

# A PROFILE OF THE SOUTH AFRICAN BLACK TEA MARKET VALUE CHAIN

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2017



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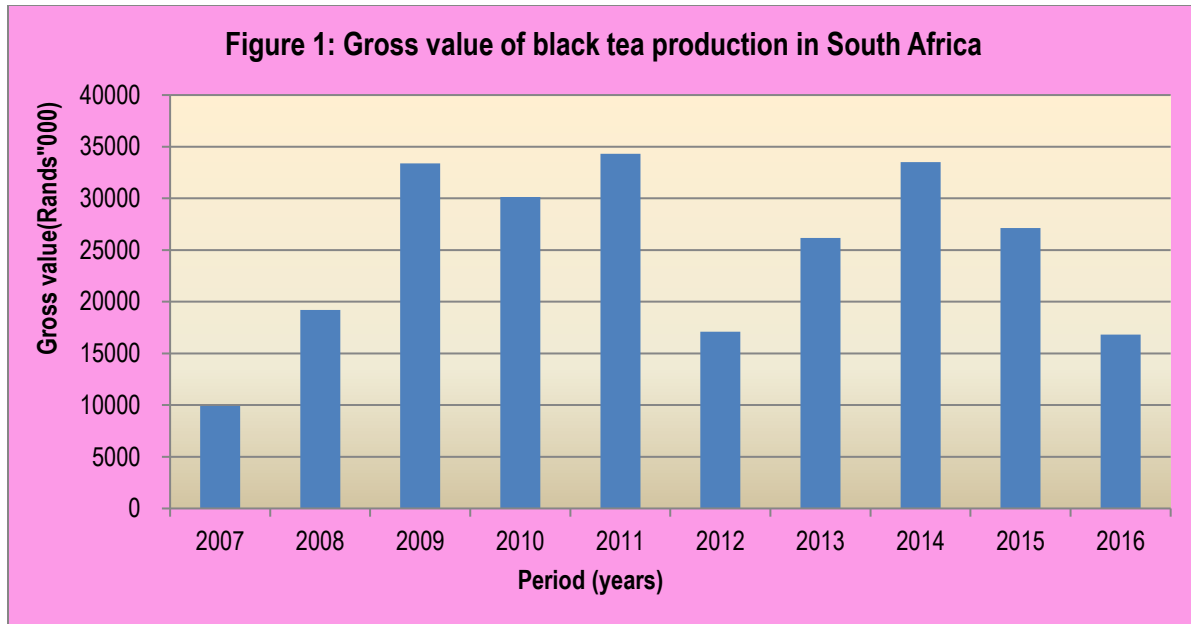
## 1. DESCRIPTION OF THE INDUSTRY

- Black tea production in South Africa has been uneconomical and under severe financial difficulties since 2000 production and marketing seasons. 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. During 2014 marketing season to date, most of the Tea Estates have closed shop due to high production costs and high wage demands from labour unions although in Eastern Cape Province, there are initiatives to revitalize the two tea states (Magwa and Majola) through the Eastern Cape Rural Development Agency.
- There are a few existing Tea Estates in Limpopo and KwaZulu-Natal provinces (Tshivhase and Ntingwe) with the support of Limpopo Economic Development Agency (LEDA) and KwaZulu-Natal Economic Development Agency.

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 ten year contribution of South African black tea industry to the gross value of agricultural production between 2007 and 2016 marketing seasons is depicted in Figure 1 below.



Source: Statistics & Economic Analysis, DAFF

It is evident in the figure that in 2007, black tea gross value of production was low. The dramatic decline in 2007 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. An increase in gross value of agricultural production was experienced between 2008 and 2009 when most tea estates were resuscitated by the provincial departments in Limpopo, Mpumalanga and KwaZulu-Natal. The figure further depicts that South African gross value of black tea production started to increase substantially in 2008 at approximately R19 218 000.00 during the period under review. The gross value of black tea production in South Africa attained a peak in 2011 at a gross value of approximately R34 321 000.00. The figure also depicts that the gross value of production for black tea experienced a slight decline in value terms to low levels of about R30 144 000.00 in 2010. The figure further depicts that in 2011, the gross value of black tea production saw a slight increase of about R34 321 000.00. Between 2014 and 2015, the gross value of black tea production in South Africa experienced a consistent decline to lower levels of about R27 127 000.00. In 2016, the gross value of black tea further declined to R16 829 000.00. The figure shows that there was 38% decline in the gross value of black tea in 2016 as compared to the previous marketing season.

**Table 1: Tea Estates in the Republic of South Africa during 2016**

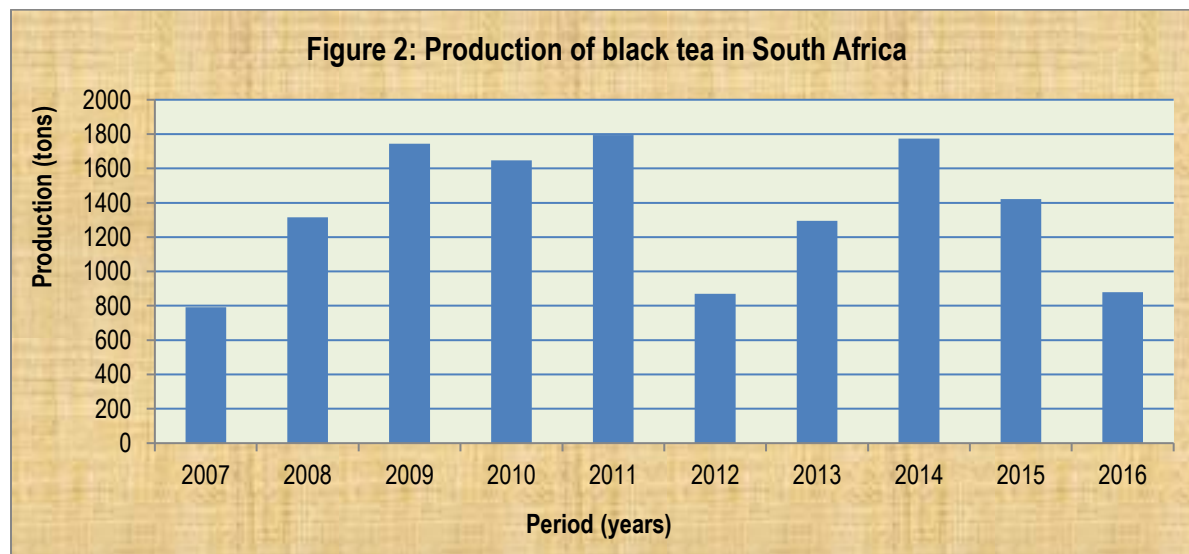
ESTATE	PROVINCE	SIZE (Ha)	STATUS
Tshivhase	Limpopo	1077	Producing
Sapekoe			
Mukumbani			

Sapekoe			
Ntingwe	KwaZulu Natal	585	Producing
Magwa	Eastern Cape	500	Not producing. Revitalizing the project through govt efforts and ECRDA
Majola		400	Not producing. Revitalizing the project through govt efforts and ECRDA
<b>Total</b>		<b>2302</b>	

Of the tea estates listed in Table 1 above it is very clear that only three are currently under production while the rest of the tea estates have ceased their operations due to less competitiveness with other tea producing countries. Only three tea estates in the Vhembe region of the Limpopo Province are still in production while is the only one still producing tea in the Kwazulu-Natal Province Ntingwe. The Eastern Cape Province is left with two tea estates (Majola and Magwa) that are not fully operational but the government in partnership with Eastern Cape Rural Development Agency is in a process of revitalizing both Magwa and Majola tea estates during the 2014 marketing season. Majola tea estates is producing tea but not on a full scale during 2014/15 production season. In Mpumalanga Province only one tea estate (Santeeko) is operating and are extracting tea for further processing. A lot of these tea estates have been converted into fruit farms and processing and packing facilities. Provinces like Limpopo and Mpumalanga take their tea produce to Gauteng for processing and for the export market.

### 1.1 Production trends

Figure 2 below indicates total black tea production in South Africa between 2007 and 2016.



Source: Statistics & Economic Analysis, DAFF

As highlighted in Figure 2, production of black tea came to a substantial decline in December 2005 when Sapekoe stopped its operations due to high minimum wages for farm workers as well as 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. The figure further indicates that over the past decade, black tea production in South Africa was from a low base during the first half of the ten year period (2007-2011) until a peak was attained in 2011 at approximately 1 795 tons. During the second half of the ten year period, black tea production in South Africa was from a low base attaining a peak in 2014 at approximately 1775 tons. The figure further indicates that black tea production in South Africa experienced a decline in 2012 to lower levels of about 870 tons. In 2014, black tea production in South Africa experienced an increase of about 480 tons which constitutes 37.1% increase. The decrease of black tea production in South Africa at approximately 354 tons in 2015 represents 19.9% decrease as compared to 2014 marketing season. The figure indicates that there was 38.1% decline in the production of black tea in 2016 as compared to 2015 marketing season. The figure also indicates that on average approximately 1 353 tons of black tea were produced in South Africa between 2007 and 2016.

## 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. Tshivhase and Mukumbane tea estates employed on average of about 257 people between 2015 and 2016. Ntingwe Estate employs less than 200 permanent staff and 200 seasonal workers with total employment envisaged to decline further to approximately 200 at full production over the same period.

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

**Table 2: Employment potential of the various tea estates in RSA during 2015/16**

Operational Tea Estate	Employment status	Contact person
(Tshivhase and Mukumbane) Sapekoe	261	Mr. Toppies Topham 015 963 8400
Ntingwe	900	Mr. Glover 035 833 8000
Magwa	Not operational (60)	Mr. King 083 423 3972
Majola	Not operational(325)	Mr. Baleni 076 046 8538

Table 2 illustrates that the three tea estates in Limpopo, KwaZulu-Natal and Eastern Cape provinces are operational in the country and are capable of employing more than two thousand people when in full production. Between 2004 and 2008, 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, Magwa, and Santeeko have gone out of production, more than 6 thousand employees have lost employment between 2006 and 2015. Discussions and possibility of financial bailouts are ongoing between Majola, Magwa and Eastern Cape Rural Development Agency to try and revitalize the two estates.

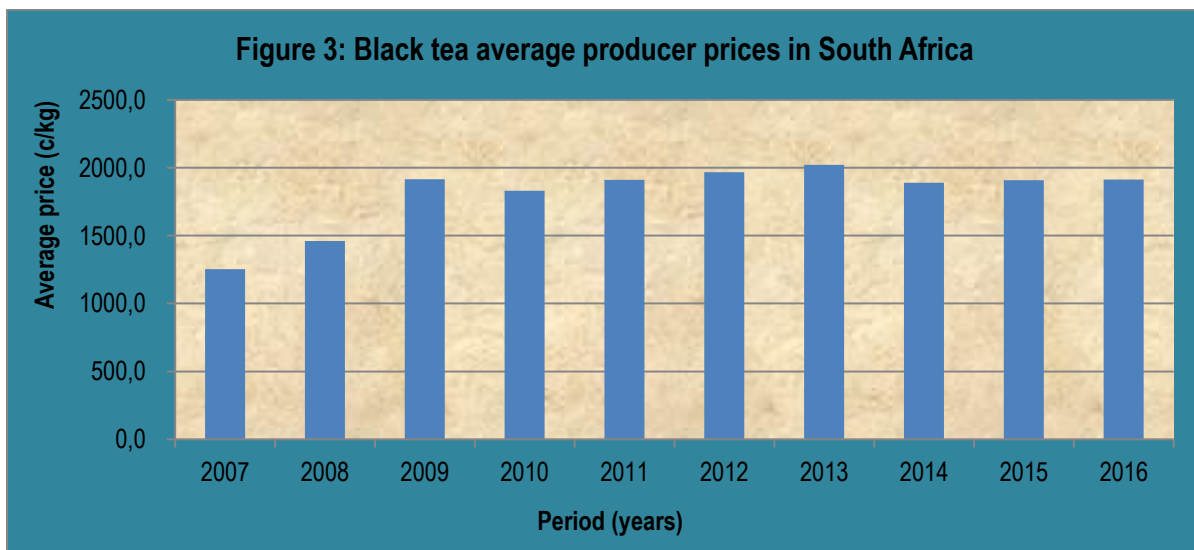
## 2. MARKET STRUCTURE

### 2.1 Domestic market and Prices

Tea, like most other commodity products, is a US Dollar traded commodity across the world. Movements in the US Dollar exchange rate compared to other currencies affect price competitiveness of such commodities. South Africa is a net importer of tea. Free market principles determine that domestic market prices will fluctuate in a price range between import parity and export parity levels. The level of competition in the domestic market ensures that prices are set as close as possible to import parity levels, whilst over supply, exchange rates and world market prices determine export parity price levels. In net import situations such as in the case of black tea (SA currently imports more than 50 percent of its black tea), domestic market prices should, according to normal free market principles, be close to or even higher than import parity levels.

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

Figure 3 below shows black tea average producer prices in South Africa between 2007 and 2016.



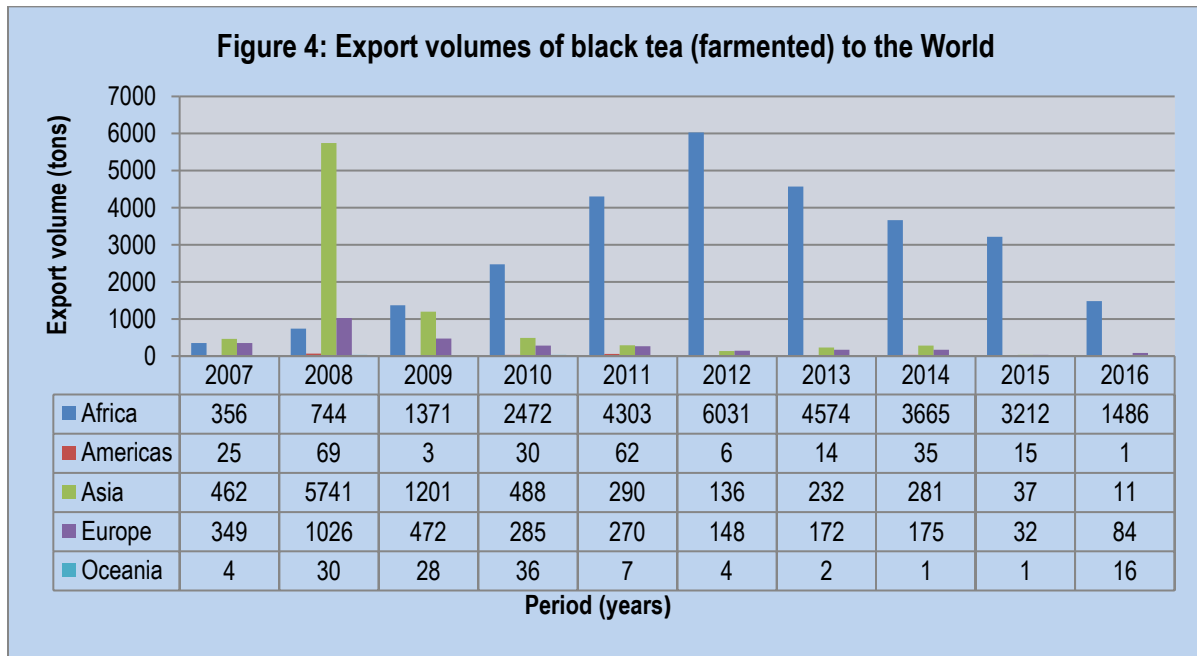
Source: Statistics & Economic Analysis, DAFF

The graph further shows that black tea average producer prices in South Africa were from a low base during the first half of the ten year period under review (2007-2011), attaining a maximum of R1915.00 cents per kilogram in 2009. The graph also shows that black tea average producer prices in South Africa were from a high base during the second half of the ten year period attaining a peak in 2013 at approximately R2 020.80 cents per kilogram. The graph further shows that between 2010 and 2012, black tea average producer prices were increasing consistently at approximately between R1 830.00 and R1 967.00 cents per kilogram respectively. The slight decline in black tea average producer prices in South Africa at 131.8 cents per kilogram during 2014 represents a 6.5% decrease as compared to 2013 marketing season. The slight increase in black tea average producer prices in South Africa at 1 913.00 cents per kilogram during 2016 represents a 0.3% increase as compared to 2015 marketing season.

### 3. EXPORTS OF BLACK TEA

South Africa's black tea export market is worth less than R2 million on averages per annum, while the country imports on average 3 800 and 5 200 tons of tea per annum for domestic use.

Figure 4 below indicates black tea exports volumes (fermented) from South Africa to various regions of the world between 2007 and 2016.



