Honeybush tea

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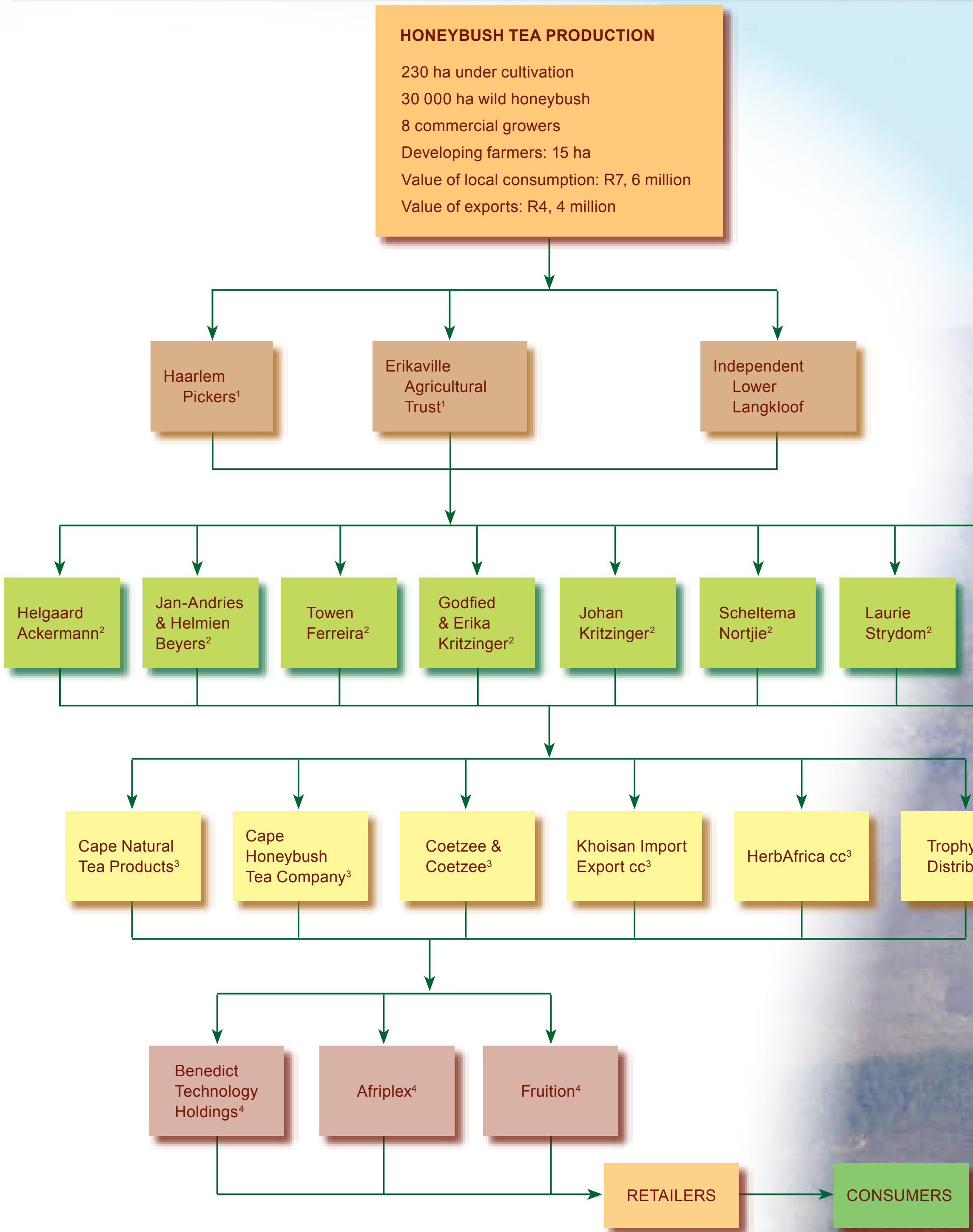
HONEYBUSH TEA INDUSTRY PROFILE



[1]: Pickers
[2]: First level processors
[3]: Second level processors
[4]: Tertiary level processors

NB: Information about the processors' market share, turnover and contribution to employment is not yet available, owing to the fact that the industry is still in its infancy stage.

