SNAPSHOT

**Genus:**

Pine and Eucalyptus

**Plantations:**

Rotanda, Bandula, Penhalonga and Mavonde

**Area:**

Manica and Sussundenga District in Manica Province

**Size:**

31% of total area under management

## IFLOMA MUANZA DISTRICT SNAPSHOT

**Genus:**

Eucalyptus

**Plantation:**

Galinha

**Area:**

Muanza District in Sofala Province

**Size:**

69% of total area under management

## NORTHERN REGION SNAPSHOT

**Genus:**

Pine and Eucalyptus

**Plantations:**

Entabeni, Woodbush, Blyde,  
Wilgeboom, Bergvliet, Witklip,  
Brooklands and Tweefontein

**Area:**

Vhembe District, Tzaneen, Graskop,

Sabie

**Size:**

50% of total area under management

## SOUTHERN REGION SNAPSHOT

**Genus:**

Pine, Eucalyptus and Wattle

**Plantations:**

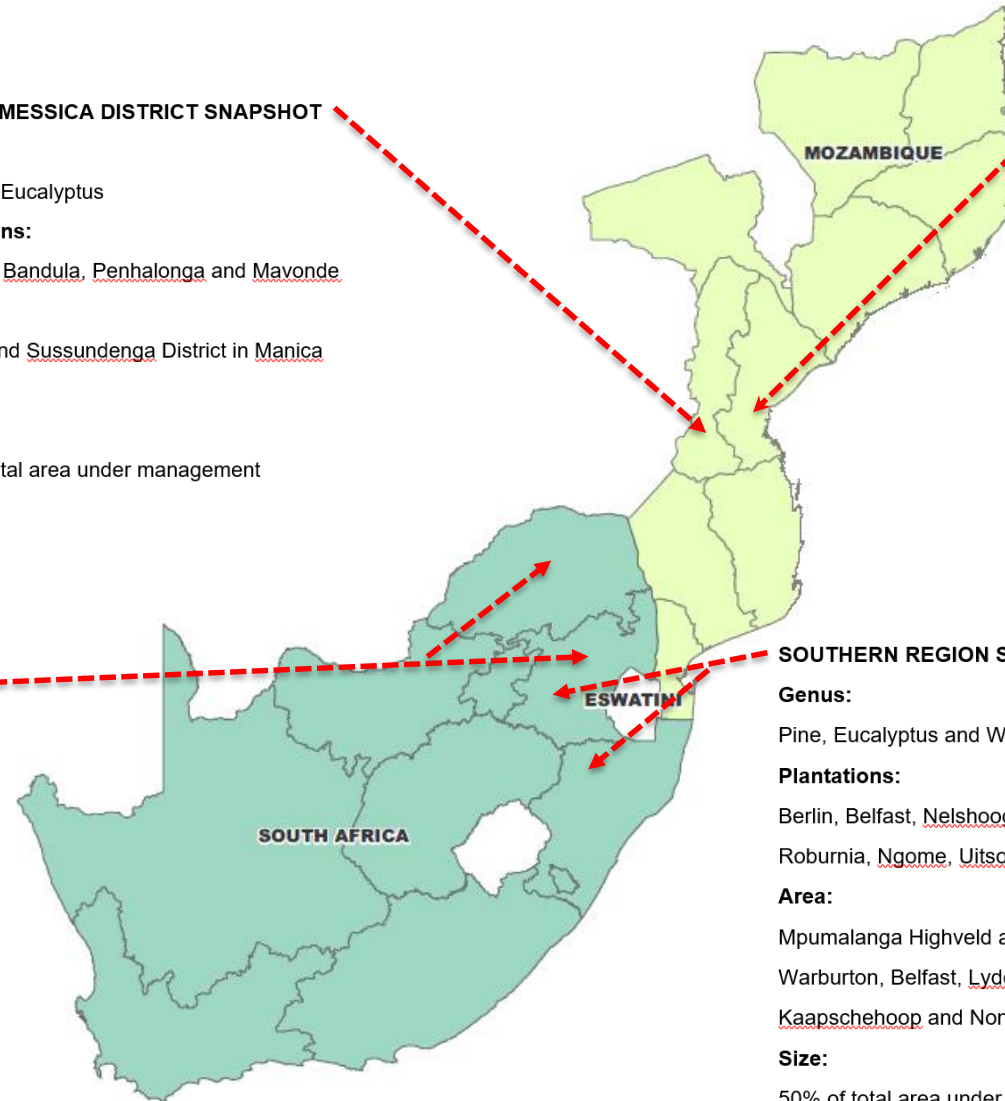
Berlin, Belfast, Nelshoogte, Jessievale,  
Roburnia, Ngome, Uitsoek and Brooklands

