MANUFACTURING - BEVERAGES

1992

KWV INVESTMENTS FM 3/1/92

Better options

(182)

Activities: *Holds 50% of Rembrandt-KWV Investments, which in turn owns 60% each of Distillers Corp and Stellenbosch Farmers' Winery.*
Control: *Wijngaard Beleggings Edms 60,7% (owned 100% by KWV)*
Chairman: *P B B Hugo*
Capital structure: *42m ords Market capitalisation R368m*
Share market: *Price 875c. Yields 10,4% on dividend, 10,4% on earnings, p:e ratio, 9,6, cover, 1. 12-month high, 875c, low, 400c Trading volume last quarter, 67 126 shares*

Year to June 30	'88	'89	'90	'91
Shareholders' interest	0,97	0,96	0,96	0,96
Return on cap (%)	4,4	6,3	5,8	5,8
Pre-int profit (Rm)	10,0	14,8	17,3	19,3
Earnings (c)	67	82,4	86	91,1
Dividends (c)	23,8	35,3	86	91
Net worth (c)	528	639	686	764

At 875c, KWV offers a cheap way into Distillers Corp and Stellenbosch Farmers Winery (SFW) Together they are worth 1 100c a KWV share However, it would be better to be invested directly in Distillers, unless a major recovery is expected from SFW

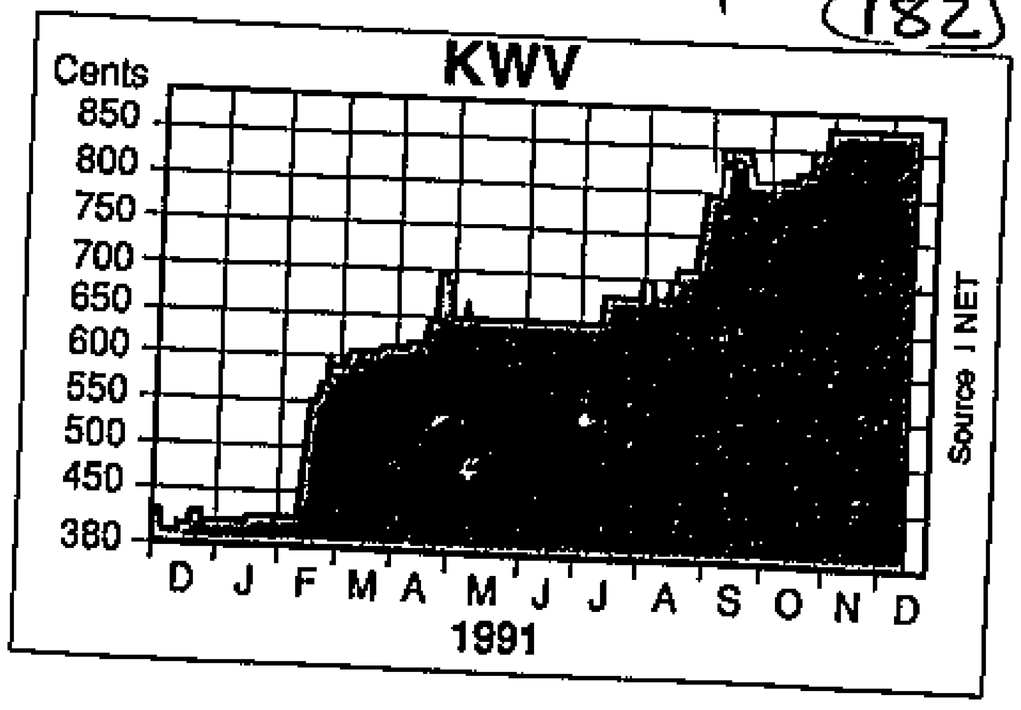
KWV's sole assets are 30% of Distillers and SFW and its sole income is the dividend receipts from these companies Apart from minor expenses, it pays out all the income it receives

The performance of Distillers and SFW was discussed in the *FM* earlier this year (*Leaders & Companies*, October 11) All the evidence showed Distillers to be a consistently solid performer, while the performance of SFW has steadily deteriorated over the past two years A comparison of dividend declarations reinforces this view Dividends from Distillers have risen to 35c in 1991 from 17,1c in 1988, while those of SFW have risen to 11,5c in 1991 from 10,5c in 1988

On the historical results, there can be no debate about the investment merit of holding Distillers rather than SFW There is as yet

continue →

(182)



no indication that SFW will improve its performance in 1992 and the state of the economy will not help SFW's management in the arduous task of recapturing market share in those segments of the liquor industry where in earlier years it reigned supreme

On balance, therefore, though there may appear to be attractions in KWV, Distillers offers a better long-term investment

Gerald Hirshon

FM 3/1/92 (182)(183)

SA BREWERIES/PLACOR (182)

FM 3/1/92 (183)

Control pool bows out

The shape of SA Breweries' diversified manufacturing interests has altered considerably now that Plate Glass & Shatterprufe Industries (PGSI) has joined the stable PGSI has about 50% more assets than Afcol, Da Gama and Lion Match combined, and almost double their combined turnover

By buying the controlling interest in pyramid Placor, SAB still effectively owns scarcely a quarter of PGSI, but chairman Meyer Kahn says this is just the first foothold "It is out of keeping with our style to operate through pyramids," says Kahn "We are most comfortable when we own about two-thirds of the underlying company "

Kahn says other elements in the deal will be announced this month, including a rights issue in PGSI to fund the R525m acquisition of Pilkington's interest in Glass SA (*FM* December 20) With SAB's muscle behind it, the international arm Belron is poised to benefit from a substantial offshore investment programme

Much depends on SAB's offer to Placor minorities Certainly, it is particularly attractive — ideally, SAB would like to delist Placor and hold its interest directly in PGSI It is offering one automatically convertible preference share for every two Placor The pref carries a fixed dividend of 255c — more than double the latest ordinary dividend of 118c At current prices, the instrument offers a yield of 4,7%, compared with 2,2% on the ordinaries

The instrument will convert into ords once the ordinary dividend matches or exceeds 255c It is estimated that this will happen in about five years' time Kahn says a similar instrument was used to acquire control of Da Gama and was "very well received " In that case 8,9m preference shares were issued, which will be converted when the ordinary SAB dividend matches or exceeds 165c

Though the Lubner and Brodie families have been bought out, Ronnie Lubner remains chairman and CE of PGSI Placor chairman Bertie Lubner says the Lubner and Brodie families have widely diversified interests and different requirements The transaction gives them more flexibility, as they are no longer locked into a pool agreement

Liberty Life, which has sold its 29,9% interest, is satisfied that it will receive better yields as a result of the deal and finds the instruments more attractive than ordinary shares for that reason

SAB is in a better position to plan ahead than the outgoing control pool There is no obvious successor to Ronnie Lubner who is 57 Cautionaries began to appear after the death of founder Harry Brodie, which suggests his heirs may have been unhappy with the control pool agreement

PGSI is not the blue chip it was perceived to be two years ago but is probably over the worst It is returning to its roots in the local market and concentrating on autoglass internationally Kahn argues that overall performance has been good but poor results from US interests have dragged it down

PGSI has generated good returns for the control pool but needs SAB's resources to bring it back to its former glory *Stephen Cranston*

Illicit vines 'could ruin SA grapes'

CT 6/1/92 (182)

Own Correspondent

PRETORIA. — The government has issued an urgent warning that the illegal importation of vine plants could wreak havoc with the country's wine and grape industry.

Killer viruses and bacteria in grapevine propagation material could damage up to 90% of the grape crop, or render soils useless for up to five years, says the Agriculture Department's directorate of plant and quality control.

Certain pests, if imported, could force a 50% escalation in pesticide expenses, rendering the viticulture industry unprofitable

The penalty for importing vine propagating materials is a R50 000 fine. Two people have recently been fined for importing such material without authorisation

A spokesman for the directorate said that although no lethal pests had been detected in South Africa recently, vigilance was essential, as they could easily spread over large areas if not detected early

Among the pests most dangerous to the wine industry was the tomato ring spot virus, which could spread rapidly and render grape-producing soils useless for more than five years It was impervious to most decontamination measures.

Grape moth could damage between 60% and 90% of a grape crop, and even regular chemical spraying would not eliminate losses entirely

The directorate added that pesticide residue could affect grape exports, which have to comply with strict international requirements

Pearse disease, a bacterial plaque endemic to the US, can totally destroy vines in one to five years Spread by insects, it could rapidly establish itself locally, causing premature leaf loss, growth retardation and reduced yield Chemical control of the disease had yet to be developed locally

Suncrush predicts flat prospects for soft drinks

(182)

BIDay 6/1/92

MARCIA KLEIN

SOFT drink bottler Suncrush has warned that the soft drink industry should experience subdued growth over financial 1992.

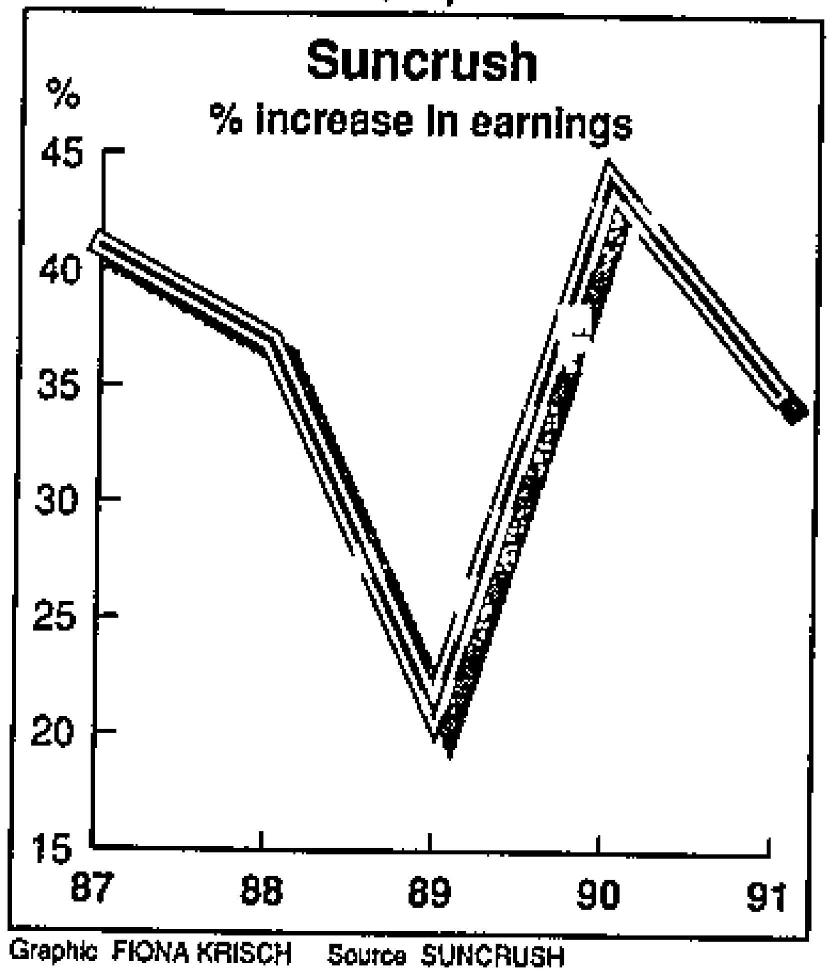
Chairman Robin Hamilton said in his annual review that although the soft drink industry's performance did not have a very close relation to the business cycle, "it is not immune to recession"

Directors said the soft drink industry often felt the pinch later than many other industries, and the first two months had confirmed that sales were starting to show the effects of the recession

Hamilton said in the review that large-scale retrenchment in the gold mining industry would continue to affect the group's Klerksdorp and Welkom branches

In spite of a subdued outlook for financial 1992, Suncrush has some significant developments in the pipeline

It will soon launch its 1,5 litre plastic returnable bottle in several parts of the country, and will initially supply Ladysmith, Bethlehem, Vryheid and Newcastle from September



Graphic FIONA KRISCH Source SUNCRUSH

Hamilton said this could lead to significant sales revenue growth, "judging by experience in SA and other parts of the world"

The group has almost concluded negotiations to sell 24% of its 31% holding in East London-based Kilimanjaro bottling

It was also concluding negotiations to buy a 60% ownership of a company which is producing Coca-Cola products in Mozambique The remaining 40% would be held by a government agency

Hamilton said the investment would be less than R10m and Suncrush did not expect an early cash return, however "the Coca-Cola business is better suited than most to prosper in an economy such as that of Mozambique"

Suncrush hoped to be operational in Mozambique early in the year Hamilton said he expected the environment — including reliability of information, continuity of raw supply and forex availability — to be "a constant challenge".

Results for the year to end-June show that Suncrush increased earnings by 35% to R43,3m, and turnover by 25% to R444,9m These results follow a growth record which saw earnings increase by 41% in 1987, 37% in 1988, 21% in 1989 and 44% in 1990

Wine producer price up 12,7% — KWV

Posti: Agriculture 182

LINDA ENSOR

CAPE TOWN — The price farmers would receive for wine products had been increased by an average of 12,7%, KWV chairman Pietman Hugo said yesterday

The average producer price for natural wine was up 10,9c a 750ml bottle

Hugo said "The minimum price which the wine farmer has received over the past 10 years has increased by an average of 12,7% a year. During this period the inflation rate has increased by an average of 14,6% a year and food prices by 14,7%"

The 1992 crop was expected to drop to an estimated 966-million litres from last year's 970-million litres Of this, 78,3% was expected to be marketed domestically and the rest exported BDay 15/1/92

He was pleased that a large number of estates, co-operatives and wholesalers had entered foreign markets during the past year, and said exports of quality branded products were expected to increase.

Although the sanctions era's largescale export of bulk wine to East European countries was over, new opportunities for grape juice were opening up

B/Day 15/1/92

NEWS IN BRIEF

Beer exports grow

182

BEER exports by the SAB continued to show considerable growth with Angola and Mozambique being the two major export markets, the company's public affairs manager Adrian Botha said yesterday

Botha said SAB was exporting to 47 countries in Africa, Eastern Europe and South America

He would not confirm reports that SAB's exports to Poland had done exceptionally well

SA wines 'too costly' in UK

1092 CT 17/11/92

Own Correspondent

JOHANNESBURG — South African wines are overpriced in the UK, leading British wine industry sources say

A spokeswoman for the Wine Society, the UK's leading subscription retailer, said yesterday that Cape wines were highly regarded in the middle market and the taboo surrounding South African products was disappearing

However, South African wines faced stiff competition from Chilean, Australian, Californian and New Zealand exports "The feeling among the retail industry here is that South African wines tend to be highly priced for what they are," she said

A Meerlust 1987 cabernet sauvignon cost society members £10 (about R50) A similar Bordeaux wine retailed at the same price, the spokesman said South African chardonnays were retailing at £6-£9 a bottle, while a highly regarded French chablis of recent vintage often cost very little more

Socially acceptable

A source at one of London's most exclusive independent wine stores said South African wines did not justify their prices

Ms Joanna Standen, spokesman for the Thresher group, which owns the country's three leading chains of "off-licence" retail stores, said South African wines would have fared better if they had become socially acceptable five years ago Taking this into consideration, they were not doing too badly

KWV spokesman Mr Jannie Retief said yesterday that the co-operative was "very pleased" with sales in the UK, which was now KWV's main export market

"I dare any producer from any country to beat us on value for money," Retief said

Highly-placed sources said that not all British consumers yet "approved" of South African wine and some retailers still refused to stock Cape wines

UK wine sector finds SA products pricey

B/Day 17/1/92

SA WINES are overpriced in the UK, leading British wine industry sources say.

DARIUS SANAI

A spokesman for the Wine Society, the UK's leading subscription retailer, said yesterday that Cape wines were highly regarded in the middle market, and that the taboo surrounding SA products was disappearing However, SA wines faced stiff competition from Chilean, Australian, Californian and New Zealand exports.

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(182)

COMPANIES

Tax detracts from Tempora

JABULANI SIKHAKHANE

A SHARP increase in issued shares and a higher tax charge took the steam out of Tempora Investments' performance for the six months to December.

Pre-tax profit rose 68% to R3,18m from R1,89m BIDay 21/1/92

But the 173% increase in the tax charge and 66% higher weighted number of shares in issue saw earnings falling 6% to 14,8c (15,7c) a share

Tempora is controlled by softdrink bottler and marketer Suncrush which holds 43,25% of the equity

A spokesman for Tempora said last night that Tempora's interest income had been boosted by the investment of the R40,3m raised in a rights issue in July

Interest income for the period rose from R380 000 to R1,09m.

The rights issue funds were invested until the end of September when R31,45m was used to pay for a portion of the purchase price of Cadbury Schweppes shares from AVI's National Brands

The balance was funded by the issue of 8,322-million new shares at R17,50, the spokesman said (182)

With interest income (taxable, unlike dividend income) becoming a higher proportion of pre-tax profits, Tempora's tax charge rose to R521 000 (R191 000)

This reduced the growth in taxed profits by 57% to R2,66m

Tempora made a new investment in SA Breweries, buying 110 000 shares for R6,46m

Stakes in Sakers' Finance and Investment Corp, Seardel Investments, Saficon and Seardel Holdings were increased, while the Sage Holdings shares were sold

Benefits from the increased stake in Cadbury Schweppes and the new investments in SAB would flow during the second six months to June, the spokesman said

Johannesburg yesterday after being found guilty ... The period from mid-November until ... train-related ...

Conscription 'a drain on economy'

JONATHON REES (184)

CONSCRIPTION costs the SA economy vastly more than would the maintenance of a volunteer professional army by draining it of skilled labour and contributing to the brain drain, End Conscription Campaign economist Andrew Whiteford said yesterday B/Day 23/1/92

He said the resultant decline in economic productivity was a counter to SADF and Defence Ministry claims that SA could not afford a well-paid volunteer army

While a conscripted army was cheaper to the state, the real measure of military costs was the cost to the economy, Whiteford said

The economic cost of a national serviceman was not what the army paid him, but the income he lost by serving the SADF

Whiteford said conscription of young white men had been a significant contributor to the brain drain, and for each emigrating graduate the country lost both the cost of educating him, and his future earnings

The brain drain was estimated to cost SA up to R1bn annually, he said

Meanwhile our Political Staff reports Defence Minister Roelf Meyer yesterday entered the fray over the prosecution of people who failed to turn up for military service, categorically stating that they would be liable for court action

This contradicted a statement by Deputy Defence Minister Wynand Breytenbach, who had said prosecutions were being "left in abeyance" while the Gleeson Committee report was being considered

Sabax ignored directive on medical drips, inquest told

B/Day 23/1/92

ANDREW KRUMM

MEDICAL equipment manufacturer Sabax did not comply with certain SABS sterility testing directives, a Johannesburg inquest into the deaths of 13 infants heard yesterday

The court was told Sabax had not observed an SABS directive requiring drip components be tested before being used in manufacture

Adcock Ingram corporate planner Arthur Barnett, testifying on behalf of subsidiary Sabax, said Sabax had subjected drip components to "visual inspection"

However, under cross-examination by Morningside Clinic advocate Bruce Burman he acknowledged that the company had "not tested suppliers' components nor had it inspected (supplier production) facilities".

Barnett said the company had "looked to the bona fides of suppliers" which certified the component products as sterile (185)

The inquest also heard that Sabax performed neither intermediate nor final-product sterility testing during production of the implicated drips

Sabax quality assurance manager Keith Allen confirmed the company had "never considered" final-product sterility testing

During cross-examination by attorney Peter Soller, who represents 10 families who lost babies allegedly infected by Sabax drips, Barnett conceded Sabax had not investigated the feasibility of heat sterilisation of final drip products

Burman then pointed out Sabax had led two microbiologists, who performed independent tests of Sabax facilities, to believe otherwise

The inquest continues

California bans lead wine wrappers

CAPE TOWN — Lead wrappers on wines exported to California must be removed by March 31 following a court ruling aimed at protecting consumers against lead poisoning

The state outlawed lead foil wrapping on wine bottles on December 31 last year, the Cape Chamber of Industries reported in its latest bulletin

"The move was to protect consumers from drinking wine with unacceptably high levels of lead," it said

Under a related order to be issued by the state, lead wrappers on wines imported into California must be removed by March 31 (182)

B/Day 23/1/92

Meanwhile, US red wine sales skyrocketed after a television report quoted scientists as saying cabernets could prevent coronaries

A market research organisation, Information Resources Inc, said in Washington on Monday sales of cabernet wines increased by 45% in the weeks following a television report in November about its apparent cholesterol-cutting properties

Scientists interviewed on the programme said red wine contained resveratrol which was believed to break up cholesterol — Sapa

Sunpak's US plant on schedule for production

B | Day 24/1/92

(182)

SEAN VAN ZYL

CONSTRUCTION of the Sun Packaging group's new synthetic paper plant in the US was running according to schedule and production was expected to commence in early March, CE Ian Strachan said at the weekend

Strachan expected the new paper plant would break even by the end of the current trading year, which ends in August.

Demand

However, based on orders already coming in, the US plant was expected to move into full production in financial 1993, he said.

Although the plant's profits could be paid in the form of a dividend to its SA holding company — Sun Packaging Investments — Strachan said the cash generated would most likely be ploughed back into the US operation to open up new production facilities

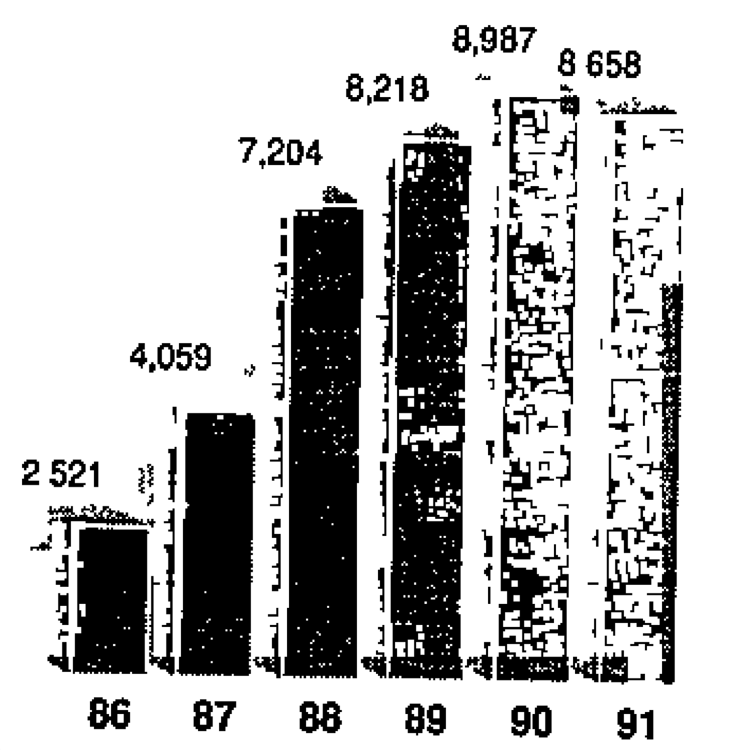
Research indicated that the present plant would only handle about a third of the potential demand available to Sunpak in the US, he said.

In the previous financial year, Strachan said, Sun Packaging exported about 1 000 tons of synthetic paper to the US

Once fully operational, the US plant's output would be substantially higher

Sun Packaging Investments

Profit after tax (R million)



Graphic: FIONA KRISCH Source SUN PACKAGING INVESTMENTS

Strachan said that, with the plant expected to move into operation shortly, the group had since cut its exports to the US

He said the opening of the US plant was part of the aggressive export and offshore development programme which Sun Packaging embarked on four years ago

"We are currently exporting to over 20 countries worldwide and intend opening up additional packaging and paper facilities in a number of these countries"

Although no country had been specifically targeted, Strachan said the group had its eye on the European market

In line with its long-term strategy, the group expected its offshore developments would eventually generate about 50% to total revenue, he added

While the group's taxed earnings dipped marginally in financial 1991 to R8,6m (1990 R8,9m), group chairman Ian Willis stated in his annual review that the US plant would be a major growth factor offsetting the local economic conditions, which negatively affected the group's results in the previous financial year

Benefits

"The US project is planned to be in the start-up phase of production by the first quarter of 1992 and is expected to break even during its first year Sunpak will, however, enjoy immediate benefits due to the elimination of the long and costly supply line"

He added that this year the group had also focused on developing new products and rationalising operating costs

Although trading conditions remained tight in the first half of the current trading year, Strachan expected the group to disclose a modest increase in earnings for the six months to end-February

He added the developments presently under way within the group would only have a meaningful impact on the group's performance in the second half of the trading year

CITY PRESS, January, 26 1992

182

Turning rubbish into rands

By LULAMA LUTI

C Press 26/1/92

EVER thought that your garbage could be recycled into first class compost that nourishes the soil to yield results three times its usual capacity?

It's possible using a recycling method, tried and tested in the United States, which could soon be available to local farmers and the public.

Mountains of rubbish lining street corners in townships could also be a thing of the past if all goes according to á multimillion-rand plan to be undertaken by the National Sorghum Breweries (NSB) this year

In a bid to solve the litter problem, the NSB unveiled a plan this week which will involve a bio-conversion technique to convert garbage into "first class" compost.

The process reduces litter to 85 percent of its original bulk in three days

The first plant in South Africa will be built at the Pelindaba Brewery, formerly called Kwaggakop, near Atteridgeville This will be manned by NSB engineers currently being trained in the US.

NSB executive chairman Mohale Mahlanyele said during a media briefing while the country was faced with a massive litter problem, black areas were hardest hit

Mahlanyele said the bio-conversion method could both reduce the litter problem and create job opportunities

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Big challenge lies ahead for Dinky

Sowetan 30/1/92

(182)

By JOE MDHLELA

MR Dinky Moropane, who was recently appointed sales director of RF Bertrams, this week said there was no "window dressing" about his appointment.

The company is a subsidiary of Gilbeys Vintners, one of the largest liquor processing companies in South Africa

Moropane's appointment came into effect at the end of last year

He will also sit on the board of the company.

"I'm a decision maker in so far as sales matters are concerned I make decisions for everyone who falls within the ambit of my department

"There may be a temptation by people to dismiss my appointment as window dressing. If such notions do exist, those people are ill-informed," Moropane said.

In the top structure of the company, Moropane reports directly to the managing director, Mr Mike van Zyl

Segmented

He said the liquor market was, by the very nature of things, segmented

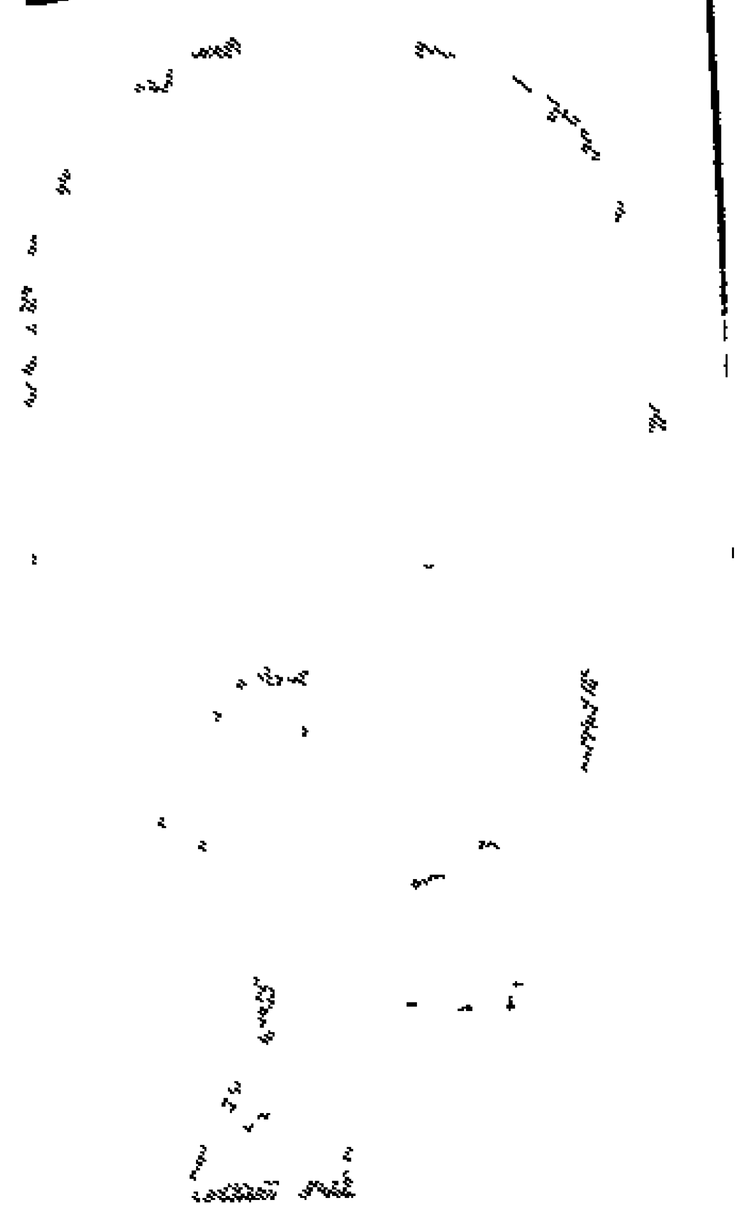
It was for this reason that black representatives largely serviced the black market in their own areas

The decision to have segmented markets - one for blacks and the other for whites - was purely a business consideration and had nothing to do with discrimination

But changes in the operation of their business were imminent They would be brought about by the changing political circumstances which would impact on economic considerations

"Blacks are moving into white suburbs and flats It will become increasingly important to redirect our training so that we produce black sales specialists who will attack the more formal market with maximum efficiency," he said

Hitherto, black sales staff had been involved with the informal sector, mainly in the shebeens and taverns



DINKY MOROPANE

SAB denies reported deal with UK club

(182)
BDay 31/1/92

MATTHEW CURTIN

A ROW is brewing over a report which alleged yesterday that SAB had signed a sponsorship deal worth R400 000 with one of England's oldest rugby clubs, Richmond

National sports promotion manager Norman Minnaar said last night that the report of the deal in The Star yesterday was "news to us"

However, it reported Richmond's rugby director Vinny Codrington saying on Wednesday that the SAB deal was "the best thing that has happened to us"

Minnaar said there was no question of SAB sponsoring the club, and the group was investigating the origin of the report.

A full statement would be issued today

The group had an agent in London where SAB exported small amounts of beer SAB was interested in sponsorship deals, but in SA followed the principle of supporting only mass participation events like road-running, rather than individual clubs or players

The Star reported that Richmond had fallen on hard times and the alleged deal was signed to revive its fortunes

The report said promising young SA players would be seconded to the club to play during the English winter

Wine, spirits going up and beer may follow

STAR 3/1/92

By Paula Fray
Consumer Reporter

Liquor costs are set to rise in the near future after an announcement that wholesale prices to retailers would rise by between four and 16 percent for various spirits and wines at midday today

And, say retailers, South African Breweries could follow suit in the near future

Federated Chamber of Liquor national chairman Len Polivnick said the spirits and wine increases on retailer prices follows a KWV announcement of a 12,77 percent increase to suppliers earlier this month.

The retail increases are standard brandy 4,5 percent, premium brandy 5,5 percent, white spirits such as gin and vodka, 7,6 percent, liqueurs 8,1 percent, natural wines 10 percent, sherry 12,5 percent, wine aperitifs 16,2 percent, whisky 8,5 percent and sparkling wines 12 percent

However, Mr Polivnick said he did not believe the increases would filter through to consumers immediately

"The retail liquor trade finds itself in a position where is it so over-licensed, so competitive, that retailers will try to hold prices down as long as possible," he said.

On the other hand, retailers just through a bad trading period and facing a bad economic climate would now also have to finance stock at a higher price which would "hamper their cash flow", said Mr Polivnick.

"The little bit of extra profit (made over the festive season) is always eaten up by this traditional increase"

Mr Polivnick said retailers were also expecting a similar price increase announcement for beer from SAB in the near future.

At the time of going to press, no one was available for comment at SAB

Asked if this would be the only increases this year, Mr Polivnick replied: "I don't know We are totally in the hands of the producer wholesalers"

BUSINESS

EDITED BY FRED ROFFEY

SABS warns local exporters that quality begins at home

(182)

S1 Times (CM) 2/12/92

CAPE TOWN companies are going to have to obtain listings for quality assurance if they hope to cash in on European markets, particularly with the advent of the new united Europe at the end of the year, warns the South African Bureau of Standards (SABS)

The SABS emphasises that as the deadline for a united Europe approaches, exporters must not expect the SABS to provide an "off the shelf" quality assurance programme that will give them automatic entry to the European markets

The groundwork for such a programme has to be laid now if an applicant expects to receive a recognised listing This can take several years if a company is starting quality control from scratch

The programme would include

- Creating a climate that enhances employee acceptance of a quality a management system This would often entail a lengthy orientation course for many employees
- Compiling a quality manual for the company and its employees
- Writing and implementing quality policies and procedures
- Conducting internal quality audits, management review and quality assessment

The result is well worth the effort, for the company receives the vital quality listing, which means that its products and services are of international standard and recognised as such by the International Standards Organisation (ISO) in Brussels and by the SABS

The SABS has played an important role in the creation by ISO of an identical international code of practice for quality management systems known as the ISO 9000 series

The SABS's own code of practice, previously known as SABS 0157-1987 (Quality Systems), has been renamed SABS ISO 9000 This close identification with the international standard is expected to have a major effect on the international acceptance of South African products manufactured under the SABS code

The establishment of international equivalence in standards has become a central concern of the ISO and the International Electrotechnical Commission (IEC)

This results from the rise of multinational manufacturing companies in the past two decades which has led to components of a single product being manufactured in several different countries

Quality and quality assurance have therefore become of critical importance in international trade

More than 700 South African companies have been listed in terms of SABS 0157 since its inception in 1978

Certificates and permits issued by the SABS in respect of the previous SABS 0157 remain valid

All companies listed under SABS 0157 may use the new designation SABS ISO 9000 immediately

Listed companies to whom the issuing of a new certificate with the SABS ISO Number is of vital interest — particularly those active in international trade — may apply to the SABS for replacement documents

ARTISAN AND APPRENTICESHIP STATISTICS,

1969 - 1989

B/Day 4/2/92

SAB explains sponsorship

MARCIA KLEIN 182

AFTER days of confusion and investigation, SA Breweries (SAB) has confirmed — well, sort of — that it is the sponsor of a British football team

The problem started with a report in Thursday's Star, which said SAB was to spend R400 000 in backing third division London football club Richmond

On Friday SAB national sports promotions manager Norman Minnaar said it was "news to us"

But SAB yesterday confirmed that its UK distributor, Rawlings Voight, had concluded the sponsorship

SAB public affairs manager Adrian Botha said the Castle logo would appear on stadium signs, players' shirts and tracksuits

The agreement was "somewhat of an embarrassment to SAB" as it conflicted with its policy of rather backing mass participation events than individual clubs

Beer price up 9% from today

JOHANNESBURG. — The price of beer is to go up by an average of 9.1% today 182

An SA Breweries statement said yesterday the price would vary with geographic areas and brands

It said the increase was below current inflation

SAB added that retail prices in bottle stores and bars were set by the retailers themselves — Sapa

Beer price set to rise nine percent

(182) Arg 7/1/92

The Argus Correspondent

JOHANNESBURG — The bad news for consumers sweltering in the present heat is that beer prices are set to increase by an average of nine percent today

In a statement issued by South African Breweries yesterday, the organisation said the price increase would vary between pack ranges and geographic areas, depending on transport charges

Beer division managing director Graham Mackay said the increase was below current and expected inflation rates

This is the second blow for thirsty consumers. It follows last Friday's increase of between four and 16 percent in the price of spirits and wine.

The SAB said retail prices in bottlestores and bars were set by the retailers themselves and that the SAB could not say by when and by how much retail prices would increase

● An independent brewery has announced it will not follow the 9 percent increase in the beer price to wholesalers

Mitchells Breweries spokesman Mr Atholl Mitchell said the group, which has plants in Knysna, Johannesburg and the Cape Town Waterfront, last put up its prices in October

"We do not foresee an increase before October unless there is an increase in VAT or the excise on beer in the Budget," said Mr Mitchell

Beer price to rise today

Consumer Reporter 182

The bad news for consumers sweltering in the present heat is that beer prices will increase by an average of 9 percent today.

South African Breweries said yesterday the price increase would vary between pack ranges and geographic areas, depending on transport charges. STAR

Beer division managing director Graham Mackay said the increase was below current and expected inflation rates 7/2/92

This follows last Friday's increase of between 4 percent and 16 percent in the price of spirits and wine.

The SAB added that retail prices in bottle stores and bars were set by the retailers themselves, and that the SAB could not say by when and by how much retail prices would increase.

However, Federated Chamber of Liquor national chairman Len Polivnick said the impact of the beer price increases would be "almost immediate".

"Beer is highly perishable and retailers by and large do not hold much stock," said Mr Polivnick.

PGSI FM 7/2/92

SAB marches on

182

Another step in SA Breweries (SAB)'s plan to increase its stake in Plate Glass (PGSI) took place this week SAB has bought R525m automatically convertible PGSI preference shares and will place its own instruments with institutions to finance this PGSI needed the finance to buy the 48,4% of Glass SA held by Pilkington Plc

SAB acquired effective control of PGSI in December when it acquired 54,6% of pyramid Placor from Liberty Life and the Lubner and Brodie families (also financed with convertible prefs) SAB chairman Meyer Kahn, however, said recently (*FM* January 3) that Breweries would prefer to hold its stake directly in PGSI and to dismantle Placor as soon as possible

The prefs will convert into ordinaries when PGSI's dividend reaches 275c On conversion, they will represent about 35% of the ordinary capital

But that is unlikely to happen until at least March 1993 This year's dividend is expected to be somewhat lower than the 222c for

FM 7/2/92 182

the year to March 1991.

The pref issue means that PGSI will not need a rights issue specifically to finance the Pilkington deal, but spokesman Brian Gibson says there will be an offer to reduce debt and, if possible, finance the expansion of foreign operations

Stephen Cranston

KWV Investments pushes up earnings

B Day 7/2/92

Business Day Reporter (182)

KWV Investments, which holds 30% of both Distillers and Stellenbosch Farmers Winery, produced 6,6% growth in earnings a share from 15c to 16c a share for the six months to December 31

The holding company, owned jointly by Rembrandt and KWV, declared a dividend of 16c, which also grew by 6,6% from 15c. Net income before tax grew by almost 7% to R6,7m The company paid no tax during the interim period.

After bringing forward R60 000 in retained income, compared with R112 000 the previous year, it produced 6% growth in distributable income to R6,78m.

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B Day 7/2/92

(182)

Business Day Reporter

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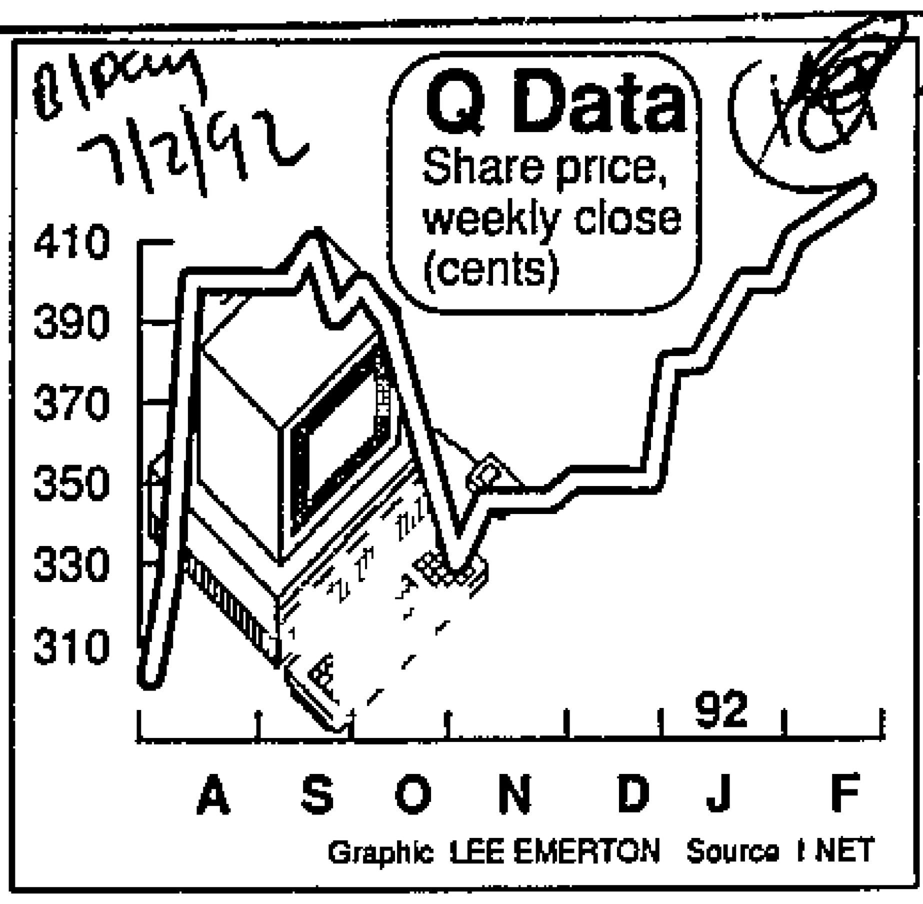
B Day 7/2/92



Q Data's share price graph published yesterday was incorrect The above graph, showing yesterday's close of 425c, accurately shows the movement of the share price over the past seven months.

Marshalls boosted by rentals

EDWARD WEST

DURBAN-based property group Marshalls — with a property portfolio valued at R67m by the J H Isaacs Group — has increased earnings by 30% to 32,2c a share in its financial year to December 1991, even though turnover fell by 13,6% to R22,5m

Sales and commission fell by nearly a quarter to R12,7m when compared with last year, but rental income increased 6,7% to R9,9m

Pre-tax profits increased 27% to R5,07m

B Day 7/2/92

Marshalls MD Peter Lonsdale said yesterday high occupancy levels at its commercial and office developments in Durban, Pinetown and Cape Town contributed to group profits

Its Jersey-based Confirming Division, which enables the company to issue letters of credit to overseas suppliers from non-SA banks with exchange control permission, also made a satisfactory contribution to profits, he said

Lonsdale said the company successfully recovered its funds on the sale of the remaining assets in its motor and agricultural division

These assets, which had not produced earnings throughout the year, comprised less than 3% of the group assets

A Greytown-based Massey Ferguson dealership and an Estcourt-based Nissan dealership was sold

The group anticipated earnings growth this year It declared a dividend of 21c (19c) a share covered 1,5 times

Pyramid company Marshalls Controlling Investments (Marcons), which derives all income from its 68% holding in Marshalls, increased earnings by 30% to 15,3c a share and increased dividends from 9c to 9,75c a share

Pick-me-up for SA Brews

S Times [Buss] 9/2/92

By CIARAN RYAN (182)

SA BREWERIES' 9,1% increase in beer prices will boost beer division's revenue by 12,5%.

This is because excise duties, which vary from one liquor product to another but average 25% of the wholesale price of beer, remain unchanged There will thus be a higher net benefit for SA Brews.

Excise duties were raised by an average of 19% last year and a 2,5% ad valorem duty was introduced later

The net benefit to SA Brews is 12,5% — not 9% — because the duty forms a proportionately smaller part of the wholesale price

The price increases vary between geographical areas and beer types

Barry Smith, marketing director of the beer division, says. "SA Brews went through a high-growth period in the past decade, volume sales improving by an average of 10% a year The high increase in excise duties last year along with the depressed economy meant a slowdown in growth."

Mr Smith says any increase in excise duties in the March Budget will be passed on to consumers — as is normal

SA Brews has long complained that no excise duties are charged on wine and sorghum beer, putting it at a pricing disadvantage Much of the beer division's new growth came from blacks switching from sorghum to clear beer

(182)

Stepping up on trade connections

CT 13/2/92

THE SA Foreign Trade Organisation (Safto) is putting together a SA delegation from the beverage industry to attend the Sial Boissons trade fair in Paris next month

Mike Veysie, a senior manager of Safto, said the fair encompassed all different types of drinks, from wine and spirits to mineral waters and fruit juices

The 1992 fair will be held from June 15 to 19 For further information contact Safto at (011) 883 3737

● Switzerland would "engage in a policy of actively promoting economic relations" with South Africa, Swiss deputy foreign minister Klaus Jacobi told a meeting of the SA Institute for International Affairs in Cape Town last night

● The first trade mission to SA from Hong Kong for the past 16 years will arrive at the end of February

The mission has been organised by the Hong Kong Trade Development Council It is being co-sponsored by Nedbank through Nedfinance, (Asia)

FM 14|2|92 (182)

WINE INDUSTRY

A noble harvest

Unlike their counterparts to the north, watching their summer crops die in the merciless heat, wine farmers in the Cape are already harvesting this year's crop, which will be nearly as big as last year's record crop and of a better quality

The wine farmers' co-operative, the KWV, which has 5 205 members — only 500 wine producers are not members — estimates that this year's crop will amount to 966 M*l*, a mere 4 M*l* less than last year's crop Julius Laszlo, cellar master of Distillers' Corp's Bergkelder says, "the whole winemaking world would wish for the quality of grape we're taking in now as base wine for sparkling wine There isn't a damaged berry in the whole lot"

In a few small areas and on some estates, grapes were sunburnt, but the wet, cool weather that prevailed over most of the grape-growing areas in the early part of the summer favoured the production of good-quality grapes As a result, says Laszlo, harvesting started a little late this season Current deliveries — only for low-alcohol wines and base wines for sparkling wines — are about 30% of what Distillers' estimates is the normal daily intake during the harvesting season He hopes that, by next week, it will rise to between 50% and 70%

However, Charl Theron, the KWV's chief production executive, warns it is still too early to comment on general quality because only a few cellars have started pressing

Meanwhile, an encouraging trend continued last year farmers replacing their less noble cultivars with noble cultivars Last year, 19% of all vines planted were Cabernet Sauvignon, compared with 6% in 1989 The percentage planted to Chardonnay moved up from 4% in 1989 to 10% last year and the percentage planted to Chenin Blanc, which is not regarded as a noble wine, declined from 33% in 1989 to 15% last year

So, if all goes well, more noble wines will be produced this year, which will help SA wine producers boost sales in the British market (*Business & Technology* December 20) KWV plans to double the sale of all SA wines in the UK to 1m cases in the next five years, says the KWV's chief marketing executive Jannie Retief, who is also chairman of the Cape Wine and Spirit Exporters' Association

The KWV has allocated funds to mount a generic campaign in the UK to promote SA wines. Retief says KWV is also helping wholesalers and wine estates, particularly the small ones, get their products into the British market by offering them advice and a shipping service

So far, SA's wine exporters are succeeding They held a major tasting in the UK last May at which 54 producers presented their wines It went down well with the media and wine merchants and many producers appointed agents Since then, membership of the SA Wine and Spirit Exporters' Association has grown from six to 24, representing more than 60 producers

UK sanctions were never applied to SA wines, but rather than risk public censure by anti-apartheid activists, major retailers thought it wise not to stock them Towards the end of last year, the UK's three major grocery chains were again selling SA wines

These successes encouraged the mounting of a full-scale generic promotion of SA wines in the UK, the opening of an SA wine information office, taking a stand at this year's London Wine Show and arranging a special tasting of SA wines for Wine 2000 in Bristol

Most SA wines retail at between £2,89 and £5 a bottle. These prices are not tempting enough for the estates that are getting excellent prices for their wines on the local market But their absence in British liquor stores, in particular, leaves the door open for Australian and Chilean exporters, who offer excellent wines in the £5-a-bottle range

In SA, sales of unfortified wine increased by 4,4% to 289 M*l* in the season to September 30, compared with the previous season About 9,85 M*l* of sparkling wine were sold Most wine (74,2%) was sold in the Cape, the Transvaal came next with 20%, followed by Natal with 5,8% So little wine is sold in the Free State that its consumption is added to the Cape's consumption ■

Business Report

Rooibos makes tracks back to lucrative US market

CT 19/2/92

By MAGGIE ROWLEY
Deputy Business Editor

THE Rooibos Tea Board has resumed exports to the United States after five years of sanctions, James van Putton, deputy manager, exports of the Rooibos Tea Board, said this week.

He said the first shipment of 50 tons left last month and they were now awaiting further orders.

"Prior to sanctions the US was our largest export market and we are confident we can rebuild this to about 250 tons a year."

Income from exports this year was budgeted to increase by 30% to more than R3m.

Last year rooibos exports surpassed the 500 000kg limit for the first time exceeding the previous year by 15,7% or 67 826kg.

Van Putton said that in 1991 exports represented 12,4% of total sales of the board and although the increase in tonnage was only 15,7%, the increase in monetary value which brought the present value of exports to R2,5m.

"While rooibos fetches about R3,55 a kg on the local market while we are getting between R5 and R6 a kg for exports due to the rand exchange rate."

He said most of the tea was exported to Europe and the Far East with Japan being responsible for the single biggest order of 182 105kg.

"The Japanese have been doing extensive research into the health properties of rooibos tea and it appears as if there will soon be sufficient proof that rooibos tea has an anti-aging effect on the skin.

They are also busy with research to prove that the tea helps reduce high blood pressure and are testing the effect of rooibos tea on skin problems such as acne," he said.

Breakthroughs in exports had also been made in South Korea and West Africa.

COMPANIES

SFW directors warn that pace may slow

SEAN VAN ZYL

ATTRIBUTABLE earnings after depreciation of wine and spirit wholesaler Stellenbosch Farmers' Winery Group (SFW) rose by 10% to R27,8m for the six months ended December B/Day 20/2/92

However, the directors said unless trading conditions improved, it would be extremely difficult for the group to maintain the first half year's growth in earnings.

SFW's earnings after depreciation came in at 19,9c (1990: 18,1c) a share, while earnings before depreciation amounted to 25,6c (23,9c) a share A dividend of 4c a share — the same as last year — has been declared. The dividend cover has been lifted to 4,9 times from 4,5 times (182)

SFW lifted turnover by 10,6% and operating profit by 7% to R71,4m (R66,8m) The group has not disclosed its actual sales for the period A 25% drop in finance charges to R4,4m (R5,9m) improved the group's pre-tax level, while a lower tax rate of 48% — as opposed to 50% the previous year — resulted in 9,9% growth in earnings after depreciation of R27,8m (R25,3m).

The group deducted R8m in additional depreciation for the period The directors noted that land, buildings, machinery and equipment were reflected at current values and revalued every three years The depreciated replacement cost was adjusted annually

The directors stated that capital expenditure during the six months amounted to about R9,1m (15,5m), while an additional R23,5m had been authorised

Delta posts 14% rise in earnings

182 CT 20/2/92

From EDWARD WEST

JOHANNESBURG — Delta Electrical Industries has reported a 14% increase in earnings to 62,8c from 55,2c a share for the year to December 1991 and is confident of maintaining earnings growth in 1992 if the economy does not get any worse.

Delta Electrical Industries MD Evan van Zyl said yesterday earnings growth potential would emanate mainly from expanded production in the cables division and continued growth from its export orientated Delta EMD division

The latter division, a major contributor to earnings, exports electrolytic manganese dioxide used in the manufacture of conventional dry-cell batteries Delta supplies all major international battery manufacturers and is positioned to take advantage of global industrialisation, says Van Zyl

"He punts Delta as an excellent Rand hedge investment

Mining and industry production levels fell sharply over the year and this impacted negatively on one of Delta's core activities, electrical repair

However, operating income remained virtually unchanged at R47,6m (R48m) due to tight control of costs Van Zyl said one of Delta's divisions also had to retrench 100 workers Taxation fell 13% to R18,4m due to the adjusted company tax rate

Income from associate companies increased by 69% to R2,8m from R1,6m based on earnings from Valhold and Jasco Holdings Goodwill of R5m (R3,2m) was written off as an extraordinary item against retained income which was 15% higher at R14,5m compared with the same period last year

Short-term borrowings more than doubled from R3,8m to R11,7m as a result of the expansion of the cable division, the acquisition of electrical repair company Temso and the purchase of the minority shareholding in Delta Cables

Delta has decided to sell its 21% holding in Valhold to Hudaco via a scheme of arrangement subject to court approval on 10 March 1992

SAB/PLATE GLASS (182)

More equity

FM 21/2/92

It was made plain by SA Breweries (SAB) that the acquisition of control of Placor was just the first step in the takeover of Plate Glass & Shatterprufe Industries (PGSI). It's now clear why a group the size of SAB was brought into the deal — PGSI needed about R900m of additional equity

As expected, SAB plans to buy out minorities in pyramid Placor and has announced a rights issue for PGSI In a somewhat unexpected development, however, SAB has announced its subsidiary Afcol will sell its effective 24% shareholding in board manufacturer PG Bison to PGSI. Market speculation was that Afcol would buy PGSI's half of PG Bison, allowing it to focus on glass

SAB argues that PG Bison is a non-managed, equity accounted investment for Afcol and the sale of the stake, which will realise R95m, will enable it to strengthen its managed furniture manufacturing business.

Placor no longer serves any purpose as it was simply a mechanism which allowed the Lubner and Brodie families to maintain joint control of PGSI with Liberty Life Under a

continue →

FOX FM 21/2/92 (182)

scheme of arrangement, SAB will offer one convertible preference share for every two Placor shares held by minorities SAB's announcement points out the shares are being swapped at almost identical market value but the convertibles would have offered 45% more dividend income than two Placor ordinaries

As announced two weeks ago, SAB is also issuing convertible shares worth R525m to finance the takeover of Pilkington Plc's 48,4% interest in Glass SA When the exercise is completed, about 20m SAB convertibles, which will be traded on the JSE, will be issued with an expected market value of about R1bn.

It does not stop there In a rights offer, PGSI plans to raise R354m Of this, R210m has been earmarked for overseas operations, the rest is to repay debt. PGSI is issuing new shares at R43 apiece, a 20% discount on the market price of R54,50 SAB will follow its rights, adding a further R200m to its bill for the exercise It will then hold an effective 67% of PGSI

PGSI is issuing its own convertibles to Afcol for its share of PG Bison Standard Merchant Bank has placed these with institutions PGSI will then have a 72% interest in PG Bison, Mondi still holds 24%

The deals would have increased PGSI's EPS in the 12 months to September 1991 by 10,5% to 409c a share and Afcol's by 5,1% to 124c. They would have increased PGSI's NAV just 2,2% to R18,72 but Afcol's by 22,2% to R12,59. Shareholders are assured the transactions will have "beneficial financial effects" on SAB. But PGSI's results for the year to March are expected to be well down It will take more than SAB's financial muscle to put them back on a growth path

Stephen Cranston

Winemaker drops prices 182

JOHN VILJOEN ARG 21/2/92
Staff Reporter

WINE lovers should soon be paying less for some of their favourites because a major supplier has dropped prices.

A spokesman for the Bergkelder in Stellenbosch said extensive plantings of noble cultivars had reached the age at which they were producing fine wines.

This had resulted in a considerable increase in volume

At the same time, production costs had been contained

The price cuts offered to retailers varied from 21 to 40 percent, and he anticipated this would be passed on to consumers.

The cheaper wines are Zandvliet Cabernet, Uitkyk Shiraz, l'Ormarins Shiraz, La Motte Shiraz, La Motte Cabernet and Meerlust Merlot.

Britons like SA wines

(182)

S/Times (Buss) 23/2/92

SOUTH AFRICAN wines are gaining greater approval from the British

SA sales in the UK grew by 1,1-million litres, or 52%, last year Total UK wine sales are expected to have fallen by 10-million litres

Peter Pullen, minister (trade) at the SA embassy in London, says SA's wine exports jumped from 2,1-million litres in 1990 to 3,3-million in 1991

Sales of SA white wines rose by about 79% to 1,7-million litres Sales of red wines and roses were up 44%

Sparkling wines showed marginal growth

COMPANIES

Distillers hurt by spending cuts

LINDA ENSOR

CAPE TOWN — Distillers Corporation suffered a contraction in the volume of its brandy sales in the six months to end-December 8 Day 24/2/92

Turnover rose 7,9% compared with the previous 13,5% increase as cutbacks in consumer spending took its toll on the liquor market

Earnings a share of 39,2c (39,1c) after additional depreciation stagnated but because the group has no interest-bearing debt, directors declared an interim dividend of 12c (11c).

They expect a marginal improvement in earnings for the full year unless the economy deteriorates further

Trading income showed a marginal rise to R109m (R107,5m) However, the totally ungeared group — in which Rembrandt, SA Breweries and KWV each have a 30% stake — earned R3m in interest on its cash resources

Equity accounted earnings dropped to R1,1m (R2,6m) while attributable earnings after additional depreciation improved slightly (182)

The comparative figures have been restated to reflect the lower rate of company tax announced in the 1991/1992 budget Capital expenditure of R30,3m had been authorised by December 31, of which R18,5m had not yet been contracted for

Group accountant Div Wolhuter said exports improved over last year but had not met expectations The group's biggest export earner is unfortified wines, sold mainly to the UK and Europe

Wolhuter said exports were expected to be better in the second half and the group hoped to bring export sales to 2% of turnover from less than 1% at present

Heatwave helped revive sales, says flagging softdrink sector

182

MARCIA KLEIN

SOUTH Africans have been rushing to buy softdrinks and beer to cool down in the current heatwave, but there is a difference of opinion as to whether this surge in sales has rescued these industries from a year of sluggish sales

Paper and packaging group Consol said recently that its glass packaging division "was particularly affected by the sudden and unexpected weakening in beer and softdrink consumption, with the purchase of returnable bottles dropping sharply"

But softdrink companies appear to disagree, saying although sales may have slowed, this was not as dramatic as suggested The significant rise in sales since the beginning of the year has more than compensated for sluggishness in the last quarter of 1991.

But a market source said the softdrink market was "certainly depressed" over the past 12 months Companies, which had budgeted for 8% volume growth over this period, are expected to report no growth with volumes at last year's levels.

He said although the heatwave saw the industry pick up to some extent, sales had not increased as much as expected or enough to compensate for the sluggish growth

He added that the recessionary trends were affecting the softdrink and the beer industries — considered by many to be recession-proof — to a greater extent than expected

Despite indications to the contrary, the softdrink industry is confident sales growth has remained strong Industry spokesmen said demand had been depressed over the last quarter of 1991 as the economy deteriorated. This, and the introduction of VAT, had slowed sales

But they said the unusually hot weather had resulted in demand for their product being so great since the beginning of the year that they had struggled to keep up with demand

SA Breweries public affairs manager Adrian Botha said recently volume growth in the six months to end September was 2%, sharply down on the previous year's 12% Although December had been a good month in terms of volume growth, growth over the full financial year would not be as high as anticipated in May last year

24/2/92

Strike fails to disrupt soft drink supply

BDay 27/2/92

MARCIA KLEIN

ABOUT 250 workers at major soft drink distributor Amalgamated Beverage Industries (ABI) have been on strike since Monday

182

The company said yesterday that about 250 workers in the distribution department at ABI's Johannesburg soft drink plant were on strike

Asked whether the strike meant poeple would be without cold drinks during the current heatwave, an ABI spokesman said the company had made contingency plans

He added that all soft drink wholesalers in the Johannesburg area had adequate supplies

A new distribution system had been agreed on with workers, but when a manager arrived to implement the scheme distribution workers refused to work

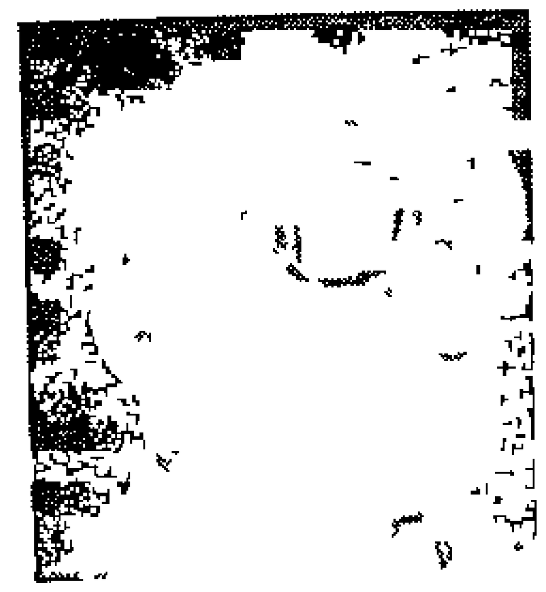
The Food and Beverage Workers' Union could not be reached for comment yesterday

A head for success

Black execs run brewery

By JOSHUA RABOROKO

Sowetan 27/2/92 - (182)



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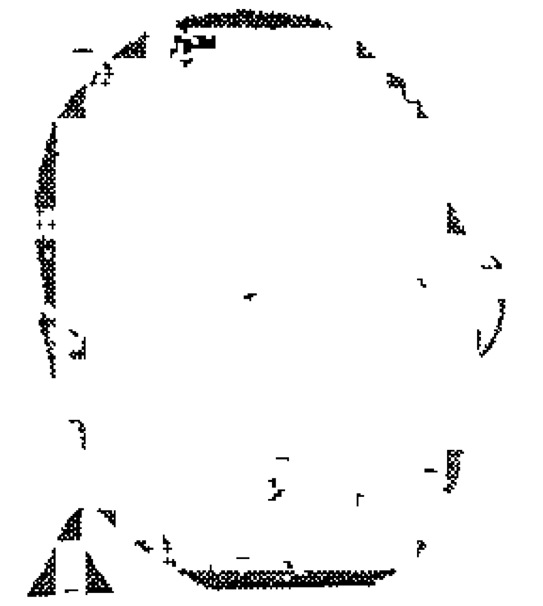


ISRAEL SKOSANA

MOSES KGOSANA

KHULILE SOWAZI

NATIONAL Sorghum Breweries Ltd, the predominantly black-owned company selling traditional beer, has restructured itself and is now led by some of the country's top black executives.

Executive chairman Mr Mohale Mahanyele has given the company a new look, one quite distant from the image sorghum beer has.

Also, the company has committed itself to playing a bigger role in black lives.

Says Mahanyele "More than most companies, NSB does its business among the poorest people who live in squalid conditions in squatter camps."

Deprived

He said that the company has adopted an active policy of black economic empowerment to contribute to what the new South Africa will give to the deprived majority.

He believed that the company had an awesome responsibility to prove to the world that big black business could be a success, no matter what obstacles it might encounter as a result of apartheid.

The appointment of highly qualified blacks is one of the first visible signs that NSB will play a positive role in creating a new society and that it believes in black advancement.

Contracts have been, or will be, awarded to black advertising, marketing, insurance, travel, furnishing, tiling, catering, photography and printing companies.

The company has created job opportunities for hundreds of entrepreneurs who operate as independent distributors of sorghum beer and has established "cordial relationships" with shebeens and taverns in the townships.

The company's board of directors include Mahanyele, Professor Khabi Mngoma of the University of Zululand, Mirriam Makeba, educationist Mr Legau Mathabathe, business consultant Israel Skosana, medical practitioner Dr Ndumiso Mzamane and business consultant Mr Moses Leoka.

Mahanyele's management team consists of Professor Sipho Nhlapo who is group manager, research and development, marketing, Mr Raboijane Kgosana, group financial manager, Mr Japan Pohlwana, general manager, Mr Khulile Sowazi, group personnel manager and Mr Bheki Langa, group general manager (projects), Mr Simon Mahlangu, group public affairs, L Diale.

Divisional general managers include Mr Monwabisi Fandeso (Ijuba), Mr Patrick Lebethe (Pietersburg), Mr Simon Mbatha (Dundee), Mr Capie Arp (Standerton), Mr Don Manaka (Pretoria), Mr Mxoliso Mabutho (Bloemfontein), Mr Chickkey Matlhoko (Eastern Cape), Mr Derrick Luthayi (Vryheid), Mr Peter Mamarobela (Witbank), Mr Themba Vundla (Western Cape), Mr Tshepo Mahloele (Eastern Transvaal) and Mr Dan Sekele (Northern Transvaal).

Wonderful

It also retained a few white staff from the previous management and they, Mahlangu says, are doing a wonderful job in terms of advice and other forms of expertise.

'We need to develop this company into a black giant in South Africa," he added.

Mahanyele, who also serves on the board of directors for many companies, said they have a double challenge, how to build the NSB giant and sell millions in shares.

He said black economic empowerment was one of the keys to a democratic post-apartheid South Africa.

"There will never be justice, fairness and equality unless inequalities are addressed through such programmes as affirmative action.

"We entered into this business without any illusions whatsoever. Some in the opposition wrote us off long before we even started.

"In our country black-controlled, owned and supported businesses have been noted for lack of success comparable to their white counterparts," he added.

He said it was to be expected that all the prophets of doom would strike one accord about how "untried" and "untested" blacks were regarded.

Wealth

"The main difference, it would seem, hinges on blacks in a leading role - something of an anathema in certain quarters. However, the company is geared to create wealth and jobs for the many disadvantaged."

Makeba, who returned home from exile and was appointed board member, said she was delighted to come back home and to serve her African community.

"The appointment to the board of NSB is an eye-opener for me. I hope the company will grow from strength to strength and help the black people.

Mathabathe, a leading Soweto educationist and businessman also serving on the board of NSB, said NSB's mission was black economic empowerment through ownership and management of a group of companies in the beverage, food and leisure industries.

Following very introspective evaluation of all aspects of NSB, a key new strategic planning department was started by chief executive director, Israel Skosana, to focus on several strategic issues, which included the restructuring of departments and the head office relocation.

Nhlapo, who holds a PhD in microbiology and biochemistry and is a former head of the department of microbiology of Turfloop University, believes that exciting times lie ahead for the company.

Nhlapo, probably the highest qualified man in the industry today, said sorghum beer had never been given the image it deserved and it was the company's role to set a high standard of quality to improve it.

"At the end of the day this company will no longer be seen as just a liquid company," he said from their posh offices in Sandton.

Raboijane Moses Kgosana (32) who has B Com and B Compt (Hons) degrees, is probably the youngest man controlling the finances of a company. He has a track record of working for major companies.

Sound

"I want to put the finances of the company on a sound footing and will need the co-operation of the six trained people who work with me," he said, adding, "this is one time when I feel I am working for myself - for a black-owned company."

Durban-born Japan Pohlwana (48) said working for NSB was a challenge for blacks to empower themselves economically.

"We took sorghum beer for granted in the past, we must improve the product."

He said there was a new commitment on the part of NSB employees, many of whom were shareholders, as there was a strong feeling that they have a stake in the future of the company.

Kulile Sowazi said he was very proud to work for a black company. It was the policy of the company to give preference to blacks when filling a vacancy or new position, but whites who already hold key position could rest assured they would be secured.

Planning

He is responsible for determining employment policy and procedures, recruiting new staff and success planning. He makes recommendations to management and reports directly to the chairman.