Honeybush tea

1. DESCRIPTION OF THE INDUSTRY

The Honeybush tea industry has huge potential in the herbal tea category, owing to the fact that it has no competition from other countries. Honeybush tea has unique health benefits and has, on a blind tasting with other teas, favorable response from the public. Furthermore, the Honeybush tea industry has the potential to position the tea within the major food trends as an organic, specialty health product and value added products such as ice-tea, green tea and baby products.

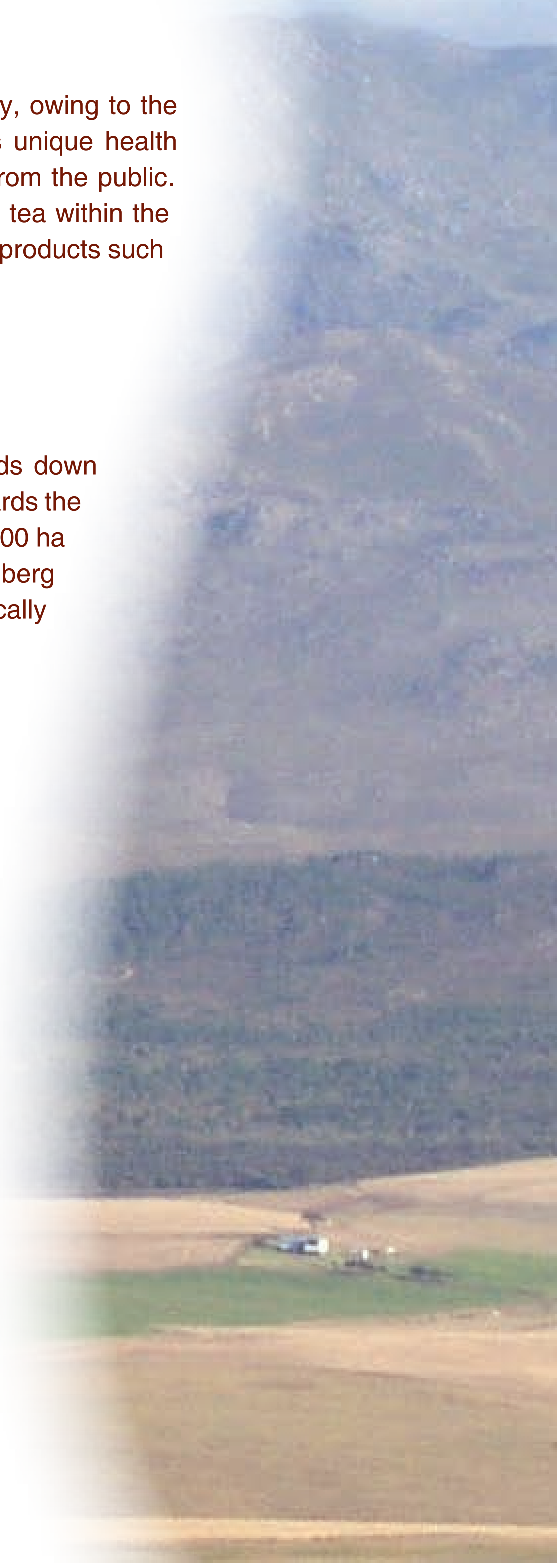
1.1 Production areas

Honeybush tea grows in the wetter Eastern Cape mountains and spreads down along the Langeberg and Swartberg mountains into the Western Cape towards the coast as far as Bredasdorp. It is estimated that there are approximately 30 000 ha of mountainous land, including the Tsitsikamma, Kouga, Baviaans, Langeberg and Swartberg mountain ranges, where wild Honeybush grows sporadically within the greater fynbos biome.

1.2 Production

There are approximately 230 hectares of honeybush under cultivation; however, generally the tea is harvested from the natural mountainous veld and processed at on-farm processing facilities, currently being accredited with HACCP. Currently the tea is produced on a limited commercial basis. In total, about 221 tons per year is produced and the demand exceeds the supply. This total may be divided into 52 tons packed for local consumption comprising of an approximate value of R7,6 million and 169 tons for export with an approximate bulk loose tea value of R4,4 million.

