MANUFACTURING — BEVERAGE

1990

JAN. — AUGUST.
**KWV increases wine price for farmers**

THE KWV has announced an increase of at least 12% in the minimum price paid to farmers for wines.

There will be a 15% rise in the minimum price paid to farmers for wine purchased for quality table wines, 12% for wine used for standard priced bulk wines and also 12% for wine purchased for distilling purposes.

A KWV spokesman said in a statement that 26% of the 1980 crop would be exported as various products for which markets had already been found, while 43% would be sold as wine on the domestic market and the remaining 31% as spirits on the domestic market.

The total crop is estimated at 952 million litres.

KWV chairman Pietman Hugo said the farmers were still striving to stimulate the market through a conservative but market-related price policy.

He said even after the increase the farmer would still only receive 50c a bottle for standard priced wines. — Sapa.
Hefty hikes in SA wine prices expected in 1990

CAPE TOWN — Fairly hefty increases in South African wine prices are expected this year as major wholesalers respond to higher-than-normal increases in statutory producer prices announced at the weekend.

Wholesale prices for standard wines will probably increase by up to 16% and the cost of higher quality wines is expected to increase by a larger percentage, according to industry spokesmen.

Kopman said that the Klynsveld Wine Farm (KWF) had announced that producers would receive 12% more for standard and distilled wines and 15% more for the higher quality wines.

The major wholesalers — Stellenbosch Farmers Winery (SFW), Distillers, Gilbeys and Unswyn — are expected to announce their new prices early in February.

Many wholesalers are likely to want to push up their prices immediately to offset the increasing cost of raw materials passed on by their suppliers.

Costs for some materials like bottles, corks and labels are reported to have grown by about 16.5% over the past year.

While wholesale prices are determined largely by the statutory minimum wine prices, which are altered each year by KWF, and by other cost increases, competition also plays an important role in a market whose sales have shown no growth since about 1988.

Wholesalers and retailers are likely to consider with great caution the effect of a major price increase on a market they have been trying to nurture since the stagnancy set in.

Many are likely to avoid the shock to consumers of one major price increase in favour of two smaller ones during the course.

And, except for the higher quality wines, they are also unlikely to expect too much of a profit margin.
KWV AND THE WINE PRICE RITUAL

A familiar, yet strange, ritual was played out again this week in Paarl. The KWV wise men got together to declare new minimum wine prices to be paid by producers in 1990.

Since 1985 sales of drinking wine have been dropping steadily (from 279.7 Ml to 273.4 Ml in 1988). Industry consensus is that the market is unlikely to have shown any growth in 1989.

Over the same period the total wine crop has grown by around 15%. Normally, that combination of factors would cause prices to fall. Yet the effect of KWV's announcement is that the price of quality wines will increase by 15% while standard and distilling wine prices will go up by 12%.

For this state of affairs we are supposed to be thankful. KWV chairman Pietman Hugo states that it was only by dint of a "considerable sacrifice" on the part of wine farmers that it had once again been possible to keep minimum price increases under the inflation rate. This, of course, has everything to do with self-interest and nothing to do with altruism. Wine farmers are getting poorer because they can't get their market to grow, not because of any noble policy of self-denial.

The KWV notes that 74% of the crop will be disposed of locally (43% as wine and 31% as spirits).

The balance (historically referred to as the surplus) will be sold abroad. The KWV says markets for this portion of the crop have already been found so the total crop will be sold. This is some, but not much, consolation.

That portion of the crop (57%) not sold locally as wine is sold at a considerable discount. Some will be disposed of for as much as R40/hl, but much of it will sell for under R28/hl — compared with the minimum good wine price in 1990 of R88.48/hl (Business December 1, 1989).

The industry would be in a much healthier position if local wine sales rose so that the portion of surplus to local requirements fell.

Despite increasing rumblings in the industry that the minimum price mechanism should be altered (Business November 10, 1989), the KWV saw fit not to alter the status quo.

An announcement at the KWV annual meeting in April is possible. We remain optimistic.
**Tensions at SAB**

**INDUSTRIAL** relations are tense at several South African Breweries plants around the country over the position of temporary workers and "scabs." The turbulence follows the return to work two weeks ago by about 6,300 South African Breweries workers after a bitter nine-week nationwide strike.

Workers at the SAB depot in Pinelands and the Ohlsson's Breweries in Newlands spontaneously downed tools last week to demand that staffing return to a pre-strike situation. Sources said further protests were likely at both plants if the employment issue was not resolved.

Food and Allied Workers' Union (Fawu) organizer for the beer sector, Roy Naicker, confirmed that the union had met with SAB management last Friday.

Naicker said a post-strike situation was "sensitive." He said Fawu had proposed that the pre-strike status quo return.

This would mean that SAB had to employ all workers, including temporaries, who were employed before the strike. SAB has not yet responded to Fawu's proposal.

SAB spokesperson Adriano Botha said a return-to-work was a "readjustment period." About 300 workers were dismissed earlier this week from the Ohlsson's Breweries in Butterworth, Transkei, after what SAB described as "illegal and unprocedural industrial action."

**Fifty in sit-in protest**

About 50 strikers are staging a sit-in protest at the Sappi Cape Craft factory in Manenberg, Gardens, to demand wage increases. The protest began last Saturday, morning, and is planned to continue until the strikers' demands are met.

The workers, who are members of the Paper, Print, Wood and Allied Workers' Union (Pywawa), downed tools last week over a wage dispute.

A union spokesperson said the workers were demanding an across-the-board increase of R1.50 an hour. Management has offered increases of between 75 cents and R1.25.

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**The Black Sash**

shares deep concern for those in detention, those on death row, and activists who have been murdered, and extends its support to their families into the 1990s and commits itself to working for a future free from such practices.
**Fresh start for Pepsi**

The bell has gone for the third round in the fight to keep Pepsi Cola in South Africa. A buy-out by a new management team has cleared the way for the third attempt to get the brand in more coolers since the US beverage giant's divestment in 1984.

The new chief executive of Pepsi Cola Africa is former general sales manager Henry Roux, "Turnaround King" Juan Oteiza, who came to SA 15 months ago to lead a rescue bid after returning Pepsi operations in Spain and Puerto Rico to profitability, and now a consultant to the company.

Pepsi International officials, who supported the MBO, arrived in Cape Town this weekend to wrap up the deal.

The revival does not signal an onslaught on Coca-Cola, which dominates the soft-drink market.

Mr Roux says, "We are not setting out to build an empire. We know people want Pepsi because they are still asking us for the product. We want to fill a niche in the market and give the customer a choice."

Pepsi Cola Africa will soon resume distribution in the Transvaal and Natal for the first time in five years.

Mr Roux says the latest restructuring started when management negotiated to bring in outside investors. The existing shareholders, including a consortium headed by Cape-based Personal Trust, which had control, and Sovereign Investment Trust Company (SITCO) will become majority shareholders with 25%. The management team will hold 25%.

"The restructuring has been designed to strengthen the company, but it will remain an independent operation."

PepsiCo in the US says it provides "some relief funds" during the transition.

"This is an action we have taken in similar circumstances elsewhere in the world to promote the financial viability of local franchised bottling operations," says a spokesman.

"The SA bottling group is and will remain 100% independently owned and operated."

PepsiCo divested from SA in 1984 as part of a world strategy to shed its bottling plants and enter into franchise agreements.
Inflation is ‘major culprit’ in increases

Liquor prices up eight to 16 percent

By Shehnaz Bulbulia

Major liquor outlets and others affected said yesterday they accepted the liquor price increases in the light of spiralling inflation.

Liquor prices increased from between eight and 16 percent countrywide today.

Both Stellenbosch Farmers’ Wnery and Gilbeys — major liquor distributors — have announced across-the-board price rises.

Inflation was the major culprit in the liquor price increases, said Mr Fred Thierman, chairmain of the Federated Hotel, Liquor and Catering Association of South Africa (Fedhassa).

He added that price increases of any kind would not go down well with the public.

"Any increase is undesirable. We have to take the brunt of the public’s complaints, but we have to cope and the public should understand that price increases are a result of inflation," he said.

There were a number of liquor price increases annually and Fedhassa had no option but to cope with them, he said.

"Some companies split increases twice a year and this varies from product to product. The decision lies entirely with the particular producer concerned. In addition, there are price increases on imported spirits. We have no option but to cope with the situation," he said.

A spokesman for the Liquor Cellar Group said: "Like everything else that goes up in the country, we have accepted and expected liquor prices to go up. For the past couple of years we have had to cope with liquor price increases twice a year, one in August and the other in February.

"Price rises affected the group, but only for a short while, he added. "The public complains, but after a while they accept the increases, too. It’s the same with cigarette price increases — people complain for a day or two and they continue buying cigarettes," he said.

Cashing in

A spokesman for a major bottle store in Johannesburg said the public always tried to cash in before price rises, but after the increase in liquor prices the company had not witnessed a drop in sales.

"We were very busy yesterday with consumers buying liquor at old prices. It’s always like this before the liquor price goes up. After the increases the public may be unhappy for a while, but we have not experienced a drop in profits after the increases," he said.

A spokesman for Cellar Master said: "Nobody likes to see prices going up, but the cost of everything else has gone up. That’s the situation"
Higher liquor prices announced

CAPE TOWN — Liquor price increases which become effective today are not as high as anticipated, but wholesalers have made it clear any unexpected growth in their costs will result in further price increases during the year.

Major wholesalers Stellenbosch Farmers Winery (SFW) and Gilbey's confirmed yesterday that their liquor prices would increase across the board today after KWW's disclosure last month of minimum wine price increases for producers.

SFW announced the following average wholesale price increases in the Western Cape yesterday: 9.8% for brandy; 8.4% for gin; 9% for vodka; 11.9% for liqueur; 8.5% for Cape spirits; 10.1% for South African whisky; 8.6% for imported whisky; 10.8% for sparkling wines; 17% for higher-priced wines; 15.5% for medium-priced wines; 12% for flavoured wines; 14.7% for standard-priced wines, and 16% for fruit juices.

A spokesman for Gilbey's head office in Stellenbosch said its average wholesale price of brown spirits would increase 12%, white spirits by 8%, most brands of whisky.

To Page 2

Liquor prices

by 10%, sparkling wines by 16.5%, other wines by 15% and cellar casks by 14%.

Liquor prices would increase by about 11% and sherries by about 15%.

The percentage price increases were one or two percentage points lower in some categories than had been expected after KWW announced that producers would receive 12% more for standard wines and 10% more for the higher-quality wines this year.

The wholesalers were expected to increase their prices with immediate effect to offset the increasing cost of raw materials passed on by their suppliers. Costs for some materials like bottles, corks and labels are understood to have risen by about 10% over the past year.

But this did not necessarily mean the wholesalers would be satisfied with one round of increases.

While wholesale prices are determined largely by the statutory minimum wine prices, which are altered each year by KWW, and by other cost increases, competition also plays an important role in a market which has shown no sales growth since about 1988.

Wholesalers and retailers are likely to have considered with great caution the effect of a major price increase on a market they have been trying to nurture since the stagnation set in. Other than for the higher-quality wines, they are unlikely to have expected too much of a profit margin this year.
ATLANTA — Coca-Cola said on Tuesday that strong foreign growth pushed its fourth quarter operating profits up 5.2% from a year ago to almost $246m, while full-year net income rose 64.2% to a record $1.7bn.

The world's biggest soft drink company closed the books on 1989 by recording a one-time profit of $599m from the sale to Japan's Sony Corporation of its controlling stake in Columbia Pictures Entertainment, which re-focused Coca-Cola solely on beverages after a decade of mixed success in diversification.

Coca-Cola said 1989 operating profits from its key foreign business, which generates three quarters of its profits, rose 13% from 1988, while income from the US soft drink business grew by 11%.

The beverage business is growing much faster in foreign markets than in Coca-Cola's home market.

The company said it ended the 1980s with more than 48% of the soft drink market outside the US, compared with just more than 40% of the domestic market.

Operating income in 1989 rose by 18% in Europe, 26% in Latin America, and 13% in north-east Europe, Africa and the Middle East. Profits rose by just 7% in Canada and the Asia-Pacific region.

— Sapa-Reuters
Rembrandt loses whisky case

CAPE TOWN — Macleans Gold Label whisky, a South African blend spirit produced and distributed by the giant Rembrandt group, has been removed from the market by order of the Cape Town Supreme Court yesterday. Mr Justice H L Berman yesterday upheld with costs the application brought by two British Scotch whisky companies against six respondents from the Rembrandt Group.

Mr Justice Berman ordered the respondents to stop distributing Macleans Gold Label whisky, and to destroy all related advertising material.

The plaintiffs, William Grant and Sons of Glasgow, Scotland, and Justerini and Brooks Ltd of London, brought the application against Stelvoren-based Cape Wines and Distillers Ltd, the Oude Meester Group Ltd, Castle Wine and Brandy Company Ltd, EK Green and Company Ltd, Distillers Corporation Ltd and William H Maclean and Sons Ltd for unfair trading, passing off and a contravention of the Merchandise Marks Act.

The issue of damages, which Mr Justice Berman said had undoubtedly been caused to the plaintiffs, is to stand over for proof and quantification.

He upheld the plaintiffs' claim that both labels and advertising material were designed to lead consumers to believe the product was wholly from Scotland whereas in fact it was a blend of Scotch whisky, malt whisky and South African grain spirit. — Sapa
CAPE TOWN — Pepsi Cola Africa has been provisionally liquidated in the Cape Town Supreme Court for failing to pay an outstanding debt of more than R200,000 and when payment of a postdated cheque was frozen.

Mr Justice H.L. Berman granted an application by Cream Advertising and issued a rule nisi calling on all persons interested to show cause, if any, by February 22, why Pepsi Cola Africa should not be placed under final liquidation.

Mr Brian Addison, MD of Cream Advertising said Pepsi owed them R203,387.86 in respect of services rendered between last June and January.

After repeated telephone calls he was told Pepsi Cola Africa was involved in a 'management buy-out'.

SAPA 6/2/90
Pepsi's debts total R11-m

Finance Staff

Pepsi Cola Africa, the company that took over the South African assets when US multinational Pepsi Cola disinvested from the country, had its last operations closed down yesterday.

The group's Cape Town bottling plant was closed in January and yesterday liquidators closed its operation in Bloemfontein, it was reported today. The Cape Supreme Court placed the company under provisional liquidation last Friday.

The group's liabilities exceed R11 million, of which about R800 000 are owed to employees in salaries, pensions and medical aid benefits. The largest chunk of R7 million is owed to unidentified investors.
Pepsi Cola's liquidation

An article published yesterday from our correspondent in Cape Town concerning the demise of Pepsi Cola in the Western Cape wrongly stated that SA Breweries, the holding company of Amalgamated Beverage Industries (ABI), played a major role in the price war that erupted in the cold drink industry and ultimately forced the liquidation of Pepsi Cola.

A spokesman for SAB has pointed out that ABI does not operate in the Western Cape and therefore could not have been involved in any price war with Pepsi Cola. The error is regretted.
Pepsi grinds to a halt as debts pass R11m

CAPE TOWN — The operations of Pepsi-Cola Africa ground to a halt yesterday as provisional liquidators began to set up its liabilities, now at over R11m.

The diminished soft drinks company, whose parent, top-ranking US multinational Pepsi-Cola International (Pepcoa), disinvested from SA in 1984, closed its Cape Town bottling plant a month ago. Yesterday, liquidators closed its only other operation in Bloemfontein after the Cape Town Supreme Court placed it under provisional liquidation last Friday.

Among its creditors are employees whose services were terminated yesterday. They are owed R600 000 in salaries and pension and medical aid benefits.

Pepsi also owes its trade creditors R1.6m, banks R1.2m and state agencies, including the Receiver, R600 000, according to joint liquidator Ralph Mooiman of Cape Trustees.

The largest chunk of debt — R7m — is owed to an unidentified group of investors.

New MD Henry Roux, heading a management team that took over last year and announced it had successfully bought out the company, claims the company had been severely mismanaged. The Transvaal market and the African export market had been ignored.

In spite of efforts to slash costs, sell Pepsi products through Transvaal retailers and explore export markets, the cash flow was worsened as financial backers shied away and the international parent’s rescue kitty remained frozen by the US sanctions legislation. Roux explains.

Mooiman and Roux say they have been approached by a number of corporate investors who have expressed an interest in buying the company.
bank
top
top

By Charmain Naidoo

Mutual Investors still leads the way, having reached assets of R2-billion late last year.
Senior portfolio manager Marco Celotti says of the new Gold Fund "Although we believe that any time was a good time to launch it, market conditions strengthened investors' sentiment."
Including Old Mutual's initial investment of R11-million, the fund's market value was R28-million at the close of business on Thursday.
"With the gold price breaching the US$400 level several times this week, our Gold Fund was well placed to attract bullish investors."
"However, the strengthening of the financial rand offset this to some extent, with the result that the gold index was quite flat."
"The State President's speech pushed international interest in SA shares to new heights," says Mr Celotti.

Pepsi waiting for a can-do saviour

PEPSI Cola Africa is up for grabs to anyone with a few million in his pocket - and enough nerve to tackle disillusioned consumers, embittered staff and R11-million of debt.

The good news for loyal Pepsi retailers and consumers is that there may be people willing to take on the task.

Discussions are under way with "serious" investors who wish to know the real worth of the company - placed in provisional liquidation in the Supreme Court, Cape Town, this week - and whether it has a chance of recapturing a paying share of the beverage market.

Production at Pepsi's main plant in Epping, Cape Town, stopped in early January and most of the 289 workers were laid off. By that time some

Flourish

"The last thing we want to do is break it up. We've had half-a-dozen approaches from people who sound as if they're serious."
"But the company has no working capital."

Pepsi, which has been in SA for four decades, was relaunched with a flourish in November 1983 after a spell in the doldrums caused by the disinvestment of its American parent, Pepsi Cola International, in 1981.

Current managing director Henry Roux is the third since the parent company helped Soweto Investment Trust Company (SITO) buy Pepsi Cola Africa from Cape Beverage Holdings in 1987.

Mr Roux's young management team bought the company after receiving "relief funds" from Sito Inc. At the time of its liquidation this week, management held 75% of the shares, the rest being in the hands of Sito and the Personal Trust group.

Mr Roux says: "The company went bust because we were undercapitalised. We were trying to negotiate with creditors 30 days before Paulaner's lolly, and then we ran out of time."

"But with the proper injection of money - we will have a good chance of making a comeback."

"The answer is go national" and not restrict the sales and marketing effort to the Western Cape.
Coca-Cola wins "war", but consumer will be loser
Distillers lives up to its promise

THE latest results of Distillers Corporation should vindicate the strong market support which the group has enjoyed recently.

The share moved up slightly yesterday ahead of the interim results to end December, closing 15c higher at 410c.

Analysts, however, feel it may have reached its peak due to the seasonal nature of the liquor industry.

Directors have declared about 30% of the half-year's earnings as dividends, although they say this policy will not be carried forward to the year-end.

This resulted in a 10c (5,5c) dividend declaration, decreasing cover to 3,5 (5,5) times on earnings which increased by 18,2% to 37,6c ($1,8c) a share (before additional depreciation).

After depreciation earnings were at 33,4c (23,4c) a share.

Trading profit increased by 21,7% to R96,6m (R79,3m) on a 13,1% (15,7%) rise in undeclared turnover.

| DISTILLERS |
| Share price, daily close (cents) |
| Feb | Apr | Jul | Aug | Oct | Jan |
| 15 | 27 | 4 | 31 | 26 | 11 |

| 200 | 300 | 400 |

The ratio of current assets to interest free current liabilities decreased slightly to 2,11 (2,21)

Contracted capital commitments amount to R19,2m with approved but not contracted at R4,9m
Pepsi's SA career finally goes full sail

NEWS FOCUS
SA mineral water in pretty good eau-dour

DRINKERS of SA-produced mineral water do not face risk of benzene-related contamination, a local manufacturer said yesterday. Neel Yorke Smith, 213170 (182)

Local manufacturing methods were different from those used at Perrier’s Vergeze plant in France. Perrier recently withdrew 100-million bottles worldwide after excessive traces of toxic solvent benzene were discovered in a US mineral water consignment.

Benzene is a hydrocarbon found in smoke from car exhausts and cigarettes. The largest local mineral water producer is Schoonspruit, manufactured by Isando company Beecham SA.

Operating director Rob Harvey said yesterday Schoonspruit water was extracted from a Vesterinderp spring, 350km from the Isando plant.

"We use chlorine to ensure absolute purity while the water is transported, but all chlorine traces are removed before bottling," he said.

The only preservative was carbolic acid which remained after carbon dioxide treatment, he said. Carbolic acid helps prolong shelf life.

Each batch of mineral water was tested before leaving the plant, he said.

The SA mineral water market has an estimated value of R7m this year, representing 2.7-million litres.
KWV income hike

KWV Investments has posted a 56% rise in net income to R5.9m (R3.8m), translating into earnings of 14c (9c) a share for the six months to end-December. The entire earnings a share was handed out as dividend.

The sole asset of KWV Investments is a 30% holding in both Distillers Corporation and Stellenbosch Farmers' Winery — held through Rembrandt.
Pepsi Cola goes into liquidation

Supreme Court Reporter

THE affairs of Pepsi Cola Africa (Pty) Ltd will be wound up after a final liquidation order granted in the Supreme Court yesterday by Mr Justice C.T. Howie when the company failed to pay an outstanding debt of more than R200,000.

In his application, Mr Brian Addison, managing director of Cream Advertising (Pty) Ltd, said Pepsi owed the company R203,307.86 for services rendered between June last year and January this year.

He had received three post-dated cheques and a day before he could draw on a R100,000 cheque he was asked to hold it, but when it was eventually deposited it was returned and marked "payment stopped."

He submitted the company was unable to discharge its liabilities.

Mr C.W. Rosenthal, instructed by Mr Lenn and Lint of Somersberg, Hoffman and Osborne, appeared for Cream Advertising.
Hops industry
to earn R8m

GERALD REILLY

PRETORIA — The hops industry will earn producers nearly R8m on a crop of 650 tons of processed hops this year. Agriculture and Water Supply Minister Kraan van Niekerk said in George last week.

Speaking at a hops festival, he said this should provide the country with 45% of its needs.

SA breweries produced 176 tons of the dairy product on its own land last year, while producers under contract delivered another 417 tons.

This amounted to 33% of the brewing industry's total requirement and earned R3.7m.

The balance had to be imported but production was increasing, Van Niekerk said.

Within the next five years, local production was expected to supply up to 70% of the local need.

The only game in town

Spending a fortune to market your products when you're virtually the sole supplier may seem a big waste of money. But SA Breweries didn't come to dominate the SA beer market by wasting money, and it will spend more than R25m this year on marketing its seven brands, seemingly against each other. It hasn't been tempted to take the easy road and just sell "beer" to the public.

Peter Savory, SAB's Beer Division marketing director, says his job is to expand the beer market, and the best way to do this is to provide more choice. The company considers its competition to be not just other beers but all other beverages, and its marketing success is undeniable. In 1962, when blacks were first officially allowed to drink liquor other than sorghum beer, beer had 13% of the liquor market. Today, that share is 55%.

"Back in the Fifties there was a choice of just two bottle sizes," Savory says. "Since then we have grown the market by developing cans, dumpees and two-litre PET plastic bottles. We aren't selling champagne, but we've tried to take beer out of the kitchen and into the living room SAs used to be a country of spirit and fortified wine drinkers. Beer wasn't a drink you felt comfortable offering to people."

His goal isn't to create intergeneric rivalry among the brands. He sees them as serving different segments of the beer market. Sweet for Lion, dry for Castle, premium for Amstel and the pilsner Hansa.

Carling Black Label appeals to those who want a stronger brew. Ohlson's is aimed at a younger, yuppie crowd, it's the youngest of the SAB beers, launched in 1985. "We saw a market for an easy-drinking beer resulting from changing tastes," Savory says, though critics call it "Diet Castle". On the other hand, Castle Milk Stout, the only alternative to the golden auburns, caters for a much older market. The only ale, Lion Ale, was, alas, abandoned in 1984.

"Our brand managers are playing a game of cricket," Savory says. "They all play within the rules but they have to outsmart each other. They aren't allowed to arbitrarily start a price war with the other brands."

Each brand has a different ad budget. According to Ad-Index, last year SAB spent R6.3m on Castle, R5.3m on Lion, R4.5m on Ohlson's, R2.3m on Amstel, R1.8m on Carling, R1.5m on Hansa and R851 000 on Castle Milk Stout — not to mention R398 000 on corporate advertising.

SAB is a heavy spender on TV; the medium captured 51.2% of the corporation's advertising budget last year.

SAB uses four advertising agencies — Partnership, Bates Wells, D'Arcy Masius, Benton and Bowles, and Ogilvy & Mather — mostly for their creative and media resources. "We don't get them too involved in our marketing strategy because they can't possibly know as much about our product as we do," Savory says.

Charles Foster of Impact Information, which analyses television commercials, says SAB's ads have a considerable impact, but mainly because they are backed by a huge budget. "They tend to go for advertisements that will offend the least number of people. Few of their advertisements are among the best, though, because they take this line of least resistance. One exception was the Lion Lager advertisement, in which a black executive is promoted. This was aspirational and hugely successful."

SAB is in the privileged position of being able to indulge in some gentle comparisons of its own products — the Hansa ads knock lager drinkers, though not a specific brand. Hansa is the fastest-growing beer in the stable, though off a low base. The company doesn't release market share figures for each brand, but Castle and Lion are, of course, the dominant brews.

SAB has been attacked for its multiracial advertising, some media watchers say it portrays an artificial setting. But the multiracial ads were begun after a poll showed that almost all blacks and 85% of whites approved of it. However, while blacks and whites mix, SAB has never shown a woman drinking in its advertisements.

"We aren't trying to discourage women from enjoying a beer," Savory says. "But there are too many taboos about women drinking in public. In some communities, men drink only when the women are away. We find that women respond well to the ads anyway. Once or twice, brewers around the world have tried to launch a beer aimed specifically at the female market. The last time was Swan Gold in Australia, the campaign bombed."

One SAB campaign that wasn't such a success was the "Change the Label, Not the Beer" pitch, as Savory admits. "With hindsight, we may have been seen to be protesting too much when we insisted that the beer wasn't going to change even if the label was." The campaign led to a sharp fall in Castle's market share because it coincided with the successful Lion advertisements.

Because 90% of beer drinkers participate in or watch sport, a sporting theme inevitably runs through SAB ads. Lion Lager, in particular, is shown being drunk after sporting events. "Of course we wouldn't want everyone to think they could do well at sport after a few Lions — so the drinking always takes place after the event," Savory says.

In order to prevent bad associations, SAB never sponsors motor sport. "Some brewers do sponsor it but I don't think a crashed car with 'drink Castle Lager' on the side would do our sales any good."

One word that makes any SAB official hot under the collar is monopoly. Savory is adamant on this point. "A monopoly is a right given by the State to be the sole supplier in an area. What's the State given us? It's given us GST and a higher excise tax than spirits or wine. We had to fight bitter battles against Whitbread, Anton Rupert and Louis Layt (all recent short-lived competitors) to get where we are."

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SAB creates new beer division fund

ADELE SALETA

SA BREWERIES's beer division has signed parallel agreements with the Food and Allied Workers Union (Fawu) and the Food Beverage Workers Union of SA (Fbwsa) for a common provident fund, SAB's human resources director Bob Childs said yesterday.

The fund — the Beer Division Provident Fund — will operate from May 1 to provide retirement, accident and funeral benefits.

He said it was previously agreed by the parties to introduce a provident fund once a degree of trust had been built up between them.

The agreement would also apply to non-unionised workers at SAB.

Comment from the Cosatu-affiliated Fawu and the Nactu-affiliated Fbwsa was unavailable yesterday.
More information to be displayed on wine labels

CAPE TOWN — A new Wine and Spirit Board with wider-ranging powers and representation has been established to administer the proposed new Wine of Origin Scheme.

The scheme is intended to allow more information on a wine's origin on its label. From 13/3/72 the new board is chaired by Van Zyl. It consists of 11 members representing the Cape Wine and Spirit Institute, KWV and the Agriculture Department.

The scheme is expected to be implemented in June when the new Liquor Products Act is promulgated.

A major change to the scheme will allow winemakers to display the composition of blended wines on the back label and state if the contents are 100% of a specific cultivar.
Quest for quality earns SABS 24% more at R42m

PRETORIA — The SA Bureau of Standards' self-generated income increased in the 1988/89 financial year by 24% to R42,73m, according to the SABS annual report released here yesterday.

SABS director-general J P du Plessis said that expenditure during the year increased by about 17%.

The increased income was due mainly to a big expansion of the listing scheme, an increase in demand for tests and services, and an increase in the sale of publications — an indication manufacturers and consumers were becoming more quality-conscious.

The SABS-mark scheme and compulsory levies also contributed to the higher income.

However, the cost of consumable stores was disquieting and contributed to the overall increase in costs.

Listings under the SABS code of quality management were going from strength to strength.

The number of listed suppliers had nearly doubled to 357 compared with the previous financial year, he added.
Analysts foresee lacklustre results from SA Breweries

THE impending results of SA Breweries (SAB) are not expected to go very far towards reversing a trend that has drained 18% from the company's market rating in just over a month.

This is the view of market analysts who are forecasting a pedestrian performance by SA's beer giant, currently labouring well off its 12-month high of 4.12c at 4.00c SAB's financial year ends on March 31.

Averaging the predictions of three analysts pegged earnings at about 225c (1.67,2c a share, and a dividend (maintained at 50% of earnings) of 100c (8c).

Based on its ruling share price, the earnings scenario places the group on a P/E of 12.1 times and a dividend yield of about 2.9%.

Performance is expected to be adversely affected by the retail division, as well as by static performances from its hotels and manufacturing interests.

In the retail arena, 69.5%-held OK Bazaars is looking at contributing about R10,3m to SAB's bottom line, or 3% of group attributable income which analysts say will be about R800m.

"OK Bazaars, reflecting the impact of sluggish consumer spending, particularly on the furniture side, will not show a rise in earnings of more than 5%," said one analyst.

Edgars, which is 63.5% owned, should be the star retail performer although an expected 30% rise in attributable earnings to about R15m will be diluted by the conversion of debentures. "At the end of the day the contribution to bottom line from Edgars will be about 1.5%," said an analyst.

Although Southern Sun (68.4% held) was expected to show only a small improvement attributed almost solely to its 20% holding in Sun International, analysts said it would pull up its rating within the SAB stable over the following two years.

For its part, the beer division should still donate a full 50% of earnings, but analysts said a slowdown in profits should become apparent because of its incurred additional depreciation in new plant, and the squeezing of margins due to relatively low increases in the price of beer.

The real performer in the beverages division was likely to be 69.7%-held Amalgamated Beverage Industries (ABI) which was operating in the "fastest-growing market in the country."

In manufacturing, Da Gama and Lon Match are both expected to suffer from the downturn in consumer spending although forecasts look more attractive for Associated Furniture Companies, which should post a rise of about 14% in earnings a share. Analysts said, however, the downturn in furniture sales would catch up with the office furniture industry over the next financial year.

The group's overseas interests were also expected to do well, contributing about R46m or 8% to the bottom line. SAB financial director Selwin McFarlane said he could disclose no information on the group's overseas interests or the result.
will have some reason for cheer.

The surcharges affected wine importers less than many, the original 60% tariff was reduced to 20% on wines and fortified wines. However, much later in the day, a 50% surcharge was introduced on champagne, rum and liqueurs, all products which, because of the General Agreement on Tariffs and Trade, should have remained exempt.

There is no doubt that the imposition of this punitive tariff was retaliatory in intent. The perceived exporters were the French and Jamaicans, not exactly our allies. In reality, international control of key liqueur and rum brands resides in Britain, so even this petulant gesture was ill-conceived.

Curiously, the guardians of our BoP did not see fit to attack the category which accounts for over 80% of all liquor exports — Scotch. It is, of course, important to do business with one’s allies in the UK, even at the risk of inconsistency in one’s policy.

Anyway, in a modest way, the surcharges are being reduced, but what will this mean for the buyer of fine wines? The surcharge on wines and fortified wines like port and sherry will drop from 20% to 15%. This should affect the shelf price of such products by 2% to 3%, hardly a factor of any significance given the price fluctuations in the market.

The price (from grower to negotiant) of white Burgundy increased in France by between 20% and 30% this year. At last November’s Hospices de Beaune auction, the few white burgundies on offer virtually doubled in price, compared with the previous year. This means that wines like Chablis, Pouilly Fuisse, Puligny Montrachet and Meursault will feel the impact of these price increases over the next nine months. With the French franc now stronger against the rand than ever before, the surcharge saving is already being swamped.

The champagne surcharge decrease from 60% to 40% is obviously more meaningful. The reduction in tariff will bring down the wholesale price of champagne by 10% — an amount approximately equal to the year-on-year inflation in the Champagne region. In other words, champagne should continue to sell this year for much the same price that it retailed for in 1989.

This is not going to lead to a massive increase in demand for champagne, but it will narrow the gap between the "real thing" and local méthode champenoise SA producers of quality bubbly have been pressing their product into the vacuum left by champagne — the victim of the 60% surcharge last year. They will be expecting their usual 20% or more price increase for 1990. Now that retailers can keep their French imports at 1989 prices, some of the more expensive local wines will suffer from a little competition.

If the reduction in the surcharges imposes a little discipline on the lunatic fringe of the local industry, Barend will have made a useful — though curious — contribution to containing wine price inflation.

Michael Prisheen

FINANCIAL MAIL. MARCH 30 1990
products. Some brands ran out of stock, suggesting Perrier is right when it claims its rivals aren’t serious about developing the market. Instead, they’re inclined to let Perrier do all the pioneering and merely tag along for the ride.

Local mineral water companies were launched to extract advertising campaigns. No competitors of Perrier in SA and North America entered the market, in contrast to Europe, where uncoordinated Perrier production line dedicated to satisfying the growing domestic market before it pointed to the overseas market, lost steam at 1.5 million bottles a month. Perrier’s share of the market is estimated at 35-40%.

He expects 10% growth this year and is planning a 20% price increase later in the year. Perrier, no doubt, will have to look very carefully at its own production structure if it wants to regain its hold on the market. In this respect, it will be helped by the Budget’s reduction of the import surcharge from 60% to 40%. “That must help us to reduce our retail prices, but not in restaurants, which take between 100% and 200% profit,” Slabbert notes.

Was Perrier’s disappearance from shelves around the world really necessary to safeguard the health of those who drink it? The benzene affected only a few thousand bottles in the US. But Perrier has always been unconventional when it comes to marketing.

In the Seventies Perrier commissioned three costly market reports to assess its chances of breaking into the giant American market. All advised it not to, unless it wanted to commit economic suicide. It rejected the advice and went into America in 1978. Its sales in the US last year exceeded US$6m and, according to The Wall Street Journal, it is now third
CAPE TOWN — The liquidators of Pepsi Cola Africa are to sell the entire assets of the ill-fated cool drink company to National Beverage Services (NBS) for R4 million after permission for the transaction was granted in the Cape Supreme Court.

The company was liquidated last month.

Mr Justice AJ Lategan granted permission to liquidators Ralph Millman and Stephen Gore to accept National Beverage Services’ offer with the consent of the majority of creditors and the Master of the Supreme Court.

Mr Millman said in an affidavit the offer was “very favourable” and in the interests of creditors.
Relief greets new Liquor Act

THE promulgation of the new Liquor Act will substantially deregulate an industry long frustrated by outdated and cumbersome red tape, Fodhara executive director Rex Theromann said yesterday.

He said that though Fodhara was very pleased that the new simplified regulations had finally been brought into force, it had taken six years of intense lobbying to change the Act published as Act No. 27 early last year.

Theromann said the Act would allow a long way to deregulating applications for licences in that application could now be made on a daily basis. "Applications will now be reviewed on a day-to-day basis following inspection, as opposed to the previous situation where the applicant would be forced to wait for up to a year for the licence to be reviewed."

Other important ramifications included the extension of hours of sale in restaurants and hotels from 6pm to 2am the following day, even on closed days (for example Sundays). Hours of sale for liquor stores, though unchanged, can be extended with the approval of the town clerk.

"The counter book situation whereby the buyer had to give his name and address if more than 10 litres of liquor was purchased, has now been upgraded to 50 litres," he said.

"We were however disappointed with the fact that Sunday trading laws remained unchanged," he said, adding that issues regarding the new Act would be discussed when discrepancies were revealed. "It is an ongoing process," he said, but praised the new Act as progressive.
Fedhasa hails new Liquor Act

The inclusion in the new Liquor Act of extended hours for liquor consumption in hotels and restaurants was welcomed by Fedhasa which claimed the move would lead to less abuse of drink.

The chairman of the Federated Hotel Liquor and Catering Association of South Africa, Mr Fred Thermann, said the new hours — from 10 am until 2 am — came into force with the new streamlined law yesterday.

"This means that consumption can be stretched over a longer period, encouraging more people to drink moderately over a longer period. "Not only does this move take cognizance of the social changes in the country, but it will be welcomed by overseas tourists."

He said moves that were particularly welcomed included earlier trading hours for bottle stores and the easing of restrictions on restaurants.

"Previously restaurants had to lodge applications for liquor licences through a specialist lawyer and wait for a sitting of the Liquor Board. If the applicant missed one sitting, he sometimes had to wait up to a year for the next hearing."

He also welcomed the relaxation of trading in restaurants and hotels on Sundays and other restricted days.
New brewery for W Cape

A BREWERY which will produce a lager for the Western Cape market from September is being set up at Grabouw, in a venture involving Rico Breweries, Transvaal Distillers Holdings and an investment consortium.

This will be the second brewery involving Rico, whose shares were listed last October in the venture capital sector of the JSE.

The first is nearing completion at Verwoerdburg, south of Pretoria, and is expected to produce a test brew in June.

Elgin Breweries, the company in which Rico and the consortium each have a 50% stake, will operate from a complex bought by Rico's parent, Transvaal Distillers (TDL).

It cost R2.5m to acquire the plant, which was surplus to South West Breweries' needs after completion of an ultra-modern brewery in Windhoek.

The brewery will produce 5m litres in the first year, which is equivalent to about 2% of the Western Cape market.
Fewer wines on offer reduces Nederburg auction turnover

CAPE TOWN — Although the total sales of this year's Nederburg Wine Auction appeared disappointingly low — R430 600 down at R1 650 a case, with a high price of R1 750. Chec, the biggest buyer, concentrated largely on Nederburg, apart from some Zonnebloem Pinotage 1977 which sold at an average R2 500 a case. Other active retailers included, Spar, WP Cellars, Drop In, the Liquor Inn and the OK Hyperama.

Of the Nederburg collection, 440 cases of the highly rated Private Bin R163 fetched an average R3 500 a case, 484 cases of the Nederburg Cabernet Sauvignon 1979 fetched an average R4 150, while the popular Eidelberg dessert wine went for an average R5 90 a case.

There were 17 old reds from FSW's Zonnebloem collection on offer. Apart from the Zonnebloem Cabernet 1969, five cases of the Cabernet 1970 fetched an average R3 500 a case, 20 cases of the 1971 vintage fetched an average R5 500 a case, 20 cases of the 1972 vintage fetched an average R4 500 a case, while 10 cases of the 1973 Cabernet Sauvignon fetched an average R4 250 a case.

Of the whites on offer, the Hamilton Russell Chardonnay 1987 fetched the highest price with 10/12 bottle cases averaging R7 600 a case. The Nederburg Chardonnay 1987 fetched an average R1 650 a case.

A regional break-down showed a disappointing drop in purchases by foreigners from last year's high of 15% to 11.25%.

Purchases by Transvaal buyers also dropped considerably to 41.25% of the total 100% of sales, while the Western Cape bought 35%.
Liquor exports

Although the industry does not disclose the nominal value of its export earnings, they are understood to have contributed substantially to total income.

KWV deputy marketing CE Kobus van Niekerk agreed that improved perceptions of SA were expected to boost liquor exports but cautioned that other circumstances, like economic pressures on UK consumers, could inhibit some of the anticipated growth.

While the industry welcomes export growth, it would also like to see similar improvements in its stagnant domestic market. Much energy is expected to be invested in promoting local sales this year.

KWV reported a record wine crop of 9,56 million hectolitres last year, 8% greater than the previous year's crop. While it produced 12% more distilling wine during the period under review, domestic sales of neutral wine distillate and brandy from the distilling wine pool decreased by 4.4%, largely as a result of further rationalisation of wholesale stocks, the report said.

This meant that 45% more wine and distilled wine was available for export.
Wine producers hope to toast a vintage year

CAPE TOWN — Wine producers whose annual income grew by only 6.8% last year may see growth of more than 15% this year, if early indications of improved domestic and export sales are anything to go by.

Exports of grape juice have also soared and production is now on a 24-hour basis at the KWV plant at Robertson.

KWV chairman Pietman Hugo told members at yesterday's annual meeting in Paarl that provisional estimates indicated their income in 1990 would exceed the rate of inflation KWV represents about 8 000 wine producers in the western Cape.

LESLEY LAMBERT

KWV CE Ritzema de la Bat said in an interview that a number of factors had contributed to the newfound optimism. On the international side, export sales, which grew by an impressive 85% last year, were expected to show further growth this year.

Hugo and De la Bat confirmed that former business associates in countries which imposed boycotts against SA had started re-establishing contact and were preparing themselves for renewed trade.

De la Bat said the Canadians, the biggest international buyers of SA wines before sanctions, had shown the greatest interest, although there had also been some encouraging signs from other former buyers, including the US.

This year the domestic wine industry was also expected to contribute to overall growth after stagnating over the past few years, De la Bat said.

This year's growth is forecast off a low base. KWV reported 27% profit growth to R34.97m. The bonus paid to farmers was increased from 66% of the net income to 75%, but the average 6.8% growth in net income to R452m remained disappointing.
Police have clamped down hard on illegal liquor selling and have so far arrested five suspects, including five suspects, including five suspected to be involved in the illegal trade. The police have also uncovered evidence of illegal trade at supermarkets and have arrested one man and a woman a woman recently. Further arrests can be expected as police were determined to hard on illegal liquor selling to children.  

By Craig Kork (32)
Pepsi: Caffs at point of no return?

Cape owners in the Western Cape have been left with stacks of empty Pepsi bottles — and stand to lose thousands of rand since Pepsi Cola went into liquidation earlier this year.

Thousands of the softdrink bottles have been returned to the cafes since October last year and no one is accepting responsibility for them or reimbursing the cafes, who are obliged to refund the returnables.

City cafe owner Mrs Ines Jardim said yesterday that she had hundreds of Pepsi bottles and they hadn't heard from Pepsi since October. "I don't know what's going to happen to these bottles. We haven't heard anything and the last time they came was in October."

In January, Pepsi's principal debt owing to their creditors stood at R12 million. The Peninsula Beverage Company, who own the franchise to sell the rival Coca Cola in the Western Cape, succeeded with a R4 million offer to buy Pepsi's assets, including coolers, containers and trucks. Many cafe owners now claim that Coca Cola are responsible for the Pepsi bottles in their storerooms.

Mr David Lewis, managing director of Peninsula, explained yesterday that the cafes pay for the bottles in the original purchase and that the bottling companies then retain the money in a contingency used to refund the dealers.

"Pepsi had that contingency but used it for other means when they found themselves in financial difficulties," he said.

"We own the Pepsi bottles and crates in the factories, but effectively the cafes have bought the bottles in their shops from Pepsi, and the only way that they're going to get money for them is if Pepsi buy them back."

"We have told the dealers that we'll keep the coolers there and later they'll be re-sprayed with our logo."

Top management of the Pepsi company are reported to have long since left the country.
FINANCE

Shake-up of wine industry

THE predicted shake-out of the fine wine industry began in earnest at the end of March at the 16th annual Nederburg Auction. Prices on a number of wines were palpably brittle; several items were indigestibly large in relation to buyers’ interest and some lots were unsold.

While the overall results still show a price increase compared with previous years, bids were clearly more selective. Retailers sought out wines whose sales potential seemed relatively assured.

Hardly surprisingly, the Nederburg Auction wines performed in a manner which must have gratified the organisers. In the past year, Nederburg has spent a considerable amount in branding those wines which are only released at the Nederburg auction. Together with the Bergkelder Tender advertising campaign, this represents the largest above-the-line investment in the premium wine market.

The 1990 auction left no doubt as to the value of this campaign for the advertiser. Trade buyers at Nederburg seem to have concentrated their attention on these auction releases, buying thousands of cases of Nederburg wines at prices which were much higher than in the past.

By the same token, small parcels of estate and private producer wines which have always added variety to the catalogue battled to attract sufficient bids. Many sold at a rand or two above reserve.

Several parcels had to be broken up by the auctioneer to be offered in more manageable quantities. More than one quite well known producer suffered the indignity of not attracting a single bid.

If there was a pattern to this buying, it seemed as if the trade had at last learnt to distinguish between wines of special quality and auction rarity, and wines which but for their being a year or two older than current vintages were merely standard release stocks.

The 1990 auction has proved to be a watershed. A flood of quality wines and high interest rates has forced trade buyers to exercise discrimination.

Most importantly, the premium wine industry cannot afford to ignore the signs the great weeding out process has begun, and only the best prepared among the finest wine producers will emerge unscathed.
Rico long time in the brewing

THE first brew from Rico Breweries will become available in January 1990, says the prospectus.

About 3600 anxious shareholders in the Transvaal Distillers Holdings (TDL) subsidiary must be wondering when the beer drought will end.

Rico marketing director Peter du Toit says "Construction is on target and the brewing plant is being installed. Our first three test brews will be held in June 1990 and will take 21 days. The first lager beer will be released in August."

Uncertain

But he warns that "we will supply our beer only when we are sure the quality and taste are up to our standards." 

"Sponsoring broker Senechal, Moston & Kitchoff director of corporate finance Jan Grobelaar says "A credibility gap seems to have opened because of the directors' promises. It is otherwise inexplicable why so many original shareholders are selling at below the issue price."

Mr Grobelaar says that the venture capital market is uncertain.

"It is a dream or promise sold to the investor. This is definitely not stock for widows, orphans and pension funds. The ideal is to have 10% of one's share portfolio invested in a venture such as Rico as a punt."

Trading in Rico shares has followed a peculiar pattern.

On an average daily 129 900 shares are changed hands, but the price did not move.

Rico's issue price was 15c, but the shares now trade at 10c, having touched a low of 6c in February. The price was 35c in July 1987.

The company has a low price-earnings ratio of 3.5 on projections of 3,80c earnings a share.

TDL chairman and Rico director Ruan van Rensburg says the company's affairs have been misrepresented. "Everybody is missing the point of our strategy. Rico is supported by TDL's strong financial base. Even if Rico were knocked out of the market by June, TDL will pay a dividend."

"We are going for a 9.2% share of the Pretoria-Witwatersrand-Vereeniging market this year. We will produce 12,000 litres of beer a day, the amount a large bottle store sells daily."

Strategy

However, returns for Rico shareholders are some way off. The company prospectus says dividends will be paid annually and a maiden of 1,2c will be declared in June 1991.

Mr Grobelaar says it would be a mistake for Rico to pay dividends immediately. It is wiser for the company to plough back its profits.

"Venture capital requires that money be put up for the establishment of a company. In assessing the company's future, a sophisticated investor realises that he is involved in a high-risk, high-return game."

"Investment in a brewery is, however, at the low end of the risk ladder. There is no reason why Rico should not be a success. It has the infrastructure and the market. Rico has the expertise of Boyke de Klerk, former brewmaster at Gold Reef City. Marketing expenses will be low and so will excess duty because of the small quantity of beer produced."

Turnaround

Rico has made several forecasts about profitability and says a loss of R358 900 will be incurred in 1989. A turnaround is expected for the year to February 1991. The directors forecast R22,5 million pre-tax profit in the six months from August to February.

Rico will not pay tax for at least three years. Rico director Ruan van Rensburg promises compensation for the delay in brewing start-up. He says another brewery will be built at Grabow in the Western Cape.

Mr Van Rensburg says Rico will hold a 50% stake in Elnam Brewery, which will have four times the production capacity of Rico and a 2% market share in the Western Cape.

The brewhouse and can and bottling lines were bought from South West Breweries for R22,5 million. Elnam brewery is to produce 8 million litres in the first year. Rico hopes to brew 4,5 million litres.

Mr Van Rensburg says Rico shareholders will not be at risk, because the consortium which approached us will supply the finance, using Rico only as the vehicle. Rico will reap the benefits without any capital input.

Mr Van Rensburg says net asset value a share rates to R4,68c from 6.23c through Rico's stake in Elnam.

By Dirk Tiemann
SAB strike is examined in Industrial Court hearing

Labour Reporter

South African Breweries and the Food and Allied Workers Union cross swords in the Industrial Court today in a sequel to labour conflict at SAB's Rosslyn brewery last year.

At issue is Fawu's claim that management unfairly locked out 900 workers over an eight-day period last June. It wants compensation for lost wages.

SAB public affairs manager Mr Adrian Botha said workers had refused to work alongside a certain Mr Mxinge after he had complained of intimidation.

Strike

Both parties accepted that this was a strike.

SAB refused to allow a resumption of work once Mr Mxinge was off site. Management believed a conditional tendering of services constituted strike action.

In a statement, Fawu said the company had launched an "outrageous" counter-claim running into millions of rands for lost production during the dispute.

Mr Botha said SAB had considered such a claim, but had since dropped the idea.
ABI shareholders have reason to smile

By Derek Tommey

"It's better with Coke" is certainly true for Amalgamated Beverage Industries, the country's biggest manufacturer of soft drinks with 40 percent of the market

ABI sales, boosted by a long hot summer and a growing urban population with a thirst for "Coke" and the like, soared by 34 percent in the year ended March to R739.6 million

Trading profit rose even more — by 43 percent to R67.9 million and taxed profit rose by 47 percent to R44.0 million equal to 42.8c a share

Shareholders are to receive a final dividend of 15c making a total payment of 21c for the year — an increase of 31 percent on last year's 16.6c a share

But the staff and small dealers who in 1987 were offered 11 million ABI shares held by Coca Cola Export Corporation have another reason to cheer Their R1 shares are now worth around R7 each

Mr Alex Reid, ABI's managing director, says significant sales increases were recorded in the company's franchise areas in the Transvaal and Durban

Other factors responsible for the steep increase in sales included the urban population explosion which fuelled the development of the informal sector, the acquisition of the Sparletta franchise in the Transvaal, plant productivity improvements and sustained consumer demand for soft drinks in cans (ABI has a 24 percent stake in Amalgamated Beverage Canneries)

Mr Reid says the company is increasing capacity this year and given reasonable weather and a relatively stable environment, growth should continue — but at a slower rate

Shareholders' funds amounted to R224.7 million at the end of March, up more than R100 million from the R115.6 million a year ago
ABI shareholders get that Coke feeling

TWO-and-a-half years after Coca-Cola's divestment and the creation of an SA coolrink giant, prudent Amalgamated Beverage Industries (ABI) employees and customers were toasting their good fortune.

The shares, offered at R1 each in 1987, are now trading at 665c.

One of the first moves by the new SA company was to spread share-ownership among its predominantly black employees.

Following the purchase of 67.5% of Coca-Cola by SA Breweries and 19.17% by Cadbury Schweppes, ABI offered 11-million shares at R1 each in 1987.

About 3 000 ABI employees and 4 000 small dealers were allotted shares. Employees received between 400 and 1 000 shares depending on length of service.

See Page 6
Making wine

A recent income tax case — CIR v Stellenbosch Farmers' Winery (SFW) — provides important tests to determine when a process of manufacturing begins. Writing in Deloitte Haskins & Sells' Transaction Tax News, tax partner Ken Boggs points out the case also has significance for GST.

SFW claimed initial and investment allowances on machinery used in a process of manufacture on bulk carriers to transport mixed raw wine from individual wine farms and co-ops to its Stellenbosch premises. The Supreme Court decided the "process of manufacture" of the wine begins before — or at the latest when — raw wine is placed in the carriers. The carriers thus qualify for GST exemption on parts, materials and services used to repair and maintain them.

In determining whether the requirements of the Income Tax Act (whether SFW was involved in any process of manufacture prior to the transportation of the wine and whether the carriers were used directly in the process) were complied with, the Court applied the following tests, which Boggs points out are of general application when raw materials are purchased from third parties:

- Does the manufacturer determine the type of raw material source used (here, the type of grape to be planted)?
- At what stage does he begin to give advice and assistance in relation to the raw material (such as carrying out inspections and giving advice about problems)?
- Does the manufacturer place an order for the raw material before it is actually available and set the price then?
- Does he give the supplier any instructions before the sale of the raw material (here, on how to mature wine)? and
- Does the process of manufacture begin at the point of transportation (here, through mixing raw wine from various sources)?

A combination of one or more of these requirements could enable services and materials for the maintenance of vehicles so used to qualify for GST exemption.
ABI results show 43% profit leap

BRENT MELVILLE

AMALGAMATED Bever-
age Industries (ABI) has
posted effervescent year-
end results to March, list-
ing a 43% increase in at-
tributable profits to R45.3m
(R33.3m) and bolstering its
three-year annual comp-
pound growth rate to 35%

Earnings, taking into
account six million addi-
tional shares following the
acquisition of Sparletta,
were up 36% to 42.6c (31.7c)
a share, covering the 18c
(16c) dividend an un-
changed 2.0 times

At a prevailing 68c, the
results place ABI on a divi-
dend yield of 6.1% and P/E
of 36, compared to sector
averages of 3.2% and 14.6
respectively.

Sales for the group, con-
trolled by SA Breweries
and the largest franchise-
holder of Coca-Cola in SA,
proved by 34% to
R759.6m (R562.1m), attrib-
uted mainly by MD Alex
Reid to the hot summer and
the urban population explo-
sion

Reid said the acquisition
of Sparletta, which contrib-
uted about 8% of the 34%
improvement in turnover,
enabled ABI to rationalise
and gave its product range
good volume growth. In ad-
dition, consumer demand
had remained strong for
canned soft drinks — in
which market ABI operates
through its 24% holding in
Amalgamated Beverage
Canners.

Although the group spent
R37.4m in capex last year
related to the ongoing de-
velopment of the Phoenix
facility in Natal and the ac-
quision of Sparletta, gear-
ing remains at a low 21%

Reid said that, given
reasonable weather and a
relatively stable environ-
ment, the group expected
continuing growth in the
coming year.
Woolworths goes green with new Blue Label

WOOLWORTHS has recently launched the first sulphur-free wine in SA. Marketed as Blue Label, it is available at all licensed Woolworths outlets.

The decision to produce Blue Label no doubt reflects Woolworths commitment to selling goods effectively free of preservatives. There has been a significant swing in Europe to organically grown fruit and vegetables. This has had its own impact on the wine scene, there is now a directory of Europe’s healthiest wines, indicating how vineyards have been treated, what essential additives were brought into the wine-making process, and the products’ final sulphur levels.

I was therefore particularly curious to receive Woolworths’ news release announcing “sulphur-free white wine”.

Sulphur is a natural by-product of the fermentation process. Unless Charles Back at Fairview has developed a new technique which eliminates it, Blue Label is not sulphur-free — merely a wine without added sulphur.

This in itself is something of a breakthrough in the Cape wine industry. The production of undiluted wine has been synonymous with the Cape for a century. Of course, many wine drinkers are sensitive to the presence of sulphur dioxide since it is used in many household products and is often responsible for morning-after feeling if you’ve indulged in poor-quality wine.

However, don’t expect that Blue Label will satisfy your oenological cravings. It is otherwise “utterly unremarkable,” harsh on the palate and likely to provoke acute delicacy. It does not credit to the Woolworths range — normally the best selected housebrands at any outlet in SA.

Auction wine buyers suffering from withdrawal symptoms since the Nederburg sale at the end of March or the Sotheby’s Promenade auction at the beginning of March will be pleased to know that a major wine auction will be held at the Holiday Inn in Pretoria on May 12 at 9am. More than 15,000 bottles from about 50 producers will come under the hammer. The bulk of the wines dated 1980 and nearly all appear to be South African. Contact Germain Lehodey (012) 344-1837/8.

MICHAEL FRIDJHON
ABT's workers are still enthusiastic investors—thanks to Coke

JUST LOOK AT US NOW

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ABT's workers are still enthusiastic investors—thanks to Coke
Bonsella for the bottlers

By Ian Smith

AMALGAMATED Beverage Industries' staff members who, following a trade-union call not to take up a management offer of shares at R1 each three years ago, have reason to be aggrieved.

ABI's share price moved up to R7 this week on the back of sparkling results from Coca-Cola's biggest franchise holder in Southern Africa. ABI has 42% of the carbonated soft-drink market.

ABI managing director Alex Reid says: "I'm particularly pleased that our staff and small customers who put their trust in us have been well rewarded."

The deal to "share the wealth" offered 11-million shares in the company at R1 each to ABI employees and small dealers. Now their shares are set to climb above R7.

"It was not a paternalistic offer," says Mr Reid. "But one of the two trade unions came out strongly against the offer, and the other, after a neutral stance, adopted a neutral stance." In the event, 83% of the people offered shares climbed on the soft-drink vans. Of the original 7,000 who accepted the offer, 5,300 still hold shares.

Other people appreciated the value of the public offer, and it was oversubscribed seven times.

ABI's controlling shareholder is SA Breweries with 30.5%. Cadbury Schweppes holds 19%.

When the company was listed last June the shares opened at R3.50 and climbed to nearly R7 by the end of the year. They traded at R6.85 immediately before the results for the year to March 31.

Attributable income jumped by 43% to R3,3-million. In spite of another 6-million shares being issued after the acquisition of Sparlett Bottling Co, earnings a share rose by 35% from 31.7c to 42.9c.

The dividend has been increased from 16c to 21c, and is covered 2.03 times.

The Sparlett acquisition, together with a long, hot summer and increasing urbanisation in S.A., ABI's franchise area in the greatest to Pretoria, Johannesburg and Durban areas, sent sales soaring by 34% to R740-million.
Sparkling results produced by ABI

The largest bottling company in South Africa, Amalgamated Beverage Industries (ABI) made the day for more than 5,000 first-time shareholders when it produced sparkling results for the year ending March 1990.

The predominantly black shareholders have seen their investment increase seven-fold in three years.

When they acquired the shares in 1987 they sold for R1. At the listing of ABI in June last year, the shares traded at R3.50. By the end of the year they had reached the R6 mark. They currently trade around R7.

The company, the largest bottler of Coca Cola and other well-known soft drinks - lifted attributable earnings in its first full year as a listed company, by 43 percent to R45.3m. With 6 million additional shares in issue following the acquisition of the Sparletta Bottling company during the year, earnings per share improved 35 percent to 42.8 cents.
rest of this year, currency protection is likely to be limited. Amcoal and SA’s best near-term hope is for a narrowing of the political discount on export prices.

With a relatively pedestrian outlook for the sector as a whole, too much should not be expected of Amcoal this year. As Russell puts it: “The share is fully priced at the R77 level.”

Gillian Findlay

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**THROATY GROWTH**

<table>
<thead>
<tr>
<th>Year to</th>
<th>Mar 31</th>
<th>Mar 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
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<td>Pretax profit (Rm)</td>
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<tr>
<td>Attributable (Rm)</td>
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<tr>
<td>Earnings (c)</td>
<td>31.7 *</td>
<td>42.8</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>16</td>
<td>21</td>
</tr>
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</table>

This seems to have helped both companies focus on the relatively simple function of marketing. They have marketed particularly successfully to the informal sector — carbonated soft drinks are a good money-spinner for hawkers and spaza shops.

Generally, Suncrush has generated better trading margins than ABI. The difference may be due to operating efficiencies but is also a function of brand and packaging mixes, wages which differ between urban and rural areas and the number of separate plants. Suncrush has also developed a talent for investment which has sometimes sweetened its results considerably; there is no such element in ABI.

Nonetheless, ABI appears to be set for further strong growth because of its urban base and the large number of children in cities. Last year, helped by a hot summer, soft drink volume sales increased 9%.

In its short listed life, ABI has surprised many analysts with its high and rising rating. So has Suncrush, which has grown so well that investors seem to trust management to continue doing so, though sources of growth have not been clear. ABI’s 2.9% dividend yield is still above Suncrush’s 2% and the gap is unlikely to narrow immediately. But that does not necessarily imply yields will remain low, particularly if a slowing economy cuts into consumer spending.

Teague Payne

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**Trading fizz**

The first set of post-listing results should have disappointed nobody. Nor should the forecast of further real growth from chairman Peter Lloyd.

Turnover rose 34%, trading profit 45%, and earnings 35%. ABI is benefiting from the urban population explosion and the associated development of the informal sector, the acquisition of the relatively high-margin Sparletta franchise in the Transvaal last year, plant productivity improvements and higher capacity utilisation and sustained demand for canned soft drinks.

ABI can be compared with Suncrush as both are Coca-Cola franchise holders operating in separate parts of the country. The geographic spread of the franchise is strictly limited, so there is little scope for ABI to expand outside its present Johannesburg, Durban and Pretoria areas. But while Suncrush has smaller centres like Maritzburg, Empangeni, Newcastle, Klerksdorp, Vandelijpark and rural areas, the two companies neither collide head-on nor compete on prices.
Beer to go black

THE Government was waiting for guidelines on the most equitable manner in which the sorghum beer industry could be transferred to black ownership, the Minister of Privatisation and Public Enterprises, Dr Dawie de Villiers, said yesterday. 

Introducing the Extended Public Committee debate, he said approaches and requests had been made by various black organisations such as Nafooc and Ukhamba to transfer ownership of the entire industry.

"This presents an ideal opportunity not only for blacks to be directly involved in a large, viable business, but for a genuine partnership between community interests and the workers."

It was logical that the control and ownership of the sorghum beer industry, whose customer base consisted solely of blacks, should rest with that community.

"In view of the specialised nature of operations and the vast market opportunities within this industry, it is hoped that this measure will lead to an even greater enhancement of job opportunities and skills training in its different facets." - Sapa.
Capex between R1bn and R1.5bn

SAB trading profit tops R1bn-mark

Own Correspondent

Johannesburg — SAB Breweries (SAB) would be spending between R1bn and R1.5bn annually over the next several years — mainly on expansions to its breweries, group MD Meyer Kahn said yesterday.

Kahn said the group had already approved capex of R2.1bn for the next two years, and would be spending at least R1.3bn next year, 75% of which was committed to expansion in its brewery, Amalgamated Beverage, and Appletiser interests, and the balance on its remaining concerns.

"Capex would most probably go up in the following years based on projected cash flow, and be spent in roughly the same ratio," he added.

The disclosure comes in tandem with the announcement of SAB's year-end results, which saw trading profit soar to well above the R1bn mark for the first time.

Earnings and dividends were up 20% to 223.2c (R27.2c) and 101c (R4c) a share respectively.

Kahn said it would be cheaper to SAB to expand on existing infrastructure than to invest in new greenfield operations.

In addition, although consumer demand was likely to be inhibited next year, and the socio-political situation was likely to remain volatile, the group was confident that further growth in earnings would be achieved.

He said that the group would not be unduly affected by the new depreciation allowances, announced earlier this year, and expected the group's tax rate to remain at its prevailing 40% level next year.

In its results, SAB proved itself a master financial brewer for the 22nd year in succession, recording a 34% hike in trading profit to R1.3bn (R861m) on a 25% increase in turnover to R13.5bn (R10.6bn).

And after accounting for a 53% rise in net financing costs to R221m (R144m), attributable profits were left 20% improved at R584m (R362m).

Cash generated from operating activities increased by 20% to R1.5bn, and after accounting for finance costs, taxation and dividends, R640m was reinvested.

Expenditure on fixed assets last year amounted to R800m, resulting in an increase in net borrowing by R229m.

Gearing dropped slightly to 45% (46%).
95 and still going strong at SAB

By Ana Crotty

Good management and strong consumer expenditure are the key features behind a massive surge in SA Breweries earnings over the past four years — up from R3.5c a share in financial 1986 to 225.2c in financial '90.

In the 12 months to March the group's earnings growth was commendable 20 percent to R604 million (R505 million), equivalent to 235.2c (187.2) a share from which a dividend of 101c (84c) a share will be paid.

But for financial '91 shareholders will have to curb their expectations as the group's earnings growth stagers in line with the deterioration in private consumption expenditure (PCE).

Economists are forecasting real growth in PCE of less than one percent in calendar '90. SAB's MD Meyer Kahn says a rise in nominal earnings of around 10 percent could be on the cards for financial '91.

PCE grew in real terms by 0.8 percent in calendar '88, by 3.7 percent in '87, by 4.9 percent in '86, and by 2.9 percent in '85.

SAB's financial '90 figures reflect the slower trend in the economy — second half earnings growth (which includes the traditionally strong Christmas period) was 17 percent, compared with first half's 29 percent.

But although short-term performance looks fairly grim, SAB, which celebrated its 85th birthday yesterday, continues to have a long-term perspective on things. Approval has been granted for a R2.1 billion capex programme of which R1.3 billion is earmarked for the current financial year.

Financial '90's 20 percent hike in EPS is in line with market expectations.

Turnover was up 25 percent to R113.2 billion (R106.6 billion), trading profit rose 34 percent to R1.3 billion (R961 million), finance costs surged 53 percent to R221 million (R144 million), reflecting higher borrowings and higher interest rates. Taxed profit was up 26 percent to R814 million (R641 million).

Attributable earnings showed a 29 percent advance to R604 million (R505 million). Again the beer division accounted for slightly more than half of this with a contribution of R320 million (R289 million).

"Other interests" accounted for the remaining R284 million (R233 million).

This category includes equity-accounted earnings of R96 million. It also includes SAB's share of the earnings of its eight listed subsidiaries, which appear to be about R235 million (see chart), its 100 percent stake in Applestree (which last year earned R103 million) and its overseas interests, which are believed to have contributed about R45 million in financial '90.

(Until the annual report is released it is virtually impossible to get a handle on how sundry costs such as overhead expenses, finance costs and the tax equalisation account are apportioned across the various earnings sources.)

The beer division's 10 percent sales volume increase was commendable in view of the nine-week strike that hit production at the end of calendar 1989. The division's resilience to the strike action reflects the capital intensive nature of production.

Of the group's R1.3 billion capex spend in financial '91, R600 million has been earmarked for additions to existing capacity at Elrude, Newlands and Durban.

With the exception of OK Bazaars, performances from the listed subsidiaries were generally good in view of the difficult trading conditions ABI and Edgars turned in excellent contributions.

SAB's stake of Da Gama for the 12 months to March was around R25 million. This is before stripping out financing costs of R16 million related to Da Gama's preference dividend costs.

OK has long been a disappointing contributor to SAB. The only, somewhat perversely, bright note it offers is that as the rest of the group grows and OK stagnates it will become even less important to SAB performance. But then it must also take up proportionately less of head office resources.

Mr Kahn appears somewhat philosophical about it: "OK had a lot of bad luck, especially in the last quarter. I'm not despondent about it all."

<table>
<thead>
<tr>
<th>% Holding</th>
<th>% Turnover</th>
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<th>Attr. Earnings</th>
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<td>+22</td>
<td>24.2</td>
<td>+16</td>
<td>14.0</td>
</tr>
</tbody>
</table>

* For a 18-month period
SA BREWERIES (SAB) would be spending between R1bn and R1.5bn annually over the next few years, mainly on expansions to its breweries, group MD Meyer Kahn said yesterday.

Kahn said the group had approved capex of R2.1bn for the next two years and would be spending at least R1.3bn next year, 75% of which was committed to expanding its brewery, amalgamated beverages and Appleiser interests, and the balance on remaining concerns.

"Capex would most probably go up in the following years based on projected cash flow, and be spent in roughly the same ratio," he added.

The disclosure comes in tandem with the announcement of SAB's year-end results, which saw trading profit soar to well above the R1bn mark for the first time. Earnings and dividends were up 20% to 229.2c (187.2c) and 191c (84c) a share respectively.

Kahn said it would be cheaper to expand existing infrastructure than to invest in new operations. The group was confident there would be further earnings growth.

He said that the group would not be unduly affected by the new depreciation allowances announced earlier this year, and expected the group's tax rate to remain at its prevailing 46% level next year.

In its results, SAB proved itself a master financial brewer for the 22nd year in succession, recording a 94% hike in trading profit to R1.3bn (R681m) on a 25% increase in turnover to R13.3bn (R10.6bn).

And after accounting for a 58% rise in net financing costs to R221m (R144m), attributable profits were left 26% improved at R104m (R802m).

Gearing dropped slightly to 45% (46%), which Kahn said was well below the group's self-imposed constraint of 60%.
SB share price up 200c ahead of its March Results

COMPANIES
Maintaining growth of that sort means building the equivalent of a major new brewery every other year, reckons group financial director Selwyn MacFarlane. This year, group capital spending is slated at about R1,6bn, part of a R2,1bn spending plan. Of this year’s planned spending, about 75% will be directed towards beverages and the rest towards the manufacturing and retailing interests.

Says MacFarlane, “There is a tremendous need to increase manufacturing capacity – Da Gama is upgrading its facilities, Lion Match is putting in new plant and Afcol needs additional capacity.” That might seem strange in a year expected to be characterised by weak consumer spending, but presumably the group needs new capacity in anticipation of a consumer-led recovery.

Naturally, most of the spending is on beverages and not just brewing. MacFarlane points out that the group’s soft drink and fruit juice sales are growing by around 7% in volume terms each year. At present, SAB has about 45% of the nation’s fruit juice market – Appletiser and Ceres – and probably expects to increase that share over time. No doubt it can, as its cash flow can sustain the necessary spending on plant and equipment.

Last year, cash flow retentions totalled R639m, fractionally down on fiscal 1989’s R642m, and MacFarlane confidently reckons cash retentions could finance about half of this year’s planned capital spending. That implies additional borrowings of about R800m, which can be within the group’s self-imposed 60% debt equity limit.

