MANUFACTURING — BEVERAGES

1994
Soft drink workers strike

JOHANNESBURG — Coca-Cola workers in Natal and Transvaal today called for a consumer boycott of the company's products in support of demands for wage increases.

Shop steward committee chairman George Nene said his committee would hold meetings with businessmen to request support for the boycott.

He appealed to consumers, especially blacks, to support the boycott until management agreed to the 15 percent across-the-board wage increase demanded by employees.

Mr Nene said workers in Natal and Transvaal had been on strike since Friday after management's refusal to grant the increase.

Management has offered a 10 percent increase.

Mr Nene says the two parties reached deadlock at their last meeting on December 15.

Management spokesman Neville Barber confirmed that about 2,500 employees in the two provinces were on strike.

Mr Barber said he was not aware of a consumer boycott.

Sapa (182) ARQ (11 94)
Cola wars hotting up

By Derek Tommey

Coca-Cola, the dominant carbonated soft drink supplier in the lucrative SA market, is facing its first real competition since Pepsi Cola pulled out.

In the past few weeks, Pick 'n Pay, Woolworths and Makro have launched their own quality colas which are likely to make inroads into Coca-Cola's market.

The move follows the international trend towards "retailer" brands, which compete against national brands, not only on price but on quality and image.

These house brands are designed to give retailers bigger profits and also to enhance their retail images.

The SA cola market has been one of the fastest growing in the world. The apparently insatiable thirst of South Africans for Coca-Cola has put the shares of the two major franchisees, Suncrush and Amalgamated Beverage Industries, among the top performers on the JSE.

A R600 investment in Suncrush shares in 1989, if the rights were taken up, is now worth R300 000.

Until last year Coca-Cola sales were growing strongly. In 1988, Suncrush's sales rose 36 percent, in 1989 21 percent, in 1990 29 percent, in 1991 25 percent and in 1992 20 percent.

However, in the year to last June, the increase was only 7 percent.

ABI's sales in the 7 years to March last year had an annual average growth of 17.8 percent, while its taxed operating profit grew by an annual average rate of 22.8 percent and profits attributable to ordinary shareholders rose by an average of 26.3 percent.

Efforts to capture part of this market have been made. Initially moves were generally to produce carbonated drinks competing solely on price. Because the public wanted quality, their competitive impact on the national brands has been negligible.

But the move by Pick 'n Pay, Woolworths and Makro, is an entirely different development.

"We are importing high-quality cola from Canada," Chris Hurst, Pick 'n Pay's finance director, said yesterday.

We started selling top-level cola, sugar-free cola and also caffeine- and sugar-free cola at a price advantage to Coca-Cola at the start of December and its selling like crazy," he said.

But while the course taken by the retailers will have some impact on Coca-Cola's market, it will be some time before the effect is noticeable.

Industry sources say the biggest buyers of Coca-Cola are blacks, who are more brand loyal than whites. Moreover, they buy from corner cafes, which are Coca-Cola's main outlets.

However, the move into the cola market by the three retailers could just be the start of stiffer competition. Added to this, Peppa Cola SA is seen as a major growth market for carbonated soft drinks and Pepsi's absence is regarded as a poor reflection on its competitive ability.

Spar is already selling Pepsi. However, the current operation is a small one and not really representative of the Pepsi mode of operations.

Pepsi's return is expected to be on a huge scale. The cost of re-entry will not be cheap.

This appears to be one of the reasons its entry is being delayed. Industry sources say it is having problems finding an associate with the necessary finance.

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Comming to grips with "the real thing"
Fawu call to boycott ABI products

THE Food and Allied Workers Union (Fawu) has called for a boycott of all Amalgamated Beverage Industries (ABI) products in support of its wage strike, and has said it will not allow deliveries to black townships.

Fawu officials will meet representatives of the Swaziland Chamber of Business to discuss the proposed boycott, which will focus on PWV and Natal townships and is to be effective from this morning.

The union is demanding a 15% increase and has rejected management's 10% offer. About 3,500 workers in all nine ABI plants in the PWV and Natal embarked on a legal strike on Friday after nearly 70% of union members voted in favour of industrial action. No meetings with management have been planned.

Management said yesterday about 30% of the workforce was at work, production and deliveries were continuing with minimal disruption and retail outlets were unlikely to experience serious shortages.

A sizeable number of Fawu members are accepting the realism of management's offer of a 10% wage increase.

The management offer would take the minimum pay of the lowest-paid worker to close to R1,000 a month or one of the highest
times of a 15% wage demand.

ABI human resources director André Parker, speaking on Radio 702, said it was unfair of the union to involve outside parties in the dispute.

ABI increased its wage offer to 15% at mediation, but negotiations finally deadlocked on December 15 after several months of talks, an overtime ban and a two-week strike in October.

Nene said this was the first time Fawu had called for a consumer boycott of ABI products and he expected this strategy to be successful. We are ready for an indefinite strike until the company meets our 15% wage demand.

Meanwhile, ABI said it had maintained manufacturing and distribution by using non-striking workers and casual labour.

The company said "pockets of employees at seven plants were working normally." About 300 workers at ABI's East Rand plant joined the strike illegally yesterday, which a spokesman attributed to intimidation. These workers had not been party to the dispute or participated in the ballot.

ABI strike

minimum wages in the country, a spokesman said in a radio interview.

In a pamphlet calling for the boycott, Fawu said it would not allow deliveries of soft drinks in the townships with immediate effect. "We will not stop these deliveries, but cannot guarantee the safety of those taking ABI products into the townships," ABI shop steward committee chairman George Nene warned.

In addition, Fawu called on all communities, especially black consumers, to stop buying all cold drinks in the PWV and greater Durban areas.

Nene said letters requesting participation in the boycott would also be sent to "fraternal organisations" such as the ANC, SACP, CVs and other Costatu affiliates.

According to the boycott call, Fawu has put pressure on retailers to return their fridges to ABI, a move the company has described as "unrealistic."

An ABI spokesman said "Many small independent retailers rely on our products for much of their livelihood and they will recognise the unreasonableness, in these
Call for Coke boycott

By Ike Motsapi

THE Food and Allied Workers' Union has launched a consumer boycott of Coca-Cola products as the strike over wages entered its second day yesterday.

The legal strike by more than 2,500 members of Fawu started last Friday. Coca-Cola is run by the Amalgamated Beverages Industries.

Mr George Nene, chairman of Fawu's national negotiating council, told Sowetan the union had also asked businessmen to order Coca-Cola to collect the fridges the company normally loans to them from their premises.

Nene said: "As from today we are asking the community to support us in our fight against the intransigent management which does not want to accede to the basic workers' demand for a living wage.

"We have tried to convince management that the 15 percent salary increase we are asking for our members is reasonable."

"Management instead made a final offer of 10 percent which it said was non-negotiable. We are appealing to the people to support us because the company is not prepared to budge on our requests," said Nene.

Mr Neville Barber of Westcom Public Relations, which handles ABI's media relations, said he was not aware of the call for a consumer boycott called by Fawu.

"He also wants to point out that the strike is not national as claimed by Fawu.

"Eight sites are on strike and the East Rand is not affected," Barber said.
ABI says staff are being intimidated

AMALGAMATED Beverage Industries (ABI) complained about the intimidation of non-striking workers yesterday as the wage strike by about 2 500 Food and Allied Workers’ Union (Fawu) members entered its third day.

ABI human resources director Andre Parker said deliveries from its Puntzamal plant in Pretoria had been disrupted, with strikers restricting access to the premises. Other incidents had also been reported to management, he said

ABI said it was "preparing to take whatever measures prove necessary to counteract any acts of intimidation by strikers."

The company said seven of its nine PWV and Natal plants were on strike, but two Natal sites worked normally yesterday "and groups of union members were again at work at other plants."

There was also evidence that Fawu had "reneged from the union and accepted the company's 10% wage offer, it said.

For today, there appeared to be no evidence of the threatened consumer boycott of ABI products despite the union saying it would be unable to guarantee the safety of workers delivering soft drinks to township areas.

ABI shop steward committee chairman George Nene said a Fawu delegation would meet the Soweto Chamber of Business executive committee today to discuss the union's proposed boycott and reports of township "young lions" demanding free drinks for dealers.

Nene also expected replies today to Fawu's letters to fraternal organisations concerning the boycott call. It was also preparing for supplies of soft drinks to townships to dry up from tomorrow.

Thereafter Fawu "had a plan for the whole PWV" as it was not only targeting black businesses, he said.

Reacting to ABI's contention that small black business would be severely affected by a boycott of Coca Cola which, the company estimated, accounted for up to 80% of many businesses' turnover, Nene said Fawu would not force anyone to join the ban on soft-drink sales.

He spoke of a white businessman on the West Rand who claimed he had contacted ABI and told them to remove all their fridges and products "until the company paid us a decent wage." He praised this isolated incident of solidarity and said it would be the first of many.

ABI said stock levels remained satisfactory and there had been no reports of consumer shortages.
**Wage claim corrected**

ERICA JANKOWITZ

The claim by Amalgamated Beverage Industries (ABI) that its wage levels are among the highest in SA was proved correct after an informal survey yesterday.

Even parent company SA Brewers’ (SAB) sweepers will earn less than their ABI counterparts if ABI's proposed 10% wage hike is implemented.

ABI sweepers earn R6.78 an hour, or R1 712 a month, for a 45-hour week. With the additional 10%, these figures would increase to R9.66 and R1 883 respectively. SAB’s minimum rate of R5.50 an hour translates into R1 654 a month as its plants work only a 40-hour week.

This would be revised later this year for a June 1 increase implementation date, a company spokesman said.

Andrew Levy and Associates' wage settlement survey showed that ABI was the highest paying company within its sector. Other soft-drink bottlers' including Sunrash and Peninsula Bottling paid minimum rates of between R1 206 and R1 500 a month.

Petrochemical companies paid comparable minimum wages of between R1 700 and R1 900 a month and another high-paying sector — pharmaceuticals — fell into the R1 630 to R1 909 a month minimum wage range, the survey showed.

Food sector companies generally paid between R1 400 and R1 700 a month, it said.
Coca-Cola strike intensifies

By Ike Motsapi

Coca-Cola delivery trucks were prevented from leaving their depots as the strike by members of the Food and Allied Workers’ Union entered its third day yesterday.

Soweto

This follows a plea by the executive of the union to the community, political, business and civic organisations to boycott Coca-Cola products.

Fawu will meet officials of the Soweto Chamber of Commerce today to lobby support for the boycott.

Soweto yesterday visited three plants at Davland, Len Glen and George Goch. Delivery trucks stood idle and members of Fawu who were locked out said they made sure that not a single van went out.

The legal strike started on Friday December 31 1993.

Fawu warned in a statement yesterday that innocent retailers stood to suffer most from the proposed boycott of their products.

The company urged Fawu not to involve “dealers in a wage dispute which had nothing to do with them.”

Thousands of small, independent dealers, particularly wholesalers, shop owners, spaza stores and hawkers in the township earn about 89 percent of their living from selling Coca-Cola.”
Union puts ABI boycott on hold

SOWETO businessmen yesterday persuaded the Food and Allied Workers Union (Fawa) to postpone the consumer boycott of Amalgamated Beverage Industries (ABI) products called for by the union in their area.

And ABI, claiming that violence had entered the four-day-old strike by Fawa, said yesterday it had obtained an urgent interdict to prevent interference by the union.

About 2,500 workers are on strike in support of a 15% wage increase demand. Management has offered 10%.

ABI said it obtained the interdict to prevent interference by strikers in Port Elizabeth after a casual worker was assaulted at the company's Fountain Division office. Police were called to stop strikers blocking the plant entrance. The company said it was seeking the same interdict in other areas.

The company urged Fawa to "act with responsible restraint".

Fawa met representatives of the Greater Soweto Chamber of Commerce yesterday to discuss the proposed boycott, which would focus on the PWV and Natal townships.

After four hours of negotiations, the parties said they had agreed to the consumer boycott and the return of ABI refrigerators would be suspended for seven days, starting today.

"The parties have agreed to continue hold discussions and will meet formally after seven days to review the whole situation," they said.

Chamber PRO Max Legodi said if the matter was not resolved after seven days, it would be taken to the general membership for a decision.
Coke trucks hit the road

By Ike Motsapi

SEVERAL Coca-Cola trucks went out on deliveries yesterday after the strike by about 2,500 Food and Allied Workers members started four days ago.

About three trucks were on the road after workers had agreed not to disrupt services to clients.

Other trucks stood idle in the yards and only white employees and a handful of black workers were on duty.

Otherwise, various plants of Amalgamated Beverages Industries, which runs Coca-Cola, looked deserted when Sowetan visited them. Some gates were locked.

For the first time yesterday workers were allowed to enter ABI premises to pocket and demonstrate.

Earlier, workers who had been restricted to 20 metres from the company premises, were ready to prevent delivery trucks from leaving.

ABI public relations consultant Mr. Neville Barber of Westcom—Public Relations was not available for comment.
Union plans more legal action against Rainbow

THE Food and Allied Workers' Union (Fawu) intended to proceed with further legal action to oppose Rainbow Farms' decision to close two processing plants with the loss of 800 jobs, even though it had lost its Industrial Court application, its legal adviser said yesterday.

Cheadle Thompson and Haysom lawyer Stephen Hardie said although the Malmsbury and Khamen plants would close on Sunday, according to union information, this did not necessarily mean future Industrial Court actions would "not declare the resultant 800 dismissals to be an unfair labour practice".

The action would be argued on the basis of the company's refusal to make management accounts available to Fawu "and that it consequently failed to consult meaningfully with the union concerning possible alternatives and ways of minimising the impact of the proposed retrenchment. Should this be the case, the Industrial Court may very well order the reinstatement of the dismissed employees".

Hardie disagreed with Rainbow attorney Willie Coetzee's interpretation of the possible reasons for Fawu's urgent interdict having been refused on Tuesday, namely that the union had misread a recent court decision concerning information disclosure.

However, he said neither side could speculate accurately until the reasons were handed down.

He cited the Labour Appeal Court Cape provincial division case between Atlantis Diesel Engines and the National Union of Metalworkers of SA, which was "clear and unequivocal in its dictum in relation to disclosure of information by a company during a consultation process concerning possible retrenchment".

In this judgment, the court had held that sufficient information to make consultation meaningful should be made available, as should "information that will assist the employees or trade union in making contributions about ways of avoiding retrenchments".

He said Rainbow had not met the Labour Appeal Court's requirement that companies had to prove that requested information was not relevant to the union attempting to make such suggestions.

Patients moved as strike looms

PATIENTS at Tahepong Hospital near Klerksdorp were discharged and transferred to other provincial hospitals yesterday in anticipation of a hospital workers' strike due to begin today, the Transvaal Provincial Administration said yesterday.

Workers were protesting against the R500 bonuses given to all Baragwanath Hospital workers for special contributions in adverse and violent conditions. Tahepong staff demanded they be given the "departmental specific award" too.

Yesterday about 200 Tahepong patients were discharged and another 200 transferred to other hospitals.

The TPA said the hospital's casualty section would remain open for emergencies.

Negotiations between the Tahepong community and the hospital had been scheduled, but it was unclear when the hospital would begin operating again.

The dispute follows this week's strike by Sebokeng Hospital workers and threats by all provincial hospital workers to strike if they were not given the award.

Mediation proposed

IMPALA Platinum mine management yesterday proposed mediation to resolve a dispute with the NUM over the dismissal of workers and retrainments at the mine's Welgelephant shaft near Rustenburg.

Union spokesman Roy Sewaram said yesterday the union had requested a mass meeting of its members to put the proposal to them before going to management.

He hoped this meeting would be held prior to the scheduled discussions due to be held this morning.

However, he held out little hope of membership agreeing to mediation as it had never proved successful at Impala in the past.

A company spokesman said mediation had not been affected by the disruptions at the mine, and the existing stoppage was quiet.

Management said the working of additional shifts was also being discussed at the meetings.

Sewaram said the parties would meet on Tuesday on the retrenchment issue.

Workers had demanded that downscaling be halted until after the meetings.

ABI plans to counter boycott threat

ERICA JANKOWITZ

AMALGAMATED Beverage Industries (ABI), whose striking workers threatened a consumer boycott of its products, which include Coca-Cola, said yesterday it was planning an information drive to counter the tactics of the Food and Allied Workers' Union (Fawu).

The company would prepare pamphlets for distribution in townships.

On Wednesday, Fawu and the Greater Soweto Chamber of Commerce agreed to suspend the proposed boycott for a week to give the parties time to resolve the dispute. The wage strike by about 2,500 union members entered its sixth day today, with the union holding out for a 15% across-the-board increase in contrast to the company's final offer of 10%.

Meanwhile, ABI applied for and was granted urgent Supreme Court interdicts at its West Rand and Benrose plants to prevent further intimidation and disruption of operations.

The spokesman said interdicts were now in force at seven sites, but not in Natal, where about half the workforce returned to work yesterday.
PAC unwavering

By Donwald Pressly
Political Staff

The Pan Africanist Congress would not consider lifting its armed struggle until there was a cessation of hostilities from the SA Defence Force. PAC negotiator Patricia de Lille said yesterday.

"Commenting on a report issued by the Defence Ministry that the PAC was apparently softening its stance on its armed struggle, De Lille said the organisation would never suspend its struggle unilaterally."

The ministry was commenting on De Lille's statement that the PAC had consistently condemned all acts of violence and was busy negotiating a comprehensive mutual cessation of hostilities with the Government.

She confirmed, however, that plans were afoot for a meeting between the SA Defence Force and the PAC military wing, the Azanian People's Liberation Army.

"The details are at present being worked out," she said.

Ultimatum for Coke

By Ike Motsapi

SOWETO businessmen have given Amalgamated Beverages Industries seven days to solve the pay dispute with its workers.

After that they will heed the call for a boycott of its products.

About 2,500 workers, who are members of the Food and Allied Workers Union are on strike. Mr George Nene, national chairman of ABI's shop stewards committee, said businessmen from the Greater Soweto Chamber of Commerce agreed with the union that the company, which produces Coca-Cola, should be given a chance to find a solution.

Striking workers will meet at Vista University in Soweto tomorrow at 10am to discuss the latest developments. The meeting will also discuss plans for a march on the Head Office of ABI in Sandton on Wednesday.
Strike: Cosatu calls for boycott of beverages

JOHANNESBURG — Cosatu called yesterday for a boycott of Coke, Schweppes and Sparletta products in support of a strike at Amalgamated Beverage Industries (ABI) where police earlier in the day fired rubber bullets to disperse strikers.

The six-day-old strike centres on the Food and Allied Workers' Union (Fawu) demands for a 15% pay rise. ABI has offered 10%.

Police said the internal stability division fired rubber bullets to disperse workers when one was threatened with a broken bottle. Four workers and two policemen were injured. — Sapa
Cosatu calls for boycott of Coke

THE Congress of South African Trade Unions this week called for a boycott of Coke, Schweppes and Sprite products in support of a strike at Amalgamated Beverage Industries.

The six-day-old strike centres on Food and Allied Workers' Union demands for a 15 percent pay rise. ABI has offered 10 percent.

Police said that on Friday, the Internal Stability Unit fired rubber bullets at ABI's premises north of Johannesburg to disperse workers when one was threatened with a broken bottle.

Four workers and two policemen were injured.

Cosatu said in a statement that ABI management had refused to negotiate on its 10 percent offer.

"During negotiations, it appears no good-faith attempt was being made to resolve the dispute, as management was already telling suppliers of ABI products that there was going to be a strike."

Cosatu added it would consult South African Breweries, ABI's holding company, to find ways of solving the dispute.

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The simmering battle between organised labour and the world's mightiest brand has resurfaced in South Africa. RAY HARTLEY reports

"You can beat the real thing," says Coca-Cola's marketing mantra backed by a $4-billion global advertising campaign, the message has been heard and over by consumers in 185 countries in the past decade.

But not everyone agrees with it. The nearly 4 000 employees who put the fizz into the sugary elixir at America- automated Beverage Industries factories in the FFW and Natal downed tools over wages on Monday this week.

And they made an astonishing appeal. Boycott Coca-Cola.

It was an announcement that was hard to take seriously. If it were a boxing match, the incredible ring announcer might have said:

In the red corner, weighing in at 17.8 billion US dollars, the world's best-known brand, Coca-Cola. And, in the blue corner, 4,908 workers who want to reduce its sales.

But Food and Allied Workers Union steward chairman George Nene is confident the boycott will bring local Coca franchise holder AEI to its knees, giving workers the 13.5 percent increase they demand.

"It's going to work because of the muscle of Coca-Cola, because of the muscle of all our people, because of the muscle of the alliance, of the ANC, of the ANC Youth League," he says passionately.

And a pamphlet distributed at FWV and NATownships issues the ominous instruction: "Do not buy Coca-Cola products. Do not allow Coca-Cola to deliver in our township!"

The ANC is, however, unlikely to support its union ally in a boycott which may have the unintended result of alienating black consumers as its key feature.

This is the first time South African activists have taken the cola rings. In the early 1980s attempts to launch a US boycott of South African goods were dashed by accusations that the protest was not racial but consumerist.

By Wednesday this week the two-day-old Coca-Cola boycott had already had its first political snafu. After a meeting with the Greater Soweto Chamber of Commerce, the union suspended the boycott for a week in the Soweto area.

While Mr Nene is adamant that the Shankoni simply wants to consult its members over how the boycott can be bolstered, AEI points to a different picture.

"In a statement issued on Tuesday morning, the company put it starkly. "Thousands of small, independent dealers - particularly wholesalers, shop owners, shop stewards and volunteers in the townships - earn around 85 percent of their living from selling Coca-Cola."

The company argues that, by targeting local independent dealers - particularly wholesalers, shop owners, especially those in the townships - the boycott would unfairly affect the livelihoods of ordinary people.

Unlike consumer boycotts traditionally directed at white traders to create pressure on white authorities, the Coca-Cola boycott would end up hitting small black businesses in the townships hardest.

For it is in the townships that young militants taking up the cause of the union are in the best position to ensure that Coca-Cola doesn't unload their politically incorrect re-freightings and black retali- tors don't stock them.

The conflict around the boycott shows how old tactics, which depended on a popu- lar工商联 appeal that business and apartheid oppressors were bedfellows, simply do not work any more.

Underlying Mr Nene's backing of the boycott tactic is a simmering distrust of the "total monopoly" enjoyed by Coca and AEI, which make and can the controversial quencher for the rich and the poor.

In his "unhallowed history", For God, Country and Coca-Cola, Mark Pen- denhagen's well illustrates the scale of the empire. About 1947, Coca-Cola was consumed every second around the world.

In 1981, Mr Gaisbauer earned $66 million (R230 million) or the annual salary of AEI's lowest-paid worker in half a working day. The company's minimum wage is around R1 600 a month.

In all, efforts to take on the giant brand have ultimately failed, as have previous efforts to squeeze SA Breweries, which has a majority interest in AEI.

A consumer boycott aimed at SAB's beer plants in Pretoria and Nelspruit was stifled after the company reacted with ruthless creativity and published the wages it paid to workers in full-page newspaper advertisements.

Tavern keepers - some of whom earned less than the lowest-paid worker - lost heart and the boycott fizzle.

By attacking the Coca-Cola brand with a consumer boycott - rather than confronting its labour and come-to-a-strike against the firm involved - the union is out of step with another development in SA labour.

For, instead of redoubling that the welfare of all workers and management depends on the success of their products, the union is biting the brand that feeds
Talks on solidarity action against ABI

THE Food and Allied Workers' Union would hold discussions with Amalgamated Beverage Canners (ABC) about action in solidarity with striking workers at Amalgamated Beverage Industries (ABI), ABI shop steward council chairman George Nene said yesterday.

Nene said the union was also represented at ABC, whose three plants — in Wadeville, Pinetown and Epping — are jointly owned by all softdrinks manufacturers and bottlers. The meeting was scheduled for Thursday at ABC's Wadeville plant. ABC workers had declared a wage dispute with their employers and were considering national industrial action.

On the same day, the union planned a march from the Alexandra Community Hall to ABI's head office in Wendywood to highlight the grievances of the workers.

ABI said yesterday that more reports of intimidation had been received as the strike entered its seventh day.

One casual worker was assaulted by a striker at the company's West Rand plant. At the weekend, a manager's car was set alight at his home by armed men wearing balaclavas who claimed to be strikers.

Nene said a meeting today of the alliance would discuss the proposed product boycott. To date the SACP and Cosatu had backed the boycott but the ANC had yet to make a decision.

The boycott is scheduled to start tomorrow, when the union will again meet the Soweto Chamber of Commerce to discuss progress.

ABI said two of the three workers injured in an altercation with police on Friday had been discharged from hospital at the weekend.
Business support for strikers

The Soweto Chamber of Commerce and Industry has come out in support of strikers involved in a wage dispute with Coca-Cola's bottlers, saying it would boycott products associated with Amalgamated Beverage Industries (ABI) [35, 1194].

George Nene, chairman of the shopstewards council of the Food and Allied Workers' Union (Fawu), issued a joint chamber-Fawu statement yesterday saying Soweto businessmen supported the union's demand for a 15 percent wage increase. ABI has offered 10 percent [82].

The statement said Soweto wholesalers, general dealers, spaza shop owners and hawkers had "pledged to close doors to all ABI/Coca-Cola products.

ABI, in a statement yesterday, said strikers were planning a march today from Alexandra to the company's head office and appealed for calm and restraint.

An ABI spokesman said the company was "disappointed" by the Soweto Chamber of Commerce's support for a product boycott.[82]

"We deplore the involvement of traders who have nothing to do with our dispute with the union," he said.

He added that ABI's 10 percent wage increase offer was one of the highest offers in local industry this year — Staff Reporter, Sapa
Businesses in Soweto back ABI boycott

The Soweto Chamber of Commerce and Industry yesterday pledged its support for a boycott of all Amalgamated Beverage Industries (ABI) products as the Food and Allied Workers' Union (Fawu) strike entered its ninth day.

The chamber and Fawu said all Soweto wholesalers, general dealers, spaza shops, hawkers and other businesses would "close doors to all ABI/Coca-Cola products" until the wage dispute was resolved.

This followed declarations of support for the consumer boycott from Cosatu and the SACP. About 2,500 workers were on strike.

Fawu's ABI shop steward council chairman George Nene said all ABI products would be removed from dealers' shelves immediately. He could not say whether the ANC would back the boycott, although the ANC alliance met on Tuesday to discuss the issue. He expected the alliance to make a statement soon. He also alluded to possible foreign investment pressure.

An ABI spokesman said the company was disappointed with the chamber's decision to back the union in its 15% wage demand. The company is offering 10%.

"We deplore the introduction of a third level of potential conflict, especially as many dealers' livelihoods will be threatened by the boycott," he said.

He thought Fawu's extension of the dispute to those not directly involved in negotiations flew in the face of democracy and entrepreneurship. He warned of escalating township violence, saying: "Once the dealers, many of whom have great influence, feel the pinch, battle lines will be drawn."

Nene said Fawu and the chamber would monitor the situation to ensure that there was no violence or intimidation.

However, the conflict has been marred by several violent incidents.

ABI, yesterday, detailed violations of strike rules including delivery vehicles being stoned, looted and shot at, and an apparently arson attack on the home of an ABI client's staff member near Pretoria.

The company appealed for calm and restraint during today's protest march from the Alexandra Community Hall to ABI's head office in Wendywood.
Thursday January 13 1994 SOWETAN

Business decides to boycott ABI products

By Isaac Moledi

THE Soweto Chamber of Commerce and Industries has resolved to boycott all Allied Beverages Industries products in the wake of a wage strike by members of the Food and Allied Workers' Union.

This followed a three-hour meeting between Fawu and SCCI at the chamber's offices in Soweto yesterday.

SCCI executive director Mr Max Legodi said the boycott of ABI's products would start today and would be reviewed only after the dispute between Fawu and ABI had been resolved.

"The Soweto Chamber of Commerce and Industries has joined the Congress of South African Trade Unions and other black organisations in support of Fawu in its quest for fair remuneration and just working conditions," a joint statement said.

Legodi said wholesalers, hawkers, spaza shops, taverners and other general traders had pledged their support for the boycott.

Severe hardships

In his response, ABI group human resources manager Mr André Parker said the company regretted SCCI's decision.

"Such a decision will impose severe hardships on the many black dealers who make their living out of Coca-Cola products."

"We still believe that it is every person's democratic right to buy products of their choice and cannot have their individual needs and tastes dictated to by others," he said.

Parker said the ABI would keep its doors open for discussion to resolve the dispute. Every effort to continue to make the products available to whoever wanted to buy them would be made, he said.

Meanwhile, more than 4000 Fawu members are expected to march from Alexandra Township to ABI offices in Wandwood, Sandton, today.

Fawu demands a 15 percent salary increase, while ABI is offering 10 percent.
Strikers march on ABI offices

HUNDREDS of Food and Allied Workers' Union (Fawu) strikers yesterday presented further demands to Amalgamated Beverage Industries (ABI) after marching on the company's headquarters in Wynwood, Johannesburg.

The union demanded the "non-negotiable" expulsion of the ABI managers responsible for calling the internal stability unit at the group's Midrand plant last Friday, when 19 workers were injured by rubber bullets fired by police.

It also called for affirmative action and voter education programmes at all plants and an end to ABI's practice of "racism, job reservation and union-bashing".

It reiterated its demand for an across-the-board 15% wage increase backdated to January 1. Management has offered 10%.

ABI evacuated the building before the march.

ABI MD Trent Oggers said management would respond to the union's demands by this morning.

Fawu's ABI shop steward council chairman, George Nene, said in a memorandum to management the 10-day strike would be intensified "as never before" unless workers' demands were met. He said ABI's annual financial report showed the group could afford the 15% increase.

"We are generating massive profits for your company and we're not prepared to accept crumbs," he said.

The union said it would not resume negotiations until ABI ended the lockout of employees.

It refused to attend a meeting proposed by management for this morning on the grounds that "management wants to talk about intimidation".

"There is no intimidation and we cannot talk until we are presented with an acceptable agenda," Nene said.

ANC PWV deputy chairman Obesile Bapela told marchers management would have to give in to its wage demand "because come April 27, an ANC government will always support the workers." The dispute would be discussed by the ANC's national executive.

AP-DJ reported ABI said yesterday the strike had limited production and delivery to 50% of capacity. It declined to specify how sales had been affected.

Comment: Page 4
UK bought 1m cases SA wine

Own Correspondent
LONDON — About a million cases of South African wine were sold on the UK market in 1993 — a target the industry expected to reach only in 1995.

The growth in consumption of South African wines has been spectacular since 1989, when only about 190,715 cases were sold.

Wines of SA director Mr Rupert Pononsby said yesterday that the figure was 307,614 cases in 1991 and 604,355 cases in 1992.

Mr Pononsby said consumption of South African wine in the UK had overtaken that of competing new wines from Chile, California and New Zealand, but not yet reached the level of Australia.

By the end of October 1993, 7.2 million litres of South African wines had been imported into the UK, compared with 4.5 million litres from New Zealand, 3.7 million litres from Chile and 44.3 million litres from Australia.

Total UK wine imports during this period amounted to 88.4 million litres.

Wines of SA, originally set up by the KWV, is responsible for about 90% of South African wine sales in the UK.
Bye bye 'boeppens' as new beer is launched

DAVID BIGGS and BRUCE CAMERON
Weekend Argus Reporter

NOW those notorious South African "beer boeppens" may become a thing of the past. South African Breweries has introduced a beer for dieters.

In line with a whole range of other diet products on the market, it has termed its new product "lite". And, the good news for those who will go down fighting for their brand — it is still a 'Castle'.

The main difference is that the new one has 25 percent less kilojoules than standard lagers and its four percent alcohol content is one percent lighter than its sterner original.

"The publicity buff says the new beer is different from the old familiar brand only in that its taste is slightly crisper and less-satisfying, but it retains many of the characteristics of the parent brand."

The new beer will be brewed in Cape Town, Johannesburg and Durban.

For those who are concerned that they may get their beers muddled up, the new one will have a distinctive silver labeling. For the tough guy who doesn't want to be seen drinking the lighter stuff by his buddies, the colour of the liquid remains the same: "It is the ideal beer to match today's lifestyle," said SAB beer division executive chairman, Mr Graham Mackay. "It is designed for beer drinkers who are gregarious and fun-loving."
Coke strikers turn to violence

By Josias Charle

STRIKING workers at Amalgamated Beverages Industries went on the rampage in Atteridgeville at the weekend targeting people selling or buying the company’s products.

A group of about 70 smashed soft-drink bottles and looted a petrol station belonging to Mr Bushy Makwakwa on Friday.

They also smashed the glass doors of a three-door refrigerator during the attack at about 5.30pm.

Makwakwa yesterday said the group threatened to burn down his garage if he did not stop selling Coca-Cola and other ABI beverages.

"I had to shoot a warning bullet in the air to scare off the mob," he told Sowetan (182).

He said he bought stock last year — months before the strike was declared.

Several other general traders confirmed that they had been intimidated.

They said groups of youths manned road blocks at the entrance to the township and searched light delivery vehicles suspected of containing ABI products.

Officials of the Food and Allied Workers Union could not be reached for comment yesterday.
Twelve injured at strike-hit ABI plant

TEN workers and two policemen were injured on Friday when violence erupted during a police search for illegal weapons at the strike-hit Amalgamated Beverages Industries (ABI) plant in Midrand.

The police fired rubber bullets after they were attacked by workers wielding bottles. Four of the ten workers injured in the skirmish were still being treated in Tembisa Hospital at the weekend.

ABI shop steward council chairman George Nene said the condition of the four was serious. He alleged the police had attacked without provocation, a claim denied by the police.

Police spokesman Zirk Gous said no weapons had been found, but an undisclosed amount of ammunition, dagga, stolen credit cards and forged banknotes had been confiscated.

One man had been arrested and charged with assault. He would appear in the Kempton Park Magistrate's Court today.

Nene said a meeting with ABI's holding company, SA Breweries, would be held today in an effort to defuse the volatile situation at the plant.

Nene said the search had been conducted after non-striking workers had complained they had been threatened at gunpoint and that illegal guns were being hidden at the plant.

Nene accused management of "looking for an excuse to harass workers".

"When we enter the premises we are searched from shoe to head, so how could we go into such a concentrated gunpoint?"

Gous said the confiscated items would form the basis of further investigations, and dockets had been opened.

He said the police had reacted to a complaint about criminal behaviour at the plant and were not involved in the labour dispute.

ABI personnel manager André Parker said strikers, who had failed to comply with strike rules for several days, had

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15% increase is unreasonable given the scope of the negotiations not only a wage increase but also job security and working conditions.

But Parker said the percentage increase calculated by the union was simplistic. A number of new members had been voted in to ABI's board last year.

Cosatu said the workers' demands were legitimate. Cosatu was investigating other issues such as the blocking of ABI products, which include Coca-Cola, Spar-ketta and Schweppes products.

SACP Johannesburg chairman Amon Ngulele condemned ABI's alleged police harassment "despite the fact that these workers are doing their job".

Meanwhile, Cosatu and the SACP pledged their support on Friday for the more than 4 000 Fawu members involved in the dispute.

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From Page 1

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Manager’s death linked to strike

JOHANNESBURG — Amalgamated Beverage Industries junior sales manager Mr Patrick Mogane was shot dead in Soshanguve, north of Pretoria, at the weekend.

In a statement condemning alleged violent intimidation by striking Food and Allied Workers' Union members, ABI said Mr Mogane was stopped on his way to a meeting on Saturday night and shot.

Police are investigating the case.

Meanwhile, Atteridgeville shopowners selling ABI products claimed striking workers had rampaged through their stores, looting and smashing their stock at the weekend.

Fawu spokesman Mr Ishmael Ntamane said the union knew nothing about the allegations.

Mr Ntamane said Fawu had, however, requested the black community's support in its labour dispute with ABI “and there is always a possibility that people not under our control might use force” — Sapa
Coke boycott hurting spazas

BY ABDUL MILAZI

Shopowners in black townships are not supporting the consumer boycott of Coca-Cola, called by striking workers at the Amalgamated Beverage Industries (ABI) two weeks ago.

But none dare to protest openly after several shopowners selling Coca-Cola were intimidated in Soweto, Atheridgeville and Mamelodi by members of the Food and Allied Workers Union (Fawu).

Two major Coke distributors in Soweto said they had eight truckloads of Coca-Cola worth more than R100 000 still to be sold.

Spaza owners said they would starve if the boycott continued.

One shopowner, Patrick Soyaya, said business was bad because residents did not support township shopowners.

Soyaya said, "Township residents shop in town. When there is a boycott we are forced not to sell while the same people who call the boycotts continue to support white businesses in town."

"And when all is over they still buy in town and nobody thinks about us. We are being used and discarded at will by unions. When the ABI strike is over they will be counting their gains and we will be counting our loss," he said.

Fawu shop stewards, council chairman George Nene disputed the claim that the business community was coerced into supporting the boycott.

Meanwhile ABI marketing director Mike Bird said the company would be sympathetic to its customers affected by the boycott.
NSB enjoys its first brew

By Joe Mdhlela

FULL-SCALE production at National Sorghum Breweries' Vivo Brewery in Midrand, Johannesburg, started last week.

Dubbed Vivo 1, the plant is expected to have its first beer (lager) products hitting the market in May, said chief executive officer of the company, Mr. Mohale Mahanyele.

Mahanyele is currently visiting the United States and Germany with a view of finalising the Vivo 2 project, expected to be under construction late this year.

The construction of Vivo Brewery started less than a year ago. Analysts suggest this gives more weight to NSB's quest to break the monopoly enjoyed by South African Breweries in the clear beer market.

Describing the Midrand project as an investment geared towards job creation, executive director, Mr. Israel Skhosana said, "Despite what our critics say to under-play our achievements, no company in this depressed economic climate has been able to create job opportunities as we have done at NSB.

Capitalised in excess of R300 million, the production of the first brew has had no hitches, according to outgoing managing director, Mr. Monwabisi Fandete.
ABI strike: discussions continue

By Mzimasi Ngudle

POOD and Allied Workers' Union and Amalgamated Beverages Industries were still locked in talks yesterday in a bid to resolve the strike by more than 3,000 workers demanding a 15 percent increase. The parties met for the second time and it was not clear what progress had been made as no statement had been issued by late yesterday.

The strike, which enters its 20th day today, has allegedly become accompanied by violence and charges of intimidation. A group of about 70 strikers reportedly smashed soft drink bottles and looted a petrol station in Atteridgeville last weekend.

Meanwhile, ABI spokesman Mr André Parker insisted early this week that the company's 10 percent offer was final. He said if the strike continued for a month, workers would end up gaining only a five percent real increase because of the wages lost during the month.

The lowest-paid worker would earn R1,892 a month with the 10 percent increase. "With a 15 percent increase the lowest paid wage would be R1,978 a month."
No increase for wine farmers

PAARD — Wine farmers will not receive price increases for their products this year. The KWV Board decided to retain last year's minimum producer prices for wine for this year, chairman Mr. Pietman, Hugo, announced here yesterday.

The price of natural wine, determined early last year, remains unchanged at 96c a standard (750ml) bottle, or R1.28 a litre and the distilling wine price remains 69c a litre — Sapa
Wine, spirits prices ‘should be steadier’

Business Staff

RETAIL prices of wine and spirits should steady this year after a decision by the KWV not to raise producer prices.

In an attempt to boost sales in a tight market, the KWV Board decided to maintain last year’s minimum producer prices for wine in 1984.

KWV chairman Pietman Hugo announced this in Paarl yesterday after a meeting of the 12 directors representing 4,000 wine farmers in the eight KWV districts.

The price of natural wine remains unchanged at R1.28 per litre.

Liquor retailers welcomed the news, which they said would help to keep prices down.
Beef up Soweto action call

By Glenn McKenzie

ABOUT 4,000 striking Coca-Cola workers are digging in their heels after talks between their representatives and Amalgamated Beverages Industries broke down late on Wednesday.

Their union, the Food and Allied Workers' Union, turned down an offer of a 10.5 percent increase by ABI during the salary negotiations.

Fawu national chairman Mr George Nene said yesterday the issue had been postponed to Monday but in the meantime the union would continue to intensify its strike.

He said in addition to the ABI strike, Fawu members employed by South African Breweries were attempting to "put pressure" on SAB, a major shareholder of ABI, to change the direction of negotiations. Nene called on consumers to "intensify their boycott of Coca-Cola products."

Meanwhile, ABI spokesman Mr Andre Parker said yesterday a casual labourer hired by ABI was stabbed in the arm by a union worker in Durban on Wednesday. Parker said there had been several reports of union employees harassing and extorting dealers of Coca-Cola. "Even consumers are being hassled now," he said.
ABI offer ‘rejected’

A HIGH-POWERED delegation of Cosatu and Food and Allied Workers’ Union (Fawu) officials will meet Amalgamated Beverage Industries (ABI) management on Monday, says ABI shop steward council chairman George Nene.

Nene said Cosatu general secretary Sam Shilowa and Fawu general secretary Mandla Gxanyana would head the delegation in an effort to resolve the wage dispute which started on December 31.

Fawu and ABI met on Tuesday and Wednesday to thrash out ways of narrowing their five-percentage-point difference in the annual wage round. The company said only that progress had been made.

However, Nene said yesterday ABI had moved its offer to 10.5%, up by half a percentage point. In return, the union would have to extend the period of the wage agreement by six months to 18 months.

Nene said this position was unacceptable and the union was resolved to continue its strike and intensify the soft drinks boycott in Reef townships.

ABI confirmed that talks would continue on Monday, but rejected Nene’s claims of a breakdown in negotiations or the rejection of an offer.

“We find it regrettable that the union has not only breached accepted protocol and fair practice by trying to negotiate through the media, but in doing so has left ABI striking workers and the public with inaccurate information.”
Coke adds talks

By KHANGALE MAKHADO

TALKS resume tomorrow between the Amalgamated Beverages Industries and the Food and Allied Workers Union to resolve the 23-day wage dispute involving more than 3 000 Coke employees.

This was confirmed by both the union head office in Cape Town and the company's headquarters in Johannesburg.

The talks are aimed at resolving the dispute which has been marred by allegations of violence, charges of intimidation and calls for the boycott of the company's products.

Fawu assistant general-secretary Ernest Buthelezi said tomorrow's meeting would involve high-ranking union officials and senior company personnel.
TWO top executives from Coca-Cola in the US were in SA advising local manufacturer Amalgamated Beverage Industries (ABI) on the current wage dispute and strike by 3,000 bottling plant workers, a source said yesterday.

A source close to the Washington-based American Federation of Labour said the executives were from Coke's Atlanta holding company ABI human resources manager Andre Parker refused to confirm this.

The source said the Food and Allied Workers' Union (Fawu) had also called for outside help from the International Union of Food and Allied Workers — a Swiss-based federation it is affiliated to. The federation had agreed to send a representative to advise Fawu 24/11/94.

The international representatives are offering behind-the-scenes advice to the parties in a bid to end the acrimonious strike, which enters its 17th day today.

Reports of violence and production losses, as well as a township boycott and the effect on Coca-Cola's image, were behind the arrival of the US representatives, the source said.

Parker said three ABI executives met Cosatu general secretary Sam Shilowa and two Cosatu officials on Friday in "cordial and most constructive talks". The talks were not formal negotiations.

Negotiations are due to reopen today between the two parties' original negotiating teams. Fawu general secretary Mandla Gxanyana is expected to be on the union's negotiating team.

Meanwhile, it was announced on Friday that wholesale prices of Coca-Cola and its sister products would increase by an average of 7% from today. (82)
Lite beer is no lightweight

The introduction of Castle Lite is the first salvo in the brewing SAB-NSB war — and the new beer will also attract more women to the market, reports Mondli Waka Makhanya

With National Sorghum Breweries' long awaited clear beer still not forthcoming, chief rival South African Breweries has introduced a "lite" beer industry observers believe this is an attempt by SAB to ward off NSB's challenge and any possible foreign entry into the market.

SAB's launching of Castle Lite, South Africa's first light beer, may be an indication that SAB has caught wind that NSB's beer may be on the way. NSB's beer was due in November last year. NSB sources are now saying March is the scheduled launch date as NSB hopes to capitalise on the Easter season and election euphoria. The company has, however, been rocked by three high level resignations, including that of the head of the Vivo Brewery.

Castle Lite is a variation of SAB flagship Castle Lager. It contains 25 percent kilojoules fewer than the rest of the SAB brands and four percent alcohol, just one percentage point lower than the norm.

South Africa has come late into the light market, which is fast becoming the drinking norm internationally. In the United States, which is the world's largest beer market, four brands out of the top 10 at the moment are light beers.

SAB public affairs manager Adrian Botha says market research two years ago showed South Africans preferred full strength beer but the latest, done last year, reveals the market is ready for a light beer.

If the advertising campaign is anything to go by, Castle Lite's target market is the mass black market — something that will certainly make entrance tougher for NSB's clear beer. With a heavy emphasis on the celebration of South African life and culture, the campaign features township street culture, footstool and contemporary local music.

Where the campaign may run into problems, however, is its attempt to equate the township soccer culture with Kaizer Chiefs. Township residents are often more passionate about their soccer teams than they are about political parties and Kaizer Chiefs are universally despised by followers of other teams.

Potential white drinkers are not ignored by the campaign, which features shikile-shikile music and kokususters.

"This is the beginning of a marketing assault on NSB. By introducing new brands — like Chandeliers last year — SAB is trying to create confusion among consumers. The strategy behind this is that if a whole lot of new brands hit the market, the consumer will get confused and retreat to tried and tested brands. I would not be surprised if they bring out yet another brand in the next two months," says Ed Herr Rudolph analyst Syd Vianello.

Speculation has had it that NSB is to link up with a major American brewer and one of NSB's breweries may be a light beer.

What SAB is also trying to do is win over women drinkers, who have taken strongly to ciders such as Hunter's Gold and Crown. Black women are a potentially big market for beer as they are said to drink more beer than the entire white market. The test marketing of Castle Lite showed it can gain easy acceptance in this market. However, societal prejudices render it still difficult for SAB to entice them overtly.

Expects an advertising agent. "Although black women already drink a lot of beer, there is still the perception that women who drink beer are 'loose.' So you cannot run an ad campaign targeting them specifically. You have to somehow include them in the generic ads."

While SAB expects Castle Lite as a totally new category of drink — to develop its own niche there is however no doubt that it will take away custom from some of the brewer's established brands.

Botha says should this happen, it will most likely be a section of Castle Lager and Hansa. Pilsener drinkers who will migrate.

But some sales representatives are hoping it will make inroads into areas where Ohlsson's Lager has failed. In relation to its sister brands, Ohlsson's has fared terribly since its launch in the mid-1980s and has even been overtaken by the much more recently released Hansa.

"Even if you walk into a place and offer it to people for free, they don't want to touch it," remarks a rep.

But SAB seems to have no intention of scrapping Ohlsson's, saying it still has substantial niche, particularly in the eastern Cape.
Bitter taste of Coke strike

The Coke strike grew increasingly ugly this week, driving the warring parties to the negotiating table.

At the time of writing, two days of negotiation had failed to resolve the wage strike at Amalgamated Beverage Industries by 2,500 Food and Allied Workers' Union workers, who are demanding a 15 percent increase. The company is offering 10 percent.

The dispute appeared to have claimed its first victim last weekend when a sales manager at ABI's Midrand bottling plant, Patrick Mogale, was shot dead at his Soshanguve home. His murder followed the ransacking of shops and spaza shops around Pretoria townships.

ABI's human resources manager, Andre Parker, says such intimidation is widespread. A survey of Soweto this week indicates that most dealers are not heeding the Coke boycott call because they support the strikers, but because they fear intimidation.

Papie Ramassoli, owner of Snappy Spaza in Molegane, still has last year's leftover stock, but says he would not dare to buy more. (WM 21-27/11/94)

Pule, of Masters Inn tavern in Delport, says he will not bow to intimidation. But not-so-brave shopowners have resorted to posting signs on their windows saying "We don't sell Coke, please try and get used to juice."

The Midrand bottling plant, which has borne the brunt of the worst strike action, was relatively peaceful this week.

ABI says the company has been inundated with unemployed people looking for jobs.
Coke strike hits black shops

Sowetan Reporter

BLACK businesses have been the hardest hit by the month-old strike involving about 3,000 workers of the Amalgamated Beverages Industries.

The Food and Allied Workers' Union's call for the boycott of ABI products, including Coca-Cola, has prevented black businessmen from selling stock in hand.

Refrigerators are empty in some shops while other shop owners have piled all ABI products in storerooms.

Businessmen surveyed in Soweto and Pretoria yesterday revealed that the strike had adversely affected their sales.

An ABI spokesman said the parties were still locked in talks yesterday.

Hardest hit in Pretoria are the spaza shops, which survive on take-away goods.
ABI strike talks stay on the boil

NEGOTIATORS were locked up in a Johannesburg hotel on Friday in a bid to end the four-week strike at Amalgamated Beverage Industries, writes ZILLA EFRAT 30/11/94

It is the biggest strike ABI has had to deal with. Some 3000 workers are involved, the Food and Allied Workers Union (Fawu) has called for a boycott of Coke and claims of intimidation are widespread.

The dispute centres on wage increases. Fawu is demanding a 15% pay rise while ABI management moved its offer up by 6.5% to 10.5%.

ABI marketing director Mike Bud estimates that ABI turnover has dropped about 15% as a result of the strike.

Plants are producing soft drinks at usual levels and deliveries to white suburbs are almost normal. Those to the townships, however, have been halted because of violence and intimidation.

In other areas, ABI is maintaining deliveries to wholesalers and strategic supply depots.
Provisional deal made to end ABI strike

AMALGAMATED Beverage Industries (ABI) management and Food and Allied Workers' Union (Fawu) officials have reached a provisional agreement ending the month-old wage strike and consumer boycott of company products.

A union spokesman said the deal involved a 15% package. The dispute arose from management offering 10% against the union's 15% demand.

It is understood part of the settlement package would involve improvements to benefits other than wages.

The spokesman branded the talks "a victory for workers".

ABI human resources manager Andre Parker declined to comment on the agreement, which still needs to be approved by the workforce.

The union said workers would report to their plants today and their views would be canvassed on the 15% offer.
Union strikes 13% wage deal

Own Correspondent

JOHANNESBURG — Amalgamated Beverage Industries (ABI) management and Food and Allied Workers' Union (Fawu) officials reached agreement on a possible 13% across-the-board package, part of which may be applied to benefits other than wages, a Fawu spokesman said yesterday.

He said the talks were a "victory for workers" with ABI management having promised to "close an eye and pay bonuses over 12 months" despite worker strikes in January.
Pay agreement ends beverage strike

DURHAM — The month-long Amalgamated Beverage Industries (ABI) strike ended yesterday when ABI management and the Food and Allied Workers’ Union agreed on a 12.1% wage increase. The strike resulted in two deaths and the widespread disruption of soft drink sales.
Coke, strikers strike a deal

THE month-long nationwide strike at Amalgamated Beverage Industries has ended following agreement on a 13.1 percent wage increase, ABI said in a statement yesterday.

ABI management and the Food and Allied Workers’ Union agreed workers would return to work today when the increase would become effective for a 15 month period.

Fawu had originally sought a 15 percent increase and ABI management had offered 10 percent.

The strike involved 2,500 employees at ABI’s nine sites in the greater Johannesburg, Pretoria and the Durban areas.

Soft drink deliveries were disrupted, particularly to township outlets, and a Fawu-instigated consumer boycott reduced cold drink availability in the townships, an ABI spokesman said.
ABI strikers to return to work today

The 2,500 striking workers at Amalgamated Beverage Industries (ABI) would return to work today after their month-long wage strike ended with the signing of a 12-month agreement, the company said yesterday.

The wage dispute led to a strike at all nine ABI plants in the PWV and greater Durban areas.

Yesterday, management and Food and Allied Workers' Union officials settled on a 15.1% increase for workers over a 12-month period, effectively a 10.5% increase in wage costs for the year.

It could also mean the parties would negotiate wages in March rather than during the Christmas period when the company was vulnerable to industrial action.

Negotiations broke down with the union demanding a 15% across-the-board increase and management offering 10%.

The company acknowledged turnover was down but said it was difficult to attribute this entirely to the strike as it could have been partly the result of traditionally slower sales in January, and bad weather.
Price of beer goes up today

STAFF REPORTER

The price of beer will increase by an average of 5.8 percent today.

South African Breweries said in a statement yesterday that prices would vary between brands and packs.

SAB beer division marketing director Barry Smith said it was the 17th successive year that the company had contained its price increase below the prevailing inflation rate. But Federated Hospitality Association of SA liquor chairman, Ian Rubin, said despite an industry increase last year of 7.4 percent, the increase to consumers was 15 to 20 percent.

SAB could not say when or by how much the retail prices would increase as these were set by retailers themselves.
Beer price goes up by 5.8 percent

Soweto 8/2/94

SOUTH African beer drinkers will have to dig deeper into their pockets to afford their favourite tipple following an announcement of an average 5.8 percent increase on the malt from today.

The South African Breweries Beer Division in a statement yesterday said the prices could be expected to vary between brands and packs, and in different parts of the country according to transport costs.

SAB Beer Division marketing director Mr Barry Smith said it was the 17th successive year that the company had contained its price increase below the prevailing inflation rate, claiming it was a proud record unmatched in the South African industry.

The statement added that the company could not say when and by how much the retail prices would increase, as retail prices — in bottle stores, bars and taverns — were set by the retailers themselves. — Sapa
Beer prices go up today

Gyn Correspondent

JOHANNESBURG — Beer prices will go up an average of 5.8% today, SA Breweries, announced yesterday.

Marketing director Mr Barry Smith said prices would vary between brands and packs, and in different parts of the country according to transport costs.

SAB could give no indication of the rise in retail prices, as prices were set by the retailers themselves.
Beer prices to climb 5.8%, says SAB

BEER prices will go up an average of 5.8% today, SA Breweries (SAB) beer division announced yesterday.

Marketing director Barry Smith said prices would vary between brands and packs, and in different parts of the country, according to transport costs. SAB could give no indication of the rise in retail prices in bottle stores, bars and taverns as prices were set by the retailers themselves, he said.

SAB increased prices 7.4% last year, 9.1% in 1992 and 8.7% in 1991. Smith said that this was the 17th successive year that price increases were contained below the inflation rate, claiming it to be "a proud record unmatched in SA industry."

The relatively small increase "helps to maintain the position that SAB holds as a major contributor to economic growth and reduced inflation."

Each year it had managed to contain input costs and improve productivity, while maintaining its status as a brewer of quality beers, he said.
Future looks rose for SA wines
European Union

Cruicial talks for

Up but Volumes Fall

Suncrush Earnings

In the wake of the recent economic downturn, the European Union is facing crucial talks to address the financial crisis. Money and assets are on the table as member states negotiate to ensure stability and prevent a financial collapse. The challenge is to find a balanced solution that protects the home market and encourages growth.
Investment income helps
Suncrush beat conditions

MARCIA KLEIN

HIGHER income from investments enabled soft drink bottler Suncrush to overcome lower volumes and report a 16% rise in earnings to 28.5c (25c) a share in the six months to end-December.

The Natal-based company reported 7% higher turnover of R317.4m (R296.7m), and lifted its operating income 8% to R83.1m (R76.1m).

Chairman Robin Hamilton said Suncrush had struggled to achieve turnover growth. (182)

Volumes were down about 3% over the period, but he hoped this was the end of the downward trend. The increase in turnover reflected a price increase in January 1993, an increase in excise tax and VAT.

Higher income from investments and lower net interest paid saw pretax income rise 20% to R57.8m (R47.6m)

Income after tax rose 17% to R34.9m (R29.9m), and after taking into account its share of associate Tempora, attributable profit was 28% higher at R38.1m (R30.9m).

Trading earnings were marginally down at 19.7c (19.9c) a share, and investment earnings were nearly three times higher at 5.6c (2.1c) a share. An 18c higher interim dividend of 4c (3.4c) a share was declared.

Hamilton said trading had been volatile from month to month. Although the cyclical nature of trading conditions was not unusual, the severity of conditions was

Commenting on no-name brands and house brands, he said they were in a certain sector of the market, mainly in upper income areas.

In Suncrush's sectors, no-name brands had a market share of less than 2% of the total. In addition, he said the bottlers' response was not properly geared up yet.

The company's share has been sluggish since it announced a one-for-50 share split in July last year. The share gained 18c or 1.6% on Friday to close at 926c - off a February high of R10 and a May low of 800c.

Commenting on prospects for the full year, Hamilton said he hoped the interim results were a good indication of what was going to happen in the second half.

Daly, which holds just more than 50% of Suncrush's share capital, reported earnings of 19.7c (18.5c) a share, and declared an interim dividend of 18c (16.4c) a share.
SA wines have British market 'over a barrel'

ALAN, ROBINSON
Weekend Argus Correspondent

LONDON — Sales of South African wines are booming as never before in the United Kingdom, with exports last year bursting through the 1 million case barrier.

According to the SA Wine and Spirit Exporters' Association, sales increased in 1993 by an astonishing 67 percent after the extraordinary rise of 57 percent in 1992.

The association says it has reached its 1 million case target two years ahead of schedule. In 1991, only 190,000 cases were imported into Britain.

It says rocketing sales are due to quality improvement, market strategy, pricing levels, attractive white and red wines, more efficient distribution and the endorsement of South African wines in London recently by ANC leader Nelson Mandela.

Quite clearly, the latter reason — and the general acceptability once again of buying South African goods after years of boycotts, non-stocking and virtually non-existent advertising — are the main reasons for the surge.

Association chairman, Dr Janie Retief, commented: "We are delighted by the reception that our wines have got in Britain and we believe extremely encouraging import figures which have seen us comfortably overtake both Chile and New Zealand."

"We see the traditional wine-producing countries and Australia as our competition and are looking forward to introducing our new wine drinkers to the delights of South African wines."
NSB revamps board to probe corruption claims

Business Staff

NATIONAL Sorghum Breweries (NSB), South Africa's first black owned public company, has reconstituted the executive committee of its Board of Inquiry, according to a statement today.

NSB's board will now include Drs Ndumiso Nzamane and Thene van Vuuren and Messrs Horace Massmula, Moses Leoka and Premier Group chairman Peter Wrighton, together with the existing management representatives.

The board is investigating allegations of corruption, mismanagement and nepotism. Questions have also been raised in the media about chairman and chief executive Professor Mohale Mahanye's academic qualifications.

Mr Wrighton, or Dr Van Vuuren, will be approached to chair this sub-committee in view of their extensive experience in corporate governance.

Mr Wrighton pointed out that he could only give consideration to chairing the executive committee for a transitory period if he had the full support of all the stakeholders in NSB as well as the approval of his own executive committee at Premier.

The statement said that the executive committee had been requested to immediately institute the necessary disciplines and mandates to ensure good corporate governance of NSB.

In addition, the committee will investigate the advisability of separating the positions of chairman and

The board also accepted recommendations that the senior management of NSB be strengthened to ensure that policies and procedures were implemented expeditiously.

The board had already reassured the management and staff of NSB and all other stakeholders that — contrary to rumours which have been circulating — the company was not in financial difficulties.

However, it warned that business conditions were extremely tough and it was important that the morale of management and staff be improved and maintained to handle the difficult business climate.

All stakeholders will be briefed further on the report when the committee of inquiry has completed its work.

The board of NSB met last week to receive the interim report and recommendations of its sub-committee appointed to investigate allegations of misconduct and mismanagement contained in a Tribune Magazine article of December 1993.

Professor Mahanye has asked for time to consider and respond to this report. The board said it was a reasonable request.

"Taking into account the history of NSB's rapid privatization and transformation to a completely black owned and managed company, the board accepts that certain systems and control procedures have not functioned up to the desired standard and mistakes have been made largely due to lack of experience."
FEELING FLAT

What this means: Flattened spirit or RFTI

When you feel this way, you are likely to:
- Have a reduced interest in daily activities.
- Experience a lack of motivation or energy.
- Feel(LL:R) less engaged with others or in social situations.
- Notice a decrease in general well-being.

SWF/altitudes

SWF/altitudes

Different Altitudes

SWF/altitudes

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SWF/altitudes

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Different Altitudes

SWF/altitudes
**NSB board to be revamped**

THE National Sorghum Breweries (NSB) board will be reconstituted and certain controls implemented following the report of a committee of inquiry into allegations of mismanagement, nepotism and corruption at the brewing company.

Lekgau Mathabathe, who headed the inquiry, said yesterday a senior management committee would operate until a more permanent plan was made.

The NSB board received the committee's report last Wednesday. Mathabathe said CEO Mohale Mahanyele had asked for time to consider the report and respond.

Mathabathe said the inquiry had recommended separating the posts of chairman and CEO, both currently held by Mahanyele.

The board had accepted that senior management needed to be strengthened. “Taking into account the history of NSB’s rapid privatisation and transformation to a completely black-owned and managed company, the board accepts that certain systems and control procedures have not functioned up to the desired standard and mistakes have been made, largely due to lack of experience.”

The new executive committee includes Premier Group CE Peter Wrighton, Ndu...
Cadswep continues its long-term growth trend

VOLUME gains, an improved sales mix and lower interest costs enabled soft drink and confectionery group Cadbury Schweppes (Cadswep) to continue its long-term growth record and report a 21.5% rise in earnings to £195.8m (160.7m) a share in the year to December.

The group also announced a proposed capitalisation issue for its 62c (5tc) a share final dividend to retain cash resources in the business.

CE Peter Bester said volume gains in Cadswep's main product segments and improved sales mix contributed to the 13.1% turnover rise to R818.4m (R723.6m).

He said these gains were achieved in difficult and highly competitive trading conditions.

The 17.6% improvement in operating profit to R92.5m (R78.5m) reflected the higher volumes, improved mix and the benefits of structural changes made to the group's manufacturing facilities during the previous year.

 Financing costs were 20.5% lower at R12.2m (R15.3m) on the back of lower interest rates and borrowing levels, he said.

Bester was pleased with the 28.1% hike in pre-tax profit to R70.7m (R55.2m), a substantial real growth.

Taxed profit was 25.7% higher at R53.6m (R42.5m). After dividend income and equity accounted earnings, attributable profit was 22.9% higher at R69.7m (R55.7m).

The 62c a share final dividend brought the full year dividend up by 21.2% to 80c (68c) a share.

Bester said that in offering a scrip dividend, Cadswep had made full provision for secondary tax on companies, and none of the benefits of the scrip dividend were included in attributable earnings.

Cadswep had opted for the scrip dividend as it was a cheap way of raising funds which would be used for internal expansion and new product opportunities, Bester said.

He said the group was pleased with market share gains in most of its major product categories.

These included carbonated soft drinks, squashes and cordials, baking aids and desserts, chocolate slabs and sugar confectionery.

Exports to Africa, adjacent areas and, recently, to Russia, were growing well, Bester said.

In January the group concluded a sales and distribution contract with Wrigley, the world's largest chewing gum manufacturer.

Bester said the group was well positioned for sustained long-term growth with its balanced product portfolio and recent actions "to further improve competitiveness".

Reasonable earnings growth was expected for financial 1994, but trading in the first half could be affected by the election.
PROFIT BEFORE TAX UP 28,1 %

EARNINGS PER SHARE UP 21,8 %

Group audited results for the fifty-two weeks ended 1 January 1994 and capitalisation shares award

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Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1992</th>
<th>% change</th>
</tr>
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<tbody>
<tr>
<td>Turnover</td>
<td>R'000</td>
<td>R'000</td>
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<tr>
<td>Operating profit</td>
<td>818,398</td>
<td>723,553</td>
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<td>Financing costs</td>
<td>12,135</td>
<td>15,261</td>
<td>(20,5)</td>
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<td>Profit before taxation</td>
<td>70,735</td>
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<td>Taxation</td>
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<td>Profit after taxation</td>
<td>83,692</td>
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<td>Dividend income and equity accounted earnings</td>
<td>16,097</td>
<td>14,070</td>
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<td>Attributable to ordinary shareholders</td>
<td>69,665</td>
<td>53,702</td>
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Consolidated balance sheet

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<tr>
<th></th>
<th>1993</th>
<th>1992</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment of capital:</td>
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<tr>
<td>Fixed assets</td>
<td>200,983</td>
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<tr>
<td>Investments and loans</td>
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<td>63,541</td>
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<tr>
<td>Current assets</td>
<td>236,807</td>
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<td>Total assets</td>
<td>407,079</td>
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<tr>
<td>Current liabilities</td>
<td>212,375</td>
<td>193,484</td>
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<tr>
<td>- interest bearing</td>
<td>63,086</td>
<td>49,786</td>
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</tr>
<tr>
<td>- other</td>
<td>149,289</td>
<td>143,698</td>
<td></td>
</tr>
<tr>
<td></td>
<td>294,504</td>
<td>258,973</td>
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<tr>
<td>Capital employed:</td>
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<tr>
<td>Ordinary shareholders' funds</td>
<td>281,744</td>
<td>219,248</td>
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<tr>
<td>Long term liabilities</td>
<td>8,569</td>
<td>32,954</td>
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<tr>
<td>Deferred taxation</td>
<td>4,191</td>
<td>4,771</td>
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<td></td>
<td>294,504</td>
<td>258,973</td>
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<tr>
<td>Interest bearing debt to total shareholders' funds</td>
<td>0,25</td>
<td>0,39</td>
<td></td>
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<tr>
<td>Net asset value per share (cents)</td>
<td>790</td>
<td>617</td>
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* On the assumption that a shareholder declines the capitalisation shares award referred to below

REVIEW OF RESULTS

Volume gains in the main product segments and an improved sales mix contributed to turnover increasing by 13,1%. These gains were achieved in very difficult and highly competitive trading conditions. It is pleasing to report that the group again increased market share in most of its important market sectors.

Operating profits increased by 17,6% as a result of higher volumes, improved mix and the benefits derived from the structural changes made to the group's manufacturing facilities in 1992.

Lower interest rates as well as lower borrowing levels combined to reduce financing costs by 20,5%. Interest cover improved to 6,8 times (1992: 4,6 times cover). In order to retain cash resources in the business the directors are proposing a capitalisation shares award referred to below. Secondary Tax on Companies in respect of the final dividend has been fully provided.

Dividend income and equity accounted earnings improved by 14,4%.

As a result of a change in accounting policy to comply with the accounting standard, Amalgamated Beverage Industries Limited's results are included for the twelve months ended 30 September 1993.

The effect of this change on the group's results for 1993 is to reduce earnings by 1,7 cents per share. Comparative results have been accordingly restated.

Profits attributable to shareholders increased by 22,9% and earnings per share were up by 21,8%.

PROSPECTS

The balanced product portfolio of the group and recent action to further improve competitiveness, positions the group well for sustained long-term growth.

The prospects for the full year depend on a successful transition to the new political dispensation and the continued emergence of the economy from four years of recession. Assuming a positive post-election outcome we expect to achieve reasonable real earnings growth for the year as a whole.

The outlook for the first six months of the year is however less positive as business is being affected by the distractions surrounding the coming general election.

ANNUAL REPORT

The 1993 annual report will be posted to shareholders towards the end of March 1994.

On behalf of the board

A J L Clark (Chairman)

P M Bester (Chief Executive)

8 March 1994
CAPITALISATION SHARES AWARD

Subject to the approval of shareholders to the placing of the unissued share capital under the control of the directors as set out in the notice of general meeting below, the directors have resolved to award capitalisation shares ("the award") to shareholders.