There are 8 commercial growers of Honeybush tea who contribute 20 % of the annual production. Some of the plantations are managed by the Haarlem and Ericaville communities, who respectively have 10 hectares and 5 hectares under cultivation, and who aim to increase these to 35 hectares and 15 hectares respectively.



1.3 Employment

This sector has the potential to double its workforce. It has grown steadily at 20 % over the past five years. It is estimated that there are approximately 150 entrepreneurial workers involved in wild harvesting of Honeybush tea (30 picking teams) and 10 entrepreneurial transporters. Cultivated Honeybush tea employs 100 families in the Ericaville and Haarlem communities and 40 farm workers on commercial farms and 20 women have been given the opportunity to purchase 20 hectares from a commercial farmer, who will assist them to plant Honeybush and purchase their crops.

TABLE 1. Employment in the Honeybush Tea industry

Source of employment	No of workers
Production	651
Wild harvesting	150
First level processors	64
Second level processors	80
Tertiary level processors	80
Retail packing plants	105
Distribution, marketing and export	87
Research	41
Total	**1 258**

Source: South African Honeybush Tea Association

Approximately 64 workers are employed at the 8 first level processing facilities, whilst approximately 80 workers are employed at the 4 second level processing facilities that also steam-pasteurise Rooibos tea. Retail

packing plants
employ a further 105 workers,
whilst tertiary level value adding companies employ a further 80 staff. Approximately 651 workers are currently involved in production. A further 87 jobs are created in the areas of distribution, marketing and local and export sales, whilst approximately 41 staff are involved in research throughout the country and at various institutions. It is thus estimated that approximately 780 staff are directly involved in the Honeybush industry.

2. MARKET STRUCTURE

2.1 Domestic market

Approximately 5 brands of packed Honeybush tea and/or blends are distributed nationally in retail outlets by National Brands, Unifoods and Trophy distributors. Big multinational and local companies such as Lipton, Freshpak and Five Roses have launched Honeybush under their own brand name. Other smaller brands are distributed to farm stalls and local Spar supermarkets. Spar and Woolworths are the first supermarket chains to launch their in-house Honeybush brands. Local sales have increased steadily from approximately 5 tons in 2001, 10 tons in 2002 to 52 tons in 2003.

2.2 Exports

There are 15 tea brokers who export Rooibos and Honeybush teas and 4 retail product brokers who include packed Honeybush tea as part of a basket of other products exported. There are also 3 Honeybush processors who export directly in bulk and value adding processors who export directly in bulk. Other industry export and investment facilitators are Wesgrow, TISA and the WC Department of Economic Affairs and Tourism. Future customers of Honeybush tea are UK, Japan, Germany and Switzerland, where health drinks are particularly sought after.

