A PROFILE OF THE SOUTH AFRICAN TOBACCO MARKET VALUE CHAIN

2014

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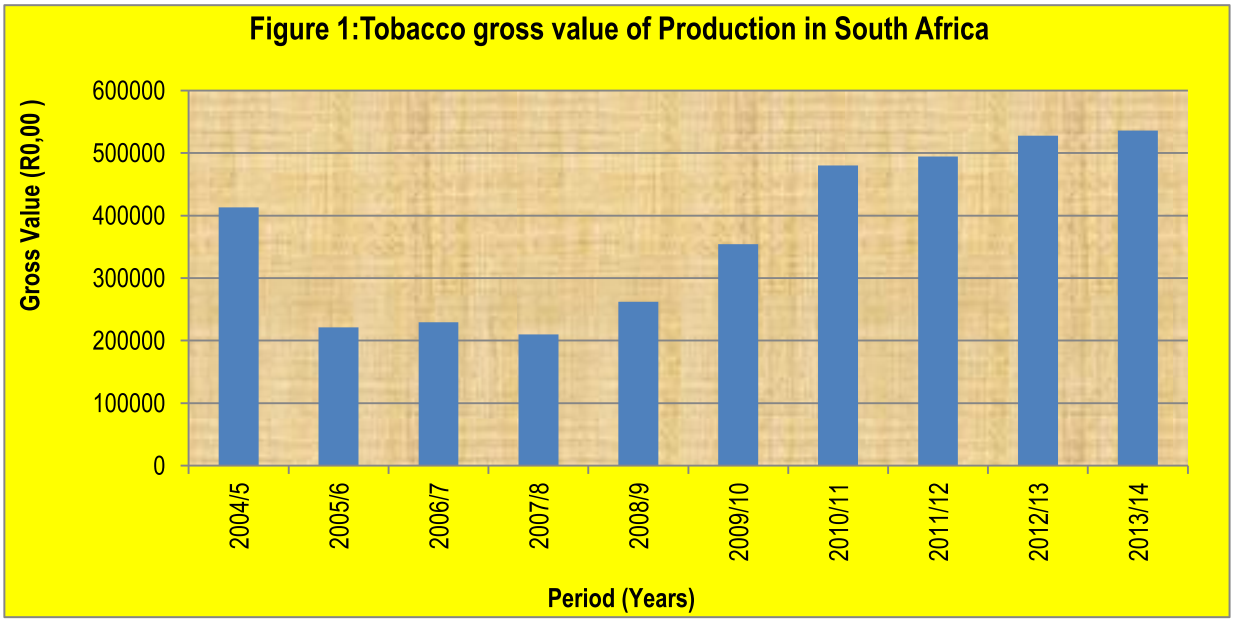
Table of Contents

1. DESCRIPTION OF THE INDUSTRY

The tobacco industry contributes more than R12 billion in excise duty and VAT to the government (excise duties) in 2013/14 marketing season. Private consumer spending on tobacco is approximately R12 billion per annum and more. Two classes of tobacco are produced in South Africa – flue-cured and air-cured tobacco. Flue-cured tobacco is mainly used for cigarettes and air-cured tobacco is mainly used as pipe tobacco, snuff and RYO (roll your own) cigarettes.

The contribution of the tobacco industry to the Gross Value of Agricultural Production between 2004/05 and 2013/14 has been summarized in Figure 1 below.



Source: Statistics & Economic Analysis, DAFF

The graph further indicates that industry contribution to the gross value of agricultural production started to increase substantially between 2004/05 and a decline occurred between 2005/06 and 2009/10 to lower levels of about R210 000. Between 2010/11 and 2013/14, the industry contribution to the gross value of agricultural production experienced a substantial increase until a peak was attained in 2013/14 at approximately R536 123. The substantial decrease in tobacco's contribution to the gross value of agricultural production started in 2004/05 up to 2007/08 and this can be attributed to the introduction and implementation of tobacco control regulations including increase in excise duties on cigarettes by more than 750%, culminating in the rapid growth of illicit trade mostly through smuggled tobacco products. Between 2008/09 and 2012/13, tobacco gross value of production substantially increased to levels of about R527 960. The graph further indicates that there was 1.55% increase in tobacco gross value of production in 2013/14 as compared to 2012/13 marketing season.

1.1 Producing Areas

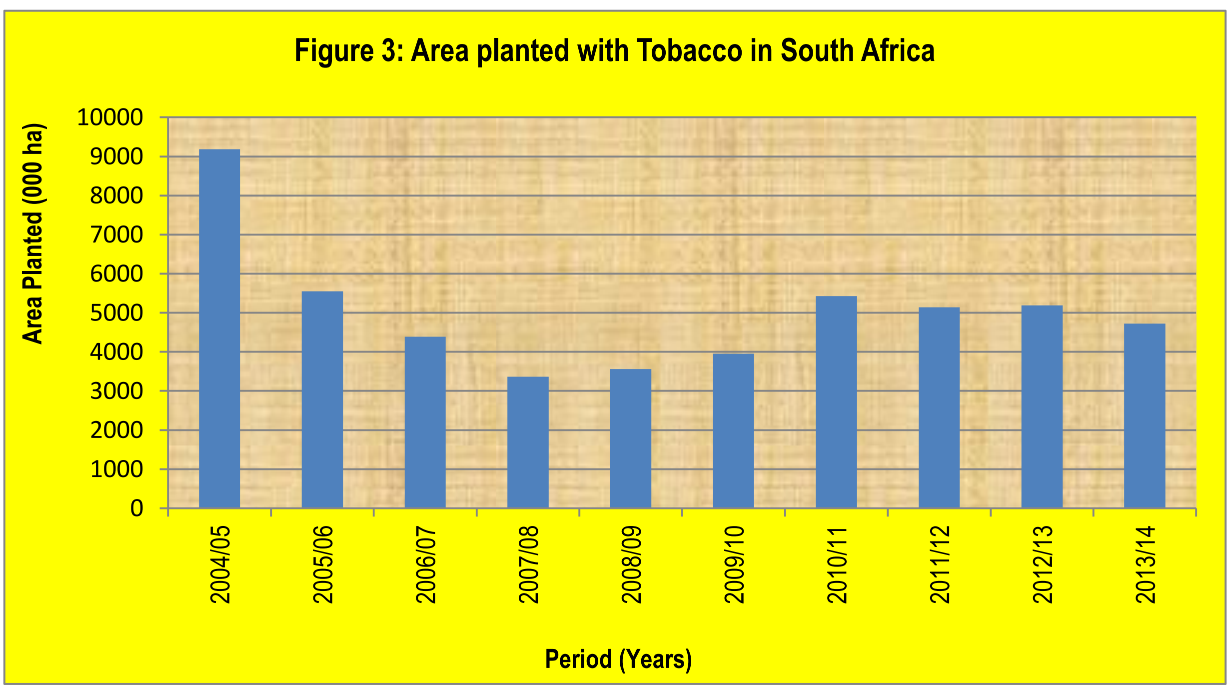
In South Africa tobacco is grown in five provinces: flue-cured tobacco is produced in three provinces namely the Loskop/Groblersdal and the Lowveld (Nelspruit and Barberton) in Mpumalanga; the Vaalwater and Sterkrivier areas of Limpopo as well as the North West Province Brits, Rustenburg and Marico areas. Air-cured tobacco is produced in the Eastern and Western Cape provinces, Limpopo and North West Provinces.

1.2 Production

The total production of tobacco in South Africa is estimated at 142 000 tons comprising of 4 tons of flue-cured tobacco and 13.4 tons of air-cured tobacco. The total production of tobacco has decreased by 9 400 tons between 2004 and 2013. There are 186 tobacco growers in South Africa operating on approximately 4973 hectares of land. Similarly the number of tobacco growers has increased from 170 in 2012 to the current 186 tobacco growers in 2013.

Figure 2 indicates flue-cured tobacco world crop and exports in 2012. China was the biggest producer and exporter of tobacco during the period under review. World production and exports of tobacco originated in China with 54%followed by Brazil and all other countries excluding China sitting on 13% respectively, India with 7%, USA with 5% Zimbabwe and European Union at 3% each.

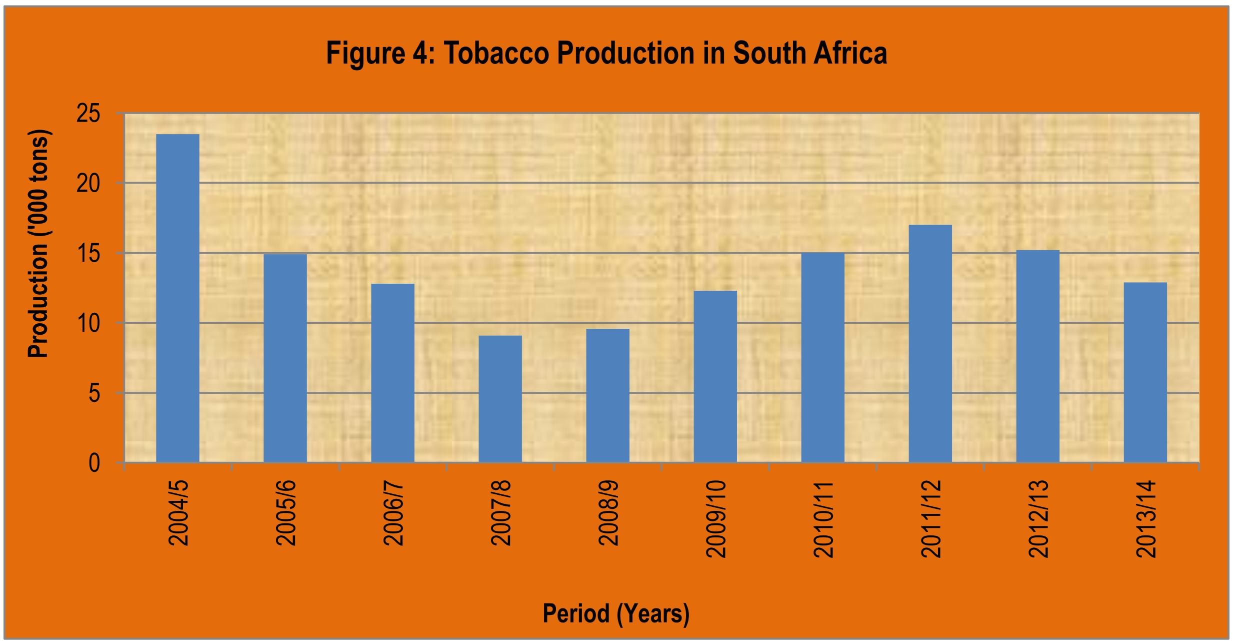
Figure 3 below shows the area planted with tobacco in South Africa between 2004/05 and 2013/14.



Source: Statistics & Economic Analysis, DAFF

The graph further shows that over the past decade, the area planted with tobacco started to increase in 2004/05 and at the same time attained a peak at approximately 9 182 ha. A decline in the area planted with tobacco occurred between 2005/06 and 2007/08 the area planted decreased consistently until it reached 3 363 ha. It is evident that between 2005/06 and 2006/07 the area planted was constant and started to further decline marginally in 2007/08. Between 2008/09 and 2010/11, the area planted with tobacco slightly increased up to approximately 5000 ha. The graph generally shows that there was a continuous decline in the area planted with tobacco in South Africa during the period under review, mainly due to the implementation of legislative mandates by the state. The graph also shows that in 2011/12 marketing season of the period under review, the area planted with tobacco in South Africa declined to lower levels of about production 5139 hectares. In 2012, the area planted with tobacco in South Africa slightly increased levels of about 5189 hectares. The graph further shows that in 2013/14, the area planted with tobacco in South Africa further declined to lower levels of about 4 727 hectares.

Figure 4 below illustrates tobacco production in South Africa between 2004/05 and 2013/14 production season.



Source: Statistics & Economic Analysis, DAFF

The figure further illustrates that tobacco production in South Africa started to increase considerably in 2004/05, and at the same time attained a peak at approximately 23500 tons. The figure also illustrates tobacco production experienced a decline between 2005/06 and 2007/08 to lower levels of approximately 9100 tons in 2007/08. It is also evident in the figure that tobacco production trends between 2004/05 and 2013/14 followed the trends as the area planted with tobacco over the same ten year period (see figure 3 above). The graph further illustrates that between 2007/08 and 2008/09, tobacco production in South Africa reached the lowest levels at approximately 9000 tons until there was a consistent increase in 2008/09 to 2011/12. In 2011/12, the figure also illustrates that tobacco production experienced a dramatic increase and a small peak of approximately 17000 tons. In 2012 and 2013/14, tobacco production in South Africa experienced a consistent decline to lower levels of about 12900 tons in 2013/14.

Table 1 below depicts total tobacco production trends in tons as against the area planted with tobacco in hectares between 2004/05 and 2013/14.**Table 1: Tobacco: area planted and total production trends.**

Year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/04
Area Planted (ha)	9182	5546	4391	3363	3561	3950	5430	5139	5189	4727
Total Production in (000 tons)	23.5	14.9	12.8	9.04	9.57	12.3	15.0	17.0	15.9	12.9

Source: Statistics & Economic Analysis, DAFF

The table further depicts that in 2004/05, the area planted with tobacco was sitting at 9182 ha and at the same time attained a peak over the past decade with total production of about 23500 tons. A consistent decline in the area planted with tobacco was experienced between 2005/06 and 2007/08 at about 3363 ha at 9.04 tons. In 2007/08 the area planted with tobacco decreased further leading to a drastic decline in production. Table 1 further indicates that area planted with tobacco is generally declining over time and could be as a result of a decline in demand which must have been caused by a ban that has been put on promotion of all tobacco products in South Africa. However, it is evident that in 2011/12 period, the area planted with tobacco experienced a decrease of 100 ha as compared to 2010/11. The decrease in the area planted with tobacco in 2011/12 led to an increase in tobacco production of about 17000 tons over the same period. The increase in the area planted with tobacco in 2012/13 led to a slight increase in the area planted with tobacco, while the total production during the same period declined about 15 900 tons. The table further depicts that in 2013/14, there was a decline in both the area planted that was planted with tobacco and the total tobacco production at approximately 4727 ha and 12 900 tons respectively. Furthermore, over the past 10 years the government has increased excise duties on cigarettes by more than 750%, culminating in the rapid growth of illicit trade mostly through smuggled tobacco products. This contributed to a decline in the crop of more than 60% over the past ten years, which resulted in an exponential increase in processing costs resulting from very low capacity utilization. Other factors that contributed to the decline of both the area planted and total tobacco production in South Africa during 2013/14 production season was as a result of increasing labour costs, low average producer prices and lack of subsidies that led to the industry to be uncompetitive globally.

Traditionally and Globally, China is the biggest producer of tobacco and produces over 35% of the world's tobacco. In the SADC region tobacco is also produced in high volumes by countries such as Zimbabwe, Zambia and Malawi. Zimbabwe has approximately 250 tobacco farmers producing on average of 6000 tons of tobacco per annum, Uganda has approximately 100000 farmers producing approximately 35000 tons of tobacco per annum, Kenya produces approximately 2000 tons of tobacco per annum, Tanzania's has approximately 71000 farmers that produce about 49000 tons per annum while Mozambique's 100000 farmers produce approximately 28000 tons of tobacco per annum.

1.3 Employment

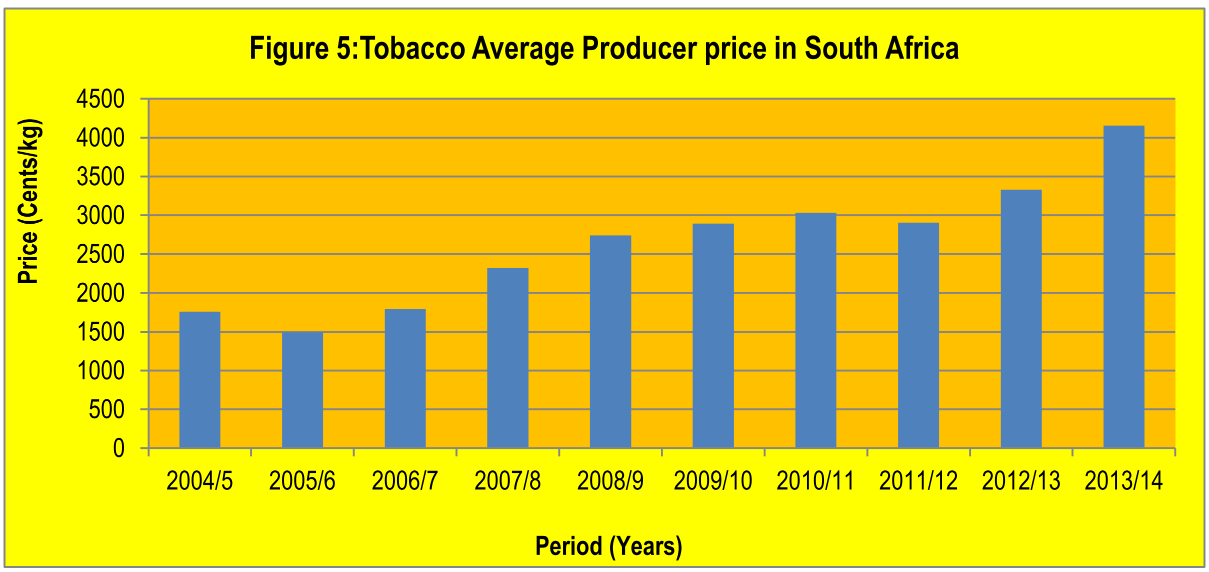
The primary tobacco industry in South Africa employs about 10000 agricultural farm workers during 2013/14 marketing season. Tobacco producer organizations employ 800 people, whilst the manufacturing industry employs 2500 employees. Tobacco product wholesalers employ 364, formal retailers of tobacco products employ 55 000 people while there is an estimated 60 000 informal traders of tobacco products countrywide. These figures show a decline in employment in the primary tobacco industry from the 2003 figure of 22 840 agricultural workers. In total 35 000 people are dependent on the tobacco industry, mostly in the rural areas of South Africa.

2. MARKET STRUCTURE

2.1 Domestic market and Prices

Approximately 40-45% of flue-cured tobacco and 60-70% of air-cured tobacco is used for local consumption. Finished tobacco products are distributed through 364 wholesalers, 55 000 retailers and approximately 60 000 small players in the informal market (street vendors, spaza shops, etc).

Figure 5 below illustrates average producer prices of tobacco in South Africa between 2004/05 and 2013/14 marketing season.