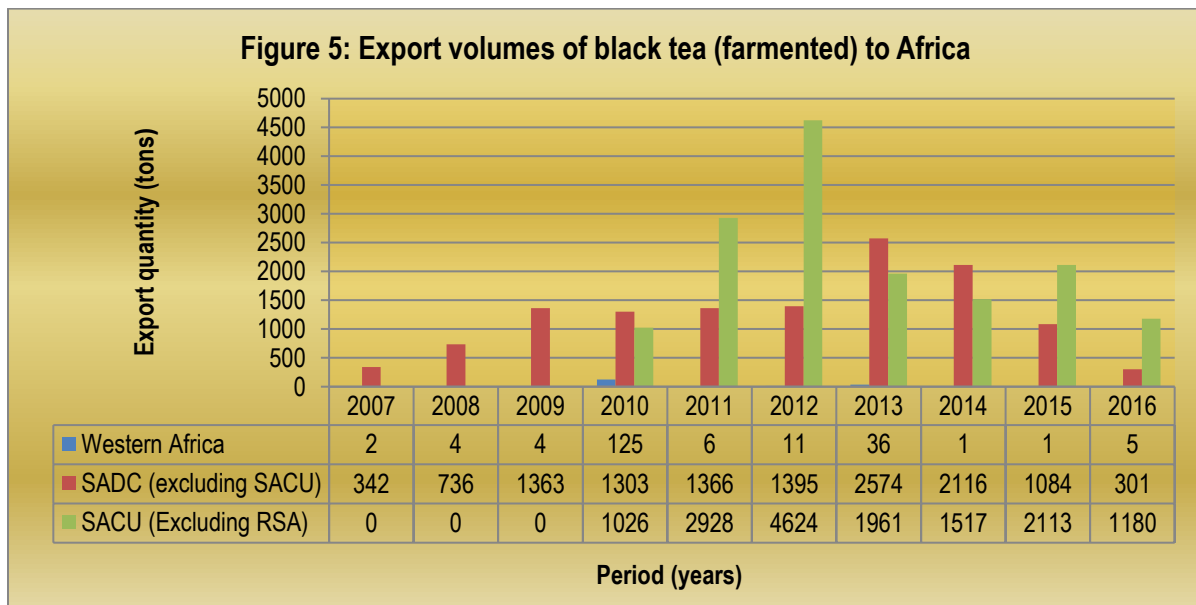
Source: Quantec EasyData

It is evident on the graph that over the past decade, South Africa exported most of its black tea to the African Region, followed by Asia and Europe. The graph also indicates that low volumes of black tea from South Africa were also exported to the Americas between 2007 and 2016 marketing season. Exports of black tea from South Africa to Africa were from a low base during the first half of the ten year period (2007-2011) under review attaining a maximum of about 4 303 tons in 2011. On the other hand, exports of black tea from South Africa to Africa were from a high base during the second half of the ten



year period (2012-2016) under review attaining a peak in 2012 at approximately 6 042 tons. The graph further indicates that exports of black tea from South Africa to Asia were very low until a peak was attained in 2008 at approximately 5 741 tons due to opening of new markets and the increased demand for the product. On average exports volumes of black tea from South Africa to all the aforementioned regions were fairly low and declined substantially between 2007 and 2016 except for the Asian market. The graph also indicates that in 2016, export volumes of black tea (fermented) from South Africa to Africa declined by 1 726 tons and that represents 53.7% decline as compared to 2015 marketing season.

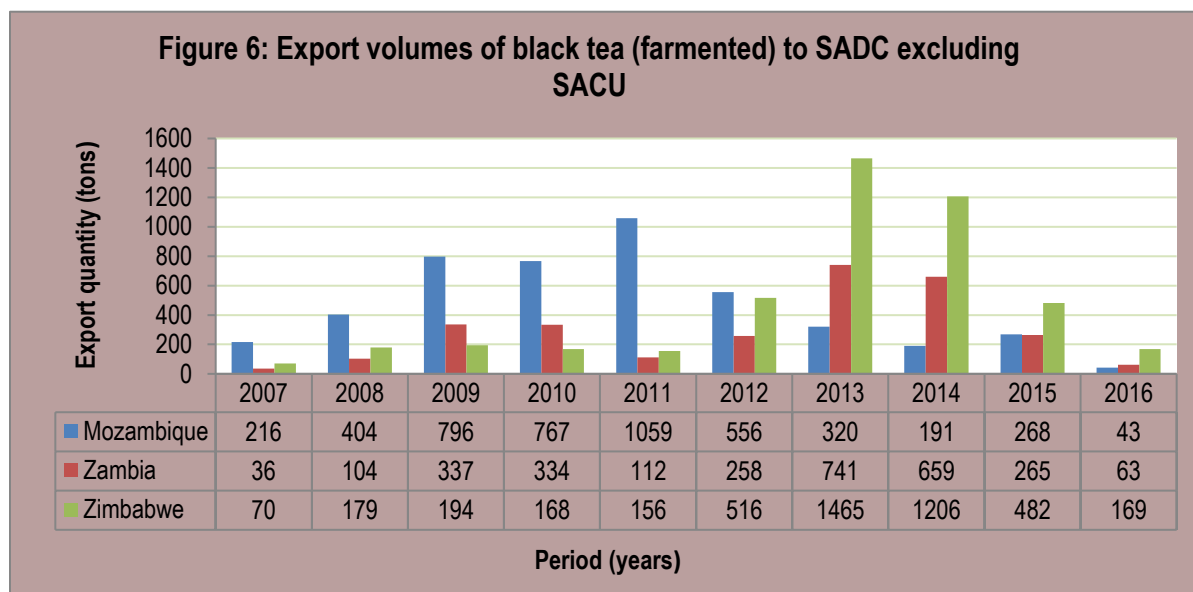
Figure 5 below shows black tea export volumes (fermented) from South Africa to Africa between 2007 and 2016.



Source: Quantec EasyData

It is clear in the figure that the major export destination for black tea (fermented) from South Africa to Africa was SADC Region excluding SACU over the ten year period under scrutiny. The graph also shows that black tea exports from South Africa to SADC were from a low base during the first half of the ten year period (2007-2011) under scrutiny attaining a maximum of approximately 1 366 tons in 2011. During the second half of the ten year period (2012-2016) under examination, black tea exports from South Africa to the SADC Region were from a high base attaining a peak in 2013 at approximately 2 574 tons. It is clear from the figure that in 2016, export volumes of black tea from South Africa to the SADC Region decreased by 783 tons and that represents 72.2% decline as compared to 2015 marketing season.

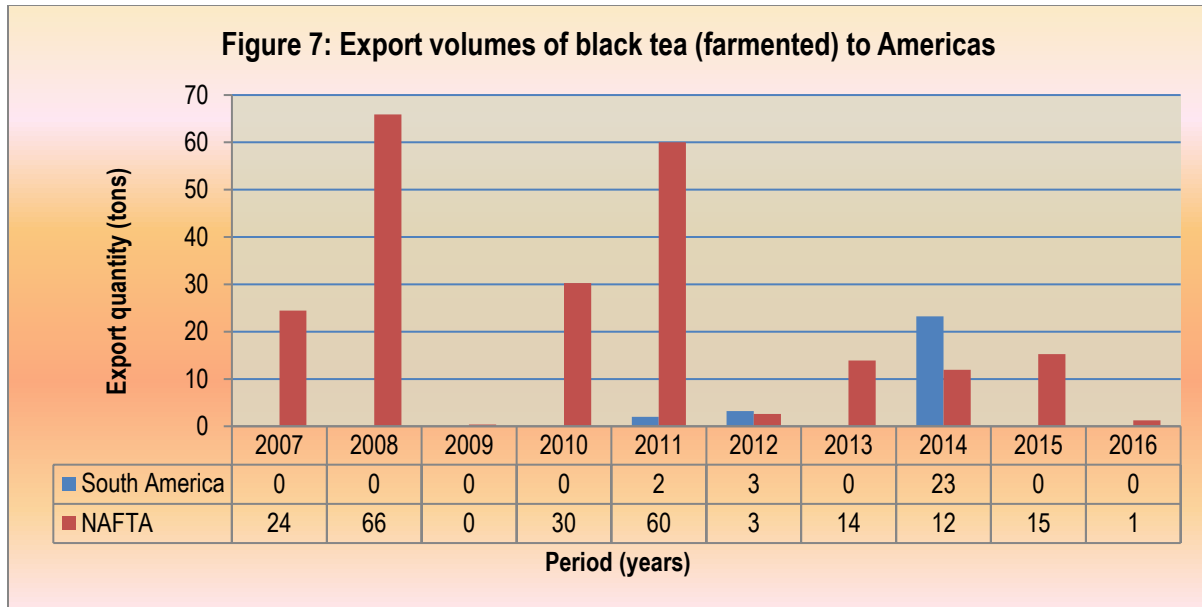
Figure 6 below illustrates volumes of black tea exports (fermented) from South Africa to the SADC Region between 2007 and 2016.



Source: Quantec EasyData

The figure further illustrates that the major export market for black tea (fermented) from South Africa to SADC was mainly Mozambique, followed by Zimbabwe and Zambia. . The figure also illustrates that export volumes of black tea from South Africa to Mozambique attained a peak in 2011 at approximately 1 059 tons, while export volumes of black tea from South Africa to Zimbabwe attained a peak in 2013 at approximately 1 465 tons. Exports volumes of black tea from South Africa to Zambia attained a peak also in 2013 at approximately 741 tons over the same period. . The figure also illustrates that in 2016, export volumes of black tea (fermented) from South Africa to Mozambique decreased by 225 tons and that represents 84% decrease as compared to 2015 marketing season.

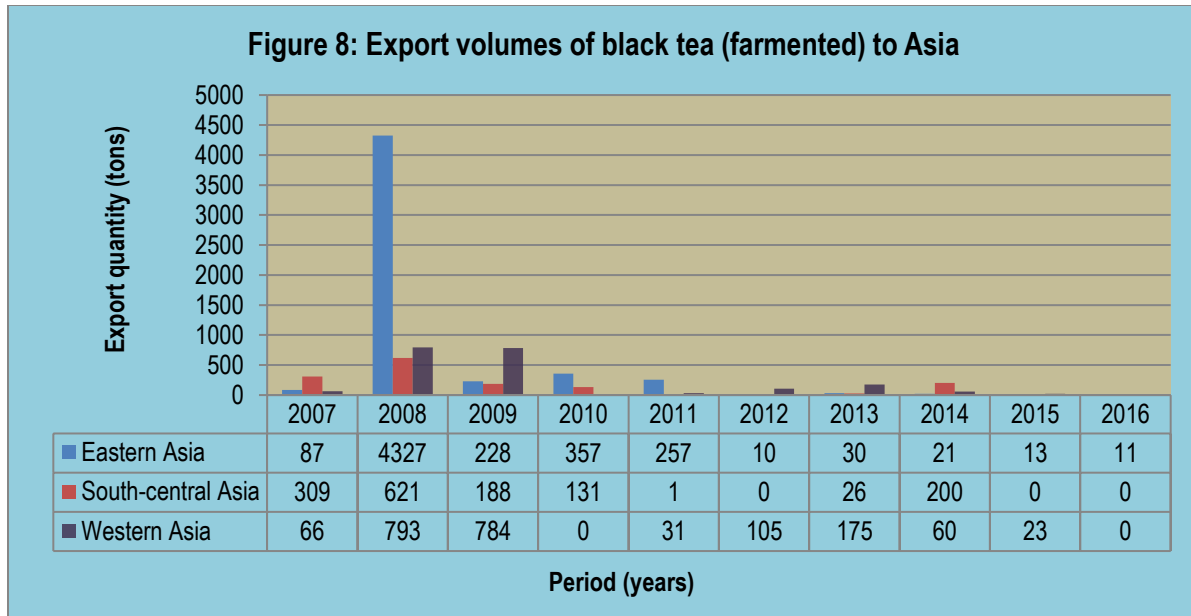
Figure 7 below depicts volumes of black tea exports (fermented) from South Africa to the Americas from 2007 to 2016.



Source: Quantec EasyData

The graph depicts that the major export market for black tea (fermented) from South Africa to Americas was NAFTA over the past decade. South America had very intermittent export volumes of black tea from South Africa over the past decade. The graph also depicts that exports of black tea from South Africa to NAFTA started to increase substantially between 2007 and 2008 by 42 tons which represent 63.6% increase and a peak was attained at approximately 66 tons in 2008. . A notable decline in exports of black tea from South Africa to NAFTA occurred in 2009 to levels of 0 tons and immediately after, a sharp increase and a surge of exports was observed in 2011. The graph also depicts that export volumes of black tea from South Africa to NAFTA also attained a peak in 2011 at approximately 60 tons. Between 2014 and 2016, exports of black tea from South Africa to NAFTA declined dramatically to low levels of about 12 and 1 tons respectively. The graph also depicts that in 2016, export volumes of black tea (fermented) from South Africa to NAFTA decreased by 14 tons and that represents 93.3% decrease as compared to 2015 marketing season.

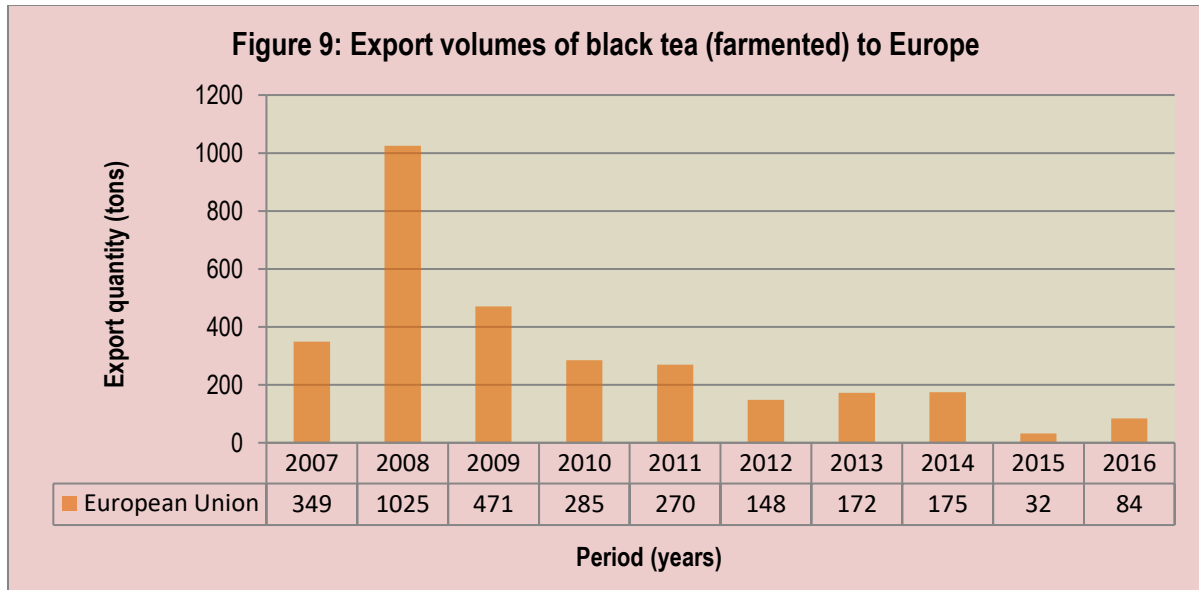
Figure 8 below shows volumes of black tea exports (fermented) from South Africa to Asia between 2007 and 2016.



Source: Quantec EasyData

The figure further shows that volumes of black tea (fermented) from South Africa to Asia were exported mainly to Eastern Asia, followed by Western Asia and South-central Asia over the past ten years (2007-2016). The figure also shows that black tea exports from South Africa to Eastern Asia attained a peak in 2008 at approximately 4 327 tons. The figure further shows that in 2007 and again between 2009 and 2016, there were very low levels of exports of black tea to all Asian markets (South-central Asia and Western Asia) of not more than 800 tons per year. The figure also shows 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 figure also shows that in 2016, export volumes of black tea from South Africa to Eastern Asia declined by 2 tons and that represents 15.4% as compared to 2015 marketing season.

