MANUFACTURING — BEVERAGE

1990

JAN. — AUGUST.

KWV increases wine price for farmers

THE KWV has announced an increase of at least 12% in the minimum price paid to farmers for wines B/Day 15/1/90

There will be a 15% rise in the minimum price paid to farmers for wine purchased for quality table wines, 12% for wine used for standard priced bulk wines and also 12% for wine purchased for distilling purposes (182)

A KWV spokesman said in a statement that 26% of the 1990 crop would be exported as various products for which markets had already been found, while 43% would be sold as wine on the domestic market and the remaining 31% as spirits on the domestic market

The total crop is estimated at 952-million litres

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

He said even after the increase the farmer would still only receive 56c a bottle for standard priced wines. — Sapa.

B/Day 16/1/90 182

Hefty hikes in SA wine prices expected in 1990

LESLEY LAMBERT

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

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

Wholesalers

KWV announced that producers would receive 12% more for standard and distilled wines and 15% more for the higher quality wines

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

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

Costs for some materials like bottles, corks and labels are reported to have grown by about 16,5% over the past year.

While wholesale prices are determined largely by the statutory minimum wine prices, which are altered each year by KWV, and by other cost increases, competition also plays an important role in a market whose sales have shown no growth since about 1986

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

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

And, except for the higher quality wines, they are also unlikely to expect too much of a profit margin.

KWV AND THE WINE PRICE RITUAL

(182)

Agriculture & Wine

FM 19/1/90

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

Since 1985 sales of drinking wine have been dropping steadily (from 279,7 M*l* to 273,4 M*l* in 1988 Industry consensus is that the market is unlikely to have shown any growth in 1989)

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

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

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

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

That portion of the crop (57%) not sold locally as wine is sold at a considerable discount Some will be disposed of for as much as R40/h*l*, but much of it will sell for under R28/h*l* — compared with the minimum good wine price in 1990 of R88,48/h*l* (*Business* December 1 1989). The industry would be in a much healthier position if local wine sales rose so that the portion of surplus to local requirements fell.

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

An announcement at the KWV annual meeting in April is possible We remain optimistic

Tensions at SAB

182

INDUSTRIAL relations are tense at several South African Breweries plants around the country over the position of temporary workers and "scabs"

The turbulence follows the return to work two weeks ago by about 6 500 South African Breweries workers after a bitter nine week countrywide strike

Workers at the SAB depot in Pinelands and the Ohlsson's Breweries in Newlands spontaneously downed tools last week to demand that staffing return to a pre-strike situation

Sources said further protests were likely at both plants if the employment issue was not resolved

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

Naicker said a post strike situation was "sensitive".

He said Fawu had proposed that the pre-strike status quo return.

This would mean that SAB had to employ all workers, including temporaries, who were employed before the strike

SAB has not yet responded to Fawu's proposal

SAB spokesperson Adrian Botha said a return-to-work was a "readjustment period"

About 300 workers were dismissed earlier this week from the Ohlsson's Breweries in Butterworth, Transkei, after what SAB described as "illegal and unprocedural industrial action"

Fifty in sit-in protest

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

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

A union spokesperson said the workers were demanding an across the board increase of R1,60 an hour Management has offered increases of between 76 cents and R1,28

Fresh start for Pepsi

S/Times 28/1/90

By Ian Smith

182

THE bell has gone for the third round in the fight to keep Pepsi Cola in South Africa.

A buy-out by a new management team has cleared the way for the third attempt to get the brand in more coolers since the US beverage giant's disinvestment in 1984

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

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

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

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

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

Mr Roux says the latest restructuring started when management negotiated to bring in outside investors. The existing shareholders, including a consortium headed by Cape-based Personal Trust, which had control, and Soweto Investment Trust Company (Sitco) will become minority shareholders with 25%. The management team will hold 75%.

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

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

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

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

Pepsico disinvested from SA in 1984 as part of a world strategy to shed its bottling plants and enter into franchise agreements.

ary 1 1990 STAR 1/2/90 (182)

Inflation is 'major culprit' in increases

Liquor prices up eight to 16 percent

By Shehnaaz Bulbulia

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

Liquor prices increased from between eight and 16 percent countrywide today

Both Stellenbosch Farmers' Winery and Gilbeys — major liquor distributors — have announced across-the-board price rises

Inflation was the major culprit in the liquor price increases, said Mr Fred Therman, chairman of the Federated Hotel, Liquor and Catering Association of South Africa (Fedhasa)

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

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

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

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

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

Price rises affected the group, but only for a short while, he added

"The public complains, but after a while they accept the increases, too It's the same with cigarette price increases — people complain for a day or two and they continue buying cigarettes," he said

Cashing in

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

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

A spokesman for Cellar Master said "Nobody likes to see prices going up, but the cost of everything else has gone up That's the situation "

Higher liquor prices announced

182

LESLEY LAMBERT

B/Day 1/2/90

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

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

SFW announced the following average wholesale price increases in the Western Cape yesterday 9,8% for brandy; 8,4% for gin; 9% for vodka; 11,9% for liqueurs; 9,5% for Cape spirits; 10,1% for South African whisky; 8,6% for imported whisky; 16,6% for sparkling wines; 17% for higher-priced wines, 15,5% for medium-priced wines; 12% for flavoured wines; 14,7% for standard-priced wines, and 16% for fruit juices.

A spokesman for Gilbey's head office in Stellenbosch said its average wholesale price of brown spirits would increase 9,2%, white spirits by 8%, most brands of whisky

☐ To Page 2

Liquor prices

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☐ From Page 1

by 10%, sparkling wines by 16,5%, other wines by 16% and cellar casks by 14%. Liqueur prices would increase by about 11% and sherries by about 15%.said.

The percentage price increases were one or two percentage points lower in some categories than had been expected after KWV announced that producers would receive 12% more for standard wines and 15% more for the higher-quality wines this year.

The wholesalers were expected to increase their prices with immediate effect to offset the increasing cost of raw materials passed on by their suppliers. Costs for some materials like bottles, corks and labels are understood to have risen by about 16,5% over the past year.

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

While wholesale prices are determined largely by the statutory minimum wine prices, which are altered each year by KWV, and by other cost increases, competition also plays an important role in a market which has shown no sales growth since about 1986.

Wholesalers and retailers are likely to have considered with great caution the effect of a major price increase on a market they have been trying to nurture since the stagnancy set in. Other than for the higher-quality wines, they are unlikely to have expected too much of a profit margin this year.

Strong foreign growth means things go better with Coke

01 Day 11/2/90 (182)

ATLANTA — Coca-Cola in the US said on Tuesday that strong foreign growth pushed its fourth quarter operating profits up 5,2% from a year ago to almost $248m, while full-year net income rose 64,2% to a record $1,7bn

The world's biggest soft drink company closed the books on 1989 by recording a one-time profit of $509m from the sale to Japan's Sony Corporation of its controlling stake in Columbia Pictures Entertainment, which re-focused Coca-Cola solely on beverages after a decade of mixed success in diversification

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

The beverage business is growing much faster in foreign markets than in Coca-Cola's home market The company said it ended the 1980s with more than 48% of the soft drink market outside the US, compared with just more than 40% of the domestic market

Operating income in 1989 rose by 16% in Europe, 26% in Latin America, and 13% in north-east Europe, Africa and the Middle East Profits rose by just 7% in Canada and the Asia-Pacific region — Sapa-Reuter

Rembrandt loses whisky case

STAR 2/2/90

CAPE TOWN — Macleans Gold Label whisky, a South African blend spirit produced and distributed by the giant Rembrandt group, has been removed from the market by order of the Cape Town Supreme Court STAR 2/2/90 (182)

Mr Justice H L Berman yesterday upheld with costs the application brought by two British Scotch whisky companies against six respondents from the Rembrandt Group.

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

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

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

He upheld the plaintiffs' claim that both labels and advertising material were designed to lead consumers to believe the product was wholly from Scotland whereas in fact it was a blend of Scotch whisky, malt whisky and South African grain spirit.— Sapa

(182)

Pepsi in SA to be provisionally liquidated

E10096/2/90 (182)

LESLEY LAMBERT

CAPE TOWN — Pepsi Cola Africa has been placed under provisional liquidation, following years of financial instability since the US parent, Pepsi Cola International (Pepsico), disinvested in 1984.

An application for the provisional liquidation was brought in the Cape Town Supreme Court on Friday by one of Pepsi's creditors, Cream Advertising, and a court order was granted after Pepsi failed to settle the matter out of court.

Cream's application for R203 000 for services between June 1989 and January 1990, followed an application last year by Maister Directories for an amount of R9 400 which was only paid once liquidation proceedings had been launched.

Cream MD Brian Addison claimed in papers that Pepsi had initially delayed settlement of the debt in December as it said it was involved in a management buyout and was awaiting a transfer of funds.

Addison said that agreement was reached on the terms of settlement last month but, when the first of three post-dated cheques was deposited, it was returned by the bank.

He claimed it was clear the company was insolvent.

Henry Roux, new Pepsi MD and the third since Pepsico helped the Soweto Investment Trust Company (Sitco) to buy Pepsi Cola Africa from Cape Beverage Holdings in the early 1980s, said yesterday that Pepsi had been unable to get new capital investments for many years.

He said the company would need about R2m to fight off final liquidation.

The return date is February 22.

Pepsi unable to meet debts

CAPE TOWN — Pepsi Cola Africa has been provisionally liquidated in the Cape Town Supreme Court for failing to pay an outstanding debt of more than R200 000 and when payment of a postdated cheque was frozen

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

Mr Brian Addison, MD of Cream Advertising said Pepsi owed them R203 397,86 in respect of services rendered between last June and January.

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

(182)

STAR 6/2/90

Pepsi's debts total R11-m

STAR 9/2/90 Finance Staff (1.82)

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

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

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

Pepsi Cola's liquidation

(182)

STAR 13/2/90

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

A spokesman for SAB has pointed out that ABI does not operate in the Western Cape and therefore could not have been involved in any price-war with Pepsi Cola The error is regretted

Pepsi grinds to a halt as debts pass R11m

BDay 9/2/90

LESLEY LAMBERT

CAPE TOWN — The operations of Pepsi-Cola Africa ground to a halt yesterday as provisional liquidators began to tot up its liabilities, now at over R11m (182)

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

Among its creditors are employees whose services were terminated yesterday They are owed R800 000 in salaries and pension and medical aid benefits

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

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

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

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

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

bank
Times 11/7/90
top
llion

By Charmain Naidoo

Mutual Investors still leads the way, having reached assets of R2-billion late last year

Senior portfolio manager Marco Celotti says of the new Gold Fund "Although we believe that any time was a good time to launch it, market conditions strengthened investors' sentiment."

Including Old Mutual's initial investment of R11-million, the fund's market value was R28-million at the close of business on Thursday.

"With the gold price breaching the US$420 level several times this week, our Gold Fund was well placed to attract bullish investors

"However, the strengthening of the financial rand offset this to some extent, with the result that the gold index was quite flat.

"The State President's speech pushed international interest in SA shares to new heights," says Mr Celotti.

Pepsi boss HENRY ROUX ... It'll be tough, but we can still make a go of it Picture TERRY SHEAN

Pepsi waiting for a can-do saviour

ST Times 11/2/90

182

By Alan Duggan

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

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

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

Production at Pepsi's main plant in Epping, Cape Town, stopped in early January and most of the 280 workers were laid off By that time some had been working for two months without pay (the wages bill is in arrears to the tune of R800 000)

Ralph Millman, chairman of liquidators Cape Trustees, says he would prefer to sell Pepsi Cola Africa as a going concern.

Flourish

"The last thing we want to do is break it up We've had half-a-dozen approaches from people who sound as if they're serious."

But the company has no working capital

Pepsi, which has been in SA for four decades, was relaunched with a flourish in November 1988 after a spell in the doldrums caused by the disinvestment of its American parent, Pepsi Cola International, in 1984

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

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

Mr Roux says "The company went bust because we were undercapitalised We were trying to negotiate with creditors to gain time — and then we ran out of time

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

The answer is to "go national" and not restrict the sales and marketing effort to the Western Cape

The Star Finance

STAR 12/2/90

(182)

SA Brews' muscle drives Pepsi Cola out of business

By Trevor Walker

CAPE TOWN — Peninsula Beverages bottlers of Coca Cola in the Western Cape has won the latest "Cola War" now that arch-rival Pepsi Cola has been placed under provisional liquidation.

However the sad fact is that the consumer will be the loser after Coke's obliteration of the opposition.

There is no doubt that the fierce competition which errupted last year kept prices down after a group of local investors banded together and attempted to tackle Coke head-on in the Western Cape.

Cool drink prices fell across a wide front and the competition for floor space at the corner cafe was particularly severe.

Huge discounts, as much as 30 percent, were offered to cafe owners to push particular products.

Coke International and SA Breweries and certain other companies such as Natbev the Coke franchise holder in Southern Africa quickly established a "war chest" and set about eliminating the new upstart.

Pepsi Cola in the 1950s and '60s was larger than Coke in South Africa, but after the purchase of Cadbury Schweppes by SA Breweries, Pepsi was forced to stop bottling Schweppes cool drinks and the company began what was eventually to turn out to be a losing battle against SA Breweries.

Coke has no less than 51 percent of the total South African cool drink market and nowhere else in the world is the product so dominant.

It also bottles Tab, Fanta, Sprite, Yellow Mellow, Crest and other drinks. Pepsi included a diet Pepsi, Mountain Dew, Miranda, Shani and the Evervess range of tonic, soda and ginger ale mixes.

Yet all is not over with the fortunes of Pepsi in southern Africa. Pepsi International was hamstrung by the US sanctions regulations to a greater extent than Coke, which made good use of its operation in Swaziland.

About 80 percent of soft drink sales in South Africa are to blacks and it is no coincidence that the Sowetan Investment Trust (Sitco) had a R1 million investment in Pepsi Africa.

The latest political developments in South Africa could well lead to an easing of certain US sanctions against this country and if yet another rescue of Pepsi was to be mounted it might just be possible that with solid help from Pepsi Intenational the monopolistic stranglehold of Coke might be broken

The Cape Town investors who were involved in the venture capital project to rescue Pepsi formed Pepsi Investment Trust and the board of directors was made up of executives from Personal Trust and Sitco.

A Pepsi Trust director who declined to be named said: "We totally underestimated the trully massive response from the combined forces of the opposition.

"Our call for investment funds to put Pepsi back on its feet was well oversubscribed, but the weight of money and promotional backing thrown against us from up north was so large that without solid financial help from Pepsi International there was no way we were in a position to compete.

"I learnt that it is impossible to compete against a monopoly and certainly when you have one hand tied behind your back"

SA Breweries has bottling plants spread across the country and Pepsi Africa with plants in Cape Town and Bloemfontein was intent on gaining 10 percent of the Western Cape market

This would have been enough for it to run a profitable bottling company, but for SA Breweries, the master company at eliminating competition this was clearly seen as the thick end of a wedge it was not prepared to tolerate.

Liquidators Cape Trustees said the company had liabilities of about R11,5 million, but a "quick liquidation" was expected as a number of companies had shown interest.

Unpaid wages

The liquidators have until February 27 to decide on the fate of the company and the 300 people that were employed by Pepsi Nearly R1 million is owed in unpaid wages, pension and other benefits

The price of cool drinks in the Western Cape is expected to increase this year as a result of the lack of copmpetition and higher prices will be most noticeable at the corner stores

The large hyper stores use the two-litre Coke as a loss leader and the price can vary widely from day to day

Latest prices for the two litre are around R2,25, but the future price will depend on normal inflationary factors and to what extent Peninsula Beverages decides it needs to recoup its promotional expenditures in its battle to stop Pepsi.

ARGUS 13/2/90

BUSINESS 182

Coca Cola wins "war", but consumer will be loser

By TREVOR WALKER, Business Staff

Peninsula Beverages, bottlers of Coca Cola in the Western Cape, has won the latest "Cola War" now arch rival Pepsi Cola has been placed under provisional liquidation

But the consumer will be the loser.

Fierce competition last year kept prices down after a group of local investors tried to tackle Coke head-on in the Western Cape Huge discounts, as much as 30 percent, were offered to cafe owners to push particular products.

Coke International and SA Breweries and other companies such as Natbev, the Coke franchise holder in Southern Africa, quickly established a "war chest" to eliminate the competition.

Pepsi Cola in the 1950s and 60s was bigger than Coke in South Africa, but after the purchase of Cadbury Scwheppes by SA Breweries, Pepsi was forced to stop bottling Scwheppes cool drinks and the company began what was eventually to turn out to be a losing battle against SA Breweries.

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The latest political developments in South Africa could well lead to an easing of some US sanctions against this country and if yet another rescue of Pepsi was to be mounted it might just be possible that with solid help from Pepsi Intenational the monopolistic stanglehold of Coke might be broken.

The investors involved in the venture capital project to rescue Pepsi, formed Pepsi Investment Trust, and the board of directors was made up of executives from the company, the Investment Trust and Sitco

Distillers lives up to its promise

BRENT MELVILLE

THE latest results of Distillers Corporation should vindicate the strong market support which the group has enjoyed recently. B Day 14/2/90

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

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

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

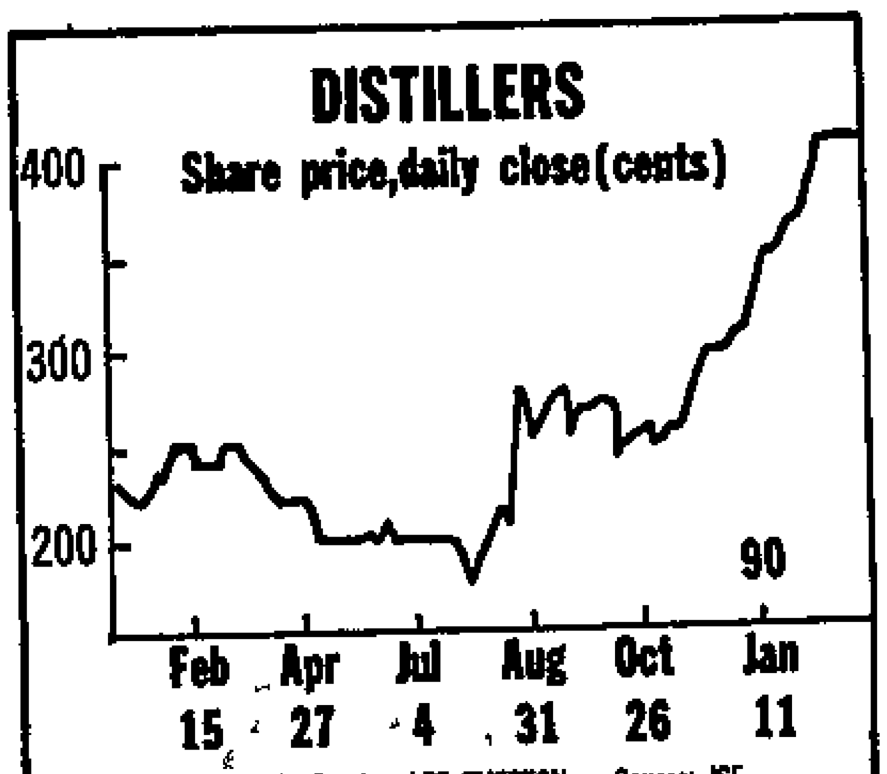
This resulted in a 10c (5,5c) dividend declaration, decreasing cover to 3,8 (5,8) times on earnings which increased by 18,2% to 37,6c (31,8c) a share (before additional depreciation).

After depreciation earnings were at 33,4c (28,4c) a share

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

The ratio of current assets to interest free current liabilities decreased slightly to 2,1 1 (2,2:1) (182)

Contracted capital commitments amount to R19,3m with approved but not contracted at R4,9m



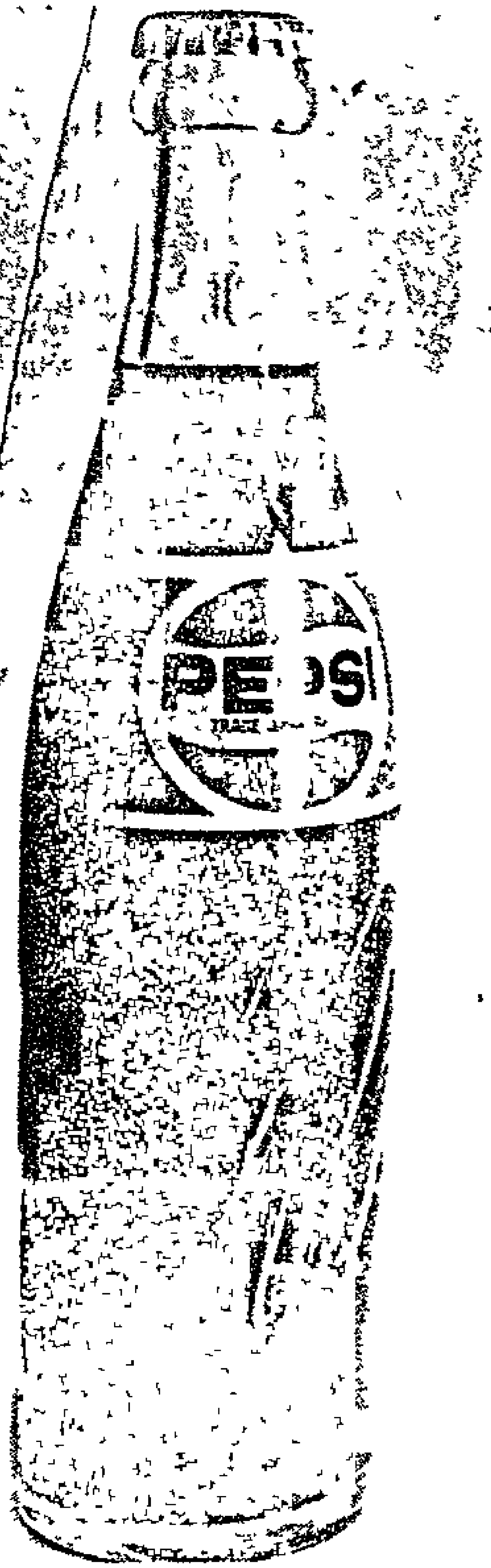
Graphic: LEE EMERTON Source: JSE

NEWS FOCUS

BDay 21/2/90. (182)

Pepsi's SA career finally goes flat

LESLEY LAMBERT



CAPE TOWN — Pepsi Cola's booming SA operation towered over Coca Cola in places, then became Pepsi Cola Africa and went bankrupt while Coke rocketed.

Last week, Pepsi Cola Africa was placed under provisional liquidation with debts amounting to almost R12m.

One creditor's Supreme Court application for payment of a R200 000 debt renewed pressure from the other creditors and, within days, Cape Town and Bloemfontein bottling plants had come to a halt.

Since its New York-based parent, Pepsi Cola International (Pepsico), disinvested in 1984, Pepsi Cola Africa has struggled along on a start-stop basis from one inadequate capital investment to another, under the direction of three successive management teams.

Pepsi Africa's problems go back to the mid-1970s when Schweppes SA, which had acquired the Pepsi Cola franchise in 1973, effectively eliminated Pepsi from the local market by selling its franchise to Coca-Cola.

Rather than withdraw, Pepsi decided to start anew. Using small and unsuitable bottlers, it was unable to maintain its hold on the strongly contested Transvaal market, and set itself more modest targets in the Western Cape and Free State

But Coke wanted national control and a constant and debilitating price war raged in the Cape in the late 1970s, with packages selling at less than half the controlled price. In about five years, Pepsi's share of the market plunged to 20% in the Cape and 6% nationwide.

When Pepsico withdrew it sold the subsidiary to a consortium of Soweto businessmen, Soweto Investment Trust Company (Sitco), for the telling sum of R101m. Sitco immediately invested a R1m venture capital loan via then-Barclays Bank through MD Chris Ball in a mid-summer revamp.

But by the time it had ordered the materials necessary to keep production flowing, summer was over, the bank loan had been used up, Ball had frozen the credit line and there was a long winter to weather

Initial

Cynical observers say once investors realised the substantial cash investment required to effectively challenge Coke was unlikely to come from Pepsico, they began to view Pepsi Africa as a potential sell-on venture.

By making an initial investment to boost the day-to-day operations and get the wheels rolling again, investors may have thought they could then sell at a profit without having spent much on the company's long-term health.

If this was ever the intention, observers say the result has been merely to retard Pepsi Africa in the short term and possibly kill it in the long run.

The next investment group to try its hand at putting the pop back into Pepsi was a consortium established by Cape-based trust company Personal Trust (PT)

Between them, two non-executive PT directors and private investors bought 75% of Sitco's shares for R1,5m which was to be ploughed into a second re-launch in November 1988.

Of this amount, PT, the company, claims to have held only 5% of the equity in costs and raising fees. This was reduced to 2,2% after the sale of some shares, says non-executive PT director Diarmuid Baigrie.

Baigrie was appointed a non-executive chairman of the new Pepsi board while Argentinian Juan Oteiza — the man reputed to have turned Pepsi fortunes around in other flagging markets — was imported as MD on a salary said to have been in excess of R250 000 a year.

But by the end of 1988, bankruptcy loomed again. Most of the new capital had been committed to an advertising campaign aimed at challenging Coca-Cola head-on in the Cape market.

Alerted by the extravagant message Pepsi was sending out, Coke's Western Cape franchise, Peninsula Beverage Company (PenBev), fought back, bolstering its resources and meeting Pepsi's prices in the supermarkets and corner cafes.

According to Baigrie, it became clear to the new management that capital projections made under the guidance of Pepsico were misleading. To make matters worse, Pepsi's chartered accountant resigned in January 1989 in the midst of installing a sophisticated new computer system he had convinced management was necessary

This resulted in unreliable management accounts over the critical summer season Pepsico, rather than offer assistance, continued to demand up-front payment for concentrate

By the winter of 1989, a further R1,2m was raised by existing shareholders, and the company's bankers agreed to roll over an overdraft. Pepsi was once again in a position to pay its debts, but to operate effectively and maintain its diminished market share it needed more capital.

The directors sought outside investors while major creditors, Metal Box and the sugar suppliers, tightened their demands for payment.

By the end of the year, a frustrated Oteiza resigned.

Many senior managers followed But one regional sales manager, Henry Roux, saw an opportunity and offered to buy out the directors with the financial assistance of colleague Roy de Campos

Roux took over the management of the company He told interested buyers that it had been appallingly mismanaged but he had managed to cut costs by about R200 000 by not replacing senior managers and by selling off superfluous infrastructural facilities.

Liquidation

He also tried to widen Pepsi's net by signing a R60m sales agreement with a Transvaal-based liquor company and testing the export market in neighbouring countries Pepsico finally agreed to step in and give the company free concentrate, writing it off as a legal marketing expense

But, their efforts came too late Cream Advertising, the first in a long line of creditors, had already applied to the Cape Town Supreme Court for Pepsi's provisional liquidation

Roux and De Campos decided to withdraw their offer and the company finally admitted defeat and handed itself over to the liquidators

SA mineral water in pretty good eau-dour

NEIL YORKE SMITH

DRINKERS of SA-produced mineral water do not face risk of benzene-related contamination, a local manufacturer said yesterday

B/Day 2/3/90 (182)

Local manufacturing methods were different from those used at Perrier's Vergeze plant in France Perrier recently withdrew 160-million bottles worldwide after excessive traces of toxic solvent benzene were discovered in a US mineral water consignment.

Benzene is a hydrocarbon found in smoke from car exhausts and cigarettes

The largest local mineral water producer is Schoonspruit, manufactured by Isando company Beecham SA

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

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

The only preservative was carbonic acid which remained after carbon dioxide treatment, he said Carbonic acid helps prolong shelf life

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

The SA mineral water market has an estimated value of R7m this year, representing 2,7-million litres

KWV income hike

BIDay 2/3/90

BRENT MELVILLE

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

The sole asset of KWV Investments is a 30% holding in both Distillers Corporation and Stellenbosch Farmers' Winery — held through Rembrandt. 182

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Pepsi Cola goes into liquidation

CapeTimes 2/3/90

Supreme Court Reporter

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

In his application Mr Brian Addison, managing director of Cream Advertising (Pty) Ltd, said Pepsi owed the company R203 397,86 for services rendered between June last year and January this year.

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

He submitted the company was unable to discharge its liabilities.

Mr CW Rosenthal, instructed by Mr Leonard Katz of Sonnenberg Hoffman and Galombik, appeared for Cream Advertising.

Hops industry to earn R8m

GERALD REILLY 182

PRETORIA — The hops industry will earn producers nearly R8m on a crop of 680 tons of processed hops this year, Agriculture and Water Supply Minister Kraai van Niekerk said in George last week. BDay 5/3/90

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

SA breweries produced 170 tons of the dairy product on its own land last year, while producers under contract delivered another 417 tons.

This amounted to 33% of the brewing industry's total requirements and earned R5,7m.

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

Within the next five years, local production was expected to supply up to 70% of the local need.

Cooldrink manufacturer Suncrush posts effervescent results

182

BDay 6/3/90

Business Day Reporter

COOLDRINK manufacturer and marketer Suncrush has continued its recent strong performance, posting an effervescent 34% rise in bottom-line earnings to R16,3m (R12,2m) for the six months to end December

The rise translates to earnings of 602c (449c) a share, of which 552c (407c) relates to trading income and 50c (42c) to investments

A dividend of 96c (76c) was declared, covered 6,3 times

Turnover improved 27% to R180,2m (R141,4m), while operating profit grew 25% to R30,2m (R24,2m) on a slight fall in margins.

Income from investments rose 10% to R2,3m (R2m), while net interest paid fell to R223 000 (R1,7m)

On the balance sheet interest bearing debt dropped to a scant R2m (R23,2m), with the current ratio up slightly to 1,2 1 (1,1 1).

Capex for the period was R13,1m, related mainly to the construction of a new bottling plant at Ladysmith.

Dalys, which holds 50,22% of Suncrush's share capital, showed a 35% growth in taxed profits to R8m (R6m)

This was equivalent to earnings of 71,8c (53,2c) a share in the six months to December

It declared a dividend of 8c (6,5c) a share

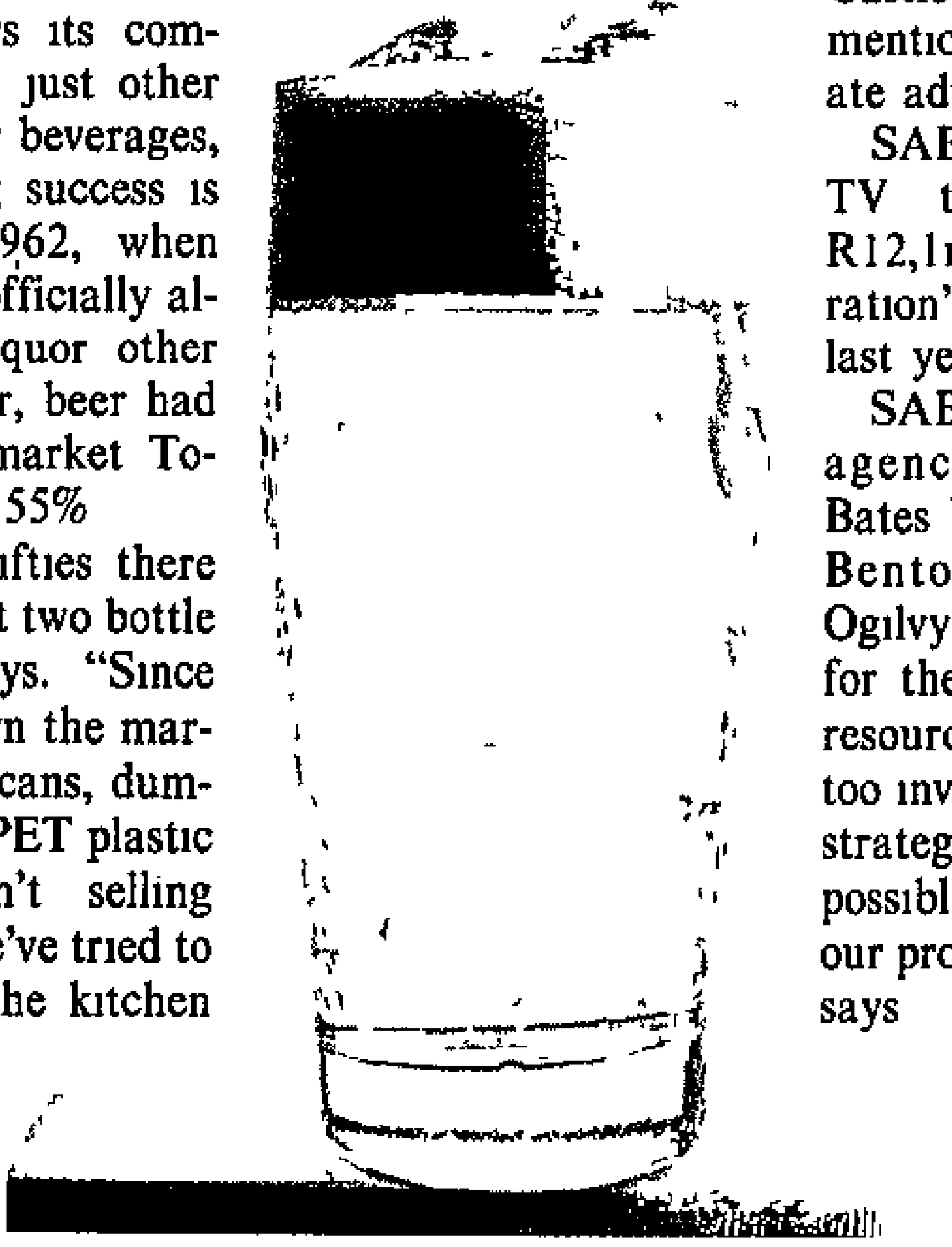
The only game in town

FM 9/3/90 (182)

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

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

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



100 ways to sell this glass

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

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

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

Each brand has a different ad budget According to Ad-Index, last year SAB spent R6,38m on Castle, R5,34m on Lion, R4,5m on Ohlsson's, R2,32m on Amstel, R1,81m on Carling, R1,5m on Hansa and R851 000 on Castle Milk Stout — not to mention R598 000 on corporate advertising

SAB is a heavy spender on TV the medium captured R12,1m, or 51%, of the corporation's advertising budget last year

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

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

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

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

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

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

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

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

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

SAB creates new beer division fund

BDay 12/3/90

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ADELE BALETA

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

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

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

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

Comment from the Cosatu-affiliated Fawu and the Nactu-affiliated Fbwusa was unavailable yesterday.

More information to be displayed on wine labels

LESLEY LAMBERT (182)

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

The scheme is intended to allow more information on a wine's origin on its label B Day 13/3/90

The new board is chaired by Pan Van Zyl It consists of 11 members representing the Cape Wine and Spirit Institute, KWV and the Agriculture Department

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

A major change to the scheme will allow winemakers to display the composition of blended wines on the back label and state if the contents are 100% of a specific cultivar.

and senior officials in Poland and held discussions on economic relations and trade, as well as the financ-

that can increasingly play a role in developing relations between the two countries"

The little school at the village still honours Hamilton's memory. — Sapa

Quest for quality earns SABS 24% more at R42m

182

GERALD REILLY

PRETORIA — The SA Bureau of Standards' self-generated income increased in the 1988/89 financial year by 24% to R42,73m, according to the SABS annual report released here yesterday. B\Day 13\3\90

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

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

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

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

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

The number of listed suppliers had nearly doubled to 357 compared with the previous financial year, he added.

Group rights

B/Day 28/3/90 .

Analysts foresee lacklustre results from SA Breweries

BRENT MELVILLE

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

This is the view of market analysts who are forecasting a pedestrian performance by SA's beer giant, currently labouring well off its 12-month high of 4 125c at 3 400c SAB's financial year ends on March 31

Averaging the predictions of three analysts pegged earnings at about 225c (187,2c) a share, and a dividend (maintained at 45% of earnings) of 100c (84c).

Based on its ruling share price, the earnings scenario places the group on a p e of 15,1 times and a dividend yield of about 2,9%

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

In the retail arena, 69,9%-held OK Bazaars is looking at contributing about R18,2m to SAB's bottom line, or 3% of group attributable income which analysts say will be about R600m

"OK Bazaars, reflecting the impact of sluggish consumer spending, particularly on the furniture side, will not show a rise in earnings of more than 9%," said one analyst

Edgars, which is 63,5% owned, should be the star retail performer although an expected 30% rise in attributable earnings to about R125m will be diluted by the conversion of debentures "At the end of the day the contribution to bottom line from Edgars will be about 13%," said an analyst

Although Southern Sun (68,4% held) was expected to show only a small improvement attributed almost solely to its 20% holding in Sun International, analysts said it would pull up its rating within the SAB stable over the following two years

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

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Furniture

The real performer in the beverages division was likely to be 69,7%-held Amalgamated Beverage Industries (ABI) which was operating in the "fastest-growing market in the country"

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

The group's overseas interests were also expected to do well, contributing about R46m or 8% to the bottom line

SAB financial director Selwin McFarlane said he could disclose no information on the group's overseas interests or the results

F(M 30/3/90 (182)

WINE F(M 30/3/90

Budget bubbly (182)

The reduction of import surcharges announced in this year's Budget is a promising move in the right direction The impact of this on imported wine prices will not be substantial, though champagne drinkers will have some reason for cheer

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

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

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

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

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

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

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

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

Michael Fridjhon

MINERAL WATER F/M 30/3/90

Perrier bubbles back

Seau, now we kneau, as the famous Eau advertising campaign would say Perrier will make its SA comeback in mid-April, says Johan Slabbert, of Stellenbosch Farmers' Winery, which distributes the liquid locally

Local mineral water connoisseurs have not been able to buy the brand over the counter since last month, when minute quantities of benzene were detected in bottles in the US France-based Perrier International ordered the removal of 65 000 *l* from SA retailers' shelves In addition, the winery was forced to write off a three-month stock in its warehouses Worldwide, Perrier recalled 120m bottles (182)

The decision to stop selling Perrier in SA appears strange Tests at Source Perrier, near Vergèze, France, revealed that only the production line dedicated to satisfying the North American market was affected

Perrier entered the SA mineral water market in 1981 Competitors followed, but Slabbert says Perrier controlled 40%-50% of the fast-growing market before it temporarily bowed out last month He puts the market at 1,5 M*l*-2 M*l* a year, worth about R7m

Perrier probably won't have much trouble regaining its market share Certainly its rivals haven't exerted themselves much to capitalise on Perrier's absence. No concerted advertising campaigns were launched to exhort mineral water drinkers to switch products. Some brands ran out of stock, suggesting Perrier is right when it claims its rivals aren't serious about developing the market Instead, they're inclined to let Perrier do all the pioneering and merely tag along for the ride

Smaller producers — Valprè, Baden, Avalon, Caledon and Aquamere — apparently benefited more than Perrier's main rival, Schoonspruit, bottled by Beecham In October, Schoonspruit marketing manager Rory Rochat estimated that his product had 31% of the market. With Perrier out of the way sales should have boomed, but last week he estimated that its share had grown to only 35%-40%

F 11 30/3/90

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

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

(182) 4

In the Seventies Perrier commissioned three costly market reports to assess its chances of breaking into the giant American market All advised it not to, unless it wanted to commit economic suicide It rejected the advice and went into America in 1978

Its sales in the US last year exceeded US$6bn and, according to *The Wall Street Journal*, it is now third ■

NBS to buy Pepsi's assets

Star 2/4/90

The Star Correspondent 182

CAPE TOWN — The liquidators of Pepsi Cola Africa are to sell the entire assets of the ill-fated cool drink company to National Beverage Services (NBS) for R4 million after permission for the transaction was granted in the Cape Supreme Court

The company was liquidated last month

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

Mr Millman said in an affidavit the offer was "very favourable" and in the interests of creditors.

Relief greets new Liquor Act

(182) BRENT MELVILLE

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

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

BDay 3/4/90

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

Other important ramifications included the extension of hours of sale in restaurants and hotels from 10am to 2am the following day, even on closed days (for example Sundays). Hours of sale for liquor stores, though unchanged, can be extended on application and with the approval of the town clerk.

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

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

Fedhasa hails new Liquor Act

Star 3/4/90 Staff Reporter 182

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

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

"This means that consumption can be stretched over a longer period, encouraging more people to drink moderately over a longer period.

"Not only does this move take cognisance of the social changes in the country, but it will be welcomed by overseas tourists."

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

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

He also welcomed the relaxation of trading in restaurants and hotels on Sundays and other restricted days

New brewery for W Cape

CAPE TIMES 3/4/90 (182)

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

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

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

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

It cost R2,3m to acquire the plant, which was surplus to South West Breweries' needs after completion of an ultra modern brewery in Windhoek.

The brewery will produce 5m litres in the first year, which is equivalent to about 2% of the Western Cape market

Fewer wines on offer reduces Nederburg auction turnover

15 (v)91 (19) 70 (182)

LESLEY LAMBERT

CAPE TOWN — Although the total sales of this year's Nederburg Wine Auction appeared disappointingly low — R430 000 down at R1,85m — fewer cases were on offer and at least an average price increase of 15% kept pace with inflation

The quantity of wine available at Saturday's auction was reduced by 2 328 cases to 7 861, all of which was bought by domestic and foreign buyers

Checkers, Hans Schreiber of Neethlingshof, Southern Sun, Rebel and Spar took the lead, while foreigners kept a low profile

Schreiber set the ball rolling as he snapped up the first three items on the catalogue — a Lanzerac Pinotage 1965, a Groot Constantia Weisser Riesling 1985 and a Rust en Vrede Cabernet Sauvignon 1981. He then went on to secure the five most highly priced wines on the auction

The highest price of R7 100 was for a case of Rustenberg Dry Red 1974, described by wine afficionado John Platter as a winemaker's dream vintage. A case of Lanzerac Pinotage 1965 and another of the Lanzerac Pinotage 1967 vintage — the first and last items on the catalogue — fetched R5 200 each, while one of the last two cases of the 1973 vintage of Kanonkop Cabernet Sauvignon went for R3 600 The reserve prices on all these wines was R450.

The auction was dominated by reds, most of which were more than 10 years old

Notable purchases included five cases of Lanzerac Cabernet 1965 and seven cases of Zonnebloem Cabernet 1969, both of which were sold for an average R1 100 a case Their reserve prices were R750 and R600 a case, respectively. Three cases of Chateau Libertas 1967 were bought for an average R930 a case, with a high price of R1 050.

Checkers, the biggest buyer, concentrated largely on Nederburg, apart from some Zonnebloem Pinotage 1977 which sold at an average R250 a case. Other active retailers included, Spar, WP Cellars, Drop In, the Liquor Inn and the OK Hyperama.

Of the Nederburg collection, 440 cases of the highly rated Private Bin R103 fetched an average R326,95 a case, 484 cases of the Nederburg Cabernet Sauvingnon 1979 fetched an average R414,50, while the popular Edelkeur dessert wine went for an average R209,10 a case.

There were 17 old reds from SFW's Zonnebloem collection on offer. Apart from the Zonnebloem Cabernet 1969, five cases of the Cabernet 1970 fetched an average R660 a case, 20 cases of the 1971 vintage fetched an average R533 a case, 30 cases of the 1972 vintage fetched an average R469, while 25 cases of the 1973 Cabernet Sauvignon fetched an average R428 and 60 of the 1977 vintage fetched R419

Of the whites on offer, the Hamilton-Russell Chardonnay 1987 fetched the highest price with 10/12 bottle cases averaging R824 a case The Nederburg Chardonnay 1987 fetched an average R194,42, a six-bottle case

A regional break-down showed a disappointing drop in purchases by foreigners from last year's high of 16% to 11,25%

Purchases by Transvaal buyers also dropped considerably to 41,2% of the total 100% of sales, while the Western Cape bought 35%.

'Improved perceptions' to boost liquor exports

BIDay 5/4/90

LESLEY LAMBERT

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CAPE TOWN — Stellenbosch Farmers' Winery (SFW), which markets the produce of Western Cape wine producers and co-operatives, has created a position for a director of international marketing in anticipation of improved relations with its export markets. wine

The company has had indications that improved political perceptions will make SA wines more acceptable overseas, according to a spokesman.

The liquor industry benefited from significant growth in exports last year. This was confirmed in the annual report of KWV which reported exceptional growth of 85% in export sales of brandy, grape juice concentrate and natural wines in 1989.

With expectations of further improvements, SFW created the position of international director for Dick Coleshaw, formerly a senior manager in the organisation, as part of a major reorganisation in its commercial division.

KWV, the producer organisation which represents 6 000 grape growers, announced in its annual report that, while the export volume of branded products had been slightly reduced last year, grape juice concentrate and brandy had almost doubled. New international markets were found for

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Liquor exports

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bulk natural wines.

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

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

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

KWV reported a record wine crop of 9,56 hectolitres last year, 5% greater than the previous year's crop. While it received 18% more distilling wine during the period under review, domestic sales of neutral wine distillate and brandy from the distilling wine pool decreased by 4,4%, largely as a result of further rationalisation of wholesalers' stocks, the report said.

This meant that 45% more wine and distilling wine was available for export.

Wine producers hope to toast a vintage year

CAPE TOWN — Wine ~~producers~~ whose annual income grew by only 6,8% last year may see growth of more than 15% this year, if early indications of improved domestic and export sales are anything to go by

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

KWV chairman Pietman Hugo told members at yesterday's annual meeting in Paarl that provisional estimates indicated their income in 1990 would exceed the rate of inflation KWV represents about 6 000 wine producers in the western Cape.

LESLEY LAMBERT

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

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

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

BDay 11/4/90

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

This year's growth is forecast off a low base KWV reported 27% profit growth to R34,97m The bonus paid to farmers was increased from 66% of the net income to 75%, but the average 6,8% growth in net income to R452m remained disappointing.

of bells, church services and other activities.

SAP acts on liquor sales

Star 18/4/90

182

By Craig Kotze

Police have clamped down hard on illegal liquor selling to children by Reef supermarket staff and have so far arrested five suspects.

Further arrests can be expected as police were determined to launch further operations," said Wits police spokesman Captain E Opperman.

Narcotics Bureau detectives had arrested five suspects, including a woman, recently.

Four would appear in court today but the fifth had already paid R600 admission of guilt fine.

Captain Opperman said police had uncovered the illegal trade at supermarkets and hyperamas by sending in the 10-year-old child of a policeman to a store to buy a bottle of liquor.

"No one blinked an eye," Captain Opperman said.

Cape Times 19/4/90 (182)

Pepsi: Caffs at point of no return?

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

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

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

In January, Pepsi's principal debt owing to their creditors stood at R12 million

The Peninsula Beverage Company, who own the franchise to sell the rival Coca Cola in the Western Cape, succeeded with a R4 million offer to buy Pepsi's assets, including coolers, containers and trucks

Many cafe owners now claim that Coca Cola are responsible for the Pepsi bottles in their storerooms

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

"Pepsi had that contingency but used it for other means when they found themselves in financial difficulties," he said "We now own the Pepsi bottles and crates in the factories, but effectively the cafes have bought the bottles in their shops from Pepsi, and the only way that they're going to get money for them is if Pepsi buy them back.

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

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

FINANCE

(182)

Shake-up of wine industry

8 Day 26/3/90

MICHAEL FRIDJHON

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

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

Hardly surprisingly, the Nederburg Auction wines performed in a manner which must have gratified the organisers In the past year, Nederburg has spent a considerable amount in branding those wines which are only released at the Nederburg auction

Together with the Bergkelder Tender advertising campaign, this represents the largest above-the-line investment in the premium wine market

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

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

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

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

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

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

Rico long time in the brewing

S Times 29/4/90 (182)

By Dirk Tiemann

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

About 3 000 anxious shareholders in the Transvaal Distillers Holdings (TDL) subsidiary must be wondering when the beer drought will end

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

Uncertain

But he warns that "we will sell our beer only when we are satisfied with the quality and taste"

Sponsoring broker Senekal, Mouton & Kitshoff director of corporate finance Jannie Grobelaar says "A credibility gap seems to have opened because of the directors' promises It is otherwise unexplicable why so many original shareholders are selling at below the issue price"

Mr Grobelaar says that the venture capital market is uncertain

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

Trading in Rico shares has followed a peculiar pattern. On one day recently 129 900 changed hands, but the price did not move

Rico's issue price was 15c, but the shares now trade at 10c, having touched a low of 6c in February The price was 55c in July 1987

The company has a low price-earnings ratio of 3,5 on projections of 3,08c earnings a share

TDL chairman and Rico director Riaan van Rensburg says the company's affairs have been misrepresented

"Everybody is missing the point of our strategy Rico is supported by TDL's strong financial base Even if Rico were knocked out of the market by June, TDL will pay a dividend

"We are going for a 0,2% share of the Pretoria-Witwatersrand-Vereeniging market this year We will produce 12 000 litres of beer a day, the amount a large bottle store sells daily"

Strategy

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

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

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

"Investment in a brewery is, however, at the low end of the risk ladder There is no reason why Rico should not be a success It has the infrastructure and the market.

"Rico has the expertise of Boykie de Klerk, former brewmaster at Gold Reef City. Marketing expenses will be low and so will excise duty because of the small quantity of beer produced"

Turnaround

Rico has made several forecasts about profitability and says a loss of R358 000 will be incurred in 1990 A turnaround is expected for the year to February 1991 The directors forecast R2,5-million pre-tax profit in the six months from August to February

Rico will not pay tax for at least three years

Rico director Riaan van Rensburg promises compensation for the delay in brewing start-up. He says another brewery will be built at Grabouw in the Western Cape

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

The brewhouse and can and bottling lines were bought from South West Breweries for R2,3-million Elgin brewery is to produce 5-million litres in the first year Rico hopes to brew 1,5-million litres

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

Mr Van Rensburg says net asset value a share rises to 9,48c from 6,33c through Rico's stake in Elgin

SAB strike is examined in Industrial Court hearing

Labour Reporter

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

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

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

Strike

Both parties accepted that this was a strike.

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

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

Mr Botha said SAB had considered such a claim, but had since dropped the idea.

Star 4/5/90

The Star
Finance

ABI shareholders have reason to smile

182

By Derek Tommey

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

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

Trading profit rose even more — by 45 percent to R87,9 million and taxed profit rose by 47 percent to R44,0 million equal to 42,8c a share

Shareholders are to receive a final dividend of 16c making a total payment of 21c for the year — an increase of 31 percent on last year's 16,0c a share

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

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

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

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

Shareholders' funds anounted to R224,7 million at the end of March, up more than R100 million from the R115,6 million a year ago

ABI shareholders get that Coke feeling

BRENT MELVILLE

(182)

TWO-and-a-half years after Coca-Cola's disinvestment and the creation of an SA cooldrink giant, prudent Amalgamated Beverage Industries (ABI) employees and dealers who were allotted shares and hung on to them should be toasting their good fortune

B/Day 4/5/90

The shares, offered at R1 each in 1987, are now trading at 685c.

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

Following the purchase of 67,5% of Coca-Cola by SA Breweries and 19,1% by Cadbury Schweppes, ABI offered 11-million shares at R1 each in 1987.

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

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SALES TAX F/M 4/5/90 (182)

Making wine

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

F/M 4/5/90 (182)

SFW claimed initial and investment allowances on machinery used in a process of manufacture on bulk carriers to transport mixed raw wine from individual wine farms and co-ops to its Stellenbosch premises

The Supreme Court decided the "process of manufacture" of the wine begins before — or at the latest when — raw wine is placed in the carriers The carriers thus qualify for GST exemption on parts, materials and services used to repair and maintain them

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

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

A combination of one or more of these requirements could enable services and materials for the maintenance of vehicles so used to qualify for GST exemption. ■

BIDay 4/5/90

ABI results show 43% profit leap

BRENT MELVILLE

AMALGAMATED Beverage Industries (ABI) has posted effervescent year-end results to March, listing a 43% increase in attributable profits to R45,3m (R31,3m) and bolstering its three-year annual compound growth rate to 35%

Earnings, taking into account six million additional shares following the acquisition of Sparletta, were up 35% to 42,8c (31,7c) a share, covering the 21c (16c) dividend an unchanged 2,0 times

At a prevailing 685c, the results place ABI on a dividend yield of 3,1% and P E of 16, compared to sector averages of 3,2% and 14,6 respectively.

Sales for the group, controlled by SA Breweries and the largest franchise-holder of Coca-Cola in SA, improved by 34% to R739,6m (R552,1m), attributed mainly by MD Alex Reid to the hot summer and the urban population explosion

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

Although the group spent R37,4m in capex last year related to the ongoing development of the Phoenix facility in Natal and the acquisition of Sparletta, gearing remains at a low 21%

Reid said that, given reasonable weather and a relatively stable environment, the group expected continuing growth in the coming year.

Woolworths goes green with new Blue Label

24/5/90

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

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

It was therefore particularly curious to receive Woolworths' news release announcing "sulphur-free white wine" Sulphur is a natural by-product of the fermentation process Unless Charles Back at Fairview has developed a new technique which eliminates it, Blue Label is not sulphur-free — merely a wine without added sulphur

This in itself is something of a breakthrough in the Cape no SA wine has been produced on a commercial scale without at least the limited addition of sulphur dioxide Since many wine drinkers are sensitive to the presence of sulphur (it causes a slight bronchial asthma and is often responsible for that morning-after feeling if you've indulged in poor quality wine), there must be a niche

No credit

If your allergy to sulphur is so sensitive that there is a critical difference between the level in Blue Label and regular high quality wines, perhaps you will find a visit to Woolworths worthwhile However, don't expect that Blue Label will satisfy your oenological cravings it is otherwise utterly unremarkable, harsh on the palate and likely to provoke acute acidity It does no credit to the Woolworths range — normally the best selected housebrands at any outlet in SA

- Auction wine buyers suffering from withdrawal symptoms since the Nederburg sale at the end of March or the Sotheby's Promenade auction at the beginning of March will be pleased to know that a major wine auction will be held at the Holiday Inn in Pretoria on May 12 at 9am More than 15 000 bottles from about 50 producers will come under the hammer The bulk of the wines antedate 1980 and nearly all appear to be South African. Contact Germain Lehodey (012) 344-1857/8.

MICHAEL FRIDJHON

ABI's workers are still enthusiastic investors — thanks to Coke

Star 5/5/90

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Just look at us now

SMILING — Well wouldn't you if shares you bought at R1 two years ago were now worth R7.

DEREK TOMMEY

Long-term share ownership is considered the preserve of a small number of well-off people. But if the experience of Associated Beverages Industries (ABI) is anything to go by, it could soon spread to a much larger number of less well-off people — and this includes blacks as well as whites.

In 1987 ABI, the largest bottler of Coca Cola in the country, issued 11 million shares at R1 each, with a minimum allocation of 500 shares, to 7000 employees and small dealers.

Since then ABI has obtained a stock exchange listing and the price of its shares has soared to just under R7 each

Yet in spite of the huge profits to be made from selling ABI shares, some 5200 or almost three-quarters of the original 7000 employees are still holding on to their allocation.

If other companies which have or are planning to create employee-shareholders by issuing shares to their workers have the same experience as ABI, the number of permanent long-term shareholders in South Africa could climb quite sharply in the next few years

An interesting aspect of the ABI issue is that some employees have not been content just to hold their original allocation

Talking to some of them yesteday the somewhat unexpected fact emerged that several — both black and white — have been adding to their holdings and in some instances in substantial numbers

Making money

One black production worker who had an original allocation of 600 shares has been offering to buy any shares other employees want to sell Today he is reported to hold several thousand ABI shares which makes him a highly successful investor, a fairly rich man and, one hopes, a happy one.

Black ABI employee-shareholders interviewed yesteday said they had no intention of selling their holdings About the only reason that would make them do so was the need to raise money to pay for their children's and grandchildren's schooling

Making Money

Others who needed money and sold their ABI share allocation now wish they hadn't

It is clear that ABI's employees who held on to their shares are extremely pleased at the outcome

As for the company, ABI's managing director, Mr Alex Reid, said he was extremely gratified at number of staff who had retained their shares

But he was not sure whether the move had had any effect on productivity However, a senior shop-floor official believed it had created a greater sense of responsibility and better morale

However, the share offer could have helped sales as it had improved relations between the black traders and ABI

Shares were also issued to many small dealers and it seems that most have also retained their allocations

"They always tell us they are shareholders when they have a complaint to make", he said

Of course, one reason for the attraction of ABI shares is that the company has been very successful over the past three years

In this period turnover has doubled to R740 million and taxed profit has risen 140 percent to R44,0 million.

Dividends

Some R22 million is being paid out in dividends this year with about R2,2 million going to the holders of the 11 million shares issued in 1987 — given them the satisfactory return of 21c for each share which originally cost them R1

However, Mr Reid emphasised that the growth in profits has not been at the expense of customers or the workers.

Although the price of Coca Cola has been raised from time to time, the increases have all been below the inflation rate Therefore in real terms the price of ABI's products has actually declined.

At the same time, wages paid by ABI have exceeded the consumer price index — which means that ABI's employees have actually become a little richer — at least before tax

So altogether everyone has benefited from ABI's success in creating wealth and distribution wealth.

At present there are potentially more than 200 000 new shareholders, most of whom are blacks

Dividends

Anglo American has issued small numbers of shares to more than 133 000 of its employees, Iscor issued shares to some 70 000 workers, although the number of holders is now down to about 50 000 Several other companies have or are planning to issue shares to smaller numbers of people

Altogether interest by the private individual in the share market seems set to increase rather than contract, especially if more firms follow ABI's lead

ALEX REID ... a sweet ride on the Coke truck

Bonsella for the bottlers

By Ian Smith

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

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

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

The deal to "share the wealth" offered 11-million shares in the company at R1 each to ABI employees and small dealers Now their shares are set to climb above R7. (182)

"It was not a paternalistic offer," says Mr Reid. But one of the two trade unions came out strongly against the offer and the other adopted a neutral stance.

In the event, 65% of of the people offered shares climbed on the soft-drink vans. Of the original 7 000 who accepted the offer, 5 200 still hold shares.

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

ABI's controlling shareholder is SA Breweries with 67,5%. Cadbury Schweppes holds 19%.

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

Attributable income jumped by 43% to R45,3-million. In spite of another 6-million shares being issued after the acquisition of Sparletta Bottling Co, earnings a share rose by 35% from 31,7c to 42,8c

The dividend has been increased from 16c to 21c, and is covered 2,03 times

The Sparletta acquisition, together with a long, hot summer and increasing urbanisation in ABI's main franchise areas in the greater Pretoria, Johannesburg and Durban areas, sent sales soaring by 34% to R740-million

Sparkling results produced by ABI

Sowetan 10/5/90

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

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

When they acquired the shares in 1987 they sold for R1. At the listing of ABI in June last year, the shares traded at R3,50. By the end of the year they had reached the R6 mark. (182)

They currently trade around R7.

The company, the largest bottler of Coca Cola and other well-known soft drinks - lifted attributable earnings in its first full year as a listed company, by 43 percent to R45,3-m. With 6 million additional shares in issue following the acquisition of the Sparletta Bottling company during the year, earnings per share improved 35 percent to 42,8 cents.

F/M 11/5/90

rest of this year, currency protection is likely to be limited. Amcoal and SA's best near-term hope is for a narrowing of the political discount on export prices.

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

ABI F/M 11/5/90 (182)

Trading fizz

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

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

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

F/M 11/5/90 (182)

THROATY GROWTH

Year to	Mar 31 '89	Mar 31 '90
Turnover (Rm)	552	740
Pre-tax profit (Rm)	58,5	84,9
Attributable (Rm)	31,7	45,4
Earnings (c)	31,7	42,8
Dividends (c)	16	21

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

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

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

In its short listed life, ABI has surprised many analysts with its high and rising rating. So has Suncrush, which has grown so well that investors seem to trust management to continue doing so, though sources of growth have not been clear. ABI's 2,9% dividend yield is still above Suncrush's 2% and the gap is unlikely to narrow immediately. But that does not necessarily imply yields will remain low, particularly if a slowing economy cuts into consumer spending. *Teigue Payne*

Beer to go black

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THE Government was waiting for guidelines on the most equitable manner in which the sorghum beer industry could be transferred to black ownership, the Minister of Privatisation and Public Enterprises, Dr Dawie de Villiers, said yesterday. Sowetan 11/5/90

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

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

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

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

It's not that easy to get competition in the liquor trade

BDay 11/5/90

MICHAEL FRIDJHON

182

SPARE a tear for Trade and Industry Minister Kent Durr His portfolio includes liquor, that notorious burial ground of credibility and political careers With the wine producers' disproportionately powerful lobby, and the high profile that attaches itself to anything that relates to alcohol, there are never any easy fixes

Under the circumstances, his proposals this week to settle the thorny issue of vertical integration in the liquor industry are commendably safe

Vertical integration describes the ownership of retail off-consumption liquor stores by producer/wholesalers such as Stellenbosch Farmers' Winery (SFW) and Oude Meester Such arrangements are generally regarded as inimical to the workings of a free market economy inasmuch as producers can use their stores to promote their own wines and spirits

It is often argued that such outlets distort the whole retail liquor market Vertically integrated stores — so the logic goes — are compelled only to promote products and move volumes They are not compelled to be profitable In going about their business, they squeeze the margins of the genuine retailers

Since the 1978 liquor industry dispensation — creating the SAB beer monopoly and the Cape Wines and Distillers (CWD) near-monopoly in wines and spirits — vertical integration has been under considerable pressure

The CWD's retail chains of Western Province Cellars and Liquortown have continued to compete against the Gilbey-owned Rebel stores, Kersaf's Liquor Inns and Union Wine's Picardi outlets

Durr took office faced with sorting out industry dissatisfaction with his predecessor Dawie Steyn's solution, that producing wholesale liquor merchants sell off their retail interests

Despite the tide against vertical integration, the major producer/wholesalers have secured significant concessions from government over the years. These culminated in 1983 when the CWD obtained the right to own a maximum of 300 stores This was nearly double the number controlled by the company at the time and a reversal of the agreement by which the CWD's near-monopoly was condoned on the understanding that it would be selling off retail outlets

Other vertically integrated chains also won concessions in the 1983 dispensation. Union Wine group had its right to own more than 100 stores entrenched, and Rebel slipstreamed along with some 60 stores

In an attempt to bring the industry back to the course recommended by the Board of Trade and the Competitions Board, Steyn proposed a new formula last year This would have compelled all producer/wholesalers to sell off their retail interests at the rate of 10% plus one of their licences each year. He also fixed at 36 stores the maximum size to which a non-vertically integrated chain could expand

Steyn's proposal won no friends, and attracted more than its fair share of opponents The independent retail chains resented the 36-store ceiling, even though it was an improvement on the 1983 dispensation. It meant that neither Pick 'n Pay nor Checkers could acquire any more grocers' wine licences.

Smaller producer/wholesalers like Gilbeys were seriously threatened by the arrangement, since the group as a whole enjoys a considerable cashflow benefit from its retail operations Some 51% of Gilbeys is overseas-owned, 49% is held by Rembrandt, now a major competitor since Rembrandt effectively controls the CWD

Loss of retail cashflow might force Gilbey's overseas parent to sell its shares to Rembrandt. This in turn would make the wholesale business even less competitive

However, the greatest weakness of Steyn's scheme was that it united the dissatisfaction of the independent retailers and the smaller wholesalers to a virulently unhappy CWD The Rembrant/KWV axis was hardly likely to accept an arrangement which would force it to sell off its stores according to a timetable, it has opposed this principle ever since it was first introduced in 1979

Hence Durr, in calling for an investigation into the problems of abolishing vertical integration, risked the profound wrath of most sectors of the trade His solution has the virtue of being considerably more popular than anything previously proposed

In his own words, it is deregulation by degree, the pragmatic way of getting a swift decision that brings confidence to the industry.

He believes that the easier licensing regulations at retail and wholesale level will go a long way towards opening up the liquor industry This will further reduce the weighting of vertically integrated stores as a percentage of all licences

Durr sees a trend in which the producer/wholesalers are actually selling off their holdings and believes that this will continue At the same time, he reckons that the right of non-vertically integrated chains to expand by at least six stores a year will lead to the orderly creation of healthy chains

He has given his assurance that the ministerial approval necessary for this process will not be withheld "not even for Pick 'n Pay"

Durr's proposal has the indisputable charm of being acceptable to the greatest number of vocal participants It seems almost ungracious to find fault with his achievement However, there are two key failings, the effects of which will be to keep the retail liquor trade perpetually debilitated

By entrenching the 1983 arrangements for vertically integrated chains, Durr has permitted the country's largest producer/wholesaler (with over 80% of market share) to own the country's largest chain This is the evil of vertical integration at its worst.

The CWD was a seller of stores in anticipation of a government ruling that would compel it to dispose of its retail interests Once the company knows it can expand to 300 stores, it is hardly likely to sell anything except unprofitable outlets

For more than 10 years the CWD has fought for the right to own stores It is naive to assume that CWD aims to get out of retail liquor

My second objection to Durr's dispensation relates obliquely to the same issue The CWD can acquire 100 stores overnight in order to reach its 300 store limit Any competing retailer, without any vertical links whatsoever, can ease forward only at the rate of six stores a year (unless he wants to seek Cabinet approval)

This gives the CWD nearly 50 years' start before anyone can create a chain capable of rivalling it. In the meantime, the retail sector will continue to be divided and ruled by a wholesale industry where 80% of the power is concentrated in the hands of one company

In leaving retail without the prospect of a countervailing power to balance the virtual monopoly of the producers, Durr's plan is intrinsically flawed

The Rembrandt group emerges unmistakably as the winner, the independent retail trade as the loser Ten years from now, the CWD will still be calling all the shots

Capex between R1bn and R1,5bn

SAB trading profit tops R1bn-mark

CAPE TIMES 16/5/90

(182)

Own Correspondent

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

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

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

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

Earnings and dividends were up 20% to 225,2c (187,2c) and 101c (84c) a share respectively

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

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

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

In its results, SAB proved itself a master financial brewer for the 22nd year in succession, recording a 34% hike in trading profit to R1,3bn (R981m) on a 25% increase in turnover to R13,3bn (R10,6bn)

And after accounting for a 53% rise in net financing costs to R221m (R144m), attributable profits were left 20% improved at R604m (R502m)

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

Expenditure on fixed assets last year amounted to R900m, resulting in an increase in net borrowing by R229m

Gearing dropped slightly to 45% (46%).

95 and still going strong at SAB

Star 16/5/90

(182)

By Ann Crotty

Good management and strong consumer expenditure are the key features behind a massive surge in SA Breweries earnings over the past four years — up from 83c a share in financial 1986 to 225,2c in financial '90

In the 12 months to March the group's earnings growth was a commendable 20 percent to R604 million (R502 million), equivalent to 225,2c (187,2) a share from which a dividend of 101c (84c) a share will be paid

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

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

PCE grew in real terms by 0,8 percent in calendar '86, by 3,7 percent in '87, by 4,9 percent in '88, and by 2,9 percent in '89

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

But although short-term performance looks fairly glum, SAB which celebrated its 95th birthday yesterday, continues to have a long-term perspective on things — approval has been granted for a R2,1 billion capex programme of which R1,3 billion is earmarked for the current financial year

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

Turnover was up 25 percent to R13,2 billion (R10,6 billion), trading profit rose 34 percent to R1,3 billion (R981 million), finance costs surged 53 percent to R221 million (R144 million), reflecting higher borrowings and higher interest rates, taxed profit was up 26 percent to R814 million (R644 million)

Attributable earnings showed a 20 percent advance to R604 million (R502 million) Again the beer division accounted for slightly more than half of this with a contribution of R320 million (R269 million)

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

This category includes equity-accounted earnings of R98 million It also includes SAB's share of the earnings of its eight listed subsidiaries, which appear to be about R235 million (see chart), its 100 percent stake in Appletiser (which last year earned R10,3 million) and its overseas interests, which are believed to have contributed about R45 million in financial '90

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

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

Of the group's R1,3 billion capex spend in financial '91, R800 million has been earmarked for additions to existing capacity at Elrode, Newlands and, Durban

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

SAB's stake of Da Gama for the 12 months to March was around R35 million This is before stripping out financing costs of R15 million related to Da Gama's preference dividend costs

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

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

	% Holding	Rm Turnover	% change	Rm Pretax	% change	Rm Attributable Earnings	% change
Edgars	64,8	1981,5	+24	243,1	+30	123,5	+30
Da Gama*	58,0	344,9	+11	92,0	+13	75,6	+13
ABI	69,7	739,6	+34	84,9	+45	45,4	+43
Afcol	65,6	701,3	+21	49,0	+13	46,7	+12
Suthsun	68,4	471,9	+21	16,6	+11	26,5	+ 5,7
Amrel	68,7	849,0	+12	40,3	+ 8	22,5	+ 2
OK Baz	69,9	4218,9	+13	35,0	—21	20,2	—15,5
Lion Match	70,9	279,9	+22	24,2	+18	14,0	+16

* For a 15-month period

Performance from SAB's listed subsidiaries.

SAB plans R1,5bn brewery expansions

(182) Bloem 16/5/90

BRENT MELVILLE

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

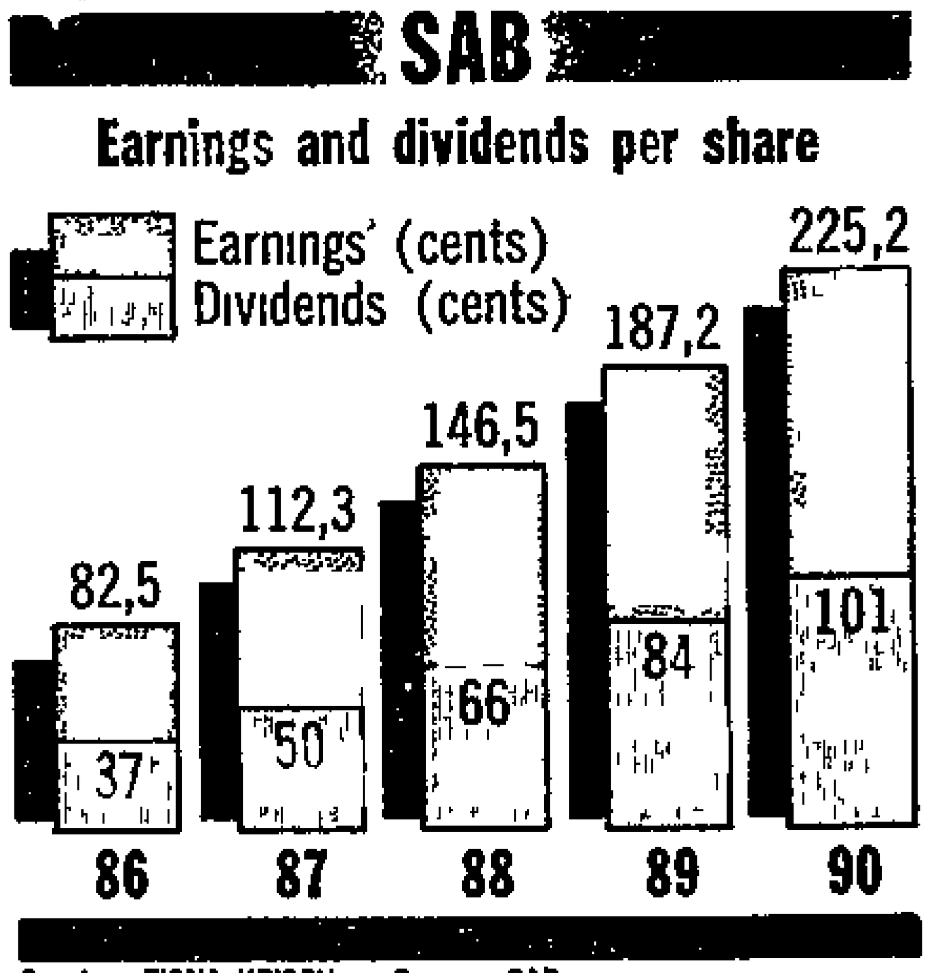
Kahn said the group had approved capex of R2,1bn for the next two years and would be spending at least R1,3bn next year, 75% of which was committed to expanding its brewery, amalgamated beverage and Appletiser interests, and the balance on remaining concerns

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

The disclosure comes in tandem with the announcement of SAB's year-end results, which saw trading profit soar to well above the R1bn mark for the first time Earnings and dividends were up 20% to 225,2c (187,2c) and 101c (84c) a share respectively

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

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



Graphic FIONA KRISCH Source SAB

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And after accounting for a 53% rise in net financing costs to R221m (R144m), attributable profits were left 20% improved at R604m (R502m)

Gearing dropped slightly to 45% (46%), which Kahn said was well below the group's self-imposed constraint of 60%

● See Page 12

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SAB share price up 200c ahead of its March results

BRENT MELVILLE

INVESTORS who put their faith in SA Breweries (SAB) have been vindicated as it pushed its share price up 200c in the last two days ahead of the March results

On the strength of particularly strong showings from Edgars and Amalgamated Beverage Industries (ABI), as well as traditionally bubbly results from its beer division, SAB bolstered bottom line earnings by 20% to R604m (R502m), this year.

On its new share price of R36, the commensurate increase in earnings to 225,2c (187,2c) and dividend to 101c (84c) — in line with market projections — places SAB on a P:E rating of 16 and a dividend yield of 2,8%, versus sector averages of 14,9 and 3,2% respectively.

With sales volumes increasing by 10%, earnings from the beer division improved by 19% to R320m (R269m), although its contribution dipped slightly to 53% (54%) of attributable earnings

For its part, 70%-held ABI pushed earnings by 43% to R45,3m, and Edgars, in which SAB has a 63,5% holding, (the second largest contributor to group attributable earnings this year), showed a 30% increase in earnings to R123,5m

However while market analysts are optimistic that SAB's beverage division will weather the recessionary storm ahead, they are not so sure of SAB's retail and manufacturing interests

Mathison & Hollidge analyst Aloma Jonker said that the beverage division, and particularly ABI, should manage to shrug off reduced consumer spending next year, though Edgars would suffer from tougher trading conditions and 76%-controlled OK Bazaars was not expected to do much better than this year's attributable R20,2m figure — a 15,5% decline over last year.

Amalgamated Retail and Associated Furniture Companies (Afcol) were also expected to remain at a static level of earnings Afcol, which improved attributable earnings by 12% to R46,7m this year, was expected to suffer from the downturn in furniture sales, said Jonker.

Jonker said, however, that SAB's hotel interest in Southern Sun (Southsun) could be the wildcard

She said its contribution could improve by as much as 30% next year

Lion Match was also expecting a positive performance due to the fact that its growth has been stilted by capital growth in the past "On the whole we are expecting around a 10% to 15% improvement for the group next year," said Jonker

Group MD Meyer Kahn agreed that earnings would be at a lower level next year but said management was comfortable with the group's current focus, portfolio, and no changes were envisaged.

FM 18/5/90 (182)

SA BREWERIES FM 18/5/90

The Lion's share (182)

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

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

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

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

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

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

Evaluation of the share's investment worth has to include a subjective element At its present R36 price, the share yields an historic 2,8% and is on an earnings multiple of 16 The rating discounts several years of growth, but there seems no doubt that growth will be achieved No one is likely to break into SAB's market, though there will always be a small niche for boutique beers holding around 1% of total sales And part of the share's price represents an acceptable premium for the security of continuing dominance of a firmly-growing market

Jim Jones

R200m SAB expansion on line by mid-1991

C/T Argus 19/5/90

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By DICK USHER
Business Staff

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

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

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

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

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

Also scheduled for expansion was the brewery at Prospecton, Durban

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

The third major project contemplated, although the group was not yet fully committed, was a three-stage expansion of capacity at Alrode involving about R600 million

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

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

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

Bottom-line profits for the group, which includes many subsidiaries including OK Bazaars and Edgars, was more than R600 million The beer division contributed R320 million, or 54 percent of this

Liquor industry sends its message in a bottle. . .

B Day 21/5/90

182

ZILLA EFRAT

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

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

While glass accounted for the lion's share of CSD packaging in terms of litres sold in 1980, its use had fallen 15% by 1989. In the same period, plastics' market share of litres packed rose two-and-a-half times, while metal containers' was up by 60% — both off a low base.

BMI says the market share of non-returnable soft drink containers has doubled in the 1980s. But there has been a trend to larger sizes in the CSD market, with 1l and 1,5l returnable glass bottles doing well.

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

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

Poor image

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

However, bag-in-the-box packaging is losing market share in both the fruit juice and wine industries. More than 80% of all wines come in glass and plastic is generally regarded as having a poor image for wine. But metal cans are still popular for flavoured wines.

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

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

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

During 1989, a large proportion of sorghum beer was distributed in tankers or mini-bulk containers to shabeens, eating houses and beer halls. But there seems to be some swing back to packed sorghum beer which will result in more of the product going into 1l carton board containers.

BDay 22/5/90

Kahn will succeed Hofmeyer at SAB

182

ANDREW GILL

● KAHN

MURRAY Hofmeyer is to retire as SA Breweries (SAB) chairman as of July 18 after six years on the board and three as chairman

He will be succeeded by SAB's group MD Meyer Kahn, who will become executive chairman while keeping his post as group MD.

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

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

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

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

Pat Retief, chairman-elect of JCI and a non-executive member of the SAB board, will assume the chairmanship of SAB's General Purposes and Audit Committees.

1989 1990

Schoon Spruit's first quarter sales up 25%

182

SYLVIA DU PLESSIS

LEADING SA mineral water brand Schoon Spruit, helped partly by the Perrier scare this year, boosted first quarter sales by 25% over the corresponding period in 1989, Beecham SA marketing director Malcolm Wood said yesterday.

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

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

Perrier and Schoon Spruit were not substitutes for each other. "Perrier is more a businessman's drink, while Schoon Spruit is oriented towards South Africans in general"

Wood said Schoon Spruit was an established and popular brand when Beecham acquired it in 1984, and the company had not aggressively marketed it. However, growth in the SA mineral water market had prompted it to "rejuvenate" the drink in 1989.

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

Beer business booms as millions down billions

ANDREW GILL (182)

BEER drinkers in SA, about 6-million people, drank an average of a litre of beer a day each last year — two billion litres overall — and they're thirsting for more. B Day 28/5/90

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

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

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

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

SA has a population of about 30-35-million people, of which at least 12-million are drinkers. Beer is drunk by half of the drinking population.

This puts last year's 2-billion litres volume in the hands of 6-million people — or 333,3 litres each a year.

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

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

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

11 arrested in Johannesburg liquor swoop

Star 28/5/90

182

Crime Reporter

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

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

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

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

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

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

Anyone with information on any suspected crime is asked to contact the Crime Prevention Unit on (011) 838-8363, extension 131, or Sergeant Filipe on 787-9560, code 70213.

Bid to end city soft drink delivery strike

ARGUS 29/5/90 (182)

Staff Reporter

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

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

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

MINIMUM WAGE

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

Another cause of discontent was the status and pay of "permanent casuals"

They earned R35 for the first truckload of the day and R5 for each subsequent load They wanted permanent status

Production workers had not been organised by the union and had not joined the strike

It's a stout show from SA Brews

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

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

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

Bevcon was up 16% at R52,50. (182)

Richemont topped R25 after reaching a peak in sterling terms midweek on good results from Dunhill. It closed at R24 — 125c up. W&A added 15c to 830c, but was offered at the original level.

By Julie Walker

Chubb gained 100c to 925c, and Remgro gained 20c to 1 440c. S/Times 3/6/90

The volatile Venter companies regained some lustre. After hitting lows early in May, the shares perked up two weeks ago. This week Altron shed 125c to R35,75, but regained it late on Friday, Powertech lost 5c to R2, but put it back, Altech shed 100c to R63 and Fintech sneaked up 5c to 535c.

Punch Line was 10c up at 75c, the 10% convertible prefs adding a third to 80c.

Putco came all the way down after going ex-dividend of 310c. It fell from 470c to 90c. Putprop eased 20c to 70c.

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

Clinic Holdings' modest growth was rewarded by a 20c improvement to 190c on a single deal of 100 shares.

De Beers could not keep its price above R100.

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

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

Speculators in Barmines got the jitters on talk of ore reserve discrepencies, but management called a meeting to allay investors' fears. The price hit a low of 410c before recovering to 445c, still 25c off on the week.

Granite

Northam's nil-paid letters shed 30c to 200c, but recovered 20c as the shares gained 50c on Friday afternoon to R24. The take-up price is R22.

Middle Wits nil-paids also fell. The ordinaries shed 20c to 560c and the letters crashed from 80c on Tuesday to close at 32c. Take-up price is 550c.

Keeley eased after a surge on either side of its published results. The granite stock softened 50c to R10,75.

Mining exploration counters lost their way in sympathy with gold. Barnex, Lydex, Randex and Rho-Ex all slipped, only Freddev bucking the trend. It gained 35c to R10,10.

Strike hits soft drink deliveries

Labour Reporter NMW 5/6/90 182

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

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

NEGOTIATIONS

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

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

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

Strike: Deliveries resume

Staff Reporter Cape Times 6/6/90

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

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

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

The workers are demanding a wage increase of 96%, while management said they were prepared to negotiate regarding the increase in January next year

The union spokesman said the workers had received a 19,2% increase in January this year.

He said agreement had been reached that workers would be paid for last week's public holiday

Sow 7/4/90 (182)

NEWS

Liquor strike looms over R7 discrepancy

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

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

Proposal

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

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

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

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

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

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

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

Workers currently earn between R762 and R1 297 a month

Bonuses

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

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

Leave currently totals 15 days for one-nine years' service and 17 days for workers with more than 10 years' service. — Sapa

Cit-Times 7/6/80

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Liquor workers may go on strike

JOHANNESBURG. — The wine and spirit industry faces a countrywide strike by 5 400 workers over a R7 difference between their weekly increase offer and the union's demand.

National Union of Wine, Spirit and Allied Workers president Mr November Nkosi said yesterday the union was preparing a national strike ballot for next week and was confident workers would vote for a strike.

The union's revised demand was for a R40 across-the-board increase Management — represented by the SA Wine and Spirits Industry Employers' Association — has offered R33. — Sapa

New political mood and increased profits go hand-in-hand, says ABI

BDay 8/6/90

STEPHEN RICHTER

THE new political mood sweeping the country, coupled with favourable activity in the soft drink industry, were two major factors working in Amalgamated Beverage Industries' (ABI) favour.

In its latest annual report for the year ended March, ABI chairman Pete Lloyd said there were clear signs of an economic slowdown since last October

Personal consumption expenditure is estimated to have grown by 1,9% in real terms, compared with 3,8% the previous financial year

But strong demand for soft drink products continued as volumes grew by 8% (7,6%) This was due in part to improved summer weather while the industry also improved its distribution activity, particularly in the townships

The ABI share price, after opening at 500c at the time of its listing in June 1989, has touched 800c, placing a premium rating on the company

It is easy to see why investors are pushing up the share price ABI achieved record sales volumes of 648-million litres, which represents an effective 42% of the carbonated soft drink market, and a year-on-year growth of 15%

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

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Ratio

The strong performance not only provided additional revenue, but also enabled the group to improve operating efficiencies and capacity utilisation This combination resulted in earnings rising 43% to R45,4m

Capital investment for expansions amounted to R37,4m and related primarily to the development of the Phoenix bottling plant in Durban and the acquisition of Sparletta

Net borrowings decreased by R7,3m and the average gearing ratio was a low 21% (33%)

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

Despite this, he was optimistic that opportunities in the market place would enable ABI to continue to record a satisfactory growth in earnings, but not at the previous rate

Shares in new brewery project offered to shebeen owners

Special Correspondent C/Press 10/6/90

(182)

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

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

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

It will start with a R50 million plant – a small amount compared to SAB's latest R200 million Pietersburg brewery.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Should SAB be allowed to maintain its near monopoly, it could be pressed by a future black government to nationalise the white-controlled industry which has made a fortune."

SAB's R128m Sun poser

(182) S/Times 10/6/90

By JULIE WALKER

SA BREWERIES' expected move to buy out minorities in its debt-laden Southern Sun hotel group could cost almost R128-million at the current share price of R5,85

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

Speculation about Southern Sun's future surfaced after publication of its results for the year to March 31 when turnover jumped 21% to R472-million and operating profit nearly doubled to R28,2-million

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

Analysts say SAB would be paying a high price to get the 31,6% stake that it does not already hold Sun International owns 21% in a strange cross-holding

It has been suggested that if Southern Sun sold its stake in Sun International the proceeds — they could be as high as R350-million — would wipe out its borrowings

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

The shares are trading close to the estimated net asset value of 550c, and buyer and seller could come to an agreement sooner rather than later on a price

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

Although international tourism is 85% higher than last year, it represents only 12% of Southern Sun's business,

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

Room occupancy last year was 62%, and the forecast for this year is at least 64% — close to break-even cost. The rate for rooms has been increased this year and another is possible

But high concessions are likely in wage negotiations and operating costs are rising

(182)

Southern Sun to be embraced by SAB

BDay 12/6/90

BRENT MELVILLE

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

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

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

Contributing dramatically to its gearing problems, Southern Sun decided in 1985 to build a new flagship, the 800-room, R110m Johannesburg Sun, which proved to be a financial nightmare

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

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

After expanding into the eastern Transvaal and the Drakensberg, as well as maintaining the standards of some of its more stately hotels (such as the Beverley Hills), the last financial year found Southern Sun servicing debt of R323,5m (R268,8m), pushing interest payments (including the servicing of its medium-dated preference shares) to R34,4m

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

Although there has been a substantial improvement over the past year, foreign tourism accounts for only about 12% of Southern Sun's occupancy levels, now running at about 64%.

R120m SAB deal to delist Suthsun

BDay 12/6/90 (182)

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

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

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

In terms of the Suthsun deal, SAB — which holds 68,4% of Suthsun — is offering minorities (other than Kersaf) a premium of 65c on the prevailing 585c value of the share. For the 10,6% stake SAB will be paying R48,4m For its part Kersaf Investments will receive R71,6m for its 21% stake, translating to 485c a share.

Shareholders also have the option of accepting SAB shares offered at a price of 4 030c a share, or a combination of shares and cash. SAB dropped 50c yesterday to 4 000c yesterday

Analysts said the cash option looked more attractive. "SAB's share price is overvalued, probably pushed up in anticipation of this announcement The 650c offer puts Suthsun on a high p e of 17,2 times"

BRENT MELVILLE

The 485c offer, proposed by UAL Merchant Bank and accepted by Kersaf, was considered "highly satisfactory" by Kersaf, chairman Buddy Hawton said yesterday "It was a straight commercial decision," he said, adding Kersaf had no plans yet for the proceeds of the sale.

Suthsun directors said that the group's high gearing and urgent need for cash, in the light of the group's expected profitability, necessitated that the current dividend distribution practice of 70% of attributable earnings be "reassessed"

The gearing — at present at 64% and almost double the 33% level of the previous financial year — was due to past refurbishment requirements of both the Southern Sun and Holiday Inn hotel chains. OK Bazaars' gearing jumped to 67% (47%) during the past financial year.

Suthsun had also budgeted to spend further "significant" sums on both hotel chains, directors said. "It would be appropriate for Suthsun to be delisted to avoid any possible conflict between the long term requirements of the company and the interests of minority shareholders."

The scheme is not expected to have any material effect on either the earnings of NAV per share of SAB

● See Page 7

SOUTHERN SUN (182) FM 15/6/90

Minorities blackjacked?

SA Breweries is planning a R120m take-out of Southern Sun's minority shareholders just as free-spending foreign tourists are starting to flock back to this country and just as the hotel chain is on the brink of being freed to enter the black homelands where gambling is legal SAB already owns 68,4% of the hotel chain's equity and Kersaf, which has agreed to a 485c a share cash offer, has 21%

Other minorities are being offered 650c a share either in cash or SAB shares at a price of 4 030c or a combination of the two

Southern Sun will be recapitalised, which SAB suggests will be of no medium-term benefit to minorities, though it does not mention that ownership could release the R200m-odd gross tax loss for use elsewhere in the group. It also helps cash flow, as 70% of the hotel group's attributable earnings have to be distributed to shareholders in terms of an April 1985 agreement

SAB's public announcement says delisting of Southern Sun is necessary, " to avoid any possible conflict between the long-term requirements of the company and the interests of minority shareholders "

Kersaf acquired its 21% shareholding as part of the April 1985 deal struck to avoid a market share war at the end of Sol Kerzner's 18-month restraint of trade agreement with Southern Sun That was when Kerzner pumped Holiday Inns into Southern Sun and the hotel chain lost its direct stake in

SAB's Wyman ... aiming for the same game ...

... as Sun International's Kerzner?

Kerzner's casinos.

Kersaf took over 36,5% of casino operator Sun International from Safren Southern Sun issued 14,8m new shares in itself to Safren for the purchase of Holiday Inns which Safren, in turn, passed on together with its Sun International stake to Kersaf for 35m new shares in Kersaf Since then, the casinos have been a licence to print money while Southern Sun hotels in "white" SA have suffered from tourism's decline and a heavy financial burden

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

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

Gearing has been rising progressively and, at 64%, last year exceeded management's self-imposed limits Debt has risen in line with an extensive refurbishing of the group's hotels

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

Jim Jones and Pam Baskind

SAB buys into Southern Sun

S Times 17/6/90

SA BREWERIES' buyout of minorities in Southern Sun will cost the consumer giant R120-million. Southern Sun's next-largest shareholder Kersaf will receive 485c a share, compared with the market price of 585c before trading in the share was suspended pending the announcement of the deal.

The rest of the minorities will be paid out 650c — a nice premium for the holders of the underperforming shares. The price jumped by 35c to 620c after the announcement.

Minorities can choose between accepting cash or the equivalent value of shares in SA Breweries of 4030c, providing this results in the issue of 100 units. A combination is permitted 182 288

The price of SA Breweries shares fell to 90c below that level after the deal was announced, making the cash look more attractive.

Financier seizes Helical assets

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PIERRE DU PREEZ

DCM-listed Helical Holdings was in a critical financial position, Merchant Trade Finance (MTF) MD Robert Taylor said on Friday. B\Day 18\6\90

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

MTF, which finances trade and working capital, extended loans totalling R1,9m to Helical for the period November 1989 to April 1990

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

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

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

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

☐ To Page 2

Helical

B\Day 18\6\90

☐ From Page 1

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

In August a 28% increase in after-tax income was reported for the company's maiden year to end-February 1989

However, Taylor said an investigation on June 11 revealed that Helical had sustained substantial losses and could not meet its daily commitments — including the rent at its Parktown offices — and was considering placing itself under judicial management

He said he believed Helical had extensive contracts with Armscor

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

Repeated attemps to contact Helical management for comment proved unsuccessful

(b) Separate contracts for the Supreme and Lower courts consisting of numerous clauses have been entered into by the Chief Director Procurement Administration of the Department of Finance for a period of 4 years with effect from 1 July 1989 The contracts *inter alia* provide for various tariffs for different services

(2) *Supreme Court*

(i) C N L Transcriptions is owned by Mr N Vlok

(ii) Data Vyf (Pty) Ltd
Messrs S J M Nel P Nel and A G Nel are directors of the company and Mr H F Nel is the Chairman

Magistrates' Courts, Pretoria and Pretoria North Rent-A-Roof
Mr M Vlok is the Managing Director and Mrs R J E Vlok is a director of the company

†Mr J H VAN DER MERWE Mr Speaker, with reference to the reply which the hon the Minister is now tabling, I wish to put a supplementary question However, I do not know whether it falls within the ambit, but I would nevertheless ask the hon the Minister whether any member of Parliament made representations directly or indirectly in respect of the award of these contracts

†The MINISTER Mr Speaker the tenders were issued on a basis of tender and on the award of tenders by the Director of the Tender Board, who is responsible for these contracts after tenders have been duly invited by advertisement Furthermore, a large number of tenders were also invited country-wide on a decentralised basis It works better than ever before A keen spirit of competition was set loose amongst many participants to see which of them give the best service in recording court proceedings It is clearly a success

†Mr J H VAN DER MERWE Mr Speaker, further arising from the hon the Minister's reply I did not ask anything about tenders I merely asked whether any hon members of Parliament had made representations in this connection yes or no

†The MINISTER Mr Speaker, surely it is logical that as far as tenders are concerned representations are not involved It goes to the best tender and here the person who decides is in fact none other than the Chief Director of Procurement Administration Should he ever receive representations, I assume that they would not carry any weight because the object here is precisely that we must get a neutral and balanced assessment of every tender If it had ever been made, no representation would have carried any weight To my knowledge no representations whatsoever were received from any hon member of Parliament

†Mr J H VAN DER MERWE That is all I want to know!

Mr R V CARLISLE Mr Speaker, further arising from the hon the Minister's reply may I ask why the contract of the previous undertaking that had had this contract for so many years was terminated?

The MINISTER Mr Speaker, I have just explained that I decided on a policy of decentralising the service of the recording of court proceedings for the simple reason which I can state in this House that the holder of the previous contract — I do not know if he was a constituent of that hon member — rendered unsatisfactory service The system proved to be unsatisfactory and so I decided on a policy to decentralise and to call for tenders for the entire country on a regional basis In other words the holder of the previous contract could again tender for it However, I believe they did not tender As a matter of fact we did not terminate that contract, it ran its course and with time it ran out Therefore we called for fresh and new tenders for the entire country

Mr R V CARLISLE Mr Speaker, further arising from the hon the Minister's reply, I should like to ask him whether the overall cost of his new decentralised system to the State is less than that of the old system?

The MINISTER Mr Speaker, compared with the figures for the previous system, yes, I believe so What is more, however, is that the first objective is efficiency and a proper service to the practitioner and the litigants, in order to have a swift recording of the proceedings which they may require at short notice

Certain person. tried/convicted

*14 Mr L FUCHS asked the Minister of Justice

(1) Whether a certain person whose name has been furnished to the Minister's Department for the purpose of his reply, or any company or corporation in which he has had a financial interest has been (a) tried and (b) convicted of any offence in South Africa in the last ten years, if so, what are the relevent details,

(2) whether the South African authorities have any information on any charges laid or convictions obtained against this person in countries other than South Africa, if so, what are the relevant details,

(3) whether South Africa has received any requests to extradite the person in question, if so, (a) from whom and (b) when? B1306E

The MINISTER OF JUSTICE

(1) and (2) On the limited information made available with regard to the person, company or corporation concerned, it cannot be established whether such person, company or corporation was tried and convicted

(3) As far as could be established a request for extradition has not been received

Perhaps it is a case of the man who never was, I am not sure

Sorghum beer brewers

*15 Mr R R HULLEY asked the Minister of Planning and Provincial Affairs

(1) What are the names of the bodies empowered to brew sorghum beer in South Africa at present, Hansard 17/6/90

(2) with reference to certain documentation furnished to the Minister's Department for the purpose of his reply, what procedure has to be followed by persons and bodies other than those referred to above, to acquire new licences to brew such beer? B1307E

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The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS

(1) Within the boundaries of the Republic of South Africa, excluding the self-governing territories, the Industrial Development Corporation of South Africa Ltd

(2) At present no person other than the Industrial Development Corporation may be authorised under the Sorghum Beer Act, 1962 (Act 63 of 1962) to brew sorghum beer Consequently no procedure for applications by other persons or bodies has been prescribed

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Mr R R HULLEY Mr Speaker, arising from the hon the Minister's reply, may I ask him whether he intends to leave the situation as it is, namely a single monopoly situation, or does he intend to facilitate the entry of new brewers into the market? Hansard 19/6/90

The MINISTER No, Mr Speaker The matter is at present under investigation by my colleague the hon the Minister who is involved with the question of privatisation We are looking at the whole matter from the point of view of the privatisation of the sorghum beer industry and further announcements in this regard will be made shortly

Legal Aid Board: financial obligations

*16 Mr D J DALLING asked the Minister of Justice Hansard 19/6/90

(a) what were the unpaid (i) financial and (ii) contingent financial obligations of the Legal Aid Board as at 31 January 1990 and (b) what cash funds did the Board have at its disposal as at that date? B1308E

†The DEPUTY MINISTER OF JUSTICE

(a) (i) and (ii) The initial indications are that due to various factors contingent liabilities could be considerably more than previously indicated A rough estimate based on the average cost per case and the number of cases dealt with by the Board indicates that the Board may receive accounts for about R29 8 million in respect of live cases (some of them are up to thirteen years old) over the next 13 years These are contingent liabilities which become claimable in the future as and when these cases reach finality Should these cases therefore not reach finality the contingent liabilities will be reduced accordingly The factors which influenced this considerable increase are, *inter alia* the significant changes of the tariffs of attorneys and advocates the variable nature of court cases

This feature of the Board has compelled the Minister to decide to promote the

Wine industry strike threat

Cape Times 19/6/90 (82)

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

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

The union has asked for a R40 a week increase across-the-board and has been offered R33, said Nuwsaw president Mr November Nkosi

Wine, spirits workers hold strike ballot

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

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

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

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

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Star 19/6/90 [redacted]

Retail outlook improves — Kahn

STAR 22/6/90 (182)

By Sven Lunsche

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

Writing in SAB's 1990 annual report Mr Kahn said that while such a view may be somewhat optimistic, the relaxation of hire-purchase restrictions announced in March will assist the funding of household appliances.

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

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

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

Mr Kahn also announced details of the group's two year R2,1 billion capital expenditure programme, 60 percent of which will be spent in the coming year

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

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

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

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

In the year to end-March 1990 attributable earnings increased by 20 percent to R603 million on a 25 percent improvement in turnover to R13,25 billion.

SAB shareholders enjoy 28% annual compound growth rate

B Day 22/6/90 (182)

BRENT MELVILLE

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

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

Kahn adds that net cash spent on fixed assets totalled about R900m with the group's four main pillars of activity (beverages, retail, hotels and manufacturing) receiving investment support during the review period

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

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

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

Investment in additional working capital totalled about R300m

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

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

Despite this, he says, employment turnover has remained low, with 40% of employees having completed service of five years or more Turnover per employee has gone up 17% to R145 600 (R124 700)

Turnover

The beer division pushed turnover up 22% to R3,2bn (R2,7bn) and attributable earnings to R320,3m (R268,7m), representing a full 53% (54%) of group earnings

In the remainder of the group's beverage division ABI was the star performer, pushing earnings up by 35% to 42,8c (31,7c) a share on attributable earnings of R45,4m (R31,7m), increasing its divisional contribution to 11% (9%)

In the group's retail division Edgars recorded the strongest growth, with a 30% hike in attributable earnings to R123,5m (R95,2m) OK Bazaars recorded a 15% dip in attributable earnings to R20,2m (R23,9m) and Amrel turned in a static performance

The Southern Sun group posted only a 6% hike in attributable earnings to R26,5m (R25,1m) The group's manufacturing interests (Afcol, Lion Match, Da Gama, and Conshu), posted attributable earnings of R145m

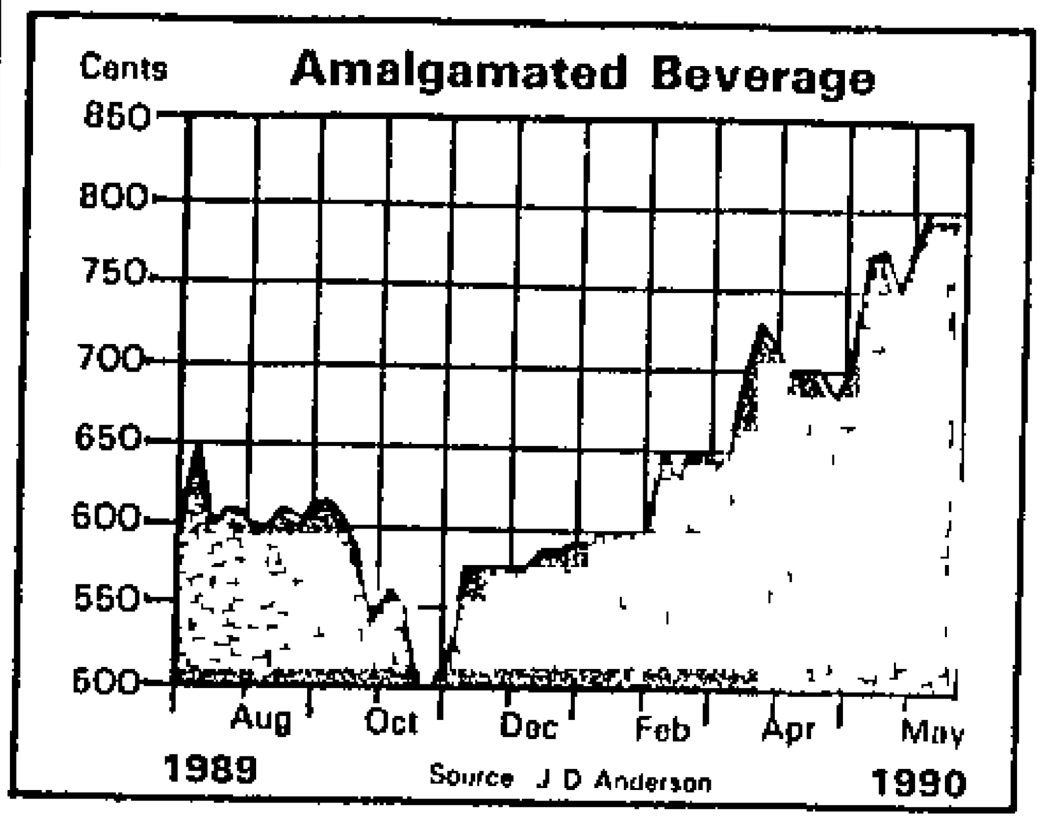
Kahn says SAB has approved capex of R2,1bn, of which R1,2bn is to be spent next year Beverage activities will account for about R900m, with a mega-brewery expansion at Alrode, and continuing development at Prospecton, Newlands and Butterworth

ABI FM 22/6/90

Spending plans (182

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

Attributable income rose 43% on a turn-



FM 22/6/90 (182)

Activities: *Bottling and distribution of soft drinks*
Control: *SAB 67,5%, Cadbury Schweppes 19,1%*
Chairman: *R L Lloyd, MD H A Reid*
Capital structure *106m ords Market capitalisation R848m*
Share market *Price 800c Yields 2,6% on dividend, 5,4% on earnings, p e ratio, 18,7, cover, 2,0 12-month high, 800c, low, 475c Trading volume last quarter, 540 780 shares*

Year to March 31	**'89**	**'90**
ST debt (Rm)	—	—
LT debt (Rm)	26,8	8,0
Debt equity ratio	0,13	0,04
Shareholders' interest	0,44	0,57
Int & leasing cover	16,5	16,4
Return on capital (%)	25,4	26,0
Turnover (Rm)	552	740
Pre-int profit (Rm)	62 4	90,6
Pre-int margin (%)	11,0	11 9
Earnings (c)	31,7	42,8
Dividends (c)	16,0	21,0
Net worth (c)	116	212

over increase of 34%, but EPS climbed 35% owing to the greater number of issued shares Chairman Pete Lloyd ascribes the strong advance to favourable weather, improved distribution, aggressive marketing and rising volume sales to the informal sector.

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

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

Group financial manager Trent Odgers says capex of R114m is planned for 1991 This mainly represents ongoing development of the Phoenix bottling plant in Durban and will be funded through project finance and cash generation This, he confirms, will cause a substantial rise in the interest bill, but current borrowings are low and the company is able to absorb these costs

Odgers expects the squeeze on customers' disposable incomes will inhibit demand in 1991 but, "given reaonable weather and a relatively stable environment," earnings should record satisfactory but slower growth The rapid urbanisation of the major metropolitan areas — ABI's delineated operating areas for the Coca-Cola, Schweppes and Sparletta franchises — should ensure continued growth in the informal market

The share is trading at its 12-month high and stands on a demanding p.e ratio of 18,7 and dividend yield of 2,6% *Pam Baskind*

ABI's Lloyd ... profit fizz if it's sunny

Beer livens up beverages

BRENT MELVILLE (182)

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

Kahn estimates that sales volumes of all alcohol beverages have grown by 4% in the 12 months to March, slightly below the 4,5% growth recorded over the previous two years. BDay 25/6/90

Sales of both spirits and natural wines were static, with growth calculated at 0,3% and 0,1% respectively, and sorghum beer sales are estimated to have remained at static levels

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

The carbonated soft drink industry (CSD) experienced another buoyant year. Kahn points to the fact that whereas personal consumption expenditure hardly managed a 2% real growth, CSD volumes expanded by about 6,5%, up slightly from the 6% growth registered last year.

