A PROFILE OF THE SOUTH AFRICAN BLACK TEA MARKET VALUE CHAIN

2013

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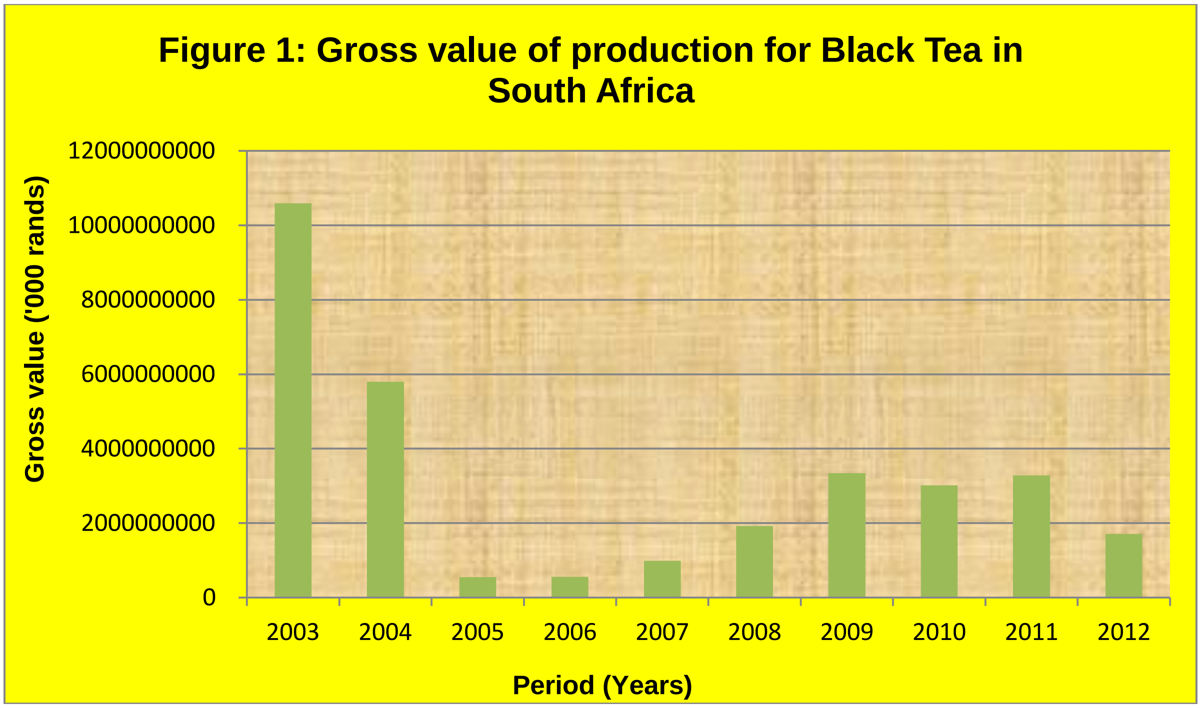
1. DESCRIPTION OF THE INDUSTRY

Black tea production in South Africa has been uneconomic and under severe financial difficulties since 2003/04. Most of the tea estates were established in areas of high unemployment during the 1970s and 1980s to dissuade people from migrating to urban areas. Beginning in 2003 most of the tea estates in the country went out of production and those that remain are in a very precarious financial position and survive partly because they produce a product of high quality but mainly because they receive funding from the state. The key reasons for the price un-competitiveness of the black tea industry are the following:

- Relatively high production costs ascribed mainly to the introduction of minimum wages in the agricultural sector,
- Low world market prices for black tea and the fact that black tea is a US dollar traded commodity,
- The dominance of tea packers; two major tea packaging companies dominate more than 80% of the Southern African black tea market,
- The difference between the producer prices and retail prices for black tea is alarmingly higher than most other agricultural commodities,
- Black tea producers in South Africa have no mechanism to negotiate better prices with tea packers; they are price takers as the packers determine the prices. South African tea packers use the South African tea price as a negotiating position when negotiating tea prices with our SADC partners. As a result South African tea packers seem to be the only ones who benefited from the abolishment of the Trade Related Investment Measure (TRIM) and the phasing out of tariffs in terms of the SADC Free Trade Agreement.

The contribution of South African black tea industry to the gross value of agricultural production between 2003 and 2012 is depicted in Figure 1 below.



Source: Statistics & Economic Analysis, DAFF

The graph further indicates that during the period under review, South African gross value of production for black tea started to increase in 2003, and at the same time attained a peak at a gross value of approximately R10.5 billion. The graph also indicates that the gross value of production for black tea experienced a dramatic decline at about R5.7 billion in 2004, while in 2005 the decline in value terms went to lower levels of about R5.5 billion. The dramatic decline in 2005 was due to the fact that Sapekoe stopped its operations due to high minimum wages for farm workers, no protection against tea imports from the Southern African Development Community (SADC). High production costs structure (Electricity, Nitrogen, diesel and wages), the strong rand against US Dollar and UK Pound Sterling, and land claims (loss of title deed by Sapekoe-Pty Ltd) contributed to the decline in the domestic production of black tea due to a decline in competitiveness of the black tea estates. The graph also indicates that between 2007 and 2008, the gross value of production for black tea experienced slight increases until there was a significant increase in black tea gross value of production in 2009 at about R3.3 billion. An increase in gross value of agricultural production was experienced between 2007/08 and 2008/09 when most tea estates were resuscitated by the provincial departments in Limpopo, Mpumalanga and KwaZulu-Natal. The graph further indicates that in 2010, black tea gross value of production saw a decline to R3.0 billion, while in 2011; the gross value of production for black tea saw an increase of about R3.2 billion.

Table 1: Tea Estates in the Republic of South Africa during 2012

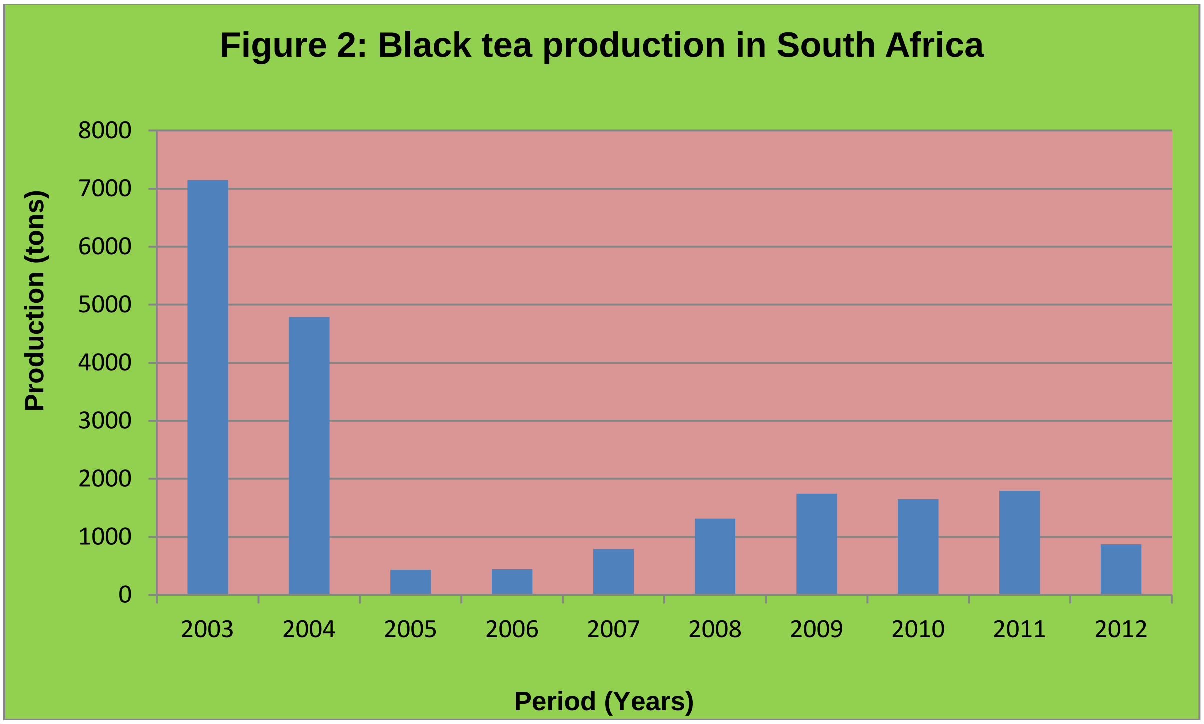
ESTATE	PROVINCE	SIZE (Ha)	STATUS
Tshivhase Sapekoe		577	Producing
Mukumbani Sapekoe		504	Producing
Grenshoek Sapekoe		451	Not producing
Middelkop Sapekoe		501	Not producing
Outgrowers	Limpopo	100	Not Producing
Ngome Sapekoe		500	Not producing
Richmond Sapekoe		522	Not producing
Ntingwe	Kwazulu-Natal	325	Producing
Magwa		1784	Producing
Majola		385	Producing
Paddock	Eastern Cape	225	Not producing
Senteeko		550	Not producing
Gradely	Mpumalanga	75	Producing
Total		**6 499**	

Of the tea estates listed in Table 1 above it is very clear that only six of the twelve are currently under production while the rest of the tea estates have ceased their operations. Only two tea estates in the Vhembe region of the Limpopo Province are still in production while in the Kwazulu-Natal Province Ntingwe is the only one still producing tea. The Eastern Cape Province is left with two tea estates while in the Mpumalanga Province only one tea estate is under production. A lot of tea processors and packers are based in Johannesburg (Gauteng, City of Johannesburg) and that makes it easy for them to export tea because of the infrastructural set up that is in place. Provinces like Limpopo and Mpumalanga take their tea produce to Gauteng for processing and for the export market.

1.1 Production trends

On average approximately 2097. 50 tons of black tea is produced locally (in South Africa) each year.

Figure 2 below depicts black tea production in South Africa between 2003 and 2012 period.



Source: Statistics & Economic Analysis, DAFF

The figure further depicts that black tea production in South Africa started to increase in 2003, and at the same time attained a peak at approximately 7149 tons. The figure also depicts that between 2004 and 2007 black tea production experienced a steep decline to very low levels of production of approximately 433 tons in 2005. As highlighted in figure 1, production of black tea came to a substantial decline in December 2005 when Sapekoe stopped its operations due to high minimum wages for farm workers, no protection against tea imports from the Southern African Development Community (SADC). High production costs structure (Electricity, Nitrogen, diesel and wages), the strong rand against US Dollar and UK Pound Sterling, and land claims (loss of title deed by Sapekoe-Pty Ltd) also led to very low levels of black tea production in South Africa. In 2008/09 a substantial increase in domestic production of black tea was experienced owing to government efforts in resuscitating tea plantations in major tea producing provinces.

The figure also depicts that between 2006 and 2008, the gross value of production for black tea experienced some slow increases until there was a substantial increase in 2009 of about 1743 tons. The graph further indicates that in 2010 and 2011, the gross value of production for black tea saw an increase of about 1647 and 1795 tons respectively. The figure further depicts that black tea production in South Africa experienced a decline in 2012 to lower levels of about 870 tons.

1.2 Employment

Traditionally tea estates used to be the biggest employers of people in rural provinces of South Africa, providing both permanent and seasonal employment opportunities. With the crisis that the industry is facing employment has declined as most of these tea estates are out of production. Ntingwe Estate employs more than 200 permanent staff and 550 seasonal workers with total employment envisaged to grow to approximately 1 200 at full production.

Table 2 below illustrates the employment potential of the various tea estates when they are in full production.

Table 2: Employment potential of the various tea estates in RSA during 2012

Operational Tea Estate	Employment status	Contact person
Tshivhase Sapekoe	1 489	Mr. Mudau 015 – 963 8200
Mukumbane Sapekoe	1 233	
Grenshoek Sapekoe	1 013	
Middelkop Sapekoe	1158	
Ngome Sapekoe	1 045	
Ntingwe	748	Mr. Glover 035 833 8000
Magwa	4 103	Mr. King 083 423 3972
Majola	886	Mr. Khezwe 072 132 9376

Table 2 indicates that the tea estates in the country are capable of employing more than 11 thousand people when in full production. As of 2004 Magwa and Sapekoe tea estates were the major employers in the black tea industry. Taking into account that tea estates such as Grenshoek, Middelkop, Ngome, Richmond, Paddock and Senteeko have gone out of production, more than 6 thousand employees have lost employment between 2005 and 2012.

2. MARKET STRUCTURE

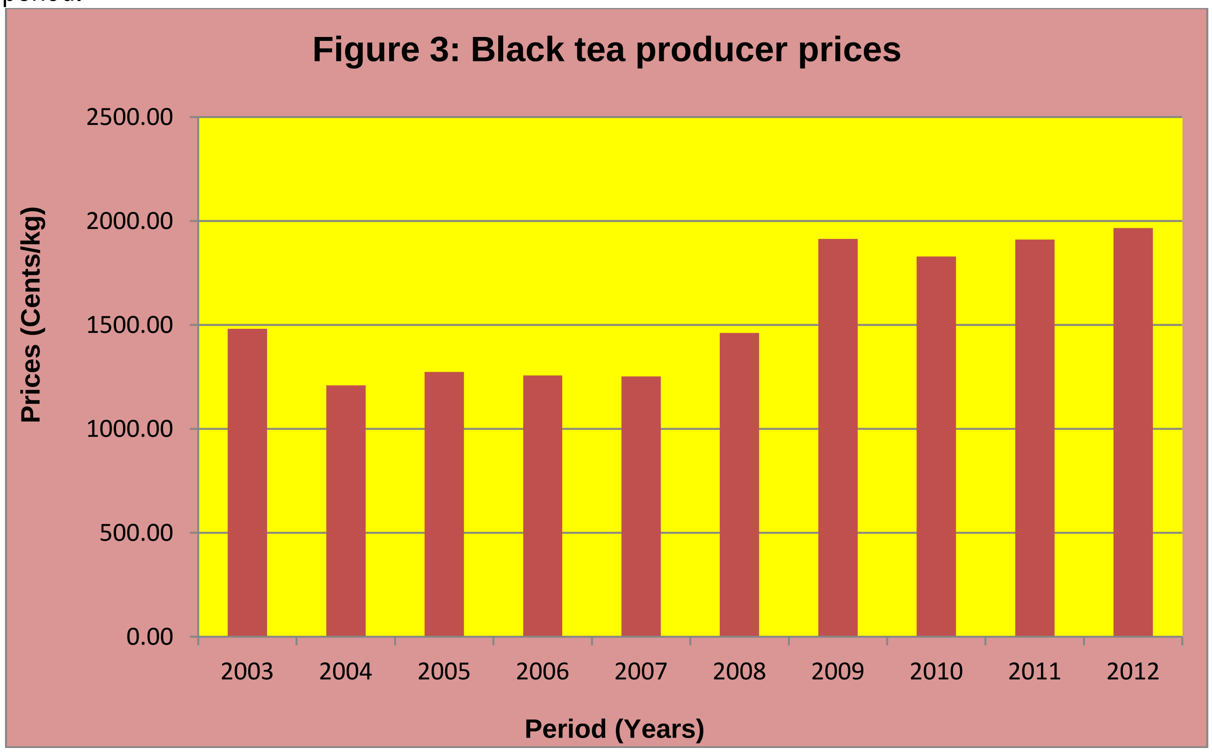
2.1 Domestic market and Prices

Tea, like most other commodity products, is a US Dollar traded commodity across the world. Movements in the US Dollar exchange rate compared to other currencies affect price competitiveness of such commodities. South Africa is a net importer of tea. Free market principles determine that domestic market prices will fluctuate in a price range between import parity and export parity levels. The level of competition in the domestic market ensures that prices are set as close as possible to import parity levels, whilst over supply, exchange rates and world market prices determine export parity price levels. In net import situations such as in the case of black tea (SA currently imports more than

50 percent of its black tea), domestic market prices should, according to normal free market principles, be close to or even higher than import parity levels.

Pure Ntingwe tea is currently sold under the estate's name in tea bags marked Zulu Tea, while Yorkshire Gold, a blend of Ntingwe tea and other varieties, is a second retail blend sold in overseas markets. Since 2004 the tea has also been sold locally at Woolworths under the Ntingwe Estate brand name.

Figure 3 below illustrates black tea average producer prices in South Africa between 2003 and 2012 period.



