

Intensification and Sustainability in South African Rooibos: exploring the conditions for market-led sustainable development in a biodiversity hot spot

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Introduction

The Fynbos biome in the Cape region in South Africa is currently the only production location of Rooibos tea in the world. In addition, biodiversity in the Fynbos biome is very large and unique for the world. This makes Rooibos tea a unique product, the availability of which strongly depends on the dynamics in a bounded territory. Rooibos is sometimes harvested from the wild, but up to 99% of all Rooibos is cultivated. 95% of all Rooibos is produced on large farms or plantations. Such farms, which also exist for potatoes and grapes in the Fynbos biome have a large impact on the ecosystem, especially because large areas have been cleared in the past for their establishment. For instance, 'an average of 2.7 hectares of virgin land has been cleared for farming every day in the past 15 years', in the Northern Sandveld (SARC 2008).

Another important factor which may impact both the quality of the Fynbos biome and sustainability of agricultural production would be a situation where demand for Rooibos rises faster than supply. Currently there is oversupply of Rooibos, but this situation may reverse in the future. Due to the bounded territory where Rooibos is currently grown, a process of further intensification may then be one of the trajectories available to satisfy increasing demand.

To protect the Fynbos biome, the government has designated wilderness areas and reserves. Furthermore, the local government cooperates with NGOs in working with local communities and producers to implement sustainable land management practices. Different strategies are implemented with smallholders' communities and large scale farmers, as those two groups differ greatly in acreage, volume produced, capital endowments and capacity.

In this paper, an inventory of local sustainability initiatives related to Rooibos production is presented, focusing mainly on large Rooibos producers as they produce 95% of all Rooibos and thus impact on a relatively large area of the Fynbos biome compared to smallholder Rooibos producers. The paper will also explore perspectives of domestic and international buyers on sustainable Rooibos in general.

The content of this paper is derived from a series of stakeholder interviews in South Africa and importing (European) markets, supplemented by a literature review. The following stakeholders were interviewed: producers, processors, exporters, importers, Non Governmental Organizations, Governmental Organizations and research institutes.

Context

Rooibos production characteristics

Rooibos (*Aspalathus linearis*) belongs to the *Aspalathus* plant group that consists of 278 species (Malgas & Oettle 2007). Rooibos is the only one of these that is both commercially produced and

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harvested from the wild. Although it seems likely that Rooibos could be grown in other Mediterranean climates, in practice the production area is constrained to the outer limits of the Fynbos biome. The Fynbos biome is a unique eco-system, one of the 6 UN classified floral kingdoms found only in the Republic of South Africa (Younge & Foukes 2003). The Fynbos biome is characterised as a biodiversity hotspot, as it has 'the greatest non-tropical concentration of higher plant species in the world' (Cl 2008). It is affected by human and climatic influences as well as invasive species and is in urgent need of protection.

Rooibos production for tea and pharmaceuticals is one of several agricultural enterprises in the Fynbos biome. Some 450 producers grow Rooibos, the majority of these are large scale plantations, the remainder is composed of small-scale producers work in cooperatives. Recent years have seen new entrants entering production, as they changed from producing vegetables in producing Rooibos, driven by attractive prices earlier this decade.

As has been stated before, the large plantations supply 95% of all Rooibos to the market. These plantations of up to 2000 ha (Gerz and Bienabe 2006) are located in the more accessible parts of the Fynbos biome, are owned predominantly by white farmers which have a relatively high education and access to capital. They hire seasonal and permanent workers to undertake the farm activities.

The smallholder farmers producing Rooibos are located in the mountainous areas of the Western Cape and produce Rooibos on small acreages of 0.2-18 ha (Gerz and Bienabe 2006). A small portion (less than 5%) of smallholder production is harvested from the wild. Compared to the larger-scale farmers the smallholders have limited access to capital and generally lower education levels. Small-scale Rooibos producers rely heavily on family labour. Two cooperatives of smallholders have been formed (See Figure 1 for information on the general location of small and large Rooibos farms).

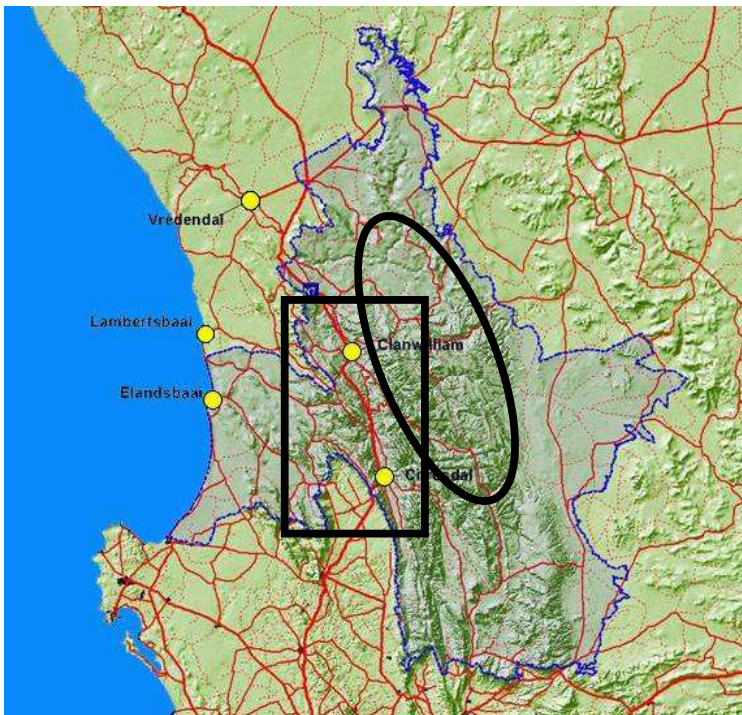


Figure 1: Proposed Greater Cederberg Biodiversity Corridor (SCARCE 2008), including a general indication of where smallholder Rooibos producers are active (ellipse) or where Rooibos plantations are situated (rectangle).