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

REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

Staatskoerant
Government Gazette

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Vol. 300 PRETORIA, 29 JUNIE / JUNE 1990 (182) No. 12552

PROKLAMASIE

van die

Staatspresident van die Republiek van Suid-Afrika

No. 107, 1990

INWERKINGTREDING VAN SEKERE BEPALINGS VAN DIE WYSIGINGSWET OP SORGHUMBIER, 1987

Kragtens artikel 8 (1) en (2) van die Wysigingswet op Sorghumbier, 1987 (Wet No. 29 van 1987), bepaal ek hierby 1 Julie 1990 as die datum waarop artikel 2 (a) en (c), 6 en 7 van gemelde Wet in werking tree

Gegee onder my Hand en die Seel van die Republiek van Suid-Afrika te Kaapstad, op hede die Een-en-twintigste dag van Junie Eenduisend Negehonderd-en-negentig.

F. W. DE KLERK,
Staatspresident.

Op las van die Staatspresident-in-Kabinet:

H. J KRIEL,
Minister van die Kabinet.

PROCLAMATION

by the

State President of the Republic of South Africa

No. 107, 1990

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

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

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

F. W. DE KLERK,
State President

By Order of the State President-in-Cabinet·

H J. KRIEL,
Minister of the Cabinet.

GOEWERMENTSKENNISGEWINGS

ADMINISTRASIE: VOLKSRAAD

DEPARTEMENT VAN PLAASLIKE BESTUUR, BEHUISING EN WERKE

No. 1470 **29 Junie 1990**

INSTELLING VAN DIE HUMANSDORP LANDELIKE RAAD

Kragtens artikel 12A van die Wet op Streeksdiensterade, 1985 (Wet No. 109 van 1985), stel ek, Abraham Adriaan Venter, Minister van Begroting en Plaaslike Bestuur, hierby met ingang van 29 Junie 1990 'n landelike raad vir die Blanke bevolkingsgroep in wat bekend sal staan as die Humansdorp Landelike Raad vir die

GOVERNMENT NOTICES

ADMINISTRATION: HOUSE OF ASSEMBLY

DEPARTMENT OF LOCAL GOVERNMENT, HOUSING AND WORKS

No. 1470 **29 June 1990**

ESTABLISHMENT OF THE HUMANSDORP RURAL COUNCIL

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

SAB brewing up overseas interest

Star 4/7/90

(182)

Diagonal Street

ANN CROTTY

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

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

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

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

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

Little scope for rerating

However even with overseas interest in the share it is difficult to see much scope for a rerating of SAB from its current high price/earnings rating of 17,4 times. (Unless the overseas investors were to attribute a value to the Beer Division's brand names which are currently not val ued for balance sheet purposes.)

This top rating is in large part due to the contribution from the Beer Division — apart from ABI (on 18,7 times) each of its listed subsidiaries is on a lower rating: OK is on 10,9 times; Edgars on 13 times; Da Gama on 6,9 times; Lion Match on 7,6 times and; Southern Sun on 15,9 times.

So for a much lower cost investors could put together their own portfolio of SAB's listed interests. But they would miss out on the group's Beer Division

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

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

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

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

Ian Somerville

The latest annual report shows the overall return on equity was 22,3 percent in financial 1990 In the seven years since 1984 the average has been 19,9 percent per annum. Pre-tax return on total assets was 17,1 percent in financial '90 with a 14,8 percent average per annum over the past seven years

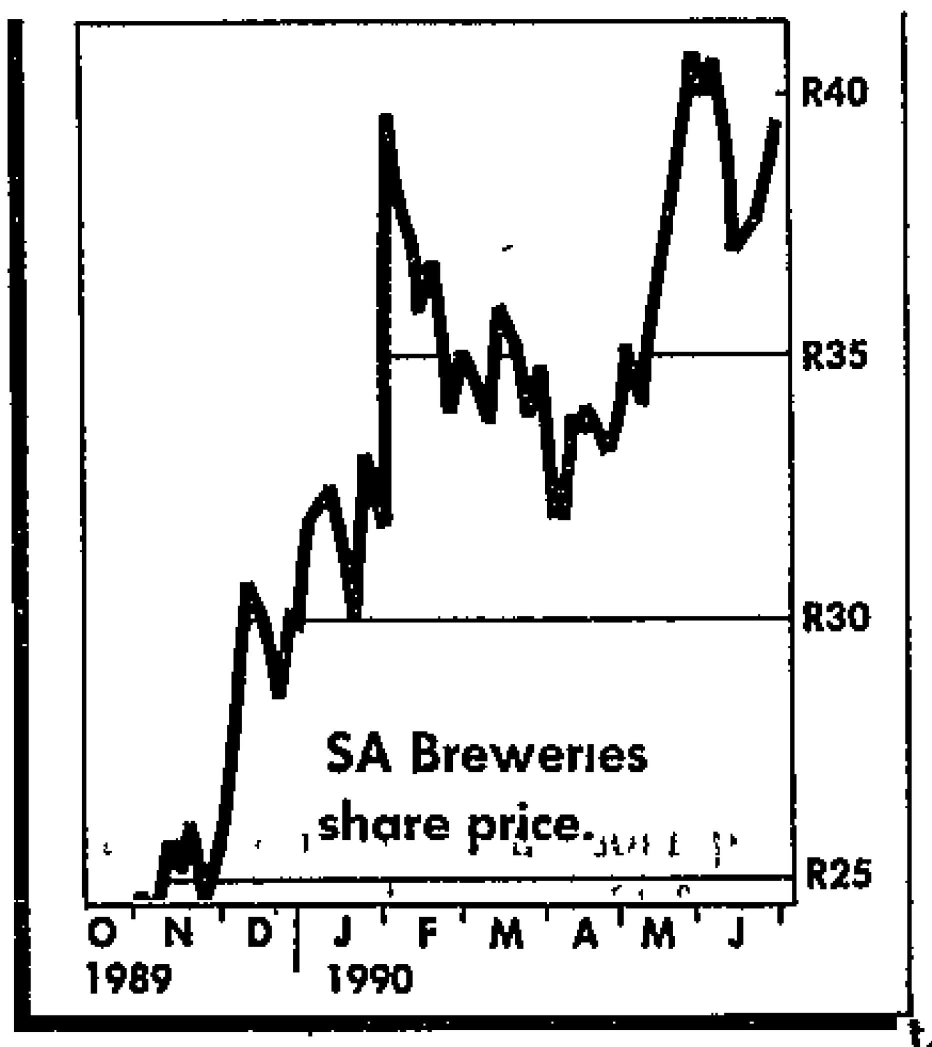
These represent the averages of a very mixed bag of performances.

The annual report also shows that beverages account for 51 percent of attributable earnings (after stripping out miscellaneous expenses and external minorities) but accounts for only 40,5 percent of the group's total assets.

Manufacturing contributes 18,2 percent of earnings and accounts for 11,8 percent of assets. Retailing contributes 20,9 percent but accounts for 33 percent of the assets and, hotels contribute just 3,4 percent but account for 10,2 percent of group assets

The growth in the cash generated from the group's operating activities has outpaced inflation over the past seven years. The compound growth rate over the past seven years has been 18,4 percent

Given the weak outlook for consumer demand in financial '91, nominal earnings growth of around 16 percent should be attainable. Longer-term SAB's strategy of positioning itself in the black consumer market will reap considerable rewards as this sector of the population continues to benefit from above average wage increases.



Drinking patterns shift sharply towards malt beer

By Dick Usher

CAPE TOWN — South Africans' drinking patterns have changed remarkably in the past decade, with malt beer becoming increasingly popular

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

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

KWV's statistics show that in 1980 South Africans consumed 860 million litres of malt beer to 2,2 billion litres of sorghum beer and 206 million litres of wine

In the same year excise clearance of brandy was 15,6 million litres, compared with 8,3 million litres of cane spirit, the next most popular spirit

Individual consumption of malt beer worked out to 29 litres a year, sorghum beer 78 litres, natural wine 7,1 lites, brandy 0,54litres, and cane spirits 0,29 litres

By 1989 malt beer consumption had risen 147 percent to reach 2,1 billion litres, while sorghum beer consumption had declined 2,5 million litres after reaching a high in 1985 of 2,6 million litres

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

Total consumption of wine had risen 32 percent to reach 272 million litres and per capita use had gone up from 7,12 litres a year to 7,45

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

Local figures show that brandy, although with a higher total excise clearance of 16,5 million litres in 1989, was showing a decline in use to 0,45 litres a person a year

Use of cane spirit had dropped to 0,1 litre a year

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

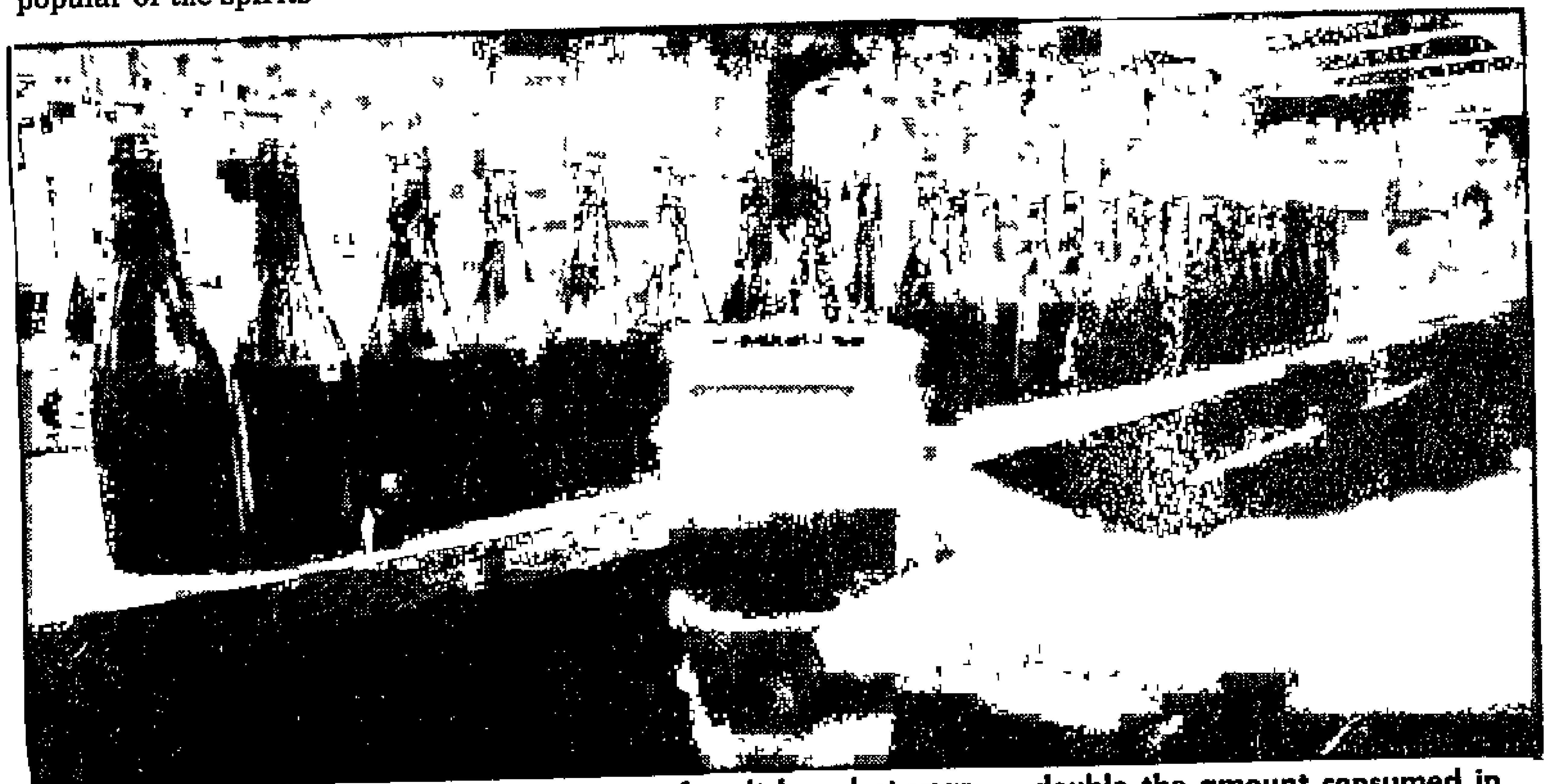
But while sorghum beer's market share in 1970 was 49 percent and malt beer's was nine percent, by 1989 malt beer was dominatng the market with 38 percent against 30 percent for sorghum beer

Lost ground

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

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

State revenue from GST on products of the vine — wine, fortified wine, sparkling wine, wine spirits and brandy — rose from an estimated R22,9 million in 1980 to R302 million in 1989, while revenues from GST on beer rose from an estimated R37,7 million to R565,5 million in the same period



South Africans drank 58 litres per person of malt beer last year — double the amount consumed in 1980 Sorghum beer consumption was 69 litres per person, down from 78 litres in 1980.

More drinkers turning to the frothy malt beer

Sowetan 5/7/90 (182)

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

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Wine

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Spirits

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

Of this, products of the vine contributed R218 million and malt beer R902 million

Sorghum beer industry may be privatised

182

WMail 6/7/90

By MZIMKULU MALUNGA

THE stage seems to be set for the privatisation of the sorghum beer industry.

An announcement yesterday by Minister of Public Enterprises Dawie de Villiers, that the industry is now rationalised and all related assets, liabilities and the right to brew transferred from the Industrial Development Corporation (IDC) to the National Sorghum Breweries (NSB), gave rise to speculation that the industry may soon be privatised.

De Villiers said the government's view that "it was logical that the control and ownership of the sorghum industry, whose customers mainly come from the black community, should rest in that community", had not changed.

Finality concerning the future of the industry will be reached in the next six months and, says Privatisation Unit chairman Pieter van Huyssteen, government is communicating "with interest groups, particularly in the black community."

Meanwhile, NSB has also appointed a new board of directors. Manpower Assignments Consultants managing director Mohale Mahanyele is the chairman and a former SAB manager, Sam Mosikili, is the managing director.

The other board members are IDC general manager Jan de Bruyn, Corporate Image director Moss Leoka, Pretoria University School of Management director Tienie van Vuuren, and Eugene van Rensburg, the current adviser on economic matters to De Villiers. Van Vuuren is the outgoing chairman of the NSB.

Various parties such as the National African Federated Chamber of Commerce and Industry (Nafcoc), Ukhamba and SAB are closely watching how the government will go about with its sorghum beer privatisation programme.

The government is taking precautions to ensure the industry does not lose profitability after privatisation.

Traditional Beer Investment (an SAB subsidiary and only allowed to operate in the homelands) managing director Ron Schreuder says TBI's major concern is finding out how the government wants to go about privatising the industry.

"We feel there should be a free consumer choice in the sorghum beer industry and thus can only come when it is properly privatised," says Schreuder.

The SAB will not take a decision on sorghum beer until it is clear how the programme will be undertaken.

The company already owns about 8 percent of the sorghum beer industry through TBI.

Nafcoc, meanwhile, in addition to its main demand that ownership of the industry be transferred to blacks, made five recommendations.

- Consider 100-percent funding to the new venture companies;
- Provide low-interest long-term finance;
- Design the Act on sorghum beer so it encourages fair business practice;
- Provide tax concessions; and
- Agree in principle with black business and other interested parties for the smooth transfer of existing breweries to new companies or partnerships.

FM 6/7/90

SUGAR FM 6/7/90

Dearer prices

While any increase in the price of sugar has a notorious ripple effect on the cost of most foods and beverages, the SA Sugar Association's 13% increase announced last week is generally being greeted as reasonable

More important, the deregulation away from government-approved prices and the association's new policy of announcing price increases well before they go into effect is welcomed as striking a more businesslike relationship between the sugar industry and its major customers The price won't rise until August 1, giving manufacturers time to stockpile at the current price (182)

SA Federation of Soft Drink Manufacturers' president Hennie Viljoen, whose organisation represents 41 main plants, says a sugar price increase lower than the inflation rate is acceptable

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

(182)

Costlier soft drinks

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

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

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

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

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

FM 6/7/90 (182)

Beer to the rescue

Activities. *Diversified consumer products group dominating SA's beer market Subsidiaries include ABI, Afcol, Amrel, Edgars, Lion Match, OK Bazaars, Da Gama Textiles and Southern Sun*

Control· *Bercon 33,8%*

Chairman. *M B Hofmeyr, MD J M Kahn*

Capital structure: *268,1m ords Market capitalisation R10,5bn*

Share market· *Price 3 925c Yields 2,6% on dividend, 5,7% on earnings, p e ratio, 17,4, cover, 2,2 12-month high, 4 025c, low, 2 000c. Trading volume last quarter, 1,7m shares*

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	192	174	307	659
LT debt (Rm)	652	762	1 293	1 279
Debt equity ratio	0,49	0,35	0,44	0,44
Shareholders' interest	0,48	0,50	0,46	0,44
Int & leasing cover	3,7	5,3	6,8	6,0
Return on cap (%)	12,5	14,2	14,1	15,6
Turnover (Rbn)	7,08	8,68	10,6	13,3
Pre-int profit (Rm)	558	746	981	1 316
Pre-int margin (%)	7,9	8,6	8,8	9,5
Earnings (c)	112	147	187	225
Dividends (c)	50	66	84	101
Net worth (c)	615	735	886	990

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

In the year to March, turnover rose 25% to just over R13bn, generating a 31% rise in per-tax profit to R1,2bn despite a 53% increase in financing costs in response to higher interest rates and increased borrowing

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

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

The other major retail interest, OK Bazaars, failed to perform Its turnover is 31,8% of the group's — almost equivalent to beer and beverages — but its contribution to earnings is now a miserable 3,3% Though it operates mostly in highly competitive low-margin food retailing, 40% of turnover relates to non-food, mostly furniture and clothing OK would do well to take lessons from high-flier Edgars or even Amrel (see **p98**).

SAB's Hofmeyr . . . capex shows confidence (182)

FM 6/7/90

Even Southern Sun contributed more than OK At operating level, the hotel chain showed a remarkable 92% improvement, but this was totally absorbed by excessive interest charges Now SAB is buying out minorities and recapitalising it in an effort to get profits back on track

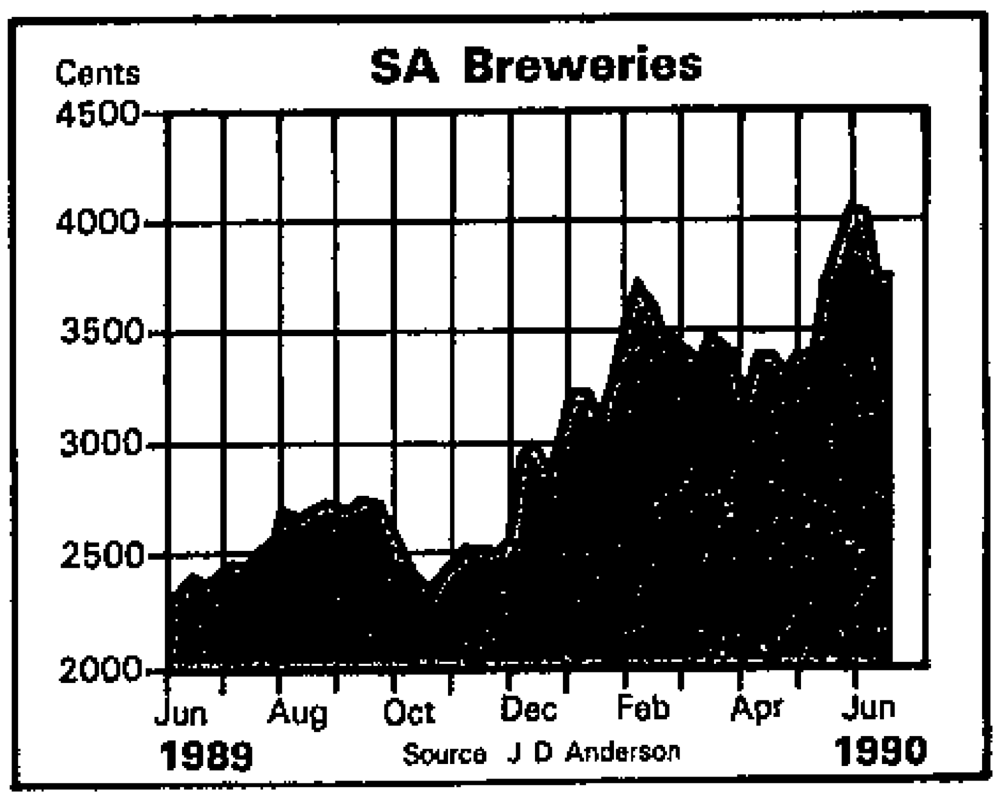
Manufacturing interests — Afcol, Lion Match, Da Gama and Conshu — all performed satisfactorily Afcol, a major furniture manufacturer, improved its market share but partly at the expense of margins

Non-SA interests' contribution to earnings rose 30% to R48,4m

MD Meyer Kahn expects consumer expenditure to remain depressed this year but is confident of SAB's ability to grow earnings He reckons the beer division and ABI will "achieve a satisfactory earnings increase off a more modest growth in sales volume"

Amrel, Afcol and Da Gama will be hard pressed to match 1990 earnings growth. But Edgars and Appletiser are set to improve on last year's excellent results while Southern Sun and Lion Match are budgeting for better earnings. Kahn hopes that, despite the difficult retail trading environment, OK will show some earnings improvement — based on better asset management

The confidence of Kahn and chairman Murray Hofmeyr (soon to retire) in a re-



FM 6/7/90 (182)

sumption of strong consumer demand is reflected in the authorisation of an unprecedented R2,09bn capex over the next three years — the lion's share for the beer and beverage divisions Kahn will become executive chairman, remaining group MD

The investment community appears to share the directors' confidence SAB's share price has risen steadily since October and is now 3 925c, slightly below its 12-month high and on a demanding p.e ratio of 17,4

Pam Baskind

SA Breweries hits out at 'unfair' practices

W/K-Argus 7/7/90

(182)

By DICK USHER
Business Staff

SOUTH African Breweries has attacked practices in the liquor industry which, the brewing giant says, discriminate against it

The question of the discrimination faced by beer as opposed to wine and spirits is opened up in the group's annual report

SAB said that excise levies on beer and spirits were increased by about 5 percent in this year's Budget, but natural wine and sorghum beer still carried no excise

Recent announcements indicated that producers and wholesalers would be allowed to maintain and expand their retailing interests

"This must be viewed against the disinvestment forced on SAB's own interests in liquor retailing," said the report

"SAB remains concerned about these, and other discriminatory practices, which are detrimental to the brewing industry and militate against those who form the backbone of the beer-drinking community"

Expanding on these comments, SAB spokesman Mr Adrian Botha said that other practices which the company saw as discriminatory were that licence fees paid by brewers were higher than other participants in the liquor industry and there was also a tax on volume sold

"The rate goes by volume, so the more beer we sell the more tax we pay," said Mr Botha

"Excise duties also discriminate against beer In other countries your excise duties are calculated according to volume of alcohol, so that spirits and wine pay at a higher rate than beer

"But in South Africa, not only is wine exempt but excise on spirits is paid at the same rate as beer"

Beer was also discriminated against in that it could not be sold in groceries or supermarkets but many had licences to sell wine

According to the report, the value of South African Breweries holdings in subsidiaries and associated companies grew nearly 18 percent to R2,1 billion during the year

Chief among these was its 68 percent in Southern Sun Hotel Holdings, valued at R250 million, 65 percent in Edgars Stores, valued at R246 million, 66 percent in Associated Furniture Companies, valued at R155 million and 68 percent in Amalgamated Beverage Industries, valued at R152 million

The beer division once again made the major contribution to group profits and at the attributable earnings level its R320 million contribution was more than half the total of R603 million

Turnover in the division grew 22 percent to R3,2 billion on sales volumes that rose 10 percent to 20,3 million hectolitres

The division also launched an energetic and structured export drive, shipping about 876 000 cases to 30 international markets

Several potential markets are under evaluation by the division for brand development and consolidation

The division was hit by a 10-week strike by Food and Allied Workers' Union members, and several other operations experienced industrial action

Ohlsson's Transkei Brewery took a strike during which the brewery was closed for five weeks

Amalgamated Retail reported that "an unsettled labour scene again underlined the need for effective dialogue with employees and their representatives", Lion Match had "an unsettled industrial relations environment in the latter half of the period" and Da Gama had a three-week strike at its Zwelitsha plant in July

Payments to directors increased 25 percent over the year to R3,45 million.

Empty bottles might hit Pepsi pay-out

SA Times 10/7/90 (182)

Supreme Court Reporter

CLAIMS for return of deposits on bottles and crates held by Western Cape and Free State dealers may decrease the dividend of 6,25 cents in the rand creditors of the liquidated Pepsi Cola (Africa) will receive in terms of a buy-out scheme

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

Mr Millman said Pepsi was placed in liquidation on February 2 It had assets of R4,3m and liabilities of R12,5m Concurrent creditors would therefore receive no dividend. But the Coke offer, if accepted, would leave R250 000 — 6,25 cents in the rand based on claims of R4m — after expenses, costs, fees and preferential claims had been met

But many dealers in the Western Cape and Free State held Pepsi bottles and crates and should claims in respect of deposits be lodged, the 6,25-cent dividend would be decreased.

Mr Millman said it appeared Pepsi had traded at a loss while insolvent.

CAPE TIMES 10/7/90 (182)

Wine union to strike

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

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

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

Other decisions by the committee included a decision to solicit widespread support and to picket at all companies and company subsidiaries locally, nationally and internationally. — Sapa embers of the commission, :h is being chaired by Mr Jus-

vices might result in the death of patients.

Liquor industry feels effects of lock-out

(182) Star 11/7/90

By Brendan Templeton

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

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

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

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

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

Nuwsaw president November Nkosi said its members were determined to continue with the strike until Sawsiea gave into their demands for an across-the-board increase of R40 and 20 days' annual leave for workers with 10 or more years service.

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

This did not mean they had accepted Sawsiea's offer and Nuwsaw called for interpreters to counter-sign any acceptance forms, he said.

Liquor workers set to strike

CAH 7/1F 11/7/90

182

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

An employer offer of a 33% weekly increase, backdated to April 1, for some 4 500 union members expired at 5pm on Monday, Wine and Spirits Manufacturing Employers' Association spokesman Mr Riaan Kruger said yesterday

The employers' body, representing companies like Stellenbosch Farmers' Winery, the Distillers' Corporation, Douglas Green, Gilbeys, Union Wines and Henry, Taylor and Ries, has been locked in dispute with the National Union of Wine, Spirits and Allied Workers for the past six months

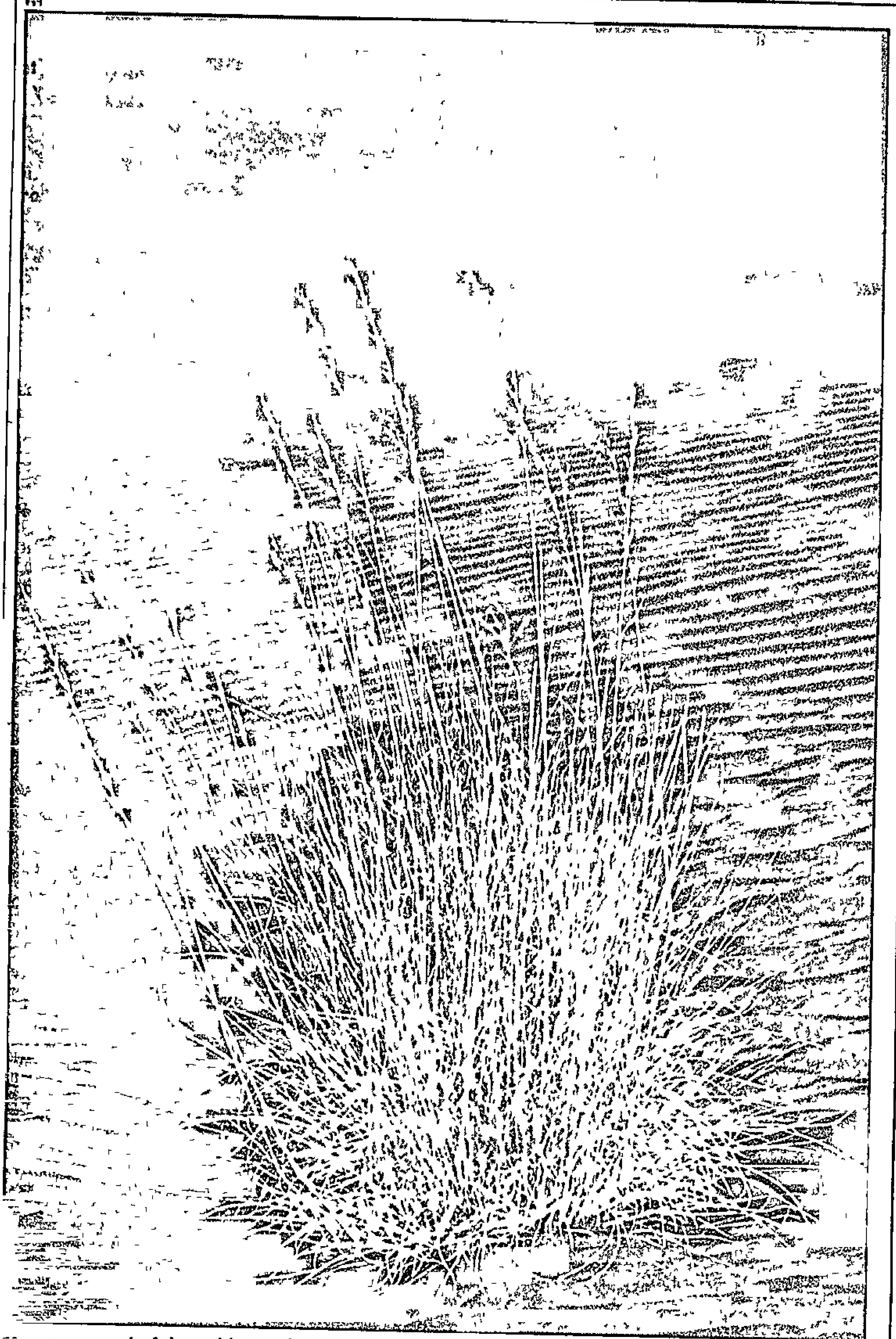
Union members at 83 plants countrywide had started a go-slow strike and overtime ban last Tuesday, with employers responding with a general lockout on Thursday

Mr Kruger said about 1 400 Nuwsaw members had accepted the employers' offer

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

(182) Star 12/7/90

Liquor supplies dwindling



What a wonderful world ... this is the type of photo the judges hope to see entered in the CPL/M-Net "Our Wonderful World" competition. Professional and amateur photographers should submit entries by September 14. Prizes include four-wheel-drive vehicles and safari holidays. For further information, telephone (011) 435-9801. © Picture by Duncan Butchard.

By Brendan Templeton

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

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

SFW was unavailable for comment

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

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

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

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

Two weeks

Boksburg Rebel store reported 90 percent of their stock was not getting through There had been no deliveries over the past two weeks, spokesman Kobus Erasmus said

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

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

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

"Our deliveries are not as regular as I would like We are calling in orders ourselves," store spokesman Quinton Humphries said

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

Big Game Liquor in Springs was happy because they had just received a consignment dropped off by white student workers

Strike spreads to liquor industry

CNL Time 12/7/90

182

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

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

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

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

He said 1 400 Nuwsaw members had accepted the company offer of a R33 weekly increase and had resumed work.

Nuwsaw is demanding a R40 across-the-board weekly increase. The lowest monthly wage earned by union members is R762 — Sapa

Blacks may get control of R350 million beer industry

(182)

Sowetan 12/7/90

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

By JOSHUA RABOROKO

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

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

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

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

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

Board

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

The new board formed consists of consultants director, Mr Mohale Mahanyele, as chairman, former manager of SAB, Mr Sam Mosikili, managing director and members, IDC general manager, Mr Jan de Bruyn, Corporate Image director, Mr Moses Leoka, current adviser to de Villiers, Mr Eugene van Rensberg and Pretoria University School of Management director, Professor M J van Vuuren.

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

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

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

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

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

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

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

LIQUOR INDUSTRY FM 13/7/90.

Three cheers for capitalism

182

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

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

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

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

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

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

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

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

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

[illegible] 13/7/90

Cosatu threatens blanket SAB strike

182

By BRONWYN DAVIDS

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

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

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

Last night, SAB group public relations manager Mr Dunbar Bucknall criticised Cosatu's "confrontational" stance

Severely criticising SAB, Cosatu cited the minimum wages being paid by SAB's companies as being an indictment on the "rich corporation"

SAB threatened with boycott, blanket action

By Brendan Templeton and Sapa

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

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

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

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

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

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

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

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

Cosatu described the minimum wages being paid by OK Bazaars and Southern Suns as an indictment on the "rich corporation".

"If SAB can't afford to pay a living wage, who can?" the umbrella body said

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

Attacks

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

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

"White scab labour is being paid up to three times what our members are paid," Cosatu said, citing the R8,50 an hour being paid to replacement labour at Southern Sun hotels as opposed to regular workers' pay of about R3 an hour.

Details of the programme would be announced next week, Cosatu said

Drenched striker gets axe threat

Cape Times 14/7/90 182

JOHANNESBURG — An East Rand fireman allegedly threatened a shop steward with an axe yesterday shortly after striking workers and a fire they had built were doused with water from high pressure hoses.

The incident occurred outside the strike-hit Stellenbosch Farmers' Winery plant in Wadeville, according to Mr November Nkosi, president of the National Union of Wine, Spirits and Allied Workers.

The drenched workers and up to 700 colleagues were locked out of the factory premises on Thursday.

The national strike, involving 3 800 members, continued into its third day yesterday.

Also in Wadeville, the Distillers Corporation yesterday ordered about 500 strikers off the factory premises.

Meanwhile union officials and management of the Southern Sun/Holiday Inns hotel group are still locked in mediation for the second day in an attempt to end the nine-day-old hotel strike, the SA Commercial, Catering and Allied Workers Union (Saccawu) said yesterday.

And mediation to end the more than month-long strike at OK Bazaars was adjourned on Thursday night until next Thursday.

Negotiations to break deadlocked wage talks and a strike by 10 000 workers in the Frame Group of companies were also continuing yesterday, a spokeswoman for the group's Durban head office said.

Meanwhile Durban's King Edward III Hospital — which was forced to close its doors to emergency surgical cases on Thursday — was operating normally yesterday.

● SA Breweries yesterday said it took offence to a statement by the Congress of South African Trade Unions (Cosatu) on Thursday which said it had earmarked all SAB subsidiaries for a possible consumer boycott to combat the corporation's "racist, union-bashing attitude".

Cosatu also promised a protest programme of demonstrations and marches

Unions set their sights on SA Breweries

Cape Times 14/7/90 (182) (183) (185)

By DICK USHER
Business Staff

SOUTH African Breweries is about to become the second corporate giant targeted for a union campaign.

The campaign, which is likely to be similar to that of the Congress of South African Trade Unions (Cosatu) against Barlow Rand, was set in motion at a meeting of unions involved in SAB or its subsidiaries this week.

It arises out of the current strike wave involving the South African Commercial, Catering and Allied Workers' Union (Saccawu) which has so far affected SAB subsidiaries OK Bazaars and Southern Sun hotels and appears likely to spread to Edgars.

Saccawu spokesman Mr Jeremy Daphne said that in addition to Cosatu affiliates Saccawu, the Food and Allied Workers' Union and the Paper, Printing, Wood and Allied Workers Union, the campaign could potentially involve affiliates of the other major federation, the National Council of Trade Unions (Nactu), and the Federation of Commercial, Retail and Allied Workers (Fedcraw) and possibly the independent National Union of Distributive Workers (Nudaw).

He said Cosatu had been brought into the campaign and was sitting on its structures as a federation and the ANC had indicated its support early in the OK Bazaars strike.

Nactu had indicated general support for the disputes involving Saccawu, as had associated political groupings such as the Pan-Africanist Congress.

Mr Daphne said some initial planning had been done at this week's meeting which would be continued next week when it was hoped to reach finality.

"It is likely that there will be a high degree of interaction with the community and a lot of involvement is placed on community involvement," he said.

He also said that an SAB shop stewards council would be revived.

This had been set up after training courses for SAB shop stewards were conducted by the International Union of Food and Allied Workers Association about two years ago.

Industrial relations analysts, asked about Sacawu allegations of poor management style by SAB and its associates, said the group had a reputation for power-based bargaining rather than bargaining based on information and trust.

Watering holes run dry as liquor strike starts to bite

Star 14/7/90 (182)

BRENDAN TEMPLETON

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

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

Capacities

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

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

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

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

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

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

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

Go-slow

The liquor strike started last Monday with a go-slow and overtime ban by about 5 400 members of the National Union of Wine, Spirits and Allied Workers (Nuwsaw), who demanded a R40 a week across-the-board increase. They went into a full strike on Wednesday when talks with employers failed to take place last weekend

Yesterday Distillers Corporation withdrew permission for striking workers to be at certain points on their Germiston premises.

20 000 SAB group workers on strike

C/Press 18/7/90

By CONNIE MOLUSI (182)

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

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

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

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

"They are also adopting aggressive, intransigent and union-bashing approaches to disputes."

SAB group public affairs spokesman Dunbar Bucknall said SAB noted with regret the Cosatu statement, which had to be viewed in the context of the current volatile industrial relations environment. "Nevertheless, we consider the tone confrontational."

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

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

Political comment and newsbills by K Sibiya, headlines and sub-editing by K Naidoo, both of 2 Herb Street, New Doornfontein, Johannesburg.

Response to floor awaited

ROBERT GENTLE

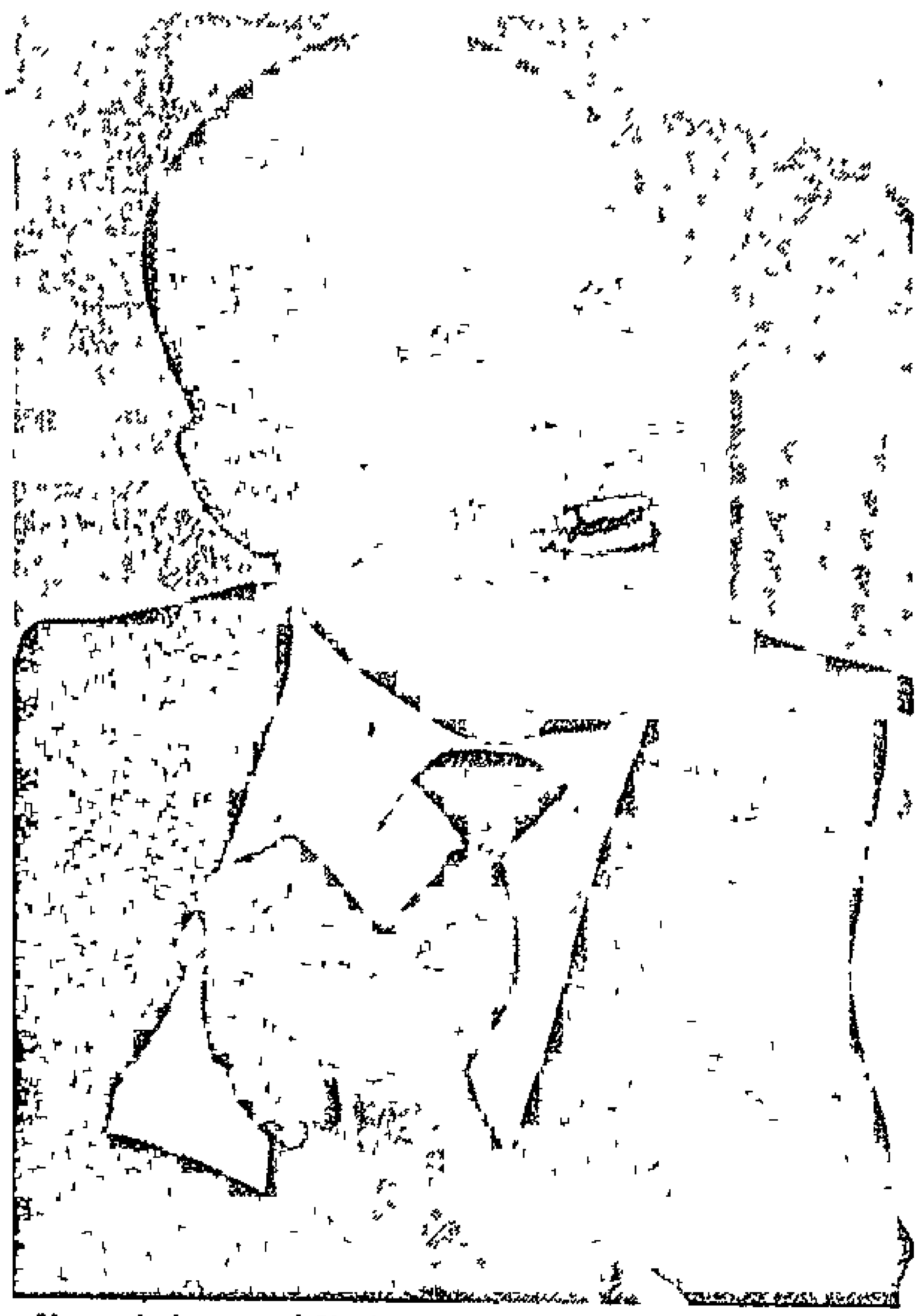
THE number of users of the controversial R3,3m gilts and futures trading floor in the JSE annexe will only be known tomorrow, after floor managers Floorco decided on Friday to extend the offer deadline

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

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

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

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



New chairman of National Sorghum Breweries, Mohale Mahanyele. Picture CATHERINE ROSS

(182)

'Blacks need a stake'

ACHMED KARIEM

BUSINESS could learn from the sorghum industry how to offer blacks a meaningful stake in the running of the economy, newly appointed chairman of National Sorghum Breweries (NSB) Mohale Mahanyele said on Friday. 6 Rpt 16/7/90

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

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

Mahanyele said a wide range of interest groups — consumers, investors, employees and management — was being consulted with regard to the industry

"Various exercises are being undertaken at present and consultation over a broad spectrum of interest groups is taking place to determine the most effective and acceptable way of transferring this industry to the black community," said Mahanyele

However, before such a transfer could take place, it was vital to first restructure the industry financially

The 3 000 employees would be given a significant stake in the industry, and plans for a listing on the JSE were in the pipeline once this became a viable option, perhaps within three years.

"The estimated worth of NSB is at best inaccurate, and financial exercises are being undertaken to determine its real worth," Mahanyele said.

He said more blacks should be given the opportunity to own and control the economy, and the means had to be found to make this a reality

"Very often the issue of education and experience is raised. However, the truth is that opportunities are denied Educating the entire black population cannot make them owners and controllers — it must go along with opportunity.

"I am optimistic government and the ANC are committed to a democratic future for SA The longer we wait the more complex the problems will become"

Nationalisation

White business had to alter its attitude towards blacks as stake holders and controllers of the economy

Mahanyele said he felt strongly sympathetic towards calls for nationalisation, although it was impractical as an economic concept

"I believe the clamour for nationalisation is a result of the absence of blacks as stakeholders and part of management The issue is not nationalisation per se but whether blacks are given opportunities to control"

gems open

182

Star 18/7/90

Cheers to the new beer on the brew

With its source in the unlikely setting of Knysna, a trend is brewing that will bring cheer to beer drinkers around the country

"Micro-breweries", making ales and lagers on a small scale for sale mainly in local taverns and bottle stores, are getting into production in converted warehouses and cellars as far afield as Cape Town, Johannesburg, Nelspruit and Grabouw

Now it is the turn of Durban, where two business partners are investing about R1 million in a brewing venture at the bottom end of Point Road In a turn-of-the-century workshop which they are negotiating to lease from Portnet, the harbour authority, they aim to establish a small brew-house, with a restaurant in a separate part of the building

For Rob Mitchell, owner of the Woodcutters restaurant chain in Durban, and his partner in the brewing venture, Derryck Myers, the story began in 1984 in the town of Knysna That year, SA Breweries brewer Lex Mitchell (no relation of Rob Mitchell) produced his first 2 000 litres of commercial brew

It achieved unprecedented success, and franchised Mitchell's Breweries have since sprung up on the Cape Town waterfront and in Nelspruit

Another independent brewer, Venture Capital Market-listed Rico Breweries, is reported to be about to start production near Pretoria and at Grabouw, while Johannesburg has Our Brewery and Gold Reef City Brewery

Rob Mitchell's association with Mitchell's Brewery at Knysna arose when he was looking for an alternative brew to SAB's standard brands to extend the range in his three eating houses

"Micro-breweries", making ales and lagers on a small scale for sale mainly in local taverns and bottle stores, are getting into production in converted warehouses and cellars as far afield as Cape Town, Johannesburg, Nelspruit and Grabouw.

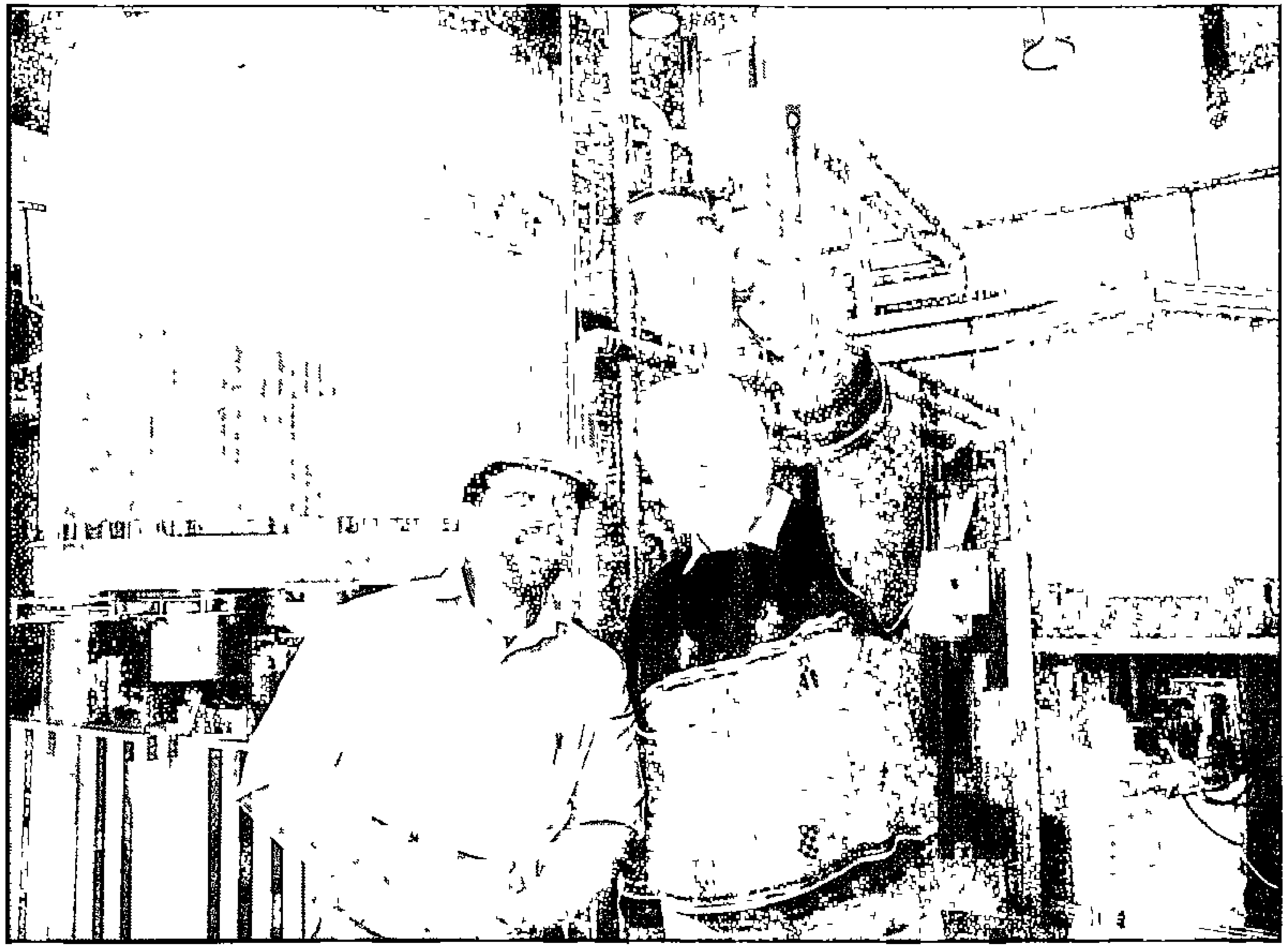
"We initially only planned to sell Forester's Draught, from kegs shipped in from Cape Town, at Woodcutters," he says

"But the response was amazing and about six months ago we secured the rights to brew in Natal. Our contract is identical to that of the Cape Town franchise, that is, that the product is made under licence to Lex in terms of which he personally is responsible for quality control and manufacturing technique"

As with Mitchell's Waterfront Brewery in Cape Town, a sample from every 3 000-litre brew made in the first three months at the Durban operation, which has yet to be given a name, will be sent to Knysna for Lex Mitchell to sample

"We are aiming at producing between 40 000 and 60 000 litres a month within a year of starting, and we anticipate that we will break even within that period," says Mr Myers

The Durban partners are to start a survey of hotels, eating establishments and suitable bottle stores in August to find further avenues through which to sell their brew, which will initially be packaged in 2 litre bottles All Mitchell's beers are likely to switch to 1 litre bottles before long, they add



Brewer Jock Park (right) and assistant Jacob Mthembu admire the beer from Gold Reef City Brewery, one of an increasing number of "micro-breweries" in South Africa
Picture by Etienne Rothbart.

Mr Mitchell and Mr Myers believe there is a healthy market for alternative beer, despite the fact that they will retail about 15 percent above the price of SA Breweries' brands They feel, like Lex Mitchell, that the beer giant will not be hostile to new entrants

"We operate on a minute scale by comparison to Breweries I think they regard good beer as beneficial for the entire beer market, they might object to a brewer giving beer a bad name by making a bad product, but Mitchell's has established a good reputation," says Mr Mitchell

The budding Durban brewers will obtain the bulk of the flavour-generating hops from Czechoslovakia and West Germany, via Knysna, although some will be bought from farmers around George

Barley to make malt is grown in this country

Mitchell's beers, unlike mainstream brands, are not pasteurised or filtered, resulting in a shorter shelf-life but, according to devotees, more character

Some cloudiness occurs when the beer is stored at room temperature for more than a week, but that, Lex Mitchell maintains, is caused simply by yeast sedimentation, a natural occurence which does not affect taste

Derryck Myers, who will control Mitchell's in Durban, says he will initially produce only two of the Knysna brands, Forester's and Bosun's Bitter

Milkwood Mild is on the cards for the future, but he doubts whether there will be much demand in subtropical Durban for Raven Stout, an aromatic black beer drunk off the shelf Time will tell

DES PARKER

Cape Times 19/7/90

Liquor strikers call for boycott

TALKS between striking wine industry workers and the Wine and Spirit Industry Employers' Association ground to a halt yesterday when a wage dispute could not be resolved

The 3 800 strikers, represented by the National Union of Wine, Spirits and Allied Workers (Nuwsaw), urged consumers to boycott their employers' products

British and European trade unions have indicated support, said Nuwsaw spokesman Mr William Makhunga

Peaceful

The parties are still deadlocked over union demands for a R40 weekly increase Employers have offered R33

A legal march will be held in Stellenbosch tomorrow to highlight demands

Employers' Association spokesman Mr Riaan Kruger said the parties agreed only on the following points That industrial action be conducted in a peaceful manner and that "victimisation, intimidation, harassment or violence be rejected"

● Early yesterday, some 300 striking hotel workers marched about 12km in pelting rain from the Newlands Sun hotel to the city centre and back to the Holiday Inn in Woodstock, a Commercial, Catering and Allied Workers' Union spokesman said

About 6 000 Saccawu members are embroiled in a three-week wage dispute with Southern Sun/Holiday Inns

● In Johannesburg, police detained four of the 11 mineworkers injured in a clash with security at St Helena Gold Mine in Welkom on Tuesday, a union spokesman said

A mine spokesman rejected claims that the company had dismissed half of its workforce The number was less than 10% after "repeated stoppages" — Staff Reporter and Sapa

Liquor industry boycott threat

Labour Reporter NRCW 19/7/90

THREATS of a nationwide consumer boycott have hit the strike-torn liquor industry after a failed attempt to resolve a wage dispute

Talks between the National Union of Wine, Spirit and Allied Workers' Union and the South African Wine and Spirit Industry Employers ended in a deadlock late yesterday afternoon, according to union spokesman Mr William Makhunga

More than 3 500 workers — including 664 in the Western Cape, 1 420 in the Transvaal and 1 000 in the Free State and Eastern Cape — on strike since July 11, are demanding a weekly increase of R40 each The employers are offering R33.

About 10 000 employees would benefit from any increase gained

A consumer boycott of the the six strike-related companies — Stellenbosch Farmers' Winery, Distillers Corporation, Union Wine, Gilbeys, Douglas Green and Henry, Taylor and Ries — began in Stellenbosch on Monday and the union warned that it would spread to Cape Town and other parts of the country if the dispute remained unresolved

According to Mr Makhunga about 1 500 union and community members will go ahead with a march through the streets of Stellenbosch on Friday to hand over a list of demands to each of the six companies affected by the strike.

The union also demands 22 days' annual leave for workers with more than 10 years' service.

Although major Western Cape liquor outlets have not yet been affected by the strike, most liquor stores on the Reef have experienced problems and smaller liquor outlets were expected to run into severe problems

Pick 'n Pay's senior buyer in Johannesburg, Mr Geoff Kahn, said demand was exceeding supply and all retailers and bottle stores had problems because of erratic deliveries

National boycott likely against liquor companies

CAPE TIMES 20/7/90

WHILE the two-week-long Checkers wage strike appeared to be over after marathon negotiations last night, six strike-hit Cape liquor companies could face a national consumer boycott unless wage demands are met

Observers have also warned of an increasingly volatile situation in the Western Cape engineering sector Annual wage negotiations have come to a halt and legal strike action could follow, according to the employers' association, Seifsa

Yesterday the National Union of Wine, Spirits and Allied Workers (Nuswaw) said Stellenbosch Farmers' Winery, Distillers Corporation, Union Wine, Douglas Green, Gilbeys and Henry, Taylor and Ries could face the boycott after talks with management failed yesterday

More than 3 800 workers in the Western Cape, Boland and Transvaal have been on strike for a R40 a week increase since last Wednesday

After nearly 20 hours of negotiation, Checkers announced last night that all full-time employees would receive a backdated R140 a month wage increase, bringing the minimum wage to R770 a month Union members would receive a 12% discount on purchases to the value of R375 a month

The strike by 9 500 workers at 161 stores began two weeks ago

- About 300 health workers are on strike at the J G Strydom hospital in Johannesburg The workers have complained of working conditions
- Interns at Durban's King Edward VIII Hospital yesterday pledged not to discontinue their protest action until concrete action was announced by National Health Minister Mrs Rina Venter — Sapa

Soft drinks may be in short supply

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Star 20/7/90

By Brendan Templeton

Soft drinks in the Johannesburg area may be in short supply at cafes and small stores due to a work stoppage at the Coca Cola main bottling plant in Benrose.

Personnel manager Rudi Bosch said supplies were disrupted after drivers complained they were being intimidated not to deliver to strike-hit supermarkets.

The stoppage began last Tuesday when drivers refused to work.

Deliveries are being continued by part-time crews.

Food and Allied Workers' Union spokesman Ernest Buthelezi said workers were being intimidated by management and "unknown workers".

The resultant stoppage was a result of the intimidation and solidarity with a request by Cosatu that workers at all SA Breweries subsidiaries take sympathy action to pressurise the umbrella company to accept striking workers' demands at Southern Sun and OK Bazaars, he said.

NM 20/7/90 182

Liquor industry strike could spread to KWV

Labour Reporter

ABOUT one thousand employees at KWV in Paarl may join nearly 4 000 workers striking at six companies in the wine and spirits industry, the National Union of Wine, Spirits and Allied Workers has warned

This follows a failed attempt this week to resolve a wage dispute between the union and the SA Wine and Spirit Industry Employers' Association.

The union has threatened that the consumer boycott of the six strike-related companies — Stellenbosch Farmers' Winery, Union Wine, Distillers Corporation, Douglas Green, Gilbeys and Henry, Taylor and Ries — which began in Stellenbosch on Monday would spread throughout the country if the dispute remained unresolved

The strike, which began on July 11, followed a national lock-out of workers not accepting the final wage offer increase of R33 a week. Strikers are demanding R40.

According to union spokesman Mr William Makhunga the union was in the process of negotiating with KWV — the co-operative winegrowers' association representing 5 000 farmers.

"KWV will also face a strike, involving about 1 000 workers, if the union and the company do not reach a settlement and the union has instructed its lawyers to apply for a conciliation board hearing," Mr Makhunga said.

KWV spokesman Mr Theo Pegel said the company — which was not affiliated to the employers' association — and the union had been "successfully" negotiating for four years "with positive results for both parties".

"The current round of annual wage negotiations are still in progress and I cannot comment on possible labour action by union members," Mr Pegel said.

About 1 500 union and community members have been granted magisterial and municipal permission to march through Stellenbosch today to hand over a list of demands to each of the six companies involved in the strike.

Although major Western Cape liquor outlets have not yet been severely affected by the strike, most liquor stores on the Reef have experienced problems.

Union threatens boycott of alcohol

TRACY MELASS

THE National Union of Wine, Spirits and Allied Workers (Nuwsaw) is poised to call for a consumer boycott after failing to resolve wage disputes with the SA Wine and Spirit Industry Employers' Association.

The proposed boycott is aimed at the products of Stellenbosch Farmers' Winery, Distillers Corporation, Gilbeys, Douglas Green of Paarl, Union Wine and Henry Taylor & Ries. B 10 cy 2017190

Nuwsaw president November Nkosi said yesterday that when the boycott was called there would be "a total boycott of 99,5% in the African communities".

He said a union representative would be sent to European countries to campaign for support if the strike continued

Wine and Spirit Industry Employers' Association spokesman Riaan Kruger yesterday declined to comment on the issue, saying it was too early for a response.

Consensus was reached on the issue of victimisation and intimidation, however."We have publicly agreed that industrial action will be conducted in a peaceful manner. Violence and harassment has been strongly condemned." 182

He said "This stance has been communicated to individual companies whose responsibility it is to inform union members not to involve themselves in any victimisation."

"The Employers' Association reserves the right to take legal action against anyone found guilty of not complying with this agreement."

Sorghum brewers next to be sold

STAR 22/7/90

By DON ROBERTSON

THE multimillion-rand sorghum beer industry will be the next large Government-owned business to be privatised, probably within a few months.

The industry's assets and liabilities have been transferred from the Industrial Development Corporation (IDC) to National Sorghum Breweries (NSB) and a new board has been formed

The IDC took over sorghum beer's assets and management at the Government's request in April 1987 to prepare it for privatisation.

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Ideal

The IDC said in its report for the year to June last year that all assets and liabilities in the industry had been identified and the take-over values had been agreed with provincial administrations

"Privatisation can, therefore, proceed as soon as the State has finalised the conditions on which the industry is to be offered to interested parties".

The first move is the transfer of management to NSB The new chairman is Mohale Mahanyele and the managing director is Sam Mosikili Other members of the board are J de Bruyn, M Leoka, E T J van Rensburg and M J C van Vuuren

Public Enterprises Minister Dawie de Villiers says privatisation of sorghum brewing is an ideal opportunity not only for blacks to be directly involved in large and profitable business, but for a genuine partnership between community interests and the workers

"It is only logical that the control and ownership of the sorghum beer industry, whose customer base comprises solely blacks, should rest with those communities"

The State is awaiting guidelines from the new board and interested groups are being consulted

First results from NSB are expected within a month.

Brewery has major losses

LINDEN BIRNS 182

LOSSES totalling more than R4m were recorded by Windhoek-based South West Breweries Ltd (SWB) during their past trading year B/Day 5/11/90

Despite a 25% increase in turnover, the company's losses after tax rose from R349 000 to R4,3m in the trading year ending January 31 1990.

SWB's annual report reflected a pre-tax and pre-interest profit drop from R8,815m to R8,623m for the pasttrading year.

Suncrush, ABI provide some zest

Star 24/7/90 (182)

Diagonal Street

Jabulani Sikhakhane

Companies in the carbonated soft drink market are attracting good demand as investors begin to appreciate the value of the sector as one of the few recession-proof industries.

Analysts say some institutional investors have been switching from other sectors into the hotel, beverage and leisure sector, more particularly into Amalgamated Beverage Industries (ABI) and Suncrush.

The two are of interest because of the near-monopoly situation existing in the carbonated soft drinks market.

Franchise-holders operate in separate parts of the country, with strictly limited geographic spread. This means companies can devote more resources to marketing (so increasing the overall size of their market), rather than fighting off competition.

The industry seems to be benefiting from strong growth in the informal sector with its runners and sphaza shops ensuring volume growth well in excess of the conventional cafe market.

Syd Vianello of brokers Ed Hern Rudoplh believes the market is a licence to print money.

One of the fastest growing, it is dominated by leading brands in the Coca Cola and Sparletta ranges.

Among other positive influences have been better weather over key summer months, improved effectiveness in distribution and mushrooming townships, where informal distribution channels are important.

Although Suncrush has over the years generated better trading margins, investors seem to be giving ABI a better rating.

Since mid-March, ABI has risen by 61,53 percent to a 12-month high of R10,50, giving the share a P/E rating of 24,1 times (sector average: 16,8).

Suncrush has, over the same period, risen by 30,76 percent to peak at R170 and has a P/E of 17,3.

Analysts note that another positive factor for ABI and Suncrush is that their shares are tightly held.

ABI is 68 percent controlled by SA Breweries. Cadbury Schweppes owns 19 percent, with the remaining 13 percent of the issued share capital in the hands of the public.

ABI managing director Alex Reid said yesterday that some institutional investors had recently been showing keen interest.

Because shares are tightly held, they had to push up the price to get any stock.

Mr Reid said that of the 7 000 individuals (employees and dealers) who took up the offer of shares in 1987, 5 454 still held them at year-end.

Possibilities are that most of the shares traded on the market recently could have come from these investors.

Compared with the 100c that dealers and employees paid in 1987, their investment has soared by 950 percent

Suncrush is also tightly held, with only 2,713 million shares in issue. At June 1989, Dalys owned 50,22 percent and Insurance companies (SA Mutual and Sanlam) owned 21,48 percent.

Mr Vianello says because of the different pricing in the Sparletta and Coca Cola ranges, Suncrush has enjoyed better trading margins.

Suncrush controls the Sparletta franchise in the Durban/Pietermaritzburg region — the fastest growing area in the country.

It has the Coca Cola franchise in the Vereeniging, Klerksdorp and Rustenburg areas, which are high-growth areas because of the mining industry.

Suncrush is, at its current price, trading on a huge premium to its net asset value.

At the interim stage, it had a NAV of R46,12c. Mr Vianello says Suncrush is highly profitable and that investors are prepared to pay the high premium because of the hidden asset called goodwill.

He forecasts that Suncrush will show at least a 20 percent growth in earnings for the year to June 1990.

Union challenge to SFW

CAH-7/1/4/13 25/7/90 182

NEARLY 4 000 striking workers in the wine industry plan to challenge Stellenbosch Farmers' Winery in the Industrial Court over "compulsory overtime"

Mr William Makhunga, a Stellenbosch-based official of the National Union of Wine, Spirits and Allied Workers, said yesterday that the dispute over working hours follows a union-imposed overtime ban in March. The company expected workers to work overtime when asked, while the union believed overtime to be voluntary, he said.

In September last year the Appeal Court ruled that workers had the common-law right to refuse to do overtime.

Mr Makhunga said there was no sign of settlement in the 13-day countrywide strike by his union over wages and conditions of service.

● In Parow, meanwhile, the strike by municipal workers is spreading, says town clerk Mr H Carstens.

He said yesterday that the strike now involved more than 100 workers and had spread to the parks and town engineer's departments.

● And in Paarl about 180 striking workers at an engineering plant, Satchwell Controls, were locked out of the factory premises yesterday during a day-old legal strike over wages and conditions of service.

● More than 7 000 toyi-toyi-ing railway workers brought Johannesburg's city centre to a standstill yesterday morning when they marched on Transnet head offices to submit a memorandum of demands.

The march was organised by the South African Railway and Harbour Workers' Union (Sarhwu) to show workers' rejection of Transnet's R700 minimum wage offer.

The union said it dropped its demand from R1 500 to R1 000, but management did not shift from its initial offer. — Sapa

69 liquor strikers held during three-week action

RDM 27/7/80

By SHARON SOROUR
Labour Reporter

SIXTY-NINE strikers have been arrested since the start of the three-week industrial action by 3 800 liquor industry employees.

The most recent arrest took place in Wadeville, Germiston, on Wednesday when a striker was allegedly detained by police near the Distillers Corporation plant, the president of the National Union of Wine, Spirits and Allied Workers' Union (Nuwsaw), Mr November Nkosi, told Sapa

Distillers Corporation and five other companies — Stellenbosch Farmers' Winery, Douglas Green, Henry, Taylor and Ries, Gilbeys and Union Wine — have been affected by the strike.

Refused offer

In the Western Cape, 664 workers as well as nearly 1 500 in the Transvaal and 1 000 in the Free State and Eastern Cape have refused a R33-a-week increase offer from the SA Wine and Spirit Industry Employers' Association.

Nuwsaw is demanding an across-the-board weekly increase of R40.

Mr Nkosi said nine Nuwsaw members were arrested at the Union Wine depot in Douglas this week, while 60 — 47 in Stellenbosch and 13 in Port Elizabeth — were arrested and released during the first week of the strike.

While liquor distribution and supplies have not been affected in the Western Cape, most liquor outlets on the Reef are experiencing problems.

This week the union called for a nationwide boycott of products of the six companies and threatened that about 1 000 workers at KWV in Paarl would join the strike if its demands were not met.

However, Employers' Association spokesman Mr Riaan Kruger said the effects of the boycott, which started in Stellenbosch, had not yet been felt.

The first round of talks between the association and the union failed to resolve the dispute last week.

No arrangements for further negotiations had been made.

Looking cool in the soft drink sector

W/C ARGUS 28/7/90

(182)

JOHANNESBURG — Companies in the carbonated soft drink market are attracting good demand as investors begin to appreciate the value of the sector as one of the few recession-proof industries.

Analysts say some institutions have been switching into the hotel, beverage and leisure sector, more particularly into Amalgamated Beverage Industries (ABI) and Suncrush

The two are of interest because of the near-monopoly situation in the market

Franchise-holders operate in separate parts of the country, with strictly limited geographic spread This means companies can devote more resources to marketing (so increasing the overall size of their market), rather than fighting off competition

The industry seems to be benefiting from strong growth in the informal sector with its runners and sphaza shops ensuring volume growth well in excess of the conventional cafe market

Mr Syd Vianello of brokers Ed Hern Rudoplh believes the market is a licence to print money

One of the fastest growing, it is dominated by leading brands in the Coca-Cola and Sparletta ranges

Among other positive influences have been better weather over key summer months, improved effectiveness in distribution and mushrooming townships, where informal distribution channels are important

Since mid-March, ABI has risen by 61,53 percent to a 12-month high of R10,50, giving the share a P/E rating of 24,1 times (sector average 16,8)

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Analysts note that another positive factor for ABI and Suncrush is that their shares are tightly held

ABI is 68 percent controlled by SA Breweries, Cadbury Schweppes owns 19 percent, with the remaining 13 percent of the issued share capital in the hands of the public

ABI managing director Mr Alex Reid said that some institutional investors had recently been showing keen interest

Because shares are tightly held, they had to push up the price to get any stock

Suncrush is also tightly held, with only 2,713 million shares in issue At June 1989, Dalys owned 50,22 percent and insurance companies (SA Mutual and Sanlam) owned 21,48 percent

Suncrush is, at its current price, trading on a huge premium to its net asset value.

At the interim stage, it had a NAV of R46,12c Mr Vianello says Suncrush is highly profitable and that investors are prepared to pay the high premium because of the hidden asset called goodwill

He forecasts that Suncrush will show at least a 20 percent growth in earnings for the year to June 1990

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Montsi resigns

Cape Times 28/7/90

'Realist' looks to consultant business

182 108 130 153A

By AUDREY D'ANGELO
Business Editor

SAM MONTSI, GM of the beer division of SA Breweries in the Western Cape for the past three years, has resigned to set up in business as a consultant

As director of Montsi & Associates, with offices in Incholm Place, Gardens, he plans to act as a facilitator in the setting up of partnerships and joint ventures between black and white business people

He will be working closely with the Small Business Development Corporation (SBDC) whose Western Cape regional manager, Wolfgang Thomas, recently stressed the need for more black entrepreneurs to be seen to succeed in the formal sector

Interviewed in his office at the SAB headquarters in Newlands yesterday, Montsi admitted to being excited "and a little nervous" at resigning from one of the top jobs in the Western Cape to start up on his own

"But I have done it before," he said cheerfully "I prefer to work for myself"

He was MD of the Lesotho Development Corporation when he resigned in 1982 to set up Maseru-based MB Consulting, which mainly offers feasibility studies and surveys for products and industries in nine countries belonging to the Southern African Development Co-ordinating Council (SADCC)

The main object of his work then was to help make these countries less dependent, economically, on SA But, with apartheid disappearing, Montsi is likely in the future to play a part in developing Southern Africa as an economic region in which SA will play a leading part

"I am a realist," he said "Things are changing and it does not make sense for the other countries in Southern Africa to live apart from SA

"The SADCC countries want, now, to engage with SA They realise that SA is the engine to power development in the whole region"

It was as a result of contacts with SAB made when he was MD of the Lesotho Development Corporation that Montsi was approached in 1987 and offered the job of GM of the beer division in the Western Cape

"I told them that I would give it three years, to broaden my perceptions and gain the experience of working for a large corporation, but that then I would go back to working for myself"

He believes he has "gained a lot — and hopefully contributed something Now I am ready to move"

His appointment surprised some people in the Western Cape, but Montsi — who disapproves strongly of the practice some companies have followed in the past of appointing "token" blacks to managerial positions without real responsibility — says things are changing

"More SA companies, especially the large groups, have realised that they cannot rely on white people for managerial and technical staff because the numbers are not there The days are gone when it was easy to attract expertise from England and America

"This is not due only to political perceptions — which are changing — but because the European economies are doing very much better than ours These people are needed in their own economies and can earn more there

"And more SA companies are realising that it is only fair to give their own people a chance"

Montsi said the visible success of black managers would have an impact on the thinking of people in the townships "One of the tragedies of SA has been that, because of Verwoerdian thinking, some blacks were also convinced that they would not be able to develop the ability to take over some jobs"

He is optimistic about the future of SA and convinced that, in spite of black-white polarisation and fighting between extremists, most people in this country are in the middle ground "That is why I have not gone back to Lesotho or anywhere else, but have bought a house in Cape Town and am opening an office here"

But he stresses the importance of training blacks for a fair share of the top jobs to avoid the mistakes and disasters of "Africanisation" — with inexperienced people given responsibilities for which they were not ready — which have occurred in some other countries

"White graduates will still have good prospects in this country There will be no need for them to feel that they must leave to have successful careers"

But he believes it is vital that, when a new government comes to power, it finds that business is already racially integrated

Premier closing the gap on Tiger

Star 31/7/90

Diagonal Street

ANN CROTTY

Premier is rapidly losing its status as poor cousin to Tiger. After years of suffering a rating far below Tiger, Premier is now trading comfortably close to its arch rival.

Much of this is due to the sharp rerating of the Premier share following management's decision to hive off the SAB interests into a separate Bevcon listing — there's also been a slight slide in Tiger's rating

Frankel Kruger analyst, Teigue Payne points out that in May '89, shortly after the financial '89 figures were released Premier (which then included the SAB stake) was trading at R36 Today Premier is trading at R22 and Bevcon is at R51 for a combined R73 representing a 103 percent surge in the market's valuation of the old Premier share.

Other factors have helped to enhance the Premier rating — the market's perception of an improved food portfolio; good results for financial 1990 and; a reasonably strong outlook for the current financial year. In addition Premier is currently seen to be enjoying a relatively smooth ride with the trade unions.

Last year's controversial decision to treat the group's 50 percent stake in Bonny Bird Farms as an investment and not as an associate did help to improve the income statement and the balance sheet. The changed treatment will also help the current year's figures.

The group's favourable industrial relations record is regarded by some as a legacy of the days when Mr Tony Bloom was at the helm. But given the very volatile nature of SA's industrial relations, Mr Bloom's legacy could only be of benefit if the current management team maintained it.

Chief executive Peter Wrighton says that they are continuing to work very hard on the industrial relations front.

On the food front the group announced this morning the acquisition of Atlantic Fishing Enterprises, which is involved in the rock lobster market. No details of size were provided but as the company has around 650 employees and its acquisition is expected to improve Premier's earnings marginally in the current financial year, it must be of some reasonable size.

The vendor was paid in Premier shares, some of which made their way into the market last Friday when R5,8 million of shares were traded.

The acquisition of this high margin activity will lift the group's relatively low exposure to the fishing industry.

Premier's state of the art milling and baking facilities will be of benefit in a deregulated environment as it means Premier will be well placed to fight for market share on price considerations. Mr Wrigton expresses concern on this front noting that some measures will have to be taken to protect the underprivileged from the double whammy of the removal of the bread subsidy and the introduction of VAT on bread.

Edible oils remains the problem area.

Mr Wrighton is targeting real earnings growth for financial '91 He points out that they are on target for the first quarter which was a tough one with a weak economy dogged by strikes, stay aways and, political upheavals.

COMPANIES

Soft drink companies add sparkle to sector

BDay 2/8/90

(182)

MERVYN HARRIS

SHARES of soft drink companies have given a fizz to the beverage and leisure sector on the JSE industrial board

The rise in recent weeks of Amalgamated Beverage Industries (ABI) — bottlers of Coca Cola, Sparletta and Suncrush — means that almost a third of the 21 ordinary shares in the sector have now made gains of more than 50% over the past year

As ABI came off the boil last week to ease from its peak of R11,50 to R11 — a rise of 80% over the past year — Suncrush swept to a new high of R175, representing a gain of 75% over the past year, and the shares are poised to move to higher ground

Dealers reported the shares were unobtainable at the present price and the next sale could be near the current sellers price of R190

New sparkle has been injected into the sector this week with the debut of M-Net, which generated most of the excitement on the market yesterday The shares opened at a premium of 20% on the issue price of 100c and rapidly rose to 130c

Moreover, sector leader SA Breweries reached new heights yesterday when the shares broke unchartered ground by rising 60c to R41,60, representing a gain of 63% over the year At the current price, the shares are on an historical dividend yield of 2,4% and a price-earnings ratio of 18,3

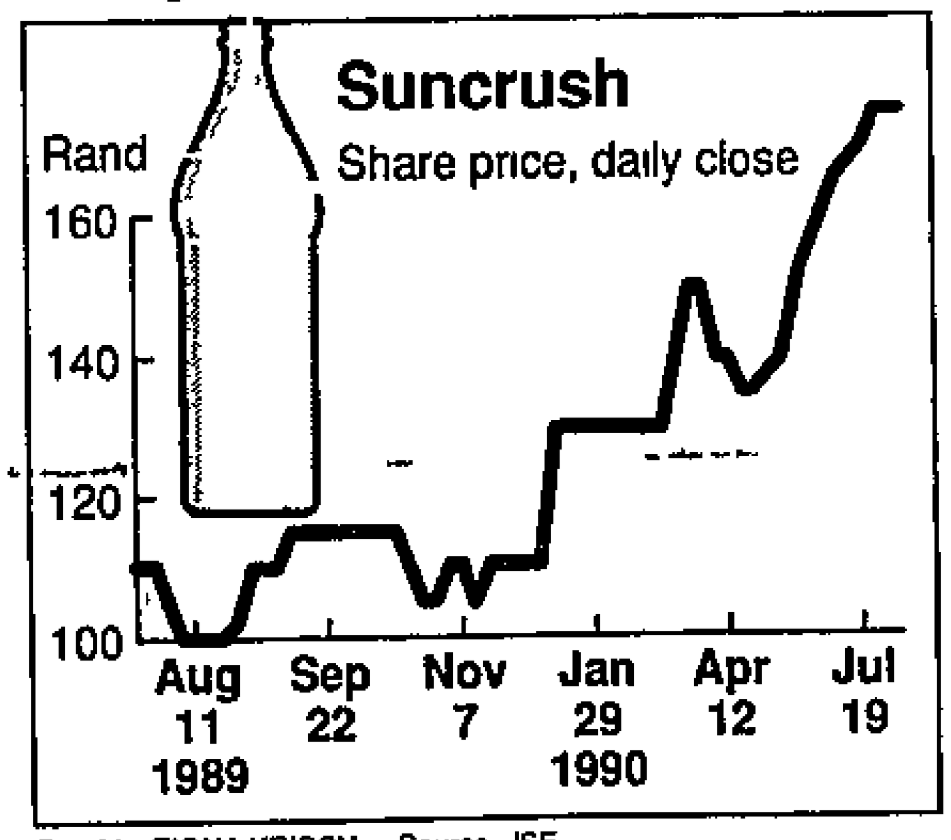
In its wake, Beverage and Consumer Industry Holdings (Bevcon), which derives its income from its holding in SA Breweries, seems set to move up 100c to R52, representing a gain of 73% over the past year.

Three other shares which are tightly held and seldom traded — Distillers Corporation, KWV Beleggings, and Stellenbosch Farmer's Winery Group — also popped into the limelight this week as they featured in large bookover deals on two successive days

Distillers is off its March peak of 420c, but at 360c the shares are still showing a gain of almost 90% over the past year. The shares were well bid yesterday at the ruling price

Topping a good week for the sector has been the comeback of Sun International (Bophuthatswana) which fell out of favour with investors because of unrest in Bophuthatswana after the shares made the largest price gain on the market last year

The shares slumped from a peak of R28 to the R15 level but were back at R20 this week on expectations of good results



Graphic FIONA KRISCH Source JSE

Liquor strike drags into fourth week

ARGUS 2/8/90

182

Labour Reporter

AS South Africa's longest and largest liqour industry strike drags into its fourth week no plans are in the pipeline to resolve the dispute.

The strike, by about 3 800 members of the National Union of Wine, Spirits and Allied Workers, has affected six companies — Stellenbosch Farmers' Winery, Douglas Green, Henry Taylor and Ries, Union Wine, Distillers Corporation and Gilbeys.

The workers, on strike since July 11, are demanding a R40 weekly wage increase. The SA Wine and Spirit Industry Employers' Association is offering R33.

Association spokesman Mr Charlie Hoeflich said yesterday neither party had made any move to settle.

"It's very quiet and there have been no incidents".

The first round of talks to resolve the dispute failed but both parties committed themselves to handle the industrial action peacefully.

"BALL IN THEIR COURT"

Union spokesman Mr William Makhunga accused employers of not being interested in settling the strike action.

"The ball is in their court. We are prepared to meet with employers if they are prepared to reconsider their position and settle the matter.

"Unfortunately they do not seem to be interested in settling. They prefer to pretend they are not losing anything."

The union has called for a nationwide consumer boycott of the six companies' products and has threatened that about 5 000 workers at KWV in Paarl will join the strike if demands are not met.

The association has repeatedly claimed that the effects of the boycott have not been felt.

F M 3/8/90

WINE INDUSTRY Viticulture + wine

Caveat emptor (182)

The big wine wholesalers thought they were getting rid of a pesky irritant when a regulation that discontinued the use of gold neckbands on wine bottles to signify superior quality went into effect on July 1

But now the small wine producers, who relied heavily on the gold seal of approval, are apparently plotting a counter-attack They say they are "planning something that will help us fight back." For now, however, they won't comment on reports that they're considering establishing an independent wine testing and grading authority

Small producers believe the big wholesalers persuaded the Department of Agriculture to make the change in order to boost sales of their own wines, whatever the quality Small producers say the old system helped them compete because it saved them money in marketing their better wines

"Superior labels were a relatively inexpensive way for us to market our better wines," says Frans Malan of Simonsig "We are losing a valuable marketing tool How are we going to tell the consumer which of our wines are as good as and maybe better than theirs? (The big wholesalers) can afford to spend R500 000 promoting any wine they want."

Riaan Kruger, director of the Cape Wine and Spirit Institute and spokesman for Distillers Corp, one of the largest wholesalers, says the industry's major players believed that the law should be changed. "They wanted to move away from a system where the seal on a bottle indicates the quality of the wine in it"

He says the old system wasn't fair because it ignored blended wines and allowed only wines whose vintage, cultivar and origin could be certified to qualify for the superior grade "That gave buyers the impression that only a portion of the industry can make superior wine"

Malan, who was a member of the six-member committee that awarded the gold neckbands, admits that the system was imperfect and needed fine-tuning, but says it should not have been scrapped "Dumping the system the way they did was like throwing the baby away with the bathwater"

Gunter Brozel of the Neethlingshof estate says "The big makers rely on their trademarks and were upset by the number of small wine makers whose wines were being judged superior. The superior seal was prized It promoted healthy competition and it led to improving all wines in SA"

Vaughan Johnson, a Johannesburg liquor merchant believes it's important to indicate the quality of a wine to compensate for the average customer's lack of knowledge This is done in Bordeaux and Burgundy, where vineyards are graded according to quality.

It seems that SA's wine industry could learn a thing or two from its European counterpart — that's if it hasn't learnt enough already

David Pincus

New sorghum brewery plans to go public

182

Sowetan 9/8/90

By JOSHUA RABOROKO

THE Government has started relinquishing its control of the sorghum beer industry and the first black-controlled sorghum beer company has now been launched

It is headed by Sam Molahlehi Mosikili (45), who until recently was South African Breweries district manager for Soweto. He left at the end June to become managing director of National Sorghum Breweries

The chairman of the company is Mohale Mahanyele and other directors include Moss Leoka, Mr Jan de Bruyn, Mr Eugene van Rensburg and Professor M J van Vuuren

NSB is a limited company which took over from the Industrial Development Corporation (IDC) from July 1 Except for the new board of directors announced, no information has been made available as to who are the shareholders.

But the company is the process of getting shareholding with the ultimate aim of it being run by blacks

Mosikili says the company is itself an organisation in transition and apart from community affairs, it is taking an active role in the environment, in skills development within its existing 3 240 employee complement, and in preparing itself to meet the business challenges presented by South Africa

Mosikili says the company which is in the sorghum beer industry - the sleeping giant of the liqour market - is beginning to show signs of new life and is intending to get listed on the Johannesburg Stock Exchange and to sell shares to employees and individuals in the future

Career record

Mosikili was born in the old Pimville township and attended school at various institutions until he obtained his Bachelor of Arts degree at the University of the North in 1968

He continued his studies and obtained a diploma in marketing

He has worked for Colgate Palmolive as production manager and the South African Breweries as marketing consultant in Johannesburg and branch manager in Lesotho between 1982/84

He came back in to the golden city and resigned from SAB in June this year

Mosikili says he joined the NSB during exciting times in the history of South Africa, especially after the government announced its intention to privatise the sorghum beer industry

"We are living in exciting times My appointment is seen as a indicative of the way that our country will develop

"I am proud so say that I believe that National Sorghum Breweries is likely to be very much of a trendsetter as it embarks upon its non-racial future, where skills will be recognised and utilised to the full irrespective of the cultural background of the person concerned

"Our industry has not always kept up with past change, but we are embarking upon a stimulating period when we will be proud of our achievements and proud of our people " he says.

He says it seems obvious that the company is going to play an active role in community development in many different ways, not least by finding funds to support the needy charities which undertake so much badly needed work

"Our company is moving into dynamic new times, but it has not lost touch with the problems that beset the community which it serves. The economic downturn has hit our people hard, and it has also made fund-raising very difficutlt for charities

At a special function held at its Leopard Brewery, one of their subsidiaries in Johannesburg, the company donated more than R60 000 to nine charity organisations

Optimistic

The organisations are St Johns, SA National Council for Child Welfare, Promat Trust, SOS Childrens Villages, The Red Cross, the Salvation Army, SANTA, the Foundation for Entrepreneurship Development, and Operation Hunger

Mosikili is optimistic about the future of blacks, especially after changes brought about by the State President, Mr F W de Klerk, in the post-February 2 epoch

He believes that the upward movement of blacks will have to feature prominently on the agendas of companies Many companies have made a start in this direction, but this is not enough They will have to promote blacks to senior positions that involve decision-making at highest levels

"If this is not done blacks will always be suspicious of the so-called enrichment programmes that they offer our people, such as social work positions many corporates give to them

He says ownership schemes of companies is vital and must be promoted The practice of giving blacks shares in companies must be encouraged in spite of the fact that they might clash with trade unions

These shares must be explained to workers, although "we do not have such facilities at the moment "

Regarding industrial relations, he says the company will seek cordial relations with the trade union movement, regardless of their affiliation and race

Right spirit for liquor strike talks

MC 10/8/90

Labour Reporter

NEGOTIATIONS to resolve the longest nationwide strike in the wine and spirit industry was set to continue today in Stellenbosch.

The talks between the National Union of Wine, Spirits and Allied Workers' Union and the South African Wine and Spirit Industry Employers' Association resumed on Wednesday and continued yesterday.

The latest round comes two weeks after a stalemate between the two parties, who first met on July 18.

More than 3 500 employees, part of a national bargaining unit of 10 000, have been on strike at 83 plants since the strike began.

Association spokesman Mr Riaan Kruger said a variety of proposals on wage and other issues were discussed yesterday

FREE OF VIOLENCE

He could not say if a settlement was imminent

Union spokesman Mr William Makhunga said the industrial action would continue until the dispute was resolved.

The association represents six strike-bound companies Gilbeys, Stellenbosch Farmers' Winery, Distillers Corporation, Union Wine, Douglas Green and Henry, Taylor and Ries

Both sides have agreed that the strike action should be free of violence, harassment, intimidation or victimisation.

Employees embarked on a go-slow after their wage increase demands were rejected

SAB set for dispute talks

CHL-Times 11/8/90 Staff Reporter 182

SOUTH AFRICAN BREWERIES are to meet representatives of the Food and Allied Workers Union (Fawu) next week in an attempt to resolve a dispute concerning overtime.

A union spokesman said yesterday although SAB was prepared to pay an above-average wage, they "become repressive in their working conditions in an attempt to gain extra productivity in return".

He called on SAB to "pay a living wage within normal working hours", as workers did not want to be "well-paid slaves".

SAB national public relations manager Mr Andre Botha, who described the declaration of a dispute as "premature", said the lowest wage paid to SAB workers was R1 200 a month.

Wine workers to decide on wage offer

Argus 13/8/90

182

By SHARON SOROUR
Labour Reporter

THOUSANDS of striking workers in the wine industry will decide this week whether to accept a revised wage offer.

The National Union of Wine, Spirits and Allied Workers' Union met the SA Wine and Spirit Industry Employers' Association last week in an attempt to resolve the five-week strike by more than 3 800 workers

Association spokesman Mr Riaan Kruger said in a statement that negotiations had not been completed.

Revised offer

Mr Kruger said a revised employers' offer was tabled on Thursday.

"The union will inform the association of the members' decision as soon as practicably possible," he said.

Mr Kruger declined to divulge details of the revised offer before the union's response was known

Association spokesman Mr Charlie Hoeflich said employers were hoping the strike action would be resolved "as soon as possible"

Union spokesman Mr William Makhunga said the union hoped to have canvassed all its members by next Thursday

Negotiation resumed last week following a two-week stalemate after the two parties met for the first time on July 18.

The workers — part of a national bargaining unit of 10 000 — have been on strike at 83 plants since July 11

Six companies represented by the association have been affected by the strike Gilbeys, Distillers Corporation, Union Wine, Stellenbosch Farmers' Winery, Douglas Green and Henry, Taylor and Ries.

● Beer giant SA Breweries has come under fire from the Food and Allied Workers' Union (Fawu) for insisting that employees agree to work overtime.

The union has declared a dispute on overtime after five rounds of talks on the issue failed to shift the company's position.

Fawu said in a statement that the breweries insisted that workers contract to work overtime and on weekends "in spite of the workers' position on the issue and the disruption it creates to their family, social and sporting lives".

"SAB also proposes a clause that claims that workers' refusal to contract to overtime constitutes an overtime ban and is therefore a form of industrial action, although the Appellate Division upheld a decision granting workers the right to refuse or agree to contract to overtime," the statement claimed.

Breweries public affairs manager Mr Adrian Botha said the union's decision to declare a dispute was "totally premature as the company is always prepared to talk and it's not our final offer on the table".

● In a separate statement, Cosatu accused a Barlow Rand subsidiary of a "serious breach of trust" after bugging devices were found in offices used by two unions for meetings and other activities

According to reports, Barlow Rand spokesman Mr Ken Ironside denied the allegations and said "The practice of bugging, if and when it is occurring in the group, is completely unacceptable to us."

Talks between sacked grooms, trainers resume

Labour Reporter

TALKS between Cape Town racehorse trainers and nearly 800 grooms — sacked after a wildcat strike — were scheduled to resume today

This follows a meeting between a trainers' committee and the SA Commercial, Catering and Allied Workers' Union (Saccawu) on Friday when "little progress" was made in talks about wages and re-employment.

The grooms, from Milnerton and Philippi, went on strike on August 3 and were dismissed for ignoring two ultimatums to return to work.

Last week a Supreme Court interdict was issued restraining more than 400 strikers at the Milnerton stables from intimidating workers.

Union rejects wine industry wage offer

CAN. Tijd 15/8/90

Own Correspondent

JOHANNESBURG — The National Union of Wine Spirits and Allied Workers (Nuwsaw) yesterday rejected a revised wage offer from the South African Wine and Spirit Industry Employers' Association (Sawsiea), union president Mr November Nkosi said.

More than 2 800 workers continued the six-week-long strike over pay and conditions in the wine industry yesterday

Mr Nkosi said Sawsiea's scaled wage offer ranging from R32 to R40 for grades one to six was unacceptable

The union insisted on an across-the-board increase and their demand stood at a R40 increase for all grades, although they made a revised "provisional" demand during last week's talks in Stellenbosch, which Sawsiea did not meet

A Sawsiea spokesman said yesterday afternoon that Nuwsaw had not informed employers of the rejection, but the two sides had scheduled a meeting in Johannesburg last night to try to break the deadlock.

The employers' offer included R33 a week back-pay for the period April 1 to July 4 for strikers The spokesman said 320 workers at Stellenbosch Farmers' Winery plants in the Western Cape returned to work yesterday, having accepted management's latest offer.

Liquor strike to continue, say workers

182

Star 15/8/90

By Brendan Templeton

The nationwide liquor workers' strike, the longest ever in the industry, is set to continue after yesterday's rejection by most workers of management's latest revised offer.

The South African Wine and Spirits Industry Employers' Association (Sawsiea) last week offered increases backdated to April 1 ranging from its original R33 a week for lower grades to R40 at the highest grades.

Aout 400 Stellenbosch Farmers' Winery workers at Stellenbosch and George had accepted the offer, an association spokesman said.

This leaves about 3 400 who are still on strike.

Management's original offer was R33 in response to the workers' R40 demand.

The organisation was due to meet the National Union of Wine, Spirits and Allied Workers last night.

CAPE TIMES 16/8/90 (182)

Cape cracks in wine strike

CRACKS are appearing in the 36-day wine-industry strike as workers in the Cape broke ranks this week and accepted a revised management offer.

By yesterday, 750 workers at plants and depots in the Western Cape and George had signed their acceptance of the employers' offer, said Wine and Spirit Industry Employers' Association spokesman Mr Charlie Hoeflich

Another 1 400 had agreed to the initial offer of R33 a week across-the-board when management set a deadline for acceptance on July 9.

However, deadlock continued elsewhere, with an estimated 2 300 members of the National Union of Wine, Spirit and Allied Workers still on strike.

A sixth round of talks is planned for next Wednesday in Johannesburg, Mr Hoeflich said.

In the Western Cape, workers at Stellenbosch Farmers' Winery settled on Tuesday, followed by colleagues at the Distillers Corporation Green Park depot in Epping, Union Wines in Wellington, and Douglas Green and Gilbeys, in Stellenbosch.

Disputing these figures, Nuwsaw president Mr November Nkosi said workers at Gilbeys in Stellenbosch had never been on strike, and only about 500 union members had gone back to work.

He said the majority of strikers rejected a revised management offer ranging from R33 to R40, tabled at talks in Stellenbosch last Thursday. — Sapa

SFW earnings drop in shrinking market

182

BDay 17/8/90

LESLEY LAMBERT

CAPE TOWN — Stellenbosch Farmers' Winery (SFW), which markets the bulk of SA production, has reported a 1,6% drop in attributable earnings to R42,8m for the year to end-June

SFW directors yesterday declined to comment on the results ahead of the release of chairman Dave Marlow's statement in October. But the effects of rising costs in a stagnant wine market were strongly evident in the reported figure for untaxed trading profits which grew by 3,3% to R109,9m

Turnover was not disclosed, but results for the first six months to December showed a disappointing 7,6% increase compared with 12,1% the previous interim. Last year's total growth ended at 11%.

A marginally higher tax bill of R50,8m and a small reduction in finance costs, resulted in 4,9% growth in taxed profits to R53,5m. But additional depreciation costs of R13,7m, compared with R11,2m the previous year, pushed the net attributable earnings below last year's level

Net earnings translated into a marginal increase in earnings before additional depreciation to 40,4c (39c) a share and a decline in earnings after the additional depreciation to 30,6c (31c) a share.

A final dividend of 7,5c (7c) was declared, bringing the total dividend to 11,5c — up 9,5% on the previous year.

Compared with last year's performance which saw trading profits grow by 18,6% and attributable earnings by 13,4%, the results showed a serious decline

Criticised

Informed sources said that apart from the effects of rising labour, packaging and distribution costs in a market which had remained relatively stagnant over past years, it was likely that increasing competition from SFW's major suppliers, the wine co-ops, was starting to take its toll

There was a hint of this at last year's AGM when executive chairman Dave Marlow criticised the sale of inferior wine products by primary producers

Traditionally, wine producers and co-ops in the western Cape marketed their produce through SFW. But, as sales slowed down, SFW reduced its purchases from primary producers and some started marketing their produce directly, undercutting the minimum producer price to which SFW was committed This raised competition in a shrinking market.

UK wine merchants are toasting a free Mandela

Star 21/8/90 (182)

The Star Bureau

LONDON — Sales of South African wines and beers are up by 30 percent in Britain this year as the stigma attached to buying products from "apartheid country" wanes

"Of course, I know what's made the difference," said Margaret Steadman of importers Edward Cavendish "It's all due to the release of Nelson Mandela"

His freedom, as well as President de Klerk's reforms, have apparently loosened inhibitions to such an extent that Britons are now recognising the "good quality and value for money" of South African wines

Norman Kramer, of importers Collisons, said the increased demand came from word-of-mouth comments, and demand would soar when supermarkets started displaying Cape wines prominently on their shelves.

Argus 23/8/90 (182)

SA booze beats boycott

The Argus Foreign Service

LONDON. — South African wine and beer are losing some of their stigma and selling 30 percent more across Britain this year.

"I know what has made the difference," said Mrs Margaret Steadman of importers Edward Cavendish. "The release of Mandela."

The freeing of the African National Congress leader and President De Klerk's reforms have apparently loosened inhibitions to such an extent that Britons are now recognising the "good quality and value for money" of South African wines.

White wines have proved most popular, particularly the Chenin Blanc and Sauvignon Blanc lines imported by Edward Cavendish.

Castle and Lion lager have been selling well, helped perhaps by a heatwave.

The new attitude has resulted in South African wines reappearing on restaurant wine lists.

Mr Norman Kramer, of importers Collisons, said there had "definitely been a softening" towards buying South African wines.

He said the increased demand had arisen from word of mouth. He predicted it would soar when supermarkets start displaying Cape wines prominently.

But he warned that the increased sales could be hampered by recent price increases on the products from South Africa.

The issue of selling South African products is still sensitive enough for all the outlets interviewed here to decline to give figures on how much they sell.

Star 24/8/90 (1.82)

Hotels face hard times

By Michael Chester

The hotel business has been hit hard by the cash squeeze on holiday budgets caused by the economic slowdown.

The current wave of violence has worsened the blow to the hotel trade.

On the latest count taken by the Federated Hotel, Liquor and Catering Association of South Africa (Fedhasa), released yesterday, more than [illegible] the hotel rooms in South Africa were standing empty — [illegible]anded by the lowest rate of bookings since the recession [illegible] political turmoil that hit South Africa in the mid-1980s.

Fedhasa chairman Alan Gooderson said the average drop in bookings in Natal was no less than 15 percent compared with a year ago

Hotels along the south coast had suffered most, with bookings down a dramatic 22,6 percent.

Much of the blame for the fall, he said, was because many Transvaal travellers were nervous of running into trouble if they tried to motor to Natal and encountered violence in the province.

The shrinkage in hotel reservations had been worsened by hard economic times, the toll of inflation on budgets and the cost of high interest rates on credit drawn to foot holiday bills.

Mr Gooderson still saw good chances of a recovery in tourist traffic to Natal in time for the Christmas/New Year holiday break.

"After all," he said, "Durban is the holiday mecca of the southern hemisphere and still one of the cheapest holiday destinations in the world"

Fedhasa executive director Fred Thermann estimated that on a nationwide count, the number of hotel room occupancies in May showed an overall decline of 9,5 percent compared with a year ago.

Hotels in all grades had suffered, he said

This was with the exception of hotels in the five-star class, which saw a 6,2 percent increase in bookings, thanks largely to an influx of visitors from overseas who took advantage of weak rand exchange rates with their holiday cash

The biggest drop in bookings was suffered by one-star hotels, which were down 16,4 percent

Two-star hotel room occupancies were 9,7 percent lower, three-star hotels were down 2,4 percent and four-star hotels by 4,5 percent.

Mr Thermann said the entire hotel trade was worried by signals that room occupancies as a whole were running at less than half of capacity — 49,4 percent, the lowest since the mid-1980s

"The results show once again how sensitive the hotel and tourism industry is to economic conditions and political developments," he said

The implementation of a new blueprint for the enire industry had now become still more pressing, he added ing belt and force — "one that is acceptab people"

SA wine strike over

Cit 7/15 28/8/90 (182)

MORE THAN 3 200 striking workers in the wine industry will return to work today after downing tools for more than six weeks, National Union of Wine, Spirits and Allied Workers president Mr November Nkosi said yesterday

The decision to return to work coincides with workers' acceptance of weekly wage increases of between R33 and R40, and marks the end of the longest strike in the sector.

Mr Nkosi said the decision had been taken "in spite of the fact that our members are not happy with the situation" The countrywide legal strike involving six companies began on July 11 over a demand for a R40 increase on the weekly wage

In its letter of acceptance, the union demanded that employers terminate the contracts of casual labourers at affected plants — Sapa

Unhappy liquor workers end the longest strike

ARGUS 28/8/90

182

By SHARON SOROUR, Labour Reporter

THE longest nationwide strike in wine industry history ends today with more than 3 000 strikers scheduled to return to work after downing tools for nearly two months over a wage dispute

National Union of Wine, Spirits and Allied Workers (Nuwsaw) president Mr November Nkosi announced the end of the strike yesterday in a letter to Mr Riaan Kruger, secretary of the SA Wine and Spirit Industry Employers' Association (Sawsiea)

Mr Nkosi said "Despite the fact that our members are not happy with the situation, they have decided to return to work"

The strike, which began on July 11, initially involved about 3 800 workers — who form part of a national bargaining unit of 10 000 — at 83 plants and affecting six companies Stellenbosch Farmers' Winery, Gilbeys, Douglas Green, Distillers Corporation, Union Wine and Henry, Taylor and Ries

"FRUITLESS" TALKS

The decision by the union to end the strike comes barely a week after "fruitless" talks between the two parties in Johannesburg on August 22 which failed to resolve the dispute in spite of intense negotiation

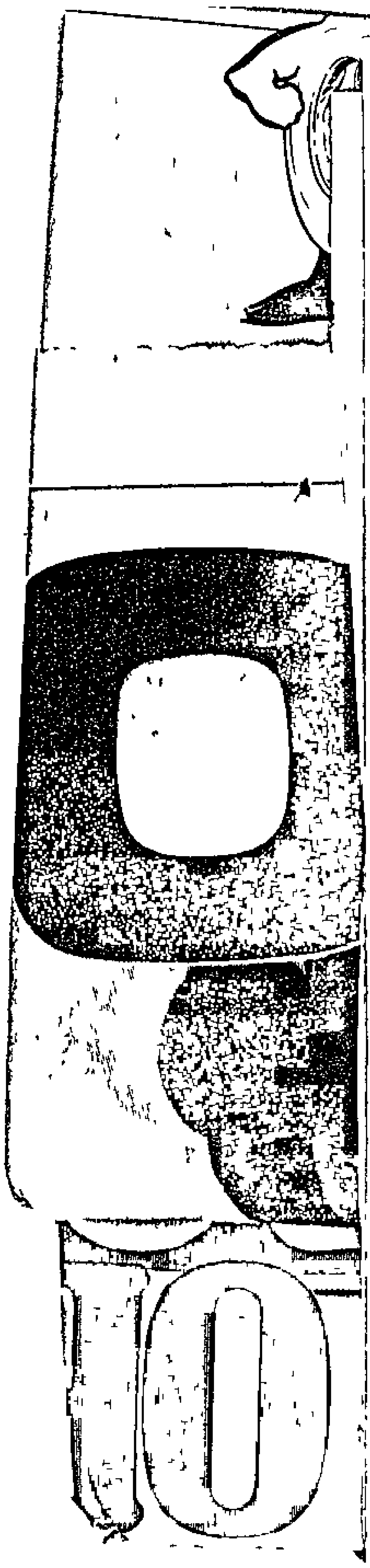
Sapa reports that union officials will meet association representatives in Cape Town today to discuss means of implementing the strikers' return to work

In the letter the union proposed that back-pay be paid separately to members "not later than Thursday, August 30" and that the union be advised of the formula to calculate the tax on back-pay

In terms of a settlement wage increases would be backdated from April 1 to July 4 at the original management offer of R33 a week

Workers on Grades 1 and 2 would get an increase of R33 a week or R142,89 a month

Grade 3 workers would get an increase of R34 a week or R147,22, Grade 4, R35 a week or R151,55 a month, Grade 5, R37 a week or R160,21 a month and Grade 6, R40 a week or R173,20 a month



182 Star 29/8/90

Liquor union accepts new wage offer

By Shareen Singh

The 50-day strike by 3 200 liquor workers ended yesterday after workers accepted a revised wage offer.

The South African Wine and Spirits Employers Association, which represents six major liquor outlets, revised its wage offer two weeks ago, for increases ranging from R33 to R40, bringing the minimum wage to R204,10.

At the outset of the strike, the union demanded an across-the-board increase of R40 and management offered R33

The package included a reduction in working hours from 45 to 44 hours a week, meal allowances for workers on overtime, two days paid paternity leave and 16 weeks maternity leave with 15 percent pay for 12 weeks.

Workers at some companies returned to work today, but at companies where casual labour was employed, management agreed to give workers a day's paid leave while preparations were made to lay off casual workers

A spokesman for the National Union of Wine, Spirits and Allied Workers (Nusaw), November Nkosi, said workers were not "very happy" about the wage settlement.

This was also the first major strike in Nusaw's 12-year history and "our members now know the experience of militant worker action which helped consolidate the union and increase membership", he said.