Source: Statistics & Economic Analysis, DAFF

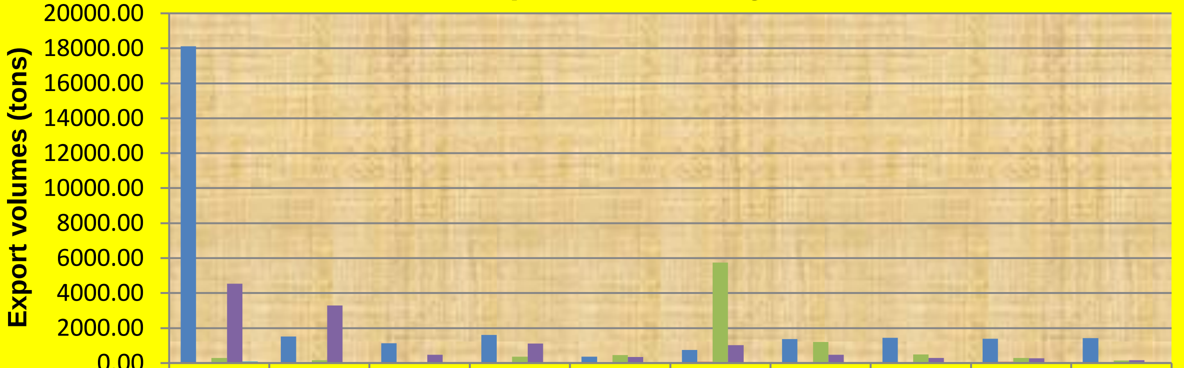
The graph further illustrates that black tea average producer prices in South Africa started to increase in 2003, and then a slight decline occurred between 2004 and 2007 to lower levels of about R1210.00. Black tea average producer prices started to increase again in 2008 until a peak was attained in 2009 and 2012 at a price of approximately R1915.00 and R1967.00 cents per kilogram respectively. The graph also illustrates that, between 2010 and 2011, black tea average producer prices remained relatively stable at approximately between R 1830.00 and R1912.00 cents per kilogram respectively, until a peak in 2012 at R1967.00 cents per kilogram.

3. EXPORTS OF BLACK TEA

South Africa's black tea export market is worth about R20 million a year, while the country imports about 16 million kilograms of tea a year for domestic use.

Figure 4 below indicates black tea exports volumes (whether or not flavoured) from South Africa to various regions of the world between 2003 and 2012 period.

Figure 4: Export volumes of black tea (whether or not flavoured) to various regions



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Africa	18111.23	1513.95	1131.35	1611.00	356.27	743.57	1370.92	1440.34	1385.16	1426.03
Americas	5.32	20.63	46.81	28.37	24.55	69.02	3.43	30.19	62.02	5.78
Asia	288.80	154.22	28.96	369.50	462.35	5741.03	1200.98	488.30	289.92	135.55
Europe	4532.95	3288.55	467.52	1116.14	348.59	1025.82	472.02	284.29	270.06	161.30
Oceania	92.67	42.89	1.18	56.99	3.69	30.01	28.25	37.84	7.18	4.09

Period (Years)

Source: Quantec Easy Data

It is evident that during the period between 2003 and 2012, South Africa exported most of its black tea to the African region, followed by Asia and Europe. The graph also indicates that low volumes of black tea from South Africa were exported to the Americas and Oceania between 2003 and 2012 period. The graph further indicates that exports of black tea from South Africa to Africa started to increase in 2003, and at the same time attained a peak at approximately 18 111 tons. In 2008 black tea exports from South Africa to Asia started to increase substantially, and at the same time attained a peak at an export quantity of approximately 5 741 tons. On average exports volumes of black tea from South Africa to all the aforementioned regions were fairly low and declined substantially between the years 2005 and 2012 except for the Asian market.

The graph also indicates that in 2012, exports volumes of black tea from South Africa to Africa declined at approximately 92.1% as compared to the 2003 marketing season.

Figure 5 below shows black tea exports volumes (whether or not flavoured) from South Africa to Africa between 2003 and 2012 period.

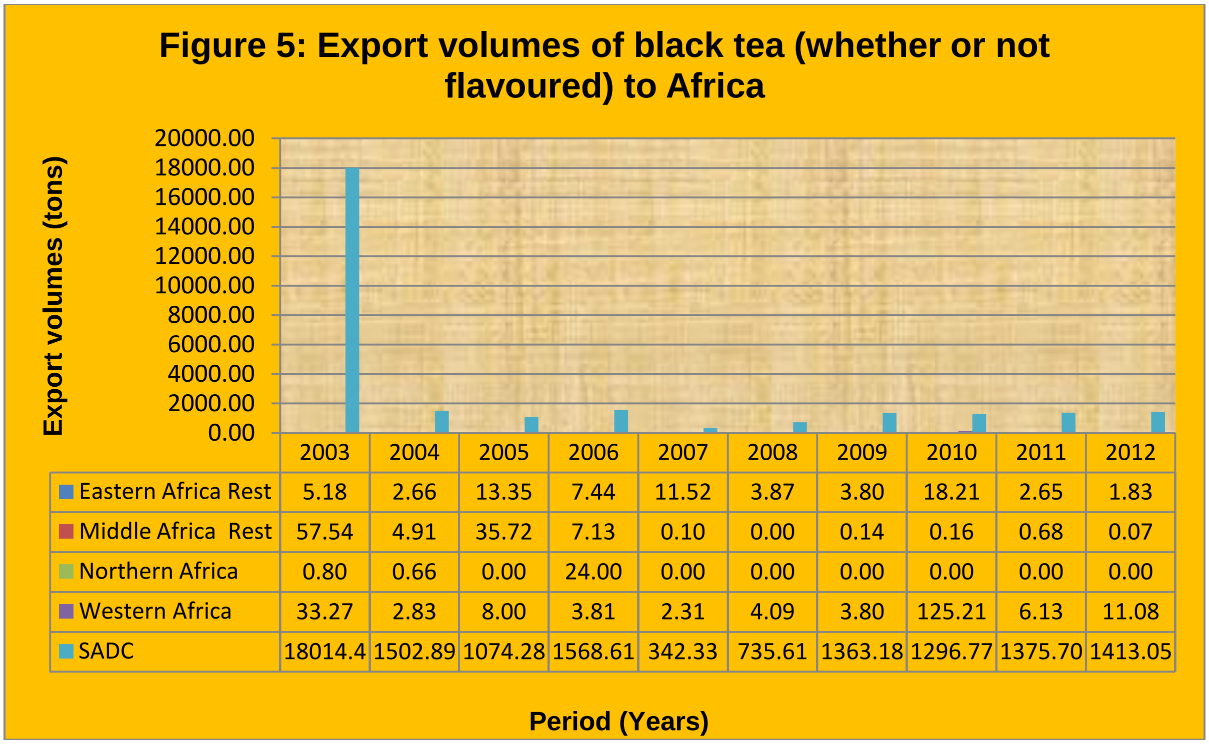


Figure 5: Export volumes of black tea (whether or not flavoured) to Africa

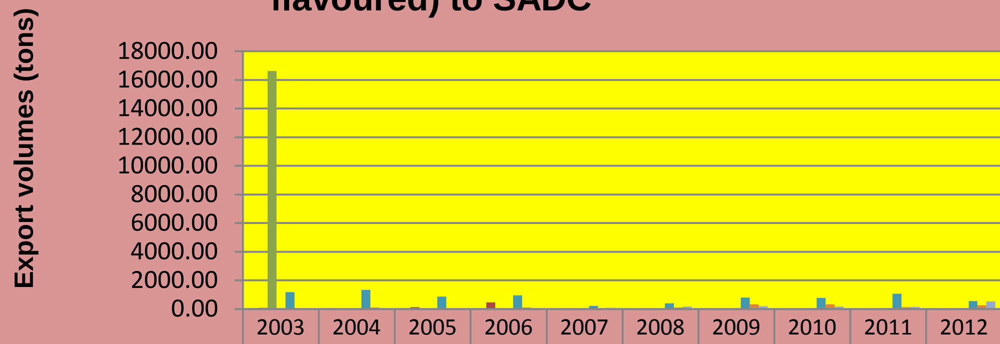
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Eastern Africa Rest	5.18	2.66	13.35	7.44	11.52	3.87	3.80	18.21	2.65	1.83
Middle Africa Rest	57.54	4.91	35.72	7.13	0.10	0.00	0.14	0.16	0.68	0.07
Northern Africa	0.80	0.66	0.00	24.00	0.00	0.00	0.00	0.00	0.00	0.00
Western Africa	33.27	2.83	8.00	3.81	2.31	4.09	3.80	125.21	6.13	11.08
SADC	18014.4	1502.89	1074.28	1568.61	342.33	735.61	1363.18	1296.77	1375.70	1413.05

Source: Quantec Easy Data

The graph further shows that the major export destination of black tea from South Africa into Africa was the SADC region during the period under scrutiny. The graph also shows that black tea exports from South Africa to SADC started to increase in 2003, and at the same time attained a peak at approximately 18 014 tons. Between 2004 and 2012 period, SADC experienced very low export volumes of black tea from South Africa of not more than 2000 tons per year. It is clear from the figure that in 2012, exports volumes of black tea from South Africa to SADC declined at approximately 92.2% as compared to the 2003 marketing season.

Figure 6 below illustrates volumes of black tea exports (whether or not flavoured) from South Africa to the SADC region between 2003 and 2012 period.

Figure 6: Export volumes of black tea (whether or not flavoured) to SADC



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Angola	54.26	59.34	25.69	2.94	2.49	2.07	0.14	8.94	0.63	1.58
Democratic Republic of the Congo	69.39	1.72	116.43	466.11	2.88	2.13	3.06	4.30	2.79	4.51
Mauritius	16634.51	2.18	1.54	1.35	2.28	25.93	4.67	2.60	4.30	5.43
Malawi	0.75	0.14	5.65	3.47	12.60	13.64	28.15	25.43	28.62	49.33
Mozambique	1166.41	1338.17	864.26	943.04	216.23	404.09	796.36	767.23	1058.96	556.71
Zambia	42.40	93.77	17.69	97.16	36.07	103.53	336.79	327.58	124.45	259.43
Zimbabwe	45.11	7.13	39.24	54.34	69.77	178.74	193.66	168.22	153.87	527.88

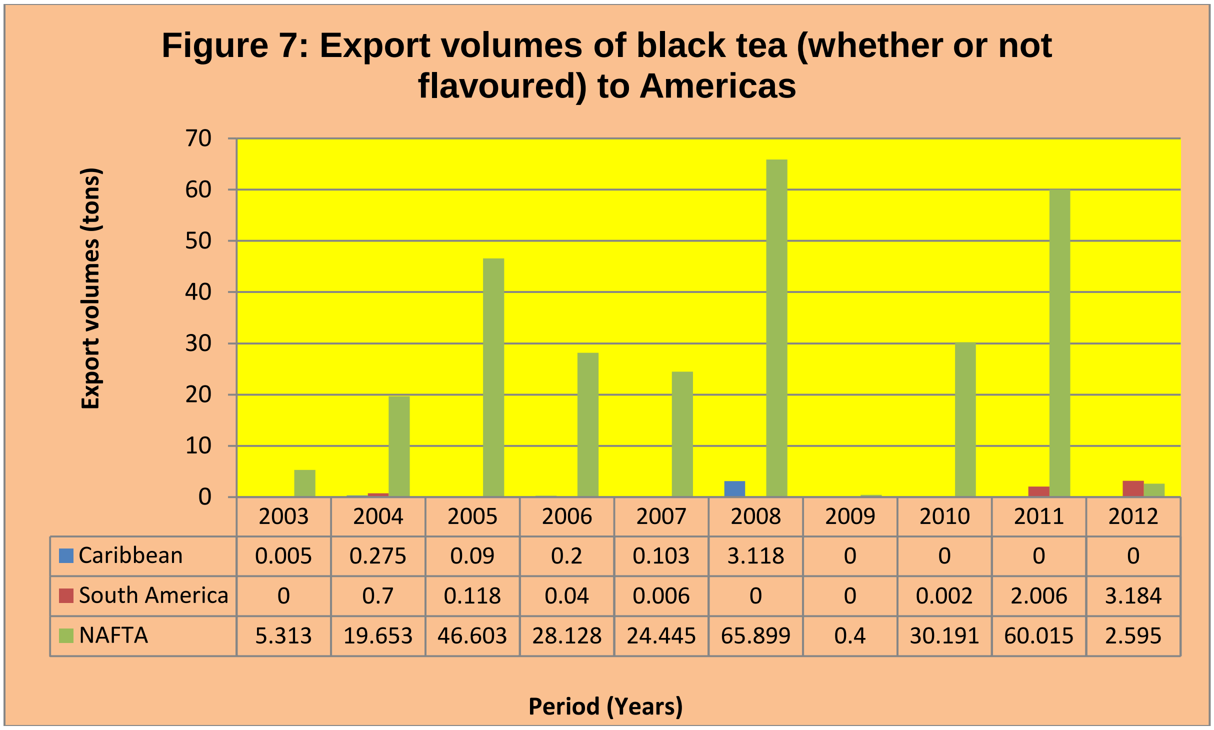
Period (Years)

Source: Quantec Easy Data

The figure further illustrates that the major export market for black tea from South Africa to SADC was mainly Mauritius with no competition from other SADC states. The figure also illustrates that exports volumes of black tea from South Africa to Mauritius started to increase in 2003, and at the same time attained a peak at approximately 16 635 tons. The figure further illustrates that between 2004 and 2012 period, Mozambique, Zimbabwe, Malawi, Zambia, Angola and Democratic Republic of the Congo imported very low export volumes of black tea from South Africa of below 2000 tons per annum.

The graph also illustrates that in 2012, exports volumes of black tea from South Africa to Mauritius declined at 99.99% as compared to the 2003 marketing season.

Figure 7 below depicts volumes of black tea exports (whether or not flavoured) from South Africa to the Americas over the past decade.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Caribbean	0.005	0.275	0.09	0.2	0.103	3.118	0	0	0	0
South America	0	0.7	0.118	0.04	0.006	0	0	0.002	2.006	3.184
NAFTA	5.313	19.653	46.603	28.128	24.445	65.899	0.4	30.191	60.015	2.595

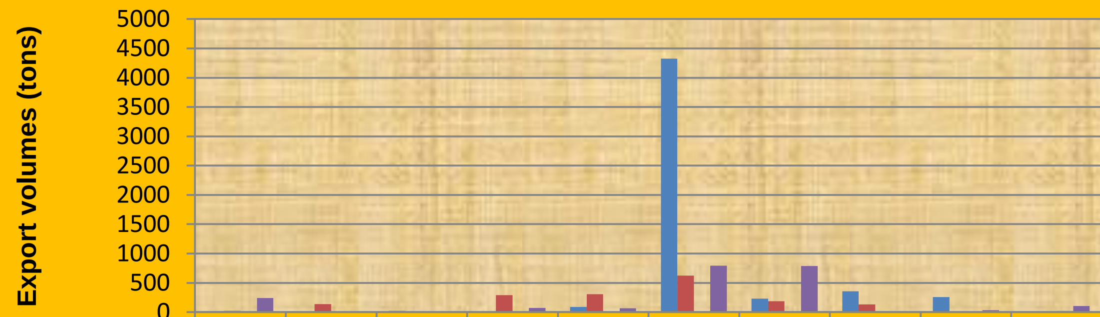
Source: Quantec Easy Data

The graph further depicts that the major export market for black tea from South Africa to Americas was NAFTA during the period under review. The graph also depicts that exports of black tea from South Africa to NAFTA started to increase in 2003 with a substantial increase in 2005. A decline in 2006 and 2007 was experienced at about 24.4 tons, until a peak was attained at approximately 65.9 tons. During the same period under review, Caribbean and South America experienced very low export volumes of black tea from South Africa of below 10 tons per year. The graph also depicts that low export volumes of black tea from South Africa to NAFTA were experienced in 2009, until a surge in exports was experienced in 2010 and then a second peak was attained in 2011 at approximately 60 015 tons.

The graph also depicts that in 2012, exports volumes of black tea from South Africa to NAFTA increased at approximately 51.2% as compared to the 2003 marketing season.

Figure 8 below shows volumes of black tea exports (whether or not flavoured) from South Africa to Asia between 2003 and 2012 period.