Source: Statistics & Economic Analysis, DAFF

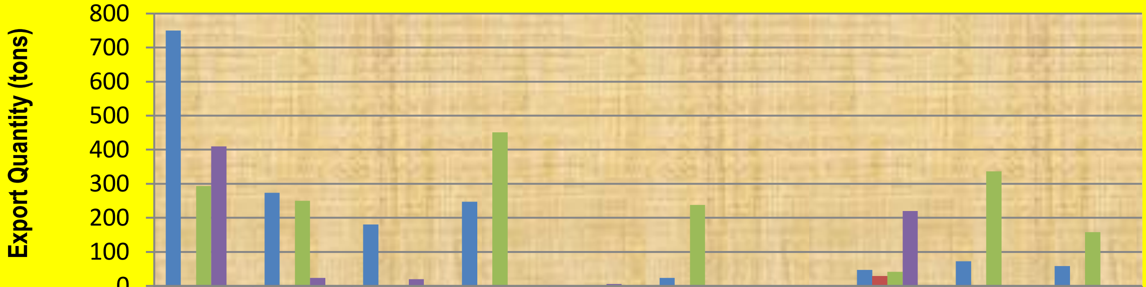
The figure further illustrates that average producer prices fluctuated between 1489.40 and 4156.69 cents per kilogram over the past decade. From 2004/05 tobacco production experienced a slight decrease until the lowest level was attained in 2005/06 at 1489.40; one of the reasons why there was a decrease is because of the tobacco legislation that was passed during that period which led to age restrictions in terms of tobacco usage, restrictions on advertising and a ban on public smoking. As illustrated on the figure, average producer prices experienced a steady increase from 2006/07 to 2010/11 in response to declining domestic supply situation. The figure further illustrates that in 2011/12 of the period under review, there was a slight decline in tobacco average producer prices in South Africa at approximately 2905.74 cents/kg. The figure further illustrates that between 2012/13 and 2013/14, there was a constant increase in tobacco average producer price in South Africa and a peak was attained in 2013/14 at approximately 4156.69 cents/kg.

3. EXPORTS VOLUMES

South Africa exports an average of 16000 tons of leaf tobacco per annum. This represents between 50-60% of leaf tobacco that is produced annually. Flue-cured tobacco that is not used for local consumption is exported mainly to Europe, Asia (the Middle East, the Far East) and other African countries. Tobacco qualifies for duty free access to the USA under the Africa Growth and Opportunities Act. Generally, tobacco exports from South Africa to various regions of the world apply a tariff of between 5% and 20% to tobacco from South Africa during 2013 marketing season. The volumes of exports of tobacco are shown in Figure 6.

Figure 6 below indicates volumes of tobacco exports from South Africa to various regions of the world between 2004 and 2013.

Figure 6: Export volumes of tobacco (unmanufactured) to various regions



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Africa	750	274	181	247	2	24	0	47	72	59
Americas	0	0	0	0	0	0	0	29	0	0
Asia	294	250	0	451	0	238	0	42	337	158
Europe	410	24	20	0	6	0	0	220	0	1
Oceania	0	0	0	1	0	0	0	0	0	0

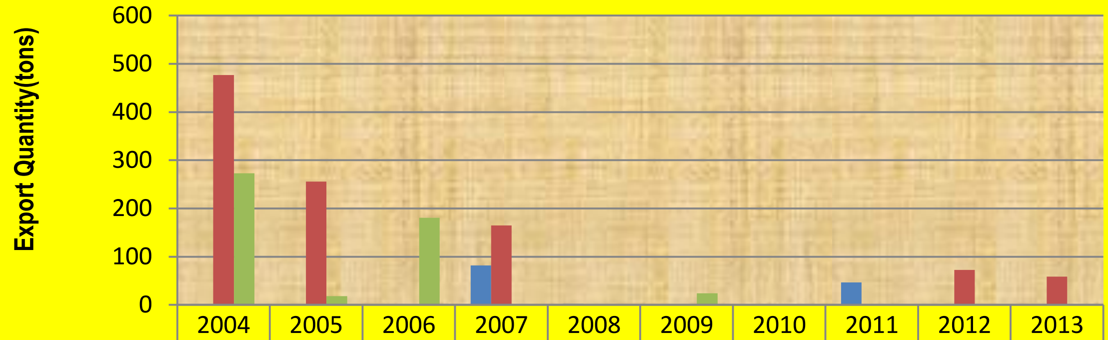
Period (Years)

Source: Quantec EasyData

The graph further indicates that tobacco exports from South Africa to the world went mainly to Asia, followed by Africa and Europe over the past decade. The graph also indicates that exports of tobacco from South Africa to Asia started to increase in 2004, and a slight decline occurred in 2005 to 250 tons. In 2007, exports of tobacco from South Africa to Asia attained a peak at approximately 451 tons. The graph further indicates that in 2006, 2008 and 2010, there were no exports of tobacco from South Africa to the world. Between 2008 and 2013, exports of tobacco from South Africa to the world experienced very low levels of about 42 tons in 2011. The graph also indicates that in 2004, exports of tobacco from South Africa to Africa attained a peak at approximately 750 tons. Between 2005 and 2013, exports of tobacco from South Africa to Africa consistently decline to low levels of about 2 tons in 2008. The graph further indicates that world regions such as Americas and Oceania imported very intermittent volumes of tobacco during the period under scrutiny. The graph also indicates that there was 53.1% decline in tobacco exports from South Africa to Asia in 2013 as compared to 2012 marketing season.

Figure 7 below illustrates exports of tobacco from South Africa to Africa between 2004 and 2013.

Figure 7: Export volumes of tobacco (unmanufactured) to Africa



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Eastern Africa Rest	0	0	0	82	2	0	0	47	0	0
Western Africa	477	255	0	164	0	0	0	0	72	59
SADC	273	18	181	1	0	24	0	0	0	0

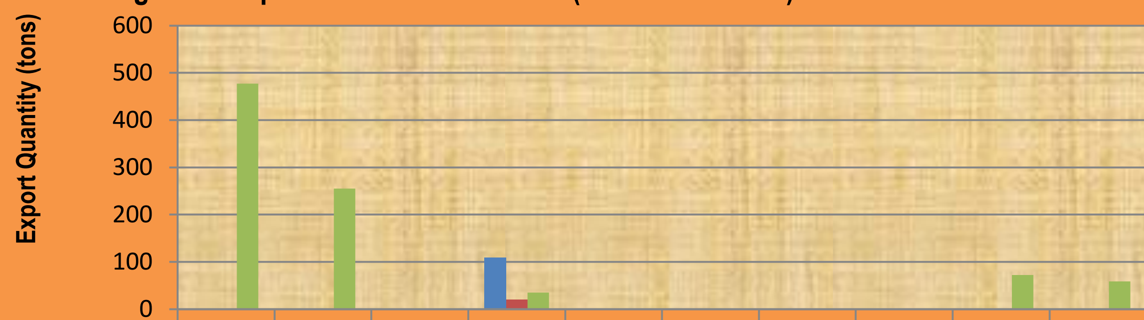
Period (Years)

Source: Quantec EasyData

The figure further illustrates that over the past decade, the major export market for tobacco from South Africa to Africa was Western Africa, particularly from Nigeria. African regions such as SADC and Eastern Africa had very low volumes of tobacco exports to the world of not more than 300 tons per annum during the period under examination. The figure also illustrates that exports volumes of tobacco from South Africa to Western Asia started to increase in 2004 and at the same time a peak was attained at approximately 477 tons. The figure further illustrates that tobacco exports from South Africa to SADC attained a peak also in 2004 at approximately 273 tons. Eastern Africa had very low levels of tobacco exports from South Africa at approximately less than 300 tons per annum. The figure also illustrates that in 2006 and again between 2008 and 2011, there were no tobacco exports from South Africa to Western Africa, while in 2008 and again between 2010 and 2013, there were no tobacco exports from South Africa to the SADC region. The figure further illustrates that there was 18.1% decline in tobacco exports from South Africa to Western Africa in 2013 as compared to 2012 marketing season.

Figure 8 depicts exports of tobacco (unmanufactured) from South Africa to Western Asia between 2004 and 2013.

Figure 8: Export volumes of tobacco (unmanufactured) to Western Africa



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Côte d'Ivoire	0	0	0	110	0	0	0	0	0	0
Gambia	0	0	0	20	0	0	0	0	0	0
Nigeria	477	255	0	35	0	0	0	0	72	59

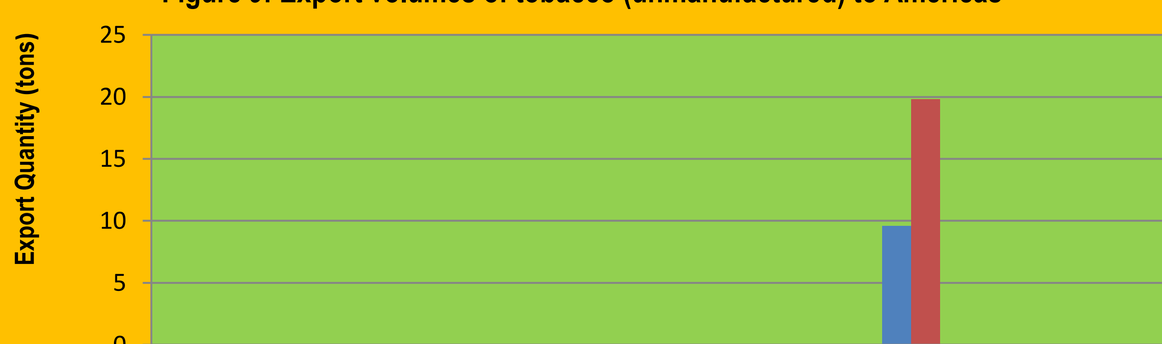
Period (Years)

Source: Quantec EasyData

The figure further depicts that over the past ten years, the major export market for tobacco from South Africa to Western Africa was Nigeria, with very intermittent exports to Ivory Coast and Gambia. The figure also depicts that tobacco exports volumes from South Africa to Nigeria started to increase in 2004, and at the same time a peak was attained at approximately 477 tons. The figure further depicts that over the past decade, there were no exports of tobacco from South Africa to Nigeria in 2006, and again between 2008 and 2011. The figure also depicts that tobacco exports from South Africa to Gambia and Ivory Coast were very intermittent with no deliveries most of the years between 2004 and 2013. The figure further depicts that there was a decline of 18.1% in tobacco exports from South Africa to Western Africa in 2013 as compared to 2012 marketing season.

Figure 9 below shows exports of tobacco (unmanufactured) from South Africa to Americas between 2004 and 2013.

Figure 9: Export volumes of tobacco (unmanufactured) to Americas



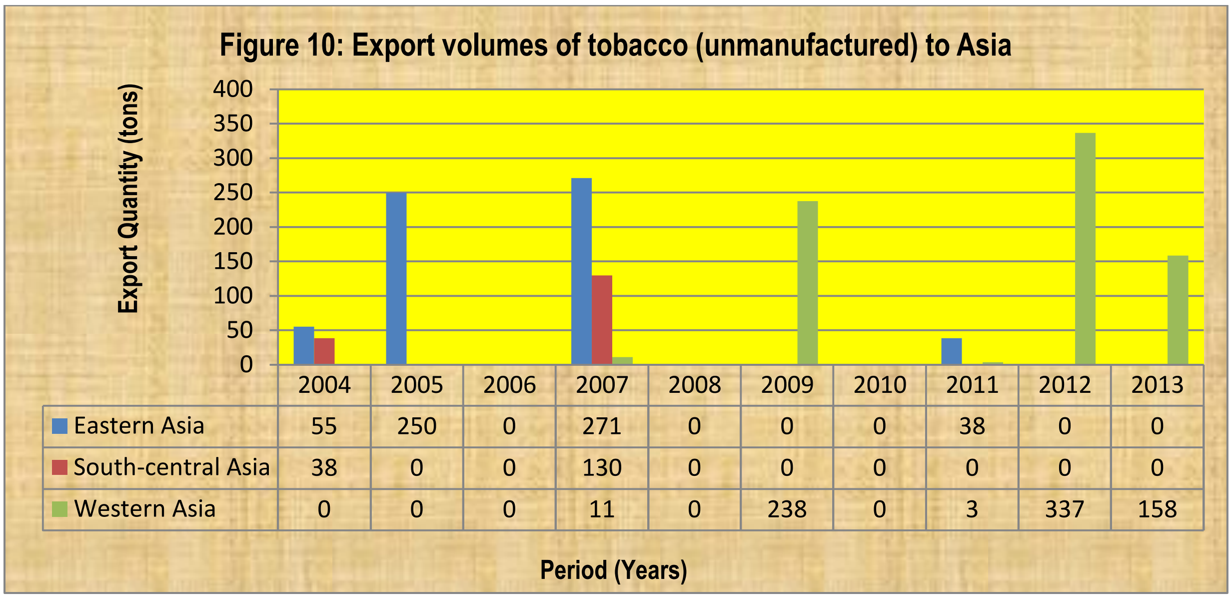
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Caribbean	0	0	0	0	0	0	0	10	0	0
NAFTA	0	0	0	0	0	0	0	20	0	0

Period (Years)

Source: Quantec EasyData

The figure further shows that over the ten year period, the major export market for tobacco (unmanufactured) from South Africa to Americas was mainly NAFTA, followed by Caribbean. The figure also shows that South Africa exported no quantities of tobacco in the beginning of the first half of the ten year period under review. The figure further shows that exports of tobacco from South Africa to NAFTA started to increase in 2011, and at the same time attained a peak at approximately 20 tons, while tobacco exports volumes from South Africa to the Caribbean started to increase also in 2011, and at the same time attained a peak at approximately 10 tons. The figure also shows that there was 100% decline in tobacco exports from South Africa to NAFTA in 2012 and 2013 as compared to 2011 marketing season.

Figure 10 below illustrates exports of tobacco (unmanufactured) from South Africa to Asia between 2004 and 2013.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Eastern Asia	55	250	0	271	0	0	0	38	0	0
South-central Asia	38	0	0	130	0	0	0	0	0	0
Western Asia	0	0	0	11	0	238	0	3	337	158

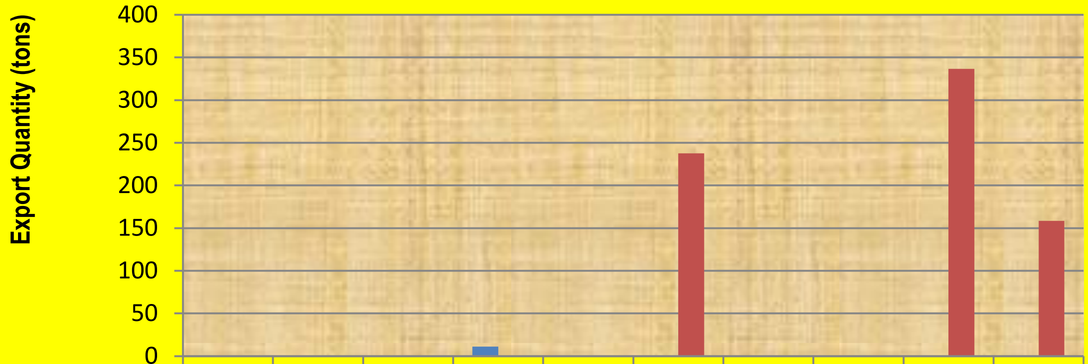
Figure 10: Export volumes of tobacco (unmanufactured) to Asia

Source: Quantec EasyData

The figure further illustrates that over the ten year period, the major export market for tobacco from South Africa to Asia was mainly Western Asia, followed by Eastern Asia and South-central Asia. The figure also illustrates that exports of tobacco from South Africa to Western Asia were from a high base during the second half of the ten year period under review attaining a peak in 2013 at approximately 337 tons. Exports of tobacco from South Africa to Eastern Asia were from a high base during the first half of the ten year period under examination attaining a peak in 2007 at approximately 271 tons. Between 2004 and 2013, exports of tobacco from South Africa to Western Asia were from a low base attaining a minimum of about 3 tons in 2011. The figure further illustrates that there was 53.1% decline in tobacco exports from South Africa to Western Asia in 2013 as compared to 2012 marketing season.

Figure 11 below indicates exports of tobacco (unmanufactured) from South Africa to Western Asia between 2004 and 2013.

Figure 11: Export volumes of tobacco (unmanufactured) to Western Asia



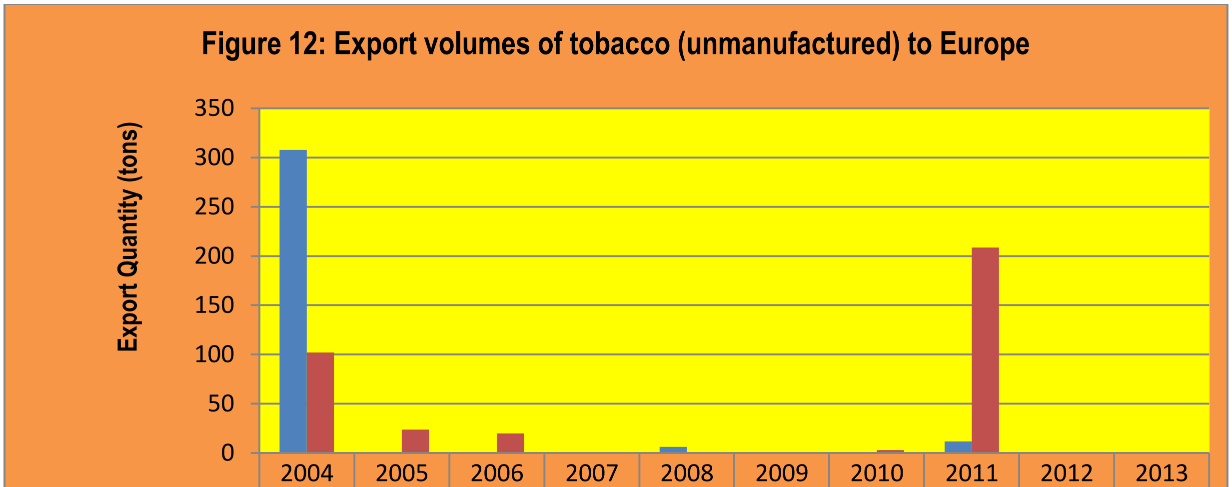
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
United Arab Emirates	0	0	0	11	0	0	0	0	0	0
Armenia	0	0	0	0	0	238	0	0	337	158

Period (Years)

Source: Quantec EasyData

The figure further indicates that over the past decade, the major export market for tobacco from South Africa to Western Asia was mainly Armenia, followed by low export volumes of tobacco to United Arab Emirates. The figure also indicates that export volumes of tobacco from South Africa to Armenia were from a high base during the second half of the ten year period attaining a peak in 2012 at approximately 337 tons. Exports of tobacco from South Africa to Armenia were from a low base during the first half of the ten year period under examination. The figure further indicates that exports of tobacco from South Africa to United Arab Emirates were very low during the period under review. There were no tobacco exports volumes from South Africa to Armenia between 2004 and 2008 and again between 2010 and 2011. There were also no exports of tobacco from South Africa to United Arab Emirates between 2004 and 2006 and again between 2008 and 2013. The figure further indicates that there was 53.1% decline in tobacco exports from South Africa to Armenia in 2013 as compared to 2012 marketing season.