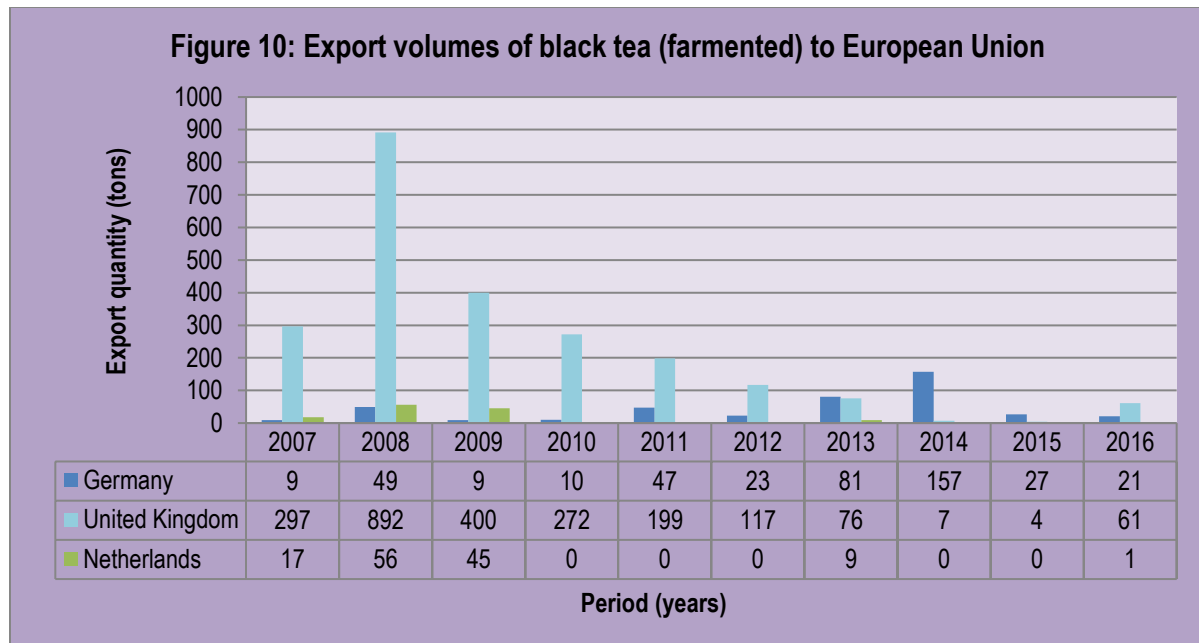
Figure 9 below depicts volumes of black tea exports (fermented) from South Africa to Europe between 2007 and 2016.



Source: Quantec EasyData

The graph depicts that during the period under scrutiny, the major export market for black tea (fermented) from South Africa to Europe was European Union with no competition from other European regions. The graph also depicts those volumes of black tea exports from South Africa to the European Union were from a high base during the first half of the ten year period (2007-2011) under review attaining a peak in 2008 at approximately 1 025 tons. It is also evident that between 2009 and 2012, exports of black tea from South Africa to European Union generally experienced a gentle decline that led to low export volumes of black tea (fermented) of about 148 tons in 2012. In 2013, exports of black tea (fermented) from South Africa to European Union saw a slight increase of about 24 tons as compared to 2012 marketing season. The graph further depicts that in 2016, export volumes of black tea from South Africa to the European Union increased by 52 tons and that represents 162.5% increase as compared to 2015 marketing season.

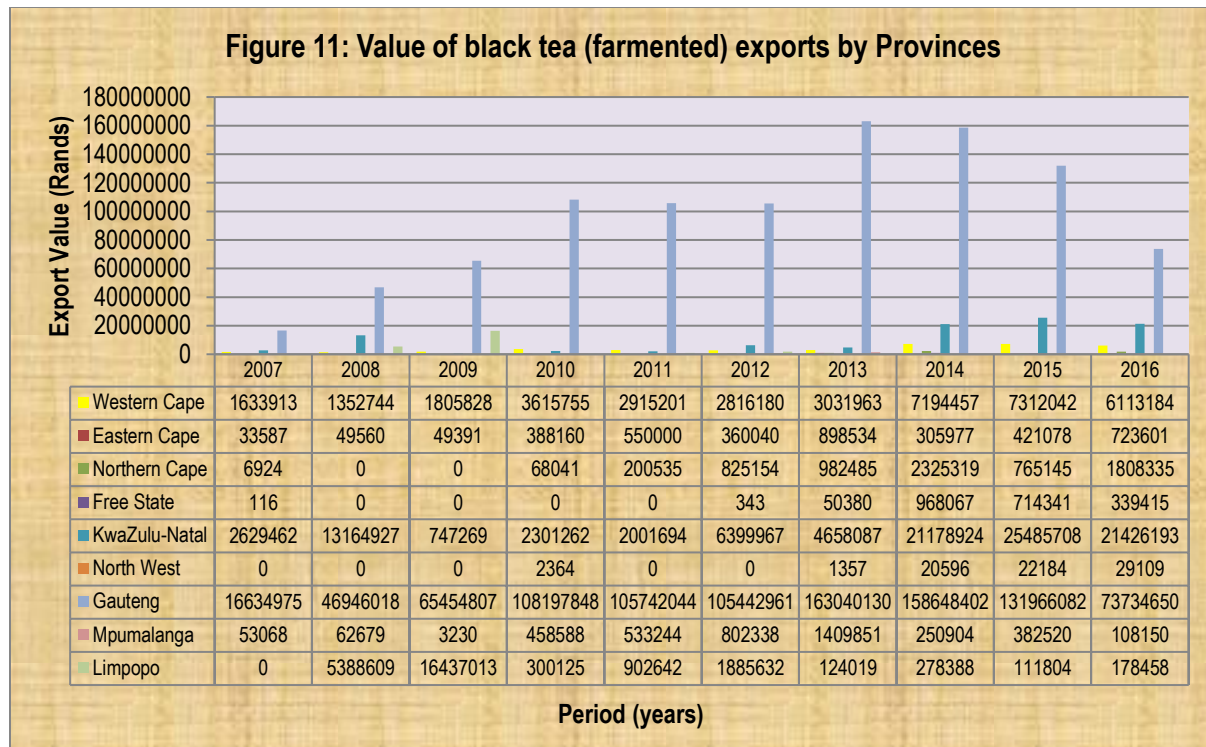
Figure 10 below illustrates volumes of black tea exports (fermented) from South Africa to the European Union between 2007 and 2016.



Source: Quantec EasyData

The graph illustrates that the major export market for black tea (fermented) from South Africa to the European Union was United Kingdom with very small quantities going to countries such as Germany and Netherlands over the past decade. The graph also illustrates that exports volumes of black tea from South Africa to United Kingdom were from a high base during the first half of the ten year period (2007-2011) under review attaining a peak in 2008 at about 892 tons. During the second half of the ten year period (2012-2016), export volumes of black tea from South Africa to the United Kingdom were from a low base attaining maximum of 117 tons in 2012. Between 2009 and 2015, there was a steady decline in exports of black tea (fermented) from South Africa to the United Kingdom to lower levels of about 4 tons per annum in 2015. It is clear from the graph that in 2016, export volumes of black tea from South Africa to the United Kingdom substantially increased by 57 tons and that represents 1 425% increase as compared to 2015 marketing season.

Figure 11 below depicts value of black tea (fermented) exports by Provinces of South Africa to the world between 2007 and 2016.

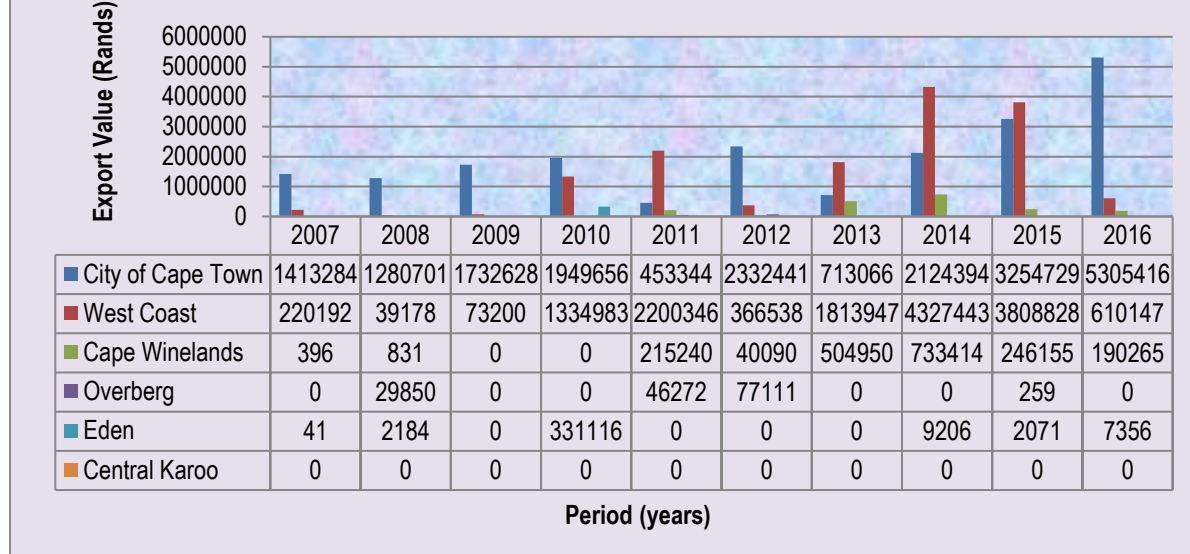


Source: Quantec EasyData

Over the past decade, the graph further depicts that the major role players of black tea (fermented) exports in South Africa during this period was Gauteng Province, followed by Western Cape and KwaZulu-Natal Provinces. It is evident from the graph that exports of black tea from Gauteng Province to the world were from a low base during the first half of the ten year period (2007-2011) under scrutiny attaining a peak in 2010 at approximately R108 million. During the second half of the period under review, exports of black tea from Gauteng Province to the world were from a high base attaining a peak in 2013 at approximately R163 million. Exports of black tea from Western Cape Province to the world attained a peak in 2015 at an export value of approximately R7.3 million, while exports of black tea from KwaZulu-Natal Province to the world also attained a peak in 2015 at an export value of approximately R25.4 million. The figure further depicts that in 2016, export value of black tea from Gauteng Province to the world decreased at approximately 44.1% as compared to 2015 marketing season.

Figure 12 below depicts value of black tea (fermented) exports by Western Cape Province to the world between 2007 and 2016.

**Figure 12: Value of black tea (farmented) exports by Western Cape Province**

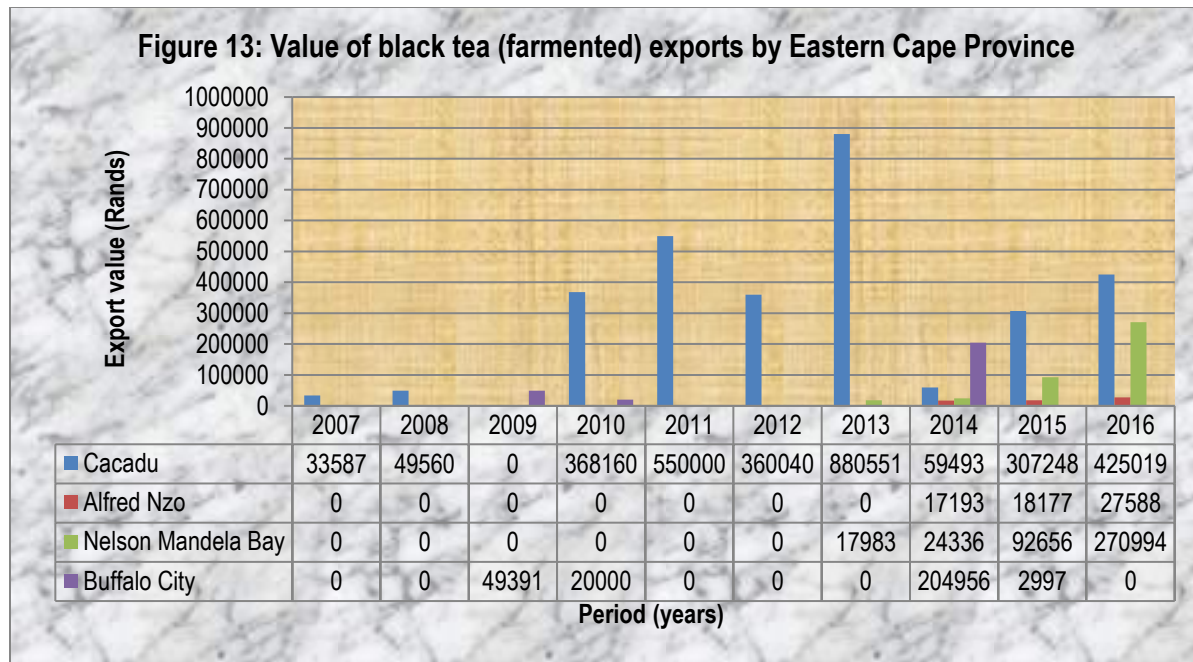


Source: Quantec EasyData

The graph further indicates that the major role players of black tea (fermented) exports from the Western Cape Province to the world was City of Cape Town Metro Municipality, followed by West Coast, Cape Winelands and Eden District Municipalities over the past decade. It is evident from the graph that exports of black tea from City of Cape Town Metro Municipality to the world were from a high base during the first half of the ten year period (2007-2011) under scrutiny attaining a maximum in 2010 at approximately R1.9 million. During the second half of the period under review, exports of black tea from City of Cape Town Metro Municipality to the world were from a low base attaining a maximum peak in 2016 at approximately R5.3 million. Exports of black tea from West Coast District to the world also attained a peak in 2014 at an export value of approximately R4.3 million, while exports of black tea from Eden District to the world also attained a peak in 2010 at an export value of approximately R331 116. Cape Winelands attained a peak in 2014 at an export value of approximately R733 414. The figure further indicates that in 2016, export value of black tea from the City of Cape Town Metropolitan Municipality to the world increased significantly at approximately 63% as compared to 2015 marketing season.

Figure 13 below depicts value of black tea (fermented) exports by Eastern Cape Province to the world between 2007 and 2016.

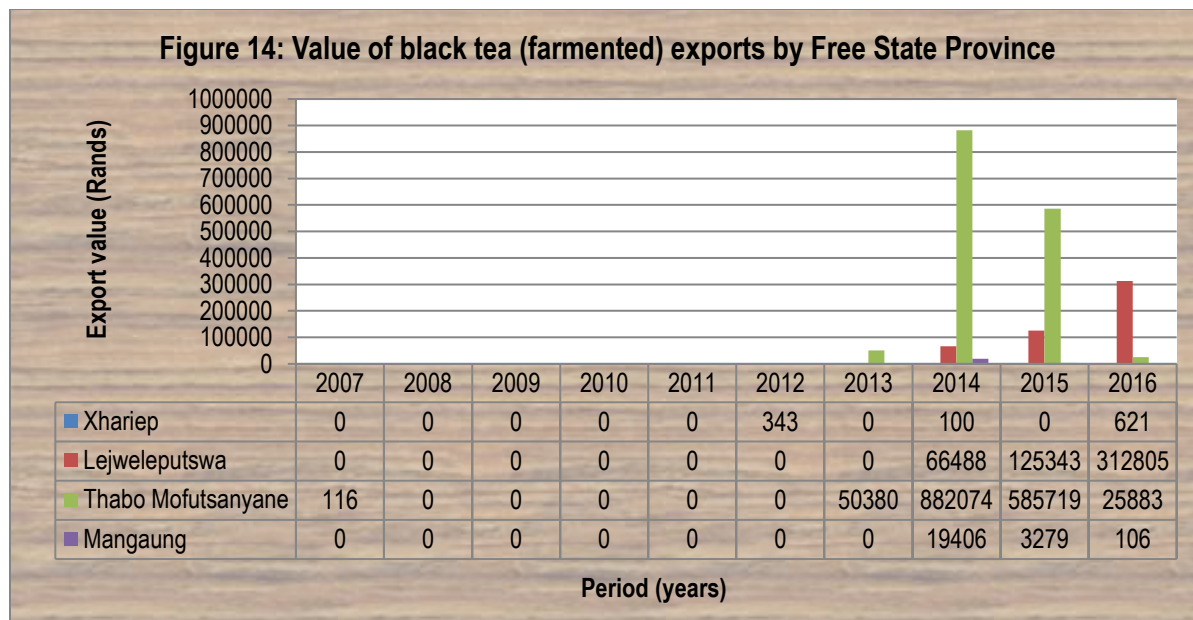




Source: Quantec Easy Data

Over the past decade, the graph further shows that the major role players of black tea exports from the Eastern Cape Province to the world was Cacadu District Municipality, followed by Nelson Mandela Bay and Buffalo City Metro Municipalities. It is evident from the graph that exports of black tea from Cacadu District Municipality to the world were from a low base during the first half of the ten year period (2007-2011) under scrutiny attaining a peak in 2011 at approximately R550 000. During the second half of the period under review, exports of black tea from Cacadu District Municipality to the world were from a high base attaining a peak in 2013 at approximately R880 552. Exports of black tea from Nelson Mandela Metro to the world attained a peak in 2016 at an export value of approximately R270 994, while exports of black tea from Buffalo city to the world attained a peak in 2014 at an export value of approximately R204 956. The figure further shows that in 2016, export value of black tea from Cacadu District Municipality to the world increased significantly at approximately 38.3% as compared to 2015 marketing season.