Figure 8: Export volumes of black tea (whether or not flavoured) to Asia



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Eastern Asia	15.388	0.43	20.543	8.412	86.626	4327.118	228.205	356.666	257.378	9.827
South-central Asia	22.112	135.28	4.739	290.534	309.188	620.64	188.394	131.435	0.679	0
South-eastern Asia	7.855	9.27	0.362	0.254	0.367	0	0.026	0	0.51	20.68
Western Asia	243.445	9.241	3.316	70.297	66.168	793.274	784.358	0.197	31.356	105.039

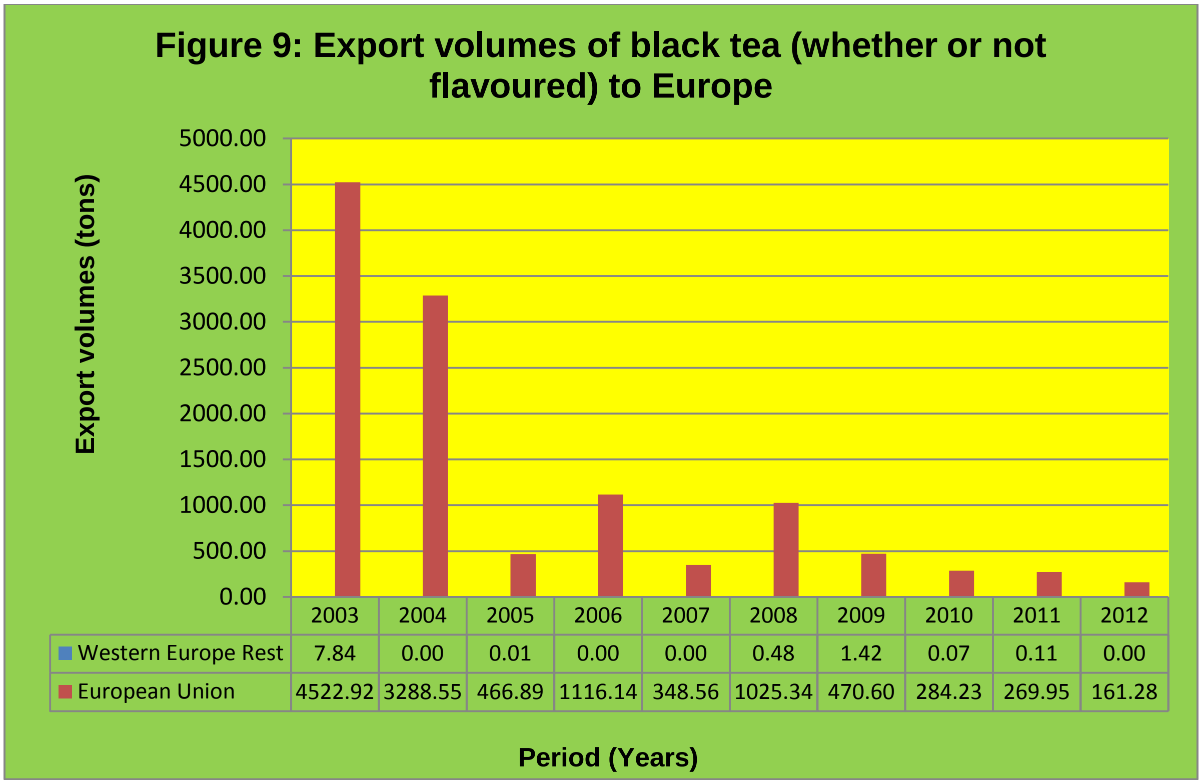
Period (Years)

Source: Quantec Easy Data

The figure further shows that volumes of black tea from South Africa to Asia were exported mainly to Eastern Asia with very small quantities to other Asian regions. The figure also shows that black tea exports from South Africa to Eastern Asia started to increase in 2008 and at the same time attained a peak at approximately 4 327 tons. The figure further shows that between 2003 and 2007 and again between 2009 and 2012, there were very low levels of exports of black tea to all Asian markets of below 1000 tons per year. The figure also shows that exports of black tea from South Africa to Eastern Asia substantially declined to lower levels of about 0.43 tons in 2004.

The graph also indicates that in 2012, exports volumes of black tea from South Africa to Eastern Asia declined at approximately 36.1% as compared to the 2003 marketing season.

Figure 9 below depicts volumes of black tea exports (whether or not flavoured) from South Africa to Europe over a ten year period.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Western Europe Rest	7.84	0.00	0.01	0.00	0.00	0.48	1.42	0.07	0.11	0.00
European Union	4522.92	3288.55	466.89	1116.14	348.56	1025.34	470.60	284.23	269.95	161.28

Source: Quantec Easy Data

The graph further depicts that during the period under scrutiny, the major export market for black tea from South Africa to Europe was European Union with no competition from other European regions. The graph also depicts that volumes of black tea exports from South Africa to the European Union started to increase in 2003, and at the same year attained a peak at approximately 4 522 tons. It is evident that between 2004 and 2012, exports of black tea from South Africa to European Union experienced a gentle decline that led to low export volumes of black tea of about 161.28 tons in 2012.

The graph clearly depicts that in 2012, exports volumes of black tea from South Africa to the European Union declined at approximately 96.4% as compared to the 2003 marketing season.

Figure 10 below confirms volumes of black tea exports (whether or not flavoured) from South Africa to the European Union between 2003 and 2012 period.

Figure 10: Export volumes of black tea (whether or not flavoured) to European Union

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium	19.92	0.10	0.00	3.60	17.60	0.08	0.00	0.80	0.01	0.00
Cyprus	0.00	3.39	0.02	4.25	1.48	0.14	0.11	0.49	0.24	0.41
Germany	294.06	223.24	74.18	47.36	9.32	48.93	9.03	10.09	47.04	22.95
France	0.22	0.03	161.31	0.40	0.21	0.11	1.41	0.13	22.47	6.16
United Kingdom	4176.44	2969.42	152.30	903.58	296.71	891.92	400.12	271.79	198.78	117.44
Ireland	24.98	0.00	0.01	0.02	0.01	27.30	13.63	0.00	0.00	0.00
Italy	0.00	0.00	0.81	3.20	3.43	0.56	1.11	0.54	0.90	1.02
Netherlands	7.16	47.79	73.55	153.70	17.49	56.15	45.18	0.06	0.08	0.00

Period (Years)

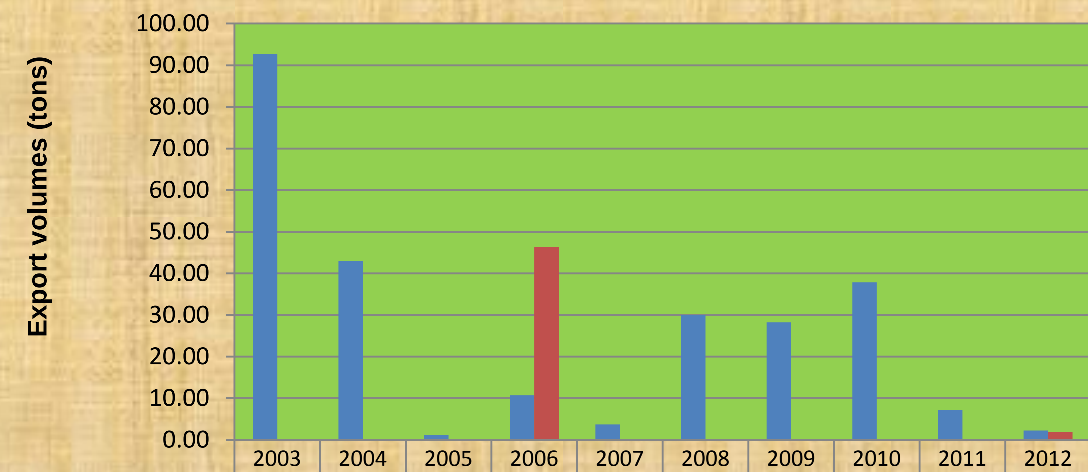
Source: Quantec Easy Data

The graph further illustrates that the major export market for black tea from South Africa to the European Union was United Kingdom with very small quantities going to countries such as Belgium, Germany, Italy and France. The graph also illustrates that exports volumes of black tea from South Africa to United Kingdom started to increase in 2003, and at the same time attained a peak at approximately 4 176 tons. Between 2004 and 2012, there was a steady decline in exports of black tea from South Africa to the United Kingdom to lower levels of about 117.44 tons in 2012.

It is clear that in 2012, exports volumes of black tea from South Africa to United Kingdom declined at approximately 97.2% as compared to the 2003 marketing season.

Figure 11 below indicates volumes of black tea exports (whether or not flavoured) from South Africa to Oceania between 2003 and 2012 period.

Figure 11: Export volumes of black tea (whether or not flavoured) to Oceania



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia and New Zealand	92.67	42.89	1.18	10.69	3.69	30.01	28.25	37.84	7.18	2.24
Melanesia	0	0	0	46.3	0	0	0	0	0	1.85

Period (Years)

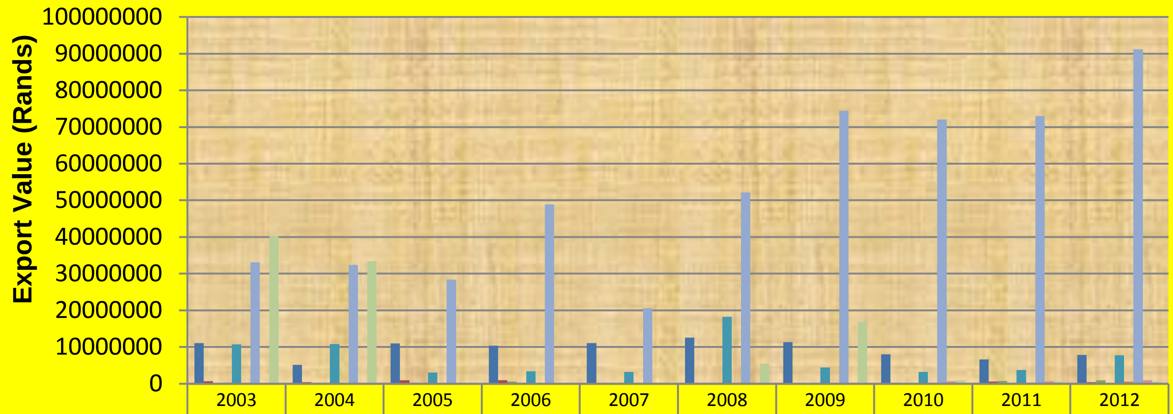
Source: Quantec Easy Data

The graph further indicates that the major market for black tea from South Africa to Oceania during the period under review was Australia and New Zealand. The graph also indicates that exports of black tea from South Africa to Oceania started to increase in 2003 and at the same time attained a peak of about 96.67 tons. The graph further indicates that there was a consistent decline in black tea exports from South Africa into Australia and New Zealand from 2004 to 2012 to lower levels of about 1 ton per annum.

The graph also indicates that in 2012, exports volumes of black tea from South Africa to Australia and New Zealand declined at approximately 97.6% as compared to the 2003 marketing season.

Figure 12 below depicts values of black tea exports (whether or not flavoured) by Provinces of South Africa to the world between 2003 and 2012 period.

Figure 12: Value of black tea exports by Provinces



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Western Cape	11109224	5128882	10954837	10338140	11097554	12541677	11348378	8018547	6566335	7823750
Eastern Cape	679318	441807	923137	962607	33587	53674	49391	197258	550000	412652
Northern Cape	19103	0	2415	545430	6924	0	0	69290	737841	916725
Free State	194267	0	0	1895	116	0	0	153	0	156063
Kwazulu-Natal	10690438	10813174	3029291	3398140	3157732	18205312	4417108	3226372	3692487	7738845
North West	0	0	0	0	0	0	19964	125663	229304	621686
Gauteng	33118216	32380189	28403818	48873350	20626801	52160005	74422002	72057854	73013687	91224118
Mpumalanga	936	0	57080	0	53068	62679	3230	656723	693614	948381
Limpopo	40379729	33374468	0	0	0	5515481	16872632	904407	621692	622277

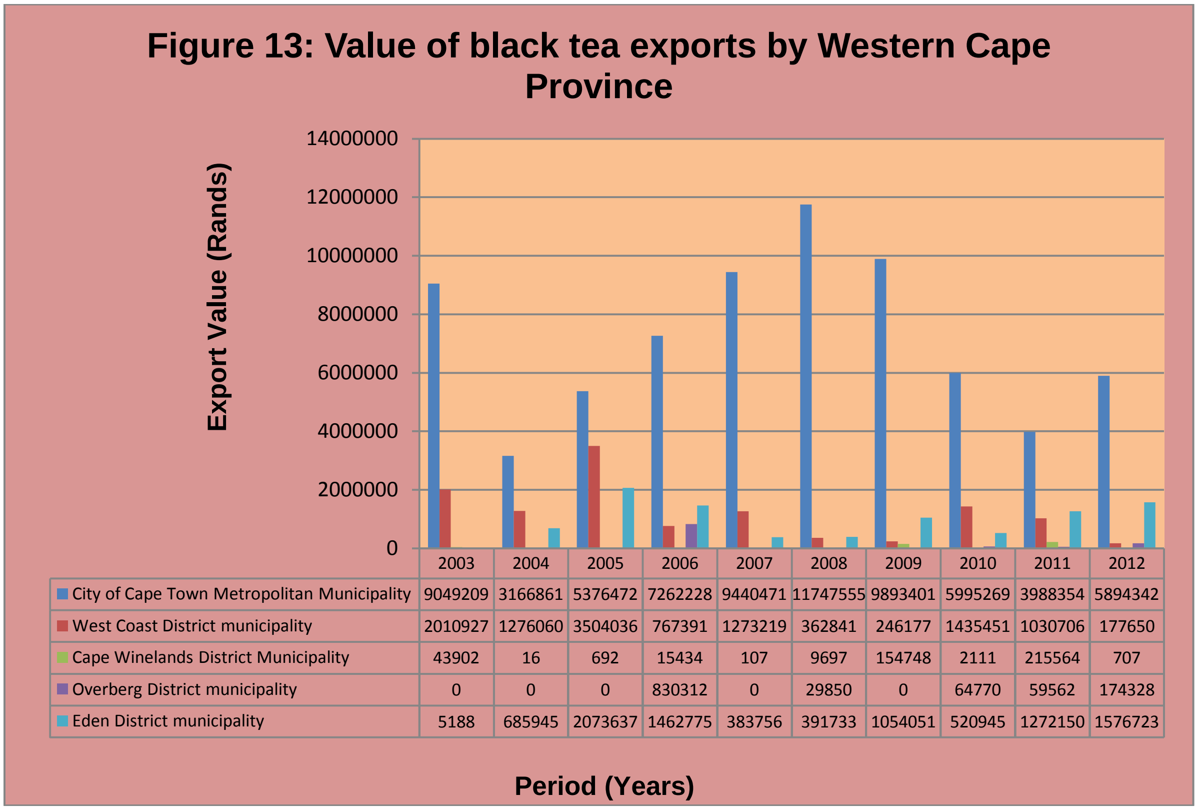
Period (Years)

Source: Quantec Easy Data

Over the past decade, the graph further depicts that the major role players of black tea exports in South Africa during this period was Gauteng Province, followed by Limpopo and KwaZulu-Natal provinces. The graph also depicts that exports of black tea from Gauteng province to the world started to increase in 2003 with a slight decline in 2004 and 2005 at approximately R28 million in 2005. The figure also depicts that in 2007 black tea exports from Gauteng province to the world also declined dramatically by 57.8% at approximately R20 million. In 2008 black tea exports from Gauteng started to increase at approximately R52 million until a small peak in exports was attained in 2009 at approximately R74 million, and in percentage terms of about 42.7%. Between 2010 and 2011, exports values of black tea from South Africa to the world slightly declined, until a peak was attained in 2012 at approximately R91.2 million. Exports of black tea from the Limpopo province to the world started to increase in 2003, until a peak was attained at an export value of approximately R40.3 million.

The figure further depicts that in 2012, exports values of black tea from Gauteng province to the world increased at 175.5% as compared to the 2003 marketing season.

Over the past decade, Figure 13 below shows values of black tea exports (whether or not flavoured) from Western Cape Province to the world.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City of Cape Town Metropolitan Municipality	9049209	3166861	5376472	7262228	9440471	11747555	9893401	5995269	3988354	5894342
West Coast District municipality	2010927	1276060	3504036	767391	1273219	362841	246177	1435451	1030706	177650
Cape Winelands District Municipality	43902	16	692	15434	107	9697	154748	2111	215564	707
Overberg District municipality	0	0	0	830312	0	29850	0	64770	59562	174328
Eden District municipality	5188	685945	2073637	1462775	383756	391733	1054051	520945	1272150	1576723

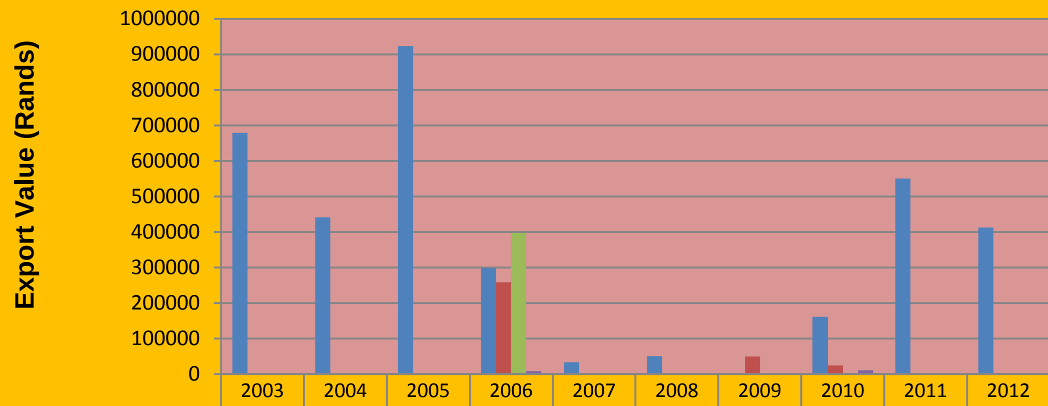
Source: Quantec Easy Data

The figure further shows that the City of Cape Town Metro dominated the export market of black tea to the world between 2003 and 2012 period. The figure also shows that exports of black tea from City of Cape Town Metro started to increase in 2003 at approximately R9.0 million, until a dramatic decline in 2004 of about R3.1 million. A surge of exports of black tea was experienced in 2005 to 2007 until a peak was attained in 2008 at approximately R11.7 million, and then a dramatic and consistent decline occurred from 2009 to 2012 to lower levels of about R3.9 million in 2011.