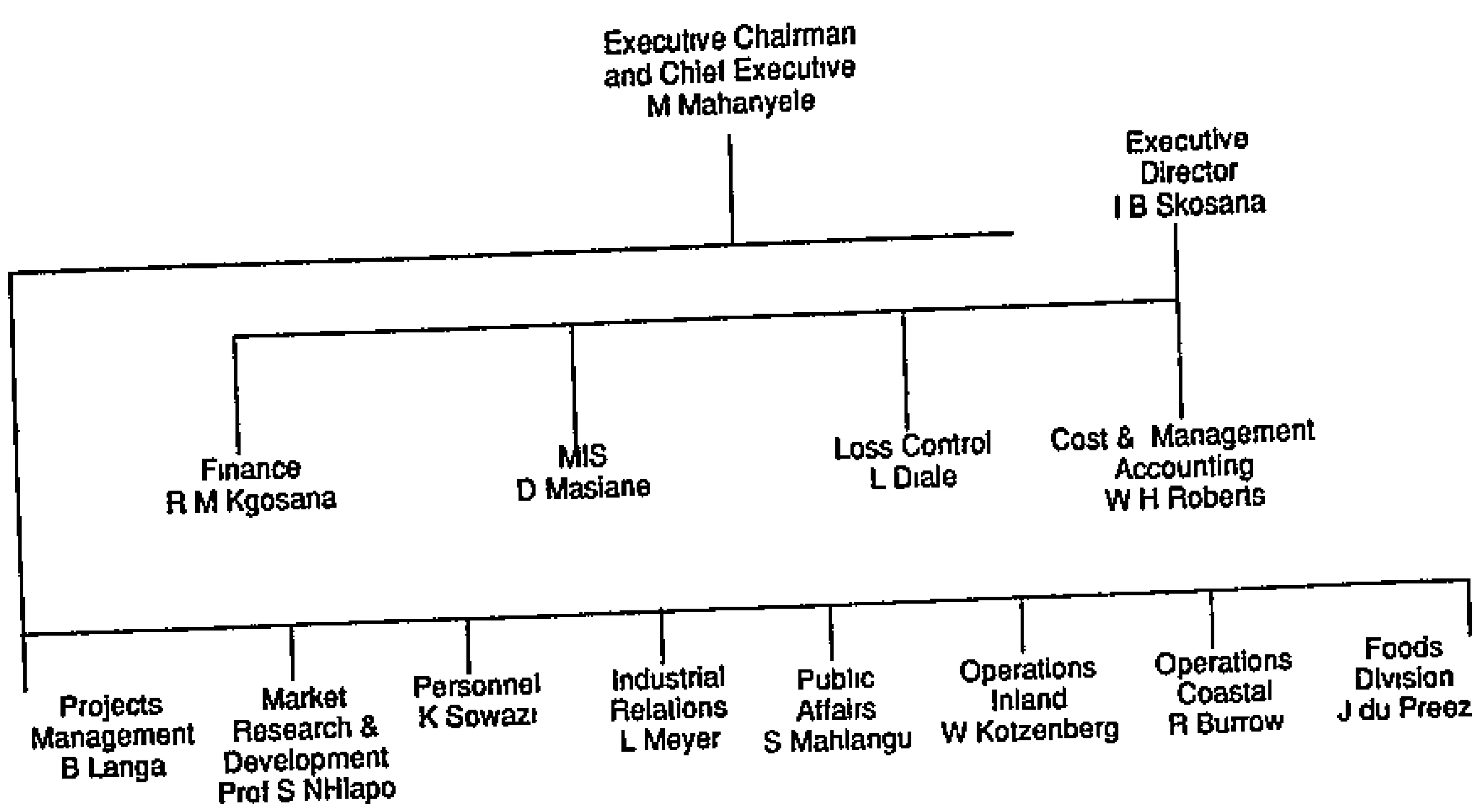
Bheki Langa, group personnel manager (projects) said the company was to embark on an expansion campaign. New breweries would be constructed in Ladysmith, Tlokwe, Dundee and Kwaggakop.

He also has a record of travelling countrywide and overseas, where he studied chemistry.

He was fulfilling the company's engineering functions.

Mathibe Mahloele is the corporate secretary, taking over a position which was previously the group strategic planning department's responsibility.

The company, which employs 3 500 people, has a relationship with trade unions, supports social matters focusing mainly on education, culture and business. It has its headquarters in Sandton.



FM 28/2/92 (182)

PGSI (182) FM 28/2/92

SAB's biggest-ever bite

Acquisition of control of Plate Glass & Shatterprufe Industries (PGSI) is SA Breweries' largest diversification Even in real terms, the R1,4bn price matches what it paid for Edgars 10 years ago SAB has acquired a group that will report earnings for the year to March well below the 1989 peak, on an earnings multiple of about 14

SAB will pay R60m a year in pref dividends to service the convertibles it has issued for the purchase Initially, the premium on the ordinary dividend will cost about R30m, but it will decline as the pref dividend is fixed at 255c.

Notionally, the enlarged PGSI would have made R150m in the year to September 1991 SAB will pay its first dividend for the six months to September 1992, and expects this to be more than covered by pref and ordinary dividends from PGSI

Of course, SAB is buying future, not past, earnings Says PGSI chairman Ronnie Lubner. "They didn't buy control just because they think I'm a nice guy. We presented a business plan which showed that we can achieve real growth in the glass and chipboard markets in the region, and the automotive glass market abroad"

SAB strategic planning director Malcolm Wyman says PGSI's recent track record has not been great but has four underlying businesses which have performed well· Glass SA, PG Bison, PG Industries in Zimbabwe and the automotive glass repair networks in Europe. Foreign wood interests, which made substantial losses, have been sold.

SAB says it will not tamper with the management team or company culture. As it happens, Lubner says he feels comfortable and compatible with SAB chairman Meyer Kahn's management style. SAB will take four places on the board but otherwise let Lubner run the show as before.

Wyman says SAB is satisfied with PGSI's strategic plan to make foreign lossmakers profitable Networks in France, Germany and Italy are still making operating losses but moving out of the developmental stage. The more established UK and Benelux networks are profitable and Lubner is confident that the formula can be repeated

Unfortunately, he has been unable to offset profits from Autoglass UK, that pays full tax, against losses on the Continent PGSI's overseas operations have been recapitalised by R210m, that will largely go into strengthening the European networks

Australia's O'Brien Glass is battling with the worst recession there since the Thirties but has contained losses since it swapped its commercial building glass for Pilkington Australia's replacement windscreen and consumer building glass operations.

Lubner admits that the US operation, Windshields America, needs further corrective action It lost US$8,1m in the past financial year and insurance companies have increased the excess on windscreens

Lubner is guarded on Windshields America's fate but his main options must be to dispose of it or merge with a competitor

Local operations already have dominant market shares, so most of their growth will be organic Wyman says SAB had targeted businesses that will benefit from the growth in spending power of the mass (mainly black) market Glass and chipboard feeds into the building industry, which is expected to take off, thanks to urbanisation

Wyman says PGSI will be the main pillar of the diversified manufacturing division, that includes Da Gama, Lion Match and furniture maker Afcol *Stephen Cranston*

FM 28/2/92 (182)

SFW/DISTILLERS CORP

Not drowning sorrows

The remarkable dichotomy between the earnings capability of Stellenbosch Farmers' Winery (SFW) and Distillers Corp (DC) is highlighted by the interims to December 31

Both operate from similarly sized bases. In SFW, shareholders' interest was R596,5m at December 31, DC's R599,3m. SFW's total capital employed was R659,4m; DC's R631,1m SFW's net current assets were R274,1m, DC's R298,3m But when it comes to performance, SFW falls way short of its rival, especially if return on capital and/or shareholders' funds is the criterion.

Neither organisation publishes its turnover, both give only a percentage change

Trading income is the first base for comparison In the six months, DC's trading profit was R37,6m (53%) more than SFW's Taxed profit for DC was R61,9m, whereas SFW's was R35m; finally, DC's attributable earnings were R54,9m and SFW's barely half that at R27,8m Assets at SFW, by comparison, are, therefore, under-used.

Judging by the lower turnover increases for both companies, the recession curtailed the growth of consumer expenditure on alcoholic beverages during the six months Neither company was able to show real growth in turnover. But it is noteworthy that trading profit at SFW increased by 6,9%, whereas DC could only muster a 1,4% increase.

This indicates a generation of some efficiencies by SFW which escaped management at DC, one suspects that these arose more from the closure of some outlying SFW plants and laying off a significant number of staff during the past 18 months than tighter trading controls

But no confirmation about this, or, for that matter, anything else is forthcoming from SFW's recently appointed MD, Frans Stroebel. He simply says he has no further comment at this stage over and above the bland press statement that accompanied the interim results — that says nothing more than any sensible person could deduce.

Whereas DC has no interest-bearing debt, SFW carries R60,7m. The cost of this cut SFW's trading profit for the six months by R4,5m In contrast, DC earned R3m interest But the interim report shows that SFW's current liabilities have declined by R52,2m to R190,1m from a year ago. They are now more in line with DC's current liabilities, that stood at R184,5m.

Market conditions cannot be expected to be much better for the six months to June, both groups' financial year-end. So it's unlikely that either will report significantly improved final results. If, therefore, an investor looks no further than the latest available facts, he may be surprised that the market rates DC on an historical dividend yield of 4,5% and SFW on 5,5% A comparison of earnings capabilities and risk would seem to suggest that the yield differences should be much greater

Gerald Hirshon

Sorghum brewer beats forecast

182

Own Correspondent CT 3/3/92

JOHANNESBURG. — National Sorghum Breweries has in six months beaten its forecast earnings to end-June.

In the six months to December its earnings of 30c are 5c higher than the forecast figure for the full year.

Shareholders are also being paid a dividend of 10c a share, which is equal to the forecast dividend for the full financial year

The directors say that demand for sorghum beer increased in spite of the economic recession and political violence in the country.

Turnover for the period under review rose 24% (no actual figures are provided), but margins were under pressure with operating income growing 19% from R16,59m to R19,67m.

This was offset slightly by a 27% increase in investment income to R6,56m (R5,17m)

The tax charge rose to R12,85m (R10,88m), leaving net taxed income of R13,38m which is up 23% on the previous period

Steady showing from Suncrush

B/Day 3/3/92 (182)

MARCIA KLEIN

TOUGH trading conditions and a decline in consumer spending saw soft drink bottler Suncrush turn in an interim performance which was steady, but below that of previous years

Earnings increased by 14% from 713c to 812c a share in the six months to end-December, after having risen by 35% at the June 1991 year-end At that stage the group warned that the soft drink industry would experience subdued growth this year.

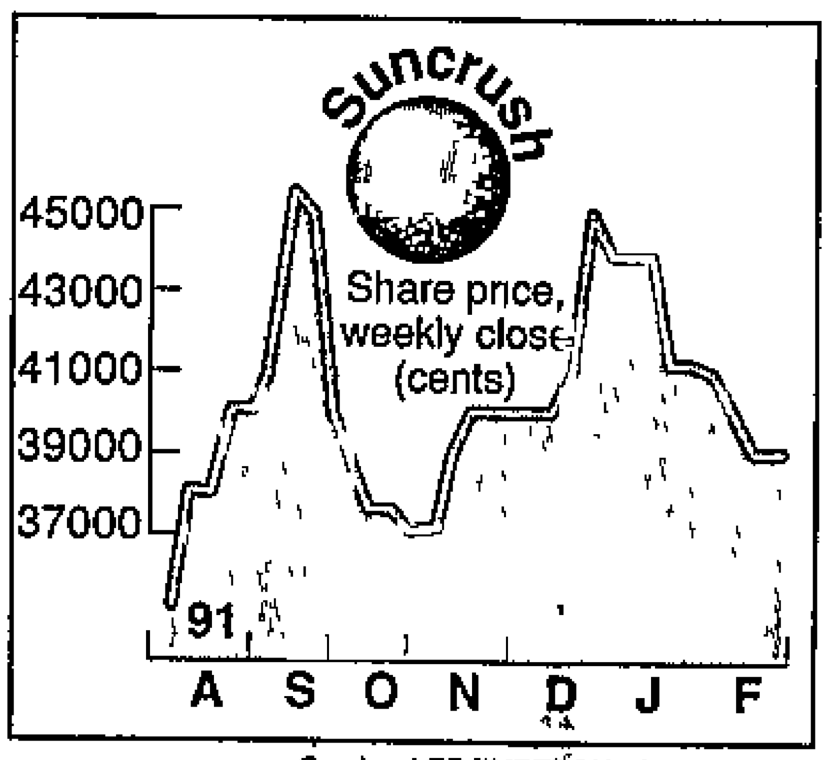
Chairman Robin Hamilton said yesterday that the 13% turnover increase from R231,8m to R261,6m was "pretty poor", and reflected tough trading conditions

"At end-December trading conditions in the industry were looking bleak, but January, and February in particular, had been good months especially in light of the heatwave," he said

Hamilton said the 6% growth in operating profit to R42,4m (R39,3m) was lower than turnover in percentage gain terms, and reflected the fact that Suncrush was volume sensitive

The 6% rise in pretax profit to R44,6m came after income from investments declined from R2,5m to R2,4m, and after Suncrush paid interest of R117 000 after receiving interest of R383 000 in the previous period

But a reduction in the tax rate from 50% to 48% and a change in the treatment of deferred tax saw profit after tax rise by 14% from R21,2m to R24,1m Hamilton said that due to changes in Suncrush's tax paying position, this 14% rise was not really a true reflection of conditions.



Graphic LEE EMERTON Source I NET

Attributable profit before extraordinary items increased similarly to R24m, and after a R6,8m extraordinary item — relating to surplus on the sale of shares in associated company Kilimanjaro Bottling — attributable profit was substantially higher at R30,7m (R13,8m)

Hamilton said he was confident the group would do better over the next six months

The 20% higher interim dividend of 150c (125c) a share indicated that the company expected to improve its earnings over the next six months

Suncrush recently acquired additional shares in Tempora Investments following a rights offer and Tempora's purchase of 16% of Cadswep This amounted to an increase of R43,5m in its investment in Tempora.

Cadswep has yet to report

Dalys, which holds 50,2% of Suncrush, reported a profit of R2,1m (R1,7m) arising mainly from the dividend declared by Suncrush Earnings grew by 19% from 12,5c to 14,9c a share, and Dalys declared an interim dividend of 14,5c (12c) a share

Suncrush lifts interim

STAR 3/3/92

Finance Staff 182

Suncrush is paying an interim dividend of 150c, 20 percent higher than its previous interim of 125c, from earnings up 14 percent at 883c (773c) a share

However, pre-tax profit was up only 6 percent at R44,6 million on a 13 percent increase in turnover to R261,6 million

The higher rate of increase in earnings followed a lower tax charge due partly to the change in the deferred tax treatment of the last-in first-out (LIFO) stock valuation put into effect on June 30

The company took up additional shares in Tempora Investments arising from Tempora's rights issue and its purchase of 16 percent of Cadswep

As a result of these transactions Suncrush's holding in Tempora fell from 62 to 43 percent.

Holding company Dalys reports earnings of 14,9c (12,5c) a share for the period and is paying a dividend of 14,5c (12c).

Sorghum brewer beats forecast

182

JABULANI SIKHAKHANE

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Shareholders are also being paid a dividend of 10c a share, which is equal to the forecast dividend for the full financial year.

The directors say that demand for sorghum beer increased in spite of the economic recession and political violence in the country.

They also attribute the much better than expected results to tighter control of overheads and management expenses.

However, they caution shareholders that the second half will be tighter and may result in a decline in sales because of difficult trading conditions.

Turnover for the period under review rose 24% (no actual figures are provided), but margins were under pressure with operating income growing 19% from R16,59m to R19,67m.

This was offset slightly by a 27% increase in investment income to R6,56m (R5,17m).

The tax charge rose to R12,85m (R10,88m), leaving net taxed income of R13,38m which is up 23% on the previous period.

National Sorghum Breweries was government controlled until its privatisation last year

BDay 3/3/92

Milk and soft drinks will cost you more this week

STAR 4/3/92

182

Consumer Reporter

Milk and soft drinks prices are set to rise this week following an increase in the wholesale cost to retailers on Monday.

A spokesman for Amalgamated Beverage Industries yesterday confirmed that the wholesale price of ABI's carbonated soft drinks, including Coca-Cola, had increased by an average of 14,7 percent.

The recommended retail price for 340 ml cans had increased from R1,12 to R1,24, 2 litre soft drinks had risen from R4,68 to R5,41 and the cost of a 1 litre bottle (excluding deposit) had increased from R1,80 to R2,09

"Our delivered prices rose with immediate effect on Monday However, we have no price control at retail level although we do recommend prices to dealers.

"Clearly, there are dealers who mark up considerably more than that, and this is always a concern for us We hope dealers will stay within the recommended price bands as far as possible," said the spokesman.

Milk price increases are also set to filter through after a recent increase in the price paid to farmers

National Co-operative Dairies announced an 8,02c increase in the producer price per litre of milk from March 1.

An average increase of about 7 percent — about 14c/litre depending on the packaging and retail outlet — has been passed on to retailers.

ABI said the soft drinks increase was the first in 12 months despite numerous cost increases in raw materials and distribution costs.

A slowdown in retail spending had resulted in the company being able to absorb only a smaller proportion of the cost increases compared with previous years

● Eating away at savings — Page 15

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STAR 4/3/92

182

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● Eating away at savings — Page 15

Price of soft drinks, milk up

Sowetan 4/3/92

(182)

SOFT drink and milk prices are set to rise this week after an increase in the wholesale cost to retailers on Monday.

A spokesman for Amalgamated Beverages Industries yesterday confirmed that the wholesale price of their carbonated soft drinks had increased by an average 14,7 percent

As a result, the recommended retail prices for 340ml cans have increased from R1,12 to R1,24, the recommended price for two litre soft drinks has increased from R4,68 to R5,41 and the cost of a one-litre bottle (excluding deposit) has increased from R1,80 to R2,09

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ABI said the soft drinks increase was the first in 12 months despite numerous cost increases in raw materials and distribution costs

By JOSHUA RABOROKO

The South African Brewery has opened a R30-million technical training centre - probably one of the most advanced brewing training institutes in the world - aimed at developing its staff.

The centre, built on an 11,8 ha site at Midrand near Kempton Park, has sophisticated facilities which may also be offered to brewing industries in Africa and overseas

It has its own 500-litre brewery, packaging hall, computer centre and laboratory, to blend practice with theory in providing programmes for technical staff involved in brewing, packaging, engineering and quality (182)

SAB's managing director, Mr Graham Mackay, said "South Africa's brewing industry has grown rapidly since the mid-1960s and we recognise the need to keep developing skills

"The training technology we use must be relevant to growth and change into the next century," said Mackay [illegible]

He said that by training people to brew and package quality beer, the institute will play a big role in redressing South Africa's shortage of skills

SAB's manager of technological training and development Mr Lionel Maule, who will head the institute, said it would operate a "partnership" with suppliers of raw material, plant, equipment, and the many other products used in brewing and packaging, not only in providing training but in giving exposure to new products, processes and equipment

It will draw lecturers, not only from the company itself, but from local universities and technikons, where necessary, from overseas

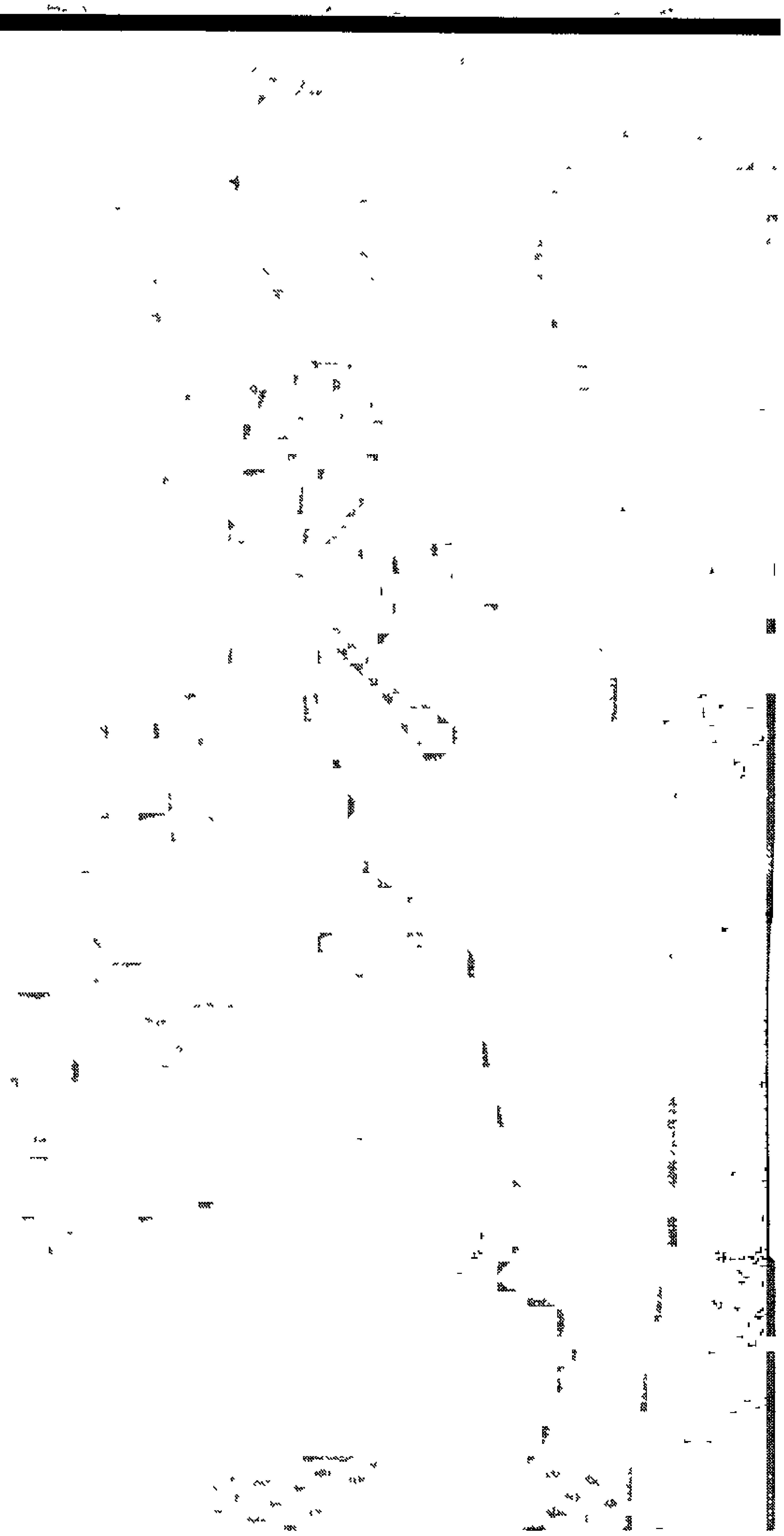
"We also have links with local and international bodies in the Institutes of Brewing, Packaging and Professional Engineers," Maule said

Courses will cover management, supervisor training, certification programmes, apprenticeships, microbiology and analytical techniques, laboratory management, production management and various refresher programmes

Some courses will lead to the licensing of technical trainers, and the institute's staff will also offer consultancy training

"As an environmentally aware company," he adds, "SAB used the opportunity to blend the institute's buildings with the natural surroundings The complex takes up only slightly more than 10 percent of the site "

Since courses will be full-time, to ensure optimum interchange of ideas between delegates and lecturers, the institute has accommodation for 102 people, with a dining room, lounge and pub, and recreational facilities, including a pool, squash court, tennis courts, soccer/cricket field and games room



The advanced training institute is aimed at developing staff.

Sowetan 5/3/92

Conglomerate backs sorghum brewer's plans

JABULANI SIKHAKHANE (182)

A JSE-listed conglomerate had invested R500m in the National Sorghum Breweries' venture which would see the brewer diversify into new sorghum-related products, chairman and CE Mohale Mahanyele said yesterday BDay 5/3/92

He would not name the conglomerate involved but said the money was already in the brewer's bank account and an announcement would be made shortly

Barlow Rand and Anglovaal, which market sources thought to be the most likely candidates, denied any involvement

Mahanyele said expansion plans included the whole area of the beverage market (alcoholic and non-alcoholic), which he put at between R10bn and R12bn a year.

"More than 80% of beverages in this country are consumed by blacks and we are looking for opportunities in that market We have cash waiting in the wings and we hope to make National Sorghum Breweries one of the major players in the beverage market," he said.

He added that one of its major attractions was its "unique" position in the market and its strong distribution network of more than 500 000 people

The brewer is also expected to announce a distribution agreement with one of the major retail chains

This week it reported much better than expected results for the six months to end-December, beating its forecast for the full year to June. Mahanyele attributed the better performance to a substantial reduction in costs, increased productivity, a better understanding of customer needs and improved distribution

The brewer, which was privatised last year, is one of the major shareholders in the African Bank with a 17% stake.

Its mission is black economic empowerment through ownership and management of a group of companies in the beverage, food and leisure industries

Cap on costs gives Cadswep a boost

182

BDay 5/3/92

MARCIA KLEIN

INTERNAL efficiencies and a good product mix helped Cadbury Schweppes (Cadswep) produce a large rise in earnings in the year to end-December, despite a poor economy and reduced consumer spending.

The soft drink and confectionery group's attributable earnings grew by 33,5% from R35,1m to R46,8m on a much slower sales performance

Weak consumer demand saw turnover grow by 13,4% from R537,7m to R610m. But operating profit was 28,6% higher at R60,6m (R47,1m) on the back of benefits from the rationalisation and integration of Chapelat-Humphries, significant improvements in internal efficiencies and a better product mix, CE Peter Bester said

In an interview yesterday he said all divisions did well, including Cadbury, Schweppes, Bromor foods, Chapelat-Humphries and Candy World

In Cadbury, a small increase in overall sales volumes was achieved against the background of intense competition, poor trading conditions and an extended strike in one factory and certain depots in the first half of the year But operating profit was much improved

Chapelat-Humphries had exceeded the group's expectations with its strong growth performance reflecting the benefit of its rationalisation and integration Bromor also showed a strong performance despite volumes being down

The group's expansion, which included increased capacity in Port Elizabeth and a new warehouse for Bromor, was reflected in finance costs of R12,5m

Taxation of R13m compared with R10,7m in the previous year and reflected a slightly lower tax rate because of the reduction in the company tax rate.

Earnings grew by 32,9% from 100,5c to 133,6c a share on a weighted number of shares in issue

Bester said results were particularly pleasing as they came off a high base

The R19,4m acquisition during the year of the remaining 17,5% minority shareholding in Chapelat-Humphries resulted in increased earnings of about 3c a share, while net asset value was reduced by R16,6m because of goodwill written off.

Cadswep declared a final dividend of 42c, bringing the full year dividend up by 31,7% from 41c to 54c a share

Wine estate owes R1,9m

(182)

CT 6/3/92

By RONNIE MORRIS
Supreme Court Reporter

A BOLAND wine estate's moveable assets were attached in the Supreme Court yesterday because it could not pay R1,9 million plus interest it owes a bank.

The attachment order on Zevenwacht Wine Estate followed an application by Bankorp Limited, trading as Trust Bank.

In papers Mr Hendrik Ignatius Wilkins, senior manager of the bank's Heerengracht branch, said Zevenwacht owed the bank R1 939 972,08 plus interest.

The Zevenwacht directors had resolved to raise R5m by issuing 2 500 000 shares of R2 each.

He did not believe this would succeed because of the state of Zevenwacht's balance sheet and financial affairs, prevailing caution among investors in the light of the current economic recession and political uncertainty.

During discussions Mr Gilbert Colyn, chairman of Zevenwacht, had said the estate was unable to repay the capital or interest.

The estate used other bankers for day-to-day banking and owed Boland Bank over R700 000.

It had also borrowed R700 000 from the now liquidated Fundstrust (Pty) Ltd, and the liquidators were calling up all loans.

"Because Zevenwacht was over-geared and over-borrowed it had made losses of over R10m

As security to Trust Bank, Zevenwacht had registered a notarial bond in the sum of R2m and an additional amount of R200 000 on 26 August 1985

Zevenwacht had declared as security to bond in favour of Trust Bank all its movable property, its goodwill, right to trade names and trade marks and all its book debts

There was a second notarial bond for R3m in favour of Libertas Consolidated Holdings, and the application was the only way to protect the bank's interests

Mr Justice W E Cooper presided Mr Steve Goddard, instructed by Mr C Gelbart of Sonnenberg Hoffman and Galombik, appeared for Trust Bank.

Beer cartons for gardens

S| Times (BUSS) (182)

8/3/92

By DON ROBERTSON

NATIONAL Sorghum Breweries (NSB) plans a R20-million clean-up operation by building a bio-conversion plant at its Pelindaba brewery near Atteridgeville.

With the assistance of an unnamed American partner, the company plans to convert waste products, including cardboard beer cartons, into fertiliser for use by farmers and gardeners.

The plant is expected to be operational in about eight months after the equipment has been imported

NSB believes that at least another nine units of the same size will be needed to clean up the Pretoria-Witwatersrand-Vereeniging area.

Three NSB directors — chairman Mohale Mahanyele, Sipho Nhlapo and Langa Bheki — recently returned from America where they investigated the new process

Mr Mahanyele says that once the project gets off the ground, it will become a major industry in the black community

"People will collect garbage and deliver it to the plant and in this way we will create jobs We will not buy trucks, but will encourage people to collect rubbish

"Initially the plant will be manned by NSB engineers, who will undergo training in America," he says

First

"The environment-friendly technique is the most advanced yet. It has been in operation in Texas and Arizona

"We will be the first to use the technology outside America"

The black community is the worst affected by littering and local authorities are unable to handle it This has caused a health hazard, says Mr Mahanyele

"We have been painfully aware that our product causes litter and we now seek a solution"

Bonus for wine farmers

By Derek Tommey 182

KWV, the cooperative which controls wine production, will make a bonus pay out of R42,6 million to its 5 000 wine farming members in April

This follows a 9,9 percent increase from R50,1 million to R55,1 million in profits in 1991. STAR 11/3/92

This was achieved mainly as a result of an increase in exports of branded products and in grape juice concentrate sales.

The lifting of sanctions had enabled KWV to reenter world markets with these higher added value products.

Before the lifting of sanctions KWV had to rely on export sales of unidentified wine-alcohol which fetched about seven percent of the income of natural wine and 15 percent of the income from grape juice concentrate.

KWV said its members will start to feel the considerable financial benefits of these developments after the 1991 and 1992 payouts

The lifting of sanctions had also helped KWV to more than offset the collapse of the bulk product markets, mainly as a result of political unrest in Eastern Europe "which no longer exists as an alternative market".

BUSINESS

Beer row brews

Sowetan 12/3/92

(182)

A RIGHT royal battle is brewing between the National Sorghum Breweries Ltd and the SAB-owned Traditional Beer Interests over the sale of beer.

The black-owned NSB has written a letter to the Minister of Trade and Industry, which in turn was referred to the Minister of Law and Order, asking the Government to enforce the NSB right to exclusively sell sorghum beer in the country

Selling

This implies that the NSB wants the Government to prosecute any other organisation selling traditional beer outside the homelands

Marketing manager of the SAB's Traditional Beer Interests, Mr Arnie Miller, confirmed that they were not allowed to trade their beer in South Africa, but there were few exceptions

They were not in a position to monitor how their products were sold on the borders of the homelands and South Africa However, he said their products were strongly active in some of the areas

It was a matter of competition, he said and claimed that the NSB had also entered some of the homelands, where they were selling sorghum beer

Business is on hold until after referendum

180

Sowetan 12/3/92

Sowetan Correspondent

MANY jittery businessmen are adopting a wait-and-see policy before next Tuesday's reform referendum.

They are holding back on deals running into many millions of rands and placing large sectors of the economy on hold

A resounding "yes" majority will help restore badly-needed confidence, according to local business spokesmen And there are hopes that it will spark off a "mini-boom" in the property market, in financial investment by the public and in some other fields, particularly if next week's Budget is a popular one

But the outlook is bleak if the "no" votes carry the day, according to the spokesmen A number of big deals will crash

Not all businessmen and members of the public are marking time The overall picture is topsy-turvy - and one Durban financial adviser, Mr David Upfold, said that now was the time to invest and to buy property - before the "mini-boom", which he is confident will materialise

A multi-million rand commercial property deal arranged by estate agents JH Isaacs is precariously balanced A clause written into the agreement stipulates that it will fall through in the event of a "no" victory

Brink Properties' marketing director, Mr Chris Williams, said yesterday that a R500 000 property offer had been frozen and was dependent on a "yes" vote

He said "The general trend is that people are looking around at properties but are reluctant to put pen to paper until after the referendum "

Share prices on the Johannesburg Stock Exchange drifted aimlessly yesterday as nervous investors mostly kept to the sidelines. Dealers described trading as directionless in jittery conditions ahead of the referendum

Durban Metropolitan Chamber of Commerce economist Barry Poulsom said "Everyone is on tenterhooks in business circles "

A Durban travel agent said quite a few nervous people had inquired in the last fortnight about the "cheapest possible one-way ticket to the UK"

A large number of other people, who had immigrated to South Africa years ago, had now made up their minds to quit the country

The referendum has led to the postponement of Safto export marketing consultants' Southern African Trade and Investment Conference in Johannesburg this month

The conference will now be held on April 28 and 29

A Safto spokesman said "We have speakers confirmed from Zimbabwe, Zaire, Kenya, Botswana, Ivory Coast and Angola as well as Europe and America The referendum has influenced the situation and the speakers understandably don't want to be in South Africa before the results are clear "

Wine's investment sparkle falls flat

182

CT 16/3/92

LONDON. — Wine is proving to be a sober investment for a dwindling few with ready money to spend in these recessionary times.

But if the market were to turn sour like so many others, the investors could at least drown their sorrows.

Sales of wine and port by the big auction houses took off in the mid-1980s, with some vintages of finer clarets and French dessert wines fetching record prices.

In 1985, Christie's set a world record by selling a Chateau Lafite bottled for US President Thomas Jefferson in 1787 for £105 000. That works out at about £17 000 a glass.

Closer integration with Europe after Britain's entry into the European Community and holiday excursions to France created a new breed of British connoisseur with a sophisticated palate for quality wines.

"The English are broadening their horizons. The impetus that got the market going was that wine was all over the supermarkets," said Serena Sutcliffe, head of Sotheby's wine department.

"You could say wine came out of being an elite minority and democratised itself"

Even so, the wine market has stagnated. Prices have stabilised since their peak in 1989

Christie's and Sotheby's both said total sales for 1991 hovered around last year's levels.

Sotheby's hoped to boost last year's sales of just under £3m with a much-publicised sale of wines from the cellars of the Russian tsars.

Some bottles carrying the imperial Russian seal fetched near record prices and a popular French dessert wine, an 1896 Sauternes Chateau Suduiraut, sold for £3 500.

But the overall sale totalled only £245 500, far below the £400 000 Sotheby's had aimed for.

"It has been a difficult recessionary year with people having less disposable income A lot of buyers bought extensively in the last few years and now have a huge stock," Sutcliffe said.

The market, she added, was "a buyer's paradise" though she advises against investment ventures. Wine is a perishable luxury product; investors must pay for storage and profits can be slow.

Some people buy a few cases, sell them at the right time and use the proceeds to buy a more recent vintage to hold on to A popular way of buying large quantities of wine is to hold it in bond — deferring duty payments until the wine matures and is ready to come out of storage.

Auctioneers Christie's argue that shortage of supply has kept prices steady.

They sold £7,7m worth of wine last year. This is a tiny fraction of their overall sales, but both Christie's and Sotheby's say wine sales are flagships and generate publicity

As with all collectibles, the wine market has its masterpieces.

A Chateau Petrus of any vintage from 1921 to 1961 is guaranteed to sell, as will Chateau d'Yquem, widely considered the world's best dessert wine.

Sotheby's sold a case of Petrus, prices of which have quadrupled since 1981, for £13 000 last September. Christie's sold an imperial bottle of vintage Petrus — equivalent to eight normal bottles — for £15 000 in its December sale. — Sapa-Reuter

ABI fires 131 workers after mass inquiry

182

DIRK HARTFORD

IN WHAT could be an industrial relations precedent, ABI has dismissed 131 Coke truck assistants after a mass disciplinary inquiry

The Food and Allied Workers' Union (Fawu) said the inquiry followed an assault on a Fawu member — allegedly for "scabbing" during a strike sparked by workers' dissatisfaction over the negative outcome of a breathalyser test on a depot manager The workers claimed the manager was inebriated and that he did not conduct the test — on himself — properly

B/Day 17/3/92

ABI said the workers were found guilty of assault and insubordination

Fawu said the workers were given 30 minutes to appeal They refused and were dismissed Their dismissal sparked a one-day sympathy strike at ABI plants in the Transvaal involving 2 000 of ABI's 4 500 workers

Fawu condemned both the attack on the worker and management's "unprocedural and irresponsibile" handling of the situation The union said ABI breached its recognition agreement by not giving 48 hours' notice of a disciplinary inquiry

ABI said the "crisis situation" demanded a shorter notice period and that workers had been given sufficient notice

Fawu is demanding the immediate reinstatement of the workers and has applied for a conciliation board hearing on the dismissal

Brewer accuses competitors of foul play

B/Day 17/3/92

(182)

THEO RAWANA

COMPETITORS have embarked on a campaign to sabotage and discredit National Sorghum Breweries in the eyes of consumers, the brewer says

The privatised brewer, SA's biggest black-owned company with an annual turnover of more than R300m, has placed newspaper advertisements claiming that rivals are using unacceptable business practices

The company is reported to have an 85% share of the market and executive chairman Mohale Mahanyele has been quoted as saying its 500 000-member informal distribution network makes the market difficult for competitors to penetrate

In an advert in City Press at the weekend, the brewer said "various persons and competition" were dumping low-quality sorghum beer and selling beer in containers bearing National Sorghum Breweries brand names such as Tlokwe, Sondela, Kalahari and Jikeleza

It said certain employees were being bribed to commit acts of sabotage and use its crates to pack the competition's products

The brewer claimed the major aim was to discredit it and the industry "in the eyes of the millions of black consumers"

"Blatant lies have been circulated by mostly former white employees about NSB being a racist black-owned and black-controlled company It seems certain persons find it unacceptable for blacks to discipline whites for shoddy workmanship or fraudulent practices," the brewer said

Repeated attempts to contact Mahanyele and other executives yesterday were unsuccessful

Brewer denies sabotage plot

B/Day 19/3/92 THEO RAWANA (182)

SAB-owned Traditional Beer Investments has denied involvement in an alleged campaign to sabotage and discredit National Sorghum Breweries (NSB).

NSB placed advertisements in newspapers in the past week, claiming that rivals were using unacceptable business practices to confuse consumers and discredit it and its product.

Tactics used by competitors, NSB said, included dumping low-quality sorghum beer, selling beer in containers bearing NSB brand names, bring white employees to commit acts of sabotage and the use of NSB crates to pack the competition's products.

NSB Executive chairman Mohale Mahanyele said yesterday it was not advisable to divulge the names of the people concerned.

Traditional Beer Investments MD Ron Schreuder, approached as a sorghum-beer competitor, said he was not aware of any of the practices cited by SNB.

"We are not really competition because we are confined to the national states," he said.

NSB enjoys monopoly through an exclusive right, granted on its privatisation in October 1990, to manufacture, sell and deliver sorghum beer in SA until 1995.

Mahanyele said the "sabotage" was intended to make it impossible for his firm to diversify into other sorghum-related products.

Revenue lays down new rules for lessors

B Day 19/3/92

Business Day Reporter

NEW rules on how lessors can write off leased assets were issued earlier this week by Inland Revenue

Until now, taxpayers acquiring assets have only been allowed a wear and tear deduction

Coopers Theron du Toit tax partner Koos van Wyk said lessors are in a privileged position in that this deduction may be calculated on the straight line basis on the cost of a leased asset over the period of the lease greement or the useful life of the asset, whichever is the longer period

In determining the "cost" of a leased asset on which the allowance will be based, lessors should keep in mind the influence of VAT as well as the provisions relating to any residual value which must be taken into account in determining the rental payable by the lessee, Van Wyk said

Input tax paid on acquisition of the asset by the lessor is not part of the "cost" of the asset, as the lessor (if he is a vendor for VAT purposes) is entitled to deduct the input tax against any output tax due by him

Capitalisation of the output tax and the depreciation thereof over the period of the lease will ensure that the lessor is only taxed on his net income

Fabric imports push Strebel into the red

B Day 19/3/92

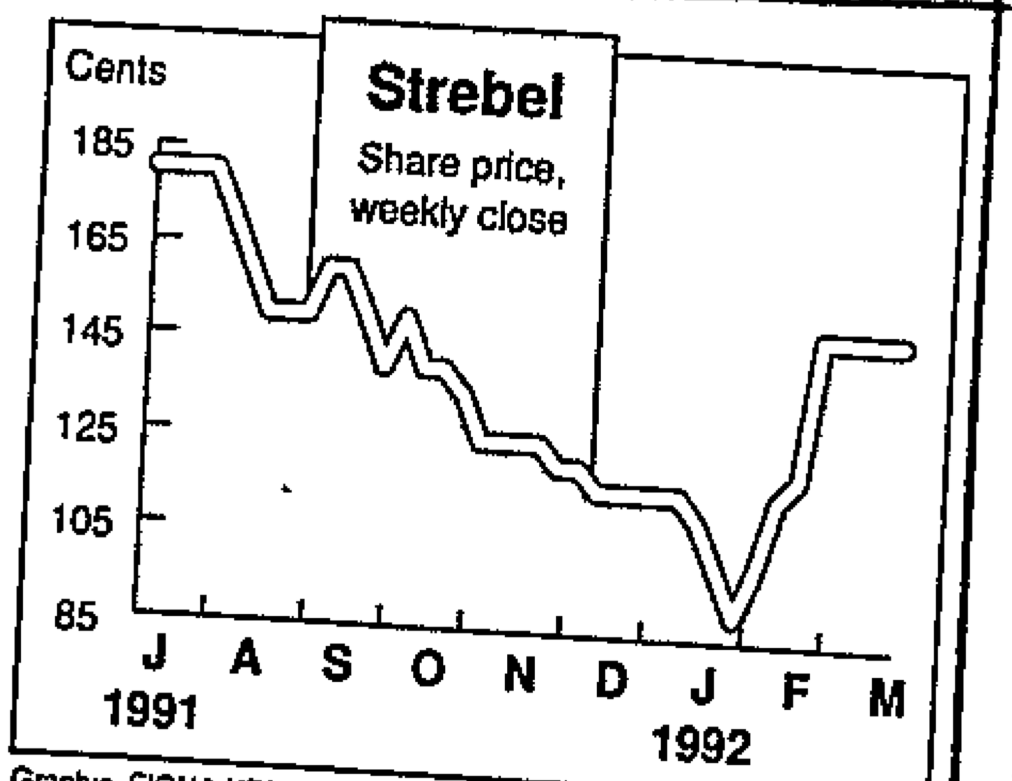
LINDA ENSOR

CAPE TOWN — Clothing accessory and textile manufacturer Strebel Group slipped into the red in the six months to end-December as the severe economic downturn and a flood of fabric imports took their toll on the interim performance

Turnover dropped 8% which, together with a sharp decline in margins and a rise in finance charges, resulted in the group suffering a 4c loss in earnings a share, radically down from the previous profit of 13,3c

No dividend (3,5c) has been declared

Operating income plummeted to R745 000 (R5,1m) and net interest paid rose to R851 000 (R548 000) After a lower tax bill an attributable loss of R599 000 (R2m) was notched At end-December the group had a gearing of 48%, up from the previous 26% The current ratio had also deteriorated to 1,8 1 from 2,3 1



Graphic FIONA KRISCH Source I NET

Chairman Fred Strebel is not optimistic about the next six months

"Economic and political conditions remain bleak with consumer demand depressed However, if the recommendations of the Hatty Commission are approved, some relief is expected," Strebel said

He said the group had continued with its rationalisation and consolidation programme, the positive effects of which would be felt in future

SAB eyes Zambian brewery

B Day 19/3/92 (182)

LUSAKA — SAB is to buy Zambia Breweries if negotiations with the Zambian authorities succeed

A German magazine, Brewery Monitor, says that the SA beer giant is interested in acquiring Zambia Breweries' Lusaka plant

SAB officials and the privatisation committee in Zambia would neither confirm nor deny the report, the weekly Financial Mail reported yesterday

However, in February the SA Business Development group's publication quoted SAB group international trade manager Mike Muir as saying Anglo American had written to President Frederick Chiluba expressing its interest in acquiring shares in Zambia Breweries

Special assistant to the president for economic affairs Donald Chanda said he had no information on the matter

Anglo American Corporation managing director in Zambia Anderson Mazoka said he had no knowledge of the correspondence between Anglo American and President Chiluba

Zambians interviewed yesterday said they welcomed the news

"South Africans should set up their own brewery plant in order to offer real stiff competition We want prices to come down," said one beer-drinker

Muir said opportunities in Zambia were attractive but that SAB did not have a comprehensive list of these opportunities and had only "secondhand information"

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34/06)

(Unaudited) 31 12 90 R000	(Audited) 30 06 91 R000
25 140	25 734
3 031	3 042
3 413	2 303
31 584	31 079
14 342	14 124
10	10
30 388	35 513
44 740	49 647
13 156	18 568
31 584	31 079
15 000	15 000
168	172

earnings per share (cents)

(182) ARG 19/3/92

SAB in bid to buy Zambia Breweries

LUSAKA — South African Breweries is to buy Zambia Breweries if negotiations with the Zambian authorities succeed.

A German magazine, Brewery Monitor, says that the South African beer giant is interested in acquiring the Zambia Breweries' Lusaka plant

SAB officials and the privatisation committee in Zambia could neither confirm nor deny the report, the weekly Financial Mail reported on Wednesday

But SAB group international trade manager Mr Mike Muir confirmed in another report dated February 28, in which the South African Business Development group was quoted in its publication as saying the Anglo American corporation had written to President Frederick Chiluba expressing their interest in acquiring shares in Zambia Breweries and the milling companies.

Special economic affairs assistant to the president Mr Donald Chanda said he had not yet received information relating to Zambia Breweries being sought by South African Breweries

Anglo American Corporation managing director in Zambia Mr Anderson Mazoka also said he had no knowledge of the alleged correspondence between Anglo American and President Chiluba

However, many Zambians interviewed yesterday said they welcomed the news

"South Africans should set up their own brewery plant in order to offer real stiff competition We want prices to come down," remarked Mr John Chita who said he had so far stopped drinking the locally brewed Mosi

Mr Muir said opportunities in Zambia were attractive but that SAB did not have a comprehensive list of these opportunities and had only "secondhand information which leaves us with nothing concrete on which to act on"

Asked what SAB would offer, Mr Muir said consideration would be made on the basis of "sound investment decisions"

Many South African companies were itching to do business with Zambia but were being inhibited by lack of official and comprehensive information about existing and prospective opportunities

Mr Muir said all countries in southern Africa were interlinked economically and therefore, opportunities for co-operation must be seized for the benefit of everyone — Sapa

ABI is unfair, says Fawu over 'scabs'

Sowetan 19/3/92

182

By MOKGADI PELA

THE Food and Allied Workers Union has accused the Amalgamated Beverage Industries of union bashing following the dismissal of 131 workers

Fawu has further claimed that following the dismissals, the company hired 200 so-called Coloureds as scabs Union spokesman Mr George Nene accused ABI of racism and said Fawu would take the matter to the Industrial Council to force the company to reinstate the workers

A company spokesman said ABI had temporarily employed fewer than 100 workers of all races

"As Fawu intends taking the matter to the IC, reinstatement has become irrelevant," the spokesman added

The dismissals follow allegations of a senior company official having used abusive language to workers

The workers downed tools in protest and were subsequently locked out

'Sad that liquor industry has to foot the bill'

STAR 19/3/92

(182)

It was sad that the liquor industry had to once again "foot the bill to balance the Government's books", said Federated Chamber of Liquor (Fedcol) national chairman Len Polivnick last night

Mr Polivnick said it was a myth that liqour was a luxury commodity

"The retail liquor industry, which is already under very heavy pressure, now finds all possible future growth stifled

"Our products have become a way of life and, irrespective of disposable income, the per capita consumption of alcohol does not vary much between peoples of different standings in society"

The abolition of *ad valorum* tax on liquor was lauded by two key companies in the industry

Brian Bailey, strategic planning director of Gilbeys, said from Stellenbosch "We are very pleased the Government has done away with this duty, as that used to penalise quality brands and encourage the introduction of cheap products

"The increases are roughly in line with what we expected There will be an unavoidable effect on sales, but we will only be passing on the absolute amount of the increase. On a case of spirits that would be around R6 a case, or 50c a bottle."

Bennie Howard, group public affairs manager of Stellenbosch Farmer's Winery said "We wish to thank the Minister for considering our proposal to get rid of ad valorum tax We believe it will be to the advantage of the consumer in the long run

"Under the present economic circumstances we regret the increase in the taxation, but understand the requirements of the Treasury"

Simonsig owner in court over KWV rules

182

CT 20/3/92

Staff Reporter

SIMONSIG wine estate owner Mr Pieter Malan pleaded not guilty in the Paarl Regional Court yesterday to three counts of contravening regulations set by the KWV to control wine prices

Mr Malan, of Simonsig Wine Estate in De Hoop, Koelenhof, admitted not having provided the KWV with KC 6 and KC 30 certificates — giving details of the prices and quantity of wines sold, and said regulations had changed and it was not legally necessary for him to have done so

Mr G van Schalkwyk, appearing for Mr Malan, said his client had been unable to furnish the KWV with certificates because none in the new format were made available to him

The prosecutor, Mr G Labuschagne, said Mr Malan had openly admitted contravening the KWV's regulations

The hearing was postponed to March 30 for judgment

SAB in talks to buy Zambia Breweries

(182) CT 20/3/92

LUSAKA — SA Breweries is to buy Zambia Breweries if negotiations with the Zambian authorities succeed

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Liquor tax spreads

STimes (BUSS) 22/3/92 (182)

By CIARAN RYAN

THE imposition of excise duties on wine and other alcoholic beverages in the Budget follows years of lobbying by the liquor industry.

Until now wine has escaped excise duty, provoking charges that the government was buying political favour with the powerful wine industry But SAB is still unhappy that it bears the brunt of excise duties

Managing director of SA Breweries' beer division, Graham Mackay, says "Over the last two years we have suffered a 38% increase in excise Until now, even cider, which is marketed against beer, has carried no excise The situation is extraordinary in terms of practice worldwide and wholly unfair"

Increases in excise duties will generate revenue of R295-million a year The net excise on beer increased by 6c a litre The duty on unfortified wines goes up 8c a litre and on spirits by 37,7c a 750ml bottle

Normal practice in the Western world is to levy excise according to alcohol content Despite announcing its intention to follow this trend, the government continues to penalise the beer industry, says Mr Mackay Today the excise charged on beer is about 10 times that charged on wine, although the alcohol content in wine is 2,4 times greater

In most Western countries the average rate of excise charged on spirits compared to wine is three to one In SA, spirits carry the same excise as beer, despite the difference in alcohol content Spirits are generally handled by the wine industry

FOCUS

Wage increases fail to match prices surge

B/Day 23/3/92

MICK ELLINGHAM

(182)

WHISKY drinkers despair a bottle of Scotch which cost R4,26 in 1974 will now set you back a whopping R34,99 — plus the 37,7c just added in the Budget.

The 18 years between 1974 and 1992 have seen the price rocket by 722%

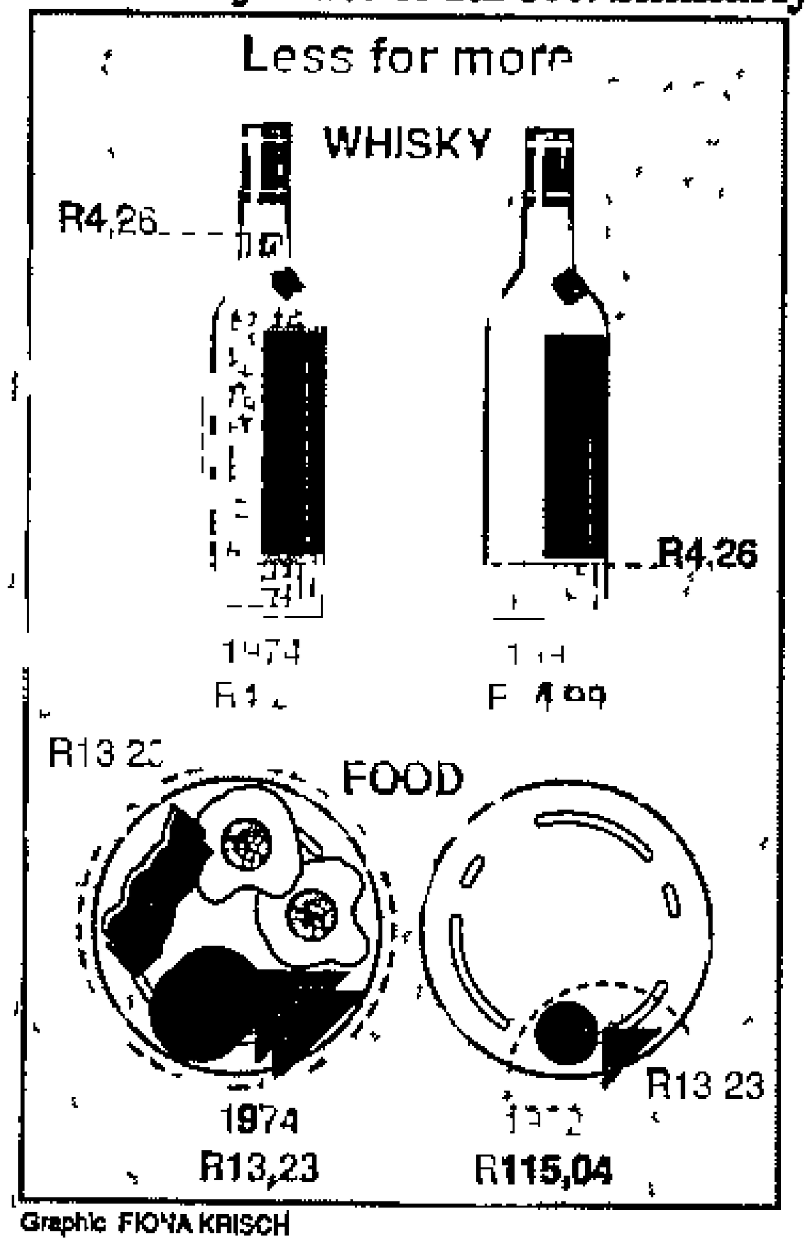
Food shoppers can also weep, because trolley for trolley they are paying 770% more than they did in 1974

A basic food basket containing a number of household goods would have cost R13,23 in 1974, but in 1992 will have you spending R115,04.

Figures from an article published in the Rand Daily Mail in 1974 show how the cost of living in Johannesburg has rocketed over the last few years.

But the average salary over the same period has failed to keep pace.

For example, in 1974 the average monthly earnings of a construction worker, a 30-year-old male bricklayer with five years' experience, were R390, they have increased by 541% to R2 500. Similarly, the average monthly earnings of a bank clerk, a 30-year-old male with five years' experience, increased by 538% from R360 to R2 300.



Graphic FIONA KRISCH

The increased cost of hiring a car is also enough to drive you round the bend: the cost of hiring a medium-size saloon for a week has accelerated by 1 308% — from R102 to R1 437 for the equivalent vehicle. The cost of a litre of petrol has been fuelled by a hefty total increase of 985% from 13c to a pre-Budget R1,41 a litre.

Cigarette prices are up about 800%.

Bursaries for tech students

THE black-controlled National Sorghum Breweries have allocated R17 million to help finance needy and deserving black students, executive chairman of the company Mr Mohale Mahanyele said this week

The bursary fund would benefit students at tertiary level with a bias towards technical qualifications

Mahanyele said details of the scheme would be released at a Press conference next month

The NSB was transferred into the hands of blacks in 1990 The company has grown in stature since then, showing growth and profitability

Mahanyele said the company had been neglected and now that they have turned it into a profitable venture, "people who do not enjoy seeing blacks succeed throw a spanner in the works " (182)

He said there was demonstrable evidence that certain former white employees are out to sabotage processes in their plants Sowetan 24/3/92

"Homes and cars of our senior executives have been targeted for attack by bigoted whites who are not prepared to accept black leadership of the company.

"They are out to destabilise good relationships between our black and white employees," he said - *Sowetan Reporter*

Coke to remain in Swaziland

Sowetan 25/3/92

182

MBABANE - Coca-Cola has decided against returning to South Africa, the major concentrate-making plant it moved to Swaziland in 1987 because of anti-apartheid sanctions

Instead, the company is to spend R20-million on expanding the Swaziland plant, almost doubling its investment in the kingdom The move was announced yesterday by Coca-Cola's world vice-president, Mr George Gourlay, after a meeting with King Mswati

Campaign against brewery chairman

BDay 25/3/92 MARCIA KLEIN (182)

TROUBLE appears to be brewing at National Sorghum Breweries following the circulation of a letter calling for the resignation of chairman Mohale Mahanyele

A copy of the letter written to the brewer's employees by an "action committee" was given to Business Day.

It says if Mahanyele does not resign or if he is not replaced by "a competent manager" before April 10, then a strike will be called

After April 10, the date of the proposed strike will be distributed "to force the issue", the letter says.

A senior management spokesman said yesterday that the brewer's directors and most of its staff had indicated their full support for the chairman

He said the directors were aware of the letter, which he said originated from "one or two people who have ulterior motives".

In spite of the letter's allegations of mismanagement, the brewer recently announced results far higher than forecast for the six months to end-December.

It also said recently that a JSE-listed conglomerate had invested R500m in the company which would allow it to diversify into new sorghum-related products.

The letter claims that "the present success of the company . is actually the overflow of the previous management"

It also claims Mahanyele is "not controlled or questioned about his actions by anybody", and that this state of affairs is not healthy for the company

Mission wins order from France for wine

STAR 26/3/92

(18)

ROTTERDAM — The Cape Town Trade Mission which is touring Europe this week in search of new export contracts, has received an order to export South African wines to France.

Head of the trade mission Cape Town Chamber of Commerce president Kenneth Marcus said yesterday interest in the mission was incredibly high both in France and the Netherlands

The mission had more than 100 appointments with Dutch businessmen during their three-day visit to the country

"It is clear from our negotiations in the Netherlands that the Dutch also are interested in serving as conduits for trade between South Africa and many other countries such as in the Far East.

The Dutch are old-time traders with long-established trade routes between a great many countries and as such very important to our mission," Mr Marcus said.

He added that it had also become very clear to the mission that the French were less reticent about investing and trading with South Africa than the Dutch at the moment

"The French have had much more experience with trade in Africa, and clearly the Dutch businessmen were still holding back because of the present uncertainty about South Africa's future political infrastructure

"We were, however, very well received and at a very high ministerial level by the Foreign Trade and Economic Affairs Ministries in the Netherlands and France"

Mr Mracus has also established contacts through his personal trips to Hungary where he was received by the national Hungarian Chamber of Commerce and the Budpest Chamber of Commerce He also visited the Polish Chamber of Commerce. — Sapa

WINE INDUSTRY (182) FM 27/3/92

Caught in the tax net

FM 27/3/92 (182)

The politically influential Cape wine industry, after enjoying government's favour for many years, has at last been asked to turn out its pockets to help finance State spending

Last week's Budget extended excise duties from fortified and sparkling wines — which were hit with these taxes in their current form in 1990 — to unfortified wines

For years the wine industry escaped the excise trap in spite of howls of protest from its natural competitor, the beer industry, which was bombarded year after year with increased taxes

In a change of tack in 1990, Finance Minister Barend du Plessis slapped excise duties on fortified and sparkling wines at a rate of 1,8c/750 m*l* bottle, and increased it the following year by the same amount

In September a 2,5% ad valorem excise duty was imposed on fortified and sparkling wines (on top of the excise duty) as well as on unfortified wine.

Last week Du Plessis announced that ad valorem would be converted into a specific duty and raised a further 6c/750 m*l*. He said this would result in a 1,5% increase in the retail price of mid-market wines sold in bottles

KWV will say only that it is "studying the implications of the excise duty"

According to a list of customs and excise duties tabled in parliament by Du Plessis, the tax on unfortified wine increases from 2,5% ad valorem to 17c/*l*; for fortified still wine from 25,58c/*l* plus 2,5% ad valorem to 55,68c/*l*, and for sparkling wine from 41,64c/*l* plus 2,5% ad valorem to 71,74c/*l* ■

Board rallies round chairman

182

City Press 29/3/92

CP Reporter

THE alleged strife among the top management of the National Sorghum Breweries in Johannesburg was diffused this week when the entire executive closed ranks around chairman Mohale Mahanyele.

All 19 members of the board signed a petition pledging their allegiance to Mahanyele, following the distribution of a pamphlet threatening a strike if the chairman did not resign by Tuesday (March 31).

The pamphlet was drawn up by an "action committee of the NSB", an organisation allegedly unknown by management.

According to the pamphlet, 69 employees would be laid off by the NSB on Tuesday "to give way for his (Mahanyele's) relatives and friends"

Mahlangu said the allegation that Mahanyele was staffing the company with his "friends and relatives" was a lie.

"Those who say that people with common surnames are all brothers and sisters are deliberately distorting the facts.

"We are, however, going ahead with a rescheduling of some positions, and this will affect only senior management positions. In the past we have had too many people reporting directly to the chairman, and our rationalisation is going to reduce the numbers," Mahlangu said.

Mahlangu showed City Press a memorandum, signed by 19 board members pledging their support to Mahanyele.

"We are solidly behind the chairman," he said.

Sorghum breweries sets up bursary

NATIONAL Sorghum Breweries has launched a R17-million bursary fund. (182)

Chief executive Mohale Mahanyele said his company regarded the social, economic, political and educational upliftment of black communities as one of its responsibilities. C\PRESS 29/3/92

The fund will benefit students at tertiary level with a technical bias.

Fizzy drinks are exposed as major pollution culprits

B/Day 1/4/92

OLAF PILOR

(182)

SHORTLY before Christmas, studies on SA's atmospheric status by the CSIR indicated that the carbon dioxide (CO_2) content of SA's air had virtually quadrupled to levels which represented a severe threat to the country's respiratory health High CO_2 levels also lead to the so-called greenhouse effect which, in turn, has contributed largely to the country's present drought.

A copy of the highly controversial report — whose implementation could have serious consequences for the beer and soft drinks sectors due to the winter ban on the sale of carbonated drinks — has been leaked to Business Day

In the 1950s, SA's air contained less than 0,5% CO_2 By late last year, emissions into the atmosphere had lifted the proportion to just short of 2%, while the crucial oxygen content had slipped from just more than 20% to well below 19% Nitrogen and rare gases make up the rest.

Carbon dioxide, the CSIR emphasises, should not be confused with carbon monoxide (CO) CO can kill as it links with blood haemoglobin, which carries oxygen around the body, to form carboxy-haemoglobin preventing the haemoglobin bonding with oxygen to make oxy-haemoglobin. However, CO_2 is indirectly dangerous — it is known to miners as black damp and can displace oxygen from the air underground and in low-lying areas

Most blame for the CO_2 build-up in SA had conventionally been put on vehicle exhaust emissions, and smokestack emissions from coal-fired power stations and industrial plants on the Highveld The CSIR found that fractionally more than half of all CO_2 emitted into the atmosphere comes from carbonated beverages (such as Coca-Cola and Schoonspruit) and naturally gassy alcoholic drinks such as beer and sparkling wine

According to CSIR environmental specialists, about 10% of the mass of beer can be CO_2 The precise percentage varies, with light lagers highest, ales lower and sorghum beer containing no CO_2 at all According to the report, beer sales lead to almost 50% more CO_2 being released into the atmosphere than is emitted by Eskom's new generation of 360Mw coal-fired power stations.

Since 1981, SA beer consumption has increased by 140% (see graph)

Attempts to suppress the CSIR's study were overridden at Cabinet level following pre-Codesa discussions with environmentalists within the ANC Cabinet insiders, speaking on condition of strict anonymity, said that suppression had been attempted because the CSIR's testing methods were controversial and, themselves, might have represented a potential health hazard

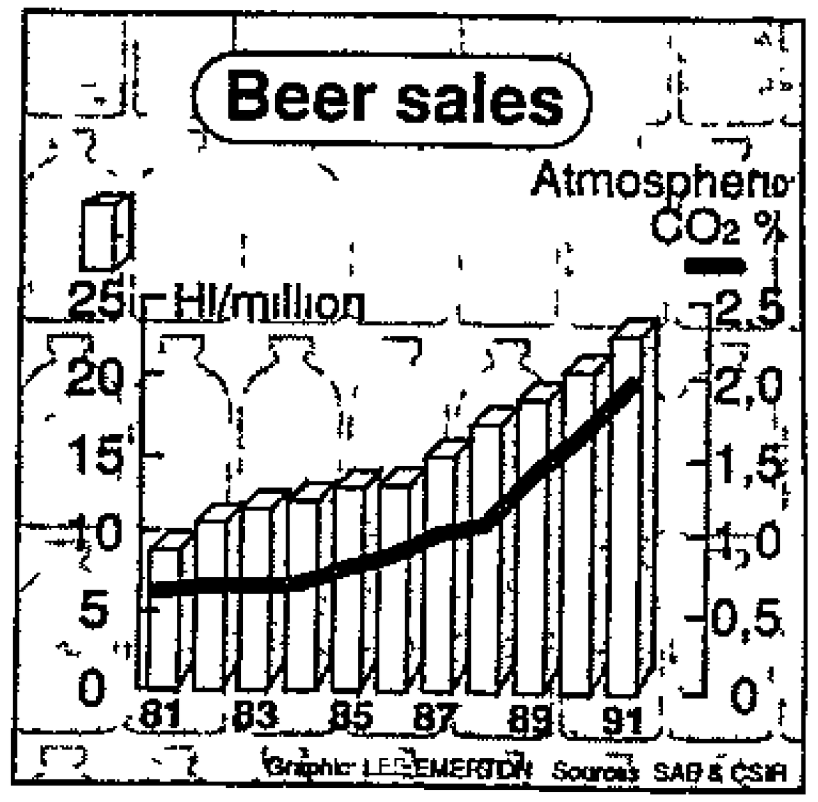
According to the report, carbonated drinks manufacturers co-operated since 1987 with the CSIR by using a specially developed and patented radioactive isotope of the CO_2 which gives soft drinks their fizz The CSIR was then able to match rising atmospheric radioactivity to CO_2 emissions from carbonated beverages

Tests were terminated prematurely when fears were expressed in Rina Venter's Health Department that radioactivity could damage health A CSIR spokesman stressed that this premature termination did not invalidate the research findings, and she questioned allegations about radioactive damage

She estimated that the radiation emitted over four years of field tests by the isotope of CO_2 was "less than a sixth of that emitted when Chernobyl exploded Soft drink consumers need not be concerned In any case, radioactivity in the drinks acts as a preservative and inhibits growth of micro-organisms that affect taste and colour over time"

She went on to indicate that the CSIR had recommended the use of patented CO_2 isotopes be resumed and estimated that the country could save millions of rands each year because they act as a preservative

French scientific institutions used the CSIR's patented isotope to run similar tests but aborted their experiments under pressure from Greenpeace activists According to reports in the weekly newspaper Le Canard Enchainé, the French ran their tests using Perrier water and covered up when Perrier was hurriedly pulled off the shelves by saying this was due to traces of benzene in the bottled water



According to Le Canard, the French government made a substantial secret donation to Greenpeace and has agreed to the environmental organisation's demand that underground nuclear weapons testing be terminated by the year 2000 in the South Pacific.

