A PROFILE OF THE SOUTH AFRICAN ROOIBOS MARKET VALUE CHAIN

2016

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RECENT DEVELOPMENTS

The recent ruling in August 2014 to protect the rooibos trademark under Geographical Indicators (GI) framework of South Africa's intellectual property (IP) laws is a major step in protecting South African products and promoting economic growth and competitiveness.

1. DESCRIPTION OF THE INDUSTRY

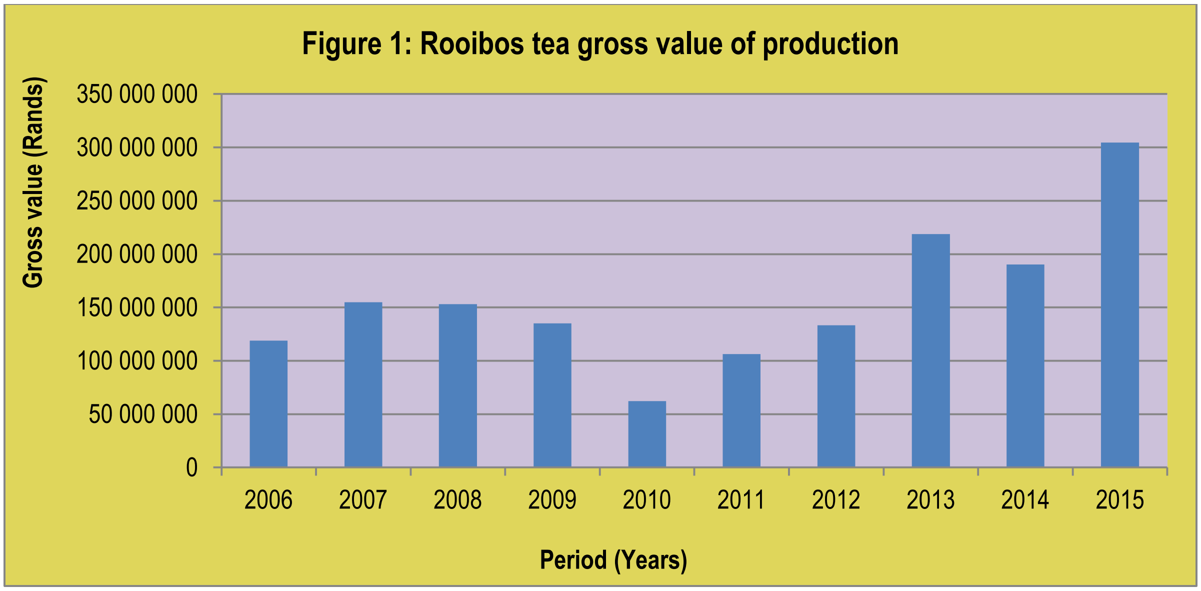
Rooibos tea is not just a herbal remedy that soothes and invigorates both young and old but is a natural herb unique to the South African Cedarberg Mountains of the Western Cape Province. The natural herb is then processed into a naturally soothing drink, sweet in taste naturally caffeine free, additive free, preservative free, colourant free and very low in tannin. During the summer months the rooibos plants (Aspalathus linearis) are harvested, fermented and dried in nature's laboratory. Pure mineral water, fresh mountain air and the hot African sun induces the change from verdant green to the mahogany red of rooibos tea. It is rich in many essential natural elements to bring you a delicious elixir that you will grow to love.

Rooibos plant was rediscovered by a botanist in the 18th century, generations enjoyed it for its naturally sweet taste –unaware of the startling powers this wonder of neither nature possessed nor the wide spectrum of applications that could come to be discovered.

Rooibos tea is natural, pasteurized and hygienically treated to ensure maximum freshness. Everyday thousands of people all over the world enjoy the flavour of rooibos tea as a refreshing, flavoursome drink. As a healing, soothing and digestive aid, rooibos tea releases natural anti-oxidants that actively combat and help neutralize harmful free –radicals affecting the body.

There are an estimated 350 to 550 rooibos tea farmers in South Africa and the secondary processing is currently dominated by eight large processors responsible for an estimated 90% of the market. The drying loss is 3:1 and the average dry yield per hectare is about 300 kg

Figure 1 below illustrates rooibos tea gross value of production in South Africa between 2004 and 2013.



Source: Statistics & Economic Analysis, DAFF

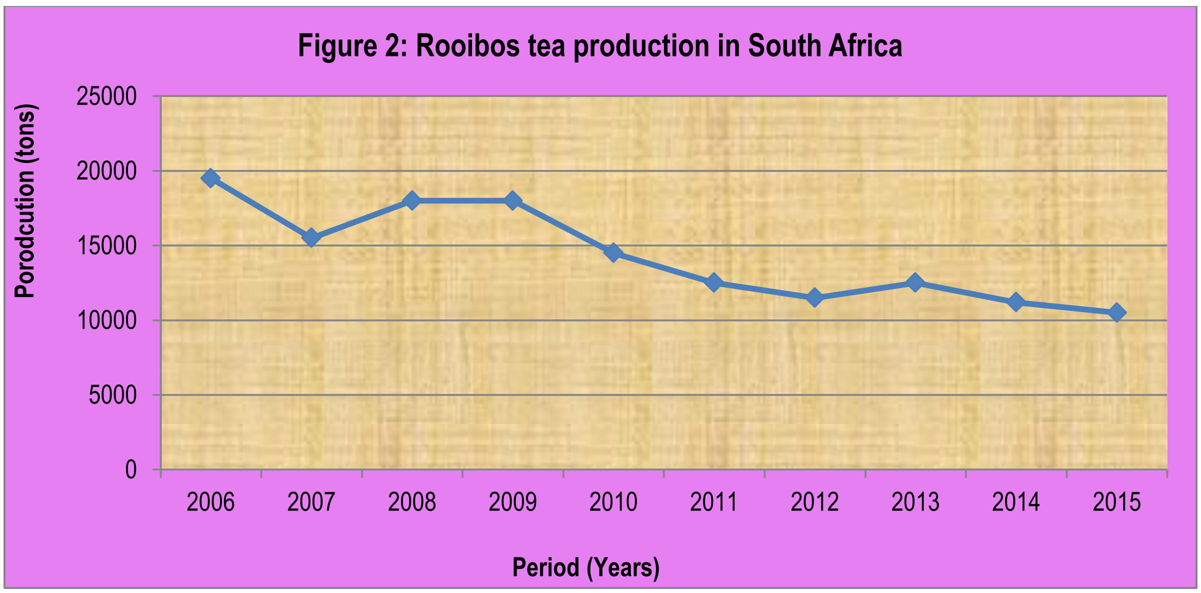
The graph further illustrates that rooibos tea gross value of production started to increase in2006 to R118 million. In 2007, rooibos tea gross value of production experienced an increase and at the same time attained a peak at approximately R155 million. The declines in the contribution of rooibos tea to the gross value of production, experienced in 2006 and again in 2010 are attributed to a steady decline in the producer prices for rooibos tea during these periods. The figure further illustrates that rooibos tea gross value of production experienced a slight decline between 2008 and 2009, and saw a dramatic decline in 2010. The figure also illustrates that in 2011 and 2012, rooibos tea gross value of production saw an increase of approximately R106 million and R133 million and another peak was attained in 2015 at approximately R304 million. The sharp increase in the gross value of production for rooibos tea during 2015 is a result of substantial increases in volumes of rooibos tea produced and exported. The sharp increase in the gross value of production for rooibos tea during 2006 and 2007 are a result of substantial increases in volumes of rooibos tea produced and exported. The increase in South African rooibos tea gross value of production in 2015 represents 102% as compared to 2014 marketing season.

1.1. Production trends

The Rooibos plant has adapted well to the harsh conditions of the Cedarberg region, where temperatures drop to zero degrees centigrade during the winter months and rise to a blistering 48 degrees centigrade at the height of summer.

The unique microclimate of the tiny geographical region allows for the best quality natural teas to be grown in the area. The harsh climate and fertile soil combine to form rare herbal treasure, only to be found in South Africa. The winter rains vary between as little as 180 mm to 500 mm for the year. No irrigation is used and the rooibos tea plant is often subjected to severe drought conditions. The survival mechanism of this hardy bush is its tap root that digs down 3m or more into the well-drained, cool, sandy soil that has a high acidity level. Cape Natural Tea Products is 50% owned by a group of Rooibos farmers and therefore source their tea directly from farmer shareholders. This enables Cape Natural Tea Products to manage its supply chain very efficiently. Producers have direct interest in supplying their best quality teas, both organic and conventional. Rooibos tea from Cape natural Tea Products grows on the slopes of the Cederberg mountain range in a 150 km radius from Clanwilliam in the Western Cape.

Figure 2 below indicates rooibos tea production and supply in South Africa between 2006 and 2015.



Source: Statistics & Economic Analysis, DAFF

The figure further indicates that between 2006 and 2007, rooibos tea production in South Africa saw a slight increase of 9 500 tons to nearly 15 550 tons of rooibos tea production. The figure also indicates that in 2008, there was a sharp increase in production of rooibos tea and a peak was attained in 2008 and 2009 years at approximately 18 000 tons respectively. The figure further indicates that between 2010 and 2012, there was a consistent decline in rooibos tea production to lower levels of approximately 11 500 tons in 2012 of the period under review. The figure also indicates that there was a slight decrease in rooibos tea production in 2015 of approximately 10 500 tons. The increase in South African rooibos tea production in 2015 represents 6.3% as compared to 2014 marketing season.

1.2. Employment Status

Traditionally rooibos tea industry has employed more than 5 000 people both in the farms and processing plants, with a turnover estimated at R500 million per year. Rooibos tea industry is one of the biggest employers of people from the rural provinces of South Africa, providing both permanent and seasonal employment opportunities in the industry.