Supply and demand of Rooibos

Production for Rooibos tea has tripled over the last 10 years from 5,000Mt in 1997 to 15,000Mt in 2007 and 18,000Mt in 2008 (Figure 2). The planted area has doubled since 1997 to 40,000 ha. This expansion was both driven by new entrants in the sector as well as expansion of existing plantations, as permits for clearing virgin land to establish new plantations or expand existing ones were relatively easy to obtain in the 90s. Nowadays this is much more difficult. As planted area doubled and output tripled, intensification of production must also have played a role in growing volumes. Consumer demand for Rooibos, based on export- and South African sales figures indicate that demand grew from 10.000Mt in 2004 (Gerz and Bienabe 2004) to 15.000Mt in 2008. The current Rooibos market situation is therefore characterised by over-supply and decreased prices but most stakeholders expect steadily growing demand.

To face the current price decrease and limit exposure to future price fluctuations some farmers try to add value to their products by setting up processing and packing facilities on their farm. Another strategy is bringing their Rooibos to neighbouring farms for processing and then doing the marketing and exporting themselves, instead of selling their Rooibos to the largest processor/exporter in South Africa. Manufacturers are attempting product development, adding various flavours to their tea, developing Rooibos ice tea and, as a specific example, Red Espresso which was awarded "Best New Product" at the 2008 Specialty Coffee Association of America Annual Conference & Exhibition (SCAA 2008). Still, most Rooibos is exported in bulk leaving most value-adding to overseas buyers.

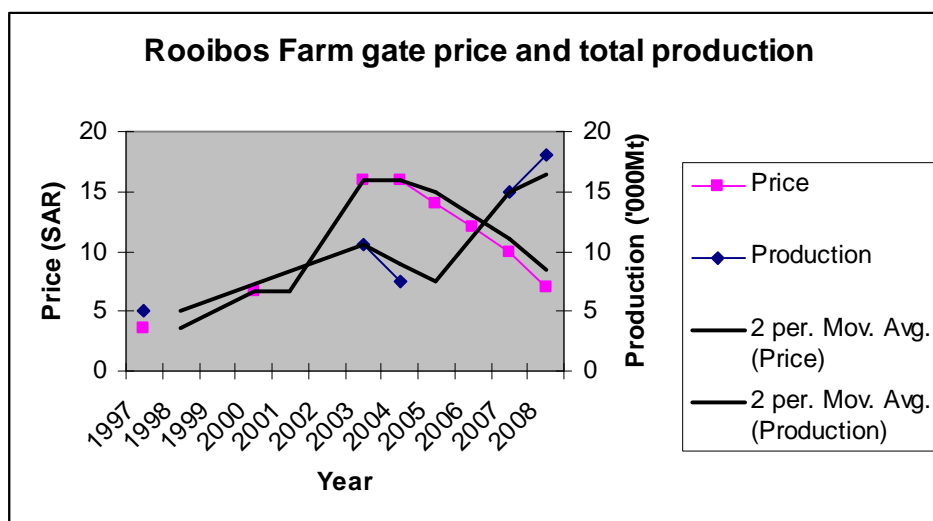


Figure 2: Rooibos farm gate price and total production (author's graph based on data from Business Report, 2004 and interviews)

Rooibos chain configurations

In the Rooibos sector, various value chain configurations exist, ranging from direct sale from producers to shops or consumers locally and overseas, to chains containing many elements before the product reaches the consumer (Figure 3). The largest volume of Rooibos is however traded by one large company, which has a market share of around 75% (Gerz and Bienabe 2004).

