A PROFILE OF THE SOUTH AFRICAN ROOIBOS TEA MARKET VALUE CHAIN

2012

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1. DESCRIPTION OF THE INDUSTRY

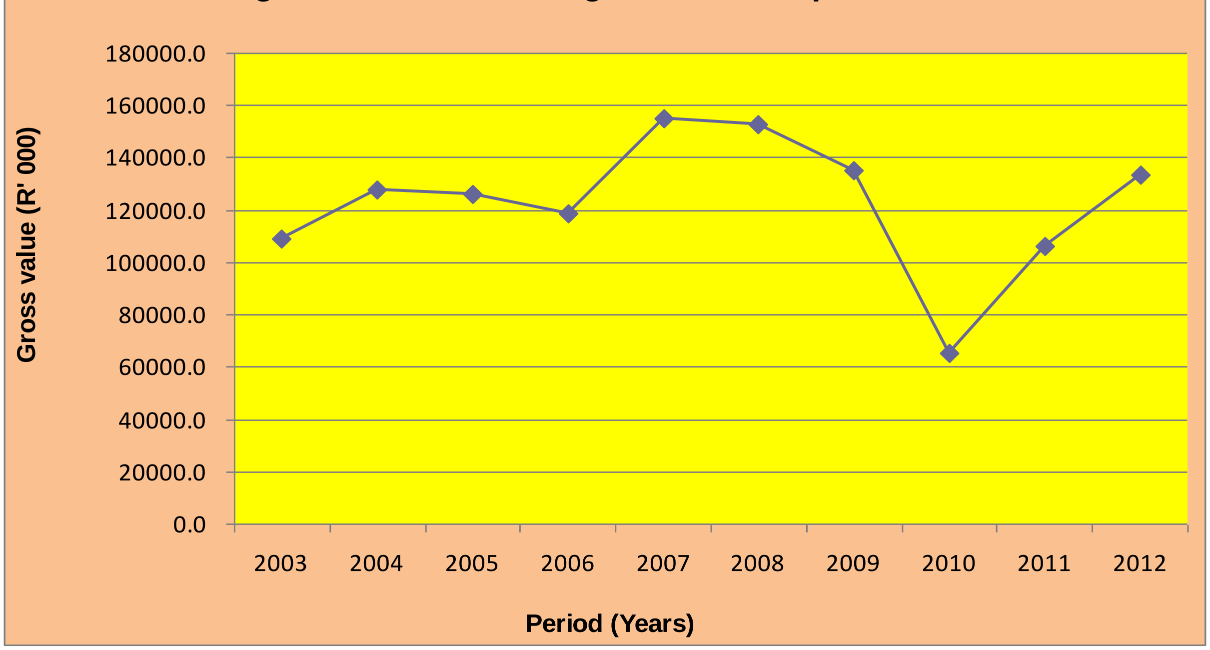
Rooibos tea is not just a herbal remedy that soothes and invigorates both young and old but is a natural herb unique to the South African Cedarberg Mountains of the Western Cape Province. The natural herb is then processed into a naturally soothing drink, sweet in taste naturally caffeine free, additive 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 18^{th} 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 flavor of rooibos tea as a refreshing, flavorsome 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 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: Rooiboss tea gross value of production



Source: Statistics & Economic Analysis, DAFF

Figure 1 illustrates rooibos tea gross value of production in South Africa between 2003 and 2012. The graph further illustrates that rooibos tea gross value of production started to increase in 2003 to 2004, until there was a slight decline in 2005 and 2006 years. In 2007, rooibos tea gross value of production experienced an increase and at the same time attained a peak at approximately R157 000. 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 250 and R133 400. The sharp increase in the gross value of production for rooibos tea during 2012 is a result of substantial increases in volumes of rooibos tea produced and exported. The declines in the contribution of rooibos tea to the gross value of production, experienced between 2005 and 2006 and again in 2010 are attributed to a steady decline in the producer prices for rooibos tea during these periods. The sharp increase in the gross value of production for rooibos tea during 2004 and 2007 are a result of substantial increases in volumes of rooibos tea produced and exported.

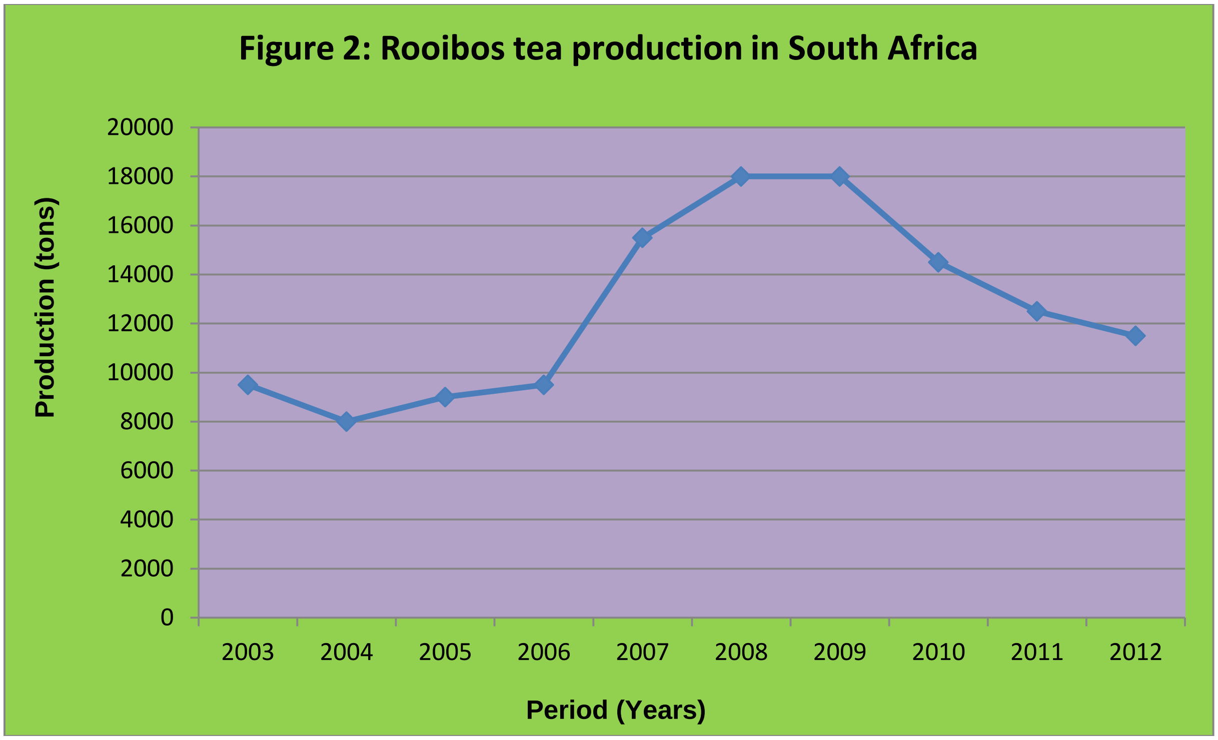
1.1 Production trends

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 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 Clanmilliam in the Western Cape.



