A PROFILE OF THE SOUTH AFRICAN BLACK TEA MARKET VALUE CHAIN

2012

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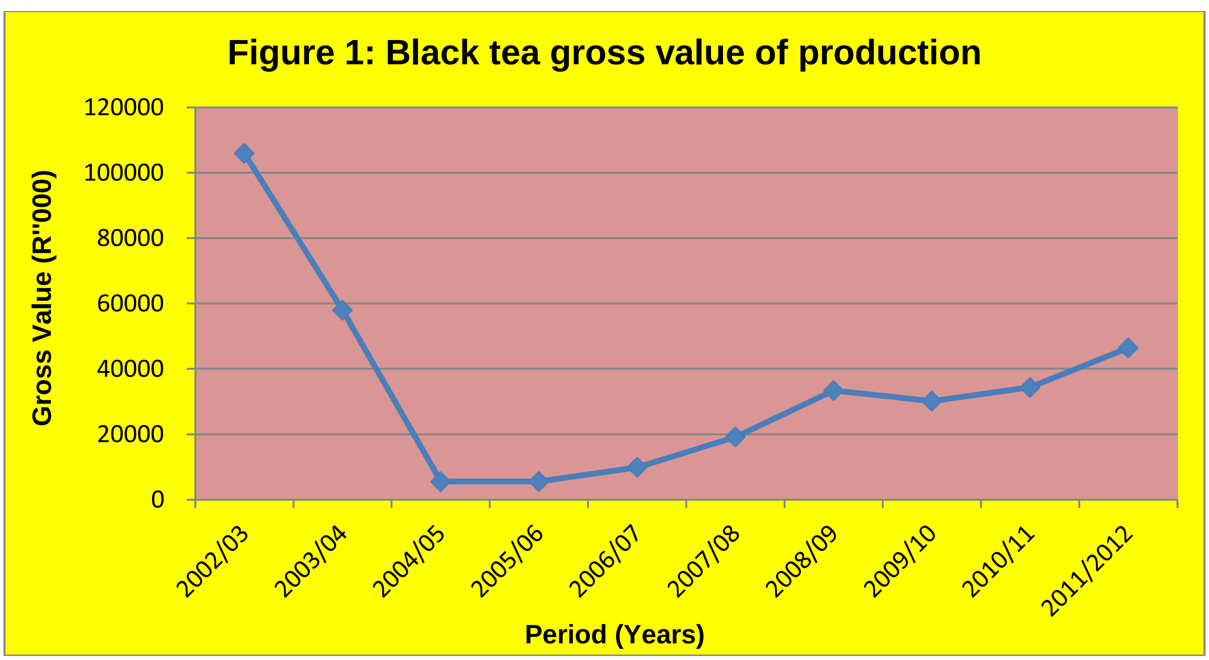
1. DESCRIPTION OF THE INDUSTRY

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 the black tea industry to the gross value of agricultural production is depicted in Figure 1 below.



Source: Statistics & Economic Analysis, DAFF

Figure 1 indicates contribution of the black tea industry to the gross value of agricultural production between 2002/03 and 2011/12. The graph further indicates that during the period under review, the gross value of production for black tea started to increase in 2001/02, and during the same year attained a peak at a gross value of approximately R112 000. In 2002/03, and at the same time attained a peak at approximately R105 950. The figure also indicates that the gross value of production for black tea experienced a dramatic decline of 45.3% in 2003/04, while in 2004/05 the decline in percentage terms was approximately 94.8%. The dramatic decline in 2004/05 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 2006/07 and 2008/09, the gross value of production for black tea experienced some increases until there was a decline in 2009/10 of about 71.5%. The graph further indicates that in 2010/11 and 2011/12, the gross value of production for black tea saw an increase of about 35.3%.

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 Kwa-Zulu Natal.

Table 1: Tea Estates in the Republic of South Africa

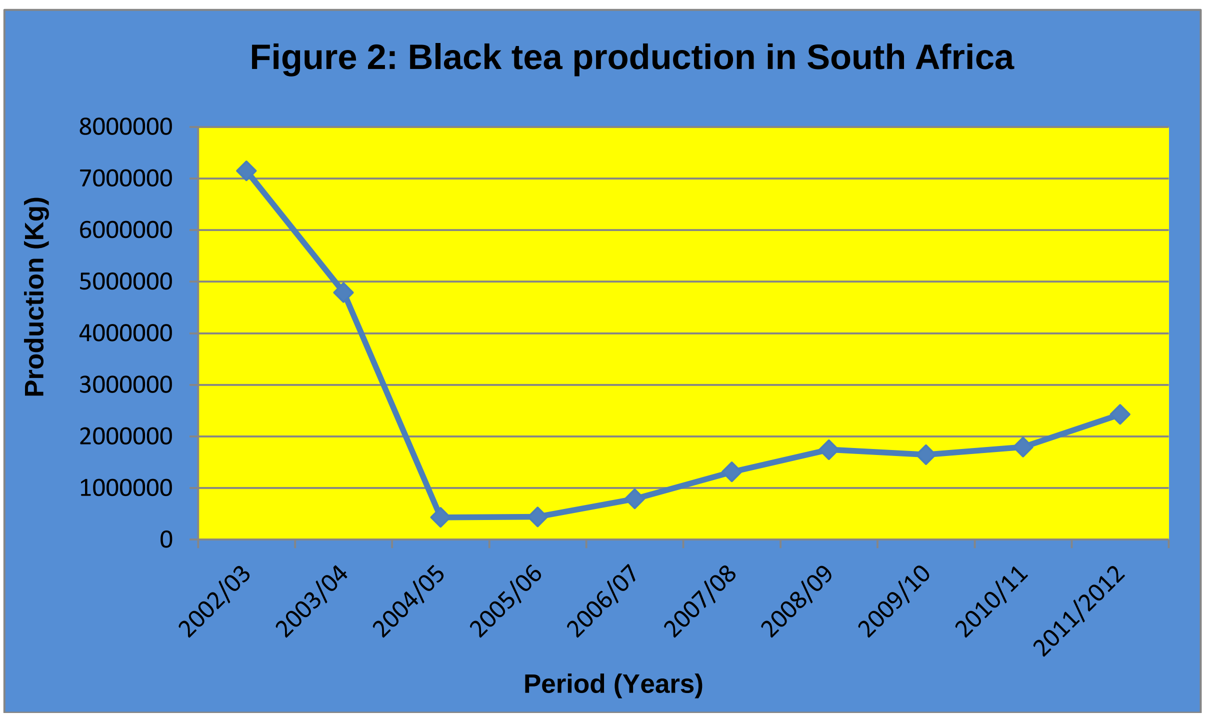
Tshivhase Sapekoe		577	Producing
Mukumbani Sapekoe		504	Producing
Grenshoek Sapekoe		451	Not producing
Middelkop Sapekoe		501	Not producing
Outgrowers	Limpopo	100	Not Producing
Ngome Sapekoe		500	Not producing
Richmond Sapekoe		522	Not producing
Ntingwe	Kwazulu-Natal	325	Producing
Magwa		1784	Producing

Majola	Eastern Cape	385	Producing
Paddock		225	Not producing
Senteeko	Mpumalanga	550	Not producing
Gradely		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 between 4 and 7 million kilograms of black tea is produced locally each year.



Source: Statistics & Economic Analysis, DAFF

Figure 2 depicts black tea production in South Africa between 2002/03 and 2011/12 period. The graph further depicts that there were less fluctuations in terms of production of black tea during the period under examination. The figure also depicts that black tea production started to increase in 2001/02 and during the same year attained a peak of about 7.1 million kilograms. The graph further depicts that between 2002/03 and 2004/05 black tea production experienced a steep decline to very low levels of production of approximately less than 1 million kilograms. As highlighted in figure 1, production of black tea came to a substantial decline in December 2004 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 2006/07 and 2008/09, the gross value of production for black tea experienced some slow increases until there was a decline in 2009/10 of about 5.5%. The graph further indicates that in 2010/11 and 2011/12, the gross value of production for black tea saw an increase of about 9% and 35.3% respectively.

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

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

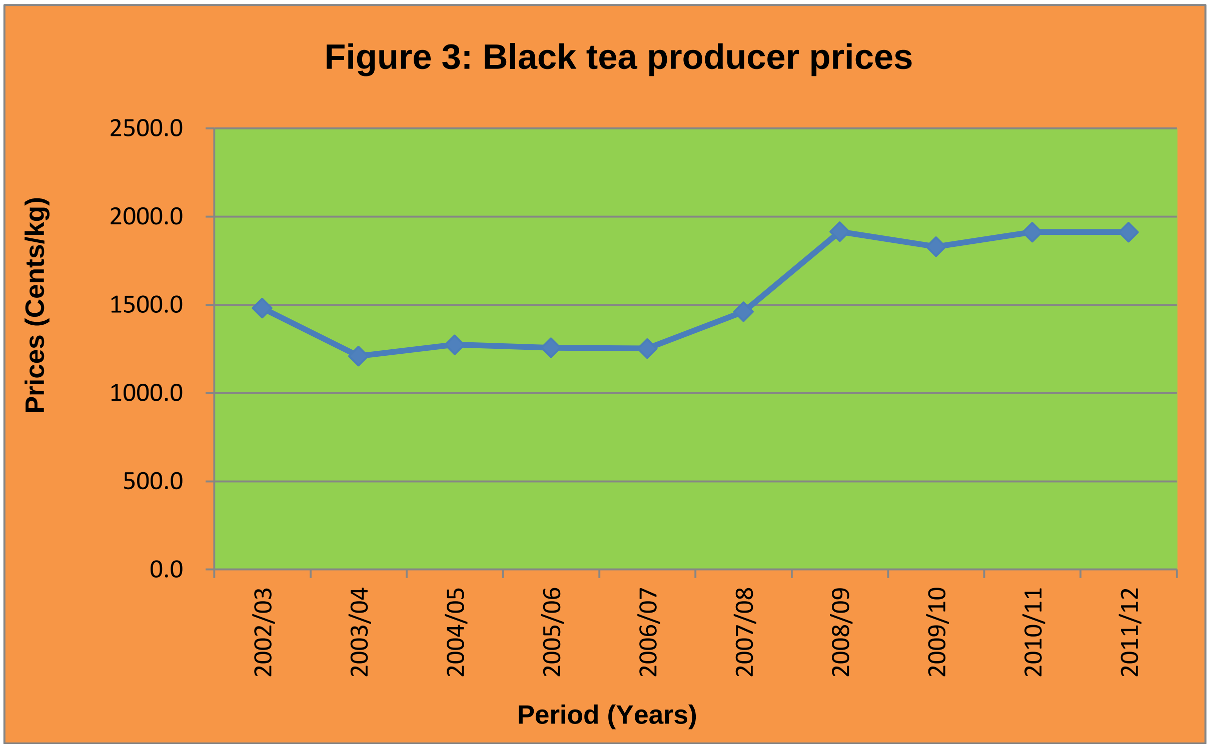
Table 2 indicates that the tea estates in the country are capable of employing more than 11 thousand people when in full production. As of 2004 Magwa and Sapekoe tea estates were the major employers in the black tea industry. Taking into account that tea estates such as Grenshoek, Middelkop, Ngome, Richmond,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

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.



Source: Statistics & Economic Analysis, DAFF

Figure 3 illustrates black tea average producer prices in South Africa between 2002/03 and 2011/12 period. The graph further illustrates that black tea average producer prices had less fluctuations in the market during the same period under examination. The graph also illustrates that black tea average producer prices started to increase in 2002/03, and then a slight decline occurred in 2003/04 season. Black tea average producer prices started to increase again in 2004/05 until a peak was attained in 2008/09 at a price of approximately R1 915 cents per kilogram. The figure also illustrates that, between 2004/05 and 2006/07 black tea average producer prices remained relatively stable between R 1 252 and R1 400 cents per kilogram respectively, until an increase in 2007/08 at R1 461 cents per kilogram. The figure further illustrates that in 2002/03 marketing seasons; black tea average producer prices were stable at R1 482 until a lower level of producer prices was attained in 2003/04 at approximately R1 210 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.