Particularly on the Witwatersrand, atmospheric CO_2 rises rapidly in the second and third quarters of each year — the winter quarters — as coal burning increases in black townships Political pressure from the ANC, Cosatu and Azapo prevented government from curtailing domestic coal burning The opposition groups are said to have insisted that they would support coal curbs only if township residents were provided with free electricity

An alternative, which attracted support from motor manufacturers consulted early on, was a partial ban on driving during the winter months It was proposed that private vehicle owners be allowed to drive on alternate days only — even numbered registrations on one day and odd-numbered on another

Ironically this programme, devised in Argentina to conserve petrol during the oil crises of the 1970s, resulted in a significant boom for that country's motor industry The rich bought second cars to ensure they would always have one available for use on any particular day But the boom was short-lived when less wealthy motorists circumvented the restrictions by buying second registration plates

Plans to curb motoring were ended by the late Wim de Villiers who persuaded Cabinet colleagues that resultant economic distortions would be too stressful for an SA economy struggling with international sanctions

One disappointed manufacturer says "The extra sales could have solved all our problems and, because of the Phase VI local content incentives, we would have exported at least three times as many exhaust catalytic converters than at present"

In February, the Cabinet reached a confidential agreement with SA Breweries, Amalgamated Beverage Industries and Cadbury Schweppes to eliminate CO_2 emissions from drinks in the critical winter months, April through September 1992 will be a test period

However, if atmospheric CO_2 levels do not drop in the particularly problematic Durban area, sales of gaseous drinks will not be allowed on the Natal coast until year's end In Durban, summer heat and humidity could combine with CO_2 to create the types of photochemical smog which afflict Los Angeles and Tokyo

SAB and the soft drinks manufacturers had hoped to persuade government to make restrictions less onerous by initiating a tree planting programme Plants can absorb CO_2 and, through photosynthesis, convert the dangerous gas to oxygen and plant growth Pretoria's scientific advisers turned the proposal down as photosynthesis alone cannot cope

According to CSIR estimates, a fully grown eucalyptus — a reasonably efficient photosynthesiser — would take almost a year to absorb and convert the gas emitted by 24 standard 340ml cans of Coke To put that in further perspective, the timber plantations of the eastern Transvaal and Swaziland can, alone, cope only with one month's production of Lion Lager (the best-selling beer) each year

It is hoped, however, that time and changes to South Africans' drinking habits will help reverse the potentially dangerous situation

Changes in KWV system?

CT 1/4/92

(182)

By TONY JACKMAN

KWV is expected to announce today that its controversial quota restrictions on wine farmers will be dropped or amended

The co-operative has called a press conference for this morning

Present KWV regulations require wine producers to submit certificates detailing their wine prices and quantities

But many wine producers feel they should be unfettered in order to compete in the international market

The system, hated by many wine producers who regard it as an infringement of their trading rights and an intrusion by a competitor, has been under review by KWV for some time

Tradition

A key deciding factor is believed to be the adverse effect the regulations could have on parts of the wine industry as individual estates gear up to trade internationally.

KWV itself has a long tradition of trading in the international market with little competition from individual South African estates

With sanctions dissolving, KWV is believed to be keen to encourage competition in a free market.

This week Simonsig estate owner Mr Pieter Malan was fined R500 after a Paarl Regional Court ruled that he had broken KWV regulations and withheld information from KWV on prices and quantities of Simonsig wines.

Competitor

Mr Malan argued that the certification legislation was invalid and therefore not legally binding

It was accepted as an extenuating fact that Mr Malan had withheld the information because he regarded KWV as a competitor

He said that KWV sold Laborie and Douglas Green wines throughout South Africa in competition with his own Simonsig wines

Sources said today's expected move had been coming for some months and its concurrent timing with the outcome of the case was coincidental

Firing of executives denied

B/Day 1/4/92 (182)

THEO RAWANA

RESTRUCTURING at National Sorghum Breweries (NSB) had affected the jobs of seven senior executives, the brewer said yesterday.

Reacting to rumours that the company had sacked five white executives, an NSB spokesman said in a statement "With the exception of one executive, alternative positions were offered to all executives affected and, where these have been declined, a generous severance package has been offered

"No executive has been 'fired' as alleged."

"Any allegation regarding racism on the part of the company in regard to the restructure is ludicrous as two of the affected executives are black

NSB, SA's largest black-owned and black-controlled company, recently placed advertisements in newspapers claiming that competitors had embarked on a campaign to sabotage and discredit it in the eyes of consumers.

Among tactics it said were used was that of dumping low-quality sorghum beer in containers bearing NSB brand names.

It also said certain white employees were being bribed to commit acts of sabotage against the company.

Govt bans fizzy drinks and beer in bid to curb pollution

BlDay 1/4/92

(182)

OLAF PILOR

LOOMING environmental problems have forced government to impose an immediate, though temporary, restriction on the sale of all carbonated drinks, including fizzy beers, soft drinks and sparkling wine

The move is not expected to have a material effect on the sales or profits of major beverage suppliers nor on the companies' share prices It was introduced as a compromise to the imposition of a substantial so-called carbon tax on petrol and diesel fuel to curb their usage

A confidential CSIR report completed in December and leaked to Business Day has shown that the concentration of carbon dioxide in the air reaches critical proportions in the winter months and that concentrations are currently four times their levels of 40 years ago.

The report further showed that, contrary to initial views that vehicle exhaust emissions are the main culprit, carbonated drinks are responsible for more than 50% of the damage to the atmosphere The situation is most serious during the winter months from April to September, which is the period during which the countrywide ban will be in force.

The findings prompted government to reverse plans to introduce a carbon tax on fuel, which would have lifted pump prices to about R3 a litre. Those plans, designed to curb petrol usage as a means of controlling atmospheric pollution, had been the subject of furious lobbying

Sasol MD Paul Kruger has welcomed government's decision "It is a great relief The country could not have afforded the inflationary implications of a sudden increase in petrol prices "

He added that a reduction in petrol consumption could have drastic implications for the domestic chemicals industry which is on the verge of major exports of raw and processed materials

Less pleased is SAB which produces most beer sold in SA and, through its interest in ABI, also controls much of the soft drink sector However, a spokesman said the company accepted its social responsibility to co-operate

"Naturally we are concerned about the impact on sales But we are about to launch a major advertising campaign designed to inform consumers of the attributes of flat beer such as that sold in large quantities in the UK," he said

Given that such beer is normally drunk at room temperature, it was fortunate that the ban would apply only in winter "Thereafter, in the hot summer months, consumers will be able to return to their favourite brands such as Castle, Lion, Amstel, Ohlssons and Hansa," the spokesman added

A further bonus was that savings in the brewing process would enable SAB to reduce the price of winter-style beer by

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Drinks ban

BlDay 1/4/92

(182)

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about 3c per 340ml container

An ABI spokesman said "We don't like it, but (Environmental Affairs Minister Louis) Pienaar has made it clear that there can be no further discussions or delay, as the situation is critical" He added that chilling a soft drink by an extra few degrees would partially hide the absence of carbon dioxide

A spokesman for Air Pollutant Risk Institute Ltd, an Anglo-French environmental studies group which co-operated closely with the CSIR, said restrictions on the sale of carbonated beverages would help solve the problem, though he warned that immediate benefits should not be expected Large-scale planting of indigenous trees also formed part of the longer-range strategy of improving air quality

He said consumers would just have to "get used" to drinking flat drinks, as in the UK "Despite being heavily industrialised and having a far higher vehicle population, Britain has carbon dioxide levels that are far lower than here Local drinkers have been spoiled over the years and that is why SA is the first country having to take this step They must now pay the price "

A stockbroker specialising in consumer sector investments expressed no concern about the restrictions He said they should have little effect on SAB as it was widely diversified out of beer and was likely to put a large effort into marketing new beers to South Africans

SAB, the analyst added, was known to be interested in getting into the sorghum beer market and this new development would "act as a spur, particularly if it means expanding sorghum beer sales to the affluent white sector"

● See Page 12

S

NSB to probe corruption claims

Sowetan 2/4/92 (182)

THE black-owned National Sorghum Breweries is to embark on a massive investigation following allegations of corruption and malpractice involving more than R1 million within the enterprise.

The probe, described by management as "Operation Clean Up", will be headed by the company's chief executive and chairman, Mr Mohale Mahanyele, after certain "disturbing" reports regarding vehicles and other malpractices in the company were received

This was disclosed to *Sowetan* Business by the company public affairs manager, Mr Simon Mahlangu, who said the reports concerned certain white employees in the company's structures

He would not give details of the investigation, but said that the reports had seriously perturbed the board of directors who were worried about the welfare of the company and its shareholders

He warned that "heads will roll" if any employee - black or white - was found guilty after the investigations were completed.

The reports come in the wake of growing concern among directors about the circulation by some "disgruntled employees" of a letter calling for the resignation of Mahanyele

The letter, which was circulated among employees, says if Mahanyele does not resign or is not replaced by a "competent manager" before April 6, then industrial action will follow

They also come following claims that competitors have embarked on a campaign to "sabotage" and "discredit" NSB in the eyes of the consumers

The company placed advertisements in newspapers, including *Sowetan*, claiming that rival sorghum brewers, are using unacceptable business

Mahlangu said that the directors were aware of the contents of the letter which apparently originated from some whites who had "ulterior motives".

In a memorandum, the directors and staff have indicated their "full and unwavering support" for the chairman and placed on record their commitment to the direction he has taken to finally establish NSB in the mainstream of South Africa's economy "We believe in the chairman's vision of a future democratic non-racial and non-sexist society and his belief in NSB as a microcosm of a future South Africa," they said

Wine quota system to be dropped by the KWV

ARG 2/4/92

DAVID BIGGS (182)

THE WINE production quota system is to be suspended, setting the Cape's wine industry free to be ruled by market trends.

This was announced by the KWV in Paarl yesterday.

Until now the KWV has granted production quotas to all producers of wine or wine grapes, laying down the quantities that could be produced and limiting the areas in which wine grapes could be grown.

The relaxed regulations now allow anybody to grow vines for wine production in any area, and to market the products however they please.

But wine producers will still need a permit from the KWV to produce wine, but this will now merely be "a formality, granted in exchange for relevant information to allow the KWV to keep track of the industry."

Announcing the suspension of the quota system, KWV chairman Mr Pietman Hugo said two main factors had made the change possible

The first was the rapidly crumbling international trade sanctions campaign against South Africa and the second was the burgeoning world market for grape juice concentrate

Both of these had opened new markets for SA grape products and strict controls were no longer necessary.

He added that the overwhelming Yes vote in the recent referendum had had an immediate beneficial effect on the wine industry, which was already feeling the results of better international trade relations

Asked whether he thought the new deal would result in a rapid growth in the wine-producing area, Mr Hugo said the cost of establishing new vineyards was so high, and wine production was such a long-term project, that he did not foresee very rapid changes

He expected a growth of about two percent a year

Bad weather and no fish dogs anglers

Staff Reporter

ANGLERS fishing off Hout Bay in the 1992 European Federation of

KWV to give up quotas

(182)

CT 2/4/92

Staff Reporter

WINEMAKERS and cellar masters in the Western Cape have welcomed the KWV's decision to cork its controversial wine production quota system, saying the move would create opportunities in an industry which has been restricted for decades

KWV chairman Mr Pietman Hugo yesterday came close to relinquishing the co-operative's 35-year grip on the South African wine industry when he announced that a recommendation had been made to Agriculture Minister Dr Kraai van Niekerk to suspend the quota system to make the industry "fully market-oriented"

A notice to this effect is expected to be published in the Government Gazette by the end of the month

The suspension of the system also creates possibilities for establishing new grape-growing regions to cater for the growing foreign demand for South African wines and grape juice concentrate products

"As from this year it will not be necessary anymore to have a production quota to produce wine No further forfeiture of money for over-production or incorrect grape supply will be applicable in future

"The new dispensation is more market-oriented and allows more freedom and leeway to the individual On the other hand, it also places much more responsibility on the producer to plan strategically," Mr Hugo said.

He said the most important reason for the decision was the rapid rate at which sanctions against SA were being dropped

Mr Hugo also said that it was "clear" to the KWV that the stability of the industry would not be jeopardised by any possible uncontrolled over-production if the quota system was suspended

This was because new entries or possible fly-by-nights into the industry would be confronted by high capital costs, the costly establishment of vineyards and cellars, plus the high costs in creating infrastructure for production and marketing

Reacting to the announcement, Neethlingshof Estate winemaker Mr Gunther Brozel said the move was definitely in the "right direction" and he was delighted

Bergkelder Co-operative winemaker Dr Julius Lazlo said the decision was a long-awaited one — which he personally welcomed

"It's now a free market We have to move in that direction We cannot continue to be ruled on what and what we cannot do," Dr Lazlo said

Simonsig Estate managing director Mr Pieter Malan said it was "good riddance" to the quota system, and the decision was long overdue

Simonsvlei Co-operative cellar master Mr Kobus Rosseau said the move was "a plus" for SA, its wine grape growers and wine producers

Wine quota system to go 182

LINDA ENSOR

CAPE TOWN — The controversial wine production quota system enforced by KWV is to be scrapped, probably from the end of this month when a notice will be promulgated in the Government Gazette.

KWV chairman Pietman Hugo and CE Ritzema de la Bat yesterday conveyed the decision to meetings attended by hundreds of Cape wine farmers, whose responses ranged from surprise and relief to concern about the implications of the step

Simonsig marketing director Pieter Malan, spokesman for the Wine Task Group which has long lobbied for the deregulation of the industry, was delighted.

"It's excellent Anything which moves the wine industry towards a free market is to be welcomed with open arms The quota system cost wine farmers a lot of money in terms of the penalties that had to be paid on surplus production and in the cost of buying the quotas," Malan said.

The scrapping of the quota system, first introduced in 1957, will make the wine industry more market orientated at producer level, with the only remaining controls being the minimum floor price and the surplus removal scheme Wine farmers will be able to cultivate vines for the production of wine on an unrestricted basis and freely market their wines.

Under the quota system a legal restriction was placed on the amount of wine which could be produced on a wine farm and grapes intended for wine production could be grown only on land for which a production quota had been granted. Surpluses were penalised.

Agriculture Minister Kraai van Niekerk has agreed to withdraw the regulations issued in terms of the Wine and Spirits Control Act which require the quotas.

"The KWV board is convinced that the wine industry's proven stabilising mechanisms of surplus handling and floor prices can effectively deal with any possible unforeseen surpluses which may still occur on the domestic market," Hugo said.

KWV did not believe the removal of quotas would lead to excessive overproduction, especially as the surplus decla-

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Wine

182

☐ From Page 1

ration acted as a brake on production growth by automatically reducing prices for distilled wine as soon as production levels rose too sharply

"There is a scant possibility of large-scale production expansion now taking place due to the capital costs involved, limited cellar facilities, the profitability of competing products and high cost of establishing vineyards.

A normal growth in production is thus anticipated, probably closely related to the demand for different products of the vine "

Hugo said the scrapping of the quota system was made possible by the "yes" vote in the referendum Other developments which had allowed the move were the lifting of sanctions and the sharp increase in international and local demand for grape juice concentrate.

Hugo admitted the quota system had affected how market-related the industry was, preventing expansion of production to smaller quality areas, hampering economies of scale and handicapping the successful farmer

Wine industry flows more freely

WINE giant KWV-announced the quota system which has ruled since 1957 would end at the end of April A "floor price" will be the only regulation remaining in the industry as farmers will now be able to grow and market their products freely. KWV chairman Pietman Hugo said the wine industry could regulate itself. WIMail

3/4-9/4/92 (182)

BUSINESS DAY, Friday, April 3 1992 3

Record wine crop of above-average quality

B/Day 3/4/92 (182)

LINDA ENSOR

CAPE TOWN — The 1991 wine crop of 970-million litres was the largest in the history of the industry, and represented a 1,8% increase over the 1990 figure of 953-million litres, KWV directors said in the annual report.

Eighty per cent was sold on the domestic market and 20% on the export market. Natural wine exports increased by 46% last year and those of grape juice concentrate by 27,5%. Bulk wine exports plummeted by 53,5%.

The report said climatic conditions had created wines of above-average quality.

"The (domestic) sales of natural wine show an increase of 4,4% with a clear trend in favour of cheaper wines. Sparkling wine showed a continued growth of 7,4% although from a small base."

The annual report said the marketing environment and the unstable buying pattern of producing wholesalers had also affected KWV's domestic sales.

"Producing wholesalers continued rationalising their stocks of matured brandy by using their own supplies for marketing and therefore bought less from KWV. KWV's sales of rebate brandy to domestic producing wholesalers dropped by 27% overall, compared with 1990.

"The producers' sales of good wine to producing wholesalers increased by only 1% in 1991, compared with an increase of 16,1% in 1990."

KWV's net income rose 10% to R55m (R50m) with branded product exports and sales of grape juice concentrate making the largest contribution.

Producers received income of R663m last year, bringing the average rate of growth in income from 1985 to 12,4%, the report said.

Wine industry to stand on its feet at last

6Day 3/4/92

(182)

MICHAEL FRIDJHON

THE announcement on Wednesday by KWV that its board has recommended to the Minister of Agriculture that wine production quotas be suspended is the first significant move by the organisation to let market forces determine survival and failure in the wine industry.

In terms of its charter, KWV is obliged to take up and dispose of grape surpluses, paying the farmers a floor price for any such overproduction In 1957 KWV introduced production quotas as a means of limiting its exposure as a buyer of last resort to the industry.

The quota system entrenched the rights of existing producers, discouraged the development of new viticultural regions and created an artificial value for wine as an industrial product Farmers planted vines and irrigated their land to maximise yields even at the expense of quality

This cynical abuse of the arrangement was enormously profitable for those farmers in hot climates with plentiful supplies of water. Wine produced in this way was fit for nothing except disposal as an industrial product Quality wine farmers were unable to compete against these operations They were bound by the regulations, but derived no discernible benefits.

The minimum wine price is still in place, thus imposing on KWV the responsibility of a blank cheque to the industry CE Ritzema de la Bat does not envisage any problems in this regard He believes the cost of entry into viticulture today is so high that the abolition of the quota system is unlikely to lead to an enormous increase in production KWV also cites as reasons for relaxing the regulations the end of the sanctions era

All these factors have assisted KWV in moving from a defensive control-oriented pricing/production mechanism to one that is more sensitive to market forces.

Quota regulations were amended in 1985 to permit farmers with a surplus of quota to trade this excess to farmers in need of such a quota Since this relaxation of the system, about 152 000 tons of quota have been transferred, at an estimated cost to the purchasers of between R70m and R100m

The KWV will not be compensating those buyers of quota for their purchases they regard such decisions as commercial risks taken at the time and appropriate to the business enviroment of the era.

Like the post-apartheid NP government, they have embraced reform with the enthusiasm of the converted

Just the same, it doesn't all add up

Quotas were introduced before the era of sanctions. It seems that the KWV wishes to be seen as a liberalising force, precisely because it feels its long term value to the system is most threatened Yielding production control when the cost of entry into grape farming is high is not a major concession

The organisation still enjoys control over all aspects of the wine farmers business including, most importantly, the question of minimum prices

STAR 6/4/92 182

Recession hits rare wine prices

The biting recession had an impact on wine sales at the Nederburg auction on Saturday, with prices for the country's top rare wines down about 12 percent compared to last year.

The overall average price at the 18 th Nederburg auction, which coincided with the 200 th anniversary of the Paarl estate, was R255 a case compared to last year's R292 a case.

Red wine sold at an average of R322 a case, down from R376 a case last year White wine sold at an average of R182 a case compared with R230 a case last year

A record price of R230 000 was paid for a 1,5 l bottle of Rover Mondavi Cabernet Reserve 1979 at the annual charity auction. The item, donated the Robert Mondavi Winery in Napa Valley, California, was sold to Graham Beck of Douglas Green Bellingham/Madeba Farms The total charity proceeds of R249 270 will go to the Hospice Association of Southern Africa — Staff Reporter

BUSINESS DAY, Tuesday, April 7 1992

Nederburg sale sees a decline in prices paid

(182)

B Day 7/4/92

LINDA ENSOR

PAARL wine prices fetched at the annual Nederburg auction at the weekend were significantly lower than last year's, with the slack demand being attributed to higher reserve prices and the high level of stock being held by the trade

The excitement of the day came in the charity auction at the end when Douglas Green Bellingham's Graham Beck finally outbid Neethlinghof's Hans Schreiberin a neck and neck race for a magnum of Robert Mondavi Cabernet Reserve 1979

Beck payed R230 000 in what was said to be the highest price yet paid in SA for a bottle of wine

Other charity wines which came under veteran auctioneer Patrick Grubbs' hammer were an 1832 Madeira (R820), a 1942 Chateau Libertas (R12 000) a 1969 Nederburg Edelkeur (R1 000) and a 1955 Chateau Mouton Rothschild (R1 750)

The total take for the wine auction was R2,1m — only slightly above last year's R1,9m This was despite the fact that there were 3 000 more cases on auction this year A total of 11 179 cases of 121 rare wines from 33 estates, co-operatives and wineries were put on auction but many cases were passed with no bids being made

Blocking effect

Wine consultant Dave Hughes told a Press conference after the auction that more lots were passed or had broken down in this year's auction than ever before with the auction results reflecting the state of the economy

He said the high reserve prices asked seemed to have had a blocking effect as those wines with lower reserve prices had sold very well

The average price fetched for nine litres of white wine was R182, much lower than last year's R230 The average price for red was R322 (R376 last year). The average for all wines was about R255 (R292)

The Taiwanese were the most active buyers with the wholesale firm Far Live Trading spending R339 000, or 16% of the total sales for the day

Exports picked up considerably, representing 24% of total sales (excluding Namibia), up from last year's 14% Buyers came from all over the world including Belgium, Canada, Germany, Holland, Taiwan, UK and Europe A total of 321 buyers took part in the auction, and there were 146 successful purchasers

Query on wine farm prices

(182)

CT 10/4/92

By MAGGIE ROWLEY
Property Editor

THERE is uncertainty in the market as to how the suspension of the KWV production quota system will affect prices of wine farms.

Since 1985 alone, about 152 000 tons of quota have been transferred at an estimated cost to purchasers of about R70m. KWV has said it will not compensate those buyers as it regarded such decisions as commercial risks taken at the time.

Leading agents said KWV quotas had been a major drawcard for purchasers — they had bought them at a premium paying between R200 and R600 per ton of quota depending on the location of the farm.

Jan Hofmeyr of Seeff Property Organisation's Paarl branch said he had a number of farms on his books ranging from R600 000 to R5m

The R600 000 farm had been put on the market with a KWV quota of 175 tons with a former market value of R43 000.

"Whether or not the seller will have to adjust his price now the value of the quota has been eroded only time will tell"

He said he knew of a number of wine farmers who had been angered by the move as they had bought additional quotas at a huge premium in recent years.

However a spokesman for Martin Hanson Estates in Franschhoek said he strongly believed the deregulation would have a positive effect on wine farm sales

"It has done away with a lot of red tape and gives owners the freedom to do what they wish with their grapes and to decide how much they wish to produce"

Announcing the suspension last week, KWV chairman Pietman Hugo said the possibility of the value of properties being affected and consequently also producers' security with financial institutions had been discussed with the Land Bank.

"It was clear that the security value of a property is determined by the production or agricultural value thereof. Financial institutions strongly concentrate on these factors and the right to produce is in any event not affected."

WINE INDUSTRY FM 10/4/92

Still room for reform

KWV's decision last week to recommend wine production quotas be suspended is a significant reform, but critics believe it could have gone further

They argue that even without the quota system, KWV controls the industry by setting the minimum price paid to farmers for grapes delivered to its wineries

It is also a producer and exporter in its own right, through KWV Investments, in partnership with Rembrandt, and is therefore widely regarded as player and referee

But KWV CE Ritzema de la Bat says the organisation now has little control over the industry "We think it is as free as the market allows, considering the control exercised by the State through the liquor licensing system and excise duties"

(182)

Staying stable

He believes KWV's setting of a floor price and its compulsory purchase of excess production is essential to keep the industry stable and avoid the need for State subsidies

The end of the quota system is not likely to spur a sudden increase in wine production because the existing land under production is fully used and the cost of starting new production is high

Also, the price paid for distilling wine decreases, on a sliding scale, as production increases, discouraging over-production of low quality product

De la Bat says suspending the quota will force farmers to become more market-orientated and concentrate on producing quality wine It will not be economically viable to simply produce distilling wine for KWV

Chairman Pietman Hugo says significant market changes in recent months made it possible to recommend to Agriculture Minister Kraai van Niekerk that quotas be suspended These include the lifting of sanctions and the consequent increase in exports of brand names, the rapid growth in world demand for grape juice concentrate and an increase in the percentage of the crop required for table wine production (as opposed to distilling wine)

The quota system, introduced in 1957, limited the quantity of grapes a farmer could produce and restricted the growth of the industry, especially at the top quality end Entry was effectively limited by the availability of quota farms

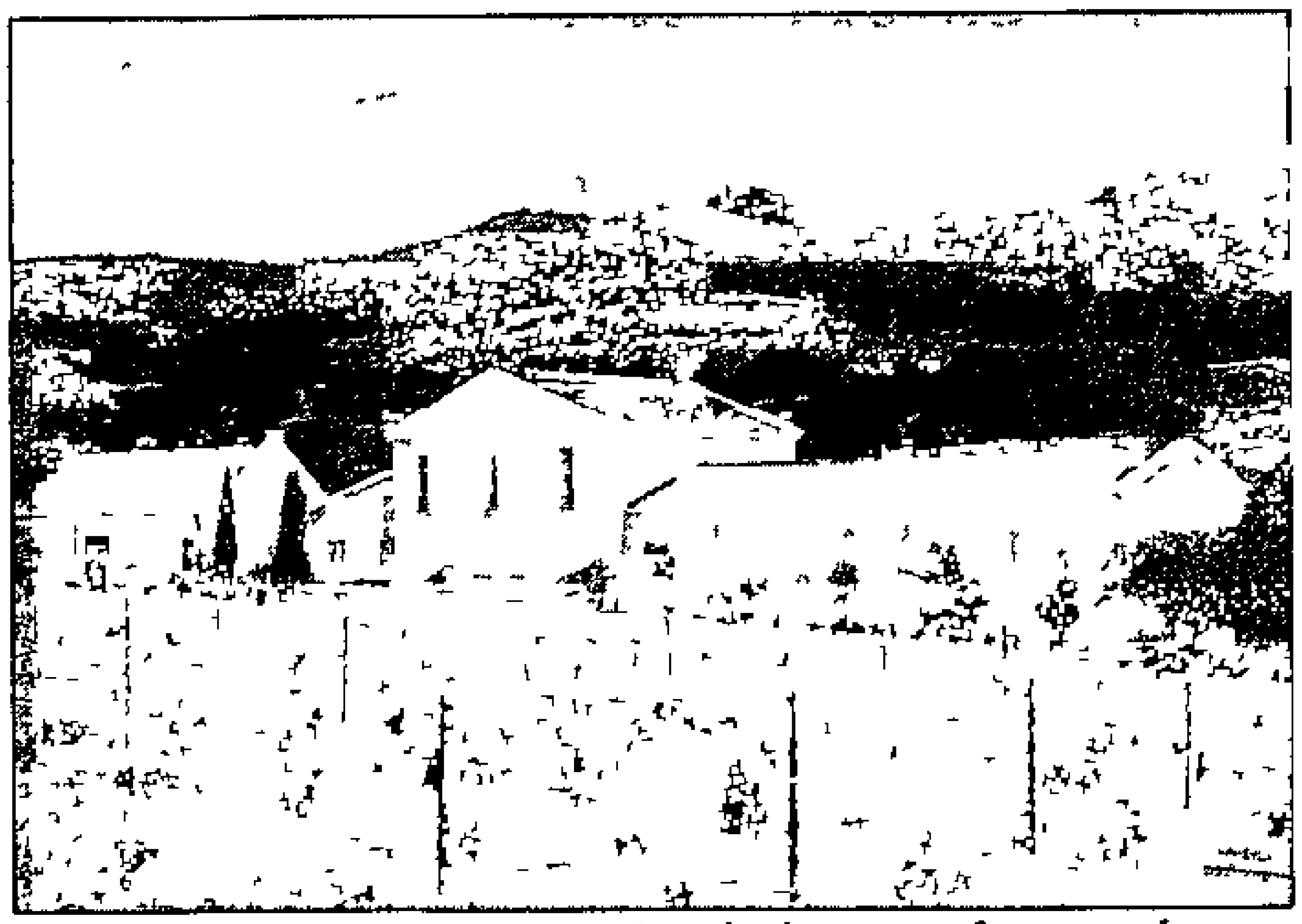
In terms of its statutory charter, KWV, essentially a farmers' co-operative with 5 000 members, is compelled to buy over-production from wine farmers at a minimum price The quota was a means of limiting its liability Excess production was usually distilled and sold on the world market, often at a loss

The system was changed in 1985 to allow farmers to buy and sell quotas within specific wine regions and to transfer them between farms to allow increases in production. It was also recently abolished for farmers who exported wine

KWV was able to "fine" farmers for exceeding quotas regardless of whether they were able to dispose of the "over-production" without the co-op's help At least three of SA's top estates, Klein Constantia, Thelema and Boschendal, were recently forced to pay penalties for exceeding quotas KWV's critics argued that the "fines" were inevitably factored into the cost of the wine.

Another top producer, Pieter Malan of Simonsig, was taken to court last month and fined R500 for failing to supply KWV with details of production quantities and selling prices

KWV says over-production "forfeitures" were calculated over a three-year period and, during that time, a producer could balance out the quota and avoid a fine Over the past three years, R100 000-R150 000 a year was forfeited and will be repaid as soon as government approves the suspension of the quota system



Restrictions dropped *but little scope for growth*

It counters criticism by saying the system brought stability to the wine industry, whereas less interventionist approaches elsewhere in the world led to huge surpluses and high State subsidies

Last year's wine grape crop was 1 Mt worth R653m About 55% was turned into wine, 25% into distilled spirit and 20% into grape juice concentrate

About 20% of the crop was exported to 40 countries, though only a tiny percentage was

BUSINESS & TECHNOLOGY (182)

FM 10/4/92

sold overseas as labelled, bottled table wine KWV's strategy for the Nineties is to move more aggressively into exporting bottled wine rather than bulk product, the market for which — mainly in eastern Europe — has collapsed

Tim Hamilton Russell, of Hamilton Russell Vineyards near Hermanus and one of the KWV's most outspoken critics, says the suspension of quotas is long overdue but it is only a first step towards a free-market wine industry

While the move means that anyone can buy land and produce grapes, the high costs will probably keep new entrants to a minimum He says SA's super premium wine market is already saturated and newcomers could easily burn their fingers

Land suitable for wine grape production is available in regions, such as Caledon, for around R3 000/ha, but the cost of bringing it into production is about R50 000/ha A winery with a capacity of 15 000-20 000 bottles would cost about R1m ■

Cadswep beats the trend

B/Day 14/4/92 (182)

MARCIA KLEIN

SHAREHOLDERS in Cadbury Schweppes (Cadswep), which significantly outperformed market trends in the year to end-December, can expect another year of buoyant growth in financial 1992.

The soft drink and confectionery group's earnings grew by 33,5% to R46,8m in the 1991 financial year.

Although turnover was only 13,4% up at R610m, rationalisation benefits and improvements in internal efficiencies and product mix saw operating profit rise by 28,6% to R60,6m.

The group's earnings have shown a 28,6% annual compound growth rate over five years, and dividends have increased by a compound 29,2%.

Chairman Alan Clark said in his annual review Cadswep expects real growth in financial 1992 despite the fact there would be no volume growth.

He said the recession would not lift for most of this year and consumer confidence would take some time longer to recover.

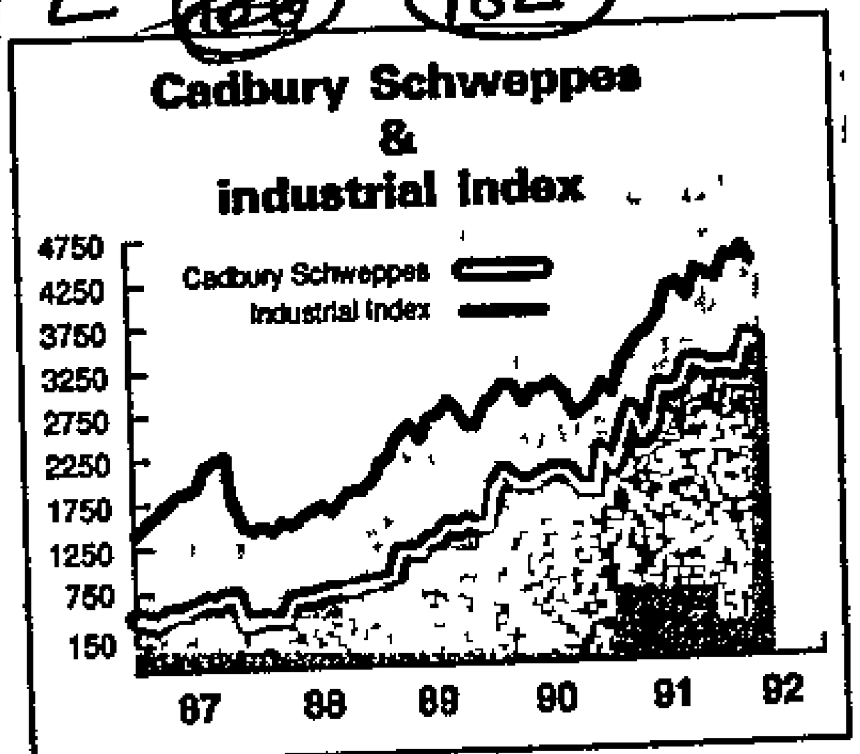
In this light volume growth would not occur even in the group's markets which were relatively resistant.

But he said "continued tight control of costs, careful brand husbandry and aggressive marketing" would lead to growth in real terms.

This trend would follow the group's performance in financial 1991, where sales volumes declined slightly, but the group increased earnings significantly in real terms by "focusing sharply on improved cost efficiencies and product mix and by making the most of the benefits to be gained from integration and revitalisation of Chapelat-Humphries".

Over the past year R47,3m was spent on replacing and upgrading existing fixed assets and on new plant and facilities, and financing costs grew by 23%.

Clark said Cadswep would continue with upgrading and development, and R34m capex was approved at end-December. Although borrowings would increase as Cadswep continues to expand in the current year, they decline significantly in the future.



Graphic: RUBY-GAY MARTIN Source: I-NET

Danes snap up SA wines as sanctions fall

B/Day 14/4/92 (182)

KATHRYN STRACHAN

THE KWV has rushed fresh supplies to thirsty Danish tipplers after Denmark snapped up 50 000 bottles of SA wine within four days of sanctions being lifted

KWV international marketing manager Hermann Böhmer said yesterday 50 000 bottles of SA wine were sent to the Danish/German border on March 18 — a day after the referendum — in anticipation of Denmark lifting sanctions Two days later the Danes obliged and the wine went on sale And two days later it was sold out

Since then, Danish distributors have ordered more than R1m worth of wine

Although Denmark had a population of only 5,5-million, the country was known to have a very high consumption of wine, Böhmer said Nonetheless, he said, the KWV took a gamble by moving the containers carrying R300 000 worth of wine from its UK warehouse on the day the referendum results were released

"It seems as if Danish consumers have been waiting all these years for SA wines to come back on to the shelves We are overwhelmed by the orders, and very happy with the way the market has grown in just less than a month If we could open up more markets like that it would be tremendous," he said

Böhmer said he believed things were looking up for the local wine export business — and he expected Norway and Sweden to follow Denmark's example soon Exports to Finland, which lifted sanctions last July, would begin within weeks

He thought the KWV could be benefiting from the "forbidden fruit" syndrome, where people felt they had to find out what they had been missing

CT 15/4/92

New duty on wine burden on industry

182

Business Staff

THE new excise duty on wine introduced in lieu of an ad valorem tax has placed an additional R54m burden on the wine industry, says KWV chairman Pietman Hugo.

Addressing the company's AGM yesterday, he said although the scrapping of the ad valorem tax had been welcomed the extra tax burden on the industry, particularly the excise duty of 17c per litre on natural wine, represented an "incomprehensibly excessive increase".

"It remains the wine industry's point of view that should excise duty be increased too quickly not only would the industry be harmed, but the government could run the risk of losing revenue.

"One would expect the government to be more circumspect when next it makes such an adjustment with regad to natural wine

He added that in the present environment, with only two major buyers in the market and therefore "little talk of balance in the market" the scrapping of the minimum wine price was not even under consideration.

St George's Brewery triples its production

Star 15/4/92 (182)

DARIUS SANAI

JOHANNESBURG'S St George's Brewery, the largest independent beermaker in the country, has increased production of its beers threefold during the past year, and is set to continue expanding

Management at the brewery are considering entering the bottled and canned beer market At present, the main product is barrelled draught, although some two litre bottles are also produced

The market for imported beers, although small compared to the volume of SAB products, is also expanding rapidly, according to B J Lenkwarden of N M K Schulz, SA's largest independent beer importer

St George's produces four brands its own St George's brew, an English-style ale, Sherwood Porter, a Guinness-style stout, and two products under licence from Mitchell's Breweries of Knysna — Forester's lager and Bosun's bitter

Mitchell's owner Lex Mitchell attributed the rise in production to an increasing awareness of different and unusual beers by the SA public Mitchell's beers are brewed in Knysna, Johannesburg and Cape Town, and the company is set to open another brewery in Durban

Lenkwarden said while imported beer constituted less than 0,1% of SAB sales, people were willing to pay extra for more exotic products

The price of foreign beer was bumped up by import surcharges of 40%, he said

Record wine crop harvested — KWV

B/Day 15/4/92 (182)

LINDA ENSOR

CAPE TOWN — A record wine crop of 990-million litres compared with last year's 970-million litres has been harvested, says KWV chairman Pietman Hugo

He announced, too, at the group's AGM yesterday, adoption by the wine industry of a manpower code to govern labour relations in the absence of legislation, and the donation of R250 000 to the SA Agricultural Union's Emergency Relief Fund

Hugo said the slightly late, wet, cold winter contributed to good soil moisture, which led to excellent budding, while the cool early summer encouraged growth The relatively drier weather in mid to late summer meant healthier grapes reached the cellars.

The manpower code, which had been signed by 97% of the co-operatives, 97% of the 74 estates and 92% of private producers, stated that there would be no discrimination in labour practices, training and promotion, and that humane living standards would be provided where possible It also stated that workers had the right to reasonable remuneration and service benefits, to protection for personal security and health, and to freedom of association

SA BREWERIES FM 17/4/92

Time, gentlemen please

FM 19/4/92 (182)

There are market hints of scepticism at SAB's disparate nonbrewing interests

Few analysts would dare to question SA Breweries' status as one of the bluest of blue chips. But, as recession has tightened its grip, there have been growls about the performance — or lack of it — of some of the nonbeer interests.

Amid the craze for unbundling, the R1,4bn investment in Plate Glass — which has had more than its fair share of problems in recent years — brings with it questions on need, diversifying and direction.

For almost 10 years the direction of the group has been in the robust hands of Meyer Kahn whose standing in the investment community — and in business in general — is high. He may soon face some tough decisions if his reputation is to remain intact and his shareholders are to be kept satisfied.

However, the subject is not simple. Any objective assessment needs to address at least three points:

☐ Why SAB's diversification programme developed the way it did,

☐ The performance of the diversified interests *vis-à-vis* beer, and

☐ Whether enough is being done to deal with underperforming assets.

The diversification programme can be broken into two — possibly three — distinct phases. In the context of the way the group now views its profit profile, the initial phase was the decision to establish a distribution network by buying hotels and other licensed retail outlets, later consolidated into the Southern Sun and Solly Kramer chains respectively.

Another aspect of this phase was the entry into the broader liquor market through the original Stellenbosch Farmers' Winery (SFW) which encompassed, as it does today, both wines and spirits.

Given the need to deploy large cash flows from beer — a market that the company dominates and defended from some determined competitors — this seemed a logical route to follow. It is a sufficiently allied undertaking for SAB executives to feel comfortable about addressing any problems that might have arisen and generally to give it impetus from accumulated internal skills.

Largely as a result of circumstances beyond SAB's control, this initial diversification within the broader liquor industry was less than an unqualified success.

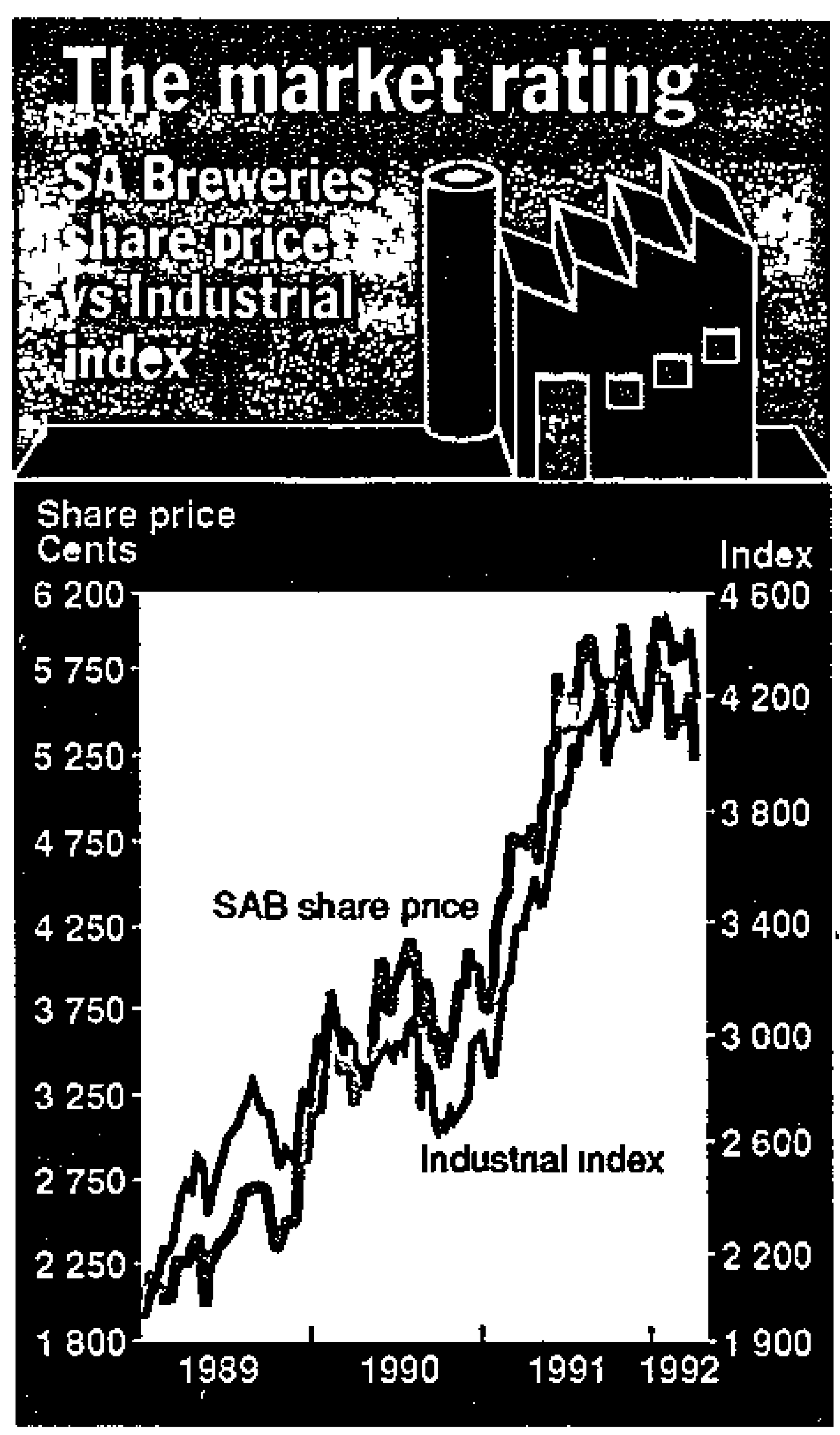
Direct and indirect meddling (some might say bungling) by officialdom caused the group to lose control of SFW and sell its retail liquor outlets, leaving Southern Sun as the main survivor of this era. Even Southern Sun was later to run into trouble when the "partnership" between SAB and Sol Kerzner broke up, Kerzner taking the money-spinning gaming resorts out of the group and, ultimately, into the Safren stable.

It is important to bear in mind that the group originally envisaged becoming a far larger and more broadly based and focused force within the liquor and beverage industry. Had it been allowed to do so, it might have escaped the amorphous (maybe even sluggish) conglomerate tag.

The second phase of diversification involved expansion into other mass consumer markets with the acquisition and/or development of operations such as OK Bazaars, Edgars and Afcol (remembering that the original Afcol encompassed, in addition to manufacturing, the furniture retailing businesses later hived off into Amrel).

The common denominator is that the companies concerned were extremely close to the consumer market, in contrast to some later acquisitions and developments where the emphasis fell more on manufacturing and, in a sense, can therefore be said to represent a third phase of diversification.

Companies in this category include Lion Match, Da Gama Textiles and, of course, Plate Glass. One can argue (as does SAB) that these still have strong links to the consumer market and, therefore, fit the objective of serving mass market consumer needs. They do — but in the progression of acquisitions in this category, the consumer links are becoming increasingly tenuous.



Source I-NET

STRONG MIX

	EPS Growth (5-year compound) %	Return on Equity (1991) %
ABI	28	21
Dist Corp	19	16
SFW	6	10
OK Bazaars	4	4
Amrel	*14	17
Edgars	49	32
Afcol	28	16
Lion Match	28	14
Da Gama	*21	22
Conshu	*21	21
Hotel Interests	30	n/a
SAB Group	26	22

* = 4-year compound earnings growth

The next point is the performance of these interests relative to the core business.

There are two major considerations: the overall profit contribution from diversified interests in relation to the objective of creating a "balanced" profit profile — usually interpreted as meaning that the profit split between beer and other interests should be roughly equal — and the performance of individual companies in relation to the stated objectives of growth and returns.

The first aspect presents no problems since it involves nothing more than a comparison of beer versus the rest. As might be expected, the year-by-year profit split varies considerably but, in 1984, the profit split was 52%-48% in favour of beer.

Six years later, in 1990, there was little net change, with the split still 53%-47%. In 1991, however, with recession really starting to bite, the picture changed materially. Whereas earnings attributable to nonbeer interests rose by under 9%, the beer division churned out an additional 26% and the profit mix consequently changed to 57%-43%. There is every indication that the disparity has become even larger for the year just completed, bearing in mind severe interim profit falls recorded by the likes of Afcol, Amrel, Lion Match and Da Gama.

For the 12 months to September 1991, beer's contribution to total group earnings had already risen one percentage point to 58%, unless there has since been a dramatic change in fortunes, it can probably be assumed that the figure for the 1992 financial year as a whole will be closer to 60%.

Assessment of the performance of individual companies becomes more subjective. The approach adopted was to select two criteria that companies should at least have been able to maintain earnings in real terms over the past five years and that return on equity for 1991 — the last full financial year for which comprehensive data is available — should meet SAB's group target of 20%

Performance of the diversified interests, by these criteria, is summarised in the accompanying table Without taking into account anything that has happened since March 31 1991, this highlights two notably weak spots in the portfolio OK Bazaars and the twin investments in SFW

In each case, inflation-adjusted earnings have fallen substantially over the five years and profit generation in relation to net assets employed is weak by any standards

To these can be added a third, the hotel interests Though these are shown in the table to have grown by 30% a year since 1986, this is off a low base of only R4m It does not take into account that in 1985 total earnings of these interests were R25m (vs R15m in 1991), nor does it reflect the fact that 1985's R25m was earned from a total asset base of only R306m, whereas, by the end of financial 1991, this had risen to R1,2bn

Viewed coldly, the investments in SFW and, by implication, Distillers Corp are hard to justify SAB holds 30% of the equity of each, which in itself cuts across its preference to exercise control over companies in which it invests

CHANGING PROFIT SOURCES

	1985		1988		1991	
	Rm	%	Rm	%	Rm	%
Beverages	139	57	274	58	538	62
Retail	39	16	104	22	192	22
Hotels	25	11	11	2	15	2
Manufacturing	20	8	47	10	109	12
Non-SA	5	2	26	5	57	7
Miscellaneous	15	6	14	3	(44)	(5)
Total profit*	243	100	476	100	867	100

* Profit after additional depreciation but before minorities' share of profit in partly-owned subsidaries

The control aspect would not be a problem if the companies were performers But track records prove that they are involved in slow-growth sectors and there is little on the horizon that suggests a change in this

The bottom line is that these holdings have a current market value in excess of R350m (equivalent to 10% of SAB's own equity base before the takeover of Plate Glass), which could earn substantially more than they do

Similar comments could apply to OK Bazaars While one accepts that, catering to the lower end of the consumer market, this chain has been more affected than most by the recession and social unrest, one should not lose sight of the fact that groups such as Pep, catering to the same segment, still produce acceptable results

So there is some relevance in the question whether enough is being done to improve the performance of the stores — or whether SAB is flogging a dead horse in trying to perpetuate a retailing concept which no longer attracts consumer support

Southern Sun may be different The problem is that, with a portfolio of upmarket hotels, Southern Sun has largely priced itself out of the local leisure industry — an aspect recognised by the current repositioning of certain units within the group On top of this, foreign tourism fell during the sanctions years and the business sector has been under pressure from the recession

But it is reasonable to expect a reversal of some of these adverse factors within a reasonably short time First and foremost must be the prospects of an increase in foreign tourism as relations with the rest of the world normalise, particularly as, with a weak currency, SA has become a cheap destination for tourists from hard-currency areas The Southern Sun chain is well-posi-

Continued on page 24

Continued from page 21

tioned to benefit from this And its recovery would gain impetus from an easing of the recession in SA

To summarise, the apparent desire by some to invest directly in SAB's beer division is understandable It has continued to show strong growth while some nonbeer interests have been under severe pressure Realistically, however, problem areas within the group are relatively few and this has been reflected in a favourable market rating

There is one other aspect of the diversification that comes to mind It is that management appears to be more concerned with acquiring assets — and using cash within acquisitions to keep the group's debt equity ratio sweet — rather than improving earnings per share

While there are few, if any, opportunities on the industrial boards to rival an investment in SAB, shareholders might well take the view that EPS could perform even better if a more aggressive approach were adopted in dealing with OK Bazaars, which is now a chronic nonperformer, and Da Gama Textiles

They may not have prevented SAB as a group from achieving excellent growth, with commensurate benefits to shareholders But, as the international markets open up, that yardstick may be found to be too parochial

The 1991 annual report made the point that the composite return to investors (capital growth plus dividends) for the previous seven years averaged 33% a year, compared with 22% for the 10 largest industrial groups which SAB considers comparable And that is why the share is priced at an earnings multiple of almost 20 and dividend yield of only 2,3%, despite an abnormally generous pay-out policy

The question that shareholders must ask is whether, if the dogs are left to lie, that market rating will be maintained There have been some recent signs of more sceptical investor sentiment reflected in the share price Whatever the reason for SAB's fuzzy diversification, it is now in a position to return to greater focus by lobbying for change in local operating parameters or by casting its net towards greater brewing opportunities abroad

Diversification is always risky but never more so than when it is into interests so far from the core interest that executives have to seek skills outside their area of competence

The acquisition of Playcor — a reorganised undertaking but one that must still prove itself in its new form — is hardly encouraging if one takes that point of view Kahn is obviously not a man for beer and skittles if judged from a local point of view SAB's nonbeer interests have on average done well, individually they could have done much better

The time may be approaching — and the market could be in an early phase of signalling it now — for SAB's diversification needs to be reconsidered The retail, textile and other disparate interests, increasingly awkwardly grouped under SAB's own mass consumerist label, could be swapped for an initiative in international brewing That is what SAB knows best

Brian Thompson

GROWTH RATES

	%
Earnings†	18,8
Dividends†	18,5
Net worth†	16,3
Share price*	28,3
JSE Indust index*	21 5

† Seven-year compound growth
* Eight-year averages

Jobs is the thorny issue

Sowetan 23/4/92

The development of the economy, including the stimulation of small business, is an essential ingredient in the changing South Africa.

In the present climate of political change, it becomes imperative to ensure that there is parallel economic development, according to Natbev's corporate social responsibility report released this week

The report describes some of the company activities over the past year in the fields of the informal sector, business development, education and community development.

Problem

In the opinion of Natbev and the Bottlers of Coca-Cola, the most pressing problem facing South Africa is unquestionably jobs

Thousands walk the streets with little or no hope of finding employment in the formal sector of the economy, the report states.

It says approximately 500 000 people enter the job market each year, of which the formal sector creates 35 000 extra jobs a year.

The remaining 465 000 unemployed are left with two options:

Join the informal sector and be self-employed, or

Starve

This, the report says, has resulted in the rapid growth of the informal sector and is one the most important reasons for the Coke system's involvement in this sector.

Honour for boss of NSB

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Sowetan 23/4/92

The chairman and chief executive of the black-owned National Sorghum Breweries Ltd, Mr Mohale Mahanyele, has been conferred with a professorship of Strategic Management by the International Management Centres

IMCs, whose motto is Creating Wealth Through Management Development, are multinational post-graduate business schools with regional offices in Europe, the Far East, North America and the Pacific

Mahanyele holds an MBA from Northland Open University and International Management Centres He is a human resources specialist and long standing campaigner for black economic empowerment in the corporate world

CADBURY SCHWEPPES FM 24/4/92 (182)

Helping to vindicate a premium rating

Activities: *Manufactures and markets confectionery, soft drinks and food*
Control: *Cadbury Schweppes Plc 53,4%*
Chairman: *A J L Clark, MD P M Bester*
Capital structure: *35,1m ords Market capitalisation R1,18m*
Share market: *Price R33,50 Yields 1,6% on dividend, 4,0% on earnings, p e ratio, 25,1, cover, 2,5 12-month high, R34,25, low, R23,50 Trading volume last quarter, 187 000 shares*

Year to	'88	'89	'90	'91
ST debt (Rm)	1,6	10,5	28,5	13,8
LT debt (Rm)	14,2	38,1	27 9	46,9
Debt equity ratio	0,21	0,25	0,33	0,31
Shareholders interest	0,57	0,49	0,53	0,46
Int & leasing cover	10,0	7,5	4,4	4,7
Return on cap (%)	17 3	14,9	14,9	16,0
Turnover (Rm)	326	440	538	610
Pre-int profit (Rm)	32,0	41,9	47,1	60,6
Pre-int margin (%)	9,8	9,5	8,8	9,9
Earnings (c)	73,7	88,4	100,5	133,6
Dividends (c)	30	36	41	54
Net worth (c)	320,3	399,7	469,0	501,1

The results go some way to vindicating Cadbury Schweppes (Cadswep)'s premium rating In a way which seems to defy logic, it has been able to increase earnings by a third, without any real growth in turnover

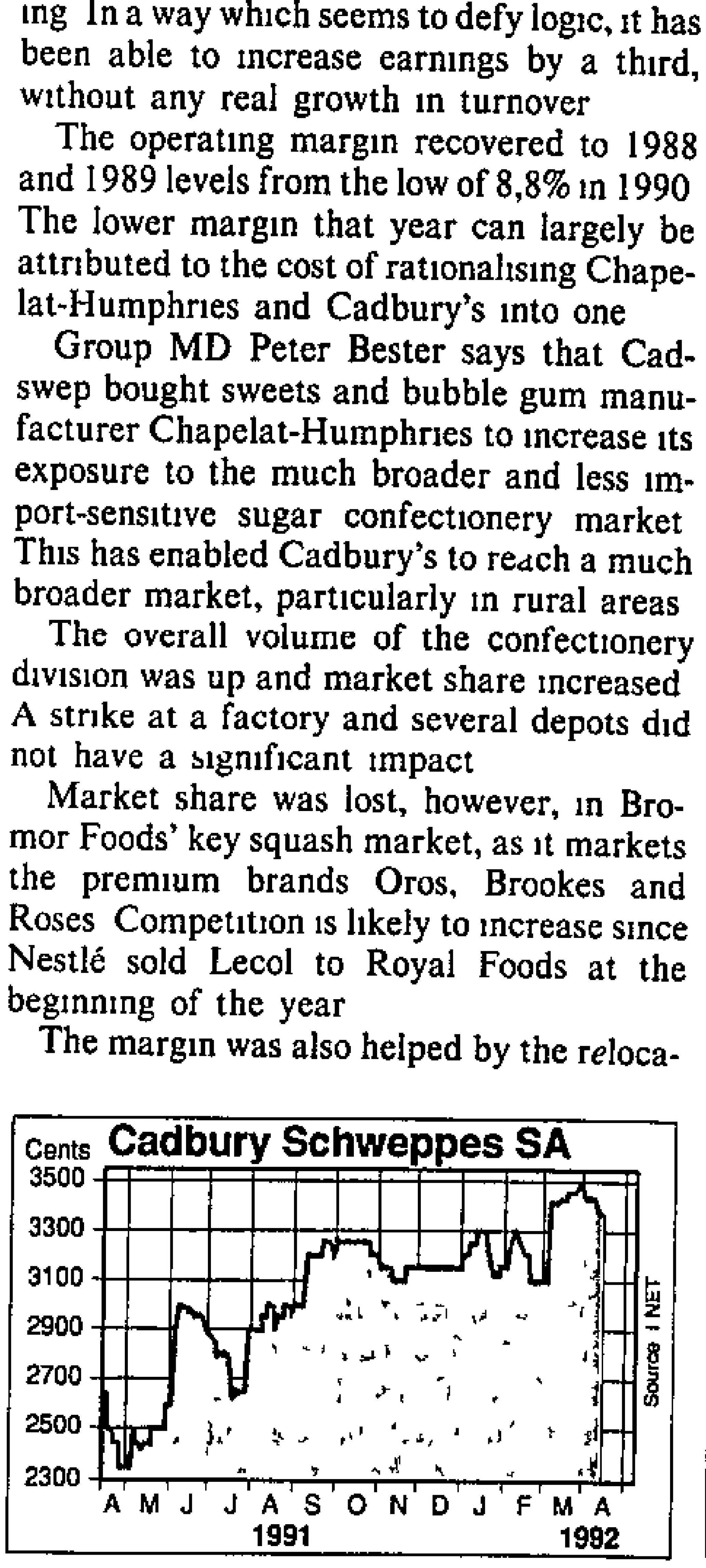
The operating margin recovered to 1988 and 1989 levels from the low of 8,8% in 1990 The lower margin that year can largely be attributed to the cost of rationalising Chapelat-Humphries and Cadbury's into one

Group MD Peter Bester says that Cadswep bought sweets and bubble gum manufacturer Chapelat-Humphries to increase its exposure to the much broader and less import-sensitive sugar confectionery market This has enabled Cadbury's to reach a much broader market, particularly in rural areas

The overall volume of the confectionery division was up and market share increased A strike at a factory and several depots did not have a significant impact

Market share was lost, however, in Bromor Foods' key squash market, as it markets the premium brands Oros, Brookes and Roses Competition is likely to increase since Nestlé sold Lecol to Royal Foods at the beginning of the year

The margin was also helped by the relocation of a sugar confectionery factory in Swaziland, where it also makes squashes Sugar prices are lower in Swaziland, it derives good investment incentives and it can achieve better labour productivity



As usual, the 19% holding in SA's largest soft drink bottler Amalgamated Beverage Industries (ABI) made a valuable contribution, but managed operations were the main engine for growth Their earnings increased by 33,6%, while equity-accounted earnings from ABI and 49% of the Namibian speciality chocolate manufacturer Springer increased by a (still excellent) 17%

Cadbury Schweppes Plc will not follow the example of Blue Circle Plc and Pilkington Glass by disinvesting Unlike the other two, it is performing well and expanding globally

In its 1991 results, also published recently, the group generated £253m from worldwide operations and invested £249m on acquisitions

Its earnings increased by 9,6%, even though it still derives about half its income from the recession-torn UK Nevertheless, Cadswep SA outperformed the worldwide group, even allowing for inflation

The SA market is among the most competitive in which the group operates As well as worldwide arch-rival Nestlé/Rowntree, there is a strong indigenous competitor in Durban's Beacon Sweets

Bester, while not complacent, thinks it unlikely that a multinational such as US-based Mars or Hershey (possibly in alliance with Anglovaal Industries, which sold its 16% stake in Cadswep last year) will enter the SA market in a big way There are high barriers to entry, as technology is expensive

Similarly, the bottler network, which bottles for Coca-Cola, Schweppes and Sparletta, has a stranglehold over the soft drink market Any challenger would have to put up with years of losses to penetrate these markets, he says "Not only is the cost of a bottling or chocolate manufacturing plant a high barrier to entry, the brands themselves command high loyalty "

Cash flow was strong Cash generated from operations was R77,2m, up 29,4%, and thanks to tighter control of working capital, cash retained from operations of R66,6m was well up

Chairman Alan Clark says that the board does not expect the recession to lift much and consumer confidence will take a long time to recover But he says that by continued tight control of costs, nurturing brand names and aggressive marketing Cadswep intends to achieve real earnings growth

At R33,50 Cadswep has a p e of 25,1 and dividend yield of 1,6% It was already well rated a year ago, so gains in the share price have been relatively modest If Cadswep can continue to produce results of this calibre, it is fairly priced *Stephen Cranston*

GOLD FIELDS PROPERTY FM 24/4/92

Move into hotels

Activities: *Property holding and investment company with some mining investments*
Control: *Gold Fields of SA 44%*
Chairman: *M R Fuller-Good*
Capital structure: *10,2m ords Market capitalisation R61,2m*
Share market: *Price 600c Yields 8,3% on dividend, 25,7% on earnings, p e ratio, 3,9, cover, 3,1 12-month high, 925c, low, 590c Trading volume last quarter, 114 000 shares*

Year to Dec 31	'88	'89	'90	'91
Taxed profit (Rm)	6,4	12 1	12,1	15,4
Earnings (c)	62,3	118,6	117,0	151
Dividends (c)	36	42	50	213*
Net worth (c)	548	713	853	828

* Includes special dividend in specie of 163c a share

Shareholders got a windfall last year in the form of 2m Ergo shares distributed as a dividend in specie That, along with a short-lived optimistic flurry in the gold market, saw the share spike at 925c in August

The price is back to 600c, just above its 12-month low, and this time around looks fair value given the state of the gold and property markets and that no further windfalls are in sight GF Props received the Ergo shares, as well as 760 000 East Daggafontein, from the sale of dump material on the East Rand

This year will be tough as the group invests heavily ahead of expected economic recovery, while income from gold and prop-

GF Props' Fuller-Good *betting on Midrand*

C/Press 26/4/92

Trouble is brewing in beer battle

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Sabotage and smears can't keep NSB down

By S'BU MNGADI

SABOTAGE and intimidation are tactics being used to discredit National Sorghum Breweries, NSB chief executive Prof Mohale Mahanyele claimed this week

Mahanyele alleged that a rival of NSB – SA's biggest black-owned company – had paid two people R100 to pour poison into one of the company's products in the Eastern Cape last month.

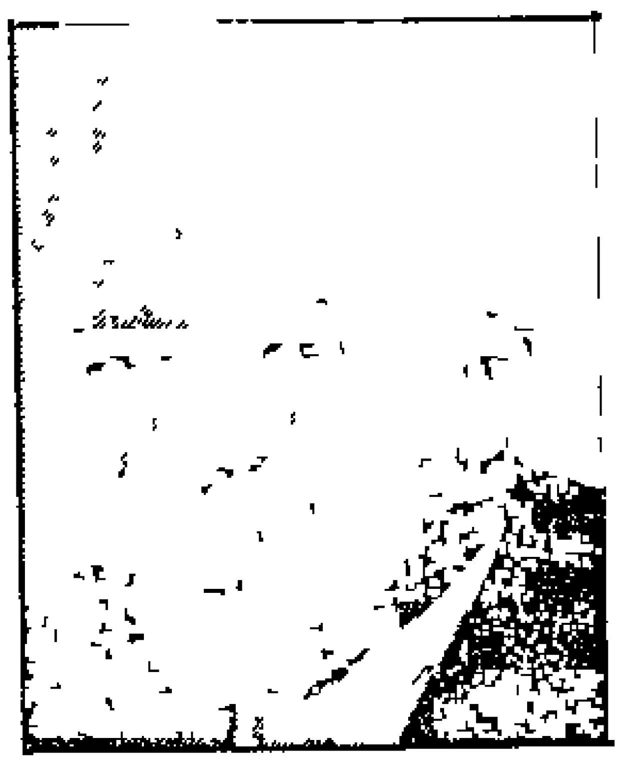
A person died after drinking the poisoned brew

Police had arrested two suspects and the case would be heard next month, Mahanyele said

He was speaking at the annual general conference of Inyanda Chamber of Commerce in Durban

Several NSB executives in Natal and the Transvaal had also become victims of anonymous attacks, Mahanyele said

Durban-based Natal group divisional manager Monwabisi Fandeso had his car tyres slashed and five executives in the Transvaal had their homes or offices burgled in the past two months.



DAGGERS DRAWN ... Mohale Mahanyele

The incidents had been reported to the SAP but no arrests had been made, Mahanyele said

These incidents were part of a campaign to discredit and sabotage NSB "in the eyes of of the millions of black consumers", Mahanyele said

In an advert in City Press recently, NSB said "various persons and competition" were dumping low-quality sorghum beer in containers bearing NSB brand names.

Certain employees were being bribed to commit acts of sabotage and use its crates to pack competition products, it added

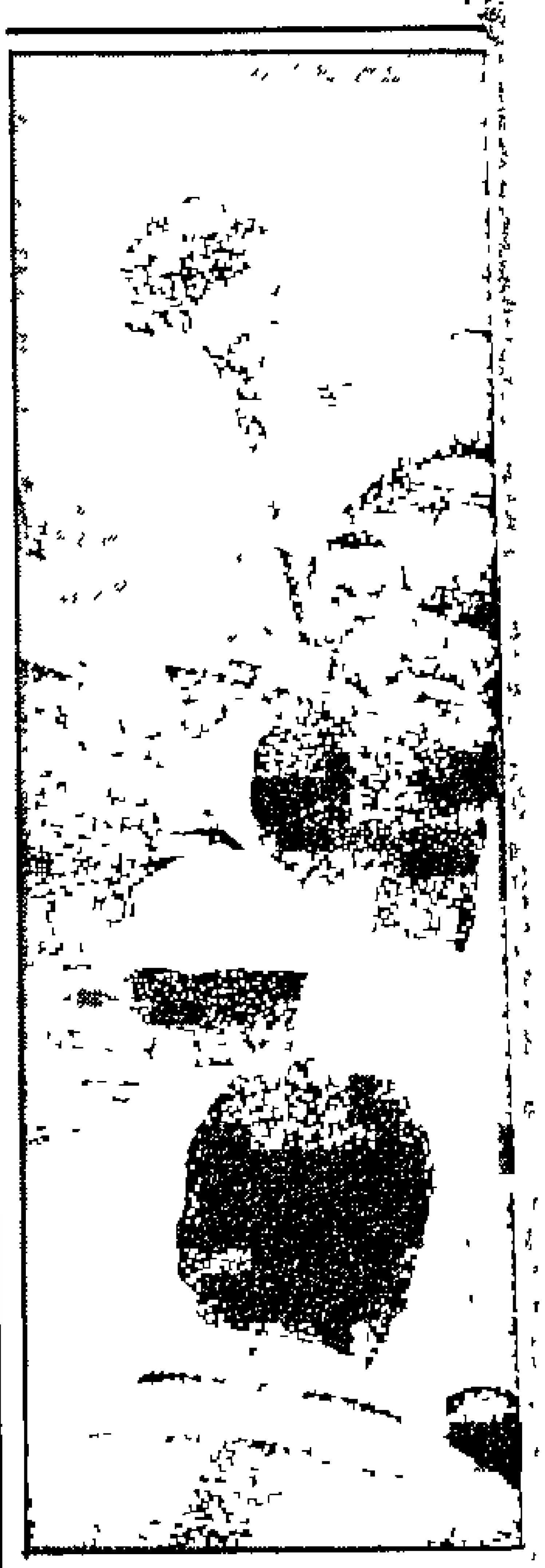
"Blatant lies have been circulated by mostly former white employees ... about NSB being a racist black-owned and black-controlled company.

"It seems certain persons find it unacceptable for blacks to discipline whites for shoddy workmanship and fraudulent practices," the brewer said.

NSB, with an annual turnover of more than R350-million, enjoys a monopoly through an exclusive right, granted on its privatisation in October 1990, to manufacture, sell and deliver sorghum beer in SA – but not in self-governing and independent homelands – until 1995.

Despite the sabotage the company is growing in leaps and bounds.

"We paid 100 percent more dividends to shareholders six months before the due date, when cynics were dismissing us as a non-starter," Mahanyele said.