The figure also shows that in 2012, black tea exports from the City of Cape Town Metro to the world declined at 35.6% in 2012 as compared to the 2003 marketing season.

Figure 14 below illustrates values of black tea exports (whether or not flavoured) from Eastern Cape Province to the world between 2003 and 2012 period.

Figure 14: value of black tea exports by Eastern Cape Province



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cacadu District municipality	679318	441343	923137	298114	33587	50783	0	161826	550000	412652
Amatole District municipality	0	27	0	258565	0	0	49391	24224	0	0
Chris Hani District municipality	0	0	0	397565	0	2807	0	0	0	0
Nelson Mandela Metropolitan Municipality	0	438	0	8363	0	84	0	11208	0	0

Period (Years)

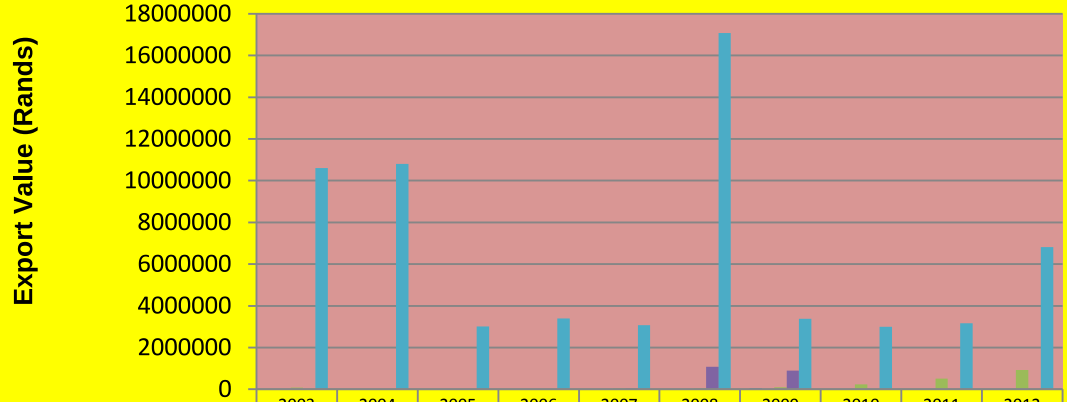
Source: Quantec Easy Data

The graph further illustrates that the major exporter of black tea from the Eastern Cape Province to the world during the period under review was Cacadu District, followed by minimal exports of black tea from Chris Hani and Amathole District Municipalities. The graph also illustrates that exports of black tea from Cacadu District to the world started to increase to R679 318, until a decline occurred in 2004 and a peak was attained in 2005 at approximately R923137. The graph further illustrates that a dramatic declined occurred between 2006 and 2009 to lower levels of about R33 587; the decline was due to low domestic production of black tea. In 2010 domestic production started to increase leading to increases in exports of black tea from Cacadu region to the world at an export value of approximately R 161 826.00. In 2011 domestic production continued to increase leading to increases in exports of black tea from Cacadu region to the world at an export value of approximately R 550 000.00. In 2012, exports of black tea from Cacadu District to the world slightly declined to lower levels of about R412 652.

The graph also illustrates that in 2012, exports of black tea from Cacadu District to the world declined at 39.3% as compared to the 2003 export season.

Figure 15 below depicts values of black tea exports (whether or not flavoured) from KwaZulu-Natal province to the world over the past decade.

Figure 15: Value of black tea exports by KwaZulu-Natal Province



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ugu District municipality	0	0	0	0	0	0	55700	0	0	0
UMgungundlovu District municipality	0	0	12	550	0	463	0	807	12378	0
Uthukela District municipality	73856	0	13324	0	44387	44426	92702	226588	516417	917178
iLembe District municipality	3406	2493	0	0	46293	1077078	897323	0	0	1517
eThekwini Metropolitan Municipality	10613176	10810580	3015600	3397590	3067052	17083344	3371383	2998921	3163692	6820144

Period (Years)

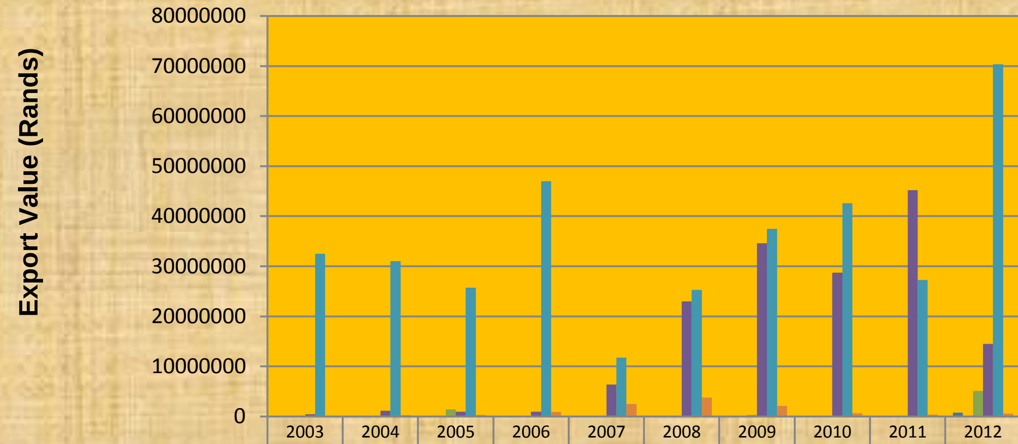
Source: Quantec Easy Data

The figure further depicts that the leading role players for black tea exports from KwaZulu-Natal province to the world was eThekwini Metropolitan Municipality with very low/ minimal export values from other district municipalities of the province. The figure also depicts that black tea exports from eThekwini Metropolitan Municipality started to increase in 2003 and 2004 at approximately R10.6 and R10.8 million. Between 2005 and 2007, exports of black tea from eThekwini Metro to the world experienced a decline to lower levels of about R3 million in 2005. In 2008, exports of black tea from Cacadu District Municipality to the world attained a peak at approximately R17 million. The figure also depicts that between 2009 and 2011, exports of black tea from Cacadu District to the world saw a decline to lower levels of about R2.9 million in 2010. In 2012, exports of black tea from Cacadu District to the world slightly increased to about R6.8 million.

The figure further depicts that in 2012, exports of black tea from Cacadu District to the world declined at 35.8% as compared to the 2003 export season.

Figure 16 below indicates values of black tea exports (whether or not flavoured) from Gauteng province to the world between 2003 and 2012 period.

Figure 16: Value of black tea exports by Gauteng Province



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sedibeng District municipality	243	0	516	57484	103	858	3287	13459	79955	771362
Metsweding District Municipality	0	0	712	0	0	99291	0	0	0	0
West Rand District Municipality	87	27581	1400713	7231	35762	60745	313865	107900	141502	5084947
Ekurhuleni Metropolitan Municipality	436331	1103161	935406	940705	6365611	22992974	34565271	28693471	45201879	14486425
City of Johannesburg Metropolitan Municipality	32505422	31027698	25744071	46964011	11758216	25273156	37469713	42609102	27239151	70344468
City of Tshwane Metropolitan Municipality	176133	221749	322399	903919	2467108	3732980	2069867	633922	351200	536915

Period (Years)

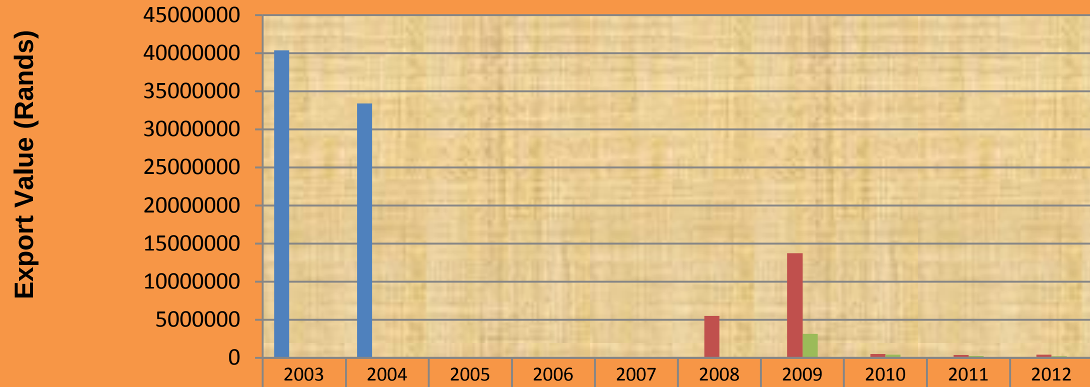
Source: Quantec Easy Data

The figure further indicates that the major exporting municipality for black tea from Gauteng province to the world during the period under review was the City of Johannesburg Metropolitan Municipality, followed by Ekurhuleni Metro and West Rand District. The graph also indicates that exports of black tea from the City of Johannesburg Metro to the world started to increase in 2003, and experienced a decline between 2004 and 2005. Between 2003 and 2005 exports of black tea from the City of Johannesburg Metro to the world experienced a dramatic decline of up to R25.7 million in 2005 as compared to R32.5 million in 2003. In 2006, black tea exports from the City of Johannesburg Metro to the world experienced a surge and a peak at approximately R46.9 million, and then a dramatic decline of 29% occurred in 2007 at an export value of about R11.7 million. In 2008 black tea exports from the City of Johannesburg Metro to the world started to increase again until the main peak was evident in 2012 at approximately R70.3 million. Exports of black tea from Ekurhuleni Metro to the world started to increase in 2007, until a peak was attained in 2011 at an export value of approximately R45.2 million (57.5%).

The graph further indicates that in 2012, exports values of black tea from the City of Johannesburg Metro to the world experienced a substantial increase of about R70.3 million (116%) as compared to the 2003 export season. Exports values of black tea from Ekurhuleni Metro to the world experienced a substantial increase of about R14.4 million (3220%) as compared to the 2003 export season.

Figure 17 below shows values of black tea exports (whether or not flavoured) from Limpopo Province to the world between 2003 and 2012 period.

Figure 17: Value of black tea exports by Limpopo Province



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mopani District municipality	40379729	33374468	0	0	0	0	0	0	0	0
Vhembe District municipality	0	0	0	0	0	5515481	13741693	499386	360414	418369
Capricorn District municipality	0	0	0	0	0	0	3130939	405020	260165	203885
Waterberg	0	0	0	0	0	0	0	0	1113	22

Period (Years)

Source: Quantec Easy Data

The graph further shows that the major exporter of black tea from the Limpopo Province to the world was Mopani District, followed by very low volumes from Vhembe and Capricorn Districts. The graph also shows that black tea exports from Mopani District to the world started to increase in 2003, and at the same time attained a peak at approximately R40.3 million. The graph further shows that in 2004, value of black tea exports from Mopani District to the world saw a consistent decline of up to R33.7 million. Between 2005 and 2012 of the period under examination, it is evident that there were no exports values of black tea from Mopani District to the world. The graph also shows that between 2003 and 2007, there were no exports of black tea from both Vhembe and Capricorn District Municipalities. Exports values of black tea from Vhembe District to the world attained a peak in 2009 at an export value of approximately R13.7 million; while exports values of black tea from Capricorn District Municipality to the world attained a peak also in 2009 at an export value of approximately R3.1 million.

The graph further shows that in 2012, exports values of black tea from Mopani District Municipality to the world experienced a decline of 100% as compared to the 2003 export season. Exports values of black tea from Vhembe District Municipality to the world experienced an increase of 100% in 2012 as compared to the 2003 export season.

3.1 Share Analysis

Table 1 indicates the share of provincial exports into South African black tea exports in percentages over the past decade. The table further indicates that between 2003 and 2012, Gauteng Province commanded the greatest share of black tea exported by South Africa to the world.

Table 1: Share of Provincial black tea exports to the total RSA black tea exports (%)

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Province										
Western Cape	11.5	6.24	25.3	16.1	31.7	14.2	10.6	9.41	7.63	7.08
Eastern Cape	0.71	0.54	2.13	1.50	0.10	0.06	0.05	0.23	0.64	0.37
Northern Cape	0.02	0.00	0.01	0.85	0.02	0.00	0.00	0.08	0.86	0.83
Free State	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.14
KwaZulu-Natal	11.1	13.2	6.98	5.30	9.03	20.6	4.12	3.78	4.29	7.01
North West	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.15	0.27	0.56
Gauteng	34.4	39.4	65.5	76.2	59.0	58.9	69.5	84.5	84.8	82.58
Mpumalanga	0.00	0.00	0.31	0.00	0.05	0.07	0.00	0.77	0.81	0.86
Limpopo	42.0	40.6	0.00	0.00	0.00	6.23	15.7	1.06	0.72	0.56

Source: Calculated from Quantec Easy Data

Table 2 depicts the share of district black tea exports to the total Western Cape Province black tea exports in percentages between 2003 and 2012 period. The table further depicts that between 2003 and 2012, City of Cape Town Metro commanded the greatest share of black tea exported by South Africa to the world throughout the period under review.

Table 2: Share of district black tea exports to the total Western Cape Province black tea exports (%)

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Districts										
City of Cape Town Metro	81.5	61.7	49.1	70.2	85.1	93.7	87.2	74.8	60.7	75.3
West Coast District	18.1	24.9	32.0	7.42	11.5	2.89	2.17	17.9	15.7	2.27
Cape Winelands	0.40	0.00	0.01	0.15	0.00	0.08	1.36	0.03	3.28	0.01
Overberg District	0.00	0.00	0.00	8.03	0.00	0.24	0.00	0.81	0.90	2.23
Eden District	0.05	13.4	18.9	14.1	3.46	3.12	9.29	6.49	19.4	20.2

Source: Calculated from Quantec Easy Data

Table 3 shows the share of district black tea exports to the total Eastern Cape Province black tea exports in percentages over the past decade. The table further shows that between 2003 and 2012, Cacadu District commanded the greatest share of black tea exported by South Africa to the world.

Table 3: Share of district black tea exports to the total Eastern Cape Province black tea exports (%)

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Districts										
Cacadu District	100	99.9	100	40.0	100	94.6	0.00	82.0	100	100
Amathole District	0.00	0.01	0.00	26.9	0.00	0.00	100	12.3	0.00	0.00
Chris Hani District	0.00	0.00	0.00	41.3	0.00	5.23	0.00	0.00	0.00	0.00
Nelson Mandela Metro	0.00	0.10	0.00	0.87	0.00	0.16	0.00	5.68	0.00	0.00

Source: Calculated from Quantec Easy Data

Table 4 below indicates the share of district black tea exports to the total KwaZulu-Natal Province black tea exports in percentages between 2003 and 2012 period. The table further indicates that between 2003 and 2012, eThekwini Metro municipality commanded the greatest share of black tea exported by South Africa to the world throughout the period under examination.

Table 4: Share of district black tea exports to the total KwaZulu-Natal Province black tea exports (%)

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Districts										
Ugu District	0.00	0.00	0.00	0.00	0.00	0.00	1.26	0.00	0.00	0.00
UMgungundlovu District	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.03	0.34	0.00
Uthukela District	0.69	0.00	0.44	0.00	1.41	0.24	2.10	7.02	14.0	11.9
iLembe District	0.03	0.02	0.00	0.00	1.47	5.92	20.3	0.00	0.00	0.02
eThekwini Metro	99.28	99.98	99.55	99.98	97.12	93.84	76.33	92.95	85.7	88.1

Source: Calculated from Quantec Easy Data

Table 5 illustrates the share of district black tea exports to the total Gauteng Province black tea exports in percentages over the past decade. The table further illustrates that between 2003 and 2012, the City of Johannesburg Metro municipality commanded the greatest share of black tea exported by South Africa to the world during the period under scrutiny.