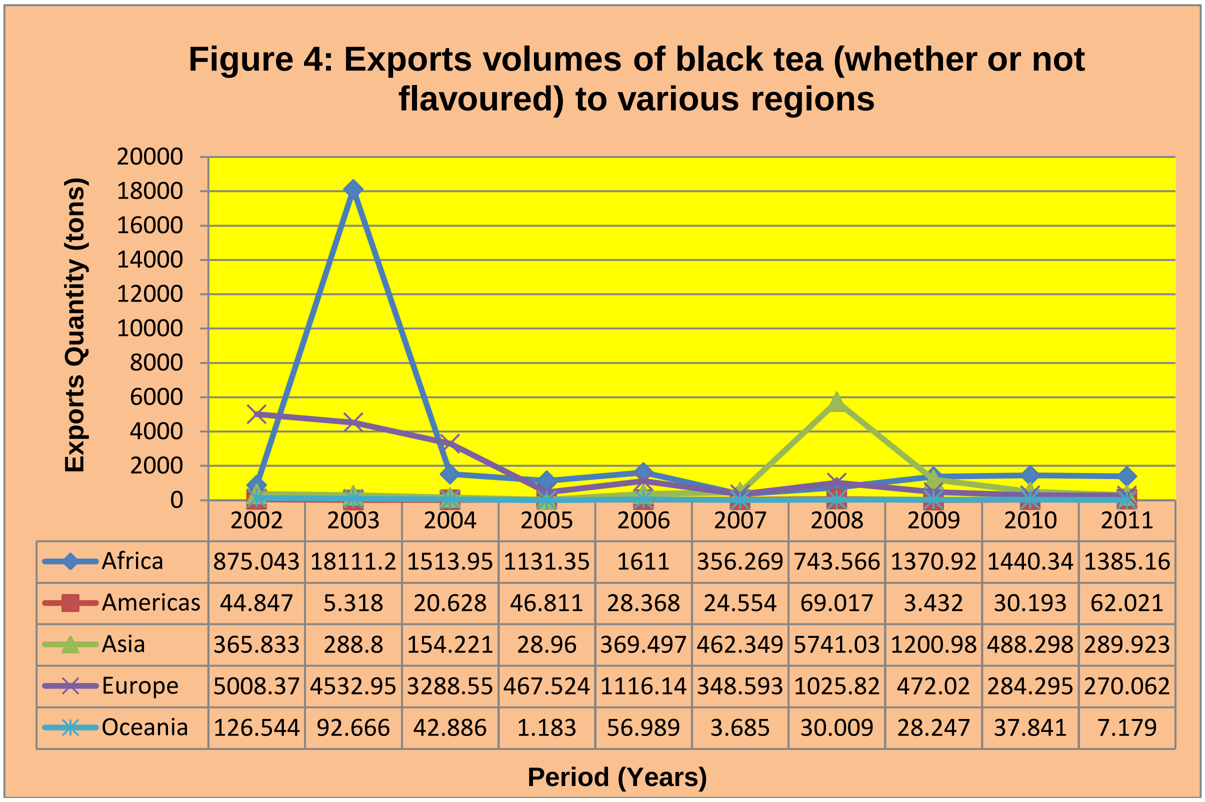
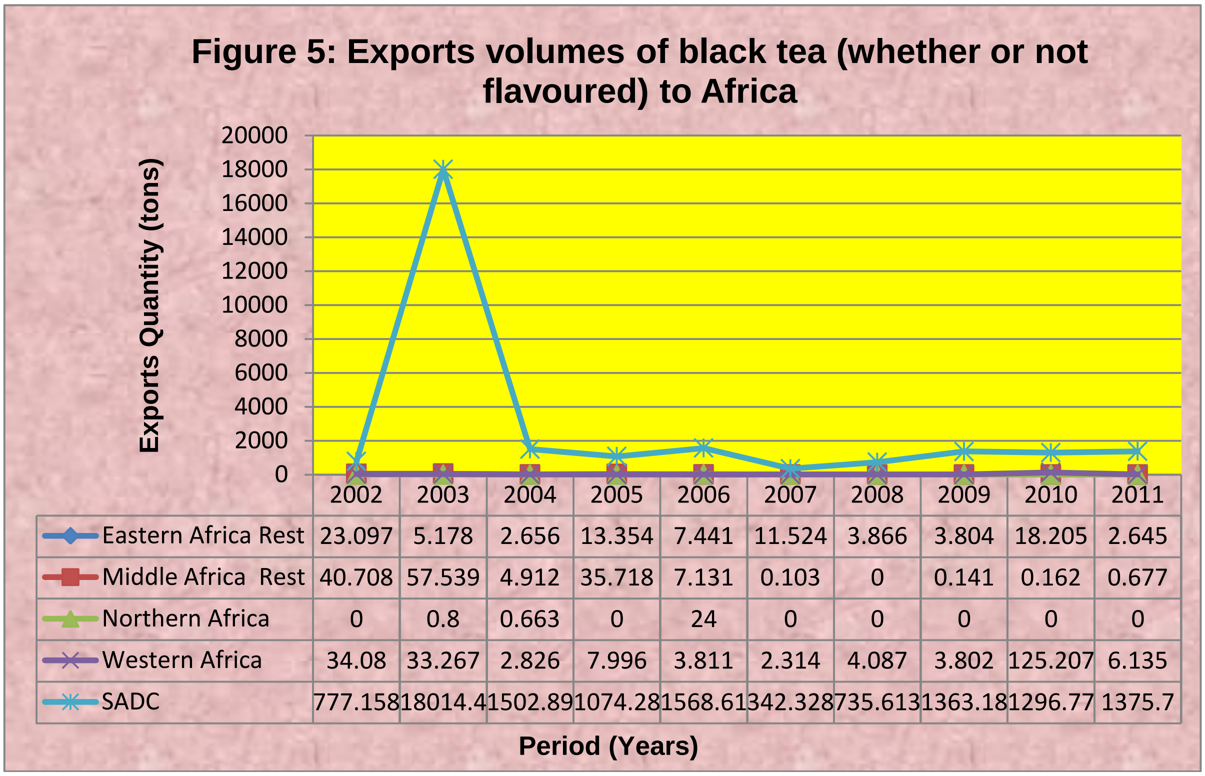


Figure 4: Exports volumes of black tea (whether or not flavoured) to various regions

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa	875.043	18111.2	1513.95	1131.35	1611	356.269	743.566	1370.92	1440.34	1385.16
Americas	44.847	5.318	20.628	46.811	28.368	24.554	69.017	3.432	30.193	62.021
Asia	365.833	288.8	154.221	28.96	369.497	462.349	5741.03	1200.98	488.298	289.923
Europe	5008.37	4532.95	3288.55	467.524	1116.14	348.593	1025.82	472.02	284.295	270.062
Oceania	126.544	92.666	42.886	1.183	56.989	3.685	30.009	28.247	37.841	7.179

Source: Quantec Easy Data

Figure 4 indicates black tea exports volumes (whether or not flavoured) from South Africa to various regions of the world between 2002 and 2011 period. It is evident that during the period between 2002 and 2011, South Africa exported most of its black tea to the African region in 2003 followed by Asia in 2008 and then Europe in 2002. The graph also indicates that low volumes of black tea from South Africa were exported to the Americas and Oceania between 2002 and 2011 period. The graph further indicates that exports of black tea from South Africa to Africa attained a peak in 2003 at approximately 18 111 tons. In 2008 black tea exports to Asia 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 high but declined substantially between the years 2005 and 2011 except for the Asian market. The graph also indicates that in 2011, exports volumes of black tea from South Africa to Africa declined at approximately 1 385 tons (92.4%) as compared to the increase (peak) in 2003 at approximately 18 111 tons (18%).

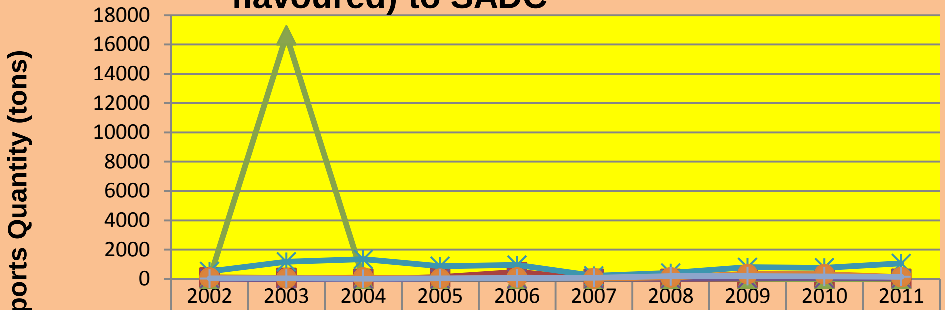


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Africa Rest	23.097	5.178	2.656	13.354	7.441	11.524	3.866	3.804	18.205	2.645
Middle Africa Rest	40.708	57.539	4.912	35.718	7.131	0.103	0	0.141	0.162	0.677
Northern Africa	0	0.8	0.663	0	24	0	0	0	0	0
Western Africa	34.08	33.267	2.826	7.996	3.811	2.314	4.087	3.802	125.207	6.135
SADC	777.158	18014.4	1502.89	1074.28	1568.61	342.328	735.613	1363.18	1296.77	1375.7

Source: Quantec Easy Data

Figure 5 shows black tea exports volumes (whether or not flavoured) from South Africa to Africa between 2002 and 2011 period. The graph further shows that the major export destination of black tea from South Africa into Africa was the SADC region. 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 2011 period, SADC experienced very low export volumes of black tea from South Africa of not more than 2000 tons per year. It is clear that in 2011, exports volumes of black tea from South Africa to SADC declined at approximately 1 375 tons (92.4%) as compared to the increase (peak) in 2003 at approximately 18 014 tons (17.9%).

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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Angola	5.205	54.257	59.337	25.688	2.938	2.49	2.067	0.136	8.94	0.629
Democratic Republic of the Congo	90.796	69.389	1.716	116.429	466.107	2.882	2.125	3.059	4.3	2.79
Mauritius	25.697	16634.508	2.176	1.545	1.354	2.279	25.926	4.674	2.595	4.299
Malawi	12.581	0.745	0.142	5.648	3.47	12.595	13.636	28.153	25.426	28.615
Mozambique	521.186	1166.408	1338.172	864.256	943.039	216.232	404.088	796.365	767.234	1058.955
Zambia	92.937	42.403	93.768	17.687	97.164	36.065	103.534	336.795	327.584	124.446
Zimbabwe	28.275	45.108	7.134	39.238	54.336	69.765	178.744	193.663	168.22	153.866

Period (Years)

Source: Quantec Easy Data

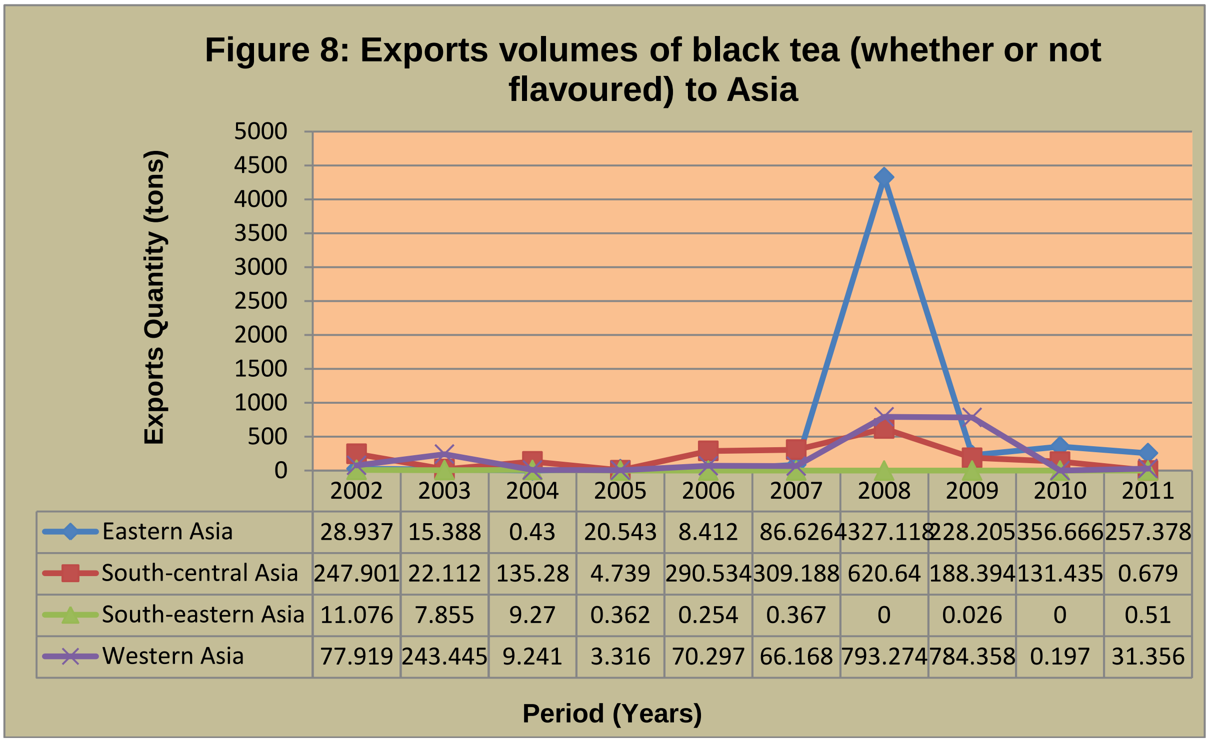
Figure 6 above illustrates volumes of black tea exports (whether or not flavoured) from South Africa to the SADC region between 2002 and 2011 period. The figure illustrates that the major export market for black tea from South Africa to SADC was mainly Mauritius with no competition from other SADC states. 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 2002 and 2011, 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. The graph also illustrates that in 2011, exports volumes of black tea from South Africa to Mauritius declined at approximately 4.299 tons (386%) as compared to the increase (peak) in 2003 at approximately 16 635 tons (16.5%).

Figure 7: Exports volumes of black tea (whether or not flavoured) to Americas

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Caribbean	0.14	0.005	0.275	0.09	0.2	0.103	3.118	0	0	0
South America	0	0	0.7	0.118	0.04	0.006	0	0	0.002	2.006
NAFTA	44.707	5.313	19.653	46.603	28.128	24.445	65.899	0.4	30.191	60.015

Source: Quantec Easy Data

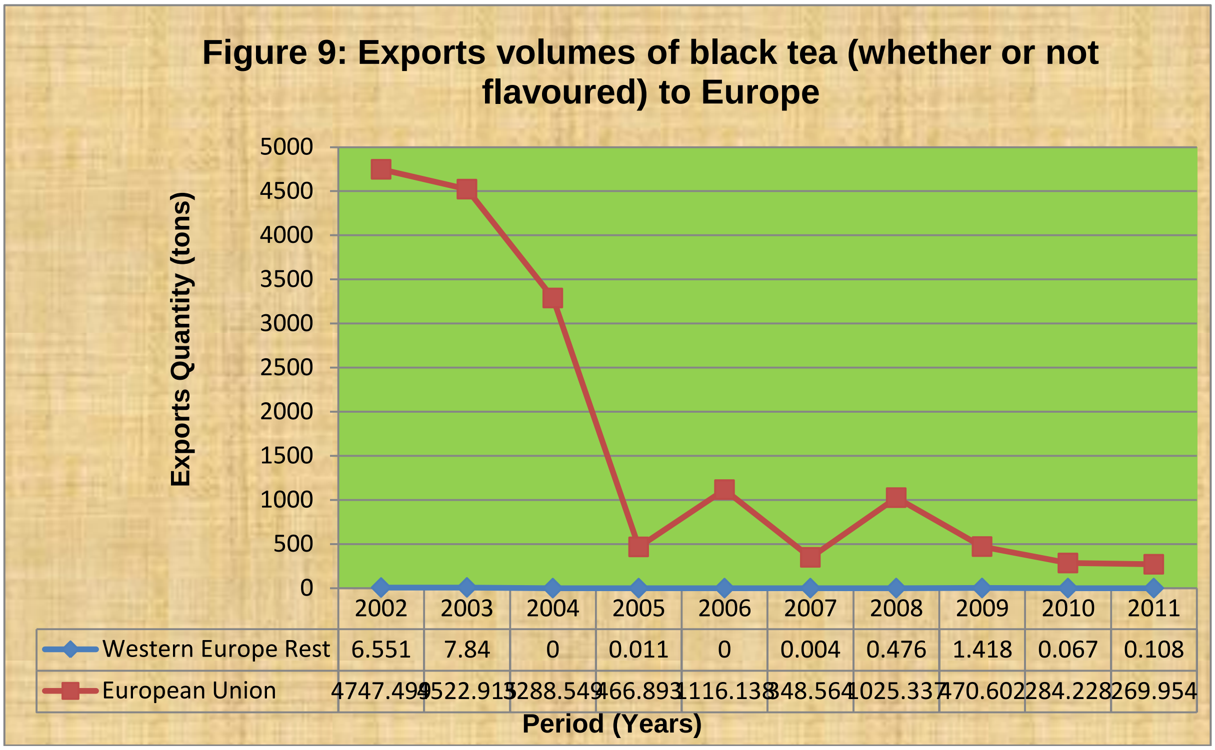
Figure 7 depicts volumes of black tea exports (whether or not flavoured) from South Africa to the Americas over the past decade.. The graph further depicts that the major export market for black tea from South Africa to Americas was NAFTA during the period under review. The graph also depicts that exports of black tea from South Africa to NAFTA started to increase in 2002 with a decline in 2003, and then increased in 2004 until a slight decline was experienced in 2006 and 2007. The graph further depicts that in 2008, exports of black tea from South Africa to NAFTA increased and at the same time attained a peak at approximately 65 899 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 2011, exports volumes of black tea from South Africa to NAFTA increased at approximately 60 015 tons (98.8%) as compared to the increase in 2010 at approximately 30 191 tons (7.4%).