MANUFACTURING — BEVERAGES

1990

SEPT. — DEC

Suncrush puts in a sparkling show

B Day 11/9/90 182

LIZ ROUSE

SOFTDRINK maker and marketer Suncrush's June year-end results can rightly be called sparkling, with earnings up 44% and the dividend total lifted by 40%

Attributable taxed profits increased to R32,21m in the year to end-June from R22,37m in 1989, translating into earnings of 1 187c a share compared with last year's 825c a share

A final dividend of 254c (175c) has been declared, bringing total distribution to 350c (250c)

Chairman Robin Hamilton said at the interim stage, an economic recession usually had a mild and late impact on the soft drinks industry

However, he was over-modest about his prediction of a slight profit rise in 1990 At the halfway stage Suncrush's attributable earnings were already 33% ahead of the previous comparable half-year

Suncrush's turnover rose by 29% to R356,4m (R277m) while operating profit also rose 29% to R56,4m (R43,7m)

The group's finances further boosted the bottomline There was a credit of R1,06m compared with a debit of R3,4m in finance costs in 1989. Interest-bearing debt was R3,07m (R2,48m)

Suncrush also did well out of its investments, with income up at R5,2m (R4,7m)

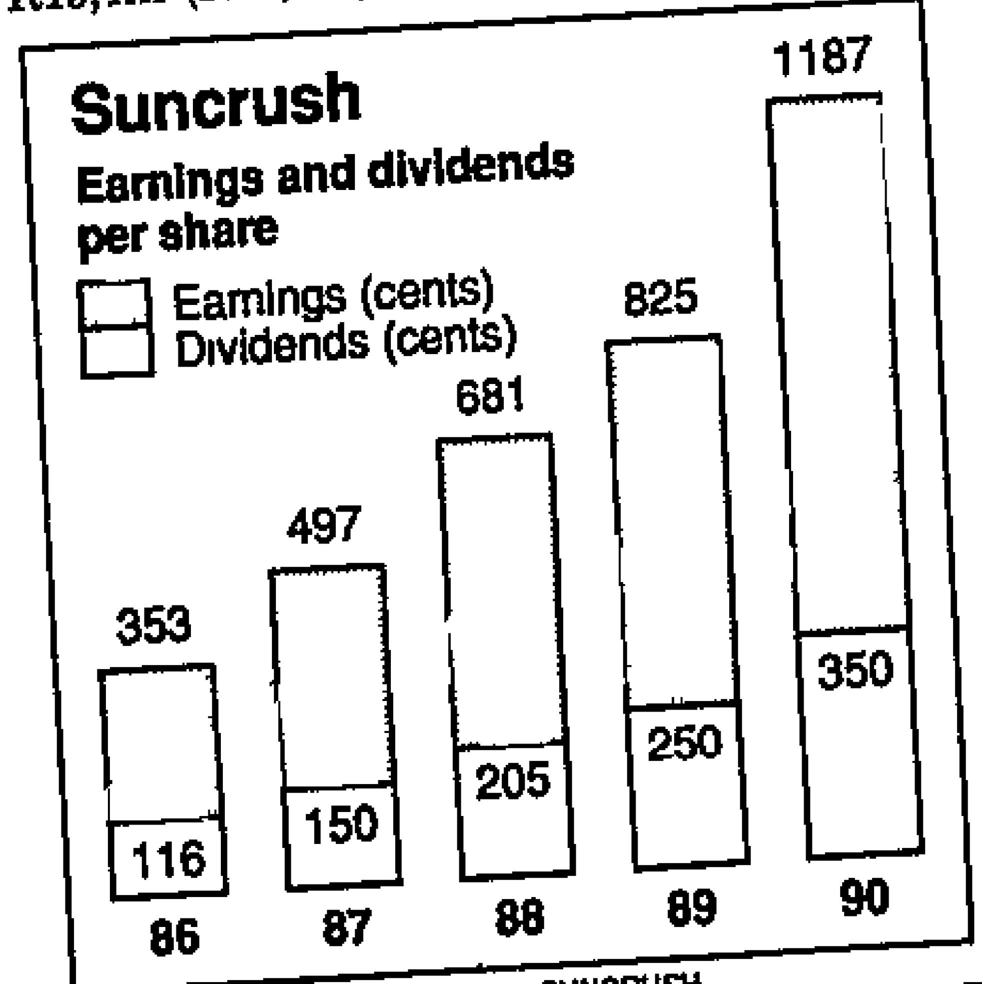
Suncrush has consistently increased its shareholders' interest over a 10-year period It rose to R133,4m in the past year In 1986 it was R52,6m and in 1980 it was R10,9m.

Having comfortably financed relatively heavy capital expenditure last year (R21m on its Ladysmith project) through its strong cash flow, Suncrush's capital commitments are well down this year.

The bottlers of Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparletta have year by year rewarded shareholders with higher earnings and dividends — hence the hefty market price of R190 put on the shares As the highest-priced counter in the beverages and hotels sector, earnings yield is 6,2% and dividend yield 1,8%.

Less affluent investors have access to Suncrush through Dalys, whose market price is R19 Net asset value is R49,22.

Dalys, which holds 50% of Suncrush, achieved an attributable taxed profit of R15,4m (R10,6m) in the year to end-June.



Graphic: FIONA KRISCH Source SUNCRUSH

COMPANIES

Pichold, Cape liquor firms issue cautionaries on talks

B Day 12.9.90

MARCIA KLEIN

CAPE-BASED Picardi Holdings (Pichold), Union Wine and Drop-Inn have issued cautionary announcements to shareholders that negotiations are in progress which could affect the price of their shares

This is the second cautionary announcement by Drop-Inn in the past month, but analysts believe the cautionaries — involving, as they do, two Cape-based liquor businesses — must be linked However, they could not confirm what the connection would involve

An analyst speculated that Pichold subsidiary Union Wine — which is fairly illiquid — may want to sell off some assets to Drop-Inn rather than be involved in any acquisition

It was reported in the Financial Mail in June that Drop-Inn was planning to increase the number of stores it managed after the lifting of restrictions on vertical integration In terms of the same legislation, Union Wine would have to sell its bottlestores over the next decade.

Debt

182

However, another analyst says there could be a takeover by Union Wine of Drop-Inn, although neither company is in a strong position to make acquisitions

Drop-Inn's shares were suspended from the board in October last year, and the group was rumoured to be looking for a buyer However, buyout talks ended with the resignation of four top Drop-Inn executives, who proceeded to buy 50% of Union Wine subsidiary Picotel

Theft problems at Drop-Inn's Benny Goldberg subsidiary saw earnings drop 23% to 6,1c a share in the year to end-February

There was also speculation in June that Pichold would delist Union Wine — of which it has a 90% holding — by making an offer to the 10% minority shareholding Union Wine posted a loss of 5,6c (5,4c earnings) for the six months to December

Vektra drops into lower gear with diluted earnings

B Day 13/9/90

EDWIN UNDERWOOD

VEKTRA Corporation, the distributor of vehicles and automotive parts in the FSI camp, has reported a 34% fall in fully diluted earnings a share to 30,8c (46,4c) for the six months ended June

Vektra chairman Alan Schlesinger said the highly competitive market place meant that, although Vektra increased its market share during the interim period, undiluted earnings a share were down by 42% to 29,1c (50,4c)

The dilution takes into account the conversion of debentures which is not expected for the next three years

The interim dividend has been reduced by 33% to 10c a share (15c)

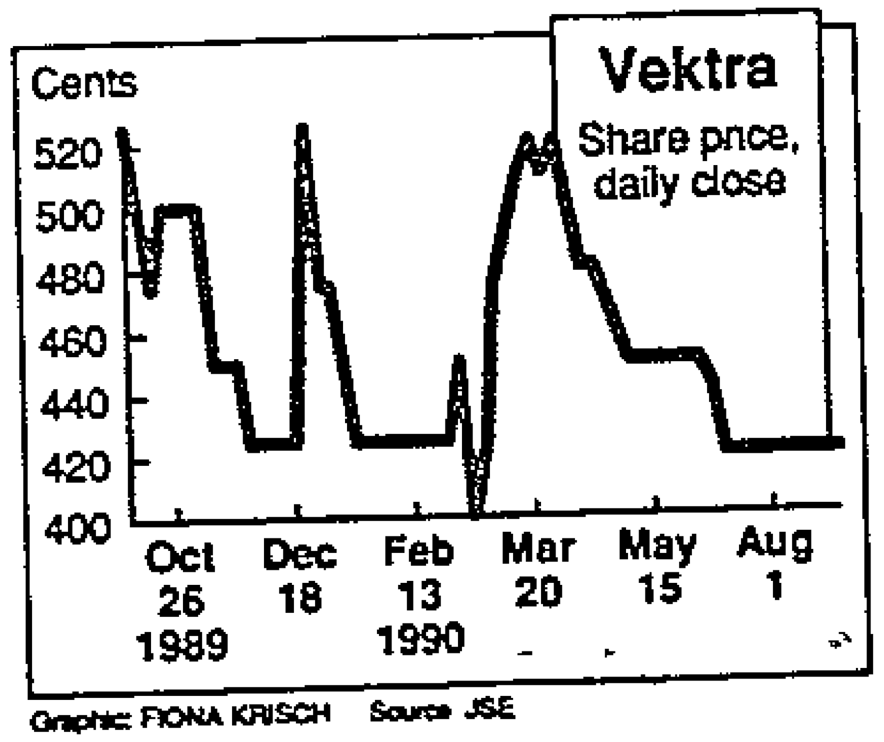
Schlesinger said the main markets in which Vektra operated — retailing of new and used vehicles and distribution of automotive parts — were affected by a severe downturn during the six months "Our companies performed well in a competitive environment, increasing market share and turnover, but at a lower operating margin"

Turnover was up by 14% to R226,8m (R199m) and the decline in operating profit was 5% An increase in interest rates and continuing high levels of inventory resulted in finance charges rising by 115% to R8,5m (R4m) Attributable profit fell by 40% to R3,5m (R6m)

Williams Hunt, 95% owned by Vektra and Delta's largest single franchise dealer, experienced a marginal decline in sales of new vehicles, while all other sectors improved on turnover in rand terms with the used vehicle sector showing an increase in value and the number of vehicles sold

Schlesinger said the group was satisfied with the restructuring of Vektra in 1989, which constituted it as a focused automotive company, and their businesses were sound and well managed

Schlesinger said the general economic and market place conditions were not expected to show any material improvement during 1990, especially with the used and new car market being under considerable



Graphic: FIONA KRISCH Source JSE

pressure Corporate buyers were still underpinning the new car market and could continue to do so, he said.

The income statement shows an extraordinary item of R12,7m, which arises primarily from the writing off of goodwill, in accordance with changes to the UK Companies Act. Vektra is incorporated in the UK and listed on the International Stock Exchange and the JSE

"Attention being given to expense control and asset management, specifically the reduction of stocks, is expected to have a beneficial impact during 1991," he said

Improved grades help Village Main results

B/Day 13/9/90

LIZ ROUSE

VILLAGE Main's earnings rose by 26% to R2,4m (R1,9m) in the year to June, thanks to a higher tonnage milled and improved grade, says chairman Rob Wilson in his annual review

The bigger throughput and higher grade more than offset the mine's increased working costs and marginally lower average gold prices received.

Tonnage treated rose to 820 700 tons (814 400 tons) which included a limited amount of ore from the mine's underground exploration activities which started during the year Head values increased, averaging 1,22 grams a ton (1g/t) Wilson reports a rise in average recoveries to 77,9% (72,7%)

Accordingly, gold production rose to 772kg (588kg) As expected, operating costs increased significantly, by 33,5% to R23,15 a ton (R17,57 a ton), because of the relatively higher costs of underground operations

Village's capital expenditure was down sharply to R1,6m (R3m), which mainly accounted for a sharp rise in tax to R2,2m (R400 000)

Wilson says the underground project is expected to be completed during the current year Meanwhile the company is continuing with its evaluation of various options insofar as the exploration of the Robinson Deep dump is concerned

Capex in the current year is expected to be R500 000, while mill throughput will be aboout 822 000 tons of sands and ore with an average grade of about 1,2g/t. Recoveries are expected to average 77,5% and operating costs R28 a ton

The directors' report reveals that the company has started hedging part of its future gold production again.

Drop Inn deal with liquor firms denied

B/Day 13/9/90

Business Day Reporter

DROP Inn MD Jonathan Miles has categorically denied analysts' speculation about a possible tie-up with Picardi Holdings or Union Wine, both of which published cautionary announcements yesterday simultaneously with that of Drop Inn

"Speculation of such a link-up is absolutely without any foundation whatsoever," said Miles

Picardi Holdings chairman and MD Jan Pickard also denied the speculation as being untrue

Miles said the negotiations in which Drop Inn was involved did not entail any change in control and that the cautionary announcements were completely unrelated

Miles would not comment on the negotiations but said options for future growth have opened up by the change in the legislation regarding vertical integration 1&2

Whereas previously they had been limited to 18 stores, they could now increase by six per year

Miles said Drop Inn was currently investigating options in the Cape and the Transvaal and intended starting franchising operations on a nation-wide basis

He added that the company had the financial facilities to finance the expansion where market need existed, for example unencumbered properties worth R10m and a current low level of stock.

Cape Town, presented a cheque for the *Sowetan* Business-Sanlam Entrepreneurs of the Year competition.

New lager launch is likely to spark Pretoria beer war

Sowetan Correspondent

THE launch of a new independent lager beer on to to the South African market - and which will specifically challenge South African Breweries (SAB) in the Pretoria area - appears to be imminent.

Several Pretoria liquor retailers have confirmed tasting the first brew from Rico Breweries Ltd's multi-million rand high-tech brewery in Verwoerdburg's Gateway Industrial Park - and the brewery hosted a function last night to introduce their new product to the media.

Although Rico Breweries' senior management was unavailable for comment, it is believed the beer will be launched in time for the Christmas season.

Sowetan 14/9/90

Rico has said its primary marketing objective is to position Rico as Pretoria's local freshly- brewed beer with the capital city receiving preferential supplies

Pretoria liquor retailers who sampled the new brew were impressed with the taste of the beer and openly welcomed the day it became freely available

"It's not pasteurised like South African Breweries' beer but is produced by means of a cold fermentation process. It's got a lovely colour and bubbles and superb taste," said one retailer.

Retailers said the sample they had tasted was in a pint bottle with a red and gold, almost diamond-shaped, label and called "Rico Extra Dry Lager".

Rico's plans to develop a brewery independent of SAB and producing two beers - one with a "South African profile" - date back to 1988.

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The plan was to develop a brewery in three phases, starting with the production of 1,5-million litres of beer a year - equivalent to 0,2 percent of the PWV market. But it is envisaged the brewery will eventually have a capacity of 10-million litres a year - about 0,58 percent of South Africa's current consumption

Rico initially planned to launch the beer before Christmas last year but problems in obtaining equipment and financial hiccups delayed the launch

Kangra buy-out 'in weeks'

(182)

SYLVIA DU PLESSIS

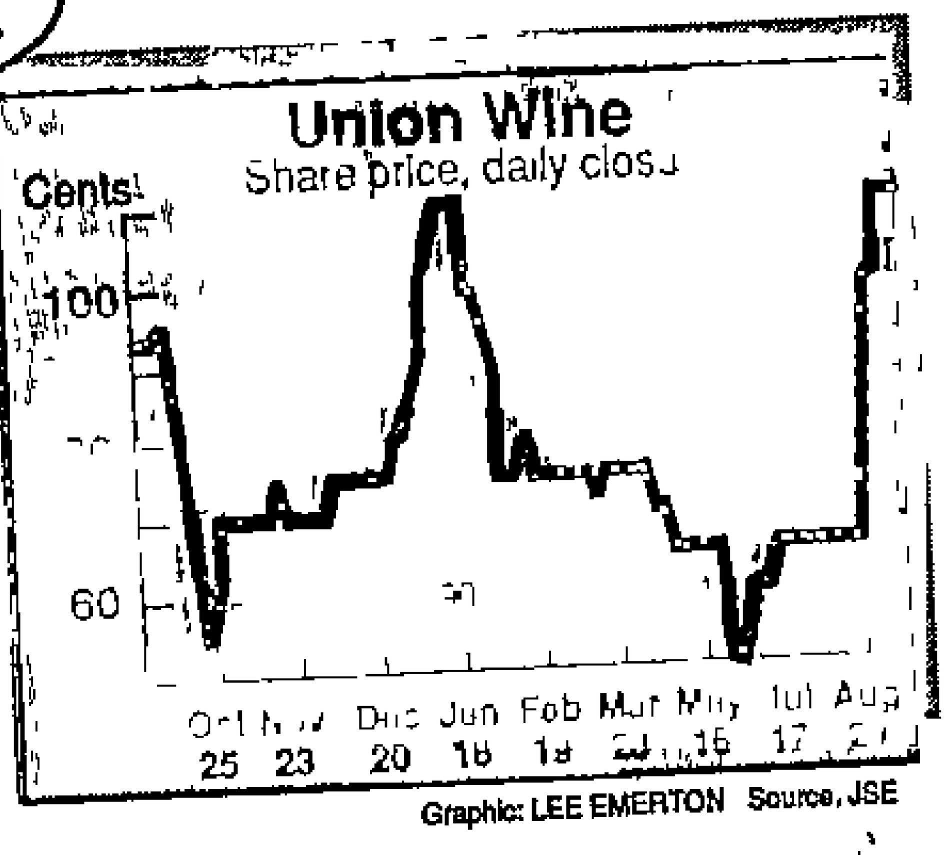
KANGRA Holdings' proposed R21,5m takeover of Picardi Holdings' (Pichold's) Union Wine subsidiary could be tied up in about six weeks' time, Pichold director Jan Pickard said at the weekend

He was commenting on a joint announcement from Kangra and Pichold last week confirming a Kangra-led consortium had made a cash offer of 100c a share for the Cape-based liquor and hotel company's entire issued share capital.

Union Wine's shares were suspended on Friday at 105c, near their yearly high of 110c in January, after they dipped to a low of 50c in June

B/Day 24/9/90

News of the offer followed a warning to shareholders last week to be cautious in dealing in their shares because negotiations were in progress which could affect their price.



Pickard said the deal, in the pipeline for about a month, was not expected to be finalised for "at least" six weeks, during which time a shareholders' meeting would

☐ To Page 2

Takeover

B/Day 24/9/90

(182)

☐ From Page 1

be convened It would probably be effective from July 1

Union Wine, 89,7%-held by Pichold, produced an interim loss of 5,6c (5,4c earnings) a share to end-December on undisclosed turnover which grew 12% (14%) — negative growth if inflation-adjusted

Pickard, who described the company as "a relatively small player in a very competitive industry", said management had taken a number of steps in an attempt to restore profitability

"We tried to initiate discussions with Douglas Green at the end of 1989 to merge with or buy them and we later made a strong pitch for the distribution rights of international whisky brands, but both bids failed," he said

Union Wine's year-end results — they would not reflect a profit — would be available within two weeks, he added

Kangra chairman Graham Beck and financial director Allister Rogan were overseas and could not be reached for comment

Union Wine bought out by Kangra Holdings

Star 24/9/90 182

CAPE TOWN — Union Wine, the Cape Town company with interests in winemaking, hotels and bottle stores, has been taken over by a former Capetonian — businessman, industrialist, racehorse owner and breeder Graham Beck

Behind the deal is his company Kangra Holdings

Controlling company Picardi Holdings' (Pichold) chairman Jan Pickard Snr said at the weekend he had received an offer from Kangra Holdings and its associates to buy the entire issued share capital of Union Wine for 100c a share

Pichold and the Picfin employees' profit-sharing fund have undertaken to accept the offer in respect of their shareholding of 19,7 million ordinary shares, representing 91,52 percent of the total issued share capital of Union Wine

An offer of 100c a share will be made to the minority shareholders of Union Wine and the company will be delisted from the boards of the JSE

Trading in Union Wine shares was suspended by the JSE on Friday after the announcement

The share closed at 105c on Thursday before the share was suspended after rising from 65c earlier last week —Sapa

Union Wine easing Picbel's debt load

25/9/90

Diagonal Street

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ANN CROTTY

It's unlikely that many of the Union Wine minority shareholders paid R19 a share for their holding. For a short while, during the Union Wine bear squeeze back in March 1981, that's the price some had to pay for a Union Wine share.

The share was briefly suspended after two days of hectic trading during which time the price shot up from 230c to a high of R19.

(The background to the '81 suspension was the dramatic reaction by Cape Wine Distillers to news of a proposed tie-up between Natie Kirsh — then involved with Checkers — and Jan Pickard, to establish joint control of Union Wine. CWD moved in to the market to buy at almost any price, a 25 percent stake in an attempt to block the deal.)

Now a consortium led by Graham Beck's Kangra Holdings is offering 100c a share for Union Wine.

The offer, which is for 100 percent of the company, will see the delisting of Union Wine. Because the main shareholder (Pichold) has over 90 percent of the shares, sufficient acceptance is guaranteed (under section 314 of the companies act), so delisting is inevitable.

Some of the minority shareholders will be disappointed. The latest available balance sheet, which is for June 1989, shows shareholders' funds of R58 million which is equivalent to a net asset value of 269c a share. (The June '90 valuation will probably be lower due to poor operating performance during financial '90 and a higher debt burden.)

Shareholders' funds in '89 were boosted by a R19 million revaluation of group properties — equivalent to 88c a share.

Over the past year the share has been trading well below this NAV level — its 12-month high was 110c and the low was 50c. This reflects the group's disappointing earnings performance and prospects. The weak earnings has meant that return on capital has been extremely low. According to Jan Pickard Jnr, it was on the basis of return on capital that the purchasers pitched their offer.

In addition although the June '89 balance sheet shows nav of 269c a share, this valuation may only be realisable given the existence of a willing buyer and willing seller.

In this instance the seller was probably the "more willing" party This is because of the debt involved in Union Wine and the need to de-gear the parent company. Both of these factors not only made Pichold (and therefore Picbel) the more willing party but they also militated against that management being able to inject the sort of funds that could get Union Wine on to a more profitable footing.

An alternative to selling at 100c was to strip the group. Analysts believe this would have earned more than 100c a share but are non-commital on exactly how much more. Given this uncertainty it seems that Mr Pickard was more willing to see it go to a party that has indicated that it would run Union Wine as a going concern.

The 100c is in line with what Pichold recently paid Tradegro for its 30 percent stake in Union Wine. That deal which was a legacy of the '81 bear squeeze, resulted in Tradegro having to make a significant write-off.

For the heavily geared Picbel, whose operating assets will now be Picapli and CIB, the sale of Union Wine was inevitable given the need to reduce the group's hefty debt burden. (Picbel not only benefits from the injection of the R19,6 million cash from the sale but also gets rid of Union Wine's debt from its balance sheet.)

This transaction plus the reduction in Picapli's debt during financial '90, and other smaller asset sales will see Picbel's debt down by more R100 million.

From here, Mr Pickard is expecting to see further improvement through tighter asset management and improved margins at Picapli

Liquor demand fall expected

(182) By ACHMED KARIEM

WINE and spirit producer Distillers Corporation anticipates a further moderate decline in domestic demand while growth in production could increase slightly, chairman Arnold Galombik says in his annual report

The Stellenbosch-based company has posted a 9,4% increase in attributable earnings to R78m (R71,3m) for the year to end-June

Galombik says double-digit inflation and high interest rates have influenced Distillers' results

The new Liquor Act and the Liquor Products Act that came into effect during the past year made the liquor industry less regulated than previously, he says

The first provides a simplified licensing procedure while the second provides for grape-based beverages which include low-alcohol and flavoured grape beverages

B/Day 26/9/90

"Distillers was the first to exploit these opportunities by launching two new products on July 2, the day the new Liquor Products Act became operative. Both products have been well received"

Rising violence is hampering business

Sowetan 2/7/4/90 182

BLACK business and the economy are being seriously hamstrung by the rising tide of violence in the townships.

Both formal traders and the small entrepreneurs (spaza shops) are running out of stock, particularly of cold drinks, bread and other foodstuffs, mainly because of the high risk to delivery vehicles before the start of "Operation Iron Fist"

Several shops have been attacked, looted and razed causing damage estimated at thousands of rands in Natal, Transvaal and Cape Province in the past months Some have been forced to close.

Damage

Bakeries, visibly suffered the most vehicle damage, with Coca-Cola, SAB and other major suppliers also loosing because their staff has been reluctant to continue with their deliveries in fear of reprisals

However, beer is getting through to the townships, despite the unrest, according to SAB's manager of public affairs Mr Adrian Botha

He says overall sales have been better than they budgeted for Bottle store owners and taverners are picking up beer from nearby depots.

But, he adds, the com-

* To Page 29

Violence is hampering economy

182 Sowetan 27/9/90

* From Page 28

pany has experienced considerable difficulties with deliveries in the townships with a number of vehicles being damaged.

The chairman of Premier Food Industries, Mr Norman Fowler, says four vehicles have been damaged as a result of violence in the townships and are now arranging for collections

"This arrangement has somehow minimised the losses as a result of delivering into the riot-torn areas " he says

The president of the Nyanda Chamber of Commerce, Mr Rodger Sushi, says violence in Natal has become the order of the day yet black traders are being called on to be of service to the people as if nothing has happened

The Vaal Chamber of Commerce has had several reports of business attacked, looted and razed by faceless "third forces" in the Evaton-Sebokeng complex in the past few weeks

Shocking

The chamber's president, Mr George Thabe, says the reports are shocking as innocent traders are suffering at the hands of these unknown people.

Both the chamber and the civic associations have condemned the violence.

The president of Nafcoc, Dr Sam Motsuenyane, says the violence that has gripped the country must be stopped. One of the reasons why black business is often destroyed during riots is due to lack of appreciation of its importance, or to the suspicion towards people's political aspirations.

He says those who run business are often looked upon as an extension of exploitative, unjust and corrupt system. Black business has witnessed many restrictions and tragedies in the past

The riots certainly triggered off spontaneous reactions, not only nationally, but also internationally, which resulted in the formulation of various fair employment codes, such as the Sullivan and the EEC codes of conduct.

Distillers not shy about directors' 12 pc pay rise

Star 4/10/90 By Tom Hood (182)

CAPE TOWN — Distillers Corporation chairman Arnold Galombik asked shareholders at the annual meeting to vote on the payment of R140 000 in directors' remuneration

Distillers is one of the handful of Cape companies that specifically asks for shareholders' approval of directors' remuneration.

Most companies that disclose directors' pay in their financial statements are shy about drawing shareholders' attention to it.

Mr Galombik not only drew attention to the item in the annual report, but asked for a vote of approval, which was was given unanimously

The meeting at Stellenbosch agreed to raise directors' remuneration by 12 percent from the R125 000 paid last year The rise, well below the inflation rate, is modest for a company with a trading profit of R156 million

Other companies with similar profit levels have disclosed (or hidden) increases in directors fees of the order of 33 and 39 percent

The dividend payout was up 20 percent to 30c,which took R44 million of the net profit of R78 million after tax and depreciation

Mr Galombik said the financial position of the company was sound with interest-bearing debt only seven percent of total shareholders' equity

Moreover, shareholders' equity did not take the substantial value of group trade marks into account

He criticised the situtıon of industries paying tax on a fictitious income where, because of the nature of their products, they had to carry stocks for long periods

DISTILLERS FM 5/10/90

SLOWER MIX (182)

Distillers Corp's performance in the 1990 year was hurt by consumers' wilting spending power The rate of increase in turnover fell to 11,8%, from the previous year's 16,9%, and lagged the inflation rate.

Apart from the general slowdown in the economy, affordability of the group's wines and spirits may be an additional problem After all, SA Breweries' beer division produced a 22% turnover advance in the year to end-March

Distillers MD Machiel le Roux contends that, because the group's products are targeted at the higher end of the market, price resistance is not a concern On the contrary, he reckons Distillers' real problem is that it cannot supply enough red and sparkling wine Still, wine and spirits can hardly be seen as a major growth industry.

The group still does not reveal its turnover though the value-added statement shows that turnover less the cost of materials and services rose from R360,4m to R405,3m

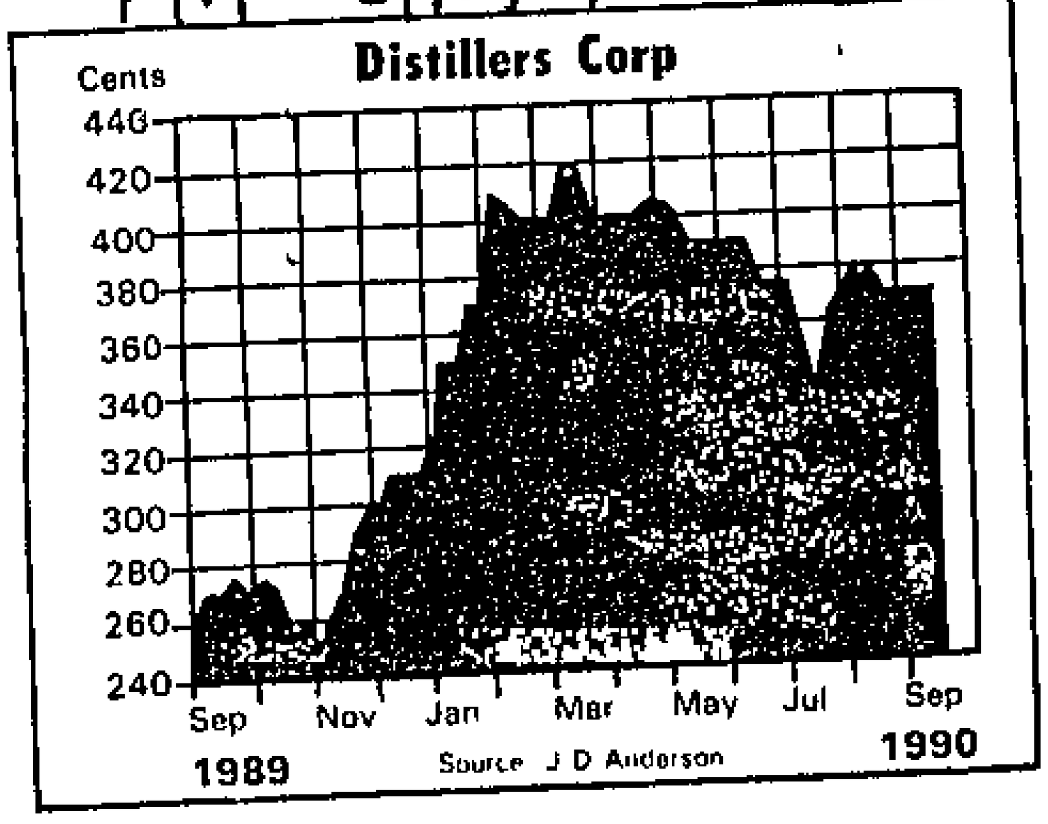
A slight narrowing in trading margins caused pre-interest profit to rise by only 9,6%, Le Roux ascribes this to difficult trading conditions Short-term borrowings were increased to R35,4m from R10,8m to finance stock and dividends Also, the recent amendment of the Income Tax Act, requiring that lifo reserves must be brought to account over 10 years as taxable income, resulted in the creation of an additional tax liability of R19,5m This has been brought to account as a non-interest-bearing, long-term borrowing The balance sheet remains solid with interest-bearing debt at only 7% of shareholders' equity.

The New Liquor Act and new Liquor Products Act, which took effect during the past year, leave the liquor industry less regulated. Management says the Acts create "interesting possibilities for innovation," though this is not explained further, except to say that the group launched two new products during July Le Roux expects the group to continue to produce internal growth with red and sparkling wines sales showing most promise

The share stands at 360c, compared with 420c in March, and offers a p e of 6,5 against 3,8 for SFW

Gerhard Slabber

FM 5/10/90 (182)



Activities: *Produces and markets wines and spirits*
Control: *Rembrandt and KWV 60%*
Chairman: *A Galombik, MD M S du P le Roux*
Capital structure: *140m ords Market capitalisation R504m*
Share market: *Price 360c. Yields: 8,3% on dividend, 15,5% on earnings, p e ratio, 6,4, cover, 1,86 12-month high, 420c, low, 240c Trading volume last quarter, 1,72m shares*

Year to June 30	**'88**	**'89**	**'90**
ST debt (Rm)	1,6	10,8	35,4
LT debt (Rm)	0,8	0,05	19,1
Debt equity ratio	n/a	0,01	0,11
Shareholders' interest	0,74	0,74	0,69
Return on cap (%)	21,7	24	22,9
Pre-int profit (Rm)	109,6	142,7	156,4
Earnings (c)	39,9	51,0	55,8
Dividends (c)	17,1	25	30
Net worth (c)	258	315	338

Here's to a new South Africa ... as seen in beer ads

W/E Mail 5/10/ -11/10/90

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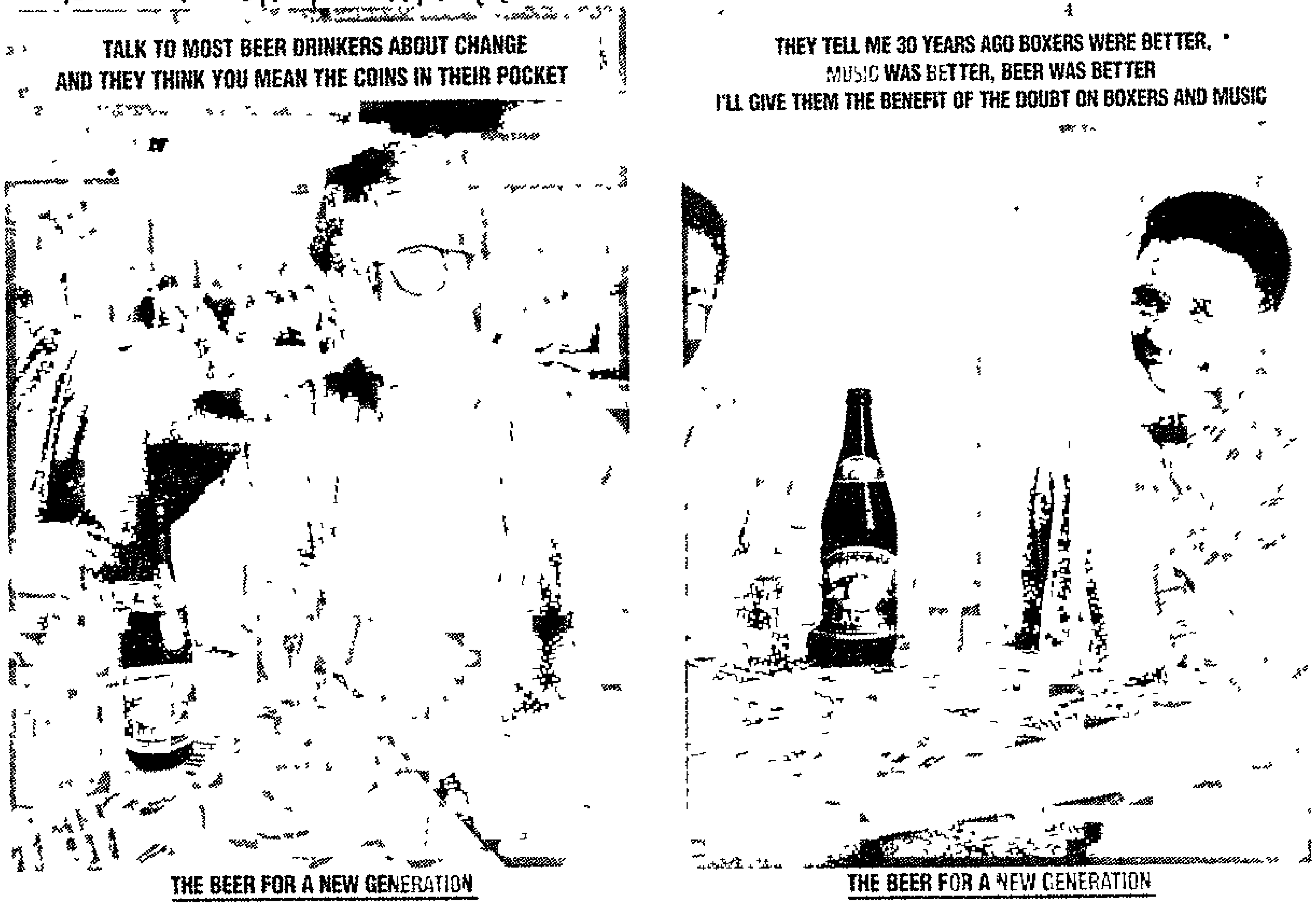

The new ad generation ... One big, happy aspirational group of regular guys with equal spending powers

The one area of multi-racial advertising where everyone seems willing to suspend belief is where children are involved.

Take, for example, the Kelloggs Rice Krispies advert. Which is more unlikely? The Snap Crackle and Pop characters jumping off the box and doing a gumboot dance? Or the three white and two black children who eat breakfast together while watching them?

"We try not to make a big deal out of it," says David Simpson, managing director of J Walter Thompson, the advertising agency which handles the Kelloggs account

"The reality of the situation is that upper income blacks send their children to private schools so there are lots of opportunities for the kids to eat together Rice Krispies is a fun cereal for kids, the commercial is fantasy and the target audience is kids "

"In the area of kids you have a tremendous reservoir of goodwill from all sides, and you are going to get kids to sit at a breakfast table," says Horace Mpanza, creative director of Lintas advertising agency.

"And you are saying to both (political) extremes, 'Look here, at the end of the day it is your kids who are going to have to sort it out. And the sooner they get cracking together the more positive the future is going to be'."

Advertisers do not just show multi-racial adverts out of some Utopian desire to create the perfect society. a cash-driven motive lies behind the strategy

"To have a brand labelled as a black only brand is perceived as very negative," says Anton Tucker, an account director with D'Arcy Masius Benton and Bowles.

Research has shown black consumers feel they are being shown inferior products if the advertising directed at them is different.

"Black consumers do not want to be addressed differently to whites," says Charles Foster of the market research group, Impact.

"There is a fear of alienating blacks who are the vast majority of the market. Whites don't watch black television but blacks watch white television, so you can't exclude black consumers from seeing white adverts "

There are white consumers who feel belittled or insulted by watching integrated advertising They compose a very small section of the market but market researchers are still trying to find a middle ground for advertisers to appeal to all cultures without offending any group.

Horace Mpanza tells of an incident five years ago which highlights the problems. His agency developed an advert for Rama margerine to be shown on the white television channels. The advert showed a lot of different shots of white people eating Rama margarine in different situations each saying a word — terrific, wonderful — to describe Rama. At the end a little black boy was shown taking a bite and saying "lovely" in an African accent.

When the commercial was tested before being aired, the English housewives thought it was fine but the Afrikaans housewives were not happy with the black boy. So the client decided to play it safe, keep the advert as it was for the English market but change it to a white boy for the Afrikaans market That decision resulted in a flood of letter to the manufacturers of Rama and to the SABC from Afrikaaners complaining the world must perceive them as racist if their commercial was significant by its absence of a black boy at the end.

Another economic reason behind multi-racial advertising is the high cost of production in South Africa. In most countries production counts for eight to 12 percent of the total media budget In this country it is between 25 and 30 percent The pressure is therefore on to find one commercial to fit all markets and keep the costs down that way.

Do these adverts work? Well yes, if the growing numbers of advertisers using multi-racial advertising is any measurement More and more adverts allow thoroughly integrated scenes and for the most part clients are happy with the increase in sales that result Sales growth of beer — to give one example — was up 10 percent in the last year alone, and Coca Cola has reported a staggering business growth of 40 percent in the last three years.

So how multi- racial are things behind the scenes in advertising these days? Ask any corporation or advertising agency how many blacks are represented in creative positions or at management level and brace yourself for evasion They don't know the exact number, ask personnel, well there are two people on the floor, isn't that guy Charlie an account manager?

Sometimes they say that a number of copywriter are black, but are those people copywriters? Or have they been brought in as translators? And what about the blacks who have made it up to the upper rung of the ladder? A lot of them get treated as the token black expert, having to advise on most accounts as to how the commercials will be interpreted in the black market Even they, who have succeeded in a white industry, are fairly far removed from the every day lives of the majority of the black consumers.

But things are improving The big international agencies are now sponsoring training schemes for blacks and guaranteeing a number of places a year for black employees Like the adverts, the gestures might be self-conscious but the idea is that, given time, the integration really will be a natural one in front of and behind the camera.

Hey, isn't that an idea Roddy and his friends could maybe consider over their beers? One day yeah, one day there might be one market in South Africa. One big, happy aspirational group of regular guys, all feeling equal and all having equal spending powers and all aspiring to own the same great products — making life a hell of a lot easier for the admen in suits

Breweries' sweepers now earn R1 238

Star 8/10/90

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Labour Reporter

A South African Breweries (SAB) sweeper now receives minimum pay of R1 238 a month after successful negotiations between the company and the Food and Allied Workers' Union (Fawu).

The peaceful accord struck this year constrasts strongly with the protracted, violence-marred 1989 strike.

Also agreed on was the controversial overtime issue. It made industrial legal history last year when the union successfully defended its right to refuse to work overtime. The Appelate Division ruled that an overtime ban did not constitute a strike and workers were entitled — as an important bargaining weapon — to withdraw voluntary labour.

The SAB's Rob Childs said the new overtime agreement was a realistic compromise between SAB operational requirements and the genuine needs of workers.

The successful outcome of the agreement was "in no small measure" due to the services of mediator Phil Glazer, he said.

SAB, union agree on wages, overtime

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Labour Reporter ARGUS 9/10/90

A SETTLEMENT on wages, overtime and other conditions of employment has been reached between the South African Breweries beer division and the Food and Allied Workers' Union.

In terms of the agreement, concluded last week, the union won an increase of 16,5 percent for 6 000 members with the minimum wage being increased from R1 063 a month to R1 238.

Agreement was also reached on overtime — a controversial issue which has been at the centre of many disputes between SAB and the union and culminated in an Appeal Court hearing last year.

WEEKEND WORK

The union declared a dispute two months ago when the SAB insisted that employees agree to work overtime.

Workers refused to contract work overtime and at weekends as it disrupted their family, social and sporting lives, the union said.

SAB Human Resources director Mr Rob Childs said the new negotiated agreement on overtime was "a combination of voluntary and compulsory overtime which balanced the requirements of both parties"

Tight market affects KWV arm's growth

LESLEY LAMBERT

CAPE TOWN. — KWV Investments has announced 4% growth in equity-adjusted income to R36,1m for the year to end-June.

However, net income for the investment arm of the wine producers' association, which excludes its share of associated companies, grew by 16,8% to R17,3m, translating into 41,3c a share

The full amount was paid out in dividends

The company's major assets are its holdings of 30% of SFW and 30% of Distillers through its association with Rembrandt-KWV Investments which has a 60% stake in each.

B/Day 12/10/90

SFW and Distillers reported disappointing results during the 1989/90 period, reflecting to a large extent the effects of rising costs on a stagnant wine market and the decline in consumer spending

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Both companies showed declining levels of growth in turnover — Distillers from 16,9% in 1989 to 11,8% in 1990 and SFW from 11% to 9,1% against the corresponding period.

Distillers, which produces a range of spirits and wines, reported growth of 6,8% in earnings before additional depreciation and 9% afterwards, and SFW reported 3% growth in untaxed earnings and a marginal decline in net attributable earnings

SFW, which markets the bulk of SA wine production, was affected by rising labour, packaging and distribution costs and stagnant consumption levels.

Another blow for SFW, industry sources said, was increasing competition from major suppliers — the wine co-operatives which were marketing products at prices often lower than the KWV-imposed minimum to which SFW is committed — and also the shrinking market

‘Lucky’ OK raises borrowing limits

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Star 15/10/90

OK Bazaars can count itself lucky being 69 percent owned by mighty SA Breweries as its borrowings are close to its authorised limits.

At end March 1990 its articles permitted borrowings of R259,7 million while actual borrowings were a shade lower at R241,2 million. At the July annual meeting shareholders were asked to approve a special resolution altering the borrowing powers. Previously debt was limited to the amount of the company's paid up capital and reserves.

From now on, SAB will authorise the borrowing limits “in accordance with modern practise”, whatever this means. The escalating debt of R241,2 million (1989: R178,3 million) is pounding the income statement where significant interest expense is only twice covered by operating income compared with 2,8 times a year earlier.

Remember this debt does not include the off balance sheet financing of the instalment sales which are done separately through associate finance company OK Fin (Pty) Ltd.

Through this company additional instalment sales' debt totalled R240,3 million (1989: R229,5 million). Does this mean total debt is close to half a billion?

It is hardly surprising that the bottom line failed to reach 1989's numbers. Not even a lower effective tax rate of 41,7 percent (1989: 45,3 percent) could help.

Milestone

While 1990 saw another milestone pass with sales exceeding R4 billion it was clearly a case of “sales being vanity, but profit sanity.”

Chairman Mr Meyer Khan explained that the sharp drop in activity plus lower level of fixed overhead recovery and higher than normal shrinkage losses, linked with the social instability, caused the problems.

These are serious problems considering that earnings were up 15,7 percent at the halfway stage but overall declined by 16,4 percent for the full year. The last six months must have been a disaster.

Last year CE Mr Hood reported that a centralised warehousing grocery distribution system was introduced in half the stores. This year it was supplemented by a computerised space allocation and ordering system.

In the new year both systems will be expanded to cover the grocery, healthy and beauty aid departments in all stores. This would improve stock turn rates, reduce shrinkage and further improve the on-sales position, he says.

Bottom Line

MICHAEL MENOF

But there appears little wrong with the stock turn as the average for the year reached a record 6,1 times, says Mr Khan.

Turnover rose to R4,22 billion (1989: R3,73 billion) with operating income R68,43 million (1989: R67,12 million). Net interest was a massive R33,44 million (1989: R23,92 million). Attributable income declined 15 percent to R20,21 million (1989: R23,92 million).

The bottom line represents only 0,48 percent (1989: 0,64 percent) of turnover — what a pittance for all the hard work. Earnings per share were 163c compared with 1989's 195c. Dividends were reduced to 86c against 103c in 1989.

The retroactive phased tax on Lifo stock reserve was another cruel blow as Lifo values helped overcome rampant inflation. These retroactive tax increases make it difficult for businesses to plan their tax affairs with any degree of certainty, says Mr Khan.

He is so right as the Government seems to have little regard for business and their rotten past policies are the root of all the present problems.

In the balance sheet, shareholders funds declined to R359,4 million (1989: R375,6 million) at end March 1990. The notional tax on the Lifo stock conversion of R41 million caused the decline despite the surplus on fixed assets revalued during the year of R17,47 million credited to non-distributable reserves.

Apart from the massive debt the most disturbing aspect was the decline in working capital from R103,6 million in 1989 to only R19,9 million — not a healthy sign

Prediction

While prospects appear gloomy both Messrs Kahn and Hood expect that while earnings will be under pressure there will some improvement. The interim results due out shortly should be a good indication of their predictions.

With all that OK does for its employees, sports promotions and pensioners (they receive a six percent discount on their purchases with the monthly limit recently increased by 25 percent), its high time organised labour gave OK a break.

Rather than hinder the company's growth, they should help it and never forget that their future is also at stake.

Speculative trading in Romatex and Da Gama

Star 18/10/90

(181) (182)

By Ann Crotty

Recent movement in the Romatex and Da Gama share prices has sparked market speculation that a merger between these two textile companies is likely

Informed sources believe that this speculation is way off the mark.

In terms of operations, a merger would have some advantages, particularly given the torrid time the industry is having.

But it is difficult to see either of the major shareholders (SAB for Da Gama and Barlows for Romatex) relinquishing any control over what must be regarded as major strategic investments.

SAB acquired control of Da Gama from UK-based Tootal group last year and indications from SAB management are that it is very happy with the performance of this subsidiary and is keen to see it grow.

Ongoing capital spending has ensured it has efficient plant capacity which, combined with its strategy of niche-marketing in value-added segments of the market, means that it has the highest return on capital in the industry Its end-March balance sheet showed a cash balance of R28 million.

It would be difficult to see why any controlling shareholder would be prepared to give up a stake in this investment.

From Barlows side, Romatex — although not as strong a player in the industry — has just undertaken a R100 million restructuring aimed at reducing the company's exposure to cyclical forces and also involving the disposal of loss-making operations and the merging of others.

Problems persist for SFW in facing down tough year

BD 31/10/90

LESLEY LAMBERT

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CAPE TOWN — The past financial year to end-June was possibly one of the most difficult for wine and spirits producer-wholesaler Stellenbosch Farmers' Winery (SFW)

Fundamental problems in the wine industry persisted, new economic and political hurdles arose and SFW ended the year with no real growth in sales and a small decline in earnings, after making provision for additional depreciation

As the marketer of the bulk of SA wine production, SFW is a fairly reliable barometer of the industry.

Its wine sales have been eroded over the years by the decline in per capita consumption of natural wine from 8,35 litres in 1985 to 7,45 litres in 1989. During the same period, per capita consumption of malt beer has increased from 41,18 litres to 58,04 litres, while demand for some of the brown and white spirits, a smaller part of SFW's business, has grown marginally.

SFW's ability to compete with the beer market is limited by a minimum price structure imposed by producer organisation KWV, which prevents SFW from selling wine below a set price.

Because of a massive gap between the minimum prices set for natural and inferior wine (the so-called wine lake) which is sold for distillation at a third of the price of natural wine, the pricing structure has also created an opportunity for producer clients of SFW to compete with their distributor.

Rather than sell to SFW, dissatisfied producers are selling directly to the market at lower prices. Some co-ops and estates have succeeded in their bid to beat the inhibiting price structures and are achieving annual profits of up to 30%, which SFW believes are largely at its expense

Others, like Drakenstein Estate, which recently went into liquidation, have failed

SFW executive chairman Dave Marlow said at the company's AGM in Stellenbosch yesterday that talks aimed at finding a solution to this problem had reached an impasse. "However, all concerned agree that the present system is inadequate and the matter continues to receive attention," he said.

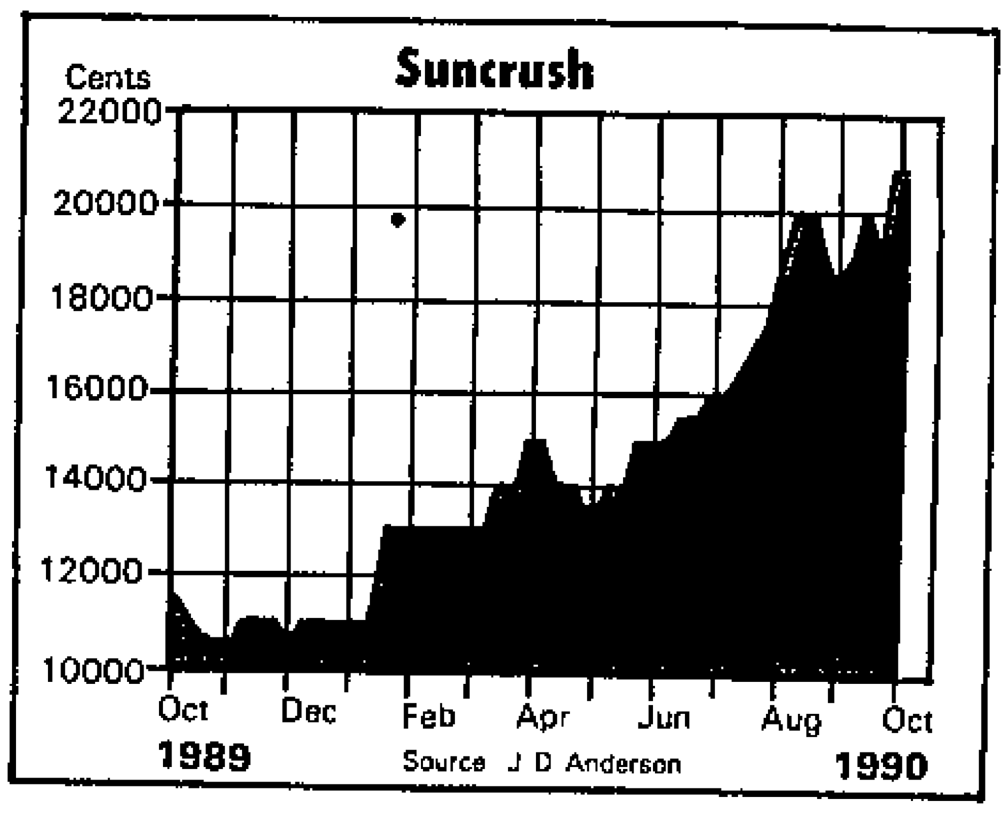
Significant restructuring under Marlow's guidance does not appear to have enhanced financial performance in the short-term

FM 19/10/90 (182)

SUNCRUSH FM 19/10/90

SZZZ . . . PARKLING!

(182)



The fizz hardly ever seems to go out of the soft-drink market While most other companies are posting poor results, soft-drink manufacturer and marketer Suncrush has once again shown growth which continues to beat the rate of inflation Attributable profit rose 44% to R32,2m causing EPS to rise by the same percentage to 1 187c

The soft-drink market is usually affected late in a recession, according to chairman and MD Robin Hamilton In fact, it sometimes avoids the recession altogether Hamilton adds that growth has come mostly from the existing market serviced by Suncrush rather than acquisition — and is particularly

Activities: *Manufactures and markets soft drinks*
Control: *Dalys 50%*
Chairman and MD: *R D Hamilton*
Capital structure: *2,7m ords Market capitalisation R569,7m*
Share market: *Price. R210 Yields 1,7% on dividend, 5,7% on earnings, p.e ratio, 17,7, cover, 3,4 12-month high, R210, low, R105 Trading volume last quarter, 28 000 shares*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	2,7	4,2	2,5	3,1
LT debt (Rm)	10,8	17,4	16,1	30,7
Shareholders' interest	0,68	0,64	0,71	0,68
Int & leasing cover	17,5	15 1	14,3	—
Return on cap (%)	17,5	19,3	18,4	17,3
Turnover (Rm)	169	229	277	356
Pre-int profit (Rm)	28,3	38,9	48,5	61,6
Pre-int margin (%)	16,8	17,0	17,5	17,3
Earnings (c)	497	681	825	1 187
Dividends (c)	150	205	250	350
Net worth (c)	2 853	3 329	6 485	8 522

strong in the black market, roughly estimated as 70% of Suncrush's total market.

The group has franchises for Coca-Cola, Diet Coke, Fanta, Sprite, Tab, Krest, Schweppes, Stoney, Lemon Twist and Sparletta in Natal, parts of the Transvaal and OFS, the eastern Cape and Bophuthatswana Hamilton sees possible moves into Mozambique as offering opportunities for further growth — but says it is difficult to forecast when any deal with government there would come together However, if and when it does, this would mean that Suncrush — in partnership with government — would most likely be the sole soft-drink manufacturer for the three parched southern provinces.

It is not only growth and a recession-proof product which has allowed Suncrush to sparkle It has also had the benefit of a R35,5m cash holding earning over 19% interest (The annual report includes under cash R6,3m which was held by 62%-owned subsidiary and investment company, Tempora Investments, paid out as dividends to Tempora shareholders soon after June 30) Interest paid on R10m borrowings made in 1987 at a fixed rate of 14,25% for five years is at a much lower rate than interest received, as are the latest borrowings of R15,3m at 16,4% made this year for future expansion

Total interest-bearing debt rose 81% to R33,8m — and, according to Hamilton, it made sense to borrow to finance the expansion of the Ladysmith plant and future projects, mainly for tax reasons He is reluctant to elaborate

Capex on the Ladysmith plant was about R17m while total capex during the 1990 financial year amounted to R31,8m, and Suncrush has budgeted another R17,7m for the 1991 year, mainly on land and buildings in Mmabatho, purchasing land next to existing factories in other areas and on new vehicles

The company also gets a portion of its profits from investments held by Tempora Listed companies in which Tempora has a stake are. pyramid Dalys, Cadbury Schweppes, Saficon, Saker's Finance and Investment, Seardel and Sage (where shareholding has reduced considerably compared to 1989) Income from investments grew just 10% compared to almost 80% in 1989, which Hamilton says is partly because of an extraordinary dividend declared in the 1989 year by an unlisted investment, Amalgamated Beverage Canners

Hamilton is reluctant to make any forecasts for the current year, as he says results depend on too many factors — including violence, which has already caused distribution disruptions

However, sensing Suncrush's seemingly unstoppable growth, the market has pushed the share to a new high of R210 On a dividend yield of 1,7%, it is rated better than competitor Amalgamated Beverage Industries but has a poorer rating when it comes to p·e ratios — 17,7 compared to 23,9

Heather Formby

KWV in wine export drive

LESLEY LAMBERT

CAPE TOWN — The organisation representing SA wine producers, KWV, has launched a major export promotion campaign to gear up the wine industry for the anticipated lifting of trade sanctions

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The two priorities of the campaign are to get branded SA wines and spirits back on international shelves and to double the production of wine for brandy distillation by next year to meet growing domestic and foreign demand.

KWV is planning contractual agreements with certain producers and co-operative cellars to guarantee a supply of quality export wines.

To ensure it is prepared for the opening up of new export markets, the organisation has restructured its marketing department to create more international marketing positions. bloem 23/10/90

The concerted drive to win back former appreciators of SA wine and capture new markets includes measures to make the product politically palatable. KWV has drawn up a manpower code with guidelines for suitable labour practices and social upliftment.

Announcing the new strategy yesterday, KWV chairman Pietman Hugo said it represented a complete turnaround from the low profile bulk exports of past years to high profile advertising-supported marketing of brand products. A new range of top quality wine series and new varietal wines would be introduced for potential export markets, Hugo said

Although KWV lost most of its traditional markets during the past decade, it circumvented the sanctions campaign by selling bulk unidentified products. In 1984 it ventured into the production of grape juice concentrate as an alternative to alcohol.

During the financial year to end-December 1989, export volumes rose by 85%, largely as a result of a doubling in the volumes of export grape juice concentrate

☐ To Page 2

KWV drive

Bloem 23/10/90 182

☐ From Page 1

and brandy and the discovery of new markets for bulk natural wines

This year KWV could not keep up with demand for concentrate and bulk dry white, according to Hugo, who estimated the industry's total income would show an 18% increase to over R500m for the year to end-December 1990. KWV believes it can improve this performance by adding the more profitable quality branded wines to its export lists.

On the domestic front, KWV CE Ritzema de la Bat said efforts to increase wine consumption, particularly in the Transvaal, were continuing.

WINE FM 26/10/90 182

NO SOUR GRAPES

The KWV's hush-hush project to export dry white wine in bulk to Europe helped the co-op circumvent sanctions and push the wine industry's projected income for this year to R526m, an increase of 18,2% over last year

The KWV, a co-operative with 6 000 member farmers, is the main marketer of SA wines and wine products overseas Its foreign marketing efforts were particularly hard hit by government-enforced sanctions in the US, Canada and Scandinavia and by trade boycotts in the UK and Europe

FM 26/10/90 182

Though bulk exports have been an open secret in the industry for some time, the KWV has never disclosed details of volumes, prices or destinations

It is understood, however, that about 22m *l* of bulk wine, valued at about R15m, was exported in the last year, mainly to eastern Europe The wine was shipped in bulk tankers via the Suez Canal Despite a three-week journey and extreme heat, the KWV says it arrived in good condition and compares favourably with European wine of the same standard

KWV chairman Pietman Hugo says the "imaginative" circumvention of sanctions by using unidentifiable products bolstered the industry in the Eighties A dramatic growth in exports was achieved, he says, and the KWV was able increasingly to market products that fetched higher prices than distilling wine, which has been the traditional way of disposing of SA's surplus overseas In the case of grape juice concentrate and bulk wine, the overseas demand in the last year could not be met

KWV CE Ritzema de la Bat says that while he is "very optimistic in the medium-term" about the prospects for quality SA wines overseas, breaking back into markets lost through sanctions will be difficult In particular, Canada — KWV's largest market before a total prohibition on the sale of its products — will be a challenge for the co-op's marketers

In anticipation of an end to sanctions, the KWV is overhauling its marketing strategies A new range of top quality wines will be introduced and the co-op is considering fixed contracts with producers to ensure continuity of supply And instead of hush-hush techniques, it will need to adopt high-profile strategies for advertisement-supported brand products

Star 29/10/90 (182)

Smart restructuring at Premier

Bottom Line

MICHAEL MENOF

Two major events happened in the past year at Premier which gave shareholders a bonus

Premier's 33,8 percent shareholding in SA Breweries was divested to listed Bevcon — Beverage and Consumer Inds Hlds — whose shares in turn were distributed to Premier shareholders

So, in addition to their shares in Premier they now have shares in Bevcon, ie two listed companies

Next the simultaneous rights issue successfully raised R281 million and reduced debt Through the restructuring, the renamed Premier Group (formerly Premier Holdings) is now engaged in food, which includes a 25 percent investment in Score, medicines through a 50,1 percent holding in Twins Propan and a 78,6 percent investment in Gresham Industries

It also holds a 33 percent investment in CNA/Gallo, which in turn acquired a 20,4 percent in stationery pyramid Walhold This is a neat group of listed investments, not forgetting a host of unlicensed subsidiaries and associated companies

Despite declining economic conditions, sales increased by five percent, not a true reflection as sales a year earlier included R400 million from part of the disposed group More important, earnings increased by 32 percent with all three divisions rising to the occasion

Well done, chairman Mr Peter Wrighton, who for many years has stood patiently in the background Or was he like Cardinal Richelieu, the force behind the throne, while former chairman Tony Bloom took the honours.

The informative annual report disclosed all In 1989 Mr Wrighton listed certain key issues requiring attention — lowering debt, identifying under-performing assets, need for more focus in the spread of business activities, continuing management decentralisation, marketing orientation in the core food group, handling industrial relations maturely and sympathetically and setting values for employees to more positively identify

All have been successfully addressed and subject to ongoing attention, he says Problems included the Edible Oils and Fats division not producing acceptable returns, the Safimed investment in Twins having a poor year and Gresham's earnings declining 33 percent due to problems in its pharmaceutical wholesale distribution company, PDC Bonnie Bird Farms made a trading profit of R7,1 million but lost R4,7 million after heavy interest.

Helped by the massive share premium arising from the rights issue being transferred to distributable reserves total shareholders funds exceed the R1 billion mark

Debt declined to its lowest level in seven years Below the line extraordinary write-offs from the restructuring marred an otherwise superb income statement

Sales increased to R4,34 billion (1989 R4,15 billion) with trading profits R336,23 million (1989 R286,8 million)

Trading margins rose from 6,9 to 7,7 percent Net interest expense, a significant player, declined marginally to R76,03 million (1989 R78,85 million) leaving pretax profits at R260,2 million (1989 R207,95 million)

Associated companies' equity earnings rose 50 percent to R33,78 million (1989 R22,78 million) After deducting tax R110,28 million (1989 R81,67 million) and minorities share of profit and small pref dividends of R61,59 million (1989 R56,77 million) the earnings attributable to ordinary shareholders were a highly commendable R122,11 million (1989 R92,28 million)

Earnings per share were 180 cents (1989 145 cents) But below the line extraordinary write-offs of R44,68 million — losses on sale of subsidiaries and investments, goodwill, patents and trademarks written off, extraordinary items in associates, rights issue costs and the LIFO tax reserve change — and R4,08 million additional depreciation on freehold buildings revalued — reduced the bottom line to R73,4 million compared with R99,9 million in 1989 Dividends rose to 60 cents (1989 50 cents)

Market share in most of the food operations, CNA/Gallo and Twins were either maintained or increased Food contributed 60 percent of the sales and half the trading profits. Pharmaceuticals contributed 25 percent of sales and 30 percent of trading profits with CNA/Gallo the balance

The two-week strike in the food group in October was peaceful with most plants maintaining production

Total capital, including minority interests, ended at R1,26 billion (1989 RR900 million) The rights issue' funds reduced debt to R290 million (1989 R466 million) and working capital jumped to R328 million (1989 R181 million).

Interestingly, the company has heavy investments in associates costing R157,5 million with loans to them of R157,9 million — a total of R316 million so debt is invested wisely

Net asset value improved to R13,66 a share with the current JSE price in the low R20s Directors have increased their shareholdings in the company with director Donald Gordon and his Liberty Life group holding 32 percent, Standard Bank 19,1 percent and PremSAB Holdings 25,9 percent.

The interim results due shortly should confirm Mr Wrighton's prediction of aiming "to produce earnings growth at least equal to the rate of inflation"

But remember, in tough times people develop a squirrel mentality — they buy and eat more, stay home and read or watch videos and take a pill for their minor ailments

The Premier Group can satisfy all these needs through its impressive product range — a positive sign in these trying times

Suncrush acquires even more fizz

B Day
1/11/90

GILLIAN HAYNE

(182)

SUNCRUSH, the JSE-listed marketer and bottler of carbonated soft drinks, has acquired Drakensberg Bottlers for R21m.

An announcement today says the move will create rationalisation benefits

This is because of the close proximity of Suncrush's Ladysmith franchise to the Bethlehem-based Drakensberg Bottlers.

Drakensberg Bottlers manufactures, markets and distributes Coca-Cola, Fanta, Sprite, Krest and Sparletta soft-drinks

The acquisition date is tomorrow.

Unrest fails to take the fizz out of ABI, half-year results show

B/Day 2/11/90 (182)

MARCIA KLEIN

AMALGAMATED Beverage Industries (ABI) reported a 23% increase in attributable earnings to R14,4m in the six months to September despite the affect of the unrest on sales.

The soft drink bottler and distributor — in the SA Breweries fold — notched up a similar increase in earnings to 13,6c (11c) a share.

According to directors, higher earnings were due to less borrowings in the early part of the year, reflected in lower financing costs.

Net financing costs of R2,2m were down from R2,27m for the same period last year.

While turnover rose 18% to R339,3m (R288,1m), directors said sales volumes — which grew by 4% for the first half of the year — were adversely affected by unrest in Durban throughout the period and the Witwatersrand in August and September

In these circumstances a 21% growth in trading profit was "pleasing", the directors said.

Assets

The group — which bottles Coca Cola, Sparletta and Suncrush — declared an interim dividend of 6c, 20% up on last year's 5c.

Capital expenditure on the expansion of ABI's Phoenix bottling plant in Durban and working capital requirements resulted in a 19% growth in net assets

The gearing ratio reduced marginally from 30% to 28%.

Directors expect "satisfactory growth in earnings" for the full year given normal weather conditions "which are an important factor in the soft drink industry" and a relatively stable socio-political environment.

Volume growth in the second half would be limited by the depressed economic environment and continuing disruptions in the market place in which ABI operates.

ABI shares closed unchanged at 1 000c yesterday, however the share — with a high of 1 200c and a low of 500c for the year — has made gains of nearly 70% over the last year.

Beverages tipped to boost SAB group

Star 2/11/90

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Diagonal Street

Jabulani Sikhakhane

Despite a weaker perfomance by its manufacturing division, analysts are forecasting an increase of 11 to 15 percent in earnings for SA Breweries for the six months to September.

They base their forecasts on the expected better performance of the beverage division (mainly the beer division and ABI).

Beer sales are expected to increase by eight percent, compared with 13 percent in the first six months of financial 1990

Together with a price rise of about 12 percent, the beer division should lift its contribution to group earnings by 20 percent

ABI, which bottles and distributes Coca-Cola, Schweppes and Sparletta, has reported a 23 percent (26 percent) increase in earnings to 13,6c

Results from SAB's retail division, mainly the Edgars group, have shown improvement Despite lower contributions from the Sales House and Jet chains, which were affected by unrest, boycotts and stayaways in April, May and June, the Edgars group reported earnings growth of 24 percent.

Sales rose 26 percent to R1,1 billion, which helped the group increase its share of the total market (clothing, footwear and textiles) from 15,1 percent to 16,2 percent

OK Bazaars had better-than-expected results, with earnings up 12,7 percent at 71c per share

Amalgamated Retailers (Amrel) has just reported increased turnover to R476,6 million

In line with the strong perfomance of the furniture sector in general, Amrel's furniture division raised its contribution to group attributable earnings from 60 percent to 69 percent.

This was largely due to increased furniture sales and better financing margins on sales

Contribution from footwear and apparel and the service divisions declined.

This, coupled with a higher effective tax rate, which includes full provision for deferred tax, saw growth in Amrel's earnings pegged at four percent at 84c (81c)

However, the perfomance of the SAB's manufacturing divisions was weaker

Da Gama, one of SA's largest textile manufacturers, reported a 20 percent drop in earnings to 48,3c (60,5c) per share A dividend of 16c was declared — down 9 percent.

Turnover dropped four percent to R140,2 million (R146,3 million)

Directors blame increased imports of low-price cotton fabric, mainly from the Far East, for the weak showing

These imports rose 22 percent, representing close to 40 percent of SA's requirements

Furniture manufacturer Afcol increased turnover by 13 percent to R410,894 million (R356,214 million)

But higher financing costs and difficult trading conditions encountered by the equity-accounted associates eroded the perfomance

Attributable earnings fell nine percent to R23,435 million from R25,760 million

Lion Match, a diversified consumer goods manufacturer, reported attributable earnings of R7,6 million, compared with R7,5 million in the first six months of financial 1989

Delisted hotel group Southern Suns is expected to have a poor showing

The number of foreign tourists, after increasing sharply in 1989 and early this year, has tapered off

Analysts are not expecting much of a contribution from SAB's overseas interests,

Ceres success built on quality

BDay 6/11/90 (182) BMport

THE cornerstone of export success is the quality of product and the consistency of service to foreign countries, says Ceres Fruit Juice marketing director Morrie Morrison.

On this, Ceres has built a solid and growing export market which grew by 65,1% in 1988 and by a phenomenal 176% last year.

Ceres first began exporting in 1986 to the Far East and various African countries, followed in 1989 by France, Portugal, Singapore and Israel.

In all cases, Ceres markets its products under the same label as is sold in SA.

"We believe in branding and in building brands, a practice which has contributed to our success."

Yet of Ceres' total production only about 7,3% is exported.

But the opening up of Eastern Europe could change this picture.

Ceres is already marketing its fresh fruit juices in three East Bloc countries "and we are looking to expand this market".

"The potential is enormous and there is good demand," he says.

Another challenge will be Europe 1992.

"We are getting a foothold there with exports going to Portugal, France and the UK

"But it is a highly competitive market and without something of an established base it will be difficult to be successful," Morrison says.

With the new SA, the world has opened up, he says

"Germany, the East Bloc and other countries you wouldn't expect have shown interest.

"We have even had feelers from North America and the number of inquiries from countries around the world have stepped up dramatically, especially in the past three months."

KWV planning a major push into overseas markets

182

BDay 6/11/90

KWV, the wine exporting co-op owned by 6 000 SA wine farmers, is to make a major thrust to market and export its beneficiated products abroad, says KWV marketing director Jannie Retief.

"The challenge for the decade, with the expected lifting of sanctions, will be to go full steam into establishing our trademarks in countries abroad.

"That means the export of bottled wines, so we can beneficiate our product to the maximum benefit"

While KWV lost most of its traditional markets during the past decade due to sanctions, it was able to overcome this by selling bulk unidentified products and by pioneering 10 new markets

"In the past year we have had incredible success with exporting mass white wine.

"SA as a whole exported one million litres of white wine in 1988. But we had no previous dealings in exporting bulk white wine

"We started in the beginning of 1989 and in the past year have sold more than 20 million litres," Retief says

But KWV's success has not only been in exporting bulk white wine. All its products are in demand abroad

In the year to end 1989, exports increased by 94,1%, while in the year to end 1988 they rose 22,1%.

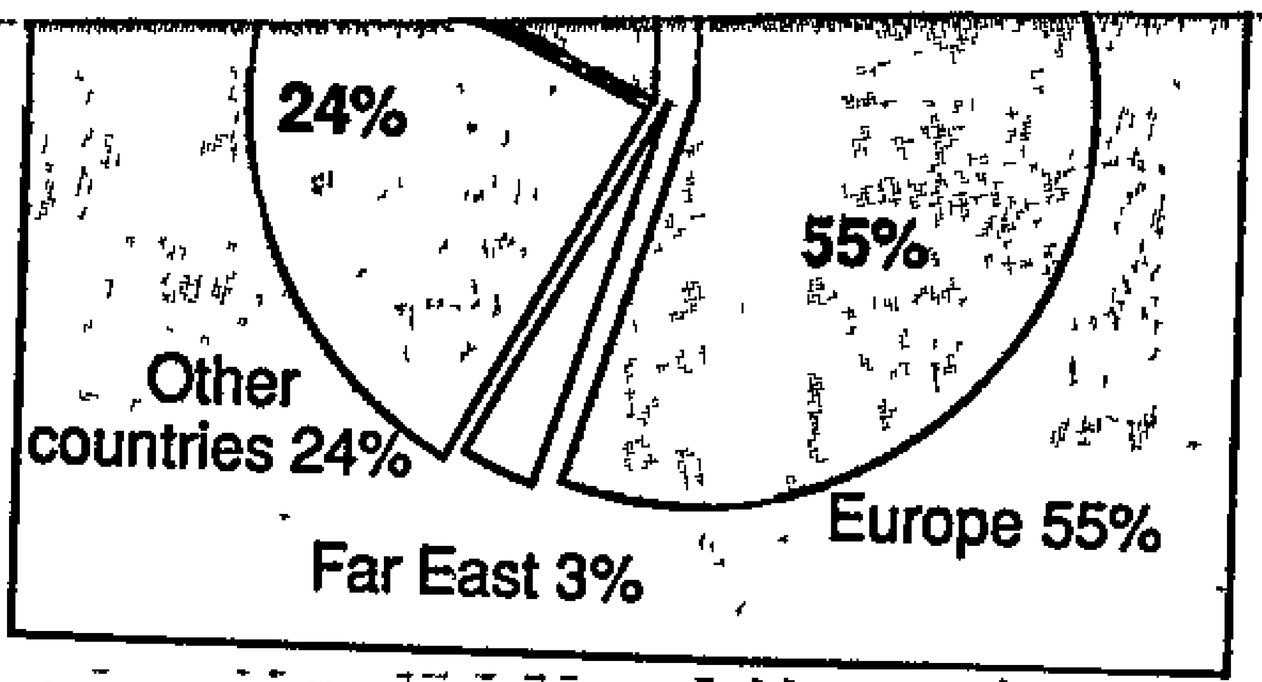
KWV is the largest exporter of wine products It also produces more than 50% of all brandy in SA.

Few KWV products are sold locally and the marketing structure has been re-organised so exports enjoy the maximum attention, he says.

Political changes in SA during the past year have brought a flood of positive sentiment.

"Our biggest market, Canada, for example, has shown lots of positive sentiment and they are keen to get our products back.

"Also, political events in Eastern Europe have resulted in Poland and Hungary opening to us."



ATC boosts capacity through extra shifts

BRITS-based African Telephone Cables (ATC) has been named a merit award winner in the manufacturing sector for the 1990 State President's Export Awards

In the past three years, ATC's cable exports have grown from less than R50 000 a year to more than R20m.

It manufactures telecommunications, instrumentation, pilot, control, coaxial and optical fibre cables, wires and fibres and is a supplier of optical fibre systems and equipment.

ATC is 55% held by GEC SA, in which Reunert has a 50% equity.

Overseas cable specifications are stricter than those applied locally and special packaging had to be designed to meet customer requirements.

Having formed a small base of customers in Africa, Europe and the Indian Ocean rim, ATC is looking at expanding its markets into the Middle East, the Far East and South America, as well as trying to break into the fiercely competitive market for optical fibre cables.

The company recently implemented a three-shift system to increase capacity available for exports.

Tubatse sets the trend

B Day 6/11/90

WHILE the ferrochrome market worldwide over the past 12 months suffered a decrease in demand resulting in an oversupply of ferrochrome, the Tubatse division of Samancor Chrome, which produces and exports high carbon ferrochrome, managed to increase exports by 36%

Chrome Alloys divisional manager Deon Toerin says one reason for Tubatse Ferrochrome's success has been its excess capacity, created over the past few years to meet demand.

With planned expansions, Tubatse has solidified its position as a trend setting, cost-effective, responsible and long-term supplier and has emerged as the second largest ferrochrome producer in the world, with 300 000 tons a year.

"Tubatse's exports increased by 36% over last year, with exports as a percentage of sales increasing from 78% to 96%," he says.

30 years of plying the trade

VALOR Central Co-Operative has been exporting for more than 30 years. (182)

Based in Port Elizabeth, Valor exports fruit juice concentrates, candied and frozen peel and citrus oils.

Traditional markets have been the UK, Europe, the north-west Continent and Mediterranean countries and a few exports to the Far East, says Valor GM Richard Spargo.

Valor's exports account for about 55% of its production. In 1987 its exports grew 54%, 56% in 1988 and 112% in 1989. B Day 6/11/90

Purchased

Fresh oranges, pineapples, lemons and grapefruits are purchased from local farmers' co-operatives and the juice is extracted and processed to make the various concentrates.

These are then packed for export.

The peels, with the exception of pineapples, are then either frozen or chemically preserved.

The company exports five different concentrates, frozen peel and candied peel.

The company's success can be attributed to personal contact with customers, prompt responses to inquiries and adherence to international quality standards, says Spargo.

Star 6/11/90 (182)

Sanctions can't stop KWV

Sanctions dealt a damaging blow to the SA wine industry over the past decade, but KWV adapted its strategy and created 10 new markets under adverse circumstances

This achievement has earned KWV a runners-up merit award in the agricultural sector of this year's State President's Export Awards

KWV chief marketing executive Jannie Retief says exports for calendar 1989 increased by 94,1 percent over 1988 exports, which in turn were 22,1 percent higher than the previous year

When traditional markets were wiped out with the imposition of sanctions, KWV brand products took a low profile over most of the 1980s. Then to compensate, bulk exports employing mainly unidentified products were introduced.

Jannie Retief .. KWV chief marketing executive.

In the process a dramatic growth in exports was achieved, so that KWV has increasingly been able to market products which realise a higher income than distilling wine.

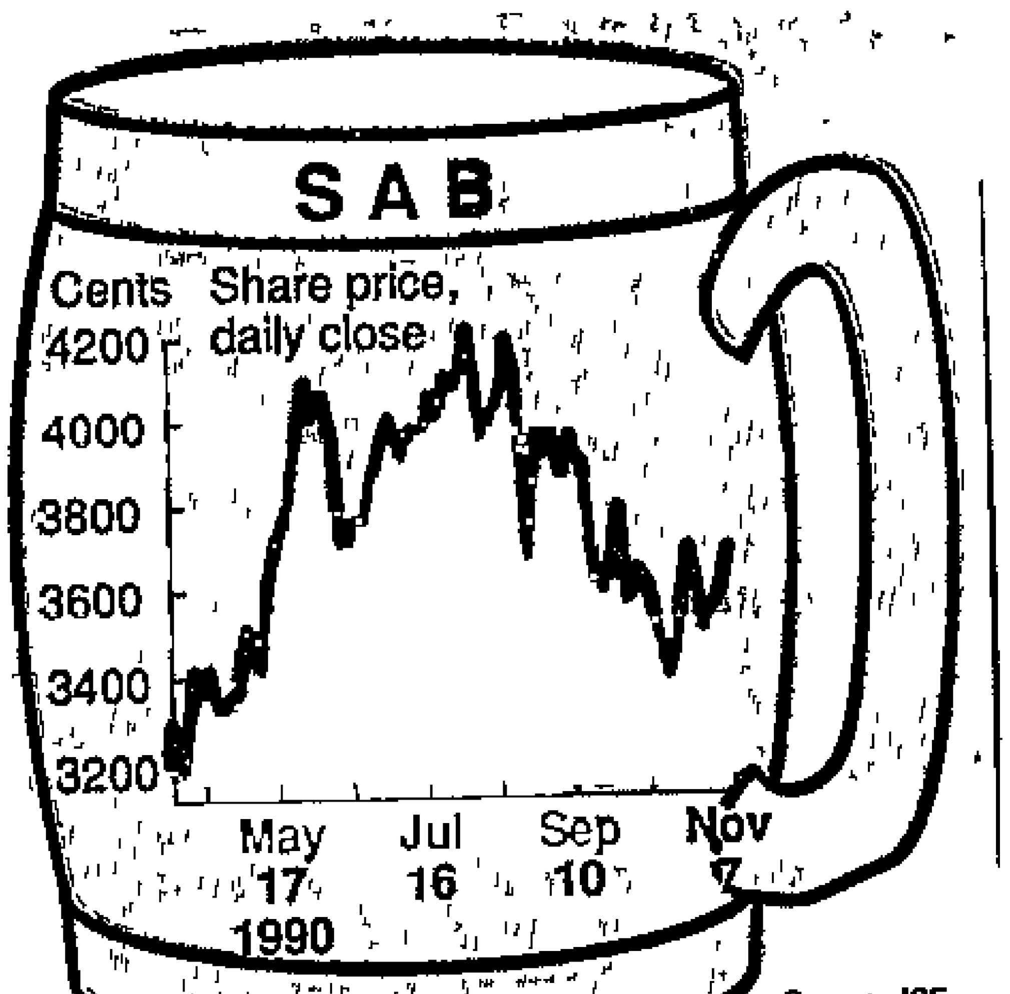
Mr Retief says that in 1988, the entire wine industry was only able to export one million litres of white wine.

"KWV, which until then had no experience in shipping such a complicated cargo halfway around the world, was able to build up markets and gain the technical know-how to be able to export more than 20 million litres of bulk white wine

"All this has contributed to keeping the wine industry on a sound footing," he says

Initially KWV sold bulk wine spirit, but because of the low returns on this product it decided to look at other ways and means of improving revenue for the South African wine farmer.

These included the establishment of a grape juice concentrate plant at Robertson, which has been expanded to such an extent that it now operates throughout the year



Source JSE
Graphic F KRISCH

Beer is still the mainstay of SAB

B Day 8/11/90 BRENT MELVILLE (182)

DEPRESSED consumer demand and the state of the economy have done little to curtail the buying habits of SA's beer drinking population — or so the financial performance of SAB for the six months to September indicates

The group's beer division again stood out, with sales improving by 11% to about 1-billion litres for the period. Its contribution to the bottom line climbed to R140m (R112m) or 65,4% (63,3%) of attributable profits of R214m (R177m)

The increase in beer sales helped bolster group turnover by 19% to R6,9bn (R5,8bn), with earnings up 21% to 80c (66,1c) a share The dividend outlay was improved by 20% to 30c (25c)

However, group executive chairman Meyer Kahn said yesterday he did not expect beer sales to continue at the present level. The group would be happy if sales were up 7% to 8% by financial year-end.

Nevertheless, Kahn confirmed that SAB, which boasts such diversified entities as Edgars, OK Bazaars, Amrel, Afcol, Da Gama and Southern Sun in its portfolio, was still planning to spend most of its authorised R1,8bn capex for the next two years on its beverages division, with most of that going towards massive expansion of

□ To Page 2

□ From Page 1

(182)

SAB

B Day 8/11/90

production facilities at existing breweries.

It also included the expenditure of more than R100m on a major new Amalgamated Beverages Industries (ABI) Coca Cola plant in Phoenix, Natal, which would be completed within the next 12 months, he said.

For the six months to September, the group pursued an aggressive development programme which included spending R204m (R89m) on maintaining operations, R249m (R257m) on expanding operations and R120m on purchasing all the remaining minority shareholdings in Southern Sun.

As a result, net cash invested climbed 61% to R573m (R356m), pushing borrowings up by R227m and increasing interest-bearing debt to R2,2bn (R1,8bn) Gearing moved up to 58% (52%), which Kahn said was still within the internal group constraint of 60%

Star 8/11/90 (182)

Beer gives cheer to SAB

Diagonal Street

ANN CROTTY

An excellent performance from the beer division, enabled SAB to show a 21 percent hike in earnings to 80c (66,1c) a share for the six months to September

An interim dividend of 30c (25c) a share has been declared

Group attributable profit was up 21 percent to R214 million (R177 million), with the beer division accounting for a massive R140 million (or 65 percent) of the total.

A staggering 11 percent volume increase in beer sales was behind the 25 percent surge in the division's earnings

Other interests provided the remaining R74 million.

The second-half figures should see a more even contribution from these two categories.

For full financial 1989, beer provided 53 percent of group earnings, compared with 63 percent at the half-way stage.

Group turnover was up 19 percent to R6,89 billion (R5,8 billion), with trading profit up 23 percent to R584 million (R475 million).

Margins increased to 8,47 percent from 8,2 percent, which chairman Meyer Kahn attributes to increased operating efficiencies and stringent overhead controls.

Net finance costs were up 26,8 percent to R123 million (R97 million).

Taxed profit was up 17 percent to R313 million (R268 million). After allowing for additional replacement cost depreciation (R28 million) and minority shareholders (R71 million), attributable earnings were 21 percent ahead at R214 million (R177 million).

Star performer was undoubtedly the beer division.

But Mr Kahn says that ABI, Edgars and the international operations were very close seconds.

He attributes the 11 percent volume increase in beer sales to "fairly aggressive advertising, promotions, keen pricing and good management" — all of which helped to increase beer's share of the total drinks market. The growing population also helped lift sales.

Mr Kahn says he is very pleased with the performance of each one of the divisions with the exception of Southern Sun, which from September became a wholly owned subsidiary.

"Southern Sun did particularly poorly by my standards"

Unrest led to a reduction in the number of tourists. The local downturn knocked domestic activity Moreover, seasonal factors always dampen Southern Sun's first-half performance, he said.

Against a background of socio-political turbulence, high interest rates and a deteriorating economy, he feels the results from Da Gama and Afcol were very good.

"Amrel's earnings reflected a formidable performance, given that it provides for deferred tax on a fully comprehensive basis

"OK faced very difficult circumstances and in view of the boycotts and the weak economy, it performed well."

Given the steady deterioration of the economy, Mr Kahn feels second-half growth will be well below what was achieved in the first six months.

But he says there will be reasonable growth for the full year.

SS

Thirst for beer boosts SAB profit by R28m

82

By TOM HOOD, Argus 8/11/82
Business Editor

THIRSTY beer drinkers provided an extra R28 million profit for SA Breweries in the six months to September.

The growing population helped to lift sales by 11 percent, according to the beer giant, which claimed today its product is increasing its share of the total drinks market

Agressive

But SAB also used what it calls "aggressive advertising, promotions, keen pricing and good management" to get people to drink more beer.

Profit from beer jumped by 17 percent, to R140 million and accounted for 65 percent of the group's total earnings of R214 million.

This happened while consumer spending elsewhere is falling as the recession deepens

The beer boom also helped to put R258 million into the pockets of shareholders. The interim dividend was raised 20 percent from 25c to 30c a share and gave them R45 million more than last year's interim payout

Almost R1,8 billion is to be spent in the current year to cope with the country's growing thirst, most of it going on brewery expansions and new plant.

Group turnover jumped by more than R1 billion or 19 percent to R6 890 million, with trading profit up 23 percent to R584 million

Profit margins increased to 8,47 percent from 8,2 percent, which chairman Mr Meyer Kahn said was due to increased operating efficiencies and stringent overhead controls.

Associated Beverage Industries, Edgars and the international operations were close seconds to beer in performance

Southern Sun, which from September became a wholly owned subsidiary, did poorly by Mr Khan's standards, however.

Unrest led to a reduction in the number of tourists. The local downturn knocked domestic activity Moreover, seasonal factors always dampen Southern Sun's first-half performance, he said.

Against a background of sociopolitical turbulence, high interest rates and a deteriorating economy, he said the results from Da Gama and Afcol were good.

"Amrel's earnings reflected a formidable performance, given that it provides for deferred tax on a fully comprehensive basis

"OK faced very difficult circumstances and in view of the boycotts and the weak economy, it performed well."

Given the steady deterioration of the economy, Mr Kahn believes second-half growth will be well below what was achieved in the first six months

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AFROX FM 9/11/90 (183)

INFLATION ADJUSTED

Inflation accounting can sometimes do strange things to corporate results Whereas conventional wisdom would suggest that inflation-adjusted earnings would tend to grow more slowly than those calculated on an historical cost basis, in Afrox's case 1990 EPS after adjustment for effects of inflation show an improvement 1,3 times greater than the unadjusted figure

When you stop to think about it, the effect is logical Inflation, like any other variable (interest rates, for example), has a direct gearing effect on the bottom line — increase the effect, which in the case of inflation is

FM 9/11/90 (183)

regrettably the more common SA experience, and earnings growth will be stunted, decrease the effect and the opposite will happen

Which is exactly what occurred here Despite a substantially increased fixed asset base, the inflation adjustment to the 1990 results, at R15,7m, was almost exactly the same as in 1989 And with profits before the adjustment up 21%, the leverage effect consequently boosted bottom-line growth by a further six percentage points

It would be nice to think the relative decline in the inflation adjustment reflected lower inflationary pressures However, the main reason was the reclassification of the Middelburg gas plant as a customer supply scheme. Such schemes are not subject to the group's inflation accounting policies because most of their output is sold under (presumably inflation-adjusted) contract to a single customer — in this case, Middelburg Steel

So the basis of calculating the inflation adjustment for the year just completed was more favourable for Afrox than in 1989, from which it follows that the pre-adjustment growth rate of 21% is a better reflection of actual performance than the inflation-adjusted figure.

LEVERAGE EFFECT

Year to Sep 30	1989	1990
Turnover (Rm)	728,0	903,9
Operating profit (Rm)	149,3	187,2
Pre-tax profit (Rm)	132,6	156,5
Earnings (c)	170	216
Dividends (c)	100	135

Even so, this 21% was six percentage points better than the corresponding 1989 growth rate and is in itself, therefore, no mean achievement — especially when most companies are seeing earnings improvements severely curtailed or even turning negative

One of the keys to Afrox's success is the continuous attention paid to asset management Two areas that stand out are the carefully paced expansion programme which enables the group to meet increased demand without ending up with under-utilised assets, and the equally important area of current asset management

The impact of the latter is reflected in the fact that stock and debtor levels at September 30 were virtually unchanged despite a 24% growth in sales over the year Tighter controls here led to a 20% reduction in net current assets (excluding cash and short-term debt), thereby contributing to a containment of borrowings which, at R221m, were only 10% up on 1989 The debt equity ratio thus reduced to 0,38 (1989 0,44) after having virtually doubled the previous year under less favourable working capital circumstances

Management's forecast for the current year is that earnings will continue to grow, but at a slower pace than in 1990 Given that Afrox's forecasts are normally conservative,

FM 9/11/90 (183)

there is little doubt the group will manage to stay ahead both of inflation and the general industrial pack

Its strong performance and, under present conditions, satisfactory outlook have not gone unnoticed by the market The price has advanced from R26 in January when the *FM* reviewed the last annual report to the present R38, causing the dividend yield to narrow to 3,6% (previously 3,8%) and the p.e ratio to stretch to 17,6 (15,2) despite the higher earnings and dividends on which the latest ratios are based This makes the share a bit pricey on short-term considerations, but as a lock-away investment it remains firmly on the shopping list

Brian Thompson

4 Nov. 1990

Drop-Inn shedding properties

182

Finance Staff

CAPE TOWN — Shareholders of independent liquor retailer Drop-Inn have voted unanimously to sell all its property interests for R12,7 million and to consolidate its shares.

At a general meeting in Cape Town it was resolved that the Berk Family Trusts, majority shareholders in Drop-Inn, would acquire the properties and leave the operations to focus solely on liquor retailing and catering

Drop-Inn executive chairman Sam Berk said the fact that property showed only a 13 percent return on cspital, against 40 percent for liquor sales, had motivated the company to offload its properties.

It was felt Drop-Inn's shares were undervalued against net asset value because of the lower yields from property.

Drop-Inn has signed 10-year leases with 12 percent escalation clauses with the trusts.

Drop-Inn operates 17 liquor stores and warehouses, including the Benny Goldberg outlet in Johannesburg.

SFW F/M 9/11/90 (182)

NOT GOOD ENOUGH

The dismal performance of the past five years is cause for serious concern Since 1984, EPS have grown at only 6,2% compound Set against the inflation rate, in real terms the company is in a dizzy downward spiral

It is all very well to talk about "wine lakes" and "unfair practices by competitors selling . below the official minimum producer price for wine destined to be sold as natural wine" Such events are natural by-products of an industry for too long protected by a plethora of legislation. The market always finds a way to counter-balance such practices and now, evidently, the group is paying the price But these causes alone do not excuse the poor showing.

For instance, while earnings have languished, arch-rival Distillers Corp showed

Activities: *Production, marketing and wholesale distribution of wines and spirits*
Control: *Rembrandt-KWV Investments (60%)*
Chairman: *D J Marlow*
Capital structure: *140m ords. Market capitalisation R154m*
Share market: *Price 110c Yields 10,5% on dividend, 27,8% on earnings, p e ratio, 3,6, cover, 2,7 12-month high, 170c, low, 110c Trading volume last quarter, 1,8m shares*

Year to June	**'88**	**'89**	**'90**
ST debt (Rm)	30,7	26,8	39,5
LT debt (Rm)	35,9	34,9	56,1
Debt equity ratio	0,16	0,13	0,19
Shareholders' interest	0,72	0,72	0,71
Int & leasing cover	14,1	17,2	19,8
Return on cap (%)	16,4	16,8	15,9
Pre-int profit (Rm)	89,7	106,4	110,0
Earnings (c)*	27,4	31,0	30,6
Dividends (c)	10,5	10,5	11,5
Net worth (c)	276	327	351

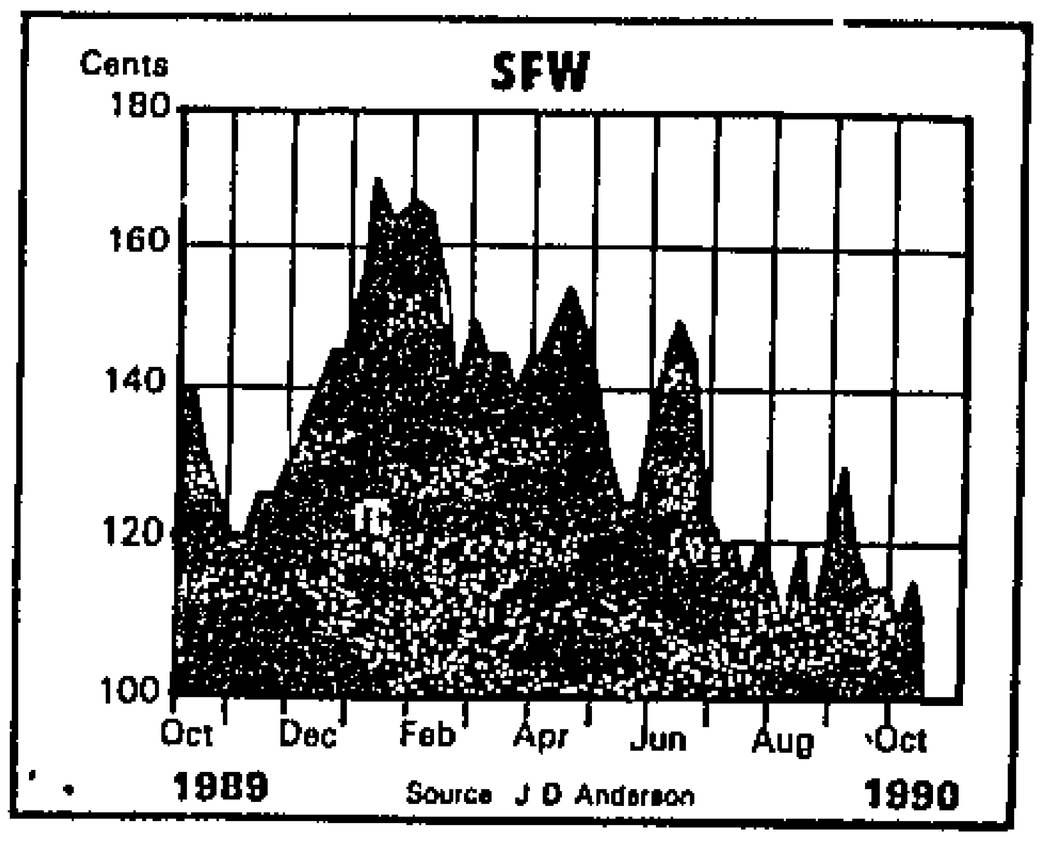
* After additional depreciation

annual compound growth of 16,5% from 1984-1990· still only a degree or two of real growth, but far outstripping SFW. The lower priced wine market has admittedly been stagnant for some time, but investors can expect management to implement alternative strategies to generate earnings growth

Could lacklustre results have something to do with SFW's shareholding? When Cape Wine was split up in November 1988, principal shareholders were Rembrandt Group (30%), KWV (30%) and SAB (30%) with the remaining 10% vested with the public It is understood that these holdings remain unchanged Rembrandt and KWV also each hold 30% of Distillers Corp and have placed their holdings of both in a joint holding company, Rembrandt-KWV Investments, which effectively controls both So why does one perform so much better than the other? Is a hidden hand responsible?

Analysis of trading performance is hampered by non-disclosure of turnover, so margins and other important ratios (like stockturn) cannot be extracted Net income after tax and outside shareholders' interests showed a meagre 3,4% rise, which was wiped out by additional depreciation of R13,7m (1989· R11,2m) Though net borrowings jumped to R91,1m from R57,3m, the rise did not significantly affect gearing

The net result of the year is that nothing changed much Granted, the market has recently been subject to many influences that have made trading extremely difficult, not least political and industrial unrest,



which must be coupled with a reduced disposable income for Mr Average Consumer

But the situation clearly calls for tough steps by management to ensure efficiencies that will restore an acceptable real growth pattern This also appears to be the market opinion A p e of only 3,6 shows lack of optimism about prospects

Gerald Hirshon

FM 9/11/90 (182)

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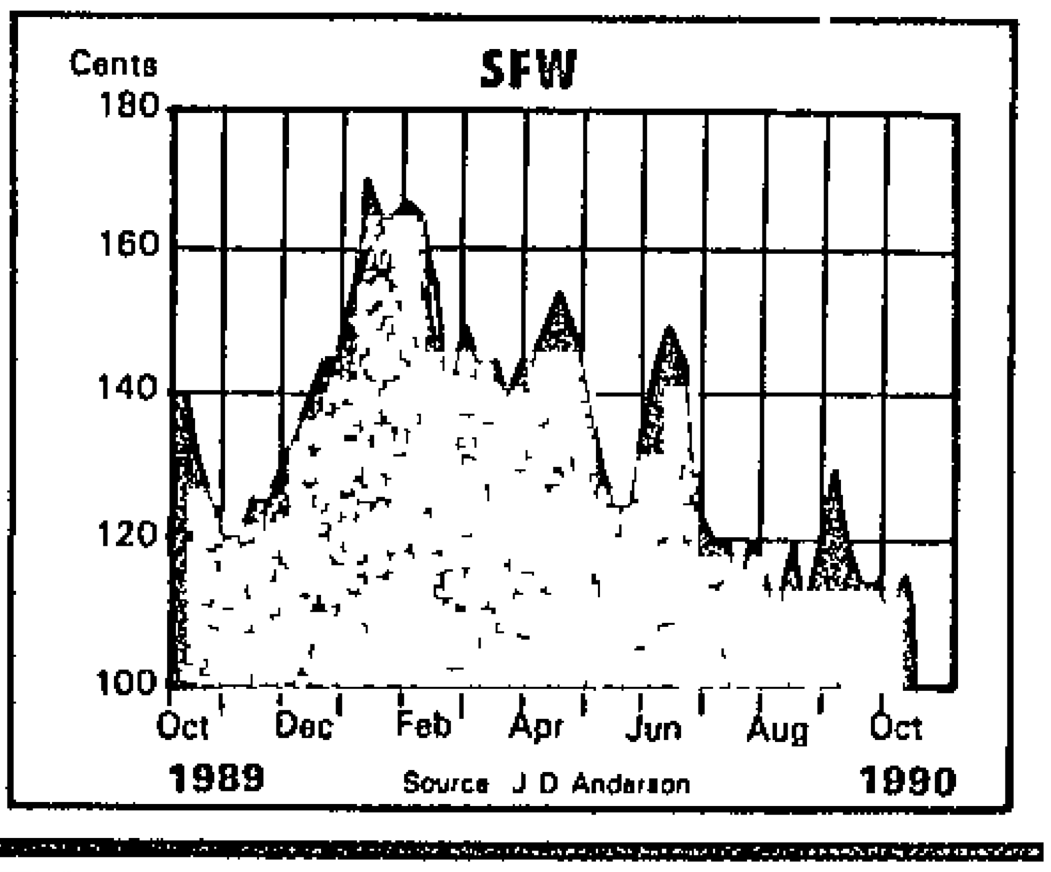

FM 9/11/90 (182)

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(182)

BEVERAGE INDUSTRY

F/M 9/11/90

PEPSI BOWS OUT

The winner and undisputed champion of SA's cola war? Coca-Cola The final blow came recently when a subsidiary of Coke's franchise holder acquired Pepsi Africa's assets, which included its two bottling plants, in Cape Town and Bloemfontein

Pepsi had been in trouble since US-based parent Pepsico divested in 1984 In March liquidation took the final fizz out of the company, which had R12m debt

So why did Pepsi, which once had about 20% of the local soft drinks market, go flat? Observers blame under-capitalisation. Last year, for example, Pepsi launched an aggressive promotion campaign and discount war that may have temporarily secured as much as 10% of the Cape market from a low of perhaps 1% Sandy Allan, MD of National Beverage Services, the Coke franchise holder, says the campaign was too costly for a small, unlisted company — as much as R3m, he reckons

But Pepsi Africa had been troubled from birth In 1984, Pepsico sold its local operation to a consortium of investors, which included the Soweto Investment Trust Co and Cape Town-based Personal Trust

When Juan Oteiza, a former Pepsico representative, was appointed MD of the local firm in late 1988, the future seemed bright Oteiza had been credited with turning around money-losing Pepsi operations in South America and Puerto Rico But the expected overseas investment did not materialise. Late last year management bought out the company

Pepsi's fizzle did not go unnoticed For the last year, Namibia Breweries — formerly the SW Breweries Ltd — has been canning Pepsi Windhoek Beer depots distribute Pepsi to retailers in the Transvaal, the Free State and Natal, so one of the world's most famous brand names is not completely absent from SA Sales figures are not available

Namibia Breweries says it has no intention of starting another cola war The marketing approach is low-key, liquor stores and, increasingly, cafés are the main retailers Also, advertising is restricted to displays and signs at the outlets In any event, a limited number of delivery trucks and packaging lines curtail marketing bravado For now, at least, Pepsi won't try to beat the "real thing"

SOWETAN BUSINESS

Insurers to probe black homes plan

Sowetan 12/11/90

THE Life Offices Association, representing the majority of life assurance companies in South Africa, has appointed a committee to investigate "socially desirable" projects, including black housing, small business development and education.

The committee, which was formed last May, is the initiative of the LOA members and has nothing to do the African National Congress, the Pan Africanist Congress or the Government.

It has not held discussions with any of these groups.

This was confirmed by the chairman of LOA, Mr Dorian Wharton-Hood, who told *Sowetan* Business this week that the committee would make recommendations to the management committee as soon as it had completed its investigations.

However, Wharton-Hood, did not rule out the possibility that they might have discussions with the groups on the matters at a later stage.

Demands

For the moment, he added, "we have not held discussions with the ANC on the issues."

The explanation comes in the wake of demands by the ANC that insurance companies invest some of their cash into housing and other "socially desirable" projects

The ANC has suggested that insurance companies lend money at low interest rates, and that the LOA has to consider this as an alternative to nationalisation

Wharton-Hood said the LOA had not been approached on these matters and no discussion had taken place between it and the liberation movements.

It was inappropriate to imply that life insurers' initiative, which could release billions of rands for housing projects, was as a result of the ANC's demands.

Both Old Mutual and Sanlam - the country's biggest life insurance companies - have said that they would not not voluntarily agree to invest policy holders and pension fund members' funds in development projects which did not yield a market-related return.

It was inappropriate and improper for Old Mutual as trustees to arbitrarily tax the savings of its million members, most of whom were ordinary working people, the company's chairman, Mr Mike Levett, said this week

"Only the State should tax savings, after full consideration of the alternatives and short - and long-term implications, and subject to democratic review.

"Old Mutual is a mutual society with more than two million members. These members and their dependants look to the proceeds of their life policies for their future financial security - very often their sole source.

"Furthermore, the workers who are members of pension and provident funds, also look into Old Mutual to manage their monies wisely and well.

He said for that reason the company strived to earn the best returns consumarate with security and risk on all the assets backing the liabilities under the policy contracts

"By its activity in investing the monies of its members and clients in infrastructural development, in long-term risk capital and in other ways, all the investments have gone towards the economic and social development of Southern Africa," he said.

Beer sales continue to go up despite squeeze

Sowetan 12/11/90 (182)

By JOSHUA RABOROKO

SOUTH African beer drinkers continue to spend vast sums of money quenching their thirst inspite of the squeeze in consumer demand and the state of the economy, the SAB's performance for the six months to September indicates.

The group's beer division reports that sales volumes increased by 11 percent to about one-billion litres for the period.

Its contribution to the bottom line climbed to R140 million (R112m) or 64 percent of attributable profits of R214 million (R177m)

The surge in beer sales helped to bolster group turnover by 19 percent to R6,9 billion with earnings up 21 percent to 80c (66,1c) a share

The dividend charge was improved by 20 percent to 30c (25c)

SAB chairman Mr Meyer Kahn attributes the 11 percent increase in beer sales to "fairly aggressive advertising, promotions, keen pricing and good management"- all of which held to increase beer's shares of the total drinks market The increasing population also helped uplift sales

Kahn confirmed that SAB, which boasts such diversified entities such as Edgars, OK Bazaars, Amrel, Afcol, Da Gama and Southern Sun in its portfolio, was still planning to spend most of its authorised R1,8 billion capex for the next two years on its beverages division

He was pleased with the performance of each one of the divisions with the exception of Southern Sun, which from September became a wholly owned subsidiary

He said uprisings led to the reduction in the number of tourists.

SAB serves Bevcon well

B Day 13/11/90

MARCIA KLEIN

(182)

BEVERAGE and Consumer Industry Holdings (Bevcon) — which derives its income from its holding in SA Breweries (SAB) — posted a 20% rise in earnings to 39,54c a share in the six months to September.