Table 5: Share of district black tea exports to the total Gauteng Province black tea exports (%)

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Districts										
Sedibeng District	0.00	0.00	100	0.12	0.00	0.00	0.00	0.02	0.11	0.85
Metsweding	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.00

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Districts										
District										
West Rand District	0.00	0.09	4.93	0.01	0.17	0.12	0.42	0.15	0.19	5.57
Ekurhuleni Metro	1.32	3.41	3.29	1.92	30.9	44.1	46.4	39.8	61.91	15.9
City of Johannesburg Metro	98.1	95.8	90.6	96.1	57.0	48.5	50.3	59.1	37.3	77.1
City of Tshwane Metro	0.53	0.68	1.14	1.85	12.0	7.16	2.78	0.88	0.48	0.59

Source: Calculated from Quantec Easy Data

Table 6 depicts the share of district black tea exports to the total Limpopo Province black tea exports in percentages between 2003 and 2012 period. The table further depicts that between 2003 and 2012, Vhembe District municipality commanded the greatest share of black tea exported by South Africa to the world during the period under review.

Table 6: Share of district black tea exports to the total Limpopo Province black tea exports (%)

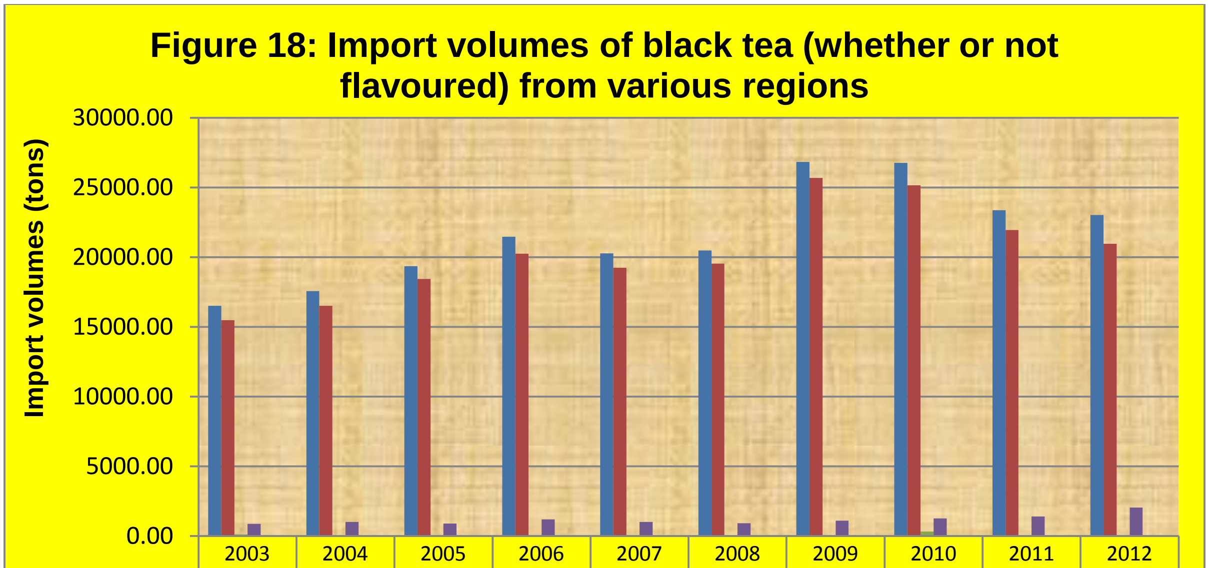
Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Districts										
Mopani District	100	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Vhembe District	0.00	0.00	0.00	0.00	0.00	100	81.4	55.2	58.1	67.2
Capricorn District	0.00	0.00	0.00	0.00	0.00	0.00	18.6	44.8	41.9	32.8

Source: Calculated from Quantec Easy Data

4. IMPORTS OF BLACK TEA

With annual consumption at around 20 000 tons per annum and domestic production (excluding Magwa) at approximately 10 000 tons, South Africa is a net importer of black tea. Black Tea is imported from Malawi, Zimbabwe, United Republic of Tanzania, Mozambique and Zambia. Tea imported from our SADC partners is mostly secondary grade tea suitable only for blending purposes. Premium quality teas that are recognized worldwide are imported from Sri Lanka and Kenya.

Figure 18 below shows volumes of black tea imports (whether or not flavoured) from various regions of the world into South Africa over the past ten years (2003 – 2012).



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	16511.46	17577.15	19371.00	21472.21	20281.22	20486.44	26829.60	26766.88	23384.67	23027.64
Africa	15492.25	16530.91	18440.63	20255.61	19257.13	19538.03	25699.35	25157.95	21952.72	20964.02
Americas	124.80	0.02	2.35	0.04	0.76	0.22	12.98	327.03	0.82	1.75
Asia	884.92	1028.75	909.96	1203.68	1010.95	936.15	1107.86	1264.80	1404.93	2051.18
Europe	9.49	17.48	17.99	12.06	12.38	12.04	9.42	17.10	26.20	10.69
Oceania	0.00	0.00	0.06	0.81	0.01	0.00	0.00	0.00	0.00	0.00

Source: Quantec Easy Data

The graph further shows that during the period under examination, South Africa imports its black tea from five regions as shown in the graph above, with greater imports derived from the African region, followed by small import volumes from Asia, Americas, Oceania and Europe. Black tea imports from Africa into South Africa started to increase in 2003, with a consistent increase between 2004 and 2006. A slight decline occurred between 2007 and 2008 to lower levels of about 19 500 tons. The graph also shows that volumes of black tea exports from Africa into South Africa attained a peak in 2009 at approximately 25 699 tons. Imports of black tea from Africa into South Africa experienced a consistent decline between 2010 and 2012 at import values of about 25 158 and 20 964 tons.

The graph further shows that the increase in imports of black tea from Africa into South Africa in 2012 represents 353% as compared to the 2003 import season.

Figure 19 below depicts volumes of black tea imports (whether or not flavoured) from Africa into South Africa between 2003 and 2012 period.

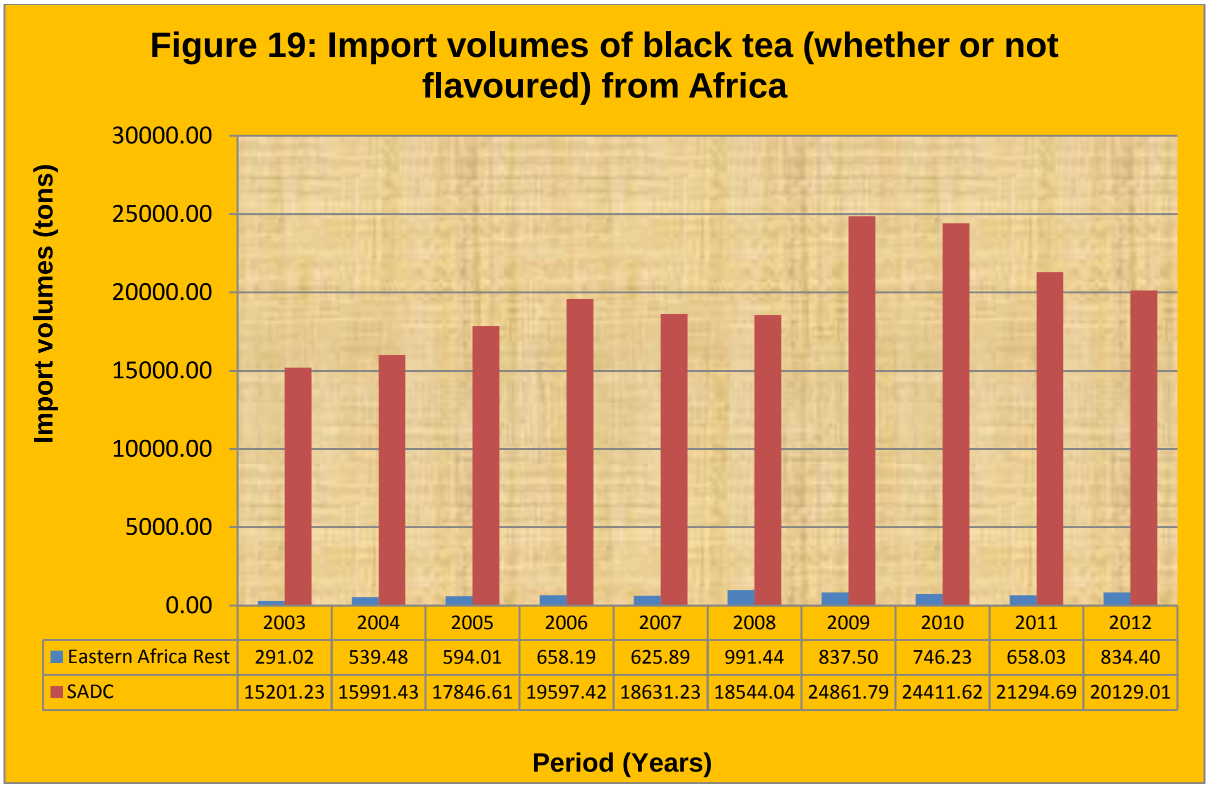


Figure 19: Import volumes of black tea (whether or not flavoured) from Africa

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Eastern Africa Rest	291.02	539.48	594.01	658.19	625.89	991.44	837.50	746.23	658.03	834.40
SADC	15201.23	15991.43	17846.61	19597.42	18631.23	18544.04	24861.79	24411.62	21294.69	20129.01

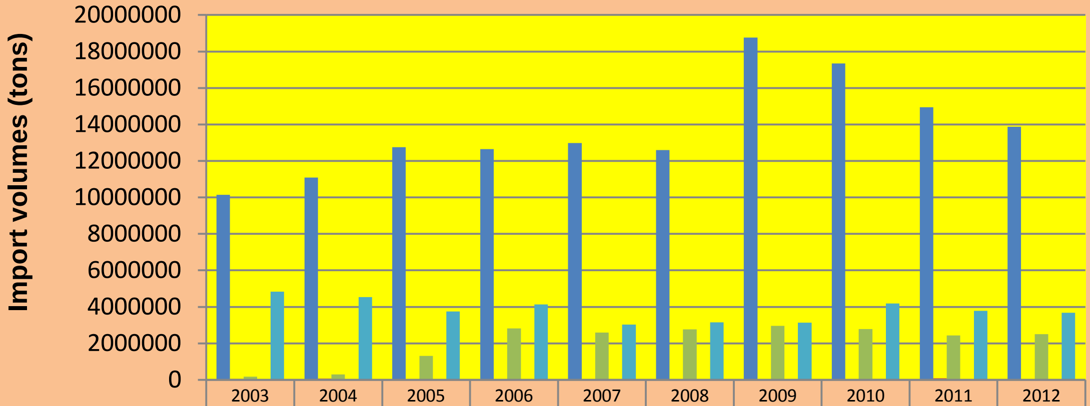
Source: Quantec Easy Data

The graph further depicts that South Africa imports most of its black tea from two African regions as shown in graph 19 above, with greater imports derived from the SADC region; followed by small import volumes from Eastern Africa. Black tea imports from SADC started to increase in 2003 with a consistent increase between 2004 and 2006. Between 2007 and 2008, imports of black tea from the SADC region into South Africa experienced a slight decline of about 18 500 tons, until a peak was attained in 2009 at approximately 24862 tons. Imports of black tea from SADC experienced a consistent decline between 2010 and 2012 at import volumes of about 24412 and 20129 tons respectively.

The graph further depicts that the increase in imports of black tea from SADC into South Africa in 2012 represents 32.4% as compared to the 2003 import season.

Figure 20 below indicates volumes of black tea imports (whether or not flavoured) from the SADC region into South Africa between 2003 and 2012 period.

Figure 20: Import volumes of black tea (whether or not flavoured) from SADC



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Malawi	10144577	11082879	12756588	12654366	12989115	12599054	18757658	17339723	14949350	13879025
Mozambique	51366	68080	28434	0	0	24840	0	38840	76940	0
United Republic of Tanzania	168065	298762	1316400	2818183	2597779	2771306	2965267	2786970	2433943	2511793
Zambia	0	0	0	0	24000	0	0	53140	0	0
Zimbabwe	4837226	4541706	3743041	4124847	3020337	3148066	3133122	4188424	3776098	3669910

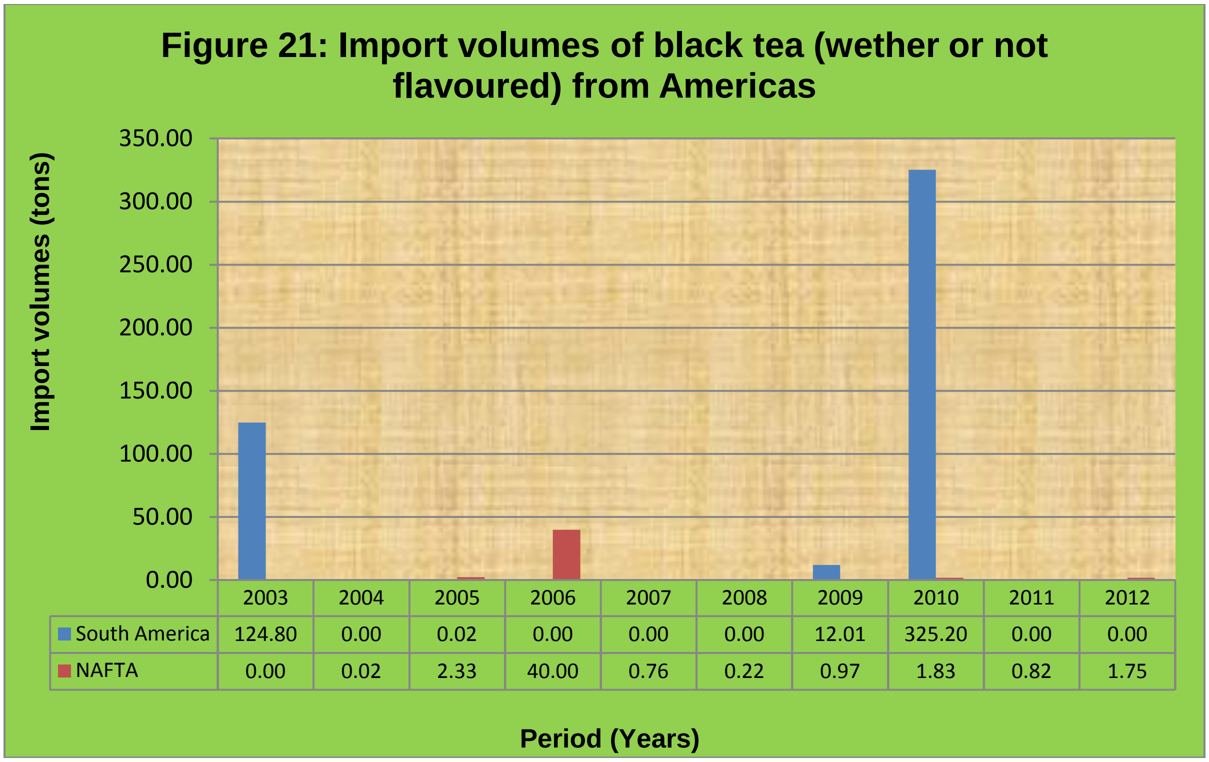
Period (Years)

Source: Quantec Easy Data

The graph further indicates that Malawi was the major import market for black tea from SADC into South Africa, followed by Zimbabwe and United Republic of Tanzania during the period under examination. The graph also indicates that SADC countries such as Mozambique and Zambia had very low levels of black tea imports into South Africa over the past decade. The figure also indicates that imports of black tea from Malawi started to increase in 2003, with a consistent increase between 2004 and 2007, until a slight decline was experienced in 2008 at about 125 million tons. The graph further indicates that in 2009, imports of black tea from Malawi into South Africa attained a peak at an import quantity of about 18.7 million tons.

The analysis also indicates that the consistent decline in imports of black tea from Malawi into South Africa between 2010 and 2012 represents 36.6% as compared to the 2003 marketing season.

Figure 21 below illustrates volumes of black tea imports (whether or not flavoured) from Americas into South Africa over a ten period (2003-2012).