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Asia	28.937	15.388	0.43	20.543	8.412	86.626	4327.118	228.205	356.666	257.378
South-central Asia	247.901	22.112	135.28	4.739	290.534	309.188	620.64	188.394	131.435	0.679
South-eastern Asia	11.076	7.855	9.27	0.362	0.254	0.367	0	0.026	0	0.51
Western Asia	77.919	243.445	9.241	3.316	70.297	66.168	793.274	784.358	0.197	31.356

Source: Quantec Easy Data

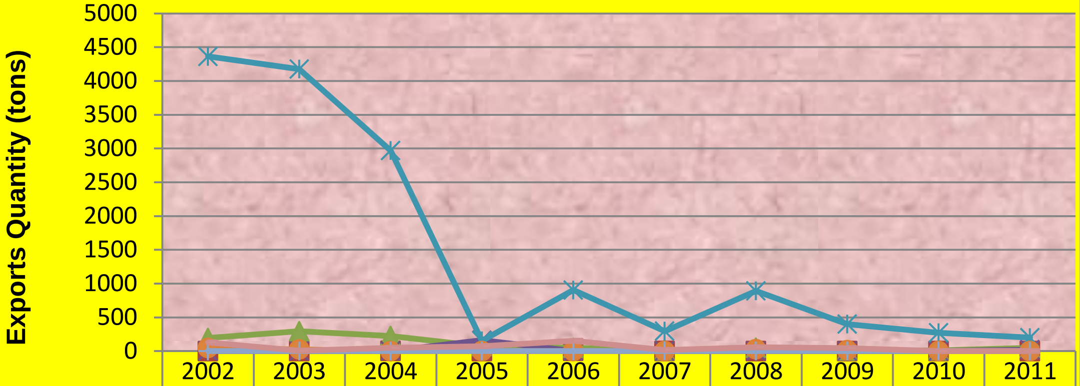
Figure 8 indicates volumes of black tea exports (whether or not flavoured) from South Africa to Asia between 2002 and 2011 period. The figure further indicates that volumes of black tea from South Africa to Asia were exported mainly to Eastern Asia with very small quantities to other Asian regions. The figure also indicates 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 indicates that between 2002 and 2007 and again between 2009 and 2011, there were very low levels of exports of black tea to all Asian markets of below 1000 tons per year. The figure also indicates that exports of black tea from South Africa to Eastern Asia became worse in 2004 and 2006. The figure further depicts that exports of black tea from South Africa to Western Asia attained a peak in 2008 and 2009 at approximately 793 and 784 tons respectively. The graph also indicates that in 2011, exports volumes of black tea from South Africa to Eastern Asia declined at approximately 257.38 tons (157%) as compared to the increase (peak) in 2008 at approximately 4 327 tons (4.2%).



Source: Quantec Easy Data

Figure 9 shows volumes of black tea exports (whether or not flavoured) from South Africa to Europe over the past decade. The graph further shows that during the period under scrutiny, the major export market for black tea from South Africa was European Union with no competition from other European regions. The graph also shows that volumes of black tea exports from South Africa to the European Union started to increase in 2002 and at the same year attained a peak at approximately 4 747 tons. It is evident that between 2003 and 2004, exports of black tea from South Africa to European Union experienced a gentle decline that led to low volumes in 2005. In 2007, 2010 and 2011, volumes of black tea exports from South Africa to European Union declined continuously up until lower levels of exports were attained in 2011 at approximately 269 tons. The figure clearly shows that in 2011, exports volumes of black tea from South Africa to the European Union declined at approximately 269 tons (5.3%) as compared to the increase in 2010 at approximately 284 tons (39.6%).

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

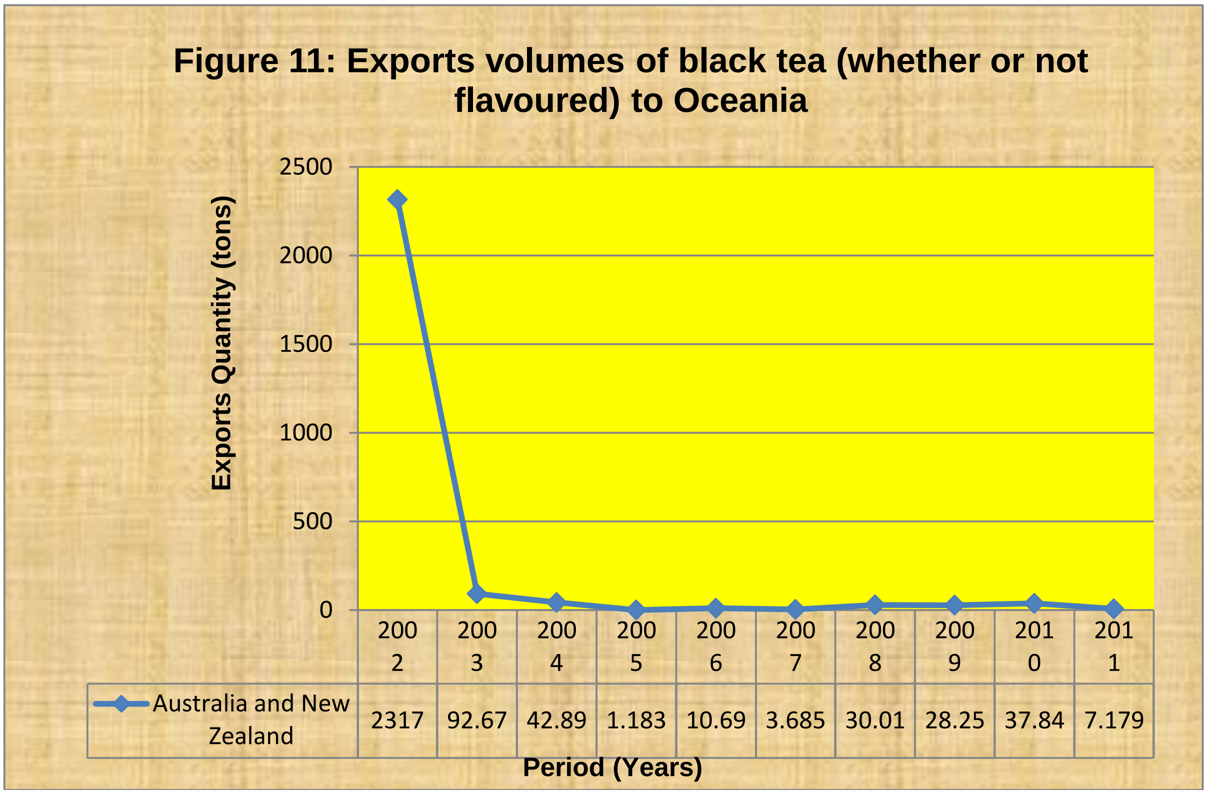


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Belgium	0	19.92	0.101	0	3.598	17.598	0.083	0	0.8	0.008
Cyprus	0.009	0	3.388	0.018	4.253	1.478	0.137	0.105	0.494	0.243
Germany	193.766	294.056	223.238	74.181	47.361	9.322	48.932	9.026	10.086	47.04
France	0	0.22	0.027	161.308	0.399	0.208	0.105	1.411	0.131	22.472
United Kingdom	4362.466	4176.438	2969.42	152.303	903.579	296.711	891.922	400.123	271.789	198.78
Ireland	46.32	24.98	0	0.01	0.02	0.01	27.3	13.625	0	0
Italy	0.002	0.003	0	0.812	3.203	3.432	0.555	1.105	0.536	0.903
Netherlands	129.861	7.156	47.793	73.545	153.7	17.49	56.147	45.175	0.06	0.075

Period (Years)

Source: Quantec Easy Data

Figure 10 represents volumes of black tea exports (whether or not flavoured) from South Africa to the European Union between 2002 and 2011 period. The graph further reflects 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 reflects that exports volumes of black tea from South Africa to United Kingdom started to increase in 2002 and at the same time attained a peak at approximately 4 362 tons. Between 2002 and 2005, there was a steady decline in exports of black tea from South Africa to the United Kingdom. The graph also illustrates that during the same period under review, exports of black tea from South Africa to the United Kingdom experienced very low volumes of black tea from South Africa of not more than 1000 tons per year between 2005 and 2011. It is clear that in 2011, exports volumes of black tea from South Africa to United Kingdom declined at approximately 198 tons (26.9%) as compared to the increase in 2010 at approximately 271 tons (32.3%).

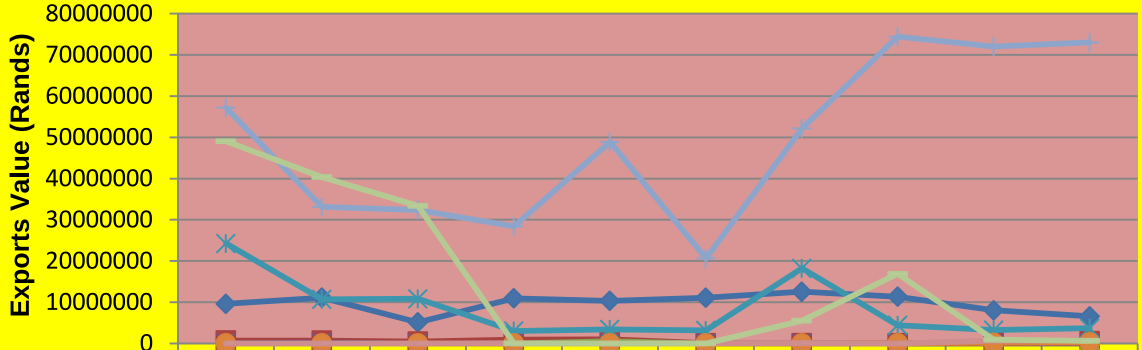


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia and New Zealand	2317	92.67	42.89	1.183	10.69	3.685	30.01	28.25	37.84	7.179

Source: Quantec Easy Data

Figure 11 indicates volumes of black tea exports (whether or not flavoured) from South Africa to Oceania between 2002 and 2011 period. 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 2002 and at the same time attained a peak of about 2 316 tons. The graph further indicates that there was a decline from 2003 to 2005 until an increase between 2006 and 2011 period was experienced. Between 2003 and 2011 of the period under examination, exports of black tea from South Africa to Australia and New Zealand were not more than 100 tons per year. The graph also indicates that in 2011, exports volumes of black tea from South Africa to Australia and New Zealand declined at approximately 7.18 tons (81%) as compared to the increase in 2010 at approximately 37.84 tons (33.9%).

Figure 12: Value of black tea exports by Provinces



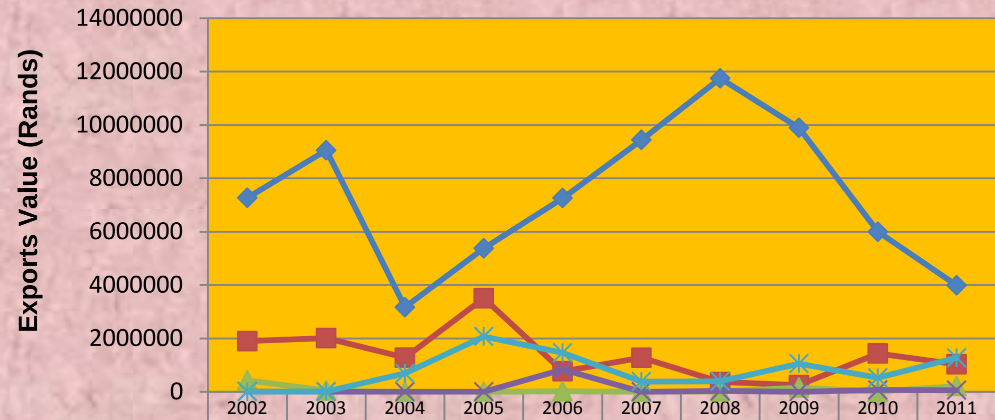
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	9601341	11109224	5128882	10954837	10338140	11097554	12541677	11348378	8018547	6566335
Eastern Cape	706677	679318	441807	923137	962607	33587	53674	49391	197258	550000
Northern Cape	0	19103	0	2415	545430	6924	0	0	69290	737841
Free State	67049	194267	0	0	1895	116	0	0	153	0
Kwazulu-Natal	24242212	10690438	10813174	3029291	3398140	3157732	18205312	4417108	3226372	3692487
North West	0	0	0	0	0	0	0	19964	125663	229304
Gauteng	57215201	33118216	32380189	28403818	48873350	20626801	52160005	74422002	72057854	73013687
Mpumalanga	0	936	0	57080	0	53068	62679	3230	656723	693614
Limpopo	49066786	40379729	33374468	0	0	0	5515481	16872632	904407	621692

Period (Years)

Source: Quantec Easy Data

Figure 12 depicts values of black tea exports (whether or not flavoured) by Provinces of South Africa to the world between 2002 and 2011 period. Over the past decade, the graph further depicts that the major role players of black tea during this period was Gauteng province followed by Limpopo province and then KwaZulu-Natal province. The graph also depicts that exports of black tea from Gauteng province started to increase in 2002 with a slight decline in 2003 at approximately R33 million. The figure also depicts that in 2007 black tea exports from Gauteng province to the world 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 peak in exports was attained in 2009 at approximately R74 million, and in percentage terms of about 42.7%. Exports of black tea from the Limpopo province started to increase in 2002 until a peak was attained at the same time at an export value of approximately R49 million with an increase in percentage terms of about 3.4%.