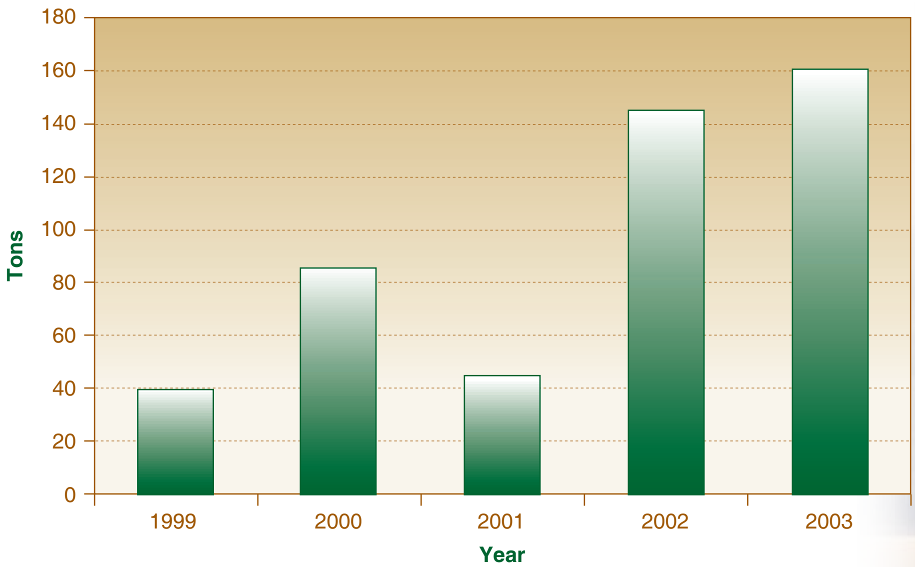


FIG. 1. Honeybush tea exports
Source: Perishable products Export Control Board

Exports of Honeybush tea have increased dramatically from 2002 onwards, mainly due to the increased international demand for Honeybush tea.

2.3 Processing

Most harvesting and first level processing occurs on farms within the producing areas with the exception of one on-farm processor in Riversdale. The second- and tertiary level processing and marketing occurs in Port Elizabeth, Mosselbay and Cape Town. There are 8 on-farm honeybush processors who chop and oxidize the green unfermented honeybush tea into red brown tea; four second level processors who steam pasteurise tea, do sieving and dust extraction; seven third level processors involved in retail contracting and in-house packing. Tertiary level value adding (8) are involved in production of instant teas, cool method green tea processing, pharmaceutical extracts, novel product development such as ice teas, cosmetica, liqueurs, chocolates, liquid concentrates, and Honeybush blends with other indigenous plants.

2.4 Industry organisation

Depicted in Figure 2 below is the number of firms, industry associations, levels of concentration in production, marketing and distribution, level of organisation and cooperation in the Honeybush tea industry:

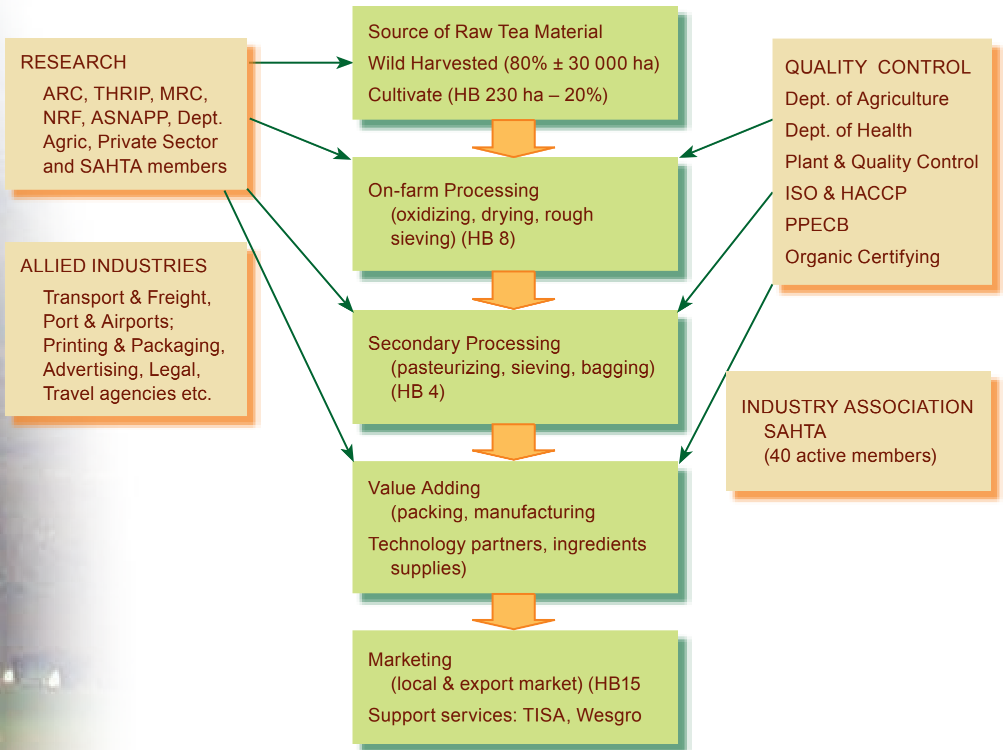
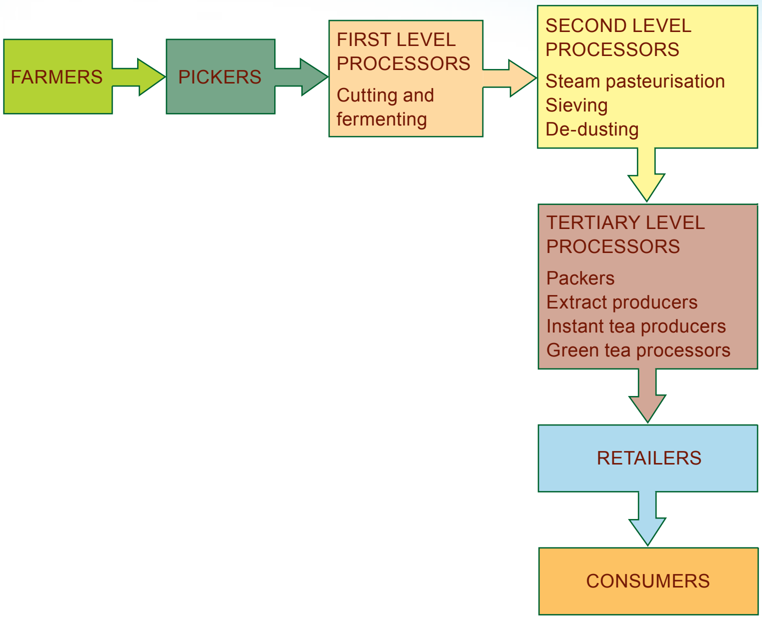