2. MARKET STRUCTURE

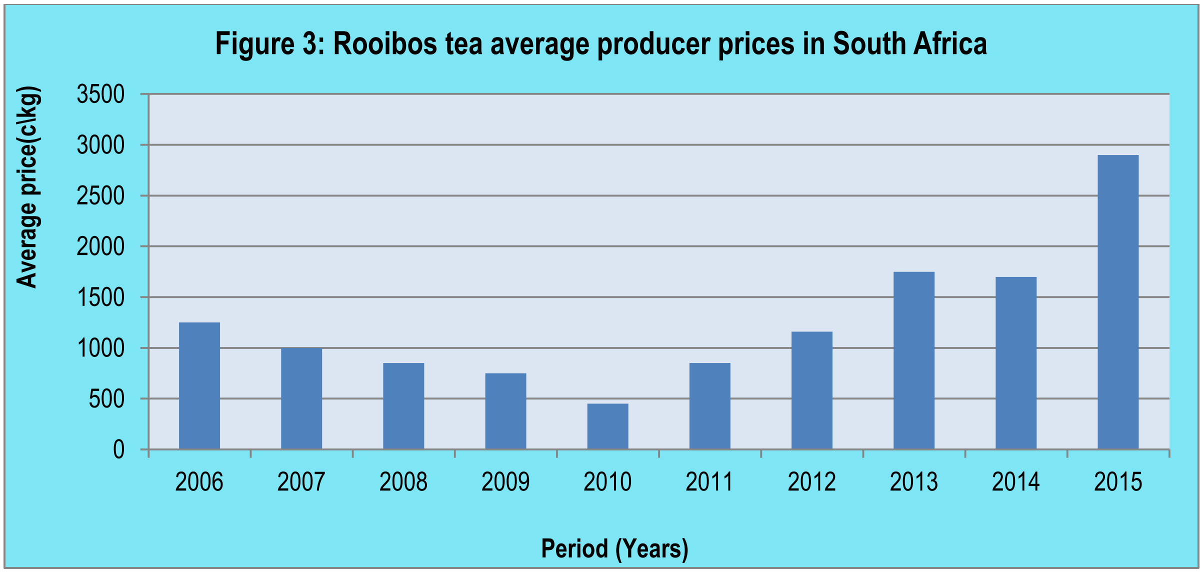
2.1 Domestic market

Tea, like most other commodity products, is a US Dollar traded commodity across the world. Western Cape Province is the producer and supplier of rooibos tea for local consumption. On average, South Africa produces approximately 10 500 tons of rooibos tea per year and in 2015 the country produced just above 12 000 at 10 500 tons. South Africa consumes approximately 4 500 to 5 000 tons and the rest is exported. Movements in the US Dollar exchange rate compared to other currencies affect price competitiveness of such commodities. South Africa is a net importer of rooibos 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.

2.1.1. Some of the price trends in the rooibos industry

- Prices in the rooibos tea industry are prone to great variations depending on the harvest, for instance, currently the average producer price is R29.00/kg up from R4.50 kg.
- Fairtrade Labelling Organization (FLO) International introduced a minimum price for rooibos tea in 2008, setting the minimum price paid to producers at R30.35/kg.
- Prices in the Honeybush industry are more stable as a general state of undersupply (few producers, drought-proneness in producing regions tends to keep prices consistently high.

Figure 3 below shows rooibos tea average producer prices in South Africa between 2006 and 2015.



Source: Statistics & Economic Analysis, DAFF

The graph further shows that average producer prices (cents per kilogram) of rooibos tea in South Africa between 2006 and 2015. The graph also shows that between 2006 and 2010, there was a consistent decline in rooibos tea average producer prices from 1 250 cents to 450 cents per kilogram. The graph further shows that the lowest rooibos tea average producer prices were attained in 2010 at approximately 450.00 cents per kilogram. The figure also shows that in 2011 and 2012, rooibos tea average producer prices experienced a sharp increase of approximately 850.00 and 1 160.00 cents per kilogram respectively. The graph further shows that there was a dramatic increase in average producer price in 2013 at approximately 1 750.00 cents per kilogram. In 2015, the average price of rooibos increased to 2900 cents per kilogram because demand was higher than the supply or production of rooibos tea. (See figure 2 above). The increase in South African rooibos tea production in 201 represents 70.5% as compared to 2014 marketing season.

2.2 Market Dynamics

This section provides an overview of the key issues in the market for rooibos tea products:

2.2.1 Global market size and growth for product segment (South African market where available)

- The global tea market value was estimated at US$15.4 billion in 2013 and the size of the herbal tea market is approximately more than 100, 000 tonnes and according to Tata Global Beverages, green/fruits and herbal tea account for 49% of the value of all global packaged tea revenues.

- The market for herbal tea is showing significant growth, particularly compared to black tea. For example, consumer black tea sales in the United Kingdom fell by 10.3 % between 2002 and 2010, while herbal teas increased by 50%.
- In South Africa, the hot drinks market is estimated to be worth around US$596.4 million annually, with an estimate of the total black tea market in South Africa to be around 21,000 to 22,000 tonnes per annum.
- The international fair-trade tea market was estimated to have a retail value of approximately 200 million Euros (R1.9 billion) in 2011.
- South African exports of fair-trade rooibos tea to the United Kingdom and Germany in 2013 were 13.5 tonnes and yielded about 53% increase in total rooibos tea exports.

2.2.2 Current positioning of rooibos tea within this market

- Rooibos tea constitutes less than 0.3% of the global tea market and 10% of the global herbal tea market. The total production volume was around 14,000 tonnes in 2007.
- In the fair-trade market, the estimated production volume of fair - trade Rooibos tea is around 18 tonnes per year.
- Locally, Rooibos tea mainly competes in the same segment as black tea and has an 18% market share of the domestic tea market.
- There is some difference of opinion within the industry over the perceived commoditization of Rooibos tea and the international marketing strategies of rooibos tea.
- Larger bulk processors favour marketing rooibos tea as a black tea alternative and generic marketing, while smaller players wish to market it as a niche product due to limited supply and higher margins.

2.2.3 Geographical patterns of demand

- The current dominant export markets for rooibos tea are Germany, Netherlands, United Kingdom, Japan and United States of America. These accounted for 80% of rooibos tea exports in 2006 and 2015 as compared to 90% of honeybush exports between 2006 and 2053.
- Total consumption of herbal tea in Germany was estimated to be more than 2 004 tonnes in 2015. Rooibos accounts for 30% of Germany's herbal market in 2015.
- In the United Kingdom, the total consumption of herbal teas in 2008 - 09 was estimated to be worth $179m (US) with rooibos tea accounting for a market share of 8.1 % (value $14.5m US).
- Growth markets for rooibos include**:**
  -United Kingdom: 300% increase in rooibos sales between 2006 and 2015.
  -Chile: Increase of 247 tonnes between 2007 and 2012, now contributing 3% to total rooibos exports. This is likely to be predominantly for extract production to supply the North American

iced tea market, although the emergence of a tea and coffee culture in Chile has seen the introduction of a wide range of premium products and exotic blends.

- Russia: High per capita tea consumption rate (1.3 kg compared to global average of 0.3 kg). Fruit /herbal teas estimated to grow by 48% between 2007 and 2012. There is emerging interest in rooibos from Russian companies.

2.2.4 Import and export tariffs for tea

- Neither bulk nor packaged tea exports attract export duties in South Africa.
- Exports of rooibos tea to European Union and US are duty free and no distinction is made between bulk and packaged teas.
- In Japan, honeybush tea has tariff duties of 15% whilst rooibos tea is 3%.
- Since these tariffs are based on the percentage of value of the goods, higher valued goods (e.g. packed tea) are required to pay higher tariffs than lower value goods (e.g. bulk, unpackaged tea).

2.2.5. Market segment and product trends

Product segments:

- Black tea.
- Specialty tea.
- Herbal and fruit tea (single infusion and blends).
- Decaffeinated tea.
- Green tea.
- Conventional rooibos tea is still the predominant sub-segment within teas making use of rooibos accounting for 70% of exports share, with organic and green rooibos tea maintaining a stable market share of 28% of exports between 2006 and 2015.
- The fair-trade and organic sub-segments are particularly important in the USA, comprising 40% of rooibos exports.
- However, the emphasis is on the quality of tea, so consistent quality control at the grower and processing stage is crucial.
- Within this segment, rooibos is predominantly used as a base for exotic, blended herbal tea as innovation and rarity of flavours dominate this market.

Product trends: Premium teas

- The market for specialty/ gourmet tea is emerging and provides a potential differentiation strategy for rooibos tea. It is a growing niche market, estimated to account for 8.5% of the

United States of America's US$2.1 billion tea industry. Gourmet teas can command a premium of around 30%. However, the emphasis is on the quality of tea, so consistent quality control at the grower and processing stage is crucial. Within this segment, rooibos tea is predominantly used as a base for exotic, blended herbal tea as innovation and rarity of flavours dominate this market. France is one of the leading locations for premium tea with companies such as Mariage Freres, Dammann Freres and Le Palais des Thes. These companies have also expanded into Germany, the USA and Japan. The Gourmet tea market also serves the hospitality and aviation markets e.g. products of TWG Teas (a Singaporean specialty tea company) are served on Singapore Airways.

- Increasing varieties of herbal blends in the European Union and United States (a United States report noted that 62% of tea retailers increased the number of different teas sold in 2008). However, there are original variations e.g. there is a preference for unblended tea in the Japanese market where 90% of tea consumed is unblended.
- Emergence of a new beverage category – the tea espresso pioneered by the Red Espresco Company from South Africa which uses specially formulated loose tea through a traditional coffee machine filter. Globally successful, over four million red espressos have been prepared in 2010 and successful marketing has raised profile of rooibos tea internationally.

2.2.6. Drivers of purchasing decisions

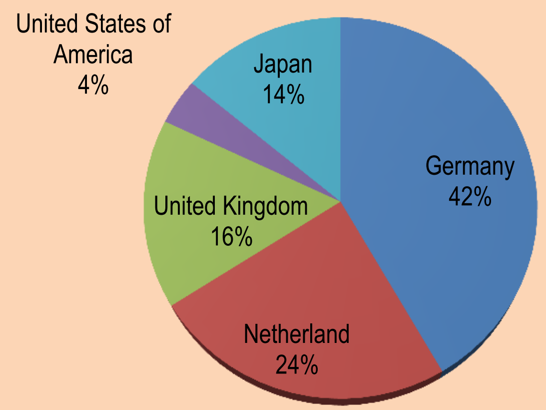
- Consumer drivers: Consumer purchasing decisions of herbal tea are driven by health factors (including properties such as caffeine free) and exotic tastes.
  -Mood influencing foods and drinks are an important emerging driver of consumer purchasing decisions – products that make mood, emotional, and cognitive health claims. Consumers increasingly link what they eat with brain chemistry and its function.
  -Pleasure is also an important aspect of modern food and drinks consumption- consuming and experience culture.
- Commercial drivers: Quality certification is growing in importance within South African domestic market, with retailers such as Woolworths requiring ISO certification for produce.
- Quality and safety are more rigorous in the developed export markets of the European Union, United States of America and Japan, playing a crucial role in purchasing decisions (especially in Japan).
- Traceability of herbal ingredients is becoming increasingly important.
- Reliability of supply is also an important purchasing decision for commercial buyers.

3. ROOIBOS TEA EXPORTS

South Africa is the only exporter of rooibos tea in Africa and exports approximately more than 6 000 tons per year, and at the same time the country does not import rooibos tea from the world. Rooibos tea is exported to more than 30 countries across the globe.

Figure 4 below depicts export markets of Conventional rooibos tea from South Africa during 2015.