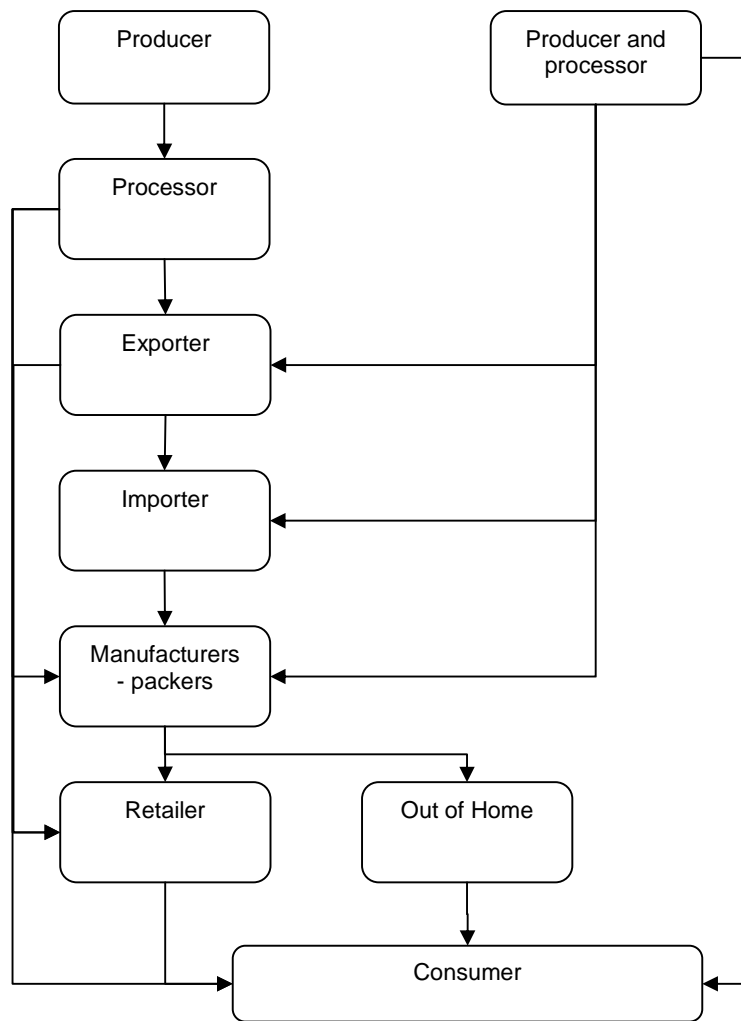


Figure 3: Rooibos tea value chain configurations

Currently 7 main exporters are active next to a number of smaller ones. Experience from other sectors, for example the South African citrus sector and the international coffee sector suggest a future concentration of exports in the hands of a small number of relatively large exporters. In both cases the abolishment of state-controlled export businesses resulted in a large number of exporters that over time consolidated. The international coffee sector is dominated by 5 large transnational export and import companies, the South African citrus sector went from 1 to 160 producers/exporters to currently only 5. State-controlled Rooibos exports were disbanded in 1994. Some exporters engage in spot buying, others have production contracts with producers, again others engage in a combination of both. Those exporters with access to sufficient finance currently try to stockpile Rooibos while waiting for improved market prices. Current Rooibos market conditions, in which profit margins are low because of depressed prices, can be conducive to a further consolidation of exports. It remains to be seen what the effects of such concentration could be on producers.

Stakeholder contributions to a sustainable Rooibos sector

In this section, the contributions of stakeholders to a sustainable Rooibos sector are presented. Some stakeholder categories show overlap because of vertical integration in the value chain (e.g. producers that have their own processing and packing facilities and export their own products). They are treated separately here as they often form separate entities along the mainstream value chain of bulk exports. Views and motivations of stakeholders to work on sustainability issues are summarised at the end of this section.

Producers

Of the 450 producers the majority are larger scale white-owned farms, a small minority consists of smallholder cooperatives of mostly coloured farmers. Most Rooibos production is destined for the mainstream market: i.e. not certified. Between 5 and 10% of all Rooibos is sold as certified organic Rooibos. Both large plantations and cooperatives produce organically. Supply of organic Rooibos outstrips demand, resulting in varying volumes being sold as conventional Rooibos. Fairtrade Rooibos originates from 2 cooperatives and 3 larger scale farms (FLO 2008). Volumes of Fairtrade Rooibos are still small but growing.

Sustainability initiatives financed by producers (partly or in whole) is limited to the Rooibos and Biodiversity Initiative (RBI). In the current pilot phase of the RBI, twenty producers partake. More information on the RBI can be found in the next chapter

While RBI deals exclusively with environmental issues, all interviewed producers indicated that they contribute to social development of their employees/workers. They provide technical education to their farm workers, implement or support general educational programmes for farm workers, or, in one case, transfer a small part of the farm to the farm workers so they learn to see the benefit of cultivating their own crop in a sustainable way. The minimum wages that were introduced in 2005 do have an effect on the production costs of Rooibos tea, as salary costs tripled after this minimum wage was introduced. As no workers were interviewed about their view on the social development issue, the information may be somewhat skewed to a relatively favourable view of the producers/exporters.

Producers are, together with local marketers, processors and exporters, organized in the South African Rooibos Council (SARC) which is financed by a voluntary levy of 0.50SAR/kg. The SARC finances part of the RBI. Interviewed participating farms are unanimously enthusiastic about the RBI, and report increasing awareness of the need to enhance biodiversity. Many of the producers are also driven by the desire to implement sound stewardship of local natural resources for future generations. Implications of participation for farm management vary from one farm to another although participation does not seem to result in yield reductions until presently. Still, investments are being made to comply with the environmental management plans of the RBI, such as the removal of invasive species. Interestingly, Rooibos produced under RBI criteria is not traded any differently from mainstream Rooibos yet. Most producers do not expect a premium for their RBI Rooibos.

Processors and exporters

Under current market conditions economic development gains increasing importance for all interviewed stakeholders (4 large exporters, 2 smaller ones) from this category. The enterprises have started to evaluate their marketing and trade strategies and some have started their own branding. Also, new markets are foreseen in Asia and Latin America but it seems that concrete market-links with these regions have not been established yet.

The Broad-Based Black Economic Empowerment (BBBEE) policy of the South African government does not seem to have a large effect on the sector yet, because Rooibos is either exported, or the

companies do not sell their products directly to the government and thus the companies often do not have to fill in a BBBEE scorecard. The elements of BBBEE assessed in the generic scorecard are:

- Ownership;
- Management Control;
- Employment Equity;
- Skills Development;
- Preferential Procurement;
- Enterprise Development;
- Socio-Economic Development Initiatives.

One large packer/exporter does fill in the BBBEE scorecard and indicated that their score of 42 out of 100 is a relatively good score for a company like their own.

Stakeholders that mainly focus on packing, processing or exporting are often not involved in the biodiversity issues of Rooibos production. They feel that it is an important issue to tackle, but they would not limit themselves to buy only tea from farms that are part of the RBI because no premium is expected for a RBI certified product and because the market demand is currently under-developed.