FIG. 2. Honeybush industry organisation

3. VALUE CHAIN



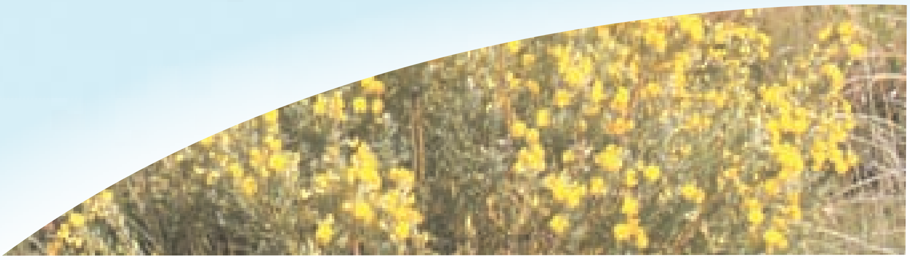
4. EMPOWERMENT ISSUES AND TRANSFORMATION IN THE SECTOR

There is a great potential for share equity schemes and small farmer development in Honeybush production. Land transfers on existing commercial farms provide a viable equity opportunity for historically disadvantaged people. Presently, one commercial farmer in the Honeybush industry has created the “Mooi Uitsig Trust”, an empowerment programme where female workers are able to purchase land on his farm at a nominal rate with land subsidy grants of R20 000 per individual. The new landowners are able to continue their present employment, while setting up their Honeybush tea plantations, with the farmer’s assistance in land preparations.

In addition, community based cultivation projects, such as the Haarlem and Ericaville communities need low capital input to develop Honeybush as a cash crop. The land is leased from the local municipality or purchased with land grants and community members are currently being assisted by NGOs such as ASNAPP (Agribusiness in Sustainable Natural African Plant Products) and the Western Cape’s Department of Economic Affairs and Tourism.

5. BUSINESS OPPORTUNITIES

- The low set-up costs per hectare and Honeybush tea’s suitability for plantation on marginalised mountainous and low rainfall land such as the Langeberg Mountains and the little Karoo makes the Honeybush tea an ideal crop for black economic- and women-empowerment agricultural programme. The wild reserves also provide entrepreneurial opportunities for pickers.



