



the dti

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



SAEOPA

Southern African Essential  
Oil Producers Association

# Global opportunities, Evaluation of CBI assistance, & Challenges of complying to ABS.

## A Personal Opinion

## Presented by Adolf Joubert, CEO of



*African Botanicals, Cold Pressed Oils & Butters*



## Member profile of SAEOPA

- Honorary members- acknowledging pioneers and champions
- Producer
- Processor
- Buyer
- Researchers and Academics
- Global Correspondents
- Volunteers
- Value adding into products – CECOSA: MoU

### Cooperating entities –

- SEOBI, ARC, AGRIHELP, FOCUS PLAN, ENABLIS, SASOL
- Municipalities
- FORD FOUNDATION 2005-2010

## AFRINATURAL

- Producer/ processor/ buyer
- Assisting new and smaller producers
- Research and Development



**SAEOPA**

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# AFRINATURAL

- We have been operational in the current entity since 2009 (for 8 years) but going back to the predecessor Co to 1998 (20 years).
- We have been growing our exports by 40-50% per year over the last 5 to 6 years (with virtually no government support)
- We have received various recognitions for our successes in Exports (see Intro)
- We export 70% of our T/O to all regions in the world – 20% to EU & North America; 50% Rest of the world
- We (already) source more than 50% of our product from outside SA

# Global opportunities 1

- In 2016 the International Industry was valued at \$80 billion
- The International industry is growing by 10%+ per year – in all regions (“natural is good and preferred”)
- SA is said to have **10% of the world’s plant species** – We would expect that we should also have a pro-rata portion of this trade – ie R 100 – 120 billion + 10% per year.
- Unfortunately, SA makes a mere **0,1% contribution** to this opportunity (this includes all our Rooibos / Honeybush / Aloe / Buchu / Essential & Pressed Oils and other botanicals). We could grow 100-fold
- In SA we are not even doing well. I assume we are importing up to 80% of our natural product needs for retail markets (not referring to unregulated traditional usage).

# Global opportunities 2

- Our growth into Africa (that is looking to SA to “lead the way” with intelligent natural solutions), is also being inhibited by these attitudes.
- We have calculated that (in the instance of Aloe ferox) we create 20-25 “full time equivalent jobs per year” for each R 1 mil exported.
- No other industry delivers so many jobs & economic value in the pockets of rural people in SA.
- To add to this – This is achieved while
  - Very little capital expenditure is available
  - Very low skills are required > excellent chance for skills transfer
  - It is the fastest way to deliver success & growth (within 12 months) as supported by CBI, Sippo, GTZ, Danida, UNIDO and other international Aid organisations.

# The World's response to SA 1

- The world resists the offer from SA role players –
  - Most marketers are “small” and insignificant – concerns about ability to secure quality supply over a long period of time
    - One West African Manufacturer supplies 20MT Baobab pa and sells in MOQ of 5MT;
    - No one in SA can yet supply sustainable Marula Oil at competitive prices
  - No generally accepted faith in SA products to build on (small volumes used in international domain)
  - No clear support from a national industry body or government circles
  - (Test – who has created the Hype in Sacha Inchi Oil from South America?)

# The World's response to SA 2

- We need a combined SA Programme to grow demand of SA content.
  - Growing production and encouraging more people to produce will not create more sales (except in old-school communist countries where production is owned by the state and profitability is overshadowed by job creation)
- For various reasons, SA cannot always compete with rest of Africa. Our costs are too high (We are 30-50% overpriced)
  - partly due to low volumes,
  - but also because of financial realities in SA – labour, financing, energy, transport, too sophisticated solutions, cost of entrepreneurship

# CBI assistance 1

- My personal opinion - It was an extremely well-intended plan that could be improved by mainly by SA (DTI?)
- Training (including cost of accommodation) was well presented
  - But travelling cost to new, rural exporter to venues (with no assistance) was keeping them from participating.
  - many of the established people had to incur in the order of R 5000 per session (air & road transport) just to attend.
  - Thankfully CBI paid for the accommodation & meals
- Opportunity to attend In-Cosmetic Fairs was excellently presented (& funded) by CBI
  - DTI's inability to find solutions for cash flow support was detrimental
    - Afrinatural had to withdraw from 2 (of 4) exhibitions because we could not lay out R 50-60 000 for 6-12 months to be able to attend. DTI was unwilling to change their support programme.
    - Afrinatural is still waiting for nearly R 30 000 of pre-approved support that has not been paid out with no way to challenge or to review the declining of payment.
  - In this context it is impossible to expect new role players, without other existing sources of income, to participate.