STRIKE THREAT ... Hund
the murder of 10 drivers

Police hol

By MONWABISI NOMADOLO

A MEMBER of an alleged ga of four armed robbers who ha spread terror in the East Ra township of Daveyton, was ca tured this week after a shooto with police following a hig speed car chase on Wednesd afternoon.

Three of the men, believed t be originally from Thembis managed to escape despite n

1992

FOCUS: *Despite everything, the price of wine continue to rise*

Adding to your hangover

W/Mail 30/4 - 7/5/92 182

CRITICAL CONSUMER

Pat Sidley's weekly advice on what to buy — and what to avoid

IT'S a strange phenomenon: it does not matter what conditions prevail, the price of wine continues to rise. There are major shifts in the wine industry from time to time, which should occasionally provide a drop in the price — or a steep hike. Instead, the price continues to rise steadily.

At least some of this is due to the fact that important aspects of the industry have been governed to a large extent by the government. Farmers have had fixed prices for their goods and, up until recently, been told how much wine-yielding grapes they can grow on which sized bit of land.

South African consumers, whose hangovers have been magnified by the steep rise in prices over the years, have been given various excuses whenever a hike occurs.

These have included the fact that sanctions had, over the years, removed lucrative markets, that surpluses had to be got rid of or that weather conditions had created shortages. Some producers have seriously suggested from time to time that labour costs have risen — but this has not been so significant a proportion of the price of a bottle of wine that workers have noticed.

With the easing of sanctions, South Africa sits poised to release its alcoholic beverages on to the international market to compete with the best of Hungarian, Algerian and Australian plonk, which are all competing with the best of Chablis from France or even California.

Local newspapers recently reported that no sooner had Denmark dropped its sanctions, Danish bottle stores were suddenly flooded with South African wine. Danish sources say the explanations were slightly economic with the truth, and that the wines had been sitting in Copenhagen, which has a free port, waiting for the moment when they could be transported into shops for Danish wine lovers.

The international mass-selling news magazine, *Time*, carried an article on South African wines entitled "The Fine Taste of Change".

Additionally, the KWV, which acts to all intents and purposes like a wine control board, has "freed" up the market by suspending the quota system, which compelled farmers to plant only a certain amount of wine-yielding grape within a certain amount of ground. Now a farmer may plant whatever and however many vines he wants, produce as much wine as he wants, and sell it to who ever will buy it.

This move was made in April and followed the usual January hike in wine prices which, like the now-suspended quotas, is govered by legislation — a fixed price for want of a better term.

The previous pricing policy also included the restriction that the "floor price" of natural wine was determined by the alcohol content. Prices were, according to the KWV, "expressed at 10 percent alcohol by volume". It seems that the lower the alcohol content, the lower the price.

The KWV got rid of that restriction and prices have, since January, been determined by the amount of liquid without taking the alcohol content into account.

This could be good news for consumers — who liked wine with a lower alcohol content — but even better for farmers. Farmers may now plant their vines to their hearts' content, press the grapes, decide how much will be used for wine, grape juice or for distilling purposes, and will receive the minimum payments for their efforts.

Some of these moves are calculated to deal with an expected sudden increase in demand of both volume and different types of product from countries which previously did not buy our wine.

No prizes for guessing what will happen to the prices. If the foreign market does not take of as expected, there will be a large surplus. If it does, there will be a sudden inflow of foreign exchange.

One would expect that either situation would lead to a drop in the price of wines locally. But that is not how things work here. A surplus means the KWV will use what it refers to as the industry's "proven stabilising mechanisms of surplus handling". Of course, a sudden outflow of wine, although well-compensated for by the inflow of foreign exchange, will prompt the industry to continue the same pricing policy.

So we may as well join the workers and have a "dop" to dampen the pain: prices will rise as usual.

New brandy cellar open

Bday 30/4/92

(182) LINDA ENSOR

CAPE TOWN — The new KWV brandy cellar in Worcester, with an annual distilling capacity of more than 27-million litres of quality wine for brandy, was opened officially yesterday

Said to be the biggest and most modern of its kind in the world, the R8m project took three years to complete It was aimed at rationalising and revamping KWV's brandy distillation facilities at Worcester

The cellar, open to visits by members of the public, has 120 Woudberg potstills (the copper vessels used to produce brandy) which were relocated from former KWV distilleries in Worcestor, Stellenbosch and Montagu

In addition there is a 2 500 litre potstill designed and manufactured by a leading French potstill firm It is fully automated and computerised and has an annual wine distilling capacity of 540 000 litres, producing 70 000 litres of potstill brandy

NATIONAL SORGHUM (182)

Putting out fires

FM 1|5|92

Nearly one year after the privatisation of National Sorghum Breweries (NSB), the transformation of a State-run bureaucracy into a profitable business is encountering problems

In recent months, the newly appointed management of SA's biggest black-owned company has faced accusations of incompetence, mismanagement and blatant racism as it continues a restructuring programme that inevitably affects jobs — many white

The company also recently accused competitors of foul play, alleging that rivals were dumping low-quality sorghum — packaged in NSB containers — on the market in an attempt to discredit it (The company has exclusive rights to manufacture, sell and deliver sorghum beer, excluding the independent homelands and certain black areas, until October 31 1995)

FM 1|5|92

(182)

The latest controversy was sparked by the decision to retrench eight senior managers, including five whites A letter, demanding chairman and CE Mohale Mohanyele's immediate resignation to avoid a strike, was circulated at the company It alleges

- Mohanyele is a dictator,
- The victimisation of employees is widespread,
- A witch-hunt of old employees has taken place,
- "The knowledge and ability within the company are cast aside in favour of Mohanyele's family and friends,"
- Unfair labour practices exist; and
- The board of directors is misled

Responding to the allegations, company spokesman Simon Mahlangu says the letter probably reflects the views of some executives affected by the restructuring, which, he asserts, is not geared to get rid of white management Mahlangu says restructuring has been aimed solely at cutting costs and improving efficiency "In the process, jobs have been eliminated "

He says the company's department of human resources, previously run by three executives — one controlling industrial relations, one personnel and another training — is now run by only one executive But Mahlangu says other jobs were offered to the affected executives

He stresses that black management also has came under the chop "In Pietersburg, two black middle-management positions were made redundant along with two white positions "

He says many of those who opted for severance packages were long-time employees who had trouble adapting from the old government bureaucracy to the new business culture

Privatisation consultant Eugene van Rensburg, who is one of three white directors on the 11-member board, says it is inevitable that more whites than blacks would be affected by the changes "NSB management was originally all white "

He says the restructuring was necessary "The operation has been well managed through a difficult transition as well as an adverse market and economic climate "

Certainly the company's tight-fisted management appears to have paid off NSB has performed well It was privatised last July and in the six months to December, turnover rose 24%, operating income 19% and earnings 23%

The controversial letter claims the present success of the company is due to the work of the previous management, but Van Rensburg and others give Mohanyele much of the credit Mohanyele, a board member of Philips, Yokor and Telkom and a member of the State President's Economic Advisory Committee, has just been honoured by the UK-based International Management Centres, a postgraduate business school

One company director, Moss Leoka, says the allegations are an attempt to discredit NSB's management and must be ignored ■

ABI fizzes with sales topping R1-bn mark

STAR 7/5/92.

By Sven Lunsche (182)

SAB subsidiary Amalgamated Beverage Industries (ABI) continued to produce good results in the year to end-March, in the process boosting sales above the R1 billion mark for the first time.

ABI, the country's largest bottler of Coca-Cola, increased turnover by 18 percent to R1,05 billion (R884 million) over the period, but managing director Alex Reid says sales slowed down towards the end of the year.

Operating profits rose by only 14 percent to R124,6 million (R109,6 million) as the group commissioned new bottling lines and upgraded its distribution service

Equity-accounted earnings were up by 32 percent to R4,5 million, which lifted earnings growth at the attributable level to 20 percent at R68,4 million (R56,9 million)

Earnings per share increased by the same percentage to 64,5c (53,7c), from which a total dividend of 31,5c was declared, 21 percent up on the previous year's 26c

Mr Reid says the balance sheet remains in a healthy condition because capital investment was maintained at R105 million

Year-end borrowings were a modest R29 million, while gearing was maintained at a steady 23 percent.

He says that consumer spending will continue to be restrained "until the economy gathers momentum and generates increased employment"

Nevertheless, ABI is forecasting that a "real growth in earnings is achievable in the current financial year"

Hot summer lifts ABI's earnings

BDay 7/5/92 (182)

MARCIA KLEIN

A HOT summer helped Amalgamated Beverage Industries (ABI) boost its attributable earnings by 20% from R56,9m to R68,4m in the year to end-March

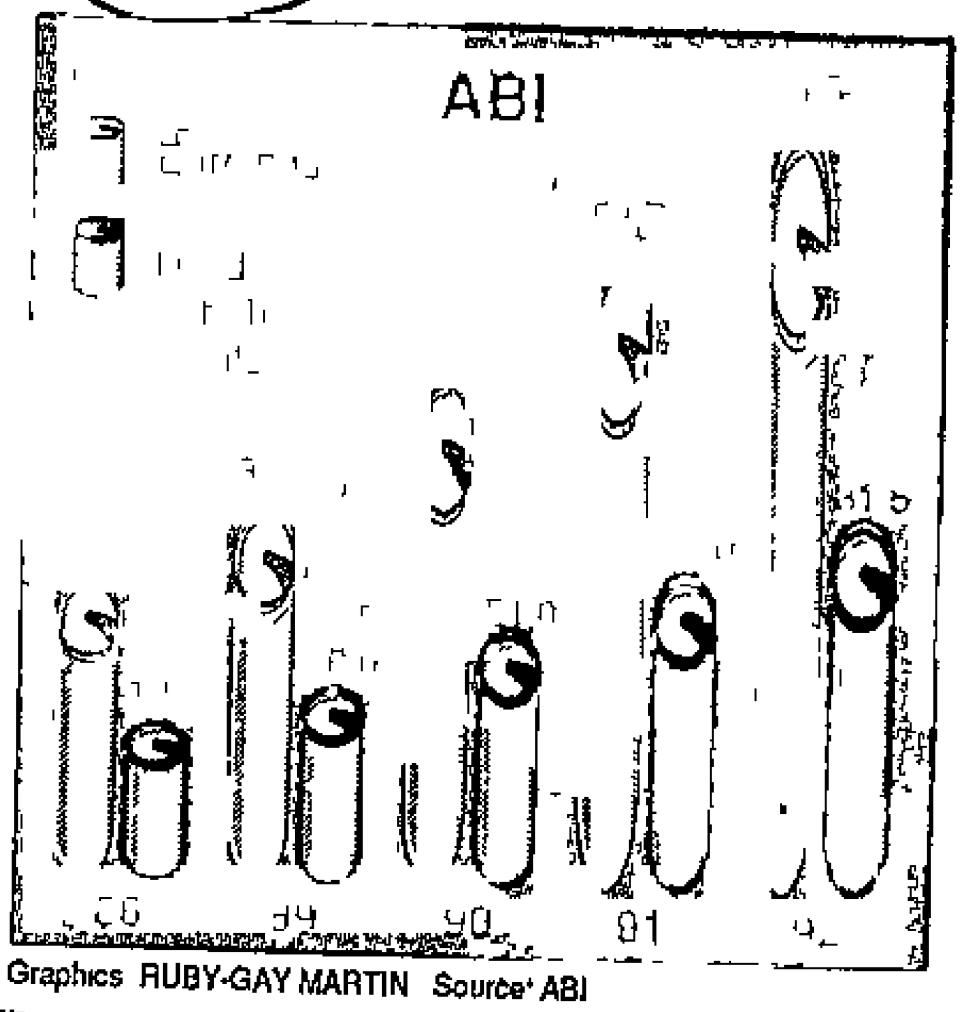
The SA Breweries subsidiary, which is SA's largest bottler of Coca-Cola, increased its turnover by 18% from R884,3m to exceed R1bn for the first time

MD Alex Reid said this was achieved despite the weak economy, unrest in many of ABI's territories and reduced consumer spending which had affected sales, particularly in the second half. Sales in Durban had been more buoyant than those in the PWV franchise area

The full year turnover growth reflects an increase of 16% in the second six months and 21% in the first half

Chairman Pete Lloyd said yesterday turnover in the first six months had been strong, but pre-Christmas sales had been poor. However, the hot weather in the fourth quarter had seen sales improve

A 14% growth in trading profit from



Graphics RUBY-GAY MARTIN Source ABI

R109,6m to R124,6m was affected by the commissioning of a bottling line at Phoenix "and the cost of providing an improved distribution service to the informal sector". The directors said ABI would benefit from these investments in the coming

□ To Page 2

ABI

BDay 7/5/92 . (182)

□ From Page 1

year After 35% higher net financing costs of R7m and tax of R55,7m, profit after tax was 17% higher at R66,1m (R56,5m)

Equity accounted retained earnings of associate company Amalgamated Beverage Canners — in which ABI has a 24% interest — almost doubled from R2,3m to R4,5m Its strong performance was reflected in a 32% improvement in dividends and equity accounted retained earnings

Earnings grew by 20% from 53,7c to 64,5c a share

A final dividend of 24,5c saw the full-year dividend increase by 21% from 26,0c to 31,5c a share

Reid said the balance sheet remained strong Capital investment of R105m in the year was at the same level as the previous year Working capital was reduced by R34,1m "through focused management attention to the impact of the timing of Easter on sales" Interest bearing debt was reduced from R37,5m to R29,2m, and gearing was an average 23% for the year

Directors expect to achieve real growth in financial 1993 Although consumer spending will remained constrained, ABI expects a gradual improvement in conditions as the year progresses

Beverage sector 'will prop up SAB'

BDay 12/5/92 (182)

MARCIA KLEIN

SA BREWERIES' beverage interests are expected to help the group show an earnings increase of 7%-8% in the year to end-March and to maintain its unbroken 25-year earnings growth record

Results, to be reported tomorrow, would show beverage interests propping up a weak performance from the group's diversified consumer-related interests, analysts predicted yesterday

Growth

The group's beverage interests include the beer division — its major contributor to earnings — Amalgamated Beverage Industries (ABI), Appletiser, Distillers Corporation and Stellenbosch Farmers' Winery.

Volume growth in the beer division was not expected to be much more than 2%-3% — compared with 12% the previous year

However, the beer division's results would benefit to some extent from price increases, an analyst said Another analyst forecast that this division would show no volume growth — or 1% at best — over the previous year

The group's other interests have been well down on last year. Their contributions are expected to fall from 38% of group total profits to only 30%, while the beverage interests' contribution to total profits are expected to rise from 62% to 70%

An analyst said Southern Sun/Holiday Inn was displaying the start of a turnaround, although its contribution would remain minimal in this financial year

Foreign earnings, which totalled R57m — or 8% of attributable earnings — in the previous year, remained an unknown factor, analysts said

One analyst believed that this part of the group's business could be up substantially on the previous year

The group's listed companies have reported sluggish earnings for the year

Restrained

Lion Match, Amrel, Afcol, Da Gama and OK Bazaars have shown reductions in earnings, and star retail performer Edgars improved its earnings by only 5% ABI, however, increased its earnings 20% during the year

In the 1991 annual review, executive chairman Meyer Kahn said the rate of improvement in group earnings would be restrained in financial 1992, but said that management had set itself the task of achieving real earnings growth

EXECUTIVE SUITE By William Wells and Jack Lindstrom

Guinness is good for SA

182

B/Day 14/5/92

MARCIA KLEIN

WORLD renowned brewer Guinness, which yesterday announced its entry into the SA market, does not intend to make the same mistake as other brewers by competing head on with SA Breweries (SAB)

Guinness Brewing Worldwide London said it had entered into a partnership with SAB to brew stout in SA through newly established subsidiary Guinness SA

The deal, which meant that both Guinness and Heineken were now represented locally in association with SAB, would make it difficult for other international brewers to enter the SA market with any amount of ease, Guinness SA MD Alfons Walser believed

He added that Guinness had signed an agreement with SAB in terms of which SAB would brew and distribute Guinness under licence from about October this year, while Guinness SA would be a marketing and servicing company

Walser would not be drawn on what share of the market Guinness hoped to capture, or how big the venture would be, but he said the group hoped it would become "a mainline brand". At present SAB brews its own brand of Castle milk stout.

Walser said Guinness had been looking at the SA beer market — which was too big a market for the major companies to ignore — for the past two years During this time Guinness had been in limited distribution in SA through Namibia Breweries But the partnership agreement would allow the brand to be more widely distributed

Although Guinness believed it was in a position — both financially and in terms of its worldwide expertise — to come into SA alone, it decided on a partnership with SAB as it was the dominant player and had the excellent distribution channels which were the key to the success of the brand.

Walser said the Guinness stout would complement SAB's lagers. The premium product had been used in Africa for more than a century, and its strength lay in its long life qualities

Guinness makes a stout decision

STAR 14/5/92

By Sven Lünsche (182)

The giant UK beverage and distillery group, Guinness, yesterday announced it would brew its famous stout in South Africa

Guinness will be brewed and distributed under licence by SA Breweries, but marketed by a newly formed subsidiary, Guinness SA.

The stout will hit the shelves of stores and pubs towards the end of this year, accompanied by an extensive marketing and advertising campaign

"Guinness is a premium brand and it will be a major challenge to position it as such in the SA market," says MD of Guinness SA, Alfons Walser.

He says the group will retain the UK advertising agency that has developed its famous ads featuring actor Ruttger Hauer.

"We will obviously adopt the ads to the local market, but the essence of our message will remain," Mr Walser says.

"Guinness is one of the most successful international premium brands and we are confident it will be well received by local consumers," he says.

Mr Walser says SA is the biggest beer market in Africa — accounting for 24 million of the total 59 million litres consumed on the continent — and as such a natural area for the group to expand.

Over the past two years Guinness has been in limited distribution in SA through Namibia Breweries

Mr Walser says it would most probably take a year or two before the brand is fully established and Guinness SA runs profitably

But he is confident that the relationship with SA Breweries, "one of the world's major breweries", will be beneficial to both groups.

"It will certainly allow us to make faster progress than if we had established our own brewery in SA," Mr Walser says

Beer is best as SAB's retail sections wilt

STAR 14/5/92

By Sven Lunsche (182)

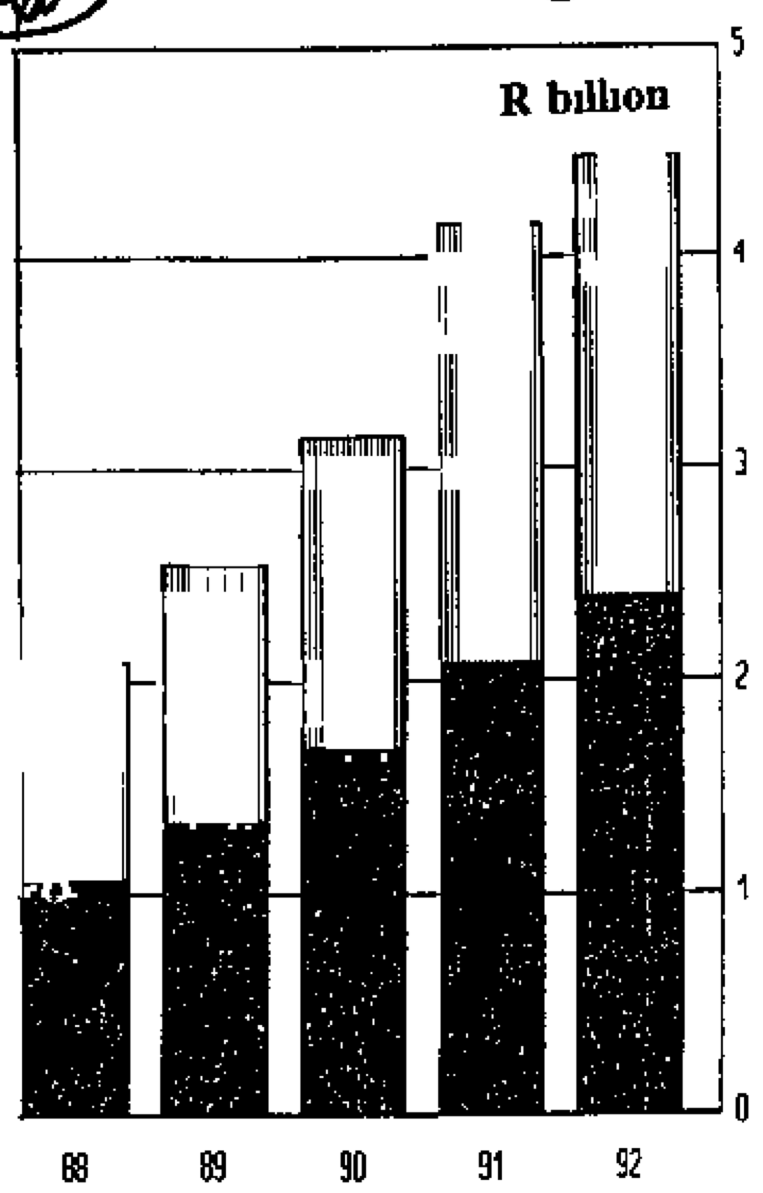
SA Breweries confirmed its status as the royal blue of blue-chip companies by reporting its 25th consecutive increase in earnings in the year to end-March

But it was once again left to the beer division to pull the group out of troubled waters as its retail subsidiaries, including Amrel, Edgars and OK, were hit by the most severe slump in consumer spending in more than 50 years.

On the back of a 10 percent improvement in turnover to R17,7 billion (R16,1 billion), SAB's bottom-line showed a 10 percent increase from R711 million to R779 million, equivalent to a rise in earnings per share from 265c to 290,4c

Of this the beer division contributed 60 percent by lifting its attributable earnings by 16 percent to R465 million (R402 million) SAB's other interests showed a two percent rise to R314 million (R309 million)

The total dividend was lifted 10 percent to 130c (118c), but shareholders can elect to re-



Added cash value generated
(■ Dispersed among employees)

ceive new shares in lieu of the cash payment of the 97c final dividend

The shares will be issued at a price of R51,80 per share on the basis of 1,87 ordinary shares for every 100 shares held

The beer division has steadily raised its contribution to group earnings over the past few years, which reflects not only the poor performance of the retail subsidiaries but also the resilience of beer sales to economic adversity

This was again in evidence last year, says SAB executive chairman Meyer Kahn

Volume growth in the division was just over one percent in real terms which he described as excellent in view of the fact that excise duties on beer were raised by 20 prcent earlier this year

Furthermore, he says, the group doubled its exports during the year mainly to Africa, Europe and South America

Commenting on the two percent rise in the contribution of its retail division Mr Kahn said "we will just have to sit out the recession and wait for better times"

But he expects margins in the retail industry to remain under pressure in the current financial year although depressed operating margins already reduced growth in trading profit to five percent at R1,82 billion (R1,73 billion) in financial 1991/2

SAB's cash flow statement showed that the group generated added cash value of R4,5 billion during the year — an increase of eight percent over the previous year (see graph)

"Once again, more than half of this has been disbursed among the group's 90 000 employees, while shareholders received 10 percent of the added cash value by way of dividends," Mr Kahn says

Capital expenditure for the year amounted to R1,3 billion, and the current programme approved for further spending is now over R3 billion, of which about half is expected to take place this year

Mr Kahn says operational cash flows, combined with existing financial facilities, would "comfortably" fund the expansion programme While borrowings increased by R454 million during the year the group's gearing at 53 percent remained well within targets set by management, he adds

Mr Kahn ruled out key acquisition this year stating that the takeover of 67 percent of PG Glass with effect from April this year — SAB's largest ever acquisition — needed to be consolidated in the months ahead

Beer is best as SAB retail sections wilt

(182)

ARG 14/5/92

Business Staff

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Exports and beer add froth to SAB

BDay 14/5/92. (182)

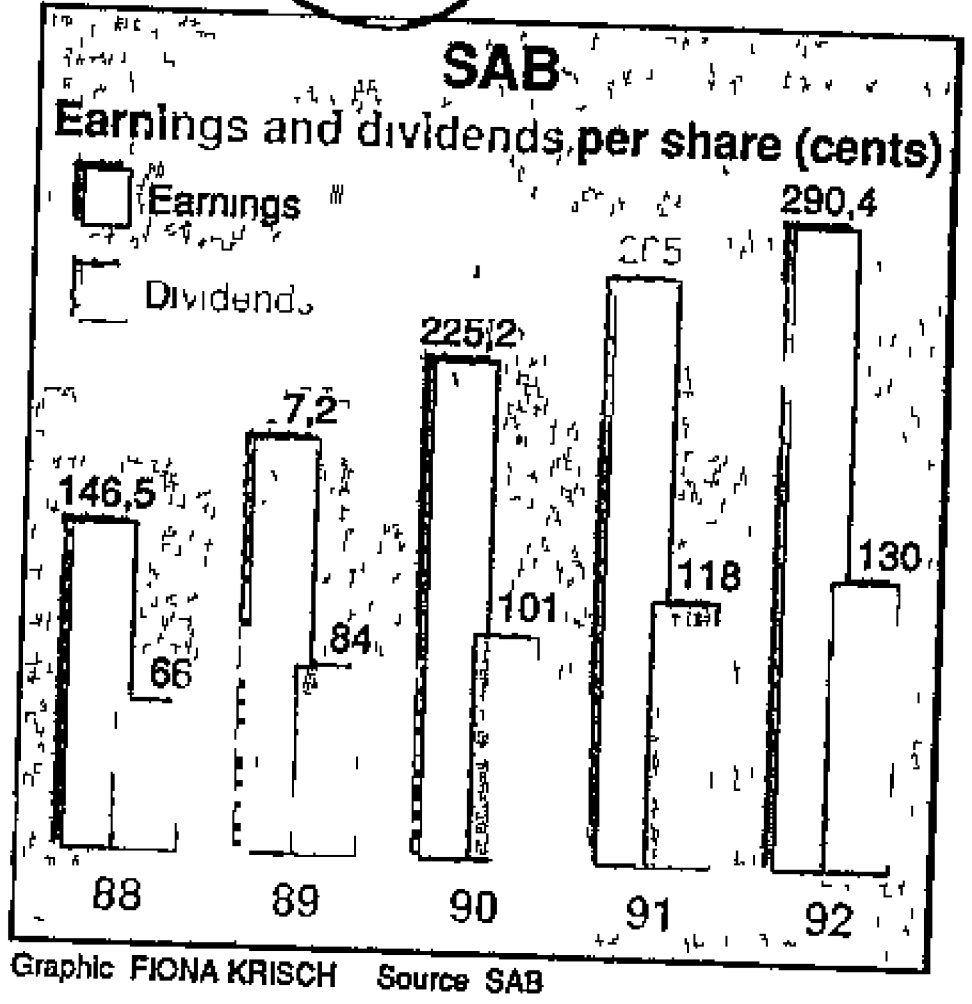
MARCIA KLEIN

EXCELLENT performances by SA Breweries' (SAB) beer division and its export activities have boosted group attributable earnings by 10% to R779m (R711m) in the year to end-March

Although beer volumes grew by a marginal 0,5%, the beer division's 16% earnings rise contributed 60% — or R465m — to the group's attributable earnings

Results, which reflect the group's 25th year of unbroken earnings growth, "bear testimony to the success of the focus and balance of SAB's portfolio of mass market consumer activities", executive chairman Meyer Kahn said

Kahn said the beer division had been boosted by replacement depreciation as VAT had been taken off capital equipment In addition, the division had controlled expenses and beer exports had doubled The SAB expected a significant increase in exports in the coming year



Graphic FIONA KRISCH Source SAB

An analyst pointed out that the increase in exports to roughly 3% of beer volumes

☐ To Page 2

SAB

BDay 14/5/92 (182)

☐ From Page 1

meant that domestic volumes were down by about 1%

Other beverage interests had shown strong growth Amalgamated Beverage Industries (ABI) had upped its earnings by 20% on a minimal volume growth, and the fruit juices and Appletiser had done well locally and on exports

Kahn said it had been an excellent year for exports, which had almost doubled in the group as a whole Offshore earnings increased by 16%

The hotel interests, which include Southern Sun, had doubled their contribution on the back of a strong surge in tourists in the first quarter of this calendar year

Kahn said forward bookings from international tourists looked good, but SA was going into winter and there had been a downturn in corporate travel However, the hotel interests had now turned around

He said the group's listed interests operated in cyclical industries, and their results were to be expected Interests other than the beer division grew 2% to contribute R314m to attributable earnings

ABI, Da Gama and Edgars had performed well, and Afcol's results were good under the circumstances, while the OK and Amrel were in a cyclical trough

Group turnover rose 10% to R17,7bn (R16,1bn) against the backdrop of "the worst recession in more than 50 years" Kahn said SAB had generated added cash value of R4,5bn for SA, which showed what a crucial role was being played by large corporate enterprises

Trading profit increased by 5% to R1,8bn (R1,7bn), and an increase in financing costs to R325m (R258m) resulted in a marginal rise in pre-tax profit to R1,6bn (R1,5bn). A lower tax rate — reflecting lower company tax and the release of deferred tax provisions in some of the group's subsidiaries — saw profit after tax rising 8% to R1,0bn (R973m)

After additional replacement cost depreciation of R70m and outside and preference shareholders' interest, earnings grew by 10% to 290,4c (265,0c) a share

Earnings on a cash equivalent basis, which eliminated the effect of all non-cash items, were up by 7% to 450,3c a share

A 10% higher full-year dividend of 130c (118c) a share was declared For the first time shareholders were being offered to take up their entitlement in fully paid new SAB ordinary shares at an issue price of 5 180c a share

The group incurred capex of R1,3bn in the year, and a further R3bn had been approved of which half would take place in the current year About 75% of the capex would be in the beer division, Kahn said

Despite an increase in borrowings of R454m, gearing of 53% was within internal constraints Cash flow from operations and the use of existing financial facilities would fund further expansion spending

A further increase in earnings — in line with those for the year to end-March — would be achieved in financial 1993 Kahn said this would be done through strict asset management and cost control and attention to quality and value

Beer exports prop up SAB earnings

(132) CT 14/5/92

Own Correspondent

JOHANNESBURG. — Excellent performances by SA Breweries' (SAB) beer division and its export activities have boosted group attributable earnings by 10% to R779m (R711m) in the year to end-March.

Although beer volumes grew by a marginal 0,5%, the beer division's 16% earnings rise contributed 60% — or R465m — to the group's attributable earnings.

Executive chairman Meyer Kahn said the beer division had been boosted by replacement depreciation as VAT had been taken off capital equipment. In addition, the division had controlled expenses and exported strongly. Beer exports had doubled, and SAB expected a significant increase in exports in the coming year.

An analyst pointed out that the increase in exports to roughly 3% of beer volumes meant that domestic volumes were down by about 1 [illegible]

Other be[illegible] had shown strong [illegible] ed Beverage Industries (ABI) had upped its earnings [illegible] 20 [illegible] minimal volume [illegible] and the fruit juices and [illegible] had done well locally [illegible]

Kahn said [illegible] lent year fo[illegible] had almost doubled [illegible] whole Offshore earnings [illegible] creased by 16%

The [illegible], which include Southern Sun and Holiday Inn, had doubled [illegible] tion on the back of a strong [illegible] in tourists in the [illegible] this calendar [illegible]

Intere[illegible] the beer division showed a 2% increase [illegible] contribute [illegible] to attributable earnings.

ABI, Da Gama and Edg[illegible] had performed well, [illegible] results [illegible] under the circumstances, while the OK and Amrel were in a cyclical [illegible]

Group turnover rose 10% to R17,7bn (R16,1bn) against [illegible] [illegible] on [illegible] Kahn said SAB [illegible] cash [illegible] R4 [illegible] for SA, which showed [illegible] role was [illegible] large corporate enterprises.

[illegible] by 5% [illegible] and an in[illegible] to [illegible] mar[illegible] to [illegible] lower tax rate [illegible] tax [illegible] deferred tax [illegible] group's [illegible] profit after [illegible] (R973m)

[illegible] replacement [illegible] depreciation of R70m and [illegible] share holders' interest, earnings grew [illegible] share [illegible] cash equivalent [illegible] effect [illegible] ms, were up by 7% to 450 [illegible]

[illegible] full-year dividend of 130c (113c) a share was declared.

FOX FM 15/5/92 (182)

Amrel, a mixture of HP furniture and cash clothing and footwear chains, also had a difficult year Turnover fell by 3% to just over R1bn, as 150 shoe stores were closed Trading profit dipped 43% to R34m As at OK, results were saved by a release of R14m from the accumulated tax balance

Analysts expect SAB's attributable earnings to increase by about 8%, on the assumption that beer results will balance poor retailing and manufacturing performance

Stephen Cranston

SAB SUBSIDIARIES FM 15/5/92

A mixed bag (182)

Listed subsidiaries of SA Breweries are all in consumer business but few can boast the pulling power of the beer division Certainly, the most successful diversification — at least on par with **Edgars**, whose figures were discussed last week — has been into soft drinks, through **Amalgamated Beverage Industries** (ABI), which holds Coca-Cola franchises in Johannesburg and Durban

ABI's EPS rose 20% to 64,5c, bringing in attributable earnings of R68,3m Gross cash flow from operations rose 59% to R142m ABI was helped by the unusually hot weather in the January to March quarter There was a strong performance from 24%-held Amalgamated Beverage Canners, SA's predominant soft drink canner

Diversified manufacturing interests, which have been the subject of critical comment, are having a tough year Says SAB chairman Meyer Kahn "This is the worst economic downturn of the last 50 years To expect attributable earnings in the cyclical furniture, textiles and appliance industries to increase in the present economic climate is simply childish"

The largest manufacturing subsidiary, **Plate Glass**, has only been consolidated from April 1 It will not form part of SAB results for the 1992 financial year

Kahn calls the **Da Gama** results, with attributable income of R30m, "superb" even though EPS fell by 29% He points out that no other major textile group is profitable

For example, Frame has massive losses, Romatex is barely keeping its head above water and Tongaat recently sold its Hebox plant to a German entrepreneur Da Gama remains ungeared, with net cash of R2,7m

The furniture industry is suffering, which is reflected at both Afcol and Amrel **Afcol** was fortunate that many competitors closed, enabling it to increase market share

Its EPS fell by 35% to R26m in an industry in which local manufacturing output fell by 17,4% Afcol sold its 50% investment in Spankor, which gave it 23,9% of board manufacturer PG Bison, for R95m after year-end This will virtually wipe out interest-bearing debt, which stood at R110m

cont →

Guinness targets SA market share

B/Day 18/5/92 . (182)

BRITAIN's Guinness Brewing Worldwide Ltd would use its new base in SA to break into one of the world's largest beer markets and expand into the region, Africa director David Hampshire said

Hampshire saud that the regional market, including SA, was tough to break into, and Guinness had formed a partnership with SA Breweries rather than "taking them head on"

"We hope to capture a significant share of the large SA beer market despite the monopoly held by SAB and develop markets in the region further," he said

British-based Guinness announced last week that it had formed a subsidiary, Guinness SA (Pty) Ltd, and that SAB would manufacture, distribute and sell its premium stout beer brand throughout the country Guinness would control its marketing, Hampshire said

Guinness, which operates in 20 African countries and is particularly strong in west Africa, researched the SA market for three years before making a move

Guinness is one of a growing list of international companies investing in SA since President F W de Klerk began dismantling apartheid two years ago But foreign investors have adopted a wait-and-see attitude due to economic and political uncertainty amid the country's worst recession since the Second World War

Hampshire said SA was the 12th largest beer market in the world in terms of consumption, and would grow at above average rates in the long term compared with other beer markets SAB's core beer division last week reported a marginal increase in sales volumes in 1992, which stood at 22,7-million hectalitres in 1991

He said Guinness's basic strategy was one of working in partnerships

"Although we have the resources and expertise to take SAB head on, it would require a lot of money, and considerable commitment and expertise, to break into this market," he said

He believed Guinness was one of only three international brewers which could possibly break into the southern African market on its own Heineken, already selling in SA under licence to SAB, was one, and Carlsberg was the other, he said.

Hampshire said Guinness was investing heavily in the joint venture, but he declined to disclose financial details or to give specific growth forecasts

He said there was little in the way of price differences between the local market's lagers and specialised beers

"We plan to pitch the price of our beer at about 50% higher than that of local lagers, and the question is whether we can break that mould," he said "It's going to be a difficult one to crack, but we're giving it our all"

Guinness beer would be launched at about the end of September — Sapa-Reuter

Foster's cool to merger proposal

BiDay 19/5/92 (182)

MELBOURNE — Foster's Brewing Group indicated yesterday that it was not likely to favour a merger with SA Brewing Holdings, a diversified Australian beer maker

SA Brewing on Friday proposed to merge with Foster's, the world's fourth biggest brewer with operations in Canada and Britain as well as Australia

Foster's chairman Nobby Clark and chief executive Ted Kunkel issued a statement yesterday expressing concern that some press reports of the proposal "might imply that its implementation by Foster's was likely"

There had not been any formal discussions between Foster's and SA Brewing, the statement said

This merger proposal from SA Brewing is very similar to a proposal received from SA Brewing in March

"At that time, the board of directors of Foster's Brewing Group considered the proposal in some detail and, based on the terms offered, decided not to proceed with it," the statement said

Foster's said a detailed evaluation of the latest proposal from SA Brewing was being undertaken

Foster's has retained external consultants to assess the second proposal and consider any differences from the original It did not name the consultants

"The detailed review will determine the likelihood of any benefits being realised," said the statement from Clark and Kunkel

"Along with these and many other considerations, the merger proposal must ultimately meet the test of being in the best interests of all Foster's Brewing Group shareholders for it to proceed," the statement said

Foster's was in a "sound position and with strong cash flows from brewing operations didn't need to undertake a 'fire sale' of non-brewing assets, as some reports had suggested", the statement said — AP-DJ

FM 22/5/92 (182)

SA BREWERIES

Pumping out profits

Almost like the US cavalry, the Beer Division continues to save the day for SA Breweries (SAB), still the country's largest industrial conglomerate in market capitalisation terms Non-beer interests increased earnings by 2% — somewhat better than the last 12 months' results from, say, Barlow Rand — but beer

HEADY BREW

Year to Mar 31	1991	1992
Turnover (Rbn)	16,1	17,7
Operating (Rbn)	1,73	1,82
Attributable pft (Rm)	711	779
Earnings (c)	265,0	290,4
Dividends (c)	118	130

FM 22/5/92 (182)

SAB's Kahn *proud of the group's role and record*

earnings, aided by a marginal increase in volumes, were up 16%

The major change in the presentation of the results is the consolidation of foreign interests, previously equity-accounted Turnover for 1991 is restated at R16,1bn and 1992 turnover is up a tenth to R17,7bn

SAB continues to operate in a halfway house between historic cost accounting and full-blown current cost accounting. After tax profits have been deflated by R70m additional replacement cost depreciation and R197m is attributable to minorities and pref shareholders (1991 R202m)

Executive chairman Meyer Kahn boasts that the group injected R4,5bn additional cash into the economy, which he describes as "a significant demonstration of the crucial role played by large corporations even in times of severe economic downturn"

SAB can be justly proud of its 25-year record of unbroken growth in EPS — unmatched by any major industrial group except, perhaps, Tiger Oats. It was unable to achieve Kahn's original forecast, which was to match inflation, but is still more than acceptable in current circumstances

For all its warts, SAB remains SA's premier industrial group *Stephen Cranston*

Brewery to close as sales slow

(182) S Times (Buss) 24/5/92

By DON ROBERTSON

SLOW growth of beer sales has forced SA Breweries to bring forward the closure of its 100-million-hectolitre-a-year Isando brewery

The brewery, commissioned in 1954, is approaching the end of its economic life, the plant and equipment ageing rapidly The plant was to have been closed in 1994, but the brewing and related services will now cease on June 30

The plant employs 164, of whom 73 are salaried It is expected that about 12 salaried staff members will be retrenched, some of them voluntarily

About 40 or 50 weekly-paid employees will be retrenched The company is looking for jobs for most of them

Beer sales rose by only 0,5% in the year to March, although profit contribution from this source increased by 16%, helped largely by greater exports which earned about R100-million

Managing director of SAB's Beer Division, Graham Mackay says a combination of the poor economic climate, retrenchments and the increase in excise duties on beer in March 1991 and 1992 reduced growth in sales

"This has forced us to reassess our sales volumes," says Mr Mackay

Sales in the next six to nine months are not expected to improve much. But Mr Mackay hopes that sales for the year will be about 5% up on 1991

Beer deliveries to the Pretoria-Witwatersrand-Vereeniging area will not be affected and will come from the Alrode, Champ D'Or and Rosslyn breweries

A R1-billion expansion of the Alrode brewery will be completed in three years

Mr Mackay says the closure will result in improved economies of scale, consolidation of expertise, skills and management focus, better use of modern equipment and simplified logistical operations

"Several breweries have been closed for similar reasons in the history of SA Breweries and we must view this issue in the context of progress, growth and development of the company and its people," says Mr Mackay

Ahead of the planned closure, the packaging facilities at the brewery were shut about a year ago

Part of the 18ha Isando property will continue to be used as a depot and headquarters for the systems and planning divisions Other options for the property will be considered

(182)

ARG 26/5/92

Liquor traders tot up cost of holiday

The Argus Correspondent

JOHANNESBURG — Liquor retailers stand to lose more than R55 million because of the government's decision to declare Saturday a public holiday

This estimate was given yesterday by Fedhasa's National Liquor Store standing committee chairman Mr Len Polivnick

The decision came after requests from organisers of the Comrades Marathon to declare Saturday a holiday because Republic Day — on which the race is usually run — is on a Sunday this year

Mr Polivnick said the organisation had appealed to Justice Minister Mr Kobie Coetsee and President De Klerk to grant a concession to liquor traders enabling them to open for business

"I reacted immediately and sent a letter to members informing them it would be a closed day for all retail liquor stores I then sent a letter of request to the State President and Minister Coetsee"

Mr Polivnick said he had not had a reply

"The major gripe we have is that this comes at a time when the economy cannot afford it. Liquor retailers stand to lose in excess of R55million if they do not open on Saturday"

Some non-Fedhasa members have indicated they would open and pay the admission of guilt fine instead

However, Mr Polivnick said it was possible for the Minister to grant a concession and inform attorneys-general in each province not to prosecute

"Just because they are running a race between Maritzburg and Durban does not mean I shouldn't be able to open for business in Bloemfontein," he said

Picture DOUG PITHEY The Argus.

ANCIENT RELICS: Amateur archaeologists, from left, Mrs Ethel Seidel, Mr Jorge E'silva, Sebastian E'silva and Mrs Hennie Prins, with some of the 17th Century cannonballs found in Hout Bay

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Toss out toothpaste to put the bite on a decaying tradition

ARG 26/5/92

ANDREA WEISS, Health Reporter

A DENTIST who has thrown away his toothpaste?

This is just one of the unusual things Dr Nick Venter of Stellenbosch University's dentistry school has done

The retired dentist who works at the university part-time has written a book on oral hygiene he believes could revolutionise people's attitudes towards their teeth

The catalyst in Dr Venter's life came when he overheard a patient sitting in an oral hygienist's chair muttering to himself "If she tells me how to brush my teeth one more time, I'm going to walk out"

So he decided, instead of blaming patients for not listening, he should re-examine his own approach

The result is a comprehensive lesson in oral health with detailed explanations of how teeth and gums come under attack and also some unusual advice on oral care

He has used the approach with his own patients and he has scripted a TV series to be screened in educational airtime

Did you know, for instance that

- Too vigorous brushing with toothpaste can damage the teeth?
- Tooth decay is an infectious disease passed on from mother to child in the form of bacteria?
- There are 300 species of organisms living in your mouth?
- Your saliva is an important key to healthy teeth? It neutralises acids and helps to rebuild the teeth by supplying calcium
- Babies bottle-fed on fruit juice are at increased risk of tooth decay?
- Tea is a source of fluoride?
- You don't have to brush after meals to keep your teeth healthy? Dr Venter recommends a good "de-plaquing" session once a day using colourant to highlight the plaque and then a good going over with a brush, floss and a fluoride rinse Toothpaste is an optional extra

Dr Venter's book entitled The Good News of Total Oral Health is available from PO Box 2539, Bellville, 7535

Brakes to be put on reckless taxi drivers

PORT ELIZABETH — A new national register for drivers of public transport will put the brakes on reckless taxi drivers

A spokesman for the directorate of road traffic in the Department of Transport, Mr Phil Hasluck, said legislation already provided for the register, and the department was hopeful it could be put in place next year

Details of prosecutions, traffic offences and number of accidents will be recorded — and if a driver accumulates too many offences, he or she can be pulled off the road

The move could open the way for a national register of all drivers

Mr Hasluck was responding to inquiries about a spate of accidents on Eastern Cape roads Eleven people were killed and 41 injured in collisions over a single weekend recently in accidents that mostly involved minibus taxis

ARG 26/5/92

In one gruesome accident in Port Elizabeth, a taxi flew more than two metres through the air across a freeway and ploughed into two cars, decapitating a man in one of them and killing three others, including the taxi diver and one of his passengers will be cast with all defects re-

gether on site.

Sunday films: Locals 'can decide best'

ARG 6/6/92

LOCAL authorities were being given the right to decide whether Sunday films should be allowed in their areas because they were in the best position to decide what was in their community's interests, said Deputy Minister of Justice Mr Danie Schutte yesterday.

Mr Schutte was speaking in parliament during a debate on the Prohibition of the Exhibition of Films on Sundays and Public Holidays Amendment Bill.

Mr Leon Louw (CP Welkom) said the issue was the desecration of a Sunday.

Mr Luwellyn Landers (LP Durban Suburbs) said the Bill advanced the principle of democracy and free enterprise.

Mr Tony Leon (DP Houghton) said the DP would defend the CP's right to observe the Sabbath as they saw fit, but asked why they did not grant this right to others

"I admit Sunday cinemas are hardly an issue of national crisis ranged against the great evils and the specific set of challenges requiring urgent resolution in our country However, the government's intention to relinquish its role as the national nanny of morality, conscience and belief is a very welcome sign," he said.

Mr Jannie Momberg (Ind Simon's Town) said freedom of religion existed in South Africa. — Sapa.

Demand for wine outsups supply

182

WINE farmers are unable to keep up with the demand for matured reds from overseas buyers. ARG 6/6/92

"The demand for wines which have been aged is seemingly unlimited and exporters report shortages in available stock.

According to KWV's Mr Theo Pegel, only 20 percent of Cape crops are exported and there is always enough for the local market

The lifting of sanctions caused shortages of matured reds for export

Industrialist acquires wine estate

GAVIN DU VENAGE

JOHANNESBURG industrialist Harold Johnson has acquired Zevenwacht Wine Estate

Resolutions to recapitalise the company were ratified at a recent shareholders' meeting.

Johnson's move has ended months of uncertainty over financial difficulty which stemmed from heavy capex and crippling interest rates

Johnson injected "well in excess of R5m" into the estate and took responsiblity for about R9m in debts

Johnson, who also owns Zevenrivieren fruit and wine farm, said on Friday that he saw a "sound financial future" for the estate, which was one of the largest wine farms in SA, with production capacity of 50 000 cases of wine a year The operation would be completely restructured with a view to exporting, to Scandinavia in particular He expected use of vacant land to triple production

LOCAL FARMERS CAN NO LONGER PAY FOR HISTORIC WINE ESTATES

Foreign buyers snap up SA farms

S/Times [Cape metro] 21/6/92

(182) By GLENDA NEVILL wine + viticulture

BOLAND wine farms, long the exclusive preserve of generations of South African families, are being snapped up by overseas buyers for prices totalling tens of millions of rands.

The majority of buyers are German or Swiss with a smattering of American, British and French citizens investing

South Africans increasingly cannot afford to buy the land, while many of the present owners do not have the large amounts of money needed to introduce new cultivars and replant their valuable hectares, estate agents active in the Boland said this week.

Comfortable

Another reason for the foreign activity is that since KWV lifted the grape quota system recently there is a greater incentive for the wine farms to increase production and break into new overseas markets

But again this is extremely expensive and the foreign buyers have the advantage of the favourable exchange rate for foreign capital investments

Some Americans, according to a reliable source, are currently investigating the viability of farming grapes for juice, rather than wine. They are apparently looking at setting up bottling plants in South Africa

One wine industry source said that until a few years ago a farmer could produce 500 tons of grapes and live comfortably on the profits, but this was no longer possible

At least 18 of the Boland's most prestigious wine farms were sold to foreigners in the past decade, including Buitenverwachting, Chamonix, Morgenhof, Neethlingshof, Rozendal and Dieu Donne, according to Mr Henry Hopkins, editor of KWV's Wynboer magazine

Writing in the June issue of the magazine, Mr Hopkins said many new owners were spending large sums of money to restore historic Cape Dutch farmhouses, often at a cost of up to R1 800 per square metre

Benefit

Franschhoek's prestigious wine farm La Provence was sold this month for an estimated R4,5m to an "Italian industrialist" Ex-owner Mr John Rudd was loath to disclose the name of the buyer, saying only that the valley would "benefit" from his presence

Weltevrede, on the Stellenbosch/Paarl wine route, was recently sold for a reported R3,5m to the Chinese brothers Chu and Michael Man, who also bought the Arena nightclub on the Waterfront According to a reliable source, plans are afoot to build an R80 million "yuppie" housing estate among the vines

Mr John Wilmot of Pam Golding Properties said they had sold the "lion's share" of farms in the area — including Neethlingshof and La Terre de Luc

"Prices, depending on the area, are about R100 000 per hectare and higher South Africans can't keep up and the foreign buyers are giving the business a great cash injection," Mr Wilmot said

Interest

Mr Dick Durr of Durr Realty said he received large numbers of inquiries from overseas businessmen interested in wine farms

"I am currently dealing with a group of Germans who want to invest R175 million on farms in South Africa," Mr Durr said

"They have expressed interest not only in wine farms but in game farms as well

"Prices have escalated but the land is still sold at a viable price for foreigners and even some very wealthy people from Johannesburg"

The consensus among estate agents was that the new landowners were "uplifting" the farms and "doing the job properly"

Left in the hands of impoverished South Africans, some of the farms could only go "backwards" without a solid cash injection

Local jobs have not been affected and South African managers generally ran the farms for absent owners

Exports provide the froth for SA brewer

182

BDay 23/6/92

BEER for Africa brought in about R52m of the total R86m export turnover made by SA Breweries beer division last year

And export chief Martin Neal believes sales in Africa can only grow

As early as 1988 SA Breweries decided to embark on a concerted push to export its major brands — Castle, Lion and Ohlsson's — to sub-Saharan Africa

Then the vice-president of the one of the world's largest liquor distributors Hiram Walker International and with 30 years experience around the globe, Neal was head hunted to lead SA Breweries' drive

He says the advantage of exporting beer is that it is a well-known product worldwide, it is consumed quickly and there no need for after-sales service.

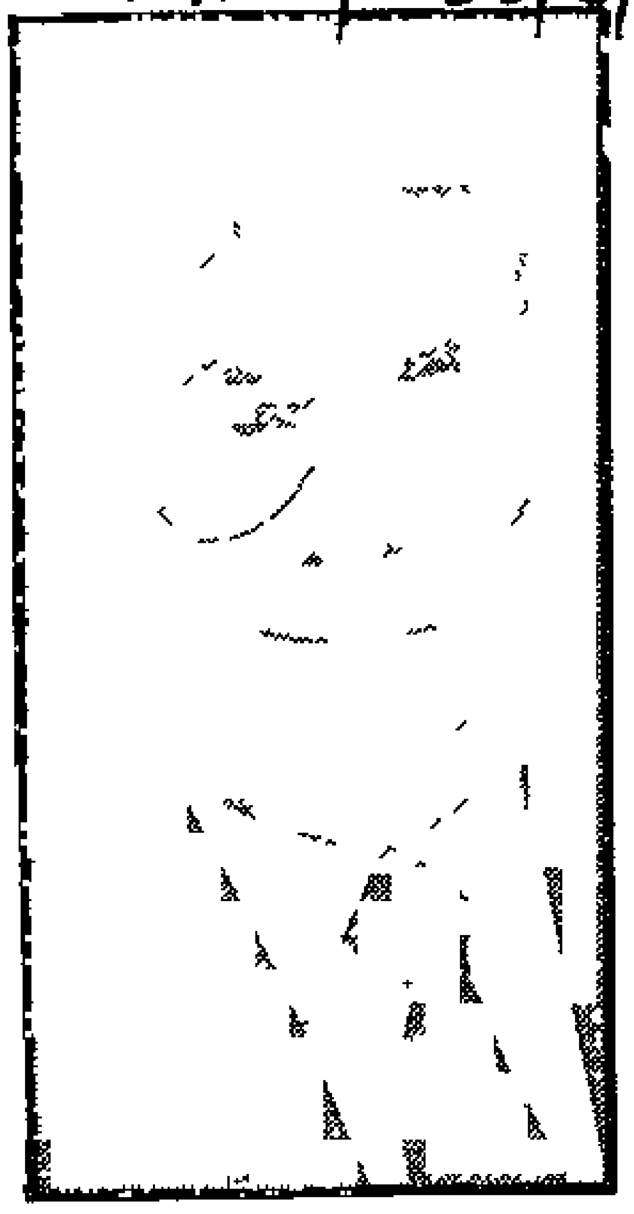
It is also not adversely affected by political or economic unrest

Increase

"In fact, in my experience sales often increase during troubled times, " says Neal

In Africa beer is an integral part of cultural and social life Brewers like SA Breweries have obviously benefited from the evolution from home-brews to clear beers

Traditionally Mozambique has been SA Breweries' biggest export market, followed by Zambia



MARTIN NEAL

The beer division does not export to Zimbabwe, Swaziland, Lesotho or Botswana as it has brewing interests in these countries

Small quantities are exported to Tanzania and there is an agreement with Unilever regarding francophone West Africa In Djibouti SA Breweries brands are highly regarded by legionnaires and the Kenyan market is being explored

Neal sees Angola as the market with most growth potential

It is one of the only countries outside SA with natural resources such as oil and diamonds, which gives it access to foreign exchange It is also close to a political solution

"There has been a major upsurge in our volumes to Angola with the opening of diplomatic and trade relations To all intents and purposes we are now their major beer supplier"

In the past year SA beer has replaced a number of European brands which Angola was compelled to import when sanctions prevented trade with SA

The world's seventh largest brewer, SA Breweries has a competitive edge in sub-Saharan Africa because of its understanding of local markets

Mirror

Large population movements between countries mean trends across SA's borders mirror those locally In neighbouring countries Castle and Lion do very well because of their local popularity

A fundamental ingredient to SA Breweries' success is finding a strong local distributor in each market they enter Together they annually review strategies

Any international marketer needs to know trends and be sympathetic to customers' needs, says Neal

For example, in China there is symbolic importance attached to red and gold so Castle is more popular than in South America where Ohlsson's, is more likely to be the preferred beer because blue is seen as more refreshing

Beer division expected to keep up SAB momentum

BDay 30/6/92

(182)

MARCIA KLEIN

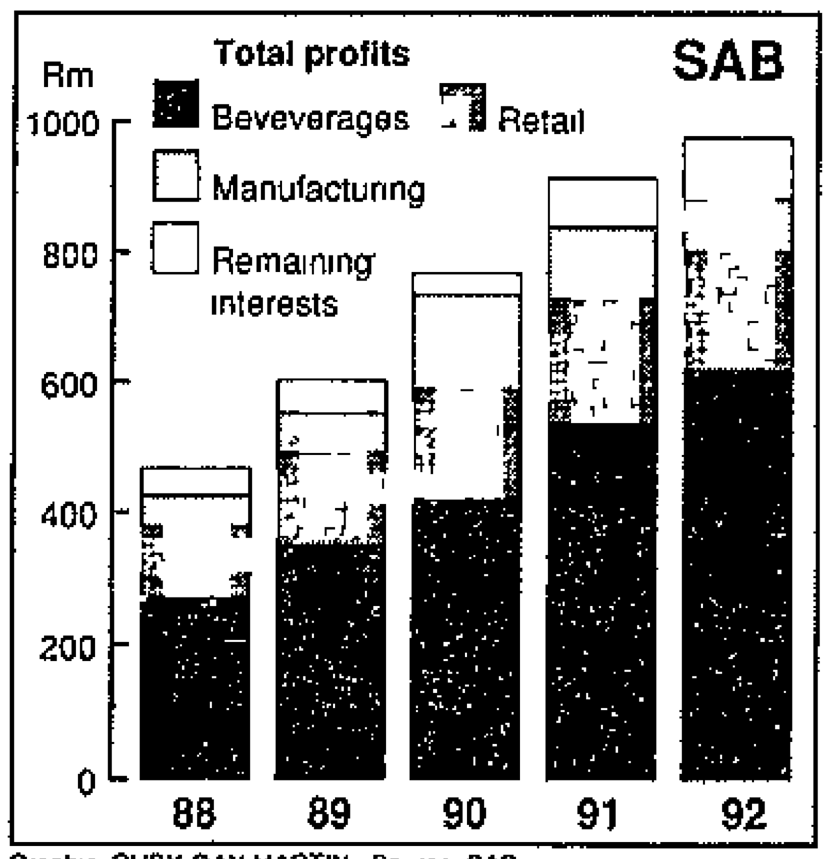
SA Breweries (SAB) would increase its 1993 earnings at a rate similar to those achieved in financial 1992 on the back of further real earnings growth in its beer division, executive chairman Meyer Kahn said in the annual review

SAB, whose non-beer interests include OK Bazaars, Edgars, Amrel, Afcol, Southern Sun, Lion Match, Da Gama, Amalgamated Beverages Industries and Plate Glass, increased attributable earnings by 10% to R779m in the year to end-March, while the beer division's earnings rose 16% to R456,6m

Kahn said SAB had committed itself to capex of R3bn, of which at least half would be spent in the coming year Beverage activities would absorb at least half of this amount, with expansion of the Alrode and Prospecton breweries and more than R300m in container spending

Retail and hotel interests would use R200m and selected manufacturing activities, including the Plate Glass group, would use a similar amount for facility upgrading and extension Non-SA interests and other projects would absorb R100m.

Kahn said exports, especially those of the beer division, would be intensified and sales had been targeted to exceed R250m in the coming year



Graphic RUBY-GAY MARTIN Source SAB

SAB said national volumes of alcoholic beverages declined 3%, malt beer by 0,5%, spirits by 8% and wine by 3% Carbonated soft drinks and fruit juices' volumes grew 2%

Kahn said the beer division's 16% growth in attributable earnings was achieved in adverse conditions and included a sharp increase in finance costs

The growth in beer sales was affected by the 19% increase in excise tax and by the singling out of the liquor industry in the conversion to VAT "After five consecutive years of volume growth ranging between 10% and 14% per annum — with beer's share of the liquor market growing by some 2% yearly — sales flattened out virtually from the date of the excise increase," Kahn said

Although domestic beer sales were marginally lower, beer increased its share of the liquor market by 1%

Export volumes to 47 countries rose 80% Kahn said a priority was to develop brands in strategically important foreign markets

The beer division's prospects for the current year were "more dependent than usual on trends in the national economy" Growth in sales volumes could continue to remain moderate

SAB's hotel interests, which include Southern Sun and Holiday Inn and an equity investment in Sun International, increased turnover by 8% to R564,7m Large reductions in financing costs and tax saw attributable earnings rise 86% to R27,1m

National hotel occupancies averaged only 49%, and the groups' hotels were 57% full Lower occupancies by local travellers were partly offset by an increase foreign visitors

Operating income declined as fixed hotel operating overheads increased faster than turnover But good performances by associated companies and reduced financing costs contributed to improved results

Earnings of non-SA interests, which remain undisclosed, were 17% up at R67m, and further improvement was expected

Mohale Mahanyele ... a Professor of Strategic Management, London University, and is also a member of several business institutions.

Rise to the top has been no easy walk

Sowetan 2/7/92

(182)

By JOE MDHLELA

FOR National Sorghum Breweries chief executive the rise to the top echelons of business was through sheer hard work and determination.

Born 53 years ago in old Sophiatown, Mr Mohale Mahanyele's early life was that of abject poverty, sometimes not sure where his next meal would come from

But the pangs of poverty, painful as they were, did not deter young Mahanyele He continued to display traits of an achiever

The fact that he came from a modest background encouraged him to improve his lot

To help his parents make ends meet, Mahanyele became a vegetable and newspaper vendor

The money accrued from newspaper and vegetable sales enabled him to matriculate at Western Bantu High School

After matriculating he worked for a sweet factory, taking over the position of his fatherm who died in 1959

Unhappy with the routine nature of his work, Mahanyele joined a black-owned insurance company, African Horizon, selling funeral policies to blacks

But he also had other ambitions. He wanted to become a traffic officer, a position he viewed as prestigious

Reflecting on his ambition to become a traffic cop, he recalled "I thought the position carried power and prestige During those days you needed power and prestige to be respected "

But he never became one He tried his hand at football as goalkeeper, but did not have the attributes of a footballer

Undeterred, Mahanyele tried bodybuilding where he experienced a measure of success and something he still loves today

A holder of Master of Business Administration, Mahanyele also served as executive director of the National African Federated Chamber of Commerce in the 1970s

He served under the chairmanship of Mr Sam Motsuenyane

From Nafcoc he went into placement consultancy where he became managing director of Manpower Assignments Consultants

It was while in the consultancy business that he developed an interest in the sorghum industry

He argued that it did not make sense that the industry should be in white hands when the product was consumed by blacks

Under his leadership, the NSB trading position has improved tremendously He has displayed courage by employing blacks in key positions, something for which he was criticised

The company is making great strides

Mahanyele is a Professor of Strategic Management, London University, and is also a member of several business institutions

He is also a director of several South African companies and organisations.

FM 3/7/92 (182)

ABI FM 3/7/92 (182)

More cash available

Activities: *Bottling and distribution of soft drinks*
Control: *SAB 68%, Cadbury Schweppes 19%*
Chairman: *R L Lloyd, MD H A Reid*
Capital structure: *106m ords. Market capitalisation R1,62bn*
Share market: *Price 1 525c Yields 2,1% on dividend, 4,2% on earnings, p e ratio, 23,6, cover, 2,1 12-month high, 1 725c, low, 1 225c Trading volume last quarter, 361 000 shares*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	21,5	1,9	42,3	28,0
LT debt (Rm)	5,3	6,1	4,1	23,2
Debt equity ratio	0,13	0,04	0,15	0,09
Shareholders interest	0,44	0,56	0,58	0,57
Int & leasing cover	16,0	15,9	22,1	18,5
Return on cap (%)	23,7	23,7	25,7	22,9
Turnover (Rm)	552	740	884	1 045
Pre-int profit (Rm)	62,4	90,6	113,9	128,8
Pre-int margin (%)	11,0	11,9	12,5	12,0
Earnings (c)	31,7	42,8	53,7	64,5
Dividends (c)	16 0	21 0	26 0	31 5
Net worth (c)	116	212	252	283

Three years after ABI's listing, shareholders must be pleased with the group's performance It lifted turnover by 18% last year to exceed R1bn for the first time Chairman Pete Lloyd feels this is especially pleasing in view of the depressed economy, constrained consumer spending and minimal volume growth

Attributable income rose 20% to R68,4m EPS and dividends showed a similar increase Volumes, the engine of ABI's growth, weakened steadily over the year, in the key pre-Christmas season in particular The decline was checked by the abnormally hot, dry weather in the fourth quarter, improved distribution and rising volume sales to the informal sector

Strong cash generation of R209,1m (1991 R131,6m) by operating activities enabled management to maintain gearing at a healthy 23%, only slightly higher than the year-ago average level The swing from short-term borrowings towards long-term financing occurred mainly because additional long-term funding of R15,6m was put in place for the Phoenix project

ABI's Lloyd *pleasing turnover growth*

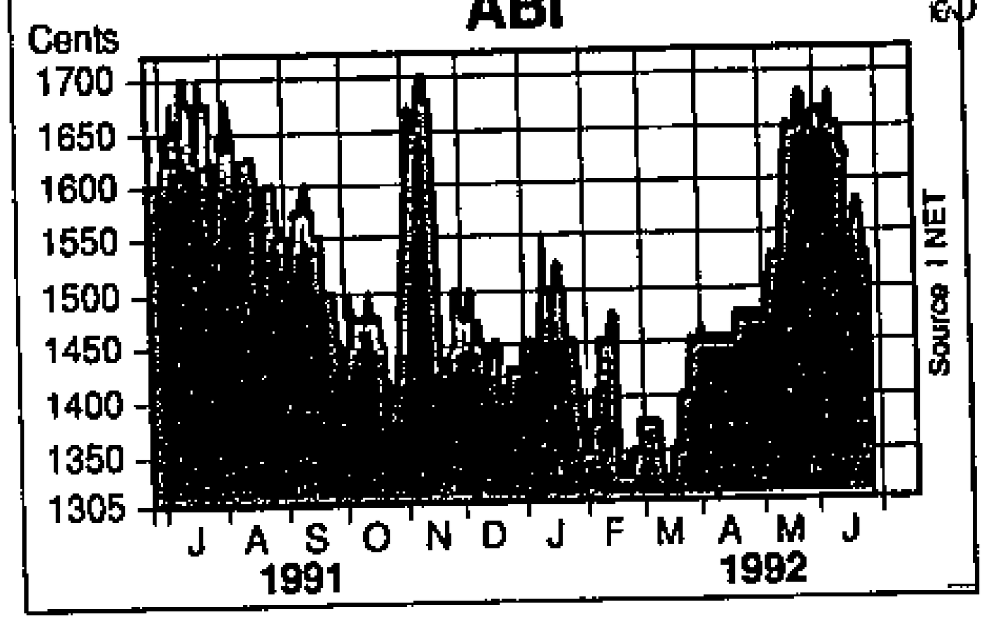
Higher finance charges largely eliminated any benefits of an impressive 32% increase in attributable income from the 24%-held canning associate

Pressure on margins should ease this year with the completion of the Phoenix project Nevertheless, working capital was reduced by R34,1m, the net effect being a reduction in the year-end interest-bearing debt to a modest R29m

The 59% increase in cash flow per share was mainly because of the R63m movement in working capital Financial director John Busschau says it is not likely that a similar movement in working capital will recur

MD Alex Reid says capex on distribution facilities will continue this year to ensure ABI provides for increased demand by its rapidly growing informal sector customer base The group plans to commit more than R50m over the next four years to this end

Lloyd welcomes the decision to drop *ad valorem* duty on carbonated soft drinks but is concerned about the 28% increase in excise duty



Some analysts consider ABI's rating somewhat demanding on a p e of 24 and a 2% dividend yield Yet few shares have performed so well in the slump With real growth in earnings expected in financial 1993, in response to a gradual improvement in the economy, ABI seems set to retain its high rating

Marylou Greig

SA BREWERIES FM 10/7/92

(182)

Turning to exports

Activities: *Consumer-based group with interests in beer and other beverages, as well as retailing, manufacturing and hotels*

Control: *Bevcon 32%, Old Mutual 13,6%, Sanlam 8,5%, Liberty Life 7,2%*

Executive chairman: *J M Kahn*

Capital structure: *268m ords Market capitalisation R15,4bn*

Share market: *Price R57,50 Yields 2,3% on dividend, 5,1% on earnings, p e ratio, 19,8, cover, 2,2 12-month high, R61, low, R50 Trading volume last quarter, 2,0m shares*

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	307	659	720	1 166
LT debt (Rm)	1 293	1 279	1 640	1 770
Debt equity ratio	0,47	0,45	0,50	0,53
Shareholders' interest	0,45	0,44	0,41	0,42
Int & leasing cover	7,2	6,0	7,0	5,8
Return on cap (%)	15,3	15,7	17,7	16,5
Turnover (Rbn)	10,6	13,3	16,1	17,7
Pre-int profit (Rm)	1 033	1 383	1 799	1 894
Pre-int margin (%)	8,6	9,9	10,8	10,3
Earnings (c)	187	225	265	290
Dividends (c)	84	101	118	130
Net worth (c)	850	1 009	1 168	1 371

A solid performance by SA Breweries' beverage interests, the beer division in particular, boosted group after-tax profit above R1bn

cont

SAB BY SECTOR

	Turnover (Rm)		Attributable Earnings (Rm)	
	1991	1992	1991	1992
Beverages	5 290	6 189	516	598
Retail	8 124	8 676	189	183
Manufacturing	1 374	1 382	108	78
Hotel int	525	565	15	27
Non-SA interests	737	831	57	67
Other	72	56	(174)	(174)
Total	16 122	17 699	711	779

for the first time, on turnover up 10% Earnings attributable to shareholders rose 10%, to R779m, and the dividend was also increased by a tenth

SAB is justifiably proud of its 25-year record of unbroken growth in EPS — a performance matched by few other major industrial groups For the first time, shareholders were offered the opportunity to take up their final dividend entitlement in fully paid new SAB ordinary shares, at an issue price of 5 180c.