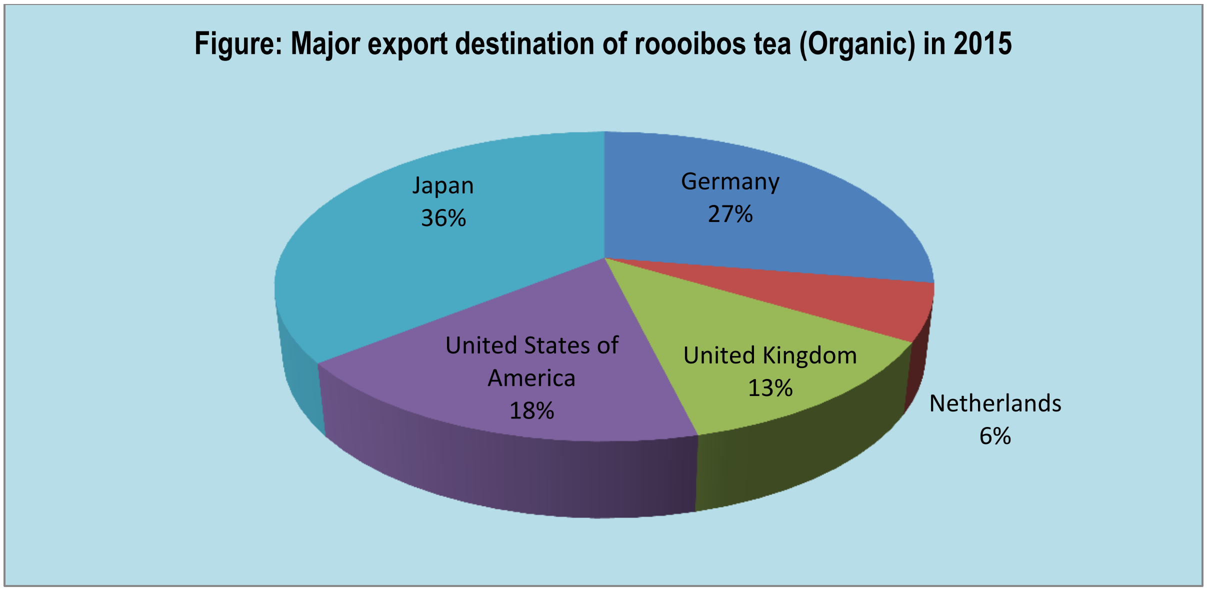
Figure 4: Major export destination of rooibos tea (Conventional) in 2015



Source: SA Rooibos Council

The pie chart further depicts that Germany was the main export market of conventional tea from South Africa at 42%, followed by Netherlands at 24%, United Kingdom at 16%, Japan at 14% and United States of America at 4% respectively. The chart further depicts that countries like France, Sri Lanka and Taiwan are the smallest export markets of conventional rooibos tea from South Africa during the period under examination.

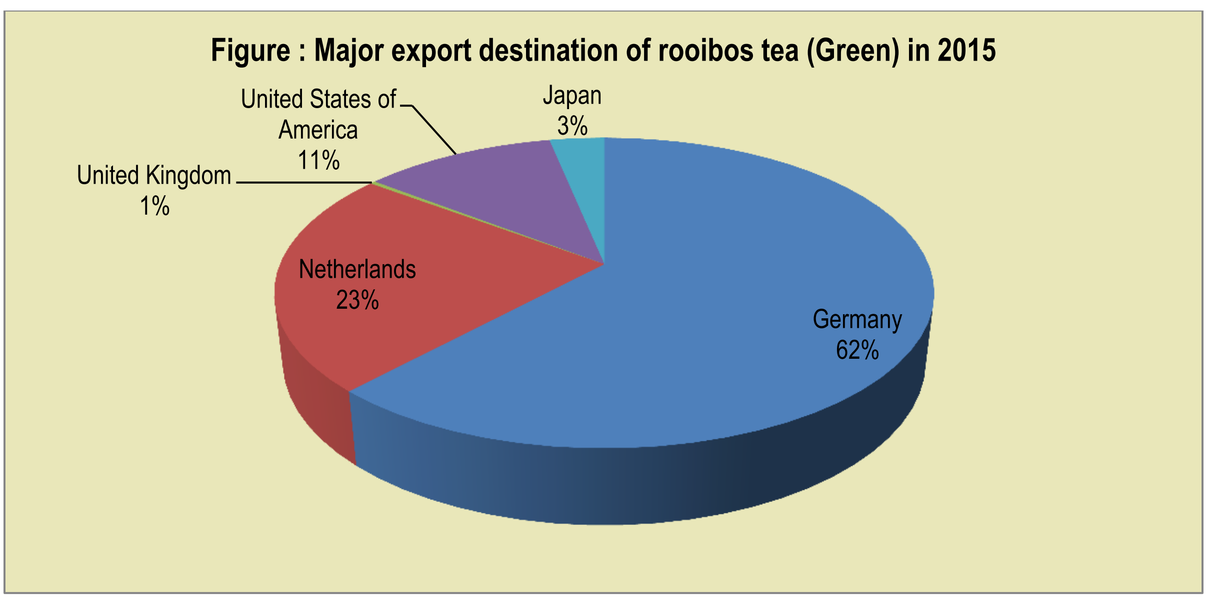
Figure 5 below indicates export markets of Organic rooibos tea from South Africa during 2015.



Source: SA Rooibos Council

The chart further indicates that Japan commanded the greatest market share of Organic rooibos tea exports from South Africa at 36%, followed by Germany at 27%, United States of America at 18%. The pie chart also indicates that United Kingdom and Netherlands were the smallest markets for rooibos tea (organic) from South Africa at 13 and 0.4% respectively during 2015 marketing season.

Figure 6 below illustrates export markets of Green rooibos tea from South Africa during 2015.

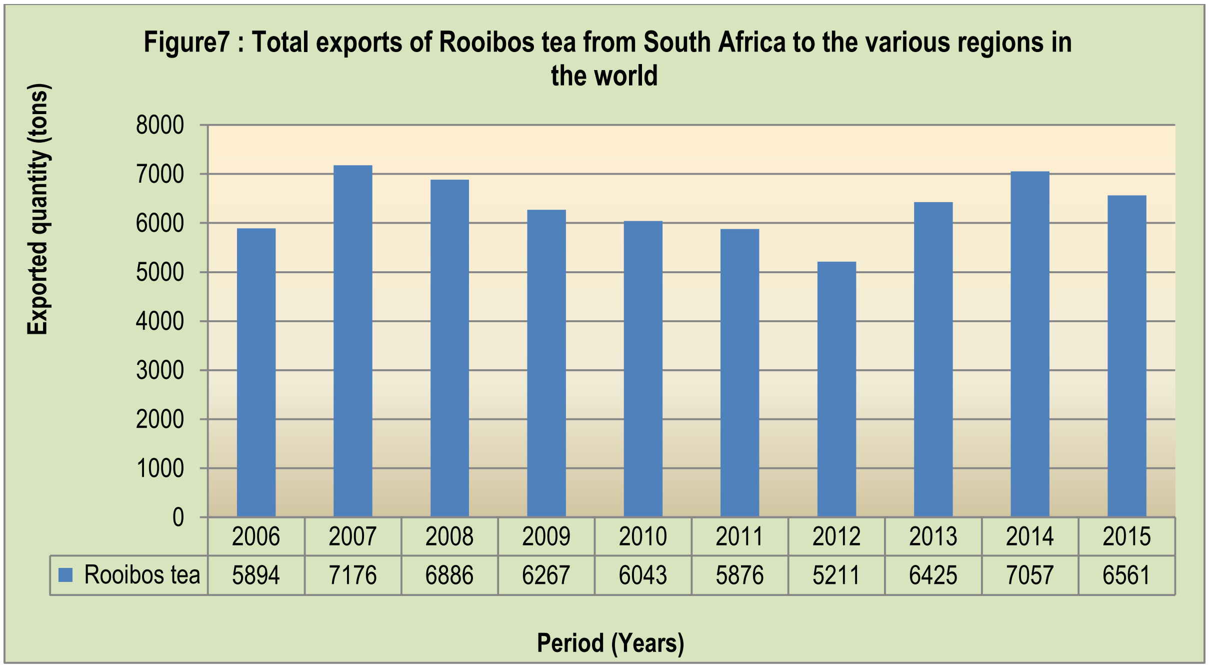


Source: SA Rooibos Council

The pie chart further illustrates that Germany was the main export market for Green rooibos tea from South Africa with approximately 62% market share, followed by Netherlands at 23%, USA at 11%, and

Japan at 3% and United Kingdom at 1%. The figure also illustrates that Germany was the main export market of conventional rooibos tea and in figure 6 Germany was the biggest export market of Green rooibos tea during the same period under review.

Figure 7 below shows total exports volumes of rooibos tea from South Africa per year to the world between 2006 and 2015.

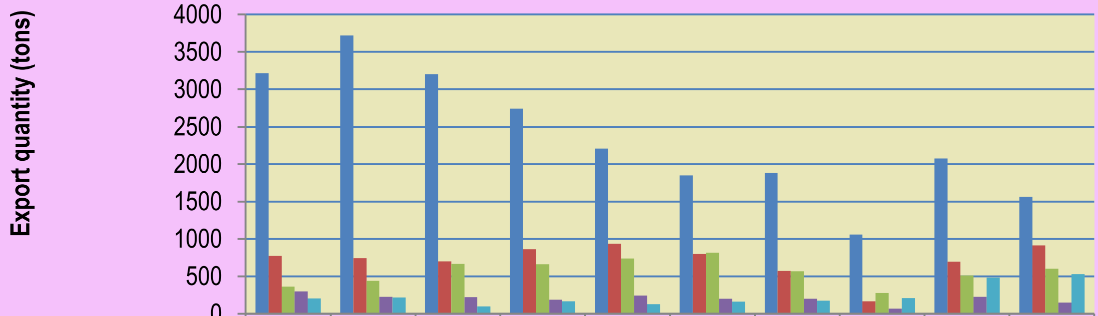


Source: SA Rooibos Council

The graph further shows that during the period under review, total exports volumes of rooibos tea from South Africa started to increase in 2006, until a slight decline was experienced in 2008 due to a decline in production and supply in the domestic market. Total exports volumes of rooibos tea from South Africa experienced a surge in 2006 until a peak was attained in 2007 at approximately 7 176 tons. The figure also shows that, there was a consistent decline in total exports volumes of rooibos tea from South Africa between 2008 and 2012 to lower levels of approximately 5 211 tons. In 2014, total export volumes of rooibos tea from South Africa to the world saw a slight increase to approximately 7 057 tons. The graph shows that the decrease in export volumes of rooibos tea from South Africa to the world in 2015 represents 7% decline as compared to 2014 marketing season.