Shareholders will be entitled to elect to decline the award in respect of all or any part of their shareholding and elect to instead receive a cash dividend of 62 cents per share.

Last day to register
The last day for shareholders to register for the award/cash dividend will be Friday, 25 March 1994.

A further announcement providing the terms of the award will be made on or before 18 March 1994.

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of members of Cadbury Schweppes (South Africa) Limited will be held in the board room, at the company’s registered office, Astron Road, Denver Extension 6, Johannesburg, on Thursday, 24 March 1994 at 10:00 for the purpose of considering and, if thought fit, of passing, with or without modification, the following ordinary resolution:

"Resolved that the unissued ordinary shares in the capital of the company, excluding the ordinary shares over which the directors have been granted specific authority to meet the requirements of the Cadbury Schweppes Employee Share Incentive Scheme, be placed under the control of the directors who will be and they are hereby authorised, subject to Sections 221 and 222 of theCompanies Act, 1973, as amended, to allot and issue those shares in their discretion on such terms and conditions as and when they deem fit to do so.”

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and act in his stead. A proxy need not be a member of the company.

Completed proxy forms should be forwarded to reach the company’s registered office at least 48 hours before the time of holding the meeting.

By order of the board
A R Holt (Secretary)
Johannesburg
8 March 1994

Cadbury Schweppes (South Africa) Limited
(Incorporated in the Republic of South Africa)
Registration number 04/00145/06

Directors: A J L Clark (Chairman), P M Bester (Chief Executive), C S Adcock, P E Beyers, J F Buchanan, N D Cadbury, P J Fleming, N C Manganyi, J M Sunderland, D G Wellings*

*British

Registered office
Astron Road, Denver Extension 6
Johannesburg 2094
(P O Box 75199, Garden View 2047)

Transfer Office
Marschalk Registrars Ltd
6th Floor, 94 President Street
Johannesburg 2001
(P O Box 1053, Johannesburg 0000)

STOCKS TO CAPE

A strengthening market and persistent labour disruptions at assembly plants have companies already struggling to produce enough cars to meet regular demand. Some have turned to the UN and the commission down flat. Others are scrambling to meet part of the order.

One Ford dealer in Johannesburg has taken advantage of a cancelled order from elsewhere to supply about 350 cars to the UN Delta Motor Corp has accepted a similar-sized order.

Both companies stress, however, that such deals are not at the expense of SA customers. Competitors voice similar concern. Nissan says it is unable to accept any of the election-based orders. Toyota’s chairman Bert Wessels says: “There is concern in the market that we are filling these orders with vehicles that were scheduled to go to other people. We can’t afford to do that.”

Another deterrent is the nature of the sales. Election observers need instant delivery. They also want short-term buy-back leases, under which the manufacturer or dealer buys the vehicle back after between 30 and 90 days. On that basis, say industry officials, it makes more sense to rent the vehicles from local rental companies, or to enter the used-vehicle market.

The current stock shortages are exemplified by the latest monthly sales figures, which show February car sales down on the corresponding 1993 month. The reason, say manufacturers, is lack of stock. Order books are full, but inventories are low.

Does the situation look like getting much better in the short term? Wessels says it will take several weeks of normal production to catch up with outstanding commitments.

Whether normal production will be resumed is open to doubt. Assembly plants continue to fall prey to labour disruption in the run-up to the election. The latest victim is BMW, whose Bophuthatswana plant is into the second week of a general regional strike. Company officials say contingency plans have minimised the effects of the strike and, so far, domestic vehicle demand and all-important export orders are being met.

Despite union assurances that assembly workers will make up production losses caused by election-related issues, few are confident. The expected election week shutdown will make a difficult situation even worse.

TOY MARKET

No more playing around

The merger in December of American toy companies Mattel and Fisher-Price — together the world’s largest toymaker with sales last year of US$2.7bn — means Fisher-Price infant and pre-school products will once again be available in SA through official channels, from this month.
Growth in earnings 22%
COMPANIES

SAB subsidiary to build plant in Namibia

SA Breweries subsidiary, the Namibian National Beverage Company (NNBC), intends building a production plant in Namibia as part of its expansion plans in the region (13/4).

SAB, which distributes its range of beers in Namibia, said on Friday the proposal was part of its "concerted exploration of beverage-related opportunities in mass consumer markets with developing country aspects."

SAB said NNBC — held through SAB's Netherlands-based subsidiary In- dol International — had presented its expansion proposals to the Namibian cabinet committee on economic development and perasitats. It had received a positive response.

Indol commercial director Andre Parker said the construction of a production plant at Tsumeb would "ensure the availability of SAB's range of beers" in returnable bottles. Legislation prohibits the refilling of returnable bottles outside Namibia.

"Parker said the expansion was also intended to serve the southern Angolan market."
SAB to retrench about 300 workers

SA BREWERIES would retrench about 300 people throughout SA by the end of June, an SAB source said yesterday.

Food and Allied Workers’ Union assistant general secretary Ernest Butteri-lz said about 30 workers at the George depot could lose jobs, about 100 at the Pinelands distribution centre — the biggest depot in the Western Cape — and about 200 at other plants.

An SAB spokesman confirmed that about 300 jobs would be lost, but refused to estimate when the retrenchments might take place.

SAB was planning to sell its George outlet to an independent businessman, the company spokesman said.

And International Outsourcing Services, an IBM subsidiary, would be signing a multimillion-rand deal with SAB’s beer division to outsource information technology infrastructure and personnel resources, he said.

Closing the Pinelands distribution centre, which was not owned by SAB, was a result of the company having “excess warehousing” in the region.

The company said 81, not 100 workers as claimed by the union, would lose their jobs.

The SAB spokesman said the company was redefining roles and responsibilities at its offices.

New roles and responsibilities in the company’s human resources department were also being considered.

Late last year, SAB purchased breweries in Hungary, Zambia and Tanzania to expand its market share.
NATIONAL Sorghum Breweries (NSB), entered the soft-drink market yesterday with the launch of The Nation's Pride Cola.

NSB chairman Molelele Mahanyele said subsidiary African Beverage Corporation believed it had produced a competitive product as a result of its joint venture with Canada's Cott Corporation.

African Beverage MD Themba Vundla said the product would be distributed through NSB's outlets throughout the country. The cola would sell at a lower price than similar drinks because, among other factors, the advertising budget would be controlled.

Vundla said Cott Corporation's syrup suited local tastes.

He refused to say how much money was involved in putting the project together.

Mahanyele said negotiations started with Cott Corporation after a proposed deal with Pepsi fell through.

Mahanyele said the project was another example of how blacks, whom white business had tried to keep out of the mainstream of the economy, could compete with the best and create opportunities for other blacks.

The deal with the Canadian company proved detractors wrong when they said it was impossible.

"Let the captains of industry in SA prove that they can give blacks opportunities," he said.

NSB had successfully tested the cola at a gathering of 30,000 members of the International Pentecostal Church at Zuurbekom recently, Vundla said.
SA wine back in Canada

SOUTH AFRICAN wines have returned to Canadian liquor store shelves with a vengeance.

After an absence of a decade because of United Nations trade sanctions, 37 South African wines are now available in British Columbia.

"I was floored by it," a Vancouver wine merchant told The Argus correspondent there.

"I thought they'd go for maybe 12 general and 12 specialty listings.

"I think the government's Liquor Board was as floored as I was. They got 400 applications from South Africa I think they thought they'd get 60 or 70."

The most expensive table wine on the list is a 1990 Thelema Cabernet Sauvignon at R40. But there are a lot of wines in the R12 to R18 range and none cheaper than R11.

Among the table wines are a number of shiraz and pinotage labels, the country's mainstay reds, merlots, chardonnays and sauvignon blancs.

There are also fortified red wines, two sherries, ruby port from Paarl and a brandy at R17.
A storm is brewing again in the National Sorghum Breweries empire. Although the management of the mas-mas (home brew) outfit pretends it is business as usual, there are indications that behind the romantic speeches and the well-tailored prayers that often precede them, things are not as bright as people are made to believe.

An extraordinary shareholders meeting within the next few days testifies to the growing anxieties that are currently rife in the company.

The special meeting is a result of an internal investigation commissioned by NSB after allegations of corruption in top management hit the headlines late last year.

Though the company is keeping the recommendations from the inquiry close to its chest, sources within the commission suggest that some of the proposals are far reaching.

The key recommendations is that the chairmanship be separated from the chief executive position. Currently, Mr. Mohale Mahanye is both chief executive and chairman.

Sowetan has been reliably told that the separation of the two positions could be implemented once the clouds feeding the current storm have cleared.

A special board meeting a week and a half ago was overshadowed by the presence of youths who were bussed from the townships to the NSB’s offices in Sandton to demonstrate their support for Mahanye.

In the midst of the confusion, the board passed the buck to shareholders to decide Mahanye’s fate. Some board members like Moses Leoka resigned.

Leoka downplayed his resignation because he says he did not want his uncumbersome departure from the company he has helped build to be viewed as another illustration of a perceived “fight” with Mahanye.

It is widely believed that he was one of the people within the commission of inquiry pushing for a decisive action against the NSB’s strongman.

Now, the whole thing is back in the shareholders’ court.

But after the experience of last time, no one in his right mind can expect the shareholders to take a decision that will upset the NSB chief.

However, whatever the shareholders decide at their meeting — where the media will probably be excluded — will not solve the problem.

In fact, the more NSB’s management refuses to admit mistakes openly, the more the speculation will become.

The real turn began towards the end of last year when a Sowetan magazine article sent shivers through the entire black business community.

But after it turned out that many of the allegations of corruption and mismanagement in the company were no different from those that a number of white companies have gone through in this country, black business closed ranks and rallied behind NSB management.

The reason behind black business’ action is not hard to find. Since its inception NSB surprised many — including those who work for it — by performing above itself and booming into a R1 billion company within three years. Hence, black business’ ego was ready for a jump-start take-off.

Many were — in a hurry to say — mad at what they saw as the “shooting down of a black initiative.”

To make matters worse, the article was written by a black-run publication.

“White companies do worse things but nobody follows them, you guys are just doing this because NSB is a black company.” Such utterances were part of the argument.

Some said black business, which has been disadvantaged for years have to be cheered on rather than criticized.

This argument holds some water, but a closer analysis shows that this is definitely not so. The question that comes to mind is: If white companies are corrupt does it mean black business has a moral right to do the same?

The history of post-colonial Africa has all the lessons for black South Africans whether in business or not.

After independence many of the heroes-cum-dictators blamed colonialism for all their follies. Anybody who dared challenge corruption was accused as an “agent of colonialism.”

Today many countries in Africa are poorer than 30 odd years ago when they gained independence because the “heroes” turned corrupt dictators have looted everything from the national coffers.

Ironically, Mahanye likes to use Africa as an example in many of his colourful speeches. Of course, he does so for different reasons.

“What happened on the African continent where political power was not followed with economic empowerment should be avoided,” he argues.

But economic empowerment is not achieved through passionate speeches glorifying oneself as “I am this and that.”

Empowerment is not realised by not listening to constructive criticism both from within and outside the company.

Buying the faces of politicians and spraying them with money to the extent that Mrs. Adelaide Tambo — wife of late ANC chairman Mr. Oliver Tambo — gets an NSB petrol allowance which is believed to be as high as R4,000 a month, is not black economic empowerment.

The arrogance of Mr. Mahanye, who says “When you talk about NSB the bus stops with me,” does not help the image of the company at all.

Moral high ground

Black business can no longer rely on the moral high ground of having been victimised by apartheid.

Companies like NSB are what they are today because ordinary black people bought shares in them and they are the real owners of the company not the management.

The company will serve its shareholders better if it prepares itself for the real test next year when the sorghum beer monopoly is lifted.

It is only if NSB survives that test that people will be assured that critics are wrong.

Imagine what will happen to black business ego if a company like NSB collapses.

Sowetan made a formal request for a face-to-face interview with NSB’s chairman, but a week later we had still not received a reply.
By CIARAN RYAN

A LANDMARK decision to grant a liquor licence to a coloured man to run a shebeen from his house in Beenbros, near Johannesburg, has been hailed as another nail in apartheid's coffin. Alfie Martins applied three times in four years for a special tavern's licence, but was turned down — the last because he lived in a coloured area. Last month the Liquor Board granted him a shebeen licence, the first outside a black area. Taverns' licences were introduced in 1989 to legalise shebeens in black areas.

Mr Martin says the decision opens the door for hundreds of other shebeen operators in formerly coloured, Asian and white areas.

The Liquor Board granted the licence after Mr Martin's neighbours drew up a petition supporting a shebeen.

The 'Sunnyside Group', which lobbies for appropriate legislation, and the SA Taverners' Association, welcome the decision. Sunnyside's Chris Darroll warns that shebeen applicants must satisfy stringent criteria.

He says, the applicant must apply for rezoning of the residence as a business, or he must obtain consent from a local authority.

Mr Martin was fined by police on 25 occasions in seven years. Each time the police confiscated liquor and fined him between R500 and R1 000 depending on the quantity of drink involved.

The shebeen provides him with an income of R1 000 a month — sufficient to support his family.

Mr Darroll says the strict regulations make it unlikely that hundreds of shebeens will open in residential areas.

A Liquor Board spokesman says each application is considered on merit without regard to the race of the applicant.

Obtaining consent from neighbours for a tavern is not always easy. One applicant in Cape Town was turned down because of opposition from neighbours in a Muslim area.
Danish brewer enters SA market

The Danish company was formed in a merger of two medium-sized breweries: Ceres Brewery, founded in 1856, and Faxe Brewery, established in 1901. With 60% of its business conducted abroad, its major markets are Germany, Italy and Portugal.

Tatham said the company started planning its SA entry more than a year ago. "We first looked for a distributor and found National Food Distributors. But shipping our product 6 000 miles from Denmark, with customs duties and related costs would have inflated the cost, so we decided to look for an SA producer for our Supermalt — and Sterling Breweries became our partner."

Production started on March 21 and the company was distributing 1.3-million samples to school children and housewives.
SAB still talking on Namibian brewery

JOHANNESBURG — SA Breweries said talks were continuing with the Namibian government on the group’s plan to build a beer bottling plant at Tsumeb, and it denied a report that permission had been refused.

“They’ve never refused us,” said Pete Lloyd, head of SAB’s beverage interests.

Tsadiso Qurrab, permanent secretary in the Ministry of Trade and Industry, said the government would prefer SAB to establish a full-scale brewery but it still welcomed “any investment.”

“There is no approval system (for investment),” he added. — Sapa
Things go better for house brands

BY BRUCE CAMERON

Cape Town — South Africa has become one of the battlefields in a renewed world cola war.

No longer is it a war of two heavyweights Coca-Cola and Pepsi-Cola slug-fighting it out across the soft-drink counters. A new and much more difficult competitor has slipped into the international markets — the house or own-name brand.

But many of the own-name brands have a common source, whether it is the Sainsbury house brand in Britain or Pick 'n Pay's Choice Brand in SA.

The concentrate for the product is being produced by a Canadian company, Cott Corporation, which is in partnership with Royal Crown Cola in the US.

Pick 'n Pay food merchandising director Shaun Summers says Pick'n Pay cannot get enough stocks to meet demand for its version of the cola — Pick 'n Pay Choice Brand Cola.

This is different from the no-name cola it had been marketing, which was a product developed in SA by Amabali Breweries in Natal.

It is still being sold, but in decreasing volumes.

The local product is not in favour with consumers, but the Canadian product tastes more like the real thing (182).

Summers says Choice Brand Cola is now selling in Pick 'n Pay stores on a one-to-one basis with Coca-Cola. The producers have got the taste just right for SA consumers.

Apart from getting the taste right, the price is highly competitive. Choice Brand is selling at R3.80 to R4.29 for two litres, depending on the promotion, while the traditional version is selling from R5.49 upwards.

The concentrate is brought from the US and bottled at a plant in Johannesburg owned by Classic Beverages. Cott has bought a stake in the bottler.

Demand has been so substantial for the new version that the factory is to be enlarged and a second bottling plant is to be opened in Cape Town.

The same blend is also being sold at Makro, Woolworths and Metro.

Coca-Cola is fighting back with, among other things, a slogan saying: "Just because the label says cola doesn't mean it's Coca-Cola."
Executive changes at SAB

JOHANNESBURG — South African Breweries Ltd (SAB) said yesterday it had made executive changes “in response to the major growth opportunities now opening up locally and abroad.”

In a statement, chairman Meyer Kahn said Selwyn MacFarlane had been appointed deputy chairman and Graham Mackay chief operating executive, both new positions.

Malcolm Wyman was appointed corporate finance and development director and Nigel Cox financial director.

Norman Adams would become SA beer division MD and Gert Goedhals MD of international beer interests.

New board appointments were Ronalde Lubner, Ron Stringfellow and Gert Goedhals, the statement said. — Reuters
No reason for poor Cadswep rating

BY STEPHEN CRANSTON

One of the mysteries of the equity market recently has been the underperformance by Cadbury Schweppes (Cadswep) over the past year.

At one point it had lost a third of its value from the high point of R30 reached last year and even now, at R8, it still has ground to make up.

It has always been one of the top-rated half-dozen shares on the industrial board, and its consistent improvement in earnings justifies this.

It is not as if the results for the year to December disappointed. Earnings per share rose 21,8 percent, based primarily on a 17,6 percent improvement in operating performance.

Yet until recently it sat on a P/E ratio of over 30, which has now fallen to 20,6, in line with Richemont and SAB, neither of which showed real earnings growth in their last annual results.

Cadbury Schweppes SA is a much smaller and more tightly held group than the larger blue chips, and perhaps international investors prefer to invest in its parent Cadbury Schweppes Plc, even though the SA company has a more impressive track record.

Chairman Alan Clark says in the local company's annual report that 1985 was a tough trading year (182).

But this was expected from the outset, and objectives had been set for cost, efficiency and market share improvement to counter it.

Price rises were kept below inflation, margins improved and there was volume growth for branded products in the domestic and export markets.

Domestically, it gained market share in moulded chocolate and sugar confectionery, though it lost some share in countlines and in assortments.

It acquired the remaining shares in Springer, the Windhoek-based manufacturer of specialty chocolates, which will be run autonomously, but gives Cadbury the opportunity to enhance the business and take advantage of its skills to upgrade its own assortment products.

In beverages, Bromor launched Energade, a sports drink which won endorsement from Hansie Cronje and other celebrities, and Cedar, a peach and apricot nectar.

Schweppes gained overall share of the carbonated soft drink market and its Lemon Twist got heavy marketing support.

Cadswep has taken on the sales and distribution of the Wrigleys chewing gum range, the global leader, and will add some competition to a sector dominated by Royal Beech-Nut.

Clark says that if a generally accepted government structure is installed after April, there is every prospect of a strong upturn in the second half, in time for peak chocolate sales in the winter months.
Cadswep aims to remain sweet

CONFECTIONERY and soft drink group Cadbury Schweppes (Cadswep) expects to overcome trading hurdles in the current year to continue its long-term trend of compound earnings growth in excess of 20%.

The group, which reported a 22% earnings rise to 195.8c a share on a 13% increase in turnover to R518m in the year ending December, expected real growth in the current year, chairman Alan Clark said at the annual review.

Clark said this year "must for political reasons be classed as extraordinary". The tentative recovery in the economy was probably not sustainable until there was a return to political stability.

The possibility of a strong second-half upturn would benefit the group. While shareholders should not have undue expectations for the first half, Cadswep intended to maintain its record of further real earnings growth in the full year.

Clark said the past year had been difficult, but Cadswep had met most of its objectives.

The company managed to grow its local and export volumes, protect its margins and contain costs. Borrowings were reduced, and a further reduction in group debt and financing costs was expected.
It may transpire that, in the overall context, we have to say Fraud yes, handicapped in certain places? yes, unlimited untrammelled electronic err? never. But, ultimately, this is a substantially free and fair representation of the views of the electorate in that province.

AMALGAMATED BEVERAGE INDUSTRIES

Losing a little of its fizz

After a wet summer and a harsh strike, earnings may be disappointing

In four years Amalgamated Beverage Industries (ABI) has put shareholders through the gamut of investment experience: honyweet results, year after year, were suddenly imperilled by a clash with employees distinctly political in tone and now it is struggling with an economy hit by widespread civil unrest.

The good days of volume growth at 3%-4% above personal consumption expenditure are gone, at least for now. Though most analysts are still confident that when ABI releases results for the year to March in a few weeks, EPS will again turn out to have grown ahead of inflation, it is more likely that this time growth will lag inflation.

ABI, listed in June 1989, is SA's biggest manufacturer, bottler and distributor of soft drinks. Of every 10 soft drinks consumed, four come from one of its five factories (four of them in the PWV). Its product range is comprehensive international brand names such as Coca-Cola, Sprite, Fanta, Krest, Schweppes, Sparletta and Appletiser.

On a range of ratios, performance has been scintillating: EPS rose by 35% in 1990, 26% in 1991, 20% in 1992 and 19% last year. Compound growth over the past seven years is 25.3%. ABI chipped in R85m or 6% to SA Breweries profits in financial 1993, cash flow management has been sound. Return on equity topped 23.3% in 1993.

In the year to March 1993, pre-tax profit was R146m on turnover of R1,16bn. Attributable earnings were R816m, though operating margin, at 13.3%, was lower than the 16.2% of Natal-based Suncrush, which in the year to June 1993 reported pre-tax profit of R92.7m on turnover of R572m, producing attributable earnings of R59m. ABI's interim figures to September 1993 showed pre-tax profit up 8.5% to R37m, on a similar turnover increase to R520m.

Even though the rate of growth has been declining, returns remain satisfying. Nevertheless, some observers believe the business is approaching maturity and the growth rate won't be sustained. Naturally, management takes a different view given the rapidly increasing population, continued urbanisation and an economy with potential to expand, they say, at 5%-7% a year, it expects vast increases in volumes. That is true, of course, for many businesses. The issue is whether those projected growth rates are realistic.

Controlling shareholder SAB holds 68% of the equity, the next biggest holder is Cadbury-Schweppes with 19%. That leaves little for other investors and is another example of the illiquidity of many heavyweight SA counters. It may also explain why the share is expensive. Earnings growth has been falling while the share price has climbed, a classic example of supply/demand impervious overriding underlying fundamentals.

In line with SAB's labour policy, ABI's remuneration structure is said to be among the highest in SA industry. It is significantly higher, for example, than those in pharmaceuticals, food and chemicals. More important, it is much better than at other bottlers like Suncrush and Peninsula Bottlers.

This is pleasant for employees, but not so good for the ability to compete when the gloves come off. In these circumstances, the strike which burst like a whirlwind around ABI's managers in late January makes little sense. As the time for annual wage negotiations approached, the Food & Allied Workers' Union (Fawu) arbitrarily slapped an overtime ban on deliveries. In retrospect, it is clear that this was part of Fawu's negotiating tactic. Failure to complete deliveries led to ABI disciplining drivers.

Wage negotiations dragged on. The gap between management and the union is starkly highlighted by the opening bids: a 5% offer from ABI, a 7% demand from Fawu (plus a host of other benefits). Fawu eventually succeeded in imposing strike action and 3000 drivers and attendants refused to work. The holdout rapidly lapsed into savagery and thuggery. Employees who refused to respond to the strike call were abucted and "educat ed". One black manager was shot dead.

Cynically, the strike's worst aspects had their roots in ABI's attempts to satisfy demands.
Let the cola war begin

After several years of rumours, Pepsi-Cola may finally announce its return to SA in early June and begin offering Coca-Cola some serious competition. Recently formed New Age Beverages is believed to have secured exclusive franchise rights to make and distribute Pepsi in the Transvaal and chief operating officer-designate Monwabisi Fandoso indicates that he'll be ready to talk about the cool drink deal next month.

The stumbling block has been Pepsi's desire to get local financing rather than risk its own money, says Ed Herdu, a financial analyst at Sidney Vianello. Even local conglomerates such as Rembrandt and Foodcorp get a big lump in the throat when they hear the figure needed to distribute on a scale to rival Coke — R1.5bn just to get going in the PWV. Vianello estimates "local financiers said to Pepsi 'listen, you want us to get your product into this country but you want to take zero risk yourself'."

Pepsi's start-up costs could be even higher according to Mike Bind, marketing director of Coke's major bottler, Amalgamated Beverage Industries. Delivery costs are R400 000 each, he points out, those little coolers at petrol stations and cafes cost about R5 500 (Coke has 30 000 in the PWV alone), and Pepsi would have to build expensive new bottling plants (since most local bottlers have exclusive contracts with Coke) to produce returnable 1l glass bottles, the major seller in the SA market.

Pepsi has been looking at industrial sites in the PWV Johannesburg commerce & industry director Collin Wright says Pepsi has made "widespread investigations over the past year-and-a-half".

It has also been looking for local bottlers Natal-based Ambev, the largest supplier of house-brand colas, is "in regular contact" with Pepsi, according to MD Bernard Hack. He says that in the past 11 months, Ambev has supplied 4m cases of 2l bottles and could certainly serve the Natal Pepsi market and perhaps also Cape Town's (Ambev has just built a new plant there) but not the national market. "We consider ourselves a regional player."

In other parts of the world, Pepsi recently announced a series of joint ventures with established local bottlers. It went back into Vietnam in February, after the US ended a 19-year trade embargo, and started producing cool drinks out of the International Beverage Co plant in Ho Chi Minh City. It plans to build 10 plants in China over the next five years, all of which will be joint ventures with local government subsidiaries and which will cost a total of US$350m. In July Pepsi announced it would buy out its Indian partner, Bombay-based Voltas Ltd, in a large-scale food and beverage joint venture. It also announced plans for a joint venture in Madras with Indian Organic Chemicals to produce and export resin used in manufacturing plastic beverage packaging.

But it's still not clear how Pepsi will return to the local market. Or what Coke and the house brands — Makro's American Cola, Pick 'n Pay's Choice Cola and Pepkor/Checkers' Regular Cola, for instance — will do about it. National Beverage Services (NatBev)'s Peter Laycock, new marketing operations director of Coca-Cola's franchisor here, says NatBev hasn't been making any extra marketing preparations to counter Pepsi's return. "We try new promotions every year."

But the array of customer- and image-oriented promotions that NatBev has undertaken in the past two years is conspicuous. A toll-free customer service number on all Coke cans, a recycling symbol pictured on cans to publicise its recycling efforts, the phasing out of the throw-away flip tops on cans, a picture of the old-style Coca-Cola bottle on cans, a new 250ml "buddy bottle", and the introduction of Cherry Coke, to name a few.

Pick 'n Pay deputy MD Sean Sammers says he's not preparing for competition from Pepsi. "We're not in the cola business. We are retailers. We are seeking (with Choice Cola) to differentiate our business from other retailers in our market." Like Coke, he adds, Pepsi's major market would be cafes and informal sector outlets, not chain stores such as Pick 'n Pay Stull, another competitor for Coke would grow the cool drink market, Summers says, and that can only benefit the house brands.

Mark Lambert, CE of Makro holding company Massmart, says, "If it (the return of Pepsi) helps to sever customers' loyalty to Coke, they might be more likely to try a house brand."

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SAB’s growth forecast is adjusted downwards

MARCIA KLEIN

BEER and industrial group SA Breweries (SAB), whose listed subsidiaries report this week, would increase earnings between 7%-11% in the year to March, analysts said at the weekend.

Most had initially forecast earnings growth of around 11%, in line with what SAB reported at the September interim stage. But some had adjusted this downwards to take into account the effect of the OK’s R80m loss (larger than initial expectations), the strike at soft drink bottler ABI and sluggish beer sales.

SAB would have to absorb 68% of OK’s expected loss to February, before the OK was absorbed as a wholly owned subsidiary, and then 100% of the loss thereafter. This would slice at least 5% off the group’s earnings growth.

Initially, analysts were expecting ABI to record an earnings rise of about 15%. But the strike earlier this year and bad weather over summer could see this figure fall. It was nevertheless still expected to show real growth.

The beer division, the major contributor to the group’s results, would show earnings growth of 13% on a minimal increase in volumes. At the interim stage, beer volumes were marginally down, but volumes for the full year were expected to increase at the same rate as in annual 1993 – about 1%.

Clothing retailer Edgars was expected to do well, with a real growth in earnings. In line with its performance at the interim stage, Plate Glass would show strong growth, as would furniture manufacturer Aftel. But retailer Amrel would show a loss for the period.

SAB would also benefit from its Zimbabwean operations and an improved performance from the unlisted Southern Sun group. An analyst said there could be some change in the way SAB accounted for its Zimbabwean interests which could serve to boost results.

On Friday the share gained 35c or 3.7% to close at R7.56, matching its January high. But analysts said this rise was due to post-election euphoria rather than sentiment about the imminent publication of its results.
Despite troubles, ABI stays fizzy

MARIA KLEIN

SA’s major soft drink bottler Amalgamated Beverage Industries (ABI) lifted its attributable earnings by 9% to R88.9m (R81.6m) in the year ending March despite being hit by pressure on volumes and its first major strike.

MD Trent Odgers said the carbonated soft drink industry had a difficult year.

The economy was improving, but this had not yet generated increased consumer spending on consumption items.

Distribution activities in Natal and the East Rand were affected by escalating pre-election violence, and the wet, cool summer had also affected sales.

In addition, ABI was faced with a seven-week strike earlier this year, during the soft drink peak period.

As a result, the SA Breweries subsidiary’s turnover was just 4% higher at R1.2bn (R1.16bn).

Trading profit dropped 4% to R43.5m from R44.6m but a turnaround to net interest received and a lower tax rate enabled it to lift earnings by 9% to 84c (77c) a share.

Odgers said that in response to the difficult conditions, ABI had accelerated productivity, plant rationalisation programmes and working capital containment.

The Benrose and West Rand plants were merged, as were the Phoenix and Edwin Swales operations in Durban.

ABI declared a final dividend of 32.3c a share to bring the full year dividend 11% higher to R1.5c (37.6c) a share in line with its policy of maintaining two-times cover.

Cost controls are reflected in a reduction in gearing to 7% from 17%.

Odgers said cash flow from operations improved by R6m. ABI finished the year with a net cash holding of R17m.

Prospects for the coming year would be determined largely by political events, and “increasing competition in the soft drink industry will put pressure on sales, but should also expand the market”.

A “reasonable improvement” in sales, earnings and dividends was expected in financial 1995.
String of setbacks impacts on ABI's performance figures

BY DEREK TOMMEEY

Amalgamated Beverage Industries (ABI), the carbonated drinks producer, has had a difficult year, including a strike costing seven weeks' production.

As a result, turnover in the year to March rose only 4 percent to R1.2 billion, which is a sharp reduction in the rate of growth of previous years.

Managing director Trent Odgers says that the improving economy has yet to generate increased consumer spending on consumption items.

Other factors affecting sales were the pre-election violence, particularly in Natal and the East Rand, the wet cool summer, and the company's first major industrial action.

Trading profit dropped from R148.5 million in 1992-93 to R142.5 million.

However, a saving on interest paid and a lower tax rate resulted in taxed profit rising 9 percent from R34.2 million (77c a share) to R39.7 million (84c).

An final dividend of 32.3c (29.5c) has been declared, making a total payout of 41.6c for the year — an increase of 11 percent on the previous year's 37.5c.

Odgers says ABI will be the target of increasing competition in the soft-drink industry in the coming year.

"But ABI's rationalisation and cost control policies, allied to the expected expansion of the market generally, has put ABI in a strong position to respond."

ABI has accelerated its productivity improvement and plant rationalisation programmes and its working capital containment activities.

It has merged its Benrose and West Rand plants and the Phoenix and Edwin Swales operations in Durban.

At end-March, ABI had a net cash balance of R17 million.
Diversification pays off for SAB

BY STEPHEN CRANSTON

Generally, the SA Breweries listed subsidiaries have performed ahead of expectations, and their improved results should more than offset the losses at the OK Bazaars, at least those taken above the line as attributable earnings, which are expected to be about R80 million.

Chairman Meyer Kahn's much criticized diversification into manufacturing seems to have delivered the goods this year. Two of his acquisitions, Lion Match and Plate Glass had a very good year, and SAB as a whole should report on Friday at least 11 percent earnings growth in the year to March.

The Beer Division is no longer the star of the group in terms of earnings growth. At the interim stage it reported 12 percent earnings growth in spite of a two percent dip in volumes.

Volumes should be slightly better in the second half, as March 31 was the day before Good Friday so in effect there were sales for two Easters included in the financial year. It is likely to report 13 percent for the year, down from the 16 percent achieved in the previous two years, though of course it will still contribute well over half the bottom line.

The other unlisted interests, apart from the unfortunate OK, seem unlikely to dampen overall performance.

The Southern Sun group's occupancies have increased considerably since many of its units were converted to limited service Holiday Inn Garden Courts. The new Sandton Sun Towers has also enjoyed good occupancies, benefiting from an increase in foreign business travellers.

Its established international businesses such as the Canary Islands brewery and the fruit juice business in the UK should not give any surprises, so the Westgate Worldwide contribution should remain solid, particularly when reflected in depreciating rands.

Its new brewing interests in Tanzania and Hungary will contribute not only through their own results but because Beer Division supplements their production with exports from South Africa, and the substantial interests in Zimbabwe, in Delta Corporation and PG Industries are now equity-accounted whereas previously only cash received was shown on the income statement.

The big disappointment of the year has been a mere nine percent increase in the contribution from Coke bottler Amalgamated Beverage Industries, its most consistently successful subsidiary.

But the non-beverage interests should more than compensate for this. Plate Glass will contribute about R100 million to SAB, second only to Edgars which will contribute more than R150 million. Between them these two companies, the increased contribution of R80 million will comfortably compensate for the fall in earnings of other listed subsidiaries, and have some leftover.
SAB earnings up 14 percent in spite of bigger OK losses

Programme to rebuild retail giant being implemented

ALIDE DASNOIS
Business staff

South African Breweries bubbled through a difficult year, posting a 14 percent rise in earnings in spite of higher losses from subsidiary OK Bazaars.

Turnover was up 12 percent to R24.5 billion in the year to March.

A final dividend of 112c — in cash or in scrip — makes 155c for the year.

A fall in interest rates brought finance costs down from R492 million to R433 million and the change in company tax rate reduced the effective tax rate.

During the year SAB borrowed R660 million to finance a R1.18 billion investment programme, with most capital expenditure focused on the beer division, Plate Glass, Edgars and ABI.

Gearing rose from 54 to 60 percent, which is still well within the group’s self-imposed limit of 75 percent.

Beer contributed three-quarters of earnings, with income from local and international beer interests up 14 percent to R707 million in spite of lower volumes.

Attributable losses from OK Bazaars — now wholly owned by SAB — were up from R30 million to R39 million.

The group said the OK’s performance was worrying, but a long-term programme to get the struggling retail chain back on track was being implemented.

Southern Sun had already been through its own refocusing exercise. After the switch to Holiday Inn Garden Courts, group occupancies were up 11 percent, in spite of stagnant tourist volumes.
SAB well ahead of game

Earnings at 56c a share beat market expectations

BY STEPHEN CRANSTON

The full-year results for the Yeovil-based industrial group showed a 10.5% drop in profit before tax to £10.7 million. Sales were also down 7.4% to £147.1 million. The group said its order book was up 15%.

The company said it had continued to invest in technology and had new products in its portfolio. It also said it was looking to expand its footprint in the US.

Chairman Mark Wilson said: "We are pleased with the performance of the group and are looking forward to further growth in the coming year."

The company's shares were trading up 5% at the time of going to press.
Earnings up 14% at SA Breweries

Johannesburg — The South African Breweries (SAB) group yesterday reported a 12% increase in turnover for the year to the end of March to R24,5bn from R21,8bn a year ago.

SAB said in its preliminary report it had generated R8,5bn in cash value added. “Nearly 50% of this created value was utilised in employee remuneration and almost 30% going to the State in direct income and excise taxes.”

Lower net financing charges, a reduced effective tax rate and enhanced equity accounted retained earnings enabled profit after tax to improve by 15% to R1,4bn (R1,2bn).

At the level attributable to ordinary shareholders, earnings per share increased 14% to 345,0c (303,7c), or 20% on a cash equivalent basis to 506,9c (497,6c).

Dividends per ordinary share improved 13% to total 155c for the year (137c). Shareholders not wishing to receive the final dividend of 116c in cash, would be allocated SAB shares in lieu thereof.

The domestic and international beer interests of the Group provided attributable earnings of R707m, an improvement over the previous year of 14% when earnings were R620m.

The contribution from the other interests of the Group was, in aggregate, up by 15% to R230m (R205m) which represented 25% of group earnings.

“The quite remarkable success of the recent democratic elections, the pervading mood of optimism, and the strong commitment to tackling the urgent needs of growth and development, are major factors in the overall outlook for South Africa.”

The corporate sector now faces the exciting challenge of playing a constructive and supportive role in the initiatives which lie ahead.

“Given a more settled local socio-political situation, supported by renewed international capital inflows, there is every reason for SAB to expect satisfactory real growth in earnings and dividends in the coming year,” SAB said — Sapa
SAB injects R650m into its ailing OK

MARCIA KLEIN

SA Breweries (SAB) had injected R650m of new equity plus a R100m equity loan into its troubled subsidiary OK Banaars, newly appointed SAB deputy chairman Selwyn MacFarlane said this week (182).

MacFarlane was commenting on the group's results for the year to March, in which a sound performance by most of its beer and consumer goods interests enabled it to outstrip forecasts, producing a 14% rise in earnings to R64c (303,7c) a share. He said it was hoped this injection into OK — which would bring outside borrowings down to R650m — would give it a structured capital base.

OK Banaars lost R74m (SAB had to pick up nearly 70% of this loss), while its "forex problem" of R97m was taken below the line. OK, which was focusing on stopping some long-term practices and bringing down its cost structure, was not expected to return to profitability in the current financial year, although it could more than halve its loss.

OK's loss did little to dent the SAB group's overall performance. Although consumer spending reflected only marginal real growth and beer volumes remained relatively static, group turnover increased 12% to R245,5bn (R218,8bn). Trading profit was 5% up at R7,4bn (R7,3bn), with pres-

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- SAB's margins reflecting stiff competition throughout the group's operations.
- Major non-beer interests included Edgars, ABL, Plate Glass and Shutterproof Industries (PGS), OK Banaars, Lion Match, Durkopp, Atlas, Amwal and Contra.
- A reduction in net financing costs, a lower effective tax charge and better equitv accounted retail earnings enabled the group to lift attributable earnings 14% to R94m (R80m). Attributable earnings from beer interests were 14% up at R77m, while non-beer interests' earnings were up 15%, accounting for 35% of group earnings.
- MacFarlane said beer interests operated in a difficult trading environment. Volumes were marginally down locally and marginally up internationally.
- A final dividend of 15c a share was declared, taking the total dividend up 13% to 15c (12c) a share.
- Shareholders may elect to accept shares in lieu of the final dividend.
- MacFarlane pointed out that more than R15m was generated in cash value added. More than half of this went to employees and almost 30% to the state in income and excise taxes.
- During the year the group spent a record R1,0bn on investment activities. An extraordinary item of R20m reflected termination of activities and some losses in one or two small ventures abroad. It also included losses at OK which were cancelled out by the profit on the sale of Lion Match's packaging division.
- PGS, now a significant contributor, had been an excellent investment. It had turned the corner more quickly than SAB had expected. Edgars had again performed extremely well. Southern Sun had an excellent year. Its hotel interests contributed R47m to the bottom line from just R17m last year (182).
- Although Amwal had not forged well, MacFarlane said it was a tight, well controlled ship. A rights issue over the year of R20m would place it on track for growth.
- MacFarlane said group results did not reflect recent investments in Hungary and Tanzania. The group was enthusiastic about further opportunities in Africa and was about to re-enter Zambia.
- Given a more settled situation in SA and renewed international capital inflows, there was "every reason for SAB to expect satisfactory real growth in earnings and dividends in the coming year."
SA Brews cheers as Plate Glass stars

By JULIE WALKER

SOUTH African Breweries lifted turnover by 12% to R24,3-billion in the year to March 1994 when consumer spending showed real growth of barely 0.6%.

The beer, soft-drink, manufacturing and retail group's trading profit rose 5% to R2,44-billion. Lower net financing costs and tax meant a 16% rise in taxed profit to R1,38-billion.

Plate Glass & Shatter-prufe Industries, the last group company to report results, provided the highlight. Its earnings a share increased by more than two-thirds to 312,3c. Key performer was Belron International, which contributed 38% of earnings (attributable profit was R159-million).

Plate Glass shares have pumped R60 in the past month to R195. The price was below R42 a year ago.

After depreciation and amounts attributable to outside and preference shareholders, SA Brews added 14% in attributable earnings to R943-million, or 345c a share. The dividend was raised 15c to 155c, with a scrip alternative.

Domestic and international beer interests chipped in R707-million — about 75% of the total.

Executive chairman Meyer Kahn says there is every reason to expect satisfactory real growth in earnings and dividends in the current year now the socio-political situation is more settled and capital inflow has renewed.

SA Brews share price hit an all-time high of R195 after the results.

The low spot in the SA Breweries stable was OK Bazaars, which was delisted in January. It lost R74-million in the year to March, and reports speak of another R109-million in foreign-currency losses.
Higher cigarette, liquor taxes ‘will mean less revenue’

EDWARD WEST and MARCIA KLEIN

PROPOSED increases in taxes on liquor and cigarettes would not necessarily increase government revenue but could seriously harm employment, industry sources said yesterday.

News of the ANC’s health plans, released on Wednesday, saw Rembrandt Controlling Investments drop 28% or 600c a share to close at R17 on the JSE yesterday. Subsidiary Remgro lost 5.5% or 175c to close at R30 and KWV lost 2.6% or 6c to 256c. But tobacco group Utico’s share held steady at R19, while those of SA Breweries (SAB) rose marginally to R20.

The plans included the possibility of lifting taxes on these products by as much as 10%.

The Tobacco Institute said doubling taxes on cigarettes would lower consumption and trigger job losses at farming and manufacturing levels.

Sapa reports the Tobacco Action Group welcomed a higher tax on cigarettes. It said a R3 increase in the price of 20 cigarettes would raise about R1.5 billion extra in tax annually as well as reduce the number of smokers by 1 million. The hike would also contribute to improving the health of South Africans by discouraging smoking.

The Medical Research Council had estimated that a R5 increase would eventually result in 250,000 fewer premature deaths from smoking-related diseases.

SA’s current cigarette taxes were among the lowest in the world. Taxes made up 28% of the retail price of cigarettes in SA, compared with 45% in Denmark, 78% in the UK and 73% in Germany.

The KKW said excise duties on tobacco products directly affected the income of rural communities in the Western Cape. A radical increase in duties would affect 300,000 people on farms, local small businesses and job opportunities in auxiliary industries and businesses. Increasing duties did not necessarily increase revenue as this could result in lower consumption by moderate consumers.

SAB public affairs manager Adrian Botha said SAB supported the need for reconstruction and development, and accepted that excise duty was a means of raising revenue. But a doubling of tax on alcohol would affect revenue and not necessarily reduce alcohol abuse.

A major excise hike had a severe effect on sales, and “leads to diminishing returns, with government ending up with less revenue than before the increase.”

SAB’s beer division already made “a considerable contribution to government revenue and provides nearly twice the revenue of the entire SA mining industry.” It was important “to consider any action which could lead to the killing of the golden goose.”

There would also be the added danger of encouraging illegal trade in liquor, Botha said.

A Utico spokesman said it was difficult to comment as there was no definite proposal on the table, and no specific increases mentioned. Excessive taxes in Canada had led to a drop in the official consumption figure, but resulted in such large-scale smuggling that government consequently reduced taxes.
Tobacco and beer barons fuming

ANC plans to help fund its R12 billion health care budget and cut tobacco and liquor consumption by doubling taxes have been condemned outright by both industries.

The National Council Against Smoking (NCAS) welcomed the move, but the Tobacco Institute of SA said a large price increase leading to a cutback in smoking would trigger massive job losses in farming and manufacturing.

Spokesman John Groenewald said a similar experience in tobacco control in Canada had failed because smokers had resorted to contraband cigarettes.

NCAS executive director Dr Yusuf Saloojee said South Africa’s tobacco tax of 38 percent was small compared with Denmark’s 86 percent and the UK’s 76 percent. Current government income from tobacco taxes was R1 552 million, he said.

South African Breweries said increasing tax to finance health, and using the price rise to combat alcohol and liquor abuse, were contradictory.

Illegal trade

SAB public affairs manager Adrian Botha said any move to push up the price of liquor would automatically reduce sales.

“Increased prices do not affect alcohol abusers, only moderate drinkers. The abuser simply spends more on drunk or goes to home brews. A significant price increase will boost illegal trade.”

Botha said SAB provided almost twice the revenue generated by the brewing industry.

SAPA reports that a R1 increase in the price of a packet of 20 cigarettes would not only raise about R1 billion extra in tax annually but would also reduce the number of smokers by a million, the Tobacco Action Group (TAG) said yesterday.

TAG is a pressure group representing the Heart Foundation of Southern Africa, the Cancer Association and the NCAS.

The Medical Research Council has estimated that a R1 increase would eventually result in 250,000 fewer deaths from smoking-related diseases.
cost jobs in Western Cape

Alcohol, tobacco tax will
Tongaat scoops Mars food rights

JOHANNESBURG — Royal Beech-Nut (RBN), which is effectively the trading arm of the Del Monte Royal group in SA, is to relinquish its rights to distribute the Mars group's bulk food products in this country while retaining the internationally-renowned confectionery brands.

Of the bulk food products, only Uncle Ben's Rice and Sauces have been launched at this stage but Tongaat Foods Distributors, which takes over the rights, may expand the range to other group brands.

RBN, which traditionally has concentrated on non-bulk food products, achieved a scoop early in 1982 when it teamed up with the Mars group.

The incentive for the deal was the Mars' international confectionery brand leaders, such as Snickers and Mars Bars, which slotted in with RBN's own product lines comprising confectionery, cereals, cakes, desserts, biscuits and cordials.

The revised arrangement carries the full approval of both companies and RBN's ties with Mars remain intact in all other respects.
Coke stall go on strike

NEWS

Workers stand by dismissed colleague

About 500 members of Food and Drink Workers Union went on strike in the premises of the European Coke Plant in Southwark yesterday. The dispute centres on the issue of a South African employee, involved in a strike earlier this year, who has been replaced by a South American worker.

The workers have vowed not to return to the plant.

Meanwhile, the union is in the process of arranging a meeting with management to discuss the situation.
Pepsi’s return will cost more than $20m

PEPSI-Cola was tight-lipped yesterday about the size of its SA investment, but sources said its successful entry into the competitive soft drink market would require an investment significantly larger than the $20m that had been bandied about Pepsi, which disinvested in 1985, announced a bottling joint venture in which black investors would hold a majority stake. Distribution of products, including Pepsi-Cola, Diet Pepsi, 7-Up and Mirinda orange, would start by the year end. Distribution would be in the Transvaal.

which accounted for half of the 275-million cases of soft drinks sold in SA each year. Joint venture company New Age Beverages (NAB) will initially be 75% held by Egoli Beverages — a US-based partnership that includes African-American investors, and 25% held by PepsiCo. Egoli has been formed by Ian Wilson, who spent 25 years with Coca-Cola.

Kehla Mthembu — formerly MD of African General Insurance — has been appointed chairman and CEO of NAB. Montsho Fandiso — who has held senior positions in SA Breweries and National Sorghum Breweries — has been appointed president and chief operating officer.

Pepsi wants South Africans to own a majority stake in NAB by 2003. Pepsi’s Asia, Middle East and Africa president James Lawrence said Pepsi was not ready to detail the investment’s size and range. It is expected to launch by summer. “We are not in a position at this stage to make available this information, as it could be useful to Coke,” Lawrence said.

Reuters reports that Wilson said: “We’re looking, over time, at an investment in excess of $100m. And not only do I believe that this is the largest amount of money coming in at this stage, but also it is coming in from African-Americans.”

Lawrence said PepsiCo would make available the Pepsi concentrate and certain marketing elements to the partnership. The joint venture would build a distribution network, but Lawrence would not comment on bottling. It is believed that NAB will use contract packers until the venture gets off the ground.

Mike Bund, marketing director of SA’s major Coke bottler ABI, said there was stiff competition in the soft drink market, with about seven colas available. The market was also capital and labour intensive.

ABI would do everything in its power to maintain Coke’s market share, but did not expect a price war.

Pepsi said the venture was “the biggest post-apartheid foreign investment and a vote of confidence in SA’s future”.

Wilson said some form of JSE listing was a logical way to help achieve local black ownership. But talks were also being held with a local investor group.
Pepsi back in SA market

JOHANNESBURG. — Pepsi-Cola was tight-lipped yesterday about the size of its SA investment, but sources said its successful entry into the competitive soft drink market would require an investment significantly larger than the $30m that had been bandied about.

Pepsi, which disinvested in 1985, announced a bottling joint venture in which black investors would hold a majority stake. Distribution of products, including Pepsi-Cola, Diet Pepsi, 7 UP and Miranda orange, would start by the year-end.

Distribution would be in the Transvaal, which accounted for half of the 276-million cases of soft drinks sold in SA each year.

Joint venture company, New Age Beverages (NAB), will initially be 75% held by Egoli Beverages — a US-based partnership that includes African-American investors, and 25% held by PepsiCo.

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Pepsi wants South Africans to own a majority stake in NAB by 2000.

Reuter reports that Wilson said: “We're looking, over time, at an investment in excess of $100m.”
Pepsi Cola hits comeback trail

Khehla Mthembo, chairman of New Age Beverages, and James Lawrence, president of Pepsi Cola International.

BY THABO LESIHO

Pepsi Cola International yesterday announced its return to South Africa's R3 billion soft drink market, ending years of speculation.

Initially, more than R400 million will be pumped into the local economy over four years and more than 3,000 jobs created.

The company has formed a local bottling joint venture called New Age Beverages (Nabev), in which blacks will be the majority shareholders by the end of the decade.

The announcement was made in Johannesburg by Pepsi Cola executives James Lawrence and Robert Walker.

Lawrence said Ego Beverages LP, an American partnership incorporating African-American investors, would own 75 percent of Nabev and Pepsi-Cola 25 percent.

Former Azapo president and former African General Insurance company managing director Kehla Mthembo has been appointed chairman and chief executive of Nabev.

Mthembo said the economic states of black people in South Africa was such that money for the venture could not be raised locally.

Lawrence said Nabev would initially produce and distribute a range of products including Pepsi-Cola, Diet-Pepsi, 7 UP and Miranda Orange in the PWV province towards the end of the year.

The news of Pepsi's return was welcomed as a wonderful stimulus for competition by Amalgamated Beverages Industries (ABI), the local producer of Pepsi's main rival Coca Cola.

ABI marketing director Michael Bind said the move had been expected for some time and was "unlikely to change the character of the soft drink market in South Africa to any large degree."

He said: "The market in SA is very competitive. Already, there are seven different alternative colas.

"Our company believes in the free market. Competition is healthy and stimulates consumer interest and overall growth. If the return means that sort of stimulus, that will be wonderful. But time will tell."

Given its strong brands, ABI had no reason to fear Pepsi's re-entry, he said, pointing out that Pepsi products had been available in South Africa for some time.
PEPSI-COLA

Let the cola wars begin

Pepsi-Cola slipped quietly back into the country this week to end its nine-year sanctions-induced absence and four years of rumours about its return. There was none of the fanfare you’d expect from the archival of mammoth Coca-Cola and the biggest foreign investor in SA since sanctions were lifted. “We’re trying to get more Pepsi on the shelves than in the newspapers,” is all Khetlha Mthembu, CE of New Age Beverages, a joint venture with Pepsi-Cola International, says about that at the moment.

He adds that there will be no war with Coke, but talk like that just heightens the drama of Pepsi’s return here to bring its worldwide fight with Coke to yet another battlefield. Leading the siege against Coke, and its 75% local market share for its entire product range, is a former Coca-Cola vice-chairman SA-born Ian Wilson, who still wears his 25-year Coca-Cola watch.

Pepsi is also mounting its assault with the former group distribution manager for Coke’s SA bottler, Amalgamated Beverage Industries (ABI), Bruce Bennett, who will be New Age’s director of distribution and logistics.

Another filip in the drama: Wilson, who lives in America but has a daughter and grandchildren here, is Nicholas Oppenheimer’s brother-in-law, which has raised speculation that there’s Anglo American money involved in the Pepsi deal. “Nicky and I are married to sisters, but we have no business relationship,” Wilson says, adding that the money is coming almost entirely from black, or African-American, investors in the US. Wilson is the only white investor but he’s also an African-American, he laughs, and then rattles off some fluent Zulu.

Last year Wilson, whom The Wall Street Journal reports was “outed” from Coca-Cola in 1982 in a “succession mess,” formed a partnership in the US called Egoli Beverage LP, whose investors will at first own 75% of New Age while Pepsi will own the other 25%. He and Washington DC, Pepsi-Cola Bottling Co CE Earl Graves, who is also publisher of the US’s Black Enterprise magazine, will be the major partners.

Eventually, under the plan, South Africans will buy at least a majority stake in New Age Mthembu is now putting together a consortium of black investors here for that purpose, though ultimately ownership will be open to everyone, he says. The investor group will be called Kayass — “it is dawning,” says Mthembu. “We can assure you it is not going to be comprised of the usual people.”

They’d better be unusual, to put up the kind of money needed to take on Coke. The only way you crack a carbonated soft-drink market is to put your product in dedicated coolers in every nook and cranny,” says Ed Hend Roosevelt analyst Sid Vianello. “You’ve got to get the product to the people and it’s got to be cold. It’s incredibly expensive to distribute Frightfully expensive.”

Pepsi’s planned investment is reported to be about R100m, and Vianello says Pepsi “will want to get the same distribution in the same areas covered by ABI.” Says ABI marketing director Mike Bond “Most of the red-and-white Coke-decorated coolers are owned by us and placed with our customers on free loan. They are exclusively for chilling our own products. But there’s no exclusive agreement whereby other dealers could not place their own coolers when Pepsi was still around, you’d go to a local cafe and there would be a couple of Coke coolers and a Pepsi cooler.” Right now there’s 30,000 of those Coke coolers in the PWV alone (Business April 29).

Pepsi has been on the shelves here all along, but only in limited quantities supplied mainly out of Namibia. The full-fielded attack, with Pepsi ads and Pepsi cans everywhere, should begin around the end of the year in the PWV.

There’s more intrigue in this deal than just big money, big corporations and big personalities. The worldwide cola war, with Coke and Pepsi slugging it out in countries as diverse as the US, China and India, is dramatic enough, but the politics here add another dimension. Wilson says he discussed the vehicle for Pepsi’s return with First Deputy President Thabo Mbeki, but insists: “We didn’t clear it with the ANC, we asked for their advice. We’ve got one shot at this. We want to get it right. I talked to lawyers, accountants, anybody I could find.”

So now is Coke thinking more seriously about returning? Despite all the Coke on the shelves, the Atlanta-based Coca-Cola Co invested completely in 1986 by selling the local operation. Its corporate relations department still circulates old letters of praise from Bishop Desmond Tutu. Now, with consumers pointing to the local operation’s quality-control problems with flat Coke, leaky cans and sticky bottles, Atlanta is expected to take over the reins again.

“We’re continuing to evaluate our options for re-entry,” says spokesman Mark Pressinger in Atlanta. What about the complaints at supermarkets and cafes? He simply points out that master franchiser National Beverage Services has been “independent” of the Coca-Cola Co since 1986.

Just how is the war going around the world? Pressinger reports that Coca-Cola Co’s profits in the international soft-drink business are a whopping 16 times greater than Pepsi’s — US$2.7bn last year outside the US. Pepsi has 18% of the non-US carbonated soft-drink market, Coke has 47%.

Growing faster

But Pepsi’s Ken Ross in New York says: “We’ve got the momentum, we’re growing faster than the soft-drink market as a whole, in three out of the last four years, we’ve grown faster than our nearest competitor.”

Like New Age and Pepsi officials here, Ross declines to give any details as to how Pepsi will compete with Coke, save for “we’re going to be a little bit quicker, a little bit sharper, and a little bit more innovative than the other guy.” But that’s what NatBev is saying here, too. Marketing operations director Peter Laycock says for the moment it’s “business as usual,” continuing with the “aggressive plans” that Coke’s been carrying out all along and “doing our best to satisfy our customers. We have other competition besides Pepsi. We see all commercial beverages as competition. This is just another.”

Among the other competitors are the house cola brands from retailers such as Woolworths, Pick ‘n Pay and Makro, which for the most part don’t compete directly against Coke. They stick mainly to the big retail chains, shunning advertising and trading on the store name and reputation.

“We’re just looking for price differentiation,” says the CE of Makro holding company Massmart, Mark Lamberts. And if the return of Pepsi puts downward pressure on the price of Coke, “we’ve got lots of room,” to come down, too.

Ask just about any of these players for a last word on the war and they’ll talk about healthy competition and more consumer awareness growing the market and benefiting everyone. As for Wilson, he quotes Coke’s legendary former president Robert Woodruff: “If Pepsi hadn’t been around, I’d have had to invent them.”

Nancy Gefjas

FINANCIAL MAIL • JUNE 10 • 1994 • B1
Cola competitors prepare to tackle Coke's dominance

By ZILLA EFRAT

Coke often displays arrogance and "take it or leave it" attitude. RH managing director Hune Bruyns expects the market to grow as new entrants move in. Experience around the world has shown that increased activity, aggression and ad spend have led to higher per capita consumption.

He says South Africa's carbonated soft-drinks market has been neglected in the past by "people who have taken their eyes off the ball." He says the fight is for "a share of throat" with ciders and squashes also making up the competition.

Pick 'n Pay director Richard Cohen says "Heightened competition will keep everyone on their toes, pricing will be more keen and service must improve."

"The major brands in our stores are taking a thumping because they are out-priced, on average, by about 26% and sometimes more."

He says the strength of the brands lies in the small cafe business and in one litre returnable packages in large urban areas like Soweto.

Cotts has made major inroads into the SA market since introducing American Cola through "coke late in 1993. It officially operates in South Africa a year ago and now enjoys a 11% rate of sale with other branded products on retail and wholesale shelves."

Its expansion into the informal market is via NSB subsidiary African Beverage Corporation and its Nation's Pride range. These will be distributed through NSB's existing networks to shebeens, bottle stores, spaza shops and street vendors.

ABC managing director Temba Vundla says a deal to increase distribution is being finalized.
ABI ready to take up the Pepsi challenge

PEPSI's return to SA would be costly, and the company would find it difficult to establish consumer demand for its products, Amalgamated Beverage Industries (ABI) MD Trent Odgers said in the company's annual review.

But ABI, which bottles Coke products, was not complacent, and would "compete vigorously for the consumers' franchise".

Although Pepsi has yet to make its entry, ABI has already been faced with competition as a plethora of retail brands had been marketed heavily during the year to March.

Odgers said ABI was "aware of, and addressing the issue of unrealistic shrink space restrictions that the chains place on ABI brands".

Chairman Pete Lloyd said lower-priced retail brands had "as yet had little impact and did not prevent a minor contraction in industry volumes".

The entry of other players would put pressure on sales and margins, but "the consumer should benefit and the market expand".

He said ABI "has always operated on the basis that it should legitimately cover all major opportunities for competitive entry before competition comes".

Lloyd said ABI had done well in the year to March given the unusually cool and wet summer and seven weeks of strike action.

The carbonated soft drink industry remained stagnant for the third year in a row and ABI lifted attributable earnings 9% to R38,8m on a 4% growth in turnover to R1,2bn.

Odgers said Coke performed well and gained market share, while other brands had mixed fortunes.

Cans showed growth, but soft returnable bottles declined in sales and market share, mainly due to distribution difficulties. The launch in Pretoria of the 250ml non-returnable bottle would be extended to the rest of the PWV.

Lloyd was cautiously optimistic that ABI would show a "reasonable" improvement in earnings and dividends in the current financial year.
Reaching out to a new Pepsi generation

Pepsi Cola is on its way back to the South African market. Reg Runyon, who is heading a team of experts, is trying to make Pepsi Cola a hit in South Africa.

ASKED about many salient matters on marketing and distribution of Pepsi Cola products New Age Beverages (NAB) chairman and chief executive Khehla Mbethuma 1993, plays his cards close to the chest, as he is about to open a new chapter in the market.

To questions on marketing and advertising strategy he replies tersely "Watching this space." He does stress that Pepsi Cola is returning to South Africa in a serious way. By the end of the year Pepsi products will be on the shelves. Pepsi has been active in South Africa for the past 13 months and all the work has been done, he says.

Over the next five years the joint venture will be worth R150 million in pure foreign investment, he says. As a look at R150 million of foreign money flowing in through the balance sheet has been applied for and approved by the Reserve Bank.

"We are coming in as a serious player," he says. But draws Pepsi will start a cola war. "We are going to play according to the rules of the game."

He acknowledges Pepsi might have to start small. "You don't become giants on day one." But he stresses that Pepsi will compete fully in the market. "We don't want to be classified as another black company that needs support. We want to be judged on how we do what the market needs." Mbethuma says that while Pepsi might be politically correct and a black company he is aware that people don't drink black economic empowerment, but want a good quality cola.

He says the success of so-called "private labels" or brands such as Savanna in South Africa shows consumers would like to be given a greater choice of colas.

"If you can make it available to them and give them the service they need they will make the choice." A previous attempt by a black vendor the Soweto Investment Trust Company to bring Pepsi back was a failure. Mbethuma explains that it was killed off by the intensity of sanctions at the time. even though the Commer- ce Anti-Sanctions Act did allow in the fine print 100 percent black-owned companies to be exempt. Pepsi at the time he says was not fully convinced of the need to return.

Now Pepsi is bottled by Namibian Beverages Because of the Namibian connection, it is a strong bond in the tropics here.

Most NAB shares will be held by blacks, he says. "People will be excited about the throne of black economic empowerment, saying majors cannot accept a "business as usual" attitude in the new South Africa. "There must be a transformation of business itself." That transformation must reflect the transformation inside the community. Business must be ready to underpin those changes for them to be real and lasting."

At the same time he stressed he is building a staff that will reflect the population composition of the country. Starting from scratch he regards it as a good opportunity to get the structure of the business right.

Mbethuma readily admits his taste in smoking and experience does not naturally lend him to beer advertising.

A product of the township Mbethuma matriculated from Orlando West High, completed his B Comm at Unisa, did the MBA at the University of the Western Cape and is now doing an MBA with De Acryl Andersons Graduate Institute of Man-

agement and Technology.

He rose to fame as one of the founders of the largest wholly black insurance company in South Africa African General Insurance Co. of which he became managing director before he was chief executive of Mutual Insurance brokers.

However, though he has been in insurance for the past 18 years he has always been involved in the consumer side of the business.

More than anything it is his entrepreneurial instincts that guided him to his present position. When some-

With regards to plans Cola plans say the Cola Co of South Africa to own a majority stake in New Age Beverages at the end of the decade. The new NAB will produce and distribute the range of colas, including Pepsi Cola, Diet Pepsi, Tut Tut and Mash." It is expected that in the next 12 months, for which the joint venture will be given an exclusive bottling appointment. The fraternity counts on about a half of the 275 million cases of colasives sold each year in South Africa. "We are not prepared to accept competition."
Disrupted sales pattern

Activities: Bottling and distribution of carbonated soft drinks
Control: SAB 68%
Chairman: P. Lloyd MD T Odgers
Capital structure: 108m ordin Market capitalisation R5.17bn
Share market: 2 050c Yields 2.0% on dividend
4.1% on earnings, p/e ratio 24.4, cover, 2.1 12-month high 2.15c, low, 1.69c Trading volume last quarter 604 000 shares

Year to March 31

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Few analysts anticipated the extent to which the strike and pre-election violence would impair ABI's scintillating earnings record. Earnings growth of 13% at the September interim was reduced to 9% for the year. The effect on performance is clear turnover in the first half was up 8% on 1993's comparable period and pre-interest profit (PBIT) was 1% better. In the second six months, traditionally the stronger half, the picture changed. Turnover improved less than 1% and PBIT fell almost 6%. The squeeze is reflected in the decline in margins from 13.6% to 12.6%

Nevertheless, given the environment and the unusually cool and wet summer, ABI did well to achieve the 9% growth in EPS, to 84c, on turnover up a mere 4% to R1.2bn. This enabled an annual dividend of 41.5c to be declared, up 11% on an unchanged dividend cover of 2

After payment of R71m in excise duty,
Extra excise on tobacco, liquor to yield R350m

“Sin tax” adjustments to excise on liquor and tobacco, announced by Finance Minister Derek Keys yesterday, are expected to yield about R350m during the remainder of this financial year.

Our political staff reports that the increases are immediate, and with 14% VAT to be added, will make a sizable difference in the price of alcohol and tobacco products. They will set the exchequer R280m in a full year.

Liquor on beer has increased 6c/l for about 3c a 330ml can or “dumpy.” The duty on spirits is up 5c/750ml bottle, while the excise on sorghum beer is up 1c/l, and cold drinks and mineral water 1c/l.

Keys announced increases of 4c/275ml on unfortified wine, 5c/750ml on fortified wine and 6c/750ml on sparkling wine.

Excise on cigarettes has gone up about 7c/10 cigarettes, cigarette tobacco about 5c/50g and pipe tobacco 6c/kg.

Tobacco industry sources said the tobacco industry had been discriminated against with government targeting only tobacco and liquor as generators of indirect revenue.

Tobacco Institute of Southern Africa chairman Jope Graham said the 25% increase in excise on cigarettes was “about three times as high as the official rate of inflation and discriminatory against an established, legitimate industry and its customers.”

SA Breweries (SAB) beer division marketing director Barry Smith said the increase in beer tax had been lower than expected. He estimated the increase would lift beer retail prices by about 2.5%.

KWV said the wine industry was surprised by government’s “unsympathetic attitude” towards rural communities of the Western Cape and the 300 000 people who live and work on wine farms.

KWV said a 5c/l increase on natural wines represented a 25% rise in excise duties. The authorities already received almost R800m from the producers of the wine industry, while total turnover at the producer level was only R700m.

Stellenbosch Farmers Wineries (SFW) said the industry accepted that it should also contribute towards a better future, and that the increases were not unreasonable.

Rembrandt, which is believed to have heavily lobbied Keys, refused to comment.

Deloitte & Touche tax division director Ken Walton said the effect on retail trade sales would be minimal.

Arthur Anderson tax manager Leo Fincham said the increases were moderate, but “by the time cigarettes reach the consumer, the price is likely to be 10c per 10”.

KATHRYN STRACHAN reports that the National Council against Smoking labelled the tobacco taxes a betrayal of health interests and a victory for the tobacco lobby.

Executive director Yussuf Saloojee said the Finance Ministry had been pressed into backing down from making significant increases in tobacco taxes.

Government had been influenced by the tobacco industry into believing tobacco tax increases were undesirable because of vague and unspecified potential losses of jobs in tobacco farming.

The Medical Association of SA also criticised government’s reluctance to take drastic and immediate action in respect of tax on tobacco — the use of which placed an unnecessary burden on the health budget.
Beer still performs for SAB

BY STEPHEN CRANSTON

Beer maintained its share of the declining liquor market in the year to March. SA Breweries chairman Meyer Kahn says in the annual report to March.  
Kahn says beer’s price sensitivity in the local market has been amply demonstrated and that this is unsurprising because the average beer drinker earns less than R1 500 a month.  
SAB’s price increases have been below inflation for 18 years running, but this has been nullified in recent years by excise tax increases.  
Beer commands considerably more excise than other liquor — cider, which has a similar alcohol content to beer attracts one-third of the excise, and the gap has increased further with the additional 2c excise on each dumby.

