AGRICULTURE— 3-WINE

1998
Import duties on wine leave a sour taste

John Dludlu

GOVERNMENT's move to introduce duties on a range of wine imports has attracted a barrage of criticism and anger from players in the industry.

Alex Dale, marketing and sales director at wine maker Longridge, said yesterday the adjustments would "particularly have a damaging effect" on the upper end of the wine business.

The adjustments, announced this week, would raise duties on premium champagnes — such as Dom Perignon, Krug and Cristal — by as much as 4 000% compared with last year.

Imported wines would be affected too; those used as a component of local brands such as Tassenberg would be taxed at 25% of free on board value, while the deluxe market would be most affected. It was unclear how significant the effect would be on prices.

Dale said the tariffs looked like a "protectionist and narrow-minded measure" that would not raise significant revenue.

"It is ironic that the African National Congress government is doing what would be expected of the previous government," he said.

The move meant that "we will see less of the better wines".

The trade and industry department's agro-processing directorate said the revision was designed to "replace quantitative import control with customs tariffs".

The department's written response contained documents dating to November 1994, outlining the process leading to the adjustment of tariffs. The response included representations from certain industry players.

Government sources said the effect on prices would not be as high as feared.

The French trade commission expressed concern at the announcement which would raise duties on French champagne by at least 1 500%.

It said it was surprised by the decision and had not been notified.

Like other industry watchers, the commission was concerned by the retrospective application of the adjustments to January 1 which would affect stock on its way to SA.

Echoing Dale's concerns that amendments would affect "small-volume, high-value items".

Continued on Page 2

Wine

Continued from Page 1

commentator and Business Day writer Michael Fridjhon said the adjustments would affect the already beleaguered "niche" products. The upper end of the industry, which would bear the brunt of the duties, was already under pressure from the rand's devaluation.

"It is interesting that the amendment does not affect beer imports. This shows that (the department's) vendetta against SA Breweries has clouded its judgment on tariffs/import control policy," he said.

The duties meant the state was furthering the protection of the Western Cape wine industry, Fridjhon said.

Other sources said there was already a shortage of wine imports in SA. One said SA imported 2-million cases of spirits, compared with about 6 000-8 000 cases of champagne.

Comment: Page 7
In heatwave

Jose millions
tap Cape wine

Published May 11/98

THERMAL COMMISSION REVIEW

For many years, the Cape wine
industry has been relying on
cool, wet conditions to
produce high-quality grapes.
However, the recent heatwave
has caused significant
problems for local farmers,
some of whom have seen
their crops fail completely.

Despite the challenges,
many farmers have been
able to adapt and continue
producing wine. Some have
turned to alternative
cultivars, while others have
adopted new farming
techniques to improve their
resilience.

The heatwave has also
capitalized many
opportunities for
innovation in the Cape wine
industry. New technologies,
like hydroponics, have been
 introduced to help farmers
 overcome the challenges
 posed by the heatwave.

In conclusion, the Cape wine
industry faces a number of
challenges as a result of the
recent heatwave, but
opportunities are also
emerging to help farmers
adapt and thrive.

Source: Cape Times, May 11/98
Steps to improve education taken in face of budget crisis

Kevin O'Grady

GAUTENG education MEC Mary Metcalfe announced steps yesterday to improve the quality of schooling as schools reopened today, but said budget constraints would hamper the provision of textbooks and stationery.

About 3,000 of the 5,000 temporary teachers whose contracts were allowed to expire last year were likely to be re-employed to ensure that "there is a teacher in front of every class by the second week of the school year.

Among the steps to be taken in the wake of last year's 4.1% decline in the Gauteng matric pass rate were measures to improve the quality of teaching and learning, teacher and pupil discipline and teacher development.

"One of the most important steps" would be the gazetting of regulations listing serious and minor offences committed by students with guidance for appropriate disciplinary action. The implementation of this management and discipline tool has enormous potential in establishing the parameters of acceptable behaviour in our schools.

The regulations would be complemented by a management guide for principals, a framework code of conduct for pupils and guidelines on effective school discipline for teachers.

The Gauteng education department would take increased responsibility for monitoring the quality of learning by keeping tabs on the continuity of attendance, coverage of the syllabus and the completion of work by pupils.

The department's district offices would undertake an audit of poorly performing secondary schools and concentrate on assisting them in dealing with their most critical problems.

A "teacher appraisal instrument" agreed on by government and unions last year would be introduced in a second phase of the school inspector system. The absence of a system combining development and appraisal had been "largely responsible for the downward spiralling in the system."

The department would not hesitate to upgrade ill-disciplined teachers to the SA Council of Educators or to follow its own internal disciplinary procedures.

Although changes to the funding of schools would not take effect this year, the national funding policy, which would direct a greater proportion of funding to poorer schools, would be implemented from the beginning of the 1999/2000 financial year. This year, the department would spend R37,3m on 59 major new school-building projects as well as extensive repairs and renovations.

Due to overexpenditure this year, mainly on teachers' salaries, there would be no funds for the replenishment of textbook supplies. The department's stationery tender — for supplies to public schools other than former Model C schools, which still make their own arrangements for textbooks — was delayed and cut by 70%.

Ties thaw as Mandela heads for Moscow

Stephen Laufer

PRESIDENT Nelson Mandela is to travel to Moscow soon amid signs of a thaw in the "mini ice age" between SA and Russia. 1.

A Russian Deputy Foreign Minister Viktor Peevavbuly and his SA counterpart Aziz Fahad met in Pretoria yesterday to iron out details of the trip.

At a press conference in Pretoria, they would not divulge the exact dates, saying only that the visit would be announced officially in July or August. The trip is expected to last 10 days in advance, as was the usual practice. It is understood that the announcement is likely to be made later next week.

Mandela is expected to spend three to four days in Moscow, meeting Russian President Boris Yeltsin. The deputy chairman of Russia's parliament, Arthur Chilingarov, said Mandela would be asked to speak before the duma, or parliament, during his visit.

Yeltsin has been holidaying amid renewed speculation about his health, a possible reason for the delay in announcing Mandela's trip.

The "ice age" between Moscow and Pretoria — the legacy of a turnaround in Russian policy towards the African National Congress in the early 1990s after the collapse of the Soviet Union — has kept the Kremlin off Mandela's international itinerary since he became president. He is understood to have been particularly angered by Yeltsein's warm support for former president FW de Klerk.

Restaurateurs up in arms over wine tariffs

Shareen Singh

OWNERS of French restaurants in SA are pressing the French government to retaliate against new tariffs on imported wines.

Germain Marquis from the Association of French Restaurants, which represents 14 restaurants in SA run by French nationals, said the introduction of tariffs would result in the European market "reacting against SA".

The association would meet French embassy officials next week to discuss measures to put pressure on SA to drop the tariffs introduced last week.

"The wines we sell are really not in competition with SA wines. It is of a completely different quality, which a small market is attracted to," That market might shrink because of avenger middle-class person who "treats himself now and again may not be able to do that if it gets too expensive."

SA products would also suffer as Europeans were likely to put "tax barriers" on local wines.

Other players in the industry have also criticised the tariffs. Alex Dale, marketing and sales director at wine-maker Longridge, said they would "particularly have a damaging effect on the upper end of the wine business. The tariffs look like a "projectionist and narrow-minded measure" that would not raise significant revenue.

The adjustments would raise duties on premium champagnes — such as Dom Perignon, Krug and Cristal — as much as 4 000%
Rise in wine import tariffs will bring benefit to no one

Michael Fridjhon questions government's reasons for the hike in imported wine tariffs and examines the effect on the liquor industry.

The hike in imported wine tariffs announced last week was as much a shock to the industry as it was to the consumer.

The disingenuous disclaimer from the trade and industry department that importers were aware of tariff reform was on the cards and was easily dismissed. In November 2004 the department announced an investigation into the tariff structure of the industry.

Evidently 11 submissions were received by the department, but any claim of transparency in how this decision was arrived at must stand scrutiny: the hikes were made without any published review of the evidence before the Board on Tariffs and Trade.

The verbal explanation given—that these duties would replace the country’s dependence on import permits—was too glib to be taken seriously.

In my own experience in the wine business, permits have not played a role in import control since the 1980s.

This is hardly surprising. The fall of the rand from the heady heights of 1984 has been so considerable that this country has never again matched the bottled wines imports of the first half of that decade. In 1984 a bottle of Dom Pérignon retailed for about R30. Today it sells for R600.

You do not have to be US Federal Reserve Board chairman Alan Greenspan to work out that a plummeting currency is the best form of import control for non-essential commodities.

Nevertheless, there has been a major growth in wine imports in the past two years, but in a particularly narrow price segment of the market. With the boom in SA’s wine exports, producers at the high-volume price end of the market have been forced to source bulk supplies of red wine for blending into such well known brands as Tassenberg.

Indeed, it is no secret that almost all SA standard and medium-priced wines are virtually everything sold in returnable bottles, and bag-in-the-box contain a percentage of foreign wine.

The new tariffs will obviously affect the retail price of this bread-and-butter segment of the market. However, they cannot be expected to provide a level of protection to local farmers whose生意 rising export business has been the cause of the shortage in the first place.

Had this been the case, the department would also have been obliged to slow the flow of imported grape juice concentrate on which the fruit juice industry has become dependent (for the same reason) since the Mandela-led wine export bonanza.

The one segment of the industry that has seen import permits used to provide a measure of import control has been Scotch whisky. SA is one of the top 10 purchasers of Scotch worldwide, notwithstanding the plummeting rand. The effect of an ever weakening currency has been partly offset by a market swing from standard brands to the cut-price players.

But duty hikes have actually remained below increases in the in-bond price of whisky over the past 15 years. In the mid-1980s, duty represented more than 50% of the wholesale price of a case of branded Scotch; today it is less than 25%. It is not surprising that the substance of many of the industry’s submissions to the board, following the 1984 announcement, dealt with pressure from the country’s grape farmers — mainly against low-priced spirits imports.

Clearly, if tariffs are to be used to replace import permits, the soaring trade in Scotch whisky should have been targeted long before consideration was given to an insignificant flow of fine wine.

Remarkably, however, the department announced a decrease (admittedly marginal) in the duties of Scotch at the same time as it put in place a punitive tariffs on wine, port and bubbly.

At the best of times it is difficult to fathom the board’s motives. Nevertheless, when champagne imports account for fewer than 8 000 cases a year while whisky is now well over the 2-million-case mark, the explanation that the new duties replace other controls is patently implausible.

What we have in the tariff structure announced last week is an arrangement that profits no one except perhaps KWV (whose wines are not officially sold in the local market). Stellenbosch Farmers’ Winery, the country’s biggest wine producer, is also undoubtedly the country’s biggest wine importer and its low-priced high volume brands are bound to suffer from the board’s flip.

At the top end of the market, there are only a few importers who have survived the maelstrom of the rand. A 25% ad valorem tariff may thin out their numbers; it will certainly cost jobs.

Opportunities for customs fraud will increase as currency restrictions are eased while the department, ever the Laurel and Hardy of government policy, will find itself rehearsing the familiar refrain: “Will’s another nice mess you’ve got me into.”

Fridjhon is an international liquor consultant, Business Day’s wine columnist, and a shareholder of the Reciprocal Wine Trading Company.
SA wines back on US menus

WASHINGTON, DC — After the wine business was nearly destroyed by US anti-apartheid sanctions, South African wines are beginning to flourish across the US, vigorously migrating to restaurant's wine lists and prominent on retail shelves.

New brands such as Springbok and old classics like Groot Constantia can be found in many restaurants across the country, and more choices are available at grocery and bottle stores.

South African wines are earning up to an 87 out of 100 rating from wine magazines and newspapers, and tasters in many pubs and restaurants quickly run out of Boschendal sauvignon blanc.

"We have been experimenting by pouring the Boschendal by the glass. It is one of our most popular sauvignon blancs," said a restaurant manager in Santa Monica, outside Los Angeles.

Experts in California, where 80 percent of US wine makers are based, said international trade sanctions against South Africa, among the strictest ever imposed, had practically destroyed the country's wine business.

The experts, restaurateurs and liquor-store owners said that soon after the lifting of US trade restrictions in September 1991, South African growers streamed to California and Europe to learn the latest in viticultural and wine-making methods.

They returned home not only with the knowledge to make wines better suited to the world market, but with money from foreign investors.

In 1990, Americans imported 155,000 cases of wines from South Africa. The latest 1996 figures from KWV International put the figure at 11,1 million cases, earning the country $125 million in foreign exchange.

Ken Omish, the managing director of Cape Ventures — which imported 155,000 cases of wines from South Africa last year, a 33 percent growth from 1995's 120,000 cases — said Cape wines were popular with American tourists and investors who return home having fallen in love with South African wines.

"The biggest problem is that unlike other countries such as Australia, Chile, France, Italy and Spain, which promote their products across the US, there had been no public relations effort by South Africa," Omish said.

"It is a pity because South African wines have the potential of phenomenal growth to challenge other countries and the state of California's 80 percent dominance of the US market," said Omish. — Independent Foreign Service
Consumer likely to bear brunt of 25% increase in duty pops cork on wine prices
EU talks to go ahead amid wine tariff worries

John Dudley

THE co-operation talks between SA and the European Union (EU) resume later this month amid worries over SA's move to introduce tariffs on imported wines.

Government recently announced plans to introduce tariffs on imported champagnes and wines. This was designed to move away from quantitative restrictions in the sector, according to government.

An EU official said yesterday, Brussels was in favour of a move towards tariffs as the system was more transparent, but he warned the final result should not be more protection in the sector.

"We are a bit concerned that it (tariffs) may pollute the atmosphere of the talks."

He said while one item — say the wine tariffs — might not have a big effect, a series of issues might have a negative effect.

Henriëtte Kiewit, a business consultant at the Amsterdam Consulting Group, said there were sentiments in Europe that the wine tariffs were introduced to put pressure on the EU to open up its markets, notably in the farm sector. Another source said SA would be asked to explain the move towards tariffs on wines and champagnes. The tariffs were expected to affect mainly southern EU states which had strong agricultural lobbies.

Bahlé Sibisi, newly appointed chief director for foreign trade relations at the trade and industry department, said technical talks would resume this month to tackle trade liberalisation ahead of next month's ministerial meeting.

Trade Minister Alec Erwin and João de Deus Pinheiro, the political heads of the negotiations, were due to meet in mid-February to review progress on the talks.

The EU official said the EU's executive had completed a detailed proposal on trade liberalisation. This would be presented to the EU council's group on Africa to "check if it is within the March 1996 (EU) mandate"."
Price rise shock
for wine lovers

Prices of some wines are expected to rise after the Department of Trade and Industry slapped a 23% duty on imported wines last week.

The move by the DTI has taken industry players, still reeling from the possible effects of the proposed new Liquor Act, by surprise.

Rian Kruger, head of the Cape Wine and Spirits Institute, a body that represents wine producers, wholesalers and marketers, believed the increase in costs would be passed directly on to consumers.

This would come on top of price hikes that would result from the restructuring of the liquor industry in the new Liquor Act, he said. Big wine importers are expected to be hit hardest by the new import duties.

Full report, page 15
KWV waiting for state to take action

Wine trust's delay sours partnership

CHRISTO VOLSCHENK

Cape Town — Slow progress in setting up the Wine Industry Trust for development in the wine industry was threatening to damage the cordial relations between KWV and the government, industry sources said yesterday.

The government and KWV, which agreed to fund the trust as part of the co-operative's change to a company, have been on good terms since the signing of an agreement on September 10.

Theo Pegel, KWV's group director, said yesterday that to date no money had flowed into development because the government had not set up the trust and KWV did not want to finance development projects before the trust had been set up.

In terms of the agreement, KWV would pay membership fees of R777 million in the next 10 years to the trust, established to develop the wine industry and promote the entry of new farmers.

The department of agriculture, whose task is to set up the trust, had suggested that KWV pay for development projects even before the trust was legally in place, but KWV had refused on the ground that it would be "technically impossible" and would breach the agreement, Pegel said.

In terms of the agreement, Derek Hanekom, the agriculture minister, would appoint the trust directors and convince other players in the industry to become members.

At the time of the signing, Hanekom said "It was hoped the state, wholesale trade, organised labour and community interests would join KWV in the trust, which could bring the funds available for development to over R500 million". But four months after the agreement was signed the issue of membership is still far from resolved.

Chris Bilgnaut, the deputy director-general of agriculture, said yesterday the department had discussed the issue of membership with the Cape Wine and Spirits Institute but "more talks would be necessary".

Bilgnaut said legislation to govern the operation of the trust still had to be drafted. "It could still take some time to get the legal entity in place but the issue is getting our urgent attention," he said.
Gov't tariff adjustments to ensure sustainable growth

The government, as explained, adopted measures to protect and promote these changes through adjustments to tariffs and other trade policies. This approach was aimed at ensuring sustainable growth and development within the wine and spirit industries.
SA's long-established and thriving wine industry reached a milestone yesterday when farm labourers from the Nelson Wine Estate at Paarl started making wine from grapes grown on their own land on the estate.

The labourers, headed by Mathews Thabo, said they planned to invite US Vice-President Al Gore to the launch of their new label, Klein Begin, in March.

"Eight months ago the owner of Nelson Wine Estate donated 25 acres of land to 16 labourer families in recognition of their help in converting the farm from a bankrupt estate 10 years ago into a thriving business," Klein Begin spokesman Anzill Aoams said.

"This bold step to reward labourers in a conservative industry is the first of its kind in SA."

Aoams said a large portion of Pinotage vines on the labourers' piece of land was taken out to plant Cabernet and Pinotage cultivars. The workers would use the Nelson estate's sophisticated equipment and large imported oak vats in the cellar to produce their wine.

Red wines might also be produced some time in the future.

The Nelson estate won the SA Young Wine Show's champion estate award in 1996.
Local wines in grip of black goo

A newspaper article discussing the impact of a local vineyard suffering from a black mold called "black goo." The vineyard is struggling to combat the mold, which is threatening the harvest and quality of their wine. The article highlights the challenges faced by the winemakers and the potential risk to the local wine industry.

Association of Producers: "The affects of black goo are widespread and severe, impacting not only the vineyard directly, but also the entire region." The article includes quotes from local producers and experts, emphasizing the importance of finding a solution to this ongoing issue.

Readers are urged to support local wineries by purchasing their products, as this helps to sustain the local economy and preserves the tradition of producing high-quality wine.
SA needs strategy to hold wine exports
Black goo threatens SA wine

SOUTH Africa's multi-million rand grape and wine industry is being threatened by a newly discovered fungus, dubbed "black goo", which may have contaminated most of the country's commercial vines.

The fungus, discovered by plant pathologist Dr J H Strauss-Ferreira, may account for losses of up to 50 percent of new plantings in the Orange River Valley and elsewhere since 1994.

The fungus is believed to have also infected up to 50 percent of young vine-stocks planted in California over the last three years, costing an estimated $250-million, said Strauss-Ferreira.

No figures are available yet for potential damage in South Africa, but growers have confirmed that one table-grape producer in the Orange River Valley had lost 14,000 new vines out of 15,000 — a loss of 93 percent.

Growers say losses could run into "hundreds of millions" of rands round the country.

Vine growers, particularly in the Orange River Valley, accuse nurserymen and the Wine Grape Improvement Association of providing inferior quality vine-stocks that are more susceptible to black goo because of the demand.

Growers allege that the association, which is the sole supplier of root-stocks, and nurserymen have weakened the plants by aggressively stimulating their growth with fertilisers.

Gawie Kriel, chairman of the association, confirmed that demand has increased from 34-million to 50-million plants in just under three years, but denied any significant drop in quality.