Source: Statistics & Economic Analysis, DAFF

Figure 2 indicates rooibos tea production and supply in South Africa between 2003 and 2012. The figure further indicates that in 2003, rooibos tea production experienced an increased of about 9 500 tons until there was a slight decline in 2004 at approximately 8 000 tons. The figure also indicates that between 2005 to 2006 years, rooibos tea production saw a slight increase of 9 000 tons to nearly 9 500 tons of rooibos tea production. The figure also indicates that in 2007, there was a sharp increase in production of rooibos tea until 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.

1.2 Employment

Traditionally Rooibos tea industry has employed more than 5000 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

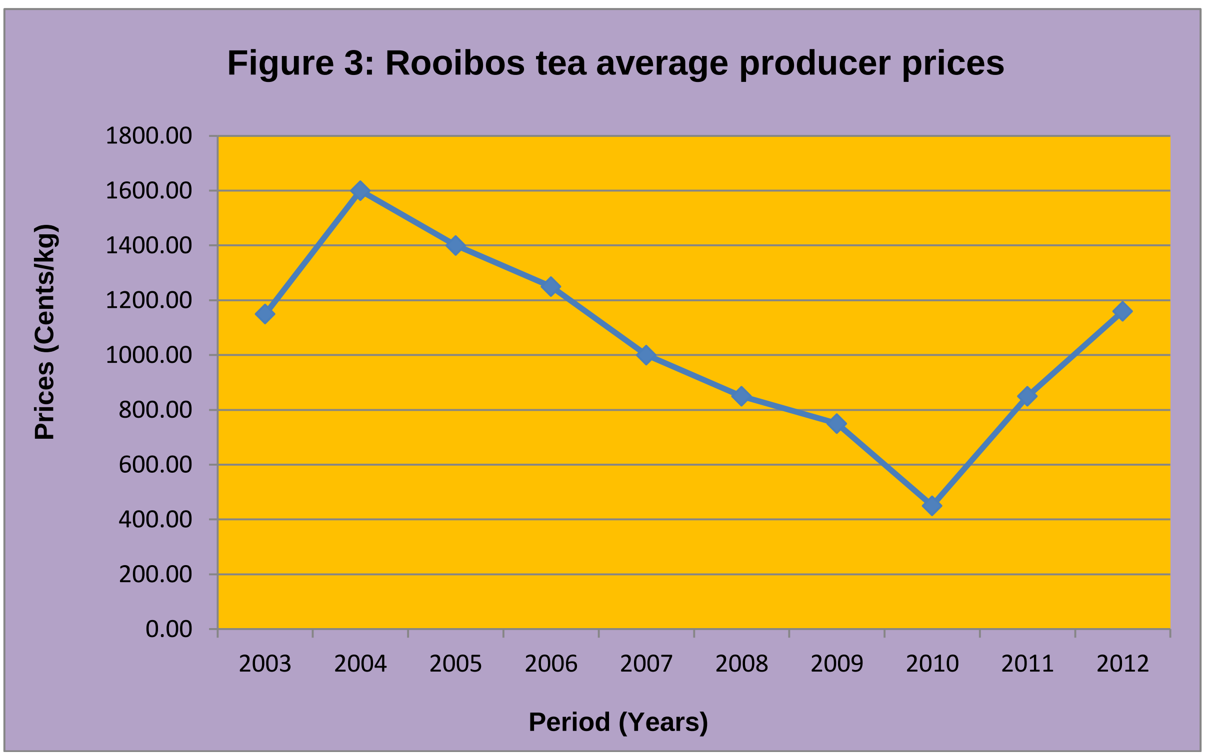
2.1 Domestic market

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 12 000 tons of rooibos tea per year. South Africa consumes 4500 to 5000 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 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 industry are prone to great variations depending on the harvest, for instance, currently the producer price is R4.50 cents/kg down from 1600cents/kg in 2004 due to an overplanting of rooibos in response to the earlier high prices.
- 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.



Source: Statistics & Economic Analysis, DAFF

Figure 3 shows rooibos tea average producer prices in South Africa between 2003 and 2012. The graph further shows that average producer prices started to increase in 2003 at about 1150.00 cents per kilogram, until a peak was attained in 2004 at approximately 1600.00 cents per kilogram. The graph also shows that between 2005 and 2010, there was a consistent decline in rooibos tea average producer prices, and that can be attributed to a steady increase in the production of rooibos tea in the domestic market over the same period. The graph further shows that the lowest rooibos tea average producer prices were attained in 2010 at approximately R450.00 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 1160.00 cents per kilogram respectively. The increase in average producer prices of rooibos tea in 2011 and 2012 at can be attributed to a steady decline in production of rooibos tea during 2011 and 2012 period. (See figure 2 above).

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$23.3 billion in 2007 and the size of the herbal tea market is around 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 1997 and 2002, while herbal teas increased by 50%.
- In South Africa, the hot drinks market is estimated to be worth around R3 billion 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 euro's (R1.9 billion) in 2009.
- South African exports of fair-trade rooibos tea to the United Kingdom and Germany in 2005 were 13.5 tonnes.

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.
- Larger bulk processors favour marketing rooibos 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 84% of rooibos tea exports in 2007 as compared to 90% of honeybush exports between 1999 and 2008.
- Total consumption of herbal tea in Germany was estimated to be 33, 336 tonnes in 2007. Rooibos accounts for 7.7% of Germany's herbal market.
- 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 2003 and 2007.
  -Chile: Increase of 247 tonnes between 2006 and 2007, 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 is still the predominant sub-segment within teas making use of rooibos, with organic and green rooibos maintaining a stable market share of 12% of exports between 2003 and 2007.
- 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

