

DISCUSSION DOCUMENT
D1200

Forestry and related services industry

2015

Embargoed until:
30 March 2017
14:30

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Forestry and related services industry, 2015 / Statistics South Africa

Published by Statistics South Africa, Private Bag X44, Pretoria, 0001

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Stats SA Library Cataloguing-in-Publication (CIP) Data

Forestry and related services industry, 2015 / Statistics South Africa. Pretoria: Statistics South Africa, 2017

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Forestry and related services industry, 2014 and 2015

1. Summary of findings

Table A – Income in the forestry and related services industry, 2014 and 2015

	2014		2015		% change
	R million	% contribution	R million	% contribution	
Forestry and related services	14 642	96,3	15 887	95,9	8,5
Logging and related services	579	3,7	686	4,1	18,3
Total	15 220	100	16 573	100	8,9

The total income for the forestry and related services industry in 2015 was R16 573 million. The total income represents an increase of 8,9% over the income reported in the corresponding survey of 2014 (R15 220 million). Comparing 2014 and 2015, large increases were reported for 'forestry and related' (R1 3736 million).

Table B – Concentration ratio (CR) for total income in the forestry and related services industry, 2014 and 2015

	2014	2015
	%	
CR5	69,3	67,2
CR10	77,6	77,0
CR20	82,6	82,3

In 2015, the top 5 enterprises in the forestry and related services industry contributed 67,2% to the total income. The concentration ratios (CR) of the top 10 and top 20 enterprises were 77,0% and 82,3%, respectively. This illustrates the dominance of the top 20 enterprises in the forestry and related services industry.

Table C – Profit margin in the forestry and related services industry, 2014 and 2015

	Net profit/loss after tax		Turnover		Profit margin	
	2014	2015	2014	2015	2014	2015
	R million		R million		%	
Forestry and related services	1 543	1 786	13 109	14 636	11,8	12,2
Logging and related services	15	36	551	653	2,7	5,5
Total	1 558	1 822	13 660	15 289	11,4	11,9

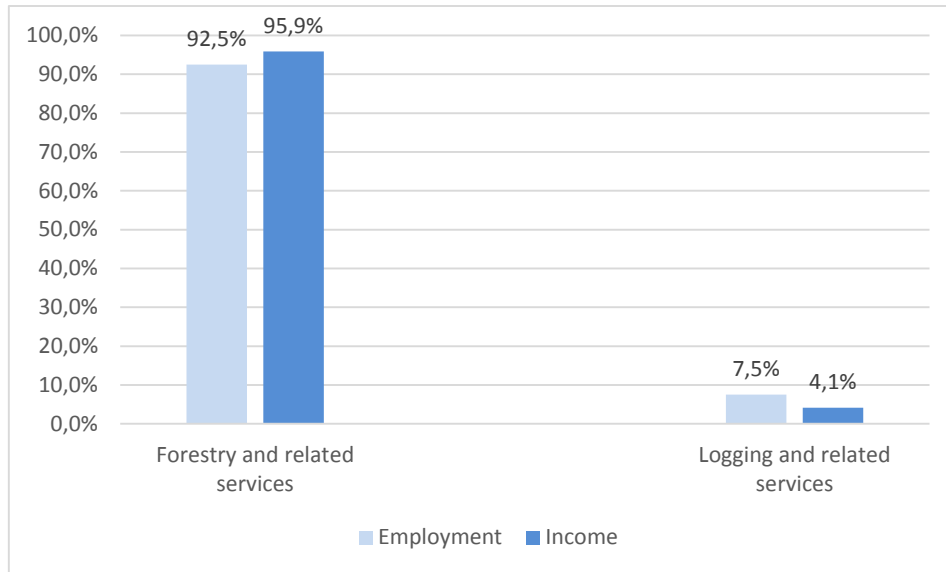
The profit margin for the forestry and related services industry in 2015 was 11,9%. 'Forestry and related services' had a profit margin of 12,2%, while 'logging and related services' had a profit margin of 5,5%.