**Area:**

Mpumalanga Highveld around Amsterdam,  
Warburton, Belfast, Lydenburg, Barberton,  
Kaapschehoop and Nongoma in KZN

**Size:**

50% of total area under management



Company	Region	Area (ha)	% Area
KLF	North	94,167	50%
	South	95,453	50%
<b>Sub Total</b>		<b>189,620</b>	<b>100%</b>
IFLOMA	Messica	31,754	31%
	Muanza	69,360	69%
<b>Sub Total</b>		<b>101,114</b>	<b>100%</b>





# BACKGROUND

1. Approximately 57% of SAFCOL's estate is affected by land claims in Limpopo, Mpumalanga and KZN.
2. The Department of Agriculture, Land Reform and Rural Development (DALRRD) plays a **pivotal and leading role** in the management and resolution of land claims.
3. The resolution of land claims that directly affect SAFCOL is dependent on the processes of the Land Claims Commission (LCC) and is not within the control of the Company.
4. SAFCOL manages relationships with all land claims stakeholders i.e., DPE; DFFE; DALRRD and DPW.
5. Land Reform offers SAFCOL the opportunity to enter into sustainable and mutually beneficial socio-economic partnerships in the forestry value chain with communities inclusive of land claimants.



# SETTLEMENT MODELS

1. SAFCOL is implementing its pro-active community engagement and post-settlement business models to optimally involve land claimants and adjacent communities across its value chain for mutual and sustainable benefit.
2. The Company collaborates on projects that will enable communities to derive value from the land leased by SAFCOL. The following are some of the interventions:
  - **Establish and support Black owned SMMEs** that will provide services to SAFCOL, through the Enterprise and Supplier Development (ESD) incubation program;
  - **Provide procurement opportunities for land claimants** within the supply chain through the Preferential Procurement Policy Framework Act (PPPFA);
  - **Participate in non-forestry projects on unplanted land**, subject to legal and FSC requirements (e.g. vegetables, mushrooms, bee-keeping).
  - **Commercial partnerships in the forestry value chain** (e.g. mobile sawmill, power generation).





# PARTNERSHIPS WITH COMMUNITIES

COMMUNITY	STATUS UPDATE
<b>Mamahloa (Woodbush Plantation)</b>	<ol style="list-style-type: none"> <li>1. Lease agreement signed in FY2021/22</li> <li>2. Monthly Lease rentals paid to the CPA</li> <li>3. To be considered for Commercial partnerships in the forestry value chain (e.g. mobile sawmill and silviculture project)</li> <li>4. Construction of ECD centre</li> </ol>
<b>Entabeni land Claimants (Entabeni Plantation)</b>	<ol style="list-style-type: none"> <li>1. Signed Partnership Agreement and Registered collaborative programme</li> <li>2. Awarded 30% sub-contracting opportunity for logistics contract</li> <li>3. Collaborate on projects that will enable claimants to derive value from their land as leased by SAFCOL, e.g. aquaponic Project; vegetable farming</li> <li>4. Constructed a skills development centre in Shandza</li> <li>5. Supported small scale farmers (two co-operatives)</li> <li>6. Established and supported a bee-keeping project</li> </ol>
<b>Greater Tzaneen Land Claimants (Plantations)</b>	<ol style="list-style-type: none"> <li>1. Relationship has been formalised (JCF established)</li> <li>2. Continuous engagement with the cluster communities on projects implemented as well as planned projects (Agroforestry and others)</li> <li>3. Established and supported two co-operatives (Beekeeping and furniture making)</li> </ol>
<b>Makhubu (Roburnia Plantation)</b>	<ol style="list-style-type: none"> <li>1. Task team established to implement strategic projects</li> <li>2. Jointly implementing non-forestry projects on unplanted land, subject to legal and FSC requirements (vegetable garden).</li> </ol>
<b>Kaapschehoop (Berlin Plantation)</b>	<ol style="list-style-type: none"> <li>1. Land claim has been identified for a pilot project</li> <li>2. Land claimants are being considered for silviculture sub-contracting.</li> <li>3. Construction of classrooms for primary school in Mbombela local municipality .</li> </ol>