# CBI Assistance 2

- The biggest Need was not addressed by CBI or DTI – the generic presentation of African Oils as viable options for consideration by NPD and R&D in Europe.
  - (Afrinatural put this on the table at the onset of the training, 2015? – CBI argued that it was DTI’s responsibility, DTI was unwilling to rise to the occasion)
- Conclusion – **DTI still** need to succeeded in “promoting economic growth, job creation and promoting transformation in South Africa” through their “Natural Ingredients and Cosmetics products Export Strategy” mainly due to poor or non-existent interaction with industry role players – or, at least, to Afrinatural.

# Complying to ABS 1

- Afrinatural has been waiting since 2012, 2016 & 2017 for assistance to have their multiple product application processed
- Early in 2016 the industry has (through the BE Forum) made submissions to the Minister of how to streamline the process.
- No response yet
- Some of the concerns –
  - DEA still cannot offer a list of TK Holders, but refuse to accept certain proposals, while they have no standard to compare to. (I am not allowed to nominate the San as the First People of SA. My application is not even processed. But I may nominate any African community that is willing to accept the nomination.
  - Most of the current ABS agreements are legally challengeable – and Industry (not DEA) is going to pay for the backlash.
    - most of the nominations are not (and cannot be), as the law requires, “generally accepted TK holders”;
    - suggestions of nominating parties that do not carry the blessing of DEA are rejected before the onset.

# Complying to ABS 1

- Some more of the concerns -
  - Multiple levels of benefits being forced on applicants with very little opportunity of referring to the ABS of the first procurement. These added costs cannot be justified commercially.
  - The insistence of DEA that contributions to ABS should be increased
    - With no consideration of the markets ability of willingness to pay
    - While processors acknowledge that they cannot afford to be pinched into the middle (no understanding of the cost of running a business)
    - I have already stopped actively marketing Aloe –
      - My income (in R-terms) is not justifying all the trouble & time spent
      - my clients source alternatives botanicals (or even Aloe) from other countries. Same with me.
    - Result – not only no growth but, probably a decline in sales in the years ahead.
    - But DEA still is not interested to listen to the Industry
  - Product formulators (in SA and internationally) are withdrawing SA content from their products & are moving to non-SA content.

# Challenge to DTI 1

- Share the “Natural Ingredients and cosmetics products Export Strategy” with NP Industry members and create a contact so that we can comment – and expect response from DTI.
- Create (& Fund) an effective way of interacting with the NI Industry so that all stumbling blocks can be addressed and resolved.
  - Maybe fund the formation of an effective NI Association?
  - **BIOPANZA DATE OF LAUNCH PLEASE!**
    - Including support to all existing associations? Rooibos, Aloe, Cecosa, SAEOPA etc
    - not only on national level, but also on regional level.
  - In collaboration with so many national, provincial & local departments that all claim to have interests in assisting the NI Industry to grow.
  - Also, specifically with IDC / Sefa / Business Partners – to coordinate effective funding

# Challenge to DTI 1

- Additional to matters reported on above –
  - Stop developing production while demand is not being built
  - Evaluate the outcome of grants in “projects” to determine whether funds were well-spent and to adjust programmes, if need be.
  - Open up MCEP & APSS and other programs so that the NI Industry can access these opportunities
  - Make EMIA & PMR and other programs more “cash flow friendly” to SME’s
  - Create effective “Customer Care” channels to review outcome of one-sided rulings by DTI staff
  - Lockdown with entry into USA. Regardless of Agoa, it costs exporters at least \$1000pa to access the USA. (FDA ruling)
  - Get DSBD to start functioning or close it down and re-allocate its budget to DTI and other functional departments.

# Contact Details



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