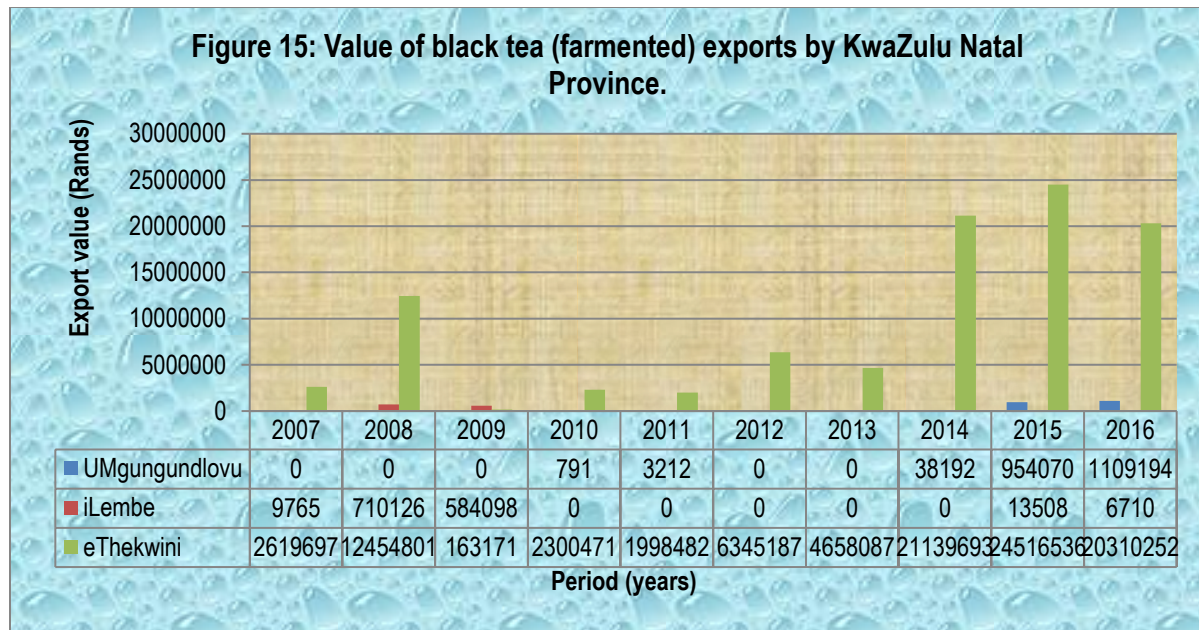
Figure 14 below depicts value of black tea (fermented) exports by Free State Province to the world between 2007 and 2016.



Source: Quantec EasyData

During the past decade, the graph further illustrates that the major role players of black tea exports from the Free State Province to the world was Thabo Mofutsanyane District Municipality, followed by Lejweleputswa District Municipality. It is evident from the graph that exports of black tea from Thabo Mofutsanyane District Municipality to the world were from a low base during the first half of the ten year period (2007-2011) under scrutiny attaining a peak in 2007 at approximately R116. During the second half of the period under review, exports of black tea from Thabo Mofutsanyane District Municipality to the world were from a high base attaining a peak in 2014 at approximately R882 074. Exports of black tea from Lejweleputswa District municipality to the world attained a peak also in 2016 at an export value of approximately R312 805. Exports of black tea from Xhariep and Mangaung District Municipalities had very low levels of black tea exports to the world over the same period of not more than R19 500 per annum. The figure further illustrates that in 2016, exports value of black tea from Thabo Mofutsanyane District Municipality to the world decreased significantly at approximately 95.6% as compared to 2015 marketing season.

Figure 15 below depicts value of black tea (fermented) exports by KwaZulu-Natal Province to the world between 2007 and 2016.

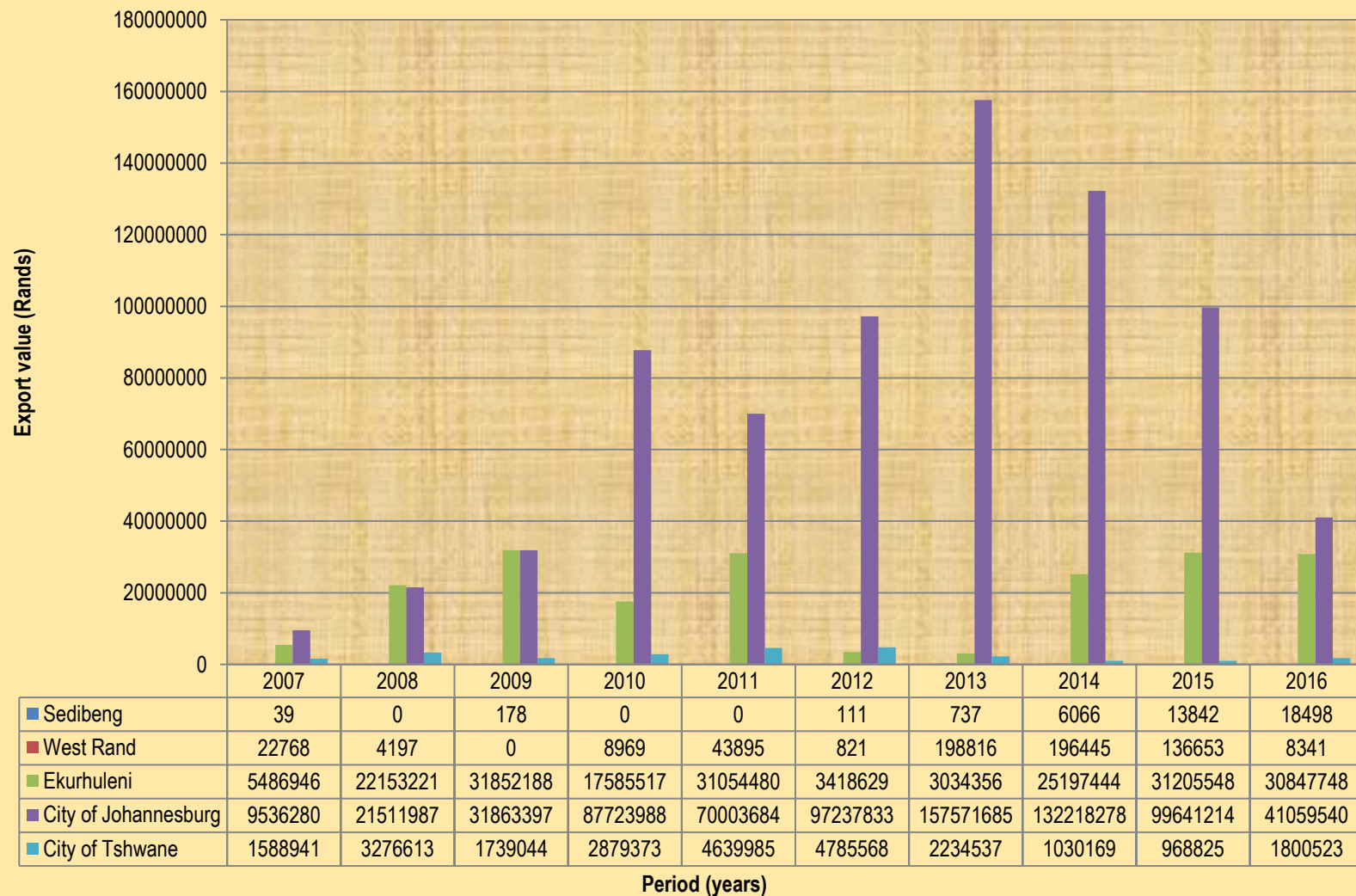


Source: Quantec EasyData

The graph further illustrates that the major role players of black tea exports from KwaZulu-Natal Province to the world was eThekweni Metro Municipality, followed by iLembe and UMgungundlovu District municipality over the past decade. It is evident from the graph that exports of black tea from eThekweni Metro Municipality to the world were from a low base during the first half of the ten year period (2007-2011) under scrutiny attaining a maximum of approximately R19.9 million in 2011. During the second half of the period under review, exports of black tea from eThekweni Metro Municipality to the world were from a high base attaining a peak in 2015 at approximately R24.5 million. Exports of black tea from iLembe District Municipality to the world attained a maximum of approximately R584 098 also in 2009. UMgungundlovu District Municipality attained a peak in 2016 at approximately R1.1 million. The figure further illustrates that in 2016, exports of black tea from UMgungundlovu District Municipality to the world increased at approximately 16.3% as compared to 2015 marketing season. The figure further illustrates that in 2016, exports of black tea from eThekweni Metro Municipality to the world decreased significantly at approximately 17.2% as compared to 2015 marketing season.

Figure 16 below indicates value of black tea (fermented) exports by Gauteng Province to the world between 2007 and 2016.

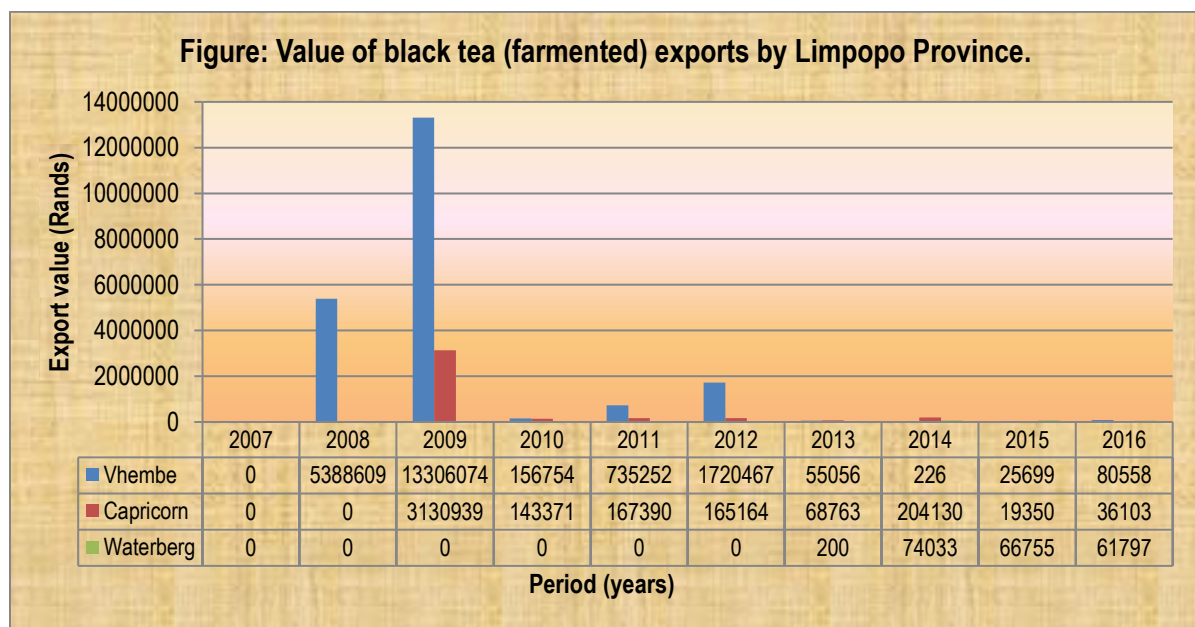
**Figure: Value of black tea (farmented) exports by Gauteng Province.**



Source: Quantec EasyData

The graph further indicates that the major role player of black tea (fermented) exports from Gauteng Province to the world was City of Johannesburg Metro Municipality, followed by Ekurhuleni and Tshwane Metropolitan municipalities over the past decade. It is evident from the graph that exports of black tea from City of Johannesburg Metro Municipality to the world were from a low base during the first half of the ten year period (2007-2011) under scrutiny attaining a maximum of approximately R87.7 million in 2010. During the second half of the period under review, exports of black tea from City of Johannesburg Metro Municipality to the world were from a high base attaining a peak in 2013 at approximately R157 million. Exports of black tea from Ekurhuleni Metro municipality to the world attained a peak in 2009 and 2015 at an export value of approximately R31.5 million and R31.2 million respectively. Tshwane Metropolitan, Sedibeng and West Rand District Municipalities had very low levels of black tea exports to the world over the same period of not more than R4.8 million per annum. The figure further indicates that in 2016, exports value of black tea from City of Johannesburg Metro Municipality to the world slightly decreased at approximately 58.8% as compared to 2015 marketing season.

Figure 17 below depicts value of black tea (fermented) exports by Limpopo Province to the world between 2007 and 2016.

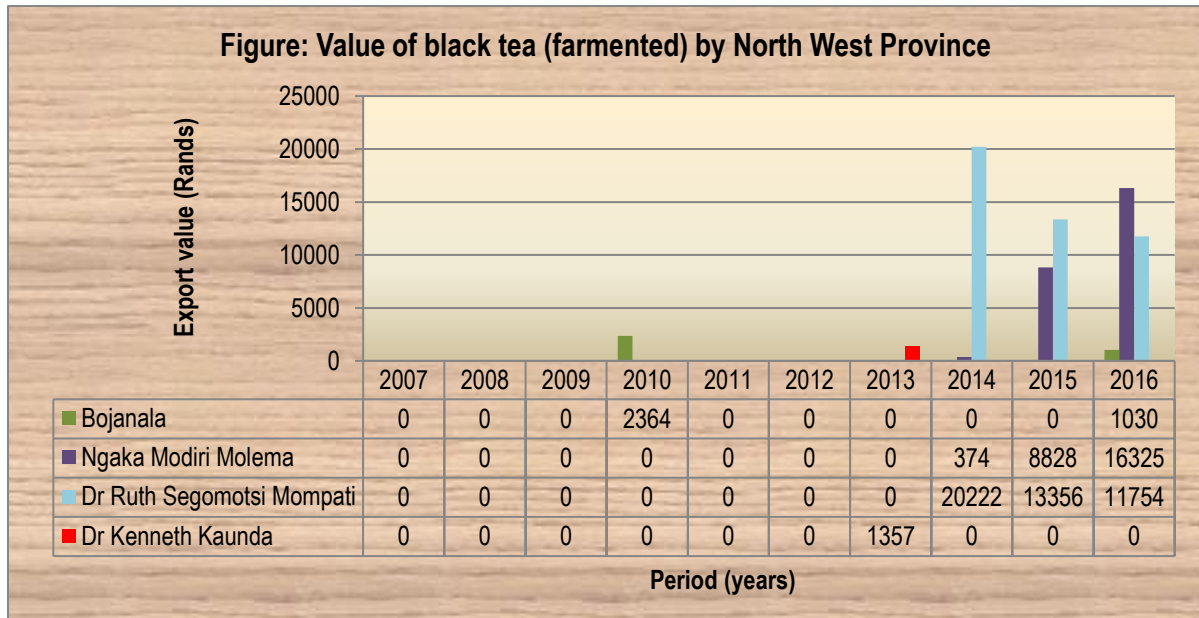


Source: Quantec EasyData

Over the past decade, the graph further illustrates that the major role players of black tea (fermented) exports from Limpopo Province to the world was Vhembe District Municipality, followed by Capricorn District municipality. Waterberg District Municipality had very low levels of black tea exports to the world over the same period of not more than R75 000 per annum. It is evident from the graph that exports of black tea from Vhembe District Municipality to the world were from a high base during the first half of the ten year period (2007-2011) under scrutiny attaining a peak in 2009 at approximately R13.3 million. During the second half of the period under review, exports of black tea from Vhembe District Municipality to the world were from a low base attaining a maximum of approximately R1.7 million in 2012. Exports of black tea from Capricorn District Municipality to the world attained a peak also in 2009 at an export value of approximately R3.1 million. Exports of black tea from Vhembe District

Municipality to the world reached the minimum of R256 in 2014. The figure further illustrates that in 2016, exports value of black tea from Vhembe District Municipality to the world increased significantly at approximately 213.5% as compared to 2015 marketing season.