Over the past seven years, SAB has achieved a compound growth rate in dividend and earnings of 20% Dividends have been held at generous levels, representing some 45% of earnings

The contribution to attributable earnings of SAB's "other interests" show a compound growth rate of 20,3% over the past seven years, fractionally below the 20,8% of the beer division (though the non-beer contribution, at R313m, is still 46% less in rand terms), so the diversification has been of value

The group has maintained a healthy debt equity ratio, 53% in 1992 and averaging 45% over the past seven years Financing costs increased last year by 26%, but the interest and leasing cover remains high at 5,8 A lower company tax rate and the release of deferred tax provisions in some of the subsidiaries boosted after-tax profit

A change in presentation of results is the consolidation of foreign interests which were previously equity-accounted Turnover for

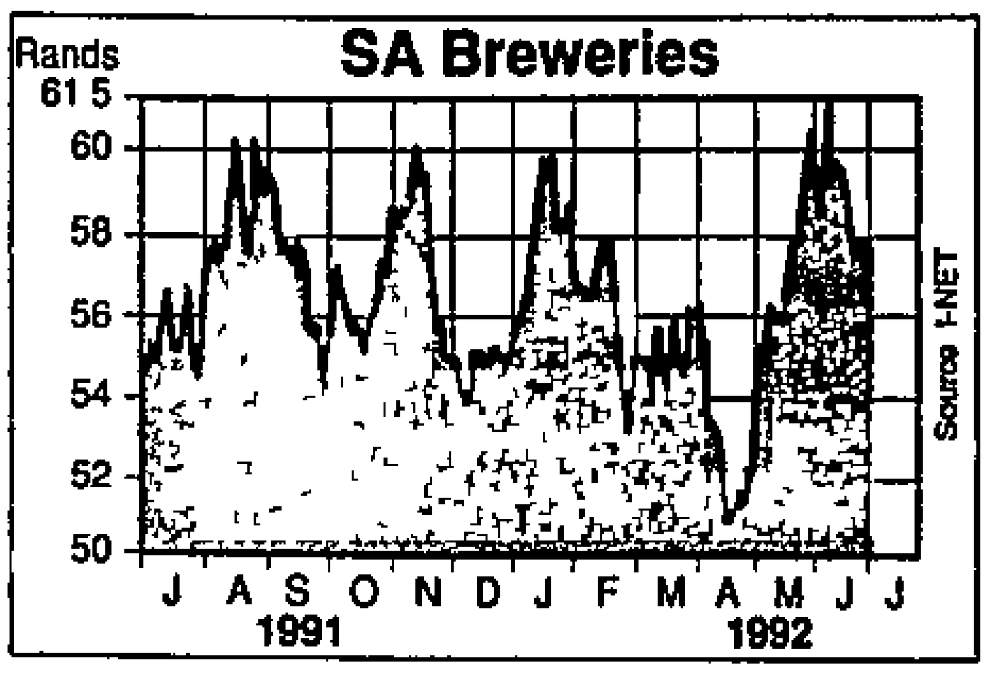
SAB's Kahn *beer exports doubled*

1991 is restated at R16,1bn, and 1992 turnover increased 10% against that figure, to R17,7bn After-tax profit has been deflated by R70m additional replacement cost depreciation, and R197m (1991 R202m) is attributable to minorities and pref shareholders

Capex of R1,3bn was incurred by the group in financial 1992, and Kahn says a further R3bn has been committed, of which half will be spent in 1993, with beverage activities absorbing two-thirds For many companies, capital spending of this size would be cause for concern But the bulk of it is in expansion of operations which will generate cash very quickly

The core activity, the beer division, contributed 60% (R465m) of total attributable earnings, a year-on-year increase of 16%. This was despite a marginal 0,5% increase in volumes Executive chairman Meyer Kahn attributes its success to the doubling of beer exports and a maintained level of replacement depreciation as a result of the exemption of VAT on capital equipment

Beverages as a whole contributed 72% of attributable earnings. Amalgamated Beverage Industries produced strong results, increasing earnings by 20% on minimal volume growth Edgars improved its position in a declining clothing market, despite the R8m loss incurred by Jet Stores On a 5% rise in earnings, the Edgars group contributed a



fifth of attributable earnings

The other major retail interest, OK Bazaars, failed to perform Its turnover is 28% of the group's but its contribution to earnings was a miserable 1% Of SAB's hotel interests, Southern Sun doubled its contribution on the back of an improvement in tourism in the final quarter of the financial year, though the average occupancy rate was down on previous levels, at 57%

Manufacturing interests — Afcol, Lion Match and Da Gama — all recorded a decline in attributable earnings growth, as did the clothing and furniture distributor, Amrel Non-SA interests' contribution to earnings rose 17,5% to R67m

Kahn notes that the outlook for this year is more dependent than usual on trends in the national economy Prospects rely on the growth of private consumption expenditure, which is not expected to show significant improvement this year However, says Kahn, the advances made in the past year by group companies' exports will be intensified, and sales are targeted to exceed R250m.

Concentration on strict asset management and cost control, with attention to quality and value, is seen as the key to future success Says Kahn, this "should ensure further increases in earnings in line with that just achieved "

SAB's inflation-adjusted earnings yield of 5,1% and dividend yield of 2,3% make the share look expensive, though this is comparable to other blue-chip consumer companies However, the group looks certain to continue to show real growth over time and will remain an important component of institutional portfolios *Marylou Greig*

R1 612 minimum pay at SA Brews

ST Times (Buss) 12/7/92

By ADRIAN HERSCH (182)

SA BREWERIES and the Food and Allied Workers Union (Fawu) have agreed on a 15% pay increase.

This year's wage talks were concluded well within the negotiation period — for the first time ever.

Fawu negotiator Ernest Buthelezi says the rise takes the minimum wage to R8,53 an hour — about R1 612 a month for a 45-hour week.

The minimum for those working a 40-hour week will be about R1 433 a month.

The relationship between SAB and the union has improved since the seven-week strike in 1989.

SAB public affairs manager Adrian Botha says negotiations were held in a positive fashion.

Mr Botha says: "This is the first time we have been able to conclude negotiations before the expiry of the current substantive agreement — and without any third party intervention."

Mr Buthelezi is not entirely unhappy with the agreement, but says the union would have "preferred an agreement about 3% or 4% above the inflation rate".

Fawu did not push strongly for this because the union is also giving attention to improvements in non-wage issues — housing and medical aid.

These matters are being discussed in a separate forum. Mr Buthelezi says "some progress" has been made.

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KWV set for R50m concentrate expansion

KWV is spending R50m on two new grape juice concentrate plants at Vredendal and Upington and expanding the existing plant at Robertson to meet growing demand from both the export and domestic markets.

Announcing this yesterday Ritzema de la Bat, CE of KWV, said about 75% of locally produced grape juice was exported

About 54% of SA wine production was currently used for good wine products, including exports. CT 17/7/92

Under normal climatic conditions 22% of the wine crop would be needed for the domestic distilling wine market next year, compared with 26% this year, and 24% would be used for grape juice concentrate compared with 20% this year

This meant the increased demand for grape juice would compensate for falling sales of distilling wine

KWV buys 25% of Ceres Fruit Juices

B/DAY
17/7/92

LINDA ENSOR (182)

CAPE TOWN — KWV has bought 25% of fruit juice producer Ceres Fruit Juices for R41m in a deal giving it a secure outlet for grape juice concentrate

KWV has had a long relationship with Ceres, supplying it with grape juice concentrate as a basis for fruit juices

KWV CE Ritzema de la Bat said the deal "offers KWV a unique opportunity for further involvement in a product group of which grape juice concentrate forms an important raw material, while at the same time Ceres is ensured of an important raw material resource"

Local and international demand for grape juice concentrate has escalated astronomically and KWV is establishing two new plants for the production of grape juice concentrate at Vredendal and Upington at a cost of more than R50m It is also expanding its existing plant in Robertson.

De la Bat said 20% of total SA wine production was used for grape juice concentrate at present, but the additional capacity would enable more to be used for this purpose from 1993

About 75% of locally produced grape juice concentrate is exported.

De la Bat said that in 1993, under normal climatic conditions, 22% of the wine crop would be needed for the domestic distilling wine market and 24% would be used for grape juice concentrate, which would increase by 4% as a result.

Ford division "There are more collectable Fords in SA than any other single make, which speaks volumes for the high standards of engineering that went into them "

Doug Kemsley

WINE FM 17/7/92

Adding value (182)

The growth of the fine wine industry over the past two decades is now a matter of record

In the early Seventies Cape red wines emanating from the best known producers commanded little more than R1,50 a bottle retail and enjoyed no status compared with French appellations

cont →

TIME OUT FM 17/7

Today it is not uncommon to find current vintages from the Cape's boutique producers on the bottle store shelves at more than R50 a bottle, with many consumers arguing that such wines are better than most clarets selling at twice the price

Several factors contributed to this turnaround the wine of origin legislation of 1973 controlled varietal and vintage claims and encouraged the production of estate wine, individual producers looked to other New World wine-producing countries and imported ideas ranging from improved planting material to new French oak vinification, the Nederburg Auction showed that there could be rewards for those who made premium quality wines, the influence of men with international experience — like The Bergkelder's Julius Laszlo — courageous enough to put new techniques into practice also, cannot be overestimated; finally, institutions which led to better informed consumers played a vital role

It is impossible to imagine the Cape wine industry at its present level of sophistication without the dual contributions of John Platter's annual wine guide and the training and education provided by the Cape Wine Academy (CWA)

Platter's book is a comprehensive review of the Cape winelands, a kind of working text for those who want to know more about what is available from the farms, co-ops and wine retailers The CWA enhances wine appreciation, developing the theoretical knowledge which does add value to the pure pleasure of the wine

The CWA has been in existence since the late Seventies Sponsored initially by Stellenbosch Farmers' Winery (SFW), it has now acquired a reasonable air of independence Last year the academy's management merged with the KWV's wine training programme to share the umbrella of the Cape Wine and Spirit Education Trust Its courses lead to the Cape Wine Master examinations, a programme that enjoys international recognition.

More recently the CWA has branched out to offer specially designed courses, including a training programme for the liquor trade and a prestige wine seminar aimed at business people who feel they could use a little extra product knowledge

Neither of these courses is intended to replace the full syllabus of the academy but they do help to fill critical gaps in wine knowledge

The CWA handles more than 1 000 students annually at its Sandton premises alone Since its inception the academy has dealt with more than 10 000 students, a contribution to SA's premium wine market that is certainly quantifiable the total literage of de luxe wine sold in this country does not exceed 500 000 cases annually, more than 40 000 copies of John Platter's guide are sold each year at least 10 000 people have become so interested in wine that they have paid good money to attend courses at the Cape Wine Academy It is not difficult to see how these

7/92 (182)

numbers overlap and how each part of the equation contributes to the overall result

The SA quality wine industry has had revolutionary changes since the Seventies It is as a result of this sudden and considerable progress that we have wines worth showing the world at the end of the sanctions era Wiser wine drinkers are also more demanding, and it says something for the courage of those people at SFW who launched the academy that they were prepared to meet the challenge inherent in its existence

☐ Cape Wine Academy tel (011) 783-4585 or (02231) 73400 *Michael Fridjhon*

Drinkers tighten their belts

182

MARCIA KLEIN

A LACK of disposable income has seen consumption of alcoholic beverages dip for the first time in years

But the beverage sector had remained buoyant compared with most other consumer-related industries, and would continue to show growth, industry sources said at the weekend

In its recently released annual report, SA Breweries (SAB) estimated that volumes for alcoholic beverages had declined by 3% in the year to end-March.

Malt beer, which has the lion's share of the alcoholic beverage market, was down by 0,5% after five consecutive years of volume growth of between 10% and 14% a year

Spirits volumes were down by 8% and wine by 3%, bringing volumes to below 1986 levels Wet sorghum volumes were unchanged.

But carbonated soft drinks and fruit juices held up well, growing by 3% and 2% respectively

Despite the gloomy figures, beer remained the mainstay of SAB's 10% earnings rise to end-March, and the soft drink companies — mainly Amalgamated Beverage Industries, Suncrush and Cadbury Schweppes — have been reporting excellent results.

Senekal, Mouton & Kitshoff analyst Chris Gilmour said that SA's per capita beer consumption had been one of the fastest growing in the world in recent

□ To Page 2

BDay 20/7/92

Alcohol

BDAY 20/7/92

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□ From Page 1

years.

"While the growth of both wines and spirits consumption has been virtually flat for the past 30 years, malt beer consumption has grown almost exponentially," he said There was a move away from sorghum to malt and this had "provided much of the engine for growth in malt beer drinking in SA over the past decade or so"

He expected respectable volume growth in malt beer and soft drinks "for a long time to come"

Wine and spirits growth had been relatively depressed for some years Gilmour said natural wine production had grown by less than 3% a year over the past 15 years, while fortified wine production declined by a compounded 2,5% over the same period

Sparkling wine production was the only one to show reasonable growth in recent years

But he said exports had "improved noticeably in the past two years", and about 25% of the wine crop was available for export in 1990 The wine market would benefit from improved exports and increased consumption by black consumers

SA Liquor Store Association executive committee member Len Polivnick said that liquor sales were generally on the decline People treated liquor as a luxury and were cutting down in the recession Apart from buying half bottles or six packs instead of full bottles or crates, they were also buying down

Although a price increase was expected in September, he said this increase would be small as there was consumer resistance to any price hike in the liquor industry The two price increases a year had generally been below CPI for some time

COMPANIES

Tempora doubles after-tax profit

DUMA GQUBULE

SUNCRUSH investment company Tempora Investments has doubled its after-tax profit to end-June this year

However, a significantly higher number of issued shares resulted in a lowly 16,6% increase in earnings to 36,4c a share from 31,2c A final dividend of 32c a share was declared BDAY 21/7/92

The company, whose major investments are in consumer shares of Dalys and Cadbury Schweppes, saw its pre-tax profit jump 122% to R8,2m (R3,7m) Attributable earnings increased by a similar amount to R7,3m (R3,4m).

During the year the number of shares in issue increased to 27,3-million from 10,8-million at end-June 1991 in three rights issues

□ In July 1991, R40,5m was raised by issuing 2,7-million shares at a price of R15 each,

(182)

□ In September, the issue ~~of another~~ er 8,3-million shares raised R145,6m, which was used to buy additional shares in Cadbury Schweppes. Tempora's stake in Cadbury was increased to 21,7% from 5,7%, with the balance of the R177m purchase price paid in cash, and

□ Last month, R82m was raised by issuing 5,5m shares.

Investments in Saker's Finance & Investment Corp, Saficon and Seardel Consolidated Holdings were increased, while Sage Holdings shares were sold.

New investments were made with 232 000 SAB and 150 000 ABI shares The market value of Tempora's investments increased to R440m from R200m.

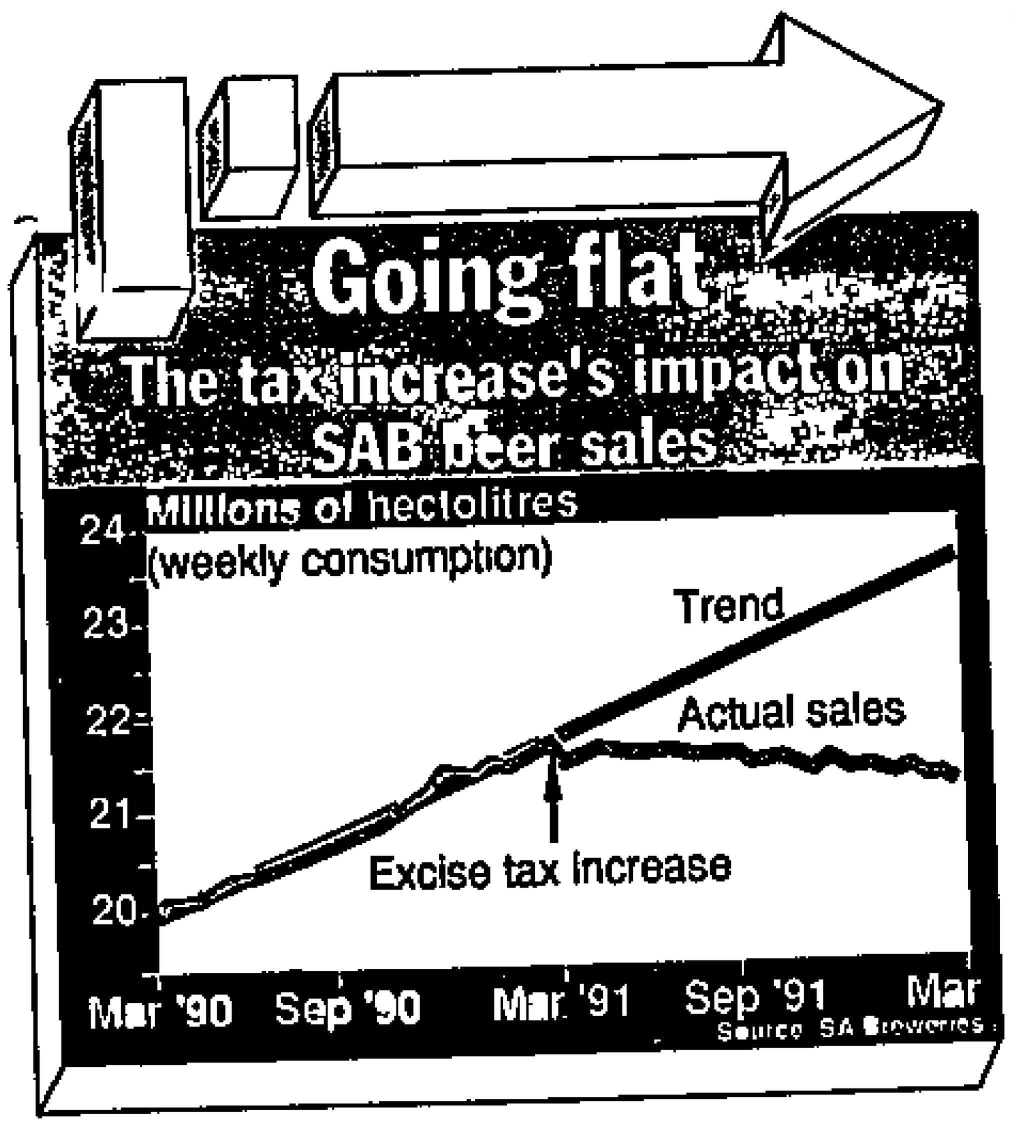
FM 24/7/92 (182)

BEER SALES (182)

Losing the fizz

FM 24/7/92

Beer sales are ailing because government took to heart the Lion Lager "go all the way" slogan SA Breweries' constantly rising sales and profits apparently led former Finance Minister Barend du Plessis to believe that beer sales were impervious to ever-increasing



tariffs

So he increased the excise duty on beer by 20% in March 1991 He followed that up in September by imposing an additional 6% excise duty And this March he increased the duty by another 12%

"If he was looking for the point at which he could kill growth in our sales by raising duties to the level where the consumer rebels, he found it in March 1991," says SAB spokesman Adrian Botha "Sales went flat seven days later

"There is a recession on, 80% of our consumers are black and can afford to pay only so much for a beer In March 1990, government skimmed 47,5c/l off the price of beer at producer level, 56,4c in March 1991, 60,2c in October 1991, and 66c in March this year " This increased government's revenue from SAB's beer by nearly 23%, from just over R1bn in fiscal 1991 to R1,3bn in fiscal 1992

But, says SAB Beer Division MD Graham Mackay, local consumption declined for the first time since 1978, from 2,27bn hl in 1990 to 2,24bn hl last year "However, production increased by 1% because of our increasing export market "

In contrast, most of the small independent brewers are increasing their sales, which poses no threat to SAB because they're catering for a wealthier, niche market At best, says Cathy Raubenheimer of liquor market analysts Ibis, the independents — including Namibia Breweries — account for only 0,3% of the market St George's Brewery MD Peter Brown agrees "SAB evaporates more beer on a Monday morning than all of us produce in a month "

But the success story of the year belongs to St George's It was producing 3 000 l/month last year, while trying to educate South Africans to drink English-type beer But when it started producing SA-type beers Forester's Draught and Bosun's Bitter this year under licence to Lex Mitchell, founder of the successful Mitchell's Knysna Breweries, production increased more than 16-fold to 50 000 l/month

Both beers are also produced under licence by Mitchell's Waterfront Brewery in Cape Town, owned by Atholl Mitchell (no relation), whose production increased by 25% this year, to 65 000 l/month in summer and 35 000 l/month in winter

Production at his own brewery is up 20%, says Lex Mitchell, who supplies customers as far as East London The three breweries using his recipes now are producing about 120 000 l/month, including 35 000 l that he is brewing In December, when Knysna is overrun by tourists and holidaymakers, his production also hits 65 000 l/month

Even the Helderbrau Brewery in Cape Town, the only one that produces a proper pilsener beer, is bouncing back under GM Clem Shortt after a series of problems with quality and reliability of supplies "We can produce 20 000 l/month and were producing 8 000 l/month, then dropped right down But things are coming right and we're producing between 7 000 l and 8 000 l/month now " ■

FM 24/7/92 (182)

BEVERAGE CANS 24/7/92 182

How thirsty a market?

Two new beverage can-making plants will open during the next 18 months, boosting total local capacity by almost 40% But don't say anything about price wars or oversupply — the industry will hear none of it

Annual beverage can production — now 2,5bn units — will be boosted by almost 1bn units when Nampak's new Springs steel-can facility, built at a cost of R125m, comes on line in September Highveld Steel subsidiary Rheem's aluminium-can plant is due to begin production in mid-1993

Between them, the two plants will compete for the 15% annual market growth With beer sales flat and soft-drink sales static, the extra capacity could result in mammoth oversupply — yet the manufacturers deny it

National Beverage Services MD Sandy Allan says there probably will be too much capacity when both plants start production, but this will be absorbed quickly because cans are the fastest-growing type of package in the industry

"I hope there will be a price war between the manufacturers," he adds

The market is now shared between Nampak, which has 70%, and unlisted Crown Cork SA

This year's protracted strike at Crown Cork saw the US-owned steel-can manufacturer lose much of its market share And, despite Nampak's attempt to plug the gap by running plants 24 hours a day, seven days a week, the result was a severe shortage of beverage cans at times Even cans of the omnipresent Coca-Cola went missing in action Natbev published advertisements in the press laying the blame for the shortage squarely at Crown Cork's door Allan says he is looking forward to a third supplier to ensure a steady source

Nampak deputy chairman Peter Campbell acknowledges that the market has been undersupplied for some time and customers wanted another supplier "The industry needs at least two good suppliers at any time We are entering the new season with no cans in the warehouse and we have to build up stocks to cope with Christmas "

With the strike largely resolved and the plants back at full production, Crown Cork is "on the way back to recapturing market share," says MD Harry Lavery

The impact of the new plants will be minimal because market growth will absorb the extra capacity, he says "There is room as long as we don't put in new lines ourselves Beer sales may be flat but our beer can business with SA Breweries is actually up " This is due to higher exports and cans taking business away from bottles

Campbell believes the only barrier to growth in the beverage can industry would be the total collapse of the local economy Rheem's entry into the fight might cause "a slight hiccup, but, while we anticipate not participating in as much of the growth as we would like, we are determined to hold on to our market share " A price war is not neccessarily part of Nampak's strategy, he adds

Rheem's Wadeville plant will cost about R150m and will make about 450m aluminium cans a year, the first ones to be made in SA MD Stewart Park says the stock for the bodies of the two-piece cans must be imported until the local aluminium industry can supply it

Huletts Aluminium will supply some stock for the tops and bottoms of the cans and eventually upgrade its facilities to manufacture the stock for the cans' bodies and for export

"The motivation behind the new Rheem operation is the real growth in the beverage-can industry," Park says While it would be more logical for the Highveld Steel subsidiary to manufacture a steel can, "we want to manufacture a product that we believe is the can of the future "

Part of the aluminium can's attractiveness is that it can be recycled "Aluminium cans are economically recoverable, steel cans can be recycled but not economically," he says

The go-ahead for the plant came last year after Highveld Steel succeeded in its application to the Board of Trade & Industry for duty on imported raw material for can bodies to be reduced by 20 percentage points to 5%

Even if the market does not grow as expected, Rheem has a five-year contract to supply Natbev with enough cans to keep the plant at full production, which makes the development secure, Park says Rheem hopes to capture at least a 16% share of the beverage can market

Paul Ash

SIMPLE CONTROL Peter Davids, left, of Peninsula Beverages and engineer Arend Hofmeyr put the new locally developed quality control package on line

Statistical control system beats the maths blues

182
CT 27/2/92

By MAGGIE ROWLEY
Deputy Business Editor

PENINSULA Beverages, bottlers of Coca Cola has installed a locally developed computerised statistical process control system at its Parow Industria plant.

Developed in 3 000 programming hours by Pinelands engineer Arend Hofmeyr the Qualitstat Process Control System is expected to pay for itself within months

Tailor-made for the South African environment, it differs from imported systems in that it does not require a mathematical background to operate

Hofmeyr says SPC is a discipline applied almost universally throughout the Western World but has been very slow to take hold in South Africa

"Many people working in factories in practice don't have the knowlege and can't understand and relate to mathematical systems which means they don't get used or at least not to their full advantage "

He said previously the mathematical calculations to ensure quality control were done by hand but the statistical analysis was only available a day later

"By then it was often too late to do anything about it."

Peter Davids, the plant chemist who is responsible for quality control at the Parow plant said the Qualistat system would enable Peninsula Beverages which produces 300 000 bottles of Coco Cola a day, to control quality in real time and allow those applying the system to process 20 times the amount of data than had been previously possible

He said other benefits they expect from this investment included more accurate and reliable data capture and analysis by automation of the measuring process and more accurate and consistent control of

- Bottle filling volume to ensure that the consumer gets full value for money,
- Closure application torque to ensure a perfect seal and easy opening
- Gas pressure and other process variables in order to make a uniform product of excellent quality
- Monitoring characteristics of incoming bottles and caps such as mass bottle height and cap dimensions which are critical to good quality performance

Davids said in all cases a graphic analysis was made by the system which enabled management to compare the quality of different suppliers, to pick up long and short term trends in variation and to assess how well suppliers' quality and own production complied with preset standards

He said there was a strong possibility more such systems would be installed at some of the other 51 Coca Cola bottling plants in the country

Hofmeyr says the system can be adapted to almost any mass production process

Network will axe car phone prices

From DUMA GQUBULE

JOHANNESBURG — Telkom is about to introduce a new car-telephone network system at a cost of more than R1bn, industry sources said at the weekend.

The move would mean a drastic reduction in the cost of new car phones from the present R14 000 a unit to about R3 000 and would alleviate system overcrowding, the sources said

The system would be the European-designed Group Speciale Mobile (GSM), which

The present system has operated for six years, but the high cost of units has seen the market barely top the 11 000-unit mark. This compares with more than one million users in the UK, which introduced car phones at the same time as SA.

Suppliers of the new units will be Philips and Siemens initially, but once the network is up and running, suppliers from Hong Kong and Taiwan are expected to come into the market.

BMI-Techknowledge s Allan Paul said the new technology

panies while the necessary infrastructure was being set up

However, Siemens' Ernst Sangl cautioned that an "explosion" in the local market depended on how quickly Telkom could install a GSM network which was wider than the present system

Sangl said the digital GSM technology would be the basis for mass communication leading up to the 21st century It was forecast that by the decade's end, 20-million subscribers in the 27 European countries

Tender prices worst ever — Ovcon

Property Editor

THE civil and engineering industry has hit rock bottom and liquidations would be coming thick and fast in the near future forecasts Jan Kaminski, executive director of Ovcon

In an interview ahead of the company's AGM yesterday Kaminski said prices in the industry were the worst he had ever seen as a result of cut throat tendering

Tendering prices are certainly at below overhead recovery levels and

Drought gives boost to Cadswep

By Sven Lunsche STAR 29/7/92

The drought might hurt the rest of the country but it certainly benefited confectionary and drinks group Cadbury Schweppes (Cadswep).

The extended hot summer sharply boosted drinks sales at the Bromor, Schweppes and ABI divisions and lifted group turnover by 23,6 percent to R296,5 million (R239,9 million).

The growth in drink sales was in sharp contrast to generally weaker consumer demand, which hit Cadswep's confectionary division.

Cost controls

The directors comment that while average selling prices were below the rate of inflation, improved sales and tight cost controls lifted operating profit by 21,6 percent to R26,3 million (R21,6 million).

While the group's expansion lifted financing costs by 50,4 percent to R6,7 million (R4,5 million), associated companies' earnings were up by 47,1 percent to R7,3 million (R5 million).

This left attributable income 28,7 percent higher at R21,5 million (R16,7 million), equal to earnings a share of 61,2c (47,8c)

The interim dividend is up by 25 percent from 12c to 15c.

The directors warn, however, that trading conditions have deteriorated recently and a repeat of the interim earnings growth is unlikely for the full financial year.

Hot summer helps boost Cadswep's performance

BDAY 29/7/92.

(182)

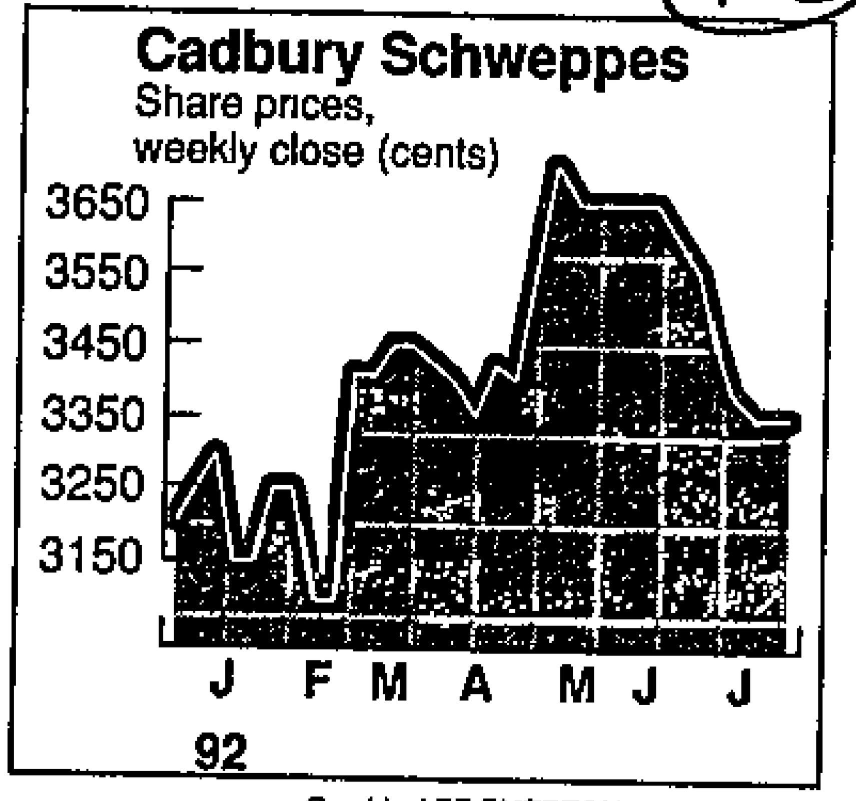
DUMA GQUBULE

A HOT summer which boosted soft drink sales has helped Cadbury Schweppes (Cadswep) report a better than expected 29% increase in attributable earnings in the six months to end June.

The soft drinks and confectionery group increased its earnings to 61,2c (47,8c) a share An interim dividend of 15c (12c) a share was declared

CE Peter Bester said strong sales volume growth in the group's soft drinks businesses had been the main reason for the good performance But a recent deterioration in trading conditions had made it unlikely that earnings growth for the full year would match the achievement of the first half.

Turnover advanced 23,6% to R296,5m (R240m) despite price increases below the rate of inflation. Operating profit rose by a similar percentage to R26,3m (R21,6m) A 50% increase in financing costs saw pre-tax profits increase by 14% to R19,5m (R17,1m)



Graphic LEE EMERTON Source I NET

A lower tax rate and a 47% increase in earnings from associated companies (soft drinks company ABI and Namibian chocolate manufacturer Springer) resulted in a 29% increase in attributable earnings to R21,5m (R16,7m)

Bester said the Schweppes division had achieved good growth in volumes But downtrading from carbonated drinks to cheaper squashes and soft drink concentrates had been a notable feature As a result Bromor Foods, which operated in these markets, had increased sales dramatically

A better product mix and the effect of continued focus on internal efficiencies had added to the contribution from the excellent sales

He said the group's sugar confectionery interests had done reasonably well But chocolate market volumes had shown a significant decrease as a result of weak trading conditions, intense competitor pressure and the unusually warm weather

Bester said the sharp increase in financing costs had been due to the group's expansion programme However, he expected borrowings to peak this year (with gearing of about 40% at year-end) and fall to lower levels next year on completion of current expansion programmes

Financial director John Buchanan said the group was expecting to extract further value, in the form of improved internal operating efficiencies, from recent acquisitions Chapelat Humphries and Bromor Foods.

CADBURY SCHWEPPES (182)

Concentrated profit

Cadbury Schweppes' bubbling 24% increase in sales over the first half is not entirely due to You Know Who, though Schweppes performed well and enjoyed higher volumes.

Instead it was a strong recovery by squash and concentrates producer Bromor, which lost market share the previous year and still faces tough competition from brands like Royal Foods' Lecol Bromor pushed up sales volumes in the soft drinks sector and contributed to Cadbury's strong results

This saw operating profit rise 22% through increased volumes and cost control, despite management saying that average soft drink prices were kept below inflation

But earnings could lose some fizz in the second half Financial director John Buchanan says some exceptional factors contributed to the first-half performance and he does not expect earnings growth to match 28% in the second half

One factor was the long, hot summer which kept soft drink sales strong despite consumers trading down from the more expensive brands to squashes and concentrates "This is largely a soft drink performance that will not be repeated in the winter months," says Buchanan.

Weak trading conditions in the competitive chocolate market saw volumes decline, affecting the performance of the confectionery division.

Cadbury benefited from its strategic market penetration, with its less expensive products from recently acquired Chapelat-Humphries taking up the consumer movement to the cheaper end of the market

The 50% increase in financing costs to R6,7m sits uncomfortably on the income statement but Buchanan says the group is nearing the end of its capital expansion programme, with borrowings expected to peak in the current financial year

While trading conditions have recently deteriorated, and with the market unpredictable for the rest of the year, earnings growth might fall in the second half But that is not likely to have much effect on Cadbury's share price. The share remains well rated and is fair value

Shaun Harris

STILL SWEET

Six months to	Jun '91	Dec '91	Jun '92
Turnover (Rm)	240	370	297
Operating inc (Rm)	21,6	39,0	26,3
Attributable (Rm)	16,7	30,1	21,6
Earnings (c)	47,8	85,8	61,2
Dividends (c)	12	42	15

FM 31/7/92 (182)

A swing to plastic in sorghum beer industry

Sowetan 31/7/92 (182)

By Joshua Raboroko

■ NSB leads the market especially in rural areas:

THERE is a swing to plastic containers in the traditional beer industry that is rapidly becoming strong in rural and urban areas of South Africa

The newly-appointed marketing director (traditional beer packaging) of Nampak's Blow division, Mr Letepe Michael Maisela, said this applied particularly to the 2-litre wide-mouth pack.

He said "The traditional beer market has huge potential, and if the beer's promotion and packaging are high it could be an outright winner

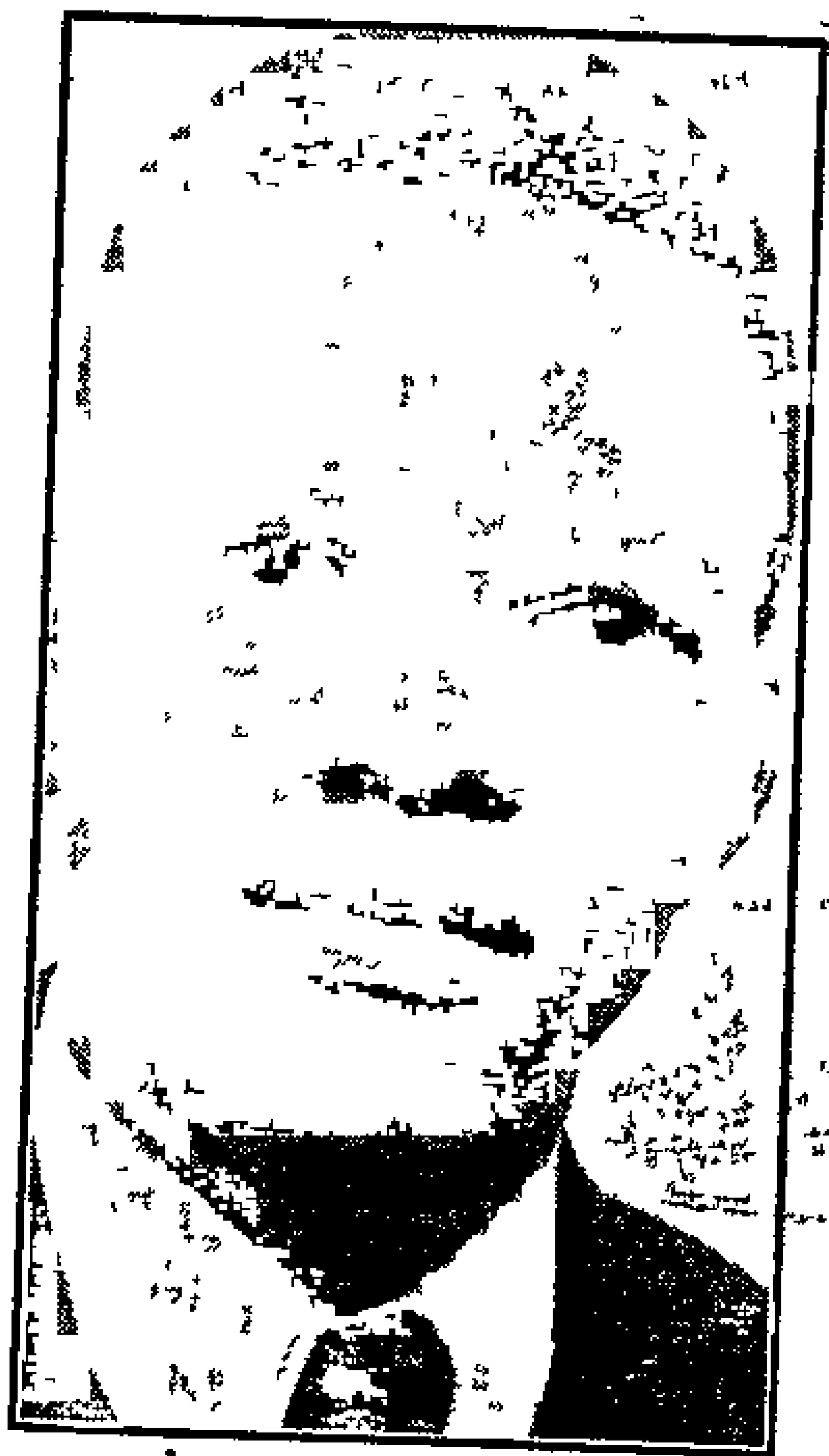
"It seems that mainstream brewers are waking up to this fact. As we see volumes start to increase, so there is a corresponding increase in the sale of plastic packs"

A head start

The black-owned National Sorghum Breweries has a head start, with good products and established brand names in the industry

He said NSB needed not only to sustain growth and ensure that the industry remained under black control, but to be supported by very strong marketing

Maisela, who recently returned from a five-month management development programme at Harvard Business School in the United States, said traditional beer played a much larger part in the everyday life than many people realised



Letepe Maisela

He added. "One can segment the market into three. Firstly, traditional, rural people, or those who have a strong rural background but live in urban areas, who account for about 80 percent of the market.

"Secondly, drinkers who use the product when times are hard, about 15 percent, and five percent who are ceremonial drinkers, well-educated people who drink traditional beer at weddings, funerals and baptismal ceremonies"

He said that since most of South Africa's drinkers consumed beer at some time or another, there was a huge potential for this very special beverage

"Unfortunately," he added, "the drink has an image problem It seems to many as a poor man's beverage and, as such, has a social stigma

"Much of that stigma can be traced back to the Government-controlled beer halls which were noisy, soulless places Even packaging, if you could call it that, did little to compliment the image of the product,"

He said a strong image-building campaign was needed, not for a brand, but for a product and the first step was not to call the drink sorghum

He preferred the name African, or traditional beer because sorghum was an anomaly and only one of the ingredients "What the industry needs to do is to retain the existing drinkers and woo people who consume it."

Maisela believes a major flaw in the marketing of traditional beer was the use of the phrase, 'pride and one's heritage'

"In a few years the market will be more open and the survivors will be companies who get their houses in order," he said, adding that NSB should realise that plastic containers could play a key role

Protection in liquor industry ruled out

(182) CT 5/8/92

FEDHASA CONFERENCE

Business Editor

THERE will be no protection of vested interests in the liquor industry, and those already in it will have to "accept that other major players are entering the market," David de Villiers Graaff, deputy Minister of Trade and Industry, said yesterday

He told the annual conference of Fedhasa, at the Cape Sun, that the Government would retain control over the sale of liquor But it was also "bound to promote deregulation and the principles of a free market system"

It had been decided to proceed with the Draft Liquor Amendment Bill, 1993, which was circulated for comments in 1991

The idea of a new Act which would involve third-tier government and local option had been "placed on ice"

And in spite of opposition from the liquor trade, allowing cafes and grocery stores to sell low alcohol beer and wines was being considered

Discussing the need for deregulation, De Villiers Graaff said that for many years liquor traders were protected by legislative measures such as the quota system, which kept entrepreneurs out of the industry

The result of the system "was reflected by the unrealistically high values placed on liquor licences and enormous profit earnings"

Discussing the sale of low alcohol beverages in cafes and grocery stores, he said he knew Fedhasa was against this

Because of Fedhasa's sentiments, "no steps will be taken before the issue has been thoroughly investigated"

R30-m sorghum-training fund

C/Press 12/7/92

NATIONAL Sorghum Breweries has budgeted R30-million for extensive training of black people in business administration and management as part of its black economic empowerment programme (182)

NSB executive chairman Professor Mohale Mahanyele said at a function in Kelvin this week that the shortage of qualified and competent black managers had required immediate attention.

1·82

Pepsi overrides AIDS link fears and puts Magic onto television

14/7/92 B/Day

LOS ANGELES — In the strongest sign of corporate support since Earvin "Magic" Johnson announced he had the virus that causes AIDS, Pepsi-Cola Co on Sunday unveiled a new television commercial starring the basketball superstar.

The campaign, one of Johnson's first new promotions since revealing last November he had tested HIV-positive, is being launched two weeks before he leads a team of basketball stars to the Olympic Games in Barcelona

The commercial, which will be aired nationwide on Tuesday for Major League Baseball's All-Star Game, does not directly promote Pepsi's soft drinks and makes no mention of AIDS but showcases Johnson's basketball talents

After Johnson made his announcement last year and retired from the Los Angeles Lakers, some industry analysts declared his career as celebrity endorser over because advertisers would not want their products associated with AIDS

Nestlé decided against running a television campaign featuring Johnson as corporate America considered whether to continue its relationship with the player

But the outpouring of public support for Johnson forced sponsors to reconsider, and over the past several months he has appeared in TV spots for a sports trading card distributor and in regional Pepsi advertising

Pepsi's new nationwide commercial, "We Believe in Magic", marks the strongest show of support for Johnson to date by a major corporate sponsor Johnson has been a spokesman for the company since 1989

"The first company that called and said they would step up to the plate and stand behind me was Pepsi," Johnson told reporters

Johnson, 32, has become one of the nation's chief spokesmen for AIDS sufferers

In the new commercial, scenes of Johnson passing and shooting are mixed with images of smiling children and adults saying "We love you, Magic" and "Go for it, Magic"

Johnson, who played on five NBA championship teams in his 12 years with the Lakers, said he would not make any decision on his future in professional basketball until after the Olympics

"I'm going to do what's right for my two sons and my wife We're going to sit down and talk . and also I have to talk to my doctor and make sure everything is going as good as it's going now," he said — Sapa-Reuter

Tuesday August 18 1992 SOWETAN

NEWS First black-owned clear-beer brewery in Africa to be launched in SA soon

SAB monopoly under siege

Sowetan 18/8/92

■ **Black-owned NSB moves into food and beer markets**

By Joe Mdhlela

182

THE South African Breweries monopoly in the beer market is going to end, National Sorghum Breweries chairman Professor Mohale Mohanyele said in Johannesburg over the weekend

Mohanyele was speaking at a ceremony in his honour following the professorial award conferred on him by the International Management Centres, a world-wide post-graduate institute with headquarters in England The move to establish the first black-owned and black-controlled clear-beer company in Africa will come to fruition in the near future, according to Mahanyele.

He said "We hope to create a niche for ourselves in the clear-beer market sector

"Many doubting Thomases gave NSB less than three months of life when we took it over in 1991

"They still can't accept that a black-run company can succeed."

Mahanyele disclosed that the new company will be one of the six companies, including the NSB, to be established by his management team

He said these companies would trade in food and allied products

The reason blacks did not succeed in the corporate world was that they had never been given an opportunity or even an opportunity to fail, Mahanyele said.

"The white corporate world will have to rid itself of racism and stop finding a multitude of reasons for not giving blacks a break," he said

SABS expands as sales bloat

(182)

CT 18/8/92

ACCORDING to the record books the latest extensions to the SA Breweries (SABS) beer distribution centre at Ottery make it the biggest in the Southern hemisphere

When the distribution centre was built in 1990, measuring 8 500m² it was expected to be adequate for many years to come. But a rapid growth in demand for beer meant that it had to be enlarged to 17 000m² in less than two years

Distribution centre manager Paddy Tobin said the extension had brought the total cost of the facility to R22,5m In addition to the warehouse there are administration offices and special events and advertising services units

The warehouse can hold 7m litres of beer. Five forklift trucks are needed for loading

Growth in the population of greater Cape Town had boosted sales.

Sorghum brewery plans assault on SAB

THEO RAWANA (182)

THE black-owned National Sorghum Breweries (NSB) was planning to enter the clear beer market, the company confirmed yesterday B|DAY 19/8/92

NSB group public affairs GM Sy Mahlangu said plans for the move were still in the early stages and no details on funding or the location of plants would be made public until later in the year

However, a source confirmed that the first brewing plant was likely to be located on the Reef

NSB, which was privatised last year and has an 85% share of the sorghum beer market, was reported earlier this year to have received a R500m injection from a conglomerate No details of that deal were made public

NSB chairman Mohale Mahanyele would not name the new backer but said the funding would see the brewer diversify into new sorghum-related products

Mahanyele was reported to have said on his return from overseas at the weekend that SA Breweries' "monopoly" in the beer

☐ To Page 2

Brewery

B/DAY 19/8/92 (182) ☐ From Page 1

market was going to end

He said NSB would soon form the first black-owned and black-controlled clear beer company in Africa

The new company would be one of six companies, including the NSB, to be established by his management team

NSB was the product of a process of rationalisation that began with the transfer of control of township beer halls to the administration boards, then to the Industrial Development Corporation, and finally to government's privatisation unit, which created the new company

Under the 1962 Sorghum Beer Act, NSB enjoys a monopoly of commercial sorghum brewing in SA until 1995

SAB subsidiary Traditional Beer Investments is restricted to the homelands (except KwaZulu, where the homeland government has a monopoly) The NSB is free to compete in the homelands

SAB spokesmen could not be reached for comment yesterday

182

CT 19/8/92

Plans to crack beer 'monopoly'

Own Correspondent

JOHANNESBURG — The black-owned National Sorghum Breweries (NSB) is planning to break into the clear beer market currently dominated by SA Breweries (SAB), the company confirmed yesterday.

NSB group public affairs general manager Mr Sy Mahlangu said the move into the new sector was still in its early stages and no details on funding or the location of plants would be made public until later in the year

NSB, which was privatised last year and has an 85% share of the sorghum beer market, was earlier this year reported to have received a R500m injection from a conglomerate, details of which have not been made public yet

NSB chairman Mr Mohale Mahanyele would not name the new backer but said the funding would see the brewer diversify into new sorghum-related products

Mr Mahanyele was reported to have told a gathering on his return from overseas at the weekend that the SAB "monopoly" in the beer market was going to end

The Sowetan reported that he said NSB was to form the first black-owned and black-controlled clear beer company in Africa soon

"We hope to create a niche for ourselves in the clear beer market sector," said Mr Mahanyele.

He said the new company would be one of six companies, including the NSB, to be established by his management team

NSB was the product of a process of rationalisation that began with the transfer of control of township beer halls to the administration boards, then to the Industrial Development Corporation (IDC), and finally to government's privatisation unit, which created the new company

Under the 1962 Sorghum Beer Act, NSB enjoys a monopoly of commercial sorghum brewing in South Africa until 1995

SAB subsidiary Traditional Beer Investments is restricted to the homelands (except KwaZulu, where the homeland government has a monopoly) The NSB is free to compete in the homelands

SAB spokesmen could not be reached for comment yesterday The company has said in the past that it welcomes competition

SFW lifts profit by 10,9%

(182) CT 20/8/92

STELLENBOSCH Farmers' Winery lifted net profit by 10,9% in the year to June 30, to R43,43m

Trading profit rose to R109m (R106m) and earnings at share level to 42c (39,2c)

But costs of R1,58m were incurred in closing down a bottling plant in Port Elizabeth as part of a rationalisation plan

This limited the increase in attributable profit to R41,85m (R34,61m)

The final dividend is 8,5c a share making a total of 12,5c for the year — Business Staff and Sapa

Drinking's down, but SFW posts healthy earnings hike

Vitculture: (182)
BDAY 20/8/92.

LINDA ENSOR

CAPE TOWN — Stringent management of its assets and cash resources enabled Stellenbosch Farmers' Winery (SFW) to offset the estimated 5%-10% decline in domestic wine and spirit consumption, to post an 11% increase in attributable earnings in the year to end-June.

The results represented a marked turnaround from the 8,6% drop in earnings suffered the previous year

Earnings a share before the additional depreciation rose to 42c (39,2c) and after the additional depreciation to 31c (28c) A final dividend of 8,5c (7,5c) brought the total to 12,5c, an 8,7% increase compared with the previous 11,5c which was maintained for two years

No turnover figures are provided but given the 2,7% rise in trading profit to R108,7m (R105,8m) the turnover increase was likely to have been below inflation. Equity accounted earnings slipped to R1,9m (R3,7m)

SFW MD Frans Stroebel said there had been significant down buying in wines and spirits towards lower margin, cheaper brands Margins had also come under tremendous pressure due to the severe competition in the marketplace. He said the group was satisfied with the results in the prevailing economic climate

The significant increase in exports, mainly wine, albeit off a small base, had given a boost to earnings Competition with wines from Chile, Australia and the US had been tough

SFW had focused on containing costs and improving its management of stocks and debtors which meant that short term debt and bank overdrafts could be reduced to R21,4m (R26,6m) and long term loans also fell slightly

Stroebel said SFW was well placed for the upturn, but there would not be much growth if present conditions continued

SAB 'unperturbed by plans for a rival'

THEO RAWANA (182)

SA BREWERIES was not perturbed by National Sorghum Breweries' (NSB) threat to compete in the clear beer market, SAB (beer division) marketing director Barry Smith said yesterday BIDAY 20/8/92.

NSB, which, in terms of the 1962 Sorghum Beer Act, has a monopoly of commercial sorghum brewing in SA until 1995, said this week it was entering the clear beer market and would end SAB's monopoly in the sector

Smith said in a statement yesterday "SAB's dominance of the SA clear beer market is not protected by legislation, as is the case with NSB in the sorghum market We will approach NSB's entry into the clear beer market in the same way we do any other competitor"

STAR 20/8/92

SFW lifts earnings

Wine and spirit wholesaler Stellenbosch Farmers Winery (SFW) has reported a 10,9 percent rise in net profit to R43,43 million for the year to June

(182)

However, following the implementation of a rationalisation programme, expenditure amounting to R1,58 million was incurred in closing down a bottling plant in Port Elizabeth

This limited the increase in attributable profit, which amounted to R41,85 million (R34,61 million previously)

A final dividend of 8,5c a share has been declared, making a total of 12,5c a share for the year — Sapa

COMPANIES

Weak trade climate inhibits Distillers

BDAY 24/8/92

ANDREW KRUMM

(182)

WEAK trading conditions, spurred by a deterioration in consumer spending, has inhibited Distillers Corporation's earnings growth for the year ended June, says chairman Andries van Wyk

Turnover, which was not disclosed, rose by only 5,3%, while trading income increased minimally to R178,7m from R178,3m in the same period last year

Pre-tax profit rose to R186,3m from R179,4m, while the tax bill at R79,5m (R79,9m) was relatively unchanged

However, in view of the group's sound financial position directors declared a final dividend of 27c a share, up from 24c last year

Interest received rose to R7,5m from R1,1m last year, due to more effective control of working capital, but did not materially affect pre-tax profits

Van Wyk said "Cash flow from operating activities increased by 74,9% to R135,2m and at June 30 interest-bearing debt amounted to 2,2% of the total shareholders' interest"

The group also accounted for inflation by removing R13,55m from the bottom line for the year, as against R12,88m in 1991 Income attributable to ordinary shareholders increased by 7,3% to R93,85m compared with R88,8m in the year to June 1991

Van Wyk said "It is expected that, provided the financial position of the consumer does not continue to deteriorate, earnings in the coming year will at least be maintained"

From page 1

Strike

2/7/92

182

plement the broad areas of agreement

Spokesmen for both Shell and SAB Beer Division said they had been in favour of the 24-hour shutdown

However, SAB's Mr Adrian Botha said the company would not now seek to implement such a plan as this might put employees in a difficult position in their communities if other members of their communities stayed away from work on additional days

Pick 'n Pay general manger, industrial relations, Mr Frans van der Walt, said management was discussing the issues and would meet shop stewards early next week.

Volkswagen's Mr Johan Breytenbach said management would hold talks with shop stewards next week on what policies to adopt He declined to comment on the possibility of a 24-hour shutdown

Policy

Most companies said that in the event of a two-day stayaway they would adopt a policy of no work, no pay, no penalty

Sacob director Mr Raymond Parsons said the organisation would be sending guidelines to members within days on how to deal with the stayaway

The Cape Town Chamber of Commerce has expressed "great regret" at the failure of Cosatu and Saccola to reach agreement on their proposed accord

In a statement by its president, Mr Herbert Hirsch, the chamber said its representatives to a Sacob summit meeting on July 21 had supported the broad thrust of the draft agreement

Mr Hirsch appealed to all employers and employees to discuss problems and show understanding for each others' problems and approach the proposed August 3 general strike on the basis of "no work, no pay", with discipline as a last resort

BUSINESS New R10-million brewery to produce 60 million litres of sorghum beer a year

Chief executive of NSB Professor Mohale Mahanyele unveiling the plaque of Mnambithi Brewery.

NSB opens a new beer plant

■ **The black company's new plant will create more jobs during recession:**

Sowetan 27/8/92

182

By Joe Mdhlela

THE National Sorghum Breweries took a gigantic leap this week with the official opening of a R10 million plant in Ladysmith, Natal

The modern plant, Mnambithi Brewery, has the capacity to produce 60 million litres of sorghum beer a year, executive director of NSB, Mr Israel Skosana, said at the official opening ceremony

When the brewery is fully operational it will employ 150 people, he said

The plant presently has a manpower of 95 employees

"We are proud of our new brewery If anything, it shows that we are concerned about providing employment to our people We see this brewery as an important investment in terms of expansion and creating employment opportunities for our people," Skosana said

The role NSB plays in creating job opportunities should be viewed against the backdrop of massive unemployment in South Africa accounting for nearly 50 percent of the active labour force.

"Blacks constitute more than half of this figure Surely we cannot be expected to fold our arms when it is our people who are without jobs We need to create sustainable jobs for them"

Skosana said the informal sector, including Spaza shops, had a role to play in the economy

However he asked why these enterprises should be the domain of blacks.

"We don't have to be on the periphery of the corporate world Small business is certainly not synonymous with blacks That notion is just not right."

ARG 29/8/92

SA wine exports to UK soaring

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Weekend Argus Foreign Service

LONDON.— South African wine exports to Britain soared by 157 percent in the first half of this year compared with the first six months of 1991. Sales of white wine more than trebled in the same period.

Dr Jannie Retief, chairman of the South African Wine and Spirit Exporters' Association, commented. "This is all the more inmpressive considering the stagnant state of wine sales in the UK."

In the first half of 1992, white wine sales in Britain rose from 45 900 cases to 163 653 cases, a growth rate of 256 percent. Red and rose wines showed a 61,8 percent rise — from 45 079 cases to 72 920 cases.

"These are exciting times for the wine industry," said Dr Retief.

SA wine exports to UK show impressive surge

Wine + Viticulture

LINDA ENSOR 182

CAPE TOWN — SA wine exports to Britain surged 157% in the first six months of this year compared with last year, with the sale of white wines rocketing by 258%

Cape Wine & Spirit Exporters' Association chairman Jannie Retief said the increases reflected the growing interest in SA wines across all price categories and the expanded distribution of these wines throughout Britain

"This is all the more impressive considering the stagnant state of wine sales in the UK," Retief said "These are exciting times for the SA wine industry"

The association has set an export target of 1-million cases of SA wine to Britain by 1995

White wine sales rose from 45 900 to 163 635 cases in the first half of the year, while red and rose wines increased 61,8% to 72 920 (45 079) despite a shortage of red wine A total of 1 600 cases of sparkling wine was sold, which brought the total of sparkling, fortified wine and brandy sales to 269 339 cases

BDAY 3/8/92

Retief said SA winemakers were travelling widely to determine the style of wines suited to each market. This "look and learn' policy appeared to be paying dividends

"Chenin Blanc is still our best seller, with Sauvignon Blanc in second place, Chardonnay making massive gains and Colombard doing well. Among red wines, the blends are still dominant, but Cabernet Sauvignon and Shiraz are doing very well, with Pinotage forging ahead strongly and more specialist varieties such as Pinot Noir much admired"

Low in alcohol but rich in taste

182

STAR 2/9/92

By Stephen Cranston

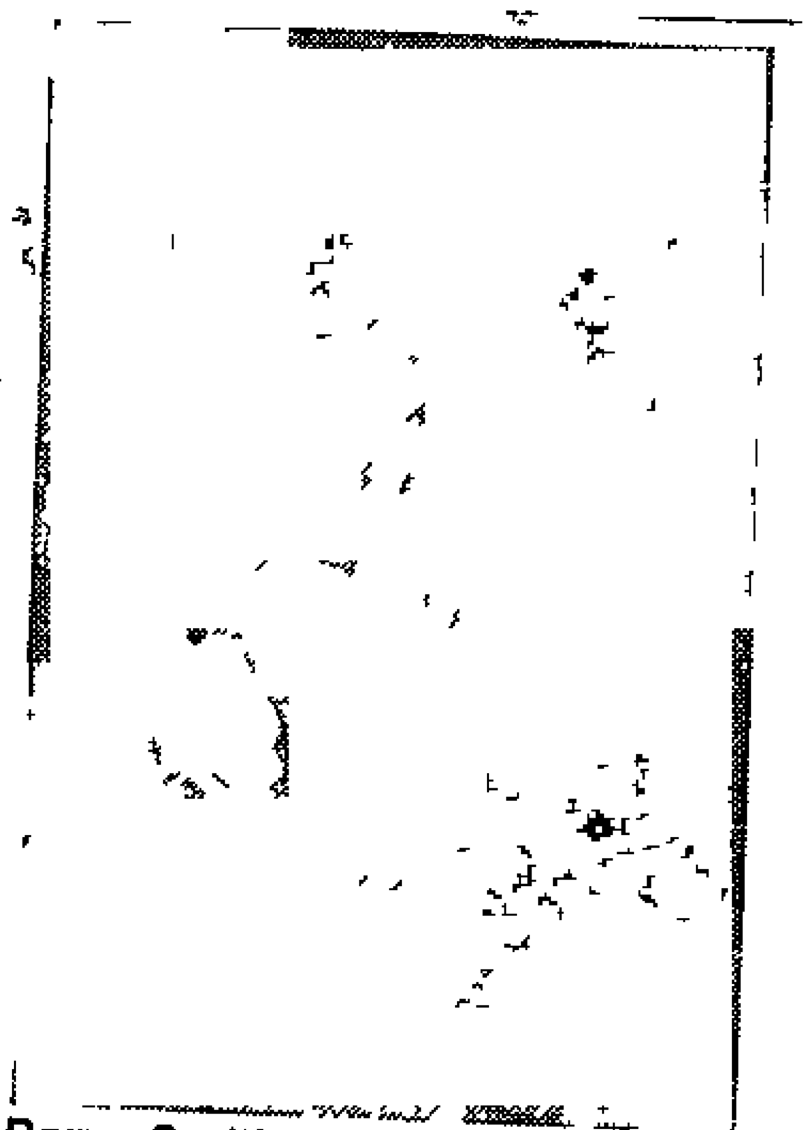
A new low-alcohol lager called Chandler's, was launched by SA Breweries yesterday at a function in Johannesburg

Beer division MD Graham Mackay said the group had delayed the launch of a low-alcohol beer until suitable technology was available to allow a beer to be brewed with as full a taste as possible

He said the technology had now been found The beer would be conventionally brewed and the alcohol carefully filtered through a process of dialysis

It has an alcohol content of 0,5 percent, meaning it can legally be sold through supermarket and other grocery outlets But SAB plans to sell it only through licensed liquor outlets in the PWV Regular beers have an alcohol content of 4,5 percent to 6 percent by volume

Chandler's will be packaged in a 340ml dumpy bottle at the same price as regular beer



Barry Smith growing preference to limit alcoholic intake on occasions

Marketing director Barry Smith says Chandler's will be positioned as an intelligent alternative to regular strength beer for those times when the drinker wants the full-brewed refreshment of beer, but not the alcohol

"There is a growing preference internationally to limit alcohol intake on occasions, or even permanently

"Motivations range from concerns about drinking and driving to a more generalised ideal of being in control and following a more moderated, more individualistic, thinking lifestyle," he says

"As responsible marketers we want to acknowledge and service this emerging need with a low-alcohol beer option"

SAB's new low-alcohol beer on sale

MARCIA KLEIN 182

SA Breweries (SAB) yesterday launched a new low-alcohol beer to add to its brand range BDAY

The beer, Chandler's, has less than 0,5% alcohol content compared with most other SAB brands, which range from 4,5% to 6%

Chandler's is being brewed at SAB's Chamdor brewery on the east Rand and will retail at the same price as regular lager

Beer division MD Graham Mackay says the beer is a conventionally brewed lager, but the alcohol is filtered through a dialysis process SAB spent R5m to import a plant which removes the alcohol 2/9/92

Chandler's initially will be available from SAB's traditional outlets in the PWV area only Mackay says that the beer could be marketed as a non-alcoholic product and there is no reason why it cannot be extended to grocery stores and supermarkets There are no plans to extend its distribution at this stage

The beer, which is packaged in a 340ml dumpy bottle, will be available today

Board stops farmer setting up factory

BDAY 2/9/92

~~Oil seeds~~

WILSON ZWANE

THE Oilseeds Board has come under fire for refusing a northern Transvaal farmer permission to process his own peanuts

Oilseeds Board GM Jan du Preez has confirmed that current legislation and the rules of an oilseed industry marketing scheme compel farmers to deliver their produce to the board, which then markets it on their behalf

Du Preez also confirmed that Elandskraal farmer Gerard Fourie's application to process his own peanuts at a factory he wanted to establish had been turned down

Fourie was informed that it was permissible for him to establish a factory — provided he bought raw peanuts from the Oilseeds Board

Fourie had now sold his farm in frustration at the board's bureaucracy, industry sources said this week

The board has admitted that "some farmers" are not happy about the situation and want the board to disband

Du Preez said yesterday that moves towards deregulation of the peanut industry had prompted the board and the National Oilseeds Producer Organisation (Nopo) to review the marketing system for produce from several thousand peanut farmers

"Both bodies have agreed that while the reviewing of the marketing system is in process, no ad-hoc exemptions to the present system will be made," said Du Preez

He added that Fourie had since approached the board to buy raw materials for a peanut processing plant at Pietersburg

Sources in the oilseed industry, who asked that their names be withheld, criticised the board for having "stood in the way" of Fourie

They said Fourie first applied two years ago to the Oilseeds Board — through the now disbanded SA Development Trust — to establish a peanut-processing factory in Elandskraal, near Marble Hall

That application and several subsequent ones were turned down by the board, which said no farmer was allowed to process his own produce, the sources said

It is understood Fourie made his most recent application earlier this year

"Had he been granted permission to establish his factory, Fourie would have given many jobs to the people of Elandskraal," one source said

Du Preez countered by saying a factory at Elandskraal would, in fact, have lessened employment opportunities at an existing peanut selection plant at Marble Hall

Industry sources pointed out that the board owns the Marble Hall plant

They added they believed the industry should be deregulated and the government-subsidised Oilseeds Board should be disbanded

Fourie could not be contacted for comment this week

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Second-half thirst brings Suncrush some comfort

BDAY 8/9/92. (182)

MARCIA KLEIN

A SIGNIFICANT rise in soft drink sales in the second half saw Natal-based bottler Suncrush improve its earnings by 12% to 1 785c (1 600c) a share in the year to end-June.