Figure 13: Exports volumes of black tea by Western Cape Province

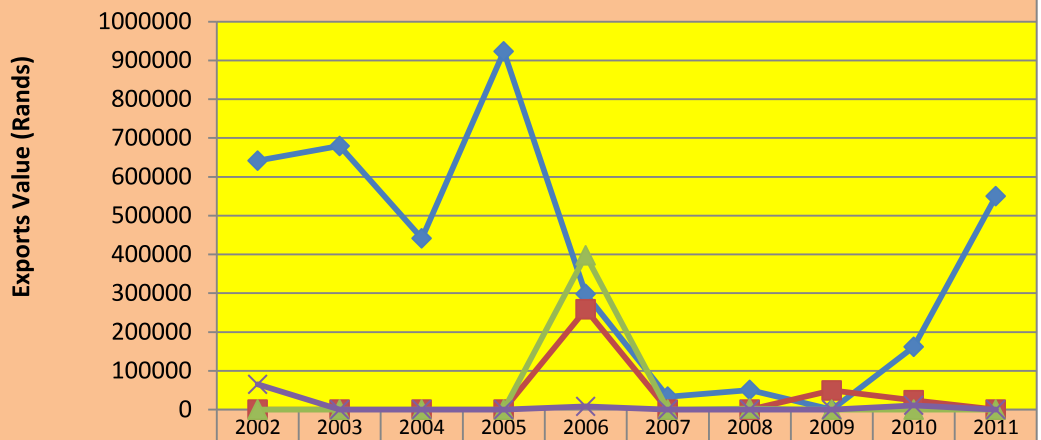


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Cape Town Metropolitan Municipality	7269639	9049209	3166861	5376472	7262228	9440471	11747555	9893401	5995269	3988354
West Coast District municipality	1895510	2010927	1276060	3504036	767391	1273219	362841	246177	1435451	1030706
Cape Winelands District Municipality	426356	43902	16	692	15434	107	9697	154748	2111	215564
Overberg District municipality	9836	0	0	0	830312	0	29850	0	64770	59562
Eden District municipality	0	5188	685945	2073637	1462775	383756	391733	1054051	520945	1272150

Source: Quantec Easy Data

Over the past decade, Figure 13 shows values of black tea exports (whether or not flavoured) from Western Cape Province to the world. The figure further shows that the City of Cape Town Metro dominated the export market of black tea to the world between 2002 and 2011 period. The figure also shows that exports of black tea from City of Cape Town Metro started to increase in 2002 at approximately R7.2 million to 2003 at approximately R9 million (24.5%), until a dramatic decline in 2004 of about R3.1 million (65%). 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 2011. In percentage terms the decline in black tea exports from the City of Cape Town Metro to the world from 2009 to 2011 ranged between 15.8%, 39.4% and 33.5% respectively.

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



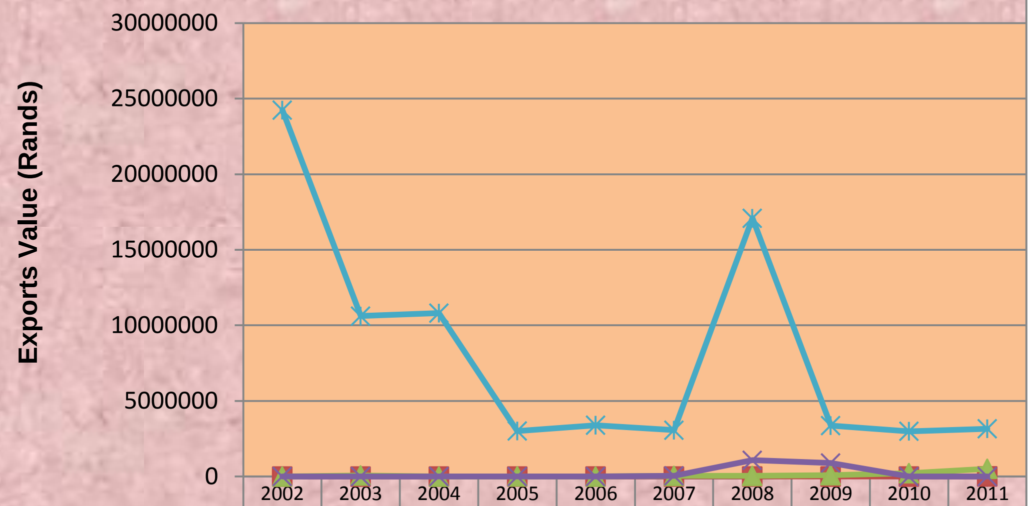
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cacadu District municipality	641505	679318	441343	923137	298114	33587	50783	0	161826	550000
Amatole District municipality	0	0	27	0	258565	0	0	49391	24224	0
Chris Hani District municipality	0	0	0	0	397565	0	2807	0	0	0
Nelson Mandela Metropolitan Municipality	65172	0	438	0	8363	0	84	0	11208	0

Period (Years)

Source: Quantec Easy Data

Figure 14 illustrates values of black tea exports (whether or not flavoured) from Eastern Cape Province to the world between 2002 and 2011 period. The graph further illustrates that the major exporter of black tea 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 figure also illustrates that between 2002 and 2005 exports of black tea from Cacadu region were between R600 000.00, and R925 000. The graph also illustrates that a dramatic declined occurred between 2006 and 2009 due to low domestic production. 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 and an increase in percentage terms of about 229% as compared to an export value of about R161 826 (100%) in 2010.

Figure 15: Value of blak tea exports by KwaZulu-Natal



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ugu District municipality	0	0	0	0	0	0	0	55700	0	0
UMgungundlovu District municipality	0	0	0	12	550	0	463	0	807	12378
Uthukela District municipality	475	73856	0	13324	0	44387	44426	92702	226588	516417
iLembe District municipality	2592	3406	2493	0	0	46293	1077078	897323	0	0
eThekwini Metropolitan Municipality	24238916	10613176	10810580	3015600	3397590	3067052	17083344	3371383	2998921	3163692

Period (Years)

Source: Quantec Easy Data

Figure 15 depicts values of black tea exports (whether or not flavoured) from KwaZulu-Natal province to the world over the past decade. The figure further depicts that the leading role players for black tea exports from KwaZulu-Natal province to the world were mainly from eThekwini Metro with very low/ minimal export values from other district municipalities of the province. The figure also depicts that black tea exports from eThekwini Metro started to increase in 2002 and at the same time attained a peak at approximately R24 million. The figure further depicts that between 2003 and 2007, exports of black tea from eThekwini Metro to the world declined from R10 million in 2003 to R3 million in 2007. In 2008, exports of black tea from eThekwini Metro to the world attained a peak at an export value of about R17 million, and the declined in 2009 to 2011 by 80.3%, 11% and 5.5% respectively.

Figure 16: Value of black tea exports by Gauteng Province

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedibeng District municipality	44916	243	0	516	57484	103	858	3287	13459	79955
Metsweding District Municipality	7742	0	0	712	0	0	99291	0	0	0
West Rand District Municipality	49895	87	27581	1400713	7231	35762	60745	313865	107900	141502
Ekurhuleni Metropolitan Municipality	1875407	436331	1103161	935406	940705	6365611	22992974	34565271	28693471	45201879
City of Johannesburg Metropolitan Municipality	54876933	32505422	31027698	25744071	46964011	11758216	25273156	37469713	42609102	27239151
City of Tshwane Metropolitan Municipality	360308	176133	221749	322399	903919	2467108	3732980	2069867	633922	351200

Period (Years)

Source: Quantec Easy Data

Figure 16 shows values of black tea exports (whether or not flavoured) from Gauteng Province to the world between 2002 and 2011 period. The graph further shows that the major exporting municipality for black tea during this period was the City of Johannesburg Metro followed by Ekurhuleni Metro. The graph also depicts that exports of black tea from the City of Johannesburg Metro to the world started to increase in 2002 at the same time attained a peak at an export value of about R54.8 million. Between 2003 and 2005 exports of black tea from the City of Johannesburg to the world experienced a dramatic decline of up to R25.7 million in 2005 as compared to R54.8 million in 2002. 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 started to increase again until another peak was evident in 2010 at approximately R42.6 million. The graph also shows that in 2011, exports volumes of black tea from the City of Johannesburg Metro to the world experienced a slight decline of about R27.2 million (36.1%).Exports of black tea from Ekurhuleni Metro started to increase in 2007, until a peak was attained in 2011 at an export value of approximately R45.2 million (57.5%).

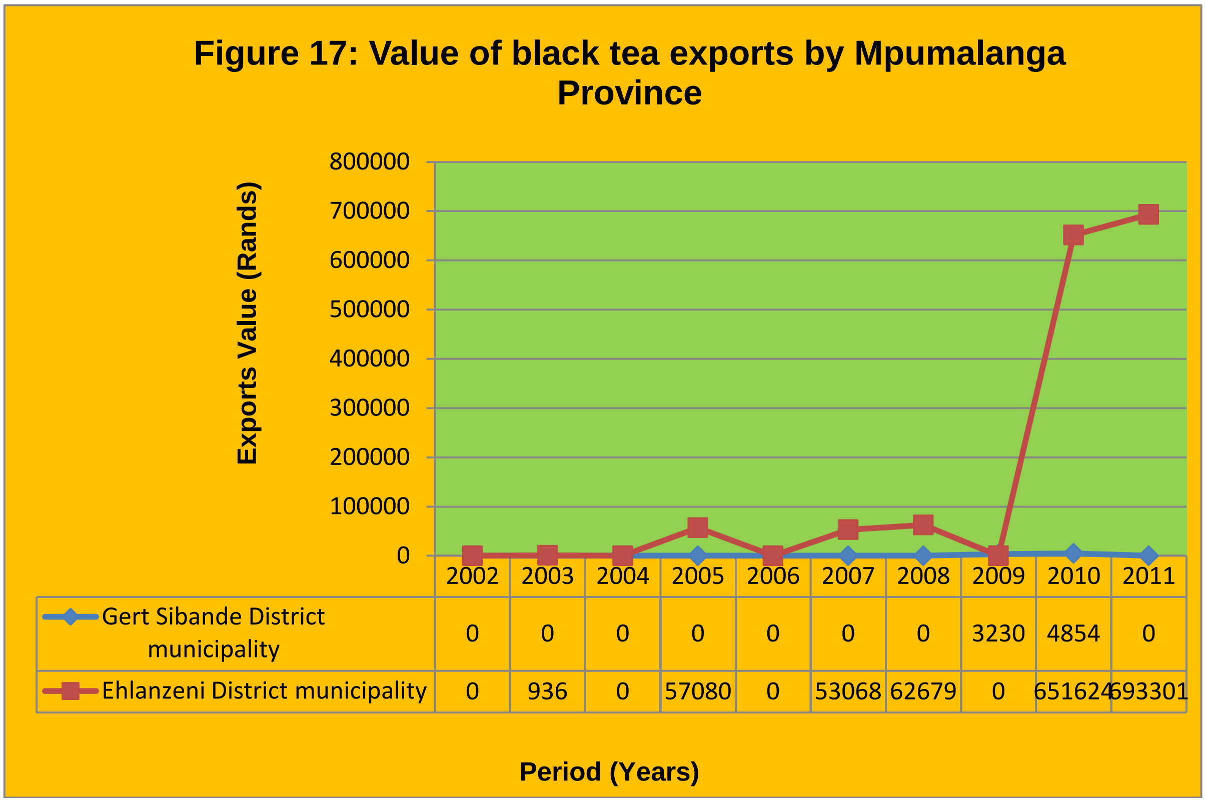


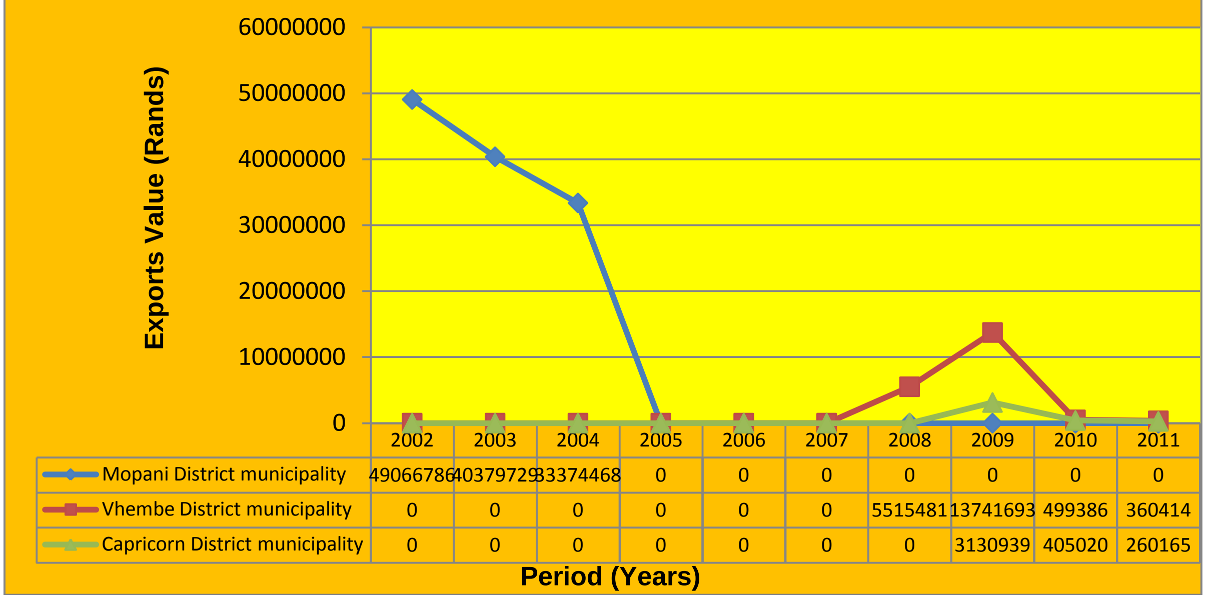
Figure 17: Value of black tea exports by Mpumalanga Province

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gert Sibande District municipality	0	0	0	0	0	0	0	3230	4854	0
Ehlanzeni District municipality	0	936	0	57080	0	53068	62679	0	651624	693301

Source: Quantec Easy Data

Figure 17 illustrates values of black tea exports (whether or not flavoured) from Mpumalanga Province to the world over the past decade. The graph further illustrates that the major role players for black tea from Mpumalanga province to the world was from Ehlanzeni District municipality with no competition from other municipalities. The figure also illustrates that in 2002, 2004, 2006 and 2009, there were no black tea exports from Ehlanzeni District due to the closing of some tea estates in that province. The figure further illustrates that exports of black tea from Ehlanzeni District to the world started to increase in 2005, with an increase in 2007, 2008 and 2010 until a peak was attained in 2011 at approximately R693 301 (6.4%) as compare to R651 624 (65%) increase in 2010. The graph further illustrates that over the past decade, Gert Sibande District managed to export black tea to the world in 2009 and 2010 period at approximately R3 230 and R4 854 respectively.