He did, however, admit that the association had supplied non-graded or "special etiquette" root-stocks, which was "not quite up to the usual standards". — Sapa
WorkeRs

Harvest For

Sweet
A TOAST TO THE

SWY: Earnings 12% on demand for Good Wine
Wine exports to UK drop by 7%

CHRISTO VOLSCHENK

Cape Town — After wine exports to the UK grew 88 percent in 1995 and 30 percent in 1996 they unexpectedly dropped 7 percent in volume terms in the second half of last year, said Jane Hunt, the director of Wines of South Africa in London.

Wines of South Africa, which is based in London, is an export promotion agency. The company has more than 100 local producers as members.

Speaking at a conference organised by Longridge Winery, an exporter, in response to the drop in wine exports to the UK, Hunt suggested the phasing out of the government's general export incentive scheme had a lot to do with the drop.

Unreliable supply was another major reason for the drop in exports, she said.

"When government assistance dried up, producers increased their prices to maintain their profit margins," Hunt said.

"Quality did not lift with the prices and consequently British consumers turned their backs on South African wines."

She said the rot in exports could be stopped by concentrating the marketing effort at the top end of the British market.

"We should export more top quality wines."

"Currently South Africa has a fair share of the lower and middle price markets, where consumers have little loyalty to brands and producing countries," Hunt said.

"In the high price market consumers are far more loyal and that is where South African producers should aim."

Hunt said the wine industry needed a clear strategy and a "suitably resourced, independent body" to regulate the industry and drive the export effort.

About 65 percent of all South African wine exports go to the UK, the single biggest buyer of South African wines.

Alex Dale, the export director of Longridge Winery, said overall wine exports were still growing, with new markets constantly being added to traditional markets.

"It is cause for concern when our biggest market suddenly takes a dip at a time when more growth was expected," Dale said.
Japan imports Y223m worth of SA wine


But South Africa lags behind Australia and Chile as a source of wine to Japan. Australia supplied Y445 million worth of wine to Japan in 1996 and Chile supplied Y555 million worth.

The newsletter said Japan was in the midst of a wine boom, following the publication of reports that red wine was good for health, with imports rising by 57 percent since 1990.

"Sapporo Breweries, the number three name in the Japanese wine industry, began selling three South African wines (from Stellenbosch Farmers' Winery) in 1996," it said. — Audrey d'Angelo, Cape Town.
Lack of staff hampers fake bubbly probe

LLEWELLYN JONES  BUSINESS REPORTER

Manpower shortages at the Office for Serious Economic Offences are hampering the investigation into a fake bubbly scandal at KWV which hit the headlines last year.

It was alleged that KWV had tried to sell thousands of cases of sparkling wine disguised as French champagne in the United States and Europe in the early 1980s. The bubbly was later sold at a Customs auction after it was turned away from the United States.

Tommy Prins, head of the Office for Serious Economic Offences (OSEO), said he was "extremely concerned" at the progress of the investigation which had been hampered by serious staff shortages.

He was reluctant to place a timeframe on when the investigation would be concluded.
Workers taste fair fruits of labour

Proud new owners pick first grapes for their own wine

Natalie Kaminies
Staff Reporter

After 19 years as a worker on Fairview wine estate, Attie Adams will at last get the chance to harvest a wine crop of his own.

Mr Adams is one of 59 workers employed at Fairview, near Paarl, who have bought 18 hectares of land next to the farm to build homes and plant their own grapes.

The workers will call their new farm “Fair Valley”. The project was made possible with the help of the Department of Land Affairs and Fairview owner Charles Back.

At a harvest ceremony yesterday, workers picked the first grapes for their wine.

Mr Back helped them buy the land by contributing R200,000 to the purchase price of R400,000, and the department provided each worker with a R15,000 subsidy.

Mr Back will allow the workers the use of his wine cellars and tools free of charge.

In the meantime, the workers will buy grapes from Mr Back at cost to make wine which they will bottle and sell under their own label. The proceeds will go towards the building of their houses and growing their own crop.

In terms of an agreement between Mr Back and the workers, existing workers’ houses will be converted into tourist accommodation, with the proceeds going towards the new farm.

Yesterday’s ceremony was attended by Land Affairs Minister Derek Hanekom and Danish Prime Minister Poul Nyrup Rasmussen.

Mr Hanekom said the project was an example of the Government, private sector and disadvantaged workers working together. Mr Back said: “I feel excited and very happy that all the workers are so committed to the project.”

For Mr Adams, chairman of the Fair Valley Communal Property Association, elected by the workers to steer them in the project, it is a dream come true.

“I’m so happy. My forefathers never had the opportunity to own their own land, but I’m glad that we can now pick the fruits of their labour.”
the Trustees
identity and approval
Two months to
First, look to

Wine Industry trust, should
be in operation by April.

Interested parties to see draft trust deed

We see Industry mistrust, should...
Signing of wine deal threatened

Black consortium opposes deal because it's negotiating with SFW

By Isaac Moleli

A major black empowerment deal which could lead to blacks acquiring a stake in the wine industry has been rocked by controversy a day before the signing of the deal.

Wine producer Stellenbosch Farmers Winery (SFW) will tomorrow announce a major empowerment deal which will result in the establishment of a new grape farming venture.

This initiative will, for the first time in the country's wine industry, give black liquor retailers a stake in wine production.

The announcement is scheduled for Cape Town and is a joint venture between SFW, its employees and the community in the Western Cape represented by a trust and a black consortium called Maluti Foods & Beverages.

However, Morena, investors in another black consortium which claims to have been left out of the deal, has threatened to derail the proceedings, saying SFW and Maluti will not sign if we are not involved.

A source within Morena said they were not even aware of any deal that has been clinched between the two groups, as "we are under the impression that our negotiations with SFW are still on".

The source accused Maluti chairman MK Malefane (whom the source claimed was initially part of the Morena negotiating team with SFW) of "going behind our back to conclude his own deal with SFW".

The source added: "There are people within SFW who do not want to see Morena being involved in these talks and they are busy feeding the SFW board with lies.

"But as far as we are concerned, we are involved in negotiations with SFW. A launch without us is unacceptable."

Malefane said Morena members declined his invitation to join Maluti in order to be part of the deal with SFW.

"However, the doors are still open for them to join us," he said.

Director of corporate affairs and industry Andre Steyn said the signing would go ahead tomorrow but his wine production company will continue talking to Morena through SFW to ensure that there is a broadly-based empowerment grouping representing black liquor retailers in the country.

Under tomorrow's deal, Maluti-SFW have purchased a 1,000ha wine farm in Darling. The farm's grapes will be supplied to SFW.
Cellar talk of wine industry shakeup

LYNDA LOXTON

Cape Town — Speculation was rife in the wine industry yesterday about major black empowerment deals involving the giant Stellenbosch Farmers’ Winery (SFW) and Malaysian millionaire Samuddin Abu Hassan.

It was unclear whether the two were linked, but sources said that SFW was expected to announce a joint venture agreement with Maluti Food and Beverages of Gauteng today, while Savanha Holdings, the recently listed Cape winery, was understood to be negotiating a black empowerment deal as part of a larger investment deal.

This emerged after Savanha issued a cautionary announcement that it was in talks with a "large consortium" wanting to invest R20 million in Savanha, after which Savanha would lease a 200-hectare wine estate from the consortium.

The deal is being handled by New Republic Bank and brokers Mathison & Hollidge, which have been closely involved with Samuddin; hence the speculation that he is involved.

He is known to have bought several properties in and around Cape Town and was once a major shareholder in Boland Bank.

Samuddin’s strong financial interests, however, made some analysts sceptical that he was involved in the Savanha deal.

Malaysian-listed Mycofil Berhad, which has control of Aroma, the liquor retail chain, is another possible candidate, although it is understood to have been badly hurt by the financial crisis in Asia and not likely to be looking or new investments.

Sources said that the R20 million injection into Savanha would be a major boost and help it replace the aged equipment at the old Simonshuin cellar, now known as Berg & Brook Cellar, near Franschhoek.

It was established as a wine marketing operation three years ago. Last year it raised R10 million through a private placement of shares which was fully subscribed.

Although it has two small farms, it does not own large vineyards. The 200-hectare wine estate could prove a useful addition and help Savanha develop its own brand.

It was also expected to use the money to strengthen its marketing activities in increasingly competitive domestic and export markets. Its wines have been described as “well priced”.

The winemakers are Nico Vermaalen, former cellarmaster at Simonsig and L’Ormarins, and Alain Mouteix, the youngest of many generations of winemakers from France’s Pomerol Petrus family.
SWF and Malibu Sign Black Wine Deal

Thousands of black liquor retailers could gain through SWF's empowerment joint purchase of Cape wine farm
Blacks clinch R30-m wine deal

By Shadrack Mashalaba

Move is beginning of the end of white dominance in the industry

Black participation in the wine industry received a boost of a R30 million joint company initiative yesterday after an announcement by black-owned Maluti Foods and Beverages and the giant Stellenbosch Farmers Winery (SFW).

The deal, which marks the beginning of the end of white monopoly in the industry, is aimed at the development of Papskuilsfontein, a 975 hectare property at Dassenberg, near Darling, into a premier grape producing farm.

The joint venture will be known as Papskuilsfontein Vineyards.

The announcement follows speculation on the market that Savanna Holdings, the recently listed Cape winery, was also negotiating a black empowerment deal as part of a larger investment deal.

Savanna's speculation emerged after the Cape winery had issued a cautionary announcement that it was in talks with another black consortium which intended to invest R20 million in Savanna.

In terms of the deal between Maluti and SFW, both parties had agreed that SFW will acquire 50 percent of the new company's issued capital and Maluti, through an investment company, acquiring 35 percent.

The remaining 15 percent will be secured by a community trust – which represents Papskuilsfontein employees, as well as the community of the Western Cape.

The trust, currently with four board members, will be known as the Maluti Groenkloof Community Trust drawn from the community.

Addressing a media briefing in Cape Town yesterday, SFW managing director Frans Stroevel said his company had acknowledged that the local wine industry needed to be opened.

Stroevel said he was confident there would be no problem for Maluti to service its debt, which would take 12 years and be financed from profit.

"The deal will not only be a financial success and in no way affect our relationship with our existing suppliers," said Stroevel.

Stroevel said 80 percent of production from Papskuilsfontein will be delivered to SFW and Nederburg, with 20 percent used by Maluti to produce its own wine which will be marketed under their own brand name.

Maluti executive chairman MK Malefane said the deal marked greater involvement of blacks in the primary sector. "In the past they had been relegated to the periphery," he said.

Malefane said the wealth of experience, ready market, taverns and shebeens would make the deal a success.
B30 m project to yield 2,500 tons of grapes in Western Cape Winelands

Black group pegs out stake
A special laboratory is being set up at Stellenbosch University to find ways to identify a “time-switch” which could accelerate or delay the ripening and other development of plants.

If these “time-switches” are successfully developed by Matie scientists, they hold far-reaching implications for the genetic engineering of plants around the world and will reinforce South Africa’s position as a major player in agricultural development.

The “time-switches”, called “promoters” by scientists, could even determine when a plant’s leaves become disease-resistant.

The scientist behind the research is Frikkie Botha, who moved to Stellenbosch from KwaZulu Natal to do research and teach students about the genetic engineering of plants.

“This type of research has been underway for some time in the sugar industry. There is also a big interest from wine farmers to test it on grape crops,” he said.

The bulk of his funding will come from the sugar industry.

The wine industry has made funds available for Professor Botha and his team of students to work on finding ways to increase the production and quality of grapes.

“These are high-risk projects and something that an industry can seldom undertake alone. By doing this type of work in collaboration with the university, the risk is shared between us,” he said.

The shift towards science and technology in the country’s education system has provided a university like Stellenbosch with the opportunity of becoming a leader in different fields, Professor Botha said.

“Agriculture and science are two areas of research which are most likely to draw funding from the private sector.”

The research involves manipulating a plant’s metabolism by inserting a new gene into its cells. The trick is to find the switch which will make the gene active at the right moment and then turn it off again.

“For example, we might want to insert a gene which will accelerate the ripening process to allow harvesting earlier. The time-switch must come on at exactly the right moment.”

The switch must also tell the gene where in the plant to become active.

“We don’t want a ripening-related process to start in the roots,” he said. The genes are “shot” into plant cells on tungsten and gold bullets, or by using a bacteria that has had its harmful properties removed.

“There are almost unlimited possibilities for mankind through genetic engineering – trees with more or better fibre, sweeter grapes or other fruits, delayed ageing in fruits and pest- and disease-resistant crops.”

The new laboratory will help South African farmers remain competitive with their international counterparts into the next century.
Quality SA wines popular in Japan

Patrick Wadula

WINES from the southern hemisphere including SA, Argentina, Chile, Australia and New Zealand are establishing a niche market in Japan, according to Focus Japan magazine.

The low price, high quality wines from these countries are becoming more and more popular, the journal says. Previously Japanese vintners imported these wines in bulk for use in blends, but now they are increasingly being sold under their original labels.

Japanese customs clearance statistics show that Japan is in the midst of a “wine boom”. Imports rose by 57% over the past five years, reaching 109,7-million litres in 1996.

A further sharp increase was expected in 1997 figures.

Sapporo Breweries, the third largest Japanese name in the wine industry, began importing and selling three SA wines in February 1996. This was followed by four Australian wines in February in 1997 and four Chilean wines in March.

With the popularity of the southern hemisphere wines rising, the wholesaler began importing and selling four Argentinian and two wines from New Zealand. Its SA wines — all priced at ¥800 (about R32) a bottle — are produced by Stellenbosch Farmers' Winery.

Sapporo envisages a rise in demand for upmarket wines, including SA wines.
Move to cut promotion, phablet warning

A wine producer warns other countries losing market share.

"We have to spread the funds. We have to spread the funds around. It's all about South Africa," he said. The move would be done at the expense of the South African wine industry's biggest supporter, the government. The government would be asked to cut the amount of money going to the industry.

"We have to spread the funds around. We have to spread the funds around," he said. The move would be done at the expense of the South African wine industry's biggest supporter, the government. The government would be asked to cut the amount of money going to the industry.

"It's all about South Africa," he said. The move would be done at the expense of the South African wine industry's biggest supporter, the government. The government would be asked to cut the amount of money going to the industry.
A new wine joint venture signals Reiter Thun Symbolic Empowerment with Alliance Fríktion
Legald Wreangle Sours Students' Dreams
Distillers to build wine cellar after restructuring

Samantha Sharpe

CAPE TOWN — Wine producer and wholesale distributor Distillers Corporation plans to build an R86m wine cellar in Durbanville, following a restructuring of its wine interests.

Distillers spokesman Ian Skietekat said the reorganisation involved the formation of a new company, SA Wine Cellars, which would take responsibility for the distribution of the group's wine. Sources linked the development to expected changes in the Liquor Act.

Skietekat said the new company would operate in the local market only. Construction of the Durbanville cellar is to be undertaken in co-operation with seven wine farms in the area. The first wines may be produced next year.

He said Distillers would hold a 55% stake in the cellar, with the sharing producers taking a 40% share and 5% set aside for worker ownership.
Wine reshuffle by Distillers

Marc Hasenfluss

Cape Town — Distillers Corporation, the fine wine and spirits company owned by Rembrandt, would restructure its wine interests and invest R15 million in a new wine cellar in Durbanville near Stellenbosch, Ian Schietekat, the company spokesman, said last night.

He said Distillers would restructure its wine interests by establishing a new company to be called SA Wine Cellars.

Sources claimed the move was prompted by pending changes to the controversial Liquor Act, which deem that liquor companies should either be involved in producing, wholesaling or retailing liquor — but not in all three functions.

Schietekat said SA Wine Cellars would act as a distributor for the wine interests of Distillers in the local market, which would include the new Durbanville cellar.

He said the first wines would be produced in Durbanville as early as next year, and the cellar would be a collective undertaking by wine producers in the area.

"The construction of the cellar is proof of Distillers' confidence in the future of quality wines, particularly in respect of the export market. The wines produced here will be marketed both locally and internationally," Schietekat said.

He said Durbanville had been identified as one of the more sought-after areas for the production of quality wines.

Schietekat said the producers who had entered into partnership with Distillers included Jackie Coetzee, the De Villiers brothers, Ryk de Witt, Bernard Kruger and Whetsy Louw.

He said the Durbanville cellar, which offered panoramic views of Table Bay and Cape Town, would also be developed into a major tourist attraction.
Exports to UK signal shift from bulk sales

Exports of South African table wine to the UK grew 8 percent to more than 4 million cases last year, signalling a strong shift away from bulk wine sales, according to figures released yesterday by the South African Wine and Spirit Exporters' Association.

The figures show a 25.1 percent increase in export volumes for December compared with the same period last year, countering recent reports of a 7 percent fall between June and December.

Tina Coats, the marketing manager of Wines of South Africa in London, said the continued growth was encouraging. "But what is most exciting about these figures is the growth in South Africa's market share. In May and June, South Africa held 5.5 percent in both value and volume terms. But in the last two months of the year this had climbed to 6.6 percent in volume terms and 5.7 percent in value terms." — Francine Botha, Cape Town
Nederburg Auction is an International Barometer

"The best in the country comes under the hammer tomorrow, and foreign buyers will be watching."
SOUTH Africans dug deeper into their pockets at the Nederburg auction in Paarl in the Western Cape at the weekend to keep overseas buyers from shipping out most of the country’s premier wines. South African wine investors forked out a total of R3.2 million of the R4.7 million spent at the event to secure 6 041 cases of the products.

This figure represents about 68 percent of the day’s total sales.

The top buyer was the wholesale group Makro, followed by Pick ’n Pay; Spar Supermarkets; Wu Chiu Lin Trafficker of Taiwan; Shoprite Checkers; the ship chandling company Sagad (Cape); Western Province Cellars; Afdls of Zimbabwe; Grays Ltd of Mauritius and Chimpanzees Inn from Scotland.

It was as much the auction as the bubbly that flowed copiously, that drew many of them.

For their part, the 42 chefs from Southern Sun did much not to spoil the broth in their joint effort. Instead, it was the guests who were spoiled and pampered by the 200 waiters in attendance.

An overseas scholarship for people from disadvantaged groups in the industry to study viticulture was announced.
Record R4.7-m spent at Nederburg wine auction

By Janine Walker

Total sales at this year's Nederburg wine auction set up a record high of R4 706 575, an increase of 7% on last year's figure of R4 402 277.

This was despite 72 fewer cases being auctioned. South African buyers went all out at the premier event on the country's wine calendar to keep our finest produce in the country.

Local sales accounted for nearly 70% of the wines bought, with overseas buyers buying 25% of the local wine. This is a drop on last year's figure of 40% when a Taiwanese buyer spent more than R1-million on local products. The remaining 5% of the local sales went to African countries.

The message to the market was clear: the major growth in the wine market is likely to be in premium quality wines. This year the average price of a 9-litre case of wine sold at the auction for R650, an increase of 18% compared to last year's price of R540.

American wine expert and guest speaker, Allen Shoup, pointed out that consumption of wine throughout the world is not growing, while wine harvests increase all the time.

"But, the consumption of premium wines in America has increased 800% in the past 12 years. People are drinking less but better. It's a trend which South Africa is likely to follow. While there were plenty of restaurants, guest houses and lodges buying, it was the supermarket chains that dominated the bidding."

The top five buyers were Makro, Pick 'n Pay, Spar, Wu Chin Lin of Taiwan and Shoprite Checkers.

Of the 33 white wines on auction, the Neethlingshof Sauvignon Blanc Noble Late Harvest 1990 achieved the highest price at R1650 for 6 x 375ml bottles. Of the 71 red wines on auction, the top seller was Warwick Trilogy 1998 (3 x 1.5 litres) which fetched R1 850.

The honours in the fortified wine category went to the 50-year-old Monis Collector's Port 1948 which went for R3 700 for 6 x 750ml bottles.

Auctioneer Patrick-Grubb, who has presided over all 24 auctions, announced the inception of the Patrick Grubb Scholarship, which will annually send a person from a disadvantaged group in the industry to spend six weeks working in Europe or North America.