Figure 8 below depicts export volumes of rooibos tea (conventional) from South Africa to the world between 2006 and 2015.

Figure 8: Rooibos tea (Conventional) exports from South Africa



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Germany	3216	3720	3203	2740	2209	1850	1884	1058	2074	1563
Netherland	773	743	699	861	933	796	570	164	697	914
United Kingdom	364	440	665	663	736	816	567	276	511	602
United States of America	300	226	220	187	242	200	199	67	225	148
Japan	206	216	98	167	128	162	176	207	481	527

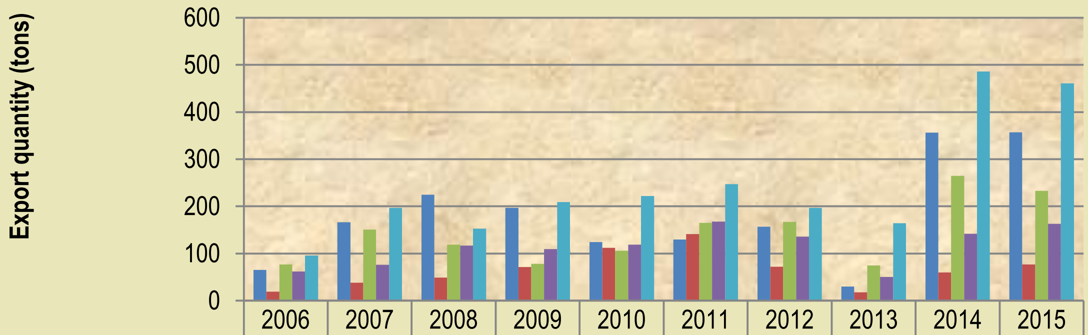
Period (Years)

Source: SA Rooibos Council

The figure further depicts that during the period under review; Germany commanded the greatest export market share of rooibos tea (conventional), followed by Netherlands, United Kingdom, United States of America and Japan. The figure also depicts that exports volumes of rooibos tea (conventional) from South Africa to Germany attained a peak in 2007 at approximately 3 720 tons, while the lowest level of exports were attained in 2013 at approximately 1 058 tons during the same period under review. Netherlands, United Kingdom, United States of America and Poland commanded the lowest export market share of less than 1 000 tons of rooibos tea (conventional) each during the period under review. Germany commanded 42% of rooibos tea (conventional) as compared to 40% of its competitors during the period under review. In 2006, there was a slight decline in rooibos conventional tea to lower quantities of about 3 127 tons. The figure further depicts that between 2008 and 2013, there was a continuous decline in rooibos tea (conventional) exports from South Africa to Germany mainly because of the shift in demand of rooibos tea (organic and green teas) to other major import markets such as Netherlands and the United Kingdom. The graph depicts that export volumes of conventional rooibos tea from Germany declined by 24.6% in 2015as compared to 2014 marketing season.

Figure 9 below illustrates export volumes of rooibos tea (organic) from South Africa to the world between 2006 and 2015.

Figure 9: Rooibos tea (Organic) exports from South Africa



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Germany	65	166	225	197	124	130	157	30	356	357
Netherlands	19	38	49	71	112	141	72	18	60	77
United States of America	77	151	119	78	106	165	167	75	265	233
United Kingdom	62	76	117	109	119	168	136	50	142	163
Japan	96	197	153	209	222	247	197	164	486	461

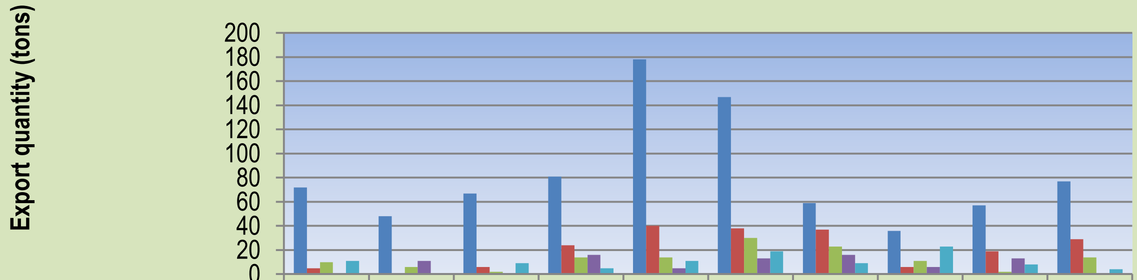
Period (Years)

Source: SA Rooibos Council

The graph illustrates that during the period under review, Japan commanded greatest export market share of rooibos tea (organic) from South Africa, followed by Germany, United States of America, United Kingdom and Netherlands. The graph also illustrates that, United Kingdom, and Netherlands exported rooibos tea (organic) of not more than 200 tons per year. The graph further illustrates that rooibos tea (organic) exports from South Africa to Japan started to increase in 2006, and followed by slight increase in 2007 of approximately 197 tons. The graph also illustrates that between 2009 and 2010, rooibos tea (organic) experienced consistent increase in exports volumes from South Africa to Japan, until a peak was attained in 2014 at approximately 486 tons in 2014. Rooibos tea (organic) exports from South Africa to Germany started to increase in 2006.In 2007 exports of rooibos tea (organic) from South Africa to Germany started to increase until a peak was attained in 2015 at approximately 357 tons. An increase in rooibos tea (organic) exports from South Africa to Japan was experienced in 2009, and a peak was attained in 2014 at approximately 486 tons. In 2006 and 2008 Japan exported low volume of rooibos tea (organic) from South Africa to lower levels of approximately 96 and 163 tons respectively. The graph depicts that export volumes of organic rooibos tea from Japan declined by 5% in 2015 as compared to 2014 marketing season

Figure 10 below shows export volumes of rooibos tea (green) from South Africa to the world between 2006 and 2015.

Figure 10: Rooibos tea (Green) exports from South Africa



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Germany	72	48	67	81	178	147	59	36	57	77
Netherlands	5	0	6	24	40	38	37	6	19	29
United Kingdom	10	6	2	14	14	30	23	11	2	14
United States of America	0	11	0	16	5	13	16	6	13	0
Japan	11	0	9	5	11	19	9	23	8	4

Period (Years)

Source: SA Rooibos Council

During the same period under review, the graph further shows that the greatest export market for rooibos tea (green) was Germany, followed by Netherlands, United States of America, United Kingdom and Japan. The graph also shows that rooibos tea (green) exports from South Africa to Germany started to increase in 2006, and immediately declined in 2007. In 2008 there was continuous increase in rooibos tea (green) was experienced from 2008 to 2010. The figure further shows that exports of rooibos tea (green) from Germany experienced a peak in 2010 at approximately 178 tons, while Netherlands attained its peak also in 2010 at approximately 40 tons. The graph further illustrates that there were fewer fluctuations in terms of rooibos tea (green) exports to the world during the same period under examination. The graph also shows that in 2011, 2012 and 2013, there was a consistent decline in rooibos tea (green) exports to lower quantities of approximately 36 tons in 2013. This decline can be attributed to the low levels of domestic production and supply in South Africa during the same period under scrutiny. The graph depicts that export volumes of rooibos green tea from Germany declined by 35% in 2015 as compared to 2014 marketing season

Figure 11 below depicts the value of export of rooibos tea from South Africa to the world between 2006 and 2015.

Figure 11: Value of Rooibos tea exports by Provinces

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Western Cape	4901351	1633913	1352744	1805828	3615755	2915201	2816180	3031963	7194049	8501320
Eastern Cape	959548	33587	49560	49391	388160	550000	360040	898534	305956	627399
Northern Cape	36952	6924	0	0	68041	200535	825154	982485	2325317	1367937
Free State	1895	116	0	0	0	0	343	50380	967850	714341
KwaZulu-Natal	2223414	2629462	13164927	747269	2301262	2001694	6399967	4658087	21177178	25485708
North West	0	0	0	0	2364	0	0	1357	20596	22184
Gauteng	46129331	16634975	46946018	65454807	10819784	10574204	10544296	16304013	15864019	13197730
Mpumalanga	0	53068	62679	3230	458588	533244	802338	1409851	250902	382520
Limpopo	0	0	5388609	16437013	300125	902642	1885632	124019	278377	111804

Years

Source: Quantec EasyData

Figure11 shows values of tea exports by provinces of South Africa to the world between 2005 and 2014 period. The figure further shows that the major supplying markets for tea from South Africa to the world were Western Cape Province, followed by Gauteng Province during the period under scrutiny. The figure also shows that exports of tea by Western Cape province started to increase in 2006 to 143 million, followed by slight increase in 2007 of approximately R165 million,. The figure further shows that exports of tea from Western Cape province to the world attained a peak in 2014 at approximately R390 million , while exports of tea from Gauteng province to the world attained a peak also in 2014 at approximately R14 million . Exports of tea from Eastern Cape, Free State, KwaZulu-Natal, North West, Mpumalanga and Limpopo provinces had very low volumes to the world during the period under examination.

In 2014, there was a 22% increase in exports value of tea from Western Cape Province to the world as compared to 2013.

3.1. Share Analysis

Table 1 below shows the share of South Africa's rooibos tea (conventional) exports to the total world rooibos tea (conventional) exports in percentage terms between 2006 and 2015. The table further shows that during the period under review, Germany commanded the greatest market share in exports of rooibos tea (conventional) originating from South Africa.

Table 1: Share of South Africa's rooibos tea (conventional) exports to the total world rooibos tea exports (%) between 2006 and 2015

Year Countries	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Germany	66.20	69.60	65.57	59.34	52.01	48.38	55.48	59.67	52.0	41.6
Netherlands	15.91	13.90	14.30	18.65	21.95	20.82	16.78	9.25	17.5	24.3
United Kingdom	7.48	8.23	13.61	14.35	17.33	21.32	16.68	15.5	12.8	16.0
United States of America	6.16	4.22	4.49	4.03	5.69	5.22	5.85	3.79	5.6	3.9
Japan	4.22	4.04	2.00	3.61	3.00	4.24	5.18	11.69	12.1	14.0

Source: Calculated from SA Rooibos Council data

Table 2 below illustrates the share of South Africa's rooibos tea (organic) exports to the total world rooibos tea (organic) exports in percentage terms between 2006 and 2015. The table further illustrates that during the period under examination, Japan, United States of America and Germany commanded the greatest share in exports of rooibos tea (organic) from South Africa during this period. The table also illustrates that from 2006 to 2009, Germany commanded greatest share in exports of rooibos tea (organic). In 2006 and 2007 of the period under scrutiny, Japan commanded the greatest share in exports of rooibos tea (organic) from South Africa.