Figure 18: Value of black tea by Limpopo Province



Source: Quantec Easy Data

Figure 18 shows values of black tea exports (whether or not flavoured) from Limpopo Province to the world between 2002 and 2011 period. The figure 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 figure also shows that black tea exports from Mopani District started to increase in 2002, with a peak attained also in the same year at approximately R49 million. The figure further shows that between 2003 and 2004, value of black tea exports from Mopani District saw a consistent decline of up to R33 million in 2004. Between 2005 and 2011 of the period under examination, it is evident that there were no exports values of black tea from Mopani District to the world. The figure also shows that between 2002 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.

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 2002 and 2011, 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Province										
Western Cape	6.81	11.5	6.24	25.3	16.1	31.7	14.2	10.6	9.41	7.63
Eastern Cape	0.50	0.71	0.54	2.13	1.50	0.10	0.06	0.05	0.23	0.64

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Province										
Northern Cape	0.00	0.02	0.00	0.01	0.85	0.02	0.00	0.00	0.08	0.86
Free State	0.05	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KwaZulu-Natal	17.2	11.1	13.2	6.98	5.30	9.03	20.6	4.12	3.78	4.29
North West	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.15	0.27
Gauteng	40.6	34.4	39.4	65.5	76.2	59.0	58.9	69.5	84.5	84.8
Mpumalanga	0.00	0.00	0.00	0.31	0.00	0.05	0.07	0.00	0.77	0.81
Limpopo	34.8	42.0	40.6	0.00	0.00	0.00	6.23	15.7	1.06	0.72

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 2002 and 2011 period. The table further depicts that between 2002 and 2011, 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
City of Cape Town Metro	75.7	81.5	61.7	49.1	70.2	85.1	93.7	87.2	74.8	60.7
West Coast District	19.7	18.1	24.9	32.0	7.42	11.5	2.89	2.17	17.9	15.7
Cape Winelands	4.44	0.40	0.00	0.01	0.15	0.00	0.08	1.36	0.03	3.28
Overberg District	0.10	0.00	0.00	0.00	8.03	0.00	0.24	0.00	0.81	0.90
Eden District	0.00	0.05	13.4	18.9	14.1	3.46	3.12	9.29	6.49	19.4

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 2002 and 2011, 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
Cacadu District	90.8	100	99.9	100	40.0	100	94.6	0.00	82.0	100
Amathole District	0.00	0.00	0.01	0.00	26.9	0.00	0.00	100	12.3	0.00
Chris Hani District	0.00	0.00	0.00	0.00	41.3	0.00	5.23	0.00	0.00	0.00
Nelson Mandela Metro	9.22	0.00	0.10	0.00	0.87	0.00	0.16	0.00	5.68	0.00

Source: Calculated from Quantec Easy Data

Table 4 indicates the share of district black tea exports to the total KwaZulu-Natal Province black tea exports in percentages between 2002 and 2011 period. The table further indicates that between 2002 and 2011, 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
Ugu District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.26	0.00	0.00
UMgungundlovu District	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.03	0.34
Uthukela District	0.00	0.69	0.00	0.44	0.00	1.41	0.24	2.10	7.02	14.0
iLembe District	0.01	0.03	0.02	0.00	0.00	1.47	5.92	20.3	0.00	0.00
eThekwini Metro	99.98	99.28	99.98	99.55	99.98	97.12	93.84	76.33	92.95	85.7

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 2002 and 2011, the City of Johannesburg Metro municipality commanded the greatest share of black tea exported by South Africa to the world except in 2011 of the period under scrutiny.

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

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
Sedibeng District	0.08	0.00	0.00	100	0.12	0.00	0.00	0.00	0.02	0.11

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
Metsweding District	0.01	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00
West Rand District	0.09	0.00	0.09	4.93	0.01	0.17	0.12	0.42	0.15	0.19
Ekurhuleni Metro	3.28	1.32	3.41	3.29	1.92	30.9	44.1	46.4	39.8	61.91
City of Johannesburg Metro	95.9	98.1	95.8	90.6	96.1	57.0	48.5	50.3	59.1	37.3
City of Tshwane Metro	0.61	0.53	0.68	1.14	1.85	12.0	7.16	2.78	0.88	0.48

Source: Calculated from Quantec Easy Data

Table 6 indicates the share of district black tea exports to the total Mpumalanga Province black tea exports in percentages over the past decade. The table further indicates that between 2002 and 2011, Ehlanzeni District municipality commanded the greatest share of black tea exported by South Africa to the world during the period under scrutiny.

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

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
Gert Sibande District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.74	0.00
Ehlanzeni District	0.00	100	0.00	100	0.00	100	100	0.00	99.22	100

Source: Calculated from Quantec Easy Data

Table 7 depicts the share of district black tea exports to the total Limpopo Province black tea exports in percentages between 2002 and 2011 period. The table further depicts that between 2002 and 2011, Vhembe District municipality commanded the greatest share of black tea exported by South Africa to the world during the period under review.

Table 7: Share of district black tea exports to the total Limpopo Province black tea exports (%)

Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Districts										
Mopani District	100	100	100	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	0.00	100	81.4	55.2	58.1

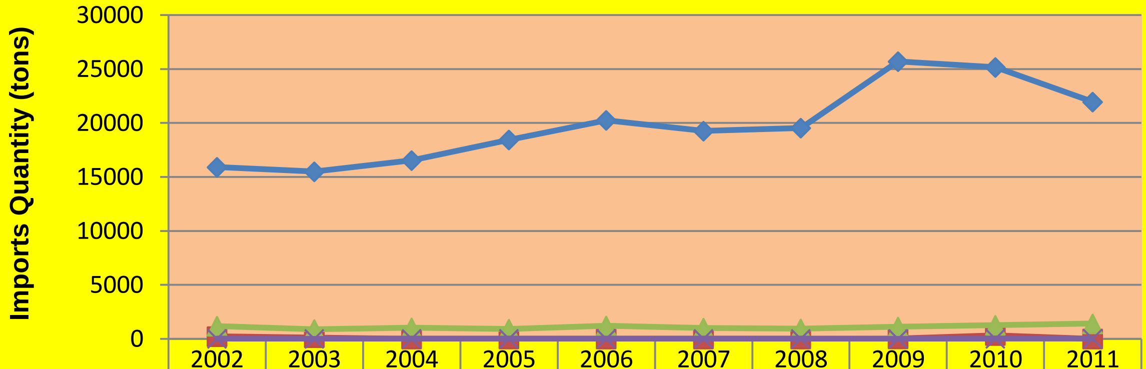
Capricorn District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.6	44.8	41.9

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, Kenya and Sri Lanka and Mozambique. Tea imported from our SADC partners is mostly secondary grade tea suitable only for blending purposes. Premium quality teas are imported from Sri Lanka and Kenya.

Figure 19: Imports volumes of black tea (whether or not flavoured) from various regions

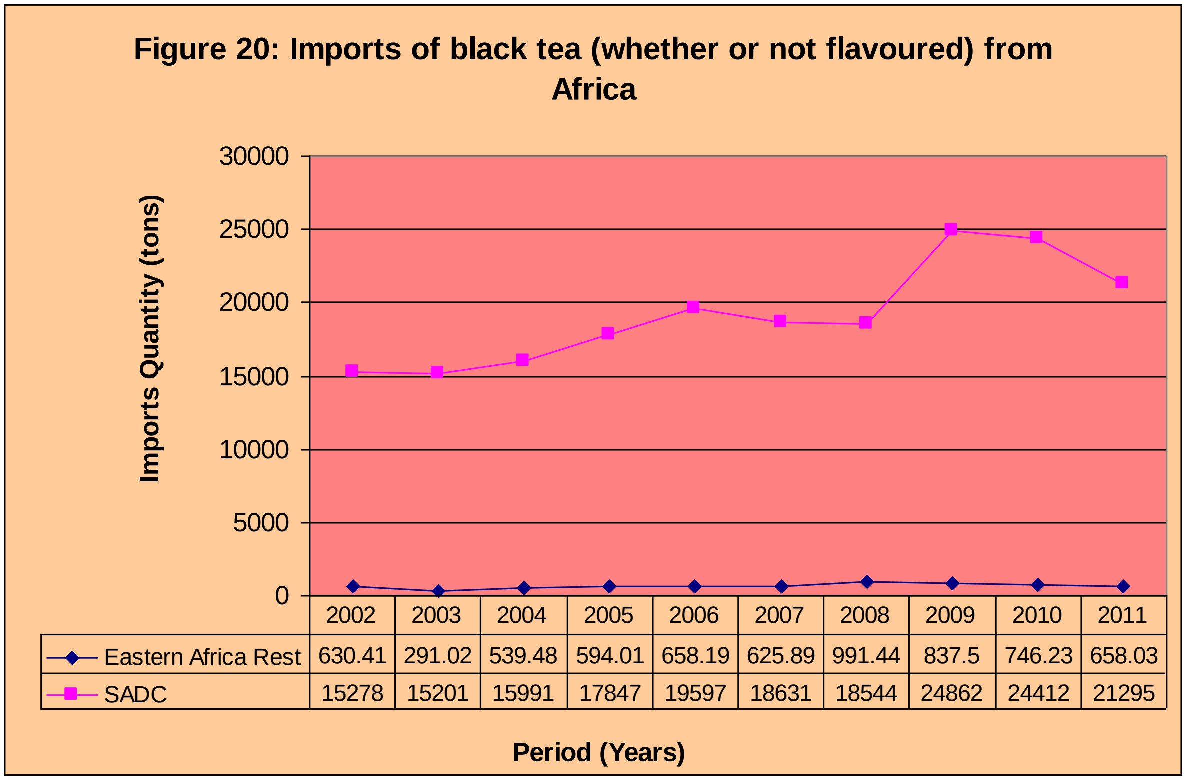


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa	15908.8	15492.3	16530.9	18440.6	20255.6	19257.1	19538	25699.4	25158	21952.7
Americas	218.413	124.8	0.02	2.351	0.041	0.757	0.219	12.976	327.027	0.819
Asia	1188.93	884.921	1028.75	909.965	1203.68	1010.95	936.15	1107.86	1264.8	1404.93
Europe	13.803	9.486	17.475	17.99	12.055	12.375	12.038	9.421	17.1	26.201

Period (Years)

Source: Quantec Easy Data

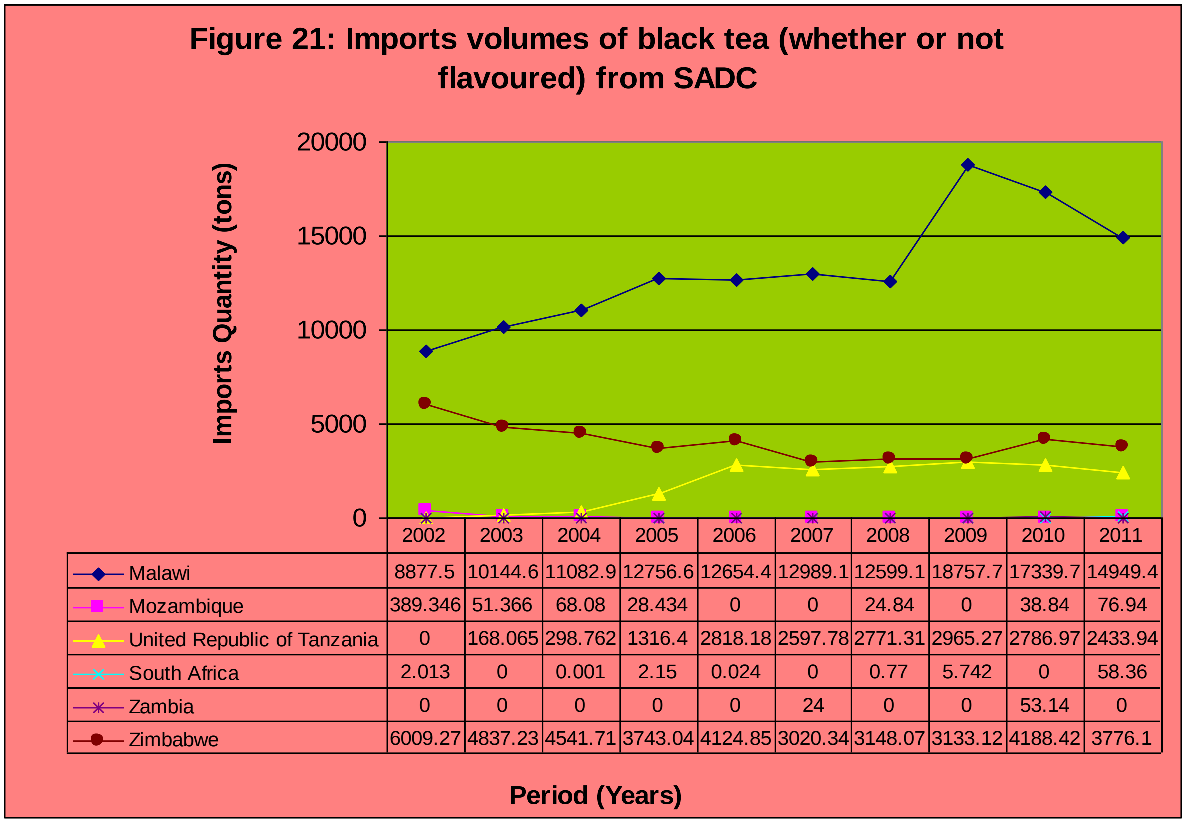
Figure 19 shows volumes of black tea imports (whether or not flavoured) from various regions of the world into South Africa over the past decade. The graph further shows that South Africa imports its black tea from five regions as shown in Figure 19 above, with greater imports derived from the African region followed by small import volumes from Asia, Americas and Europe. Black tea imports from Africa started to increase in 2002 with a slight decline in 2003 and 2007 until a peak was attained in 2009 at approximately 25 699 tons. Imports of black tea from Africa experienced a slight decline in 2010 and 2011 at import values of about 25 158 and 21 952. The graph also shows that the decline of imports of black tea from Africa into South Africa in 2010 and 2011 represents (2.1%) and (12.7%) respectively as compared to the peak in 2009 at approximately 25 699 tons (31.5%). The graph further shows that imports volumes of black tea from Asia were very low and not more than 2000 tons per year throughout the period under scrutiny.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Africa Rest	630.41	291.02	539.48	594.01	658.19	625.89	991.44	837.5	746.23	658.03
SADC	15278	15201	15991	17847	19597	18631	18544	24862	24412	21295

Source: Quantec Easy Data

Figure 20 depicts volumes of black tea imports (whether or not flavoured) from Africa into South Africa over the past decade. The graph further depicts that South Africa imports most of its black tea from two African regions as shown in Figure 20 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 2002 with a slight decline in 2003 and 2007 until a peak was attained in 2009 at approximately 24 862 tons. Imports of black tea from SADC experienced a slight decline in 2010 and 2011 at import volumes of about 24 412 and 21 295 respectively. The graph also depicts that the decline of imports of black tea from SADC into South Africa in 2010 and 2011 represents (1.8%) and (12.8%) respectively as compared to the peak in 2009 at approximately (34.1%). The graph further depicts that imports volumes of black tea from Eastern Africa were very low and not more than 1000 tons per year throughout the period under scrutiny.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Malawi	8877.5	10144.6	11082.9	12756.6	12654.4	12989.1	12599.1	18757.7	17339.7	14949.4
Mozambique	389.346	51.366	68.08	28.434	0	0	24.84	0	38.84	76.94
United Republic of Tanzania	0	168.065	298.762	1316.4	2818.18	2597.78	2771.31	2965.27	2786.97	2433.94
South Africa	2.013	0	0.001	2.15	0.024	0	0.77	5.742	0	58.36
Zambia	0	0	0	0	0	24	0	0	53.14	0
Zimbabwe	6009.27	4837.23	4541.71	3743.04	4124.85	3020.34	3148.07	3133.12	4188.42	3776.1

Source: Quantec Easy Data

Figure 21 indicates volumes of black tea imports (whether or not flavoured) from the SADC region into South Africa between 2002 and 2011 period. 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 2002 until a slight decline was experienced in 2008. 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 18 758 tons, followed by a peak in Zimbabwean imports in 2002 at an import quantity of about 6009.3 tons. The analysis also indicates that the decline in imports of black tea from Malawi into South Africa in 2010 and 2011 represents (7.6%) and (13.8%) respectively as compared to the peak in 2009 at approximately (48.9%).