Figure 12 below illustrates exports of tobacco (unmanufactured) from South Africa to Europe between 2004 and 2013.

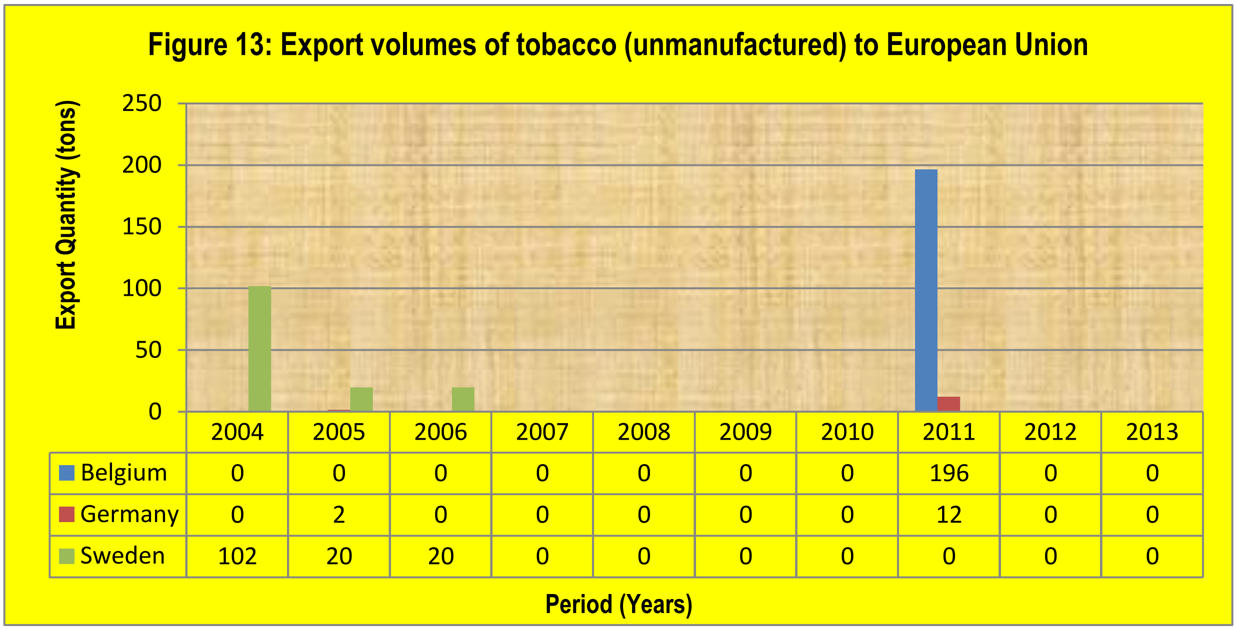


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Eastern Europe	308	0	0	0	6	0	0	12	0	0
European Union	102	24	20	0	0	0	3	208	0	0

Source: Quantec EasyData

The graph further illustrates that over the past decade, the major export market for tobacco exports from South Africa to Europe was mainly European Union, followed by Eastern Europe. The graph also illustrates that exports volumes of tobacco from South Africa to the European Union started to increase in 2004 and a decline occurred between 2005 and 2010 to levels of about 3 tons. In 2011, exports volumes of tobacco from South Africa to the European Union attained a peak at approximately 208 tons. The graph further illustrates that exports of tobacco from South Africa to Eastern Europe started to increase in 2004 and at the same time attained a peak at approximately 308 tons. The graph also illustrates that there was 100% decline in tobacco exports from South Africa to the European Union in 2012 and 2013 as compared to 2011 marketing season.

Figure 13 below depicts exports of tobacco (unmanufactured) from South Africa to European Union between 2004 and 2013.



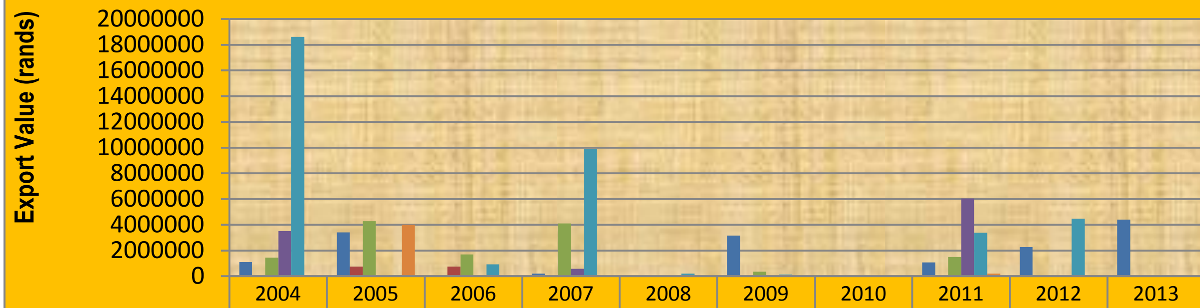
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Belgium	0	0	0	0	0	0	0	196	0	0
Germany	0	2	0	0	0	0	0	12	0	0
Sweden	102	20	20	0	0	0	0	0	0	0

Source: Quantec EasyData

The graph further depicts that over the past ten years, the major export market for tobacco exports from South Africa to the European Union was mainly Belgium, followed by Sweden and Germany with very intermittent exports of tobacco from South Africa during the same period under scrutiny. The graph also depicts that exports of tobacco from South Africa to Belgium started to increase in 2011 and at the same time attained a peak at approximately 196 tons. The graph also illustrates that exports of tobacco from South Africa to Sweden experienced a peak in 2004 at approximately 102 tons. The graph further illustrates that exports of tobacco from South Africa to Germany were low and not more than 12 tons per annum. The graph also illustrates that there was 100% decline in tobacco exports from South Africa to Belgium in 2012 and 2013 as compared to 2011 marketing season.

Figure 14 below indicates values of tobacco (unmanufactured) exports by Provinces of the Republic of South Africa to the world between 2004 and 2013.

Figure 14: Value of tobacco exports (unmanufactured) by Provinces



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Western Cape	1089892	3416372	0	192150	4536	3150972	25	1061742	2259288	4408395
Eastern Cape	0	744352	744150	0	0	0	0	0	0	0
Kwazulu-Natal	1430174	4271152	1682663	4105104	657	355349	0	1486506	42	0
North West	3508842	0	24031	568182	0	0	0	6036441	0	0
Gauteng	18603933	81293	909262	9878904	209505	113672	10665	3377279	4462697	50
Mpumalanga	0	3998771	0	0	0	0	0	199639	0	27082

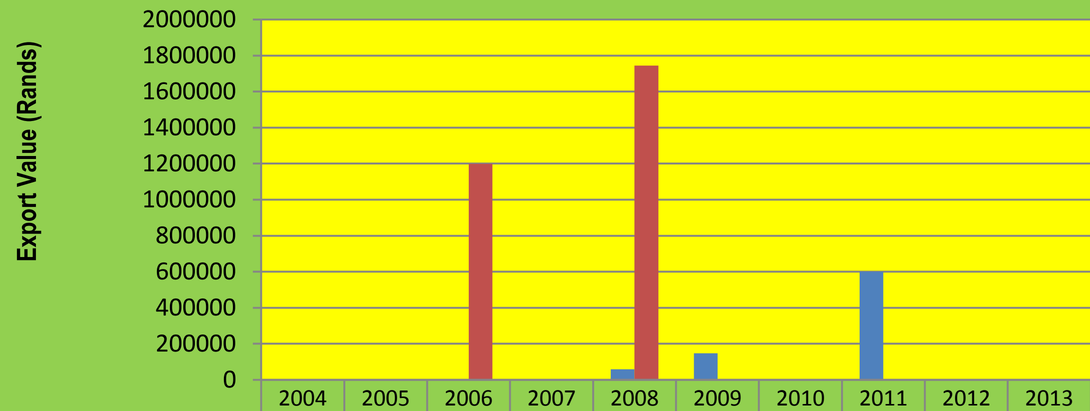
Period (Years)

Source: Quantec EasyData

The figure further indicates that during the period under review, tobacco exports from South Africa to the world were mainly from Gauteng Province, followed by North West and Western Cape Provinces. The figure also indicates that tobacco exports from Gauteng province to the world started to increase in 2004 and at the same time attained a peak at approximately R18.6 million, followed by exports from North West province to the world that attained a peak in 2011 at approximately R6 million. The figure also indicates that tobacco exports from Western Cape Province to the world attained its peak in 2013 at approximately R4.4 million. The figure further indicates that, Mpumalanga, Kwazulu-Natal and Eastern Cape provinces had very low exports of tobacco from South Africa to the world during the period under scrutiny. The figure further indicates that there was 100% decline in exports of tobacco from Gauteng province to the world in 2013 as compared to 2012 marketing season.

Figure 15 below depicts values of tobacco (unmanufactured) exports by Limpopo Province of South Africa to the world between 2004 and 2013.

Figure 15: Value of tobacco exports (unmanufactured) by Limpopo Province



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Vhembe District municipality	0	0	0	0	58529	147628	0	600819	0	0
Waterberg District municipality	0	137	1199227	0	1745134	0	0	0	0	0

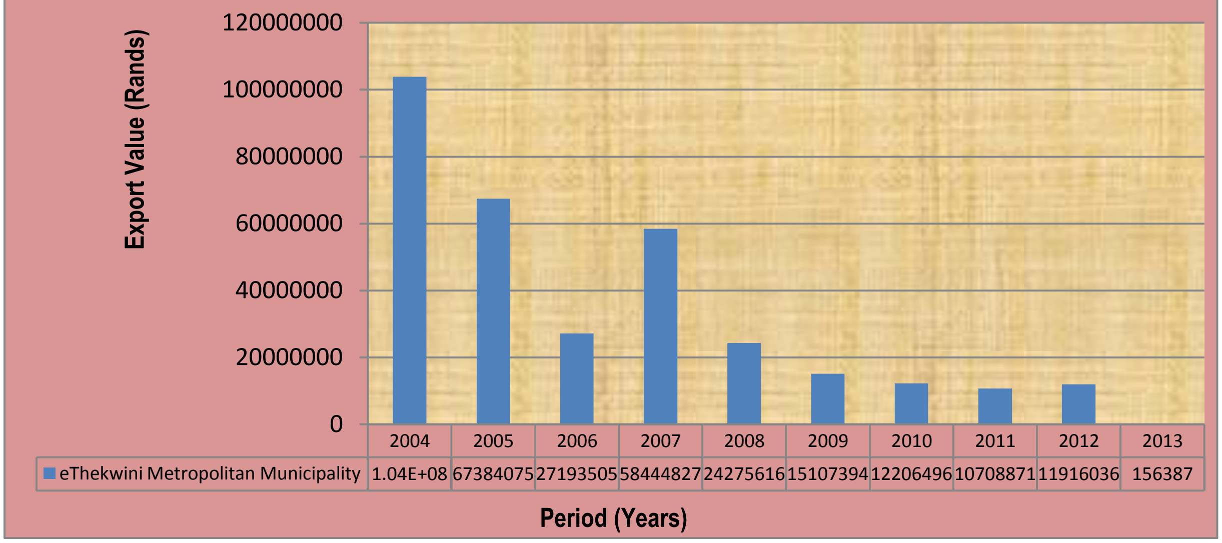
Period (Years)

Source: Quantec EasyData

The graph further depicts that Waterberg District Municipality commanded the greatest market share of tobacco exports from Limpopo province to the world during the period under review with minimal competition from Vhembe District. The graph also depicts that tobacco exports from Waterberg District Municipality to the world started to increase in 2006, and a decline occurred in 2007 until a peak was attained in 2008 at approximately R1.7 million. The graph further depicts that there were no tobacco exports from Waterberg District Municipality to the world in 2004, 2007, and again between 2009 and 2013 marketing season. The graph also depicts that during the period under review, Vhembe district municipality only managed to export tobacco to the world in 2008, 2009 and in 2011 attained a peak at approximately R600 819. The graph further depicts that there was 100% decline in exports of tobacco from Waterberg District Municipality to the world between 2009 and 2013 as compared to 2008 marketing season.

Figure 16 below shows values of tobacco (unmanufactured) exports by KwaZulu-Natal Province to the world between 2004 and 2013.

Figure 16: Value of tobacco exports (unmanufactured) by KwaZulu-Natal Province

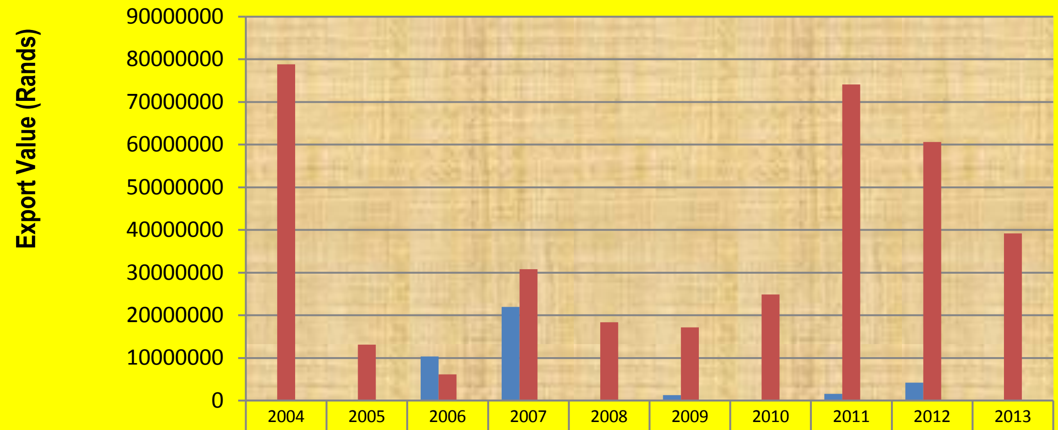


Source: Quantec EasyData

The figure further shows that over the past ten years, eThekwini Metropolitan Municipality commanded the greatest market share of tobacco export values from KwaZulu-Natal Province to the world during the period under review with no competition from other municipal regions. The figure also shows that tobacco export values from eThekwini Metro Municipality to the world started to increase in 2004 and a peak was attained at approximately R104 million. The figure further shows that tobacco export values from eThekwini Metro Municipality to the world were from a high base during the first half of the ten year period, while exports of tobacco declined substantially during the second half of the period under examination. The figure also shows that there was a slight increase in tobacco exports from eThekwini Metro to the world in 2007, until a consistent decline was experienced between 2008 and 2011 to levels below 10.8 million. The figure further shows that there was a slight increase in tobacco export values from South Africa to the world in 2012 of approximately R1.2 million. The figure also shows that there was a decline in tobacco exports from eThekwini Metropolitan Municipality to the world during 2013 at approximately R156 387. The figure further shows that there was 98.7% decline in exports of tobacco from eThekwini Metropolitan Municipality to the world in 2013 as compared to 2012 marketing season.

Figure 17 below indicates values of tobacco exports by Gauteng Province of South Africa to the world between 2004 and 2013.

Figure 17: Value of tobacco exports (unmanufactured) by Gauteng Province

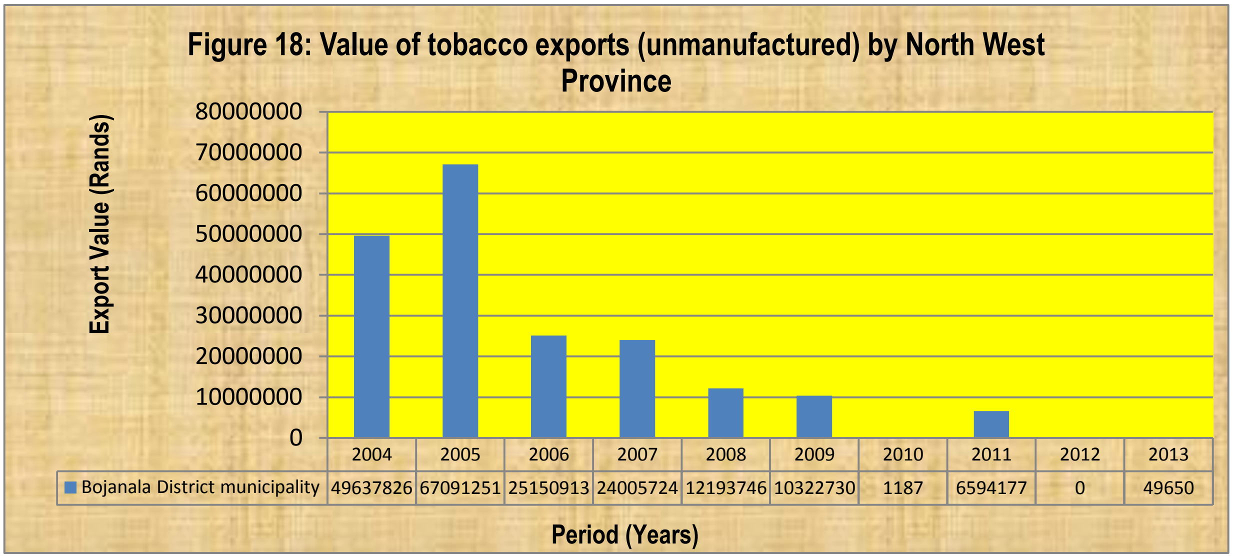


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ekurhuleni Metropolitan Municipality	2050	51783	10350436	21927030	157937	1287005	1329	1562448	4201342	0
City of Johannesburg Metropolitan Municipality	78776167	13147635	6124453	30790932	18349291	17172653	24849875	74119284	60576458	39159497
City of Tshwane Metropolitan Municipality	0	58511	0	10	0	0	0	0	0	0

Source: Quantec EasyData

The graph further illustrates that the City of Johannesburg Metropolitan Municipality commanded the greatest market share of tobacco exports from South Africa to the world during the period under review, followed by minimal tobacco exports from Ekurhuleni Metropolitan and City of Tshwane Metropolitan Municipalities. The graph also indicates that tobacco exports from the City of Johannesburg Metropolitan municipality to the world started to increase in 2004 and at the same time attained a peak at approximately R78.7 million, whilst tobacco exports from Ekurhuleni Metropolitan Municipality to the world experienced its peak in 2007 at approximately R21.9 million. The graph further indicates that tobacco exports from the City of Tshwane Metropolitan Municipality to the world attained a peak in 2005 at approximately R58 511. The graph also indicates that tobacco exports from the City of Johannesburg to the world declined substantially between 2005 and 2010 to lower levels of approximately R6.1 million. In 2012, exports of tobacco from the City of Johannesburg to the world increased substantially to levels of approximately R74.1 million. In 2012, the situation was different as of tobacco from the City of Johannesburg Metropolitan Municipality to the world slightly declined to approximately R60.5 million. The graph also indicates that tobacco exports from the City of Johannesburg Metropolitan Municipality to the world experienced further decline in 2013 to approximately R39.1 million. The graph further indicates that there was 35.3% decline in exports of tobacco from the City of Johannesburg Metropolitan Municipality to the world in 2013 as compared to 2012 marketing season.