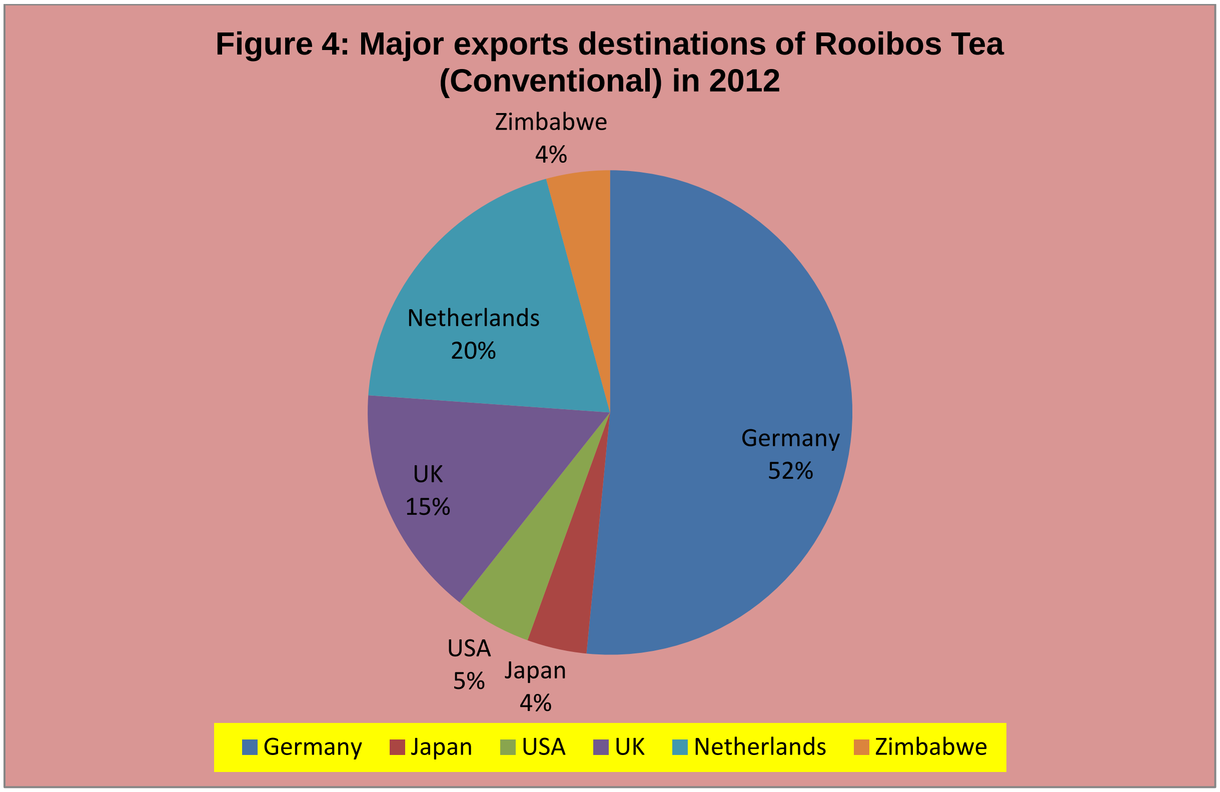
- The market for specialty/ gourmet tea is emerging and provides a potential differentiation strategy for rooibos tea. It is a growing niche market, estimated to account for 8.5% of the United States of America's US$2.1 billion tea industry. Gourmet teas can command a premium of around 30%. However, 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

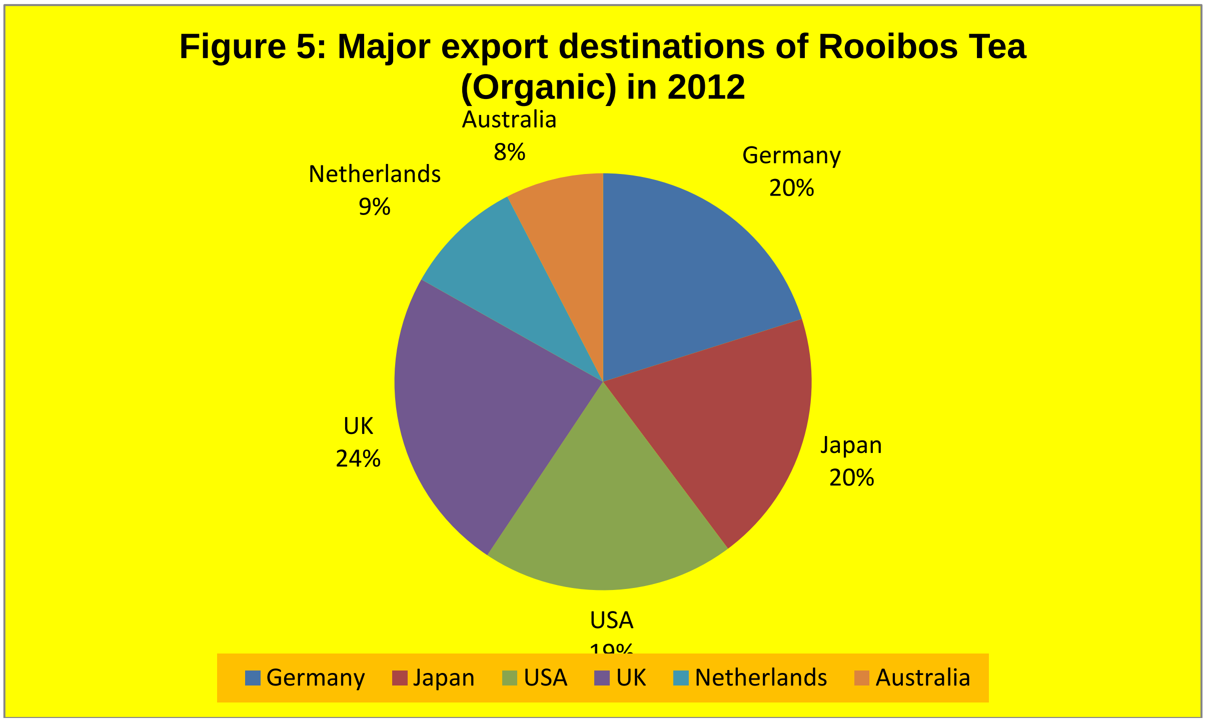
South Africa is the only exporter of rooibos tea in Africa and exports approximately more than 6000 tons per year, and at the same time the country does not import rooibos tea from the world. Rooibos tea is exported to more than 30 countries across the globe.