Importers and tea packers

Annual export volumes have increased over the last 10 years in lieu with production growth. Germany is the single largest importing country responsible for around 5,000Mt per year or 70% of exported volume (calculated from PPECB 2008). Importing markets tend to be dominated by a few large players; the 4 largest German importing companies handle around 1,800Mt of Rooibos annually. In terms of imported volume The Netherlands, Japan, UK and the US rank 2nd to 5th.

Both Germany and The Netherlands serve both as consuming markets as well as logistical centres. In The Netherlands, SaraLee Corporation through its Pickwick brand is market leader responsible for 180Mt per year.

Importers so far see little demand from their clients for sustainably produced Rooibos. For the majority of their clients Rooibos is a niche product and is expected to remain so. Only Unilever with its Lipton brand intends to have its complete range of tea products Rainforest Alliance certified by 2015, including Rooibos tea. This, and developments of recent years in terms of increasing focus on sustainable raw materials and finished consumer products does result in a general interest of importers. However, they do not tend to see themselves as drivers in a transition process to more sustainably produced Rooibos. Rather they would react to market demand for such products if and when it materializes. Most importers are clear though that any scheme to promote sustainable Rooibos should address the 3 Ps of People, Planet and Profit.

The larger, internationally active tea packers are cooperating in a global initiative called the Ethical Tea Partnership (ETP). The aim is to ensure tea is grown socially responsible. However, the large scale nature of the tea industry, it employs millions of people, makes this a challenging prospect. Although the ETP does not cover Rooibos but only *Camellia sinensis*, some of the ETP participants are interested to work on sustainable Rooibos. Because of the relatively small size of the Rooibos sector they expect a Rooibos sustainability initiative to yield quicker results. While consensus building will be needed, it is expected to be a more manageable and quicker process. Tea packers are eager to demonstrate commitment to their Corporate Social Responsibility (CSR) agendas. Some tea packers would welcome a positive result in Rooibos while work on the ETP continues.

Non Governmental Organizations

A few Non Governmental Organizations (NGOs) are actively working together with smallholder Rooibos producers to support the sustainable development of their enterprises. Examples are capacity-building

trajectories, assistance in adapting farm practises to climate change, adding value to products and linking producers to markets. NGOs also support smallholders in their fair-trade endeavours, and are foreseen to work with them on environmental management plans if and when RBI practices would be extended to include cooperatives. Some NGOs are also involved in the larger farms with social development programmes for farm workers, as lots of problems seem to persist such as alcohol abuse, (financial) illiteracy and limited education. A group of NGOs is involved in RBI participating in agenda setting, but the main organization which takes the lead in its implementation is a Governmental Organization.

In 2005, the South African Rooibos Council (SARC) was established 'to promote the interests of the South African Rooibos industry internationally' (SARC 2008). It is a non-profit organization which serves as representative platform for its members consisting of producers, processors, manufacturers and exporters (SARC 2008). SARC partly funded the current RBI pilot phase and extends funding into 2009.

Governmental Organizations

The Western Cape provincial nature conservation institution, Cape Nature, has the vision to 'establish a successful 'Conservation Economy' - embraced by all citizens of the Western Cape and to transform biodiversity conservation into a key component of local economic development in the province' (Cape Nature 2008). This public institution has been the main driver of the Potato and Biodiversity initiative, as well as the RBI. They are working together with various stakeholders from the Rooibos sector as well as with NGOs to develop and implement guidelines for land management with regard to Rooibos production and biodiversity conservation (see also section: "Rooibos and Biodiversity Initiative").

Next to biodiversity related projects, also social development projects and programmes are implemented in Western Cape. In the Cederberg area of Western Cape, which is the main Rooibos production area, a programme has been started by the Cederberg Municipality for the general development of farm workers. The reason is a notable difference between levels of social development of farm workers on farms cooperating in a social development initiative with a local NGO, and those that are not. By up-scaling this social development initiative, the municipality hopes to reach a majority of farm workers and decrease this difference. The main goal of the programme is to connect governmental departments to the farm workers to discuss and address the various problems that are faced by the farm workers. After the discussions, a 3 year action plan will be drawn up and implemented to tackle the issues raised. If and when successful, this programme is expected to be rolled out into other areas as well.

The provincial government of the Western Cape has furthermore been involved with Rooibos producers and trade issues, ranging from a 'funding for municipal impact' project in which a community of smallholders has received funding to expand their tea court, to working with the Rooibos communities, NGO's and researchers on developing a Geographical Indication (GI) for Rooibos.

Research institutes

Various universities and research institutes from South Africa and from Europe have been involved with Rooibos issues up to present, working on fair-trade issues, the development of a GI for Rooibos and other South African specialty products, rural development of smallholder communities and natural resource management in view of climate change. In all these activities, the research institutes work together with local communities, the SARC, NGOs and Western Cape Provincial Departments.

Summary of motivations and differences between stakeholders

Different stakeholders are driven by different motivations. Such differences need to be represented and if a code for sustainable Rooibos production is designed reconciliation of various positions will be

an important aspect of multi-stakeholder exchanges. Figure 4 shows the divergence of stakeholder views with regard to the 3 dimensions of sustainability.