The food sector company — whose sole asset is 93,5-million SAB shares through subsidiary Gemlib Investments — declared a dividend of 39,54c a share, a 20% increase on last year's interim dividend of 32,9c.

The shares held represent 33,8% of SAB's issued ordinary and automatically convertible preference share capital. Equity accounted earnings rose by 21% to R73,4m (R60,6m) and dividend income rose 20% to R28,1m (R23,4m).

Pepsi's return is the real thing — marketers

(182) BDay 14/11/90

BRENT MELVILLE

IT's the Pepsi re-Generation. Consumers who have noted the reappearance of Pepsi Cola in cafe fridges can take heart — its marketers say, Pepsi's return is the real thing.

Pepsi, which overtook Coca Cola as the US's most popular soft drink several years ago and has since managed to hang onto its market share despite rigorous competition from Coke, has had a less than successful run in SA.

US parent Pepsico became one of the first companies to disinvest from SA, selling its rights to Soweto Investment Trust (SIT). The SIT has had little success in penetrating the Coke-dominated market, and Pepsi SA was liquidated this year.

Pepsi is launching a new invasion from a base in Windhoek, where it is being canned and bottled by Namibia Breweries. Namibia Breweries spokesman in SA Kevin May said yesterday that Pepsi was reintroduced to SA last November, on a limited basis to liquor outlets. Two months ago the company decided to expand into supermarkets and other outlets.

SA Coca Cola franchiser, the SA Breweries-controlled Amalgamated Beverages Industries (ABI), is the major player in the R2bn-a-year soft drink game with about 42% of the market. Apart from Coke, it also has franchise interests in Fanta, Sparletta, Sprite and Schweppes.

Namibia Breweries, in which SAB holds about 5%, says it could pick up about 1% to 2% of the SA market in a few years, putting its sales at about R40m annually.

Pepsi is being retailed at 30c more than Coke. With tax, a can of Pepsi will cost R1,50.

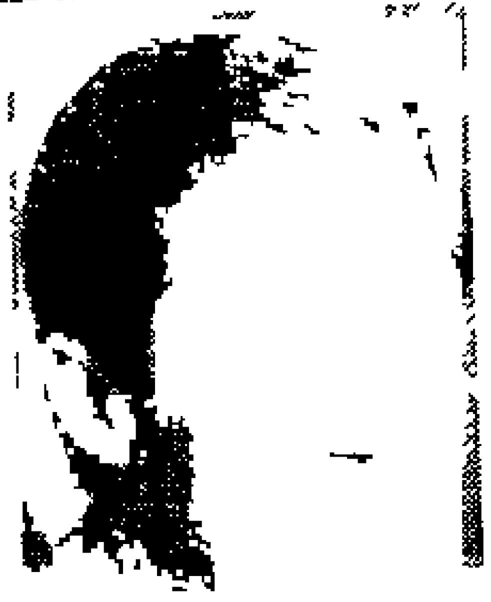
SAB, Nedcor join in services giant

B/Day 20/11/90 182

ROBERT GENTLE

SA BREWERIES and the Nedeor banking group have formed a jointly controlled company, Advantage Investment Corporation, to provide financial products and services to SAB's vast consumer base

The alliance announced yesterday will make use of Nedcor's banking resources, including Syfrets, UAL and Finansbank, to tap into SAB's consumer retail base which includes Edgars, OK Bazaars and Amrel



● BREWER

"The potential for the new venture is enormous," said Advantage chairman Kevin Brewer, former group financial director of Edgars "We're putting one and one together and hope it makes three"

He estimated that clothing giant Edgars, merchandise retailer OK Bazaars and specialist retailer Amrel between them had about 3,5-million customers

A relationship of trust had developed over the years, resulting in a loyal client base, Brewer said.

Advantage would offer the "whole gamut" of products from insurance and specialist packages to loans and unit trusts, tailored to suit clients' requirements

Brewer said while the concept was not new — Marks & Spencer in the UK had a banking license and sold unit trusts while Sears in the US offers financial services — it appeared to be the first ever tie-up between a major consumer group and a major financial institution.

The fact that Nedcor was already an established banking group meant that, unlike Marks & Spencer, Advantage did not require a banking license or permission from the Reserve Bank to operate.

SAB group MD and Nedcor CE Piet Liebenberg — both of whom would be on the board of the new company — were "very excited" by the potential and were committing significant resources, Brewer said.

He declined to mention a figure.

Emphasising the importance of SAB and

☐ To Page 2

Services

B/Day 20/11/90 182

☐ From Page 1

Nedcor making use of available infrastructure and technology, Brewer said there would be no duplication. "This is how you get the benefits of scale and added value from technology."

Advantage is also aiming to be the specialised vehicle through which many retail and other consumer oriented companies will be able to offer their customers access to appropriate financial products.

Asked which other retail groups could be prompted into forming tie-ups with banks, Brewer mentioned Tradegro (which includes Checkers, Makro and Topics) and Wooltru (Woolworths, Metro and Stuttafords).

Brewer said a listing was a possibility in the longer-term, but Advantage would start out with its existing partners.

A First National Bank spokesman said: "This is an important development and introduces a new element of competition in the banking sector."

SAB, Nedcor join forces to retail financial services

Star 20/11/90 (182)

By Magnus Heystek
Finance Editor

It will soon be possible to buy unit trusts and a host of other financial goodies at Edgars and other retail giants like OK and Amrel.

Yesterday South African Breweries said it had joined up with Nedcor to enter the financial services industry in a big way.

They have set up a jointly held company, the Advantage Investment Corporation, aimed specifically at the fast-growing mass consumer market, offering a wide range of financial service products, including unit trusts, life insurance and possibly home loans.

It is a well-tested and successful concept overseas, particularly in the UK.

Major players Edgars, Amrel, OK Bazaars and Afcol, with several thousand retail outlets among them, will take part.

Heading the venture will be Kevin Brewer, who retired as financial director of Edgars in September after 25 years in retailing.

SAB will be represented on the Advantage board by Meyer Kahn, Selwyn MacFarlane and Malcolm Wyman.

Nedcor has appointed Chris Liebenberg, Leon Porter and Willie Boshoff to the board.

Mr Brewer says the potential for the new venture is enormous and could, in certain sectors of the market, revolutionise financial services.

Mr Brewer believes the Advantage group will be the specialised vehicle through which many retail and other customer-oriented companies will be able to offer their financial services and products.

Companies in the SAB fold have substantial numbers of credit customers who can benefit from the services.

He says he is particularly excited by the potential offered by the group's estimated 3,5 million-strong retail customer base.

Why Nedcor in preference to other major banking groups? Says Mr Brewer "They seemed to understand the concept better than the others."

It also helps that Nedcor has the backing of Old Mutual, SA's largest insurance company, which has a 13,6 percent stake in SAB.

Nedcor is well-placed in the Old Mutual stable, having links with Mutual & Federal (short-term insurance), Old Mutual itself (life insurance), the Perm (home loans), UAL (unit trusts) and Syfrets (asset management).

Star 26/11/90 (184)

Two Cape companies being listed on JSE

Finance Staff

Two Cape companies are coming to the stock exchange Hicor, the holding company for a diversified clothing manufacturer and 210 cut-price clothing stores, is being listed this week

Hicor has 41,5 million shares in issue with a net asset value of 49,2c a share

Sponsoring brokers Senekal, Mouton and Kitshoff expect the shares to open at around 50c The listing will be in the retail and wholesale sector

The second company coming to the market is Biopolymers, a polystyrene producer

The plant was established by Tubby Gericke, founder and chairman of Sun Packaging, with the aid the Industrial Development Corporation

Shareholders in Sunpack and holding company Sun Packaging Investments will be offered 5,9 million shares at 50c each

The IDC will subscribe for two million. Sunvest will hold 8,6 million of 16,5 million shares in issue

The company, which will be listed on the DCM, forecasts a loss of R963 000 in 1991, but a pre-tax profit of R937 000 in 1992

FM 30/11/90 (182)

WINE INDUSTRY FM 30/11/90 (182)

SPIKING THE RUBICON

Five years after the event, it's evident P W Botha wasn't the only one who had a difficult time with the Rubicon Last month, Meerlust Estate decided that its 1985 vintage red blend didn't pass muster to earn the distinguished Rubicon label

"It's ironic that the 1985 vintage wasn't up to standard," says Meerlust's owner Hannes Myburgh "The speech knocked the value of the rand and caused overheads and the price of imported oak casks to soar. And now the winery stands to lose several hundred thousand rands on the vintage."

Meerlust is not the only vineyard to lose big on the 1985 harvest KWV's Charl Theron says the entire 1985 crop suffered from low temperatures and untimely rains that kept the grapes' sugar content low and caused problems with colour development

Johannesburg wine expert Vaughan Johnson says "Cape reds certainly weren't good that year Meerlust's withdrawing a wine that isn't up to standard isn't a gimmick, it's a way of maintaining quality"

He adds that several other winemakers decided to create a second label for 1985 crops, including Kurt Ammann, who created Doornbosch, because he felt his 1985 red wine wasn't good enough for the Rozendal label

Meerlust is thinking of doing the same

Tim Hamilton-Russell, of Hamilton Russell Vineyards, says "Cabernet Sauvignon (which makes up 60%-70% of Rubicon wine) is a late ripening variety and the rains came before they could ripen As a result we didn't produce any Cabernet Sauvignon in 1985"

Myburgh says the average wine drinker will probably not notice the difference if they drink the would-be Rubicon on its own Wine expert John Platter, who gives 1985 whites an average rating of two stars and 1985 reds an average rating of one star in his annual wine guide, tasted the Meerlust would-be Rubicon when it was still young and gave it a four-star rating But Myburgh believes wine drinkers will notice its inferior quality if they compare it with 1984 or 1986 Rubicons

Ruefully, he adds "We gave the 1985 wine the full Rubicon treatment, wood ageing and bottle maturation But when we tasted it this year, we felt it lacked that something which distinguishes a Rubicon So we withdrew it"

Myburgh expects to sell the 1985 wine at 30%-40% less than it would have fetched as a Rubicon, which retails for about R30 a bottle "We're still trying to dream up a suitable name" ■

Cheers! Europe is catching the spirit of new SA

THE SUNDAY MORNING ASSESSMENT
by Jeremy Brooks and Isabel Conway

THE "new South Africa" is the toast of Europe as specialist imports of Cape wines, fresh fish and South African beers probe the market.

Retailers, sensing an end to a decade when SA fruit, for instance, had to be labelled to disguise its origin, are emerging openly with promotions of new ranges

In London, one company has already applied for a government licence to supply beers — mainly Castle — to at least six pubs in the city centre

"There are many problems still ahead of us," said Castle promotions director Allan McCallum, who organised a live satellite broadcast of the Currie Cup final to a West London sports centre

"Most pubs are owned by national breweries and getting them to supply South African brands will take some arm twisting We hope to get the go-ahead by the end of the month."

Mr McCallum said his company had first identified bars in London frequented by South Africans, but eventually hoped to expand into the areas around those points

In Holland, wine importer Hans Schuchard said the eight prosperous years he enjoyed before the boycott are about to return He has bought himself a new luxury car

S | Times 9/12/90 (182)

Imports

"The tide is changing Soon Dutch wine stores will be openly displaying my South African products again," he said

Some outlets, he added, were already openly advertising in the media and circulating special offer promotions to customers

The Dutch drank 400 000 litres of SA wine last year, a tiny part of the total 217-million litre consumption, dominated by French imports

The South African share of the market — 0,28 percent — is still greater than that of California, Chile or Australia

Mr Schuchard, who is hoping for a 50 percent increase in imports within the next 12 months, said he hated having to mix politics with business

"Now that there are changes taking place and the debate is more open, I am reluctant about approaching new business with references to Mr De Klerk and his reforms.

"I feel my saying 'He's doing OK, isn't he?' might prompt disagreement and raise matters which have nothing to do with my wines and whether people want them"

Some bottlestores that openly displayed SA wines at the height of the boycott in 1985 were subjected to protests ranging from peaceful visits from anti-apartheid sym-

□ To Page 2

Europe catches SA spirit

S|Times 9/12/90 (182)

□ From Page 1

pathisers to fire-bombs

"I stuck exclusively to South African wines even when the times were rough," said Mr Schuchard.

"Now Dutch importers are waking up to the fact that the quality of Cape wine is excellent

"Most are 12 years too late — I already have the pick of the vintages in my cellars."

Mr Schuchard has priced his wines in the middle bracket, leaving the low end of the market to the French Beaujolais and Cotes du Rhone.

Most are selling for between R30 and R50, with the "Rolls-Royce" — Meerlust Merlot 1986 — selling for at least R100 in stores and double that in restaurants

Mr Schuchard, referring to the powerful anti-apartheid lobby in Holland, said, "They are entitled to their point of view But I believe the boycott has outlived any useful purpose, and influence in other areas should be brought to bear."

In London, a company calling itself Fish for Africa, based in St John's Wood, is selling fresh kingklip, Cape salmon and Mossel Bay soles.

"We are making arrangements to get in crayfish as well," said a spokesman

"At present, most of our customers are former South Africans, going mainly for kingklip. But word is spreading fast."

S/Times 9/12/90

Wine estates prepare for post-sanctions boom as exports rocket

B/Day 11/12/90

182

LESLEY LAMBERT

CAPE TOWN — Private wine estates have increased exports by up to 82% in recent months

In a survey yesterday, all estates polled said exports had increased significantly

KWV and Stellenbosch Farmers' Winery (SFW), who distribute the bulk of SA wines, are gearing up for an anticipated export boom after the lifting of sanctions.

Boschendal estate, one of the leading exporters of wine from the Paarl region, reported an 82% growth in exports to European countries over the year to September

Estate manager Eddie Turner said that since the year-end he had received at least one export inquiry a day Many were from Eastern bloc countries in search of bulk wine products

Other private exporters, including Simonsig in Paarl, Neethlingshof near Stellenbosch, and Hamilton Russell Vineyards near Hermanus, also reported an upturn in foreign sales and enquiries

The bulk of Boschendal's export growth was achieved during the last few months of the year — a trend which was possibly more significant than the percentage growth which was achieved on relatively small volumes, Turner said The same would probably apply to the other estates

KWV, the organisation which represents SA wine producers, recently launched a major export promotion campaign to prepare the industry for the anticipated lifting of sanctions

With the aim of getting branded SA wines back onto international shelves, the organisation announced plans to strengthen its international marketing department and enter into agreements with producers and co-operative cellars to guarantee a supply of quality export wines.

Last year, KWV reported 85% growth in export volumes This year, the organisation hopes to improve on this by adding the more profitable quality branded wines to its export lists

KWV chairman Pietman Hugo said recently the industry was battling to keep pace with demand for bulk dry white wine and fruit juice concentrate

SFW, the leading distributor of SA wines and spirits, has also strengthened its export division to meet future demand

Export manager John Sheppard said yesterday that some of the company's European agents were increasing their client bases, while buyers in Scandinavia and Canada, both of which have imposed sanctions on SA agricultural goods, were showing increased interest in SA wine because they believed the lifting of sanctions by their countries was imminent.

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Wine sellers expect boom

Sowetan 12/12/90

Apartheid spoiled the bouquet of South Africa's wines for foreign buyers, but as the country moves towards a non-racial democracy its winemakers are gearing up for a boom in exports.

"If sanctions are lifted, we will go in with mega-money and mega-effort to establish South African brand names abroad," said Jannie le Roux Retief, chief marketing executive of the Co-operative Wine Growers Association (KWV)

KWV, based in Paarl in the heart of the Cape Province wine-growing region, controls nearly half of South Africa's bottled wine exports and 70 per cent of bulk sales abroad.

Drive

High on Retief's agenda is a drive to restore KWV brand names and South Africa's finest estate wines to the shelves in Western Europe and Canada once anti-apartheid sanctions are lifted.

He believes President F W de Klerk's pledge to replace white minority rule with a non-racial democracy could reopen the European market to South Africa within a year or two.

Wine exports dwindled during the 1980s when the world focus on apartheid made South African products unwelcome almost everywhere.

Dropped

KWV brandy lost its dominant one-quarter share of the market in Canada, and apartheid-tainted wines were dropped by supermarkets that controlled 52 per cent of British wine sales

Sales to Eastern Europe, where markets have opened up since communist rule crumbled, have given exports new impetus

KWV was formed in 1918 to stabilise wine production and sales through quotas and fixed minimum prices. - *Own Correspondent*

No new brew for the Cape

By Blaise Hopkinson 182

CAPE TOWN — Adventurous Cape tipplers will not have the pleasure of a new brew this year and will have to wait until next Christmas to sample Grabouw's finest

Director Riaan van Rensburg said the new brewing venture backed by JSE-listed Rico Breweries, Transvaal Distillers Holdings and other investors would come on stream only late next year.

It had been scheduled to open this year. Star 14/12/90

Mr van Rensburg said beer drinkers in the Western Cape would have the tasty new Lager for consumption during the festive season next year after the commissioning of the R6 million operation in Grabouw

The group had focused its attentions this year on the launch of its new brewery at Verwoerdburg in the Transvaal Rico Lager is already selling well in the PWV.

"We are 85 percent down the line with the brewery and related operations at Grabouw and will be up and running by the end of next year," he said

Cape's wine taps set to flow

(182) ST Times 16/12/90

JOHN PLATTER toasts the coming of a sanctions-free wine trade

SOUTH AFRICA shipped 20-million litres of wine in bulk to Poland last year, unlabelled — they label it there, omitting the Cape connection

It's so potable the Poles have even been allowing the Pope to hand it out at communion in his native Krakow and, carbonated, it becomes a perfecty passable "champanski"

Their long tribulations make the Poles deserving recipients of generosity, but South Africa — not yet quite in a First World donor league — is practically giving away this wine At well under R1 a bottle, it's also under the local legal minimum price

Why, then, isn't this more affordable price used to initiate a larger body of local drinkers — South Africans still thirst for beer — to the charms of wine?

Now there's a question And the answer is hard currency Poland pays in dollars

In a sanctions-free world, if the present bulk exports were sold as fully branded Cape wines, South Africa could immediately quintuple its export earnings, besides, of course, expand volumes in present no-go markets

Glut

But when Cape wine is permitted to flow rather than trickle back from its cold isolation into the wider world, how will it fare?

There's a saying in the hard school section of the English wine trade "If they don't want a second glass, the wine's no bloody good" Will they want that second glass?

The world is in a wine glut (over-producing by two billion litres a year) Wine touters have to tout loudly. The puffery is deafening

Choosy oenophiles have 36 wine producing countries to browse among and sniff from innumerable heavyweight newcomers to the world of wine have found their international marketing feet in a rugged, crowded school in the years of South Africa's isolation and they cannot but roughen the ride for a Cape comeback

The glories of Cape Constantia sipped — or more probably glugged, such was its appeal — at the courts of Europe in the 18th Century, are now obscure, unredeemable reminiscences from bygone times

Even the grand, but heavily over-producing, self-subsiding French have seen their marketing emphasis on tradition and vinous arcana eroded before the brassy onslaught of new world wines

Not only Ronald Reagan — who must have tweaked an ego when he served Napa Valley to Francois Mitterrand at the White House — but serious wine chaps everywhere have given up baulking at Australian or Californian chardonnay instead of Puligny-Montrachet

No wonder the sanctioneers had little difficulty tainting the taste of Cape wine Shut out from the major supermarket chains of Europe and generally ostracised and ignored along with most things South African, Cape wine has had to sneak in through backdoors, distilled and discounted, disguised and hustled and relabelled

While of course the most vociferous moralists — Zambia and Zimbabwe among them — served Cape wine quite openly. Which is not to debate the morality of sanctions, only to wonder wearily once more at the curdling amorality of self-righteous prigs

So small wonder too that the odds and humiliation for the Cape wine exporters were sufficient to allow introspection and myopia to take its leaden hold The industry even rationalised the predicament by gloating a little in the statistic of exporting "only five percent" of the crop — since this rendered it relatively immune from the anti-apartheid sanctions industry

It has rendered it relatively free from prosperity, too

Bankruptcies among the Cape's 4 900 wine farmers are running at their highest rate in memory, according to the KWV's chief executive, Ritzema de la Bat.

Plan

South Africa has a low annual per capita wine consumption of some nine litres, about one-eighth that of France and Italy

Wine, unlike coal, say, which can be hurled in incognito via the tradesman's entrance, is always among a country's most visible exports, parading in full, labelled livery on dining tables

However, De la Bat has a new plan and his name is Jannie Retief Dr Retief, 39, is a KWV wonder boy with an outstanding record as KWV's European chief in the darkest days of the boycotts.

He still believes Europe is the key He's understandably reticent about the details, but essentialy his brief, contained in a militarily precise programme codenamed Plan 90 which assumes sanctions begin to crumble in a big way by mid-1991, is to transform the legacy of anonymous, cut-rate tanker shipments into respectably labelled, new-image Cape wines

He's been given about five years to ring the changes

He's targeted some 20 countries from Japan to Singapore, even viticultural New Zealand, the Scandinavians, a number of African states, for obvious reasons, to the US and Canada

Canada now takes nothing, but in pre-sanctions times every sixth bottle of wine drunk there was from the Cape Retief is armed with a range of new wines, specially developed and named Cathedral Cellars, with an upmarket, New World image to augment old faithfuls like Roodeberg

Where does this leave the private, independent producers and wholesalers who've been a part of the sanctions-era trickle and who too would like to join the flow?

They may lack the volumes to make big-time market impact, but they have unquestionable superior quality; in many cases achieving genuine world-class standards

Chardonnays from Hamilton Russell, Backsberg, Klein Constantia, Thelema, Buitenverwachting, clarets from Rustenberg, Klein Constantia, Warwick, Delheim, Kanonkop, Stellenryck, Welgemeend, Le Bonheur need bow to none Retief insists they're essential to his comprehensive game plan, that these and other Cape flagships will be assisted in every way to follow in the wake, so to speak, of the KWV's slipstream

Two factors rate in the Cape's favour a chronically ailing rand and, for a time anyway, a honeymoon period of novelty The 1990 vintage confirmed the Cape is well into a major quality renaissance, occasioned by more French-inspired technique and riskier intuition than the former rather one-dimensional, safer, predictable German methods

But all the world these days makes fine chardonnay and claret Why do we not tie our resurgence to something more original, another red, one which, if made well, can be grand and fine, of which we have an abundance, which can be reasonably priced, and which no competitor has? Our own Pinotage

I suspect they'd want a second glass of this quintessentially Cape flavour

● *The writer is a wine farmer and author of John Platter's South African Wine Guide*

Beer's so good for the widows and orphans

S1Times 16/12/90 (182)

SOUTH AFRICAN Breweries' share price nudged up to a new high of 4 225c this week in an otherwise lacklustre market as investors sought out recession-hedge stocks.

But a report by stockbroker Edey, Rodgers & Co advises investors to lighten their holdings in SAB on the grounds that the share has outrun the market.

Author of the report, Franco Busetti, says he has no problems with SAB's fundamentals and on a long-term view the share is considered a solid hold.

From a technical point of view, SAB outperforms the market in recessions, but underperforms it in upward phases of the business cycle.

This is illustrated in the accompanying graphs. An important factor, however, is that SAB has more than doubled its rating relative to the industrial index since 1982.

Mr Busetti says that where possible, investors should lighten their holdings of SAB in times of economic recovery and increase them in recessions.

"Obviously, it is not very easy, nor advisable in many circumstances, for institutions to sell their SAB stocks. There is the difficulty of selling large parcels of stock in a market such as this, but there is also the problem that they may not be able to re-acquire the shares at a favourable price."

SAB managing director Meyer Kahn says the share is for widows and orphans as well as professional investors because of its high-quality earnings. In present market conditions, it is an attractive counter.

He explains why he believes the share price has moved up. "We are a very conservative company, we fully provide for deferred tax and inflation and we have become the dominant consumer stock.

"We have made provision for an enormous expansion of the beer division which is a milk cow — some years you have to feed it, and other years you can milk it.

"I don't think we will ever spend less than R1-billion a year on expansion. We can fund it out of our enormous cash flows.

"Our gearing is likely to rise this year, but will not exceed our self-imposed limit of 1:0,6."

Most of this investment will go into the beverages division, says Mr Kahn.

Beer is the company's motor, accounting for 48,9% of earnings in 1990. The rest came from Edgars with 12,2%, foreign interests 7,4%, Da Gama 5,4%, ABI and Afcol 4,7% each, Distillers 3,6%, Southern Sun 2,8% and diversified interests.

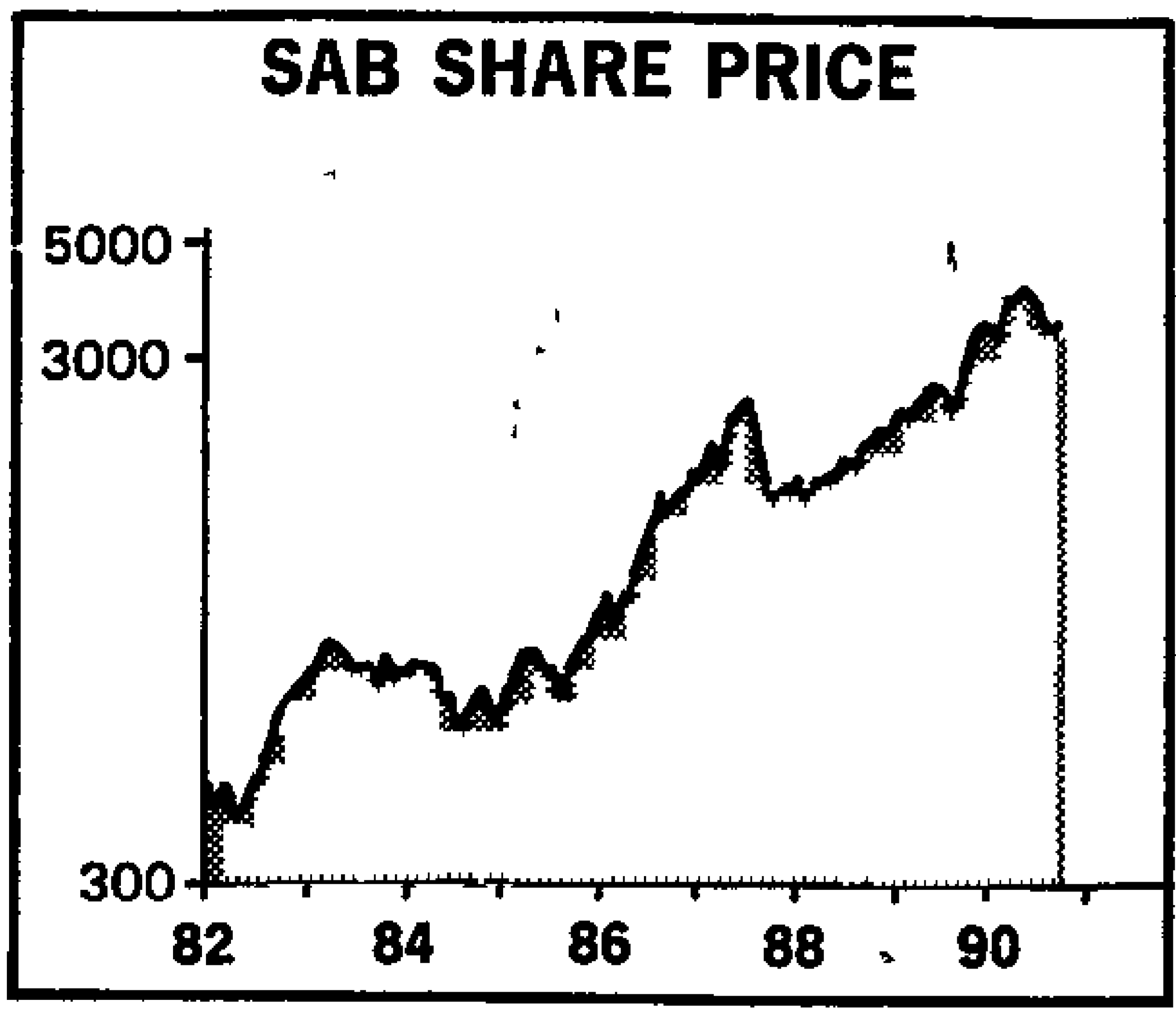
Growth in the beer division's earnings has tended to mirror that of personal consumption expenditure (PCE).

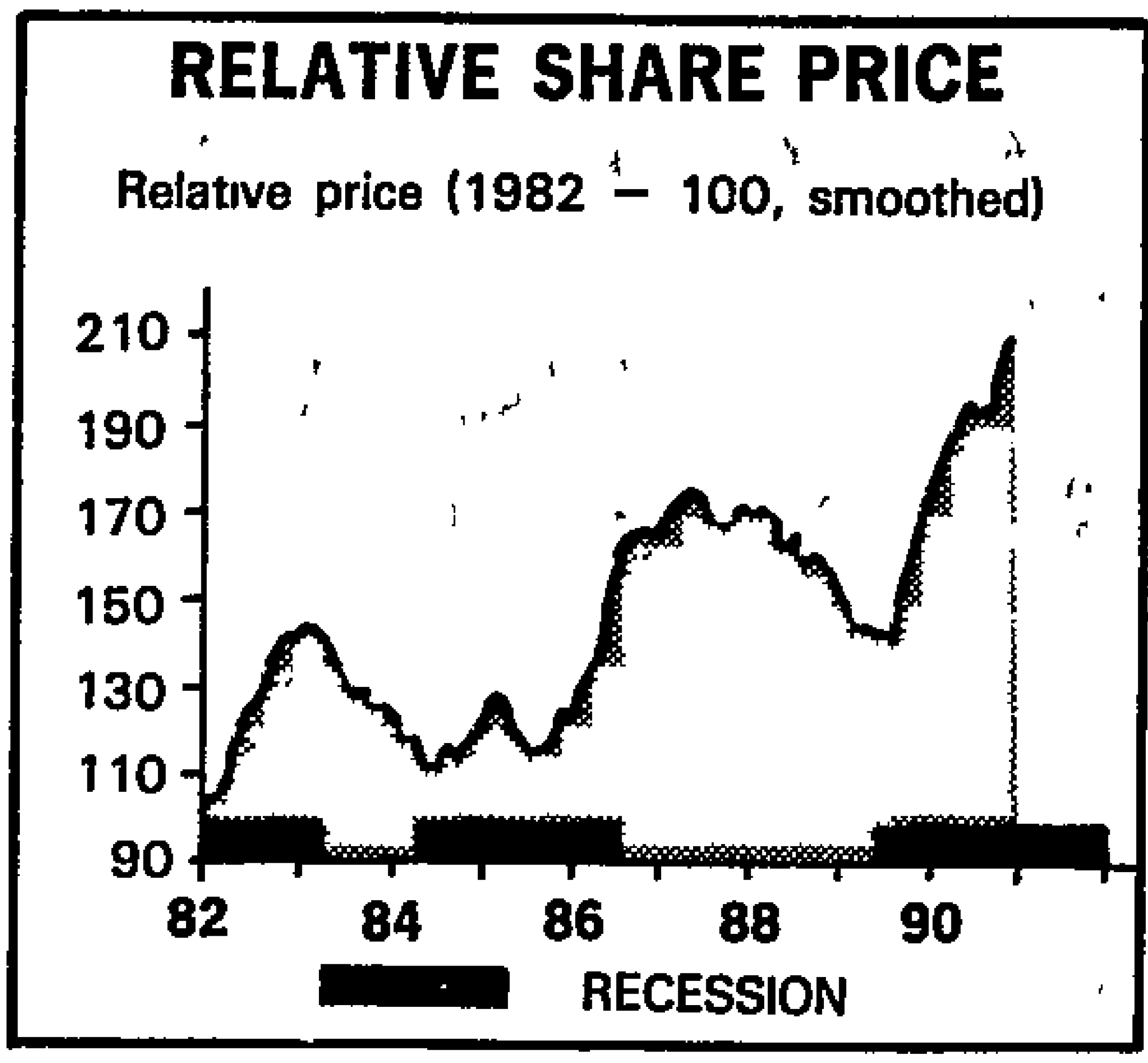
Mr Busetti expects growth of 8% and 8,5% in beer volume sales in 1991 and 1992 respectively. He forecasts earnings a share of 254c (225c) for SAB in 1991 and 298c in 1992.

Beer is a less volatile performer than the remaining interests. The non-beer divisions add cyclicality to SAB's earnings.

SAB is on a price-earnings ratio of 18,8 compared with 9,5 for the industrial sector. If the PEs of the various divisions are split up, the beer division has an implied PE (since it is not separately listed) of 21 times. Listed beer interests on the International Stock Exchange (London) rate an average PE of 14, by comparison.

Mr Kahn says sales across the board for the months of October and November are "on target" although there has been a slowing of growth in most areas.





Credit sales have remained strong despite the tighter economic conditions but performances in the black market, which are largely cash orientated, are dipping. Subsidiary Edgars will be able to ride out the recession showing good positive growth, says Mr Busetti, who forecasts a 19% growth in its earnings to R147-million in the year to March 1991. But the biggest growth in earnings will continue to come from beer which is expected to contribute R389-million in 1991, 21% up on last year's R320,3-million.

"In the medium term, however, the share is expected to be a poor performer relative to the market as a result of both its current rating relative to the index being extremely high by historical standards and the traditional derating which may be expected as the recession wanes."

SAB is about half the size of Barlows in terms of turnover and net profit, but has a market capitalisation of R11,2-billion, second only to Richemont's R11,7-billion in the industrial sector.

Suncrush set for another year of satisfying results

(182)

B Day 19/12/90

19/12/90

MARCIA KLEIN

DURBAN-based soft drink bottler and marketer Suncrush is set for another year of good results

Davis Borkum Hare analyst Gil Catton said last week that earnings for the year to end-June 1991 were expected to increase by as much as 25% However, Suncrush might find it hard to match the sparkling 44% increase in attributable earnings to R32m posted in the year to June 1990

Since the June year-end Suncrush had shown a 4% increase in annual sales, said Catton

Suncrush chairman Robin Hamilton said that sales to September were ahead of expectations, and November had been a particularly good month

However, he said December had started off a bit slowly for the bottler of Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparletta.

Suncrush's R17m new bottling plant in Ladysmith became operational in June, and while there had been a production line since then, Hamilton said, the short-term effect of a new plant normally was to depress earnings

Other contributing factors which might prevent Suncrush reporting results similar to those of last year were the recession, rising transport and labour costs, packaging premiums and a 13% sugar price increase, which might also force up soft drink prices in 1991, Catton said

Since year-end the R21m cash acquisition of Drakensberg Bottlers in Bethlehem had used up some of the company's capital reserves, which stood at R35,5m before the acquisition

Hamilton said although the unrest situation still posed a problem, Suncrush had become used to operating under such circumstances and had found "ways and means of distribution"

Suncrush recently completed its second full year of negotiations for possible moves into Mozambique, but Hamilton said he could not foresee when a deal with the Mozambique government would be made

Capex of R17,7m was budgeted for in 1991, mainly for land, buildings and transport, and Hamilton said there were no plans for big expansions or acquisitions in the pipeline

Suncrush shares rose over the year from R100 in December 1989 to a new high of R220 last week

Liquor sales not a case of small beer

182

GARETH BELL Bloem 27/12/90

GROWTH in liquor sales for the 1990 festive season could outstrip the 9% real increase of the previous season but retailers reported a "buying-down."

Beer sales have remained resilient in the face of lower disposable incomes, helping to boost overall liquor sales. Retailers reported a "buying-down" on corporate and personal levels.

Consumers appeared to be seeking value for money quality products. However, top of the range whiskys continued to feature and have almost reached "inflation hedge" status. Demand for wine remained flat.

Dealers, including Rebel and Aroma, estimate growth at about 20% before adjustment for inflation for the festive season. Aroma MD Mike Kovensky says the gift market had become more focused with quality products, like whisky, maintaining their value in an inflationary environment. Dealers also said it was an advantage that the days before Christmas and New Year fell on normal trading days.

Stockbroker Sid Vianello said beer was the only recession-proof beverage. He expected a real increase in beer sales of between 7% and 8,5%.

Only 20% of beer sales were to white customers — which helped explain why beer sales lent stability to the industry during recessions.

SAB had a good year with no production losses, SAB spokesman Adrian Botha said.

Social upliftment fund set up

Privatised brewer plans JSE listing

182

B/Day 27/12/90

PETER DELMAR

THE black-controlled company which has taken over government's near-monopoly share of the giant sorghum beer industry is planning a JSE listing next year, with the proceeds going to a special black social upliftment fund.

Spokesmen for the company, National Sorghum Breweries (NSB), disclosed this week that NSB — which has an annual turnover of R250m to R350m — would seek a JSE listing in the first half of the year. NSB owns 18 major breweries and has an 85% share of the sorghum beer market.

NSB spokesman Patrick Mafafo said yesterday that 4 500 employees would hold at least 25% of the company's shares. There was no possibility of retrenchments as a result of the privatisation exercise.

The mechanics of how workers would acquire their shareholding had not yet been worked out, he said.

An NSB statement said privatisation of the sorghum industry would be completed by the end of next year and the company would be wholly owned by its employees and the black community. The state's sorghum interests were transferred from the Industrial Development Corporation to NSB in July this year.

The statement said the company was debt-free with reserves worth "millions". A prospectus would be released in March.

Mafafo said NSB directors intended expanding the company beyond its single product base and were looking at other beverages, as well as markets in Africa and abroad. There were no plans to "tackle SAB head-on" in the clear beer market. However, NSB was investigating import arrangements with European beer producers, including the makers of such well-known brands as Guinness and Heineken.

Mafafo said US-based consultants were also researching the feasibility of exporting sorghum to the US. They were particularly looking at whether sorghum should be aimed at black Americans, for whom the product had an "ethnocentric appeal", or whether it should be aimed at the large health market.

CSIR studies had shown that sorghum beer was a viable food supplement, he said. Another major short-term strategy would be to expand the more up-market local consumption of clear sorghum beer.

Mafafo said proceeds from the sale of shares — expected to raise more than R100m — would go towards a special "black community upliftment" fund to be administered independently of NSB.

Although details of projects to be funded still had to be worked out, funding would be in line with NSB's mission statement of "paving the way for the entry of the black community into the mainstream of the economy". A "minimal" proportion of the share issue would go towards NSB's expansion beyond its single product base.

Mafafo said that in addition to the employees' 25%-plus share, various sectors of the black community would be given preferential share allocations. Discussions had already been held with black shebeen owners and taverners.

Sorghum beer production has been con-

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Brewer

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☐ From Page 1

trolled by the public sector since shortly after the turn of the century. In the 1950s production was controlled by various white municipalities and later by administration boards, with proceeds being used to finance black township administration

Black business organisations such as Nafcoc have repeatedly called for the industry to be brought under black control and the issue has been considered by government since 1984 Mafafo said the employees' 25% shareholding would give them an effective veto right over special resolutions For this reason, black liberation movements were expected not to oppose the move

NSB chairman is Mohale Mahanyele, former Nafcoc executive director and a director of SA Philips, Johnson & Johnson, York Timber and the SA Foreign Trade Organisation The MD is Sammy Mosikili

No listing planned for sorghum brewer

Business Day Reporter

THE chairman of National Sorghum Breweries, the black-controlled company which has taken over government's near-monopoly share of the giant sorghum beer industry, has denied the company is planning a JSE-listing next year.

Chairman Mohale Mahanyele said this week a statement claiming that the company's 4 500 employees would hold at least 25% of shares in the company had not been formally approved by him.

The statement was issued by a public relations consultant and quoted Mahanyele as saying the privatisation of government's stake in the industry would be completed next year.

Mahanyele also denied that NSB's 4 500 employees would definitely hold at least 25% of the company's shares.

NSB owns 18 major breweries and has an 85% share of the R250m sorghum beer market. The state's sorghum interests were transferred from the IDC to NSB in July.

The statement said the company was debt-free with reserves worth "millions". A prospectus would be released in March.

The "spokesman" — whom Mahanyele confirmed had links with NSB — said the company was planning to expand beyond the sorghum beer market and was looking at other beverages, including markets in Africa and beyond.

In particular, exporting sorghum beer to the US was being investigated, he said. Possible import arrangements with European beer producers were also under investigation.

MANUFACTURING — BEVERAGES

1991

JANUARY — AUGUST.

Liquor price hikes likely to dampen spirits

18.2

MARCIA KLEIN

LIQUOR retailers and consumers are likely to be in low spirits when liquor price increases come into effect on Friday

The price increases (which exclude beer) will range between 8,3% and 16%, says Fedhasa Chamber of Liquor Retailers (Fedcol) chairman Len Polivnick

He says the price hikes will place pressure on liquor retailers' margins and profitability in 1991.

"Consumer demand is expected to be severely dampened by the increase, and consumers are likely to trade down"

Union Wine national sales manager Schalk Burger says his company is "in the hands of KWV, which controls the price fixing of wine"

He says a good bottle of wine will go up by about 16%, medium price wines by 12% to 16% and lower priced wines by 12%.

Last year wine prices increased by between 12% and 15% and Burger says "there was quite a cutback by consumers on expensive brands" as a result.

He says KWV and the co-operatives stand to gain from the price increases at the expense of wine retailers. KWV was unavailable for comment.

Sapa reports that the price hike can be attributed to increased production costs

Fedhasa executive director Fred Thermann says the increased costs of retailers will be curtailed by tough competition and consumers should shop around

Producer price increases will have to be passed on directly to the public, he says.

International liquor consultant Michael Fridjhon says the increases are well below the industry's input inflation and inefficient producers will feel the crunch.

KWV to pay farmers more for wine

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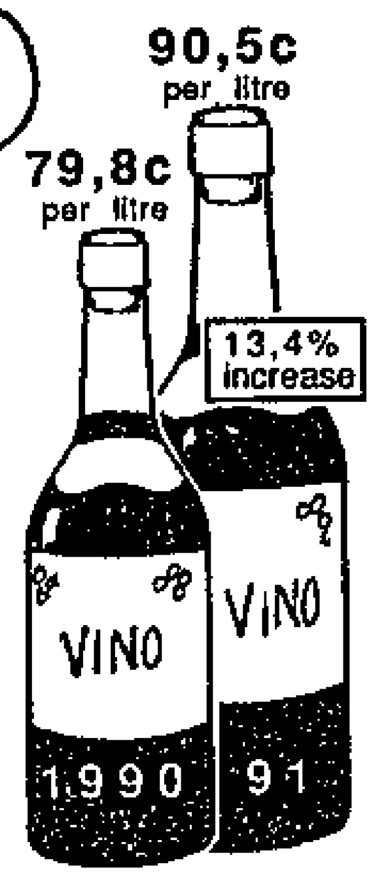

By Paula Fray STAR 16/1/91

Wine farmers will receive an average increase of 13,4 percent for their wine in various quality categories during 1991, KWV announced yesterday.

This means the minimum producer price has been increased from 79,8c/l to 90,5c/l

In effect the increase will mean eight cents extra for every 750 ml bottle from producers

The price of distilling wine has been increased by 11 percent.

KWV chairman Pietman Hugo said the past year had been characterised by a positive market environment for South African wine products.

The domestic market also showed renewed life

It is, therefore, possible to make supplementary payment, deferred payment, of R20,3 million for distilling wine products supplied during the year, the KWV said

Milk war spills over into the Transvaal

B|Day
7/1/91

GILLIAN HAYNE

THE milk war between National Cooperative Dairies (NCD) and independent distributors in Natal has spread to the Transvaal, with NCD undercutting prices in areas predominantly supplied by the independent milk distributors

Over the Christmas period NCD, selling under the trade name Clover, dropped its milk price by more than 15c to 90c/l to some of the independents' major customers, a spokesman for one of the independents said at the weekend This price compares with independents' price of R1,05/l

A spokesman for a Spar supermarket in Sandton, which is supplied by the independent Douglasdale Dairy, said it had been "bombarded by specials from NCD" in the past two months

Douglasdale Dairy spokesman Brian Matthews said "We are unable to meet the price of 90c/l because it is far below our cost price"

NCD has apparently been selling milk at special prices because of the large milk surplus

One source said the surplus was created by NCD because it had bought more milk than was needed for its own requirements at prices higher than the market average

Another independent distributor said it was time to stand up to NCD "We could not retaliate over the holiday season because of manpower shortages, but we have seven new trucks and are going to start playing them at their own game in their

☐ To Page 2

Deposit insurance rejected

ROBERT GENTLE

B|Day 7/1/91

FIRST National Bank (FNB) and Bankorp spokesmen have come out strongly against the introduction of deposit insurance as a means of protecting the savings of the public against bank failures

They were responding to remarks by Registrar of Banks Hennie van Greuning on the need for a debate on the issue in the wake of the fall and subsequent takeover of Cape Investment Bank (CIB)

Deposit insurance is a system whereby government guarantees depositors' savings up to a certain limit in the event of a bank going bust

The system is widely considered to be the key reason for the Savings & Loan crisis in the US because it is said to have encouraged irresponsible investment and excessive risk-taking by certain banks

Bankorp senior GM treasury Jurie Bester said that deposit insurance encouraged a reduction in risk management "Good banking legislation with prudent capital requirements and adequate information disclosure is the right method of controlling risk"

He called the new Deposit-Taking Institution legislation due to come into effect this year, 'excellent", and said it went a long way towards meeting this goal

"A CIB-type situation would be a lot less

☐ To Page 2

Beverage company to expand operations

LESLEY LAMBERT

CAPE TOWN — Peninsula Beverage Company, the soft drink bottler and Coca Cola franchisee in the western Cape, is expanding its distribution and production operations in expectation of significant future growth

B|Day 7/1/91

The company is negotiating for between eight hectares and 10 ha of land in Atlantis, the decentralised industrial region west of Cape Town, where it plans to develop a distribution centre to service the Atlantis and Saldanha Bay regions

If estimates of population growth materialise in these regions, Peninsula Beverage will also build a new production centre on the site, a company spokesman says

The anticipation of growth is based largely on estimates that the population of Atlantis, about 50 000, will grow to 200 000 by the end of the decade if the expected industrial and property boom in the area materialises

Peninsula Beverage is also expecting growing demand in other western Cape regions to place pressure on its existing distribution depots and production facilities in Parow Industria and Athlone

The spokesman says the firm is considering expanding the Parow operation on a site adjacent to the existing site while the Athlone operation has the capacity to increase production by 50% and distribution by one-third

Tempora 'set for bright year'

BEVERLY HUCKLESBY (182)

SUNCRUSH subsidiary Tempora Investments, listed in the investment trust sector, lifted earnings to 15,7c (14,5c) a share in the six months to end-December.

Despite a 2% drop in pre-tax profits to R1,88m (R1,91m), a large reduction in the tax rate to 10,12% (18,23%) increased taxed profits to R1,69m (R1,56m).

Davis Borkum Hare analyst Gil Catton said the company seemed set for a bright year ahead and recommended the share as a "firm hold". A future rights issue was possible.

Chairman R D Hamilton agreed, saying: "In all probability there will be a future rights issue that will be used to make further investments at the appropriate time." He declined to comment on future investments which analysts said could be coke franchises. BDay 22/1/91

The company, with a portfolio of about R140m, has R4,3m in cash on hand, which Hamilton said would be used in part for dividend payments to shareholders.

Big liquor rise on way

(182)

Own Correspondent

CAPE TOWN — Tipplers face a sobering increase in liquor prices next month. Star 25/1/91

According to information given to a major retail group, spirits will cost 10 percent more from February 1, wines 15 percent more and fortified wines about 17 percent more.

Group managing director Jonathan Miles said: "This means that whisky would cost up to R30 a bottle and it will be difficult to find a bottle of good red wine for less than R10."

In the light of wine and spirit increases last year, "these latest increases seem pretty high to us"

Sorghum beer plans on way

S/Times 13/1/91 (182)

DETAILS of first-stage plans to privatise the Government-controlled sorghum beer industry will be announced late in February, dispelling suggestions that the new National Sorghum Breweries (NSB) could be listed by September

NSB chairman Mohale Mahanyele says a statement that a prospectus would be ready in March and the shares listed by September was premature

The R350-million-a-year industry was handed back to the Government by the Industrial Development Corporation (IDC) last June after the IDC had identified its assets and liabilities Takeover values were agreed on with the provincial administrations The IDC managed the 18 breweries in the group since April 1987

The IDC says in its latest annual report that "privatisation can, therefore, go ahead as soon as the State has decided on the conditions to be offered to interested buyers

Mr Mahanyele says that although procedures for the

By DON ROBERTSON

sale of shares are at an advanced stage, their placing in the black community will take some time A listing is, therefore, a long way off

Black groups, such as the National African Federated Chamber of Commerce and Industries (Nafcoc), the Foundation for African Business Organisations (Fabcos), the SA Teveners Association and stockvel groups have been asked for support

Employees

The issue price of the shares will have to be kept as low as possible to enable the 3 000 employees in the industry to buy them

Mr Mahanyele denies that NSB will be a monopoly, saying SA Breweries, Tiger Oats and Federated Foods also make sorghum beer

NSB will, nevertheless, have about 85% of the market, which accounts for a third of all alcoholic beverages sold in SA

Guinness takes stake in local distributor

MARC HASENFUSS

UNITED Distillers, the spirits company of UK brewing giant Guinness plc, has acquired a 50% stake in local liquor distributors Henry Tayler & Ries (HTR) for an undisclosed sum.

HTR would become sole distributors for United Distillers Scotch whisky brands White Horse, Dewars White Label and Black & White, a statement released by HTR said at the weekend

United Distillers regional director (SA) Walter Crosbie said the acquisition was in line with United Distillers' policy of developing a more focused approach to controlling the distribution of its brands worldwide

The acquisition of the shareholding is effective from February 1 1991.

Stellenbosch Farmers' Winery Group (SFW) and Distillers Corp each retain 25% of HTR shares

SFW handles United Distillers' Bell's, Haig and Dimple Scotch whisky brands, while Distillers Corp distributes the company's Johnnie Walker Red and Black Label whiskies.

Bday 8/4/1/91

(182)

Guinness empire buys into Cape distributors

Star 5/2/91

182

By Tom Hood

The giant British spirits company, United Distillers, has pumped millions of rands into South Africa to take a 50 percent shareholding in Henry Tayler and Ries, a leading distributor for international brands of liquor.

The deal is effective from February 1, but the full value of the investment has not been revealed. The company is based in Johannesburg and has a major branch in Paarden Eiland.

"The two parties agreed not to disclose the amount involved, but the investment is substantial," said Dr Ivan Deacon, managing director of Henry Tayler and Ries.

United Distillers is part of the world-wide Guinness empire.

Dr Deacon said he believed the decision to invest here followed changes that began a year ago in South Africa.

Control

"This is a major British company and I have no doubt we will see a few more companies doing the same."

Mr Walter Crosbie, United Distillers regional director for Southern Africa, said the agreement was in line with United Distillers' policy of developing a more focussed approach to controlling the distribution of its brands world-wide.

The other 50 percent of Henry Tayler and Rise is shared equally by Stellenbosch Farmers' Winery group and Distillers Corporation.

Reports of Guinness planning to start a brewery in Southern Africa surfaced recently, but Dr Deacon said he knew nothing about this.

As a result of the deal Henry Tayler and Ries will become sole distributors for United Distillers' Scotch whisky brands; White Horse, Dewar's White Label and Black and White.

Tax on natural wine may be reintroduced

182

LESLEY LAMBERT

CAPE TOWN — Financial authorities, under pressure to exploit all available revenue sources, are understood to be considering the reintroduction of tax on natural wine in this year's Budget

Excise duty on natural wine was abolished in 1983 and has stayed that way as a result of the strength of the wine industry's protection lobby But speculation is that pressure for additional revenue may have diminished the effect of the lobby this year

Industry sources believe that natural wine is one of the potential revenue sources currently under the Finance Department's magnifying glass SFW MD Frans Stroebel said yesterday he had heard similar rumours. But government spokesmen declined to comment on the speculation ahead of the Budget

KWV, the powerful and influential producer organisation, has warned that reintroduction of the tax would compound the problems of a struggling industry It would lead to a decline in natural wine sales which had been stagnant for the past five years, and a reduction in wine farmers' incomes.

"The negative impact that the reintroduction of excise duties could have on sales in turn would result in a decrease in farmer's income, which would be a setback to the many upliftment programmes for farmworkers," said KWV chief communications executive Theo Pegel

When a 14% excise duty was placed on brandy in 1976, the price of spirits increased from 623,3c a litre of absolute alcohol to 701,4c in 1977, while brandy sales declined by 1-million litres Further increases in excise duty on the spirit resulted in further declines in sales and it was only last year that the industry recovered to 1976 volume levels

"Government thought it was getting more revenue but because of the decline in volumes it was not The administration involved in taxing natural wine will not make it worthwhile," said Stroebel.

KWV and SFW executives argue the wine industry is already making its contribution to revenues through GST (1989 R300m) and excise duties on other wine products like brandy, wine spirits sparkling wine and fortified wine (1989 R218m).

Stroebel argues that if natural wine is to be taxed, then government should also consider taxing the giant sorghum beer industry

BELL'S WHISKY FM 15/2/91 (182)

FRANCHISE UNDER FIRE

For two generations the Cape-based Sedgwick family has held the lucrative agency for Bell's Scotch whisky and turned what was once an insignificant brand into SA's biggest seller Now the Sedgwicks are fighting an attempt by the brand's owner, London-based United Distillers, to cancel the agency

FM 15/2/91 (182)

E W Sedgwick & Co's written contract has expired but it maintains that it has a verbal agreement that extends the contract by five years However, Sedgwick is prepared to relinquish its agency for a settlement fee of £10m (R50m) The company has briefed its counsel in preparation for possibly taking the issue to court

This information comes from two sources in the Cape who are well-acquainted with the matter, both decline to be named Neither Sedgwick nor United Distillers would confirm or deny the report Pierre Meintjes, a director of United Distillers in SA, read a copy of this report and said it was "fraught with errors," but he refused to point out any specific inaccuracies

While Scotland-based Arthur Bell & Sons remained independent, Sedgwick had no reason to doubt that its Bell's agency was secure But in 1986, United Distillers, a subsidiary of the giant Guinness organisation, took control of the firm. That's when rumours began that Sedgwick would lose the agency

Privately held Sedgwick, now run by two cousins, Anthony and Christopher Sedgwick, also imports wine and spirits from Europe But loss of the Bell's business would be a huge blow Bell's accounts for an estimated 40% of the 1,25m-case SA whisky market

Market sources say the wholesale price of a case is about R254, with Sedgwick receiving about R20 as its commission Sedgwick then pays Stellenbosch Farmers' Winery, its principal distribution agent, a distribution fee of about R8 a case and it spends roughly R5 a case on marketing and advertising On this basis, Sedgwick clears about R7 a case, or R3,5m a year ■

Castle leaves laager

CAPE TIMES 18/2/91

182

Own Correspondent

JOHANNESBURG — SA Breweries (SAB) is gearing up to increase export earnings by 400% this year in a drive to corner a bigger share of beer markets in South America, Eastern Europe and Africa.

International markets manager Mr Martin Neal said yesterday SAB would increase beer exports to these markets from 876 000 cases to four million cases, representing a 400% increase in export earnings

SAB exported to 30 countries in the past financial year and this year will export to 47 countries

Mr Neal leaves today for South America where he will be reinforcing SAB's relationship with distributors, as well as discussing marketing plans for Uruguay, Brazil and Argentina He said the recent softening of the sanctions issue was an important factor in opening up the Eastern European market.

SAB traditionally had been a player in the other markets, but the company was now stepping up its efforts in these areas SAB exports its Castle, Lion and Ohlssons brands.

SAB set to raise export earnings 400%

182

SUSAN RUSSELL

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SAB exports its Castle, Lion and Ohlssons brands. Neal said Lion was popular in Africa, while Castle was more suited to the tastes of the other markets

Bday 18/2/91

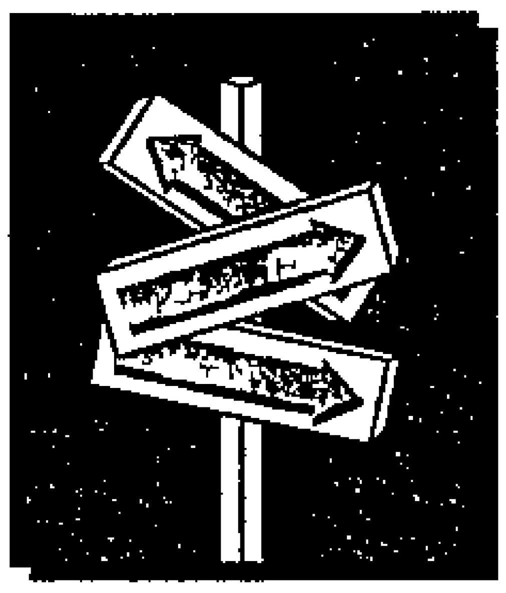
PICKARD GROUP

FM 22/2/91

COMING OUT OF THE SCRUM

182

A CHANCE FOR A FRESH START, BUT THE LONG-TERM PLAN IS UNCLEAR



Jan "Bull" Pickard has long believed that the best way of building up his wealth was to use other people's money — or borrowings For many years that approach worked but eventually high interest rates, in alliance with questionable financial and operational management in a recession, produced a crisis.

By the late Eighties the group was groaning under an untenable debt burden and the trading operations were making losses The lack of liquidity raised doubts about whether Pickard's business empire could survive There was more ignominy when Cape Investment Bank (CIB) ran into trouble, kiboshing plans cherished by Pickard and his son, Jan Pickard Jnr, CIB's chairman, for expansion into the financial services sector

A turning point came when creditor banks drew the line Management has been forced to tackle the problems, largely by selling assets to release liquidity

Today the group is smaller and leaner Instead of the sprawling group controlling six listed companies a decade ago, it now comprises three listings, of which the only operating company is the white and brown goods company, Picapli

But the debt burden has only been eased It has yet to be cut to comfortable levels Pickard has much to do if the market is to be convinced that profitability and risk management is back on a sound footing

It may well be premature to write off this large and energetic man, who has demonstrated his resourcefulness often, but Pickard, 63, no longer in good health, faces a real dilemma whether to hold on to his business interests and ensure they are effectively managed, or to sell them for a reasonable price

He may also be pondering whether a business dynasty is worth the risk.

Pickard has not been loath to mix sentiment and business Nor is he the sort of self-made man who maintains a single-minded attitude to business

While pursuing his business career, he has immersed himself in rugby (he once reportedly said· "What's the difference between rugby and the ballet? They are both culture"), his family and politics He spent five years on the President's Council, of which he was a founder member

A former Springbok rugby captain in New Zealand, and for years the Western Province captain, Pickard has been president of the Western Province Rugby Union since 1986 He also heads the SA Rugby Board's finance committee Soon after becoming union president in 1985 he launched ambitious but successful plans to modernise Newlands rugby ground by selling company boxes at R50 000 apiece

Though he is well connected (he married Ingrid, daughter of former Finance Minister and State President-elect Eben Donges), Pickard made it on his own He has been in business for 40 years Aside from wealth salted away over the years, the market value of his stake in the pyramid company, Picbel, exceeds R10m

Wine and the liquor trade, where he pioneered self-service outlets, was where he laid the foundations for expansion His career started in 1950 when he joined Rene Santhagens (now Gilbey's) with a Stellenbosch University BSc (viticulture) In 1964 he bought the listed wholesale and retail liquor concern, P J Joubert, which led to the formation of Oude Meester with Rembrandt

But the liquor trade was not enough to satisfy this restless man A long list of investments followed printing through Trio-Rand (now SA Litho), fruit canning through Brink Broers and H Jones & Co (sold to Langeberg in 1980), car sales through Grosvenor Motors, meat wholesaling through Asokor and Karoo (sold to Kanhym); wine farming (Bellingham, Culemborg), liquor retailing and hotels (Uniewyn and Picotel), central city property, clothing and luggage manufacture (Picprop), sports goods retailing (Logans), appliance manufacture and wholesaling (Picapli), air transport (Comair) and recently, banking (CIB)

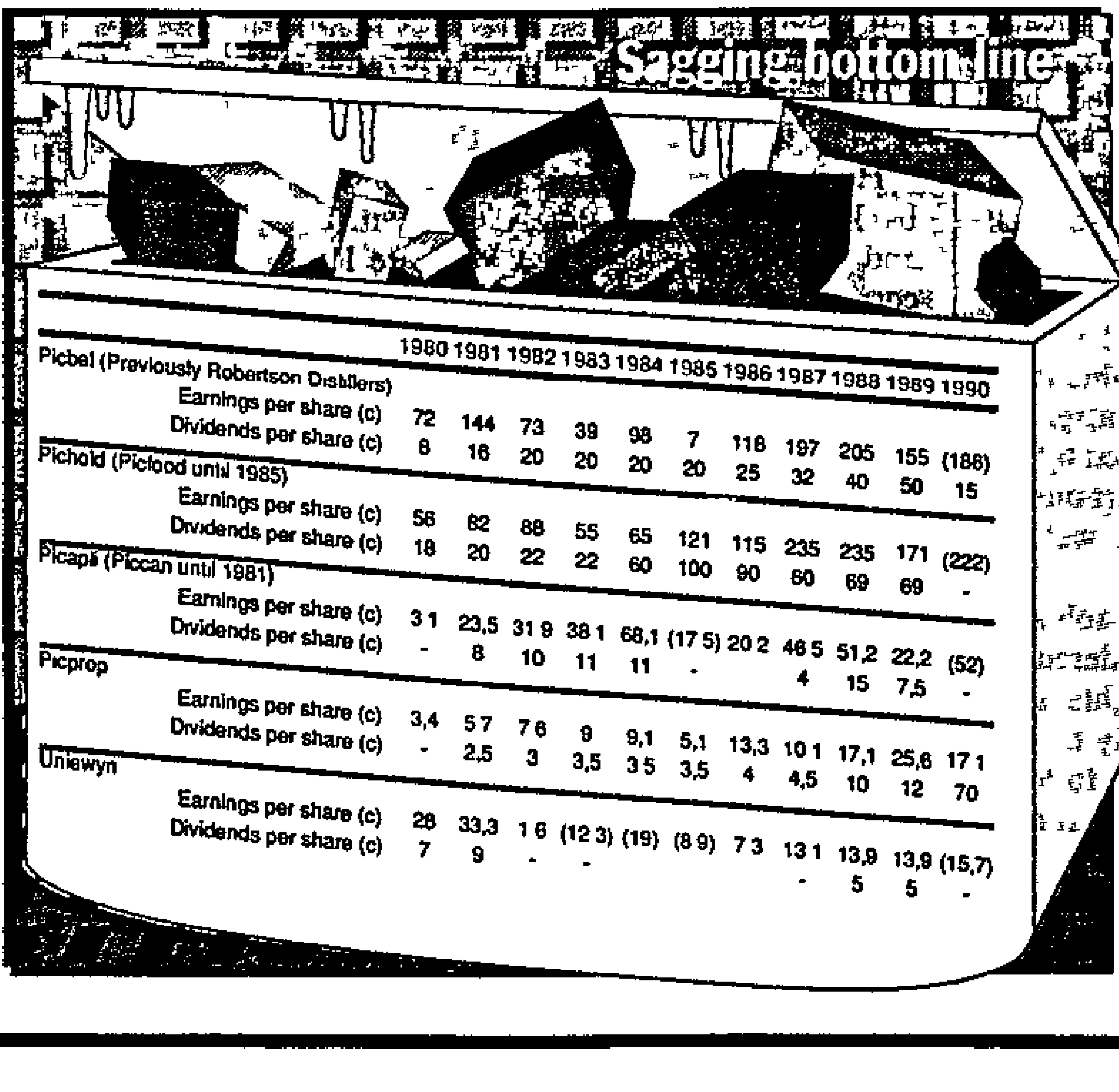
Unhappily, profit performance has not kept pace with this mercurial investment activity The only real measure of the overall performance is in the earnings record of Picbel **(see table)** In 1985 EPS tumbled to only 7c Last year, when prime averaged about 21%, the group plunged into the red

Pickard claims to have started the Enterprise brand of meats His first foray into the meat market was gained by buying control of Karoo Meat This meant obtaining proxies from thousands of shareholders, many of whom were farmers, from all over the country in opposition to the powerful Vleissentraal Pickard won by just 200 votes After that he bought Asokor

He has done some good deals, such as the one with Gencor, when he sold Picfoods to Kanhym Picfoods then comprised the meat marketing activities of Asokor, whose subsidiaries included Karoo Vleisbeurs, Franke and Co, Victory Wholesale meat suppliers and Slabbert Verster & Malherbe When Gencor disclosed its interest in the meat group, Pickard says he called for a put option at a fixed price that would rise each year with the prime rate He exercised the option two years later, when the option price was twice that of the shares. He has yet to stop patting himself on the back for that

Another success was the acquisition of the Bellingham wine farm In 1970, Pickard says, he took an option on the farm for R700 000 He exercised the option at that price in 1980 and paid for it in 1981 Since then the farm has been part of Uniewyn Uniewyn symbolised Pickard's roots as a winemaker and its interests — which included the hotel and liquor store arm, Picotel — doubtless gave Pickard a certain cachet in the circles he moves in But it was primarily sentiment that caused him to hold on to Uniewyn, whose earnings record was never satisfactory

Though Uniewyn was not overgeared, by last year its sale could no longer be avert-



	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Picbel (Previously Robertson Distillers)											
Earnings per share (c)	72	144	73	39	98	7	118	197	205	155	(186)
Dividends per share (c)	8	16	20	20	20	20	25	32	40	50	15
Pichold (Picfood until 1985)											
Earnings per share (c)	56	82	88	55	65	121	115	235	235	171	(222)
Dividends per share (c)	18	20	22	22	60	100	90	80	69	69	-
Picapli (Piccan until 1981)											
Earnings per share (c)	3 1	23,5	31 9	38 1	68,1	(17 5)	20 2	46 5	51,2	22,2	(52)
Dividends per share (c)	-	8	10	11	11	-		4	15	7,5	-
Picprop											
Earnings per share (c)	3,4	5 7	7 6	9	9,1	5,1	13,3	10 1	17,1	25,6	17 1
Dividends per share (c)	-	2,5	3	3,5	3 5	3,5	4	4,5	10	12	70
Uniewyn											
Earnings per share (c)	28	33,3	1 6	(12 3)	(19)	(8 9)	7 3	13 1	13,9	13,9	(15,7)
Dividends per share (c)	7	9	-	-				-	5	5	-

Continue →

Budweiser may muscle in

ST Times 24/2/91

By DON ROBERTSON (182)

A MAJOR American brewery is expected to take on SA Breweries in the black beer market

Anheuser-Busch, brewer of Budweiser, is believed to be eager to invest R3-billion in SA and grab a large share of the beer market It is said that four directors from the St Louis, Missouri, headquarters are in SA investigating market potential

Anheuser-Busch is the world's largest brewing group and Budweiser is the largest selling beer Sales last year were 95-million hectolitres Its sales are far larger than Miller (US) and Heineken of the Netherlands which sell about 50-million hectolitres each

The company has about 9% of the world's beer market compared with SA Brews which at, 24-million hectolitres, has a 2% share

Sales of the diversified group, which includes fresh-baked products, rice milling, snack foods, major league baseball and farming, amounted to $9,6-billion last year Profits were $715,9-million

A spokesman for SA Brews says he would not be surprised if Budweiser were introduced in SA But he is unaware of the visit of the Anheuser-Busch directors He says American companies are prohibited from investing in SA

On a smaller scale, NMK Schulz Fine Wines plans to import the successful Corona Extra beer from Mexico for the SA market An initial order has been placed and the beer should available in mid-April

Sales director "BJ" Lankwarden says Corona is successful in Australia where it is the biggest imported beer, in the US and Canada where it is the second-biggest import and in the UK

The beer will be sold in American and Mexican restaurants It is traditionally drunk directly from the clear-glass bottle into which a portion of lime is dropped

It is a full-strength beer with an alcohol content of 5,4% compared with most SA ones which have 5%

Mr Lankwarden also imports Grolsch beer from the Netherlands

Financing holds Distillers back

(182) BiDay 25/2/91.

MARCIA KLEIN

WINE and spirit producer Distillers Corporation of SA (Distillers) has reported a 10,2% increase in earnings for the six months to end-December 1990

The Stellenbosch company did not disclose its turnover figures, but turnover rose 13,5%, compared with 13,1% for the same period last year.

Trading profit was up 11,3% to R107,5m (R96,6m previously) However, net financing expenses of R301 000 (net financing income of R694 000) pushed up pre-tax profit 10,2% to R107,2m (R97,3m)

It was the first time since the company's listing in 1988 that Distillers incurred financing expenses.

Directors said the group's financial position remained strong Interest-bearing debt was 7% of shareholders funds, "despite a strategic increase in higher quality wine stocks".

After taking into account tax of R51,9m and equity accounted earnings, income before depreciation increased 10,1% to R57,9m (R52,6m)

Attributable income to own members was 10,2% higher at R51,6m (R46,8m). Earnings rose 10,2% to 36,8c (33,4c) a share

Directors said they considered the results to be satisfactory under the present economic conditions

In line with growth in earnings, the interim dividend grew 10% to 11c (10c) a share

In September 1990 chairman Arnold Galombik said in his annual report that he anticipated a further moderate decline in domestic demand, while growth in production could increase slightly

On July 2 1990 Distillers launched two products to take advantage of the new Liquor Products Act, which made the liquor industry less regulated

Distillers expected to maintain earnings in the full year, provided there was no further deterioration in economic conditions. The share closed on Friday at its year high of 450c

COMPANIES

Sunny skies add more fizz to Suncrush

182

MARCIA KLEIN

GOOD weather helped Durban-based soft drink bottler and marketer Suncrush post a 28% increase in attributable profit to R21,0m (R16,3m) in the six months to end-December.

Suncrush chairman and MD Robin Hamilton said the weather up to February had been good, and Suncrush tended to do well in the short term during drought conditions. Suncrush bottles Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparletta

"On the other hand, the unrest situation caused some concern for the company".

Earnings on trading increased 29% to 713c (552c) a share, while earnings from investment rose 20% to 60c (50c) a share

An interim dividend of 125c was declared, 30% up on the 96c a share declared for same period in 1989

Turnover for the period under review increased 29% to R231,8m (R180,2m) and operating profit was 30% up at R39,3m (R30,2m)

Pre-tax profit rose 30% to R42,1m (R32,3m) and after current tax of R17,4m (R15m) and deferred tax of R3,5m (R603 000), taxed profit rose 27% to R21,2m (R16,6m)

15/3/91 BD

Suncrush's profits sparkle

Finance Staff Star 5/3/91

Suncrush, the bottlers of six leading SA softdrinks, including Coca-Cola and Fanta, increased attributable earnings in the six months to end-December by 28 percent to R21 million (R16,3 million)

182

Earnings per share from trading improved by 29 percent to 713c (552c) while investment earnings rose by 10c to 60c. The interim dividend was raised by 30 percent to 125c (96c).

The good weather for most of the six months lifted turnover by 29 percent to R231,8 million (R180,2 million).

Dalys, whose sole income derives from it 50 percent holding in Suncrush, lifted earnings per share from 71,8c to 91,6c, while the interim dividend was increased by 4c to 12c

Louis Luyt back in beer

Cape Times 6/3/91 (182)

QUITTING RUGBY . Mr Louis Luyt

Own Correspondent

JOHANNESBURG. — Transvaal rugby supremo and businessman Mr Louis Luyt is back in the beer business.

Mr Luyt stunned the business world yesterday by announcing that he was launching a new beer-brewing company

He also said that 1991 would be his last year at the helm of Transvaal rugby because of the new venture

He said his decision to stand down as TRFU president had nothing to do with the fact that he failed to make it on to the executive at the SA Rugby Board's annual meeting in Cape Town last Friday

Mr Luyt said yesterday that he had been planning the brewery for the past eight years The new plant would aim at a "couple of hundred million rands in turnover" and have substantial forein investment.

Speculation in the market is that as the planned 1,5 million hectolitre capacity brewery will cost more than R450 million, it is likely that Mr Luyt has an American brewery as backer

Last week there were reports that Anheuser-Busch, brewer of the world's largest-selling beer, Budweiser, was eager to invest in SA.

Sanctions

Yesterday Mr Luyt would not say which major international beer brands might come to SA via his new brewery, but said "well-known brands" would be marketed

"With sanctions going, mammoth enterprises must be looking at SA which is the biggest-growing market for beer in the world," Mr Luyt said

At the moment SA beer consumption was half that of Britain, but in five years' time SA would surpass the UK, he said

The Transvaal rugby chief said his "biggest mistake in business had been to sell his previous interests in the beer industry

He sold Louis Luyt Breweries, which produced Luyt Lager, to Anton Rupert's Oude Meester in July 1973

He said "I have been there before and I understand the industry and the consumer market."

Although he would make no comments on SAB, he said the danger of a monopoly was that it was always vulnerable to attack.

Construction of the new brewery would begin in the next two to three months, and production was expected to start in January 1992. About 450 to 500 people would be employed

The brewery would be housed on a 10,5ha site at Randfontein, which allowed for considerable expansion All the required infrastructure had already been established

Cadswep maintains its fizz of the past five years

B|Day 6|3|91. (182)

MARCIA KLEIN

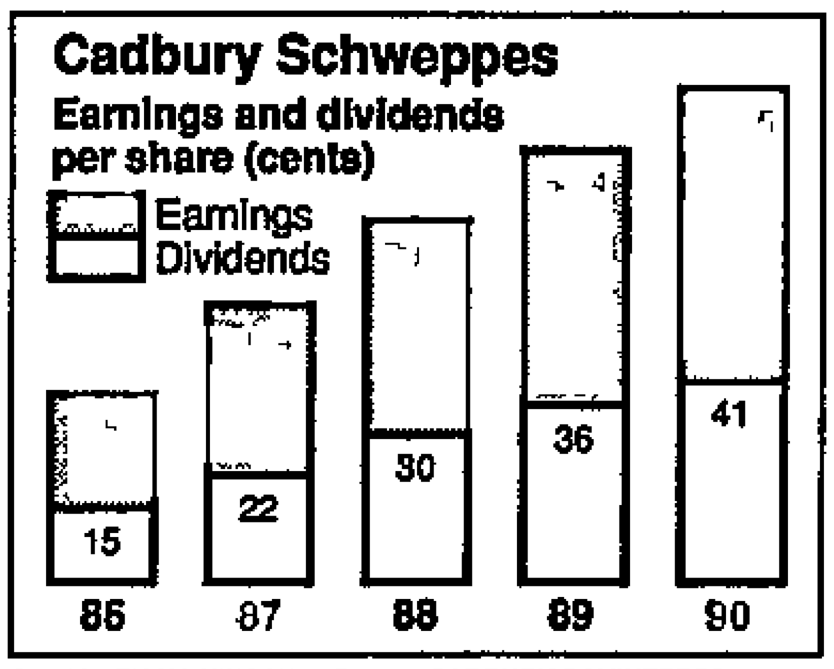
CADBURY Schweppes (Cadswep), which has shown consistent growth over the past five years, has posted a 14,3% increase in attributable earnings to R35,1m (R30,7m) in the year to December 1990

The manufacturer and distributor of soft drinks, confectionery, foods and cocoa beverages has reported an annual 32,5% compound earnings growth and a 26,2% compound dividend growth since 1985

Turnover for financial 1990 rose by 22,2% to R537,7m (R440,2m), which was "satisfactory, considering the deterioration in the economy, which saw a lower consumer demand and changes in spending patterns", MD Peter Bester said yesterday

In an interview, he said while the squashes and cordials market grew strongly and the carbonated soft drink market continued to show steady growth, volumes declined in the confectionery market.

The company had a broad product and consumer base This helped to even out earnings



Graphic: FIONA KRISCH Source: CADBURY SCHWEPPES

Operating profit increased by 12,3% to R47,1m (R41,9m), which reflected lower margins in the confectionery business because of lower volumes, and the effect of action taken to strengthen the organisation, Bester said.

Higher average borrowings from Cadswep's expansion and developments towards the end of 1989 saw financing costs almost double to R10,2m (R5,5m), which brought pretax profit up only 1,3% to R36,9m (R36,4m)

Although borrowings increased, both gearing — at 38% (37%) — and financing costs cover were within the group's targets, Bester said

High financing costs were offset by lower tax of R10,7m (R13,1m) resulting largely from investment allowances This and a 29,2% increase in earnings from associated companies saw taxed profit up 16,8% to R36,3m (R31,1m).

The dividend for the year was 13,9% higher at 41c (36c) a share.

Earnings were 13,7% higher at 100,5c (88,4c) a share on a weighted average

In terms of Cadswep's divisions, Bromor Foods performed strongly with a substantial growth in operating profit Cadbury increased its volumes while the market declined, and Chapelat-Humphries recovered towards year-end from a disruption caused by its reorganisation in mid-year.

In financial 1990 Cadswep had increased market share in all the markets in which it operated, Bester said.

Interest bill sharply higher at Cadswep

182

Star 6/3/91

By Jabulani Sikhakhane

Depressed margins in the confectionery business due to lower volumes, actions taken to strengthen the organisation and a sharp increase in financing costs took their toll on Cadbury Schweppes (Cadswep) perfomance for the 12 months ended-December.

Earnings per share rose 13,7 percent to 100,5c (88,4c). This is slightly below analyst expectations of a 15 percent improvement in earnings — following the 19,9 percent in financial 1989.

A final dividend of 31,5c has been declared making a total of 41c (36c) for the year.

Directors say the confectionery market volumes declined, while the re-organisation of Chapelat-Humpries impacted negatively on sales although they recovered towards year-end.

As a result growth at the operating profit level was only 12,3 percent to R47,098 million (R41,943 million), despite a 22,2 percent rise in turnover to R537,725 million from R440,184 million. Margins fell from 9,5 percent to 8,75 percent.

Acquisitions made in financial 1989, including 82,5 percent of Chapelat-Humpries and 49 percent of the Springer Schokoladenfabrik saw short-term interest bearing debt shooting up 172 percent to R35,085 million (R12,890 million).

With the higher interest rates, the interest bill rose a hefty 85 percent to R10,190 million from R5,517 million

But the higher financing costs were offset by lower tax rate due to investment allowances and increased contribution from associate companies.

After a tax charge of R10,657 million (R13,132 million) and a 29,2 percent growth in earnings from associated companies to R10,068 million from R7,793 million, after tax profits were up 16,8 percent to R36,319 million

Profit growth

Attributable earnings after outside shareholders interests in subsidiaries, rose 14,3 percent to R35,095 million

Directors expect the sugar confectionery business to show significant profit growth in financial 1991, enabling Cadswep to exercise its option to acquire the remaining 17,5 percent of Chapelat within the next 12 months.

In their forecast, directors do not expect any significant improvement in trading conditions until the last quarter of the year. The tax rate is not expected to be as favourable Despite this, they expect to achieve real earnings growth for the year

Louis Luyt brims with confidence

182

B/Day 7/3/91.

MARCIA KLEIN

LOUIS Luyt's new brewery business will not fail, says the tycoon

He announced on Tuesday that he would re-enter the beer market by opening a new brewery in January 1992 with an annual 150-million-litre capacity, and that there would be a significant foreign investment in the new venture

Luyt said yesterday he had been successful in every one of his marketing ventures, and this would be no exception.

He said "The first time I sold out, I was sorry I ever sold out to Rupert" — he sold Louis Luyt Breweries to Anton Rupert's Oude Meester in 1973

He would give no further information on the international company involved "I have the money to do it, and I will be the major shareholder," he said.

A source suggested that Becks brewery might be involved, as Luyt had dealt with Becks once before

And executives from Anheuser-Busch, which makes Budweiser, had visited SA However Anheuser-Busch would not be able to invest in terms of US anti-apartheid laws

Fedhasa Chamber of Liquor Retailers (Fedcol) chairman Len Polivnik said that at the moment about 2 400-million litres of beer a year was produced in SA Average per capita consumption was 50 litres a year

The brewing capacity of Luyt's new venture suggested he was looking at up to 7,5% of the local beer market

SA Breweries (SAB) currently held 99,4% of the market, with the rest held by minor or "boutique" breweries

Beer production in SA had increased by 8,46% in 1989, and by 20% in 1990, indicating that the local beer industry was growing very fast

A source said that with the huge growth in the SA beer industry, and the situation in the US and Europe "where growth in the beer market is flat at best", it would be naive not to believe big international breweries were looking at SA

However, Polivnik said that SAB was producing very good quality beer at a reasonable price. It had a good infrastructure and good service

"Any outside giant would need a lot of guts to take on SAB on its own ground", he said

SAB public affairs manager Adrian Botha said that SA's beer market was not as large as suggested He estimated it to be around 2 100-million litres. SAB had produced 2 027-million litres in the year to March 1990.

"SAB," he added, "welcomes competition and will not take this lying down."

Luyt chalking up R500-m beer bill (182)

By Derek Tommey Star 7/3/91

Transvaal rugby supremo Louis Luyt's planned re-entry into the brewery industry in competition with SA Breweries is expected to cost at least R500 million

The South African beer market is is one of the most buoyant in the world. It is worth about R3,5 billion a year and is growing rapidly. In the 12 months to March, last year, it grew by 22 percent. Growth slowed in the six months ended September to 11 percent. And Mr Meyer Kahn, SAB's chief executive, is not expecting more than 7 percent or 8 percent for the full year.

But analysts point out that once the economy resumes its growth path, beer sales will take off again

As few local investors are likely to support Mr Luyt in a fight against SAB after his previous failure it is assumed that he is probably a front for an overseas company, most likely an American one, which would like to enter the market once American sanctions are lifted.

Market share

One reason for this view is that Mr Luyt could have to find well over R500 million to have any chance of fighting SAB on the scale he has intimated

He is planning to build a brewery with capacity of 150 million litres a year. This suggests he is hoping to secure some 7,5 percent of the local beer market eventually. Beer sales currently total some 2 billion litres a year

It is estimated that a brewery of the size envisaged by Mr Luyt will cost between R450 million and R500 million

On top of this he will need working capital and will also have to make a substantial investment in marketing and distribution.

Marketing costs will not be so high if he is planning to sell a popular overseas beer as he will be able to use already available promotional material

But people in the liquor industry could see Mr Luyt having to eventually spend some R600 million on his project and possibly more if he does not hit the jackpot with his beer in the first year of production and has to operate at a loss for a while.

What has also surprised the liquor industry is his claim that his brewery will be up and running at Randfontein in nine months' time. Yet construction is to start only during the next three months

However, even if Mr Luyt is able to successfully overcome all the normal hurdles associated with establishing a new business, he will still have to overcome the big advantage which the high inflation rate has given SA Breweries.

Equipment

Because of this inflation, he will have to pay a third more for his equipment than SAB did two years ago and almost double what SAB paid four years ago. As SAB is still using this "old" equipment, Mr Luyt's capital costs per litre of beer will be considerably higher than those of SAB So other things being equal he will find it hard to compete on price. SAB will be able to undercut him anytime it wants to do so.

This hurdle can be overcome in time, but Mr Luyt must expect a stiff fight and a heavy expenditure of money before this happens.

AN10

KEY TERMS AND CONCEPTS

A. ACCOUNTING CONCEPTS, ASSUMPTIONS AND PRINCIPLES

Accounting period assumption	
Business entity assumption	
Going concern assumption	
Stable unit of measurement assumption	
Consistency principle	
Double entry principle	
Materiality principle	
Objectivity principle	
Prudence principle	

B. FINANCIAL STATEMENT TERMINOLOGY

Balance sheet	
Assets	
- Current assets	
- Fixed assets	
- Intangible assets	
- Tangible assets	
- Net current a	
Equities	
Liabilities	
- Current liabi	
- Long term li	
- Capital/owne	

SAB plans R900m brewery

B/Day 8/3/91

BEER giant SA Breweries (SAB) is to build a brewery in Port Elizabeth at an estimated cost of R900m

This follows Transvaal rugby boss Louis Luyt's announcement that he is to build a brewery with a 150-million-litre capacity in Randfontein Sapa reports an SAB spokesman said the first phase of SAB's new project would begin in January 1992 at a cost of about R500m, and would create an estimated 500 jobs. (182)

MARCIA KLEIN reports an industry source said yesterday that British brewery Greenall Whitney had been talking to the SAB, and that Luyt may have been speaking to Labatt breweries of Canada

Bateman Industrial Holdings, which was rumoured to have gone to the UK to buy a brewery or substantial equipment for setting up a brewery, refused to comment on the speculation, but said it was watching the situation

SA BREWERIES FM 8/3/91 (182)

LUYT BOUNCES BACK

SA Breweries (SAB)'s comfortable position as "temporary sole supplier" to the local beer market could be under serious threat Former brewing baron Louis Luyt has announced that he's making a comeback.

Luyt stunned the audience at a Yardley Cup sports evening this week when he indicated he was forgoing the presidency of the Transvaal Rugby Union to concentrate on his first love — brewing beer

He's formed a new brewery, Louis Luyt International, with the help of unnamed

FM 8/3/91 (182)

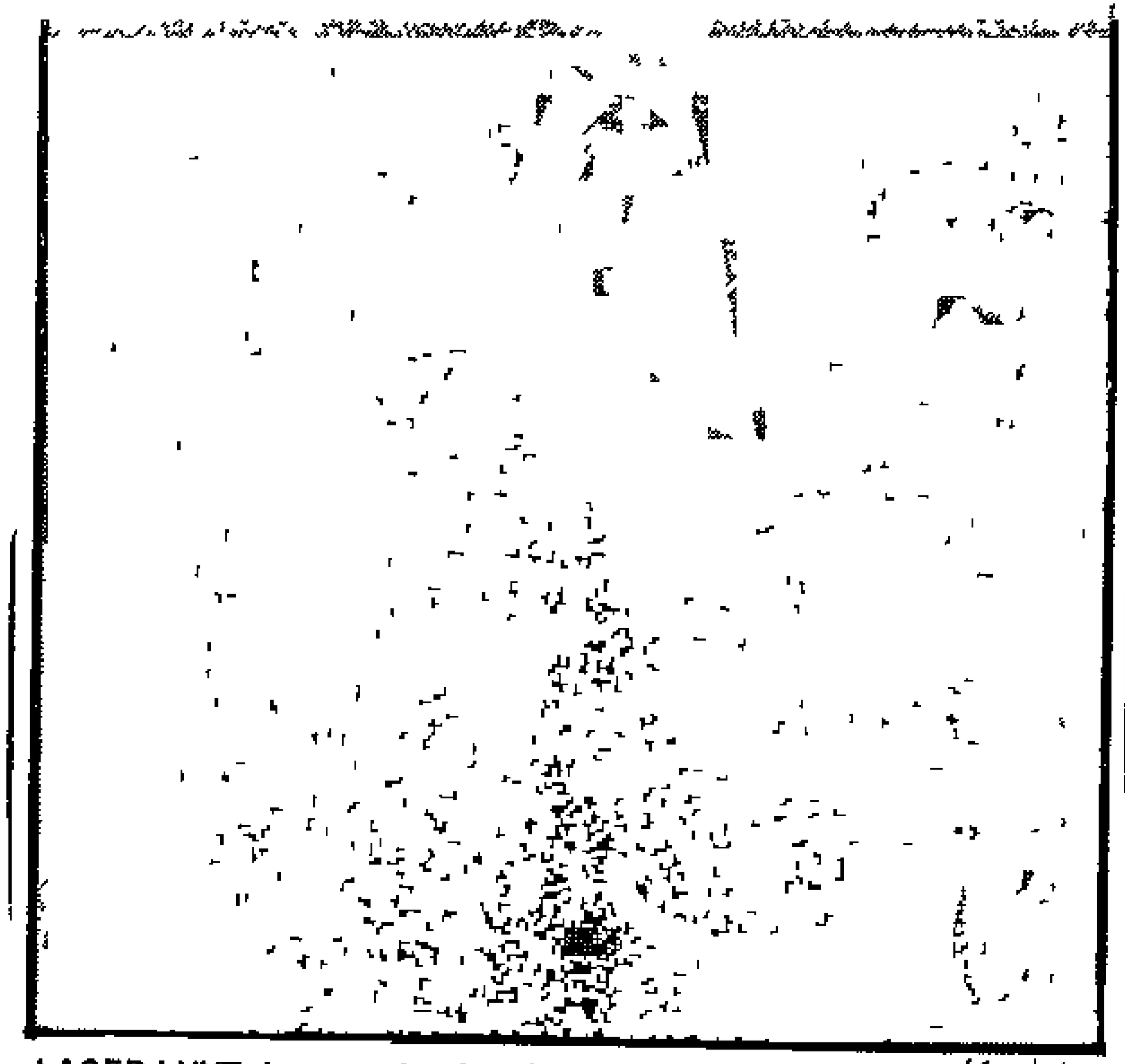
overseas brewing interests (some say US brewery Anheuser Busch is behind the venture) and hopes to be back in business by January 1992 His proposed R450m brewery will be in Randfontein and will have annual capacity of 1,5m h*l*

To longtime market leader SAB, this can only mean fighting talk SAB has already had to face down upstart Luyt once, when he launched his Intercontinental Breweries in the early Seventies The protracted beer war which ensued ended in a crushing defeat for Luyt, with SAB swallowing his beer operation in return for surrendering some of its wine and spirits interests

SAB spokesman Dunbar Bucknall admits Luyt's announcement caught the group by surprise But it won't take this development lying down Says Bucknall "Market share is something you have to earn And having earned it you have to fight to protect it"

SAB has just spent around R2bn building up additional capacity And a 1,5m h*l* brewery is not small beer. But with the local beer market growing at between 6% and 8% a year, there's probably scope for a competitor

Graham Fiford



LAGER LUYT: Louis is back in beer, SA Breweries says it is ready

Luyt buys UK plant for his local brewery

S/Times 10/3/91

182

By DON ROBERTSON

LOUIS LUYT has bought a "large portion" of a giant brewery in Britain to equip himself for his re-entry into the beer market.

The brewing plant belongs to the 200-year old Greenall Whitley group in the mild and bitter area of Worrington, Cheshire.

Before its closure last year, the Wilderspool plant was capable of producing 1,3-million barrels of draught beer annually

When it was closed, the plant was operating at about 60% capacity and falling sales forced Greenall to close the plant as well as others it operated in the Midlands

A spokesman for Greenall Whitley says an agreement has been reached in principle for the purchase of large parts of the plant, including the brewhouse, the canning line and parts of the fermenting process.

He says that when the deal is finalised, work could start immediately on dismantling the plant which could then be shipped to South Africa. This, he says, could take several months.

The decision by Louis Luyt to re-enter the beer market has surprised colleagues in the industry, but SA Breweries insists that it welcomes the competition.

SAB, which dominates the beer market, is the ninth largest brewer in the world with a capacity of 24-million hectolitres a year

An SAB spokesman says the company is quite prepared to take on Louis Luyt again.

"We have done it once before and we know what happened. We are quite prepared to take him on again."

Mr Luyt announced this week that his current term in office as president of the Transvaal Rugby Football Union would be his last and that he would instead open a large brewery in Randfontein

A 10,5ha site has been purchased, and building is expected to start in the next three months The first beer is expected to be produced early next year

Mr Luyt says there will be a substantial foreign investment in the brewery, but that he will retain control

Sorghum industry for the workers

Sowetan 11/3/91

THE Government said on Friday it plans to get rid of its interest in the Sorghum Beer industry

Introducing the second reading debate on the Exemption from Certain Payments at the Transfer of the Sorghum Beer Industry Bill, Minister of Public Enterprises Dr Dawie de Villiers said it was an important step to further reduce the State's role in economic activities which should fall in the realm of the private sector

Control

The industry would fall under the control of the people concerned with it, he said, and if all went according to plan, the issuing of the first shares by the National Sorghum Board should take place this year

A certain portion would be issued to workers and another to the consuming public

Opposed

182

The Conservative Party opposes the Bill

Mr Fanie Jacobs (CP Losberg) said he did not think the Bill's provision for the companies' assets to be transferred and for exemption to be given from the payment of stamp and transfer duties to be financially sound

Mr Nic Isaacs (DRP Bishop Lavis) supported the Bill, saying the black community was being given the opportunity to get a share of profits, he said - *Sapa*

WINE FM 15/3/91 (182)

IN FROM THE COLD

With the debate on sanctions increasingly irrelevant, it is perhaps worth reflecting on how the end of isolation will affect our wine industry Anti-SA sentiment hammered Cape wine exports The US market — small though it was — closed with the passing of the 1986 Comprehensive Anti-Apartheid Act Canada — a major export destination — was lost at the same time

The real effect of anti-SA sentiment in Europe was to make it difficult for retailers to trade in Cape wines The Anti-Apartheid Movement created a sanctions atmosphere and our wines could not get the distribution they deserved (3) wine + viticulture

No major wine supplier anywhere in the world was precluded from supplying SA importers, however Wine sanctions were pretty one-sided Champagne, Claret, Chianti and Burgundy were always to be found at the better wine merchants, though at prices that seemed increasingly steep as the rand collapsed

Overseas wine personalities continued to visit SA, though they sometimes travelled without pomp and publicity

FM 15/3/91 (182)

In the past six months much has changed, North American markets are expected to open up again shortly

Most of the Cape's quality wine estates are inundated with enquiries from European importers This does not mean that they will be selling vast quantities the Cape's domestic pricing is uncompetitively high, despite the weak rand But it does mean that Cape wines will again be seen in the wine stores of Europe

(3) wine + viticulture.

No auction sanction

SA is now also back in the international food and wine circuit In the past month the French government's Maison de la France hosted the launch dinner of a French Gastronomy Club Chefs were flown out from Europe armed with regional delicacies and some unusual wines

A group of Burgundian wine producers representing some of the most important domains and negotiants visited the Cape last month and then hosted a dinner and tasting in Johannesburg Owners of vineyards in Maursault, Carton and Clos Vougeot discovered for the first time that SA is not a viticultural nor gastronomic backwood contact of this kind may not do much for bilateral trade but it does help to peel away the prejudices

Finally, Robert Drouhin, a great Burgundian and a visitor to SA even in the sanctions era, has agreed to open this year's Nederburg Auction

There is something particularly appropriate about one of Europe's most civilised wine people addressing the one SA wine event which always transcended the country's political isolation It is to be hoped that this will be more than a potent symbol that the doors have opened

What we must now measure is whether or not events like Nederburg show a marked increase in overseas buying *Michael Fridjhon*

Price 'not a weapon' in Luyt's beer war

(182) S Times, 17.2.91.

By DON ROBERTSON

THERE will be no price war when Louis Luyt brings his beer to the market in January next year.

He concedes that marketing will play a major and expensive part in his bid to gain market share from SA Breweries, but insists that this will not be done on a price basis.

Mr Luyt says he was surprised when he discovered that the Wilderspool brewery owned by Greenall Whitley in Warrington, Chesire, was for sale (Business Times, March 10).

"There are many companies throughout the world, including some as far afield as Poland and China, that are looking for second-hand breweries. I was surprised that we were able to do the deal."

Wilderspool became available after Britain's Merger Monopolies Commision ruled that breweries must either sell their large number of pubs or stop brewing Greenall Whitley decided on the latter.

Mr Luyt has refused to disclose the amount paid for the brewery.

Liquidators in TDH rescue bid

S|Times 17|3|91 (182)

By DIRK TIEMANN

A LAST-DITCH attempt is under way to rescue the provisionally liquidated Transvaal Distillers Holdings

Provisional liquidators are working on a scheme to enable TDH to retain its listing, says JSE general manager, listings, Richard Connellan

Mr Connellan says the shares will remain suspended for the next few months at least, at the request of the liquidators

The last available results for TDH and Rico, the two listed companies, are for the year ended February 1990

TDH turned in an after-tax profit of R267 000, while Rico lost R500 000 Interim results are not be available

TDH was listed on the Development Capital Market by reversing into the Agserv cash shell in 1989 Rico was listed on the Venture Capital Market in 1989

Mr Connellan says there is little the JSE can do to prevent companies who meet its requirements from attaining a listing, but that listing criteria are under constant review.

Flopped

He says TDH had the necessary profit history, although the criteria for a DCM listing are "not exactly marvellous".

"The VCM, where Rico is listed, carries with it the warning that all monies invested might be lost," he says

Meanwhile, transfer secretaries Finpak Registrars have not been paid and no share transfers are going through.

The 5 000 minorities in TDH and Rico are unlikely to recover much of their investment Rico shares were issued at 16c and went down to 1c before being suspended

TDH shares flopped from 45c to 1c before being suspended TDH shares were also issued before the listing at prices up to R1

Rico Breweries recently sold off South West brewing equipment that it had bought with financial assistance from the Cape Investment Bank.

TDH and six subsidiaries and associates, were placed in provisional liquidation in the Cape Town Supreme Court two weeks ago. The application was made by the CIB which claimed that TDH owed it R23,6-million

TDH chairman Riaan van Rensburg is shifting most of the blame He says in affidavits before the Cape Town Supreme Court at the liquidation hearing that CIB, a partner in two of his companies, issued him with fictitious Bankers Acceptances worth R20,3-million Mr Van Rensburg says the bills he signed extinguished original loan agreements

The affidavits say CIB intended discounting the bills with the Reserve Bank to meet its own liquidity problems

Mr Van Rensburg says TDH only had to repay the amount it owed once the group was trading profitably It would also be granted a 90-day moratorium on interest payable

He claims that the CIB was fully aware of the cash-flow difficulties in the TDH group, but was committed as a partner and wished to increase its involvement in the group

Papers

Mr Van Rensburg says the CIB group had approached TDH with proposals to build a brewery in the Western Cape

CIB apparently also recommended that the TDH group spread its debt more evenly among the group as it did not want to draw the "adverse attention of the Reserve Bank" and alarm its shareholders

Mr Van Rensburg says the CIB was aware that Rico was not yet profitable, that the Elgin brewery could close down, that the TDH group was unprofitable because of capital expenditure and the unavailability of trade credit and that group assets could be sold off

Court papers have been sent to the Registrar of Banks, Dr Hennie van Greunen He has not yet received them but largely discounts fraud "As far as I am aware the BA's have not been discounted with the Reserve Bank

"I am monitoring the whole situation at CIB and our takeover audit reflecting their financial position should be completed soon."

FINANCE

Market share battle is brewing

182

B/Day 20/3/91.

BRENT VON MELVILLE

SA BREWERIES (SAB) has scoffed at the suggestion that there may be yet another major brewer entering SA's R3,6bn beer market

SAB's response follows a claim by chartered accountant Jeffrey Esekow that he was involved with an international consortium in setting up a brewery to compete directly with SAB

The disclosure that another brewery could be set up in SA comes in the wake of rugby boss Louis Luyt's stated intention to re-emerge on the beer scene with the building of a brewery in Randfontein said to be worth about R500m

Esekow said his consortium's new brewery would be smaller than Luyt's and less expensive but it would "definitely make a dent in the market" He refused to give further details

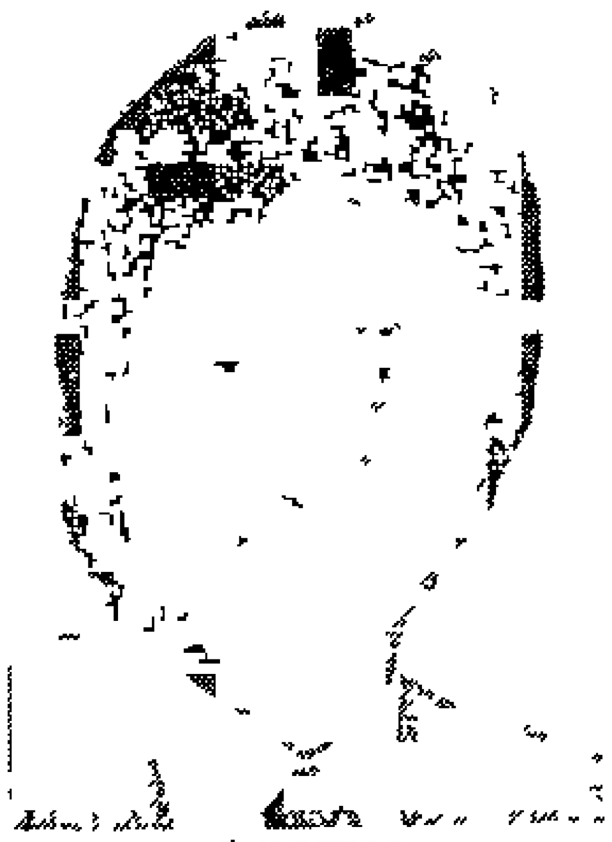
SAB brewery division public affairs manager Adrian Botha yesterday admitted the market was big enough for another beer producer, but said SAB would lose a slice of its 98% market share

He also suggested that expecting any new brewery to pick up major market share would be very optimistic

"We regard ourselves as being on a competitive level and it will not be easy to take market share away from us," Botha warned

The attitude seems to be not that the market cannot absorb the product, but that SAB will not tolerate the competition

Indeed, most market observers feel that trying to muscle in on SAB's vice-like grip on the SA beer market is akin to holding a very large tiger by the tail



● BOTHA

However, the fact that SAB's share of the beer market is at about 98% represents a significant comedown from recent figures by Fedhasa's chamber of liquor retailers (Fedcol) which suggested a share closer to 99,4%

Norbert Shultz, of N M K Shultz Fine Wines estimates that it could now be as low as 95%

Fedcol figures also indicated a rapidly growing beer market, adjudged at a growth rate of 20% last year compared with less than 10% for 1989 Over the same period SAB's sales grew at about 11%

This fertile beer market has been tapped by such smaller breweries as Mitchells and South West Breweries (SWB) which has stepped up marketing of its beers dramatically over the past few years

Luyt and Esekow are obviously looking at capitalising on that growth with their new breweries and as yet unknown ales

Market observers have touted Budweiser as Luyt's choice and possibly, Dutch beer Heineken as Esekow's

Botha all but discounted the former, saying that Anheuser Busch, the brewers of Budweiser (and the world's biggest brewer), is a US-based company and as such, limited by US sanctions legislation against SA

Schultz added, however, that both beers would have to be big names to pull any market share away from SAB's big draws such as Castle and Lion "In SA if you want to sell something in the liquor game it has to have a big name"

In addition, SA beer drinkers are fairly well entrenched into their products SAB has researched the market, has an excellent quality beer and, by international standards, a very competitive price

Also, SAB has been around for 96 years and, as SAB group chairman Meyer Kahn says "It has served SA well"

Liquor price rise will leave consumers reeling

B/Day 21/3/91

(182)

MARC HASENFUSS

SA consumers will reel under the increases in liquor prices announced in the Budget yesterday, but these will be compensated for by a small fall in fuel prices

The petrol price will go down 5c a litre as from Monday Diesel will also be 5c cheaper for a litre at the coast and 4c in the PWV area, because of improvements in the posted prices of refined petroleum products.

The consumer is, however, not going to benefit as much as he could A 5c increase on petrol tax and 2c on diesel were announced in his Budget speech, without which petrol would have gone down 10c and diesel 7c

Finance Minister Barend du Plessis announced a 20% rise in beer excise duties and 10% on spirits This increases the price of beer dumpies and cans by 3c, pints by 3,3c and quarts by 6,6c The price of spirits will rise 1,5c a tot or 37,7c a 750ml bottle Fortified and sparkling wine prices will go up marginally by 1,8c a 750ml bottle

SA Breweries Beer division MD Graham Mackay said the hike in excise on beer was the highest in the history of the industry He said it was "disgraceful discrimination" against the beverage overwhelmingly preferred by black South Africans and the working man generally

Cigarette prices increase by 3c on 10 cigarettes, 6c on a pack of 20 and 9c on a pack of 30 The price of pipe tobacco and cigars rises 25c/kg and cigarette tobacco by 3c/kg

These adjustments are immediately effective and apply to all goods not yet cleared for domestic use Retailers said new prices would be instituted from next week when new stock arrived

Mackay said the excise on beer was a

☐ To Page 2

Liquor

B/Day 21/3/91

(182)

☐ From Page 1

"deliberate attempt to sacrifice a growth industry which is providing job and profit in favour of the politically strong wine farmers (natural wine carries no tax at all), and all this despite the Minister's stated objective of growth and job creation"

Consumer prices, set by individual retailers over which SAB had no control would naturally all increase, said Mackay

Liquor and tobacco retailers said most South Africans would echo the wry chorus that greeted Du Plessis when he announced the price increases However, economists said SA remained lightly taxed on cigarettes and liquor

Benny Goldberg's owner Rob Rutter reported a binge of pre-Budget buying

Du Plessis said government decided the increase in fuel tax should take place simultaneously with a reduction in fuel prices, to prevent an immediate cost-raising effect on the economy

RAU transport lecturer Vaughn Mostert said the increase in fuel tax was justified in that it funded social spending by taxing only motorists, who largely represented an affluent segment of the population

In the PWV area, the price of diesel will be reduced by 3,9c/l on wholesale and 4c on retail due to transport costs based on pipeline tariffs

FM 22/3/91 (182)

WINE INDUSTRY

PAYING A PREMIUM

Despite denials by producers, expect the prices of noble SA wines to go through the roof when sanctions go There is already a shortage of nobler reds and better quality chardonnays in SA caused by a restructuring of the wine industry in reponse to sanctions.