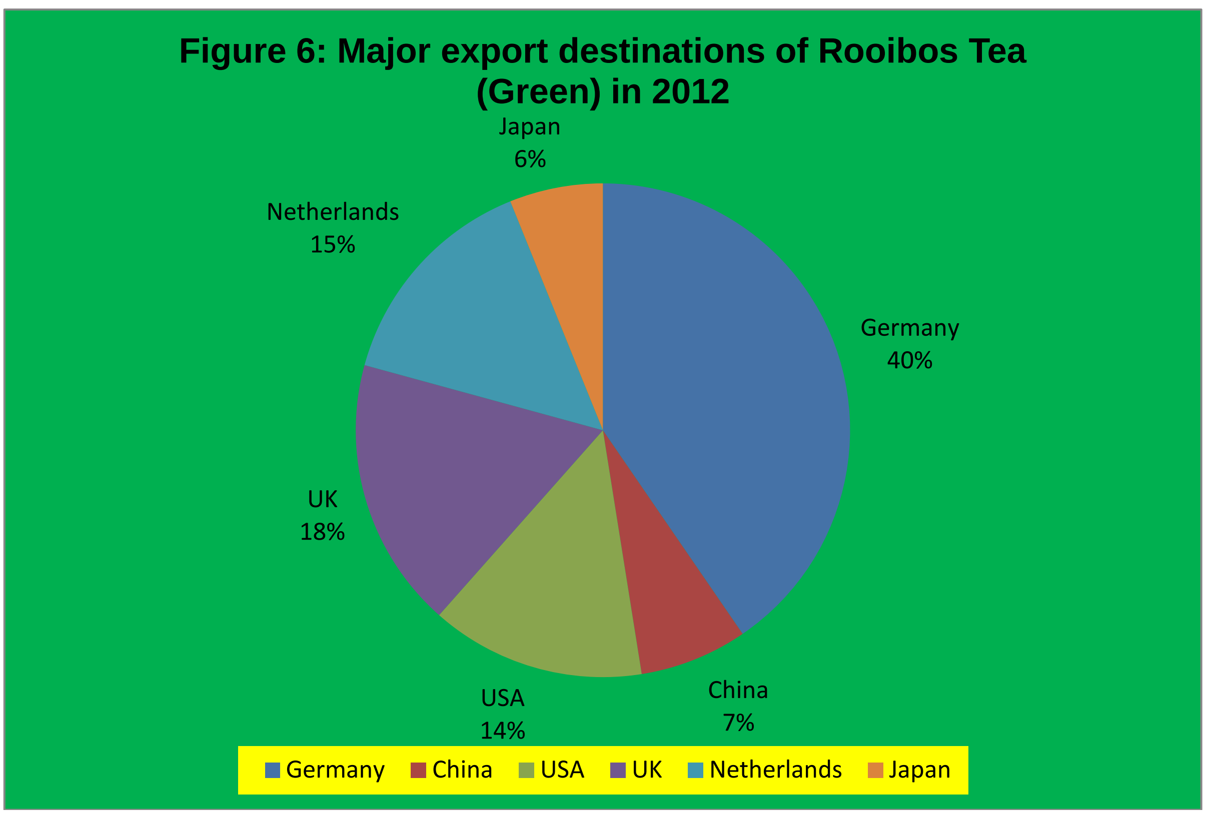
Source: SA Rooibos Council

Figure 4 depicts export markets of Conventional rooibos tea from South Africa during 2012. The pie chart further depicts that Germany was the main export market of conventional tea from South Africa at 52%, followed by Netherlands at 20%, United Kingdom at 15%, United States of America at 6% and Zimbabwe and Japan at 4% respectively. The chart further depicts that countries like United States of America, Zimbabwe and Japan are the smallest export market of conventional rooibos tea from South Africa during the period under examination.

Figure 5 indicates export markets of Organic rooibos tea from South Africa during 2012. The chart further indicates that United Kingdom commanded the greatest share of Organic rooibos tea exports from South Africa at 24%, followed by Germany and Japan at 20% respectively, United States of America at 19%. The pie chart also indicates that Australia and Netherlands were at 8 and 9% respectively during the same period under review.