The charity wine auction for Hospice raised nearly R26 000.
Foreign buyers soak up Cape wine — and then call for more

Sales hit a record at auction

LLEWELLYN JONES  
BUSINESS REPORTER

South Africa could immediately treble wine exports if there was no shortage of supplies, according to top international buyers in Cape Town for the Nederburg auction held at the weekend.

"South African wines hold 2.5% of the Danish market, and this could easily be trebled virtually overnight if the availability — particularly of red wines — was there," said Frank Sondegaard, a wine buyer from Denmark.

Otto Lenselink, a buyer who services the Benelux countries and some Asian countries, said he daily handled queries from China for South African wines.

The Asian market had completely changed in the wake of studies showing the health benefits of red wine, said Mr Lenselink.

But Ingo Mack from Germany warned against producers riding the bandwagon of South Africa's international success and exporting cheap wine.

"Once you damage the name, you cannot recover," he said.

Pat Straker from Britain also warned against greedy producers who were pricing their wines out of the market.

"Five years ago, South African wines offered the best value in the British market. They have now been overtaken by wines from Chile and Argentina as best value for money."

Sapa reports the 24th Nederburg wine auction on Saturday established a sales record of R4 706 573 — up 7% on the previous year in spite of there being 726 fewer cases on auction.

In aggressive and competitive bidding, local buyers bought nearly 78% of the wines — with the Western Cape, Gauteng and Northern Province accounting for 61%.

Overseas bidders accounted for 25% of sales — a drop on last year's figure of 40%.

"In spite of the shaky Eastern stock markets, the Taiwan wine merchant who bought more than R1 million worth of wine last year put in a good showing this year — the fourth biggest buyer," said auction manager Bennie Howard in a statement.

Top buyer was wholesaling group Makro.

"Once again there was a good showing from wholesale and supermarket wine buyers — who were responsible for nearly 29% of total sales," said Mr Howard.

Average price of a nine-litre case of wine sold at the auction increased by 18% to R686 (1997: R540). Of the 92 white wines on auction, the top seller was Neethlingshof Sauvignon Blanc Noble Late Harvest 1996, which went for R550 for six 375ml bottles.

Of the 71 red wines offered, the top seller was Warwick Trilogy 1998 (three 1.5 litres) — which went for R1 839. The average price for a nine-litre case of red wine was R699 — up 14% on last year's R616.
New record set at Nederburg wine auction

CAPE TOWN — The 24th Nederburg wine auction — characterised by aggressive and competitive bidding — in Paarl on Saturday, established a sales record of R4.7m — up 7% on the previous year despite there being 723 cases less on auction.

Local buyers purchased nearly 75% of the wines, with the Western Cape, Gauteng and the Northern Province accounting for 61%.

Overseas bidders accounted for 25% of sales — a 40% drop on last year's figure.

"Despite the shaky Eastern stock markets, the Taiwanese wine merchant who bought more than R1m worth of wine last year put in a good showing this year, being the fourth highest buyer," said auction manager Bennie Howard.

"Other strong foreign buyers were Zimbabwe, Mauritius, Denmark, Scotland, Switzerland, Germany, the US and Canada."

The top buyer was the wholesaling group Makro, followed by Pick 'n Pay, Spar Supermarkets, Wu Chiu Lin Trafficker of Taipei, Shoprite Checkers, the ship chandler company Sagad (Cape), WP Cellars, Africa of Zimbabwe, Grays Limited of Mauritius and Champamy Inn from Scotland.

"Once again, there was a good showing from wholesale and supermarket wine buyers who were responsible for nearly 29% of total sales," said Howard. The average price of a 9l case of wine sold at the auction increased 18% to R638, compared to R540 last year.

Of the 32 white wines on auction the top seller was Neethlingshof Sauvignon Blanc Noble Late Harvest 1990, which went for R450 for six 750ml bottles.

Of the 71 red wines on auction the top seller was Warwick Trilogy 1998 (three 1.5l bottles) which went for R1 850. The average price for a 9l case of red wine was R699, showing an increase of 14% on last year's price of R616.

The top selling fortified wine on auction was the 50-year-old Monis Collectors Port (Stamp Collection) 1948 which went for R3 700 for six 750ml bottles. This superb vintage also fetched the highest price on the auction in 1991, 1992, 1994 and 1997. — Sapa.
Hanekom, KWV head for row over co-op deal terms

Harsh words could be exchanged today when KWV executives and Agriculture Minister Derek Hanekom meet to work on the agreement struck between them last year.

The agreement allowed for the KWV to convert a cooperative into a company.

News that Mr Hanekom and the KWV could clash again was the talk of the Nederburg Auction in Paarl last week. Industry insiders said Mr Hanekom and the KWV had clashed over the interpretation of various clauses in the agreement.

The agreement, which sets up a wine industry trust largely financed by the KWV, was reached after several months of acrimonious legal battles with Mr Hanekom arguing that the KWV's assets be passed to the nation and could not be distributed among shareholders.

One source said a meeting between the parties two weeks ago had ended in deadlock with both calling for legal advice.

But both parties have since denied that there was any new feud.

Mr Hanekom, a legal adviser to either side was questioning the agreement.

"As with any agreement of this size and nature, there is a measure of fine tuning which needs to be done," he said.

KWV chief executive Willem Barnard said the KWV was cooperating with a committee appointed by Mr Hanekom to implement the agreement.

"The KWV is committed to the agreement as it stands and will abide by what is written into it, but it will take time to interpret and refine," Dr Barnard said.

The KWV intends to adopt a flexible approach to its implementation, providing the objective of a self-regulatory industry - similar to those which successfully exist in other wine making countries - is not jeopardised, he said.

But industry players are unhappy at the time it is taking to set up the Wine Industry Trust which is due to have been established for the benefits of the wine industry and its employees.

LLEWELLYN JONES
Launch of wine trust hinges on KWV

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The Wine Industry-Trust, the joint venture between the state, KWV and the wine industry, could be up and running within two months — if KWV agrees.

The trust is aimed at developing the industry with funds creamed off KWV profits over the next 10 years.

The department of agriculture should finalise the rules for the governing of the trust this month, Herman Rademeyer, the head of legal services in the department, said yesterday.

"Then it would only be for the trust deed to be registered and trustees to be nominated before money could flow into the trust and it could start with its development work," he said. He added that the trust could well be up and running within two months.

But sources in the wine industry said KWV was not keen to take responsibility for the trust before it had been relieved of its duties under the KWV Act — and that might not happen for several months.

This week the senior management of KWV met with Derek Hanekom, the minister of agriculture and land affairs, and department officials in Pretoria to thrash out a compromise.

After the meeting, the two parties issued a short statement which said that progress had been made and that only "a few small technicalities" prevented a breakthrough with the trust.

In terms of an agreement signed by Hanekom and KWV last year, R200 million plus interest would be donated to the trust by KWV for development projects. The state would pay KWV another R88 million for work done for the trust, which would also be donated to the trust.

In total, almost R500 million would be donated by KWV over the 10-year period.

The legislation to relieve KWV of responsibilities such as supplying distilling wine to wholesalers is scheduled for debate in parliament on Monday.

The KWV Amendment Bill provides for a management authority to be set up by Hanekom to take over the responsibilities of KWV from June 30 next year.

The management authority would administer the KWV Act until June 30 2001 at the latest, by which time new regulating legislation for the industry would have been finalised, Rademeyer said.
Wine trust delay as KWV haggles with Hanekom

LLEWELLYN JONES
Business Report
ART 16/4/98

The long-awaited creation of a Wine Industry Trust could still be some time off while the KWV and Minister of Agriculture Derek Hanekom haggle over the interpretation of the agreement they signed last September.

The agreement allowed the KWV to convert from a co-operative to a company and called for the establishment of an industry trust to which the KWV would give some R47 million a year over the next 10 years.

KWV chief executive Willem Barnard said a meeting in Pretoria on Tuesday to resolve differences of opinion between Mr Hanekom and the KWV had been inconclusive.

He said the two parties would meet again early next week to continue discussions. Dr Barnard said, however, that the points of difference were "not major things."

He said KWV did not want to get into another high-profile clash with the minister as it did over the KWV's conversion to a company last year.
Fawu marchers want job security

Weighty words: Sample Nobole of the Food and Allied Workers' Union hands a memo to Minister of Environmental Affairs Pello Jordan

ALICE RASHOHO
Business Echo
ART 17/4/98
Chanting Food and Allied Workers' Union members marched on Parliament yesterday demanding the Government take urgent steps to protect jobs in the wine, canning and fishing industries.

A memorandum handed to Environmental Affairs Minister Pello Jordan urged that in any fishing agreement with the European Union, all boats fishing in South African waters be obliged to fly the South African flag and employ South African crews.

The marchers also handed in a memorandum at the offices of the European Union, urging European countries to open their markets to South African agricultural exports and stop unfair competition from cheap European imports here.

Fawu has criticised the EU for imposing tariffs of up to 21% on imports of South African canned fruit and vegetables, at the same time subsidising European farmers.

The flood of cheap European canned goods on South African markets is threatening jobs, says Fawu.

Langeberg Foods has already laid off 2,000 seasonal workers and 400 permanent workers and up to 4,600 other jobs are under threat, Fawu says.

Fawu has asked the government to keep some tariffs in place to protect the domestic canning industry and to slow the restructuring of the wine industry until measures to protect jobs have been discussed.

Fawu fears that jobs in the wine industry will be lost if the EU succeeds in its attempt to exclude 40% of South African agricultural products from the free trade deal that is under negotiation.
KWV's profits drop amid conversion

LLEWELLYN JONES
BUSINESS REPORTER

Profits of wine group KWV slumped to R33-million last year from R83-million the previous year as it battled with Agriculture Minister Derek Hanekom over its conversion from a co-operative to a company.

Chief executive Willem Barnard said that although the results had been affected by management focus on converting to a company, the poor results were largely because of various accounting procedures and large-scale investments.

Dr Barnard said a hefty chunk of the drop in profits was because the company subtracted the cost of stock bought during the year from the group's income, rather than regarding it as an asset.

He also noted that the company's profits had also been influenced by significant investment in red wine cellars in Paarl and an upgrade of the company's plant in Upington.
KWV details its structure as a liquid company

KWV, the wine co-operative in the throes of major change as it converts to a company, this week detailed its new structure and its financial results, both of which will be discussed at what should prove to be an interesting annual general meeting later this month.

KWV operated as a co-operative for 11 of the 12 months to December. It reported net taxed profit of R23.8-million, down sharply on the R33.3-million of the previous year, and achieved on a near-unchanged turnover of R829.1-million.

However, this had nothing to do with the conversion to a company, but a result of accounting policy — subtracting the cost of liquid stock (distilling wine, red wine and grape juice concentrate) from income. If it was counted as an asset, almost R100-million could be added back, making the result rather more pleasing. KWV is looking at changing its policy to value stock at cost.

KWV's exports were 94% of turnover, which in turn holds the operating companies under pressure following the abolition of Geis. During the year, KWV International established Australian company Red Vale, in which it has a 50% interest, and acquired 50% of the Kaaps Hollandse IV for distribution and marketing in the Netherlands.

The abolition of Geis saw SA wine exports to the UK slow, increasing by only 7.6% from January to November 1997, with a decrease since July. SA exports for 1997 grew by 9% to 12-million cases from 10.4-million in the previous year. In the UK market, turnover ended at R762-million in cases over the year, largely up from the wine cellars in and around the concentrates plants in Upington.

KWV's new strategy, which turns R200-million into R100-million, could be added back, making the result rather more pleasing. KWV is looking at changing its policy to value stock at cost.

Which in turn holds the operating companies.
Bill ditchees KWW, gives Handkom, sweeping powers.
Exporter claims
wine was diluted

DURBAN — Trawal Co-operative in the Olifants River region faces legal action following allegations by Cape Town-based wine exporter The Natural Corporation that some of the wines supplied to it by the co-op were diluted with water.

The Natural Corporation has instituted civil proceedings against Trawal after a consignment of wine sent for testing was rejected by the Wine and Spirits Board. It is an offence to water down wine and should these claims be substantiated, the co-op faces both criminal and civil proceedings.

Court records show The Natural Corporation purchased several thousand litres of wine from Trawal to bottle under its own brand labels, primarily for sale in the US.

The transaction was worth about R1m.

However, The Natural Corporation alleges that when delivered, some of the wines were found to differ substantially from the samples originally presented to it and the board.

A “dry red” was reportedly so light in colour that it resembled a rosé and the pinotage’s alcohol content was more than 1% lower than in the initial sample.

Trawal responded that The Natural Corporation had sent the wine to a bottling plant after delivery and — based on its own internal investigation — water could not have been added while the wine was still at the co-op. The alternative might be for problems to have arisen at the bottling plant.

The Natural Corporation is now tendering return of some of the wine and is claiming about R400 000 in damages in respect of payments made upfront for its purchase. Trawal is opposing the claim.

Initially the board placed an embargo on the balance of wines coming from Trawal, but attorneys working for the co-op confirmed that this had been lifted. Trawal can therefore sell the remaining wine — originally due for The Natural Corporation, but which the exporter has subsequently refused delivery — to a third party.
ST (1/1413) (G) WINE

Workers' First Wine

Sweat and months of toil
Fawu could sour KWV's wine trust

Louise Cook

THE wine industry trust to be set up with money from KWV could run into problems with the Food and Allied Workers' Union (Fawu.)

The trust was the outcome of the settlement last year of a dispute between Land and Agriculture Minister Derek Hanekom and alcohol distribution and wine company KWV, after the former co-operative announced its intention to convert to a company.

Fawu economics co-ordinator Dannyboy Masemola confirmed last week that the union planned to oppose any "undue" powers KWV planned to exercise over the trust, saying the money should be spent on worker improvement and skills training.

KWV agreed to pay R477m into the trust over the next 10 years. Negotiations to map out the details of the payment started recently between a KWV negotiating team headed by MD Willem Barnard and government, represented by Hanekom.

An industry source said the idea was to set the trust up as a nonprofit company run by a "thin spread" of trustees. This would be similar to several others established recently in the agricultural sector following the scrapping of control boards last year.

Masemola said Fawu had not finalized its policy on future worker and community participation in the wine industry, but expected "meaningful" representation on the trust as well as a "substantial" shareholding in KWV itself. A 5% shareholding, mooted early in the process, would not be acceptable to union members, he said.

KWV spokesman Henry Hopkins confirmed that the company would introduce a shareholding incentive scheme for all industry employees next month, but said the trust money would be kept back until the legal structure had been established.

Industry talk is that the most likely reason for the delay in the formation of the trust is uncertainty over statutory levies and quotas and whether the proposed company should have statutory powers. Departmental officials were not available for comment.

The parliamentary agriculture committee passed key amendments to the Wine and Spirit Control Amendment Bill last week, aimed at replacing KWV as the industry's controlling body with an interim management authority which would operate until end-June next year. A self-regulating industry is envisaged after that date.

Since converting from a co-operative to a company in December last year KWV has set up four divisions - KWV Group Services, KWV Cellars, KWV SA and KWV Industrial Services. The conversion resulted in a loss of R12m in the financial year to December, compared to R66m profit in 1996.  

[|28/11/98|]
Compan

Competition Board suspends investigation until new Act is passed

Reprieve for the liquor industry

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The Competition Board had put its investigation into the liquor industry and the affairs of the KWV on hold until the new Liquor Act had been passed, Lourens Jonker, the chairman of KWV, said at the body’s annual general meeting yesterday.

“The new Liquor Act would possibly contain guidelines and prescriptions regarding competition which could affect the outcome of the investigation,” he said.

In the meantime, KWV had appointed expert legal counsel to prepare its submission to the Competition Board.

The department of trade and industry was putting the final touches to a new liquor bill which would outlaw vertical integration in the industry with a three-tier licensing system.

The new legislation could make an investigation into possible monopolistic behaviour by big players in the industry superfluous.

Jonker also told farmers at the meeting that the opportunity for former members of KWV to take up shares in KWV after it had converted to a company had lapsed on April 23.

About 14 million shares were not taken up by qualifying non-members who have now forfeited their right to purchase shares.

GOOD SPIRITS Willem Barnard, left, the KWV managing director, and Lourens Jonker, the KWV chairman

PHOTO ANDREW BROWN
Excise duty angers farmers

WINE farmers were furious about the high excise duty on natural wine, which has increased 259% since 1992, farmers said at the KWV annual general meeting in Paarl yesterday.

Chairman Lourens Jonker said the KWV was surprised and disappointed by government’s increases in excise on vine products. He said a KWV delegation was well received by government but the budget did not reflect KWV’s points of view.

"These increases will slow down growth in the industry, which employs 215 000 people. It may also cripple the industry’s ability to finance empowerment projects," Jonker said.

"Furthermore, it may have a negative effect on government income and sales of wine products," he warned. — Sapa.
New bill leaves industry with a three-tier hangover

The liquor bill increased competition from imports and higher excise duty
Rosy future for red wine farmers

Louise Cook

ED 5/5/98

THE outlook for SA’s quality red wine remained positive for the foreseeable future despite extensive new plantings of premium red wine cultivars in Australia, Argentina and Chile and a 24% increase in California production last year, stakeholders said yesterday.

Gone Vallei Wines at Citrusdal, backed by KVV, dismissed industry fears that the SA market, which has experienced a growth spurt in the past four years, would face a surplus of premium red wines in a few years.

A KVV spokesman said prices for the sought-after red wines were likely to move sideways eventually, but there was no likely threat of overproduction in the next 10 years. "KVV is aware of the increases in the hectares planted under quality red wines elsewhere in the world, but this has been taken into account in the company’s projections."

Gone Vallei Wines GM Jean Naudé said indications were that in the markets of the east, such as China, new wine drinkers tended to move into red wines quicker than consumers elsewhere in the world. This opened "enormous" opportunities for producers.

Normally first-time wine drinkers started on sweet whites and went through a relatively predictable cycle of trying out different types of wine before getting to premium reds.

"SA’s production of red wines was only 15% of total local production. At present world production is 50/50 for white and red, but demand is swinging towards 60% red and 40% white."

In SA plantings of shiraz cultivars shot up by 400% from 64ha five years ago to 262ha last year. Cultivars of pinotage went up to 533ha last year compared with 159ha in 1993.
LIQUID SHARES  Jannie Nel, group legal adviser of KWV (left at back), Rob Henderson, resident director of PSG Securities (right at back) and Burger Dreyer, trader at PSG Securities (front) celebrate the first trade yesterday of KWV's ordinary class A shares in the over-the-counter market established by PSG Securities.

KWV class A in fickle debut

CHRISTO VOLSCHENK  ECONOMICS EDITOR

Cape Town — KWV Group's ordinary class A share price jumped all over the place on low volumes on the first day of the share's over-the-counter trading yesterday.

A total of 386 million ordinary class A shares had been issued. PSG Securities, appointed by KWV to establish and regulate an over-the-counter market for KWV ordinary class A shares, had earlier suggested the shares should open between R2 and R3. It labelled them "a buy" below R2 per share.

PSG also said the shares could be worth up to R5 each should the liquid stock be included in the financial statements in line with standard accounting practice.

The share price, however, never looked likely to reach the level of R2 placed on the ordinary class A shares by PSG Asset Management a few weeks ago. It started out at R1.50 and promptly dropped to R1.15 before recovering to R1.50 later in the day. 170 000 shares traded hands in an undisclosed number of deals.

Rob Henderson, resident director of PSG Securities — the broking arm of PSG Asset Management — said a "lot of interest" was expressed in the shares, and the first day's trading was "in line with expectations".

He said a number of retired wine farmers who qualified for shares wanted to sell them, which turned trade in favour of buyers on the first day. The shares can only be sold to members of the KWV (wine producers), non-members who qualified for shares (retired wine farmers) and employees of the KWV.

KWV's ordinary shares closed 20c lower at R14.70 on the JSE yesterday.
Red Chinese are chasing after our reds

DAN SIMON

IS the world clamouring for all the quality wine South Africa can produce?