Figure 18 below illustrates values of tobacco (unmanufactured) exports from North West Province of South Africa to the world between 2004 and 2013.

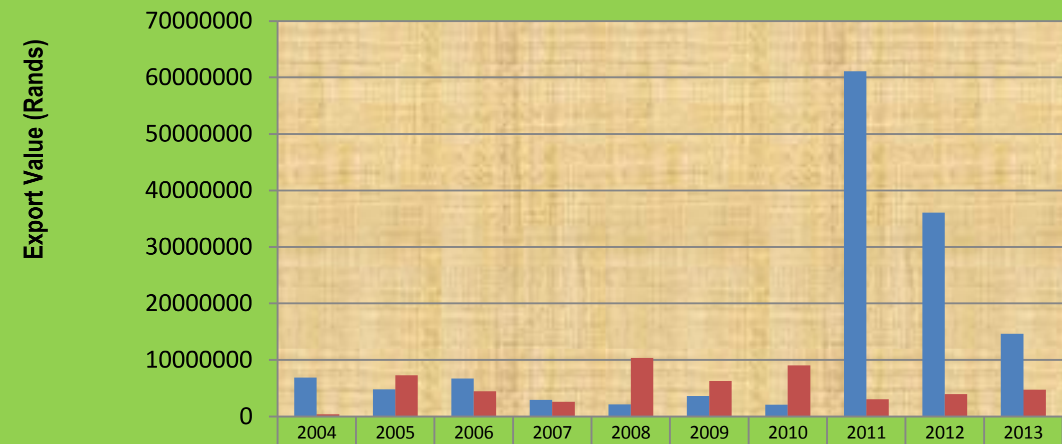


Source: Quantec EasyData

The figure further illustrates that tobacco exports from Bojanala District Municipality to the world started to increase in 2004 at about R49.6 million until a peak was attained in 2005 at approximately R67.0 million. Exports of tobacco from Bojanala District Municipality to the world experienced a consistent decline between 2006 and 2013 to lower levels of about R49 650. The figure also illustrates that in 2012, there were no tobacco exports from Bojanala District municipality to the world due to lower levels of production in the domestic market and that resulted to a short supply of tobacco in the world market. The graph further illustrates that there was a slight increase in tobacco exports from Bojanala District Municipality to the world in 2013 of approximately R49 650. The figure also illustrates that there was 100% increase in exports of tobacco from Bojanala District Municipality to the world in 2013 as compared to 2012 marketing season.

Figure 19 below depicts values of tobacco (unmanufactured) exports from the Western Cape Province to the world between 2004 and 2013.

Figure 19: Value of tobacco exports (unmanufactured) by Western Cape Province



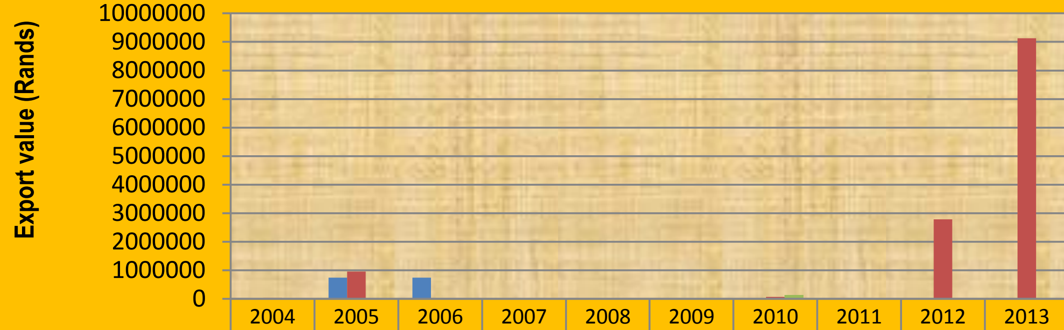
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City of Cape Town Metropolitan Municipality	6910633	4835208	6735840	2965328	2148621	3616616	2106476	61093793	36094699	14666344
Eden District municipality	404348	7288012	4446744	2588521	10327378	6274694	9059553	3076179	3969740	4769959

Source: Quantec EasyData

The graph further depicts that over the past ten years, the City of Cape Town Metropolitan Municipality commanded the greatest share of tobacco exports from the Western Cape Province to the world during the period under review followed by Eden District Municipality. The graph also depicts that tobacco exports from the City of Cape Town Metro to the world started to increase in 2011, and at the same time attained a peak at approximately R61 million. In 2012, export values of tobacco from the Western Cape Province to the world experienced a dramatic decline of about R25 million as compared to the export value in 2011. The graph further depicts that Eden District Municipality had very low levels of tobacco exports throughout the period under examination of not more than R10 million per annum. The graph also depicts that in 2013, there was a decline in exports of tobacco from City of Cape Town Metropolitan to the world at approximately R14.6 million. The graph also depicts that there was 59.36% decline in exports of tobacco from the City of Cape Town Metropolitan municipality to the world in 2013 as compared to 2012 marketing season.

Figure 20 below shows values of tobacco (unmanufactured) exports from Eastern Cape Province to the world between 2004 and 2013.

Figure 20: Value of tobacco exports (unmanufactured) by Eastern Cape Province



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cacadu District municipality	0	744150	744150	0	0	0	0	0	0	0
Amatole District municipality	38456	957580	0	6761	365	0	75880	13445	2785461	9125047
Nelson Mandela Metropolitan Municipality	0	0	0	0	0	0	125492	0	0	0

Source: Quantec EasyData

The figure further shows that over the past decade, Amatole District Municipality commanded the greatest market share of tobacco exports from the Eastern Cape Province to the world followed by Cacadu District Municipality and Nelson Mandela Metropolitan Municipality. The figure also shows that tobacco exports from Amatole District Municipality to the world started to increase substantially in 2005 to approximately R957 000. Between 2006 and 2011, exports of tobacco from the Eastern Cape Province to the world experienced a substantial decline of about R365.00. The figure further shows that tobacco exports from Amatole District Municipality to the world attained a peak in 2013 at approximately R9.1 million. Tobacco export values from Cacadu District Municipality to the world started to increase in 2005 and 2006, and at the same time attained a peak at approximately R744 150 respectively. There were no tobacco exports from Cacadu District Municipality to the world between in 2004, and again between 2007 and 2012 of the period under scrutiny. South Africa only exported tobacco from Nelson Mandela Metro to the world in 2010 at approximately R125 000 over the past decade. The figure also shows that there was 227.6% increase in exports of tobacco (unmanufactured) from Amatole District Municipality to the world in 2013 as compared to 2012 marketing season.

Figure 21 below illustrates values of tobacco (unmanufactured) exports from Mpumalanga Province to the world between 2004 and 2013.

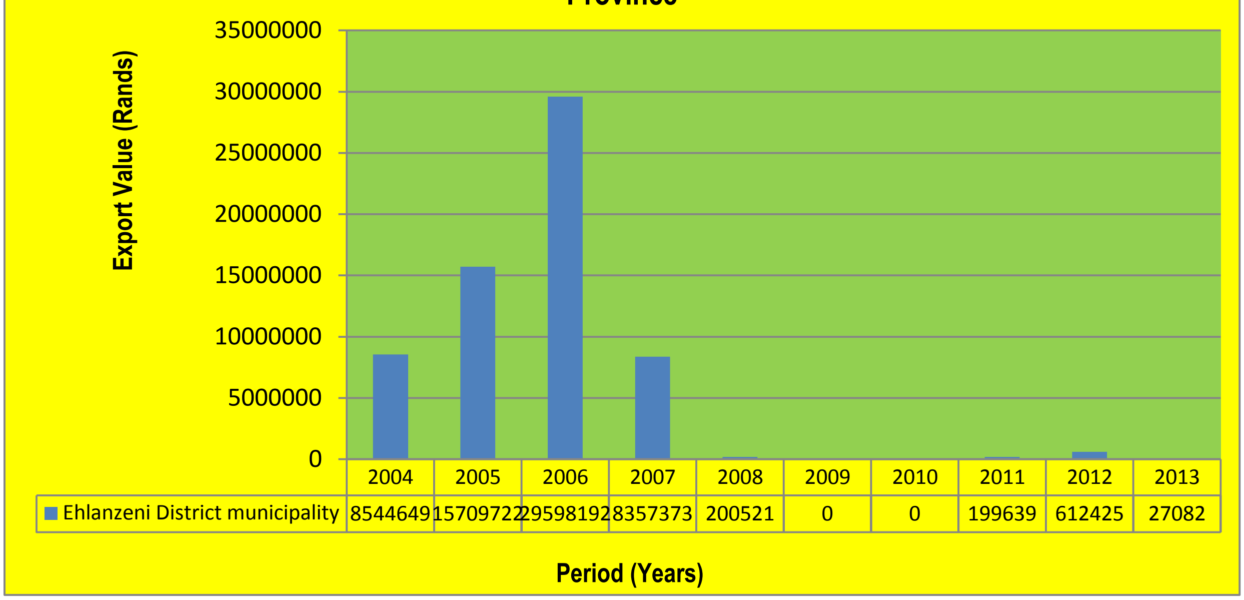


Figure 21: Value of tobacco exports (unmanufactured) by Mpumalanga Province

Source: Quantec EasyData

The figure further illustrates that Ehlanzeni District Municipality commanded the greatest market share of tobacco exports from Mpumalanga province to the world during the period under examination. The figure also illustrates that tobacco exports from Ehlanzeni District Municipality to the world started to increase in 2004 at approximately R8.5 million, with a consistent increase and attained a peak in 2006 at approximately R29.5 million. Between 2009 and 2010, there were no tobacco export values from Ehlanzeni District Municipality to the world due to lower volumes produced and short supply to the market. The figure further illustrates that all tobacco exports from Mpumalanga province to the world were from Ehlanzeni District Municipality over the past decade. The figure further illustrates that there was 95.6% decline in exports of tobacco (unmanufactured) from Ehlanzeni District Municipality to the world in 2013 as compared to 2012 marketing season.

3.1 Share Analysis

Table 2 below indicates that the Gauteng Province commanded the greatest market share of tobacco exports during the period under review, followed by Western Cape Province. This trend indicates that the greatest percentages of tobacco exports were recorded as originating from both Gauteng and Western Cape provinces with small exports recorded for other provinces during the period under examination.

Table 2: Share of provincial tobacco exports to the total South African tobacco exports (%)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Province										
Western Cape	3.05	6.84	10.0	3.73	18.0	18.3	23.1	40.6	33.3	28.6
Eastern Cape	0.02	0.96	0.67	0.00	0.00	0.00	0.42	0.01	2.32	13.4

Year Province	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
KwaZulu-Natal	41.8	38.0	24.4	39.2	35.0	28.0	25.2	6.78	9.92	0.23
North West	20.0	37.8	22.5	16.1	17.6	19.1	0.00	4.17	0.00	0.07
Gauteng	31.7	7.61	14.8	35.4	26.6	34.2	51.3	47.9	53.9	57.6
Mpumalanga	3.44	8.73	26.5	5.61	0.28	0.00	0.00	0.13	0.51	0.04
Limpopo	0.00	7.73	1.08	0.00	2.60	0.27	0.00	0.38	0.00	0.00

Source: Calculated from Quantec EasyData

In the Western Cape Province tobacco exports occur mainly through the City of Cape Town Metro to the world (see table 3 below), followed by Eden District municipality with menial exports recorded from the Cape Wine lands District municipality over the past decade.

Table 3: Share of the district tobacco exports to the total Western Cape tobacco exports (%)

Year Districts	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City of Cape Town	91.1	39.9	60.2	53.4	17.2	36.6	18.9	95.2	90.1	75.5
Eden District	5.33	60.1	39.8	46.6	82.8	63.4	81.1	4.79	9.91	24.5

Source: Calculated from Quantec EasyData

Table 4 below illustrates that in the Eastern Cape Province tobacco exports occurred mainly through the Amatole District municipality to the world, followed by low tobacco exports from Cacadu District municipality during the period under scrutiny.

Table 4: Share of district tobacco exports to the total Eastern Cape tobacco exports (%)

Year Districts	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cacadu District	0.00	43.7	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amatole District	100	56.3	0.00	100	100	0.00	100	100	100	100

Source: Calculated from Quantec EasyData

Table 5 below depicts that in Limpopo province exports of tobacco originated mainly from the Waterberg District municipality to the world throughout the period under review.

Table 5: Share of district tobacco exports to the total Limpopo tobacco exports (%)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Districts										
Vhembe District	0.00	0.00	0.00	0.00	3.25	100	0.00	100	0.00	0.00
Waterberg District	0.00	100	100	0.00	96.8	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec EasyData

In the KwaZulu-Natal province tobacco exports originated mainly from the eThekwini Metropolitan municipality to the world with no competition from other districts over the past ten years (see Table 6 below).

Table 6: Share of district tobacco exports to the total KwaZulu-Natal tobacco exports (%)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Districts										
eThekwini Metro	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

Table 7 below depicts that in North West province exports of tobacco originated mainly from the Bojanala District municipality to the world throughout the period under review.

Table 7: Share of district tobacco exports to the total North West tobacco exports (%)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Districts										
Bojanala District	100	100	100	100	100	100	100	100	0.00	100

Source: Calculated from Quantec EasyData

Table 8 indicates that in Gauteng province, the City of Johannesburg Metropolitan Municipality commanded the greatest market share of tobacco exports over the past decade.

Table 8: Share of district tobacco exports to the total Gauteng tobacco exports (%)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Districts										
Ekurhuleni Metro	0.00	0.39	62.8	41.6	0.85	6.97	0.01	2.06	6.49	0.00
City of Johannesburg	100	99.6	37.2	58.4	99.1	93.1	100	98.0	93.5	100

Source: Calculated from Quantec EasyData

Table 9 below depicts that in Mpumalanga Province, Ehlanzeni District Municipality commanded the greatest market share of tobacco exports to the world during the period under review.

Table 9: Share of district tobacco exports to the total Mpumalanga tobacco exports (%)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Districts										
Ehlanzeni District	100	100	100	100	100	0.00	100	100	100	100

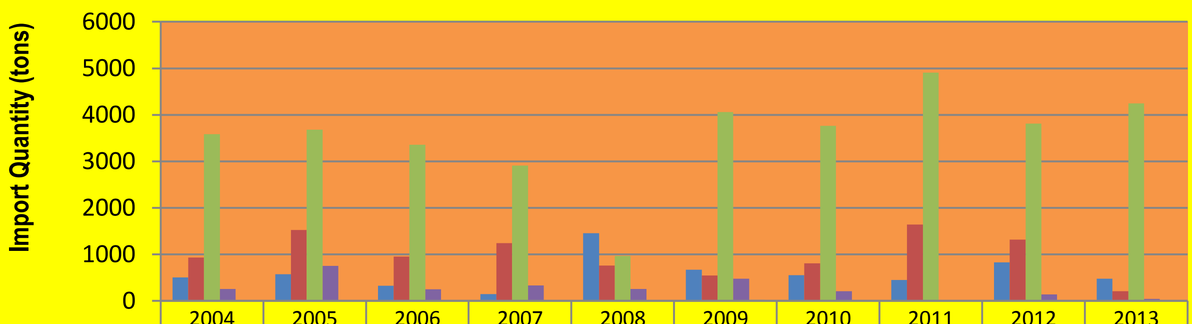
Source: Calculated from Quantec EasyData

4. IMPORTS VOLUMES

On average, South Africa imported approximately 5396 tons of tobacco (unmanufactured) and a total of around 53961 tons over the past decade, with highest import volumes attained from Asia. The volumes of imports of tobacco (unmanufactured) are shown in Figure 22 over a ten year period and the analysis reveals that South Africa is a net importer of tobacco (unmanufactured). Imports have increased above exports since 2004 because the tobacco manufacturers are importing more tobacco due to a substantial decline in domestic production and some tobacco manufacturers have begun importing finished tobacco products. The labour laws and costs involved in the tobacco industry also have an impact towards the decline of production and exports during 2013/14 marketing season.

Figure 22 below depicts tobacco (unmanufactured) import volumes from the world into South Africa between 2004 and 2013.

Figure 22: Import volumes of tobacco (unmanufactured) from the world



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Africa	502	571	328	143	1455	667	554	453	828	477
Americas	934	1525	953	1243	760	546	808	1641	1319	212
Asia	3587	3683	3354	2913	969	4058	3761	4910	3812	4247
Europe	255	753	247	332	257	479	208	14	139	43
Oceania	0	1	0	0	0	20	0	0	0	0

Period (Years)

Source: Quantec EasyData

The figure further depicts that tobacco import volumes from the world into South Africa were mainly from Asia, followed by Americas and Africa during the period under scrutiny. The figure also depicts that over the past decade; tobacco import volumes from Asia into South Africa started to increase in 2004 at approximately 3587 tons. The figure further depicts that during the first half of the ten year period, tobacco imports from Asia into South Africa were low reaching a minimum of 969 tons in 2008. The figure also depicts that imports of tobacco from Asia into South Africa were from a high base during the second half of the same period attaining a maximum of approximately 4910 tons in 2011. In 2012, imports of tobacco from Asia into South Africa slightly declined to low levels of about 3812 tons, while in 2013 import volumes of tobacco from Asia into South Africa slightly increased to approximately 4247 tons. Imports of tobacco from Americas into South Africa also attained a peak in 2011 at approximately 1641 tons, while tobacco imports from Africa into South Africa attained a peak in 2008 at approximately 1455 tons. Generally, South Africa received low volumes of tobacco (unmanufactured) imports between 2004 and 2013 from various regions of the world. The figure further depicts that there was 11.4% increase in imports of tobacco (unmanufactured) from Asia into South Africa in 2013 compared to 2012 marketing season.

Figure 23 below shows tobacco (unmanufactured) imports from the Africa into South Africa between 2004 and 2013.