When trade embargoes were slapped on their products, wine producers shifted towards developing the markets they could still sell into and finding new outlets — mainly in the Far East — to replace their traditional markets lost in Canada, Australia, the US, New Zealand and the Scandinavian countries

Now they face the prospect of having to supply buyers in their former markets, once sanctions go, as well as having to service the markets they have only recently established and developed elsewhere With local demand for noble wines increasing, that can only add to their chronic supply problems

The possibility that increased production would alleviate the shortage has been negated by the fact that vineyards planted to the nobler, shy-bearing varieties take years to establish themselves

Moreover, a steady succession of importers from SA's major pre-sanctions markets are currently doing the rounds of Cape wineries, positioning themselves to start re-importing the moment sanctions go They aren't the only ones, either They are being joined by a host of new importers, such as those from East Bloc countries, which have never previously imported SA wines or spirits

Red wine *fetching premium prices*

Charlie Hoeflich, group co-ordinator for Stellenbosch Farmers' Winery, which has 55%-60% of the SA wine market, says no major deals have been struck yet, but former importers are definitely "trying to get back on the bandwagon "

Kobus van Niekerk, deputy CE KWV, the wine farmers' co-op, says even under sanctions, the markets SA could still sell into, such as the UK and western Europe, were further developed and there was significant growth in the sale of branded products New markets, he says, were also found for SA bulk wine which resulted in increased exports

He says about 20% of the wine crop (9,5bn h/ in 1989) is exported, mainly in the form of bulk products Only 5% is exported as bottled, branded wine It is policy not to disclose actual volumes, but Van Niekerk says exports increased by 7,6% in 1987, 20,1% in 1988 and 85% in 1989 The increase in exports for 1990 is expected to be "considerable " The actual figure will be announced at the KWV's annual meeting on April 9

Farmers have reacted to the shortage of noble reds and chardonnays by creating new vineyards, ripping out the old cultivars and planting them to the new favourites According to the KWV's latest statistics, roughly 95 000 ha is under wine grapes in the Cape Last year 9% of new plantings were chardonnay, compared with 3% in 1989, and 18% were cabernet sauvignon, compared with 11% in 1989 Chenin blanc, which is not classified as a high quality premium variety, lost out, falling from 26% of new plantings in 1989 to 15% last year.

Vaughan Johnson, a knowledgeable Johannesburg wine merchant, says "The swing to increased plantings of high quality grapes means farmers are reacting to the market talking But if the full export potential is exploited, it will be found that they haven't planted enough to satisfy the local market and the export market when sanctions go

"There's a lot of latent goodwill, particularly in the UK, for SA wines We're getting letters and faxes from small outlets over there everyday, as well as from places like Chicago and Portugal, asking for the names of smaller growers who produce unique wines — the very wines most favoured by SA wine lovers "

Ian Schietekat, spokesman for the Bergkelder, the Distillers Corp company that deals only in the nobler wines, says demand for Bergkelder wines has consistently exceeded supply However, he envisages "no serious disruption of the local market as far as our own consumers are concerned "

He says the new plantings of noble cultivars should help stabilise the supply situation

In addition, many of the estates associated with the Bergkelder still have suitable land for further vineyards

The general consensus, however, is that despite the increased production, there will still be a shortage of noble wines in SA — and that can only lead to higher local prices Moreover, the shortage is likely to last for some time New vineyards are horrendously expensive and it takes years before they start producing ■

(182) FM 22/3/91 (182)

FM 22/3/91

(182)

BEER FM 22/3/91

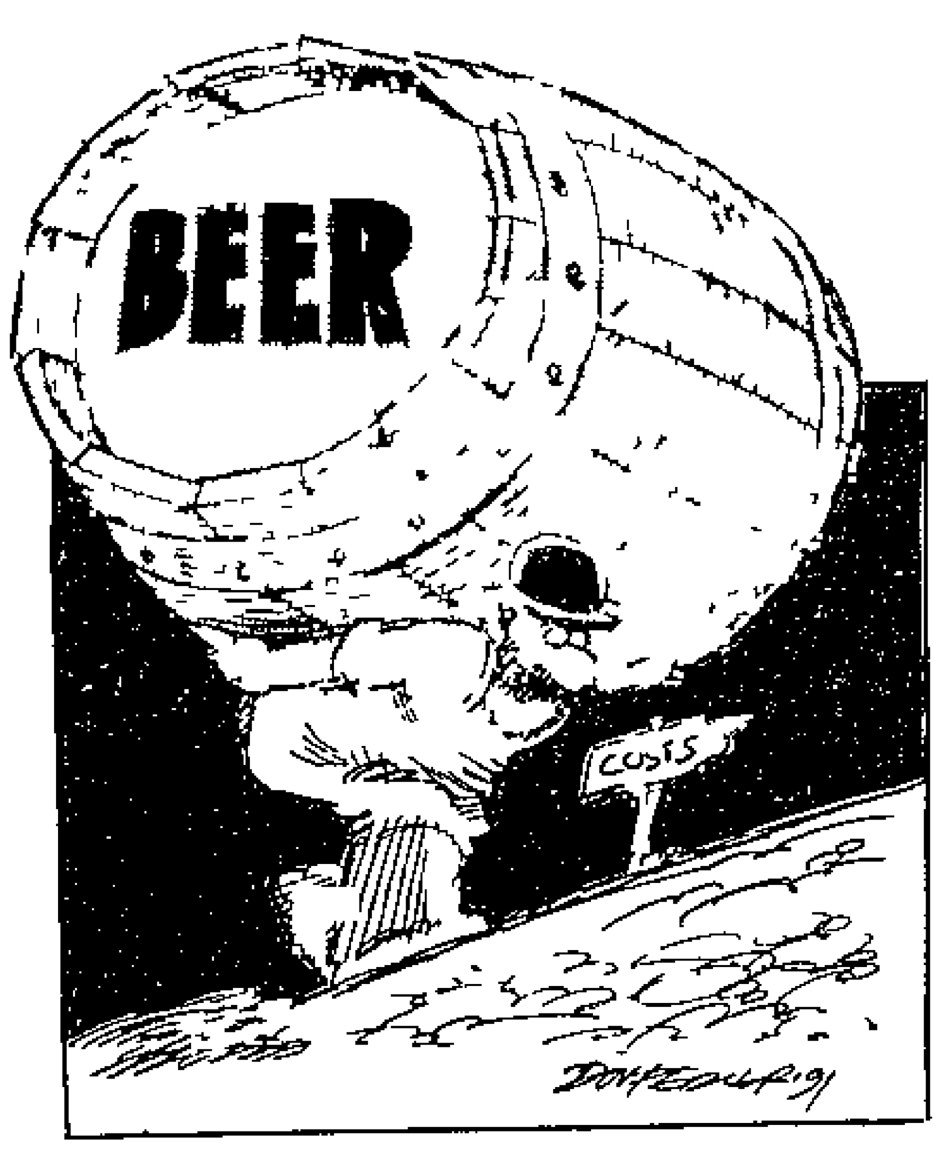
BLOWING FROTH (182)

Beer sales may be taking off but Louis Luyt be warned — not everyone can make it as a beer baron The collapse of Rico Brewery at Midrand and the Lowveld Brewery in Nelspruit has proved that much

Small breweries, mainly in the draught business, have problems quite different to those of the big operators like Luyt who is attempting to take on the giant bottled-beer brewer SA Breweries

Nonetheless, there are some similarities Distribution problems, high interest charges on capital invested, the lack of economies of scale and the difficultly of penetrating new markets can all be counted among their difficulties

Lex Mitchell, proprietor of Mitchell's Brewery, which started in Knysna in 1983, has, however, successfully managed to avoid most of these problems He used non-interest-bearing capital — his own — and ploughed every cent of profit back into the business until it was established His brewery now produces 350 h*l* a month and its associate, Mitchell's Waterfront Brewery in Cape Town, which brews beer under licence to him, produces a similar amount



Margins in the beer business are thin and expenses high, which means profits can be generated only on relatively high volumes Government takes 39c tax on every litre sold, a 2*l* plastic bottle costs R1,23 (going up to R1,42 soon) Add to that the cost of labelling and brewing and there's not a great deal of profit on the R6,50 a brewery like the St George's charges for a 2*l* bottle of draught beer

Graham Crawford, who recently founded Crawford's Brewery in Durban, used a similar formula to Mitchell He's been going for only a few months, so it is too early to give him the stamp of success, but all the signs are right Crawford says he isn't heavily leveraged It took him eight years to build his brewery He fabricated most of it in his engineering workshop "for a fraction of the R5m it would have cost if I had called in a contractor "

The Lowveld Brewery, which brewed under licence to Mitchell, did apparently go out on a limb with borrowed capital The former directors of Rico Brewery weren't available to comment but high gearing was also believed to have contributed to its demise It also apparently attempted to sell its beer direct to the public and not through retail liquor outlets

Johannesburg has two micro-breweries of its own — the St George's and the SAB-owned, operated and managed micro brewery at Gold Reef City St George's, which produces and sells 110 h*l* a month, was started by Peter Eliot and Geoff Collins in 1986, but last year Peter Brown became the major shareholder

SAB started the Gold Reef City Brewery, which produces the beer sold in Barney's Tavern, to bolster the image of and attendance at Gold Reef City itself, says Graham Mackay, MD of the beer division

"It works very well," he says, "but the equipment we selected is very expensive, and if we were to recover our capital costs and still show a reasonable return on the capital invested, it would not be showing a profit "

Micro breweries are no threat to high-volume, bottled beer brewers "We're mass marketers and not micro brewers," says Mackay Luyt doesn't have them in his sights either Spokeswoman Susan Kruger says he will produce only pasteurised, bottled beer in his 1,5m h*l* a year brewery, which he's building in Randfontein The first beer should roll off his bottling line in early 1992

That automatically puts him on a head-on collision course with the mighty SAB which has 99,4% (and still growing) of the local beer market Kruger says Luyt will market his beer only in the PWV area, where he aims to wrest 10% of the bottled beer market from SAB

It will speak volumes for his business acumen if he manages to pull it off He tried in the Seventies when he started producing Luyt Lager, but he eventually sold out to Anton Rupert and his plant ended up producing for SAB Whitbreads of Britain also tried to crack the SA market a few years back, but had to throw in the towel when competition got tough Swazi Breweries' move on the local market was beaten off in the same way

However, Luyt, who says he now has the financial backing and the brands to compete with SAB, has one major plus fact on his side Monopolies, he notes, are always vulnerable to attack ■

KWV profits up for the eighth year running

B/Day 27/3/91

KWV reported a 43% increase in net profit for the 1990 financial year, the eighth year in succession that the organisation increased its profits.

According to the financial report released on Tuesday, net income increased to R50,1m from R35m in 1989

Of this, R37,8m will be paid out to producers as bonuses in April and R6,0m will be placed in the bonus stabilisation fund for future payment

A total of R43,8m, or 87,5%, goes to the producer

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The report said a strong increase in commercial exports, the favourable turn in brandy sales and increased productivity played a significant role in the sharp increase in profits — Sapa

Ohlsson's expands brewing capacity at Newlands plant

CAPE TIMES 27/3/91 182

By JILYAN PITMAN

THE growth in demand for beer in the Western Cape has given rise to extensive changes at Ohlsson's Cape Breweries in Newlands.

The development work, expected to be completed by September, will take capacity from 49 million to 76 million litres a week.

The expansion involves the installation of a high-speed bottling line, additional fermentation tanks, an extension to the warehouse, an additional boiling plant and the upgrading of ancillary services.

John Eastwood, general manager of South African Breweries Beer Division in the Western Cape, said the beer market had grown subtsantially over the last five years.

He said "As with other large cities and towns in South Africa rapid urbanisation is taking place in greater Cape Town and this, coupled with more and more people consuming beer, has caused the change in local drinking patterns.

"As a result, SAB has invested in additional capacity to ensure that consumer demand for its range of brands can be met."

The expansion is taking place within the heart of the brewery site and the existing 2 ha green belt, comprising trees, a garden and a cricket field, will be maintained and supplemented.

Exports

Mr Eastwood said "Interest in our product is coming from various overseas markets and we are exporting a small quantity at the moment. We are looking to the future and gearing up for possible increased business."

Mrs Joan Kantey, councillor for Newlands, said "I don't have a problem with the stepping-up of production at the brewery. They are also going to supply markets outside South Africa and that's a good thing. This increased production capability will not be environmentally intrusive."

Mr Eastwood declined to comment on the cost of the extensive changes at Ohlsson's.

300 to lose fishing factory jobs

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South 28/3 - 3/4/91

By Waghied Misbach

THE crisis in the fishing industry took a turn for the worse this week when a major West Coast canning factory announced it would close its doors later this year.

The news comes in the wake of increasing talk of retrenchment in the industry, with about 800 fisherman likely to be affected

The Saldahna Bay Canning Factory, one of the oldest companies in the area, whose quota for 1991 and 1992 has been cut to 100 000 tons from an estimated 600 000 tons during 1987 and 1988, will retrench their entire workforce of about 300 workers.

Fishermen met the Minister of Environment Affairs, Mr Louis Pienaar, this week No details were available at the time of going to press

A spokesperson for the Food and Allied Workers Union (Fawu) in the West Coast, Mr Gert Koenana, confirmed on Monday that the union was negotiating a retrenchment package with the company

The company will close its doors gradually, with the fishmeal section, which has 47 workers, closing first on April 27 The last section, administration and the despatch, will close in December.

Koenana said the company would retrench 187 seasonal workers and 106 permanent workers

Meanwhile, the crisis in the crayfish industry is expected to cost South Africa's lucrative export market millions of rands According to reports, the quota for this year is likely fall by a third as the crayfish are growing by one millimetre, rather than their normal six millimetres

Experts say that because of environmental changes, the crayfish staple diet of ribbed mussels has been drastically reduced Less than half of the quota of 4 000 tons has been caught so far.

Orders for the lucrative European and Far East markets placed at the start of the year will not be met, according to reports.

Beer market all of a froth

182

ST Times 31/3/91

By DIRK TIEMANN

THE BEER market, long the preserve of blue-chip SA Breweries, is becoming saturated.

New entrants, headed by former fertiliser magnate Louis Luyt and the US-based Anheuser-Busch, brewer of Budweiser, have been joined by a company with close links to large West German breweries

The Bavarian Bräu brewery is under construction, next to the defunct Rico Brewery at Verwoerdburg The beer, which will initially be available in 340ml bottles and cans, is intended to quench the thirst of SA's 80 000 German immigrants and their descendants

The venture will apparently be financed by an initial private share issue and by loans from shareholders

The directors are Johannesburg chartered accountant Jeff Esekow, the major shareholder with 55% of equity, and German company executive Guido Sandler, who holds the balance

Dr Sandler is chief executive of a company called Dr August Oetker, part of Oetker Gruppe, which has large interest in beer, wine, soft drinks, baking and hotels

It owns Binding Brewery in Frankfurt, Dortmunder Aktien Brewery, Berliner Kindl, Allgäuer Bräuhaus Kempten, Osnabrücker Aktien Bierbrauerei, Prinsbräu in Dortmund and Andreas Brewery in Hagen

The Rooihuiskraal plant hopes to produce a top-quality lager, but is not intended to compete with the existing beer selection

The bottling hall can handle dumpies, cans, quarts and pints Initially, only a small bottling line will be installed

The beer will be launched at a price below that of imported brands, and will probably compare with Amstel, SAB's premier-taste beer

The venture apparently has an assured supply of imported malt and hops at bulk prices The brewer is believed to be George Funk, of long brewing experience in Germany, South West Africa, Zambia and Zimbabwe

The plant was to have been completed in January, but the owners have asked for a year's extension

Although the many potential entrants into the SA beer market are waiting for their chance, SA Breweries has increased production capacity at its Alrode plant from 77 000 hectolitres a week to 110 000hl Cost of the expansion was R200-million

This is the first phase of the Alrode's expansion The latest packaging line came on stream this week

When expansion has been completed, the brewery will be among the largest in the southern hemisphere The next phase will take capacity to 127 000hl a week by September 1993

The line bottles Castle at the rate of 48 000 pints an hour, or 53 000 dumpies The expansion, which started in 1989, involves commissioning four tanks of 1 320hl each, a tanker bay and two refurbished boilers

Concor is doing the civils for the boilerhouse

Expansion will involve a brewhouse and fermentation and bright-beer facilities Work has begun on a 60 000-quart-an-hour line

SAB has opened a 8 500m² warehouse to store more than 500 000 cases and serve East Rand retailers

Plenty to whine about as Barend ups dumpy duty

Star 2/4/91 (182)

In his Budget speech, Finance Minister Barend du Plessis proposed an increased excise duty of 3c on beer dumpies, but wine was not taxed at all. Why this apparent discrimination? JACQUELINE MYBURGH reports.

THE increase in excise duty on beer was disgraceful discrimination against the drink of the black man and the working man as a whole, the managing director of South African Breweries' beer division, Graham Mackay, said after Mr du Plessis had presented his Budget speech to Parliament

Mr du Plessis announced a 3c increase in the excise duty on a beer dumpy, but no duty was levied on unfortified wine

"I have no problem with the wine industry," Mr Mackay said "Our criticisms are aimed at the Minister of Finance"

He said South Africa's biggest beer producer was a victim and that the Government, in imposing such a heavy levy, was simply taxing what the traffic could bear

Precisely, is the view of Daan Colesky, Commissioner of Customs and Excise at the Department of Finance

He said he could understand that the beer industry wanted to achieve maximum sales, but the Government was faced with the problem that it had to generate revenue, for various social needs, by increasing taxes

"People won't stop drinking beer, though Any decrease in sales will be temporary"

He said the increase should not have come as a surprise to the beer industry, all that was unexpected was that the increase was substantially higher than last year's increase of 1c

The Government was deliberately targeting a successful product for extra taxes, Mr Colesky said

The beer industry had a large consumption and should be expected to make a contribution to the State coffers

The decision to increase the excise duty on beer by 20 percent — about 5 percent higher than consumer inflation — was made for a number of reasons

- It offered the Government much revenue because it was a buoyant industry with a large volume of sales
- The International Monetary Fund had commented on the fact that excise duties were relatively low compared with other countries in the world and recommended that the Government should at least increase duty to keep pace with the producer prices of the articles

Mr Mackay insists that his industry is a victim of discrimination and that the Government was taxing productivity

"We have an impeccable production record and attract the tax because the common view is that we can afford it"

He said beer had about 55 percent of the market share and contributed between 75 and 80 percent of the excise

What he describes as the drink of the working man was being ignored in the interests of expediency, and excise-tax equality was not being served at all, by not taxing wine

There was no animosity between the beer and wine industries, Mr Mackay said, because their markets varied

"Excise-tax equality is not being served at all — any way you look at it"

Mr Colesky insisted that South Africa was in step with other wine-producing countries who did not levy excise duties on unfortified wine, targeting beer and spirits instead

There had been a duty of 3 percent on wine until 1982, when it was abolished

Mr Colesky said natural wine was regarded as a natural agricultural product, and therefore not taxable, and that tax on the industry would not have done it any good □

German beer brewer enters market

BDay 4/4/91

MARCIA KLEIN

SA beer drinkers will be able to sample a variety of popular international brands following recent new entries into SA's fast-growing 2 400-million-*l* a year beer market However, the brands poised to enter the SA market remain a mystery

Bavaria Brau brewery, an upmarket producer of German beer, will start production of "a world renowned international brand" early next year — the latest brewery to enter the SA market dominated by SA Breweries

This follows Louis Luyt's recent announcement that he is building a 150-million-*l* a year brewery in Randfontein at a cost of between R450m and R500m

Luyt has reportedly bought large sections of a brewing plant from the UK, and it is also believed he may produce Budweiser under licence.

(182)

Bavaria Brau brewery, at Gateway Industrial Park between Johannesburg and Pretoria, will have an eventual annual output of 150 000 hectolitres, says a report in the latest issue of Engineering News. Director Jeffrey Esakow says in the report the brewery will produce an international brand under licence and a local beer under its own label There are also plans for an alcohol-free beer at a later stage

The report says the market value of the first phase, which will bring the brewery on stream, will be about R27m

Bell's is the top-selling scotch in SA

PAUL ASH 182

BELL'S is the most preferred brand of whisky in SA, United Distillers said on Friday. Bell's shipments soared to 500 000 cases last year.

It said stablemate Gordon's Gin was also the clear brand leader in its field.

United Distillers, the international spirits arm of the giant Guinness group, pushed up pre-tax profits 23% to £669m for 1990, reflecting growth of over 20% for the third consecutive year. Guinness increased pre-tax profits by 24% to £965m for the year, boosting earnings per share by 23% to 58,5p. BDay 8/4/91

SA, which in volume terms is one of the world's largest whisky markets, contributed significantly to the group's performance, the statement said.

Bell's sales continued to grow despite a downward industry trend, and currently comprised 37% of the proprietary whisky market.

COMPANIES

Big export volumes put KWV ahead

B/Day 9/4/91

LESLEY LAMBERT

CAPE TOWN — Bigger export volumes and better prices in overseas markets helped KWV achieve a record growth in turnover last year

In its 1990 annual report, the wine producers' organisation reports that continued growth in the export volumes of natural white wine and grape juice concentrate and better prices in overseas markets contributed significantly to a 43,5% increase in net income to R50,1m

Growth in bulk sales of brandy and other spirits to domestic wholesalers also contributed to the record rise in net income

The annual report shows how the improvement in foreign perceptions of SA has benefited the industry over the past two years Considerable growth in export volumes achieved in 1989 was followed up by a 43% rise in volumes last year

On the marketing side, KWV entered new markets, identified a number of new foreign buyers and established associations with long-term potential, KWV directors report

"Besides improved terms of payment, a diversification of buyers was established," they say in the annual report

The successes achieved in the natural white wine and grape juice concentrate sales enabled KWV to increase bonuses to producers of these products by almost 400%

182

But, the directors cautioned that remaining handicaps in the economy, such as inflation and high interest rates, as well as the sanctions which were still in effect, were curtailing growth in exports

The shortage of red wines, particularly cabernet sauvignon, was another cause for concern in a sanctions-free market, the directors said

And domestic sales of quality wine could slow down this year as a result of a sharp increase in purchases by wholesalers last year "This trend confirms the cyclical purchasing patterns of the wholesalers, which create problems for the industry, both in terms of good wine production planning and an irregular cash flow," the directors said

SA image improves overseas . . .

KWV gears for higher exports

Cape Times 9/4/91

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By AUDREY D'ANGELO
Business Editor

KWV — which lifted export sales by 42,8% in 1990 — has drawn up action plans to boost them further as perceptions of SA improve overseas, the directors say in the annual report.

And it expects export earnings to improve as changing circumstances make it possible to sell more branded wines overseas

"Full-price branded wine exports will obviously earn considerably more revenue for the producer than bulk commodity exports "

KWV's annual meeting will be held in Paarl this morning And there are likely to be fireworks, because some wine farmers have accused the giant co-operative of competing with its own members in the domestic market

The annual report, issued yesterday, says KWV's own sales of brandy and other spirits to domestic wholesales showed firm growth in the past year

"This was brought about by the growth in the market and wholesalers replenishing their stocks

"The producers' sales of good wine to wholesalers increased by 18,8% in 1990 whereas sales of natural wine to the retail sector and the public rose by about 2% over the period

"The conclusion drawn from this is that the wholesalers' working stocks have increased, which could lead to reduced producer sales in 1991.

"This trend confirms the cyclical purchasing patterns of the wholesalers, which create problems for the industry both in terms of good wine production planning and an irregular cash flow "

Discussing improved prospects for exports the report says "Following the changing attitude of foreign buyers with regard to SA brands, a start has already been made with the introduction of a higher profile advertising and publicity programme in various countries

"As political pressure eases further in foreign markets, KWV sees a great potential for further expansion of brand product exports from SA.

"To make full use of these changing circumstances, several action plans were drawn up in the year under review and some have already been successfully implemented "

However, the report warns, high inflation and interest rates "continue to jeopardise exports Furthermore the shortage of red wines, particularly Cabernet Sauvignon, causes concern in view of the expected sanctions-free market."

Discussing the domestic market, the report says the unfavourable exchange rate of the rand to the £1 helped sales of SA brandy by pushing up the price of imported spirits

"It became apparent that the consumer was more price conscious during hard economic times

"The brandy market showed a reasonable growth for the second successive year Brandy sales increased by 4,5% Competition among the various brands is strong, particularly in the premium and standard price categories "

In addition to this, the report says, "overall sales of natural wine showed an increase of almost 2%. Sparkling wine continued its good sales of the previous year, with an increase of 8% This, however, was from a relatively small base "

KWV has considered privatising, says chief

BIP om 10/4/91 (182)

LESLEY LAMBERT

CAPE TOWN — KWV had considered privatising its organisation, chairman Pietman Hugo said at the general meeting in Paarl yesterday

Responding to a member's question, Hugo said the possibility of privatisation had been discussed by KWV directors at a recent meeting.

But it would not be easy to resolve the matter, he added, dampening hopes that the organisation would follow in the footsteps of the deciduous fruit industry's marketing arm, Unifruco. Unifruco's privatisation programme gave members more direct involvement in the marketing of their produce and a financial stake in the company.

An anticipated attack by a group of independent Stellenbosch wine farmers, who recently claimed that KWV was exceeding its statutory boundaries and acting in conflict with the industry's interests, did not materialise at the meeting.

The disenchanted farmers, who have established a Wine Task Group to investigate complaints about KWV's activities, have submitted a memorandum to Agriculture Minister Kraai van Niekerk, and requested a government investigation.

They have argued in their submission to Van Niekerk that KWV uses its members' funds to bottle and market its own products.

They also claim KWV's investment in the wine and spirits industry through Distillers and Stellenbosch Farmers' Winery represents a conflict of interests.

FM 12/4/91

EXPORTS 182

A CASE OF DRINKS

There is great concern at KWV's Paarl headquarters Dutch police and Customs officials have raided a KWV agent in the Netherlands in what a leading Dutch newspaper describes as a major scam involving SA wines and distilled liquors.

More than 50 Dutch law enforcement agents took part in the investigation at Wijn Expeditie Kantoor, a prominent wine distributing company — and an agent for KWV — in the town of Heesch.

KWV acting marketing chief Hermann Bohmer this week expressed his organisation's concern over press reports about the investigation

In a telephone call from the Dutch city Hertogenbosch, Netherlands Justice Department spokesman Jan Regelink told the *FM* that the investigation may take several months and no arrests have yet been made. He confirmed that allegations about tax evasion and false export documents were being investigated

Wijn Expeditie Kantoor financial director Willem Theelen strongly denies any irregularities at his company. He adds that the investigation does not involve the KWV or any SA wines.

"We suspect the investigation entails some administration failures As financial director I can tell you that we have been paying our taxes, March inclusive. I have asked the fiscus (treasury) for a declaration to this effect but have not received anything from them."

Company MD Hubert Remmen also confirms that the investigation has nothing to do with wines "It involves the export of alcohol outside the Common Market," he says.

"This whole thing has been very unsympathetic to the KWV. We have apologised to them," says Theelen. *De Telegraaf's* report stated that the action of police and Customs officials had put an end to a major fraud involving SA wines and distilled liquors

KWV's Bohmer says that after discussions with their agent it now seems clear that the investigation does not involve any KWV wines.

"We are waiting to see which way the allegations will lead Other than the first report that appeared we know nothing about the matter," says Bohmer *Eddie Botha*

FM 12/4/91

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CADSWEP FM 12/4/91 (182)

REGROUPING COSTS

Activities: *Manufactures sweets, chocolates, other foods and beverages and soft drinks*
Control: *Cadbury Schweppes Plc 54%*
Chairman: *A J L Clark, CEO P M Bester*
Capital structure: *35m ords Market capitalisation R945m*
Share market: *Price 2 700c Yields 1,5% on dividend, 3,7% on earnings, p e ratio, 26,9, cover, 2,5 12-month high, 2 700c, low, 1 750c Trading volume last quarter, 351 000 shares*

Year to Dec	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	0,2	1 6	10 5	28,5
LT debt (Rm)	25,8	14 2	38 1	27 9
Debt equity ratio	0,26	0,07	0,15	0,14
Shareholders interest	0,85	0,59	0 62	0,71
Int & leasing cover	7,4	10,0	7 6	3 9
Return on cap (%)	13,3	14,9	11 5	9 3
Turnover (Rm)	271	327	440	538
Pre-int profit (Rm)	24,3	32,0	41 9	47 1
Pre-int margin (%)	9,0	9 8	9,5	8 8
Earnings (c)	50 8	69,7	88 4	100,5
Dividends (c)	22	30	36	41
Net worth (c)	317	386	640	1 018

There are not many companies which are prepared, at this stage, to stick their necks out and forecast real earnings growth for 1991, as does Cadswep There are equally few with share prices more than 2,5 times net worth and trading on paper-thin dividend yields of 1,5% — which means the market not only expects the company to deliver during this year, but to continue doing so in future

The target may seem demanding in an economy which is unlikely to improve much in the short-term But some of the factors which slowed last year's earnings growth to under 14% should not be repeated and, more important, the group should benefit increasingly from the restructuring and consolidation programmes which occupied it for much of 1990

CE Peter Bester attributes 1990's drop in operating margins mainly to costs associated with the regrouping of the group's various confectionery interests into a single structure It has also continued to invest heavily in infrastructure, including an ongoing programme to redevelop the Port Elizabeth manufacturing facility and the construction of a new distribution warehouse in the Transvaal, due for completion before mid-year

In effect, the earnings forecast means Cadswep is hoping that, with most of the restructuring exercise behind it, real benefits of 1989's acquisition of, in particular, Chapelat-Humphries, will flow through to the income statement

The effects so far have been far more apparent in the balance sheet Net borrowings, for example, have soared from R9,4m in 1988 to R48,8m, accompanied by a quadrupling of net finance charges, to R12,2m Some 60% of the increase in operating profit over these two years have thus not benefited shareholders Particularly last year, though, this was offset by a fall in the tax rate to 29% — which accounted for almost all the growth

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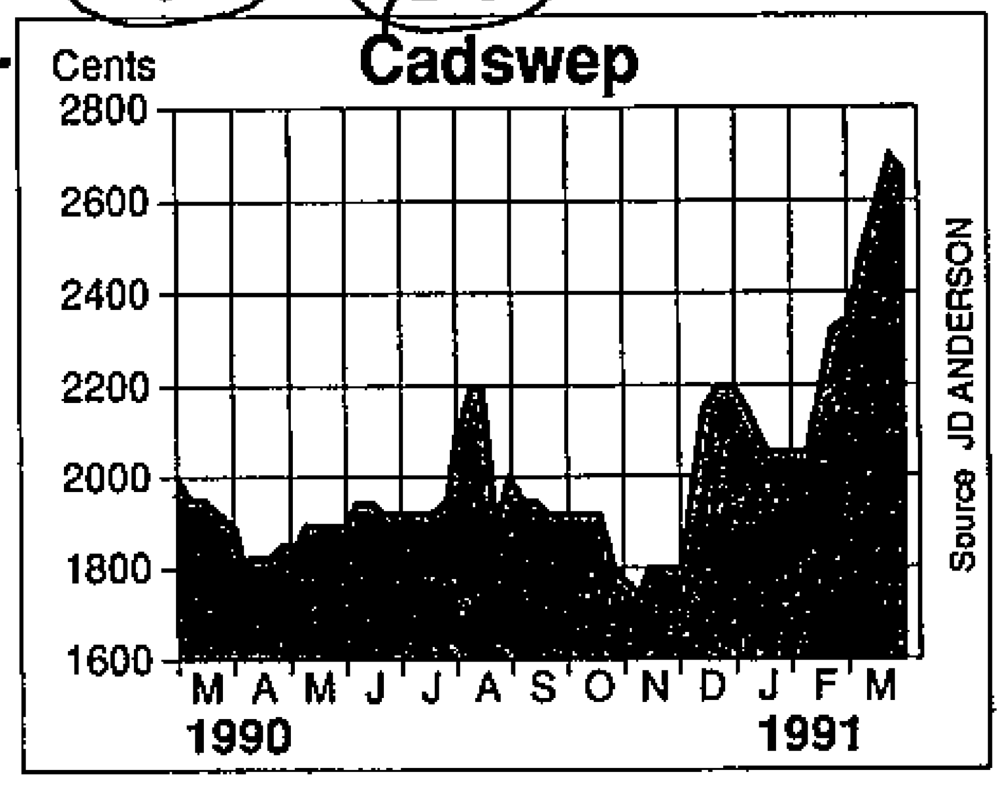

in taxed profit, before bringing to account attributable profit of associates

Profit from associates also made a considerable impact on the bottom line Earnings from this source — mainly ABI — were 29,5% higher than in 1989 and the contribution to total group earnings rose to just short of 28% from 25% previously

The strong performance of ABI has, of course, been reflected in its share price. When associated companies are valued at market valuation (they are shown in the balance sheet at historic cost), then over the past year alone, the surplus of market value of investments over book value has risen from R83,7m to R192m Investment in associates at market/directors' valuation now accounts for 46% of total group assets, up from only 33% in 1989 and, pre-ABI, 23% in 1987

The impact of this substantial increase in the value of associates needs to be taken into account in assessing profitability ratios Return on the investment in associates (at market value) is low at only 4,3%, which distorts Cadswep's own profit ratios

Return on equity, for example, which works out at 9,3% based on a net asset value adjusted for current value of associates, is less than a third of what it would be without the adjustment

Brian Thompson

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National Sorghum Breweries launches public share issue

By PIETER COETZEE
Financial Editor

NATIONAL SORGHUM BREWERIES (NSB) yesterday announced a public share issue which will finally place the sorghum beer industry in black hands and make it the single largest black-owned business in SA

The company has an annual turnover of about R350m, employs about 3 500 people and has more people directly and indirectly engaged in distribution (more than 500 000) than any other business in the country

The number of shares to be made available will be disclosed in the prospectus, but it is expected that the shares will be offered at R1 each

The share issue will open on May 17 and close on June 14

The executive chairman Mohale Mahanyele said approximately 30% of the share issue will be registered for the company's employees and the remaining 70% the directors will give preference to distributors and the traditional consumers of Sorghum beer

"The company's employees and distributors, including runners, retailers, shebeens and tavern owners who have supported the industry over the years will receive special consideration when the shares are allocated," said Mahanyele

The company's shares will initially not be listed on the JSE but it is expected that the board of directors will apply for a listing on the JSE in due course Until this happens the company will facilitate the trading of the shares

In terms of the issue no shareholder, either directly or indirectly, will be allowed to hold more 10% of the company's shares This will prevent the company from being taken over by big business

"NSB will not try to go it alone but will utilise black and white expertise to fulfil its true potential as a major generator of economic opportunity for our people," he said

Mahanyele said National Sorghum Breweries was financially sound, basically debt free and has excellent future prospects. The money raised with the share issue will be used to buy back the assets from the government.

The company is currently dominant in the formal SA Sorghum beer industry with a market share of 85% which represents annual sales of about 750m litre from its 18 breweries around the country as opposed to an estimated total — formal and informal — of about 3bn litres per annum

He said that in addition to beer and home brewed products National Sorghum Breweries is well advanced with plans to expand into the food and leisure industries

In order to give effect to the decision to go public NSB has launched a massive nation-wide communication and educational campaign to ensure that as many potential black investors as possible are fully informed and able to take advantage of this unique opportunity

The company has spared no effort to ensure that the entire black community is fully informed of the share issue

Information offices have been set up at all the company's breweries to answer queries and assist with the application for shares.

Sorghum beer giant plans issue of public shares

(182)

B'Day 16/4/91

MARCIA KLEIN

NATIONAL Sorghum Breweries (NSB) yesterday announced a public share issue which will place the sorghum beer industry in black hands.

The share issue would make NSB — with a turnover of about R350m — the largest black-owned business in the country, executive chairman Mohale Mahanyele said at a news briefing yesterday

Although details of the company's financial position will only be available when it issues its prospectus, Mahanyele said NSB was financially sound, debt-free and had excellent future prospects

The share offer, for an undisclosed number of shares, will open on May 17 and close on June 14 Shares are expected to be offered at 100c each

About 30% of the share issue will be reserved for employees, and in the remaining 70% preference will be given to distributors and to "traditional consumers of sorghum beer"

No shareholder will be allowed to hold more than 10% of the company's shares, and a mechanism has been created to protect shareholders and prevent the company from being taken over by big business

The company's shares will initially not be listed on the JSE, and NSB will facilitate the trading of the shares until such time as it is listed Group manager strategic planning Israel Skosana said NSB would be going to the JSE "in the near future"

Mahanyele said the money raised from the offer would be a "substantial amount", and would be used to purchase assets

This follows events over the last century which have seen control of the sorghum industry change from government to regional authorities, the Industrial Development Corporation and NSB, which was established in mid-1990

The share issue was "a final break with the politicisation of sorghum beer which began at the beginning of the century", and NSB hoped to serve as a model for black economic empowerment in SA, Mahanyele said

NSB controlled 85% of the SA sorghum beer market, which Mahanyele estimated to be between five and six billion litres a year The home brew market made figures unreliable

Advanced

NSB, with over 23 brands and 18 operational breweries, employed nearly 3 500 people directly, and over 500 000 people were directly and indirectly engaged in distribution.

It would be launching a new production development programme, and it has established a division for research and development. NSB was also "well advanced with plans to expand into the food and leisure industries", Mahanyele said

Growth in the sorghum market this year was only 2,6% up on the previous year compared with between 5% and 7,3% growth in prior years However, Mahanyele said this was good growth in the economic climate and there had also been nothing in the form of marketing and promotion

NSB ready with public share issue

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Star 16/4/91

By Jabulani Sikhakhane

The privatisation of National Sorghum Breweries moves into second gear next month with a public share issue which will finally place the sorghum brewing industry in black hands.

It is expected that the shares will be offered at 100c each NSB executive chairman, Mohale Mohanyele announced yesterday that it is envisaged that the share issue will open on May 17 and close on June 14.

Mr Mohanyele said approximately 30 percent of the issued shares will be reserved for the company employees. Each employee will get 200 shares for free and the rest will be sold at 30 percent discount

NSB's distributors, estimated at 500 000, will get 50 percent of the issued shares and 20 percent will be offered to the communities which consume sorghum beer

In terms of the issue no shareholder either directly or indirectly will be allowed to hold more than 10 percent of the company's shares

He added that NSB shares will initially not be listed on the JSE But Mr Mohanyele said NSB would create an informal market for its shares

According Sam Mosikili, NSB's managing director, the sorghum beer market is estimated at five to six billion litres (including the homebrew market) and NSB has 85 percent market share

COMPANIES

United Distillers has no plans to leave

BDay 17/4/91 (182)

LESLEY LAMBERT

CAPE TOWN — United Distillers, the spirits arm of the giant international Guinness group, would not buy out its recently established SA distributorship in the way it had taken over some of its other foreign partners, new International MD Brendan O'Neill said yesterday.

O'Neill, on a fact-finding visit to SA, said United Distillers was more than satisfied with its local partners, Stellenbosch Farmers' Winery (SFW) and Distillers, and would write contracts to ensure a lasting relationship with them.

SFW and Distillers each have a 25% stake in Henry Taylor Ries (HTR), the local distributor in which United Distillers recently acquired a controlling 50% stake. HTR was appointed to distribute Dewar's White Label, Black & White and White Horse whiskies for United Distillers which also markets Bell Whisky, Gordon's Gin and Johnnie Walker.

Last year, United Distillers sold a million cases of whisky in SA. This made a significant contribution to its total sales revenue of R2,1bn.

Bell's remained the most popular brand in SA, with shipments soaring to over 500 000 and market share continued to grow in spite of a downward trend in the industry, O'Neill said.

Gordon's Gin, the fourth largest selling spirit in the world, remained a brand leader in the white spirits categories.

O'Neill said he expected whisky sales in SA to continue growing in spite of the economic downturn and unfavourable exchange rate. He anticipated significant future growth potential in the country which was already one of four market leaders in the international division.

Father of task group man ousted from KWV board

Star 19/4/91 LESLEY LAMBERT (182)

CAPE TOWN — KWV director Frans Malan was ousted from the powerful producer organisation's board yesterday after eight years of service as the Stellenbosch region's representative.

Malan, a co-owner of the Simonsig Wine Estate, was one of three candidates in elections yesterday for two vacancies which arose when the terms of service of directors expired. The successful candidates were Bottelary Co-operative Wine Cellars deputy chairman Johan Carinus, and Independent Grape Producers chairman Johan Gerber.

Malan's son Pieter, also of Simonsig, was instrumental in setting up a Wine Task Group to investigate complaints about certain KWV activities.

The group recently submitted a memorandum to Agriculture Minister Kraai van Niekerk It requested a government investigation into claims that the KWV was exceeding its statutory boundaries and acting in conflict with the industry's interests

The group, which includes Malan jnr, argued in its submission that KWV used its members' funds to bottle and market its own products.

The producer organisation sold wines produced on its Laborie Estate, in SA, despite statutory restrictions on its right to compete with its members in southern African markets, the group claimed

KWV's investment in the wine and spirits industry through Distillers and Stellenbosch Farmers' Winery represented a conflict of interests while its latest programme to promote quality wines and increase the production of sparkling wines exceeded the boundaries of its statutory controls, they claimed.

Beer sets the pace in liquor sales

182

Star 20/4/91

DES PARKER

DURBAN — The old advertising catchphrase "beer is best" still has South Africans convinced as they sip their way every year through more of the golden beverage than any other single drink on the market

Little wonder that Louis Luyt, Guinness and other brewing stalwarts are casting covetous eyes on the local beer-swillers with sales last year increasing to a staggering 2,24 billion litres, 12,9 percent more than the 1,98 billion litres dispatched in 1989

Statistics compiled by analyst Gil Catton of stockbrokers Davis Borkum Hare show that the next most popular thirst-quenchers were soft drinks, sales of which rose by 12 percent, to 1,73 billion litres, up from 1,54 billion.

Mr Catton says beer sales rose sharply in the last three months of 1990 — and he predicts that brewing giant SA Breweries will comfortably increase turnover by 10 percent this year.

By contrast, wines of all types improved their position by only 0,6 percent, the volume consumed growing from 301,8 million litres in 1989 to 303,6 million litres last year

Only natural wines bettered their performance Fortified types (sherry, port and the like), sparkling varieties (champagne-type and others) and, in particular flavoured wines, all sold in smaller quantities

Despite a determined effort by Stellenbosch Farmers' Winery (SFW) to outdo low-priced wines offered by co-operatives, both the KWV Co-ops and Estate Wineries' increased sales volumes in the year to December

The Government did its bit to bolster wine sales by limiting excise duty increases in the Budget to a rise of 1,8c on 750 ml bottles of fortified and sparkling wines Natural and flavoured varieties were unaffected

The contrast with the three cents a dumpy increase in the duty on beer caused SA Breweries to complain

Sales of hard tack rose across the board by 3,3 percent last year, from 82,33 million litres to 85,01 million litres.

Pressure on SA Breweries beer division

182

CAPE TIMES 22/4/91

By PIETER COETZEE
Financial Editor

SA BREWERIES's beer-related earnings stagnating or even falling has for the first time in over a decade become a real possibility, placing the group's current recession-proof reputation in jeopardy

This is the opion of Ed Hern, Rudulph analyst Syd Vianello

He said. "In spite of the subsequent failure of all previous competitive threats, we feel this risk should be accommodated in the share's rating

He, nevertheless, says significantly lower earnings growth from most non-beverage interest in 1991 are expected to be more than offset by continued profit growth from beer in excess of 20%, leaving the full year's earnings per share up by 16,1% at 261,5c

Better manufacturing results and lower finance costs are expected to allow for a 21% growth in 1992's earnings to 317c a share

Vianello says beverage interests continue to provide the backbone to SA Breweries' profits, its earnings growth and quality of income — providing 69% of 1991's profits

Beer margins, currently at an all-time high, could come under pressure as wage pressures and prospective lower volume growth (following the massive duty hike in the budget) take their toll on cost recoveries

He says overall group profitability growth would slow if SAB is forced (as it did 12 years ago) to adopt price-related tactics to ward off proposed competitive threats or if market growth is not sufficiently stimulated by new entrants to accommodate both SAB and its competitors

The group's financial status, nevertheless, remains remarkably strong — perhaps sufficiently encouraging to suggest a buy-out of minorities in poorly performing or under-capitalised subsidiaries without raising gearing beyond the self-imposed 60% target.

Besides Edgars, Sun International and the other overseas companies (collectively 28% of 1991's forecast earnings), the rest of the group's expansion has, at best, provided mediocre and erratic profits and returns on capital, therefore raising question marks over the group's potential to exploit this avenue for future growth and its recession-proof status if beer earnings come under pressure in future

The target for foreign-sourced profits presumably remains 15%, but in spite of the expected earnings growth from these businesses their contribution is expected to remain at 8% of bottom-line earnings

Beer exports currently represents 1,5% of volume sales and this could in time rise to 5%

However, international trends in cross-border beer sales indicate that SAB's likely future export performance is not expected to provide any significant profit enhancement.

Furthermore, the introduction of VAT will significantly reduce group capex outflows, but not necessarily enhance profits to the same degree because of long depreciation cycles

Megapak wins R490m SAB beer crate contract

B Day 23/4/91

ZILLA EFRAT

182

SA BREWERIES (SAB) has awarded Megapak, a division of Sentrachem subsidiary Mega Plastics, a R70m-a-year seven-year contract for plastic crates.

During the next three years SAB will substitute the cardboard containers used to transport 750ml beer bottles with specially designed Megapak plastic crates.

To meet SAB's requirements of more than 500 000 crates a month Megapak has embarked on a R28m plant expansion programme.

Megapak MD Chris van Niekerk says the first crates will be produced towards the end of August. The plant will be fully commissioned in January 1992.

Design criteria for the new lightweight crate, developed by German company Schoeller International in conjunction with Megapak, includes durability to withstand rigorous handling and to prevent breakages.

Extensive research by SAB has proved that the new crates offer enormous benefits to SAB and beer handlers in terms of low trip costs, better hygiene and a more up-market image for their beer brands, says van Niekerk.

The crate fits existing conveyor systems in SAB's breweries and is designed to facilitate handling and crate washing. Each crate will hold a dozen beer bottles and have a lifespan in excess of 10 years.

Van Niekerk says: "Seven new state-of-the-art Engel injection moulding machines have been ordered from Austria and an automatic crate printing facility, a first for SA, will be installed."

The crates will be made of high density polyethelene. This means Megapak will be converting an additional 12 000 tons of plastic raw material each year.

The phasing out of the cardboard containers will take a considerable strain off the solid waste stream.

Sentrachem expects to stumble over downturn

(183) BDay 23/4/91

CHEMICAL group Sentrachem's attributable earnings for the six months to August are expected to be significantly down on the same period last year, says newly appointed MD John Job

A major reason for these results, which will be published on May 3, is the economic downturn

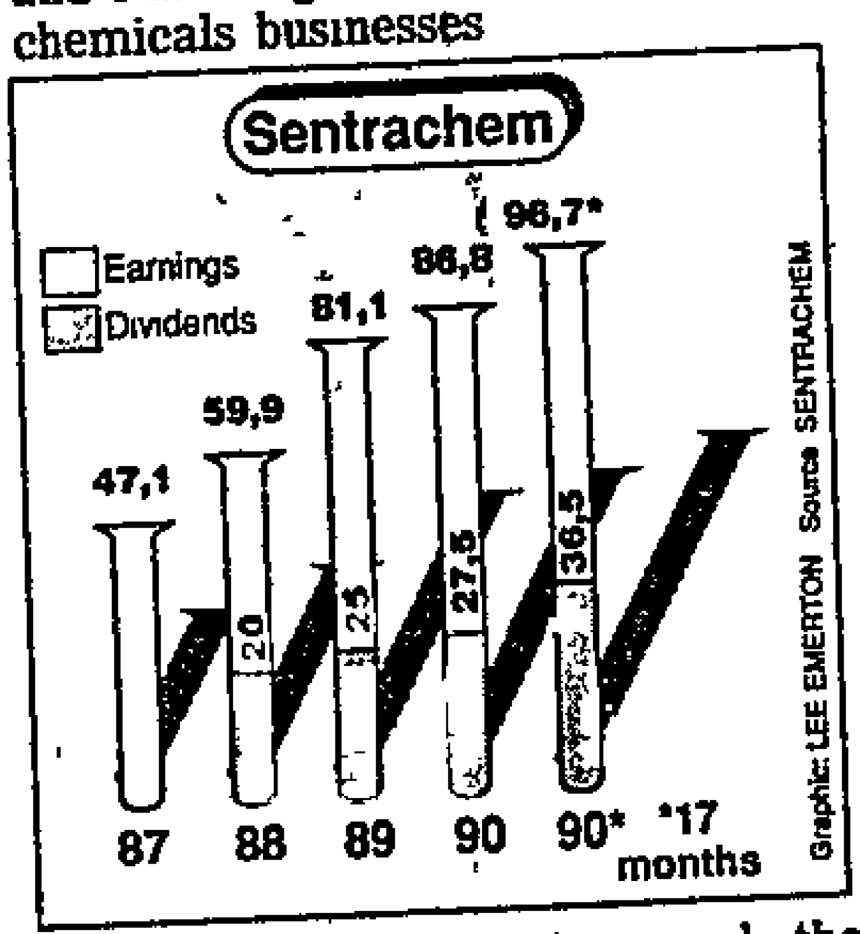
Sentrachem felt the pinch of the sluggish economy in the 17 months to August 1990, when its earnings fell 12,4% In that period it changed its year end to match that of Sankorp

Job says over the past 10 years Sentrachem's turnover in US dollar terms has not varied much from $1bn, although there has been a reasonable increase in rand terms

He says the Gulf crisis sent the cost of many petro-chemical raw materials soaring, but Sentrachem was unable to adjust its own prices accordingly World prices have since stabilised at lower levels

Sentrachem's interim period was also affected by the poor gold price which affected mining clients

Another factor was the late agricultural season which affected Sanachem, which consists of Sentrachem and Farm-Ag's merged agricultural chemicals businesses



Also, industrial action and the slowdown in the motor industry dented Mega Plastic's automotive component sales and Karbochem's rubber business.

However, Safripol's plastic business and NCP's chlor-alkali operation both experienced strong markets during the interim period

Job says Sentrachem has undergone a "downsizing" in those areas where markets are shrinking, leading to a 5% cutback in staff

But he adds that Sentrachem generally did not lose market share and maintained its marginal contribution in percentage terms

While the group remains highly geared, it was able to keep working capital under tight control

Job expects earnings in the second half to be in line of those achieved in the first half

But he adds that Sentrachem is set to benefit from any upswing in the economy as it has recently commissioned a number of large plants which are all performing well.

The group is now coming to the end of a capital expansion programme

The group is examining prospects for converting part of the plant at Karbochem Newcastle, mothballed last year at a cost of R120m, to manufacture ferrochrome on a toll basis

It is also repositioning Sanachem as a manufacturer as opposed to marketer

ANIES

NCP opens R43m plant

BDay 23/4/91. 183

ZILLA EFRAT

SENTRACHEM subsidiary NCP has successfully commissioned the R43m expansion at its maleic anhydride plant at Isipingo, near Durban

The new plant will increase NCP's maleic anhydride capacity from 4 000 to 10 000 tons a year, an output which will replace 3 000 tons of imports by supplying the entire SA demand with enough left over for export.

Maleic anhydride is an organic compound used in the manufacture of polyester resins and food acids.

State-of-the-art technology has been employed in the design, construction and outfitting of the new plant, which has a local content of about 70%.

Technology for the plant has been purchased from Scientific Design, whose expertise is used for almost half of the installed world capacity for maleic anhydride

Liquor retail trade being killed — claim

182

B/Day 24/4/91

MARCIA KLEIN

OVERLICENSING, shebeens and delinquent traders are threatening the retail liquor industry, retailers say

At Fedhasa-Transvaal's congress yesterday retailers said their industry was being "killed" by these problems

They said that the authorities' attitude had changed lately with regard to issuing licences, especially in residential areas.

Retailers said the number of licences should be decreased and there should be legislation which forced shebeen operators in residential areas to open facilities in "proper business environments"

Harmful Business Practices Act committee chairman Louise Tager said the problem of shebeens could not easily be resolved, and they would always be there. It was not feasible to force them onto business premises, she said

Shebeen owners said there should be a moratorium after issuing a licence to enable them to make a profit before they were swamped with competition This was the current situation, with up to five shebeens operating in one street

Suppliers said shebeens were a fact of life that they were not prepared to ignore

Taverners take Louis Luyt to task

By SELLO MOTLHABAKWE

MILLIONAIRE Louis Luyt and a German company had approached Soweto taverners to ask them to support their new brewery, a spokesman for the National Taverners Association said yesterday.

Addressing taverners at a meeting in Soweto, NTA chairman, Mr Ray Mollison, said his organisation had asked Luyt and the company to offer shebeeners shares in the new venture, but the two did not appear keen to enter into such a deal

182

Business shares

He said Luyt's intentions to establish breweries would fail if they did not offer the taverners and shebeens a sizeable share in their business

Mollison said taverners had, up to now, been the marketing arm of liquor manufacturing and brewing companies.

Sowetan 25/4/91.

The association had sold shares for R147 000 to its members and shebeeners last year. The bulk of that money was offered to taverners and shebeeners to improve their businesses, Mollison said

Star 26/4/91

Breweries strike to go on – union

By Abel Mushı (182) (182)

Striking SA Breweries workers at the Chamdor plant near Krugersdorp have vowed to stay on strike until their demands are met

However, negotiations are continuing between the strikers and SAB management.

Represented by the Food and Beverage Workers Union of South Africa (FBWUSA), the workers are demanding automatic housing subsidy grants for all employees

The union's branch chairman for the West Rand region, Isaac Modisakeng, said that although they had the support of other branches, the strike was confined to the Chamdor branch.

Mr Modisakeng told The Star about 700 workers had stopped working since April 15

He said about 200 white casual labourers had since been hired after the union foiled an attempt by management to employ a group of about 500 Inkatha members from the nearby Kagiso hostel

"Members of our executive were visited by the police at the weekend and told to stop causing trouble at SAB," he said

A spokesman for Chamdor's SAB branch was not available for commment yesterday

…its …sed, in addition to wide-

Taverners to talk to Luyt

Cape Times 26/4/91

Own Correspondent

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JOHANNESBURG — An association of black taverners will approach rugby supremo Mr Louis Luyt soon for shares in his new brewery

National Taverners' Association (NTA) chairman Mr Ray Mollison said his organisation was set on acquiring shares in Mr Luyt's brewery, which is due to start operating in January, 1992

Any liquor company which did not look at black people as potential shareholders, was doomed to failure, Mr Mollison said.

"Our association will meet Mr Louis Luyt soon to discuss possible participation of taverners and sheebeeners in his new brewery Taverners are tired of being merely the marketing agent of breweries," he said

Brewer rolls out shares barrel

182 Citizen 26/4/91

By LULAMA LUTI

AFTER campaigning for 80 years for more say over the sorghum beer industry the black community is now poised to control it

The black-controlled National Sorghum Breweries (NSB) – which has an annual turnover of R350-million – this week announced a share issue The NSB share issue opens on May 17 and closes on June 14 Company employees will get preference, with about 30 percent of the issue being reserved for them

The remaining 70 percent will be offered to distributors and consumers Runners, retailers, and shebeen and tavern owners will get special consideration.

During the share issue period there will be an intensive 'enlightenment' programme for prospective shareholders As a back-up to the programme toll-free phone lines will be available Advisers will man them for 12 hours a day

The company, run by a two-man board under the chairmanship of well-known businessman Mohale Mahanyele, will not go for listing on the Johannesburg Stock Exchange for the time being

Shareholders will not be allowed to hold more than 10 percent of the company's shares, said Mahanyele, so takeover bids by big companies can be avoided

Group managing director Sam Mosikili said he hoped the enlightenment programme would "dispel suspicion and ignorance about shares in the black community"

The sorghum beer industry accounts for more than a third of all alcoholic beverages consumed in South Africa and has been under government control since 1908 NSB took over control from the government last year.

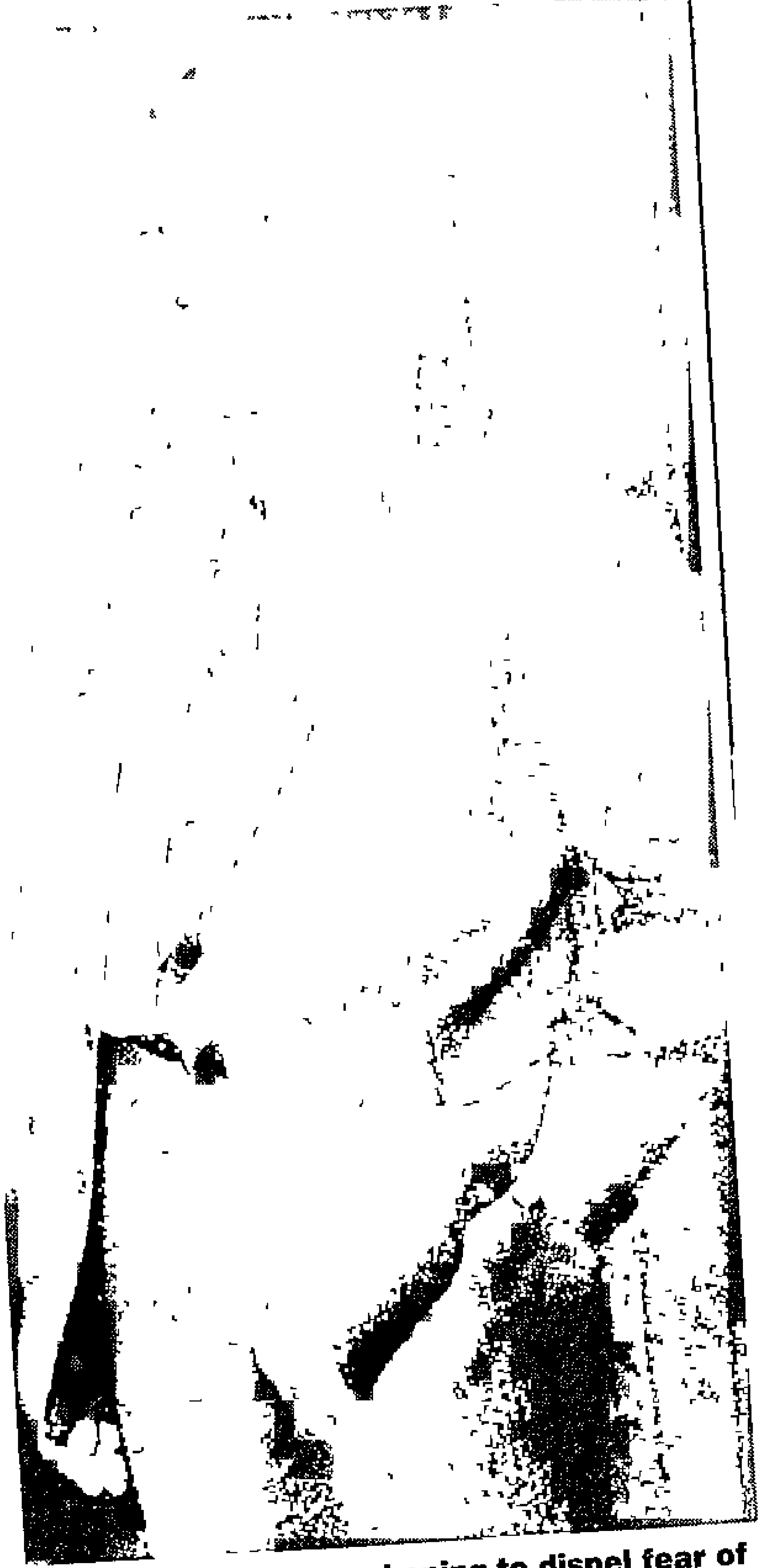
The directors hope the privatisation of the company will mean it will be wholly-owned by employees and members of the community

Said Mahanyele "If we are to even out the disparity in the economy we must ensure that we give opportunities to black people

"Without meaningful black involvement in business the much-vaunted new South Africa may never become a reality."

NSB has 18 breweries The largest division is iJuba in Natal

"I hope traditional supporters of the sorghum beer industry will seize this opportunity to obtain control of this, their industry," said Mahanyele



Mohale Mahanyele . . . hoping to dispel fear of black community towards ownership of shares.

182

KWV goes for the wine bottle

S/Times (Bus/T) 28/4/91

By CAROLINE TAYLOR

THE STEADY removal of barriers against SA goods on world markets opens the way for a KWV export drive

It hopes to sell 180-million litres of labelled wine, worth R120-million, abroad annually

KWV is not confining the campaign to traditional markets, such as the UK and Germany It is looking for consumers in competitor nations like Australia and New Zealand, which are seen as having taken advantage of trade sanctions against SA

KWV deputy chief executive Kobus van Niekerk says the organisation relishes the prospect of competing again with southern hemisphere producers He is confident it can tackle them in a value-for-money campaign

"We have been criticised for promoting South African wine as a cheap product Now we are going to find our rightful place in the international market," he says

One of KWV's strategies, tested in the UK in the past few years and to be pursued elsewhere, is to promote wines through a mini-version of the wine tour — offering a selection at reduced prices in taster packs

The co-operative claims to have held the worst of the trade blight at bay by changing strategy Poor crop yields and the effects of sanctions caused KWV exports of 20% of total production in 1985 to fall to 5% the following year

But stealthy tactics enabled KWV to land millions of litres in Europe last year, mainly through cheap bulk sales

Exports of bottled wine — which never exceeded 25% of the total volume — have gone to "friendly" countries like the UK and Germany It is these destinations that KWV has set as priorities for its export drive in quality wines

Dr Van Niekerk says "We plan to phase out bulk sales and to concentrate increasingly on labelled bottled wine that will be divided into three ranges — expensive vintages that might retail in the UK at £5 and more, a medium range that would include pinotages at £3 to £4,50, and a new cheaper range we will call Cape Country It will retail at £1 60 to £3"

The strategy sounds plausible because few palatable wines in Britain cost less than £3 But competition is fierce in spite of the international boom in wine consumption

Dr Van Niekerk says KWV exports have held up remarkably well

"Even in Britain, where we were not restricted by sanctions, we have been unable to advertise the true value of our wines Retailers, frightened of negative customer reaction, have either placed our wines on the bottom shelf or behind the counter"

Not only wine figures in the new strategy In the early 1980s, most of KWV's foreign earnings came from brandy and fortified wines It had 25% of Candada's brandy sales.

But regaining the spirits market, and penetrating new areas, including Scandinavia and Japan, will not be easy

KOBUS VAN NIEKERK Stealth kept the wine flowing

Growing beer market 'can support more breweries'

182

B Day 29/4/91.

MARCIA KLEIN

THERE is room for new players in the SA beer market, industry sources said.

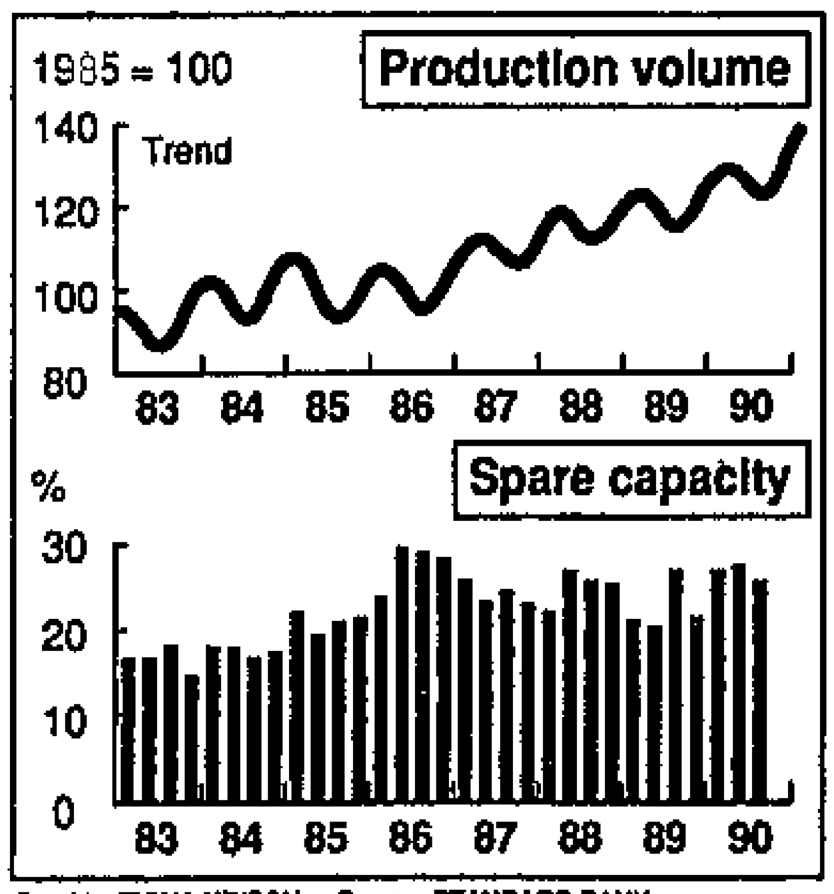
The rapidly growing market, estimated to have increased by 20% over 1990 compared to 8,5% in 1989, could not be ignored by brewers elsewhere in the world, where growth in beer sales and production was minimal compared to SA, an analyst said

SA has seen increased interest by overseas and local brewers, including brewing giant Guinness, and Louis Luyt, who announced that he was opening a brewery with a substantial foreign investment The capacity of Luyt's brewery suggested he was looking at 7,5% of the local market

And chartered accountant Jeffrey Esekow recently said he was setting up a brewery with an international consortium.

SA Breweries' (SAB) volumes for the year to March were 20,3-million hectolitres of SA's 21-million hectolitre market However, industry sources estimated this figure to be conservative, saying there were about 24-million hectolitres of beer brewed annually in SA, with per capita consumption at about 50 litres a year

Beverages



Graphic: FIONA KRISCH Source STANDARD BANK

SAB's figures for the six months to end-September show production was up by about 11%, slightly higher than the 10% for the previous year

In his annual report for the year to March 1990, CE Meyer Kahn said sales volume of beer was 10% compared to 4% for all alcoholic beverages, with beer enjoying an estimated 35% of the total liquor market

The report said sales volume increase of 55% in the past four years had required the beer division "to embark on further major expansion"

Analysts said that with white customers accounting for only 20% of beer sales, overseas investors should look to the black consumer

An analyst said there was "certainly enough place for a competitor, but they would have to get the black franchise" Any attempt to enter the market should be a joint venture with a black businessman, and the group would have to do significant market research, he said.

It would be easy for a foreign company to come in with the aim of capturing the white market, but this market was very small Also, entry into the SA market would require a fair amount of capital investment, an analyst said

Another analyst said growth in the beer market was related to a large extent to urbanisation and population growth, and real growth of about 3% to 4% per annum was "pretty high for a commodity"

Any new entrant would have to distribute to shebeens, which deal mainly in beer

Last week the National Taverners Association said they would approach Louis Luyt for shares in his new brewery, and said that any liquor company which did not look at black shareholders was doomed to failure

Management buyout deal at Picardi Liquors

(182)

By Blaise Hopkinson

Star 7/5/91

CAPE TOWN — Following the recent sale of Union Wine by Picardi Holdings, the management of Union Wine's retail chain (Picardi Liquors) has effected a buyout.

The management team, headed by Jacques Kempen, paid an estimated R10 million for the 50 percent of the company held by Union Wine

Union Wine, bought by Graham Beck's Kangra Holdings from Jan Pickard's Picardi Holdings for R21,5 million last year, is now left without direct retail representation, which could retard expansion plans.

Last year a consortium led by Mr Kempen paid R6,3 million for its initial 50 percent stake in Picotel from Pichold early last year

The management team turned the loss-making chain of Picardi Liquors around, revamping the 50-odd outlets in the chain.

It is believed part of the initial buy-out deal with Pichold included the understanding that Picotel management would seek to acquire control.

After its takeover by Kangra, Union Wine was delisted last December.

Picardi Liquors is one of the largest independent retailers in SA, with widespread representation in the Cape and outlets in the PWV area.

The chain has been remodelled and new stores have been added.

The buyout, effective on May 31, is likely to have major repercussions for the liquor retailing industry.

ABI shares grow 1 350% in three years

182

BRENT VON MELVILLE

BDay 8/5/90

SHAREHOLDERS in Amalgamated Beverage Industries (ABI) have seen their investment grow by 1 350% in the nearly three years since the listing of their shares.

The rapid market growth, vindicated by yet another solid set of results published today, has pushed the share price to R13,50 and market capitalisation to more than R1,4bn. It has also sent the value of ABI's original employee holding soaring to about R150m from its initial R11m level

While SA Breweries (67,5%) and Schweppes (19,1%) are its major shareholders, the remainder of ABI's stock (11-million shares) is still held mostly by its staff and smaller dealers, who were offered the stock at R1 a share in 1987.

The allotment, made to spread share ownership among its predominantly black employees and clients, was oversubscribed seven times and the shares were spread between about 3 000 ABI staff and 4 000 dealers. Employees received between 400 and 1 000 shares, depending on their length of service

ABI MD Alex Reid estimates that about 4 200 of these investors, about 70% of existing shareholders, have retained shares.

● See Page 11

Remarkably bubbly results from ABI

182

BRENT VON MELVILLE

AMALGAMATED Beverage Industries (ABI) has posted another set of remarkably bubbly results, pushing earnings up 25% to 53,7c (42,8c) for the year to end-March.

While sales volumes for the Coca-Cola franchiser grew 6% in the second half of the year, resulting in full-year volume growth of 5% and turnover rise of 19% to R884m (R739,6m), improved operating effiencies saw trading profit up 25% to R109,6m (R87,9m).

Net financing costs dipped to R5,2m (R5,7m), while taxation chopped off 27% more at R52,2m (R40,9m). Attributable earnings rose 25% to R56,9m (R45,4m), and, according to group policy, the total dividend of 26c (21c) was covered by earnings twice. B/Day 8/5/91

During the year expansion capex of R48,1m was incurred in development of the Phoenix facility in Natal. The expenditure was financed by funds generated and borrowings. Average gearing for the year was 19%. The final level was at a relatively low 14%, but up on the 3,6% level of the year before.

The results were in line with market expectations.

ABI lifts earnings and dividend

182

Star 8/5/91

By Jabulani Sikhakhane

Despite tougher trading conditions and unrest hampering deliveries of its products, soft drink bottler Amalgamated Beverage Industries (ABI) improved profitability in the year to March.

On a turnover increase of 19 percent to R884,253 million (R739,625 million), trading profit rose 25 percent to R109,637 million from R87,900 million.

This is reflected in the rise in the trading margin from 11,9 percent to 12,5 percent.

Directors attribute this perfomance to improved efficiency.

Earnings per share rose 25 percent to 53,7c from 42,8c per share and a dividend of 26c (21c) is being paid.

Due to lower average borrowings, finance charges were nine percent lower at R5,156 million (R5,696 milln).

Capital expenditure of R48,1 million was funded internally and from related gearing

(182) ARGUS 10/5/91

SA winemakers in push for slice of UK market

The Argus Foreign Service

LONDON. — South Africa's leading wine exporters are mounting a concerted push to re-establish themselves in the British market to take advantage of what they see as a significant change of attitude towards the country and its policies.

The move has been spearheaded by KWV, which has been monitoring the situation for the past 18 months with a view to re-establishing a relationship with the Britain trade and Press in a way that would enable the total South African wine industry to visibly recommence trading with Britain.

Disinformation

But much of what exporters regard as outdated and damaging opinion and disinformation still exists and could prejudice growers' attempts to introduce their wines to a wider auience abroad.

To offset this, and as part of a wider, long-term strategy to disseminate information about developments in the South African wine industry, KWV is funding a London-based communications programme in conjunction with a leading British consultancy.

The British trade has been informed about "the commitment of the South African wine industry to the British market", and a major tasting was being organised for leading experts in London

Dr Jannie le Roux Retief, chairman of CWSEA, said "As we have had very limited lines of communication with Britain for some time it is not surprising that we frequently see Press articles written by some writers in the British Press who are clearly not aware of current developments in South Africa

"They therefore base their opinions on incorrect and often outdated information"

A London contact base to supply further information, photographs and to arrange facility visits and generally liase with the British trade and Press was also being established

A code of conduct, drawn up by the South African wine industry in line with President De Klerk's commitment to removing the last vestiges of apartheid, had been circulated to both trade and Press.

Also, CWSEA had pledged its commitment to a "close and continuing" trading partnership with Britain, and to extend the development of relationships within the UK wine trade, Dr Le Roux Retief said

Bare buttocks could lea to bathers being pinc

NEPTUNE BEACH (Florida). — Anyone revealing their buttocks on the beach in this north Florida town could land in jail.

The Neptune Beach City Council has decided to enforce the state's public nudity law by charging anyone who wears G-string bikinis or T-thong swimwear on the city beach. The misdemeanou punishable by up to a ye jail.

Mrs Vanya Gwa been after the Cit ban the swimw summer, whe were adopte

"I get real a people who sh front of my run for c Amendr

La pe

Beer barons turn tables on whites

Sowetan 14/5/91 (182)

FOCUS

THE sour taste of apartheid lingers in South African sorghum beer, which is about to make capitalist shareholders of thousands of black drinkers.

The black businessmen who run state-owned National Sorghum Breweries Ltd (NSB) - the world's biggest sorghum beer company - plan to sell shares in the firm from Friday

But apart from the company's white staff, only blacks need apply

The colour bar on ownership is the latest twist in the politically charged history of the brew

For many years the Government used it to help pay for apartheid

"We are now in the final throes of ensuring that this industry will return to its rightful owners, the black community," NSB executive chairman Mohale Mahanyele said

Policy

"Our company policy is aimed at black economic empowerment and addressing an historical wrong "

Blacks have been brewing sorghum beer for about seven centuries, but in 1908 Natal barred them from distributing it so white municipalities would have a monopoly.

The monopoly was extended to other white municipalities, including those around Johannesburg.

They set up beerhalls and used the proceeds to pay for services in black townships

With the creation of so-called black homelands in the 1960s, beer profits were diverted from the townships to the territories which apartheid dictated were the real homes of South Africa's blacks

Police raids on illicit home brewers were part of daily township life

Beerhalls became sumbols of apartheid and were attacked in anti-Government protests

The official names which whites gave sorghum beer reflected changing racial labels - from "kaffir" beer, to native beer

Since the Government set up NSB with a board of independent directors in 1970, brewery products have been given names like Zebra, Leopard, Country Brew and Kalahari

Nutritious

Sorghum beer is packed with protein, carbohydrate and vitamins and is low in alcohol

It is as nutritious as an intravenous drip, and for the non-traditional consumer, equally palatable

Mahanyele said white staff of NSB, including some top executives, would also be able to buy shares so ownership would not be exclusively black

Target

"This is not regarded as a privatisation It is regarded as returning something that has been taken away from the black community," he said

"The share offer is particularly aimed at consumers of the product, who are 98,9 percent black

"It stands to reason the people who benefit from this offer should be the black community "

But the blacks-only policy has come in for criticism

Business Day newspaper said in an editorial "It's fine that employees and distributors be offered preferential allocations

MOHALE MAHANYELE: "Our company policy is aimed at black economic empowerment. .."

"What sticks in the craw is that the remainder of the shares are reserved for what NSB coyly describes as sorghum beer's traditional consumers' What's wrong with openly offering the shares to everyone?"

Critical

The paper also criticised the NSB decision not to offer the shares on the Johannesburg Stock Exchange initially but act itself as trader in the stock

Mahanyele said this was to protect the share buyers, who would generally be small investors with no more than R100 or R200 to spend

Their equity would be guaranteed for the first year

"Why must the 'traditional consumers' be treated as juveniles?" asked the newspaper

"Are NSB's managers to decide who will own the company's shares after privatisation? Will prospective shareholders need to carry a pass classifying them as 'traditional consumers?'"

The cost

Mahanyele said he expected hundreds of thousands of people to buy shares

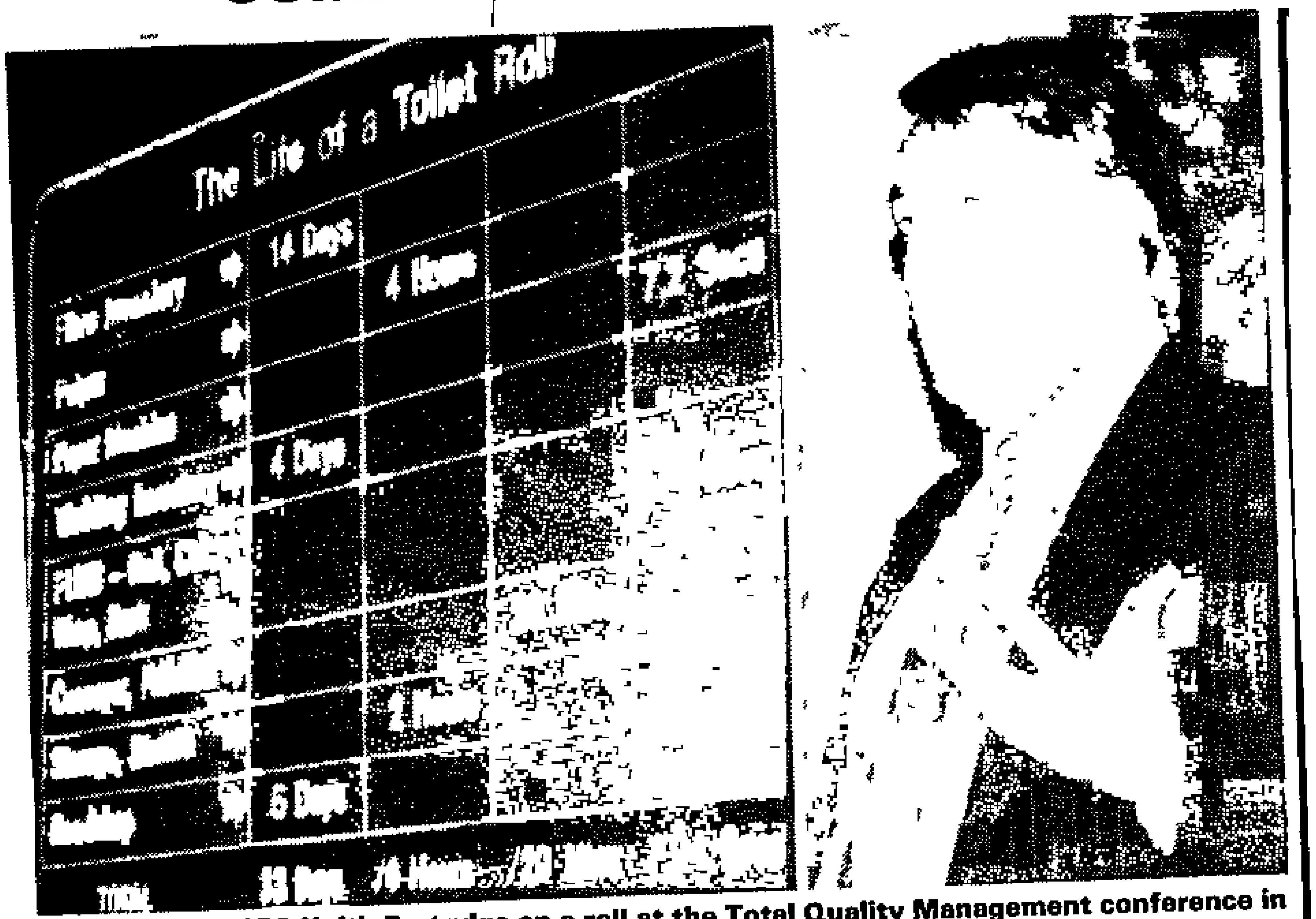
Shares will be priced at R1 each but the number on offer will be disclosed only on Friday

The company, with an annual turnover of around R300 million employs 3 500 people and runs 18 breweries - *Sapa-Reuter*

Sowetan's cartoonist Len Sak is on leave. His work will reappear when he returns.

Political comment in this issue by Aggrey Klaaste and Deon du Plessis Newsbills by Sydney Matlhaku Sub-editing and headlines by Ivan Fynn All of 61 Commando Road, Industria West Johannesburg

COMPANIES



Carlton Paper CEO Keith Partridge on a roll at the Total Quality Management conference in Johannesburg yesterday. The speakers looked at quality management as a vehicle SA could use to bridge its First World with its Third World elements, increase efficiency and gain competitive advantage in the global marketplace Picture ROBERT BOTHA

SAB results hinge on beer, foreign interests

B Day 14/5/91 (182)

MARCIA KLEIN

STERLING performances from SA Breweries' (SAB's) beer division, its foreign interests, Edgars and ABI would boost the group's results for the year to end-March, industry analysts have said

The results are due on Thursday

Attributable earnings of listed subsidiaries OK Bazaars, Da Gama, Amrel, Afcol and Lion Match were below those of last year, while results from Edgars and ABI were excellent

Despite lower earnings from some of the companies, analysts said performances from the group's foreign interests and its beer division were expected to be "extremely good", and these two divisions would make bigger contributions to the bottom line than they did in financial 1990

Analysts have forecast increases in group earnings of between 11% and 18% for the year, with the majority forecasting growth of between 15% and 16%

One analyst said SAB should report an increase in earnings in the region of 16,8% to 263c a share, with a dividend of 120c a share Another said his "conservative estimate" was earnings of 251c a share (an 11,5% increase) with a dividend of 114c a share However, he said rumours in the market "were anything up to 270c a share"

Results for SAB's listed companies included Edgars' 22% rise in attributable earnings to R150,4m and ABI's 25% rise to R56,9m However, the OK turned in a 26,2% drop in earnings to R14,9m, as did Afcol (down 14% to R40,0m) and Da Gama (down 30% annualised to R42,2m)

Amrel and Lion Match showed no real growth, with attributable earnings of R24m and R15,4m respectively

Combined results of listed interests which have already reported indicate a slight decline on the previous year

However, other subsidiaries, particularly the beer division, would be major determining factors

An analyst said the foreign side, which contributed 7% to 8% of earnings, would contribute R60m this year compared with 48m last year — a 42% increase

An analyst said the beer division would do exceptionally well and would increase its contribution to 56% (53%) of attributable earnings

Another result still to be included is Southern Sun, which was incorporated as a wholly owned subsidiary last year

An analyst said Southern Sun would probably add R5m at the most to the bottom line, and another said he would be surprised if it made any contribution

In the year to March 1990, SAB's bottom line earnings grew by 20% to R604m (R502m), and from 187,2c to R225,2c a share Turnover grew by 25% to R13,3m

At the September interim stage, group turnover rose 19% to R6,9bn, with earnings up by 21% to R214m or 80c a share

SAB matures well as earnings rise 18%

BDay 16/5/91 (182)

MARCIA KLEIN

SA BREWERIES (SAB) yesterday celebrated its 96th birthday with an 18% rise in attributable earnings to R711m (R604m) for the year to end-March

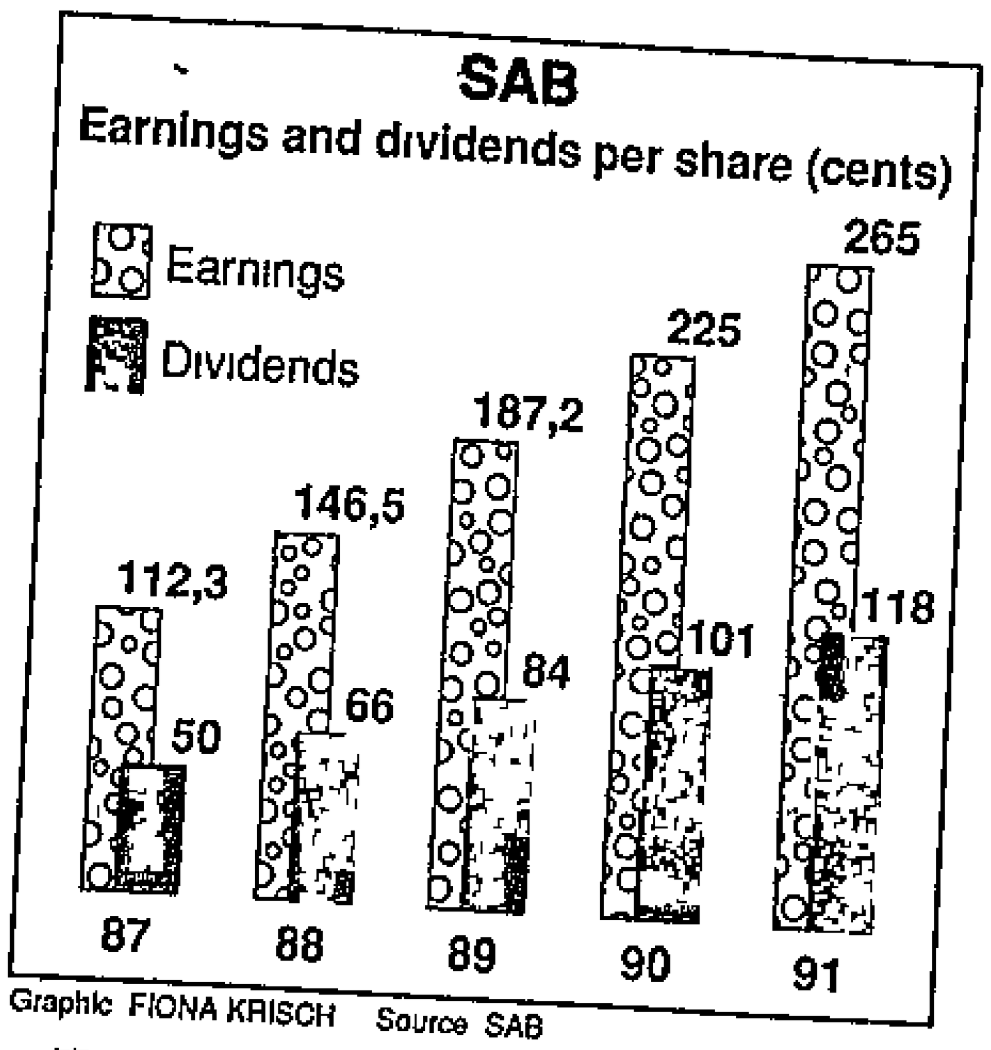
On the back of excellent results, with significant contributions from its beer division, overseas interests, ABI and Edgars, SAB's share price was pushed up to close yesterday at a high of R48,50

The group's results were superb against the background of a 24,4% increase in interest to R275m (R221m), tax up by R119m to R564m (R445m) and additional replacement costs for depreciation up by 33,3% to R60m (R45m), group executive chairman Meyer Kahn said in an interview yesterday

"Taking these factors into account, an 18% rise in earnings to 265c (225c) a share was a good cause to be proud," he said

A 16% increase in group turnover to R15,4bn (R13,3bn) was "satisfactory considering the effect of social and political upheaval and depressed economic circumstances on the broad mass of consumers"

Kahn said what was even more pleasing was the 21% increase in trading profit to R1,6bn (R1,3bn)



Graphic FIONA KRISCH Source SAB

High financing costs and tax saw profit after taxation up by 14% to R928m (R814m) A final dividend of 88c a share was declared, bringing ordinary dividends for the year up by 17% to 118c (101c) a share

Kahn said that in what was a first in SA's commercial history, the group reported a cash equivalent of earnings SAB had developed a calculation of earnings a share

☐ To Page 2

SAB

BDay 16/5/91 . (182)

☐ From Page 1

on a cash equivalent basis By eliminating the effect of all non-cash items the cash potential per share could be identified For 1991, the cash equivalent earnings increased by 16% to 390c (337c) a share

Cashflow from operations increased by 19% to over R1,1bn, which meant that the group's R1,2bn investment expenditure required a net borrowings increase of only R500m Gearing closed at 52% (45%)

Kahn said the group's financial position allowed it to undertake planned capital expenditure of R3bn

The beer division increased its contribution to group earnings by 26%, bringing its contribution up to 57% of group profits

Commenting on reports that other players were eager to enter the SA beer market, Kahn said SAB had never been given an exclusive licence, and its achievements were based on good performance

The group's overseas interests — which contributed 7% to 8% of profits — increased their performance by 18%

However, Southern Sun's contribution was down by 50% to R15m (R26m)

Da Gama, the OK, Afcol and Southern Sun had been down, but Kahn said they had been operating in difficult environments

Apart from the beer division, other interests of the group improved their contribution by 9% to R309m, or 43% of the total

Kahn has set a target for financial 1992 of a 14% to 15% growth in earnings, with inflation of around 14%

NSB launches share issue today

B1Day 17/5/90 ZILLA EFRAT (182)

THE share issue of National Sorghum Breweries (NSB) opens today with an offer of 43-million shares at R1 each

An aim of the issue is to place NSB in the hands of the community that supports the sorghum beer industry. This includes employees, distributors and consumers, most of whom are black

No single shareholder may own more than 10% of the issued shares and 30% of the shares will be allocated to the 3 500 employees at a 30% discount. The balance will be sold to the public

The public offer is underwritten by the Industrial Development Corporation which has undertaken to buy back shares at the R1 issue price until June 30 1992

FOX FM 17/5/91 (182)

The match interests, Wilkinson Sword razor blades and Interpak packaging all did better. Earnings fell only at the appliance division, which includes the Pineware and Rowenta brands

Outside beverages, **Edgars** stands out Earnings growth is not quite as high as at credit competitors like Foschini and Wooltru's Specialty Retail Group of 32% and 35% respectively But 22% growth in a recession is welcome

Edgars is not strictly comparable with competing, smaller credit chains It has a much wider customer base, is not so exposed to high-margin high fashion and is held back by continued problems of its cash chain, Jet The Edgars chain itself achieved a 33% growth in after tax profit

Its marketing-led strategy is still gaining market share — in clothing, footwear, textiles and accessories, from 15,5% to 16,8% Sales grew by 25% to nudge R2,5bn, compared with average growth in the sector of 14% Operating margin was squeezed, so operating profit rose by 23%, because of a 31% increase in finance costs, only partly offset by a lower tax rate, attributable earnings increased by 22%

Edgars has confounded criticism that it was growing on the back of easy credit Gearing has fallen from 64% to 59%, despite the pressures of managing the growing debtors' book Cash flow before investment activities changed from a net R26m use to a R39m retention Group MD George Beeton says more emphasis will be put on cash flow

Amrel has stayed aloof from the boom in retail furniture, which led to such spectacular results — and high debt — at such as Rusfurn, the JD Group and Profurn. For the fourth year running it emphasised asset management and the quality of debtors in preference to sales. Attributable earnings grew by just 6% on sales growth of 21%

Amrel, however, accounts conservatively and unlike most provides comprehensively for deferred taxation, more than R18m was provided for current and deferred tax An additional R5,7m was set aside as an abnormal item to cover increased bad debt

It has gearing of 75%, low in the world of retail furniture, and not much higher than 71% at OK Bazaars, which is an 85% cash business It looks better placed than most furniture companies for the downturn

Unless some unusual numbers are brought out of the hat this week, SAB is unlikely to repeat last year's earnings growth of 20%, but will still be well ahead of most industrial companies, where earnings on average have dipped by almost 10% *Stephen Cranston*

FM 17/5/91

SA BREWERIES

WAITING FOR BEER (182)

Though all listed subsidiaries of SA Breweries have now reported the full picture will emerge only once results of the powerful Beer Division are known Analysts predict overall earnings growth of 13%-17%, with 18%-23% from the Beer Division

FM 17/5/91 (182)

What can be predicted is that beverages, alcoholic or not, will remain the mainstay Last year 53% of group attributable earnings was generated by the unlisted Beer Division but, in years in which the rest of the group is weaker, this can be up to 60% Beer sales have been growing annually 10% by volume

The other star is 67,5%-held soft drinks interest **Amalgamated Beverage Industries**, with earnings growth of 25% The Coca Cola franchise is the core of this business, with volume growth of 6% a year Real earnings growth can be expected from other beverage interests, which include 30%-held Distillers Corp and Stellenbosch Farmers' Winery, Traditional Beer Investments and Appletiser Overall, beverages account for more than 70% of group profit

Results in general retailing and manufacturing subsidiaries were more mixed than usual, manufacturing and **OK Bazaars** (see separate article) dragging down the rest Outside drinks, only Edgars' earnings beat inflation Southern Sun, now an unlisted subsidiary, looks unlikely to show real earnings growth, though it still has a lucrative 20% stake in Sun International

Two other unknowns are the additional replacement cost depreciation, a form of inflation accounting which took R45m off taxed profit last year, and foreign earnings, which added R48m, and could exceed R60m if previous growth is repeated

If OK's 26% earnings fall took analysts by surprise, that at **Da Gama Textiles** was more predictable. Textile companies have been reporting either earnings declines (Romatex) or losses (Unispin and Frame)

Despite a 30% decline in earnings Da Gama remains the star of the sector and maintained an operating margin of 19% Da Gama remains almost ungeared and is a net earner of interest It has borrowings of less than R2m on shareholders' funds of almost R200m With this kind of balance sheet and profitability it does not have to justify its place in the portfolio

Earnings of **Afcol's** managed interests grew by 1%, but it was dragged down by a 27% drop in earnings from equity-accounted interests, mainly 23% of the troubled textile company Romatex and the office furniture interests owned jointly with M+A Afcol's overall earnings fell by 14% There was no turnover growth in the last quarter and management is looking for only modest growth in earnings this year Fortunately, gearing was reduced from 41% to 37%

In line with the relative resilience of consumer spending, **Lion Match** pushed profit after tax up 20% The bottom line increased by just 10% as there was no contribution from the equity accounted associate, Chet

continued

Black brewery share offer

(182)

Business Staff

ARG 18/5/91

NATIONAL Sorghum Breweries has announced a public share issue aimed at placing the sorghum brewing industry in black hands and making it the largest black-owned business in the country.

In financial 1990 the company, which employs nearly 3500 people, had a turnover of about R310million and operating income of R14,5million — down from R17,4million in 1989.

SA Brews prospers as guzzlers ignore unrest

S/Times (Bus Times) 19/5/91 (182)

By JULIE WALKER

SA BREWERIES has again turned water into beer and beer into profit

The brewing and investment holding company lifted sales by 16% to R15,4-billion in the year to March

Beer volumes grew by 12% and its contribution to group earnings was 26% higher

The directors say this was achieved in spite of the devastating effects of social and political upheaval

Operating margin grew at a faster pace to almost R1,6-billion Higher finance costs and tax and lower income from non-managed investments held taxed profit growth to 14%

But reduced profit share by minorities offset additional depreciation and allowed the bottom line to rise by 18% to 265c a share The dividend was raised to 118c

SA Breweries is one of only a handful of companies which sets aside additional depreciation in anticipation of the impact of inflation on replacement costs of fixed operating assets

The share price hit a high of R49,50 on the JSE after the results

Chief executive Meyer Kahn says personal disposable income, the key determinant of consumer spending, will continue to face severe pressures well into 1992 and the rate of improvement in group earnings will be restrained

Nevertheless, he hopes to achieve real growth in the current year

When Barlows group interim results were up it was by a shade, and when they were down it seemed like more

Results for the six months to March show that Barlows group mining interests have been the pits, pharmaceuticals healthy, food mixed to higher, industrials variable and computers looked up

Pits

Star performance came from computer and technology group TSI, which raised earnings 21% to 21c a share It promoted the latest foreign information technology with customers

Overall market share grew from an already dominant position

TSI is worried about the effect of VAT on expenditure decisions in the second half of its year VAT arrives on September 30

Adcock Ingram's earnings grew by 30% to 100c a share, but next-best performer Tiger Oats raised them by only 13% Nampak's rose by 12%, CG Smith Foods 10%, PPC 7%, CG Smith itself 6% and Reunert 5%

ICS showed 1% lower profit than at the last interim, Robor was 20% worse and Rand Mines is still to come

Rand Mines is under pressure to fund losing investments in gold, platinum and vanadium ventures

Robor is to be delisted, Barlows having offered minority shareholders 19 of its own shares for 100 Robor SA Mutual has volunteered 750c cash for every Robor share Robor shares were down at 450c in November, but were 800c last June

Investec continued to glow Holding company Inhold reported a 61% rise in net income after tax of R27,9-million, and 46% higher attributable income of R15,6-million in the year to March

Inhold's main investment is 75% of Investec Bank, which will grow to 78,8% on conversion of 3-million preference shares

Investec Bank's attributable income jumped 37% to R24-million and earnings a share rose by the same percentage to 120c The share price reached a high of R16,75 after the results It was 720c a year ago

Funds under administration climbed 52% to R6,7-billion For the first time, Investec disclosed a bad-debt provision — R8,8-million — as well as values for secondary reserves and the surplus arising on investment revaluations

Its total asset rose by R1,6-billion, roughly in thirds from acquisitions (Corbank and Reichmans), natural growth, and the reflection of off-balance sheet activities in line with the requirements of the Deposit-Taking Institutions Act

The directors are confident that the 13-year pattern of encouraging growth will not be broken in the coming year

Bophuthatswana investment holding company Yabeng thrived in the year to March Dividend income grew by a third to R13,7-million and interest income 80% to R3,1-million This helped earnings a share to rise 38% to 28,6c, and the dividend was lifted 5c to 21c

Audit

Yabeng shares were offered this week at 375c, more than double the net asset value of 150c In spite of the growth in earnings, net asset value was only 5% higher than in 1990

Titaco came out of a bad patch with results on time this year The engineering consultancy more than doubled earnings on an 18% decline in turnover to R73-million

Of the 27 companies reporting this week, 19 were able to report growth in earnings a share and none incurred a loss

Tongaat's earnings for the year to March fell 19%, and Pennypinchers' retreated by a almost a third

Penpin was listed in 1986 and Penboard in 1987 in a pyramiding exercise to secure control for the major shareholders Now Penboard is to be delisted as a wholly owned subsidiary of the holding company

Drop Inn also showed lower profit growth in the year to February In spite of a 25% rise in sales, profit margins slipped and interest payments jumped Taxed income was a shade lighter at R2,6-million

The group has sold its property and Benny Goldberg's business The extraordinary profit was distributed to members as a special dividend of 120c, which left the coffers empty for the payment of a final ordinary

An investigative audit disclosed "major defalcations" relating to stock shortages going back two years This and certain items shown as pre-paid expenses at February 1990 required a previous year adjustment. Recovery of the loss is being pursued

MEYER KAHN The good times roll on

New-look beer industry takes off

Cipren 19/5/91

(182)

THE National Sorghum Breweries Limited (NSB) share issue opened on Friday with 43 million R1 shares – of which 30 percent will be discounted to the firm's employees in a bid to keep the industry "in the hands" of the community supporting it

NSB chairman Mohale Mahanyele said the company was unique in that it was the first time blacks and whites would come together to play a joint role in a significant business venture.

No single shareholder may own more than 10 percent of the company's issued shares. The company has also undertaken to allocate 30 percent of the shares to its 3 500 employees at a discount of 30 percent.

NSB's mission is to facilitate black economic empowerment and preference will be given to members of the black community in share allocation

"NSB has a massive informal distribution network totalling more than half a million people and we would welcome these individuals as shareholders in our company," Mahanyele said

The public offer is underwritten by the Industrial Development Corporation, which has also undertaken to buy back shares at the issue price of R1 up to June 30 next year

NSB has also undertaken to support other black companies and suppliers of services to NSB The company – the largest producer of traditional sorghum beer in the world – has the backing of organised labour (most NSB employees are union members), consumers, distributors, black business and political leaders

According to NSB managing director Sam Mosikili, the company aims to put pride and respect back into the sorghum beer industry.

"We will do this by making sure that our breweries employ strict quality control and that only the finest raw materials are used. The original recipes used by our forefathers will be closely followed and we will take advantage of advanced brewing technology to maintain taste and quality," he said

Mosikili added that more acceptable and upmarket packaging was in the pipeline and the firm was targeting trendsetters to endorse the product "to help regain a more positive perception of sorghum beer"

Sorghum workers get free shares

S Times (Bus Times)

By DON ROBERTSON

19/5/91

THE GOVERNMENT's promise to privatise the sorghum beer industry is being fulfilled with this week's issue by National Sorghum Breweries (NSB) of 44-million shares at R1 each

The proceeds will be used to repay a R44-million loan in full to the Government. It is effectively the purchase price of the company.

The offer, which opened on Friday and will close on June 19, is aimed at employees, distributors, retailers and consumers Should all the shares not be applied for, the balance will be offered to the public

Each of the 3 500 employees will be given 200 free shares out of an allocation of 13,2-million, which will be bought by the NSB Employee Share Trust. To finance this, the trust has borrowed R13,2-million from the State, repayable, free of interest, in three years

After the allocation of about 700 000 free shares to employees, the 12,5-million balance will be offered to them at a discount of 30%, or 70c each The 30c a share discount must be repaid within three years The 30,8-million shares remaining will be offered to selected public groups

The issue price looks attractive Forecast earnings for the year to June are 29c a share and a dividend of 11,6c is expected, based on 2,5 times cover In the following year, earnings are expected to decline to 25c and the dividend to 10c

Shareholders will not qualify for a dividend in the current year and can expect to receive the first payment of 10c in September 1992

Brewery expects share offer to be oversubscribed

B/Day 20/5/91 (182)

MARCIA KLEIN

INITIAL interest in the National Sorghum Brewery public share offer pointed to oversubscription, a spokesman said on Friday.

Although the offer — of more than 43-million shares at 100c each — was only in its first day, he said that based on the interest shown, he was sure the offer would be oversubscribed.

"NSB will try to spread the shares as widely as possible, but preference will be given to people who are black and those who are associated with the sorghum beer industry. This is in line with NSB's mission for black economic empowerment."

A great deal of interest had been shown by "big businessmen and the man in the street"; thousands of inquiries had been received.

The Industrial Development Corporation had guaranteed the share price for 12 months, so shareholders could not lose, he said.

No date had been set for a JSE listing. The spokesman said a listing was for companies which needed to expand, and there was no doubt that NSB was in a growth phase. It had increased its products from one to 10, and was moving into soft drinks, confectionery and the leisure industry as well as investing in other black businesses.

In the year to end-June 1990 NSB's net income fell 12,6% to R11,1m (R12,7m). Operating income dropped 16,6% to R14,5m (R17,4m) on a 16,5% turnover rise to R310,1m (R266,2m). Directors forecast a 14,8% increase in turnover to R356m, a 20% rise in operating income to R17,4m and a 15,3% rise in net income to R12,8m for the year to end-June 1991.

Dividends, based on earnings of at least 25c a share and a dividend cover of about 2,5 times, would be no less than 10c a share. The spokesman said "a substantial amount" had been invested in a media campaign to promote the share offer.

Company offers 44 million shares

182

THE offer of nearly 44 million shares in National Grain Sorghum Breweries Limited marked an important and significant milestone in South Africa's economic history.

This was said by Dr Dawie de Villiers, Minister of Economic Co-ordination and Public Enterprises, at the weekend.