Apparently so, but South Africa seems to be having problems keeping up with supply and demand, particularly for red wine exports to the People's Republic of China.

This is according to the Stellenbosch-based Cape Wine and Spirit Institute (CWSI), which disclosed yesterday that South African suppliers were battling to meet the “big volume” orders from China, where drinking red wine has become fashionable.

CWSI administrative manager Andries van Tonder said: “South Africa cannot always meet their orders and suppliers end up going for other niche markets that they can easily serve.”

South Africa, Van Tonder said, was now exporting about 12 million cases of wine a year — up from the poultry 400 000 cases the industry exported worldwide in 1990.

The UK still remained South Africa’s main wine export market, accounting for about 30% of total annual sales. This was followed by the Benelux countries and Germany and Africa. US demand was still low.

Graham de Villiers, the newly appointed chairman of the SA Wine and Spirit Exporters’ Association (SAWSA), said recent media reports that wine exports had started to slow were “untrue”.

Exports to the UK market alone, he said, had climbed by 9% over the past year to more than 4.1 million cases, which accounted for close to 6% of UK wine sales.

He said the association was about to play a more active role in building the international image of South Africa as a quality wine producer.

“SAWSA has already taken steps that will lead to a doubling of its budget for export promotion before the end of this year. In addition, plans are well advanced for the Wines of South Africa office in London to be reorganised to accommodate the increased activity.”
Final draft of Liquor Bill unveiled

LYNDA Loxton
PARLIAMENTARY CORRESPONDENT

Cape Town — The final draft of the controversial Liquor Bill made concessions to wine farms but would result in unbundling by large corporations, mainly to black empowerment groups, Alec Erwin, the trade and industry minister, said yesterday.

Unveiling the final draft of the bill approved by Cabinet yesterday, Erwin thanked the liquor industry for its “very constructive” contribution.

“We are not going to please everybody, but I am pleased to say that in our interaction with the industry ... there seems to be a high degree of acceptance that this now is a workable and far better body of legislation than what we had before,” he said.

The bill still separates manufacturers, wholesalers and retailers of liquor, but allows for four categories of retailers to cater for wine farms or small-scale brewers who sell their own wine for consumption on or off their premises, and for special events.

Erwin admitted the new regulations could result in the sale of certain assets by large corporations such as SAB.

"But it is premature to speculate on that because the industry must make a range of choices. We have had constructive discussions with all the major suppliers around empowerment initiatives and where they could assist them enter the industry.”

In a concession to large manufacturers, licences for manufacturing and wholesaling would be issued at a national level, while retail licences would still be dealt with provincially.

Large supermarkets would continue to be restricted to wine sales, while Sunday liquor sales would be allowed subject to local authority conditions.

The laws would be enforced by a new unified inspectorate in the department of trade and industry. It would cover gambling, lotteries, consumer affairs, competition policy and liquor.

□ Business Watch, Page 2
SA holds its own in global wine industry
Windfalls for wine farmers as rand dives

Exports priced in foreign currencies profit

BOBBY JORDAN

CAPE wine farmer Etienne de Beer can’t believe his bank balance. The more the rand plummets the more his account fills up with earnings.

Last week he made a R$4 000 profit without squeezing a grape.

The key to his success, he explains, is wine exports.

Farmers like him sell thousands of cases of wine — priced in foreign currency — to overseas buyers. By the time the cheque arrives, the price tag is worth tens of thousands more in rands because of the currency’s rapid decline.

“We are benefiting dramatically,” De Beer said this week.

“I export a lot to the Dutch and we are getting a lot more rands for our guilders.”

The rand’s sudden fall had been a rude awakening for those farmers who had chosen not to quote their wine prices in foreign currency.

“A lot of people are crying now. They lost out,” De Beer said.

“It’s clear that the exchange rate can only decrease against other major currencies, so it would be stupid to quote prices in anything else.”

Orders from overseas buyers improved in inverse proportion to the strength of the currency, De Beer said.

Some estates’ sales orders had improved since the latest currency fluctuation.

Bernard Fontannaz, of Savisa wine farm in Paarl, said a plummeting rand gave South African produce a competitive advantage.

“It’s a bit early to notice any major shifts, but a weak rand often increases our exports,” Fontannaz said, adding that recent wine sales figures looked healthy.

Last year, 4,1-million cases of natural wine were exported, compared with 3,6-million cases in 1996.

A weak rand also meant more tourists would arrive to sample wines at Cape wine estates, said Peter Gehler of Neethlingshof.

“It doesn’t cost a Swiss that much to come over here for a couple of weeks, particularly when the rand is low — and during that time, we hope, buy a few cases of wine.”

ON THE RAND WAGON: Overseas demand for Western Cape wines has risen since the sharp fluctuations in the exchange rate

Picture: JACK LESTRADE
The cup runneth over for SA wine exporters

FRANÇOISE BOTA

Cape Town — South African wine exporters bucked the prophesied downturn and posted a 35 percent increase in bottled wine exports over the five months to May on the strength of a surge of orders from new foreign markets.

Figures released late last week by the South African Wine and Spirit Exporters' Association (Sawsen) showed that from January to May, bottled white wine exports increased by 22 percent year on year and bottled red wine exports surged by 85 percent year on year.

"If the honeymoon was over, then we could assume from these figures that we were starting a solid relationship," quipped Graham de Villiers, the chairman of Sawsen.

"We are seeing that a lot of the current growth is taking place in new markets, with inroads being made into the US and strong growth from Holland and the Benelux countries. Orders from Germany are also starting to play a more significant role, and there is a fair amount going to the East."

De Villiers said this development was exciting because these were all relatively new markets for South Africa. As our wines become "better known, export growth would gather pace", he said.

More good news was that the increase in bulk wine exports was showing considerable signs of slowing, posting only a 12 percent gain over the period.

Wines which were exported in bulk and bottled overseas were usually cheaper, higher-volume wines, De Villiers said.

He said the value end of the market was starting to grow in hard currency terms.

"Exporters are earning higher revenues because of the drop in the rand. Some foreign buyers are pushing for producers to reduce their prices in the wake of the devaluation of the rand," he said.

However, most would not do this, he added.

"By far the majority are maintaining their hard currency prices because of the impact on the price of imported components like corks, barrels and cellar equipment," said De Villiers.
Euro-speak imperils SA port and sherry

CHRISTO VOLSCHEK

Cape Town — The European Union (EU) had stepped up its drive to bar South Africa from using the words “port” and “sherry” on South African vine products sold anywhere in the world — even in South Africa, a source in the wine industry said yesterday.

If the EU wins the sole rights to the worldwide use of the words, there would be extensive damage to the R700-million-a-year local sherry and port industry.

The source, a member of the South African team of negotiators for a wine and spirits agreement with the EU, asked not to be named. He said the EU said, at the recent round of negotiations, it would push for a worldwide ban on the marketing of port and sherry by South Africa.

The demand was resisted by the South African negotiators, and the issue would be on the agenda at the next round of negotiations in September.

The source said the government seemed determined not to give in to the EU demands since up to 5,000 jobs in rural areas and another 2,000 jobs in secondary industries would be threatened.

In response, Danny Boy Masemola, a spokesman for the Food and Allied Workers' Union, said the EU should not be allowed to “strip South Africa from markets in which major investments had been made over many years and on which jobs depended”.

In 1989 a British high court ruled South Africa could use the words “port” and “sherry” on products sold in the EU, but when Portugal and Spain joined the EU the European Commission overruled the decision and barred South Africa from marketing port and sherry in the EU.

South African port and sherry was exported to other countries, and these markets were now under attack, the source said.

South African negotiators resisted the demand on the grounds that South Africa had acquired rights in the words over centuries of marketing port and sherry abroad. A KWV spokesman said these rights were protected by the agreement on trade-related intellectual property rights signed by the EU and South Africa.

Carel Nel, the South African Port Producers' Association spokesman, said producers would be deprived of a right established over 200 years. Local producers had “gone out of their way” to avoid confusion by labelling their products South African port and South African sherry.
New wine from donated land mellows taxman
Fish-hungry EU blackmails the Cape wine industry

ARG 26/7 1998

OUTRAGES is growing over the suspected "blackmail" tactics being used by Spain and Portugal to extort fishing rights from South Africa.

The Spanish and Portuguese are apparently using the unrelated issue of Cape wine exports as a bargaining tool to get their hands on the fish in South African waters.

The European Union, negotiating on behalf of Spain and Portugal, is demanding that South Africa stop using the names "port" and "sherry" for local fortified wines, even though Cape wines have borne these labels for two centuries and they have become household names here.

The Europeans reportedly say they would be prepared to let South Africa continue using the names "port" and "sherry" if they were granted a "concession" giving them fishing rights in South African waters as a trade-off.

So far, the South Africans have told them to jump in the ocean.

The Spanish lay claim to the term "sherry", which is named after the Jerez region of Spain, while the Portuguese claim the right to "port" wine, named after the northern city of Oporto in Portugal.

South Africa's wine and fish industries say the two issues are totally unrelated.

If the port and sherry labels are banned for use here, it could hit the Cape wine industry hard: these wines make up 8% of South Africa's wine exports.

The EU is negotiating a new trade deal with South Africa on behalf of all EU members, including Spain and Portugal, which have long been seeking to extend their fishing fleet in the South Atlantic, which has rich fish resources.

The KWV, representing the South African wine industry, says the EU appears to have picked on South Africa and ignored other wine-producing countries such as the United States and Australia.

Monde Mayekiso, chief director of Sea Fisheries, said: "The European Union is putting pressure on South Africa to get fishing rights in South African waters."

Mr Mayekiso said agreements in the 1970s allowing these countries to fish in South African waters had fallen away.

A member of the EU delegation in South Africa said discussions were being held on an agreement on wine and spirits, which would include the ban on the use of the terms "port" and "sherry".

He confirmed the EU was also negotiating fishing rights on behalf of its members.

"In the context of these discussions, members of the union can give mandates for negotiating special agreements," he said.

A spokesman for the Food and Allied Workers' Union, Danny-Boy Masemola, said: "We reject the EU's view that we should not use the terms port and sherry, but to ban the terms locally would be to rub salt in the wound."

Mr Masemola said the Western Cape had produced sherry and port for the past 200 years.

He said banning the names would have a crippling effect on the local industry. Up to 4,000 jobs could be lost in rural areas and 2,000 in secondary industries, such as marketing and sales, he said.

Carel Nel, chairman of the South African Port Producers' Association, said the issue of the port and sherry labels should be treated as a separate issue from the fishing rights.

"The terms have been in use in South Africa for 200 years," he said.

They had come to denote styles of wines.

Mr Nel said the terms were

ARG 26/7 1998

Blackmail scare over 'port'

From page 1

allowed in other wine-producing countries, such as Australia, Canada and the United States.

A spokesman for the KWV cooperative said the local wine industry would put up a fight to retain the names, especially because they had been used for the past 200 years.

But Vaughan Johnson, a Waterfront wine retailer, has joined the fray.

He believes the names "port" and "sherry" should be dropped and the local products should develop their own identity "providing the wine-producing world is similarly restricted and treated equally".
Sherry, port in a storm over labels
Louise Coetzer

PRETORIA — SA would not give up its right to use the words “sherry” and “port” for SA wine products, despite claims by Spain and Portugal that they were the world’s only authentic producers of port and sherry, a local wine industry official said at the weekend.

European Commission economic commissioner Leonidas Tsakalotos confirmed on Friday that SA’s use of the words was being challenged in negotiations between SA and the Commission on a wine and spirits agreement.

The commission wanted SA to drop the use of the words, even inside the country. The European Union (EU) wanted the sole rights to the worldwide use of the words in terms of an intellectual property rights arrangement.

Sources said Portugal claimed authentic port originated from the Duoro valley in the vicinity of a Portuguese town Porto and Spain claimed the same about sherry from Jerez, a village in southern Spain. They said SA had no less of a legitimate claim, having produced port and sherry since 1795, mainly for the British market.

Until Portugal and Spain joined the EU in 1973, SA used the words on products sold in the EU. Since then, the commission has barred SA from selling the products in the EU.

Reacting to the furore from the seventh annual port festival in the Karoo town of Calitzdorp, SA Port Producers’ Association spokesman Boet Nel said the SA wine industry would be “devastated” if the right was lost.

The Food and Allied Workers’ Union warned that the loss of the right would threaten 4,000 jobs in rural areas and another 2,000 jobs in secondary industries in SA.
Wines to be certified 'worker friendly'

BOLAND WINES could soon carry a mark certifying that they are produced on farms that follow acceptable labour practices. Special Assignments Team ROGER FRIEDMAN and BENNY GOOL report.

The stand-off between labour and management at the Fransehoek wine farm Plaisir de Merle — where a strike by most of the workers enters its fourth week today — is the type of unpleasant situation that parties to last week's Winelands Declaration seek to avoid.

The declaration was adopted at a conference at Stellenbosch University last weekend by the farmers' organisation Agriculture Western Cape, labour unions and associations, non-governmental organisations, community-based organisations, government departments and academics.

ANC MP Rob Davies said yesterday that conference organisers would meet later this week to devise a process that would eventually lead to the implementing the declaration.

It states: "We acknowledge that addressing abuses that occur in our industry is the responsibility of all of us. Where abuses and violations occur they threaten the reputation of the industry as a whole. We therefore commit ourselves to create a new dispensation in which our customers can be assured that our labels are a guarantee of acceptable labour practices."

"In particular we will work together to devise monitoring and regulatory procedures that will allow the awarding of a recognised mark to producers that will guarantee purchasers that the wine they buy originates from farms where minimum standards prevail."
Port makers will resist EU pressure over name

Louise Cook

THE SA Port Producers' Association, representing more than 90% of SA port producers, would resist any move by the European Union (EU) to force the local industry to do away with the use of the word "port" on port-style products.

The European Commission was trying to secure the use of the word "port" for Portuguese producers only and the word "sherry" for producers in the Jerez valley in southern Spain.

The commission was challenging SA's right to use the names in negotiations on a wine and spirits agreement being thrashed out between SA and the EU.

The negotiations were set to resume next month and formed part of the planned SA-EU free trade agreement.

However, the Port Association said that SA had produced port for the past 190 years and sales of R500m and at least 2,000 local jobs were at stake.

There was no way the name of the product could be changed, the association said.

"We have gone out of our way to avoid any confusion between Portuguese and SA port. Our members indicate that the origin of the product is the Cape and all labels clearly read 'Produced and bottled in SA'. We are trying to set up an international forum to address research and marketing of port."

SA was not the only port producer under pressure from the commission to drop the word port. A source close to the EU-SA negotiations said Australia, the US and Canada were in various stages of negotiations with the commission on the issue.

However, the SA association said the commission was getting nowhere and producers like California and Australia were going ahead with the use of the word. The EU wanted SA to scrap the words, even inside the country."
Computer bills sap SFW income

VERA VON LEERES

Cape Town — Stellenbosch Farmers’ Winery (SFW), the wine and spirit producer, felt the brunt of its capital expenditure programme in the year to June 30, resulting in a 20.6 percent slide in attributable income to R107.7 million, Frans Stroebeel, the managing director, said at the weekend.

Stroebeel said the group, which is also a wholesaler, made substantial investments in computer facilities to ensure operating systems were in line with international standards.

These investments were financed through increased borrowings, resulting in higher financing costs which reduced pre-tax income by 19.6 percent to R167.7 million.

“We are confident that our investments in a computerised integrated management operating system will result in cost savings throughout the group,” Stroebeel said.

“These benefits will only flow through in future years.”

Headline earnings a share were 17 percent lower at 73.7c. But the company managed to keep its final dividend at 22c a share, lifting the total dividend 3 percent to 30c a share.

Stroebeel said the drop in consumer spending, particularly since the beginning of the year, was felt in a shift from higher margin to lower margin products. Among these, the group’s alcoholic fruit beverage products performed well.

The group’s growth prospects for the coming financial year were positive despite slower consumer spending.

“Concerted efforts to reduce costs and improve overall efficiencies will keep SFW on track for long-term growth,” Stroebeel said.

The company also expected its offshore expansion programme to propel growth in the export market.

In March this year, SFW announced it had joined forces with Mahuti Foods & Beverages to develop a R30 million new wine farm, the first significant black empowerment deal in the South African wine industry.

Executives said a 975-hectare farm had been bought for R15 million near Darling, on the Cape West Coast, for the joint venture, which would be known as Papiwillsfontein Vineyards.

The share price was untraded on the JSE on Friday from its previous close of R3.50. The share is near its year low, after reaching a high of R8.10 in January.
The cup runneth over for SA wine exporters

CT BR $19.98

WINE

FRANÇOISE BOTHA

Cape Town — South African wine exporters bucked the prophesied downturn and posted a 35 percent increase in bottled wine exports over the five months to May on the strength of a surge of orders from new foreign markets.

Figures released late last week by the South African Wine and Spirit Exporters' Association (SAWSEA) showed that from January to May, bottled white wine exports increased by 22 percent year on year and bottled red wine exports surged by 55 percent year on year.

"If the honeymoon was over, then we could assume from these figures that we were starting a solid relationship," quipped Graham de Villiers, the chairman of SAWSEA. "We are seeing that a lot of the current growth is taking place in new markets, with inroads being made into the US and strong growth from Holland and the Benelux countries. Orders from Germany are also starting to play a more significant role, and there is a fair amount going to the East."

De Villiers said this development was exciting because these were all relatively new markets for South Africa. As our wines became "better known, export growth would gather pace", he said.

More good news was that the increase in bulk wine exports was showing considerable signs of slowing, posting only a 12 percent gain over the period.

Wines which were exported in bulk and bottled overseas were usually cheaper, higher-volume wines, De Villiers said.

He said the value end of the market was starting to grow in hard currency terms.

"Exporters are earning higher revenues because of the drop in the rand. Some foreign buyers are pushing for producers to reduce their prices in the wake of the devaluation of the rand," he said.

"However, most would not do this, he added.

"By far the majority are maintaining their hard currency prices because of the impact on the price of imported components like corks, barrels and cellar equipment," said De Villiers.
Bottled wine exports show a heady increase

CAPE TOWN — SA wine exporters bucked the expected downturn and posted a 35% increase in bottled wine exports over the five months to the end of May.

Figures released by the SA Wine and Spirit Exporters’ Association show that from January to May bottled white wine exports increased 22% while bottled red wine exports surged 55% year on year.

“If the honeymoon is over, we can assume from these figures that we are starting a good and adult relationship,” said the association’s chairman, Graham de Villiers. “What we are seeing now is a phase of steady sales, which is very encouraging.”

He said a lot of the growth was taking place in new markets, with inroads being made into the US and strong growth coming from the Benelux countries. Orders from Germany were also starting to play a more significant role and a fair amount was going to the east. “These are all relatively new markets for SA and as our wines become better known, so the export growth will gather momentum,” De Villiers said.

He said the increase in bulk wine exports was showing considerable signs of slowing, posting only a 12% gain over the five-month period.

“There are some foreign buyers who are pushing for producers to reduce their prices in the wake of the devaluation of the rand, but most will not do so. By far the majority are maintaining their hard currency prices because of the impact on the price of imported components like corks, barrels and cellar equipment.”

SA wine exports to the UK increased by 9% in volume terms last year on top of the 48.6% and 39.5% increases recorded over the previous two years. Total growth in wine exports to the end of May stood at 22%.

Meanwhile, the KWV said yesterday the total SA wine harvest for the 1997/98 season was slightly lighter than the previous two seasons, in spite of the hectares under vine increasing over the past three years.

This season’s smaller harvest can be attributed to climatic conditions during the ripening stage.

However, KWV said, more good wine was made from the crop compared with last year. The problem was that sales had not come up to expectations and according to estimates, there would be 14.7-million litres more good wine at the end of January next year than was anticipated.