Table 2: Share of South Africa's rooibos tea (organic) exports to the total world rooibos tea exports (%) between 2006 and 2015

Year Countries	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Japan	30.08	31.35	23.10	31.43	32.48	28.95	26.98	48.64	37.1	35.7

Year Countries	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
United States of America	24.15	24.10	17.97	11.80	15.57	19.38	22.88	22.17	20.2	18.0
Germany	20.35	26.46	33.85	29.73	18.12	15.29	21.53	8.93	27.2	27.7
United Kingdom	19.34	12.03	17.66	16.36	17.39	19.77	18.73	14.70	10.8	12.6
Netherlands	6.06	6.04	7.39	10.66	16.42	16.58	9.86	5.53	4.6	6.0

Source: Calculated from SA Rooibos Council Data

Table 3 below depicts the share of South Africa's rooibos tea (green) exports to the total world rooibos tea (green) exports in percentage terms between 2006 and 2015. The table further depicts that during the period under examination, Germany commanded the greatest share in exports of organic rooibos tea from South Africa during this period under examination.

Table 3: Share of South Africa's rooibos tea (green) exports to the total world rooibos tea exports (%) between 2006 and 2015

Year Countries	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Germany	72.98	73.39	79.74	58.20	71.62	59.86	41.27	44.29	57.58	62.10
Netherlands	5.44	0.00	6.60	16.92	16.19	15.27	25.80	7.88	19.19	23.39
United States of America	10.15	9.10	2.89	9.99	5.71	12.00	15.86	12.90	2.02	11.29
United Kingdom	0.00	18	0.00	11	2	5	11	7	13.13	0.00
Japan	11.11	0.00	10.76	3.45	4.46	7.67	5.93	27.79	8.08	3.23

Source: Calculated from SA Rooibos Council data

4. PROCESSING OF ROOIBOS TEA

Rooibos tea premium supply is from the Van Rhynsdorp tea courts situated in the heart of one of the best tea producing areas /regions. Rooibos tea is processed in the processing facility, 30 minutes from Cape Town. Here raw material is cut and fermented (first level processing), steam pasteurized, graded, sieving and de-dusting (second level processing), packed into different rooibos tea products (tertiary level processing). Inspection is done before taking the products to retailers. Strict care and hygiene is maintained throughout processing to ensure a product that conforms to internationally recognized quality standards. The plant is able to process 2000 tons of herbs per year and a strong association / partnership with Graafwater Teeverwerkers where rooibos tea courts and stores are situated. At this primary processing facility rooibos tea material is cut, fermented and dried.

4.1. Various packed products derived from rooibos plant

- Herbal tea (50g to 200g tea bags,
- Freshpak rooibos tea
- Ice tea (550 ml bottles),
- Ice tea (330 ml cans),
- Cosmetics (Soaps),
- Fruit juice mixtures.

4.2. Choices of packaging

- Display cartons: 50 grams pack with 20 tea bags, 100 grams pack with 40 tea bags,
- Foil pouches: available printed / plain in two sizes (20 tea bags and 80 tea bags),
- Sachets and flow wrap packs: Ideal for the hospitality trade and as sample packs,
- 200 litre drum: For bulk liquids,
- 20kg polypropylene bags: for transporting bulk tea,
- 18kg three layer paper bags: for bulk transporting,
- Pallet with 50 bags: shrink-wrapped for secure transportation,
- Pallet with 48 cartons: shrink-wrapped for secure transportation,
- Catering packs: for transporting bulk tea,
- 20 kg vacuum pack cartons: for transporting bulk tea,
- Iced tea: for transporting bulk tea.

4.3. Rooibos tea processing stages

Figure 11: Rooibos tea processing stages

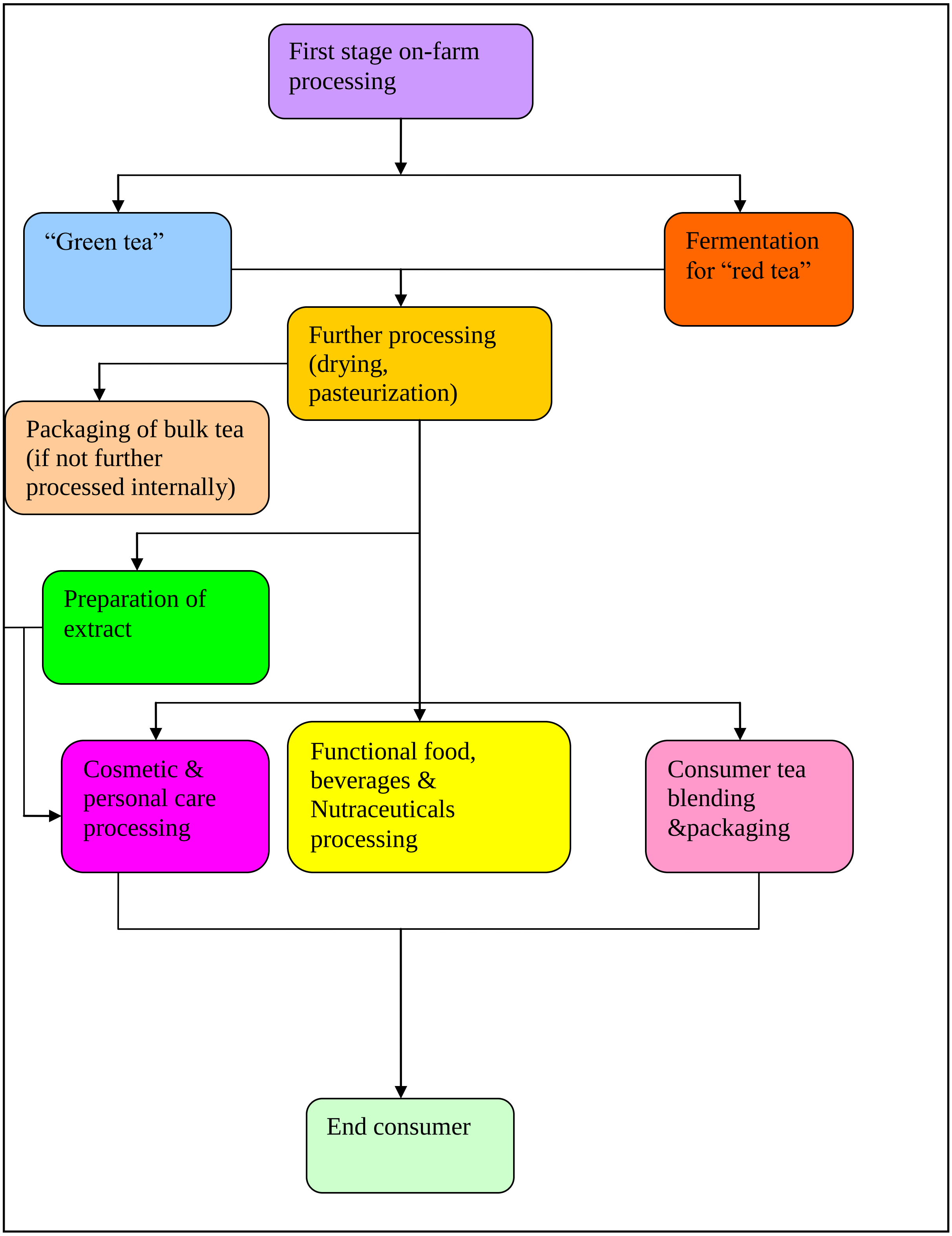

First stage on-farm processing
"Green tea"
Fermentation for "red tea"
Further processing (drying, pasteurization)
Packaging of bulk tea (if not further processed internally)
Preparation of extract
Cosmetic & personal care processing
Functional food, beverages & Nutraceuticals processing
Consumer tea blending &packaging
End consumer