- Although the increased international demand for Honeybush tea is a positive sign of the indigenous tea industry's future prospects, it should be noted that more than 90 % of Honeybush tea traded internationally is sold in bulk, as opposed to retail packaging. International buyers pack the tea themselves, develop their own brand names and trademarks, and this enables them to make more money from a unique South African product than the country itself. Exporters cannot simply stop selling bulk Honeybush tea, but they could add more value by developing a variety of products that will meet the demands and preference of both the buyers and their consumers.

6. SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS)

Strengths

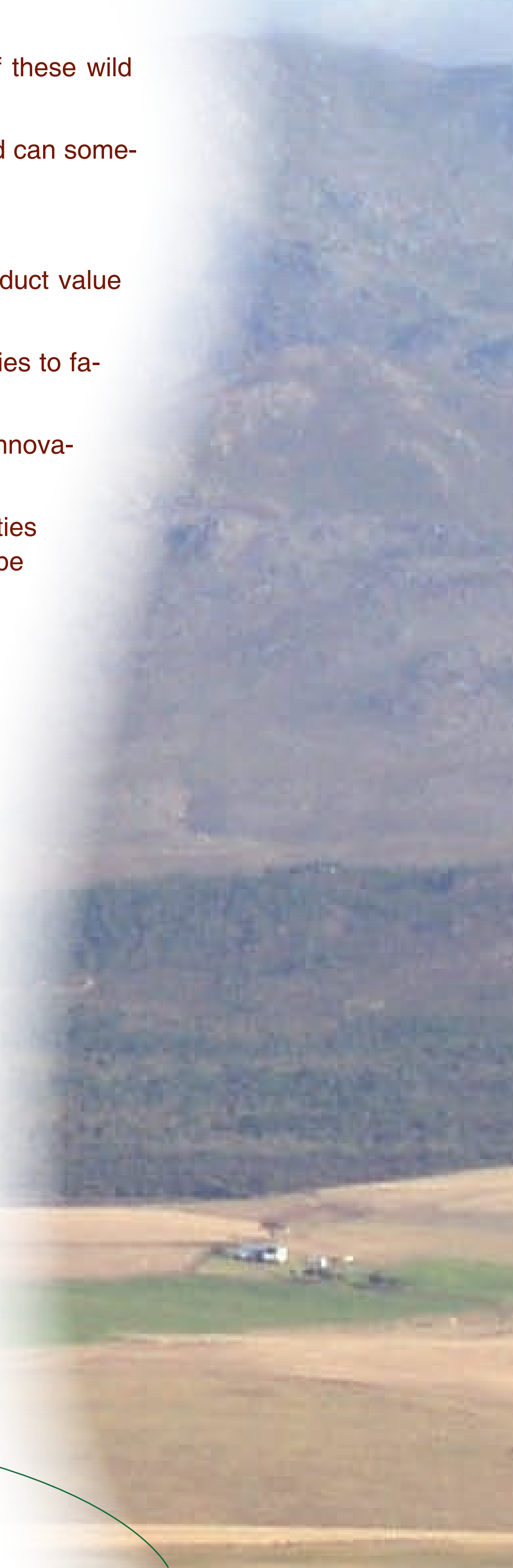
- Only source of raw material worldwide.
- Novelty in foreign markets.
- The set-up and maintenance costs per hectare are relatively low.
- Sufficient agricultural land is available for expansion purposes.
- Good relationships exist between the historically disadvantaged pickers, cul tivators and processors.
- SAHTA (South African Honeybush Tea Association) has been established and running for the past six years to champion the course of the industry as a whole.
- The tea is caffeine free, low tannin and has some anecdotal culturally known health benefits.
- The industry has innovated technology in the processing, refining and value-adding of Honeybush tea.
- The Honeybush tea industry can benefit from the advances in technology made in the Rooibos industry, including gree Honeybush, instant Honeybush and other Honeybush products such as liqueurs and chocolates.
- The tea is also suitable for babies (current value-added trend).
- The tea is also seen as a functional food and is part of a growing herbal tea sector and health market (current value-added trend).
- The tea blends well with fruit juices and other indigenous herbs.
- Good media and marketing opportunities exist in both the domestic

and international market through press releases on the fact that the tea is labour intensive to harvest, grows in remote mountainous regions, benefits historically disadvantaged entrepreneurs and has no known negative attributes.