Table D – Employment at the end of June in the forestry and related services industry, 2014 and 2015

	2014		2015	
	Number	% contribution	Number	% contribution
Forestry and related services	28 642	92,6	32 767	92,5
Logging and related services	2 287	7,4	2 640	7,5
Total	30 929	100,0	35 407	100,0

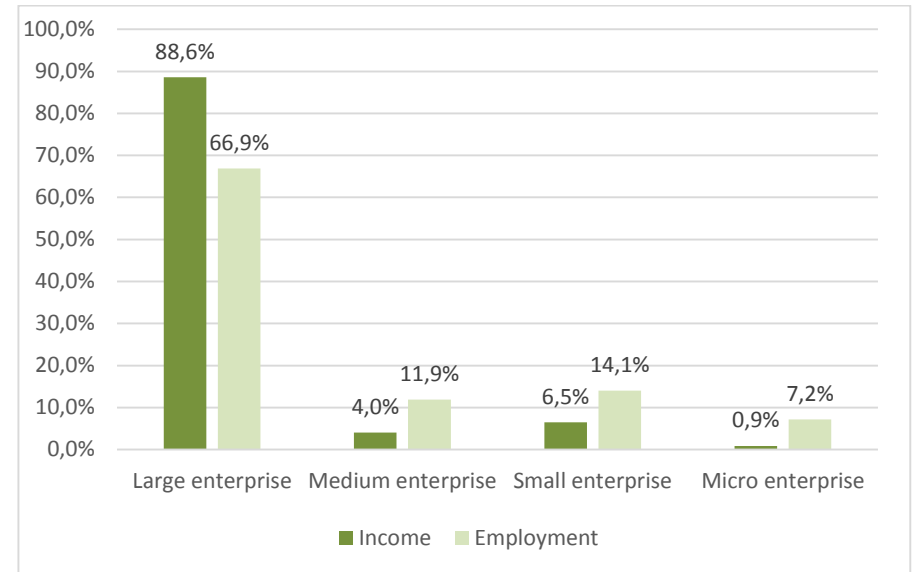
The total number of persons employed in the forestry and related services industry at the end of June 2015 was 35 407. The 'forestry and related services' employed the largest number of persons (32 767 or 92,5%).

Figure 1 – Income and employment by type of service (% contribution) in the forestry industry and related services, 2015



In 2015 ‘forestry and related services’ accounted for 92,5% of employment and 95,9% of income.

Figure 2 – Income and employment by enterprise size (% contribution) in the forestry and related services industry, 2015



Whereas large enterprises (those with annual turnover equal to or greater than R22 million) contributed 88,6% of the total income of the forestry and related services industry in 2015, their contribution to employment was only 66,9%.

Table E – Average salaries and wages in the forestry industry and related services, 2015

	2014			2015		
	Salaries and wages	Total employees	Average salaries and wages	Salaries and wages	Total employees	Average salaries and wages
	R million	Number	Rand	R million	Number	Rand
Forestry and related services	2 448	28 642	85 469	2 749	32 767	83 895
Logging and related services	150	2 287	65 617	154	2 640	58 333
Total	2 598	30 929	83 999	2 903	35 407	81 961

Total employees grew by 14,5% in 2015, but growth in salaries and wages was lower at 11,7%. Consequently, average salaries and wages fell from R83 999 in 2014 to R81 961 in 2015.

PJ Lehohla

Statistician-General

2. Introduction

Statistics South Africa conducted a pilot of the forestry and related services industry for the two reference years 2014 and 2015. The surveys aimed to determine the nature and structure of the forestry and related services industry in terms. Financial and employment information was collected.

This information is used in developing plans and policies to grow the industry, stabilise prices, create jobs and promote investment.

The reason for publishing the results as a discussion document is to provide stakeholders (both users and respondents) an opportunity to give inputs on how we can improve the publication. The following are some of the challenges when conducting the survey:

- An up-to-date administrative database of forestry entities, and
- Difficulty in collecting production information (e.g. land size and quantity of various types of timber).

2.1 Scope and coverage

This survey covers enterprises mainly engaged in the forestry and related services industry in the following activities, classified at major group level according to the January 1993 edition of the *Standard Industrial Classification of all Economic Activities* (SIC), Fifth Edition, Report No. 09-90-02:

- Forestry and related services (SIC 121); and
- Logging and related services (SIC 122);

Excluding

- Growing of crops, market gardening; horticulture (SIC 111);
- Farming of animals (SIC 112);
- Growing of crops combined with farming of animals (mixed farming) (SIC 113);
- Agricultural and animal husbandry services, except veterinary activities (SIC 114);
- Hunting, trapping and game propagation including related services (SIC 115);
- Production of organic fertiliser (SIC 116);
- Ocean and coastal fishing (SIC 131); and
- Fish hatcheries and fish farms (SIC 132).

Stats SA publishes the results of the pilot in order to stimulate interaction with users of the statistics. Any comments on how the data can be improved should be sent to ltaniM@statssa.gov.za.

2.2 Data items

The following categories of data items were collected: industrial classification, details of employment, trading income, expenditure, profit or loss, inventories, capital expenditure on new assets and details of services rendered.