Figure 12: Rooibos tea market value chain

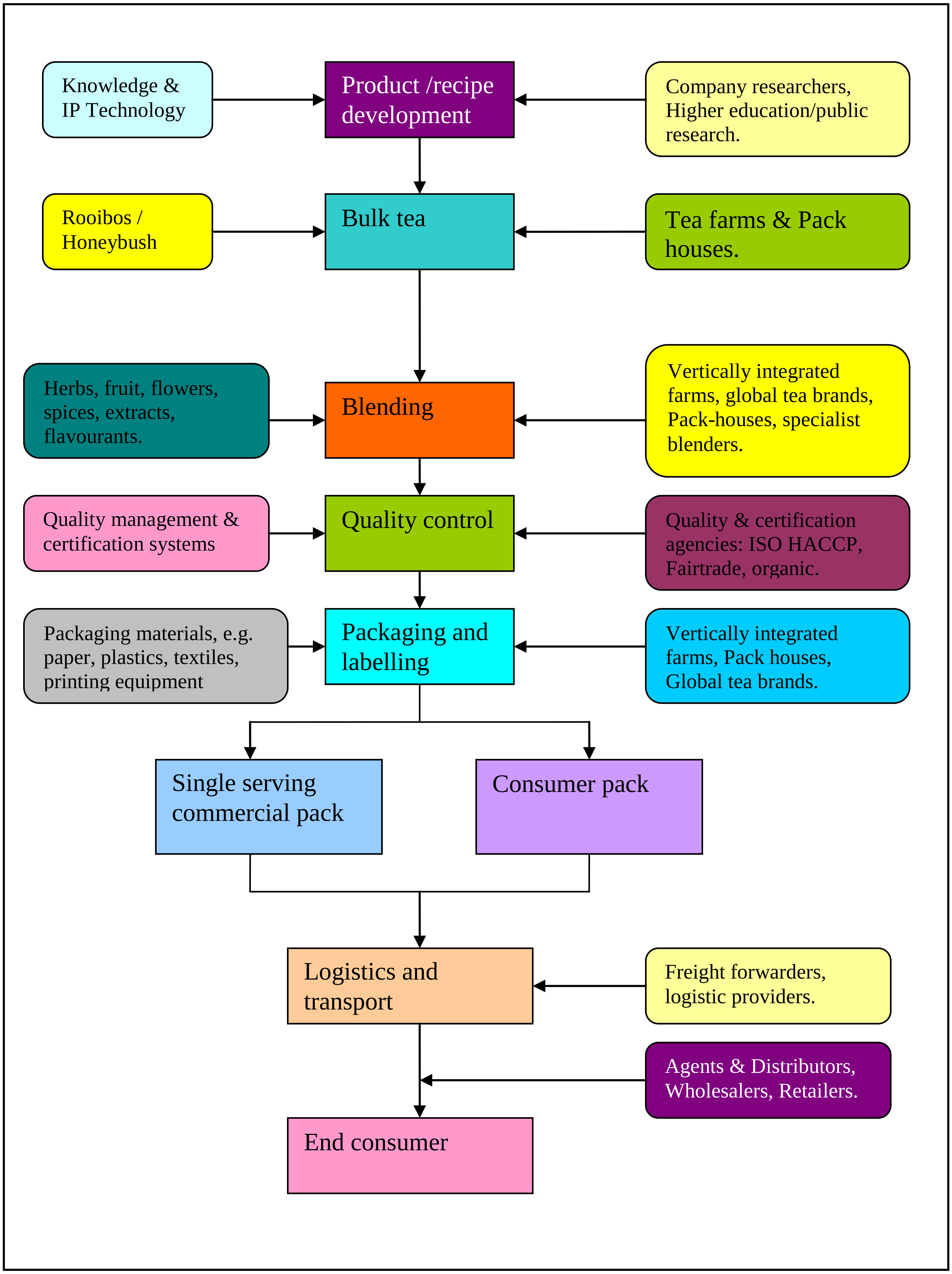
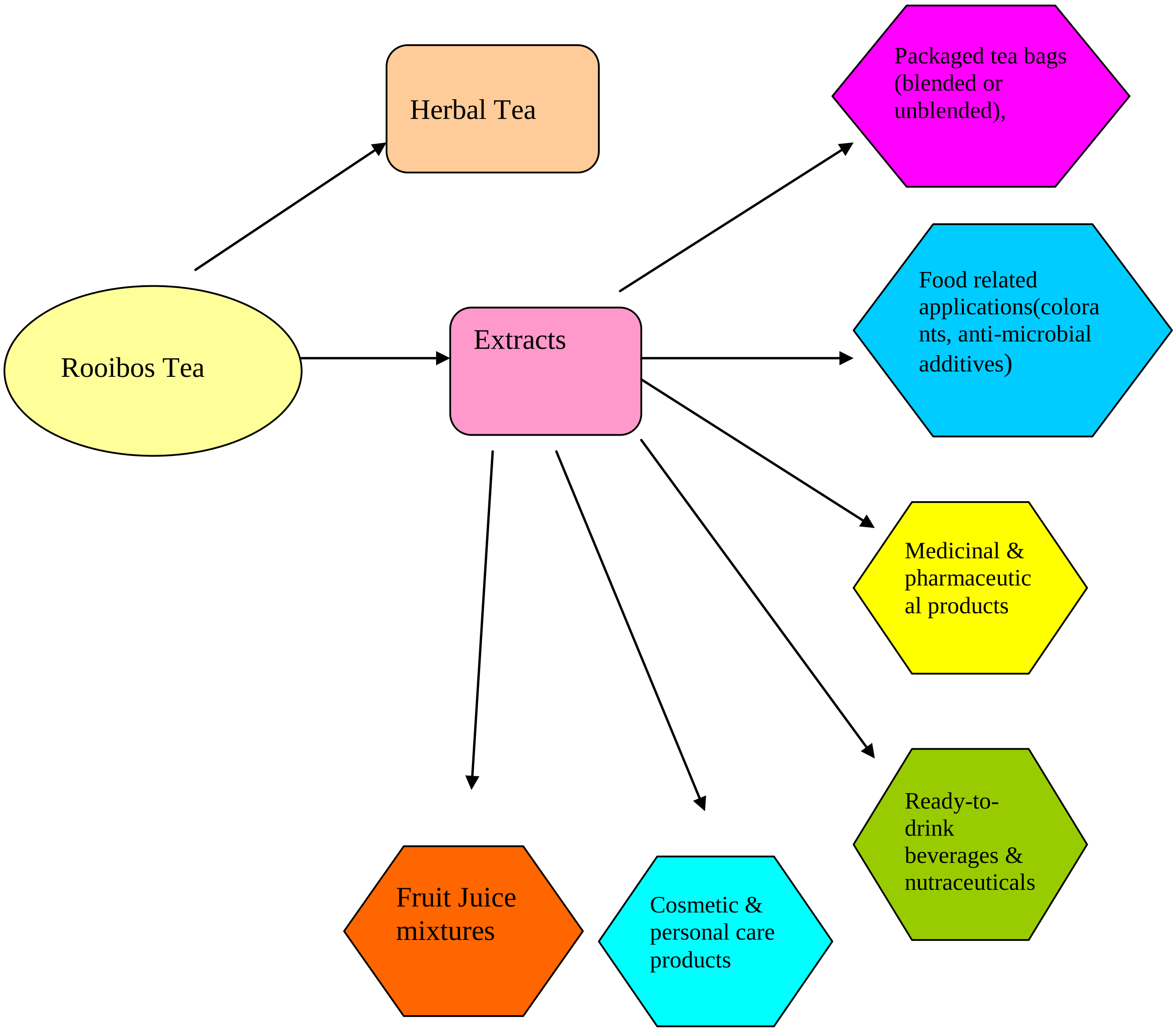


Figure 13: Rooibos tea value chain tree



5. BENEFITS OF ROOIBOS TEA

- Rooibos tea boost the digestive tract;
- It improves the skin since it is rich in alpha hydroxyl acid and zinc, which are great for the skin and helps to alleviate several skin problems such as acne, pimple;
- It helps to prevent Type II diabetes;
- It promotes healthy hair;
- Rooibos helps to relieve hypertension;
- It is good for bones and teeth because it is rich fluoride and calcium;
- Gives the human body a boost; and
- It improves blood circulation in the human body

6. SWOT ANALYSIS

6.1 Strengths

- Rooibos tea has unique combinations of properties which address specific health needs and concerns, and are not entirely substitutable by other products:

  -The timing of their entry into the market is also fortunate given the increased demand for natural and healthy foods is a global phenomenon, creating a sizeable potential export market with long-term sustainability.
  -Growing domestic and international awareness and market presence.
  -According to publicly available information to date, Rooibos has not been successfully grown outside of South Africa to can create a unique advantage for the region.

- Existing base of local companies that are innovating in the product categories where rooibos and honeybush can be applied.
- Supportive policy and institutional framework including:

  -Support at both the national and provincial levels; and
  -Presence of representative industry associations (SA Rooibos Council, SA Honeybush Tea Association).

6.2 Weaknesses

- Low levels of local downstream value addition to produce non-tea products.

- Inconsistent quality of rooibos honeybush (aroma/bouquet, taste, appearance, chemical properties) due to absence of guidelines and enforcement mechanisms, as well as lack of skills and experience.
- Misunderstanding between South African and international standards on sanitary and phytosanitary measures limits export opportunities.
- Limited availability of comprehensive and tailored funding that caters to the entire value chain e.g.

  -Producers vs land purchase, start-up costs.

  -Processors and manufacturers vs equipment, IP registration and enforcement, R&D, marketing.
- Cyclic production volumes of rooibos and honeybush, poor commercialization of medical research.
- The distance from markets imposes high transport costs which can be prohibitive in some product categories e.g. dairy and chocolate products which may require careful cold chain monitoring and airfreight to reach export markets.

6.3 Opportunities

- Certification of finished products as natural and organic:

  -Natural and organic rooibos raw material, intermediate and finished products.
- Trends towards natural ingredients in cosmetic manufacturers have seen a strong rise in interest from multinational cosmetic companies looking for joint ventures and acquisitions of niche, natural cosmetic companies.
- Significant scope to increase domestic and international market awareness and presence of rooibos.
- Increased export volumes of rooibos tea and other products into new and emerging markets such as Australia, Malaysia, China, Canada, South Korea and Russia.
- There is a greater linkage between rooibos tea production and tourism e.g. the rooibos route in the Western Cape.

6.4 Threats

- Product categories such as cosmetics and nutraceuticals face strong competition from aloe, devil claw and other established natural products.
- The potential climate change will have negative effects on production and prices of South African rooibos tea.
- There is a possibility of international production of rooibos due to lax IP protection regime for South African genetic material, and no South African legislation on geographical indicators.

- The heavy reliance on international manufacturers, packers, distributors and retailers to access export markets, creating potential for conflict as international role players seek to defend their position in the value chain.
- Poor regulation of product quality and efficacy (i.e. living up to the stated health benefits) for downstream products, which could harm the overall rooibos tea brand.
- Rooibos tea extract production abroad by German processors and by South African companies outsourcing to India but not able to access or invest in local extraction facilities.

7. MARKET ACCESS

Table 4 below illustrates tariffs that are applied by various countries to the exports tea from South Africa.

COUNTRY (IMPORTERS)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS 2015	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF 2015
Germany	Tea whether or not green tea	MFN Applied	3.20%	3.20%
		Preferential tariff for South Africa	0.00|%	0.00%
Zimbabwe	Tea whether or not green tea (not fermented immediately	MFN Applied	40.00%	40.00%
		Preferential tariff (SADC) for South Africa	0.00%	0.00%
		Preferential tariff for South Africa	30USD/ton	0.58%
Netherlands	Tea whether or not green tea	MFN Applied	3.20%	3.20%
		Preferential tariff for South Africa	0.00%	0.00%
Botswana	Tea whether or not green tea (not fermented immediately	Intra SACU rate	0.00%	0.00%
United States	Tea whether or not green tea (not fermented immediately	MFN Applied	6.40%	6.40%
		Preferential tariff for GSP countries	0.00%	0.00%

Mozambique	Tea whether or not green tea (not fermented immediately	MFN Applied	20.00%	20.00%
		Preferential tariff for South Africa	0.00%	0.00%
Namibia	Tea whether or not green tea	Intra SACU rate	0.00%	0.00%
Zambia	Tea whether or not green tea	Intra SACU rate	0.00%	0.00%
India	Tea whether or not green tea	MFN duties	100.00%	100.00%

Source: ITC MacMap

Table 4 illustrates tariffs that are applied by various countries to the exports of tea from South Africa during the 2015. The table further illustrates that countries such as Zambia, Namibia and Netherlands had free trade agreements under EU and SACU. Asian countries such as India applied a tariff of 100.00% to tea originating from South Africa during the period under examination.