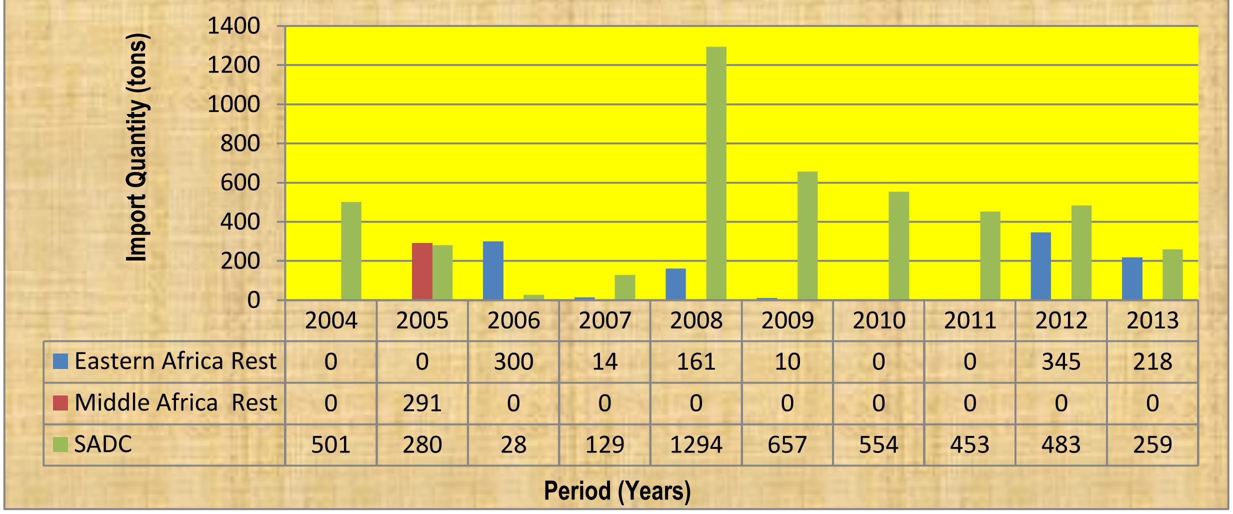


Figure 23 Import volumes of tobacco (unmanufactured) from Africa

Source: Quantec EasyData

The graph further shows that tobacco imports from Africa into South Africa were mainly from the SADC region over the past ten years. Eastern and Middle Africa had very minimal import volumes of tobacco into South Africa during the same period. The graph also shows that tobacco imports from the SADC region into South Africa started to increase in 2004. The graph further shows that between 2005 and 2007, there was a dramatic decline in imports of tobacco from the SADC region to South Africa to lower levels of about 27.9 tons. In 2008, tobacco imports from SADC region into South Africa experienced a substantial increase and at the same time attained a peak of about 1294 tons. Between 2009 and 2011, import volumes of tobacco from SADC into South Africa consistently declined to lower levels of about 453 tons. In 2012, tobacco import volumes from SADC into South Africa experienced a slight increase of 30 tons compared to 2011. In 2013, tobacco imports from the SADC region into South Africa experienced a slight decline of 224 tons compared to 2012 marketing season. The graph also shows that import volumes of tobacco originating from Eastern and Middle Africa were intermittently low between 2004 and 2013 and were not more than 400 tons per annum. The graph further shows that there was 46.4% decline in tobacco imports from SADC into South Africa in 2013 as compared to 2012 marketing season.

Figure 24 below illustrates tobacco (unmanufactured) imports from the SADC region into South Africa between 2004 and 2013.

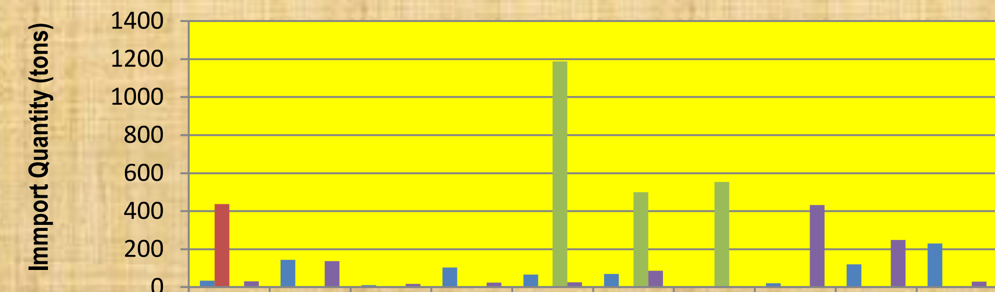


Figure 24: Import volumes of tobacco (unmanufactured) from SADC

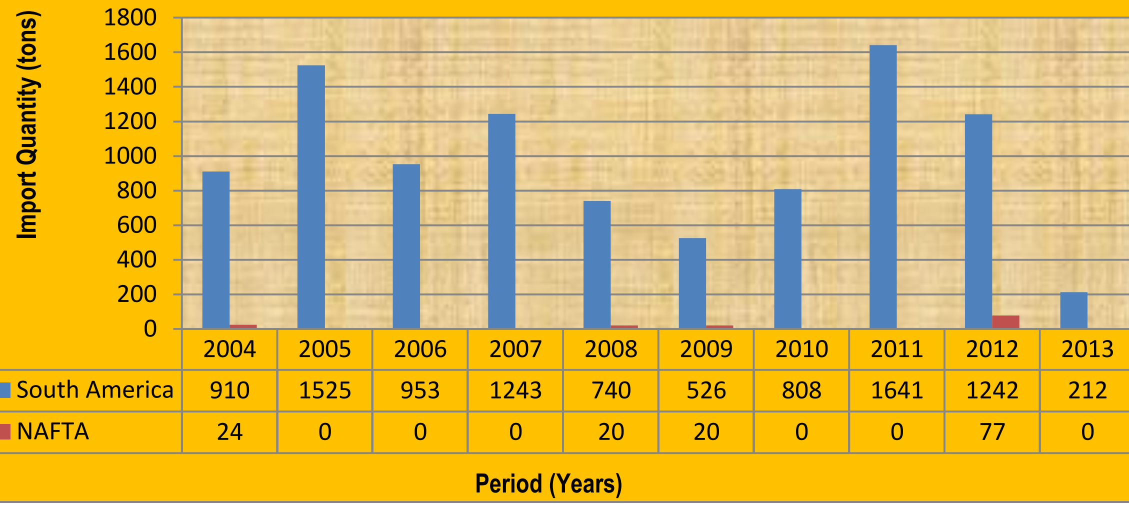
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Malawi	34	143	11	104	66	70	0	20	121	230
United Republic of Tanzania	437	0	0	0	0	0	0	0	4	0
Zambia	0	0	0	0	1188	500	554	0	0	0
Zimbabwe	30	136	17	25	27	86	0	432	249	29

Source: Quantec EasyData

The figure further illustrates that over the past decade, tobacco import volumes from SADC into South Africa were mainly from Zambia, followed by Zimbabwe, United Republic of Tanzania and Malawi. The figure also illustrates that tobacco imports from Zambia into South Africa started to increase in 2008imbabwe and at the same time attained a peak at approximately 1188 tons. The figure further illustrates that between 2004 and 2007, there were no tobacco imports from Zambia into South Africa. Imports volumes of tobacco originating from Zimbabwe into South Africa started to increase in 2005, decline between 2006 and 2010. In 2011 of the period under review, tobacco imports from Zimbabwe into South Africa attained a peak at approximately 432 tons. The figure also illustrates that there was 100% decline in tobacco imports from Zambia into South Africa in 2011, 2012 and 2013 as compared to 2010 marketing season.

Figure 25 below indicates volumes of tobacco (unmanufactured) imports from the Americas into South Africa between 2004 and 2013.

Figure 25: Import volumes of tobacco (unmanufactured) from Americas



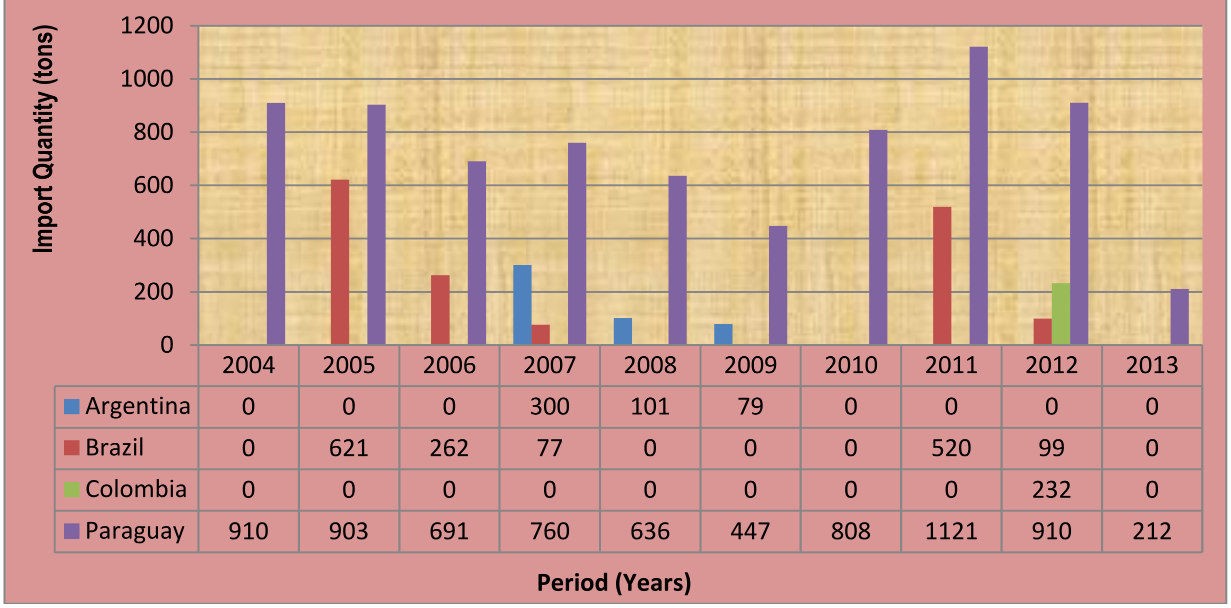
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
South America	910	1525	953	1243	740	526	808	1641	1242	212
NAFTA	24	0	0	0	20	20	0	0	77	0

Source: Quantec EasyData

The graph further indicates that over the period under review, South America commanded the greatest market share of tobacco import volumes from Americas into South Africa. The graph also indicates that NAFTA had very low levels of tobacco imports from Americas into South Africa of not more than 80 tons per annum during the period under examination. The graph further indicates that tobacco imports from South America into South Africa started to increase in 2005, and a decline in tobacco imports occurred in 2006 at about 953 tons. The graph also indicates that tobacco imports from South America into South Africa obtained a peak in 2005 at approximately 1525 tons. Tobacco import volumes from South America into South Africa declined between 2006 and 2010, until the highest peak was attained in 2011 at approximately 1641 tons. In 2012, tobacco import volumes from South America into South Africa slightly declined to lower levels of about 1242 tons, The graph further indicates that in 2013, there was a substantial decline in tobacco imports from South America into South Africa to lower levels of about 212 tons. It is also evident in the graph that tobacco import volumes from NAFTA into South Africa during the period under scrutiny only managed a peak of 77 tons in 2012. The 2013 decline in tobacco imports from South America into South Africa represents 82.9% as compared to 2012 marketing season.

Figure 26 shows tobacco import volumes from South America into South Africa between 2004 and 2013.

Figure 26: Import volumes of tobacco (unmanufactured) from South America



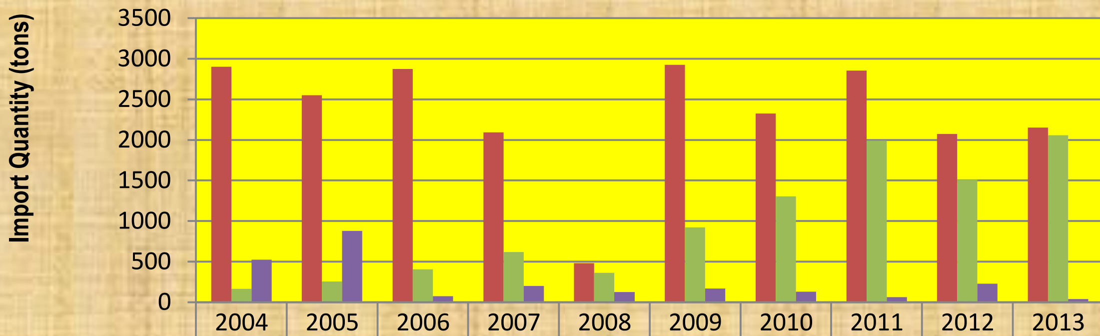
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Argentina	0	0	0	300	101	79	0	0	0	0
Brazil	0	621	262	77	0	0	0	520	99	0
Colombia	0	0	0	0	0	0	0	0	232	0
Paraguay	910	903	691	760	636	447	808	1121	910	212

Source: Quantec EasyData

The figure further shows that over the past decade, the greatest market share of tobacco imports from South America into South Africa originated mainly from Paraguay, followed by Brazil and minimal volumes of imports from Argentina and Colombia. The figure also shows that tobacco imports from Paraguay started to increase substantially in 2004 and 2005 at about 910 and 903 tons respectively. Tobacco imports from Paraguay into South Africa experienced a substantial decline between 2006 and 2010 with export volumes of approximately 447 tons. The figure further shows that imports of tobacco from Paraguay into South Africa saw a dramatic increase in 2011 and at the same time attained a peak at approximately 1121 tons. Tobacco imports from Brazil into South Africa attained a peak in 2005 at approximately 621 tons. In 2013, there was a substantial decline in tobacco imports from Paraguay into South Africa represents 76.7% as compared to 2012 marketing season.

Figure 27 below depicts tobacco imports from Asia into South Africa between 2004 and 2013.

Figure 27: Import volumes of tobacco (unmanufactured) from Asia



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
South-central Asia	2901	2549	2872	2094	482	2927	2326	2856	2072	2151
South-eastern Asia	164	255	406	617	361	922	1305	1992	1509	2057
Western Asia	523	879	73	202	126	169	130	62	228	40

Period (Years)

Source: Quantec EasyData

The graph further depicts that South-central Asia commanded the greatest market share of tobacco imports from Asia into South Africa, followed by South-eastern Asia and Western Asia respectively. The graph also depicts that tobacco import volumes from South-central Asia into South Africa were from a high base throughout the period under examination. The graph further depicts that tobacco import volumes from South-central Asia into South Africa attained a peak in 2004, 2006, 2009 and 2011 at approximately 2901, 2872, 2927 and 2856 tons respectively. Tobacco imports from South-eastern Asia into South Africa attained a peak in 2013 at approximately 2057 tons. The graph further illustrates that tobacco imports from Western Asia into South Africa attained a peak in 2005 at approximately 879 tons during the period under scrutiny. In 2013, there was a slight increase in tobacco import volumes from South-central Asia into South Africa and that represents 3.8% as compared to 2012 marketing season.

Figure 28 below indicates tobacco imports from South-central Asia into South Africa between 2004 and 2013.

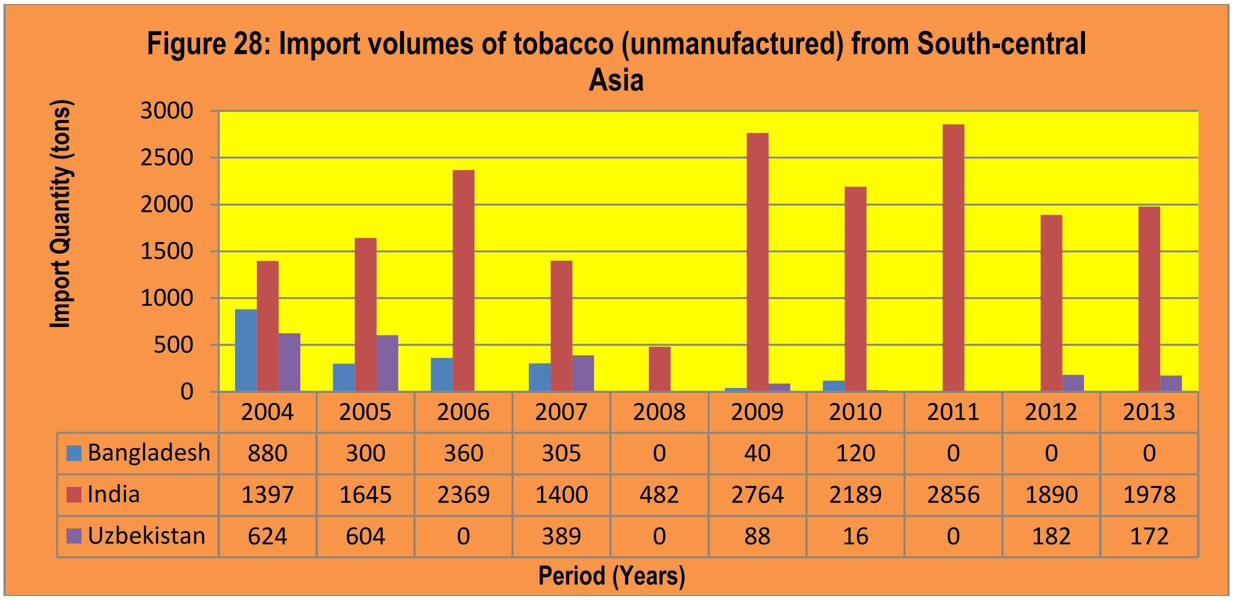


Figure 28: Import volumes of tobacco (unmanufactured) from South-central Asia

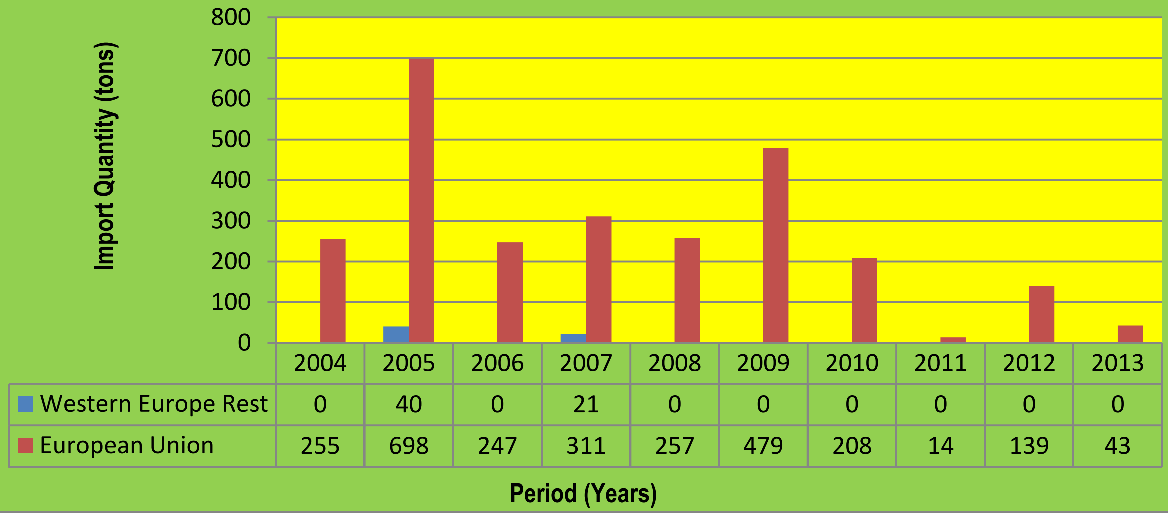
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bangladesh	880	300	360	305	0	40	120	0	0	0
India	1397	1645	2369	1400	482	2764	2189	2856	1890	1978
Uzbekistan	624	604	0	389	0	88	16	0	182	172

Source: Quantec EasyData

The graph further indicates that during the period under review, India commanded the greatest share of tobacco imports from South-central Asia into South Africa, followed by Bangladesh and Uzbekistan. The graph also indicates that tobacco imports from India into South Africa started to increase in 2004 at approximately 1397 tons. The graph further indicates that tobacco imports from India slightly increased in 2005 until a peak was attained in 2006, 2009 and 2011 at approximately 2369 tons, 2764 and 2855 tons respectively. The graph further indicates that between 2007 and 2008, tobacco imports from India into South Africa experienced a dramatic decline of approximately 482 tons. Tobacco imports from Bangladesh into South Africa attained a peak in 2004 at approximately 880 tons, while tobacco imports from Uzbekistan into South Africa attained a peak also in 2004 at approximately 623.94 tons. In 2013, there was a slight increase in tobacco imports from India into South Africa and that represents 4.6% as compared to 2012 marketing season.