Kahn says SAB already pays twice as much tax as the entire SA mining industry, and a point of diminishing returns on excise has been reached.  
SAB opposes a significant increase in excise tax as worldwide experience shows that higher taxes remove the responsible moderate drinker from the market, while the abusive drinker allocates a greater proportion of household income to acquiring the same amount of alcohol or gravitates to inferior products and dangerous concoctions.

SAB’s troubled retail subsidiary OK Bazaars increased sales by seven percent but lost R74 million and there was an extraordinary loss of R97 million on unauthorised and terminated foreign exchange dealings.  
The OK’s assets were tightly controlled and reduced by four percent.

Gearing was reduced to a “satisfactory” 100 percent.

Hotel interests increased increased earnings from R17 million to R47 million. Southern Sun will buy 50 percent of Gallagher Estate, Midrand, and plans to build a 200-room, five-star hotel there. A further six Formule 1 hotels will be opened.
SABChief lashes out at excise tax regime

SA BREWERIES (SAB) has sharply criticised increases in excise duties and certain other fiscal measures.

Ahead of the Budget, executive chairman Meyer Kahn said in an annual review for the year to March that SAB’s price restraint — which was below the rate of inflation — “has been nullified in the market over the past few years by excise tax increases”.

He said cider had a similar alcohol content, but its excise was a third of beer’s.

Cheap wines and spirits were also under the protection of a sympathetic excise regime.

The SAB group already paid twice as much tax as the entire SA mining industry, he said, and a point of diminishing returns had been reached.

The development of the retail liquor market “continues to be hampered by the excessive capital requirements to satisfy on-premise licensing regulations and by socially inappropriate and inconsistently policed laws”.

The local beer division maintained its share of the market, and reported a 13% rise in attributable earnings to R613m.

Westgate Worldwide, which houses the international interests, continued to focus on investment. SAB acquired Hungarian brewery Kehwayan Sorgyar for about R156m.

It was invited to invest R106m to acquire an effective 50% interest in Tanzania’s lager brewing industry, and discussions were nearing completion to acquire a 45% interest in Zambawa Breweries.

Westgate’s turnover grew by 16% to R1.1bn, and attributable earnings by 19% to R94m. In the year ahead, “growth in profits will be moderated by the settling in of new acquisitions and dependent on regional economic activity”.

Commenting on unlisted interests, Kahn said the OK reported a 7% rise in turnover, but a bottom-line loss of R74m. Further losses of R97m related to unauthorised and terminated foreign exchange dealings.

Various rationalisation strategies had been implemented. SAB injected R556m as equity capital and used it to eliminate existing loans from SAB of R208m and reduce external borrowings.

Hotel interests, which largely include Southern Sun/Holiday Inns, made significant gains in market share, and group occupancies rose by 11% to 63%. At the same time, the industry reflected a 2% decline to 46%.

Although room rates were lower, higher occupancies and a large reduction in overheads saw operating income grow significantly. Attributable earnings of R47m were substantially up on the previous year’s R17m, and continued growth could be expected.
Beer maintains its share of market

STEPHEN CRANSTON

JOHANNESBURG — Beer maintained its share of the falling liquor market in the year ended March, SA Breweries chairman Meyer Kahn says in the annual report.

Mr Kahn said beer’s price sensitivity in the local market had been amply demonstrated and that this was not surprising because the average beer-drinker earned less than R1 500 a month.

SAB’s price increases had been below inflation for 18 years running, but this had been nullified in recent years by excise tax increases.

Beer commanded considerably more excise than other liquors — cider, which had a similar alcohol content to beer attracted one-third of the excise, and the gap had increased further with the additional 2c excise on each dummy.

Mr Kahn said SAB already paid twice as much tax as the entire South African mining industry, and a point of diminishing returns on excise had been reached.

SAB opposed a significant increase in excise tax as worldwide experience showed that higher taxes removed the responsible moderate drinker from the market, while the abusive drinker allocated a greater proportion of household income to acquiring the same amount of alcohol, or switched to inferior products and dangerous concoctions.

SAB’s troubled retail subsidiary, OK Bazaars, increased sales by seven percent, but lost R74 million, and there was an extraordinary loss of R37 million on unauthorised and terminated foreign exchange dealings.

The OK’s assets were tightly controlled and reduced by four percent.

Gearing was reduced to a “satisfactory” 100 percent.
SAB now tops in assets rating

From AMANDA VERMEULEN

JOHAN JACOBI Business

SAB, the SA-based group in terms of assets with a total of R15.4bn, outperforms the rest in the Financial 100 during the 1994 financial year.

The company, which operates a range of businesses including tobacco, food, beverages and tobacco, has established itself as the largest in terms of assets, followed by Naspers and Woolworths.

Three of the top five — Naspers, Woolworths and Bidco — were also ranked among the top five companies providing the highest returns in the Financial 100, based on the average return on equity of 24.1%. The PM's report on the top 100 listed these companies as having reduced staff numbers by an average of 11.4%.

Turnover per employee generally improved despite demand remaining fairly static in most sectors.

The FM said 113 companies reported higher turnover per employee figures compared to only 16 which reported a decline.

Pep Stores reported a 22% improvement in its turnover per employee ratios after reducing staff numbers by 7%.
Breathing a sigh of relief

Activities: Consumer-based group with interests in beer and other beverages, as well as retailing, manufacturing and hotels

Control: Beaven 34%, in turn controlled by JCI, Liberty and Anglo

Executive Chairman: J M Kahn

Capital structure: 274m olds Market capitalisation R24,11bn

Share market: Price R86 Yields 1.8% on dividend, 3.9% on earnings, p/e ratio, 25.5, cover, 2.2

12-month high, R100, low, R60 Trading volume last quarter, 8.3m shares

Beer to March 31 '91 '92 '93 '94
ST debt (Rm) 720 1,440 1,457 1,262
LT debt (Rm) 1,640 2,059 2,504 2,690
Debt equity ratio 0.48 0.62 0.51 0.60
Shareholders' interest 0.42 0.41 0.41 0.34
Int & leasing cover 7.0 4.8 4.9 5.8
Return on cap (%) 17.7 15.2 15.4 12.6
Turnover (Rbn) 16.1 17.4 21.8 24.5
Pre-int profit (Rm) 1,799 2,005 2,419 2,618
Pre-int margin (%) 10.8 10.5 10.8 10.0
Earnings (c) 285 290 303 345
Dividends (c) 118 130 137 155
Tangible NAV (c) 1,168 1,457 1,741 1,743

The latest increase in excise tax, set out in the Budget, has at least one party relieved. For SAB, the rise of 6c/l and 2c/340 ml beer, is below the forecast inflation rate and marks the start of farer excise treatment. SAB already pays 8% of turnover to the Receiver. In financial 1994, this amounted to R1.76bn. The group pays twice as much tax as the entire SA mining industry.

In the past, says chairman Meyer Kahn, SAB's price restraint has been nullified in the market by excise tax increases — a treatment at odds with international norms. Cider, for example, which has a similar alcohol content, has enjoyed the cost advantage of its excise being a third that of beer.

"Also under the protection of a sympathetic excise regime, cheap wines and spirits retail in many areas at a 60% discount per drink, compared with beer," he laments. Kahn says it is clear that, apart from simple considerations of tax equity, a point of diminishing returns has been reached. Nevertheless, the Budget appears to be addressing this imbalance.

Despite diversification over the years, the figures offer little doubt that SAB remains primarily a beverage, in particular a beer, producer. Beer operations contributed 75% to group earnings. With beverages, they generated 87% of bottom-line earnings.

Aside from dominance of the local market, SAB has the size and muscle to play an international role. Though its thrust into international operations (housed under Westgate Worldwide) has so far had a marginal effect on earnings (less than 10%), sales during the year increased 16% to more than R1bn. The move is strategically important, especially as the local beer division is operating at below 80% capacity. Of the estimated 30m hl of beer produced by SAB, 24m is made locally.

Kahn expects Westgate's profit growth this year to be moderated as acquisitions are settled in. These comprise its 80% stake in Hungary's largest brewery, Kobanya, and a 50% interest in Tanzania's lager brewing industry.

Though beer has performed consistently over the past four years despite flat volumes, diversified interests have succumbed to recession. Most notable is beleaguered retailer OK Bazaars, which, despite sales of R3.4bn, lost R74m, much worse than 1993's R45m loss. Management admits losses were higher than expected at debuting earlier this year but the position has been worsened by the R97m (more than the R70m estimated by the market) extraordinary loss related to unauthorised and terminated foreign exchange dealings.

Nevertheless, future results are expected to benefit from the three-year reorganisation and reconstruction initiatives. About R45m was spent on store refurbishments and a dividend of 1.8%, the stock is expensive. But the good earnings record and strong balance sheet suggest the share will remain in favour.
Coffee price rockets

Tony May in London

The price of coffee soared by 40 percent in a few minutes on Monday. Dealers said one of the biggest jumps they could remember was triggered by reports that frost had harmed up to one third of Brazil's coffee trees.

This blow to the world's biggest producer will affect supermarket prices, but analysts do not expect a rise before the autumn. Accu-Weather Inc., private forecaster, said Brazil accounts for more than 17 million tons a year - between 20 percent and 30 percent of the world's coffee. A 15 percent loss in its output would translate into a five percent loss in world output.

The Swiss coffee giant Nestle said of the recent rise in wholesale coffee prices: "It normally takes about four to five months for raw coffee price increases to make their way on to supermarket shelves. At this stage we have no plans to increase the price of our..."
Tobacco, liquor bolster Remgro bottom line

MARC HASENFUSS
Business Staff

TOBACCO and liquor contributed
a whopping R388 million to Rem-
brandt’s bottom line in the year
to end March, chairman Johann
Rupert disclosed in the group’s
annual report.

These interests—in incorporated
in the trade mark group—made
up more than half of Rem-
brandt’s total earnings of just
over R1 billion in the period un-
der review.

Profits generated by trade
markets were up a solid 19 percent
on last year’s R453 million in
spite of a 3 percent slip in local
market cigarette consumption
and modest liquor sales.

Mr. Rupert noted that the to-
bacco division was able to main-
tain and even slightly improve its
relative position in the market
place.

He said prospects for the to-
bacco division were still uncer-
tain, with no evidence yet of a
consumer led revival. “Productiv-
ity and cost containment mea-
sures will remain a priority in
the coming year.”

Rembrandt’s wine and spirit
subsidiaries SPW and Distillers
Corporation were well placed to
take advantage of any upturn in
the economy.

Rembrandt’s mining interests
donated a R129 million to bottom
line—eight percent down on the
previous year. Profits from min-
ing interests made up 21 percent
(previously 25 percent) of group
earnings.

Mr. Rupert said the unbundling
of Genco had a marked effect on
the earnings contribution of the
mining division.

Rembrandt’s industrial inter-
est put on a better show in the
year to end March, increasing
profit contributions 77 percent to
R116 million. The industrial divi-
sion’s earnings constitute 11 per-
cent of group earnings.

The industrial division’s stron-
ger performance was mainly at-
tributed to the significant turn-
around at Rainbow Chickens.

Huntco had a mixed year,
with improved results from
Robertsons and Transvaal Sugar
offset by a disappointing perfor-
ance by HL&H Timber.

Mr. Rupert said the Huntco
group had taken steps to increase
productivity which should have a
positive impact on results in the
year ahead.

Struggling engineering group
Dorbyl was also expected to show
an improvement by the second
half of the current financial year.

Rembrandt’s financial services
division contributed R75.5 mil-
lion to bottom line, down 3.4 per-
cent on last year.

These interests have been
scaled down over the years with
the disposal of stakes in Stanbic,
Momentum Life and most recent-
ly Boland Bank. This division
now holds a 9.9 percent stake in
Abaa and a 18.3 percent holding
in the Sage Group.

Corporate and other interests—
mainly Rembrandt’s services
and treasury divisions—contrib-
uted 12 percent more to bottom
line at R100 million.

The group’s investment in cel-

cular phone group Vodacom is
classified under this division.
Rembrandt’s share of Vodacom’s
start-up losses amounted to
R3.2 million.

Mr. Rupert reported that a por-
tion of Rembrandt’s investment
was sold and the group’s interest
in the cellular phone group now
stands at 13.3 percent. The
group’s investment in Vodacom is
estimated at around R100 million.
Whisky imports top 23 million bottles

SA imported 23 million bottles of Scotch whisky last year, making it the 10th largest export market for the spirit, with a value of £32m.

The earliest documented record of distilling in Scotland occurs in the Scottish Exchequer Rolls of the year 1494. The 500th anniversary is being celebrated worldwide.

Britain's President of the Board of Trade, Michael Heseltine, will be at a celebration lunch hosted by James Bruxner, chairman of the Scotch Whisky Association, at the Mount Nelson on Thursday.

Bruxner said yesterday: "The lunch provides an excellent opportunity for the Scotch whisky industry to enhance its long established trading relations with this important market as SA develops her economy."
Black-owned NSB’s ‘no hangover’ beer is going down well

JOHANNESBURG — South Africa’s newest beer war has only just begun, but one patron at Joyce’s Inn, a Soweto shebeen, had no doubt as to his feelings about Vivo lager, which has just hit the market.

“Super, super, ya it’s super Who makes it?” said a man looking at the label “NSB” At last, at last, we have our own beer.”

Vivo — which means “living” in Spanish — was launched last Saturday as the first clear beer brewed by a black-owned company, National Sorghum Breweries (NSB), which is based in Vereenigburg.

The new product is the first challenge in some time to the virtual monopoly which South African Breweries holds over the South African beer market.

“I don’t think South African Breweries welcome the challenge, but we are not so big that we will take them out of the market,” said Morake Sekele, managing director of Vivo Africa Breweries.

Godfrey Mkhasibe, the owner of Joyce’s Inn, said his worry was not whether drinkers would take to the beer but whether NSB could cope with the demand. “In a week I have sold 72 cases of Vivo and I am waiting for an additional 40, which will disappear in a week,” he said.

“I have not had any complaints about the beer, except that I keep running out of it. They say you don’t suffer from hangover after taking it,” said Mr Mkhasibe.

How do people tasting the beer for the first time react? Mr Mkhasibe called out into the street and invited some passers-by to come into his shebeen so we could find out. The verdict was “Yes indeed I’ll have another.”

Could people be buying the beer because it is brewed by blacks? Mr Mkhasibe said South Africans did not care a hoot about the manufacturer. “If the product is good they’ll buy it, but not if it’s rubbish.”

Mr Mkhasibe said he had years of experience selling beer and believed the brand that would suffer most would be Hansa.

“I sell 40 crates of Hansa every week, but when I made my order this week I didn’t even order any because all those who take it are now resorting to Vivo.”

“The SAB should expect a decline in their sales in certain areas. My only worry is that the supply of Vivo might not cope with the demand,” he said.

Another beer drinker in the Midrand area said he had got an early taste of Vivo before the launch of the beer.

“Yes it is a good beer. I also gave some to my brother, who thinks it is good. It tastes like many other beers on the market. I know that black people are very loyal to their brands and I wonder if they’re prepared to change because the new beer is made by black people. I doubt whether they’ll change,” he said.

But Mr Sekele believes that sales will continue to rise. He says people will buy the beer because it is good and because the community has a stake in its production.

“Most of our shareholders are taverners and shebeeniers and the idea came from these people. As soon as they came into the company they have been pushing on their own clear beer.”

“I don’t want to say people will change to this new beer because they are dissatisfied with the beer already on the market, but I would like to tell you that there is pride involved in this.”

“As the company grows, these people will get higher dividends. As we grow, their investment will become firmer and I believe that will help us in terms of marketing the product,” said Mr Sekele.

He said shebeen legend Peggy “Bel-Air” Senne, who died a few weeks ago, was the man who had led shebeeniers to propose the idea to NSB.

At his funeral Vivo Breweries launched the Peggy Bel-Air Senne Fund with R1 million, to be used to train shebeeniers in business skills.

“We learnt a lot of things from that man. He had such a legacy and we wanted people to be able to identify heroes in their own communities,” said the chairman and chief executive of NSB, Mohale Mahanyele.

Professor Mahanyele said the brewery had taken the new beer to Mr Senne, who said he had given it to his wife Kuku, who had given it her stamp of approval.

“She had experience of beer from Sophiatown days, and we don’t doubt her judgment,” said Mr Sekele.

The brewery has opened eight depots to distribute the beer. Some 29 percent of production will be distributed in Johannesburg.

“The trend tells us that beer sells very well in the townships. We are convinced that we are selling a good beer and it is worth the price. We are not going to have a price war because SAB is a big company with financial muscle,” said Mr Sekele.
SA BREWERIES workers would conduct a strike ballot in the brewing division next week, as wage negotiations had deadlocked, the Food and Allied Workers' Union said yesterday.

Fawu spokesman Ernest Bathela said the company was offering a 10% package. The union was demanding an 11.5% increase. Management had refused to reverse its final offer, even during mediation. The union had dropped its demand from 13%.

There was a "possibility of industrial action" involving about 5,000 SAB workers nationally, but the union hoped this could be avoided and settlement reached.

SAB had asked the union for a meeting to discuss strike rules so as to avoid confrontations similar to those that had occurred in the Pack 'n Pay strike, he said. However, Fawu had responded by saying that both parties had to control their ranks. If no temporary labour was employed, union members would not be provoked into confrontation. "We just mind if they run the plant with non-striking workers, but they mustn't bring in scabs." SAB management could not be reached for comment.
Two new beers enter the SA market

DURBAN — KwaZulu/Natal-based Sterling Breweries has forged an alliance with Brewery Group Denmark to launch two new brands.

South Africans could now drink Danish premium beer, Faxe, and the traditionally bitter British label, Cales, produced in litre cans, it was announced in Durban on Saturday.

Brewery Group Denmark is the leading exporter of beer in Scandinavia.

Marius Spies, Sterling Breweries group chairman, said an objective was to create a product and infrastructure which would stand up to international scrutiny.

"The brewery also announced the new aluminium can packaging of its Freeman Lager. "The trend is towards using more visible recyclable materials, and the fact that just one material is used in this can makes this medium one which is bound to increase in demand in the future," Sterling Breweries marketing manager Richard Cleal said."
Cadbury Schweppes earnings raised 17%

FOOD and soft drink manufacturer Cadbury Schweppes served up a better than expected performance and reported attributable earnings 17% higher at £34.6m for the six months to June, CE Peter Bester said yesterday.

"We are happy with the results," he said, adding that difficult trading conditions during the first half had been offset by reduced interest charges which had boosted the bottom line.

Turnover rose 7% to £36.6m (R344m) on the back of sluggish demand and operating profit climbed 6.2% to £33.6m (R31.6m) with margins steady at last year’s level.

The 18.1% increase in pre-tax profit to £24.5m was largely driven by the 32.1% fall in financing costs to £4m (R5.5m).

On the balance sheet the company reduced its long-term liabilities 62% to £12.5m (R54.8m). Total interest-bearing debt was reduced to 31% of equity from 53% for the corresponding period.

Tax payments fell 47% to £7.3m (R7.7m), which saw after-tax profit rise 23.6% to £22.1m (R17.9m).

Income from associate company Amalgamated Beverage Industries (ABI) rose 7% to £12.4m (R11.5m).

Earnings a share rose 18.1% to 96.7p (R3.5c) and a dividend of 20c (2c) a share was declared.

BEATRIX PAYNE

Demand had been "very depressed" during the first quarter and the "undue" number of holidays over the elections period had affected production, Bester said.

The company expected a "more buoyant market" and hoped to achieve real earnings growth for the year on the back of improved trading conditions during the second half. But the company had set its sights on medium-term growth and would not predict year-end growth.

Financial director John Buchanan said the increase in share capital had given the company the ability to issue more shares but it had no immediate plans for specific future acquisitions.

It was reported in April that shareholders had agreed to increase authorised capital from £1.4 million to £2 million shares.

Bester said the carbonated drinks, chocolate and sugar products and concentrated soft drinks divisions had lagged but he was optimistic that they would surge as economic conditions and business confidence improved.

An analyst said the results were "pretty good" and were beyond his firm's prediction of earnings growth for the year of 10%. "It's pretty satisfactory but not indicative of booming growth," he said.
Cadsweps unwraps 17% earnings rise

Own Correspondent

JOHANNESBURG. — Food and soft drink manufacturer Cadbury Schweppes served up a better than expected performance and reported attributable earnings 17% higher at R24,6m for the six months to June, CEO Peter Bester said yesterday.

“We are happy with the results,” he said, adding that difficult trading conditions during the first half had been offset by reduced interest charges which had boosted the bottom line.

Turnover rose 7% to R369m (R344m) on the back of sluggish demand and operating profit climbed 6.2% to R23,6m (R21,6m) with margins steady at last year’s level.

The 15.1% increase in pre-tax profit to R25,5m was largely driven by the 22% fall in financing costs to R4m (R5,9m).

On the balance sheet the company reduced its long-term liabilities 62% to R12,9m (R34,8m). Total interest-bearing debt was reduced to 31% of equity from 53% for the corresponding period.

Tax payments fell 4.7% to R7,3m (R7,7m), which saw after-tax profit rise 23.6% to R23,1m (R17,5m).

Income from associate company Amalgamated Beverage Industries (ABI) rose 7% to R12,4m (R11,6m)

Earnings a share rose 16.1% to 96,7c (83,2c) and a dividend of 20c (18c) a share was declared.

Demand had been “very depressed” during the first quarter and the “unusual number of holidays over the election period had affected production,” Bester said.

The company expected a “more buoyant market” and hoped to achieve real earnings growth for the year on the back of improved trading conditions during the second half.
Aroma wraps up asset negotiations

AROMA Liquor Holdings said yesterday it had concluded negotiations with the Drop Inn Group of Liquor-Supermarkets and Massmart Holdings and would acquire, as a going concern, certain retail operating assets of the Western Cape group.

"Pending the finalisation of the consideration payable and its consequent effect on the earnings and net value per share, shareholders in Aroma are advised to exercise caution in their dealings in the shares of Aroma," a statement said.

The effective date of the transaction would be August 1.
R300M, Crossover Deal

By Aurelio D'Angelo

COO's...
ABI earnings may rise more than 7%

SA BREWERIES' soft drink bottling subsidiary Amalgamated Beverage Industries (ABI) could post earnings growth of more than 7% for the six months to September, MD Trent Odgers said yesterday.

He said the first half had been a period of consolidation for the group after it reported 9% earnings growth to R88,9m for the year to March.

Turnover for the year rose 4% to R1,2bn (R1,1bn).

But interim earnings — which rose 15% to R23,4m last year — represented only about 25% of annual earnings performance.

"We are fairly optimistic for the second half," he said, adding that growth would be off a low base.

Odgers said further labour disruptions were unlikely as the group had negotiated a 16-month package with its labour force. Wage negotiations were scheduled for April next year and the group had a March year-end.

But performance in the second half would depend on general economic growth and the timing of Pepsi's official launch in SA, he said.

Earnings could be adversely affected by Pepsi's return, depending on how much the US group invested in the local market. When announcing plans to return to SA in June, Pepsi was tight-lipped concerning how much it would invest in the country. Pepsi could secure 10% of the local market if it were to invest R500m in SA, Odgers said.

Once the economy started to move, ABI was likely to outperform economic growth which would lessen the potential effect of Pepsi, he added.
NSB strike of
Soweto
4,000 in day 8

By Ike Motsapi _12181940_

The strike, which has been marked by violent outbreaks, has been called by the Soweto General Strike Committee and is supported by a large number of workers from surrounding areas.

The strike was called to protest against the government's attempts to control the Soweto unrest. The Committee has called on all workers to join the strike and to refuse to work until their demands are met.

The demands include the release of political prisoners, the end of racial segregation, and the provision of better housing and education for all.

Workers are encouraged to report any acts of violence to the Strike Committee.
Suncrush expects 16% improvement in figures

SOFT drinks group Suncrush expected to lift earnings more than 16% for the year to June on the back of an upturn in sales and lower interest payments, CEO Robin Hamilton said last week. The group is expected to release its results in a few weeks.

Despite poor sales in January, Hamilton said there had been signs of growth towards the end of the interim period.

The group, which bottled Coke and other soft drinks and derived income from investment arms Tempora and Eltington Investments, was adversely affected by soft drink price increases after VAT and excise duties rose. The group reported a 30% rise in bottom-line earnings as a lower tax rate compensated for a decline in sales.

Tempora Investments reported a 50% rise in earnings a share for the year to June as income from dividends and interest rose 89% to £3.7m.
Announcement on Pepsi deal

By Mzimkulu Malunga

NEW Age Beverages, a consortium of black business people spearheading Pepsi's return to South Africa, is expected to make an initial announcement at the end of this month regarding its future plans.

The company's chief executive Mr Khehla Mthembu says everything is on track.

He says this initial announcement will only concentrate on the progress made so far while the final announcement, which will detail the company's way forward, will be made at the end of next month.

Two months ago American beverages giant, Pepsi, announced that it is returning to South Africa after an absence of almost 10 years.

Although parties involved in the Pepsi deal remain mum about the amount of money involved in the investment, it is estimated that it will add up to a total of about R400 million over a period of time.

NAB, the company that will have exclusive rights to produce Pepsi products in South Africa, will be 75 percent owned by consortia of local black business and another US based black business group trading under the name, Egoi Beverages. Pepsi will own 25 percent of NAB.

The local business consortium, led by Khehla Mthembu, will be responsible for the day-to-day running of the new outfit.
Distillers maintains prices to protect sales

EDWARD WEST

CAPE TOWN — Distillers Corporation’s earnings slipped 15.3% to 64.9c (76.8c) a share in the year to end-June 1994 as the beverages group moved to protect sales volumes by maintaining selling prices.

Today’s published results showed turnover up 7.9% to R1,076m from R990.5m the previous year. But the operating margins dipped and trading income was 10.1% lower at R162.1m (R180.3m).

Financing income climbed to R17.3m (R17.3m) and tax was slightly up at R14.5m (R10.5m).

Cash resources at year-end climbed sharply to R162m (R56.5m).

Directors said the sound cash flow and absence of interest-bearing debt allowed an unchanged final dividend of 31c to be declared, maintaining the total payout for the year at 43c.

Competition at retail level put pressure on margins. The large allocation of retail licences, and unsatisfactory profit expectations of the group’s retail investment, forced the group to devalue the investment. The result was a R14m extraordinary write-off.

Turnover was restated for comparative purposes as the group’s share in a subsidiary was written down to 50%.

Directors said despite the strategy of not increasing selling prices — thereby reducing margins — the group expected to increase earnings this year.

The expected economic growth, an improvement in living conditions and the promotion of job creation and tourism should enhance consumer spending.

The group was also in a position to take advantage of local and foreign opportunities.

“...The need to maintain selling prices was because of the weak financial position of the consumer and intensified competition, they said...”
Distillers’ earnings take a dip

BY MAGGIE ROWLEY

A DECREASE in disposable income and socio-political uncertainty saw earnings of the KWV-Rembrandt controlled Distillers Corporation drop 15.4% to 64.9c (76.9c) a share for the year to end June in spite of turnover rising to more than R1bn (R990.5m).

According to the directors, intensified price competition coupled with the weak financial position of the consumer compelled the group to protect sales volumes by maintaining selling prices.

They said competition at retail level placed pressure on margins and the large increase in the allocation of retail licences, together with unsatisfactory profit expectations of the retail investment necessitated an acknowledgement of a R13.9m decrease in its value.

However, a sound cash flow and the absence of interest-bearing debt allowed for an unchanged final dividend of 31c bringing the total payout to 45c a share, also unchanged.

Turning to prospects, the directors say the sound financial position of the group, would enable it to take advantage of both local and foreign opportunities.

While further pressure on margins was anticipated this year as the group’s strategy would continue to be one of not increasing the prices of important categories of products, a growth in earnings was anticipated.
Row brewing over ale sales

JOHANNESBURG — A major row is brewing between liquor stores and grocers over proposals to allow grocers to sell beer.

The South African Liquor Store Association yesterday called for a meeting between the government and the liquor industry, in view of the damaging effect the new licensing scheme would have on the Reconstruction and Development Programme.

Salaa chairman Mr. Chris Mlongo said the proposals would jeopardize the ideals of the RDF because small businesses would not be able to compete with supermarket prices.

However, retailers presently prohibited from selling beer said it was time to deregulate the liquor industry in the interests of the free market.

Supermarket spokesmen said the changes would help the consumer. — Sapa
Anglo, SAB arm buy beer venture

JOHANNESBURG — Anglo American Corp said it had bought the central division of Zambia Breweries through its main holding company there, Zamango Industrial Corp Ltd (Zamic), in a joint venture with Indal International. Indal is a subsidiary of SA Breweries (SAB).

The total purchase price was $13.9m. Anglo said Zamic owns 45% of the new venture, Anglo another 45% and the remaining 10% is held by members of the public.

Annual average production at Zambia Breweries is more than 700,000 hectolitres.

Zamic chairman Andy Mazoka said $7m would be spent over the next few years to complete the refurbishment programme already under way. He expected expertise provided by SAB to revitalise the clear beer industry in Zambia — Reuter
Anglo, SAB buy Zambian brewery stake

ANGLO American and SA Breweries had bought a major chunk of state-owned Zambian Breweries in a $13.6m deal, the mining house said yesterday.

The acquisition of the company’s Lusaka division was made through Anglo’s principal Zambian holding company, Zamanglo Industrial Corporation (Zamco), and SAB subsidiary Indol International BV.

Zamco and Indol would each hold 45% of the company, and the public the rest, an Anglo spokesman said.

Zambian Breweries, one of Zambia’s leading industrial companies, has operations in Lusaka and Ndola, with average annual beer production of more than 700,000 hectolitres.

Zamco chairman Andy Mazoka said an additional $7m would be spent in the next few years to complete a refurbishment programme SAB would provide management for the operation — a move which would “revitalise the beer industry in Zambia”, Mazoka said.
Suncrush income surges
doafter tax increased 27.2% to R78.2m
Income before the extraordinary items of R568.0m (R1.2m), arising from the consolidation of Ettinton, improved 32.5% to R81.7m, with income after extraordinary items increasing to R81.3m (R60.4m)
Long-term interest-bearing debt was reduced to R5.1m from R33.3m the previous year, partly due to good cash levels generated by Tempura
SAB to export Castle to Tanzania

SA BREWERIES would export more than 50,000 cases of Castle Lager a month to Tanzania Breweries (TBL) while the operation geared up to produce Castle itself, the SA company said yesterday.

TBL CEO Dane Niemandt said yesterday that the company— which is 50% owned by SA Breweries subsidiary Inodol International— would begin producing Castle early next year.

Inodol bought the 50% stake in TBL for $32m last year. SA Breweries is committed to supplying equipment to TBL plants in Dar es Salaam and Arusha.

The TBL plant in Dar es Salaam would soon commence a $6m upgrade and construction on a canning plant to bring the facility to a par with Castle production facilities in SA.

TBL, which was currently producing about 15,000 crates of beer daily, would increase capacity to about 40,000 crates when the upgrade was completed.

In the interim, TBL would import Castle to distribute in the country. TBL also planned to build another brewery in the Lake Victoria town of Mwanza, but no date had been set.

SA Breweries chief operations executive Graham Mackay said the Tanzania deal was part of the group’s plan to market and enforce its brands in the country.

The SA Breweries and Anglo American joint venture in Zambia announced last week would also ultimately begin brewing Castle.

The brewing facilities would have to be upgraded to improve the plant’s standards before the beer could be produced, but Mackay said he was confident that brewing would commence within the year.

He added that the group was investigating other investment opportunities elsewhere, but declined to give details because of confidentiality clauses signed with some of the parties involved.
the head office staff and functions, coupled with benefits in other areas such as buying, stores and so on, could achieve savings of about R50m a year. Gilbertson has announced that Randcoal chairman John Hall will be chairman of the merged company.

Coupling Trans-Natal's reserves with those of Randcoal could provide the solution to Randcoal's Majuba colliery embarrassment. Not many investors would have forgot that Randcoal was obliged to close Majuba after spending R350m on opening it, then discovering the coal it thought was there was not really there. Closure involved some remarkable sleight of hand. Coal for the first three generating sets at Majuba power station was to be sourced from Kholatla colliery (which supplies Eskom's Kendal station). The idea was to retire the coal assets at the mine to Emalahleni and then build a new 70 km-long spur to Majuba. This would cost R300m, which was expected to be borne by Eskom and Spoornet. Now Davis says the solution is at hand and it lies in adding Trans-Natal's reserves in the area to the pile. This will make it possible to supply all Majuba's eventual six sets in addition to meeting demand from the Kendal and Matla power stations.

Other areas of synergy relate to blending intentions for the expanded group's Duha, Middelburg and Optimum collieries, this could create an excellent product for export, says Davis. Down the line there are plans to retire a foothold in the Natal market. And there is a possibility that the Camden power station may be reopened because of burgeoning power demands. The difficulties of recommissioning mothballed power stations aside, if Camden is brought back on stream, the impact on Trans-Rand will be significant.

Another issue is that Trans-Rand will be the single largest shareholder of Richards Bay Coal Terminal (RBCT), the private company which owns and manages the country's massive coal exporting facility on the Natal north coast. In the past, this has been a fiefdom dominated largely by Amco, Anglo American's coal producer. While the change in effective control is unlikely to affect RBCT's operating policies, it is impossible to believe there will be no perceptible movements in approach over time.

In the end, of course, the greatest impact of the entire deal will be felt on Gencor itself, not least because of the transformation which the move will encourage in market perceptions about the group as one emerging mining house dynamic. Gilbertson has never shrank from his publicly stated intention to turn Gencor into an international player. What is startling is the speed with which this now appears to be taking place and the momentum which has developed.

Some of this may be an accident of timing. The Billiton deal, for example, should have been consummated months earlier. Nevertheless, the impression of urgent growth is now undeniable.

It is said that fortune favours the brave. Gilbertson and his new-look Gencor certainly cannot be said to be timid.

David Gleeson

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**CADBURY SCHWEPPES**

Still plenty of bite

Changing markets means more exports — and more competition

**Cadswep’s earnings** capacity remains wrapped up in the strength and reputation of its brands, some of which go back to the beginning of the business more than 200 years ago. The share was listed in 1926 and for many years five-year compound EPS growth has hardly wavered below 20%. Yet during the past 18 months its share price has lost a tenth, to stand at R54.

Though earnings grew steadily through the recession, Cadswep is not immune from deep-pocketed rivals. It markets and distributes confectionery and soft drinks (including Coca-Cola through its 19% stake in ABI), so sales are strongly linked to consumers' discretionary income.

Turnover growth has been nominal, at around 6%-7%.

To keep profits rising, management has turned to stringent cost control, plant closures, new products and acquisitions — and a continuing heavy investment in marketing in various forms.

However, there are limits to the gains that can be derived from all these measures without recovery in consumer spending. This has helped persuade some investors to avoid the share. Other factors probably include the current vogue for cyclical stocks and Cadswep's already-high price/earnings rating.

CE Peter Bester concludes markets have been depressed in recent years and, he adds, there is still no clear evidence that consumer spending has picked up. But he is convinced that "average growth can be achieved in the medium term." He contends that job creation, rising disposable incomes and lifestyle trends should expand demand for confectionery and soft drinks over time.

Bester says gains in Cadswep’s market share in 1993 are an important indicator of the long-term strength and vitality of the group and its brands. Focused promotion of core brands has resulted in market share gains across several segments, most of which had all-time highs. Two new drink products — Emerade, a sports drink, and Cedar, a fruit concentrate — were launched last year into market areas where the group was not represented.

However, markets are changing because of political transition, an important consequence of which has been the opening of international trade. Cadswep now stands to benefit materially from growth in exports. "Already we have seen growth in traditional foreign markets and opportunities to develop new markets," says Bester. In particular, exports of chocolate lines to Russia have helped boost volumes and enabled the group to add capacity and streamline production.

The opening of foreign arenas has also allowed Cadswep to take on the sales and distribution of Wrigley's chewing gum range (Wrigley is the global leader in chewing gum).

But international trade has also brought increased competition. The apartheid years protected Cadswep — and its main local competitors, Nestlé and Tiger Oats’ Beacon — from the likes of, for example, Mars. The entry of Mars a couple of years ago and its threat to market share, says Bester, was initially taken seriously.

From Mars' point of view, it must have been a disappointing entry. At its peak, according to Integrated Business Information Services’ statistics, Mars captured 1.9% of SA’s chocolate confectionery market.
market (Cadbury’s Tempo bar in its post-launch phase exceeded this figure, says Bester) Now Mars products aren’t as apparent on retailers’ shelves as they were during the launch.

But Mars has a global reputation and as Bester remarks “This is not necessarily the end of the matter Mars could launch a second attack. We have taken account of the potential threat and kept our financial house in order”.

Indeed, when 1994 interim results were published last month, operating margins were steady but the 16% advance in EPS was derived largely from a one-third drop in financing costs.

The June 18 balance sheet had strengthened, with long-term liabilities down from R34.8m to less than R13m. Lower average borrowings and interest rates brought down the finance costs and lifted interest cover.

This was achieved despite production losses before the general election in April.

Associate ABI hasn’t escaped increased competition as lightly Pepsi entered the SA market last year and the emergence of cheaper retail brands placed pressure on margins, turnover rose 4% and EPS 9% ABI’s shelf space was also subsequently restricted.

At year-end 1993, soft drinks contributed 30% to sales and 41% to operating profit. Both down a couple of percentage points on 1992’s figures.

A more detailed breakdown of these profit contributions shows the total profitability of individual products is not disclosed. Competitors Nestlé and Beacon are unlisted so little is known about their respective margins and profits.

However, as competitors and markets change, so do consumer needs. Cadsweps must constantly adapt to ensure that brand positioning remains relevant to consumers. Customers identify with some brands, such as Chappies bubble gum, from an early age (Chappies sells more individual units than any other confectionery product in SA and it is interesting to note that more than 100 units of Chappies are consumed every second of the working day.)

Other products, such as Milky Tray and chocolate slabs, appeal to mature chocoholics while teenagers seek out what the trade calls countline bars such as Crunchies, Flakes or Lunch Bars.

Cadsweps sees this broad customer base, which is also evident in rural and urban areas, as one of its strengths.

Its product portfolio includes seasonal items. Soft drink sales peak during summer, chocolate sales peak during winter. And, during recession, squashes and cordials are popular while carbonated drinks sell better in more prosperous times.

In the long run, though, Cadsweps depends on literally millions of repeat purchases every week. This requires a high level of consumer trust and effective and persistent marketing, as well as expenditure on research for new products and advertising. Bester says annual marketing spending invariably exceeds investment in capital assets.

In 1993, as much as 13.9% of sales—or R114m—was spent on marketing. This includes TV, radio and print media advertising, as well as in-store promotions.

In 1991 and 1992, capital expenditure exceeded R100m, in 1993 it was R30m. In 1992, about R51m was spent in Cadbury on property, plant and equipment in manufacturing reconfiguration and expansion. The number of factory sites was reduced from five to three.

Internal funding
Machinery and equipment were upgraded to provide the business with an efficient and flexible manufacturing base especially for new products.

Bester says capital will be high again—about R50m—again this year. This is to be funded internally and the balance sheet is strong enough to cope with this spending, gearing was 20% at the 1993 year-end. It is perhaps ironic that the very considerable asset represented by brands does not appear on the financial statements.

Though by definition brands are intangible, they are the group’s main commercial asset.

Cadbury now holds more than half the slabs market and nearly 40% of the chocolate bar market in SA. Dairy Milk, Whole Nut, Fruit and Nut, Crunchie, Lunch Bar and Flake are firmly among the top 20 selling chocolate products on the market.

Until 1938 these products were imported from Bourneville, England, by Cadbury-Fry (Africa), which operated from a depot in Cape Town. Because of the company’s growth in SA, it was decided to start manufacturing in the country. Though Cadsweps is wholly self-sufficient in technical capability, and some locally created brands have been introduced internationally by associate companies, it can still turn to its parent for support. (It was through that parent that Cadsweps SA bid for, and signed, a Russian export account.)

The international Cadsweps Group is a major global competitor in confectionery and soft drinks, with a presence in more than 100 countries. Brands are bought in more than 170 countries, and the group’s earliest roots are in two of these, Switzerland and Great Britain.

Jacob Schweppes perfected his process for manufacturing mineral water in Geneva in 1783. John Cadbury first started selling tea and coffee in 1824 in Birmingham, within a few years cocoa and chocolate became his main business.

The two companies—Cadbury and Schweppes—merged in the UK in 1969. Since then there has been a continuous expansion worldwide.

In SA the two merged in 1970. In 1976 the soft drink bottling operations were combined with the Coca-Cola bottling business to form Amalgamated Beverage Industries (ABI) in which Cadsweps has a 19% shareholding. Its most recent acquisitions were Bromor foods in 1986 and Chapelat Humphries in 1989. Brands which have become household names, manufactured and marketed by Bromor, include Brooke’s Lemnos, Brooke’s Oros, Mor’s baking aids and desserts, and SodaStream and Maxadrink.

Brooke’s Lemnos is SA’s oldest registered trademark while Brooke’s Oros still remains the clear leader in the concentrated soft drink market.

Confirmation that products are steeped in tradition is evident in the international presentation and positioning of the Rose’s trademark. The distinctly embossed bottle has been essentially unchanged since it was introduced.

Cadsweps’s earnings grew in real terms during recession and any uptick in spending should ensure the almost flawless growth pattern will continue. There will be no fireworks and, on a price of 248.8, the stock is rather expensive at R54.2. But the strong brand names, large market shares and hefty investment in marketing and promotion should help ensure the counter remains a steady growth stock which is well worth holding.

Kate Fuchsen
SAB on global acquisitions trail

Johannesburg — New markets are opening up for brewing giant South African Breweries (SAB) after its beer was officially spurned by many countries during the apartheid era.

"Now we have become more internationally acceptable we are finding new markets are opening up," SAB's export GM said yesterday.

"We are looking all over the world and are hoping within the next six months to establish some significant links," he said, without elaborating.

SAB was already exporting to key markets in sub-Saharan Africa and South America and servicing a small niche market in Britain where its lagers were pitched against long-established competitors such as Fosters and Heineken.

Johnson said exports were currently around six million cases but anticipated some growth.

SAB exports three lagers — Castle, Lion and O'CBS — with breweries in Botswana, Lesotho and Swaziland.

- Beer turnover was R6.6bn in the year ending March 31, a major contributor to SAB's post-tax profit for the year of R1.4bn, a 15% rise on the previous year.

- SAB acquired its second Hungarian brewery earlier this month when its Dutch financial arm Finier Prv bought Komáromsorgyár Rt.

GM Martin Lehmacher declined to release the price.

Last year, SAB bought a controlling stake in Hungary's oldest and biggest beer maker, Kobanya Sorgyár Rt, which has a 34% market share — Sapa-Reuters.
Environmental audits of SAB plant planned

JOHN YELD, Environment Reporter

AN INDEPENDENT environmental audit of SA Breweries’ Newlands plant will be carried out twice a year and the findings released publicly, says general manager John Eastwood.

He was speaking at a function yesterday to announce his company’s response to an audit of the Newlands brewery by the University of Cape Town’s environmental evaluation unit — the first of its kind.

The function was attended by representatives of Newlands and Rondebosch residents and of the historic Josephine Mill.

SAB regional engineer Keith Balchun said the brewery had spent R11 million in its efforts to become a world-class facility environmentally.

They had accepted the recommendation in the UCT team’s report that SAB adopt the British environmental management system BS 7750, but had also decided to go a step further and work towards meeting the requirements of the proposed international standard, ISO 14000. They hoped to comply with this standard shortly after the scheduled issuing date of January 1996, Mr Balchun said.

All the recommendations in the UCT report had been accepted by SAB but some could not be implemented immediately.
Coke, SA black family partners

Johannesburg

The US-based Coca-Cola company said it had formed a 50-50 joint bottling venture with the Kunene family, operators of the largest Coca-Cola distributorship in South Africa.

Coca-Cola executive vice-president Mr John Hunter said the new company, Fortune Investment Holdings, was the second black ownership group in the South African Coca-Cola bottling system.

Fortune holds a majority interest in bottler and distributor Vinto Minerals, which sold nearly seven million cases of soft drinks in the Eastern Transvaal last year, he said.

The Kunene family's distributorship in the Vosloorus area sold over one million cases last year, he said.

Mr Hunter declined to comment on the impact of Pepsi Cola's announced R100-million reinvestment in SA, or to disclose the value of the deal with the Kunene family.

Pepsi announced in June it would re-invest after having divested in 1985.

"Coca-Cola enjoys a market share of 77% of the soft-drink market in this country," he said.

About 25% of their sales are through informal sector outlets — Sapa-Reuters
Coke in R50m joint venture

By ZILLA EFRAT

THE Coca-Cola Company has formed a R50-million joint venture with a family of black entrepreneurs who have become one of its largest distributors in South Africa.

The Kunene family built up its wholesaling and distribution business from the father's milk depot in the East Rand township of Vosloorus. In 1979 they ordered their first nine cases of Coca-Cola, last year they sold nearly 1-million.

John Hunter, executive vice president at Coca-Cola, says Fortune Investments Holdings has been formed with the Kunene family to hold a majority interest in Vinto Minerals, which sold nearly 1-million cases of Coca-Cola in 1985, would be managed by the Kunenes and employ about 300 people, with a bottling plant in Nelspruit and a distribution facility in Lydenburg.

Another distribution operation may be built in the Haziespruit area to expand sales into rural areas.

In addition to their interests in the fast-food business, the Kunene family distributes milk, meat, poultry, bread and maize.

The only other black-controlled company within Coca-Cola's South Africa system emerged in 1997 when the Kukumaga Group bought the East London franchise. Mr. Hunter says further opportunities to create black equity participation are being examined.

Coca-Cola announced its return to South Africa in June National Beverage Services, which supported local bottlers after the multinational disinvested in 1986, now functions as a fully fledged division of Coca-Cola.

Mr. Hunter says Coca-Cola's SA sales rank among the top 12 worldwide and make up 40% of the multinational's volume for Africa.

He estimates that the livelihood of over 100,000 black South Africans, including 36,000 in the informal sector, are linked to the sale of Coca-Cola products.

Meanwhile, more announcements are expected from Coca-Cola's major rival Pepsi next week. The local and international shareholders of New Age Beverages, which owns the SA Pepsi franchise, will be named.
Another Coke joint bottling venture

BY THABO LESEHILO

Coca Cola has launched its second joint bottling venture with a black majority partner in SA, the Vosloorus-based Kunene Brothers.

The first such deal was struck when the Kumanjaro group bought a majority interest in the Coke franchise in East London in 1987.

The Kunenes run one of the largest Coke distributors in SA, selling almost seven million unit cases of soft drinks last year.

The brothers and Coca Cola have formed Fortune Investment Holdings in which each has a 50/50 stake. The company has a majority interest in Vinto Minerals, which bottles and distributes Coke products in SA.

The parties declined to state the amount of their investment, but said Vinto was worth about R50 million.

Vinto’s other operations include a bottling plant in Nelspruit and a distribution facility in Lydenburg. The new operation will be managed by Keith Kunene and his three brothers.

Other parties with a stake in the company are Cape Town’s Peninsula Beverage Company and the Cross family.

“Our association with Coca Cola is an example of the positive way the Coca Cola system operates in South Africa, and sends the right signals to the business community here,” Kunene said at the weekend.

Coca Cola executive vice-president John Hunter said “The Kunene brothers bring with them proven ability in the marketplace and understanding of our customers and consumers, and a determination to make this opportunity work.”

The company announced its return to the SA market in June after eight years away.
NAB and Pepsi in R400-m deal

BY THABO LESILO

Pepsi Cola, which abandoned South Africa almost 10 years ago, will now be bottled in South Africa by New Age Beverages (NAB) starting next month, it was announced in Johannesburg yesterday.

New Age has been awarded an exclusive national bottling franchise by Pepsi. It will initially be launched in the PWV region, which accounts for about half of the 275 million cases of carbonated drinks sold annually in South Africa.

The company will invest R400 million over the next three years to make and distribute Pepsi, Diet Pepsi, 7-Up and Mirinda Orange Production starts at a newly built plant in Johannesburg in November.

New Age is a joint venture by Pepsi (25 percent) and Kagoli Beverages (75 percent), a group of private African-American investors.

It was formed by South African-born Ian Wilson, who spent 25 years with Coca-Cola, with black US investors including Earl Graves, publisher of Black Enterprise magazine and chairman and chief executive of Pepsi-Cola Bottling Company in Washington D.C., Motown Record Company, singer Whitney Houston and basketball star Shaquille O'Neal.

Led by the Savant Group, the consortium of more than a dozen people pumped $15 million into New Age.

New Age president Monisabatle Pandeso said in Johannesburg the majority stake in the company would be transferred to a consortium of local black investors within seven years.

Called Kuyasa (a new dawn), the consortium is made up of New Age chief executive Kehla Mthembu, Kainer Motau, Solomon Morewa, Women’s Investment Portfolio as well as the ZCC’s Bishop.

Kehla Mthembu...empowering the people

Burnabas Lekganyane and his two brothers.

Others members of the group are Afrika deputy managing director Josie Moleapa, Dr Selepe Motuba, entrepreneur Clyde Louw, Pratu Forto and director Max Maseka.

Pandeso said New Age was proud to have brought together such influential people to form Kuyasa.

“We believe that empowering blacks should not be viewed as social responsibility, but as an imperative for economic growth. We aim to do well, by doing good,” he said.

Speaking from New York, Mthembu said Pepsi would involve black people in a process of empowerment, ranging from ownership and management to community support programmes.

He said, “New Age Beverages embodies the spirit of black empowerment that is at the very heart of the new South Africa. We will seek at every turn to implement that philosophy.”

Said Ian Wilson from New York: South Africa represents an excellent opportunity, not only for Pepsi, but for any business or individual with an eye toward investing in the future.

President Mandela, who is visiting America, has called the Pepsi venture “a model for foreign investment in the new South Africa.”
$100m allotted to Pepsi's SA launch

SELELO MOTHABAKWE

US SOFT drinks giant Pepsi-Cola and black-owned New Age Beverages (NAB) would spend $100m over the next three years to re-establish Pepsi in SA, the companies said yesterday.

Pepsi and NAB — 75% owned by Egoel Beverages and 25% owned by Pepsi — would hold the exclusive bottling rights for the PWV, which accounts for half the 275-million cases of carbonated drinks sold annually in SA.

Production would start at a new plant in Johannesburg next month, and other flavours would be marketed as soon as local consumers took to the Pepsi taste. A JSE listing was also being considered.

Majority ownership of NAB would be transferred to SA shareholders over the next seven years, mainly through the issue of management and staff stock options. The transfer of ownership would be made via black-owned Kuyasa Trust.

Details of the venture's strategy to wrest market share from Coca-Cola, which currently holds about 90% of the SA market, were thin yesterday, NAB rebuffed instead on well-known personalites to smooth its way into SA, with the launch timed to coincide with President Nelson Mandela's first state visit to the US since his inauguration.

Former Azapo president Khehla Mihembu is the CE with former SA Breweries and National Sorgum Breweries director Monwabisi Fandiso president and chief operations officer.

Shareholders include Kaizer Chiefs chairman and MD Kaizer Motaung, Price Forbes director Max Musela and the female consumer pressure group Women's Investment Portfolio.

US backers, who have put in $15m as start-up capital, include actor Danny Glover, singer Whitney Houston, OJ Simpson's attorney Johnnie Cochran and basketball star Shaquille O'Neal.

SIMON BARBER reports from New York that Pepsi also tried to persuade Mandela to appear at the launch event and offer his endorsement. Thus did not go down well with his advisors, who thought Pepsi was trying to exploit the President.
Violence hits Vivo bottom line

Violence and poor trading conditions have put paid to National Sorghum Breweries affiliate Vivo Breweries’ hope of showing a profit for this financial year, executive director Israel Skosana said yesterday.

Skosana said the company had in the past year been unable to access its traditional market in the townships and hostel complexes.

However, it should return to profitability in the stabilised political and economic situation. Prospects were boosted by a multumillion rand joint venture agreement between Canadian-based carbonated drinks company Cott Retail Brands Inter Africa and African Beverages Corporation.

Skosana was tight-lipped on the company’s joint venture with Czechoslovakian brewer Ostravar Bavarna, saying the foreign company would raise its 25% stake in Vivo to 45% when it suited the parties without necessarily putting the ideal of black economic advancement at risk.
Pepsi faces R130m bill in SA's cold war

Beverage giant Pepsi and its SA bottler New Age Beverages (NAB) could face a R130m bill for installing fridges in retail outlets before they launch the famous soft drink in the PWV next month.

Industry sources said yesterday that if Pepsi, through NAB, aimed to match refrigeration facilities provided by rival Coca-Cola in the region, it would have to buy 26,000 coolers at about R5,000 each.

The PWV had about one-third of the 80,000 fridges Coke owned throughout SA to carry its products, they said.

NAB spokesman Morwabani Fandso declined to give details of how much it would invest in cooling equipment or the number of fridges it planned to purchase.

He said the company would concentrate on the PWV region initially but a push into other large markets in SA would take place early next year as part of a phased roll-out strategy.

To match Coke's 75% penetration of the national market in coolers could cost Pepsi/NAB an estimated R60m.

But sources said that they doubted whether Pepsi would undertake a massive marketing push.

"It is more likely Pepsi will enter the market slowly -- that is the company's style, and it would be impossible for the company to place so many coolers in such a short time," said one source.

The most likely scenario was a focus on the wholesale market, which would take the pressure off NAB to deal directly with retailers.

This would also have the benefit of reducing the number of fridges the bottler would have to put in shops.
Distillers has hiccup cure

ALIDE DASNOIS
Business Staff

Distillers Corporation is recovering from last year's profit hiccup and performance in the current year should equal that of 1993, managing director Jan Scannell predicted.

Speaking after the group's AGM in Stellenbosch yesterday, he said May and June had been good months, July had been difficult and August and September were on budget.

However, the bank rate hike and the transitional levy might affect consumer spending, said Mr Scannell.

In the year to June, Distillers' attributable profit dropped 16 percent to R80.8 million, hit by sharp price competition and falling consumer spending. The group decided to maintain its prices to protect turnover, a decision which had proved to be wise, said Mr Scannell.

He said the group's investment in Western Province Cellars had now been valued at its correct level, after an extraordinary write-down of R13.8 million last year.

There was no shortage of wine

though next year demand might exceed supply in particular lines such as Chardonnay, Sauvignon Blanc and Pinotage, where demand was driven by exports.

However, there was a shortage of packaging, with suppliers battling to keep up with demand.

Packaging suppliers had not "played the game" by holding prices down over the hard times. Prices of glass were high compared to other countries. This was understandable because production runs were shorter, but it made competition more difficult.

Exports had been increasing by about 40 percent a year for the last five years.

Active markets included Canada, the USA, Australia and New Zealand. The Scandinavian market was also being developed but was more difficult to penetrate because of state monopolies.

Mr Scannell said he hoped there would be no further rise in excise duties. The government ran the risk of killing the goose which laid the golden egg.
EDWARD WEST

Distillers expects earnings rise

CAPE TOWN — Wine and spirits distribu-
tor, and producer Distillers expected a
"fair" improvement in earnings in the year
to end-June 1994 as long as there were no
further unforeseen hikes in excise duties,
MD Jan Scannell said yesterday.

The expected earnings growth was de-
spite a strategy not to increase the prices
of Distillers' most important product cate-
gories — thereby lowering margins.

Interviewed after the group's AGM,
Scannell said Distillers' markets had been
buoyant since May. The group was trading
to budget although the interest rate hike
and transitional levy were expected to
dampen sales slightly.

The increase in excise duties announced
in the last Budget had, so far, had little
effect on sales, but Scannell warned any
further increase at a rate of five percent-
age points or more above the producer
price inflation could seriously affect sales
for up to four years.

In the past financial year exports grew
60% over the previous year after five
years of average export sales growth of
about 40%.

Scannell said buoyant market conditions
had resulted in periodic input supply short-
ages at Distillers, due mainly to supply
constraints on the packaging industry.

There was currently no shortage of Dis-
tillers' main raw materials, grapes, but de-
mand was outstripping supply and shortage,
particularly of the noble cultivars,
were expected in the industry in 1995.

In the annual report, chairman Jan van
Zyl said the total brandy market had
shown modest growth in the past year, as
had the market for natural wines. There
had been a sharp decline in the market for
sparking wines, while growth in the whis-
cy market had been insignificant.

Distillers' whisky trademarks had, how-
ever, shown strong growth in the past
financial year. This had been strengthened
by the incorporation of Henry Taylor &
Ries, an established importer and market-
er of well-known whisky trademarks.
Kenya to put tax on cheap SA beer

NAIROBI — Kenyan President Daniel arap Moi said taxes would be imposed on cheap South African beer imports to protect the local industry, newspapers reported today.

"They should come and invest here and not dump subsidised goods on the Kenyan market," he told a Federation of Kenya Employers workshop yesterday.

Last week the partly state-owned Kenya Breweries Limited complained that South African canned lager was selling at cheaper prices than Kenyan beer.

Prices for imported goods have been driven down in recent months because of the strengthening of the local shilling against foreign currencies following exchange reforms.

Booming coffee prices, good tourism returns, higher earnings from other commodity exports and the use of Kenya's ports and airports in humanitarian operations for Rwanda and Somalia have also flooded the economy with dollars.

The shilling is trading at 45.50 to the dollar, compared with about 55 two months ago — Reuter.
Protester shot dead

DURBAN — Police shot dead a striking worker and injured at least six others yesterday as they reacted to the clubbing of a policeman during a protest march here.

The protesters were National Sorghum Breweries employees and were marching under ANC banners.

According to a King Edward VIII Hospital superintendent, "apparently one person is dead."

Of the six people injured, two were critical and four serious, he said.

A witness said the shooting occurred about 1.30 pm.

A police spokesman said the workers began breaking the windows of parked cars and a policeman was attacked by two strikers.

"While they were wrestling a shot went off, fatally wounding one of them. The other tried to flee and was knocked down by a police car."

The spokesman was unaware of other injuries. — Sapa
Activities: Production, marketing and wholesale distribution of liquor products

Control: Rembrandt-KV Investments 60%

Chairmen: J.J.M van Zyl MD J.J Scannell

Capital structure: 140m orts Market capitalisation R680m

Share market: Price 700c Yield 4.3% on dividend, 10.7% on earnings, p/e ratio 5.4, cover 1.8, 12-month high 800c, low 580c. Daily trading volume last quarter 286 000 shares

Year to June 30

<table>
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<th>92</th>
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Economic growth prospects suggest that optimism may be misplaced. The share price suggests the market may now have seen this as having declined from 800c to its present level in the past six weeks. Still, at a p/e of 9.4 and a dividend yield of 6.1%, the stock offers sound value.

Gerald Hinkson

Recession and political upheavals

Canny investors apparently foresaw the problems as early as April 1993, when the long-term trendline of the Distillers share price on the chart, untraced since 1989, was broken.

From its R10 high, the price has fallen to 625c and, search though one might, there are no clear indications that earnings will improve in the short term.

As the FTM pointed out in March (Fox, March 4) while the liquor companies have been fighting to gain or maintain market share by discounting product and cutting margin, Distillers has held prices on most products to year-ago levels but has not resorted to discounting. Margin was eroded, but not to the same degree as some competitors.

Unlike Stellenbosch Farmers’ Winery which has depended heavily on lower priced wines, Distillers’ income is derived from sales of spirits and matured, premium wines. Chairman J.J “Boetie” van Zyl reports that the brandy market, particularly in the premium category showed moderate growth, whereas the market for wines in the medium- and premium-priced category “is still under pressure.” Nevertheless, he says, Distillers increased market share in both brandy and wine markets and generated strong growth with its trademark brands in a static whiskey market.

Turnover increased by 7.9%, mainly because the trade ordered more stock to try to pre-empt higher excise duties. This helped to cushion margin but pre-interest income still declined by 10.6%.

Liquidity remains high. The net cash inflow for the year was R132m, of which R50m was tax unpaid at year-end. Net financing income increased by R10m to R17m, but this was offset by a higher tax charge, boosted by STC and the transition levy. Attributable income fell by 11.6%.

Van Zyl is optimistic that with better export sales and an improvement in the economy, group earnings will increase in fiscal 1995. The renewed caution about

For the first time since 1988, Distillers has failed to increase earnings. It is hardly an auspicious way for new MD Jan Scannell to start his tenure, but the result is no reflection on management. It is more an indication that it became increasingly difficult to market liquor profitably during
Fawu in talks to end strike

By Mzimasi Ngudle

NATIONAL Sorghum Breweries and the Food and Allied Workers Union were locked in talks yesterday to resolve a wage dispute that has sparked a nationwide strike.

A worker has already been killed in a confrontation with police this week.

Fawu spokesman Mr Samuel Silenga said the NSB had steadfastly refused to shift from its offer of a maximum wage of R1 200. The workers are demanding R1 300

Silenga said production had halted at 17 NSB plants countrywide

NSB officials were not available for comment.

Dumisani Mathonta, a Fawu spokesman in KwaZulu-Natal, the area hardest hit by the strike, said production had been halted at eight NSB brewing and distribution points.

He said one worker was shot dead in Natal, allegedly by members of the Internal Stability Unit, another was admitted to hospital after he was run over by a police vehicle and eight others were injured during a march in Durban on Tuesday.

Mathonta said workers at NSB plants in Ladysmith, Dundee, Parkyns, Maritzburg, Empangeni, Hambanathi, Congella, Phoenix and Stanger were all on strike.
Earnings rise 23%
Seagram's local arm launched

By ARI JACOBSON

GLOBAL distilled spirits, wine and beverage group Seagram's, officially launched its SA subsidiary at a breakfast in the Cape yesterday.

Seagram's premium brands include Chivas Regal 12-year-old Scotch Whisky, Olmeca Tequila, Speed Gold and Captain Morgan — which had previously been distributed in SA through Gilbey's Distillers.

Seagram's is controlled by the Bronfman brothers, with its affiliates and subsidiaries in some 56 countries and boasting a turnover, for the year to January 1994, of some $5bn.

The international conglomerate also has major stakes in motion picture group Time Warner and chemicals group DuPont.

Speaking at the function yesterday, Seagram SA MD Peter Fleck said that the group would carve a niche in premium imported brands and would also launch new brands on to the market.

In the near term new brands would include Glen Grant Single Malt Scotch Whisky, Seagram's Extra Dry Gin and Absolut Vodka, he said.

Growing market

He said that SA was considered as a growing market — with consumption set to rise among its middle income earners.

Fleck also stressed that Seagram's would embark on a sharp drive to support those from socially disadvantaged backgrounds.
Productivity and sales add sparkle to ABI

PRODUCTIVITY gains and real sales growth saw SA Breweries' soft drink bottling subsidiary Amalgamated Beverage Industries (ABI) post a 23% rise in earnings a share to 23,7c for the six months to end-September.

ABI MD Trent Odgers said the results showed the first real growth in sales in two years despite the quiet winter trading period.

He was "satisfied" with the figures, adding that "welcome political developments" during the period had allowed the group to gain access to its informal markets and accelerate its marketing programme.

Turnover rose 11% to R579,6m and after excise duty of R33,6m (R30,6m), sales revenue rose to R446m (R489,6m).

Trading profit of R42,1m (R36m) was boosted by a rise in interest received to R900,000 from R1m paid last year after strict control of working capital.

Pre-tax income rose 16% to R43m, but the tax bill increased to R18,1m (R16,5m) despite a fall in the effective tax rate to 42,5% from 44,6%.

After-tax profit was 21% higher at R30,1m, with a 23% rise in attributable earnings to R28,7m.

The dividend rose 16% to 10,7c a share, but the directors decided to issue new shares in a capitalisation award.

Cash flow from operations jumped to R67,5m from R27,1m during the previous period on the back of increased trading profit and a decrease in working capital.

The group was virtually ungeared and interest-bearing debt fell to R5,6m from R6,4m during the previous period.

Odgers said the group was looking at upgrading its equipment and plant.

Earnings for the year to March would show a "real improvement" after the peak summer season and if the group's marketing campaigns continued.

The group's ability to maintain its market share in light of increased pressure from competitors was not an "issue" due to the recent improvement in marketing strategies and the launch of new packages.

But he warned that consumer spending was "fragile" and earnings growth would hinge on economic growth and summer weather conditions.

The bulk of the group's annual earnings relied on second-half performance, which contributed about 70% to earnings growth.

"If we have a good hot summer we will do well," Odgers added.
National Sorghum Breweries strike ends

THE three-week-old pay strike by 3 000 workers at 10 National Sorghum Breweries (NSB) plants ended last week with an agreement signed by the company and the Food and Allied Workers' Union (Fawu), the union said on Friday.

Fawu national negotiator Sebastian Hempe said from Port Elizabeth the parties had agreed on an average increase of about 14%. There was agreement on other issues such as annual leave, maternity leave, housing assistance, service, job grading system, education and training.

Part of the agreement reads, "The company and the union have agreed to enter into a profitability reconstruction plan for all marginal and loss-making divisions over a period of the next four months ending on February 1995."

An NSB spokesman said he could not say how much the strike had cost the company.

\[ \text{Performance} = f(\text{ability, motivation}) \]

- Needs practice, training, and efforts
- Sufficient exposure to knowledge not

2. Intensity of efforts

- To use new knowledge
- To assimilate
- To make sense of
- Increase the ability:

1. Prior knowledge related to task

Elements of Absorptive Capability

1. A Conceptual Framework
SAB tipped to post solid rise in interim earnings

BY CHARLOTTE MATHEWS

Analysts forecast interim figures from SAB Breweries, due tomorrow, will show an increase in earnings of 16 to 20 percent.

SAB's beer operations contribute nearly three-quarters of earnings and its other investments, which include soft drinks, retail, hotels and manufacturing, account for the remainder.

Last week SAB's listed investments reported growth in earnings ranging from 8 percent for Consmu up to 68 percent for Lion Malhe.

Major unlisted interests are OK Bazaars and Southern Sun.

Analysts said yesterday volume growth in the beer market, after four flat years, had picked up by several percentage points.

In addition, most of the listed subsidiaries' results had been better than expected.

However, a question mark hung over the performance of OK Bazaars and Southern Sun.

OK lost R74 million in 1993/94, despite sales of R5.4 billion, while Southern Sun broke even.

Analysts said even if OK Bazaars continued to report losses, they were unlikely to be as large as in 1993/94, while Southern Sun had probably started to show an improvement.

SAB shares have risen by 21 percent over the last month from R84.50 at the beginning of October to yesterday's closing price of R102.50, which was 100c down on the day.

Analysts agreed the recent climb could be due partly to the positive results reported by the listed subsidiaries, but they said there was also substantial foreign buying, albeit for no discernible reason.
SAB subsidiaries' results encouraging for group

GOOD results from SA Breweries' subsidiaries could be seen the group post a 15%-20% rise in earnings for the six months to end-September, market sources noted yesterday.

But the numbers would hinge on beer sales, which contributed about 87% to the bottom line. The beer and consumer group is due to report its interim results on Thursday, and analysts said its subsidiaries had done better than expected.