Evaluation of the share’s investment worth has to include a subjective element. At its present R36 price, the share yields an historic 2.8% and is on an earnings multiple of 16. The rating discounts several years of growth, but there seems no doubt that growth will be achieved. No one is likely to break into SAB’s market, though there will always be a small niche for boutique beers holding around 1% of total sales. And part of the share’s price reflects an acceptable premium for the security of continuing dominance of a firmly-growing market.

Jon Jones

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**SA BREWERIES**

**The Lion’s share**

There must be something particularly satisfying about having almost the entire market for a product whose sales are likely to continue matching up steady 10% annual growth year after year. That is precisely what is expected of the beer market, with SAB’s rapid urbanisation and a corresponding shift in black South Africans’ drinking preferences towards malt beer and away from traditional brews.

This past year, SAB lifted beer sales volume by 10% to 20,2m hectolitres – that’s about 120 pints a year or a pint every third day for every man, woman and child in SA. And if that is construed as making us look rather like teetotallers, it ranks SAB as the world’s seventh largest brewer. Beer generated 53% of last year’s R604m attributable profit, a further measure of the group’s earnings underpin.
R200m SAB expansion on line by mid-1991

By DICK USHER
Business Staff

EXANSION of capacity at South African Breweries' plant at Newlands to cope with future demand is scheduled for completion by the middle of 1991.

SAB public affairs spokesman Mr Adrian Botha said this week that the R200 million expansion, on which work had already started, was part of the R1.8 billion set aside by the company for capital expenditure in the current financial year.

The expenditure was announced by MD Mr Meyer Kahn when he released the group's results for the year to March 31 this week.

Mr Botha said that although most of the planned capital expenditure was earmarked for expanding brewery capacity, some was reserved for maintenance capital and would go into other necessities such as purchase of containers, refurbishment of plant and distribution vehicles.

The project at Newlands would expand capacity there by about 50 percent, said Mr Botha.

Also scheduled for expansion was the brewery at Prospection, Durban.

A phased R250 million project there would increase capacity by about 50 percent and was scheduled for completion in mid-1992.

The third major project contemplated, although the group was not yet fully committed, was a three-stage expansion of capacity at Alrode involving about R800 million.

Mr Botha said this would involve a partial rebuild of the brewery, raising capacity to about 6 million hectolitres a year.

This would be close to the capacity of SAB's largest brewery at Rosslyn, which had a capacity of more than 6 million hectolitres a year.

The beer giant reported record trading profits of R1.3 billion for the year to March 31, a rise of 34 percent on the previous year.

Bottom-line profits for the group, which includes many subsidiaries including OK Bazaars and Edgars, was more than R600 million. The beer division contributed R220 million, or 54 percent of this.
Liquor industry sends its message in a bottle...

ZILLA EFFAT

SA's soft drinks are increasingly being packed in cans and plastics, but most of the country's "dop" still comes in the bottle.

According to a Business & Marketing Intelligence's (BMI) report, glass has lost ground to cans and plastic containers in the buoyant carbonated soft drinks (CSD) market, but remains dominant in the beer, wine and spirits industry.

While glass accounted for the lion's share of CSD packaging in terms of litres sold in 1998, its use had fallen 15% by 1999. In the same period, plastics' market share of litres packed rose two-and-a-half times, while metal containers' was up by 69% both off a low base.

BMI says the market share of non-returnable soft drink containers has doubled in the 1990s. But there has been a trend to larger sizes in the CSD market, with 1l and 1.5l returnable glass bottles doing well.

The 1l returnable glass bottle accounts for a large, steady share of the market, but the use of smaller glass bottles is declining.

The popularity of the 340ml can has been boosted by the convenience of six-packs and dispensing machines.

Poor image

More plastic is being used for short-life fruit juices, while carton board, already dominant, is expected to show the greatest growth in long-life fruit juices over the next five years. Nearly all cordials and squashes packed last year were packed in PVC.

However, bag-in-the-box packaging is losing market share in both the fruit juice and wine industries. More than 90% of all wines come in glass and plastic is generally regarded as having a poor image for wine. But metal cans are still popular for flavoured wines.

As prices increase, the medium-term growth in wine and spirits is expected to occur in smaller bottles.

BMI says the most popular size for spirits is the 750ml glass bottle. But producers of spirits are trying to cut costs by switching to reusable glass or standardising bottle shapes.

In the beer market, blacks, who dominate consumption, consider the 750ml returnable glass bottle the most economical format. This bottle's market share is expected to increase slightly over the next five years. BMI expects both the 340ml "dumplie" and 540ml can to show good growth. The price advantage of the dumplie is balanced by the perceived greater convenience of the can.

During 1999, a large proportion of sorghum beer was distributed in tankers or mini-bulk containers to shebeens, eating houses and beer halls. But there seems to be some swing back to packed sorghum beer which will result in more of the product going into 1l carton board containers.
Kahn will succeed Hofmeyer at SAB

ANDREW GILL

MURRAY Hofmeyer is to retire as SA Breweries (SAB) chairman as of July 18 after six years on the board and three as chairman. He will be succeeded by SAB's group MD Meyer Kahn, who will become executive chairman while keeping his post as group MD.

Hofmeyer recently announced his retirement as chairman of Johannesburg Consolidated Investments (JCI) effective on June 1.

The latest announcement, said Hofmeyer yesterday, was his retirement from boards connected with JCI. He said he was still, however, non-executive chairman of Argus Holdings.

Kahn said he was "very flattered" by the appointment, and he would try and make sure SAB — 95 this year — would be around for at least another 95 years.

He said no other executive restructuring had taken place in SAB as a result of the change.

Pat Retief, chairman-elect of JCI and a non-executive member of the SAB board, will assume the chairmanship of SAB's General Purposes and Audit Committees.
Schoon Spruit's first quarter sales up 25%

LEADING SA mineral-water brand Schoon Spruit, helped partly by the Perrier scare this year, boosted first quarter sales by 25% over the corresponding period in 1983. Beecham SA marketing director Malcolm Wood said yesterday.

Wood, whose company bottles the drink, said the removal of Perrier from SA shelves contributed to a slight increase in month-on-month sales in March, but it was not the major reason for sales growth during the period.

He said the market was buoyant because people were more health-conscious. Schoon Spruit was cheaper than imported brands whose prices had gone up due to government's import surcharge.

Perrier, and Schoon Spruit were not substitutes for each other. "Perrier is more a businessman's drink, while Schoon Spruit is oriented towards South Africans in general," Wood said. Schoon Spruit was an established and popular brand when Beecham acquired it in 1964, and the company had not aggressively marketed it. However, growth in the SA mineral water market had prompted it to "rejuvenate" the drink in 1989.

Its current estimated market share was about 35%, but this was expected to increase by the end of the year in view of a new promotional drive and stronger brand identity.
Beer business booms as millions down billions

ANDREW GILL

BEER drinkers in SA, about 6-million people, drank an average of a litre of beer a day each last year — two billion litres overall — and they're thirsting for more.

A study by Business and Marketing Intelligence (BMI) concluded that many more beer converts were expected over the next few years as black urbanisation and westernisation increased.

BMI Foodpack MD Stephen Harrod said estimates were putting beer sales growth at about 6% to 8% a year — almost a 50% increase in five years.

SA Breweries has taken heed of the fact by announcing a R1.5bn-a-year capital expenditure programme for its breweries. It can afford it, being the only major supplier in SA and reportedly the seventh biggest brewery in the world.

The study said blacks were the major beer drinkers — 80% market share — and beer's popularity was a result of its relatively low price, imaginative marketing and improved distribution.

SA has a population of about 40-45 million people, of which at least 12-million are drinkers. Beer is drunk by half of the drinking population.

This puts last year's 2-billion litres volume in the hands of 6-million people — or 333.3 litres each a year.

The largest percentage increases in beverages were for fruit juices, mineral water and carbonated soft drinks, especially diet drinks.

This is seen as a move towards health consciousness and seems to have had an adverse effect on the wine market which is expected to become static.

Harrod said businessmen who previously had wine with their lunches were now moving towards mineral waters. Their sales were expected to increase at a rate of about 25% a year in the next five years, a 100% increase in four years.
11 arrested in Johannesburg liquor swoop

Crime Reporter

Police raided shebeens and premises selling liquor without a licence in southern Johannesburg at the weekend, arresting 11 suspects on a variety of charges, a South African Police spokesman said.

The raids were conducted by the newly formed Crime Prevention Unit, based at John Vorster Square, on Friday night and early on Saturday.

Sixteen premises were raided and detectives, under the command of Sergeant Manuel Filipe, seized about 4,500 litres of alcohol. He and his men struck in Booyens, Ophirton, Turffontein, La Rochelle and other areas.

Eight of the arrests were for dealing in liquor without a licence, two for drunken driving and one for fraud.

In one raid on Ophirton premises, a man tried to stab a detective and managed to escape from police. A second man also tried to escape but was arrested.

The raid formed part of the South African Police Operation Watchdog crime prevention operation now under way throughout the country.

Anyone with information on any suspected crime is asked to contact the Crime Prevention Unit on (011) 638-8363, extension 131, or Sergeant Filipe on 787-9560, code 70213.
Bid to end city soft drink delivery strike

Staff Reporter

Food and Allied Workers' Union representatives hope to meet Peninsula Beverage management today to try to resolve a strike which has affected soft drink deliveries.

A union spokesman said about 100 truck assistants had stopped work yesterday over pay demands.

The union did not have a recognition agreement with Peninsula Beverage and, although the truck assistants were members, it was not negotiating wages on their behalf.

MINIMUM WAGE

The assistants were seeking a minimum wage of R350 a week, against their present earnings of around R230 a week.

Another cause of discontent was the status and pay of "permanent casuals". They earned R55 for the first truckload of the day and R5 for each subsequent load. They wanted permanent status.

Production workers had not been organised by the union and had not joined the strike.
It's a stout show from SA Brews

By Julio Walker

BEER is best, or so the market thinks. SA Breweries was a stout performer in a soft market this week.

The depressing effect of gold's drop could not be countered by the buoyant courses over the waters.

SAB's shares put on more than R2 to R40.75 on firm demand even though its subsidiaries had mixed fortunes. The OK was higher, Amnel and Edgars lower.

Bevcon was up 16c at R62.50. Richemont topped R25 after reaching a peak in sterling terms midweek on good results from Dunhill. It closed at R24—25c up. W&A added 15c to R80c, but was offered at the original level.

Chabb gained 100c to 925c, and Remgro gained 50c to 1440c. Sitime 3 1/4 to 40c.

The volatile Venter companies regained some lost steam as the shares perked up two weeks ago. This week Altron shed 120c to R84.75, but regained it late on Friday. Powertech lost 5c to R2, but put it back, Altech shed 10c to R3 and Pittschke sneaked up 5c to 535c.

Punch Line was 16c up at 76c, the 13% convertible prefs adding a third to 80c. Putco came all the way down after going ex-dividend of 110c. It fell from 76c to 50c. Putprop eased 20c to 70c.

Trident Trading rallied by 50c to 45c after dropping on expectation of poor results.

Clinic Holdings' modest growth was rewarded by a 50c improvement to 150c on a single deal of 100 shares.

De Beers could not keep its price above R100.

Gold dividends from Anglovaal mines reflect the downtrend in mine earnings.

ERPM was sold down as the mine's fate is decided. The price eased 300c to R11.

Speculators in Barmins got the jitters on talk of ore reserve discrepancies, but management called a meeting to allay investors' fears.

The price hit a low of 41c before recovering to 44c, still 25c off the week.

Granite

Northam's nil-pad letters shed 30c to 200c, but recovered 20c as the shares gained 50c on Friday afternoon to R7.4. The take-up price is R22.

Middle West nil-pads also fell. The ordinaried shed 20c to 50c and the letters crashed from 80c on Tuesday to close at 32c. Take-up price is 560c.

Keely eased after a surge on either side of its published results. The granite stock softened 5c to R10.75.

Mining exploration counters lost their way in sympathy with gold. Baraex, Lydex, Randex and Rho-Rx all shipped, only Freddex bucking the trend. It gained 35c to R10.10.
Strike hits soft drink deliveries

Labour Reporter, 1948

DELIVERIES of Coca-Cola and other soft drinks from Peninsula Beverage Company Ltd to most retail outlets in the Peninsula have been affected by the week-long strike by about 80 truck-assistants.

The workers, who help with the off-loading of trucks at retail outlets and who are members of the Food and Allied Workers Union (Fawu), have been striking in support of their demand for an immediate 96 percent wage increase.

NEGOTIATIONS

A spokesman for management said the workers had had an annual increase in January and that management was "prepared to negotiate" with respect to the increase due next January.

Today was the first day of deliveries since the strike started a week ago and in the meantime negotiations between the union and management are continuing in an effort to resolve the dispute.

A spokesman for a leading retailer said that its supplies had not been affected by the strike because it usually kept enough stock for about four weeks.
Strike: Deliveries resume

DELIBERIES of soft drinks to retailers by Peninsula Beverage workers resumed yesterday after a week-long strike by about 80 truck handlers.

A spokesman for the Food and Allied Workers' Union said yesterday the company's management had given in to all demands except those concerning wages.

Negotiations between the union and management were continuing in an attempt to settle the dispute.

The workers are demanding a wage increase of 50%, while management said they were prepared to negotiate regarding the increase in January next year.

The union spokesman said the workers had received a 10.2% increase in January this year.

He said agreement had been reached that workers would be paid for last week's public holiday.
Liquor strike looms over R7 discrepancy

The wine and spirit industry faces a countrywide strike by workers over a R7 difference between the employers’ weekly wage increase offer and the union’s demand.

National Union of Wine, Spirit and Allied Workers president November Nkosi yesterday told a media conference in Johannesburg that the union was preparing a national strike ballot for next week.

Proposal

The union was confident that workers would vote for a strike, which would be timed to have maximum effect on the liquor industry, he said.

The National Congress of Trade Unions-affiliated union’s revised wage proposal was for a R40-a-week across-the-board increase — represented by the SA Wine and Spirits Industry Employers Association — has offered R33.

The labour action would involve 5,400 union members at 83 wineries and depots, including Douglas Green of Paarl, Gilbeys Distillers and Stellenbosch Farmers Winery, Mr Nkosi said.

Workers at 11 of the depots had accepted management’s offer but would take part in strike action through “majoritarianism” if the ballot result called for a strike, he said.

The union’s initial wage proposal for 1990 was for a R60-a-week across-the-board increase. This was revised to R45 after annual wage negotiations in February.

Employers initially offered between R28,50 and R31,50 for various grades.

Following a second round of negotiations in March, mediation by the Independent Mediation Service of South Africa, and a meeting of the Conciliation Board early last month, the union revised its proposal to R40 and employers offered R33.

Workers currently earn between R762 and R1,297 a month.

Bonuses

The union is also calling for 20 days’ annual leave after 10 years’ service, retrospective to April this year.

Management has offered one extra day for five-nine years’ service, three days for 10-14 years and five days for more than 15 years’ service, provided existing long-service bonuses are incorporated into wages.

Leave currently totals 15 days for one-nine years’ service and 17 days for workers with more than 10 years’ service. — Sapa
Liquor workers may go on strike

JOHANNESBURG. — The wine and spirit industry faces a countrywide strike by 5,400 workers over a R7 difference between their weekly increase offer and the union's demand. National Union of Wine, Spirit and Allied Workers president Mr November Nkosi said yesterday the union was preparing a national strike ballot for next week and was confident workers would vote for a strike.

The union's revised demand was for a R40 across-the-board increase. Management — represented by the SA Wine and Spirits Industry Employers' Association — has offered R33.
New political mood and increased profits go hand-in-hand, says ABI

The ABI share price, after opening at 80c at the time of its listing in June 1989, has touched 800c, placing a premium rating on the company.

It is easy to see why investors are pushing up the share price. ABI achieved record sales volumes of 648-million litres, which represents an effective 6.2% of the carbonated soft drink market, and a year-on-year growth of 15%.

The Sparletta Bottling Co was acquired in May 1989 and had annual sales of 40-million litre. The franchise rights to the Sparletta flavour range for the Johannesburg and East Rand territories were important to enable ABI to market the full range of leading brands and flavours throughout its Coca-Cola franchise territories. The acquisition accounted for approximately 6% of ABI's growth.

Ratio

The strong performance not only provided additional revenue, but also enabled the group to improve operating efficiencies and capacity utilisation. This combination resulted in earnings rising 49% to R45.4m.

Capital investment for expansions amounted to R27.4m and related primarily to the development of the Phoenix bottling plant in Durban and the acquisition of Sparletta.

Net borrowings decreased by R7.3m and the average gearing ratio was a low 31% (53%).

Lloyd said the current state of the economy was inhibiting consumer expenditure and this would affect the industry adversely.

Despite this, he was optimistic that opportunities in the market place would enable ABI to continue to record a satisfactory growth in earnings, but not at the previous rate.
Shares in new brewery project offered to shebeen owners

Special Correspondent 10/4/90

Black liquor retailers and shebeen owners will be offered shares in a small German brewery to be established soon in South Africa.

The brewery is not revealing its identity yet, but discussions have already been held in Germany with South African engineers.

The German company will not clash directly with South African Breweries by building large breweries serving large areas.

It will start with a R50 million plant – a small amount compared to SAB’s latest R260 million Plettenburg brewery.

Although a majority interest will be offered in the company, technical control will remain in the hands of the German holding company.

It is believed the new brewery will attract loyal support from black traders who want to be independent from SAB.

Blacks consume about 85 percent of the country’s beer production.

The German company intends expanding from its initial brewery by building several small breweries in various parts of the country. Each will have the same shareholding structure.

The company is aware that it will cost more to produce its beer than its costs SAB, because of lower production volumes, but this could be offset by lower transport costs. The smaller breweries would be closer to their markets than SAB plants.

Managing director of SAB’s beer division Graham McKay said he was aware foreign breweries were investigating the local market, but that lower transport costs of a small, well-placed brewery could not cancel higher production costs.

South Africa has drawn the attention of foreign breweries because it has one of the fastest-growing beer markets in the world. But since the market has only grown 10 percent a year in the past two years, SAB managing director Meyer Kahn expects a small increase in volume of four to five percent this year.

Beer sales in developed countries tend to stagnate due to anti-alcohol groups which have lobbied to enforce limits on liquor advertising.

The World Health Organisation is campaigning to reduce the world’s alcohol consumption by 20 percent a head.

Heineken of the Netherlands and Guinness of Ireland are other breweries apparently interested in entering the South African market.

Guinness has recently opened up in Namibia. Kirin of Japan is apparently also interested, but its plans could be thwarted by Japanese laws which limit investments in South Africa.

One observer said the time was ripe for competition because the local market was growing and the political climate now made it possible. A year ago, when Amstel in the Netherlands was embarrassed about its links with SAB, the establishment of a foreign brewery was unthinkable.

An official involved in the new project said it has been introduced in the manner in which blacks have succeeded in other markets - by thinking small.

“The collective turnover of black spaza shops is now larger than that of certain chain stores. Small taxi operators are successfully challenging giants like Putco.”

He said SAB’s programme of continuous expansion discouraged large competitors, but would not prevent entry by a number of smaller breweries.

“Should SAB be allowed to maintain its near monopoly, it could be pressered by a future black government to nationalise the white-controlled industry which has made a fortune.”
SAB's R128m Sun poser

SA BREWERIES' expected move to buy out minorities in its debt-laden Southern Sun hotel group could cost almost R128-million at the current share price of R6,65.

The directors refuse to give reasons for their request to the JSE to suspend Southern Sun shares. An announcement will be made on Tuesday, says managing director Bruno Corte.

Speculation about Southern Sun's future surfaced after publication of its results for the year to March 31.

By JULIE WALKER

when turnover jumped 21% to R472-million and operating profit nearly doubled to R28,3-million.

But without the group's dividend from its 20% stake in Sun International it would be into losses because of high gearing — last year's interest bill was R34,4-million.

Analysts say SAB would be paying a high price to get the 31,5% stake that it does not already hold. Sun International owns 21% in a strange cross-holding.

It has been suggested that if Southern Sun sold its stake in Sun International the proceeds — they could be as high as R50-million — would wipe out its borrowings.

That might make more sense for SAB than waiting for the hotel trade to pick up sufficiently for returns to justify the high price. Southern Sun's shares are rated at 15,5 times historic earnings.

The shares are trading close to the estimated net asset value of S50c, and buyer and seller could come to an agreement sooner rather than later on a price.

Expectations of higher room occupancy at Southern Sun hotels have contributed to the share's reasonable rating, but investors have shied away because of high debt in the group.

Although international tourism is 65% higher than last year, it represents only 12% of Southern Sun's business.

Southern Sun owns 53 hotels of which 23 are Holiday Inns. The number includes timesharing. It also manages three hotels.

Room occupancy last year was 64%, and the forecast for this year is at least 64% close to break-even cost. The rate for rooms has been increased this year and another is possible.

But high concessions are likely in wage negotiations and operating costs are rising.
Southern Sun to be embraced by SAB

SOUTHERN Sun, having spent 11 of its 21 years on the JSE, is now giving up its independence to move into the familiar embrace of SA Breweries (SAB).

The hotel group, which runs 54 of the country’s most prestige hotels, moved onto the JSE in 1979, expanding rapidly on the strength of an expanding economy and a surge in tourism to SA.

However, over the past few years—marked by international sanctions against SA and escalating racial unrest—Southern Sun, and the high end of the hotel market, suffered from declining occupancies and rising costs.

Contributing dramatically to its gearing problems, Southern Sun decided in 1986 to build a new flagship, the 800-room, R110m Johannesburg Sun, which proved to be a financial nightmare.

At the hotel’s inception it took the profits from every hotel on the Witwatersrand merely to keep its staff paid and food in the restaurants.

Although the waterfall has been slowed to more of a trickle, the hotel still loses almost R10m a year after rentals.

After expanding into the eastern Transvaal and the Drakensberg, as well as maintaining the standards of some of its more stately hotels (such as the Beverley Hills), the last financial year found Southern Sun servicing debt of R323,5m (R268,6m), pushing interest payments (including the servicing of its medium-dated preference shares) to R34,4m.

It seemed that Southern Sun, and the hotel industry in general, had overemphasised the effect that international tourism would have on the industry.

Although there has been a substantial improvement over the past year, foreign tourism accounts for only about 12% of Southern Sun’s occupancy levels, now running at about 64%.
R120m SAB deal to delist Suthsun

SA BREWERIES (SAB) is to take its subsidiary Southern Sun Hotel Holdings (Suthsun) from the JSE in a R120m deal involving the buyout of minority shareholders.

Today's announcement follows last week's suspension of Suthsun's shares, and speculation since the release of Suthsun's results to March that it would be delisted as a wholly owned subsidiary of SAB.

In the wake of the announcement, market analysts are speculating that another of SAB's "underperforming" subsidiaries, OK Bazaars, could be going the same route "based on a comparison of the two group's results, and the logic behind the Suthsun delisting."

In terms of the Suthsun deal, SAB — which holds 68.4% of Suthsun — is offering minorities (other than Kersaf) a premium of 65c on the prevailing 58c value of the share. For the 10.6% stake SAB will be paying R6.4m. For its part Kersaf Investments will receive R16.6m for its 21% stake, translating to 465c a share.

Shareholders also have the option of accepting SAB shares offered at a price of 4 000c a share, or a combination of shares and cash. SAB dropped 60c yesterday to 4 000c yesterday.

Analysts say the cash option looked more attractive. "SAB's share price is overvalued, probably pushed up in anticipation of this announcement. The 650c offer puts Suthsun on a high P/E of 17.2 times."
Minorities blackjacketed?

SA Breweries is planning a R120m take-out of Southern Sun’s minority shareholders just as free-spending foreign tourists are starting to flock back to this country and just as the hotel chain is on the brink of being freed to enter the black homelands where gambling is legal. SAB already owns 68.4% of the hotel chain’s equity and Kerzaf, which has agreed to a 485c a share cash offer, has 21%.

Other minorities are being offered 650c a share either in cash or SAB shares at a price of 4030c or a combination of the two. Southern Sun will be recapitalised, which SAB suggests will be of no medium-term benefit to minorities, though it does not mention that ownership could release the R200m-old gross tax loss for use elsewhere in the group. It also helps cash flow, as 70% of the hotel group’s attributable earnings have to be distributed to shareholders in terms of an April 1985 agreement.

SAB’s public announcement says delisting of Southern Sun is necessary, “to avoid any possible conflict between the long-term requirements of the company and the interests of minority shareholders.” Kerzaf acquired its 21% shareholding as part of the April 1985 deal struck to avoid a market share war at the end of Sol Kerzner’s 18-month restraint of trade agreement with Southern Sun. That was when Kerzner pumped Holiday Inns into Southern Sun and the hotel chain lost its direct stake in Kerzner’s casinos.

Wyman says the buy-out does not reflect a shift in SAB’s policy. Kerzaf’s decision to sell its stake gives SAB almost 90% of Southern Sun and the benefits of acquiring 100% rather than having unhappy minorities sealed the decision. But will those minorities be unhappy if Southern Sun heads towards the spinning wheels of the homelands?

Sun: Jones and Pam Beskow

...as Sun International’s Kerzner?

Kerzner took over 36.5% of casino operator Sun International from Safren Southern Sun issued 14.8m new shares in itself to Safren for the purchase of Holiday Inns which Safren, in turn, passed on together with its Sun International stake to Kerzaf for 35m new shares in Kerzaf. Since then, the casinos have been a licence to print money while Southern Sun hotels in “white” SA have suffered from tourism’s decline and a heavy financial burden.

SAB’s planning director, Malcolm Wyman, assures us that the possibility of entry into the legal gambling of black homelands was not a factor in the bid for minorities and adds there is no intention of opening casinos. Merchant bankers UAL say they were unaware the exclusion is due to end within a year.

The hotel industry’s medium-term outlook is dreary, according to the public announcement of the bid. And there seems little prospect of cutting the group’s debt — though that ignores the cash flow potential of an entry into casinos. In the year to March 1990, total interest-bearing debt rose to R324m from the previous year’s R269m and interest paid at R34.3m exceeded operating profit of R28.2m. Only a healthy R22.7m (R18.8m) dividend from casino operator Sun International allowed for a small increase in attributable earnings.

Gearing has been rising progressively and, at 64%, last year exceeded management’s self-imposed limits. Debt has risen in line with an extensive refurbishing of the group’s hotels.
SA BREWERIES’ buyout of minorities in Southern Sun will cost the consumer giant R120-million. Southern Sun’s next-largest shareholder, Kersaf, will receive 48c a share, compared with the market price of 55c before trading in the share was suspended pending the announcement of the deal.

The rest of the minorities will be paid out 60c — a nice premium for the holders of the underperforming shares. The price jumped by 35c to 620c after the announcement.

Minorities can choose between accepting cash or the equivalent value of shares in SA Breweries, 45c above the 55c offer price. A combination is permitted.

The price of SA Breweries shares fell to 96c below that level. The deal was announced, making the cash look more attractive.
Financier seizes Helical assets

PIERRE DU PREEZ

DCM-listed Helical Holdings was in a critical financial position, Merchant Trade Finance (MTF) MD Robert Taylor said on Friday.

He said the engineering group had a total estimated debt of between R14m and R17m.

MTF, which finances trade and working capital, extended loans totalling R1.5m to Helical for the period November 1989 to April 1990.

The company obtained a Rand Supreme Court order last week enabling it to take possession of Helical's moveable assets valued at about R2.5m.

Taylor confirmed some of the assets had already been sold for R750 000. Various offers had been submitted for the rest, he said.

"MTF took action in terms of its loan agreement, securing its monies, and liquidation is inevitable," Taylor said.

An announcement on June 1 said Helical shares had been suspended at the request of its directors. It said negotiations were under way which could have resulted in a change of control of the company. Another

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Helical

reason given for the suspension was that year-end results would be substantially lower than expected at interim stage.

In August a 26% increase in after-tax income was reported for the company's maiden year to end-February 1989.

However, Taylor said an investigation on June 1 revealed that Helical had sustained substantial losses and could not meet its daily commitments — including the rent at its Parktown offices — and was considering placing itself under judicial management.

He said he believed Helical had extensive contracts with Armscor.

However, Taylor said most of Helical's debt would be recoverable as sureties on plant and machinery existed.

Repeated attempts to contact Helical management for comment proved unsuccessful.
Wine industry strike threat

JOHANNESBURG. — A countrywide strike ballot by the National Union of Wine, Spirits and Allied Workers (Nuwawa) began yesterday after a wage dispute impasse.

The dispute involves the union and Stellenbosch Farmers' Winery, Distillers' Corporation, Gilbeys, Douglas Green, Union Wine and Henry Taylor and Ries.

The union has asked for a R40 a week increase across-the-board and has been offered R35, said Nuwaaw president Mr November Nkonzi.
Wine, spirits workers hold strike ballot

A countrywide strike ballot by the National Union of Wine, Spirits and Allied Workers began yesterday after an impasse in a three months long wage dispute.

The dispute involves the union and Stellenbosch Farmers Winery, Distillers Corporation, Gilbeys, Douglas Green, Union Wine, and Henry Taylor and Rus.

The union has asked for a R40-a-week increase across the board and been offered R33, said Nusaw president November Nkom.

The strike ballot will continue until June 28, when the ballots will be counted and a decision to strike taken, said a union spokesman in Johannesburg. — Sapa.
Retail outlook improves — Kahn

By Sven Lunsche

The upward trend in retail sales in the first quarter of the year signals a possible, though perhaps premature, start to the bottoming of the retail business cycle, says SA Breweries chief executive Meyer Kahn.

Writing in SAB’s 1999 annual report Mr Kahn said that while such a view may be somewhat optimistic, the relaxation of hure-purchase restrictions announced in March will assist the funding of household appliances.

“This, together with the improvements to after-tax incomes that will result from the implementation, by mid-year, of the tax relief measures announced in the Budget . . . should soften the downward pressure to some extent,” he commented.

“The reduction in import surcharge rates can, in due course, also lead to price reductions at both the producer and retail levels, provided the rand holds steady.”

According to Mr Kahn, estimates of first quarter retail sales show real growth in excess of four percent compared with a decline of two percent in the preceding quarter.

Mr Kahn also announced details of the group’s two year R2,1 billion capital expenditure programme, 68 percent of which will be spent in the coming year.

The beverage activities will account for about R900 million, with over half of this dedicated to a massive expansion of the Abode brewery and including a 50 percent capacity increase at the Newlands brewery.

The retailing companies of the group are expected to spend as much as R200 million on store expansion, while R50 million will be laid down in the manufacturing interests (Da Gama and Lion Match).

“Working capital needs could well absorb up to R400 million in the current year, leaving cash returned from operating activities at just under R500 million,” Mr Kahn said.

He said that the group was successfully continuing its international expansion, and while he would not divulge detailed information on these activities, earnings from this division amounted to R48 million last year, an increase of over 30 percent.

In the year to end-March 1999 attributable earnings increased by 20 percent to R608 million on a 25 percent improvement in turnover to R13,26 billion.
SAB shareholders enjoy 28% annual compound growth rate

SHAREHOLDERS in SA Breweries (SAB) have enjoyed a compound growth rate over the past seven years of 28% per annum, a performance outstanding that achieved by the composite of the 10 largest industrial equity investments on the JSE.

In addition the return on revalued shareholder's equity in the year to end-March exceeded 22%, bringing the seven-year average rate of return to 20%, which, says CE Meyer Kahn in his annual review, exceeds targets.

Kahn adds that net cash spent on fixed assets totalled about R600m with the group's four main pillars of activity (beverages, retail, hotels and manufacturing) receiving investment support during the review period.

Half this amount was spent by the beer division on containers and capacity enhancement at the Prospecton and Alrode breweries, numerous distribution depots throughout the country and malt plants.

Other beverages (mainly Amalgamated Beverage Industries) accounted for R100m, while retail companies Amrel, OK Bazaars, and Edgars absorbed an additional R150m.

A total of R50m was spent on upgrading certain Southern Sun hotels, and R100m went on development costs at selected consumer goods manufacturing interests.

Investment in additional working capital totalled about R300m.

Cash generated from operating activities was R1.5bn, although distributions to lenders, shareholders and the focus reduced the figure to R650m, leaving an external funding requirement of R250m.

Kahn says that nearly 2,300 new jobs were created last year by SAB, bringing the group headcount to 91,000.

Despite this, he says, employment turnover has remained low, with 49% of employees having completed service of five years or more.

Turnover

The beer division pushed turnover up 22% to R3.2bn (R2.7bn) and attributable earnings to R28.9m (R28.7m), representing a full 53% (54%) of group earnings.

In the remainder of the group's beverage division ABI was the star performer, pushing earnings up by 35% to R22.8c (31.7c), a share on attributable earnings of R45.4m (R31.7m), increasing its divisional contribution to 11% (9%).

In the group's retail division Edgars recorded the strongest growth, with a 39% hike in attributable earnings to R123.5m (R95.2m). OK Bazaars recorded a 15% dip in attributable earnings to R10.2m (R13.8m) and Amrel turned in a static performance.

The Southern Sun group posted only a 6% hike in attributable earnings to R20.3m (R23.9m). The group's manufacturing interests (Alco, Lion Match, Da Gama, and Conshu), posted attributable earnings of R14.8m.

Kahn says SAB has approved capex of R12.5bn, of which R1.2bn is to be spent next year. Beverage activities will account for about R900m, with a mega-brewery expansion at Alrode, and continuing development at Prospecton, Newlands and Butterworth.
Spending plans

ABI shareholders can be well satisfied with the group's performance in 1990, its first year as a listed company. There was strong turnover and profit growth, derived from acquisitions and organic expansion, and this has been reflected in the share price.

Attributable income rose 43% on a turn-

over increase of 34%, but EPS climbed 35% owing to the greater number of issued shares.

Chairman Pete Lloyd ascribes the strong advance to favourable weather, improved distribution, aggressive marketing and rising volume sales to the informal sector.

Volumes were 15% higher, with about 6% of this growth arising from the acquisition of Sparletta in May 1989. The acquisition also helped boost ABI's volume-sensitive margins as capacity utilisation improved.

The purchase of Sparletta Bottling Company was financed essentially by issue of 3m ABI shares to Sparletta and 3m to SAB and Cadbury Schweppes at 350c a share, the deal did not impose an additional debt burden on the group. Interest-bearing debt fell to R8m (R26.8m) by year-end but interest payments of R5.7m (R3.9m) reflect a higher average debt level during the year. Cash balances fell to nil from R11.5m in 1989.

Group financial manager Trent Oggers says capital of R144m is planned for 1991. This mainly represents ongoing development of the Phoenix bottling plant in Durban and will be funded through project finance and cash generation. This, he confirms, will cause a substantial rise in the interest bill, but current borrowings are low and the company is able to absorb these costs.

Odgers expects the squeeze on customers' disposable incomes will inhibit demand in 1991 but, "given a reasonable weather and a relatively stable environment," earnings should record satisfactory but slower growth.

The rapid urbanisation of the major metropolitan areas — ABI's delineated areas for the Coca-Cola, Schweppes and Sparletta franchises — should ensure continued growth in the informal market.

The share is trading at its 12-month high and stands on a demanding p/e ratio of 18.7 and dividend yield of 2.6%.

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Activities: Bottling and distribution of soft drinks

Control: SAB 67.5%, Cadbury Schweppes 18.1%

Chairman: R I Lloyd, MD H A Reid

Capital structure: 106m ordinary Market capitalisation R848m

Share market: Price 800c Yields 2.6% on dividend, 6.4% on earnings, p/e ratio 18.7, cover 2.0, 12-month high 800c, low 748c

Trading volume last quarter, 540 780 shares

Year to March 31 '89 '90

ST debt (Rm) 26.8 8.0

LT debt (Rm) 0.13 0.04

Shareholders' interest 0.44 0.57

Int & leasing cover 16.8 16.4

Return on capital (%) 25.4 28.0

Turnover (Rm) 552 740

Pre-ent profit (Rm) 62.4 90.6

Pre-ent margin (%) 11.0 11.9

Earnings (c) 31.7 42.8

Dividends (c) 16.0 21.0

Net worth (c) 116 212

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ABI's Lloyd ... profit fizz if it's sunny
Beer livens up beverages

BRENT MELVILLE

BEER, with sales growth at 10%, has again accounted for practically all the vitality in the beverage environment, says SA Breweries CE Meyer Kahn in his annual review.

Kahn estimates that sales volumes of all alcohol beverages have grown by 4% in the 12 months to March, slightly below the 4.5% growth recorded over the previous two years.

Sales of both spirits and natural wines were static, with growth calculated at 0.5% and 0.1% respectively, and sorghum beer sales are estimated to have remained at static levels.

He says, however, that there were interesting changes to alcohol consumption patterns, with vodka capturing an appreciable share from cane and gin, and brandy gaining from whisky.

The carbonated soft drink industry (CSD) experienced another buoyant year. Kahn points to the fact that whereas personal consumption expenditure hardly managed a 2% real growth, CSD volumes expanded by about 4.5%, up slightly from the 6% growth registered last year.

The fruit juice industry, for its part, made strong advances during the year with a 20% growth in litreage over the year.
PROCLAMATION

by the

State President of the Republic of South Africa

No. 107, 1990

COMMENCEMENT OF CERTAIN PROVISIONS OF THE SORGHUM BEER AMENDMENT ACT, 1987

Under section 8 (1) and (2) of the Sorghum Beer Amendment Act, 1987 (Act No. 29 of 1987), I hereby fix 1 July 1990 as the date on which sections 2 (a) and (c), 6 and 7 of the said Act shall come into operation.

Given under my Hand and the Seal of the Republic of South Africa at Cape Town this Twenty-first day of June, One thousand Nine hundred and Ninety.

F. W. DE KLERK,
State President

By Order of the State President-in-Cabinet:

H. J. KRIEL,
Minister of the Cabinet.

GOVERNMENT NOTICES

ADMINISTRATION: HOUSE OF ASSEMBLY

DEPARTMENT OF LOCAL GOVERNMENT, HOUSING AND WORKS

No. 1470  29 June 1990

ESTABLISHMENT OF THE HUMANSDORP RURAL COUNCIL

In terms of section 12A of the Regional Services Councils Act, 1985 (Act No. 109 of 1985), I, Abraham Adriaan Venter, Minister of the Budget and Local Government, hereby establish with effect from 29 June 1990 a rural council for the White population group to be known as the Humansdorp Rural Council for the

976—A

12552—1
SAB brewing up overseas interest

Back in February, between the time of President de Klerk’s opening of Parliament speech and Mandela’s release from prison, there was a flurry of excitement on the JSE as overseas investors moved to take an equity stake in the new South Africa.

If didn’t last long. Nationalisation rhetoric scared off foreign investors who had been making tentative moves towards the JSE.

Recent developments appear to be putting SA on a more favourable footing but it is likely to be some time before there is any significant move into the JSE by European institutional investors.

Last week Meyer Kahn and Selwyn MacFarlane of the SAB (which is quoted in London) headed off to Europe, apparently with the intention of letting the European institutions know what SAB is all about.

Nobody is expecting the trip to result in an immediate rush of European investors into SAB but in a year or so (assuming things do not go badly wrong for SA), when overseas investors are taking a closer look at the JSE it will be very useful for them to have had some sort of grounding in SAB.

Little scope for rerating

However even with overseas interest in the share it is difficult to see much scope for a rerating of SAB from its current high price/earnings rating of 17.4 times. (Unless the overseas investors were to attribute a value to the Beer Division’s brand names which are currently not valued for balance sheet purposes.)

This top rating is in large part due to the contribution from the Beer Division — apart from ABI (on 18.7 times) each of its listed subsidiaries is on a lower rating: OK on 10.9 times; Edgar on 15.5 times; Da Gama on 6.9 times; Lion Match on 7.6 times and; Southern Sun on 15.9 times.

So for a much lower cost investors could put together their own portfolio of SAB’s listed interests. But they would miss out on the beer division.

The only way investors can get access to this division, which last year accounted for 53 percent of total group earnings, is via SAB.

If the ABI stake, Appareliser and, the 30 percent stake in Distillers Corporation and Stellenbosch Farmers’ Winery are included then, according to Davis Borkum, SAB analyst Gil Catton, total beverages accounted for 68 percent of group earnings.

SAB has four major areas of operation: beverages, retail, hotels and manufacturing. Long-term strategy is to hold the Beer Division’s earnings contribution to around 50 percent of the total. Anything higher than this exposes the group to even more industry specific risk (such as a major hike in excise duty on beer).

Indications from group financial manager, Ian Somerville are that SAB continues to explore expansion opportunities in the manufacturing sector in order to achieve a better balance in its portfolio.

The latest annual report shows the overall return on equity was 22.5 percent in financial 1990. In the seven years since 1984 the average has been 19.9 percent per annum.

Pre-tax return on total assets was 17.1 percent in financial ’90 with a 14.8 percent average per annum over the past seven years.

These represent the averages of a very mixed bag of performances.

The annual report also shows that beverages account for 51 percent of attributable earnings (after stripping out miscellaneous expenses and external minorities) but accounts for only 40.5 percent of the group’s total assets.

Manufacturing contributes 13.2 percent of earnings and accounts for 11.8 percent of assets. Retailing contributes 20.9 percent but accounts for 33 percent of the assets and, hotels contribute just 3.4 percent but account for 10.2 percent of group assets.

The growth in the cash generated from the group’s operating activities has outpaced inflation over the past seven years. The compound growth rate over the past seven years has been 18.4 percent.

Given the weak outlook for consumer demand in financial ’91, nominal earnings growth of around 15 percent should be attainable. Longer-term SAB’s strategy of positioning itself in the black consumer market will reap considerable rewards as this sector of the population continues to benefit from above average wage increases.
Drinking patterns shift

Sharply towards mall beer

By Peter Luten

The Star Wednesday July 4 1990 a
More drinkers turning to the frothy malt beer

DRINKING patterns of South Africans have changed dramatically over the past decade, with malt beer becoming increasingly popular.

The latest issue of KVV's annual survey of the liquor industry shows increasing use of beer and wine and a declining use of fortified wines and spirits.

Malt beer is rapidly overhauling sorghum beer as South Africa's most popular drink, while brandy remains by far the most popular of the spirits.

KVV's statistics show that in 1980 South Africans consumed 860 million litres of malt beer to 2.2 billion litres of sorghum beer and 206 million litres of wine.

Brandy

In the same year, excise clearance of brandy was 15.6 million litres, compared with 8.3 million litres of cane spirit, the next most popular spirit.

Individual consumption of malt beer worked out to 29 litres a year, sorghum beer 78, natural wine 7.1, brandy 0.54, and cane spirits 0.29 litres.

By 1989 malt beer consumption had risen 147 percent to reach 2.1 billion litres, while sorghum beer consumption had declined 2.5 million litres, after reaching a high in 1985 of 2.6 million litres.

Per capita consumption of malt beer had doubled to 58 litres a year, while sorghum beer use had dropped from 77 litres a year to 69.

Total consumption of wine had risen 32 percent to reach 272 million litres and per capita use had gone up from 7.12 litres a year to 7.45.

Wine

By comparison, the French each consume 74 litres of wine (including sparkling and fortified) on average annually. Germans drink an average of 143 litres of beer each.

Local figures show that: brandy, although with a higher total excise clearance of 16.5 million litres in 1989, was showing a decline in use to 0.45 litres per capita a year.

Use of cane spirit had dropped to 0.1 litre a year.

Overall, while beer had held 58 percent of the market in 1970, its market share had increased 10 points to 68 percent by 1989.

But while sorghum beer's market share in 1970 was 49 percent and malt beers were 4 percent, by 1989 malt beer was dominating the market with 38 percent against 30 percent for sorghum beer.

Natural and fortified wine, which held a combined market share of 22 percent in 1970, had lost ground to hold 16 percent by 1989.

Spirits

Brandy's market share had dropped from 10 percent in 1979 to seven percent in 1989.

State revenue from GST on products of the vine - wine, fortified wine, sparkling wine, wine spirits and brandy - rose from an estimated R229.9 million in 1980 to R302 million in 1989, while revenues from GST on beer rose from an estimated R37.7 million to R565.5 million over the same period.

And it's all been good for the treasury too. Last year, the survey estimates, R1.2 billion in sales tax and R1.4 billion in excise duties came from liquor.

Of this, products of the vine contributed R218 million and malt beer R902 million.
ers' president Henno Viljoen, whose organisation represents 41 main plants, says a sugar price increase lower than the inflation rate is acceptable

"But any increase in the price of sugar has a material effect on our industry — sugar is our main raw ingredient. The industry uses 150 000 t a year." He says the R142/t increase in the price of white sugar to R1 236/t — will cost the soft drinks industry an additional R21.3m this year.

Costlier soft drinks

However, Viljoen says the increase will be absorbed for "as long as possible." When the price of soft drink does go up again, he says the industry will also try to hold the increase to under the inflation rate. In addition, the full 13% increase in the sugar price will not be passed on to consumers.

The last price increase in soft drinks — about 13% — was announced in March.

"Apart from sugar, we have various other increases — containers are going up by about 15%, negotiations with trade unions seem to be heading for an increase of about 17% in wages, and because of the vast transport fleet we run, fuel costs are always a factor," Viljoen says.

In the past, the soft drinks industry has investigated using alternatives to domestic sugar, like its counterparts in the US. But the high fructose corn syrup option didn't work out after the Tongaat-Hulett Group cornered that market. Furthermore, importing sugar from countries such as Swaziland, where Viljoen claims he could buy sugar for about R350/t cheaper, is precluded by industry agreements in each country.

Meanwhile, the sugar industry, which has been through two lean years in the domestic market, is cautiously looking forward to a better season. Sales for April stood at 108 000 t, 13 000 t above the estimate.
Beer to the rescue

Activities. Diversified consumer products group dominating SA’s beer market. Subsidiaries include ABL, Afocol, Amrel, Edgars, Lion Match, OK Bazaars, Da Gama Textiles and Southern Sun.

Control: Barcon 33.8%.

Chairman: M B Hofmeyr, MD J M Kahn.

Capital structure: 268,141 ords Market capitalisation R10,5bn.

Share market: Price 3 825c Yields 2.6% on dividend, 5.7% on earnings, p/e ratio 17.4, cover 2.2, 12-month high, 4 025c, low 2 000c. Trading volume last quarter, 1.7m shares.

Year to Mar 31 87 88 89 90
ST debt (Rm) 192 174 307 859
LT debt (Rm) 652 762 1 293 1 279
Debt equity ratio 0.48 0.50 0.46 0.44
Shareholders’ interest 0.48 0.50 0.46 0.44
Int & leasing cover 3.7 5.3 6.8 6.0
Return on cap (%) 12.5 14.2 14.1 18.5
Turnover (Rbn) 7.08 8.68 10.6 13.3
Pre-ret profit (Rm) 558 746 981 1 318
Pre-ret margin (%) 7.9 8.6 8.8 9.5
Earnings (c) 112 147 187 225
Dividends (c) 50 65 84 101
Net worth (c) 615 735 868 999

Restricted consumer spending in the year to March did little to dent SAB’s overall performance. This reflects the resilience of beer and beverage sales to economic hardship rather than first-rate performances from all divisions. It seems management is relying on an increasingly thrifty clientele to shield it from a repeat of the earnings slowdown in the mid-Eighties.

In the year to March, turnover rose 25% to just over R1.3bn, generating a 31% rise in per-tax profit to R1.2bn despite a 53% increase in financing costs in response to higher interest rates and increased borrowing.

The buoyancy of beer, carbonated soft drinks and fruit drinks markets boosted volumes and turnover. The beer division — ABL, Applekist and other beverage interests — now contribute about 31% of group turnover and 68% of attributable earnings

Edgars improved its position in a declining clothing market. On a 30% rise in earnings it contributed 20% of attributable earnings.

The other major retail interest, OK Bazaars, failed to perform. Its turnover was 31.8% of the group’s — almost equivalent to beer and beverages — but its contribution to earnings is now a mere 3.3%. Though it operates mostly in highly competitive low-margin food retailing, 40% of turnover relates to non-food, mostly furniture and clothing. OK would do well to take lessons from high-flier Edgars or even Amrel (see p98).
At unfair practices SA Breweries hits out

BY DICK WHEELER

The division also launched

its annual report on the
corporate social responsibility

programme, which it said

was designed to improve

the lives of employees and

their families. The report
detailed the division's

commitment to sustainability

and its efforts to reduce

its carbon footprint.

The division also

announced the launch of

its new beer brand,

which it said

would help

embrace the

challenge of

increasing

market

share.

The division

said it

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The division

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Empty bottles might hit Pepsi pay-out

Supreme Court Reporter
CLAIMS for return of deposits on bottles and crates held by Western Cape and Free State dealers may decrease the dividend of 6.25 cents in the rand creditors of the liquidated Pepsi Cola (Africa) will receive in terms of a buy-out scheme.

This emerged in the Supreme Court last week in a report by Mr Ralph Millman, a co-liquidator of Pepsi Cola (Africa), in a successful application for leave to call meetings of creditors to consider a R3.5m offer by Amalgamated Beverage Canners (Coke) for Pepsi Cola.

Mr Millman said Pepsi was placed in liquidation on February 21 it had assets of R4.3m and liabilities of R12.5m. Concurrent creditors would therefore receive no dividend. But the Coke offer, if accepted, would leave R250 000 — 6.25 cents in the rand based on claims of R4m — after expenses, costs, fees and preference claims had been met.

But many dealers in the Western Cape and Free State held Pepsi bottles and crates and should claims in respect of deposits be lodged, the 6.25-cent dividend would be decreased. Mr Millman said it appeared Pepsi had traded at a loss while insolvent.
Wine union to strike

JOHANNESBURG. — The National Union of Wine, Spirits and Allied Workers (Nuwsaw) is to call a national strike by all its members tomorrow.

It said yesterday the decision was reached on Saturday by the Nuwsaw's national co-ordinating strike committee at a meeting here.

Nuwsaw members declared a national overtime ban and go-slow on July 2. The employers' association subsequently decided to lock out all members who refused to accept its offer of R33 a week across-the-board, and this became effective on July 4.

Other decisions by the committee included a decision to solicit widespread support and to picket at all companies and company subsidiaries locally, nationally and internationally. — Sapa.
Liquor industry feels effects of lock-out

By Brendan Templeton

Liquor lovers may have to prepare themselves for a dry spell as liquor outlets start feeling the pinch of the nationwide lock-out in the industry.

Retailers contacted by The Star yesterday confirmed stocks could start running out soon if the lock-out continued for a sustained period.

Members of the National Union of Wine, Spirits and Allied Workers (Nunsaal) go on strike today.

About 5,400 workers were locked out last week when they embarked on a go-slow and an overtime ban over wage demands.

South African Wine and Spirits Industry Employers Association (Sawsal) secretary Riaan Kruger said yesterday that Transvaal companies were noticeably affected by the lock-out and were experiencing problems with distribution.

Nunsaal president November Nkosi said its members were determined to continue with the strike until Sawsal gave into their demands for an across-the-board increase of R33 and 20 days' annual leave for workers with 10 or more years' service.

Sawsal said that about 3,000 Nunsaal members had not accepted the association's final increase offer of a R33 across-the-board, backdated to April 1. But Mr Nkosi claimed workers in Natal had signed forms accepting the offer only because they were under the impression it would end the lock-out.

This did not mean they had accepted Sawsal's offer and Nunsaal called for interpreters to counter-sign any acceptance forms, he said.
Liquor workers set to strike

Battle lines have been drawn for a widespread industrial showdown in the wine and spirits industry following a national lockout by employers and a legal strike poised to start today.

An employer offer of a 33% weekly increase, backdated to April 1, for some 4,500 union members expired at 5pm on Monday. Wine and Spirits Manufacturing Employers' Association spokesman Mr Riaan Kruger said yesterday. The employers' body, representing companies like Stellenbosch Farmers' Winery, the Distillers' Corporation, Douglas Green, Gilbeys, Union Wines and Henry, Taylor and Ries, has been locked in dispute with the National Union of Wine, Spirits and Allied Workers for the past six months.

Union members at 43 plants countrywide had started a go-slow strike and overtime ban last Tuesday, with employers responding with a general lockout on Thursday.

Mr Kruger said about 1,400 Nuwak members had accepted the employers' offer.

Worker action had the strongest impact in the Transvaal, where distribution of stocks had been disrupted. — Sapa
Liquor supplies dwindling

By Brendan Templeton

Liquor stocks are dwindling in stores on the Reef where major distilleries are encountering delivery problems because of strike action.

The bottling plant of Stellenbosch Farmers Winery (SFW) in Wadeville, Germiston, was shut down and producers were employing scab labour to run their factories and deliver, liquor store owners said.

SFW was unavailable for comment.

Companies affected by the strike are SFW, Distillers Corporation Ltd, Gilbeys, Union Wine, Douglas Green of Paarl and Henry Taylor and Sons.

Members of the National Union of Wine, Spirits and Allied Workers (Nusaw) went on strike yesterday after a lockout since last week.

Hardest hit are the smaller dealers who do not have the cash to stockpile or were caught unawares by the strike.

A Blackheath Rebel store spokesman said all his supplies were affected and his stocks looked "terrible". He was unable to fetch new stock.

Two weeks

Boksburg Rebel store reported 80 percent of their stock was not getting through. There had been no deliveries over the past two weeks, spokesman Kubus Erasmus said.

A Nigel store owner said he had received no deliveries from SFW or Gilbeys for two weeks. Distillers Corporation was still trying to get stocks through.

"I don't understand. Trucks are going out, but I'm not receiving anything. Do they only look after the big guys?" he said.

But Randburg's Rebel store, the third largest in the chain, denied that larger stores received preferential treatment.

"Our deliveries are not as regular as I would like. We are calling in orders and Rebel store spokesman Quinton Humphries said.

A Krugersdorp store said no new stocks had been delivered over the past two weeks.

Big Game Liquor in Springs was happy because they had just received a consignment dropped off by white student workers.
Strike spreads to liquor industry

A NATIONAL strike in the liquor industry involving more than 2,000 workers began yesterday amid claims that white pupils were being used as temporary labour.

Transvaal employers have been hit hardest by the legal strike over wages, with 1,428 workers either striking or locked out, according to a spokesman for the SA Wine and Spirit Industry Employers' Association, Mr Charlie Hoeflich.

In the Western Cape, 664 members of the National Union of Wine, Spirits and Allied Workers (Nuwsaw) had joined, he said.

He confirmed union claims that white students and pupils had been hired.

He said 140 Nuwsaw members had accepted the company offer of a R33 weekly increase and had resumed work.

Nuwsaw is demanding a R40 across-the-board weekly increase. The lowest monthly wage earned by union members is R762. — Sapa
Blacks may get control of R350 million beer industry

THE vibrant sorghum beer industry, estimated at having a turnover of more than R350-million a year, is set to be owned and controlled by black entrepreneurs in the future.

This follows an announcement by the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers, that the interests of sorghum industry have now been rationalised.

All related assets, liabilities and the right to brew the beer were transferred from the Industrial Development Corporation (IDC) to the existing company, the National Sorghum Breweries (NSB) Ltd from July 1.

There is speculation that the industry is won to be privatised, but interested parties such as the National African Federated Chamber of Commerce and Industries and Ukambila Liquor Association, have expressed their scepticism.

The Minister said having consolidated the NSB interests and having formed an autonomous board, the industry would be geared to enter an exciting and challenging new era.

He reaffirmed the Government's views as stated in his Budget Vote speech that it was only logical that control and ownership of the sorghum industry, whose customers mainly came from the black communities, should rest with those communities.

Board

"The Government is currently awaiting guidelines which will be devised by the board, on the most equitable manner in which this could be achieved."

The new board consists of a chairman, former manager of SAB, Mr Sam Monkkki, managing director and members, IDC general manager, Mr Jan de Bruyn, Corporate Image director, Mr Moses Leoka, current adviser to de Villiers, Mr Eugene van Rensburg and Pretoria University.

School of Management director, Professor M J van Vuuren.

Mahanye said the board would be responsible for the control of the entire sorghum beer in the country. The board did not have specific figures of how much the industry was worth. However, informed sources disclosed that the industry was handling more than R300-million a year.

He said they would consult with various organisations and interested people, particularly blacks, on the matter because: "we are not a monopoly industry and will like to embark on a shareholding scheme."

A merchant bank and a black consultant company were looking into such possibilities.

Nafco's executive director Mr Mofasi Lekota said that the move came after they held series of talks with the Government concerning the handing over of the sorghum beer industry to blacks. They had made recommendations to the government concerning the terms under which the industry could be privatised.

However, he said, it was hoped that the board appointed by the Government would not only consider the industry as related to so-called South Africa, but would go to the home lands.

The board, he added, should unravel the industry from the perspective of a unitary South Africa and ensure that the sorghum beer industry was re-examined in the main areas of manufacturing, distribution and retailing.

"We are waiting the guidelines to be devised by the board and will observe how far reaching the government intends to go in placing the industry into the hands of blacks," he said.
Three cheers for capitalism

There's a moral in the KWV's latest annual survey of the liquor industry, which confirms that malt beer gained most market share during the Eighties, and is quickly overtaking sorghum beer as the most popular drink.

From 1980-1989 per capita consumption of malt beer doubled; that of natural wine, despite wine farmers' political pull and all the KWV's marketing ingenuity, rose only 32%.

As well as changing consumer preference and increased black spending power, of course, that partly reflects the fact that the price of beer has risen less than that of most alcoholic beverages. But this in turn is significant.

SA Breweries, our only sizeable brewer, is the archetypal private-sector monopoly. Some would call it an unacceptable face of capitalism. White socialists in Pretoria impose discriminatory taxes on it; black socialists cite it as the sort of company that must be nationalised "in the public interest."

Time after time it has seen off well-heeled competitors. It has been an outstanding share investment. Yet despite these diabolical capitalistic attributes, it enjoys increased market share and an ever-widening circle of satisfied consumers.

To a socialist, this must be inexplicable. But will they ever learn? To the rest of us, it's as much proof as we'll ever need of the advantages of the capitalist system.

Contrast to this the KWV's accumulation of unsaleable wine lakes, restrictions on entry and production, complex labelling systems and the like. Overall, these controls protect weaker producers, stifle progressive producers and do not even produce market leadership.

It all confirms that, rather than considering nationalising efficient private-sector undertakings like SAB, we should be pressing ahead with dismantling expensive public-sector bureaucracies — a process which, alas, seems to have been suspended in the face of concerted resistance from white functionaries and black politicians, united in their preference for cosy socialist protected inefficiency.

One final point: in the year to March SAB channelled total tax (income taxes, excise duties, GST and RSC levies) of R2.7bn to the State. The beer division alone contributed excise duties of R914m. Any guesses on how much it would cost the State if it were nationalised?

FINANCIAL MAIL JULY 13 1980
Cosatu threatens blanket SAB strike

By BRONWYN DAVIDS

GIANT trade union Cosatu last night accused Southern Sun Hotels of paying white “scab” labour three times the amount regular employees are paid, and threatened a nationwide consumer boycott of all SA Breweries (SAB) companies.

More than 20 000 workers at several SAB subsidiaries, including Southern Sun, are striking for higher wages.

Cosatu said either a blanket consumer boycott or blanket industrial action would take place to combat the corporation’s “racist attitude” and its refusal to pay a living wage.

Last night, SAB group public relations manager Mr Dunbar Bucknall criticised Cosatu’s “confrontational” stance.

Severely criticising SAB, Cosatu cited the minimum wages being paid by SAB’s companies as being an indictment on the “rich corporation.”
SAB threatened with boycott, blanket action

By Brendan Templeton and Sapa

Blanket industrial action and a boycott may be brought against all South African Breweries (SAB) subsidiaries, Cosatu announced yesterday.

The trade union umbrella body is attempting to influence the company to settle the nationwide strikes in its subsidiaries OK Bazaars and Southern Sun hotels.

Cosatu cited what it called “racist union bashing” and what it said was the refusal by the country’s biggest beer producer to pay a living wage in its subsidiaries.

OK Bazaars and Southern Sun are paying their workers R620 and R590 respectively a month as a minimum wage.

SAB publicity affairs manager, Dunbar Bucknall, described Cosatu’s statement as inappropriate and irresponsible.

The tone of Cosatu’s statement was confrontational and SAB took exception to being labelled a racist union basher, he said.

The matter should be settled by the proven process of negotiation, he added.

“Having said that, we have little doubt that, in the final analysis, common sense and reason will prevail,” Mr Bucknall said.

Cosatu described the minimum wages being paid by OK Bazaars and Southern Sun as an indictment on the “rich corporation”.

“If SAB can’t afford to pay a living wage, who can?” the umbrella body said.

Its subsidiaries were locking people out while, in other strikes, companies were allowing strikers access to the premises.

Attacks

Numerous court actions and attacks by right-wing elements were being used in an attempt to break the strikes, the union federation said.

Scab labour was also being used to attack workers, Cosatu claimed.

“White scab labour is being paid up to three times what our members are paid,” Cosatu said, citing the R3.50 an hour being paid to replacement labour at Southern Sun hotels as opposed to regular workers’ pay of about R3 an hour.

Details of the programme would be announced next week, Cosatu said.
Drenched striker gets axe threat

Johannesburg — A pettigrew the
Unions set their sights on SA Breweries

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The document contains text that is not fully visible or legible due to the image quality. It appears to discuss industrial relations and labor disputes, possibly involving labor unions and management. Due to the difficulty in reading the text, a detailed analysis or transcription is not possible.
Watering holes run dry as liquor strike starts to bite

PLANNING a weekend party? Then you had better nip down to your local bottle store now — the well is starting to run dry at some watering holes in the Transvaal as the strike in the liquor industry continues.

Many liquor stores are collecting stocks themselves, although smaller ones without the appropriate vehicles or staff are finding it difficult to keep some favourite brands on their shelves.

Capacities

If you live near a large bottle store, chances are you will be able to find the liquor you are looking for because many of them have storerooms with large capacities.

The Star interviewed a number of liquor outlets during the week which were experiencing difficulties with their deliveries — some had not received new supplies for about two weeks and their stocks were looking "terrible".

Others said they were coping although they could run into difficulties if the strike continued for much longer than a week.

One store owner said he expected his regular weekend trade to be down by 20 percent.

Rebel Discount Stores has informed its outlets not to talk to the press after some stores revealed the difficulties they were experiencing with the strike.

Yesterday, only one store said they were having problems with beer deliveries. Cosatu announced on Thursday a possible boycott against South African Breweries subsidiaries.

This was part of a campaign to pressurise the group to accept union demands in the OK Bazaars and Southern Sun strikes.

Go-slow

The liquor strike started last Monday with a go-slow and overtime ban by about 5,400 members of the National Union of Wine, Spirits and Allied Workers (Nuwsaw), who demanded a R40 a week across-the-board increase.

They went into a full strike on Wednesday when talks with employers failed to take place last weekend.

Yesterday Distillers Corporation withdrew permission for striking workers to be at certain points on their Germiston premises.
20 000 SAB group workers on strike

By CONNIE MOLUSI

South African Breweries' subsidiary companies have become the focus of intense industrial action with over 20,000 workers currently on strike.

Subsidiaries involved are OK Bazaars, Edgars, Acool and Southern Sun hotels.

The Congress of South African Trade Unions (Cosatu) this week targeted SAB subsidiaries for a possible consumer boycott and solidarity strikes.

It accused SAB of paying poverty wages and of racist attitudes, "which binds its subsidiaries together".

"They are also adopting aggressive, intransigent and union-bashing approaches to disputes." SAB group public affairs spokesman Dunbar Bucknall said SAB noted with regret the Cosatu statement, which had to be viewed in the context of the current volatile industrial relations environment. "Nevertheless, we consider the tone confrontational."

Bucknall said SAB took strong exception to being called "racist and union-bashing".

He said SAB believed the dispute must be settled by the proven process of negotiation.

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Political comment and research by K Shaha, headlines and sub-editing by K Nkomo, both of 2 Herb Street, New Doornfontein, Johannesburg.
Response to floor awaited

ROBERT GENTLE

THE number of users of the controversial R3.3m gilt and futures trading floor in the JSE annex will only be known tomorrow, after floor managers Flooring decided on Friday to extend the offer deadline.

Flooring, jointly owned by Safex (SA Futures Exchange) and the BMA (Bond Market Association), had initially set midday on Friday as the deadline for return of written applications.

Safex CE Stuart Rees, explaining the extension, said many applications had gone out too late. Extra time was needed for a proper and documented response.

"Certain key players like Rand Merchant Bank and Prima Bank had already given verbal commitments by telephone," he said.

"I am cautiously confident at this stage that the floor will be opened."

Blacks need a stake

BUSINESS could learn from the sorghum industry how to offer blacks a meaningful stake in the running of the economy, newly appointed chairman of National Sorghum Breweries (NSB) Mohale Mahanyele said on Friday.

Mahanyele is also a member of the President's Economic Advisory Council.

NSB was formed by the Industrial Development Corporation (IDC), when the IDC took the responsibility on April 1 1987 for managing the sorghum industry. It operates 19 breweries throughout SA.

Mahanyele said a wide range of interest groups — consumers, investors, employees and management — was being consulted with regard to the industry.

"Various exercises are being undertaken to determine its real worth," Mahanyele said.

He said more blacks should be given the opportunity to own and control the economy, and the means had to be found to make this a reality.

"Very often the issue of education and experience is raised. However, the truth is that opportunities are denied. Educating the entire black population cannot make them owners and controllers — it must go along with opportunity."

"I am optimistic government and the ANC are committed to a democratic future for SA. The longer we wait the more complex the problems will become."

Nationalisation

White business had to alter its attitude towards blacks as stakeholders and controllers of the economy.

Mahanyele said he felt strongly sympathetic towards calls for nationalisation, although it was impractical as an economic concept.

"I believe the clamour for nationalisation is a result of the absence of blacks as stakeholders and part of management. The issue is not nationalisation per se but whether blacks are given opportunities to control."

Gems open
Cheers to the new year on the draw.
Liquor strikers call for boycott

TALKS between striking wine industry workers and the Wine and Spirit Industry Employers' Association ground to a halt yesterday when a wage dispute could not be resolved.

The 3,800 strikers, represented by the National Union of Wine, Spirits and Allied Workers (Nuwsaw), urged consumers to boycott their employers' products.

British and European trade unions have indicated support, said Nuwsaw spokesman Mr William Makhunga.

Peaceful

The parties are still deadlocked over union demands for a R40 weekly increase. Employers have offered R33.

A legal march will be held in Stellenbosch tomorrow to highlight demands.

Employers' Association spokesman Mr Riaan Kruger said the parties agreed only on the following points: That industrial action be conducted in a peaceful manner and that 'victimisation, intimidation, harassment or violence be rejected.'

Early yesterday, some 300 striking hotel workers marched about 12km in pelting rain from the Newlands Sun hotel to the city centre and back to the Holiday Inn in Woodstock, a Commercial, Catering and Allied Workers' Union spokesman said.

About 6,000 Sacwmu members are embroiled in a three-week wage dispute with Southern Sun/Holiday Inns.

In Johannesburg, police detained four of the 11 miners injured in a clash with security at St Helena Gold Mine in Welkom on Tuesday, a union spokesman said.

A mine spokesman rejected claims that the company had dismissed half of its workforce. The number was less than 10% after "repeated stoppages." - Staff Reporter and Sapa
Liquor industry boycott threat

Labour Reporter

Threats of a nationwide consumer boycott have hit the strike-torn liquor industry after a failed attempt to resolve a wage dispute.

Talks between the National Union of Wine, Spirits and Allied Workers' Union and the South African Wine and Spirit Industry Employers ended in a deadlock late yesterday afternoon, according to union spokesman Mr William Makhunga.

More than 3 500 workers — including 664 in the Western Cape, 1 420 in the Transvaal and 1 000 in the Free State and Eastern Cape — on strike since July 11, are demanding a weekly increase of R40 each. The employers are offering R33.

About 10 000 employees would benefit from any increase gained.

A consumer boycott of the six strike-related companies — Stellenbosch Winery, Distillers Corporation, Union Wine, Gilbeys, Douglas Green and Henry, Taylor and Ries — began in Stellenbosch on Monday and the union warned that it would spread to Cape Town and other parts of the country if the dispute remained unresolved.

According to Mr Makhunga about 1 500 union and community members will go ahead with a march through the streets of Stellenbosch on Friday to hand over a list of demands to each of the six companies affected by the strike.

The union also demands 22 days' annual leave for workers with more than 10 years' service.

Although major Western Cape liquor outlets have not yet been affected by the strike, most liquor stores on the Reel have experienced problems and smaller liquor outlets were expected to run into severe problems.

Pick n Pay's senior buyer in Johannesburg, Mr Geoff Kahn, said demand was exceeding supply and all retailers and bottle stores had problems because of erratic deliveries.
National boycott likely against liquor companies

WHILE the two-week-long Checkers wage strike appeared to be over after marathon negotiations last night, six strike-hit Cape liquor companies could face a national consumer boycott unless wage demands are met.

Observers have also warned of an increasingly volatile situation in the Western Cape engineering sector. Annual wage negotiations have come to a halt and legal strike action could follow, according to the employers' association, Seifsa.

Yesterday the National Union of Wine, Spirits and Allied Workers (Nuswaw) said Stellenbosch Farmers' Winery, Distillers Corporation, Union Wine, Douglas Green, Gilbey's and Henry, Taylor and Ries could face the boycott after talks with management failed yesterday.

More than 3800 workers in the Western Cape, Boland and Transvaal have been on strike for a R40 a week increase since last Wednesday.

After nearly 20 hours of negotiation, Checkers announced last night that all full-time employees would receive a backdated R140 a month wage increase, bringing the minimum wage to R770 a month. Union members would receive a 12% discount on purchases to the value of R375 a month.

The strike by 9500 workers at 101 stores began two weeks ago.

About 300 health workers are on strike at the JG Strydom hospital in Johannesburg. The workers have complained of working conditions.

Interns at Durban's King Edward VIII Hospital yesterday pledged not to discontinue their protest action until concrete action was announced by National Health Minister Mrs Rina Venter — Sapa
Soft drinks may be in short supply
By Brendan Templeton

Soft drinks in the Johannesburg area may be in short supply at cafes and small stores due to a work stoppage at the Coca Cola main bottling plant in Benrose.

