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ROOIBOS

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OUTLOOK 1984

ROOIBOS TEA

1. INTRODUCTION

The 1982/83-harvesting season was again a very outstanding year of production for the Rooibos Tea industry, as the record crop of the 1981/82-season was surpassed with 13,8%, with a crop volume of 5 750 tons.

The influence of the recently experienced shortages on consumption, was very drastically and resulted a reduction of the record annual sales of 3 141 tons to 2 022 tons during 1982. This declining tendency was also experienced during the first quarter of 1983, at a rate of 20%, after which a consumption swing was experienced with increases as high as 53% and 49%, for the following quarter respectively. The estimated consumption for 1983 is expected to be approximate 2 750 tons.

Although a very promising sales recovery is now experienced, the production rate is still considerably higher and might this situation be seen as an extreme disbalance between demand and supply, but when considering the following aspects, the situation might appear to be quite different.

--- The production of Rooibos Tea is subjected to considerable climatic influences.

--- To ensure a stabile supply situation, the provision of reserve stocks is an important requirement.

--- Rooibos Tea competes directly against different imported products, supplied in a free world market.

--- With the present sufficient available stocks on hand, the industry, after quite a long period, is now for the first time in a position to launch positive market development projects, locally as well as abroad.

2. PRODUCTION

Production in a very high correlation with the climatic conditions and the limited rainfall was mainly responsible for the collapse in production of more than 16,3% during 1978, 53,7% during 1979 and 41,6% during 1980, when compared with the record production in 1977 of 2995 tons. The 1981, 1982 and 1983 crops increased with 5,2%, 68,6% and 91,9% respectively, while the estimate for the 1984-crop

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will be at the same rate of production, as for the 1982 and 1983-crops, when compared with the mentioned year. This recoverage in production now experienced, cannot be attributed to more favourable climatic conditions only, but also to the constant increasing planting rates over the preceding years, as well as to the application of more improved methods of cultivation.

The maintaining of a constant rate of advance payments to the producers for the past two years, certainly has had a retarding effect on production, with the direct result of a 25% reduction in the planting rate during 1983. Considering this and the fact that it takes 1½ years for new plantings to reach the full production stage, with an average life-span of 5 years, will result a leveling off in production, with definite production reductions in the near future, without considering the possible climatic restrictions.

2.1 Production volume and gross value

The following table illustrates the growth of the industry when comparing the years 1974 and 1983. The attached appendix I will also clearly illustrate the effect of the fluctuating production tendences and that the high fluctuations could mainly be linked up to the climatic influences.

Year	Production tons	Gross value at netto packers price
1974	1 218	R 654 978
1983	5 750	8 251 250

An increase over a decade of 4,7 times in volume and 12,6 times in the gross price, is certainly indicating signs of dinamic growth for the young locally developed industry.

The expectations is that the growth of the industry will level off during the next three years and that it will stabilize with regard to volume and gross price growth, until more healthy levels have been created between demand and supply.

2.2 Production potential

The development of the production potential of Rooibos Tea will be in close relation to the success in achieving or in creating a greater production stability in the industry.

Production limitations such as the availability of improved plant material, certain die-back diseases, insect problems, the lack of knowledge of the correct and scientific based production methods, wrongly implemented harvesting practices, ineffective moisture conservation and the re-establishment on old tea soils, do have a retarding effect on production and the elimination of such problems, will have a noteworthy effect on Rooibos Tea production.

Positive steps have already been taken by the Research Institute for Fruit and Fruit Technology with the accomplishment of an adhoc research group. Production problem priorities have been identified, a plan of action has already been launched, with the necessary research projects registered and in full application. This co-operation with the Board of Control and the extention work that will follow, will contribute to a new era for the industry in the near future.

With the purpose to expand the industry's area of production, new plantings were made in the adjoining districts. Although in a very early stage, it already appears to be quite promising.

When considering the determining factors invlove, it is estimated that the Rooibos Tea production will reach the 6 000 ton mark during the next five years, although at a slightly slower rate of increase.

At the stage where the consumers demand starts balancing with production in the near future, the Board of Control, in good time, will have to make the necessary price adaptions with the purpose to create the required production stimulation.

3. MARKETING

During the period of shortages the Board supplied stocks to the trade on a quota basis. With the increased 1981 crop the Board was allowed to withdraw the rationing of supplies, allowing stocks to be taken up without any restrictions.

The effect of the under supply of stocks, did have a suppressing effect on consumption to a certain extent. As stocks became more freely available during 1981, a normalization of stocks in the retail and wholesale trade took place, as well as in the stores of the packers, with the result that quite an amount of stocks bought from the Board, during this period, were actually not consumed.