2.3 Reference period

The questionnaires were completed for the financial year of the enterprise which **ends on any date between 1 July of the preceding year and 30 June of the reference year**, according to the usual reporting schedule of the enterprise.

Example, for 2015

- 1 October 2013 – 30 September 2014
- 1 January 2014 – 31 December 2014
- 1 February 2014 – 31 January 2015
- 1 March 2014 – 28 February 2015
- 1 April 2014 – 31 March 2015

2.4 Current prices

The rand values are at current prices.

2.5 Reliability of data

All estimates compiled for this industry are subject to both sampling and non-sampling errors.

The following are some of the likely sources of non-sampling errors: sampling frame not up to date, wrong definitions and classification, phrasing of questions, non-response, processing and estimation. Every effort is made to minimise non-sampling errors by careful design of questionnaires, testing them with a sample of respondents, editing reported data and implementing efficient operating procedures. Non-sampling errors occur in both sample surveys and censuses.

As a discussion document, these results are not official statistics, but rather the results of a pilot survey aimed to investigate approaches to improve the understanding of the industry. Future surveys in this regard may therefore differ substantially when published as official statistics.

2.6 Confidentiality

According to section 17 of the Statistics Act, 1999 (Act No. 6 of 1999), completed questionnaires remain confidential to Statistics South Africa (Stats SA). Individual business information is never disclosed. Results are presented in aggregated form only.

3. Tables

Table 1 – Principal statistics in the forestry industry, 2014 and 2015

	Total income	Total current expenditure	Total value of opening inventory	Total value of closing inventory	Net profit before tax	Carrying value of assets at the end of the financial year	Capital expenditure on assets	Number of employees
	R million							Number
2014	15 220	12 985	1 072	1 039	2 182	10 558	1 101	30 929
2015	16 573	14 180	1 055	1 106	2 444	10 442	1 146	35 407
% change	8,9	9,2	-1,6	6,4	12,0	-1,1	4,1	14,5

Table 2 – Principal statistics in the forestry industry, 2015

	Total income	Total current expenditure	Total value of opening inventory	Total value of closing inventory	Net profit before tax	Carrying value of assets at the beginning of the financial year	Carrying value of assets at the end of the financial year	Capital expenditure on assets	Number of employees
	R million								Number
Forestry and related services	15 887	13 534	1 032	1 080	2 401	10 019	10 205	1 052	32 767
Logging and related services	686	646	23	26	43	234	237	94	2 640
Total	16 573	14 180	1 055	1 106	2 444	10 253	10 442	1 146	35 407

Table 3 – Income in the forestry industry and related services, 2014 and 2015

	2014		2015		% change
	R million	% contribution	R million	% contribution	
Sales	11 870	78,0	13 245	79,9	11,6
Services	1 773	11,6	1 992	12,0	12,4
Profits on financial and other assets	1 347	8,9	1 080	6,5	-19,8
Other	230	1,5	256	1,5	11,3
Total	15 220	100,0	16 573	100,0	8,9

Table 4 – Income by size group, 2015

	Large enterprises	Medium enterprises	Small enterprises	Micro enterprises	Total
	R million				
2014	14 519	389	279	33	15 220
2015	14 680	667	1 080	146	16 573

Table 5 – Inventory in the forestry industry, 2014 and 2015

	2014	2015
	R million	
Raw material or material for processing, packaging materials, maintenance spares	451	458
Work in progress	222	303
Finished goods produced by this enterprise	395	277
Finished goods not produced by this enterprise, but purchased for resale	4	17
Total value of opening inventory	1 072	1 055
Raw material or material for processing, packaging materials, maintenance spares	381	519
Work in progress	254	277
Finished goods produced by this enterprise	393	292
Finished goods not produced by this enterprise, but purchased for resale	11	18
Total value of closing inventory	1 039	1 106

Table 6 – Expenditure in the forestry industry and related services, 2014 and 2015

	2014		2015		% change
	R million	% contribution	R million	% contribution	
Purchases	6 128	47,2	6 421	45,3	4,8
Salaries, wages and bonuses	2 598	20,0	2 903	20,5	11,7
Payment to subcontractors	716	5,5	918	6,5	28,2
Depreciation	833	6,4	901	6,4	8,2
Interest paid	277	2,1	321	2,3	15,9
Losses on financial and other assets	264	2,0	268	1,9	1,5
Rental, usufruct and grazing rights	120	0,9	123	0,9	2,5
Repair and maintenance	708	5,5	756	5,3	6,8
Other expenditure	1 341	10,3	1 569	11,1	17,0
Total	12 985	100,0	14 180	100,0	9,2

Table 7 – Details of assets, liability and equity in the forestry industry and related services, 2014 and 2015