Figure 29 below depicts tobacco imports from Europe into South Africa between 2004 and 2013.

Figure 29: Import volumes of tobacco (unmanufactured) from Europe

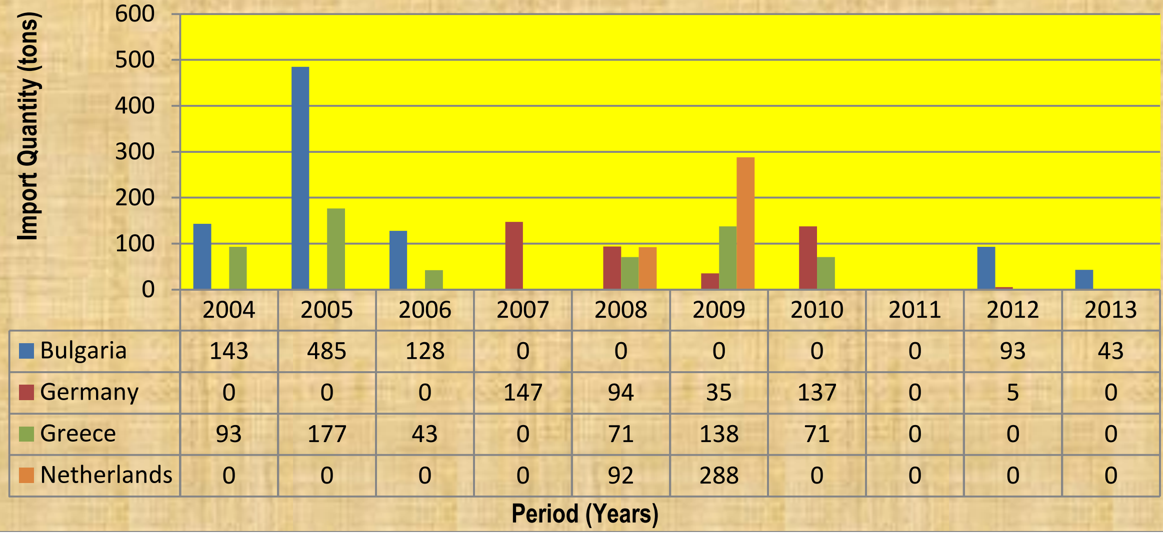


Source: Quantec EasyData

The graph further depicts that over the past ten years, European Union commanded the greatest market share of tobacco import volumes from Europe into South Africa, followed by Western Europe with very intermittent import volumes over the same period. During the period under review, import volumes of tobacco from European Union into South Africa started to increase in 2004 and a peak in 2005 at approximately 698 tons. Tobacco import volumes from the European Union into South Africa experienced a decline between 2006 and 2008 to lower levels of 247 tons. The graph further depicts that in 2004 and again between 2006 and 2012, there were no tobacco imports from Western Europe. Western Europe only managed to import tobacco in 2005 and 2007 at approximately 40 and 21 tons respectively. In 2009, tobacco imports from European Union into South Africa experienced a substantial increase of about 479 tons. Between 2010 and 2013, tobacco imports declined although there were signs of improvement in 2012 compared to 2011 at 14 tons to volumes of about 139 tons. The graph also depicts that tobacco import volumes from European Union into South Africa increased in 2013 at approximately 69% as compared to 2012 marketing season.

Figure 30 below shows tobacco imports from European Union into South Africa between 2004 and 2013.

Figure 30: Import volumes of tobacco (unmanufactured) from European Union



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	143	485	128	0	0	0	0	0	93	43
Germany	0	0	0	147	94	35	137	0	5	0
Greece	93	177	43	0	71	138	71	0	0	0
Netherlands	0	0	0	0	92	288	0	0	0	0

Source: Quantec EasyData

The figure further shows that over the past ten years, Bulgaria commanded the greatest market share of tobacco import volumes from the European Union into South Africa, followed by Greece, Germany and Netherlands. Import volumes of tobacco from Bulgaria into South Africa started to increase in 2004 at import volumes of about 143 tons until a peak was attained in 2005 at approximately 485 tons. The figure also shows that tobacco imports from Greece into South Africa attained a peak in 2005 at approximately 177 tons. The figure further shows that tobacco imports from Netherlands into South Africa attained a peak in 2009 at approximately 288 tons. Between 2007 and 2010 of the period under, the figure also shows that there were no tobacco imports from Bulgaria into South Africa. The figure further shows that tobacco imports from Bulgaria into South Africa declined in 2013 and that represents 53.8% as compared to 2012 marketing season.

5. MARKET ACCESS

Table 10 below shows that the highest import tariffs applied by importing countries to tobacco (unmanufactured) from South Africa during 2013 marketing season. Importers of tobacco from South Africa to Asia, Africa and Europe experienced high import tariffs that ranged between 5.00% and 20% during 2013. Countries such as Armenia and USA charge 0.00% import tariff to tobacco from South Africa during 2013. Preferential tariffs from Sweden, Belgium and Greece are also at 0,00% import tariff during the same period under scrutiny.

Table 10: Tariffs applied by other countries to tobacco (unmanufactured) exports from South Africa in 2013

No.	Country.	Trade Regime Description.	Applied Tariffs.	Total Ad Valorem Equivalent Tariff
1	Armenia	MFN duties (Applied)	0.00%	0.00%
2	Jordan	MFN duties (Applied)	5.00%	5.00%
3	Nigeria	MFN duties (Applied)	5.00%	5.00%
4	Ivory Coast	MFN duties (Applied)	5.00%	5.00%

No.	Country.	Trade Regime Description.	Applied Tariffs.	Total Ad Valorem Equivalent Tariff
5	Gambia	MFN duties (Applied)	20.00%	20.00%
6	USA	MFN duties (Applied)	0.00%	0.00%
7	Sweden	MFN duties (Applied)	18.40%	7.42%
		Preferential tariff for GSP	14.90	7.42%
		Preferential tariff for RSA	0.00%	0.00%
8	Belgium	MFN duties (Applied)	18.40%	18.40%
		Preferential tariff for RSA	0.00%	0.00%
9	Greece	MFN duties (Applied)	18.40%	18.40%
		Preferential tariff for RSA	0.00%	0.00%

Source: ITC (Mac Map)

Table 11 below shows that the highest import tariffs applied by importing countries to tobacco (unmanufactured) from South Africa during 2013. Exporters of tobacco from South Africa to Asia, Africa and Europe experienced high import tariffs that ranged between 5.00% and 20% during 2013 marketing season. Countries such as Armenia and USA charge 0.00% import tariff to tobacco from South Africa during 2013. Preferential tariffs from Sweden, Belgium and Greece are also at 0,00% import tariff during the same period under scrutiny.

Table 11: Tariffs applied by RSA to imports of tobacco (unmanufactured) from the world in 2013

No.	Country.	Trade Regime Description.	Applied Tariffs.	Total Ad Valorem Equivalent Tariff
1	United Rep of Tanzania	MFN duties (Applied)	153.07%	153.07%
		Preferential tariff for RSA	0.00%	0.00%
2	Zambia	MFN duties (Applied)	153.07%	153.07%
		Preferential tariff for RSA	0.00%	0.00%
3	Zimbabwe	MFN duties (Applied)	153.07%	153.07%
		Preferential tariff for RSA	0.00%	0.00%
4	India	MFN duties (Applied)	153.07%	153.07%
5	Bangladesh	MFN duties (Applied)	153.07%	153.07%
6	Uzbekistan	MFN duties (Applied)	153.07%	153.07%
7	Paraguay	MFN duties (Applied)	153.07%	153.07%
8	Brazil	MFN duties (Applied)	153.07%	153.07%

Source: ITC (Mac Map)

6. PROCESSING

In South Africa the processing facilities partly belong to tobacco farmers in the form of companies or co-operatives. Farmers are paid for their tobacco at the point of delivery according to a valuation being placed on every bale of tobacco. After this, the tobacco is processed and packed according to specifications of manufacturers and/or leaf dealers. In South Africa the value added by processing the tobacco belongs to the farmers.

Tobacco merchants or leaf dealers are also part of the primary industry. These companies are known as intermediary buyers. They buy processed tobacco from processing plants according to specifications of their clients, who are manufacturers of tobacco products. In South Africa the leaf dealers mostly buy tobacco from grower co-operatives or companies, although some air cured tobacco is bought directly from contracted growers.

Two methods of drying the leaf are used-artificially dried tobacco and that which is dried under natural climatic conditions. After the drying process the leaf is graded according to color, size and texture. Flue-cured tobacco is used mainly for cigarette manufacture while air-cured tobacco is mainly used as pipe tobacco, snuff and Roll Your Own (RYO) cigarettes.

In May of 2005 British American Tobacco (BAT) launched a new product category called smokeless Snus (pronounced s-noo-s) in South Africa and Sweden simultaneously. Snus is a less harmful smokeless tobacco fully imported from Sweden and currently on trial at 241 tobacco outlets in Gauteng. It consists of small sachets of moist tobacco, which look a little like a tea bag and are about the size of a thumb nail. The sachet is placed under the upper lip; it is not lit or chewed but held in the mouth, typically for 30 minutes before being discarded.

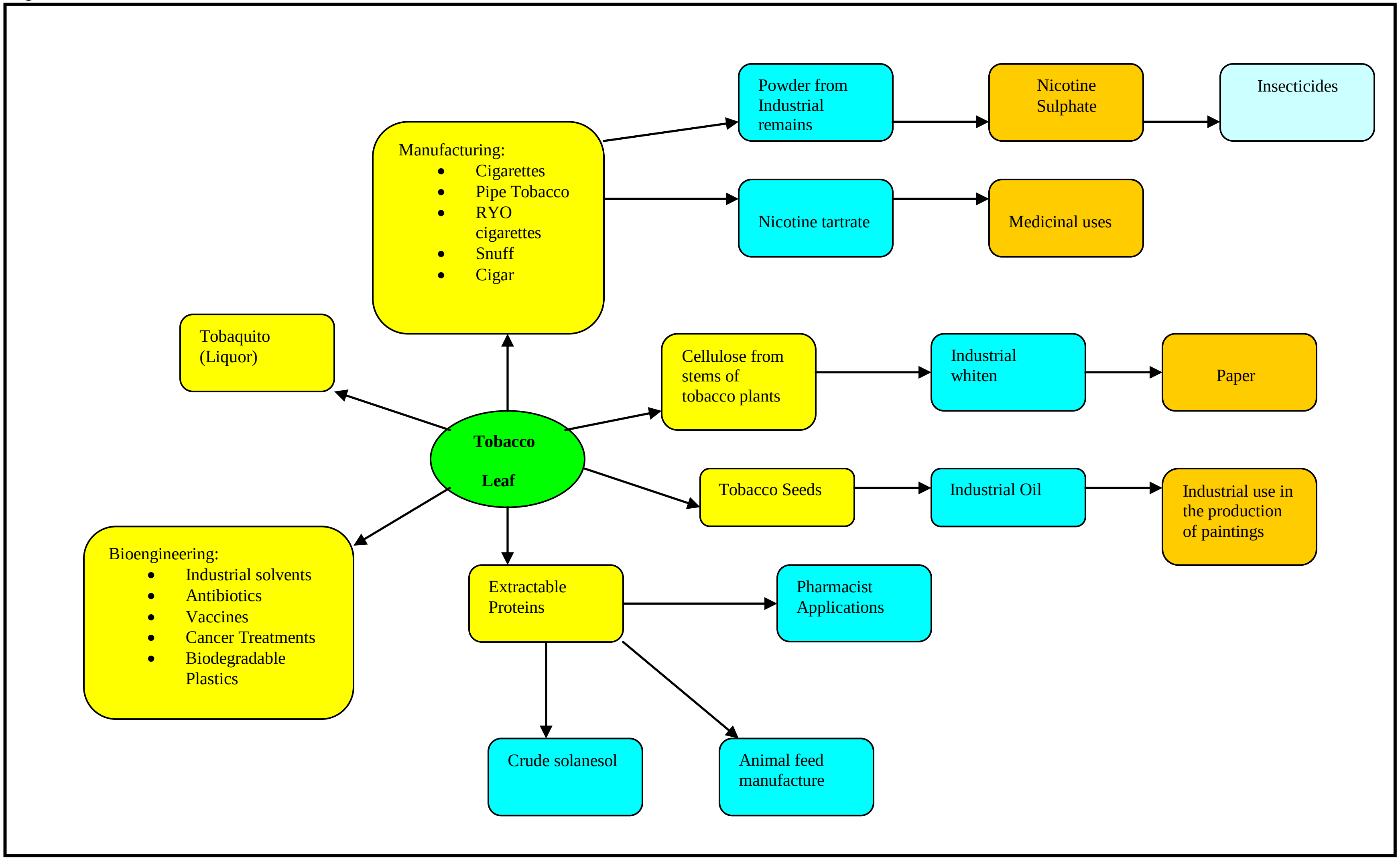
6.1 Tobacco Value Chain Tree

Leaf tobacco is popularly used by tobacco manufacturing companies across the world to manufacture tobacco products such as cigarettes, pipe tobacco, roll-your-own cigarettes, snuff and cigars. However the product also has many other alternative uses as depicted in Figure 18.

The nicotine in contained in the powder of industrial remains (tobacco waste) can be recovered as nicotine sulphate and used to manufacture insecticides that can be used against plant hoppers and leaf hoppers in crops. Being an insecticide of plant origin, it does not pollute the environment like other chemical insecticides and is less toxic compared to other chemical preparations. The nicotine tart rate from the manufacturing process can also be used in some medicines. Tobacco plants can further be used as hosts during bioengineering processes that could be used to produce antibiotics, vaccines, cancer treatments, other medicines biodegradable plastics and industrial solvents.

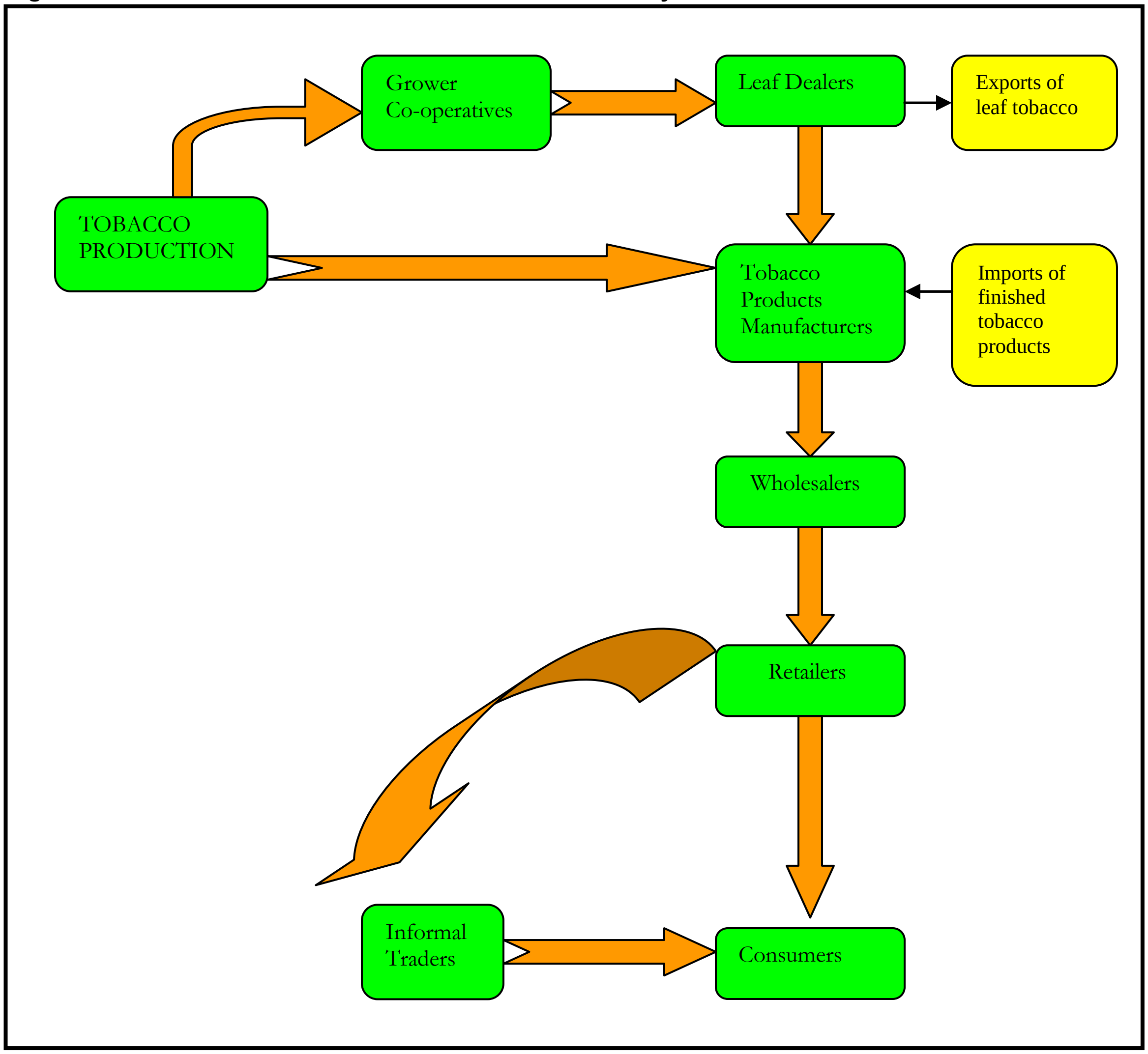
Green tobacco leaf can also be used to extract proteins for use in manufacturing animal feeds. The residue which remains after expelling the green liquid can be used for solvent extraction of solanesol, a high-value alcohol which can be used in the synthesis of cardiac drugs, anti-hemorrhagic vitamins and anti-sterility vitamins. The oil contained in the seeds of tobacco can be extracted and used in the production of paintings. Furthermore, the cellulose contained in the stems of the tobacco plant and its industrial whiten can be extracted and transformed into paper to print and to write.