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South America	124.80	0.00	0.02	0.00	0.00	0.00	12.01	325.20	0.00	0.00
NAFTA	0.00	0.02	2.33	40.00	0.76	0.22	0.97	1.83	0.82	1.75

Figure 21: Import volumes of black tea (wether or not flavoured) from Americas

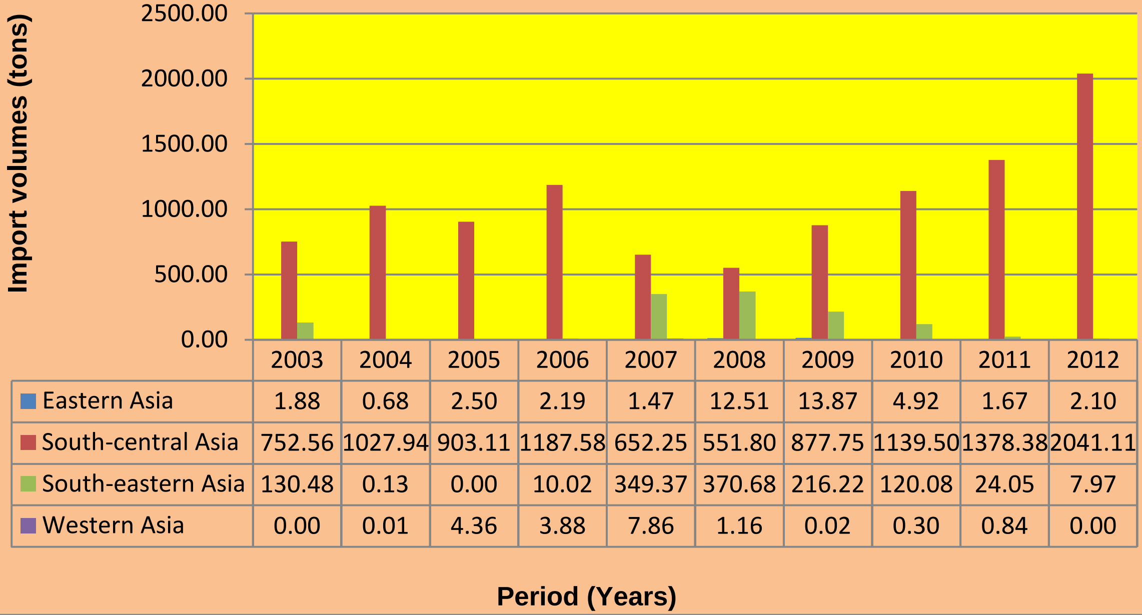
Source: Quantec Easy Data

The graph further illustrates that the major import market for black tea from the Americas into South Africa was mainly South America, with very low or minimal volumes from NAFTA during the period under scrutiny. South America’s imports of black tea into South Africa started to increase in 2003 and then experienced a decline in 2004 to 2009, however in 2010 imports of black tea started to increase and at the same time attained a peak at an import quantity of about 325.20 tons. NAFTA had very low levels of black tea imports into South Africa during the same period under review. In 2004, and again between 2006 and 2008, and again between 2011 and 2012, there were no imports of black tea from South America into South Africa during the period under review.

The analysis also illustrates that the decline in imports of black tea from South America into South Africa in 2012 represents 100% as compared to the 2003 marketing season.

Over the past decade (2003-2012), Figure 22 below depicts volumes of black tea imports (whether or not flavoured) from Asia into South Africa.

Figure 22: Import volumes of black tea (whether or not flavoured) from Asia



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Eastern Asia	1.88	0.68	2.50	2.19	1.47	12.51	13.87	4.92	1.67	2.10
South-central Asia	752.56	1027.94	903.11	1187.58	652.25	551.80	877.75	1139.50	1378.38	2041.11
South-eastern Asia	130.48	0.13	0.00	10.02	349.37	370.68	216.22	120.08	24.05	7.97
Western Asia	0.00	0.01	4.36	3.88	7.86	1.16	0.02	0.30	0.84	0.00

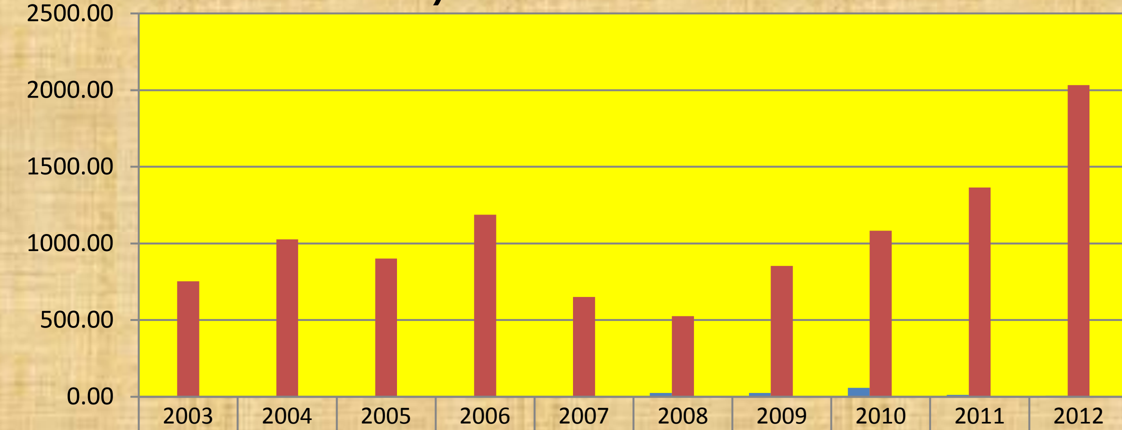
Source: Quantec Easy Data

The figure further depicts that the major importing market for black tea from Asia into South Africa during this period was South-central Asia, followed by South-eastern Asia. The figure further depicts that imports of black tea from South-central Asia into South Africa started to increase in 2003 and then slightly increase in 2004 and 2006. Between 2007 and 2008, imports of black tea from South-central Asia to the world experienced substantial declines of about 551 tons. The figure also depicts that imports of black tea from South-central Asia into South Africa started to increase again in 2009, until a peak was attained in 2012 at approximately 2041.11 tons, while South-eastern Asia attained its peak in 2008 at approximately 370.68 tons during the same period under review.

The figure also depicts that in 2012, the increase imports volumes of black tea from South-central Asia into South Africa represents 171% as compared to the 2003 marketing season.

Figure 23 below represents volumes of black tea imports (whether or not flavoured) from South-central Asia into South Africa between 2003 and 2012 period.

Figure 23: Import volumes of black tea (whether or not flavoured) from Sout-central Asia



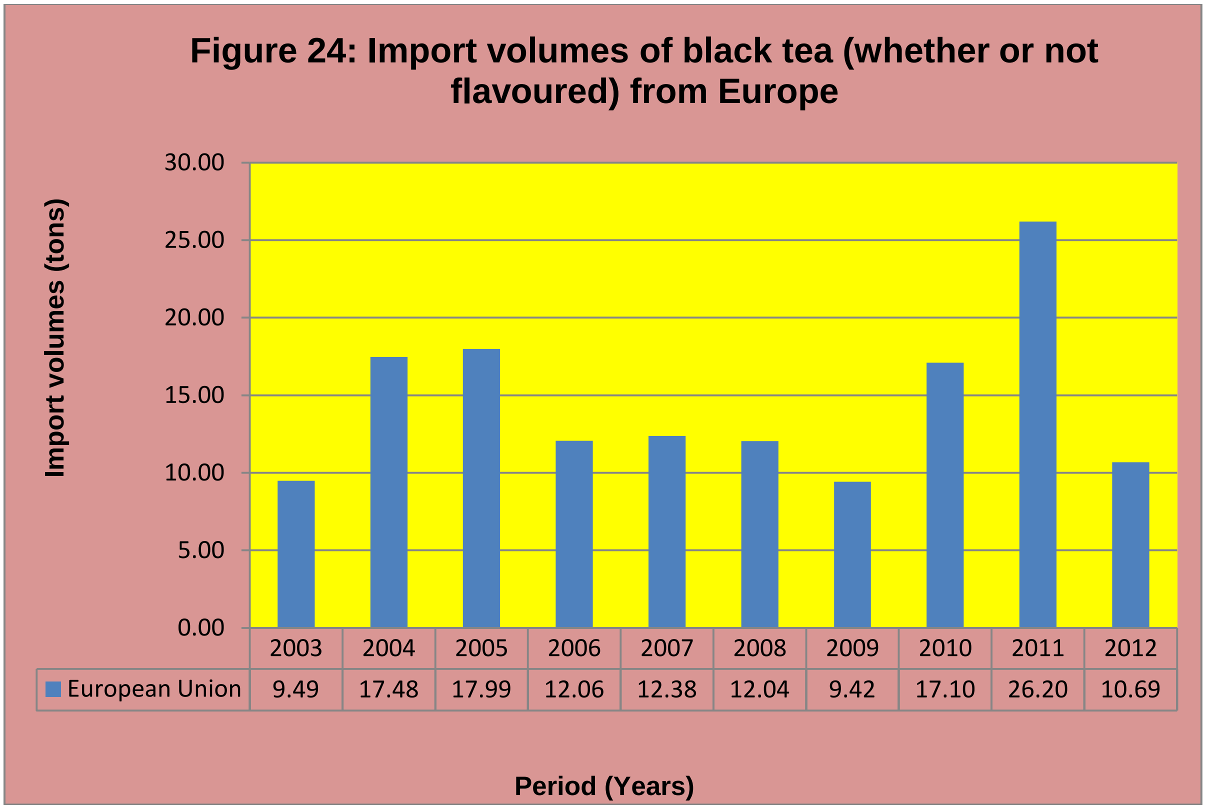
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
India	0.39	1.02	1.61	0.98	1.09	25.31	24.87	57.11	11.17	6.20
Sri Lanka	752.17	1026.87	901.50	1186.61	651.16	526.48	852.84	1082.39	1364.00	2034.15
Pakistan	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	3.19	0.77

Source: Quantec Easy Data

The graph further shows that major importing markets for black tea from South-central Asia into South Africa was Sri Lanka, followed by very low or minimal levels of supply from India over the past decade. The graph further shows that imports of black tea from Sri Lanka into South Africa started to increase 2003 and in 2004, there was an increase in imports of black tea from Sri Lanka into South Africa while in 2005, 2007 and 2008 experienced a decline in imports of black tea. The figure also shows that imports of black tea from Sri Lanka into South Africa experienced a consistent increase in 2009, until a peak was attained in 2012 at approximately 2034.15 tons, while India attained its peak in 2010 at approximately 57.11 tons during the same period under review.

The analysis also shows that the increase in imports of black tea from Sri-Lanka into South Africa in 2012 represents 170.5% as compared to the 2003 marketing season.

Figure 24 below illustrates volumes of black tea imports (whether or not flavoured) from Europe into South Africa between 2003 and 2012 period.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
European Union	9.49	17.48	17.99	12.06	12.38	12.04	9.42	17.10	26.20	10.69

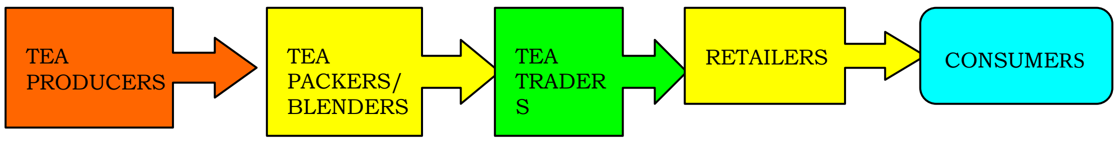
Source: Quantec Easy Data

The figure further illustrates that the major import supplier of black tea from Europe into South Africa was the European Union, with no competition from the other European regions. The graph also illustrates that imports of black tea from European Union started to increase in 2003, with a notable increase in imports volumes of black tea from the European Union to the world between 2004 and 2005. Between 2006 and 2009, imports of black tea from the European Union to the world experienced a slight decline of about 9 to 12 tons respectively. In 2010, there was a dramatic increase in imports of black tea from European Union into South Africa of about 17 tons. In 2011, imports of black tea from the European Union into South Africa further increased until a peak was attained in the same time at about 26.20 tons.

The graph further illustrates that in 2012, the increase in imports of black tea from European Union into South Africa in 2012 represents 52.9% as compared to the 2003 marketing season.

5. MARKET VALUE CHAIN

The black tea market value chain is depicted below. More details are provided in the section that follows.



6. PROCESSING

There are fourteen tea packers in South Africa who blend and pack tea. All black tea brands are blends of teas sourced from various localities. Medium to superior quality teas contain higher proportions of better quality teas. With respect to the middle and upper end teas of Unilever and National Brands, which together hold 95% of the black tea market, these are blends of relatively high quality teas from estates such as Ntingwe (KZN) and Magwa (Eastern Cape) and lower quality filler from the SADC countries. Despite serving the domestic high quality tea demand and exporting of the remainder of their output, South African black tea producers are unable to obtain a high enough market price to ensure a sustainable profit.

6.1 Tea Picking and Harvesting

In most tea-producing countries, the labor-intensive method of picking, drying, crushing and fermenting tea has been used for centuries. The plucked leaves are collected in a basket or bag carried on the back of the plucker and when this is full it is taken to a collection point where the plucked leaves are weighed. It is then taken to the factory for processing, or "making", as tea manufacture is known in the tea trade.

In Australia, the industry has been forced to mechanize because tea production, especially tea plucking (harvesting), is extremely labor intensive. As a result, tea is harvested all year round with the use of mechanical harvesters. A harvester moves in between rows of tea bushes and operates like a giant lawn mower cutting off only tender new growth. A harvester can collect up to 1,500 kilograms of green tea leaves at a time at a rate of 4,000 kilograms an hour. On average, 1,000 kilograms of green leaf are required to make just over 200 kilograms of black tea.

The productivity of a tea plantation is measured by its yield of black tea per annum per hectare planted. A good yield is between 1,000 to 2,500 kilograms per hectare for handpicked plantations and 3,000 to 4,000 kilograms per hectare for mechanically harvested plantations.

6.2.1 At the Factory

On arrival at the factory, the plucked leaves are weighed and assessed for quality before being put in withering bins attached to huge air vents. The moisture in the leaf evaporates in the warm air leaving the leaves flaccid. This process can take between 10 to 16 hours, depending on the wetness of the leaf. Some factories will gently hasten the process with the aid of warm air fans.

The withered leaf is broken down by machine so that the natural juices, or enzymes, are released and on contact with the air will oxidize. The shredded leaves, called *dhool*, are then crushed and fed through the CTC (cut, tear and curl) or Rotovane machine. Its sharp teeth cut the leaf then tear it to release the juices that contain the tea flavor.

The traditional process of manufacturing tea is known as Orthodox. It begins with withering freshly picked tea leaves which lose approximately half their moisture within 12 to 18 hours. At the end of this process, the leaf is flaccid. The flaccid leaves then enter a process known as "rolling" which ruptures the leaf cells to release enzymes, and then twists or curls the leaves. Thereafter, to stop fermentation, the leaves are exposed to hot air by passing it through a chamber with perforated moving trays in a process known as "firing". This chamber is known as the drier. This dries the leaves and turns it into a black color. After the fired leaf is cooled, it is sorted by sieves.

The next process is known as "CTC" because the tea leaf is crushed, torn and curled. The process is similar to orthodox tea-making. In CTC manufacture, after rolling, the tea leaves are passed through a machine, known as the CTC machine, where the leaves are cut or crushed to a greatly reduced size and most of their cells are ruptured. This intensifies the process of fermentation.