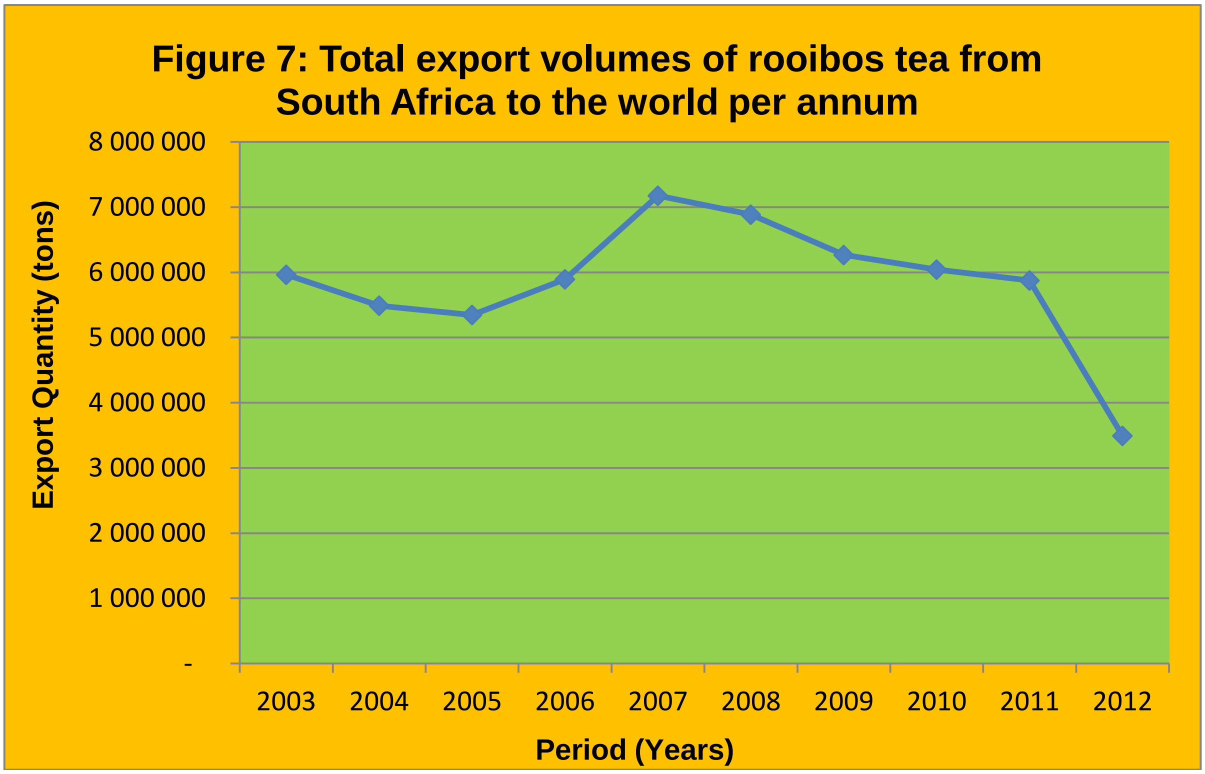


Source: SA Rooibos Council



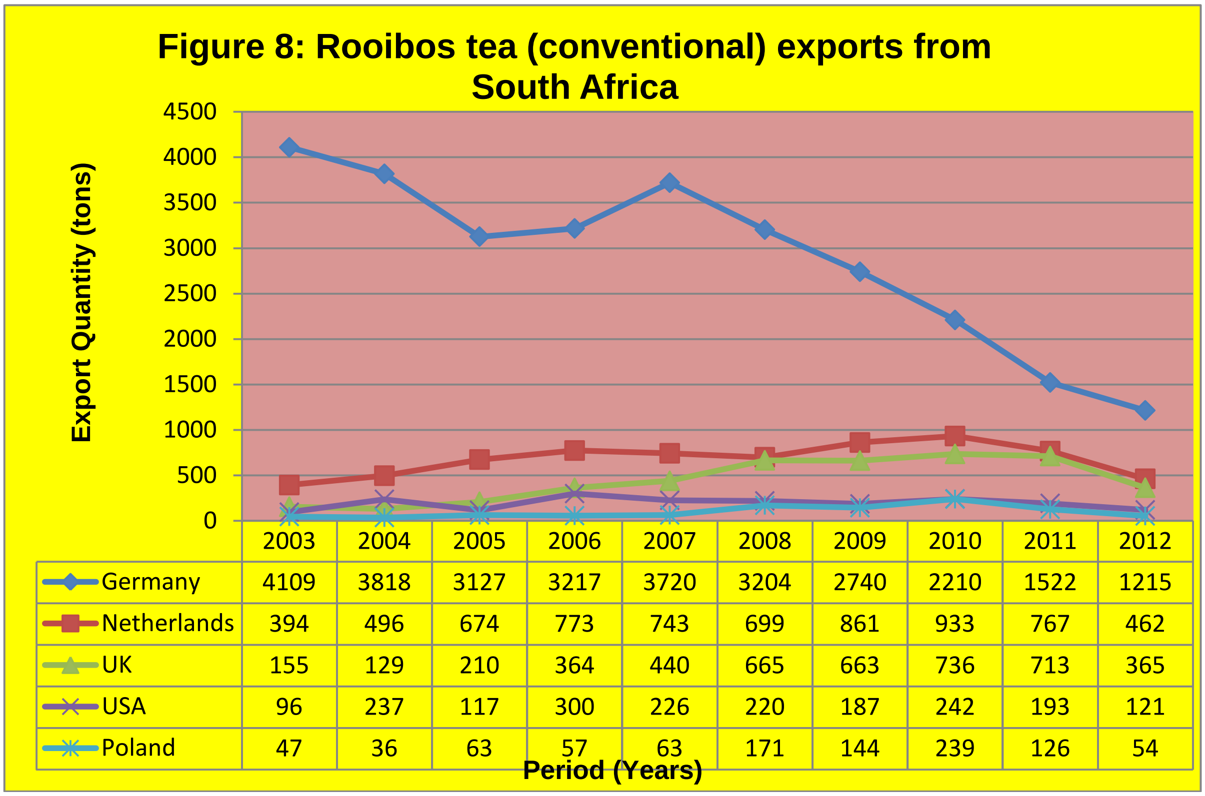
Source: SA Rooibos Council

Figure 6 illustrates export markets of Green rooibos tea from South Africa during 2012. The pie chart further illustrates that Germany was the main export market for Green rooibos tea from South Africa with approximately 40%, followed by United Kingdom at 18%, Netherlands at 15%, USA at 14%. The pie chart also illustrates that Japan and China were at 6 and 7% respectively during the same period under review. Figure 4 above also illustrates that Germany was the main export market of conventional rooibos tea and in figure 5 Germany was the second biggest export market of Organic rooibos tea during the same period under review.



Source: SA Rooibos Council

Figure 7 shows total exports volumes of rooibos tea from South Africa per year to the world between 2003 and 2012. The graph further shows that during the period under review, total exports volumes of rooibos tea from South Africa started to increase in 2003, until a decline was experienced in 2004 and 2005 due to a decline in production in the domestic market. Total exports volumes of rooibos tea experienced a surge in 2006 until a peak was attained in 2007 at approximately 7 million tons. The figure also shows that, there was a consistent decline in total exports volumes of rooibos tea between 2008 and 2012 to lower levels of approximately 3.5 million tons.

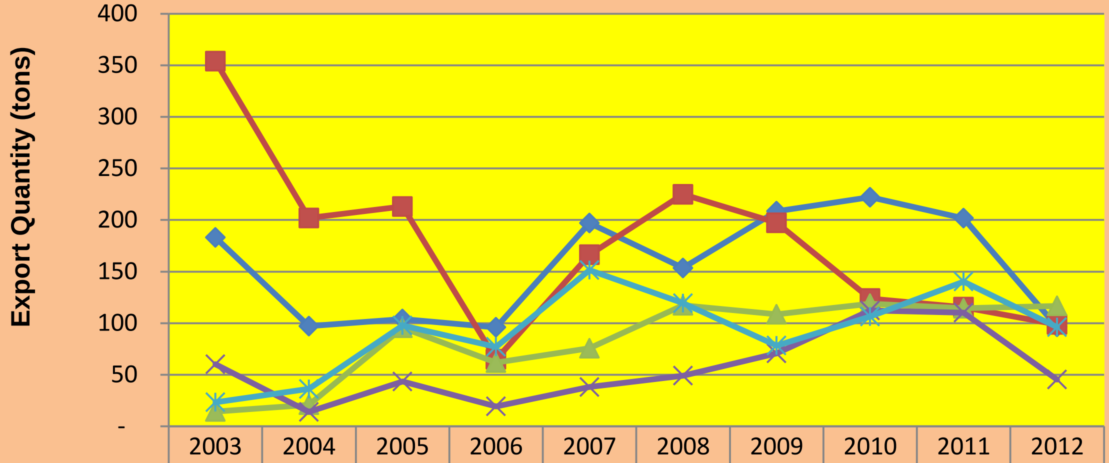


	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	4109	3818	3127	3217	3720	3204	2740	2210	1522	1215
Netherlands	394	496	674	773	743	699	861	933	767	462
UK	155	129	210	364	440	665	663	736	713	365
USA	96	237	117	300	226	220	187	242	193	121
Poland	47	36	63	57	63	171	144	239	126	54

Source: SA Rooibos Council

Figure 8 depicts export volumes of rooibos tea (conventional) from South Africa to the world between 2003 and 2012. 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, USA and Poland. The figure also depicts that exports volumes of rooibos tea (conventional) from South Africa to Germany attained a peak in 2003 at approximately 4 109 tons, while the lowest level of exports were attained in 2012 at approximately 1 215 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 1000 tons of rooibos tea (conventional) each during the period under review. Germany commanded 52% of rooibos tea (conventional) as compared to 48% of its competitors during the period under review. Between 2004 and 2005, 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 2012, 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.