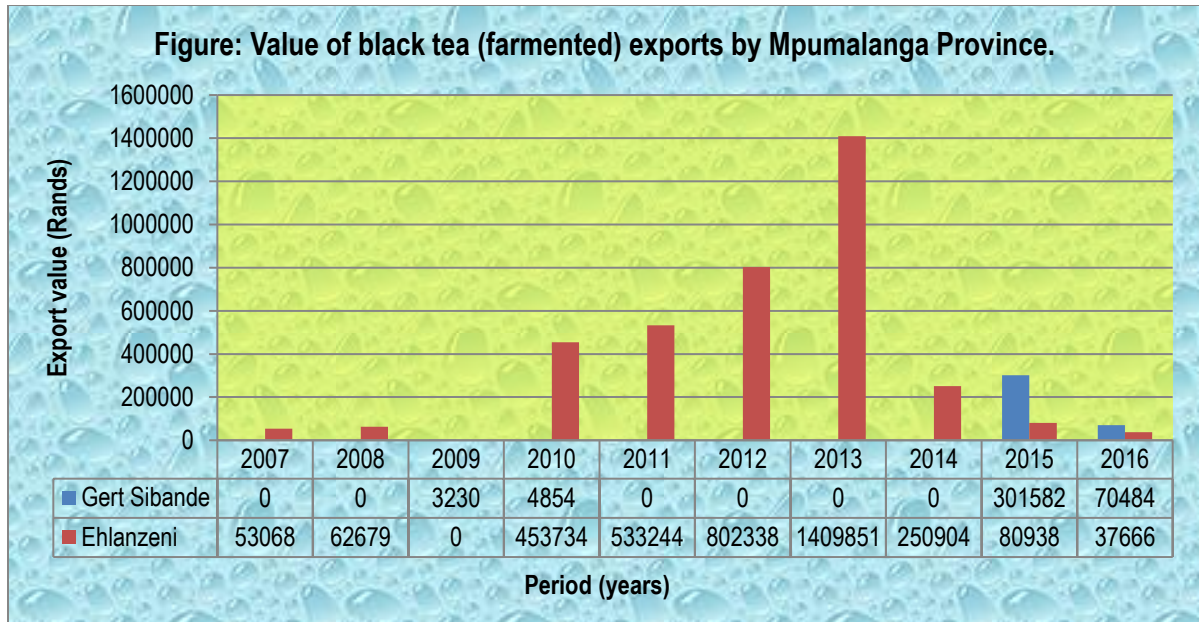
Figure 18 below shows value of black tea (fermented) exports by North West Province to the world between 2007 and 2016.



Source: Quantec EasyData

The graph further shows that the major role players of black tea (fermented) exports from North West Province to the world was Dr Ruth Segomotsi Mompoti, followed by Ngaka Modiri Molema District Municipality and Bojanala District Municipalities over the past decade. Dr. Kenneth Kaunda District Municipality had very low levels of black tea exports to the world over the same period of not more than R1 357. It is evident from the graph that there were no exports of black tea from Ngaka Modiri Molema District Municipality and Dr Ruth Segomotsi Mompoti to the world during the first half of the ten year period (2007-2011). During the second half of the period under review, exports of black tea from Ngaka Modiri Molema District Municipality to the world were from a low base attaining a peak in 2016 at approximately R16 325. Exports of black tea from Dr. Ruth Segomotsi Mompoti District municipality to the world attained a peak also in 2014 at an export value of approximately R20 222. Exports of black tea from Bojanala District Municipality to the world attained a peak in 2010 at an export value of approximately R2 364. The figure further shows that in 2016, exports value of black tea from Dr Ruth Segomotsi Mompoti to the world decreased significantly at approximately 12% as compared to 2015 marketing season.

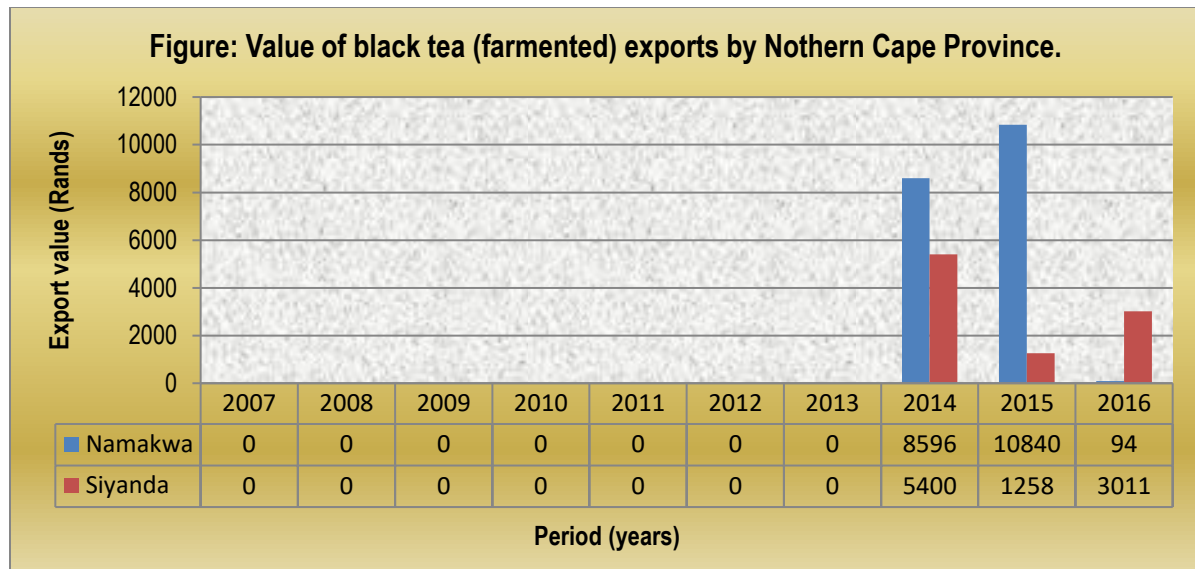
Figure 19 below depicts value of black tea (fermented) exports by Mpumalanga Province to the world between 2007 and 2016.



Source: Quantec EasyData

Over the past decade, the graph further illustrates that the major role players of black tea (fermented) exports from Mpumalanga Province to the world was Ehlanzeni District Municipality, followed by very low levels of black tea exports from Gert Sibande and Nkangala District Municipalities. It is evident from the graph that exports of black tea from Ehlanzeni District Municipality to the world were from a low base during the first half of the ten year period (2007-2011) and not more than R534 000 per annum. During the second half of the period under review, exports of black tea from Ehlanzeni District Municipality to the world were from a high base attaining a peak in 2013 at approximately R1.4 million. The figure further illustrates that in 2016, exports value of black tea from Ehlanzeni District Municipality to the world declined negatively at approximately 53.5% as compared to 2015 marketing season.

Figure 20 below indicates value of black tea (fermented) exports by Northern Cape Province to the world between 2007 and 2016.



Source: Quantec EasyData

The graph further indicates that the major role players of black tea (fermented) exports from Northern Cape Province to the world was Namakwa District Municipality, followed by very low / intermittent exports from Siyanda District Municipality over the past decade. It is evident from the graph that exports of black tea from Namakwa and Siyanda District Municipalities to the world were from a low base during the first half of the ten year period (2007-2011) under scrutiny declining by 100%. During the second half of the period under review, exports of black tea from Namakwa District Municipality to the world were from a high base attaining a peak in 2015 at approximately R10 840. Exports of black tea from Siyanda District municipality to the world attained a peak also in 2014 at an export value of approximately R5 400. The figure further indicates that in 2016, exports value of black tea from Namakwa District Municipality to the world decreased dramatically at approximately 99.1% as compared to 2015 marketing season.

### 3.1 Share Analysis

Table 1 below indicates the share of provincial exports into South African black tea (fermented) exports in percentages over the past decade. The table further indicates that between 2007 and 2016, Gauteng Province commanded the greatest share of black tea exported by South Africa to the world.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Provinces</b>										
Western Cape	7.78	2.02	2.14	3.14	2.58	2.38	1.74	3.76	4.37	5.85
Eastern Cape	0.16	0.07	0.06	0.34	0.49	0.30	0.52	0.16	0.25	0.69
Northern Cape	0.03	0.00	0.00	0.06	0.18	0.70	0.56	1.22	0.46	1.73
Free State	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.51	0.43	0.32
KwaZulu-Natal	12.53	19.66	0.88	2.00	1.77	5.40	2.67	11.08	15.24	20.51
North West	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.03
Gauteng	79.24	70.11	77.46	93.81	93.71	88.96	93.60	82.99	78.94	70.59



Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Provinces</b>										
Mpumalanga	0.25	0.09	0.00	0.40	0.47	0.68	0.81	0.13	0.23	0.10
Limpopo	0.00	8.05	19.45	0.26	0.80	1.59	0.07	0.15	0.07	0.17

Source: Calculated from Quantec Easy Data

Table 2 below depicts the share of district black tea (fermented) exports to the total Western Cape Province black tea exports in percentages between 2007 and 2016. The table further depicts that between 2007 and 2016, City of Cape Town Metro municipality and West Coast 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 (fermented) exports to the total Western Cape Province black tea exports (%)**

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Districts</b>										
City of Cape Town	86.50	94.67	95.95	53.92	15.55	82.82	23.52	29.53	44.51	86.79
West Coast	13.48	2.90	4.05	36.92	75.48	13.02	59.83	60.15	52.09	9.98
Cape Winelands	0.02	0.06	0.00	0.00	7.38	1.42	16.65	10.19	3.37	3.11
Overberg	0.00	2.21	0.00	0.00	1.59	2.74	0.00	0.00	0.00	0.00
Eden	0.00	0.16	0.00	9.16	0.00	0.00	0.00	0.13	0.03	0.12

Source: Calculated from Quantec Easy Data

Table 3 below 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 2007 and 2016, Cacadu District commanded the greatest share of black tea exported by South Africa to the world.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Districts</b>										
Cacadu	100	100	0.00	94.85	100	100	98.00	19.44	72.97	58.74
Alfred Nzo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.62	4.32	3.81
Nelson Mandela Bay	0.00	0.00	0.00	0.00	0.00	0.00	2.00	7.95	22.00	37.45
Buffalo City Metro	0.00	0.00	100	5.15	0.00	0.00	0.00	66.98	0.71	0.00

Source: Calculated from Quantec Easy Data

Table 4 below indicates the share of district black tea (fermented) exports to the total KwaZulu-Natal Province black tea exports in percentages between 2007 and 2016. The table further indicates that

between 2007 and 2016, eThekweni 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 (fermented) exports to the total KwaZulu-Natal Province black tea exports (%)**

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Districts</b>										
UMgungundlovu District	0.00	0.00	0.00	0.03	0.16	0.00	0.00	0.18	3.74	5.18
iLembe District	0.37	5.39	78.16	0.00	0.00	0.00	0.00	0.00	0.05	0.03
eThekweni Metro	99.63	94.61	21.84	99.97	99.84	100.00	100.00	99.81	96.20	94.79

Source: Calculated from Quantec Easy Data

Table 5 below illustrates the share of district black tea (fermented) exports to the total Gauteng Province black tea exports in percentages over the past decade. The table further illustrates that between 2007 and 2016, the City of Johannesburg Metropolitan municipality commanded the greatest share of black tea exported by South Africa to the world during the period under scrutiny.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Districts</b>										
Sedibeng District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.03
West Rand District	0.14	0.01	0.00	0.01	0.04	0.00	0.12	0.12	0.10	0.01
Ekurhuleni Metro	32.98	47.19	48.66	16.25	29.37	3.24	1.86	15.88	23.65	41.84
City of Johannesburg Metro	57.33	45.82	48.68	81.08	66.20	92.22	96.65	83.34	75.51	55.69
City of Tshwane Metro	9.55	6.98	2.66	2.66	4.39	4.54	1.37	0.65	0.73	2.44

Source: Calculated from Quantec Easy Data

Table 6 below depicts the share of district black tea (fermented) exports to the total Limpopo Province black tea exports in percentages between 2007 and 2016. The table further depicts that between 2007 and 2016, Vhembe and Capricorn District Municipalities commanded the greatest share of black tea exported by South Africa to the world during the period under review.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>District</b>										
Vhembe District	0.00	100.00	80.95	52.23	81.46	91.24	44.39	0.08	22.99	45.14
Capricorn	0.00	0.00	19.05	47.77	18.54	8.76	55.45	73.33	17.31	20.23

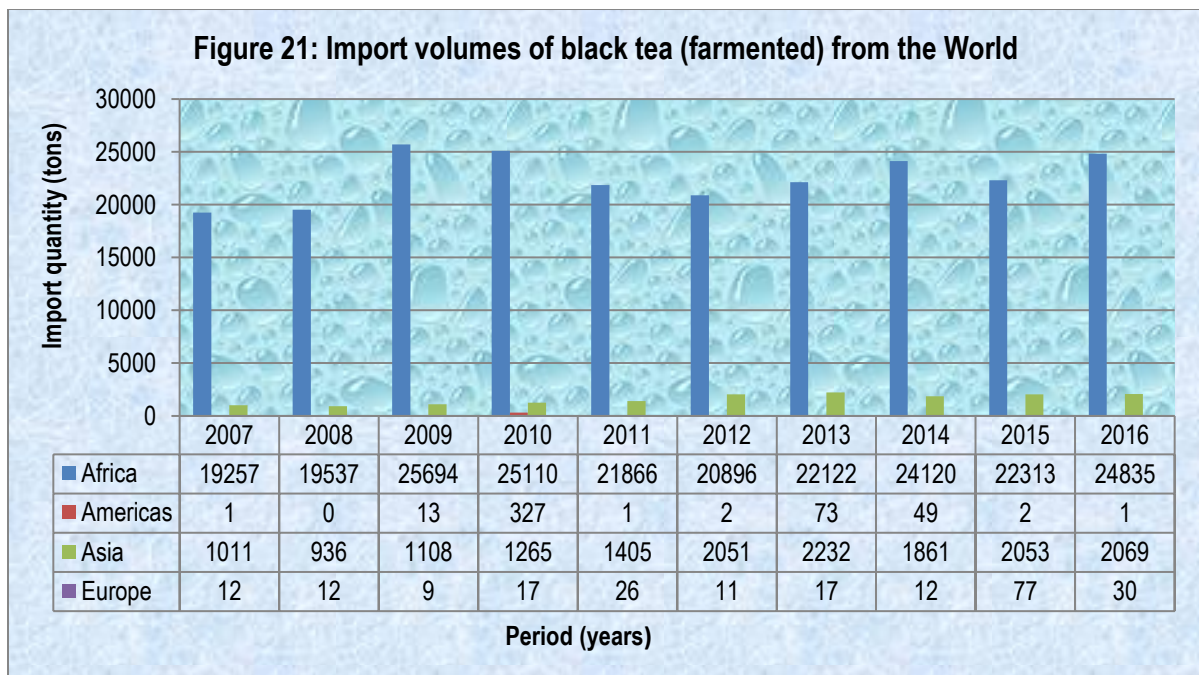
Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District										
District										
Waterberg District	0.00	0.00	0.00	0.00	0.00	0.00	0.16	26.59	59.71	34.63

Source: Calculated from Quantec Easy Data

#### 4. IMPORTS OF BLACK TEA

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

Figure 21 below shows volumes of black tea imports (fermented) from various regions of the world to South Africa over the past ten years.

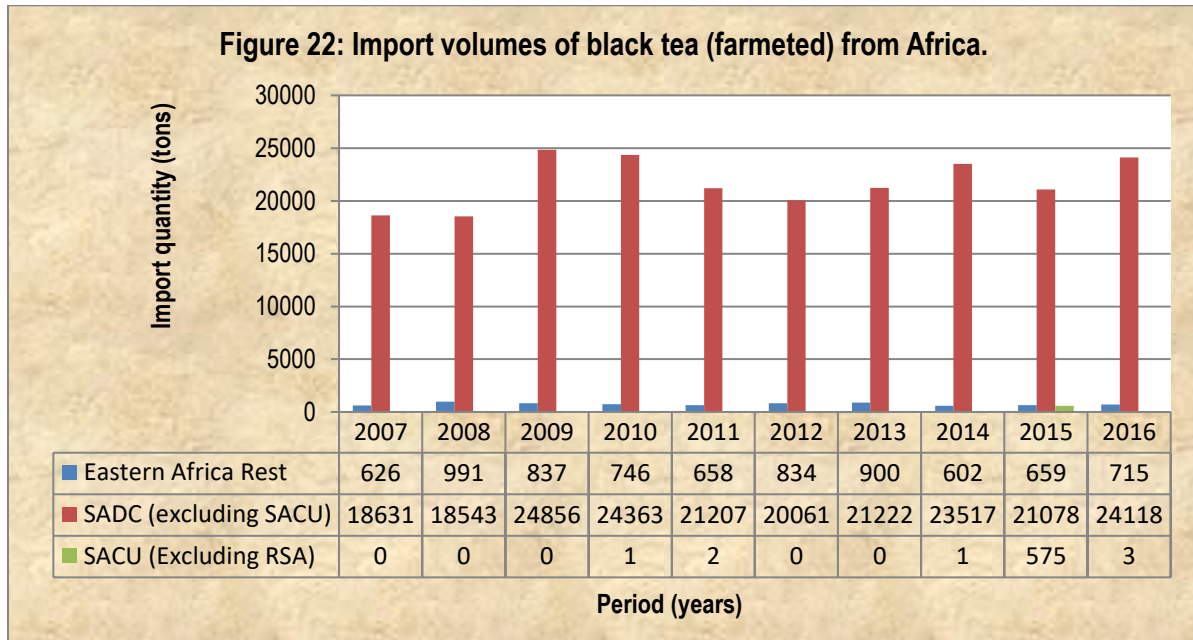


Source: Quantec EasyData

The graph further shows that South Africa imports its black tea (fermented) from four regions of the world with greater import volumes derived from the African Region, followed by small import volumes from Asia, Americas and Europe. It is evident on the graph that imports of black tea from Africa into South Africa on average were high throughout the ten year period under review attaining a peak in 2009 and 2010 at approximately 25 694 and 25 110 tons respectively. During 2016, imports of black

tea from Africa into South Africa saw a slight increase to 24 835 tons and that represents 11.3% increase as compared to 2015 marketing season.