- Fair Trade is already marketing the tea in the European Union.
- The industry has experience in and control mechanisms in place for exports (PPECB and DoA).

Weaknesses

- Wild reserves are under pressure and there may be a resultant loss of these wild reserves.
- Small scale and commercial farmers compete with wild tea suppliers and can sometimes not sell their crops, or are too far from processing facilities.
- There is a shortage of expertise for setting up and managing plantations.
- Community projects lack the resources, capital and skills to do end product value added marketing.
- Community members lack transport and access to communication facilities to facilitate their involvement with SAHTA.
- The industry is perceived as too small by funding institutions such as the Innovation Fund and precluded from accessing funds.
- There are no pasteurisation and refining and tertiary value adding facilities in the Langkloof-the the tea is therefore, costly to transport 600 km to Cape Town.
- Some on-farm processing plants still need to be registered with the HACCP.
- Capital investment needs to be made to develop large scale commercial plantings.
- Importers demand bulk product and disallow value-adding in South Africa (big multinationals protecting their market share and processing operations).
- No international generic marketing campaign has been embarked upon and, the following issues are key:
  - Honeybush has no secured market position and share as a stand alone product.
  - No common information exists on different markets or market segments.
  - Little knowledge about labeling requirements.
  - Less than container loads are very expensive.
  - Lack of marketing experience and support abroad.
  - The public is not aware of Honeybush tea.



Opportunities

- There are possibilities of growing foreign markets through a generic marketing campaign.
- Protected designation of Product of Origin (PDO) and Protected Geographic Indication (PGI) registration.
- Increased number of bilateral free trade agreements.
- Local market sales can be increased thereby sustaining growth without currency fluctutions.
- Packing plant and export via Port Elizabeth makes the tea more price competitive.
- Demand exists for new value-added products such as Honeybush green tea, ice tea, cosmetics, neutraceutical products and medicinal extracts for specific medicinal indications.
- Financing exists for both commercial and small scale farming, e.g. from the Land Bank's Micro-lending facility.

Threats

- International markets resist value adding in South Africa.
- Loyalty of supply to marketers is fickle.
- Industry lacks cohesion on pricing structure, which leads to frustration with overseas buyers.
- Depletion of wild reserves.
- The variable quality of tea sold can harm the consumer's perception of the tea, e.g. poor colour draw can create the perception that the tea is weak.
- Honeybush name has been trademarked in Japan, and this could impact on foreign earnings.
- The proposed tax on farmland can have an impact on land values, profitability and creditworthiness of farming operations.

7. ROLEPLAYERS IN THE HONEYBUSH TEA INDUSTRY

7.1 Pickers

7.1.1 Haarlem Pickers

Tel: 082 802 4822

7.1.2 Erikaville Agricultural Trust

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7.1.3 Independent Lower Langkloof Pickers

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7.3.6 Trophy Tea Distributors

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7.4 Tertiary level processors

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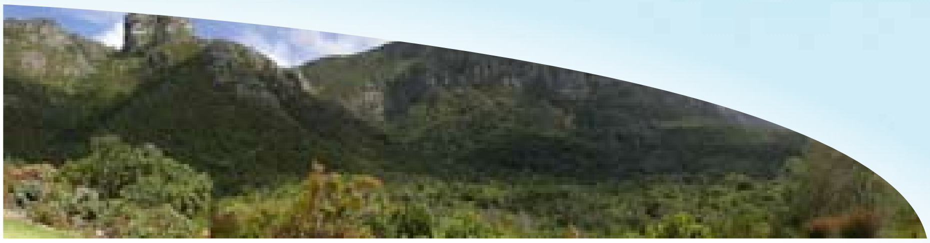

8. ACKNOWLEDGEMENTS

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photos???

SOURCES

- South African Honeybush Tea Association
- Perishable Products Export Control Board
- *Customised Sector Programme Industry Analysis for the Honeybush Tea Industry*. 2004 Department of Trade and Industry.