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



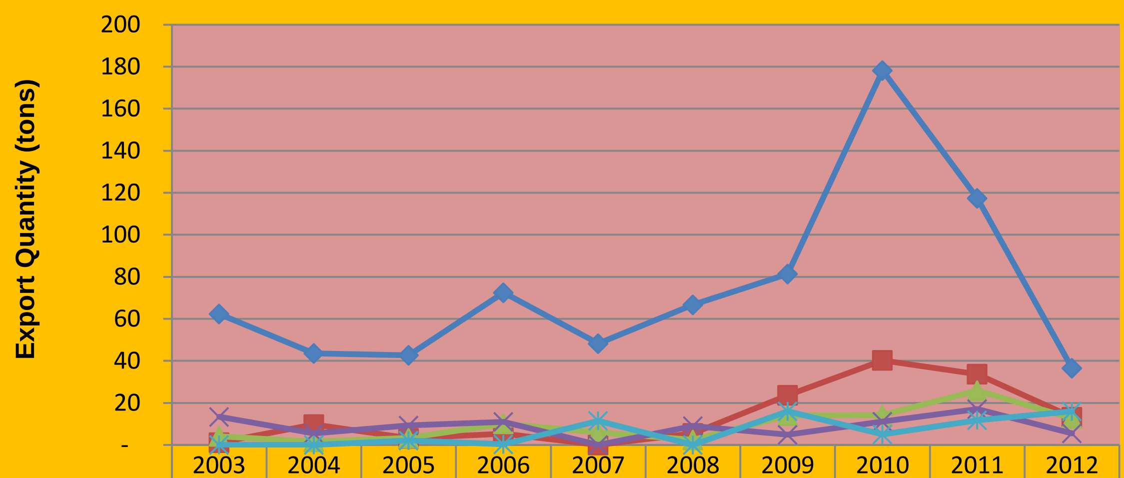
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Japan	183	97	104	96	197	153	209	222	202	96
Germany	354	202	213	65	166	225	197	124	115	99
UK	14	21	96	62	76	117	109	119	114	117
Netherlands	60	14	43	19	38	49	71	112	110	45
USA	23	36	98	77	151	119	78	106	140	96

Period (Years)

Source: SA Rooibos Council

Figure 9 illustrates export volumes of rooibos tea (organic) from South Africa to the world between 2003 and 2012. The graph further illustrates that during the period under review, Germany commanded greatest export market share of rooibos tea (organic) from South Africa, followed by Japan, USA, United Kingdom and Netherlands. The graph also illustrates that, UK, USA 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 Germany started to increase in 2003, and at the same time attained a peak at approximately 354 tons. The graph also illustrates that between 2009 and 2012, rooibos tea (organic) experienced consistent decline in exports volumes from South Africa to Germany to lower levels of approximately 99 tons in 2012. Rooibos tea (organic) exports from South Africa to Japan started to increase in 2003 and experienced a decline between 2004 and 2006 years. In 2007 exports of rooibos tea (organic) from South Africa to Japan started to increase again and slightly declined in 2008. An increase in rooibos tea (organic) exports from South Africa to Japan was experienced in 2009, and a peak was attained in 2010 at approximately 222 tons. In 2011 and 2012, Japan saw a continuous decline in exports of rooibos tea (organic) from South Africa to lower levels of approximately 202 and 96 tons respectively.

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



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	62	44	43	72	48	67	81	178	117	37
Netherlands	1	10	3	5	0	6	24	40	34	13
USA	4	2	3	10	6	2	14	14	26	13
Japan	13	6	9	11	0	9	5	11	17	6
UK	0	0	2	0	12	0	16	5	12	16

Period (Years)

Source: SA Rooibos Council

Figure 10 shows export volumes of rooibos tea (green) from South Africa to the world between 2003 and 2012. During the same period under review, the graph further shows that the greatest export market for rooibos tea (green) was Germany, followed by Netherlands, USA, Japan and United Kingdom. The graph also shows that rooibos tea (green) exports from South Africa to Germany started to increase in 2003, and immediately declined in 2004 and 2005. In 2006, rooibos tea (green) exports began to increase slightly and declined again in 2007 up until a 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. Germany imported approximately 72% of rooibos tea (green) from South Africa during the same period under review. 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 and 2012, there was a consistent decline in rooibos tea (green) exports to lower quantities of approximately 37 tons. This decline can be attributed to the low levels of domestic production and supply in South Africa during the same period under scrutiny.

3.1 Share Analysis

Table 1 shows the share of South Africa's rooibos tea (conventional) exports to the total world rooibos tea (conventional) exports in percentage terms between 2003 and 2012. The table further shows that during the period under review, Germany commanded the greatest 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 2003 and 2012

Year Countries	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	14.2	13.2	10.8	11.1	12.9	11.1	9.49	7.65	5.27	4.21
Netherlands	5.79	7.30	9.91	11.4	10.9	10.3	12.7	13.7	11.3	6.80
United Kingdom	3.50	2.92	4.72	8.19	9.91	15.0	15.0	16.6	16.1	8.21
United States of America	4.93	12.3	6.03	15.5	11.7	11.3	9.63	12.5	9.94	6.24
Poland	4.69	3.60	6.30	5.69	6.30	17.1	14.4	23.9	13.0	5.40

Source: Calculated from SA Rooibos Council data

Table 2 illustrates the share of South Africa's rooibos tea (organic) exports to the total world rooibos tea (organic) exports in percentage terms between 2003 and 2012. The table further illustrates that during the period under examination, Japan and Germany commanded the greatest share in exports of rooibos tea (organic) from South Africa during this period. The table also illustrates that from 2003 to 2005, 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. From 2009 to 2011 of the period under review, Japan again commanded the greatest share of rooibos tea (organic) exports from South Africa.