Figure 22 below depicts volumes of black tea imports (fermented) from Africa into South Africa between 2007 and 2016.

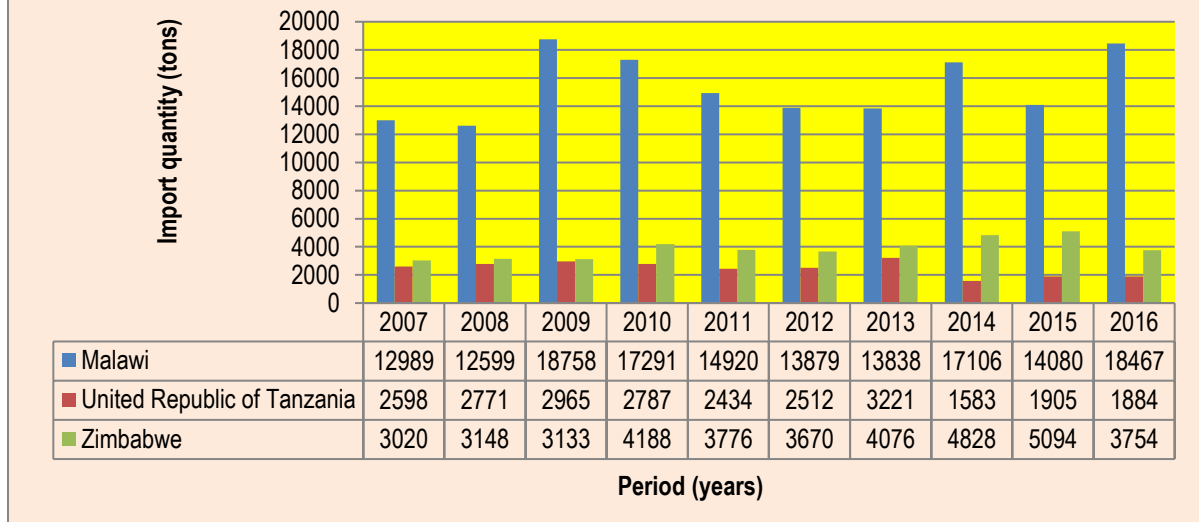


Source: Quantec EasyData

The figure further depicts that South Africa imports its black tea (fermented) from Africa with greater import volumes derived from the SADC Region excluding SACU, followed by very intermittent volumes from Eastern Africa Rest and SACU excluding South Africa. It is evident on the figure that imports of black tea from SADC into South Africa on average were high throughout the ten year period under review attaining a peak in 2009, 2010 and 2016 at approximately 24 856, 24 363 and 24 118 tons respectively. During 2015, imports of black tea from SADC excluding SACU into South Africa saw a slight decrease of about 2 439 tons and that represents 10.4% decline as compared to 2014 marketing season. It is clear from the figure that black tea imports from SADC into South Africa inclined by 14.4% in 2016 as compared to 2015 marketing season.

Figure 23 below illustrates volumes of black tea imports (fermented) from the SADC region into South Africa between 2007 and 2016.

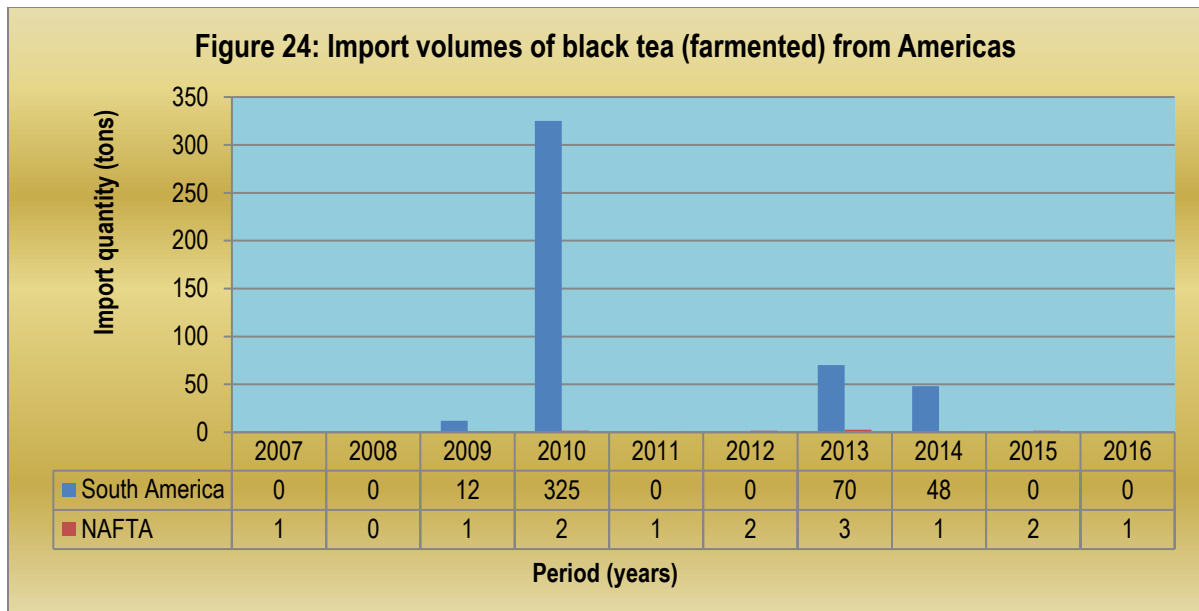
**Figure 23: Import volumes of black tea (fermented) from SADC excluding SACU**



Source: Quantec EasyData

The graph further illustrates that within SADC Region, Malawi was the major import market for black tea (fermented) from South Africa, followed by Zimbabwe and United Republic of Tanzania over the past decade. The figure also illustrates that imports of black tea from Malawi into South Africa on average were high throughout the ten year period attaining a peak in 2009 and 2016 at approximately 18 758 and 18 467 tons respectively. The figure further illustrates that imports of black tea from Malawi into South Africa also experienced a peak in 2010 and 2014 at approximately 17 291 and 17 106 tons respectively. The analysis also illustrates that the imports of black tea (fermented) from Malawi into South Africa increased by 4 387 tons in 2016 which represents approximately 31.2% increase as compared to the 2015 marketing season.

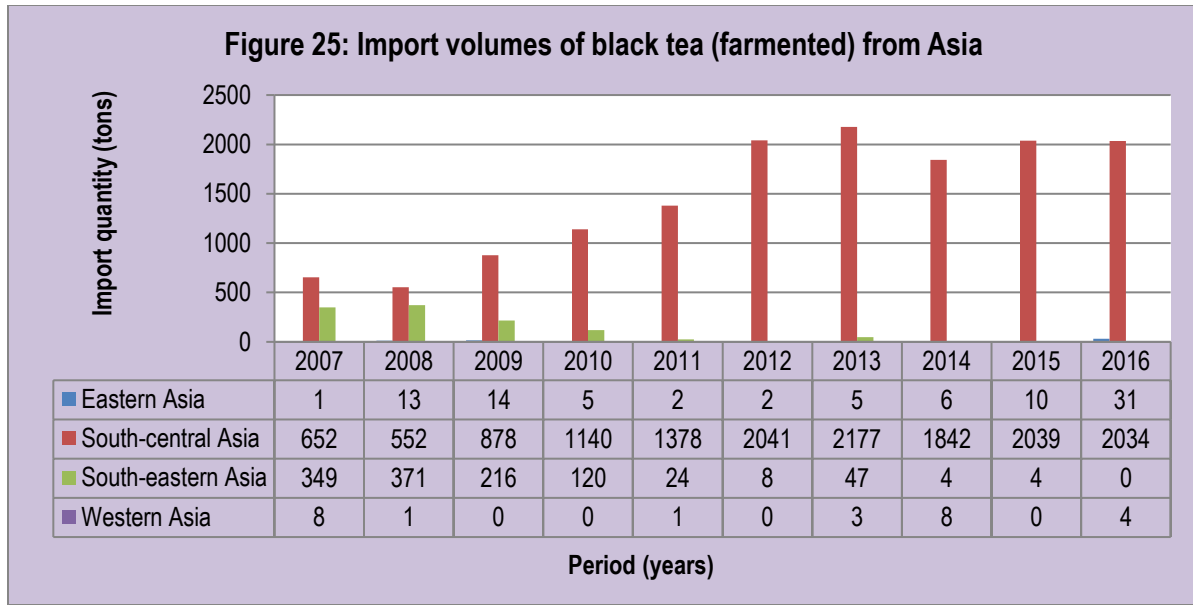
Figure 24 below shows volumes of black tea imports (fermented) from Americas into South Africa over a ten year period.



Source: Quantec EasyData

The graph further shows that the major import market for black tea (whether or not flavoured) from Americas into South Africa was mainly South America, with very low or minimal import volumes from NAFTA during the period under scrutiny. The graph also shows that imports of black tea from South America into South Africa were from a low base during the first half of the ten year period (2007-2011) attaining a maximum of 325 tons in 2010. During the second half of the ten year period (2012-2016) imports of black tea from South America into South Africa were from a high base attaining a peak in 2013 at an import quantity of about 70 tons. The graph further shows that over the past decade, imports of black tea from NAFTA into South Africa were very low and not more than 3 tons per annum. Between 2007 and 2008, 2011 and 2012, and again between 2015 and 2016, there were no imports of black tea from South America into South Africa. In 2014, there was a decrease in imports of black tea from South America into South Africa of about 22 tons, while in 2015 imports of black tea from South America into South Africa declined to levels of about 0 tons. The analysis also shows that the imports of black tea from South America into South Africa in 2016 were 0 tons and there was no change in imports as compared to 2015 marketing year.

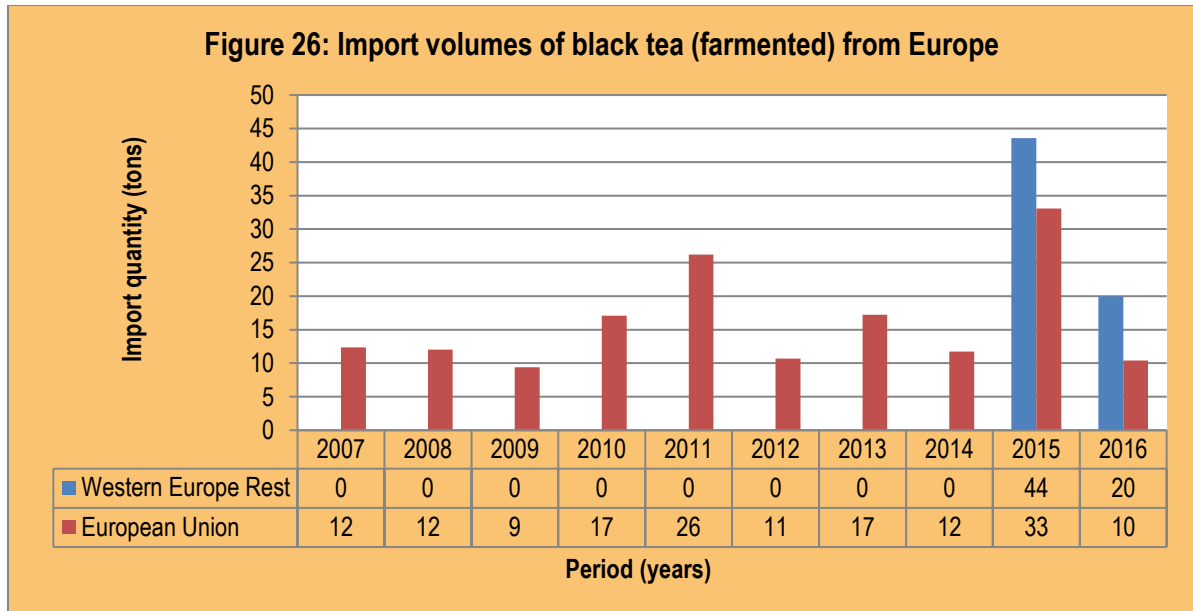
Over the past decade, Figure 25 below depicts volumes of black tea imports (fermented) from Asia into South Africa.



Source: Quantec EasyData

The figure further depicts that the major import market for black tea from Asia into South Africa over the past decade was South-central Asia, followed by South-eastern Asia and very low or intermittent imports from Eastern and Western Asia. The figure also depicts that imports of black tea from South-central Asia into South Africa were from a low base during the first half of the ten year period (2007-2011) under examination attaining a maximum in 2011 at approximately 1 378 tons. During the second half of the ten year period (2012-2016), imports of black tea from South-central Asia into South Africa were from a high base attaining a peak in 2012 and 2013 at approximately 2 041 and 2 177 tons respectively. Imports of black tea from South-eastern Asia into South Africa attained its peak in 2008 at approximately 371 tons over the same period. The figure also depicts that in 2015, imports of black tea from South-central Asia into South Africa experienced a slight increase by 197 tons as compared to 2014 marketing season. The figure further depicts that in 2016, the slight decrease in import volumes of black tea from South-central Asia into South Africa by 5 tons represents approximately 0.2% decline as compared to 2015 marketing season.

Figure 26 below indicates volumes of black tea imports (fermented) from Europe into South Africa between 2007 and 2016.



Source: Quantec EasyData

The figure further indicates that the major import supplier of black tea (fermented) from Europe into South Africa was European Union, with no competition from the other European regions. The figure also indicates that imports of black tea from European Union into South Africa were from a low base during the first half of the ten year period (2007-2011) under review attaining a maximum of about 26 tons in 2011. During the second half of the ten year period (2012-2016), imports of black tea from European Union into South Africa attained a peak in 2011 at approximately 33 tons. It is clear that Western Europe started to import black tea into South Africa in 2015 and attained a peak of 44 tons. Imports of black tea from European Union into South Africa experienced substantial declines in 2009 and 2016 to lower levels of about 9 and 10 tons respectively. During 2015, imports of black tea from European Union into South Africa experienced a considerable increase of about 21 tons as compared to the previous year. The figure further indicates that in 2016, imports of black tea from European Union into South Africa declined by 23 tons and that represents 69.7% decrease as compared to 2015 marketing season.

## 5. MARKET VALUE CHAIN

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





## **6. PROCESSING**

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

### **6.1 Tea Picking and Harvesting**

In most tea-producing countries, the labour-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 labour 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 flavour.

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 colour. 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.