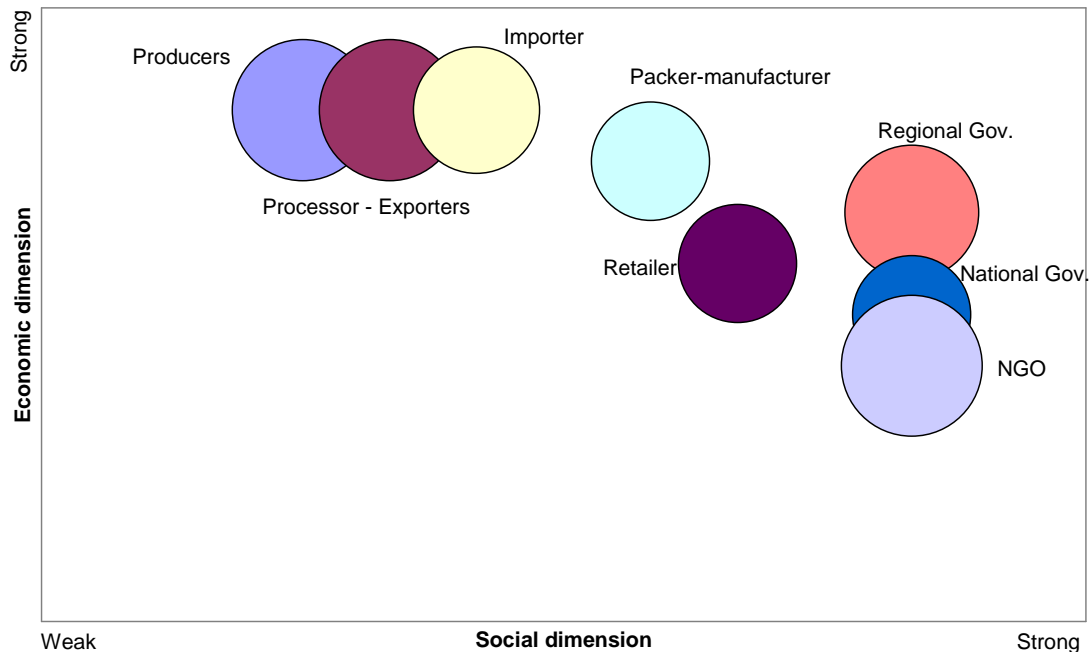


Figure 4: Bubble chart represents a qualitative estimate of stakeholder positions with regard to social, economic and environmental aspects of sustainable Rooibos production. Estimates are based on information gathered from interviews and positions from stakeholders in comparable value chains. A strong position on social or economic issues, relative to other stakeholders, indicates that this stakeholder is likely to put more emphasis on such issues than the others with a lower ranking. Larger bubbles represent more emphasis on environmental issues relative to other stakeholders and vice versa.

While estimates in Figure 4 are just estimates it does give a clue that the largest conflict potential is likely to occur in the social dimension. Reasons are that the international part of the value chain is likely to favour stronger social interventions on production level. Partly, this is because social aspects are what consumers generally care about most. At the same time, more stringent social requirements will not overly affect the economic position of these stakeholders. Producers, processors and exporters are likely to be more wary of social interventions because it may directly affect their production costs. NGOs on the other hand are likely to push for a strong social component in a sustainably produced Rooibos tea. While economic considerations are strong where it concerns smallholder cooperatives, experience shows that social considerations generally overrule economic issues when dealing with larger scale farms and industry.

Witnessing the field level support for RBI and the commitments on environmental issues by (inter)national packers-manufacturers and retailers the environmental dimension shows the least divergence of views as the bubble size indicates (Figure 4).

Multi-stakeholder cooperation and certification

A number of horizontally integrated sustainability initiatives are taking place within South Africa. As opposed to vertically integrated sustainability initiatives that involve decidedly different links in a value chain and often, but not always, operate across national borders, a horizontally integrated cooperation among stakeholders takes place within a certain segment of the chain only among organizations

striving for a similar goal (adapted from Kaplinsky & Morris 2001). Two main initiatives currently take place: i) a Geographical Indications process; and ii) the Rooibos and Biodiversity initiative. Apart from these two horizontally integrated sustainability initiatives in which the Rooibos sector is involved, other projects aiming to improve the sustainability of the Rooibos sector are implemented (Annex 1).

Internationally, few, if any, stakeholders are aware of present local initiatives.

Next to horizontally integrated sustainability initiatives, certification for Fair-trade and organically produced Rooibos is taking place on a relatively small scale.

Geographical Indication process

Various international organizations are working on ways to protect location specific products. The WTO for example, defines Geographical Indications (GIs) as 'the names given to traditional products produced according to traditional methods in a particular place' (WTO 2008). In the EU, there are two types of GIs possible: Protected Geographical Indications (PGIs) and Protected Designations of Origin (PDOs). The difference between these two indications is that PDO products need to be prepared, produced and processed within the same defined geographical area while for PGI products, only one of these three activities need to be performed in the specified geographical area (O'Connor and Company 2005). That is why products which are often processed elsewhere, such as Rooibos, may be protected through a PGI. For developing countries, there is a scope for the introduction of GIs as many products made in those countries are traditional while they are processed down the chain in another country. Selling their products as recognized traditional products, primary producers could benefit from selling their products using GIs (Troskie 2007).

There is currently no GI system in place in South Africa, even though the government has supported the Rooibos sector to fight, and win, a claim by a US company to be the only company that could use the name of Rooibos as they registered it as a trademark (Bienabe et al, 2008). The claim was settled, having the consequence of Rooibos to be treated as a generic name.

As Rooibos stems from a bounded territory, using a GI system could prevent entrepreneurs to produce Rooibos in another country. Furthermore, using the GI system could potentially increase the market potential and exports and support sustainable development for the Rooibos producers in the Cederberg mountains. This is why the Western Cape Department of Agriculture, NGOs and research institutes have been engaged in developing specifications for Rooibos to become a GI. Before the GI would be established for Rooibos these product specifications would need to be finalized by the industry (Troskie 2007) and the GI system would need to be accepted nationally and internationally.

