

Rooibos charged with abuse of dominance

Rooibos Limited, which describes itself as the "preferred supplier" of rooibos tea, has been charged with abuse of dominance by the Competition Commission and faces an administrative penalty equal to 10% of its annual turnover.



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The charge follows a complaint lodged by Khoisan Tea in 2015. The commission said Rooibos Limited has used its dominant position in the market to prevent the expansion of its rivals.

Rooibos Limited is the largest processor of rooibos tea in SA, which is the only natural source of rooibos tea. An estimated 15-million kilograms of rooibos tea is sold annually with a retail value of R1.5bn. Rooibos Limited, called the Rooibos Tea Control Board before, controls around 70% of that market.

On Monday, 19 June 2017, deputy competition commissioner Hardin Ratshisusu said: "Dominant companies have a special responsibility to ensure they do not stifle competition."

The commission was concerned about Rooibos Limited's continuing anticompetitive conduct, "particularly as this hampers the growth of the agroprocessing industry in SA."

The commission said Rooibos Limited was the dominant player in the processing of rooibos tea because of the inherited assets and monopoly it had previously enjoyed as the Rooibos Tea Control Board. The board was established in 1954 by the National Party government to regulate marketing, pricing and research in the industry.

In 1993, the Rooibos Tea Control Board was privatised and became Rooibos Limited. Since then, a number of rooibos farmers, unhappy with the monopoly enjoyed by Rooibos Limited, had set up their own processing companies. However, they struggled to secure supplies after 2014 when Rooibos Limited entered into long-term agreements with farmers, requiring them to commit to four-year supply contracts.

Rooibos Limited also required farmers to supply up to half their production if they wanted to get access to its research facilities.

Martin Bergh, MD of Rooibos Limited, could not be contacted for comment.

Management at Khoisan Tea could also not be contacted on Monday.

Source: Business Day

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