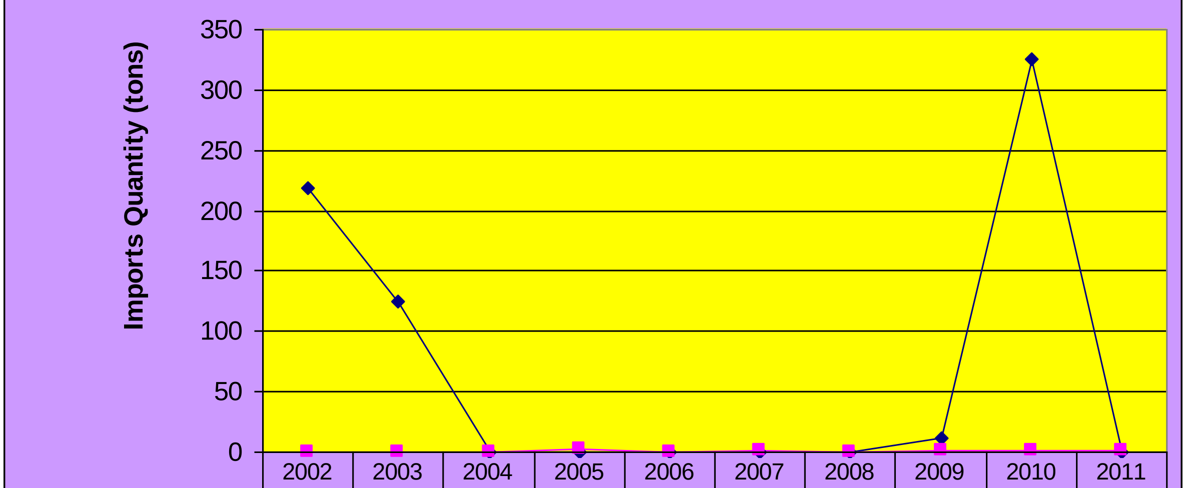


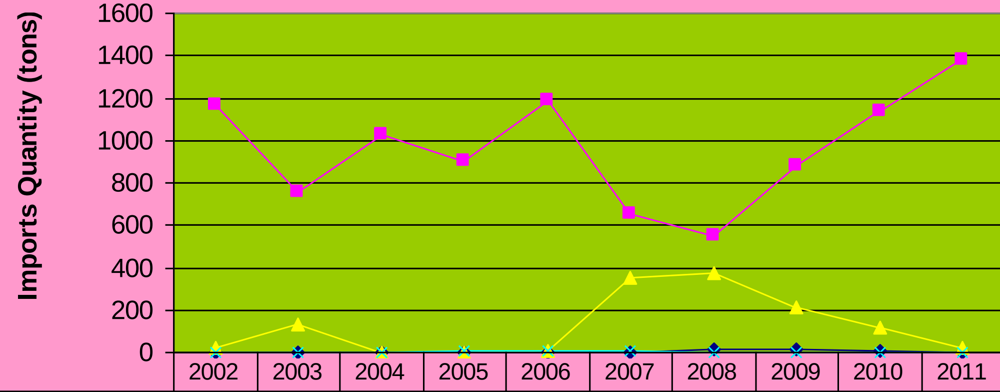
Figure 22: Imports volumes of black tea (whether or not flavoured) from Americas

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
South America	218.413	124.8	0	0.02	0.001	0	0.003	12.005	325.2	0
NAFTA	0	0	0.02	2.331	0.04	0.757	0.216	0.971	1.827	0.819

Source: Quantec Easy Data

Figure 22 illustrates volumes of black tea imports (whether or not flavoured) from Americas into South Africa over the past decade. 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 2002 and then experienced a decline in 2003 to 2008, however in 2009 imports of black tea started to increase again until a peak was attained in 2010 at an import quantity of about 325.2 tons. NAFTA had very low levels of black tea imports into South Africa during the same period under review. The analysis also illustrates that the decline in imports of black tea from South America into South Africa in 2011 represents (100%) as compared to the peak in 2010 at approximately (2.6%).

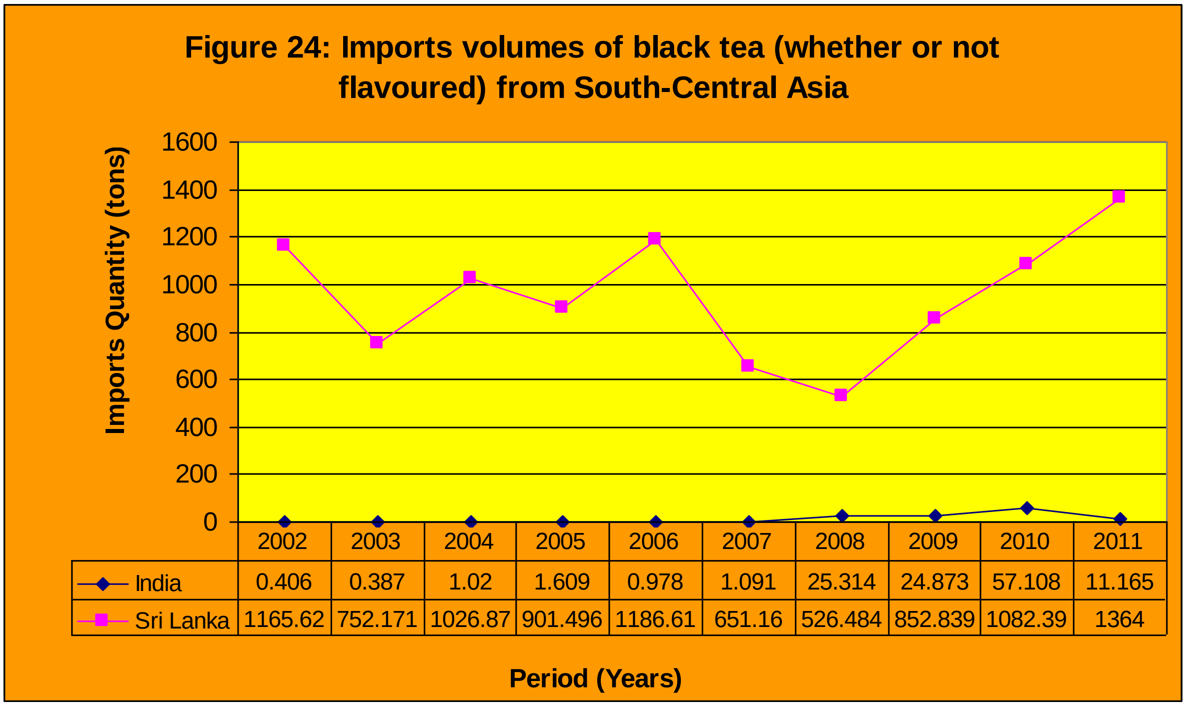
Figure 23: Imports volumes of black tea (whether or not flavoured) from Asia



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Asia	2.089	1.878	0.677	2.499	2.193	1.47	12.514	13.865	4.925	1.667
South-central Asia	1166	752.56	1027.9	903.11	1187.6	652.25	551.8	877.75	1139.5	1378.4
South-eastern Asia	20.812	130.48	0.125	0	10.022	349.37	370.68	216.22	120.08	24.046
Western Asia	0	0.001	0.007	4.361	3.883	7.858	1.158	0.015	0.297	0.84

Source: Quantec Easy Data

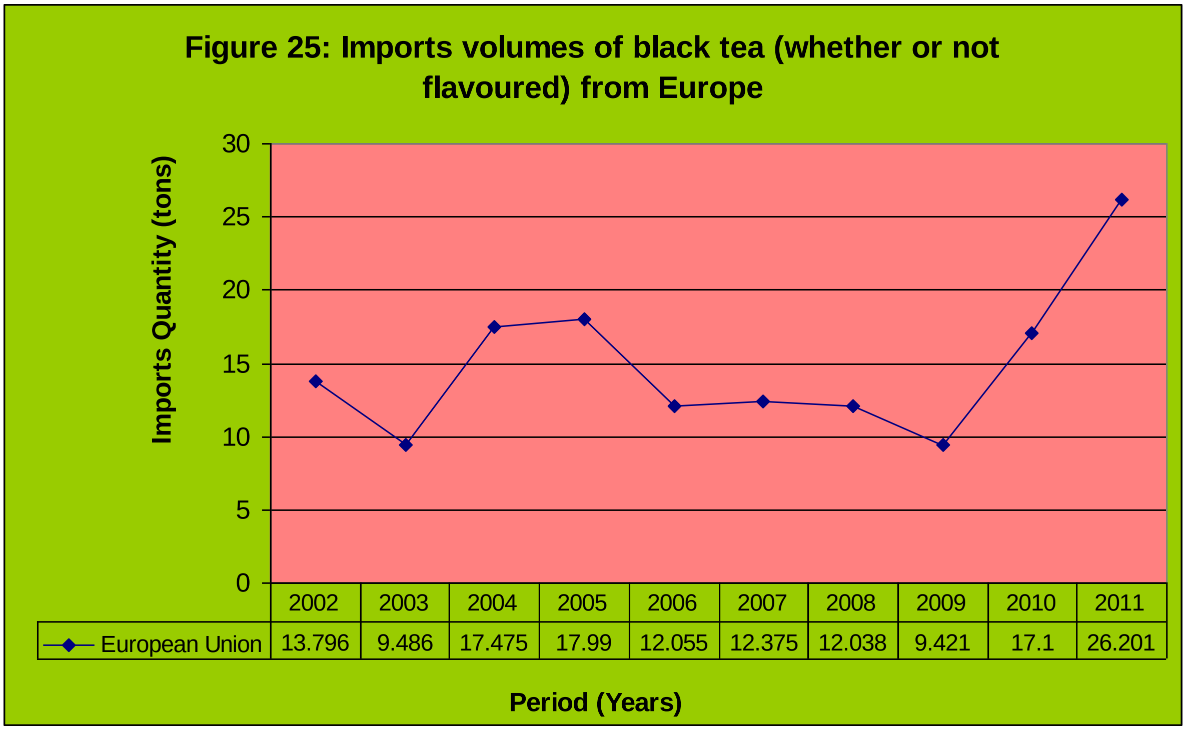
Over the past decade, Figure 23 depicts volumes of black tea imports (whether or not flavoured) from Asia into South Africa. The figure further depicts that the major importing market for black tea from Asia into South Africa during this period was South-central Asia, followed by South-eastern Asia. The figure further depicts that imports of black tea from South-central Asia into South Africa started to increase in 2002 and then slightly declined in 2002 and 2003. In 2004, 2006 and 2010, imports of black tea from South-central Asia increased with slight declines in between. The figure also depicts that imports of black tea from South-central Asia into South Africa attained a peak in 2011 at approximately 1 378.40 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 the increase in imports of black tea from South-central Asia into South Africa in 2011 represents (20.9%) as compared to the increase in 2010 at approximately (29.9%).



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
India	0.406	0.387	1.02	1.609	0.978	1.091	25.314	24.873	57.108	11.165
Sri Lanka	1165.62	752.171	1026.87	901.496	1186.61	651.16	526.484	852.839	1082.39	1364

Source: Quantec Easy Data

Figure 24 represents volumes of black tea imports (whether or not flavoured) from South-central Asia into South Africa between 2002 and 2011 period. 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 2002, and then experienced a slightly decline in 2002 and 2003. 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 attained a peak in 2011 at approximately 1 364 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 2011 represents (26.1%) as compared to the increase in 2010 at approximately (27%).

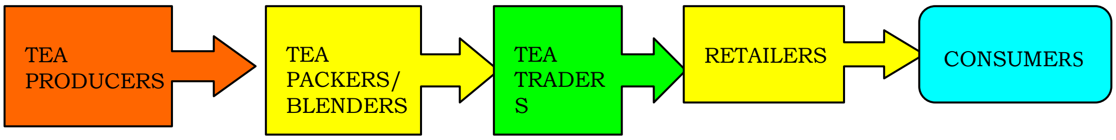


Source: Quantec Easy Data

Figure 25 reflects volumes of black tea imports (whether or not flavoured) from Europe into South Africa between 2002 and 2011 period. The figure further reflects 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 reflects that imports of black tea from European Union started to increase in 2002 and in 2003 saw a decline in imports volumes of black tea from the European Union. The graph further reflects that there was a notable increase in imports of black tea from the European Union in 2004 and 2005. Between 2006 and 2009, imports of black tea from the European Union experienced a slight decline of about 12 to 9 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 tons. The graph further reflects that the increase in imports of black tea from European Union into South Africa in 2011 represents (52.9%) as compared to the increase in 2010 at approximately (88.9%).