"This company should pave the way into a new socio-political and economic era in South Africa where blacks and whites participate fully on equal terms to enrich the total community." - *Sapa*

Sowetan 20/5/91

Star 21/5/91

Garden project boosted

By Mark Suzman

National Beverages Services (Natbev) yesterday presented the Food Garden Foundation with a cheque for R25 000 at one of the charity's projects at Kliptown squatter camp outside Soweto

The Food Garden Foundation is a non-profit organisation that operates throughout southern Africa by supplying seed and providing training for underprivileged people to grow their own food

The donation, made as part of Natbev's social responsibility programme, will be used to help expand the foundation's activities

Accepting the award, foundation director Pauline Raphaely said "Our aim is not to provide a handout but a hand-up, and it is only through corporate donations like this that we can do so"

Speaking at the squatter camp's small but thriving food garden, Natbev social responsibility programme manager Eunice Sibiya said the programme was a worthy one and she hoped that the example of a successful vegetable garden in the squatter camp was one that would be emulated in other areas

"A project like this serves two purposes — it teaches people to support themselves and it helps individuals to regain human dignity and self-pride," Mrs Sibiya said nomic activity hasn't yet reached its low point"

Reports Business Day Reporter AP-DJ Sapa-Reuter

outside London It met in Hong Kong last year, reports Sapa-Reuter

Standard Chartered sold its minority stake in Standard Bank SA in 1986

in SA, then I think we could probably do it, but I think at the right time," he said

Minimum fee put brewery off JSE route

BDay 23/5/91 (182)

ROBERT GENTLE

THE JSE's R30 minimum fee on share transactions was an important reason in not choosing the exchange for the sale of shares in National Sorghum Breweries (NSB), Finansbank executive director Willy Ross said yesterday

The 44-million shares of R1 each that the NSB is offering to its predominantly black employees, distributors and customers, will instead trade in an over-the-counter market free from transaction fees

A second reason, said Ross, was the need for "a certain education process" for what was a large body of first-time investors

Finansbank, merchant bankers to the NSB, had structured the share issue around the need to keep it simple and ensure it succeeded, he said

This explained such concepts as the buyback option, which involves the Industrial Development Corporation (IDC), underwriters of the issue, undertaking to repurchase the shares at their issue price of R1 within a year of the close of the offer

"It gives holders of the shares a level of comfort for one year in the event the shares fall below R1," said Ross He expected the shares to trade above their R1 issue price

Another aspect of the Finansbank approach had been to offer the shares in affordable tranches of 100 for the "hundreds of thousands" of expected shareholders

Buyers and sellers will eventually trade by communicating their orders by telephone to an audited PC-based system which will match supply and demand on a first-come first-served basis Transfer of ownership will be monitored by transfer secretaries Mercantile Registrars

He conceded that the shares were destined first and foremost for the people most closely associated with NSB though there was nothing unusual about this

Certain UK privatisation issues such as British Gas and British Telecom had also given special incentives to account users to take up shares, Ross said It did not mean everyone else was excluded

He did not rule out NSB moving to the JSE once the initial aims of the share issue had been achieved

Sorghum beer trade returns to rightful owners

(182)

Sowetan 23/5/91

By ALI MPHAKI

THE offer of nearly 44 million shares at R1 each by National Sorghum Beer Limited marks an important and significant milestone in South Africa's economic history.

This was said this week by Minister of Economic Co-ordination and Public Enterprises, Dr Dawie de Villiers

The offer, which will finally place the sorghum beer industry in the hands of the people who support it, opened on Monday

De Villiers said it was important that the NSB succeed as a company

Investors

"This company should pave the way for a new socio-political and economic era in South Africa where blacks and whites participate fully on equal terms to enrich the total community," he said

Last year De Villiers brought to an end almost a century's campaigning by blacks when he announced that the Government wished to transfer the NSB to investors belonging to the communities who supported the industry.

No single shareholder may own more than 10 percent of the company's issued shares

Shares

The company has undertaken to allocate 30 percent of the shares to its 3 500 employees at a discount of 30 percent and the balance to the public. The public offer is underwritten by the Industrial Developmnent Corporation.

As the NSB's mission is to help black economic empowerment, preference will be given to members of the black community.

Managing director Mr Sam Mosikili says the company aims to put pride and respect back into the sorghum beer industry.

Recipes

"We will do this by making sure that our breweries employ strict quality control and that only the finest raw materials are used

"The original recipes used by our forefathers will be closely followed and we will take advantage of advanced brewing technology to maintain taste and quality," he said.

The prospectus will be available at all outlets of Standard Bank, The African Bank, Makro Cash and Carry stores, Pick 'n Pay, all breweries, depots and offices of NSB, Mercantile Registrars in Johannesburg and the IDC head office.

Beer invasion still some way off

(182)

By Des Parker Star 23/5/91

DURBAN — Foreign competition for SA Breweries (SAB) in the domestic market is unlikely to come to a head for the best part of three years — and then outsiders will have their work cut out against established brands.

Analyst Gil Catton of brokers Davis Borkum Hare says with beer consumption seldom increasing at less than 10 percent annually in the past decade, it is inevitable that overseas brewers will keep close tabs on the market.

He says US brewer Anheuser Busch, one of two foreign companies that have investigated SA, can be expected to make a decision on investment only in 1992 because US anti-apartheid laws cannot be scrapped before the end of the year.

"The commencement of brewing would involve a delay of at least 18 months. Thus Budweiser (Anheuser Busch's main brand) could only be launched, at the earliest, some time in 1994."

Guinness, the other brewer to look at SAB's record, faces a considerable delay if it decides to pit its famous stout against Castle Milk Stout.

The only other producer of any size is Johannesburg businessman Louis Luyt, who has stated his intention to spend as much as R500 million building a brewery at Randfontein with a capacity equal to about 6,7 percent of the domestic market.

It remains uncertain whether the plan involves association with a major world brand — Budweiser has been mentioned — or whether Mr Luyt intends to brew under licence.

The only other brewers on the horizon are niche operators, such as Mitchell's at Knysna and Cape Town, and Durban's Crawfords, which are estimated to produce about 0,11 percent of the beer drunk in SA.

The Bavaria Brau Brewery at Verwoerdburg is expected to start functioning soon on a relatively large scale, with a capacity estimated at six million litres annually.

Mr Catton says SAB is the ninth-biggest brewing firm in the world, although South Africans are estimated to rank only eleventh in the list of beer-drinkers.

They drink about 55 litres each a year.

Germans, who outdrink all others, quaff 142,9 litres each, followed by the Danes, who knock back 127,3 litres for every man, woman and child.

FM 24/5/91 (182)

SA BREWERIES FM 24/5/91

STRENGTH IN BEER (182)

Despite the recession and difficulties in distributing beer to many unrest areas, the beer division has kicked in a massive 26% growth in earnings on a 12% volume growth SA Breweries consequently lifted earnings by 18%, beating market predictions of 13%-16% growth For all the talk of a competitor entering the beer market, SAB considers it inconceivable that a major brewery could be up and running in this financial year — and there are no signs that volume growth in the beer market is letting up

The beer division's earnings accounted for 57% of the total compared with 53% last year In total, the beverage interests chipped in more than 72% of earnings, compared with 68% last year

There were pleasant surprises from the unlisted interests In particular, SAB's foreign interests increased their contribution by 19% to R57m Southern Sun's bottom line fell from R27m to R15m, though some analysts predicted these could plummet to R5m

When the contribution from Sun International is stripped out, Southern Sun made a small operating profit Hotel occupancy averaged 58% The standard break-even point is considered to be 60% SAB has taken over the group's properties, and they are now leased to Southern Sun on an arm's-length commercial basis SAB group financial director Selwyn MacFarlane says this has enabled Southern Sun management to concentrate on managing hotels rather than on owning and financing properties

Ed Hern, Rudolph's Sid Vianello suggests SAB should consider taking out minorities in OK Bazaars. He says OK is relying on creditors to finance its business and could suffer major cash flow pressures "It will be vital to recapitalise the business if it is to go through the restructuring and refurbishment needed to catch up with its competitors," he says "It would be unrealistic to expect a successful rights issue by OK, so the money would have to be injected by SAB"

But MacFarlane says SAB is not considering a buy-out "On the whole we consider minority shareholders to be a good discipline on management," he says "We have to run our businesses so that they stand up to regular scrutiny"

He says SAB has confidence in the long-term future of the OK, particularly because of its huge black clientele, and attention is being given to establishing a clearer position in the marketplace SAB was a strong supporter of OK's decision to close more than 30 smaller stores

A feature of the SAB results is the additional replacement depreciation, which took R60m off the bottom-line. MacFarlane says it's essential to anticipate effects of inflation on replacement costs SAB includes an inflation-adjusted balance sheet and income statement in its annual report For the first time, SAB has disclosed EPS based on the cash generation potential

"Income statements do not provide the real picture," says MacFarlane, "as they include non-cash items such as deferred tax, depreciation and equity-accounted earnings Cash equivalent EPS therefore provide an important supplemental measure for comparison with the cash flow per share achieved" SAB generated more than R1,1bn in cash, which gives cash earnings of 390c a share, compared with a conventional EPS of 265c SAB has a cash-sustainable growth rate of 22% a year, though it maintains a dividend cover of 2,2

A STRONGER BREW

Year to March 31	1990	1991
Turnover (Rm)	13 250	15 385
Pre-tax profit (Rm)	1 316	1 588
Attributable (Rm)	604	711
Earnings (c)	225	265
Dividends (c)	101	118

Gearing increased from 0,45 to 0,52, but this remains below the self-imposed gearing constraints of 0,6 SAB has embarked upon its most ambitious capital spending programme ever, with R3bn committed, of which R1,5bn will be spent in the coming year MacFarlane says SAB's financial advisers consider 75% a comfortable debt level on the group's asset base SAB, however, is averse to this debt level, and believes it is important to maintain an interest cover of at least six times — as it is at present

These results underpin the present 5 050c share price, which is 50% up on the 12-month low set last October *Stephen Cranston*

Not yet here for the beer

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DES PARKER ARGUS 25/5/91

Weekend Argus Correspondent

DURBAN — Foreign competition for SA Breweries (SAB) in the domestic market is unlikely to come to a head for the best part of three years — and then the outsiders will have their work cut out against brands that have stood the test of time

According to stockbrokers' analyst Gil Catton of Davis Borkum Hare, with the growth in beer consumption in South Africa rarely increasing at less than 10 percent annually at any time in the past decade or more, it is inevitible that overseas brewers will keep close tabs on this market

He writes in an analysis of SAB's beer division that American brewer Anheuser Busch, one of two overseas brewing companies which have investigated South Africa, can be expected to make a decision on investment only in 1992 because US anti-apartheid laws cannot be scrapped before the end of the year

"If it decided to move into our market, it will involve a significant investment and the building of a brewery," he says

"The commencement of brewing would involve a delay of at least 18 months Thus Budweiser (Anheuser Busch's main brand) could only be launched, at the earliest, some time in 1994"

Likewise, Guinness, the other brewer to look thirstily at SAB's record, faces a considerable delay if it decides to pit its famous stout against Breweries's Castle Milk Stout

The only other producer of any size is Johannesburg businessman Louis Luyt, who has stated his intention to spend as much as R500 million building a brewery at Randfontein with a capacity equal to about 6,7 percent of the domestic beer market It remains uncertain whether the plan involves association with a major world brand — Budweiser has been mentioned — or whether Mr Luyt intends to brew under licence

The only other brewers on the horizon are "niche" operators, such as Mitchell's at Knysna and Cape Town, and Durban's Crawfords, who are estimated to produce about 0,11 percent of the beer drunk in the country — or 2,5 million litres a year

The Bavaria Brau Brewery at Verwoerdburg is expected to start functioning soon on a relatively large scale, with a capacity estimated at six million litres annually

Mr Catton says SAB is the ninth biggest brewing firm in the world, although South Africans are estimated to rank only number 11 in the list of imbibers of the amber liquid They drink about 55 litres each a year Germans, who outdrink all-comers, quaff an (un)steady 142,9 litres each, followed by the Danes, who knock back 127,3 litres per person

According to Mr Catton, the biggest impetus behind the rise in lager sales in South Africa is changing tastes among blacks as incomes grow and they shake off rural traditions, graduating from "dry" sorghum beers (made from sorghum powder) through the "wet" packeted variety to lager

Monopolies are a detriment to beer trade

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Star 29/5/91

While it has been a good move on the Government's part to privatise the National Sorghum Breweries, the protection offered to NSB until 1995 means that a public monopoly has been replaced by a private one

This is the view of Ron Schreuder, general manager of Traditional Beer Investments (TBI), which brews sorghum beer in Bophuthatswana, Venda, Transkei and Lebowa TBI is a division of the South African Breweries

According to NSB's prospectus, the company obtained an exclusive right to manufacture, sell and deliver sorghum beer in the Republic of South Africa, excluding self-governing states and certain black areas The exclusive right expires on June 30 1995

Mr Schreuder says the sorghum beer industry only has a chance to grow if there is a free competition a battle for consumer loyalty and buying power

"Our view is that the replacing of a Government monopoly by a private company monopoly could only be to the detriment of the consumers of sorghum beer and the trade"

Mr Schreuder does not see sorghum beer recovering the market share it has lost to lager (clear) beer over the last 10 years But he adds that if properly run, wet base sorghum beer (the commercial brew) can gain market shares against the home brew (dry base sorghum beer)

He estimates the wet base sorghum beer market at one billion litres per annum and the home brew market at two to three times the size of the wet base sorghum beer

"It's a hell of a challenge facing the sorghum beer industry," concluded Mr Schreuder

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(182)

A man with 'the people' at heart

Mohale Mahanyele (52) is the executive chairman of the largest black-owned company in South Africa National Sorghum Breweries has a turnover of approximately R350 million and assets at book value of R105,12 million

The company was incorporated as a private company, Tusitala, in March 1970 It changed its name to the National Sorghum Breweries in March last year to serve as the vehicle as a vehicle for the State's sorghum interest.

Mr Mahanyele took over as executive chairman in July last year

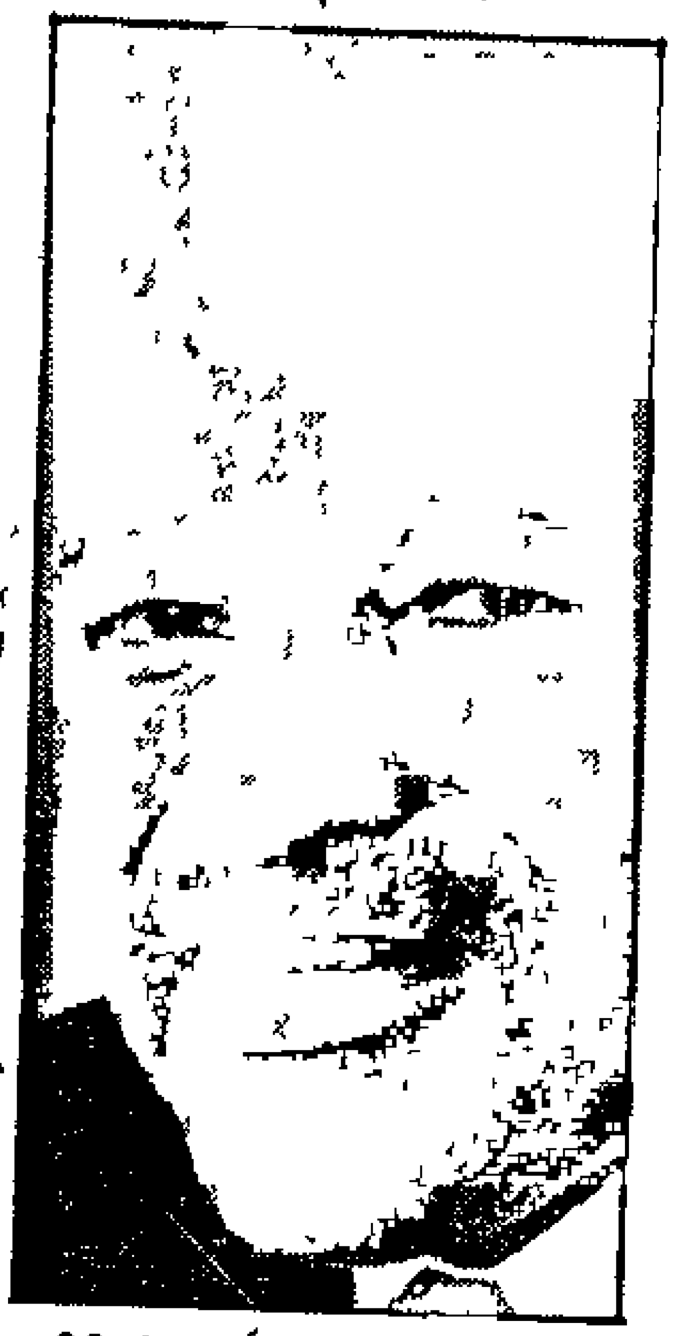
Luthuli

One of the 10 children, Mahanyele was born in Sophiatown After matriculating at Madibane High School in Western Township, he worked for African Horizon Insurance Company, which included among its board members, African National Congress leaders Chief Albert Luthuli and Professor Z K Mathews

When the venture failed in 1962, Mahanyele joined Sales House as salesman Then he moved to the United States Information Service as an assistant librarian

He studied through correspondence for a BSc degree with the University of London and later achieved his MBA through a Canadian University

Mr Mahanyele then joined the National African Federated Chambers of Commerce (Nafcoc) as executive director It was Mr Mahanyele, as Nafcoc executive director, who a led a delegation which got an assurance from the then Minister of Plural Relations, Dr Piet Koornhof, that the industry would one day be returned to its rightful owners



Mohale Mahanyele

He is currently a member of the State President's Economic Advisory Council, and on the SA Media Council

Mr Mahanyele is also a director of SA Phillips, York Timber Company, South African Foreign Trade Organisation, South African Rail Commuter Corporation, International Executive Service Corps SA, Qwaqwa Development Corporation and the Training Channel

Appointments

He says creating employment opportunities for blacks is a permanent aspect of the NSB policy

"Important senior black appointments have already been made, for example Israel Skosana as group manager of strategic planning, and Monwabisi Fandeso as general manager of Ijuba Breweries in Natal"

"National Sorghum Breweries will not try to go it alone, but will try to utilise black and white expertise to fulfill its true potential as a major generator of economic opportunity for our people," he says

NATIONAL SORGHUM BREWERY LIMITED

National Sorghum Brewery Limited
A Star corporate review

Social conditions determine brewery turnover

Star 29/5/91. (182)

The turnover and profitability of the National Sorghum Breweries in the 12 months to June 1992 could be detrimentally affected by unrest, violence in and around the hostels, unemployment and deteriorating economic conditions amongst consumers of NSB products

According to the prospectus, NSB's taxed income should be at least R11 million compared with the forecast R12,792 million for the 12 months to June 1991 In the absence of unforeseen circumstances, a dividend of 10c per share (covered 2,5 times) should be paid for financial 1992.

Directors say, however, that a strong foundation would have been laid for the company's next growth phase in turnover and profitability.

In the three years to June 1990, NSB's operating income has shown little growth despite a steady rise in turnover.

Turnover rose from R235,39 million in financial 1988 to R266,22 million in 1989 and topped R310,13 million in the 12 months ended June 1990

Operating income rose slightly in 1989 from R16,20 million to R17,38 million, but declined again in 1990 to R14,54 million This is reflected in a drop in operating margins from 7 percent (1988) to 6,5 percent (1989) and 4,7 percent in 1990 Margins are forecast to recover slightly to about 5 percent in the year to June 1991.

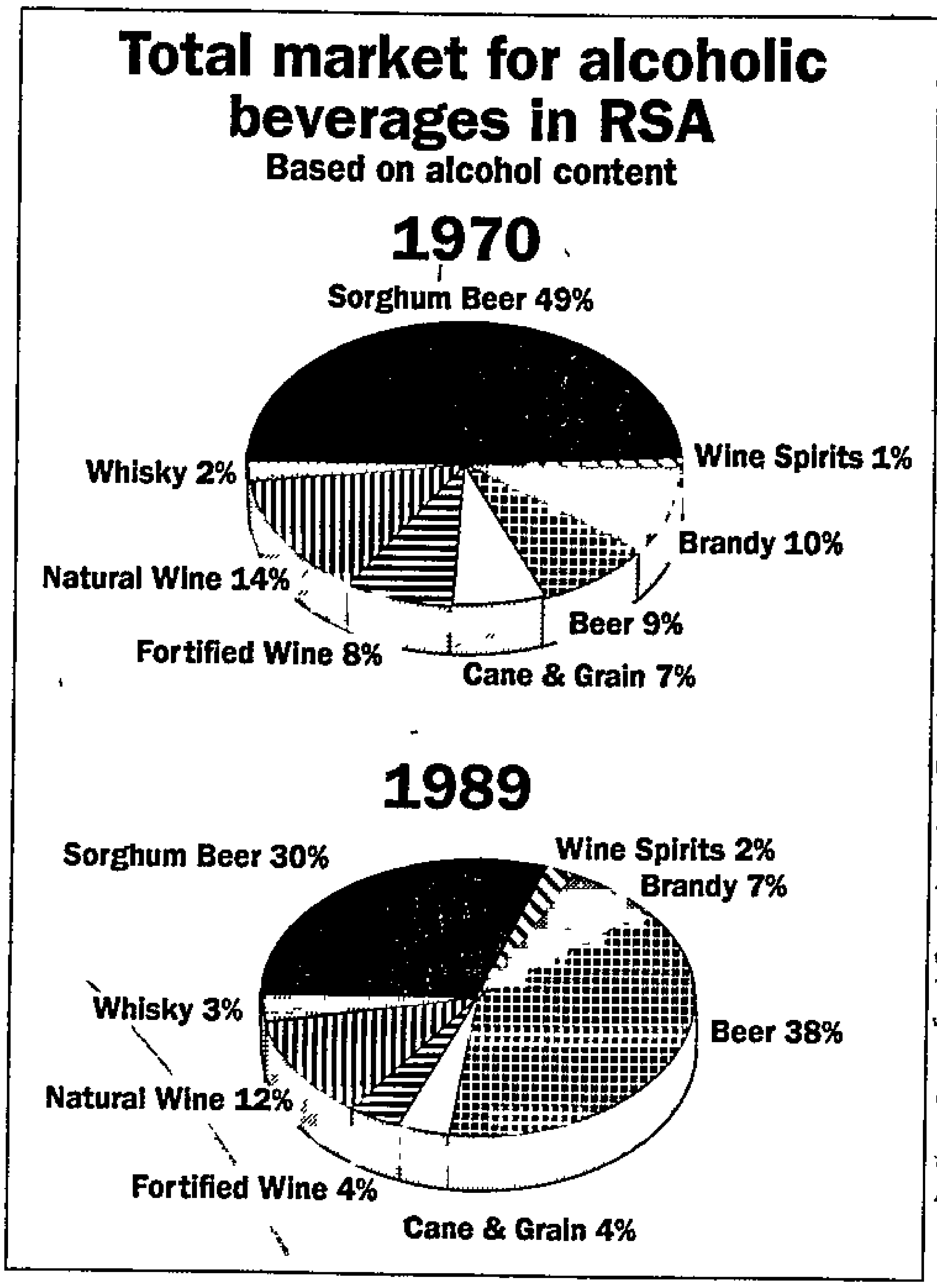
After notional tax, taxed net income was R12,12 million in 1988, R12,69 million in 1989 and R11,09 million in 1990 and is forecast to improve slightly in 1991 to R12,79 million

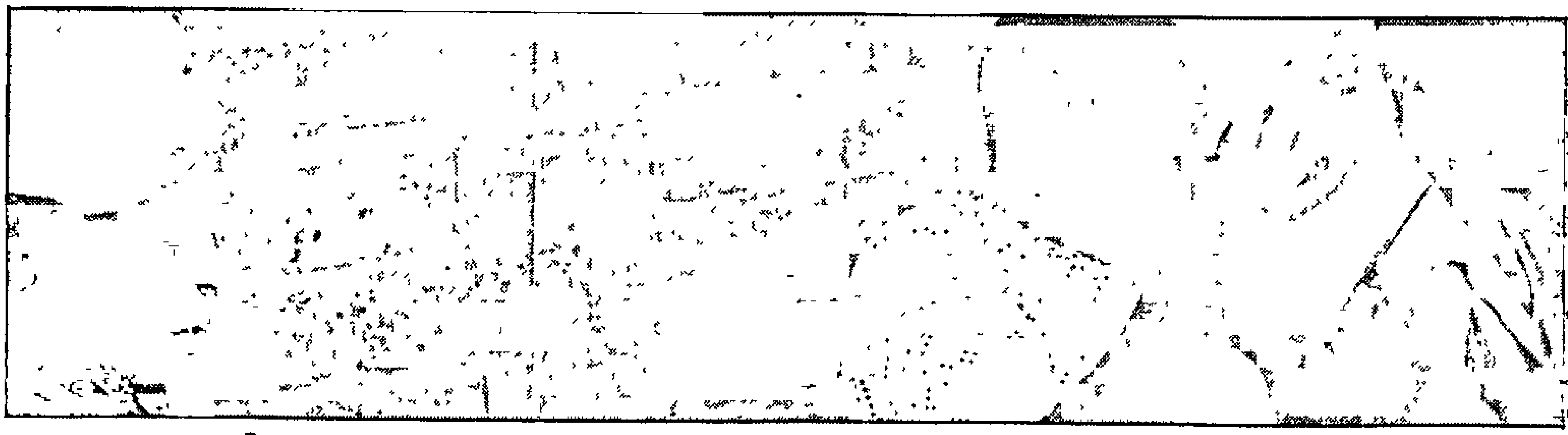
The situation is much worse that it should be Bottom line profits (taxed income) have actually been boosted by interest earned on the bank balances and cash of R43,19 million (at June 1990).

Stripping out the cash content of taxed income, leaving only income from trading operations, taxed income for 1988 would have been R8,27 million, R8,86 million in 1989, R7,41 million (1990) and R8,88 million in financial 1991 (forecast).

NSB, according to the prospectus, has earmarked a number of urgent capital projects which will be submitted to the board during the course of next year These projects are not expected to have any positive impact on earnings in the immediate future

It would appear therefore that in the short to medium term, the company's cash pile could decline dramatically, placing NSB's bottom line earnings even more under pressure





Company . . . any occasion is an occasion to indulge in a little quaff of the "old stuff".

A wet and a dry side to beer industry

Star 29/5/91 (182)

Powder takes the cake in the market

There are two types of sorghum beer, the wet base which is brewed in several breweries throughout the country and the dry base sorghum beer which is for the home brew market

Dry base sorghum beer is sold as a dry beer powder According to Gil Catton, of stockbrokers Davis Borkum Hare, there are two types of dry sorghum beer powders

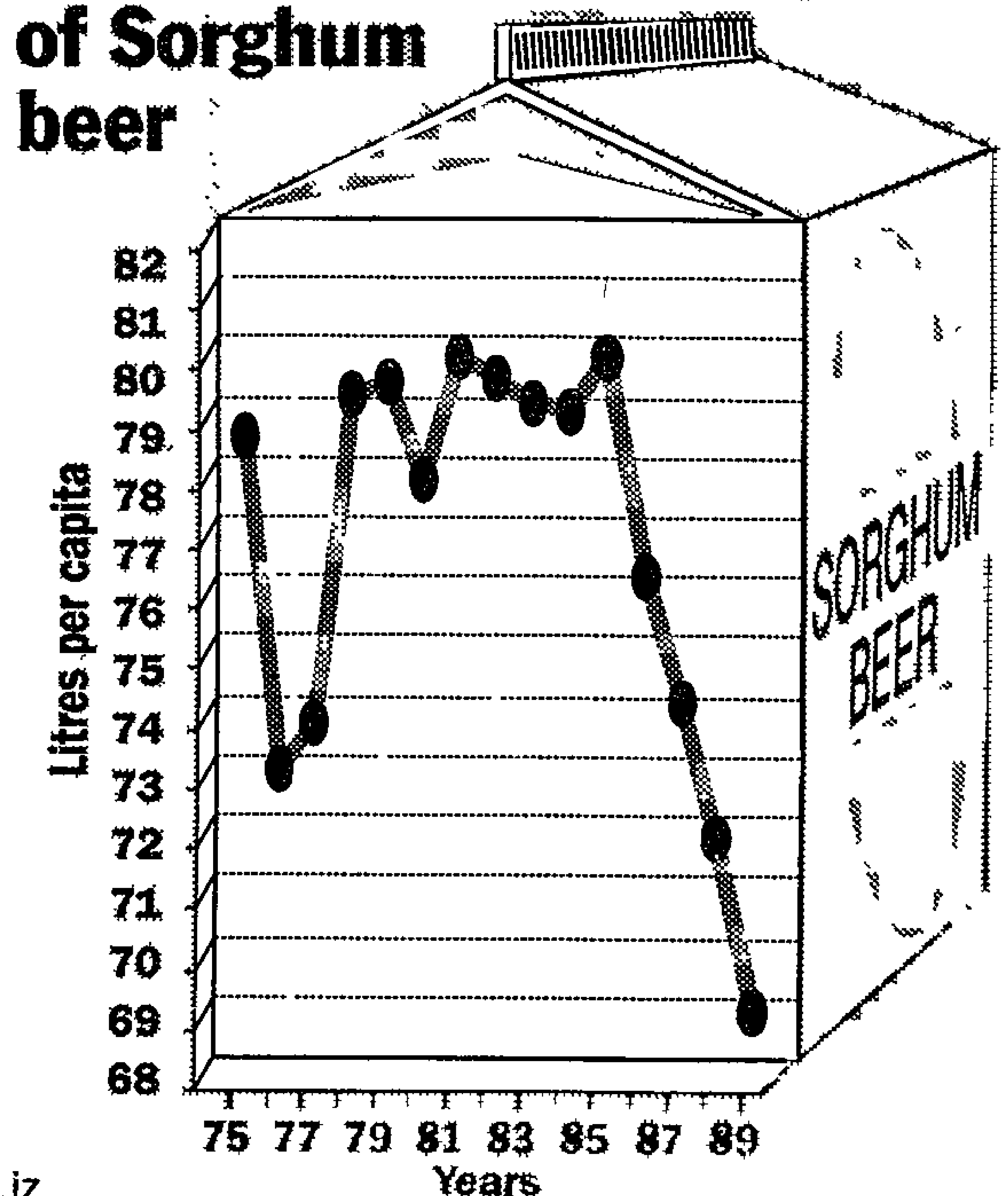
The most popular type (estimated to have 85 percent of the dry base sorghum beer market) is the type to which malt, mealie meal and sugar must be added and processed

The leading brand in this market is King Food Corporation's King Korn The second type, with 15 percent market share, is a dry base powder to which only water must be added — of which Fedfood's Nola industries is the leader

Mr Catton estimates that the dry base sorghum market is probably three times the size of the wet base sorghum market in litreage terms

However, Mike Hughes, the marketing manager Kin Food Cor-

A drop in the consumption of Sorghum beer



Employees are allotted shares in grand plan for community to control the industry

Star 29/5/91 (182) 232 29

The 3 500 employees of the NSB (80 percent of whom are black) have been alloted 700 000 shares for free — which works out at 200 shares per employee.

They have also been offered the other 12,5 million at 70c per share — a discount of 30 percent to the issue price of 100c Shares not applied for will be held in trust and offered again in July 1993 to NSB employees at the 100c issued price

To enable the Trust to acquire and subscribe for the said shares, the State has made an interest-free loan of R13,2 million for three years to the NSB Employee Share Trust

The State will also bear any fringe benefit tax liabilities arising out of the 200 free shares

According to the prospectus the State had on numerous occassions indicated its intention to place NSB in the hands of the community which supports the sorghum beer industry

In terms of the scheme, employees have a period of three years to pay for their shares Payment could be made on a monthly basis or a lump sum payment at the end of the the three-year period

Dividends will be paid to employees only in respect to the shares that have been paid for With respect to shares not yet paid for, dividends will be credited to the individual employee's loan account

The trust will dissolve after three years Any shares or cash left after the period will revert to the State, which will also be responsible for any losses or profits poration (a subsidiary of JSE-listed Tiger Oats) says it is difficult to estimate the size of the dry base sorghum beer market in volume, due to the many various recipes that are used for individual brewing

Added to this are an indeterminable number of people who grow and utilise their own sorghum

But he adds that sorghum used in the production of all malt production showed a 2,4 percent volume growth for the year 1990 according to the Sorghum Board

"Although it is estimated that approximately 40 percent of the total malt production is used as an ingredient in the manufacture of wet base sorghum beer, it must be borne in mind that this respresents between 30 percent and 40 percent of the total ingredients of the final brew, with maize representing the balance

"It is estimated that the actual volume yield of 1kg of sorghum malt used for the manufacture of wet base beer is double that which is achieved in the home brewing process, and meaningful comparisons are therefore not possible"

The dry base sorghum beer market, says Mr Hughes, has shown sustained growth in the market over the past three years with the 1990 figure standin at growth of 2,4 percent

"We see no reason why this should change in the current year, nor in the future Whilst this is not attractive, it is certainly stable"

While Mr Hughes does not accept that there has been a major swing from sorghum beer to clear (lager) beer on a national basis, he concedes that urbanisation and westernisation could have had an effect on the drinking patterns of the black people

But he adds that home brew, as distinct from other forms of sorghum beer, will retain its position as the real drink of the black people This is not only because of its appeal as a beverage but due to its importance in a host of rites and rituals to celebrate anything from birth to marriage Home brew sorghum beer is in essence an intergral part of black people's heritage

The current profile of the dry-base home brew sorghum drinker still cuts across all income groups, based upon the traditional and social calling of the moment For the traditional drinkers it includes all income groups, while for the social calling it is consumed at home with family and friends and culturally the product is consumed at all ceremonial functions

Historically, though, the market has shown a rural bias because the bulk of the black population live in the rural areas

"We believe that in the future there will be a return to traditional roots, and accordingly there will always be a place for home brew products," says Mr Hughes

Nutritious beer has a history of protest

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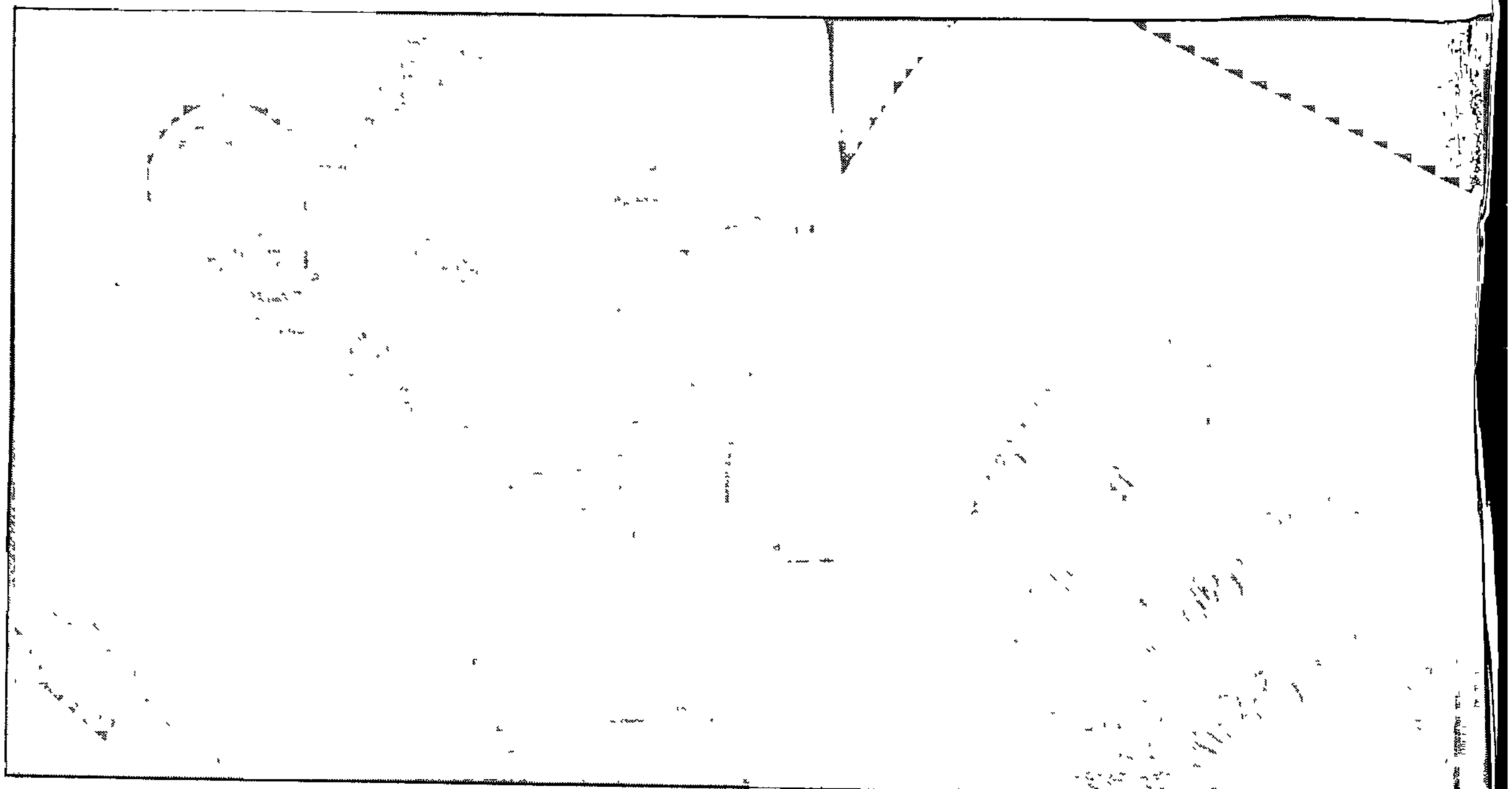
The traditions of 'pink gold' date back to 600 BC

Star 29/5/91



Reports by Jabulani Sikhakhane

The consumption of sorghum beer both as a food and a beverage dates back to the year 600 BC Sorghum beer is a highly nutritious beverage which is rich in carbohydrates vitamins and proteins, and as a result, its consumption was encouraged in pregnant and lactating women and young children

It has the texture of a thin porridge, sour taste and pinkish-brown colour — hence it's description as pink gold

Sorghum beer is a live' product which is consumed in an actively fermenting state when three to four days old This limits its shelf life to about three days

Sorghum beer is brewed mainly from sorghum, millet and mealies As a social drink, brewed by womenfolk, sorghum beer is enjoyed in groups and is also used for traditional festivities

As a crop, sorghum is particularly hardy, shrugging off disease and drought — the twin factors that have ensured its survival in the harsh climate of this region

It was towards the end of the last century, following urbanisation, that legislation was passed which affected home-brewing and sorghum beer

With increasing urbanisation, municipalities needed revenue for administration The Durban Corporation was the first to brew and sell sorghum beer commercially in 1909 Profits derived from the brewing and sale of sorghum beer were to be used for the upliftment of the living standards of blacks

Within 20 years the Durban Corporation had raised enough money to build a brewery, a native" eating house, barracks and a couple of schools and hospitals

Other municipalities were later to follow Durban's example and the brewing and usage of sorghum beer was controlled nationally for the first time in 1923 Brewing of small amounts by private individuals for domestic consumption was allowed, provided a permit was obtained from the municipality The exclusive right to brew sorghum beer was granted to municipal breweries

It is interesting to note that when beerhalls were first introduced the experience was described as drinking in a cage

The emergence of beerhalls usurped the traditional domestic function of women to brew beer for their men and denied them the potential source of income from selling these traditional brews

With the support of the African National Congress and the Industrial Commercial Union (ICU), women instituted a successful boycott of beerhalls in Natal in 1929 and 1959

The ANC leader in the 50's, Chief Albert Luthuli, had this to say "The beerhall has become for us a symbol of legal robbery by whites"

Despite the opposition, municipalities were realising massive profits from the brewing and sale of sorghum beer This prompted the following comment from the Star 'Kaffir beer is becoming big business for the municipalities, with profits in some cases of more than 100 percent and a rapidly increasing turnover"

The exclusivity of municipalities to brew sorghum beer was reaffirmed in 1962 through the Sorghum Beer Act Various municipalities started erecting their own breweries and by 1970 a total of 50 breweries were producing beer of which 17 were situated within a 100 km radius of Johannesburg

In the late 1970 s the sor hum beer industry was rationalised and all municipal brewing being transferred to Administration Boards

This rationalisation led to the improved quality of the product, a more realistic pricing policy was adopted and sorghum beer was tentatively promoted in some areas

But during the 1976 riots, beerhalls and bottlestores owned by the Admistration Boards were attacked and destroyed Some of the beerhalls have not been repaired

Following the government s intention to privatise sorghum beer industry, the assets of the sorghum beer business were [illegible] to the fo[illegible] rovincial Administrators in July 1985

Two years later the Industrial Development Corporation (IDC) was given the day-to-day management of the sorghum beer business The IDC was also given responsibility of preparing the sorghum beer business for transfer to its stakeholders

Announcing the share issue last month, National Sorghum Breweries executive chairman Mohale Mahanyele said "Black people have compaigned for more than 80 years for the return of the industry to its traditional supporters and I am pleased and extremely privileged to be the person to make this historic anno[illegible]"

Drink for most rites and rituals

SAB among top 10 world beer exporters

(182) CT 30/5/91

Own Correspondent

JOHANNESBURG — SA Breweries (SAB) has become the world's tenth largest exporter of beer since it began its major export drive just over two years ago

SAB, which started its exports in 1989, is currently among the top 10 beer exporters in the world, exporting to 47 countries, marketing manager (exports) Nick Spiropoulos said in an interview yesterday

SAB, the seventh largest brewery in the world in terms of production, exported 870 000 cases two years ago and 4m last year (a growth of more than 400%)

Export sales

Spiropoulos said SAB would probably achieve its goal of export sales this year, although he would not diclose the amount

It was currently sending the product to the Soviet Union and other Eastern European countries including Czechoslovakia, Poland and Bulgaria

Spiropoulos said SAB "had a tiger by the tail" It had recently added 12 countries to the 35 it had established as export markets, and was expecting some more this year

SAB, which previously exported to some countries in Africa, was now exporting to other African countries, as well as Europe, South America, the Far East and the Middle East

It exported mainly Castle, Ohlssons, Lion and Hansa in cans Special cans were printed for some countries, including Israel, Hong Kong and Spanish speaking South American countries

SA beer was freely available on board Argentinian, Uruguayan, and Paraguayan airlines

Spiropoulos said people were keen on the SA products because of their quality and low price due to the exchange rate

In South America SAB prices were the equivalent of $0,10 to $0,20 a can more expensive than local beers, while imports from the US were $0,60 to $0,70c more expensive

This was largely due to the rand/dollar exchange rate and also due to SA government subsidies

Prices

SAB's prices were also substantially below those of other foreign beers, he said

In the yuppie clubs and pubs it was fashionable to be seen drinking imported beer

In Punta Del Este most supermarkets stocked SA beer Also, cans were popular as only bottled beer was brewed in Argentina Spiropoulos said the timing was also right following recent political developments in SA

The Uruguayan agent for SAB products, who was the captain of their national rugby side, had increased his imports from one container a year ago to 10 containers this year Spiropoulos attributed his interest to SA being seen as "the father of rugby in South America"

Spiropoulos expected future growth to come from Africa and South America, as the European market was reaching saturation

CT 30/5/91

(182)

Cape wine giant to lay off staff?

By PIETER COETZEE
Financial Editor

ONE of South Africa's wine giants, Stellenbosch Farmers Winery, confirmed yesterday that it was considering a major retrenchment and cost-cutting drive.

Chairman Mr Dave Marlow said this could also lead to the closing of some bottling lines

He was reacting yesterday to market talk that workers had been retrenched at SFW, that its Oude Libertas Centre would be closed and that two bottling plants had been closed down

Mr Marlow confirmed that the group was looking at how to be as cost-efficient as possible and was examining its internal structures

He said nobody had been retrenched so far, but the group was in consultation with trade unions on how it could cut costs and streamline structures within the group

Depending on the outcome of the talks, this could lead to retrenchments, he said It was impossible to say how many people would be affected No decision would be reached before the end of June

Mr Marlow said the present economic circumstances demanded that each company examine its structures

Regarding the Oude Libertas Centre, Mr Marlow said it was still operational The theatre was closed for the winter season, as was usually the case, and would be be reopened in summer

The vinotech, catering facilities and Cape Wine Academy were fully operational and doing well, he said

FM 31/5/91 (182)

WINE AND SPIRITS

SFW'S BITTER HARVEST

Tough competition and little growth in SA's wine and spirit industry looks set to claim one of its first victims — the Stellenbosch Farmers' Winery (SFW) plant at New Germany in Natal

Although the group, which has more than 50% of the local wine market, is still consulting with employees and trade unions and says officially that a final decision has not been taken, it seems almost certain that the plant will close.

SFW's plants at King William's Town and George are also under scrutiny Group MD Frans Stroebel says the rationalisation process could affect 150 employees at the three plants and about 300 staff nationally.

News of the threatened shutdown was greeted with dismay when it leaked out early this week. Besides having a negative effect on business confidence in Natal, the news is likely to have a bad psychological effect on the industry Other wine and spirit companies are having a tough time with little or no growth in the market and fierce pricing competition

The New Germany plant used to be a major producer of Mainstay cane spirit. But national output has dropped from more than 1m cases in the early Eighties to around 500 000 cases now SFW's last two annual reports showed a slight drop in earnings

Stroebel says that with plants across the country — New Germany is believed to be SFW's third biggest, after Wadeville near Johannesburg and the Stellenbosch plant — the group found that changing market conditions meant better plant utilisation Johannesburg, he says, can serve Natal, and Stellenbosch some of the other centres

Inept marketing

Stroebel says that while former strong labels such as Mainstay have been affected by cheaper brands and a cyclical market, with the cost trimmings now being implemented, they will regain their strength The group remains optimistic that new opportunities will open up for it, such as exports

But competitors say SFW has fallen victim to some bad marketing decisions and lost market to cheaper brands

While Stroebel says the group is now satisfied with its mark-up on market leaders such as Graca wine, understood to be the second biggest label on the market, competitors feel that SFW operates on margins too small to justify the amounts it spends on promoting products such as Graca.

It's also believed to have over-capitalised on canned wine coolers, which seem to have been a market fad Stroebel says that since the wine cooler heyday of 1984, sales are down.

While SFW's cutbacks reflect conditions in the industry generally, it must concern heavyweight parents Rembrandt-KWV In-

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FM 31/5/91 (182)

vestment Ltd, 60% shareholders in SFW The only part of the market showing reasonable growth is beer, controlled by SA Breweries, which owns 30% of SFW ■

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Top Govt advisory post for SAB's Kahn

SA Breweries executive chairman Meyer Kahn has been appointed special adviser on a part-time basis to Minister for Economic Co-ordination and Public Enterprises Dr Dawie de Villiers. Star 31/5/91

Mr Kahn will continue his involvement in the private sector "which is also of major importance to the Government", Dr de Villiers said yesterday.

The SAB chairman will also work closely with the Central Economic Advisory Service, which is responsible to Dr de Villiers. — Sapa.

SAB will get top priority, says Kahn

182

MARCIA KLEIN

SA BREWERIES (SAB) CE Meyer Kahn, appointed a special adviser to Economic Co-ordination and Public Enterprises Minister Dawie de Villiers, will spend about 20% of his time on his new responsibility

But SAB would always come first, Kahn said yesterday B|Day 3/6/91

He said he would give thought to giving up some of his other activities outside SAB to accommodate his new role, which became effective from June 1

Kahn said his new, "very exciting" position would entail assisting with the economic strategy of the country, but he could not isolate any issues at this early stage.

He had already had "a couple of meetings" with De Villiers

De Villiers said in a statement on Thursday that Kahn would continue his involvement in the private sector, which was also "of major importance to the government".

He said Kahn would also work closely with the Central Economic Advisory Service, which was responsible to De Villiers.

"Mr Kahn's skills, talents and expertise, with his wide-ranging experience and knowledge of the SA business sector, make him particularly suitable for this important and challenging task," De Villiers said.

As Kahn would retain his involvement in the private sector, he would perform his duties as special adviser on a part-time basis.

Wine industry's profits come under pressure

11/6/91 LINDA ENSOR (182)

CAPE TOWN — Margins in the wine industry have come under extreme pressure as costs increase, consumers buy cheaper varieties and producers battle for a share of a stagnant market.

Stellenbosch Farmers' Winery (SFW) has felt the pressure and recently announced the closure of three bottling lines — in New Germany, King William's Town and George — as well as the retrenchment of about 330 of its total workforce of 4 300

SFW chairman David Marlow said the measures were aimed at improving the cost effectiveness and competitiveness of the group at a time when there had been little growth in wine consumption, wages rose significantly and competition intensified for the export market.

Demand for wine in SA has traditionlly been low — about 60 litres of beer per head is drunk each year, while the white population's consumption of wine is 15 litres per head and blacks only 1,5 litres

Marlow said competition between SA manufacturers to get export orders had become intense, enhancing the need to cut production costs

"It is tough in the marketplace and I expect it to get tougher," Marlow said He would not be drawn on SFW's performance in the year ending June 1991

SFW directors, reporting a drop in attributable earnings to R24,3m (R25,9m) at the interim stage, recently said profits for the year "are expected to be somewhat less than the previous year"

Capacity

Turnover for the first six months rose 14,1% (7,6%). In the year to end June 1990 and bottom-line profits dropped 1,6% to R42,7m

Marlow said SFW had at least maintained market share without having to reduce prices. But, a shift in consumption towards cheaper wines had necessitated a reorganisation of production processes The loads from the closed bottling lines would be transferred to others which had spare capacity or where capacity could be created

"The other basic thing we are doing is examining the extent to which we can contract out services such as catering, cleaning, etc " Emphasis had also been given to the management of working capital

Prospects for the industry hinged on the success of exports, but Marlow stressed that entry into foreign markets would be a long and difficult task, especially since the new wine-producing countries such as Australia, New Zealand and Chile had stepped into the gap left when sanctions were imposed on SA.

Marketing would have to be done carefully as "each country has a market in its own right with its own preferences and tastes and has to be addressed as such", Marlow said, adding that the undercutting by local wine producers to win exports was harming the industry

Improved political relations had opened up new opportunities for exports which could increase significantly and rapidly

Louis Luyt buys second UK brewery

ANDREW GILL (182)

LOUIS Luyt plans to capture between 8% and 10% of SA's beer market in the next four years, he said yesterday after confirming plans to buy a second brewery

He was looking at the possibility of buying a 250-million litre brewery to complement the announced acquisition of a 150-million litre brewery from UK-based Greenall Whitley Group in March

It is understood that the Greenall Whitley brewery is about to be shipped from the UK to Durban. A spokesman said plans were to ship out the complete brewery, weighing more than 11 000 cargo tons, in one shipment

The Financial Mail reported yesterday Luyt was negotiating to buy a second UK brewery. Luyt declined to comment on where it was based and has not named the financial backers of his first purchase

Also, he refused comment on how much it would cost but said it was significantly cheaper than setting up a new brewery.

Both breweries are to be erected at the Aureus industrial area in Randfontein where Luyt is expected to start work no later than September

It would result in a 400-million litre a year operation if it ran at full capacity but this would take a few years, he said. SA's beer market is 2 400-million litres at present Bday 13/6/91.

Luyt declined to give further details as the deal was still under negotiation and he was up against "formidable opposition" in SA Breweries (SAB)

SAB marketing director Peter Savory said Luyt was entitled to come into the market The brewing giant had always said it would like to see bigger players Market share belonged to the consumer but SAB would protect what it had, he said.

Luyt announced the purchase of a 150-million litre brewery in March and said it would be opening in January 1992. A 10,5ha property was bought in Randfontein where the brewery would be built

The move is the latest in a string of plans by local and overseas parties to enter the SA beer market and challenge SAB, whose share of the market is well above 90%

BEER FM 14/6/91 (182)

BREWING COMPETITION

SA's beer war is hotting up In March former beer baron Louis Luyt announced that he had bought a UK brewery and was shipping it lock, stock and barrel to Randfontein Now he has brewed up another surprise — he is negotiating the purchase of a second UK brewery

Initially, Luyt's major competitor SA Breweries (SAB) scoffed at his plans to mount a second challenge to their dominant market position, dismissing the 150m h*l* a year his proposed Randfontein brewery would produce as a mere drop in the ocean

Adding a second brewery to his 12,5 ha Randfontein site, however, could put him in a position to garner considerably more than his targeted 3% of the local beer market

His first brewery was bought from the Greenall Whitley group, which had to choose between closing a brewery or selling off a number of its more profitable pubs to comply with British monopoly laws The second brewery is closing for the same reason But fearful that divulging details could alert other potential buyers, Luyt will not identify the seller

He has still not named the financial backers of his Randfontein venture, which must stand him in at around R400m-R500m — without a second plant He does say, however, that by buying second-hand breweries, he is paying less than R400/h*l* for his brewing capacity, which is far less than a new brewery would cost

Luyt hopes to start work at the Randfontein site "no later than September, otherwise I will miss my target date for completion "

continue

FM 14/6/91 (182)

He is being purposefully cagey about divulging the specifics of his plans Having been beaten into submission once before by SAB in the Luyt lager beer war of the Seventies, he is not about to repeat mistakes

"Anyone who underestimates a tough opponent like SAB is dead," he says "I don't want to let them know at this stage exactly when I'll be coming on stream They can cause me a lot of grief "

He is realistic about the threat he poses to SA's beer giant, though "All I can do is slow down their growth to maybe 9% or 10% a year If I wanted to really hurt them, I would have to aim for 10% of the market, and that would be costly "

SAB's growth in sales was a phenomenal 12% last year — more than four times the rate of SA's population growth Spokesman Adrian Botha says the brewery sold 22,7m h*l* of beer in its last financial year to March The small independent breweries sold between 5 000 h*l* and 6 000 h*l* last year

Graham Mackay, MD of SAB's beer division, says "It's unrealistic to believe a 12% compound growth rate can be maintained, but I hardly think earnings will decline Due to a lack of information, it's difficult to project Luyt's impact on the beer division We don't know who his backers are, how aggressively he'll attack the market, or even how wide he is prepared to cast his distribution net, which will be one of the factors that will determine his market share "

Syd Vianello of stockbrokers Ed Hern, Rudolph, takes a contrary view In an April report on SAB, he predicted SAB's beer earnings, after more than 10 years of growth, could begin to stagnate or even fall He pointed to the threat of new competitors entering the market — other foreign-backed ventures besides Luyt — and believes that with beer margins at an all-time high, they may not be able to rise much further.

Should a competitor tackle SAB's iron grip on the local market, Vianello said he believed that the industry's current growth in volume could not be sustained by both players simultaneously *David Pincus*

Sam Mosikili . . . believes in the nutritional value of the ingredients in sorghum beer.

Manager with a mission

MANAGING director of National Sorghum Breweries (NSB) Sam Mosikili's mission in life is to get people to drink more sorghum beer than any other beverage CITIZEN 16/6/91 (182)

No amount of persuasion — and there has been lots — will make him change his belief that sorghum beer is "much more than an alcoholic beverage"

Mosikili, 46, replies to anti-alcohol critics that "sorghum beer might well be a beer but also happens to be full of nutritional value"

He joined South African Breweries in 1972 as a brand manager and in 1982 was appointed commercial manager of Maluti Mountain Brewery.

Two years later he was appointed NSB's district manager for Soweto, a position he held until June last year when he became its managing director.

Mosikili is chairman of the SA/Harvard Selection Committee and an executive member of the South African Institute of Race Relations

He is also a member of the Advisory Committee of the SA Permanent Society and the Black Management Forum.

Traditional brew as old as Africa itself

SORGHUM beer (*utshwala besiZulu* or *bojoala baseSotho* or *Mabele*) is as old as Africa itself. Its nutritional qualities were well known even before modern scientists discovered them

(182)

Its high food value and low alcohol content meant that sorghum beer could be drunk by the whole family, especially at traditional celebrations

Brewing has traditionally been performed by women and methods and recipes have been handed down from generation to generation.

The industry has been subject to political interference and manipulation, ever since the industrialisation of South Africa. Even before the turn of the century whites were trying to limit its consumption, but soon realised that by controlling the industry, much money could be made

A milestone occurred in 1908 with the Natal Beer Act which granted certain municipalities and individuals the sole right to brew sorghum beer.

By 1962 black people living in white urban areas were only allowed to brew sorghum beer if there was no brewery serving that area, and by this time there were many breweries – 17 in the Johannesburg area alone

C/Press 1/6/91.

Throughout this period blacks protested the injustice of white control of the sorghum-brewing industry.

In July 1990 National Sorghum Breweries was formed with a new board of directors. Minister Dawie de Villiers reaffirmed the government's commitment to place the industry in black hands, thus ending more than 80 years of politicisation and government interference in the black man's traditional brew.

Now that it is in private hands, the future looks bright indeed, and everyone in National Sorghum Breweries can play a part in securing their future – *Brewers, Beerhalls and Boycotts.* – published by Ravan Press.

Big changes brewing

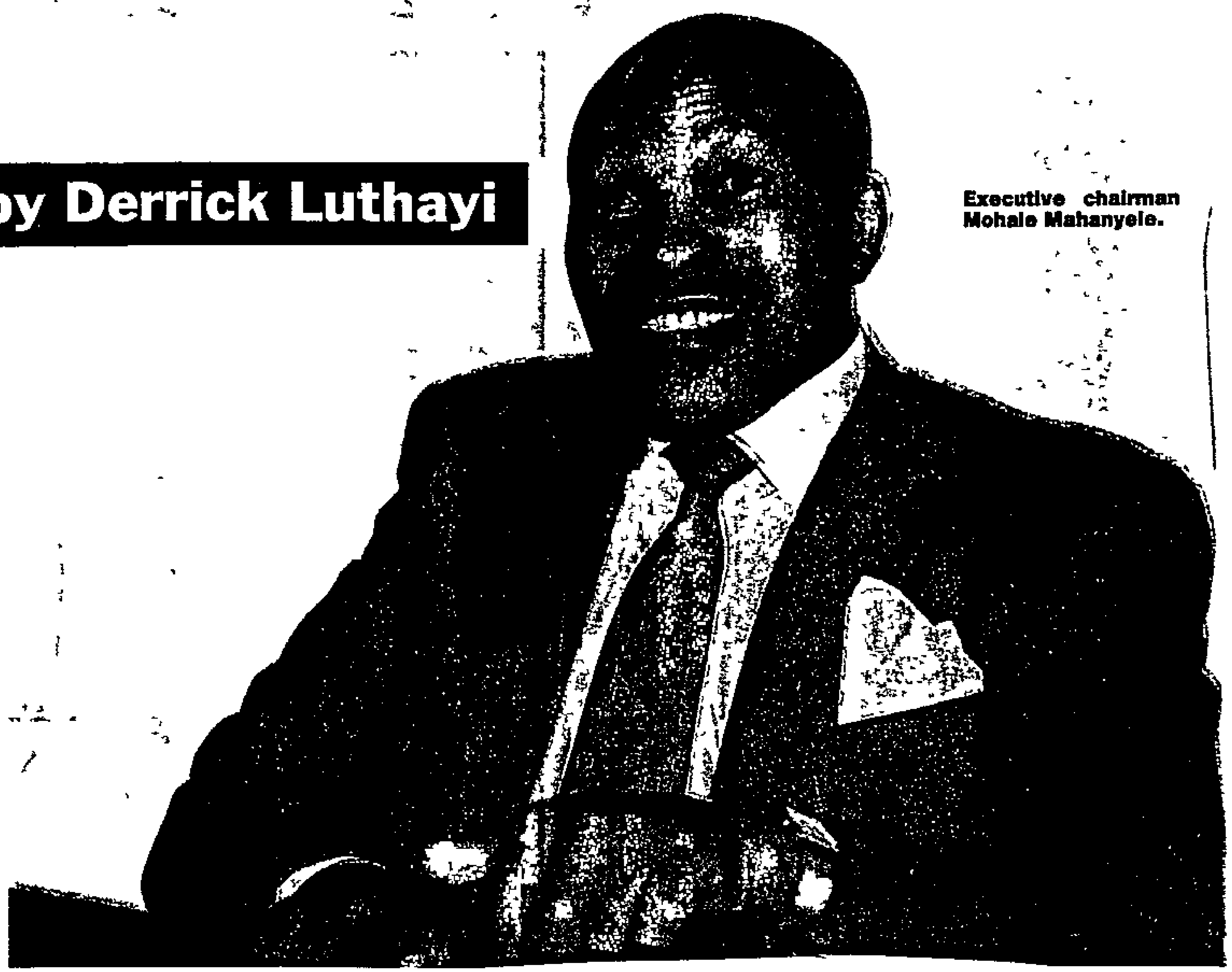
(182) C/Press 16/6/91.

NATIONAL Sorghum Breweries executive chairman Mohale Mahanyele says he is singularly aware of the almost total absence of blacks as owners and directors in successful medium to large business undertakings throughout South Africa

Mahanyele adds that NSB's mission is a serious and significant policy as well as a strategically important plan to address this situation.

Reports written by Derrick Luthayi

NSB policy is to have more blacks in management



Executive chairman Mohale Mahanyele.

One of the things NSB has done to rectify the situation has been to offer shares mainly to blacks and a few white staff members The share offer closes on Wednesday

This control on ownership is the latest twist in the politically-charged history of the brew in South Africa, where for many years the government used it to help pay for apartheid

Mahanyele controls a company which has 3 500 employees and a turnover of R350-million a year He is also a director of 13 other companies countrywide

"NSB's corporate mission is planned, directed, implemented and monitored on a daily basis by myself in my capacity as executive chairman

"Our mission is black economic empowerment through ownership, control and management of a group of companies in the beverage food and leisure industries

"It is worth noting that this policy is driven by "affirmative action" on employment, procurement of supplies and provision of professional services – all of which must be sourced from the black community first and foremost before resorting to other groups

"It stands to reason that the board of directors, management and employees must reflect the South African population profile In the beverage industry black consumers pay 88 percent of the R15-billion a year, and yet only retain about R500 000 of the business

NSB supports black business efforts, hence its multi-million rand distribution of sorghum beer is now open to any interested transport companies

The directors at NSB are Mahanyele; managing director Sam Mosikili, Moss Leoka, Prof MJC van Vureen and J de Bruyn

The African Bank has been earmarked for special support and NSB is the single largest shareholder in it and also has a significant investment in the bank.

Various black-owned businesses, such as travel agents, accounting firms, florists, construction companies, insurance houses and many more are being involved in procurement of supplies and professional services

Job creation and wealth generation are the major parts of this policy

In the field of social responsibility, education is receiving special attention both within the company and outside

Millions of rands have been allocated for bursaries at technikons and universities, for students who are pursuing science-related training such as engineering, chemistry, food, economics, finance, marketing and human resources

NSB is engaged in a major drive which involves black scientists in the research and development of food and beverages, especially using sorghum as a base

Considerable research is being conducted into the production of nutritious value-for-money traditional African consumer foods and beverages

The aim is to assist in the fight against malnutrition and other debilitating diseases

Over 88 percent of the people employed in NSB belong to trade unions

The executive chairman and the board of directors are deliberately directing the dialogue and involvement of all relevant parties in matters relating to collective bargaining There is no adversarial relationship

Mahanyela said NSB was against retrenchment if it was the only way to make profits

Privatisation on trial as sorghum brewery goes public

182 B/D ay 19/6/91. 182 19/6/91

MARCIA KLEIN

DEBATE on the merits of privatisation in SA will be further fuelled by the success or failure of the public offer of shares in National Sorghum Breweries (NSB) — an offer some industry observers regard with scepticism

The privatisation of Iscor and its subsequent listing in November 1989 brought no great joy to the steelmaker's shareholders Iscor's share jumped to an opening price of 225c following its public offer at 200c a share, and has been languishing ever since, closing yesterday at 205c Interim dividends at end-December declined by 16%

Now 44-million shares in state-owned NSB are being offered at 100c each, principally to employees, distributors and consumers The offer closes today

Beverage industry analysts warn that if the same profit performance afflicts NSB, investors are unlikely to be happy if they cannot trade their shares The NSB share offer has not been received well by industry analysts, in part because they are cautious about future growth prospects for sorghum beverages

NSB has said that one of its aims was to educate black people — its main customers — on the merits of owning shares, even if NSB will initially not be listed on the JSE Analysts argue that this will be effective only if sales and profits grow strongly And they justify pessimistic forecasts on the sorghum beer industry's 15-year record of flat sales They see little prospect of change, particularly as a rapidly urbanising black population is showing a preference for clear bears such as lager

Barring a prolonged depression, sorghum was "an old Third World product doomed to die", an analyst said

Wits Business School professor of business strategy Grant Robinson said NSB was taking a mature industry and placing it in the hands of unsophisticated black shareholders, and "the mere act of privatisation will not turn a mature business around"

He said NSB had not explained to its potential shareholders that the industry had long been mature and would need a reversal of consumer tastes to turn around Shareholders could find themselves trapped in a business with no growth potential

However NSB's company secretary and group strategy manager, Israel Skosana, disagrees with the analysts "Our target market is one which is growing and is still going to grow in the future"

Skosana said sorghum had not been promoted in the past, and had generally become associated with consumers in the lower economic brackets NSB's major marketing drive of the past few months was starting to clear up some of the "misinformation" and was "putting pride back into the people" NSB was tapping into the traditional aspect of sorghum It was also looking at other sorghum-based products, especially dry-based sorghum, and there was much potential for the company to increase its sales base

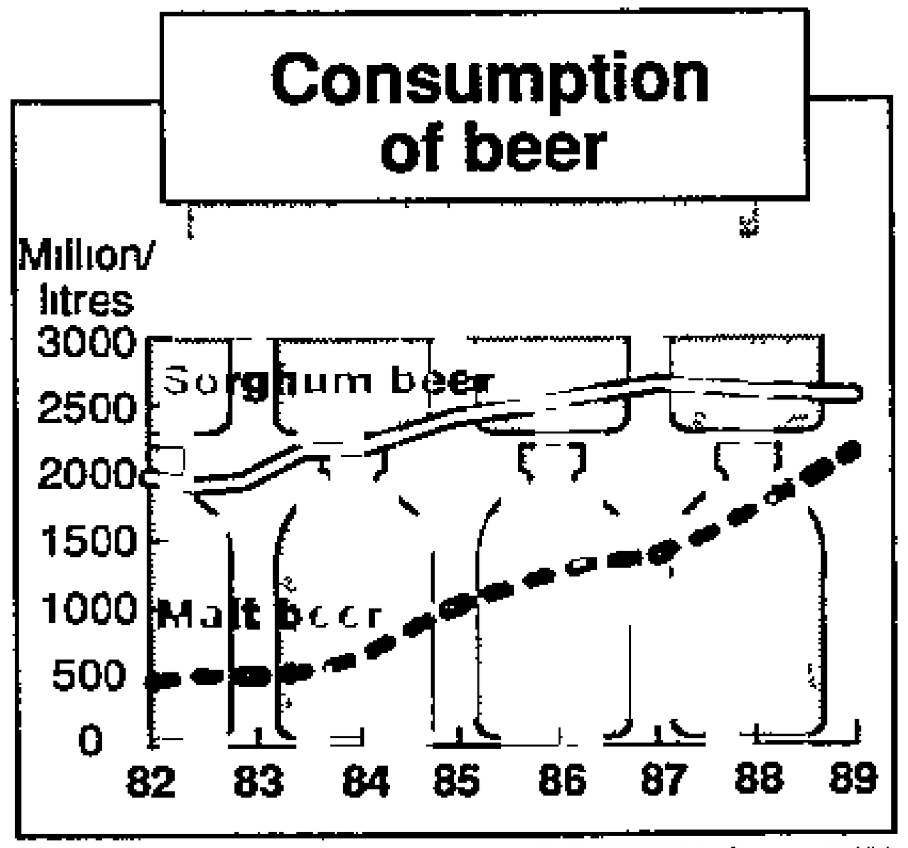
Skosana said the sorghum market would grow together with the growth in clear beer

Davis Borkum Hare analyst Gil Catton said that last year lager beers showed annual volume increases of 10%, while the wet sorghum beer volume increase was only 2,6% — lower than the growth of between 5% and 7,3% of earlier years

Other analysts expressed concern that rising black incomes and rising discretionary spending by black consumers had resulted in greater sales of clear beer and a declining preference for downmarket sorghum beer Sorghum was definitely losing market share to lager, evident from the sustained volume growth (12% in financial 1991) notched up by SA Breweries (SAB)

And, they said, the costs of clear beer were becoming competitive compared to sorghum, and as prices moved closer, there could be a greater shift from sorghum to clear beer

While there were a few possibilities for sorghum in terms of new products and strategic growth plans, an observer said a shift from beer to food products could be risky, and NSB was not an experienced player in the food industry Another analyst said this would require hard work and sharp management, which NSB had yet to display



Graphic: LEE EMERTON Source KWV

NSB's earnings had been in decline for the past three years, and the analyst suggested that sorghum beer volumes could fall by as much as 50% over the next five years

In the year to June 1990, NSB's net income fell by 12,6% to R11,1m on a 16,5% turnover rise to R310m In the recent prospectus the directors forecast a 15,3% rise in net income to R12,8m on a 14,8% increase in turnover to R356m in the year to end-June 1991

With narrow margins (operating margins declined from 6,5% to 4,7% in the year to June), decreasing earnings and loss of market share to SAB, an analyst said that if NSB were to list, SAB would offer better growth prospects to investors

Skosana said criticism of the share issue was unfounded, and one of its most important aspects was its educational value to the black community He claimed NSB was educating people that "participation in shares is not taboo", and that his company's initial issue would be an education on the benefits of being a shareholder

NSB has said it plans to list on the JSE sometime in the future, but sees no immediate need to do so Until then, it will facilitate trade by providing a "matchmarket" service, set up with the assistance of stockbrokers

Skosana said a data base would match sellers and buyers, as well as provide average opening and closing prices NSB branches and brewers would also be able to relay requests to buy or sell to NSB head office The JSE has declined to comment on the way in which the shares will trade

No charges would be levied for this service Skosana said it was not unusual for there to be no agent, and in terms of the articles of association, this would be NSB-controlled

He said while it was difficult to say what the response to the offer had been, it looked encouraging Some company pension funds had indicated that they would take up shares Preference would be given to pension funds of black employees or unions, but the offer did not exclude white pension funds

One analyst wondered how many shares the IDC would have to take up during the first year of trade in NSB shares The IDC has guaranteed to underpin the issue price for 12 months The analyst said there was a possibility the IDC would have to buy back a controlling interest in the company Skosana said it was unlikely the IDC would gain control, due to the enthusiastic response to the offer and to various future company strategies "We will see high trading in NSB shares," he said

Another analyst noted NSB was issuing shares in what was a protected monopoly NSB is the only sorghum brewer that can operate within SA's borders SAB has a sorghum operation which markets to the homelands and other African countries, and there is also a sorghum producer based in KwaZulu

Robinson pointed out that NSB's protected monopoly could fall away in 1995, leaving the market open to competitors, including SAB

Skosana accepts that over time NSB would probably lose its right to be the only marketer of sorghum in SA But, he said, other producers' products were selling within SA's borders, and so there was already an element of competition

The NSB share issue will put to test not only the merits of privatisation but also NSB's ability to deliver the goods to first-time shareholders

Froth flies in sorghum beer row

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By SEKOLA SELLO

Cit news 23/6/91

BIG business is blocking the entry of black entrepreneurs into the mainstream of the economy, charges the executive chairman of National Sorgum Beer, Mohale Mahanyele

The NSB boss said this at a hastily-convened press conference where he criticised a report in a daily business newspaper which gave an unfavourable account of the sorghum industry

Blacks were offered 44 million shares in the State-owned NSB at 100 cents each. The offer closed on Wednesday

Mahanyele said that in terms of assets, NSB is the largest black-owned company in South Africa.

The newspaper report said the industry had no prospects for growth, that a mature industry was being placed in the hands of unsophisticated black shareholders and that sorghum was an old Third World product doomed to die

In a strong criticism of the report, Mahanyele said that apart from being factually wrong in many respects, it was also insulting to blacks and its main aim was to deny blacks entry into the mainstream of the economy.

Mahanyele said it was not true that there was caution about the future growth prospects for sorghum beer or that the NSB's share offer has not been well received.

More shares had been bought than expected and they were expecting an "even greater flood"

"This week several companies were inquiring about our share offer It was only on Wednesday, following the newspaper report, that some of the companies which had expressed interest in buying shares for their employees became reluctant," said Mahanyele

He admitted that in recent years the industry had neither grown or declined However, he attributed this to the previous owners not marketing the product.

"We are marketing the product aggressively today and as a result are even beginning to penetrate markets in Namibia and Mozambique, which were previously closed to us "

Denying that the industry was now being given to unsophisticated black shareholders, Mahanyele said some of them had held senior positions in white companies

"It is strange that when (Sam) Mosikili or Mahanyele holds a senior position in a white company, his sophistication is not brought into question However, when he holds a senior position in a black-controlled company, he is now said to be unsophisticated "

Witnesses said a birthday party was in progress

SAB gets set to spend R3bn

MARCIA KLEIN

SA BREWERIES has announced details of capital expenditure programmes totalling more than R3bn

Executive chairman Meyer Kahn said this was "by far the most significant development thrust contemplated"

Up to 50% could be spent in the coming financial year, SAB said in its annual review

Priority would be given to the group's beverage interests, which would absorb about R1,1bn

The retail and hotel interests had made provision for nearly R300m, and manufacturing and other interests would use about R100m

BIDay 27/6/91

The "especially large investment programme" would see gearing rise, but it should still remain within the self-imposed 60% of total shareholders' funds

Kahn said working capital would be no more than in financial 1991, leaving cash retained from operating activities "more or less in line" with the previous year's R700m, and borrowed funds of a similar amount would be injected

He said beer sales were likely to outperform "the liquor industry and the economy generally" However, asset utilisation was already high and improving on this would be "extremely difficult"

March's 20% increase in excise tax "put into question the sincerity of government's professed intention to encourage consumption of low alcohol drinks"

Last year SAB announced a new phase in increasing the beer division's capacity, arising from volume increases over the past five years.

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SAB

BIDay 27/6/91.

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From Page 1

In terms of the programme, capacity at the Newlands brewery would be doubled, there would be a "massive expansion" of the Alrode Brewery and Prospecton brewery would increase its capacity by 40%. All expansions were on target.

Kahn said the division's involvement in the development of sport would continue to bear fruit, and there were likely to be new opportunities for commercial sponsorship, particularly through the electronic media.

SAB's hotel interests, which include Southern Sun, Holiday Inns, other hotels and timeshare resorts, were significantly restructured during the year after SAB's acquisition of minority shareholdings in Southern Sun and its subsequent delisting

During the year SAB separated the hotel operations into a new hotel management division and placed other hotel-related investments into another division

Hotel interests showed a 7% increase in turnover to R525m, but attributable earnings were down by 45% to R14,6m

Earnings for the group's offshore interests grew by 18% to R57m

Results for the year to end-March show an 18% rise in SAB's attributable earnings to R711m on a 16% rise in turnover to R15,4bn.

The beer division increased its turnover by 26% to R4,1bn and its attributable earnings by 26% to R402,2m after paying 18% higher excise tax of R1,1bn

SAB plans to spend more than R3 bn

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JOHANNESBURG. — The board of SA Breweries has approved capital expenditure programmes worth more than R3 billion, and as much as 50 percent, could be spent in the coming year, says executive chairman Mr Meyer Kahn in his annual review

This sum is by far the most significant development thrust ever contemplated

Mr Kahn said the beverage interests of the group would receive priority attention, absorbing around R1,1 billion. The retail and hotel interests had approval for nearly R300 million, and the manufacturing and other interests about R100 million

On the working capital side, the group is planning to spend no more than that taken up in the past year. Argus 27/6/91

"This will leave the cash retained from operating activities also more or less in line with the previous year's R700 million and necessitate the injection of borrowed funds of a similar amount."

Although the gearing would rise in reaction to the large investment programme, Mr Kahn believed the overall gearing profile should still remain within the bounds of the self-imposed constraint of 60 percent of total shareholders' funds. — Sapa

Glasses raised over beer offer

By DERRICK LUTHAYI C|Press 30/6/91 (182)

RESPONSE to the offer of 44 million shares in National Sorghum Breweries Limited, which closed on June 19, has exceeded the expectations of the company's directors.

Over 90 percent of the offer has been taken up by more than 9 000 investors throughout the country. The remaining block of less than 10 percent of the shares has been taken up by the Industrial Development Corporation who are the underwriters of the offer.

However the IDC admitted the offer was only valid for one month-end and has agreed to requests from individuals, burial societies, black business and stokvels who said they needed more time to consult with members and arrange finance to sell their shares to applicants at R1 each until July 31.

NSB executive chairman Mohale Mahanyele, said "We are the only company of this size that brings blacks and whites together, with blacks in a leading role. The company's mission is black economic empowerment and this share offer is a cornerstone of this policy.

"The entire offer was structured so as to enable black people to take advantage of a unique opportunity to participate for the first time in the mainstream of the South African economy."

He said the offer was virtually restricted to members of the black community, that no single investor could own more than 10 percent of the share capital, and that the share price of R1 is guaranteed for 12 months.

NSB negotiated special arrangements with The Standard Bank and African Bank to ensure loans would be made available to prospective shareholders.

Mahanyele stressed that 30 percent of the offer had been set aside for NSB employees – by far the largest stake to be owned by workers in any major company in South Africa.

Mahanyele is pleased with the success of the public share offer campaign.

Good cheer for taxman from SAB

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S/Times (Buss/Times) 30/6/91

By DAVID CARTE

REGARDLESS of punitive taxation, the great money factory that is SA Breweries is looking for "real growth in earnings" in the year to March 1992

The annual report shows SAB paid more than R1-billion in excise, another R564-million in company tax and many millions more in GST and Paye and Site on behalf of its employees Employees took R2-billion in salaries and wages

By contrast, the owners of the third-biggest company in SA received R316-million in dividends, about a fifth of taxes and a seventh of wages paid

No wonder that chairman Meyer Kahn complains. "It was alarming to see beer still subjected to blatant discrimination in favour of other alcohol products. The stunning increase in excise tax announced in March puts into question the sincerity of the Government's professed intention to encourage consumption of low-alcohol drinks "

After the 20% increase in the Budget, excise now comprises 34% of the cost of a 750ml bottle of beer. Clear beer, with a share of about 37% of the liquor market, paid 75% of the excise burden

But beer sales are expected to outperform the liquor industry and the economy, and a "satisfactory" rise in earnings is forecast on a "more modest" increase in volumes

Mr Kahn reports that after last year's strike, a clause in the agreement committed the company and the union to improve their relationship

"Accordingly, numerous procedures and communication structures were established the division is cautiously confident that a new and constructive era has dawned "

After spending R1-billion on capex, SAB has approved another R3-billion programme, of which R1,5-billion will be spent this year About R1,1-billion will be spent in the beverage divisions Mr Kahn does not mention the prospect of competition.

The super-group gave shareholders a return of 33% a year compound in seven years This compares with a return of 22% by the 10 largest comparable companies on the JSE and is double the inflation rate.

SAB, always a hot contender for Business Times' top annual report award, has come up with an accounting innovation — earnings a share on a cash equivalent basis

Hot

Soft-drink profits grew as strongly as did those on beer Amalgamated Beverage Industries and SA Fruit Juice Division each kicked in R56-million to the bottom line Both seem optimistic about the current year

Edgars, another star of the group, is also looking for "satisfactory" earnings growth. Because of "stifling" interest rates, Amrel expects only a modest improvement. Afcol sees stagnation

The dogs of an outstanding group are OK Bazaars and Southern Sun Southern Sun hopes to improve on its meagre R14,6-million taxed profit on assets of R1,2-billion OK Bazaars also hopes to better the R14,9-million it earned on sales of R4,8-billion and assets of R1,4-billion

Lion Match is looking for a modest increase in earnings Da Gama will not easily maintain earnings

SAB remains cagey about foreign activities, which contributed no less than R57-million to the bottom line

Blacks rush for shares in sorghum beer

By DON ROBERTSON

BLACKS have responded well to the National Sorghum Breweries (NSB) share offer.

The directors are confident that by the end of July the offer will be fully subscribed

The offer closed on June 19 and attracted a 92% response with applications for 40,3-million shares at R1 allocated out of the 43,7-million on offer The balance was taken up by the Industrial Development Corporation (IDC) which underwrote the issue.

In an unusual move, merchant bankers to the issue, Finansbank, and the board of NSB have agreed with the IDC that the remaining 4-million shares held by them in terms of the underwriting agreement will be offered to investors who missed the closing date

About 9 000 investors applied for shares About 90% are blacks Distributors applied for 5,5%, consumers 20,6%, the public 34,6% and the NSB Employees Share Trust 29,5%

The R44-million raised will be used to repay a similar loan to the Government which will be used for the upliftment of the black community

These shares will be made available at the issue price of R1 to applicants who fill in new forms in terms of section 141 of the Companies Act

The directors say that in the past two weeks they received many requests from black organisations, pension and provident funds, stokvels, burial societies, hawkers and individuals to extend the closing date of the offer

They claimed they needed to consult their members, pass the necessary resolutions and obtain funding Individuals also wanted to use monthly salaries to finance purchases

The IDC will sell any or all of the shares it holds until July 31

30/6/91 (182)

Forecast

S/TIMES

There are no plans for a listing of the shares on the JSE, but an over-the-counter market will operate from the company's head office in Sandton, starting tomorrow Thereafter trade will take place each Tuesday

The prospectus forecasts earnings of 25c a share and a dividend of 10c for the year to June 1992, suggesting there could be a reasonable profit for stags, most of whom will probably consist of employees issued with shares at a 30% discount, the discount repayable within a year

While the IDC offer is in place in July, however, there is little chance of the shares changing hands at anything above the issue price The IDC has also guaranteed to repurchase the shares at R1 for a year

NSB shares offered

ARG 1/7/91 (182)

Business Staff

APPLICATIONS for 92 percent of the 43 774 999 shares offered by National Sorghum Breweries were received and 90,2 percent allocated. The balance of 9,8 percent of the shares were taken up by the underwriters, the Independent Development Corporation, an NSB spokesman said, adding many requests had been received from organised black business and commerce, pension and provident funds, stokvels, burial societies and individuals to extend the June 19 closing date of the public offer.

As this had not been possible under the Companies Act, the IDC had agreed to accommodate applicants who had been unable to meet the deadline and was now offering all the shares it had taken up at 100c a share on a first come first served basis Those wanting details could phone the toll free number 0800-115540

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BUSINESS DAY, Tuesday, July 2 1991 5

Money flows from wine bottles

JONATHON REES

SA WINE drinkers are finding rich pickings in empty wine bottles — returning more than 12-million of them for re-use annually

One of two companies operating in the bottle recyclying field, Cape Town-based Ecobott, takes 15 tons of glass out of the environment daily

The company supplies about 20% of bottles to SA's wine producers, representing an annual cost saving to the industry of more than R1,5m

Ecobott sales and marketing director Horst Klos said yesterday annual payouts to consumers who returned their bottles, at 10c each, now topped R1m

The company had expanded fast since its beginnings in 1987, and this year will recycle more than 12-million wine bottles, up five million from the previous financial year

In the western Cape, Klos said, about 60% of wine bottles consumed were returned for recycling

Reef consumers returned about 13% of their wine bottles

Bottles contribute to between R15 and R20 of the price of an average carton of 12 bottles of wine

Klos said wine producers save between 20% and 40% on packaging costs by using "rejuvenated" bottles, depending on the shape and colour of the bottle.

By making glass returnable for re-use, "giving an original product a second breath of life", Ecobott benefited the environment and consumers, he said.

Ecobott rejected about 5% of bottles returned to them, before they were cleaned and recycled back to the consumer through the wine industry.

IDC selling puts hold on Sorghum shares

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B Day 2/7/91

MARCIA KLEIN

INVESTORS who took up about 92% of the 43,8-million shares offered by National Sorghum Breweries (NSB) are unlikely to be able to sell their shares at a profit until the Industrial Development Corporation (IDC) stops selling shares at the end of July

NSB said yesterday that investors had subscribed for about 92% of the shares offered by the brewing company and that the IDC had taken up 4,1-million shares — representing about 8% of NSB's issued share capital — in terms of its underwriting commitment The brewing company claimed that about 90% of the shares taken by the public had been bought by black investors

Finansbank, NSB's merchant bankers, said several investors had failed to acquire shares as they had been unable to complete their applications ahead of the offer's June 19 closure deadline NSB has persuaded the IDC to sell shares at the 100c offer price from its underwriting allocation to investors who apply by July 31 on a first-come-first-served basis

Finansbank corporate finance GM Mareo Bekker said yesterday the offer by NSB could not be extended as the prospectus had specified a closure date of June 19 and requests for an extension had only been received in the last week or two

The offer would remain in place until the IDC shares were taken up or until the end of July, when the offer closed Investors hoping to buy shares from the IDC have to apply through the share trading office which has been established by NSB

No indication has been given of the cost of trading the shares through the share trading office, although the office was set up because the firm's directors believed JSE brokerage charges were unacceptably high The IDC has underpinned the share price by its undertaking to buy any shares tendered in the next 12 months at 100c each

In the year to June 1990, NSB's net income after tax decreased by 12,6% to R11,1m (R12,7m) on a 16,5% turnover increase to R310,1m (R266,2m) Operating income was down by 16,6% to R14,5m (R17,4m)

NSB's directors have forecast a 14,8% rise in turnover to R356m

SA's favourite tipple tickles Soviet palates

B Day 2/7/91

MARCIA KLEIN
and PETER GALLI

(182)

THE Soviets are hard at work testing Castle, Hansa, Lion and Ohlssons beers to see if they want to drink them on a regular basis

Industry sources say SA Breweries (SAB) has sent a trial consignment of a million cases of its beer to the Soviet Union It is believed much of the beer is being tested by the Soviet army

While SAB would not comment on the story yesterday, it did recently announce that it was exporting some beer to the Soviet Union, as well as to other European countries, including Czechoslavakia, Poland and Bulgaria

It said it had grown to be the world's 10th largest exporter of beer since it began a major export drive more than two years ago Last year SAB exported 4-million cases of beer to 47 countries, which represented an export growth of more than 400% over two years

In another development in the beer industry, Louis Luyt is believed to have had talks with Belgian company Interbrew, which makes Stella Artois, with a view to it linking up with his new brewing venture in SA Luyt could not be reached yesterday for comment

Interbrew is the latest of a string of breweries believed to have been negotiating with Luyt in connection with his new plant, which will have a capacity of 150-million litres a year and a "substantial foreign investment"

Industry speculation has included Beck's, Anheuser Busch of Budweiser fame, and Danish, English and German brewers

Threat of red wine drought as exports soar

LESLEY LAMBERT

CAPE TOWN — Gone are the days when KWV quota-holders could be tempted to swap a bottle of red export wine for tickets to a Currie Cup final or a sack of biltong

KWV has traditionally allocated six cases a year of each of its three export varieties — Cabernet Sauvignon, Shiraz and the sought-after Roodeberg blend — to its wine-producing members and employees Politicians and other people classed as ambassadors for SA have been entitled to five cases of each at discounted prices

But a shortage of good SA reds, coupled with burgeoning foreign demand, has led KWV to cut quotas to two cases a year of each wine "The cutbacks have inevitably boosted demand for these varieties, and the perceived value of Roodeberg has increased significantly," says KWV chief communications executive Theo Pegel

It is not only quota-holders whose supplies are at risk The shortage of medium-priced and premium red wine could turn into a general drought if the lifting of sanctions brings a surge in exports

"The average age of red wine for export is three years, but three years ago the industry did not make sufficient provision for the increase in exports expected now," says KWV media manager Cas du Plessis

Meanwhile, recent statistics produced by the wine industry indicate that South Africans continued to favour beer and other alcoholic drinks last year

Consumption of natural wine remained static at 7,45 litres a head after a decade of stagnation, while growing demand for sparkling wine was reflected in an increase in per capita consumption from 0,24 to 0,26 litres

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BD 10/7/91

Sorghum battles to regain lost ground in beer market

W/mail 5/7-11/7/91. (182)

An intensive campaign is under way by National Sorghum Beer to recapture its market share. But the company faces an uphill task to entice consumers away from clear beer and spirits, reports MONDLI MAKHANYA

NEWLY privatised National Sorghum Beer has embarked on a campaign to recapture ground which the brew lost to clear beer and spirits.

The NSB has sold — and is selling — shares to the public and needs to deliver the goods to investors whom it has persuaded to put their money in what is generally regarded as a declining industry.

In recent years sorghum beer's market share has been declining as urbanised blacks switch to clear beer and spirits.

KWV figures show that between 1982 and 1989 malt beer consumption rose from 500-million litres to two billion litres. Sorghum only increased from two billion to 2,5-billion in the same period.

NSB director Moss Leoka admits there has been an switch from sorghum to clear beer.

He attributes this to "bad handling of the product" by the previous owners — government.

"Those people had no interest in the industry whatsoever. They didn't care about positioning the product in the market.

"The packaging was bad and the

Competition .... Louis Luyt will be launching a new beer soon

disgusting," says Leoka.

This, Leoka points out, led to sorghum beer being perceived in the black community as a drink for unsophisticated and low income people — leading blacks to prefer Western beverages.

New packaging, brand variation and an aggressive marketing campaign are now on the cards to turn the fate of sorghum around.

The company also intends to increase the shelf life of sorghum form a "couple of days to two years".

The focus of the marketing campaign thus far has been to sell sorghum as traditional African brew of which blacks should be proud.

"We intend to make sorghum beer what wine is to the French and whisky is to the Scots."

NSB now intends employing a food specialist to research new brands "because it's amazing how many things one can do with sorghum".

Furthermore, the company intends taking sorghum to the non-black market and is also exploring the possibility of exporting the brew.

Clearly, NSB is not going to have an easy ride. South African Breweries' hold on the urban black market is as tight as ever and given the brand loyalty of township beer drinkers — particularly to SAB flagships Castle and Lion — mere appeal to African pride will not sway the black market.

NSB's challenge to malt beer also comes at a bad time.

Various interests are trying to make forays into the South African beer market. In addition to Louis Luyt launching a new beer several foreign breweries are also looking at making inroads into the local beer market.

Naturally the first target for any of these new entrants will be NSB's natural market — the black township consumer.

Therefore, whether NSB satisfies the promises it made to investors will not only depend on how far it is able to turn sorghum's image around but also on the fortunes of the liquor industry.

Leoka is confident it will overcome obstacles... "If this company could make the profits it made while inthe hands of people who handled it badly, imagine what it can do when it is in our h[illegible] it can only fly."

SA BREWERIES FM 5/7/91

STILL FROTHING (182)

SA Breweries has consistently beaten both the market and its own relatively stringent financial constraints Over the past seven years it has achieved a compound growth rate in dividend and share price of 33%,

FM 5/7/91 (182)

Activities: *Consumer-based group with interests in beer and other beverages, as well as retailing, manufacturing and hotels*
Control: *Bevcon 34%, Old Mututal 14%*
Executive chairman: *J M Kahn*
Capital structure: *268m ords Market capitalisation R14,5bn*
Share market: *Price 5 410c Yields 2,2% on dividend, 4,9% on earnings, p e ratio, 20,4, cover, 2,2 12-month high, 5 750c, low, 3 350c Trading volume last quarter, 2,1m shares*

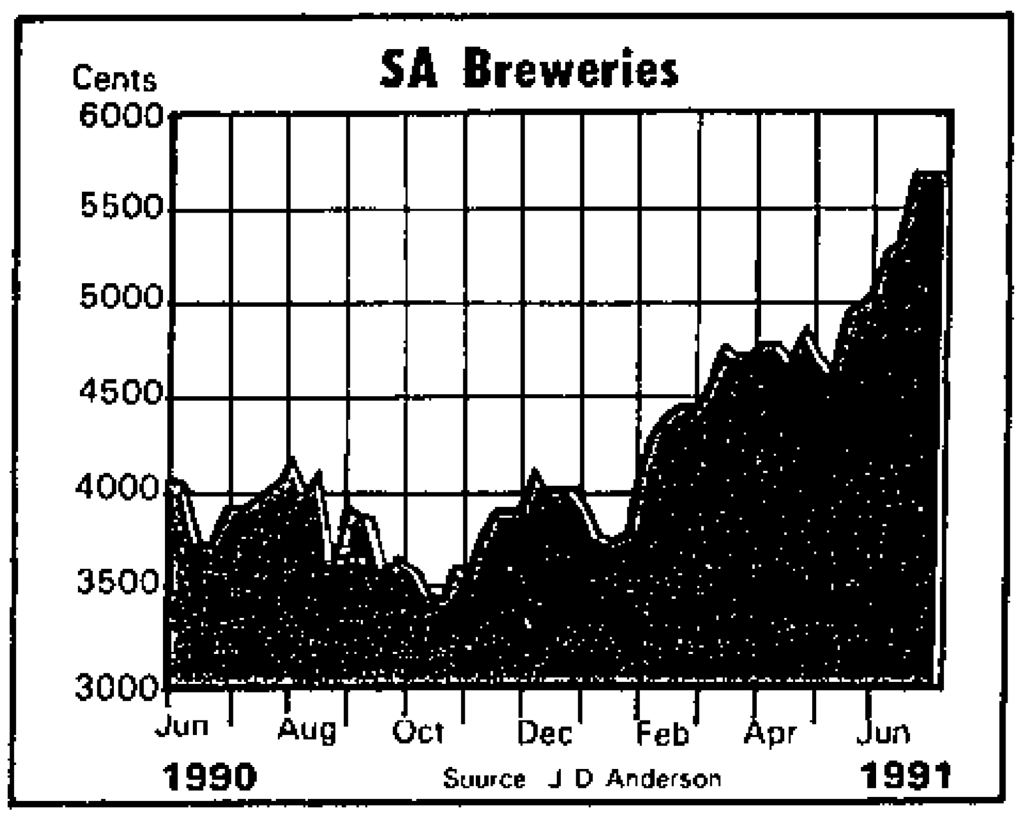
Year to Mar	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	174	307	659	680
LT debt (Rm)	762	1 293	1 279	1 614
Debt equity ratio	0,36	0,47	0,45	0,52
Shareholders' interest	0,50	0,45	0,44	0,42
Int & leasing cover	5,3	7,2	6,0	5,8
Return on cap (%)	14,3	15,3	15,7	16,2
Turnover (Rm)	8,68	10,60	13,25	15,39
Pre-int profit (Rm)	746	1 033	1 383	1 659
Pre-int margin (%)	7,9	8,6	9,9	10,3
Earnings (c)	146	187	225	265
Dividends (c)	66	84	101	118
Net worth (c)	727	850	1 004	1 197

compared with 22% for the 10 largest industrial holding companies SAB has also maintained a healthy debt equity ratio, which stood at 0,52 at the March year-end, but has averaged 0,44 over the seven years Dividends have been held at generous levels, representing 45% of earnings

Along with many other industrial shares, SAB looks overpriced at a p e of around 20, though this is on inflation-adjusted earnings This week the share had eased from a high of R57,50 to R53 Analysts agree this is not the ideal time to buy industrial shares, and SAB is no exception But it remains one of the high quality industrials, principally because of its core product, beer

This year 57% of attributable earnings were from beer, the highest proportion since 1986 Beverages as a whole contributed more than 72% of attributable earnings In the balance of the portfolio, Amalgamated Beverage Industries showed the most promising growth Indeed, apart from the Edgars clothing chain, which enjoyed a 22% earnings growth, none of SAB's listed, nonbeverage subsidiaries achieved real earnings growth, and the outlook for this year is gloomier

Executive chairman Meyer Kahn says real earnings growth is being targeted this year, something which few other industrial holding companies seem likely to achieve Thanks to beer, it looks as though SAB will achieve real earnings growth, at least until a



SA Breweries' Kahn
ready for competition

significant competitor enters the market There was volume growth of 12% in 1991, a particularly good year as it represents an increase on the 1990 year, when a strike took place 1990 was also a financial year which included two Easters

Kahn expects no more than 5% volume growth in beer consumption this year A major competitor looks improbable in 1992, but Kahn says that the division is "well-prepared to face an increase in competitive activity" The beer division has always worked on the assumption that competition could emerge — its price increases have always lagged the CPI, and this has not prevented group earnings growth being well above the CPI Moreover, brewing capacity

SAB BY SECTOR

	Turnover		Attributable earnings	
	Rm			
	1990	**1991**	**1990**	**1991**
Beverages	4 276	5 288	409	515
Retail	7 050	8 124	166	189
Manufacturing	1 329	1 372	145	107
Hotel int	492	499	27	15
Other	103	102	(143)	(115)
Group	13 250	15 385	604	711

of even the most ambitious rival brewery will absorb less than a year's growth in beer sales

Kahn maintains that growth in beer sales would be even greater if the "discriminatory" excise on beer was reduced In the 1991 Budget, this was increased by 20% compared with a 10% increase in the spirit excise There is still no excise on wine Perhaps in the new SA the wine lobby will not be so powerful, and they will share the excise burden

The soft drinks market also looks promising, it enjoyed 7% growth last year ABI bottles and distributes Coca-Cola, Schweppes and Sparletta brands, so it should continue to show real growth

Other SAB interests may not have much further to fall The OK, which saw earnings drop 26% this year, should reap some bene-

FM 5/7/91 (182)

fits from store closures and centralised distribution Da Gama, whose earnings fell 30%, remains the leader in the added-value textile sector, which is less susceptible to the cheap imports devastating the rest of the textile industry.

Normally, financing a R3bn capital expenditure programme would be cause for concern But the bulk of SAB's programme will generate cash very quickly, as it includes the expansion of the Newlands, Prospecton and Alrode breweries into growing markets SAB has set a maximum gearing limit of 60% and analysts do not expect this to be exceeded

SAB's inflation-adjusted earnings yield of 5% and dividend yield of 2,2% make the share look expensive, though this is comparable to other blue-chip consumer companies such as Tiger Oats, Wooltru and Foschini — indeed, it is some way above Cadbury Schweppes' 1,4% dividend yield However, SAB looks certain to continue to show real growth and will remain an important part of many institutional portfolios *Stephen Cranston*

R300-m upgrade for Newlands brewery

(182) ARG 6/7/91

W Cape beer demand soars

TOM HOOD
Business Editor

CAPE beer drinkers can relax and forget about any danger of running out of supplies — R300 million is to be spent on upgrading and expanding the Newlands brewery

This is part of R3 billion earmarked for capital expenditure by South African Breweries, which will allocate R1,1 billion to its beverage division

Demand for beer has soared in line with the huge influx of people into the Western Cape over the past five years

An SA Breweries spokesman said in Johannesburg that the capacity of the Newlands brewery was to be doubled

"The control computer hardware and software are to be expanded and replaced, while a new fermenting cellar and a new packaging line will be built

"The upgrading is due to be completed by September next year — but the expansion is not likely to create many more jobs."

Chairman Mr Meyer Khan said in his annual report "The R3-billion Capex programme is the most significant development thrust so far contemplated

"The beer division increased it contribution to group earnings by 26 percent and was responsible for 57 percent of group profits

"The group's beer business will be given priority attention" Last year R1,5 billion was allocated

"The retail and hotel interests have approval for nearly R300 million and the manufacturing and other interests will get about R100 million

"Borrowings will rise about R700 million to finance the large investment programme But overall gearing will remain within the bonds of the self-imposed constraint of 60 percent of total shareholders' funds

"But the major Capex programme is going ahead in spite of depressed consumer spending"

Mr Khan believed personal disposable income would continue to face severe pressure well into 1992, not least from the pressure of restrictive fiscal and monetary policies

Overshadowing all this was the spectre of persistent violence and the socio-political unrest

Growth of group earnings would inevitably be restrained but management had set itself the task of achieving real growth — above the inflation rate — over the 12 months to March next year

● The beer division exported more than 4 million cases to more than 47 international markets in the past year

Scramble to buy up NSB shares

Sowetan 18/7/91

182

By JOSHUA RABOROKO

MORE THAN 90 percent of the 44 million shares in National Sorghum Breweries Limited have been snapped up by over 9 000 investors - exceeding expectations of the company's directors

The remaining block of less than 10 percent has been bought by the Industrial Development Corporation (IDC) - underwriters of the offer - and can be bought at R1 each until 12 noon on July 31

According to NSB's chief executive Mr Mohale Mahanyele "The company is the only one of its size that brings blacks and whites together, with blacks in a leading role

"It's mission is black economic empowerment and this share offer is a cornerstone of this policy

MAHANYELE

"The entire offer was structured to enable black people to take advantage of a unique opportunity to participate meaningfully for the first time in the main stream of the South African economy

He said that 30 percent of the offer had been set aside for employees of NSB That, he claimed, was by far the largest stake to be owned by workers in any major company in South Africa, which was yet another first for NSB

The company made interest-free loans available to all employees to enable them to take up their share allocations. Share allotments for employees favoured the lower level workers

Burial

In response to many requests from individuals, burial societies, black business and commerce, stokvels and others who pointed out that the offer had stretched over only one month-end and more time was needed to consult with members and arrange finances, the IDC has agreed to sell its shares to applicants at R1 each

Mahanyele said a particularly pleasing aspects of the share offer was the evident success of the nationwide communications programme which NSB mounted to promote the offer

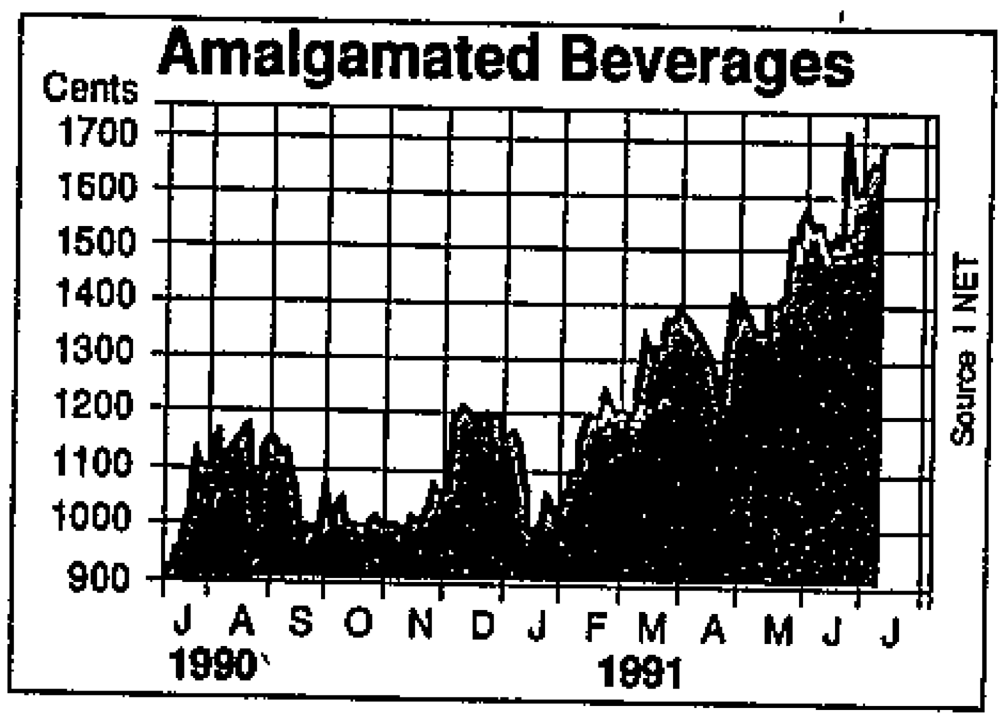
ABI Fm 19/7/91 (182)

SATISFYING YEAR

Activities: *Bottling & distribution of soft drinks*
Control: *SAB 68%; Cadbury Schweppes 19%*
Chairman: *R L Lloyd, MD H A Reid*
Capital structure: *106m ords Market capitalisation. R1,78bn*
Share market: *Price 1 675c Yields 1,6% on dividend; 3,2% on earnings, p e ratio, 31,2, cover, 2,1 12-month high, 1 675c, low, 750c Trading volume last quarter, 584 000 shares*

Year to Mar	'89	'90	'91
ST debt (Rm)	—	—	—
LT debt (Rm)	26,8	8,0	37,5
Debt equity ratio	0,13	0,04	14,6
Shareholders' interest	0,44	0,56	0,58
Int & leasing cover	16,0	15,9	22,1
Return on cap (%)	23,7	23,7	25,7
Turnover (Rm)	552	740	884
Pre-int profit (Rm)	62,4	90,6	113,9
Pre-int margin (%)	11,0	11,9	12,5
Earnings (c)	31,7	42,8	53,7
Dividends (c)	16	21	26
Net worth (c)	116	212	252

ABI shareholders who were satisfied with their share's performance during its first year as a listed company will no doubt be even happier with their returns during the second 12-month period A near doubling of the share price since June last year has



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Fm 19/7/91 (182)

pushed the share to a stronger premium rating than before against a buoyant industrial market There was again an above average increase in earnings and dividends

Though volumes grew by only 5% as a result of unrest, cool weather and a weak economy, group turnover rose 19,6% Operating margins repeated their steady rise thanks to a better product mix in favour of a higher margin on cans, higher levels of capacity utilisation and improved production efficiencies

Finance charges were marginally down while dividend income from the canning associate was higher, resulting in a 28% improvement in pre-tax profit After deductions for tax (48%) and additional replacement cost depreciation, attributable earnings rose by 25% Dividend cover rose to 2,1 from 2,0, producing a 23% increase in income for shareholders on top of their substantial capital gain For the moment at least, the group's mission is being accomplished

Cash flow for the year was reasonably sound However, long-term borrowings increased by R29m — a result of increased stockholdings off last year's low base, somewhat higher investment spending on expanding operations and lower funding of containers by the trade Even so, average gearing remained at a very acceptable 19% Capex on production and distribution facilities will continue during the current year, as ABI gears itself up to provide increasingly for its rapidly growing informal sector customer base Commissioning of the Phoenix plant is due towards the end of this financial year

ABI's is a volume-driven business and even its high quality trademarks are subject to the unpredictable trio of political unrest, the weather and personal consumer expenditure While consumers have kept the economy afloat in 1990/1991, they are unlikely to be able to maintain the same spending momentum in the coming year Lloyd nevertheless believes opportunities for volume growth still exist Hence the ongoing capital programmes

Even with 20% growth in dividends during the coming year, the prospective yield remains a demanding 2%, considerably above the current market yield of 2,8% It is difficult to see ABI's share repeating its recent strong performance in its third year since listing But then again, there is little reason to sell *Peter van Ryneveld*

NATIONAL SORGHUM BREWERIES

OLD TRADITION, NEW IMAGE

(182) FM 26/7/91

Like tea to the English, wine to the French and whisky to the Scots, sorghum beer is part of a national heritage Brewed traditionally for centuries, its popularity has survived decades of prohibition and bureaucratic control Strong competition from clear beer and other liquor, however, has taken its toll

Sorghum beer was always seen as a drink for rural unsophisticates that was willingly swapped for clear beer as incomes rose and blacks moved to the cities Now that the industry is back in black hands, the challenge facing National Sorghum Breweries (NSB) is to remove the stigma and return sorghum beer to its status as the country's leading beverage It may not be easy

Though annual consumption of this sour, porridge-like brew cannot be accurately measured, company chairman Mohale Mahanyele says it's about 6,8bn*l*, compared with 2,3bn*l* for clear beers But Ron Schreuder, MD of SA Breweries' Traditional Beer Investments, reckons that 900m*l* of wet-based and at most 2,4bn*l* of dry-based sorghum beer are consumed

Whatever the true figure, both agree it hasn't grown much in recent years, while clear beer consumption keeps rising

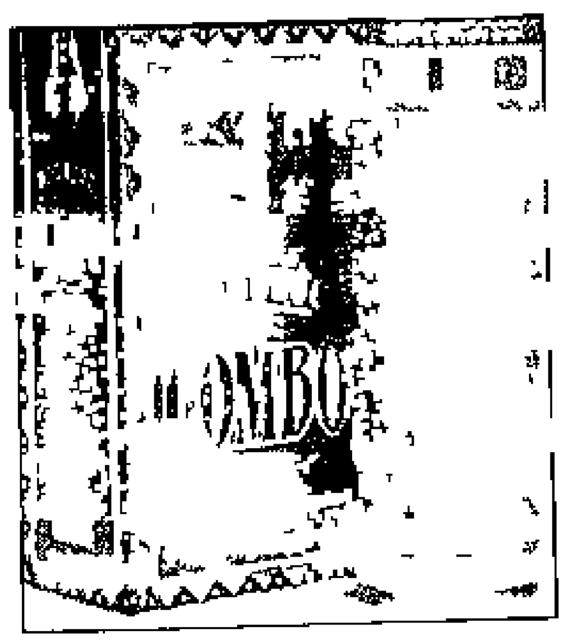
NSB blames the poor growth on hamfisted official control Traditional beer had inherent popularity and little attention was given to marketing or quality control The Durban Corp, in 1908, was the first to capitalise on the lucrative market, promising to use the profits to raise black living standards Municipalities were later given a monopoly over commercial brewing, extended nationally in 1923 and reaffirmed in the 1962 Sorghum Beer Act Breweries and beer halls proliferated and sales continued to climb

By the mid-Seventies, however, sorghum beer had become so politicised that beer halls were often burnt down during unrest Sales declined and breweries were left with chronic excess capacity, while illicit home-brewing and shebeens grew uncontrollably NSB is the product of an inevitable rationalisation that began with the transfer of control to the hated administration boards, then to the Industrial Development Corp, and finally to government's privatisation unit, which created the company

Can it reverse the decline? Mahanyele certainly believes so "From a business and altruistic perspective, sorghum makes sense " Sorghum beer is quite different from clear beer Highly nutritious, one litre provides all of an adult's daily nutritional requirements and it has a low alcohol content (around 3%) One litre of sorghum beer costs about R1,20-R1,50 while 750 m*l* of clear beer costs R2-R2,50

NSB has about an 85% share of the market Mahanyele maintains that its 500 000-strong informal distribution network makes the market difficult for competitors to penetrate, distribution is important because the basic product has a shelf-life of only about three days But he neglects to mention another big advantage the government monopoly that the company retains until 1995 Traditional Beer Investments is restricted to the homelands (except KwaZulu, where the homeland government has a monopoly), while NSB is free to compete there

Schreuder isn't pleased "This is a unique situation where a private company, in the fast-moving consumer-goods sector, enjoys a legislated monopoly The industry needs competition for consumer loyalty, not protection "



Sorghum beer *marketing for the new generation?*

With annual turnover of more than R300m, NSB is SA's biggest black-owned company — largely by limiting its share offer in May to "traditional consumers " The credo is "black economic empowerment" but the company isn't providing sheltered employment "We're paying for the best available expertise," Mahanyele says, "including many highly qualified returning exiles We also have the single largest number of black engineers in one company "

An example is MD Sam Mosikili, a respected former district manager for SAB (*People* May 31), who will spearhead the new marketing drive The management team also includes former Get Ahead Foundation director Israel Skosana and PR specialist Moss Leoka There is some concern over the remaining core of white bureaucrats, but Mahanyele says there have been no resignations or signs of a backlash, only co-operation

The new marketing tack stresses pride in an African tradition that has been maligned by its association with the migrant labour system and single-sex hostels The theme was underscored by the R4m sponsorship of Hugh Masekela's nationwide concert tour The idea is to improve the quality, packaging and popularity of sorghum beer

An important task for the company's new research and development department is to increase the shelf-life of the product, which limits exports Consumers demand a lively, fermenting product, which can't be pasteurised and has to be packed in vented cartons The company is experimenting with several long-life and flavoured versions, accompanied by slick, upmarket advertising

With SA's rapidly growing population, however, the company can still rely on its traditional lower-income market It still produces the sorghum porridge called Mageu, as well as a new concentrate, sold in plastic tubes, that can be eaten as porridge or turned into beer in 24 hours by adding water and yeast Diversification into soups, porridge, biscuits and bread is also on the cards

Exports are another area of potential growth The company supplies neighbouring countries with products but there is also interest in its brewing technology, which is sophisticated and mostly indigenous Mahanyele says the company has been approached by breweries in Nigeria, Ivory Coast and Zaire for help with their modernisation programmes

At this rate, NSB will surely improve the image of sorghum beer, with a spinoff for Traditional Beer Investments and others Whether this will turn the industry around is another question

Picture BRENTON GEACH, Weekend Argus

□ **PROST!** Brewmaster Marius Brits with a huge helping of Somerset West's locally produced beer, Helder-Bräu. He is leaning on a "lautertun" which filters the beer before it is boiled with hops in the "mashtun" behind him.