It was during 1982 for the first time possible to determine the actual consumption, which actually was only 2 022 ton, nearly only half of the present production at that time.

To correct this situation, it will be necessary to objectively level off production and to stimulate consumption. The correction of a situation which has developed due to certain stimulating production factors, such as price, favourable climatic conditions and an overreaction on the corrective measures taken to overcome the shortages in the supply. This on the production side, while on the consumption side, this was the effect of the constant maintaining of the ruling prices of its concurrents, as also the effects of the not availability of stocks, the silence with regard to product-promotion and the so lacking in the maintaining of a constant product awareness.

By means of maintaining the producers prices at a constant level for three years succesively, the limited increases in the consumers price, the ruling pirce increases of its concurrents, as well as the intensive market development actions,the balancing point will be reached quite sooner. The free market economic policy is already showing benefits, as production started leveling off, while consumption is dinamicaly starting to increase.

Considering the fact that the industry has to make provision for reserve supplies with the purpose of stabilizing the supply situation, to overcome the production limiting climatic conditions and the unforeseen marketing successes, it is estimated that further production stimulations will have to be considered during 1985.

3.1 Consumption: Local

The following table illustrates the annual consumption over the past 3 years, with regard volume consumed as against the gross value, as supplied to the packers, as well as the gross value as supplied to the retail trade, together with the consumer's price. See appendix II, for a detail comparison over the past 10 years.

Year	Volume consumed Ton	Gross value as supplied to the packers R	Gross value as supplied to retail trade R	Gross value as supplied to consumer R
1981	2 885	4 123 981	8 482 349	11 107 839
1982	2 022	2 901 570	6 510 000	9 867 360
1983	2 750*	3 946 500*	10 560 000*	12 870 000*

*Estimated

All gross values has been determined according to the average price.

This decrease in consumption during 1982 was a direct result of the shortage situation. The narrow margin in the price gap between Rooibos and its concurrents, the bwer consumer spending ability as experienced during the recent economic situation, certainly effected this market decline. The recovery now experienced during 1983 is due to the market development action, which is presently launched, backed by more competitive prices and the availibility of stocks.

The fact that Rooibos Tea already has reached the R4 000 000 value mark of sales to the packer-distributors, is indeed an achievement for this young industry. Considering the fact that Rooibos Tea competes against the imported black tea and coffee in the same market, means that each kg of Rooibos Tea consumed will save the import of one kg of black tea or coffee, with the valuta benefits this will have to our country.

3.2 Foreign consumption

Exports do not form a noteworthy part of the total marketing of Rooibos Tea. The insufficient and fluctuating stocks of the past was the main reason for the slow growth rate as experienced with regard to exports, inspite of the good demand for a speciality or health tea in the foreign markets.

With the supply situation on a more stabilized basis, the higher production levels and with the reserve stock building in mind, it is now possible to build out the foreign markets more intensively.

The following table indicates the export for the past three years. Appendix III indicates the exports over the past ten years.

Export	Ton
1981	140
1982	131
1983	130*

*Estimated

The intensified efforts in building out the export market, has already taken off with certain market-surveys already completed, and will it be possible for the industry to launch marketing development efforts on a co-ordinated basis during 1983.

3.3 Market prospects

The Board of Control and its distributors are well equipped and motivated, ready to launch the necessary market development actions. An intensive consumption promotion has been launched, during 1983 with the 1984 program already planned.

Rooibos Tea competes in a warm drink commodity market of which it has only a 4% share. Considering the fact that 60% of its concurrents are still being imported at very competitive prices, places the product in a very favourable position especially in the local market.

All the marketing development actions were eventually launched with the aid of mass media advertising with direct product promotion to a lesser extent, making use of shows and instore-demonstrations. During 1984 more emphasis will be laid on the last mentioned, with mass media only to back the mentioned promotions. With this, the Board of Control intends to launch a larger generic introduction on a country wide basis with 1 500 point-of-sale demonstrations on a co-ordinative basis with its registered packers, doing simultaneous trade mark promotion on a rotation basis aimed on the white, as well as the black market.

The mass media introduction will also be done on a co-ordinated basis with the registered distributors.

With sufficient stocks available, the industry now for the first can move into a fase in which it can market its product really positively in the true sense of the word and not just with a mere function of supply.

As the industry disposes over a non-perishable product with ample storage facilities and sufficient funds for extension, does make such a medium or long term market development effort possible. The parties involve, over the past years, have made provision in building up the necessary funds to do heavy initial promotions for the product backed by the best quality, price and distribution.