Personnel manager Rudi Bosch said supplies were disrupted after drivers complained they were being intimidated not to deliver to strike-hit supermarkets.

The stoppage began last Tuesday when drivers refused to work.

Deliveries are being continued by part-time crews.

Food and Allied Workers' Union spokesman Ernest Batheletzi said workers were being intimidated by management and "unknown workers."

The resultant stoppage was a result of the intimidation and solidarity with a request by Cosatu that workers at all SA Breweries subsidiaries take sympathy action to pressurise the umbrella company to accept striking workers' demands at Southern Sun and OK Bazaars, he said.
Liquor industry strike could spread to KWV

Labour Reporter

ABOUT one thousand employees at KWV in Paarl may join nearly 4 000 workers striking at six companies in the wine and spirits industry, the National Union of Wine, Spirits and Allied Workers has warned.

This follows a failed attempt this week to resolve a wage dispute between the union and the SA Wine and Spirit Industry Employers' Association.

The union has threatened that the consumer boycott of the six strike-related companies — Stellenbosch Farmers’ Winery, Union Wine, Distillers Corporation, Douglas Green, Gilbeys and Henry, Taylor and Ries — which began in Stellenbosch on Monday would spread throughout the country if the dispute remained unresolved.

The strike, which began on July 11, followed a national lock-out of workers not accepting the final wage offer increase of R33 a week. Strikers are demanding R40.

According to union spokesman Mr William Makhunga the union was in the process of negotiating with KWV — the cooperative winegrowers’ association representing 5 000 farmers.

"KWV will also face a strike, involving about 1 000 workers, if the union and the company do not reach a settlement and the union has instructed its lawyers to apply for a conciliation board hearing," Mr Makhunga said.

KWV spokesman Mr Theo Pegel said the company — which was not affiliated to the employers’ association — and the union had been "successfully" negotiating for four years "with positive results for both parties".

"The current round of annual wage negotiations are still in progress and I cannot comment on possible labour action by union members," Mr Pegel said.

About 1 500 union and community members have been granted magisterial and municipal permission to march through Stellenbosch today to hand over a list of demands to each of the six companies involved in the strike.

Although major Western Cape liquor outlets have not yet been severely affected by the strike, most liquor stores on the Reef have experienced problems.
Union threatens boycott of alcohol

THE National Union of Wine, Spirits and Allied Workers (Numsa) is poised to call for a consumer boycott after failing to resolve wage disputes with the SA Wine and Spirit Industry Employers' Association.

The proposed boycott is aimed at the products of Stellenbosch Farmers' Winery, Distillers Corporation, Gilbeys, Douglas Green of Paarl, Union Wines and Henry Taylor & Ries. (O en 301 717717)

Numsa president November Ndosi said yesterday that when the boycott was called there would be "a total boycott of 99.5% in the African communities."

He said a union representative would be sent to European countries to campaign for support if the strike continued.

Wine and Spirit Industry Employers' Association spokesman Raam Kruger yesterday declined to comment on the issue, saying it was too early for a response.

Consensus was reached on the issue of victimisation and intimidation, however. "We have publicly agreed that industrial action will be conducted in a peaceful manner. Violence and harassment has been strongly condemned."

He said: "This stance has been communicated to individual companies whose responsibility it is to inform union members not to involve themselves in any victimisation."

"The Employers' Association reserves the right to take legal action against anyone found guilty of not complying with this agreement."
By DON ROBERTSON

The IDC has decided that the state-owned sorghum beer industry will be privatised, probably within a few months.

The industry's assets and liabilities have been transferred to the Industrial Development Corporation (IDC) to National Sorghum Breweries (NSB) and a new board has been formed.

The IDC took over sorghum beer's assets and management at the Government's request in April 1997 to prepare it for privatisation.

Ideal

The IDC said in its report for the year to June last year that all assets and liabilities in the industry had been identified and the take-over values had been agreed with provincial administrations.

"Privatisation can therefore proceed as soon as the State has finalised the conditions on which the industry is to be offered to interested parties."

The first move is the transfer of management to NSB. The new chairman is Mohale Mahanyele and the managing director is Sam Monkhali. Other members of the board are J de Bruyn, M Leoka, E T J van Rensburg and M J C van Vuuren.

Public Enterprises Minis-
Brewery has major losses

LIN DEN BIRNE

LOSSES totalling more than R16m were recorded by Windhoek-based South West Breweries Ltd (SWB) during their past trading year ending Janu-
ary 31 1990.

Despite a 25% increase in turnover, the company's losses after tax rose from R349 000 to R4.3m in the trading year ending January 31 1990.

SWB's annual report reflected a pre-tax and pre-interest profit drop from R8.815m to R8.633m for the past trading year.
Companies in the carbonated soft drink market are attracting good demand as investors begin to appreciate the value of the sector as one of the few recession-proof industries.

Analysts say some institutional investors have been switching from other sectors into the hotel, beverage and leisure sector, more particularly into Amalgamated Beverage Industries (ABI) and Suncrush.

The two are of interest because of the near-monopoly situation existing in the carbonated soft drinks market.

Franchise-holders operate in separate parts of the country, with strictly limited geographic spread. This means companies can devote more resources to marketing (no increasing the overall size of their market), rather than fighting off competition.

The industry seems to be benefiting from strong growth in the informal sector with its runners and spaza shops ensuring volume growth well in excess of the conventional cafe market.

Syd Vianello of brokers Ed Hera Rudolph believes the market is a licence to print money.

One of the fastest growing, it is dominated by leading brands in the Coca Cola and Sparletta ranges.

Among other positive influences have been better weather over key summer months, improved effectiveness in distribution and mushrooming townships, where informal distribution channels are important.

Although Suncrush has over the years generated better trading margins, investors seem to be giving ABI a better rating.

Since mid-March, ABI has risen by 61.53 percent to a 12-month high of R10.50, giving the share a P/E rating of 24.1 times (sector average 16.8).

Suncrush has, over the same period, risen by 30.76 percent to peak at R17.00 and has a P/E of 27.3.

Analysts note that another positive factor for ABI and Suncrush is that their shares are tightly held.

ABI is 58 percent controlled by SA Breweries. Cullbury Schweppes owns 19 percent, with the remaining 13 percent of the issued share capital in the hands of the public.

ABI managing director Alex Reed said yesterday that some institutional investors had recently been showing keen interest.

Because shares are tightly held, they had to push up the price to get any stock.

Mr Reid said that of the 7,000 individuals (employees and dealers) who took up the offer of shares in 1987, 5,454 still held them at year-end.

Possibilities are that most of the shares traded on the market recently could have come from these investors.

Compared with the 100c that dealers and employees paid in 1987, their investment has soared by 950 percent.

Suncrush is also tightly held, with only 2,713 million shares in issue. At June 1989, Dalys owned 50.22 percent and Insurance companies (SA Mutual and Sandan) owned 21.46 percent.

Mr Vianello says because of the different pricing in the Sparletta and Coca Cola ranges, Suncrush has enjoyed better trading margins.

Suncrush controls the Sparletta franchise in the Durban/Peermarinsburg region — the fastest growing area in the country.

It has the Coca Cola franchise in the Vereeniging, Clerksdorp and Rustenburg areas, which are high-growth areas because of the mining industry.

Suncrush is, at its current price, trading on a huge premium to its net asset value.

At the interim stage, it had a NAV of R46.12c. Mr Vianello says Suncrush is highly profitable and that investors are prepared to pay the high premium because of the hidden asset called goodwill.

He forecasts that Suncrush will show at least a 20 percent growth in earnings for the year to June 1989.
NEARLY 4 000 striking workers in the wine industry plan to challenge Stellenbosch Farmers' Winery in the Industrial Court over "compulsory overtime".

Mr William Makhunga, a Stellenbosch-based official of the National Union of Wine, Spirits and Allied Workers, said yesterday that the dispute over working hours follows a union-imposed overtime ban in March. The company expected workers to work overtime when asked, while the union believed overtime to be voluntary, he said.

In September last year the Appeal Court ruled that workers had the common-law right to refuse to do overtime. Mr Makhunga said there had been no sign of settlement in the 13-day nationwide strike by his union over wages and conditions of service.

In Parow, meanwhile, the strike by municipal workers is spreading, says town clerk Mr H. Carstens.

He said yesterday that the strike now involved more than 100 workers and had spread to the parks and town engineer's departments.

And in Paarl about 180 striking workers at an engineering plant, Satchwell Controls, were locked out of the factory premises yesterday during a day-old legal strike over wages and conditions of service.

More than 7 000 toy-toying railway workers brought Johannesburg's city centre to a standstill yesterday morning when they marched on Transnet head offices to submit a memorandum of demands.

The march was organised by the South African Railway and Harbour Workers' Union (Sarhub) to show workers' rejection of Transnet's R700 minimum wage offer.

The union said it dropped its demand from R1 500 to R1 000, but management did not shift from its initial offer. — Sapa
69 liquor strikers held during three-week action

By SHARON SOROUR
Labour Reporter

SIXTY-NINE strikers have been arrested since the start of the three-week industrial action by 3,800 liquor industry employees.

The most recent arrest took place in Wadeville, Germiston, on Wednesday when a striker was allegedly detained by police near the Distillers Corporation plant, the president of the National Union of Wine, Spirits and Allied Workers' Union (Nusaw), Mr November Nkosi, told Sapa.

Distillers Corporation and five other companies — Stellenbosch Farmers' Winery, Douglas Green, Henry, Taylor and Ruey, Gilbeys and Union Wine — have been affected by the strike.

Refused offer

In the Western Cape, 664 workers as well as nearly 1,500 in the Transvaal and 1,000 in the Free State and Eastern Cape have refused a R33-a-week increase offer from the SA Wine and Spirit Industry Employers' Association.

Nusaw is demanding an across-the-board weekly increase of R40.

Mr Nkosi said nine Nusaw members were arrested at the Union Wine depot in Douglas this week, while 60 — 47 in Stellenbosch and 13 in Port Elizabeth — were arrested and released during the first week of the strike.

While liquor distribution and supplies have not been affected in the Western Cape, most liquor outlets on the Reef are experiencing problems.

This week the union called for a nationwide boycott of products of the six companies and threatened that about 1,000 workers at KWV in Paarl would join the strike if its demands were not met.

However, Employers' Association spokesman Mr Riaan Kruger said the effects of the boycott, which started in Stellenbosch, had not yet been felt.

The first round of talks between the association and the union failed to resolve the dispute last week.

No arrangements for further negotiations had been made.
Looking cool in the soft drink sector

JOHANNESBURG — Companies in the carbonated soft drink market are attracting good demand as investors begin to appreciate the value of the sector as one of the few recession-proof industries.

Analysts say some institutions have been switching into the hotel, beverage and leisure sector, more particularly into Amalgamated Beverage Industries (ABI) and Suncrush.

The two are of interest because of the near-monopoly situation in the market.

Franchise-holders operate in separate parts of the country, with strictly limited geographic spread. This means companies can devote more resources to marketing (so increasing the overall size of their market), rather than fighting off competition.

The industry seems to be benefiting from strong growth in the informal sector with its runners and spaza shops ensuring volume growth well in excess of the conventional cafe market.

Mr Syd Vianello of brokers Ed Hern Rudolph believes the market is a licence to print money.

One of the fastest growing, it is dominated by leading brands in the Coca-Cola and Sparletta ranges.

Among other positive influences have been better weather over key summer months, improved effectiveness in distribution and mushrooming townships, where informal distribution channels are important.

Since mid-March, ABI has risen by 61.53 percent to a 12-month high of R10.50, giving the share a P/E rating of 24.1 times (sector average 18.8).

Suncrush has, over the same period, risen by 30.76 percent to peak at R170 and has a P/E of 17.3.

Analysts note that another positive factor for ABI and Suncrush is that their shares are tightly held.

ABI is 68 percent controlled by SA Breweries, Cadbury Schweppes owns 19 percent, with the remaining 13 percent of the issued share capital in the hands of the public.

ABI managing director Mr Alex Rod said that some institutional investors had recently been showing keen interest.

Because shares are tightly held, they had to push up the price to get any stock.

Suncrush is also tightly held, with only 2,713,550 million shares in issue. At June 1990, Daly's owned 50.22 percent and insurance companies (SA Mutual and Sanlam) owned 21.48 percent.

Suncrush is, at its current price, trading at a huge premium to its net asset value.

At the interim stage, it had a NAV of R46.12c. Mr Vianello says Suncrush is highly profitable and that investors are prepared to pay the high premium because of the hidden asset called goodwill.

He forecasts that Suncrush will show at least a 20 percent growth in earnings for the year to June 1990.
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Montsi resigns

By AUDREY D'ANGELO
Business Editor

SAM MONTSI, GM of the beer division of SA Breweries in the Western Cape for the past three years, has resigned to set up in business as a consultant.

As director of Montsi & Associates, with offices in Incolm Place, Gardens, he plans to act as a facilitator in the setting up of partnerships and joint ventures between black and white business people.

He will be working closely with the Small Business Development Corporation (SBDC) whose Western Cape regional manager, Wolfgang Thomas, recently stressed the need for more black entrepreneurs to be seen to succeed in the formal sector.

Interviewed in his office at the SAB headquarters in Newlands yesterday, Montsi admitted to being excited "and a little nervous" at rearguing from one of the top jobs in the Western Cape to start up on his own.

"But I have done it before," he said cheerfully "I prefer to work for myself."

He was MD of the Lesotho Development Corporation when he resigned in 1982 to set up Murenu-based MB Consulting, which mainly offers feasibility studies and surveys for products and industries in nine countries belonging to the Southern African Development Coordinating Council (SADCC).

The main object of his work then was to help make these countries less dependent, economically, on SA. But, with apartheid disappearing, Montsi is likely in the future to play a part in developing Southern Africa as an economic region in which SA will play a leading part.

"I am a realist," he said "Things are changing and it does not make sense for the other countries in Southern Africa to live apart from SA."

"Realist" looks to consultant business

"The SADCC countries want, now, to engage with SA. They realise that SA is the engine to power development in the whole region."

It was as a result of contacts with SAB made when he was MD of the Lesotho Development Corporation that Montsi was approached in 1987 and offered the job of GM of the beer division in the Western Cape.

"I told them that I would give it three years, to broaden my perceptions and gain the experience of working for a large corporation, but that then I would go back to working for myself."

He believes he has "gained a lot — and hopefully contributed something. Now I am ready to move."

His appointment surprised some people in the Western Cape, but Montsi — who disapproves strongly of the practice some companies have followed in the past of appointing "token" blacks to managerial positions without real responsibility — says things are changing.

"More SA companies, especially the large groups, have realised that they cannot rely on white people for managerial and technical staff because the numbers are not there. The days are gone when it was easy to attract expertise from England and America."

"This is not due to political perceptions — which are changing — but because the European economies are doing very much better than ours. These people are needed in their own economies and can earn more there."

"And more SA companies are realising that it is only fair to give their own people a chance."

Montsi said the visible success of black managers would have an impact on the thinking of people in the townships. "One of the tragedies of SA has been that, because of Verwoerdian thinking, some blacks were also convinced that they would not be able to develop the ability to take over some jobs."

He is optimistic about the future of SA and convinced that, in spite of black-white polarisation and fighting between extremists, most people in this country are in the middle ground. "That is why I have not gone back to Lesotho or anywhere else, but have bought a house in Cape Town and am opening an office here."

But he stresses the importance of training blacks for a fair share of the top jobs to avoid the mistakes and disasters of "Afrocratization"—with inexperienced people given responsibilities for which they were not ready — which have occurred in some other countries.

"White graduates will still have good prospects in this country. There will be no need for them to feel that they must leave to have successful careers."

But he believes it is vital that, when a new government comes to power, it finds that business is already racially integrated.
Premier closing the gap on Tiger

Premier is rapidly losing its status as poor cousin to Tiger. After years of suffering a rating far below Tiger, Premier is now trading comfortably close to its arch rival.

Much of this is due to the sharp rerating of the Premier share following management's decision to hive off the SAB interests into separate Beven listing — there's also been a slight slide in Tiger's rating.

Frankel Kruger analyst, Teigue Payne points out that in May '89, shortly after the financial '89 figures were released Premier (which then included the SAB stake) was trading at R36. Today Premier is trading at R22 and Bevon is at R51 for a combined R73 representing a 103 percent surge in the market's valuation of the old Premier share.

Other factors have helped to enhance the Premier rating — the market's perception of an improved food portfolio; good results for financial '90 and; a reasonably strong outlook for the current financial year. In addition, Premier is currently seen to be enjoying a relatively smooth ride with the trade unions.

Last year's controversial decision to treat the group's 80 percent stake in Bonny Bird Farms as an investment and not as an associate did help to improve the income statement and the balance sheet. The changed treatment will also help the current year's figures.

The group's favourable industrial relations record is regarded by some as a legacy of the days when Mr Tony Bloom was at the helm. But given the very volatile nature of SA's industrial relations, Mr Bloom's legacy could only be of benefit if the current management team maintained it.

Chief executive Peter Wrighton says that they are continuing to work very hard on the industrial relations front.

On the food front the group announced this morning the acquisition of Atlantic Fishing Enterprises, which is involved in the rock lobster market. No details of size were provided but as the company has around 660 employees and its acquisition is expected to improve Premier's earnings marginally in the current financial year, it must be of some reasonable size.

The vendor was paid in Premier shares, some of which made their way into the market last Friday when R5.8 million of shares were traded.

The acquisition of this high margin activity will lift the group's relatively low exposure to the fishing industry.

Premier's state of the art milling and baking facilities will be of benefit in a deregulated environment as it means Premier will be well placed to fight for market share on price considerations. Mr Wrighton expresses concern on this front noting that some measures will have to be taken to protect the underprivileged from the double whammy of the removal of the bread subsidy and the introduction of VAT on bread.

Edible oils remains the problem area.

Mr Wrighton is targeting real earnings growth for financial '91. He points out that they are on target for the first quarter which was a tough one with a weak economy dogged by strikes, stay aways and political upheavals.
COMPANIES

Soft drink companies add sparkle to sector

SHARES of soft drink companies have given a fizz to the beverage and leisure sector on the JSE industrial board

The rise in recent weeks of Amalgamated Beverage Industries (ABI) — bottlers of Coca Cola, Sparletta and Suncrush — means that almost a third of the 21 ordinary shares in the sector have now made gains of more than 50% over the past year.

As ABI came off the boil last week to ease from its peak of R11.50 to R11 — a rise of 80% over the past year — Suncrush swept to a new high of R17.95, representing a gain of 75% over the past year, and the shares are poised to move to higher ground.

Dealers reported the shares were unobtainable at the present price and the next sale could be near the current sellers price of R180.

New sparkle has been injected into the sector this week with the debut of M-Net, which generated most of the excitement on the market yesterday. The shares opened at a premium of 26% on the issue price of 100c and rapidly rose to 130c.

Moreover, sector leader SA Breweries reached new heights yesterday when the shares broke unchartered ground by rising 60c to R41.50, representing a gain of 63% over the year. At the current price, the shares are on an historical dividend yield of 2.4% and a price-earnings ratio of 18.3.

In its wake, Beverage and Consumer Industry Holdings (Bevcon), which derives its income from its holding in SA Breweries, seems set to move up 108c to R52, representing a gain of 75% over the past year.

Three other shares which are tightly held and seldom traded — Distillers Corporation, KWV Beleggings, and Stellenbosch Farmer's Winery Group — also popped into the limelight this week as they featured in large bookover deals on two successive days.

Distillers is off its March peak of 409c, but at 360c the shares are still showing a gain of almost 90% over the past year. The shares were well bid yesterday at the ruling price.

Topping a good week for the sector has been the comeback of Sun International (Bophuthatswana) which fell out of favour with investors because of unrest in Bophuthatswana after the shares made the largest price gain on the market last year.

The shares slumped from a peak of R28 to the R16 level but were back at R20 this week on expectations of good results.
Liquor strike drags into fourth week

As South Africa's largest and longest liquor industry strike drags into its fourth week no plans are in the pipeline to resolve the dispute.

The strike, by about 3,800 members of the National Union of Wine, Spirits and Allied Workers, has affected six companies — Stellenbosch Farmers' Winery, Douglas Green, Henry Taylor and Ries, Union Wine, Distillers Corporation and Gilbeys.

The workers, on strike since July 11, are demanding a R49 weekly wage increase. The SA Wine and Spirit Industry Employers' Association is offering R33.

Association spokesman Mr Charlie Hoeffich said yesterday neither party had made any move to settle.

"It's very quiet and there have been no incidents".

The first round of talks to resolve the dispute failed but both parties committed themselves to handle the industrial action peacefully.

"BALL IN THEIR COURT"

Union spokesman Mr William Makhunga accused employers of not being interested in settling the strike action.

"The ball is in their court. We are prepared to meet with employers if they are prepared to reconsider their position and settle the matter.

"Unfortunately they do not seem to be interested in settling. They prefer to pretend they are not losing anything."

The union has called for a nationwide consumer boycott of the six companies' products and has threatened that about 5,000 workers at KWV in Paarl will join the strike if demands are not met.

The association has repeatedly claimed that the effects of the boycott have not been felt.
Caveat emptor

The big wine wholesalers thought they were getting rid of a pesky irritant when a regulation that discontinued the use of gold neckbands on wine bottles to signify superior quality went into effect on July 1.

But now the small wine producers, who relied heavily on the gold seal of approval, are apparently plotting a counter-attack. They say they are "planning something that will help us fight back." For now, however, they won't comment on reports that they're considering establishing an independent wine testing and grading authority.

Small producers believe the big wholesalers persuaded the Department of Agriculture to make the change in order to boost sales of their own wines, whatever the quality. Small producers say the old system helped them compete because it saved them money in marketing their better wines.

"Superior labels were a relatively inexpensive way for us to market our better wines," says Frans Malan of Simonsig. "We are losing a valuable marketing tool. How are we going to tell the consumer which of our wines are as good as and maybe better than theirs? (The big wholesalers) can afford to spend R500 000 promoting any wine they want."

Riaan Kruger, director of the Cape Wine and Spirits Institute and spokesman for Distillers Corp, one of the largest wholesalers, says the industry's major players believed that the law should be changed. "They wanted to move away from a system where the seal on a bottle indicated the quality of the wine in it."

He says the old system wasn't fair because it ignored blended wines and allowed only wines whose vintage, cultivar and origin could be certified to qualify for the superior grade. "That gave buyers the impression that only a portion of the industry can make superior wine."

Malan, who was a member of the six-member committee that awarded the gold neckbands, admits that the system was imperfect and needed fine-tuning, but says it shouldn't have been scrapped. "Dumping the system the way they did was like throwing the baby away with the bathwater."

Gunter Brozel of the Neethlingshof estate says "The big makers rely on their trademarks and were upset by the number of small wine makers whose wines were being judged superior. The superior seal was prized. It promoted healthy competition and it led to improving all wines in SA."

Vaughan Johnson, a Johannesburg liquor merchant believes it's important to indicate the quality of a wine to compensate for the average customer's lack of knowledge. This is done in Bordeaux and Burgundy, where vineyards are graded according to quality.

It seems that SA's wine industry could learn a thing or two from its European counterpart - that's if it hasn't learnt enough already.

David Pienaar

FINANCIAL MAIL AUGUST 3 1990
New sorghum brewery plans to go public

By JOSHUA RABOROKO

THE Government has started relinquishing its control of the sorghum beer industry and the first black-controlled sorghum beer company has now been launched.

It is headed by Sam Molalele Moskili (45), who until recently was South African Breweries district manager for Soweto. He left at the end June to become managing director of National Sorghum Breweries.

The chairman of the company is Mphale Mahanyele and other directors include Moso Leoka, Mr Jan de Bruyn, Mr Eugene van Rensburg and Professor M J van Vuuren.

NSB is a limited company which took over from the Industrial Development Corporation (IDC) from July 1. Except for the new board of directors announced, no information has been made available as to who are the shareholders.

But the company is the product of getting shareholding with the ultimate aim of it being run by blacks.

Moskili says the company is itself an organisation in transition and apart from community affairs, it is taking an active role in the environment, in skills development within its existing 3240 employee complement, and in preparing itself to meet the business challenges presented by South Africa.

Moskili says the company which is in the sorghum beer industry - the sleeping giant of the liquor market - is beginning to show signs of new life and is intending to get listed on the Johannesburg Stock Exchange and to sell shares to employees and individuals in the future.

Career record

Moskili was born in the old Pumville township and attended school at various institutions until he obtained his Bachelor of Arts degree at the University of the North in 1968.

He continued his studies and obtained a diploma in marketing.

He has worked for Colgate Palmolive as production manager and the South African Breweries as marketing consultant in Johannesburg and branch manager in Lesotho between 1982/84.

He came back in to the golden city and resigned from SAB in June this year.

Moskili says he joined the NSB during exciting times in the history of South Africa, especially after the government announced its intention to privatise the sorghum beer industry.

"We are living in exciting times. My appointment is seen as a indicator of the way that our country will develop.

"I am proud to say that I believe that National Sorghum Breweries is likely to be very much of a trendsetter as it embarks upon its non-racial future, where skills will be recognised and utilised to the full irrespective of the cultural background of the person concerned.

"Our industry has not always kept up with past change, but we are embarking upon a stimulating period when we will be proud of our achievements and proud of our people," he says.

He says it seems obvious that the company is going to play an active role in community development in many different ways, not least by finding funds to support the needy charities which undertake so much badly needed work.

"Our company is moving into dynamic new times, but it has not lost touch with the problems that beset the community which it serves. The economic downturn has hit our people hard, and it has also made fund-raising very difficult for charities.

At a special function held at its Leopard Brewery, one of their subsidiaries in Johannesburg, the company donated more than R60 000 to nine charity organisations.

Optimistic

The organisations are St John's, SA National Council for Child Welfare, Promat Trust, SOS Children's Villages, The Red Cross, the Salvation Army, SANTA, the Foundation for Entrepreneurship Development, and Operation Hunger.

Moskili is optimistic about the future of blacks, especially after changes brought about by the State President, Mr F W de Klerk, in the post-February 2 epoch.

He believes that the upward movement of blacks will have to feature prominently on the agendas of companies. Many companies have made a start in this direction, but this is not enough. They will have to promote blacks to senior positions that involve decision-making at highest levels.

"If this is not done blacks will always be suspicious of the so-called enrichment programmes that they offer our people, such as social work positions many corporates give to them.

He says ownership schemes of companies is vital and must be promoted. The practice of giving blacks shares in companies must be encouraged in spite of the fact that they might clash with trade unions.

These shares must be explained to workers, although "we do not have such facilities at the moment.""}

Regarding industrial relations, he says the company will seek cordial relations with the trade union movement, regardless of their affiliation and race.
Right spirit
for liquor
strike talks.

Labour Reporters
NEGOTIATIONS to resolve the longest national strike in the wine and spirit industry were set to continue today in Stellenbosch.

The talks between the National Union of Wine, Spirits and Allied Workers' Union and the South African Wine and Spirit Industry Employers' Association resumed on Wednesday and continued yesterday.

The latest round comes two weeks after a stalemate between the two parties, who first met on July 18.

More than 3,500 employees, part of a national bargaining unit of 10,000, have been on strike at 83 plants since the strike began.

Association spokesman Mr Riaan Kruger said a variety of proposals on wage and other issues were discussed yesterday.

FREE OF VIOLENCE
He could not say if a settlement was imminent.

Union spokesman Mr William Makungu said the industrial action would continue until the dispute was resolved.

The association represents six strike-bound companies: Gilbeys, Stellenbosch Farmers' Winery, Distillers Corporation, Union Wine, Douglas Green and Henry, Taylor and Ries.

Both sides have agreed that the strike action should be free of violence, harassment, intimidation or victimisation.

Employees embarked on a go-slow after their wage increase demands were rejected.
SAB set for dispute talks

SOUTH AFRICAN BREWERIES are to meet representatives of the Food and Allied Workers Union (Fawu) next week in an attempt to resolve a dispute concerning overtime.

A union spokesman said yesterday although SAB was prepared to pay an above-average wage, they "become repressive in their working conditions in an attempt to gain extra productivity in return".

He called on SAB to "pay a living wage within normal working hours", as workers did not want to be "well-paid slaves".

SAB national public relations manager Mr Andre Botha, who described the declaration of a dispute as "premature", said the lowest wage paid to SAB workers was R1200 a month.
Wine workers to decide on wage offer

By SHARON SOROUR
Labour Reporter

THOUSANDS of striking workers in the wine industry will decide this week whether to accept a revised wage offer.

The National Union of Wine, Spirits and Allied Workers Union met the SA Wine and Spirit Industry Employers' Association last week in an attempt to resolve the five-week strike by more than 3 800 workers.

Association spokesman Mr Rian Kruger said in a statement that negotiations had not been completed.

Revised offer

Mr Kruger said a revised employers' offer was tabled on Thursday.

"The union will inform the association of the members' decision as soon as practicably possible," he said.

Mr Kruger declined to divulge details of the revised offer before the union's response was known.

Association spokesman Mr Charlie Hoesluch said employers were hoping the strike action would be resolved "as soon as possible".

Union spokesman Mr William Makunga said the union hoped to have canvassed all its members by next Thursday.

Negotiation resumed last week following a two-week stalemate after the two parties met for the first time on July 18.

The workers — part of a national bargaining unit of 10 000 — have been on strike at 83 plants since July 11.

Six companies represented by the association have been affected by the strike: Gilbeys, Distillers Corporation, Union Wine, Stellenbosch Farmers' Winery, Douglas Green and Henry, Taylor and Rice.

- Beer giant SA Breweries has been under fire from the Food and Allied Workers' Union (Fawu) for insisting that employees agree to work overtime.

The union has declared a dispute on overtime after five rounds of talks on the issue failed to shift the company's position.

Fawu said in a statement that the breweries insisted that workers contract to work overtime and on weekends "in spite of the workers' position on the issues and the disruption it creates to their family, social and sporting lives".

"SAB also proposes a clause that claims that workers' refusal to contract to overtime constitutes an overtime ban and is therefore a form of industrial action, although the Appellate Division upheld a decision granting workers the right to refuse or agree to contract to overtime," the statement claimed.

Breweries public affairs manager Mr Adrian Botha said the union's decision to declare a dispute was "totally premature as the company is always prepared to talk and it's not our final offer on the table".

In a separate statement, Cosatu accused a Barlow Rand subsidiary of a "serious breach of trust" after bugging devices were found in offices used by two unions for meetings and other activities.

According to reports, Barlow Rand spokesman Mr Ken Ironside denied the allegations and said "The practice of bugging, if and when it is occurring in the group, is completely unacceptable to us."

Talks between sacked grooms, trainers resume

Labour Reporter

TALKS between Cape Town racehorse trainers and nearly 800 grooms — sacked after a wildcat strike — were scheduled to resume today.

This follows a meeting between a trainers' committee and the SA Commercial, Catering and Allied Workers' Union (Succawa) on Friday when "little progress" was made in talks about wages and re-employment.

The grooms, from Milnerton and Philippa, went on strike on August 3 and were dismissed for ignoring two ultimatums to return to work.

Last week a Supreme Court interdict was issued restraining more than 400 strikers at the Milnerton stables from intimidating workers.
JOHANNESBURG — The National Union of Wine Spirits and Allied Workers (Nuwasa) yesterday rejected a revised wage offer from the South African Wine and Spirit Industry Employers' Association (Sawsiea), union president Mr November Nkos laid.

More than 2,800 workers continued the six-week-long strike over pay and conditions in the wine industry yesterday.

Mr Nkos laid Sawsiea's scaled wage offer ranging from R32 to R40 for grades one to six was unacceptable.

The union insisted on an across-the-board increase and their demand stood at a R40 increase for all grades, although they made a revised "provisional" demand during last week's talks in Stellenbosch, which Sawsiea did not meet.

A Sawsiea spokesman said yesterday afternoon that Nuwsaw had not informed employers of the rejection, but the two sides had scheduled a meeting in Johannesburg last night to try to break the deadlock.

The employers' offer included R33 a week backpay for the period April 1 to July 4 for strikers. The spokesman said 320 workers at Stellenbosch Farmers' Winery plants in the Western Cape returned to work yesterday, having accepted management's latest offer.
Liquor strike
to continue,
say workers

By Brendan Templeton

The nationwide liquor workers' strike, the longest ever in the industry, is set to continue after yesterday's rejection by most workers of management's latest revised offer.

The South African Wine and Spirits Industry Employers' Association (Sawseia) last week offered increases backdated to April 1 ranging from its original R33 a week for lower grades to R40 at the highest grades.

About 400 Stellenbosch Farmers' Winery workers at Stellenbosch and George had accepted the offer, an association spokesman said.

This leaves about 3,400 who are still on strike.

Management's original offer was R33 in response to the workers' R40 demand.

The organisation was due to meet the National Union of Wine, Spirits and Allied Workers last night.
Cape cracks in wine strike

CRACKS are appearing in the 30-day wine-industry strike as workers in the Cape broke ranks this week and accepted a revised management offer.

By yesterday, 750 workers at plants and depots in the Western Cape and George had signed their acceptance of the employers' offer, said Wine and Spirit Industry Employers' Association spokesman Mr Charlie Hoesflit.

Another 1,400 had agreed to the initial offer of R33 a week across-the-board when management set a deadline for acceptance on July 9.

However, deadlock continued elsewhere, with an estimated 2,300 members of the National Union of Wine, Spirit and Allied Workers still on strike.

A sixth round of talks is planned for next Wednesday in Johannesburg, Mr Hoesflit said.

In the Western Cape, workers at Stellenbosch Farmers' Winery settled on Tuesday, followed by colleagues at the Distillers Corporation Green Park depot in Epping, Union Wines in Wellington, and Douglas Green and Gilbeys, in Stellenbosch.

Disputing these figures, Numsaw president Mr November Nkosi said workers at Gilbeys in Stellenbosch had never been on strike, and only about 500 union members had gone back to work.

He said the majority of strikers rejected a revised management offer ranging from R33 to R40, tabled at talks in Stellenbosch last Thursday. — Sapa
SFW earnings drop in shrinking market

CAPE TOWN — Stellenbosch Farmers' Winery (SFW), which markets the bulk of SA production, has reported a 1.6% drop in attributable earnings to R42.8m for the year to end-June.

SFW directors yesterday declined to comment on the results ahead of the release of chairman Dave Marlow's statement in October. But the effects of rising costs in a stagnant wine market were strongly evident in the reported figure for untaxed trading profits which grew by 3.3% to R106.8m.

Turnover was not disclosed, but results for the first six months to December showed a disappointing 7.6% increase compared with 12.1% the previous interim. Last year's total growth ended at 11%.

A marginally higher tax bill of R50.8m and a small reduction in finance costs, resulted in 4.9% growth in taxed profits to R53.5m. But additional depreciation costs of R13.7m, compared with R11.2m the previous year, pushed the net attributable earnings below last year's level.

Net earnings translated into a marginal increase in earnings before additional depreciation to 40.4c (39c) a share and a decline in earnings after the additional depreciation to 30.6c (31c) a share.

A final dividend of 7.5c (7c) was declared, bringing the total dividend to 11.5c — up 9.5% on the previous year.

Compared with last year's performance which saw trading profits grow by 18.6% and attributable earnings by 13.4%, the results showed a serious decline.

Criticised

Informed sources said that apart from the effects of rising labour, packaging and distribution costs in a market which had remained relatively stagnant over past years, it was likely that increasing competition from SFW's major suppliers; the wine co-ops, was starting to take its toll.

There was a hint of this at last year's AGM when executive chairman Dave Marlow criticised the sale of inferior wine products by primary producers.

Traditionally, wine producers and co-ops in the western Cape marketed their produce through SFW. But, as sales slowed down, SFW reduced its purchases from primary producers and some started marketing their produce directly, undercutting the minimum producer price to which SFW was committed. This raised competition in a shrinking market.
UK wine merchants are toasting a free Mandela

LONDON — Sales of South African wines and beers are up by 30 percent in Britain this year as the stigma attached to buying products from "apartheid country" wanes.

"Of course, I know what's made the difference," said Margaret Steadman of importers Edward Cavendish. "It's all due to the release of Nelson Mandela." His freedom, as well as President de Klerk's reforms, have apparently loosened inhibitions to such an extent that Britons are now recognising the "good quality and value for money" of South African wines.

Norman Kramer, of importers Collisons, said the increased demand came from word-of-mouth comments, and demand would soar when supermarkets started displaying Cape wines prominently on their shelves.
SA booze beats boycott

The Argus Foreign Service
LONDON.—South African wine and beer are losing some of their stigma and selling 30 percent more across Britain this year.

"I know what has made the difference," said Mrs Margaret Steadman of importers Edward Cavendish. "The release of Mandela.

The freeing of the African National Congress leader and President De Klerk's reforms have apparently loosened inhibitions to such an extent that Britons are now recognising the "good quality and value for money" of South African wines.

White wines have proved most popular, particularly the Chenin Blanc and Sauvignon Blanc lines imported by Edward Cavendish.

Castle and Lion lager have been selling well, helped perhaps by a heatwave.

The new attitude has resulted in South African wines reappearing on restaurant wine lists.

Mr Norman Kramer, of importers Collisons, said there had "definitely been a softening" towards buying South African wines.

He said the increased demand had arisen from word of mouth. He predicted it would soar when supermarkets start displaying Cape wines prominently.

But he warned that the increased sales could be hampered by recent price increases on the products from South Africa.

The issue of selling South African products is still sensitive enough for all the outlets interviewed here to decline to give figures on how much they sell.
Hotels face hard times

By Michael Chester

The hotel business has been hit hard by the cash squeeze on holiday budgets caused by the economic slowdown.

The current wave of violence has worsened the blow to the hotel trade.

On the latest count taken by the Federated Hotel, Liquor and Catering Association of South Africa (Fedhasa), released yesterday, more than 120 hotel rooms in South Africa were standing empty — doubled by the lowest rate of cancellations since the recession and political turmoil that hit South Africa in the mid-1980s.

Fedhasa chairman Alan Gooderson said the average drop in bookings in Natal was no less than 45 percent compared with a year ago.

Hotels along the south coast had suffered most, with bookings down a dramatic 22.6 percent.

Much of the blame for the fall, he said, was because many Transvaal travellers were nervous of running into trouble if they tried to motor to Natal and encountered violence in the province.

The shrinkage in hotel reservations had been worsened by hard economic times, the toll of inflation on budgets and the cost of high interest rates on credit drawn to foot holiday bills.

Mr Gooderson still saw good chances of a recovery in tourist traffic to Natal in time for the Christmas/New Year holiday break.

"After all," he said, "Durban is the holiday mecca of the southern hemisphere and still one of the cheapest holiday destinations in the world."

Fedhasa executive director Fred Thermann estimated that on a nationwide count, the number of hotel room occupancies in May showed an overall decline of 9.5 percent compared with a year ago.

Hotels in all grades had suffered, he said.

This was with the exception of hotels in the five-star class, which saw a 6.2 percent increase in bookings, thanks largely to an influx of visitors from overseas who took advantage of weak rand exchange rates with their holiday cash.

The biggest drop in bookings was suffered by one-star hotels, which were down 16.4 percent.

Two-star hotel room occupancies were 9.7 percent lower, three-star hotels were down 2.4 percent and four-star hotels by 4.5 percent.

Mr Thermann said the entire hotel trade was worried by signals that room occupancies as a whole were running at less than half of capacity — 49.4 percent, the lowest since the mid-1980s.

"The results show once again how sensitive the hotel and tourism industry is to economic conditions and political developments," he said.

The implementation of a new blueprint for the entire industry had now become still more pressing, he added.
MORE THAN 3 200 striking workers in the wine industry will return to work today after downing tools for more than six weeks, National Union of Wine, Spirits and Allied Workers president Mr November Nkosi said yesterday.

The decision to return to work coincides with workers' acceptance of weekly wage increases of between R33 and R40, and marks the end of the longest strike in the sector.

Mr Nkosi said the decision had been taken "in spite of the fact that our members are not happy with the situation". The countrywide legal strike involving six companies began on July 11 over a demand for a R40 increase on the weekly wage.

In its letter of acceptance, the union demanded that employers terminate the contracts of casual labourers at affected plants. — Sapa
Unhappy liquor workers end the longest strike

By SHARON SOROUR, Labour Reporter

The longest nationwide strike in wine industry history ends today with more than 3,000 strikers scheduled to return to work after downing tools for nearly two months over a wage dispute.

The National Union of Wine, Spirits and Allied Workers (Nuwsaw) president Mr November Nkosi announced the end of the strike yesterday in a letter to Mr Ruwan Kruger, secretary of the SA Wine and Spirit Industry Employers' Association (Sawsea).

Mr Nkosi said, "Despite the fact that our members are not happy with the situation, they have decided to return to work."

The strike, which began on July 11, initially involved about 3,000 workers — who form part of a national bargaining unit of 10,000 — at 82 plants and affecting six companies: Stellenbosch Farmers' Winery, Gibneys, Douglas Green, Distillers Corporation, Union Wine and Henry, Taylor and Ries.

"FRUITLESS" TALKS

The decision by the union to end the strike comes barely a week after "fruitless" talks between the two parties in Johannesburg on August 22, which failed to resolve the dispute in spite of intense negotiation.

Sapa reports that union officials will meet association representatives in Cape Town today to discuss means of implementing the strikers' return to work.

In the letter the union proposed that back-pay be paid separately to members "not later than Thursday, August 30" and that the union be advised of the formula to calculate the tax on back-pay.

In terms of a settlement wage increases would be backdated from April 1 to July 4 at the original management offer of R33 a week.

1. Workers on Grades 1 and 2 would get an increase of R33 a week or R162.80 a month.
2. Grade 3 workers would get an increase of R34 a week or R147.22, Grade 4, R36 a week or R151.55 a month, Grade 5, R37 a week or R160.21 a month and Grade 6, R40 a week or R173.20 a month.
Liquor union accepts new wage offer

By Shareen Singh

The 50-day strike by 3,200 liquor workers ended yesterday after workers accepted a revised wage offer.

The South African Wine and Spirits Employers Association, which represents six major liquor outlets, revised its wage offer two weeks ago, for increases ranging from R33 to R40, bringing the minimum wage to R204.10.

At the outset of the strike, the union demanded an across-the-board increase of R40 and management offered R33.

The package included a reduction in working hours from 45 to 44 hours a week, meal allowances for workers on overtime, two days paid paternity leave and 16 weeks maternity leave with 15 percent pay for 12 weeks.

Workers at some companies returned to work today, but at companies where casual labour was employed, management agreed to give workers a day's paid leave while preparations were made to lay off casual workers.

A spokesman for the National Union of Wine, Spirits and Allied Workers (Nusaw), November Nkosi, said workers were not "very happy" about the wage settlement.

This was also the first major strike in Nusaw's 12-year history and "our members now know the experience of militant worker action which helped consolidate the union and increase membership," he said.
MANUFACTURING - BEVERAGES

1990

SEPT. - DEC
Suncrush puts in a sparkling show

SOFTDRINK maker and marketer Suncrush's June year-end results can rightly be called sparkling, with earnings up 44% and the dividend total lifted by 40%.

Attributable taxed profits increased to R32,21m in the year to end-June from R22,27m in 1989, translating into earnings of 1.187c a share compared with last year's 85c a share.

A final dividend of 25c (175c) has been declared, bringing total distribution to 350c (250c).

Chairman Robin Hamilton said at the interim stage an economic recession usually had a mild and late impact on the soft drinks industry.

However, he was over-modest about his prediction of a slight profit rise in 1990. At the halfway stage Suncrush's attributable earnings were already 35% ahead of the previous comparable half-year.

Suncrush's turnover rose by 29% to R56,4m (R277m) while operating profit also rose 29% to R56,4m (R48,7m).

The group's finances further boosted the bottomline: There was a credit of R1,06m compared with a debit of R4,4m in finance costs in 1989. Interest-bearing debt was R3,07m (R4,8m).

Suncrush also did well out of its investments, with income up at R5,2m (R4,7m).

Suncrush has consistently increased its shareholders' interest over a 10-year period. It rose to R133,4m in the past year. In 1985 it was R5,2m and in 1980 it was R10,0m.

Having comfortably financed relatively heavy capital expenditure last year (R21m on its Ladysmith project) through its strong cash flow, Suncrush's capital commitments are well down this year.

The bottlers of Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparkletta have year by year rewarded shareholders with higher earnings and dividends — hence the hefty market price of R190 put on the shares. As the highest-priced counter in the beverages and hotels sector, earnings yield is 6,2% and dividend yield 1,8%.

Less affluent investors have access to Suncrush through Dalys, whose market price is R19. Net asset value is R49,22.

Dalys, which holds 50% of Suncrush, achieved an attributable taxed profit of R15,4m (R10,6m) in the year to end-June.

Suncrush

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COMPANIES

Pichold, Cape liquor firms issue cautions on talk

CAPE-BASED Pichold Holdings (Pichold), Union Wine and Drop-Inn have issued cautionary announcements to shareholders that negotiations are in process which could affect the price of their shares.

This is the second cautionary announcement by Drop-Inn in the past month, but analysts believe the cautionaries—involved, as they did, two Cape-based liquor businesses—must be linked. However, they could not confirm what the connection would involve.

An analyst speculated that Pichold subsidiary Union Wine—which is family owned—may want to sell off some assets to Drop-Inn rather than be involved in any acquisition.

It was reported in the Financial Mail in June that Drop-Inn was planning to increase the number of stores it managed after the lifting of restrictions on vertical integration. In terms of the same legislation, Union Wine would have to sell its bottleshops over the next decade.

Debt

However, another analyst says there could be a takeover by Union Wine of Drop-Inn, although neither company is in a strong position to make acquisitions.

Drop-Inn’s shares were suspended from the board in October last year, and the group was rumoured to be looking for a buyer. However, buyout talks ended with the resignation of four top Drop-Inn executives, who proceeded to buy 50% of Union Wine subsidiary Pichold.

Theft problems at Drop-Inn’s Benny Goldberg subsidiary saw earnings drop 23% to 61c a share in the year to end-February.

There was also speculation in June that Pichold would delist Union Wine—of which it has a 90% holding—by making an offer to the 10% minority shareholding. Union Wine posted a loss of 5.6c (5.4c earnings) for the six months to December.
Improved Grades Help Village Main Results

Since 1957, the local school district has seen a significant improvement in student performance. The overall academic achievement scores have increased by 20% in the past five years, with a notable rise in reading and math proficiency. The implementation of new teaching methods and the introduction of technology in the classroom have played a key role in these gains. Parents and educators are expressing satisfaction with the educational outcomes, and the community is proud of the achievements.

Evelina Wood

Vektra Drops into Lower Gear with Diluted Earnings

In the latest quarter, Vektra announced a drop in earnings, with a 15% decrease in revenue compared to the same period last year. The company attributed the decline to market conditions and increased competition. Despite the setback, the company remains optimistic about its future prospects, with plans to invest in research and development to enhance product offerings. Shareholders are closely watching the company's strategic moves to recover from the current downturn.

Consumer Confidence

The latest consumer confidence index has shown a slight improvement, with a 3% increase from the previous month. Consumers are becoming more optimistic about the economy, which could lead to increased spending and a boost in retail sales. The government's stimulus package and the recent increase in job creation have contributed to this positive outlook.

Evelina Wood

Evelina Wood

Table: Revenue Breakdown

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2022</td>
<td>150</td>
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<tr>
<td>Q2 2022</td>
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<tr>
<td>Q3 2022</td>
<td>160</td>
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<tr>
<td>Q4 2022</td>
<td>180</td>
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</tbody>
</table>

Note: The revenue figures are approximate and subject to seasonal variations.
New lager launch is likely to spark Pretoria beer war

Sowetan Correspondent

The launch of a new independent lager beer on to the South African market - and which will specifically challenge South African Breweries (SAB) in the Pretoria area - appears to be imminent.

Several Pretoria liquor retailers have confirmed tasting the first brew from Rico Breweries Ltd's multi-million rand high-tech brewery in Verwoerd's Gateway Industrial Park - and the brewery hosted a function last night to introduce their new product to the media.

Although Rico Breweries' senior management was unavailable for comment, it is believed the beer will be launched in time for the Christmas season.

Rico has said its primary marketing objective is to position Rico as Pretoria's local freshly-brewed beer with the capital city receiving preferential supplies.

Pretoria liquor retailers who sampled the new brew were impressed with the taste of the beer and openly welcomed the day it became freely available.

"It's not pasteurised like South African Breweries' beer but is produced by means of a cold fermentation process. It's got a lovely colour and bubbles and superb taste," said one retailer.

Retailers said the sample they had tasted was in a pint bottle with a red and gold, almost diamond-shaped, label and called "Rico Extra Dry Lager".

Rico's plans to develop a brewery independent of SAB and producing two beers - one with a "South African profile" - date back to 1988.

The plan was to develop a brewery in three phases, starting with the production of 1,5-million litres of beer a year equivalent to 0.2 percent of the PWV market. But it is envisaged the brewery will eventually have a capacity of 10-million litres a year - about 0.58 percent of South Africa's current consumption.

Rico initially planned to launch the beer before Christmas last year but problems in obtaining equipment and financial hiccups delayed the launch.
Kangra 'buy-out' 'in weeks'

SYLVIA DU PLESSIS

KANGRA Holdings' proposed R21.5m takeover of Picardi Holdings' (Pichold's) Union Wine subsidiary could be tied up in about six weeks' time, Pichold director Jan Pickard said at the weekend.

He was commenting on a joint announcement from Kangra and Pichold last week confirming a Kangra-led consortium had made a cash offer of 100c a share for the Cape-based liquor and hotel company's entire issued share capital.

Union Wine's shares were suspended on Friday at 105c, near their yearly high of 110c in January, after they dipped to a low of 59c in June.

News of the offer followed a warning to shareholders last week to be cautious in dealing in their shares because negotiations were in progress which could affect their price.

Pickard said the deal, in the pipeline for about a month, was not expected to be finalised for "at least" six weeks, during which time a shareholders' meeting would be convened. It would probably be effective from July.

Union Wine, 69.7% held by Pichold, produced an interim loss of 5.6c (5.6c earnings) a share to end-December on undisclosed turnover which grew 12% (14%) — negative growth if inflation-adjusted.

Pickard, who described the company as "a relatively small player in a very competitive industry", said management had taken a number of steps in an attempt to restore profitability.

"We tried to initiate discussions with Douglas Green at the end of 1989 to merge with or buy them and we later made a strong pitch for the distribution rights of international whisky brands, but both bids failed," he said.

Union Wine's year-end results — they would not reflect a profit — would be available within two weeks, he added.

Kangra chairman Graham Beck and financial director Allister Rogan were overseas and could not be reached for comment.

Takeover

Douglas Green at the end of 1989 to merge with or buy them and we later made a strong pitch for the distribution rights of international whisky brands, but both bids failed," he said.

Union Wine's year-end results — they would not reflect a profit — would be available within two weeks, he added.

Kangra chairman Graham Beck and financial director Allister Rogan were overseas and could not be reached for comment.
Union Wine bought out by Kangra Holdings

CAPE TOWN — Union Wine, the Cape Town company with interests in winemaking, hotels and bottle stores, has been taken over by a former Capetonian — businessman, industrialist, racehorse owner and breeder Graham Beck.

Behind the deal is his company Kangra Holdings.

Controlling company Piccard Holdings (Pichold) chairman Jan Pickard Snr said at the weekend he had received an offer from Kangra Holdings and its associates to buy the entire issued share capital of Union Wine for 100c a share.

Pichold and the Pichold employees’ profit-sharing fund have undertaken to accept the offer in respect of their shareholding of 19.7 million ordinary shares, representing 91.32 percent of the total issued share capital of Union Wine.

An offer of 100c a share will be made to the minority shareholders of Union Wine and the company will be delisted from the boards of the JSE.

Trading in Union Wine shares was suspended by the JSE on Friday after the announcement.

The share closed at 105c on Thursday before the share was suspended after rising from 65c earlier last week — Sapa
Union Wine easing Picbel’s debt load

It's unlikely that many of the Union Wine minority shareholders paid R19 a share for their holding. For a short while, during the Union Wine bear squeeze back in March 1981, that's the price some had to pay for a Union Wine share.

The share was briefly suspended after two days of hectic trading during which time the price shot up from 230c to a high of R19.

(The background to the 81 suspension was the dramatic reaction by Cape Wine Distillers to news of a proposed tie-up between Natie Kursh — then involved with Checkers — and Jan Pickard, to establish joint control of Union Wine. CWD moved in to the market to buy at almost any price, a 25 percent stake in an attempt to block the deal.)

Now a consortium led by Graham Beck's Kangra Holdings is offering 100c a share for Union Wine.

The offer, which is for 100 percent of the company, will see the delisting of Union Wine. Because the main shareholder (Picbel) has over 90 percent of the shares, sufficient acceptance is guaranteed (under section 314 of the companies act), so delisting is inevitable.

Some of the minority shareholders will be disappointed. The latest available balance sheet, which for June 1989, shows shareholders' funds of R50 million which is equivalent to a net asset value of 250c a share. (The June '89 valuation will probably be lower due to poor operating performance during financial '89 and a higher debt burden.)

Shareholders' funds in '88 were boosted by a R19 million revaluation of group properties — equivalent to 50c a share.

Over the past year the share has been trading well below this NAV level — its 12-month high was 110c and the low was 50c. This reflects the group's disappointing performances and prospects. The weak earnings have meant that return on capital has been extremely low. (According to Jan Pickard Jr, it was on the basis of return on capital that the purchasers pitched their offer.)

In addition although the June '90 balance sheet shows NAV of 220c a share, this valuation may only be realistic given the existence of a willing buyer and willing seller.

In this instance the seller was probably the "more willing" party. This is because of the debt involved in Union Wine and the need to de-gear the parent company. Both of these factors not only made Picbel (and therefore Pickard) the more willing party but they also militated against that management being able to inject the sort of funds that could get Union Wine on to a more profitable footing.

An alternative to selling at 100c was to strip the group. Analysts believe this would have earned more than 100c a share but are non-committal on exactly how much more. Given this uncertainty it seems that Mr Pickard and Picbel were more willing to sell it on to a party that has indicated that it would run Union Wine as a going concern.

The 100c is in line with what Picbel recently paid Tradegeo for its 30 percent stake in Union Wine. That deal which was a legacy of the 81 bear squeeze, resulted in Tradegeo having to make a significant write-off.

For the heavily geared Picbel, whose operating assets will now be Picapi and CIB, the sale of Union Wine was inevitable given the need to reduce the group's hefty debt burden. (Picbel not only benefits from the injection of the R19,000 million cash from the sale but also gets rid of the Union Wine's debt from its balance sheet.)

This transaction plus the reduction in Picapi's debt during financial '90, and other smaller asset sales will see Picbel's debt down by more R100 million.

From here, Mr Pickard is expecting to see further improvement through tighter asset management and improved margins at Picapi.
Liquor demand fall expected

ACHMED KARIEM

WINE and spirit producer Distillers Corporation anticipates a further moderate decline in domestic demand while growth in production could increase slightly, chairman Arnold Galombik says in his annual report.

The Stellenbosch-based company has posted a 9.4% increase in attributable earnings to R78m (R71.3m) for the year to end-June.

Galombik says double-digit inflation and high interest rates have influenced Distillers’ results.

The new Liquor Act and the Liquor Products Act that came into effect during the past year made the liquor industry less regulated than previously, he says.

The first provides a simplified licensing procedure while the second provides for grape-based beverages which include low-alcohol and flavoured grape beverages.

“Distillers was the first to exploit these opportunities by launching two new products on July 2, the day the new Liquor Products Act became operative. Both products have been well received.”
Rising violence is hampering business

BLACK business and the economy are being seriously hamstrung by the rising tide of violence in the townships. Both formal traders and the small entrepreneurs (spaza shops) are running out of stock, particularly of cold drinks, bread and other food-stuffs, mainly because of the high risk to delivery vehicles before the start of "Operation Iron Fist."

Several shops have been attacked, looted and razed causing damage estimated at thousands of rands in Natal, Transvaal and Cape Province in the past months. Some have been forced to close.

**Damage**

Bakeries, visibly suffered the most vehicle damage, with Coa-Cola, SAB and other major suppliers also losing because their staff have been reluctant to continue with their deliveries in fear of reprisals.

However, beer is getting through to the townships, despite the unrest, according to SAB's manager of public affairs, Mr. Adrian Botha.

He says overall sales have been better than they budgeted for. Bottles store owners and taverners are picking up beer from nearby depots.

But, he adds, the com-

*To Page 29*
Violence is hampering economy

A company has experienced considerable difficulties with deliveries in the townships with a number of vehicles being damaged.

The chairman of Premier Food Industries, Mr Norman Fowler, says four vehicles have been damaged as a result of violence in the townships and are now arranged for collection.

"This arrangement has somehow minimized the losses as a result of delivering into the rotten areas," he says.

The president of the Nyanda Chamber of Commerce, Mr Rodger Sushu, says violence in Natul has become the order of the day and black traders are being called on to be of service to the people as if nothing has happened.

The Vaal Chamber of Commerce has had several reports of business attacked, looted and razed by faceless ‘third forces’ in the Evaton-Sebokeng complex in the past few weeks.

Shocking

The chamber’s president, Mr George Thabe, says the reports are shocking as innocent traders are suffering at the hands of these unknown people.

Both the chamber and the civic associations have condemned the violence.

The president of Nafcoc, Dr Sam Motsumenyane, says the violence that has gripped the country must be stopped. One of the reasons why black business is often destroyed during riots is due to lack of appreciation of its importance, or to the suspicion towards people’s political aspirations.

He says those who run business are often looked upon as an extension of exploitative, unjust and corrupt system. Black business has witnessed many restrictions and tragedies in the past.

The riots certainly triggered off spontaneous reactions, not only nationally, but also internationally, which resulted in the formulation of various unfair employment codes, such as the Sullivan and the EEC codes of conduct.
Distillers not shy about directors’ 12 pc pay rise

By Tom Hood (132)

CAPE TOWN — Distillers Corporation chairman Arnold Galombik asked shareholders at the annual meeting to vote on the payment of R140,000 in directors’ remuneration. Distillers is one of the handful of Cape companies that specifically asks for shareholders’ approval of directors’ remuneration.

Most companies that disclose directors’ pay in their financial statements are shy about drawing shareholders’ attention to it. Mr Galombik not only drew attention to the item in the annual report, but asked for a vote of approval, which was given unanimously.

The meeting at Stellenbosch agreed to raise directors’ remuneration by 12 percent from the R125,000 paid last year. The rise, well below the inflation rate, is modest for a company with a trading profit of R156 million.

Other companies with similar profit levels have disclosed (or hidden) increases in directors’ fees of the order of 33 and 39 percent.

The dividend payout was up 20 percent to 30c, which took R44 million of the net profit of R78 million after tax and depreciation.

Mr Galombik said the financial position of the company was sound with interest-bearing debt only seven percent of total shareholders’ equity.

Moreover, shareholders’ equity did not take the substantial value of group trade marks into account.

He criticised the situation of industries paying tax on a fictitious income where, because of the nature of their products, they had to carry stocks for long periods.
Distillers Corp's performance in the 1990 year was hurt by consumers' wilting spending power. The rate of increase in turnover fell to 11.8%, from the previous year's 16.9%, and lagged the inflation rate.

Apart from the general slowdown in the economy, affordability of the group's wines and spirits may be an additional problem. After all, SA Breweries' beer division produced a 22% turnover advance in the year to end-March.

Distillers MD Maciel le Roux contends that, because the group's products are tar-

Activities: Produces and markets wines and spirits.
Control: Rembrandt and KWV 60%.
Chairman: A Galombik, MD M S du P le Roux.
Capital structure: 140m o/rds Market capitalisation R504m.
Share market: Price 360c. Yields 8.3% on dividend, 15.5% on earnings, P/E ratio 6.4, cover 1.86, 12-month high, 420c, low, 240c.
Trading volume last quarter, 1,72m shares.

Year to June 30'88 '89 '90
ST debt (Rm) 16 10.8 38.4
LT debt (Rm) 0.8 0.05 19.1
Debt equity ratio n/a 0.01 0.11
Shareholders' interest 0.74 0.74 0.68
Return on cap (%) 21.7 24 22.9
Pre-int profa (Rm) 109.6 142.7 156.4
Earnings (c) 35.9 51.0 65.8
Dividends (c) 17.1 26 30
Net worth (c) 358 315 338

...et at the higher end of the market, price resistance is not a concern. On the contrary, he reckons Distillers' real problem is that it cannot supply enough red and sparkling wine. Still, wine and spirits can hardly be seen as a major growth industry.

The group still does not reveal its turnover though the value-added statement shows that turnover less the cost of materials and services rose from R360,4m to R405,3m.

A slight narrowing in trading margins, caused pre-interest profit to rise by only 9.6%, Le Roux attributes this to difficult trading conditions. Short-term borrowings were increased to R35,4m from R10,8m to finance stock and dividends. Also, the recent amendment of the Income Tax Act, requiring that life reserves must be brought to account over 10 years as taxable income, resulted in the creation of an additional tax liability of R19.5m. This has been brought to account as a non-interest-bearing, long-term borrowing. The balance sheet remains solid with interest-bearing debt at only 7% of shareholders' equity.

The New Liquor Act and new Liquor Products Act, which took effect during the past year, leave the liquor industry less regulated. Management says the Acts create "interesting possibilities for innovation," though this is not explained further, except to say that the group launched two new products during July. Le Roux expects the group to continue to produce internal growth with red and sparkling wines sales showing most promise.

The share stands at 360c, compared with 420c in March, and offers a pe of 6.5 against 3.8 for SFW.

Gerhard Slabbert
Here's to a new South Africa ... as seen in beer ads

The one area of multi-racial advertising where everyone seems willing to suspend belief is where children are involved.

Take, for example, the Kellogg's Rice Krispies advert. Which is more unlike- ly? The Snap Cracklin' and Pop characters jumping off the box and doing a gumboots dance? Or the three white and two black children who eat breakfast together while watching them?

"We try not to make a big deal out of it," says David Simpson, managing director of J Walter Thompson, the advertising agency which handles the Kellogg's account.

"The reality of the situation is that upper-income blacks send their children to private schools so there are lots of opportunities for the kids to eat together. Rice Krispies is a fun cereal for kids, the commercial is fantasy and the target audience is kids."

"In the area of kids you have a tremendous reservoir of goodwill from all sides, and you are going to get kids to sit at a breakfast table," says Horace Mpanza, creative director of Lintas advertising agency.

"And you are saying to both (political) extremes, 'Look here, at the end of the day it is your kids who are going to have to sort it out. And the sooner they get cracking together the more positive the future is going to be.'"

Advertisers do not just show multi- racial adverts out of some Utopian desire to create the perfect society: a cash- driven motive lies behind the strategy. "To have a brand labelled as a black only brand is perceived as very negative," says Anton Tucker, an account director with D'Arcy Masius Benton and Bowles.

Research has shown black consumers feel they are being shown inferior products if the advertising directed at them is different.

"Black consumers do not want to be addressed differently to whites," says Charles Foster of the market research group, Impact.

"There is a fear of alienating blacks who are the vast majority of the market. Whites don't watch black television but blacks watch white television, so you can't exclude black consumers from seeing white adverts."

There are white consumers who feel belittled or insulted by watching integrated advertising. They compose a very small section of the market but market researchers are still trying to find a middle ground for advertisers to appeal to all cultures without offending any group.

Horace Mpanza tells of an incident five years ago which highlights the problems. His agency developed an advert for Rama margarine to be shown on the white television channels. The advert showed a lot of different shots of white people eating Rama margarine in different situations each saying a word — terrific, wonderful — to describe Rama. At the end a little black boy was shown taking a bite and saying "lovely" in an African accent.

When the commercial was tested before being aired, the English housewives thought it was fine but the Afrikaans housewives were not happy with the black boy. So the client decided to play it safe, keep the advert as it was for the English market but change it to a white boy for the Afrikaans market. That decision resulted in a flood of letters to the manufacturers of Rama and to the SABC from Afrikaansers complaining the world must perceive them as racist if their commercial was significant by its absence of a black boy at the end.

Another economic reason behind multi-racial advertising is the high cost of production in South Africa. In most countries production counts for eight to 12 percent of the total media budget. In this country it is between 25 and 30 percent. The pressure is therefore on to find one commercial to fit all markets and keep the costs down that way. Do these adverts work? Well yes, if the growing numbers of advertisers using multi-racial advertising is any measurement. More and more adverts allow thoroughly integrated scenes and for the most part the clients are happy with the increase in sales that result. Sales growth of beer — to give one example — was up 10 percent in the last year alone, and Coca Cola has reported a staggering business growth of 40 percent in the last three years.

So how multi-racial are things behind the scenes in advertising these days? Ask any corporation or advertising agency how many blacks are represented in creative positions or at management level and brace yourself for evasion. They don't know the exact number, ask personnel, well there are two people on the floor, isn't that guy Charlie an account manager?

Sometimes they say that a number of copywriters are black, but are those people copywriters? Or have they been brought in as translators? And what about the blacks who have made it up to the upper rung of the ladder? A lot of them get treated as the token black expert, having to advise on most accounts as to how the commercials will be interpreted in the black market. Even they, who have succeeded in a white industry, are fairly far removed from the everyday lives of the majority of the black consumers.

But things are improving. The big international agencies are now sponsoring training schemes for blacks and guaranteeing a number of places a year for black employees. Like the adverts, the gestures might be self-conscious but the idea is that, given time, the integration really will be a natural one in front of and behind the camera.

Hey, isn't that an idea Roddy and his friends could maybe consider over their beers? One day, yeah, one day there might be one market in South Africa. One big, happy aspirational group of regular guys, all feeling equal and all having equal spending powers and all aspiring to own the same great products — making life a hell of a lot easier for the admen in suits.
Breweries

Sweepers now earn R1 238

Labour Reporter

A South African Breweries (SAB) sweeper now receives minimum pay of R1,238 a month after successful negotiations between the company and the Food and Allied Workers' Union (Fawu).

The peaceful accord struck this year contrasts strongly with the protracted, violence-mired 1989 strike. Also agreed on was the controversial overtime issue. It made industrial legal history last year when the union successfully defended its right to refuse to work overtime. The Appellate Division ruled that an overtime ban did not constitute a strike and workers were entitled — as an important bargaining weapon — to withdraw voluntary labour.

The SAPs Rob Childs said the new overtime agreement was a realistic compromise between SAB operational requirements and the genuine needs of workers.

The successful outcome of the agreement was "in no small measure" due to the services of mediator Paul Glazer, he said.
SAB, union agree on wages, overtime

Labour Reporter

A SETTLEMENT on wages, overtime and other conditions of employment has been reached between the South African Breweries beer division and the Food and Allied Workers' Union.

In terms of the agreement, concluded last week, the union won an increase of 16.5 percent for 8,000 members with the minimum wage being increased from R1 063 a month to R1 238.

Agreement was also reached on overtime — a controversial issue which has been at the centre of many disputes between SAB and the union and culminated in an Appeal Court hearing last year.

WEEKEND WORK

The union declared a dispute two months ago when the SAB insisted that employees agree to work overtime.

Workers refused to contract work overtime and at weekends as it disrupted their family, social and sporting lives, the union said.

SAB Human Resources director Mr Rob Childs said the new negotiated agreement on overtime was, "a combination of voluntary and compulsory overtime which balanced the requirements of both parties."
'Lucky' OK raises borrowing limits

OK Bazaars can count itself lucky being 69 percent owned by mighty SA Breweries as its borrowings are close to its authorised limits.

At end March 1990 its articles permitted borrowings of R358,7 million while actual borrowings were a shade lower at R241,2 million. At the July annual meeting shareholders were asked to approve a special resolution altering the borrowing powers. Previously debt was limited to the amount of the company's paid up capital and reserves.

From now on, SAB will authorise the borrowing limits "in accordance with modern practice", whatever this means. The escalating debt of R241,2 million (1989: R179,3 million) is pouring into the income statement where significant interest expense is only twice covered by operating income compared with 2.6 times a year earlier.

Remember this debt does not include off balance sheet financing of the instalment sales which are done separately through associate finance company OK Fin (Pty) Ltd.

Through this company additional instalment sales' debt totalled R249,3 million (1989: R229,5 million). Does this mean total debt is close to half a billion?

It is hardly surprising that the bottom line failed to reach 1989's numbers. Not even a lower effective tax rate of 41.7 percent (1989: 52.3 percent) could help.

Milestone

While 1990 saw another milestone pass with sales exceeding R4 billion it was clearly a case of "sales being vanity, but profit sanity."

Chairman Mr Meyer Khan explained that the sharp drop in activity plus lower level of fixed overhead recovery and higher than normal shrinkage losses, linked with the social instability, caused the problems.

These are serious problems considering that earnings were up 3.7 percent at the halfway stage but overall declined by 16.4 percent for the full year. The last six months must have been a disaster.

Last year CE Mr Hood reported that a centralised warehousing grocery distribution system was introduced in half the stores. This year it was supplemented by a computerised space allocation and ordering system.

In the new year both systems will be expanded to cover the garden, healthy and beauty aid departments in all stores. This would improve stock turn rates, reduce shrinkage and furthermore improve the on-sells position, he says.

But there appears little wrong with the stock turn as the average for the year reached a record 6.1 times, says Mr Khan.


The bottom line represents only 6.48 percent (1989: 6.64 percent) of turnover — what a pitance for all the hard work. Earnings per share were 163c compared with 1989's 196c. Dividends were reduced to 96c against 103c in 1989.

The retrospective phased tax on Lifo stock reserve was another cruel blow as Lifo values helped overcome rampant inflation. These retrospective tax increases make it difficult for businesses to plan their tax affairs with any degree of certainty, says Mr Khan.

He is so right as the Government seems to have little regard for business and their rotted past policies are the root of all the present problems.

In the balance sheet, shareholders funds declined to R353,4 million (1989: R375,6 million) at end March 1990. The notional tax on the Lifo stock conversion of R41 million caused the decline despite the surplus on fixed assets revalued during the year of R17,47 million credited to non-distributable reserves.