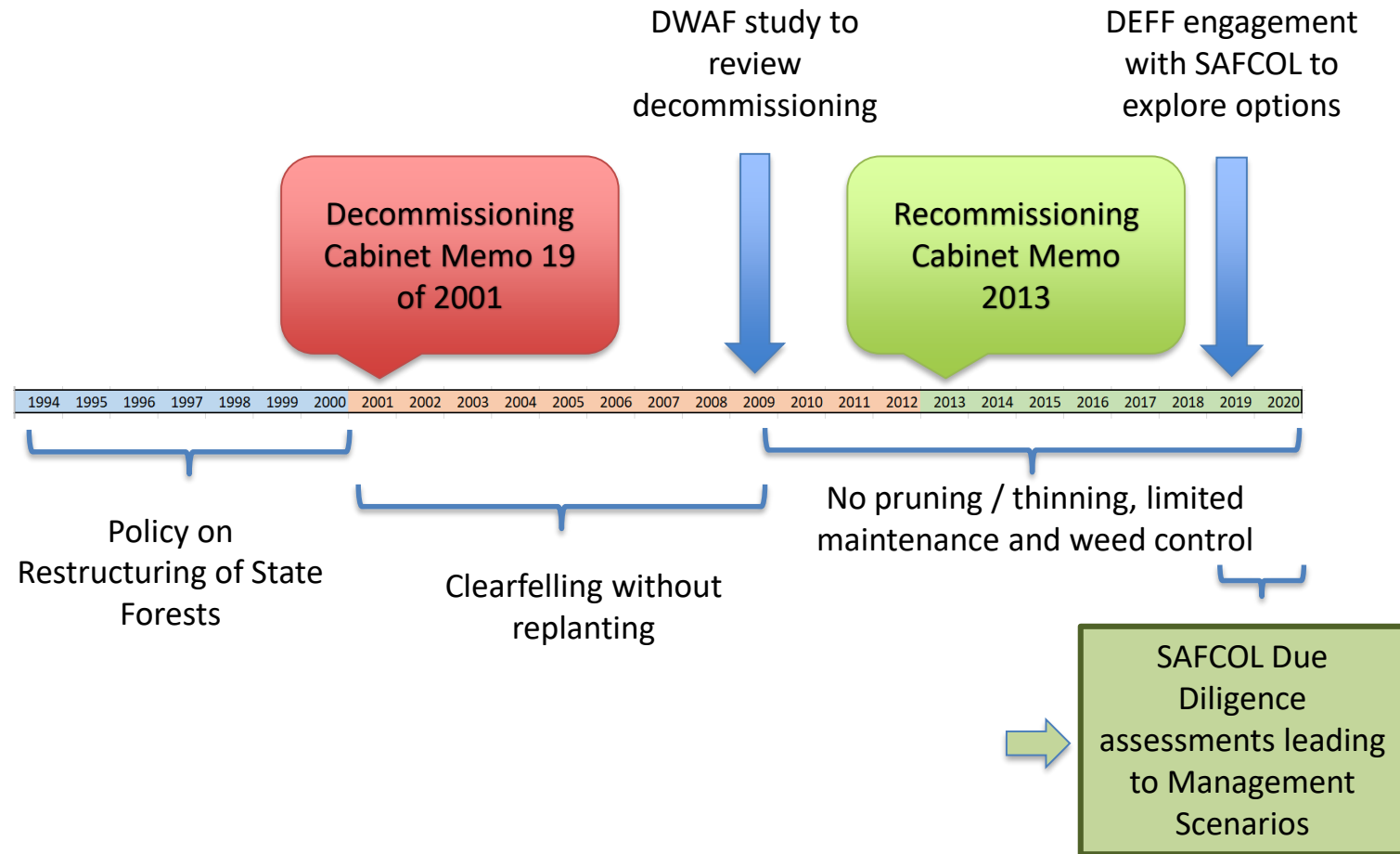
# RECOMMISSIONING OF PLANTATIONS

- The Cabinet Memo of 2013 recommended the recommissioning of the predominantly pine plantations, due to the loss of jobs that resulted from the closure of the Geldenhuys Sawmill at Salique Plantation.
- The Cabinet Memo further recognises the interest of the Land Claimants in the recommissioning of the plantations and outlines the approach to be taken in terms of the provision of business, technical, and financial support to Land Claims Beneficiary Communities.
- In terms of the Cabinet Memo, the State-Owned plantations are to be handed over to SAFCOL to manage