	2014		2015		% change
	R million	% contribution	R million	% contribution	
Fixed assets	10 342	43,3	10 434	40,6	0,9
Goodwill, long-term investments and other non-current assets	8 794	36,8	10 219	39,8	16,2
Total non-current assets	19 136	80,2	20 653	80,3	7,9
Trade and other receivables	2 346	9,8	2 383	9,3	1,6
Cash and bank	428	1,8	433	1,7	1,2
Inventory	948	4,0	1 108	4,3	16,9
Other	1 010	4,2	1 130	4,4	11,9
Total current assets	4 732	19,8	5 054	19,7	6,8
Total assets	23 868	100,0	25 707	100,0	7,7
Owners' equity	14 032	58,8	15 221	59,2	8,5
Total non-current liabilities	5 303	22,2	5 741	22,3	8,3
Long-term liabilities and other non-current liabilities	5 303	22,2	5 741	22,3	8,3
Total current liabilities	4 533	19,0	4 745	18,5	4,7
Trade and other payables	1 555	6,5	1 893	7,4	21,7
Bank overdraft and other current liabilities	2 978	12,5	2 852	11,1	-4,2
Total equity and liabilities	23 868	100,0	25 707	100,0	7,7

Table 8 – Carrying value of assets at the end of the financial year in forestry industry and related services, 2014 and 2015

	2014		2015		% change
	R million	% contribution	R million	% contribution	
Land and buildings	4 421	41,9	4 551	43,6	2,9
Forestry and related services industry works, roads and parking areas	74	0,7	71	0,7	-4,1
Plant, machinery, furniture, motor vehicles and other office equipment	5 687	53,9	5 366	51,4	-5,6
Other assets	376	3,6	454	4,3	20,7
Total	10 558	100,0	10 442	100,0	-1,1

Table 9 – Number of employees in forestry industry and related services, 2014 and 2015

	2014			2015			% change
	Male	Female	Total	Male	Female	Total	
	Number						
Working proprietors	1 412	517	1 928	1 363	405	1 768	-8,3
Permanent	18 510	8 965	27 475	22 018	8 468	31 442	14,4
Temporary	396	316	712	554	288	842	18,4
Casual/seasonal	415	397	814	1 170	183	1 353	66,5
Total	20 733	10 195	30 929	25 105	9 344	35 407	14,5

Explanatory notes

Background

The results presented in this publication have been derived from the 2014 and 2015 forestry, logging and related services surveys. This survey was based on a census of enterprises operating in the forestry, logging and related services industry.

The frame was drawn from Stats SA's business register (BR). Stats SA continuously updates its business register, based on the units registered for value added tax (VAT).

All figures exclude value added tax (VAT).

Reference periods

The information for 2014 was collected from enterprises for their financial year which ended on any date between 1 July 2013 and 30 June 2014. Similarly, the information for 2015 was collected from enterprises for their financial year which ended on any date between 1 July 2014 and 30 June 2015.

Purpose of the survey

The forestry, logging and related services survey is conducted every year. The results are mainly used to monitor trends in the forestry, logging and related services industry and to benchmark national accounts aggregates, e.g. gross domestic product (GDP).

Users and uses of the forestry, logging and related services survey include:

- Policy advisers in government for monitoring the performance of industry and the contribution to the South African economy, and for evaluating the effectiveness of industry policies;
- Industry associations monitoring trends on their own and competing or complementary industries in order to inform their members of market changes; and
- Individual businesses using the data to analyse their performance relative to their industry.

Scope and coverage

This survey covers enterprises registered in the taxation system that are mainly engaged in forestry, logging and related services. It includes the following major groups within its scope:

- (i) Forestry, logging and related services (SIC 12);
- (ii) Forestry and related services (SIC 121); and
- (iii) Logging and related services (SIC 122).

Including

- South African-based activities of enterprises that operate in multiple countries.

Excluding

- Activities of South African-based companies in other countries.

Classification by industry The 1993 edition of the *Standard Industrial Classification of all Economic Activities* (SIC), Fifth Edition, Report No. 09-09-02, was used to classify the statistical units in the survey. The SIC is based on the 1990 *International Standard Industrial Classification of all Economic Activities* (ISIC) with suitable adaptations for local conditions. Each enterprise is classified to an industry that reflects its predominant activity.

Statistical unit The survey's data were collected at an enterprise level. An enterprise is a legal unit or a combination of legal units that includes and directly controls all functions necessary to carry out its production activities.