Apart from the massive debt the most disturbing aspect was the decline in working capital from R103,6 million in 1989 to only R19,9 million — not a healthy sign.

Prediction

While prospects appear gloomy both Messrs Kahn and Hood expect that while earnings will be under pressure there will be some improvement. The interim results due out shortly should be a good indication of their predictions.

With all that OK does for its employees, sports promotions and pensioners (they receive a six percent discount on their purchases with the monthly limit recently increased by 25 percent), its high time organised labour gave OK a break.

Rather than hinder the company's growth, they should help it and never forget that their future is also at stake.
Speculative trading in Romatex and Da Gama

By Ann Crotty

Recent movement in the Romatex and Da Gama share prices has sparked market speculation that a merger between these two textile companies is likely.

Informed sources believe that this speculation is way off the mark.

In terms of operations, a merger would have some advantages, particularly given the torrid time the industry is having.

But it is difficult to see either of the major shareholders (SAB for Da Gama and Barlows for Romatex) relinquishing any control over what must be regarded as major strategic investments.

SAB acquired control of Da Gama from UK-based Tootal group last year and indications from SAB management are that it is very happy with the performance of this subsidiary and is keen to see it grow.

Ongoing capital spending has ensured it has efficient plant capacity which, combined with its strategy of niche-marketing in value-added segments of the market, means that it has the highest return on capital in the industry.

Its end-March balance sheet showed a cash balance of R29 million.

It would be difficult to see why any controlling shareholder would be prepared to give up a stake in this investment.

From Barlows side, Romatex — although not as strong a player in the industry — has just undertaken a R100 million restructuring aimed at reducing the company's exposure to cyclical forces and also involving the disposal of loss-making operations and the merging of others.
Problems persist for SFW in facing down tough year

CAPE TOWN — The past financial year to end-June was possibly one of the most difficult for wine and spirits producer-wholesaler Stellenbosch Farmers’ Winery (SFW)

 Fundamental problems in the wine industry persisted, new economic and political hurdles arose and SFW ended the year with no real growth in sales and a small decline in earnings, after making provision for additional depreciation.

 As the marketer of the bulk of SA wine production, SFW is a fairly reliable barometer of the industry.

 Its wine sales have been eroded over the years by the decline in per capita consumption of natural wine from 8.55 litres in 1955 to 7.45 litres in 1990. During the same period, per capita consumption of malt beer has increased from 41.18 litres to 58.64 litres, while demand for some of the brown and white spirits, a smaller part of SFW’s business, has grown marginally.

 SFW’s ability to compete with the beer market is limited by a minimum price structure imposed by producer organisation KWV, which prevents SFW from selling wine below a set price.

 Because of a massive gap between the minimum prices set for natural and inferior wine (the so-called wine lake) which is sold for distillation at a third of the price of natural wine, the pricing structure has also created an opportunity for producer clients of SFW to compete with their distributor.

 Rather than sell to SFW, dissatisfied producers are selling directly to the market at lower prices. Some co-ops and estates have succeeded in their bid to beat the inhibiting price structures and are achieving annual profits of up to 30%, which SFW believes are largely at its expense.

 Others, like Drakenstein Estate, which recently went into liquidation, have failed.

 SFW executive chairman Dave Marlow said at the company’s AGM in Stellenbosch yesterday that talks aimed at finding a solution to this problem had reached an impasse. “However, all concerned agree that the present system is inadequate and the matter continues to receive attention,” he said.

 Significant restructuring under Marlow’s guidance does not appear to have enhanced financial performance in the short-term.
SUNCRUSH  FIM 19/10/90

SZZZ ... PARKLING!

The firm hardly ever seems to go out of the soft-drink market. While most other companies are posting poor results, soft-drink manufacturer and marketer Sun crush has again shown growth which continues to beat the rate of inflation. Attributable profit rose 44% to R32,2m causing EPS to rise by the same percentage to R1.87.

The soft-drink market is usually affected late in a recession, according to chairman and MD Robin Hamilton. In fact, it sometimes accelerates the recession altogether. Hamilton adds that growth has come mostly from the existing market serviced by Sun crush rather than acquisition — and is particularly

Activities: Manufactures and markets soft drinks
Control: Dayals 50%
Chairman and MD: R D Hamilton
Capital structure: 7.6m ordinary shares Market capitalisation: R680,7m
Share market: Pr ce: R2.10 Yields: 1.7% on dividend, 6.7% on earnings, p/e ratio: 17.7, cover: 3.4, 12-month high, R2.10, low, R1.06
Trading volume last quarter, 28,000 shares

<table>
<thead>
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<th>Year to June 30</th>
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strong in the black market, roughly estimated as 70% of Sun crush’s total market.

The group has franchises for Coca-Cola, Diet Coke, Fanta, Sprite, Tab, Krest, Schweppes, Stoney, Lemon Twist and Sparlettas in Natal, parts of the Transvaal and OFS, the eastern Cape and Bophuthatswana. Hamilton sees possible moves into Mozambique as offering opportunities for further growth — but says it is difficult to forecast when any deal with government there would come together. However, if and when it does, this would mean that Sun crush was in partnership with government — would most likely be the sole soft-drink manufacturer for the three parceled southern provinces.

It is not only growth and a recession-proof product which has allowed Sun crush to sparkle. It has also had the benefit of a R35,5m cash holding earning over 19% interest. (The annual report includes under cash R6,3m which was held by 62%-owned subsidiary and investment company, Tempora Invest-

ments, paid out as dividends to Tempora shareholders soon after June 30.) Interest paid on R10m borrowings made in 1987 at a fixed rate of 14.25% for five years is at a much lower rate than interest received, as are the latest borrowings of R15,3m at 16.4% made this year for future expansion.

Total interest-bearing debt rose 51% to R33,8m — and, according to Hamilton, it made sense to borrow to finance the expansion of the Ladysmith plant and future projects, mainly for tax reasons. He is reluctant to elaborate.

Capex on the Ladysmith plant was about R17m while total capex during the 1990 financial year amounted to R31,8m, and Sun crush has budgeted another R17,7m for the 1991 year, mainly on land and buildings in Mnabato, purchasing land next to existing factories in other areas and on new vehicles.

The company also gets a portion of its profits from investments held by Tempora Listed companies in which Tempora has a stake are pyramid Dayals, Cadbury Schweppes, Saffico, Saker’s Finance and Investment, Searled and Sage (where shareholding has reduced considerably compared to 1989). Income from investments grew just 10% compared to almost 80% in 1989, which Hamilton says is partly because of an extraordinary dividend declared in the 1989 year by an unlisted investment, Amalgamated Beverage Canners.

Hamilton is reluctant to make any forecasts for the current year, as he says results depend on too many factors — including violence, which has already caused distribution disruptions.

However, sensing Sun crush’s seemingly unstoppable growth, the market has pushed the share to a new high of R2.10. On a dividend yield of 1.7%, it is rated better than competitor Amalgamated Beverage Industries but has a poorer rating when it comes to p/e ratios — 17.7 compared to 23.9.

Hecker Formby
KWV in wine export drive

CAPE TOWN — The organisation representing SA wine producers, KWV, has launched a major export promotion campaign to gear up the wine industry for the anticipated lifting of trade sanctions

The two priorities of the campaign are to get branded SA wines and spirits back on international shelves and to double the production of wine for brandy distillation by next year to meet growing domestic and foreign demand.

KWV is planning contractual agreements with certain producers and co-operative cellars to guarantee a supply of quality export wines.

To ensure it is prepared for the opening up of new export markets, the organisation has restructured its marketing department to create more international marketing positions.

The concerted drive to win back former appreciators of SA wine and capture new markets includes measures to make the product politically palatable. KWV has drawn up a manpower code with guidelines for suitable labour practices and social upliftment.

Announcing the new strategy yesterday, KWV chairman Pieter Hugo said it represented a complete turnaround from the low profile bulk exports of past years to high profile advertising-supported marketing of brand products. A new range of top quality wine series and new varietal wines would be introduced for potential export markets, Hugo said.

Although KWV lost most of its traditional markets during the past decade, it circumvented the sanctions campaign by selling bulk unidentified products. In 1984 it ventured into the production of grape juice concentrate as an alternative to alcohol.

During the financial year to end-December 1988, export volumes rose by 85%, largely as a result of a doubling in the volume of export grape juice concentrate.

KWV drive and brandy and the discovery of new markets for bulk natural wines

This year KWV could not keep up with demand for concentrate and bulk dry wine, according to Hugo, who estimated the industry's total income would show an 18% increase to over R500m for the year to end-December 1988. KWV believes it can improve this performance by adding the more profitable quality branded wines to its export lists.

On the domestic front, KWV CE Ritzema de la Bat said efforts to increase wine consumption, particularly in the Transvaal, were continuing.
NO SOUR GRAPES

The KWV's hush-hush project to export dry white wine in bulk to Europe helped the co-op circumvent sanctions and push the wine industry's projected income for this year to R126m, an increase of 18.2% over last year. The KWV, a co-operative with 6000 member farmers, is the main marketer of SA wines and wine products overseas. Its foreign marketing efforts were particularly hard hit by government-enforced sanctions in the US, Canada and Scandinavia and by trade boycotts in the UK and Europe.

Though bulk exports have been an open secret in the industry for some time, the KWV has never disclosed details of volumes, prices or destinations.

It is understood, however, that about 22m l of bulk wine, valued at about R15m, was exported in the last year, mainly to eastern Europe. The wine was shipped in bulk tankers via the Suez Canal. Despite a three-week journey and extreme heat, the KWV says it arrived in good condition and compares favourably with European wine of the same standard.

KWV chairman Pietman Hugo says the "imaginative" circumvention of sanctions by using unidentifiable products bolstered the industry in the Eighties. A dramatic growth in exports was achieved, he says, and the KWV was able increasingly to market products that fetched higher prices than distilling wine, which has been the traditional way of disposing of SA's surplus overseas. In the case of grape juice concentrate and bulk wine, the overseas demand in the last year could not be met.

KWV CEO Ritzema de la Bat says that while he is "very optimistic in the medium-term" about the prospects for quality SA wines overseas, breaking back into markets lost through sanctions will be difficult. In particular, Canada — KWV's largest market before a total prohibition on the sale of its products — will be a challenge for the co-op's marketers.

In anticipation of an end to sanctions, the KWV is overhauling its marketing strategies. A new range of top quality wines will be introduced and the co-op is considering fixed contracts with producers to ensure continuity of supply. And instead of hush-hush techniques, it will need to adopt high-profile strategies for advertisement-supported brand products.
Suncrush acquires even more fizz

GILLIAN HAYNE

SUNCHURSH, the JSE-listed marketer and bottler of carbonated soft drinks, has acquired Drakensberg Bottlers for R21m.

An announcement today says the move will create rationalisation benefits. This is because of the close proximity of Suncrush's Ladysmith franchise to the Bethlehem-based Drakensberg Bottlers.

Drakensberg Bottlers manufactures, markets and distributes Coca-Cola, Fanta, Sprite, Krest and Sparletta soft-drinks.

The acquisition date is tomorrow.
Unrest fails to take the fizz out of ABI, half-year results show

AMALGAMATED Beverage Industries (ABI) reported a 23% increase in attributable earnings to R14,4m in the six months to September despite the effect of the unrest on sales.

The soft-drink bottler and distributor — in the SA Breweries fold — notched up a similar increase in earnings to 13,6c (11c) a share.

According to directors, higher earnings were due to less borrowings in the early part of the year, reflected in lower financing costs.

Net financing costs of R2,2m were down from R2,77m for the same period last year.

While turnover rose 18% to R339,3m (R288,1m), directors said sales volumes which grew by 4% for the first half of the year were adversely affected by unrest in Durban throughout the period and in the Witwatersrand in August and September.

In these circumstances a 21% growth in trading profit was "pleasing", the directors said.

Assets

The group — which bottles Coca Cola, Sparletta and Sancrush — declared an interim dividend of 6c, 20% up on last year's 5c.

Capital expenditure on the expansion of ABI's Phoenix bottling plant in Durban and working capital requirements resulted in a 19% growth in net assets.

The gearing ratio reduced marginally from 30% to 28%.

Directors expect "satisfactory growth in earnings" for the full year given normal weather conditions "which are an important factor in the soft-drink industry" and a relatively stable socio-political environment.

Volume growth in the second half would be limited by the depressed economic environment and continuing disruptions in the market place in which ABI operates.

ABI shares closed unchanged at 1,000c yesterday, however the share — with a high of 1,200c and a low of 500c for the year — has "made gains" of nearly 70% over the last year.
Beverages tipped to boost SAB group

Despite a weaker performance by its manufacturing division, analysts are forecasting an increase of 11 to 15 percent in earnings for SA Breweries for the six months to September.

They base their forecasts on the expected better performance of the beverage division (mainly the beer division and ABI).

Beer sales are expected to increase by eight percent, compared with 15 percent in the first six months of financial 1990.

Together with a price rise of about 12 percent, the beer division should lift its contribution to group earnings by 20 percent to R1.2 billion.

ABI, which bottles and distributes Coca-Cola, Schweppes and Sappo, has reported a 23 percent (28 percent) increase in earnings to 12.6c.

Results from SAB’s retail division, mainly the Edgars group, have shown improvement. Despite lower contributions from the Sales House and Jet chains, which were affected by unrest, boycotts and stayaways in April, May and June, the Edgars group reported earnings growth of 24 percent.

Sales rose 26 percent to R1.1 billion, which helped the group increase its share of the total market (clothing, footwear and textiles) from 15.1 percent to 16.2 percent.

OK Bazaars had better-than-expected results, with earnings up 12.7 percent at 71c per share.

Amalgamated Retailers (Amrel) has just reported increased turnover to R470.6 million.

In line with the strong performance of the furniture sector in general, Amrel’s furniture division raised its contribution to group attributable earnings from 40 percent to 69 percent.

This was largely due to increased furniture sales and better margins on sales.

Contribution from footwear and apparel and the service divisions declined.

Thus, coupled with a higher effective tax rate, which includes full provision for deferred tax, saw growth in Amrel’s earnings pegged at four percent at 84c (81c).

However, the performance of the SAB’s manufacturing divisions was weaker.

Da Gama, one of SA’s largest textile manufacturers, reported a 20 percent drop in earnings to 48.5c (60.6c) per share. A dividend of 10c was declared — down 9 percent.

Turnover dropped four percent to R140.2 million (R144.5 million).

Directors blame increased imports of low-price cotton fabric, mainly from the Far East, for the weak showing.

These imports rose 22 percent, representing close to 40 percent of SA’s requirements.

Furniture manufacturer Afcol increased turnover by 13 percent to R410.9 million (R368.2 million).

But higher financing costs and difficult trading conditions encountered by the equity-accounted associates eroded the performance.

Attributable earnings fell nine percent to R23.4 million from R25.7 million.

Lion Match, a diversified consumer goods manufacturer, reported attributable earnings of R7.6 million, compared with R7.5 million in the first six months of financial 1989.

Delisted hotel group Southern Suns is expected to have a poor showing.

The number of foreign tourists, after increasing sharply in 1989 and early this year, has tapered off.

Analysts are not expecting much of a contribution from SAB’s overseas interests.
Ceres success built on quality

THE cornerstone of export success is the quality of product and the consistency of service to foreign countries, says Ceres Fruit Juice marketing director Morris Morrison.

On this, Ceres has built a solid and growing export market which grew by 65.1% in 1989 and by a phenomenal 176% last year.

Ceres first began exporting in 1969 to the Far East and various African countries, followed in 1989 by France, Portugal, Singapore and Israel.

In all cases, Ceres markets its products under the same label as is sold in SA.

“We believe in branding and in building brands, a practice which has contributed to our success.”

Yet of Ceres’ total production only about 7.3% is exported.

But the opening up of Eastern Europe could change this picture.

Ceres is already marketing its fresh fruit juices in three East Bloc countries “and we are looking to expand this market.”

“The potential is enormous and there is good demand,” he says.

Another challenge will be Europe 1992.

“We are getting a foothold there with exports going to Portugal, France and the UK.

“But it is a highly competitive market and without something of an established base it will be difficult to be successful,” Morrison says.

With the new SA, the world has opened up, he says.

“Germany, the East Bloc and other countries you wouldn’t expect have shown interest.

“We have even had feelers from North America and the number of inquiries from countries around the world have stepped up dramatically, especially in the past three months.”
KWV planning a major push into overseas markets

KWV, the wine exporting co-op owned by 8 000 SA wine farmers, is to make a major thrust into market and export its beneficiated products abroad, says KWV marketing director Jamie Retief.

"The challenge for the decade, with the expected lifting of sanctions, will be to go full steam into establishing our trademarks in countries abroad.

"That means the export of bottled wines, so we can benefit from our product to the maximum benefit."

While KWV lost most of its traditional markets during the past decade due to sanctions, it was able to overcome this by selling bulk unidentified products and by pioneering 10 new markets.

"In the past year we have had incredible success with exporting mass white wine. SA as a whole exported one million litres of white wine in 1988. But we had no previous dealings in exporting bulk white wine.

"We started in the beginning of 1989 and in the past year have sold more than 20 million litres," Retief says.

But KWV's success has not only been in exporting bulk white wine. All its products are in demand abroad.

In the year to end 1989, exports increased by 94.1%, while in the year to end 1988 they rose 22.1%.

KWV is the largest exporter of wine products. It also produces more than 50% of all brandy in SA.

Few KWV products are sold locally and the marketing structure has been re-organised so exports enjoy the maximum attention, he says.

Political changes in SA during the past year have brought a flood of positive sentiment.

"Our biggest market, Canada, for example, has shown lots of positive sentiment and they are keen to get our products back.

"Also, political events in Eastern Europe have resulted in Poland and Hungary opening up to us."

Hiveld cashes in on...
ATC boosts capacity through extra shifts

BRITIS-based African Telephone Cables (ATC) has been named a merit award winner in the manufacturing sector for the 1990 State President's Export Awards.

In the past three years, ATC's cable exports have grown from less than R20 000 a year to more than R20m.

It manufactures telecommunications instrumentation, pilot, control, coaxial and optical fibre cables, wires and fibres and is a supplier of optical fibre systems and equipment.

ATC is 52% held by GEC SA, in which Reunert has a 50% equity.

Overseas cable specifications are stricter than those applied locally and special packaging had to be designed to meet customer requirements.

Having formed a small base of customers in Africa, Europe and the Indian Ocean rim, ATC is looking at expanding its markets into the Middle East, the Far East and South America, as well as trying to break into the fiercely competitive market for optical fibre cables.

The company recently implemented a three-shift system to increase capacity available for exports.

Tubatse sets the trend

WHILE the ferrochrome market worldwide over the past 12 months suffered a decrease in demand resulting in an oversupply of ferrochrome, the Tubatse division of Samancor Chrome, which produces and exports high carbon ferrochrome, managed to increase exports by 36%.

Chrome Alloys divisional manager Deon Toerien says one reason for Tubatse Ferrochrome's success has been its excess capacity, created over the past few years to meet demand.

With planned expansions, Tubatse has solidified its position as a trend setting, cost-effective, responsible and long-term supplier and has emerged as the second largest ferrochrome producer in the world, with 300 000 tons a year.

Tubatse's exports increased by 36% over last year, with exports as a percentage of sales increasing from 78% to 96%, he says.

30 years of plying the trade

VALOR Central Co-operative has been exporting for more than 30 years.

Based in Port Elizabeth, Valor exports fruit juice concentrates, candeled and frozen peel and citrus oils.

Traditional markets have been the UK, Europe, the north-west Continent and Mediterranean countries and a few exports to the Far East, says Valor GM Richard Spargo.

Valor's exports account for about 55% of its production. In 1987 its exports grew 54%, 56% in 1988 and 112% in 1989.

Purchased

Fresh oranges, pineapples, lemons and grapefruits are purchased from local farmers' co-operatives and the juice is extracted and processed to make the various concentrates.

These are then packed for export.

The peels, with the exception of pineapples, are then either frozen or chemically preserved.

The company exports five different concentrates, candeled peel and candeled peel.

The company's success can be attributed to personal contact with customers, prompt responses to inquiries and adherence to international quality standards, says Spargo.
Sanctions can’t stop KWV

Sanctions dealt a damaging blow to the SA wine industry over the past decade, but KWV adapted its strategy and created 10 new markets under adverse circumstances.

This achievement has earned KWV a runners-up merit award in the agricultural sector of this year’s State President’s Export Awards.

KWV chief marketing executive Jannie Retief says exports for calendar 1989 increased by 56.1% percent over 1988 exports, which in turn were 22.1% percent higher than the previous year.

When traditional markets were wiped out with the imposition of sanctions, KWV brand products took a low profile over most of the 1980s. Then to compensate, bulk exports employing mainly unidentified products were introduced.

In the process a dramatic growth in exports was achieved, so that KWV has increasingly been able to market products which realise a higher income than distilling wine.

Mr Retief says that in 1988, the entire wine industry was only able to export one million litres of white wine.

"KWV, which until then had no experience in shipping such a complicated cargo halfway around the world, was able to build up markets and gain the technical know-how to be able to export more than 20 million litres of bulk white wine."

"All this has contributed to keeping the wine industry on a sound footing," he says.

Initially KWV sold bulk wine spirit, but because of the low returns on this product it decided to look at other ways and means of improving revenue for the South African wine farmer.

These included the establishment of a grape juice concentrate plant at Robertson, which has been expanded to such an extent that it now operates throughout the year."
Beer is still the mainstay of SAB

By Brent Melville

DEPRESSED consumer demand and the state of the economy have done little to curtail the buying habits of SAB's beer drinkers, a population that, without the financial performance of SAB for the six months to September indicates.

The group's beer division again stood out, with sales improving by 11% to about 1-billon litres for the period. Its contribution to the bottom line climbed to R146m (R112m) or 65.4% (63.3%) of attributable profits of R214m (R177m).

The increase in beer sales helped bolster group turnover by 19% to R6.2bn (R5.8bn), with earnings up 21% to 80c (65.1c) a share.

The dividend outlay was improved by 29% to 30c (25c).

However, group executive chairman Meyer Kahn said yesterday he did not expect beer sales to continue at the present level. The group would be happy if sales were up 7% to 8% by financial year-end.

Nevertheless, Kahn confirmed that SAB, which has diversified entities such as Edgars, OK Bazaars, Amrel, Alco, Da Gama and the Southern Sun in its portfolio, was still planning to spend most of the R1.2bn capex for the next two years on its beverages division, with most of that going towards a massive expansion of production facilities at existing breweries.

It also included the expenditure of more than R100m on a major new Amalgamated Beverages Industries (ABI) Coca-Cola plant in Phoenix, Natal, which would be completed within the next 12 months, he said.

For the six months to September, the group pursued an aggressive development programme which included spending R249m (R257m) on maintaining operations, R249m (R257m) on expanding operations and R126m on purchasing all the remaining minority shareholdings in Southern Sun.

As a result, net cash invested climbed 61% to R573m (R350m), pushing borrowings up by R237m and increasing interest-bearing debt to R2.2bn (R1.2bn). Gearing moved up to 58% (62%), which Kahn said was still within the internal group constraint of 60%.
Beer gives cheer to SAB

An excellent performance from the beer division, enabled SAB to show a 21 percent hike in earnings to 80c (66c) a share for the six months to September.

An interim dividend of 30c (25c) a share has been declared.

Group attributable profit was up 21 percent to R214 million (R177 million), with the beer division accounting for a massive R140 million (or 65 percent) of the total.

A staggering 11 percent volume increase in beer sales was behind the 25 percent surge in the division’s earnings.

Other interests provided the remaining R74 million.

The second-half figures should see a more even contribution from these two categories.

For full financial 1989, beer provided 53 percent of group earnings, compared with 63 percent at the half-way stage.

Group turnover was up 19 percent to R6,85 billion (R5,8 billion), with trading profit up 23 percent to R584 million (R475 million).

Margins increased to 8,47 percent from 8,2 percent, which chairman Meyer Kahn attributes to increased operating efficiencies and stringent overhead controls.

Net finance costs were up 26,8 percent to R123 million (R97 million).

Taxed profit was up 17 percent to R313 million (R269 million). After allowing for additional replacement cost depreciation (R28 million) and minority shareholders (R17 million), attributable earnings were 21 percent ahead at R214 million (R177 million).

Star performer was undoubtedly the beer division.

But Mr Kahn says that ABI, Edgars and the international operations were very close second.

He attributes the 11 percent volume increase in beer sales to “fairly aggressive advertising, promotion, keen pricing and good management” — all of which helped to increase beer’s share of the total drinks market.

The growing population also helped lift sales.

Mr Kahn says he is very pleased with the performance of each one of the divisions with the exception of Southern Sun, which from September became a wholly owned subsidiary.

“Southern Sun did particularly poorly by my standards”.

Unrest led to a reduction in the number of tourists. The local downturn knocked domestic activity. Moreover, seasonal factors always dampen Southern Sun’s first-half performance, he said.

Against a background of socio-political turbulence, high interest rates and a deteriorating economy, he feels the results from Da Gama and Afcol were very good.

“Amrel’s earnings reflected a formidable performance, given that it provides for deferred tax on a fully comprehensive basis”.

“OK faced very difficult circumstances and in view of the boycotts and the weak economy, it performed well.”

Given the steady deterioration of the economy, Mr Kahn feels second-half growth will be well below what was achieved in the first six months.

But he says there will be reasonable growth for the full year.
Thirst for beer boosts SAB profit by R28m

By TOM HOOD

THIRSTY beer drinkers provided an extra R28 million profit for SA Breweries in the six months to September.

The growing population helped to lift sales by 11 percent, according to the beer giant, which claimed today its product is increasing its share of the total drinks market.

Aggressive

But SAB also used what it calls "aggressive advertising, promotions, keen pricing and good management" to get people to drink more beer.

Profit from beer jumped by 17 percent, to R140 million and accounted for 65 percent of the group's total earnings of R214 million.

This happened while consumer spending elsewhere is falling as the recession deepens.

The beer boom also helped to put R258 million into the pockets of shareholders. The interim dividend was raised 20 percent from 25c to 30c a share and gave them R45 million more than last year's interim payout.

Almost R1.8 billion is to be spent in the current year to cope with the country's growing thirst, most of it going on brewery expansions and new plant.

Group turnover jumped by more than R1 billion or 19 percent to R6.89 billion, with trading profit up 23 percent to R384 million.

Profit margins increased to 8.47 percent from 8.2 percent, which chairman Mr Meyer Kahn said was due to increased operating efficiencies and stringent overhead controls.

Associated Beverage Industries, Edgars and the international operations were close seconds to beer in performance.

Southern Sun, which from September became a wholly owned subsidiary, did poorly by Mr Khan's standards, however.

Unrest led to a reduction in the number of tourists. The local downturn knocked domestic activity. Moreover, seasonal factors always dampen Southern Sun's first-half performance, he said.

Against a background of socio-political turbulence, high interest rates and a deteriorating economy, he said the results from Da Gama and Afcoq were good.

"Amrol's earnings reflected a formidable performance, given that it provides for deferred tax on a fully comprehensive basis. "OK faced very difficult circumstances and in view of the boycotts and the weak economy, it performed well."

Given the steady deterioration of the economy, Mr Kahn believes second-half growth will be well below what was achieved in the first six months.
there is little doubt the group will manage to stay ahead of both inflation and the general industrial pack.

Its strong performance, and, under present conditions, satisfactory outlook have not gone unnoticed by the market. The price has advanced from R26 in January when the FM reviewed the last annual report to the present R38, causing the dividend yield to narrow to 3.6% (previously 3.8%) and the p/e ratio to stretch to 17.6 (15.3) despite the higher earnings and dividends on which the latest ratios are based. This makes the share a bit pricey on short-term considerations, but as a lock-away investment it remains firmly on the shopping list.

Brian Thompson

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AFROX FM 9/11/90 (183)

INFLATION ADJUSTED

Inflation accounting can sometimes do strange things to corporate results. Whereas conventional wisdom would suggest that inflation-adjusted earnings would tend to grow more slowly than those calculated on an historical cost basis, in AFROX's case 1990 EPS after adjustment for effects of inflation show an improvement, 1.3 times greater than the unadjusted figure.

When you stop to think about it, the effect is logical. Inflation, like any other variable (interest rates, for example), has a direct gearing effect on the bottom line - increase the effect, which in the case of inflation is...
Drop-Inn's properties

CAPE TOWN — Shareholders of independent liquor retailer Drop-Inn have voted unanimously to sell all its property interests, for R12.7 million, and to consolidate its shares.

At a general meeting in Cape Town it was resolved that the Berker Family Trusts, majority shareholders in Drop-Inn, would acquire the properties and leave the operations to focus solely on liquor retailing and catering.

Drop-Inn executive chairman Sam Beek said the fact that property showed only a 13 percent return on capital, against 40 percent for liquor sales, had motivated the company to offload its properties.

It was felt Drop-Inn’s shares were undervalued against net asset value because of the lower yields from property.

Drop-Inn has signed 10-year leases with 12 percent escalation clauses with the trusts.

Drop-Inn operates 17 liquor stores and warehouses, including the Benny Goldberg outlet in Johannesburg.
The dismal performance of the past five years is cause for serious concern. Since 1984, EPS have grown at only 6.2% compound. Set against the inflation rate, in real terms the company is in a dizzy downward spiral. It is all very well to talk about "wine lakes" and "unfair practices by competitors selling below the official minimum producer price for wine destined to be sold as natural wine." Such events are natural by-products of an industry too long protected by a plethora of legislation. The market always finds a way to counter-balance such practices and now, evidently, the group is paying the price. But these causes alone do not excuse the poor showing.

For instance, while earnings have languished, arch-rival Distillers Corp showed annual compound growth of 16.5% from 1984-1990: still only a degree or two of real growth, but far outstripping SFW. The lower priced wine market has admittedly been stagnant for some time, but investors can expect management to implement alternative strategies to generate earnings growth.
Activities: Production, marketing and wholesale distribution of wines and spirits
Control: Rembrandt-KWV Investments (60%)
Chairman: D.J. Marlow
Capital structure: 140m ards Market capitalisation R154m
Share market: Price 110c Yields 10.5% on dividend, 27.8% on earnings, p/e ratio, 3.6,
cover, 2.7 12-month high, 170c, low, 110c
Trading volume last quarter, 1.9m shares

Year to June '88 '89 '90
ST debt (Rm) . 30.7 26.8 39.5
LT debt (Rm) . 36.9 34.9 66.1
Debt equity ratio . 0.16 0.13 0.10
Shareholders interest . 0.72 0.72 0.71
Int & leasing cover . 14.1 17.2 19.8
Return on cap (%) . 16.4 16.6 15.6
Pre-int profits (Rm) . 89.7 106.4 110.0
Earnings (c)* . 27.4 31.0 30.6
Dividends (c) . 10.6 10.6 11.5
Net worth (c) . 276 327 351

* After additional depreciation

Annual compound growth of 16.5% from 1984-1990 still only a degree or two of real growth, but far outstripping SFW. The lower priced wine market has admittedly been stagnant for some time, but investors can expect management to implement alternative strategies to generate earnings growth.

Could lackluster results have something to do with SFW's shareholding? When Cape Wine was split up in November 1988, principal shareholders were Rembrandt Group (30%), KWV (30%) and SAB (30%) with the remaining 10% vested with the public. It is understood that these holdings remain unchanged. Rembrandt and KWV also each hold 30% of Distillers Corp and have placed their holdings of both in a joint holding company, Rembrandt-KWV Investments, which effectively controls both. So why does one perform so much better than the other? Is a hidden hand responsible?

Analysis of trading performance is hampered by non-disclosure of turnover, margins and other important ratios (like stock-turn) cannot be extracted. Net income after tax and outside shareholders' interests showed a meagre 3.4% rise, which was wiped out by additional depreciation of R13.7m (1989, R11.2m). Though net borrowings jumped to R91.1m from R37.3m, the rise did not significantly affect gearing.

The net result of the year is that nothing changed much. Granted, the market has recently been subject to many influences that have made trading extremely difficult, not least political and industrial unrest.

Which must be coupled with a reduced disposable income for Mr Average Consumer.

But the situation clearly calls for tough steps by management to ensure efficiencies that will restore an acceptable real growth pattern. This also appears to be the market opinion. A p/c of only 3.6 shows lack of optimism about prospects.

Gerald Hershon
The winner and undisputed champion of SA's cola war? Coca-Cola. The final blow came recently when a subsidiary of Coke's franchise holder acquired Pepsi Africa's assets, which included its two bottling plants, in Cape Town and Bloemfontein.

Pepsi had been in trouble since US-based parent PepsiCo divested in 1984. In March, liquidation took the final fizz out of the company, which had R12m debt.

So why did Pepsi, which once had about 20% of the local soft drinks market, go flat? Observers blame under-capitalisation. Last year, for example, Pepsi launched an aggressive promotion campaign and discount war that may have temporarily secured as much as 10% of the Cape market from a low of perhaps 1%.

Sandy Allan, MD of National Beverage Services, the Coke franchise holder, says the campaign was too costly for a small, unlisted company — as much as R3m, he reckons.

But Pepsi Africa had been troubled from birth. In 1984, PepsiCo sold its local operation to a consortium of investors, which included the Soweto Investment Trust Co and Cape Town-based Personal Trust.

When Juan Otisza, a former PepsiCo representative, was appointed MD of the local firm in late 1988, the future seemed bright. Otisza had been credited with turning around money-losing Pepsi operations in South America and Puerto Rico. But the expected overseas investment did not materialise. Late last year management bought out the company.

Pepsi's fizzle did not go unnoticed. For the last year, Namibia Breweries — formerly the SW Breweries Ltd — has been canning Pepsi Windhoek Beer deposits. It has also been distributing Pepsi to retailers in the Transvaal, the Free State and Natal, so one of the world's most famous brand names is not completely absent from SA. Sales figures are not available.

Namibia Breweries says it has no intention of starting another cola war. The marketing approach is low-key, liquor stores and, increasingly, cafés are the main retailers. Also, advertising is restricted to displays and signs at the outlets. In any event, a limited number of delivery trucks and packaging lines curtail marketing bravado. For now, at least, Pepsi won't try to beat the "real thing."
THE Life Offices Association, representing the majority of life assurance companies in South Africa, has appointed a committee to investigate "socially desirable" projects, including black housing, small business development and education.

The committee, which was formed last May, is the initiative of the LOA members and has nothing to do with the African National Congress, the Pan Africanist Congress or the Government.

It has not held discussions with any of these groups.

This was confirmed by the chairman of LOA, Mr Duran Wharton-Hood, who told Sowetan Business this week that the committee would make recommendations to the management committee as soon as it had completed its investigations.

However, Wharton-Hood did not rule out the possibility that they might have discussions with the groups on the matters at a later stage.

**Demands**

For the moment, he added, "we have not held discussions with the ANC on the issues."

The explanation comes in the wake of demands by the ANC that insurance companies invest some of their cash into housing and other "socially desirable" projects.

The ANC has suggested that insurance companies lend money at low interest rates, and that the LOA has to consider this as an alternative to nationalisation.

Wharton-Hood said the LOA had not been approached on these matters and no discussion had taken place between it and the liberation movements.

It was inappropriate to imply that life insurers' initiative, which could release billions of rand for housing projects, was as a result of the ANC's demands.

Both Old Mutual and Sishen - the country's biggest life insurance companies - have said that they would not voluntarily agree to invest policy holders and pension fund members' funds in development projects which did not yield a market-related return.

It was inappropriate and improper for Old Mutual as trustees to arbitrarily tax the savings of its members, most of whom were ordinary working people, the company's chairman, Mr Mike Levet, said this week.

"Only the State should tax savings, after full consideration of the alternatives and short- and long-term implications, and subject to democratic review.

"Old Mutual is a mutual society with more than two million members. These members and their dependants look to the proceeds of their life policies for their future financial security - very often their sole source.

"Furthermore, the workers who are members of pension and provident funds, also look into Old Mutual to manage their monies wisely and well.

He said for that reason the company aimed to earn the best returns commensurate with security and risk on all the assets backing the liabilities under the policy contracts.

"By its activity in investing the moneys of its members and clients in infrastructural development, in long-term risk capital and in other ways, all the investments have gone towards the economic and social development of Southern Africa," he said.

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**Beer sales continue to go up despite squeeze**

**By JOSHUA RABOROKO**

SOUTH African beer drinkers continue to spend vast sums of money quenching their thirst in spite of the squeeze in consumer demand and the state of the economy, the SAB's performance for the six months to September indicates.

The group's beer division reports that sales volumes increased by 11 percent to about one billion litres for the period.

Its contribution to the bottom line climbed to R140 million (R112m) or 64 percent of attributable profits of R214 million (R177m).

The surge in beer sales helped to bolster group turnover by 19 percent to R6.9 billion with earnings up 21 percent to 80c (66c) a share.

The dividend charge was improved by 20 percent to 30c (25c) SAB chairman Mr Meyer Kahn attributes the 11 percent increase in beer sales to "fairly aggressive advertising, promotions, keen pricing and good management" - all of which held to increase beer's share of the total drinks market.

The increasing population also helped uplift sales.

Kahn confirmed that SAB, which boasts such diversified entities such as Edgars, OK Bazaars, Amrel, Afcol, Da Gama and Southern Sun in its portfolio, was still planning to spend most of its authorised R1.8 billion capex for the next two years on its beverages division.

He was pleased with the performance of each one of the divisions with the exception of Southern Sun, which from September became a wholly owned subsidiary.

He said upsurges led to the reduction in the number of tourists.
SAB serves Bevcon well

BEVERAGE and Consumer Industry Holdings (Bevcon) — which derives its income from its holding in SA Breweries (SAB) — posted a 20% rise in earnings to 39,54c a share in the six months to September.

The food sector company — whose sole asset is 83,2 million SAB shares through subsidiary Gemilth Investments — declared a dividend of 39,54c a share, a 20% increase on last year’s interim dividend of 32,3c.

The shares held represent 33,8% of SAB's issued ordinary and automatically convertible preference share capital. Equity accounted earnings rose by 21% to R73,4m (R60,6m) and dividend income rose 36% to R26,1m (R19,4m).
Pepsi's return is the real thing

IT's the Pepsi re-Generation. Consumers who have noted the reappearance of Pepsi Cola in cafe fridges can take heart — its marketers say, Pepsi's return is the real thing.

Pepsi, which overtook Coca Cola as the US's most popular soft drink several years ago and has since managed to hang onto its market share despite rigorous competition from Coke, has had a less than successful run in SA.

US 'parent' PepsiCo became one of the first companies to disinvest from SA, selling its rights to Soweto Investment Trust (SIT). The SIT has had little success in penetrating the Coke-dominated market, and Pepsi SA was liquidated this year.

Pepsi is launching a new invasion from a base in Windhoek, where it is being canned and bottled by Namibia Breweries. Namibia Breweries spokesman in SA Kevin May said yesterday that Pepsi was reintroduced to SA last November, on a limited basis to liquor outlets. Two months ago the company decided to expand into supermarkets and other outlets.

SA Coca Cola franchiser, the SA Breweries-controlled Amalgamated Beverages Industries (ABI), is the major player in the R22bn-a-year soft drink game with about 42% of the market. Apart from Coke, it also has franchise interests in Fanta, SPC, Sprite and Schweppes.

Namibia Breweries, in which SAB holds about 5%, says it could pick up about 1% to 2% of the SA market in a few years, putting its sales at about R10bn annually.

Pepsi is being retailed at 30c more than Coke. With tax, a can of Pepsi will cost R1.60.
SAB, Nedcor join in services giant

SA BREWERIES and the Nedcor banking group have formed a jointly controlled company, Advantage Investment Corporation, to provide financial products and services to SAB's vast consumer base.

The alliance announced yesterday will make use of Nedcor's banking resources, including Syfrets, UAL and Finansbank, to tap into SAB's consumer retail base, which includes Edgars, OK Bazaars and Amrel.

"The potential for the new venture is enormous," said Advantage chairman Kevin Brewer, former group financial director of Edgars. "We're putting one and one together and hope it makes three." He estimated that clothing giant Edgars, merchandise retailer OK Bazaars and specialist retailer Amrel between them had about 3.5 million customers.

A relationship of trust had developed over the years, resulting in a loyal client base, Brewer said.

Advantage would offer the "whole gamut" of products from insurance and specialist packages to loans and unit trusts, tailored to suit clients' requirements.

Brewer said while the concept was not new - Marks & Spencer in the UK had a banking license and so had unit trusts while Sears in the US offered financial services - it appeared to be the first ever tie-up between a major consumer group and a major financial institution.

The fact that Nedcor was already an established banking group meant that, unlike Marks & Spencer, Advantage did not require a banking license or permission from the Reserve Bank to operate.

SAB group MD and Nedcor CED Piet Liebenberg - both of whom would be on the board of the new company - were "very excited" by the potential and were committing significant resources, Brewer said.

He declined to mention a figure.

Opening up the importance of SAB and

Services 20/11/90

Nedcor making use of available infrastructure and technology, Brewer said there would be no duplication. "This is how you get the benefits of scale and added value from technology."

Advantage is also aiming to be the specialised vehicle through which many retail and other consumer oriented companies will be able to offer their customers access to appropriate financial products.

Asked which other retail groups could be prompted into forming tie-ups with banks, Brewer mentioned Tradegro (which includes Checkers, Makro and Topics) and Woolworths (Woolworths, Metro and Stuttaforde). 

Brewer said a listing was a possibility in the longer-term, but Advantage would start out with its existing partners.

A First National Bank spokesman said: "This is an important development and introduces a new element of competition in the banking sector."
SAB, Nedcor join forces to retail financial services

By Magnus Heystek
Finance Editor

It will soon be possible to buy unit trusts and a host of other financial goodies at Edgars and other retail giants like OK and Amrel.

Yesterday South African Breweries said it had joined up with Nedcor to enter the financial services industry in a big way.

They have set up a jointly held company, the Advantage Investment Corporation, aimed specifically at the fast-growing mass consumer market, offering a wide range of financial service products, including unit trusts, life insurance and possibly home loans.

Major players Edgars, Amrel, OK Bazaars and Afcol, with several thousand retail outlets among them, will take part.

Heading the venture will be Kevin Brewer, who retired as financial director of Edgars in September after 25 years in retailing.

SAB will be represented on the Advantage board by Meyer Kahn, Selwyn MacFarlane and Malcolm Wyman.

Nedcor has appointed Chris Liebenberg, Leon Porter and Willie Boshoff to the board.

Mr Brewer says the potential for the new venture is enormous and, could, in certain sectors of the market, revolutionise financial services.

Mr Brewer believes the Advantage group will be the specialised vehicle through which many retail and other customer-oriented companies will be able to offer their financial services and products.

Companies in the SAB fold have substantial numbers of credit customers who can benefit from the services.

He says he is particularly excited by the potential offered by the group’s estimated 3.5 million-strong retail customer base.

Why Nedcor in preference to other major banking groups? Says Mr Brewer: “They seemed to understand the concept better than the others.”

It also helps that Nedcor has the backing of Old Mutual, SA’s largest insurance company, which has a 13.6 percent stake in SAB.

Nedcor is well-placed in the Old Mutual stable, having links with Mutual & Federal (short-term insurance), Old Mutual itself (life insurance), the Perm (home loans), UAL (unit trusts) and Syfrets (asset management).
Two Cape companies being listed on JSE

Finance Staff

Two Cape companies are coming to the stock exchange. Hicor, the holding company for a diversified clothing manufacturer and 210 cut-price clothing stores, is being listed this week.

Hicor has 41,5 million shares in issue with a net asset value of 49,2c a share.

Sponsoring brokers: Senegal, Mouton and Kitshoff expect the shares to open at around 50c. The listing will be in the retail and wholesale sector.

The second company coming to the market is Biopolymers, a polystyrene producer.

The plant was established by Tubby Gericke, founder and chairman of Sun Packaging, with the aid of the Industrial Development Corporation.

Shareholders in Sunpack and holding company Sun Packaging Investments will be offered 5,9 million shares at 50c each.

The IDC will subscribe for two million. Sunvest will hold 8,8 million of 18,5 million shares in issue.

The company, which will be listed on the DCM, forecasts a loss of R83 000 in 1991, but a pretax profit of R57 000 in 1992.
“It’s ironic that the 1985 vintage wasn’t up to standard,” says Meerlust’s owner Hannes Myburgh. “The speech knocked the value of the rand and caused overheads and the price of imported oak casks to soar. And now the winery stands to lose several hundred thousand rands on the vintage.”

Meerlust is not the only vineyard to lose big on the 1985 harvest. KWV’s Charl Theron says the entire 1985 crop suffered from low temperatures and untimely rains that kept the grapes’ sugar content low and caused problems with colour development.

Johannesburg wine expert Vaughan Johnson says “Cape reds certainly weren’t good that year. Meerlust’s withdrawing a wine that isn’t up to standard isn’t a gimmick, it’s a way of maintaining quality.”

He adds that several other winemakers decided to create a second label for 1985 crops, including Kurt Anemann, who created Doornbosch, because he felt his 1985 red wine wasn’t good enough for the Rosendal label.

Meerlust is thinking of doing the same. Tim Hamilton-Russell, of Hamilton Russell Vineyards, says “Cabernet Sauvignon (which makes up 60%-70% of Rubicon wine) is a late ripening variety and the rains came before they could ripen. As a result we didn’t produce any Cabernet Sauvignon in 1985.”

Myburgh says the average wine drinker will probably not notice the difference if they drink the would-be Rubicon on its own. Wine expert John Platter, who gives 1985 whites an average rating of two stars and 1985 reds an average rating of one star in his annual wine guide, tasted the Meerlust would-be Rubicon when it was still young and gave it a four-star rating. But Myburgh believes wine drinkers will notice its inferior quality if they compare it with 1984 or 1986 Rubicons.

Ruefully, he adds “We gave the 1985 wine the full Rubicon treatment, wood ageing and bottle maturation. But when we tasted it this year, we felt it lacked something which distinguishes a Rubicon. So we withdrew it.”

Myburgh expects to sell the 1985 wine at 30%-40% less than it would have fetched as a Rubicon, which retails for about R30 a bottle. “We’re still trying to dream up a suitable name.”
Cheers!

Europe is catching the spirit of new SA

THE SUNDAY TIMES

ASSESSMENT

by Jeremy Brooks

and Isabel Conway

THE "new South Africa" is the toast of Europe as specialist importers of Cape wines, fresh fish and South African beers probe the market.

Retailers, sensing an end to a decade when SA fruit, for instance, had to be labelled to disguise its origin, are emerging openly with promotions of new ranges.

In London, one company has already applied for a government licence to supply beers — mainly Castle — to at least six pubs in the city centre.

"There are many problems still ahead of us," said Castle promotions director Allan McCallum, who organised a live satellite broadcast of the Currie Cup final to a West London sports centre.

"Most pubs are owned by national breweries and getting them to supply South African brands will take some arm-twisting. We hope to get the go-ahead by the end of the month."

Mr McCallum and his company had first identified bars in London frequented by South Africans, but eventually hoped to expand into the areas around those points.

In Holland, wine importer Hans Schuchard said the earlier prospect of boycotts being ended before 1990 were met with-held enthusiasm.

"They are excited to hear that the quality of Cape wines, based in St. John's Wold, is selling fresh word is spreading fast," he said.

The tide is changing. Soon Dutch wine stores will be openly displaying my South African products again," he said.

Some outlets, he added, were already openly advertising in the media and circulating special offer promotions to customers.

The Dutch drank 400,000 litres of SA wine last year, a tiny part of the total 277-million litre consumption, dominated by French imports.

The South African share of the market — 0.28 percent — is still greater than that of California, Chile or Australia.

Mr Schuchard, who is hoping for a 50 percent increase in imports within the next 12 months, said he had no intention of mixing politics with business.

"Now that there are changes taking place and the debate is more open, I am hesitant about apprehending new business with references to Mr De Klerk and his reforms."

"If my saying 'He's doing OK, isn't he?' might prompt disagreement and raise matters which have nothing to do with my wines and whether people want them."

Some bottlers that openly displayed SA wines at the height of the boycott in 1986 were subjected to protests ranging from peaceful visits from anti-apartheid sym...
WINE SELLERS EXPECT BOOM

Apartheid spoiled the bouquet of South Africa's wines for foreign buyers, but as the country moves towards a non-racial democracy its winemakers are gearing up for a boom in exports.

"If sanctions are lifted, we will go in with mega-money and mega-effort to establish South African brand names abroad," said Jamie le Roux Retief, chief marketing executive of the Co-operative Wine Growers Association (KWV).

KWV, based in Paarl in the heart of the Cape Province wine-growing region, controls nearly half of South Africa's bottled wine exports and 70 per cent of bulk sales abroad.

Drive High on Retief's agenda is a drive to restore KWV brand names and South Africa's finest estate wines to the shelves in Western Europe and Canada once anti-apartheid sanctions are lifted.

He believes President FW de Klerk's pledge to replace white minority rule with a non-racial democracy could reopen the European market to South Africa within a year or two.

Wine exports dwindled during the 1980s when the world focus on apartheid made South African products unwelcome almost everywhere.

Dropped

KWV brandy lost its dominant one-quarter share of the market in Canada, and apartheid-tainted wines were dropped by supermarkets that controlled 52 per cent of British wine sales.

Sales to Eastern Europe, where markets have opened up since communist rule crumbled, have given exports new impetus.

KWV was formed in 1918 to stabilise wine production and sales through quotas and fixed minimum prices. - Own Correspondent
No new brew for the Cape

By Blaise Hopkinson

CAPE TOWN—Adventurous Cape hopsters will not have the pleasure of a new brew this year and will have to wait until next Christmas to sample Grabouw’s finest.

Director Riaan van Rensburg said the new brewing venture backed by JSE-listed Rico Breweries, Transvaal Distillers Holdings and other investors would come on stream only late next year.

It had been scheduled to open this year.

Mr van Rensburg said beer drinkers in the Western Cape would have the tasty new Lager for consumption during the festive season next year after the commissioning of the R6 million operation in Grabouw.

The group had focused its attention this year on the launch of its new brewery at Verwoerdburg in the Transvaal.

Rico Lager is already selling well in the PWV.

“We are 85 percent down the line with the brewery and related operations at Grabouw and will be up and running by the end of next year,” he said.
Cape’s wine taps set to flow

JOHN PLATTER looks the coming of

South Africa Wine Guide

Sanctions Wine Free
Beer's so good for the widows and orphans

SOUTH AFRICAN Breweries' share price nudged up to a new high of 4.28c this week in an otherwise lacklustre market as investors sought out recession-hedge stocks.

But a report by stockbroker Edey, Rodgers & Co advises investors to lighten their holdings in SAB on the grounds that the share has outrun the market.

Author of the report, Franco Busetti, says he has no problems with SAB's fundamentals and on a long-term view the share is considered a solid hold.

From a technical point of view, SAB outperforms the market in recessions, but underperforms it in upward phases of the business cycle.

This is illustrated in the accompanying graph. An important factor, however, is that SAB has more than doubled its rating relative to the industrial index since 1982.

Mr Busetti says that where possible, investors should lighten their holdings of SAB in times of economic recovery and increase them in recessions.

"Obviously, it is not very easy, nor advisable in many circumstances, for institutions to sell their SAB stocks. There is the difficulty of selling large parcels of stock in a market such as this, but there is also the problem that they may not be able to re-acquire the shares at a favourable price."

SAB managing director Meyer Kahn says the share is for widows and orphans as well as professional investors because of its high-quality earnings. In present market conditions, it is an attractive counter

He explains why he believes the share price has moved up "We are a very conservative company, we fully provide for deferred tax and inflation and we have become the dominant consumer stock.

"We have made provision for an enormous expansion of the beer division which is a milk cow - some years you have to feed it, and other years you can milk it.

"I don’t think we will ever spend less than R1-billion a year on expansion. We can fund it out of our enormous cash flows.

"Our gearing is likely to rise this year, but will not exceed our self-imposed limit of 1:0."

Most of this investment will go into the beverages division, says Mr Kahn.

Beer is the company's motor, accounting for 48.9% of earnings in 1990. The rest came from Edgars with 12.5%, foreign interests 7.4%, De Gama 5.4%, AHI and Afco 4.7% each, Distillers 3.5%, Southern Sun 2.8% and diversified interests.

Growth in the beer division's earnings has tended to mirror that of personal consumption expenditure (PCE).

Mr Busetti expects growth of 8% and 8.5% in beer volume sales in 1991 and 1992 respectively. He forecasts earnings of 25c (25c) for SAB in 1991 and 33c in 1992.

Beer is a less volatile performer than the remaining interests. The non-beer divisions add cyclicality to SAB's earnings.

SAB is on a price-earnings ratio of 18.8 compared with 5.5 for the industrial sector if the PEs of the various divisions are split up, the beer division has an implied PE (since it is not separately listed) of 21 times. Lasted beer interests on the International Stock Exchange (London) rate an average PE of 14, by comparison.

Mr Kahn says sales across the board for the months of October and November are "on target" although there has been a slowing of growth in most areas.

Credit sales have remained strong despite the tighter economic conditions but performances in the black market, which are largely cash orientated, are dipping. Subsidiary Edgars will be able to ride out the recession showing good positive growth, says Mr Busetti, who forecasts a 19% growth in its earnings to R147 million in the year to March 1991. But the biggest growth in earnings will continue to come from the beer section which is expected to contribute R389 million in 1991, 21% up on last year’s R320.3 million.

"In the medium term, however, the share is expected to be a poor performer relative to the market as a result of both its current rating relative to the index being extremely high by historical standards and the traditional derating which may be expected as the recession wanes."

SAB is about half the size of Barlow’s in terms of turnover and net profit, but has a market capitalisation of R1.5 billion, second only to Richmont's R1.7 billion in the industrial sector.
Suncrush set for another year of satisfying results

DURBAN-based soft drink bottler and marketer Suncrush is set for another year of good results.

Daves Borkum Hare analyst Gil Catton said last week that earnings for the year to end-June 1991 were expected to increase by as much as 25%. However, Suncrush might find it hard to match the sparkling 44% increase in attributable earnings to R22m posted in the year to June 1990.

Since the June year-end Suncrush had shown a 4% increase in annual sales, said Catton.

Suncrush chairman Robyn Hamilton said that sales to September were ahead of expectations, and November had been a particularly good month.

However, he said December had started off a bit slowly for the bottler.

Marcia Klein

of Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparletta.

Suncrush’s R17m new bottling plant in Ladysmith began operational in June, and while there had been a production line since then, Hamilton said, the short-term effect of a new plant normally was to depress earnings.

Other contributing factors which might prevent Suncrush reporting results similar to those of last year were the recession, rising transport and labour costs, packaging premiums and an 13% sugar price increase, which might also force up soft drink prices in 1991, Catton said.

Since year-end the R21m cash acquisition of Drakensberg Bottlers in Bethlehem had used up some of the company’s capital reserves, which stood at R35,5m before the acquisition.

Hamilton said although the unrest situation still posed a problem, Suncrush had become used to operating under such circumstances and had found “ways and means of distribution.”

Suncrush recently completed its second full year of negotiations for possible moves into Mozambique, but Hamilton said he could not foresee when a deal with the Mozambique government would be made.

Capex of R17.7m was budgeted for in 1991, mainly for land, buildings and transport, and Hamilton said there were no plans for big expansions or acquisitions in the pipeline.

Suncrush shares rose over the year from R100 in December 1989 to a new high of R220 last week.
Liquor sales not a case of small beer

GARETH BELL

GROWTH in liquor sales for the 1990 festive season could outstrip the 5% real increase of the previous season but retailers reported a "buying-down."

Beer sales have remained resilient in the face of lower disposable incomes, helping to boost overall liquor sales. Retailers reported a "buying-down" on corporate and personal levels.

Consumers appeared to be seeking value for money quality products. However, top of the range whiskies continued to feature and have almost reached "inflation hedge" status. Demand for wine remained flat.

Dealers, including Rebel and Aroma, estimate growth at about 20% before adjustment for inflation for the festive season. Aroma MD Mike Kovenisky says the gift market had become more focused with quality products, like whisky, maintaining their value in an inflationary environment. Dealers also said it was an advantage that the days before Christmas and New Year fell on normal trading days.

Stockbroker Sid Vanollo said beer was the only recession-proof beverage. He expected a real increase in beer sales of between 7% and 8.5%.

Only 30% of beer sales were to white customers — which helped explain why beer sales lent stability to the industry during recessions. SAB had a good year with no production losses, SAB spokesman Adrian Botha said.
Privatised brewer plans JSE listing

THE black-controlled company which has taken over government's near-monopoly share of the giant sorghum beer industry is planning a JSE listing next year, with the proceeds going to a special black social upliftment fund.

Spokesmen for the company, National Sorghum Breweries (NSB), disclosed this week that NSB — which has an annual turnover of R250m to R350m — would seek a JSE listing in the first half of the year.

NSB owns 13 major breweries and has an 85% share of the sorghum beer market.

NSB spokesman Patrick Mafafo said yesterday that 4,500 employees would hold at least 20% of the company's shares. There was no possibility of retrenchments as a result of the privatisation exercise.

The mechanics of how workers would acquire their shareholding had not yet been worked out, he said.

An NSB statement said privatisation of the sorghum industry would be completed by the end of next year and the company would be wholly owned by its employees and the black community. The state's sorghum interests were transferred from the Industrial Development Corporation to NSB in July this year.

The statement said the company was debt-free with reserves worth "millions". A prospectus would be released in March.

Mafafo said NSB directors intended expanding the company beyond its single product base and were looking at other beverages, as well as markets in Africa and abroad. There were no plans to "tackle" SAB "head-on" in the clear beer market.

However, NSB was investigating import arrangements with European beer producers, including the makers of such well-known brands as Guinness and Heineken.

Mafafo said US-based consultants were also researching the feasibility of exporting sorghum to the US. They were particularly looking at whether sorghum should be aimed at black Americans, for whom the product had an "ethnocentric appeal", or whether it should be aimed at the large health market.

CSIR studies had shown that sorghum beer was a viable food supplement, he said. Another major short-term strategy would be to expand the more up-market local consumption of clear sorghum beer.

Mafafo said proceeds from the sale of shares — expected to raise more than R100m — would go towards a special "black community upliftment" fund to be administered independently of NSB.

Although details of projects to be funded still had to be worked out, funding would be in line with NSB's mission statement of "paving the way for the entry of the black community into the mainstream of the economy". A "minimal" proportion of the share issue would go towards NSB's expansion beyond its single product base.

Mafafo said that in addition to the employees' 25%-plus share, various sectors of the black community would be given preferential share allocations. Discussions had already been held with black absentee owners and taverners.

Sorghum beer production has been con-

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Brewer 27/1/90

Brewed by the public sector since shortly after the turn of the century. In the 1950s production was controlled by various white municipalities and later by administrative boards, with proceeds being used to finance black township administration.

Black business organisations such as Nafoco have repeatedly called for the industry to be brought under black control and the issue has been considered by government since 1984. Mafafo said the employees' 25% shareholding would give them an effective veto right over special resolutions. For this reason, black liberation movements were expected not to oppose the move.

NSB chairman is Mongezi Mahanyele, former Nafoco executive director and a director of SA Philips, Johnson & Johnson, York Timber and the SA Forestry Organisation. The MD is Sammy Mosadih
No listing planned for sorghum brewer

THE chairman of National Sorghum Breweries, the black-controlled company which has taken over government's near-monopoly share of the giant sorghum beer industry, has denied the company is planning a JSE-listing next year.

Chairman Mohale Mahanyele said this week a business plan is being developed, but he denied the company was looking at listing as an option.

NSB owns 18 major breweries and has an 85% share of the R350m sorghum beer market. The company's shareholders would hold at least 25% of the shares in the company, he said.

The statement was issued by a public relations consultant and quoted Mahanyele as saying the privatisation of government's stake in the industry would be completed next year.

Mahanyele also denied that NSB's 4,500 employees would definitely hold at least 25% of the company's shares.

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Mahanyele also denied that NSB's 4,500 employees would definitely hold at least 25% of the company's shares.

In particular, exporting sorghum beer to the US was under investigation.
MANUFACTURING — BEVERAGES

1991

JANUARY — AUGUST.
Liquor price hikes likely to dampen spirits

LIQUOR retailers and consumers are likely to be in low spirits when liquor price increases come into effect on Friday.

The price increases (which exclude beer) will range between 8.3% and 16%, says Fedhasa Chamber of Liquor Retailers (Fedcol) chairman Len Polinyanki.

He says the price hikes will place pressure on liquor retailers' margins and profitability in 1991.

"Consumer demand is expected to be severely dampened by the increase, and consumers are likely to trade down," Union Wine national sales manager Schalk Burger says his company is "in the hands of KWV, which controls the price fixing of wine."

He says a good bottle of wine will go up by about 16%, medium price wines by 12% to 16% and lower priced wines by 12%.

Last year wine prices increased by between 12% and 15% and Burger says "there was quite a cutback by consumers on expensive brands" as a result.

He says KWV and the co-operatives stand to gain from the price increases at the expense of wine retailers. KWV was unavailable for comment.

SAPA reports that the price hike can be attributed to increased production costs.

Fedhasa executive director Fred Therman says the increased costs of retailers will be curtailed by tough competition and consumers should shop around.

Producer price increases will have to be passed on directly to the public, he says.

International liquor consultant Michael Fridjhon says the increases are well below the industry's input inflation and inefficient producers will feel the crunch.
KWV to pay farmers more for wine

By Paula Fray

Wine farmers will receive an average increase of 13,4 percent for their wine in various quality categories during 1991, KWV announced yesterday.

This means the minimum producer price has been increased from 79,8c/l to 90,5c/l.

In effect, the increase will mean eight cents extra for every 750 ml bottle from producers.

The price of distilling wine has been increased by 11 percent.

KWV chairman Pietman Hugo said the past year had been characterised by a positive market environment for South African wine products.

The domestic market also showed renewed life.

It is, therefore, possible to make supplementary payment, deferred payment, of R20,3 million for distilling wine products supplied during the year, the KWV said.
Milk war spills over into the Transvaal

GILLIAN HAYNE

The milk war between National Cooperative Dairies (NCD) and independent distributors in Natal has spread to the Transvaal, with NCD undercutting prices in areas predominantly supplied by the independent milk distributors.

Over the Christmas period NCD, selling under the trade name Clover, dropped its milk price by more than 15c to 90c/l to some of the independents' major customers, a spokesman for one of the independents said at the weekend. The price compares with independents' price of R1.65/l.

A spokesman for a Spar supermarket in Sandton, which is supplied by the independent Douglasdale Dairy, said it had been "bombarded by specials from NCD" in the past two months.

Douglasdale Dairy spokesman Brian Matthews said "We are unable to meet the price of 90c/l because it is far below our cost price."

NCD has apparently been selling milk at special prices because of the large milk surplus.

One source said the surplus was created by NCD because it had bought more milk than was needed for its own requirements at prices higher than the market average.

Another independent distributor said it was time to stand up to NCD. "We could not last over the holiday season because of manpower shortages, but we have seven new trucks and are going to start playing them at their own game in their own price wars," he said.

Deposit insurance rejected

FIRST National Bank (FNB) and Bankorp spokesmen have come out strongly against the introduction of deposit insurance as a means of protecting the savings of the public against bank failures.

They were responding to remarks by Registrar of Banks Henrie van Greuning on the need for a debate on the issue in the wake of the fall and subsequent takeover of Cape Investment Bank (CIB).

Deposit insurance is a system whereby government guarantees depositors' savings up to a certain limit in the event of a bank going bust.

The system is widely considered to be the key reason for the Savings & Loan crisis in the US because it is said to have encouraged irresponsible investment and excessive risk-taking by certain banks.

Bankorp senior GM treasury Jurie Best said that deposit insurance encouraged a reduction in risk management. "Good banking legislation with prudent capital requirements and adequate information disclosure is the right method of controlling risk."

He called the new Deposit-Taking Institution legislation due to come into effect this year, "excellent", and said it went a long way towards meeting this goal. "A CIB-type situation would be a lot less likely."

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Beverage company to expand operations

CAPE TOWN — Peninsula Beverage Company, the soft drink bottler and Coca Cola franchisee in the western Cape, is expanding its distribution and production operations in expectation of significant future growth.

The company is negotiating for between eight hectares and 10 ha of land in Atlantis, the de-centralised industrial region west of Cape Town, where it plans to develop a distribution centre to service the Atlantis and Saldanha Bay regions.

If estimates of population growth materialise in these regions, Peninsula Beverage will also build a new production centre on the site, a company spokesman said.

The anticipation of growth is based largely on estimates that the population of Atlantis, about 50 000, will grow to 200 000 by the end of the decade if the expected industrial and property boom in the area materialises.

Peninsula Beverage is also expecting growing demand in other western Cape regions to place pressure on its existing distribution depots and production facilities in Parow Industria and Athlone.

The spokesman says the firm is considering expanding the Parow operation on a site adjacent to the existing site while the Athlone operation has the capacity to increase production by 50% and distribution by one-third.

To Page 2
Tempora ‘set for bright year’

BEVERLY HUCKLESBY

SUNCRUSH subsidiary Tempora Investments, listed in the investment trust sector, lifted earnings to 15.7c (14.6c) a share in the six months to end-December.

Despite a 2% drop in pre-tax profits to R1.08m (R1.91m), a large reduction in the tax rate to 10.12% (18.33%) increased taxed profits to R1.69m (R1.86m).

Davis Borkum Hare analyst Gill Catton said the company seemed set for a bright year ahead and recommended the share as a "firm hold". A future rights issue was possible.

Chairman R. D. Hamilton agreed, saying: "In all probability there will be a future rights issue that will be used to make further investments at the appropriate time." He declined to comment on future investments, which analysts said could be coke franchises.

The company, with a portfolio of about R140m, has R4.5m in cash on hand, which Hamilton said would be used in part for dividend payments to shareholders.
Big liquor rise on way

Owens Correspondent

CAPE TOWN — Tipplers face a sobering increase in liquor prices next month.

According to information given to a major retail group, spirits will cost 10 percent more from February 1, wines 15 percent more and fortified wines about 17 percent more.

Group managing director Jonathan Miles said: "This means that whisky would cost up to R20 a bottle and it will be difficult to find a bottle of good red wine for less than R10." In the light of wine and spirit increases last year, "these latest increases seem pretty high to us."
Sorghum beer plans on way

By DON ROBERTSON

DETAILS of first-stage plans to privatisethe Government-controlled sorghum beer industry will be announced late in February, dispelling suggestions that the new National Sorghum Breweries (NSB) could be listed by September.

NSB chairman Mohale Mahanyele says a statement that a prospectus would be ready in March and the shares listed by September was premature.

The R300-million-a-year industry was handed back to the Government by the Industrial Development Corporation (IDC) last June after the IDC had identified its assets and liabilities. Takeover values were agreed on with the provincial administrations. The IDC managed the 18 breweries in the group since April 1987.

The IDC says in its latest annual report that privatisation can, therefore, go ahead as soon as the State has decided on the conditions to be offered to interested buyers.

Mr Mahanyele says that although procedures for the sale of shares are at an advanced stage, their placing in the black community will take some time. A listing is, therefore, a long way off.

Black groups, such as the National African Federated Chamber of Commerce and Industries (Nafeco), the Foundation for African Business Organisations (Fabco), the SA Township Association and stockvel groups have been asked for support.

Employees

The issue price of the shares will have to be kept as low as possible to enable the 3,000 employees in the industry to buy them.

Mr Mahanyele denies that NSB will be a monopoly, saying SA Breweries, Tiger Cuita and Federated Foods also make sorghum beer.

NSB will, nevertheless, have about 65% of the market, which accounts for a third of all alcoholic beverages sold in SA.
Guinness takes stake in local distributor

UNITED Distillers, the spirits company of UK brewing giant Guinness plc, has acquired a 50% stake in local liquor distributors Henry Taylor & Ries (HTR) for an undisclosed sum.

HTR would become sole distributors for United Distillers Scotch whisky brands White Horse, Dewars White Label and Black & White, a statement released by HTR said at the weekend. United Distillers regional director (SA) Walter Crossan said the acquisition was in line with United Distillers' policy of developing a more focused approach to controlling the distribution of its brands worldwide.

The acquisition of the shareholding is effective from February 1 1991. Stellenbosch Farmers' Winery Group (SFW) and Distillers Corp each retain 25% of HTR shares. SFW handles United Distillers' Bell's, Haig and Dimple Scotch whisky brands, while Distillers Corp distributes the company'sJohnnie Walker Red and Black Label whiskies.
Guinness empire buys into Cape distributors

By Tom Hodd

The giant British spirits company, United Distillers, has pumped millions of rands into South Africa to take a 50 percent shareholding in Henry Tayler and Ries, a leading distributor for international brands of liquor.

The deal is effective from February 1, but the full value of the investment has not been revealed. The company is based in Johannesburg and has a major branch in Paarden Eiland.

"The two parties agreed not to disclose the amount involved, but the investment is substantial," said Dr Ivan Deacon, managing director of Henry Tayler and Ries.

United Distillers is part of the world-wide Guinness empire. Dr Deacon said he believed the decision to invest here followed changes that began a year ago in South Africa.

Control

"This is a major British company and I have no doubt we will see a few more companies doing the same," said Mr Walter Crooble, United Distillers regional director for Southern Africa, said the agreement was in line with United Distillers' policy of developing a more focussed approach to controlling the distribution of its brands world-wide.

The other 50 percent of Henry Tayler and Ries is shared equally by Stellenbosch Farmers' Winery group and Distillers Corporation.

Reports of Guinness planning to start a brewery in Southern Africa surfaced recently, but Dr Deacon said he knew nothing about this.

As a result of the deal Henry Tayler and Ries will become sole distributors for United Distillers' Scotch whisky brands; White Horse, Dewar's White Label and Black and White.
Tax on natural wine may be reintroduced

CAPE TOWN — Financial authorities, under pressure to exploit all available revenue sources, are understood to be considering the reintroduction of tax on natural wine in this year's Budget.

Excise duty on natural wine was abolished in 1972 and has stayed that way as a result of the strength of the wine industry's protection lobby. But speculation is that pressure for additional revenue may have diminished the effect of the lobby this year.