8. MARKET INTELLIGENCE

Table 5: List of supplying markets for tea imported by South Africa in 2015

Importers	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Exported value 2015 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2015 (tons)	Unit value (USD/unit)	Exported growth in value between 2011-2015 (%, p.a.)	Exported growth in quantity between 2011-2015 (%, p.a.)	Exported growth in value between 2014-2015 (%, p.a.)	
World	27569	100	Tons	4506	2	-7	-13	
Mozambique	5454	19.8	Tons	4244	-4	0	17	0
Botswana	5153	18.7	Tons	4659	-1	-3	4	0
Zimbabwe	4552	16.5	Tons	4369	35	45	-17	0
Namibia	2938	10.7	Tons	4295	-12	-22	-30	0
Lesotho	2183	7.9	Tons	5641	2	-15	36	0
Zambia	2102	7.6	Tons	4370	17	23	-51	0
Swaziland	2020	7.3	Tons	2971	-3	-25	0	0

United States of America	1571	5.7	Tons	12178	82	37	60	0
Malawi	327	1.2	Tons	4881	6	12	97	14.5
Congo	138	0.5	Tons	11500	205	109	35	18.8
Congo, Democratic Republic of the	122	0.4	Tons	6100	10	10	-38	20
Angola	108	0.4	Tons	7200	9	10	-41	10
United Kingdom	104	0.4	Tons	13000	-41	-57	100	0

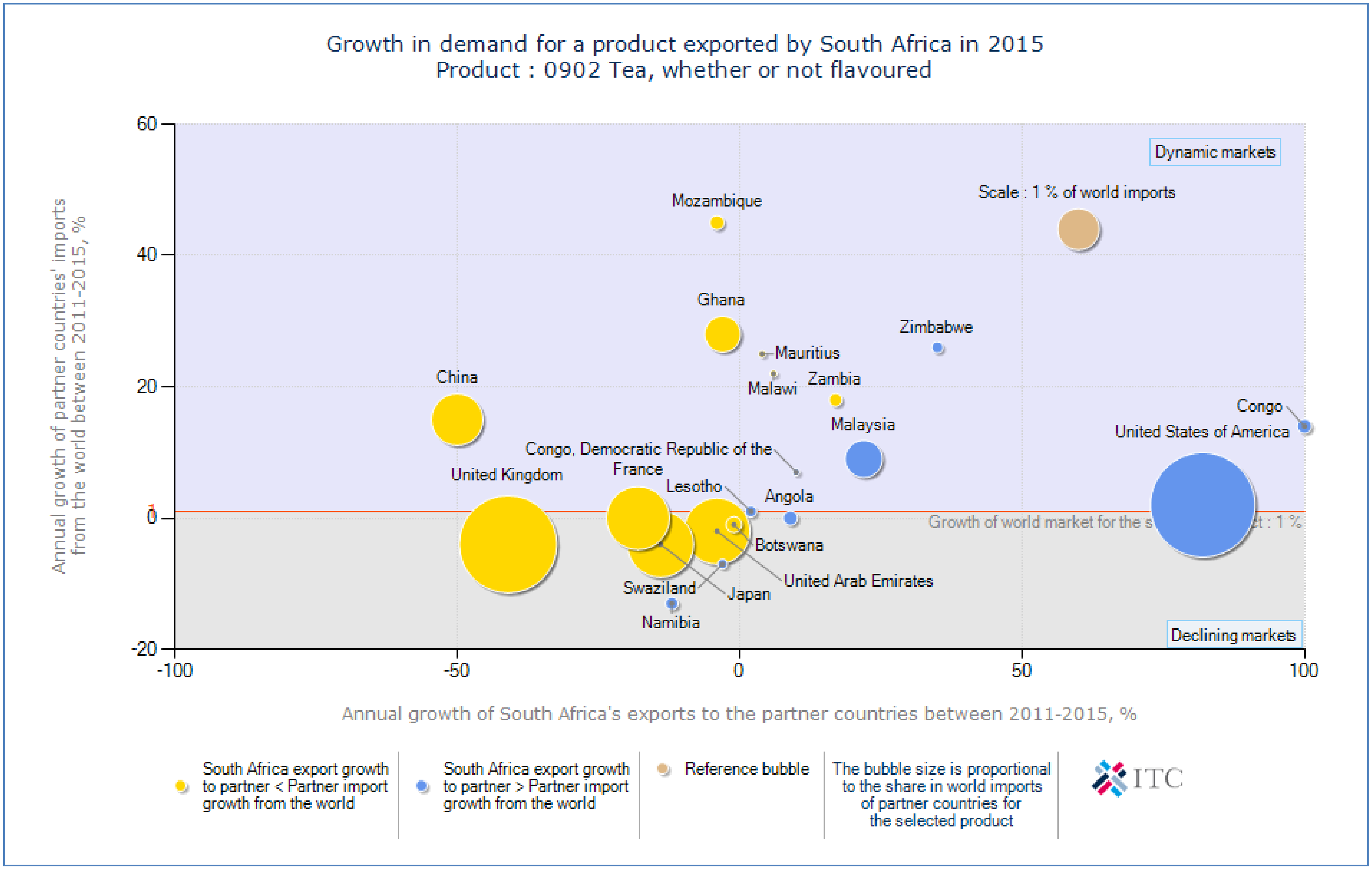
Source: ITC Trademap

Table 5 shows the list of importing markets for tea exported by South Africa to the world. The table shows the export volumes of tea from South Africa to the world in 2015. The table further shows that South Africa exported a total 27 569 of tons of tea to the world during 2015. The major export destinations for tea from South Africa to the world was Africa, mainly Mozambique with 5 454 tons, followed by Botswana with 5 153 tons and Zimbabwe with 4 882 tons.

The table further shows that Mozambique's share in South Africa's commanded greatest share of 19.8%, Botswana's share in South Africa's exports of tea also increased by 18.7%, Mozambique's share in South Africa's exports of rooibos tea increased by 16.5%.

The table also shows that export volumes of tea from South Africa to Zimbabwe increased in value and quantity of 35% and 45% respectively between 2011 and 2015. The exports of tea from South Africa to Botswana decreased in value and quantity of 1% and 3% respectively between 2011 and 2015. South Africa's export growth to Mozambique declined in value by 4% between 2011 and 2015 marketing season.

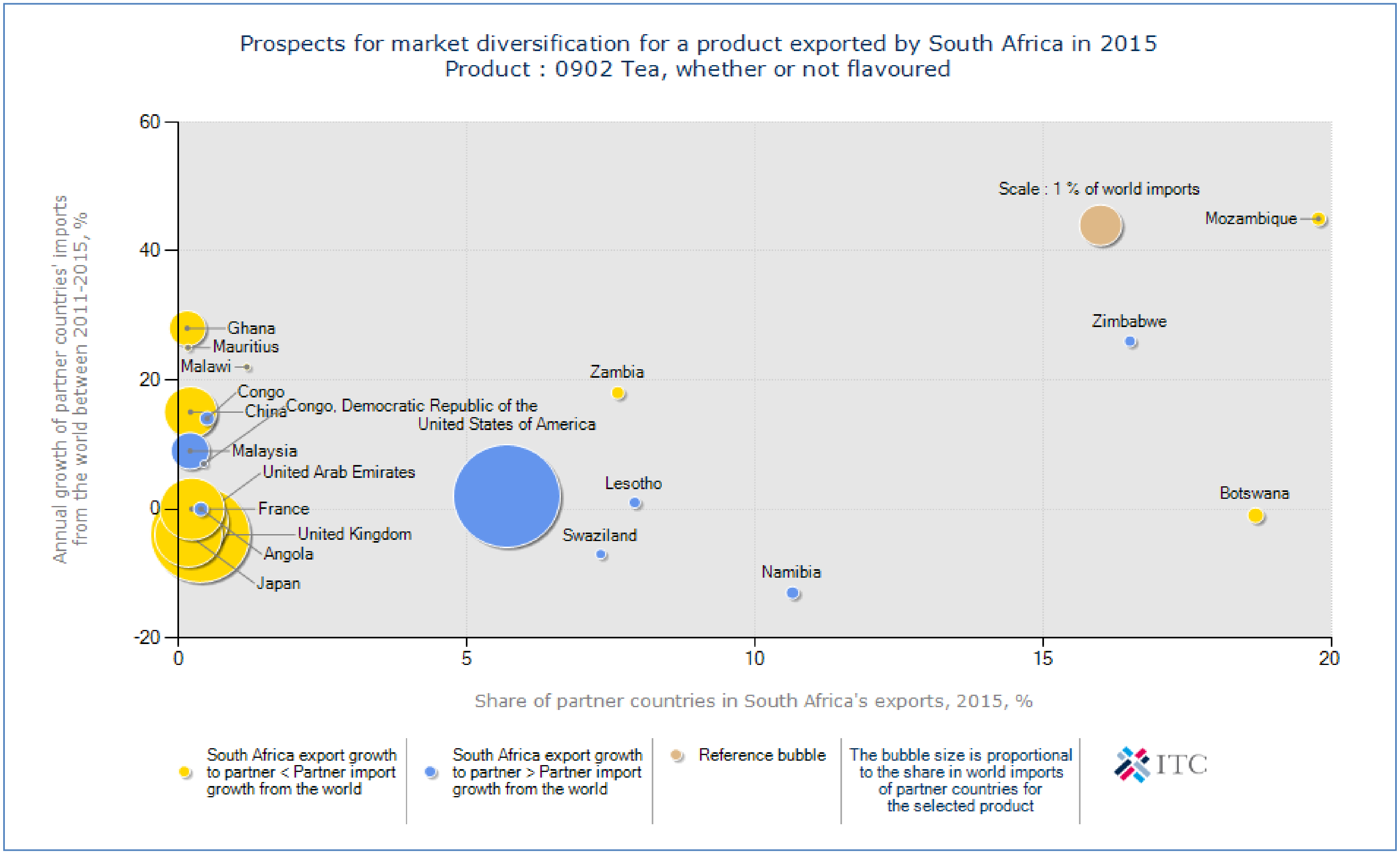
Figure 14: Growth in demand for tea exported from South Africa in 2015



Source: ITC Trade Map

Figure 14 illustrates the growth in demand for tea exported by South Africa to the world in 2015. The figure further illustrates that United Kingdom was the biggest market for tea exported by South Africa in 2015. The figure also illustrates that the demand for tea is growing at a faster pace of about 205% in Congo, followed by United States of America at 82% and Zimbabwe at 35% while annual growth of South Africa exports to declining markets such as Lesotho and Angola was between 2% and 9% respectively. The figure also illustrates that Congo is the biggest and most competitive market because both their annual growth of partner countries' imports from the world and annual growth of South Africa's exports was at 14% and 205% respectively between 2011 and 2015.

Figure 15: Prospects for market diversification for tea exported from South Africa in 2015



Source: ITC Trade Map

Figure 15 depicts prospects for market diversification of tea exported by South Africa to the world in 2015. The figure further depicts that the United Kingdom, followed by Japan, France and Mozambique were the biggest import markets of tea from South Africa to the world during the same period under review. The graph also depicts that if South Africa had to diversify its markets of tea small but attractive markets exist in Zambia and Congo and large attractive market exist in United States of America.