The GI specifications for Rooibos as they have been laid down presently relate to the delimitation of the area, the production practises, harvesting and processing standards and processing standards. More information on these specifications can be found in Troskie (2007) and Biénabe *et al.* (2008). The delimited area is not totally developed yet as some wild Rooibos can be found around Cape Town thus not only in the Cederberg area, but it is proposed that the GI is limited to Rooibos produced in the Fynbos biome. Furthermore, biodiversity standards are developed for the Rooibos GI as production increase and wild harvesting could potentially threaten biodiversity (Troskie 2007). Some elements need further elaboration: the social elements of the specification as well as the inspection and certification regime (Troskie 2007). There is a possibility that, when a GI for Rooibos would be established, some Rooibos producers would not be entitled to use the name of Rooibos for their product, as they do not fulfil the specifications for the GI.

The Western Cape Department of Agriculture has tried to draft Draft Bills for a legislative framework for the protection of specialty products in 1999/2000, but the national government did not accept this and withdrew these draft bills (Troskie 2008). Their reasons for this withdrawal was that they fear that

South Africa would lose trade opportunities when establishing GIs for south African products as other countries would do the same for specific products from their country (e.g. pizza, salami). After withdrawing the draft bills, the national government was supposed to set up the framework for the GI, but until present has not been active in this respect as the political process frustrated the GI initiative. Another problem for the establishment and recognition of Rooibos as a GI is that Rooibos is now accepted as being a generic term/name for the plant, which would limit the possibility to limit other people to use the name of Rooibos on their product.

As it is not clear in which direction the GI process is going, Biénabe *et al.* (2008) have drafted scenarios for the further implementation of a GI for Rooibos, assessing the economic, social and environmental aspects of the potential scenarios. These scenarios relate to the impacts of national or/and international a recognition of the GI on trade, production and value adding potential, biodiversity conservation, diversification opportunities and rural development for small scale farmers. When no national and no international recognition would come for a GI for Rooibos, it is expected that the sector runs the risk of Rooibos being produced in other countries, with consequences for labour and trade and production in South Africa. A decrease in Rooibos production in South Africa could, however have a positive impact on biodiversity. On the other end of the spectrum, national and international recognition of a GI for Rooibos could result in value adding potential (but a risk of loss for conventional Rooibos), increase opportunities for small scale farmers, potentially increase working partnerships between large and small scale farmers, creating a collective enforcement vehicle for sustainable land management practises, and enhancing (eco-)tourism opportunities. It remains to be seen which scenario will be developed further and what the actual impact of such a scenario would be on sustainable Rooibos production and biodiversity conservation objectives.

Rooibos and Biodiversity Initiative

SARC and CapeNature have launched the RBI in 2007 to increase sustainable land management practises in the Greater Cederberg Biodiversity Corridor (GCBC), by working with Rooibos producers and developing guidelines for sustainable land management. When implemented, the RBI thus supports the GCBC project which has the aim to protect the Fynbos ecosystem by creating a corridor which allows species to migrate easily through the area when they are in need to do so (e.g. because of climate change).

The RBI is a derivative of the Biodiversity and Wine Initiative and the Potato and Biodiversity Initiative (PBI). The guidelines with have been developed for the RBI for instance show an overlap of 90% of the guidelines for the PBI, as the physical areas of implementation of the RBI and the PBI partly overlap. The PBI has involved agribusinesses and retailers in such a way that at least one retailer aims to have all its potato products produced under this scheme.

Participation in RBI is voluntary and currently 20 commercial farmers participate in the pilot phase. Before a farm can participate in the RBI, a pre-audit of the farm is done. All land of the participating farmer should be legally obtained and cleared. Then, environmental management plans that fit in with GCBC are developed for the participating farm. Various options for land management exist for farmers participating in the RBI, such as the removal of exotic species and the establishment of nature reserves. Furthermore, the following agreements can be made between farmers and Cape Nature to establish nature conservation areas on their farm (CapeNature *et. al*/2008):

- The establishment of a contract nature reserve (duration of minimum 30 years to in perpetuity). Advantages for farmers to establish a contract nature reserve is lobbying on their behalf for incentives, drawing up a management plan, support for habitat management and increased marketing exposure.
- Signing a biodiversity agreement (duration of minimum 10 years to in perpetuity). When a farmer takes this option, he receives advanced extension services and assistance with drawing up management plans.

- The establishment of a conservation area. Farmers establishing conservation areas receive basic extension services (e.g. for the removal of invasive species).

These three options vary in land restrictions, access to the property and legal status, where the contract nature reserve shows the strictest limitations to land use and the largest accessibility options. Biodiversity offsets within the GCBC are possible under certain conditions: when permission on using new land for Rooibos production is granted to a farmer, the farmer needs to set aside another part of his land as nature reserve. The interviewees partaking in the RBI all have designated parts of their land as nature reserves. This however does not affect their production at present, as mostly this land was not in use anyway.

Two constraints exist for the RBI to become successful are the continuation and up scaling of the initiative, and finding a good certification system through which the RBI Rooibos may be sold with a premium. To continue the RBI in 2009 and beyond, the SARC has agreed to continue funding the RBI in 2009, even if no other funders will continue to contribute. Up scaling the initiative to more farms would have a positive impact on the realization of the GCBC but would need an increasing effort of CapeNature to coordinate it and deliver the extension services in the various nature management options.