Should weather conditions play along, the possibility of a record 1999 crop was also in the offing. — Sapa.
Export surge for SA wines

A SOUTH AFRICAN wine association said this week new foreign markets thirst for the country's wine had led to a 35 percent surge in export growth in the first five months of 1998.

South African wine exports have grown in new markets in Asia, the United States, the Netherlands and Germany, Graham de Villiers, chairman of the South African Wine and Spirit Exporters' Association (SAWSEA), said in a statement.

"This is very exciting because these are all relatively new markets for South Africa and as our wines become better known, so the export growth will gather momentum," he said.

White and red wine exports grew by 22 and 55 percent respectively from January to May, SAWSEA said.

Wine exporters, who saw a massive increase in foreign demand after South Africa held its first all-race elections in 1994, had expected export growth to flatten off.

"If the honeymoon is over, then we can assume from these figures that we are starting a good and adult relationship," de Villiers said.

SAWSEA said it was pleased the increase in bulk wine exports had slowed over the last five months, because the industry wanted to focus on bottled sales to improve South Africa's image as a quality wine producer.

South Africa's largest wine cooperative KWV said recently wine exports surged by 10 percent in 1997 to 110.6 million litres from 99.9 million litres in 1996. - Reuters.
Equity Bill prompts KWV to offer a hand to wine industry's disabled employees

LINDA DANIELS

KWV, which represents most of the Western Cape's wine farmers, is taking the Equity Bill to heart, making its premises more accessible to its disabled employees.

The Equity Bill covers the needs of disabled people in the workplace and seeks to eliminate race and gender imbalances.

KWV, which is based in Paarl and currently employs six disabled people, has called on the services of the National Environmental and Accessibility Programme (NEAP) to do a workplace evaluation.

Nosey Pieterse, a KWV industrial relations specialist, said: "No companies we contacted did anything. We were frustrated. We are the pioneers - there is so much other companies can learn from us."

When the KWV received the results of the NEAP audit, it was amazed at the changes required on the premises.

"They actually alerted us to how blind and deaf we were. For example, we have sirens, but deaf people will not be able to hear them," Mr Pieterse said.

The KWV's Henry Hopkins said: "We were quite amazed at the number of refinements we had to make. But it was done from our side - it was our initiative"

He said KWV's tourist facility had for some years been accessible to the disabled, "but we must obviously look further now".

KWV said it will improve parking bays, access paths, passages and stairs to make them convenient for people in wheelchairs.

Lift buttons will be lowered so wheelchair-bound employees can reach them.

The KWV will also restructure its toilets to accommodate wheelchairs.

Following the first workplace evaluation by NEAP, another report will be compiled by the Institute of the Blind and the Deaf next week. The institute will sort out problems such as how deaf workers notice sirens. KWV may install flashing lights instead.
Hanekom threatens KWV with court action

AGRICULTURE Minister Derek Hanekom yesterday threatened wine and spirit giant KWV with court action if an agreement was not reached soon on setting up a new industry trust.

"It has to happen in the next two weeks," Hanekom told a parliamentary news briefing. "If there is no agreement, the matter will have to be referred to court."

Hanekom last year signed an agreement with KWV - which for decades had been the statutory regulator of the wine industry - to allow the former cooperative to convert into a public company. This ended a legal dispute since 1994. Last year, they surged by 10 percent to 110.6 million litres.

Under the accord, a wine industry trust was to be established which would invest in research and development, export promotion and in easing the entry of black farmers into the industry. Hanekom said at the time, that among other things, some of the assets which rightfully belonged to the state.

KWV would pay nearly R300 million into the trust over 10 years and a new company. This ended a legal dispute since 1994. Last year, they surged by 10 percent to 110.6 million litres. Reuters.
More fireworks over KWV deal

Cape Town — KWV, the wine and spirits company, and Derek Hanekom, the minister of agriculture and land affairs, are at loggerheads again with a showdown in court in the offing.

Hanekom yesterday gave KWV a two-week ultimatum to implement the terms of the out-of-court settlement reached last year, which paved the way for the wine and spirits cooperative to register as a company.

Although declining to give details about which aspects of the settlement had not been implemented, Hanekom said he was "not altogether happy with progress made".

"The bottom line is that something has to happen in the next two weeks or we will refer the matter to court," he added.

Henry Hopkins, the spokesman for KWV, said the company was perplexed by Hanekom's statements.

"We were in contact with the minister's representatives yesterday and they said nothing about this. We've also been trying for two weeks to get hold of the minister."

Initially, the government had opposed KWV's attempt to register as a company on the basis that it had been set up as a co-operative with state funds. The government initially demanded R860 million of KWV's assets, but the out-of-court settlement resulted in KWV agreeing to pay R477 million over the next 10 years to a wine industry trust.

The trust would be used to develop the wine industry by researching new plants, training farmworkers and assisting new farmers to start wine farms.

Hopkins stressed that KWV was keen to resolve the current stalemate with the minister, as well as see the implementation of the trust as soon as possible.

"We are not stalling the process and are willing to honour our part of the deal. But the trust or section 21 company must first be set up, and we are not clear who is responsible for doing this."

Wine industry sources suggested that the implementation of the trust had been delayed as the minister and KWV still could not find common ground on the features of the trust.

"There are some complex issues at stake here," a source said.

Hanekom said wine production was "very competitive", and South African farmers faced stiff competition from countries such as the US, France, Italy, Argentina and Chile.

He stressed that the establishment of the wine industry trust was essential to give the country a competitive edge.
Hanekom threatens to take KWV to court over trust fund delay

Agriculture Minister Derek Hanekom has warned that he is considering taking KWV to court if the company continues to delay establishing a trust fund for the wine industry.

KWV agreed to pay R477-million into the trust over the next 10 years. But Mr Hanekom said he was unhappy with the delay in reaching agreement on the finer details of setting up the trust.

He has threatened the wine giant with legal action if an agreement is not reached in two weeks. Mr Hanekom said he was willing to go to court if the deadline was not met.

But Willem Barnard, a KWV director, said the original terms of the agreement had been substantially changed.

Mr Barnard said: "The KWV has indicated it would be flexible, but we want to thrash the changes out in detail."

He said attempts to arrange a meeting with Mr Hanekom two weeks ago had failed.

Mr Hanekom said earlier that the changes involved the composition, powers and functions of the legal entity that would be the recipient of the money, and who should be responsible for collecting the levies.

The amount of R477-million is to be paid into the fund by the KWV over 10 years. Money will be raised through special levies on former co-operative members and from profits.

Mr Barnard told Saturday Argus that in view of the substantial changes to the original agreement the KWV had felt progress in negotiations was indeed being made.

Negotiations have been held between a committee set up by Mr Hanekom and the KWV.

The establishment of a trust fund for the industry was proposed last year after the KWV, a co-operative, decided to convert to a company.

Funds from the trust will be used for the benefit of the wine industry, including research and plant development.

Money will also be used to support social programmes such as black empowerment, training and joint ventures.
Discussions are 'suspended', not ended

EU, SA trade talks sink on wines issue

JOHN FRASER

Brussels — Desperate efforts are being made to salvage crucial trade talks between the European Union (EU) and South Africa, after the shock suspension of negotiations at the end of last week.

Unofficial contacts were continuing between EU and South African officials last night, with the aim of resuming negotiations in Pretoria sometime next week.

It had been hoped that negotiators from both sides could have achieved a long-awaited breakthrough on Friday in the 21st round of the marathon EU-SA discussions, which were launched three years ago.

However, it became clear to both sides that there was little point in proceeding with the meeting, and the last formal session was held on Thursday evening, with the talk ending a day early.

Discussions collapsed after the EU side insisted on substantial progress on a wines and spirits accord, which is not part of the main negotiations on establishing a free trade area, but which is being negotiated in parallel.

The aim of this wines and spirits accord is to set rules on cellar practices, the content of wines and on the names by which both sides can market their wines.

An EU insistence that South African producers cease to use the terms "port" and "sherry" to describe their fortified wines, something which South Africa is most reluctant to do, is at the heart of these discussions.

EU officials say they were surprised and upset at the failure of the South African side to negotiate seriously during two days of discussions on wines and spirits, which were held on Monday and Tuesday last week, in advance of the main trade talks.

Indeed, there was a sense of anger when EU officials learnt that instead of staying on standby, the South African team of wine and spirit experts flew back home on Tuesday night.

Philip Lowe, the EU's chief negotiator, said on Friday that his side had never expected a final conclusion to the talks. He believed a decision about the naming of port and sherry was impossible at official level, and would need to be taken by ministers.

However, he was clearly annoyed that the discussions had not even "identified the main elements of a final agreement".

Because there was no progress on wines and spirits, the EU side decided to postpone its final offer on access for South African farm products to the EU market, which could have paved the way for the breakthrough.

Indeed, Elias Links, South Africa's chief negotiator, said on Friday he had started the week "very confident that this would be the last round".

South Africa rejects any linkage between progress in trade talks and movement on wines and spirits. So, while there was some progress in discussions on trade in industrial goods, it was clear from phone contacts on Friday morning that there was no point in carrying on with the formal negotiations, as there was no immediate chance of a deal.

Both sides insist that the discussions are suspended, rather than ended, and efforts will be made this week to set a date for renewed contacts. — Independent Foreign Service.
EU adds ‘grand cru’ to its SA hit list

Louise Coet

PRETORIA — The trademark dispute on wines between SA and the European Union could widen to include the trade name “grand cru”, which accounts for nearly half of the country’s locally sold dry white wines.

Grand cru reportedly has been targeted along with “mort” and “sherry” in negotiations in the EU-SA wine and spirits agreement.

Attempts to establish precisely what requirements the EU would lay down failed yesterday, but a source who returned from the trade talks in Brussels said grand cru was on an “extensive list of terms and trade names” to be negotiated when talks between the two regions resumed.

About 40 Western Cape wine estates produce grand cru wine.

Bellingham Estate marketing director Jacques Roux said it was unaware of the latest development, which would affect at least 1 000 labels on the domestic market. “It would be a disaster if we have to scrap the name. For us (at the estate) it has strong connotations to origin and locality.”
Tug of war with Spain over ‘sherry’ continues

Louise Cook

Spain’s bid to win the sole right to use the name “sherry” was vital to that country, but negotiations to break the tug of war between SA and Spain were continuing, Spanish Secretary of State for Trade and Tourism Elena Pisonero said in Pretoria yesterday. “For us it is a very essential issue, as it is for you,” she said.

The divide between SA and Spain on the sherry issue, as well as moves by Spain to gain entry to SA’s fishing waters via the SA-European Union free trade negotiations, brought down the last round of talks with the EU in Brussels just as the two regions’ offers were to be finalised. (C) 1998

SA walked out of the negotiations when the EU, acting on behalf of Spain and Portugal, insisted that SA surrender its right to use the names “sherry” and “port” and accepted the terms of a fishing agreement which would have boosted European countries’ access to local waters.

Addressing a media briefing at the signing of an investment protection agreement between SA and Spain in Pretoria yesterday, Trade and Industry Minister Alec Erwin said SA wanted no link between the EU-SA free-trade agreement and the fishing, wine and spirits agreements, which covered those sectors separately.

“There are not major differences on the agreement as a whole. The negotiators will continue to make offers irrespective of positions the countries hold.”
Hanekom and KWV reach agreement

RONNIE MORRIS

Cape Town — Derek Hanekom, the minister of agriculture and land affairs, has reached agreement with KWV after two weeks of intense negotiations and does not intend to take the wine and spirits company to court.

Hanekom recently intimated he would take KWV to court because of alleged delays in the setting up of a wine industry trust.

Hanekom said yesterday an agreement had been reached on most issues, but there were still some unresolved concerns which needed to be finalised.

"I believe it is possible that we could reach an agreement quite soon on those issues, and for this reason I am not referring the matter to court," he said.

Hanekom said that he did not threaten to take KWV to court or to sue them.

"I said that if we could not get an agreement within two weeks, I would refer the matter to arbitration or litigation, for the court to make a decision."

A KWV spokesman said last week the company's commitment to reach an agreement on the wine industry trust had not diminished in the meantime.

The company has been involved in negotiations with Hanekom's team for the past year. "KWV's latest proposals have been passed on to the minister's team, and we await the minister's reaction," the spokesman said.

The government had initially opposed KWV's attempt to register as a company on the grounds that it had been set up as a co-operative with state funds.

At the outset, the government demanded R500 million of KWV's assets but in an out-of-court settlement KWV agreed to pay R477 million into a wine industry trust over the next 10 years.
EU talks ‘won’t drown in port’

CT (BR) 7/10/98

JOHANNESBURG — The stalemate in free trade talks between South Africa and the European Union (EU) was described by Alec Erwin, the minister of trade and industry, as “not a major breakdown”, yesterday.

“I am confident this agreement will proceed. Relations between South Africa and the EU do not centre on port. It cannot be the end of negotiations and should not be,” Erwin told international businessmen attending the sixth South African International Trade Exhibition (Saiex '98), which opened yesterday.

The talks reached a stalemate recently over the EU’s demand that South Africa stop using the words “port” and “sherry” for its products.

Erwin said South Africa was “not a place for those who want to have a quiet sleep”, but a vibrant place grappling with many problems and enormous challenges.

“Our challenge is to ... make the South African economy compete with the best in the world,” said Erwin. But the world economy is moving against us”, he warned.

He said the government’s basic strategy was to work with labour, business and the community to meet the immense developmental challenges facing the country.

Stewart Patterson, the president of the Witwatersrand Agricultural Society, said this year’s show, at the Expo Centre in Johannesburg, was the biggest yet, with 930 company representatives from 40 countries.

The People’s Republic of China, represented for the first time, is the biggest exhibitor, with 470 representatives from 230 companies.

Liu Fugui, the vice-chairman of the China Council for the Promotion of International Trade, said that the establishment of full diplomatic relations between China and South Africa this year marked a new era of co-operation between the two nations.

Trade between South African and China amounts to $1.6 billion.
Hanekom will fight EU for ‘port’ rights

DURBAN — Land and Agriculture Minister Derek Hanekom vowed yesterday to fight European Union (EU) demands that SA should give up the right to use the names port and sherry.

Government and the wine industry would ward off any such demands, he said.

Addressing the SA Agricultural Union (SAAU) congress, Hanekom said that the port and sherry sectors in SA were worth between R700m and R800m in turnover a year. The names were part and parcel of SA’s tradition and were not associated locally with geographical locations.

“Trade and Industry Minister Alec Erwin and I feel very strongly about the terms on the wine and spirits agreement — the demands by the EU are unreasonable,” he said.

SA has been locked in a battle with Spain and Portugal over the use of the names for locally produced port and sherry, which comes up in a separate agreement on wine and spirits between SA and the EU. Other names such as grand cru are also affected.

Last month, the EU refused to submit an improved agricultural offer unless SA agreed to give up the right to use the names. The move threatened to scupper 21 rounds of negotiations between SA and the EU on a planned free trade agreement.

Hanekom also hit out once again at the EU’s lucrative subsidies paid to European farmers, saying this meant they were effectively public servants farming for their governments.

The subsidies damaged the development of domestic production and “probably the key problem” was that they limited export opportunities to world markets.

“Markets are virtually closed due to the glut of products coming in from Europe — this makes it very difficult for countries like SA to get in.”

“We are prepared to grant limited tariff protection on some farm products where it is justified — this does not mean that SA is following protectionist policies.”

SAAU vice-president Janie Grobler said the World Trade Organisation was forced to devise rules for a more equal trading environment between nations, but developing countries needed to expand their export markets.

“We cannot afford to fall behind in seeking improved market access for exports as it is very difficult to catch up once you’ve fallen behind,” he said.

On upcoming EU/SA negotiations, he asked for a mandate to demand from EU negotiators that subsidies be reduced before SA lowered any tariffs.

SA should also insist on improved market access in Europe, particularly for products like fruit, vegetables and canned fruit.
Hanekom, KWV thrash out new agreement

Louise Cook

A RENEWED standoff between Land and Agriculture Minister Derek Hanekom and wine company KWV was avoided at the weekend when they thrashed out deals totalling R20m to be invested in industry development.

Details are still to be concluded, but both sides were confident yesterday that lengthy arbitration proceedings, mooted earlier by Hanekom, would no longer be necessary.

The issue goes back to KWV's trans-
DISTILLERS CORP

OVERFLOWING WITH SPIRIT

**ACTIVITIES:** Produces and markets wines and spirits.

**CONTROL:** Rembrandt-KWV Investments: 60%; SAB, 30%.

<table>
<thead>
<tr>
<th>Year to June 30</th>
<th>'95</th>
<th>'96</th>
<th>'97</th>
<th>'98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt-equity ratio</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.34</td>
</tr>
<tr>
<td>Int &amp; leasing cost</td>
<td>367</td>
<td>263</td>
<td>37</td>
<td>34</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>16.8</td>
<td>17.1</td>
<td>18.9</td>
<td>19.7</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>1,25</td>
<td>1,33</td>
<td>1,78</td>
<td>1,32</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>13.5</td>
<td>13.4</td>
<td>13.9</td>
<td>14.2</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>71.8</td>
<td>93.5</td>
<td>112.5</td>
<td>125.5</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>49</td>
<td>59</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>420</td>
<td>462</td>
<td>516</td>
<td>576</td>
</tr>
</tbody>
</table>

liquor is not the road to riches it once was. Most retailers are no more than marginally profitable. Distillers' 50% holding in Western Province Cellars produced dividends of only R0.36m. Distillers' 8.1% annual growth in earnings since 1992 reflects equally tough conditions at producer level.

In total, the liquor industry experienced a no-growth year as economic pressures and Excise duties took their toll. Distillers fared well, increasing its brandy, white spirits and wine market shares.

Deteriorating conditions caused turnover growth to slow to 6.9% in the second half of financial 1998 compared to 9.5% during the first six months. Operating margin, pre-depreciation, remained steady at 13.5%.

As a major brandy producer, Distillers faces maturation lead times of three to five years. Strong growth necessitated heavy investment in maturation stocks and equipment. Financial manager Wim Bierman notes this was the main reason for a 22% year-on-year increase in inventory levels since 1994. This reversed the strong net cash flow patterns of earlier years. Total net cash outflow of R417m over the past two years moved the company into a net R275m borrowed position during the second half of financial 1998.

Bierman sees a slowing in the inventory build-up this year, particularly with sales volumes declining. A return to positive net cash flows is vital. Failing this, year-end net borrowings indicate a 150% increase in interest payments at current rates. Other things being equal, the negative impact on earnings would be about 11%.

It's not going to be an easy year. A p/e of 4 and a dividend yield of 13.5% speak for themselves.

*Stafford Thomas*
STELLENBOSCH FARMERS WINERY

OVER AN INTEREST RATE BARREL

- **Activities:** Producer and wholesaler of wine, spirits and other beverages.
- **Control:** Rembrandt-KVV Investments, 60%, SAB 30%.

<table>
<thead>
<tr>
<th>SWINE</th>
<th>'95</th>
<th>'96</th>
<th>'97</th>
<th>'98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt/equity ratio</td>
<td>—</td>
<td>—</td>
<td>0.13</td>
<td>0.45</td>
</tr>
<tr>
<td>Nat &amp; leasing cover</td>
<td>34</td>
<td>60</td>
<td>96</td>
<td>7</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>11.8</td>
<td>16.1</td>
<td>15.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>1,44</td>
<td>1,77</td>
<td>2,02</td>
<td>2,19</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>7.6</td>
<td>9.9</td>
<td>9.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>41.8</td>
<td>72.2</td>
<td>83.1</td>
<td>73.7</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>16.0</td>
<td>26.0</td>
<td>28.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>370</td>
<td>429</td>
<td>499</td>
<td>548</td>
</tr>
</tbody>
</table>

M Frans Stroebele sums the situation up aptly. In nine years with SFW, the past six months were the “most difficult I have experienced”.