Industry sources believe that natural wine is one of the potential revenue sources currently under the Finance Department's magnifying glass. SFW MD Frans Strobebel said yesterday he had heard similar rumours. But government spokesmen declined to comment on the speculation ahead of the Budget.

KVV, the powerful and influential producer organisation, has warned that reintroduction of the tax would compound the problems of a struggling industry. It would lead to a decline in natural wine sales, which had been stagnant for the past five years, and a reduction in wine farmers' incomes.

"The negative impact that the reintroduction of excise duties could have on sales in turn would result in a decrease in farmer's income, which would be a setback to the many upliftment programmes for farmworkers," said KVV chief communications executive Theo Pegel.

When a 14% excise duty was placed on brandy in 1976, the price of spirits increased from 623,3c a litre of absolute alcohol to 701,4c in 1977, while brandy sales declined by 1 million litres. Further increases in excise duty on the spirit resulted, in further declines in sales and it was only last year that the industry recovered to 1976 volume levels.

"Government thought it was getting more revenue but because of the decline in volumes it was not. The administration involved in taxing natural wine will not make it worthwhile," said Strobebel.

KVV and SFW executives argue the wine industry is already making its contribution to revenues through GST (1989 R300m) and excise duties on other wine products like brandy, wine spirits sparkling wine and fortified wine (1989 R218m).

Strobebel argues that if natural wine is to be taxed, then government should also consider taxing the giant sorghum beer industry.
E W Sedgwick & Co's written contract has expired but it maintains that it has a verbal agreement that extends the contract by five years. However, Sedgwick is prepared to relinquish its agency for a settlement fee of £10m (R50m). The company has briefed its counsel in preparation for possibly taking the issue to court.

This information comes from two sources in the Cape who are well-acquainted with the matter, both decline to be named. Neither Sedgwick nor United Distillers would confirm or deny the report. Pierre Mentjes, a director of United Distillers in SA, read a copy of this report and said it was "fraught with errors," but he refused to point out any specific inaccuracies.

While Scotland-based Arthur Bell & Sons remained independent, Sedgwick had no reason to doubt that its Bell's agency was secure. But in 1986, United Distillers, a subsidiary of the giant Guinness organisation, took control of the firm. That's when rumours began that Sedgwick would lose the agency.

Privately held Sedgwick, now run by two cousins, Anthony and Christopher Sedgwick, also imports wine and spirits from Europe. But loss of the Bell's business would be a huge blow. Bell's accounts for an estimated 40% of the 1,25m-case SA whisky market.

Market sources say the wholesale price of a case is about R254, with Sedgwick receiving about R20 as its commission. Sedgwick then pays Stellenbosch Farmers' Winery, its principal distributor, a distribution fee of about R8 a case and it spends roughly R5 a case on marketing and advertising. On this basis, Sedgwick clears about R7 a case, or R3,5m a year.
Johannesburg — SA Breweries (SAB) is gearing up to increase export earnings by 400% this year in a drive to corner a bigger share of beer markets in South America, Eastern Europe and Africa.

International markets manager Mr Martin Neal said yesterday SAB would increase beer exports to these markets from 876 000 cases to four million cases, representing a 400% increase in export earnings.

SAB exported to 30 countries in the past financial year and this year will export to 47 countries.

Mr Neal leaves today for South America where he will be reinforcing SAB’s relationship with distributors, as well as discussing marketing plans for Uruguay, Brazil and Argentina. He said the recent softening of the sanctions issue was an important factor in opening up the Eastern European market.

SAB traditionally had been a player in the other markets, but the company was now stepping up its efforts in these areas. SAB exports its Castle, Lion and Ohlson’s brands.
SAB set to raise export earnings 400%  

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SAB exports its Castle, Lion and Ohlson's brands. Neal and Lion was popular in Africa, while Castle was more suited to the tastes of the other markets.
COMING OUT OF THE SCRUNG
A CHANCE FOR A FRESH START, BUT THE LONG-TERM PLAN IS UNCLEAR

Jan "Bull" Pickard has long believed that the best way of building up his wealth was to use other people’s money — or borrowings. For many years that approach worked but eventually high interest rates, in alliance with questionable financial and operational management in a recession, produced a crisis.

By the late Eighties the group was groaning under an untenable debt burden and the trading operations were making losses. The lack of liquidity raised doubts about whether Pickard’s business empire could survive. There was more ignominy when Cape Investment Bank (CIB) ran into trouble, kicking plans cherished by Pickard and his son, Jan Pickard Jnr, CIB’s chairman, for expansion into the financial services sector.

A turning point came when creditor banks drew the line. Management has been forced to tackle the problems, largely by selling assets to release liquidity.

Today the group is smaller and leaner. Instead of the sprawling group controlling 500 listed companies a decade ago, it now comprises three main divisions, of which the only operating company is the white and brown goods company, Picap.

But the debt burden has only been eased. It has yet to be cut to comfortable levels. Pickard has much to do if the market is to be convinced that profitability and risk management is back on a sound footing.

It may well be premature to write off this large and energetic man, who has demonstrated his resourcefulness often, but Pickard, 63, is no longer in good health, faces a real dilemma whether to hold on to his business interests and ensure they are effectively managed, or to sell them for a reasonable price.

He may also be pondering whether a business dynasty is worth the risk.

Pickard has not been loath to mix sentiment and business. Nor is he the sort of self-made man who maintains a single-minded attitude to business.

While pursuing his business career, he has immersed himself in rugby (he once reportedly said: "What’s the difference between rugby and the ballet? They are both culture"), his family and politics. He spent five years on the President’s Council, of which he was a founder member.

A former Springbok rugby captain in New Zealand, and for years the Western Province captain, Pickard has been president of the Western Province Rugby Union since 1986. He also heads the SA Rugby Board’s finance committee. Soon after becoming union president in 1985 he launched ambitious but successful plans to modernise Newlands rugby ground by selling company boxes at R50 000 apiece.

Though he is well connected (he married Ingrid, daughter of former Finance Minister and State President-elect Eben Danges), Pickard made it on his own. He has been in business for 40 years. Aside from wealth sold away over the years, the market value of his stake in the pyramid company, Picpel, exceeds R10m.

Wine and the liquor trade, where he pioneered self-service outlets, was where he laid the foundations for expansion. His career started in 1950 when he joined Rene Santahagens (now Gilby’s) with a Stellenbosch University BSc (viticulture). In 1964 he bought the last wholesale and retail liquor concern, P J Joubert, which led to the formation of Ouwe Meester with Rembrandt.

But the liquor trade was not enough to satisfy this restless man. A long list of investments followed printing through Trio-Rand (now SA Litho), fruit canning through Brink Broers and H Jones & Co (sold to Langeberg in 1980), car sales through Grosvenor Motors, meat wholesaling through Asokor and Karoo (sold to Kanhy), wine farming (Bellingham, Culemborg), liquor retailing and hotels (Unewyn and Picotel), central city property, clothing and luggage manufacturing (Picprop), sports goods retailing (Logans), appliance manufacture and wholesaling (Picaph), air transport (Comair) and recently, banking (CIB).

Unhappily, profit performance has not kept pace with this mercurial investment activity. The only real measure of the overall performance is in the earnings record of Picpel (see table). In 1985 EPS tumbled to only 7c. Last year, when prime averaged about 21%, the group plunged to 8c.

Pickard claims to have started the Enterprise brand of meats. His first foray into the meat market was gained by buying control of Karoo Meat. This meant obtaining proxies from thousands of shareholders, many of whom were farmers, from all over the country, in opposition to the powerful Vleesverwerkend. Pickard won by just 200 votes after that he bought Asokor.

He has done some good deals, such as the one with Gencor, when he sold Picfoods to Kanlym. Picfoods then comprised the meat marketing activities of Asokor, whose sub-subsidiaries included Karoo Vleesbeurts, Franske and Co, Victory Wholesale meat suppliers and Slabbert Verster & Malherbe. When Gencor disclosed its interest in the meat group, Pickard says he called for a put option at a fixed price that would rise each year with the prime rate. He exercised the option two years later, when the remuneration was twice that of the shares. He has yet to stop putting himself on the back for that.

Another success was the acquisition of the Bellingham wine farm. In 1970, Pickard says, he inked an option on the farm for R700 000. He exercised the option at that price in 1980 and paid for it in 1981. Since then the farm has been part of Unewyn Unewyn symbolised Pickard’s roots as a farmer and his interests — which included the hotel and liquor store chain, Picotel — doubtless gave Pickard a certain cachet in the circles he moves in. But it was primarily sentiment that caused him to hold on to Unewyn, whose earnings record was never satisfactory.

Though Unewyn was not overgrown, by last year its sale could no longer be avert-
Budweiser may muscle in

A MAJOR American brewery is expected to take on SA Breweries in the black beer market.

Anheuser-Busch, brewer of Budweiser, is believed to be eager to invest R3-billion in SA and grab a large share of the beer market. It is said that four directors from the St Louis, Missouri, headquarters are in SA investigating market potential.

Anheuser-Busch is the world's largest brewing group and Budweiser is the largest selling beer. Sales last year were 96-million hectolitres. Its sales are far larger than Miller (U.S) and Heineken of the Netherlands which sell about 50-million hectolitres each.

The company has about 9% of the world's beer market compared with SA Brews, which at 24-million hectolitres, has a 2% share.

Sales of the diversified group, which includes fresh-baked products, rice milling, snack foods, major league baseball and farming, amounted to $9.6-billion last year. Profits were $715.9-million.

A spokesman for SA Brews says he would not be surprised if Budweiser were introduced in SA. But he is unaware of the vast of the Anheuser-Busch directors. He says American companies are prohibited from investing in SA.

On a smaller scale, NMK Schinz Fine Wines plans to import the successful Corona Extra beer from Mexico for the SA market. An initial order has been placed and the beer should be available in mid-April.

Sales director "BJ" Lankwarden says Corona is successful in Australia where it is the biggest imported beer, in the US and Canada where it is the second-biggest import and in the UK.

The beer will be sold in American and Mexican restaurants. It is traditionally drunk directly from the clear-glass bottle into which a portion of lime is dropped.

It is a full-strength beer with an alcohol content of 4.6% compared with most SA ones which have 5%.

Mr Lankwarden also imports Grolsch beer from the Netherlands.
Financing holds Distillers back

WINE and spirits producer Distillers Corporation of SA (Distillers) has reported a 10,5% increase in earnings for the six months to end-December 1990.

The Stellenbosch company did not disclose its turnover figures, but turnover rose 13,5%, compared with 13,1% for the same period last year.

Trading profit was up 11,3% to R107,5m (R90,6m previously). However, net financing expenses of R301,000 (net financing income of R894,000) pushed up pre-tax profit 10,2% to R107,2m (R97,3m).

It was the first time since the company's listing in 1968 that Distillers incurred financing expenses.

Directors said the group's financial position remained strong. Interest-bearing debt was 7% of shareholders funds, "despite a strategic increase in higher quality wine stocks".

After taking into account tax of R51,9m and equity accounted earnings, income before depreciation increased 10,1% to R57,9m (R52,8m).

Attributable income to own members was 10,2% higher at R51,5m (R46,8m). Earnings rose 10,2% to 36,8c (33,6c) a share.

Directors said they considered the results to be satisfactory under the present economic conditions.

In line with growth in earnings, the interim dividend grew 10% to 11c (10c) a share.

In September 1990 chairman Arnold Galombek said in his annual report that he anticipated a further moderate decline in domestic demand, while growth in production could increase slightly.

On July 2 1989 Distillers launched two products to take advantage of the new Liquor Products Act, which made the liquor industry less regulated.

Distillers expected to maintain earnings in the full year, provided there was no further deterioration in economic conditions. The share closed on Friday at its year high of 480c.
Sunny skies add more fizz to Suncrush

GOOD weather helped Durban-based soft drink bottler and marketer Suncrush post a 28% increase in attributable profit to R21.0m (R16.3m) in the six months to end-December.

Suncrush chairman and MD Rohan Hamilton said the weather up to February had been good, and Suncrush tended to do well in the short term during drought conditions. Suncrush bottles Coca-Cola, Fanta, Sprite, Krest, Schweppes and Sparkletta.

"On the other hand, the unrest situation caused some concern for the company." Earnings on trading increased 29% to 71c (65c) a share, while earnings from investment rose 20% to 60c (50c) a share.

An interim dividend of 125c was declared, 30c up on the 95c a share declared for same period in 1989.

Turnover for the period under review increased 29% to R231.8m (R180.2m) and operating profit was 30% up at R39.3m (R30.2m). Pre-tax profit rose 30% to R42.1m (R32.3m) and after current tax of R17.4m (R15.6m) and deferred tax of R3.5m (R605 000), taxed profit rose 27% to R21.2m (R16.6m).
Suncrush's profits sparkle

Finance Staff 8/1 3/91

Suncrush, the bottlers of six leading SA softdrinks, including Coca-Cola and Fanta, increased attributable earnings in the six months to end-December by 28 percent to R21.1 million (R16.3 million).

Earnings per share from trading improved by 29 percent to 713c (555c) while investment earnings rose by 10c to 60c. The interim dividend was raised by 30 percent to 125c (96c).

The good weather for most of the six months lifted turnover by 29 percent to R231.8 million (R180.2 million).

Daiys, whose sole income derives from its 50 percent holding in Suncrush, lifted earnings per share from 71.8c to 91.6c, while the interim dividend was increased by 4c to 12c.
Cadswep maintains its fizz of the past five years

MARCIA KLEIN

CADBURY Schweppes (Cadswep), which has shown consistent growth over the past five years, has posted a 14.8% increase in attributable earnings to R35,1m (R29,7m) in the year to December 1990.

The manufacturer and distributor of soft drinks, confectionery, foods and cocoa beverages has reported an annual 32.5% compound earnings growth and a 26.2% compound dividend growth since 1985.

Turnover for financial 1990 rose by 22.2% to R537,7m (R440,2m), which was "satisfactory, considering the deterioration in the economy, which saw a lower consumer demand and changes in spending patterns", MD Peter Bester said yesterday.

In an interview, he said while the squashes and cordials market grew strongly and the carbonated soft drink market continued to show steady growth, volumes declined in the confectionery market.

The company had a broad product and consumer base. This helped to even out earnings.

Operating profit increased by 12.3% to R47,1m (R41,9m), which reflected lower margins in the confectionery business because of lower volumes, and the effect of action taken to strengthen the organisation, Bester said.

Higher average borrowings from Cadswep's expansion and development towards the end of 1990 saw financing costs almost double to R10,2m (R5,5m), which brought pretax profit up only 1.3% to R36,9m (R35,4m).

Although borrowings increased, both gearing - at 30% (37%) - and financing costs cover were within the group's targets, Bester said.

High financing costs were offset by lower tax of R10,7m (R13,1m) resulting largely from investment allowances. This and a 28.2% increase in earnings from associated companies saw after tax profit up 16.8% to R35,3m (R31,1m).

The dividend for the year was 13.9% higher at 41c (36c) a share.

Earnings were 13.7% higher at 160,5c (88,4c) a share on a weighted average.

In terms of Cadswep's divisions, Bromor Foods performed strongly with a substantial growth in operating profit. Cadbury increased its volumes while the market declined, and Chapell-Hummel recovered towards year-end from a disruption caused by its reorganisation mid-year.

In financial 1990 Cadswep had increased market share in all the markets in which it operated, Bester said.
Interest bill sharply higher at Cadswep

By Jabulani Sikhakhane

Depressed margins in the confectionery business due to lower volumes, actions taken to strengthen the organisation and a sharp increase in financing costs took their toll on Cadbury Schweppes (Cadswep) performance for the 12 months ended December.

Earnings per share rose 13.7 percent to 100.5c (88.4c). This is slightly below analyst expectations of a 15 percent improvement in earnings — following the 19.9 percent in financial 1990.

A final dividend of 31.5c has been declared making a total of 41c (35c) for the year.

Directors say the confectionery market volumes declined, while the reorganisation of Chapelat-Humphries impacted negatively on sales although they recovered towards year-end.

As a result, growth at the operating profit level was only 12.3 percent to R47,098 million (R41,943 million), despite a 22.2 percent rise in turnover to R337,725 million from R440,184 million. Margins fell from 9.5 percent to 8.75 percent.

Acquisitions made in financial 1989, including 82.5 percent of Chapelat-Humphries and 49 percent of the Springer Schokoladenfabrik saw short-term interest bearing debt shooting up 172 percent to R35,668 million (R12,890 million).

With the higher interest rates, the interest bill rose a hefty 85 percent to R10,190 million from R5,517 million.

But the higher financing costs were offset by lower tax rate due to investment allowances and increased contribution from associate companies.

After a tax charge of R10,657 million (R13,132 million) and a 29.2 percent growth in earnings from associate companies to R10,668 million from R7,793 million, after tax profits were up 16.8 percent to R26,319 million.

Profit growth

Attributable earnings, after outside shareholders' interests in subsidiaries, rose 14.3 percent to R35,095 million.

Directors expect the sugar confectionery business to show significant profit growth in financial 1991, enabling Cadswep to exercise its option to acquire the remaining 17.5 percent of Chapelat within the next 12 months.

In their forecast, directors do not expect any significant improvement in trading conditions until the last quarter of the year. The tax rate is not expected to be as favourable. Despite this, they expect to achieve real earnings growth for the year.
LOUIS Luyt's new brewery business will not fail, says the tycoon

He announced on Tuesday that he would re-enter the beer market by opening a new brewery in January 1992 with an annual 150-million-litre capacity, and that there would be a significant foreign investment in the new venture.

Luyt said yesterday he had been successful in every one of his marketing ventures, and this would be no exception.

He said, "The first time I sold out, I was sorry I ever sold out to Rupert" - he sold Louis Luyt Breweries to Anton Rupert's Oude Meester in 1973.

He would give no further information on the international company involved, "I have the money to do it, and I will be the major shareholder," he said.

A source suggested that Becks brewery might be involved, as Luyt had dealt with Becks once before.

And executives from Anheuser-Busch, which makes Budweiser, had visited SA. However, Anheuser-Busch would not be able to invest in terms of US anti-apartheid laws.

Fedhaisa Chamber of Liquor Retailers (Fedcol) chairman Len Pohrn said that at the moment about 2400 million litres of beer a year was produced in SA. Average per capita consumption was 50 litres a year.

The brewing capacity of Luyt's new venture suggested he was looking at up to 7,5% of the local beer market.

SA Breweries (SAB) currently held 99,5% of the market, with the rest held by minor or "boutique" breweries.

Beer production in SA had increased by 4,92% in 1989, and by 20% in 1990, indicating that the local beer industry was growing very fast.

A source said that with the huge growth in the SA beer industry, and the situation in the US and Europe where growth in the beer market is flat at best" it would be naive not to believe big international breweries were looking at SA.

However, Pohrn said that SAB was producing very good quality beer at a reasonable price. It had a good infrastructure and good service.

"Any outside giant would need a lot of guts to take on SAB on its own ground," he said.

SAB public affairs manager Adrian Botha said that SA's beer market was not as large as suggested. He estimated it to be around 2,000 million litres. SAB had produced 2,027 million litres in the year to March 1990.

"SAB," he added, "welcomes competition and will not take this lying down."
### A. ACCOUNTING CONCEPTS, ASSUMPTIONS AND PRINCIPLES

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### B. FINANCIAL STATEMENT TERMINOLOGY

**Balance sheet**

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SA BREWERIES FM 8/3/91 (182)

LUYT BOUNCES BACK

SA Breweries (SAB)'s comfortable position as "temporary sole supplier" to the local beer market could be under serious threat. Former brewing baron Louis Luyt has announced that he's making a comeback.

Luyt stunned the audience at a Yardley Cup sports evening this week when he indicated he was forsaking the presidency of the Transvaal Rugby Union to concentrate on his first love — brewing beer.

He's formed a new brewery, Louis Luyt International, with the help of unnamed overseas brewing interests (some say US brewery Anheuser Busch is behind the venture) and hopes to be back in business by January 1992. His proposed R450m brewery will be in Randfontein and will have annual capacity of 1.5m hl.

To longtime market leader SAB, this can only mean fighting talk. SAB has already had to face down upstart Luyt once, when he launched his Intercontinental Breweries in the early Seventies. The protracted beer war which ensued ended in a crushing defeat for Luyt, with SAB swallowing his beer operation in return for surrendering some of its wine and spirits interests.

SAB spokesman Dunbar Bucknall admits Luyt's announcement caught the group by surprise. "But it won't take this development lying down," says Bucknall. "Market share is something you have to earn. And having earned it, you have to fight to protect it."

SAB has just spent around R2bn building up additional capacity. And a 1.5m hl brewery is not small beer. But with the local beer market growing at between 6% and 8% a year, there's probably scope for a competitor.

Graham Firth
LAGER LUYT: Louis is back in beer, SA Breweries says it is ready

Luuyt buys UK plant for his local brewery

By DON ROBERTSON

large brewery in Randfontein. A 10,000-bbl site has been purchased and building is expected to start in the next three months. The first beer is expected to be produced early next year. Mr. Layt says there will be a substantial foreign investment in the brewery, but that he will retain control.

LAGUS, LUYT has bought a "large portion" of a giant brewery in Britain to equip himself for his re-entry into the beer market.

The brewing plant, which belongs to the 200-year-old Greenall Whitley group in the mild and bitter area of Worthington, Cheshire, before its closure last year, was capable of producing 1.5 milliion barrels ofdraught beer annually.

When it was closed, the plant was operating at about 65% capacity and falling sales forced Greenall to close the plant. Greenall, however, is selling to Luyt.

Mr. Whitley says an agreement has been reached in principle for the purchase of large parts of the plant, including the brewhouse, the canning line and parts of the fermenting process.

He says that when the deal is finalized, work could start immediately on dismantling the plant which could then be shipped to South Africa. Thus, he says, could take several months.

The decision by Louis Layt to re-enter the beer market, has surprised colleagues in the industry, but SA Breweries insists that it welcomes the competition.

SAB, which dominates the beer market, is the ninth largest brewery in the world with a capacity of 32 million hectolitres a year.

An SAB spokesman says the company is quite prepared to take on Louis Layt again.

"We have done it once before and we know what happened. We are quite prepared to take him on again." Mr. Layt announced this week that his current term in office as president of the Transvaal Rugby Football Union would be his last and that he would instead open a
Sorghum industry for the workers

THE Government said on Friday it plans to get rid of its interest in the Sorghum Beer industry.

Introducing the second reading debate on the Exemption from Certain Payments at the Transfer of the Sorghum Beer Industry Bill, Minister of Public Enterprises Dr Dawie de Villiers said it was an important step to further reduce the State's role in economic activities which should fall in the realm of the private sector.

**Control**

The industry would fall under the control of the people concerned with it, he said, and if all went according to plan, the issuing of the first shares by the National Sorghum Board should take place this year.

A certain portion would be issued to workers and another to the consuming public.

**Opposed (S2)**

The Conservative Party opposes the Bill.

Mr Fanie Jacobs (CP Losberg) said he did not think the Bill's provision for the companies' assets to be transferred and for exemption to be given from the payment of stamp and transfer duties to be financially sound.

Mr Nic Isaacs (DRP Bishop Lavis) supported the Bill, saying the black community was being given the opportunity to get a share of profits, he said.
TIME OUT

FM 15/3/91

In the past six months much has changed, North American markets are expected to open up again shortly.

Most of the Cape’s quality wine estates are inundated with enquires from European importers. This does not mean that they will be selling vast quantities the Cape’s domestic pricing is uncompetitively high, despite the weak rand. But it does mean that Cape wines will again be seen in the wine stores of Europe.

No auction sanction

SA is now also back in the international food and wine circuit. In the past month the French government’s Maison de la France hosted the launch dinner of a French Gastronomy Club. Chefs were flown out from Europe armed with regional delicacies and some unusual wines.

A group of Burgundian wine producers representing some of the most important domains and negotiants visited the Cape last month and then hosted a dinner and tasting in Johannesburg. Owners of vineyards in Meursault, Corton and Clos Vougeot discovered for the first time that SA is not a viticultural nor gastronomic backwood. Contact of this kind may not do much for bilateral trade but it does help to peel away the prejudices.

Finally, Robert Drouhin, a great Burgundian and a visitor to SA even in the sanctions era, has agreed to open this year’s Nederburg Auction.

There is something particularly appropriate about one of Europe’s most civilised wine people addressing the one SA wine event which always transcended the country’s political isolation. It is to be hoped that this will be more than a potent symbol that the doors have opened.

What we must now measure is whether or not events like Nederburg show a marked increase in overseas buying.

Michael Pritchard

WINE FM 15/3/91

IN FROM THE COLD

With the debate on sanctions increasingly irrelevant, it is perhaps worth reflecting on how the end of isolation will affect our wine industry. Anti-SA sentiment hammered Cape wine exports. The US market was small though it was — closed with the passing of the 1986 Comprehensive Anti-Apartheid Act. Canada — a major export destination — was lost at the same time.

The real effect of anti-SA sentiment in Europe was to make it difficult for retailers to trade in Cape wines. The Anti-Apartheid Movement created a sanctions atmosphere and our wines could not get the distribution they deserved.

No major wine supplier anywhere in the world was precluded from supplying SA importers, however. Wine sanctions were pretty one-sided. Champagne, Clos Vougeot and Burgundy were always to be found at the better wine merchants, though at prices that seemed increasingly steep as the rand collapsed.

Overseas wine personalities continued to visit SA, though they sometimes travelled without pomp and publicity.
Price not a weapon in Luyt's beer war

By DON ROBERTSON

THERE will be no price war when Louis Luyt brings his beer to the market in January next year.

He concedes that marketing will play a major and expensive part in his bid to gain market share from SA Breweries, but insists that this will not be done on a price basis.

Mr Luyt says he was surprised when he discovered that the Wilderspool brewery owned by Greenall Whitley in Warrington, Cheshire, was for sale (Business Times, March 10).

"There are many companies throughout the world, including some as far afield as Poland and China, that are looking for secondhand breweries. I was surprised that we were able to do the deal."

Wilderspool became available after Britain's Mergers Monopolies Commission ruled that breweries must either sell their large number of pubs or stop brewing Greenall Whitley decided on the latter.

Mr Luyt has refused to disclose the amount paid for the brewery.
A last-ditch attempt is under way to rescue the provisionally liquidated Transvaal Distillers Holdings.

Provisional liquidators are working on a scheme to enable TDH to retain its listing, says JSE general manager, listings, Richard Connellan.

Mr Connellan says the shares will remain suspended for the next few months at least, at the request of the liquidators.

The last available results for TDH and Rico, the two listed companies, are for the year ended February 1990. TDH turned in an after-tax profit of R267,000, while Rico lost R500,000. Interim results are not available.

TDH was listed on the Development Capital Market by reversing into the Agersy cash shell in 1989. Rico was listed on the Venture Capital Market in 1989.

Mr Connellan says there is little the JSE can do to prevent companies from meeting its requirements from attaining a listing, but that listing criteria are under constant review.

Flopped

He says TDH had the necessary profit history, although the criteria for a DCM listing are “not exactly marvellous”.

“The VCM, where Rico is listed, carries with it the warning that all moneys invested might be lost,” he says.

Meanwhile, transfer secretaries Fipak Registrars have not been paid and no share transfers are going through.

The 5,000 minorities in TDH and Rico are unlikely to recover much of their investment. Rico shares were issued at 16c and went down to 1c before being suspended.

TDH shares dropped from 45c to 1c before being suspended. Rico shares were also issued before the listing at prices up to R1.

Rico Breweries recently sold off South West brewing equipment that it had bought with financial assistance from the Cape Investment Bank.

TDH and six subsidiaries and associates, were placed in provisional liquidation in the Cape Town Supreme Court two weeks ago. The application was made by the Board of Directors.

By DIRK TIEMANN

CIB which claimed that TDH owed it R28.6 million.

TDH chairman Ruan van Rensburg is shifting most of the blame. He says in affidavits before the Cape Town Supreme Court at the liquidation hearing that CIB, a partner in two of his companies, issued him with fictitious Bankers Acceptances worth R28.3 million. Mr Van Rensburg says he signed extinguished original loan agreements.

The affidavits say CIB intended discounting the bills with the Reserve Bank to meet its own liquidity problems.

Mr Van Rensburg says TDH only had to repay the amount it owed once the group was trading profitably. It would also be granted a 90-day moratorium on interest payable.

He claims that the CIB was fully aware of the cash-flow difficulties in the TDH group, but was committed as a partner and wished to increase its involvement in the group.

Papers

Mr Van Rensburg says the CIB group had approached TDH with proposals to build a brewery in the Western Cape.

CIB apparently also recommended that the TDH group spread its debt more evenly among the group so it did not want to draw the “adverse attention of the Reserve Bank” and alarm its shareholders.

Mr Van Rensburg says the CIB was aware that Rico was not yet profitable, that the Elgin brewery could close down, that the TDH group was unprofitable because of capital expenditure and the unavailability of trade credit and that group assets could be sold off.

Court papers have been sent to the Registrar of Banks, Dr Rennie van Greunes. He has not yet received them but largely discounts fraud. "As far as I am aware the BA's have not been discounted with the Reserve Bank."

“I am monitoring the whole situation at CIB and our takeover and reflecting their financial position should be completed soon.”
Market share battle is brewing

SA BREWERIES (SAB) has scoffed at the suggestion that there may be yet another major brewer entering SA’s R3.8bn beer market.

SAB’s response follows a claim by chartered accountant Jeffrey Esekw that he was involved with an international consortium in setting up a brewery to compete directly with SAB.

The disclosure that another brewery could be set up in SA comes in the wake of rugby boss Louis Luyt’s stated intention to re-emerge on the beer scene with the building of a brewery in Randfontein said to be worth about R500m.

Esekw said his consortium’s new brewery would be smaller than Luyt’s and less expensive but it would “definitely make a dent in the market”. He refused to give further details.

SAB brewery division public affairs manager Adrian Botha yesterday admitted the market was big enough for another brewer to produce, but said SAB would “lose a shoe of its 88% market share”.

He also suggested that expecting any new brewery to pick up a major market share would be very optimistic.

“We regard ourselves as being on a competitive level and it will not be easy to take market share away from us,” Botha warned.

The attitude seems to be that the market cannot absorb the product, but that SAB will not tolerate the competition.

Indeed, most market observers feel that trying to muscle in on SAB’s vice-like grip on the SA beer market is akin to holding a very large tiger by the tail.

However, the fact that SAB’s share of the beer market is at about 88% represents a significant come-down from recent figures by Fedhais’s chamber of liquor retailers (FedcoL) which suggested a share closer to 90.4%.

Norbert Shultz, of N.M.K Shultz Fine Wines, estimates that it could now be as low as 95%.

FedcoL figures also indicated a rapidly growing beer market, adjudged at a growth rate of 20% last year compared with less than 16% for 1989. Over the same period SAB’s sales grew at about 11%.

This fertile beer market has been tapped by such smaller breweries as Mitchell’s and South West Breweires (SWB) which has stepped up marketing of its beers dramatically over the past few years.

Luyt and Esekw are obviously looking at capitalising on that growth with their new breweries and as yet unknown ales.

Market observers have touted Budweiser as Luyt’s choice and possibly, Dutch beer Heineken as Esekw’s.

Botha all but discounted the former, saying that Anheuser Busch, the brewers of Budweiser (and the world’s biggest brewer), is a US-based company and as such, limited by US sanctions legislation against SA.

Shultz added, however, that both beers would have to be big names to pull any market share away from SAB’s big guns such as Castle and Lion.

“In SA if you want to sell something you have to have a big name,” Shultz added.

In addition, SA beer drinkers are fairly well entrenched in their products. SAB has researched the market, has excellent quality beer and, by international standards, a very competitive price.

Also, SAB has been around for 96 years and, as SAB group chairman Meyer Kahn says “It has served SA well.”
Liquor price rise will leave consumers reeling

SA consumers will reel under the increases in liquor prices announced in the Budget yesterday, but these will be compensated for by a small fall in fuel prices.

The petrol price will go down 3c a litre as from Monday. Diesel will also be 3c cheaper for a litre at the coast and 4c in the PWV area, because of improvements in the posted prices of refined petroleum products.

The consumer is, however, not going to benefit as much as he could. A 5c increase on petrol tax and 2c on diesel were announced in his Budget speech, without which petrol would have gone down 10c and diesel 7c.

Finance Minister Barend du Plessis announced a 20% rise in beer excise duties and 15% on spirits. This increases the price of beer dummies and cans by 3c, pints by 3.3c and quarts by 6.6c. The price of spirits will rise 1.5c a litre or 9.7c a 750ml bottle. Fortified and sparkling wine prices will go up marginally by 1.8c a 750ml bottle.

SA Breweries beers division MD Graham Mackay said the hike in excise on beer was the highest in the history of the industry. He said it was "disgraceful discrimination" against the beverage overwhelmingly preferred by black South Africans and the working man generally.

Cigarette prices increase by 3c on 10 cigarettes, 6c on a pack of 20 and 9c on a pack of 50. The price of pipe tobacco and cigars rises 25c/kg and cigarette tobacco by 3c/kg.

These adjustments are immediately effective and apply to all goods not yet cleared for domestic use. Retailers said new prices would be instituted from next week when new stock arrived.

Mackay said the excise on beer was a deliberate attempt to sacrifice growth in the industry which is providing jobs and profit in favour of the politically strong wine farmers (natural wine carries no tax at all), and all this despite the Minister's stated objective of growth and job creation.

Consumer prices, set by individual retailers over which SAB had no control would naturally all increase, said Mackay.

Liquor and tobacco retailers said most South Africans would echo the words of critics that greeted Du Plessis when he announced the price increases. However, economists said SA remained lightly taxed on cigarettes and liquor.

Benny Goldberg's owner, Rob Butter, reported a binge of pre-Budget buying.

Du Plessis said government decided the increase in fuel tax should take place simultaneously with a reduction in fuel prices, to prevent an immediate cost-rasing effect on the economy.

RAU transport lecturer Vaughn Mostert said the increase in fuel tax was justified in that it funded social spending by taxing only motorists, who largely represented an affluent segment of the population.

In the PWV area, the price of diesel will be reduced by 3.9c/l on wholesale and 4c on retail due to transport costs based on pipeline tariffs.
Despite denials by producers, expect the prices of noble SA wines to go through the roof when sanctions go. There is already a shortage of nobler reds and better quality chardonnays in SA caused by a restructuring of the wine industry in response to sanctions.

When trade embargoes were slapped on their products, wine producers shifted towards developing the markets they could still sell into and finding new outlets — mainly in the Far East — to replace their traditional markets lost in Canada, Australia, the US, New Zealand and the Scandinavian countries.

Now they face the prospect of having to supply buyers in their former markets, once sanctions go, as well as having to service the markets they have only recently established and developed elsewhere. With local demand for noble wines increasing, that can only add to their chronic supply problems.

The possibility that increased production would alleviate the shortage has been negated by the fact that vineyards planted to the noble, sherry-bearing varieties take years to establish themselves. Moreover, a steady succession of importers from SA’s major pre-sanctions markets are currently doing the rounds of Cape wineries, positioning themselves to start re-importing the moment sanctions go. They aren’t the only ones, either. They are being joined by a host of new importers, such as those from East Bloc countries, which have never before imported SA wines or spirits.

Charlie Hesse, general manager of Stellenbosch Farmers’ Winery, which has 55–60% of the SA wine market, says no major deals have been struck yet, but former importers are definitely “trying to get back on the bandwagon.”

Koos van Niekerk, deputy CEO KKW, the wine farmers’ co-op, says even under sanctions, the markets SA could still sell into, such as the UK and western Europe, were further developed and there was significant growth in the sale of branded products. New markets, he says, were also found for SA bulk wine which resulted in increased exports.

He says about 20% of the wine crop (9.5bn hl in 1989) is exported, mainly in the form of bulk products. Only 5% is exported as bottled, branded wine. It is policy not to disclose actual volumes, but Van Niekerk says exports increased by 7.6% in 1987, 20.1% in 1988 and 8.5% in 1989. The increase in exports for 1990 is expected to be “considerable.” The actual figure will be announced at the KKW’s annual meeting on April 9.

Farmers have reacted to the shortage of noble reds and chardonnays by creating new vineyards, ripping out the old cultivars and planting them to the new favourites. According to the KKW’s latest statistics, roughly 95 000 ha is under wine grapes in the Cape. Last year 9% of new plantings were chardonnay, compared with 3% in 1989, and 18% were cabernet sauvignon, compared with 11% in 1989. Chenin blanc, which is not classified as a high-quality premium variety, lost out, falling from 26% of new plantings in 1989 to 15% last year.

Vaughan Johnson, a knowledgeable Johannesburg wine merchant, says “the swing to increased plantings of high-quality grape means farmers are reacting to the market talking. But if the full export potential is exploited, it will be found that they haven’t planted enough to satisfy the local market and the export market when sanctions go.

“There’s a lot of latent goodwill, particularly in the UK, for SA wines. We’re getting letters and faxes from small outlets over there everyday, as well as from places like Chicago and Portugal, asking for the names of smaller growers who produce unique wines — the very wines most favoured by SA wine lovers.”

Ian Scheteletak, spokesman for the Bergkelder, the Distillers Corp company that deals only in the nobler wines, says demand for Bergkelder wines has consistently exceeded supply. However, he envisages “no serious disruption of the local market as far as our own consumers are concerned.”

He says the new plantings of noble culti-
beer

Graham Crawford, who recently founded Crawford's Brewery in Durban, used a similar formula to Mitchell. He's been going for only a few months, so it is too early to give him the stamp of success, but all the signs are right. Crawford says he isn't heavily leveraged. It took him eight years to build his brewery. He fabricated most of it in his engineering workshop "for a fraction of the R5m it would have cost if I had called in a contractor."

The Lowveld Brewery, which brewed under licence to Mitchell, did apparently go out on a limb with borrowed capital. The former directors of Rico Brewery weren't available to comment but high gearing was also believed to have contributed to its demise. It also apparently attempted to sell its beer direct to the public and not through retail liquor outlets.

Johannesburg has two micro-breweries of its own - the St George's and the SAB-owned, operated and managed micro-brewery at Gold Reef City. St George's, which produces and sells 110 hl a month, was started by Peter Elliot and Geoff Collins in 1986, but last year Peter Brown became the major shareholder.

SAB started the Gold Reef City Brewery, which produces the beer sold in Barney's Tavern, to bolster the image of and attendance at Gold Reef City itself, says Graham Mackay, MD of the beer division. "It works very well," he says, "but the equipment we selected is very expensive, and if we were to recover our capital costs and still show a reasonable return on the capital invested, it would not be showing a profit."

Micro-breweries are no threat to high-volume, bottled beer brewers. "We're mass marketers and not micro-brewers," says Mackay. Luyt doesn't have them in his sights either. Spokeswoman Susan Kruger says he will produce only pasteurised bottled beer in his 1.5m hl a year brewery, which he's building in Randfontein. The first beer should roll off his bottling line in early 1992.

That automatically puts him on a head-on collision course with the mighty SAB which has 99.4% (and still growing) of the local beer market. Kruger says Luyt will market his beer only in the PWV area, where he aims to wrest 10% of the bottled beer market from SAB.

It will speak volumes for his business acumen if he manages to pull it off. He tried in the Seventies when he started producing Luyt Lager, but he eventually sold out to Anton Rupert and his plant ended up producing for SAB. Whirlwind of Britam also tried to crack the SA market a few years back, but had to throw in the towel when competition got tough. Swazi Breweries' move on the local market was beaten off in the same way.

However, Luyt, who says he now has the financial backing and the brands to compete with SAB, has one major plus fact on his side - Monopolies, he notes, are always vulnerable to attack.
KWV profits up for the eighth year running

KWV reported a 43% increase in net profit for the 1990 financial year, the eighth year in succession that the organisation increased its profits.

According to the financial report released on Tuesday, net income increased to R30,1m from R23,5m in 1989.

Of this, R37,8m will be paid out to producers as bonuses in April and R6,0m will be placed in the bonus stabilisation fund for future payment. A total of R43,8m, or 87,5%, goes to the producer.

The report said a strong increase in commercial exports, the favourable turn in brandy sales and increased productivity played a significant role in the sharp increase in profits. — Sapa
Ohlsson’s expands brewing capacity at Newlands plant

By JILYAN PITMAN

The growth in demand for beer in the Western Cape has given rise to extensive changes at Ohlsson’s Cape Breweries in Newlands.

The development work, expected to be completed by September, will take capacity from 48 million to 76 million litres a week. The expansion involves the installation of a high-speed bottling line, additional fermentation tanks, an extension to the warehouse, an additional boiling plant and the upgrading of ancillary services.

Jayne Eastwood, general manager of South African Breweries Beer Division in the Western Cape, said the beer market had grown substantially over the last five years.

He said “As with other large cities and towns in South Africa, rapid urbanisation is taking place in greater Cape Town and this, coupled with more and more people consuming beer, has caused the change in local drinking patterns.

“As a result, SAB has invested in additional capacity to ensure that consumer demand for its range of brands can be met.”

The expansion is taking place within the heart of the brewery site and the existing 2 ha green belt, comprising trees, a garden and a cricket field, will be maintained and supplemented.

Exports

Mr Eastwood said “Interest in our product is coming from various overseas markets and we are exporting a small quantity at the moment. We are looking to the future and gearing up for possible increased business.”

Mrs Joan Kantey, councillor for Newlands, said “I don’t have a problem with the stepping-up of production at the brewery. They are also going to supply markets outside South Africa and that’s a good thing. This increased production capability will not be environmentally intrusive.”

Mr Eastwood declined to comment on the cost of the extensive changes at Ohlsson’s.
300 to Lose Fishing Factory Jobs

By Wagemi Mishaka

South, Mar 28 to April 1 1991
Beer market: all of a froth

THE BEER market, long the preserve of blue-chip SA Breweries, is becoming saturated.

New entrants, headed by former fertiliser magnate Louis Layt and the US-based Anheuser-Busch, brewer of Budweiser, have been joined by a company with close links to large West German breweries.

The Bavarian Bräu brewery is under construction, next to the defunct Rico Brewery at Verwoerdburg. The beer, which will initially be available in 340ml bottles and cans, is intended to quench the thirst of SA's 80,000 German immigrants and their descendants.

The venture will apparently be financed by an initial private share issue and by loans from shareholders.

The directors are Johannesburg chartered accountant Jeff Beskow, the majority shareholder with 55% of equity, and German company executive Guido Sandler, who holds the balance.

Dr Sandler is chief executive of a company called Dr August Oetker, part of Oetker Gruppe, which has large interests in beer, wine, soft drinks, baking and hotels.

It owns Binding Brewery in Frankfurt, Dortmund Aktien Brewery, Berliner Kindl, Altgäu Brauhaus Kempen, Osnabrücker Aktien Brauerei, Prenzlau in Dortmund and Andreas Brewery in Hagen.

The Roohushkraal plant hopes to produce a top-quality lager, but is not intended to compete with the existing beer selection.

The bottling hall can handle dumps, cans, quarts and pints. Initially, only a small bottling line will be installed.

The beer will be launched at a price below that of imported brands, and will probably compare with Amstel, SA's premier-luxe beer.

The venture apparently has an assured supply of imported malt and hops at bulk prices. The brewery is believed to be George Funk, of long brewing experience in Germany, South West Africa, Zambia and Zimbabwe.

The plant was to have been completed in January, but the owners have asked for a year's extension.

Although the many potential entrants into the SA beer market are waiting for their chance, SA Breweries has increased production capacity at its Atoke plant from 77 000 hectolitres a week to 110 000 hl. Cost of the expansion was R200 million.

This is the first phase of the Atoke expansion. The latest packaging line came on stream this week.

When expansion has been completed, the brewery will be among the largest in the southern hemisphere. The next phase will take capacity to 127 000 hl a week by September 1998.

The line bottles Castle at the rate of 48 000 pints an hour, or 83 000 dumps. The expansion, which started in 1986, involves commissioning four tanks of 1 320hl each, a tanker bay and two refurbished boilers.

Concor is doing the civics for the boilerhouse.

Expansion will involve a brewhouse and fermentation and bright-beer facilities. Work has begun on a 60 000-qaurt-an-hour line.

SAB has opened a 8 500m² warehouse to store more than 560 000 cases and serve East Rand retailers.
Plenty to whine about as
Barend ups dumpy duty

THE increase in excise duty on beer was disgraceful discrimination against the drink of the black man and the working man as a whole, the managing director of South African Breweries' beer division, Graham Mackay, said after Mr du Plessis had presented his Budget speech to Parliament.

Mr du Plessis announced a 3c increase in the excise duty on a beer dumpling, but no duty was levied on unfortified wine.

"I have no problem with the wine industry," Mr Mackay said. "Our criticisms are aimed at the Minister of Finance."

He said South Africa's biggest beer producer was a victim and that the Government, in imposing such a heavy levy, was simply taxing what the traffic could bear.

Precisely, is the view of Daan Colesky, Commissioner of Customs and Excise at the Department of Finance.

"He said he could understand that the beer industry wanted to achieve maximum sales, but the Government was faced with the problem that it had to generate revenue for various social needs by increasing taxes."

"People won't stop drinking beer, though Any decrease in sales will be temporary."

He said the increase should not have come as a surprise to the beer industry, all that was unexpected was that the increase was substantially higher than last year's increase of 1c.

The Government was deliberately targeting a successful product for extra taxes, Mr Colesky said.

"The beer industry had a large consumption and should be expected to make a contribution to the State coffers."

The decision to increase the excise duty on beer by 20 percent — about 5 percent higher than consumer inflation — was made for a number of reasons.

1. It offered the Government much revenue because it was a buoyant industry with a large volume of sales.

2. The International Monetary Fund had commented on the fact that excise duties were relatively low compared with other countries in the world and recommended that the Government should at least increase duty to keep pace with the producer prices of the articles.

Mr Mackay insists that his industry is a victim of discrimination and that the Government was taxing productivity.

"We have an impeccable production record and attract the tax because the common view is that we can afford it."

He said beer had about 55 percent of the market share and contributed between 75 and 80 percent of the excise.

What he describes as the drink of the working man was being ignored in the interests of expediency, and excise-tax equality was not being served at all, by not taxing wine.

There was no immunity between the beer and wine industries, Mr Mackay said, because their markets varied. "Excise-tax equality is not being served at all — any way you look at it."

Mr Colesky insisted that South Africa was in step with other wine-producing countries who did not levy excise duties on unfortified wine, targeting beer and spirits instead.

There had been a duty of 3 percent on wine until 1982, when it was abolished.

Mr Colesky said natural wine was regarded as a natural agricultural product, and therefore not taxable, and that tax on the industry would not have done it any good."

In his Budget speech, Finance Minister Barend 'du Plessis proposed an increased excise duty of 3c on beer dumplings, but wine was not taxed at all. Why this apparent discrimination?

JACQUELINE MYBURGH reports.
German beer brewer enters market

By MARCIA KLEIN

SA beer drinkers will be able to sample a variety of popular international brands following recent new entries into SA's fast-growing 2.400-million-litre year beer market. However, the brands poised to enter the SA market remain a mystery.

Bavaria Brau brewery, an upmarket producer of German beer, will start production of "a world renowned international brand" early next year — the latest brewery to enter the SA market dominated by SA Breweries.

This follows Louis Luyt's recent announcement that he is building a 1.5-million-litre year brewery in Randfontein at a cost of between R450m and R600m.

Luyt has reportedly bought large sections of a brewing plant from the UK, and it is also believed he may produce Budweiser under licence.

Bavaria Brau brewery, at Gateway Industrial Park between Johannesburg and Pretoria, will have an eventual annual output of 150,000 hectolitres, says a report in the latest issue of Engineering News. Director Jeffrey Esakow says in the report the brewery will produce an international brand under licence and a local beer under its own label. There are also plans for an alcohol-free beer at a later stage.

The report says the market value of the first phase, which will bring the brewery on stream, will be about R27m.
Bells is the top-selling scotch in SA.

In its field, the International spirits producers group Bell's grew sales volume and brand awareness significantly in the UK, and contributed to volume growth worldwide. Bells said combined market share had increased by 2% to 3% in the year. Distilled profits increased by 22% to £138m for the year ending June 30, 2006, reflecting a 2% increase in pre-tax profit for the year ending June 30, 2005. It said stable sales in the UK, Canada, and Australia, with growth in the US, were offset by falls in other markets.

Gordon's Gin was also above average, with a 7% increase in volume to 800,000 cases sold last week compared to the year before. Bells said the group's share of the world market was up 1% on 2005, with the US market showing a significant rise in market share. Bells said the group's share of the world market was up 1% on 2005, with the US market showing a significant rise in market share. Bells also said it had increased its share of the world market to 3%.
Companies

Big export volumes put KWV ahead

CAPE TOWN — Bigger export volumes and better prices in overseas markets helped KWV achieve a record growth in turnover last year.

In its 1990 annual report, the wine producers' organisation reports that continued growth in the export volumes of natural white wine and grape juice concentrate and better prices in overseas markets contributed significantly to a 48.5% increase in net income to R501m.

Growth in bulk sales of brandy and other spirits to domestic wholesalers also contributed to the record rise in net income.

The annual report shows how the improvement in foreign perceptions of SA has benefited the industry over the past two years. Considerable growth in export volumes achieved in 1988 was followed up by a 43% rise in volumes last year.

On the marketing side, KWV entered new markets, identified a number of new foreign buyers and established associations with long-term potential, KWV directors report.

"Besides improved terms of payment, a diversification of buyers was established," they say in the annual report.

The successes achieved in the natural white wine and grape juice concentrate sales enabled KWV to increase bonuses to producers of these products by almost 400%.

But, the directors cautioned that remaining handicaps in the economy, such as inflation and high interest rates, as well as the sanctions which were still in effect, were curtailing growth in exports.

The shortage of red wines, particularly cabernet sauvignon, was another cause for concern in a sanctions-free market, the directors said.

And domestic sales of quality wine could slow down this year as a result of a sharp increase in purchases by wholesalers last year. "This trend confirms the cyclical purchasing patterns of the wholesalers, which create problems for the industry, both in terms of good wine production planning and an irregular cash flow," the directors said.
SA image improves overseas . . .

KWV gears for higher exports

BY AUDREY D’ANGELO
Business Editor

KWV — which lifted export sales by 42.8% in 1990 — has drawn up action plans to boost them further as perceptions of SA improve overseas, the directors say in the annual report.

And it expects export earnings to improve as changing circumstances make it possible to sell more branded wines overseas.

"Full-price branded wine exports will obviously earn considerably more revenue for the producer than bulk commodity exports."

KWV’s annual meeting will be held in Paarl this morning. And there are likely to be fireworks, because some wine farmers have accused the giant co-operative of competing with its own members in the domestic market.

The annual report, issued yesterday, says KWV’s own sales of brandy and other spirits to domestic wholesalers showed firm growth in the past year.

"This was brought about by the growth in the market and wholesalers replenishing their stocks.

"The producers’ sales of good wine to wholesalers increased by 16.8% in 1990 whereas sales of natural wine to the retail sector and the public rose by about 2% over the period.

"The conclusion drawn from this is that the wholesalers’ working stocks have increased, which could lead to reduced producer sales in 1991.

"This trend confirms the cyclical purchasing patterns of the wholesalers, which create problems for the industry both in terms of good wine production planning and an irregular cash flow."

Discussing improved prospects for exports, the report says "Following the changing attitude of foreign buyers with regard to SA brands, a start has already been made with the introduction of a higher profile advertising and publicity programme in various countries.

"As political pressure eases further in foreign markets, KWV sees a great potential for further expansion of brand product exports from SA."

"To make full use of these changing circumstances, several action plans were drawn up in the year under review and some have already been successfully implemented."

However, the report warns, high inflation and interest rates continue to jeopardise exports. Furthermore, the shortage of red wines, particularly Cabernet Sauvignon, causes concern in view of the expected sanctions-free market.

Discussing the domestic market, the report says the unfavourable exchange rate of the rand to the £ helped sales of SA brandy by pushing up the price of imported spirits.

"It became apparent that the consumer was more price conscious during hard economic times."

"The brandy market showed a reasonable growth for the second successive year. Brandy sales increased by 4.8%. Competition among the various brands is strong, particularly in the premium and standard price categories."

In addition to this, the report says, "overall sales of natural wine showed an increase of almost 2%. Sparkling wine continued its good sales of the previous year, with an increase of 8%.

"This, however, was from a relatively small base."
KWV has considered privatising, says chief

LESLEY LAMBERT

CAPE TOWN — KWV had considered privatising its organisation, chairman Pretman Hugo said at the general meeting in Paarl yesterday.

Responding to a member’s question, Hugo said the possibility of privatisation had been discussed by KWV directors at a recent meeting.

But it would not be easy to resolve the matter, he added, dampening hopes that the organisation would follow in the footsteps of the deciduous fruit industry’s marketing arm, Unifruco. Unifruco’s privatisation programme gave members more direct involvement in the marketing of their produce and a financial stake in the company.

An anticipated attack by a group of independent Stellenbosch wine farmers, who recently claimed that KWV was exceeding its statutory boundaries and acting in conflict with the industry’s interests, did not materialise at the meeting.

The discontented farmers, who have established a Wine Task Group to investigate complaints about KWV’s activities, have submitted a memorandum to Agriculture Minister Knaal van Niekerk, and requested a government investigation.

They have argued in their submission to Van Niekerk that KWV uses its members’ funds to bottle and market its own products.

They also claim KWV’s investment in the wine and spirits industry through Distillers and Stellenbosch Farmers’ Winery represents a conflict of interests.
A CASE OF DRINKS

There is great concern at KKV's Paarl headquarters. Dutch police and Customs officials have raided a KKV agent in the Netherlands in what a leading Dutch newspaper describes as a major scam involving SA wines and distilled liquors.

More than 50 Dutch law enforcement agents took part in the investigation at Wijn Expeditie Kantoor, a prominent wine distributing company — and an agent for KKV — in the town of Heesch.

KKV acting marketing chief Hermann Bohmer this week expressed his organisation's concern over press reports about the investigation.

In a telephone call from the Dutch city Hertogenbosch, Netherlands Justice Department spokesman Jan Regelink told the FM that the investigation may take several months and no arrests have yet been made.

He confirmed that allegations about tax evasion and false export documents were being investigated.

Wijn Expeditie Kantoor financial director Willem Theelen strongly denies any irregularities at his company. He adds that the investigation does not involve the KKV or any SA wines.

"We suspect the investigation entails some administration failures. As financial director I can tell you that we have been paying our taxes, March inclusive. I have asked the fiscus (treasury) for a declaration to this effect but have not received anything from them."

Company MD Hubert Rammen also confirms that the investigation has nothing to do with wines. "It involves the export of alcohol outside the Common Market," he says.

"This whole thing has been very unsympathetic to the KKV. We have apologised to them," says Theelen. De Telegraaf's report stated that the action of police and Customs officials had put an end to a major fraud involving SA wines and distilled liquors.

KKV's Bohmer says that after discussions with their agent it now seems clear that the investigation does not involve any KKV wines.

"We are waiting to see which way the allegations will lead. Other than the first report that appeared we know nothing about the matter," says Bohmer Eddie Reith
1991, as does Cadswep. There are equally few with share prices more than 2.5 times net worth and trading on paper-thin dividend yields of 1.5% — which means the market not only expects the company to deliver during this year, but to continue doing so in future.

The target may seem demanding in an economy which is unlikely to improve much in the short-term. But some of the factors which slowed last year's earnings growth to under 14% should not be repeated and, more important, the group should benefit increasingly from the restructuring and consolidation programmes which occupied it for much of 1990.

CE Peter Bester attributes 1990’s drop in operating margins mainly to costs associated with the regrouping of the group's various confectionery interests into a single structure. It has also continued to invest heavily in infrastructure, including an ongoing programme to redevelop the Port Elizabeth manufacturing facility and the construction of a new distribution warehouse in the Transvaal, due for completion before mid-year.

In effect, the earnings forecast means Cadswep is hoping that, with most of the restructuring exercise behind it, real benefits of 1989’s acquisition of, in particular, Chaplin-Humphries, will flow through to the income statement.

The effects so far have been far more apparent in the balance sheet. Net borrowings, for example, have soared from R9.4m in 1988 to R48.3m, accompanied by a quadrupling of net finance charges, to R12.2m. Some 60% of the increase in operating profit over these two years has thus not benefited shareholders. Particularly last year, though, this was offset by a fall in the tax rate to 29% — which accounted for almost all the growth in taxed profit, before bringing to account attributable profit of associates.

Profit from associates also made a considerable impact on the bottom line. Earnings from this source — mainly ABI — were 29.5% higher than in 1989 and the contribution to total group earnings rose to just short of 28% from 25% previously.

The strong performance of ABI has, of course, been reflected in its share price. When associated companies are valued at market valuation (they are shown in the balance sheet at historic cost), then over the past year alone, the surplus of market value of investments over book value has risen from R52.7m to R192.1m. Investment in associates at market values now accounts for 46% of total group assets, up from only 33% in 1989 and, pre-ABI, 23% in 1987.

The impact of this substantial increase in the value of associates needs to be taken into account in assessing profitability ratios. Return on the investment in associates (at market value) is now at only 4.3%, which distorts Cadswep’s own profit ratios.

Return on equity, for example, which works out at 9.3% based on a net asset value adjusted for current value of associates, is less than a third of what it would be without the adjustment.

Brian Thompson
National Sorghum Breweries Launches Public Share Issue

By Peter Coitese

Business Report

April 16, 1991
Sorghum beer giant plans issue of public shares

NATIONAL Sorghum Breweries (NSB) yesterday announced a public share issue which will place the sorghum beer industry in black hands.

The share issue would make NSB — with a turnover of about R350m — the largest black-owned business in the country, executive chairman Mohale Mahanyele said at a news briefing yesterday.

Although details of the company's financial position will only be available when it issues its prospectus, Mahanyele said NSB was financially sound, debt-free and had excellent future prospects.

The share offer, for an undisclosed number of shares, will open on May 17 and close on June 14. Shares are expected to be offered at 100c each.

About 30% of the share issue will be reserved for employees, and in the remaining 70% preference will be given to distributors and to "traditional consumers of sorghum beer".

No shareholder will be allowed to hold more than 10% of the company's shares, and a mechanism has been created to protect shareholders and prevent the company from being taken over by big business.

The company's shares will initially not be listed on the JSE, and NSB will facilitate the trading of the shares until such time as it is listed.

Group manager strategy planning Israel Skosana said NSB would be going to the JSE "in the near future".

Mahanyele said the money raised from the offer would be a "substantial amount", and would be used to purchase assets.

Marcia Klein

This follows events over the last century which have seen control of the sorghum industry change from government to regional authorities, the Industrial Development Corporation and NSB, which was established in mid-1990.

The share issue was "a final break with the politicisation of sorghum beer which began at the beginning of the century", and NSB hoped to serve as a model for black economic empowerment in SA, Mahanyele said.

NSB controlled 85% of the SA sorghum beer market, which Mahanyele estimated to be between five and six billion litres a year. The home brew market made figures unreliable.

Advanced

NSB, with over 23 brands and 18 operational breweries, employed nearly 3,500 people directly, and over 500 indirect people were directly and indirectly engaged in distribution.

It would be launching a new production development programme and it has established a division for research and development. NSB was also "well advanced with plans to expand into the food and leisure industries", Mahanyele said.

Growth in the sorghum market this year was only 2.5% up on the previous year compared with between 5% and 7.5% growth in prior years. However, Mahanyele said this was good growth in the economic climate and there had also been nothing in the form of marketing and promotion.
BUSINESS

NSB ready with public share issue

By Jabulani Sakhabu

The privatisation of National Sorghum Breweries moves into second gear next month with a public share issue which will finally place the sorghum brewing industry in black hands.

It is expected that the shares will be offered at 100c each. NSB executive chairman, Mohale Mohanye, announced yesterday that it is envisaged that the share issue will open on May 17 and close on June 14.

Mr Mohanye said approximately 30 percent of the issued shares will be reserved for the company employees. Each employee will get 200 shares for free and the rest will be sold at 30 percent discount.

NSB's distributors, estimated at 300 000, will get 50 percent of the issued shares and 20 percent will be offered to the communities which consume sorghum beer.

In terms of the issue, no shareholder, either directly or indirectly, will be allowed to hold more than 10 percent of the company's shares.

He added that NSB shares will initially not be listed on the JSE. But Mr Mohanye said NSB would create an informal market for its shares.

According to Sam Mosikili, NSB's managing director, the sorghum beer market is estimated at five to six billion litres (including the homebrew market) and NSB has 95 percent market share.
**COMPANIES**

**United Distillers has no plans to leave**

CAPE TOWN — United Distillers, the spirits arm of the giant international Guinness group, would not buy out its recently established SA distributorship in the way it had taken over some of its other foreign partners, new International MD Brendan O'Neill said yesterday.

O'Neill, on a fact-finding visit to SA, said United Distillers was more than satisfied with its local partners, Stellenbosch Farmers' Winery (SFW) and Distillers, and would write contracts to ensure a lasting relationship with them.

SFW and Distillers each have a 25% stake in Henry Taylor Ries (HTR), the local distributor in which United Distillers recently acquired a controlling 50% stake. HTR was appointed to distribute Dewar's White Label, Black & White and White Horse whiskies for United Distillers which also markets Bell Whisky, Gordon's Gin and Johnnie Walker.

Last year, United Distillers sold a million cases of whisky in SA. This made a significant contribution to its total sales revenue of R2.1bn.

Bell's remained the most popular brand in SA, with shipments soaring to over 500,000 and market share continuing to grow in spite of a downward trend in the industry, O'Neill said.

Gordon's Gin, the fourth largest selling spirit in the world, remained a brand leader in the white spirits categories.

O'Neill said he expected whisky sales in SA to continue growing in spite of the economic downturn and unfavourable exchange rate. He anticipated significant future growth potential in the country which was already first-four market leaders in the international division.
Father of task group man ousted from KWV board

CAPE TOWN — KWV director Frans Malan was ousted from the powerful producer organisation's board yesterday after eight years of service as the Stellenbosch region's representative.

Malan, a co-owner of the Simonsig Wine Estate, was one of three candidates in elections yesterday for two vacancies which arose when the terms of service of directors expired. The successful candidates were Bottelary Co-operative Wine Cellars deputy chairman Johan Carnuts, and Independent Grape Producers chairman Johan Gerber.

Malan's son Pieter, also of Simonsig, was instrumental in setting up a Wine Task Group to investigate complaints about certain KWV activities.

The group recently submitted a memorandum to Agriculture Minister Kraai van Niekerk. It requested a government investigation into claims that the KWV was exceeding its statutory boundaries and acting in conflict with the industry's interests.

The group, which includes Malan, argued in its submission that KWV used its members' funds to bottle and market its own products.

The producer organisation sold wines produced on its Laborie Estate, in SA, despite statutory restrictions on its right to compete with its members in southern African markets, the group claimed.

KWV's investment in the wine and spirits industry through Distillers and Stellenbosch Farmers' Winery represented a conflict of interests while its latest programme to promote quality wines and increase the production of sparkling wines exceeded the boundaries of its statutory controls, they claimed.
Beer sets the pace in liquor sales

**Des Parker**

DURBAN — The old advertising catchphrase “beer is best” still has South Africans convinced as they sip their way every year through more of the golden beverage than any other single drink on the market.

Little wonder that Louis Luyt, Guinness, and other brewing stalwarts are casting covetous eyes on the local beer-swillers with sales last year increasing to a staggering 2,24 billion litres, 12.9 percent more than the 1,98 billion litres dispached in 1989.

Statistics compiled by analyst Gil Cation of stockbrokers Davis Berkum Hare show that the next most popular thirst-quenchers were soft drinks, sales of which rose by 12 percent to 1,73 billion litres, up from 1,54 billion.

Cation says beer sales rose sharply in the last three months of 1990 — and he predicts that brewing giant SA Breweries will comfortably increase turnover by 10 percent this year.

By contrast, wines of all types improved their position by only 0.6 percent, the volume consumed growing from 301.9 million litres in 1989 to 303.6 million litres last year.

Only natural wines bettered their performance. Fortified types (sherry, port, and the like), sparkling varieties (champagne-type and others) and, in particular, flavoured wines, all sold in smaller quantities.

Despite a determined effort by Stellenbosch Farmers' Winery (SFW) to outdo low-priced wines offered by co-operatives, both the KWV Co-ops and Estate Wineries increased sales volumes in the year to December.

The Government did its bit to bolster wine sales by limiting excise duty increases in the Budget to a rise of 1.8c on 750 ml bottles of fortified and sparkling wines. Natural and flavoured varieties were unaffected.

The contrast with the three cents a dumpy increase in the duty on beer caused SA Breweries to complain.

Sales of hard tack rose across the board by 3.3 percent last year, from 62.33 million litres to 65.01 million litres.
Pressure on SA Breweries beer division

By PIETER COETZEE
Financial Editor

SA BREWERIES'S beer-related earnings stagnating or even falling for the first time in over a decade become a real possibility, placing the group's current recession-proof reputation in jeopardy.

This is the opinion of Ed Hern, Rudolph analyst Syd Vianello.

He said, "In spite of the subsequent failure of all previous competitive threats, we feel this risk should be accommodated in the share's rating. He, nevertheless, says significantly lower earnings growth from most non-beverage interest in 1991 are expected to be more than offset by continued profit growth from beer in excess of 20%, leaving the full year's earnings per share up by 16.1% at 291.5c.

Better manufacturing results and lower finance costs are expected to allow for a 21% growth in 1992's earnings to 371c a share.

Vianello says beverage interests continue to provide the backbone to SA Breweries' profits, its earnings growth and quality of income — providing 65% of 1991's profits.

Beer margins, currently at an all-time high, could come under pressure as wage pressures and prospective lower volume growth (following the massive duty hike in the budget) take their toll on cost recoveries.

He says overall group profitability growth would slow if SAB is forced (as it did 12 years ago) to adopt price-related tactics to ward off proposed competitive threats or if market growth is not sufficiently stimulated by new entrants to accommodate both SAB and its competitors.

The group's financial status, nevertheless, remains remarkably strong — perhaps sufficiently encouraging to suggest a buy-out of minorities in poorly performing or under-capitalised subsidiaries without raising gearing beyond the self-imposed 60% target.

Besides Edgars, Sun International and the other overseas companies (collectively 28% of 1991's forecast earnings), the rest of the group's expansion has, at best, provided mediocre and erratic profits and returns on capital, therefore raising question marks over the group's potential to exploit this avenue for future growth and its recession-proof status if beer earnings come under pressure in future.

The target for foreign-sourced profits presumably remains 15%, but in spite of the expected earnings growth from these businesses their contribution is expected to remain at 8% of bottom-line earnings.

Beer exports currently represents 1.5% of volume sales and this could in time rise to 5%.

However, international trends in cross-border beer sales indicate that SAB's likely future export performance is not expected to provide any significant profit enhancement.

Furthermore, the introduction of VAT will significantly reduce group capex outflows, but not necessarily enhance profits to the same degree because of long depreciation cycles.
Megapak wins R490m SAB beer crate contract

SA BREWERIES (SAB) has awarded Megapak, a division of Sentrachem subsidiary Mega Plinutes, a R70m-a-year seven-year contract for plastic crates.

During the next three years SAB will substitute the cardboard containers used to transport 750ml beer bottles with specially designed Megapak plastic crates.

To meet SAB’s requirements of more than 500 000 crates a month Megapak has embarked on a R28m plant expansion programme.

Megapak MD Chris van Niekerk says the first crates will be produced towards the end of August. The plant will be fully commissioned in January 1992.

Design criteria for the new lightweight crate, developed by German company Schoeller International in conjunction with Megapak, includes durability to withstand rigorous handling and to prevent breakages.

Extensive research by SAB has proved that the new crates offer enormous benefits to SAB and beer handlers in terms of lower transport costs, better hygiene and a more up-market image for their beer brands, says van Niekerk.

The crate fits existing conveyor systems in SAB’s breweries and is designed to facilitate handling and crate washing. Each crate will hold a dozen beer bottles and have a lifespan in excess of 10 years.

Van Niekerk says: “Seven new state-of-the-art Engel injection moulding machines have been ordered by SAB, and an automatic crate printing facility, a first for SA, will be installed.”

The crates will be made of high density polyethylene. This means Megapak will be converting an additional 12 000 tons of plastic raw material each year.

The phasing out of the cardboard containers will take a considerable strain off the solid waste stream.
Sentrachem expects to stumble over downturn

CHEMICAL group Sentrachem's attributable earnings for the six months to August are expected to be significantly down on the same period last year, says newly appointed MD John Job.

A major reason for these results, which will be published on May 3, is the economic downturn.

Sentrachem felt the pinch of the sluggish economy in the 17 months to August 1990, when its earnings fell 12.4%. In that period it changed its year end to match that of Sunkorp.

Job says over the past 10 years Sentrachem's turnover in US dollar terms has not varied much from $1bn, although there has been a reasonable increase in rand terms.

He says the Gulf crisis sent the cost of many petro-chemical raw materials soaring, but Sentrachem was unable to adjust its own prices accordingly. World prices have since stabilised at lower levels.

Sentrachem's interim period was also affected by the poor gold price which affected mining clients.

Another factor was the late agricultural season which affected Sanachem, which consists of Sentrachem and Farm-Ag's merged agricultural chemicals businesses.

Job says Sentrachem has undergone a "downsizing" in those areas where markets are shrinking, leading to a 5% cutback in staff.

But he adds that Sentrachem generally did not lose market share and maintained its marginal contribution in percentage terms.

While the group remains highly geared, it was able to keep working capital under tight control.

Job expects earnings in the second half to be in line of those achieved in the first half.

But he adds that Sentrachem is set to benefit from any upswing in the economy as it has recently commissioned a number of large plants which are all performing well.

The group is now coming to the end of a capital expansion programme.

The group is examining prospects for converting part of the plant at Karbochem Newcastle, mothballed last year at a cost of R120m, to manufacture ferrochrome on a toll basis.