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.

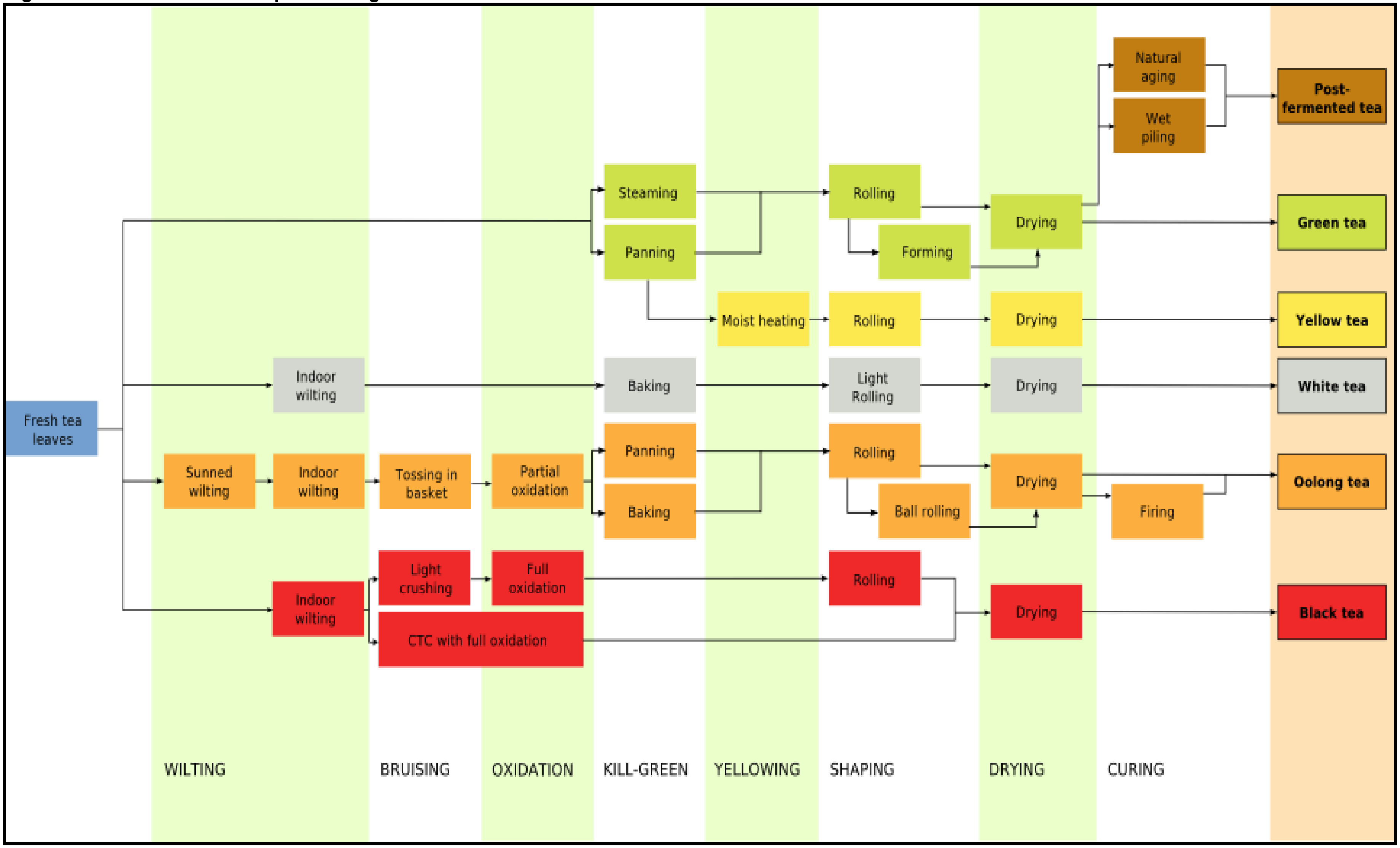
6.2.2 Fermenting

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 2011

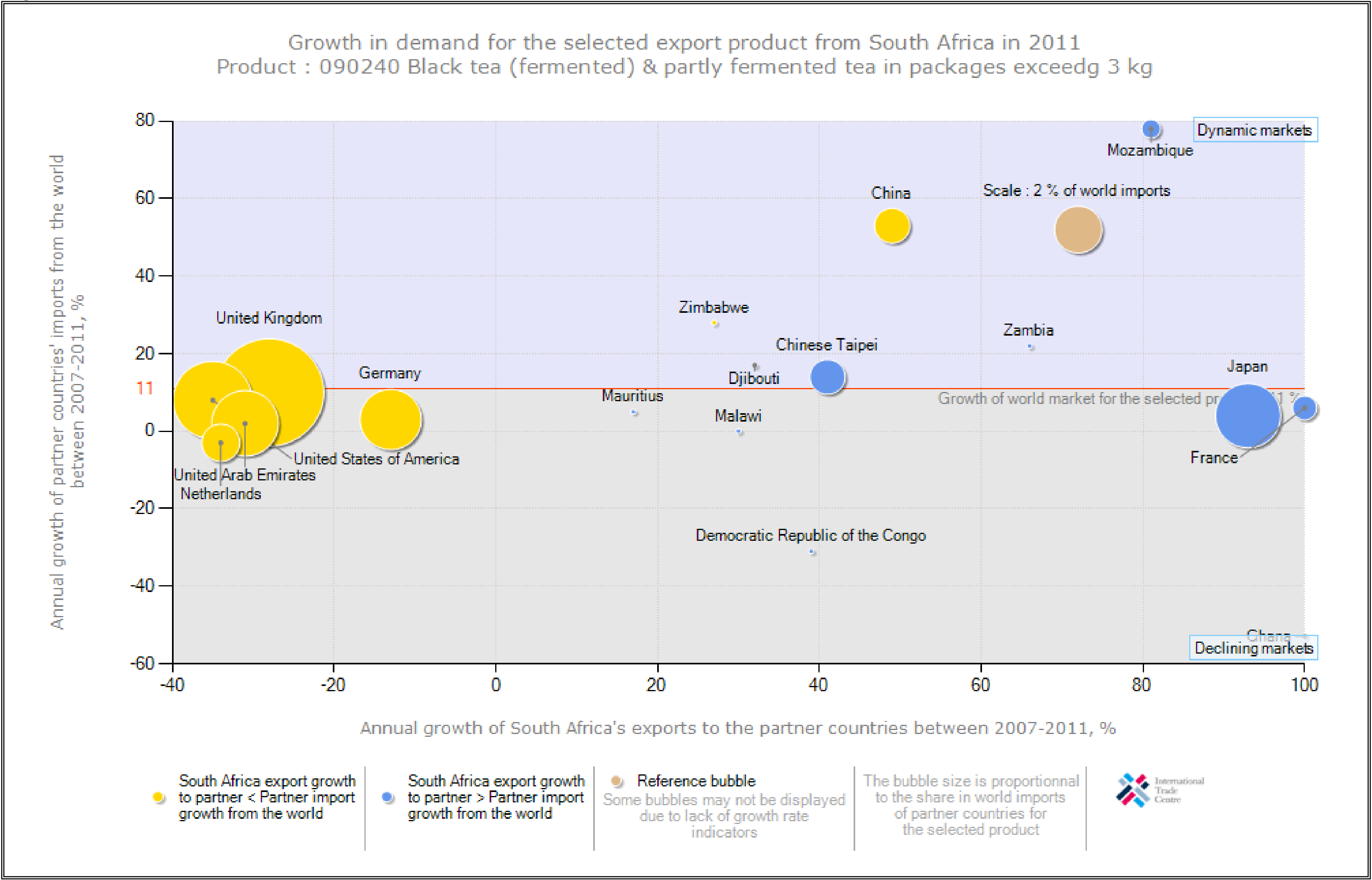
Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (%, p.a.)	Exported growth in quantity between 2007-2011 (%, p.a.)	Exported growth in value between 2010-2011 (%, p.a.)	
World	9237	100	2080	4441	6	-22	-23	
Mozambique	5575	60.4	1016	5254	81	48	29	0
Zimbabwe	795	8.6	157	5064	27	17	38	40
China	613	6.6	234	2620	49	0	-37	15
Zambia	561	6.1	125	4488	66	44	-59	5
United Kingdom	555	6	205	2707	-28	-37	-61	0
United States of America	186	2	59	3153	-35	-46	-35	0
Malawi	148	1.6	31	4774	30	27	57	25
Germany	142	1.5	47	3021	-13	-24	-43	0
Japan	118	1.3	16	7375	93	34	2	6.5
Netherlands	90	1	50	1800	-34	-36	-86	0
France	83	0.9	22	3773	142	0	0	0
United Arab Emirates	69	0.7	25	2760	-31	-29	-67	0
Chinese Taipei	57	0.6	8	7125	41	41	533	18.7
New Zealand	35	0.4	6	5833	14	23	-10	0
Ghana	33	0.4	5	6600	106	69	-74	20

Source: ITC Trade Map

Table 3 shows the list of importing countries for black tea exported by South Africa to the world in 2011. The table further shows that during the period under review, South Africa exported a total of 2 080 tons of black tea to the world, and this means that South Africa is a net importer of black tea. The table also shows that in world terms, South Africa's exports of black tea to Mozambique have increased both in value and quantity respectively by 81% and 48% between the period 2007 and 2011.

The major export destination for black tea originating from South Africa during 2011 was Mozambique during the period under review. During 2011, Mozambique share in South Africa's exports of black tea accounts for 60.4% of the total black tea exports originating from South Africa, followed by Zimbabwe with 8.6% and China with 6.6%. In terms of access to various international markets for South African black tea, countries such as Zimbabwe, Malawi, Ghana and China heavily protect their black tea industries with higher tariffs ranging between 15% *ad valorem* to 40% ad valorem.

Figure 23: Growth in demand for black tea exported from South Africa in 2011

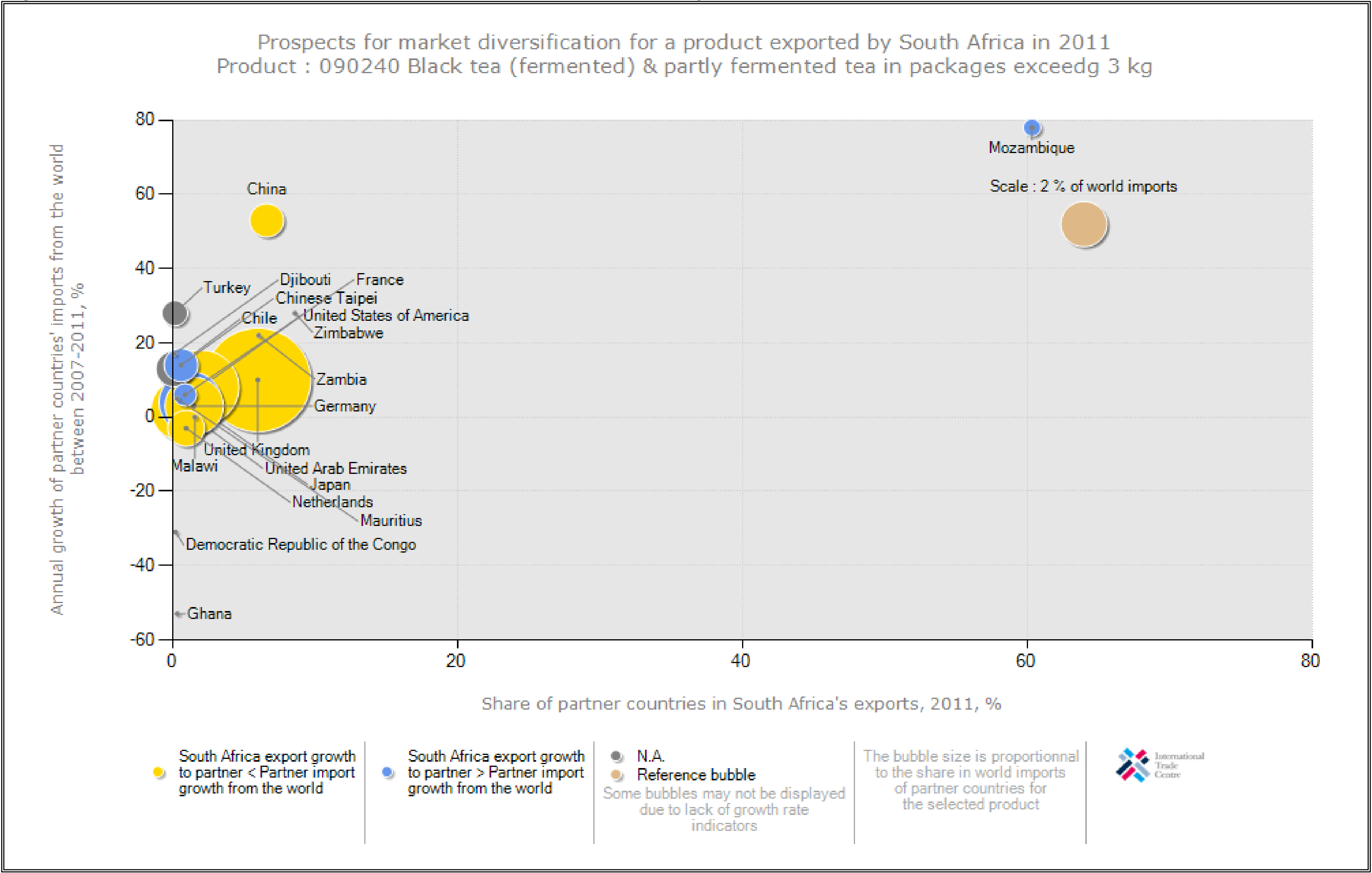


Source: ITC Trade Map

Figure 23 shows growth in demand for black tea exported from South Africa to the world in 2011. The bubble graph further shows that in 2011, 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 35% and 46% respectively.

South Africa's black tea exports to China grew by 50% in a dynamic market, as compared to Zambia's 66% annual growth between 2007 and 20110 period. South Africa's black tea exports to Democratic Republic of Congo grew by 40% in a declining market, as compared to Malawi's 30% annual growth between 2007 and 2011 period. Mozambique's growth in demand for black tea exports from South Africa also grew up by 81% between 2007 and 2011. Furthermore, South Africa has increased its black tea exports to a declining market of Ghana by close to 100% over the past five years under examination.