Overall market share was held at the cost of reduced margins as consumers shifted to lower-margin products. The impact was severe. A 16% trading profit improvement at the interim stage reversed into a 28% fall in the second six months. Margins fell from 12.1% to 8.3%.

Spirits and fortified wines suffered the most. Gross income, 36% of SFW’s total, fell 11%. Income from SA wine sales, 33% of the total, fell 4%.

Much hipped exports contributed only 5.6% of income, 6% up on 1997. Shortages of red cultivars restricted volumes, a problem that costly developments such as Papkuisfontein will solve in years to come.

A bright spot was 14% growth in alcoholic fruit beverages (AFB). Fruit juices, also a strong growth sector, improved earnings by 36%. These divisions contribute about 26% of gross income.

SFW’s five-year production upgrade has pushed funding requirements to R329m over the past two years. Borrowings have increased from R17m to R339m in the process. Commitments for financial 1999 are R113m, compared to net operating cash flow of R20m in 1998.

SFW has made minimal investment in new maturation stocks compared to Distillers, its focus being more on wine and AFBs. For both companies, profit rewards of heavy investments lie a few years away.

SFW’s debt burden and capital expenditure at a time of weak demand gives rise to concern in the short term. This is reflected in the 3.7 p/e, which is likely to prove historic.

Stafford Thomas
COMPANIES & MARKETS

Samantha Sharpe

CAPE TOWN — Independent wine company Savanha has fallen short of its initial prelisting forecasts, with maiden headline earnings for the year to July at 0.4c a share from a pro forma 2.09c.

Given that the group was formed only in August last year — it listed in the development sector of the Johannesburg Stock Exchange last December — comparative figures were restated to cover the 12-month reporting period.

In line with the terms of the prelisting statement, no dividend was declared, with the first dividend to be paid in the year to July 2000.

Group chairman Graham Knox said despite significant growth levels in the period under review, the slow take-off of prereserved wines for the UK and accompanying increase in stock levels and finance costs had had a negative effect on profit.

Also, heavy investment in infra structure, especially in the areas of finance, sales and general management, which was needed as a platform for growth, had taken their toll on the bottom line in the short-term.

However, Knox said last year’s stock levels were already being depleted with the infrastructure investment likely to return Savanha to levels of profitability outlined in the prelisting statement.

Although the "honeymoon" period for SA wines was beginning to wane, Savanha’s strong brand positioning and economies of scale meant it was one of the few exporters able to meet the demands of both major European and SA retailers.

“Continued penetration of both the international and local markets in the next three years will set us on the road to solid profit performance,” Knox said.

Of the year under review, he said Savanha had made significant progress in developing its vineyard operation to secure a long-term supply of premium quality varietals.
SA to back down on port and sherry

Tim Cohen 20 3/11/98

VIENNA — SA is preparing to concede to the use of the terms "port" and "sherry" for export products in exchange for increased agricultural quotas as a way of breaking the impasse in its stalled trade talks with the European Union (EU).

Agriculture Minister Derek Hanekom said yesterday that after a period of despondency over EU "obstructiveness" in the negotiations, both sides were increasingly optimistic that the conclusion of the pact could be at hand.

On the eve of the Southern African Development Community (SADC) conference with the EU, Hanekom said he could not divulge details of an impasse-breaking package that was negotiated recently between EU commissioner Joao de Deus Pinheiro and Trade Minister Alec Erwin.

Pinheiro sought agreement from the EU last week to negotiate a compromise agreement with senior EU bodies without publicly disclosing its terms.

However, it is understood that the basis of the deal is that SA will make limited concessions regarding the trademark issues holding up the wine and spirits agreement in exchange for increased quotas of agricultural products.

In terms of the deal, SA would phase out the terms "port" and "sherry" over five to seven years on its export products, but would continue to use the terms internally. The term "grand cru", along with other terms, is also regarded by the EU as a trademark dispute.

In exchange, SA was pressing the EU to increase quotas on other agricultural products so that they matched the existing level of exports to European countries. Priority products include fruit, canned fruit, maize starch and wine.

Hanekom said SA was extremely unhappy with the EU's agricultural subsidies in terms of its common agricultural policy and whatever the outcome of the EU-SA trade pact, would continue to oppose these subsidies as part of the Cairns group of countries which are pushing for global free trade in agriculture.

He said there was no doubt that the EU's extensive trade subsidies distorted trade between SA and the EU. SA has a R17bn annual trade deficit with the EU.

The problem with the side agreement on wine and spirits was that the EU made no offers, but had laid down only conditions, some of which went further than the World Trade Organisation's Trips agreement, Hanekom said.

However SA's exports of port and sherry were small and "significant" gains were possible even with small improvements to the tariff environment.

Hanekom said he would use the opportunity provided by the SADC-EU ministerial conference to lobby in favour of granting SA additional concessions and for the conclusion of the trade pact.

Meanwhile, Foreign Affairs Minister Alfred Nzo sought to dispel the concerns of other SADC member states about the consequences of the trade pact, saying that even as it engaged in bilateral negotiations, it had not and would not lose sight of regional concerns.

Opposition to the EU-SA trade pact has emerged from SADC member states whose representatives have argued that as regional organisations, the EU's external relations should focus on the SADC rather than on a single member state of the organisation.

Nzo said SA's membership of the SADC did not exclude it forging bilateral relations, which were also pursued by other SADC member states.
R520m trust to fortify wine industry

BOBBY JORDAN

THE WINE lands turned into wine-lands this week with the news that KWV would invest R520-million in the industry -- including substantial support for previously disadvantaged wine farmers.

Funds would be made available to a trust and controlled by two companies, one a business-support company promoting local wine in export markets, the other a wine-industry development company focusing on social upliftment, KWV said in a statement this week.

The initiative follows year-long negotiations between KWV -- which changed from a co-operative into a company last year -- and Minister of Agriculture Derek Hanekom.

"The initial concept of the trust was founded in the agreement between KWV and the minister on the conversion of KWV in December 1997. According to this, the trust would provide the services that could not be delivered by KWV as a company," the statement said.

In the first 10 years, R100-million would be made available. After this, R120-million would be provided to continue the work of the trust, KWV said.

The first quarterly instalment would be paid next month, followed by the formal-establishment of the trust in February with the appointment of 18 trustees.

KWV managing director Dr. Willem Barnard said the agreement would benefit newcomers to the wine industry as well as KWV shareholders.
KWV, govt set to sign deal on industry trust

Pact should end wrangle between Hanekom and wine company

Louise Cook

PRETORIA — KWV and government are set to sign a deal — possibly before year-end — that will see between R350m and R400m being invested in a wine industry trust over the next 10 years, ending a protracted legal wrangle between Land and Agriculture Minister Derek Hanekom and the wine export company.

The trust was apparently to have been set up by September this year in terms of the out-of-court settlement. However, industry sources said at the time the detailed legal agreement at one stage got bogged down on the number of trustees to be appointed by the minister compared with those appointed by KWV.

The source said the agreement would provide for 13 trustees and that Hanekom would have the right to appoint seven.

Previous speculation was that wine industry expert Michael Fridjon would chair the trust, but this week no one was prepared to speculate on likely candidates for the position. Sources preferred to wait for Hanekom’s decision, possibly in February next year.

Indications were that the deal would provide for a trust and two nonprofit companies to be set up. One of the companies would be a business support operation which would receive 55% of its money from the trust, while the other nonprofit enterprise would be a wine development company which would get 45% of its money from the trust.

The business support company would be geared towards commercial farmers, taking care of research, technology transfer, generic exports and promotions. Generic exports would be a major component, with no less than 57% of the money for the company likely to go to this function, the source said.

The wine development company would be directed at empowerment of farm workers on wine farms and support for previously disadvantaged communities.

Altogether 43% of the development company’s funds would go to settling new farmers in the wine industry and 41% would go to training and empowerment of farm workers.

The deal would most likely provide for the remaining 16% to be used for market support and surplus removal schemes for new farmers, the source said.

The first payment into the planned trust would probably be made by January. However, the initial amount to be invested as part of the 10-year investment package was not known.

Sources confirmed that the amount would increase over time.

In September, the delays in getting the trust off the ground prompted Hanekom to cite arbitration as a possible way forward, but sources from the two negotiating teams agreed there were no longer “insurmountable” differences.
Trade pact threatened by wine

Brussels – A row over South Africa’s right to sell its fortified wines at home as “port” and “sherry” is threatening a vital trade deal with the European Union.

The Europeans are demanding that South African vintners should stop using the names sherry or port for their fortified wines, saying only Spain can produce wines called sherry, and only the Portuguese city of Oporto can label its fortified wine as port.

After an appeal from President Mandela fell on deaf ears at a meeting of foreign ministers on Monday, the issue will now go to the Vienna summit of EU heads of government this weekend.

The wrangle is an embarrassment to the European Commission because a deal was supposed to have been signed at the Cardiff summit at the end of Britain’s presidency of the EU in June.

Instead, when Mr Mandela arrived, he was promised an agreement by autumn – a deadline which has now been extended to Christmas. In his plea to EU heads of the government, Mr Mandela argued: “South Africa’s economic success is by no means guaranteed and requires an immense effort”.

After a marathon four-year negotiation the outline of a deal to phase out duties on some 90% of EU-South Africa trade, worth $19bn (R14bn) a year, was thrashed out last month at talks in Pretoria.

South Africa claims the terms port and sherry have been in widespread use for 300 years – but has agreed to a compromise under which it would stop using them on exports to Europe and phase them out over five to 10 years in other foreign markets.

But South Africa insists it must be allowed to continue marketing fortified wines as port and sherry for the home market.

“For the ordinary population the agreement cannot be concluded by us surrendering the household names in southern Africa of our own port and sherry,” Mr Mandela wrote in his letter.

The row is particularly embarrassing because of the small scale of the trade involved.

Sales of South African “port” and “sherry” are worth only about R700m, of which 15% comes from exports.

One EU official said last week: “We are talking about one of the new democracies. They have agreed to phase out the terms for Europe. Are we going to resist for such a petty reason?”

But others argue that the Europeans have already made enough compromises.

Spain, Italy and France fear they will suffer from greater access to South African agricultural products, including fruit and wine, to the European market. – The Independent, London
AGRICULTURE WINE

1999
EU offers $10m to SA wine producers

John Dludlu

THE European Union is offering up to $10m in marketing and technical assistance to SA wine producers; and to increase quotas of SA wines to the EU, as part of the fresh bid aimed at resolving remaining hurdles to a bilateral free trade deal.

A senior EU official yesterday confirmed the details of the EU's proposal, which were published in this week's edition of the Financial Mail, saying that the proposal, still under consideration, had been flagged to Pretoria officials.

It is also hoped the stalled talks could receive fresh impetus later this month when SA politicians and EU executives attend the World Economic Forum in Davos, Switzerland. Jacques Santer, the president of the European Commission, the EU's executive, is expected to attend the meeting.

The talks failed to reach finality last year over the disagreement on SA's use of the names port and sherry for its fortified wines. The EU wants SA to stop using these terms both in the third as well as its domestic market.

Further, it is understood the EU is also offering fresh concessions — including either removing import tariffs on SA wines into the EU altogether or increasing wine quotas — to sweeten the proposal for SA.

Bahlle Sibisi, the chief director for foreign trade relations at the trade and industry department, said last night: "We have yet to establish contact (with the EU) to agree on the way forward."

A Brussels observer warned yesterday that further delays in wrapping the deal could open the danger of it being scuppered by EU members who believed the new proposals were too generous.

The deal will see the EU removing tariffs on 95% worth of SA exports, while SA has offered to liberalise on 86% worth of imports from the EU.
Sherry truce sets up EU trade deal

Hugh Hobart
Pretoria Evening Star
25/1/1999

South Africa's clash with Spain and Portugal over the export of sherry and port to the European Union could be over and a comprehensive trade agreement with the EU is expected within days.

Senior South African officials said the deadlock was broken by a tacit consensus - still to be formally worded and put to EU governments - to shelve the dispute for a decade.

In the meantime, South Africa would be allowed to export fortified wines under the titles "sherry" and "port" to the EU and other countries, but in limited and possibly diminishing quantities - some officials believe the 1998 export levels could be used to set the ceiling - and the issue would be reviewed during further negotiations, probably in 2010.

In exchange for agreeing to this compromise, South Africa is understood to have sought additional trade advantages for Western Cape fruit and wine exports to the EU, although officials declined to reveal what these might be.

The "sherry" and "port" proposal is probably the best deal South Africa could have expected in the circumstances, and if it is endorsed by all the EU governments - South African officials say they believe it will be acceptable to Spain and Portugal - the way will be open for a historic trade deal that could form the foundation of South Africa's economic growth in the new millennium.

"In the end, it seems, it was just too small an issue to hold up what is a vast and exciting opportunity for both sides," said an official today.

The EU's chief negotiator with South Africa, Philip Lowe, who is the European Commission's director-general of development, hinted at an impending breakthrough last week when he told the European Parliament in Brussels: "The discussions have been under way since June 1995 and it should only be a matter of weeks before they are completed."

He added: "A great deal has already been agreed, including a number of sensitive issues. A political solution to those that remain would appear to be possible."

"We are now poised for this important agreement, which will send a positive message not just to South Africa and its neighbours, but for the future of our trade relations with the African, Caribbean and Pacific countries as well."

Trade and Industry Minister Alec Erwin is due in Europe for the Davos World Forum at the end of this week.

Also in attendance will be EU President Jacques Santer.

An agreement in principle is expected to be fleshed out then.
Erwin and Pinheiro toast a chilly agreement in

Port and Sherry
Deal struck with EU on use of ‘port’ and ‘sherry’

DAVOS — SA’s port and sherry producers will continue using these fortified wine names for 12 years if a deal hammered out at the weekend by Trade and Industry Minister Alec Erwin and European commissioner for development João de Deus Pinheiro is endorsed by their principals.

It is understood that the key to the resolution of the port and sherry problem, which was one of several matters delaying the conclusion of trade negotiations with the European Union (EU), was agreement on its phrasing.

Erwin and Pinheiro would not divulge details of their compromise until their principals had seen and endorsed it. However, it is understood that while SA may retain “port” and “sherry,” the arrangement will be reviewed after 12 years.

The dispute arose from the EU’s demand that the terms be dropped by SA.

The compromise has brought the two sides tantalisingly close to the conclusion of four years’ negotiations on a trade, development and co-operation agreement.

The Financial Times reported on Saturday that Erwin said: “With a bit of luck, it’s an agreement.”

However, Eltie Links, SA’s ambassador to the EU, said: “It’s not over yet.” Erwin and Pinheiro have to sell their compromise to their principals. The SA cabinet is expected to discuss it on Wednesday.

Pinheiro will brief his colleagues in the commission, the EU’s executive, on Wednesday, while Philip Lowe, the director general for development at the commission, is expected to brief EU member states on the same day.

Pinheiro will also discuss the deal at the meeting of EU foreign ministers on February 22.

Links, SA’s chief negotiator, praised Erwin and Pinheiro for the compromise. “It was very much a joint effort. At final stages of the game, you cannot get everything you want,” he said.

It is understood the compromise includes confirmation of a range of concessions on the EU’s part, such as better access to the EU for specified volumes of SA wines, canned fruit and dairy products.

Wine industry expert Michael Fridjofn speculated that the compromise would be a satisfactory resolution if the SA wine industry received real benefits for its voluntary derogation and the move did not confer more rights to the EU’s wine producers than those allowed under the World Trade Organisation.

Daan Botha, chairman of the national chamber of industry of the Afrikaanse Handelsinstituut, said yesterday he was “a bit worried” about deferred parts of the agreement, such as the fisheries accord.

Apparently the fisheries talks, suspended at SA’s request to separate aspects of the talks, will resume in a year. It seems the compromise also includes agreement by the EU to relax restrictions on SA’s trade in automotive components.

Comment: Page 9
Pretoria — The Wine-of-the-Month Club, one of South Africa's leading direct marketers, had won its biggest export order to date and shipped R500 000 of mixed South African wines to Switzerland, Colin Collard, the founder and director of the club, said yesterday.

Tim Hacker, a director of the company, said the club was on target to achieve a turnover of R30 million for the year to February 28, which was 15 percent higher than the previous financial year.

Collard said the company was the country's fourth biggest retailer of wines and boasted a membership of 22 000, arguably making it the leading direct marketer in the country. Exports were looking exceeding buoyant, with about 5 percent of the company's revenue coming from the UK market.

Hacker said membership was expected to increase to at least 26 000 during the next financial year and a further 15 percent increase in turnover was expected.

He said exports, which accounted for 8 percent of total sales of 130 000 cases a year, were expected to increase to at least 15 percent.
Real power is economic

The Darling grapes of sweet success

By Isaac Moledi

Stellenbosch Farmers Winery and its black empowerment joint venture partners yesterday harvested the first cartons of grapes from their premier vineyard at Darling, in the Western Cape.

Darling, situated some 30km from the Cape's West Coast, was identified as a high potential wine producing area when SFW and black-owned Maluti Foods and Beverages announced a R30 million joint company early last year.

The venture, trading as Papiuilsfontein Vineyards Limited, involved the development of a 975 hectare farm called Papkuilsfontein, where the company intends growing quality grapes to create an own-label range as well as to supply SFW.

What makes the project unique is that its shareholders include black retailers and farmers, as well as a local community trust representing workers and residents.

SFW, which is the country's largest producer-wholesaler of wines and the fifth producer of wine in the world, currently holds a 49 percent share in the development.

Black entrepreneurs, represented by Leopont 98 Properties, hold 36 percent while the remaining 15 percent is held by the Maluti Groenekloof Community Trust.

SFW said its aim was to divest itself of its shareholding over the next two decades. The ownership will ultimately be vested in the black retailers and the local community.

Leopont 98 Properties principal Joe Chakela said yesterday that his company was delighted that it was harvesting the first grape from the 250 hectare that was utilised.

The grape, Chenin Blanc, will be turned into wine to be ready for selling in July this year. A brand name will also be provided, Chakela said.

Chakela said: "This venture will ultimately be controlled by black interests. Until now, black empowerment projects undertaken in the local wine industry have been confined to independent owners of small and parcels to their own farm workers.

"Leopont, which represents a number of prominent liquor retailers mainly in the north of the country, is now being given the opportunity to reap the benefits of its considerable efforts to promote the development of a wine-drinking culture among black consumers."

He said the wine industry had remained a stronghold of whites despite the advent of democracy five years ago.
SFW's earnings feel 23% squeeze

Marc Hasenfuss

Cape Town — Stellenbosch Farmers Winery (SFW), Rembrandt's wine and liquor distributor, was sent reeling in the six months to December 31 as interest rate increases and the economic downturn squeezed headline earnings down 23 percent to R59 million, figures released yesterday showed.

SFW’s results followed flat interim results from its stablemate, Distillers Corporation, earlier this week.

Compensation for the loss of its distribution rights on certain Scotch whisky brands contributed R77 million in extraordinary profit, pushing attributable earnings to R139 million.

However, the dividend (which was declared a few weeks ago) was cut from 8c a share to 6c a share.

SFW's turnover slipped 5 percent to R1.2 billion, with directors attributing the lower sales to the relinquishing of Scotch whisky brands by agreement with Diageo in August last year.

"Negotiations are continuing for the acquisition of distribution rights for products similar to those relinquished to Diageo," they said.

They noted that, while pressure on gross margins was minimised by savings in the cost of sales, the marketing and operating costs (including the costs of upgrading technology skills and systems) increased by 5.1 percent.

This left operating income down 17.3 percent at R126 million for the interim period.

Directors noted that cash generated by SFW's operations had improved and, together with the compensation received for the loss of distribution rights, had limited the increase in financing the company's business activities.

SFW's finance costs, nevertheless, soared from just over R5 million in the previous interim period to over R22 million. This was partly offset by dividend income from the company's unlisted investments, which contributed nearly R8 million.

SFW is a prolific exporter of fine wines to Europe, but no mention was made of offshore sales progress in the directors' commentary.