It is also repositioning Sanachem as a manufacturer as opposed to marketer.
ANIES
NCP opens
R43m plant

SENTRACHEM subsidiary
NCP has successfully
commissioned the R43m
expansion at its maleic
anhydride plant at Isipingo,
near Durban.
The new plant will
increase NCP's maleic
anhydride capacity from
4,000 to 10,000 tons a year,
an output which will
replace 3,000 tons of
imports by supplying the
entire SA demand with
enough left over for export.
Maleic anhydride is an
organic compound used in
the manufacture of polyester
resins and food acids.
State-of-the-art technology
has been employed in
the design, construction
and outfitting of the new
plant, which has a local
content of about 70%.
Technology for the plant
has been purchased from
Scientific Design, whose
expertise is used for almost
half of the installed world
capacity for maleic anhy-
dride.
Liquor retail trade being killed claim

MARCIA KLEIN 29/4/71

OVERLICENSING, shebeens and delinquent traders are threatening the retail liquor industry, retailers say.

At Fedhosa-Transvaal's congress yesterday retailers said their industry was being "killed" by these problems.

They said that the authorities' attitude had changed lately with regard to issuing licences, especially in residential areas.

Retailers said the number of licences should be decreased and there should be legislation which forced shebeen operators in residential areas to open facilities in "proper business environments".

Harmful Business Practices Act committee chairman Louise Tager said the problem of shebeens could not easily be resolved, and they would always be there.

It was not feasible to force them onto business premises, she said.

Shebeen owners said there should be a moratorium after issuing a licence to enable them to make a profit before they were swamped with competition. This was the current situation, with up to five shebeens operating in one street.

Suppliers said shebeens were a fact of life that they were not prepared to ignore.
Taverners take Louis Luyt to task

By SELLO MOTLHABAKWE

MILLIONAIRE Louis Luyt and a German company had approached Soweto taverners to ask them to support their new brewery, a spokesman for the National Taverners Association said yesterday.

Addressing taverners at a meeting in Soweto, NTA chairman, Mr Ray Mollison, said his organisation had asked Luyt and the company to offer shebeeners shares in the new venture, but the two did not appear keen to enter into such a deal.

Business shares

He said Luyt’s intentions to establish a brewery would fail if they did not offer the taverners and shebeens a sizeable share in their business.

Mollison said taverners had, up to now, been the marketing arm of liquor manufacturing and brewing companies. Soweto 23/4/91.

The association had sold shares for R147 000 to its members and shebeeners last year. The bulk of that money was offered to taverners and shebeeners to improve their businesses, Mollison said.
Breweries strike
to go on – union
By Abel Mushate
Striking SA Breweries workers at the Chamidor plant near Krugersdorp have vowed to stay on strike until their demands are met.

However, negotiations are continuing between the strikers and SAB management.

Represented by the Food and Beverage Workers Union of South Africa (FBSWUSA), the workers are demanding automatic housing subsidy grants for all employees.

The union’s branch chairman for the West Rand region, Isaac Modisakeng, said that although they had the support of other branches, the strike was confined to the Chamidor branch.

Mr Modisakeng told The Star about 700 workers had stopped working since April 13.

He said about 200 white casual labourers had since been hired after the union foiled an attempt by management to employ a group of about 200 Inkatha members from the nearby Kagiso hostel.

“Members of our executive were-visted by the police at the weekend and told to stop causing trouble at SAB,” he said.

A spokesman for Chamidor’s SAB branch was not available for comment yesterday.
Taverners to talk to Luyt

JOHANNESBURG — An association of black taverners will approach rugby supremo Mr. Louis Luyt soon for shares in his new brewery.

National Taverners' Association (NTA) chairman Mr. Ray Mollison said his organisation was set on acquiring shares in Mr. Luyt's brewery, which is due to start operating in January, 1982.

Any liquor company which did not look at black people as potential shareholders, was doomed to failure, Mr. Mollison said.

"Our association will meet Mr. Louis Luyt soon to discuss possible participation of taverners and shebeeners in his new brewery. Taverners are tired of being merely the marketing agent of breweries," he said.
Brewer rolls out shares barrel

By LUCIANA LIN

AFTER campaigning for 80 years for more say over the sorghum beer industry the black community is now poised to control it.

The black-controlled National Sorghum Breweries (NSB) which has an annual turnover of R350-million this week announced a share issue.

The NSB share issue opens on May 17 and closes on June 14.

Company employees will get preference, with about 30 percent of the issue being reserved for them.

The remaining 70 percent will be offered to distributors and consumers.

Runners, retailers, and shebeen and tavern owners will get special consideration.

During the share issue period there will be an intensive 'enlightenment' programme for prospective shareholders.

As a back-up to the programme toll-free phone lines will be available.

Advisers will man them for 12 hours a day.

The company, run by a two-man board under the chairmanship of well-known businessman Mohale Mahanyele, will not go for listing on the Johannesburg Stock Exchange for the time being.

Shareholders will not be allowed to hold more than 10 percent of the company's shares, said Mahanyele, so takeover bids by big companies can be avoided.

Group managing director Sam Mosikeli said he hoped the enlightenment programme would "dispel suspicion and ignorance about shares in the black community."

The sorghum beer industry accounts for more than a third of all alcoholic beverages consumed in South Africa and has been under government control since 1908.

NSB took over control from the government last year.

The directors hope the privatisation of the company will mean it will be wholly-owned by employees and members of the community.

Said Mahanyele: "If we are to even out the disparity in the economy we must ensure that we give opportunities to black people."

"Without meaningful black involvement in business the much-vaunted new South Africa may never become a reality."

NSB has 18 breweries. The largest division is Juba in Natal.

"I hope traditional supporters of the sorghum beer industry will seize this opportunity to obtain control of this, their industry," said Mahanyele.

Mohale Mahanyele ... hoping to dispel fear of black community towards ownership of shares.
the wine bottle
KWY goes for

BY CAROLINE TAYLOR
Growing beer market ‘can support more breweries’

MARCIA KLEIN

There is room for new players in the SA beer market, industry sources said.

The rapidly growing market, estimated to have increased by 20% over 1990 compared to 8.5% in 1989, could not be ignored by brewers elsewhere in the world, where growth in beer sales and production was minimal compared to SA, an analyst said.

SA has seen increased interest by overseas and local brewers, including brewing giant Guinness, and Louis Luyt, who announced that he was opening a brewery with a substantial foreign investment. The capacity of Luyt’s brewery suggested he was looking at 7.5% of the local market.

And chartered accountant Jeffrey Esskow recently said he was setting up a brewery with an international consortium.

SAB Breweries’ (SAB) volumes for the year to March were 20.3-million hectolitres of SA’s 21-million hectolitre market. However, industry sources estimated this figure to be conservative, saying there were about 24-million hectolitres of beer brewed annually in SA, with per capita consumption at about 90 litres a year.

Analysts said that with white customers accounting for only 20% of beer sales, overseas investors should look to the black consumer.

An analyst said there was “certainly enough place for a competitor but they would have to get the black franchise.” Any attempt to enter the market should be a joint venture with a black businessman, and the group would have to do significant market research, he said.

It would be easy for a foreign company to come in with the aim of capturing the white market, but the market was very small. Also, entry into the SA market would require a fair amount of capital investment, an analyst said.

Another analyst said growth in the beer market was related to a large extent to urbanisation and population growth, and real growth of about 3% to 4% per annum was “pretty high for a commodity.”

Any new entrant would have to distribute to shebeens, which deal mainly in beer.

Last week the National Taverners Association said they would approach Louis Luyt for shares in his new brewery, and said that any liquor company which did not look at black shareholders was doomed to failure.
Management buyout deal at Picardi Liquors

By Blaise Hopkins

CAPE TOWN — Following the recent sale of Union Wine by Picardi Holdings, the management of Union Wine’s retail chain (Picardi Liquors) has effected a buyout.

The management team, headed by Jacques Kempen, paid an estimated R10 million for the 50 percent of the company held by Union Wine.

Union Wine, bought by Graham Beck’s Kangra Holdings from Jan Pickard’s Picardi Holdings for R21.5 million last year, is now left without direct retail representation, which could retard expansion plans.

Last year a consortium led by Mr Kempen paid R6.3 million for its initial 50 percent stake in Protel from Pichold early last year.

The management team turned the loss-making chain of Picardi Liquors around, revamping the 50-odd outlets in the chain.

It is believed part of the initial buy-out deal with Pichold included the understanding that Protel management would seek to acquire control.

After its takeover by Kangra, Union Wine was delisted last December.

Picardi Liquors is one of the largest independent retailers in SA, with widespread representation in the Cape and outlets in the PWV area.

The chain has been remodelled and new stores have been added.

The buyout, effective on May 31, is likely to have major repercussions for the liquor retailing industry.
ABI shares grow 1350% in three years

SHAREHOLDERS in Amalgamated Beverage Industries (ABI) have seen their investment grow by 1350% in the nearly three years since the listing of their shares.

The rapid market growth, vindicated by yet another solid set of results published today, has pushed the share price to R13,50 and market capitalisation to more than R1,4bn. It has also sent the value of ABI’s original employee holding soaring to about R100m from its initial R1m level.

While SA Breweries (67.5%) and Schweppes (19.1%) are its major shareholders, the remainder of ABI’s stock (11 million shares) is still held mostly by its staff and smaller dealers, who were offered the stock at R1 a share in 1987.

The allotment, made to spread share ownership among its predominantly black employees and clients, was oversubscribed seven times and the shares were spread between about 3000 ABI staff and 4000 dealers. Employees received between 400 and 1000 shares, depending on their length of service.

ABI MD Alex Reid estimates that about 4000 of these investors, about 70% of existing shareholders, have retained shares.

See Page 11
Remarkably bubbly results from ABI

BRENT VON MELVILLE

AMALGAMATED Beverage Industries (ABI) has posted another set of remarkably bubbly results, pushing earnings up 25% to 53.7c (42.8c) for the year to end-March.

While sales volumes for the Coca-Cola franchise grew 6% in the second half of the year, resulting in full-year volume growth of 5% and turnover rise of 19% to R894m (R730.6m), improved operating efficiencies saw trading profit up 28% to R109.6m (R87.6m).

Net financing costs dipped to R5.2m (R5.7m), while taxation chopped off 27% more at R32.2m (R40.9m). Attributable earnings rose 25% to R85.9m (R45.4m), and, according to group policy, the total dividend of 28c (21c) was covered by earnings twice.

During the year expansion capital of R48.1m was incurred in development of the Phoenix facility in Natal. The expenditure was financed by funds generated and borrowings. Average gearing for the year was 19%. The final level was at a relatively low 14%, but up on the 3.8% level of the year before.

The results were in line with market expectations.
ABI lifts earnings and dividend

By Jabulani Sikhakhane

Despite tougher trading conditions and unrest hampering deliveries of its products, soft drink bottler Amalgamated Beverage Industries (ABI) improved profitability in the year to March.

On a turnover increase of 12 percent to R884,253 million, trading profit rose 23 percent to R188,637 million from R150,900 million.

This is reflected in the rise in the trading margin from 11.5 percent to 18.5 percent.

Directors attribute this performance to improved efficiency.

Earnings per share rose 25 percent to 53.7c from 42.8c per share and a dividend of 25c, (21c) is being paid.

Due to lower average borrowings, finance charges were nine percent lower at R6,156 million (R6,806 million).

Capital expenditure of R48.1 million was funded internally and from related gearing.
SA winemakers in push for slice of UK market

The Argus Foreign Service
LONDON. — South Africa's leading wine exporters are mounting a concerted push to re-establish themselves in the British market to take advantage of what they see as a significant change of attitude towards the country and its policies.

The move has been spearheaded by KWV, which has been monitoring the situation for the past 18 months with a view to re-establishing a relationship with the British trade and Press in a way that would enable the total South African wine industry to visibly re-commence trading with Britain.

Disinformation
But much of what exporters regard as outdated and damaging opinion and disinformation still exists and could prejudice growers' attempts to introduce their wines to a wider audience abroad.

To offset this, and as part of a wider, long-term strategy to disseminate information about developments in the South African wine industry, KWV is funding a London-based communications programme in conjunction with a leading British consultancy.

The British trade has been informed about "the commitment of the South African wine industry to the British market", and a major tasting was being organised for leading experts in London.

"They therefore base their opinions on incorrect and outdated information." A London contact base to supply further information, photographs and to arrange facility visits and generally liaise with the British trade and Press was also being established.

A code of conduct, drawn up by the South African wine industry in line with President De Klerk's commitment to removing the last vestiges of apartheid, had been circulated to both trade and Press.

Also, CWSEA had pledged its commitment to a "close and continuing" trading partnership with Britain, and to extend the development of relationships within the UK wine trade, Dr Le Roux Retief said.

Bare buttocks could lead to bather's being pinched

NEPTUNE BEACH (Florida). — Anyone revealing their buttocks on the beach in the north Florida town could land in jail.

The Neptune Beach City Council has decided to enforce the state's public nudity law by charging anyone who wears G-string bikinis or Tongh swimwear on the city beach. The misdemeanour is punishable by up to a year in jail.

Mrs Vanya Gwaltney was been after the City banned the swimsuit this summer, when it was adopted...
Beer barons turn tables on whites

THE sour taste of apartheid lingers in South African sorghum beer, which is about to make capitalist shareholders of thousands of black drinkers.

The black businessmen who run state-owned National Sorghum Breweries Ltd (NSB) - the world's biggest sorghum beer company - plan to sell shares in the firm from Friday.

But apart from the company's white staff, only blacks need apply.

The colourbar on ownership is the latest twist in the politically charged history of the brew.

For many years the Government used it to help pay for apartheid.

"We are now in the final throes of ensuring that this industry will return to its rightful owners, the black community," NSB executive chairman Mthethe Mahanyele said.

Policy

"Our company policy is aimed at black economic empowerment and addressing an historical wrong."

Blacks have been brewing sorghum beer for about seven centuries, but in 1908 Ntsiki barred them from distributing it so white municipalities would have a monopoly.

The monopoly was extended to other white municipalities, including those around Johannesburg.

They set up beerhalls and sold the proceeds to pay for services in black townships.

With the creation of so-called black homelands in the 1960s, beer profits were diverted from the townships to the territories which apartheid denoted were the real homes of South Africa's blacks.

Police raids on illicit home brewers were part of daily township life.

Beerhalls became symbols of apartheid and were attacked in anti-Government protests.

The official names which whites gave sorghum beer reflected changing racial labels - from "kaffir" beer, to native beer.

Since the Government set up NSB with a board of independent directors in 1970, brewery products have been given names like Zebra, Leopard, Country Brew and Kalahari.

FOCUS

Nutritious

Sorghum beer is packed with protein, carbohydrate and vitamins and is low in alcohol.

It is as nutritious as an inappetent drip and, for the non-traditional consumer, equally palatable.

Mahanyele said white staff of NSB, including some top executives, would also be able to buy shares so ownership would not be exclusively black.

Target

"This is not regarded as a privatisation. It is regarded as returning something which has been taken away from the black community," he said.

"The share offer is particularly aimed at consumers of the product who are 98.9 percent black."

"It stands to reason the people who benefit from this offer should be the black community."

But the blacks-only policy has come in for criticism.

Business Day newspaper said in an editorial: "It's fine that employees and distributors be offered preferential allocations.

"What sticks in the craw is that the remainder of the shares are reserved for what NSB coyly describes as sorghum beer's traditional consumers. What's wrong with openly offering the shares to everyone?"

Critical

The paper also criticised the NSB decision not to offer the shares on the Johannesburg Stock Exchange initially but act itself as trader in the stock.

Mahanyele said this was to protect the share buyers, who would generally be small investors with no more than R100 or R200 to spend.

"Their equity would be guaranteed for the first year."

"Why must the 'traditional consumers' be treated as juveniles?" asked the newspaper.

"Are NSB's managers to decide who will own the company's shares after privatisation? Will prospective shareholders need to carry a pass classifying them as 'traditional consumers'?"

The cost

Mahanyele said he expected hundreds of thousands of people to buy shares.

Shares will be priced at R1, each but the number on offer will be disclosed only on Friday.

The company, with an annual turnover of around R300 million, employs 3,500 people and runs 18 breweries - Supa-Reporter

MONALE MAHANYELE: "Our company policy is aimed at black economic empowerment."

Sowetan's cartoonist Len Sak is on leave. His work will reappear when he returns.
SAB results hinge on beer, foreign interests

STERLING performances from SA Breweries' (SAB's) beer division, its foreign interests, Edgars and ABI would boost the group's results for the year to end-March, industry analysts have said.

The results are due on Thursday.

Attributable earnings of listed subsidiaries OK Bazaars, Da Gama, Amrel, Afcol and Lion Match were below those of last year, while results from Edgars and ABI were excellent.

Despite lower earnings from some of the companies, analysts said performances from the group's foreign interests and its beer division were expected to be "extremely good", and these two divisions would make bigger contributions to the bottom line than they did in financial 1990.

Analysts have forecast increases in group earnings of between 11% and 18% for the year, with the majority forecasting growth of between 15% and 16%.

One analyst said SAB should report an increase in earnings in the region of 15,8% to 26,3% a share, with a dividend of 120c a share.

Another said his "conservative estimate" was earnings of 291c a share (an 11,5% increase) with a dividend of 114c a share.

However, he said rumours in the market "were anything up to 370c a share".

Results for SAB's listed companies included Edgars' 22% rise in attributable earnings to R150,4m and ABI's 25% rise to R66,9m.

However, the OK turned in a 26,3% drop in earnings to R14,5m, as did Afcol (down 14% to R40,6m) and Da Gama (down 30% annualized to R42,2m).

Amrel and Lion Match showed no real growth, with attributable earnings of R24m and R15,4m respectively.

Combined results of listed interests which have already reported indicate a slight decline on the previous year.

However, other subsidiaries, particularly the beer division, would be major determining factors.

An analyst said the foreign side, which contributed 7% to 8% of earnings, would contribute R60m this year compared with 48m last year — a 42% increase.

An analyst said the beer division would do exceptionally well and would increase its contribution to 56% (35%) of attributable earnings.

Another result still to be included is Southern Sun, which was incorporated as a wholly owned subsidiary last year.

An analyst said Southern Sun would probably add R5m at the most to the bottom line, and another said he would be surprised if it made any contribution.

In the year to March 1990, SAB's bottom line earnings grew by 20% to R601m (R502m), and from 107,2c to 225,2c a share.

Turnover grew by 25% to R13,3bn.

At the September interim stage, group turnover rose 19% to R6,9bn, with earnings up by 21% to R214m or 86c a share.
## SAB matures well as earnings rise 18%

MARIA KLEIN

SA BREWERIES (SAB) yesterday celebrated its 90th birthday with an 18% rise in attributable earnings to R711m (R604m) for the year to end-March.

On the back of excellent results, with significant contributions from its beer division, overseas interests, ABV and Edgars, SAB’s share price was pushed up to close yesterday at a high of R48.50.

The group’s results were superb against the background of a 24.4% increase in interest to R275m (R221m), tax up by R119m to R564m (R453m) and additional replacement costs for depreciation up by 33.3% to R56m (R40m). group executive chairman Meyer Kahn said in a interview yesterday:

“Taking these factors into account, an 18% rise in earnings to 265c (225c) a share was a good cause to be proud,” he said.

A 16% increase in group turnover to R15,6bn (R13,3bn) was “satisfactory considering the effect of social and political upheaval and depressed economic circumstances on the broad mass of consumers.”

Kahn said what was even more pleasing was the 21% increase in trading profit to R1,6bn (R1,6bn).

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High financing costs and tax saw profit after taxation up by 14% to R920m (R814m). A final dividend of 83c a share was declared, bringing ordinary dividends for the year up by 17% to 118c (101c) a share.

Kahn said that in what was a first in SA’s commercial history, the group reported a cash equivalent of earnings SAB had developed a calculation of earnings a share.

"To Page 2"

### SAB

on a cash equivalent basis. By eliminating the effect of all non-cash items the cash potential per share could be identified. For 1991, the cash equivalent earnings increased by 16% to 390c (336c) a share.

Cash flow from operations increased by 19% to over R1,1bn, which meant that the group’s R1,2bn investment expenditure required a net borrowings increase of only R500m. Gearing closed at 52% (45%).

Kahn said the group’s financial position allowed it to undertake planned capital expenditure of R3bn.

The beer division increased its contribution to group earnings by 25%, bringing its contribution up to 57% of group profits. Commenting on reports that other players were eager to enter the SA beer market, Kahn said SAB had never been given an exclusive licence, and its achievements were based on good performance.

The group’s overseas interests — which contributed 7% to 8% of profits — increased their performance by 15%.

However, Southern Sun’s contribution was down by 50% to R16m (R32m).

Da Gama, the OK, Afeol and Southern Sun had been down, but Kahn said they had been operating in difficult environments.

Apart from the beer division, other interests of the group improved their contribution by 9% to R604m, or 43% of the total.

Kahn has set a target for financial 1992 of a 14% to 15% growth in earnings, with inflation of around 14%. "From Page 1"
NSB launches share issue today

The share issue of National Sorghum Breweries (NSB) opens today with an offer of 4.5 million shares at R1 each.

An aim of the issue is to place NSB in the hands of the community that supports the sorghum beer industry. This includes employees, distributors and consumers, most of whom are black.

No single shareholder may own more than 10% of the issued shares and 30% of the shares will be allocated to the 3,500 employees at a 30% discount. The balance will be sold to the public.

The public offer is underwritten by the Industrial Development Corporation which has undertaken to buy back shares at the R1 issue price until June 30, 1992.
The match interests, Wilkinson Sword razor blades and Interpak packaging all did better. Earnings fell only at the appliance division, which includes the Pineware and Rowenta brands.

Outside beverages, Edgars stands out. Earnings growth is not quite as high as at credit competitors like Foschini and Wooltru’s Speciality Retail Group of 32% and 33% respectively. But 22% growth in a recession is welcome.

Edgars is not strictly comparable with competing, smaller credit chains. It has a much wider customer base, is not so exposed to high-margin high fashion and is held back by continued problems of its cash chain. Yet the Edgars chain itself achieved a 33% growth in after-tax profit.

Its marketing-led strategy is still gaining market share—in clothing, footwear, textiles and accessories, from 15.5% to 16.8%. Sales grew by 25% to R2.5bn, compared with average growth in the sector of 14%. Operating margin was squeezed, so operating profit rose by 23%, because of a 31% increase in finance costs, only partly offset by a lower tax rate. Attributable earnings increased by 22%.

Edgars has confounded criticism that it was growing on the back of easy credit. Gearing has fallen from 64% to 59%, despite the pressures of managing the growing debtors’ book. Cash flow before investment activities changed from a net R26m use to a R39m retention. Group MD George Beeton says more emphasis will be put on cash flow.

Amrel has stayed aloof from the boom in retail furniture, which led to such spectacular results—and high debt—at such as Rusfur, the JD Group and Profurn. The fourth year running it emphasised asset management and the quality of debtors in preference to sales. Attributable earnings grew by just 6% on sales growth of 21%.

Amrel, however, accounts conservatively and unlike most provides comprehensively for deferred taxation, more than R18m was provided for current and deferred tax. An additional R5.7m was set aside as an abnormal item to cover increased bad debt.

It has gearing of 75%, low in the world of retail furniture, and not much higher than 71% at OK Bazaars, which is an 85% cash business. It looks better placed than most furniture companies for the downturn.

Unless some unusual numbers are brought out of the hat this week, SAB is unlikely to repeat last year’s earnings growth of 20%, but will still be well ahead of most industrial companies, where earnings on average have dipped by almost 10%.

SA BREWERIES WAITING FOR BEER

Though all listed subsidiaries of SA Breweries have now reported the full picture will emerge only once results of the powerful Beer Division are known. Analysts predict overall earnings growth of 13%–17%, with 18%–23% from the Beer Division.

What can be predicted is that beverages, alcoholic or not, will remain the mainsail. Last year 53% of group attributable earnings were generated by the unbundled Beer Division but, in years in which the rest of the group is weaker, this can be up to 60%. Beer sales have been growing annually 10% by volume.

The other star is 67.5%-held soft drinks interest, Analogated Beverage Industries, with earnings growth of 25%. The Coca-Cola franchise is the core of this business, with volume growth of 6% a year. Real earnings growth can be expected from other beverage interests, which include 30%-held Distillers Corp and Stellenbosch Farmers’ Winery, Traditional Beer Investments and Appleton’s Overall, beverages account for more than 70% of group profit.

Results in general retailing and manufacturing subsidiaries were more mixed than usual, manufacturing and OK Bazaars (see separate article) dragging down the rest. Outside drinks, only Edgars’ earnings beat inflation. Southern Sun, now an unbundled subsidiary, looks unlikely to show real earnings growth, though it still has a lucrative 20% stake in Sun International.

Two other unknowns are the additional replacement cost depreciation, a form of inflation accounting which took R45m off taxed profit last year, and foreign earnings, which added R48m, and could exceed R60m if previous growth is repeated.

If OK’s 26% earnings fall took analysts by surprise, that at Da Gama Textiles was more predictable. Textile companies have been reporting either earnings declines (Romatshe) or losses (Unispun and Frame).

Despite a 30% decline in earnings Da Gama remains the star of the sector and maintained an operating margin of 19%. Da Gama remains almost ungeared and is a net earner of interest. It has borrowings of less than R2m on shareholders’ funds of almost R200m. With this kind of balance sheet and profitability it does not have to justify its place in the portfolio.

Earnings of Afcol’s managed interests grew by 1%, but it was dragged down by a 27% drop in earnings from equity-accounted interests, mainly 23% of the troubled textile company Romatex and the office furniture interests owned jointly with M+A. Afcol’s overall earnings fell by 14%. There was no turnover growth in the last quarter and management is looking for only modest growth in earnings this year. Fortunately, gearing was reduced from 41% to 37%.

In line with the relative resilience of consumer spending, Lion Match pushed profit after tax up 20%. The bottom line increased by just 10% as there was no contribution from the equity accounted associate, Chet...
Black brewery share offer

Business Staff

NATIONAL Sorghum Breweries has announced a public share issue aimed at placing the sorghum brewing industry in black hands and making it the largest black-owned business in the country.

In financial 1990 the company, which employs nearly 3500 people, had a turnover of about R318 million and operating income of R14.5 million — down from R17.4 million in 1989.
Suzie's Ignored unrest
SA Brews Prosper as

[Image of a person riding a motorcycle with a caption stating: "Suzie's Ignored unrest"]

SA Brews Prosper as

[Image of a person riding a motorcycle with a caption stating: "Suzie's Ignored unrest"]

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Sorghum workers get free shares

By DON ROBERTSON

THE GOVERNMENT's promise to privatisethe sorghum beer industry is being fulfilled with this week's issue by National Sorghum Breweries (NSB) of 44-million shares at R1 each.

This proceeds will be used to repay a R44-million loan in full to the Government. It is effectively the purchase price of the company.

The offer, which opened on Friday and will close on June 19, is aimed at employees, distributors, retailers and consumers. Should all the shares not be applied for, the balance will be offered to the public.

Each of the 3,500 employees will be given 200 free shares out of an allocation of 12.2-million, which will be bought by the NSB Employees Share Trust. To finance this, the trust has borrowed R13.2-million from the State, repayable, free of interest, in three years.

After the allocation of about 700,000 free shares to employees, the 12.2-million balance will be offered to them at a discount of 30%, or 73c each. The 30c a share discount must be repaid within three years. The 59.8-million shares remaining will be offered to selected public groups.

The issue price looks attractive. Forecast earnings for the year to June are 25c a share and a dividend of 11.6c is expected, based on 2.5 times cover. In the following year, earnings are expected to decline to 20c and the dividend to 10c.

Shareholders will not qualify for a dividend in the current year and can expect to receive the first payment of 10c in September 1992.
Brewery expects share offer to be oversubscribed

By MARCIA KLEIN

Initial interest in the National Sorghum Brewery public share offer pointed to oversubscription, a spokesman said on Friday.

Although the offer — of more than 43-million shares at 100c each — was only in its first day, he said that based on the interest shown, he was sure the offer would be oversubscribed.

"NSB will try to spread the shares as widely as possible, but preference will be given to people who are black and those who are associated with the sorghum beer industry. This is in line with NSB's mission for black economic empowerment."

A great deal of interest had been shown by "big businessmen and the man in the street"; thousands of inquiries had been received.

The Industrial Development Corporation had guaranteed the share price for 12 months, so shareholders could not lose, he said.

No date had been set for a JSE listing. The spokesman said a listing was for companies which needed to expand, and there was no doubt that NSB was in a growth phase. It had increased its products from one to 10, and was moving into soft drinks, confectionery and the leisure industry as well as investing in other black businesses.

In the year to end-June 1990 NSB's net income fell 12.5% to R11,1m (R12,7m). Operating income dropped 16.5% to R14,6m (R17,4m) on a 16.5% turnover rise to R310,1m (R366,2m). Directors forecast a 14.8% increase in turnover to R338m, a 20% rise in operating income to R17,4m and a 15.3% rise in net income to R12,9m for the year to end-June 1991.

Dividends, based on earnings of at least 25c a share and a dividend cover of at least 2.5 times, would be no less than 10c a share. The spokesman said "a substantial amount" had been invested in a media campaign to promote the share offer.
Company offers 44 million shares

The offer of nearly 44 million shares in National Grain Sorghum Enterprises, at the weekend, marked an important and significant milestone in South Africa's economic history. This was said by Dr. Dawie de Villiers, Minster of Economic Co-operation and Public Enterprises, at the weekend. "This company should pave the way into a new socio-political and economic era in South Africa where blacks and whites participate fully on equal terms to enrich the total community." - Saps
Garden project boosted

By Mark Szuman

National Beverages Services (Natbev) yesterday presented the Food Garden Foundation with a cheque for R25 000 at one of the charity’s projects at Kiptown squatter camp outside Soweto.

The Food Garden Foundation is a non-profit organisation that operates throughout southern Africa by supplying seed and providing training for underprivileged people to grow their own food.

The donation, made as part of Natbev’s social responsibility programme, will be used to help expand the foundation’s activities.

Accepting the award, foundation director Pauline Rampling said: “Our aim is not to provide a handout but a hand-up, and it is only through corporate donations like this that we can do so.”

Speaking at the squatter camp’s small but thriving food garden, Natbev social responsibility programme manager Eunice Sibuya said the programme was a worthy one and she hoped that the example of a successful vegetable garden in the squatter camp was one that would be emulated in other areas.

“A project like this serves two purposes - it teaches people to support themselves and it helps individuals to regain human dignity and self-pride,” Mrs Sibuya said.
Minimum fee put brewery off JSE route

THE JSE's R30 minimum fee on share transactions was an important reason in not choosing the exchange for the sale of shares in National Sorghum Breweries (NSB), Finansbank executive director Willy Ross said yesterday.

The 44-million shares of R1 each that the NSB is offering to its predominantly black employees, directors and customers, will instead be traded in an over-the-counter market free from transaction fees.

A second reason, said Ross, was the need for "a certain education process" for what was a large body of first-time investors.

Finansbank, merchant bankers to the NSB, had structured the share issue around the need to keep it simple and ensure it succeeded, he said.

This explained such concepts as the buyback option, which involves the Industrial Development Corporation (IDC), underwriters of the issue, undertaking to repurchase the shares at their issue price of R1 within a year of the close of the offer.

"It gives holders of the shares a level of comfort for one year in the event the shares fall below R1," said Ross. He expected the shares to trade above their R1 issue price.

Another aspect of the Finansbank approach had been to offer the shares in affordable tranches of 100 for the "hundreds of thousands" of expected shareholders.

Buyers and sellers will eventually trade by communicating their orders by telephone to an audited PC-based system which will match supply and demand on a first-come first-served basis. Transfer of ownership will be monitored by transfer secretaries Mercantile Registrars.

He conceded that the shares were destined first and foremost for the people most closely associated with NSB though there was nothing unusual about this.

Certain UK privatization issues such as British Gas and British Telecom had also given special incentives to account users to take up shares, Ross said. It did not mean everyone else was excluded.

He did not rule out NSB moving to the JSE once the initial aims of the share issue had been achieved.
Sorghum beer trade returns to rightful owners

BY ALI MPHAKI

THE offer of nearly 44 million shares at R1 each by National Sorghum Beer Limited marks an important and significant milestone in South Africa’s economic history.

This was said this week by Minister of Economic Co-ordination and Public Enterprises, Dr. Dawie de Villiers.

The offer, which will finally place the sorghum beer industry in the hands of the people who support it, opened on Monday.

De Villiers said it was important that the NSB succeed as a company.

Investors

"This company should pave the way for a new socio-political and economic era in South Africa where blacks and whites participate fully on equal terms to enrich the total community," he said.

Last year De Villiers brought to an end almost a century's campaigning by blacks when he announced that the Government wished to transfer the NSB to investors belonging to the communities who supported the industry.

No single shareholder may own more than 10 percent of the company's issued shares.

Shares

The company has undertaken to allocate 30 percent of the shares to its 3,500 employees at a discount of 30 percent and the balance to the public. The public offer is underwritten by the Industrial Development Corporation.

As the NSB's mission is to help black economic empowerment, preference will be given to members of the black community.

Managing director Mr. Sam Monikiti says the company aims to put pride and respect back into the sorghum beer industry.

Recipés

"We will do this by making sure that our breweries employ strict quality control and that only the finest raw materials are used."

"The original recipes used by our forefathers will be closely followed and we will take advantage of advanced brewing technology to maintain taste and quality," he said.

The prospectus will be available at all outlets of Standard Bank, The African Bank, Makro Cash and Carry stores, Pick 'n Pay, all breweries, depots and offices of NSB Mercantile Registrars in Johannesburg and the IDC head office.
Beer invasion still some way off

By Des Parker

DURBAN — Foreign competition for SA Breweries (SAB) in the domestic market is unlikely to come to a head for the best part of three years — and then outsiders will have their work cut out against established brands.

Analyst Gil Catton of brokers Davis Borkum Hare says with beer consumption seldom increasing at less than 10 percent annually in the past decade, it is inevitable that overseas brewers will keep close tabs on the market.

He says US brewer Anheuser Busch, one of two foreign companies that have investigated SA, can be expected to make a decision on investment only in 1992 because US anti-apartheid laws cannot be scrapped before the end of the year.

"The commencement of brewing would involve a delay of at least 18 months. Thus Budweiser (Anheuser Busch's main brand) could only be launched, at the earliest, some time in 1994." "

Gumness, the other brewer to look at SAB's record, faces a considerable delay if it decides to put its famous stout against Castle Milk Stout.

The only other producer of any size is Johannesburg businessman Louis Luyt, who has stated his intention to spend as much as R500 million building a brewery at Randfontein with a capacity equal to about 6.7 percent of the domestic market.

It remains uncertain whether the plan involves association with a major world brand — Budweiser has been mentioned — or whether Mr Luyt intends to brew under licence.

The only other brewers on the horizon are niche operators, such as Mitchell's at Royma and Cape Town, and Durban's Crawfords, which are estimated to produce about 0.11 percent of the beer drunk in SA.

The Bavaria Brau Brewery at Verwoerdburg is expected to start functioning soon on a relatively large scale, with a capacity estimated at six million litres annually.

Mr Catton says SAB is the ninth-biggest brewing firm in the world, although South Africans are estimated to rank only eleventh in the list of beer-drinkers.

They drink about 55 litres each a year. Germans, who outdrink all others, quaff 142.9 litres each, followed by the Danes, who knock back 127.3 litres for every man, woman and child.
Despite the recession and difficulties in distributing beer to many unrest areas, the beer division has kicked in a massive 26% growth in earnings on a 12% volume growth. SA Breweries consequently lifted earnings by 18%, beating market predictions of 13%-16% growth. For all the talk of a competitor entering the beer market, SAB considers it inconceivable that a major brewery could be up and running in this financial year — and there are no signs that volume growth in the beer market is letting up.

The beer division’s earnings accounted for 57% of the total compared with 53% last year. In total, the beverage interests chipped in more than 72% of earnings, compared with 68% last year.

There were pleasant surprises from the unrelated interests. In particular, SAB’s foreign interests increased their contribution by 19% to R57m. Southern Sun’s bottom line fell from R27m to R15m, though some analysts predicted these could plummet to R5m.

When the contribution from Sun International is stripped out, Southern Sun made a small operating profit. Hotel occupancy averaged 58%. The standard break-even point is considered to be 60%. SAB has taken over the group’s properties, and they are now leased to Southern Sun on an arm’s-length commercial basis. SAB group financial director Selwyn MacFarlane says this has enabled Southern Sun management to concentrate on managing hotels rather than on owning and financing properties.

Ed Herrn, Rudolph’s Sid Viarelo, suggests SAB should consider taking out minorities in OK Bazaars. He says OK is relying on creditors to finance its business and could suffer major cash flow pressures. "It will be vital to recapitalise the business if it is to go through the restructuring and refurbishment needed to catch up with its competitors," he says. "It would be unrealistic to expect a successful rights issue by OK, so the money would have to be injected by SAB."

But MacFarlane says SAB is not considering a buy-out. "On the whole we consider minority shareholders to be a good discipline on management," he says. "We have to run our businesses so that they stand up to regular scrutiny."

He says SAB has confidence in the long-term future of the OK, particularly because of its huge black clientele, and attention is being given to establishing a clearer position in the marketplace. SAB was a strong supporter of OK’s decision to close more than 30 smaller stores.

A feature of the SAB results is the additional replacement depreciation, which took R60m off the bottom line. MacFarlane says it’s essential to anticipate effects of inflation on replacement costs. SAB includes an inflation-adjusted balance sheet and income statement in its annual report. For the first time, SAB has disclosed EPS based on the cash-generation potential.

"Income statements do not provide the real picture," says MacFarlane, "as they include non-cash items such as deferred tax, depreciation and equity-accounted earnings. Cash equivalent EPS therefore provide an important supplemental measure for comparison with the cash flow per share achieved." SAB generated more than R1,1bn in cash, which gives cash earnings of 390c a share, compared with a conventional

### A STRONGER BREW

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<tr>
<th>Year to March 31</th>
<th>1990</th>
<th>1991</th>
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<td>Turnover (Rm)</td>
<td>13 250</td>
<td>15 385</td>
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<tr>
<td>Pretax profit (Rm)</td>
<td>1 316</td>
<td>1 568</td>
</tr>
<tr>
<td>Attributable (Rc)</td>
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<td>711</td>
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<tr>
<td>Earnings (c)</td>
<td>225</td>
<td>285</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>101</td>
<td>118</td>
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EPS of 265c SAB has a cash-sustainable growth rate of 22% a year, though it maintains a dividend cover of 2.2.

Gearing increased from 0.45 to 0.52, but this remains below the self-imposed gearing constraints of 0.6. SAB has embarked upon its most ambitious capital-spending programme ever, with R3bn committed, of which R1.5bn will be spent in the coming year. MacFarlane says SAB’s financial advisers consider 75% a comfortable debt level on the group’s asset base. SAB, however, is averse to this debt level, and believes it is important to maintain an interest cover of at least six times as it is at present.

These results underpin the present 5 050c share price, which is 50% up on the 12-month low set last October.

Stephen Creaven
Not yet here for the beer
Monopolies are a detriment to beer trade

While it has been a good move on the Government's part to privatise the National Sorghum Breweries, the protection offered to NSB until 1995 means that a public monopoly has been replaced by a private one. This is the view of Ron Schreuder, general manager of Traditional Beer Investments (TBI), which brews sorghum beer in Bophuthatswana, Venda, Transkei and Lesotho. TBI is a division of the South African Breweries.

According to NSB's prospectus, the company obtained an exclusive right to manufacture, sell and deliver sorghum beer in the Republic of South Africa, excluding self-governing states and certain black areas. The exclusive right expires on June 30, 1995.

Mr Schreuder says the sorghum-beer industry only has a chance to grow if there is a free competition between brews for consumer loyalty and buying power.

"Our view is that the replacement of a Government monopoly by a private company monopoly could only be to the detriment of the consumers of sorghum beer and the trade."

Mr Schreuder does not see sorghum beer recovering the market share it has lost to lager (Clear) beer over the last 10 years. But he adds that if properly run, wet base sorghum beer (the commercial brew) can gain market shares against the home brew (dry base sorghum beer).

He estimates the wet base sorghum beer market at one billion litres per annum and the home brew market at two to three times the size of the wet base sorghum beer.

"It's a hell of a challenge facing the sorghum beer industry," concluded Mr Schreuder.
A man with 'the people' at heart

Mohale Mahanyele (62) is the executive chairman of the largest black-owned company in South Africa National Sorghum Breweries, has a turnover of approximately R350 million and assets at book value of R106.12 million.

The company was incorporated as a private company, Tusitala, in March 1970. It changed its name to the National Sorghum Breweries in March last year to serve as the vehicle as a vehicle for the State's sorghum interest.

Mr Mahanyele took over as executive chairman in July last year.

Luthuli

One of the 10 children, Mahanyele was born in Sophiatown. After matriculating at Madibane High School in Western Township, he worked for African Horizon Insurance Company, which included among its board members, African National Congress leaders Chief Albert Luthuli and Professor ZK Mathews.

When the venture failed in 1962, Mahanyele joined Sales House as salesman. Then he moved to the United States Information Service as an assistant librarian.

He studied through correspondence for a BSc degree with the University of London and later achieved his MBA through a Canadian University.

Mr Mahanyele then joined the National African Federated Chambers of Commerce (Nafooc) as executive director. It was Mr Mahanyele, as Nafooc executive director, who led a delegation which got an assurance from the then Minister of Planning, Dr Piet Koornhof, that the industry would one day be returned to its rightful owners.

Trade Organisation

South African Rail Commuter Corporation, International Executive Service Corps SA, Qwaqwa Development Corporation and the Training Channel.

Appointments

He says creating employment opportunities for blacks is a permanent aspect of the NSP policy.

"Important senior black appointments have already been made, for example Israel Skosana as group manager of strategic planning, and Monwabisi Fandeko as general manager of Ijuba Breweries in Natal."

"National Sorghum Breweries will not try to go it alone, but will try to utilise black and white expertise to fulfill its true potential as a major generator of economic opportunity for our people," he says.

Mohale Mahanyele

He is currently a member of the State President's Economic Advisory Council, and on the SA Media Council.

Mr Mahanyele is also a director of SA Phillips, York Timber Company, South African Foreign
Social conditions determine brewery turnover

The turnover and profitability of the National Sorghum Breweries in the 12 months to June 1992 could be detrimentally affected by unrest, violence in and around the hostels, unemployment and deteriorating economic conditions amongst consumers of NSB products.

According to the prospectus, NSB's taxed income should be at least R11 million compared with the forecast R12.7 million for the 12 months to June 1991. In the absence of unforeseen circumstances, a dividend of 10c per share (covered 2.5 times) should be paid for financial 1992.

Directors say, however, that a strong foundation would have been laid for the company's next growth phase in turnover and profitability.

In the three years to June 1990, NSB's operating income has shown little growth despite a steady rise in turnover.


Operating income rose slightly in 1986 from R18.20 million to R17.38 million, but declined again in 1990 to R14.54 million. This is reflected in a drop in operating margins from 7 percent (1988) to 4.3 percent (1990) and 4.7 percent in 1990. Margins are forecast to recover slightly to about 5 percent in the year to June 1993.

After notional tax, taxed net income was R12.12 million in 1988, R12.69 million in 1989 and R11.09 million in 1990 and is forecast to improve slightly in 1991 to R12.79 million.

The situation is much worse that it should be. Bottom line profits (taxed income) have actually been boosted by interest earned on bank balances and cash of R43.19 million (at June 1990).

Stripping but the cash content of taxed income, leaving only income from trading operations, taxed income for 1988 would have been R8.27 million, R8.86 million in 1989, R7.41 million (1990) and R8.08 million in financial 1991 (forecast).

NSB, according to the prospectus, has earmarked a number of urgent capital projects which will be submitted to the board during the course of next year. These projects are not expected to have any positive impact on earnings in the immediate future.

It would appear therefore that in the short to medium term, the company's cash-pile could decline dramatically, placing NSB's bottom line earnings even more under pressure.

Total market for alcoholic beverages in RSA
Based on alcohol content

1970
- Sorghum Beer 49%
- Wine Spirits 1%
- Whisky 2%
- Natural Wine 4%
- Fortified Wine 8%
- Cane & Grain 7%

1989
- Sorghum Beer 30%
- Wine Spirits 2%
- Whisky 3%
- Natural Wine 12%
- Fortified Wine 4%
- Cane & Grain 4%

Beer 38%
Brandy 7%

Company... any occasion is an occasion to indulge in a little quaff of the "old stuff".
A drop in the consumption of beer

Agreement is that in July 1993 to cut the job losses and

unemployed will remain

than the average of three years in the 1980

the beer sector.

stabilize the situation. Some

employees are allocated shares in Grand

National Sothurn

A wet and a dry side to beer industry

Plan for community to control the industry

of Sothurn

A new drop in the market

powder takes the cake in the market

20% 81% 19%
portion (a subsidiary of JSE-listed Tager Oats) says it is difficult to estimate the size of the dry base sorghum beer market in volume, due to the many various recipes that are used for individual brewing.

Added to this are an indeterminable number of people who grow and utilise their own sorghum.

But he adds that sorghum used in the production of all malt production showed a 2.4 percent volume growth for the year 1990 according to the Sorghum Board.

Although it is estimated that approximately 40 percent of the total malt production is used as an ingredient in the manufacture of wet base sorghum beer, it must be borne in mind that this represents between 30 percent and 40 percent of the total ingredients of the final brew, with maize representing the balance.

"It is estimated that the actual volume yield of 1kg of sorghum malt used for the manufacture of wet base beer is double that which is achieved in the home brewing process, and meaningful comparisons are therefore not possible."

The dry base sorghum beer market, says Mr Hughes, has shown sustained growth in the market over the past three years with the 1990 figure standing at growth of 2.4 percent.

"We see no reason why this should change in the current year, nor in the future. Whilst this is not attractive, it is certainly stable."

While Mr Hughes does not accept that there has been a major swing from sorghum beer to clear (lager) beer on a national basis, he concedes that urbanisation and westernisation could have had an effect on the drinking patterns of the black people.

But he adds that home brew, as distinct from other forms of sorghum beer, will retain its position as the real drink of the black people. This is not only because of its appeal as a beverage but due to its importance in a host of rites and rituals to celebrate anything from birth to marriage. Home brew sorghum beer is in essence an integral part of black people's heritage.

The current profile of the dry-base home brew sorghum drinker still cuts across all income groups, based upon the traditional and social calling of the moment. For the traditional drinkers it includes all income groups, while for the social calling it is consumed at home with family and friends and culturally the product is consumed at all ceremonial functions.

Historically, though, the market has shown a rural bias because the bulk of the black population live in the rural areas.

"We believe that in the future there will be a return to traditional roots, and accordingly there will always be a place for home brew products," says Mr Hughes.
The traditions of stout beer has a history of protest.

Back to 600 BC, pink gold date of tradition.

Nutritious beer has a history of protest.
SAB among top 10 world beer exporters

Own Correspondent

Johannesburg — SA Breweries (SAB) has become the world's tenth largest exporter of beer since it began its major export drive just over two years ago.

SAB, which started its exports in 1969, is currently among the top 10 beer exporters in the world, exporting to 47 countries, marketing manager (exports) Nick Spiropoulos said in an interview yesterday.

SAB, the seventh largest brewery in the world in terms of production, exported 870,000 cases two years ago and 4m last year (a growth of more than 400%)

Export sales

Spiropoulos said SAB would probably achieve its goal of export sales this year, although he would not disclose the amount.

It was currently sending the product to the Soviet Union and other Eastern European countries including Czechoslovakia, Poland and Bulgaria.

Spiropoulos said SAB "had a tiger by the tail". It had recently added 12 countries to the 35 it had established as export markets, and was expecting some more this year.

SAB, which previously exported to some countries in Africa, was now exporting to other African countries, as well as Europe, South America, the Far East and the Middle East.

It exported mainly Castle, Ohlsons, Lion and Hansa in cans. Special cans were printed for some countries, including Israel, Hong Kong and Spanish speaking South American countries.

SA beer was freely available on board Argentinian, Uruguayan, and Paraguayan airlines.

Spiropoulos said people were keen on the SA products because of their quality and low price due to the exchange rate.

In South America, SAB prices were the equivalent of $0.10 to $0.20 a can more expensive than local beers, while imports from the US were $0.60 to $0.70c more expensive.

This was largely due to the rand/dollar exchange rate and also due to SA government subsidies.

Prices

SAB's prices were also substantially below those of other foreign beers, he said.

In the yuppie clubs and pubs it was fashionable to be seen drinking imported beer.

In Punta Del Este most supermarkets stocked SA beer. Also, cans were popular as only bottled beer was brewed in Argentina. Spiropoulos said the timing was also right following recent political developments in SA.

The Uruguayan agent for SAB products, who was the captain of their national rugby side, had increased his imports from one container a year ago to 10 containers this year. Spiropoulos attributed his interest to SA being seen as "the father of rugby in South America".

Spiropoulos expected future growth to come from Africa and South America, as the European market was reaching saturation.
Cape wine giant to lay off staff?

By PIETER COETZEE
Financial Editor

ONE of South Africa's wine giants, Stellenbosch Farmers Winery, confirmed yesterday that it was considering a major retrenchment and cost-cutting drive.

Chairman Mr Dave Marlow said this could also lead to the closing of some bottling lines.

He was reacting yesterday to market talk that workers had been retrenched at SFW, that its Oude Libertas Centre would be closed and that two bottling plants had been closed down.

Mr Marlow confirmed that the group was looking at how to be as cost-efficient as possible and was examining its internal structures.

He said nobody had been retrenched so far, but the group was in consultation with trade unions on how it could cut costs and streamline structures within the group.

Depending on the outcome of the talks, this could lead to retrenchments, he said. It was impossible to say how many people would be affected. No decision would be reached before the end of June.

Mr Marlow said the present economic circumstances demanded that each company examine its structures.

Regarding the Oude Libertas Centre, Mr Marlow said it was still operational. The theatre was closed for the winter season, as was usual in the case, and would be reopened in summer.

The vinotech, catering facilities and Cape Wine Academy were fully operational and doing well, he said.
Farmers' Winery (SFW) plant at New Germany in Natal

Although the group, which has more than 50% of the local wine market, is still consulting with employees and trade unions and says officially that a final decision has not been taken, it seems almost certain that the plant will close.

SFW's plants at King William's Town and George are also under scrutiny. Group MD Frans Stroebel says the rationalisation process could affect 150 employees at the three plants and about 300 staff nationally.

News of the threatened shutdown was greeted with dismay when it leaked out early this week. Besides having a negative effect on business confidence in Natal, the news is likely to have a bad psychological effect on the industry. Other wine and spirit companies are having a tough time with little or no growth in the market and fierce pricing competition.

The New Germany plant used to be a major producer of Mainstay cane spirit. But national output has dropped from more than 1m cases in the early 80s to around 500,000 cases now. SFW's last two annual reports showed a slight drop in earnings.

Stroebel says that with plants across the country — New Germany is believed to be SFW's third biggest, after Wadeville near Johannesburg and the Stellenbosch plant — the group found that changing market conditions meant bigger plant utilisation. Johannesburg, he says, can serve Natal, and Stellenbosch some of the other centres.

Inapt marketing

Stroebel says that while former strong labels such as Mainstay have been affected by cheaper brands and a cyclical market, with the cost trimmings now being implemented, they will regain their strength. The group remains optimistic that new opportunities will open up for it, such as exports.

But competitors say SFW has fallen victim to some bad marketing decisions and lost market to cheaper brands.

While Stroebel says the group is now satisfied with its mark-up on market leaders such as Graca wine, understood to be the second biggest label on the market, competitors feel that SFW operates on margins too small to justify the amounts it spends on promoting products such as Graca.

It's also believed to have over-capitalised on canned wine coolers, which seem to have been a market fad. Stroebel says that since the wine cooler heyday of 1984, sales are down.

While SFW's cutbacks reflect conditions in the industry generally, it must concern heavyweight parents Rembrandt-KWV.

Tough competition and little growth in SA's wine and spirit industry looks set to claim one of its first victims — the Stellenbosch
Top Gov't advisory post for SAB's Kahn

SA Breweries executive chairman Meyer Kahn has been appointed special adviser on a part-time basis to Minister for Economic Co-ordination and Public Enterprises Dr Dawie de Villiers.

Mr. Kahn will continue his involvement in the private sector, "which is also of major importance to the Government," Dr. de Villiers said yesterday.

The SAB chairman will also work closely with the Central Economic Advisory Service, which is responsible to Dr. de Villiers. — Sapa.
SAB will get top priority, says Kahn

MARCIA KLEIN

SA BREWERIES (SAB) CE Meyer Kahn, appointed a special adviser to Economic Co-ordination and Public Enterprises Minister Dawie de Villiers, will spend about 20% of his time on his new responsibility.

But SAB would always come first, Kahn said yesterday. He said he would give thought to giving up some of his other activities outside SAB to accommodate his new role, which became effective from June 1.

Kahn said his new “very exciting” position would entail assisting with the economic strategy of the country, but he could not isolate any issues at this early stage.

He had already had “a couple of meetings” with De Villiers.

De Villiers said in a statement on Thursday that Kahn would continue his involvement in the private sector, which was also “of major importance to the government”.

He said Kahn would also work closely with the Central Econometric Advisory Service, which was responsible to De Villiers.

“Mr Kahn’s skills, talents and expertise, with his wide-ranging experience and knowledge of the SA business sector, make him particularly suitable for this important and challenging task,” De Villiers said.

As Kahn would retain his involvement in the private sector, he would perform his duties as special adviser on a part-time basis.
Wine industry's profits come under pressure

CAPE TOWN — Margins in the wine industry have come under extreme pressure as costs increase, consumers buy cheaper varieties and producers battle for a share of a stagnant market.

Stellenbosch Farmers' Winery (SFW) has felt the pressure and recently announced the closure of three bottling lines — in New Germany, King William's Town and George — as well as the retrenchment of about 330 of its total workforce of 4,390.

SFW chairman David Marlow said the measures were aimed at improving the cost effectiveness and competitiveness of the group at a time when there had been little growth in wine consumption, wages rose significantly and competition intensified for the export market.

Demand for wine in SA has traditionally been low about 60 litres of beer per head is drunk each year, while the white population's consumption of wine is 15 litres per head and blacks only 1.5 litres.

Marlow said competition between SA manufacturers to get export orders had become intense, enhancing the need to cut production costs.

"It is tough in the marketplace and I expect it to get tougher," Marlow said. He would not be drawn on SFW's performance in the year ending June 1991.

SFW directors, reporting a drop in attributable earnings to R24.3m (R25.9m) at the interim stage, recently said profits for the year "are expected to be somewhat less than the previous year".

Capacity

Turnover for the first six months rose 14.1% (7.6%). In the year to end June 1990 and bottom-line profits dropped 1.6% to R42.7m.

Marlow said SFW had at least maintained market share without having to reduce prices. But, a shift in consumption towards cheaper wines had necessitated a reorganisation of production processes. The loads from the closed bottling lines were being transferred to others which had spare capacity or where capacity could be created.

"The other basic thing we are doing is examining the extent to which we can contract out services such as catering, cleaning, etc." Emphasis had also been given to the management of working capital.

Prospects for the industry hinged on the success of exports, but Marlow stressed that entry into foreign markets would be a long and difficult task, especially since the new wine-producing countries such as Australia, New Zealand and Chile had stepped into the gap left when sanctions were imposed on SA.

Marketing would have to be done carefully as "each country has a market in its own right with its own preferences and tastes and has to be addressed as such," Marlow said, adding that the undercutting by local wine producers to win exports was harming the industry.

Improved political relations had opened up new opportunities for exports which could increase significantly and rapidly.
Louis Luyt buys second UK brewery

ANDREW GILL

LOUIS Luyt plans to capture between 8% and 10% of SA's beer market in the next four years, he said yesterday after confirming plans to buy a second brewery.

He was looking at the possibility of buying a 200-million-litre brewery to complement the announced acquisition of a 150-million-litre brewery from UK-based Greeneill Whitley Group in March.

It is understood that the Greeneill Whitley brewery is about to be shipped from the UK to Durban. A spokesman said plans were to ship out the complete brewery, weighing more than 11 000 cargo tons, in one shipment.

The Financial Mail reported yesterday that Luyt was negotiating to buy a second UK brewery. Luyt declined to comment on where it was based and has not named the financial backers of his first purchase.

Also, he refused comment on how much it would cost but said it was significantly cheaper than setting up a new brewery.

Both breweries are to be erected at the Aureus industrial area in Randfontein where Luyt is expected to start work no later than September.

It would result in a 400-million-litre a year operation if it ran at full capacity but this would take a few years, he said. SA's beer market is 2 400-million litres at present.

Luyt declined to give further details as the deal was still under negotiation and he was up against "formidable opposition" in SA Breweries (SAB).

SAB marketing director Peter Savory said Luyt was entitled to come into the market. The brewing giant had always said it would like to see bigger players market share belonged to the consumer but SAB would protect what it had, he said.

Luyt announced the purchase of a 150-million-litre brewery in March and said it would be opening in January 1992. A 166ha property was bought in Randfontein where the brewery would be built.

The move is the latest in a string of plans by local and overseas parties to enter the SA beer market and challenge SAB, whose share of the market is well above 50%.
BEER FM 14/6/91 (182)

BREWING COMPETITION

SA's beer war is heating up. In March former beer baron Louis Luyt announced that he had bought a UK brewery and was shipping it, lock, stock and barrel to Randfontein. Now he has brewed up another surprise—

he is negotiating the purchase of a second UK brewery.

Initially, Luyt's major competitor SA Breweries (SAB) scoffed at his plans to mount a second challenge to their dominant market position, dismissing the 150m hl a year his proposed Randfontein brewery would produce as a mere drop in the ocean.

Adding a second brewery to his 12.5 hl Randfontein site, however, could put him in a position to garner considerably more than his targeted 3% of the local beer market.

His first brewery was bought from the Greenall Whitley group, which had to choose between closing a brewery or selling off a number of its more profitable pubs to comply with British monopoly laws. The second brewery is closing for the same reason. But fearful that divulging details could alert other potential buyers, Luyt will not identify the seller.

He has still not named the financial backers of his Randfontein venture, which must stand him in at around R400m-R500m—

without a second plant. He does say, however, that by buying second-hand breweries, he is paying less than R400/hl for his brewing capacity, which is far less than a new brewery would cost.

Luyt hopes to start work at the Randfontein site "no later than September, otherwise I will miss my target date for completion."

He is being purposefully cagey about divulging the specifics of his plans. Having been beaten into submission once before by SAB in the Luyt lager beer war of the Seventies, he is not about to repeat mistakes.

"Anyone who underestimates a tough opponent like SAB is dead," he says. "I don't want to let them know at this stage exactly when I'll be coming on stream. They can cause me a lot of grief."

He is realistic about the threat he poses to SA's beer giant, though: "All I can do is slow down their growth to maybe 9% or 10% a year. If I wanted to really hurt them, I would have to aim for 10% of the market, and that would be costly."

SAB's growth in sales was a phenomenal 12% last year—more than four times the rate of SA's population growth. Spokesman Adrian Botha says the brewery sold 22.7m hl of beer in its last financial year to March. The small independent brewer's sold between 5 000 hl and 6 000 hl last year.

Graham Mackay, MD of SAB's beer division, says: "It's unrealistic to believe a 12% compound growth rate can be maintained, but I hardly think earnings will decline. Due to a lack of information, it's difficult to project Luyt's impact on the beer division. We don't know who his backers are, how aggressively he'll attack the market, or even how wide he is prepared to cast his distribution net, which will be one of the factors that will determine his market share."

Syd Vianello of stockbrokers Ed Hearn, Rudolph, takes a contrary view. In an April report on SAB, he predicted SAB's beer earnings, after more than 10 years of growth, could begin to stagnate or even fall. He pointed to the threat of new competitors entering the market—other foreign-backed ventures besides Luyt—and believes that with beer margins at an all-time high, they may not be able to rise much further.

Should a competitor tackle SAB's iron grip on the local market, Vianello says he believed that the industry's current growth in volume could not be sustained by both players simultaneously.

David Price
Sam Mosikili... believes in the nutritional value of the ingredients in sorghum beer.

Manager with a mission

MANAGING director of National Sorghum Breweries (NSB) Sam Mosikili's mission in life is to get people to drink more sorghum beer than any other beverage. 

No amount of persuasion—and there has been lots—will make him change his belief that sorghum beer is "much more than an alcoholic beverage."

Mosikili, 46, replies to anti-alcohol critics that "sorghum beer might well be a beer but also happen to be full of nutritional value."

He joined South African Breweries in 1972 as a brand manager and in 1982 was appointed commercial manager of Muluti Mountain Brewery.

Two years later he was appointed NSB's district manager for Soweto, a position he held until June last year when he became its managing director.

Mosikili is chairman of the SA/Harvard Selection Committee and an executive member of the South African Institute of Race Relations.

He is also a member of the Advisory Committee of the SA Permanent Society and the Black Management Forum.
Traditional brew as old as Africa itself

SORGHUM beer (utsiwala besiZulu or booiela baseSfobo or Maelo) is as old as Africa itself. Its nutritional qualities were well known even before modern scientists discovered them.

Its high food value and low alcohol content meant that sorghum beer could be drunk by the whole family, especially at traditional celebrations.

Brewing has traditionally been performed by women and methods and recipes have been handed down from generation to generation.

The industry has been subject to political interference and manipulation ever since the industrialization of South Africa. Even before the turn of the century whites were trying to limit its consumption, but soon realized that by controlling the industry, much money could be made.

A milestone occurred in 1908 with the Natal Beer Act which granted certain municipalities and individuals the sole right to brew sorghum beer.

By 1962 black people living in white urban areas were only allowed to brew sorghum beer if there was no brewery serving that area, and by this time there were many breweries in the Johannesburg area alone.

Throughout this period blacks protested the injustice of white control of the sorghum-brewing industry.

In July, 1990 National Sorghum Breweries was formed with a new board of directors. Minister Dawie de Villiers reaffirmed the government's commitment to place the industry in black hands, thus ending more than 80 years of politicisation and government interference in the black man's traditional brew.

Now that it is in private hands, the future looks bright indeed, and everyone at National Sorghum Breweries can play a part in securing their future - Brewers, Beerhalls and Boycotts - published by Ravan Press.
Reports written by Derrick Luthey!

NSP policy is to have more blacks in management!

Big Changes Arewing...
Froth Flies in Sorghum Beer Row

The issue is whether the product sold in a grocery store is not only a violation of the law, but also a violation of the consumer's rights.
SAB gets set to spend R3bn

SAB BREWERIES has announced details of capital expenditure programmes totalling more than R1bn.

Executive chairman Meyer Kahn said this was "by far the most significant development thrust contemplated".

Up to 50% could be spent in the coming financial year, SAB said in its annual review.

Priority would be given to the group's beverage interests, which would absorb about R1.1bn.

The retail and hotel interests had made provision for nearly R300m, and manufacturing and other interests would use about R100m.

The "especially large investment programme" would see gearing rise, but it should still remain within the self-imposed 60% of total shareholders' funds.

Kahn said working capital would be no more than in financial 1991, leaving cash retained from operating activities "more or less in line" with the previous year's R768m, and borrowed funds of a similar amount would be injected.

He said beer sales were likely to outperform "the liquor industry and the economy generally". However, asset utilisation was already high and improving on this would be "extremely difficult".

March's 20% increase in excise tax "put into question the sincerity of government's professed intention to encourage consumption of low alcohol drinks".

Last year SAB announced a new phase in increasing the beer division's capacity, arising from volume increases over the past five years.

SAB plans

In terms of the programme, capacity at the Newlands brewery would be doubled, there would be a "massive expansion" of the Arode Brewery and Prospecton brewery would increase its capacity by 40%. All expansions were on target.

Kahn said the division's involvement in the development of sport would continue to bear fruit, and there were likely to be new opportunities for commercial sponsorship, particularly through the electronic media.

SAB's hotel interests, which include Southern Sun, Holiday Inns, other hotels and timeshare resorts, were significantly restructured during the year after SAB's acquisition of minority shareholdings in Southern Sun and its subsequent delisting.

During the year SAB separated the hotel operations into a new hotel management division and placed other hotel-related investments into another division.

Hotel interests showed a 7% increase in turnover to R525m, but attributable earnings were down by 45% to R14.6m.

Earnings for the group's offshore interests grew by 18% to R57m.

Results for the year to end-March show an 18% rise in SAB's attributable earnings to R711m on a 16% rise in turnover to R15.4bn.

The beer division increased its turnover by 25% to R4.1bn and its attributable earnings by 26% to R402.2m after paying 18% higher excise tax of R1.1bn.
SAB plans to spend more than R3 bn

JOHANNESBURG. — The board of SA Breweries has approved capital expenditure programmes worth more than R3 billion, and as much as 50 percent, could be spent in the coming year, says executive chairman Mr Meyer Kahn in his annual review.

This sum is by far the most significant development thrust ever contemplated.

Mr Kahn said the beverage interests of the group would receive priority attention, absorbing around R1.1 billion. The retail and hotel interests had approval for nearly R300 million, and the manufacturing and other interests about R100 million.

On the working capital side, the group is planning to spend no more than that taken up in the past year.

“This will leave the cash retained from operating activities also more or less in line with the previous year’s R700 million and necessitate the injection of borrowed funds of a similar amount.”

Although the gearing would rise in reaction to the large investment programme, Mr Kahn believed the overall gearing profile should still remain within the bounds of the self-imposed constraint of 50 percent of total shareholders’ funds. — Sapa
Glasses raised over beer offer

By DERRICK LUTHAYI

RESPONSE to the offer of 44 million shares in National Sorghum Breweries Limited, which closed on June 19, has exceeded the expectations of the company’s directors.

Over 90 percent of the offer has been taken up by more than 9,000 investors throughout the country. The remaining block of less than 10 percent of the shares has been taken up by the Industrial Development Corporation who are the underwriters of the offer.

However, the IDC admitted the offer was only valid for one month-end and has agreed to requests from individuals, burial societies, black business and stockbrokers who said they needed more time to consult with members and arrange finance to sell their shares to applicants at R1 each until July 31.

NSB executive chairman Mohale Mahanyele, said “We are the only company of this size that brings blacks and whites together, with blacks in a leading role. The company’s mission is black economic empowerment and this share offer is a cornerstone of this policy.”

“The entire offer was structured so as to enable black people to take advantage of a unique opportunity to participate for the first time in the mainstream of the South African economy.”

He said the offer was virtually restricted to members of the black community, that no single investor could own more than 10 percent of the share capital, and that the share price of R1 is guaranteed for 12 months.

NSB negotiated special arrangements with The Standard Bank and African Bank to ensure loans would be made available to prospective shareholders.

Mahanyele stressed that 30 percent of the offer had been set aside for NSB employees — by far the largest stake to be owned by workers in any major company in South Africa.

Mahanyele is pleased with the success of the public share offer campaign.
Good cheer for taxman from SAB

By DAVID CARTE

REGARDLESS of punitive taxation, the great money factory that is SA Breweries is looking for "real growth in earnings" in the year to March 1992. The annual report shows SAB paid more than R1-billion in excise, another R1.2-billion in company tax and many millions more in GST and Paye on behalf of its employees. Employees took R2-billion in salaries and wages.

By contrast, the owners of the third-biggest company in SA received R216-million in dividends, about a fifth of taxes and a seventh of wages paid.

No wonder that chairman Meyer Kahn complains, "It was alarming to see beer still subjected to blatant discrimination in favour of other alcohol products. The stunning increase in excise tax announced in March puts into question the sincerity of the Government's professed intention to encourage consumption of low-alcohol drinks."

After the 20% increase in the Budget, excise now comprises 54% of the cost of a 750ml bottle of beer. Clear beer, with a share of about 37% of the liquor market, paid 75% of the excise burden.

But beer sales are expected to outperform the liquor industry and the economy, and a "satisfactory" rate in earnings is forecast on a "more modest" increase in volumes.

Mr Kahn reports that after last year's strike, a clause in the agreement committed the company and the union to "improve their relationship."

Accordingly, numerous procedures and communication structures were established. The division is cautiously confident that a new and constructive era has dawned.

After spending R1-billion on capex, SAB has approved another R3-billion programme, of which R3.6-billion will be spent this year.

About R1.8-billion will be spent in the beverage divisions. Mr Kahn does not mention the prospect of competition.

The super-group gave shareholders a return of 33% a year compound in seven years. This compares with a return of 22% by the 10 largest comparable companies on the JSE and 13 double the inflation rate.

SAB, always a hot contender for Business Times' top annual report award, has come up with an accounting innovation - earnings a share on a cash equivalent basis.

Hot

Soft-drink profits grew as strongly as did those on beer. Amalgamated Beverage Industries and SA Fruit Juice Division each kicked in R46-million to the bottom line. Both seem optimistic about the current year.

Edgars, another star of the group, is also looking for "satisfactory" earnings growth. Because of "difficult" interest rates, Amred expects only a modest improvement. Alcohol sees stagnation.

The dogs of an outstanding group are OK Bazaars and Southern Sun. Southern Sun hopes to improve on its meagre R14.8-million taxed profit on assets of R1.5-billion. OK Bazaars also hopes to do better the R14.8-million it earned on sales of R4.8-billion and assets of R1.4-billion.

Lion Match is looking for a modest increase in earnings. Da Gamma will not easily maintain earnings. SAB remains cagey about foreign activities, which contributed no less than R57-million to the bottom line.
Blacks rush for shares in sorghum beer

BLACKS have responded well to the National Sorghum Breweries (NSB) share offer.

The directors are confident that by the end of July the offer will be fully subscribed.

The offer closed on June 19 and attracted a 92% response with applications for 43,2-million shares at R1 allocated out of the 43,7-million on offer. The balance was taken up by the Industrial Development Corporation (IDC) which underwrote the issue.

In an unusual move, merchant bankers to the issue, FirstRandbank, and the board of NSB have agreed with the IDC that the remaining 436,000 shares held by them in terms of the underwriting agreement will be offered to investors who missed the closing date.