Figure 25: Tobacco Value Chain Tree



6.2 Market value chain

Figure 26: Market value chain for the Tobacco Industry



Farmers produce leaf tobacco and, after curing the tobacco crop they grade the leaves into different leaf portions, qualities and colors and; packs them into grades as bales of 30-50kg. The packed tobacco leaves are then sold directly to tobacco manufacturers or to co-operative companies where the tobacco is evaluated and the farmer is paid. Leaf dealers (traders) buy the tobacco from the cooperatives and sell to tobacco manufacturers. As mentioned earlier, there are imports of leaf tobacco from various countries and exports of finished tobacco products by some tobacco manufacturers and traders.

7. MARKET INTELLIGENCE

Table 12: List of importing markets for tobacco (unmanufactured) exported by South Africa in 2013

Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2013 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2013 (tons)	Unit value (USD/unit)	Exported growth in value between 2009-2013 (%, p.a.)	Exported growth in quantity between 2009-2013 (%, p.a.)	Exported growth in value between 2012-2013 (%, p.a.)	
World	7755	100	1697	4570	-28	-30	-47	
Germany	1780	23	256	6953	-19	-27	-11	0
Sweden	1225	15.8	176	6960	24	11	-31	0
New Zealand	845	10.9	99	8535				0
Kenya	825	10.6	115	7174	49	29	-82	25
Jordan	823	10.6	386	2132			18	97.5
Nigeria	641	8.3	144	4451	-23	-26	-35	5
Lesotho	293	3.8	62	4726		121	2564	0
Zimbabwe	293	3.8	97	3021	-10	-18	-85	75.6
Swaziland	258	3.3	32	8063		-8	76	0
Armenia	246	3.2	158	1557	0	-10	-52	0
USA	170	2.2	19	8947	-61	-44		51.9
Russian Federation	143	1.8	50	2860	-29	-22	-5	3.5
Botswana	112	1.4	26	4308		-36	-15	0
Namibia	52	0.7	40	1300		-19	-74	0
Area Nes-	21	0.3	19	1105				
Brazil	16	0.2	3	5333				13.9
Netherland	5	0.1	12	417	-82	-56		0
Uganda	3	0	0				-96	25
Hungary	2	0	1	2000	-82	-70		0

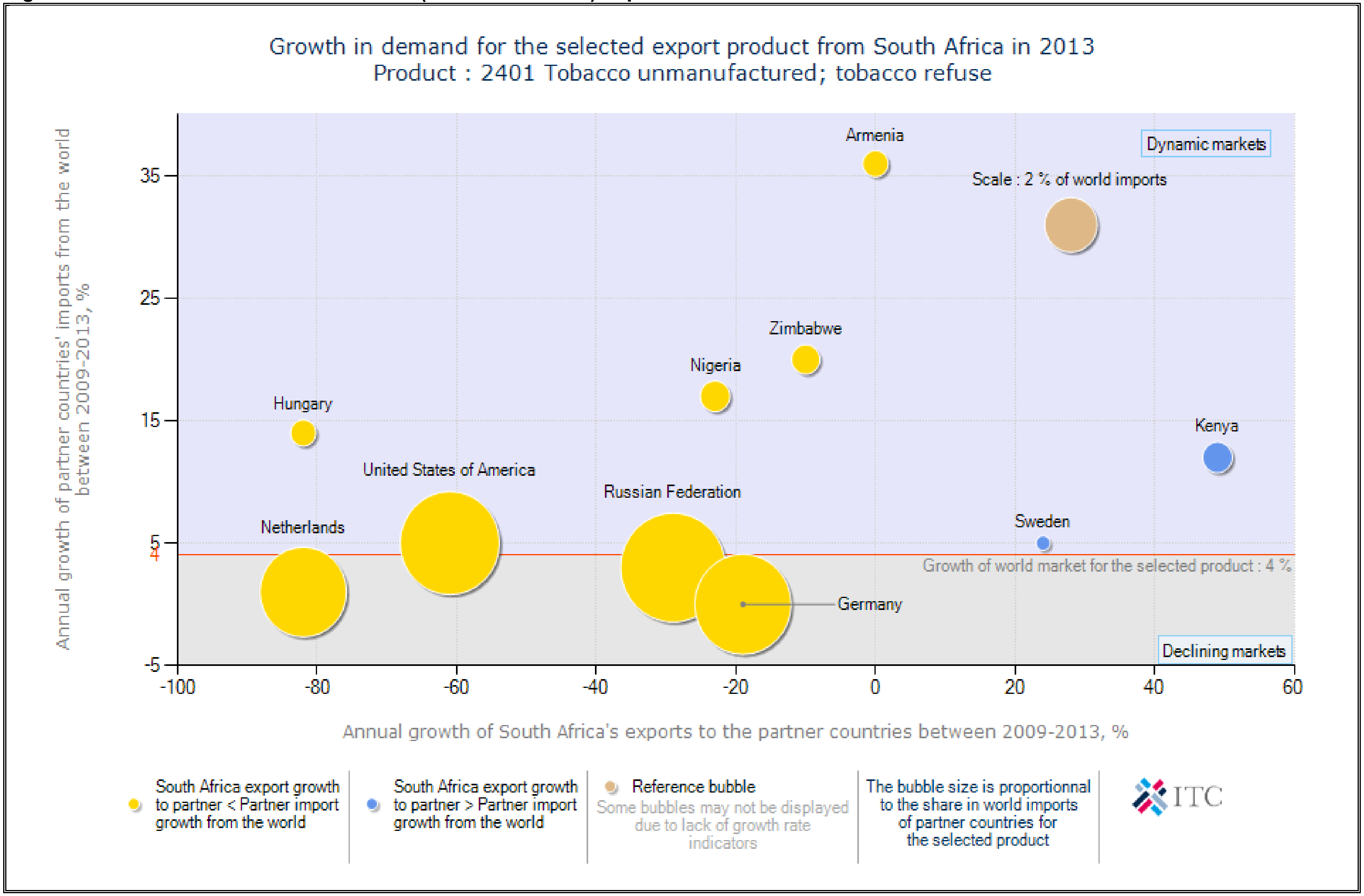
Source: ITC Trade Map

Table 12 indicates the list of importing countries of tobacco (unmanufactured) from South Africa in 2013. In the same period under review, South Africa exported a total of 1697 tons of tobacco (unmanufactured) to the world of which the greatest quantities were exported to Germany, followed by Sweden and New Zealand. The table further indicates that South Africa was a net importer of tobacco (unmanufactured) during this period as the country exported 1697 tons and imported 23849 tons over the same period. Germany experienced high export value of 1780 US Dollars with export volumes of approximately 256 tons during 2013.

During the same period under examination, there was an increase in exports of tobacco from South Africa to Kenya by 49% in value and 29% in quantity. The table further indicates that Sweden saw an increase in tobacco exports from South Africa at 24% in value and 11% in quantity.

It is further evident in the table that during the same period under review, there was a decrease in exports of tobacco from South Africa to Germany, Nigeria and Zimbabwe of between 10% and 23% in value and between 18% to 27% in quantity respectively.

Figure 27: Growth in demand for tobacco (unmanufactured) exported from South Africa in 2013

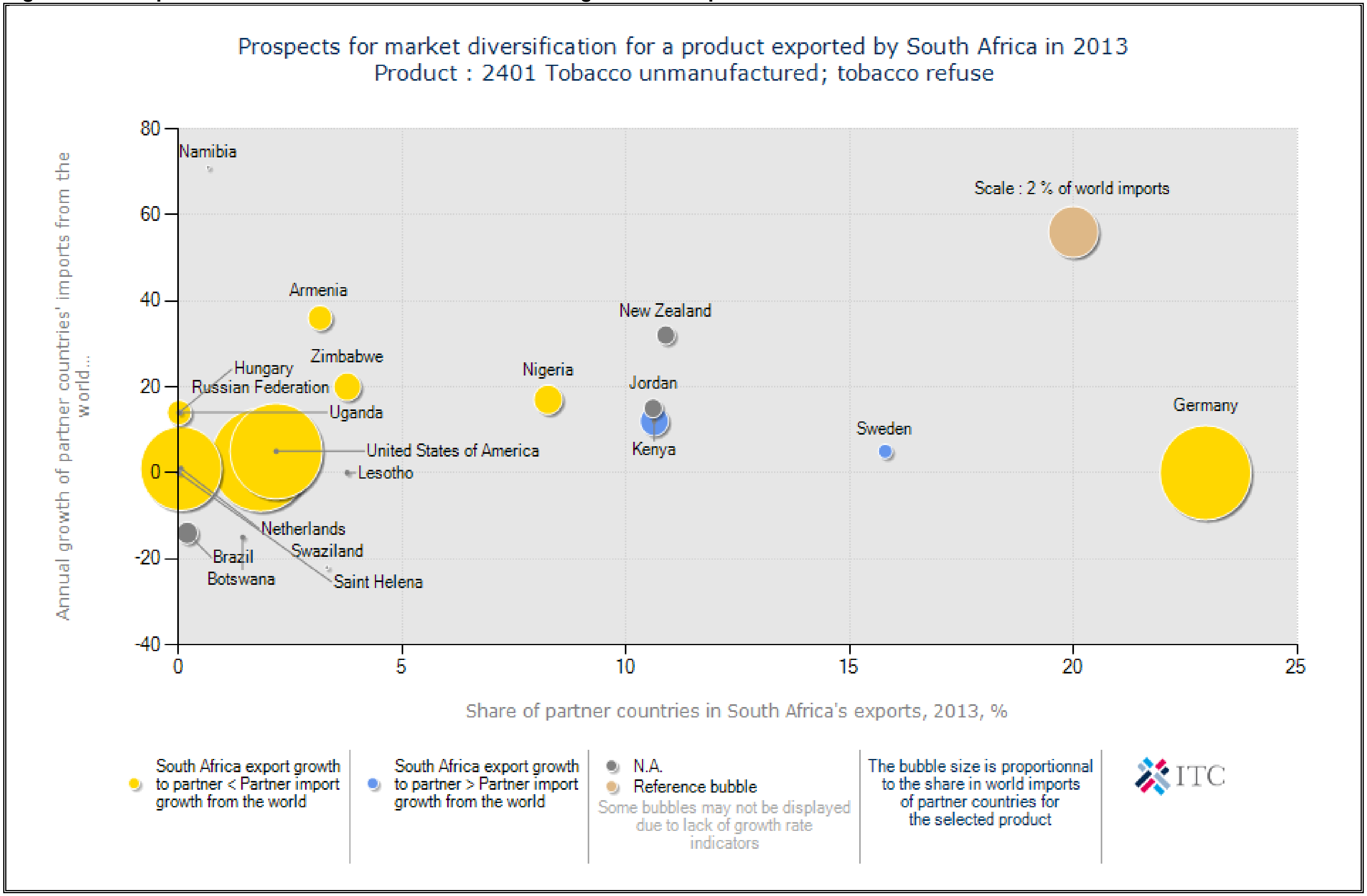


Source: ITC Trade Map

The bubble graph on Figure 27 depicts growth and performance of tobacco (unmanufactured) exports by the South African tobacco industry in 2013. The bubble graph further depicts that Russian Federation, Germany, Netherlands and United State of America were the biggest markets for tobacco (unmanufactured) between 2009 and 2013. The bubble graph also depicts that between 2009 and 2013, export markets such as Kenya and Sweden have experienced an increase in terms of growth of South Africa's tobacco exports to the world. The bubble graph also depicts that countries such as Germany and Russian Federation, their imports of tobacco from South Africa have declined; their imports from the world have increased during the same period under scrutiny.

The graph further depicts that between 2009 and 2013 period, Jordan and Germany imported more tobacco volumes of about 386 and 259 tons respectively from South Africa than any other country of the world. The graph also depicts the annual growth of South Africa's exports of tobacco to Sweden and Kenya increased by 22% and 50% respectively. Both Kenya and Sweden were the most attractive markets in terms of growth for South African tobacco during the period under examination.

Figure 28: Prospects for market diversification for smoking tobacco exported from South Africa in 2013



Source: ITC Trade Map

Figure 28 shows prospects for market diversification for tobacco (unmanufactured) exported by South Africa to the world in 2013. The bubble graph further shows that between 2009 and 2013, Germany, United States of America, Netherlands and Russian Federation were the biggest markets for tobacco (unmanufactured) from the world. If South Africa had to diversify its tobacco export markets for diversification, potential markets would be Kenya, Sweden and Namibia.

Sweden's annual growth of partner countries imports of tobacco from the rest of the world grew by an average of more than 11% per annum between 2009 and 2013. Germany had the biggest market share in South Africa's tobacco exports during 2013 marketing season.

Table 13: List of supplying markets for tobacco (unmanufactured) imported by South Africa in 2013

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2013 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2013 (tons)	Unit value (USD/unit)	Imported growth in value between 2009-2013 (%, p.a.)	Imported growth in quantity between 2009-2013 (%, p.a.)	Imported growth in value between 2012-2013 (%, p.a.)	
World	96213	100	23849	4034	-14	-12	-32	
Zimbabwe	30992	32.2	7766	3991	5	10	-1	0
Brazil	21791	22.6	3346	6513	-26	-27	-38	121.7
India	16221	16.9	4852	3343	-13	-13	-27	121.7
Philippines	6115	6.4	2419	2528	2	4	15	121.7
China	4460	4.6	1636	2726	2	-7	-29	121.7
Germany	3165	3.3	470	6734	-9	-9	-26	0
Italy	2743	2.9	405	6773	26	5	-19	0
Mexico	1790	1.9	381	4698			-13	121.7
Malawi	1678	1.7	357	4700	-5	-13	-79	0
Mozambique	1222	1.3	216	5657	7	10	-57	0
Kenya	1042	1.1	218	4780	0	-6	-36	121.7
Uzbekistan	937	1	172	5448	53	18	-16	121.7
Bangladesh	639	0.7	131	4878	1	-9	-84	121.7
Paraguay	598	0.6	212	2821	-5	-13	-77	121.7
Uganda	466	0.5	97	4804	-56	-53	-59	121.7
United State of America	454	0.5	49	9265	-61	-74	15033	121.7
Tanzania, United Republic of	451	0.5	149	3027	-30	-37	5	0
Bulgaria	438	0.5	43	10186	258	38	-58	0
Turkey	411	0.4	40	10275	-29	-35	-80	121.7
Zambia	198	0.2	723	274	-47	-19	-32	0
Belgium	146	0.2	20	7300	68	-14	-63	0

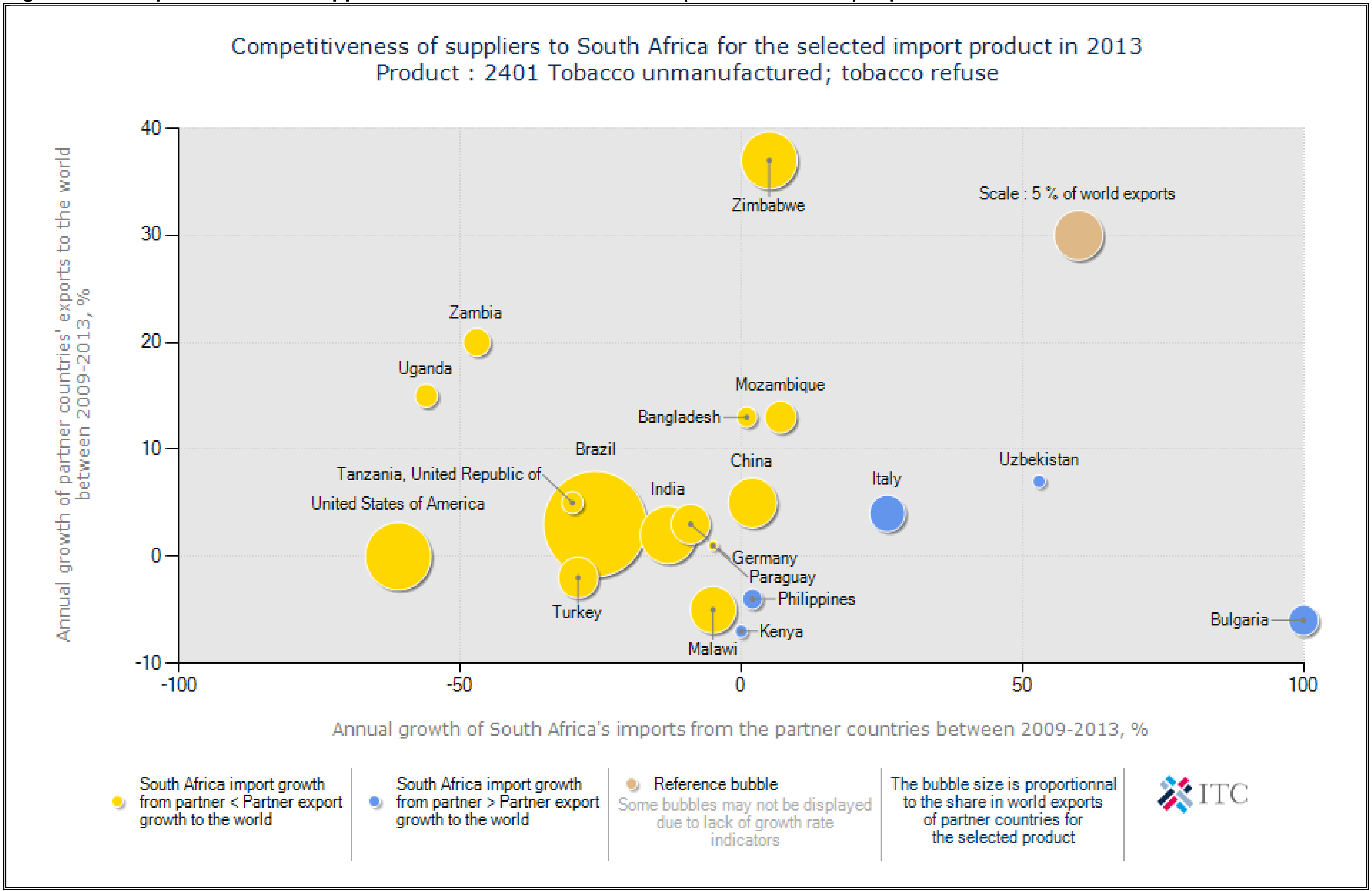
Source: ITC Trade Map

Table 13 illustrates list of supplying markets from the world for tobacco (unmanufactured) imported by South Africa from the world in 2013. The table further illustrates that during the same period under scrutiny, South Africa imported a total of 23849 tons of tobacco (unmanufactured) from the world and that means South Africa is a net importer of tobacco as the country exported only 1697 tons in 2013. The greatest volumes of tobacco were imported from Zimbabwe, followed by India and Brazil into South Africa.