Volumes from beer sales were likely to have increased in tandem with the rise in consumer spending over the last few months, an analyst said.

New York-based merchant bank Smith Barney said the group would post an average growth in revenue of 15.8% year-on-year from 1993-1997.

Operating income was likely to grow at 15% over the next two years and net income would increase 21% in 1995 and 25% in 1996.

Another analyst said he expected SA Breweries to post a "pretty good" 15%-16% rise in earnings. "Its smaller subsidiaries have reported good results over the last few weeks," he said.

For example, Lion Match saw earnings a share rise 68% to 25.58c for the six months to September. Turnover rose 11% to R78.7m and much of the rise in earnings was due to an increase in interest earned on the group's cash resources.

Plate Glass also reported a 20% rise in fully diluted earnings a share on the back of a 17% increase in turnover to R1.8bn for the six months to end-September.

Furniture subsidiary Afeol saw attributable profit increase 36% to R33.1m for the six months on the back of increased consumer demand.

Sales for the period rose to R516m from R421m during the previous period.

But stock's group OK is still likely to post losses for the period. Its share was delisted early in the year after it reported a R35.9m attributable loss in the interim stage last year.

One analyst said the roughly R70m loss posted by the share for the year had cost shareholders R3c-5c a share at the March year-end. While the losses for this year would obviously be reduced, he said, it could see earnings a share up by up to 10c a share.

The group's share price surged to a new high of R145 last week but analysts said much of the rise might have been due to the stronger market.

The counter ended R1 off yesterday, closing at R142.50 as shares worth R3.5m changed hands. "It has had a run recently and we feel it may have been overbought," one dealer said.
Pepsi plant protest disrupts deliveries

BEATRIX PAYNE

DELIVERIES from Pepsi's Germiston plant were disrupted again yesterday despite renewed attempts by the PWV legislature to mediate in the dispute between job seekers and management, New Age Beverages (NAB) president Nosawabisi Fandeso said yesterday.

The plant - which employs 150 workers - had been beneged by about 3,000 unemployed people who had prevented delivery trucks from leaving the premises and had harassed workers, he said.

The disruptions had interrupted production but NAB would still try to meet supply deadlines for the official launch of Pepsi in SA on Thursday.

The PWV government's economic affairs committee chairman, Andrew Feinstein, said the legislature was 'keeping an eye on the problem'.

"Normally government would not get involved in problems between employers and employees, but this situation is slightly different," he said.

The provincial government had stepped in as it was concerned foreigners would be discouraged from investing in the region.

"It is certainly a cause of much concern among the investors and they are watching the situation closely," Fandeso said.

So far, R100m has been invested in the relaunch of Pepsi in SA and there are plans for a further R400m to be spent over the next three years.

To Page 2
Pepsi plant protest disrupts deliveries

BEATRIX PAYNE

DELIVERIES from Pepsi's Germiston plant were disrupted again yesterday despite renewed attempts by the PWV legislature to mediate in the dispute between job seekers and management. New Age Beverages (NAB) president Monwabisi Fandiso said yesterday.

The plant — which employs 180 workers and has been besieged by about 3,000 unemployed people who had prevented delivery trucks from leaving the premises and had harassed workers, he said — had been producing at only 40% of its capacity. The disruptions had interrupted production but NAB would still try to meet supply deadlines for the official launch of Pepsi in SA this week.

The PWV government's economic affairs committee chairman, Andrew Feinstein, said the legislature was "keeping an eye on the problem".

"Normally government would not get involved in problems between employers and employees, but this situation is slightly different," he said.

The provincial government had stepped in as its concern was that the strikes would discourage potential investors in the region. "It is certainly a cause of much concern among the investors and they are watching the situation closely," Fandiso said.

So far, R100m has been invested in the relaunch of Pepsi in SA and there are plans for a further R400m to be spent over the next three years.
Pepsi

Included in the group of African-American backers of NAB are US basketball star Shaquille O'Neal and singer Whitney Houston, who is visiting SA

A spokesman for the protesters, Maschipu Matsepoane, said Pepsi had violated a September agreement by not employing people waiting outside the factory gates, and had instead recruited workers from other companies.

Fandoze said NAB wanted to make it clear there were no further jobs available.

The company would consider legal action against the jobseekers if disruptions continued, despite the fact that this would not "go down well" with the foreign investors, he said.
SAB notches up 20% earnings lift

JOHANNESBURG — SA Breweries reported a 20% surge in earnings to R24.4c a share for the six months to September on the back of growth in most of its divisions and improved operating margins, group finance director Nigel Cox said yesterday.

He said the results were good in the light of a modest 2% rise in private consumer spending. But the general stability after the elections had improved consumer confidence.

He said the group was delighted with the results, which went beyond market expectations of a 15%-20% rise in earnings.

Turnover during the six months rose 14% to R12.9bn and trading profit rose 19% to R1.2bn from R971m last year.

Operating margins improved in all divisions on the back of enhanced productivity and cost-restraint programmes.

Dividend income fell to R38m (R43m) and net financing costs decreased to R241m from R248m last year. This left income before tax 24% higher at R949m.

Taxation costs increased to R39m (R306m) and, with equity accounted retained earnings at R22m (R12m), after-tax profit increased to R582m from R471m last year.

The group paid R167m (R114) to outside shareholders and R42m in preference dividends. Earnings attributable to ordinary shareholders rose 21% to R342m and a dividend of 47c (39c) a share was declared.

The SA beer division saw its contribution to attributable earnings rise 21% to R250m. This represented 73% of the group's earnings for the period.

The group's foreign investment vehicle, Westgate Worldwide, reported a 22% rise in earnings to R33m and the group's other interests performed "very satisfactorily", with combined earnings 20% up at R59m.

But wholly owned subsidiary OK Bazaars remained in the red. Cox would not put a figure to its loss, but said it had shown a similar loss to the R39.9m loss recorded last year.

The chain contributed about a quarter of the group's turnover and was likely to reach break-even point during the next six months. It reported a R75m loss for the year to March.

Cash flow from operations jumped to R1bn (R721m), which highlighted the success of working capital management programmes which were applied across the board, he said. Net cash invested over the period fell to R763m and the board approved a further capital expenditure programme of R1.6bn.

This would be invested in the group's plate glass and hotel interests and would be used to finalise expenditure on the expansion of its Aloe beer brewery.

He said the group intended to maintain earnings at current levels despite short term prospects of moderate economic growth. SAB was concerned that personal disposable income would remain under pressure from increasing inflation, higher interest rates and the effect of the transition levy.
Better conditions give lift to SAB bottom line

BY CHARLOTTE MATHEWS

SA Breweries increased profits by 21 percent to R542 million in the half-year to September after a period of better trading conditions than in the comparable six months of 1993.

This was slightly above even the most optimistic of analysts’ forecasts.

Turnover grew 14 percent to R12.9 billion, while trading profit was 19 percent better at R1.2 billion, showing the benefits of productivity enhancements and cost restraint.

Financing costs eased and the tax rate was almost unchanged.

Addition replacement cost depreciation of R31 (R32) million represents an add-on to normal depreciation to provide for the actual replacement cost of assets and equipment.

Most other companies make only the basic depreciation write-off.

On a slightly increased number of shares in issue as a result of an acquisition during the intervening period, earnings were 124.4c (103.4c) a share.

Earnings on a cash equivalent basis, which shows the actual cash generated per share, were 284.1c (210.1c), only 4 percentage points above net cash flow a share of 255.1c (91.7c), indicating careful cash management.

Capitalisation shares or a cash dividend of 47c (31c) a share have been declared.

The beer division contributed the bulk of attributable profits and improved by 21 percent against the same period in 1993.

Group deputy chairman Selwyn MacFarlane said yesterday beer volumes were an encouraging 5 percent higher year-on-year, but whether this could be maintained in the second half depended on continuing political stability and the summer season.

The contribution of Westgate Worldwide, which houses the group’s international interests, grew 22 percent to R38 million.

Other interests, including both its listed and unlisted investments, made a 20 percent higher contribution to group profits at R59 million.

MacFarlane said Southern Sun had shown an improvement after weak trading in April and May.

Its profit in the six months to September 1994 was R10 million and occupancy rates had been 62 percent at the end of the period, rising to a current level of about 70 percent.

OK Bazaars made a loss of R40 million, similar to its loss in the same period of 1993, but management believes it has now stabilised.

Taking into account the extra costs of closing down stores and rationalising the chain, it was showing an improvement over 1993 and in the second half of the year it was expected to break even.

New management has been put in place, unprofitable stores closed and the number of line items reduced.

OK Bazaars had a well-established brand name and its turnover was R5 billion.

The challenge was to enhance its returns, MacFarlane said.

The group expected to maintain the rate of improvement in earnings and dividends in the remainder of the financial year, despite concern that personal disposable income would be affected by increasing inflation, high real interest rates and the impact of the transition levy.
The problem with the local industry is that territories are clearly demarcated, making it difficult to grow except through acquisitions. Suncrush, with its cash-generating ability (gross cash flow is up from R76m to R92m), is becoming increasingly reliant on investment income to boost earnings growth.

In financial 1994 investment income more than doubled to R13.7m, mainly from the increased holdings in Tempora and Ettington Investments now account for 12.8c, nearly a quarter of EPS. Hamilton says this component should increase to about 14c this year.

Signs of an improving market came through at the interim, which helped push the share price up from a low of 810c to 1 100c now, just off the highs for the year. The price may have run ahead of improved prospects. Suncrush is a safe investment but looks fully priced.

- **Suncrush**

  **Volumes bubbling**

  **Activities:** Makes and distributes soft drinks
  **Control:** Dalys 50.5%
  **Chairman and MD:** R D Hamilton
  **Capital structure:** 148,2m issued Market capitalisation R1,84bn
  **Share market:** Price R11 Yields 1.5% on dividend, 6.0% on earnings, p/e ratio, 20.1, cover, 3.4
  **12-month high, low:** 1 128c, 810c Trading volume last quarter, 6.5m shares

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- Restated

Suncrush has entered the new financial year with an even stronger balance sheet and a growing stream of income from investments, largely investment trusts Tempora (now 48.7%-held) and Ettington, in which the bottling group increased its stake from just under 20% to 89%.

It also appears that some factors which depressed volumes over the past few years, such as the increase in excise duties and VAT, are out of the system. Executive chairman Rob Hamilton says volumes in financial 1993 have been improving. He believes the trend of declining sales may have turned.

Against this improved outlook, however, comes the threat of increasing competition.
SFW

Diminishing returns

Activities: Production, marketing and wholesale distribution of liquor products.
Control: Rembrandt-KNW Investments 60%
Chairman: F J Davin MD F H Stroeckel
Capital structure: 140m ons. Market capitalization R560m
Share markets: Price: 400c; Yields: 3,0% on dividend, 9,3% on earnings, p/e ratio 9,3, cover 3,1.
12-month high, 525c; low, 220c. Trading volume last quarter, 271 000 shares.

Year to June 30

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It's all very well collaring the market if your investment generates a reasonable return. If it doesn't, the strategy is defeated.

That is the view an investment analyst is compelled to take. In these terms, and judging by the returns over the past six years, Rembrandt's dominance of the non-beer liquor market and, more particularly, its control of Stellenbosch Farmers' Winery (SWF) has been a flop.

SWF's dividend, for example, has increased from 10,5c in 1988 to 12c in 1994, which is 2,3% compounded annually. EPS has grown similarly. This was negative real growth over of about 10% a year. One reason is the change in wine consumption patterns at the lower end of the market, where sales stagnated through the Eighties. This problem has been compounded for SWF. It is bound by the Wine & Spirit Control Act to conform with KWV's fixed minimum prices that distinguish between distilling wine and natural wine.

The primary producers (wine farmers and co-operative cellars), on the other hand, have been selling wine to consumers for less than the statutory minimum price. SWF has had to watch its share of the medium-to-standard-priced wine market decline over the years while this practice continued and the market contracted in real terms.

These wine categories once constituted SWF's largest proportion of sales and were the backbone of its earnings, no longer.

SWF was once the largest seller of brandies too. It was long ousted from that position by Distillers Corp. It was also the largest seller of white sprits, especially after the introduction of Mainstay cane sprits. Alas, no more. Recession and keen competition further reduced margins, as consumers moved to cheaper products.

In financial 1994, township unrest inhabited normal deliveries, yet sales increased by a surprisingly high 19%. One cause was that retailers, spurred by fears of sharply higher excise duties, stocked up.

There were also concerted marketing campaigns to try to win back brandy, whisky and white spirit market share and to promote sales of cider products which are gaining consumer acceptance. Though these objectives were met, margins suffered, pre-interest profit fell 14%. A higher effective tax rate further reduced earnings.

Debt has been reduced and the year-end cash balance was R38m, thanks largely to lower capex and working capital.

The liquor market remains tough. Nevertheless, SWF's share price has continued to rise: from a low of 110c in 1990, it reached a high of 550c in July before falling to 400c now.

The p/e seems modest compared with the industrial market, but the earnings record suggests it should be even lower. Clearly, though, some investors are expecting better. Yet there is little assurance that improved sales generated after the elections will be sustained, or that better sales will mean healthier profits.

Gerald Koster
Clearly what they lack in numbers, whisky drinkers more than make up for in their dedication to the amber fluid.

So important is the SA market that James Buxner, chairman of the Scotch Whisky Association (SWA) chose SA as the place to kick off the worldwide celebrations of the 500th anniversary of Scotch whisky. Festivities started with a blending demonstration at Vaughan Johnson’s Waterclare Wine Shop followed by a formal reception at the residence of the British High Commissioner in SA.

The volume of Scotch whisky shipped to SA in 1993 was 6.5m l, the equivalent of 23.2m bottles worth £42m — 6% up on 1992. The figures for the first eight months of this year show the trend continues.

In the end of August (four months away from the festive December period), nearly 4m l of Scotch whisky was imported.

The volume of Scotch malt whisky bottled in Scotland and shipped to SA was 176% up on the first eight months of last year.

Campbell Evans, spokesman for the SWA, says the US is the biggest export market, “but that’s because of the size of the market. They don’t drink nearly as much per head as regular South African Scotch whisky drinkers do.”

He attributes Scotch export success to finding new markets, many of them in wine-producing countries. Spain is the third largest export market, in Greece they drink more Scotch than ouzo, Italy is the biggest export market for Scotch malt whisky “and there’s a great interest in France.”

Quoting statistics compiled by Ibis Information Services, Patrick Cardwell, MD of United Distillers, the biggest local importer of Scotch, says whisky now accounts for 20.6% of all spirit sales at SA compared with 18.9% two years ago. The 200-odd brands of secondary whiskies enjoy 61% of the market: Cardwell classifies secondary whisky as brands that aren’t advertised but which sell well because they cost less.

Bells, a proprietary brand, is among the top 20 liquor brands, including beer, and has been the best-selling whisky in SA for more than a decade. It had 14.9% of the market in July, followed by J&B, also a proprietary brand (10%), First Watch, a secondary Canadian whisky (7.2%), Knights, a locally bottled Scotch secondary (4.6%), Vat 69, also a secondary Scotch (4.2%) and White Horse, a proprietary Scotch with 3.9%.

Scotch enjoys 76.5% of the whisky market in SA; followed by SA whisky with 11.7%, Canadian 10.8%, and American and Irish 1% between them.

The increased sales of premium whisky are reflected in the Ibis figures: Cardwell quotes they currently account for 3% of all sales. Chivas Regal moved from a 16.9% share of this sector in July 1993 to 19.4% in July this year. Dimple Hag moved up from 11.6% to 12.4% and Johnnie Walker Black Label from 10% to 10.8%.

SCOTCH WHISKY

We’re the champions

Beer drinkers in SA probably outnumber Scotch whisky drinkers 10 to one. But that hasn’t stopped SA becoming the world’s tenth largest export market for Scotch.
Incentive to go 'green' - a saving of 9c a litre

Unleaded petrol will probably be sold at about eight or nine cents a litre less than leaded petrol — at least in the short term — although it costs more to produce at South African refineries.

Because the oil companies had been required to invest about R270 million in their refineries to produce unleaded petrol, they had to be allowed a buyers' incentive to make the investment economically viable, SA Petroleum Industry Association director Colin McClelland said.

"In order for the distribution chain to work efficiently, one needs to have a market penetration which has been computed to be about 20 percent of petrol sales.

"But there are relatively few new cars coming on to the market which actually require unleaded fuel, so one needs to convince some people who are currently using leaded petrol, but whose cars are compatible with unleaded, to change over."

The best incentive to convert was charging less for unleaded fuel, Mr. McClelland said.

"It's a very difficult game to call, but from statistics that we've looked at around the world, it was felt that a five percent price differential would be required initially to entice people across to unleaded fuel.

"At the current fuel price, that works out at around eight or nine cents a litre less."

That will probably be accounted for by a tax differential, with leaded petrol becoming slightly more expensive.

But there is a political price to pay for that decision — the poorer sections of the community are least able to afford newer cars which can use the cheaper, unleaded petrol.
War between Pepsi, job-seekers escalates

HAZEL FRIEDMAN

"WE WILL not budge until our demands are met." These were the words of Machapi Matlapane, the spokesman for more than 1,000 job-seekers who have been camping outside the Pepsi Cola plant in Germiston since July.

A mini-war has erupted between the beverage company and the job-seekers, resulting in violence and accusations of foul play from both sides. And if the conflict is not resolved soon, it could well take the fizz out of future foreign investment in South Africa.

On Thursday the pavement outside the Pepsi plant was filled with people. With five other job-seekers, all of whom had been unemployed "for two years", Matlapane formed a committee "to assert the rights of the unemployed".

He said: "In July we heard Pepsi was reinvesting in South Africa and we were very excited. But we were told they had vacancies only for 150 people and that most had been filled. That is a lie."

In September the committee reached an agreement with Pepsi's management: when recruiting additional staff, the plant would hire people waiting at the gate by drawing names from a box. That month the plant employed four job-seekers on a permanent basis, in October six more were hired on a temporary basis. The latter, Matlapane, were told to leave before they were due to register this month. He accused Pepsi of reneging on the agreement and poisoning staff from rival companies instead of recruiting the unemployed.

Then Pepsi allegedly hired "hit squads to get rid of the job-seekers", resulting in "the shooting of two and the stabbing of three".

Pepsi told a different story. New Age Beverages president Mornwabhi Pandesha denied poisoning staff from rival companies.

Hostages

The company had tried to fill vacancies from the gate but this had proved unsuccessful. Job-seekers had stormed the plant, disrupted deliveries and taken hostages.

Matlapane said, "People were already occupied. They were told that there were vacancies. Everyone was there. The police were not involved."

Regional authorities were forced to intervene after the job-seekers marched to the PWV legislature Economic Affairs MEC Jabu Moloketsi was designated to handle the conflict, but it is far from resolved.

On November 10 the job-seekers marched to the Standard Bank Arena, where Pepsi was holding its launch with Whitney Houston, and handed New Age Beverages's Ketla Mthembu a memorandum demanding that Pepsi cease poisoning staff, stop using self-defense units to intimidate job-seekers, and apply affirmative action policies.

It is ironic that New Age Beverages, described by Deputy President Thabo Mbeki as a "model for foreign investment", should be prevented from operating by people who are not even in its employ.

But this is just one of a series of obstacles Pepsi has had to deal with on its return to South Africa after a nine-year absence. At the concerts in Houston, Pepsi's prime image-builder, there was not a Pepsi sign or tune in sight, as Coca-Cola owns the advertising rights to the stadiums in which "The Sun".

Matlapane and his committee of five are determined not to budge from their demands, in spite of the potential repercussions for future investment. "We welcome foreign investors but they must play according to the rules of the new South Africa. We will act against all those who refuse to respect the rights of the unemployed."
Taking the Izz out of Pepsi

Leaders of the pack: Two names on the side of local government and business who won’t take no for an answer.

South Africa
Jobless generation hits Pepsi

The desperation of unemployed workers is an unexpected hurdle for Pepsi. Reg Rumney reports

The continuing protest outside the Germiston plant hits the Pepsi franchise holder, New Age Beverages, where it hurts most.

Such bad publicity must distress the Afro-American backers of the company who, with locals, own 75 percent of NAB. They include Whitney Houston, and luminaries like Luther Ragni, chief financial officer of the publishing house, Earl Graves. Being a black-owned company must have seemed like foolproof insurance against mass action, particularly one committed to community involvement.

To describe the as a major barrier to future foreign investment, as PWV Economic Affairs Minister Jabu Moloketsi did, is a bit overblown. The protests have not, for example, deterred McDonald's from advertising in the black media for likely franchisees.

Still the protest is a boon to rival Coca-Cola.

NAB spokesman Monwabisi Fandeso describes the targeting of Pepsi by the protestors as "extraordinary."

Local government has had difficulty resolving the protest, because there is no legal basis for intervention. No law forces Pepsi to train workers, and people have a right to voice their opinions.

Moleketi suggests the protest points to, among other things, the extent of the unemployment crisis. Any new plant, he says, is beset by jobless people. Also, the return of Pepsi to South Africa was "oversold" and the perception created that thousands of jobs would be available.

Moleketi suggests some kind of code setting out where investors could aid the reconstruction and development programme, in training new workers, for instance, and providing incentives for them to do so.

The protest hasn't been the only hurdle Pepsi has faced. That Pepsi wasn't available at the Whitney Houston concert must have left a bitter taste in the mouths of sponsor Pepsi Cola.

Coca-Cola's exclusivity agreement with the stadium kept Pepsi out. The absence of its product and advertising at its own event is symbolic of the bigger struggle Pepsi will have to put down roots in an area where Coca-Cola has thrived unchallenged for a decade.

Coke acted long before Pepsi's arrival, when the only threat was the emergence of the "no-name" brand colas, such as Makro's American Cola.

Coke's buttressing of its position has been obvious, promotions and discounts have cobbled its chance and fast food its visibility in supermarkets has been boosted by a range of new coolers.

The hefty $100-million Pepsi is bringing in over the next three years may not be enough to re-establish a brand which is not even a dim memory in the minds of Pepsi's youthful black target market. Apart from the costs of setting up a plant, putting out a glass "float" of returnable bottles, there is Coke's trump card, the fridges it has installed in retail outlets. The cost of matching Coke's presence in coolers is estimated at upwards of R100-million.

"We don't intend to fight them rand for rand," says Fandeso, adding that NAB realises it will have to use its limited resources cleverly. It has already introduced a 1.25-litre returnable glass bottle, to which Coke has responded with a similar size.

Fandeso will not reveal plans, though the group reportedly plans to snatch 30 percent of the market from "Coke in the next three years. It is also reported to be planning to set up a national distribution network within the next two years, with bottling plants in the Cape and in kwaZulu-Natal.

For the moment its beach-head is the PWV, where it started to roll out the co.
Demands exceed Pepsi’s supply

PEPSI has become the choice of an unexpected generation — hundreds of unemployed people queuing up for a job outside its new Germiston plant for months.

The plant has been the scene of violent clashes. The PWV government has been involved in discussions and the police have been called in several times.

The job seekers are waiting for a further meeting with Khehla Mkhethwa, who heads the SA Pepsi franchise, New Age Beverages, and Kuyasa Trust, the local black investment consortium involved in Pepsi’s return to South Africa.

The trial includes Khehla Mkhethwa, Khehla Mkhethwa, Khehla Mkhethwa, and Max Masela representatives of the Zion Christian Church.

“We will not budge until Pepsi meets our demands,” says Norman Nxasana, chairman of PWV Job Seekers, a body formed by the unemployed group.

Among these demands are that Pepsi recruit workers from its gate and that it “implements RDP affirmative action”.

Mr Nxasana adds that about 20 of the job seekers at the gate have the right experience as they were retrenched from the food sector.

Asked why the job seekers were demanding jobs from Pepsi and not other foreign companies, Mr Nxasana says, “Pepsi is a big company which is starting afresh in South Africa. We were hoping that it would open many branches and there would be lots of work.”

Macho Matlepoane, a spokesman for the group, believes Pepsi’s actions have been against the “rules of the new South Africa.”

Asked about the threat to further foreign investment, Mr Matlepoane says, “We welcome other foreign investors but they must consult those who are unemployed, not those who are employed.”

NAB’s Mr Mthembu describes the situation as “explicable.” He says while many of the people outside the plant may be desperate, he is not ruling out the possibility of a secret agenda.

He denies that the group verbally guaranteed employment to the job seekers.
SAB chief predicts expansion into growing foreign markets

The Argus Foreign Service
LONDON. — South African Breweries will be investing and expanding in Africa, South East Asia and Eastern Europe in the next 10 years, and has meanwhile found a fast-growing export market in South America.

At "roadshows" for London and Scottish institutions, chief operating executive Graham Mackay poured cold water over speculation that SAB intended acquiring Breweries in Britain and other developed nations.

He described the SAB roadshow feature film as "gone with the wind".

"Our chairman (Meyer Kahn) wants it, so we must all bear it," he said.

In reply to a broker who asked whether he foresaw foreign competition in the South African beer market, Mr Mackay sincerely doubted whether such a venture would prove to be a good business proposition.

SAB had succeeded partly because of its control of distribution, he said.

The broker, who represented Nedbank's London office, wondered whether Castle and Lion would become "boring" drinks for the South African public. Locals would become more sophisticated now that South Africa was part of the international community.

Mr Mackay and Mr Kahn replied that millions of mainly black consumers loved Castle, and considering the growth in sales the marketing formul

la was working. SA Breweries produced in the past year 31 million hectolitres of beer, or in pub parlance, more than 5 billion pints.

SAB was ranked sixth in the world after Anheuser-Busch, Heineken, Miller, and Kirin.

The top 20 brewing companies produce 605 million hectolitres, according to Warburg Securities. This was about 50 percent of world sales. SAB was just behind Foster's, the Australian brewer.

That was no mean feat considering that in its 53-day tour of Britain the Australian rugby league team drank more than 16 000 pints of imported Foster's lager.

South Africans consumed around 23 million hectolitres of SAB's beer, Mr Mackay said, while international sales were around 8 million. By the turn of the century, South Africans alone would drink 30 million hectolitres, he predicted.

To date SAB's most substantial overseas investment was the 50 percent equity stake in Kohanyai Sor

gyar, Hungary's leading brewer. Local brand names were being produced and sold.

The United States was the biggest market, consuming 245 million hectolitres, and Germany the second, consuming 160 million, according to Warburg Securities, which considered SAB shares a "long-term buy".
Toco Holdings nets 18% income growth

JOHANNESBURG — Industrial products manufacturer and marketer Toco Holdings overcome election disruptions and the many public holidays in the early part of the year to report an 18% increase in attributable income to R11.5m for the six months to September.

The group posted a 16% rise in turnover to R209.6m, while a 19% increase in operating income to R17.6m also helped boost the bottom line.

The growth in turnover and operating income contributed to an 11% rise in earnings to 13.8c a share. No dividends were declared, but bonus shares would be announced with the full-year results.

Toco chairman Paul Todd said the results were "satisfactory" given the disruptive environment of the election and the profusion of public holidays.

"The lifting, gasket, steel, parking and automotive refinishing divisions all performed satisfactorily, and have excellent prospects for the second half of the year," he said.

Todd said the group's export order books were full, and he was confident Toco would be awarded a portion of the contract for vitreous enamel cladding for the Hong Kong underground, which would have a positive impact on earnings.

The group's building division had managed to overcome the "serious industrial unrest in the wake of the elections." Appropriate action had been taken and the division was back to full production.

Expected losses from the building division had been fully accounted for in the half-year, he said.

The group had reduced its gearing from 34% to 26% at the interim stage, he said.

Group MD Adrian Goodman said the first of ten promissory notes for its Park Plus division had already been paid.

"Park Plus continues to expand steadily in North America and other global markets. We believe that our venture into the rental market will provide a more regular income stream in the medium to long term," Goodman said.

Porter growth ‘on track’

Business Editor

The current half year is going well for Brian Porter Holdings, chairman Brian Robinson told shareholders at the agm on Friday.

He said business in July and August had been exceptionally good and, although September and October had "fallen into a hole" as a result of the strike in the motor industry, business had picked up well in November.

He was "confident of improved earnings in coming months.

Financial director Roger Ramsbottom said after the meeting the trend was for smaller, more affordable cars.

There was talk in the industry that import duties would come down early in the new year and a wider range of cars would be imported.

Some, which were well known overseas but had not been seen in SA, were already being offered to dealers.

Income at National Sorghum plummeted

JOHANNESBURG — Operating income at National Sorghum Breweries Ltd dropped sharply in the year to June 30 to R13.4m (R32.3m).

Turnover edged up 2% to R543.5m (R532.8m) but costs outpaced sales growth. The result was further hit by high interest expenses and an additional R25m restructuring cost.

Net income attributable to shareholders after extraordinary items was R11.9m (R20.6m).

A final dividend of 4c per share has been paid, bringing the total dividend to 14c for the year.
Food division eats into NSB profits

BY THABO LESHILO

Unlisted National Sorghum Brewers (NSB) has posted a 69 percent drop in operating income to R13,4 million for the year to June, due to its loss-making Jabula Foods division.

The division, acquired from the Premier group, lost a whopping R17 million.

Net income attributable to shareholders after extraordinary items fell from R20,6 million to R11,9 million.

Operating profits from the NSB's traditional beer core business were marginally lower at R32,7 million compared with R34,3 million.

Dividends for the year totalled 14 cents, twice covered in the rough diamonds it can sell independently of the CSO (now limited to five percent).

— Reuters
Aroma beats tough trading conditions

CAPE-based liquor retailer Aroma Drop Inn's net income after taxation rose 4% to R202,000 for the six months ended August 31 amid difficult and competitive conditions, MD Mike Kovensky said yesterday.

Taxed income rose 7% to R186,000 after provision of R6,000 was made for the share of an associate company's loss.

Turnover rose 7.3%, while operating income rose 68% to R887,000. Earnings a share amounted to 1.2c (1.1c).

Aroma acquired certain operating assets, including 10 Drop Inn Liquor stores, from the Drop Inn group from August 1.

Kovensky said the group now covered virtually the entire Cape Peninsula. He said an innovative and aggressive advertising campaign had led to increased turnover and improved market share.
BOTTLING INDUSTRY

The more the merrier

Wine producers in the Western Cape are hoping for a reduction in the price of wine bottles with Metal Box Glass returning to wine bottle production.

The company opted out of making green wine bottles in 1992, leaving wine makers to turn to Consol Glass as virtually the sole supplier.

The wine makers believe that having an additional source of supply could also ease their periodic supply shortages and enable them to export more wine in bottles.

"Many producers export wine in bulk, especially to Benelux countries, France and Italy because packaging costs less overseas," says Ianane Retief, who chairs the Exporters' Association.

"But they risk damaging their reputation.

They have no control over the sterility of the plants nor the bottling processes and cannot prevent them substituting good SA wine with poor foreign wine, which some-

BUSINESS

times happens. Some so-called 'SA wine' we tasted overseas was atrocious."

Boland Coetzee, owner of Vnesenhof near Stellenbosch, says it costs R27-R30 to bottle a case of wine in SA. R17 in the UK and R16 in Sweden. The cost of a local bottle, the most expensive packaging item, ranges between 89c-R1.25.

"A group of Stellenbosch producers did a survey comparing overseas and local bottle prices. They found that if we ordered 5m bottles from overseas, we could get them 38% cheaper than the local bottles and the glass is vastly superior. If we fill them and export the contents, we save 38%. But of course, if the wine is distributed in the local market, duty and surcharge must be added," Coetzee says.

That invariably adds an additional 22% on the landed cost of the green wine bottles.

There has been a shortage of bottles recently and producers would have been in serious trouble had Metal Box Glass not made a few special wine bottle runs.

The company has since tied up technology agreements with some of the best overseas manufacturers.

Consol Glass MD David Spindler, who regards Metal Box Glass as a worthy competitor which could ultimately secure 25% of the wine bottle market, says that standard SA wine bottles, at 81c each, are cheaper than US or Australian bottles which cost R1 to R1.40.

But, because Europe has the benefit of economies of scale, they're more expensive than European bottles. In Europe prices are also being depressed by a bottle price war.

SA wine producers need 75m bottles a year — less than 1% of European demand.
NSB is small beer

Mohale Mahanye: 'Don’t get into the ring with SA Breweries'

Ditional consumers, NSB also relies on the community to distribute its products, using the networks represented by SA Taverners’ Association and bowlers. Over 80 percent of its distribution is done this way.

Mahanye has just taken the bold step of ditching NSB’s sales force. Township workers, he says, sometimes sell to salespeople and cost less. They only need a bigger slice of the profit.

Most of NSB’s 10 000 shareholders are first-time shareholders — mostly women. Seventy percent of the retail beer retailers are black women.

NSB’s inaction has had a social investment programme. Mahanye says one cent out of every can of beer or cooldrinks sold goes to education, and NSB is sponsoring a student in every university or technical in the country.

The company was formed four years ago when the South African government-owned township beer brewing plants were privatized by selling shares exclusively to blacks.

The shares are tightly held.

We have paid at least a 20 percent dividend since the company’s inception. Those who paid R1 a share have already got back 56 percent of the original investment.

Mahanye puts the present value of NSB’s shares at R5 to R10.

A divorce was even more drastic, made possible because of the R24 million loan made by Jabula Foods—a loan which will be recovered by the right side of Jabula, leaving the company to concentrate on supplying clear beer.

Vivo, a wide range of South African beer products, and Naton’s Pride carbonated cordials

NSB lost the personal account, and was not told why.

Losses on the lager beer side, Vivo Fine Lager, are minimal, and have been incurred in development.

Despite major capital investment needed to get the Vivo Africa Breweries running, gearing has improved from 82 percent to 67 percent.

The Jabula debacles, which will mean retribution for over 300 people, says Mahanye, cut deeply into the operating profit of R30 million, down 4.6 percent from the previous year. On turnover up by two percent at R343.5 million, Vivo beer profit fell 53.2 percent to R12 million.

Political violence also played its part in the next two-thirds of its Natal market this year.

The advent of democracy has opened up opportunities in Africa, for instance in importing South Africa’s products to other African countries, using South African technology and know-how. Already, production of Vivo has been constrained by a shortage of cans, as demand exceeds supply. Viva exports to Zambia and Monastique. There is a possibility brewers will be set up in South Africa.

The advent of democracy has opened up opportunities in Africa. In recent months, South African companies, such as South African Breweries, have been increasing their investments in African countries, using South African technology and know-how. Already, production of Vivo has been constrained by a shortage of cans, as demand exceeds supply. Vivo exports to Zambia and Monastique. There is a possibility brewers will be set up in South Africa.

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Mediation at Pepsi plant

Johannesburg — The Independent Mediation Services of South Africa (IMMSA) has been called in to break the deadlock between Pepsi and unemployed workers demanding jobs at the new firm's plant. IMMSA will negotiate for the new firm, New Age Beverages, which is Pepsi's holding company in SA — and workers calling themselves the Gauteng Job Seekers' Association — Sapa.
Call to resolve brewery strike

PIETERSBURG. — The office of the Northern Transvaal premier yesterday called on the management of South African Breweries and striking workers at an SAB plant here to seek a peaceful solution to their dispute.

Spokesman Mr Jack Mokobi said a security guard shot dead a striking worker last Friday.

"We also learnt that striking workers yesterday burnt a delivery vehicle on the SAB premises."

"We find no justification for violence," Mr Mokobi said. — Sapa
MANUFACTURING - BEVERAGES

1995
Pepsi Cola pacifies jobseekers

BY THABO LESHILO

A potential danger to Pepsi Cola’s otherwise successful return to SA has been averted after New Age Beverages (NAB), the local bottler, signed an agreement with the militant Gauteng Jobseekers yesterday.

The plant in Germiston has been the scene of daily demonstrations by hundreds demanding work. The company employs 150 people, but, has no vacancies.

Yesterday, the jobseekers undertook not to interfere with operations or obstruct access to the company premises by staff, customers, contractors and visitors.

The agreement was mediated by Independent Mediation Services of SA.

Obviously relieved at the outcome, NAB chairman Khuleka Mthembu said sales had soared in recent months. The company had been pleasantly surprised at the market’s response to its product, he said.

“All market segments that we defined are performing above expectations,” he said.

Mthembu said the company had doubled production to meet demand, but declined to give any figures.

NAB was concerned over the protests “We needed to resolve the problem quickly,” said Mthembu, adding that he had been hurt over being singled out by jobseekers.

Part of the deal saw NAB undertake to inform them about available vacancies and allow them to submit a list of names for consideration.

However, the company reserved the right to advertise vacant positions and interview whomever it desired.

As part of its social commitment, NAB would “support any community entrepreneurial programme seeking to create jobs and business opportunities within the soft-drink market”.

It further agreed to investigate the possibility of establishing such business structures as co-operatives or Section 21 companies with a view to addressing the problem of unemployment.

A commission is to be established to probe the occupation of company premises by jobseekers and the violence which occurred last October.
By PEARL RANTSEKENG

WHEN Vivo Laager drinkers raise their glasses, they should drink a toast to Tyrone Tembe — "TT" to his friends — is Vivo's brew master and probably the first black brew master in the country.

Born in Lamontville, Durban, 35 years ago, Tembe is the brain behind the brewing of Vivo Laager.

Tembe says he fell in love with brewing 18 years ago.

"At that time I was only 17 and working as a temporary worker at SAB Breweries in Durban. I was in the packaging department and my job was to pick up bottles that had fallen from the conveyor belt," says Tembe.

He says his "curiosity" made him venture into other departments — and he ended up at the lab where the beer was brewed.

"I knew then that this was what I wanted to do when I grew up — and I've never looked back."

After completing his matric, Tembe went to the University of Zululand, where he obtained a Bachelor of Science degree in biochemistry.

He then joined the Pietermaritzburg-based SAB in Durban, where he worked for three years as a laboratory technician.

A few years later he went to Germany, where he studied brewing at the Doemens School of Brewing. The following year he registered with the School of Brewing in London, where he graduated as an associate member.

Tembe says brewing demands a special talent — you either have it or you don't.

As Vivo's brew master, based in Vereeniging, he is responsible for the quality of the beer, its brewing as well as the recipe.

"Vivo Laager is my recipe; I researched it and developed the taste through various stages — and that's how we came up with this unique flavour," says Tembe.

The idea behind Vivo Laager was to have a South African beer that would meet the South African conditions and tastes, he says.

"To be able to have such a beer you need to understand the drinking habits of the people of South Africa, of whom the majority are communal drinkers. I truly believe that Vivo is the right beer, made for the South African taste and climate. It is a beer that can be shared among people without making you feel bloated or full. A beer for all seasons."

In Vivo he has achieved all what he has always wanted in a beer, he says. "It's a thirst quencher — and it won't make your breath smell bad."

Vivo is not aimed at a certain market section but at all South Africa's people, he says. "It is about time that people of this country have a beer of their own now that they have their own country."

Vivo's future looks very bright — and they are now also working on other brands, says Tembe.

"We cannot rely on one brand — because then we won't be able to meet the different needs of people."

Though rated by "fellow drinkers" to be the black "Charles Glass”, Tembe does not take kindly to the "honour".

"All I can say about that is that I have yet to see the birth certificate or grave of Charles Glass."

SUMMER SIZZLER

... Jennifer Peterson of Mitchell's Plain — Miss Proteasville College 1994 — is a one-woman heat wave. — PM PHILEMNE JABON.
Inquiry into Pepsi protest

The commission of inquiry to be appointed by Pepsi-Cola and Gauteng Jobseekers would determine whether agents provocateurs had been behind recent protests outside the Pepsi-Cola plant, New Age Beverages chairman Kehla Mhembu said at the weekend.

The company and the work seekers signed an agreement late last week to establish a commission of inquiry into incidents of violence which occurred outside the plant last October and regulate the appointment of new staff.

The Independent Mediation Service of SA had brokered the agreement and would draw up the terms of the inquiry, Gauteng Jobseekers' committee member Walter Mhembu said.

In terms of the agreement Pepsi would advertise vacancies to the work seekers, but the company reserved the right to employ whom it wanted to, Mhembu said.

Gauteng Jobseekers had agreed not to interfere or obstruct access to the company's premises, and both parties had agreed to investigate the possibility of establishing co-operatives or section 21 companies to address unemployment.
SAB expands foreign interests

SA BREWERIES (SAB) has spent about $125m in the past 18 months on new international beer interests, with investments in China and Hungary offering significant growth potential.

Gert Goedhals, MD of SAB’s international interests, said yesterday that this amount did not include additional capex needed for the operations. He said international interests — exports excluded — were equivalent to about a third of SAB’s local operations in hectolitre terms.

But the contribution to bottom-line earnings was not as great, as margins were low in some countries, particularly in competitive situations, and SAB had other shareholders in most other countries. In addition, SAB had the management contract in many countries, so there were additional costs involved.

SAB has interests in Botswana, Lesotho, Swaziland, Zambia, Tanzania and a minority interest in a Zimbabwean operation. It also has interests in the Seychelles, Canary Islands, Hungary and China.

In November SAB announced its latest offshore investment — that it would invest $250m in a joint venture which had a 55% stake in Shenyang Brewery, China’s second largest brewery.

China offers SAB significant growth opportunities. Last year beer volumes in China grew about 20%, while it is estimated that worldwide beer volumes over the same period were unchanged or slightly down. Goedhals said that in hectolitre terms, the increase in Chinese beer sales last year was equivalent to SAB’s entire beer market.

Goedhals said SAB had invested in China firstly in order to participate in the brewery but also to have a foothold and a Chinese partner with whom it could look at additional opportunities.

SAB was well equipped to make the most of opportunities in developing markets. The SA market had grown substantially, so SAB was used to building and expanding. In addition, the group had experience in refurbishment and upgrading through its many African investments. SAB was currently negotiating in Namibia and Mozambique, and was looking at numerous opportunities elsewhere.
UK stockbroker upbeat on outlook for SA Breweries

**BY CHARLOTTE MATHEWS**

The prospect of strong earnings growth in the rest of the 1990s, expansion into developing markets and the quality of its subsidiaries make SA Breweries a buy, according to Hambros Equities UK.

Its report was written when SA Breweries shares were at R6. They closed on the JSE yesterday at R9.75.

Hambros says SAB's earnings, driven primarily by the beer division, will grow at 25 percent a year over the next two years.

With interests also in drunks, retailing, hotels and some manufacturing activities, SAB is set to benefit from growth in SA and other emerging markets and should be considered a core holding.

The recovery in the beer market, which looks set to continue at 10 percent for the rest of the decade, will be underpinned by several factors. These include the rising spending power of lower income groups in SA, who are moving from a subsistence to a cash economy, population growth of 2.5 percent a year, a youthful population which will reach maturity over the next decade, and increasing urbanisation.

Serious distribution problems experienced by SA Breweries in some areas have eased rapidly as the political situation has improved.

With current brewing capacity at 30 million cases, the group is running at capacity utilisation of 75 percent, which gives it scope to take full advantage of forecast beer sales growth.

SAB's dominant position in SA is virtually unassailable, Hambros says.

To gain even a 5 percent share of the market would require an investment of over R500 million and a lead time of 5 years to set up a penetrating distribution network.

This is borne out by SAB's franchise arrangements with Amstel, Guinness and Heineken, and it has recently held discussions with Anheuser-Busch and Miller of the US.

SAB's non-South African brewing interests are operated through Westgate Worldwide. The recent signing of a joint venture agreement with the second-largest brewer in China opens up enormous potential.

Of SAB's other interests, Edgars, Southern Sun, Plate Glass SA and its international subsidiary Baine International are expected to perform well in the next few years.

Although UK Bazaars has suffered from poor management and weak markets, SAB is confident after recent changes that it can achieve breakthrough this year and return to profits in 1996.
Liquor industry to be investigated

MARCIA KLEIN

THE Competition Board was set to gazette a new investigation into possible restrictive or anti-competitive practices in the liquor industry, board chairman Pierre Brooks said yesterday.

The probe would be announced next Friday if documentation could be delivered to printers in time. Relevant parties would have a month to make submissions.

The industry is dominated by Reembrandt, KWV and SA Breweries (SAB) and characterised by cross-shareholdings. For example, KWV holds 50% of Reembrandt, KWV Beleggings, which holds 60% of Distillers and Stellenbosch Farmers' Winery.

In 1979, after a previous investigation, the board made recommendations regarding vertical integration and cross-shareholdings. Some changes implemented had had little effect on the ownership and nature of the industry.

Participants believe the outcome of the proposed investigation could be more far-reaching as the board had more teeth.

Brooks said it would be a wide-ranging investigation to ascertain if there were any restrictive or anti-competitive practices. This would include the question of vertical integration, the position of KWV and the effect this had on the industry and how smaller players were affected, and customs and excise issues.

Industry members were reluctant to comment until the nature of the investigation was known.
Job-seekers block depot

By Mokgadi Pela (182) Sowetan

A LARGE group of job-seekers prevented employees of Pepsi-Cola from entering the company's Germiston depot yesterday. The group, which has been picketing the newly launched company for months, insists on being employed on its own terms.

Company chief executive officer Mr Kaala Mthembu told Sowetan he was disappointed with the reaction of the job-seekers. "They tried to storm our premises. They stopped our trucks from entering or leaving the depot and prevented employees from getting on to the premises."

"This we find unacceptable considering the road we have travelled to try to accommodate them. We are bound to suspect, along with everybody else, that there is a concerted effort by powerful forces to sabotage this black initiative," Mthembu said.

On January 5, the job-seekers undertook not to interfere with the operations or obstruct access to the company premises by staff, customers, contractors or visitors. The agreement was mediated by the Independent Mediation Services of South Africa.

New Age Beverages, which holds a master franchise in Pepsi and allied products, also agreed to inform job-seekers about available vacancies and allow them to submit names for consideration. Mthembu reiterated that New Age Beverages reserved the right to advertise vacant posts and interview whoever they desired.
Pepsi bottler wins interdict

BY THABO LESHILO

Normally returned to the Pepsi plant in Germiston yesterday after a Supreme Court interdict preventing jobseekers from harassing company personnel and interfering with operations.

The application by Pepsi bottler NAB (New Age Beverages) was granted on Friday after the so-called Gauteng Jobseekers allegedly blockaded the entrance on Thursday, bringing operations to a halt.

NAB had agreed to inform jobseekers of any vacancies, while reserving the right to advertise vacancies and hire whomsoever it desired.

The latter part of the deal sparked last week’s protest and subsequent legal action.

A spokesman for the jobseekers, Mochipu Malagane, claimed NAB had reneged on the deal. Renewed protests were necessary to force it back to the negotiating table, he said.

NAB president Mawumudi Fandesso yesterday denied Malagane’s claim, saying he had stuck to the agreement “to the letter”.

NAB had recently informed the jobseekers of two temporary positions. The group then submitted two names, including that of its chairman, Norman Nxazana. However, Nxazana’s application was turned down because he did not have matric, a stipulated requirement.

This, said Fandesso, might have incensed protesters. “We first knew of their allegations in a daily paper, then came the blockade on Thursday,” Fandesso said, forcing NAB to seek legal protection.
Thousand to march on DET

Court gives warning to job seekers relieved of daily demonstrations:

By Mokgadi Pela

NEW AGEDeerag's Germiston South plant enters its third day of relative peace today without having to bother about daily demonstrations by rate job-seekers following a Supreme Court order last Friday.

The order by the Rand Supreme Court was sought by the company after attempts by hundreds of job-seekers to storm the plant on Thursday last week. They also prevented New Age employees from entering the plant. The job-seekers have for months been demanding on being employed on their own terms.

The interdict gives job-seekers until February 14 to show cause why the order should not be made permanent. It stipulates that:

- The job-seekers should desist from harassing, intimidating or in any way interfering with employees or management of New Age,
- They should stop trying to harass people connected to the company to deliver its product to retailers,
- Job-seekers should cease to interfere with the company in conducting its business, and
- Respondents should not come within 500 metres of the main gate.

The battle between New Age and the job-seekers has gone through many stages, with several unsuccessful peaceful attempts to resolve the matter.

On January 5 this year, job-seekers committed themselves not to interfere with the running of the business in any way.
Beer prices up by 6.9% - Sapa

JOHANNESBURG - South African Breweries' beer prices rise 6.9% today, its beer division said yesterday. SAB said beer prices in bottle stores, taverns and bars were set, by retailers and at was therefore not possible to say when, or by how much, retail prices would increase - Sapa
Pepsi Cola bottler shaping up for guerrilla warfare

Local bottler and distributor of Pepsi Cola soft drink products, New Age Beverages (NAB), says recent turmoil outside its Germiston plant will not deter plans to launch “guerrilla warfare tactics” on its commercial rivals.

Earlier this month, NAB attained a supreme court interdict preventing picketing jobseekers from harassing company personnel.

NAB president Monwabisi Fandeso said yesterday months of negotiations with jobseekers and the Gauteng government had failed to produce a satisfactory agreement — hence the court interdict.

Discord

The situation has been further complicated by discord among jobseekers.

Fandeso said attempts to reach an agreement were fruitless.

“At the end of the day, we couldn’t reach an agreement that we felt they (jobseekers) were committed to, and which could guarantee an end to the harassment of our personnel.”

“We went down the path of negotiation as far as we could go, but then had to resort to the supreme court.”

“Since then, there’ve been no disruptions,” Fandeso said.

He said the jobseeker turmoil associated with Pepsi’s re-entr into the local market was “understandable, given the huge unemployment problem in the country.”

Picketing outside the company’s Germiston plant was related to the large size of the plant, which was highly visible.

Furthermore, the opening of the plant — six months after the formation of the company — had led to the mistaken belief that NAB was recruiting.

However, the company had already filled all job vacancies.

Despite NAB’s somewhat ambiguous reception at the hands of jobseekers, Fandeso said the company was encouraged by the reception from the market.

“Demand is ahead of us at this stage and we’re doing the best that we can to keep up,” he said.

Barriers

Market entry had been hampered by certain capital barriers established by rivals.

However, NAB was confident of further market penetration.

“It thus is a Coca-Cola war, we’ll need to look at guerrilla warfare rather than head-on confrontation.”

“Our success will be determined by outmanoeuvring our competitors,” Fandeso said.

SAPA
Beer price goes up 6.9%  

THE wholesale price of beer is up 6.9 percent on average from today, South African Breweries has announced.

Price increases for different brands vary slightly.

Increased retail prices have not yet been determined and beer prices in off-sales will remain unchanged today, a city bottle store manager said.

SAB beer division marketing director Barry Smith said they had been able to keep the increase below inflation because of productivity improvements and input cost containment.
BUSINESS

Soweto wholesalers claim Coca-Cola is using dirty tricks to beat Pepsi

Traders’ discounts are halted

By Mzimkulu Malunga

Township traders are caught in the middle of the war between the producers of Coca-Cola and Pepsi. Some Soweto traders allege that the managers of Amalgamated Beverages Industry are threatening to cancel volume discounts if traders continue to sell Pepsi.

The issue has climbed to the top of the agenda because Coca-Cola is reportedly selling 30% of its syrup to ABI, which makes all its soft drinks in the company’s family.

Initially, Coca-Cola external affairs director Sam Molebatsi and ABI’s Mike Bind denied any knowledge of traders’ discounts being cancelled. In an attempt to cut discounts arrangements and to drive competitors out of their markets, ABI has threatened to stop selling to traders who do not comply with its demands.

Cleland said there were other reasons behind the cancellation of some traders’ volume discounts. He said traders were just part of the trading package that the Coca-Cola system — which comprises both Coca-Cola and ABI — gave to its clients.

For traders to qualify for a volume discount, said Cleland, they should buy in bulk over sustained periods and be able to pay on time.

However, he could not give a straight answer when asked to give specific reasons why a particular trader’s discount was cancelled. He said he was not company policy to debate with its customers in public.

At least three Soweto traders, Khwela-based wholesaler Tommy Vhadau, Phiri retailer Dudu Makhubu and Orlando retailer Strike Makhambi, claimed their volume discounts had been cancelled by ABI immediately after they began selling Pepsi.

Vhadau, whom Cleland referred to as a “valuable” customer, said he had been left with three truck loads of Coca-Cola every week before ABI cancelled his volume discounts early this year.

When he started selling Pepsi in December last year, ABI manager Kenneth Molefe told him his discount was going to be cancelled as he was selling a rival product, Vhadau said.

“When I ordered a truck of Coca-Cola early in January, I was surprised to find that I had to buy the whole truck of Coke at a retail price of R24,50 a case,” says Vhadau.

“There is no way I can make a profit by buying cold drinks at that price,” says Vhadau.

He said he had met all the criteria outlined by Cleland and yet his discount remained terminated.

Makhubu and Makhambi’s claims were similar to Vhadau’s.

Makhubu was also buying three truckloads of Coke products before his discount was terminated.

Some Soweto traders, who opted to sell mainly Pepsi at their stores, say this was because of the bad treatment they got from ABI before there was competition from Pepsi.

Even Cleland admitted there could have been customers who were not satisfied with Coca-Cola’s treatment of customers.

Asked whether the Coca-Cola system was not opting for intimidation in fear of market share loss, Cleland said: “We are not aware of any market share loss. In fact, it is quite the contrary.”

He said since Pepsi’s return the soft drinks market has grown and his company has been selling more.

(182)
Huge import duty plan for whisky shocks Scots

GARNER THOMSON
Weekend Argus Bureau

LONDON — The Scotch Whisky Association is becoming increasingly alarmed about moves by South African brandy producers to have the import duty on Scotch whisky massively increased.

Four companies including South Africa's largest wine exporter, have called for the duty on scotch to be increased by up to 500 percent.

Other imported spirits have also been targeted in the campaign. But Hugh Morison, director-general of the Scotch Whisky Association has accused the organisers of "blatant protectionism".

"There is no justification for this move," he said yesterday. "Brandy sales account for 60 percent of the spirits market in South Africa, Scotch takes only 16 percent of spirit sales."

Following the recent completion of the GATT international trade talks, import tariffs around the world are meant to be coming down. At a time when South Africa's wine-makers are enjoying record export sales, there is no case for local brandy producers to increase their protection against competition from imported spirits.

"In seeking new markets for wine, South African producers must remember that trade is a two-way process."

Both the European Union and the British government have called on South Africa not to increase tariffs. Spirit producers from Europe, Canada and the US are banding together to lodge appeals to the South African government not to give in to the brandy producers' demands.

South Africa is the 10th largest export market for Scotch whisky. More than 23-million bottles, worth about R235 million, are exported each year.
It’s a new age for Pepsi

JOHANNESBURG — Pepsi-Cola has unveiled a broad marketing plan in London which the company says will boost the power and appeal of its global brands.

At the same time, Pepsi International announced that supermodel Cindy Crawford would headline a new advertising campaign created specifically for the global market.

The advertising for the Pepsi-Cola brand, as well as Pepsi Max and 7Up, was created by BBDO Worldwide, while the Mirinda and Atlantis campaigns were executed by Ogilvy & Mather Worldwide.

At a London news conference, Pepsi premiered 17 new television commercials for its main brands: This is the biggest international ad pool to be produced by the company at one time — Pepsi says that the new spots will reach more than 300 million consumers in 30 countries.

South Africa, though, is unlikely to be one of these countries, at least for the time being.

Mzwakhe Fandes, chief operating officer of Pepsi’s South African distributor, admits that he has not seen the Cindy Crawford spots yet.

“We will look at the reel this week and decide on the appropriateness of the advertising. We are currently not on television.

“This is primarily a function of distribution — unfortunately, we don’t have regional television in South Africa,” says Mr. Fandes.

“Once our distribution has reached a level where we will not frustrate consumers by creating demand for a product we cannot supply in some areas, we will start advertising on television. It’s likely to happen this year.”

Pepsi International says in a release that its plans this year call for aggressive expansion of its core cola business, an assault on the lemon-lime and orange categories and the introduction of a ready-to-drink tea, fruit juices, bottled water and sport beverages in key markets.

Pepsi’s senior vice-president of marketing and sales, John G. Swanhaas, is quoted as saying, “Over the last several years we have made very aggressive investments in our global bottling system to ensure we have the production and distribution muscle necessary to compete vigorously in the international cola wars.”

One of the thrusts of Pepsi’s marketing drive this year will be a stepped-up push behind its cola brands.

Some of the new Pepsi ads, which South Africans are unlikely to see, are those which go head-to-head against Coca-Cola in a comparative fashion.

In South Africa, the new Trade Marks Act makes it virtually impossible to flight comparative ads using a competitor’s logo and brand name.

Pepsi, though, seems convinced that comparative advertising is the way to go — it has indicated it intends to "push the edge of the envelope on comparative advertising in markets around the world.”

The company’s vice-president of advertising, Lawrence T. Montush, says, “Comparative ads do more than allow us to have some fun and share a laugh with consumers.

“This approach also tells everyone that they have a choice in colas, and urges them to let their taste decide.

“Our resources will go into establishing flagship brand Pepsi-Cola firmly in the local market.”

That means that other New Age Beverage brands such as 7Up, Mirinda, Shani ginger beer and Diet Pepsi will probably not be promoted with any great vigour.

Mr. Fandes reports that the job-seeker packet of the Pepsi plant on the East Rand has ended since the company obtained a court interdict two weeks ago.

“By and large, we are now able to operate freely,” he says.
More than a froth in SAB

JOHANNESBURG - The prospect of strong earnings growth in the rest of the 1990s, expansion into developing markets and the quality of its subsidiaries make SA Breweries shares a buy, according to Hambros Equities UK.

The report was written when SA Breweries shares were at R38.

Hambros said SAB's earnings, driven primarily by the beer division, will grow at 25 percent a year over the next two years.

With interests also in drinks, retailing, hotels and some manufacturing activities, SAB is set to benefit from growth in SA and other emerging markets and should be considered a core holding.

The recovery in the beer market, which looks set to continue at 10 percent for the rest of the decade, will be underpinned by several factors.

These include the rising spending power of lower income groups in SA who are moving from a subsistence to a cash economy, population growth of 2.5 percent a year, a youthful population which will be reaching maturity over the next decade, and increasing urbanisation.

Serious distribution problems experienced by SA Breweries in some areas have eased rapidly as the political situation has improved.

With current brewing capacity at 30 mhl, the group is running at capacity utilisation of 75 percent, which gives it scope to take full advantage of forecast beer sales growth.

SAB's dominant position in SA is virtually unassailable, Hambros said. To gain even a 5 percent share of the market would require an investment of over R80 million and a lead time of 5 years to set up a distribution network.

This is borne out by SAB's franchise arrangements with Amstel Guinness and Heineken and it has recently held discussions with Anheuser Busch and Miller.

SAB's non-South African brewing interests are operated through Westgate Worldwide Inc. The recent signing of a joint venture agreement with the second-largest brewer in China opens up enormous potential.

Of SAB's other interests, Edgars, Southern Sun, Plate Glass SA and its international subsidiary Belron International are expected to perform well in the next few years.

SAB is also confident after recent changes at OK Bazaars that it too can achieve break-even in 1995.
Whisky makers in low spirits over duty hike

SCOTCH whisky producers are up in arms over representations by local brandy and wine producers to the Board on Tariffs and Trade to increase import duties, saying this goes against the spirit of GATT.

A sharp rise in whisky prices — especially of cheaper brands — can be expected if the representations are accepted.

Wine and spirits co-operative KWV said the duties were needed "to comply with the GATT agreement".

The London-based Scotch Whisky Association, which represented 97% of the industry worldwide, said local brandy producers were "seeking a huge hike in import duty on Scotch whisky and other imported spirits". Four companies had called for the duty on Scotch to be increased by up to 500%. "When combined with the SA government's proposed increases in excise duties, the price of a bottle of Scotch whisky could go up more than 30%." Association director general Hugh Morrison said there was no justification for the "blatant protectionist move". While brandy accounted for 45% of the local spirits market, Scotch took only 16%.

The association had called on the board not to accede to the local companies' demands. Representatives had also been made by the British government, the EU and trade associations representing spirits across Europe, the US and Canada.

KWV said the tariff requests were in line with GATT guidelines and structures. "This is also the first time in 48 years that the SA tariffs have been adjusted. In terms of the GATT agreement, the present import control will be phased out and replaced by an import tariff."
Order against jobseekers delayed

Mokgadi Pela

The Rand Supreme Court has given jobseekers at the Germiston South plant of New Age Beverages until February 28 to indicate why an order barring them from staging protests outside the depot should not be made permanent.

The original interdict, which was issued on January 20, gave the jobseekers until February 14 to provide such reasons. The court, however, extended the period to give them more time.

The order prevented hundreds of jobseekers from harassing company personnel. It came after months of negotiations between company officials and representatives of the picketers. It stated that:

- Jobseekers should desist from harassing, intimidating in whatever manner people contracted to New Age to deliver its products.
- They should not come within 500 metres of the company premises for the duration of the interdict. The order was read to the jobseekers by the sheriff of the court, and they dispersed.
- Since the launch late last year of New Age in South Africa, jobseekers have insisted on being employed "on their own terms."

On January 19 following skirmishes outside the plant, New Age chairman and chief executive officer Mr. Mthembu said: "They tried to storm our premises. They stopped our trucks from entering or leaving the depot. We are bound to suspect, along with everybody else, that there is a concerted effort by powerful forces to sabotage this black initiative."

Their action came days after an agreement they signed with New Age management and mediated by the Independent Mediation Services of South Africa.

The jobseekers undertook not to interfere with the operations or obstruct access to the company premises by staff, customers, contractors or visitors.

New Age also agreed to inform jobseekers about available vacancies and allow them to submit names for consideration.

The company reiterated, however, that it reserved the right to advertise vacant posts and interview whomsoever it desired.
Five sorghum breweries to shut

South Africa's largest black-owned company, National Sorghum Breweries (NSB), has decided to close down five of its loss-making sorghum beer breweries and retrench 477 of its 4 000 workers.

The move has raised allegations by workers that the company is closing down the breweries to concentrate its finances on its clear-beer initiative, Vivo, which is said to be losing its battle against established brands.

Food and Allied Workers' Union spokesman Ernest Buthelezi said yesterday the union would apply for an interdict to stop the company from retrenching the workers and has also started a petition to get the NSB board to renege.

Buthelezi alleged that the decision to close the breweries was due to the fact that the company's clear-beer initiative was experiencing financial difficulties and money spent on sorghum beer production would now be used to rescue the operation.

NSB public affairs manager Don Manaka confirmed the closures.

He said it would cost R3 million to upgrade the five breweries to a level where they were profitable.

Buthelezi said the union had offered to buy the breweries but NSB had refused the offer.

Other problems leading to losses at the breweries were poor management, collapse of the distribution networks around the breweries, lack of effective marketing strategies and nepotism, he said.
NSB announces brewery closures

NATIONAL Sorglorn Breweries would close five of its 19 breweries and retrench 477 workers, it said yesterday. The Food and Allied Workers Union said it had declared a dispute and was preparing an interdict, which would be lodged with the Industrial Court on Tuesday, to stop the move. It claimed financial problems were caused by corruption, nepotism and mismanagement of funds. The Emfuleni plant in Witbank, Emfuleni in Cape Town, Sondela in Sebokeng, Elnadi in Vryburg and Mangyang plant in Bloemfontein would close. The closures would be set in motion on February 28.

NSB said cost reduction investigations had shown that "even with variable and fixed costs cut to the bone", the breweries could not generate sufficient profit.

The breweries used about 33% of production capacity and less than 25% of packaging capacity. This made it clear they could "not be sustained on a sound business footing without major expenditure on technical upgrading, which would amount to more than R3m".

"In NSB's overall business plan, and with a view to future stability and growth, it is clear that such resources must be committed to establishing a viable production and distribution network that can be maintained more cost-effectively."

Fawa assistant general secretary Ernest Bethlein said the company had not consulted the union about the closures. NSB had ignored Fawa's offer to buy the loss-making plants and suggested that these breweries should be converted into other profitable entities. The union members are shareholders in the company.

Bethlein said the company was taking this course to repay a multimillion-rand loan it received from Nedsor for the launch of another loss-making venture — Vivo Breweries. He said NSB CE Mohale Mahanyele was overseas trying to raise money to repay the loan. "Among problems faced by the company is poor management, nepotism, collapse of distribution, lack of marketing strategy and corruption by senior managers in most of the plants."
The sugar industry has been drawn into a Competition Board probe of liquor industry monopolies and restrictive practices.

The main thrust of the investigation is into the liquor industry and allegations that some liquor companies own retail outlets which will not buy or sell liquor from rival companies. But there are also questions about free and fair trade between the sugar industry and liquor distillers.

The SA Sugar Association, which represents cane growers and millers, has received a four-page notification of the investigation. Two short paragraphs in the notice mention sugar and the Sugar Act.

The board says the decision to look into the matter follows complaints by white spirit producers (who produce sugar cane-based spirits) that the regulated sugar industry hinders competition with equivalent grape-based products. The probe encompasses the Excise Act and the duty differential between cane- and grape-based spirits.

Sugar industry spokesmen seem surprised by the investigation and say the industry is deregulating. Sugar is no longer marketed through a single channel by the association but by refiners.

Cane-based alcohols are derived from molasses, a sugar refining byproduct. Molasses prices are negotiated on behalf of the industry by a committee comprising association representatives. This is despite distillers also being sugar companies and association members. Competition Board chairman Pierre Brooks says elements in the alcoholic beverages market claim this allows collusion and price-fixing.

The sugar industry seems to have cause for complaint about the anomaly over differential excise duties. There is even a suggestion that the previous government gave grape spirits an advantage over cane.

Geoff Hoppe, marketing manager of Illovo’s alcohol production facility at Merebank, Durban, says duty is levied on absolute alcohol bases (undiluted). Thus only the alcohol portion of cane spirit or vodka, for example, is subject to the tax. Though virtually indistinguishable in this state, there is an R18.02 duty payable on wine spirits (from grapes) compared with cane’s R19.02. Either type of spirit may be used in the manufacture of gin or vodka. Only legislation prevents grape alcohol being used for cane spirit and cane-sourced spirit for brandy production.
Liquor, tobacco price rise likely in new Budget

ALIDE DASNOIS
Deputy Business Editor

Tobacco and liquor are likely to be more expensive after the March 16 Budget, says Sanlam chief economist Johan Louw.

He says Minister of Finance, Chris Liebenberg, can be expected to raise excise duties on liquor and tobacco.

A moderate increase in the VAT rate is also a possibility.

And more bad news for consumers could come from a hike in the fuel levy which will raise the cost of petrol.

But there’s good news on the way too, says Mr Louw people in lower and middle income groups can expect lower personal taxation from Mr Liebenberg’s first Budget.

The government will probably not be able to implement the Katz Commission’s recommendations in full, Mr Louw says, because this would cost about R5 billion in revenue. So only limited tax relief is expected.

The minister will probably be looking to people in higher income brackets to make up for any decreases in tax on the less wealthy.

Mr Louw expects the government deficit to total R27,5 billion, or 5,2 percent of Gross Domestic Product (GDP). This is less than the budgeted 6,6 percent.
Suncrush puts in sparkling performance

CHARLOTTE MATHEWS
JOHANNESBURG. — Higher investment income and lower interest and tax bills helped soft-drink bottler Suncrush to lift attributable income before extraordinary items by 21% to R47,8m in the six months to December compared with the same period in 1993.

Turnover grew by 15% to R398,6m and operating income by the same percentage to R61,2m, showing operating margins unchanged at 16,7%.

Net interest paid dropped to R280,000 from R1,2m. An extraordinary item of R2,6m, representing Suncrush's surplus on the disposal of an unlisted investment, boosted the bottom line to R50,4m from R39,0m previously.