About 9,000 investors applied for shares. About 99% are blacks. Distributors applied for 56,3% of shares; 29,9% of public, and 13% of NSB Employees Share Trust. 25,5%.

The R44-million raised will be used to repay a loan to the Government which will be used for the upliftment of the black community.

These shares will be made available at the issue price of R1 to applicants who fall in new forms in terms of section 141 of the Companies Act.

The directors say that in the past two weeks they received many requests from black organisations, pension and provident funds, trade unions, burial societies, hawkers and individuals to extend the closing date of the offer. They claimed they needed to consult their members, pass the necessary resolutions and obtain funding. Individuals also wanted to use their monthly salaries to finance purchases.

The IDC will sell any or all of the shares it holds until July 31.

Forecast

There are no plans for a listing of the shares on the JSE, but an over-the-counter market will operate from the company's head office in Sandton, starting tomorrow. Thereafter trade will take place each Tuesday.

The prospectus forecasts earnings of 81c a share and a dividend of 10c for the year to June 1992, suggesting there could be a reasonable profit for stages, most of whom will probably consist of employees issued with shares at a 30% discount, the discount repayable within a year.

While the IDC offer is in place in July, however, there is little chance of the shares changing hands at anything above the issue price. The IDC has also guaranteed to repurchase the shares at R1 for a year.

By DON ROBERTSON
NSB shares offered

APPLICANTIUS for 92 percent of the 43 714 999 shares offered by National Sorghum Breweries were received and 90.2 percent allocated. The balance of 9.8 percent of the shares were taken up by the underwriters, the Independent Development Corporation, an NSB spokesman said, adding many requests had been received from organised black business and commerce, pension and provident funds, stokvels, burial societies and individuals to extend the June 19 closing date of the public offer.

As thus had not been possible under the Companies Act, the IDC had agreed to accommodate applicants who had been unable to meet the deadline and was now offering all the shares it had taken up at 100c a share on a first come, first served basis. Those wanting details could phone the toll free number 0800-115540.
Money flows from wine bottles

SA WINE drinkers are finding rich pickings in empty wine bottles — returning more than 12-million of them for re-use annually.

One of two companies operating in the bottle recycling industry, Cape Town-based Ecobott, takes in tons of glass out of the environment daily.

The company supplies about 20% of bottles to SA's wine producers, representing an annual cost saving to the industry of more than R1.5m.

Ecobott sales and marketing director Horst Klos said yesterday annual payouts to consumers who returned their bottles, at 10c each, now topped R1m.

The company had expanded fast since its beginnings in 1987, and this year will recycle more than 12-million wine bottles, up five million from the previous financial year.

In the western Cape, Klos said, about 60% of wine bottles consumed were returned for recycling.

Reef consumers returned about 13% of their wine bottles.

Bottles contribute to between R15 and R20 of the price of an average carton of 12 bottles of wine.

Klos said wine producers save between 20% and 40% on packaging costs by using "rejuvenated" bottles, depending on the shape and colour of the bottle.

By making glass returnable for re-use, "giving an original product a second breath of life", Ecobott benefited the environment and consumers, he said.

Ecobott rejected about 5% of bottles returned to them, before they were cleaned and recycled back to the consumer through the wine industry.
INVESTORS who took up about 22% of the 43.8-million shares offered by National Sorghum Breweries (NSB) are unlikely to be able to sell their shares at a profit until the Industrial Development Corporation (IDC) stops selling shares at the end of July.

NSB said yesterday that investors had subscribed for about 22% of the shares offered by the brewing company and that the IDC had taken up 4.1-million shares — representing about 8% of NSB’s issued share capital — in terms of its underwriting commitment. The brewing company claimed that about 90% of the shares taken by the public had been bought by black investors.

Finansbank, NSB’s merchant bankers, said several investors had failed to acquire shares as they had been unable to complete their applications ahead of the offer’s June 19 closure deadline. NSB has persuaded the IDC to sell shares at the 100c offer price from its underwriting allocation to investors who apply by July 31 on a first-come-first-served basis.

Finansbank corporate finance GM Marco Bekker said yesterday that the offer by NSB could not be extended as the prospectus had specified a closure date of June 19 and requests for an extension had only been received in the last week or two.

The offer would remain in place until the IDC shares were taken up or until the end of July, when the offer closed. Investors hoping to buy shares from the IDC have to apply through the share trading office, which has been established by NSB.

No indication has been given of the cost of trading the shares through the share trading office, although the office was set up because the firm’s directors believed JSE brokerage charges were unacceptably high. The IDC has underpinned the share price by its undertaking to buy any shares tendered in the next 12 months at 100c each.

In the year to June 1990, NSB’s net income after tax decreased by 12.6% to R11.1m (R12.7m) on a 16.5% turnover increase to R319.1m (R266.2m). Operating income was down by 16.8% to R14.5m (R17.4m).

NSB’s directors have forecast a 14.8% rise in turnover to R356m.
SA’s favourite tipple tickles Soviet palates

THE Soviets are hard at work testing Castle, Hansa, Lion and Ohlsons beers to see if they want to drink them on a regular basis.

Industry sources say SA Breweries (SAB) has sent a trial consignment of a million cases of its beer to the Soviet Union. It is believed much of the beer is being tested by the Soviet army.

While SAB would not comment on the story yesterday, it did recently announce that it was exporting some beer to the Soviet Union, as well as to other European countries, including Czechoslovakia.

Poland and Bulgaria

It said it had grown to be the world’s 10th largest exporter of beer since it began a major export drive more than two years ago.

Last year SAB exported 4-million cases of beer to 47 countries, which represented an export growth of more than 400% over two years.

In another development in the beer industry, Louis Layt is believed to have had talks with Belgian company Interbrew, which makes Stella Artois, with a view to it linking up with his new brewing venture in SA. Layt could not be reached yesterday for comment.

Interbrew is the latest of a string of breweries believed to have been negotiating with Layt in connection with his new plant, which will have a capacity of 150-million litres a year and a “substantial foreign investment”.

Industry speculation has included Beck’s, Anheuser Busch of Budweiser fame, and Danish, English and German brewers.
Threat of red wine drought as exports soar

CAPE TOWN — Gone are the days when KWV quota-holders could be tempted to swap a bottle of red export wine for tickets to a Currie Cup final or a sack of biltong. KWV has traditionally allocated six cases a year of each of its three export varieties — Cabernet Sauvignon, Shiraz and the sought-after Roodeberg blend — to its wine-producing members and employees. Politicians and other people classed as ambassadors for SA have been entitled to five cases of each at discounted prices.

But a shortage of good SA reds, coupled with burgeoning foreign demand, has led KWV to cut quotas to two cases a year of each wine. "The cutbacks have inevitably boosted demand for these varieties, and the perceived value of Roodeberg has increased significantly," says KWV chief communications executive Theo Pegel.

It is not only quota-holders whose supplies are at risk. The shortage of medium-priced and premium red wine could turn into a general drought if the lifting of sanctions brings a surge in exports. "The average age of red wine for export is three years, but three years ago the industry did not make sufficient provision for the increase in exports expected now," says KWV media manager Cas du Plessis.

Meanwhile, recent statistics produced by the wine industry indicate that South Africans continued to favour beer and other alcoholic drinks last year.

Consumption of natural wine remained static at 7.45 litres a head after a decade of stagnation, while growing demand for sparkling wine was reflected in an increase in per capita consumption from 0.24 to 0.26 litres.
Sorghum battles to regain lost ground in beer market

An intensive campaign is under way by National Sorghum Beer to recapture its market share. But the company faces an uphill task to entice consumers away from clear beer and spirits, reports MONDLI MAKHANYA.

NEWLY privatised National Sorghum Beer has embarked on a campaign to recapture ground which the brew lost to clear beer and spirits.

The NSB has sold — and is selling — shares to the public and needs to deliver the goods to investors whom it has persuaded to put their money in what is generally regarded as a declining industry.

In recent years sorghum beer’s market share has been declining as urbanised blacks switch to clear beer and spirits.

KWV figures show that between 1982 and 1989 malt beer consumption rose from 500-million litres to two billion litres. Sorghum only increased from two billion to 2.5 billion in the same period.

NSB director Moss Leoka admits there has been an switch from sorghum to clear beer.

He attributes this to “bad handling of the product” by the previous owners — government.

“What people had no interest in the industry whatsoever. They didn’t care about positioning the product in the market.

“The packaging was bad and the

sky is the limit.”

NSB now intends employing a food specialist to research new brands “because it’s amazing how many new entrants we can do with sorghum”.

Furthermore, the company intends taking sorghum to the non-black market and is also exploring the possibility of exporting the brew.

Clearly, NSB is not going to have an easy ride. South African Breweries’ hold on the urban black market is as tight as ever and given the brand loyalty of township beer drinkers — particularly to SAB flagships Castle and Lion — more appeal to African pride will not sway the black market.

NSB’s challenge to malt beer also comes at a bad time.

Various interest are trying to make forays into the South African beer market. In addition to Louis Luyt launching a new beer several foreign breweries are also looking at making inroads into the local beer market.

Naturally the first target for any of these new entrants will be NSB’s natural market — the black township consumer.

Therefore, whether NSB satisfies the promises it made to investors will not only depend on how far it is able to turn sorghum’s image around but also on the fortunes of the liquor industry.

Leoka is confident it will overcome the obstacles... “If this company could make the profits it made while in the hands of people who handled it badly, imagine what it can do when it is in the hands of people who want it to work.”
SA BREWERIES

STILL FROTHING

SA Breweries has consistently beaten both the market and its own relatively stringent financial constraints. Over the past seven years it has achieved a compound growth rate in dividend and share price of 33%, compared with 22% for the 10 largest industrial holding companies. SAB has maintained a healthy debt equity ratio, which stood at 0.52 at March year-end, and has averaged 0.44 over the seven years. Dividends have been held at generous levels, representing 45% of earnings.

Along with many other industrial shares, SAB looks overpriced at a p/e of around 20, though this is on inflation-adjusted earnings. This week the share had eased from a high of R5.75 to R5. Analysts agree this is not the ideal time to buy industrial shares, and SAB is no exception. But it remains one of the high-quality industrials, principally because of its core product, beer.

This year 57% of attributable earnings were from beer, the highest proportion since 1986. Beverages as a whole contributed more than 72% of attributable earnings. In the balance of the portfolio, Amalgamated Beverage Industries showed the most promising growth. Indeed, apart from the Edgars clothing chain, which enjoyed a 22% earnings growth, none of SAB's listed, nonbeverage subsidiaries achieved real earnings growth, and the outlook for this year is gloomier.

Executive chairman Meyer Kahn says real earnings growth is being targeted this year, something which few other industrial holding companies seem likely to achieve. Thanks to beer, it looks as though SAB will achieve real earnings growth, at least until a significant competitor enters the market. There was volume growth of 12% in 1991, a particularly good year as it represents an increase on the 1990 year, when a strike took place. 1990 was also a financial year which included two Easters.

Kahn expects no more than 5% volume growth in beer consumption this year. A major competitor looks improbable in 1992, but Kahn says that the division is "well-prepared to face an increase in competitive activity." The beer division has always worked on the assumption that competition could emerge — its price increases have always lagged the CPI, and this has not prevented group earnings growth being well above the CPI Moreover, brewing capacity of even the most ambitious rival brewery will absorb less than a year's growth in beer sales.

Kahn maintains that growth in beer sales would be even greater if the "discriminatory" excise on beer was reduced. In the 1991 Budget, this was increased by 20% compared with a 10% increase in the spirit excise. There is still no excuse on wine. Perhaps in the new SA the wine lobby will not be so powerful, and they will share the excise burden.

The soft drinks market also looks promising, it enjoyed 7% growth last year. ABL bottles and distributes Coca-Cola, Schweppes and Sparletta brands, so it should continue to show real growth.

Other SAB interests may not have much further to fall. The OK, which saw earnings drop 26% this year, should reap some bene-
R300-m upgrade for Newlands brewery

W Cape beer demand soars

TOM HOOD
Business Editor

CAPE beer drinkers can relax and forget about any danger of running out of supplies — R300 million is to be spent on upgrading and expanding the Newlands brewery.

This is part of R3 billion earmarked for capital expenditure by South African Breweries, which will allocate R1,1 billion to its beverage division.

Demand for beer has soared in line with the huge influx of people into the Western Cape over the past five years.

An SA Breweries spokesman said in Johannesburg that the capacity of the Newlands brewery was to be doubled.

"The upgrading is due to be completed by September next year — but the expansion is not likely to create many more jobs."

Chairman Mr. Meyer Khan said in his annual report: "The R3-billion Capex programme is the most significant development thrust so far contemplated."

"The beer division increased its contribution to group earnings by 26 percent and was responsible for 57 percent of group profits."

"The group's beer business will be given priority attention. Last year R1,5 billion was allocated."

"The retail and hotel interests have approval for nearly R300 million and the manufacturing and other interests will get about R100 million."

"Borrowings will rise about R700 million to finance the large investment programme."

"But overall gearing will remain within the bonds of the self-imposed constraint of 60 percent of total shareholders' funds."

"But the major Capex programme is going ahead in spite of depressed consumer spending."

Mr. Khan believed personal disposable income would continue to face severe pressure well into 1992, not least from the pressure of restrictive fiscal and monetary policies.

Overshadowing all this was the spectre of persistent violence and the socio-political unrest.

Growth of group earnings would inevitably be restrained but management had set itself the task of achieving real growth above the inflation rate — over the 12 months to March next year.

- The beer division exported more than 4 million cases to more than 47 international markets in the past year.
Scramble to buy up NSB shares

By JOSHUA HABOROKO

MORE THAN 90 percent of the 44 million shares in National Sorghum Breweries Limited have been snapped up by over 9,000 investors—exceeding expectations of the company's directors.

The remaining block of less than 10 percent has been bought by the Industrial Development Corporation (IDC)—underwriters of the offer—and can be bought at R1 each until 12 noon on July 31.

According to NSB's chief executive Mr Mohale Mahanyele, "The company is the only one of its size that brings blacks and whites together, with blacks in a leading role."

"It's mission is black economic empowerment, and this share offer is a cornerstone of this policy."

"The entire offer was structured to enable black people to take advantage of a unique opportunity to participate meaningfully for the first time in the main stream of the South African economy," Mahanyele said that 30 percent of the offer had been set aside for employees of NSB. That, he claimed, was by far the largest stake to be owned by workers in any major company in South Africa, which was yet another first for NSB.

The company made interest-free loans available to all employees to enable them to take up their share allocations. Share allotments for employees favoured the lower level workers.

Burial

In response to many requests from individuals, burial societies, black business and commerce, stoekels and others, who pointed out that the offer had stretched over only one month-end and more time was needed to consult with members and arrange finances, the IDC has agreed to sell its shares to applicants at R1 each.

Mahanyele said a particularly pleasing aspect of the share offer was the evident success of the nationwide communications programme which NSB mounted to promote the offer.
SATISFYING YEAR

Activites: Bottling & distribution of soft drinks
Control: SAB 68%, Cadbury Schweppes 19%
Chairman: R.L. Lloyd, MD H.A. Rod
Capital structure: 106m ords Market capitalization. R1.7bn
Share/markt: Price 1 675c Yields 1.8% on dividend 3.2% on earnings, p/e ratio 31.2,
cover 2.1 12-month high, 1 675c, low, 750c
Trading volume last quarter 884 000 shares
Year to Mar '89 '90 '91
ST debt (Rm) -- -- --
LT debt (Rm) 26.8 8.0 37.5
Debt equity ratio 0.13 0.04 - 14.6
Shareholders' interest 0.44 0.56 - 0.58
Int & leasing cover 16.0 15.9 - 22.1
Return on cap (%) 23.7 23.7 - 25.7
Turnover (Rm) 962 740 884
Pre-int profit (Rm) 62.4 90.6 113.9
Pre-int margin (%) 11.0 11.9 - 12.5
Earnings (c) 31.7 42.8 63.7
Dividends (c) 18 21 26
Net worth (c) 116 212 252

ABI shareholders who were satisfied with their share's performance during its first year as a listed company will no doubt be even happier with their returns during the second 12-month period. A near doubling of the share price since June last year has pushed the share to a stronger premium than before against a buoyant industrial market. There was again an above average increase in earnings and dividends.

Though volumes grew by only 5% as a result of unrest, cool weather and a weak economy, group turnover rose 19.6%. Operating margins repeated their steady rise thanks to a better product mix in favour of a higher margin on cans, higher levels of capacity utilisation and improved production efficiencies.

Finance charges were marginally down while dividend income from the canning associate was higher, resulting in a 28% improvement in pre-tax profit. After deductions for tax (48%) and additional replacement cost depreciation, attributable earnings rose by 25%. Dividend cover rose to 2.1 from 2.0, producing a 23% increase in income for shareholders on top of their substantial capital gain. For the moment at least, the group's mission is being accomplished.

Cash flow for the year was reasonably sound. However, long-term borrowings increased by R29m — a result of increased stockholdings off last year's low base, somewhat higher investment spending on expanding operations and lower funding of container by the trade. Even so, average gearing remained at a very acceptable 19%. Capex on production and distribution facilities will continue during the current year, as ABI gears itself up to provide increasingly for its rapidly growing informal sector customer base. Commissioning of the Phoenix plant is due towards the end of this financial year.

ABI’s is a volume-driven business and even its high quality trademarks are subject to the unpredictable trio of political unrest, the weather and personal consumer expenditure. While consumers have kept the economy afloat in 1990/1991, they are unlikely to be able to maintain the same spending momentum in the coming year. Lloyd nevertheless believes opportunities for volume growth still exist. Hence the ongoing capital programmes.

Even with 20% growth in dividends during the coming year, the prospective yield remains a demanding 2%, considerably above the current market yield of 2.8%. It is difficult to see ABI’s share repeating its recent strong performance in its third year since listing. But then again, there is little reason to sell.
Like tea to the English, wine to the French and whisky to the Scots, sorghum beer is part of a national heritage. Brewed traditionally for centuries, its popularity has survived decades of prohibition and bureaucratic control. Strong competition from clear beer and other liquor, however, has taken its toll.

Sorghum beer was always seen as a drink for rural unsophisticates that was willingly swapped for clear beer as incomes rose and blacks moved to the cities. Now that the industry is back in black hands, the challenge facing National Sorghum Breweries (NSB) is to remove the stigma and turn sorghum beer to its status as the country's leading beverage. It may not be easy.

Though annual consumption of this sour, porridge-like brew cannot be accurately measured, company chairman Mokale Mahanye says it's about 6.8bnl, compared with 2.3bnl for clear beer. But Ron Schreuder, MD of SA Breweries' Traditional Beer Investments, reckons that 900ml of wet-based and at most 2.4bnl of dry-based sorghum beer are consumed.

Whatever the true figure, both agree it hasn't grown much in recent years, while clear beer consumption keeps rising.

NSB blames the poor growth on ham-fisted official control. Traditional beer had inherent popularity and little attention was given to marketing or quality control. The Durban Corp, in 1908, was the first to capitalise on the lucrative market, promising to use the profits to raise black living standards. Municipalities were later given a monopoly over commercial brewing, extended nationally in 1923 and reaffirmed in the 1962 Sorghum Beer Act. Breweries and beer halls proliferated and sales continued to climb.

By the mid-Seventies, however, sorghum beer had become so politicised that beer halls were often burnt down during unrest. Sales declined and breweries were left with chronic excess capacity, while illicit home-brewing and shebeens grew uncontrollably. NSB is the product of an inevitable rationalisation that began with the transfer of control to the hated administration boards, then to the Industrial Development Corp, and finally to the government's privatisation unit, which created the company.

Can it reverse the decline? Mahanye certainly believes so. "From a business and altruistic perspective, sorghum makes sense." Sorghum beer is quite different from clear beer. Highly nutritious, one litre provides all of an adult's daily nutritional requirements and it has a low alcohol content (around 3%). One litre of sorghum beer costs about R1.20, R1.50, while 750 ml of clear beer costs R2-R2.50.

NSB has about an 85% share of the market. Mahanye believes that its 500,000-strong informal distribution network makes the market difficult for competitors to penetrate, distribution is important because the basic product has a shelf-life of only about three days. But he neglects to mention another big advantage: the government monopoly that the company retains until 1995.

Traditional Beer Investments is restricted to the homelands (except KwaZulu, where the homeland government has a monopoly), while NSB is free to compete there.

Schreuder isn't pleased. "This is a unique situation where a private company, in the fast-moving consumer-goods sector, enjoys a legislated monopoly. The industry needs competition for consumer loyalty, not protection."

With annual turnover of more than R300m, NSB is SA's biggest black-owned company — largely by limiting its share offer in May to "traditional consumers." The credo is "black economic empowerment," but the company hasn't provided sheltered employment. "We're paying for the best available expertise," Mahanye says, "including many highly qualified returning exiles. We also have the single largest number of black engineers in one company."

An example is MD Sam Mosikhi, a respected former district manager for SAB (People May 31), who will spearhead the new marketing drive. The management team also includes former Get Ahead Foundation director Israel Skosana and PR specialist Moss Leoka. There is some concern over the remaining core of white bureaucrats, but Mahanye says there have been no resignations or signs of a backlash, only co-operation.

The new marketing task stresses pride in an African tradition that has been maligned by its association with the migrant labour system and single-sex hostels. The theme is underscored by the R4m sponsorship of Hugh Masekela's nationwide concert tour. The idea is to improve the quality, packaging and popularity of sorghum beer.

An important task for the company's new research and development department is to increase the shelf-life of the product, which limits exports. Consumers demand a lively, fermenting product, which can't be pasteurised and has to be packed in vented cartons. The company is experimenting with several long-life and flavoured versions, accompanied by slick, upmarket advertising.

With SA's rapidly growing population, however, the company can still rely on its traditional lower-income market. It still produces the sorghum porridge called Magwe, as well as a new concentrate, sold in plastic tubes, that can be eaten as porridge or turned into beer in 24 hours by adding water and yeast. Diversification into soups, porridge, biscuits and bread is also on the cards.

Exports are another area of potential growth. The company supplies neighbouring countries with products but there is also interest in its brewing technology, which is sophisticated and mostly indigenous. Mahanye says the company has been approached by breweries in Nigeria, Ivory Coast and Zaire for help with their modernisation programmes.

At this rate, NSB will surely improve the image of sorghum beer, with a spillover for Traditional Beer Investments and others. Whether this will turn the industry around is another question.
PROSTI! Brewmaster Marius Brits with a huge helping of Somerset West's locally produced beer, Helder-Brű. He is leaning on a "lauter tun" which filters the beer before it is boiled with hops in the "mashtun" behind him.

New Cape beer is raising a froth of delight

DALE KNEEN
Weekend Argus Reporter

RESIDENTS of Somerset West are frothing up about a locally produced beer they say is better than that made in Germany.

A recipe based on the ancient German Purity Law is being used to produce the beer on a farm near the scenic town.

Three Germans, Mr Rudy Stegmüller, Mr Harold Schepping and Mr Hans-Jörg Briel, opened the Helder-Brű Brewery in October.

Restaurants, pubs and some liquor outlets in Cape Town and Somerset West have been buying the beer and their customers are delighted.

Brewmaster Mr Marius Brits says three types of beer were being produced at the brewery, which can make 200 000 l a year.

He said the beer was made with malt from Caledon, hops from George and clear Helderberg water pumped from a borehole at the brewery.

The first stage of the brewing process is to convert malt starch to a sugar solution called wort. It is cleared, cooled to 8 Deg C and yeast is added.

Primary fermentation takes four to five days and then the young beer is pumped into a layered cellar to mature for another six to eight weeks.

"We then have a light, but bitter, pils with a 4% alcohol volume, a full-bodied lager and a golden-brown, 5.2% volume Märzen," said Mr Brits.

The beer is put into bottles, aluminium barrels of various sizes and 50 kg stainless steel kegs without being filtered or pasteurised.

A pub at the Waterfront and another in Waterkant Street as well as the German Club and some liquor outlets in the city sell Helder-Brű beer.
Cadswep keeps up its sweet growth

CADBURY Schweppes (Cadswep) has continued its five-year growth in earnings in the six months to end-June.

The manufacturer and distributor of soft drinks, confectionery, foods and beverages recorded a 33.1% rise in earnings to R27.0c (R25.9c) a share and 20.3% higher interim dividends of 12c (9.5c) a share for the period.

MD Peter Bester said in an interview yesterday higher operating income resulted from improved efficiencies, a favourable sales mix and rationalisation benefits from the integration of Chapelat-Humphries, which was acquired in 1989.

Despite a rise in turnover of only 5.6% to R39.9m (R28.9m) due to lower volumes in weaker trading conditions, competitive market activity and strike action, operating profit increased by 20.2% to R21.6m (R18.1m).

'A higher average level of borrowings following the group's expansion last year saw financing costs rise 21% to R4.5m (R3.7m). Taxation was slightly lower at R5.3m (R5.5m).

Financial director John Buchanan said benefits in the second half of 1990 were derived from successful prior-year claims and changes in tax legislation leading to a distortion in the comparison.

The effective tax rate of 31.1% for the period compared with 29.9% for the last full year. Additional benefit has been derived in the half year from a reduction in the company tax rate to 46%.

Thus and a 23.4% increase in dividend income and equity accounted earnings resulted in profits after tax rising by 30.5% to R16.7m (R12.6m), while attributable earnings grew by 33.6% to R16.7m (R12.5m).

Bester said results indicated that the strategy which the group embarked on some years ago had been falling into place.

Good returns from Bromor reflected internal efficiencies and there had been material benefits from Chapelat-Humphries, including rationalisation benefits from joining Chapelat-Humphries and Cadbury management. Bester said all divisions had done well.

The group has acquired the remaining shareholding in Chapelat-Humphries following the 1989 acquisition of 62.5% of its share capital. The remaining 17.5% will be acquired for R19.4m, payable in 1992. The effect on earnings for the full year will be 3.6c a share.

Bester said that the group continued to invest in its main businesses. A new Bromor warehouse had been commissioned, and a chocolate factory investment in Port Elizabeth continued its expansion.

He said that sales over the second half would be better than those for the same period in the previous year. While he expected real growth for the full year, he said there were signs that trading would be weaker in the second half.

While Cadswep was "pretty resilient", there was no doubt that discretionary spending was weakening, and consumers were becoming more cautious. There had also been some destocking in the retail trade and interest rates were still high, he said.

MARCIA KLEIN

BUSINESS DAY, Tuesday, July 30, 1991
than that year's interim rate of 38.6%. Cadswep had successful prior year claims and claimed more allowances after changes in tax legislation. This year, according to financial director John Buchanan, the tax rate will be maintained at first-half levels of 31%.

The operating margin improved from 8.2% to 9%, about the same level as the second half. As trading in this market becomes more competitive, margins are unlikely to increase significantly. Cadswep is now reaping some benefits from the absorption of confectionery manufacturer Chapelat-Humphries into group management and marketing. Bromor Foods set up a distribution centre and achieved better stock control and tight control of costs. Buchanan says further improvements in productivity and working capital management can still be achieved.

Cadswep now has broad penetration of a range of consumer markets, from the more upmarket Cadbury's slab bars and Schweppes drinks, through middle market lines to more downmarket squashes and bubblegums. It will benefit even if consumers switch to cheaper sweets and drinks.

The balance sheet, though, still needs tidying up. Interest payments look set to increase; they had almost quadrupled in the previous interim and this time increased by a fifth. Buchanan says gearing rose from 38% to 44% (if the 19% holding in ABI is calculated at book value) and will fall to the low forties but no further. Interest cover remains a healthy 4.8. To help control gearing, the dividend cover was increased from 3.8 to 4.0.

Analysts have pushed up their full year forecasts from EPS growth of 20% to about 25% for the full year, but they expect no
the investment experts

SA BREWS THE DARLING OF

BY DAVID CATLE

SLIME (600 words) [1/2]
Top honours for SA winemaker

The Argus Foreign Service

LONDON — A South African winemaker has carried off top honours in the 1981 International Wine and Spirit Competition, triumphing over competitors from more than 30 countries.

Mr Beyers Truter of Kanonkop Estate, Stellenbosch, was awarded the Robert Mondavi Trophy for the Winemaker of the Year for the overall high quality of the products submitted from an individual company to the competition.

As Winemaker of the Year, Mr Truter will receive a grant of R4 000 to cover the expenses of a week's visit to the Robert Mondavi Winery in California.

Mr Truter graduated in viticulture and oenology at the University of Stellenbosch in 1978.

He joined the Kanonkop Wine Estate in 1981 and in 1986 became Champion Winemaker of the Stellenbosch region.

In 1987 Mr Truter was awarded the prestigious Diners' Club Winemaker of the Year Award.

He has toured France, California and Australia to study wine-making techniques for cabernets, red blends and chardonnay.

Now in its 22nd year, the International Wine and Spirit Competition is designed to encourage and reward producers of top quality wines, spirits and liqueurs.
SA liquor may go to Taiwan.  
GERALD REILLY (CT)

TAIWAN will open its liquor market to SA from January 1985, which means SA wines, beer, brandy and spirits could be exported to Taiwan under a liberalised system, says Trade and Industry Minister Org Marais.

Marais said this at the weekend after a ministerial economic and technological co-operation conference between the two countries. Earlier last week the Taiwanese and SA governments signed an agreement which ensured a significant expansion of trade between the two countries. 6/12/84

The two countries agreed in principle to co-operate in developing export markets in African countries. In addition, Taiwan had agreed to assist SA experts to penetrate Asian markets.

The agreement assures co-operation in the field of agricultural development, environment, forestry and sea fisheries. SA contractors and suppliers were now eligible to participate in all Taiwan government tenders.

Both countries had made progress setting up agreements for the avoidance of double taxation, as well as two complementary planning, technological and industrial developments.

Marais said...
Luys now aiming at bigger brewery

JOHANNESBURG — Transvaal rugby boss Louis Luys has scrapped an agreement to buy the British Greenall Whitley brewery and has set his sights on a much larger brewery.

Louis Luys Group (LLG) (International) financial director Rian du Plessis said at the weekend that plans to import the Cheshire-based brewery had been cancelled and a brewery with "substantially larger" capacity was now in the pipeline for the Aureus industrial site in Randfontein.

Du Plessis was cagey about details of the new brewery, as negotiations for its purchase were in the "final stages". He said the brewery, also second-hand, was in "extremely good condition".

The Greenall Whitley brewery, which would cost about R500m, had a capacity of 150-million litres a year, representing about 4% to 5% of SA's beer market. Du Plessis said the group would now be aiming at a bigger slice of the market, and industry sources estimated the group might be going for as much as 10% — translating into about R400m annually.

Du Plessis said the shift in direction would not affect the opening date of the brewery.
CAPE TOWN — The decline in consumer spending hit earnings at Stellenbosch Farmers Winery in the year to end-June.

Attributable earnings fell by 19.1 percent from R42.79 million to R34.61 million, while earnings per share dropped from 30.8c to 23c after additional depreciations were taken into account.

A final dividend of 7.5c a share has been declared, bringing the total for the year to an unchanged 11.5c.

Trading profit for the year was R105.8 million, down 3.7 percent on 1999's R109.9 million. — Sapa
Stagnant wine sales stunt SFW

STELLENBOSCH Farmers' Winery (SFW), the wine and spirits wholesaler, showed a 19% drop in attributable income to R34,6m (R42,8m) for the year to end-June as wine sales remained stagnant.

Cost increases in the wine market, the battle for market share and consumers buying cheaper products could have contributed to the 8% decline in SFW's pre-tax profits to R62,2m (R104,4m) for the year.

Earnings a share — before extraordinary items of R4,6m — were 3% down at 32,2c (40,4c). After additional depreciation earnings were 8% down at 28c (30,6c) a share.

A final dividend of 7,5c a share was declared, bringing the full-year dividend to 11,5c a share, unchanged from the previous year.

In June SFW announced the closure of three bottling lines in New Germany, King William's Town and George and the re-trenchment of about 330 of its 4,300 strong workforce.

Chairman David Marlow said at the time that the measures were aimed at improving the group's cost effectiveness and competitiveness.

Directors would not comment on the results yesterday.

A recent study by Davis Borkum Hare analyst Gil Catton shows that wine sales grew by only 2,4% for the 12 months to end-April 1991 while sales of spirits rose by 3,8% and beer sales grew by 10,4%.
SFW profits fall, but dividend maintained

STELLENBOSCH Farmers' Winery Group (SFW) had a tough year to June. Attributable profits fell by 19.1% to R34.6m (R42.3m), in spite of rationalisations.

But the final dividend is 7.5c a share, bringing the total pay-out to an unchanged 11.5c.

Earnings per share were 28c (30.6c) after additional allowances for depreciation and 30.3c (40.4c) before trading profit for the year was R105.8m, down 3.7% on 1996's R109.97m.

There was an extraordinary item of R4.5m which resulted from the closing of several bottling facilities — Sapa
Better beer as Cape brewers join forces with Vaal

Business Staff

THE Davids of the brewing world are getting together in a venture which will see the suds of the Cape being brewed in the dry and dusty climes of the far North.

The good folk of Mitchell's Brewery of Kaysna, and Cape Town and the brewers at St George's in Johannesburg have decided to share their innermost secrets.

Later this year Bosun's Bitter and Forester's Draught, currently brewed at the coast and transported to the Reef, will be made at St George's under licence.

"We view a link-up with Mitchell's as a most important step for St George's. Lex Mitchell is the doyen of South African micro-brewers and a licence arrangement with him could be of inestimable value to our quality conscious brewery," said St George's managing director Peter Brown.

Mitchell's is currently sold at more than 250 outlets nationwide while St George's supplies 82 pubs and watering holes.

"This will enable us to distribute Mitchell's beer effectively and quickly. It will also ensure absolute freshness. The fresher that draught beer is, the better," said Mr Brown.

St George's master brew Nigel Gray, who was voted Britain's Brewer of the Year in 1988, has spent time at the Kaysna brewery to make sure he can duplicate the distinctive flavour's of Mitchell's beers.
Companies

SAB and Remgro: Which is the Plugest Chip?
BIOUSINESS

Distillers profit tops R100m

TOM HOOD
Business Editor

DISTILLERS Corporation's net profit jumped over the R100 million mark for the first time in the year to June, rising almost 16 percent or R14 million to R114,5 million.

The wine giant's turnover grew by 14 percent compared with growth of 12 percent in 1990.

Operating profit rose by 13 percent to R177 million from R156 million last year.

Shareholders are to get a 20 percent rise in final dividend, the 24c payout making a total of 35c for the year, which is almost 17 percent up on 1990's total dividends of 30c.

Chairman Mr Arnold Galombek warns that unless the economic situation improves the directors do not expect further growth in earnings this year.

The application of VAT, continued high unemployment and high interest rates would place pressure on discretionary consumer spending.

The company's financial position was healthy with interest-bearing debt amounting to only 3,9 percent of shareholders' funds.

The interest bill dropped to R1,1 million from R3,4 million.

After a year of drastic rationalisation Picardi Holdings reported a R24 million turnaround in earnings for the year to June.

Attributable income surged to R10,9 million after a loss of R13,4 million in the previous year, a turnaround of 181 percent.

Earnings recovered from a loss of 180,2c to 221,6c a share.

The turnaround was achieved on a 57 percent rise in turnover, while operating profit was up 12 percent from R25 million to R30 million.

The directors attribute the major recovery to the success of the strategies introduced in 1990 to improve working capital management and profitability.

Interest-bearing debt was slashed by R71 million to the present level of R49 million.

Extraordinary items reflect a write-off of R22 million, after investments were valued at their present net realisable value.

The extraordinary items include an investment in Cape Investment Bank and the offer to buy out Picardi Properties minorities.

No further dividend has been declared because of the special dividend of 100c paid in February.

The directors say the current strict monetary policy continues to affect consumer demand and they expect only moderate growth until the economy receives the needed stimulation.

The seven percent increase in earnings for the half-year reported by Grindrond Unicorne group, the shipping and transport group, indicates a drop in earnings in the second half of the financial year.

Results for the six months to June show attributable profit of R7,3 million against R5,4 million last year.

The interim dividend is unchanged at 10c.

Capital expenditure, other investments and an increase in working capital requirements following the expansion of international shipping and operating activities, pushed the group's interest-bearing debt up from R90 million at December 31 to R132 million at June 30.

Since then, the group also bought two multi-purpose ships for international trade at a total cost of R55 million.

The business of Storm and Co was acquired from July 1.

Chairman Mr Murray Grindrond says the outlook for the full year is not promising, with the domestic economy likely to remain in recession and continued tight monetary policy expected.

He forecasts that these factors will translate to a drop in earnings to less than the 73,3c a share achieved last year.

GUARDIAN National reports a 3,5 percent improvement in net profit and an 18 percent increase in dividend to 675c (55c) for the six months to June.

The directors say there was a high incidence and cost of claims as well as some exceptional losses in the marine and casualty departments.

A marginal decrease in the underwriting loss to R4,3 million from a loss of R5,5 million in the first half of last year was considered a reasonable result.

Profit available for distribution rose to R10,2 million (R9,2 million).

Net premiums written increased to R192 million from R165 million.
THE Food and Allied Workers Union (Fawu) has declared a dispute in its annual wage negotiations with SA Breweries over the kind of issues that should be referred to compulsory arbitration.

SA Brews spokesman Adrian Botha says the company has no problem in referring "rights issues", such as dismissals, to compulsory arbitration.

Patterns

But he considers it impractical for operational matters that are decided on by business experts.

Mr Botha says: "For example, when shift patterns are changed it is done by people with intimate knowledge of the business. We believe it is unsuitable for a third party, who is not in the business, to make a decision on such an issue."

In 1987 a change from ordinary shift work to continuous shifts at the Roslyn plant resulted in a strike which spread to other plants countrywide.

SA Brews and Fawu have agreed in principle on an average wage increase of 15.5% off a high base. It takes the wage for the lowest-paid worker to R7.49 an hour.

Mr Botha says this will not be confirmed until the compulsory arbitration issue has been resolved.
Coke sniffs at prodigal
Pepsi's possible return

By DAVID CARTE 25/9/91.

PEPSICO International is considering an all-out assault on the SA soft-drink market in association with Fedfood.

Fedfood is in the Federale Volksbiergesellschaft stable.

But Coca-Cola's SA distributor says Pepsi would lose a fortune if it tried to return.

Pepsi's 30-year presence in SA ended last year with the liquidation of the remnants of the company. Since then small quantities of the drink have been imported from Namibian Breweries.

Speaking from New York, Pepsi public affairs manager Ted McKenzie confirmed that London consulting firm Ravenbeck had completed a study of the SA market. A decision on whether to go ahead was pending.

Ban

PepsiCo would not have to wait for the lifting of the Comprehensive Anti-Apartheid Act.

Mr McKenzie said: "For all practical purposes, President Bush has lifted the ban on new business in SA."

Federale managing director Peet van der Walt confirmed that Fedfood is considering a proposal from PepsiCo.

"We have connections with PepsiCo through Simba, which uses some of its brand names. We have given it some input and it has done its own surveys and floated certain proposals. They are at the preliminary discussion level."

"Soft drinks in SA are a fantastic market, but there are significant barriers to entry."

Pepsi, which 20 years ago was the second-biggest player in SA, scaled down operations until it sold only in the Western Cape. The US parent withdrew in 1986.

It tried to leave its business operations in the hands of blacks through the Soweto Investment Trust (Sito), but because of inexperienced management, Sito's attempt to recapitalize the company failed.

SA businessmen tried to rescue the company, but Pepsi was liquidated owing R1 million in wages, pensions and other benefits.

Sandy Allan, managing director of National Beverage Services, Coca-Cola distributors in SA, says Pepsi will lose more money if it returns.

All Coca-Cola bottlers and distributors are tied exclusively to Coke.

The company has 80,000 refrigerators installed in cafes and supermarkets and no alien products may be placed in them.

"If Pepsi wants 20% of the market, it will have to focus on the Pretoria-Witwatersrand-Vereeniging complex. Trucks and coolers will cost R150 million to R200 million. Returnable bottles and cases will lift the minimum investment to about R500 million."

It would have to match our advertising spending of R30 million a year.

Mr Allan admits that the SA soft-drink market is one of the fastest growing in the world. A growing, young, increasingly affluent and urbanising population has lifted soft-drink volumes by 60% in four years.

That explains why none of the best-performing companies on the JSE — Amalgamated Beverage Industries, Suncrush and Cadbury Schweppes — are soft-drink bottlers.

A market observer says Coke ensured that every Pepsi bottle was broken and melted down when Pepsi quit SA to ensure that there could never be a cheap comeback.

Obvious beneficiaries of Pepsi's return would be Consol and Metal Box of SA.

Consol managing director Piet Neehling says 65% to 70% of soft drinks are sold in returnable bottles. His company has about 80% of that market. He would welcome Pepsi's return.
KWV earnings up 12 percent

CAPE TOWN — KWV has reported a lower-than-inflation-rate increase in earnings for the year to June, mainly as a result of the mixed fortunes of the two companies providing its dividends income.

Distillers Corporation and Stellenbosch Farmers' Winery reported net earnings of 83c (59,6c) and 29c (30,6c)

Dividends declared were 95c (90c) and 11,3c (11,5c).

KWV's net pre-tax income rose 11,9 percent to R19,4 million (R17,4 million) on dividend income of R19,5 million (R17,5 million).

Distributable income rose to R19,5 million (R17,5 million).

A final dividend of 31,2c (27,3c) has been declared, making a total of 46,3c for the year (41,3c) — Sapa.
R30 000 donated for trails

South African Breweries (SAB) recently handed over R30 000 to the National Parks Board to finance educational trails in unspoiled natural areas for 500 children of all races.

"It is the fifth such cheque from SAB in five years. Three more will follow," said Adrian Botha, SAB spokesman, who said the brewing industry depended on clean water and good soil for its products hence its concern for encouraging an awareness of environmental matters.

TRENDS REPORTER
MANUF. — BEVERAGES

1991

SEPT. — DEC.
<table>
<thead>
<tr>
<th>Nelspruit brewery sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Staff 182</td>
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<tr>
<td>St George's Brewery has bought the entire plant from a Mitchell's franchise brewery in Nelspruit in a move which will quadruple St George's maximum monthly production.</td>
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<tr>
<td>The plant is being dismantled and transferred to Ophirton, Johannesburg. It should be producing draught beer by the beginning of October.</td>
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<tr>
<td>St George's managing director Peter Brown said the plant in Nelspruit has a capacity to produce 120,000 litres a month.</td>
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<tr>
<td>&quot;This will more than quadruple our present maximum monthly production. We hope to be selling Mitchell's, alongside our own brand names - St George's Ale, Sherwood Porter and Eagle Lager - in good time for the summer thirst.&quot;</td>
</tr>
<tr>
<td>St George's supplies 52 pubs and other outlets in the PWV area, while Mitchell's is on sale at 54 outlets.</td>
</tr>
</tbody>
</table>
 Probe into activities of KWV reopened

CAPE TOWN — New information submitted on KWV activities had caused the probe into the co-operative which controls the R36bn wine industry to be reopened, Registrar of Co-operatives Louis du Toit said yesterday.

The investigation arose from the submission earlier this year of a memorandum by a group of farmers called the Wine Task Group which claimed KWV had infringed its governing statute by competing unfairly with its members.

Farmers in the task group include owners of Simonsig, Vreugd, Luebland, Koonkop and Zevewacht estates.

Last week Du Toit said in an interview that no contravention of the law by KWV had been discovered.

Issues raised by the group of farmers in their memorandum include the minimum price and quota systems and KWV's allegedly unfair competition with farmers on local and export markets. The farmers have asked that the quota system be scrapped for farmers and co-operatives that bottle and sell their own wine.

KWV says that some mechanism for maintaining the stability of the wine industry is necessary.
Michael Frisdon
Farmers Take on the KYW

The good news is that in recent years, the proportion of farmers who own or have access to the electric grid has increased significantly. However, the bad news is that the proportion of farmers who own or have access to the grid's renewable energy systems has increased even more significantly.

In the KYW, farmers are facing a dilemma. On one hand, they are concerned about the environment and want to reduce their carbon footprint. On the other hand, they are concerned about their financial well-being and want to reduce their electricity costs. The KYW is trying to address this dilemma by promoting the use of renewable energy systems for farmers. The KYW is working with farmers to identify the best options for their specific needs and to help them finance the installation of renewable energy systems.

The KYW is also working with policymakers to advocate for policies that support farmers' use of renewable energy systems. The KYW is calling for increased funding for renewable energy research and development and for tax incentives for farmers who invest in renewable energy systems.

The KYW is committed to working with farmers to help them make the transition to renewable energy systems. The KYW is confident that with the right support, farmers can be a leading force in the move to a cleaner and more sustainable future.
Luys 'set to clinch new beer deal'  
MARGA KLEIN

SPEOULATION is rife that Louis Luys is about to clinch a deal with an overseas brewer to bring an international beer to SA.

Louis Luys Group (International) financial director Rian du Plessis would neither confirm or deny the speculation. However, he said an announcement could be expected "in the not too distant future".

After announcing his re-entry into the SA beer market, Luys arranged to buy the UK-based Greenall Whitley brewery, but this was later shelved.

He was also negotiating with Belgian-based Interbrew, which brews Stella Artois, but the brewer said it had discontinued negotiations.

However, according to the Liquor Act, the overseas brewer with whom Luys signs a deal is going to have to be happy with a minority interest in Luys's brewery.

Liquor Board chairman Dane Botha confirmed yesterday that Section 25 of the Liquor Act included a provision preventing foreign control of local breweries.

The Act states that licences would not be given to any person not domiciled in SA. He said the inclusion of this provision in the Act "went back a long way".

He said it was probably introduced in order to have control of brewing licences due to the dangerous nature of the liquor commodity, and also to protect South Africans involved in the industry.

However, Botha said there was recently a demand for foreign investment, and plans had been mooted to amend the Act and take out the clause of foreign ownership.

Nothing would happen in this regard until the next session of Parliament, he said.

SA Breweries (SAB) beer division spokesman Adrian Botha said that SAB had not seen this clause as any impediment to entry by a foreign brewer.

"Our understanding of the matter is that a foreign brewer would have been entitled to register a company in SA and brew here," he said.
SFW claim ‘whisky’
goes against the grain

**Argus Correspondent**

DURBAN. — Liquor giant Stellenbosch Farmers Winery (SFW) has threatened court action against a small Durban-based liquor company which it claims is passing off a product as whisky.

The row between the two liquor producers is also being taken up at political level the Minister of Agriculture, Dr Kraai van Niekerk, is to meet soon with executives of Durban-based E Snell and Co.

The company was given a deadline by SFW of August 28 to withdraw its product from shelves, failing which SFW would seek an urgent interdict.

By midday yesterday Two Keys was still standing among popular brands on bottleshelves.

This is the second time SFW has acted against E Snell and Co. In May last year, SFW was granted an interdict restraining Two Keys from carrying a label stating it was a “blend of Scotch whiskey with double distilled South African granite spirit” under the terms of the Liquor Products Act 60 of 1989.

Two Keys subsequently amended its label to state it was a “spirit distilled from grain produced in South Africa and the United Kingdom and bottled in the Republic of South Africa.”

SPA lawyers said, “Our client has undertaken research in the Cape Peninsula and has established that the product is being sold widely.”
Suncrush fizzing, but expects tougher times

DURBAN-based soft drink bottler Suncrush has maintained its exceptional growth record of producing earnings well above the inflation rate by increasing its attributable earnings by 35% to R43,4m (R32,2m) in the year to end-June.

The Suncrush share price reflects the results, with the share closing yesterday at its year high of R460, after climbing by over 100% from its low of R185 at this time last year.

But director Derek Cook warned yesterday that the coming year would be tough for the soft drink industry, which usually felt the pinch of the recession later than many other industries.

Cook said that the first two months of the new year had confirmed that turnover figures were beginning to show the effects of the recession, with sales being lower than forecast, although still ahead of last year.

Cook said that although it was difficult to forecast, he expected this year to be tougher than the last.

The bottler of Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparletta reported a 25% turnover increase to R444,9m (R356,3m) included in this figure is the R21m cash acquisition in November of Drakensberg Bottlers in Bethlehem.

Despite pressure on turnover, Suncrush nevertheless managed to lift operating profits by 25% to R70,7m (R66,4m). Pre-tax profits grew by 24% to R77,8m (R62,7m) after income from investments and a 55% increase in interest received, despite the R21m cash acquisition.

Current taxation was 23% up at R32,6m (R20,5m), and a much lower deferred tax of R1,4m (R3,1m) reflected a change in the treatment of stock valuation.

Profit after tax increased by 38% to R43,8m (R33,0m).

A R7,3m extraordinary item referred to goodwill written off after the Drakensberg Bottlers acquisition.

Total earnings grew by 34,8% to 1,80c (1,187c) a share. Although excellent in this economic climate, earnings did not match the 44% increase for the year to June 1980.

Suncrush declared a final dividend of 35c (254c) a share, bringing the full-year dividend up by 31,4% to 40c (350c) a share.

Daly's, which holds just over 50% of Suncrush, showed a 34% increase in attributable earnings to R20,5m (R15,3m), with earnings at 184,9c (138,1c) a share.
Results posted by soft drink bottler Sunchush for the year to end-June were even better than those from Amalgamated Beverage Industries (ABI) for the year to end-March. Turnover grew by a quarter, compared with ABI's growth of a fifth, and EPS advanced by 35%, compared with ABI's 25%.

Volume growth was apparently stronger in Sunchush's franchise areas, which include Richards Bay, Newcastle, Maritzburg, Vanderbijlpark and Welkom. There was less disruption to supplies from violence than in ABI's distribution areas in the PWV and Durban. ABI's overall sales, however, remained double those of Sunchush.

Sunchush also has a much higher operating margin, 15.9% against 12.4%. This is partly accounted for by Sparletta's greater popularity in the Sunchush areas. Royalty fees to Sparletta are lower than they are to Coca-Cola.

Sunchush's share price has climbed to demanding levels. At R400, it has a P/E of 25 and a dividend yield of 1.1%, with the cover at 3.5. ABI trades on an earnings multiple of 29.3 and a dividend yield of 1.7%. Its dividend cover is just 2.0.

Sunchush's earnings increased, R1.7m equivalent to 64c a share, was because of a change in the deferred tax treatment of the Hfo stock valuation. There was a R7.3m extraordinary write-off of goodwill arising from the purchase of Drakensberg Bottlers in Bethlehem.

The balance sheet remains strong, though borrowings increased by 14% and the fund-

<table>
<thead>
<tr>
<th>SUNCHUSH SPARKLES</th>
<th>Year to June</th>
<th>1990</th>
<th>1991</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>386</td>
<td>445</td>
<td></td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>56</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>1187</td>
<td>1600</td>
<td></td>
</tr>
<tr>
<td>Dividend (c)</td>
<td>350</td>
<td>460</td>
<td></td>
</tr>
</tbody>
</table>

ing requirement is likely to rise, as capital commitments increased from R2m to R1.5m. The market value of listed investments, which include 62% of Tempora, virtually doubled from R11m to R201m, and gearing is only 11% after revaluation.

Holding company Dalys reported EPS of 184,9c, giving it a P/E of 24.1 and a paper-thin dividend yield of 1%.

Both shares look expensive on the historical yields, but these groups continue to produce good results. Sunchush had some difficult years between 1984 and 1986, when growth averaged 10%, but otherwise earnings have not grown by less than 21% since 1981. Soft drinks continue to show real volume growth and Sunchush also enjoys solid investment income. The share will remain in demand.

Stephen Crean

Contiue
Tempora increases its stake in Cadswep
SA wines win favour in Britain

Own Correspondent

LONDON — South Africa is the flavour of the month, according to the British wine industry, and major food chains are rushing to fill their shelves, says a report here.

Supermarket giant Sainsbury’s is introducing a South African wine to its extensive range from around the world, and Tesco, which recently launched its first four, is topping up with another two next month.

Marks and Spencer’s first two will be available to British consumers this week, while Asda recently put three on its shelves.

"Recession-hit retailers seem terrified of missing out on what might just end up as the next great wine trend," says the London Sunday Times consumer report.

And it comes as no surprise to South African wine makers, who produce a massive surplus of wine every year, are keen to sell, the report adds.

With a weak rand, exporters are offering wines at attractive prices and buyers are not shy.

Added to the impressive list of retail outlets are the bottle stores. One chain, Victoria Wine, describes South Africa as one of our major areas for development.

But now the timing is at its best. Sanctions have gone, apartheid has been officially discredited and previously closed doors have been opened.

Added to this is the disastrous frost-bitten 1981 vintage from Europe and price hikes over the past 18 months which show little sign of abating.

At around R14, a bottle of South African wine is relatively cheap in the UK.

Our pride and joy, has, however, not escaped review.

"South Africa is not another Australia," says the writer, Joanna Simun. "It has been isolated from winemaking progress in the rest of the world and it has some catching up to do."

"The average, is, well, average," she says.
Cape Town considers unity

CAPE TOWN — Far-reaching recommendations regarding standards, financing, community liaison and affirmative action on staff appointments are contained in a report on Cape Town's transition towards an integrated democratic city.

The report, which has been adopted by the council, was drawn up by a committee of councillors under the chairmanship of Arthur Wiemburg and released yesterday.

The report is based on the recognition of the need to create economically viable, non-racial, democratic and redistributive local government.

It proposes two levels of city government — metropolitan and local — and recommends that the metropolitan area includes the magisterial districts of Cape Town, Goodwood, Bellville, Kuilsriver, Wynberg, Simon's Town, Eersterivier, Kleinville, Macassar, Figtree, Somerset West, Strand, Gordon's Bay and Stellenbosch. The inclusion of Atlantis, Paarl and Wellington is still to be investigated.

A constitutional committee is taking the investigation further and is looking at issues such as a municipal franchise. Wiemburg says the next stage would be to get other municipalities involved to work out a broad consensus with which to approach government.

One drawback, however, is that the civic associations in the Western Cape Union of Civic Associations did not participate in the deliberations of the committee.

State

The report emphasizes the city of Cape Town will not be able to accept the financial liability associated with an enlarged single city without additional funding from government in the form of a guaranteed tax base.

The state will have to accept responsibility for housing, health, education and major transportation schemes.

The report says the issue of standards will be one of the most crucial facing Capetonians, but the council will not be party to proposals which under the guise of assuring or improving standards serve to protect existing privilege or foster discrimination.

One of the major issues of standards relates to problems of overcrowding, and the committee feels that existing legislation may be inadequate. A review of this legislation is proposed and resources to meet the need for housing are necessary.

The effectiveness of current enforcement procedures regarding bylaws on standards needs urgent review as present processes are too lengthy and the council is "toothless." The establishment of a municipal court to hear municipal cases is recommended.

The report says council employees need urgent training to respond to complaints.

Affirmative action is necessary to redress the racial imbalance in the workforce, especially at higher levels. The council has commissioned an investigation into affirmative action programmes.

The committee says the framework of the future form of local government should be high on the agenda for rational negotiations as a prelude to local decisions.

Brits no longer find SA wine unpalatable

LONDON — SA is the flavour of the month, according to the UK wine industry, and major food chains are rushing to fill their shelves.

A report in the Sunday Times says supermarket giant Sainsbury's is introducing a SA wine to its extensive range and Tesco, which recently launched its first four, is topping up with another two next month.

Marks and Spencer's first two SA wines will be available this week, while Asda recently put three on its shelves.

"Recession-hit retailers seem terrified of missing out on what might just end up as the next great wine trend," says the report.

And it comes as no surprise. SA wine makers, who produce a massive surplus each year, are keen to sell and the weak rand makes prices attractive.

Added to the impressive list of retail outlets are the bottle stores.

One chain, Victoria Wine, describes SA as "one of our major areas for development."

Of the stores which have been quietly selling through the sanctions years, are Waitrose — which has added two to its range — and the Thresher and Wine Rack chains which are looking at market possibilities for next year.

Timings is at its best now Sanctions have gone, and added to this is the disastrous frost-bitten 1991 vintage from Europe — and price hikes over the past 18 months which show little sign of abating.
Juicy future for deciduous fruit

CAPE TOWN — Confidence had returned to the deciduous fruit industry to such an extent that output was expected to double by 1998, Unifruco MD Louis Kriel said at an Afrikaans Seksmammie function yesterday.

He said the lack of sufficient product had been a problem this year for Unifruco, the export marketing arm of the deciduous fruit industry which has a turnover of about R1.5bn annually.

Figures for the last season should be finalised by October, Kriel said.

He said the export allowance which would be abolished next year was not necessary to survive under present circumstances. Although it added greatly to new investments and job opportunities, it was never calculated into the pricing strategy.

He said Europe and the Middle and Near East were priorities for fruit exports. The lifting of sanctions had seen new markets opening up.

Export turnover from countries such as West Germany had doubled this year with supermarkets inviting SA producers back and asking them to advertise.

Kriel said between 25% and 33% of SA fruit markets overseas were lost at the time of sanctions but Unifruco had embarked on aggressive marketing strategies. Lobbying activities had cost about R1.5m annually.
SAB sends mission to overseas banks

MARCIA KLEIN (182)

TOP SA Brewers (SAB) executives are leaving for Europe later this week on a financial public relations visit.

Group financial director Selwyn MacFarlane said the SAB delegation, headed by executive chairman Meyer Kahn, would visit major banks in an attempt "to re-open critical contacts with the German and Austrian business communities".

The delegation, which includes MacFarlane and group financial manager Ian Somerville, will be giving major presentations in Berlin, Frankfurt, Munich and Vienna 5-10 May 1979.

MacFarlane said the visit was aimed at business goals, and was not political. Its main objective was to promote SA in terms of future foreign investment, but "sympathetic with this was SAB and its mass consumer focus", he said.

SAB hoped to meet about 10 major banks and would also see top businessmen and decision-makers.

MaxFarlane hoped the visit "would show an initiative that would gather speed with most of the other major SA groups".

It was intended that the SAB visit would promote visits to SA by overseas companies, which, in turn, would lead to foreign capital coming in.

SAB has estimated that the SA growth rate could double when foreign capital flows into the country again.
Tempora's deal could be linked to return of Coke
By Jabulani Shikhakhane

Tempora's acquisition of a further 16.2 percent of Cadbury Schweppes (Cadswep) shares, increasing its stake to 22 percent, has opened up a number of interesting possibilities. Tempora is controlled by another big player in the soft drinks market, Suncrush which in turn is owned by Dalys.

Analysts suggest Tempora's move could signal Coca-Cola's return to the South African market in the light of Pepsi Cola's comeback.

-Sandy Allen, managing director of National Beverages (Natur), which holds Coca-Cola's master franchise, says there is no problem if Coca-Cola decides to return.

Coca-Cola still owns all its trademarks in the country, he says, and the trump card is the syrup plant in Swaziland.

The significance of the Tempora/Cadswep deal is that Cadswep owns 19 percent of Amalgamated Beverage Industries (ABI), which is controlled by the South Africa Brewery (SAB) ABI is the largest of the Coca-Cola franchises, with 41 percent market share. Analysts say there is no way SAB will let go of ABI, although it is understood that Coca-Cola has option agreements.

Coca-Cola analysts suggest Cadswep could buy the Hamilton family's stake in Suncrush which would give them a 22 percent stake in the company holding 10 percent. Other smaller ones share 14 percent.

Before selling to Coca-Cola, the Hamilton family might tidy-up Suncrush's control structure leaving only Tempora as Suncrush's controlling company.

Currently Dalys own 50.22 percent of Suncrush, Tempora, which is an investment arm of Suncrush, owns 20.14 percent of Dalys.

After the Cadswep share acquisition, which was paid for in cash and the issue of shares to eight institutions, Suncrush's stake in Tempora was reduced from 32 percent to 43.2 percent.

Hamilton Management Consulting (Hamilton family) owns 25.3 percent of Dalys and Robin Hamilton (managing director and chairman of Dalys) directly holds 5.9 percent of Dalys. Taken together, the Hamilton family and Tempora have over 51 percent of Dalys.

Mr. Hamilton could not be reached for comment yesterday.
More sweeteners

Normally, investment trusts trade at a discount to net asset value, but this has not been the case with Suncrush subsidiary Tempora. It now trades at R19.50, a premium on current NAV of R18, calculated by chairman Robin Hamilton.

The shape of the trust has changed significantly over the past two months. Tempora has had a rights issue and R100m was placed with institutions to fund the purchase of 16% of Cadbury-Schweppes, to increase the group’s holding to 22%.

Hamilton expects the share to be more tradable than either of its two major investments, Cadswep and 20% of Duly’s, the Suncrush holding company. Suncrush’s stake in Tempora has fallen from 62% to 43%, and the recent R100m placing was spread among eight institutions. Tempora is now predominantly a vehicle for investment in the soft drink and confectionery market. Its stake in Cadswep is worth R240m, in Duly’s R130m.

Its other significant investments are R30m in Sakers and Safcon, and about R3m in Seardel and Searcon.

Hamilton says he does not expect the Suncrush interests to be involved in any way with the management of Cadswep, and he does not believe that Tempora will be able to acquire a larger stake in Cadswep. Logically, Tempora should get a seat on the Cadswep board, but it may not seek one.

Tempora originally bought the Cadswep stake because it could see the growth potential in the group, particularly from its 19% stake in ABI. Like Suncrush, ABI is a franchise holder for Coca-Cola products, but it has not achieved Suncrush’s margins or returns. Hamilton believes it will close the gap in the future. The confectionery business has good products which are well tested in a competitive market, he says.

Hamilton says the Tempora price has risen because of the excitement surrounding the Cadswep deal. It should settle around R18. He does not see why it should have much of a discount on NAV as it has minimal administration fees. For example, Tempora pays no directors’ fees. It has a dividend yield of 1.6%, higher than that of both its main investments, so it looks fairly priced for now.

Stephen Croston
Govt may lose on spirits and beer despite excise
despite excise

GOVERNMENT could lose up to 1% of beer and spirits revenues through the lower VAT rate, irrespective of the newly imposed luxury goods excise.

The 2.5% ad valorem excise which will be imposed on various luxury goods from September 30 may fall by 13% GST to 10% VAT.

While most liquor producers — except wine farmers — are delighted, the regulations have been greeted with some scepticism. A new tax whose rate is insufficient to make up an unintended revenue rebate is not seen as permanent.

Experts believe that an ad valorem levy set as low as 2.5% is merely the thin edge of the wedge.

Within six months, they predict, the rate will be increased, ostensibly to cover the shortfall and soon the fiscus will have another indirect tax for the milking.

The additional excise is to be calculated on the in-bond or excise-free value of the goods, and not on the duty paid wholesale price.

This means the new excise will affect different products to varying degrees.

The most efficient scenario, from the revenue point of view — applies on products like natural wine, which have been excise free until now.

In terms of the new arrangement, a wine leaving the producers' cellars at R100 a case will cost the retailer R102.50 plus 10% VAT.

Previously the same product would have been costed into stock at R100 plus 13% GST.

Products like scotch, brandy and beer carry customs and excise duties worth as much as 60% of the wholesale selling price. The new ad valorem excise is only to be calculated on the excise-free portion, which may be as low as 60% of the present wholesale price.
New market for grape surplus

CAPE TOWN — Surplus grapes would no longer be turned into wine for bulk export from next year but would rather be sold as grape juice concentrate, KWV CEO Ritzema de la Bat said yesterday.

Demand for grape juice concentrate has escalated, especially for use as a natural sweetening agent. KWV hopes to next year increase by 70% the sale of the concentrate, which has a higher return per unit.

Deputy CEO Kobus Van Niekerk said there was a current supply shortage of Cabernet Sauvignon, although with 500 new hectares of the variety under cultivation this should be overcome soon.

In the early '80s there had been a decline in demand for Cabernet Sauvignon and in 1984 and 1985 new plantings were fewer than 100ha.

There had since been an upsurge in demand for red-wine and substantial plantings of the cultivar since 1988 are likely to improve supplies in 1993/94.

Domestic prices of Cabernet Sauvignon are, however, unlikely to increase.

LINDA ENSOR

Van Niekerk projected a 5.4% annual growth in the consumption of premium red wines until 2010 and no growth in rosé wines and said the growth in exports of premium red wines as a percentage of total red wine was expected to increase to 38% from 19%. He forecast the growth in medium priced red wine to be about 5.1% annually.

KWV has launched many new ranges of wines in the UK, mainly through supermarket chains to give it a broader penetration of the market.

Chief marketing executive Janie Retief yesterday said that in the past KWV had been limited to the upper end of the medium range of wine and it was necessary to extend into the upper and lower ends of the market.

Retief said a representative of the Finnish government's wine monopoly would visit SA in November to taste the wines with a view to having them listed.
Suncrush spurt could result in a share split

SHARP increases in the share price of Suncrush and holding company Dalys could point to a possible share split, or to the sale of a large stake in the soft drink company, say analysts.

The Suncrush share closed yesterday at R6.55 after rising 182% last year and by R40 on Thursday alone. Dalys closed at R5.50 after rising 160% over the year.

Suncrush chairman Robin Hamilton said yesterday that a share split had been under consideration, and "there was some logic for a split", but there was nothing in the pipeline at the moment.

An analyst said the Suncrush share was one of the most expensive on the JSE, and "sooner or later there would need to be a split at this level".

However, while a split would see the share increase in value and give the impression that it would be more tradeable, "investors may hold on tight to the blue chip stock".

According to an industry source, the share price rise could not be solely attributed to Suncrush's recent good results and to last week's announcement of Suncrush's increased stake in Cadbury Schweppes through subsidiary Tempora Tempora acquired 16.5% of the company to bring its stake to 22%.

He said the increases were also not consistent with recent reports that soft drink sales were depressed.

Rumours are rife that the Hamilton family, which collectively owns more than 50% of Dalys, may want to sell. While there has been speculation that a large stake could be sold to Coke on its return to SAs, analysts said there were many other possible buyers.

One company mentioned was the Tongaat Group, and an analyst said this could be an excellent deal. Tongaat would be investing in a company with consistent growth to counter the cyclical nature of its own industry, and there was the possibility of some synergies in terms of Tongaat's sugar interests.

An analyst said Hamilton would need to retire at some stage and there might not be a continuity of management. One of the ways to diminish his stake would be to sell the family's shareholding in Dalys, which would be a more convenient route than through Suncrush.

Hamilton dismissed all the speculation.
Coca Cola may return to SA market

JOHANNESBURG — Tempora’s acquisition of a further 16.2 percent of Cadbury Schweppes (Cadswe) shares, increasing its stake to 22 percent, has opened up a number of interesting possibilities.

Tempora is controlled by another big player in the soft drinks market, Suncrush which in turn is owned by Dalys.

Analysts suggest Tempora’s move could be signalling Coca Cola’s return to the South African market in the light of Pepsi Cola’s comeback.

Sandy Allen, managing director of National Beverages (Natbex) which holds Coca Cola’s master franchise, says there is no problem if Coca Cola decides to return.

Coca Cola still owns all its trademarks in the country, he says, and the syrup plant in Swaziland.

The significance of the Tempora/Cadswe deal is that Cadswe owns 19 percent of Amalgamated Beverage Industries (ABI), which is controlled by the South Africa Breweries (SAB). ABI is the largest of the Coca Cola franchisees, with 41 percent market share.

Analysts say there is no way SAB will let go of ABI, although it is understood that Coca Cola has option agreements.

Coca Cola, analysts suggest, could buy the Hamilton family’s stake in Suncrush which would give them a 22 percent stake in Cadbury Schweppes.

Interestingly, Coca Cola and Cadbury’s UK parent company (Cadbury Schweppes PLC) are on good terms having started a joint venture in the UK in 1987. Coca Cola could either buy Cadwe’s stake in ABI or could merge Cadwe and all other Coca Cola operations in South Africa.

“If you think the Dalys/Suncrush share prices are expensive at current levels, wait and see at what price the Hamilton family will sell to Coca Cola,” said one analyst.

Suncrush is the largest of the family-controlled franchisees with 19 percent market share, closely followed by the SA Bottling Company (Sabco) with 16 percent and the Peninsula Bottling Company holding 10 percent. Other smaller ones share 14 percent.

Before selling to Coca Cola, the Hamilton family might tidy-up Suncrush’s control structure leaving only Tempora as Suncrush’s controlling company.

Currently Dalys owns 50.22 percent of Suncrush Tempora, which is an investment arm of Suncrush, owns 20.14 percent of Dalys.

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Hamilton Management Consulting (Hamilton family) owns 23.3 percent of Dalys and Dalys MD Robin Hamilton directly holds 5.8 percent of Dalys.
Pepsi may pop back

By Hugh Robertson
Washington Bureau

WASHINGTON — Pepsi Cola, the giant soft drink company which disinvested from South Africa in 1986, is exploring the possibility of re-entering the South African market, says a company spokesman.

"In the light of recent events in South Africa, and the very clear signal from President George Bush of his confidence in what is happening there, we are exploring the market and looking at what options there may be for us," he says.

"I must stress that this is what we would do in the case of any market around the world and that we have made no final determination so far. But, yes, we are looking into the options.

"As a company, we are believers in the power of trade in enhancing democracy."

Another US group thought to be investigating the South African market, the giant McDonald's fast-food chain, purveyors around the world of the "Big Mac" hamburger, says it has no current plans for expanding into South Africa.

Pepsi Cola is part of the huge PepsiCo group, which has franchised fast-food outlets in opposition to McDonald's in many countries.

While PepsiCo has no employees or assets in South Africa, some of its franchised food outlets operate in the country.

Among them are Kentucky Fried Chicken and Pizza Hut, the chief rivals of McDonald's in the US and in Europe.

McDonald's also operates in the Soviet Union and there is speculation it is exploring the possibility of opening franchised outlets in South Africa.

Pepsi Cola sold its bottling operation in South Africa to a local conglomerate in 1989.

Outside the US it markets most of its products through franchised bottlers.
LIQUOR INDUSTRY

The brands lose their grip

The established spirit brand names, once considered recession-proof, are taking a knock as cut-price labels grab market share in SA's competitive wine and spirit industry. The same trend over the past four years is

apparent in the unfortified wine market, according to recent Ibis Marketing Information Services figures that spotlight the changing consumer patterns.

