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## [Privatizing plantations in South Africa](#)

The South African government announced last March that the state-owned timber plantations company SAFCOL, would be privatized. The company owns 332,000 hectares of commercial tree plantations and other assets valued at between 1 and 1.5 billion Rand (some 160-250 million US dollars). Although a number of social concerns are said to be part of the move (job creation, human resources development, promoting greater diversity of ownership and developing downstream activities), the fact is that the true beneficiaries will be the large national and transnational corporations.

One of those is MONDI, which is one of the biggest and most powerful corporations operating in the pulp and paper sector in South Africa. Its plantations have expanded with no consideration to environmental impacts on soils, grasslands, wetlands and streams, menacing water supply. Even public land including road reserves and commonage was used to establish tree monocultures. The environmental and health impacts associated with its pulp mills have also caused concern and resistance by affected communities. The company has adopted an aggressive policy of expansion. In May 1996 Mondi became one of Aracruz Celulose's three major shareholders. It has also acquired mills in Europe and other northern countries.

Now Mondi is moving to take advantage of the privatisation of SAFCOL to further concentrate on its pulp and paper operations. The idea is to sell some of its timber plantations and sawmills in Mpumalanga, linking the sale to SAFCOL's and thereby obtaining a better price for the sale. SAFCOL's 120,000 hectares of plantations in Mpumalanga can be combined with its own 143,000 hectares of plantations in Mpumalanga and Swaziland. The combined 263,000 hectares of plantations are composed of 195,000 hectares of softwood plantations and 68,000 hectares of hardwood plantations. Many SAFCOL and MONDI plantations in these areas are adjacent and can therefore be transformed into management units in order to "enable the production of high-quality products at sufficiently low cost for international markets". MONDI would thus reduce its participation in the sawmilling sector, which has been facing difficult times recently, with falling demand for sawn timber and higher sawlog prices and concentrate on its core business (pulp, paper and packaging). Mondi owns 460,000 more hectares of plantations in South Africa, which it would retain to supply its pulp and paper operations, while it could also bid for other SAFCOL plantations composed of the adequate species and in the right locations to feed its pulpmills.

However, MONDI is not the only company interested in the sale. The other big local player in the South African plantation and pulp industry -SAPPI- is also among the 16 companies short-listed for the bid. Stand-alone international firms on the list are the Swedish defence and car group Saab, Indonesia's Barito Pacific Timber and Saudi Arabia's Tarik Al-Zahid Group. Two other foreign companies, which have entered consortia with local entities, also appear on the short list. These are the Londoloza Eco-African Forest Holdings consortium, made up of Italy's Gruppo Mauro Saviola, Magnaboard Holdings and Formalchem Holdings; and Madiba Forestry Consortium, which includes the York Timber Organisation, Portugal's Sonae Industria and empowerment group Madiba Mills.

Bidders can bid for the asset as a whole, for any one of seven packages that have been identified, or

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for any combination of packages. The underlying land will not be sold. Instead the assets will be offered on a long-term lease. Bidders will be asked to make an up-front payment as well as an annual rental payment reflecting the value of the land. Lease conditions will include -according to government officials- obligations regarding environmental management and the needs of local communities. Some forestry workers are to be transferred to the new owners' businesses, with the number reflecting the industry average a hectare. The wage rate will be the same as that paid by SAFCOL.

If the above is seen within the context of the negative environmental and social record of both the private and public forestry companies in South Africa, the conclusion is that local communities, forestry workers and environmentalists will need to make their voices heard if they wish to improve the prevailing conditions. What's clear is that the main beneficiaries of this privatization will be the large private companies.

Sources: Robyn Chalmers, Business Day 5/3/99 "Safcol details privatisation" 3/5/99; "Mondi factoring Safcol into its plans", 6/5/99 "Short list made up for forestry sale"; Wally Menne, Timber Watch Coalition, June 1998.