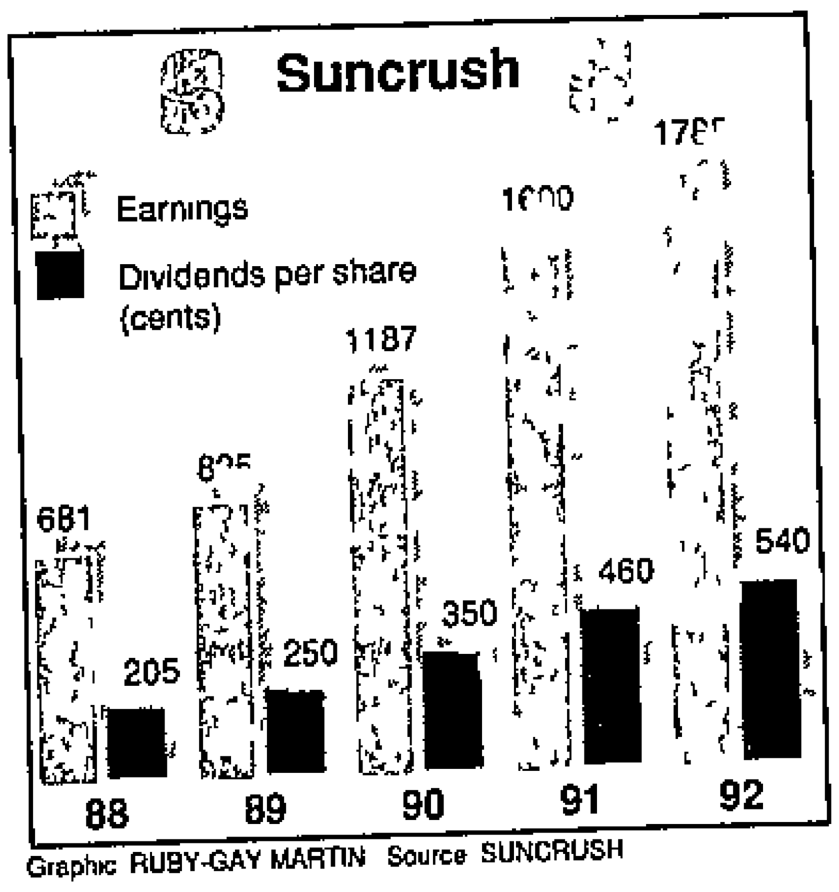
Chairman Robin Hamilton said yesterday the nature of the results had changed because of a change in its holding in Tempora Investments

Suncrush had indicated — by way of its dividend — a truer reflection of the state of its business It declared a final dividend of 390c a share to bring its full year dividend up by 17,4% to 540c (460c) a share

Suncrush had taken up an additional 2,7-million shares in Tempora after its rights issue and a further 2,4-million when Tempora bought 16% of Cadbury Schweppes

These transactions saw Suncrush's investment in Tempora increase by R79,2m, but its holding decline to 43,3% from 62,2%. Tempora is now equity accounted

Group turnover rose by 20% to R534,8m from R444,9m in the previous year Turnover was up by only 13% at the December interim stage,



Graphic RUBY-GAY MARTIN Source SUNCRUSH

indicating a good second half, particularly in the first three months of this calendar year

Operating profit rose similarly to R85,2m from R70,7m, reflecting an improvement in margins in the second half

Income from investments was R4,7m from R5,4m in the previous year This reflected to some extent the fact that the value of listed investments at year-end — of R200,8m — was in line with the value at the end of financial 1991

Suncrush paid interest of R1,5m after receiving R1,6m in the previous year, and after paying higher taxation, profit after tax was 10% up at R48,3m compared with R43,8m in the previous year

An extraordinary item of R6,8m reflects a surplus on the sale of a large portion of its shares in associate Kilimanjaro Bottling This, as well as an extraordinary loss in the previous year, saw attributable profit rise by 52,2% to R55,2m from R36,3m in financial 1991

Hamilton warned that although July sales had been good, sales in August were "poor" July sales had anticipated the mass action in August, but reduced sales in the beginning of August had not recovered as expected

He said there came a time "even in the best motivated organisations" when disruption, violence and a poor economy "outweighs ingenuity and the drive to increase sales" It was not clear if these conditions would persist, so it was difficult to make any forecasts

Suncrush said it was likely that earnings from investments, which made up nearly a third of the company's dividend, would increase

No such thing as free beer, shebeens told

SOWETAN 9/9/92

THEO RAWANA

SA BREWERIES has invited shebeen owners to discuss allegations that it is flooding township drinking places with free beer in order to destroy the market for the National Taverners' Association's own, imported brand.

The association, which imports Zambezi lager from Zimbabwe, meets today to discuss its dissatisfaction with SAB The association says the company has overreacted to the "breaking" of its monopoly.

SAB public affairs manager Adrian Botha said he was surprised by the association's accusation because the issue had not been brought up at recent meetings the company had held with the taverners

"We spoke only about responsibility in the use of alcohol. I don't know about this breakdown in communication, because they know how to contact me I would be happy to set up a meeting with them "

Botha said he did not know if SAB representatives did supply free beer "But if you give beer away you are not making money

"We need to get together and talk to these people — they are our customers.

"We welcome competition, but I won't say 'You can take my market'," Botha said.

Soweto shebeen 'mass action' targets SAB

Sowetan 10/9/92 (182)

THEO RAWANA

SOWETO shebeen operators are to launch "mass action" against SA Breweries — accusing it of lacking social responsibility and being discriminatory in granting discounts They say their campaign could culminate in a boycott of SAB products

The Soweto branch of the National Taverners' Association decided at a meeting yesterday to remove all SAB adverts from shebeens in the township.

Association chairman David Mokoena said the executive committee would investigate insurance policies SAB had allegedly insisted on as collateral for credit.

"SAB refuses to have any other policy as collateral, and holders are not insured for the stated amount for the first three years. If anything happens to you in that period and you owe SAB R240 000, you are paid out only the premium and still owe the money to the brewery," he said.

SAB was doing nothing in the way of social responsibility and did not contribute to the black community in times of disaster, Mokoena said Instead, it pumped millions into soccer sponsorships He also claimed black liquor dealers were not getting the same discounts given to Portuguese- and Jewish-owned outlets

The association's executive said it had been trying to arrange a meeting with SAB for the past 10 months, to no avail

SAB public affairs manager Adrian Botha said he would respond to the allegations after an investigation, "and we will be very happy to meet the association I categorically deny that we have refused to meet these people No approach has been made to SAB head office for talks on matters of this nature"

Reef plan ready by year end

STAR 10/9/92

By Louise Marsland
Municipal Reporter

An interim strategic development plan for the greater central Witwatersrand should be in place by the end of the year, the Central Witwatersrand Metropolitan Chamber heard last night.

Wits Professor Alan Mabin, who led the chamber's Land Task Team which identified land in the region suitable for low-cost housing, said an interim document containing proposals for a regional development strategy would be available soon.

Metropolitan Chamber chairman Dr Frederick van Zyl Slabbert, attempting to allay the fears of landowners and other stakeholders, stressed that the land availability study was merely a "land audit" of existing vacant land in and around the central Witwatersrand and should only be seen as an input to a future strategy plan.

Professor Mabin said the report was the first study undertaken in SA to be funded by a public authority — the Central Witwatersrand Regional Services Council (CWRSC) — in which community participation was an integral part.

Chairman of the chamber's physical development working committee, Graham Phiri, said their challenge was to manage the urbanisation process.

The Land Task Team comprised representatives from the Urban Foundation, the Development Bank of Southern Africa, the Johannesburg City Council, the Transvaal Provincial Administration, the CWRSC and Johannesburg civic bodies.

● Urbanisation boost - Page 11

Worries of the world can wait ... a scrap-metal collector stops to take a pinch of snuff and smoke a cigarette next to some newspaper posters in President Street, Johannesburg
Picture Ken Oosterbroek

Taverners air grievances against SAB

(182) STAR 10/9/92

By Montshiwa Moroke

The love-hate relationship between the National Taverners' Association (NTA) and South African Breweries (SAB) came out into the open at a meeting of shebeen and tavern owners in Soweto yesterday.

The meeting was attended by hundreds of members of the Soweto Taverners Association at Uncle Tom's Hall in Orlando West to discuss, among other things, the conduct of SAB, crime, and legal constraints created by the Liquor Act.

A string of complaints were voiced by members against SAB, including the "insensitivity of SAB when dealing with shebeen and tavern owners and failure to consult operators when the brewery increases prices".

Several resolutions were passed, including one to pull down SAB posters in shebeens and taverns and burn them if SAB refused to hold discussions with the NTA.

The meeting also called on SAB to offer discounts and introduce incentives and that the NTA executive should seek an urgent meeting with SAB within 10 days.

Executive NTA members claimed they had tried to meet SAB for the past 10 months.

NTA public relations officer Saint Madlala told members that a delegation of NTA members would meet Deputy Minister of Trade and Industries Dr Dawie de Villiers in Pretoria on September 23 to discuss the constraints in the Liquor Act.

It was resolved that the formation of defence units be discussed speedily so as to combat crime especially hold-ups.

by David Waisglass

SAB to talk to taverners in a froth

STAR 11/9/92 (158A) (286) (182)

SA Breweries will meet a National Taverners' Association (NTA) delegation on Tuesday in an effort to avert criticism of its social-responsibility profile among Soweto shebeen owners and a possible boycott of its beer

SAB public affairs manager Adrian Botha yesterday confirmed that a meeting had been arranged for next week

The talks were called after the NTA Soweto branch's announcement on Wednesday that all SAB adverts would be removed from shebeens in the township

The shebeen owners accused SAB of lacking social responsibility and also of being discriminatory in granting discounts

They also mooted a boycott of SAB products

Yesterday, Mr Botha categorically denied the claim that his company had refused to meet the NTA "for the past 10 months"

He scoffed at the claim that SAB lacked social responsibility, saying there might be some other reason behind the NTAs moves

The NTA also said that it would investigate insurance policies that SAB had allegedly insisted on as collateral for credit — Sapa

Mass action takes fizz out of soft drink sales

BDay 14/9/92

(182)

MARCIA KLEIN

MASS action in August resulted in the soft drinks industry recording one of the worst months in its history.

Soft drink volumes showed a year-on-year decline of 23% in August. Natbev franchise director Doug Jackson said that after the first week — the week of extensive mass action — volumes were 100% down on the previous year During that week, stock was available, but there was no buying There was also a loss in production, but this was not significant because the drinks were available in the stores

The August figure compared with an average 8% volume increase in the six months to end-June, and a 12% year-on-year increase in July Jackson said July's figures were unusually high, as retailers stocked up ahead of the stayaway

Despite a gloomy August, Jackson said volumes would still be up by 5% to 6% in real terms for the full calendar year

He said soft drink sales grew by 10% a year from 1987 to 1990 But 1991 represented the first flat year, with volumes growing by only 1% He expected this year to be "a little better"

A Schweppes spokes~~man said~~ volumes in August were substantially down on the previous year, but not as bad as those of some competitors

SA Breweries marketing director Barry Smith said beer volumes showed a significant decline in August, but not to the same extent as soft drinks

Beer volumes were compensated by an increase in buying in the last week of July Although August was down on the previous year, he did not expect this to have an effect on volumes for the full year

Analysts predict eased growth rate in beer sales

(182)

B|DAY 17/9/92

MARCIA KLEIN

BEER volume growth, which was sharply up for 10 years and fell back to less than 1% in the year to end-March, would be up by 3% at most in the current year, analysts said

They said this figure clearly reflected the state of the economy as well as the fact that malt beer consumption could not indefinitely sustain the sharp growth rate achieved over the past 10 years

SA Breweries (SAB) public affairs manager Adrian Botha said yesterday volumes since end-March had been "more or less in line with predictions", which were that volume growth would remain fairly moderate

Export sales were also in line with forecasts, though exports to Africa were being affected by the drought Botha said SAB felt there was a big potential for exports, especially in the areas the group had targeted These included Africa, South America and the East

Botha said he expected the beer division to show real earnings growth in the coming year

An analyst said he believed August sales were the worst in the group's history He said this was significant because beer sales were possibly the best barometer of the economy

Domestic sales were expected to be down by 2% to 3%, but this was likely to be compensated for by exports, resulting in a marginal rise in total volumes

In the year to end-March, domestic beer sales had dropped marginally, but an 80% rise in export volumes — to 47 countries — enabled total sales to grow by nearly 1%.

The marginal decline in local beer volumes came after five years of buoyant growth — of between 10% and 14%.

Exports currently comprise almost 3% of the beer division's total sales, and have been rising exponentially for the past three years

Although exports continued to increase, an analyst said there was a ceiling and this could be as low as 3% to 4% of total sales

Only three major brewing groups had succeeded in the export market — Guinness, Carlsberg and Heineken — and they exported to a large number of countries. Beer was an indigenous product and cross-border sales had never been good, the analyst said

"The moment sales get big in a certain country, the product is usually licensed to be brewed in that country"

An analyst said SAB would probably like to see exports comprise 10% of total sales This would reduce cyclicality and would mean SAB was not subject to the same self-imposed price controls as those which operated locally.

He said there was still room for SAB's products to penetrate some international markets, but he would be surprised if exports showed the same growth as in previous years

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NEWS Venda hospital scene of new racia

Competitor for SAB

Sowetan 17/9/92. (182)

■ **National Sorghum Breweries start work on new plant:**

By Joe Mdhlela

THE sod-turning ceremony to mark National Sorghum Breweries' (NSB) entry into the beer market to compete with South African Breweries takes place in Johannesburg on October 21, the chief executive of the company, Professor Mohale Mahanyele, announced yesterday

Mahanyele said the new beer plant would cost R1,2 billion

Production would start early next year

GET THAT JOB

KWV FM 18/9/92

Going to America (182)

The UK and other countries have been downing a lot more SA wine since sanctions were lifted and local products became more acceptable Now, well over a year after most US sanctions were repealed, the first consignment of SA wine has been shipped to North America

KWV has sent 20 000 cases of Groot Constantia, Neil Ellis, Vriesenhof, Talana Hill and its own products to American wine lovers They were due to arrive this week KWV expects the market to grow quickly to 100 000 cases a year, according to Niel van Staden, KWV's marketing manager for North America

The breakthrough was the result of some aggressive marketing KWV held tastings in six big cities in November to acquaint the liquor trade with SA wines Then, in May, another tasting was held in Atlanta during the annual convention of the Association of Wine & Spirit Wholesalers of America

One reason for the long delay in putting

FM 18/9/92 (182)

local wine back in American cellars was the country's maze of laws governing liquor Laws vary from state to state and, on top of that, a federal agency must approve all wine labels In addition, only an importer, such as KWV, may bring wine into the country but it is not allowed to distribute it So KWV had to appoint local distributors

KWV is entering the US market with three brand names — Cape Country, which will retail at $4,99 a bottle, Springbok, which is basically KWV's well-known cabernet, pinotage, sauvignon blanc, chardonnay and shiraz wines and which will retail at $6,99-$8,99 a bottle, and its top-of-the-range Cathedral Cellars wines, at $11-$12,99

Choosing to market a brand named Springbok may sound odd in SA, where the emblem has been banished from the logos of most sport teams because of its association with the all-white teams of the past But the name KWV means nothing to Americans, while the word springbok is easy to pronounce and a picture of one on a label is preferred to the letters KWV, according to market research

Backsberg's wines will be marketed in the US by KWV, but they weren't included in the initial shipment because the estate's labels had not yet been approved by US authorities

None of those US-bound wines will be heading north because Canada still hasn't lifted sanctions against SA wines This is a sore point with KWV because it had about a quarter of the fortified wine market, before sanctions were imposed

KWV's Peter Milne, in charge of domestic marketing, says there is no danger that the increasing exports of wine will create a domestic shortage More vines are being planted than are being uprooted, 9,6m were planted

FM 18/9/92 (182)

and 9,2m uprooted in the year to November

The sale of fortified wine is decreasing steadily in SA, from 50 M*l* in 1989 to 44,9 M*l* last year, but the sale of natural wine is growing, from 272,6 M*l* in 1989 to 290,1 M*l* last year, according to the 1992 edition of KWV's authoritative *SA Wine Industry Statistics*, published recently

SA may be the world's eighth-biggest wine producer — the biggest is France, followed by Italy, Spain, Argentina and Russia — but it ranks 27th in per capita consumption, according to the KWV report Local wine lovers drank only 9*l* per capita in 1990, behind such giants as France, where the per capita consumption was 73,1*l*, Italy, 61,4*l*, Luxembourg, 58,2*l*, Argentina, 64,2*l*, and Portugal, 47,5*l* ■

Bisho's mourners plan huge stayaway

BIDAY 18/9/92.

Business Day Reporter

HUNDREDS of thousands of workers are expected to stay away from work in the eastern Cape and Border regions today as preparations for the funeral of 28 ANC supporters killed in Bisho last week got under way

And in a security clampdown, government yesterday declared five more unrest areas in the eastern Cape, bringing to 10 the number of unrest areas declared in the region in the past month

Scores of SA Police and soldiers took up positions on both sides of the Ciskei border yesterday as the ANC began its two days of mourning Fifteen of the 29 victims — 28 ANC supporters and one Ciskei soldier — are scheduled to be buried in the King William's Town cemetery at 10am today

The funeral will be attended by World Council of Churches secretary-general Emilio Castro, UN monitors and Border-Ciskei regional dispute resolution committee members

UN special representative Virenda Dayal, who will also attend the funeral, met Foreign Minister Pik Botha in Pretoria yesterday After the talks, Botha said Dayal would act as catalyst in the process to eradicate violence

Sapa reports that the five districts declared unrest areas in a special Government Gazette published yesterday are Cradock, Fort Beaufort, Grahamstown, Port Elizabeth and Uitenhage, all of which are on the western side of Ciskei

On September 5, just prior to the Bisho massacre, King William's Town, Cathcart, Queenstown, Stutterheim and East London, all on the eastern side of Ciskei, were proclaimed unrest areas

The ANC yesterday slammed the latest move, saying it was insensitive

"Law and Order Minister Hernus Kriel has taken these steps despite the fact that, in the days following the tragic massacre in Bisho, tens of thousands of people participated in peaceful and disciplined marches, rallies and vigils without incident," the organisation said in a statement

LINDA ENSOR reports that Cape Town Chamber of Commerce yesterday appealed to its members to consider sympathetically requests by workers for time off to attend commemoration meetings

Meanwhile, Sapa reports from Sebokeng in the southern Transvaal that Bavumile Vilakazi, deputy secretary general of the ANC's PWV region and a former Delmas treason trialist, was seriously wounded when gunmen armed with AK-47s shot him outside a hardware shop in the township

Vilakazi was in the Sebokeng Hospital and police were investigating, police spokesman Capt van Burger Rooyen said.

□ At least five people, one of the them a policeman, died violently in unrest-related incidents on Wednesday.

A police report issued yesterday said the bodies of four men were found by police at the Mandela Park squatter camp in Katlehong They had been shot

At Tembisa, Kempton Park, a number of shots were fired by unidentified gunmen at a police vehicle, killing a policeman and seriously wounding another

The names of those killed have not yet been released

□ SA Institute of Race Releations executive director John Kane-Berman told the Pietersburg Chamber of Commerce yesterday that one of the main reasons for violence in SA was the ANC's strategy to make the country ungovernable, Sapa reports.

Kane-Berman was reported by SABC radio news as saying '80s ANC strategy for a people's war focused on government but it was also a declaration of war against sections of the black community and that this had provoked a backlash.

ANC may raise excise duties

(182)

LINDA ENSOR

CAPE TOWN — The ANC health department was researching the possibility of increasing the excise duties on tobacco and alcohol products as a way of funding its strategy to provide health for all, ANC health department economist Di McIntyre said at a forum on the organisation's health policy yesterday

McIntyre is the co-ordinator of the subcommission on the future of health financing policy

BIDAY 18/9/92.

She said that the use and abuse of tobacco and alcohol placed a big burden on the health system yet SA's excise of 30% was very low compared, for example, with the UK's 75% A higher excise would enable government to inject funds into building up the primary health care system

The heavy demands placed on a future government made it unlikely that more than the present 11% of GNP would be allocated for health services This meant other sources of income would have to be found

Another form of financing being debated was a national health insurance system which would require employed workers in the formal sector to contribute to a health fund for basic health services McIntyre said research was necessary to determine what funds would be required to provide a national health system and how much could be raised by an insurance scheme

Also, McIntyre said, the more efficient use of existing resources and the elimination of waste, fragmentation and duplication would be an additional source of funds

The predominance of the private health sector, especially its ability to draw the best health personnel into its ranks, would have to be addressed by creating the conditions and career structures to encourage people to return to the public sector

ANC health department head Cheryl Carolus told the forum 58% of SA's doctors were in private practice and the private sector was allocated a disproportionate share of the health budget

The privatisation of health care, she said had led to an emphasis on the private sector and thus to an overemphasis on curative medicine There was a need to strengthen the public health sector and to refocus it towards primary health care and preventive medicine

Guinness enters local beer market

BDAY 22/9/92 (182)

MARCIA KLEIN

THE world's major black beer, Guinness Foreign Extra Stout, was launched on the SA market yesterday

The beer, which was being brewed, sold and distributed locally under licence by SA Breweries (SAB), would retail at a price premium of 65% over the standard malt price and 45% premium over Castle Milk Stout, SAB beer division chairman Graham Mackay said at yesterday's launch.

Guinness Foreign Extra Stout had a 7,5% alcohol content compared with the 4,5% to 6% of most malt beers

Mackay said the beer would be distributed initially in the PWV, Durban and Cape Town, and would be phased in to other centres next year He said there would be little overlap with Castle Milk Stout

About R1m had been invested in plant and equipment, and "plenty" in marketing support The launch would be accompanied by a "heavyweight marketing campaign", Mackay said.

The SA market accounted for 40% of Africa's beer consumption, Guinness SA MD Alfons Walser said

"Make no mistake, this is a major brand entry, and it is being supported as such", he said

Guinness would embark on an extensive marketing campaign which would include TV, radio (in six languages), Press, outdoor, poster sites on major consumer routes and buses In addition, the campaign would include a huge hot air balloon in the shape of a Guinness pint

During October, "Guinness is looking to achieve a brand exposure 50% above that of any other beer in the market", Walser said

The marketing campaign, which breaks on October 2, would "bear the hallmarks of Guinness's positioning elsewhere in the world", and would be aimed at a younger, more individualistic drinker

The beer would be sold in a 340ml can, a 375ml pint bottle and a 750ml quart bottle

Guinness has been available in Africa for 100 years, and is the most widely available beer on the continent It is brewed in 42 countries worldwide, sold in over 130 and consumed at a rate of over 10-million glasses a day

Wine industry a soft target for 'public interest' crusade

6 BIDAY 25/9/92 (182)

IN THE '60s the World Health Organisation (WHO) targeted the twin "demons" of drink and tobacco in a "public interest" crusade which achieved better results than anything else undertaken by the UN and its associate bodies

This is not the place to debate the merits of the WHO's view, or the questionable way in which the ends have been achieved I am more concerned about the peripheral consequences of the campaign Not only has it added enormous weight to the concept of what is "politically correct" — it has invited unspeakable bureaucratic abuse from those civil servants who see themselves as the officers of this brave new world

Out of this puritanical focus on alcohol a welter of regulations has been spawned US legislation now compels the publication of health warnings at the points of sale of all forms of liquor, from high strength Bourbon to Classed Growth claret

SA has been spared the worst of this American zeal, though our civil servants have used the "special nature of liquor" as an excuse to create enough work to keep themselves busy (at the expense of the consumer)

There really are gazetted specifications covering the statutory minimum letter height for the overprintings which must appear on liquor labels Until recently, the same rules prohibited a producer from disclosing the blend of a wine even if he could verify the exact contents of the bottle Recent amendments to the regulations oblige wine producers to record on the main label the exact alcoholic strength of the wine

On the surface these controls are an admirable form of consumer protection As a result, the majority of fine wine drinkers may be perfectly happy to fund yet another government department However, given the authorities' lack of success at detecting the great Chardonnay fraud, it might still be legitimate to question the value of the investment and query its good faith

Anyone who thinks the regulations were created to protect wine drinkers should ask why comparable controls are not in place for, say, the fruit juice industry If you accept the questionable premise that the state should protect consumers whose palates should know better, the absence of controls in the fruit juice industry is staggering

The fruit juice company in which the regulation-happy KWV now has a 25% stake markets various products with a label noting that the contents of the pack are "a 100% pure litchi (for example) juice and other fruit juice ingredients" In other words, there is no specified minimum litchi juice content, as long as the litchi juice added to the denatured, clarified grape juice was itself 100% pure

Pure fruit juice does not necessarily mean "only fruit juice" since preservatives and additives appear to be covered by this definition

Even less frank is the on-consumption trade Snack and salad bars offer "freshly squeezed orange juice" If you seek confirmation of these claims you will find most of these products are processed at a central kitchen and delivered at best once a day They are often sold with preservatives, few can deliver the food value of fresh juice

Controlling fruit juice producers would seem more useful than applying costly regulations to the wine industry — but the WHO has made the wine industry a much softer target

MICHAEL FRIDJHON

COMPANIES

Surfeit of cut-price wine products worries SFW

BDay 30/9/92. (182)

LINDA ENSOR

CAPE TOWN — Dismay over the increasing number of products being launched in the cut-price commodity sector of the wine market was expressed by Stellenbosch Farmers' Winery (SFW) chairman Frans Davin in the group's annual report for the year to end-June

He said the products arose from the need to dispose of surplus wine at below the minimum wine price, and he feared their inferior packaging would do much damage to the image of SA wine in the long term

"Their sale, at prices below the minimum wine price applicable to the wholesale industry, has made it increasingly difficult to invest in the standard-price sector of the market

"This lack of investment in trade marks will result ultimately in a market dominated by commodity products and can lead to the overall decline of this market in the long term," said Davin

The tendency to buy cheaper products meant that last year much of SFW's turnover growth came from its less expensive products. Davin added, however, that significant volume and market share growth had been achieved through the launch of quality products into the low-alcohol sector of the market

Another feature of trading last year was the pressure from the retail sector for extended credit and discounts to remain competitive in a downtrading consumer market.

Last year SFW increased its attributable earnings by 21% to R42m (R34,6m) on a 2,7% rise in turnover Davin said this had been achieved in spite of difficult trading conditions

SFW had maintained turnover through increased exports, containment of expenses as a result of its rationalisation programme and better management of its cash resources through controlling stocks and debtors

New market opportunities opened in the US, Denmark, Finland, Poland and Ireland while opportunities existed in several Asian and African countries SFW would capitalise on these and in conjunction with major retailers in the UK and Europe had developed new trade marks to capitalise on consumer trends and preferences

Davin said if the economy did not deteriorate further, results for the current year should show an improvement over last year

The reduction in interest rates, with further cuts anticipated, would have a beneficial effect on consumer spending, and thus on SFW's turnover and profitability

He noted, however, that there were no signs yet of an upturn He expected this to occur towards the end of the first quarter of 1993, provided rains came and the political impasse was overcome

The discontinuation of SFW's bottling operations in Port Elizabeth and their integration in other areas to take advantage of favourable tariff structures for the transport by road of processed goods should result in increased efficiencies and cost savings, Davin said

? wealth and job opportunities for black entrepreneurs

NSB expands into the food market

Sowetan 1/10/92.

182

By Joshua Raboroko

■ JOB CREATION New products will mean more jobs for blacks

NATIONAL Sorghum Breweries, in its quest for black economic empowerment, has undertaken to create wealth and job opportunities for black entrepreneurs.

It is hoping to empower black entrepreneurs who will distribute its range of newly-acquired Jabula Foods previously owned by the Premier Group.

This new addition to the NSB fold brings with it well-established brands like Jabula soups and stews, mageu, Lamabalazi solf porridge, Iqhawe beer power, Buma high energy beverages and a malt factory.

At a press conference in Sandton this week, NSB's chairman and chief executive Mr Mohale Mahanyele said the take-over of Jabula Foods was an important milestone on the way to black economic empowerment.

Mahanyele, who has been appointed a director of the Premier Group, said the deal was part of the company's ongoing expansion programme.

"We believe that we are on the right track. This will dispel fears and perceptions that blacks can't make it in business," Mahanyele said.

Mohale Mahanyele

The company, which last year increased its earnings by 54 percent and is the leading light of black economic empowerment, would acquire R500 million from a conglomerate for development projects

NSB has also donated R40 000 to *Sowetan* for its job creation project and will be looking at business operations for blacks

Chairman of the Premier Group Mr Peter Wrighton said he was delighted that Jabula would have the benefit of its new association with the NSB, a company which had a dynamic and progressive management.

He said. "It will no doubt take full advantage of the opportunities and synergies now available to it.

"We believe that Jabula, with its product range being further strengthened by those of NSB, will have an outstanding growth potential as we progress into the new South Africa," he said.

President of South African Black Social Workers Ms Fikile Mazibuko said the NSB takeover of Jabula Foods must be seen as a new era towards the creation of jobs.

Blacks involved in the transport industry would be expected to deliver the products to many destinations countrywide

SAB boycott averted

BDAY 1/10/92 (182)

THEO RAWANA

A THREATENED boycott of SAB products by the National Taverners' Association was averted when the brewery agreed to most of the taverners' demands.

Soweto tavern operators threatened "mass action" against SAB last month after complaining that SAB lacked social responsibility, was forcing operators to take up its own insurance policies as collateral for credit, and that it had a discriminatory discount policy

The taverners even took down posters advertising SAB products in their premises

A meeting held in Soweto yesterday to report back on discussions between the association's executive and SAB was told that taverners who were not pleased with the SAB insurance policy should hand it to the executive as SAB had agreed to refund money paid

Taverners' association executive committee member Phil Moatshe told the meeting "Those who took the policies under duress should bring them to us. They are not life cover, as you were led to believe Bring them back so that money you have paid in can be refunded"

Moatshe said SAB had agreed to pay the taverners for the advertisements displayed in their premises "But wait until we see what advertising experts say the rates should be, before putting them up again," he warned

In view of the violence gripping the townships, SAB had also agreed to donate money in the event of the death of a tavern operator or a member of his family, and in the case of a massacre in the shebeen — as had happened in recent months. The funeral would be the responsibility of both the taverners' association and SAB, the meeting was told.

SAB also agreed it would not introduce anything to taverners' association members without consulting the association, Moatshe said

SAB could not be reached for comment at the time of going to press

Tollgate plunges R37m into the red

BDm 2/10/92

LINDA ENSOR

CAPE TOWN — Diversified Tollgate Holdings plunged into an interim attributable loss of R37m from a previous profit of R1,2m, its fragile turnaround being unable to withstand the onslaught of high interest rates, strikes and a severe recession.

In the six months to end-June a loss of 91,2c a share from a profit of 4,1c was suffered on an increase in the weighted average number of shares in issue to 40,5-million (28-million)

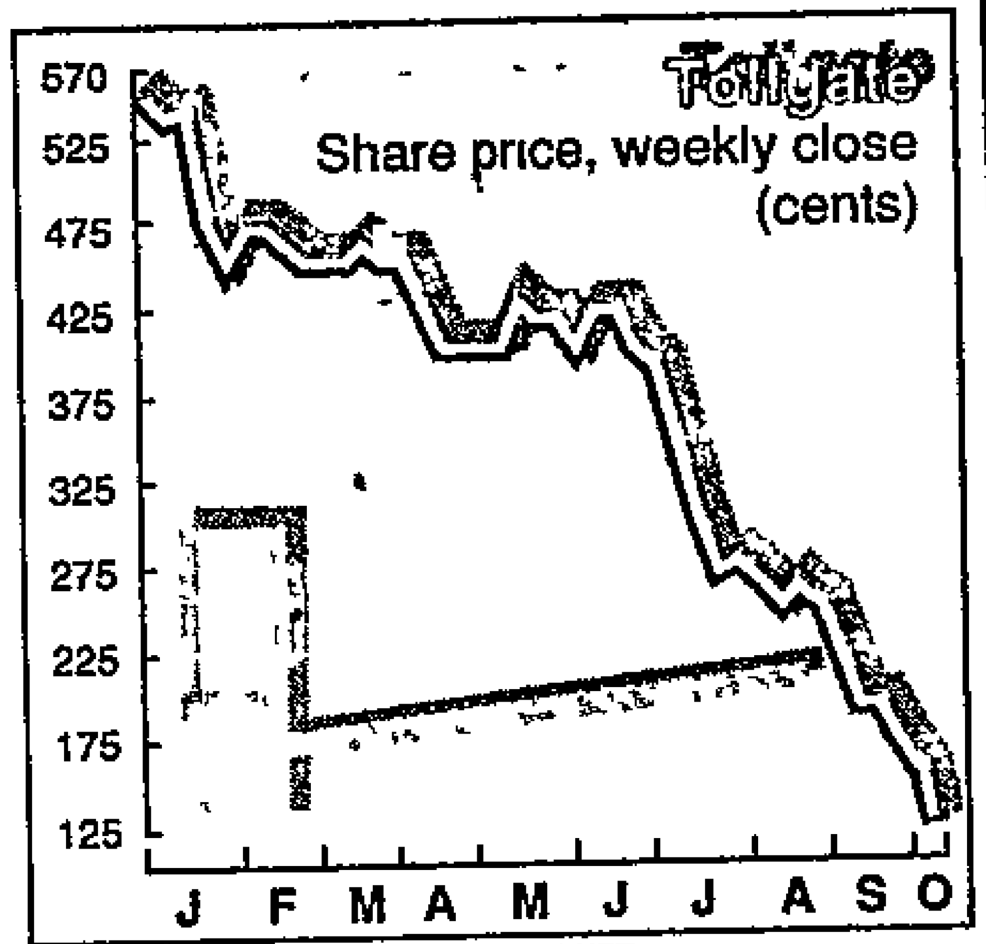
The dividend was waived

The group consists of Motorvia, which ferries motor vehicles, coach and tour operator Springbok Atlas, Greyhound Citiliner, Kyalami and UK industrial fastener distributor Jaton Holdings

Chairman Julian Askin was disappointed with the results, but said trading conditions had been tough, especially since March Strikes in the motor industry, and the downturn in new car sales, had had a negative effect on Motorvia's turnover and profitability

Springbok Atlas had had better trading than in 1991, when tourism was hit by the Gulf War, but Greyhound had been hit by the decline in disposable income.

Jaton Holdings had made reasonable profits — albeit below budget — in the face of a deep recession. Askin said trading conditions remained extremely difficult



Graphic RUBY GAY MARTIN Source I NET

Turnover slipped 2,4% to R246,4m (R252,5m), but operating income plummeted by 78% to R3,9m (R17,3m), which was wiped out by an interest bill of R21m (R14,5m)

EDWARD WEST reports that the McCarthy Group confirmed yesterday it had acquired Budget Rent-A-Car from Tollgate McCarthy MD Theo Swart said the deal was done for cash

Budget Rent-A-Car operates a fleet of more than 2 000 cars, worth in excess of R70m, in a country wide network.

Portfolio increased

GAVIN DU VENAGE

FEDGRO unit trust increased its portfolio 10% in the year to end September despite a fall of nearly 3% in the JSE all-share index, fund manager Ian Fraser said yesterday.

Funds allocated to fixed interest stocks ahead of the present decline in interest rates had cushioned the fall, he said, adding that 26% of the protfolio was in cash and fixed interest stock, which limited the effect of falling share prices

Lower prices during the quarter had provided an opportunity to top up existing holdings

Exposure to the diamond sector was reduced with the sale of Anamint

Liquidity levels rose slightly to anticipate future buying opportunities

The top five equity holdings were Richemont, Remgro, Fedsure, FNB and Tiger Oats

Fraser said short-term expectations hinged on the drought, continuing violence and political uncertainty Improvements in these areas would make for optimism in the long term

Sorghum Breweries beats forecast by 100%

(182)

BDm 2/10/92.

MARCIA KLEIN

NATIONAL Sorghum Breweries (NSB) increased its earnings by 23% to 48c (39c) a share in the year to end-June, beating its prospectus forecast by nearly 100%.

Turnover rose 21% to R433,3m from R356,9m in the previous year, and operating income rose by 53% to R26,5m from R17,3m

Executive director Israel Skosana said NSB "had continued to tighten up and control costs"

It had spent more than R10m on a management information system, which had helped to manage the business more efficiently

After a marginal increase in investment income and a 42% rise in taxation to R18,3m, net income after tax was 24% up at R21,1m (R17,1m) A final dividend of 10c a share was declared

Skosana said the group had been successful despite a difficult year, largely as a result of "getting closer to customers and giving them what they want".

He said the results proved false the notion that sorghum was a dying industry. All it needed to thrive was quality products and attention to customer needs

NSB had launched some new brands during the year, including long shelf-life sorghum products

Skosana said these had been exported to Namibia and Botswana, and NSB was looking at other markets.

But the major contributor to profits remained the short shelf-life, one litre sorghum beer

He said the deal with Premier, in which NSB acquired Jabula Foods, would provide the opportunity for further expansion into NSB's market

It also provided potential for further export into Africa

Skosana said Jabula comprised high value products which could be offered at reasonable prices

Speculation

The export market was a fairly new one for NSB, and its contribution to the company's turnover was small, but it had the potential to grow, he said

Skosana said he could not comment at this stage about NSB's entry into the clear beer market, or about speculation that it would be concluding a joint venture agreement with Pepsi to facilitate its entry into SA NSB hoped to make announcements on clear beer and softdrinks on October 21

NSB did not expect a booming economy over the next year, and it had made conservative projections

However, the company hoped to maintain what it had achieved in this set of results, Skosana said

Sorghum Brews in Pepsi deal

By DON ROBERTSON

NATIONAL Sorghum Breweries (NSB), which this week announced a major acquisition and a 24% increase in earnings for the year to June, has signed a distribution agreement with Pepsi Cola

S Times (BUS) 4/10/92.

Details have not been released.

Pepsi Cola sources in London and New York were unable to shed any light on the agreement.

NSB is expected to make another announcement on October 21

Pepsi has had a chequered existence in SA. In the late 1960s it held a market share of about 25% in certain areas. Sales then slumped, although Pepsi maintained a bottling operation in Cape Town for some time

In the past few years, the market has been supplied in small quantities from a canning plant in Namibia

NSB has acquired Jabula Foods from Premier Group The price has not been disclosed and NSB sources say details will be given at the annual meeting on November 4.

Premier Group chairman Peter Wrighton says the deal is a big one in terms of NSB's size.

Jabula, listed on the JSE a few years ago, has a turnover of about R60-million a year.

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Time

In March this year, NSB claimed that a JSE conglomerate had placed R500-million in it to allow it to invest in sorghum-related products

Conglomerates involved in the food and beverage industry denied any knowledge of the investment at the time.

NSB chairman Mohale Mahanyele said at the time details about how the money would be spent would be made public before the end of the year

Top wine producer awaits a tough year

(3) wine fut... (182)

B/Day 6/10/92

LINDA ENSOR

CAPE TOWN — Wine and spirits producer Distillers Corporation did not expect any real growth in earnings this year, MD Michiel Le Roux said after the group's annual meeting yesterday

However, there was no danger of a cut in dividends as cash flow was healthy In the year to end-June Distillers increased earnings by 5,7% to 67c (63,4c) and its dividend by 11,4% to 39c (35c) Turnover rose 5,3%

In the group's annual report, chairman Andreas van Wyk said consumer spending on wines and spirits was lower in real terms last year, with distilled beverages and quality wines in the higher price range in particular showing declining sales trends

Van Wyk said Distillers had nevertheless retained its share of the market and in certain categories had increased its share considerably

Provided the financial position of consumers did not deteriorate further, earnings would at least be maintained this year, Van Wyk said

Le Roux added that the local market was stagnant, with a lot of downbuying taking place Margins were under pressure and the group had had to be cautious about price increases which had been kept below the rate of inflation He said trading conditions had worsened significantly this year

Wine exports were growing rapidly, albeit off a small base, and many new markets such as Denmark were opening up SA wine sales in the UK were booming and Distillers, which exported the more expensive Bergkelder wines, was looking at supplying a cheaper range of wines, Le Roux said.

While the developments on the export markets were exciting, Le Roux noted that wine exports only represented about 10% of total wine production, which generated considerably less than half the total group turnover

Brandy was being launched into the Far East and Distillers had acquired an agency network there Brandy and wine was being sold into Africa on an ad hoc basis and good progress had been made in Zimbabwe

But Le Roux said other African markets had been closed due to the lack of foreign exchange

He said the GEIS export incentives had made a significant contribution to the success of exports, and if they were to be phased out as suggested, then certain price categories of Distillers' exported products would no longer be viable

Dip in metal prices forecast

LONDON — Weak demand for base metals from major economies will flatten prices for the rest of this year, Billiton-Enthoven Metals predicted in a market survey released yesterday.

"Given the poor demand outlook we do not expect copper prices to stage a major break-out on the upside in the final quarter and, indeed, further downward pressure may emerge," the survey said.

Chinese copper purchases, which helped underpin the copper price recently, had petered out

In addition, aluminium prices had been hit by rising Western production and signs that exports by the Commonwealth of Independent States could equal 1991's record Interest in lead, nickel and tin was also flagging

Billiton's forecasts of average annual prices for 1992, in US cents per pound with 1991 comparisons in brackets, were copper 105c (106c), aluminium 57,5c (59c), zinc 57,5c (51c), lead 26c (25c), nickel 327c (371c) and tin 275c (254c)

The company also predicted a fall this quarter in the tin price

"Supply problems for tin have not proved to be as acute as originally feared, whilst demand has remained surprisingly uninspiring," it said — Sapa-AP.

Tomkor in place for a good 1992

B/Day 6/10/92

EDWARD WEST

PROPERTY company Tomkor has made an impressive start to its financial year, with earnings up 46% and dividends up 42,9% in the six months to end-August 1992, according to results published today

The performance came off a high base after earnings increased 40,1% and dividends 35,7% at the close of the previous financial year, which ended February 29 1992

Rent received improved by a tenth to R9,74m in the first half compared with R8,79m in the first of 1991 However, profit before interest was higher by slightly less than a tenth, at R7,45m compared with R6,9m in 1991

Interest paid fell to R5,56m from R5,91m reflecting lower interest rates Borrowing increased to R60m from R55,65m due to property development Pre-tax profit was substantially higher at R1,88m compared with R985 000 in 1991

Taxation more than doubled to R766 000 from R225 000 because assessed losses were almost exhausted and the tax rate rose to 40,7% from 30% Taxed profit amounted to R1,12m compared with R760 000 at the interim stage last year

Taxed profit a share increased to 10,5c from 7,2c and the interim dividend was raised to 10c a share from 7c the previous year

Directors attributed the profit growth to lower interest paid and the contribution to the bottom line of the completed Brooklyn Mall shopping centre

Projects in the pipeline included the Potproes development, the Rovon development and this year's completion of Phase 3 of Elardus Park Development costs in the period amounted to R4,9m Tomkor's property portfolio was revalued by R40m increasing the total value to R157m

Given the uncertain economic outlook, the higher tax rate and the virtual certainty that the recession would have an impact on vacancy levels, directors nevertheless forecast profits to at least match those for the half-year just reported on brt

Distillers to target exports

(182) CT 6/10/92

By AUDREY D'ANGELO
Business Editor

THE domestic market has been hit by the recession but Distillers Corporation sees exports as a major growth area, shareholders heard at the AGM yesterday.

MD Michiel du Pré Le Roux said afterwards that the export market for Distillers' wines "has the potential to be very exciting There is a lot happening — but from a low base

Sales booming

"We are new to it, but exports already represent 10% of our total wine sales

"Denmark opened its market to SA exports only in March and is already a significant importer of SA wines Sales are booming in England "

Du Pré Le Roux said attitudes towards this country had changed so completely that it was now a marketing plus to mention SA on the label "People are interested and curious."

Brandy could not be exported to the EC because there were prohibitive import tariffs but there was a market for it in the Far East and in Africa.

It had recently been launched in mainland China, where a network of agents was being set up Distillers Corporation also had agents in Singapore and the Philippines

Stressing the importance of the General Export Incentive Scheme (GEIS) in penetrating new markets Du Pré Le Roux said that without it "exports would still be viable, but at a lower level We would not be able to be so competitive overseas "

Discussing the SA market, Du Pré Le Roux said customers had started "buying down" in January "All sectors have experienced this and, as we sell mainly at the top end of the market, it has affected us

"The impact has not been devastating but it has been significant We hope to improve earnings in the current year but the market is difficult and it is harder to remain in the same place

"We are selling a lot of our products to other African countries, particularly Mozambique and Zimbabwe, but on an ad hoc basis

"The trouble with these countries is that they are short of foreign exchange and therefore we cannot have sustained growth, as we can in a country like Denmark if we appoint agents and educate the consumer "

Tastes varied in African countries. There was a demand for wines in Mozambique because of the Portuguese influence but in other African countries sales were a mixture of wines and spirits with no particular taste predominating

But, Du Pré Le Roux emphasised, he was optimistic about the outlook for Distillers Corporation in the current year "Our cash flow is very healthy and we have no debts to speak of That is why we raised the dividend for the year to June by 11,4% to 39c (35c) "

In the annual report, released yesterday, chairman A H van Wyk says "In view of the restrictive conditions within the country the improvement in international attitudes towards SA is heartening, because this creates exciting new opportunities for the export of SA wines and spirits

Investments

"We are of the opinion that the export market offers real growth opportunities "

The company was therefore "making significant investments in manpower, systems, stock and marketing activities to enable us to utilise these opportunities

"Exports currently still make a relatively small contribution to total turnover, but the strong growth of the past two years means this contribution is steadily increasing

"We are confident that sustained growth in exports will continue in the next few years "

Exports Ho! for SA beer giant

ARGT 1/10/92. (182)

JOHANNESBURG. — South African Breweries, an unrivalled giant on its home turf, is carving out a niche abroad quenching thirsts on beaches and in bars as far afield as Europe and Latin America

It is exporting some of the country's most popular icons — lager brands like Castle and Lion — to about 40 countries

"We're doing quite well with exports," executive chairman Meyer Kahn said But despite what he called "welcome business" yielded by a three-year export drive, it would remain dwarfed by home sales

On that front South African Breweries (SAB) has teamed up with top brewer Guinness to launch this month the world's leading black beer in the 12th biggest beer market.

The premium stout will be brewed, sold and distributed under licence by SAB, extending an already powerful product range which includes several thriving brands of its own, and Heineken's Amstel lager brewed under licence since 1965.

Yet SAB, which Kahn ranks among the world's top seven brewers and boasts a record of uninterrupted annual earnings growth over the past 25 years, faces stern challenges

Mr Kahn concedes export prospects are limited Beer is weighty and costly to ship, is best drunk fresh, and drinkers tend to plump for regional or national brands

"But despite that, we are exporting effectively to developing countries. We'll carry on," he said In addition to neighbouring states, SAB has tested palates in countries ranging from Russia and Poland to Hong Kong, Israel and Uruguay. — Sapa

Suncrush battles in poor conditions

BDAY 8/10/92 (182)

EDWARD WEST

SUNCRUSH's soft drink sales in the first 10 weeks of its financial year had been below budget, chairman Robin Hamilton said in his annual report

It was uncertain how long these conditions would last, and it was difficult to make a well founded forecast of trading conditions for the year to end-June 1992

Hamilton said there came a time even in the best motivated organisations when the combination of disruptions, violence and a poor economy outweighed ingenuity and drive

He expressed concern that the next government would not be sufficiently aware that misguided tinkering, wholesale corruption or mere neglect were enough to slide the economy into chaos

Productivity during the year deteriorated due to frequent disruptions to the normal work programme and the inability to service certain sectors of the market due to the security situation

The below budget sales in the first 10 weeks arose mainly as a result of poor sales in August

The national launch of the 1,5l plastic returnable bottle was delayed until July 1993 In areas where the package had been launched, steady acceptance was shown by the more affluent market segment, but elsewhere acceptance was less encouraging

In September 1991 Tempora Investments, an investment holding company in which Suncrush held a 43,26% stake, purchased a 16% holding in Cadbury Schweppes Since then Cadbury had reported good results in both six-month periods In June 1992 Tempora raised R82m by rights issue

Direct and indirect holdings in soft drinks other than Suncrush represented about 25% of the market value of Tempora's assets — larger than its investment in the Suncrush soft drink operations at 22%

Confectionary represented 35%, and Tempora's investments in SA Breweries, Sakers group and other totalled 6% with cash making up the balance of 12% The holding in Amalgamated Beverage Canners was expected to yield dividends of about R1,9m.

Some dividend payments to be received were already known, and if outstanding earnings declarations were at rates equal to those of the previous year, earnings should increase to about 240c a Suncrush share, said Hamilton

Suncrush shares, the highest priced shares on the JSE, were untraded at R450 each yesterday off its high of R457 on September 30 1992 and its low of R350 on November 6 1991

COMPANIES

KWV companies 'in excellent position'

BDM 15/10/92 182

DUMA GQUBULE

KWV Investments' operating companies Distillers Corporation and Stellenbosch Farmers' Winery (SFW) were excellently positioned to utilise any upswing in the economy accompanied by an increase in consumer spending, chairman Pietman Hugo said in the group's 1992 annual review.

The two companies' wines and spirits were consistently of outstanding quality, had been established over many years under well-known trademarks and enjoyed sound demand, he said

KWV Investments' main asset was a 30% stake in the issued share capital of Distillers Corporation and of SFW which was held through associated company Rembrandt-KWV Investments

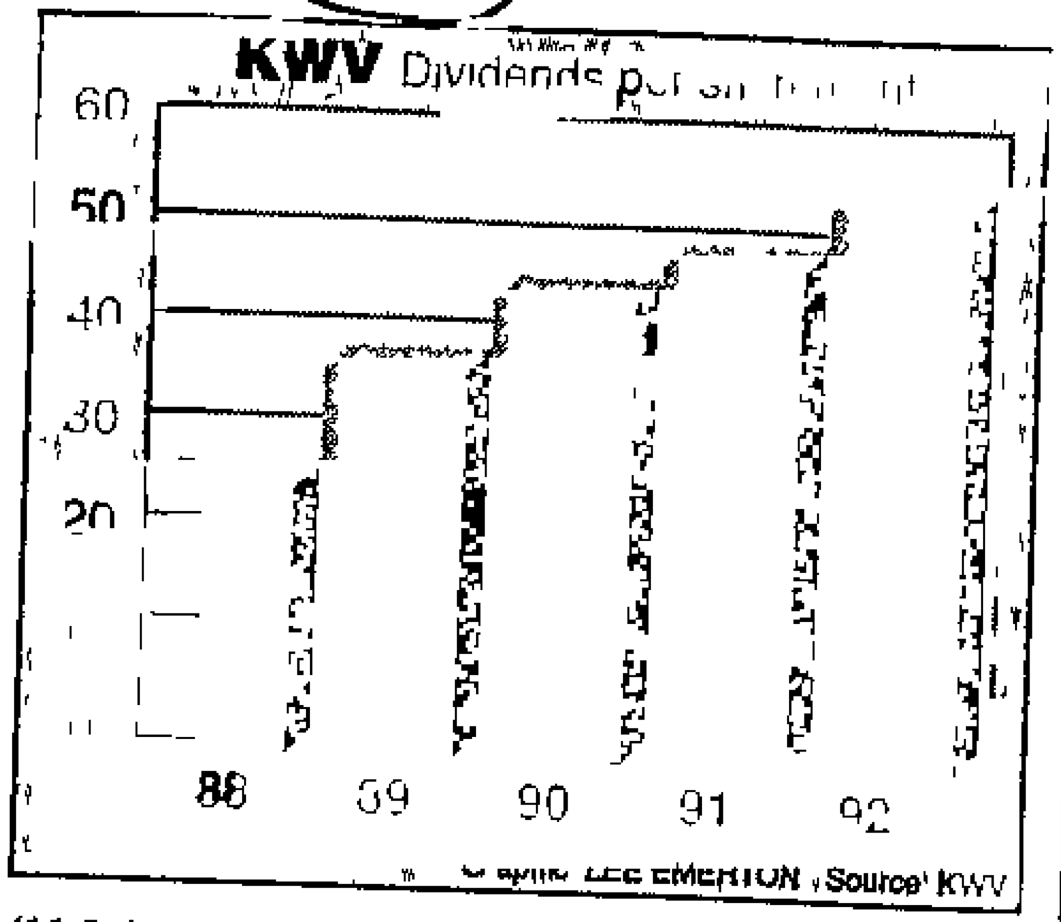
Distillers' earnings for the year to June increased 5,7% to 67c (63,4c previously) a share

The dividend payout for the year was 39c (35c) a share

Hugo said effective management of working capital had contributed to the increase in earnings. The result was achieved notwithstanding unrest, political instability, unemployment and weak trading circumstances which inhibited growth in the company's trading profit

SFW's net profit improved 10,9% compared with the previous year's

The dividends for the year came to 12,5c (11,5c).



SFW maintained its turnover by increasing exports, curbing expenditure (mainly through a rationalisation programme started a year ago) and improving cash reserve management by more effective control of stocks and debtors.

KWV Investments increased its dividend income to R21,63m from R19,53m

Dividends for the year were 51c (46,3c) a share.

Indications favouring an upturn in the economy were scant.

If economic conditions were to be reversed, consumer spending would be stimulated, as would the turnover and profitability of the operating companies, Hugo said.

Cheap wine threat to industry

(182) CT 15/10/92

By ARI JACOBSON

ILLEGAL cheap wine sold directly by wine-growers to retailers is undercutting the industry, claims Mr Frans Davin, chairman of the Stellenbosch Farmers' Winery (SFW).

Addressing the SFW's general meeting yesterday, Mr Davin said the buying of wine at prices below the minimum determined by the wine board (KWV) was affecting sales of higher-quality brand names

Speaking afterwards, he said the sale of illegal cheap wine was "extremely difficult" to curb

The direct buying of wine was illegal as there was a minimum price fixed by law for wine sold by producers, Mr Davin said

SFW's managing director, Mr Frans Stroebel, said these "no-name brands" were sold "in bags without the box" to the liquor outlets.

"We are free-marketers and have no objection to the wine market's being based on demand and supply — but illegal wine transactions are giving some people an unfair price advantage"

Mr Stroebel said the upmarket demand for wines had remained fairly stable

Don Manaka

Sinnah Ramakhula

Woman named for top NSB job

■ Company throws discrimination out and appoints former social worker:

Sowetan 15/10/92

(182)

By Joe Mdhlela

THE National Sorgum Breweries this week proved that it did not discriminate on the basis of sex by appointing Mrs Sinnah Ramakhula as group public affairs manager

Ramakhulu, who joined the company in April, trained as a social worker and is a graduate of the University of the North

In another development, NBS appointed Mr Don Manaka as group general manager distribution, transport and loss control

Manaka, a former journalist, joined NSB 18 months ago as general manager of a Pretoria plant

Ramakhula, before branching out into social work, was a teacher for many years in Soweto before enrolling for a social work degree at the University of the North in 1979

She was previously employed as national co-ordinator by the South African Black Social Workers, and she was co-ordinator of the South African Institute for Medical Research in the Aids education programme division

(182)

DISTILLERS CORP/SFW

Lack of liquid cheer

FM 16/10/92

Stellenbosch Farmers Winery

Activities: *Production, marketing and wholesale distribution of liquor products*
Control: *Rembrandt/KWV Investments 60%*
Chairman: *F J Davin, MD F H Stroebel*
Capital structure: *140m ords Market capitalisation R308m.*
Share market: *Price 220c Yield 5,7% on dividend, 19,1% on earnings, p.e ratio, 5,2, cover, 3,4 12-month high, 250c, low, 175c Trading volume last quarter, 279 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	26,8	39,5	26,6	21,4
LT debt (Rm)	34,9	56,1	54,2	52,6
Debt equity ratio	0,13	0,14	0,11	0,87
Shareholders' interest	0,72	0,71	0,74	0,76
Int & leasing cover	17	20	11	21
Return on cap (%)	17	16	15	14
Turnover (% increase)	11,0	9,1	10,6	10,8
Pre-int profit (Rm)	106	110	106	109
Earnings (c)	39,0	40,4	39,2	42,0
Dividends (c)	10,5	11,5	11,5	12,5
Net worth (c)	327	351	385	427

Did you ever ponder why SA Breweries (SAB) did not dump its 30% of Stellenbosch Farmers' Winery (SFW) when its quality of

Continue →

Distillers Corp

Activities: *Production, marketing and wholesale distribution of liquor products*
Control: *Rembrandt/KWV Investments 60%*
Chairman: *A H van Wyk, MD M S le Roux*
Capital structure: *140m ords Market capitalisation R924m*
Share market: *Price 660c Yield 5,9% on dividend, 11,6% on earnings, p e ratio, 8,6, cover, 2,0 12-month high, 900c, low, 600c Trading volume last quarter, 162 000 shares*

Year to Jun 30	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	10,8	35,4	21,2	13,5
LT debt (Rm)	—	—	—	—
Debt equity ratio	0,01	0,07	0,03	n/a
Shareholders' interest	0,74	0,69	0,71	0,72
Return on cap (%)	24,0	23,5	23,7	21,5
Turnover (% increase)	16,9	11,8	13,7	5,3
Pre-int profit (Rm)	143	156	177	179
Earnings (c)	58,8	62,8	72,6	76,7
Dividends (c)	25	30	35	39
Net worth (c)	315	338	384	428

earnings fell so strongly against those of competitor Distillers Corp in the late Eighties? Remembering that SAB also holds 30% of Distillers, one reason, at least, should have been clear What SAB lost on the swings was regained on the roundabout

In 1992, it was a different story Because of recession, neither did well But for the first time for a long while, SFW outperformed its arch rival, though there's little in it

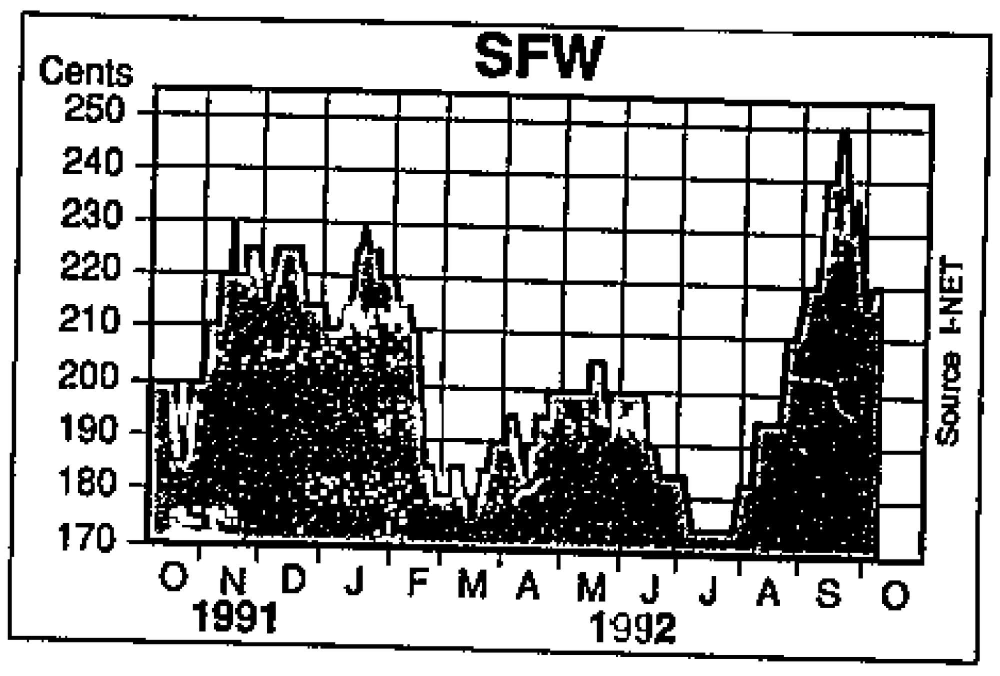
SFW raised its pre-interest trading profit by 2,7%, Distillers by a mere 1,1% SFW raised attributable earnings by 7,2% because it could cut net financing costs to R5,2m from R9,6m, Distillers lifted its attributable by 5,6% because it earned R7,5m (R1,2m) from cash holdings that soared to R45,9m from R4,3m

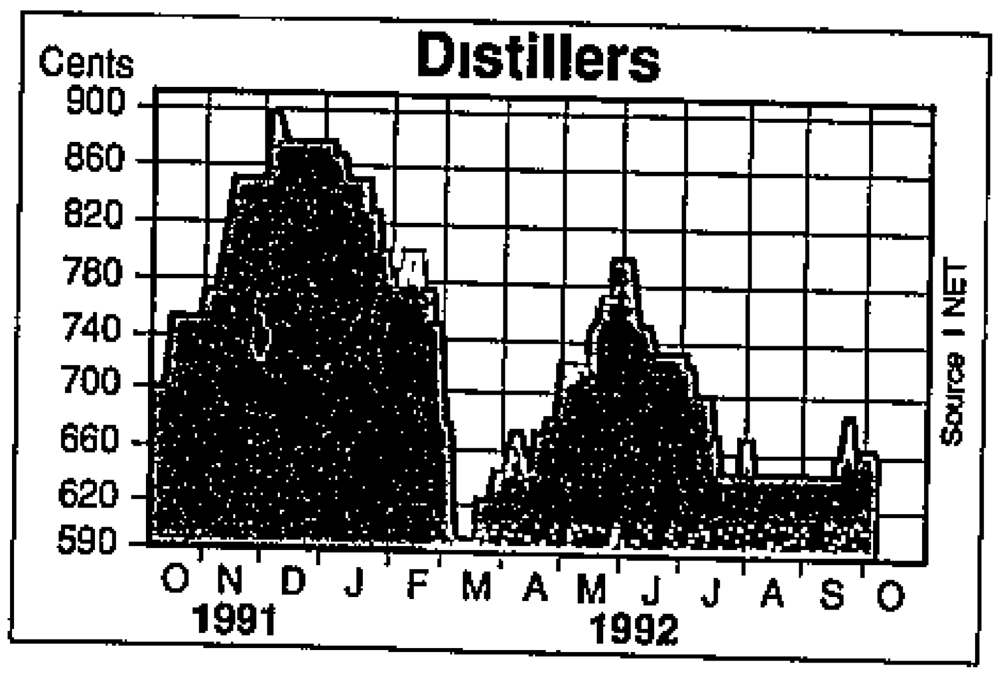
Neither discloses turnover, only the percentage change, though SFW tells us its volumes rose 2,6% It's hard to understand this reticence when both have the same holding company and SAB nominees on their boards The only independent competitors of any size are Douglas Green/Bellingham and Gilbeys — which is controlled by Rembrandt, anyway So what would they lose, as their turnovers are already known by everybody who counts? Could it be there's an agreement to conceal from the public what liquor trade margins are?

For both, it was a very tough year Margins shrank as participants battled to keep market share while the consumer was downtrading Unrest and inability to gain access to the retail sector in the townships hurt distribution Expenses continued to rise

But little changed in the markets SFW still claims it leads the cane spirit and whisky sectors, Distillers still leads in brandy and high-priced wines

SFW chairman Frans Davin notes that deregulation has resulted in expansion and proliferation, especially in the "cut-price commodity sector of the wine market," which SFW dominated for many years





SFW MD Frans Stroebel claims that cut-price wines are being bought illegally by marketers who avoid the minimum price structure imposed by the KWV, with which SFW and other major participants must comply Davin says this arises because of the need to dispose of surplus wine below the minimum wine price, and that SFW will continue to fight to level the playing fields

Consumers must wonder whether the best way to achieve this could be just to scrap the KWV and let the market set prices

Both organisations are striving to increase exports significantly now sanctions have been lifted, and seem to be making good progress As the rand depreciates further, both should make solid if not exciting gains This could make up for the stagnant local market, with its wine lakes and low growth

Cash flow in Distillers was particularly strong, highlighting that management of working capital is finely honed Clearly, it has improved in SFW as well But what is of concern there is that, following the purge by previous chairman David Marlow and consequent marginal improvement in results, better performance has to be sought from successful trading combined with expert management of assets That, in present economic circumstances, won't be easy

Prospects for the liquor industry do not appear any more favourable than for the economy as a whole There is doubt about consumer expenditure in the Christmas season as disposable income continues to diminish Earnings for both will again be under great pressure in financial 1993

Distillers' share price topped at 900c in November and has since been in decline It has just broken through the downside of a long-term trend in force since August 1989 SFW made a double top at 250c in September last year and again this September, but the chart does not appear as bearish as Distillers'

But neither fundamentals nor technicals suggest a hardening in either price soon On the contrary There would seem to be every justification not to hold liquor shares for the short run And with 90% of the equity of both tied up by Rembrandt, KWV and SAB, the volume of JSE turnover is absurdly low for companies of this stature *Gerald Hirshon*

Table 1: table 6

Sorghum brewer opens clear beer plant

B/DAY 22/10/92 (182)

THEO RAWANA

NATIONAL Sorghum Breweries (NSB) yesterday entered the clear beer industry by opening a new R1,2bn brewery in Verwoerdburg, near Pretoria

In his address at the Vivo Breweries plant, NSB executive chairman Mohale Mahanyele said the opening of the brewery, expected to generate turnover of R500m a year, was historic in that it was the first time blacks had set up a clear beer company from scratch

"All other breweries of clear beer throughout Africa have been commissioned and built by mainly white persons," he said

NSB wanted to demonstrate that millions of blacks were willing to join hands with whites in forging an economic powerhouse that would alleviate the problems facing the country and the rest of Africa

Mahanyele said production at the brewery would start early next year

NSB, which has an 85% share of the sorghum beer market, increased its earnings by 23% in the year to end-June, beating its prospectus forecast by nearly 100%.

Turnover rose by 21% to R433,3m from R356,9m, and operating income by 53% to R26,5m Mahanyele said that with new acquisitions and companies created, turnover in the coming year would be R1bn.

In August NSB opened a R10m sorghum beer plant in Ladysmith, Natal This came soon after it acquired Jabula Foods from the Premier Group

Early this month, the company signed a distribution agreement with Pepsi Cola.