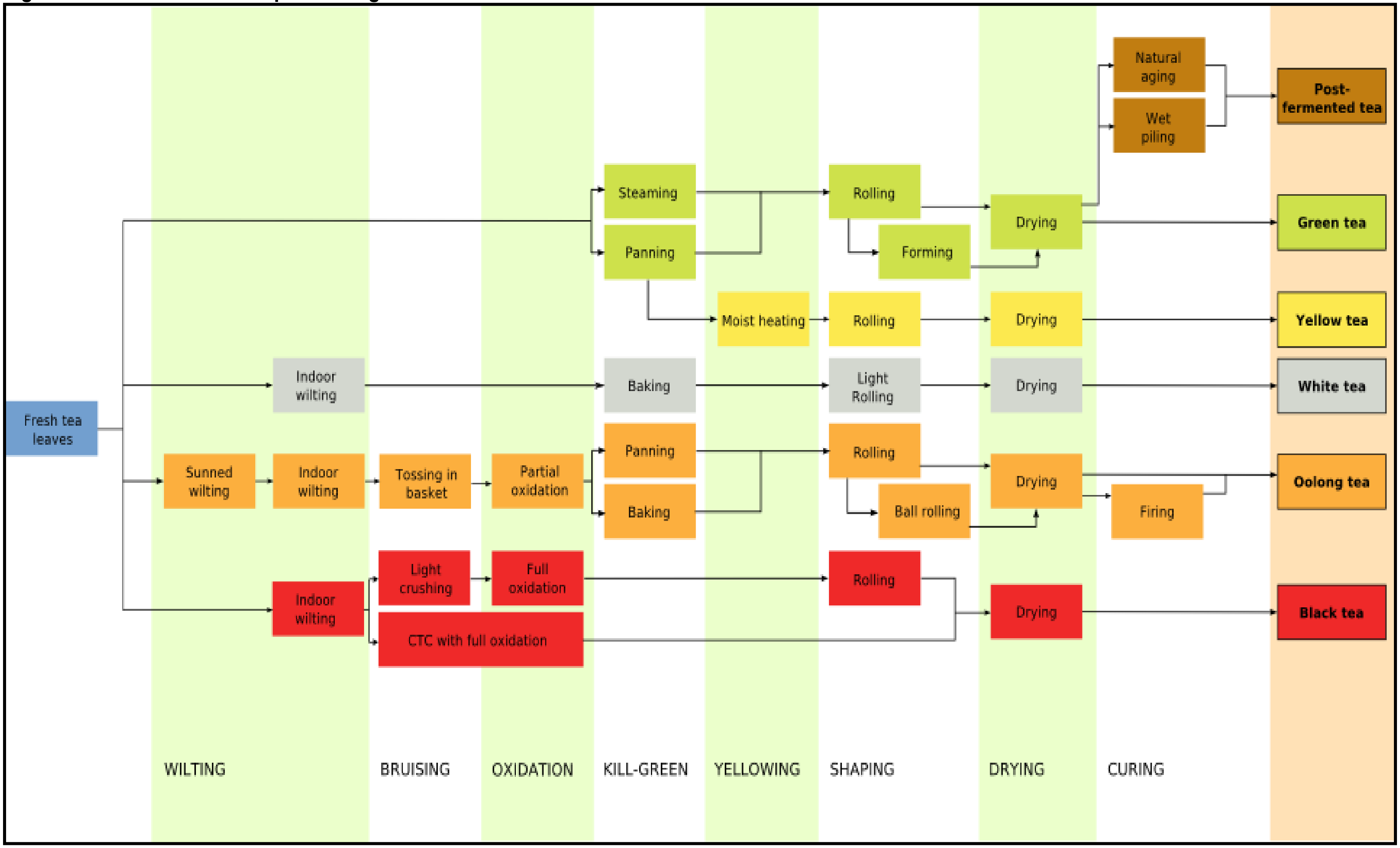
6.2.2 Fermenting

The broken leaves are laid out either on trays or in troughs in a cool, humid atmosphere for up to two hours to ferment, or more correctly, oxidize. The trays are gently turned so often throughout the period until all the leaves turn a golden russet color and fermentation is complete. This remains one of the most challenging stages of tea processing.

6.2.3 Drying

After fermentation, the leaves are dried or fired. This is done by passing the broken fermented leaves slowly through hot air chambers where all the moisture is evaporated and the leaves turns dark brown or black. It is at this stage that the aroma changes from that of a pungent plant to the familiar earthy tea perfume. The black tea is ejected from the hot chamber into chests. Next it is sorted into grades, or leaf particle sizes, by being passed through a series of wire mesh sifts of varying sizes into containers. It is then weighed and packed into chests or "bags" for loading onto pallets. The bigger curly leaves are used for loose-leaf packet tea while the finer particles are used for tea-bags. Factory tea-tasters will taste the finished "make" to ensure that no mistakes have been made during the manufacture or that the tea has not been tainted by anything within the factory. After each make the tea factory is washed from top to bottom to ensure that the character of the completed make does not transmit to the next make of tea.

Figure 22: Flow chart of Tea processing



7. MARKET INTELLIGENCE

7.1 Performance Analysis

Table 3: South Africa's exports of Black tea & partly fermented tea (HS 090240) in 2012

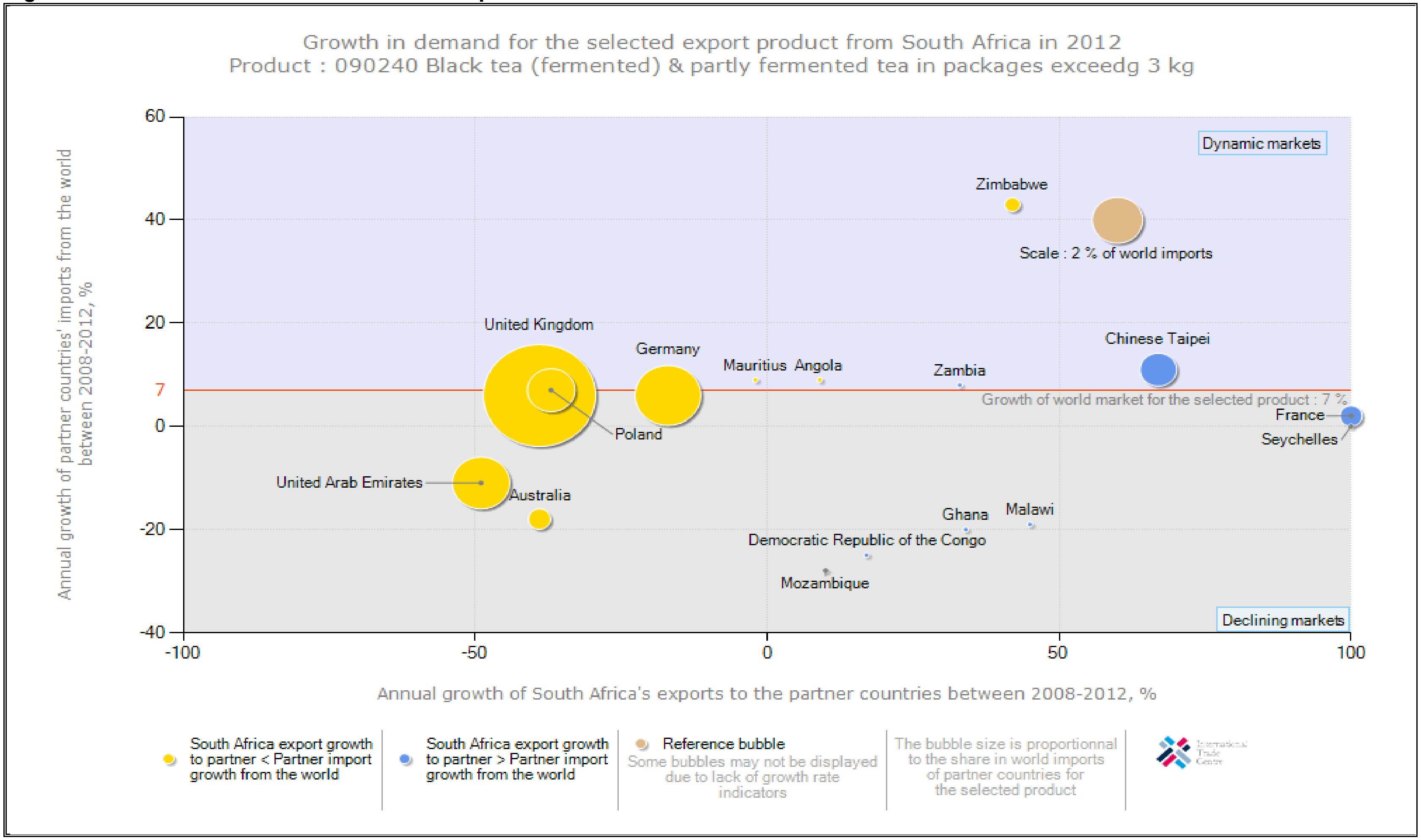
Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2012 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2012 (tons)	Unit value (USD/unit)	Exported growth in value between 2008-2012 (%, p.a.)	Exported growth in quantity between 2008-2012 (%, p.a.)	Exported growth in value between 2011-2012 (%, p.a.)	
World	7697	100	1739	4426	-6	-34	-17	
Zimbabwe	2628	34.1	529	4968	42	22	231	40
Mozambique	2198	28.6	558	3939	10	10	-61	0
Zambia	1415	18.4	262	5401	33	9	152	0
United Kingdom	284	3.7	117	2427	-39	-45	-49	0
Malawi	280	3.6	50	5600	45	23	89	25
United Arab Emirates	220	2.9	104	2115	-49	-53	219	0
Germany	131	1.7	23	5696	-17	-37	-8	0
Malaysia	113	1.5	20	5650			1514	11
France	49	0.6	6	8167	145		-41	0
Japan	48	0.6	6	8000		-21	-59	6.5
Gambia	41	0.5	7	5857				0
Mauritius	40	0.5	5	8000	-2	-30	21	24
Poland	29	0.4	13	2231	-37	-28		0

Source: ITC Trade Map

Table 3 shows the list of importing countries for black tea exported by South Africa to the world in 2012. The table further shows that during the period under review, Zimbabwe and Mozambique were the biggest import markets for black tea from South Africa. The table also shows that South Africa exported a total of 1739 tons of black tea to the world, and this means that South Africa is a net importer of black tea as the country imported 23 028 tons. The table also shows that in world terms, South Africa's exports of black tea to Zimbabwe have increased both in value and quantity respectively by 42% and 22% between the period 2008 and 2012.

During 2012 period, Zimbabwe's share in South Africa's exports of black tea accounts for 34.1% of the total black tea exports originating from South Africa, followed by Mozambique with 28.6% and Zambia with 18.4%. In terms of access to various international markets for South African black tea, countries such as Zimbabwe, Malawi and Mauritius heavily protect their black tea industries with higher tariffs ranging between 24% *ad valorem* to 40% ad valorem.

Figure 23: Growth in demand for black tea exported from South Africa in 2012

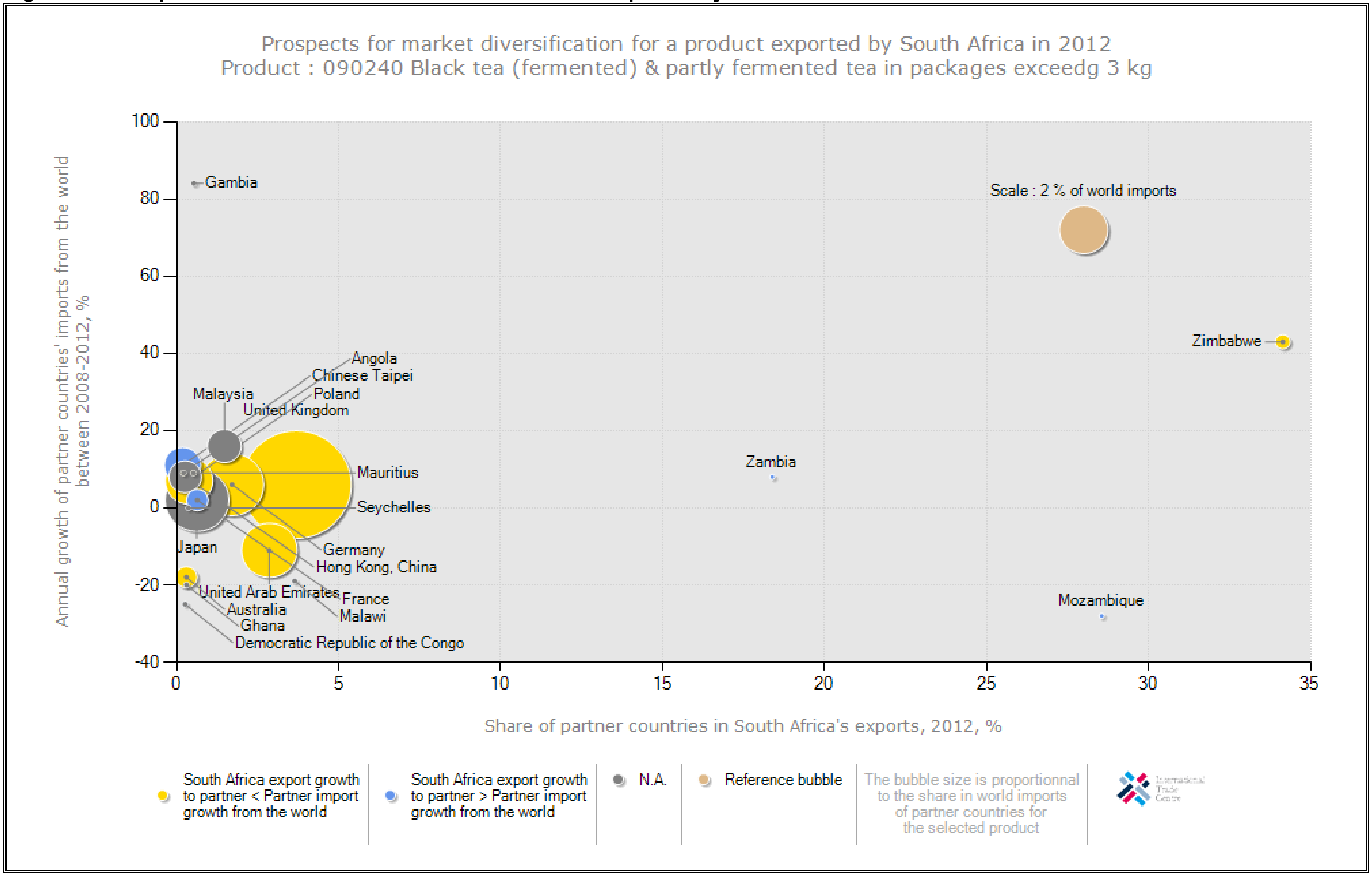


Source: ITC Trade Map

Figure 23 shows growth in demand for black tea exported from South Africa to the world in 2012. The bubble graph further shows that in 2012, United Kingdom and United States of America were the largest import markets for black tea from South Africa during the period under review. However, South Africa's exports of black tea to the United Kingdom decreased in both value and quantity by 39% and 45% respectively.

South Africa's black tea exports to Chinese Taipei grew by 60% in a dynamic market, as compared to France's 100% annual growth between 2008 and 2012 period. South Africa's black tea exports to Democratic Republic of Congo grew by 20% in a declining market, as compared to Malawi's 45% annual growth between 2008 and 2012 period. Mozambique's growth in demand for black tea exports from South Africa also grew up by 10% between 2008 and 2012. Furthermore, South Africa has increased its black tea exports to a declining market of Ghana by close to 40% over the past five years under examination.

Figure 24: Prospects for market diversification of black tea exported by South Africa in 2012



Source: ITC Trade Map

Figure 24 indicates prospects for market diversification of black tea exported by South Africa to the world in 2012. The bubble graph further indicates that United Kingdom was the biggest market for black tea exports from South Africa in 2012. The bubble graph also indicates that if South Africa had to diversify its exports of black tea, small but attractive markets exist in Mozambique and Zambia during the period under examination.

Zimbabwe has increased its share in South Africa's black tea exports in 2012 at approximately 34.1%. Other small markets exist in Mauritius, Seychelles and France.

Table 4: List of supplying markets for black tea imported by South Africa in 2012

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2012 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2012 (tons)	Unit value (USD/unit)	Imported growth in value between 2008-2012 (%, p.a.)	Imported growth in quantity between 2008-2012 (%, p.a.)	Imported growth in value between 2011-2012 (%, p.a.)	
World	46116	100	23028	2003	13	1	14	
Malawi	23583	51.1	13879	1699	12	0	5	0
Sri Lanka	7478	16.2	2034	3676	43	37	47	12.2
United Republic of Tanzania	6868	14.9	2512	2734	4	-4	18	0
Zimbabwe	4900	10.6	3670	1335	20	5	12	0
Kenya	2996	6.5	834	3592	12	1	31	21.2
Poland	81	0.2	8	10125			80	0
Area Nes	71	0.2	68	1044				
India	41	01	6	6833	-11	-31	-40	21.2
United States of America	39	0.1	2	19500	65	23	95	21.2
Germany	23	0	2	11500	25	54	-86	0
Indonesia	19	0	7	2714	-62	-64	-72	21.2
China	9	0	1	9000	-22	-49	80	21.2

