project and get other investors to take over. Gold Fields corporate affairs and sustainable development head, Willie Jaconsz, says it was never the miner's intention to hang on to noncore investments. (*Financial Mail, Johannesburg, 3/11*)

TEA

South Africa

Production costs, even of top quality leaf, cannot compete.

The South African tea industry is staring into the bottom of a cup. From more than 15,000 workers only three years ago, the industry now employs a mere 3,000–4,000 in the peak picking season. And even these jobs are in danger; according to industry sources, none of the three big tea estates is profitable.

To start off with, South Africa's tea industry is small, with yearly consumption of about 21.5m kg. Next, South African output of tea leaves has shrunk in recent years and in the 2005/2006 season about 3m kg were produced. The rest was imported, mostly from **Kenya**, **Malawi** and **Zimbabwe**.

Although the past season was a relatively good one for the South African industry, in that droughts in other African growing countries pushed prices up to R14/kg from the previous year's R9/kg, the industry still struggles to be competitive. Average production costs in South Africa vary from R12/kg to R14/kg, whereas tea can be imported for R8/kg. This, says one industry observer, is due to lower labour costs and more productive labour in the tea-producing countries of Africa and in Sri Lanka.

High labour costs and the strong rand (until early 2006) caused havoc in the early 2000s. South Africa's largest plantation, Sapekoe near Tzaneen in Limpopo, closed in 2002 with job losses of more than 6,000, as did, a year later, the Magwa estate near Port Alfred, the Sipoko estate in Limpopo and the Paddock tea company. Land claims on most large tea estates also stopped necessary new investments.

Sapekoe has been revitalised as a fruit farm. The Magwa tea estate was reopened in 2004, after the Eastern Cape government brought in Asian tea giant *Gokal* and **German** submarine manufacturer *Ferrostahl*, which used its investment as part of the offset package under the arms deal. Producing 2m kg of tea, Magwa is the largest tea estate in South Africa, with the potential to lift its output to 3.5m kg/year. However, it is not yet trading profitably.

Other large estates, with output of about 500,000 kg each, are Majola near Port St Johns and Ntingwe in Zululand.

Tea from Ntingwe, which employs about 1,000 workers, is sold under its own label by *Taylors of Harrogate* and is used for other top-quality blends in the **UK**. But even this stamp of approval has failed to push the estate into a profitable position. (*Financial Mail, Johannesburg, 13/11*)

MINERAL

GENERAL

Namibia

Royalties have been revised downwards, but will be applied across the board.

Erkki Nghimtina, Namibia's Minister of Mines and Energy, has announced a revised schedule for the new royalties to be applied to non-diamond minerals. The rates have been reduced by around half compared with the initial proposal at the end of 2004 made by the previous minister, Nicky Iyambo.

The new rates, which take effect immediately, are 2% or 3% for all minerals – excluding rough diamonds which already incur a 10% royalty – compared with the 4–5% previously proposed.

However, the royalties are still to be levied on the gross sales value of mineral production, rather than on profits – one of the options the Chamber of Mines had proposed.

It appears that royalties are to be applied across-the-board, irrespective of the extent to which minerals are beneficiated in Namibia, local mining sources say. (*Mining Journal 17/11*)

Zambia

The re-elected President's challenge is to transform the industry.

Economically, Zambia is on an upswing, riding the positive cycle of commodity performance and cashing in on copper prices not seen since the 1960s and 70s.

The mining industry, most of it comprising copper extraction and refining, blossomed suddenly when the **China**-led demand for base metals exploded two years ago sending prices through the roof.

According to the *Insight Africa* website, Chinese investment in copper mines and other industries amounts to some $300m.

The election highlighted the sensitivity of industrially and strategically important metals, such as copper, cobalt and zinc and the extent to which they have risen in prominence with growing demand and the sustained run-up in metals prices.

At latest estimates, some $1bn will be invested in new and existing mining operations in Zambia over the next three years. According to the country's permanent secretary for Mines and Mining Development, Lennard Nkhata, Zambia's copper mines are currently producing some 400,000 tons of the metal a year and are expected to exceed 700,000 tons in 2007, a production level not seen since the 1970s.

Canadian, **Australian** and **South African** mining houses are showing renewed interest in the Zambian mining sector and are dominating exploration and mining of copper and other base minerals, along with gold and gemstones.

In the forefront is *Equinox Minerals*, developers of the $800m Lumwana copper mine, one of the world's largest undeveloped copper deposits. The project, due to go on stream in 2008, has an anticipated yield of nearly 170,000 ton a year in the first six years of its projected 37-year life. Uranium as a by-product will also be extracted, adding to the project's viability. The current price of uranium is about $50/lb.

Zambia is the fourth-largest copper producer in the world and exports of the metal will earn the country $2.7bn this year, about a third of the national income.

Mwanawasa's real challenge is to transform Zambia's mining industry into a real money-spinner through further and real beneficiation of the ore it extracts.

A step in the right direction for many is Mwanawasa's intention to renegotiate mineral royalty taxes from the current 0.6% to 2.5%, along with new legislation that would compel companies to pay qualified Zambian miners higher wages. (*African Business, December*)

BAUXITE

Guinea

New agreements will lead to a significant increase in production.

First among mined products in Guinea is bauxite, and the country supplies about half of **US** and **Canadian** demand as well as being a major supplier to alumina plants in Europe. **Russian** aluminium giant *Rusal* operates two of the main mining areas, which could become part of an even larger aluminium group of the *United Company Rusal* deal goes ahead, bringing together the bauxite and alumina assets of Rusal, *Sual* and *Glencore*.