

**REMARKS BY MEC NOMUSA DUBE-NCUBE DURING THE PROUDLY SOUTH
AFRICAN CELEBRATION OF THE INTERNATIONAL WORLD TEA DAY HIGH
TEA**

COASTLANDS HOTEL, MUSGRAVE, DURBAN

21 MAY 2022

Programme Director;

Distinguished guests

Captains and representatives of the tea industry

Good afternoon,

It gives me great pleasure to be part of this high tea event where we celebrate one of the best known beverages in history. As they say; *tea is always a good idea!*

Tea plays a great role in humanity and its approach to complex issues and small conflicts. How many times have you heard people say: let's resolve this over a cup of tea. Such is the social value that this beverage brings to mankind.

I would like to first thank Proudly South African for organising this gathering and for recognising that not only do we have to celebrate this beverage but also that we ought to look deep into what economic value it adds to our lives, communities and the nation at large.

I also understand that this engagement seeks to look into the importance of supporting the local tea industry which exports over 6000 tons per year. While this is meagre by world standard, it is still a huge effort that we can compete, to begin with.

There has been a lot of ups and downs in the fledgling local tea industry which has had its fair share of disappointments due to an assortment of internal and external factors in trade space.

Perhaps it is important that I give a little history and context to the local tea industry. Tea production in South Africa started in 1964 with government support and financial

backing through the Industrial Development Corporation. Mind you, small-scale Rooibos production had started a decade earlier in 1954.

The sector was supported as it was viewed as labour intensive and therefore offered employment opportunities for the rural communities. 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.

However, beginning in 2003, most of the tea estates in the country went out of production and those that remained are in a very precarious financial position and survive partly because they produce a product of high quality but mainly because they receive funding from the state.

The black tea production in South Africa has since been uneconomic and under severe financial difficulties since 2003/04, mainly due to:

- Relatively high production costs (including minimum wage requirements; cost of electricity, nitrogen, diesel, etc).
- Low world market prices for black tea and the high difference between the producer prices and retail prices – smaller 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.
- The dominance of tea packers; two major tea packaging companies dominate more than 80% of the Southern African black tea market

To give a provincial context of the KZN Tea Industry, there were three main tea producing estates in KZN and these were Ngome, Ntingwe and Richmond. Both Ngome and Richmond were planted to seedling teas and both tea estates were closed down in early 2000 due to the problems facing the industry and the depressed tea markets. Some of you will recall that the international company which owned these tea estates, Sapekoe, pulled out of South Africa due to unfavourable market conditions. Tea activity which included blending, packaging, warehousing and distribution, is mostly concentrated in Durban and Pietermaritzburg.

To break these three tea estates down; Ntingwe Tea Estate is owned by IDFC and the Department of Agriculture and Rural Development under its agency, the ADA. It

cultivates 395 hectares of the 600ha at its disposal and is currently the only producing estate.

Ngome Tea Estate and Richmond Tea Estate whose ownership is still under Sapekoe have 500ha and 522ha respectively and are currently closed and not producing. The three tea estates have a combined 1 417ha of cultivatable land.

Unfortunately at the moment Ntingwe, as the only producing estate, does not have the necessary critical mass as it is only 395 hectares producing on average 421 tons of tea annually. The consumption of tea has however remained relatively high despite the lack of local tea production. The out-grower scheme that was initiated at Ntingwe did not take off positively due to a number of challenges that the growers face.

This is the gauntlet I am throwing down to the captains of industry today because if we need to produce more and compete with the world best, we need to assist this industry and its value chain. We have the ability, strength and know-how to achieve this. As the old saying goes: ***“We are like tea, we don’t know our strength until we are in hot water,”***. This is an appeal because the industry is indeed in hot water and needs all hands on deck.

However, without bemoaning what others can do, I will outline in brief what the Provincial Government had done thus far to steam up the industry. I will talk briefly about the KZN Provincial Government Strategy towards rescuscination of Ntingwe Tea Estate.