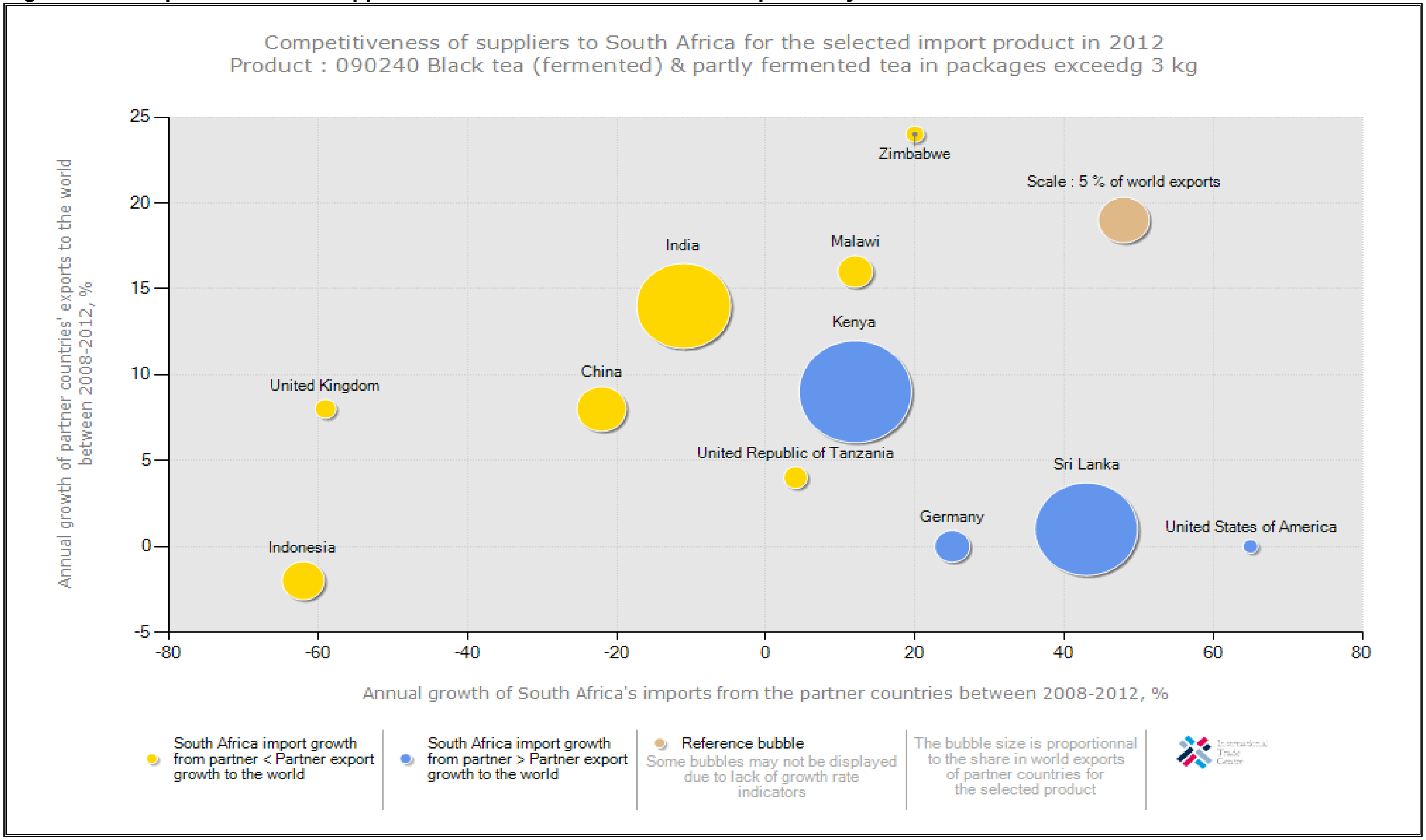
Source: ITC Trade Map and Macmap

Table 4 above clearly indicates the list of supplying markets of black tea imported by South Africa in 2012. The table further depicts that South Africa is a net importer of black tea as it exported 1739 tons and imported approximately 23 028 tons during the period under scrutiny. In world terms imports of black tea from Malawi into South Africa have increased by an average of 10% in value and 0% in volume terms between 2008 and 2012. During the period under review, black tea imports originated mainly from Malawi, Sri Lanka, United Republic of Tanzania and Zimbabwe. Malawi commanded the greatest share of 51.1%, Sri Lanka at 16.2%, United Republic of Tanzania commanded 14.9% and Zimbabwe commanded 10.6%.

Other small markets for black tea imports are Kenya, Poland, Area Nes and India. Of importance to note is that imports of black tea originating from Malawi have increased in value at 12% and there was no growth in volume terms between 2008 and 2012, while those originating from Sri Lanka have increased by 43% and 37% both in value and volume terms during the same period. Black tea imports originating from United Republic of Tanzania have experienced an increase of 4% and declined by -4% both in value and volume terms during the period between 2008 and 2012 period.

The table further indicates that Malawi, United Republic of Tanzania and Zimbabwe have duty-free access to the South African black tea market. An ad valorem tariff of between 12.2% and 21.2% are applied to black tea originating from countries such as Sri Lanka, Kenya, India and United States of America during the period under scrutiny.

Figure 25: Competitiveness of suppliers to South Africa for black tea imported by South Africa in 2012



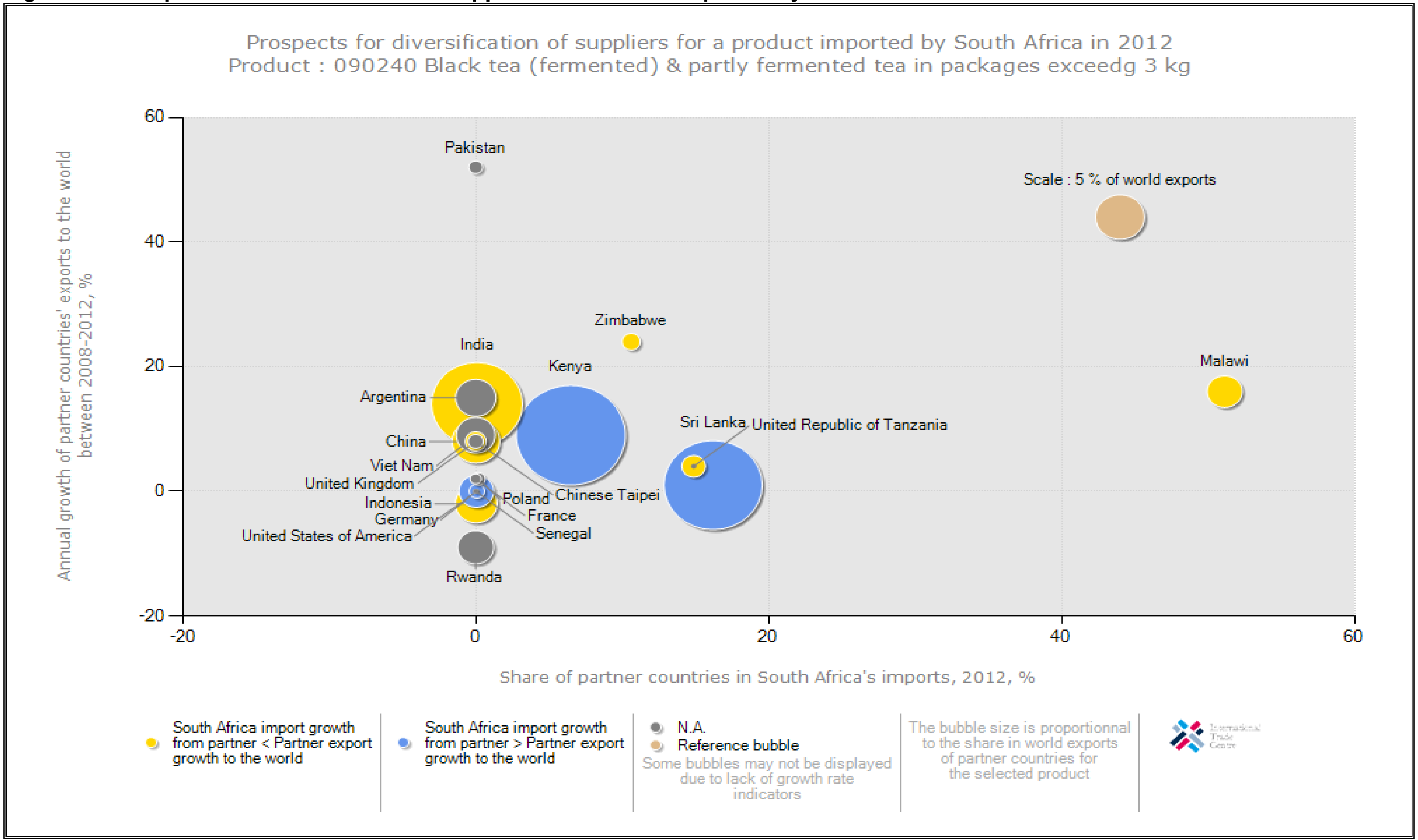
Source: ITC Trade Map

Figure 25 shows competitiveness of suppliers to South Africa for black tea imported by South Africa in 2012. The bubble graph further shows that during the period under review, Kenya and India were the biggest markets of black tea imported by South Africa in 2012. The bubble graph also shows that United States of America was the most competitive supplier of black tea with an annual growth of South Africa's imports of 65% between 2008 and 2012.

Sri Lanka was the second most competitive supplier of black tea to South Africa with 43% annual growth of South Africa's imports, followed by Germany at 25% annual growth of South Africa's imports during the same period.

Conversely imports of black tea from United Kingdom and China into South Africa declined substantially by 20% and 59% respectively, while these countries' exports of black tea to the rest of the world experienced a slight increase at approximately 8% respectively. Imports of black tea originating from Kenya (the biggest supplier of black tea) to South Africa have increased both in value and volume terms by 12% and 1% between 2008 and 2012.

Figure 26: Prospects for diversification of suppliers of black tea imported by South Africa in 2012



Source: ITC Trade Map

Figure 26 illustrates prospects for diversification of suppliers of black tea imported by South Africa in 2012. The bubble graph further illustrates that Kenya, India and Sri Lanka were the biggest suppliers of black tea from the world into South Africa during the 2012 period. The graph also illustrates that if South Africa has to diversify its suppliers of black tea, small but attractive markets exist in Indonesia, India and United States of America; even though during 2012 these countries commanded a smaller share in South Africa's black tea imports and its black tea exports to the rest of the world have not grown substantially. The major impediment is that South Africa applies a tariff of approximately 21.2% to black tea imports originating from the above mentioned countries. Other small markets (in world terms) for black tea exist in Chinese Taipei, Malawi and France.

8. MARKET ACCESS

Table 5: Tariffs applied by various countries to black tea from South Africa in 2012

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
Mozambique	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	20.00%	20.00%
	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	Preferential tariff for South Africa	0.00%	0.00%
Mauritius	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea.	MFN duties (Applied)	30.00%	30.00%
	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea.	Preferential tariff for SADC countries	24.00%	24.00%
Pakistan	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea: Black tea in a packing exceeding 3 kg.	MFN duties (Applied)	10.00%	10.00%

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
Zambia	Black tea (fermented) and partly fermented tea, whether or not flavoured, in immediate packings of >3 kg black tea fermented ed in packages of content >3kg<5kg.	MFN duties (Applied)	25.00%	25.00%
	Black tea (fermented) and partly fermented tea, whether or not flavoured, in immediate packings of >3 kg black tea fermented ed in packages of content >3kg<5kg.	Preferential tariff for South Africa	5.00%	5.00%
USA	Black tea (fermented) and partly fermented tea, other than in immediate packings of a content not exceeding 3 kg.	MFN duties (Applied)	0.00%	0.00%
Zimbabwe	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	40.00%	40.00%
Netherlands	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	0.00%	0.00%
China	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	15.00%	15.00%
Germany (MFN duties)	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	0.00%	0.00%
Angola	Black tea (fermented) and partly fermented	General tariff (MFN)	5.00%	5.00%

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	tea in packages exceeding 3 kg.			
Brazil	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea.	MFN duties (Applied)	10.00%	10.00%
Tanzania	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	25.00%	25.00%
Democratic Republic of Congo	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	20.00%	20.00%
India	Tea, whether or not flavoured: other black tea (fermented) and other partly fermented tea:	MFN duties (Applied)	100%	100%

Source: Market Access Map

Table 5 shows tariffs that are applied by various export markets of the world to black tea exported by South Africa in 2012. The table further shows that India, Zimbabwe, Zambia, Tanzania, DRC, Mauritius and Mozambique are the most difficult markets to penetrate for black tea from South Africa as they apply tariffs of between 20% and 100% during the 2012 period.

Table 6: Tariffs applied by South Africa to black tea from various regions of the world in 2012

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
Malawi	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	480.00 $/ton	34.00%
	Black fermented tea and partly fermented tea, whether or not flavoured, in	Preferential tariff for South Africa	0.00%	0.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	immediate packings of > 3kg.			
Mozambique	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea.	MFN duties (Applied)	588.21 $/ton	34.00%
	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea.	Preferential tariff for South Africa	0.00%	0.00%
Pakistan	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea: Black tea in a packing exceeding 3 kg.	MFN duties (Applied)	480.00 $/ton	34.00%
Zambia	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	480.00 $/ton	34.00%
	Black tea (fermented) and partly fermented tea, whether or not flavoured, in immediate packings of >3 kg black tea fermented ed in packages of content >3kg<5kg.	Preferential tariff for SADC countries	0.00%	0.00%
Spain	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	480.00 $/ton	34.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
United Kingdom	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	480.00 $/ton	34.00%
Germany	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	MFN duties (Applied)	480.00 $/ton	34.00%
India	Tea, whether or not flavoured: other black tea (fermented) and other partly fermented tea: contents exceeding 3 kg but not exceeding 20kg.	MFN duties (Applied)	480.00 $/ton	34.00%
Netherlands	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea.	MFN duties (Applied)	480.00 $/ton	34.00%
Russian Federation	Black tea (fermented) and partly fermented tea in packages exceeding 3 kg.	(MFN duties (Applied)	480.00 $/ton	34.00%
United Republic of Tanzania	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	Preferential tariff for SADC countries	0.00%	0.00%
United Republic of Tanzania	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	480.00 $/ton	34.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
USA	Black tea (fermented) and partly fermented tea, other than in immediate packings of a content not exceeding 3 kg.	MFN duties (Applied)	480.00 $/ton	34.00%
Zimbabwe	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	Preferential tariff for SADC countries	0.00%	0.00%
	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	480.00 $/ton	34.00%
China	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3kg.	MFN duties (Applied)	480.00 $/ton	34.00%

Source: Market Access Map

Table 6 depicts tariffs applied by South Africa to black tea imports from various regions of the world during 2012. The table further depicts that South Africa applies high tariffs of approximately 480.00 $/ton and 34.00% advalorem equivalent tariff to imports of black tea from mostly Europe and Asia. Preferential tariff of 0.00% applies to SADC countries such as Mozambique, Zimbabwe, Malawi and United Republic of Tanzania during the period under review.

9. ORGANIZATIONAL ANALYSIS

It is difficult to generate profits with black tea in South Africa. The key challenges facing the South African black tea industry are the following:

- In 1999 South Africa's 11 tea estates suffered a blow when the quantitative import control system was abolished and tea packers no longer had a financial incentive to pack local tea,
- In 2003 the increase in the minimum wage also dented the industry; because tea picking is a labor intensive operation which requires about four labor units per hectare, pushing production costs to about R16/kg,
- Production costs in tea producing countries such as Malawi, Kenya, and Sri Lanka have low production costs of between R8/kg and R10/kg and their labor costs are also lower,
- Beginning in 2003, South Africa's tea estates shut down. Magwa Tea Estate in the Eastern Cape closed its doors followed by South Africa's largest tea producer, Sapekoe and several other tea estates in Limpopo during 2004,
- In 2005, the Paddock Tea Company also closed its doors.

10. GOVERNMENT INTERVENTION IN THE BLACK TEA INDUSTRY

A number of private sector and government partnerships have led to the revitalization of the black tea industry and currently five estates are in operation.

- In the Eastern Cape Province, an attempt was made to put Lusikisiki's Magwa Tea Estate back in operation with financial assistance to the tune of R26.7 million from the provincial government and a joint partnership between the Asia Tea giant Gokal and the German submarine manufacturer Ferrostaal, spearheaded by the Eastern Cape Development Corporation (ECDC). Currently, both the Magwa and Majola tea estates in the Eastern Cape are kept afloat through provincial government subsidies,
- Tshivhase and Mukumbani tea estates in the Vhembe district of Limpopo Province were resuscitated from the Sapekoe group with a R74 million injection from the Limpopo provincial government,
- Ntingwe tea estate in the Kwazulu-Natal Province was set up in 1993 with R40 million from Ithala Development Finance Corporation and later R40 million from the provincial government,
- Tanzanian Tea Blenders have been roped in as a strategic investor to market Limpopo's black tea regionally and globally and a market has already been established in the United Arab Emirates and discussions have already been started to conclude deals with Iran,
- The Limpopo Department of Agriculture has reached a cooperative agreement with its Northern Cape counterpart to develop market access relations with Rooibos growers in Nieuwoudtville and Calvinia with the objective of blending and packaging a special Rooibos collateral brand along with Limpopo's black tea.

11. NEW DEVELOPMENTS IN THE BLACK TEA INDUSTRY

As a way of revitalizing tea production in Kwazulu-Natal the production of green tea has been investigated in the Ntingwe tea estates and it was decided to produce very healthy Low caffeine Green Tea (LCGT) using Japanese technology. The KZN Department of Agriculture and Environmental Affairs provided funding totaling R17 million and Ntingwe commenced with production of LCGT in December of 2008. The high quality of the green tea produced has already convinced the Japanese to place orders at a higher retail price than what Ntingwe gets for its black tea. Ntingwe LCGT also plans to penetrate the European and American markets.

12. ROLE PLAYERS IN THE BLACK TEA INDUSTRY

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  www.daff.gov.za

- **Quantec Easy Data**
  www.quantec.co.za

- **ITC Market Access Map**
  http://www.macmap.org/SouthAfrica

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