New Cape beer is raising a froth of delight

(182) ARG 27/7/91

DALE KNEEN

Weekend Argus Reporter

RESIDENTS of Somerset West are frothed up about a locally produced beer they say is better than that made in Germany

A recipe based on the ancient German Purity Law is being used to produce the beer on a farm near the scenic town

Three Germans, Mr Rudy Stegmuller, Mr Harold Schepping and Mr Hans-Jorg Birzle, opened the Helder-Bräu Brewery in October

Restaurants, pubs and some liquor outlets in Cape Town and Somerset West have been buying the beer and their customers are delighted

Brewmaster Mr Marius Brits said three types of beer were being produced at the brewery, which can make 200 000 ℓ a year

He said the beer was made with malt from Caledon, hops from George and clear Helderberg water pumped from a borehole at the brewery

The first stage of the brewing process is to convert malt starch to a sugar solution called wort It is cleared, cooled to 8 Deg C and yeast is added

Primary fermentation takes four to five days and then the young beer is pumped into a layered cellar to mature for another six to eight weeks

"We then have a light, but bitter, pils with a 4% alcohol volume, a full-bodied lager and a golden-brown, 5,2% volume märzen," said Mr Brits

The beer is put into bottles, aluminium barrels of various sizes and 50 kg stainless steel kegs without being filtered or pasturised

A pub at the Waterfront and another in Waterkant Street as well as the German Club and some liquor outlets in the city sell Helder-Bräu beer

Cadswep keeps up its sweet growth

182

B/Day 30/7/91.

MARCIA KLEIN

CADBURY Schweppes (Cadswep) has continued its five-year growth in earnings in the six months to end-June.

The manufacturer and distributor of soft drinks, confectionery, foods and beverages recorded a 33,1% rise in earnings to 47,8c (35,9c) a share and 26,3% higher interim dividends of 12c (9,5c) a share for the period

MD Peter Bester said in an interview yesterday higher operating income resulted from improved efficiencies, a favourable sales mix and rationalisation benefits from the integration of Chapelat-Humphries, which was acquired in 1989

Despite a rise in turnover of only 9,6% to R239,9m (R218,9m) due to lower volumes in weaker trading conditions, competitive market activity and strike action, operating profit increased by 20,2% to R21,6m (R18m)

A higher average level of borrowings following the group's expansion last year saw financing costs rise 21% to R4,5m (R3,7m) Taxation was slightly lower at R5,3m (R5,5m)

Financial director John Buchanan said benefits in the second half of 1990 were derived from successful prior-year claims and changes in tax legislation leading to a distortion in the comparison.

The effective tax rate of 31,1% for the period compared with 28,9% for the last full year Additional benefit has been derived in the half year from a reduction in the company tax rate to 48%

This and a 23,4% increase in dividend income and equity accounted earnings resulted in profits after tax rising by 30,5% to R16,7m (R12,8m), while attributable earnings grew by 33,6% to R16,7m (R12,5m)

Bester said results indicated that the strategy which the group embarked on some years ago had been falling into place

Good returns from Bromor reflected internal efficiencies and there had been material benefits from Chapelat-Humphries, including rationalisation benefits from joining Chapelat-Humphries and Cadbury management Bester said all divisions had done well

The group has acquired the remaining shareholding in Chapelat-Humphries following the 1889 acquisition of 82,5% of its share capital The remaining 17,5% will be acquired for R19,4m, payable in 1992 The effect on earnings for the full year will be 3,3c a share

Bester said that the group continued to invest in its main businesses A new Bromor warehouse had been commissioned, and a chocolate factory investment in Port Elizabeth continued its expansion

He said that sales over the second half would be better than those for the same period in the previous year While he expected real growth for the full year, he said there were signs that trading would be weaker in the second half.

While Cadswep was "pretty resilient", there was no doubt that discretionary spending was weakening, and consumers were being more cautious There had also been some destocking in the retail trade and interest rates were still high, he said.

FM 2/8/91 (182)

CADBURY SCHWEPPES FM 2/8/91

Profit surge (182)

In the last Cadbury Schweppes (Cadswep) annual report, CE Peter Bester said last year was spent developing a structure to accommodate the expanded group "These steps, while adding to costs, will yield considerable benefit in future years," he said

He has been proved right The one-third increase in earnings for the six months to June 15 beat market expectations It was achieved despite a strike at a factory and certain depots in the second quarter

But it's very unlikely this growth can be matched in the second half The 28,9% tax rate for the full 1990 year was much lower than that year's interim rate of 38,6% Cadswep had successful prior year claims and claimed more allowances after changes in tax legislation This year, according to financial director John Buchanan, the tax rate will be maintained at first-half levels of 31%

The operating margin improved from 8,2% to 9%, about the same level as the second half As trading in this market becomes more competitive, margins are unlikely to increase significantly Cadswep is now reaping some benefits from the absorption of confectionery manufacturer Chapelat-Humphries into group management and marketing Bromor Foods set up a distribution centre and achieved better stock control and tight control of costs Buchanan says further improvements in productivity and working capital management can still be achieved

Cadswep now has broad penetration of a range of consumer markets, from the more upmarket Cadbury's slab bars and Schweppes drinks, through middle market lines to more downmarket squashes and bubblegums. It will benefit even if consumers switch to cheaper sweets and drinks

The balance sheet, though, still needs tidying up Interest payments look set to increase, they had almost quadrupled in the previous interim and this time increased by a fifth Buchanan says gearing rose from 38% to 44% (if the 19% holding in ABI is calculated at book value) and will fall to the low forties but no further Interest cover remains a healthy 4,8 To help control gearing, the dividend cover was increased from 3 8 to 4.

Analysts have pushed up their full year forecasts from EPS growth of 20% to about 25% for the full year, but they expect no

FOX

SA Brews the darling of the investment experts

S/Times (Bus Times) 4/8/91.

(182)

By DAVID CARTE

SA BREWERIES emerges as the most admired company in a survey of investment experts

Market researcher Campbell Belman asked 80 institutional fund managers, stockbrokers, business editors, economists and commentators to name the most important qualities in assessing companies

Campbell Belman claims the 80 respondents represent 20% of the most important opinion formers in the stock market

Barometer

The respondents give "financially sound", "consistent results" and "well managed" as the most critical qualities in weighing up companies

From 60 of the largest companies, the respondents name SAB top company under all three headings

Rembrandt ranks second under "financially sound", followed by Anglo American Corp, Pick 'n Pay, Wooltru, Gencor, Tiger Oats and Anglovaal

Lowest ranked under this heading are FSI, OK Bazaars, Kanhym, Noristan and Sentrachem

Edgars is second under "consistent results", followed by Rembrandt, Pick 'n Pay, Tiger Oats, Afrox and Wooltru

Iscor, Kanhym, Dorbyl, Highveld, OK Bazaars and SA Druggists rank lowest

Wooltru is second under "well managed", followed by Pick 'n Pay, Edgars, Afrox and Rembrandt.

OK Bazaars, SA Druggists, Twins, Sentrachem, Iscor and Kanhym are bottom of the "well-managed" table

The survey is a sensitive barometer of company performance It shows the ratings of Altech, Plate Glass and Malbak falling in the "well-managed" table, then stabilising Altech is moving up

In the survey taken in June this year respondents changed their priorities from the previous one in November 1990 In the earlier survey they found "well managed" more important than "consistent results" Some drastic earnings falls in spite of good management were probably the cause

"Responds quickly to changes in the market" is another characteristic that has been upgraded from sixth to fourth most important quality SAB is top, followed by subsidiary Edgars, Toyota, CNA-Gallo and Kersaf

Companies that fare poorly under "responds quickly" are Amic, GFSA, Noristan, CG Smith and Anglo-Alpha

Politics

The investment community clearly thinks morals are important, for "reputable and trustworthy" is the fifth most important quality, outranking strong products, accurate reports, immunity to SA politics and even trade union relations

Wooltru is top in this area, followed by Afrox, SAB and Rembrandt FSI, Twins, Kersaf and Kanhym are at the bottom of the list

Respondents obviously have no moral problem with the nature of the businesses of SAB and Rembrandt, for they do well in "impeccable ethics" Top in this section is Wooltru, followed by First National Bank, Afrox, Stanbic, Toyota and Rembrandt

Immunity to SA politics has risen from 19th most important quality to 13th SAB is followed by Pick 'n Pay, Tiger Oats, Rembrandt, Edgars and Afrox Companies that are less immune are seen to be GFSA, Amic, Iscor, Anglo-Alpha and Dorbyl

The company with the best trade union relations is thought to be Pick 'n Pay, followed by SAB, Anglo American, Toyota, Gencor and Barlows Bottom of this league are OK Bazaars, ABSA, Altech and CNA-Gallo

"Charismatic chief executive" ranks only 29th as a criterion, but Meyer Kahn, Raymond Ackerman, Derek Keys, Bill Venter, Christo Wiese and Jeff Liebesman can all take a bow

When it comes to making good acquisitions, Rembrandt has seized top slot from Gencor, which now ranks second Third is ABSA and fourth SAB

Campbell Belman lists these advantages of a good reputation among opinion formers higher share prices, ability to make rights issues at strong prices, attracting acquisitions, ability to make acquisitions with strong paper, pride of belonging, low staff turnover, attracting better-quality people and a desire by staff members to live up to the company's "white knight" image

The survey could become an important tool for companies to assess themselves relative to others — but there are shortcomings

One is that adjectives are sometimes vague and overlap — "reputable and trustworthy", for instance is not different from "impeccable ethics"

Indifferent

"Lives up to promise" overlaps with "consistent results" and even with "well managed", "good to invest in", "growing company" and several others

Another is that extraordinarily good groups, such as Liberty Life, are not in the list of 60 companies That is apparently because Liberty was indifferent to the survey But there is not much point in being tops when even only one of the top candidates is not included

The answer is to reduce the number of qualities assessed and to increase the number of companies, taking care to include all the best

ONLY eight days short of

Top honours for SA winemaker

(182)

Argus 28/8/91

The Argus Foreign Service

LONDON — A South African winemaker has carried off top honours in the 1991 International Wine and Spirit Competition, triumphing over competitors from more than 30 countries.

Mr Beyers Truter of Kanonkop Estate, Stellenbosch, was awarded The Robert Mondavi Trophy for the Winemaker of the Year for the overall high quality of the products submitted from an individual company to the competition.

As Winemaker of the YearMr Truter will receive a grant of R4 000 to cover the expenses of a week's visit to the Robert Mondavi Winery in California.

Mr Truter graduated in viniculture and viticulture at the University of Stellenbosch in 1978.

He joined the Kanonkop Wine Estate in 1981 and in 1986 became Champion Winemaker of the Stellenbosch region

In 1987 Mr Truter was awarded the prestige Diners' Club Winemaker of the Year Award

He has toured France, California and Australia to study wine-making techniques for cabernets, red blends and chardonnay

Now in its 22nd year, the International Wine and Spirit Competition is designed to encourage and reward producers of top quality wines, spirits and liqueurs

SA liquor may go to Taiwan

GERALD REILLY (182)

TAIWAN will open its liquor market to SA from January 1993, which means SA wines, beer, brandy and spirits could be exported to Taiwan under a liberalised system, says Trade and Industry Minister Org Marais.

Marais said this at the weekend after a ministerial economic and technological co-operation conference between the two countries. Earlier last week the Taiwanese and SA governments signed an agreement which ensured a significant expansion of trade between the two countries. BDay 12/8/91

The two countries agreed in principle to co-operate in developing export markets in African countries. In addition, Taiwan had agreed to assist SA experts to penetrate Asian markets.

The agreement assures co-operation in the field of agricultural development, environment, forestry and sea fisheries. SA contractors and suppliers were now eligible to participate in all Taiwan government tenders.

Both countries had made good progress setting up agreements for the avoidance of double taxation, as well on two complementary planning, technological and industrial developments, Marais said

Luyt now aiming at bigger brewery

(182) CT 12/8/91

JOHANNESBURG — Transvaal rugby boss Louis Luyt has scrapped an agreement to buy the British Greenall Whitley brewery and has set his sights on a much larger brewery

Louis Luyt Group (LLG) (International) financial director Rian du Plessis said at the weekend that plans to import the Cheshire-based brewery had been cancelled and a brewery with "substantially larger" capacity was now in the pipeline for the Aureus industrial site in Randfontein

Du Plessis was cagey about details of the new brewery, as negotiations for its purchase were in the "final stages" He said the brewery, also second-hand, was in "extremely good condition"

The Greenall Whitley brewery, which would cost about R500m, had a capacity of 150-million litres a year, representing about 4% to 5% of SA's beer market Du Plessis said the group would now be aiming at a bigger slice of the market, and industry sources estimated the group might be going for as much as 10% — translating into about R400m annually

Du Plessis said the shift in direction would not affect the opening date of the brewery

SFW feels the crunch

182

Star 13/8/91

CAPE TOWN — The decline in consumer spending hit earnings at Stellenbosch Farmers Winery in the year to end-June

Attributable earnings fell by 19,1 percent from R42,79 million to R34,61 million, while earnings per share dropped from 30,6c to 28c after additional depreciations were taken into account

A final dividend of 7,5c a share has been declared, bringing the total for the year to an unchanged 11,5c.

Trading profit for the year was R105,8 million, down 3,7 percent on 1990's R109,97 million — Sapa

Stagnant wine sales stunt SFW

(182) B/Day 13/8/91

MARCIA KLEIN

STELLENBOSCH Farmers' Winery (SFW), the wine and spirits wholesaler, showed a 19% drop in attributable income to R34,6m (R42,8m) for the year to end-June as wine sales remained stagnant

Cost increases in the wine market, the battle for market share and consumers buying cheaper products could have contributed to the 8% decline in SFW's pre-tax profits to R96,2m (R104,4m) for the year

Earnings a share — before extraordinary items of R4,6m — were 3% down at 39,2c (40,4c) After additional depreciation earnings were 8% down at 28c (30,6c) a share

A final dividend of 7,5c a share was declared, bringing the full year dividend to 11,5c a share, unchanged from the previous year

In June SFW announced the closure of three bottling lines in New Germany, King William's Town and George and the retrenchment of about 330 of its 4 300 strong workforce

Chairman David Marlow said at the time that the measures were aimed at improving the group's cost effectiveness and competitiveness

Directors would not comment on the results yesterday

A recent study by Davis Borkum Hare analyst Gil Catton shows that wine sales grew by only 2,4% for the 12 months to end-April 1991 while sales of spirits rose by 3,9% and beer sales grew by 10,4%

SFW profits fall, but dividend maintained

STELLENBOSCH Farmers' Winery Group (SFW) had a tough year to June Attributable profits fell by 19,1% to R34,6m (R42,8m), in spite of rationalisations

But the final dividend is 7,5c a share, bringing the total pay-out to an unchanged 11,5c

Earnings per share were 28c (30,6c) after additional allowances for depreciation and 39,2c (40,4c) before Trading profit for the year was R105,8m, down 3,7% on 1990's R109,97m

There was an extraordinary item of R4,5m which resulted from the closing of several bottling facilities — Sapa (182) CT 13/8/91

Better beer as Cape brewers join forces with Vaal

182

ARG 17/8/91

Business Staff

THE Davids of the brewing world are getting together in a venture which will see the suds of the Cape being brewed in the dry and dusty climes of the far North.

The good folk of Mitchell's Brewery of Knysna and Cape Town and the brewers at St George's in Johannesburg have decided to share their innermost secrets.

Later this year Bosun's Bitter and Forester's Draught, currently brewed at the coast and transported to the Reef, will be made at St George's under licence.

"We view a link-up with Mitchell's as a most important step for St George's. Lex Mitchell is the doyen of South African micro-brewers and a licence arrangement with him could be of inestimable value to our quality concious brewery," said St George's managing director Peter Brown.

Mitchell's is currently sold at more than 250 outlets nationwide while St George's supplies 52 pubs and watering holes.

"This will enable us to distribute Mitchell's beer effectively and quickly. It will also ensure absolute freshness. The fresher that draught beer is, the better," said Mr Brown.

St George's master brew Nigel Gray, who was voted Britain's Brewer of the Year in 1988, has spent time at the Knysna brewery to make sure he can duplicate the distinctive flavour's of Mitchell's beers.

SAB and Remgro: which is the bluest chip?

B|Day 22|8|91 (182)

BRENT VON MELVILLE

BASED on their investment merits of stability and growth potential, there is little to choose between the two bluest of blue chips on the JSE, SA Breweries (SAB) and Rembrandt Group (Remgro)

With a combined market capitalisation of R28bn they account for almost 20% of the total weighting of the industrial index, and about 8% of the overall index which currently has a total market capitalisation of R338bn

The high ratings of these two shares has often prompted speculation about which is the better investment

Breweries has generally been accorded a higher rating with a historical price to earnings ratio of about 21, compared with Remgro's 13,7 Remgro's Swiss-based sibling Richemont, however, supports a p e of 20 times largely because it is regarded more as a rand hedge

SAB came out as the favoured group in a recent poll of investment experts by market researcher Campbell Belman But a snap-poll of industrial analysts yesterday yielded a split vote, with some suggesting that Remgro may have earned a higher rating

Remgro has outperformed SAB relative to the industrial index over the past year, moving up about a third against the index

Substantial diversification over the past few years has given both groups a wider profit base

SAB now derives a significant proportion of its earnings from its significant retailing interests in OK Bazaars, Amalgamated Retail, and star-performer Edgars Remgro has major concerns in mining, industry, financial services and corporate finance

The bulk of SAB's ready cash is being poured into its beer and beverage divisions while Remgro's thrust is towards expanding its industrial interests through Huntcor, and has gone big into Rainbow Chicken in particular

Analysts regard most of Remgro's investments as low-risk but with considerable profit potential Last year while Remgro's substantial industrial interests contributed 17,9% (17,5%) and the financial services division (under Absa) 8,5% (7,9%), the trademark division (essentially tobacco) remained dominant, earning R345m, and upping its contribution to profits to 40%

SAB's beverage interest raised its contribution to operating profits of R1bn to about 53% (49%), the beer division alone accounting for 42% (39%) The retail division, led by Edgars, added 24%, and manufacturing chipped in 12% Hotel interests (the 100% holding in Southern Sun) and non-RSA interests accounted for the balance

Analysts, however, emphasise another important factor the capital cost associated with expanding production capacity, an aspect very much in Remgro's favour SAB's plant costs are high Its latest annual report discloses capex plans for the beverage division alone at R1,1bn for the current year, of a total of R1,5bn for the entire group

Remgro's capital commitments stand at a much more sedate R155m The annual report does not disclose a breakdown of capex requirements

On a technical analysis SAB's recurrent sideways trading and inability to hold ground above the R60 level has inspired some caution about market potential in the short to medium term

But on that basis, Remgro is also relatively overbought, say technical analysts One analyst believes the share price is due to come back to about R21 while SAB's support level is between R50 to R53

BUSINESS

Distillers profit tops R100m

(182)

TOM HOOD
Business Editor ARG 23/8/91

DISTILLERS Corporation's net profit jumped over the R100 million mark for the first time in the year to June, rising almost 16 percent or R14 million to R101,6 million

The wine giant's turnover grew by 14 percent compared with growth of 12 percent in 1990

Operating profit rose by 13 percent to R177 million from R156 million last year

Shareholders are to get a 20 percent rise in final dividend, the 24c payout making a total of 35c for the year, which is almost 17 percent up on 1990's total dividends of 30c

Chairman Mr Arnold Galombik warns that unless the economic situation improves the directors do not expect further growth in earnings this year

The application of VAT, continued high unemployment and high interest rates would place pressure on discretionary consumer spending

The company's financial position was healthy with interest-bearing debt amounting to only 3,9 percent of shareholders' funds

The interest bill dropped to R1,1 million from R3,9-million.

■ After a year of drastic rationalisation **Picardi Holdings** reported a R24 million turnaround in earnings for the year to June

Attributable income surged to R10,9 million after a loss of R13,4 million in the previous year — a turnaround of 181 percent

Earnings recovered from a loss of 180,2c to 221,6c a share

The turnaround was achieved on a 57 percent rise in turnover, while operating profit was up 19 percent from R25 million to R30 million

The directors attribute the major recovery to the success of the strategies introduced in 1990 to improve working capital management and profitability

Interest-bearing debt was slashed by R71 million to the present level of R49 million

Extraordinary items reflect a write-off of R22 million, after investments were valued at their present net realisable value

The extraordinary items include an investment in Cape Investment Bank and the offer to buy out Picardi Properties minorities.

No further dividend has been declared because of the special dividend of 100c paid in February.

The directors say the current strict monetary policy continues to affect consumer demand and they expect only moderate growth until the economy receives the needed stimulation

■ The seven percent increase in earnings for the half-year reported by **Grindrod Unicorn group**, the shipping and transport group, indicates a drop in earnings in the second half of the financial year

Results for the six months to June show attributable profit of R6,4 million against R5,9 million last year

The interim dividend is unchanged at 10c

Capital expenditure, other investments and an increase in working capital requirements, following the expansion of international ship-owning and operating activities, pushed the group's interest-bearing debt up from R90 million at December 31 to R132 million at June 30

Since then, the group also bought two multi-purpose ships for international trade at a total cost of R55 million The business of Storm and Co was acquired from July 1

Chairman Mr Murray Grindrod says the outlook for the full year is not promising, with the domestic economy likely to remain in recession and continued tight monetary policy expected

He forecasts that these factors will translate to a drop in earnings to less than the 73,3c a share achieved last year

■ **GUARDIAN National** reports a 3,6 percent improvement in net profit and an 18 percent increase in dividend to 675c (55c) for the six months to June

The directors say there was a high incidence and cost of claims as well as some exceptional losses in the marine and casualty departments

A marginal decrease in the underwriting loss to R4,8 million from a loss of R5,5 million in the first half of last year was considered a reasonable result

Profit available for distribution rose to R10,2 million (R9,8 million)

Net premiums written increased to R192 million from R165 million

SA Brews workers declare dispute

S Times Bus T 25/8/91

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By ADRIAN HERSCH

THE Food and Allied Workers Union (Fawu) has declared a dispute in its annual wage negotiations with SA Breweries over the kind of issue that should be referred to compulsory arbitration

SA Brews spokesman Adrian Botha says the company has no problem in referring "rights issues", such as dismissals, to compulsory arbitration

Patterns

But he considers it impractical for operational matters that are decided on by business experts

Mr Botha says "For example, when shift patterns are changed it is done by people with intimate knowledge of the business We believe it is unsuitable for a third party, who is not in the business, to make a decision on such an issue."

In 1987 a change from ordinary shift work to continuous shifts at the Rosslyn plant resulted in a strike which spread to other plants countrywide

SA Brews and Fawu have agreed in principle on an average wage increase of 16,5% off a high base It takes the wage for the lowest-paid worker to R7,40 an hour

Mr Botha says this will not be confirmed until the compulsory arbitration issue has been resolved

Federale's PEET VAN DER WALT

Coke sniffs at prodigal Pepsi's possible return

182

S/Times (BWM/T) 25/8/91.

By DAVID CARTE

PEPSICO International is considering an all-out assault on the SA soft-drink market in association with Fedfood

Fedfood is in the Federale Volksbeleggings stable

But Coca-Cola's SA distributor says Pepsi would lose a fortune if it tried to return

Pepsi's 30-year presence in SA ended last year with the liquidation of the remnants of the company Since then small quantities of the drink have been imported from Namibian Breweries

Speaking from New York, Pepsico public affairs manager Tod McKenzie confirmed that London consulting firm Ravensbeck had completed a study of the SA market A decision on whether to go ahead was pending

Ban

Pepsico would not have to wait for the lifting of the Comprehensive Anti-Apartheid Act

Mr McKenzie said "For all practical purposes, President Bush has lifted the ban on new business in SA"

Federale managing director Peet van der Walt confirms that Fedfood is considering a proposal from Pepsico

"We have connections with Pepsico through Simba, which uses some of its brand names We have given it some input and it has done its own surveys and floated certain proposals They are at the preliminary discussion level

"Soft drinks in SA are a fantastic market, but there are significant barriers to entry"

Pepsi, which 20 years ago was the second-biggest player in SA, scaled down operations until it sold only in the Western Cape The US parent withdrew in 1986

It tried to leave its business operations in the hands of blacks through the Soweto Investment Trust (Sitco), but because of inexperienced management, Sitco's attempt to resuscitate the company failed

SA businessmen tried to rescue the company, but Pepsi was liquidated owing R1-million in wages, pensions and other benefits

Sandy Allan, managing director of National Beverage Services, Coca-Cola distributors in SA, says Pepsi will lose more money if it returns All Coca-Cola bottlers and distributors are tied exclusively to Coke

His company has 80 000 refrigerators installed in cafes and supermarkets and no alien products may be placed in them

"If Pepsi wants 20% of the market, it will have to focus on the Pretoria-Witwatersrand-Vereeniging complex Trucks and coolers will cost R150-million to R200-million Returnable bottles and cases will lift the minimum investment to about R500-million It would have to match our advertising spending of R30-million a year"

Mr Allen admits that the SA soft-drink market is one of the fastest growing in the world A growing, young, increasingly affluent and urbanising population has lifted soft-drink volumes by 50% in four years

That explains why some of the best-performing companies on the JSE — Amalgamated Beverage Industries, Suncrush and Cadbury Schweppes — are soft-drink bottlers

A market observer says Coke ensured that every Pepsi bottle was broken and melted down when Pepsi quit SA to ensure that there could never be a cheap comeback

Obvious beneficiaries of Pepsi's return would be Consol and Metal Box of SA

Consol managing director Piet Neethling says 65% to 70% of soft drinks are sold in returnable bottles His company has about 80% of that market He would welcome Pepsi's return

KWV earnings up 12 percent

CAPE TOWN — KWV has reported a lower-than-inflation-rate increase in earnings for the year to June, mainly as a result of the mixed fortunes of the two companies providing its dividend income

Distillers Corporation and Stellenbosch Farmers' Winery reported net earnings of 63,4c (55,8c) and 28c (30,6c)

Dividends declared were 35c (30c) and 11,5c (11,5c).

182

KWV's net pre-tax income rose 11,9 percent to R19,4 million (R17,4 million) on dividend income of R19,5 million (R17,4 million)

Star 26/8/91

Distributable income rose to R19,5 million (R17,5 million).

A final dividend of 31,3c (27,3c) has been declared, making a total of 46,3c for the year (41,3c) — Sapa.

R30 000 donated for trails

(182)

Star 28/8/91

South African Breweries (SAB) recently handed over R30 000 to the National Parks Board to finance educational trails in unspoiled natural areas for 500 children of all races

It is the fifth such cheque from SAB in five years Three more will follow

Adrian Botha, SAB spokesman, said the brewing industry depended on clean water and good soil for its products hence its concern for encouraging an awareness of environmental matters

TRENDS REPORTER

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Star 3/9/91

Nelspruit brewery sold

Finance Staff (182)

St George's Brewery has bought the entire plant from a Mitchell's franchise brewery in Nelspruit in a move which will quadruple St George's maximum monthly production

The plant is being dismantled and transferred to Ophirton, Johannesburg It should be producing draught beer by the beginning of October

St George's managing director Peter Brown said the plant in Nelspruit has a capacity to produce 120 000 litres a month

"This will more than quadruple our present maximum monthly production We hope to be selling Mitchell's, alongside our own brand names - St George's Ale, Sherwood Porter and Eagle Lager - in good time for the summer thirst"

St George's supplies 52 pubs and other outlets in the PWV area, while Mitchell's is on sale at 54 outlets

Probe into activities of KWV reopened

LINDA ENSOR

CAPE TOWN — New information submitted on KWV activities had caused the probe into the co-operative which controls the R590m wine industry to be reopened, Registrar of Co-operatives Louis du Toit said yesterday BDay 3/9/91

The investigation arose from the submission earlier this year of a memorandum by a group of farmers called the Wine Task Group which claimed KWV had infringed its governing statute by competing unfairly with its members

Farmers in the task group include owners of Simonsig, Vriesenhof, Lievland, Kanonkop and Zevenwacht estates

Last week Du Toit said in an interview that no contravention of the law by KWV had been discovered (182)

Issues raised by the group of farmers in their memorandum include the minimum price and quota systems and KWV's allegedly unfair competition with farmers on local and export markets The farmers have asked that the quota system be scrapped for farmers and co-operatives that bottle and sell their own wine

KWV says that some mechanism for maintaining the stability of the wine industry is necessary

Farmers take on the KWV

182

B/Day 5/9/91.

MICHAEL FRIDJHON

DISCONTENT with the KWV's management of the wine industry has led to complaints being lodged with the Registrar of Co-operative Societies.

A group of independent wine farmers, led by Simonsig's Pieter Malan, has listed a series of grievances which it believes provides proof that the KWV no longer fulfils the requirements of its charter.

While the registrar's initial response does not appear to encourage the farmers, there is no doubt they will persevere if only to draw attention publicly to what they believe is an iniquitous situation.

Essentially they have objected to the KWV's legally entrenched right to be both referee and player in the industry. They have noted that the KWV has access to all their confidential trading information, for local as well as export sales.

Since the KWV also handles the bulk of SA's wine exports, the wine farmers believe this privileged position can lead to abuse. The same applies to their role in the domestic side of the trade.

Since the 1979 realignment of the wine industry, the KWV has been a co-shareholder with Anton Rupert in the company which controls Distillers Corporation and Stellenbosch Farmers' Winery.

This means the organisation entrusted with policing the wine industry and ensuring a balanced relationship between wine farmers and wholesalers jointly controls production and wholesale companies which account for over 80% of SA's wine and spirits sales.

More specifically, the wine farmers allege, KWV is in breach of its charter by competing with the wine farmers it represents. The KWV's Paarl Estate of Laborie sells its produce on the local market, in direct competition with the independent wine estates.

Since the KWV has seemingly limitless amounts of capital, and in addition derives revenue from the levies it is entitled by law to impose on independent producers, the country's estate wine growers claim that they do not compete against Laborie on a level playing field.

Other complaints relate to the KWV's role in supplying another wholesaler with much of the wine sold under the Douglas Green label. There have also been allegations that the KWV, through the role that it plays in the quality control, embargoes competitor wine exports with needless bureaucratic red tape in order to maximise its own export activities.

This situation is exacerbated by the KWV's right to establish the minimum prices at which producers may sell their wines.

The independent farmers point out that the KWV frequently trades in wine at prices well below the levels at which they are legally entitled to operate.

Irrespective of how the Registrar of Co-operative Societies chooses to view these complaints, there is no doubt that the country's independent wine farmers have a right to feel aggrieved.

The KWV is both referee and player in the same game. It participates in the domestic and export markets, managing or supplying more than 80% of the industry's business.

The KWV is active in all the various policing infrastrustures of the wine business; it fixes prices, it controls export policy; it operates the production and bottling equipment belonging to its members, it does have access to preferentially priced goods, to members' capital, and to the confidential trading information of the independent farmers.

Whether or not this means that the KWV is guilty of the extremes of abuse implicit in the present allegations is a moot point.

The UK agent of one of the independent wine producers has written to SA's UK ambassador to draw attention to what he believes is evidence of bad faith in the KWV's application to the export regulations.

The KWV's response is a carefully reasoned denial and there is no real way of establishing the veracity of either party's claims if there is no independent body of evidence.

The accusations are based on implication, with substantiation frequently circumstantial. The KWV may truly act with great propriety, and stand falsely accused of interfering in the industry it is charged to manage, but there is no way of knowing for certain.

Until the organisation either abandons its trading position, or invites government to take over its administrative functions, an air of suspicion will prevail.

As the KWV strengthens its commercial domination and records increased profits each year, it will never obtain the full credit for its efforts. No one will believe that its successes are entirely the result of good management just as long as the organisation enjoys the right to shift the goal posts at will.

Luyt 'set to clinch new beer deal'

BDay 6/9/91

MARCIA KLEIN

(182)

SPECULATION is rife that Louis Luyt is about to clinch a deal with an overseas brewer to bring an international beer to SA.

Louis Luyt Group (International) financial director Rian du Plessis would neither confirm or deny the speculation. However, he said an announcement could be expected "in the not too distant future".

After announcing his re-entry into the SA beer market, Luyt arranged to buy the UK-based Greenall Whitley brewery, but this was later shelved. He was also negotiating with Belgian-based Interbrew, which brews Stella Artois, but the brewer said it had discontinued negotiations.

However, according to the Liquor Act, the overseas brewer with whom Luyt signs a deal is going to have to be happy with a minority interest in Luyt's brewery

Liquor Board chairman Danie Botha confirmed yesterday that Section 25 of the Liquor Act included a provision preventing foreign control of local breweries.

The Act states that licences would not be given to any person not domiciled in SA. He said the inclusion of this provision in the Act "went back a long way".

He said it was probably introduced in order to have control of brewing licences due to the dangerous nature of the liquor commodity, and also to protect South Africans involved in the industry

However, Botha said there was recently a demand for foreign investment, and plans had been mooted to amend the Act and take out the clause of foreign ownership.

Nothing would happen in this regard until the next session of Parliament, he said

SA Breweries (SAB) beer division spokesman Adrian Botha said that SAB had not seen this clause as any impediment to entry by a foreign brewer.

"Our understanding of the matter is that a foreign brewer would have been entitled to register a company in SA and brew here," he said.

SFW claim 'whisky' goes against the grain

182

Argus Correspondent Arg 10/9/91

DURBAN. — Liquor giant Stellenbosch Farmers Winery (SFW) has threatened court action against a small Durban-based liquor company which it claims is passing off a product as whisky.

The row between the two liquor producers is also being taken up at political level: the Minister of Agriculture, Dr Kraai van Niekerk, is to meet soon with executives of Durban-based E Snell and Co.

The company was given a deadline by SFW of August 28 to withdraw its product from shelves, failing which SFW would seek an urgent interdict.

By midday yesterday Two Keys was still standing among popular brands on bottlestore shelves.

This is the second time SFW has acted against E Snell and Co. In May last year, SFW was granted an interdict restraining Two Keys from carrying a label stating it was a "blend of Scotch whisky with double distilled South African grain spirit" under the terms of the Liquor Products Act 60 of 1989.

Two Keys subsequently amended its label to state it was a "spirit distilled from grain produced in South Africa and the United Kingdom and bottled in the Republic of South Africa."

SFA lawyers said. "Our client has undertaken research in the Cape Peninsula and has established that the product is being sold widely."

Suncrush fizzing, but expects tougher times

BDay 10/9/91. (182)

MARCIA KLEIN

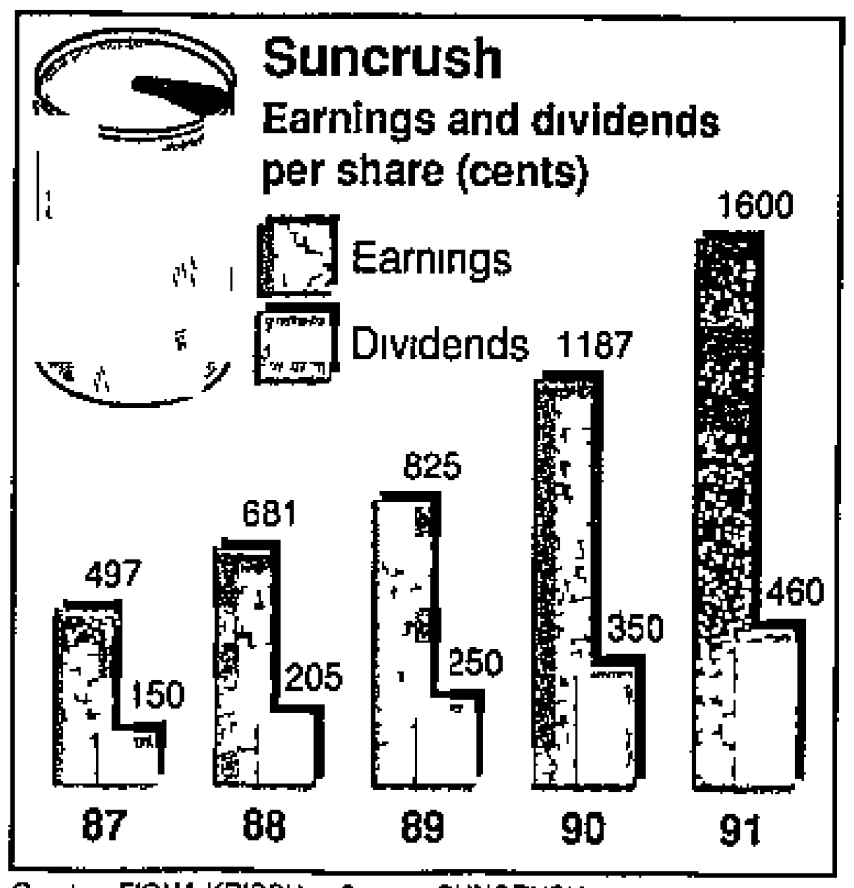
DURBAN-based soft drink bottler Suncrush has maintained its exceptional growth record of producing earnings well above the inflation rate by increasing its attributable earnings by 35% to R43,4m (R32,2m) in the year to end-June

The Suncrush share price reflects the results, with the share closing yesterday at its year high of R400, after climbing by over 100% from its low of R185 at this time last year

But director Derek Cook warned yesterday that the coming year would be tough for the soft drink industry, which usually felt the pinch of the recession later than many other industries

Cook said that the first two months of the new year had confirmed that turnover figures were beginning to show the effects of the recession, with sales being lower than forecast, although still ahead of last year

Cook said that although it was difficult to forecast, he expected this year to be tougher than the last



Graphic FIONA KRISCH Source SUNCRUSH

The bottler of Coca Cola, Fanta, Sprite, Krest, Schweppes and Sparletta reported a 25% turnover increase to R444,9m (R356,3m) Included in this figure is the R21m cash acquisition in November of Drakensberg Bottlers in Bethlehem

Despite pressure on turnover, Suncrush nevertheless managed to lift operating profits by 25% to R70,7m (R56,4m) Pre-tax profits grew by 24% to R77,8m (R62,7m) after income from investments and a 55% increase in interest received, despite the R21m cash acquisition

Current taxation was 23% up at R32,6m (R26,5m), and a much lower deferred tax of R1,4m (R3,1m) reflected a change in the treatment of stock valuation

Profit after tax increased by 33% to R43,8m (R33,0m)

A R7,3m extraordinary item referred to goodwill written off after the Drakensberg Bottlers acquisition

Total earnings grew by 34,8% to 1 600c (1 187c) a share Although excellent in this economic climate, earnings did not match the 44% increase for the year to June 1990

Suncrush declared a final dividend of 335c (254c) a share, bringing the full-year dividend up by 31,4% to 460c (350c) a share

Dalys, which holds just over 50% of Suncrush, showed a 34% increase in attributable earnings to R20,5m (R15,3m), with earnings at 184,9c (138,1c) a share

SUNCRUSH FM 13/9/91

Keeping ahead (182)

Results posted by soft drink bottler Suncrush for the year to end-June were even better than those from Amalgamated Beverage Industries (ABI) for the year to end-March Turnover grew by a quarter, compared with ABI's growth of a fifth, and EPS advanced by 35%, compared with ABI's 25%

Volume growth was apparently stronger in Suncrush's franchise areas, which include Richards Bay, Newcastle, Maritzburg, Vanderbijlpark and Welkom There was less disruption to supplies from violence than in ABI's distribution areas in the PWV and Durban ABI's overall sales, however, remain double those of Suncrush

Suncrush also has a much higher operating margin, 15,9% against 12,4% This is partly accounted for by Sparletta's greater popularity in the Suncrush areas Royalty fees to Sparletta are lower than they are to Coca-Cola

Suncrush's share price has climbed to demanding levels At R400, it has a p e of 25 and a dividend yield of 1,1%, with the cover at 3,5 ABI trades on an earnings multiple of 29,3 and a dividend yield of 1,7%, its dividend cover is just 2,0

Suncrush's earnings increases, R1,7m equivalent to 64c a share, was because of a change in the deferred tax treatment of the lifo stock valuation There was a R7,3m extraordinary write-off of goodwill arising from the purchase of Drakensberg Bottlers in Bethlehem

The balance sheet remains strong, though borrowings increased by 14% and the fund-

SUNCRUSH SPARKLES

Year to June	1990	1991
Turnover (Rm)	356	445
Operating profit (Rm)	56	71
Attributable (Rm)	32	43
Earnings (c)	1 187	1 600
Dividend (c)	350	460

Continue

FM 13/9/91 (182)

ing requirement is likely to rise, as capital commitments increased from R2m to R15m The market value of listed investments, which include 62% of Tempora, virtually doubled from R111m to R201m, and gearing is only 11% after revaluation

Holding company Dalys reported EPS of 184,9c, giving it a p e of 24,1 and a paper-thin dividend yield of 1%

Both shares look expensive on the historical yields, but these groups continue to produce good results Suncrush had some difficult years between 1984 and 1986, when growth averaged 10%, but otherwise earnings have not grown by less than 21% since 1981 Soft drinks continue to show real volume growth and Suncrush also enjoys solid investment income The share will remain in demand

Stephen Cranston

Tempora increases its stake in Cadswep

By Jabulani Sikhakhane (182)

Star 13/9/91

Anglovaal Industries subsidiary, National Brands, has sold its 16,2 percent in Cadbury Scheppes (Cadswep) to Tempora Investments for R177,1 million cash, or R31,50 a share — 50c above the current market price.

The deal is subject to a suspensive condition, which could be that Tempora still has to get shareholder approval Tempora's chairman and managing director Ron Hamilton would only say last night that an official announcement would be made shortly

Tempora Investments is a 62,16 percent subsidiary of softdrink bottler and marketer Suncrush.

National Brands (formerly SA Baker Limited) paid R23,3 million for the Cadswep shares and will realise a capital profit of R153,8 million on the sale

Today's announcement says National Brands bought the stake with a view to increasing it. Presumably, National Brands had hoped that UK parent Cadbury Schweppes PLC, which currently owns 53,9 percent of Cadswep's equity, might come under political pressure to divest or reduce its stake in the local operation

The announcement adds that it is now apparent that increasing the Cadswep stake is no longer probable

"The effect of the disposal will have a significant, positive effect on earnings as only dividend income from this investment was accounted for previously," says the announcement

The deal has a number of interesting features One is how Tempora and Suncrush will finance the deal

Tempora has cash resources of R40,32 million from its rights offer in July, meaning that a further R136,78 million will be needed to complete the deal

Some analysts suggest that Tempora might have another rights issue Suncrush, which is virually ungeared and is controlled 50,22 percent by Dalys, might borrow funds to finance the deal

Interestingly, Tempora holds 20,63 percent of Dalys

The second aspect is that the deal lifts Tempora's stake in Cadbury Schweppes to about 22 percent, making it the second-largest shareholder

Cadswep holds a 19 percent in another softdrinks bottler and marketer, Amalgamated Beverage Industries (ABI), which is controlled by SA Breweries

National Brands acquired the Cadswep shares in October 1986 when Cadswep bought Bromor Foods from Murray & Roberts

Cadswep issued 1,115 million shares at R20 a share, but because M&R needed cash and not shares, Anglovaal stepped in to take the shares

SA wines win favour in Britain

182

CT 16/9/91

Own Correspondent

LONDON — South Africa is the flavour of the month, according to the British wine industry, and major food chains are rushing to fill their shelves, says a report here

Supermarket giant Sainsbury's is introducing a South African wine to its extensive range from around the world, and Tesco, which recently launched its first four, is topping up with another two next month

Marks and Spencer's first two will be available to British consumers this week, while Asda recently put three on its shelves

"Recession-hit retailers seem terrified if missing out on what might just end up as the next great wine trend," says the London Sunday Times consumer report

And it comes as no surprise South African wine makers, who produce a massive surplus of wine every year, are keen to sell, the report adds

With the weak rand, exporters are offering wines at attractive prices And buyers are not shy

Added to the impressive list of retail outlets are the bottle stores One chain, Victoria Wine, describes South Africa as "one of our major areas for development"

But now the timing is at its best. Sanctions have gone, apartheid has been officially discredited and previously closed doors have been opened

Added to this is the disastrous frost-bitten 1991 vintage from Europe and price hikes over the past 18 months which show little sign of abating

At around R14, a bottle of South African wine is relatively cheap in the UK

Our pride and joy, has, however, not escaped review

"South Africa is not another Australia," says the writer, Joanna Simon "It has been isolated from winemaking progress in the rest of the world and it has some catching up to do

"The average, is, well, average," she says

Cape Town considers unity

BDay 17/9/91

LINDA ENSOR

CAPE TOWN — Far-reaching recommendations regarding standards, financing, community liaison and affirmative action on staff appointments are contained in a report on Cape Town's transition towards an integrated democratic city.

The report, which has been adopted by the council, was drawn up by a committee of councillors under the chairmanship of Arthur Wienburg and released yesterday

The report is based on the recognition of the need to create economically viable, non-racial, democratic and redistributive local government.

It proposes two levels of city government — metropolitan and local — and recommends that the metropolitan area includes the magisterial districts of Cape Town, Goodwood, Bellville, Kuilsriver, Wynberg, Simon's Town, Eersterivier, Kleinvlei, Macassar-Firgrove, Somerset West, Strand, Gordon's Bay and Stellenbosch. The inclusion of Atlantis, Paarl and Wellington is still to be investigated

A constitutional committee is taking the investigation further and is looking at issues such as a municipal franchise. Wienburg says the next stage would be to get other municipalities involved to work out a broad consensus with which to approach government.

One drawback, however, is that the civic associations in the Western Cape Union of Civic Associations did not participate in the deliberations of the committee.

State

The report emphasises the city of Cape Town will not be able to accept the financial liability associated with an enlarged single city without additional funding from government in the form of a guaranteed tax base

The state will have to accept responsibility for housing, health, education and major transportation schemes.

The report says the issue of standards will be one of the most crucial facing Capetonians, but the council will not be party to proposals which under the guise of assuring or improving standards serve to protect existing privilege or foster discrimination.

One of the major issues of standards relates to problems of overcrowding, and the committee feels that existing legislation may be inadequate. A review of this legislation is proposed and resources to meet the need for housing are necessary.

The effectiveness of current enforcement procedures regarding bylaws on standards needs urgent review as present processes are too lengthy and the council is "toothless". The establishment of a municipal court to hear municipal cases is recommended.

The report says council employees need urgent training to respond to complaints.

Affirmative action is necessary to redress the racial imbalance in the workforce, especially at higher levels The council has commissioned an investigation into affirmative action programmes

The committee says the framework of the future form of local government should be high on the agenda for national negotiations as a prelude to local decisions.

Brits no longer find SA wine unpalatable

Own Correspondent

182

LONDON — SA is the flavour of the month, according to the UK wine industry, and major food chains are rushing to fill their shelves. BDay 17/9/91

A report in the Sunday Times says supermarket giant Sainsbury's is introducing a SA wine to its extensive range and Tesco, which recently launched its first four, is topping up with another two next month

Marks and Spencer's first two SA wines will be available this week, while Asda recently put three on its shelves.

"Recession-hit retailers seem terrified of missing out on what might just end up as the next great wine trend," says the report.

And it comes as no surprise. SA wine makers, who produce a massive surplus each year, are keen to sell and the weak rand makes prices attractive.

Added to the impressive list of retail outlets are the bottle stores. One chain, Victoria Wine, describes SA as "one of our major areas for development".

Of the stores which have been quietly selling through the sanctions years, are Waitrose — which has added two to its range — and the Thresher and Wine Rack chains which are looking at market possibilities for next year.

Timing is at it's best now Sanctions have gone, and added to this is the disastrous frost-bitten 1991 vintage from Europe — and price hikes over the past 18 months which show little sign of abating.

L6

Juicy future for deciduous fruit

(182) LINDA ENSOR

CAPE TOWN — Confidence had returned to the deciduous fruit industry to such an extent that output was expected to double by 1995, Unifruco MD Louis Kriel said at an Afrikaanse Sakekamer function yesterday.

He said the lack of sufficient product had been a problem this year for Unifruco, the export marketing arm of the deciduous fruit industry which has a turnover of about R1,5bn annually.

Figures for the last season should be finalised by October, Kriel said. BDay 18/9/91.

He said the export allowance which would be abolished next year was not necessary to survive under present circumstances. Although it added greatly to new investments and job opportunities, it was never calculated into the pricing strategy.

He said Europe and the Middle and Near East were priorities for fruit exports. The lifting of sanctions had seen new markets opening up.

Export turnover from countries such as West Germany had doubled this year with supermarkets inviting SA producers back and asking them to advertise.

Kriel said between 25% and 33% of SA fruit markets overseas were lost at the time of sanctions but Unifruco had embarked on aggressive marketing strategies. Lobbying activities had cost about R1,5m annually.

Free Market Foundation executive director Le der Merwe senior partner Henry Vorster at conference in Johannesburg.

SAB sends mission to overseas banks

MARCIA KLEIN (182)

TOP SA Breweries (SAB) executives are leaving for Europe later this week on a financial public relations visit

Group financial director Selwyn MacFarlane said the SAB delegation, headed by executive chairman Meyer Kahn, would visit major banks in an attempt "to re-open critical contacts with the German and Austrian business communities".

The delegation, which also includes MacFarlane and group financial manager Ian Somerville, will be giving major presentations in Berlin, Frankfurt, Munich and Vienna B/Day 18/9/91

MacFarlane said the visit was aimed at business goals, and was not political Its main objective was to punt SA in terms of future foreign investment, but "synonymous with this was SAB and its mass consumer focus", he said

SAB hoped to meet about 10 major banks and would also see top businessmen and decision-makers.

MaxFarlane hoped the visit "would show an initiative that would gather speed with most of the other major SA groups".

It was intended that the SAB visit would promote visits to SA by overseas companies, which, in turn, would lead to foreign capital coming in.

SAB has estimated that the SA growth rate could double when foreign capital flows into the country again

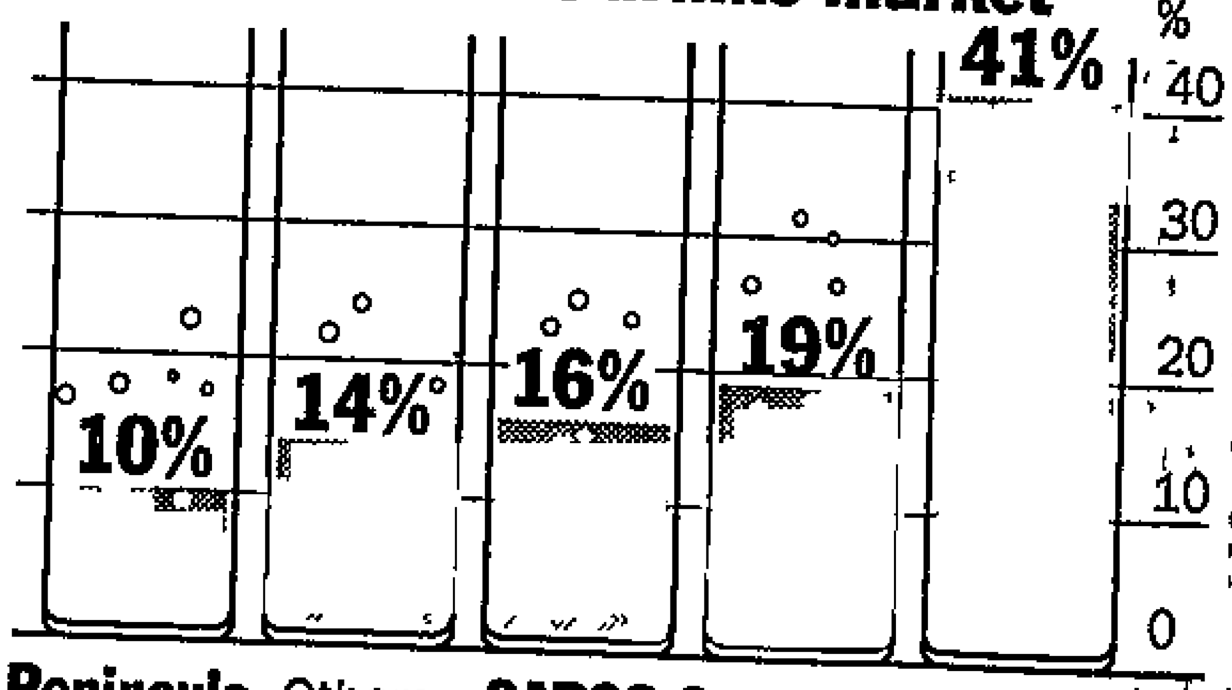
Tempora's deal could be linked to return of Coke

(182) Star 20/9/91

Diagonal Street
Jabulani Sikhakhane

By Jabulani Sikhakhane

Carbonated soft drinks market



Tempora's acquisition of a further 16,2 percent of Cadbury Schweppes (Cadswep) shares, increasing its stake to 22 percent, has opened up a number of interesting possibilities

Tempora is controlled by another big player in the soft drinks market, Suncrush which in turn is owned by Dalys

Analysts suggest Tempora's move could be signalling Coca Cola's return to the South African market in the light of Pepsi Cola's comeback

Sandy Allen, managing director of National Beverages (Natbev) which holds Coca Cola's master franchise, says there is no problem if Coca Cola decides to return

Coca Cola still owns all its trademarks in the country, he says, and the trump card is the syrup plant in Swaziland

The significance of the Tempora/Cadswep deal is that Cadswep owns 19 percent of Amalgamated Beverage Industries (ABI), which is controlled by the South Africa Breweries (SAB) ABI is the largest of the Coca Cola franchisees, with 41 percent market share.

Analysts say there is no way SAB will let go of ABI, although it is understood that Coca Cola has option agreements

Coca Cola, analysts suggest, could buy the Hamilton family's stake in Suncrush which would give them a 22 percent stake in Cadbury Schweppes

Interestingly Coca Cola and Cadswep's UK parent company (Cadbury Schweppes Plc) are on good terms having started a joint venture in the UK in 1987

Coca Cola could either buy Cadswep's stake in ABI or could merge Cadswep and all other Coca Cola operations in SA

"If you think the Dalys/Suncrush share prices are expensive at current levels, wait and see at what price the Hamilton family will sell to Coca Cola," said one analyst

Yesterday Suncrush's share price jumped R40 to R440 on only 100 shares traded and Dalys rose 550c to R50 Since the beginning of the year, Dalys has risen by over 177 percent and Suncrush by 120 percent

Suncrush is the biggest of the family-controlled franchisees with 19 percent market share, closely followed by the SA Bottling Company (Sabco) with 16 percent and the Peninsula Bottling Company holding 10 percent. Other smaller ones share 14 percent

Before selling to Coca Cola, the Hamilton family might tidy-up Suncrush's control structure leaving only Tempora as Suncrush's controlling company

Currently Dalys owns 50,22 percent of Suncrush Tempora, which is an investment arm of Suncrush, owns 20,14 percent of Dalys

After the Cadswep share acquisition, which was paid for in cash and the issue of shares to eight institutions, Suncrush's stake in Tempora was reduced from 52 percent to 43,2 percent

Hamilton Management Consulting (Hamilton family) owns 25,3 percent of Dalys and Robin Hamilton (managing director and chairman of Dalys) directly holds 5,9 percent of Dalys Taken together, the Hamilton family and Tempora have over 51 percent of Dalys.

Mr Hamilton could not be reached for comment yesterday

TEMPORA FM 20\9\91

More sweeteners (182)

Normally, investment trusts trade at a discount to net asset value, but this has not been the case with Suncrush subsidiary Tempora It now trades at R19,50, a premium on current NAV of R18, calculated by chairman Robin Hamilton

The shape of the trust has changed significantly over the past two months Tempora has had a rights issue and R100m was placed with institutions to fund the purchase of 16% of Cadbury Schweppes, to increase the group's holding to 22%

Hamilton expects the share to be more tradeable than either of its two major investments, Cadswep and 20% of Dalys, the Suncrush holding company Suncrush's stake in Tempora has fallen from 62% to 43%, and the recent R100m placing was spread among eight institutions Tempora is now predominantly a vehicle for investment in the soft drink and confectionery market Its stake in Cadswep is worth R240m, in Dalys R130m Its other significant investments are R30m in Sakers and Saficon, and about R3m in Seardel and Searcon

Hamilton says he does not expect the Suncrush interests to be involved in any way with

Continue →

FOX FM 20\9\91 (182)

the management of Cadswep, and he does not believe that Tempora will be able to acquire a larger stake in Cadswep Logically, Tempora should get a seat on the Cadswep board, but it may not seek one

Tempora originally bought the Cadswep stake because it could see the growth potential in the group, particularly from its 19% stake in ABI Like Suncrush, ABI is a franchise holder for Coca-Cola products, but it has not achieved Suncrush's margins or returns Hamilton believes it will close the gap in the future The confectionery business has good products which are well tested in a competitive market, he says

Hamilton says the Tempora price has risen because of the excitement surrounding the Cadswep deal It should settle around R18 He does not see why it should have much of a discount on NAV as it has minimal administration fees For example, Tempora pays no directors' fees It has a dividend yield of 1,6%, higher than that of both its main investments, so it looks fairly priced for now

Stephen Cranston

Govt may lose on spirits and beer despite excise

MICHAEL FRIDJHON

(182)

GOVERNMENT could lose up to 1% of beer and spirits revenues through the lower VAT rate, irrespective of the newly imposed luxury goods excise.

The 2,5% ad valorem excise which will be imposed on various luxury goods from September 30 may fail to make up the revenue shortfall of the move from a 13% GST to a 10% VAT.

While most liquor producers — except wine farmers — are delighted, the regulations have been greeted with some scepticism. A new tax whose rate is insufficient to make up an unintended revenue rebate is not seen as permanent.

Experts believe that an ad valorem levy set as low as 2,5% is merely the thin edge of the wedge.

Within six months, they predict, the rate will be increased, obstensibly to cover the shortfall and soon the fiscus will have another indirect tax for the milking.

B Day 20/9/91

The additional excise is to be calculated on the in-bond or excise-free value of the goods, and not on the duty paid wholesale price.

This means the new excise will affect different products to varying degrees.

The most efficient scenario, from the revenue point of view — applies on products like natural wine, which have been excise free until now.

In terms of the new arrangement, a wine leaving the producers' cellars at R100 a case will cost the retailer R102,50 plus 10% VAT.

Previously the same product would have been costed into stock at R100 plus 13% GST.

Products like scotch, brandy and beer carry customs and excise duties worth as much as 40% of the wholesale selling price. The new ad valorem excise is only to be calculated on the excise-free portion, which may be as low as 60% of the present wholesale price.

New market for grape surplus

LINDA ENSOR

CAPE TOWN — Surplus grapes would no longer be turned into wine for bulk export from next year but would rather be sold as grape juice concentrate, KWV CE Ritzema de la Bat said yesterday.

Demand for grape juice concentrate has escalated, especially for use as a natural sweetening agent. KWV hopes to next year increase by 70% the sale of the concentrate, which has a higher return per unit.

Deputy CE Kobus Van Niekerk said there was a current supply shortage of Cabernet Sauvignon, although with 500 new hectares of the variety under cultivation this should be overcome soon.

In the early '80s there had been a decline in demand for Cabernet Sauvignon and in 1984 and 1985 new plantings were fewer than 100ha. B/Day 24/9/91

There had since been an upsurge in demand for red wine and substantial plantings of the cultivar since 1986 are likely to improve supplies in 1992/93.

Domestic prices of Cabernet Sauvignon are, however, unlikely to increase.

Van Niekerk projected a 5,4% annual growth in the consumption of premium red wines until 2010 and no growth in rosé wines and said the growth in exports of premium red wines as a percentage of total red wine was expected to increase to 38% from 19%. He forecast the growth in medium priced red wine to be about 5,1% annually.

KWV has launched many new ranges of wines in the UK, mainly through supermarket chains to give it a broader penetration of the market. 182

Chief marketing executive Jannie Retief yesterday said that in the past KWV had been limited to the upper end of the medium range of wine and it was necessary to extend into the upper and lower ends of the market.

Retief said a representative of the Finnish government's wine monopoly would visit SA in November to taste the wines with a view to having them listed.

Suncrush spurt could result in a share split

BDay 24/9/91 (182)

MARCIA KLEIN

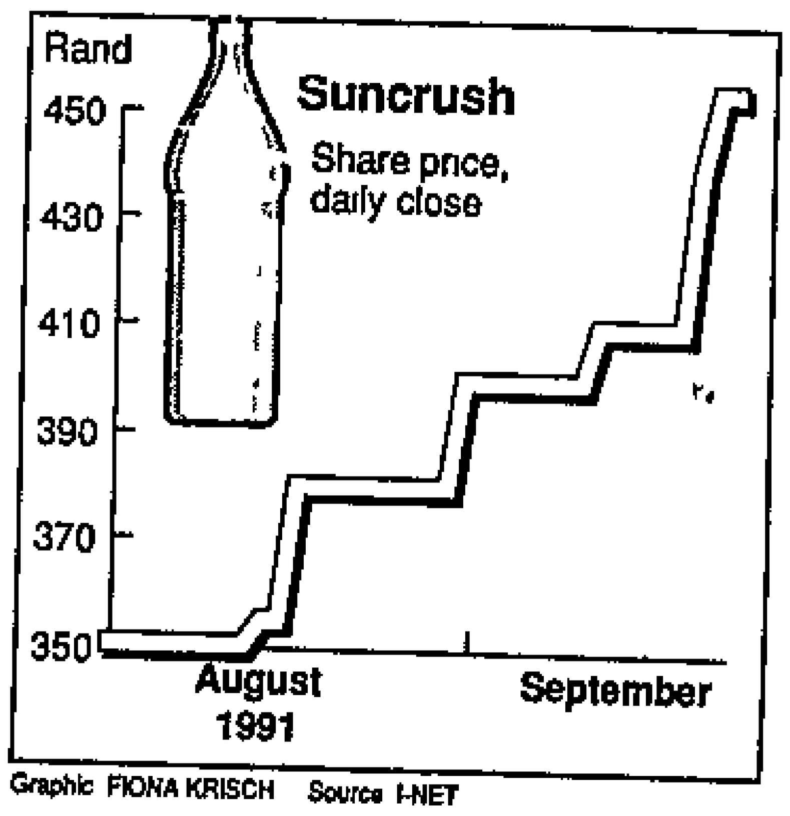
SHARP increases in the share price of Suncrush and holding company Dalys could point to a possible share split, or to the sale of a large stake in the soft drink company, say analysts

The Suncrush share closed yesterday at R455 after rising 132% last year and by R40 on Thursday alone Dalys closed at R50 after rising 160% over the year

Suncrush chairman Robin Hamilton said yesterday that a share split had been under consideration, and "there was some logic for a split", but there was nothing in the pipeline at the moment

An analyst said the Suncrush share was one of the most expensive on the JSE, and "sooner or later there would need to be a split at this level"

However, while a split would see the share increase in value and give the impression that it would be more tradeable, "investors may hold on tight to the blue chip stock"



Graphic FIONA KRISCH Source I-NET

According to an industry source, the share price rises could not be solely attributed to Suncrush's recent good results and to last week's announcement of Suncrush's increased stake in Cadbury Schweppes through subsidiary Tempora Tempora acquired 16,2% of the company to bring its stake to 22%

He said the increases were also not consistent with recent reports that soft drink sales were depressed

Rumours are rife that the Hamilton family, which collectively owns more than 30% of Dalys, may want to sell While there has been speculation that a large stake could be sold to Coke on its return to SA, analysts said there were many other possible buyers

One company mentioned was the Tongaat Group, and an analyst said this could be an excellent deal. Tongaat would be investing in a company with consistent growth to counter the cyclical nature of its own industry, and there was the possibility of some synergies in terms of Tongaat's sugar interests

An analyst said Hamilton would need to retire at some stage and there might not be a continuity of management One of the ways to diminish his stake would be to sell the family's shareholding in Dalys, which would be a more convenient route than through Suncrush

Hamilton dismissed all the speculation

Coca Cola may return to SA market

Business Staff (182) ARG 25/9/91

JOHANNESBURG — Tempora's acquisition of a further 16,2 percent of Cadbury Schweppes (Cadswep) shares, increasing its stake to 22 percent, has opened up a number of interesting possibilities

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Pepsi may pop back

Star 27/9/91.

(182)

By Hugh Roberton
Washington Bureau

WASHINGTON — Pepsi Cola, the giant soft drink company which disinvested from South Africa in 1985, is exploring the possibility of re-entering the South African market, says a company spokesman

"In the light of recent events in South Africa, and the very clear signal from President George Bush of his confidence in what is happening there, we are exploring the market and looking at what options there may be for us," he says

"I must stress that this is what we would do in the case of any market around the world and that we have made no final determination so far But, yes, we are looking into the options

"As a company, we are believers in the power of trade in enhancing democracy'

Another US group thought to be investigating the South African market, the giant McDonald's fast-food chain, purveyors around the world of the "Big Mac" hamburger, says it has no current plans for expanding into South Africa

Pepsi Cola is part of the huge Pepsico group, which has franchised fast-food outlets in opposition to McDonald's in many countries

While Pepsico has no employees or assets in South Africa, some of its franchised food outlets operate in the country

Among them are Kentucky Fried Chicken and Pizza Hut, the chief rivals of McDonald's in the US and in Europe

McDonald's alsos operates in the Soviet Union and there is speculation it is exploring the possibility of opening franchised outlets in South Africa

Pepsi Cola sold its bottling operation in South Africa to a local conglomerate in 1985

Outside the US it markets most of its products through franchised bottlers

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FM 27/9/91 (182)

LIQUOR INDUSTRY FM 27/9/91

The brands lose their grip

(182)

The established spirit brand names, once considered recession-proof, are taking a knock as cut-price labels grab market share in SA's competitive wine and spirit industry The same trend over the past four years is apparent in the unfortified wine market, according to recent Ibis Marketing Information Services figures that spotlight the changing consumer patterns

Hey, bartender (182)

The market for whisky and brandy, the industry's two biggest sellers, has been the least affected Cut-price labels now account for 24% of the 4,2m-cases-a-year brandy market, the same as 1988, while cut-price whisky is up to 44% of the 2m-cases-a-year whisky market, compared with 43% in 1988

But consumer preferences in other sectors have changed noticeably Cut-price vodka has moved steadily from 6% of the market in 1988 to 14% now, while cut-price gin moved from 4% to 11%

Most dramatic, however, has been the shift in the 1m-case-a-year white cane spirit market, where cheaper brands held a 21% share in 1988, 30% last year, and now 38%

The trend is hurting the big liquor conglomerates, especially groups such as Stellenbosch Farmers' Winery (SFW), which once had more than 90% of the cane market with market leader Mainstay, but now has only about 50%

SFW Group MD Frans Stroebel concedes that cheaper brands are at least partly to blame for Mainstay's plummet, from producing more than 1m cases a year in the early 1980s to turning out around 500 000 cases now SFW recently embarked on some drastic surgery to cut costs by closing a plant in Natal and laying off staff

On the other hand, the swing towards cheaper brands is benefiting smaller operations such as Durban-based E Snell & Co — apart from the fly-by-night companies that periodically enter the market, undercut prices, then usually disappear

Though the 140-year-old firm is one of the oldest liquor companies in SA, family controlled Snell has remained independent and remained small, accounting for just 5% of the spirit market MD David Hooper says his company has concentrated on good-quality cheaper brands for the past 10 years, often at the expense of advertising and promotions, but he now believes the decision is starting to pay off

"What I read into the Ibis statistics is that, rather than cutting down on quantity and retaining brand, as consumers did in the past during recessions, they are now prepared to retain quantity but change brands for value "

Hooper notes that a similar pattern has emerged elsewhere in the world, though not to the same extent as is now happening here, and that the trend has also been evident in other consumer goods sectors

"The market used to be recession-proof, almost a ritualistic, highly branded market That is no longer the case, and the change to

continue —▷

cheaper spirits is something we have believed must come sooner or later "

Snell produces one of the cut-price cane labels, Cape to Rio, as well as similar products for the brandy, rum, gin, vodka and whisky markets The company also produces and distributes its own wine, though this does not add significantly to profits and is used more to project the company's image

Snell's cane has had the most success Director George Topp says that from accounting for around 10% of the cane market three years ago, the Cape to Rio label now holds as much as 20% He believes that Snell's cheaper-brand gin and vodka probably have 6%-8% of their markets

"We've always maintained that our quality is as good as the big brands," Hooper says "What we have worked on is upgrading our packaging to make the product as competitive as that of the top-of-the-range names, while at the same time selling it at a significantly cheaper price The only way we can do this is by not spending large amounts on promotions, advertising and marketing "

Liquor companies traditionally run off big budgets for advertising and marketing, especially when launching a new product

Hooper says he believes that the switch to cut-price brands may be permanent, though other members of the industry say it might be largely because of the recession They see the decrease in disposable income forcing consumers to change to cheaper brands, but they expect them to return to the established labels when the economy picks up

"It's a whole different market today compared with what it was," he says "People used to stock a few top name brands, mainly spirits and liqueurs, and drink little else But now, with the increasing importance of the black consumer market, and the huge amounts spent on liquor by corporations for entertaining and promotions, the market is becoming much more difficult to read " ■

SAB set to spend R1,5bn this year

182

B Day 27/9/91

SOUTH African Breweries (SAB) is about to embark on its most ambitious development ever, with capex planned at R1,5bn for the current financial year

SAB financial director Selwin MacFarlane says the board has approved expenditure on capital projects of over R3bn, of which about half will be spent in the current year

MacFarlane says the bulk of spending this year, or about R1,1bn, has been earmarked for the group's beverage interests, which account for the largest slice of its earnings and has the biggest growth potential

Spending is set to concentrate on expansion to the beer division as well as on the fast-expanding soft drink market, bannered by Amalgamated Beverage Industries (ABI)

Some of the expansion has been earmarked for exports

He says although growth will be constrained by the economic slowdown and "unfair" excise tax on beer this year, the beer division — which last year capitalised on an 11% growth in sales, ahead of an average 7% for all alcoholic drinks — was budgeting for gains ahead of the liquor industry

Capital spending in the division includes a doubling of capacity of the Newlands brewery, a massive expansion of the Alrode brewery and a 40% increase in the capacity of the Prospecton brewery

MacFarlane says the intent is to keep capacity balanced both inland and at coastal breweries

ABI saw soft drink sales grow by about 5% last year and is expecting to benefit from opportunities for growth in the industry based on the burgeoning black market

Development

Expansion capex for the division amounted to R73m last year, relating primarily to the development at the Phoenix facility in Durban, due for completion by the end of this year

Capex for ABI has been budgeted at about R100m this year

Of the group's other interests, the retail and hotel divisions have approval for about R300m capex, while manufacturing and other interests will utilise about R100m

Group executive chairman Meyer Kahn says cash retained from operating activities will remain at about R700m this year, necessitating the injection of borrowed funds of a similar amount to fund planned capex

(182) CT 27/9/91

SAB to import Heineken lager

LAGER IMPORT . SA Breweries will import Heineken beer from Holland from the middle of next month and it will be on sale in Cape Town, Johannesburg and Durban. Seen sampling this international brand are, from left, Heineken chairman Ge van Schaik, Graham Mackay, MD of SAB beer division, Hans Coebergh, a member of the executive board of Heineken and Pete Lloyd, chairman of SAB's beverage interests

Business Editor

TRADING with SA has become more acceptable in Holland in the past year Now SA Breweries beer division has prepared for expected competition from foreign brewers by arranging to import Heineken lager itself

And top Heineken executives visited Ohlsson's brewery in Newlands yesterday

Heineken is already on sale in some local bottle stores which import it themselves, but at a much higher price than local beers.

The SAB imports will narrow this gap But Graham Mackay, MD of SAB beer division, explained in a statement issued yesterday that "because it is imported, the price will be higher than that of local beers"

SAB has brewed Heineken's Amstel beer under licence since 1965 Mackay said research had shown there was a demand for Heineken's but at this stage the market would be too small to brew it in SA This situation could change.

Rand close

JOHANNESBURG — The rand remained in tight ranges in uneventful trading yesterday

The rand ended the day at R2,8195/8210 to the dollar, barely changed from Wednesday's R2,8215/30 close

But the financial rand continued to gain, strengthening to R3,06/08 per dollar after Wednesday's strong R3,08/10 finish

USA 2,8195/210
UK 4,8875/915
Germany 0,5955/65
Switzerland 0,5185/95
France: 2,0300/25
Netherlands 0,6715/20
Japan 47,37/44
Italy 445,75/446,25 — Reuter

Heineken comes to SA (182)

THE world's most popular imported beer, Heineken, is to be sold in selected Cape Town outlets

The lager, which sells in more than 150 countries, is being introduced from mid-October by the South African Breweries Beer Division.

It will be imported directly from Holland and sold in 330ml bottles and cans. Because it is imported, the price will be higher than that of local beers at an 80 percent premium over Amstel's price.

□□□□

BETWEEN three and five percent of beer produced in South Africa is wasted because it cannot be extracted from the yeast without spoiling the taste of the beer.

Now a German industrialist and managing director of multinational company Hoesch is currently in South Africa to introduce a new method of filtration which will prevent this wastage and hopefully reduce the price of a pint.

Using the new Hoesch process the cost of dewatering minerals can be reduced by as much as 50 percent. This is a major breakthrough as dewatering represents a substantial expense in the production of minerals ARG 28/9/91

□□□□

PICARDI Liquors has taken over the running and management of the huge and highly successful Liquorville Discount Liquor Store in Sun Valley near Noordhoek.

The group now holds a 50 percent stake in the excellently situated store which was started four years ago by well-known retailer, Butch Wykerd.

Since it opened Liquorville has doubled its size to one of the largest liquor outlets in the Peninsula.

Costly SA shares 'lack attraction'

BIDay 4/10/91 (182)

ROBERT GENTLE

SA WOULD have difficulty attracting foreign investment in local equities because they were overpriced by international standards and cheaper alternatives were available elsewhere.

That was the message given at the retail financial services conference in Johannesburg by Philip Stevens, director of London investment and asset management firm Lazard Investors.

Citing the example of blue chip share SA Breweries (SAB), Stevens said it was a world-class brewer — but there were other world-class brewers like Anheuser Busch (US), Allied Lyons (UK) and Heineken (Holland).

Buying SAB shares would expose the buyer to currency and political risk; SAB would therefore have to be cheaper than the other three brewers, but was not.

Anheuser Busch was trading at 16,8 times this year's prospective earnings, Stevens said, representing a p:e of 16,8. Allied Lyons' p:e was 14,8 and Heineken's 12.

"I should expect to see SAB trading at eight times," said Stevens. "In fact, it is the most expensive at 20 times."

Investment capital had to come into SA competitively and this was not the case.

The high equity prices were due to a "paper chase" in the closed local market, he said.

This view, which has been echoed by many an analyst, is variously known as the "greenhouse" or "hothouse effect" — a reference to the fact that billions of rands of institutional funds are bottled up locally because of exchange control and have no other real home but the JSE. Consequently, equity prices are driven up to unrealistically high levels.

Stevens also cautioned local observers against over-excitement at the government's recent successful DM400m Eurobond issue, saying it did not necessarily mean German money would always be available.

German capital was now committed to the newly unified Germany and there would not be much left, he said. Similarly, Japanese money would be "going home" in coming years.

The ending of these two key world capital flows, which had helped sustain world economic growth in the past decade, necessarily meant slower growth in the coming years.

"We are very cautious and continue to be very cautious," said Stevens, expressing concern about the stability and health of the world financial system. "We expect a serious, major collapse."

Pepsi talks to Fedfood about returning

MARCIA KLEIN

COCA Cola could soon be squaring up to its arch rival as negotiations between Pepsico and Fedfood for Pepsi's re-entry into SA continue

Fedfood GM planning Kleanthos Yannakou confirmed at the weekend that discussions between Fedfood and Pepsico, begun some months ago, were progressing B/Day 7/10/91

He could not confirm if Pepsico was speaking to other parties

Fedfood has an association with Pepsico Foods International through its Simba division, which uses some of the Pepsico brand names

MD Jan du Toit said recently that the magnitude of the Pepsi venture was overwhelming, and he had reservations about Fedfood's ability to handle a project of that size

However, Yannakou said Fedfood had been speaking to a number of parties with regard to financing, and progress had been made

COMPANIES

SFW aims to improve exports

MARCIA KLEIN

DESPITE Stellenbosch Farmers' Winery's (SFW) disappointing results for the year to end-June, export opportunities and a streamlined organisational structure are cause for optimism about the future (182)

Executive chairman David Marlow said in the annual report that although pre-tax profits had declined by 8% to R96,2m (R104,4m) over the past year, SFW had reason to be optimistic

Wine and spirits wholesaler SFW could make "meaningful progress in overseas markets", and SA wines, brandies and other spirits could compete with the best in the world

SFW's international division aimed to strengthen its export infrastructure and explore the most important overseas markets, he said B|Day 7|10|91

Although exports were growing steadily, Marlow said "it would be unrealistic to expect a spectacular improvement overnight"

It was a formidable task to rebuild overseas markets and to persuade customers to buy SA products once again, he said Marlow appealed to exporters to promote the image of the SA industry by supplying the highest quality products at appropriate prices

Local wine sales were stagnant in the 1991 financial year SFW had been forced to review all of its operations due to the recession and major changes in the transport industry, especially with regard to road tariffs

This saw SFW discontinue its bottling operations at New Germany, King William's Town and George, which resulted in improved efficiencies and substantial cost savings, Marlow said.

SFW had also streamlined its organisational structure and management functions, and its total number of employees was reduced by about 6%

These changes were reflected in non-recurring costs of R4,6m

Distillers looks to growth in earnings

S/Day 9/10/91 (182)

LINDA ENSOR

CAPE TOWN — Real volume declines in the domestic market in all product categories were forecast yesterday by wine and spirit producer and marketer Distillers Corporation MD Michiel le Roux at the company's AGM

Despite the tough trading conditions the group has forecast further growth in earnings for the year to end-June 1992. Last year a 13,7% growth to 63,4c was achieved

"We see a tremendous potential for exports, but as they at present represent a small proportion of turnover, the impact in the coming year will not be significant. But the growth prospects are exciting," Le Roux said.

There had been a lot of interest in Europe in the group's Bergkelder wines, while access to previously closed African markets, such as Kenya, had been gained.

The sale of brandy and wines in Africa had proceeded successfully, and a thrust to export brandy to Far Eastern and Taiwanese markets was being made, Le Roux said

Chairman Arnold Galombik spoke of the advantages of Distillers possibly joining in ventures with its European agents.

FM 11\10\91 (182)

DISTILLERS FM 11\10\91

Taking the lead (182)

Until the beginning of this year, the market adopted a remarkably conservative attitude to the real worth of Distillers In January, the share was trading at around 400c The next month it breached that level and has since risen steadily to the current price, at which the p e is just over 10 That is still not expensive for a counter that has raised its dividend at a compound rate of 27% over the past three years and shown compound EPS growth, after additional depreciation, of 19,3% for the past five years

The company is nc lightweight Capital employed exceeds R740m In the 1991 year, it produced pre-tax profit of R180m and net income before additional depreciation of R102m. Turnover is not disclosed, but annual increases in turnover have averaged 13% over five years.

If a margin of, say, 10% is assumed, then turnover could have been close to R2bn It produced a positive cash flow, after payment of dividends, of R17,3m, most of which was used to draw down debt. And, with a debt equity ratio of 3%, there is an inconsequential level of debt to finance The current ratio is 2,4 In other words, the balance sheet is exceptionally strong.

Chairman Arnold Galombik ascribes the success of the group to the "purposeful marketing of trademarks," which has enabled it to become the market leader in several liquor categories, including brandy and apéritifs Galombik adds that, in 1991, Distillers considerably expanded market share in gin, liqueurs, sparkling wines and premium price wines

Also during the year, Distillers further tightened its grip on the spirits market, when it entered into an agreement with United Distillers Group of London, one of the world's four largest liquor companies This

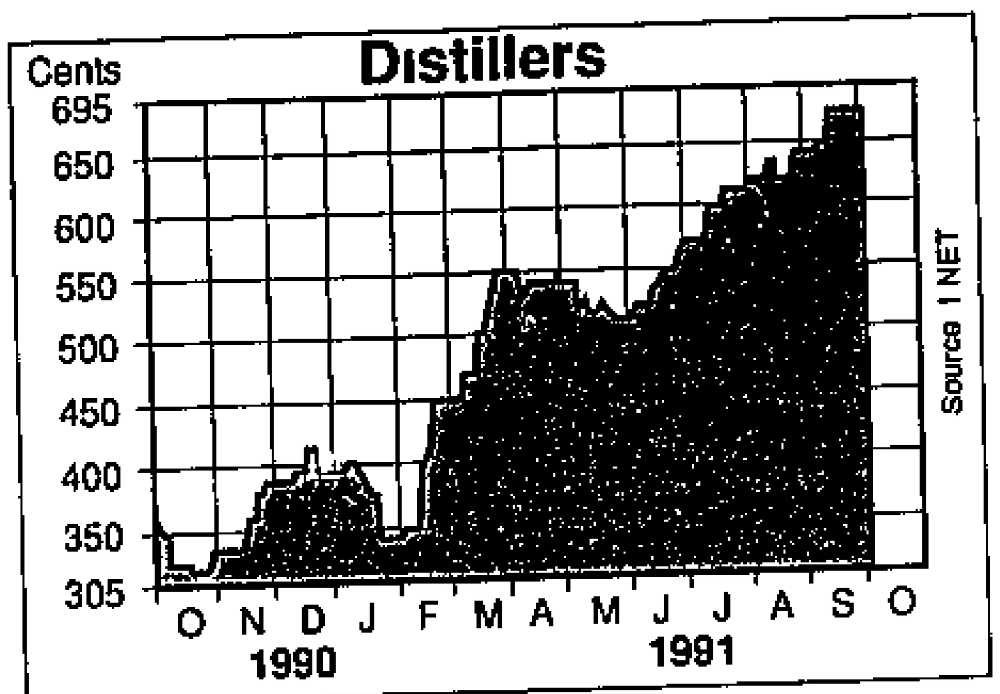
FM 11|10|91 (182)

was formalised by the sale by Distillers of 25% of its 50% holding of Henry Taylor and Ries As a result, Distillers is more deeply involved with the importing and marketing of many international trademarks

With most of the shares in the hands of three major groups, only 10% of the shares, or 14m, are available to minorities and many of these are already held by institutions Distillers is effectively controlled by Rembrandt, under whose auspices it was originally established as Oude Meester

MD Machiel le Roux is conservatively forecasting that results in the 1992 year will maintain last year's performance and is hopeful that profit growth will exceed the inflation rate If the market allows Le Roux to achieve this latter aim, it will again indicate that the share has been underrated in the past Because the counter remains comparatively cheap on the basis of historical earnings and dividends, it could be that the favourable rerating has only just begun

Gerald Hirshon



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Activities: *Produces and markets wines and spirits*
Control: *Rembrandt and KWV 60%*
Chairman: *A Galombik, MD M S du P le Roux.*
Capital structure: *140m ords. Market capitalisation R945m*
Share market: *Price 675c Yields 5,2% on dividend, 9,4% on earnings, p e ratio, 10,6, cover, 18,1 12-month high, 675c, low, 320c Trading volume last quarter, 50 300 shares*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	1,6	10,8	35,4	21,2
LT debt (Rm)	0,8	—	—	—
Debt equity ratio	n/a	0,01	0,07	0,03
Shareholders' interest	0,74	0,72	0,71	0,72
Return on cap (%)	21,7	24,0	23,5	23,7
Turnover (Rm)	n/a	n/a	n/a	n/a
Pre-int profit (Rm)	109	143	156	177
Earnings (c)	39,9	51,0	55,8	63,4
Dividends (c)	17,1	25	30	35
Net worth (c)	258	315	338	384

STELLENBOSCH FARMERS' WINERY

Staying as they are?

FM 11/10/91 (182)

Optimism is nudging the share price — but the overall picture is static

For at least the past four years Stellenbosch Farmers' Winery (SFW) has taken a caning from major competitors, Distillers Corp and Gilbeys. Not only has it produced lacklustre results, which show negative growth in attributable earnings, but it has lost the brand supremacy and market share once held by some of its most important products.

Rembrandt is exposed to the weaker performance of SFW's products, as it holds 30% of SFW, but it also holds 30% of arch rival Distillers and 49% of Gilbeys, both of which have picked up the revenues that SFW has dropped while it lost market share in what is proving to be an all-but-static liquor industry.

Attempts to find out what is really behind the decline do not produce many encouraging answers. An interview with Dave Marlow, chairman and CE of SFW, was not greatly revealing. He was, apparently, appointed by Rembrandt partly to act as a "change agent."

It cannot have been easy for Marlow, coming from the MD's chair at Sentrachem as a 60-year-old chemical engineer with no direct experience of the liquor industry, to assume the chair at SFW as a Rembrandt appointee when Rembrandt had long been perceived by many at SFW to be what could be termed the enemy because of its control of Distillers.

However, Marlow has presided over a substantial restructuring of SFW's management, as well as the departure of a total of 300 staff after the closure of bottling plants at Pinetown, King William's Town and George.

Average age of the remaining management at SFW has dropped from 50 a few years ago to 45. What has happened to the senior old guard?

"They just dissapeared," he says. "They left for various reasons, mainly early retirement."

It also cannot be very easy for Marlow to discuss the poor financial results SFW has posted since 1988, the year he joined the company.

In that year the Cape Wine & Distillers (CWD) era came to an end, when SFW replaced it on the JSE, and Distillers (previously Oude Meester Group) was separately listed. CWD was then held 30% by SA Breweries, 30% by Remgro, 30% by KWV and 10% by the public.

This arrangement emerged out of the realignment of liquor giants about 10 years earlier when SA Breweries, which then held 100% of SFW, and Rembrandt ended their nationwide beer sales war.

SFW and Distillers still have the same shareholding structure today. However, Remgro and KWV have pooled their individual holdings in a holding company, Rembrandt-KWV Beleggings, which controls 60% of both SFW and Distillers.

By arrangement with KWV, Rembrandt has assumed effective managerial control of the investments of Rembrandt-KWV.

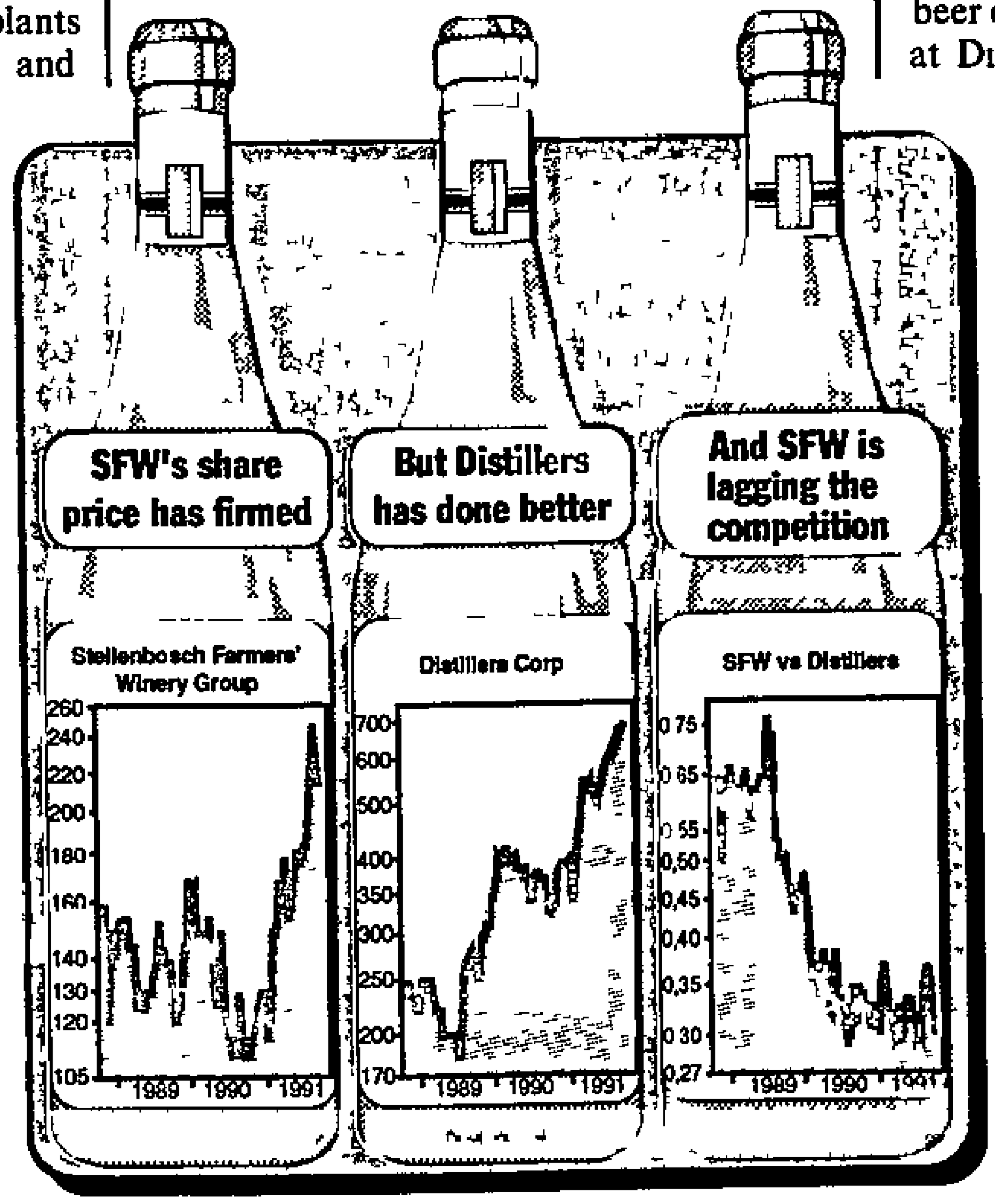
That is one reason why the market remains dubious about the line from Rembrandt, KWV, Distillers and SFW — that everything done in SFW and Distillers is undertaken by autonomous management, at arm's length from outside influences.

At arm's length

When SFW and Distillers were listed in 1988, Marlow was quoted as saying "The perception of lack of competition between these two organisations will finally be put to bed" (*FM* September 23 1988).

But his own appointment and later, in 1989, the appointment of 40-year-old Frans Stroebel, former director of the SA Nature Foundation (a project in which Rembrandt's Anton Rupert is keenly interested), to the board of SFW do not help to support the arm's-length assurance.

Ask Marlow today about the Rembrandt role in policy and management of SFW, and he confines himself to saying it is most supportive whenever needed.



Until Marlow's appointment, management styles at SFW and Distillers were different. SFW preferred a relatively decentralised management. An industry source describes the atmosphere then as similar to that at SA Breweries, relaxed but demanding. Distillers, long seen as a core Rembrandt business, has preferred a more central and autocratic culture.

There are signs that SFW's culture is moving closer to this.

Stroebel was appointed MD of SFW in January. He, too, is a newcomer to the liquor industry. After completing a law degree in the Free State, he spent four years in the diplomatic service in Geneva at the European HQ of the UN, three years as Foreign Minister Pik Botha's private secretary and eight years with the SA Nature Foundation, before assuming a directorship with SFW.

When he joined SFW he said "For eight years I've dealt with endangered species. The wine industry seems to me to be an endangered species. Maybe that's why I'm at SFW."

His clarion call now could well be "Save the wino."

It seems that that is just one of the saving jobs for which he has assumed responsibility at SFW.

Another Rembrandt man, Barnie Nolte, recently joined SFW as an executive director.

Nolte is an experienced liquor man. He saw action with Rupert in the Rembrandt beer campaign and has been through the mill at Distillers.

He is SFW's director of sales & marketing. Nolte, with SFW old-timer, Duimpie Bayly, director of production and distribution, are the two key line managers reporting to Stroebel, who is steadily assuming the executive role from Marlow.

There are two main reasons for the weak earnings performance since 1988. Firstly, Mainstay, once a top-selling cane spirit, is selling less than half the volumes of a decade ago. Marlow says that if the same volumes were being turned over now, then SFW's results would be comparable with those of Distillers.

Secondly, growth in the wine market has largely dried up. According to statistics published in *Liquor Store Monthly*, the natural wine market has grown at a compound annual rate of about 1,2% over the past four years.

Since SFW's sales are 65% from wine, with the rest from spirit and other liquor beverages, the stagnant wine market has held back earnings

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SFW aims to keep its share of shrinking liquor market

182

B Day 17/10/91

LINDA ENSOR

CAPE TOWN — South Africans are likely to consume up to 5% less wine and spirits this year, Stellenbosch Farmers' Winery (SFW) executive chairman Dave Marlow said in an interview at the group's annual meeting yesterday

He said domestic liquor consumption had started to decline from the second quarter of the year and the challenge facing the group was to maintain market share and volumes as far as possible

Another noticeable pattern of consumption was the tendency of consumers to buy cheaper, lower quality products

Lower consumption levels saw SFW's after tax profit dropping 8,5% to R39,2m in the year to end-June

The group was three months into its current financial year and Marlow said the benefits of the rationalisation undertaken last year were already being felt on the bottom line

Certain facilities were closed and transferred to other centres, the number of workers had been cut by 6% and substantial cost savings were achieved

Marlow believed the increase in efficiency and cost effectiveness bode well for profits this year. Gearing at year end was 11% (15%) and Marlow said in the annual report released yesterday that the group's balance sheet was healthy

In his chairman's statement, Marlow said "The combination of a wide range of products in each sector of the market together with the quest for excellence in quality, means that SFW is in an extremely favourable position to exploit any improvement in market conditions"

It was possible that exports would replace the lost domestic volumes, especially as there was lively interest in SA wines Doors had opened and remaining sanctions were mere formalities, he said

However, in the annual report he said "although our exports are growing steadily it would be unrealistic to expect a spectacular improvement overnight"

Over the past year SFW's international division has strengthened the group's export infrastructure and explored the most important overseas markets The relationship with United Distillers Group (UDG) of the UK was strengthened by an agreement which placed the marketing and distribution of UDG's products on a sound footing

UDG became a partner in Henry Taylor & Ries — a company which markets and distributes wine and spirits trade marks — with the resulting effect that SFW's stake dropped to 25%

Demand for booze drops

(182)

17/10/91 C.T.

'Domestic market must be safeguarded'

By MAGGIE ROWLEY
Deputy Business Editor

CONSUMER demand for wine and spirits has taken "a dive" since April and all signs pointed to conditions deteriorating further, says David Marlow executive chairman of Stellenbosch Farmers Winery.

However, Marlow said in an interview following the SFW AGM yesterday, rationalisation moves undertaken earlier this year were already paying off and the wine and spirits producer-wholesaler was looking to a "meaningful increase" in earnings for the current financial year

Weaker market conditions and consumer spending on wines and spirits declined in the past year resulting in after-tax profit falling 8,5% to R39,2m for the year to end-June

Marlow said the performance in the first quarter of the current financial year showed that steps taken to improve general efficiency and cost effectiveness had been successful on a very broad front

While an increased contribution from exports was expected to compensate for problems in the local market in the short term, it would be two to three years before exports would start making a meaningful contribution to operating profit

Western Europe had traditionally been a happy customer, but strong inroads were now being made into Eastern countries which presented the greatest growth opportunities for exports

SFW, he said, would also be in the North American market within months

"This will be on a selective basis as each state is like a country in itself with its own laws and regulations and we are mostly likely to enter this market with upmarket prestige product"

On the domestic front, he said, beer consumption continued to dominate the liquor industry with wine sales still fetching about 10% of the market

"The potential to increase market share for wine is there but we have not yet achieved a breakthrough"

Marlow said SFWs ability to compete with the beer market was partially hampered by a minimum price structure imposed by producer organisaton, KWV, which prevents SFW from selling wine below a set price This price structure also created an opportunity for producer clients of SFW to compete with their distributor

"This is mostly at the low end of the market where margins are not that exciting

"However a lot of people have burned their fingers and there appears to be a lot of rethinking among primary producers about marketing on a price basis"

Luyt's plans for brewery go flat

BDay 23/10/91. (182)

MARCIA KLEIN

LOUIS Luyt has shelved his ambitious brewery project

Louis Luyt Group international financial director Rian du Plessis said at a news conference yesterday that four international brewing companies — involved as partners at different stages — had withdrawn from investing in the venture

In March Luyt announced plans to build a new brewery on a 10,5ha site in Randfontein, which would have a capacity of 150-million litres a year

It was believed the brewery would have cost between R450m and R500m, and speculation was that Luyt was looking at capturing up to 10% of the local beer market.

Luyt said at the time he would quit his position as Transvaal Rugby Union president next year to concentrate on the brewery, which he had been planning for the past eight years. Production was expected to start in January 1992

However, Du Plessis said yesterday the group had decided "it was prudent to postpone the project until the present political and economic climate improves to such an extent that the investment would be less arduous and risky", despite the fact that the Luyt Group had the resources to fund the project from within

He said that three of the four unnamed international brewers had signed heads of agreement

Du Plessis would not disclose the identity of the parties However, it is known that Luyt had discontinued negotiations with Belgian-based Interbrew, which brews Stella Artois

He also shelved the purchase of the UK-based Greenall Whitley Brewery in August Luyt has been linked to a number of international brewers over the past few months, including Anheuser Busch, Becks, Tuborg and Carlsberg

Du Plessis said the companies' withdrawals had obviously been influenced by "the uncertain conditions in SA"

The Luyt Group had sold certain assets — including the Randfontein site — and realised a substantial amount of cash. This and further amounts realised through any further asset sales would be available for investment in the brewery "as and when conditions in SA return to normal", Du Plessis said. The group still intended to go ahead with the brewery

Mahanjele makes history

SI Times (BUSS) (182)

HISTORY was made when a black man addressed delegates in English at the Afrikaanse Handelsinstituut's annual conference in Port Elizabeth this week.

National Sorghum Breweries chairman Mohale Mahanjele said the AHI should play a bigger role to incorporate black business. He also accused the AHI of hobnobbing with black politicians instead of mixing with black businessmen

This drew wide reaction from the audience, who complained that black business is not very responsive to AHI approaches.

Mr Mahanyele said blacks needed economic empowerment just as Afrikaners once did; and that Afrikaners would not have achieved economic clout without conscious decisions to establish Afrikaans businesses and universities.

The AHI has been open to black membership for more than four years, but there has not been a rush by blacks to join.