This was equivalent to earnings of 32,1c (26,5c) a share, of which 79% came from trading and 21% from investments, against 78% and 22% in 1993.

The interim dividend was increased to 5c (4c) a share.

Daly's, which owns 50,45% of Suncrush, reported an interim dividend of 24c from 19c previously on profit of R3,0m (R3,0m).
Suncrush growing fast  

BY CHARLOTTE MATHews

Higher investment income and lower interest and tax bills helped soft-drink bottler Suncrush to lift attributable income before extraordinary items by 21 percent, to R47.8 million in the six months to December compared with the same period in 1998.

Turnover grew by 15 percent to R366.6 million and operating income by the same percentage to R61.2 million, showing operating margins unchanged at 16.7 percent.

Income from investments grew by 56 percent to R5.5 million. The market value of Suncrush’s listed investments at end-December was R545.5 million. These include a 49.8 percent stake in Tempora Investments and 89 percent of Ellington Investments.

Net interest paid dropped to R29,000 from R1.2 million. An extraordinary item of R2.6 million, representing Suncrush’s surplus on the disposal of an unlisted investment, boosted the bottom line to R50.4 million from R39.6 million previously.

This was equivalent to earnings of 32.1c (26.5c) a share, of which 79 percent came from trading and 21 percent from investments, against 76 percent and 22 percent in 1998.

The interim dividend was increased to 5c (4c) a share.

The improvement in the market value of listed investments and directors’ valuation of unlisted investments took the group’s net asset value to 433c from 394c. Suncrush shares were trading unchanged at R11.75 on Friday.

Daly’s, which owns 50.45 percent of Suncrush, reported an interim dividend of 24c from 19c previously on profit of R3.8 million (R3.0 million).
IMPROVED sales enabled soft drink bottler Suncrush to beat market expectations and report a 21% rise in earnings to 32.1c (26.6c) a share in the six months to end-December.

Financial director Brian Allison said the weather had been particularly hot, consumer confidence much improved and distribution had been easier. These factors contributed to a 7% increase in volumes — the highest in some years.

Allison said the improvement in volumes was evident in the last quarter of financial 1994. In the first half of that year, excise hikes and higher VAT contributed to a 3% decline in volumes. Volumes for the full year were 2% down, indicating a small improvement towards the end of the year.

Turnover increased by 15% to R356.6m (R317.4m), and operating income rose similarly to R51.2m (R43.1m) as margins were held in check.

Higher income from investments — the company has significant interests in investment trusts Tempora and Ettington — and a sharply lower interest bill enabled Suncrush to lift pre-tax income by 21% to R69.5m from R57.3m. "Attributable income" was 21% up at R47.8m (R39.6m), and a 25% higher, interim dividend of 5c (4c) a share was declared.

Earnings from its core bottling business were 23% higher at 25.4c a share, while investment earnings were 14% up at 6.7c a share.

It had recently been suggested that expansion into the soft drink industry was limited, so Suncrush would have to expand through its investments. CE Robin Hamilton reminded shareholders that some years ago it had appeared the various bottling franchises were in firm hands, but one had become available for acquisition and Suncrush had bought it in 1987. There was no reason why it could not happen again.

Suncrush was focusing on both its bottling business and its investment programme.

Currently its investments in beverage interests are held through Tempora, while the non-beverage interests are held through Ettington. Hamilton said the industry "looks to be in a growth mode" and there could be a demand on funds for expansion.

Allison said that in the next six months, but said the trend of higher volumes was continuing.
Distillers increases market share

GROWTH in private consumption expenditure saw wine and spirits producer Distillers Corporation report a 10% improvement in earnings to 65.1c (43.6c) a share in the six months to end-December.

The improvement at the interim stage compares with a marginal improvement for the same period last year and flat results over financial 1994.

Distillers increased its market share in the six-month period, and turnover grew by 18% to R874.4m (R572.4m).

Margins were under pressure, and trading income was just 5% higher at R111.6m from R106.7m previously.

Distillers has no interest-bearing debt. Net financing income of R10.1m (R7.5m) enabled it to lift pre-tax income by 7% to R121.6m from R114.2m previously.

Directors said the company had focused on the management of working capital but "an increase in domestic and foreign activities" had necessitated additional investment in working capital.

Notwithstanding this and higher tax payments, Distillers generated sufficient cash from operations to fund dividends. It declared a 17% higher interim dividend of 14c (12c) a share.

Caper, mainly to improve efficiency, is funded from existing cash resources.

Looking ahead, directors and there was likely to be moderate growth in the economy in the short term.

Disposable incomes would be affected by "persistent inflation and an expected increase in interest rates and indirect taxes", they said.

But Distillers' established trademarks would enable it "to at least maintain the current positive trend in earnings" for the full financial year.
The company itself denies any crisis, but admits that any foreign investment will be more than welcome.

NSB’s troubles are home-brewed. Its Vivo brewery, founded to wrest a portion of the clear-beer market from SA Breweries (SAB), is losing money, despite Provar Outovár, a small Czech brewery, taking a 25% stake in it for an unspecified sum.

NSB recently closed five of its 19 sorghum breweries and retrenched 437 workers to keep Vivo going. This led to the Food & Allied Workers’ Union (Fawu) declaring a dispute and accusing directors of poor management and nepotism. Other Fawu complaints include alleged corruption, lack of a marketing strategy and the collapse of distribution.

Fawu general secretary Ernest Buthelezi comments, “Vivo is not doing well in competition with SAB.” This is an understatement. The Gauteng brewery, which has capacity to produce up to 7.5ml litres a year and on which NSB raised R130m on a sale and leaseback agreement with Nedicor, is operating at less than one third capacity.

The hope that blacks will prefer beer produced by blacks, has not been realised. Hambros Bank of the UK estimates that any newcomer hoping to challenge SAB, will need at least R500m, must be managed well and, if it’s lucky, could gain 5% of the clear-beer market in five years. Vivo currently claims 0.86%. Even marketers like Anton Rupert and Louis Luyt have failed to successfully take on SAB.

Whether NSB has the financial muscle to continue the fight, remains to be seen. Its recently published financial results, to June 30 1994, show profit on sorghum beer dropped from R34.3m in 1993 to R32.7m, and the loss on subsidiary Jabula Foods shot up from R2m to R17m. Turnover increased marginally from R532.8m to R543.5m, but operating profit plunged by 56% from R32.3m to R13.4m.

NSB spokesman Don Manaka denies the company is in crisis or that Mahanyele is presenting a begging bowl to foreign investors. He says the CE is “on a general business trip to promote the wider affairs of the company at his level,” but concedes “Foreign investment is always on the agenda when top-level business leaders go overseas.”

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**BREWING**

**NSB on the hop**

National Sorghum Breweries (NSB) could soon become history if CE Mthela Mahanyele doesn’t raise fresh working capital during his current overseas trip, analysts say.
Claim for free legal defence

TWO businessmen facing multimillion- rand fraud charges applied to the Constitutional Court yesterday, claiming they were entitled to free legal representation.

Pretoria attorney Albert Vermaas and Pretoria businessman Johan Lombard are claiming that they are entitled to free legal representation in terms of section 25 (c) of the constitution.

The section states that an accused has the right to consult with a legal practitioner of his or her choice, to be informed of this right promptly and to be provided with the services of a legal practitioner by the State.

Du Plessis's counsel J Jacobs submitted that section 25 gave an accused the right to a legal representative of his or her choice.

The trials of both men were already under way when they were granted leave to refer this matter.

Counsel for Vermaas, C Jansen submitted the court should declare that his client was entitled to legal representation following certain guidelines. These would include the accused person's ability to follow court proceedings without counsel and the extent of his inability to pay for legal representation.

The Constitutional Court, Jansen said, had to lay down the basic principles to be followed in future regarding free legal representation.

One of the issues the court will also have to decide is whether the constitutional provisions regarding trials pending or in progress when the constitution came into effect last April, preclude both men from applying to the court for a ruling.

Section 241(6) states that all proceedings pending before a court of law before the constitution came into effect shall be dealt with as if the constitution had not been passed.

Counsel for both men argued that section 241 did not preclude them from applying, even though both trials had been in progress at the time the constitution came into operation last year.

It was argued that all other provisions were subordinate to the fundamental rights in Chapter 3.

The 11-member court, headed by court president Judge Arthur Chaskalson, reserved judgment.

Plan for Nehawu rejected as ‘beyond logic’

PRETORIA — The SA Nursing Association rejected yesterday the admission of National Education, Health and Allied Workers' Union (Nehawu) members to the Interim Nursing Council.

Nehawu "advocates and orchestrates strikes among nurses", the association said in a statement in Pretoria.

Health Minister Dr Nkosazana Zuma's move to bring Nehawu into a body regulating professional ethics was "completely beyond logic."

Representatives from her office demanded at a meeting in Cape Town on Monday that the Transitional Nurses' Committee give up some of its seats in the nursing council to Nehawu, the association said. — Sapa.
Fawu offer on brewery

THE Food and Allied Workers' Union has offered to buy five breweries on the verge of closure from National Sorghum Breweries, the latest issue of South African Labour News said yesterday. (182)

NSB recently said the breweries would close and 457 staff would be retrenched. Fawu has declared a dispute with NSB, claiming proper retrenchment procedures have not been followed.

Fawu believes it can operate the plants profitably through competent management and save the staff's jobs.

An NSB spokesman said the company's response to the offer depended on the details and talks with Fawu were under way. — Sapa
Union offers to buy breweries

THE Food and Allied Workers’ Union has offered to buy five breweries if claims are running at a loss because of alleged mismanagement and “corruption” on the part of National Sorghum Breweries, according to the latest issue of the South African Labour News.

NSB has dismissed the claims as “unfounded”.

NSB spokesman Mr Don Manaka said the success of the bid “depends on the offer”. Discussions between the union and NSB were under way, he said.

Fawu made the offer in reaction to a company decision to close the breweries and retrench 457 workers, contending that the plants would operate at a profit if managed in a competent way.

Fawu declared a dispute with NSB and has applied for an interdict to prevent NSB from proceeding with retrenchments without proper consultation.

NSB said the company and Fawu had agreed to seek independent mediation through the Independent Mediation Service of South Africa, which it hoped would begin by the end of the week.

The company said it was “totally committed to dealing fairly” with all its workers and their unions. The loss-making plants were to be used as depots and to serve local consumers — Sapa.
Union's bid to buy five breweries and save jobs

THE Food and Allied Workers Union has offered to buy five breweries if claims are running at a loss because of alleged mismanagement and "corruption" at National Sorghum Breweries.

The offer, reported in the latest issue of the South African Labour News, follows NSB's decision to close the breweries and retrench 457 workers.

NSB has dismissed the claims of mismanagement as "unfounded".

Spokesman Mr Don Manaka said the success of the bid to purchase the plants "depends on the offer," adding that discussions between the union and NSB were under way.

According to the SALN report, Fawu national negotiator Mr Sebastian Hempte said the union would raise funds to buy the plants if it came to the push.

He said the NSB had monopolized the sorghum business. "The idea of competition is frightening to NSB," he said.

The rationale for the union's offer to purchase is that the five plants would operate at a profit if managed competently.

Fawu argued that if it were allowed to purchase, it could avoid the job losses. It claimed that NSB had ignored Fawu's suggestions, which would "save them from disaster."

The union declared a dispute with NSB, maintaining that retrenchment procedure was being disregarded and the company had no desire to find alternative solutions.

It has applied for an interdict to prevent the company from proceeding with retrenchments without proper consultation. NSB said they and Fawu had agreed to seek independent mediation through the Independent Mediation Service of South Africa.

Totally committed

The company said it was "totally committed to dealing fairly" with all its workers and their unions.

Meanwhile, Fawu claimed that NSB's chief executive Mr Mohale Mshanyele had gone abroad to "raise funds by way of securing overseas shareholders" in the company.

"It is our view that once this situation takes place the company would have lost its character and ownership by South Africans."

Manaka confirmed that Mshanyele was overseas but denied that the NSB was opting for foreign shareholding. — Sapa
**Tight margins**

The surge in consumer expenditure after the election last year spilled over into the liquor market, and was behind the 17% boost in turnovers of both Distillers Corp (Distillers) and Stellenbosch Farmers' Winery (SFW) for the six months to end-December.

**FOX**

But other problems and the battle for market share in the spirit market meant their margins could not keep pace. Distillers' operating profit rose only 4.6%, SFW's fell 0.5%.

According to Alistair Lewis of Nielsen SA, the two sectors showing the largest improvement in the liquor industry were brandy and cider. He says the brandy market has grown by roughly 12% a year for the past two years.

Distillers' dominant trademarks in the brandy market are Klipdrift, Viceroy, Oude Meester, Limoen and Commando. SFW's are Martell 3 Star, Martell VO, Mellowood, Bols, Chateau and Diplomat. These are most of the "majors".

Both companies are fighting for market share, so price increases have been minimal. Advertising expenditure has been raising these strategies have squeezed both groups' operating margins.

From an earnings standpoint, Distillers fared better than its competitor. But Distillers' liquor business is mainly in the spirit industry, a smaller portion in selling premium wine.

SFW's main earnings contributor used to be wine, especially at the lower priced end. Over the past five years, the cheaper wine market has stagnated. In volume terms, says Lewis, this market continues to decline. He adds that the white spirits market is not growing either.

SFW pioneered the cider market, which is enjoying great success. Lewis says cider volume consumption improved 200% last year to about 80m litres. Five years ago, it was about 5m litres. Cider's success is helping SFW—which now holds about 85% of the market—to keep its financial results respectable.

In early 1993 investors decided SFW's share was cheap. It has since risen steadily to 450c now. At the same time the market concluded Distillers was too dear. It has been marked down from its high of 1000c to 770c now.

SFW's p/e is 12.0 and Distillers' 10.3. It is an unfair difference that does not recognize Distillers' better earnings performance throughout this decade. Perhaps the market is saying that, with its success in the cider market, SFW will compensate for its losses in the wine market. However, SFW's management still faces a formidable task to improve margins across its product range.

Both have strong balance sheets with no gearing. Distillers holds almost R100m cash, SFW R40m. Rising interest rates may boost pre-tax profit.

If the economy and consumer expenditure continue to improve, both should enjoy improving earnings for the rest of the financial year—especially Distillers which currently offers better value.

Gerald Hutton
Cadbury holds firm despite fall in sales

BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Food and soft drinks giant Cadbury Schweppes grew its bottom line by 19.4 percent to £88.2 million in the year to December 1994 despite a decline in sales in the first half.

An 18.1 percent growth in earnings a share to 23.2p brings the group's five-year compound growth rate to 22 percent a year, achieved in a period when all the group's principal markets were declining, chief executive Peter Bester said in an interview yesterday.

Turnover for the year grew by 14.9 percent to £540.4 billion while operating profit was 19.8 percent higher at £91.8 million.

This shows the operating margin down to 8.7 percent from 10.1 percent previously.

Bester said the lower margin reflected difficult trading in 1994, with disruptions caused by public holidays, the general election and increased competition.

Margins were also squeezed by growth in exports at lower margins, but this was offset by the tax advantages.

As a result of export concessions as well as the announcement of capitalisation shares which avoided secondary tax on companies (STC), the group's tax rate for the period was 21.9 percent from 24.3 percent.

Competition

Financing costs dropped by a third to £8.1 million, reflecting a repayment of debt which brought gearing down to 18 percent from 25 percent, and partly a restructuring of debt towards long-term rather than short-term repayment terms.

Capitalisation shares, or a final cash dividend of 75c (52c) was declared, bringing the total cash dividend for the year to 93c from 80c.

Bester said the group's activities were fairly evenly divided between confectionery and soft drinks and although the relationship fluctuated in the short term — in 1994 soft drink sales had been stronger than confectionery sales — over a 10-year period the two grew at the same rate.

The advent of competitors in both of the group's markets in 1994 — Mars and Pepsi-Cola — had not had a major impact on its market share.

Pepsi-Cola, although a formidable group likely to take a few percentage points of market share away from each competitor, was expected to stimulate the market overall.

Bester said early signs were that the market would continue to grow off its low base and satisfactory growth in earnings was likely to be maintained in 1995.

Cadbury Schweppes shares firmed 75c to £4.85 yesterday, putting them on a P/E of 26.7 on the latest figures, close to the food sector average of 20.

However, the shares have fallen sharply from a high of £6.1 last June.
Cadswep overcomes decline in its markets

CADBURY Schweppes (Cadswep) achieved an 18.1% increase in earnings to R231.2c (195.5c) a share in the year to December off a high base and despite a decline in the soft drink and confectionery markets in which it operates.

CE Peter Bester said the 14.3% rise in turnover to R940.4m (R818.4m) reflected improved trading conditions in the second half and higher export sales. Turnover was just 7% up at the interim stage.

He said the 10.6% growth in operating profit to R91.8m (R82.6m) was achieved in a competitive market.

Financing costs were slashed a third to R8.1m on the back of lower interest rates, improved cash generation from operations and cash retained from Cadswep’s previous capitalisation issue. This enabled the company to lift pretax profit 18.3% to R63.7m (R50.7m).

Financial director John Buchanan said the tax rate benefited from higher export sales. This and an 11.5% increase in dividend income and equity-accounted earnings — from its interest in soft drink bottler AHI — saw it lift attributable earnings 19.4% to R53.2m (R44.7m).

A final dividend of 73c a share would bring the full year dividend up 16.3% to 93c (86c). Shareholders have been offered a capitalisation share award in a move aimed at retaining cash resources.

Bester said the confectionery division had a difficult year.

The soft drinks businesses showed strong growth in the second half, and the growth in industry volumes was resumed.

Bester said Cadswep was budgeting for growth in the confectionery and soft drink markets, which had been under severe pressure for several years.

The company has achieved compound earnings growth of 22.2% over the past five years in a period when its markets have been in decline. Despite its long term performance record, the share has been languishing in recent months. Yesterday the share gained 75c or 1.5% to close at R48. Just off its February low of R46.50. Cadswep was trading at R61 in June last year.
After the general election and with distribution caused by political factors the number of seats in the House of Commons increased from 651 to 700. The House was reduced from 670 to 667 in 2015, but has since remained at 651. The number of members of parliament increased to over 3,000 in 2015, but has since remained at 651. The number of members of parliament increased to over 3,000 in 2015, but has since remained at 651.

Candyu Farn despite Fall in Sales

Peter Estia
Smokers have to cough up an extra 17c a pack

TYRONE SEALE
Political Staff
FROM today smokers will have to cough up about 17c more for a pack of 20s as the government gives effect to arguments from the health lobby.

Elsewhere on the "sin tax" front, drinkers are likely to be dispirited about having to pay about 2c more for a 340ml can or dumpee of beer — not including sorghum — and about 5c more for a bottle of whisky, brandy or gin.

With immediate effect, the excise duty on cigarettes has been raised by 8.44c for 10, resulting in an estimated retail price increased of six percent.

Boost for house subsidy plan

The government's aim is to be able to supply thousands of people with housing subsidies.

A scheme will encourage banks to give credit to people with good savings records to make up the difference and enable them to build houses.

A sticking point so far has been to secure agreement from the construction industry to a building warranty scheme.

The housing budget announced today is seen as a signal to the industry that the government is committed to its goal of a million houses in five years.

Reliable sources indicated that two percent of the budget would be just right for current housing goals, because the infrastructure does not as yet exist to cope with faster growth.
Cigarettes, alcohol will cost you more

POLITICAL STAFF

FINANCE MINISTER Mr Chris Liebenberg has added a massive 17c extra excise duty on every pack of 20 cigarettes, as the government continues to bow to pressure from the health community.

And the wine industry has also been hit, as the government moves to end the privileged position it held under National Party rule.

Presenting his budget, Mr Liebenberg added 16.88 cents to every packet of 20 cigarettes — an increase of 25% which will net R200 million for the exchequer.

Cigarette tobacco increases by 10.62 cents for 50g and pipe tobacco and cigars by 89c/kg.

With regard to the increase of about 5c on a 750ml bottle of unfortified wine, the Minister said the state believed that adjustments in excise duties "did not keep pace over the years with rates applicable to other alcohol-based products", and it had been decided to adjust these rates accordingly.

The duty on fortified wine increases by 16.15c a litre — about 12c a 750ml bottle and sparkling wines by 21.49c a litre, or about 16c on a 750ml bottle.

The change in duty for all wines amounts to 25%, and will bring in R19 million to the fiscus.

The Minister also announced a 6.5c increase in duty on a litre of beer, about 2c on a dumpie, and R1.80 a litre of "absolute alcohol", which will add 58c to the price of a 750ml bottle of spirits.

"Excessive"

On sorghum beer, the increase amounts to 5c a kilogram, bringing in an additional R7 million in revenue.

The health budget allocates a sum of R120,000 for the Campaign Against Smoking.

The Tobacco Institute of South Africa warned that the tax increases on tobacco products were "excessive and exorbitant" and may lead to job losses.

ALL FIRED UP: City tobacconist Mr Falkie Berger is fuming over the increase in the price of cigarettes announced yesterday — a packet of 20 will cost 17c more.

PICTURE: ALAN TAYLOR

The National Council Against Smoking also slammed the new tobacco taxes, saying they were "derisory" and continued to "reflect a conflict between the government's fiscal and health policies."
CADBURY SCHWEPPES

Fattening finals

Despite shrinking volumes in the confectionery and soft drinks markets, Cadbury Schweppes has unwrapped highly satisfying profits.

Operating profit for 1994 is up 10% on the previous year to R891.8m. Attributable profit has increased 19.4% to R83.2m. Growth flows partly from better trading and partly from efficient cash management. Finance director John Buchanan says the group has cut financing costs, helped by lower interest rates, and generated more cash in the business. Last year's capitalisation issue bolstered the cash reserves and another optional issue will be made this year.

The outlook for 1995 is much brighter. Buchanan expects competition to be severe as the major producers fight for share in markets that are barely beginning to grow but he forecasts a strong recovery.

"It has been a long time since we have seen such a severe reduction in the soft drinks market as has happened over the past two years," he says. Consumers tend to trade down from carbonated drinks to the squashes in bad times and Cadbury Schweppes has benefited from being in both markets - it has gained market share in the overall soft drinks market. It holds about a third of the total confectionery market, though its share of chocolate sales is slightly higher. Buchanan says the upturn in the industry this year is noticeable.

At R47.50, the share is near its 12-month low. This seems unfair given the group's achievements during the recession but perhaps its success has temporarily dimmed its allure. Investors may see recovery stocks coming off a lower base as having better value because their growth is more dramatic.

"It is remarkable that we managed to get 22% growth over that period," says Buchanan.

If it is true that when the chips are down investors buy stocks for the quality of their management, this is a good choice. There is a long way to go before this counter exceeds its worth.

Margaret-Anne Hole

SWEET STUFF

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Swiss franc hits Nestle

VEVEY — Nestle SA, the world’s biggest food and drinks company, said yesterday that last year profit rose nearly 13% to SFr3.25bn ($2.8bn).

The Swiss multinational promised shareholders a 6% dividend hike to SFr0.90 a share, up from SFr73.

The sale of Nestle’s stake in the Corinair cosmetics business to L’Oréal brought in one-time capital gain of SFr0.9m.

By contrast, the strength of the Swiss franc, which makes exports more expensive on foreign markets, had a “very marked impact” on sales, Nestle said.

The company announced earlier this year that sales in 1994 fell to SFr64.9bn, down from SFr74.9bn in 1993, largely because of the strong franc. Profit in 1993 stood at SFr2.6bn.

Food analysts voiced concern at the effect of the adverse currency movements on the company’s performance. “It appears that operating gains in the first half of 1994 were wiped out by currencies in the second,” said Bank Sal Oppenheim analyst Frederick Hasslauer. — Sapa-AP.
Rivals go for the throat

PLAYERS in the soft-drink market say they are slogging it out for a share of the throat.

Research done by Coca-Cola last year found that carbonated soft drinks made up 21.7% of non-alcoholic beverages consumed in South Africa. They were outsold by coffee (37%) and tea (27.3%). Milk products had a 10.2% share, followed by fruit juices (2.7%) and squashes and cordials (1.2%).

According to Bromor Foods' estimates, carbonated drinks account for about 56% in volume terms of all cold drinks sold. In value terms, however, they account for only 44.2% because they are more expensive per litre than products aimed at the lower end of the market.

The carbonated soft-drink industry has sales of about R1.5-billion a year and produced 1.5-billion litres last year, making South Africa's largest consumer of industrial sugar.

Much of the marketing fight is in supermarkets, which, according to Coca-Cola, only account for 12% of all its sales.

While carbonated soft drinks and fruit juices are at the top end of the market, powdered soft drinks and cordials sell well in lower-income and rural areas.

Bromor, with brands like Oros, controls over 70% of the concentrate market. Here price depends on how much water a customer has to add to the product at home.

David Angus, Bromor's marketing manager, says while carbonated drinks sales were flat during the recession, concentrates grew as people traded down and distribution improved. Per capita consumption of concentrates grew from 23 units in 1992 to 25 in 1994.

In contrast, carbonated soft-drink consumption fell 2% in 1992, stagnated in 1993 and only picked up again in 1994.

Coke's history steeped in syrup and secrecy

IN May 1886 pharmacist Dr John Styth Pemberton made a syrup in a three-legged brass pot in his backyard in Atlanta, Georgia.

He earned a jug of it down to a local pharmacy, where it was sampled, pronounced excellent and sold for 5c a glass.

In its first year, Coca-Cola's sales averaged a modest nine drinks a day and Dr Pemberton sold his interest in the product just before he died in 1898.

While generally not acknowledged by the Atlanta-based Coca-Cola Bottling Company, its product began as a patent medicine and was named after the coca leaf and the kola nut used in its production.

And, it appears, it did contain cocaine but this was removed by 1902 because of pressure from the clergy and public.

The Coca-Cola Company was formed with an initial capitalisation of $100 000. Today, it is the US's fourth most valuable company with a market capitalisation of nearly $66-billion.

The business grew rapidly and by 1896 Coca-Cola was being drunk in every state and territory of the US.

Large-scale bottling of Coca-Cola began in 1903 and today the Coca-Cola system is the largest, most widespread production and distribution network in the world.

Coca-Cola's distinctive bottle was approved in 1915 in a move to counter a never-ending battle with imitators.

Among the company's other marketing achievements was the six-bottle carton, developed in the early 1920s, which made it easier for consumers to take Coca-Cola home.

In 1929, the open-top cooler made it possible for Coca-Cola to be served ice-cold from any outlet.

Coca-Cola bottling plants began popping up in many countries, but foreign sales received a major boost during the Second World War.

When 64 bottling plants were established close to combat zones in Europe and the Pacific at the request of General Dwight Eisenhower.

The company was exempted from sugar rationing and German and Japanese POWs were assigned to work in its bottling plants.

After the war, Coca-Cola went through a period of unprecedented growth and the number of countries with bottling operations nearly doubled by 1969.

At the same time, Coca-Cola began to transform itself from an American company with branches overseas to a multinational business.

It had to overcome obstacles like an Arab boycott and the fact that the Chinese characters closest to the sound of Coca-Cola mean "bite the wax tadpole".

Coca-Cola was first bottled in South Africa in the early 1930s by Messrs Goldberg & Zeffert of Johannesburg. Capetonians were first introduced to the product in fountain form at the Waldorf Café in St George's Street.

In 1938 Coca-Cola set up its own bottling operation in Benoni. Each evening, the final products were taken to a warehouse in West Street, Johannesburg, and sold from there by two salesmen. Today, its network employs 15 000 people in South Africa.

The Coca-Cola Company sells nearly half of all soft drinks consumed around the world. No competitor sells even half as much.

Fanta, which is also made by Coca-Cola, is the world's fourth best-selling soft drink and the only global orange brand.

Another product, Sprite, is the best-selling lemon-lime soft drink internationally and the fifth best-selling carbonated soft drink.

The original Coca-Cola formula, called merchandising 7X, is said to be kept secret in a US bank vault and known only by a few trusted employees. At least one author claims to have eaten the formula.

In 1989, Coca-Cola, in response to growing Pepsi sales, attempted its first change of the formula by introducing New Coke.

Despite its victories in blind tastings the new product was widely rejected by American consumers. The company received over 40 000 letters of protest and as many as 8 000 irate phone calls a day.
SOUTH Africans used to drinking their tea hot will soon be able to ask for it iced, carbonated and in a can, writes ZILLA EFRAT.

The lemon-flavoured carbonated product, called Boston Bay Iced Tea, was specially developed for the SA market and is starting to find its way to the shelves.

It may, however, face competition from US-based iced tea giant Snapple which says it is currently analysing the SA market.

Ian Hebblethwaite, who developed Boston Bay Iced Tea, says iced tea is the fastest growing beverage category in the world, enjoying leaps in consumption. Between 50% and 60% a year. In the US, 80% of all tea is consumed iced.

According to Mr Hebblethwaite, although tea is the world's most consumed beverage in volume terms, it is viewed as old fashioned.

Carbonated soft drinks, on the other hand, are considered the modern way to consume liquids, and account for half the world's beverage sales.

He said the drink combined the best elements of tea and carbonated soft drinks. He hopes to eventually take a 5% share of the local market.
Kenyan complain about SA trade barriers

BY JOK KHAHAN

Nairobi — Two leading Kenyan manufacturers have complained that they are being shut out of the lucrative South African beverage market by what they call "rigid protectionist policies."

This complaint was made yesterday in separate interviews with Paul Chemongor, managing director of Kenya Wine Agencies and Nigel Pamley of International Distillers Kenya.

Chemongor said his company's fruit wines were rejected by South African authorities last year. "They told us our papaya wine did not meet the official classification of a wine, although we gave them all the data in support of the product."

He charged that this was protectionism even though South Africa subscribed to GATT principles.

CT(ER) 4/4/95

Noting that Kenya had given unlimited access to South African goods, Chemongor said he could not understand why Kenyan goods were being restricted.

Pamley said an arrangement to export 1,000 cases of coffee liqueur to South Africa in 1993 collapsed because of government restrictions.

An official at the South African High Commission in Nairobi acknowledge the restrictions, but he said these would be removed in the course of the year and exporters could relaunch their products.

The premium liqueur, made from Kenya's prized peaberry coffee beans, was launched in Johannesburg in March 1993. In a ceremony in Nairobi at the time, Dries Venter, South Africa's representative in Kenya and now the high commissioner, described the liqueur as the first industrial product from Kenya to be exported to South Africa.
Pepsi has ‘little impact’ on market

ESTIMATES of Pepsi’s share of the soft drink market indicate it has not yet become popular with the new SA generation.

Market sources said that since Pepsi started distribution late last year, it had gained less than 4% of the Gauteng market. It is distributed only in this area.

Japan Pohlwana, vice-president sales and marketing of Pepsi manufacturer New Age Beverages, said the company was keeping sales information “close to our chest”, because of the competitive situation. However, sales had been “far above expectations”.

Market and industry sources said the soft drink industry had experienced volume gains in the first quarter of the year because of an improved economy, warm weather, higher consumer spending and increased promotional activity.

A big question was whether Pepsi’s entry would widen the market or take market share from other products.

An analyst said Pepsi, which had been plagued by industrial action and whose distribution was limited, had made little impact. Although it had offered good incentives in terms of pack sizes, “its entry has been surprisingly low-key for such a high profile consumer product”.

Pohlwana said: “Our strategy was to start in Gauteng and then the rest of the Transvaal. We are available in top-end stores and are well represented in the towns.”

An analyst said imports had been made by Canadian company Coca-Cole Corporation, which was manufacturing most of the own-name brands. Its share has been estimated at not more than 5% of the national market.

Coca-Cola products had an estimated 75% of the carbonated soft drink market at the end of last year, with the Coke brand having 50% share alone.

Market sources estimate that growth in soft drink volumes could be as high as 10% in the year to March.

SA Federation of Soft Drink Manufacturers’ president Henkus Viljoen said it was too early to give figures for the first quarter of this year, but there had been growth. Last year there had been very little growth in the industry, with volumes up 1,5% on the previous year. But this should be viewed against an 8% drop in 1993.

Analysts were expecting beer volumes to be up as much as 5% in the year to March, and SA Breweries was expected to show volume growth for the first time since financial 1991. A spokesman said that was because of a general pick up in the economy and the fact that price increases had been kept low.

National Sorgkam Breweries’ Vivo beer and imports of premium brands were not expected to have an effect — SAB still has 97% to 98%. 

MARCIA KLEIN
Outlook ‘better than ever’ for Cadwswep

Chairman Alan Clark said the export programme to Russia had been “highly successful” and there was a good increase in exports of other products, notably chewing gum, into Africa and other markets. During the year Cadwswep bought concentrated cordial drinks manufacturer Rodney's, whose sales volumes and trading profits had exceeded forecasts.

Clark said there was “an above average potential for growth in our markets during the next few years”. There would also be a rationalisation of competition, particularly from international brands.

Cadwswep was expecting competition from abroad, but Clark said the group “has the resources and experience to successfully counteract competition”.

There was potential for recovery in the confectionery division from the low base of financial 1994.
SA-linked brewery to sell Japan's top beer in China

Kinn, Japan's top-selling beer, is to be brewed and sold in China by a company partly owned by South African Breweries.

Kinn Breweries will provide a beer-making licence to China Resources (Shenyang) Snowflake Brewery with production expected to start in October, a Kinn spokesman confirmed yesterday.

Shenyang Brewery is 55 percent held by a joint venture between South African Breweries (SAB) and China Resources Enterprises, a subsidiary of state-owned China Resources Holdings.

Increase in demand

Gert Goedhals, managing director of SAB's international interests, said in Johannesburg yesterday that the brewer was already involved in consulting and technical services to Shenyang Brewery and would be seconding four people there.

He said the agreement with Kinn would improve the profitability of Shenyang, which would obviously have benefits for SAB.

However, it would be at least six months before Kinn could be brewed at Shenyang.

The latest action comes amid rapidly increasing beer demand in China.

Asahi Breweries, Japan's second largest beer maker, and trading house Itochu have bought a 75 percent stake in Hong Kong-based CSI Brewery.

That accord gave them management rights over three brewers in China.

Under the agreement with Kinn, China Resources will engage in sales activities in three provinces in China.

Kinn will consign sales in the cities of Shanghai and Guangzhou to Taiwan-based President Enterprises.

Kinn predicts sales of 800,000 cases for 1996. Each case contains 20 bottles of 633ml each.

Kinn was also negotiating to distribute its beer on the Chinese coast.

In trading on the Tokyo Stock Exchange yesterday, Kinn Brewery shares ended 6 yen higher at 979 yen.
COMPANIES

Buoyant beer sales boost SAB in centenary year

SA BREWERIES (SAB) is expected to report an earnings increase of 25% in the year to March — its centenary year.

For the first time since financial 1991, beer volumes have increased. Analysts said the rise in volumes, expected to be in the region of 4% to 5%, would make a significant difference, particularly as SAB had managed to increase earnings over the past few years without the benefit of higher beer volumes.

Apart from beer, the group would also benefit from strong offshore earnings, reduced leases at OK Bazaars, and generally buoyant results from its various beverage, retail, manufacturing and hotel interests.

ABF, Edgars and Plate Glass, the major contributors outside of beer, were all expected to report earnings growth "in the late 20s". At the September interim stage, group earnings rose by 28% to R1,234m a share on a 14% turnover rise to R12,280m. Analysts said the second half should have been better as volumes would be measured off the base of last year's pre-election uncertainty.

The beer division's earnings would increase by around 30%, while international beer company Westgate's earnings would rise even more because of higher volumes and the rand's exchange rate to the pound. New investments in Hungary and China would make no contribution.

Complementary beverages would be 15% up mainly due to a large increase in SAB's share of soft drink bottler ABF's earnings and "not much from the rest", which included Appleton, wines, spirits and sorghum.

Analysts were expecting OK's loss to SAB to be reduced to R40m from R51m, indicating it had started to break even in the second half.

Southern Sun's contribution would rise to R65m from R47m. Last year's profit largely reflected its interest in Sun International, but this year's earnings would reflect static earnings from Sun International and an operating profit in the core business for the first time in years.

Analysts said SAB would want to list Southern Sun, but was likely to wait until it had a few years of earnings growth. In the long run, Southern Sun would require money for expansion, and SAB would not be prepared to spend vast sums by itself.

Clothing retailer Edgars' earnings were expected to increase by more than 50%. SAB's earnings from its selected manufacturing interests would be close to 30%, largely due to performance by Plate Glass. Lion Match's earnings would be up 50%, and Afcol and Amrel would both show "a profound improvement".

SAB was expected to announce that it would delist Lion Match, a speculated move since it sold its packaging and appliances interests.
Pepsi throws down the gauntlet in cola challenge

BY GABRIE THOMSON

London — The world's two biggest cola manufacturers are set for a final showdown in Britain.

The challenge, issued by Pepsi, is for 1 million people to blind taste both Pepsi and Coke to decide once and for all which tastes best.

Pepsi, which is spending £8 million on the four-month campaign, hopes to win the 100-year war it has been waging with Coca-Cola with what it calls "the definitive conclusion on which is the better cola."

Tim Davey, Pepsi's British marketing manager, said "At the end of the day, what is important is which cola people prefer." "This campaign will try to jolt people to think about what they are buying.

"The head-to-head fight has continued for 100 years, millions have been spent trying to win customer loyalty and there has never been a definite conclusion."

"The 1998 Pepsi challenge will mark the end of the war."

Pepsi has been concerned about the fact that taste tests done in the United States have shown that while 60 percent of people prefer the taste of Pepsi, more people still buy Coke.
Premier deny bribing government official

THE Premier Group is being sued in the Ram Supreme Court for payment of 6 million pula by the Gabonese-based Botswana Housing Corporation (BHC).

The BHC has also sued Premier for payment of 12 million pula in the Botswana Supreme Court and has accused the company of bribing a government official to secure a building contract.

In papers filed in the Rand Supreme Court, BHC claims to have concluded an agreement with Premier-affiliated Spectra (Botswana) in 1991 in terms of which Spectra was to assist in the construction of a twin tower building in Gabrane for BHC at a cost of 5 million pula.

BHC intended letting a major portion of the building as offices, medical suites and a banking hall to generate rental income.

BHC claims to have advanced a payment of 12 million pula to Spectra in the bona fide (feit mutakan) belief the agreement was valid.

The company submitted it had been issued a written guarantee from Premier deputy CE Gordon Djan in 1992 in terms of which Premier undertook to repay BHC upon written demand any amount up to 6 million pula should Spectra fail to perform in accordance with the agreement.

BHC has claimed at later discovered Spectra had allegedly bribed the then deputy minister of local government and housing to obtain the building contract.

BHC had immediately declared the agreement invalid, cancelled the agreement, and demanded repayment of 12 million pula from Premier.

Denying the bribery accusations, Premier have submitted the payment made to the deputy minister was in fact a loan unrelated to obtaining the contract.

There was thus no reason for BHC to have cancelled the agreement, which was still valid, binding and enforceable.

Pointing out that the written guarantee had been furnished in terms of the signed agreement, Premier contended the guarantee was invalid if the agreement was found to be invalid.

Premier also submitted the guarantee contained a clause that the company's indebtedness to BHC would be reduced by an amount equivalent to the proportional value of work done by Spectra.

Premier claimed Spectra had already performed a substantial amount of work at the building site, which meant BHC's claim had been substantially reduced even if BHC was found to have a claim.
SWEET ELATION

FM 28/4/95

Activities: Manufactures and markets confectionary and soft drinks

Control: Cadbury Schweppes Plc 65%

Chairmen: A J L Clark MD P M Bester

Capital structures: 36.1m 0% Market capitalisation R1949m

Share market: Price R400c Yields 1.7% on dividend, 4.3% on earnings, p/e ratio, 23.4, cover, 2.5 12-month high, 6100c, low, 4850c Trading volume last quarter, 189 323 shares

Year to December 31

<table>
<thead>
<tr>
<th>Year</th>
<th>'91</th>
<th>'92</th>
<th>'93</th>
<th>'94</th>
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<tr>
<td>ST debt (Rm)</td>
<td>13.8</td>
<td>35.8</td>
<td>57.9</td>
<td>17.8</td>
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<td>LT debt (Rm)</td>
<td>46.9</td>
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<td>Current ratio</td>
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<td>0.99</td>
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<td>Shareholders interest</td>
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<td>0.71</td>
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<td>INT &amp; leasing cover</td>
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<td>4.8</td>
<td>5.8</td>
<td>11.3</td>
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<td>Return on ops (%)</td>
<td>9.8</td>
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<td>Turnover (Rm)</td>
<td>610.7</td>
<td>704.8</td>
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<td>Pro-fit profit (Rm)</td>
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<td>70.5</td>
<td>82.9</td>
<td>91.8</td>
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<tr>
<td>Profit margin (%)</td>
<td>9.9</td>
<td>9.7</td>
<td>10.0</td>
<td>9.8</td>
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<tr>
<td>Earnings (c)</td>
<td>134</td>
<td>161</td>
<td>196</td>
<td>201</td>
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<td>Dividends (c)</td>
<td>54</td>
<td>68</td>
<td>80</td>
<td>93</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1174</td>
<td>1013</td>
<td>1813</td>
<td>1863</td>
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The reviews by chairman Alan Clark, CE Peter Bester and financial director John Buchanan reflect undisguised elation: Cadbury Schweppes has emerged from recession with its growth record intact. It is not without reason. Ahead of the elections last year there was obvious apprehension for the immediate future. The forecast then was that the first six months were unlikely to produce any significant growth but conditions could improve in the second half depending on political developments. Significantly, it was not then clear that the confectionery division would continue to be plagued for much of the year by production difficulties at its Port Elizabeth plant—had management known, it probably would have been even less enthusiastic. In the event, fears that Cadswep would not be able to perform proved groundless. Notwithstanding the production difficulties and labour related production losses occurred around the time of the election, first-half results nevertheless reflected a 15% growth and this improved to 20% in the second half as earlier difficulties abated. The overall growth rate was just over 18%, down from 21.8% in 1993, but Buchanan can nevertheless report that the five-year compound improvement in nominal earnings was 22.2%, or real growth of 10.5% a year. The interesting point about 1994 results is the extent to which they were affected by meticulous attention to asset management. Operational problems were reflected in an improvement of only 11% in pre-interest profit on a 15% turnover gain. However, a significant reduction in average debt—which ABI achieved by focusing more on through care cash management—yielded a one-third saving in net finance charges even though year-end borrowings (net of cash) are not much different from 1993's. These interest savings boosted pre-tax profit growth to 18.3%, much in line with the bottom line. But between these two points there was another hurdle to be overcome, in sharply lower growth in income from outside ABI, whose contribution rose only 11%. Thus, however, was offset by a lower effective tax rate, attributable in part to Cadswep having joined the scrp dividend bandwagon which eliminated any liability for STC.

The dichotomy within the group is reflected in the fact that Cadswep without ABI's contribution of growth of almost 22% despite the underperformance of the confectionery division, roughly double ABI's contribution to Cadswep's bottom line consequently declined from 23.1% to 21.5%.

The fact that Cadswep itself was able to maintain satisfactory growth despite production and trading difficulties goes a long way to explaining management's confidence that the group is about to enter an accelerated growth phase. For one thing, Clark points out that it is fairly unusual for the confectionery and soft drinks division to decline in real terms, as they have since 1989 (confectionery more so than the soft drinks sector), but, with the economy improving and after last year's fundamental environmental changes, this adverse trend should start to reverse.

This year's results should also benefit as confectionery division progressively overcomes production difficulties which, at times, caused stock shortages and thus loss of market share. Clark comments that recovery potential here is significant. Though there is no specific forecast, indications are that Cadswep should be able to better its five-year annual growth rate of 22% which, coupled with lower inflation than during that period, could yield a real earnings improvement of as much as 15%.

Despite this potential, the market still seems to be a bit ambivalent about the share which, at R54, is almost exactly midway between its 12-month high of R61 last June and the recent low of R46.50. The year-on-year gain is only 7%, with short of the improvements in earnings, and dividends, which means that, relatively, the share is now cheaper than before the elections, even though the outlook appears to have improved materially.

The best that can be said about this is that Cadswep has outperformed the Food sector (where it is listed), where the deterioration in yields has been even more marked. Cadswep's premium to the sector, based on earnings, has in fact widened from 32% a year ago to 36%, which at least indicates that the market has given some recognition to performance, even though it is hard to see in the actual share price.

Bester bubbling over at record growth figures

SA EAGLE

This one needs courage

Activities: Short-term insurance

Controls: Eagle Star Insurance 59%. Ultimate holding company is BAT Industries Plc

Chairmen: C F Coates MD P T Martin

Capital structures: 12.2m 0% Market capitalisation R383.7m

Share market: Price R43 Yields 4.7% on dividend, 6.0% on earnings, p/e ratio, 14.7, cover, 1.6 15-month high, R68. low, R43 Trading volume last quarter, 44 000 shares

Year to December 31

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<th>'91</th>
<th>'92</th>
<th>'93</th>
<th>'94</th>
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<td>Total assets (Rm)</td>
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<td>1,359</td>
<td>1,517</td>
<td>1,643</td>
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<tr>
<td>Solvency ratio (%)</td>
<td>90.1</td>
<td>94.5</td>
<td>117.2</td>
<td>100.4</td>
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<td>Gross premiums (Rm)</td>
<td>682</td>
<td>905</td>
<td>1,021</td>
<td>1,313</td>
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<td>Underwriting prof (Rm)</td>
<td>(2.8)</td>
<td>11.2</td>
<td>(4.8)</td>
<td>(134.7)</td>
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<tr>
<td>Investment inc (Rm)</td>
<td>81.4</td>
<td>79.8</td>
<td>78.6</td>
<td>140.3</td>
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<td>Pre-tax profits (Rm)</td>
<td>83.0</td>
<td>87.3</td>
<td>73.8</td>
<td>5.6</td>
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<tr>
<td>ROE (%)</td>
<td>9.4</td>
<td>8.4</td>
<td>5.7</td>
<td>3.2</td>
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<tr>
<td>Earnings (c)</td>
<td>507</td>
<td>580</td>
<td>489</td>
<td>293</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>165</td>
<td>185</td>
<td>200</td>
<td>280</td>
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<tr>
<td>Tangible NAV (c)</td>
<td>5966</td>
<td>5934</td>
<td>8218</td>
<td>9047</td>
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</tbody>
</table>

It needs a brave investor to buy shares in a company which has declared pre-tax profits down from R74m to R6m, EPS reduced by more than a third and a massive underwriting loss which is largely the result of SA's high level of crime, particularly as this shows no sign of abating. The company is not prepared to accept the risk which is an integral part of the short-term insurance industry, now could be the time to buy SA Eagle.

The share price, at R43 trading at half NAV, has probably bottomed. It may take some time for Eagle to get its image back into respectable order, but you can be sure that as soon as there is
ABI sales revenue up 17%

BY CHARLOTTE MATHEW

South African Breweries-controlled Amalgamated Beverage Industries (ABI) improved attributable earnings by 21 percent to 103c a share in the year to March compared with the same period in 1994, as a result of the improved political and economic environment.

Sales revenue went up 17 percent to R1.3 billion, stimulated by increased competition in the market, according to Trent Odgers, ABI managing director; while operating income grew by 9.7 percent to R156.4 million. Margins dipped to 11.2 percent from 12.6 percent.

Savings

The group's price increases were below the inflation rate over the past year. Marketplace spending increased, but this was partly offset by productivity gains and interest savings because of cash management.

Net interest received improved substantially to R7.9 million from R1.2 million. Investments and loans on the balance sheet grew to R144.4 million from R97.5 million.

Net cash at year-end was R74.3 million.

After a slightly lower tax charge and higher equity accounted earnings from an associate company, attributable earnings rose to R104.4 million from R91.5 million. Capitalisation shares or a final cash dividend of 40.3c are being offered to shareholders, bringing the total cash dividend for the year to 51.0c (41.5c).

ABI has more than doubled its capital expenditure to R102 million for upgrading plant and improving pack ranges in anticipation of continued volume increases.

Odgers said ABI's results should continue to benefit from the improving economy and growing industry volumes in the year ahead, despite the pressure on margins.
ABI lifts earnings 21% as sales grow

SA's largest soft drink bottler, Amalgamated Beverage Industries (ABI), lifted attributable earnings 21% to R104m in the year to March as sales volumes returned to acceptable levels.

MD Trent Odgers said the improving political and economic environment resulted in a return to volume growth more in line with long-term trends.

The SA Breweries subsidiary's 12% increase in sales revenue to R1,6bn (R1,2bn) was in line with industry growth. Increased competition from Pepsi and retailers' house brands had broadened the market, a spokesman said.

Strong competition saw ABI's per price increase well below inflation and substantially increase marketing spending. This was offset by "benefits of productivity gains" and improved cash management.

Trading profit increased 10% to R156m from R142m. However, increased dividend income and interest received lifted pre-tax profit 16% to R172m (R149m). Earnings were 20c up at 108,9c (88,9c) a share. A final dividend of 40,5c a share was declared, taking the full year dividend up 25% to 51c (41,5c) a share, maintaining its two times cover policy.

Shareholders could receive cash dividends or a capitalisation award.

Cash flow from operations improved R67,3m to R104m. Odgers said this "more than covered" dividend and capital investment requirements for the year. Capital investment more than doubled to R102m.

ABI was unshielded, with net liquid resources of R74,3m at year-end. It expected to benefit from the improving economy. However, Odgers warned that pressure on margins could restrain earnings growth.
David takes on brewing Goliath

A Garakuwa liquor wholesaler is fighting a battle in court with South African Breweries over its contaminated quart beer bottles

Pat Sidley reports

A FASCINATING tale of bootlegging, shebeens, condos in beer bottles, monopolies and homelands is unfolding in the Mmabatho Supreme Court as a beer giant South African Breweries fights a court case which, if it loses, could set standards for new consumers rights.

The case involves a distiller, and a consortium of beer and recorded quart bottles. Quarts of beer are very popular, particularly in shebeens and amongst poorer people. They cost less because the bottles are returnable, a deposit is imposed on the bottles so that they can be used again.

The case is very serious for SAB which not only has the lion’s share of the local market but also exports to several countries and has several agreements to brew well-known foreign brands, including Carling and Amstel.

The bottles referred to in the court case contain syrups, vodka, condoms, toothbrushes and other items.

"DIRTY PICTURES" COMPETITION

To a few people the environment is perceived as pristine open spaces populated by wild animals, but to the majority of South Africans the environment is often one of smoke stacks, dirty rivers, smelly garbage and very little natural beauty.

ABSOLUTE FICTION

For world environment week (June 5 to 9) the Weekly Mail & Guardian and Electrolite Africa want you to expose the realities of the South African environment. We are holding a photographic competition which will include images of our living and working environment which vividly capture the ugly and dangerous aspects of the modern world.

The DIRTY PICTURES COMPETITION is open to anyone who is prepared to get out there and get their "hands dirty".

The final pictures will form part of an exhibition which will tour community centres around the country to raise awareness around the issue of environmental degradation. The winners will receive excellent photographic equipment, and runners up will receive subscriptions to the Weekly Mail & Guardian and lifetime membership of Electrolite Africa.

Your DIRTY PICTURE entry should be in the form of a colour or black and white print (5 X 7) and no larger than A4 (8 X 10)

PLEASE SEND ENTRIES TO:

The Dirty Pictures Competition, 159 Scott Street, Braamfontein, Johannesburg 2016

CLOSING DATE FOR ENTRIES is Friday 26 May 1995

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The David taking on the brewing Goliath is a liquor wholesaler operating out of an Electrolite Africa who owns SAB about R700 000. SAB were back in court and had to pay the cost to recover it.

Booing Tony Steel Martin, who owns a liquor wholesaling business which supplies, among others, to shebeens in the Garakuwa area, admits he came up with the idea for deliveries in November/December 1994. However, he contends that about 20 of the bottles in his consignment of "X" quart were contaminated with items including toothbrushes and condoms and only was owned by SAB.

He said in papers before the court that he had expected his beer would "remane from a plant which maintained a re-assembly standard in suburbia between 1985 and 1988. The factory was then taken over by the housing agents and the factory was then taken over by the housing agents and the housing agent ran the factory "and it was then turned over to the housing agent", the housing agent ran the factory "and it was then turned over to the housing agents and "and it was then turned over to the housing agents and%

The court leading up to the court case against SAB were charged that the brewery was behaving like a monopoly. The company reacted strongly to this charge of contamination. The suppliers were cut off after they refused to pay their bills and took the issue up with the Competition Board. The board initially supported the idea, but backed down in the face of SAB’s complaint that the board was not equipped to handle the independent homelands, although it had reinstated deliveries on a CUD basis.

SAB is not denying that some of its quart bottles are contaminated, but says that the incidence of contamination is extremely low (about one in 100 000 bottles) and that involves quarts bottles which are contaminated with the condiments placed there by consumers in the first place and the process of pasteurizing the beer, and leaves the bottles means that the contents of the bottles are sterile in any event.

This is being contested by court by various experts, including SAB's own Gary James, an expert on matters relating to Garakuwa, who admitted to the court this week that contamination does happen.

He said the company does everything to pre- clude this contamination. Every step is taken by which contamination can occur. SAB said "the bottles from the line move slowly to foreign objects inserted to them. These include cigarette ends, toothbrushes and branches. The objects are picked up by consumers through the neck of the bottle and expand once inside, making it very difficult to get them out. A variety of processes including bottle washing, machine-checking and human "sifting" are used to remove bottles with "tainted" caps through the necks.

Asked how often this happens, SAB said this was "in the fifth of a dozen places" (which means about one in every 100 000 bottles).

Answering questions under cross-examina- tion B emerged that there can be "rotten" in beer - which are old protein matter from the beer used instead of the same bottle. The beer produced by SAB is good only for 12 weeks when not refrigerated.

Information about the time and place of manufacture is contained in either a code etched into the label or, more recently, a code printed on a computer and job still problems "be difficult".

Both sides have brought their experts to assess the contamination issue and the process used to eliminate them. The court only accepts to the use of recorded evidence.

In a further twist, Steel is contesting that the original contract cannot be enforced because the whole operation was given to him as a bootlegging operation to unidentified shebeens - a con- tention which SAB hotly denies.

By the time the David and Goliath drama has played itself out, beer drinkers as well as other consumers of beer and drinks will know whether contamination in drinks can ever be expected and SAB will know whether it has to change its processes radically to avoid contamination.

Sawman maintains that he has brought the case to court because the poorer black beer con- sumers deserve a fair deal. SAB's image and many millions of rand are at stake in the case.
Liquor Board to be scrapped

The national Liquor Board would be scrapped or restructured this year, Gauteng economic affairs and finance minister Jabu Moleketi announced yesterday.

At the Gauteng SA Liquor Store Association conference, he said each province would appoint its own liquor board. This would be facilitated by amendments to the Liquor Act. Among the changes Gauteng would call for were a review of the prohibition of Sunday and 24-hour trading.

Moleketi said the province should take advantage of its shebeen tradition and develop a “world-renowned shebeen route”, like the wine route in the Cape.

Gauteng would call for removal from legislation of all racially based references and an end to discrimination against taverns and shebeens. It would ask for monopolies to be revoked, for exclusive licences to be discouraged and for emerging businesses to be promoted.

Until new legislation was passed, the Liquor Board would have a representative from each province at meetings, giving provinces the majority of votes on the board.

Gauteng’s government would demand that meetings were for public record and that communities were consulted on liquor licence decisions. Currently the Liquor Act granted exclusive licences on the basis of one individual for a whole township. These arrangements should be “investigated and possibly rescinded”, he said.

The Liquor Act still frowned on shebeens and did not allow Sunday liquor sales.

Changes to the Act would see the industry “play its rightful role in building an economy that provides sustainable job opportunities and recreational facilities for historically disadvantaged communities.”
SAB earnings estimates upgraded

NEW York-based broking firm Smith Barney has upgraded its already bullish share price targets and earnings estimates for the SA Breweries (SAB) group, which reports its results to end-March later this week.

Smith Barney said earnings should grow 25.4% to 437c a share. That growth, which was in line with SA analysts' forecasts, compared with the firm's earlier forecasts of 21.2%.

Its six-to-12-month share price target was R144, a 35% appreciation from current levels. The share closed at R113 on Friday.

Smith Barney said although SAB's businesses were not cyclical, most of them were growing more substantially than the economy as a whole.

The core beer division, which accounted for 60% of net income in financial 1994, was expected to report 17% growth in revenue to R6bn and 30% growth in net income.

Smith Barney said beer consumption tended to grow "at a significant multiple to the gross domestic product or private consumption expenditure." In addition, excise duties on beer were increased at a rate lower than that of inflation.

The firm believed the beer division's prospects for net income growth were "the best in the group."

Complementary beverages contributed 16% of net income and 7% of revenues in financial 1994. Appleter was expected to perform strongly, while ABI recently reported earnings growth of 30.4% for the year.

Retail and hotel interests, which made up 13% of net income and 43% of revenues in the previous year, were likely to reflect dramatic growth from Southern Sun Edgars, which had been expected to notch up earnings growth of more than 30%, last week reported a 23% rise in earnings.

"The wayward OK Bazaars, the low-end retailer, is likely in our opinion to have traded profitably for the past six months and to have broken even for financial 1995."

Manufacturing, responsible for 17% of net income and 22% of revenue in financial 1994, would show revenue and net income growth of 20% in the year to March. Stronger growth was expected in the next two years "as the national reconstruction and development programme gathers momentum and gross domestic fixed investment reaches 25%."
GOOD HEALTH

From left Meyer Khan, SAB's group executive chairman, Nigel Cox, group financial director, Dunbar Bucknall, group executive corporate affairs and overseas beers

PHOTO JOHN WOOSBRO

Foreign beer interests help SAB fizz

BY DEREK TOMASSEY

Rising beer sales by companies in the South African Breweries group in South Africa, central Europe, the Canary Islands and Zimbabwe helped boost attributable profits by 30 percent.

In the year ended March, attributable profits rose from R991 million to R1,3 billion, on turnover of R2,79 billion (2,1bn last year).

Shark's earnings rose 28 percent from R656 million to R806 million on a 4 percent volume rise to provide the lion's share of attributable earnings.

But the group's international beer interests performed even better. Their contribution to attributable earnings rose by 32 percent from R59 million to R131 million.

The group's Chinese interests were also profitable but no earnings from this source were brought to account, said Nigel Cox, group financial director.

The group's other interests (Edgars, Lion Match, Da Gama, Conshu and its hotels) performed especially well and their contribution to attributable earnings rose 49 percent from R236 million to R352 million.

OK Bazaars, which is now totally owned by SA Breweries, halved its loss in 1994-95 and made a small profit in the second half of the year.

Cash flow from operations grew by 44 percent enabling cash flow a share to realise a high of 94 percent of the potential cash flow equivalent.

Net cash retained from operating activities exceeded R1,9 billion, more than adequately providing for the entire capital expenditure programme of over R1,6 billion.

As a result, the group was able to repay external financing of R300 million.

The directors said they expected satisfactory real growth in earnings and dividends this year, but expressed concern that disposable incomes could deteriorate owing to pressures from higher inflation, interest rates and personal taxes.
Increase in beer
volumes lifts SAB

BEER and industrial group SA Breweries (SAB) lifted earnings 28% to R465.1c (362.5c) a share in the year to March after 4% growth in beer volumes — the first volume increase since financial 1991 — and a 3% growth in consumer spending.

Group turnover increased 16% to R27.9bn (R24.1bn). Productivity gains and cost containment saw trading profit up 20% to R7.2bn (R5.4bn) Higher net financing costs were offset by increased earnings from associates and a lower effective tax rate, resulting in a 30% rise in attributable profit to R1.5bn (R991m)

Local beer interests increased earnings 23% to R9.6bn (63% of group earnings), while the group’s expanding international beer interests, held in Westgate, pushed up earnings 32% to R1.9bn, taking total beer earnings to 73% of SAB’s bottom line.

Deputy chairman Selwyn MacFarlane said the foreign interests had grown to contribute 10% of the bottom line. African interests were doing well and Hungary made a small profit. China was yet to contribute. Non-beer interest contributions — up almost 50% at R552m (R386m) — largely reflected results of major contributors Edgars, Plate Glass & Shatterprufe Industries, ABI and hotel interests.

A 52% increase in the contribution of hotel interests to R71m reflected continued improvement in the performance of wholly owned Southern Sun. Occupancy rates increased to 68% from 63% in the previous year.

OK Bazaars continued its recovery, making a small profit in the second half to take its loss to R38.1m for the year from R40m at the interim stage. It was expected to at least break even in the current financial year. MacFarlane dismissed speculation that it would delete Lion Match.

Cash flow from operations grew 44% to R2.8bn. Net cash retained from operating activities topped R1.5bn, providing for SAB’s capital expenditure and acquisitions of R1.6bn. SAB declared a final dividend of 153c a share, taking the full year dividend up 23% to 200c a share. Shareholders have been offered the option of cash or a capitalisation share award.

Concern of a drop in disposable incomes through higher inflation, interest rates and taxes, was not expected to affect “satisfactory real growth” in earnings and dividends in the coming year.

The International Finance Corporation said yesterday it would invest US$34 million in the recently privatised Tanzanian Brewery, 50% held by SAB through its international arm Westgate Worldwide. The corporation had signed agreements to provide additional $15.4m and an equity investment of $3m.
SAB shares a fuller glass with its workers

Enhanced earnings from associates and lower effective tax rate contribute to 28 percent surge in earnings

Enhanced earnings from associates and the lower effective tax rate contributed to SA Breweries' 28 percent surge in earnings per ordinary share to 465,1 cents for the financial year ending March from 362.5 cents a year earlier.

Profits of the South African beer division were up 23 percent on a four percent volume rise while the expanding international beer interests contributed a 32 percent improvement.

Milestone

SAB's annual report stated the diversified interests of the group posted earnings 49 percent ahead of the previous year.

"Against this background the group achieved a significant milestone by generating cash value added of well over R10-billion.

"This represents a major contribution to the wealth and development of the country, with nearly half of this created value having been distributed to the employees," SAB's annual report stated.

A final dividend of 153.0 cents a share was declared, representing a 32 percent increase over the 116.0 cents paid last year.

Total dividend for the year increased 29 percent to 200.0 cents (1994: 165.0 cents).

Ordinary shareholders would receive new fully paid shares as a capitalisation in lieu of the final cash dividend unless they elected otherwise.

Cash flow

Cash flow from operations grew by 41 percent enabling cash flow per share to realise a high 94 percent of the potential of the cash equivalent earnings of 889 cents a share.

Net cash retained from operating activities exceeded R1.9-billion, more than adequately providing for the entire capital expenditure and acquisition programme of over R1.6-billion.

As a result, the group was able to repay external financing of some R900-million.

The increase in net assets was held to eight percent which, together with the cash generation, enabled the gearing ratio to close at 0.51 well below last year and well within the board's constraint of 0.70.

"The spirit of national reconciliation has inspired new confidence and there is a prevailing mood of cautious optimism in the country.

"Economic growth has accelerated recently and appears to be increasingly broadly based."

Real growth

"There is, however, some concern that disposable incomes could deteriorate due to pressures from higher inflation, interest rates and personal taxes.

"It is, nevertheless, expected that satisfactory real growth in earnings and dividends will be achieved during the coming year," SAB said. — Sapa.
TBI on its way to brew up more jobs

By DAN DHILAMINI

BIG BUSINESS was this week praised for supporting political freedom - but urged to lead the way to its economic equivalent.

Addressing guests during a tour of Traditional Beer Investments' (TBI) Mafikeng Brewery, the deputy mayor of greater Mmabatho, Elias Ntloedibe, said political freedom was meaningless without economic freedom.

TBI should help to improve the quality of education by offering scholarships to the disadvantaged, he said.

Ntloedibe - author of Here is a Tree, a political biography of the late PAC president Robert Sobukwe which was published this year - said black students needed to be trained in modern technology because the mammoth unemployment problem threatened the very survival of our freedom.

"Big business must sacrifice - because it's the sweat of the black oppressed which made them successful today," he said.

An official in the North West finance ministry, Lindsay Magaride, said big business and conglomerates should work hand in hand with the government in creating jobs for the unemployed.

Magaride said 27 percent of the North West's population were unemployed and unless something was done this could lead to chaos.

He urged TBI to help small entrepreneurs through subcontracting, training, bridging finance and market research.

TBI marketing director Archie Miller said that once the State's sorghum beer brewing monopoly was lifted in October, TBI - a subsidiary of South African Breweries - would be able to take part fully in this market and able to create more job opportunities.

His company had been involved in the sorghum beer industry since 1985, he said, and presently had five breweries - based in Lebowakgomo, Ga-Rankuwa, Thabane, Mafikeng and Butterworth - as well as a number of depots.

Miller said TBI's business philosophy was aimed at satisfying specific consumer needs.
SAB bubbles over in centenary year

SAB BREWERIES, the world’s fifth largest brewery group and the first company to list on the JSE, turns 100 tomorrow, write TERRY BETTY.

The company was formed on May 15, 1895, in Johannesburg’s early gold-rush days and listed two years later.

Beer now accounts for 51% of the country’s liquor market, a six-fold increase over the last 50 years. SAB’s beer division alone last year contributed R2.6-billion to the fiscus through VAT, company tax and excise duties.

Centenary celebrations include opening a state of the art multimedia showcase of the history and ethos of beer in downtown Johannesburg’s Newtown cultural precinct.

Historical SAB buildings in Newlands and Cape Town have been upgraded and are to be included in the brewery tour, which will be ready in time for the rugby World Cup.

Other celebrations include sponsorship of yesterday’s South Africa versus Argentina soccer match, which is to be an annual event: Brazil has been secured for 1996.

Norman Adam, managing director of SAB’s beer division, says SAB is expecting growth in beer sales to exceed personal consumption expenditure—up 5% to 8% volume growth in the next 12 months.

(182) ST(BT) 14/5/95
Transun forge on despite high taxes

Nicola Jenvey

DURBAN — Beverages, hotels and leisure company Transkei Sun International (Transun) would meet its June year-end expectations in spite of the severe effects of changes in taxation and competition from smaller city casinos, Wild Coast Sun MD Alberto Charanda said yesterday.

He said the company "had taken a knock" from political changes which had incorporated the Transkei into SA and consequently altered the company's taxation commitments.

"However, business has been very good and expectations will be met by year-end. The company has been strong throughout the year and the share prices performed satisfactorily."

Transun had planned its future on the assumption that new gambling legislation would not adversely affect hotel and casino business.

Charanda expected the government's final decision before the next financial year-end. It would influence Transun's future policies including expansion, spending and possible rationalisation.

"It is not known how far the government is in establishing casino and gambling legislation, nor whether the recommendation of 40 licences countrywide would be accepted, nor where the recipient casinos would be situated."

"Everything is in the dark at the moment. We have had to make decisions for the coming year under these premises."

SA had to establish its own market mix, whether the government would allow smaller casinos or incorporate leisure resorts with hotels, restaurants and entertainment facilities.

"A casino resort takes at least 18 months to build, whereas a small operation could be running much sooner. The government, as in Monaco, will want to control the system to maximise revenue potential; clear limits must be in place to do so," he said.

Owning a casino licence did not automatically mean the recipient would make money. Allowing the market to find its own limit could be potentially dangerous, since livelihoods were at stake.

Care would also have to be taken to ensure new casino resorts were tourist-oriented and created jobs in high unemployment areas.