Size groups The enterprises are divided into four size groups according to turnover as recorded on Stats SA's BR. Large enterprises are those with an annual recorded turnover above R22,5 million. Table A presents size groups defined using Department of Trade and Industry (DTI) cut-off points multiplied by 4,5.

Table A – Size groups for the forestry, logging and related services survey, 2014 and 2015

Size group	Turnover
Large	Turnover \geq R22 500 000
Medium	R 13 500 000 \leq turnover $<$ R22 500 000
Small	R2 250 000 \leq turnover $<$ R13 500 000
Micro	Turnover $<$ R2 250 000

Survey methodology and design The surveys were conducted by post, email, fax, telephone and personal visits.

Enterprises were stratified using three-digit level according to the SIC and by size of enterprise. Business register turnover was used as a measure of size for stratification.

Collection rate Collection rate = ((collected enterprises + finalised investigations)/ sample size)*100,0. The collection rate was 79,5%.

Turnover collection rate Turnover collection rate = ((weighted collected enterprises BR turnover + weighted finalised investigations BR turnover)/ population turnover)*100,0. The turnover collection rate was 95,2%.

Weighting methodology All the enterprises were each assigned a weight of one because a census of the industry was conducted.

Non-sampling errors

Inaccuracies may occur because of imperfections in reporting by enterprises and errors made in the collection and processing of the data. Inaccuracies of this kind are referred to as non-sampling errors. Every effort is made to minimise non-sampling errors by careful design of questionnaires, testing them in pilot studies, editing reported data and implementing efficient operating procedures. Non-sampling errors occur in both sample surveys and censuses.

Rounding off of figures

The figures in the tables have, where necessary, been rounded off to the nearest final digit shown. There may therefore be slight discrepancies between the sums of the constituent items and the totals shown.

Symbols and abbreviations

BR	Business register
DTI	Department of Trade and Industry
GDP	Gross domestic product
IT	Income tax
0	Nil or less than half the final digit shown
SARS	South African Revenue Service
Stats SA	Statistics South Africa
VAT	Value added tax
–	Figures not available

Glossary

Current assets	<p>These are assets that can be converted into cash within 12 months. They include:</p> <ul style="list-style-type: none">• Trade and other receivables;• Cash and bank;• Inventory; and• Other current assets.
Current liabilities	<p>These are debts or obligations that are due within 12 months. They include:</p> <ul style="list-style-type: none">• Trade and other payables;• Bank overdraft; and• Other current liabilities.
Employees	<p>People who are employed by the enterprise who received payment (in salaries, wages, commission, piece rates or payments in kind) for any part of the reference period, excluding independent contractors.</p>
Enterprise	<p>A legal unit or a combination of legal units that includes and directly controls all functions necessary to carry out its production activities.</p>
Equity	<p>Residual interest in the enterprise's assets after deducting its liabilities.</p>
Forestry management unit	<p>Any unit on which forestry farming operations are carried out for commercial purposes.</p>
Industry	<p>An industry consists of a group of enterprises engaged in the same or similar kinds of economic activity. Industries are defined in the <i>System of National Accounts (SNA)</i> in the same way as in the <i>Standard Industrial Classification of all Economic Activities (SIC)</i>, Fifth Edition, Report No. 09-90-02 of January 1993.</p>
Non-current assets	<p>Assets not expected to be converted into cash, sold or exchanged within the normal 12-month operating cycle of the enterprise. They include:</p> <ul style="list-style-type: none">• Property, plant and equipment and intangible assets;• Goodwill;• Long-term investments; and• Other non-current assets.
Non-current liabilities	<p>Liabilities that are not required to be paid within 12 months. They include:</p> <ul style="list-style-type: none">• Long-term loans; and• Other non-current liabilities.

- Other assets** Includes:
- Other intangible assets
- Other expenditure** Includes:
- Accommodation;
 - Artificial insemination;
 - Bursaries;
 - Consulting;
 - Donations and sponsorships;
 - Entertainment;
 - Imports and exports;
 - Leasing and hiring of livestock;
 - Losses on financial and other assets;
 - Professional services (e.g. legal services and data processing services);
 - Property rates;
 - Regional service levels;
 - Share farming; and
 - Storage.
- Other income** Includes:
- Profits on financial and other liabilities;
 - Water rights traded;
 - Farm-based retail stores; and
 - Accommodation.
- Sales of goods** Includes:
- Income from sales of own produce such as timber and other forestry and farming products;
 - Income from the sales of own processed forestry products;
 - Goods for re-sale; and
 - Internal and external sales.
- Services rendered** Includes:
- Income received for work done for other forestry enterprises;
 - Contract, subcontract and commission income from forestry related services; and
 - Contract, subcontract and commission income from non-forestry related services.

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