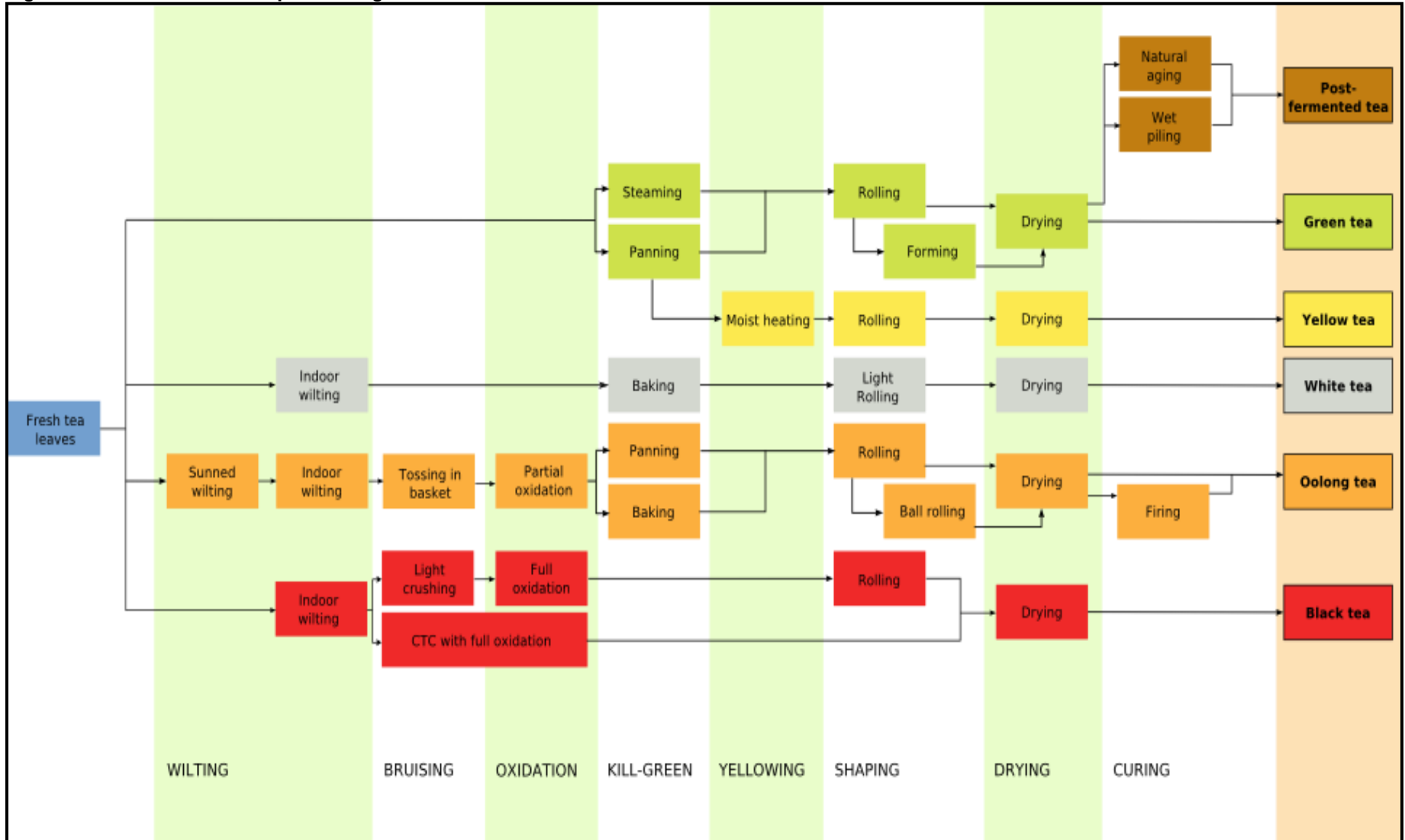
### **6.2.2 Fermenting**

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 colour 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 turn 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 27: Flow chart of Tea processing



## 7. MARKET INTELLIGENCE

Table 7: List of importing markets for black tea exported by South Africa in 2016

Importers	Trade Indicators							Average tariff (estimated) faced by South Africa (%)
	Value exported in 2016 (USD thousand)	Share in South Africa's exports (%)	Quantity exported in 2016(tons)	Unit value (USD/unit)	Growth in exported value between 2012-2016 (% , p.a.)	Growth in exported quantity between 2012-2016 (% , p.a.)	Growth in exported value between 2015-2016 (% , p.a.)	
World	7147	100	1619	4414	-16	-28	-47	
Namibia	1681	23.5	377	4459	-11	-28	-4	0
Lesotho	1548	21.7	241	6423	21	-14	-27	0
Botswana	1395	19.5	287	4861	-9	-15	-50	0
Swaziland	841	11.8	276	3047	-2	-35	57	0
Zimbabwe	548	7.7	170	3224	-31	-25	-83	0
Mozambique	270	3.8	43	6279	-32	-41	-81	0
United Kingdom	235	3.3	61	3852	-27	-40	1858	0
Zambia	233	3.3	64	3641	-37	-32	-74	0
Germany	140	2	21	6667	-42	-2		0
Malawi	48	0.7	16	3000	-29	-21	-45	15
Japan	35	0.5	10	3500	-15	-1	0	6.5
Korea, Republic of	29	0.4	3	9667	118	32	12	40
United States of America	28	0.4	14	2000	33	84	-88	0

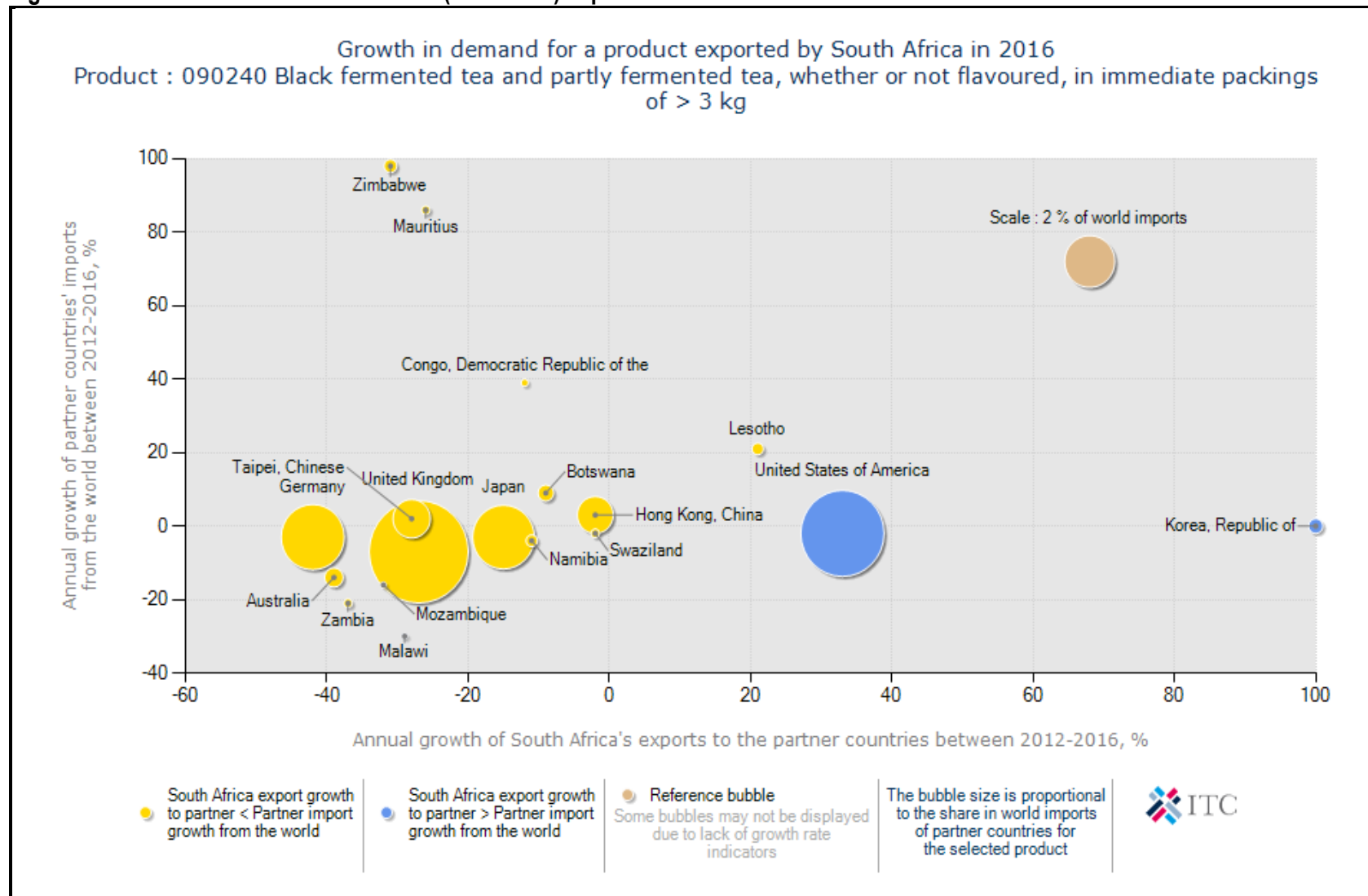
Hungary	23	0.3	1	23000				0
Hong Kong, China	16	0.2	2	8000	-2	0	300	0
Congo, Democratic Republic of the	10	0.1	4	2500	-12	4	-71	20
	10	0.1	14	714				0
Mauritius	8	0.1	3	2667	-26	-8	-81	0
Australia	7	0.1	2	3500	-39	0		0
Taipei, Chinese	7	0.1	1	7000	-28	-16		18.7

Source: ITC Trade Map

Table 7 shows the list of importing countries for black tea exported by South Africa to the world in 2016. The table further shows that during the period under review, Namibia, Lesotho and Botswana were the biggest import markets for black tea from South Africa. The table also shows that South Africa exported a total of 1 619 tons of black tea to the world, and this means that South Africa imported black tea worth 7 147 USD. The table also shows that in world terms, South Africa's exports of black tea to Lesotho have increased in value but decreased in quantity respectively by 21% and 14% between 2012 and 2016. The table further shows that in world terms, South Africa's exports of black tea to Namibia have also decreased both in value and quantity respectively by 11% and 28% between 2012 and 2016.

During 2016 export season, Namibia's share in South Africa's exports of black tea accounted for 23.5% of the total black tea exports originating from South Africa, followed by Lesotho with 21.7%, Botswana at 19.5% respectively. The table also shows that in terms of access to various international markets for South African black tea, countries such as India and Malawi heavily protect their black tea industries with high tariffs ranging between 10% *ad valorem* to 100% *ad valorem*.

**Figure 28: Growth in demand for black tea (fermented) exported from South Africa in 2016**



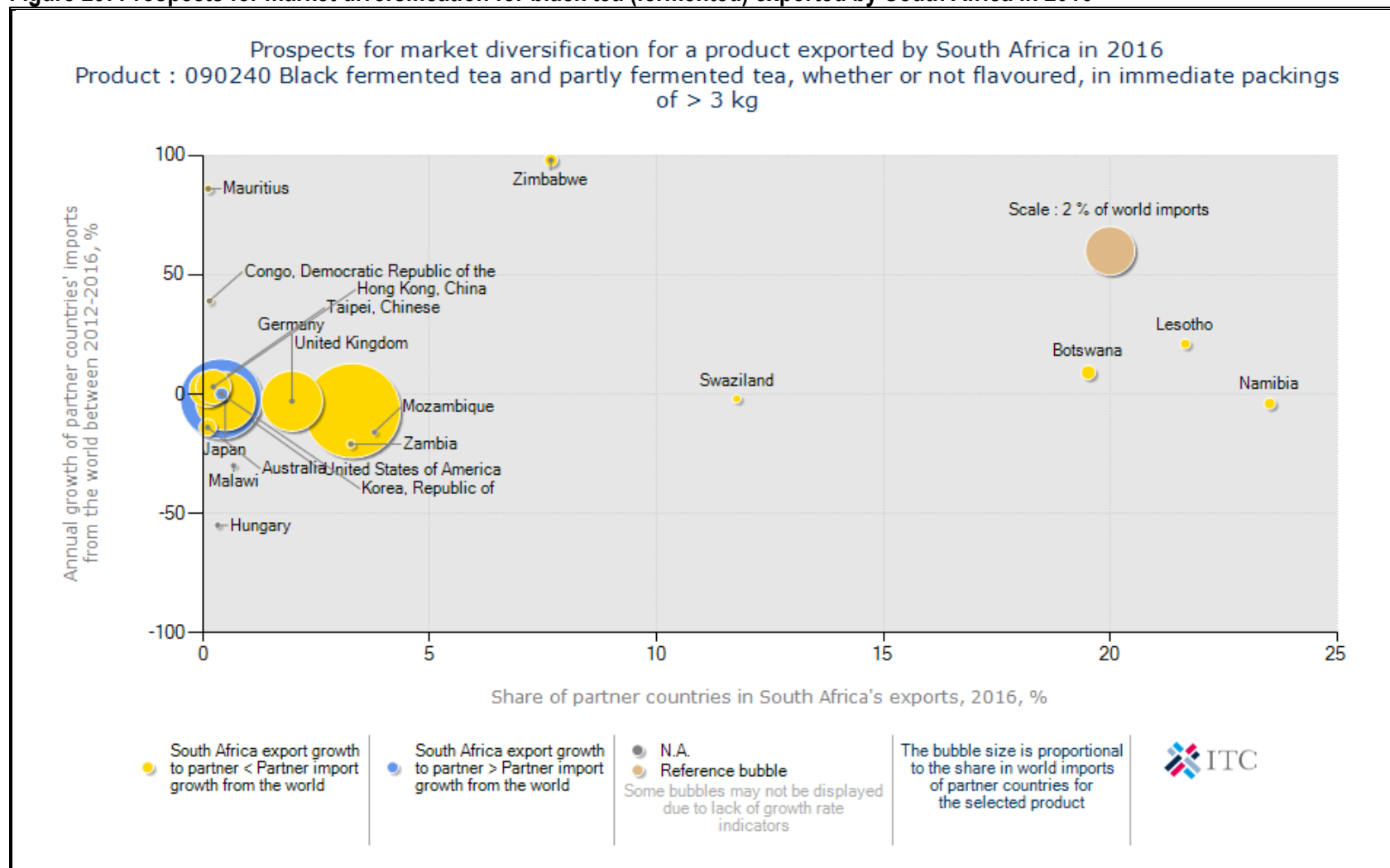
Source: ITC Trade Map

Figure 28 indicates growth in demand for black tea exported from South Africa to the world in 2016. The bubble graph further indicates that during 2016, United Kingdom, Lesotho, Botswana and Namibia the largest import markets for black tea from South Africa. However, South Africa's exports of black tea to Botswana decreased negatively both in value and quantity by 9% and 15% respectively. It is also evident that South Africa's exports of black tea to the Lesotho increased in value by 21% and decreased in quantity by 14% during the same period under review.

The table further indicates that South Africa's annual growth of black tea exports to Republic of Korea grew by 118% in a dynamic market. South Africa's black tea exports to United States of America also grew by 33% but in a declining market while South Africa's black tea exports growth of 21% to Lesotho was in a potential market between 2012 and 2016. South Africa's black tea exports to Democratic republic of Congo decreased by 12% in the dynamic but the quantity increased by 4% of the same period under review. Overall South Africa experienced a decline in value and quantity of 16% and 28% respectively of black tea exported to the world between 2012 and 2016.



**Figure 29: Prospects for market diversification for black tea (fermented) exported by South Africa in 2016**



Source: ITC Trade Map

Figure 29 depicts prospects for market diversification of black tea exported by South Africa to the world during 2016. The bubble graph further depicts that United States of America, Germany, Ghana, Japan and China were the biggest markets for black tea exports from South Africa in 2016. The bubble graph also depicts that if South Africa had to diversify its exports of black tea to other export markets, small but attractive markets exist in Swaziland, Zambia, Botswana, Namibia and Lesotho during the period under examination.

Namibia, Lesotho and Botswana have increased their share in South Africa's black tea exports during 2016 at approximately 23.5%, 21.7% and 19.5% respectively. Other options but small markets for South Africa's black tea exports exist in Congo, Malawi and Korea over the same period (2016) under examination.