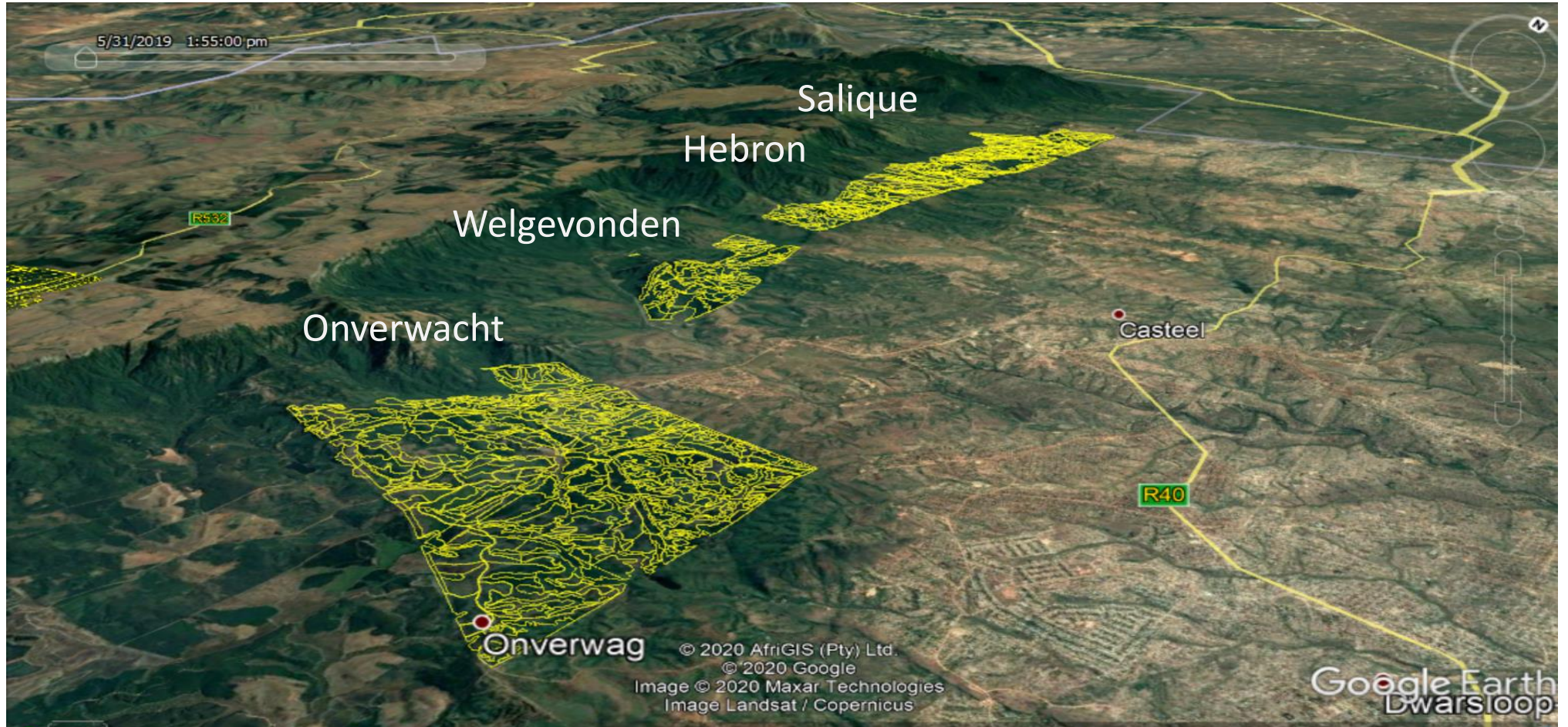


# POLICY BACKGROUND



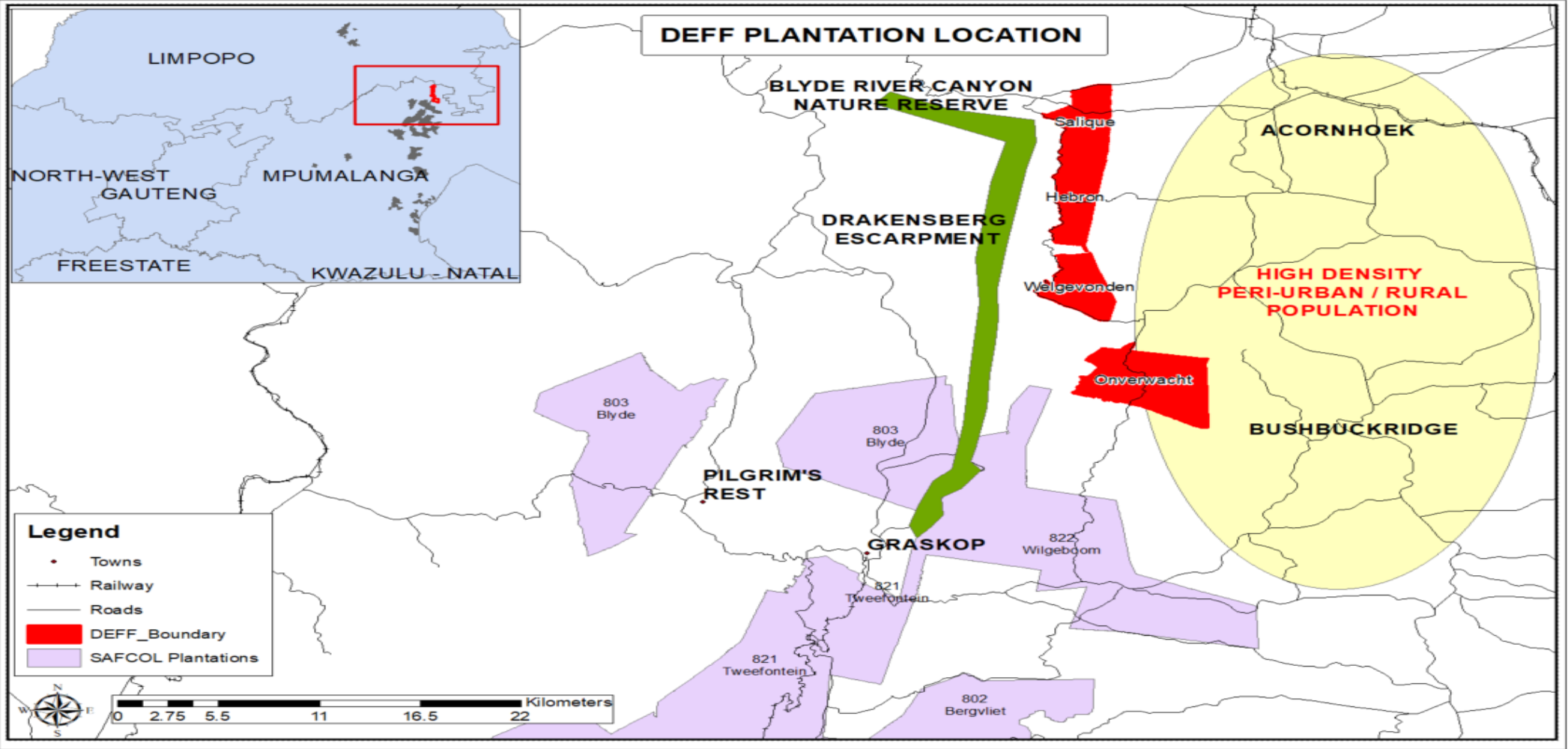


# SAFCOL CURRENT INTEREST





# PLANTATIONS LOCATION



# COLLABORATION:DPE,DFFE and DALRRD

1. June 2011: Meeting between DWAF and Sethlare / Mahubahuba A Bakone communities
2. Motivating the recommissioning of plantations
3. April 2013: Cabinet Memo for Recommissioning
4. April 2013: Presentation of recommissioning intention to the Bushbuckridge Local Municipality
5. April 2019: DEFF communication with Sethlare / Mahubahuba A Bakone CPA's
6. June-Oct 2019 – Initial due diligence in partnership with DFFE. Development of a Business Plan.
7. Dec 2020 – Feb 2021 – Presentation to DPE and DFFE to align on outcomes of the Business Plan.
8. Oct 2021 – Second due diligence conducted and workshop with DFFE and DALRRD
9. May 2022 – Proposal submitted to DFFE
10. September 2022 – DALRRD joined meeting with communities => commercial partnerships



# KEY ISSUES REGARDING PLANTATIONS

1. Status of land claims and their finalisation
2. Management approach (lease or management)
3. Appropriate model – Partnership with communities
4. Source of rehabilitation and operational funding