Looking ahead, directors warned that SFW's performance hinged on economic developments. "Local and international markets are difficult to forecast and any further downturn will have a significant impact on earnings."

SFW finished 1c stronger on the JSE yesterday at R2.36 in thin trade. The ruling market price is well off the latest stated net asset valuation of R6.35 a share.
Afin de investigar el conduct de French Wine Organisation

El ERR 31499

SA to investigate conduct of French wine organisation

Translate your text to French.

La S.A. va investigar el comportamiento de la Organisation de l'AOC (OIV)
Wine trust will boost transformation

Louise Cook

Transformation in the wine industry received a major boost at the weekend with the appointment of trustees and directors to the R370m SA wine industry trust chaired by ministerial adviser and industry expert Michael Fridjalon.

Fridjalon was appointed by Land and Agriculture Minister Derek Hanekom following months of negotiations between KWV and government about the functions and composition of the trust.

The trust is part of a legal settlement agreement reached between Hanekom and KWV following a lengthy high court battle over assets of the company.

In terms of the settlement, KWV will pay R370m over 10 years to fund the trust. A R120m investment fund is to be set up to “ensure an ongoing flow of revenue to the trust.”

In addition, two article 21 companies, one a business support company and the other a development company, have been established.

The development company will focus in particular on farm worker issues and emerging wine farmer support among previously disadvantaged communities.

Included on the list of trustees for the new trust are Soetan assistant editor Len Maseko, Food and Allied Workers’ Union president Patrick Johnson, National Agricultural Marketing Council vice-chairman Godfrey Rathoga and some members of the top management of Stellenbosch Farmers Winery and KWV.

Directors for the new development company include SA Agriculture Union president Chris du Toit and SA Agricultural, Plantation and Allied Workers’ Union secretary Dickson Motha.

Acting land claims commissioner Alan Roberts and Bakesberg estate owner Michael Back have been appointed as directors to the business support company.
Great wine rush now a ‘backwash’

SA producers rely more on quality than novelty as Europe’s tradition of long family dinners declines

Tim Cohen

CAPE TOWN — The great SA wine export bonanza is over, official figures show.

The tapering off of the increase of SA’s wine exports is beginning to ripple through the industry, causing farsighted exporters to start repositioning themselves towards the more stable top end of the market, industry experts say.

Big double-digit increases in wine exports seen almost everywhere since SA emerged from apartheid will probably flatten out this year — and could even decrease for the first time since 1992.

The wine export bonanza, with exports rising by a staggering 130% over the past five years, has caused a rush of new plantings and brought new levels of vitality and profit to the industry.

Wine exports doubled in the first year after SA’s first democratic election to just less than 51-million litres, then doubled again over the next two years.

Figures for the first eight months of last year show a much smaller rate of increase — just less than 78-million litres were exported compared with 69-million litres the year before.

Wine of the Month Club director Colin Collard said foreign demand for red wine was still high, but for the first time in years good quality white wine was coming onto the local market again.

This suggested that foreign agents were not filling their orders for SA white wines, which producers were then trying to sell on local markets.

SA wines have in recent years been going through a honeymoon in foreign markets, often on novelty value. “We are seeing a bit of a backwash,” Collard said.

Wine makers now had to go through the much more arduous process of proving themselves on merit alone. In practice this would probably mean that producers would need to show that their wines are as good as Australia’s, but not as expensive, he said.

The reason for the levelling off is not only because the novelty of SA wines has been wearing off, but also because the overall level of alcohol consumption is falling in many countries. This is compounded by the fact that in some countries the level of wine consumption is also falling dramatically as the time-honoured tradition of the family dinner continues to disintegrate.

According to consultants Sutton Poole Associates, wine drinking in wine-drinking countries has suffered because there has been a move away from long family meal times. Instead, people have tended to become “grazers”.

Hence, the total number of people who drink wine in France and Germany — the countries where detailed statistics on consumption patterns are available — has fallen dramatically.

In France, for example, the number of wine consumers has fallen 45% since 1980. On the other hand, the amount French consumers are prepared to pay for their wine increased 27% between 1990 and 1995.

The result has been a rush to the top end of the market, and a move towards “noble” cultivars, such as chardonnay, sauvignon blanc and cabernet sauvignon.

These trends are also being felt in SA where massive bulk sellers are beginning to reposition themselves aggressively.

Two good examples are the transformation of the KWV and Simonsvlei co-ops.
Port makers may take EU deal to WTO

New world wine producers to meet in Montevideo

John Dilulio, Wyndham Hartley, Stephan Lauer and Reuters, Sapa-AFP

AS GENERAL euphoria greeted the SA-European Union deal yesterday, local port producers signalled their intent to put the brakes on with an approach to the World Trade Organisation (WTO).

Karel Nel, chairman of the SA Port Producers' Association, said his organisation would team up with fellow non-European port producers to challenge the EU's restrictive naming practices in the wine and spirits sector. New world wine producers are to meet in Montevideo, Uruguay. Sources believe a joint approach to the WTO on the issue of port and sherry denominations could be on the agenda.

SA's government and the EU welcomed the deal.

While Nel said he understood government's rationale in accepting the deal, some of his members were unhappy with it. Last week Nel, who said the association's 27 members represented 90% of SA's port producers, wrote to Trade and Industry Minister Alec Erwin, praising his hardline stance in talks with the EU.

Responding to the possibility that the port industry could lose this label after the 12-year transition period, Nel said the international challenge would seek to ensure that all foreign wine producers were treated alike: that none was forced to abandon its trade marks.

A spokesman for KWV welcomed the prospect of preferential access to the EU. Erwin, President Nelson Mandela and opposition parties have welcomed the conclusion of the negotiations. However, Erwin conceded in Parliament yesterday that all new wording on port and sherry, a compromise on the Davos package, could see use of the terms lost in the domestic market in 12 years. The Davos package allowed SA to use the names for 12 years, when names would be jointly agreed between SA and the EU. The new deal is that after 12 years "new denominations that shall be used in SA will be jointly agreed". This has been interpreted as conferring a veto right to the EU on names after the transitional period.

Erwin and Land and Agriculture Minister Derek Hanekom insisted, however, that the door on the wine labels was still "ajar". Erwin said the EU had intended to slam the door on port and sherry and that SA's concession kept alive the question of port and sherry in the domestic market.

Hanekom stressed that the port and sherry market for SA producers was largely domestic, with R100m of an R800m market going in exports.

EU ambassador to SA Michael Laidler said the EU leaders' unanimous endorsement of the deal was an "irrevocable commitment" to the deal. He defended the changes, saying they were in the spirit of the Davos package. The deal, expected to come into force next year, would reinforce the EU's dominant position as a direct investment and trading partner with SA.

Erwin said the main beneficiary of the deal was agriculture, but SA's industrialists would also benefit substantially from duty-free access to European markets within three years.

When the agreement comes into force there will be duty-free access to EU markets for 32-million litres of SA's wines and allowance for duty-free quotas of agricultural products to grow 3% a year.

A Spanish diplomatic source said King Juan Carlos's state visit to SA in February had "helped establish a more sympathetic climate" towards the EU agreement.

The deal will remove tariff barriers on 90% of trade between the two in 12 years.

Rob Davies, chairman of parliament's trade and industry committee, said SA should not be over-euphoric as the tearing down of trade barriers would also pose challenges to business.
Cape’s wine industry is entering a new era

The setting up of the wine trust heralds a new era, writes Michael Fridjhon

When the Wine and Spirit Control Amendment Act is promulgated soon, an era in the Cape wine industry will come to a close: since 1918 (though increasingly from the 1950s) the liquor producer, KWV, dominated every aspect of wine and spirit production in SA.

The Amendment Act, with its June 30 1999 sunset clause, oversees the death throes of KWV’s statutory role and facilitates its entry as an active participant in the domestic trade.

At the same time, the formation of the SA Wine Industry Trust — funded at this stage by contributions from KWV totalling R370m over 10 years — paves the way for an industry-wide council to manage a business support and development programme. Its target is to ensure that this country becomes a world-class wine producer where players from every level play a real, meaningful part in its operation.

When KWV announced its intention to convert from co-operative to company in October 1996, few people realised how long, arduous and fraught its rites of passage would be.

The newly appointed Agriculture Minister Derek Hanekom, conscious of the advantages KWV had enjoyed over the years it had managed the wine industry, intervened in the process. He made it clear that his intentions were fuelled partly by a need to address the statutory issues arising from the conversion and partly by a desire to ensure that after the transformation the industry would be operating on an equal playing field as possible.

Accordingly, he opposed the KWV’s application to court to sanction its proposed scheme of arrangement. He won the right to participate in the process, making it clear that the changes KWV intended implementing would leave a statutory void which could not be addressed without the legislature.

KWV’s supporters accused the minister of attempting to nationalise the assets of the co-operative. Hanekom steadfastly maintained that there was a win-win potential in the situation. The wealth built up by KWV over its years of untrammeled statutory authority could not simply pass into private hands without disadvantage to the other commercial operators in the system.

In this, Hanekom enjoyed the support of the Cape Wine and Spirits Institute. Its members include most of the major domestic producers (and in several of which KWV holds a significant stake).

Finally, a dialogue took place between Peter Wrighton, on behalf of Hanekom, and KWV. Heads of agreement were drawn up in September 1997. The minister withdrew his objections to the scheme of arrangement. A new statutory dispensation for the wine industry was mooted, and the parties agreed to the creation of a trust to house payments from KWV to be invested for the good of the industry.

No sooner had the document been signed than differences as to the interpretation of its principles. Meanwhile, KWV had completed its conversion arrangements. For months the deal languished with little to drive it forward to a conclusion.

In the last quarter of 1998, a year after the original heads were signed, a new sense of urgency possessed both parties. Industry expectations had been raised by the 1997 understanding, and demands for cash were beginning to embarrass everyone.

Exporters sought money for genetic promotion, development organisations importunaed KWV and government for grants, while KWV’s involvement in statutory activities, however much reduced, nevertheless precluded its direct participation in the local market. Hanekom’s pre-Wrighton negotiating team was brought in to see what could be salvaged.

Faced with the need to achieve results, the parties moved swiftly beyond the old heads of agreement to a new contract. KWV would be relieved of any obligations to perform services for the industry. It would pay the sum envisaged in the original agreement, less an amount which would compensate it for the cashflow implications of funding the trust through quarterly advance payments.

A structure was created to meet the requirements stipulated by both sides — a trust operating as the shareholder of two section 21 companies. The trust would have 13 trustees, and each company would have 13 directors, seven appointed by the minister, six by KWV.

One company would provide business support services for the wine industry (Busco), the other would deal with development projects (Devco). Slightly more than half the funds would be allocated to the former, less an amount of about 4% which would meet administrative overheads.

The key to both parties’ thinking was the concept of subcontracting the supply of services for Busco and Devco, to create capacity in the new structure which could only be a costly and unnecessary duplication.

The newly appointed boards of trustees and directors are representative of the industry and its participants at all levels. They include farmers and their producer organisations, wholesalers, labour, government departments dealing with land, agriculture and liquor, organisations with experience in appropriate development projects and specialist professionals.

Parties, which a few months previously dealt with each other only on the most confrontational terms, now meet to secure and implement a working vision for SA’s wine industry.

These arrangements will never eliminate potential conflict; the objectives of some interest groups can be achieved only at the price of concessions from others. Undoubtedly, however, there will be a better understanding of the needs of participants, and communication conduits that never existed before.

These opportunities do not guarantee success. There is always the very real risk that trustees and directors will vote along partisan lines. There is no readily definable distinction separating cooperation from collaboration, or working together from selling out.

While the legacy of the past has the power to fragment, the vision for the future may provide a more cohesive and enduring bond.

Fridjhon is the newly appointed chairman of the SA Wine Industry Trust.
SOUTH Africa’s winemakers, who are eager to grow exports to offset a static local market, are facing significant competition from “new world” winemakers in countries like Australia and Chile for a share of the international wine market.

Kim Green, CEO of the SA Wine and Spirit Exporters Association, says this is partly because SA winemakers did not fully exploit an important window of opportunity after the country was readmitted to the world economy in 1994, when SA products became fashionable.

The association, which has more than 100 members representing most of the industry, has appointed Green, 34, as its first full-time CEO to push demand for local wines and spirits abroad.

South Africa is the world’s seventh-largest producer of wine, producing 833-million litres, or 5.1% of total world production, according to 1996 figures.

Wine industry figures for 1997 show that SA produced 653.2-million litres of good wine and 277.3-million litres of distilling and rebate wine. Local sales of wine totalled 408-million litres, and about 110-million litres were exported.

Green, a business science graduate and former SFW group marketing manager for wines, will focus initially on raising the profile of SA wines in existing and potential foreign markets.

She says the SA industry has not adapted quickly enough to change. Worldwide, people are drinking less, but better quality.

“The market is moving to premium varietals and from white to red, and we need to move with these trends,” she says.

“We also don’t have the right service ethic. We tend to be arrogant with a take-it-or-leave-it attitude.”

She says the local industry’s name was also tarnished internationally when some unscrupulous operators dumped large volumes “in an unacceptable style”.

Her biggest challenge is to promote the quality of SA wines. “In previous years we were marketing ourselves most aggressively on price and it is difficult to convince consumers that we can hold our own in the premier category too.”

Green says SA has historically been a brandy-producing country and only 20% of the national vineyard is classic grape varietals. The national vineyard is large in world terms but does not necessarily have the right make-up, she says. Nevertheless, SA “is fast developing a reputation for its unique styles, especially at the top end of the market”.

SA wine is exported largely to the UK, Germany (which does not make its own red wines) and the Benelux countries, but is gaining a foothold in other parts of Europe and the US.

Green says one of the industry’s strengths is that while SA is not part of the old wine world, it is more experienced than the new world.

However, Chile and Australia have embarked on major marketing strategies and SA must do the same.

Green hopes to bring international wine writers and judges to the winelands and to encourage wine tourism.
Handover in wine industry as party draws to a close

Judy conditians for SA wine have been evaporating since the 1980s, and the market is facing

We are not the only one.

The market is facing

...
Most SA wine exporters agree to pay

Funds would be used for research, a market information system and promotion.

The draft agreement was presented by World Expo Exporters Association, which represents the majority of SA wine exporters.
Wine trust opens with R370m

LYNDA LOTTEN
PARLIAMENTARY CORRESPONDENT
CTWINE
12/9/99

Cape Town - The new South African Wine Industry Trust and its subsidiaries, the SA Wine Industry Company (Busco) and the SA Wine Industry Development Company (Deveco), had been launched, the industry said this week.

Representatives from the ministry of agriculture, KVV, co-operative cellars, wine estates, wholesalers, and organised labour on March 31 to map out how best to use the first tranche of R20 million from the R370 million fund.

In terms of the trust deed, about half of the annual budget will be allocated to Busco and half to Deveco. Busco is expected to invest more than 50 percent of its income in generic export promotion and slightly less on research and technology transfer.

Deveco, on turn, will invest most of its budget in facilitating the access of new entrants from previously disadvantaged communities to the wine industry, as well as to community empowerment projects.

Michael Frith, the chairman of the Wine Industry Trust, said the mood at the opening meetings had been very positive.

"There is a gratifying spirit of co-operation and a clear commitment among the parties to work together for the good of the industry as a whole," he said.

"What we need to do now is set about establishing a basic working infrastructure for the trust, Busco and Deveco. There is provision in the trust deed for the appointment of a full-time manager to handle the day-to-day operational business. We now need to seek out a suitable candidate.

"The position will be a tough one to fill: we are looking for a senior manager with financial, negotiating and marketing skills. "Our ideal candidate must also be something of a visionary, with experience in handling development and transformational issues, self-motivated, results driven and hopefully with some knowledge of the wine industry. "We are not kidding ourselves that this is an easy brief but we are prepared to offer a package that should attract a high calibre individual.

The trust, which is expected to play a critical role in the development of the South African wine industry, will meet on a quarterly basis to discuss key issues related to the long-term growth of the industry.

The next round of meetings will be held in early June and will deal with urgent funding priorities as well as the staffing requirements of the three organisations involved."
Wine belongs in a bottle, in the connoisseur's mind, and plonk goes in a box – or, as inventive Cape parlance has it, a "Bonteheuwel briefcase". But there's transformation afoot, and it's reaching into the cellar. A change in archaic wine regulations now allows producers to bag a share of the wine-in-a-box market, and some are losing no time in making the most of it.

Robertson Winery has already released a demurely packaged Chardonnay '98, in a two-litre box. And this is to be followed soon by a two-litre Sauvignon Blanc '99.

For years, though, wine producers were limited to bland "dry red" or "dry white" labels, with no mention of such high-falutin' details as cultivar or variety, let alone vintage.

Cheap and often nasty, they filled a bottom-end niche and had tags to match – "bergie handbag" or "Bonteheuwel briefcase" among them.

The Afrikaans appellations have always been more direct, and arguably more accurate. A popular term – "doos wyn" – risks being delicate, but tells it as it is: box wine. On the other hand, "'n kraantjie" – necessarily pronounced "kraai'n-chie" (a little tap) – probably best describes the convenience of buying wine in this form.

Now, along with the convenience, comes classier wine – and what is referred to in the trade as "price advantage".

Cheaper packaging means less expensive wine, even good ones.

The change in South African wine regulations was spurred by a realisation that the country's reputation among vintners abroad was being tarnished by inferior boxed products.

Wine consultants Posy and Jeremy Hazell believe that "in time, as it makes more economic sense to add value to better wine, there should be an improvement in the overall quality and thus the image of South African wine abroad".

Who knows, "Bonteheuwel briefcase" may yet make way for "Constantia portmanteau".
SA wine exports in mini boom

Cape Town - The South African Wine and Spirit Exporters' Association (Sawsea) expected wine exports to rise by 12 percent to 130 million litres this year, Kim Green, its CEO, said yesterday.

She expected growth to become faster in the years ahead if South Africa marketed its better-quality wines more effectively.

Green said a proposed statutory levy of R0.5 a litre on all wines exported was being considered by a committee appointed by the National Agricultural Marketing Commission.

"If approved, this levy would generate some R6.5 million, which could help Sawsea secure a presence in new markets.

"The additional funds would also permit us to pursue more aggressively those markets where we have already begun making inroads," she said.

Green said 40 percent of South African wine exports were to the UK.

"Initially, South Africa made its mark at the lower end of the British market. We are working hard to dispel the image of being a producer only of mass volume wines," said Green.

"Fortunately, increasing exports by top-level producers are proving to more sophisticated consumers that we're able to provide an interesting array of quality New World-style products."

However, Green said, South Africa had little representation, so far in the middle-price range, of wines costing between £5 and £6 a bottle, "where excellent opportunities exist to grow our presence."

"British consumers are extremely price-sensitive but are prepared to pay for good value," she said.

"In the short term we need to work with what is available and create products that address this marketing opportunity."

"If from the very next vintage more South African co-operative wineries start vinifying their wines according to individual vineyard blocks, to allow for a better-quality selection process, they can make major improvements to the standard of their wines right away," said Green.
Focus turns to training as first crop of wines make a hit in UK

Thandi leaves SFW empowerment nest

Cape Town — The Lebanon empowerment project in Elgin and Grabouw, the fruit and wine region, has been such a success that Stellenbosch Farmers’ Winery (SFW), the wine and spirits company, has decided to let the fledgling company go it alone.

The brand name Thandi would be used for the marketing of the wines and fruit, said Andre Steyn, the director of SFW.

He said the first crop and wines under the label were recently exported to the UK and had been met with an extremely good reception.

SFW’s interest in the Lebanon project has been transferred to Umhlolo Investments whose chairman, Trevor Steyn, has been involved in the project from the start. Steyn created two trusts to get the community project off the ground.

SFW’s initial investment in the project amounted to R2 million.

Andre Steyn was one of the driving forces behind the scheme, together with viticulturists Ernst le Roux and Hannes van Rensburg.