AHI chief executive Joe Poolman says membership has actually remained static between 1980 and 1990. The AHI currently has about 7 600 members consisting mainly of individuals affiliated through the regional Sakekamers and 300 companies.

Speakers at the congress expressed concern about the future of the AHI in the new SA. Outgoing president Gerrie Steenkamp told delegates that the AHI had to move with the times.

Federation

He said the AHI was open to all those respecting the unique character of the Institute. He said the percentage of SA business held by Afrikaners was difficult to determine and it was difficult to remain exclusive.

He said: "The mission is still to promote a climate conducive for the business of our members." Afrikaans would also continue to be the language of business within the AHI.

Mr Steenkamp said cooperation with sister organisations, such as Fabcos, Nafcoc and Sacob, would be promoted.

A merger with any of these organisations is not on the cards, but the formation of an umbrella federation is

Mr Poolman said: "Business in the new SA will have to speak through a single, clear voice A forum where top executives of all organisations can discuss matters of common interest is essential"

SAB 'set to acquire PGSI'

B Day 24/10/91 (182)

MARCIA KLEIN
and SEAN VAN ZYL

SA BREWERIES (SAB) seems poised to take control of Plate Glass & Shatterprufe Industries (PGSI), according to market and industry sources. 24/10/91

A joint cautionary announcement issued today by SAB, PGSI and its holding company Placor warns shareholders in Placor and PGSI that negotiations are taking place between SAB and Placor's shareholders controlling more than 50% of the company's issued share capital Placor holds 49,7% of PGSI

According to McGregor's Who Owns Whom, Liberty Life holds 31,7% of Placor and SA Mutual 25,8%, while directors hold 22,8% This would indicate that SAB may acquire both Liberty and the directors' interests. Liberty is also a large shareholder in SAB through Bevcon

The recent death of Placor group co-founder Harry Brodie sparked speculation that the Brodie family would dispose of its interest in PGSI. A deal could also see the Lubner family reduce its stake In March Bertie Lubner said he intended to reduce his executive responsibilities to pursue his personal business interests

Placor chairman Lubner and PGSI chairman Ronnie Lubner said yesterday they were unable to add any comment to the cautionary notice

An analyst said yesterday there was speculation that SAB was planning a deal pegged at R1bn, which was about the market capitalisation of Placor

PGSI and SAB said further details could be expected in the next few weeks

KWV smartens up its image

B Day 25/10/91 (182)

IT IS perhaps fortunate that as SA's wine industry moves away from the international isolation of the sanctions era, the KWV is becoming more adept at marketing deluxe products

The first signs of this change were discernible several years ago, when it was clear that the organisation would be launching a 20-year-old brandy as a super premium above its well-reputed 10-year-old There was, of course, no certainty that the product's packaging would enable it to compete in an international market where bottle shape and label are about as important as they would be in the cosmetic industry

Now that the KWV 20-year-old has been launched it is quite clear that SA is dealing with a new-look KWV Packaging is suitably upmarket, and although the moulded bottle may not be to everyone's taste, there is no doubt that presentation is appropriate to price.

The brandy, of course, is excellent KWV has produced world-class pot-distilled spirits for many years and the 20-year-old won the award of "World's Best Brandy" at the International Wine and Spirits Competition held in London last year

However, a great deal more will have to happen before SA's wine and spirit exports are on a comfortable international footing Happily the KWV appears to be aware of this, and the launch of the Cathedral Cellars wine range in Europe this Christmas confirms that the 20-year-old brandy is not an isolated project

KWV wines have been sold abroad for more than half a century While many of the organisation's traditional markets suffered through sanctions, the basic range remained present in Europe in the late '80s

Image

(3) wine + viticulture

Wines like the KWV Chenin Blanc and the ubiquitous Roodeberg were to be found in wine shops in London and Frankfurt, in Amsterdam and even in Paris

Priced to compete with the better end of the Eastern European market, these work-horse wines retailed in London for between £2,99 to £3,99 They sold well, though arguably at the expense of the national image

The KWV rightly defended this policy by pointing out that over 80% of the UK wine market is priced at these levels On its own, so they argued, the KWV label pretends to no greater prestige than this

Hence the launch of the Cathedral Cellars range, a selection of superior wines packaged and presented to enhance the slightly tarnished image of SA generic wines The initial choice includes a Cabernet of quiet elegance and distinction, a Sauvignon Blanc which I thought unduly harsh and aggressive, and a Chardonnay of enviable quality Once again the presentation is excellent, although the label design is strongly reminiscent of a well-know Napa winery

What is important is that as an export organisation the KWV has shown itself to be ahead of the field, conscious of the marketing difficulties created by the trading conditions of the past few years It would certainly be crass to suggest — as some of the independent exporters have — that the KWV is clarifying the waters that it muddied in the first place

SA's export efforts will not be unduly hindered by the aftermath of the sanctions era If anything, the independent wineries may yet prove to be their own worst enemies, overpricing respectable (but not memorable) wines destined to sell in a Europe long on stocks but short on cash

MICHAEL FRIDJHON

BEER PLAN FIZZLES

FM 25/10/91

Louis Luyt's much-publicised plan to capture a stake in the beer market was officially shelved this week, just seven months after it was announced (*Business & Technology* June 14)

The reason, says Rian du Plessis, financial director of Louis Luyt International, is SA's uncertain political and economic conditions, which led the international partners in the venture to build a 150m hl/year plant at Randfontein to pull out

He adds that the company has sufficient resources to handle the project on its own "We are fortunate We can sit back and make our move when we want to, but we won't move in the present climate"

Syd Vianello, an analyst with stockbrokers Ed Hern Rudolph, says there are two other possible reasons — that the recession has affected beer sales or that "they took another, closer look at the market and decided that SA Breweries is far too formidable an opponent." (182)

SAB forecasts shadowed by weak Edgars results

182

B/Day 31/10/91

MARCIA KLEIN

SA BREWERIES (SAB) results for the six months to end-September could be below inflation, measured off a high base and reflecting depressed consumer spending Results for the group, whose companies include Edgars, Southern Sun, OK Bazaars, Amrel, Afcol, Da Gama and ABI, are expected to show the effect of the dramatic reduction in consumer spending, and analysts said that more depressed earnings could be expected from other consumer-related companies

Yesterday analysts revised their forecasts for the group's interim results after seeing those of Edgars, where earnings grew by only 10% Analysts had expected a growth of around 14% from Edgars for the six-month period.

They expect SAB to show earnings growth of 10% to 12% for the six months to end-September, although some expect earnings to be as high as 15%

Although the Edgars results would have only a 1% effect on SAB's earnings, analysts said, other companies in the SAB stable would probably also do worse than expected if Edgars' results were a reflection of the state of consumer spending over the past few months

One reason for their pessimism is that beer sales are expected to show a significant reduction compared with the previous year, when volumes were up by 12%

They said beer sales for the year could grow in the region of only 5% However, an analyst said beer sales would be measured off an unusually high base, as the previous year included two Easters

In the six months to end-September 1990, beer sales had increased by 11%, contributing R140m or 65,4% to the bottom line of R214m. At the March year-end, after beer volumes had grown by 12%, earnings rose by 18% to R711m

Good results were forecast for ABI, although at a lower rate than the previous year, and offshore operations were expected to be buoyant

The results of SAB's two listed furniture companies Afcol and Amrel would reflect the dramatic fall-off in furniture sales

Lion Match would show a steady performance, while Da Gama would show significantly reduced growth

OK Bazaars' share performance reflects market expectations of the group's results The share closed yesterday at 950c after declining steadily from its year's high of 1 560c in April

Southern Sun's results would also be down, with hotel occupancies being particularly bad over the period An analyst said that Southern Sun had a break-even point of about 60% occupancy, which it would not have been able to achieve in the six months

SAB deal on Placor in offing

(182) B/Day 31/10/91

SEAN VAN ZYL

WELL-PLACED sources said yesterday SA Breweries (SAB) was poised to conclude a multimillion-rand deal involving a share swap to acquire the Liberty group's 32% stake in Placor.

An all-share transaction would leave Liberty as the largest shareholder in SAB. SAB was also said to be after the 22,8% Placor stake held by the Brodie and Lubner families. Brokers believe this offer would be cash.

In the event of the deal being successful, SAB would have to make an offer to minority shareholders, either in cash or shares.

SAB, Placor and Plate Glass & Shatterprufe Industries (PGSI) issued a cautionary announcement earlier this week that negotiations were under way with Placor shareholders who represented more than 50% of the company's issued share capital.

Placor, which has a 49,7% interest in PGSI, serves as the glass and timber group's holding company.

Liberty has an interest of about 32% in Placor.

Placor subsidiary PGSI reported a 15% increase in earnings to R76,4m for the 1991 financial year ended March, despite a 27% drop in turnover.

Although rationalisation resulted in a major drop in the group's gearing from 79% to 40%, and almost a halving of the interest bill, investors have taken a cautious view of PGSI's earnings potential.

A market source said the deal would be struck at R27 a share.

This would be a 12% premium to the company's present ruling share price. At R27 a share, Liberty's interest in Placor would be worth about R192m.

‘We want our wines to sell — we shouldn’t fight with one another’

SA wine industry plans UK invasion

(182) CT 2/11/91

South Africa is the world's eighth-largest producer of wines and the oldest of the "New World" producers, yet in the pecking order of the 50-odd wine exporters it ranks with the also-rans Determined to reverse this situation, fast, the industry is flexing its muscles for a battle royal with its international competitors. TONY JACKMAN reports.

THE South African wine industry is coming out of its corner fighting and has targeted the United Kingdom for the opening bouts as it re-enters the international ring.

The past six months have seen marked changes in the industry's fortunes in the UK, thanks to the success of the wine-tasting held by the KWV in London in May, when 54 estates, co-operatives and wholesalers showed off their wines.

Until then, the KWV was virtually the only exporter of South African wines to Britain, accounting for 98% of all South African wines sold there Now 43 estates and 14 co-ops have joined the fray and the industry plans to capitalise on this remarkable degree of interest, says Jannie Retief, who wears twin wine industry hats as chief marketing executive for the KWV and chairman of the Cape Wine and Spirits Exporters' Association

'Outsmart them'

Retief feels strongly that South African producers should market the industry as a whole rather than compete with one another in the foreign market.

"We really want South African wines to sell and we should not fight or compete with one another We should fight the Australians, the Californians, the New Zealanders, the Chileans," he says, citing other New World producers "In everything we do, we must figure out how we can outsmart them "

Once the UK has been conquered, the industry will focus its strategies on Western European countries, then on other existing markets The South African industry's biggest markets abroad, after the UK, are Canada, the Scandanivanian countries (including Denmark), a bloc of Western European countries (Holland, Germany, Belgium and Switzerland but not France), the US, Taiwan and Japan

"These are the targets," says Retief, who adds that some 750 000 cases of South African wine are sold abroad annually and that "within five years we will be selling, worldwide, between three and five million cases"

In its new marketing drive the industry will no longer call its wines "Cape" but will be right out front and market its products as Wines Of South Africa (WOSA) Wines will be marketed by brand rather than in bulk and it's the whole industry that is being marketed, says Retief, dismissing suggestions that the KWV has a hidden agenda

Much larger

"We just want to sell as much South African wine as possible," he says

To this end, at the London Wine Trade Show next May the South African industry will take a 90 m² stand, which is much larger than the average stand at the show

The UK sells 60 million cases of natural wines a year, of which South African wines constitute 0,6% The South African industry intends to increase its share to 2% within three years, which would represent 1,2 million cases — or as many as the Australian industry sells in the UK now

Retief, who is spearheading the industry's international marketing campaign, believes this is a tough yet achievable target and points out that Australia "came from nowhere in just four years"

South Africa has wine that is just as good, he says, and at more competitive prices, though he believes also that South African wines should not be sold at prices so low as to give the industry the image problem suffered by the Bulgarians

"There are certain price barriers which we have to take note of Sixty six percent of wine in the UK sells at below £2,50 and 82% sells at below £3,50 We must produce wines to compete at below £3,50, because that's where the volume lies and not below £2,50, because

□ To Page 18

SA declares wine war

□ From Page 17

it's difficult for us to reach these price levels and we would risk having the Bulgarian image of 'cheap wines but not bad' "

There should be some South African wines at more than £3,50 as well, he says, especially the estates so that quality is established in the minds of the consumer, "who should know that he could buy no other wine of that quality for that price"

And South African exporters should export only quality wines "To see the rest of the world as a dumping ground for inferior products would be death "

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Fanfare as festival dates announced

THE Cape is about to rock around the clock again with the announcement yesterday of the dates and plans for the 1992 Cape Festival — once again with music as the unifying theme

Festival director Adele Lucas says the eight-day festival will start on Saturday February 29 and end on March 8

As was the case this year, the "spine" of the festival will run through the city centre with

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Bubbling soft drink sales help put the fizz into ABI

BDay 8/11/91

(182)

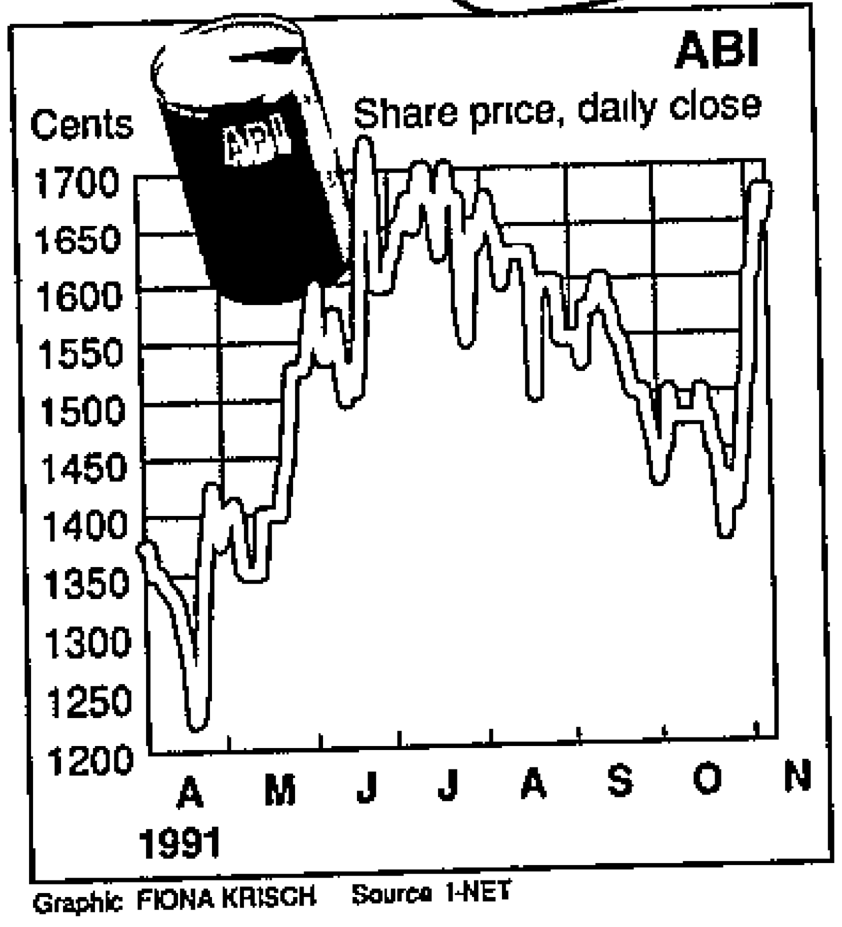
MARCIA KLEIN

COCA-Cola franchiser Amalgamated Beverage Industries (ABI) has had a buoyant six months, reporting the best results yet out of the SA Breweries subsidiaries

Good soft drink sales saw ABI improve its bottom line earnings by 22% to R17,7m (R14,4m) in the six months to end-September.

ABI chairman Pete Lloyd said yesterday that despite the fact that the fast-moving consumer goods sector "was experiencing the most depressed conditions in many years", ABI managed to deliver a 22% increase in earnings to 16,6c (13,6c) a share.

This improvement was achieved out of volume — turnover grew by 21% to R412,0m (R339,3m) — as well as improved distribution in all of ABI's markets.



Graphic FIONA KRISCH Source I-NET

Trading profit increased by 18% to R32,9m (R28,0m), and after marginally higher financing costs of R2,4m (R2,3m), pre-tax profits were 17,9% up at R30,4m (R25,8m)

A 14% increase in taxation to R14,7m (R12,9m) resulted in a 22% increase in profits after tax to R15,8m (R12,9m)

An interim dividend of 7c a share was declared, 17% up on the previous year

Lloyd said the good results were also partly due to good timing effects, which included pre-VAT buying by the company's customers

But he warned that the first half of ABI's financial year was a small half in terms of contribution to turnover and profits, and although the earnings increase had been good in percentage terms, it was not half of the whole year

He said if current trading conditions continue to deteriorate, he could not forecast the level of sales for the full year

But there were good opportunities for the company, and he hoped ABI would be able to show real growth in earnings for the full year

6/Day 14/11/91 (182)

A lacklustre forecast for SAB

RECESSIONS dampen spirits and increase beer sales, but analysts say SA Breweries (SAB) is unlikely to see its sales and earnings growth keep up with SA's 15% inflation rate

SAB's earnings for the six months to September 30, due today, are expected to be up 9% to 12% from the 86c a share earned a year earlier That would represent little change from the 11% rise seen in the year-earlier six-month period or the 12% rise in the year to March 1991

SAB, which holds 96% of SA's beer market, is a diversified conglomerate with retail and hotel subsidiaries It derived 57% of its R711m in net profit in fiscal 1991 from brewing

Analysts are forecasting a 2%-5% growth in beer sales for the 12 months to March 1992, compared with 11% growth for 1991

Growth has slowed because consumers are feeling the brunt of the recession, notes an analyst

Analysts say the company's results will be helped by the strong half-year performance of its Coca-Cola franchiser, Amalgamated Beverage Industries (ABI)

The group's retail subsidiaries showed less spectacular growth Its major interest, Edgars, reported a 10% increase in earnings for the half-year ending September 1991

For the group's hotel interests, which include Southern Sun, Holiday Inns and timeshare resorts and are not listed separately, business "couldn't get much worse", SAB CE Meyer Kahn said in an interview

Despite the hotel group's woes, SAB has no plans to sell its hotels to the numerous international investors that have approached it

"We have seen out the seven bad years, and in Biblical terms one would expect the seven good years to come, so why sell out now? Our hotels are built and paid for," Kahn says

SAB, which currently exports to 30 countries and has "significant" interests outside SA, plans on expanding its overseas businesses in the coming year

Kahn, while declining to detail likely ventures, says two of SAB's potential target areas are Eastern Europe and South America — AP-DJ

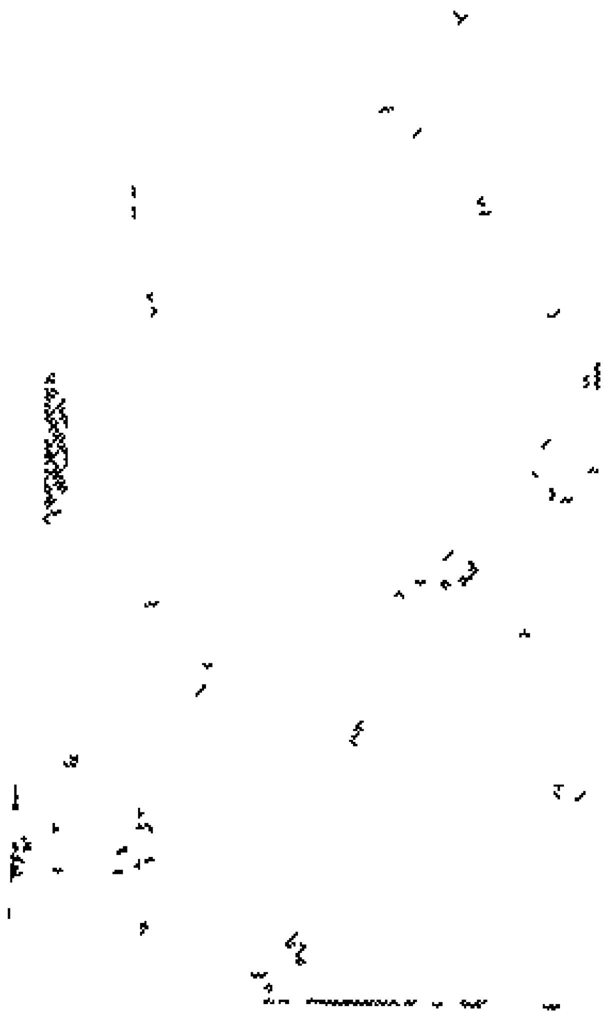
USINESS

Makeba elected to liquor board

182

Sowetan

Sowetan 14/11/91



MIRIAM MAKEBA

SONGBIRD Miriam Makeba has been elected to be one of the board of directors of the National Sorghum Breweries Limited, writes **JOSHUA RABOROKO.**

The other new board members are Soweto businessman Mr Lekgau Mathabathe, Dr K Mzamane and Professor Khabi Mngoma

The company has also decided to re-elect Mr JJ Bruyn, who retired by rotation in accordance with the articles of association.

The decision was announced by the NSB's executive chairman, Mr Mohale Mahanyele, at the annual meeting of the company in Johannesburg this week

SUNCRUSH FM 15|11|91

Recession-proof? (182)

Activities: *Bottles and markets soft drinks through bottlers in Maritzburg, Richards Bay, northern Natal, the western Transvaal and northern Free State and the Queenstown area*
Control: *Dalys 50,2%, Hamilton family has ultimate control*
Chairman and MD: *R D Hamilton*
Capital structure: *2,7m ords Market capitalisation R950m*
Share market: *Price R350 Yields 1,3% on dividend, 4,6% on earnings, p e ratio, 21,9, cover, 3,5 12-month high, R460, low, R190 Trading volume last quarter, 18 000 shares*

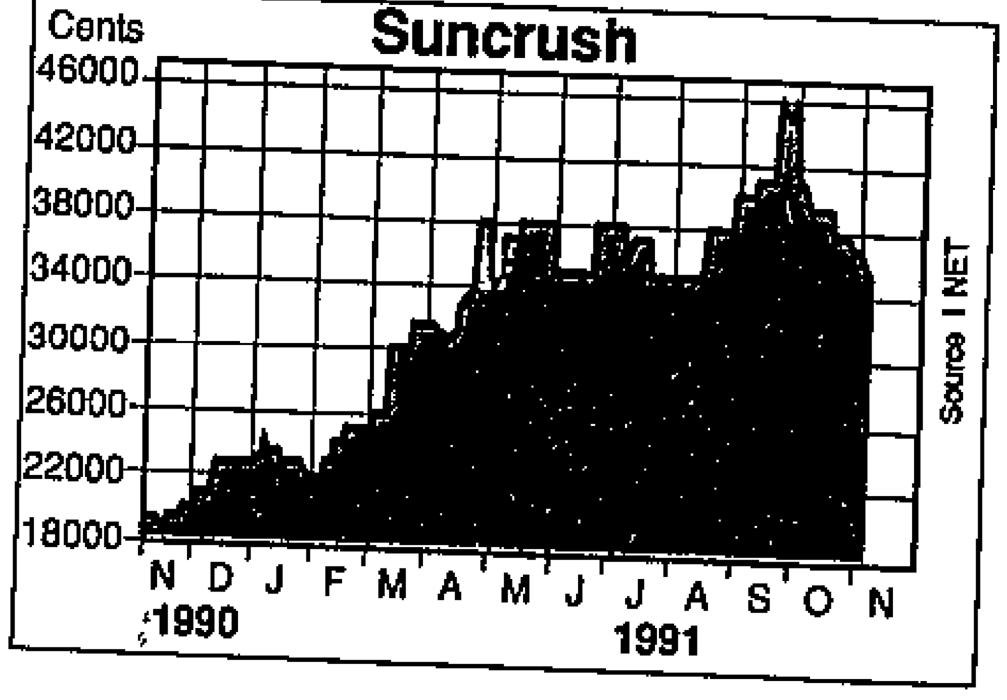
Year to June 30	'88	'89	'90	'91
ST debt (Rm)	4,2	2,5	3,1	3,1
LT debt (Rm)	17,4	16,1	30,7	35,6
Debt equity ratio	0,05	—	—	—
Shareholders' interest	0,64	0,71	0,68	0 73
Int & leasing cover	15,1	12,7	—	—
Return on cap (%)	19,3	18,4	17,3	15,4
Turnover (Rm)	229	277	366	445
Pre-int profit (Rm)	38,9	48,5	61,6	76,1
Pre-int margin (%)	15,9	15,8	15,8	15,9
Earnings (c)	693	828	1 187	1 600
Dividends (c)	205	250	350	460
Net worth (c)	4 319	6 484	8 522	12 974

Suncrush is one of the most sought-after shares in the market, even though it does not give much change from R400 Analysts have suggested a share split to encourage tradeability Yet, even with a split, it is difficult to see long-term investors selling a share that has done so well

Chairman Robin Hamilton says a split will be considered but the benefits are unclear to him

Soft drinks continue to show real volume growth The other listed Coca-Cola franchisee, ABI, has just announced volume growth of 7% for the March-September interim, with good September sales, showing that recession has not hit this industry Moreover,

FM 15|11|91 (182)



Suncrush has an operating margin of 15,9%, compared with ABI's 12,4%

Hamilton understates when he says that the industry's performance "does not have a close correlation with the business cycle" But sales from the Klerksdorp and Welkom bottlers, which sell large quantities to gold mining communities, were affected

Since June, investment arm Tempora acquired 16,2% of Cadbury Schweppes from AVI subsidiary National Brands Suncrush invested a further R42m in Tempora shares, but its holding fell from 62% to 43% of the enlarged capital Hamilton expects investment income this year to increase from 140c to 160c per Suncrush share

Suncrush has shown considerable flair in its joint ventures It set up Kilimanjaro Bottling in East London with black entrepreneurs and plans to reduce its holding from 31% to 7% The price will be R5,2m in excess of the pro rata cost of the investment

Suncrush recently announced the imminent formation of a 60-40 venture with the Mozambican government, to be operational by early 1992 Suncrush will rehabilitate the Maputo bottling plant, which is well within its operational ability, but Hamilton says the reliability of market information, continuity of raw material supply and availability of foreign exchange will be "challenging"

He argues that, however bad the economy, even impoverished Mozambicans can afford to buy soft drinks

The investment will be R10m, hardly denting cash resources — still about R70m, even after the Tempora issue

Suncrush has come down from a mid-year peak of R460, when the p e ratio approached 30, to a more realistic 21,9 and dividend yield of 1,3% In view of the record and indirect investment in the even more highly rated Cadbury Schweppes, it is worth buying if scrip is obtainable

Stephen Cranston

Sedate earnings increase for SAB

B/Day 15/11/91 (182)

MARCIA KLEIN

SA BREWERIES (SAB) reported a sedate 10% increase in attributable earnings to R236m (R214m) in the six months to end-September, off the lowest increase in beer sales since 1985

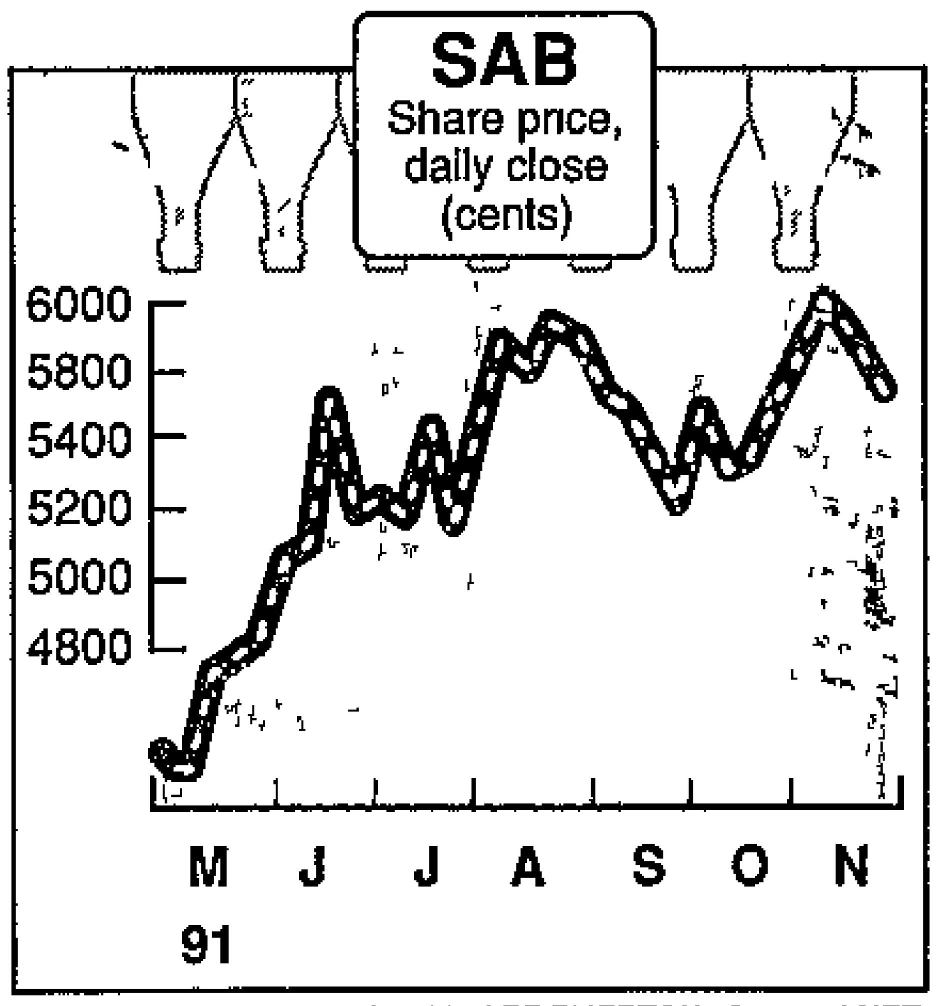
SAB, whose operating companies include its beer division, OK Bazaars, Edgars, ABI, Da Gama, Afcol, Amrel, Lion Match and Southern Sun, saw its beer volumes increase by 2% compared with an 11% rise for the same period in the previous year

However, the beer division increased its earnings by 16% to R163m (R140m) on the back of a 10% price increase, the 2% volume increase and productivity gains, executive chairman Meyer Kahn said in an interview yesterday

Kahn said that with private consumption expenditure declining by 2% during the period, beer division management did well to grow volumes by 2% He said the two reporting periods should not be compared exactly, as results for the past six months did not include an Easter period, as they had in the previous year

Although beer sales were well below sales of soft drinks, Kahn said the base for soft drink sales had been below that of beer, and soft drinks had also experienced a pre-VAT buying spree Beer had always been subject to GST at source, while soft drinks had not, so there was no benefit in stocking up on beer before VAT, Kahn said

Earnings of non-beer interests declined



Graphic LEE EMERTON Source I NET

☐ To Page 2

SAB

B/Day 15/11/91. (182)

☐ From Page 1

by 1% to R73m (R74m).

Group turnover was up by 11% to R7,6bn (R6,9bn) for the six-month period, and trading profit increased by 10% to R643m (R584m) Kahn said these increases were most satisfactory when viewed against the background of reduced consumer spending, widespread disruption and "the most protracted downswing experienced in SA" since the Second World War

After a 41% increase in financing costs to R173m (R123m), lower equity-accounted retained earnings, and a reduction in the effective rate of taxation, after-tax profits were 6% up at R332m (R313m)

Earnings increased by 10% to 88c (80c) a share and the dividend was increased similarly to 33c (30c) a share

Kahn said exports were "doing very well and growing" but would not be drawn on developments in this area

He said all group companies had performed well under the prevailing conditions, and most had outperformed their particular sectors

Southern Sun's occupancies were still down on the previous year, having just come out of the winter months But Kahn said it had managed to contain its losses at less than those of the previous year While Southern Sun would improve its performance in the second half, Kahn said that corporate travel and international tourism were still depressed and bookings for the Christmas season were "dismal"

Cash flow from operations was maintained at over R330m and SAB retained cash of R3um (R94m) Cash equivalent earnings were 154c (148c) a share

SAB's borrowings of about R500m accounted for all of its capex during the period, of which about 70% was spent on the beer division Kahn said SAB still had a capex commitment of R2bn, which indicated the group's confidence in the future

A strained SAB still looking attractive

Star 15/11/91

By Ann Crotty (182)

SAB's 10 percent increase in earnings to 88c (80c) a share for the six months to end-September was in line with market expectations.

So too was the dividend of 33c (30c) a share and the two percent volume increase in beer sales

Despite this, news of the interim performance saw the share price lose 225c in yesterday's market to close at R57,25

Dealers noted that the weakness in the share reflected the subdued tone of overall market sentiment rather than any disappointment with the results

Given the tough outlook for all of SAB's operations, even at R57,25 the share looks to be on a demanding prospective P/E rating of around 20 times and dividend yield of about 2,2 percent

But the mood that has driven the industrial market to record levels over the past ten months can easily support this sort of rating

Such is the strength of demand for scarce blue-chip counters that the definition of expensive appears to have changed dramatically over the past 12 months

Dividend yields of two percent are the order of the day among blue-chip industrials.

There is little doubt the institutional investors that are currently piling into the market will be more influenced by the strength of SAB's balance sheet and its cash flow than by the short-to-medium term outlook for earnings performance.

	Rm 6 months to Sept '91	SAB Holding %	Rm 6 months to Sept '90
ABI	12,02	68	9,82
Afcol	8,22	66	15,46
Amrel	3,75	69	5,34
Da Gama	9,7	61	15,0
Edgars	51,1	65	46,34
Lion Match	3,64	71	5,40
OK	6,16	69	6,08
	94,59		103,44

Earnings contributions from SAB's major listed companies

The cash flow statement shows that the cash equivalent earnings per share of 154c (148c) is almost double the reported earnings figure

Gearing is up to 61 percent from 58 percent The increased debt of R550 million is matched by the hefty increase in group investment in capital expenditure.

The increase in current assets of R668 million was funded by cash generated from operations. It was helped by a R127 million turnaround in income from the sale of investments in subsidiaries

In the first half of financial '90, SAB had to pay out R120 million to acquire the minorities in Southern Sun

During the review period, the group received income of R71 million from the disposal of a variety of investments held by its subsidiaries

The income statement shows that group turnover rose 11 percent to R7,6 billion (R6,9 billion), with trading profit up 10 percent at R643 million (R584 million)

Executive chairman Meyer Kahn is "very satisfied" with the performance, given the background of "the most protracted economic downswing experienced in SA since the second world war"

In addition, he notes that conditions in the market place were further aggravated by increasing socio-political turmoil and widespread disruption

The increase in borrowings lifted finance costs 40 percent to R173 million (R123 million)

This was partly countered by an easing in the tax rate — taxed profit was up six percent to R332 million (R313 million)

Attributable earnings were R236 million (R214 million), with the beer division contributing R163 million (R140 million) — equivalent to 69 percent (65 percent)

Other interests provided R73 million (R74 million)

Mr Kahn is pleased with the beer division's performance, explaining that the comparative figures included an Easter period, while the review figures did not

He says private consumption expenditure declined by nearly two percent in real terms in the six months to end-September

He points out that about 250 000 miners were retrenched in the review period

The recessionary conditions are not expected to improve in the second half, with Christmas unlikely to be exciting and Easter falling in April instead of March, as it did last year

At this stage, full-year earnings are tipped to be up by around eight to 10 percent

Makeba gets on board NSB

By DERRICK LUTHAYI

SONGBIRD Miriam Makeba, internationally known as "Mama Africa", will no doubt feel closer to the continent of her birth after her appointment as a director of the "back-to-my-roots" sorghum company, National Sorghum Breweries (182)

Makeba, banned in South Africa for more than three decades after addressing the United Nations on the South African political situation, is based in Brussels but hopes to return home for good after next month's *Children of Africa* concert in Lagos, Nigeria

Makeba's appointment was announced this week by NSB executive chairman Mohale Mahanyele, together with those of well-known musician and founder of the Ionian Choir Prof Khabi Mngoma, former headmaster at Morris Isaacson School Lekgau Mathabathe and leading medical practioner Dr Ndumiso Mzamane

Mahanyele announced the departure of executive director Sam Mosikili, who has resigned from the board and the company to pursue other interests

A MEMBER OF THE BOARD . . . Miriam Makeba with, from left, NSB boardmembers M Leoka, Dr N Mzamane, M Mahanyele, ET van Rensburg, IB Skosana and JJ de Bruyn.

'Business must reflect community needs'

C/Press 17/11/91

Mahanyele told the shareholders that business was an organ of society and it had to reflect and serve the needs of the community within which it operated

"The NSB board of directors must, therefore, not only reflect the high calibre of business acumen required, but also the grassroots characteristics of religion, cultural, educational, health and other wider communal interests

"We are indeed honoured and proud that leading members of different segments of our communities have been nominated to our board

"Through their illustrious careers, we believe they can bring to bear on our company the need to serve the interests of our shareholders, employees and communities," said Mahanyele.

He added that, in line with its mission, the board, management and the entire staff of 3 500 reflected the population profile

"We have the single largest complement of highly qualified and experienced black people of any company in the history of South Africa

"Our relationships with trade unions, who represent the majority of our people, are healthy and we will continue to nurture this warm development

"We are supporting a wide range of social projects on education, health, culture and business All these are aimed at employment creation and wealth generation which are vital for a stable society," said Mahanyele

There was jubilation and wild excitement when Mahanyele announced that NSB made a whopping R17-million profit, which represented a 54 percent increase in real earnings in the first trading year.

The company's annual financial report, the first since it became a black-controlled company after more than R44-million shares were bought by blacks early this year, shows that profits have risen from R11-million for 1990 to R17-million and that the turnover is up 15 percent from R310-million to R357 million

"These high earnings were attributed to striot control of overheads and capital expenditure and the enforcement of a strong managerial bias for action We are proud of the past year's performance," he said

ST Times (Buss) 17/11/91.

Beer drinkers keep SA Brews ticking

(182)

By JULIE WALKER

AN estimated decline in private consumption of 2% in real terms in the six months to September caught up with the nigh-unstoppable SA Breweries

The first decline in spending on alcoholic beverages in 14 years did not stretch to beer where volume grew by 2%

The beer division's earnings climbed 16% to R163-million Beer earnings made up more than two-thirds of the group's total

SA Breweries styles itself the leading consumer group in SA. Its operating subsidiaries have reported interim earnings that have in the main been below the 1990 equivalents

Furniture retailer Amrel, textile group Da Gama and Lion Match all reported earnings down by about a third

Afcol's earnings almost halved Amalgamated Beverage Industries grew well, Edgars by 10% and OK Bazaars edged up 1%.

SA Breweries turnover for the six months was R7,6-billion, an 11% rise on 1990's Trading profit grew a tenth to R643-million

Higher financing costs on increased borrowings were partly offset by lower tax and attributable income was up 10% to R236-million

The directors say the lasting recession will limit prospects for growth at a greater rate than was achieved in the first half year

They say much depends on consumer spending over Christmas

The share price hit a peak of R60,75 a week ago and is currently R57,25

On earnings of 273c for the last 12 months, SA Brew is on a historic PE ratio of 21

SAB's results give boost to Bevcon

B Day 19/11/91 (182)

MARCIA KLEIN

THE 10% increase in interim earnings posted last week by SA Breweries (SAB) is reflected again in the results of Beverage and Consumer Industry Holdings (Bevcon)

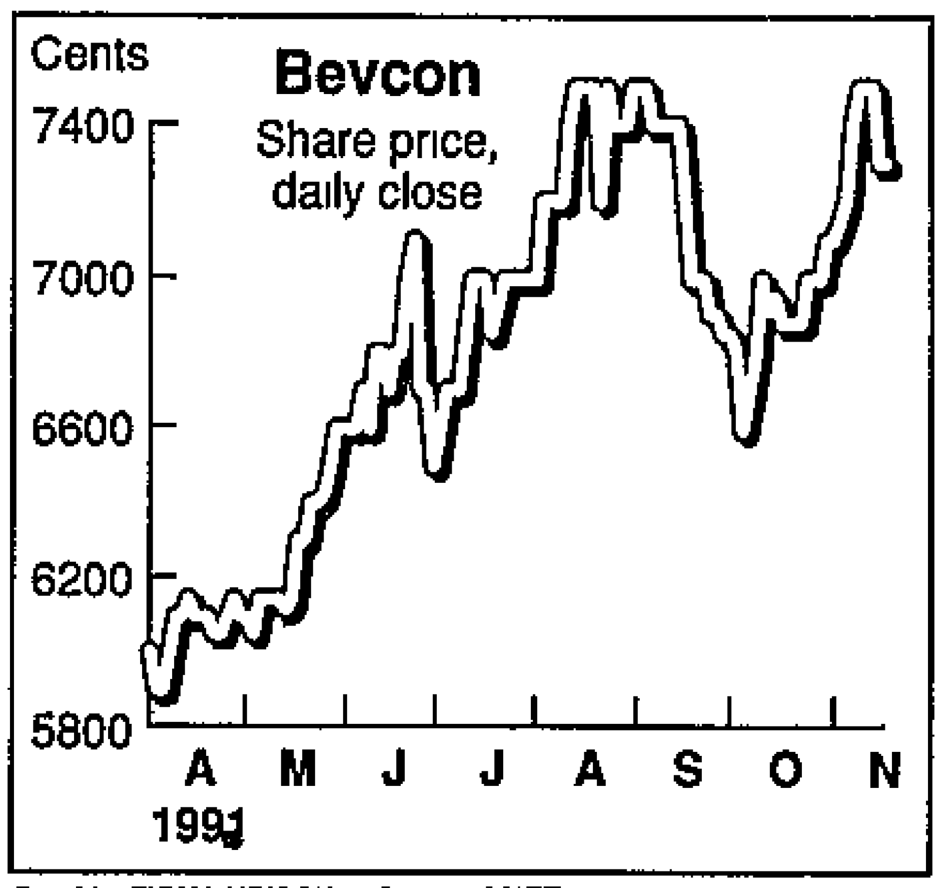
Bevcon derives its income from the 93,6-million shares in SAB's share capital which it holds through its wholly owned subsidiary Gemlib Investments This translates into a 33,78% holding in the beer and retail giant

Bevcon has declared an interim dividend of 43,5c (39,5c) a share in the six months to end-December, in line with the SAB dividend increase

Results for the six months show that equity accounted earnings were 10% up at R80,8m (R73,4m) Earnings before the share of the associated company earnings were up similarly to 43,5c (39,5c), and by 9% to 112,6c (103,4c) after the SAB share is included

Bevcon's investment in SAB has a market value of R5,1bn, with a net asset value of 7 152c a share

SAB's 10% earnings increase came on the back of a 16% earnings growth in its beer division, which propped up a 1% decline in earnings from its other interests, which include OK Bazaars, Edgars, Da Gama, Lion Match, Amrel, Afcol, ABI, Southern Sun and some offshore interests



Graphic FIONA KRISCH Source I-NET

Bevcon listed two years ago after the Premier Group disposed of its interests in SAB through Gemlib as part of the reorganisation of Premier's operations.

Bevcon's share eased by 300c yesterday to close at R70 after reaching a yearly high of R75 last week The share touched a low of R45 in January this year

The current share price puts it on a historical price earnings ratio of 21,27 times, and dividend yield of 2,13% compared with SAB's 20,9 times and 2,07% respectively. In line with most top-notch industrials, SAB slipped 150c to R55,50 yesterday SAB peaked at R60,75 earlier this month — ahead of results

SA BREWERIES FM 22/11/91

Beverages dominant (182)

FM 22/11/91 (182)

Despite its diversification, SA Breweries (SAB) earnings are derived predominantly from beverages This was particularly true in the latest interim report, as the manufacturing interests that operate in the cyclical textile, furniture and durable markets reported results down by a third The star of the non-beverage interests, Edgars, had a relatively disappointing year (*FM* November 1)

Financial director Selwyn MacFarlane says that, when not in a recession, SAB derives around three-quarters of its earnings from beverages Included in this figure is income from subsidiaries Amalgamated Beverage Industries (ABI) and SA Fruit Juice, as well as the beer division Only about a quarter would come from retailing, diversified manufacturing and hotels In the 1992 half-year, beverages contributed 85% of the bottom line total

The past 12 months has been the first time since 1977 that overall spending on alcoholic drinks fell in real terms, yet beer volumes

Cont

still grew, though by only 2% Growth was hampered by a 20% increase in excise on beer And large numbers of miners have been retrenched, many of whom are regular beer drinkers

Says chairman Meyer Kahn "People give up spending on a lot of items before they give up beer and even the unemployed still buy it But, ultimately, if a man had R5 to spend and now has just R3, he will be able to buy less beer That's why we link beer sales to private consumption expenditure, which fell by 2% in the period I consider it quite an achievement to outstrip private consumption expenditure by four percentage points "

Kahn says he expects beer volumes to increase by 5% to 7% again once there is more socio-political stability, which is why SAB has committed R3bn to capital spending, mainly on expansion of beverage production capacity More than R500m was incurred in capital expenditure in the first half, which pushed gearing up to 61%, compared with 58% a year earlier

Soft drink sales proved more buoyant, growing by 6% But Kahn points out that there was enormous stocking up ahead of the introduction of VAT GST on beer was collected from SAB at source for the past three years ABI was the only listed subsidiary to beat market expectations It increased earnings by 22%, compared with the beer division's 16% increase

Retailing increased its contribution by 5%, which, in view of the deterioration of retail spending over the six months, is in line with the rest of the industry. Amrel's results were devastated by a large fall-off in furniture sales and of cash clothing and footwear businesses But Edgars remains strong and the OK maintained earnings.

Southern Sun made a loss for the first half of the year, as it usually does in the winter season, but it was smaller than last year MacFarlane says that since SAB has invested in hard hotel assets — the hotel exposure is worth more than R1,2bn, it is hoping to benefit once international tourism to SA takes off

The biggest change, however, will be in manufacturing, should the acquisition of Placor/Plate Glass take place Kahn confirms that negotiations are well advanced He says he is puzzled that analysts should consider it to be a strange fit with the rest of SAB. SAB has targeted capital-intensive manufacturers of consumer goods, with a potential for increased black consumer spending He says Plate Glass fits all these [illegible] MacFarlane adds that Plate Glass's international experience does not detract from the deal, even though the international operations did not contribute to earnings last year

Plate Glass will be the third manufacturing acquisition under Kahn, Lion Match and Da Gama were his other major purchases Da Gama's performance was relatively good in a textile industry in which companies are losing money It is indicative of the strength of the group that attributable earnings of R15,9m were almost twice the full-year earnings of Romatex, yet were achieved on less than a fifth of the latter's sales

Da Gama CE Harry Pearce had said that Da Gama would be able to handle an increase in imports better than the other textile mills and he has been proved right SAB still thinks Da Gama provides good returns

Lion Match was hit by destocking in the retail trade, the appliance division is operating in an industry in which sales are down by 30% Nevertheless, the market was disappointed that earnings fell by a third to R5,1m

Yet SAB is in better shape than in the mid-Eighties, when earnings grew by a mere 4% in both 1985 and 1986 The hotel interests are no longer a significant drain and the strong subsidiaries — such as the beer division, ABI and Edgars — have greatly increased their size and profitability In cash terms, SAB's performance looks even stronger Its cash equivalent EPS was 154c, and cash flow per share 124c, compared with conventional earnings of 88c MacFarlane argues that this is far more relevant than historical earnings, as it measures true performance and accounts for inflation

Analysts predict earnings will increase no more than 8,5% in the full year, but this is likely to beat most other large companies

Stephen Cranston

NOT AS FROTHY

Six months to	Sep 30 '90	Mar 31 '91	Sep 30 '91
Turnover (Rm)	6,89	8,49	7,63
Operating income (Rm)	584	1 004	643
Attributable (Rm)	214	497	236
Earnings (c)	80	185	88
Dividends (c)	30	88	33

Safex 'yes' to foreigners

B Day 27/11/91

ROBERT GENTLE

NON-residents have been given the green light by the Reserve Bank to start trading on the SA Futures Exchange (Safex) through the finrand from Monday December 2.

Safex CE Stuart Rees said a meeting had been held at the Bank on Monday to put the final touches to the mechanism of handling non-resident accounts

Rees said the main problem was that non-resident trades be clearly identified In markets for other SA securities, this was obtained by simply endorsing the physical scrip as "non resident" As there was no scrip in the futures market, the solution was to register all non-resident clients with the exchange, as is the practice with local clients

Margin payments and interest flows on non-resident trades would also be standardised so that the Bank was aware of all related cash flows

Futures brokers could start registering foreign clients from Monday, Rees said, though he doubted actual trades would start until later in the month

This was confirmed by National Futures & Options and Greenwich Futures & Options

Spokesmen from the two firms said that while non-resident clients had been lined up, it would take a while to sort out administrative and other procedures

Safex expects foreign participation to boost trading volumes by at least a third by the end of the first quarter of 1992 Among the big foreign institutions that have declared intention to start trading on Safex is London-based Mitsubishi Finance International

Director and head of arbitrage operations Desmond Fitzgerald said at last week's annual futures conference that SA had a "reasonably active" futures market with a good cross section of instruments Mitsubishi was "looking forward" to trading in SA

Aroma Liquor battles to break even

B Day 27/11/91 (182)

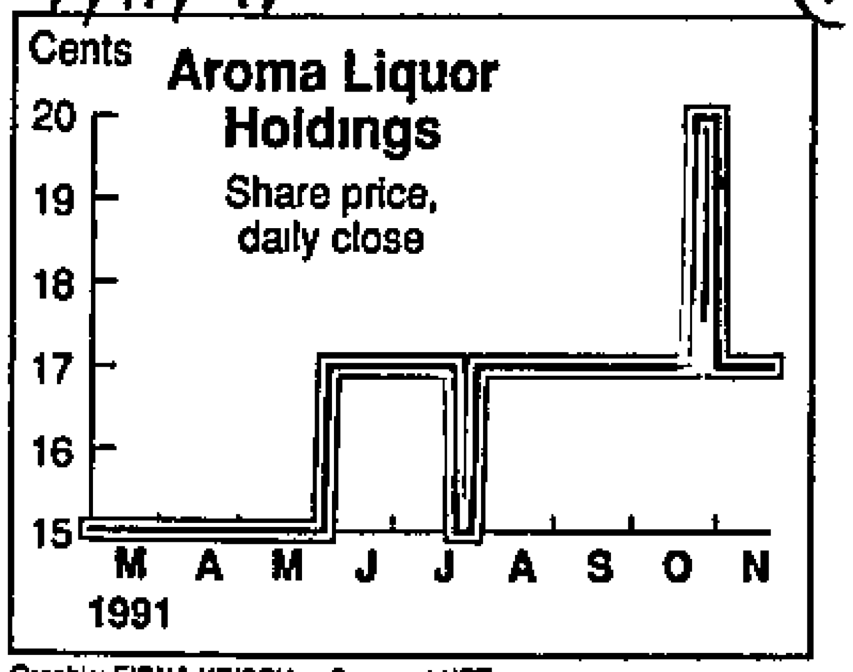
LINDA ENSOR

CAPE TOWN — Aroma Liquor Holdings performed poorly in the six months to end-August, barely breaking even

Results were dragged down by the low occupancy at the 103-roomed Cape Rendezvous, which suffered the same fate as the rest of the depressed hotel industry

MD Mike Kovensky said prospects for improved earnings from the hotel were not encouraging

"The liquor division has performed comparatively well in difficult trading conditions," Kovensky said



Graphic: FIONA KRISCH Source: I-NET

Attributable income plummeted to R38 000 from R361 000, which was not sufficient to generate any earnings a share In the same period in 1990 earnings of 2,2c were generated

Turnover rose 2% but operating income slumped to R300 000 from R764 000 After deducting a R239 000 interest bill and R23 000 for Aroma's share of an associate company's loss, little flowed through to the bottom-line.

Kovensky said trading conditions in September and October were so poor that prospects for improved earnings for the rest of the year were "unpredictable" Much depended on whether hotel bookings picked up Traditionally, the second half delivers a substantial portion of earnings

Kenya thirsty for Cape wines, juices

182 CT 28/11/91

By AUDREY D'ANGELO
Business Editor

KENYA's booming tourist industry means there is a huge market available for wines and fruit juices from the Cape, says David Altman, organiser of an exhibition for SA exporters in Nairobi in June

"They get 700 000 tourists a year And they are serving imported Spanish and Portuguese wines, which is crazy The landed cost of a bottle of Spanish wine is $5 — we could supply Cape wines for far less than that"

Altman, in Cape Town this week to market the exhibition, said he had been astonished by the response in Johannesburg

"Half the stands have already gone, within a matter of days, to major firms BMW alone has taken eight stands"

Other firms who have booked space include NEI (Africa), Nissan and a major food group

"With the recession dampening demand here SA manufacturers are excited at the prospect of moving into a buoyant market," said Altman "Kenya imports R10bn worth of goods and services a year

"And the Contact Kenya exhibition will give SA manufacturers exposure to the rest of Africa Traders from as far afield as Nigeria will be there"

Altman was among speakers at a crowded seminar on trade with Kenya organised by the SA Foreign Trade Organisation (Safto) at the De Waal Sun yesterday

Some manufacturers there showed interest in Kenya's first export processing zone (EPZ), now being developed by Firestone (East Africa) in the Sameer Industrial Park in Nairobi

Brad Pettit of Firestone said foreign companies setting up operations in the park would benefit from a 10-year tax holiday and from import concessions

Samina Rana, deputy manager of the industrial park, said the Kenyan trade unions were not "politicised or militant" and industrial strike action was almost unknown Kenyan labour was low cost, abundant, well educated and trainable

There was no exchange control for the repatriation of profits, ands Kenyan manufactured goods had access to the European Economic Community, America and Japan and other African countreis

Silas Ita, CE of Kenya's export processing zone authority, pointed out that there had never been any mention of nationalisation since Kenya had become independent in 1963 and no assets had been confiscated

Discussing the political situation, he said he was confident that Kenya would remain a stable country Although it was now a one-party state he expected it to become a multiparty state within a matter of months

But he was confident that change would be peaceful and that it would remain a mixed economy

Pettit said that he and Samina Rana would be available at the President Hotel today and tomorrow to answer queries from local business people

'Think before you drink!'

182

Sowetan 29/11/91

By SELLO RABOTHATA

SOUTH African Breweries' beer division has urged motorists to "think before you drink and drive" over the festive season

Advertisements featuring golfer Hugh Baiocchi with the catchline "When I drive, I don't drink, and when I drink, I don't drive" are being channelled through newspapers, radio and television between now and January, says SAB public affairs manager Mr Adrian Botha

This is the second year in which SAB has run the "think before you drink, before you drive" campaign and it is the eighth year in which the company has run an anti-drunken driving campaign

Botha says "SAB has spent well over R1 million since our first campaign - 'Friends, don't let friends drive drunk' - was launched

"The investment has enabled us to encourage responsibility without using the big stick approach and we believe this has helped to change South African perceptions about driving under the influence of alcohol

Gambling, eating and drinking destroy a theory

S Times (Buss) 1/12/91

(182)

By CIARAN RYAN

NO FEWER than three companies in the JSE beverages, hotels and leisure sector feature in this year's top 10 — Suncrush (No 2), Cadswep (No 8) and SunBop (No 9).

Beverages and hotels stocks are considered to be susceptible to economic downswings because spending in this sector is largely discretionary.

When times are hard, the theory goes, cut down on the luxuries. That is why the performance of these three companies is mystifying when weighed against South Africa's tepid economic growth.

Cadswep managing director Peter Bester provides perhaps the best answer as to why Cadswep and Suncrush have done so well in the economic downturn: their products are considered "affordable luxury".

Consumers tend to rerate the importance of spending on these items.

Lure

Both companies have concentrated on organic growth, but acquisitions provided leaps in market share. Suncrush bottles and markets a range of carbonated soft drinks and so does Amalgamated Beverage Industries.

Cadswep markets the Schweppes carbonated brands, concentrates and confectionery. In Cadswep's case, product development and marketing are the key to impressive improvements in earnings.

SunBop's performance continues to surprise some analysts. The lure of world-class entertainment and gaming resorts in Bophuthatswana (and other homelands) for South Africans has not abated since Mmabatho Sun and Sun City opened in the late 1970s.

The rate of growth has been sustained by the arrival of hotel resorts, such as Sun City Cabanas in 1981 (284 cabanas), Cascades in 1984 (245 rooms), Thaba 'Nchu Sun in 1985 (120 rooms), Molopo Sun in 1986 (220 rooms) and Morula Sun in 1987 (74 rooms).

Occupancies exceed 70% — considerably higher than in SA hotels.

But a worrying possibility for the company is that gaming laws will be changed to allow casinos in SA.

After rising to more than R450 a share earlier this year, Suncrush retreated to R370 on the release of good results and the acquisition of Anglovaal's 16,2% stake in Cadswep.

It is one of the most expensive shares on the JSE, although trading volumes are thin.

M-Net, on a historic earnings yield of 3,1%, has the most speculative interest in this sector. The share price has rocketed to 840c from a 12-month low of 185c because of speculation about new ventures and deregulation of broadcasting.

SA Breweries is the bluest of blue chips. Investment experts picked SAB as the top JSE company in a market survey by researcher Campbell Belman this year.

SAB trades a shade above R60 and has an earnings yield of 4,4%, defying several predictions that the shares were overpriced.

In seven years its earnings growth has exceeded 33%, helped by consistent improvements in beer sales.

In the year to March 1991, the volume growth in beer, which provides 57% of earnings, was 12%. But this is likely to slow to 5% in the current year.

Nearly three-quarters of earnings comes from beverages — beer and SAB's 68% stake in ABI, which owns 19% of Cadswep.

Capital expenditure will exceed R1,5-billion this year, most of the money going to expansion at the Alrode, Prospecton and Newlands breweries.

Kersaf, the 80%-holding company for Sun International, with 38% of entertainment and leisure group Interleisure, and 50% of liquor wholesaler Douglas Green Bellingham, has a PE of 18,8 and continues to receive strong investor support.

Fire

It lifted earnings by 18% in the year to June, primarily on the back of a strong performance by SunBop, which provided 68% of turnover.

Interleisure, priced at 410c, has the same PE ratio as Kersaf. The group includes Ster-Kinekor, Computicket, seven fast-food chains and sports shops.

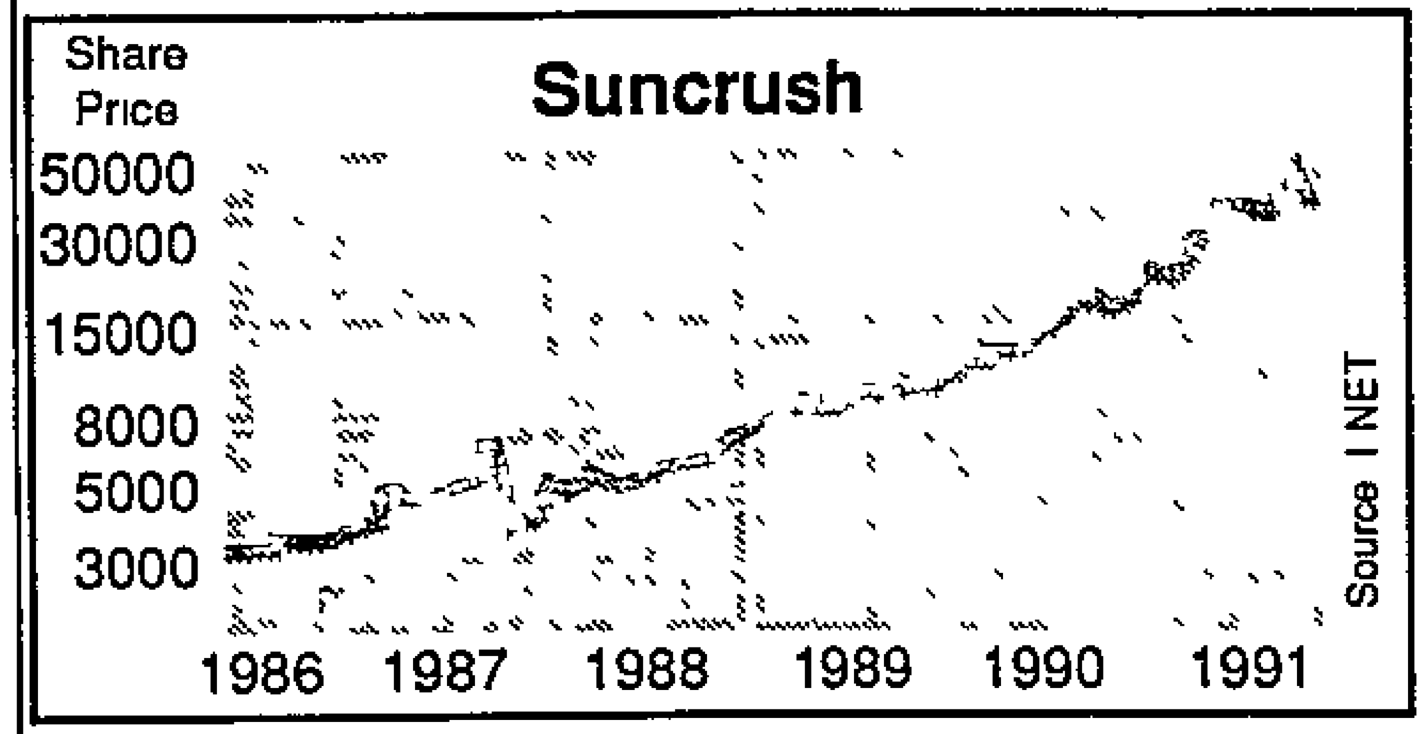
Shares with the lowest rating in the sector are Suncisk, listed in April this year, with an earnings yield of 18%, Karos with an earnings a share yield of 10%, Plesure 12,4%, Transun 13,9% and Stellenbosch Farmers' Winery 13,3%.

Suncisk's Mdantsane Hotel & Entertainment Centre was destroyed by fire in 1990 rioting and was reopened recently.

Transun suffered a 4% drop in operating margins in the year to June 1991 as a result of higher wage charges and an increase in casino levies in Transkei.

Suncrush keeps its cool as recession take its toll

S/Times (Buss) 1/12/91 (182)



SUNCRUSH shareholders can't beat the feeling gained from holding shares in the manufacturer and marketer of Coke and other soft drinks.

It has been the second-best performer on the JSE over five years. In the year to June 1986, earnings a share were 353c on turnover of R135-million

But in the year to June 1991, earnings jumped to R16 a share from sales of R445-million. Net asset value trebled to R58 a share and the share price has climbed R40 to R400

Operating company Suncrush, 50%-owned by Dalys, conducts business in Natal, Transkei and parts of the Transvaal, Bophuthatswana and the northern Free State.

In the last financial year, Suncrush bought similar operation Drakensberg Bottlers for R21-million cash and sold 24% of its 31% stake in Kilimanjaro Bottling to its major shareholder

The Durban-based group makes and sells soft drinks such as Coca-Cola Fanta, Schweppes and Sparletta. It also markets on behalf of Appletiser

By JULIE WALKER

Suncrush shares were R185 in October 1990 and traded at a peak of R460 on the last day of September this year — the day on which the returns for the Business Times top companies are calculated.

Chairman Robin Hamilton says in the 1991 report that in spite of tortuous negotiations with the authorities, Suncrush appears to be in the brink of concluding agreements leading to 60% ownership of a company producing Coca-Cola products in the three southern provinces of Mozambique

Suncrush can handle the technical problems in rehabilitating the Maputo plant. But the environment — information and raw material supplies and foreign-currency availability — will provide a constant challenge.

Suncrush, Dalys and Tempora coexist in a curious triangular relationship, but the stock market loves them

Suncrush also controls Tempora. It had 62%, but the stake fell to 52% at Tempora's rights issue and then to 43% when Tempora secured a larger slice of Cadswep

It bought Anglovaal Industries' 16,2% holding in the chocolate, confectionery, food and drinks group to add to its existing stake of 57%

The cost was R177-million, or R31,50 a share, and a 5% premium to the market price. Tempora issued 8,3-million shares at R17,50 to Anglovaal Industries (AVI) or its nominee and paid R31,5-million cash

The cash was available from the proceeds of Tempora's July rights issue which raised R40-million

In this deal, Suncrush accepted 2,4-million Tempora shares from AVI at a cost of R42-million

Tempora's portfolio includes 20,6% of Dalys, as well as a few Saficon, Sakers and Seardels

The directors control 57% of Dalys

Mr Hamilton says Suncrush has helped 940 lower-paid staff members to buy houses Some of the borrowers are second timers who have repaid initial loans.

Suncrush will soon be helping to clean up the environment through soft-drink sales in 1,5 litre plastic returnable bottles.

Mr Hamilton says that although the industry's performance does not have a close correlation with the business cycle, it is not immune to recession. Sales suffer in economically depressed mining areas. In line with many businesses, October sales were particularly poor

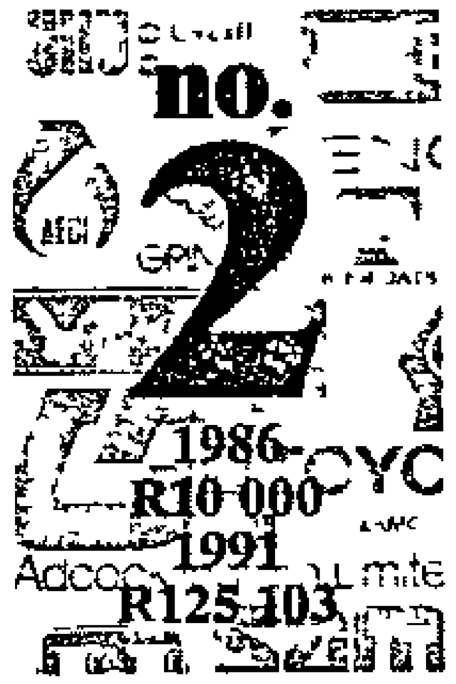
Factors

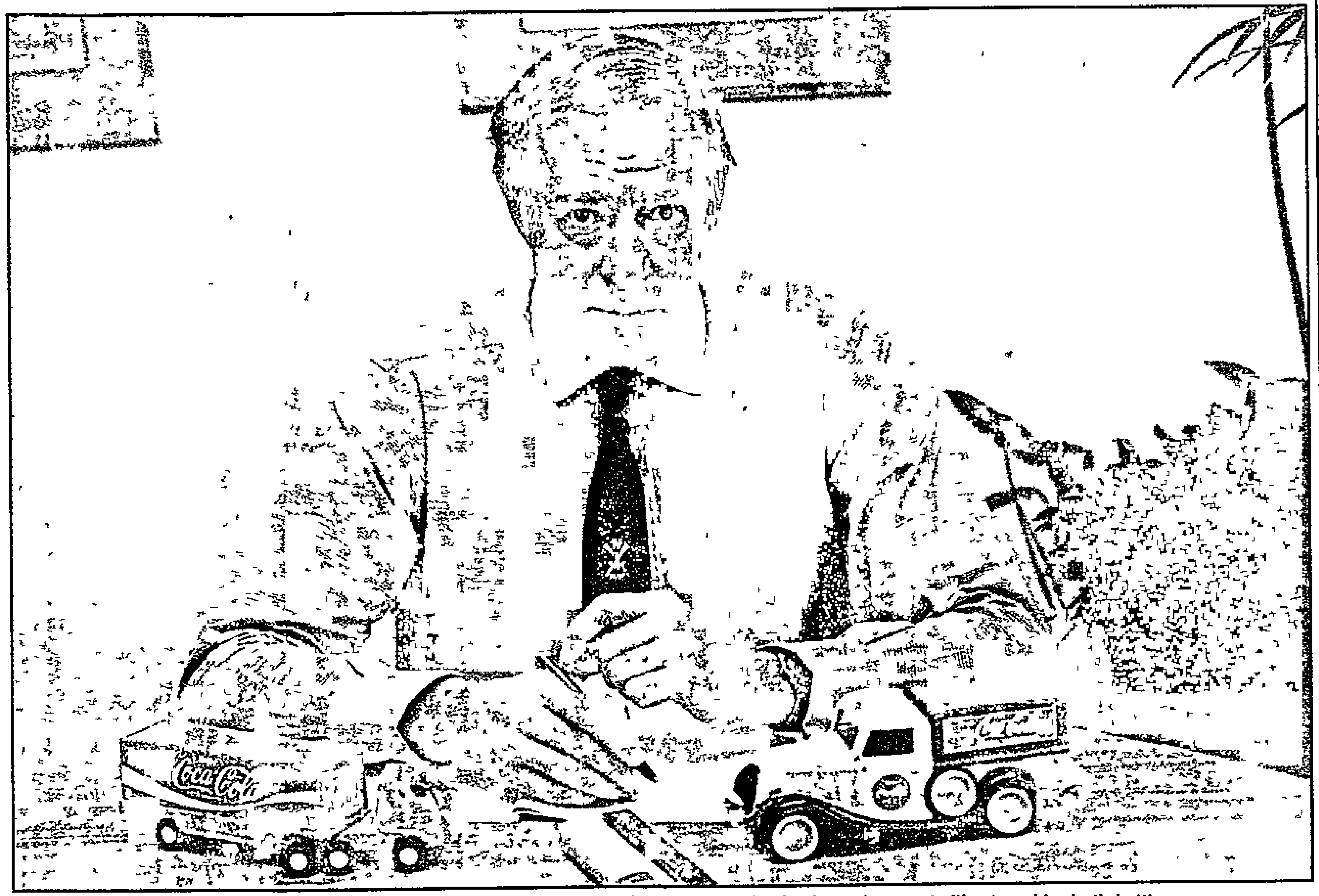
He forecasts subdued growth for Suncrush, but advance of any kind in this environment is welcome

What lies behind the success of Suncrush? Mr Hamilton says the group has the right products

More pertinent is the day-to-day running of the businesses Mr Hamilton says his daily routine involves worrying about problems and trying to make improvements.

These factors lie behind investors' views of the group and its consequent rerating in the past five years





ROBIN HAMILTON healthy growth in difficult economic times and caring for the environment with returnable plastic bottles

BEST BY INDUSTRY

S/Times (Buss) 1/12/91 (180) 232

TRANSPORT/MOTOR

1 (1)	Trencor	72,19
2 (18)	Gentyre Industries	52,82
3 (25)	Toyota SA	47,63
4 (32)	McCarthy Group	41,11
5 (42)	Saficon	35,80
6 (55)	Putco	30,53
7 (76)	BTR Dunlop	24,15
8 (86)	Tollgate Group Holdings	22,09

CLOTHING MANUFACTURE AND RETAIL

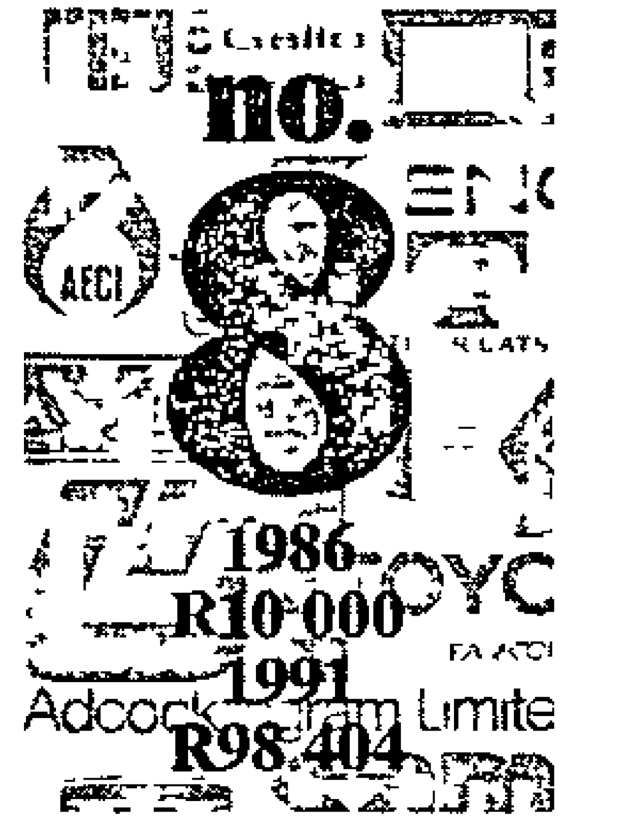
1 (14)	Pepkor Ltd	53,06
2 (16)	Edgars	52,88
3 (24)	Foschini	47,73
4 (34)	Woolltru	41,06
5 (70)	Seardel	26,38
6 (97)	Specialty Stores	19,31

BEVERAGES, HOTELS, LEISURE

1 (2)	Suncrush	65,75
2 (8)	Cadbury Schweppes SA	57,98
3 (9)	Sun International Bop	56,90
4 (33)	Spur Steak Ranches	41,11

FIZZY RETURN FROM CADSWEP

S1 Times (Buss) 1/12/91 (182



CADBURY SCHWEPPES' performance in the past five years proves that in recession sales of carbonated soft drinks and confectionery continue to grow

By CIARAN RYAN

Cadswep managing director Peter Bester says "Soft drinks and confectionery are not recession proof but they are an affordable luxury."

In the year to December 1990 turnover rose by 22% to R537,7-million and earnings a share 137% to 100 5c At the halfway stage to June 1991, sales had grown 17% and earnings a share 31% on the same time in 1990

Cadswep moved into eighth position in this year's Top 100 notching an annual average return of 57,98% for shareholders over five years

In the food and beverages sector only Suncrush whose subsidiary Tempora increased its stake in Cadswep to 22% this year, did better with an annual average return for shareholders of 65,75% in the past five years.

Anglovaal, which this year sold its 16,2% Cadswep stake to Tempora made a fortune out of its investment Its capital profit amounted to R153 8-million — it acquired its stake for R23 3-million in 1986

Mr Bester says "The reason for our growth is that we have strong brands in a high-growth market"

The company spends nearly 10% of its turnover, or more than R50-million a year on advertising and promotion.

"Another reason for our growth is our performance-based approach to management of the organisation.

Base

'We have a clear and well understood strategy to broaden our consumer base without diversifying out of the market we are in.

"Our head office is made up of only six people We keep it lean and concentrate on the operating companies.'

Dividend income and equity-accounted earnings from its 19% share of Amalgamated Beverage Industries (ABI) brought in more than R10-million last year

The carbonated soft-drink market is estimated at R2 8-billion at retail price levels. The total soft-drink market is about R3 8-billion

Flavour

Cadswep's main competitors in confectionery are Nestle Rowntree and Beacon

In carbonated soft drinks its Schweppes brands compete with Coke and Sparletta bottled under licence by ABI and Suncrush in different parts of SA

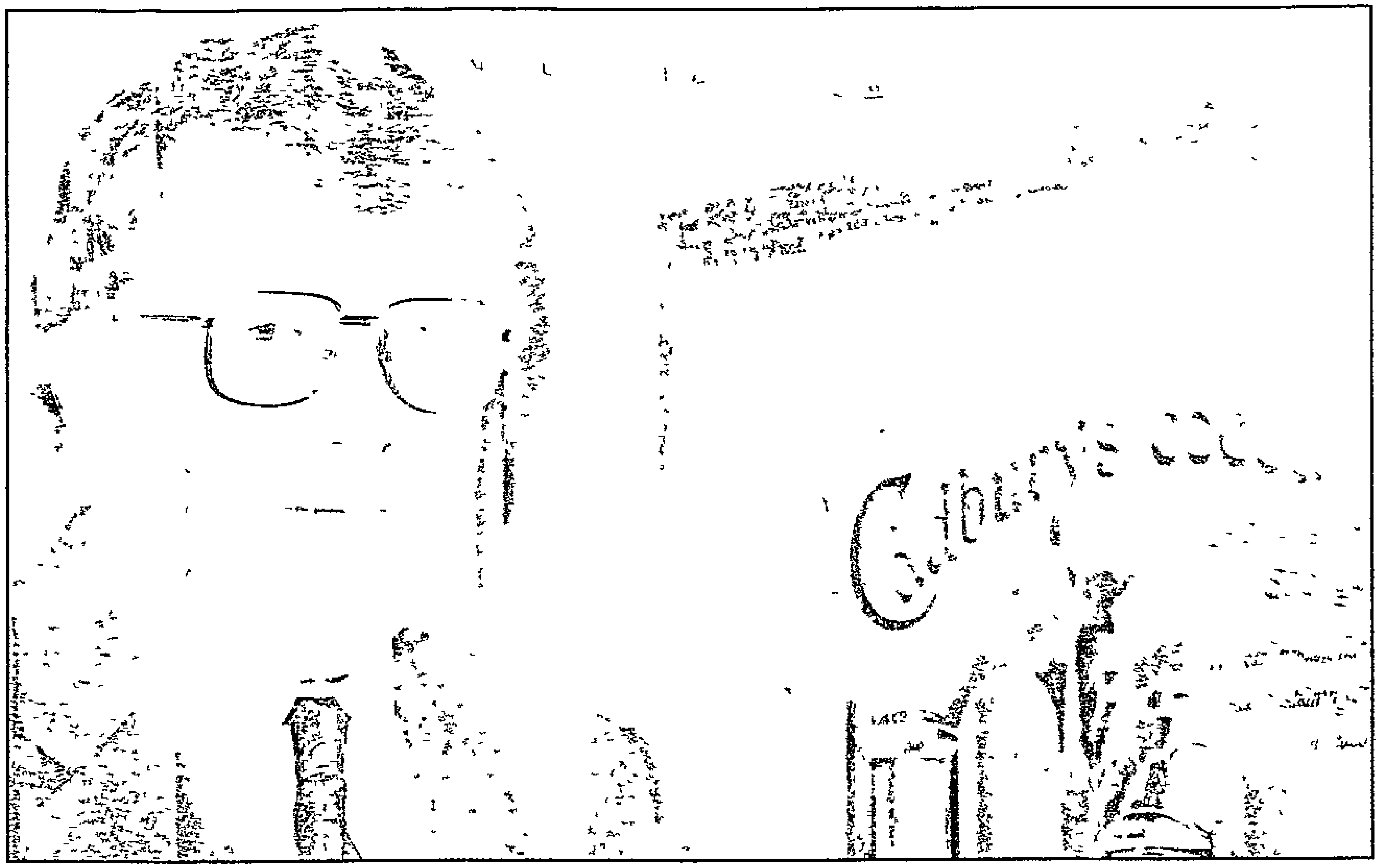
Both ABI and Suncrush bottle Schweppes on behalf of Cadswep, which makes the flavour essences and markets the brands is that soft drinks and confectionery are high growth markets

Operating margins improved from 8 7% last year to 10,2% in June this year, indicating that the acquisitions and greenfields developments are starting to reap the kind of returns envisaged from the outset.

Mr Bester says margins will improve in the next few years

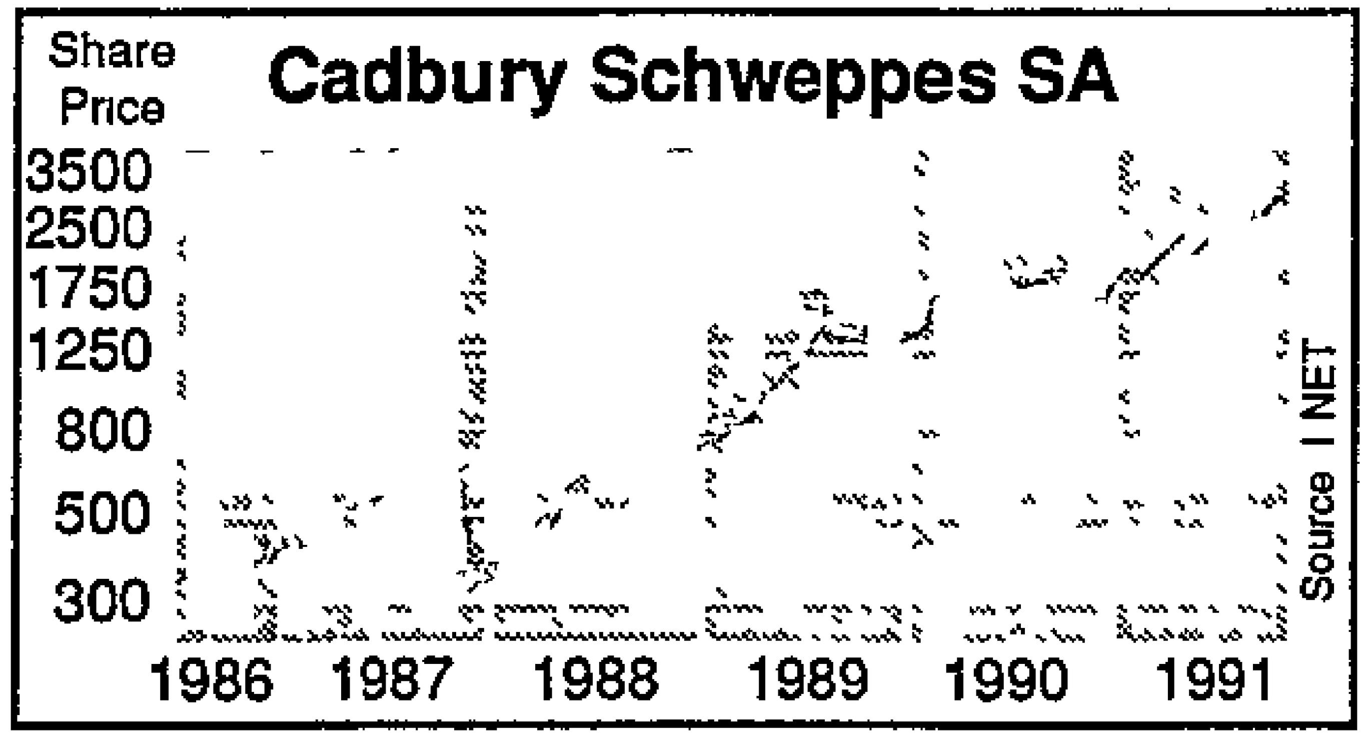
A chemist by background Mr Bester joined Cadswep in 1984 after a stint with Murray & Roberts

Before that he was managing director of Zimbabwean retail, hotel, food, textiles, engineering and agricultural conglomerate, Meikles Consolidated, the largest non-mining group in Zimbabwe.



PETER BESTER Strong brands in a high growth market and a lean head-office team that watches the operating companies

TOP 100 COMPANIES



TOP 100 RANKED BY TAXED PROFIT (including equity accounted)

Attributable earnings after inclusion of associated companies retained earnings
Year-end cut-off date November 1991

No	Share Name	Financial year end	(R000s)
1	*DE BEERS	Dec 90	3 376 000
2	ANGLOS	Mar 91	2 591 000
3	GENCOR	Aug 91P	1 405 000
4	SASOL	Jun 91	1 041 341
5	REMGRO	Mar 91	865 300
6	BARLOWS	Sep 91P	806 000
7	SA BREWS	Mar 91	710 600
8	ISCOR	Jun 91	616 600
9	JCI	Jun 91	565 200
10	AMIC	Dec 90	451 000
11	GENBEL	Jun 91	415 000
12	C G SMITH	Sep 91P	384 700
13	SAPPI	Feb 91	374 700
14	SAMANCO	Jun 91	361 823
15	GFSA	Jun 91	314 000
16	IMPLATS	Jun 91	311 800
17	SAFREN	Jun 91	302 494
18	TIGER OATS	Sep 91P	289 000
19	ENGEN	Aug 91P	286 000
20	C G S FOOD	Sep 91P	284 300
21	ANGVAAL	Jun 91	280 200
22	RAND MINES	Sep 91P	250 800
23	MALBAK	Aug 91P	256 000
24	AECI	Dec 90	238 200
25	ANGLOVAAL IND	Jun 91	234 100
26	NAMPAK	Sep 91P	232 900
27	PALAMIN	Dec 90	228 011
28	SUN BOP	Jun 91	191 806
29	M&R HOLD	Jun 91	180 178
30	KERSAF	Jun 91	165 287
31	AMGOLD	Mar 91	164 492
32	PREMIER GRP	Mar 91	153 628
33	EDGARS	Mar 91	150 366
34	HIVELD	Dec 90	150 189
35	WOOLTRU	Jun 91	146 900
36	WITS COLS	Sept 91P	145 028
37	TONGAAT	Mar 91	142 681
38	TRNS NTL	Jun 91	127 200
39	CONSOL	Jun 91	124 513
40	HLH	Mar 91	117 635
41	PPC	Sep 91P	114 800
42	TOYOTA	Dec 90	112 386
43	A ALPHA	Dec 90	110 466
44	DORBYL	Sep 90	110 108

keep it lean and concentrate on the operating companies"

Dividend income and equity-accounted earnings from its 19% share of Amalgamated Beverage Industries (ABI) brought in more than R10-million last year

The carbonated soft-drink market is estimated at R2,8-billion at retail price levels The total soft-drink market is about R3,8-billion

Flavour

Cadswep's main competitors in confectionery are Nestle Rowntree and Beacon

In carbonated soft drinks its Schweppes brands compete with Coke and Sparletta, bottled under licence by ABI and Suncrush in different parts of SA

Both ABI and Suncrush bottle Schweppes on behalf of Cadswep, which makes the flavour essences and markets the brands

Sales of Schweppes grew by 9,9% in 1990 in volume terms compared with 9% in the carbonated soft-drink market

Many of its brands are household names Chappies, Cadburys Chocolate Eclairs (the two top sellers), Crunchie, Flake, Lunch Bar, Tempo, Snacker, Echo and the new Moro

A lot of money is spent on establishing new lines of confectionery In June last year, Frutus, Gems and Endearmints were launched

It cost R5-million in new plant to launch Tempo and Snacker

Trend

In non-carbonated soft drinks the major brands are Oros and Lemos juice concentrates, Brookes and Roses

Cadswep is 54% owned by Cadbury Schweppes plc and 22% by Tempora The remaining shares are tightly held But a five-for-one share split a few years ago improved tradeability

Mr Bester says "There is still a trend for the shares to gravitate to the big investors"

Between 1986 and 1989 the company embarked on an expansion drive

It bought Bromor Foods (concentrated soft drinks) in 1986, commissioned a confectionery factory in Swaziland in 1989 and acquired Chapelat Humphries (sugar confectionery)

Mr Bester says "These were years of tremendous expansion and we spent much of our time trying to absorb these acquisitions

Spare

"We knew we could extract more value from these companies and we wanted to apply our marketing approach to the strong brands that were acquired"

There are factories in Port Elizabeth, Cape Town, Durban, Johannesburg and Swaziland, which provides a springboard for exports, primarily to Europe, the Middle East, the Indian Ocean islands and Africa

The export market is expected to offer greater opportunities and Cadswep has spare capacity in its factories which will enable it to take advantage of them

Good news for investors

PETER BESTI

TO

10

COMPA

is that soft drinks and confectionery are high-growth markets

Operating margins im-

SA wines a steal in UK

B/Day 3/12/91

LONDON — SA wines are back on the shelves of British supermarkets — and their prices make them highly competitive against European wine and other rivals.

The easing of the country's isolation is reflected in the emergence of a growing number of SA products on supermarket shelves.

One of Britain's top supermarket chains, Tesco, has been promoting a new range of SA wines with glossy leaflets in its stores.

Tesco is selling Kiesenhof Colombar white wine at £2,89 a bottle and the red Kiesenhof Pinotage at the same price. (R82)

Quality wines at less than £3 a bottle are a good buy in Britain.

Top of Tesco's range is the Boschendal Grand Vin Blanc at £7,29.

Prices of European wines have soared over the last 18 months, making the SA wines attractive.

The well-known Marks and Spencer chain is another major outlet selling SA wines.

□ The fruit export giant, Unifruco, has launched a wine export company with top estates and co-operatives in Stellenbosch.

Unifruco CE Louis Kriel said yesterday the company, to be called Vinfruco, hopes to export 30 000 cases of bottled wine next year.

There are three red and two white wines in the range, named Oak Village.

Among the 300 farmers involved in the partnership are the Overgaauw, Rustenberg and Vriesenhof estates as well as the Eerste Rivier, Vlottenberg and Welmoed co-operatives.

Kriel said the first consignment will leave for Europe next week — Sapa.

SA wines go on sale

Sowetan 3/12/91

182

SOUTH African wines are back on the shelves of British supermarkets - and their prices make them highly competitive against European wine and other rivals.

The easing of the country's isolation is reflected in the emergence of a growing number of South African products on supermarket shelves.

Prices of European wines have soared over the last 18 months, making the South African wines attractive to buyers. - *Sapa*

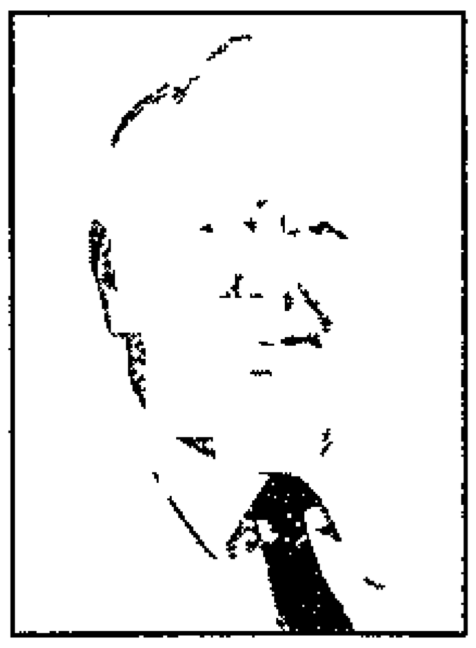
Confessions of a marketing man

FM 6/12/91 182

Advertising guru David Ogilvy once called him "one of the best marketing men in the world" For 20 years, under a succession of MDs, Peter Savory has held sway over the marketing of SA Breweries' beer division, that most marketing-driven of organisations

Providing the backbone of continuity at the beer division, he has fought off three major challenges to SAB's dominance, from Whitbread, Louis Luyt and Anton Rupert's Intercontinental Breweries So formidable has SAB become that a second threatened challenge by Luyt this year was stillborn Savory has taken SAB's annual beer output from 700 000 h*l* to 23,5m h*l* — and to a ranking as the eighth biggest beer market in the world During that time, the real price of beer has dropped sharply

Savory has spent 32 of his 63 years working for SAB He retired on August 31 but stayed on full-time until last Friday Now that his successor, Barry Smith, the director of the northern Transvaal and Free State region, has been named, he will work part-time in the head office on projects



Savory

It is easy to underestimate Savory's achievements, considering SAB's stranglehold on the beer market With little competition, SAB is dismissed as a monopoly that merely sits waiting for consumers to buy This infuriates Savory, for SAB was not always so big

"We were in bad shape back in the early Sixties The black market was still undeveloped (prohibition was lifted only in 1962), our product quality was inconsistent and our range limited Our packaging was awful and the sales force old and untrained"

Inspired by Anton Rupert's achievement in capturing the cigarette market from a complacent United Tobacco Co with its 80% penetration, Savory wrote a marketing plan in 1963 Its three fundamentals are as valid today as they ever were

- ☐ To give the beer drinker as wide a choice of products, brands and packs as possible,
- ☐ To make beer easier to drink and cheaper to buy, and
- ☐ To upgrade beer's image by taking it out of the kitchen and putting it in the lounge

The first challenge this strategy faced was an attempt by British brewer Whitbread to break into the SA market in the Sixties "We had three years' warning that Whitbread was coming," Savory says "You can't sneak in, it takes two years to build a brewery"

Muscling up for the battle, SAB improved its packaging, put neck labels on the bottles, and converted Amstel into its premium franchise "We needed an American-image beer and got Carling It was launched in 1966 and within 10 years it was the top brand

"We recruited and retrained our sales force, set up systems to help the trade, started sales promotions, and started our first efforts in public relations Our venture into sponsorships (soccer was the first major one) date back to that era"

Breweries adopted a gap-closing policy of slamming shut anything that might provide an opening for a competitor Every need was catered for "We had a strong lager, a sweet, dry and a Continental beer We even guessed they would have a go at draught beer, so we installed draught at the major outlets By the time Whitbread came in, there was nothing new for them to do" Whitbread lasted for about six years, achieving a peak penetration of 12% of the inland market (7%-8% of the national market)

The next battle came in the early Seventies, when Luyt entered the market This was not regarded as a serious challenge but when Rupert's Rembrandt Group bought Luyt out and set up Intercontinental Breweries, Savory knew he was in for a fight

"This was the big one Rupert had this huge reputation for marketing He had experience in the liquor industry and owned a chain of outlets" Savory realised he had to re-establish the Castle brand, which had fallen to less than 1% penetration of the important Soweto market in 1974

With the help of the Charles Glass campaign, the brand was repositioned as a quality product "We knew Rupert was after that larger lager segment — the Castle segment But we managed to get Castle humming So that gap was closed"

Another gap Savory thought Rupert would attack was the Pilsner market SAB introduced Hansa, which was repositioned as a low-calorie beer, and headed off Intercontinental's Culemborg challenge The introduction of the twist-off crown was another blow "It made their bottle obsolete overnight"

But probably Savory's greatest coup was the launch of Stallion 54 to pre-empt Intercontinental's launch of Colt 45 When Rupert bought the National Brewing Co in Baltimore, which owned Colt 45, Savory suspected he would bring the brand to SA "It was such an appealing name, with lots of imagery, especially for a malt liquor (which is just a strong lager)

"We had registered the name Stallion in the Sixties It was a good name for a stout Then when we guessed they were ready with their Colt 45, we launched Stallion We originally considered calling it Stallion 45, but this seemed too close to the bone

"Lying in my bath, I thought, 'Why not just turn the numbers around and call it Stallion 54?' To build on the logic, SAB set the alcoholic strength at 5,4% "Colt 45 came out two weeks after we launched Stallion 54 and it was dead before it started That was the end of Intercontinental"

Where did Rupert go wrong? "One fatal mistake they made was in March 1979, when we raised our prices and they held theirs down When I saw that I thought, 'That is the end of them' When you cut prices, you start to reposition your product You are saying different things about it"

Without competition in the beer market, the Eighties may have been more difficult for SAB "It is like practising in the nets. You don't know how good you are People take your achievements for granted"

Nevertheless, SAB continues to grab market share In 1962, when prohibition was lifted, beer held just 13% of the liquor market (excluding sorghum beer) It now has 60%

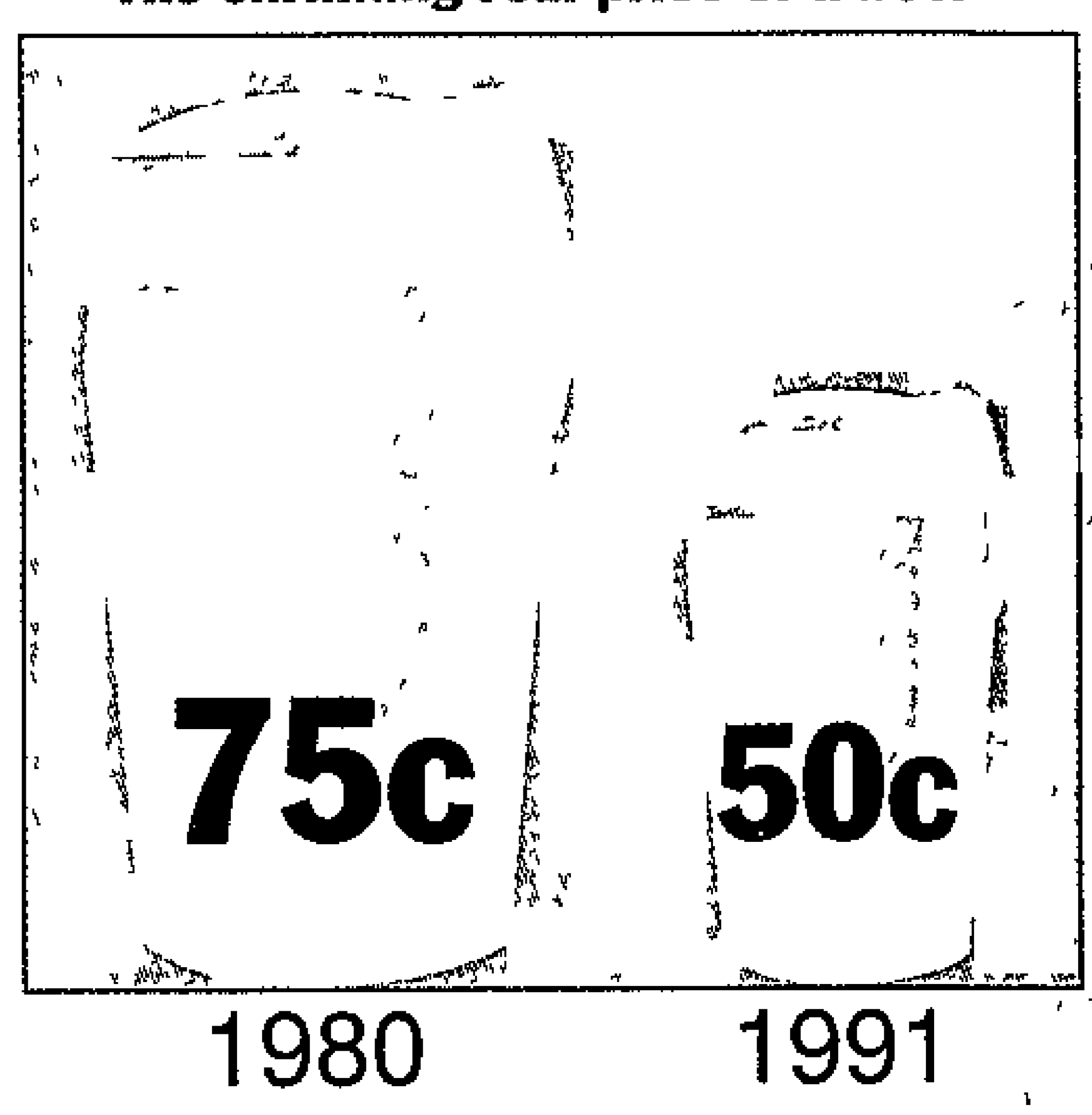
"In the Eighties our effort was directed towards increasing market share We improved our packaging and concentrated on channels of distribution We have gone for the export market, which has been a stunning success We have kept our real price down for 14 years in a row"

But, remembering the now-famous Castle label change in 1988, which resulted in Castle losing half of its market in a matter of months, Savory says "There is no such thing as permanent brand loyalty The public allocates you a vote for a period If something better comes along, people move

"This makes it essential to keep up with new ideas You must constantly update your product and packaging You must keep the marketplace aware of your products If you relax for a moment, you are looking for trouble"

Down the hatch

The shrinking real price of a beer



Average price of a glass of beer, 350ml, in a pub in 1980 rands Source SA Breweries

Brokers get a taste of sorghum beer

STAR 7/12/91 (182

DEREK TOMMEY

GUESTS at a luncheon given by stockbroker Sidney Frankel this week were invited to drink sorghum beer as a pre-lunch appetiser.

"This must be the first time that this has happened in the stock exchange," Mr Frankel said.

The occasion was a launch by National Sorghum Breweries of a new line of sorghum beer with a shelf life of six months which is expected to greatly expand the company's markets.

NSB plans to sell the new product through supermarkets and also to export it.

NSB became an independent company in July, 1990 and makes a market in its own shares.

Executive chairman, Mohale Mahanyele, said the NSB was doing well and selling three times more beer than SA Breweries.

The company had forecast a dividend of 10c for the 12 months ended June, next year. But in view of the company's expected good results he did not believe its 9 000 shareholders would allow the board to declare so small a dividend.

R320m deal gives SAB Placor control

(182) WILLIAM GILFILLAN

IN A R320m deal, SA Breweries (SAB) has acquired a 54,6% controlling interest in Placor, holding company for SA's only glass manufacturer Plate Glass & Shatterprufe Industries (PGSI)

The acquisition, to be financed by the issuing of convertible preference shares in SAB, will leave the Liberty Life Group with an effective 20% holding in SAB from 19%

Bdcay 20/12/91.

SAB, which bought the Placor stake from a controlling consortium of the Lubner and Brodie families and Liberty, will exchange one convertible preference share for every two Placor shares

As SAB was trading at 5 375c a share when the negotiations were being concluded, this places an effective value of about 2 700c on each Placor share (excluding the recent interim dividend of 24c a share) Placor closed yesterday at 2 250c, meaning SAB paid a 20% premium for its controlling interest

Liberty Holdings MD Farrell Sher said once the preference shares had been converted into ordinary shares, Liberty's direct interest in SAB would increase to about 8% from 7% Also, Liberty had about a 12% indirect interest in SAB through its 34% stake in Beverage & Consumer Industry Holdings, which holds 35% of the beer group So Liberty's effective holding in SAB would come to just under 20%

The two families would receive about 0,6% in the beer group in lieu of their 20% stake in Placor, which holds 49,7% of PGSI Ronnie Lubner, who will remain chairman and CE of PGSI, said yesterday that one reason for the Placor sale was that some members wanted to "cash in".

Shareholders in PGSI were also warned that a rights offer was imminent to refinance local operations

Lubner said the proceeds would be used to reduce debt locally and to expand international operations Proceeds from the rights offer would not to be used to finance the R525m acquisition by PGSI of a 48,4% interest in Glass SA

SAB executive chairman Meyer Kahn said the Placor acquisition gave SAB a unique opportunity to diversify its consumer-related manufacturing interests

WINE EXPORTS FM 20|12|91

KWV to the rescue (182)

KWV plans to double the sale of all SA wines in the UK to 1m cases within the next five years So says KWV chief marketing executive Jannie Retief, who also chairs the Cape Wine and Spirit Exporters' Association

Retief, who spent four years in Britain examining the market, says KWV will encourage all winemakers whose products are good enough to be exported to Britain to take part in the drive Funds have been allocated to mount a generic campaign in the UK to promote SA wines

KWV is arranging for SA participation in next year's London Wine Trade Fair — on a country rather than brand basis "SA has never done this before and the KWV is funding this initiative," says Retief

KWV is also helping wholesalers and wine estates, smaller ones in particular, to get their products on the British market by offering them advice "And if they want to, they can even ship through us"

Retief adds "This may create the impression that we're cutting our own throats, considering that 90% of all SA wines sold in the UK are ours Three years ago, we had a 98% share Theoretically, we should be jealously guarding that base and even trying to enlarge it But we want our share of all exports to shrink The more exporters there are, the bigger the cake will be We see this as a long-term strategy"

The KWV, which may not sell any of its wines in Africa south of the Equator in terms of a gentleman's agreement struck with wholesalers in 1925, accounts for 70% of all SA wines exported Its other main markets are Europe (mainly Germany, Holland and Scandinavia) and the Far East Canada, once SA's biggest customer, and the US, which imposed sanctions on SA wines, are also coming back.

 FM 20/12/91 (182)

Hitting the 1m mark won't be easy While Britain never imposed sanctions against SA wines, anti-apartheid pressures made it prudent for the boards of the big grocer chains (such as Marks & Spencer, Asda and Sainsbury, who collectively sell 55% of all wine sold in the UK) not to stock SA wines

Specialist stores continued to sell them — and sales grew by 25% a year "However, it was like running a race with one leg in plaster," says Retief "The question is where would we have been without moral sanctions?"

New world winemakers — in Australia, New Zealand, Chile and California — seized the opportunity and expanded sales to the UK Australia already exports 1m cases a year These countries are now SA's main competitors

There are encouraging signs Big grocers, who until recently would not return telephone calls, now see KWV's men And SA wines have a fine reputation of value for money.

In May, 54 SA producers presented their products at a tasting arranged by the KWV in London and their products got rave notices from wine writers At this year's International Wine and Spirit Competition in London, in which 24 countries took part, the KWV won 10 gold medals Other SA producers won eight, Australia followed with 13, New Zealand won seven and the US six

Distillers and SFW are the next biggest exporters Distillers' export manager Simon Dewhurst says its products are sourced from estates and fall in a higher price bracket than KWV's Depite that, it posted a 150% increase in UK sales in the first nine months of 1991 Sales into Europe also doubled, particularly to Germany, Holland, Austria and Switzerland

SFW's Dick Coleshaw says new markets are being opened up in Denmark and even Poland, but his sights are still firmly fixed on the UK "I'm looking at 1995 as the year when I want to double the volumes of Nederburg and Zonnebloem wines sold in other countries This is possible if the countries that still maintain sanctions against us lift them soon" ■

Beer and wine sales take festive knock

ROBERT WICKS

BEER and wine sales over the festive period have declined by comparison with the same period last year, although some sources commented that sales were picking up as Christmas approached B1Day 24/12/91

Although SAB declined to give an indication of volumes sold, SAB sales services manager Kevin Hedderwick said that although volumes delivered were up by comparison with the same period last year, the company was not doing as well as hoped.

"Our volume is satisfactory, but it would appear that Christmas sales pick up later and later each year," Hedderwick said (182)

There has been much market activity in the last two weeks, he added

Bottle stores reported that beer sales were satisfactory but definitely down on last year's figures

SAB sold 1,055-billion litres of beer for the first half year to September