Figure 24: Prospects for market diversification of black tea exported by South Africa in 2011



Source: ITC Trade Map

Figure 24 indicates prospects for market diversification of black tea exported by South Africa to the world in 2011. The bubble graph further indicates that Zambia was the biggest market of black tea exports from South Africa in 2011. 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 China during the period under examination.

Mozambique has increased its share in South Africa's black tea exports in 2011 at approximately 61%. Other small markets exist in Zimbabwe, Turkey, Chile and Chinese Taipei.

Table 4: List of supplying markets for black tea imported by South Africa in 2011

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2011 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2011 (tons)	Unit value (USD/unit)	Imported growth in value between 2007-2011 (%, p.a.)	Imported growth in quantity between 2007-2011 (%, p.a.)	Imported growth in value between 2010-2011 (%, p.a.)	
World	40547	100	23358	1736	17	6	-9	
Malawi	22409	55.3	14923	1502	18	6	-13	0
United Republic of Tanzania	5796	14.3	2434	2381	11	-1	-5	0
Zimbabwe	5097	12.6	1364	3737	34	25	21	21.2
Sri Lanka	4362	10.8	3776	1155	20	8	-14	0
Kenya	2295	5.7	658	3488	16	1	-2	21.2
Germany	164	0.4	19	8632	147	205	264	0
Mozambique	98	0.2	77	1273	0	0	100	0
India	68	0.2	11	6182	68	75	-60	21.2
Indonesia	67	0.2	24	2792	-43	-48	-79	21.2
Poland	45	0.1	4	11250	0	0		0
United Kingdom	29	0.1	3	9667	-27	-27	-52	0
United States of America	19	0	1	20000	31	0	-20	21.2
Pakistan	20	0	3	6333	0			21.2
Chinese Taipei	7	0	0	0	0		133	21.2
Turkey	6	0	1	6000	0			21.2
China	5	0	1	5000	-25	-16	0	21.2
Japan	1	0	0	0	0			21.2

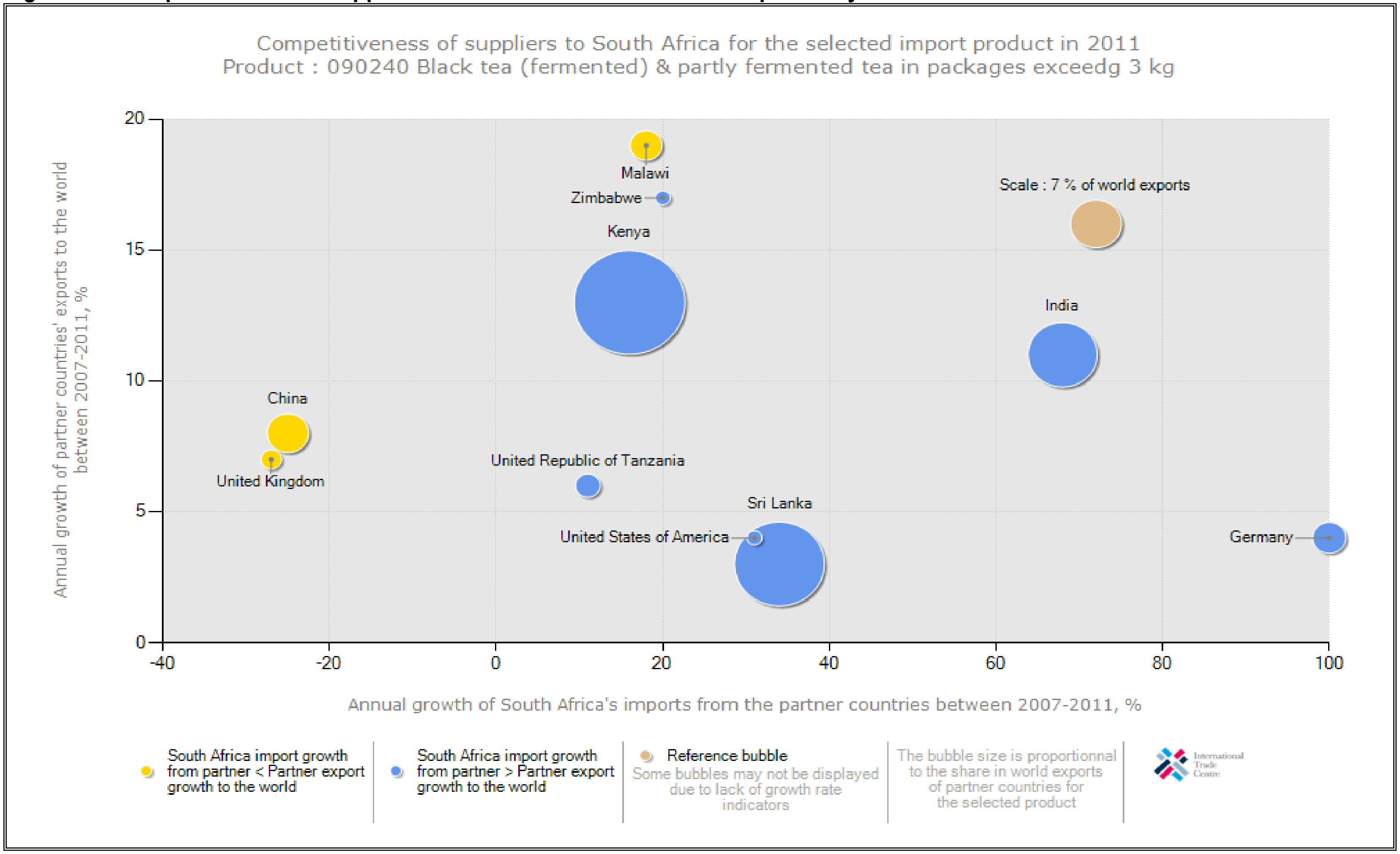
Source: ITC Trade Map and Macmap

Table 4 above clearly indicates the list of supplying markets of black tea imported by South Africa in 2011. The table further depicts that South Africa is a net importer of black tea as it exported 2 080 tons and imported approximately 23 358 tons during the period under scrutiny. In world terms imports of black tea into South Africa have increased by an average of 17% and 6% in value and volume terms between 2007 and 2011. During the period under review, black tea imports originated mainly from Malawi, Tanzania and Zimbabwe. Malawi commanded the greatest share of 55.3%, United Republic of Tanzania commanded 14.3% and Zimbabwe commanded 12.6%.

Other small markets for black tea imports are Sri Lanka, Kenya, China and United Kingdom. Of importance to note is that imports of black tea originating from Malawi have increased both in value and volumes terms by 18% and 6% between 2007 and 2011, while those originating from Tanzania have increased by 11% and negative 1% both in value and volume terms during the same period. Black tea imports originating from Zimbabwe have experienced an increase of 34% and 25% both in value and volume terms during the period between 2007 and 2011.

The table further indicates that Malawi, Tanzania and Zimbabwe have duty-free access to the South African black tea market. An ad valorem tariff of 42.9% is applied to black tea originating from countries such as Sri Lanka, China and United Arab Emirates during the period under scrutiny.

Figure 25: Competitiveness of suppliers to South Africa for black tea imported by South Africa in 2011



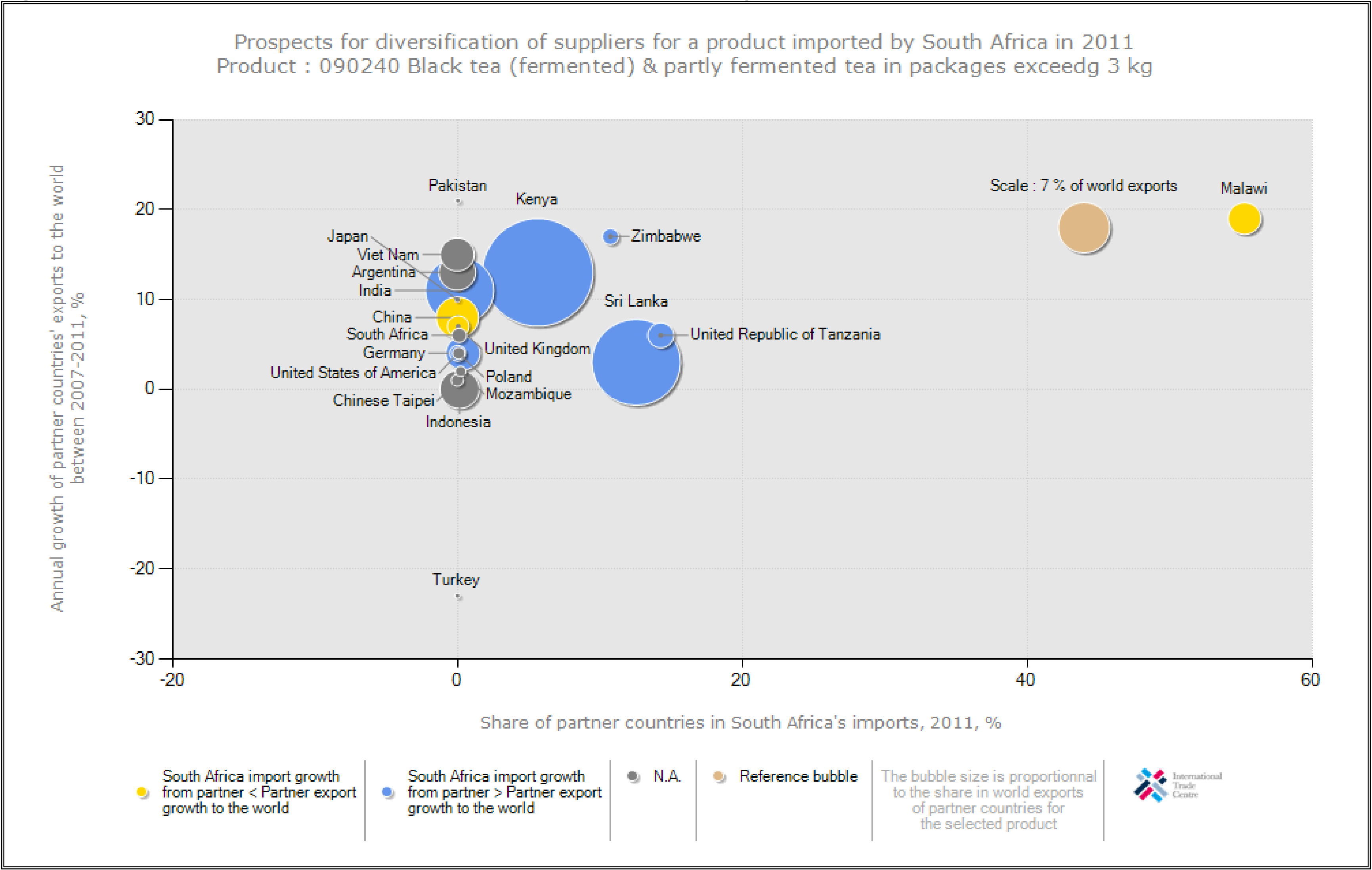
Source: ITC Trade Map

Figure 25 shows competitiveness of suppliers to South Africa for black tea imported by South Africa in 2011. The bubble graph further shows that during the period under review, China and Malawi were the biggest markets of black tea imported by South Africa in 2011. The bubble graph also shows that Germany was the most competitive supplier of black tea with an annual growth of South Africa's imports of 10% between 2007 and 2011.

Argentina was the second most competitive supplier of black tea to South Africa with 70% annual growth of South Africa's imports, followed by Sri Lanka at 35% 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 24% and 25% respectively, while these countries' exports of black tea to the rest of the world experienced a slight increase at approximately 7% and 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 16% and 1% between 2007 and 2011.

Figure 26: Prospects for diversification of suppliers of black tea imported by South Africa in 2011



Source: ITC Trade Map

Figure 26 illustrates prospects for diversification of suppliers of black tea imported by South Africa in 2011. The bubble graph further illustrates that China and Malawi are the biggest suppliers of black tea to South Africa during the 2011 period. The graph also illustrates that if South Africa has to diversify its suppliers of black tea, small but attractive markets exist in Zimbabwe, Pakistan, Japan, Viet Nam and Argentina; even though during 2011 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 24.01% to black tea imports originating from the above mentioned countries. Other small markets (in world terms) for black tea exist in Indonesia, United States of America and Chinese Taipei.

8. MARKET ACCESS

Table 5: Tariffs applied by various countries to black tea from South Africa in 2011

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%
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%
Zambia	Black tea (fermented) and partly fermented tea, whether or not flavoured, in immediate packings of >3 kg black tea	MFN duties (Applied)	25.00%	25.00%

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	fermented ed in packages of content >3kg<5kg.			
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.	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 tea in packages exceeding 3 kg.	General tariff (MFN)	5.00%	5.00%
Brazil	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented	MFN duties (Applied)	10.00%	10.00%

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	tea.			
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 2011. The table further shows that India, Zimbabwe, Zambia, Tanzania, Russian Federation 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 2011 period.

Table 6: Tariffs applied by South Africa to black tea from various regions of the world in 2011

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 immediate packings of > 3kg.	Preferential tariff for South Africa	0.00%	0.00%
Mozambique	Tea, whether or not flavoured: Other black tea (fermented) and	MFN duties (Applied)	588.21 $/ton	34.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	other partly fermented tea.			
	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%
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	MFN duties	480.00 $/ton	34.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	(fermented) and partly fermented tea in packages exceeding 3 kg.	(Applied)		
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%
USA	Black tea (fermented) and partly fermented tea, other than in immediate packings of a content not	MFN duties (Applied)	480.00 $/ton	34.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	exceeding 3 kg.			
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 in 2011. 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 Zimbabwe, Malawi and 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

AFRO INDIA TRADING cc
P.O. Box 1996
TZANEEN
O850
Tel: (015) 307 3802

A J PRODUCTS & CO LTD
P.O. BOX 38120
GATESVILLE
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P.O. Box 3299
FLORIDA
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Tel: (011) 472 1922

BARBIZON TEA & COFFEE LTD
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SOUTHDALE
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Tel: (011) 433 1908

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COLOMBO TEA & COFFEE COMPANY
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LC PACKAGING
P.O. Box 28607
SUNRIDGE PARK
6001
Tel: (041) 4563003

MASTERTON'S
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CENTRAHILL
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Tel: (041) 585 4044

NATIONAL BRANDS LTD TEA PROCUREMENT
P.O. BOX 2196
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PADDOCK TEA PROCESSORS (PTY) LTD
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PEACOCK TEA & COFFEE COMPANY
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ROYAL TEA PACKERS cc
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  www.daff.gov.za

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

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

- **ITC Trade Map**
  http://www.trademap.org.