5. Consideration for the future of DFFE employees

# OPPORTUNITIES AND CHALLENGES

## Opportunities

### A. 57% of land under claim:

- Partnership model with claimants developed and engaged land claimant communities
- Post settlement business model developed and implemented for first land claimant community that received land ( Mamahlola ) – land lease

### B. 50% of tree yield improved to 95%:

- Grow SAFCOL revenue four fold
- Strategic Partnerships for advanced processing (beneficiation).
- Attraction of FDI in processing companies ( energy and biochemicals).
- Partnership with communities for economic prosperity and sustainable participation in the value chain
- Transformation of forestry and creation of jobs in the value chain.

### C. Sustainability: contribution to reversal of Climate Change:

- SAFCOL operates on 189 000 hectares and 121 000 hectares are plantable; we require more land from DFFE to grow business, support industry and communities.

## Challenges

### A. Finalisation of land claims by DALRRD

- The process is too slow

### B. Timber theft

- Destruction of national asset through crime

### C. Climate change

- wildfires

### D. Aging technology and equipment

- Capital Investment

### E. Access to more plantations

- Manage DFFE and Municipalities plantations

Opportunities outweigh the challenges – Strategy is in place to address the challenges



# WAY FORWARD

- **50:50 strategy:** Reduce dependence on log sales (80%) to 50% by developing diversified revenue streams from processed products (improve returns).
- **Horizontal Integration:** Accessing more plantations from DFFE and Municipalities
- **Land claims:** Finalisation of land claims
- **Product diversification:** Vertical integration into the mid- and down-stream activities through strategic partnerships: Sawmilling, Eco-tourism, Bio-energy, Pole treatment and Pellet plant
- **Partnerships with Communities:** Create compelling value propositions for the increase of partnerships with smallholder growers, land claimants and the wider communities
- **Revenue and Efficiency improvement:** The mechanisation and automation of operations to deliver efficiencies in current and intended value chain improvements including lumber processing
- **Exit minorities:** Transfer the communities shares, in the minority associates, to the owner-communities



Thank you