Other founding partners, including Paul Cluver of Elgin, would remain involved.

“SFW’s initial goal was to help launch the project,” said Andre Steyn. “The time has come to progress to the next level and ensure the long-term sustainability of the project.

“It makes good sense to transfer the role to (Trevor) Steyn and Umhlolo, because he played a major role in the initiation of the project. He represents broad empowerment interests.”

SFW’s initiating role included the provision of capital as well as technical advice for establishing vineyards. It supplied plant material and developed the Thandi trademark and labels. SFW will continue to assist on a technical level.

Andre Steyn said a further contribution, aimed at the community, was the organisation and facilitation of a training plan for skills development.

“It is extremely important for us for the project to proceed even though we are no longer directly involved,” he said.

He said two bursaries had already been allocated to students from the community who were studying at the Eisenburg Agricultural College.

“Our philosophy is to become involved in viable empowerment projects in the added value sector of agriculture. As soon as such projects are able to function autonomously, we take a step backwards and keep an arm’s length distance.”
SA plans to export better quality wine

CAPE TOWN — SA wine exports should increase by 12% this year, to a projected 136-million litres, and could grow even faster if the country could sell more quality vintages, exporters say.

Kim Green, CE of the SA Wine and Spirit Exporters' Association, said the country was seeing some success in its efforts to promote better quality wines in its main market, Britain:

"We are working hard to dispel the image of being a producer of only mass volume wines," she said.

"Once branding efforts from some of the larger producers take root in the medium-priced, wine sector abroad, annual export turnover should grow even faster," Green said.

Green said SA had initially made its mark at the lower end of the British market, but exports from top-level producers were proving to more sophisticated consumers that the country could also turn out quality products.

SA is also keen to do more to promote wine tourism in the British market — which absorbs 40% of the country's wine exports — and encourage more tourists to visit the vineyards of the Western Cape.

Following a promotional trip to Britain, Green is due to visit Benelux and Scandinavian countries to explore export opportunities and help boost SA's current 3.1% share of global wine production.

The association has proposed introducing a levy of 5c a litre on all wines exported in order to generate about R6.5m a year for marketing abroad.

SA saw a surge in demand for its wines after sanctions were lifted and apartheid ended with democratic elections in 1994.

However, the growth of the market has slowed in recent years, and the country is facing tough competition from other "new world" wine producers like Australia and Chile. — Reuters.
It was also announced that the WINE debt remoulding strategy, which was announced last year, has been changed. This is due to the fact that the initial plan did not result in the desired outcomes.

**WINE Debt Remoulding Strategy**

**WINE (Wine Industry Environmental Network)**

**Cape Times**

**WINE member**

A new approach, known as the WINE 2.0 strategy, has been developed. This approach aims to address the issues that were not resolved under the initial plan. The new strategy will involve a more flexible approach to debt remoulding, with a focus on smaller, more manageable projects. It is expected that this will result in a more successful outcome.

---

**Spit leaves sour bouquet**

**Online:**

Spat leaves sour bouquet

**C T 20/7/99**

**Spat leaves sour bouquet**

---

**WINE**

---

**Spit leaves sour bouquet**

---
Provence Winery says 'vive le Haute
Bowing to French pressure, Haute

FRANCEHOCKEY — SAV's accumulation makes formation

Vinboy at 10/19

Provence Winery says 'vive le Haute
Bowing to French pressure, Haute

FRANCEHOCKEY — SAV's accumulation makes formation

Vinboy at 10/19

Provence Winery says 'vive le Haute
Bowing to French pressure, Haute

FRANCEHOCKEY — SAV's accumulation makes formation

Vinboy at 10/19
Playing with the big boys now

SOUTH African wines are world renowned — but does the industry have what it takes to be a global player in a shrinking arena? Consumer Writer GUSTAH THIEL looks at the strategies that aim to make an assault on the international wine market in the new millennium.

The next 20 years will decide whether South Africa can become a global player on the international wine market, but a lack of understanding of international market trends has left the country lagging behind New World wine producers like Australia.

The lack of focus to anticipate trends on the international market can, according to Kim Green, CEO of the South African Wine and Spirits Exporters Association (Sawea), be attributed to the industry’s focus on the domestic market, which has been successful.

The industry has been successful at increasing the export market, but there is a need to look at other markets, which have been neglected.

The industry is trying to come to terms with the current situation of high prices and high production costs, which have reduced the market for South African wines.

The industry is looking to expand its market, but there is a need for more innovation and new products to attract new consumers.

The industry is looking to expand its market, but there is a need for more innovation and new products to attract new consumers.

According to Green, the South African wine industry is defined as the “internationalised independent producer of fine, secondary and tertiary socio-economic activities within the South African wine sector”.

Primary activities are those relating to wine management and farming, secondary activities are all other activities that are required to make the wine, and tertiary activities are all other activities that are required to make the wine, and tertiary activities are all other activities that are required to make the wine, and tertiary activities are all other activities that are required to make the wine.

“Said Spies: ‘The wine industry, similar to other agriculturally-based industries in South Africa, was divided into a number of different categories, which makes it difficult to understand the industry as a whole.’

The industry is looking to expand its market, but there is a need for more innovation and new products to attract new consumers.

Playing with the big boys now

The industry emerged from the confines of a small economy to be confronted with an expanding market for South African wines.

‘The industry emerged from the confines of a small economy to be confronted with an expanding market for South African wines.

Although Vision 2020 is still in its infancy, the industry is looking to expand its market, but there is a need for more innovation and new products to attract new consumers.

Vision 2020 will focus on broad-based human development, which includes not only education, but also improving the quality of life of those communities that are dependent on the wine industry.

Focus will also place on technological innovation, which means a continuous improvement in the quality of wine and the ability of the wine industry to offer better products and services to the consumer.

Emphasis will also be placed on an inviting operating environment, which includes sound government policies relating to the wine industry, effective institutions and sufficient financial support.

While the industry is looking to expand its market, but there is a need for more innovation and new products to attract new consumers.

Green says: ‘There are a lot of positives in our industry and it is simply a question of getting the right strategy in place to ensure that we become a globally influential player.’
Wine exporters still at odds over idea of levy

Wine exporters still at
dods over idea of Levy
'INDUSTRY UNREALISTIC'

Extent of white wine glut 'underplayed'

THE SA WINE INDUSTRY is trying to hide the fact that it is facing its most serious crisis in decades — one that could cripple the industry — by underplaying the amount of white wine it cannot sell. Consumer writer GUSTAV THIEL reports.

THE most up-to-date wine industry figures show that more than a quarter of all the white wine produced in 1998 is going bad in cellars around the country.

This is because the industry was not prepared for a down-turn in the international market for white wine and because too much brandy was imported from Europe.

The Cape Times reported on Monday what industry leaders had publicly admitted for the first time — that it was stuck with 100,000 litres of white wine from the 1998 harvest.

This figure was verified by the chief executive of the SA Wine and Spirits Exporter's Association, Kim Green, and the director of Anglo American Wines, Don Tooth.

Green said the industry had to be realistic about the amount of wine that is going to be exported. He added that "one bad article in the international media can cost the industry millions of dollars".

Cally Hickman of South African Wine Industry Information and Systems, a Pari-based organisation initiated by the industry to keep tabs on all statistics, confirmed yesterday that the initial figure of 100,000 litres was "a total underestimation".

Hickman says the excess amount of white wine exceeds 100 million litres — almost a quarter of the total amount of white wine produced in South Africa last year.

Hickman says there "should be no misunderstanding within the industry about the excess amounts because we supply them with the latest figures".

Jaco Boonzaaier, who works

This is almost the exact amount of excess wine that the industry is currently stuck with.

Tooth says his impression on a recent visit to the United Kingdom, the biggest importer of South African wine, was that they are drinking less South African wine and that European drinkers are switching to red wines.

"The fact is that the excess 100 million litres will have to be dumped," says Boonzaaier. "You cannot keep white wine for too long in the cellars. It is already not of good enough quality to sell as quality wine."

Green warned that any attempt to sell poor quality white wine on the international market "will do irreparable damage to our trademark".

A Cape Times investigation found evidence that wine makers are selling some of the excess white wine in so-called "popskies" to farm labourers.

The KWV has expressed concern about a proliferation of wine smuggling in the Western Cape. This practice could be aided by the excess amounts of white wine on the market, according to a KWV spokesperson.

Hickman says that in 1993 there was an excess of 260 million litres of all wine, but then it was used to make brandy and other distilled wines.

Three years ago, the KWV, Distillers Corporation and the Stellenbosch Farmers' Winery bought almost 2,5 million litres of brandy from Europe on advice from the Cape Wine and Spirit Institute. As a result the market is currently flooded with brandy and there is no market for all the white wine.

The 100 million litres represents an income of almost R2 billion for wine producers in South Africa. If the wine has to be dumped, it will be a serious blow to the entire South African economy.

"See Insight, Page 15"
To win in world wine, SA must serve up the bouquets, and forget about the buckets.
Crumb of comfort for winery

Nicole Jonvay

DUBAI — A R57m compensation payment made to Sections
Farms' Winery (SFW) for the loss of certain distributing
rights in SA was the re-

dominating feature of an otherwise
dull year to June.

The French-based subsidiary lost the distribution rights to
several international brands, in-
cluding Bulle whisky and
Bouchon gin when British compa-
ny Diageo switched to the in-
house distribution of its prod-
cuts. SFW received R83m in
compensation, a significant fac-
tor in the R218,7m in at-
tributable income to R188,4m.

However, turnover dropped
7% to R21,0m, and net operat-
ing income after depreciation tumbled 33% to R11,3m as the
impact of losing the distribu-
tion rights took full effect.

Headline earnings dropped
to 40.4c from 74c and the final
dividend of 1c a share (1998
22c) brought the annual total to
11c.

SFW chairman Jeff Malherbe
said the drop in profits was ex-
panded against a dramatic
shrinking in local consumer
spending. The company was al-
so forced to absorb sharply-
higher excise duties on certain
products to avoid passing on
higher prices on to con-
sumers. The shortage of red
wine further curtailed growth.

Malherbe said SFW was con-
tending with the lost distribu-
tion rights by "aggressively
pursuing" the market for the lo-
ally produced whiskies Three
Ships. The company has acquired the
distribution rights for one of the
country's top four Scotch
whisky brands, the Scottish Leader
with effect from July 1.

SFW has continued leading
in the fast-growing alcoholic
fruit beverage sector where it
maintained a 25% market share for
the year under review. The in-
\ntroduction of Scottish Dry led
with "a positive response"
from local consumers.

The product category was
also showing encouraging po-
etial abroad. Syriania cider
has been launched in Europe to
a favourable initial reaction.

Malherbe said the shortage of
so-called red wine cultivars was
being addressed through the
expansion of SFW's own nur-
ery to stock growers and by en-
couraging these relationships with
long-term contracts for premi-
un-grade grapes.

The company was also en-
gaged in partnerships to accele-
rate vineyard development
amongst suppliers.

SFW forecast of R22m in
profit for 1999 contrasted more
than a "dramatic shrinkage" in
spending. SFW was also forced to absorb higher excise duties on some
products to avoid passing on
higher prices on to consumers.

The company's turnover de-
nippled 7% to R21,4bn, but
traditional margins were
recovered from over 13% to
62%, knocking operating
profit down 5% to R16,6bn.

Stroebel said SFW also lost
the distribution rights to
several international spirits
brands and a gin when Diageo
switched to the in-house distri-
bution of its products.

SFW received R37m in com-
penation for the loss of the
Diageo distribution rights.

The payment was accounted
for as an exceptional profit,
which pushed attributable net
income up almost 20% to
R31,4m.

Stroebel said the loss of the
distribution rights was being
countered by aggressively
 Protect this page: [link]  

SFW suffers from consumer hangover

Marc Hamilton

Cape Town — Sections Farms' Winery (SFW), the wine
and spirits producer, suffered a consumer spending hangover in the
year to June 30, reporting yesterday that after-tax profit
and dividends fell more than 40% to R8,03m and
R1,97m, respectively.

Frans Stroebel, the man-
aging director, attributed the drop
in profit to more than a "dram-
atic shrinkage" in spending. SFW was also forced to absorb
higher excise duties on some
products to avoid passing on
higher prices on to consumers.

The company's turnover
dropped 7% to R21,4bn, but
traditional margins were
recovered from over 13% to
62%, knocking operating
profit down 5% to
R16,6bn.

Stroebel said SFW also lost
the distribution rights to
several international spirits
brands and a gin when Diageo
switched to the in-house distri-
bution of its products.

SFW received R37m in com-
penation for the loss of the
Diageo distribution rights.

The payment was accounted
for as an exceptional profit,
which pushed attributable net
income up almost 20% to
R31,4m.

Stroebel said the loss of the
distribution rights was being
countered by aggressively
 Protect this page: [link]  

SFW's results are presented for the year to June 30.
Two Wine Producers Join Forces
Sad sales lurch KWV into red

LYNDALOXTON

Cape Town – A dramatic slump in brandy sales and the need to set aside funds for a wine development trust pushed the KWV Group into the red in the 15 months to June 30, Willem Barnard, the managing director, said yesterday.

He said he was, however, optimistic about prospects in the year to come as the group’s new strategic framework took shape and the slump in brandy sales bottomed out. He expected exports in quality wines and grape juice concentrates to do well.

The results reflected the group’s switch from a co-operative to a fully fledged but unlisted company.

Barnard said KWV would no longer carry buffer stocks of brandy for wholesalers, who last year ordered local and imported brandy “rather copiously”, based on demand over the last five years.

High interest rates and a decline in non-essential spending had deflated demand, and wholesalers took up less than half of what they ordered in 1997, leaving KWV holding huge stocks. Brandy sales declined by 97.7 percent in 1998.

KWV declared a maiden dividend of 3c for 300 million out of the 600 million authorised Class A shares issued.

Barnard said the company had started providing the R362.7 million it had committed to the new South African Wine Industry Trust, thus affecting cash flow.

KWV also started VinPro, the group consultancy and technology transfer division. A new white wine pressing cellar and other wine making facilities were commissioned earlier this year.

KWV discounted the liability to the new trust and debited the after-tax amount of R131.6 million as an exceptional item. As a result, net income for the period of R55.3 million was converted into a loss of R76.3 million.

Barnard said there had been an encouraging increase in the sales of grape juice concentrate, which had been repositioned as a profit-making commodity on the international market.

KWV’s wines continued to do well in international competitions, vindicating its investments in modern pressing and fermentation plant and equipment.

Export income was boosted by the favourable exchange rate in the second half of 1998.

KWV shares, closed unchanged at R9.75 yesterday.
SA wine makers urged to set up export marketing company

Cape Town - South African wine makers should set up an export marketing company to maximise exports in the face of weak domestic demand, Jeff Malherbe, the chairman of Stellenbosch Farmers' Winery, said in the company's latest annual report.

Malherbe said the government should also consider urgently providing financial support for the extensive planting of new cultivars, which were more popular on overseas markets.

Competition in the industry had intensified because of the stagnant domestic market and the entry of foreign wine makers.

While the trend towards globalisation had also created opportunities for the local wine industry, export efforts had been hampered by fragmentation and the real risk to South Africa of the sale of poor quality wines in the international market, Malherbe said.

Steps had been taken to tackle this through the establishment of a more representative exporters' body - the South African Wine and Spirits Exporters' Association. It would be funded by a statutory export levy.

But Malherbe said: "While these steps are welcome, I am not sure they go far enough to establish our wines overseas. In my view, the future of the South African wine industry lies in the international market. The quality of our wines has increased dramatically and we can hold our own in any market."

Malherbe said it was important for the bigger exporters to consider joining up to form one export marketing company "which could lead to a better exploitation of the various export markets, assist in further expanding those markets where we already have a foothold and seek new markets."

The problem with South African wine was not its quality but its price. South African prices were way above those for Australian and Chilean wines and an export company would benefit from efficiencies of scale created by joint marketing and distributing efforts.

South Africa also did not have enough wine made from the cultivars that were popular overseas. In other wine-making countries, governments provided financial assistance to growers to uproot old cultivars and establish new ones.

"Given the status of the wine industry in South Africa, its export potential and that it is one of the biggest employers in the country, the government should attend to this problem as a matter of urgency," Malherbe said.
The news headline is cut off, but it seems to be about a government's decision to impose some rule or action against a port producer.
Wine industry looks towards working with govt, says KVW
SWF chief calls on wine exporters to join forces

Stellenbosch Farmers' Winery chairman Jeff Malherbe has called in the company's latest annual report for the country's major wine exporters to consider joining one marketing and distributing company to create collective efficiencies and better exploit markets abroad.

"While the South African Wine and Spirit Exporters' Association can assist in co-ordinating our international sales, and furthering the establishment of a generic approach, it would in my view be necessary for the bigger exporters to consider joining one export marketing company to assist in expanding those markets where we already have a foothold, and to seek new markets," he said.

Mr Malherbe added that South Africa's wine exporting initiatives were being hampered by a lack of suitable grape varietals to match the demand of foreign palates.

Recognising the enormous cost involved in upgrading and replanting Cape vineyards, he urged the government to provide resources to speed up this process.

"Given the status of the wine industry in South Africa, its export potential, its contribution to state revenue and that it is one of the biggest employers in the country, the government should attend to this problem as a matter of urgency."

Referring to the bilateral negotiations between South Africa and the European Union on wines and spirits, he said agreement in principle had been reached.

The obligations on the part of South African producers of port and sherry to consider alternative names for these product categories had been postponed for 12 years and would thus "not have any short-term impact on the group's considerable investment in these fortified wines". - Sapa
WINE

SA Wine makers announce Link-ups to improve quality

[Image]
SA’s revamped and deregulated wine industry has not yet seen the end of the string of change and could be facing a “shake-out” of some smaller wineries by next year, says Steenbok Farmers’ Winery corporate director Andre Steyn.

“The honeymoon is over,” he says. “From next year there will be consolidation in the industry. Many smaller wineries have experienced record sales and exports for a long time. But competition with countries like Australia and the US is on the increase.”

Steyn says in Australia, the four biggest producers control 60% of the market, a scenario that is likely to develop in SA over time.

In the past two years the wine industry has shed regulatory controls related to prices and quotas and set up new organisations to run information administration and quality control.

Farmers can no longer turn to the former co-operative KWV to buy, at a fixed price, all wine surplus. Now a company, KWV, can focus on its core business of wine-making and sales.

Thanks to the efforts of former land and agriculture minister Derek Hanekom and KWV, the industry has pledged R2.7bn over the next 10 years to a trust that will oversee black empowerment and research and support exports.

The emphasis on grower promotion is reflected in the money allocated to this by the trust.

Out of seven farms this year and next, generic promotion is to receive by far the biggest amount of R6.7m.

For the next two years a total of R32m will be spent on items like research, grassland surpluses, wine surplus and different projects for new black farmers, wine makers and farm workers.

The question is whether the industry is ready to join the ranks of the Bimeco France and Australia’s well-funded and established wine sectors.

“Not quite,” says the SA Wine and Sparkling Association’s Kim Green.

Green believes that, unlike Australia, which has a very positive association for wine dealers worldwide, SA is still hampered by ghosts from the past.

Another reason why strong SA brands are lacking is short supply, she says. Steyn sees black empowerment in the wine industry as disappointing.

This year, only Steenbok Farmers’ Winery and a handful of private landowners in the Western Cape have started any tangible empowerment projects.

The projects seem to have fallen flat and there are too many still on the roll, a dozen in total.

An industry that is perceived to be white-controlled could paralyse negatively towards SA and its products.

Many small co-operatives and companies claim to be running empowerment projects. Upon closer scrutiny, they are more than giving special training to one or two black employees.

The development arm of the wine industry trust has allocated more than R5m to assist new farmers for 1997 and 1998.

Wine Industry Trust GM Matthew Scandordion says there is no doubt that all the money will be paid out for the past year and that this will be done in co-op.