"However, there must also be protection in place to ensure those people who cannot afford to gamble are not availed with the possibility of gambling away every cent of their money."

"If the casino is in a more remote area, out of the cities and requires access by car, then this protection would be in place," Charanda said.
Afrikaans labels for beer

A locally-based Bavarian brewery is to print half-a-million beer labels in Afrikaans at the request of the Junior Rapportryerbewegung. South African Breweries stopped printing labels in Afrikaans last year. Independent brewers Bavara Brau are now trying to get into their market. Company spokesman Garth Wardell said capturing even 1% of SAB's R27-billion market would be significant. — Sapa.

(162) SAW 275195
Spirited attack on ‘outdated’ liquor legislation

Sunday sales among proposals by task team

Business Staff

SHEBEENS should be legalised and limitations on Sunday liquor sales abolished. These are the recommendations of a top government body, which says most restrictions on liquor sales should be scrapped because they are unnecessary, widely ignored and largely unenforced.

“The Liquor Act controls too many aspects of liquor selling,” said a report of the inter-provincial task team for economic affairs, which includes officials of each of the nine provincial governments.

Western Cape Economic Affairs Minister Chris Nissen, who is soon to assume responsibility for liquor regulation in the province, presented the task team’s report to a community summit in Cape Town yesterday.

The far-reaching proposals had the backing of every province and, subject to consultation, should form the basis of legislation to be enacted by March next year, said Tony Botha, Mr Nissen’s acting director-general.

The Liquor Act was widely contravened by unlicensed shebeens and licensed taverns that sold liquor for consumption off the premises, although this was illegal, the report said.

“These activities are crimes because they do not comply with the Act, but they are not crimes which also transgress basic morality, such as murder or fraud,” the report said.

“Police enforcement of the Liquor Act is haphazard and can be influenced by corruption. Widespread disregard of laws which do not take account of realities breeds disrespect for law in general.”

The task team recommended that the provinces, which have the power to regulate liquor sales in terms of the constitution, undertake sweeping deregulation, including:

- The granting of licences to shebeens in dwellings provided they had adequate washing and toilet facilities and a structure which prevented theft of liquor.

Whether a shebeen should be allowed in a particular area should be left to municipalities and should be evaluated against town planning considerations and the proximity of schools.

- Taverns and shebeens should be allowed to sell liquor to drink off their premises.

- Liquor stores could be allowed to sell not only for off-consumption, but also for consumption on their premises, such as a beer garden.

- Restrictions of liquor retailers’ selling hours should be no different from those applying to other retailers.

- Restrictions applying to liquor sales on Sundays and religious holidays should be scrapped, as they were probably unconstitutional limitations of freedom of religion.

- Food stores and other retailers should be allowed to sell liquor — “the selling of liquor need not be a privilege reserved for special stores licensed exclusively for the sale of liquor”.

To protect existing licence holders, the reforms could be enacted subject to a “sunset clause” holding that would start in two years’ time, the task team said.

“These relaxations could prejudice some existing licence holders, who may have invested large sums to obtain monopoly benefits of a system where few licences are granted.”

Mr Botha said his department had found widespread support for the proposals.
SHEEBEN OWNERS WANT FAIR DEAL

Public participate in rewriting Liquor Act

THE WESTERN CAPE will soon have to decide how far it is prepared to go in liberalising the liquor laws in the province. CLAIRE BISSEKER reports.

Strong opinions were voiced yesterday when the Economic Affairs ministry invited public submissions on how the Western Cape's liquor, business and consumer protection laws should be rewritten.

The administration of the three acts has been devolved to the provinces from Pretoria.

In three months the provinces will appoint their own liquor boards to grant liquor licences. The new national Liquor Act should be complete by March 1996.

Calls by shebeen owners that the act be amended to end decades of licensing discrimination against black tavern owners, were sympathetically received at the meeting.

Acting head of trade and industry, Western Cape, Mr Tienie Botha, was applauded when he said his department was seeking a moratorium on police raids of shebeens while the act was under review.

A resident, who said there were 37 shebeens serving 1,000 households in Delft, called for stricter liquor laws. Others argued that restricting licences would not restrain drunkenness.

The acting head of Regulatory Services, Mr Mark Jasson, said the province had been shocked to discover that children as young as 10 were becoming alcoholics in rural areas and it was committed to starting education on alcohol abuse at school level.

The Western Cape Alcohol and Drug Abuse Forum claimed that increasing the availability of liquor would increase people's demand for it and liberalising hours of sale could lead to an increase in consumption, addiction and other alcohol-related problems.

The South African Liquor Stores Association (Salsa) said they were opposed to supermarkets selling wine and malt as there was no control over selling to under-age customers and it was easy for supermarkets to circumvent Sunday selling restrictions.

A draft consumer-rights policy released at the meeting suggests that the province introduce consumer protection as a mandatory school subject and carry out regular inspections to check that shop scales are accurate and that money lenders charge acceptable interest rates.

Mr Jasson said every municipality would have a consumer advice office and all interested parties would be represented on a provincial consumer forum that would advise the government.

A new sub-directorate of consumer rights, responsible for drafting a provincial Consumer Rights Act, would be operational by July and an inter-provincial task team would ensure that policy was consistent across the country.
Cheap SA vodka finds a new market — in Russia

By Audrey D'Angelo
CAPE BUSINESS EDITOR

Vodka made in South Africa is among growing quantity of goods being exported to Russia, says Ronnie Frick, owner's representative of shipping company Deutsche Africa Linien (DAL) in southern Africa.

But, he cautioned yesterday, many Russian buyers who tried to import goods had difficulty in making satisfactory arrangements for payment.

Much of the goods exported through DAL are going to outlets set up by South African and other foreign companies.

Hamburg-based DAL Transport, a DAL subsidiary established 10 years ago, delivers goods from all over the world to Russia and other parts of the former Soviet Union.

Its trade manager, Juergen Gissman, says in the newsletter distributed to South African customers: “We have arranged for reliable truckers to give door-to-door delivery from St Petersburg or Kolka to most destinations west of the Ural mountains.”

Gissman says his company manages to make deliveries “despite the many bureaucratic laws that still exist in the Commonwealth of Independent States that obstruct direct trade” because of its connections with reliable local carriers.

Frick said South Africa exported vodka to Poland as well as Russia. “They buy it because it is cheaper than their own.”

He said container loads of consumer goods were sent from this country by distributors, or companies which had set up their own selling operations there.

Metro Cash and Carry is among the South African companies now doing business in the former Soviet Union. It has three outlets there.
New Age Beverages expands

By Mzimuku Malunga

AFTER a rocky start, things seem to be going well for the producers of Pepsi products in South Africa, New Age Beverages. The company is embarking on an expansion programme which will double its existing capacity, enabling it to market its soft drinks line outside the Witwatersrand area.

Although chief operating officer Mr Monwabisi Fandoso is reluctant to give details, it is thought that New Age’s expanded premises will be operational by the end of the year.

Both company chairman Mr Khehla Mthembu and Fandeso believe it is premature to claim victories yet as the road ahead is long and bumpy.

“We are cautiously optimistic about the future. We have been well received by the consumer and that is an indication of sustainability,” he says.

When complete, the plant will be able to meet current and forecast demand, says Fandeso.

At present, New Age’s products sell mainly in the Wits area. The doubling of plant facilities will enable the company’s distribution network to reach the entire Gauteng area as well as the whole of what used to be the former Transvaal.

Problems

Just before its launch last year, New Age had problems in sourcing some of the raw materials needed. But Fandoso says the supply situation has improved as the supply channels have been broadened beyond the borders of South Africa.

New Age is a result of an investment by Pepsi International, a consortium of African Americans and a local black group.

Apart from creating new jobs at its Germiston plant, the investment has also created over 90 small businesses in distribution and wholesaling.

The company’s expanded plant facilities will include a warehouse, a bottling plant and a trucking yard. The facility is a R14.6 million development by Old Mutual’s property arm.
Coke lay-offs are a sign of the times

BY SUDARSHAN RAGHAVAN
STAFF WRITER

The beverage giant Coca-Cola's laying off on Monday of 21 employees in a nationwide restructuring and streamlining shakeout could be a sign of things to come.

For the past three months a project team made up of senior executives from Coke and its bottlers have reviewed various divisions for inefficiencies.

The first employees to receive the axe were from the franchise department. Other retrenchments may follow.

Deneen Green, a Coca-Cola spokesman, said there was "a lot of duplication of roles within the company." The streamlining exercise would "provide a better service" to consumers.

Coke may also be streamlining in response to the threat it faces from Pepsi. Despite Coke's domination of the South African market, Pepsi is expanding its operations.

The president of Coca-Cola Southern Africa, Victor Lobley, said that fusing the operations of the company's franchise department with that of its bottlers would "enhance the competitiveness of our operations."

What has happened at Coke may occur elsewhere. Lay-offs are likely to become a bugging reality in the months and years ahead as more companies enter new sectors, restructure and consolidate.

Some of the 21 Coke employees who were retrenched were extremely bitter yesterday. Most of them were flown to Johannesburg on Monday from Durban, Port Elizabeth and Cape Town and given the choice of relocating to the company's head office in Johannesburg or leaving.

"No one knew what was going on," said one. "Why some people were booted out and others were not, I don't know. It's crazy."

"The way they approached the matter violates labour laws."

"(152) 4/16/95 6:35"
AMALGAMATED BEVERAGES

The battle of the colas

Activities: Bottles and distributing soft drinks under franchise
Control: SA Breweries 68%
Chairman: F. L. Lloyd MD E T Odgers
Capital structure: 106,5m ordinary shares, Market capitalisation R2,28bn
Share market: Price 2.125c, Yield 2.4% on dividend, 4.9% on earnings, p/e ratio 20.5, cover, 2.0, 12-month high, 2.200c, low, 1.850c, Trading volume last quarter, 285,667 shares

Year to March 31 92 93 94 95
ST debt (Rm) 20.0 51.4 46.5 28.7
LT debt (Rm) 23.2 11.7 — —
Debt equity ratio 0.59 0.65 — —
Shareholders' interest 0.56 0.67 0.56 0.61
Int & leasing cover 16.5 26.6 — —
Return on cap (%) 22.7 26.1 20.1 16.1
Turnover (Rm) 1.05 1.16 1.20 1.41
Pre-net profit (Rm) 125.8 132.9 148.3 165.1
Pre-net margin (%) 12.0 12.9 11.9 11.1
Earnings (c) 64.5 77.0 86.3 103.9
Dividends (c) 31.5 37.5 41.5 51.0
Tangible NAV (c) 201 222 405 524

ABI held on to its market share in financial 1995. Sales revenue grew 17% to R1,33bn (R1,13bn), pre-tax profit increased 16% to R172.9m and attributable earnings rose 21% to R110.4m in the face of stiff competition from Pepsi and retail house brands.

ABI, the biggest bottler of Coke and other soft drinks such as Fanta, Tab and Sprite, operates primarily in Gauteng and Natal. Coke and its associated brands commanded about 75% of the market for carbonated soft drinks in SA.

The hot, dry summer and profligating number of suppliers expanded the industry in 1994, helping it achieve real growth "more in line with longer-term trends", says chairman Pete Lloyd. Consumers drank about 17% more carbonated soft drinks than they did in 1993.

ABI's EPS grew 20% to 103.9c and paid a dividend of 51c. The increase in income resulted from lower financing costs combined with higher interest earned (R7.9m, up from R1.2m) on its cash holdings of R100m, along with improved manufacturing productivity, says Lloyd. The balance sheet is strong, with no long-term borrowings and short-term debt of R25.7m easily covered by cash assets.

The results could have been more spectacular had rapid growth not impeded ABI's efforts to supply its markets by inducing shortages of packaging materials. The demand for cans also exceeded supply. Lloyd emphasised the constraint is "temporary".

The R102m spent on capital investment went largely to providing manufacturing facilities for the new packaging products introduced by ABI last summer. MD Trent Ogders calls the operation "probably the most successful market penetration programme ever run by ABI" as a number of different bottle sizes and "returnable" options were introduced.

Another limiting factor is the curb on price increases induced by aggressive competition, keeping them "well below inflation levels." Nonetheless, operating margins look relatively healthy at 11.1%. This may change if Pepsi's continuing challenge keeps margins down. ABI may be glad of the muscle behind it in the form of its major shareholder, SAB, when the gloves come off. The Coca-Cola company's re-entry to SA also provides support, new ideas and undoubtedly some sharpened marketing strategies.

The largest and fastest growing soft-drink market is among black consumers and its potential must still be huge. Lloyd expects "a satisfactory earnings performance" from ABI in financial 1996, even with margins under pressure. With obviously good management, strong cash flows and top-class production facilities, there seems to be no reason this should not happen.

The share is close to its 12-month high, having climbed steadily since September 1994, and looks set to keep humming. Grab stock while you can.

Mansoor Anis staples
Indians to salvage NSB

UB INTERNATIONAL, one of India's largest companies and its biggest brewer, looks set to come to the rescue of indebted National Sorghum Breweries.

The deal is likely to be linked to NSB's Vivo clear-beer venture, says the Food & Beverage Reporter, a trade journal.

The journal says that the launch of Vivo has not been as successful as NSB had hoped and has contributed to the significant losses the black-owned group is expected to report for last year. The group has also experienced difficulties in its sorghum beer operations.

UB International declined to comment.

It is likely that the group would have to invest at least R100-million in NSB in order to recapitalise the brewer.

The Reporter says that a joint bid for NSB by Thebe and Foodcorps six weeks ago was rejected because the consortium demanded the removal of Mohale Mahanyele, NSB's controversial chairman.

UB International already has substantial exposure in South Africa. It is involved in a joint venture with Kagiso Trust, has merged its paints interest with Associated Paints & Chemical Industries and owns 81% of Mabula Lodge.
NSB's clear beer venture looks murky

Results from National Sorghum Breweries (NSB) for this year, which have not been made public yet as the group is looking around for an investor, are likely to reflect big losses from its Vivo clear beer operations.

There will also be a severe reversal in the sorghum beer dynasty, historically NSB's cash cow. According to an article in this month's Food & Beverage Reporter, NSB suffered a heavy cash drain as a result of financial losses from last year, mounting interest payments, including the cost of servicing a loan of over R109 million from Nedcor, and expensive retrenchment payments on the closure of five of the original 20 sorghum breweries.

NSB's share of the sorghum beer market, previously close to 100 percent, is probably down to 40 percent.

The group is likely to need an injection of about R100 million to return it to a healthy position, while as much as R500 million is needed to give Vivo a chance to take a significant slice of the clear beer market, the publication said.

NSB chief executive and executive chairman Mohale Mahanyele has been known to be looking for a strategic partner, either local or overseas, for at least four months.

NSB is believed to have concluded a deal with Indian brewing and distilling company UB International, probably related to the sale of Vivo.
SA BREWERIES (SAB) had approved capital expenditure of R2.3bn, most to be spent in the coming year, executive chairman Meyer Kahn said in the group's centenary annual report.

After allowing for working capital requirements of R750m, the group has forecast cash retained from operations at R2.1bn. Kahn said this would be sufficient to fund all investment activities, with gearing remaining around the current level of 51%.

In the year to March, the group lifted earnings 28% to 465c a share on 16% higher turnover of R2.79bn. Beer volumes grew by 4%, the first increase since financial 1991.

SAB spent R1.7bn during the year, including R141m on foreign investments. Beer interests absorbed R600m, complementary beverages R140m, retail and hotel interests R360m and manufacturing R400m.

Kahn said the core beer interests now contributed 75% of attributable earnings from 54% in 1988. The beer division's export market grew by 10% over the year as volumes to South America and the UK almost doubled. It had made "encouraging entries" into China and Hong Kong.

The beer division now had about 51% of the SA liquor market, an almost sixfold increase since 1985.

He said the retail market remained hampered by "inappropriate and unenforceable licensing regulations". Most trading points were still illegal, and he called for urgent reform.

Commenting on the 8.4% rise in excise duty on beer, he said he welcomed steps taken by government to level the alcohol tax playing field, but the excise on beer was still very high compared with other liquor as beer carried four times more excise than wine on an equivalent alcohol basis.

And more than twice that of cider.

International beer arm Westgate Worldwide reported "pleasing growth" in attributable earnings despite settling in new acquisitions.

African operations, held through Indel International, concluded the acquisition of a 45% interest in the Luaka Brewery in Zambia.

Wholly-owned OK Bazaars reported 11% higher turnover of R56.6bn. A small profit in the second half saw it show a full year attributable loss of R38.1m, less than half that of the previous year. SAB, which injected an additional R100m of equity capital into OK during the year, expected it to break even in financial 1999.

Wholly owned Southern Sun reported 51% higher earnings of R71m, and expected strong growth in the coming year. Further market share gains and an improvement in the tourism industry saw group occupancies increase to 68% from 63% previously.
Brewery must wait

No decision has been taken on management changes at National Sorghum Breweries following the purchase of a 30% stake in the company by India's United Breweries Limited, a company spokesman said this week.

A statement from the two companies said, "United Breweries will play a significant role in the management of NSB and will also undertake the training of NSB employees at its various plants overseas." -- Staff Reporter
Liquor traders plan to establish a company

Theo Rawana

THE 10 000-member SA Liquor Traders' Association would establish a company through which businesses would be conducted, president Dave Mokoena said yesterday.

Mokoena said the company, in which regional chairmen would serve as directors, would be up and running by September.

The executive would approach financial institutions and members would be able to buy shares.

"Shareholding is also open to any individual, organisation or company with an interest in black economic empowerment. These people are welcome to come and inject capital or introduce projects," Mokoena said.

He said the organisation, together with the SA Taverners' Association and the SA Liquor Store Association, had made submissions to government opposing a provision in the Liquor Amendment Bill which would extend licences to supermarkets to sell beer.

"Our submission will sober up the trade and industry department and make it see it missed an important segment of the industry by not consulting us when drafting the Bill," Mokoena said.

Liquor traders were objecting to this deregulation allowing beer on supermarket shelves would make it accessible to minors and make control impossible.

"We also object, because opening this market to supermarkets would render about 36 000 jobs, since each of our members employs at least two people," Mokoena said.

The organisation was also considering setting up an advisory board.
SAB plans massive capital investment

CT 29/6/95 (182)

BY DEEK TOYNBEY

South African Breweries (SAB) has a capital expenditure programme of R2.3 billion of which R2.0 billion will be spent in the year ending March next year, says Meyer Kahn, the group executive chairman in his annual review.

This spending follows capital expenditure of R1.7 billion in previous financial years, which brings the aggregate for the past three years to almost R5.0 billion.

Kahn says the group’s programme for this financial year is its largest to date.

He says he and the SAB board are optimistic about South Africa’s prospects.

The monetary, fiscal and spending disciplines displayed so far in South Africa’s economic genesis by the government and the Reserve Bank are encouraging signs.

Incentives

However, he says that an effective and internationally acceptable export and industrial incentive programme still has to be developed to enable real growth in earnings to overtake the annual growth in the country’s GDP.

Growth

The recent mildly expansionary national fiscal budget and the abolition of the financial rand have enhanced conditions for economic growth and much needed foreign investment.

Economic growth has accelerated recently and appears to be increasingly broadly based.

“There is some concern that disposable incomes could deteriorate due to pressures from higher inflation, interest rates and personal taxes.”

SAB nevertheless expects satisfactory real growth in earnings and dividends this year.

Reviewing the activities of the delisted OK Bazaars, he said the group was expected to break even this year.

An additional R100 million of equity capital was injected into the company during the year.

Turnover grew by 11 percent to reach R5.6 billion, notwithstanding the reduction in the range of goods carried and the closing of certain loss-making stores.

The attributable loss of R36.1 million was less than half that of the previous year, he said.

With the buoyant trading over the Christmas period, the group recorded a small profit for the latter half of the year.
SAB capital expenditure soars

By Derek Tommey

South African Breweries (SAB) has a capital expenditure programme of R2.3-billion of which R2.0-billion will be spent in the year ending March 1996, says group executive chairman Meyer Kahn in his annual review.

This spending follows capital expenditure of R1.7-billion in 1994-95, which brought the aggregate for the past three years to almost R5.0-billion. Kahn says the group’s 1995-96 programme is its largest ever.

Kahn added that he and SAB board are optimistic about South Africa’s prospects.

The monetary, fiscal and spending disciplines displayed so far in South Africa’s economic genesis by the Government and Reserve Bank are encouraging epiograms for the future.

However, he says that an effective internationally acceptable export and industrial incentive programme still has to be developed to enable real growth in export earnings to overtake the annual growth in the country’s gross domestic product.

He says that 1995 is hopefully the year in which the Reconstruction and Development Programme will start bearing the fruits of the first year of planning.

Kahn says that civil stability will not be maintained unless an improvement in quality education becomes accessible to more and more South Africans, unless poverty is ameliorated, the welfare gap closed and the alarming arrears in the provision of appropriate housing are reduced.

The recent mildly expansionary national fiscal budget and the abolition of the financial rand have enhanced conditions for economic growth and much needed foreign investment. Economic growth has accelerated recently and appears to be increasingly broadly based.

“There is some concern that disposable incomes could deteriorate due to pressures from higher inflation, interest rates and personal taxes.” SAB nevertheless, expects satisfactory real growth in earnings and dividends this year.

Reviewing the activities of the delisted OK Bazaars, he says the group is expected to break even this year.

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Turnover grew by 11% to reach R5.8-billion, notwithstanding the reduction in the range of goods carried and the closing of certain loss-making stores.
East London goes dry during strike

COLD DRINK supplies in East London stores are drying up after about 200 workers from Coke bottlers Kilimanjaro Manufacturing downed tools to protest against the suspension of three colleagues.

A Pick 'n Pay manager said "The strike has affected us. We normally have deliveries every week but we haven't had a delivery in over a week now." However, he said alternative arrangements had been made to ensure everybody's favourite soft drinks were still available.

By contrast, the fridges in some of the town's tea rooms are looking bleak with only a few cans of the less popular brands in stock. One shop owner, who declined to be named, said she no longer dealt with the independent bottling company "because they are forever on strike and I always had to collect myself. Now I just get my cold drinks from the bottle store."

Food and Allied Workers Union shop steward Mr Cyril Rwexan said workers downed tools after three warehouse workers were suspended for refusing to clock in after every break during the day. Rwexan said "They refused to do that because it is not company policy. Other workers here only have to clock in at the beginning and end of each day."

He said the new clock-in policy only applied to 12 employees in the warehouse and workers were not consulted about the move by the warehouse manager.

He said they were demanding the unconditional reinstatement of the suspended workers and the resignation of Phamba before they returned to work.

Phamba, Kilimanjaro general manager Mr Piet Nel and a spokesman for Durban-based Sunrash Limited, which manages Kilimanjaro on behalf of its owners, could not be reached for comment. — EPA.
SA BREWERS

Still enormous potential in beer

Activities: Consumer-based group with interests in beer and other beverages, also involved in retailing, manufacturing and hotels
Controls: Bavcon 34%, in turn controlled by Johnnie, Anglo and Liberty Life
Chairman: J M Kahn
Capital structure: 281m ords Market capitalisation R29.2bn
Share market: Price 10 400c; Yields 1.9% on dividend, 4.5% on earnings, p/e ratio 22.4, cover 2.3, 12-month high 10 900c, low 7 900c; Trading volume last quarter, 4.5m shares

Year to March 31 92 93 94 95
ST (m) 1 458 1 457 1 025 1 024
LT debt (m) 2 068 2 564 2 680 2 587
Dobt equity ratio 0.52 0.51 0.60 0.50
Shareholders' interest 0.41 0.41 0.34 0.39
Int & financing cover 4.8 4.9 6.8 6.0
Return on assets (%) 15.2 15.4 22.8 15.8
Turnover (Rbn) 17.4 21.8 24.5 27.9
Pre-int profit (Rbn) 2 005 2 419 2 518 3 040
Pre-int margin (%) 10.5 10.8 10.0 8.9
EBITDA (m) 390 363 363 465
Dividends (c) 130 137 155 200
Tangible NAV (c) 1 457 1 741 1 743 1 799

A sober appraisal of this company’s annual report and results (not always easy considering its principal product) leads to a number of interesting conclusions.

First, however, it is necessary to recite the bald facts SA Brewers is 100 years old this year, in its centenary reporting period it jumped turnover 16% to R27.9bn and attributable earnings rose 28% to 465c. Borrowings are modest, producing a debt equity ratio of 0.50 which, given the immense cash generation (R1.9bn in retained cash), is not untoward.

Now to the areas deserving real attention.

First is that SA Brewers has changed its accounting policy — and says so — in the important area of inflation, expressed through depreciation. In the past, the company has revalued its fixed assets and depreciated them to account for inflation. In effect, it has understated its earnings, always a brave course for managers wanting to put the best face on their results. What they sacrificed in numbers, they gained in the market's appreciation of what was seen to be the high quality of the earnings.

Now the company has chosen to fall in line with international accounting standards, which don’t follow this line. The result is to increase earnings this year, nice for once, but the effect of reducing, if only a little, the quality of those earnings should.

Second, the company hasn’t yet shifted to full use of deferred tax, especially in its big beer division. It does make use of partial deferred tax, however, which flies in the face of international accounting conventions and which demonstrates that when changes suit SA Brews' book that's fine, but when they don't well, that's tough. On the other hand, it is a good company on deferred tax — other large groups such as CTS, Smith and Malbut use the partial method.

A third feature of interest is that it is now obvious that when SA Brewers has a distressed, wholly owned, subsidiary its beer division becomes the automatic lender of last resort. An example is OK Bazaars, the now delisted retailer and the place where chairman Meyer Kahn learnt his trade. The figures are hardly a cause for loud cheers from the sideline (R36m loss compared with 1994's R51m loss), but they are a big improvement. This was helped by an infusion of cash from beer and a retirement of bankers' loans.

The "cost" of all this gets dropped into a line in the Segmental Analysis enterprisingly called "Miscellaneous". This has become a big portfolio lately — R149m In losses in 1994, R188m in losses this year. Miscelaneous now accounts for a reduction of about 15% in attributable earnings.

Fourth is the performance of the hotel interests. These improved their contribution to R71m (1994 R47m) but that disguises an important feature. Trading profit this year of R30m suggests it earned practically nothing in 1994 and that most of its contribution actually comes from its stake in Sun International’s businesses.

None of this should be taken to mean there isn’t better news too. OK actually performed a lot better than many expected. Turnover growth of 11% took sales to R5.6bn and the trader held its own in a difficult market despite closing stores and rationalising. It must now be a target for an ambitious foreign retailer wanting to stake a claim to a slice of the SA market, though just who is a puzzle.

Second is the international operations, collectively stuck together in Westgate Worldwide. Its contribution to attributable earnings improved from R90m to R131m. I do not mean to be a wet blanket, but I say this must be seen in the context of the domestic beer division’s contribution of R46m to the group total of R1.24bn.

What the international operations do demonstrate is that there is indeed a place for SA Brewers in the outside world, moreover, it is one which carries the seeds of substantial growth. Sensibly, the company has chosen not to attempt a direct argument with any of the international brewers — after all, SA Brewers is well aware from its own experience of how savage brewers can become when challenged on their own turf.

Instead, it is concentrating on emerging markets where its unparalleled knowledge of trading in Third World conditions is a core competency. This is why it does well in Africa and why it will get along famously in China where it has taken joint control, with Hong Kong-listed China Resources Enterprise, of the Shenyang Brewery in north-east China. The Middle Kingdom is predicted by some to become the world's largest economy in the first half of the next century. Shenyang Brewery is the country's second largest. Taken together, this suggests serendipity for investors with long time horizons.

This leads to a consideration of what to do with Lion Match, now bereft of much in the way of direct operations except to make matches and shaving accessories — and cash, a lot of it, R201m. The FM has taken stab at what SA Brewers intends doing with the company (Companies June 16), the closest appears to be our suggestion to reverse Westgate into it, in exchange for the cash and shares. No-one will comment.

An outstanding feature of the results is the core business. It increased its beer sales domestically by 22% to R8.34bn, its trading profit similarly rose 21% but its contribution to attributable earnings went up 24%. It shows the enormous potential for profitab-
COMpanIES

ny in this operation.
Earnings in financial 1996 could rise by another 25% especially if, as is being predicted. OK Bazaars breaks even this year. If this holds true, it means EPS next year will be close to 600c and the forward p/e of 18 compares with the current 22. I would be amazed to see any balanced portfolio which doesn’t include the counter  

David Green

NBS HOLDINGS

Long-term value

Activities: Banking, financial services, insurance and property
Control: Norwich Life SA 22%, RMB Holdings 20%
Chairman: B C McCarthy MD J W Gafney
Capital structure: 88.2m o/s Market capitalisation R3.35bn
Share market: Price R39 Yield 2% on dividend, 6% on earnings, p/e ratio, 16.5, cover, 3.1 12-month high, R41, low, R28 Trading volume last quarter, 0.5m shares

Year to March 31

<table>
<thead>
<tr>
<th>92</th>
<th>93</th>
<th>94</th>
<th>95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (Rbn)</td>
<td>9.07</td>
<td>10.97</td>
<td>13.32</td>
</tr>
<tr>
<td>Advances (Rbn)</td>
<td>7.51</td>
<td>8.75</td>
<td>10.53</td>
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<tr>
<td>Deposits (Rbn)</td>
<td>8.92</td>
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<td>11.51</td>
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<tr>
<td>Taxed income (Rbn)</td>
<td>66.4</td>
<td>81.8</td>
<td>112.5</td>
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<tr>
<td>Return on assets (%)</td>
<td>0.81</td>
<td>0.83</td>
<td>1.08</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>15.1</td>
<td>15.7</td>
<td>14.5</td>
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<tr>
<td>Earnings (¢)</td>
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<tr>
<td>Dividends (¢)</td>
<td>40</td>
<td>46</td>
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</tr>
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</table>

The last few times the FM has reviewed NBS’s results, we have concluded that the share is expensive. It has had little apparent effect on investors, who continue to push the price up — though its rise slowed to a more modest 27% over the past year.

Apart from the general weakness in the equity market this year, that could reflect the consolidation NBS is entering as it beds down its diversified investments in insurance and related financial services.

Earnings will increasingly come off a wider, more stable, base less dependent on interest margins. And it seems investors are prepared to continue paying a premium for the highly rated share swap partners — including RMB Holdings and Norwich Life — which form part of NBS’s shareholding structure.

The share’s high rating (higher than those of the big four commercial banks for about two years) also reflects NBS’s earnings record. Chairman Brian McCarthy points out that, since listing in 1987, the annual compound growth rate in EPS of 27% has outstripped the four larger banks. Performance ratios are firming, both ROA and ROE offering the highest returns since listing.

That shows NBS’s evolution from its building society past to a banking-based financial services group. Banking’s contribution to earnings of R201.5m has declined from 69% in the previous period to just over half, despite 4% advance in profit from this source.

Insurance, on the other hand, now ac-
counts for 29% of earnings, compared with 21% in the previous period.

Earnings growth, boosted in financial 1995 by the first full-year contribution from 20% associate RMB Holdings, is expected to slow this year. Margins will almost certainly come under pressure in the core banking business, and asset growth is likely to diminish from last year’s 25% as interest rates increase.

But a few bullish factors should keep earnings growth strong. One is the possible significant reduction in the bad debt charge, which last year increased by 67% — almost entirely due to a R72.5m provision made against fraudulent loans in NBS’s corporate division, the result of collusion between senior staff and clients.

CE John Gafney says about R50m is expected to be recovered and is under negotiation with insurers. Should the claim be paid in the current financial year, the reduction in the bad debt charge would drop straight through to the bottom line.

There should also be a strong recovery from the corporate division, shaken by the fraud and the dismissal of some senior managers. Gafney says projects have been embarking upon which should make the division a “meaningful contributor” to earnings this year, Controls and the quality of lending have been improved.

Any recovery in the short-term insurance market will also aid earnings, both from the joint held Aegon Insurance and subsidiary NBS Insurance. The bank, despite tighter interest margins, should underpin growth. Last year, home loans rose 22% to about R10bn.

Gafney, who has headed NBS since its listing, will retire in two months due to personal tax reasons following new regulations governing retirement benefits. McCarthy credits Gafney with a major role in achieving NBS’s earnings diversification and track record as a listed company. Tony Norton will succeed Gafney.

Despite its high rating, and the likelihood of slower earnings growth, there is long-term value in the share. NBS is focused on its independence — the shareholding structure looks secure, but the expensive share suits the group and would discourage possible hostile bids.

Shawn Harris

ALTRON

Strong opportunities

Because this company is at the first level of chairman Bill Venter’s pyramid structure, it attracts attention as the repository of the group’s main businesses.

Altron controls Altech, concerned primarily with telecommunications and systems, though it also holds interests in mining technologies, Powertech, involved in cables, lighting and white goods, and FinTech, concerned largely with business systems and equipment.
After the flop of its Vivo clear beer launch, National Sorghum Breweries (NSB) is to be given another chance to take on SA Breweries in its traditional markets.

United Breweries of India, which said last week it had acquired a 30% stake in NSB, has given the black-owned consortium the go-ahead to brew the Kingfisher Lager brand under licence. United operates in 21 countries. It recently acquired a 10% stake in Danish brewery Carlsburg.

The Indian conglomerate, which has been seeking business opportunities in SA for some time, has also reserved the right to increase its NSB shareholding, a move which has prompted analysts to speculate it may soon become the dominant partner in one of SA’s largest black-owned businesses.

Cash terms of the acquisition were not disclosed. But one condition of the deal is that United be allowed to inject management expertise into NSB — a move seen as part of an all-out assault to capture a small percentage of SAB’s traditional market.

Analysts say even though SAB ignored NSB’s attempts to launch Vivo, the new brand launch may cause it to react if Kingfisher starts making the slightest headway into Castle, Lion and Amstel brands.

They say even Guinness, probably the largest brewery/liquor conglomerate in the world, deemed it wise to allow SA Breweries to brew its beer under licence, rather than challenge it head-on.

Despite its 15 manufacturing plants and claimed 80% share of the wet-base sorghum beer market in SA, NSB’s performance has been anything but encouraging.

NSB chairman Mohale Mohanyele could not be contacted to confirm whether a link-up with another brewery in the former Czechoslovakia has been concluded. Analysts say that if this deal comes about, the majority stake held by NSB’s black shareholders will be eroded further.
POLICING LIQUOR LAWS ‘WASTES RESOURCES’

Sunday booze battle

DESPITE moves to relax restrictions on the sale of alcohol, police are still required to arrest and charge shopkeepers contravening existing laws CAROL CAMPBELL reports.

A BATTLE over the availability of liquor at night and on Sundays has erupted after recent raids on shops for selling alcohol after hours.

Although many people want to be able to buy a bottle of their favourite tipple from the corner cafe at any time, others complain to police when existing liquor laws are broken.

At the moment liquor can only be sold on Sundays in a licensed restaurant with a meal. Pending legislation will dramatically relax liquor laws and could see the scrapping of all restrictions relating to the sale of liquor on Sundays or public holidays.

The South African Narcotics Bureau (Sanab) is caught in the middle of the furos and, despite a dire shortage of staff and a growing drug menace, they are still responding to public complaints about the illegal selling of liquor.

Lakeside shopkeeper Mr Nic Hand, who was arrested recently for selling wine on a Sunday, said he had broken the law because of public demand.

“I am a decent, honest person yet the police still raided my store. What about the shebeens — surely we deserve equal treatment?”

Mr Hand said it took three Sanab officers 2½ hours, on a Sunday, to raid his store, take him to a police station and charge him.

“The next day a Sanab colonel interviewed on television complained they were battling without sufficient staff, which was partly why the drug problem was worsening — they should look at the way they use their time.”

This was echoed by the manager of a Constantia supermarket which had been raided only minutes before Mr Hand’s store.

City liquor officer Lieutenant Alfred Crous said while the existing legislation was in place, shopkeepers who broke the law would be punished.

Lt Crous said his team did not go out and look for people breaching the law but most raids followed a “tip-off” from the public.

The punishment for breaking the liquor law is a fine of up to R1 000.
Brewery workers strike over incentive bonuses

Staff Reporter

SOUTH African Breweries workers have downed tools at the Newlands plant and warned that the action could spread throughout the food industry.

A spokesman for the 300 employees — virtually the entire Newlands workforce — said today SAB had paid incentive bonuses to workers at other plants, including Bellville and Ottery, but not at Newlands. This was an unfair labour practice, he said.

Worker unhappiness began brewing when the incentive bonuses were paid at other plants in April. A month ago, to support their demand for equal treatment, the Newlands workers introduced an overtime ban.

This forced SAB to haul Gauteng-brewed beer to the Western Cape — at considerable cost.

The spokesman said the workers would strike until tomorrow.

If the "reasonable demand" was not met (it would cost the company R1.2 million), it was hoped that members of the Food and Allied Workers Union at other companies would strike in sympathy.

SAB management was unavailable for comment today.
R70-m price tag on beer deal

BY SHIRLEY JONES

A price tag of R70-million has been placed on last week's controversial deal between National Sorghum Breweries (NSB) and United Breweries (UB) of India.

The largest Indian investment in South Africa to date, the deal will see United Breweries acquire 80% of NSB's equity capital with an option to increase its stake to 50%

Effective from September, the joint venture entitles UB to board, executive and management representation.

At the same time, UB brands such as Kingfisher Lager will be launched on the South African market.

The question surrounding the deal is why UB — an outright market leader in its home country — would invest such a large sum in a South African company with dubious profit and rumoured mismanagement by Mohole Mahunyele, chief executive.

The benefits to South Africa's largest sorghum beer producer appear obvious.

The lucrative deal puts NSB's market value at about R230-million. It has been well known that the company has been on the lookout for a national or international business partner capable of injecting at least R100-million in an effort to offset the R17-million operating loss of subsidiary Jabula Foods and plump up NSB's clear beer division, Vivo. By allowing UB's products to piggyback on Vivo's already prohibitive distribution network, NSB may be able to justify some of these costs.
Brewery strike at Newlands

SA BREWERIES workers at the Newlands brewery downed tools yesterday in an action to achieve bonus incentive parity with two other SAB depots in the Penmau.

SAB labelled the work stoppage "illegal and unprocedural" and said it would not affect beer distribution in the area.

Staff Reporter
Kunene Brothers will be cleaning up

Mzimkulu Malunga reports on a R20-m deal

S

gift drinks manufacturers, distributors and wholesalers Kunene Brothers have added cleaning services to their business interests by acquiring a "significant" stake in Supercare Cleaning in a R20 million deal.

With 14 outlets nationally, Supercare is one of the leading contract cleaning organisations in the country and has been in cleaning services for 30 years. It employs 10,000 people.

The company was owned by its management and Kunene Brothers now have joint ownership of the business.

Although Kunene Brothers remains tightfisted about the stake it has acquired in Supercare, it is believed that its shareholding will be around 30 percent.

Three board members

As a result of the transaction, Kunene Brothers will nominate three members to the nine-member Supercare board.

The company has already nominated the two brothers, Keith and Zoll Kunene as well as their partner Graham Royston to represent it on Supercare's board.

"The nature of this venture is in line with the Kunene family's philosophy of direct management input by one of our brothers in every business association we form," said Kunene Brothers' chairman, Keith Kunene.

Kunene Brothers made news headlines late last year after they went into a R50 million joint venture with soft drinks giant Coca-Cola.

Coca-Cola deal

The deal entails producing Coca-Cola's products in the Eastern Transvaal. The East Rand based company is also a major distributor of and wholesaler of soft drinks.
Brewery chiefs get death threats

In the latest turn in the saga of the embattled National Sorghum Brewery (NSB), the chairman and three top executives have disclosed that they have received death threats from anonymous callers in the past week.

NSB chairman Mohale Mahanye claimed yesterday he had been warned he was to be "next after Mutshekwele." The callers were apparently referring to the brewery's group executive, Khathuthelo Mutshekwele, who was killed in Johannesburg two weeks ago.

Mutshekwele's assassination has been linked to the alleged theft of foodstuffs worth millions of rands from NSB subsidiary, Jabula Foods, in Springs last month.

At the time of his death, Mutshekwele was about to lay a complaint with the Springs police in connection with the theft.

He had already laid a complaint with police but later withdrew it when a cheque for the missing foodstuffs was paid. But the cheque later bounced.

Mahanye, who now employs bodyguards after the death threats, said he suspected the threats were linked to the discovery of fraud and theft involving millions of rands within the company.

"I have not taken the threats lightly and will not be intimidated from seeing to the success of the first black-owned sorghum brewery company," he said.

NSB financial director Chris Venter said he and two other company executives had also received death threats. Venter had worked closely with Mutshekwele.

One of Venter's deputies, who had also helped uncover thefts in the company, has taken sudden leave after he was threatened.

Venter said there had been theft of goods, equipment and regular business deals at Jabula Foods and other plants amounting to more than R2-million. Jabula Foods was closed in April because the firm was unprofitable.

Mahanye's son-in-law, Vuyo Sipho Ndzeku, who is alleged to have been given R50,000 by a group of Pretoria businessmen for foodstuffs that were removed from the Jabula Foods factory, denied yesterday receiving the money.

He claimed he had acted only as a middleman between the businessmen and the company. Ndzeku said he had received death threats — Own Correspondent
Death Threats
NSB Boss Gets

BY JOSHUA FABERoko

The National Organization for Men
and Lesbian Advocates of Flints
Front door threats

[Image of a man holding a gun and another person, possibly a police officer, in the background.]
Ban on Sunday wine sales is challenged

TWEET
GAINSBOROUGH-WARING
NO wine sales on Sundays — and that's official.

But Norman Woods, manager of a Lakeside supermarket, is not taking it lying down — he is considering a petition to the liquor board.

“We opted to trade on Sundays to satisfy public demand, but as a result of the SA Narcotics Bureau acting on complaints, we were fined for offering this service. One of my managers was arrested and held at the Muizenberg police station while charges were laid. Three officers spent two hours making the arrest.”

Cape Town liquor officer Alfie Cross said his department was receiving an increasing number of complaints about Sunday liquor sales.

Lieutenant Cross said supermarket licences specifically stated that wine was not to be sold on Sundays.

Mr Woods expressed concern that no member of the public had approached him or his staff to lay a formal complaint.

According to Mr Woods, the Sunday wine sales attracted the more affluent customer “not looking for the products at the lower end of the market.”

Wine at the supermarket was mostly estate wines.

The liquor laws were due for review soon and it was up to the supermarkets to make a case for selling wine on Sundays, said Mr Woods.
Can of Worms

By Joshua Kaboko
More scandal at NSB

Meshack Mabogoane

NATIONAL Sorghum Breweries, (NSB), South Africa's first, major black economic empowerment company, is again at the centre of controversy. The fatal shooting recently of top executive Khatuthsele Mutshekwarne has revived the doubts that surrounded NSB last year. As a flag-ship of black empowerment, its fate has serious political and business implications as it is closely linked with the hopes and fears of mainstream black enterprise prospects.

The death of Mutshekwarne followed an incident at Jabula Foods, in Springs, in which he intervened to stop the alleged irregular shipment of goods worth R3 million from the ailing and now closed plant. The case involved Sipho Ndzeke, a son-in-law of NSB chief executive, Mabile Mahanyele, acting on behalf of a consortium of Pretoria businessmen. The charges against Ndzeke have since been withdrawn due to a "misunderstanding" and, according to a police spokesman, instructions from the company.

This latest incident is just the tip of the iceberg of corruption with which NSB has been grappling. A clean-up operation has been underway to deal with a resurgence of thefts of cheques, stock, vehicles and machinery. Senior staff members have either been suspended or charged. And now, with Mutshekwarne's death, these difficulties overshadow the scams already revealed a year ago.

Mutshekwarne, a close confidant of Mahanyele and a veteran of NSB management, was responsible for fleet management and procurement. This position, and his reputation as a diligent executive committed to restoring the image of NSB in the wake of its earlier mismanagement problems, made him an obstacle and so put him in the firing line.

His intervention in the Jabula incident, in which invoices were allegedly not issued, is the highest price he and NSB have had to pay in their pursuit of sound business practices.

A struggle for control of NSB's resources, through shady deals and self-enrichment, in which both insiders and potential suppliers are involved, is at the bottom of NSB's misfortunes.

There appears to be a concerted drive to milk NSB, a company that started with substantial assets. With a huge distribution network and sub-contracting prospects, it is fertile ground for "influences" that involve jockeying for work. Group finance executive, Chris Venter, has publicly admitted that such a struggle exists and that Mutshekwarne may have been a victim of disputes in which "disabled" clients could have been involved.

"It is a sad situation and it saddens me personally," says Peter Myambo, a director of NSB. "We feel for Mutshekwarne and his family, as well as for the workers who will now have to face the consequences of this raiding of the company's resources."
Death Rocks NSB Boat
Ballistics tests on two guns

Probe starts into death of brewery man

Sow 24/4/95 (182)

■ Own Correspondent

Police are to question several Pretoria businessmen in connection with the killing of National Sorghum Breweries executive Khotshelo Muthshikane. Muthshikane was involved in business transactions amounting to more than R550 000 with two Indian businessmen from Pretoria at NSB's Jabula Foods in Springs, before he was shot dead at his Fairland home on June 7.

This was confirmed yesterday by Captain Francois Kalp, who said police wanted to do ballistics tests on the guns of the Pretoria businessmen.

They had been unable to do tests on the firearm of NSB chairman Mohale Mahanyele's son-in-law, Sphi Ndzeku, who apparently told them his gun had been stolen three years ago.

Police also want to know what happened to the R550 000 that two representatives of the businessmen, Shafik Adams and Shalin Mohammed, reportedly paid to Ndzeku for foodstuffs bought from Jabula Foods.

Ndzeku, who has been seen in the company of the two businessmen in the past week, denies having received the money. Police say they will also probe Ndzeku's connection with the businessmen.

According to NSB group finance executive Chris Venter, the businessmen had paid only part of the money they owed and the balance is still outstanding.
Deal struck on food 'theft'; Police curbed

By ELIAS MALULEKE

THE THEFT of foodstuffs worth R3 million from the National Sorghum Breweries subsidiary Jabula Foods and the murder of NSB group executive for procurement, Khatutshelo Charles Mutshekwane, took a dramatic turn this week.

The NSB and a consortium of businessmen from Laudium near Pretoria struck a deal on Wednesday which effectively stops police from further investigating the theft of the goods from Jabula Foods.

As the probe into Mutshekwane's death continued police confirmed that they had searched NSB premises and confiscated several firearms from NSB officials.

NSB executive chairman Mohale Mananyele and some senior members of management alleged this week that they had received death threats, but police said no official complaints had been laid with them.

Although City Press has established that the two parties have struck a deal, neither party was willing to divulge its nature or the amount involved.

NSB group executive for finance Chris Venter, who has been delegated to speak for the NSB, would not reveal the amount paid for the goods or the nature of the deal reached between the NSB and the businessmen.

Venter said he would only respond to handwritten questions which were faxed to him, but he told City Press late on Friday that he would respond next week.

The businessmen involved in the deal, Shaffic Adam and Sallim Mohammed, also declined to comment about it.

Captain Francois Kaip of the Brixton Murder and Robbery Unit, who is investigating Mutshekwane's assassination, said the deal was struck on Wednesday.

"This will, however, not stop us from questioning people who were involved in the removal of the goods in our investigation into the killing. But the deal means police cannot investigate the theft at Jabula Foods," he said.

He went on to say that police had also searched NSB premises and had confiscated firearms from several NSB officials, including that of Mananyele, for tests.

Adam and Mohammed were involved in the removal of the goods from Jabula Foods in Springs last month.

Although the NSB had been paid R120 000, goods worth R3 million were removed by them.

DENIAL ... Sipho Ndzeku says he did not receive R500 000 for food consignments.

A former NSB employee told City Press that he was not involved in the theft or the murder of Mutshekwane.

The removal of the goods and the alleged fraud at NSB have been at the forefront of a separate investigation linked to the murder of Mutshekwane.

A former NSB employee told City Press that the allegedly stolen goods were worth R15 000. He said that only R5 000 was paid to the ex-employee for the goods, but he denied receiving any of the R15 000.

Sipho Ndzeku said they had paid him R500 000 for the goods, but he denied receiving any of the R500 000.

The ex-employee told City Press that he had been employed by NSB as a security guard and had been involved in the theft of the goods.
More quizzed over NSB death

By Joshua Raboroke

POLICE will this week question several Pretoria businessmen in connection with the killing of National Sorghum Breweries group executive Mr Khathulubiso Manzana Mankwane.

Mankwane was involved in business transactions amounting to more than R500 000 with two Indian businessmen from Pretoria at NSB's Jabula Foods in Springs before he was shot dead at his Fairland home on June 7.

This was confirmed yesterday by Captain Francois Kain, who said they wanted to do ballistics tests on the gun of the Pretoria businessman.

Police said they had been unable to do tests on the firearm of NSB chairman Mr Mosoba Mahasule's son-in-law, Mr Sipho Ndzone, who apparently held the gun as stolen three years ago.

Police also want to know what happened to the R500 000 that two representatives of the businessmen, Mr Shaik Adamu and Mr Shabir Mohammed, reportedly paid to Ndzone for foodstuffs bought from Jabula Foods.

Ndzone, who has been seen in the company of the two businessmen in the past week, denies receiving the money. Police say they will also probe Ndzone's connection with the businessmen.

According to NSB group finance executive Mr Chris Venter, the businessmen had paid only part of the money they owed and the balance is still outstanding.

In another development, a former NSB employee claims he lost his job after stumbling on a massive theft racket at the company's QwaQwa depot in April last year.

Mr Musheka Nyamane, a former sales manager at NSB's QwaQwa depot, said yesterday that several NSB plants, including Jabula Foods, were rocked by thefts and theft of property, such as vehicles and camping goods.

Nyamane claims he was sacked after he discovered that foodstuffs amounting to R600 000 were removed from the depot and that he had not been paid his compensation.

Nyamane claims he was transferred from NSB's Egoli Breweries in Johannesburg to QwaQwa after he was seen to be a "troublemaker". He was threatened with death as he left the premises.

He has now served summonses on NSB, informing them of his intention to sue for R200 000 for "unfair dismissal".

Muslims march over Bosnia

APPLYING PRESSURE: Top journalists Don Mattero and Amen Alkabawy (centre) lead about a thousand placard-carrying marchers delivering a memorandum to the American Consulate in Johannesburg on Friday. The Bosnian crisis protest march was organised by the Muslim Students Association demanding that the United Nations should bring an end to the genocide in Bosnia.
Domestic demand feeds Cadbury Schweppes profit

BY CHARLOTTE MATTHEWS

Export sales were lower, mainly because the Russian market was hit by the collapse of the rouble and increased competition.

The group's bottom line benefited from a drop in finance costs and the 28 percent tax rate, which though still light, was above last year's owing to lower exports and the taxability of export benefits.

Dividend income and equity accounted earnings from Amalgamated Beverage Industries, in which Cadbury Schweppes has a 19 percent share, rose 24.8 percent to R15.5 million.

On earnings 25.2 percent higher at 121.7c (96.7c) a share, the dividend was increased by 20 percent to 24c from 20c. The lesser increase in the dividend partly reflected traditional policy (usually more than 50 percent of earnings is made in the second half) and partly directors' caution on the second half.

The directors said prevailing trading conditions were expected to continue for the rest of the year, which would favour domestic demand. They expected growth in this area to gain momentum as the economy strengthened over the next few years.

However, export sales to Russia are likely to be significantly lower than in the second half of last year. As a result, real earnings growth for the full year is forecast to be satisfactory, but not at the same pace as in the first half.
Cadswep gets taste of sweet success

Marcia Klein

**Cadbury Schweppes**: Share price, weekly close (cents)

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STRONG consumer demand for its soft drink and confectionery products and market share gains in a competitive market saw Cadbury Schweppes (Cadswep) savour earnings 23% up at 121.1c (96.7c) a share in the six months to June.

Turnover rose 25% to R462.4m (R369m) as a surge in its domestic confectionery and soft drink sales was partially offset by lower export sales.

CE Peter Bester said export sales to Russia were affected by a collapse in its currency, volatile market conditions and increased competition from other companies coming into that market.

He said the 23% improvement in operating profit to R45.3m (R33.6m) "was driven by higher volumes while margins held steady in the face of strong competition".

Lower average borrowings resulted in a continued reduction in financing costs to R10m (R14.1m), enabling Cadswep to lift pretax profit 33% to R139.4m (R106.6m). But a higher effective tax rate saw the profit increase 28% to R88.4m (R67.2m).

After a 25% rise in earnings, the associate Amalgamated Beverage Industries, attributable profit was 27% ahead at R43.6m (R34.8m). A 20% higher interim dividend of 24c (20c) a share was declared.

Bester said the group had achieved a "good solid result" in line with expectations and had gained market share in its soft drink and confectionery markets. "Our experience has shown us that as the economy starts to pick up, these are the first markets to show the effect."

Continued from Page 1

Cadswep's carbonated soft drink volumes were well up on the previous year's, while concentrated soft drink volumes also increased, but to a lesser extent. Sugar confectionery volumes were buoyant and chocolate volumes were modestly higher.

Bester said competition in the carbonated soft drink market had intensified, but Cadswep had increased market share. In the confectionery market, competition had fallen back and the Mars group's effect on the market was negligible.

Cadswep planned to expand capacity in anticipation of growing markets, particularly confectionery. He expected buoyant trading conditions and improved domestic demand to continue in the second half.

However, export sales to Russia would be lower than in the corresponding period last year. The group would report satisfactory real growth in earnings at year-end, but probably not at the same level as at the interim stage. In the medium term, growth in demand would gather momentum as the economy strengthened.
Domestic demand boosts Cadbury

Stronger consumer demand lifted attributable profit at food and beverage group Cadbury Schweppes (South Africa) by 26.7% to R49.9 million in the six months to June 17 compared with the same period last year.

Turnover grew by 25.3% to R482.4 million, reflecting good domestic sales volumes but lower export sales.

One of the group's successful product launches on the local market has been Astro chocolate sweets, and it is struggling to keep up with demand, said John Buchanan, group finance director.

Export sales were lower, mainly because the Russian market was hit by the collapse of the rouble and increased competition.

The group's bottom line benefited from a drop in finance costs and the 25% tax rate, which though still high, was above last year's owing to lower exports and the taxability of export benefits.

Dividend income and deputy accounted earnings from Amalgamated Beverage Industries, in which Cadbury Schweppes has a 19% share, rose 24.5% to R15.5 million.

On earnings of 25.2c higher at 121.1c (96.7c) a share, the dividend was increased by 20% to 24c from 20c. The lesser increase in the dividend partly reflected traditional policy and partly directors' caution on the second half.
NSB goods rot in store

By Mongadi Msafata

FOODSTUFFS worth more than R300,000, mysteriously removed from National Sorghum Breweries subsidiary Jabula Foods, are rotting in a warehouse in Springs.

The consignment was removed from Jabula Foods’ Springs factory weeks before the murder of group executive Mr Khosentshelo Mutshekwa.

The goods have been stashed for about five weeks in the warehouse of Van Heerden Transport, whose managing director, Mr Mike van Heerden, is demanding R40,000 before releasing them.

Workers at the transport company told Sowetan yesterday worms had started infesting some of the bags containing dried muncie and soap powder. Van Heerden said that he did not know how to dispose of the rotting foodstuffs.

Van Heerden said he had tried to seek help from NSB with a view to resolving the matter but had not been successful.

“I called NSB executive chairman Professor Mohale Mahanyele and the group’s finance executive, Mr Chris Venter, but they could not help me,” the businessman said.

Van Heerden said he removed the foodstuffs on June 13 from the Jabula Foods factory at the instruction of an Indian businessman, a Mr Naicker, who claimed he had paid for the goods. He was to have ferried the foodstuffs to Johannesburg.

“He was a sudden switch in destination and the first and second consignments were eventually delivered in Pretoria on June 13 and 14,” he said.

He said on June 15 Mutshekwa and a man who introduced himself as NSB chief of security arrived at Jabula Foods and stopped his workers from loading the third consignment on the trucks.

Mutshekwa told the Van Heerden crew that the goods were stolen. “That’s when my brother smelled a rat and we decided to reroute all the trucks to our warehouse immediately,” he said.

He called Naicker to demand payment and was referred to a Mr Shafik Adams of Sadusan Trading, who promised to settle the R16,300 transport bill.

After several attempts to get his money, the businessman said, he was insulted by Mahanyele’s son-in-law, Mr Sipho Ndzuku, in the presence of the two Indian businessmen.

The businessman had already contacted the local police.

He said Mutshekwa visited his business just before he was gunned down on July 7 and asked for a detailed inventory of the foodstuffs in his possession. Mutshekwa had an appointment to meet police over the matter when he was shot dead at his home in Fairland, Johannesburg.

“Apparently the investigations came to a halt after he (Mutshekwa) was killed,” the businessman said. Van Heerden business men refused to comment yesterday.

Venter and NSB public relations officer Ms Margaret Tefu were not available for comment.

Jabula Foods was closed down after it showed losses of approximately R17 million.
Any old ou can set himself up as a bottler of very pricey eau

By TONI YOUNGHUSBAND

The rusty tap dripping in your neighbour's backyard could well be the source of that expensive bottle of water you ordered with dinner last night.

Forget Mother Nature’s bountiful bosom, forget chilled mountain streams gushing crystal-clear fountains of health and vitality. What you drank and then paid at least R4 for may well have come from a muddy pool at the bottom of the garden.

Chances are you’ll never know, for our Health Department’s concerns are purely administrative and our consumer watchdogs confess that bottled water is too upmarket to worry about.

Admittedly, it is an upmarket item favoured by those who can afford to be health conscious, but it’s a megabuck industry that’s growing — and calls are getting louder for tighter restrictions in South Africa.

“There are no controls over bottled water in this country,” says Gerald Good, owner of Caledon spring water, one of the industry’s better-known suppliers. “The SAPS and CSIR are currently negotiating with the industry to draw up a set of standards, but at the moment there is nothing.”

Water fraudsters have come up with a variety of novel ways to emulate nature. To produce mineral water fill a container with ordinary council-supplied water, demineralise it, add a few of your own chemicals or minerals, and voila! your very own “bottled at source” natural elixir.

**Flavoured**

One of the cheekiest scams originating in America but filtering into our own homegrown industry is in flavoured waters. Says Good: “While visiting the States, I bought as many different brands of flavoured bottled water as I could lay my hands on and brought them home to test. To my utter amazement I discovered that many of them were nothing more than cooldrinks with the colour removed.”

“People usually buy bottled water for health reasons, yet there were absolutely no health benefits in this colourless drink.”

Unfortunately, he says, the same is happening here. Some brands are loaded with fructose, sucrose or corn syrup, in other words the very ingredients the health conscious are trying to avoid — calories.

Another neat trick is to plaster pretty labels on the bottle. Fortunately for the consumer, supermarkets and restaurants are wise to this scam and will usually stock only the better-known brands.

The biggest slice of the legitimate market is cornered by Schoonpruit, Valpier and Caledon, but there is increasing competition from overseas suppliers, the newest arrival being the enormously popular Evans water flavoured by models and movie stars.

Bottled water often appears to be essentially a fashion fad, a trend like the many others South Africans import from America and Europe.

Its disciples include fitness fanatics who will down a couple of bottles after a hard workout at the gym, and women who add it to their white wine, cutting down on calories and diluting the alcohol.

For those whose conscience demands healthy living but who can’t stomach Adam’s ale without taste, there are a variety of genuine flavoured waters on offer. Almost all bottled water drinkers in South Africa are in the A and B income groups, probably because, according to health officials, the standards of tap water in this country are still very high.

**Wider choice**

Restaurant owners are confident the multimillion-rand bottled industry will grow.

“When bottled water first came to this country, everyone asked for Perrier. Now there’s a much wider choice and they have their favourites,” says Cape Town restaurant owner Steve Moncreff: “At virtually every table these days you’ll find a bottle.”
SAB buys into Mozambican state brewery

CT(HA)1/8/95

BY CHARLOTTE MATTHEWS AND REUTER

After negotiations stretching over several years, SAB has succeeded in acquiring a 70 percent stake in MacMahon Commercial, the Mozambican state brewery, for R51 million.

MacMahon Commercial owns two breweries, one in Maputo and the other in the central Mozambican city of Beira.

Selwyn MacFarlane, the deputy chairman of SAB, said the purchase was being made through Indol International, a subsidiary of Westgate, and would be funded from Westgate's resources.

Indol's other brewing interests in Africa include those in Botswana, Swaziland, Lesotho, Zambua and Tanzania.

"We have been trying to pull this deal off for about five years now," Andre Parker, the managing director of SAB International, said in Mozambique.

"Under the apartheid regime any large investment like this was nearly impossible."

MacFarlane said MacMahon's activities had been run down for a period of time and would have to be regenerated.

It would need an investment in plant and equipment over the next couple of years and would take some time to become a factor of consequence.

At present, the most popular beers in Mozambique are local brands 2M and Manaca, and imported SAB brands.

The 2M and Manaca beers would be brewed by MacMahon as would the more popular SAB brands such as Castle.

Asked about the size of the Mozambican market, MacFarlane said there were a lot of people, but consumption of beer was low because of the difficulties experienced in the country.

"I think this is a very positive move," MacFarlane said.

"It is something we have been concerned about and been interacting with Mozambique about for a considerable time."

The fact that the Mozambican government would continue to own 30 percent of the venture has been shown to be important in neighbouring countries, because it helped the state to understand the economics of the business, he said.
SAB acquires 75% stake in Mac Mahon

BY CHARLOTTE MATHEWS
AND REUTERS

After negotiations stretching over years, SA Breweries has succeeded in acquiring a 70% stake in the Mozambique state-owned brewery Mac Mahon Commercial for $14-million, equivalent to about R51-million at current exchange rates.

Mac Mahon Commercial owns two breweries, one in Maputo and one in Beira.

SAB deputy chairman Selwyn MacFarlane said the purchase was being made through Indol International, a subsidiary of Westgate, and will be funded from Westgate's resources. Indol's other brewing interests in Africa include Botswana, Swaziland, Lesotho, Zambia and Tanzania.

"We have been trying to pull this deal off for about five years now," SAB International MD Andre Parker said.

"Under the apartheid regime any large investment into this was near-impossible," MacFarlane said. Mac Mahon's activities had been running down for a period of time and had to be regenerated. It would need an investment in plant and equipment and would take some time to become a factor of consequence.

At present the most popular beers in Mozambique are local brands 2M and Manca and imported SAB brands 2M and Manca will continue to be brewed by Mac Mahon as well as the most popular SAB brands such as Castle.

Asked about the size of the Mozambique market, MacFarlane said there were a lot of people, but current consumption of beer is low because of the difficulties of the territory.

"I think this is a very positive move," MacFarlane said. "It is something we have been concerned about and been interacting with Mozambique about for some considerable time."

The fact that the Mozambique government will continue to own 20% of the venture has been proven to be important in neighbouring countries because it helps the state to understand the economics of the business, he said.
SAB in Maputo

THE foreign arm of South African Breweries has bought a majority stake in Mozambican state breweries in a R51 million deal. The deal involves the purchase of two government-owned breweries, one in Maputo and the other in the central coastal town of Beira.

Privatisation 8/8/95

The South African beer giant is tapping into Mozambique's privatisation process as part of the country's economic restructuring package. This is the third time SAB is buying into breweries outside South Africa. In 1993 SAB bought a controlling stake in a brewing company in the east African state of Tanzania. The company also has brewing interests in central Europe.
hold up in the next six months, though he says results would have been better if the Russian export market had been maintained. Cadwey’s exports, strong last year, ran into a collapsing rouble and an increasingly competitive market with lower consumer demand. “The export contract was not long-term, anyway,” he says.

But export markets have to be a target and the group plans to intensify its focus on them. Export markets for the Cadbury brand are limited because of conflict with the UK parent but the group has other products it can export, especially to Africa. Chappies, a leading sugar confectionery brand, is suited to African markets, says Buchanan.

On a pre of 21.5, the share is at a slight premium to the food sector — though this has under-performed recently. At R55, the price is creeping up — a good sign of the market realising that it deserves. It’s a difficult share to buy but a solid investment.

MARGARET HEALE

CADBURY SCHWEPPES

Turn up the heat

After another set of pleasing interim results, Cadbury Schweppes (Cadwey) management is looking forward to a hot summer — in more ways than one. Most earnings are generated in the second half and the weather plays a large role in cooldrink consumption.

Turnover in the 24 weeks to June 17 rose 25.3% to R462m and operating profit jumped 25.9% The long-heralded increase in the tax rate, spurred mainly by the removal of export incentives, clipped away at pre-tax profit, but the 24% increase in dividend and associate company earnings lifted attributable profit by 26.7% to R43.9m.

Finance director John Buchanan says, “Strong consumer demand has been one of the main drivers, compared with this period last year. Economic momentum that built up in the last quarter of 1994 has carried through. We are pleased with the results.”

The confectionery and cooldrink markets, squeezed during the recession, increased as domestic disposable income and volumes rose, though price increases were largely below the inflation rate, keeping the operating margin steady at just above 9%.

Confectionery purchases drop when the economy turns down, but rate more rapidly once things pick up again, says Buchanan. Over the last ten years, there has been a good correlation between market surges and increased demand for the group’s products.

Buchanan expects domestic demand to

REFRESHING SIGHT

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POLICE ‘HAD TO ACT ON COMPLAINTS’

Defiant wine seller held for Sunday sale

A WATERFRONT wine shop owner who has openly defied the prohibition on selling wine on Sundays was arrested in his shop yesterday. LYNNETTE JOHNS reports.

The Department of Trade and Industry had warned merchant Mr Vaughan Johnson arrested in his Waterfront shop yesterday for trading on a Sunday.

Vaughan Johnson’s Wine Shop was forced to close two weeks ago after police received a complaint that it was trading on a Sunday.

Last week the shop opened for Sunday trading without interference, but yesterday two plain-clothes policemen arrested Mr Johnson after buying a bottle of wine with marked notes.

They then produced a fax from the Department of Trade and Industry in Pretoria that said Mr Johnson was contravening the Liquor Act by trading on a Sunday.

The arresting officer, Detective Sergeant Grant Lamour, said he was acting on instructions from the Department of Trade and Industry.

Embarrassing

Mr Clive Keegan, who heads the local economic affairs committee, was in the shop at the time and said it was “one of the most embarrassing things I have ever walked into”, as the shop was filled with tourists.

Mr Johnson said that if the Department of Trade and Industry wanted the economy to flourish it was going about it in a strange way.

He had employed three extra people to deal with Sunday trading, and may now have to let them go.

An American tourist, Mr Pat O’Bryan, who had come to the Waterfront specially to buy a bottle of wine exclusive to the shop, said the situation was “impossible and unrealistic.”

Police spokesman Colonel Raymond Dowd said the police had received numerous complaints and were bound to act on them.

“Mr Johnson is openly flouting the law and we are aware of his illegal activities. The number of complaints that were made is irrelevant,” Col Dowd said.

The customers were not in any danger of being arrested.

Mr Johnson was released on a warning and will appear in court today.
Suncrush in R100m sale

Soft drinks group Suncrush is to sell shares worth about R100 million to an institutional shareholder.

It said it would allot 7.5 million new shares at R13.25 a share to an unnamed investor who had been pursuing a shareholding for months.

The institutional investor will hold about 2 percent of Suncrush.