The table also illustrates that Zimbabwe's share in South Africa's imports was 32.2%, Brazil was at 22.6% and India was at 16.9% during the period under examination.

The graph further illustrates that between 2009 and 2013, there was an increase in tobacco imports from Zimbabwe in value and quantity terms of about 5% and 10% respectively. Tobacco imports from Brazil and India experienced a decrease in quantity and value terms between negative 13% and 27% respectively. Countries such as Italy, Uzbekistan and Bulgaria we the most attractive markets for tobacco imported by South Africa during 2013.

Figure 29: Competitiveness of suppliers to South Africa for tobacco (unmanufactured) imports in 2013



Source: ITC (Trade Map)

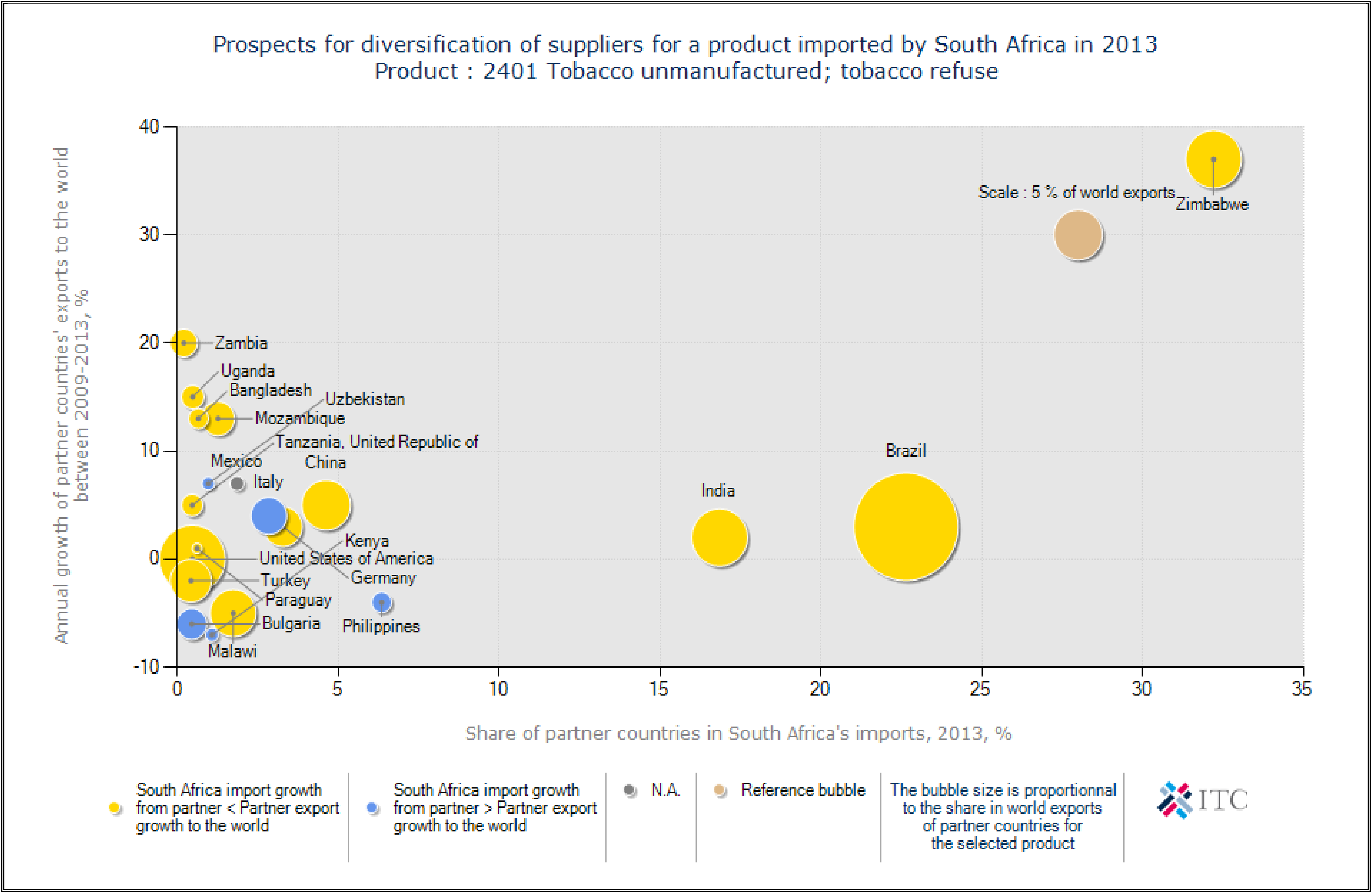
Figure 29 illustrates competitiveness of suppliers for tobacco (unmanufactured) imported by South Africa from the world in 2013. Brazil, USA and Zimbabwe were the biggest markets for tobacco (unmanufactured) during 2013. The bubble graph further illustrates that between 2009 and 2013, Bulgaria, Uzbekistan and Italy were the most competitive suppliers of tobacco (unmanufactured) for the South African tobacco market. The bubble graph also illustrates that between 2009 and 2013, South Africa's tobacco imported from Italy, Bulgaria and Uzbekistan were growing at a rate that is faster than their export growth to the rest of the world.

During the same period, South Africa's tobacco imports from Bulgaria, Uzbekistan and Italy were growing at a rate that is greater than their exports to the rest of the world

By adding a horizontal line representing the world market growth and a vertical line representing the average growth of South Africa's import of this product, the following conclusions can be made:

- South Africa's imports for tobacco from Brazil, Zimbabwe and India were growing less than world's imports.
- South Africa's imports for tobacco from Kenya and Philippines were growing at a very slow pace but faster than the world exports.
- South Africa's imports for tobacco from United States of America and Zambia were growing at a slow pace than world's exports during the period under examination.

Figure 30: Prospects for diversification of suppliers for tobacco (unmanufactured) imported by South Africa in 2013



Source: ITC Trade Map

Figure 30 indicates prospects for diversification of suppliers for tobacco (unmanufactured) imported by South Africa from the world in 2013. The bubble graph further indicates that Brazil, United States of America, India and Zimbabwe were the biggest suppliers of tobacco (unmanufactured) imported by South Africa in 2013. The bubble graph also indicates that if South Africa were to diversify its suppliers of tobacco, small markets exist in Germany, Mexico, Bulgaria, Kenya and Philippines. The very small markets of tobacco mentioned above are exporting less tobacco to South Africa but more to the world between 2009 and 2013.

8. EMPOWERMENT ISSUES AND TRANSFORMATION IN THE SECTOR

At **Honingklip** near Badplaas in the Mpumalanga Province three black farmers are currently producing tobacco. TISA (Tobacco Institute of South Africa) funds the bulk of the project manager's salary and provides extension services to the farmers. The Mpumalanga Agricultural Development Corporation is also closely involved with this project, funding all production costs and part of the project manager's salary.

9. ORGANIZATIONAL ANALYSIS

9.1 Challenges

The growth of illicit trade in tobacco products has gone from non-existent a decade ago to the current 15% of the entire industry. The alarming growth in illegal trade of tobacco products in South Africa is estimated to be between 1 – 2 billion sticks per annum. Various factors that include high excise duties, drought and the stronger rand also pose serious challenges to the industry's competitiveness. Excise duties have increased by 470% over the past ten years, and have resulted in the decline of the legal market by a third and a rapid growth in the illegal market. The illegal market could be as high as 15% countrywide and growing.

9.2 Opportunities and Strengths

In the tobacco industry there exist good relations between the growers and the manufacturers and/or the leaf dealers and, there is a potential to grow crop size and improve the quality. The grower organizations are technically well advanced and most of the major South African tobacco manufacturers are world players.

There has been an increase of 15% in the producer price of South African tobacco in 2007 over 2006, with the average producer price now being R18.50 per kg (in 2006 it was R16.00 per kg). Indications for the new season are positive and tobacco growers have been encouraged to increase production to fulfill expected orders both locally and from China.

China, the world's largest consumer of cigarette tobacco, has also indicated long term interest in South African tobacco, buying small quantities this year and indicating substantial future requirements at very competitive prices. All this positive factors have led to a producer price increase of 15% in 2007 and a positive outlook for the SA industry. A Protocol on Phytosanitary Requirements for the export of South African tobacco leaf to China has been signed on 06th February 2007. With the interest of the Chinese in South African tobacco leaf, this protocol creates huge potential for South African tobacco farmers and the greatest challenge will be to increase the crop size and ensure stable supply to China.

10. TOBACCO PRODUCER ORGANIZATIONS/CO-OPERATIVES

10.1 LIMPOPO TOBACCO PROCESSORS
PO Box 69
RUSTENBURG
0030

10.2 GAMTOOS TOBACCO CO-OPERATIVE
PO Box 5
PATENSIE
6335

10.3 MOKOPANE TOBACCO
PO Box 4819
MOKOPANE
0600

11. LEAF MERCHANTS/ LEAF DEALERS

11.1 UNIVERSAL LEAF SOUTH AFRICA
PO Box 7509
RUSTENBURG
0300

11.2 TOBACCO TRADERS
PO Box 487
CONSTANTIA
7848

11.3 ALLIANCE ONE INTERNATIONAL
PO Box 787
NORTHLANDS
2116

11.4 TRIBAC
Po Box 652799
BENMORE
2010

11.5 VIRGINIA LEAF COMPANY (Pty) LTD
PO Box 412796
HYDE PARK
2024

12. CIGARETTE MANUFACTURERS

12.1 BRITISH AMERICAN TOBACCO SOUTH AFRICA (PTY) LTD
PO Box 631
CAPE TOWN
8000
Head Office: Stellenbosch

12.2 JAPANESE TOBACCO INTERNATIONAL SOUTH AFRICA
Private Bag X 39
RIVONIA
2128

12.3 MASTERMIND TOBACCO SA (PTY) LTD
PO Box 7185
EAST LONDON
5200

12.4 GALLAHER SA
P O Box 14504
WADEVILLE
1422

12.5 PHILIP MORRIS SOUTH AFRICA
MILNERTON, CAPE TOWN

13. PIPE AND SNUFF TOBACCO MANUFACTURERS

13.1 SWEDISH MATCH SA: LEORNARD DINGLER (Pipe and Snuff)
PO Box 215
BENONI
1500

13.2 SWEDISH MATCH SA: BEST BLEND (Pipe)
PO Box 63
RUSTENBURG
0300

13.3 MLP DISTRIBUTORS (Medicated/treated snuff)
PO Box 9975
JOHANNESBURG
2000

13.4 VAN ERKOMS TABAKKE (EDMS) BPK (Pipe and Snuff)
PO Box 1889
MOKOPANE
0600

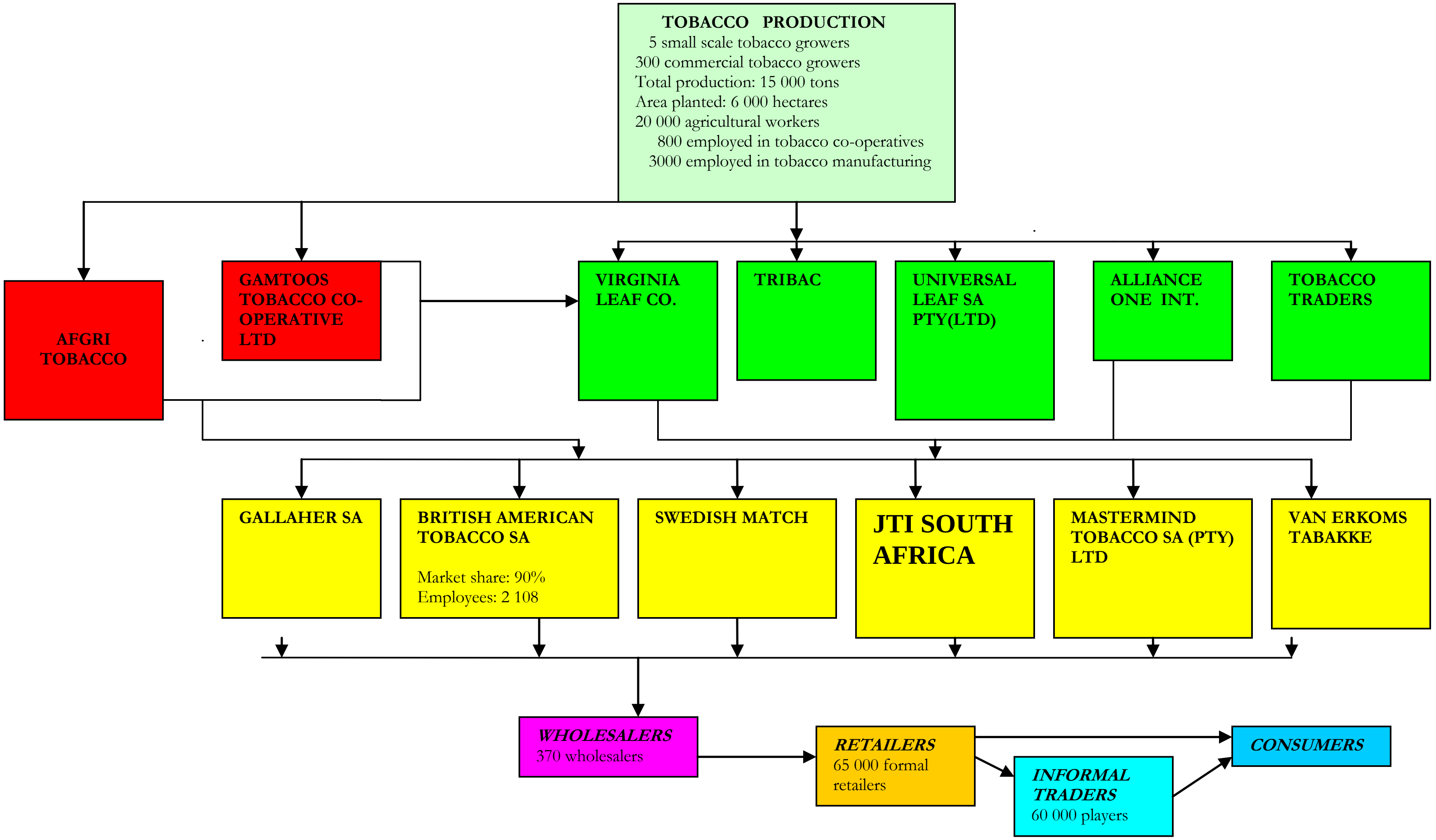
13.5 WORLD CLASS CONNECTION TRADING (PTY) LTD
(Roll Tobacco for export)
PO Box 46
OUDTSHOORN
6620

13.6 AJ PADIA TOBACCO MERCHANTS
PO Box 2030
DURBAN
4000

13.7 KTC HS SPIES & BROERS
PO Box 46
OUDTSHOORN
6620

Although the companies listed above represent approximately 95% of the industry in RSA, there are a number of other tobacco companies and importers who are also operating in the country. These companies include amongst others the following:

- African Affiliated Tobacco
- Apollo Tobacco
- Brasant Enterprises (Affiliate of Swedish Match)
- Capital Tobacco
- Imperial Tobacco
- SA Nicecentury Trading CC
- Shutel Tobacco.


TOBACCO PRODUCTION
5 small scale tobacco growers
300 commercial tobacco growers
Total production: 15 000 tons
Area planted: 6 000 hectares
20 000 agricultural workers
800 employed in tobacco co-operatives
3000 employed in tobacco manufacturing
AFGRI TOBACCO
GAMTOOS TOBACCO CO-OPERATIVE LTD
VIRGINIA LEAF CO.
TRIBAC
UNIVERSAL LEAF SA PTY(LTD)
ALLIANCE ONE INT.
TOBACCO TRADERS
GALLAHER SA
BRITISH AMERICAN TOBACCO SA
Market share: 90%
Employees: 2 108
SWEDISH MATCH
JTI SOUTH AFRICA
MASTERMIND TOBACCO SA (PTY) LTD
VAN ERKOMS TABAKKE
WHOLESALERS
370 wholesalers
RETAILERS
65 000 formal retailers
INFORMAL TRADERS
60 000 players
CONSUMERS

NOTES:

Swedish Match:	specializes in the manufacture of pipe tobacco and snuff.
JT International SA:	manufactures and imports cigarette brands.
Phillip Morris SA:	is a tobacco company that currently imports cigarette brands including Marlboro into SA. The company is considering venturing into cigarette manufacturing at a later stage.
British American Tobacco SA (Pty) Ltd:	manufactures various cigarette brands such as Peter Stuyvesant, Rothmans, Benson & Hedges, Courtleigh, Dunhill, Camel, Chesterfield, Princeton, Royals and Craven A.

11. ACKNOWLEDGEMENTS

The following organizations are acknowledged:

The Tobacco Institute of South Africa (TISA)
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8012
Tel: (021) 421 0011
Fax: (021) 421 0013
E-mail: tisa@tobaccosa.co.za
Website: www.tobaccosa.co.za

British American Tobacco South Africa (BATSA)
P.O. Box 631
Stellenbosch
7599
Tel: (021) 888 3973
Fax: (021) 888 3423
Website: www.batsa.co.za

Directorate: Statistics & Economic Analysis
Department of Agriculture, Forestry and Fisheries
Tel: (012) 319 8042, Fax: (012) 319 8031

Quantec Easydata
P.O.Box 35466
Menlo Park
Pretoria
0102
Tel: 012 361 5154
Fax: 012 348 5874
Website: www.quantec.co.za

International Trade Centre (ITC)
Palais des Nations
Geneva 10
Switzerland
Tel: +41 (0) 22 730 05 24
Fax: +41 (0) 22 730 05 77
Website: http://www.trademap.org

ITC Market Access Map
Website: http://www.macmap.org/South Africa