Currently, no certification is in place for Rooibos produced on an RBI farm. Such certification could make consumers aware about the biodiversity issues around Rooibos, and potentially may trigger premium payments for RBI Rooibos to be paid, which could simultaneously decrease funding needs and increase the sustainability of the initiative. The RBI is currently part of the GreenChoice partnership which aims, amongst others, 'to identify and drive market mechanisms and incentives that encourage better farming and fishery practises' (WWF and CI 2008). See Annex 1 for more information on this partnership. Presently this partnership focuses on the South African market, and is a vehicle to establish links between producers who implement sustainable land management practises and biodiversity conservation activities, with retailers.

Even though the partnership is working on marketing the GreenChoice products, no certification process has been developed yet to communicate biodiversity conservation related to the GreenChoice products, apart from a logo for the Biodiversity and Wine Initiative. The reason is that many logos already exist throughout the world which could be confusing to consumers. In addition, it would not be suitable to develop one generic logo with underlying generic biodiversity conservation criteria for all the products within the GreenChoice partnership, as the production of these products have a varied consequences on resource use and impacts on biodiversity (Susman, 2008). Another issue to be addressed when setting up a certification procedure is that when many farms would participate in the RBI and would like to market their tea as 'RBI' tea, they would not be able to distinguish their product as being special anymore with regard to biodiversity conservation standards. A GI for Rooibos, which would include biodiversity criteria supporting the objectives of the RBI, could be one of the explored options for the future.

When a certification process would be in place, or another scheme would start involving stakeholders downstream in the value chain, the Rooibos and Biodiversity Initiative (RBI) would become more vertically integrated.

Certification

The only vertically integrated schemes currently operational are business to business models that have little influence on sectoral issues but are instead limited to the certified producers and in the case of Fairtrade, their staff. In a business to business transaction of certified products any cooperation is typically limited by the boundaries of the commercial transaction with no benefits accruing to the sector as a whole.

Fairtrade is potentially available to all producers, not only groups of small-scale farmers. Presently, 5 Rooibos producers are Fairtrade certified. 2 are smallholder co-operatives and 3 are larger farms. The Fairtrade code for South African producers is in line with social policies of the South African government as embodied in the BB-BEE. Current prices for Fairtrade Rooibos are highly attractive to producers. Fairtrade uses a floor price and an additional Fairtrade premium, half of which is to be invested in community projects. Floor prices for Fairtrade products are set by the Fairtrade Labelling Organisation (FLO), usually after intensive discussion with producers, NGOs and trade and industry representatives. Under current market conditions the Fairtrade floor price plus the Fairtrade premium have been set at 35SAR/kg, or 5 to 6 times the mainstream market price. Since its introduction in 1998, Fairtrade Rooibos has been growing slowly (Law 2005). Mainstream buyers of bulk Rooibos have so far not joined, which may limit the potential for future growth in demand.

About 10% of Rooibos grown both by co-operatives and larger plantations is organic certified. Current supply of organic Rooibos far outstrips demand and organic premiums have fallen as a result. Some producers receive no premium at all and large volumes of organic Rooibos end up being sold conventionally. Most, if not all, Fairtrade certified Rooibos is also certified organic.

Typically certified products from other value chains, be they Fairtrade or another scheme, manage to market 30% of the available certified volume against premium prices. A mismatch between available qualities and quantities and those required by trade and industry are partly to blame for this.

Discussion

Much interest has been found in the Rooibos sector itself to work on sustainability issues. Social and environmental sustainability processes are often driven and supported by governmental organizations, NGOs and research institutes, in collaboration with the sector.

In reaction to changing market conditions, enterprises address issues of economical sustainability by attempting to increase value-added in addition to bulk trading. The most frequently explored value adding is packaging. Importers and international packers have quality concerns and also make profits on the packaging. Also product development takes place and new markets are actively sought, though entering new markets is perceived to be difficult.

The establishment of a Geographical Indication for Rooibos could become useful to protect Rooibos producers in South Africa as the Rooibos plant can technically be cultivated elsewhere. Also, the GI specifications which are developed by the sector and other stakeholders would include biodiversity conservation measures, and could be used to communicate the social, economic and ecological values of Rooibos production for the production area. When this GI would be established and (inter)nationally recognized, its implementation could contribute to the RBI objectives, and thus could potentially be a vehicle between the RBI objectives and consumer markets. The legal establishment of the GI however is progressing slowly, and it remains to be seen if linking the GI to the RBI Rooibos would be a preferred development path in the future.

Social sustainability is often not an issue to be specifically tackled according to the producers, processors and exporters, as social criteria are already met in their operations, either through the minimum wage, or through social development and skills development programmes for their workers. Currently, RBI does not include social sustainability criteria, but some stakeholders have the view that they could be included. The main question is if including social criteria would impact the price paid for RBI Rooibos. Application of Fairtrade criteria is discussed in stakeholder platform meetings. One of the main discussion points is that Fairtrade labour standards are by some considered to be relatively light compared to the BB-BEE criteria. For companies supplying the domestic market, the BB-BEE

scorecard is gaining importance, for those that export it is less of an issue. Social issues could play a larger role in linking the RBI or other sustainably produced Rooibos to export markets, as consumers in Western Europe for example place an emphasis on social sustainability when buying Fairtrade or sustainably produced products.

Organic Rooibos is an example of Rooibos produced under environmental land management standards, but only 5-10% of all Rooibos is sold under organic certification. The RBI could add to the market of environmentally sound produced Rooibos, if there would be an interest of consumers to pay a premium for biodiversity management aspects of RBI Rooibos. The SARC, as a platform of Rooibos producers, processors and traders, plays a large role in the RBI, funding part of the programme in the 2008 pilot phase and continuing to do so in 2009. As the stakeholders involved with the RBI have not been working on certification of RBI Rooibos up to present, this remains an issue to be tackled in the future, potentially linking up to the GreenChoice Partnership and its communication. Even though many stakeholders in the RBI do not expect a premium yet for RBI Rooibos, it would be interesting to see if consumers would want to pay a premium for biodiversity friendly products and if RBI producers in South Africa could be linked to biodiversity or environmentally aware importers and consumers in Western Europe through the certification of sustainable Rooibos.