4. THE PRODUCERS PRICES TENDENCY

The price policy of the past was based on the interaction between demand and supply, together with the justified adjustments with regard to shortterm and primary production expenses and also brought in line with other economic price determining aspects. A sound

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profit input balance was maintained without creating a disorder between supply and demand.

The average producers prices per kg for all grades for the past 3 years are as follows. More price detail information will be given in appendix IV.

Year	Producers price c/kg
1982	117,75
1983	113,75
1984	113,75

The Rooibos Tea producers prices for 1984-crop were again kept unchanged, at 113,75c/kg, of which 70% will be paid out as an advance payment. By keeping the prices as the same level, the Board is trying to narrow the price margin between its product and that of its concurrents in the market and to also create a degree of production supression with the aid of the decreased producers prices.

5. SUBSTITUTION BY COMPETITIVE PRODUCTS

The main concurrent of Rooibos Tea still remains to be black tea. Although 30% is already locally grown, it still is produced at a price double that of Rooibos Tea, viz 440c/kg as against 143,25c/kg for Rooibos Tea, the price to the packers.

The imported prices is much more competitive, but also shows considerable price increases during the past year, considering the several year of constant price maintainance. When the South African produced product, which increased only with 4,7% during past year, is presented in the different black tea blends, the delivered prices (Durban port) will be as follows in c/kg:-

	1982	1983	83/82%
High quality black tea	281	329	17,08
Medium quality black tea	231	251	8,65
Low quality black tea	150	170	13,37
Rooibos Tea	144	144	0

These price increases have not yet been fully passed on to the trade, but when in full, it certainly will have an effect on the Rooibos Tea sales.

As long as Rooibos Tea maintains a sound price balance with its concurrents, it will be assured of a share in the market. The actual drawback is that Rooibos Tea cannot be imported in times of shortages with the result that its consumers are thus compelled to switch over to its more expensive competitors.

6. FUTURE PROSPECTS

Being a very small and still developing industry, with a promising market potential, but with certain production restrictions, Rooibos

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BYLAE I - ROOIBOSTEE-PRODUKSIE

APPENDIX I - ROOIBOS TEA PRODUCTION

Jaar	Produksie	Bruto-waarde teen netto verpakker prys
Year	Production Ton	Gross value at net packers price R(000)
1974	1 218	654
1975	2 004	1 238
1976	2 059	1 430
1977	2 995	2 282
1978	2 507	2 143
1979	1 384	1 296
1980	1 894	2 145
1981	3 245	4 304
1982	5 051	7 235
1983	5 750	8 251
1984	5 750*	-
1985	5 000*	-
1986	4 250*	-

*Beraam/Estimated

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BYLAE II - ROOIBOSTEE-VERBRUIK

APPENDIX II - ROOIBOS TEA CONSUMPTION

Jaar Year	Massa verbruik Volume consumed Ton	Bruto waarde soos voorsien aan verpakkers Gross value as supplied to packers R(000)	Bruto waarde soos voorsien aan kleinhandel Gross value as supplied to retail trade R(000)	Bruto waarde soos voorsien aan verbruiker Gross value as supplied to consumer R(000)
1973	1 152	554	-	-
1974	1 241	689	-	-
1975	1 616	1 018	-	-
1976	1 543	1 022	-	-
1977	2 645	1 841	-	-
1978	3 363	2 572	5 784	-
1979	2 281	2 155	5 360	-
1980	2 232	2 528	5 805	8 529
1981	2 885	4 123	8 482	11 107
1982	2 022	2 901	6 510	9 867
1983	2 750	3 946	10 560	12 870
1984	3 500*	-	-	-
1985	4 250*	-	-	-
1986	5 000*	-	-	-

*Beraam/Estimated

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BYLAE III - UITVOERE VAN ROOIBOSTEE

APPENDIX III - EXPORTS OF ROOIBOS TEA

Jaar Year	Uitvoer Export Ton
1974	62
1975	86
1976	104
1977	74
1978	140
1979	94°
1980	85°
1981	140
1982	131
1983	130*

*Beraam/Estimated

°Onder kwota/Under quota

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BYLAE IV - ROOIBOSTEE-PRODUSENTE PRYSE

APPENDIX IV - ROOIBOS TEA PRODUCERS PRICES

Jaar	Produsente-prys c/kg
Year	Producers price c/kg
1973	36,00
1974	42,75
1975	51,75
1976	55,00
1977	55,50
1978	62,50
1979	73,25
1980	89,75
1981	110,125
1982	117,75
1983	113,75