Table 2: Share of South Africa's rooibos tea (organic) exports to the total world rooibos tea exports (%) between 2003 and 2012

Year Countries	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	20.1	11.5	12.1	3.69	9.45	12.8	11.2	7.04	6.56	6.18
Japan	11.7	6.23	6.67	6.16	12.6	9.84	13.4	14.2	12.9	5.61
Netherlands	10.7	2.47	7.71	3.44	6.76	8.73	12.6	20.0	19.6	13.8
United Kingdom	2.00	2.48	11.3	7.31	8.96	13.9	12.9	14.1	13.6	8.06
United States of America	2.52	3.91	10.5	8.32	16.3	12.9	8.46	11.5	15.2	10.4

Source: Calculated from SA Rooibos Council Data

Table 3 depicts the share of South Africa's rooibos tea (green) exports to the total world rooibos tea (green) exports in percentage terms between 2003 and 2012. The table further depicts that during the period under examination, Japan 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 2003 and 2012

Year Countries	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	8.31	5.82	6.00	9.67	6.43	8.90	10.9	23.8	15.7	4.87
Netherlands	0.82	7.16	2.32	3.98	0.00	4.06	17.4	29.7	24.8	9.73
United States of America	4.37	1.64	3.51	10.7	6.35	2.57	14.8	15.1	27.5	13.5
Japan	15.4	6.35	10.7	13.0	0.00	10.4	5.56	12.8	19.7	6.37
United Kingdom	0.03	0.00	3.36	0.50	18.3	0.00	25.5	8.00	18.8	25.5

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,
- Freshpack 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 liter 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