Table 6: List of supplying markets for tea exported by South Africa in 2015

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2015 (USD thousand)	Share in South Africa's imports (%)	Exported quantity 2015 (tons)	Unit value (USD/unit)	Imported growth in value between 2011-2015 (%, p.a.)	Imported growth in quantity between 2011-2015 (%, p.a.)	Imported growth in value between 2014-2015 (%, p.a.)	
World	47938	100	26052	Tons	2	3	-8	
Malawi	22559	47.1	13942	Tons	2	1	-22	0
Sri Lanka	7735	16.1	2114	Tons	7	8	5	6.3
Zimbabwe	6234	13	5511	Tons	9	11	7	0
Tanzania, United Republic of	3263	6.8	2015	Tons	-18	-8	15	0
China	2580	5.4	731	Tons	5	10	19	6.3
Kenya	1878	3.9	590	Tons	-10	-5	22	6.3
United Arab Emirates	1063	2.2	158	Tons	36	35	32	6.3
Taipei, Chinese	631	1.3	93	Tons	59	22	99	6.3
Poland	457	1	17	Tons	55	36	-21	0

Namibia	393	0.8	753	Tons				0
India	272	0.6	39	Tons	13	26	-34	6.3
United Kingdom	188	0.4	10	Tons	-21	-40	24	0
Germany	134	0.3	11	Tons	8	-1	-42	0
Switzerland	124	0.3	22	Tons	128			6.3

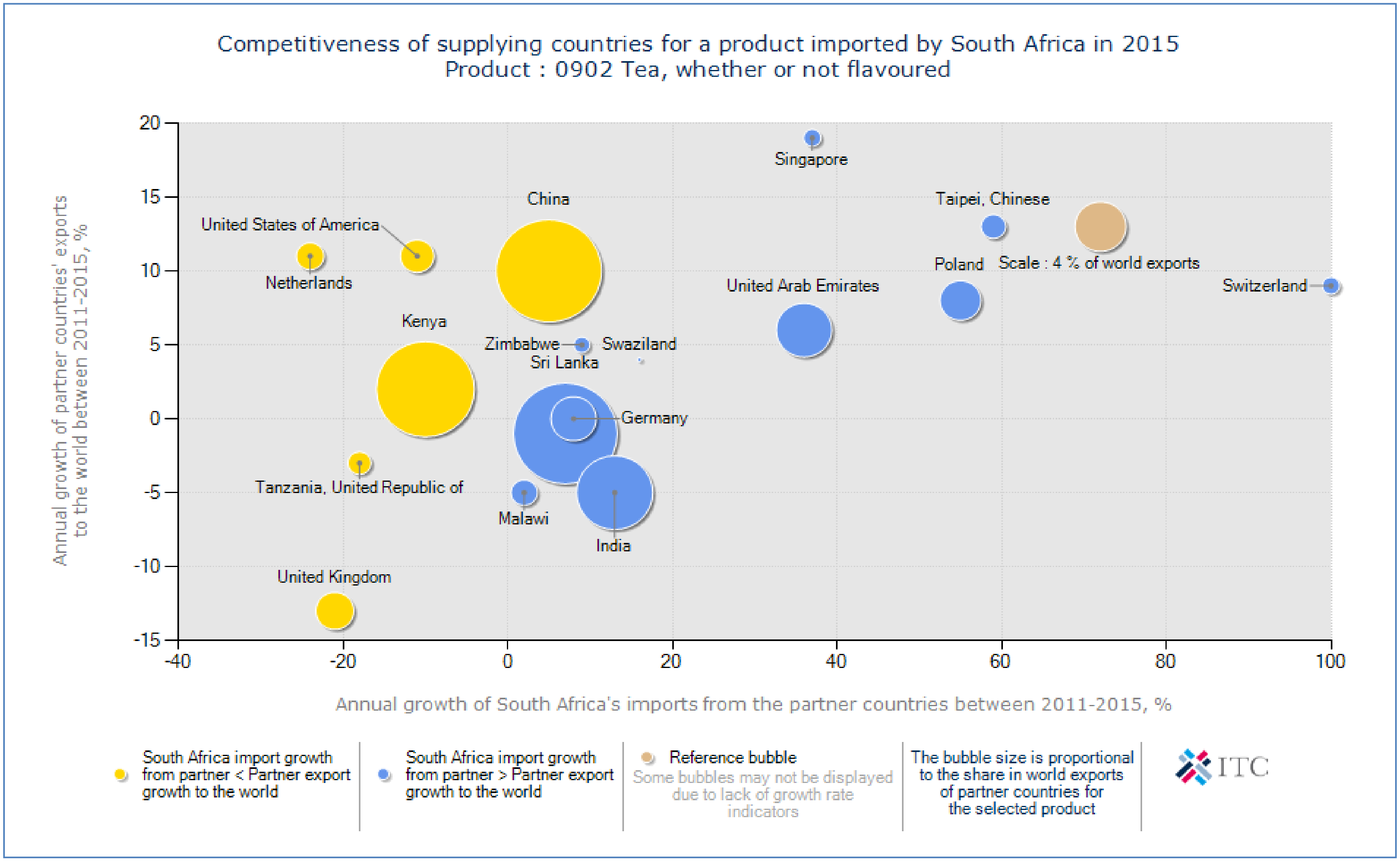
Source: ITC Trade map

Table 6 shows the list of supplying markets for tea imported from the world by South Africa in 2015 import season. The table further shows that Malawi, followed by Sri Lanka and Zimbabwe were the main supplying markets for tea from the world into South Africa during 2015 import season. The table also shows that during the period under observation, South Africa imported 26 052 tons of tea from the world during 2015 import season. The statement above also shows that South Africa was a net exporter of tea as the country imported less volume as compared to what was exported over the same period.

The table further shows that during the period under review, South Africa's imported growth in value and volume to Taipei, Chinese increased by 59% and 22% respectively, South Africa import growth to Poland increased by both value and quantity of 55% and 36% respectively while South Africa's imported growth in value to Zimbabwe also increased by 9%in value and 11% in quantity in 2015.

The table further shows that most of South Africa's tea imports were from Malawi at (13 942 tons), followed by Sri Lanka at (2 114 tons) and Zimbabwe at (5 114 tons). The table also shows that there were tariffs applied by South Africa to specific countries of between 0% to 6.3% for tea imports from the world during 2015 marketing season.

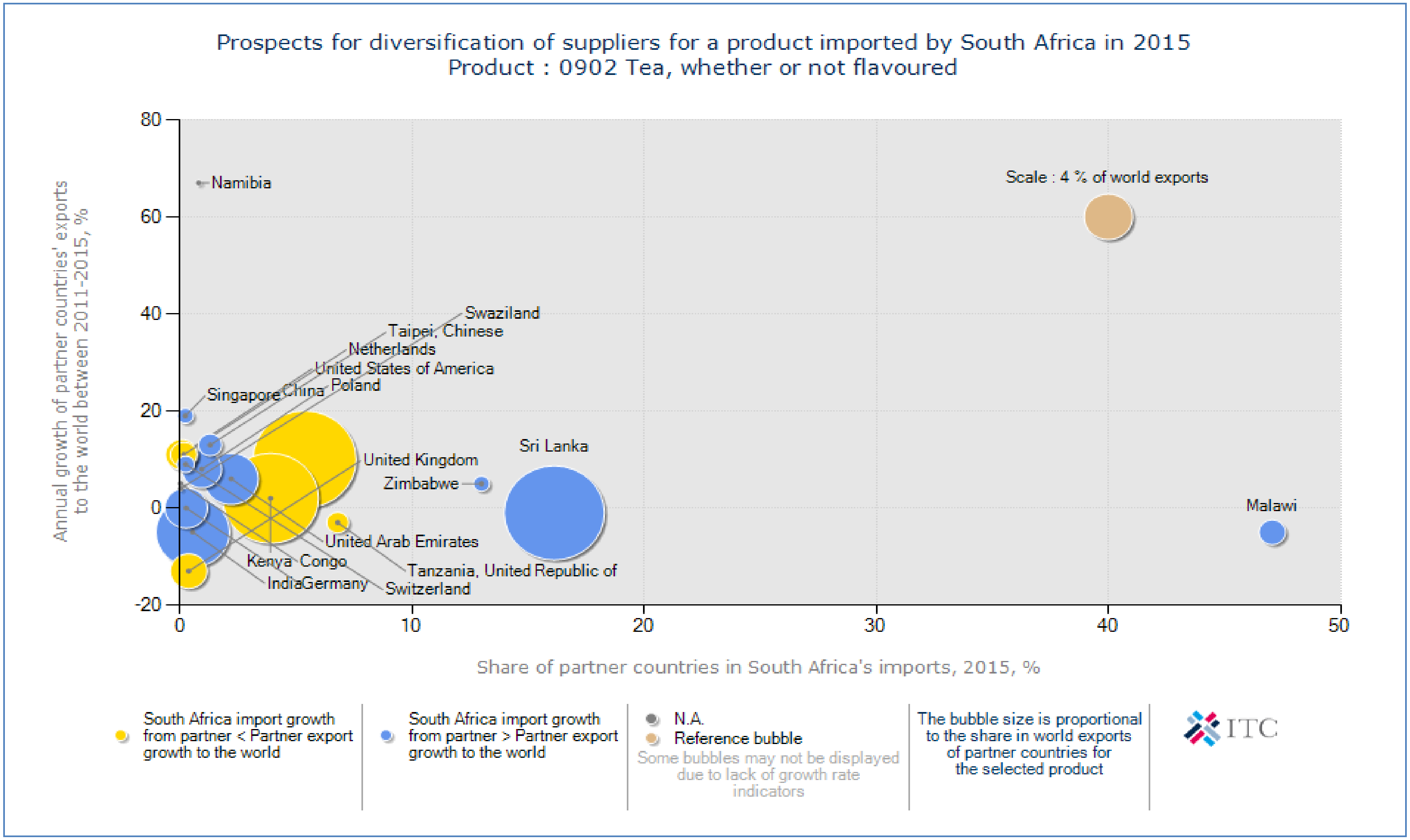
Figure 16: Competitiveness of suppliers to South Africa for tea imports in 2015



Source: ITC Trade Map

Figure 16 depicts the competitiveness of suppliers for tea from the world into South Africa in 2015. The figure further shows that during the period under examination, China was the biggest market for tea imports into South Africa, followed by Kenya, United Arab Emirates and United Kingdom. The figure also depicts that Switzerland was the most competitive market for tea imports into South Africa at 218% annual growth of South Africa's imports, followed by Chinese Taipei with 59and Poland with 44% % annual growth of South Africa's imports between 2011 and 2015.

Figure 17: Prospects for diversification of suppliers for tea imported by South Africa in 2015



Source: ITC Trade

Figure 17 indicates the prospects for diversification of suppliers for tea imported from the world by South Africa in 2014. The figure indicates that during the period under review China, Kenya, United Kingdom and United Arab Emirates were the biggest markets for tea imports into South Africa. The figure also indicates that if South Africa had to diversify its suppliers of tea, large and attractive (suppliers) markets exist in Malawi, Sri Lanka and Zimbabwe in 2015.

9. ACKNOWLEDGEMENTS

Acknowledgement is hereby given to the following:

Department of Agriculture, Forestry and Fisheries
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Rooibos Limited
www.rooibosltd.co.za

Western Cape Department of Economic Development and Tourism, (May 2010). Rooibos and Honeybush market development programme framework.

Perishable Products Export Control Board
www.ppecb.com/