SUNCRUSH FM 23/10/92

Losing some fizz (182)

Activities: *Manufacture and marketing of soft drinks*
Control: *Dalys 50,2%*
Chairman and MD: *R D Hamilton*
Capital structure: *2,7m ords Market capitalisation R1,2m*
Share market: *Price R430 Yields 1,3% on dividend, 4,2% on earnings, p e ratio, 24,1, cover, 3,3 12-month high, R475, low, R350 Trading volume last quarter, 20 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	2,5	3,1	3,1	21,4
LT debt (Rm)	16,1	30,7	35,6	40,9
Debt equity ratio	n/a	n/a	n/a	0,12
Shareholders' interest	0,71	0,68	0,73	0,66
Int & leasing cover	14,3	n/a	n/a	n/a
Return on cap (%)	18,4	17,3	15,4	18,3
Turnover (Rm)	277	356	445	535
Pre-int profit (Rm)	48,5	61,6	76,1	89,8
Pre-int margin (%)	17,5	17,3	17,1	16,8
Earnings (c)	825	1 187	1 600	1 785
Dividends (c)	250	350	460	540
Net worth (c)	6 484	8 522	12 974	11 931

The soft drink market is usually affected late in recession and sometimes avoids the recession altogether So far, Suncrush has escaped It turned in a good performance, though growth was slower than in previous years, with 12% growth in EPS on turnover up 20% to R535m in the year to June

Operating profit rose 20% to R85m but the R1,5m interest payment (after receiving R1,6m in the previous year) and a marginally higher tax rate cut the increase in taxed profit to 10%, at R48m Attributable income, up 52% to R55,1m, was boosted by an extraordinary R6,8m profit on the sale of the 31% holding in Kilimanjaro Bottling

Suncrush's Hamilton *looking for Schweppervescence*

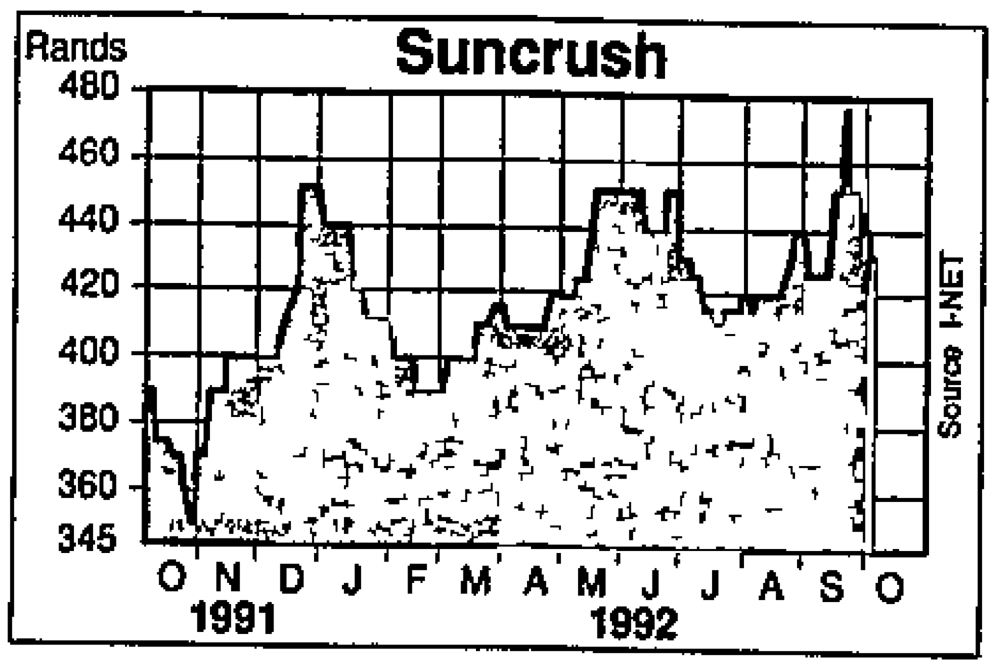
The group has budgeted R30,4m for capex in financial 1993 Of this, R13m is for plant and machinery, R8m for Ladysmith operations and a further R8m for building additions Chairman Robin Hamilton says this will be funded internally Total interest-bearing debt increased a substantial 62% (capex amounted to R32,6m) in financial 1992 and gearing rose to 12%

Hamilton says the nature of results changed when investment arm Tempora acquired 16,2% of Cadbury Schweppes from AVI subsidiary National Brands in September 1991 Suncrush invested a further R35m in Tempora shares, but its holding fell from 62% to 43% of the enlarged capital

The increased Cadswep stake represents a hedge for Suncrush, with its direct and indirect holdings in soft drinks other than Suncrush representing some 25% of the market value of Tempora's assets — more than the 22% of its investment in Suncrush

Volume changes in the highly sensitive industry normally mainly reflect weather conditions But, says Hamilton, current sales have been significantly hit by the contraction in consumer spending, stayaways which have disrupted production and political unrest

Sales in the first few months of this year are below budget, despite favourable weather With so many variables it is difficult to make meaningful forecasts, he says



Suncrush, one of the most sought after and, at R430, highest priced shares on the JSE, has a problem of tradeability Hamilton says a share split is being considered But this may not help, as long-term investors are unlikely to sell a share that has done so well

Dalys, which holds just over 50% of Suncrush, offers an even slimmer dividend yield of 1,1%, but is much easier to trade

Though down from a peak of R475 and with unclear short-term prospects, Suncrush remains an attractive buy when scrip is obtainable

Marylou Greig

W/mail 23/10 – 29/10/92

Great black hope

BLACK-OWNED National Sorghum Breweries became the latest David to challenge the South African Breweries Goliath this week (182)

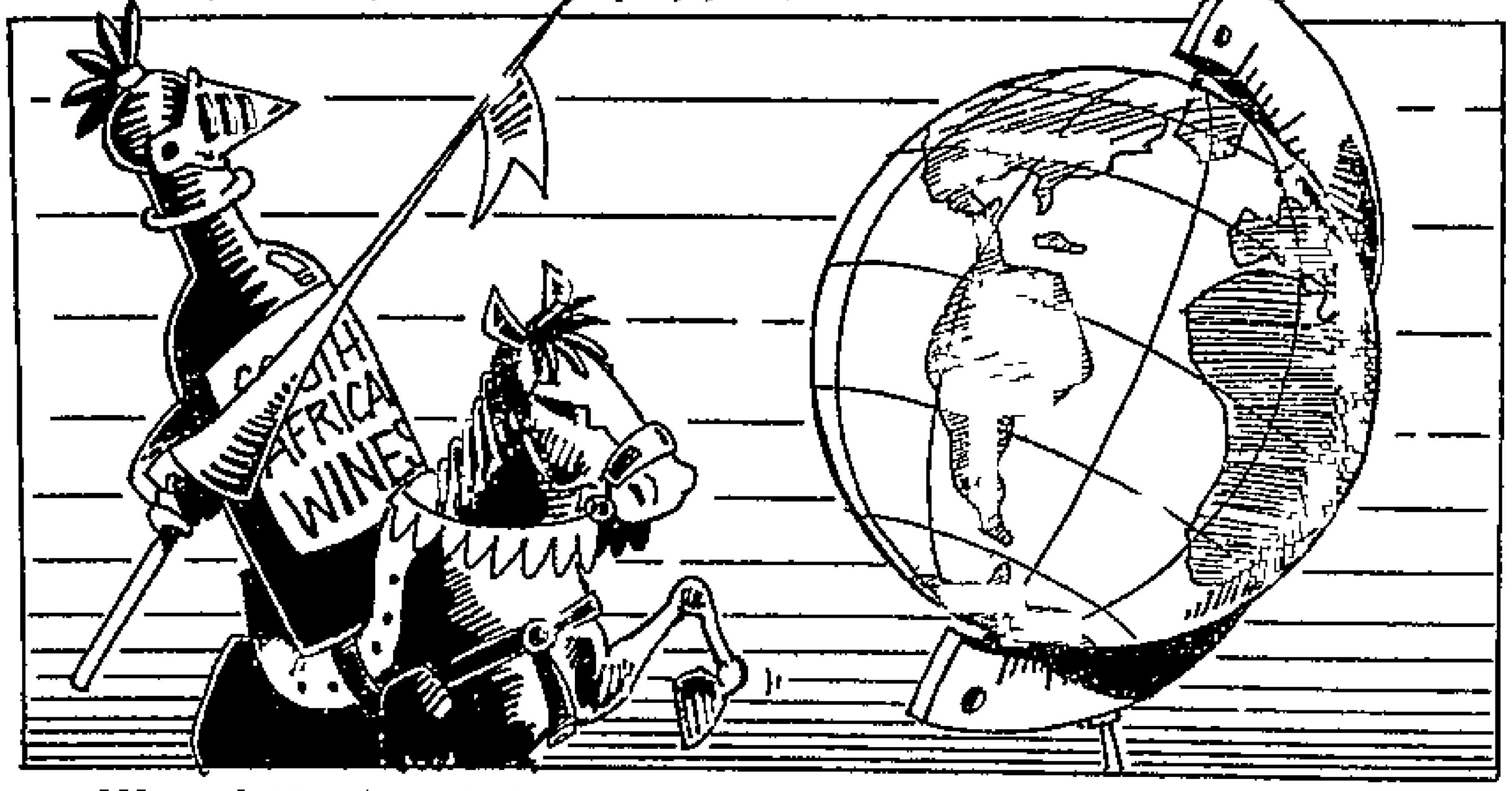
By opening the Vivo clear-beer brewery in Verwoerdburg, NSB, the dominant sorghum beer brewer in the Republic is taking on the dominant clear beer brewer.

SAB, with 99,5 percent of the South African market, strong brand names, and a huge distribution network, has put paid to a few serious would-be competitors like Louis Luyt in the past, and wiped out a few lesser contenders like Rico Breweries without much effort more recently Any bets on NSB?

The battle of the bottle — Siphoning off the wine lake

U/Mail 23/10 - 29/10/92. (3) Wine+Viticulture (182)

Should the South African wine industry protect the growers? Or should it try developing an industry capable of breaking into the world market? By JOHN SEILER



THE South African wine industry is being dragged from a long-time cocoon of isolation from market pressures and competition — both domestic and foreign.

Simultaneously, although more slowly, it is moving away from authoritarian decision-making. In this regard, it is bound to suffer the same kinds of disenchantments and frustrations already abundant in other areas of South African national life.

The industry is presented with a stark choice between continuing protection of growers and the development of an efficient industry, responsive to domestic and international market demands.

A growing number of people in the industry talk enviously of the achievements of the deciduous fruit industry and see that industry's international competitiveness as their own goal. It is a laudable one, although made more difficult by the inevitable link between individual producer and quality wine: there can be no equivalent to the Cape apple or the Outspan orange for the wine industry.

A competitive wine industry would need to stabilise production at a lower level, responsive to enormous competition in a recessionary international market and static demand at home. The traditional over-production of grapes has been buttressed by the longstanding KWV policy of production quotas and guaranteed minimum prices, together with a commitment to buy all grapes within the set quota. Quotas were dropped in April 1992 but the retention of guaranteed prices and purchase makes increased production likely.

In the short run, the industry faces two distinct problems in its efforts to make even a modest dent in the international market. "Low end" wines (always low-priced and often mediocre in quality) flood the market in North America and Europe and the evolving markets in Japan and the Pacific Rim. They are made in most wine-producing countries. KWV and the three other South African wholesalers (Stellenbosch Farmers' Winery, Douglas Green Bellingham and Gilbeys) produce the overwhelming bulk of South African low-end wine. They will need to market it shrewdly to make any progress in exports: very low prices, memorable names (KWV's selection of "Springbok" for one part of its new US-export line seems less than inspired), and aggressive, persistent overseas sales staff.

Quality wines pose more complex problems. It is not a straightforward issue of excess production. Instead it involves more subtle questions of competitive "value for money" and responsivity to preferences in style from one export market to another.

The "value for money" dilemma can be put bluntly. In all wine-consuming countries there is growing resistance to higher-priced wines. Instead of buying fewer bottles, consumers are buying about the same number of bottles of lower-priced wines. The "ceiling", above which price becomes a deterrent, seems to be $10 in the US and £4 in the UK.

Wines priced above these levels must be extraordinarily good, or, at least, they must appear to be extraordinarily good. Chateau Petrus always sells out at $300 per bottle or higher, while other equally distinguished Bordeaux wines — even first-growth Medocs — sell for one-third or less. Status adds to real quality in these instances.

Achieving a high score in a review from a powerful wine journal or columnist is the only route for South African quality wines which, by and large, are still unknown in Europe and North America.

The first major review of our wines was made in the October 15 issue of *Wine Spectator*, the most influential of all US wine publications. Taking a score of 90, out of 100, as the magic number above which rapid and widespread sales are sure, the closest any South African wine came was an 88 for Louisvale's 1991 reserve chardonnay. The highest scoring cabernet sauvignon was Simonsig's 1989 (84), and the highest scoring Bordeaux-style red blend was Rustenberg's 1989 Gold (a wine given an extraordinary five stars by John Platter) — only an 82.

The simplest explanation for these scores is the fierce competition in the production of quality chardonnays, cabernets and red blends from most wine-producing countries. Although anticipated retail price was not a factor in this review, when that factor is added into consideration, South Africa lags far behind Chile, Australia, Italy, France, Eastern Europe, and even the US (a notoriously expensive production region) in value for money. Much the same problem exists in the UK and in mainland Europe.

Any expectations of early success in these markets would be naive and counter-productive. Starting small, working with sales people who know and appreciate South African wines, and patiently, almost person-to-person, building a foundation for long-term market acceptance is the only approach that makes sense.

Some producers are doing this. For instance, four small, high-quality producers — Bouchard Finlayson, Rozendal, Rust en Vrede and Warwick — are distributed only in New York and California by a prestigious importer of classic, expensive Burgundies, whose *imprimatur* is enough to sell the small allotments he can get from suppliers in his own retail shop in Manhattan and to a coterie of exclusive restaurants in and around New York City — and to a corresponding network in California. It is hardly dramatic, but it is effective marketing.

Responsivity to differing tastes is more complicated. The traditional South African industry approach was inflexible. Pre-sanctions exports of Nederburg and Zonnebloem reds made few concessions to evolving preferences for more subtle wines with less obvious tannins. To its credit, the KWV is taking a leading role in arguing that exports will sell only if they take into account such changes.

Somewhat in line with this encouragement, and partly reflecting the modest opening up of the industry, producers are making available for export a range of styles for all varietals. The results are not yet conclusive, but the *Wine Spectator* review suggests the complexity of the mandate.

After dismissing South African chardonnays, cabernets, and red blends as decent but undistinguished, the review said the batch of pinotages was interesting. But the actual scores will probably disappoint those in the industry who have argued for promoting this uniquely South African wine. The top-ranking Kanonkop 1990 was given only an 83 and the Clos Malverne 1990 a 72 (Platter gave both four stars), while Bergsig's 1990, a lighter-bodied wine which Platter gave only three stars, got an 84, the highest score of all the pinotages.

Should the industry convert to lighter-bodied pinotage, in order to win a larger share of the US market? Should it work at converting US consumers to the pleasures of the great pinotages to which we are rightly attached? Or, more reasonably, should South African producers be free to make either one or both of these choices in individual efforts to win sales?

Realism about improved exports must be matched by realism about the domestic market. Sales have been flat for years, with the modest exception of sparkling wines. The Wine Foundation, sponsored by KWV, has not produced a dramatic increase in wine sales to black consumers.

Despite limited prospects of improvement in domestic sales, a number of new estates have come into production. In addition, some family-owned estates have been bought out by corporate interests, following on a smaller scale the pattern now entrenched in California's Napa Valley and for a large portion of Bordeaux's quality estates. Substantial capital investments have been made — Vergelegen in Somerset West and Graham Beck's huge surrealistic winery in Robertson come to mind — and while they will only add in the short term to the confused and unprofitable competition for domestic sales and exports, they reflect a stubborn optimism about the long-term prospects for the South African wine industry.

●Dr John Seiler, a political science academic, frequently writes about the South African wine industry

'Costy de Sol' ... The priciness of imported beers hasn't stopped Yard of Ale drinkers from quenching their thirst with the odd exotic lager Photo GUY ADAMS

We're only here for the beer ...

WMail 23/10-29/10/92 182

Though South African Breweries still rules the roost, beer drinkers' choices are widened by ever increasing imports, reports REG RUMNEY

OVERSEAS, the fashion for ordering a Corona Extra may have waned along with the 1980s boom years, but here imported beer has taken off in the teeth of the recession

Some may feel Corona Extra, which one is supposed to drink straight from the distinctive clear glass bottle after placing half a lime or lemon in its mouth, is a bit faddish.

Corona isn't the only Mexican beer sold in clear glass bottles Sol is also widely available Another Mexican import is Dos Equis, a dark beer with a particularly distinctive malty taste without the bitterness associated with other dark beers like bottled Guinness

The weak rand and import surcharges automatically put some imported beers into a premium class. At R8 or R9 a bottle in the pub for a Sol or a Corona, or around R5 in the bottle store, these imports aren't a long term option as a regular drink.

People are still prepared to pay R8 or R9 a bottle for the Dutch premium beer, Grolsch, but then the decorative bottle helps BJ Lankwarden, of NMK Schultz Fine Wines, says the empty bottles are sometimes seen on fleamarket tables for around R10

Also imported, from Germany, is Erdinger Weiss bier Based on wheat rather than malted barley, it has a refreshingly different taste, but one that South Africans may take some getting used to

Lankwarden imports a wide range of other beers, from British ales like Bass to French beer Jeanlain, and the original Czech Pilsener beer, Pilsener Urquell This, because it comes from Czechoslovakia notes Lankwarden, will not be subject to surcharge "It will sell for a phenomenal R2,75 to R2,95 a bottle"

As well as the trendy beers from Mexico and old favourites from Europe, importers are casting around as far as the Far East and even Down Under

For instance, Ozzie favourite Foster is to be found on South African liquor store shelves And soon to arrive in South Africa is Steinlager, brought in by Cellarmaster Wines from New Zealand

Why this passion for variety among admittedly a small section of the population? It must at least be a reflection of the modern desire for a healthier lifestyle — and beer is less damaging to the system It could be a revolt against wine snobbery no one holds up a beer glass to the light, swills the contents round, smells it and talks of its ruby red nose

But that one can savour beer the way one is supposed to savour wine is no news to some of the drinking population

Beer's main advantage is that its alcohol content is, mostly, low compared to wine and spirits Most South African beers have an alcohol content of around five percent by volume Most wine has an alcohol content by volume of between 11 and 12,5 percent.

In general, it's a longer drink which makes you drunk less quickly, making for a more convivial evening

At first glance it may seem that, compared with wine, choice is limited

True, SAB supplies an undisputed 99,5 percent of the beer market, giving it a unique dominance The familiar Lion and Castle lager are by far in front, accounting for an estimated 70 percent of South Africa's total sales Amstel, Carling, Hansa, and Ohlssons take up the rest, with Castle Stout having a niche.

So tight is SAB's grip on the market that the two foreign brewers which have chosen to enter South Africa recently have done so in co-operation Dutch lager Heineken is brewed in Europe and air-freighted out. It is marketed by SAB and sold at a premium to SAB brands, but at a price competitive with other imported beers Also sold at a premium price is Guinness Foreign Extra Strength (FES), brewed here by SAB

Foreign beers are not necessarily superior SA Breweries managing director Graham Mackay believes that the taste many people associate with imported beer is oxidation, the arch enemy of beer Most beers are bottled in dark green or brown glass because light aids oxidation. The shelf life of bottled beers is about six months, canned beers last a bit longer Beers with a higher alcohol content, like Guinness FES at 7,5 percent, have a longer shelf life Alcohol is, after all, a preservative

Freshness does make for better beer. Most bottled beers are pasteurised and filtered to give them a long shelf life

> "The more people taste different beer the more they realise life doesn't begin and end with Castle and Lion"

Non-pasteurised beers, such as draught beers, are a beer connoisseur's choice, but South Africans prefer to drink at home Hence Namibian Breweries some time ago launched Windhoek Draught, an unpasteurised beer sold in two-litre plastic bottles Its shelf life is three months and once opened it has to be drunk fairly swiftly SAB followed Namibian Breweries with Castle Draught, unpasteurised but micro-filtered

Namibian Breweries products, though they are produced in the Southern African Customs Union and so are not subject to import taxes, are imports — they do travel about 1 800km from Windhoek to get down south Moreover, unlike SAB beers, they are brewed in accordance with the Rheinheitsgebot, the German purity law that decrees beer must be made from malt, hops and water only Namibian Breweries' Ashley Hayden notes that it takes longer to brew beer this way but Namibian Breweries has decided to stick to the German rules and use no additives

As well as Windhoek Draught, Namibian Breweries produces Windhoek Export, Special, Lager, ranging from four percent to 5,3 percent alcohol It also makes Windhoek Light (two percent), as well as Tafel Lager and Mai Bock, a dark and rather bitter winter beer with a six percent alcohol content.

Considering the distance and the peculiar difficulties the brewery faces — it has to ship its glass bottles up from South Africa — the small premium paid in a bottle store of 10c or 20c more than SAB products is negligible They are worth tasting, even if just to see whether the purity laws do make for a better beer Certainly Windhoek Draught, when fresh — and you can tell this by the date-stamping — is an impressive drink.

Experience tells SAB that South African beer drinkers are fiercely loyal to the two main brands, but that may change in time Says Lankwarden "The more people taste different beer the more they realise life doesn't begin and end with Castle and Lion"

Big squeeze on co-ops in fight for wine sales

W/Mail 23/10 – 29/10/92 (182)

As the recession bites, battle lines are being drawn in between wholesalers and co-operatives squabbling over market share. By GAYE DAVIS

IT may soon be impossible to find inexpensive co-operative wine in the shops, now that wholesalers are pressing co-ops to stop trying to develop their own markets

According to the co-ops, the wholesalers are moving to protect a market already eroded by a moribund economy Thus co-op wine, usually cheaper but not necessarily of lesser quality than premium brand names or estate wines, could be out of reach for consumers unable to travel to the co-ops themselves

Co-operatives form the backbone of the wine industry Ranging in size from two to 175 farmer-members, there are about 70 in all — and together, they produce more than 80 percent of the annual crop The bulk of this is sold to wholesalers, such as Stellenbosch Farmers' Winery (SFW) and Distillers

But the recession of recent years has meant that, although improved production and know-how has expanded harvest volumes, the wine market has remained stagnant People are drinking less wine — which means the wholesalers have been buying less

As a result, some co-operative producers have been casting about for new markets for their wine, through bottle stores, restaurants and wine clubs According to wine industry sources, wholesalers are thus finding themselves in direct competition in the marketplace with their major suppliers

A co-operative-based Cape winemaker, who would speak only on condition that neither his name nor that of his co-op be used, said "It's not as if they (the major wholesalers) threaten you, but you get the message

"The relationship between ourselves and the wholesaler is very bad They don't want us to advertise our wines, or sell them in restaurants, or enter them in competitions It's terrible, because then we can't assess the quality of the wine we're producing ourselves

"But there's nothing we can do I can't go against the big guys "

Edu Klarenbeek, manager of Woodstock World of Wine which stocks the products of about 30 co-operatives and estates, said "Co-ops are producing more wine and also better-quality wine A lot of co-ops have their own winemakers, and they can produce wine more cheaply than a lot of the estates

"The co-ops have come under a lot of pressure from the wholesalers They were a direct threat, both price and quality-wise — so the wholesalers put the screws on There's little the co-ops can do, because what they earn from selling to the wholesalers is their bread and butter "

Where does this leave the consumer? "In a bind," said Klarenbeek "He has to drive out to a co-op to get wine he might otherwise have been able to get off the shelf of his local bottle store "

SFW administrative director Andre Steyn said the company "definitely has no policy of penalising people who compete with us" Instead, he said, SFW was guided in its purchases of bulk wine from co-ops by quality and style

"We're in fierce competition with those in the marketplace, but at the same time, we're committed to buying the best-quality wine that we can for the consistency that is the trademark of our products Sometimes we can only get that good-quality wine from people who are competing with us in the marketplace

"It's obvious there are all sorts of perceptions of us ganging up on co-ops," he said "But we're not The perception has arisen through the fall-off in market share — with the result that we have cut back in buying from all of our producers "

According to Steyn, this gives rise to a vicious circle the co-operative is then virtually forced to find another market for his good wine

While the total wine market grew by 10 percent between 1984 and 1992 over the same period, wholesalers saw their market share decline from 82,5 percent to 65 percent, according to Cape Wine and Spirit Institute figures But during the same

To PAGE 21

Putting the squeeze on co-ops

W/Mail 23/10 - 29/1992 (182)

From PAGE 19

period co-op wine sales soared by 200 percent

"Co-ops more than doubled their sales during this period off a relatively small base," said Steyn "It's a dramatic increase."

Because they can produce wine more cheaply than estates, where huge amounts are spent on wood-maturation and bottle-ageing, co-operatives have been able to pitch their products at the lower end of the price spectrum, which is where the wholesalers have been feeling the decline in sales most.

For the consumer, the entry of co-ops with low-priced, good-quality wines in the marketplace has been a boon But traditionally, the wholesalers have been responsible for marketing wine, pumping money into advertising, brand-building and education. Their pique at co-ops selling directly to the public at lower prices and trading on the slip-stream created by the big, expensively promoted brand-names is perhaps understandable.

SFW's Steyn used the boxed-wine market as an example. It was initially developed by strong trademarks, such as Autumn Harvest, and a great deal of money was spent on promotions, packaging and the wine itself "to ensure consistent quality

"In about 1992 there was a substantial increase in the 'good wine' price set by KWV, and this meant in an increase in the price of boxed wines It was also an opportunity for primary producers (such as co-ops) to come in at lower prices.

"Market share eroded significantly, yet the sector remained relatively stagnant for some time at sales of about 40-million litres a year," he said "The result was that those in the market had to skimp on advertising, services, distribution and, inevitably, quality control. SFW has tried to hold the quality — at some disadvantage to ourselves."

However, a wine industry source said part of the blame lay with the wholesalers who spent "millions developing a sophisticated image for wine so that people would pay R30 for a bottle" — and neglected the lower end of the market "Now the co-ops are coming in and hurting them," he said.

"These days co-ops are winning significant awards for their wines. The days of co-op wine being seen as inferior are over.

"The consumer can only benefit from this situation — but the farmers, who have labourers and their families dependent on them, are sitting between the devil and the deep blue sea. They're taking a hell of a risk if they get the screws put on them (by wholesalers) in the current economic climate "

Cape wine master Sue Brown, writing in a recent issue of *Wine of the Month Clb News,* attributed the success of some co-ops in the market to "their realisation that there was a need for value-for-money wines even in pre-recession days"

The question remaining, wrote Brown, was whether co-ops such as Swartland, which sells no wine to wholesalers but markets its entire crop itself, can retain their market share "More co-op wines are appearing on the shelves, there is more aggressive marketing from the wholesalers and even down-trading by some éstates in the use of second labels," she wrote.

SFW's Steyn believes some co-ops may be feeling the pinch· "The economy is showing no signs of coming out of the trough and trading conditions are very tough. Those who built their markets on price-cutting may yet burn their fingers."

Other co-ops are content to leave their marketing to those with the know-how — the wholesalers Said Zakkie Bester, of De Wet Co-op. "Many people have problems with the attitude of the wholesalers — they're preventing a free-market system. It is so that, generally, producers are not happy with the actions of the wholesalers

"I see it like this: the wholesaler is my marketer. I'm not geared to marketing my wines myself. It's up to us to produce the wine and up to the wholesaler to market it. We're looking for new markets, but the wholesaler must identify them."

ROUND ONE! . . . Opening the NSB's new beer plant in Verwoerdburg last week are (from left) the NSB's L Mathabathe, the ANC's Joe Modise and Thabo Mbeki, and NSB chief executive Prof Mohale Mahanyele. ■ Pic: THULANI SITHOLE

Booze battle brews as beer plant opens

By JETHRO SEREISHO 182

THE awesome task of tackling SA Breweries in their own backyard does not worry Prof Mohale Mahanyele, chief executive of the black-controlled National Sorghum Breweries

This week Sorgum Breweries launched a R1,2-billion clear-beer plant in Verwoerdburg, the mecca of wealthy Afrikaners

"Our new beer will be successful because our target is the lower-income group which has always supported us," he said

Mahanyele believes the price of the new beer will hit the "Lions and Castles" hard

"We have now added another chapter to our history For the first time in SA blacks have started making clear beer

"There is a need for blacks to show their ability and ingenuity, and we will demonstrate that we can do this." C/Pres 25/10/92

Mahanyele accused big business of not being interested in the black majority in SA.

"The NSB has created thousands of job opportunities and given economic empowerment to more than 500 000 blacks, and we are already involving ourselves in the food, beverage and leisure industries.

"When the company was started it's mission was to aim for black empowerment through ownership, control and management – in which direction we have made great strides."

The new beer, which has not yet been named, will be on the market by the middle of 1993.

Challenges in travel industry

Sowetan 29/10/92

■ **Blacks want a share of the cake in the field of tourism:**

THE changing face of South Africa's socio-political scene presented various challenges for the travel and tourism industry

Crumbling sanctions and the country's gradual acceptance into the international fold would change the face of the travel business

The inclusion of blacks as key players in this industry would become a necessity

This scenario emerged at a training workshop held by British Airways (BA) in Johannesburg for members of African Tour (Afri-Tour), an organisation representing black South African travel agents

BA's training manager for South Africa, Mrs Manuel de Carvalho, said the two-day workshop was held after a request from Afri-Tour for training assistance.

Afri-Tour wants to create an awareness of tourism among the underprivileged population groups The association also plays an education role both among its members and within the community

De Carvallo said the course aimed to provide an overview of the industry for those who had not previously had the opportunity for such exposure

Subjects covered ranged from sales techniques, after sales services, fares and ticketing, airline geography and running a profitable business

Chairman of Afri-Tour Mrs Busi Radebe said up to 90 percent of the South African travel business was controlled by whites

Radebe, who is also managing director of Red Rose Travel and Tours Operators, said it was against that background that they want to redress the imbalances in the industry

"We believe that we have an ingrained understanding of the travel needs of the black population We plan to stimulate demand in this market in the future," she said

Mahanyeela optimistic

■ **Hopes new beer plant will win them 20 percent of market:**

Sowetan 29/10/92. (182)

THE new beer plant will give the National Sorghum Brewery a 20 percent share of the market, chief executive of the company Professor Mohale Mahanyale said this week

Talking after the sod-turning ceremony, Mahanyale said the plant near Pretoria, which cost more than R1,2 billion, would create at least 2 000 jobs

An additional 100 000 jobs would be created through the distribution chain

The company would export beer to various African countries including Namibia, Swaziland, Lesotho, Botswana, Kenya, Ivory Coast and Zaire

"We had fruitful discussion with Professor Johnny Kalonji, president of Zairean Chamber of Commerce, regarding the business deal

"We are confident we will be exporting to his country," Mahanyele said

He said they would cover the PWV areas with ease as it was centrally situated

They would capture a sizeable share of the market "because tests have revealed that the market wants the type of beer we are going to produce"

The NSB, which increased its earnings by 23 percent in the year ended June, realised a turnover of R500 million

About 90 percent of the 10 000 shareholders were blacks

Mahanyeela optimistic

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R50m KWV grape juice venture

Business Staff (182) ARG 30/10/92

KWV is to invest R50 million on two new plants for the manufacture of grape juice concentrate — a rapid growth area in both the domestic and international markets

The plants are located at KWV Upington and KWV Vredendal and have a combined production capacity of 1,2 million HL of single strength juice

Columbus Stainless supplied all the stainless steel required for the manufacture of the 104 tanks and the 12km of piping for the two plants.

Neal Meaker of Columbus Stainless in Cape Town, said "In total 104 tanks, ranging from 12 000 to 187 000-litre capacity will be manufactured from stainless steel This constitutes around 220 tons of types 304 and 316 stainless steel"

Leon Serfontein of KWV, commenting on why stainless steel was specified for the tanks said. "Stainless steel will not chip or crack and emits no undesirable compounds, especially taste and aroma compounds. These, in addition to its ease of high temperature leaning are definite plus points in our industry where hygiene is of the utmost importance

"Equally important is stainless steel's corrosion-resistance. By manufacturing our tanks from stainless steel we are assured of a lifespan far in excess of 30 years," said Mr Serfontein

NSB to hold AGM

182

Sowetan 3/11/92.

■ Important for shareholders:

THE BLACK-OWNED National Sorghum Breweries will hold its annual meeting at the Fifo Breweries in Verwoerdburg near Pretoria tomorrow starting at 10am.

Transport has been arranged for anybody wishing to attend. It leaves from the Carlton Hotel at 8 30am.

Contact Mrs Meisie Ramakhula at 783-4450 about transport arrangements

Sorghum Breweries discloses impressive results

BDAY 4/11/92

THEO RAWANA

NATIONAL Sorghum Breweries (NSB) increased its sales to R433m in the year to June 1992 from R357m in the previous year 182

The 21,4% turnover increase was accompanied by a 53,5% increase in operating income to R26,5m from R17,3m, although chairman Mohale Mahanyele's annual statement did not disclose why the trading margin had increased to 6,1% from 4,8%.

Mahanyele said the black community had mainly acquired NSB's 44-million shares through the stokvel system The shares are not listed on the JSE, and trading in them is handled by NSB itself.

Mahanyele was at pains to dispel the impression that NSB had a monopoly of SA's sorghum beer market, saying other companies operated freely throughout the country.

NSB's prospectus stated that the company had the exclusive right to manufacture, deliver and sell sorghum beer in SA excluding the homelands. NSB was diversifying into clear beer, Mahenyeli said, and added that the company had no qualms about the size of the task He would not disclose details of the Vivo brewery, claiming the company was subjected to "industrial espionage".

Net income after tax increased by 24% to R21,1m from R17,1m and earnings per share were 48,0c against 38,8c. A maiden dividend of 20c was declared for the year

Wine may prove SA's best ambassador to US

BDAY 5/11/92 182

MEREDITH JENSEN

SINCE the lifting of the Comprehensive Anti-Apartheid Act last year, nearly 40 000 cases of SA's finest wines have been exported to the US, little short of the record 50 000 cases sold in 1983, before sanctions were enacted.

In fact, wine might be SA's best ambassador. While Americans have been slow to bring their chequebooks to this country, they have wasted no time in trying SA wines that have recently become available in the US, industry sources say

KWV export marketing manager for the US Niel van Staden said he expected the number of cases to increase to 100 000 next season "We have already placed our wines in 25 states and set up warehouses in New Jersey and Texas in order to supply smaller states which could not afford to buy full container loads," Van Staden said

SA's wines were competitively priced for the US market, selling at between $59,88 and $155,88 a case, he said

Nearly 75% of the wines shipped to the US were KWV wines. They included Groot Constantia, Vriesenhof, Neil Ellis Wines and Talana Hill. Van Staden said next season's shipments would include Boschendal's Pavillion Blanc, Sauvignon Blanc and Chardonnay. Independent wine producers such as Kanonkop, Lievland, Landskroon, Thelema Mountain Vineyards and Clos Cabriere were represented in the US by the Cape Town-based Natural Corporation

US representative André Shearer said America could soon become SA's most important export market. "The past 18 months have been a whirlwind for us, from breaking through the first US barriers to attending luncheon with Ronald Reagan."

Natural Corporation Cape Town director Gary Shearer has been overseeing the export side of the business "It is costing us a fortune at the moment because of the exchange rate," he said

However, wine exports would most definitely generate forex earnings for SA soon.

In the past, KWV had been able to export a great deal of SA wine by moving inexpensive products in bulk to the middle-of-the-road market.

Shearer said Natural Corporation intended to deliver SA's top wines to America's premier markets

"We have also decided to market a less expensive brand range, under a Kronendal or Oakhurst label, to appeal to a greater cross-section of the market"

Van Staden said KWV had started to market its wines under the Springbok label, a decision hotly contested by many wine makers One source said "This is a name which has been associated with an apartheid regime The ANC has said it wants to stop using the name."

ABI copes with tough conditions

MARCIA KLEIN (182)

MAJOR Coke bottler Amalgamated Beverage Industries (ABI) has raised its attributable earnings to end-September by 15% to R20,3m (R17,7m) after a particularly difficult six-month period for the soft drink industry.

The SA Breweries company has revealed figures for turnover less excise/ad valorem duty, showing the adverse effect of what directors described as "the penal 28% increase in excise duty rates imposed by government during the second half of last year".

The results showed that turnover was 17% up at R481,1m, but after a more than twofold increase in excise/ad valorem duty to R22,2m, sales revenue rose 14% to R458,9m from R402,2m.

Trading profit rose by 14% to R37,6m from R32,9m. Net financing costs increased by 43% to R3,5m, resulting in a 12,2% rise in pre-tax profit to R34,1m (R30,4m).

But increased equity-accounted retained earnings from associate Amalgamated Beverage Canners saw earnings grow by 15% to 19,2c (16,7c) a share. A 14% higher interim dividend of 8c (7c) a share was declared. B/DAY

Directors said the balance sheet remained strong, and cash flow from operations remained positive. 5/11/92.

NSB creates 500 000 jobs

182

■ **Generation of wealth aimed at black communities during severe recession**

Sowetan 5/11/92

By Joshua Raboroko

THE black-owned National Sorghum Breweries Ltd, in its fervent quest for economic advancement, has created jobs for more than 500 000 in Southern Africa

In his annual report, the company's chief executive and chairman, Professor Mohale Mahanyele, yesterday said the jobs had been created through the distribution, sale, transportation, provision of suppliers and variety of professional services

"The main focus of this economic empowerment through wealth generation, creation of jobs and overall economic development is particularly aimed at black communities in which we conduct our business and receive patronage," he said

Additional opportunities have been created to further multiply these opportunities by inviting black farmers, transporters of raw material and finished products as well as professional services organisations to enter into lasting business ventures with NSB

South Africa had been hit by retrenchments, particularly in the mines, the reason the company had undertaken to create jobs

"We are pleased to report that despite the very severe and adverse economic conditions and amid the worst violence and political turmoil in living memory, we performed well"

Turnover increased by 21,4 percent and generating income before investment income increased by 53,5 percent Net income after tax increased by 24 percent resulting in an earnings a share increase of 24 percent.

The company's share offer heralded a unique concept for stokvels which was relatively unknown outside the black community It acquired Jabula foods, a malt company and Vivo Breweries

Cape wine set to sweep US

(82)

ARG-6/11/92

RAMSAY MILNE
The Argus Foreign Service

NEW YORK — Cape wine exports to the United States are expected to soar after the latest salvo in the US-Europe trade war led to a punitive 200 percent tariff increase on European white wines

The US move may effectively shut out French, Italian and German wines, giving South Africa the chance to exploit the rich American market free from its strongest foreign competition

The high tariffs on European wine have been imposed in retaliation for European Community subsidies to farmers, which the US estimates cost its farmers R3 billion a year.

In the past year, nearly 40 000 cases of the best South African wines have been shipped to the US and the KWV was already planning to increase the number of cases to 100 000 by next year, as well as sending bulk shipments of cheaper table wines

Since most South African wines are competitively priced for the US market, and almost invariably cheaper than Californian wine, wine exports could quadruple within 12 months, according to an importer

Popular

A New York wine merchant said he had been planning anyway to resume imports of South African wines. "They were very popular in the US before sanctions put an end to sales," he said

He pointed out that the increased duties would mean that a $3 (R9) bottle of French wine would in future cost $9

"That just about puts the French right out of that part of the market," he added.

About 200 white wines, mostly from France, are on the US tariff list.

Since sanctions were lifted in August last year, Cape wine growers have viewed the US as potentially one of their most important export markets, and as a much-needed source of foreign currency.

Mr Piet Momberg, marketing executive at KWV, said today that the tariff increase would help to develop the US market, which had been difficult to break into

"It's a very big country, 51 states each with its own laws, which makes it difficult to appoint agents," Mr Momberg said

"We are distributing two KWV labels — the Springbok and Cape Country ranges — in about 25 states"

Mr Momberg said the US had its own flourishing wine industry, which meant that all "New World" wines — from South Africa, Chile, New Zealand and Australia — faced stiff competition, even without the European vintages

● See page 2.

UK's 'explosion' in demand for SA wine

(182) CT 7/11/92

By AUDREY D'ANGELO
Business Editor

THERE [illegible] demand for SA wine [illegible] played openly [illegible] Keith Stuart, chairman of the [illegible] Association [illegible] Sea Point hotel yesterday.

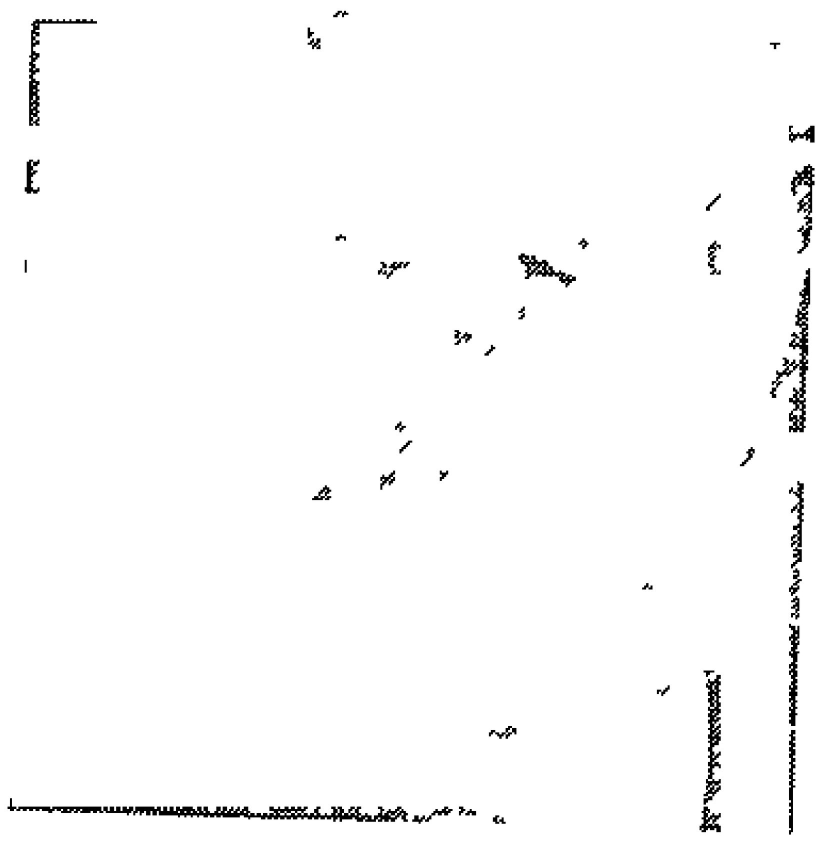
He told members of the [illegible] Trade [illegible] there [illegible] exports in Britain [illegible] for [illegible] selling.

[illegible] South Eastern [illegible]

[illegible] had [illegible] amount.

He did not think [illegible] of the market [illegible] quality and respected in the marketplace. In this situation 'marketing [illegible] more important than price."

Stuart thought it possible that SA exports had been "lured into [illegible] on the new markets [illegible] in Eastern



Keith Stuart

Europe [illegible] market [illegible] UK.

[illegible] Europe [illegible] market [illegible] excluded.

[illegible] this week had shown that most British people do not [illegible] themselves European — they do not think of themselves as European.

The attitude of British people was "[illegible] worldwide — they will not allow themselves to be sucked into a narrow, inward-looking European market."

"Nobody [illegible] that SA will be locked out of Britain. The UK market [illegible] will remain wide open to SA exports."

Stuart [illegible] SA on [illegible] months [illegible]

[illegible]

The delegation had also noticed it was impossible to have a conversation with any businessman in which the word 'retrenchment' did not crop up".

More encouragingly, Stuart said, there seemed greater convergence of opinion about where political negotiations were likely to lead. "On the [illegible] about affirmative action."

And business and government now seemed generally agreed on what strategies to follow.

NATION BUILDING *Giant brewery says businesses should have a responsibility to their society*

Brewing up a heady power

Sowetan 11/11/92.

(182)

■ THIRST QUENCHING *NSB speaks out for beer and democracy in a changing time:*

BUSINESS IS AN INTEGRAL part of society and as such is responsible for the state of the nation

It is time for business leaders to stop blaming political leaders for seemingly unrealistic economic solutions when they have also failed to eliminate the gnawing and grinding poverty

It is for this reason that National Sorghum Breweries, deliberately and boldly, positions itself as a company that plays a significant role in ensuring that we have a just, fair and democratic South Africa.

NSB's chief executive and chairman, Professor Mohale Mahanyele, says "Being involved in Nation Building therefore becomes a natural extension of our stated mission of black economic empowerment

At the NSB we are actively involved in this process of helping people to move out of the poverty trap

Through our affirmative action programme we continue to give priority to black contractors

To date over 500 000 independent people conduct business in conjunction with NSB in Southern Africa through the distribution sales transportation of supplies and a variety of professional services

The main focus of this economic empowerment through wealth generation, job creation and overall economic development is particularly aimed at the black communities in which NSB conducts its business and receives patronage

Additional opportunities have been created to further multiply these opportunities by inviting its business associates to enter into lasting ventures with the company

As a black company the communal spirit runs deep in us Hence we are driven by the twin motives of maximising profits and being supportive of our communities To do otherwise would be to negate our stated mission of black economic empowerment

"The people from whom we derive our support, as well as our shareholders, come from very deprived communities

"To the extent that funds permit, we strive very hard to assist our people

"We assist a number of organisations that are involved in community and charity work, like the Get Ahead Foundation, Foundation for Entrepreneurial Development, Operation Hunger; Old Age Homes, the South African Black Social Workers Association

"We have also adopted several children at the Mamelodi SOS Children's Village and we look after the children at the Sebusi Mahanyele Home in Kimberley "

On the educational front, the R30 million NSB Education Trust under the directorship of the Reverend Vukile Mahana, will be assisting students of business and the 'hard times' in engineering, finance, distribution sales, marketing, research and development

The company has undertaken a massive education exercise, where its executive management and personnel are afforded opportunities to study further and develop, thereby placing them in a position to make an even greater contribution towards success

The NSB Action Learning Programme is based on the strong evidence of the high correlations between productivity and a high standard of education ' As Martin Luther King said 'It is only when men and women decide to straighten their backs that they can get somewhere, for no one can ride your backs unless it is bent.'

"Our people are ready and willing Let us help them and Build the Nation in the process "

CHEERS TO SAB BEERS!

By MOSES JOHANNES

C/Press 29/11/92

Taverners vow to turn off the taps

182

BEER drinkers have been asked to make the ultimate sacrifice from tomorrow - boycott South African Breweries products.

The call, which many have described as a "tall order", was made at noisy meeting of the National Taverners' Association (NTA) and the SA Taverners' Association at Uncle Tom's Hall in Soweto this week.

The shebeeners' demands are in turn regarded as a tall order by SAB. They include:

- Discount for bulk purchases "as in white circles";
- Contributions towards victims of political violence in shebeens and taverns;
- Representation in directorship of the breweries; and
- Remuneration for "free advertising" on billboards and posters in shebeens..

From tomorrow, the NTA and Sata will lead pickets at SAB depots around the country The two organisations will also urge their supporters and members to boycott SAB products. They will, however, continue selling other brands of liquor.

NTA public relations officer Saint Madlala said: "We need to hammer some sense into the stubborn brains of the SAB's hierachy It is high time we showed the SAB that a black person will take the extreme course in order for our genuine grievances to be given thought and addressed "

Sata secretary-general David Moshapelo said: "The SAB is making a grave mistake in concluding that the black liquor industry is easily manipulated because of the existence of different national organisations

"We may be running different national organisations in the black liquor industry, but we are jointly committed as far as our common interests are concerned. We will fight the SAB to the bitter end.".

Moshapelo added the decision would be reviewed, pending SAB's reaction.

In a joint statement, NTA and Sata said political, trade union and civic organisations had been consulted and had "pledged their unqualified support".

Reacting to SAB comment that the boycott would lead to violence, Madlala said only the "third force" would implement such violence.

Madlala said his members had been "urged to be as disciplined as they can and to guard against the anticipated dirty tactics that may come from those who are against the boycott".

An SAB spokesman said: "We deplore, and are extremely concerned about any talk of a boycott in these sensitive times, particularly when the root cause of the alleged boycott lies in a call to us to give preferential treatment to members of NTA."

This would be "discriminatory against other sections of the liquor trade"

He said the NTA had not discussed the matter with the breweries

Big business urged to give blacks a chance

B/DAY 12/11/92. (182)

THEO RAWANA

NATIONAL Sorghum Breweries chairman Mohale Mahanyele yesterday urged big business to ensure the growth of the SA economy by giving special attention to the development of black business

Addressing the SA Association of Business Management AGM in Johannesburg, Mahanyele also called on government to have a policy giving tax incentives to companies and opportunities to small business

"Business is part and parcel of society, and as such, is also responsible for the state of the nation. Business leaders must cease to blame political leaders for seemingly unrealistic economic solutions, when they themselves have failed to eliminate poverty," he said

Urging companies to step up the process of promoting blacks into top managerial positions, Mahanyele said "The saddest thing about SA is that there are millions of willing and capable blacks who are still denied opportunities"

His company had shown what could be done to boost the SA economy by scoring success after success with an entirely black executive and staff, he said

Big business could promote the development of small business through skills training, education, subcontracting and sourcing supplies from small companies, he said

SAB results show beer added body

BDay 12/11/92 (182)

MARCIA KLEIN

SA BREWERIES (SAB) lifted its attributable earnings by 7% to R252m (R236m) in the six months to end-September as a good performance by the beer division outweighed a decline in the contribution from its other interests

The beer division's share of attributable earnings increased by 13% to R184m (R163m), or to 73% (69%) of earnings

Earnings rose by 6% to 93,4c (88,2c) a share, from which a dividend of 35c (33c) was declared

Executive chairman Meyer Kahn said yesterday the division's sales volume was marginally ahead of the previous year He said local and export markets had held up well in an economy which had dropped by 3% to 5% in real terms The beer division had consistently outperformed the economy, growing by more than 20% a year (compound) over the past seven years

Earnings from the group's remaining interests, which include ABI, Edgars, Afcol, Amrel, Da Gama, the OK, PGSI, Lion Match and Southern Sun, dropped by 7% or R5m to R68m

Kahn said these interests had performed well given the conditions in the industries in which they were operating Results from Afcol and Lion Match had been good.

Southern Sun had not yet turned around, but its branding exercise was going well.

The hotel group was hit by the lack of corporate travel, and so far as overseas tourists were concerned, it was being affected not by a lack of bookings but by the rate of cancellations, Kahn said

He said "the strength and extent of SAB's broadly based consumer goods interests" were evidenced by the 29% rise in turnover to R10,3bn (R8bn) He added that turnover was 10% up on a comparable basis, excluding the effect of the PGSI acquisition

Trading profit was 18% higher at R901m (R765m), and would have been up by 10% on a like-for-like basis

Pre-tax profit increased by 21,5% to R696m, and profit after tax rose by 17% to R419m from R359m in the previous year. After a 51,8% hike in profit attributable to outside and preference shareholders, attributable earnings had risen by 7%.

Earnings increased by 6% to 93,4c (88,2c) a share.

Kahn said that earnings on a cash equivalent basis, where all non-cash items were eliminated, were 19% higher at R209,7c (176,9c) a share A 6% higher interim dividend of 35c (33c) a share was declared

Cash flow from operations rose signifi-

☐ To Page 2

SAB

BI DAY 12/11/92 (182)

☐ From Page 1

cantly to R555m — representing 82% of the cash equivalent earnings — as a result of rigorous cash management disciplines applied during recent years, Kahn said

The gearing constraint has been reset at 75% because of full consolidation of associate finance companies in the group's retail interests. Gearing was 60% at end-September, compared with 71% in the previous year and 65% at the March year-end

The group spent R637m cash in the six months, and a further R2,5bn had been approved, of which about R800m would be spent in the remainder of the year

Kahn said two-thirds of this would be allocated to the beer division and 15% to other beverages

He said it was unlikely there would be a recovery in disposable incomes before the latter part of 1993. The rate of improvement in group earnings "will remain severely constrained over the balance of the financial year"

Wiese (182) hits at ARGUS 13/11/92 wine image

Business Staff

THE South Afready foe eprican wine industry has come under heavypage2 attack from the chairman of the country's largest retail group, Mr Christo Wiese, who says wine in this country is probably the least consumer-friendly product available.

Mr Wiese's attack — in an address to the congress of the SA Society for Enology and Viticulture in Cape Town yesterday — touched virtually every aspect of the industry, none escaping criticism

Some areas selected for attention were

● Hotels and restaurants "We can call to order hotels and restaurants for their mark-ups — ranging from 100 percent to an iniguitous 400 percent a bottle There can be no justification for mark-ups of this size"

● KWV "The KWV has for years exerted a stranglehold on the industry. The minimum wine price has the most far-reaching effect on the industry, making it impossible to sell wine or wine-based products at a price which would make them competitive with beer"

● The Liquor Board It had in the past enforced often absurd regulations and its decisions still appeared erratic at times

"While Sunday trading is allowed at Groot Constantia estate and DF Malan airport, an application to do the same at the Victoria and Alfred Waterfront, Cape Town's bigest tourist attraction, has been turned down"

ABI FM 13/11/92

Refreshing feeling (182)

As the jingle goes, "you can't beat the feeling," and this must be applicable to Amalgamated Beverage Industries (ABI) with the release of the group's interim results. Its ability to maintain operating margins in spite of no growth in volumes must be satisfying

MD Alex Reid attributes this to increased productivity, tighter control of expenses and the restriction of capex in line with the business But the group is taking pressure. interest cover has declined from 14 to 11 times Finance costs increased 43% to R3,5m. The 28% increase in excise duty to 10,4c/*l* is clearly undesirable when consumer expenditure is being squeezed to the limit

Earlier this year chairman Pete Lloyd said "There can be no coherent reason why soft drinks, which are consumed primarily by children and middle-to-lower income consumers, should be singled out for this highly discriminatory treatment." Government collected R22,2m during the six months

Sales revenue, after deduction of excise and *ad valorem* duty, increased 14% Attributable income rose 15% to R20,3m EPS and dividends showed a similar increase.

Volumes are traditionally weak in the first six months of the year but, as was the case last year, the crucial pre-Christmas season cannot necessarily be counted on to boost sales — the decline was checked in financial 1992 by abnormally hot, dry weather in the fourth quarter

Cash generation of R61,9m (1991 R83,8m) by operating activities enabled management to maintain gearing around 20% Interest-bearing debt increased 7% to R109,4m.

While absolute rating of the share remains demanding, on a p·e of 25,7, the performance is refreshing in current trading conditions — a good indication of what can be achieved long-term

Marylou Greig

Beer best for SAB

ST Times (BUSS)

15/11/92. By JULIE WALKER (182)

BEER sales at SA Breweries were marginally higher in volume terms in the six months to September.

The division raised its contribution to group earnings by 13%. Group earnings rose 7% to R252-million, of which R68-million came from investments.

This was only R5-million below the previous year's figure, surprising analysts who had forecast worse from consumer operations OK Bazaars, Edgars, Southern Sun, ABI, Amrel, Afcol, Lion Match, Da Gama and Plate Glass. Plate Glass came aboard in April.

Group turnover rose by 29% to more than R10-billion. Without Plate Glass it would have climbed by a tenth.

SA Breweries is one of the few leading companies to provide for additional replacement-cost depreciation. Attributable earnings a share added 6% to 93,4c. This should be considered real growth.

On a cash-equivalent basis, earnings a share climbed by 19% to 209,7c, indicating the group's cash-generating capacity.

SA Breweries invested a net R637-million in the six months and plans another R800-million in the remainder of the financial year, the lion's share going to the beer division. The board has approved R2,5-billion of projects.

The share price added R1 to R55 on the results.

SA wines the cheapest in the world — KWV

(182) CT 16/11/92

By MAGGIE ROWLEY

SOUTH African wines are the cheapest in the world, says Kobus van Niekerk, deputy CE of KWV

He was reacting to criticism of the wine industry late lasts week by Christo Wiese, chairman of Pepkor who said sales in the industry were stagnating because wine had become too expensive

Addressing the congress of the SA Society for Enology and Viticulture, Wiese said all players in the industry had contributed to the high cost of wine.

KWV was singled out for "exerting a stranglehold on the industry" in setting a minimum price of wine which made it impossible for wine products to compete competitively with beer

Van Niekerk said South African wines "offer undoubted good value for money"

"The real minimum producer price for natural wine has dropped by 21% since 1980

"The producer price of 88c a bottle actually represents only 9% of a bottle of wine costing R10 and 22% of a bottle of wine costing R3,99 at a retail outlet"

The consumption of natural wine in South Africa, he said, had grown by about 3% a year since 1980 while the worldwide consumption was decreasing

"A free market should involve an equal and large number of buyers and sellers In the liquor industry this is unfortunately not yet the case

"While there are just under 5 000 wine farmers, there are only a few wholesalers and market access to the consumer is limited and controlled by licensing

"In this climate, the wine producer still has limited bargaining power. If you add this to the instability of the general agricultural climate, we still regard the minimum producer price as an important contributor to the orderly development of the wine industry for both the producer and consumer"

However Stellenbosch Farmers Winery MD Frans Stroebel said he completely concurred with Wiese that free market principles should be applied.

"While the minimum price of wine has increased at levels below inflation the fact remains that it has continued to increase every year in the face of increased production In fact for the past 10 years we have had overproduction yet higher prices.

"When this happens elsewhere the price of wine automatically drops according to the rules of supply and demand In France this year, the price of Beaujolais is one third of what is was last year for this very reason"

Wine estates approached for comment denied their wines were overpriced

While one or two of the estates might charge high prices, they said the wine estate industry generally offered good value for money.

They pointed out that high packaging costs in recent years had inevitably impacted on the cost of estate wines to the consumer but the wine estates had been forced to absorb some of these increases.

"A few years ago in Johannesburg you could buy a good bottle of wine for R2 but that is now that is what it costs to package one bottle of wine," said Sydney Back of Backsberg

Jeff Grier of Villiera said on cheaper bottles of wine, packaging costs could amount to about 50% of the selling price of the wine.

"And this does not take the cost of machinery and labour into account"

While he personally felt the KWV minimum price was unnecessary, "without this many grape growers would be out of business and according to the law of supply and demand this could push up prices."

Piet Neethling, group MD of Consol whose glass division has an estimated 75% of the wine bottle market, said cost increases in recent years had "never been more than the inflation rate and sometimes we have even beaten it

"There is at least one other smaller, but significant group serving the market as well as a bottle recycling company and as a result we have to remain competitive."

COMPANIES

Bevcon shareholding in SAB diluted

MARCIA KLEIN

BIDAY 18/11/92 (182)

BEVERAGE and Consumer Industry Holdings (Bevcon) has reported a marginal decline in equity accounted earnings to R80,4m (R80,8m) in the six months to end-September despite higher earnings from its major investment, SA Breweries (SAB)

Bevcon, whose wholly owned subsidiary Gemlib Investments holds 93,6-million shares in SAB, saw its holding diluted following SAB's acquisition of Plate Glass.

Gemlib's holding represents 30,4% of SAB's total issued share capital compared with 33,8% in the previous year

Directors said the dilution from the previous year took account of the preference shares issued by SAB in terms of the Plate Glass acquisition

"Accordingly, equity accounted earnings are virtually unchanged despite a 6% increase in SAB's attributable earnings", they said.

Bevcon showed a 5,8% increase in dividend income to R32,7m (R30,9m), and its share of retained earnings of its associate declined by 4,4% to R47,7m from R49,9m previously

It declared an interim dividend of 46c (43,5c) a share on marginally lower earnings of 113,3c (113,8c) a share.

BDAY 18/11/92

182

Coke's bottler assures Pepsi of uphill in SA

MARCIA KLEIN

PEPSI would find "a very determined Coke company and a loyal and united bottler system" if it stepped into SA, Amalgamated Beverage Industries (ABI) MD Alex Reid said yesterday

Speaking at an Investment Analysts' Society presentation last night, he said the local carbonated soft-drink market had major international brands, a formidable range of packs and excellent distribution channels ABI is SA's major bottler.

Reid said that speculation that Pepsi would return to SA should be viewed in light of Pepsico's current investment priorities These had to include eastern Europe, Russia, China, the Pacific Rim and South America, and India

He said Pepsi always looked for a local partner. Foodcorp had indicated that it had terminated discussions with Pepsico, and he believed that Pepsico had denied that it was involved in negotiations with National Sorghum Breweries

ABI chairman Pete Lloyd said the carbonated soft-drink market worldwide was 1,8-billion drinks each day, and had shown a compound growth of 5% a year over the past five years

Coke had 43% of the market, Pepsi 22% and Schweppes 5%, with others holding the difference

SA was the sixth largest Coke country in the world in terms of volume, he said

SA consumed about 75-million hectolitres of non-alcoholic beverages, of which tea and coffee made up a large proportion

ABI had 42% of the SA market and a formidable brand range, Lloyd said. It produced a full pack range, and growth had come from selling new packs rather than volumes

He said he did not believe there would be any major acquisitions and takeovers in SA's bottling industry, which has seven major players

Lloyd said ABI's earnings a share had shown a compound growth of 29% in the past five years It generated about R140m a year from cashflow from operations, and spent about R100m a year It hadn't increased debt in five years, and return on revalued assets was 20% a year

He said that in the longer term it would show consistent real growth in earnings and dividends, with its access to the world's greatest trademark.

Storm brews as taverners opt for boycott

B/DAY 19/11/92.

182 288 1524

THEO RAWANA

THE 25 000-member National Taverners' Association said yesterday a boycott of SAB products would go ahead because the brewer had "reneged" on agreements that had averted earlier action

Association PRO Saint Madlala said members would be selling Zambezi Lager, a brew the association began importing from Zimbabwe earlier this year

SAB refused to grant the "preferential discounts" it said the taverners demanded, and warned of the violence that might erupt if other people were forced to observe a boycott.

The parties seemed to have buried the hatchet at the end of September when the association's executive said the SAB had agreed to most of the taverners' demands These included the scrapping of a requirement that taverners should take up an SAB insurance policy as collateral for credit, the brewer should pay operators for displaying its advertisements on their premises and should donate money in the event of mass killings at shebeens

Madlala said the executive committee, which had been "reining in" members who had long demanded a boycott, would tell them to go ahead next week

SAB public affairs manager Adrian Botha said the brewery could not deviate from its policy of not giving preferential financial treatment "Everyone gets the same treatment" He said SAB was worried about the possibility of violence the boycott might trigger

Madlala said his organisation had "mobilised all the political, labour and other groups But we have left out schoolchildren and intimidation, it's all voluntary"

FM 20/11/92 (182) FOX

STILL FROTHING

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Turnover (Rbn)	8,0	9,7	10,3
Operating inc (Rm)	765	1 168	901
Attributable (Rm)	236	543	252
Earnings (c)	88,2	202,2	93,4
Dividends (c)	33	97	35

SA BREWERIES FM 20/11/92

Beer, glorious beer (182)

The benefits of diversifying into non-beverage activities become less apparent during a long recession, when the propensity to consume is at rock bottom

This is evident from the latest interim, with manufacturing interests in textiles, furniture and durable markets — all cyclical — reporting earnings down 7%. The stalwart was again beverages, in particular the beer division, which contributed 73% of earnings, or R184m, 13% up on last year

Beer volumes were less than 1% up, even with the inclusion of Easter in the trading period, indicating a squeeze on margins Group turnover, which topped R10bn, rose 10% on a comparable basis, excluding newly acquired PGSI, which contributed about R4m after finance costs

International interests, mainly in beverages, did well, earning 15% more, thanks partly to favourable currency conversions

Executive chairman Meyer Kahn says local demand for beer nudged up but exports soared — off a low base Financial director Selwyn MacFarlane notes that though exports absorb only 3% of production, the potential is interesting, especially if the local market remains flat

Most activities usually have a stronger second half but beer sales are particularly resilient MacFarlane says the annual beer price increase, in February, will remain below inflation, in line with the policy of using volumes and general efficiencies to offer value for money

Management is confident that beer volumes will continue to grow, even if only by 1% or so, and has committed R800m of the budgeted R2,5bn capex to the beer division Kahn says this will be financed from available facilities, with no negative impact on gearing (60% at end-September)

MacFarlane says SA Breweries reacts to changes in supply and demand for beer by adjusting capex earmarked for the beer division. Full capacity is never reached because continued expansion ensures there is always spare capacity to meet increased demand Should volumes remain flat into financial 1994, MacFarlane says the amount allocated to expenditure will fall in line

The gearing constraint has been reset at 75% (60%) — required by the full consolidation of associated finance companies

Working capital management is good, as seen by the 47% increase in cash flow per share to 173c The market agrees with management's forecast that trading conditions across the board will remain depressed, but the share price has gained R1 since the release of the interim last week

If EPS grow 5% for the six months to end-March, that will put the share on a forward p e of 18 and earnings yield of 5,6% Though this is demanding, if inflation-adjusted provisions (about R75m) are added back, a 16 p e would be comparable to other blue-chip consumer companies

Marylou Greig

SAB denies claim it reneged on agreements

BDM 20/11/92 (182)

THEO RAWANA

SA BREWERIES (SAB) has denied that it reneged on agreements reached with the National Taverners' Association over demands made to the brewery by the taverners

SAB marketing director Barry Smith was reacting to a report in Business Day quoting association PRO Saint Madlala as saying his organisation was to boycott SAB's products because it had failed to honour agreements reached earlier

Smith said the issues surrounding the dispute had been sensationalised and the claim that the company had reneged on agreements was putting it in a bad light

The brewery had abided by every agreement reached. "We never agreed to pay taverners for advertisements put up on operators' premises," he said

To back its denial, SAB made available records of its meetings with the association

On the claim that the brewery had agreed to repay operators who had decided to switch from Fedlife to other policies for collateral, the record shows that SAB had undertaken to consider any "acceptable" policy — but there was no question of giving money back

Smith disputed the association's claim that it had a membership of 25 000 nationally, saying the organisation had failed to give the company names of its representatives

The minutes of a meeting held on October 29 show that SAB had refused to pay for advertisements placed at taverners' premises and the association called the meeting off

Breweries face boycott threat

Sowetan 20/11/92

182

DEMANDS REJECTED SAB denies there is favouritism or preferential discouts:

LIQUOR TRADERS ARE to consider boycotting SA Breweries' products when they meet at Uncle Tom's Hall in Soweto next Wednesday.

The National Taverners Association yesterday warned that similar action might be decided against spirit and wine distillers if they fail to meet their demands next year

NTA chairman Mr David Mokoena said the decision was taken after talks between them and the SAB broke down for the second time

He said the parties could not agree on major demands, which included granting "preferential discounts", economically empowering black traders, and the favouring of white dealers to be stopped.

An SAB spokesman yesterday said the company deplored and was "extremely concerned" about any talk of a boycott in these "sensitive times", particularly when the root cause of the alleged action lay in a call for them to give "preferential financial treatment" to NTA members

"We cannot accede to such a request as we have never and will not discriminate for reasons which should be patently obvious," the spokesman said.

He said the NTA was not the sole representative body of taverners nationally, adding there were also other important associations like the SA Taverners Association and the United Taverners Association of Southern Africa.

"Boycotts will exacerbate tense situations, leading often to violence as we believe that, particularly in these troubled times, they are not appropriate action," he said. Mokoena said they would consult trade unions, community and political organisations because "our people are involved in liquor - both as a business and as workers"

ABI sitting pretty with big, big Coke

S/Times (BUSS) 22/11/92. 182

EVERY man woman and child drinks the equivalent of two carbonated soft drinks (CSD) a day in America

This is more than a third of world consumption of soft drinks That America is No 1 is no surprise, but relatively small South Africa is among the top 10 largest Coke markets in the world according to figures given at a presentation to the Investment Analysts Society by Amalgamated Beverage Industries (ABI) in Johannesburg this week.

ABI is by far the largest of seven SA bottlers and distributors of Coca-Cola and other soft drinks, such as Fanta, Sprite and Schweppes

Chairman Pete Lloyd says that SA consumption of soft drinks is 45 litres a person a year In Zimbabwe it is 21l and Namibia 19l.

But in places such as the former Soviet Union, Arab nations and India Coca-Cola sales are negligible

ABI managing director Alex Reid hammers home the point. if he were main competitor Pepsi would he be interested in trying to re-enter the Southern African market where Coke is so firmly entrenched or would he look at potentially much larger, greenfields markets where no competitor has a foothold?

Coke has experienced management, excellent distribution, a variety of sizes and packaging, good advertising and a high profile among consumers.

It's a daunting target for any challenger

Although they are tied to the Coke franchisor, distributors have sole rights within an area.

ABI has the most wealthy Pretoria, Witwatersrand and Durban regions.

Coca-Cola and its bottlers are partners in development costs and market protection.

SA's non-alcoholic beverage market of 75-million hectolitres a year is dominated by tea and coffee. They have 72%, CSD 23%, and fruit juices and cordials share the rest.

But by value, CSDs account for two-thirds of the R4,7-billion-a-year business and tea and coffee only 17%

SA's CSD market has grown by a whopping 9% a year for 30 years and only twice has there been a contraction in 1967 when excise duty was imposed and in 1986 when violence prevented adequate distribution

Several factors influence Coke sales urbanisation, disposable income among rural populations and availability Even the weather is important. sales can vary by 30% between a cold, wet weekend and a hot, dry one.

Only 40% of annual sales are made in the six months April to September

ABI marketing director Mike Bind refers to the growth of the informal sector and the challenges of making available soft drinks

"A year ago, we found that the stores in the townships were often out of stock and there was a poor market infrastructure — few fridges and inexperienced traders says Mr Bind

'Since then, we have won 2 000 more customers by installing 283 strategic supply distributors — manned containers at central spots to help out vendors who have run out of stock — and putting in 1 250 coolers at shops.

'The containers have been turned into tuckshops and more than 80 have been launched. Ice plants have been installed at 26 wholesalers.

"In addition, 7 000 bits of signage have been placed to promote Coke's multibillion-dollar trademark."