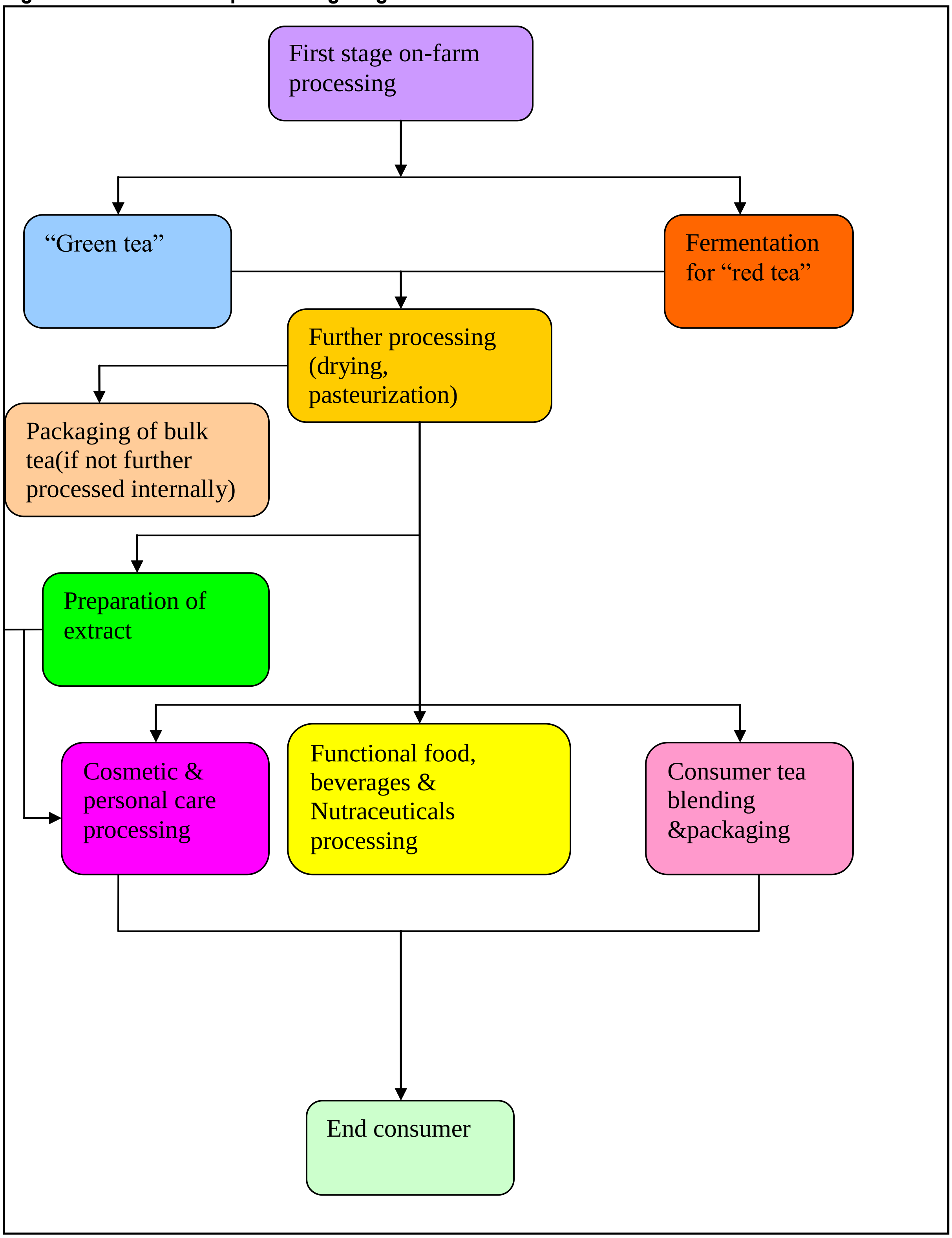


Figure 12: Rooibos tea market value chain

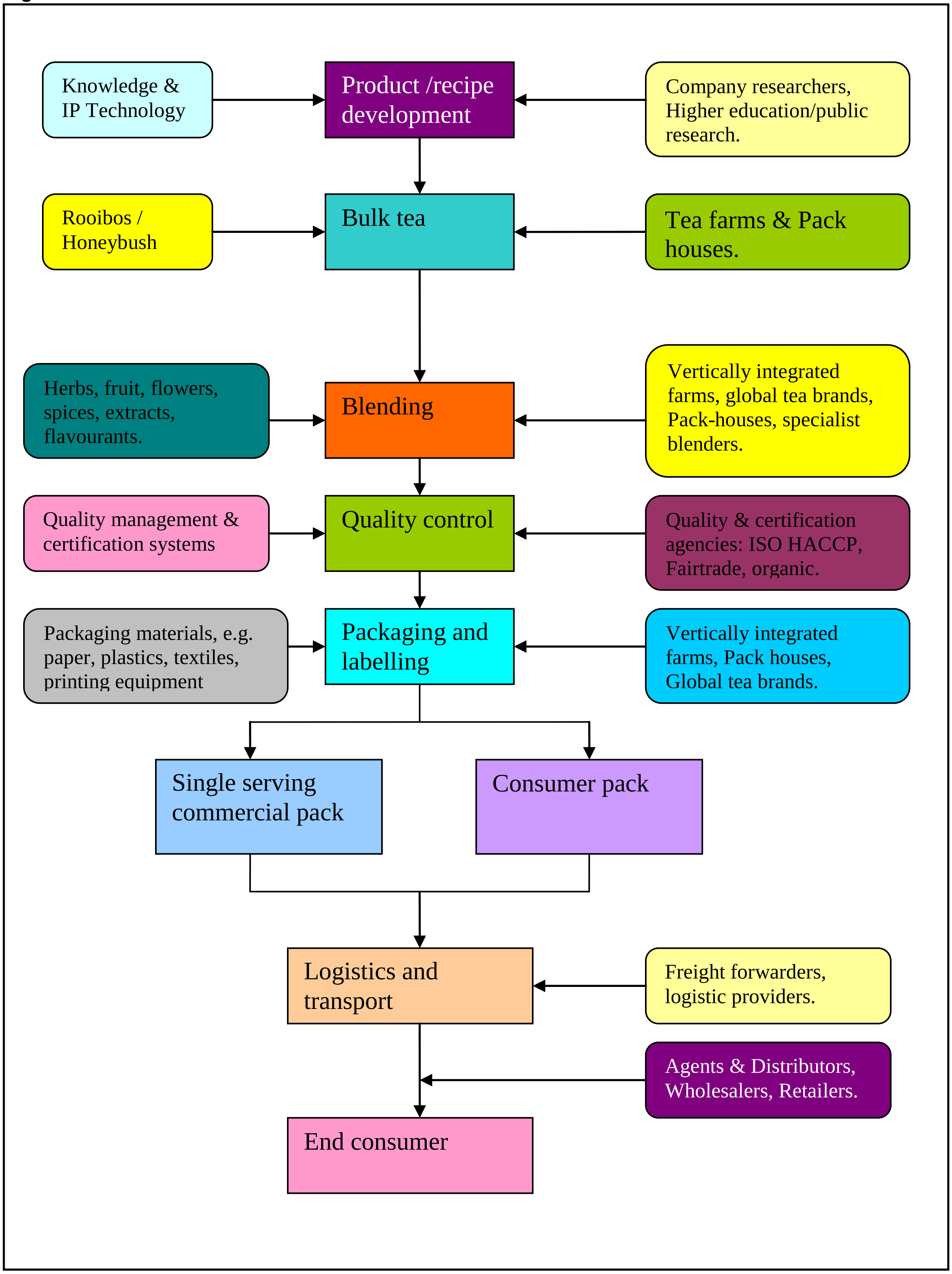
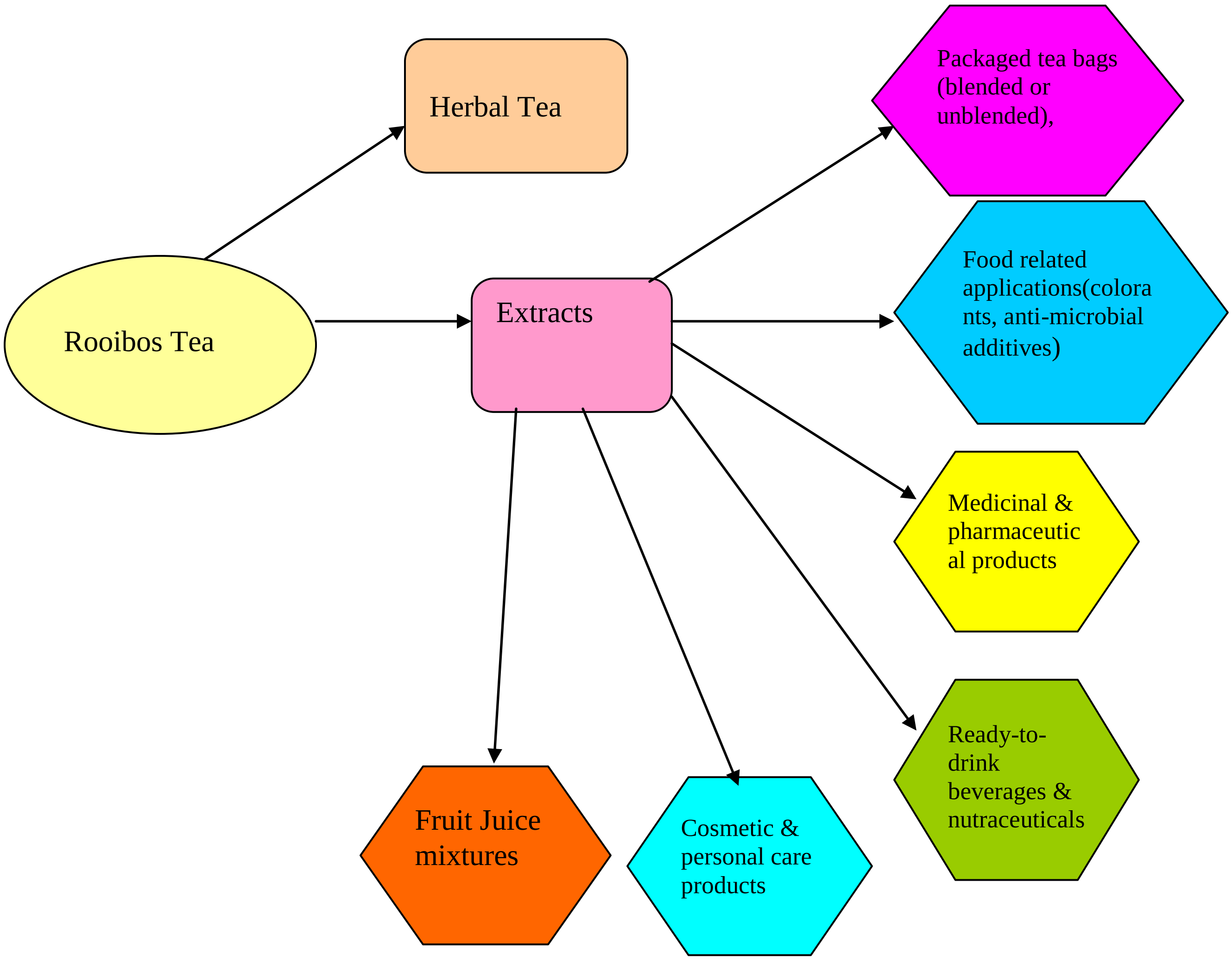


Figure 13: Rooibos value chain tree



5. SWOT ANALYSIS

5.1 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).

5.2 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.
- Mismatch between South African and international sanitary and phytosanitary 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.

5.3 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.

5.4 Threats

- The power of German tea processors and distributors within the rooibos tea value chain makes it difficult for South African rooibos tea industry to grow.
- 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 brand.
- Rooibos 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.

6. ACKNOWLEDGEMENTS

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www.daff.gov.za

South African Rooibos Council

www.sarooibos.co.za

Rooibos Limited

www.rooibosltd.co.za

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Perishable Products Export Control Board
www.ppecb.com/