This tea estate is located within the boundaries of Nkandla Local Municipality, under King Cetshwayo District Municipality. The estate is located in a deep impoverished rural area about 40 kilometres from Nkandla town and 70 kilometres from Kranskop. Access is difficult especially when wet, due to inadequate road infrastructure.

The role of Ntingwe within the geographic economy is mainly job creation through funding and mentoring. As loss of employment and the slow rate of creating new jobs is a key concern in South Africa and in KwaZulu-Natal, Ntingwe plays an important role in job creation in the municipality where unemployment is over 75%. Ntingwe was especially established to alleviate poverty levels in the Nkandla area.

One of the major spin-offs for the establishment of Ntingwe project has resulted in the creation of a sub-regional water scheme providing potable water to 10 000 households

in 13 villages in the area. Ntingwe has potential to provide over 800 job opportunities and an estimated 1000 when fully developed to 600ha.

Ntingwe Tea Estate is still in the process of being developed with only 395ha of its eventual 600ha developed. In certain fields, mainly adjacent to the villages, the tea was damaged by cattle, and gaps estimated at 30ha are evident.

Our Provincial Department of Agriculture, and Rural Development and Ithala Finance and Development Corporation (IDFC) jointly own Ntingwe 62% and 38% respectively. The KZN-DARD in 2008 made a further fund injection of R17,5m for the erection of a green tea pilot plant.

The Agribusiness Development Agency (ADA) got involved with Ntingwe Tea Estate after the KZN provincial Cabinet resolved that the ADA should provide strategic management and leadership for Ntingwe Tea Estate. Since 2019 September, the management and governance of Ntingwe Tea Estate has been under the oversight of the Board and management of the Chief Executive Officer (CEO) of ADA pending the merger and/or exit of IDFC as a shareholder. The shareholding of the company has not changed since 2003.

It is for this reason that the ADA has since proposed a new turn-around strategy and resuscitation plan for Ntingwe Tea Estate, and have initiated implementation thereof with the aim of returning Ntingwe Tea Estate to full production. The new turn-around strategy and resuscitation plan has recommended a new business model that is aimed at improving marketing and sales, to gradually increase tea production by expanding the factory (packaging machinery) and investing in an out-grower project.

The Turn-around and Resuscitation plan for Ntingwe, as supported by the DARD is divided into three phase with Phase 1 aiming to maximise crop potential, mechanise plucking of tea, installation of the irrigation system, acquiring of the Rain Forest Alliance Certificate, completion of the pilot Green Tea Factory and upgrading the black tea factory. Phase 2 will look mainly into value addition, filling gaps by replanting 50ha of existing fields, expansion of estate to full extent of 600ha, marketing and distribution of black tea to end users, marketing and distribution of green tea and value added product available to market.

Phase 3 will then look into outgrower project and diversification of field crops, investment in an outgrower scheme for surrounding communities, long term diversification of crops to introduce high value field crops such as avocados and macadamia so as to create an additional income stream.

However, one of the best solutions we can come up with is to have local tea makers add value by buying from Ntingwe and helping to resuscitate the other two defunct and dormant tea estate. We will look into this as part of the Radical Agrarian Socio-Economic Transformation programme (RASET) which thankfully will now be part of DARD to focus on its core mandate. For our part, we shall also work with Trade and Investment KwaZulu-Natal to look into export expansion and opportunities even if we supply the SADC region and curb the encroachment of the Kenyan tea industry which is in an advanced stage.

To Proudly South African, thank you for being our partner and for ensuring that South African goods and products find their place in the world market. Your efforts add a lot of value to the work that the government is doing. We cannot do this on our own.

The industry needs to start creating the much needed jobs from source to down the value chain. From farmworkers and owners of these tea brands to the factory workers that blend different teas and flavours; from packaging and labelling to freight, wholesalers and retailers, thousands of jobs are created and sustained by this industry. This is an industry with great potential if nurtured accordingly. And yes, tea will take us there!

Thank you very much.