**Table 8: List of supplying markets for black tea (fermented) imported by South Africa in 2016**

Exporters	Trade indicators								Average tariff (estimated) applied by South Africa (%)
	Value imported in 2016 (USD thousand)	Share in South Africa's imports (%)	Quantity imported in 2016	Unit value (USD/unit)	Growth in imported value between 2012-2016 (% p.a.)	Growth in imported quantity between 2012-2016 (% p.a.)	Growth in imported value between 2015-2016 (% p.a.)	Concentration of all importing countries of partner countries	
World	50,649	100	27,680	1,830	-2	3	6		
Malawi	26,842	53	18,518	1,450	0	6	19	0.24	0
Sri Lanka	7,863	15.5	2,035	3,864	-1	0	2	0.06	7.4
Zimbabwe	4,823	9.5	3,761	1,282	0	4	-23	0.46	0
Tanzania, United Republic of	4,306	8.5	1,884	2,286	-16	-10	32	0.13	0
Kenya	2,319	4.6	715	3,243	-8	-7	23	0.22	7.4
China	1,509	3	423	3,567	-5	-8	-42	0.06	7.4
Poland	607	1.2	40	15,175	24	24	33	0.08	0
Taipei, Chinese	333	0.7	35	9,514	45	-8	-47	0.26	7.4
India	308	0.6	56	5,500	9	18	13	0.08	7.4
Israel	302	0.6	44	6,864	165	117	2,417	0.41	7.4
United Arab Emirates	254	0.5	38	6,684	22	25	-76	0.3	7.4
United Kingdom	232	0.5	12	19,333	-9	-30	23	0.11	0

Russian Federation	192	0.4	20	9,600				0.19	7.4
Germany	141	0.3	12	11,750	15	6	5	0.07	0
United States of America	130	0.3	7	18,571	8	14	225	0.33	7.4
Switzerland	111	0.2	20	5,550	315		-10	0.27	7.4
Singapore	91	0.2	1	91,000	-14	-38	-23	0.07	7.4
Netherlands	77	0.2	10	7,700	-36	-34	-9	0.14	0
Japan	64	0.1	2	32,000	52		3,100	0.2	7.4
Indonesia	27	0.1	4	6,750	-29	-13		0.07	7.4

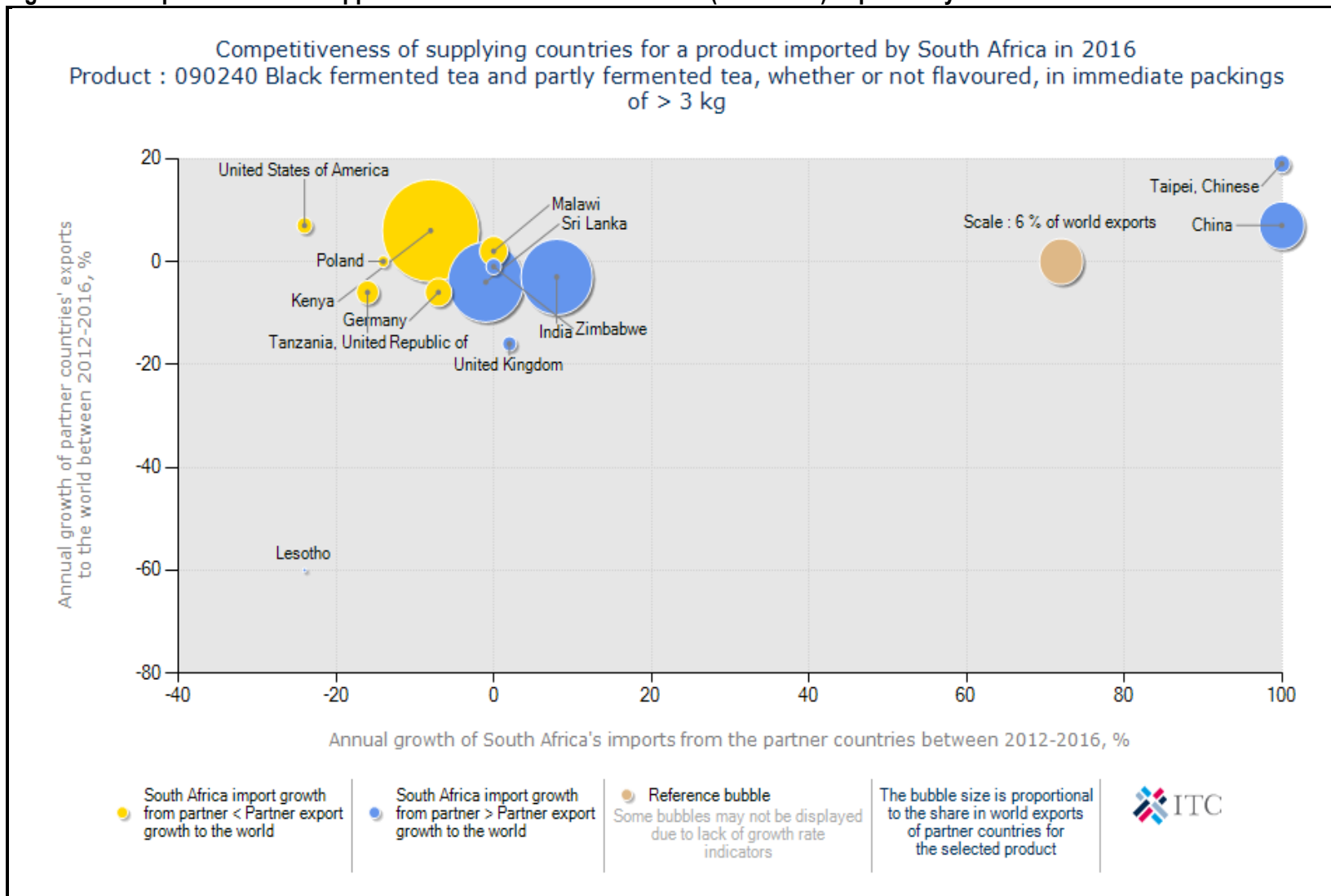
Source: ITC Trade Map and MacMap

Table 8 above clearly illustrates the list of supplying markets for black tea imported by South Africa during 2016. The table further illustrates that South Africa is a net importer of black tea as it imported a total of 27 680 tons worth approximately USD50 649 during the period under scrutiny. In world terms, imports of black tea from Malawi into South Africa have increased by an average of 0% in value and increased in volume terms by 6% between 2012 and 2016. During the period under review, black tea imports from the world into South Africa originated mainly from Malawi, Sri Lanka, Zimbabwe and United Republic of Tanzania. The table also illustrates that during 2016, Malawi commanded the greatest market share of 53%, Sri Lanka at 15.5%, Zimbabwe commanded 9.5% and Tanzania at 8.5%.

Other small markets for black tea imports from the world into South Africa during 2016 were Kenya, China, Poland and Taipei, Chinese. Of importance to note is that imports of black tea originating from Switzerland into South Africa have increased both in value and quantity at 315% and 0% respectively between 2012 and 2016. Those imports originating from Israel into South Africa have also increased both in value and quantity by 165% and 117% respectively over the same period. Black tea imports originating from United Republic of Tanzania into South Africa have experienced a decline negatively in value and quantity at 16% and 10% between 2012 and 2016. The table further illustrates that black tea imports originating from Poland into South Africa have experienced an increase of 24% in both value and volume terms over the same period under scrutiny.

The table further indicates that Malawi, United Republic of Tanzania, Zimbabwe and Poland have duty-free access to the South African black tea market in 2016. An ad valorem tariff of between 10 and 100% is applied to black tea originating from countries such as Sri Lanka, Kenya, UAE, China, India and Taipei, Chinese during 2016 marketing season.

**Figure 30: Competitiveness of suppliers to South Africa for black tea (fermented) imported by South Africa in 2016**



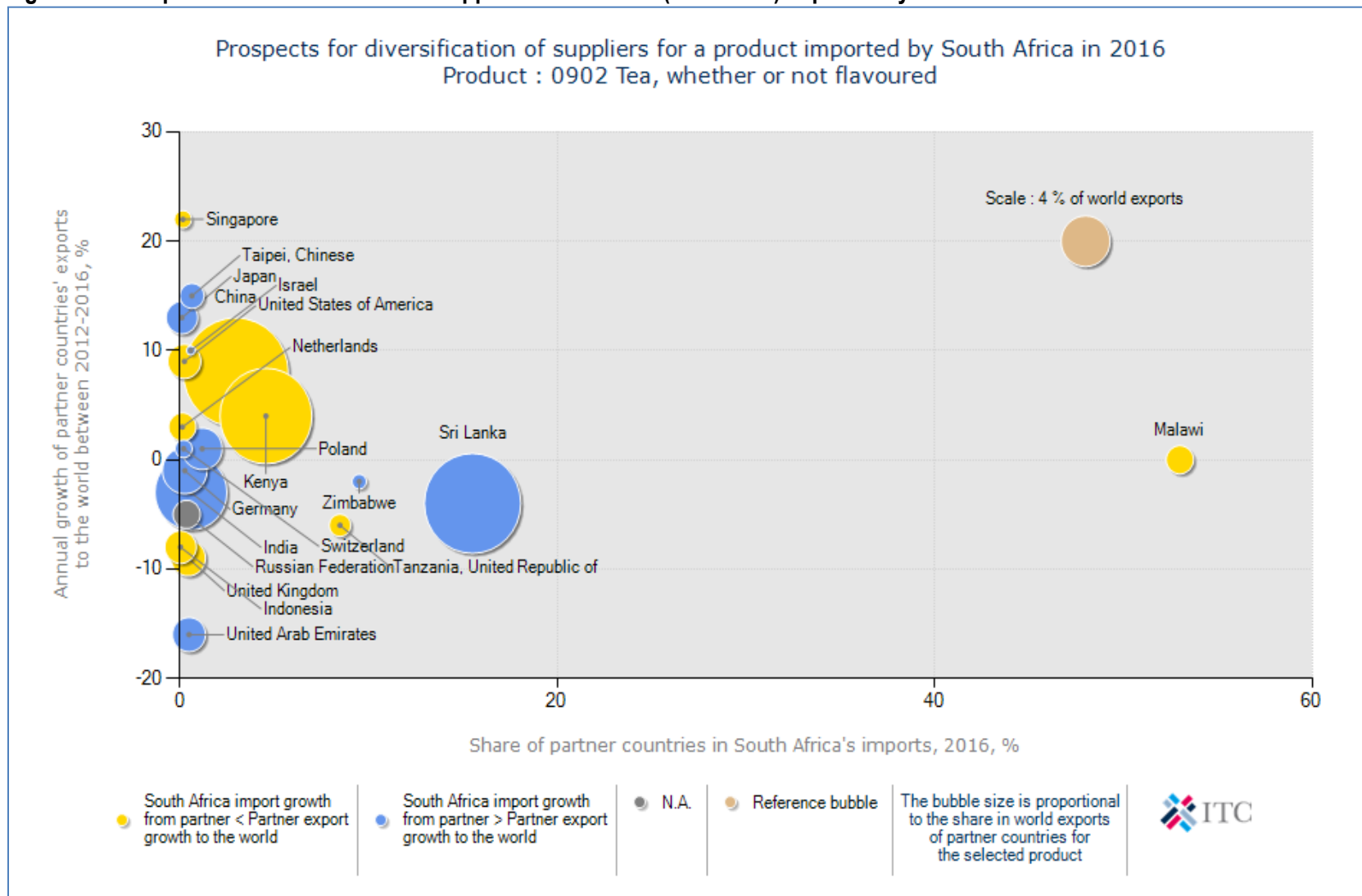
Source: ITC Trade Map

Figure 30 shows competitiveness of suppliers to South Africa for black tea imported by South Africa during 2016. The bubble graph further shows that Kenya, Malawi, Tanzania and United States of America were the biggest markets for black tea imported by South Africa during the period under review. The bubble graph also shows that Switzerland was the most competitive supplier of black tea to South Africa with an annual growth of South Africa's imports of 315% with high unit value of 5 550 US Dollars between 2012 and 2016.

Israel was the second most competitive supplier of black tea to South Africa with 117% annual growth of South Africa's imports, followed by Japan and Taipei, Chinese at 52% and 45% annual growth of South Africa's imports respectively during the same period under review.

Conversely to the above, imports value of black tea from Kenya and Tanzania, United Republic of into South Africa declined substantially by 8% and 16% respectively, while Israel exports of black tea to the rest of the world experienced an increase at approximately 165% during 2016. Imports of black tea originating from China (one of the biggest suppliers of black tea) to South Africa have declined negatively in value and volume terms by 5% and 8% respectively between 2012 and 2016.

**Figure 31: Prospects for diversification of suppliers of black tea (fermented) imported by South Africa in 2016**



Source: ITC Trade Map



Figure 31 indicates prospects for diversification of suppliers for black tea imported by South Africa during 2016. The bubble graph further indicates that Kenya, China and United State of America were the biggest suppliers of black tea from the world into South Africa during 2016. The graph also indicates that if South Africa has to diversify its suppliers of black tea, small but attractive markets exist in Malawi, Israel, Taipei, Chinese, Switzerland even though during 2016 marketing season, 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. It is important to also note that South Africa applies a tariff of approximately between 10% and 40%% to black tea imports originating from the above mentioned countries in an effort to protect the domestic industry. Other small markets (in world terms) for black tea exist in Zimbabwe, Japan and Poland.

## 8. MARKET ACCESS

**Table 9: Tariffs applied by various importing markets/ countries to black tea (fermented) exports from Rep of South Africa in 2016**

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
Mozambique	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	20.00%	20.00%
		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%
		Preferential tariff for SADC countries	0.00%	0.00%
Pakistan	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	11.00%	11.00%
Zambia	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	25.00%	25.00%
		Preferential tariff for South Africa	0.00%	0.00%
USA	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	0.00%	0.00%
Zimbabwe	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	40.00%	40.00%
		Preferential tariff for SADC (for South Africa)	0.00%	0.00%

IMPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		Preferential tariff for South Africa)	30.00\$/Ton	0.60%
Netherlands	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	0.00%	0.00%
China	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	15.00%	15.00%
Germany	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	0.00%	0.00%
Angola	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	10.00%	10.00%
Brazil	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	10.00%	10.00%
Tanzania, United Republic of	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	25.00%	25.00%
		Preferential tariff for South Africa	0.00%	0.00%
Democratic Republic of Congo	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	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 9 above shows tariffs that are applied by various import markets of the world to black tea exported by South Africa during 2016. The table further shows that India is the most difficult markets to penetrate for black tea from South Africa as they apply tariffs of between 100% during 2016. The table

also shows that Zimbabwe, Zambia, Tanzania, DRC, and Mozambique are the most difficult markets to penetrate for black tea from other world countries as they apply tariffs of between 10.00% and 40.00% during 2016.

**Table 10: Tariffs applied by RSA to black tea (fermented) from various regions of the world in 2015**

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
Malawi	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02300.02\$/Ton	OQTR: 8.438.43%
		Preferential tariff for SADC countries	0.00%	0.00%
Mozambique	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.438.43%
		Preferential tariff for SADC countries	0.00%	0.00%
Pakistan	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02300.02\$/Ton	OQTR: 8.438.43%
Zambia	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02300.02\$/Ton	OQTR: 8.438.43%
		Preferential tariff for SADC countries	0.00%	0.00%
Spain	Tea, whether or not flavoured: Other black tea (fermented) and	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
	other partly fermented tea	Preferential tariff for European Union countries	0.00%	0.00%
United Kingdom	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
		Preferential tariff for European Union countries	0.00%	0.00%
Germany	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
		Preferential tariff for European Union countries	0.00%	0.00%
India	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
Netherlands	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
		Preferential tariff for European Union countries	0.00%	0.00%
Russian Federation	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
Tanzania,	Tea, whether or not	MFN duties	30.00%	30.00%

EXPORTING COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
United Republic of	flavoured: Other black tea (fermented) and other partly fermented tea	(Applied)		
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
		Preferential tariff for SADC countries	0.00%	0.00%
USA	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
Zimbabwe	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%
		Preferential tariff for SADC countries	0.00%	0.00%
China	Tea, whether or not flavoured: Other black tea (fermented) and other partly fermented tea	MFN duties (Applied)	30.00%	30.00%
		MFN duties (Applied)	OQTR: 300.02\$/Ton	OQTR: 8.43%

Source: Market Access Map

Table 10 above depicts tariffs applied by South Africa to black tea imports from various regions of the world during 2016. The table further depicts that South Africa applies high tariffs of approximately 300.02 \$/ton and 30.00% ad valorem equivalent tariff to imports of black tea from mostly Europe and Asia. Preferential tariff of 0.00% applies to SADC countries such as Mozambique, Zimbabwe, Malawi and United Republic of Tanzania during the period under review.

## 9. ORGANIZATIONAL ANALYSIS

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

- In 1999 South Africa's 11 tea estates suffered a blow when the quantitative import control system was abolished and tea packers no longer had a financial incentive to pack local tea,

- In 2003 the increase in the minimum wage also dented the industry; because tea picking is a labour intensive operation which requires about four labour 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 labour costs are also lower,
- During 2014 marketing season to date, most of the Tea Estates have closed shop due to the reasons mentioned above although in Eastern Cape Province, there are initiatives to revitalize the two tea states (Magwa and Majola) through the Eastern Cape Rural Development Agency.
- There are few existing Tea Estates in Limpopo and KwaZulu-Natal provinces (Tshivhase and Ntingwe) with the support of Limpopo Economic Development Agency (LEDA) and KwaZulu-Natal Economic Development Agency.

## **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 totalling R17 million and Ntingwe commenced with production of LCGT in December of 2008. The high quality of the green tea produced has already convinced the Japanese to place

orders at a higher retail price than what Ntingwe gets for its black tea. Ntingwe LCGT also plans to penetrate the European and American markets.

## 12. ROLE PLAYERS IN THE BLACK TEA INDUSTRY

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[www.daff.gov.za](http://www.daff.gov.za)
- **Quantec Easy Data**  
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