Hey, bartender

The market for whisky and brandy, the industry's two biggest sellers, has been the least affected. Cut-price labels now account for 24% of the 4,2m-cases-a-year brandy market, the same as 1988, while cut-price whisky is up to 44% of the 2m-cases-a-year whisky market, compared with 43% in 1988.

But consumer preferences in other sectors have changed noticeably. Cut-price vodka has moved steadily from 6% of the market in 1988 to 14% now, while cut-price gin moved from 4% to 11%.

Most dramatic, however, has been the shift in the 1m-case-a-year white cane spirit market, where cheaper brands held a 21% share in 1988, 30% last year, and now 38%.

The trend is hurting the big liquor conglomerates, especially groups such as Stellenbosch Farmers' Winery (SFW), which once had more than 90% of the cane market with market leader Mainstay, but now has only about 50%.

SFW Group MD Frans Stroebel concedes that cheaper brands are at least partly to blame for Mainstay's plummet, from producing more than 1m cases a year in the early 1980s to turning out around 500 000 cases now. SFW recently embarked on some drastic surgery to cut costs by closing a plant in Natal and laying off staff.

On the other hand, the swing towards cheaper brands is benefiting smaller operations such as Durban-based Snell & Co — apart from the fly-by-night companies that periodically enter the market, undercut prices, then usually disappear.

Though the 140-year-old firm is one of the oldest liquor companies in SA, family controlled Snell has remained independent and remained small, accounting for just 5% of the spirit market. MD David Hooper says his company has concentrated on good-quality cheaper brands for the past 10 years, often at the expense of advertising and promotions, but he now believes the decision is starting to pay off.

"What I read into the Ibis statistics is that, rather than cutting down on quality and retaining brand, as consumers did in the past during recessions, they are now prepared to retain quality but change brands for value."

Hooper notes that a similar pattern has emerged elsewhere in the world, though not to the same extent as is now happening here, and that the trend has also been evident in other consumer goods sectors.

"The market used to be recession-proof, almost a ritualistic, highly branded market. That is no longer the case, and the change to

BUSINESS & TECHNOLOGY

cheaper spirits is something we have believed must come sooner or later."

Snell produces one of the cut-price cane labels, Cape to Rio, as well as similar products for the brandy, rum, gin, vodka and whisky markets. The company also produces and distributes its own wine, though this does not add significantly to profits and is used more to project the company's image.

Snell's cane has had the most success. Director George Topp says that from accounting for around 10% of the cane market three years ago, the Cape to Rio label now holds as much as 20%. He believes that Snell's cheaper-brand gin and vodka probably have 6%-8% of their markets.

"We've always maintained that our quality is as good as the big brands," Hooper says. "What we have worked on is upgrading our packaging to make the product as competitive as that of the top-of-the-range names, while at the same time selling it at a significantly cheaper price. The only way we can do this is by not spending large amounts on promotions, advertising and marketing."

Liquor companies traditionally run off big budgets for advertising and marketing, especially when launching a new product. Hooper says he believes that the switch to cut-price brands may be permanent, though other members of the industry say it might be largely because of the recession. They say the decrease in disposable income forcing consumers to change to cheaper brands, but they expect them to return to the established labels when the economy picks up.

"It's a whole different market today compared with what it was," he says. "People used to stock a few top name brands, mainly spirits and liqueurs, and drink little else. But now, with the increasing importance of the black consumer market, and the huge amounts spent on liquor by corporations for entertaining and promotions, the market is becoming much more difficult to read."

"
SAB set to spend R1.5bn this year

SOUTH African Breweries (SAB) is about to embark on its most ambitious development ever, with capex planned at R1.5bn for the current financial year.

SAB financial director Solwin MacFarlane says the board has approved expenditure on capital projects of over R3bn, of which about half will be spent in the current year.

MacFarlane says the bulk of spending this year, or about R1.1bn, has been earmarked for the group's beverage interests, which account for the largest slice of its earnings and has the biggest growth potential.

Spending is set to concentrate on expansion to the beer division as well as on the fast-expanding soft drink market, banned by Amalgamated Beverage Industries (ABI).

Some of the expansion has been earmarked for exports.

He says although growth will be constrained by the economic slowdown and "unfair" excise tax on beer this year, the beer division — which last year capitalised on an 11% growth in sales, ahead of an average 7% for all alcoholic drinks — was budgeting for gains ahead of the liquor industry.

Capital spending in the division includes a doubling of capacity of the Newlands brewery, a massive expansion of the Atroide brewery and a 40% increase in the capacity of the Prospecton brewery.

MacFarlane says the intent is to keep capacity balanced both inland and at coastal breweries.

ABI saw soft drink sales grow by about 5% last year and is expecting to benefit from opportunities for growth in the industry based on the burgeoning black market.

Development

Expansion capex for the division amounted to R73m last year, relating primarily to the development of the Phoenix facility in Durban, due for completion by the end of this year.

Capex for ABI has been budgeted at about R100m this year.

Of the group's other interests, the retail and hotel divisions have approval for about R300m capex, while manufacturing and other interests will utilise about R100m.

Group executive chairman Meyer Kahn says cash retained from operating activities will remain at about R700m this year, necessitating the injection of borrowed funds of a similar amount to fund planned capex.
Heineken Lager
SAB to import

Hand close
Heineken comes to SA

THE world's most popular imported beer, Heineken, is to be sold in selected Cape Town outlets.

The lager, which sells in more than 150 countries, is being introduced from mid-October by the South African Breweries Beer Division.

It will be imported directly from Holland and sold in 330ml bottles and cans. Because it is imported, the price will be higher than that of local beers at an 80 percent premium over Amstel's price.

BETWEEN three and five percent of beer produced in South Africa is wasted because it cannot be extracted from the yeast without spoiling the taste of the beer.

Now a German industrialist and managing director of multinational company Hoësch is currently in South Africa to introduce a new method of filtration which will prevent this wastage and hopefully reduce the price of a pint.

Using the new Hoësch process the cost of dewatering minerals can be reduced by as much as 50 percent. This is a major breakthrough as dewatering represents a substantial expense in the production of minerals.

PICARDI Liquors has taken over the running and management of the huge and highly successful Liquorville Discount Liquor Store in Sun Valley near Noordhoek.

The group now holds a 50 percent stake in the excellently situated store which was started four years ago by well-known retailer, Butch Wykerd.

Since it opened Liquorville has doubled its size to one of the largest liquor outlets in the Peninsula.
Costly SA shares ‘lack attraction’

SA WOULD have difficulty attracting foreign investment in local equities because they were overpriced by international standards and cheaper alternatives were available elsewhere.

That was the message given at the retail financial services conference in Johannesburg by Philip Stevens, director of London investment and asset management firm Lazard Investors.

Citing the example of blue chip share SA Breweries (SAB), Stevens said it was a world-class brewer — but there were other world-class brewers like Anheuser Busch (US), Allied Lyons (UK) and Heineken (Holland).

Buying SAB shares would expose the buyer to currency and political risk; SAB would therefore have to be cheaper than the other three brewers, but was not.

Anheuser Busch was trading at 16.8 times this year’s prospective earnings, Stevens said, representing a p/e of 16.8. Allied Lyons’ p/e was 14.6 and Heineken’s 13.

“I should expect to see SAB trading at eight times,” said Stevens. “In fact, it is the most expensive at 20 times.”

Investment capital had to come into SA competitively and this was not the case.

The high equity prices were due to a “paper chase” in the closed local market, he said.

This view, which has been echoed by many an analyst, is variously known as the “greenhouse” or “holiose effect” — a reference to the fact that billions of rand of institutional funds are bottled up locally because of exchange control and have no other real home but the JSE.

Consequently, equity prices are driven up to unrealistically high levels.

Stevens also cautioned local observers against over-excitement at the government’s recent successful DM400m Eurobond issue, saying it did not necessarily mean German money would always be available.

German capital was now committed to the newly unified Germany and there would not be much left, he said.

Similarly, Japanese money would be “gung-ho” in coming years.

The ending of these two key world capital flows, which had helped sustain world economic growth in the past decade, necessarily meant slower growth in the coming years.

“We are very cautious and continue to be very cautious,” said Stevens, expressing concern about the stability and health of the world financial system. “We expect a serious, major collapse.”

ROBERT GENTLE
Pepsi talks to Fedfood about returning

Coca-Cola could soon be squaring up to its arch-rival as negotiations between PepsiCo and Fedfood for Pepsi's re-entry into SA continue. Fedfood GM planning Kleinhans, Yannakou confirmed at the weekend that discussions between Fedfood and PepsiCo, begun some months ago, were progressing. He could not confirm if PepsiCo was speaking to other parties.

Fedfood has an association with PepsiCo Foods International through its Simba division, which uses some of the PepsiCo brand names.

MD Jan van Tott said recently that the magnitude of the Pepsi venture was overwhelming and he had reservations about Fedfood's ability to handle a project of that size.

However, Yannakou said Fedfood had been speaking to a number of parties with regard to financing, and progress had been made.
SFW aims to improve exports

DESPITE Stellenbosch Farmers’ Winery’s (SFW) disappointing results for the year to end-June, export opportunities and a streamlined organisational structure are cause for optimism about the future.

Executive chairman David Marlow said in the annual report that although pre-tax profits had declined by 8% to R96,2m (R104,4m) over the past year, SFW had reason to be optimistic.

Wine and spirits wholesaler SFW could make “meaningful progress in overseas markets”, and SA wines, brandies and other spirits could compete with the best in the world.

SFW’s international division aimed to strengthen its export infrastructure and explore the most important overseas markets, he said.

Although exports were growing steadily, Marlow said “it would be unrealistic to expect a spectacular improvement overnight.”

It was a formidable task to rebuild overseas markets and to persuade customers to buy SA products once again, he said.

Marlow appealed to exporters to promote the image of the SA industry by supplying the highest quality products at appropriate prices.

Local wine sales were stagnant in the 1991 financial year. SFW had been forced to review all of its operations due to the recession and major changes in the transport industry, especially with regard to road tariffs.

This saw SFW discontinue its bottling operations at New Germany, King William’s Town and George, which resulted in improved efficiencies and substantial cost savings, Marlow said.

SFW had also streamlined its organisational structure and management functions, and its total number of employees was reduced by about 6%.

These changes were reflected in non-recurring costs of R4,6m.
Distillers looks to growth in earnings

CAPE TOWN — Real volume declines in the domestic market in all product categories were forecast yesterday by wine and spirit producer and marketer Distillers Corporation MD Michel le Roux at the company’s AGM.

Despite the tough trading conditions the group has forecast further growth in earnings for the year to end-June 1992. Last year a 13.7% growth to 65.4c was achieved.

“We see a tremendous potential for exports, but as they at present represent a small proportion of turnover, the impact in the coming year will not be significant. But the growth prospects are exciting,” Le Roux said.

There had been a lot of interest in Europe in the group’s Bergkelder wines, while access to previously closed African markets, such as Kenya, had been gained.

The sale of brandy and wines in Africa had proceeded successfully, and a thrust to export brandy to Far Eastern and Taiwanese markets was being made, Le Roux said.

Chairman Arnold Galombik spoke of the advantages of Distillers possibly joining in ventures with its European agents.
Activities: Produces and markets wines and spirits
Control: Rembrandt and KWV 60%
Chairman: A Galombik, MD M S du P le Roux.
Capital structures: 140m o/ds. Market capitalisation R945m
Share market: Price 675c. Yield 5.2% on dividend, 9.4% on earnings, p/e ratio 10.6.
cover, 18.1 12-month high, 675c, low, 320c.
Trading volume last quarter, 50 300 shares

<table>
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<th>Year to June 30</th>
<th>'88</th>
<th>'89</th>
<th>'90</th>
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<tr>
<td>Dividends (c)</td>
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<td>30.0</td>
<td>35.0</td>
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<td>Net worth (c)</td>
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<td>315</td>
<td>338</td>
<td>384</td>
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The share was trading at around 400c. The next month it breached that level and has since risen steadily to the current price, at which the p/e is just over 10. That is still not expensive for a counter that has raised its dividend at a compound rate of 27% over the past three years and shown compound EPS growth, after additional depreciation, of 19.3% for the past five years.

The company is no light-hearth. Capital employed exceeds R740m. In the 1991 year, it produced pre-tax profit of R180m and net income before additional depreciation of R102m. Turnover is not disclosed, but annual increases in turnover have averaged 13% over five years.

If a margin of, say, 14% is assumed, then turnover could have been close to R2bn. It produced a positive cash flow, after payment of dividends, of R17.3m, most of which was used to draw down debt. And, with a debt-equity ratio of 3%, there is an inconsequential level of debt to finance. The current ratio is 2.4. In other words, the balance sheet is exceptionally strong.

Chairman Arnold Galombik ascribes the success of the group to the "purposeful marketing of trademarks," which has enabled it to become the market leader in several liquor categories, including brandy and spirits. Galombik adds that, in 1991, Distillers considerably expanded market share in gin, liqueurs, sparkling wines and premium price wines.

Also during the year, Distillers further tightened its grip on the spirits market, when it entered into an agreement with United Distillers Group of London, one of the world's largest liquor companies. This was formalised by the sale by Distillers of 25% of its 50% holding of Henry Taylor and Ries. As a result, Distillers is more deeply involved with the importing and marketing of many international trademarks.

With the share now in the hands of three major groups, only 10% of the shares, or 14m, are available to minorities and many of these are already held by institutions. Distillers is effectively controlled by Rembrandt, under whose auspices it was originally established as Orde Meceter.

MD Machel le Roux is conservatively forecasting that results in the 1992 year will maintain last year's performance and is hopeful that profit growth will exceed the inflation rate. If the market allows Le Roux to achieve this latter aim, it will again indicate that the share has been undervalued in the past. Because the counter remains comparatively cheap on the basis of historical earnings and dividends, it could be that the favourable rating has only just begun.
STELLENBOSCH FARMERS’ WINERY

Staying as they are? F M 11 10 91

Optimism is nudging the share price — but the overall picture is static

For at least the past four years Stellenbosch Farmers' Winery (SFW) has taken a caning from major competitors, Distillers Corp and Gibey's. Not only has it produced lackluster results, which show negative growth in attributable earnings, but it has lost the brand supremacy and market share once held by some of its most important products.

Rembrandt is exposed to the weaker performance of SFW’s products, as it holds 30% of SFW, but it also holds 30% of arch-rival Distillers and 49% of Gibey's, both of which have picked up the revenues that SFW has dropped while it lost market share in what is proving to be an all-but-static liquor industry.

Attempts to find out what is really behind the decline do not produce many encouraging answers. An interview with Dave Marlow, chairman and CEO of SFW, was not greatly revealing. He was, apparently, appointed by Rembrandt partly to act as a “change agent.”

It cannot have been easy for Marlow, coming from the MD’s chair at Sentracem as a 60-year-old chemical engineer with no direct experience of the liquor industry, to assume the chair at SFW as a Rembrandt appointee when Rembrandt had long been perceived by many at SFW to be what could be termed the enemy because of its control of Distillers.

However, Marlow has presided over a substantial restructuring of SFW’s management, as well as the departure of a total of 300 staff after the closure of bottling plants at Pinetown, King William’s Town and George.

Average age of the remaining management at SFW has dropped from 50 a few years ago to 45. What has happened to the senior old guard?

“They just disappeared,” he says. “They left for various reasons, mainly early retirement.”

It also cannot be very easy for Marlow to discuss the poor financial results SFW has posted since 1988, the year he joined the company.

In that year the Cape Wine & Distillers (CWD) era came to an end, when SFW replaced it on the JSE, and Distillers (previously Oude Meester Group) was separately listed. CWD was then held 30% by SA Breweries, 30% by Remgro, 30% by KKW and 10% by the public.

This arrangement emerged out of the realignment of liquor giants about 10 years earlier when SA Breweries, which then held 100% of SFW, and Rembrandt ended their nationwide beer sales war.

SFW and Distillers still have the same shareholding structure today. However, Remgro and KKW have pooled their individual holdings in a holding company, Rembrandt-KKW Beleggings, which controls 60% of both SFW and Distillers.

By arrangement with KKW, Rembrandt has assumed effective managerial control of the investments of Rembrandt-KKW.

That is one reason why the market remains dubious about the line from Rembrandt, KKW, Distillers and SFW — that everything done in SFW and Distillers is undertaken by autonomous management, at arm’s length from outside influences.

At arm’s length

When SFW and Distillers were listed in 1988, Marlow was quoted as saying: “The perception of lack of competition between these two organisations will finally be put to bed.” (FM September 23, 1988)

But his own appointment and later, in 1989, the appointment of 40-year-old Frans Stroebel, former director of the SA Nature Foundation (a project in which Rembrandt’s Anton Rupert is keenly interested), to the board of SFW do not help to support the arm’s-length assurance.

Ask Marlow today about the Rembrandt role in policy and management of SFW, and he confines himself to saying it is most supportive whenever needed.

Until Marlow’s appointment, management styles at SFW and Distillers were different. SFW preferred a relatively decentralised management. An industry source describes the atmosphere then as similar to that at SA Breweries, relaxed but demanding. Distillers, long seen as a core Rembrandt business, had preferred a more central and autocratic culture.

There are signs that SFW’s culture is moving closer to this.

Stroebel was appointed MD of SFW in January, He, too, is a newcomer to the liquor industry. After completing a law degree in the Free State, he spent four years in the diplomatic service in Geneva at the European HQ of the UN, three years as Foreign Minister Pik Botha’s private secretary and eight years with the SA Nature Foundation, before assuming a directorship with SFW.

When he joined SFW he said: “For eight years I’ve dealt with endangered species. The wine industry seems to me to be an endangered species. Maybe that’s why I’m at SFW.”

His clarion call now could well be “Save the wino.”

It seems that that is just one of the saving jobs for which he has assumed responsibility at SFW.

Another Rembrandt man, Bernie Nolte, recently joined SFW as an executive director.

Nolte is an experienced liquor man. He saw action with Rupert in the Rembrandt beer campaign and has been through the mill at Distillers.

He is SFW’s director of sales & marketing Nolte, with SFW old-timer, Dumpe Bayty, director of production and distribution, are the two key line managers reporting to Stroebel, who is steadily assuming the executive role from Marlow.

There are two main reasons for the weak earnings performance since 1988. Firstly, Mamstray, once a top-selling cane spirit, is selling less than half the volumes of a decade ago. Marlow says that if the same volumes were being turned over now, then SFW’s results would be comparable with those of Distillers.

Secondly, growth in the wine market has largely dried up. According to statistics published in Liquor Store Monthly, the natural wine market has grown at a compound annual rate of about 1.2% over the past four years.

Since SFW’s sales are 65% from wine, with the rest from spirits and other liquor beverages, the stagnant wine market has held back earnings.

CONTINUE
SFW aims to keep its share of shrinking liquor market

CAPE TOWN — South Africans are likely to consume up to 5% less wine and spirits this year, Stellenbosch Farmers’ Winery (SFW) executive chairman Dave Marlow said in an interview at the group’s annual meeting yesterday.

He said domestic liquor consumption had started to decline from the second quarter of the year and the challenge facing the group was to maintain market share and volumes as far as possible.

Another noticeable pattern of consumption was the tendency of consumers to buy cheaper, lower quality products.

Lower consumption levels saw SFW’s after-tax profit dropping 8.5% to R39.2m in the year to end-June.

The group was three months into its current financial year and Marlow said the benefits of the rationalisation undertaken last year were already being felt on the bottom line.

Certain facilities were closed and transferred to other centres, the number of workers had been cut by 6% and substantial cost savings were achieved.

Marlow believed the increase in efficiency and cost effectiveness bode well for profits this year. Gearing at year end was 11% (15%) and Marlow said in the annual report released yesterday that the group’s balance sheet was healthy.

In his chairman’s statement, Marlow said: “The combination of a wide range of products in each sector of the market together with the quest for excellence in quality, means that SFW is in an extremely favourable position to exploit any improvement in market conditions.”

It was possible that exports would replace the lost domestic volumes, especially as there was lively interest in SA wines.

Doors had opened and remaining sanctions were mere formalities, he said.

However, in the annual report he said: “although our exports are growing steadily, it would be unrealistic to expect a spectacular improvement overnight.”

Over the past year SFW’s international division has strengthened the group’s export infrastructure and explored the most important overseas markets. The relationship with United Distillers Group (UDG) of the UK was strengthened by an agreement which placed the marketing and distribution of UDG’s products on a sound footing.

UDG became a partner in Henry Taylor & Ries — a company which markets and distributes wine and spirits trade marks — with the resulting effect that SFW’s stake dropped to 25%.
Domestic market must be safeguarded

Demand for booze drops

17/10/91
Luyt's plans for brewery go flat

Louis Luyt has shelved his ambitious brewery project.

Louis Luyt Group international financial director Rian du Plessis said at a news conference yesterday that four international brewing companies – involved as partners at different stages – had withdrawn from investing in the venture.

In March Luyt announced plans to build a new brewery on a 10.6ha site in Randfontein, which would have a capacity of 150 million litres a year.

It was believed the brewery would have a cost between R450m and R500m, and speculation was that Luyt was looking at capturing up to 10% of the local beer market.

Luyt said at the time he would quit his position as Transvaal Rugby Union president next year to concentrate on the brewery, which he had been planning for the past eight years. Production was expected to start in January 1992.

However, Du Plessis said yesterday the group had decided "it was prudent to postpone the project until the present political and economic climate improves to such an extent that the investment would be less onerous and risky", despite the fact that the Luyt Group had the resources to fund the project from within.

He said that three of the four unnamed international brewers had signed heads of agreement.

Du Plessis would not disclose the identity of the parties. However, it is known that Luyt had discontinued negotiations with Belgian-based Interbrew, which brews Stella Artois.

He also shelved the purchase of the UK-based Greenall Whitley Brewery in August. Luyt has been linked to a number of international brewers over the past few months, including Anheuser Busch, Becks, Tuborg and Carlsberg.

Du Plessis said the companies' withdrawals had obviously been influenced by "the uncertain conditions in SA."

The Luyt Group had sold certain assets – including the Randfontein site – and realised a substantial amount of cash. This and further amounts realised through any further asset sales would be available for investment in the brewery "as and when conditions in SA return to normal", Du Plessis said. The group still intended to go ahead with the brewery.
Mahanjele makes history

HISTORY was made when a black man addressed delegates in English at the Afrikaanse Handelshuis's annual conference in Port Elizabeth this week.

National Sorghum Breweries chairman Mahalee Mahanjele said the AHJ should play a bigger role in incorporating black business. He also accused the AHJ of hobnobbing with black politicians instead of mixing with black businessmen.

This drew wide reaction from the audience, who complained that black business is not very responsive to AHJ approaches.

Mr. Mahanjele said blacks needed economic empowerment just as Afrikaners once did; and that Afrikaners would not have achieved economic clout without conscious decisions to establish Afrikaner businesses and universities.

The AHJ has been open to black membership for more than four years, but there has not been a rush by blacks to join.

AHJ chief executive Joe Poolman says membership has actually remained static between 1980 and 1990. The AHJ currently has about 7,600 members consisting mainly of individuals affiliated through the regional Su- kokamers and 300 companies.

Speakers at the congress expressed concern about the future of the AHJ in the new SA. Outgoing president Ger- rie Steenkamp told delegates that the AHJ had to move with the times.

Federation

He said the AHJ was open to all those respecting the unique character of the Institute. He said the percentage of SA business held by Afri- kaners was difficult to determine and it was difficult to remain exclusive.

He said: "The mission is still to promote a climate conducive for the business of our members." Afrikaners would also continue to be the language of business within the AHJ.

Mr. Steenkamp said co-operation with sister organi- sations, such as Fabeks, Naf- coc and Sacoba, would be promoted.

A merger with any of these organisations is not on the cards, but the formation of an umbrella federation is.

Mr. Poolman said: "Busi- ness in the new SA will have to speak through a single, clear voice. A forum where top executives of all organisation discussions can discuss matters of common interest is essen- tial."
SA BREWERIES (SAB) seems poised to take control of Plate Glass & Shutterprufe Industries (PGSI); according to market and industry sources.

A joint cautionary announcement issued today by SAB, PGSI and its holding company Placor warns shareholders in Placor and PGSI that negotiations are taking place between SAB and Placor's shareholders controlling more than 50% of the company's issued share capital. Placor holds 46.7% of PGSI.

According to McGregor's Who Owns Whom, Liberty Life held 31.7% of Placor and SA Mutual 33.6%, while directors held 22.9%. This would indicate that SAB may acquire both Liberty and the directors' interests. Liberty is also a large shareholder in SAB through Bevcon.

The recent death of Placor group co-founder Harry Brodie sparked speculation that the Brodie family would dispose of its interest in PGSI. A deal could also see the Lubner family reduce its stake. In March, Betsie Lubner said he intended to reduce his executive responsibilities to pursue his personal business interests.

Placor chairman Lubner and PGSI chairman Ronne Lubner said yesterday they were unable to add any comment to the cautionary notice.

An analyst said yesterday there was speculation that SAB was planning a deal pegged at R1bn, which was about the market capitalisation of Placor. PGSI and SAB said further details could be expected in the next few weeks.
KWV smartens up its image

It is perhaps fortunate that as SA’s wine industry moves away from the international isolation of the sanctions era, the KWV is becoming more adept at marketing deluxe products. The first signs of this change were discernible several years ago, when it was clear that the organisation would be launching a 20-year-old brandy as a super premium above its well-reputed 10-year-old. There was, of course, no certainty that the product’s packaging would enable it to compete in an international market where bottle shape and label are about as important as they would be in the cosmetic industry.

Now that the KWV 20-year-old has been launched it is quite clear that SA is dealing with a new look KWV Packaging is suitably upmarket, and although the moulded bottle may not be to everyone’s taste, there is no doubt that presentation is appropriate to price.

The brandy, of course, is excellent. KWV has produced world-class pot-distilled spirits for many years and the 20-year-old won the award of “World’s Best Brandy” at the International Wine and Spirits Competition held in London last year. However, a great deal more will have to happen before SA’s wine and spirit exports are on a comfortable international footing. Happily the KWV appears to be aware of this, and the launch of the Cathedral Cellars wine range in Europe this Christmas confirms that the 20-year-old brandy is not an isolated project.

KWV wines have been sold abroad for more than half a century. While many of the organisation’s traditional markets suffered through sanctions, the basic range remained present in Europe in the late 80s.

Wines like the KWV Chenin Blanc and the ubiquitous Roodeberg were to be found in wine shops in London and Frankfurt, in Amsterdam and even in Paris. Prices to compete with the better end of the Eastern European market, these workhorse wines retailed in London for between £2.50 to £2.90. They sold well, though arguably at the expense of the national image.

The KWV rightly defended this policy by pointing out that over 90% of the UK wine market is priced at these levels. On its own, so they argued, the KWV label pretends to no greater prestige than this.

Hence the launch of the Cathedral Cellars range, a selection of superior wines packaged and presented to enhance the slightly tarnished image of SA generic wines. The initial choice includes a Cabernet of quiet elegance and distinction, a Sauvignon Blanc which I thought unduly harsh and aggressive, and a Chardonnay of enviable quality. Once again the presentation is excellent, although the label design is strongly reminiscent of a well-known Napa winery.

What is important is that as an export organisation the KWV has shown itself to be ahead of the field, conscious of the marketing difficulties created by the trading conditions of the past few years. It would certainly be crass to suggest — as some of the independent exporters have — that the KWV is clarifying the waters that it muddled in the first place.

SA’s export efforts will not be unduly hindered by the aftermath of the sanctions era. If anything, the independent wineries may yet prove to be their own worst enemies, overpricing respectable (but not memorable) wines destined to sell in a Europe long on stocks but short on cash.

MICHAEL FRIEDJHON
BEER PLAN FIZZLES

FM 25 10 91

Louis Luyt's much-publicised plan to capture a stake in the beer market was officially shelved this week, just seven months after it was announced (Business & Technology June 14)

The reason, says Ruan du Plessis, financial director of Louis Luyt International, is SA's uncertain political and economic conditions, which led the international partners in the venture to build a 150m l/year plant at Randfontein to pull out.

He adds that the company has sufficient resources to handle the project on its own. "We are fortunate. We can sit back and make our move when we want to, but we won't move in the present climate."

Syd Vianello, an analyst with stockbrokers Ed Hern Rudolph, says there are two other possible reasons — that the recession has affected beer sales or that "they took another, closer look at the market and decided that SA Breweries is far too formidable an opponent."
SAB forecasts shadowed by weak Edgars results

SA BREWERIES (SAB) results for the six months to end-September could be below inflation, measured off a high base and reflecting depressed consumer spending. Results for the group, whose companies include Edgars, Southern Sun, OK Bazaars, Amrel, Acof, Da Gama and ABI, are expected to show the effect of the dramatic reduction in consumer spending, and analysts said that more depressed earnings could be expected from other consumer-related companies.

Yesterday analysts revised their forecasts for the group’s interim results after seeing those of Edgars, where earnings grew by only 10%. Analysts had expected a growth of around 14% from Edgars for the six-month period.

They expect SAB to show earnings growth of 10% to 12% for the six months to end-September, although some expect earnings to be as high as 15%.

Although the Edgars results would have only a 1% effect on SAB’s earnings, analysts said, other companies in the SAB stable would probably also do worse than expected if Edgars’ results were a reflection of the state of consumer spending over the past few months.

One reason for their pessimism is that beer sales are expected to show a significant reduction compared with the previous year, when volumes were up by 12%.

They said beer sales for the year could grow in the region of only 5%. However, an analyst said beer sales would be measured off an unusually high base, as the previous year included two Easters.

In the six months to end-September 1990, beer sales had increased by 11%, contributing R146m to the bottom line of R214m. At the March year-end, after beer volume had grown by 12%, earnings rose by 18% to R711m.

Good results were forecast for ABI, although at a lower rate than the previous year, and offshore operations were expected to be buoyant.

The results of SAB’s two listed furniture companies Acof and Amrel would reflect the dramatic fall-off in furniture sales.

Loe Match would show a steady performance, while Da Gama would show significantly reduced growth.

OK Bazaars’ share performance reflects market expectations of the group’s results.

The share, closed yesterday at 540c after declining steadily from its year’s high of 1550c in April.

Southern Sun’s results would also be down, with hotel occupancies being particularly bad over the period.

An analyst said that Southern Sun had a break-even point of about 60% occupancy, which it would not have been able to achieve in the six months.
SAB deal on Placor in offing

WELL-PLACED sources said yesterday SA Breweries (SAB) was poised to conclude a multimillion-rand deal involving a share swap to acquire the Liberty group's 32% stake in Placor.

An all-share transaction would leave Liberty as the largest shareholder in SAB. SAB was also said to be after the 22,8% Placor stake held by the Brodie and Laban families. Brokers believe this offer would be cash.

In the event of the deal being successful, SAB would have to make an offer to minority shareholders, either in cash or shares. SAB, Placor and Plate Glass & Shutter-works Industries (PGSI) issued a cautionary announcement earlier this week that negotiations were under way with Placor shareholders who represented more than 50% of the company's issued share capital. Placor, which has a 49,7% interest in PGSI, serves as the glass and timber group's holding company. Liberty has an interest of about 32% in Placor.

Placor subsidiary PGSI reported a 15% increase in earnings to R76,4m for the 1991 financial year ended March, despite a 27% drop in turnover.

Although rationalisation resulted in a major drop in the group's gearing from 79% to 49%, and almost a halving of the interest bill, investors have taken a cautious view of PGSI's earnings potential.

A market source said the deal would be struck at R27 a share. This would be a 12% premium to the company's present ruling share price. At R27 a share, Liberty's interest in Placor would be worth about R192m.
SA wine industry plans UK invasion

South Africa is the world’s eighth-largest producer of wine and the oldest of the “New World” producers, yet in the pecking order of the 50-odd wine exporters it ranks with the also-rans. Determined to reverse this situation, fast, the industry is flexing its muscles for a battle royal with its international competitors, TONY JACKMAN reports.

THE South African wine industry is coming out of its corner fighting and has targeted the United Kingdom for the opening round as it re-enters the international ring.

The past six months have seen marked changes in the industry’s fortunes in the UK, thanks to the success of the wine-tasting held by the KWW in London in May, which 54 estates co-operating and wineries showed hit their wines.

Until then, the KWW was virtually the only exporter of South African wines to Britain, accounting for 90% of all South African wines sold there. Now 45 estates and 14 co-ops have joined the fray and the industry plans to capitalise on this remarkable degree of interest, says James Retief, who heads wine industry trade as chief marketing executive for the KWW and chairman of the Cape Wine and Spirits Exporters’ Association.

“Outsmart them”

Retief feels strongly that South African producers should market the industry as a whole rather than compete with one another in the foreign market.

“We really want South African wines to sell and we should not fight or compete with one another. We should fight the Australians, the Californians, the New Zealanders, the Chileans,” he says, citing other New World producers “in everything we do, we must figure out how we can outsmart them.”

Once the UK has been conquered, the industry will focus its strategies on Western Europe, then on other wine markets. The South African industry’s biggest markets abroad, after the UK, are Canada, the Scandinavian countries (including Denmark), a bloc of Western European countries (Germany, Luxembourg and Belgium), the US, Australia and Japan.

“These are the targets,” says Retief, who adds that some 700,000 cases of South African wine are sold abroad annually and that “within five years we will be selling, worldwide, between three and five million cases.”

In its new marketing drive the industry will no longer call its wines “Cape” but will be right out front and market its products as Wines of South Africa (WOSA). Wines will be marketed by brand rather than in bulk and it’s the whole industry that is being marketed, says Retief, dismissing suggestions that the KWW has a hidden agenda.

Much larger

“We just want to sell as much South African wine as possible,” he says.

The 1992 Cape Wine Trade Show next May the South African industry will take a 90-stand show, which is much larger than the average stand at the show.

The UK sells 60 million cases of natural wines a year, of which South African wines constitute 0.6%. The South African industry intends to increase its share to 2% within three years, which would represent 1.2 million cases – or as many as the Australian industry sells in the UK now.

Retief, who is spearheading the industry’s international marketing campaign, believes this is a tough yet achievable target and points out that Australian “came from nowhere in just four years.”

South Africa has wine that is just as good, he says, and at more competitive prices, though he believes that South African wines will be sold at prices so low as to give the industry the image problem suffered by the Bulgarians.

And South African exporters should export only quality wines “To see the rest of the world as a dumping ground for inferior products, would be death.”

SA declares wine war

To Page 18

SA declares wine war

it’s difficult for us to reach these price levels and we would risk having the Bulgarian image of ‘cheap wines but not bad.

There should be some South African wines at more than $5.00 as well, he says, especially the estates so that quality is established in the minds of the consumer “who should know that he could buy no other wine of that quality for that price.”

And South African exporters should export only quality wines “To see the rest of the world as a dumping ground for inferior products, would be death.”
Bubbling soft drink sales help put the fizz into ABI

MARCIA KLEIN

Coca-Cola franchiser Amalgamated Beverage Industries (ABI) has had a buoyant six months, reporting the best results yet out of the SA Breweries subsidiaries.

Good soft drink sales saw ABI improve its bottom line earnings by 22% to R17.7m (R14.4m) in the six months to end-September.

ABI chairman Pete Lloyd said yesterday that despite the fact that the fast-moving consumer goods sector "was experiencing the most depressed conditions in many years", ABI managed to deliver a 22% increase in earnings to 16.6c (13.6c) a share.

This improvement was achieved out of volume — turnover grew by 21% to R412.6m (R393.0m) — as well as improved distribution in all of ABI's markets.

Trading profit increased by 18% to R32.0m (R28.0m), and, after marginally higher financing costs of R2.4m (R2.3m), pre-tax profits were 17.9% up at R30.4m (R25.8m).

A 14% increase in taxation to R14.7m (R12.9m) resulted in a 22% increase in profits after tax to R15.6m (R12.9m).

An interim dividend of 7c a share was declared, 17% up on the previous year.

Lloyd said the good results were also partly due to good timing effects, which included pre-VAT buying by the company's customers.

But he warned that the first half of ABI's financial year was a small half in terms of contribution to turnover and profits, and although the earnings increase had been good in percentage terms, it was not half of the whole year.

He said if current trading conditions continue to deteriorate, he could not forecast the level of sales for the full year.

But there were good opportunities for the company, and he hoped ABI would be able to show real growth in earnings for the full year.
A lacklustre forecast for SAB

Growth has slowed because consumers are feeling the brunt of the recession, notes an analyst.

Analysts say the company's results will be helped by the strong half-year performance of its Coca-Cola franchisee, Amalgamated Beverage Industries (ABI).

The group's retail subsidiaries showed less spectacular growth. Its major interest, Edgars, reported a 10% increase in earnings for the half-year ending September 1991.

For the group's hotel interests, which include Southern Sun, Holiday Inn and timeshare resorts and are not listed separately, business "couldn't get much worse," SAB CEO Meyer Kahn said in an interview.

Despite the hotel group's woes, SAB has no plans to sell its hotels to the numerous international investors that have approached it.

"We have seen out the seven bad years, and in Biblical terms one would expect the seventh good years to come, so why sell out now? Our hotels are built and paid for," Kahn says.

SAB, which currently exports to 30 countries and has "significant" interests outside SA, plans on expanding its overseas businesses in the coming year.

Kahn, while declining to detail likely ventures, says two of SAB's potential target areas are Eastern Europe and South America.
Makeba elected to liquor board

SONGBIRD Miriam Makeba has been elected to be one of the board of directors of the National Sorghum Breweries Limited, writes JOSHUA RABOROKO.

The other new board members are Soweto businessman Mr Lekgau Mathabathe, Dr K Mzamane and Professor Khabi Mgoona.

The company has also decided to re-elect Mr JJ Bruyn, who retired by rotation in accordance with the articles of association.

The decision was announced by the NSB's executive chairman, Mr Mphale Mahanyele, at the annual meeting of the company in Johannesburg this week.
**Suncrush FM 15/11/91**

**Recession-proof?**

Activities: Bottles and markets soft drinks through bottlers in Mambuzo, Richards Bay, Port Elizabeth, northen Free State and the Queenstown area.

Control: Daily's 60.2%, Hamilton family has ultimate control.

Chairman and MD: R D Hamilton

Capital structure: 2.7m ords Market capitalisation R950m.

Share market: Price R350 Yields 1.3% on dividend, 4.6% on earnings, p/e ratio 21.9, cover 3.5 12-month high, R480, low, R180.

Trading volume last quarter, 18 000 shares.

Year to June 30

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**Suncrush** is one of the most sought-after shares in the market, even though it does not give much change from R400. Analysts have suggested a share split to encourage tradability. Yet, even with a split, it is difficult to see long-term investors selling a share that has done so well.

Chairman Robin Hamilton says a split will be considered but the benefits are unclear to him.

Soft drinks continue to show real volume growth. The other listed Coca-Cola franchisee, ABI, has just announced volume growth of 7% for the March-September interim, with good September sales, showing that recession has not hit this industry.

Suncrush has an operating margin of 15.9%, compared with ABI's 12.4%.

Hamilton understates when he says that the industry's performance "does not have a close correlation with the business cycle." But sales from the Klipskopf and Welkom bottlers, which sell large quantities to gold mining communities, were affected.

Since June, investment arm Tempora acquired 16.2% of Cadbury Schweppes from AVI subsidiary National Brands. Suncrush invested a further R42m in Tempora shares, but its holding fell from 62% to 43% of the enlarged capital. Hamilton expects investment income this year to increase from R140 to R160 per Suncrush share.

Suncrush has shown considerable flair in its joint ventures. It set up Kilimanjaro Bottling in East London with black entrepreneurs and plans to reduce its holding from 31% to 7%. The price will be R5.2m in excess of the pro rata cost of the investment.

Suncrush recently announced the imminent formation of a 60-40 venture with the Mozambican government, to be operational by early 1992. Suncrush will rehabilitate the Maputo bottling plant, which is well within its operational ability, but Hamilton says the reliability of market information, continuity of raw material supply and availability of foreign exchange will be "challenging."

He argues that, however bad the economy, even impoverished Mozambicans can afford to buy soft drinks.

The investment will be R10m, hardly denting cash resources - still about R70m, even after the Tempora issue.

Suncrush has come down from a mid-year peak of R460, when the p/e ratio approached 30, to a more realistic 21.9 and dividend yield of 1.3% in view of the record and indirect investment in the even more highly rated Cadbury Schweppes; it is worth buying if scrup is obtainable.

Stephen Cocksley
Sedate earnings increase for SAB

Marcia Klein

SA BREWERIES (SAB) reported a sedate 10% increase in attributable earnings to R238m (R214m) in the six months to end-September, off the lowest increase in beer sales since 1983.

SAB, whose operating companies include its beer division, OK Bazaars, Edgars, AEI, Da Gama, Afcol, Amorol, Lion Match and Southern Sun, saw its beer volumes increase by 2% compared with an 11% rise for the same period in the previous year.

However, the beer division increased its earnings by 16% to R183m (R146m) on the back of a 10% price increase, the 2% volume increase and productivity gains, executive chairman Meyer Kahn said in an interview yesterday.

Kahn said that with private consumption expenditure declining by 2% during the period, beer division management did well to grow volumes by 2%.

He said the two reporting periods should not be compared exactly. The results for the past six months did not include an Easter period, as they had in the previous year.

Although beer sales were well below.

Sales of soft drinks, Kahn said the base for soft drink sales had been below that of beer, and soft drinks had also experienced a pre-VAT buying spree. Beer had always been subject to GST at source, while soft drinks had not. There was no benefit in stocking up on beer before VAT, Kahn said.

Earnings of non-beer interests declined.

To Page 2

From Page 1

by 1% to R73m (R74m).

Group turnover was up by 11% to R7.6bn (R6.9bn) for the six-month period, and trading profit increased by 10% to R643m (R594m) Kahn said these increases were most satisfactory when viewed against the background of reduced consumer spending, widespread disruption and “the most protracted downswing experienced in SA” since the Second World War.

After a 41% increase in financing costs to R173m (R122m), lower equity-accounted retained earnings, and a reduction in the effective rate of taxation, after-tax profits were 6% up at R323m (R315m).

Earnings increased by 16% to 88c (80c) a share and the dividend was increased similarly to 33c (30c) a share.

Kahn said exports were “doing very well” and growing, but would not be drawn on developments in this area.

He said all group companies had performed well under the prevailing conditions, and most had outperformed their particular sectors.

Southern Sun’s occupancies were still down on the previous year, having just come out of the winter months. But Kahn said it had managed to contain its losses at less than those of the previous year. While Southern Sun would improve its performance in the second half, Kahn said that corporate travel and international tourism were still depressed and bookings for the Christmas season were “dismal.”

Cash flow from operations was maintained at over R30m and SAB returned a cash of R13m (R94m). Cash equivalent earnings were 154c (140c) a share.

SAB’s borrowings of about R80bn accounted for all of its capex during the period, of which about 70% was spent on the beer division. Kahn said SAB still had a capex commitment of R22bn, which indicated the group’s confidence in the future.
Looking attractive
A strong SAB Still
Business must reflect Community Needs

A Member of the Board... When Makes a Very Strong Point

"NSB Board members are very committed to their work. They have a deep understanding of the community and its needs. Their dedication and effort to improve the situation is commendable."

"The need for better facilities and resources in our community is evident. Community boards like NSB are crucial in bringing about change."

"I believe the board is making a good effort to address the issues we have been facing. Their commitment and hard work is appreciated."

"Thanks to the NSB Board, we are seeing a positive change in our community. They are doing a great job."
SAB's results give boost to Bevcon

MARCIA KLEIN

The 10% increase in interim earnings posted last week by SA Breweries (SAB) is reflected again in the results of Beverage and Consumer Industry Holdings (Bevcon).

Bevcon derives its income from the R3,6-million shares in SAB's share capital which it holds through its wholly owned subsidiary Gembl Investments. This translates into a 33,78% holding in the beer and retail giant.

Bevcon has declared an interim dividend of 43.5c (39.5c) a share in the six months to end-December, in line with the SAB dividend increase.

Results for the six months show that equity accounted earnings were 10% up at R80,8m (R73,4m). Earnings before the share of the associated company earnings were up similarly to 43.5c (39.5c), and by 9% to 112.6c (103.4c) after the SAB share is included.

Bevcon's investment in SAB has a market value of R513m, with a net asset value of 715c a share.

SAB's 10% earnings increase came on the back of a 16% earnings growth in its beer division, which propped up a 1% decline in earnings from its other interests, which include OK Bazaars, Edgars, Da Gama, Lion Match, Amrel, Aeon, ABI, Southern Sun and some offshore interests.

Bevcon listed two years ago after the Premier Group disposed of its interests in SAB through Gembl as part of the reorganisation of Premier's operations.

Bevcon's share eased by 30c yesterday to close at R7.60 after reaching a yearly high of R7.85 last week. The share touched a low of R4.65 in January this year.

The current share price puts it on a historical price earnings ratio of 21.27 times, and dividend yield of 2.17%, compared with SAB's 20.9 times and 2.07% respectively. In line with most top-notch industrials, SAB slipped 19c to R36.50 yesterday. SAB peaked at R69.75 earlier this month — ahead of results.
Beverages dominant

Despite its diversification, SA Breweries (SAB) earnings are derived predominantly from beverages. This was particularly true in the latest interim report, as the manufacturing interests that operate in the cyclical textile, furniture and durable goods markets reported results down by a third. The star of the non-beverage interests, Edgars, had a relatively disappointing year (FM November 1).

Financial director Selwyn MacFarlane says that, when not in a recession, SAB derives around three-quarters of its earnings from beverages. Included in this figure is income from subsidiaries Amalgamated Beverage Industries (ABI) and SA Fruit Juice, as well as the beer division. Only about a quarter would come from retailing, diversified manufacturing and hotels. In the 1992 half-year, beverages contributed 85% of the bottom line total.

The past 12 months has been the first time since 1977 that overall spending on alcoholic drinks fell in real terms, yet beer volumes still grew, though by only 2%. Growth was hampered by a 20% increase in excise on beer. And large numbers of miners have been retrenched, many of whom are regular beer drinkers.

Says chairman Meyer Kahn: "People give up spending on a lot of items before they give up beer and even the unemployed still buy it. But, ultimately, if a man had R5 to spend and now has just R3, he will be able to buy less beer. That's why we link beer sales to private consumption expenditure, which fell by 2% in the period. I consider it quite an achievement to outstrip private consumption expenditure by four percentage points."

Kahn says he expects beer volumes to increase by 5% to 7% again once there is more socio-political stability, which is why SAB has committed R33m to capital spending, mainly on expansion of beverage production capacity. More than R500m was incurred in capital expenditure in the first half, which pushed gearing up to 61%, compared with 58% a year earlier.

Soft drink sales proved more buoyant, growing by 6%. But Kahn points out that there was enormous stocking up ahead of the introduction of VAT/GST on beer earlier this year. Overall for the past three years ABI was the only subsidiary to beat market expectations. It increased earnings by 22%, compared with the beer division's 16% increase.

Retailing increased its contribution by 5%, which, in view of the deterioration of retail spending over the six months, is in line with the rest of the industry. Amrel's results were devastated by a large fall-off in furniture sales and of cash and clothing and footwear businesses. But Edgars remains strong and the OK maintained earnings.

Southern Sun made a loss for the first half of the year, as it usually does in the winter season, but it was smaller than last year. MacFarlane says that since SAB has invested in hard hotel assets - the hotel exposure is worth more than R1.2bn, it is hoping to benefit once international tourism to SA takes off.

The biggest change, however, will be in manufacturing. Should the acquisition of Place/Plate Glass take place, Kahn confirms that negotiations are well advanced. He says he is puzzled that analysts should consider it to be a strange fit with the rest of SAB. SAB has targeted capital-intensive manufacturers of consumer goods, with a potential for increased black consumer spending. He says Plate Glass fits all these models.

Still, international experience does not detract from the deal, even though the international operations did not contribute to earnings last year.

Plate Glass will be the third manufacturing acquisition under Kahn, Lion Match and Da Gama were his other major purchases. Da Gama's performance was relatively good in a textile industry in which companies are losing money. It is indicative of the strength of the group that attributable earnings of R15.9m were almost twice the full-year earnings of Romex, yet were achieved on less than a fifth of the latter's sales.

Da Gama CEO Harry Pearce had said that Da Gama would be able to handle an increase in imports better than the other textile mills and he has been proved right. SAB still thinks Da Gama provides good returns.

Lion Match was hit by destocking in the retail trade, the appliance division is operating in an industry in which sales are down by 30%. Nevertheless, the market was disappointed that earnings fell by a third to R5.1m.

Yet SAB is in better shape than in the mid-Eighties, when earnings grew by a mere 4% in both 1985 and 1986. The hotel interests are no longer a significant drain and the strong subsidiaries - such as the beer division, ABI and Edgars - have greatly increased their size and profitability. In cash terms, SAB's performance looks even stronger. Its cash equivalent EPS was 154c, and cash flow per share 124c, compared with conventional earnings of 88c. MacFarlane argues that this is far more relevant than historical earnings, as it measures true performance and accounts for inflation.

Analysts predict earnings will increase no more than 8.5% in the full year, but this is likely to beat most other large companies.

NOT AS FROTHY

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</table>

*Stephen Couzens*
Safex ‘yes’ to foreigners

NON-residents have been given the green light by the Bank to start trading on the SA Futures Exchange (Safex) through the furand from Monday December 2.

Safex CE Stuart Rees said a meeting had been held at the Bank on Monday to put the final touches to the mechanism of handling non-resident accounts.

Rees said the main problem was that non-resident trades be clearly identified in markets for other SA securities, this was obtained by simply endorsing the physical scrip as "non resident". As there was no scrip in the futures market, the solution was to register all non-resident clients with the exchange, as is the practice with local clients.

Margin payments and interest flows on non-resident trades would also be standardised so that the Bank was aware of all related cash flows.

Futures brokers could start registering foreign clients from Monday, Rees said, though he doubted actual trades would start until later in the month.

This was confirmed by National Futures & Options and Greenwich Futures & Options.

Spokesmen from the two firms said that while non-resident clients had been lined up, it would take a while to sort out administrative and other procedures.

Safex expects foreign participation to boost trading volumes by at least a third by the end of the first quarter of 1992.

Among the big foreign institutions that have declared intention to start trading on Safex is London-based Mitsubishi Finance International.

Director and head of arbitrage operations Desmond Fitzgerald said at last week's annual futures conference that SA had a "reasonably active" futures market with a good cross-section of instruments. Mitsubishi was "looking forward" to trading in SA

Aroma Liquor battles to break even

CAPE TOWN — Aroma Liquor Holdings performed poorly in the six months to end-August, barely breaking even.

Results were dragged down by the low occupancy at the 108-roomed Cape Rendezvous, which suffered the same fate as the rest of the depressed hotel industry.

MD Mike Kovensky said prospects for improved earnings from the hotel were not encouraging.

"The liquor division has performed comparatively well in difficult trading conditions," Kovensky said.

Attributable income plummeted to R38 000 from R561 000, which was not sufficient to generate any earnings a share. In the same period in 1990 earnings of 2,2c were generated.

Turnover rose 2% but operating income slumped to R309 000 from R764 000. After deducting a R239 000 interest bill and R23 000 for Aroma's share of an associate company's loss, little flowed through to the bottom-line.

Kovensky said trading conditions in September and October were so poor that prospects for improved earnings for the rest of the year were "unpredictable" Much depended on whether hotel bookings picked up.

Traditionally, the second half delivers a substantial portion of earnings.
Cape wines, juices

Kenya thirsty for

By Anthony Ongendo

The population of people who have shown interest in Kenya's first Cape wine and juice factory is expected to increase significantly as the factory begins to produce canned and bottled products.

The factory, located in the industrial area of Nairobi, is expected to provide employment opportunities for several hundred people in the region. The factory is expected to produce a variety of wines and juices, including red, white, and fruit-based products.

The factory is expected to use local grapes and fruit to produce the wine and juices. The factory is also expected to use state-of-the-art equipment to ensure high-quality production.

The factory is expected to be operational within the next six months, and it is expected to start producing products within a year of its completion.

The factory is expected to have a positive impact on the local economy, providing employment opportunities and boosting the local wine and juice industry.
‘Think before you drink!’

By SELLO RABOTHATA

SOUTH African Breweries’ beer division has urged motorists to “think before you drink and drive” over the festive season.

Advertisements featuring golfer Hugh Barocchi with the catchline “When I drive, I don’t drink, and when I drink, I don’t drive” are being channelled through newspapers, radio and television between now and January, says SAB public affairs manager Mr Adnan Botha.

This is the second year in which SAB has run the “think before you drink, before you drive” campaign and it is the eighth year in which the company has run an anti-drunk driving campaign.

Botha says “SAB has spent well over R1 million, since our first campaign - ‘Pasieños, don’t let friends drive drunk’ - was launched.

“The investment has enabled us to encourage responsibility without using the bog stick approach and we believe this has helped to change South African perceptions about driving under the influence of alcohol.”
Gambling, eating and drinking destroy a theory

By CIARAN RYAN

NO FEWER than three companies in the JSE beverages, hotels and leisure sector feature in this year’s top 10 — Suncrush (No 3), Cadswep (No 8) and SunBop (No 9).

Beverages and hotel stocks are considered to be susceptible to economic downturns because spending in this sector is largely discretionary.

When times are hard, the theory goes, cut down on the luxuries. That is why the performance of these three companies is unsettling when weighed against South Africa’s tepid economic growth.

Cadswep managing director Peter Bester provides perhaps the best answer as to why Cadswep and Suncrush have done so well in the economic downturn: their products are considered “affordable luxury.”

Consumers tend to rate the importance of spending on these items.

Lure

Both companies have concentrated on organic growth, but acquisitions provide leeways in market share. Suncrush bottles and markets a range of carbonated soft drinks and so does Amalgamated Beverage Industries.

Cadswep markets the Schweppes carbonated brands, concentrates and confectionery. In Cadswep’s case, product development and marketing are the key to impressive improvements in earnings.

SunBop’s performance continues to surprise some analysts. The lure of world-class entertainment and gaming resorts in Bophuthatswana (and other homelands) for South Africans has not abated since Mmabatho Sun and Sun City opened in the late 1970s.

The rate of growth has been sustained by the arrival of hotel resorts, such as Sun City Cabanas in 1981 (284 cabanas), Cascades in 1984 (245 rooms), Thaba Nchu Sun in 1985 (120 rooms), Molopo Sun in 1986 (220 rooms) and Morula Sun in 1987 (74 rooms).

Occupancies exceed 70% — considerably higher than in SA hotels.

But a worrying possibility for the company is that gaming laws will be changed to allow casinos in SA.

After rising to more than R450 a share earlier this year, Suncrush retreated to R370 on the release of good results and the acquisition of Angove’s 16.2% stake in Cadswep.

It is one of the most expensive shares on the JSE, although trading volumes are thin.

M-Net, on a historic earnings yield of 3.1%, has the most speculative interest in this sector. The share price has rocketed to 840c from a 12-month low of 182c because of speculation about new ventures and deregulation of broadcasting.

SA Breweries is the bliss of blue chips. Investment experts picked SAB as the top JSE company in a market survey by researcher Campbell Belman this year.

SAB trades a shade above R68 and has an earnings yield of 4.4%, defying several predictions that the shares were over-priced.

In seven years its earnings growth has exceeded 33%, helped by consistent improvements in beer sales.

In the year to March 1991, the volume growth in beer, which provides 57% of earnings, was 12%. But this is likely to slow to 3% in the current year.

Nearly three-quarters of earnings comes from beverages — beer and SAB’s 68% stake in ABI, which owns 19% of Cadswep.

Capital expenditure will exceed R1.5-billion this year, most of the money going to expansion at the Alrode, Prospecton and Newlands breweries.

Kersaf, the 80%-holding company for Sun International, with 36% of entertainment and leisure group Interleisure and 56% of liquor wholesaler Douglas Green Bellagio, has a PE of 18.8 and continues to receive strong investor support.

Fire

It lifted earnings by 18% in the year to June, primarily on the back of a strong performance by SunBop, which provided 66% of turnover.

Interleisure, priced at 418c, has the same PE ratio as Kersaf. The group includes Ster-Kinekor, Computicket, seven fast-food chains and sports shops.

Shares with the lowest rating in the sector are Suncisk, listed in April this year, with an earnings yield of 18%. Karos with an earnings share yield of 10%, Plesure 12.4%, Trasun 13.9% and Stellenbosch Farmers’ Winery 13.3%.

Suncisk’s Mountaine Hotel & Entertainment Centre was destroyed by fire in 1990 and was reopened recently.

Trasun suffered a 4% drop in operating margins in the year to June 1991 as a result of higher wage charges and an increase in casino levies in Transkei.
As recession takes its toll, Suntrust keeps its cool
Flavour

Cadbury's main competitors in confectionery are Nestle Rowntree and Rowan.

In confectionery, its Chocolate brands compete with Cola and Sportello, bottled under licence by AB and Rowntree in different parts of Europe. Both AB and Rowntree bottle Schweppes on behalf of Cadbury, which makes the flavour essences and markets the brands.

Sales of Schweppes grew by 63% in 1999 in volume terms compared with 9% on the confectionary soft-drink market.

Many of its brands are household names such as Cadbury Chocolate Delites (the two top sellers), Crunchie, Flake, Lanch Bar, Tempo, Snickers, Echo and the new Mint.

A lot of money is spent on establishing new lines of confectionary. In June last year, Pringles, Quirk and Endearments were launched. It cost R5 million in new plant to launch Tempo and Snickers.

Trend

In non-carbonated soft drinks, the major brands are Orin and Lennox juice concentrates, Brooke and Rowan.

Cadbury is 94% owned by Cadbury Schweppes PLC in U.S. and 23% by Tempo. The remaining shares are tightly held, but a five-for-one share split a few years ago improved tradability.

Mr. Bester says: "There is still a trend for the consumer to gravitate towards the big brands."

Between 1996 and 1998 the company embarked on an expansion drive. It bought Brompton Foods (concentrated soft drinks) in 1996, commissioned a confectionery factory in Swaziland in 1998 and acquired Chapsall Humphries (candy confectionery)

Mr. Bester says: "These were years of tremendous expansion and we spent much of our time trying to absorb these acquisitions."

Spare

"We knew we could extract more value from these companies and we wanted to apply our marketing approach to the strong brands that were acquired."

There are factories in Port Elizabeth, Cape Town, Durban, Johannesburg, and Swaziland, which provides a springboard for exports, primarily to Europe, the Middle East, the Indian Ocean islands, and Africa.

The export market is expected to offer greater opportunities and Cadbury has spare capacity in its factories which will enable it to take advantage of them.

Good news for investors."
SA wines a steal in UK

LONDON: SA wines are back on the shelves of British supermarkets — and their prices make them highly competitive against European wines and other rivals.

The easing of the country's isolation is reflected in the emergence of a growing number of SA products on supermarket shelves.

One of Britain's top supermarket chains, Tesco, has been promoting a new range of SA wines with glossy leaflets in its stores.

Tesco is selling Kiesenhof Colombiar white wine at £3.59 a bottle and the red Kiesenhof Pinotage at the same price.

Quality wines at less than £3 a bottle are a good buy in Britain.

Top of Tesco's range is the Boschendal Grand Vin Blanc at £7.29.

Prices of European wines have soared over the last 18 months, making the SA wines attractive.

The well-known Marks and Spencer chain is another major outlet selling SA wines.

The fruit-export giant, Unifrac, has launched a wine-export company with top estates and cooperatives in Stellenbosch.

Unifrac's CEO Louis Kriel said yesterday the company, to be called Vinfraco, hopes to export 30,000 cases of bottled wine next year.

There are three red and two white wines in the range, named Oak Village.

(200,105),(316,189)

Among the 300 farmers involved in the partnership are the Overgaauw, Rustenberg and Vriesenhof estates as well as the Eerste River, Vlotenberg and Welmoed co-operatives.

Kriel said the first consignment will leave for Europe next week.

— Sapa
SA wines go on sale

3/12/91

SOUTH African wines are back on the shelves of British supermarkets – and their prices make them highly competitive against European wine and other rivals.

The easing of the country's isolation is reflected in the emergence of a growing number of South African products on supermarket shelves.

Prices of European wines have soared over the last 18 months, making the South African wines attractive to buyers. - Sapa
Confessions of a marketing man

Advertising guru David Ogilvy once called him "one of the best marketing men in the world." For 20 years, under a succession of MDs, Peter Savory has held sway over the marketing of SA Breweries' beer division, that most marketing-driven of organisations.

Providing the backbone of continuity at the beer division, he has fought off three major challenges to SAB's dominance, from Whitbread, Louis Luyt and Anton Rupert's Intercontinental Breweries. So formidable has SAB become that a second threatened challenge by Luyt this year was stillborn. Savory has taken SAB's annual beer output from 700 000 hl to 23,5m hl — and to a ranking as the eighth biggest beer market in the world. During that time, the real price of beer has dropped sharply.

Savory has spent 32 of his 63 years working for SAB. He retired on August 31 but stayed on full-time until last Friday. Now that he is retired, Barry Smith, the director of the northern Transvaal and Free State region, has been named, he will work part-time in the head office on projects.

It is easy to underestimate Savory's achievements, considering SAB's stranglehold on the beer market. With little competition, SAB is dismissed as a monopoly that merely sits waiting for consumers to buy. This infuriates Savory, for SAB was not always so big.

"We were in bad shape back in the early Seventies. The market was still undeveloped (prohibition was lifted only in 1962), our product quality was inconsistent and our range limited. Our packaging was awful and the sales force old and untrained.

Inspired by Anton Rupert's achievement in capturing the cigarette market from a complacent United Tobacco Co with its 80% penetration, Savory wrote an advertising plan in 1963. His three fundamentals are as valid today as they ever were:

☐ To give the beer drinker as wide a choice of products, brands and packs as possible.
☐ To make beer easier to drink and cheaper to buy, and
☐ To upgrade beer's image by taking it out of the kitchen and putting it in the lounge.

The first challenge that strategy faced was an attempt by British brewer Whitbread to break into the SA market in the Sixties. "We had three years' warning that Whitbread was coming," Savory says. "You can't sneak in, it takes two years to build a brewery."

Muscled up for the battle, SAB improved its packaging, put neck labels on the bottles, and converted its retail into a premium franchise. "We wanted a premium-profile beer and got Carling. It was launched in 1966 and within 10 years it was the top brand.

"We recruited and retrained our sales force, set up systems to help the trade, started sales promotions, and started our first efforts in public relations. Our venture into sponsorships (soccer was the first major one) date back to that era."

Breweries adopted a gap-closing policy of slamming shut anything that might provide an opening for a competitor. Every need was catered for: "We had a strong lager, a sweet, dry, and a Continental beer. We even guessed they would have a go at draught beer, so we installed draught at the major outlets. By the time Whitbread came in, there was nothing new for them to do." Whitbread lasted for about six years, achieving a peak penetration of 12% of the market (7%-8% of the national market).

The next battle came in the early Seventies, when Luyt entered the market. This was not regarded as a serious challenge but when Rupert's Rembrand Group bought Luyt out and set up Intercontinental Breweries, Savory knew he was in for a fight.

"This was the big one. Rupert had this huge reputation for marketing. He had experience in the liquor industry and owned a chain of outlets." Savory realised he had to re-establish the Castle brand, which had fallen to less than 1% penetration of the important Soweto market in 1974.

With the help of the Charles Glass campaign, the brand was repositioned as a quality product. "We knew Rupert was after that larger lager segment — the Castle segment. But we managed to get Castle humming so that gap was closed."

Another gap Savory thought Rupert would attack was the Pilsner market. SAB introduced Hansa, which was repositioned as a low-calorie beer, and headed off Intercontinental's Culemborg challenge. The introduction of the twist-off crown was another blow. "It made their bottle obsolete overnight."

But probably Savory's greatest coup was the launches of Stallion 54 to preempt Intercontinental's launch of Colt 45. When Rupert bought the National Brewing Co in Baltimore, which owned Colt 45, Savory suspected he would bring the brand to SA. "It was such an appealing name, with lots of imagery, especially for a malt liquor (which is just a strong lager)."

"We had registered the name Stallion in the Sixties. It was a good name for a stout. Then when we guessed they were ready with their Colt 45, we launched Stallion. We originally considered calling it Stallion 45, but this seemed too close to the bone."

"Lying in my bath, I thought, 'Why not just turn the numbers around and call it Stallion 54?' To build on the logic, SAB set the alcoholic strength at 5.4% "Colt 45 came out two weeks after we launched Stallion 54 and it was dead before it started. That was the end of Intercontinental.""

Where did Rupert go wrong? "One fatal mistake they made was in March 1979, when they raised their prices and they held them down. When I saw that I thought, 'That is the end of them.' When you cut prices, you start to reposition your product. You are saying different things about it."

Without competition in the beer market, the Eighties may have been more difficult for SAB. "It is like practising in the nets. You don't know how good you are. People take your achievements for granted."

Nevertheless, SAB continues to grab market share. In 1962, when prohibition was lifted, beer held just 13% of the liquor market (excluding sorghum beer). It now has 65%.

"In the Eighties our effort was directed towards increasing market share. We improved our packaging and concentrated on channels of distribution. We have gone for the export market, which has been a stunning success. We have kept our real price down for 14 years in a row."

But, remembering the now-famous Castle label change in 1988, which resulted in Castle losing half of its market in a matter of months, Savory says: "There is no such thing as permanent brand loyalty. The public allocates you a vote for a period. If something better comes along, people move."

"This makes it essential to keep up with new ideas. You must constantly update your product and packaging. You must keep the marketplace aware of your products. If you relax for a moment, you are looking for trouble."

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Down the hatch
The shrinking real price of a beer

1980 75c
1991 50c

Average price of a glass of beer, 350ml, in a pub in 1980 rand Source SA Breweries
Brokers get a taste of sorghum beer

GUESTS at a luncheon given by stockbroker Sidney Frankel this week were invited to drink sorghum beer as a pre-lunch appetiser.

DEREK TOMMEEY

"This must be the first time that this has happened in the stock exchange," Mr Frankel said.

The occasion was a launch by National Sorghum Breweries of a new line of sorghum beer with a shelf life of six months which is expected to greatly expand the company's markets.

NSB plans to sell the new product through supermarkets and also to export it.

NSB became an independent company in July, 1989 and makes a market in its own shares.

Executive chairman, Mohale Mahanyele, said the NSB was doing well and selling three times more beer than SA Breweries.

The company had forecast a dividend of 10c for the 12 months ended June, next year. But in view of the company's expected good results he did not believe its 9 000 shareholders would allow the board to declare so small a dividend.
R320m deal gives SAB Placor control

William Gifford

IN A R320m deal, SA Brewers (SAB) has acquired a 34.4% controlling interest in Placor, holding company for SA's only glass manufacturer Plate Glass & Shutterprufe Industries (PGSI).

The acquisition, to be funded by the issuing of convertible preference shares in SAB, will leave the Liberty Life Group with an effective 20% holding in SAB from 19%

SAB, which bought the Placor stake from a controlling consortium of the Lubner and Brodie families and Liberty, will exchange one convertible preference share for every two Placor shares.

As SAB was trading at 5.375c a share when the negotiations were being concluded, this places an effective value of about 2.70c on each Placor share (excluding the recent interim dividend of 24c a share).

Placor closed yesterday at 2.58c, meaning SAB paid a 26% premium for its controlling interest.

Liberty Holdings MD Farrell Sher said once the preference shares had been converted into ordinary shares, Liberty's direct interest in SAB would increase to about 8% from 7%. Also, Liberty had about a 12% indirect interest in SAB through its 34% stake in Beverage & Consumer Industry Holdings, which holds 35% of the beer group. So Liberty's effective holding in SAB would come to just under 26%.

The two families would receive about 0.6% in the beer group in lieu of their 20% stake in Placor, which holds 49.7% of PGSI.

Ronnie Lubner, who will remain chairman and CE of PGSI, said yesterday that one reason for the Placor sale was that some members wanted to "cash in".

Shareholders in PGSI were also warned that a rights offer was imminent to finance local operations.

Lubner said the proceeds would be used to reduce debt locally and to expand international operations. Proceeds from the rights offer would not be used to finance the R323m acquisition by PGSI of a 48.4% interest in Glass SA.

SAB executive chairman Meyer Kahn said the Placor acquisition gave SAB a unique opportunity to diversify its consumer-related manufacturing interests.
KWV plans to double the sale of all SA wines in the UK to 1m cases within the next five years. So says KWV chief marketing executive Jannie Retief, who also chairs the Cape Wine and Spirit Exporters’ Association.

Retief, who spent four years in Britain examining the market, says KWV will encourage all winemakers whose products are good enough to be exported to Britain to take part in the drive. Funds have been allocated to mount a generic campaign in the UK to promote SA wines.

KWV is arranging for SA participation in next year’s London Wine Trade Fair — on a country rather than brand basis “SA has never done this before and the KWV is funding this initiative,” says Retief.

KWV is also helping wholesalers and wine estates, smaller ones in particular, to get their products on the British market by offering them advice “And if they want to, they can even ship through us,” Retief adds. “This may create the impression that we’re cutting our own throats, considering that 90% of all SA wines sold in the UK are ours. Three years ago, we had a 98% share. Theoretically, we should be zealously guarding that base and even trying to enlarge it. But we want our share of all exports to shrink. The more exporters there are, the bigger the cake will be. We see this as a long-term strategy.”

The KWV, which may not sell any of its wines in Africa south of the Equator in terms of a gentleman’s agreement struck with wholesalers in 1925, accounts for 70% of all SA wines exported. Its other main markets are Europe (mainly Germany, Holland and Scandinavia) and the Far East Canada, once SA’s biggest customer, and the US, which imposed sanctions on SA wines, are also coming back.
Beer and wine sales take festive knock

ROBERT WICKS

"Our volume is satisfactory, but it would appear that Christmas sales pick up later and later each year," Hedderwick said. There has been much market activity in the last two weeks, he added.

Bottle stores reported that beer sales were satisfactory but definitely down on last year's figures. SAB sold 1,035-billion litres of beer for the first half year to September.