The investor has undertaken to renounce Suncrush shares worth R41.5 million to Suncrush parent Dalys, allowing it to maintain a 50 percent shareholding. Dalys will issue 728,070 new shares to the investor at R37 a share.

Suncrush said the JSE agreed to grant a listing for the new shares on August 28, provided Suncrush shareholders approved the deal.

Staff Writer
Minister 'fuming' over Sunday wine arrest

BARRY STREEK
POLITICAL STAFF

MINISTER of Trade and Industry Mr Trevor Manuel yesterday ordered an urgent investigation into how his department had requested the arrest of Waterfront wine shop owner Mr Vaughan Johnson.

Mr Johnson was arrested for selling liquor on a Sunday.

"This is ridiculous. I am so angry about it," Mr Manuel said. "I did not know anything about it — and it does not have my support."

Mr Manuel said he was in favour of Sunday trading, but pointed out that the 1989 Liquor Act had not yet been amended.

"Technically they are acting within the law, but really, I would have hoped the Narcotics Bureau had something better to do."

Departmental sources said Mr Manuel was "fuming", particularly because everyone in the department knew the Liquor Act was to be amended drastically, in particular to allow Sunday trading.

The police produced a fax from the Department of Trade and Industry which said that Mr Johnson was contravening the Liquor Act, and said they were acting on the instructions of the department.

The Liquor Act is also expected to be amended soon to allow corner stores to sell liquor, particularly wine and beer, as is the practice in most developed countries.

Mr Johnson has tried for more than three years to obtain Liquor Board approval to open on Sundays, but has failed. In June he announced he would open his wine shop seven days a week.

Earlier this year Mr Manuel wrote directly to Mr Johnson, stating his "dissatisfaction with the norms applied by the Liquor Board."

Pick 'n Pay joint managing director Mr Gareth Ackerman said yesterday the company had made representation to Mr Manuel about the Sunday Observance Act being unconstitutional. "We will be pursuing this," he said.

Regional police spokesman Colonel Raymond Dowd last night warned Mr Johnson that if he again traded on a Sunday he could lose his liquor licence, WILLEM STEENKAMP reports.

"He's openly flouting the law. If he continues selling liquor next weekend the same action will be taken against him."

Col Dowd declined to name the Department of Trade and Industry official who complained to police about Mr Johnson trading on Sundays, saying that naming the official was "undesirable."

Mr Johnson appeared briefly in the Magistrate's Court yesterday in connection with contravening the liquor laws. The hearing was postponed to August 16.
SA brewery takes Indian partner

Theo Rawana

NATIONAL Sorghum Breweries entered into a partnership with India's United Breweries Group yesterday in which United obtained a 26% stake in NSB in a deal worth R70m.

NSB said the deal was an indication of international support for black economic empowerment. United is India's largest brewer and distiller.

Announcing the deal in Johannesburg yesterday, NSB chairman Mohale Mahanyele and United chairman Vijay Mallya said United had the right to increase its equity interest to no more than 50%.

The NSB board is to be reconstituted, with United nominating the MD and CE. Mahanyele will stay on as executive chairman for 12 months, with Mallya as executive vice-chairman. Mahanyele will then become non-executive chairman for a further 12 months.

NSB will be licensed to brew and sell United's flagship brand, Kingfisher Lager. It will also have first option on introducing United's spirit brands into the SA market.

The R53.5bn United Breweries is reported to be among the 10 largest companies in India. Its investments in Africa include the recent acquisition of a pharmaceutical plant and the Dulux paint operation in Kenya, the largest textile plant in Senegal and the acquisition of the Mabola game lodge in SA.

Mallya said as part of its affirmative action in SA, United would train NSB's middle and senior managers at its overseas locations at its own cost, "for them to gain first-hand knowledge and experience in a dynamic environment." The black managers would also have access to all facilities at United's training establishment, which included a residential management training institute in India.

(*Picture: Page 3*)
Huge shake-up at NSB

BY PETER GALLI AND
THABO LESHLLO

Black-owned National Sorghum Breweries (NSB) has sold 30% of its equity to the United Breweries Group of India (UB) for R70 million, with UB holding an option to increase its stake to 50% within two years.

The deal is subject to the approval of shareholders and the South African Reserve Bank.

If UB decides to increase its stake by a further 20% - the maximum allowed under the deal - a rights issue will be held to offer existing shareholders the opportunity of increasing their holdings accordingly.

The value placed on the 20% stake would be negotiated at that stage.

In an interesting condition of the deal, NSB and UB have agreed that UB will be entitled to nominate the managing director and chief executive - even though it does not have a controlling interest in the firm.

In addition, Mohale Mahanyele, the executive chairman of NSB, would remain in this position for 18 months, after which he would serve as non-executive chairman for a further 18 months.

Mahanyele said he was happy with this agreement as he did not believe UB would try to take over the management of NSB totally.

"This would not be UB's interest. NSB is too strongly owned by blacks who would resist this. We realised that we did not have the necessary expertise and we believe that we can only gain by our exposure to international expertise."

"It was quite clear that the only way we could benefit was by admitting our shortcomings. We are now entering the major league and must be able to compete favourably in this arena," he said.

Vijay Malbya, the chairman of UB, who would initially be the executive vice-chairman of NSB, said the board would be reconstituted to reflect the nature of the partnership.

"We will be filling the positions of managing director, chief executive officer and head of marketing and sales - the areas identified by NSB itself as weak.

"We will send 10 middle and senior black managers from NSB to our offshore operations to give them experience, an international perspective and exposure to the latest management techniques."

Mahanyele said the deal continued NSB's policy of economic empowerment "to attract foreign investors there must be some give from our side Black economic empowerment does not mean continuous economic control."
NSB’s new partner
to stem corruption

BY HELEN GRANGE

National Sorghum Breweries (NSB) — recently besieged with reports of internal fraud and corruption — is to install an advanced security system acquired from its new partner, United Breweries of India.

UB has purchased a 30% interest in NSB and plans to buy another 20% within the next three years. It will also make available its proprietary software packages and internal audit system, to help stem the siphoning off of money by employees of the corporation. UB chairman Vijay Mallya said

Questions about recent reports of fraud were put to Mallya and NSB chairman, Professor Mohale Mahanyele, at a press briefing yesterday to announce the new partnership.

The corporation, one of the first to emerge through the black economic empowerment movement in South Africa, recently lost a group executive, Charles Mutshekweni, who was shot on July 7 outside his home.

His death sparked speculation that it was linked to a police investigation into stock stolen from the brewery giant’s subsidiary, Jabula Foods.

It is understood Mutshekweni was one of the executives who instigated the investigation.

Several NSB employees have since been questioned by police about Mutshekweni’s murder, but police said last week they were no closer to an arrest.

Professor Mahanyele said yesterday that NSB’s position regarding fraud and corruption was no different to that of any other major corporation.

Shrinkage

"There are over 4 000 employees and it is an 80% cash business. There is shrinkage in all retail businesses and we are no exception. But we are continuously engaged in trying to root it out," he said.

Reports that NSB donations to the National Education Trust had never materialised were blatantly untrue, Mahanyele added.

Mallya said the UB had developed an "extremely strong" management intelligence system which would be used in NSB to ensure it became a "strong and profitable business".
NSB to clean up its act to lure investment

By Joshua Raboroko

National Sorghum Breweries will intensify its investigations into various irregularities, including fraud and theft and properties to make sure that the company attracts more investment from overseas.

Chairman and Chief Executive Officer Mr. Mohale Mahanyele told a press conference yesterday that the company would do its best to stop pilfering.

He said that after NSB signed an agreement with a major multinational corporation, United Breweries Group of India, to the tune of R70 million.

The agreement was signed by UB chairman Mr. Vijay Mailya and Mahanyele in Sandton. Those present included Gauteng premier, Tokyo Sexwale.

Mahanyele said the investment by UB would help uplift his company despite criticism that has been levelled against it.

Kathutshelo Motsekwane who was murdered outside his house on July 7.

He (Mahanyele) was innocent and said it was unfair for the press to imply that he or his son-in-law, Mr. Sipho Ndzeki were the killers. "I am not a killer and I have not killed a person."

Regarding the new investment he said: "This agreement, which includes UB's global management experience and support, will enable us to further realise the objectives of Black economic empowerment, which first led to the establishment of the company."

NSB is one of the first corporations to emerge through the black economic empowerment movement in South Africa. It is the largest manufacturing black-owned company in the country and is engaged in the production and sale of sorghum and lager beer with annual sales of R560 million.

In reply, UB's Chairman, Mailya, said the agreement was historic. He hoped that more overseas companies were going to invest in South Africa.
Boss Mahanyele to be phased out

By Joshua Raboroko

This week's joint announcement that India's largest brewer, United Breweries, has acquired almost a third of National Sorghum Breweries could have far-reaching implications for the management of the traditional beer giant.

Interpreted by many as the closing of a chapter in NSB's history, the deal signifies a departure from previous assertions by NSB chief executive and chairman Mr Mohale Mahanyele that "I'll do it my way, I am the boss!"

NSB has sold 30 percent of its equity to UB for R70 million. UB has an option to increase its stake to 50 percent within two years.

Controlling stake

The parties have also agreed that UB will be entitled to appoint the chief executive - even though it does not have a controlling stake in the company. Mahanyele will retain his position for 18 months after which he will serve as non-executive chairman for a further 18 months.

After that he hopes to stay on as a member of the board.

However, Mahanyele told Sowetan that he was happy with the agreement because he did not believe UB would try to take over the management of NSB completely.

Strong black control

It would not be in UB's interest to take over NSB, he said, adding that the company had a strong black control which would resist a takeover bid.

UB controls 40 percent of the beer market in India and 40 percent of its brands are ranked among the top selling brands in the world.

The possibility that Mahanyele's position will be sidelined comes after reports that shareholders will demand that he resign from his position following reports of corruption and mismanagement at NSB. These include fraud involving over R20 million in cheques and theft of property amounting to hundreds of thousands of rand.

Matters came to a head after the assassination of group executive Mr Khatshuthelo Mutshekwane, whose death was linked to NSB subsidiary Jabula Food in Springs.

Mahanyele has denied reports that Mutshekwane was killed to link to the alleged theft of foodstuffs at Jabula, which closed down in April this year.

He said the partnership with UB was subject to the approval of shareholders of both companies and Reserve Banks of South Africa and India.

If the UB decides to increase its share by a further 20 percent, existing shareholders will be given the opportunity of increasing their share accordingly.

Mahanyele said the partnership would allow NSB to continue to pursue its goals of turning the dream of black economic empowerment into a reality.

It would also realise real and true added value to the shareholders of NSB, he said, "We are at the threshold of a new era for this company and for the business community of this country."

UB chairman Mr Vijay Mallya, who will usually be the executive vice-chairman of NSB, said the board would be reconstituted to reflect the nature of the partnership between the parties.

He said that they would spare no effort in developing "our finest professional managers to help steer NSB to greater heights of success."

Managers trained

UB would train at least 10 middle and senior managers from the black community to give them experience, an international perspective and first-hand exposure to the latest management techniques.

UB would concentrate on sorghum beer and later enter the clear beer market.

UB's world-renowned Kingfisher Lager will be produced locally by NSB, in addition to Vivo Lager already brewed by NSB.
NSB deal raises question over black empowerment

Meshack Mabogoane reports on the National Sorghum Breweries' deal with United Breweries

NATIONAL. Sorghum Breweries' (NSB) announcement this week that India’s United Breweries (UB) would have a say in the appointment of senior management marks a turning point in its five-year history.

The UB deal, sealed this week, is the first and most substantive partnership NSB has entered into, and raises questions about NSB as an example of black economic empowerment.

The agreement, signed by the chairmen of NSB and UB, Professor Mohale Mahanyele and Vijay Mallya, provides for a K70-million injection worth 30 percent of NSB's shareholding. UB can increase its equity to 50 percent, subject to approval by the Reserve Bank and both companies' shareholders.

UB will also train NSB's management, and may appoint the managing director and heads of the marketing and sales departments, areas considered to be NSB's 'weak' points.

For the next 18 months, however, Mahanyele will remain as executive chairman with UB's Mallya becoming executive vice chairman.

The position of Mahanyele as both executive chairman and chief executive has long been contentious.

Negotiations between NSB and two South African companies, Foodcorp and Msele, a black company, floundered on the insistence by these two companies that the postions be separated and Mahanyele be replaced as chief executive.

NSB is now in a better position to take on South African Breweries (SAB), in the clear beer market. SAB has a virtual monopoly in clear beer and is poised to increase its share of sorghum beer from its present 30 percent.

UB has an internationally recognised clear beer—Kingfisher, but it is hard to see how UB will help NSB fight off competition in sorghum beer, still the company's mainstay.

On the well-publicised problems of pillaging and mismanagement at NSB, aggravated by the death of a top executive who tried to deal with these issues which seem to be endemic and deeprooted, Mahanyele accepted that these problems have marred the image of NSB. He said investigations were under way and promised vigilance.

Mahanyele also mentioned the sensitivity of an apparent or real control by non-blacks of a company that represents black empowerment.

UB has effective control of top executive positions while owning only a third of equity. And it could increase its stake and its control.

It could be argued that real empowerment should entail dominance in management and majority shareholding by blacks, a position that NSB started from and for which it was lauded.
SORGHUM BREWERIES

United they stand

PM 11/8/95 (182)

A leading Indian beer company, United Breweries (UB), has announced it will inject R70m into ailing National Sorghum Breweries (NSB). The R70m will buy 30% of NSB, with an option to increase this to 50% later.

In terms of the deal, UB will nominate its own executives for the posts of MD and CE. NSB executive chairman Mohale Mahanyele will remain in his position "for a mutually agreed period." But both Mahanyele and UB chairman Vijay Mallya are adamant that the relationship will be a "full partnership, not a takeover."

It will also allow NSB to introduce UB's beer and spirits brands into the SA market.

The Indian group, comprising over 60 companies in petrochemicals, pharmaceuticals, engineering, electronics, fertiliser, aviation, plastics and paints, agrochemicals and information technology, already boasts an annual US$300m foreign business turnover. Total turnover for the group is $1,1bn a year.

Mahanyele says the cash injection will be used "to retire existing debt, as well as providing NSB with much-needed cash flow."

Unlisted NSB's debt is standing at about R150m. And he is bullish about the injection of proven technologies and management expertise.

Adds Mallya: "UB intends exercising the 50% equity option and will use NSB's Vivo Brewery to introduce our popular Kingfisher beer into the SA market, early in the new year. I would like to see NSB's current R650m a year turnover reaching R1bn within the next three years."

Both groups confirm that NSB will consider listing "as soon as financial conditions appropriate." While the deal is subject to approval by shareholders, the Reserve Bank and NSB's bankers (Nedbank, Absa and NBS), Mahanyele foresees no problems with shareholders, who were kept informed of the negotiations.

FINANCIAL MAIL • AUGUST • 11 • 1995 • 65
NSB boss to quit in Indian deal

By ELIAS MALULEKE

PROFESSOR Mohale Mahanye is to relinquish his influential chairmanship and chief executive position at the National Sorghum Breweries (NSB).

Mahanye, who founded and has been at the helm of the NSB since taking over the government-controlled sorghum breweries in 1990, has signed an agreement with the chairman of the multinational United Breweries (UB) of India, Vijay Mallya, to quit after 18 months.

Mahanye shunned calls for his resignation in the past following allegations of corruption and nepotism at the NSB.

It is speculated that Mahanye may have netted himself about R10 million from the R70 million paid by United Breweries for a 30 percent stake in the NSB.

The deal also involves the manufacturing and distribution of UB brands.

Mahanye told City Press that United Breweries would be responsible for the management of the NSB and take control of its day to day affairs. They also had the option of buying up to 30 percent of the company.

"It is a fallacy to believe black South Africans can run their own affairs without international management skills. South African blacks still have a long way to go before they can manage big businesses like the NSB," he said.

He said the agreement with the UB included the training of black executives overseas.

According to the agreement, Mallya becomes Mahanye's executive vice-chairman and the board will be reconstituted.

It is not known if he will replace Mahanye when he retires.

Mahanye said that his agreement with UB to quit after 18 months had not been forced on him but was a personal decision.

"I want to dedicate more time to my family. Being chairman and chief executive has not been an easy task for me," he said.

Insiders fear the loss of control of this black-initiated venture which was regarded as the flagship of black business.

Mahanye maintained however that the UB would never take over control of the NSB.

"Mallya has given me his word that the NSB will remain a South African black-owned business giant," Mahanye said.

Offers by black businesses to invest in the NSB were rejected.
Sunday liquor poser

BY CHARLOTTE MATTHEWS

The liquor retail industry appears to be divided over the issue of sales on a Sunday with some suggesting it should be a matter of choice and others predicting dire consequences for independent retailers.

Aroma Liquor Holdings chairman and MD Michael Kovenisky wrote in the group's recently released annual report that the call for freer licensing is likely to see the mass closure of independent stores, rationalisation of sales to supermarkets and a massive loss of jobs. He considered the price of liquor could rise significantly as a result of these changes.

"The present distribution channel is most effective and any new structure will, undoubtedly, adopt a 'what the market will bear' pricing policy once the independents have been annihilated."

Kovenisky said the test for change should be whether the new policy of deregulation and relaxation of licensing laws would result in improving the convenience of customers, providing a more effective channel of distribution, increasing employment opportunities and maintaining the social benefit of selling liquor in a controlled environment. He believed none of these would emerge from the new policy.

Choice

Benny Goldberg, general manager Rob Rutter suggested hours of operation should be a matter of choice. If some liquor retailers needed to work for 24 hours a day, seven days a week, to make their businesses viable, then they should be allowed to do so.

According to SA Liquor Store Association (Salsa) head of administration JC de Villiers, Sunday remains a closed day under the Liquor Act of 1989. However, since the election there has been widespread sales of liquor on Sundays, not by bottle stores but by other retailers with wine licences, especially grocers.

New moves by the SA Police Service to clamp down on Sunday trading have been welcomed by Salsa, whose position is that as long as the law exists it should be enforced, otherwise some liquor retailers are at a disadvantage.

The whole liquor industry is currently under investigation by the Competition Board, which published the outlines of its investigation in January.

Competition Board chairman Pierre Brooks said yesterday the investigation had been delayed by requests from various quarters for extensions to make their submissions, but it was hoped that it would be completed by the end of the year.
Distillers build on export market

Distillers lifted attributable earnings by 10.6 percent to R100.4 million ($90.8 million) in the year to June. Sales rose by 16.8 percent, to R1.247 billion (R1.068 billion).

But short-term profit was sacrificed to building market share, in this country and overseas, and margins were reduced from 15.2 percent to 13.4 percent.

The final dividend rose to 35c (31c) a share, making a total pay-out of 49c (43c) for the year.

Trading income was R166.8 million (R162.1 million).

Dividend income was R1.2 million (R0.8 million).

Net income before tax was R185.7 million (R150.4 million).

The tax bill was almost unchanged at R74.7 million (R74.2 million).

The directors say that although they expect domestic disposable income to rise in this year, margins will still be constrained to keep price rises below the inflation rate.

The group has now disposed of all its retail outlets, concentrating entirely on wholesale sales.

A spokesman said the group had benefited from improved exports. It was exporting worldwide with particular strong growth in Asia. Exports had achieved compound growth of 46 percent over the past five years.

Forecasting real growth in earnings, the directors say the group is well positioned with established trade marks. Its cash position is sound.
Stabilising society boosts sales of spirits and wines

CAPE-based producer of spirits and wines Distillers Corporation has announced an 11 percent increase in profits to R108,5 million (R90,9 million) for the year ended June.

This was on the back of a 16 percent increase in turnover to R1,25 billion (R1,1 billion).

The company declared a final dividend of 55c a share (31c), bringing the total for the year to 49c (45c), a 14 percent rise.

The company had focused on strong brand marketing in the past 12 months in an environment of increased retail licences and intensified competition.

“Our trademarks were positively influenced by the improved social stability experienced in the first six months of 1995,” said managing director Jan Scannell.

The moderate growth rate and resultant increased consumer spending were reflected in the larger market share held by Distillers’ products, he said.

But the continued strategy of containing price increases to protect sales volumes and an increase in spending on marketing saw margins drop by about two percent to 13.4 percent.

He expected consumption to increase as the economy gained further momentum in the coming year, Mr Scannell said.

“We will continue to focus on the management of our working capital.

Since we expect an increase in local and foreign sales an additional investment was made in matured wines and spirits.

“This is reflected in the drop in cash flow from operations by R81 million to R71 million.”

Leisure group Kersaf Investments reported a 17 percent increase in shareholders’ profits to R208,7 million (R178,7 million) for the year ended June.

Earnings a share were up 12 percent, taking into account the share issue that accompanied the group acquiring an interest in City Lodge.

Turnover at R2,8 billion, a 10 percent increase of 10 percent on the previous year’s R2,22 billion.

Trading conditions over the second six month period strengthened, with turnover up 16 percent and bottom-line profits 22 percent on the previous year’s second half.

A final dividend of 90c a share was declared, an increase of 11 percent on the previous year. The total dividend for the year of 182c was eight percent higher.

Interest income for the year increased from R2,2 million to R3,2 million, owing to the higher rates available on cash funds and the improvements in earnings from associates from R6 million to R9,3 million.

This substantial increase was owing to the inclusion of earnings of City Lodge for the full year, compared with six months only in the previous year, and the strong trading enjoyed by Paradise Island in the Bahamas since the completion of construction and the reopening of this resort in December, 1994, Kersaf directors said.

Sun International’s results for the year were adversely affected by industrial unrest at Sun City in the initial months of the year, and by the attributable loss from Paradise Island over the construction period.

In spite of these factors, the improvement in trading conditions over the second period, together with the strong demand enjoyed by Paradise Island since its reopening, had enabled the group to post good results for the full year.

The narrowing of the Interleisure group’s focus onto cinema and related activities had met with success, with turnover of these core businesses 22 percent higher.

City Lodge traded strongly throughout the year and achieved excellent results, with turnover 28 percent up on the previous year and attributable earnings reflecting an increase of 51 percent.

The average occupancy for the year of 81 percent was six percentage points higher than last year.

The year ahead would be an important one for the group, with resolution likely on the structure of the casino gaming industry in South Africa and on the integration of the group’s existing casino operations into this.

While recognising the uncertainties implicit in this, the directors were hopeful that these matters would be resolved positively.

The results for the year ahead should not be unduly affected by the granting of competing casino licences, accepting some delay in the commissioning of new casino facilities.

“It is accordingly anticipated that, notwithstanding the increase in taxation arising from the harmonisation of tax rates throughout South Africa and its impact on the major Sun International subsidiaries, earnings for the 1996 year should show acceptable growth.”
Suncrush earnings up 21%  

By Jon Beverley  
SPECIAL WRITER

Suncrush, the cooldrink bottler and investment company, has reported a 21 percent increase in earnings for the year to June 30 and declared a final dividend of 14.5c a share, against 12c a year ago.

Operating income was up 14 percent against a 15 percent rise in turnover to R768 million with investment income coming in at R23.5 million (previously R13.7 million) and attributable income at R98.7 million for the year (previously R81.3 million). Last week, the company obtained shareholder approval to issue shares to an unnamed institution at 1.325c a share, which will bring in R100 million while the two investment arms have announced rights issues which Suncrush intends to follow.

Tempora has gone for R225 million and Blantyre R54 million.

Competition

Robin Hamilton, the chairman, said that at an operating level, competition (mainly from the resurgence of the Pepsi brand) would lead to reduced margins but would also stimulate industry growth. "In the early stages, this had no discernable net effect on the company’s trading profit for the past year, despite increased competitive activity especially in the Vanderbijlpark franchise area."

Daly’s, the pyramid holding company, reported earnings of 94c a share (previously 77.9c) reflecting a 22 percent increase and has declared a 65.4c final dividend (87c previously). The deal in which the unnamed institution bought into Suncrush included a deal for it to buy into Daly’s at 570c a share and for 728,070 new shares.
Suncrush moves into an interest-earning position

Nicola Jenvey

DURBAN — Suncrush turned in a 21% rise in attributable income to R98.8m for the year ended June as it swung from an interest-paying position to an interest-earning one, chairman Robin Hamilton said at the weekend.

The group bottles and markets Coca-Cola, Fanta, Sprite, Krest, Schweppes and Sparkletta soft drinks and markets Applecower fruit juices.

Earnings per share increased to 66.2c from 54.7c and a final dividend of 14.2c (12c) was declared, lifting total distribution for the year to 19.3c (16c).

Hamilton attributed the increase in turnover to R708m from R616.2m to a 7% rise in price and a 6% rise in volumes.

Operating income improved to R116.3m from R102.2m, while income earned from investments grew to R23.5m (R13.7m).

Hamilton said an amount of R2.5m — surplus income generated from the disposal of an unlisted investment — had been reported as an extraordinary item in the group's interim report.

The group earned net interest of R1.2m during the review period, compared with net interest paid of R725,000 in financial 1994.

Income after taxation rose to R96.7m from R76.2m.

Hamilton said competition during the current financial year would lead to reduced margins, but would simultaneously stimulate industry volume growth.

"In its early stages, this process has had no discernible net effect on the company's trading profit for the past year, despite increased competitive activity, especially in the Vanderbijlpark franchise area," he said.

Since the year-end Tempora and Ettington Investments — Suncrush is the major shareholder in both — had initiated rights offers to raise about R225m and R54m respectively.

Suncrush had undertaken to follow its rights in both cases.

Dalya, which holds 50.46% of Suncrush's share capital, saw its net income improve to R14.6m (R12m) for the year to June as a result of dividends paid in February and August. Earnings a share rose 22% to 94c.

At a general meeting last week, Suncrush shareholders approved the allotment of 7.5-million ordinary shares at R13.25 to an undisclosed institutional investor.

Hamilton said the investor had accordingly agreed to renounce its rights to 3.1-million of these shares in favour of Dalya to enable that company to maintain its majority holding in Suncrush.

As consideration for this renouncement, Dalya had agreed to allot to the investor concerned 727,070 new ordinary shares at a price of R57.
Tax hike brewing for stronger beers

By BRUCE CAMERON

Beer drinkers who like their malt with a bit more of a kick can expect to pay a bit more in tax if parliament approves amendments to the Customs and Excise Act.

But adherents to the grape will continue to contribute comparatively less than beer drinkers for their pleasures to the state coffers.

Giving evidence to the parliamentary finance committee yesterday, Dean Colesky, the commissioner for customs and excise, said it had been decided to scale the excise on beer according to alcohol levels, with higher levels of alcohol paying more.

Until now all beer, most of which has a five percent alcohol content, has been taxed at the same level, based on volume.

For beer drinkers who are worried, brewers will reduce the alcohol levels, there is no need for concern.

But Colesky has told the brewers that if they reduce the amount of alcohol and the total tax take drops, he will increase the rates to ensure the state recovers the same income.

Wine will continue to be taxed at a uniform rate, and lower rate than beer, because the industry is labour intensive and the government fears that if the same duty levels were applied, wine drinkers would switch to beer.
Manuel calls for a total review of all liquor laws

TRADE and Industry Minister Trevor Manuel has given instructions for a complete review of the Liquor Act, including the ban on Sunday sales, an official said today.

Legal adviser Johan Strydom told the parliamentary committee on trade and industry that the review would begin after the amendment of the existing Liquor Act to include former homelands.

He said later, "We are going to review the act in toto. It will take at least a year. We will have to conduct very wide consultations." "Sunday trading would be a part of the total review."

Mr Manuel caused a storm recently when he criticised police for arresting Cape Town wine merchant Vaughan Johnson for opening his shop on Sundays.

Mr Strydom told the committee the department would table a bill tomorrow to repeal liquor legislation covering former homelands and providing for nine new provincial liquor boards.

He said the amendment was acceptable to the provincial governments, but might be opposed by the Liquor Forum which represented traders and hotels.

He said the Liquor Forum objected to a proposed sunset clause allowing a handful of supermarkets in Bophuthatswana and Ciskei to retain special rights to sell beer as well as wine.

Mr Strydom said the concession applied only to the existing owners and premises and could not be sold or transferred — Reuter.
Shebeen in councillor's home

STAFF REPORTERS

A CAPE TOWN city councillor, whose home is being used for a shebeen, sold a beer to Cape Times staff members who called at her Hanover Park address.

Ms Carol Jackson, a member of the Transitional Affairs Committee, acknowledged yesterday that she was contravening the Liquor Act and city council by-laws, but said "I see nothing wrong with it. Everybody is doing it."

She said her sister, Ms Joanne Jackson, who shared her Groenval Walk home, ran the shebeen. The only money her sister gave her was for board and lodging. She did not know how much her sister made from liquor sales.

A Cape Times team bought a 750ml bottle of beer for R2.80 when it called.

Ms Jackson said that as long as the city council "did not complain", she would allow the shebeen to operate.

City planner Mr David Daniels said no one had complained in writing.

"A shebeen in Hanover Park would probably be a contravention of the zoning regulations," he said. Selling liquor from a home is not allowed unless a rezoning for business use is granted.

The council is easing up in its attitude to neighbourhood taverns. Mr Daniels said the council did not want one set of rules for Langa, for example, and another for Hanover Park if both were in the same municipality as it would be accused of being unfair.
Adult soft drinks target a carefully selected niche.
**Pepsi ahead in cola war?**

Khehla Mthembu’s ‘guerilla tactics’ seem to be paying off in coke war

By Mzimkulu Malunga

The well-publicized ‘cola war’ has begun in earnest and it looks as if newcomers Pepsi are beating their younger rivals Coca-Cola.

A Sowetan survey among major soft-drink wholesalers in Soweto shows that the demand for Pepsi is on the rise while Coca-Cola is declining.

During the investigation, Sowetan learned that wholesalers who distribute only Coke products after Pepsi’s return are now distributing Pepsi due to the demand.

Although Soweto is not representative of the entire Witwatersrand area – the only region where both Coca-Cola and Pepsi products are available – the township is still a significant part of the market, say soft-drink market analysts.

The decline in the demand for Coke products in Soweto varies from one wholesaler to another, but it appears to have been sharper at larger distributors.

One wholesaler says he used to buy ten truckloads of Coca-Cola a week, but now he is buying only three. ‘At times it comes down to two,’ he adds.

On the other hand, says the same wholesaler, he is purchasing about eight truckloads of Pepsi products a week. ‘Pepsi is number one here.’

Smaller wholesalers who used to buy an average of three truckloads of Coca-Cola a week say they are now down to one consignment a week.

Meanwhile, they are buying three truckloads of Pepsi’s products a week.

Coke’s officials admit that Pepsi has done well since it came on the market.

Amalgamated Beverage Industries managing director Trent Odgers says initially when Pepsi came onto the market, sales were ‘considerably down’, but they are steadily climbing back.

He says his company is not selling what it used to sell before Pepsi re-entered the market.

However, Odgers is quick to point out that this is what normally happens if a new competitor enters the market.

ABI is one of the major companies that produce and distribute Coca-Cola products in South Africa.

The producers of Pepsi products in this country, New Age Beverages, are excited about their success in the market place so far.

New Age chief operations officer, Mongwatsi Fundesu, says it is not time to claim victories yet.

However, he believes their success is not an accident and is confident that it will be sustainable.

“We are encouraged by the way our products have been received in the market,” he says.

The company’s chairman, Khehla Mthembu, has been quoted as saying his company is employing ‘corporate guerilla’ tactics to fight the cola war.
We're still tops, claim Coca-Cola

By BENSON MAKELE

THE war of the colas between Coca-Cola and Pepsi-Cola rages on. This week Coca-Cola disputed the credibility of a daily newspaper survey that concluded that Coke's popularity is dwindling.

Coke's West Rand manager, Ernest Mohun, dismissed the results of the survey as "irrelevant" and said that an accurate survey needed to have been conducted among the more than 4,000 retailers in Soweto to whom his firm delivers Coca-Cola products.

"Anyone who wants to know how popular Coke still is should go and ask the people who sell it to consumers," Mohun said in a statement released to the media this week.

According to him, Coke has in the past year doubled the number of retailers it serves directly.
Whisky trade fuming over brandy rivals’ tariffs victory

By MARCIA KLEIN

WHISKY drinkers face price increases of at least R40 a case for cheaper brands under an import duty structure to be introduced next month.

New duties for imported spirits are set to come into effect on October 1, although the detailed duty structure has yet to be finalised by the Board on Tariffs and Trade.

Industry sources say the new duty structure is part of a broader rationalisation of duties for imported spirits.

The new structure is a victory for local brandy and wine producers, including major players KWV, Rembrandt and the Stellenbosch Farmers’ Winery, which made representations to the board to increase import duties in line with Gatt guidelines.

At the time, the whisky trade protested, saying the representations went against the spirit of Gatt and were a “blatant protectionist move” for brandy, which accounts for 45% of the local spirits market against whisky’s 16% share.

The London-based Scotch Whisky Association, which represents 97% of the industry worldwide, says the price of a bottle of Scotch could go up by more than 30% if the proposals are implemented.

A new duty structure is one of a number of changes which the liquor industry is expecting.

These include the tabling of a new Liquor Act and the scrapping of the national Liquor Board to make way for more autonomy in each province.

At the end of October National Sorghum Breweries will lose its exclusive right to manufacture, sell and deliver its sorghum beer in South Africa.

The Competition Board is investigating vertical integration and cross-shareholding in the liquor industry. A spokesman says the investigation will continue for some time.

PIETMAN RETIEF

Pietman Retief, director of the SA Brandy Foundation, says whisky has enjoyed a protected position in the spirits market since 1947 because its import duties were not structured to allow for inflation.

This has led to a situation where duties have been far lower than for other imported spirits, making South Africa an ideal dumping ground for heavily subsidised whisky distilleries in the European community.

Duties on imported spirits are expected to be restructured in terms of the Uruguay round of Gatt, and whisky will no longer be treated separately.

It is expected that the 40% fob surcharge on imported wines and spirits will be abolished. Scotch whisky is not subject to this surcharge.

The local brandy and wine producers earlier proposed an import duty of R84 a case of spirits on average. The present duty is R14 plus the 40% surcharge.

The brandy and wine producers therefore asked for a R40 increase in the duty on each case of Scotch. If these proposals are implemented, the duty on all spirits except whisky will be lower.

A brandy industry source says that in Australia, which is also a wine producing country, the import duty per case on spirits is R50.

Patrick Cardwell, the managing director of United Distillers, a group which imports Scotch whisky, says “from our point of view we are Gatt-linked and not affected by surcharges up or down.”

(82) ST/07/06/95
Beatrice Payne

IT HAS BEEN almost a year since Pepsi re-opened its doors in SA, but franchise holders New Age Beverages (NAB) chairman Kehla Mthembu is even less willing to say anything about the company than he was 12 months ago.

Around this time last year up to 3 000 angry workseekers, expecting the multinational to return to SA with plenty of job opportunities, picketed the plant and periodically disrupted deliveries.

At the time Mthembu was embarrassed and angered by the media focus on the protests which undoubtedly cast a shadow over the group's glossy launch at the Standard Bank Arena.

By that time the plant was employing a staff on-site of about 150.

"We have become wiser since then but we cannot reveal our strategy. That is the lesson we learnt from Germiston," he says. In fact, he reveals very little now and will not talk of sales volumes, capacity utilisation or future expansion plans.

However, it is expected that plans to develop operations in Natal will be unveiled at the end of the year.

Mthembu's aversion is the luxury of a private company, but it reflects also the competitive nature of the cola market.

Coca-Cola sales are disclosed because the local bottlers are forced to do so as public companies.

Indications are that the US investors who dug into their wallets to fund Pepsi and NAB, including Whitney Houston and O.J. Simpson's lawyer Johnnie Cochran, see themselves with a long-term investment — a way of saying returns will be minimal to negative over the few next years.

Mthembu denies this. "Everyone is comfortable with the return on investment. This is a start-up, yes, but they are getting good returns. As to how and when, I cannot tell you," he says, again using confidentiality as his shield.

And this will remain the excuse until the group is listed. Flotations are on the cards but there are no definite plans as yet.

Analysts' bets that the investment of R400m over the next three years would not be enough have proved correct.

Because of the demand over the past 12 months, the group has increased its forecast capital expenditure planned for the next two years.

It stated last year that R400m would be invested in the SA operations by mid-1997. Mthembu says that has now been increased to somewhere between R400m and R500m.

He says the group intends to open other factories in Gauteng to decentralise its operations and make them as close as possible to the market.

But decentralising its Gauteng operations will not herald the rationalisation of its Germiston plant. The factory was troubled a few years recently and a number of new bottling lines installed.

The plant is not yet working at full capacity but the bottling lines opened late last year are operating at 100%.

"Any factory that operates at full capacity could be limiting its market," he says.

Demand is likely to increase during the summer holiday months of November and December. The company needs additional capacity to avoid being caught in a similar situation to last year, when the sudden rise in demand took it by surprise.

That proved expensive, and volumes for the year were double the usual targets, forcing the group to import bottles from South America.

It is more expensive to import and that is a serious concern.

"We never wanted to go outside SA but the local industry could not meet our demands," Mthembu says.

However, recent discussions with packaging groups such as Consolidated Bottling Industries indicated that most bottles would be made in SA by early next year.

The group based its volume targets on what it wanted to achieve rather than on how far it could dent Coke's share of the market, he says. He believes an obsession with market share is "short-sighted as you are not looking at yourself but focusing on what the other guy does.

He says "We don't plan their downfall but rather our own building, and if that dents the competition, then so be it."

And with a surprising lack of belligerence Mthembu congratulates Amalgamated Beverage Industries — SA's largest Coke bottler - on its 17% rise in sales for the year to March.

He praises them for expanding the market. "The biggest challenge and the biggest opportunity lies in changing people's drinking habits. In some areas families consume only one litre of cola a day."

"This could rise to six if cola were to replace tea and other beverages."

There is no doubt that during Pepsi's absence from SA Coca-Cola was able to exert a virtual monopoly over cola advertising.

Coke holds the rights to advertise and sell its products at nearly all of SA's sports stadiums and no other cola may be stored in Coca-Cola fridges.

"Before we started we knew there were these issues so they did not pose problems for us. My emphasis has been to enter with a new trend in marketing and we have managed to increase our profile without going through the normal channels. We surprised the market by not advertising on television."

"Our is a marketing strategy that relates to people where they live. Kids in Bryanston were as excited about the launch as kids in Soweto."

During the labour disruptions last year Mthembu spoke of "hidden hands and hidden agendas", but now he is not prepared to point fingers.

Earlier this year a commission of inquiry was set up by Pepsi and the workseekers to look into the circumstances of the protests. The inquiry has since fallen through, but Mthembu is quite happy. "At this stage no one knows what was behind it and we do not want to know."

"This year will be tougher than last as we expand into new markets, but we have learnt a lot and have got a lot wiser," Mthembu says.

Unfortunately, only the shareholders present at the quarterly board meeting today will be able to judge from the financial statements exactly how much wiser Pepsi has become.
Appletiser makes a fizz in Germany

JOHN VILJOEN
Business Reporter

A 30-YEAR-OLD South African brand has added Germany to an impressive list of foreign markets.

German company Schlumberger KG, part of the Underberg Group, began importing Appletiser, the carbonated apple juice drink produced at Elgin, in July.

Appletiser's international operations manager Steve McCartney said the German market was a particularly attractive one for the South African Breweries subsidiary.

German was the second most important fruit juice market in the world, after the United States, he said. On average Germans drink 40 litres of fruit juice per capita a year - double the average of most of Western Europe.

Apple juice is the most popular fruit variety - even favoured above orange juice by the Germans.

The fruit juice market was still expanding among an affluent, 80 million-strong population, Mr McCartney said.

He believes Appletiser, with its proud claim of containing only natural ingredients, will appeal to German consumers who take a strong interest in what is contained in what they eat and drink.

"They read the labels," he said. "We also believe the German consumer is prepared to pay a little more to be rewarded with a premium product."

Early feedback to Appletiser in Germany had been very favourable with wholesalers repeating their orders.

The brand had gained a small, regional foothold at the end of the European summer, but 1996 would see a more aggressive marketing effort with the drink being distributed throughout Germany in restaurants and hotels.

"Prospects for sales are good enough for Underberg and Appletiser to be discussing a franchise arrangement, in terms of which Underberg will produce the drink in Germany using South African raw products and the "secret formula" under strict quality-control supervision by Appletiser."

Appletiser is now available in 35 countries and the company's philosophy is to expand to two new markets each year.

Exports represent a significant portion of Appletiser's business, with Spain and Japan representing particularly important markets, Mr McCartney said.

The drink is produced under franchise in the United Kingdom by agreement with Coca Cola Schweppes Beverages, and under similar terms with Schweppes in Belgium.

Despite attempts to copy the drink overseas, competitors had failed to reproduce the unique Appletiser taste, Mr McCartney claimed. Evidence of this was that in all markets where rivals had launched carbonated apple juice brands, Appletiser had maintained its dominance.

The Underberg group is famous for its herbal digestive distributed in more than 160 countries.

Subsidiary Schlumberger has been the sole German marketing agent for Distillers Corporation's Bergkelder wines since 1981.

Early this year another Underberg subsidiary Semper Idem Underberg AG began marketing Distillers' Amarula Wild Fruit Cream Liqueur as the first South African soft spirit available in Germany.
I’m still Mr Maimai

MOHALE MAHANYELE has been synonymous with National Sorghum Breweries since its launch in 1990. But now, for the first time, he no longer rules out the possibility of leaving the company.

Last week, when Sowetan interviewed him at his Sandton office, he insisted on remaining quiet. Associated with comments like “the buck stops with me when it comes to NSB” — was no longer there.

“It would be a terrible mistake to cling to NSB,” he says.

Although he is quick to emphasize that contrary to speculation he is not about to disappear into history at NSB, his tone has certainly changed.

In terms of the recent R70 million deal which saw United Breweries, India’s largest brewer, buy 30 percent of NSB, due to come into effect next month, Mahanye believes a reshuffle has put on the company’s chief executive officer after 18 months.

After that he will become a non-executive chairman for a further 18 months. Although he is certain that for three years he will be the head of NSB, he did not elaborate on the responsibilities he would have.

Before going on a search for potential international partners, which planted the seed of NSB’s relationship with UB, Mahanye had rejected a proposal by Thebe Investments and Foodcorp because one of the conditions was that he should step down.

Since clinching the UB deal, says Mahanye, “I no longer spend sleepless nights.”

Although there is a perception that UB is taking over NSB, the presence of the Indian investors in the mamai grant will enhance the company financially, he says.

Mahanye was under pressure to find a big partner who could inject new cash into the company as losses mounted and profits declined.

The company’s last annual results showed that the food subsidiary made a R17 million loss while profits from NSB’s cash cow, sorghum beer, declined by more than R2 million.

UB, he says, is not going to have a large contingent of people at NSB.

“I don’t see them sending more than a dozen people to join NSB’s management,” he says.

The UB deal will be ratified by NSB’s shareholders on October 27, and Mahanye will symbolically collect the R70 million from UB when Trade and Industry Minister Mr Trevor Manuel visits India in November.

Although NSB is going to start producing UB’s beers in South Africa, Mahanye believes NSB chief Mohale Mahanye will remain NSB’s cash cow.

Despite being relieved that NSB has finally found the necessary financial backing to compete, particularly in the clear beer market, Mahanye has some regrets about certain developments during the company’s five-year history.

“We made mistakes which cost us millions,” he says.

Clear beer mistakes

When the company ventured into clear beer, says Mahanye, it made a big mistake in its marketing campaign.

“We should not have used the Iwara theme during the campaign,” he says, adding that some people dismissed the campaign as evidence of a ‘gangster mentality’ in NSB.

The company, argues Mahanye, ventured into that promotional campaign after advice by professional advertising personnel.

“But later we realized that it was a big mistake,” he says.

The purchase of Jabula Foods was another mistake, says Mahanye. But he says he does not regret this as the company had a lot of potential when it was bought from Premier.

In fact, Jabula Foods made a profit for the first six months after we had taken it over before the problems began,” he says.

When it was bought, Jabula — which has now been shut down — had lucrative contracts with the prison services, mines and Lebowa government hospitals.

However, all the major contracts soon fell through.

Moming houses started laying off workers on a big scale, and as the spirit of defiance took its toll on the homeland, the Lebowa government collapsed and out of the window went another contract.

“But up to this day I still do not know why we lost the prison contract. We have tried to find out but to no avail,” he says.

Earlier this year Correctional Services Minister Dr Sipho Mzimela was willing to revisit the issue. But unfortunately his offer came too late as NSB’s management had decided to shut down Jabula.

Last year it made a R17 million loss, a development which heavily dented NSB’s profits.

A month ago, the company was in the news again as stock worth hundreds of thousands of rands disappeared from depots. Mahanye says the Jabula Food stock theft and fraud issues were blown out of proportion.

Stock theft and fraud is not an abnormal development at any company whose transactions are mainly in cash, he argues, adding that large retail stores write down millions of rands each year due to fraud and robbery.

But when it’s NSB it is blown out of proportion,” he says. “I have never been charged in any court for fraud but a perception is being created that I am running a fraudulent operation.”

Another controversial issue which sparked a lot of criticism for the NSB chief is what some referred to as “spraying” political groups with money.

But he sees nothing wrong with such a practice. In fact, he describes it as a “normal course of business” which is widely practised by other companies.

The only difference between those companies and NSB is that the sorghum beer grant is the most visible operating black company in the country, he says.

Our visibility is not the same as that of any other white company. As a result it is not easy to hide. But the fact is all white companies do it,” Mahanye argues.

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Mzimkulu Malunga reports...
Suncrush faces growing competition

Nicola Jenvey

DURBAN — Growing competition in the beverages industry would reduce future margins, but beverages company Suncrush had not yet suffered a "discernable" net effect on trading profits, chairman Robin Hamilton said in the annual report.

Suncrush manufactures and distributes soft drinks in terms of franchise agreements with the Coca-Cola Company of Southern Africa.

Hamilton said the company had "adequate" expertise in production, distribution and administration, but had to extend its marketing skills to handle a more hostile environment.

"Suncru-ze must be imaginative and flexible, rather than rigid, in its responses to competition. However, we shall not surrender any significant market share."

The company had been faced with increased competition, especially in the Vanderbijlpark area.

Turnover grew 15% in 1994/95, while operating income rose 14%.

Earnings of 66.2c (1994 54.7c) a share were declared.

Hamilton said this year's wage negotiations had been "satisfactorily" finalised, following the five-week strike at the company in September and October last year.

The company had also concluded provident fund negotiations during the year and in July the Suncrush Negotiated Provident Fund was made available to staff.

Distribution functions had been sub-contracted out during the year, resulting in a reduction in company employees. This process would continue during 1995/96 and would include "suitable entrepreneurs" previously employed with Suncrush.

Dealing with affirmative action, Hamilton said the company aimed at achieving "a steady, orderly and meaningful change in staff composition."

"We see neither the wisdom of, nor the necessity for, compromise on performance standards. Indeed such action would not allow new appointees to maintain their credibility and integrity," he said.

Hamilton said Tempora and Ettington — of which Suncrush was the major shareholder — were involved in rights issues which would further spread investments in both companies.
Distillers expects liquor sales to increase this year

Edward West

CAPE TOWN — Rembrandt-controlled wine and spirits group Distillers Corporation expects real sales and earnings growth in the year to end-June 1996 based on an anticipated 3% increase in consumer spending, chairman Boetie van Zyl said in the annual report.

Van Zyl said the brandy market had shown real growth over the past year, in spite of the onslaught of discounted products, and the local market for high quality wine had maintained its upswing. The sparkling wine market was also showing signs of recovery. The market for white spirits and whisky had not met expectations, but the group's brands had performed satisfactorily.

Wine exports were growing fast, with Distillers having grown export sales 47% to R60m during the year, but there were danger signs. Problems could arise due to the low price positioning of some SA wines internationally, poor quality control during bottling overseas and supply shortages.

Most of the limiting control systems in the wine industry, with the exception of the price and surplus elimination system, had been phased out. Intensive industry negotiations were under way to establish a new market-orientated price and stabilisation mechanism.

The Competition Board was investigating the liquor industry, and the group was making submissions, while the results of the Board on Tariffs and Trade's investigation into import tariffs on wine and spirits, which followed the GATT agreement, were still being awaited.
Liquor: Locals to get say

Staff Reporter

Locals are to have a say in the granting of liquor licences, say the new provincial administrators of the Liquor Act.

Western Cape Economic Affairs Minister Mr Chris Nielsen, who informed the administration of liquor licences in the province, said a liquor board would consult the community involved when applications were made for licences. He had received many complaints from communities who were not consulted before liquor licences were granted in sensitive areas.

Waterfront wine merchant Mr Vaughan Johnson said: "It is high time local matters were handled by local government departments who are more attuned to the needs of their communities.

A liquor board of five members - two from the Economics Ministry, one police nominee and two from the private sector - will be set up by the municipality. The province had only administrative powers at present but might earn legislative powers in future, Mr Nielsen said."
Mahanyele wants to step aside for younger blood

Theo Rawana

NATIONAL Sorghum Breweries chairman Mohale Mahanyele says he does not wish to stay at the helm of the company longer than necessary, since the company has young aspirants executives who will be able to step into his shoes.

Under a R70m deal signed with India's United Breweries Group last August, and by which United obtained a 30% stake in NSB, Mahanyele will retain his position of chief executive and chairman for 18 months, after which he will serve as non-executive chairman for a further 18 months.

United Breweries also has the right to increase its equity interest to no more than 50%.

Mahanyele said in an interview this week: "By the year 2000 I will have been at the head of NSB for 10 years, and there are a lot of young people aspiring to higher positions. He did not want to be seen as the sole person responsible for the success of NSB of claims that he had sold out to the Indians by signing the agreement. Mahanyele said the deal was based on sound business principles, with United Breweries bringing in investment which included the production of its flagship brand, Kingfisher — voted the best beer in the world at the Stockholm Beer Festival last year."

There was no fear that United would come near to taking over NSB. United Breweries is bringing to SA a mere 10 experts who will train our people in all areas, imparting skills in management and technology. That is what the deal involved — training our people to pursue the aims of black economic empowerment."

"I never received any golden handshake and never asked for one in the deal," United had brought people in who were to impart expertise to local blacks. "I have also learnt a lot from them in the short time that they have been here," said Mahanyele.

Of his plans for the future, Mahanyele said he had lots of "fantastic offers I would be delighted to pursue They will fit in with my plans and meet my aspirations. By the time I quit I will have done all I set out to do."

Mahanyele said he was concerned about reports by Tribute Magazine editorial director Jon Qwelane, that an NSB official who was unhappy with his reports on alleged corruption at the company had hired hit squad to kill him."

In the latest issue of the magazine, Qwelane says he was saved by the intervention of "self-confessed murderer" Dirk Coetzee, whom he had earlier interviewed on the topic of spics in the former SADF.

Mahanyele said he had no knowledge of who the unnamed NSB official might be. "The police should act on these matters so that these accusations can be brought to the fore. It is in the interest of all that no one should come to harm. We have nothing to hide and will not be subjected to ridicule or gossip."
**DISTILLERS/SFW**

**Different strengths**

**DISTILLERS**

**Activities:** Production, marketing and wholesale distribution of liquor products

**Control:** Rembrandt-KNV 60%

**Chairman:** J J van Zyl

**Capital structure:** 140m ord. Market capitalisation: R1,10bn

**Share market:** Price: 850c; Yield: 5.8% on dividend; 9.5c on earnings, p/e ratio: 10.7, cover: 1.6; 12-month high: 940c; low: 850c; Trading volume last quarter, 897 000 shares

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**SFW**

**Activities:** Production, marketing and wholesaling of liquor products

**Control:** Rembrandt-KNV 60%

**Chairman:** F J Davids

**Capital structure:** 140m ordinaries Market cap R714m

**Share market:** Price: 5000c; Yield: 3.1% on dividend; 19.8% on earnings; p/e ratio: 9.6; cover: 3.3; 12-month high: 5150c; low: 350c; Trading volume last quarter, 886 000 shares

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<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Shareholders’ interest</td>
<td>0.78</td>
<td>0.78</td>
<td>0.76</td>
<td>0.75</td>
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<tr>
<td>Int &amp; leasing cover</td>
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<td>1.38</td>
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<td>1.60</td>
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<tr>
<td>Return on cap (%)</td>
<td>18.8</td>
<td>15.8</td>
<td>12.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>1 016</td>
<td>1 034</td>
<td>1 229</td>
<td>1 459</td>
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<tr>
<td>Pre-int profit (Rm)</td>
<td>108.7</td>
<td>99.8</td>
<td>85.7</td>
<td>113.4</td>
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<tr>
<td>Pre-int margin (%)</td>
<td>11.9</td>
<td>9.7</td>
<td>7.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>42.0</td>
<td>38.6</td>
<td>37.3</td>
<td>32.9</td>
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<tr>
<td>Dividends (c)</td>
<td>12.5</td>
<td>12.0</td>
<td>12.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>427</td>
<td>493</td>
<td>472</td>
<td>514</td>
</tr>
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</table>

**For the first time this decade SFW has produced much improved results. Management last year last extracting efficiencies from the business instead of bemoaning the state of the market or the competitive practices and pricing policies of co-operatives.** Trading profit jumped 32.3% on a 17.1% rise in turnover. This happened for three reasons: cider, brandy and wine. SFW’s pioneering role in the cider market, now said to be worth about 80m-90m litres a year, has been especially commendable. SFW’s Hunter and Crown brands have collared the major share of the market. Demand for these products continues to grow strongly and SFW has recently completed an additional production line for these low alcohol, fruit-based drinks.

For some time its Maritz V.O. has been the fastest growing brand in the cider market that held up well in the recession. There has been a marked swing to brandy consumption. This sector increased its contribution to SFW’s bottom line.

In the quality wine market SFW enjoyed strong growth and gained market share. But a strategic decision to give priority to meeting local demand curbed the success in the export market, though the company’s export sales volumes grew 63%. Exports account for only 7% of SFW’s total wine sales.

Though Distillers enjoyed similar turnover growth (16.8%), its profit growth was unusually subdued. Distillers’ strategy in the recession was to capture as much share as possible. It has sold off its aged and, where possible, its low quality products, increased its product prices. Its premium spirit brands faced stiff competition from the cut price brands, especially those marketed by Smell & Co. Yet in the premium brandy market, where the largest growth occurred, its brand leaders Klipdrift, Oudester and Viceroy made a sound contribution to profits.

Distillers has also been active in the export market, where wine and spirit exports grew 31%. It expanded its product portfolio and overseas agencies, and invested in marketing and promotion there. These costs have been expensive and are partly responsible for the reduction in margin. Distillers laid down additional spirit and wine stock for maturation, which absorbed some cash.

In general terms the SA liquor market is interesting because it is facing potentially extensive changes.

The 40% surcharge on imported liquor increases to be lifted this month. This may induce a flood of imported brands and white spirits that could dent the market share held by Distillers’ spirit brands, most of which are in the premium category. It will also affect SFW, though not as much.

Then there is conjecture surrounding the
BULLETS FLY IN BEER

By WALLY MBHELE

A BATTLE allegedly for the control of the beer business among black tycoons in the Vaal Triangle, worsened this week as daylight gunfighting claimed a man's life.

The fatal shooting this week of Tlokile “Fiks” Tolope, who was killed when a mob attempted to avenge his death, took place in an alleged killer's home with petrol bombs.

The two incidents followed the shooting on September 26 of a 39-year-old Sebokeng tycoon, Dino “Dick” Majiki, in front of the SAB Breweries offices in Vereeniging.

Majiki, an owner of the popular Club LaManche at Sebokeng's Zone 14, narrowly escaped death when he was shot with four bullets during broad daylight.

Only four days after he was discharged from hospital, Majiki, in turn, allegedly shot dead his friend, who lives in the same street as him.

According to Majiki, his son was wounded by Tolope's wife, who said her husband was shot for no apparent reason.

Majiki claims a prominent Sharpeville tavern owner, who was also his close friend, was responsible for the attack on SAB.

He also blames Majiki for orchestrating the petrol bomb attack on his home.

“It all started when my application for taking over the use of Waterfall bottlestore was granted,” Majiki said in an interview with City Press.

He says although the council's decision to buy the bottle store was still awaiting the local council's decision, the owner had already granted him permission to take over.

Majiki says because the place was vandalised, he began renovating it.

“Then I started hearing rumours that one of my friends who is also a businessman in Sharpeville, said I would never use that place.”

“I heard rumours that he claimed he should have got the place,” said Majiki.

On September 26 he went to the South African Breweries for a meeting.

He told City Press he saw the Sharpeville tavern owner parking next to the SAB's security gate.

“While I was trying to open the boot of my car at the security checkpoint, the man called me to come nearer. I refused and said if he wanted me, he should come to me. As he came next to me, I wanted to shake his hand but he refused. I thought all this was a joke,” said Majiki.

He then heard gunshots.

“I felt something grazing through my face. A friend who was driving with me was in tears,” he said.

Majiki said he ran into his car and drove off. As he was then called the police, Tolope's wife then called the police.

He added that he was hit on the head while the other, one of his friends, Tolope, was hit on the arm. When Tolope died later in hospital, his attacker retreated.

Majiki said he was in hospital when Wednesday's battle started.

When he was discharged, his attacker retreated. His father's car was hit on the road while the other one was in the house.

He said City Press had expected more attempts.
The Cola is flowing in Sweto

The battle for Sweto

was chosen to hold the position of the township of Sweto.
Distillers enjoy rise in brandy sales

FROM SAPA

The South African economy, despite encouraging signs, was still not performing as desired and the government would have to deal effectively with the current climate of lawlessness and disruption, the Distillers Corporation chairman Boete van Zyl said in Stellenbosch yesterday.

Delivering his chairman's address at the company's annual general meeting, van Zyl said an upswing in the world economy and the relatively peaceful transition to a democratic government of national unity had promoted increased business and consumer confidence, but the high crime rate was counterproductive.

He said the entry of the South African wine industry into the international market was progressing steadily and during the past year the total brandy market, in which the corporation played a major role, had shown further real growth.

"Although the onslaught of discount products continued, it is delightful to note that the largest growth occurred in the premium category.

A dividend of 49c (43c) a share was declared while the group was successful in generating a cash flow from operations of R71 million, while taxation paid amounted to R77 million (R21 million).

Earnings increased by 10.5 percent to R100.4 million.
Distillers enjoy rise in brandy sales.

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Growth

He said the entry of the South African wine industry into the international market was progressing steadily and during the past year the total brandy market, in which the corporation played a major role, had shown further real growth. "Although the onslaught of discount products continued, it is delightful to note that the largest growth occurred in the premium category. This trend points to the consumer's appreciation of the quality of the superior brandies produced in South Africa."

A dividend of 49c (43c) a share was declared while the group was successful in generating a cash flow from operations of R71 million, while taxation paid amounted to R74.8 million. (R74.8 million) Earnings increased by 10% (R74.8 million)
Distillers hopes for good year

Edward West

CAPE TOWN — Wine and spirits group Distillers Corporation expected to lift earnings at least 5% in real terms for the year to June 1996, MD Jan Scannel said yesterday.

Speaking after the group's annual meeting, Scannel said the only constraint on its earnings potential were capacity and the rising cost of raw material inputs, mainly packaging.

In the past financial year the group, 60% owned by Rembrandt's KWV Investments and 30% by SA Breweries, increased earnings 10.6% to R110.4m.

Chairman Boete van Zyl said the policy of keeping local prices down to increase sales volumes was paying off.

Wine export volumes were growing strongly, particularly for new noble cultivars.

The winter rainfall had been promising and with an additional 30mm in December, the new crop should be of a high quality.

He said SA wines could benefit from the boycott of French wines and that SA wines were already "flavour of the month" in Europe.

Export director Donald Gallow said he expected the prices of noble wines to increase by between 25% and 30% this year because of the shortage of stocks and the growing export and local market.

He said Amurula Cream was selling well overseas but Distillers' brandies were not faring as well, as the cost of establishing a new brand in European markets was high.
SFW hit by theft and hijacking

CT/B/19/10/95

By Magolli Rowley

Unless the government takes urgent steps to curb the unacceptably high crime level, it could lead to a serious economic downturn, Stellenbosch Farmers' Winery (SFW) management warns in the company's latest annual report.

Managing director Frans Stroebel said SFW contributed about R299 million annually in various forms of taxation to the state coffers, but its expectations of "a stable and safe business environment" had not been met.

The unrelenting crime rate, he said, had resulted in increasingly difficult trading conditions with hijacking having assumed serious proportions.

"This has become extremely detrimental to wholesale liquor producers, who have not only lost truck crews but also vast quantities of products."

"Certain unscrupulous liquor retailers are stocking their shelves with these ill-gotten 'gains,' which helps the hijackers succeed."

Stroebel's concerns were echoed by chairman Francis Davin, who said the highest duties were levied on spirits, which made it attractive for unscrupulous liquor distributors to evade.

At the Stellenbosch Farmers' Winery annual meeting yesterday, Davin told shareholders that trading had exceeded expectations in the first three months of this financial year and that satisfactory growth was expected for the rest of the year.

A new canning line in Springs, representing a capital investment of more than R50 million, had started operating this month and should enable the company to meet and expand its share of the rapidly growing market for, alcoholic and non-alcoholic fruit beverages.
SFW ‘to regain market share’

Edward West

CAPE TOWN — Stellenbosch Farmers’ Winery expected to regain 50-million litres of lost market share with the introduction of a uniform floor price next season, MD Frans Stroebel said yesterday.

In an interview after the company’s annual meeting, Stroebel said the competition had been in a position to buy wine at below minimum price, but that the KVV Investments subsidiary had been forced to obtain stocks at the minimum price.

However, the industry had decided a uniform floor price would apply from the next harvest. “With the new pricing system in place we have the capacity to win back the 50-million litres we lost because of the previous system.”

He said the share price, trading at a discount to net asset value, would benefit from more turnover in the company’s shares.

KVV Investments held 60% of the winery, while SA Breweries had a shareholding of 30%. The annual report showed that only the two major shareholders held more than 5% of the shares, with 1,903 shareholders holding fewer than 20,000 shares each.

The share price was untraded at 575c yesterday. Stroebel said the net asset value was more than 700c.

Chairman Frans Davin said company results for the first quarter of the year had exceeded expectations and satisfactory earnings growth was envisaged for the remainder of the year.
Cheers — to the end of KWV’s stranglehold

Lynda Loxton

THE South African wine industry is flourishing. Exports are booming and heavy rains in the Cape hold out promise of a good crop. The only fly in the ointment remains the antiquated system through which KWV continues to dominate the price farmers get for their wine.

Distillers Corporation chairman Boete van Zyl was upbeat this week at the corporation’s annual general meeting in Stellenbosch, especially over the fact that South African wines were the “flavour of the month” in Europe and the Americas now that sanctions have been lifted.

Export director Donald Gallow said South African wines had been well received in most markets but wine makers were not trying to copy popular wines abroad, like those from Australia and New Zealand.

Liqueurs have also done well as they were uniquely Southern African. Brandy exports had been less successful, but on the local market there had been strong growth, particularly among black male consumers.

Black women, however, were more interested in sparkling wines and this was an area requiring promotion and market development, Gallow said.

Managing director John Scannell said the group faced cost constraints, particularly for packaging, which called for innovative buying and cooperation with suppliers. He said he hoped the government would consider replacing the general export incentive scheme (GEIS), due to be phased out soon, with a support system aimed at encouraging the building up of trademarks in foreign markets.

But of abiding concern is the stranglehold that KWV still exerts on the wine market. In his annual report, Van Zyl said most of the controls that had inhibited the wine industry had, with the exception of the price and surplus elimination system controlled by KWV, been phased out to the benefit of the industry.

“At present the industry is involved in intensive negotiations aimed at the establishment of a new market-oriented price and stabilisation mechanism,” Van Zyl said.

Scannell said the price and surplus elimination system went back to about 1923, when local wine growers persuaded the government to introduce a system to allow for wine price stability in the face of overproduction.

What developed was a system in which all wine, whether it was to be used for distilling or for the production of table wine, had to be sold to KWV, which would buy it at set prices, regardless of whether there was a shortage or a surplus of wine. As a result, farmers did not always get the full market value of their wine and wine and brandy producers did not pay market prices for the wine bought from KWV, often to the benefit of KWV.

“After many years of bitter argument and differences of opinion, I believe that we are on the verge of agreement on a system that meets the needs of all parties. The system may have had its uses in 1923, but it is not suitable to conditions in 1995,” Scannell said.
Rogue bottle stores on blacklist

By Maggie Bowley

The wine and liquor industry has stepped up security and as blacklisting licensed retailers found to be dealing in stolen goods.

So far at least seven licensed liquor retailers had been blacklisted in Gauteng as well as a few in KwaZulu Natal, Raan Kruger, the director of the Cape Wine and Spirit Institute, said.

He said that in the light of the huge increase in crime and hijackings, blacklisting was now policy among the big four — Stellenbosch Farmers Winery, Gilbeys, Distillers Corporation, and Douglass Green Bellingham.

Kruger said hijackings alone had cost the wine and spirit industry at least R7 million last year and the situation was equally serious if not worse this year, with at least two crews being killed by hijackers.

"Each and every one of the main suppliers has also introduced measures to help track stolen goods. Obviously we cannot go into too much detail, except to say most goods are now bar-coded or marked in some way.

"This means that when a truck is hijacked, company representatives can be on the lookout for the goods.

"Representatives are often able to pick up anomalies. For example, if an outlet has not ordered new stock from a representative for some time and yet suddenly has 800 cases on the premises, the matter needs to be investigated.

"At the annual general meeting of Stellenbosch Farmers Winery last week, Frans Stroebel, the managing director, said hijackings in the industry had assumed serious proportions and had put at liquor retailers stocking their shelves with "ill-gotten gains".

"Although we have had complaints lodged against us with the Competition Board, our approach is simple: We will not do business with those retailers. It is immoral to trade with businesses who support criminal activities and have a callous disregard for the lives of our employees.

"Pierre Brookes, the chairman of the Competition Board, confirmed it had received a growing number of complaints from outlets claiming they could not get supplies.

"Due to the size and economic clout of some of these suppliers, the board was duty bound to investigate these complaints in the interests of fostering competition.

"In an instance, suppliers have to provide objective justification for their actions, such as proof of the outlet not paying its debts or of it being insufficient supplies.

"However, in many instances, we have found that manufacturers had documented proof the outlets were dealing in stolen goods.

"In one instance, for example, the supplier had been able to follow a hijacked truck and observed their products being off-loaded at a particular outlet."
Analysts expect robust rise in SAB earnings

South African Breweries, while unlikely to maintain the growth spurt shown in its centenary year, would turn in a robust increase in earnings for the first half of the 1995/96 financial year, analysts said.

SAB's results for the six months to September 30, due on November 5, would be held back by a slightly disappointing growth in beer volumes but other divisions in the group would compensate for this.

Analysts polled saw earnings a share rising 19 percent to 29 percent to between 140c and 160c, up from last year's 124.4c.

An interim dividend of between 58c and 60c from last year's 47c was seen. Earnings for the full year to March 31 would come in at between 550c and 580c a share, 19 to 25 percent up on the 445.1c in its centenary year to March 1995, they said.

SAB hiked earnings per share 28 percent last year.

Analysts said the full dividend for the current year would be raised to between 241c and 250c, from 200c.

SAB's beer interests, which contributed 73 percent of total attributable earnings of R4.3 billion in the last full financial year, would be affected by a recent slowing in growth in domestic private consumption expenditure (PCE), said analysts.