Development of sustainable Rooibos is progressing on the ground in South Africa. So far these initiatives fail to comprehensively address issues of market demand for mainstream sustainable Rooibos in domestic and international markets. At the same time, a growing trend in the hot beverages sector is towards manufacturers marketing their products under a sustainability scheme of their choice. In a number of sectors (e.g. cocoa, coffee and tea) this has resulted in a wide range of certification schemes. Biodiversity conservation issues are not limited to the boundaries of one particular farm but are regional in nature. This strengthens the case for a regional or sector code such as RBI which would effectively address nature conservation in the bounded Rooibos production area, and could raise the awareness of consumers. One potential drawback of sector-wide initiatives is that, increasingly, companies use their commitments to sustainability to distinguish themselves from competitors (one reason why a plethora of Codes of Conduct can exist in, for example, the coffee sector). A standard that all stakeholders subscribe to adds little from a marketing perspective for companies, as such a code might be contradictory to their interests. After all, how can a company distinguish itself from the competition if all competitors sell Rooibos under the same certification scheme?

Whichever scheme or operational setup is implemented, from an importers point of view a sustainable Rooibos product needs to fulfil criteria in all three dimensions of sustainability: environmental, economical and social.

Involvement of third parties in the sector to stimulate the transition towards a more sustainable Rooibos sector could take several forms:

- An immediate need identified is that of establishing links to international importers and manufacturers to create awareness of and investment in sustainable Rooibos production;
- Meaningful involvement of the stakeholders in trade and production of Rooibos tea could be realised by establishing a roundtable that includes current initiatives and all domestic stakeholders in the sector. A first task for this roundtable could be to arrive at a sector development strategy that addresses the fundamental issue of aiming for regional or sector code development or inclusion of interested (international) certifiers or both, and plan for implementation of such a strategy.

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Annex 1. Rooibos sustainability projects and initiatives

Adaptation to climate change by small-scale Rooibos tea farmers in Wupperthal and the Suid Bokkeveld areas of the Western and Northern Cape

Goal: Supporting small scale farmers to adapt to anticipated climate change.

Project partners:

- SouthSouthNorth
- Indigo Development and Change (Indigo DC), in association with
- Environmental Monitoring Group (EMG)

Other potential participating institutions

University of Cape Town (UCT) – Environmental and Geographical Science Department, Climate Systems Analysis Group (CSAG) and Department of Botany

Sustainable Rooibos Initiative

Goal: a partnership between the conservation sector and the South African Rooibos Council to develop and implement a sustainable rooibos tea production strategy. The strategy includes developing and implementing conservation guidelines and a commitment to growing the rooibos industry in an ethical way.

Project Partners

- Conservation International
- South African Rooibos Council

BIODIVALLOC project: Biodiversity and Valuation Tools for Localised Productions

Goal: assess the potential of geographical indications as tools for rural development and biodiversity conservation.

Project partners:

- CIRAD – French Agricultural Research Centre for International Development
- University of Pretoria
- Universit of KwaZulu-Natal
- Institut de Recherche pour le Développement

DURAS project

Goal: Linking farmers to markets through valorization of local resources: the case for intellectual property rights of indigenous resources

Project partners for South Africa:

- University of Pretoria, Dept. Agricultural Economics and Rural Development
- Scientific Roets
- CIRAD TERA
- Western Cape Department of Agriculture (WCDA)
- Trade Law Centre for Southern Africa
- ED.M
- Ministry of Agriculture, Water and Forestry, Office of Permanent Secretary

SINER-GI project

Goal: Strengthening International Research on Geographical Indications

Project partners South Africa

- Western Cape Department of Agriculture
- University of Pretoria
- CIRAD

Rooibos and Biodiversity Initiative and Greater Cederberg Biodiversity Corridor

Goal: to establish a biodiversity corridor in the Cederberg area and work with farmers to improve their land management with regard to biodiversity.

Project partners

- Cape Nature
- South African Rooibos Council
- 20 farmers

Fynbos Nature project

Goal: a study into the diversity and distribution of the fynbos ecosystems in South Africa, with emphasis on the geographic distribution, ecological position and sustainable harvesting of wild Rooibos.

Project partners

- Alterra
- Indigo Development and Change

Greenchoice Partnership

GreenChoice is 'an ambitious, integrated partnership created to support the development of a better way of producing and consuming the products from our natural environment' (WWF and CI 2008). Market ready products under the Green Choice partnership are wine, seafood, honey, wild cut flowers, and wildlife friendly products. Sugar, citrus, potatoes, Rooibos tea pecan nuts wool and meat are products in the pipeline.

GreenChoice aims are to work with stakeholders throughout the value chain on issues such as supporting and up scaling successful sustainable agricultural and fishery initiatives, information sharing, identify and encourage better management practises and to identify and drive market mechanisms that encourage better farming and fishery practises. In addition, GreenChoice supports research on sustainable value chains, coordinates communication to producers and retailers and assesses the linkages between agriculture, poverty alleviation and biodiversity conservation as well as opportunities for intervention (WWF and CI 2008).

The main two project partners are WWF and Conservation International South Africa, but they work together with CapeNature, National Biodiversity Institute SANBI, the botanical society of South Africa, and many others within the production sectors of the partnership.