SAB forecast its growth in beer volumes with reference to PCE growth. If past is to repeat this year, if PCE grew at a real 3 percent this year, beer volumes would expand by 5 percent.

Despite annualised real PCE growth of 3.5 percent in the first two quarters of this year, beer sales were unlikely to make the forecast 5 percent growth in the period to September 30 and would be closer to 4 percent.

Balance

Heathier hotel occupancies in SAB's Southern Sun group and an expected slashing of the loss from wholly-owned subsidiary OK Bazaars would help restore the balance.

SAB's retail and hotel subsidiaries, which include 65 percent of listed Edgars Stores, contributed 19 percent of attributable earnings last year.

OK Bazaars, with a turnover of R5.6 billion last year, halved its attributable loss to R38 million from R93/94 and analysts said this would probably be cut this financial year to about R5 million.

Southern Sun would contribute an attributable profit of between R100 million and R110 million for the full financial year, up from R71 million.

This would be due to occupancy rates of over 70 percent for the six months under review, from 68 percent last year.

Earnings from major subsidiaries Edgars and Plate Glass and Shatterprufe Industries, which together contributed R332 million to SAB's attributable earnings last year, were expected to show steady growth rates.
Wine and spirit sales predicted

KWV chairman ‘very positive’

JOHN VILJOEN
Business Staff

WINE and spirits sellers expect to profit as South Africans celebrate the Christmas and New Year season with a flourish.

KWV Investments chairman Lour- ens Jonker said yesterday that although predictions were difficult he was “very positive” about prospects of sales for the festive season.

He based his optimism partly on increased sales this year in brandy, which had seen the market grow by about 14 percent, and wine, where there had been a 6 percent to seven percent increase in sales.

KWV Investments’ main asset is a 30 percent stake in Distillers Corporation and in Stellenbosch Farmers’ Winery (SFW) through associate Rem- brandt-KWV Investments.

Mr Jonker said after the AGM in Paarl yesterday that this year’s growth in the brandy and wine mar- kets was the “best for decades” and would have a positive affect on the results of Distillers and SFW.

He expected final agreement on a minimum price for wine within the next month, and “I am satisfied with the progress of the committee we have convened with merchants.”

KWV Investments board member Willem Barnard said increased access to the South African market for foreign wine producers in terms of the Gatt would affect the performance of Distillers and SFW.

“That is something we are concerned about. It is in the hands of the Department of Trade and Industry. We hope to see the outcome of that during the next year,” Dr Barnard said.

Initial market reaction to KWV International, the new company KWV established recently to handle export activites, was positive, Dr Barnard, who is chairman, said yesterday.

He expected KWV International to report a 20 percent increase in sales in the year to December, 1996.
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**COMPANIES**

**NEWS**

**GOVERNMENT**

**ECONOMICS**

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**Analysts expect robust rise in SAB earnings**

*By John Soekelund*

South African Breweries, while unlikely to maintain the growth spurt shown in its centenary year, would turn in a robust increase in earnings for the first half of the 1995/96 financial year, analysts said.

SAB's results for the six months to September 30, due on November 8, would be held back by a slightly disappointing growth in beer volumes but other divisions in the group would compensate for much of this.

Analysts polled saw earnings a share rising 19 percent to 29 percent to between 148c and 160c, up from last year's 124.4c.

An interim dividend of between 56c and 60c from last year's 47c was seen. Earnings for the full year to March 31 would come in at between 55c and 58c a share, 19 to 25 percent up on the 46.1c in its centenary year to March 1995, they said.

SAB hiked earnings per share expected slashing of the loss from wholly-owned subsidiary OK Bazaars would help restore the balance.

SAB's retail and hotel subsidiaries, which include 65 percent of listed Edgars Stores, contributed 19 percent of attributable earnings last year.

OK Bazaars, with a turnover of R5.6 billion last year, halved its attributable loss to R56 million from R109.6 million and analysts said this would probably be cut this financial year to about R5 million.

Southern Sun would contribute an attributable profit of between R100 million and R110 million for the full financial year, up from R71 million.

This would be due to occupancy rates of over 70 percent for the six months under review, from 68 percent last year.

Earnings from major subsidiaries Edgars and Plate Glass and Shutter-prufe Industries, which together contributed R392 million to SAB's attributable earnings last year, were expected to show steady growth rates.

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**Aid to Harare depends on IMF talks**

*By Andrew Meldaum*

Harare — Zimbabwe's major western donors will withhold future financial support until President Robert Mugabe's government reaches a new agreement with the IMF, warned Richard Dales, the British High Commissioner to Zimbabwe.

Britain refuses to support Zimbabwe's economic structural adjustment programme will depend on the outcome of negotiations between Zimbabwe and the IMF," said Dales, who was speaking in uncharacteristically blunt language as he finished his three-year posting in Zimbabwe.

Herbert Murerwa, Zimbabwe's acting minister of finance, is in Washington for negotiations with the IMF.

Last month the IMF suspended a $100 million loan to Zimbabwe in protest against the Mugabe government's continued high budget deficit, 13.4 percent of the GDP, which has resulted in prohibitively high interest rates of 35 percent annually and inflation estimated to be well above the official rate of 24 percent.

Dales' statement indicates that unless Zimbabwe reaches a new agreement with the IMF, Britain and other donors could withhold future aid.

Britain is Zimbabwe's largest single donor, having granted R266 million to support Zimbabwe's structural adjustment over the past five years.

Dales, who will be the director for Africa in the British Foreign Office, said Zimbabwe's high interest rates had discouraged British investment.

Mugabe would get no more financial support from the British government for land resettlement until new proposals to maintain agricultural productivity were put forward, he said.

Meanwhile, Sapa reports that Zimbabwe's annualised inflation declined 0.7 percentage points to 23 percent between August and September, a development which is in direct contrast to the upward trend in the IMF's many goods and services price index.

According to statistics released yesterday by the Central Statistical Office, the All Items index — a measure of the increase in the price level — had gone up by 2.1 percent between August and September.

Economists have predicted that the inflation rate will rise to about 26 percent by the end of the year.
NSB chief resigns

National Sorghum Brokers group executive director Israel Skosana has resigned from the company, something likely to send shock waves through the black corporate world.

After five years with NSB, Skosana leaves the company amid reports that he was disgruntled with disclosures of corruption, fraud and nepotism within the black-owned company.

His resignation was announced yesterday by NSB chief executive and chairman Mohale Mahanyele, who said it was with "a mixture of deep regret and extreme pride and gratitude that Skosana will leave the company from December 31, 1996.”

Skosana would, however, continue to serve on the board of directors. His resignation was in the pipeline after an internal commission of inquiry into allegations of corruption and mismanagement at NSB released its findings, sources said.

Skosana, who holds degrees in commerce and accountancy, became the first black-South African to successfully complete an advanced management course at Harvard University in the United States.

He led the NSB team in negotiations with bankers for the restructuring of the company’s debt - Own Correspondent.
SAB frothing as row brews over Castle

SOUTH African Breweries has described as "utter nonsense" claims by "beer connoisseurs" that one of the products in the SAB stable was no longer being brewed according to the old master recipe.

The Argus has received a number of calls from beer drinkers claiming their favourite lager was tasting a bit weak, its head retention was poor and that the beer was generally not up to the standard they had come to expect.

SAB public affairs manager Adrian Botha said he believed an opposition brewery was behind the rumours.

"For the past few weeks we have been hearing this type of comment more and more all around the country, and we believe it has been started by one of our many competitors.

"It is utter nonsense."

He said Castle Lager had been brewed in the same way for more than 100 years and was highly regarded as a successful beer locally and internationally.
Shock as Skosana of NSB resigns

By Joshua Raboko

NATIONAL Sorghum Breweries group executive director Mr Israel Skosana has resigned from the company, something that is likely to send shock waves through the black corporate world.

After five years with NSB, Skosana leaves the company amid reports that he was disgruntled with disclosures of corruption, fraud and nepotism within the black-owned company.

His resignation was announced yesterday by NSB chief executive and chairman Mr Mohale Mahanyele, who said it was with “a mixture of deep regret and extreme pride and gratitude that Skosana will leave the company from December 31 1995.”

Mahanyele did not give reasons for Skosana’s sudden resignation but said he was proud of the fine and excellent job that Skosana had done on behalf of the shareholders and employees of the company.

He said Skosana would continue to serve on the board of directors.

Sources close to NSB disclosed yesterday that Skosana’s resignation was in the pipeline after an internal commission of inquiry into allegations of corruption and mismanagement at NSB released its findings that certain systems and control procedures had not been up to desired standards.

After the report there was speculation that Skosana and Mahanyele would resign after the commission’s recommendations that they immediately institute a cleaning up process in the company.

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He led the NSB team in negotiations with bankers for the restructuring of the company’s debt.
SUNCRUSH

Less sweet

Activities: Makes and distributes soft drinks in terms of franchise agreements with Coca-Cola SA
Control: Delva 50.5%
Chairman & MD: R D Hamilton
Capital structure: 140,2mords Market capitalisation: R1,79bn
Share markets: Nse. R1 Yields: 1,6% on dividend, 5,5% on earnings, p/e ratio: 18,1, cover: 0,4, 12-month high: R14,50, low: R10,75 Trading volume: last quarter, 14,5m shares

Year to June 30 '92 '93 '94 '95
ST debt (%Rm) 21,4 32,0 33,0
LT debt (%Rm) 46,0 33,3 5,1 5,1
Debt equity ratio 0,13 0,01 n/a n/a
Shareholders' interest 0,05 0,06 0,01 0,02
Int & leasing cover 59,6 17,7 159,9 n/a
Return on cap (%) 18,2 14,5 14,4 13,3
Turnover (Rm) 535 572 616 708
Pre int profit (Rm) 89,8 92,3 115,9 139,8
Pre-tax margin (%) 15,9 16,0 16,6 16,4
Earnings (c) 35,7 44,6 54,7 66,2
Dividends (c) 10,8 12,2 16,0 19,3
Tangible NAV (c) 239 362 430 580

Suncrush is a remarkably steady performer. It gets consistent returns out of its geographic share of the high-growth soft drink market. Strong cash flow leaves the company with an enviable balance sheet. Ungeared for the past two financial years (and before that gearing was negligible), it has net cash holdings of R25m.

Though not covering any main cities, Suncrush's operations include a large area stretching from the KwaZulu-Natal north coast into northern KwaZulu-Natal, the Free State and the North-West region. This includes some large centres, such as Vanderbijlpark, Klerksdorp and Rustenburg, as well as the current high-growth area around Richards Bay.

Because of the way major soft drink distributors have divided the market between themselves, future growth should be virtually assured.

Yev investors don't appear overly excited by the share. Since the 1994 annual report, the share has only put on R1 (to R12), though it touched a high of R14,50 earlier this year—hardly an appropriate response to a company which reported sales growth of 15% and a bottom-line increase of 21%.

The p/e ratio has declined from around 20 times a year ago to 18,1. That would suggest the marketplace is not viewing future prospects particularly favourably.

Analysts suggest the main factor is Pepsi-Cola, back and not bound by the industry's self-imposed rules. So far, Pepsi has concentrated mainly on Gauteng, outside Suncrush's demarcated area, though it did form a bridgehead in Vanderbijlpark.

Though not mentioning Pepsi by name, chairman Robert Hamilton notes "increased competitive activity" in the area.

The effects of new competition are not apparent in the financial statements, though the pre-interest margin has declined marginally. Hamilton does say, however, that competition will reduce margins, while at the same time stimulating volume growth.

Pepsi is believed to be targeting Durban for the next phase of its expansion. That will not affect Suncrush directly, but all industry players will have to work out strategies to deal with the new competitor.

Hamilton believes Suncrush's expertise in production, distribution and administration is adequate, but says marketing skills will be extended to include handling a more hostile competitive environment. He does not intend losing any "significant" share of the market.

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COMPANIES

COMPANIES

Ultimately, increased competition will probably be good for the industry. In the short term, though, it places a question mark on whether companies like Suncrush can continue to generate the high returns from the market they did in the past.

Though less of a factor, there may be a second reason for investors blowing cold on the share. Suncrush is increasingly sourcing income from its listed investment trust subsidiary Ettington and its 49% holding in Tempora, also a listed investment trust.

Earnings from this source increased from 12,8c of Suncrush's EPS to 16,9c. Hamilton believes they will make up about 18c this year.

While the investments provide a useful source of earnings, they increasingly give Suncrush a fund management complexion. Investors attracted by the company's undoubted ability to make and distribute soft drinks may find this distracting, particularly as they can invest directly into the underlying investments if they wish.

Suncrush should perhaps consider placing its investments into a separate company, allowing it to keep these interests but making the share a pure investment in the soft drink industry.

Sean Harris
Whisky drinkers can raise a tentative glass to government for postponing implementing new duties on imported liquor.
The duties — reportedly in the region of R40 a case — should have been imposed at the beginning of September but Board on Tariffs & Trade chief director Willie Lubbe says it is still investigating the matter.
“A final decision has not been reached yet,” says Lubbe. “It is unfortunately not possible to indicate what the outcome of the investigation will be and when a final decision can be expected.”

Edward Snell, financial director Jean-Marc Pousson believes that when and if the increase comes it will not be as high as rumoured.
“The whole purpose of SA becoming involved with Catt is to make it more competitive and reduce import restrictions to encourage trade. We agreed we won’t increase our duties on other countries’ products, but whisky is singled out. All this uproar is because they are trying to protect local brandy, which has shown huge growth in the last few years.”

Edward Snell, MD David Hooper says he has learnt that the new duty — which could mean about R5 extra for a bottle of Scotch — will be imposed on December 1. But for that to happen, the board will have to persuade the Agriculture and Trade & Industry Ministers to give their approval.

Anthony Sedgwick of E W Sedgwick says whisky accounts for 40% of all imported spirits. Cape Wine and Spirit Institute director Ruaidhri Kruger says “I would be happy if I could find out what’s going on. I’m also secretary of the Importers’ Association and am being pestered by whisky importers.”

Brandy Foundation director Pietman Retief says that SA’s major producer/wholesalers, some of whom also import whisky, would support the new tariffs, the most likely reason being that whisky contributes much less to the bottom line than brandy does.

Retief adds that, because of SA’s low import duties (Australia imposes a duty of R381 on a case of spirits), whisky producers dump their products on the SA market.

An increase in whisky tariffs will provide a fillip for brandy producers. Though whisky sales are still comparatively low compared with brandy, whisky is making inroads into the spirit market.

According to the KWM, a major brandy producer, in 1970 brandy’s share of the spirt market was 47.3%, and 10% of the entire alcoholic beverage market. After dropping to 41.6% in 1990, brandy’s share of the spirit market recovered to 47.4% by 1994, but its share of the entire liquor market dropped to 8.4% last year.

Whisky had 10.4% of the spirit market in 1970 and 21% in 1994. Its share of the entire market increased from 2% in 1970 to 3.5% last year.

Measured in terms of alcohol absolute, 20.3m litres of brandy were sold last year, compared with 16m in 1984, a growth of more than 25%. Last year, 612 000 litres of grain spirits, including whisky, were sold, compared with 57 000 litres in 1984, a growth of almost 350%.
Fruit-drinks workers go on strike over wages

Staff Reporter

HALF the workers at Apple-
tiser Manufacturing in Gra-
bouw have begun a legal
strike over wages in only the
second work stoppage in 10
years.

The 116 striking workers are
members of the Food and Al-
lied Workers' Union (Fawu),
which has organised at the
factory since 1986.

Appleiser Manufacturing
spokeswoman Jean Rowe said
the company would take
"whatever legal action is nec-
essary to stop unlawful and
disruptive action".

Admission to the factory
was restricted yesterday be-
because striking workers were
demonstrating at its gates.

Fawu spokesman Shawn
Phillips said the dispute had
arisen because management
was offering an annual wage
increase of 10.9 percent, while
workers were demanding
10 percent across the board.

The workers' demand would
mean an increase of R48 on
the present lowest wage of
R322 a week, while on the
highest wage of R401 the in-
crease would be R69.17.

The union also wants the in-
creases to be backdated to
September 1, while manage-
ment wants them to be effec-
tive from the date on which
agreement is reached.

Company and union negotia-
tions ended in deadlock in Au-
gust. Attempts to resolve the
dispute included mediation by
the Independent Mediation
Services of South Africa.

The Grabouw plant is the
only manufacturer of several
particular fruit drinks.

Appleiser Manufacturing is
a division of Appleiser South
Africa (Pty) Ltd., in which
South African Breweries has
interests.
Bitter cola wars hurt ABI margins

Beatrix Payne

Bitter cola wars in Gauteng hit margins at Amalgamated Beverage Industries, restraining earnings growth to just 7.2% at R32.2m for the six months to September.

The SA Breweries-owned company, SA's largest Coca-Cola bottler, said sales targets had been affected, with turnover up 7% at R621m. Price-cutting and aggressive marketing helped cut the operating margin from 7.2% to 6.2%, leaving trading profit nearly 3% lower at R38.8m.

MD Trent Odgers said the bottom line was helped by strict cash management and a tax rate cut to 30c (28.3), while the dividend was 7.5% higher at 11.5c. Blaming the performance on a traditionally poor first half, Odgers said the level of earnings and dividend growth would be maintained for the rest of the year.

While the company refused to comment on the effect of Pop, Odgers said ABI was operating in "an intensely competitive market place".
Skosana leaves 'at right time'

John Dlodlo (182)

20/6/11/95

NATIONAL Sorghum Breweries (NSB) group executive director Israel Skosana, who announced his resignation last week, says he is leaving on amicable terms to pursue other interests.

Dismissing talk that he had been forced out, he said at the weekend NSB's recent R70m tie-up with India's United Breweries Group had placed it on a stronger footing and he was comfortable with the timing of his decision.

Speculation that he had decided to quit because of planned appointments by NSB's new partner to the board was untrue, he said.

Skosana, a founding member of NSB, said his departure was unlikely to spark resignations.

NSB's deal with United Breweries would allow it to make inroads into the SA clear beer market, where it had so far been unsuccessful. United has the option of increasing its 30% stake to 50% within two years. In addition, current CEO Mohale Matsanyele will step down after 18 months, remaining non-executive chairman.

Skosana said this would not pave the way for a take-over of NSB by foreigners. The deal included a provision that black empowerment through affirmative action would not be compromised.

He said he would remain on the NSB board.

He has not ruled out joining one of the new black economic empowerment vehicles. He also sits on the boards of Thebe Investment Company and the Community Bank, and serves as a member of the Policy Board for Financial Services and Regulations.
Experts see wild cards in SA Breweries pack

Beatrice Payne

INDUSTRIAL holding group SA Breweries was likely to post earnings growth of 19%-21% when it reported results for the six months to September tomorrow, analysts said yesterday.

The wild cards would be beer sales and the performances of its unlisted operations, Southern Sun and the OK retail chain. The group pushed earnings 30% to 124.4c a share in the previous comparable period.

Most analysts agreed beer volumes would show a 2.5% to 3% gain over the six months.

Ed Hora Rudolph industrial analyst Syd Viauillo said beer volumes had not been as high as expected. While a 3% rise in beer volumes was "not bad", it would not trigger a large rise in earnings growth.

Much of the group's gains would be through the tax bill now that the transitional levy had fallen away, he said.

But Viauillo warned that consumer spending would be unspectacular in the second half and Christmas sales could be subdued.

Another analyst said beer sales would improve in the second half. They had been flat in the first quarter of the year because they had come off a high base from the period around last year's general election.

An analyst said earnings from manufacturing interests, which had already reported results, were up 18%, while earnings from retail operations had shown an average 23% growth. Lower than expected growth at Plate Glass and Coke bottlers ABI had seen some analysts reduce their year-end forecasts from 23% to around 21%.

The expected 3% rise in beer sales was not very high and was due partly to lower consumer spending, she said.

"Volumes could increase to 5% over the next few years."
Coca-Cola in $400m deal with SA bottler

BY FIONA LENFHY

Johannesburg — In the latest salvo in South Africa’s cola war, Coca-Cola said yesterday it had entered into a joint venture with the South African Bottling Company (Sabco), to create a new company worth $400 million as its “anchor bottler” in Africa.

The new company, in which Coca-Cola will have a 16 percent share and Sabco’s parent company, Gutsche Family Investments, which will hold 84 percent, will combine Coca-Cola’s bottling interests in Kenya, Tanzania, Uganda and Namibia with Sabco’s South African and Mozambican operations.

The $400 million price tag represents a pooling of assets from the parent companies. As anchor bottler, Coca-Cola Sabco will channel some $100 million of investment, raised through local markets and from each share partner, into its new franchise territory over the next three years.

“Coca-Cola Sabco will drive our future business in Africa,” said Carl Ware, the president of Coca-Cola Africa. “We expect Coca-Cola Sabco to achieve double digit annual growth rates throughout Africa.”

Coca-Cola dominates the carbonated soft-drinks scene in South Africa, with 85 percent of the market, but it has increasingly felt the squeeze from Pepsi’s invasion of its territory and the growth of retail house brands.

“Business is growing and healthy. We don’t spend a lot of time looking through our rearview mirror at our competitors,” Ware said yesterday.

However, analysts say the deal reflects Coca-Cola’s anxiety to remain one step ahead of competition by looking to increase its markets beyond South Africa’s borders.

Ware denied that the new company posed a threat to Amalgamated Beverage Industries, Coca-Cola’s major bottler here. “The franchise network in South Africa will remain the same. There will be no immediate impact. We will construct new factories in the new countries as the market grows,” he said.

The Reserve Bank has given approval to use a mix of assets and cash to expand into the Tanzanian and Mozambican markets.

Phil Gutsche, the managing director of Sabco, said that his company already had partnerships with local firms and state corporations in Mozambique and Namibia.

Gutsche said: “This new entity enables us to restructure our business and develop new distribution networks.”

“We are taking our muscle here in South Africa and exploding Afrika-wide.”
Soft-drink giants in joint venture

The Coca-Cola company and the Port Elizabeth-based South African Bottling Company have joined forces to form a new multinational that will be the soft-drink giant’s main bottling company in Africa.

The joint venture, announced yesterday, is aimed at boosting sales of bottled Coke to 134 million Africans in an “into Africa” expansion drive.

Coca-Cola’s Africa president Mr Carl Ware announced that Coca-Cola and the SA Bottling Company (Sabco) had combined to form a multinational company to be known as Coca-Cola Sabco.

The new company is expected to gain a substantial lead over soft drinks rival, Pepsi, with 16 operations in six countries and with a sales volume of 100 million unit cases.

The deal combines Coca-Cola bottling plants in four African states – Kenya, Nigeria, Uganda and Namibia – with the Sabco’s bottling plants here and in Mozambique.

The company, says Ware, will be Coca-Cola’s new “anchor bottler” on the continent and joins an elite band of international “anchor bottlers” around the world.

In terms of the new deal the Coca-Cola Company will own a 16 percent stake in the new company and hold two seats on the nine seat board of directors.

The remaining 84 percent stake and five of the board seats, will go to Gutsche Family Investments, Sabco’s parent company – Ecuri.
Coca-Cola in $400m SA joint venture

Beatrix Payne 80.8.11/95

The Coca-Cola Company and the Port Elizabeth-based SA Bottling Company (Sabco) launched a $400m joint venture company yesterday.

Coca-Cola Sabco will be the multinational's first equity investment in Africa. The launch of the "anchor bottler" company - in which Coca-Cola would hold 16% - would not affect the operations of Coke's current bottlers in southern Africa, such as ABI and Sun-
crush. Coca-Cola senior vice-president Carl Ware said yesterday. Coca-Cola had appointed only a few anchor bottlers worldwide.

The joint venture would invest $100m in new operations in Africa during the next three years and combined the operations of Coca-Cola's bottling interests in Kenya, Tanzania, Uganda, Namibia with Sabco's operations in SA and Mozambique. The new enterprise would include 16 operating plants.

Four additional facilities would come on stream by the end of next year.

Coca-Cola would take a 16% stake in Coca-Cola Sabco with the Gutache family - which owned Sabco - holding the balance.

Vinto minerals chairman Keith Kunene and the chairman of Tanzanian bottler Bonte Bottlers would be appointed to the new company's board. The Gutache family would occupy five seats on the board and Coca-Cola's Ware and vice-president Gary Fayard would take the two remaining seats.

"The formation of Coca-Cola Sabco and its designation as an anchor bottler propel us to the next phase of our strategy to create and capture all the growth opportunities we see in Africa's soft-drink industry," Coca-Cola president Douglas Ivester said yesterday.

The group hoped to achieve "double digit" sales growth in its markets over the next few years. Coke's African operations had outperformed its other regional operations, showing third-quarter sales growth of 14.4% and a 24.5% rise in volumes in September.

Continued on Page 2
SAB’s improved efficiency pays off

BY JOHN SYTA

Johannesburg — Mirroring the country’s growing economic momentum, SA Breweries, South Africa’s largest industrial corporation, has chalked up a commendable 28 percent attributable earnings advance (to R475 million) in the six months to September.

On a turnover increase of 15 percent to R1,46 billion, trading profit grew by 17 percent to R1,35 billion.

The 21 percent improvement in earnings at the share level was below the rise in attributable earnings because of the conversion of the company’s Serus A preference shares and capitalisation awards. The interim dividend has been increased by 21 percent to 57c a share.

The directors stress the higher margins to ongoing cost containment programmes and productivity enhancements in all divisions.

SAB’s beer interests (local and foreign) accounted for 81 percent of attributable earnings.

On a volume growth of 4 percent, the beer division improved its earnings by 22 percent. Continued development of the international beer interests yielded a 26 percent increase.

The earnings of SAB’s remaining (diversified) interests rose by a steep 57 percent, with, says chairman Meyer Kahn, the Southern Sun Hotel group achieving a dramatic turnaround.

Financial director Nigel Cox pointed out that continued focus on working capital management enabled cash generated from operating activities to reach R1,8 billion, exceeding last year’s comparable period by 19 percent.

“Despite significant increases in

TO CHARLESI SA Breweries chairman Meyer Kahn (seated) and financial director Nigel Cox.

financing costs and tax, cash flow a share realised a high 56 percent of the potential indicated by the cash equivalent earnings. Net cash retained from operations, at more than R900 million, provided sufficient funds to cover the entire investment programme for the half year.

Group gearing had come down from 0,58 to 0,47, ensuring that the further substantial capital expenditure programme of more than R1,5 billion can comfortably be accommodated.

The directors characterise the outlook for sustainable growth in disposable incomes and private consumption expenditure as “positive.”

The shares have advanced steadily through the year, boosted mainly by buoyant foreign demand.

At their ruling price they are 32 percent higher than the level at the beginning of 1995.
Poison oil warns on fast foods

Tough regulations aim to curb their hits

Michael Morris
Political Correspondent

Much of the cooking oil used at fast-food outlets, corner stores and restaurants is "unacceptable for human consumption, or even poisonous," research has shown. Health Minister Nkosazana Zuma says the problem is "serious" and "widespread" and warns that outlets will be more closely monitored under a new tougher Health Bill which seeks to control the risk of serious diseases caused by eating food cooked in overheated or over-used oil.

The Health Ministry says overheated or over-used cooking oil can cause a buildup of chemical impurities that can lead to food poisoning and kidney damage or even cancer. In many parts of the country, cooks regularly use oil for cooking and never clean it out - and this is especially true in the rural areas.

It is also often sold or even donated to underprivileged people. The ministry, the Johannesburg Health Department and the Department of Social Development have been working on regulations where necessary. Cape Town health inspectors do not routinely monitor the use of oil in city establishments, but said that the health ministry was giving Cape Town a hand on the issue.

Health Minister Zuma said he believed it was a "very good thing" that the Cape Town government is now considering the issue. He said they were trying to work with the city authorities to ensure that the oil is disposed of properly.

"The city has a responsibility to ensure that the oil is not mixed with drinking water," he said. "We want to make sure that the oil is put in a proper place and that the people who use it are aware of the dangers."
SAB boosted by foreign drinkers and local hotels

Beatrix Payne

SA BREWERIES (SAB) lifted earnings 21% to R478m for the six months to September, underpinned by productivity improvements and strong performances from its international beer divisions and local hotel business.

The group — whose interests run from beer to clothing to packaging — posted a 15% rise in sales to R14.8bn, but widespread re-shaping helped lift trading income 17% to R1.3bn.

Lower dividend income and financing costs were R90m higher at R531m, leaving pretax profit 16% ahead at R1bn.

A higher tax bill and equity-accounted earnings left net profit at R711m (R585m). Share earnings were set at 162.5c a share (134.8c) and a dividend of 57c (47c) was declared. The group also offered a scrip alternative.

Finance director Nigel Cox said yesterday the group was pleased with the performance, given that demand had been sluggish across certain sectors. He said first-half earnings growth would be maintained for the full year.

The group was planning second-half capital expenditure of R1.5bn, targeting the international beer operations and Plate Glass Shutter-prufe Industries' Belron business. But Cox said the expenditure would be accommodated.

Gearing had fallen to 47% (58%), with total borrowings down 3% at R4.4bn. Cash generated from operations had risen 19% to R1.8bn.

The mainstay beer operation lifted domestic volumes 4% and bolstered productivity, helping to push attributable earnings from the domestic operation 21% to R334m. Beer volumes were expected to rise at least 4% this year.

Earnings from the group's international beer interests — including Tanzania, Hungary and China — rose 26% to R50m, mainly through a strong African performance. The diversified interests — including the OK retail chain and Southern Sun — rose 56% to R91m.

Occupancies at the Southern Sun hotels rose to 71% (69%). Private tourism and corporate businesses had improved markedly. The hotel operations reported earnings of R30m (R10m).

The OK retail chain was still in the red, reporting losses of R30m (R40m) for the period. But Cox said the chain could break even by the end of the current financial year, given the re-shaping that was well under way. He warned that consumer spending over Christmas was always unpredictable.

Edgars was likely to perform well, owing to the chain's recent extension of customer credit terms.
Coca-Cola dropping anchor

The Coca-Cola company headquartered in Atlanta, Georgia, has combined its bottling interests in Africa with those of the Port Elizabeth-based SA Bottling Company (Sabco). The combined value of the new company, Coca-Cola Sabco, is US$400m, says Coca-Cola president and chief operating officer Douglas Ivester.

It already has $2bn invested in Kenya, Uganda, Tanzania and Namibia, which, including SA, Ivester refers to as the Coca-Cola system in sub-Saharan Africa Sabco, owned by the Gutsche Family Investments, has operations in SA and Mozambique, and now also has 84% of the new company, Coca-Cola Sabco.

Philip Gutsche, MD of Gutsche Family Investments, will be chairman and CEO of Coca-Cola Sabco. Coca-Cola has 16% of the equity and two of the nine directors — Carl Ware, a senior vice-president and president of its Africa group, and Gary Fayard, vice-president and controller. Sabco has five seats on the board, the other two will be given to Keith Kunene, chairman of Ventum Minerals, one of SA’s five other Coca-Cola bottlers (it has six altogether), and another to Reg Mengi, chairman of Botle Bottlers in Tanzania.

Coca-Cola Sabco has been designated an anchor bottler. That means it can expand into any country in Africa and may not compete with SA’s other five bottlers, including market leader SA Breweries subsidiary Amalgamated Beverage Industries (ABI). Coca-Cola’s choice of Sabco, not ABI, has caused surprise in the local soft drink industry but ABI MD Trent Odgers says the alliance will not affect his firm.

Ivester says when looking for an anchor bottler Coca-Cola “doesn’t have to look at the biggest. It needs people with vision and a willingness to spread their wings, which is what we found in the Gutsche family.”

“There will be no change in ABI’s status. It has a contract with us and if they want to we can continue to work with them,” says Ivester.

Ivester believes its growth will be double-digit for the foreseeable future.

Despite that growth, SA’s contribution to Coca-Cola’s bottom line is relatively small. We operate in 200 countries and none of them can claim to make a major contribution to our bottom line. That includes the US, which contributes less than 20% of our business.

“We have 86% of the soft drink market in SA,” says Ivester. “The return of Pepsi doesn’t bother us at all. Some SA brands are bigger there than Pepsi. We regard Pepsi as a competitor in the US, elsewhere it’s insignificant.”
Grabouw strike in second week

ESTELLE RANDALL
Labour Reporter

A LEGAL wage strike by members of the Food and Allied Workers’ Union (Fawu) at the Appletsiser plant in Grabouw has entered its second week.

Shaun Phillips, a shop steward at the factory and chairman of Fawu’s Grabouw branch, said the company had met the executive committee of the Grabouw African National Congress in an attempt to prevent the strike becoming a community issue. He said workers would do everything to ensure there was a settlement.

The strike is only the second to hit the factory since the union began organising there in 1986. Non-union monthly-paid staff are said to have begun pressuring management to settle the dispute.

Mr Phillips said about 30 monthly-paid staff had stopped work on Wednesday in support of the union’s wage demand and had sent a letter of concern to Appletsiser South Africa calling for a meeting to look at settling the dispute.

The union is demanding a 12 percent increase backdated to September 1, and that no disciplinary action be taken against workers engaged in the strike. The company is offering a 10 percent increase effective from the date of settlement.

The dispute arose at the end of August and was referred to mediation and a conciliation board without success. Meanwhile, union members have picketed the factory, under the watchful eye of the police who were asked to monitor the situation by Appletsiser management.

A Fawu spokesperson at the factory said the company had started to bring in alternative labour on Wednesday.

Appletsiser is a division of South African Breweries (SAB). Members of the union at SAB in Newlands have refused to bottle or handle Appletsiser goods. However, management at SAB ruled out the possibility of SAB assisting Appletsiser with bottling as the Newlands plant had reached its peak production period.

Appletsiser management confirmed they were continuing negotiations with the union and that they had met the ANC to share information.
Coca-Cola to intensify African foray

Philip Gutsche, managing director of SAB’s holding company, Gutsche Family Trust, says capital expenditure in Africa next year should amount to R230-million, with a further R160-million to be spent in South Africa for the purchase of land, buildings, plant, machinery, bottles, crates, water treatment equipment and trucks. Much of this, he says, will be sourced from South Africa.

There will also be major expenditure on building a new bottling plant in Dar es Salaam and on the rehabilitation of plants in Mbuji Mayi, Zambesi, and Tanga in Tanzania. A further R170-million is expected to be spent in Africa and R80-million in South Africa in 1997.

Carl Ware, senior vice-president of the Coca-Cola group and president of the Africa division, says “Africa is now ripe for expansion. It is a growth continent and we will give the new company the opportunity to go out and achieve what it believes it can.”

The annual consumption of Coca-Cola in Europe (about 1200ml per person) is only 25ml per person in Africa. In 1997, it is expected to increase to 250ml per person in South Africa alone.

Coca-Cola Sabco currently sells 100-million cases a year.

“Decisions to go with Sabco because of their speed of action and the shared vision they have of expanding sales,” says Mr Ware.

The agreement will not affect other Coca-Cola bottlers, including SA market leader Amalgamated Beverage Industries.

The deal has the permission of the SA Reserve Bank, which shows a willingness by the authorities to allow SA companies to play a meaningful role in the development of Africa. Mr Gutsche says: “It will allow us to use our management prowess in northern countries and to bring people to South Africa for training. The expanded scale will be very meaningful for the rejuvenation and development programme,” he says.

Who would have thought three years ago that an SA company would use a Russian Antonov aircraft to fly a bottling plant from Upington to Kampala in Uganda and be paid in US dollars? Mr Gutsche will become chairman and managing director of Coca-Cola Sabco, with Mr Ware and Gary Fawydd, senior vice-president, providing the two members from Coke.

Keith Kinene, chairman of Vosto Minerals, a Coca-Cola bottler in South Africa, and Reg Mengi, chairman of Bonte Bottlers in Tanzania, will join the board. Four other Sabco members will also join the board.

By DON ROBERTSON

FOREST STUMP Kader Asmal, who says his ministry won’t allow the nation’s forestry resources to be concentrated in fewer hands.
Gauteng's Coke growth flat

Beatrix Payne

Coca-Cola sales growth has been largely flat in Gauteng in the six months to end-September, with the estimated 7%-8% expansion of the soft drinks market in the region offset by price increases earlier in the year.

Amalgamated Beverages Industries (ABI) MD Trent Odgers said that Pepsi’s entry into the market had, however, not been completely negative. It had benefited the supermarket sales of Coke by diluting competition from the no-name cola brands.

Gauteng supermarket and hypermarket sales accounted for about 15%-20% of Coke bottler ABI’s turnover in the province, while overall sales in Gauteng represented about 70% of total group sales, Odgers said.

The share price has not been so fortunate, slumping to a fresh annual low of R16.50 on October 31 after peaking at R23.50 in late July. It finished unchanged at R17.75 yesterday.

It is tightly held, with 68% of shares owned by industrial holding company SA Breweries, according to figures for early October from Mcgregors Online. Cadbury Schweppes held 19% and the Port Elizabeth-based bottler SA Bottling had a 2.5% stake.

Odgers said ABI had felt Pepsi’s pinch strongly in the first half of the financial year, traditionally a period of low sales. The slowdown in consumer spending during that period had also knocked sales.

ABI’s main weapon was price-matching in the areas in which Pepsi operated, mainly southern Gauteng.

Odgers could not disclose how much the group had spent on marketing as Coca-Cola SA and not its bottlers was responsible for marketing and advertising.

Pepsi’s effect on sales would be less marked in the second half, when summer sales mushroomed. However, forecasting was difficult as a cool summer could affect sales. SA was a relatively underdeveloped market, and off-the-street sales were Coke’s mainstay, he said.

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Rock Shandy sidesteps SA cola wars
(182) ET [AR] 15/11/95
BY SHIRLEY JONES

Durban — Sidestepping South Africa’s escalating cola war, The Alternative Beverage Corporation has intensified its efforts to make an impression on the adult contemporary soft drinks market with the launch of a new, home-grown soft drink, the Rock Shandy.

According to marketing director Richard Cleal, this will be another product in an already lucrative portfolio. Rock Shandy will be sold at a highly competitive price to other mass market soft drinks.

The Alternative Beverage Corporation’s brands include the Mixed Doubles cocktail range and flavoured spring water Crystal Clear.

Cleal points out that because the South African market is already saturated with colas and oranges, the Alternative Beverage Corporation is in the throes of building “an umbrella corporate identity” as a home for both soft and liquor-based alternative drinks.

He says growth in the company’s brands already proves the potential in the soft drinks niche market. The latest addition — “a non-alcoholic, spring-water based, carbonated soft drink with a citrus taste enhanced by imported linters” — will be distributed countrywide.

Because of its reduced kilopoule count, Rock Shandy is pitched at the growing health market.

IN THE CAN Alternative Beverage Corporation marketing director Richard Cleal introduces the first-ever pre-mixed rock shandy to the South African market.
Fawu moves to settle dispute

THE Food and Allied Workers' Union (Fawu), is to convene a South African Breweries shopstewards' council to discuss ways of pressuring the management of Appleiser Manufacturing in Grabouw to settle a wage dispute with the union FAW 2011/14.

Appleiser is a subsidiary of SA Breweries.

Workers at the Appleiser factory have been on a legal strike for 15 days since their deadlock over wages.

Fawu and management have been locked in negotiations since the strike began.

Fawu said they proposed on Tuesday that the Minister of Labour be asked to appoint an independent mediator to resolve the dispute. If mediation failed, arbitration should be pursued. Fawu said SAB rejected their proposals.
Millions at risk in liquor licence delay

By Ross Herbert

Johannesburg — Millions of rands in foreign investment are at risk and all sales of liquor-related properties are on hold because liquor licence applications are not being processed.

The problem is that no government agency in the country has the power to issue or transfer liquor licences.

With the enactment of legislation on October 3, the authority over liquor licences was removed from the national Liquor Board to transfer the power to the provinces. However, no provincial liquor boards have been set up yet.

Critics say the handling of the Liquor Board is a model of how not to transfer power to the provinces. The delay puts in jeopardy at least two major hotel deals, including one foreign investment of R25 million. The same action also effectively invalidates the licences of businesses in the former TBVC states.

"They took away the power and they gave it to no one. The deal cannot go forward because there is no one to transfer the licence to," said one source close to the hotel deal who asked not to be named for fear of alienating officials who were trying to help.

Transfer

South African Taverners Association spokesman Bafana Dhlamini said central government and the provinces had known for a year that liquor regulation would be transferred to the provinces.

"I don't understand the culture of government in which everything is slow."

"No plan was put in place when we start, cut off dates, how provincial boards are to be set up, that was not made clear."

Shebeens in particular are feeling pressed and this week met to hold a high-level meeting with the police, who agreed to stop cracking down on tavern owners who could not obtain liquor licences.

Staff is one key issue that could also hamper the devolution of other powers to the provinces.

Alarm

When word got out that the national board was to be closed, key staff began leaving. And many others, who had been based in Pretoria for years, refused to relocate to any provinces other than Gauteng.

"This should alarm one. We cannot afford to lose foreign investment," said David Moshapalo, the secretary-general of the Taverners Association.

Moshapalo said he had been assured that the Liquor Board intended to "fast-track" the creation of provincial boards.

The Liquor Board itself, which is not processing licences, still has a staff and a public relations office. However, it will not permit any of its employees to speak to the media.

"They all pass the buck and don't want to take responsibility," said one employee.

Siva Naidoo, a consultant to the KwaZulu-Natal economy affairs ministry on the issue, yesterday held discussions with the national Liquor Board to establish some temporary authority for transferring licences to accommodate the overseas investors. He said the province hoped to have a functioning board by mid-January.
WAGE DISPUTE WITH APPLETISER

Row over mayor’s support for workers

GRABOUW MAYOR Mr Fanie Booyzen has entered the fray on the side of workers who are considering a consumer boycott of the town, in reaction to a wage dispute with Appletiser. PETER DENNEHY reports.

A row has blown up in Grabouw over the new mayor’s outspoken support for striking Appletiser workers.

The workers are considering at least a consumer boycott in the town and there has also been talk of a general stayaway. But mayor Mr Fanie Booyzen denied yesterday he had publicly supported either a stayaway or a consumer boycott.

Mr Booyzen told a crowd of workers in the town on Friday that he had sympathy for their cause.

He declined to say yesterday whether he personally supported a boycott of Appletiser products.

Deputy mayor Mr Charles November, who like the mayor has an ANC background, had come out explicitly in favour of a consumer boycott. Mr Booyzen said.

Over 100 of the workers who demonstrated on Friday are in the fourth week of a wage-related strike at Appletiser, which Mr Booyzen believes is the largest business in the town.

The workers had demanded a 15% increase this year, while management had given them 10%, Mr Booyzen said. Negotiations followed, and management had indicated its willingness to raise this to 12%, but not to backdate it.

Mr Booyzen, who has been an ANC activist for several years, lives in a shack in the shanty settlement of Roodakkie, an ANC stronghold in Grabouw.

He said in an interview yesterday he had been unemployed for some years, as “nobody will ever employ Fanie Booyzen in Grabouw” because of his role as an activist.

His rival in the Grabouw council, NP leader Mr Chris Petzer, spoke out sharply yesterday against the mayor’s statements.

“The mayor supports a stayaway,” said an outraged Mr Petzer. “We will take this up seriously. The dispute at Appletiser has nothing to do with the council. Everybody will think the mayor is expressing the council’s feeling, but we are in favour of work, or job creation.”

“I wonder if he has thought what will happen if Appletiser closes down or moves away, what the employees will do then?” Mr Petzer said.

“I have an assurance from the authorities no roadblocks will be allowed. If any call to action is made, those who make it must not be allowed to intimidate anyone,” Mr Petzer said.

Mr Booyzen said he too was opposed to intimidation. He knew of no call for a work stayaway, he said, although the workers would have another meeting and he did not know what they might call for.

No intimidation’

“Nobody must stop anybody from going to work, no matter what the workers decide at their meeting,” Mr Booyzen said.

He did not want Appletiser to shut down or move away because “Grabouw needs them.”

Mr Booyzen also said he wanted the fruit juice industry to put more back into the community and he felt there was not enough competition.
R100-m boost for New Age

By Mzimkulu Malunga

New Age Beverages, the bottlers of Pepsi products in South Africa, is expected to announce next week that two trade unions are to invest about R100 million in the company.

The names of the unions are not known. Company officials do not want to be drawn on the issue. They say the company will call a press briefing on Monday to make a "major announcement."

Market analysts say the involvement of unions in New Age is part of an ongoing process of increasing the stake of local black people in the company.

In terms of the 13-month-old deal between Pepsi and two black consortia, Kuyasa and Egoli, which between them own 75 percent of New Age, the main portion of the company will gradually be transferred to local blacks over a three-year period.

Egoli is composed mainly of African American investors who include superstars like Whitney Houston and OJ Simpson's lawyer Mr. Johnny Cochrane.

Kuyasa is a consortium of local blacks including New Age's chairman Mr. Khela Mthembu and soccer officials such as Mr. Kazeri Molaueng and Mr. Solomon Morewa.

Sowetan has also learned that Kuyasa has increased its stake in New Age to an undisclosed percentage.

Fast expansion

These developments could not have come at a better time for the company.

Early this month the company won the exclusive right to sell its products at the new Johannesburg Stadium.

This is the first stadium where New Age has the exclusive rights to sell its products. The company's rival Coca-Cola has been pouring rights into other major stadiums like FNB and Ellis Park.

"Winning pouring rights at Johannesburg Stadium is very exciting for us because it signals that we are beginning to break into the mainstream," says Mthembu.

He says New Age is looking to the stadium becoming the home of the Pepsi School Games. Announced a few weeks ago, the schools programme is due to start next year.

The programme is supported by various sports bodies including the United Schools Sports Association of South Africa.

Mthembu is excited that the company has increased its capacity and is producing higher than expected volumes due to an escalating demand.

Early this year, New Age announced that it was doubling the capacity of its plant in Germiston. Work should be completed by next February.
Breweries go halves

By ELIAS MALULEKE

UNITED Breweries of India sealed its 50/50 partnership deal with the National Sorghum Breweries yesterday at NSB’s fifth annual general meeting, held at the Vivo plant in Verwoerdburg.

NSB shareholders applauded the deal and confirmed the appointment of six new directors nominated to the NSB board by UB chairman Vijay Mallya.

One of the new directors is South African businessman Robert Ackerman, while the rest are from India.

UB has purchased 30 percent shares, worth R70 million, in the NSB and is to pump in a further R50 million to acquire a 50 percent stake in the group.

According to the deal, NSB executive chairman and chief executive Mohale Mahanye will continue as executive chairman for a mutually agreed period and Mallya will join the board as executive vice-chairman.

UB will take over the key positions of chief executive officer, managing director, financial control and marketing.

Those who are leaving the board are chief executive officer Israel Skosana and five other directors, including world acclaimed singer Miriam Makeba and businessman NM Moabi.

Mahanye said they did not offer themselves for re-election.

Mahanye said UB’s commitment to maintaining black economic empowerment would ensure NSB’s success.

Mallya said he was committed to South Africa and its “great people” and assured shareholders that the partnership would not lead to a takeover by the UB group.

In his parting shot, outgoing chief executive officer Israel Skosana thanked Mahanye for giving black executives the opportunity to prove themselves and said that most conglomerates were using black executives from the NSB fold.

Skosana said Mahanye had done a lot to make black economic empowerment a reality and had steered the NSB ship in turbulent times to lay the foundation for its success.

Among the guests who attended the meeting, which was held under tight security, were PAC president Clarence Makwetu, Science and Culture Minister Ben Ngubane and the deputy mayor of Centurion, Frans Smith.

Mallya’s promises to stop pilfering at the NSB to push profit seemed to be taking shape yesterday when many people who tried to leave the Vivo premises with beer were stopped at the gate and told to finish their drinks or leave them behind.
JOE ARANES, Staff Reporter

LAWS restricting the sale of liquor on a Sunday should be lifted immediately, says the Cape Chamber of Commerce and Industry.

At present, only certain outlets — including Cape Town International Airport, some wine farms and private clubs — are allowed to sell wine on a Sunday, as the Liquor Act makes provision for special circumstances.

But the issue of selling liquor on a Sunday has been the focus of much attention recently, with Victoria & Alfred Waterfront wine shop owner Vaughan Johnson, who was arrested for trading on a Sunday, challenging the restrictions.

He has been supported by Trade and Industries Minister Trevor Manuel.

In a statement, the Cape Chamber of Commerce and Industry said it supported amending legislation to allow Sunday liquor sales.

This was in accordance with its policy of minimum restrictions on business enterprise and trading.

Last week, the National Liquor Board, which sat to hear Mr Johnson’s plea to be allowed operate on a Sunday, said the issue should be discussed and decided at parliamentary level.

Head of the Liquor Board Danne Botha said it would be appropriate for parliament to make a decision as the issue involved many interested parties and there were many people who opposed Sunday liquor trading for religious and moral reasons.

Deputy director of the chamber Colin Boyes said trading customs and patterns were changing in Cape Town, with more retailers opening seven days a week to satisfy customer demand.

The region’s wine industry was one of the greatest attractions for the city’s expanding tourism industry, which also operated on a daily basis.

As the festive season approached, tourism bodies estimate that at least 80,000 foreign and local tourists were expected to spend the holiday season in the city.

And the number of hotel bednights sold to foreign tourists to South Africa during September nearly doubled compared with the previous year — to 203,472 from 169,559, according to figures released today.

Bednights sold to foreign tourists accounted for 17 percent of the total sold during September, the Central Statistical service said.

Although Gauteng still sold the largest amount of accommodation to foreign tourists, its market share dropped from 46 percent to 25 percent.

Half of the tourists staying in hotels came from Europe, with just above 16 percent from the rest of Africa and 15 percent from Asia.

"In the light of these trading conditions, it has become imperative that the ordinance restricting liquor sales on a Sunday be lifted as soon as possible," Mr Boyes said.

"A precedent already exists as wine sales are permitted on wine estates and we see no reason why this arrangement cannot be extended to other retail liquor stores, particularly those frequented by tourists.

Mr Boyes said the country had entered a new era and that liquor sellers should be allowed to choose whether they wanted to trade on Sundays, rather than being restricted and prescribed by law.
New Age Beverages seeks cash injection

Unions buy R50m stake in bottling group

Jacqueline Zaina

NEW Age Beverages, the black empowerment group created to bottle and market Pepsi in SA, has sold 15% of its equity to the National Union of Mineworkers and the SA Clothing and Textile Workers' Union as part of a plan to acquire a R220m cash injection.

The unions, which bought the stake jointly for R50m, had the option of lifting their holdings to 20% next year under a planned New Age Beverages cash call for at least another R80m.

This was in keeping with the objective of making the company SA-owned by the end of the decade, said New Age Beverages president and chief operating officer Monwabisi Fandeso at a news conference yesterday.

New Age Beverages chairman and CEO Khetha Mthembu said the move, which came a year after the relaunch of Pepsi in SA, was part of a R220m capital infusion into Pepsi's bottling operations and would increase its bottling capacity and facilitate expansion into new markets.

The asset management division of Standard Corporate and Merchant Bank — representing its clients' pension funds — would acquire 7.5% of New Age Beverages shares worth R25m. Pepsi International would invest a further R50m, existing shareholder SAB Miller Beverages, representing African-American interests and RSA Beverages, would increase its investment to R150m.

Mthembu said investors would pump a further R80m-R100m into New Age Beverages by the end of next year to meet the previously stated goal of R400m over three years. The additional capital of R220m had boosted the total current investment in New Age Beverages to R350m, he said.

The unions' investment would be managed by the Mineworkers' Investment Company on behalf of NUM, and Sactwu Investments under the banner of Amalgamated Union Investments.

Amalgamated Union was also looking at buying a 5% share in Vodacom, but the deal still had to be finalised. A Vodacom board member said the market value of the deal was between R200m and R300m. The fact that negotiations had begun two years ago, however, meant the purchase would not carry the market price.

The investment companies aim to service the unions' 500,000 members through socioeconomic programmes.

Both companies are controlled by trusts which are primary beneficiaries of the dividend flow from investments.

Sactwu general secretary Jabu Ngobeni said the union would use the return on investment to boost its bursary scheme which would enable its members and correspondents to improve their education.

NUM general secretary Gwede Mantashe said the opportunity to invest in productive equity rather than in equity had influenced the unions' decision to invest in New Age Beverages.

It would not only contribute to GDP growth but also to job creation.

Mthembu said the capital injection would fund the development of four new production lines, three in Germiston and one in Durban, which would effectively lead to the creation of 400 jobs in the distribution network and another 400 in the wholesale sector.

Fandeso said the expansion of production lines would quadruple capacity and promote distribution to the Free State, Mpumalanga and the Northern and Northwest provinces. He expected the group to be operating nationally by the end of 1997. Although he would not disclose the group's market share, he said initial estimates of volumes for the first year had been more than quadrupled, and volumes at the Germiston plant were already up to projections for the fourth year of operation. Pepsi officials said sales had been boosted by a 15%-20% growth in the national market during 1995.

New Age Beverages produces and distributes Pepsi-Cola, Diet Pepsi, 7UP, Mirinda, Mountain Dew and Sian: Ginger Beer and would continue to play an innovative role in the local market and Sian: Ginger Beer and would continue to play an innovative role in the local market.

Mthembu said the company was still on course for a JSE listing which he expected within three to four years.
R220m cash boost for Pepsi bottler

BY THABO LESEKO

Johannesburg — New capital of R220 million has been injected into Pepsi bottler New Age Beverages to increase capacity, with R50 million coming from the NUM and the South African Clothing and Textile Workers' Union (Sactwu), the company's new shareholders.

The company's chairman, Khelisa Mthembu, said the money had been used to install new state-of-the-art production lines at the company's Germiston plant. Some of the money would go towards building a new plant in Durban.

Pepsi-Cola International contributed R30 million of the new capital, R25 million came from the asset management section of Standard Corporate and Merchant Bank on behalf of its clients' pension funds. The remainder came from the company's original shareholders, comprising local and American black investors.

The NUM and Sactwu own 15 percent of the company through Amalgamated Union Investments, which is owned by their investment companies, Mineworkers Investment Company and Sactwu Investment Group.

"The investment by the trade unions represents a major step towards our goal of establishing significant local ownership," Mthembu said.

He committed the company to working with the unions "as an important element in our ongoing commitment to local community support and development."

Gwede Mantashe, the NUM's assistant general secretary, said the NUM and Sactwu had chosen the company in recognition of Pepsi's support for economic sanctions against South Africa. The company had also created jobs on its return by investing in production instead of speculating on shares, he said.

Sactwu general secretary Jabu Nqobobo said his union regarded its investment in the company as "distribution of wealth" to its 175,000 members. Some of the returns would be used to fund the union's bursary scheme, which benefits members and their children.

The capital injection brings the total investment in the company, formed last year, to R305 million. Mthembu said another R80 million to R100 million would be invested by the end of next year, in line with the previously stated goal of R400 million over three years.
Sales of £600m forecast for SA fruit and juice in Europe

BY AUDREY D'ANGELO

Cape Town — Capespan International, the new joint marketing operation set up in Britain for South African fruit and juices, expects to sell about 80 million boxes of fruit — worth more than £600 million — this season.

This forecast was made by Louis Kriel, the managing director of Capespan, who said the group's Cape wine and fruit juice sales had been particularly successful, growing from the modest base of 2.5 million litres last year to 6 million litres this year and a projected 15 million litres, with a value of £16 million, next year.

"We have achieved these results in Britain, Ireland, Holland and Scandinavia and are now sufficiently confident to expand our wine and fresh fruit juice business to the other major European centres."

Capespan had reorganised its distribution operation to cut down on handling and eliminate unnecessary delays, he said.

The company expected to increase its European staff by about 20 percent but Kriel said this would be more than compensated for by savings in distribution costs.

Negotiations were in progress with the Mersey Docks and Harbour Company for a dedicated fruit terminal at the port of Sheerness and the establishment of an operational company, Portco, to coordinate all related activities.

Kriel said fruit exports to Britain were expected to exceed 32 million boxes by 2000.
R220-m boost for Pepsi

By Mzinkulu Malunga

Two major unions, a consortium of African-Americans and Pepsi-Cola International have invested R220 million in New Age Beverages, the company that produces Pepsi's products in South Africa.

This was announced yesterday in Johannesburg.

The investment arms of the National Union of Mineworkers and the South African Clothing and Textiles Workers Union have invested about R60 million in the company while Pepsi International, Egochi Breweries - the African American consortium - and Asset Management Division put in the rest of the money.

Asset Management Division is Standard Corporate Merchant Bank's arm that manages pension funds. It said it had invested in the venture on behalf of clients not itself.

The R60 million that both NUM and Sactwu invested has given them a 15 percent shareholding in New Age and two representatives on the company's board of directors.

The unions, through their representatives, Gwede Mantashe (NUM) and Jabu Ngcobo (Sactwu), cited Pepsi's principled withdrawal from South Africa during the sanctions era and the fact that when this United States-based multinational decided to come back, it invested in productive capacity rather than in speculative investment like shares.

"Their investment in productive capacity resulted in the creation of new jobs," said Mantashe.

New Age chairman Khetha Mhembu said in Johannesburg yesterday that the money would be used to expand the company's plant in Germiston and build a new plant in Durban.

He said the union involvement was part of the process of making New Age a majority black-owned South African company.

Currently the company is mainly owned by African-American investors who, together with Pepsi International, put up the initial capital for the business.

It was expected that the African-American investors would over a five-year period reduce their shareholding to make way for local black investors.

Mhembu, who declined to say how far his company had made inroads into the beverages market, said three production lines were going to be opened in Germiston, a development that would enable the company to cover the entire Gauteng province with supply.

He promised the new investors in his company "good returns", adding that New Age was already producing soft drinks quantities that the company had initially projected to produce after four years.

"If that is not a miracle, I do not know what it is," he said.

Mhembu himself is the head of a local consortium called Kuyasa Investments - which is understood to be in the process of increasing its shareholding in New Age.

Kuyasa comprises, among others, Kaizer Chiefs boss Kaizer Motaung, the Lekganyane brothers from the Northern Province, Stucks Morewa and businesswoman Wendy Luhabe.

The investment brings R305 million to the total amount that had been put into the New Age since its establishment in November last year.
Sacob trade study calls for diversified export base

By Derik Tonnery
CCT (CA) 8/12/95

Johannesburg — It is imperative that the country’s economic growth should be based on diversified export growth, says the South African Chamber of Business (Sacob) in a study proposing a comprehensive trade policy for South Africa.

It said that while exports of minerals would remain important in the generation of foreign earnings, the country would benefit more from the faster growth of beneficiated or manufactured exports, as this was likely to create more jobs for each dollar earned than the primary export sector.

“Such a path will also have a larger multiplier effect in the economy,” it said.

However, it would be not only preferential arrangements but international competitiveness that would be crucial to a successful outward-looking development strategy.

In this respect, factor productivity and specifically labour productivity was essential.

Other factors that would be required were consistent government support and effective incentive systems, adequate infrastructure, realistic exchange-rate levels and an environment that would encourage foreign investment.

Small business also deserved support systems that would enable it to export competitively. But export policies should not have as their primary aim the development of small and medium enterprises.

Sacob was also concerned that the competitiveness of export industries might be reduced by redistribution measures.

“Efficiency and economic growth are of prime importance, and must be a prerequisite for the alleviation of poverty,” it said.

“South Africa has to expand its trade with its traditional partners and expand into markets in Asia, the Middle East and Latin America.”

“While trade relations with Africa must be explored, the ability of African countries to pay will remain a problem. The best way to solve this is through increased South African investment. This requires the removal of the remaining exchange controls on residents.”

Sacob warned that South Africa’s Gatt and World Trade Organisation obligations meant that it had been inexorably locked into a process of trade liberalisation and that the economy would have to adjust to lower levels of protection.

Exporters should not expect too much from trade pacts with other countries, it said.

“In the international environment, special preferences for developing countries are losing their appeal and are bound to fall out of favour,” it said.

Bonita lifts half-year earnings

CCT (ER) 8/12/95
By Audrey d’Anjelo

Cape Town — Dairy products and fruit juice company Bonita Holdings lifted net earnings by 22 percent to R26.6 million (R21.9 million) for the six months to October on a 15 percent rise in turnover to R473 million (R413 million).

Operating profit was 15 percent higher at R53.3 million (R46.4 million). Shareholders will be given a choice of a capitalisation share award or an interim cash dividend of 2.6c (2.2c) a share. Interest-bearing debt has been reduced to R2.9 million (R12.1 million).

Manager director Louis du Plessis said there had been a steady growth in demand for the company’s products. The new UHT milk factory at Parow in the Western Cape was running at full capacity and two new ice cream factories at Midrand and Cape Town were fully operational.

The company’s cheese factory at Bonnievale had been upgraded and it was producing more varieties.

The market showed excellent growth potential.

The company was negotiating with black entrepreneurs for joint ventures which would supply dairy products to previously untapped markets.

DILBERT
By Scott Adams
Capespan sales up 20 percent

74 million boxes of fruit sold

Business Staff

CAPESPAN sold 74 million boxes of fresh fruit in its first full year of operation, up 20 percent on the individual performances of its principals in 1994.

Together with wine and fresh juice sales, which trebled in 1995, Capespan's European turnover amounted to £332 million, making it one of the major produce suppliers to Europe.

Capespan markets the produce in Europe of about 5,000 southern African growers, and is equally owned by South African deciduous and citrus growers. In addition it represents sub-tropical fruit growers and wine and juice producers.

In volume turnover terms, that of all major fruits except apples and nectarines increased significantly, said chairman John Stanbury.

"While deciduous and sub-tropical fruits had a mixed season beginning with high expectations, but followed by difficult market conditions that stretched the logistical capacities and shelf life of many products, the citrus season was particularly successful, with excellent product and generally favourable market conditions," Mr. Stanbury said.

Projections for sales in 1996 were 82 million boxes of fresh fruit, and a European turnover of £331 million when wine and fresh juice sales have been included.

Total sales value last year was £460 million on individual sales of deciduous, citrus and exotic fruit and wine and juice.
Storm brews in a beer mug

By GARY COLLINS

SOUTH AFRICAN Breweries and several independent brewers around the country are locked in a David and Goliath battle for a share of the local beer market — and the survival of traditional brewing techniques.

From Kaysna to Pretoria small and medium-sized breweries — which brew as little as 10,000 litres a month — are capturing the taste buds of South Africa’s discerning beer drinkers.

Bavaria brewery’s “Braumeister”, Erwin Funk, said that the trend in Germany and the US towards “natural, unprocessed beer” — brewed according to traditional recipes without chemicals or preservatives — had caught on in South Africa.

Mr Funk said there was a groundswell of support among dedicated tipplers for alternatives to the standard SAB fare.

But independent breweries are unlikely to dent SAB’s market share, he said. SAB is the sixth largest brewer in the world.

Mr Funk said there was a demand for high-quality beers made from natural ingredients using the time-honoured techniques.

Independent brewers use these methods, which means they are unable to match the quantities of beer produced annually by SAB.

SAB uses a “high-gravity” brewing method to produce a consistent quality of beer.

This method involves the manufacture of a beer concentrate which is mixed with up to 40 percent carbonated water and allows the brewer to control the alcohol content.

Kaysna brewer Lex Mitchell said SAB’s economy of scale created a high-quality product.

But SAB’s enormous production level also made for “bland” beers.

However, the combined capacity of the independent breweries is less than one-fifth of the giant.

SAB bottled 30 million hectolitres (three billion litres) of beer this year.

Its aggressive marketing has also made independent breweries wary about taking SAB on in a head-to-head battle for market share.

SAB, which controls 98 percent of the beer market in South Africa, tolerates opposition — provided the independent brewers do not grow too large.

Vivo breweries, for example, was launched amid much fanfare and planned to capture 20 percent of the South African clear-beer market.

But it has failed to make an impact, as have other independent brewers which have tried to take on SAB.

SAB’s aggressive advertising, “chequebook marketing” (helping retailers promote its products) — and its enormous delivery network — makes it impossible for smaller brewers to compete.

Mr Mitchell said the independent brewers could not compete with SAB’s huge advertising budget.

“SAB is still putting in fridges and giving away promotional material.”

“This is not an unfair business practice, but we cannot compete,” he said.

The head of the Competition Board, Dr Pierre Brooks, said SAB had denied its business practices were unfair.

He said his board had investigated allegations of “anti-competitive behaviour” in the past.

An SAB spokesman, Adrian Boba, said: “SAB welcomes any newcomer who creates an interest in brewing.

“Because we are big and successful, we get accused of unfair tactics which is simply not true.”
SA soft drinks market bubbling over

BY CHARLOTTE MATHEWS

Johannesburg — South Africa’s R6 billion a year soft-drink market is bubbling over with activity after several years of near-stagnation.

After the first cola imitations appeared on supermarket shelves in 1993, the floodgates were opened.

Soft drinks, ranging from mineral waters in carbonated, still, natural and flavoured varieties, carbonated soft drinks, most notably Pepsi and its brands such as 7 Up and Shara, energy drinks, a wider range of fruit and vegetable juices in cans rather than cartons, and even smart drinks, have appeared.

Industry sources said the soft-drink market as a whole had expanded — probably by a single digit percentage overall — but some of the new niche brands were probably growing faster.

Alan Hunking, PepsiCo International’s marketing and new business development director for east and southern Africa, said South Africa’s was a highly, and increasingly, competitive market. Pepsi is focused on the Gauteng area only but has plans to expand nationally.

A national launch would likely be done in consultation with the Gauteng bottlers, New Age Beverages, which Hunking credited with a large share of Pepsi’s success.

Hunking said South Africa had been considered one of the most profitable soft-drink markets in the world, but the total market, although large, had been almost static. He said that since Pepsi’s arrival the market had expanded, and although some of the company’s growth had been at the expense of its competitors, some had occurred in a larger overall market.

Richard Cleal, the marketing director of the Alternative Beverage Corporation said Crystal Clear, a clear drink with a natural fruit flavouring, had “taken off like a rocket,” since its launch last year.

“Our whole strategy is niche market,” Cleal said: “It is no good being another cola or cream soda.”

Bottled mineral water, both sparkling and still, has been growing in popularity. Schoomspruit’s marketing director, Henry Kempen, said it was probably due to a move towards a more healthy lifestyle, the increased popularity and availability of mineral water, and increased awareness of overseas trends.

Jacqueline Lategan, the marketing manager at Cellarmaster which distributes Evian, a still mineral water, said consumers had shown increased awareness of mineral waters over the past two years.
Local drinkers sink a million cases

BY AUDREY D'ANGELO

Cape Town — South Africans drank more than a million cases of United Distillers' whisky and gin this year, according to Patrick Cardwell, the UK company's managing director in South Africa.

Cardwell said there was an increase in demand for cheaper, cut-price whiskies but figures showed that "there is still enormous brand loyalty in favour of proprietary and de luxe brands." In addition to this, "an increase in the consumer spending power in the emergent market sectors is pushing up sales at the top end of the whisky market."

Cardwell said United Distillers' brands accounted for 40 percent of all whisky bottled in Scotland. "We sell about half of all proprietary and de luxe Scotch Johnnie Walker alone accounts for one in five bottles of Scotch exports worldwide."

And Cardwell said, in addition to the blended varieties, "single malt Scotch whisky is a growing category where United Distillers is strongly represented."

"The South African sales of our six classic malts have surpassed all expectations."

United Distillers' marketing director, Neil Hutchenson, said the total whisky market in South Africa was currently worth about R720 million a year. Of that, Scotch whisky accounted for R620 million. 