Mr Reid describes some of ABI's production plans, which include development of four mega-plants and separate distribution facilities Excess capacity, currently 30%, will be used up by the end of 1996

ABI's staff are well looked after Minimum wage is R1 600 a month and 60% live in their own homes

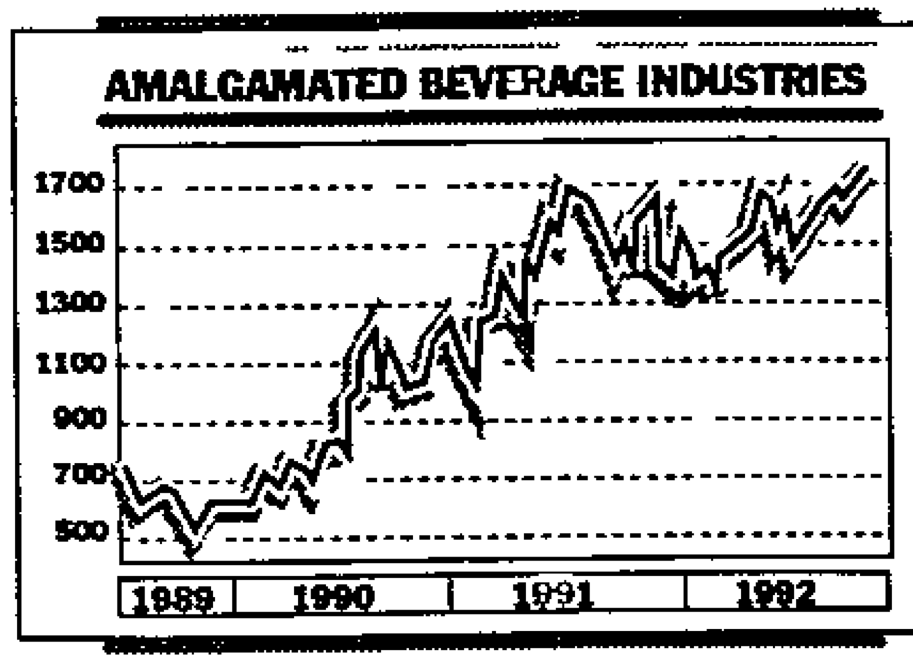
In the past five years, ABI has gone from strength to strength on sound cash-flow management. Compound annual growth in profits is 30% a year (it chips in 6% to SA Breweries profits) and return on equity tops 22%

When it was listed in June 1989, ABI's price-earnings ratio was eight, now it is more than 20

Mr Lloyd is not alarmed by this ABI makes additional provision for depreciation and on a cash-equivalent basis the PE is more like 14 — "not overvalued, perhaps even slightly undervalued", says Mr Lloyd.

In the short term, ABI's prospects look fair in spite of the recession. In the longer run, Mr Lloyd says ABI should continue to provide steady, consistent and real growth in earnings and dividends

That is the real thing The analysts left the presentation ruing the fact that lines of ABI shares are hard to come by Those that have them, including thousands of storekeepers who sell Coke, are firm holders even though paper profits are huge at a share price of R17 75



PETE LLOYD ABI pays a minimum wage of R1 600 a month

DIAGONAL STREET by Julie Walker

VAT, underused plants lift prices

(BUSS) S/Times 22/11/92.

BARLOWS managing director Derek Cooper volunteers two possible solutions to one of the great mysteries of our time — every company reports squeezed profit margins, but prices continue to rise

At a presentation of group results for the year to September, Mr Cooper suggested that VAT had been applied to food in particular over the past year, which had had a knock-on effect on prices.

Perhaps more pertinent was the underuse of capacity He estimated that many of Barlows' plants were running at only 60% of capacity

Clearly, unit costs are higher and so margins are squeezed from both ends

In the year SA's largest group showed a 10% rise in turnover to R35 1 billion. Operating profit before interest edged up 5% to R2,7-billion However, proceeds from the sale of Middelburg Steel & Alloys allowed for a lower interest bill.

"The money we received was not used simply to repay debt or kept at the centre of the group It was deployed throughout the group in the places where it could do the best work," says Mr Cooper

Investment income was up a quarter at R369-million But fewer assessed losses were available against which to save tax. The Receiver's cut grew by a quarter to R800-million.

Barlows' earnings a share were 2% higher at 437,5c on a higher number of shares in issue. At the current R42,75, Barlows shares are close to double net asset value and on a historic price-earnings ratio of 9,8 The dividend was also 2% up at 173c, yielding 4%

The second half of the year was particularly tough because both the domestic and the international economies failed to rally

Working capital days moved out from 42 to 46 on several counts. drought necessitated big stocks at CG Smith Sugar at the end of September, Tiger Foods bought Colmans, Langeberg increased production and British subsidiary Bibby deliberately bought an overstocked, debtor-rich Finanzauto

Other deals that took place in the year included the Elmosa and Siemens Cables restructuring, the division of TSI into ISG and Persetech and a major restructure at Rand Mines

Mr Cooper scotches talk of a cloud over Rand Coal's prospects

(It has had to cancel a large project with Eskom's Majuba power station because the coal body was faulted Worse, some analysts believe coal will be sold at only $24/ton instead of $32)

Mr Cooper says supplying Eskom provides a comfortable buffer against adverse movements in the coal price and the rand's decline will compensate for dollar receipts, which he does not expect to fall that far

Food and pharmaceuticals fared best among the group's interests, Reunert performed strongly and the electronics pair did all right Romatex recovered and Nampak grew well, Minerals Resources eased again, contributing perhaps to the demise of Rand Mines as a mining house

Minerals nevertheless chipped in a quarter of attributable profit of R849-million

Mr Cooper says Barlows is ready to go, but he cannot foresee an improvement in the economy in 1993 He hopes that earnings will be maintained, but acknowledges the difficulty At the very least, the dividend will be held

I hope only that he is wrong about the economy

DEREK COOPER. Eskom buffer

Sentrachem plays it safe

S/Times (BUSS) 22/11/92

SENTRACHEM chief executive John Job is taking care not to follow the poor example set by many SA companies that have expanded abroad

Heads of agreement have been signed for Sentrachem's purchase of Australia's styrene and other chemicals producer Chemplex.

Controlled by Kerry Packer of cricket promotion and media fame, the two Chemplex plants near Melbourne had sales of A$200-million (about R425 million) last year

Dr Job says that unless Sentrachem is satisfied by the findings of a due-diligence team of international accountants and its own technical experts, the deal will not go ahead.

If it does, Dr Job says that less than half of the purchase price — not yet disclosed — will be paid through financial rands. The rest will be funded from borrowings

"There are two hurdles to an SA company investing abroad. the financial rand and the higher price-earnings ratios. For us, the offset will be synergy between Sentrachem and the Australian company," he says

In support of the decision to look abroad, Dr Job says Sentrachem needs to diversify

Buying opportunities are limited because most chemical plants are owned by multinationals

The third reason is affordability — Chemplex is also debt free, profitable and near the booming Pacific Rim. Its product range and technology are akin to Sentrachem's.

Taverners join forces

BIOAM 26/11/92 (182)

THEO RAWANA

TWO national taverners' organisations have joined forces to boycott SAB products from Monday.

The National Taverners' Association (NTA), which threatened a boycott last week after talks with SAB deadlocked, was joined by the SA Taverners' Association (Sata) at a meeting in Soweto yesterday.

The organisations said their combined membership was 40 000 and they would mobilise SA's 100 000 black liquor operators to achieve a total boycott of SAB

NTA and the SAB had been discussing several issues including discounts for NTA members, payment for displaying SAB advertisements, and the SAB contributing to funeral expenses.

Last night SAB beer division marketing director Barry Smith said: "If Sata intends joining the boycott, SAB is extremely disappointed because Sata has not raised any of these issues with us. SAB reiterates that it has not reneged on any agreement made with the NTA, and approved minutes will confirm this."

He said the boycott threats could be seen only as a tactic to press SAB into giving preferential discounts exclusively to NTA members, and disputed the organisations' membership claims.

NTA liaison officer Saint Madlala said the "indefinite" boycott would involve only refraining from stocking and selling SAB products and that monitors would ensure there was no intimidation.

Transvaal buyers keen on Cape wine estate project

ARG 27/11/92 182

Business Staff

BUYER interest in the Zevenwacht Farm Village near Stellenbosch has been particularly great from Pretoria, says Pam Golding Properties' Pretoria branch manager Lanica Steward.

"Agents for the development have a reported four sales which were concluded last week and that a number of others are being negotiated," she says.

"Transvaal, and particularly Pretoria, buyers seem to be drawn by the prospect of living on a secure country-like estate adjacent to magnificent winelands and where they can enjoy communal recreation facilities such as a swimming pool, tennis court and community centre."

An added bonus is the shares in the neighbouring Zevenwacht wine estate which automatically come with every purchase.

A new phase of more affordable houses has been introduced to make the project accessible to a wider range of homeowners.

Buyers can now choose from six new house designs, of contemporary Cape Dutch style, and which are priced from R190 000 to R350 000.

Previously all homes had three or more bedrooms but two-bedroom units are now available. They range in size from 95m2 to 190m2, comprise either two or three bedrooms and will be open for viewing early in the New Year.

The new units are the first to be built in the second phase of the development — all 55 houses in Phase 1 are now complete and sold.

■ Old Mutual and The Urban Foundation are set to launch an exciting new initiative to tap pension and provident fund money for housing purposes.

The last major legal obstacle to innovation in this area was lifted last week and the necessary regulations governing its implementation are expected to be gazetted soon.

Four years in the making, the "Old Mutual Homefunder", is aimed at members of retirement funds earning between R800 and R1 500 a month.

Jill Strelitz, an executive director of The Urban Foundation, says that "this initiative targets those who are employed, but who, without the initiative could not afford the repayemnts on mortgage bonds and so could not enter the prime housing market.

"We see this as an important component of a range of financial initiatives that we are developing to assist lower-income people to enter the housing market."

Taverners' association disputes SAB statement

THEO RAWANA

(182)

THE SA Taverners' Association (Sata), which this week joined the rival National Taverners' Association (NTA) in boycotting SAB products, yesterday disputed SAB's statement that Sata had never raised contentious issues with the brewer

BDAY 27/11/92

Sata general secretary Dave Moshapalo said yesterday the organisation had discussed areas of unhappiness with SAB as early as 1989, when the brewer's labour dispute with the Food and Allied Workers' Union (Fawu) had resulted in a call for a boycott.

SAB marketing director Barry Smith, reacting to Sata's decision to join the boycott, which starts on Monday, had said SAB was surprised because Sata had not raised the issues in question with the brewer.

Among the issues Moshapalo mentioned were that SAB was giving huge sponsorship to football, was refusing to grant Sata members use of wholesale depots, and had refused to pay members for displaying its advertisements at their premises

"The SAB wants to be manufacturer, distributor and retailer, and we are treated only as customers," said Moshapalo He said Sata had on several occasions told the NTA executive it was "talking to a brick wall" and would never get SAB to address their demands.

"Now that they have seen the light and decided on a boycott, we are happy to join them," he said.

Boycott may mean big loss to SAB

STAR 27/11/92.

By Abdul Milazi (182)

South African Breweries (SAB) stands to lose "hundreds of thousands of rands worth" of sales in Soweto next month, following the National Taverners' Association (NTA) decision to launch an SAB beer boycott on Tuesday.

SAB spokesman Adrian Botha said it was difficult to estimate the Soweto taverners' beer consumption as they were in the minority. Taverners nationwide sold 172,2 million litres of beer a year, to the value of R579,5 million

However, he admitted SAB was concerned about the boycott because "it came at a time when people need beer"

The boycott was sparked by SAB's refusal to grant "preferential discounts" to NTA members

Differences between the NTA and SAB appeared to have been resolved in September when NTA officials said SAB had agreed to scrap a requirement that taverners take up an SAB insurance policy as collateral for credit, or pay to display SAB advertisements on their premises

Instead of SAB products, the NTA would sell Zambezi Lager, imported at "slightly" higher cost from Zimbabwe

The SAB owns a "small percentage" of the total shares in the Zimbabwe National Breweries (ZNB), which brews the Zambezi Lager, but NTA spokesman Saint Madlala said that was "of no significance".

"Even though they own shares in the Zimbabwe breweries, they make most of their profit from their own products," said Madlala

Taverners had already placed enough orders of Zambezi Lager for the festive season, he said

Beer battle comes to a head

W/Mail 27/11 - 3/12/92 182

The showdown between sheebeen owners and SA Breweries commences this weekend.

MONDLI MAKHANYA *reports*

HAVING crushed every opponent that dared challenge its control of the local beer market, South African Breweries is now facing an attack from a different quarter the township taverners who give it access to its biggest market

The National Taverners Association will this weekend initiate a boycott of SAB's products in protest against alleged discriminatory behaviour by South African Breweries and a charge that it reneged on agreements reached with the NTA three months ago.

In many ways the conflict is a David and Goliath affair and reflects the utter helplessness of retailers in the face of a powerful sole supplier.

At the core of the conflict lies the NTA's requests for preferential treatment — a demand SAB has declined to accede to. SAB, say the taverners, must prove its much vaunted commitment to black economic empowerment by granting the taverners preferential discounts

They accuse SAB of racism, claiming white wholesalers are receiving the discounts the brewer is refusing them

Denying this claim, SAB's Beer Division chairman Graham Mackay says the company is not prepared to afford the taverners "special privileges" simply because they are black

"We have this kind of pressure all the time from small bottle store owners and big wholesalers to hotel groups. But we reject it because if you give a discount to anybody, everyone will start asking for it," he says

Mackay reckons the demand for discounts stems from certain powerful individuals within the NTA who are in the red

"Many areas of the trade are not doing well People are competing on prices and now owe us hundreds of thousands of rands They now want us to bail them out by giving discounts," he says

The NTA is in pretty much the same weak position on the issue of point-of-sale material which the brewery gives taverners for display in their outlets.

Whereas the taverners want payment to display this promotional material, SAB says its policy is not to pay for it and the taverners have the option to display it or to ignore it.

Other grievances the NTA says SAB has stonewalled on are the brewer's insistence that taverners should use the Fedlife insurance policy which it administers rather their own policies as collateral

The taverners also have complaints about SAB's insistence that they should pay up front for empty bottles, and SAB's refusal to deliver to certain townships

They want SAB to donate money to the funerals of shebeen massacre victims

The taverners say SAB agreed to most of these demands in October but have failed to stick to them. Hence their decision to take on the giant which controls 99,4 percent of the beer market and 60 percent of the liquor market

Madlala believes SAB's almost monopolistic hold on the beer market has been bad news for retailers.

"In the days when there was still ICB and Luyt Lager we used to get a lot of incentives to assist us in promoting their beer. But now there is no such thing, as we have helped them become this big monopoly"

SAB's giant share of the market also means no effective action against the brewer — even the NTA's threatened boycott of SAB products — can hope to be successful. For how does one garner enough support to convince beer guzzlers, 80 percent of whom are black, to sacrifice their beer for the cause of "black economic empowerment".

"More than just asking people to sacrifice their beer, they are asking traders to commit suicide by virtually suspending their business," says Mackay.

These Soweto shebeen patrons were yesterday probably having their last swig of a commodity that has driven a deep wedge between shebeeners and beer conglomerate SAB. Shebeeners in the area have decided to boycott SAB products. PIC JOE MOLEFE

Beer boycott set to begin today

Sowetan 30/11/92 (182)

■ Other taverners say decision to boycott was not unanimous:

By Mzimasi Ngudle

THE boycott of South African Breweries products goes into full swing in Soweto today, National Taverners Association president Mr Peggy Senne said yesterday

Despite the call for a postponement from the South African Taverners Association (Sata), Senne said the boycott would kick off in Soweto today and then spread to other areas, depending on the reaction from the SAB.

The boycott will affect all brands of beer The company has a near-monopoly on clear beer production Imports from Zimbabwe are expected to replace SAB products

Sata said that it would support "a boycott of such magnitude only if proper consultation was made".

"The National Taverners Association, with respect, has not consulted with the Sata executive nor its president. What is more, the executive of the Sata has not met with its affiliates," SATA president Mr Sam Tuntubele said

Tuntubele was reacting to a call for the boycott taken at a meeting of the NTA and SATA at Uncle Tom's Hall in Soweto last week.

He said the decision was not binding on the other Sata regions

Sata national secretary general Mr David Mojapelo reportedly said "the SAB is making a grave mistake in concluding that the black liquor industry is easily manipulated because of the existence of different organisations"

In white circles

The shebeeners are demanding discount for bulk purchases "as in white circles", contributions towards victims of political violence in shebeens and taverns, representation in SAB directorship and remuneration for "free advertising" on billboards and posters in shebeens

An SAB spokeman reportedly said shebeeners were asking for preferential treatment that would be discriminatory against other sections of the liquor trade

"We deplore and are extremely concerned about any talk of a boycott in these sensitive times," he said

Shebeeners said the main reason for the boycott was the loss of profits they had to sustain because of low prices at which they sell beer

Shebeen patrons interviewed yesterday supported the decision to boycott SAB beer

Beer boycott begins in Soweto

CT 1/12/92

JOHANNESBURG — It'll take more than a strong thirst to find a beer in Soweto

Shebeens and taverns in South Africa's most populous township ran dry yesterday on the first day of a boycott of the country's largest beer brewer, South African Breweries

Heeding a call by the 25 000-member National Taverners Association, virtually all shebeen and bottlestore owners in the township of more than two million people shut yesterday, NTA chairman Mr David Mokoena said

The NTA has called the boycott to back demands for discount on bulk purchases of beer, contributions by SAB for victims of political violence and representation on SAB's board

SAB management claimed yesterday a beer delivery van was looted

In a bid to resolve the dispute, the two sides met yesterday and agreed to meet again on Thursday, SAB said

The NTA has threatened to take the boycott to other areas if there is no clear signal from SAB to resolve the crisis

According to a source, no delivery lorries left SAB's Soweto plant after 10am yesterday because of an NTA picket — Sapa

(182)

Taverners, SAB may meet on beer boycott

(182) (SEA) THEO RAWANA (289)

THE SAB and the National Taverners' Association (NTA) may meet on Thursday to try to resolve the taverners' boycott of the brewer's products, SAB said yesterday. BDay 1/12/92

The NTA and the SA Taverners' Association (Sata) decided last week to start the boycott yesterday after disagreements over discounts, sponsorships and payments for advertisements at taverners' premises.

SAB said in a statement yesterday that the parties would "tentatively" meet on Thursday.

It said during a picket by a small group of NTA members outside SAB's Baragwanath depot yesterday, a request was received for a meeting with SAB management. "At this meeting, which was attended by members of the NTA executive, it was agreed that both parties should meet to try to resolve their differences," said SAB.

An SAB spokesman said the company would meet the NTA, provided there were no preconditions for such a meeting

"We wish to reiterate our concern over the question of intimidation and the possible violence that could flow from a boycott," he added.

He said shots had allegedly been fired into the air yesterday when a beer delivery truck owned by an independent contractor had been looted during a delivery to a non-NTA-affiliated bottlestore in Soweto

"Many of the Baragwanath (depot) drivers, who are independent contractors, were allegedly warned at the weekend that if they delivered beer they would be attacked and their trucks burned," he said.

"NTA spokesmen could not be reached for comment.

SAB taps into capital market for R1 billion

ANCT 2/12/92 (182)

Business Staff

JOHANNESBURG — South African Breweries broke new ground in the capital market with the launch of the SAB 2000 corporate bonds having a placement value of R1 billion

The move yesterday heralds the start of private sector participation in the traded bond market in South Africa and has received the approval of the Financial Services Board, the Johannesburg Stock Exchange and the Bond Market Association, says SAB.

The bonds have been designed with trading characteristics and terms similar to those of government and parastatal stocks.

They will be traded on the JSE Gilts floor and will be screen-traded under the auspices of the Bond Market Association.

The minimum nominal value of each bond is R100 000

They will be transferable free of marketable securities tax and registration charges

They carry a coupon of 14 percent with interest payable half-yearly.

They have been placed at a yield to redemption of 14,9 percent over the term of seven and a half years.

SAB corporate planning director Malcolm Wyman says that the coupon rate is attactive, given that the need for government finance over the next seven and a half years is likely to put upward pressure on interest rates

There is likely to be considerable tradeability as Standard Merchant Bank, UAL and Rand Merchant Bank have undertaken to make a market and to provide bond-lending facilities

Standard Merchant Bank executive director Mark Barnes says that circumstances have become more favourable since the abolition of prescribed assets two years ago

"It gives corporate treasurers a degree of certainty because at least of proportion of their funding is at a fixed rate

"The recent method of funding through equities or short-dated borrowings is not an appropriate way to fund a diversity of assets

"He (the corporate treasurer) will be able to manage his liability mix more actively as he has little control over borrowings on fluctuating rates," says Mr Barnes

Mr Barnes says he expects the bond market to start off with 20 or so triple A stocks and then for the lesser blue-chips to use the instrument

Eventually high interest, high risk junk bonds will emerge, he says

"This bond is just the beginning A whole series of more complex tailored funding instruments will now be developed."

UAL director Allister Colquhoun says that says the issue is a test case and should enjoy wide acceptance

The 14 percent coupon looks more attractive than it would have done a year ago when higher interest rates prevailed

He says there is no reason why other corporations such as mining houses should not tap into the market, though it would be an inappropriate vehicle for a risky project such as a single mining venture

Mr Wyman says that the bonds will form a new source of long-term fixed-rate debt funding for the brewing group, and that the finance raised in terms of the bond issue will form an integral part of its funding requirements

SAB believes its high standing and the tradeability of the bond will justify a relatively small premium over government and Eskom stocks

SAB taps into capital market for R1 billion

STAR 2/12/92.

(182)

By Stephen Cranston

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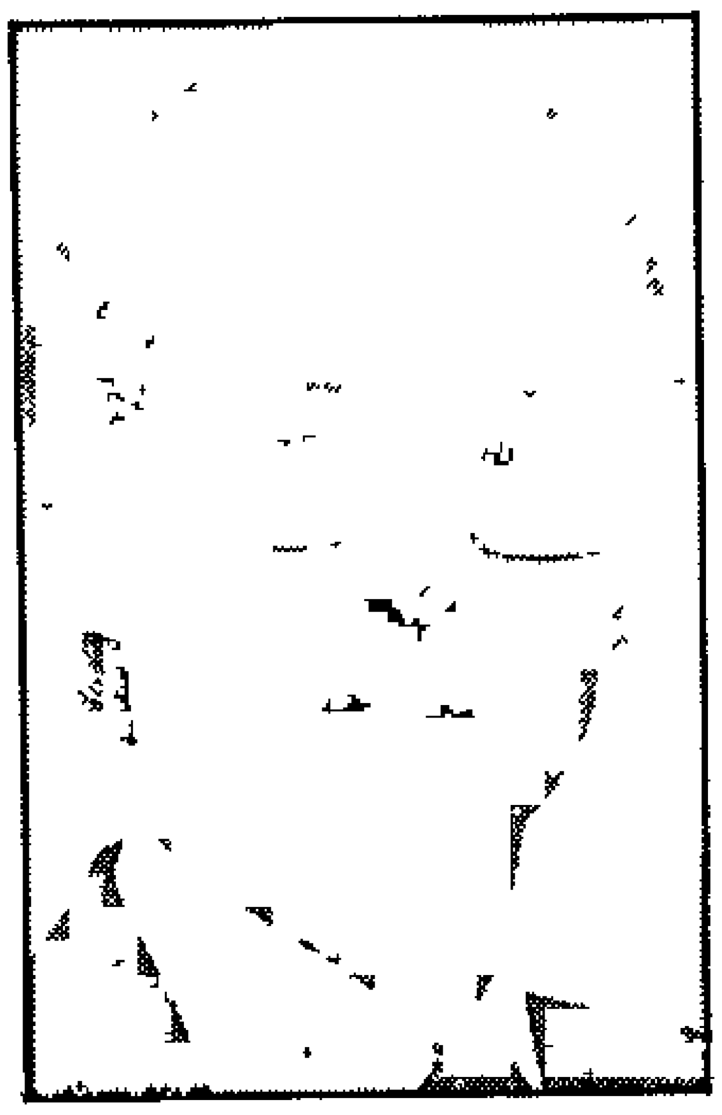

Malcom Wyman . a new source of long-term fixed-rate debt funding

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Sowetan 2/12/92

Mourning for 7 000

AN act of mourning for the more than 7 000 people who have died in political violence in Natal since 1987 will precede a mass peace prayer rally in Durban later this month

The service at Westridge Park tennis stadium on December 13 will be conducted in English, Zulu and Afrikaans by church leaders of several denominations Political leaders, various consular corps and international monitors have been invited to attend

Taverners gauge impact

TAVERNERS are meeting today to assess progress in their four-day boycott of South African Breweries beer A joint meeting of the National Taverners Association and the SA Taverners Association will be held at the NTA offices in Soweto to gauge the impact of their confrontation with the liquor giant.

The two organisations would also prepare for tomorrow's meeting with SAB in an attempt to resolve the dispute They staged pickets in front of SAB's plant near Baragwanath Hospital during the past two days Sowetan 2/12/92 182

Epileptics unemployed

THE vast majority of people with epilepsy in townships and squatter camps on the West Rand, including Soweto, are unemployed, according to a study by the South African National Epilepsy League (Sanel) Sowetan 2/12/92.

There are about 50 000 people with epilepsy in Greater Soweto, Kagiso, Munsieville, Bekkersdal, Evaton, Lekoa, Mohlakeng, Sebokeng, Sharpeville, Boipatong, Orange Farm, Weiler's Farm and Alexandra, Sanel said yesterday "The majority of the 50 000 people are unemployed - indications are that the number of unemployed people with epilepsy in this area can be as high as 39 000 "

SAB launches R1bn bond issue

BDAY 2/12/92 (182)

HILARY GUSH
and MARCIA KLEIN

PRIVATE sector participation in the traded bond market was triggered yesterday with SA Breweries' (SAB) placement of R1bn corporate bonds

SAB said the initiative represented the first tradeable corporate bond issue undertaken by a local industrial company "It provides SAB with an exciting new source of long-term fixed rate debt funding and other major corporations are likely to follow this lead"

Group financial director Selwyn MacFarlane said the finance raised through the bond issue would form an important component of SAB's long-term funding requirements However, the issue would not be spent on a specific investment

"It is a natural replacement of long-term financing that is running out in the next few years and settles us with a financing facility for the rest of the decade"

The SAB announcement said the bonds — which were free from marketable securities tax and registration charges — carried a coupon of 14% with interest payable half-yearly. The nominal value of each bond was R100 000, which would be redeemed in June 2000

Lead issue manager Standard Merchant Bank (SMB) MD Jacko Maree said the issue — which had been approved by the Financial Services Board, the JSE and the Bond Market Association (BMA) — was modelled on RSA and Eskom stock and would be traded on a yield-to-maturity and not a price basis

Although the stock would be traded on the JSE's gilts floor, Maree said the major market would be through the BMA by means of inter-bank screen trading

Liquidity and credit risk premiums had to be considered when pricing the bond relative to benchmark RSA stock Maree said SAB had as good a credit risk rating as government and chances of it defaulting in the seven-and-a-half-year life of the bond were slim

Price therefore hinged on tradeability.

□ To Page 2

SAB bonds

BDAY 2/12/92 (182)

□ From Page 1

Although SMB, Rand Merchant Bank and UAL Merchant Bank were committed to making a market in the stock, the bonds were not as liquid as RSA stock as the issue was comparatively small, he said.

At the opening of trade today the bond — to be placed at 14,9% — would trade at a 1% premium to the benchmark R147 stock However, as trading picked up the gap between the two bonds' yields would probably narrow to around 75 points

Interest in the issue — which was well oversubscribed — was keen with investors getting less than they had applied for

Major corporations keen to follow SAB's move were adopting a "wait-and-see" attitude and he did not expect another corporate bond issue before the new year

A gilts trader proclaimed the issue "an enormous success" and a precedent for further bond issues by other large corporations She said the size of the issue would ensure the bond could trade effectively in the market without disturbing other rates

SAB director Malcolm Wyman said the bond issue was aimed primarily at the institutional market Most of the placing had been done in multiples of R1m

Brewer flattens beer boycott threat

182

THEO RAWANA

THE boycott of SAB products by the National Taverners' Association (NTA) and SA Taverners' Association (Sata) was dealt a blow yesterday with hoped-for alternative supplier National Breweries of Zimbabwe denying it had any dealings with the taverners

BDM

The two associations launched an indefinite boycott on Monday, saying the Zimbabwean brewer would fill the void left by SAB beers with its Zambezi Premium Lager, which the NTA had been importing since March

2/12/92.

But yesterday National Breweries of Zimbabwe marketing director George Katz denied he had had any contact with the NTA Speaking from Harare, he said even if his company were supplying the NTA, it would not be able to satisfy the market SAB commanded in SA

"I keep hearing these stories about the NTA importing beer from us, but I have never met the NTA They have never been in touch with us"

He said he had seen news articles about the NTA importing beer from Zimbabwe, but he did not know their source

His company's exports were minimal, but "odd lots" were sold to agents However, his company would have known if its product was being supplied to SA at any significant level

The NTA could not be reached for comment yesterday

SAB public affairs director Adrian Botha said yesterday he was looking forward to a constructive meeting with the NTA and Sata tomorrow

On Monday there were reports of looting and intimidation to enforce the boycott But Botha said by yesterday, when SAB delivery trucks had not delivered in Soweto, there had been no more than "some reports of intimidation"

● Comment: Page 8

SAB boycott takes to the township streets

THEO RAWANA (182)

HUNDREDS of people joined anti-SAB processions through Soweto streets yesterday as boycotting organisations drummed up community support against the brewer, National Taverners' Association (NTA) spokesman Saint Madlala said yesterday.

The NTA and the SA Taverners' Association (Sata), which began a boycott of SAB goods on Monday, staged pickets at the SAB's Baragwanath and Chamdor (Krugersdorp) depots yesterday and then led processions in Soweto, Madlala said.

The SAB and the organisations are meeting to resolve the dispute, which was triggered by disagreements between the SAB and NTA over discounts, sponsorships and payment for advertisements on taverners' premises. BIDAY 3/12/92

Madlala said people came out in their hundreds to join the procession of hooting cars in Soweto's streets.

"We are conscientising the people, drumming up support for our boycott, and the people are joining in. They are angry with SAB," he said.

Madlala said the processions were peaceful — if noisy — and there were no reports of intimidation.

National Breweries of Zimbabwe marketing director George Katz said on Tuesday his company — which the organisations had said would supply beer in the absence of SAB products — had no dealings with the taverners.

Madlala said his organisation was getting supplies through another source.

SAB public affairs director Adrian Botha confirmed that the parties would meet this morning.

Sapa reports that SAB said the boycott had spread yesterday from Soweto to Bloemfontein and Welkom.

SAB to meet taverners today in bid to settle beer boycott

STAR 3/12/92

(182)

By Zingisa Mkhuma

South African Breweries will today meet a delegation of taverners in an effort to end the four-day beer boycott which is crippling Soweto bottle stores and has forced some shebeens in the area to close down.

SAB spokesman Adrian Botha confirmed yesterday he would meet representatives of the National Taverners' Association (NTA) and the SA Taverners' Association (Sata).

Botha said he was optimistic that the meeting would be fruitful, provided that an open agenda was followed and the organisations did not lay down preconditions

NTA chairman Saint Madlala said the ball was in SAB's court and the asssociation was going into the meeting with a positive attitude

Sata spokesman David Moshapelo said the industry would be better served if a solution were found soon

Although the associations had not set preconditions for the meeting, Moshapelo said some of the previous demands would be discussed

The indefinite beer boycott in Soweto was sparked by SAB's refusal to grant "preferential discounts" to NTA and Sata members

The associations have urged their customers to switch to Namibian and Zimbabwean brands of beer

The National Breweries of Zimbabwe has denied that it had had any dealings with the NTA But Madlala said the NTA never dealt directly with the company, and received supplies from an agent

SAB has stopped all beer deliveries to Soweto, fearing for the safety of employees after shots were fired at a truck driver on Tuesday The truck was then looted

A random survey of Soweto shebeens showed that none of the owners had stocked up on foreign beers They have resorted to selling cider, wine and spirits

SAB said yesterday that the Soweto boycott had spread to Bloemfontein and Welkom.

SAB bond makes pleasing debut on gilts market

(182)

BIDAY 3/12/92

HILARY GUSH

THE new SA Breweries (SAB) corporate bond made a good debut on the gilts market yesterday with the stock trading well below its 14,90% placement value for most of the day

From an opening 14,88%, the yield on the S001 bond fell to 14,78% early in the session, before climbing back to around 14,85% towards the close.

The gap between the yield on the SAB stock and similar dated benchmark R147, government stock narrowed from the 1% it was floated at, to around 90 basis points during the day

However, by the close the difference had widened to 97 points with the R147 bond ending at around 13,82%

While some dealers expected the gap between the SAB and government bonds to ease to 85 points, others said "at 70 points the yield differential offers fair value"

Responding to market speculation that the issue was 20% oversubscribed, lead manager Standard Merchant Bank (SMB) treasurer Chris Kenny said interest had been keen with stock being allocated to 19 investors.

He said from the outset the bank had approached only large corporations, but in the first day of trade — yesterday — a number of smaller institutions had been active in the secondary market.

Kenny said trade had been active yesterday with all parties involved in the issue, including merchant banks committed to making a market in the bond, "happy with the outcome"

SMB would bring at least another five companies to the corporate bond market early next year, he said

SAB beer to flow freely again

182

By Zingisa Mkhuma Star 4/12/92

The four-day boycott of South African Breweries (SAB) beer was suspended yesterday, National Taverners' Association (NTA) spokesman Saint Madlala said.

He said the suspension of the beer boycott was agreed on after the NTA and the SA Taverners' Association (Sata) had held "gruelling" discussions with SAB

Soweto taverners who are either NTA or Sata members started the boycott on Monday after SAB refused to grant them "preferential discounts".

The boycott also spread to Welkom and Bloemfontein

Madlala said the meeting was held "in the best cordial spirit ever We have drawn up short-term and medium-term plans.

"We have decided that, as representatives of the boycotters, we will suspend the boycott pending a report-back meeting to our members It is our members who called for the boycott. It's they who'll call it off"

Asked whether the SAB had agreed to give them "preferential discounts", Madlala declined to comment, saying he had to consult NTA members before he made any public disclosures

He also refused to give details of the "plans" agreed upon

SAB spokesman Adrian Botha said progress had been made in setting a course to resolve a number of issues An agreement was reached on the creation of a joint forum designed to discuss aspects involving the liquor industry.

SAB, taverners agree to suspend boycott

THEO RAWANA

THE boycott of SA Breweries' products in Soweto shebeens was suspended yesterday after the brewer and taverners agreed to set up a joint committee to look into the issues in dispute

The National Taverners' Association (NTA) and the SA Taverners' Association (Sata) began the boycott on Monday after disagreements with SAB over discounts for shebeens, sponsorships and payment for advertisements on taverners' premises

After a four-and-a-half-hour meeting yesterday, the parties said the boycott would be suspended and the shebeen organisations would report back to their members

BDM 4/12/92

NTA PRO Saint Madlala said the organisations were happy that common ground had been found with SAB

"We will report to members and wait on them to call off the boycott, since they were the ones who called for it in the first place," said Madlala

Both the organisations and SAB refused to give details of the agreement

The taverners said details would be available only after they had reported back to members

SAB public affairs manager Adran Botha said in a statement that "progress was made in setting a course to resolve a number of issues

"Agreement was also reached on the creation of a joint forum designed to discuss broader aspects of the liquor industry."

To ensure that the progress made was continued, SAB had committed itself to regular bimonthly meetings with NTA and Sata, Botha said

NEWS Investigating team tardy, says judge ● Soweto toasts *Charles Glass* again

No finding on lawyer's death

Explosive device killed Bheki Mlangeni:

THE Rand Supreme Court was yesterday unable to make a finding on who was responsible for the death of ANC lawyer Bheki Mlangeni

Mr Justice B O Donovan said available ~~evidence fell~~ short of pin pointing who was to blame

"Statements placed before the court do not provide an acceptable basis for a finding and therefore should be ignored," he said Sowetan 4/12/92.

However, the court might have come to a different finding had the investigating team acted with greater promptness

"The investigating team which was constituted to collect information with regard to the explosion did not visit Vlakplaas until three months after the explosion

"The delay has not facilitated the collection of evidence," he said

Mlangeni was killed in February last year when a Walkman device with explosives in the headphones exploded when he attempted to listen to a tape recording

The device was wrapped in a parcel addressed to DJ Coetzee, a former Vlakplaas police captain who had been living in Lusaka since 1990

Beer drought over

Sowetan 4/12/92.

■ **SAB products boycott is suspended after a meeting with taverners:**

(182)

By Mzimkulu Malunga

THE five day boycott of South African Breweries by taverners in Soweto and other areas is over

At a meeting yesterday with SAB management lasting four hours at SAB headquarters in Sandton, Johannesburg, taverners decided to halt the action

The two major associations whose members were involved in the boycott, the National Taverners Association and the South African Taverners Association, said the action was suspended pending a report-back to their grassroots members

Both SAB and the taverners said they had reached 'common ground' on problems facing the liquor industry, but could not give details

A full announcement will be made in due course, probably next week, after the NTA and Sata had reported back to their members

"Some of the things are very sensitive, so releasing them to the media before informing our membership will be counter-productive" said the NTA's national chairman, Mr David Mokoena

A seven member task force consisting of four representatives from the taverners and three from SAB was charged with the responsibility of exploring short to medium-term as well as long-term solutions to the problems in the industry

"We are delighted that the boycott is off We think it is in the interests of the associations, SAB and the community at large, particularly at this time of the year," said SAB public affairs head, Mr Adrian Botha

The boycott had started in Soweto and spread to other areas, especially in the Free State

LABOUR BRIEFS

155 152 182

Strike still brewing

WORKERS at National Sorghum Breweries embarked on the fifth week of a legal wage strike at the company's Kimberley branch. W/Mail 4/12-10/12/92

The Food and Allied Workers' Union alleges that NSB reneged on an agreement for a split increase of R155 a month. Workers were to receive a R130 increase from April 1992, with an additional R25 payable in August.

W/Mail 4/12-10/12/92

New twist in beer boycott

THE supposed suppliers of an alternative to South African Breweries (SAB) beer for township boycotters don't know they are meant to be helping the National Taverners Assoc-iation take on the beer monopoly National Breweries of Zimbabwe, brewers of Zambezi lager, denied this week it had had any dealings with the taverners (182)

While SAB moved to defuse the row with the taverners, whom it has said are looking for special discounts, looting of SAB's truck and intimidation of those supplying beer was reported.

Boozers in a froth over 'beercott'

W/Mail 4/12 - 10/12/92

(182)

The week-long boycott of South African Breweries products by the 25 000-strong National Taverners Association sent veteran shebeen-crawler **OBED MUSI** *off to see how thirsty patrons are taking it*

THE glint in Bra Boykie's eyes showed the inner conflict between profit and principle flowing through his heart The Mofolo taverner is one of hundreds hit by the National Taverners Association (NTA) decision to boycott their old trading partner, South African Breweries (SAB), and import beer from Zimbabwe instead

Talking in typical township lingo, Bra Boykie made it clear that although he supported his organisation's beef against SAB for refusing to give taverners discounts, the strike had hit him hard in the pocket With "Kressie" (Christmas) four weeks away, thirsty patrons loaded with their annual bonuses are being turned away because the "wells are dry", as he put it

"Ons moet wietie met die SAB ngamlas want ons verloor chin (We'll have to to negotiate with the SAB wallahs because we are losing money)," said a rueful Boykie as he referred his regulars to a shebeen around the corner

There's a twist of irony Since the Liquor Act was amended, shebeens (that Irish word meaning an illicit drinking house) have donned a respectable mantle by being dubbed "taverns" — not to mention posher premises, separate loos and an annually renewed permit for R100

I followed the regulars only to find that the shebeen owner, who has recently applied for "tavern" status, had already joined the beer boycott. She stocks the Zambezi Brew, which one patron contemptously dismissed *"Ek sê, Mama, ons soek real cook, nie die Mugabe kak* (I say, Mama, we want real beer, not this sh—t from Mugabe)"

As I did my rounds I found some NTA members were paying lip-service to the strike while surreptitiously hoarding stocks of popular SAB brands like Lion, Castle and Black Label

Over in Diepkloof I met many of my old cronies from legendary Kofifi (Sophiatown) huddled in an angry group at a shebeen run by a young woman She was almost in tears as they tore into her for not having *"die real shandies* (the real goods)"

Spinky, whom we had nicknamed the "Shakespeare of the shebeens" for his penchant for quoting the Bard each time he took a swig, was leading the attack on the young shebeen queen, saying in old Kofifi lingo *"Daai Gatsha trane, waar is die cook* (Those are crocodile tears, where's the real booze)?" She meekly replied in Setswana *"Botsa bo — Saint lebo Lucky le Peggy"*

She was referring to Lucky Michaels, Saint Madlala and Peggy "Bel Air" Senne, executive officials of the NTA, and suggesting they ask them where the "real booze" was

On a more serious note, I discovered that some taverners make as much as R30 000 a month in clear profits from booze sales and the festive season is their most lucrative

I heard an SAB *"ngamla"*, whose name eluded me, adroitly fielding piercing questions on Radio 702 during the week but lamely admitting that they stood to lose a huge slice of income if the strike spread .. as indeed it has, nation-wide

At the time of writing the SAB and the NTA were locked in crucial talks to find a way out of this frothy impasse The strike had reportedly spread to, of all places, the Free State townships near Bloemfontein and Welkom

Moving further afield into Dobsonville, I came across another bunch of shebeen habitués who were sipping hard tack, a significant if unusual substitute for their usual stuff

One of them wanted to know what the heck was happening. In fractured English he told me what he thought of this "beercott" Lapsing into the location lingua franca he said· *"Die timing is bad, Jack. Ons het die khuza maar hulle het nie die cook nie Waar moet ons gaan?"*

Let's translate that into manageable English "timing" means just that — and more — in the townships. It means bad judgment, an ill-timed remark, a form of disrespect or a plain faux pas The group felt the NTA bigwigs had ill-timed the strike since they have the money and the taverns don't have the goods

So it looks like it may be a black Christmas all round and not for political groups only

Before the wells ran dry ... The boycott of SAB products has left many thirsty in the townships

Sweet returns all the way from Cadswep

S/Times (BUSS) 6/12/92. (182)

By ZILLA EFRAT

Sunday Times
TOP 100
NUMBER 5
1987: R10 000
1992: R71 754

CADBURY Schweppes celebrates its 90th year in business in South Africa this year, but is far from losing its fizz

It has moved into fifth position in the Top 100 after notching up an average annual return of 123,51% for shareholders over five years

Shareholders lucky enough to get hold of this tightly held share are accustomed to sweet returns from the group which controls Cadbury, Bromor Foods, Chapelat-Humphries and Schweppes and has a 19% stake in Amalgamated Beverage Industries

Over 15 years, the average annual compound return to shareholders has been 43% — well above a 26% average growth rate for industrial companies on the JSE

BRANDS

Outlining the reasons for the group's continued success, chief executive Peter Bester says Cadswep has always had a clear and committed strategy Its focus has never strayed from the business it understands best — confectionery and soft drinks

In addition, its strong brands have generally been able to make gains in a growing but competitive market

Cadswep has also benefited from a structure which provides a high degree of independence to individual company management teams, each of which is is determined to outperform the market.

In a R1,25-billion-a-year market it has more than 50% of the chocolate slab segment, 40% of chocolate bars and 23% of sugar confectionery

Many of its brands — from Schweppes soda-water, Oros squash to Crunchie and Lunch Bar — are household names They have also become part of every day life For example, South Africans eat more than 105 Chappies every second of the working day

BILL

Mr Bester says that although these brands are not represented in Cadswep's balance sheet, they are its main commercial asset Each year the group invests hugely in building and maintaining its brands' reputation Its marketing bill invariably exceeds its capital expenditure

Mr Bester says Cadswep's brands have stood the test of time because of inherent consumer loyalty For example, Brooke's Lemos, a Bromor product, is the oldest registered trademark in SA

Schweppes was founded more than 220 years ago and Cadbury is 160 years old Rose's was founded in 1865, Moir's in the early 1800s, Brooke's in 1895 and Humphries in 1913

Many of the chocolates made by Cadbury's in its earliest days in SA — Dairy Milk, Whole Nut, Lunch Bar and Flake — still rank among the top-selling 20 products in SA.

"After the novelty of a newly launched product has worn off, consumers tend to return to established products that have consistently proved their worth," says Mr Bester.

JUMP

Cadswep invests much in developing products and recently launched Frutus, Gems and Endearmints Several SA-inspired brands are marketed internationally by its associates

After a 33% jump in earnings a share in the year to December 1991, profits were up 28% in the first half of the current year

Mr Bester warns, however, that growth in the second half may not match that of the first because of deteriorating trading conditions Volumes are not expected to show much growth, but Cadswep could make some gains in market share

Carbonated soft drinks and confectionery products are regarded as affordable luxuries Demand is not immune to recessions, but holds up better than other non-staple food products

The weather also affects trading The group generally benefits from hot weather Soft-drink sales soar, but a a balancing factor is that chocolate sales improve when it is cold.

The group is set to extract further benefits from the acquisitions made by Cadswep in recent years It bought Bromor in 1986 and Chapelat-Humphries in 1989

Carbonated soft drinks and chocolate confectionery are forecast to be high-growth areas in the next few years Improved spending power in the informal sector will also benefit Cadswep

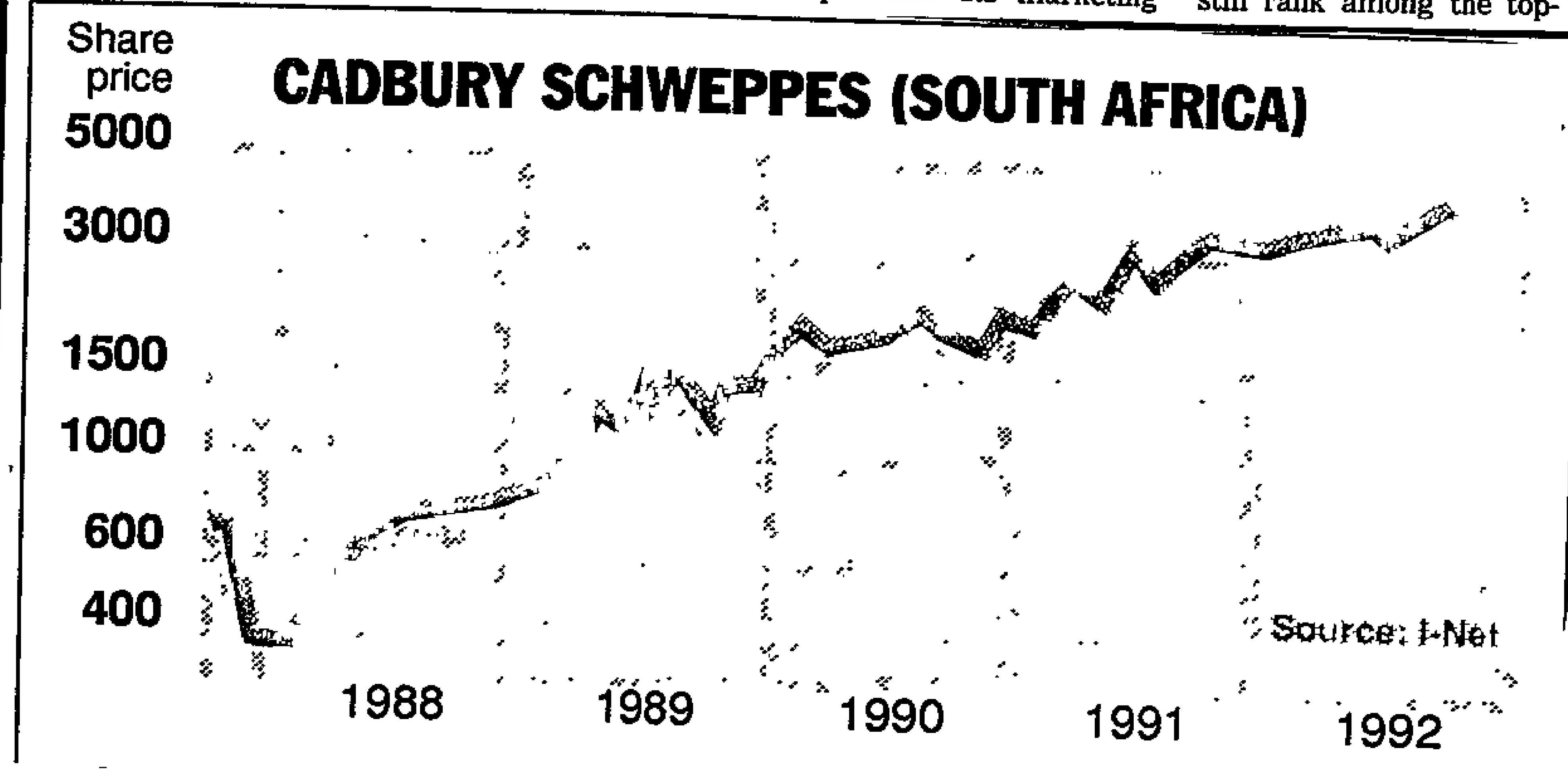
Exports to Africa and Europe are growing and this is seen as an important area for development, although Cadswep's foreign parent prevents it from exporting its global chocolate brands beyond Africa

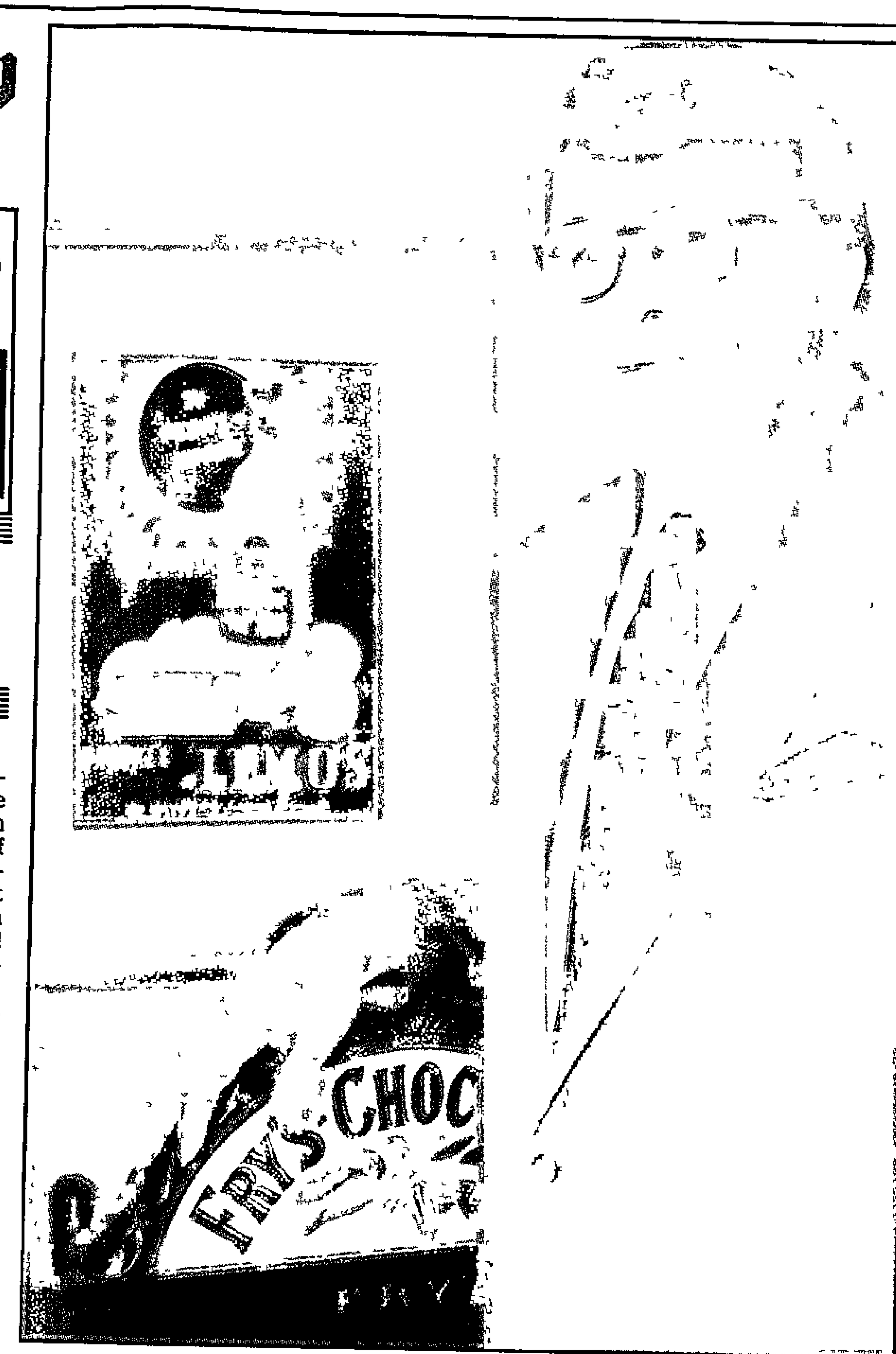
Mr Bester says that once political conditions stabilise, there could be opportunities for opening up operations in other Southern African countries

Although Cadswep is always looking for acquisition possibilities to balance its portfolio, there is nothing immediate in the pipeline, he says

Cadswep benefits from being part of an international network which provides it with a constant exchange of ideas and new concepts

Major shareholder Cadbury Schweppes has manufacturing facilities in more than 20 countries and sells its products in 110 around the world





PETER BESTER . . . Many household drink names — and the goodies go down well with thirsty guzzlers in a hot summer

INVESTORS HAVE A CRUSH ON SUNCRUSH

S/Times (Buss) 6/12/92 (182)

By TERRY BETTY

Sunday Times TOP 100

NUMBER 6

1987: R10 000 1992: R70 341

SUNCRUSH shares have proven to be the real thing for the lucky few who laid their hands on the limited number available

Suncrush has produced a simple average annual return of 120,68% for the past five years The market obviously expects this to continue because the share is trading at a price earnings ratio in the mid-20s

Suncrush chairman and managing director Robin Hamilton says the company's compound growth has been 25% annually for the past 30 years

Analysts say Suncrush has an enviable record and continued strong growth seems assured Because its shares are expensive — the highest rand-value share on the JSE — holdings should be accumulated for the long term

STAKES

Suncrush was established in 1936 and received its first Coca-Cola franchise in 1955 It bottles and distributes Coke, Fanta, Krest, Tab, Sprite, Lemon Twist and various flavours of Sparletta in Natal It also operates in Queenstown, parts of the Free State and South-western Transvaal

Suncrush is estimated to have 20% of the soft-drink market It is the second-largest franchised soft-drink bottler and manufacturer in SA

Suncrush has stakes in other parts of the food and beverage industry through its investment arm, Tempora

Analysts attribute Suncrush's success partly to its policy of investing in areas it knows and understands

Mr Hamilton says policy is to invest, through Tempora, in significant minority shares in listed companies

Tempora's investments include Cadbury Schweppes (which operates mainly in the confectionery business and about 20% of ABI — another Coke manufacturer It also has stakes in Dalys, SA Breweries, ABI and Amalamated Beverage Canners

FORTUNATE

To enable Tempora to buy 16,2% of Cadbury Schweppes in June this year, Suncrush took up R42-million in Tempora shares, although its holding in the subsidiary fell from 62% to 43% on the enlarged capital

Analysts say the main purpose of this move was to reduce exposure to Suncrush's own bottling operations

Suncrush is fortunate to be in a fairly recession-proof industry However, Mr Hamilton says the recession has gone on for so long that it has affected sales

"Sales growth has been flat this year and August was a particularly dismal month"

Unfortunately, soft-drink sales are not immune to political unrest For example, the company has not been able to distribute its products in the black areas near Vanderbijlpark since the Boipatong massacre

REULCTANT

Other areas, such as Maritzburg and Welkom, suffer frequent waves of violence

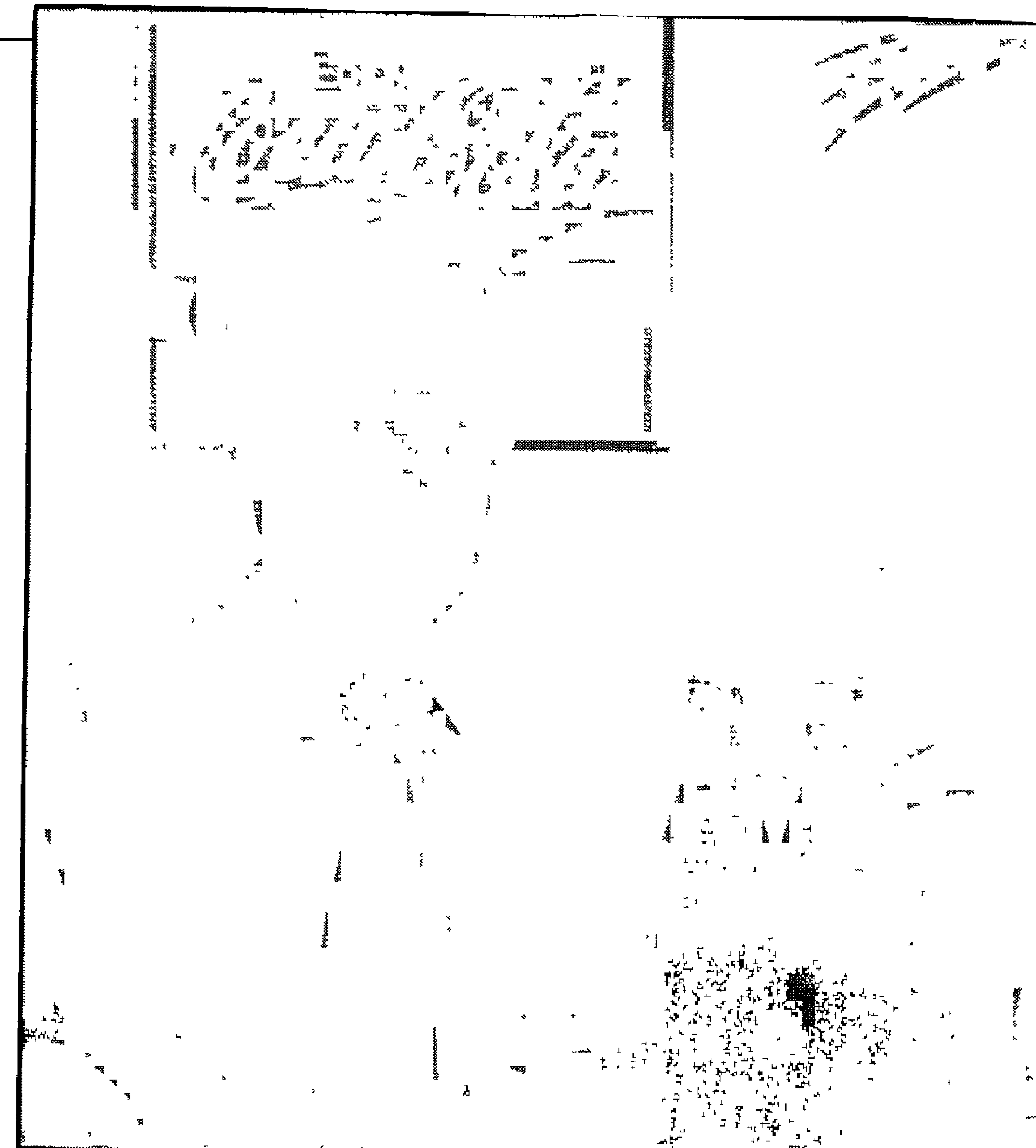
Although reluctant to talk about reasons for the company's success, Mr Hamilton suggests that it has a good product which it markets aggressively It has also been creative in handling the informal market

For example, it has made barrows which can be folded up at night and be carted away by hawkers Suncrush has also installed ice plants near its wholesale distribution points

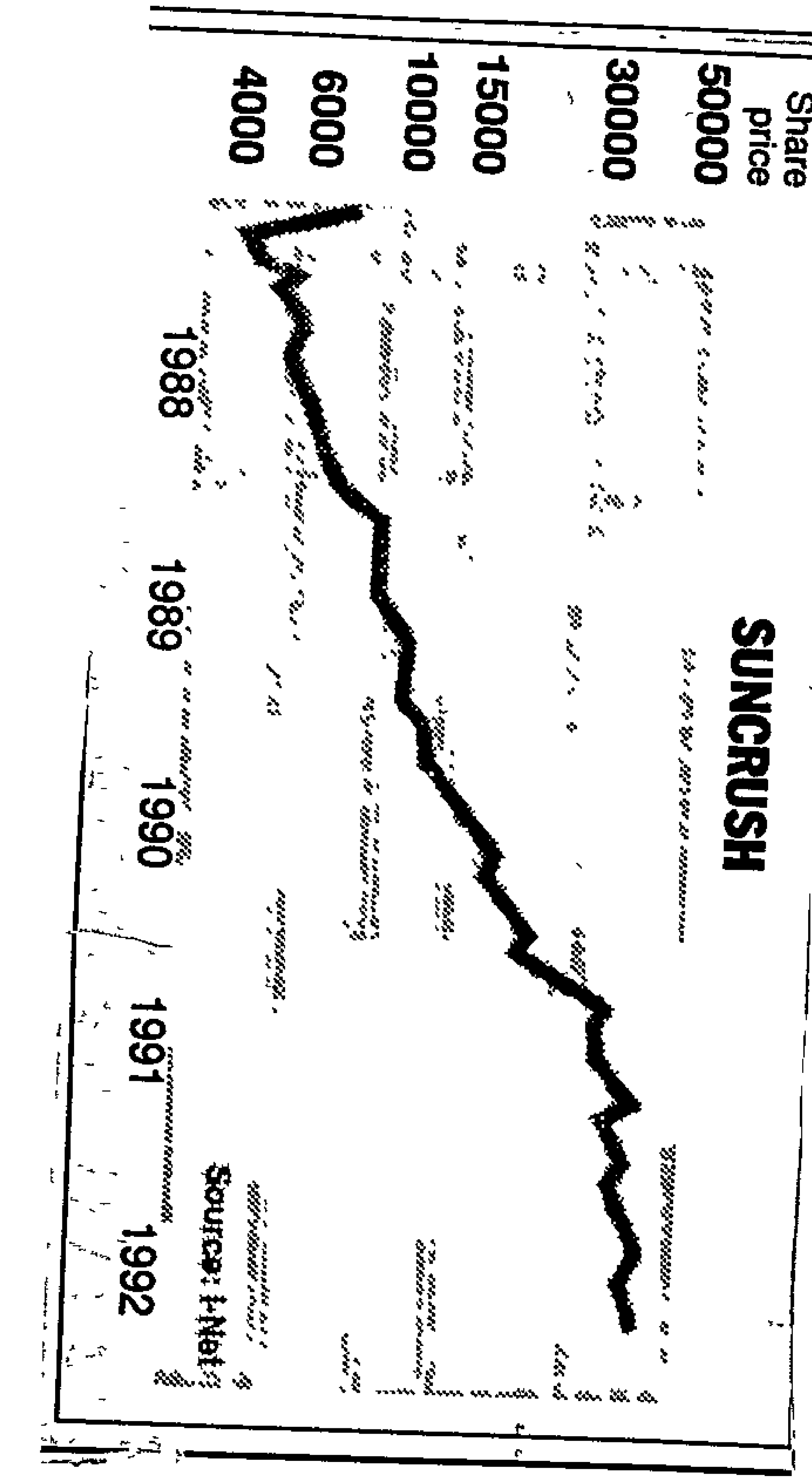
To offer small wholesalers protection against political unrest, Suncrush has started using indestructible shipping containers as depots in dangerous areas

Mr Hamilton says Suncrush may soon introduce the 1,5 litre plastic returnable bottle Its main advantage is that it is unbreakable and light in weight

Germany and South America are the only other regions to have experimented with this type of packaging and the early re lts appear to be en-aging



ROBIN HAMILTON Coke and all the others make for a go-go business and an enviable business record



DIAGONAL STREET by JULIE WALKER

Why SAB tapped into bond market

182

S/Times (Buss) 6/12/92

SA Breweries' issue of R1-billion in 14% unsecured corporate bonds heralds two messages SA's financial markets are destined for big change and interest rates are unlikely to average below 14% for the rest of the century

SAB executive director Malcolm Wyman points out that, with the Government deficit already close to 8% and another large shortfall expected next year, demand for money is bound to rise in the longer term

This is bearish for rates, and Mr Wyman believes that the effective cost to SAB of 14,9% over seven years will prove most attractive

Fixed-rate debentures previously issued as financial instruments by corporations died out in the late 70s and had an image of lock-up-and-keep

Mr Wyman says the corporate-bond route chosen by SAB allows it once again to tap into the fixed-rate funding market and has the advantage of tradeability with no transaction costs

The SAB bond will be traded on the JSE gilts' floor along with Government and Eskom stock and will also be screen-traded between market players

"We went out of our way to persuade the financial authorities of the merits of issuing a corporate bond, and the regulations have been changed to accommodate this concept

"It is a much more exciting type of instrument," says Mr Wyman

Dealers in the gilt market welcome a new instrument in which to do business The choice is restricted to Government, quasi-government and municipal stocks because SA's foreign exchange laws preclude participation in foreign markets

Mr Wyman says SAB itself has no plans to introduce options on the SAB 2000, but says they are a possibility as the corporate bond market develops

As the market develops it is possible that private sector companies will also trade in the bond market themselves to reduce their interest cost As treasuries gain expertise, they will buy and sell their own stock in the same way as do Eskom, the Reserve Bank and other gilt issuers

The entire R1-billion was placed with a selected group of financial institutions within 24 hours "We judged the appetite of the investment market and found it ready for about R1-billion"

SAB does not require that much new money Part of it will be used to redeem maturing loans and the rest will form part of the group's overall funding mix

The bonds have been issued at 96% of their nominal value and the yield to maturity is 14,9%. SA Brews annually pays 14% twice a year in arrears

Three banks — lead issuer Standard Merchant Bank, Rand Merchant Bank and UAL — have undertaken to make a market in SAB 2000, and Absa, FirstCorp and Investec Merchant Bank will also be active from time to time

The initial spread on Wednesday's trade was 14,80% to 14,81%

"We can certainly speculate on the greater opening-up of the financial markets," says Mr Wyman

As the markets do open up there should be greater scope for the issue of short-term commercial paper. At present, a commercial bank must endorse any such paper issued by a company, giving rise to the ridiculous position where a bank the fraction of SAB's size and status is able to guarantee it good for the money.

David Lapin argues that South Africans need greater cultural empathy

Here's to gaining a new perspective

STAR 9/12/92

182

ADAPTATION to the New South African environment means more than learning to share our resources and our power It means learning to understand each other too.

The latter is the harder process, for we will fail if we persist in interpreting the actions of others only from the perspective of our own cultures We need to enter into new worlds of perspective before we can formulate our response to actions initiated by people of other cultures Our new understanding might not alter the way we respond, but will alter how we communicate our responses

Take the National Taverners' Association/SA Breweries dispute. I have a hunch which I would like to share, but first here is a brief glance at some cultural differences among our peoples.

Imagine two extreme opposite cultural environments — Northern European and African The former is highly mechanistic in the style of its human relations Perfection and excellence are valued in the object Perfect machines, perfect business systems, perfect laws and social regulations In Africa, on the other hand, excellence is measured in the sensations created by the quality of relationships, not in the quality of objects and structures.

Of course I am oversimplifying, and of course most people contain something of each culture within themselves But let us apply those two perspectives to a simple business deal

I go into a shop to make a purchase I ask for a discount The shopkeeper tells me his prices are fixed and standard for everyone.

If I belong to the North European culture, I admire the equity of the shopkeeper's system It appeals to a certain sense of fairness and justice within me It is almost aesthetically pleasing to me Even if he tells me that he has a sale on and everything is reduced by 10 percent for the month, I feel comfortable I, in fact, do not feel comfortable when I find that all of his prices are always negotiable I do not appreciate the haggling, it offends my sense of order.

If however, I come from an African culture, I find the shopkeeper's refusal to accommodate my request for a discount as cold, uncaring and impersonal If he says there is a 20 percent sale on, I don't feel any better But if he takes out a calculator and scratches his head for a few minutes, and then offers me "a special price just for you", I feel special even if the discount is less than the 20 percent! It is not the amount, it is the relationship I feel singled out as a valuable customer

This is my hunch Is it possible that the NTA aren't only arguing about money? Is it possible that they want to feel recognised as human customers, important and valuable to the SAB giant? Aren't they asking for a "special" deal — just for them, different (although not necessarily substantially more favourable) than any other SAB customer? Might they not be looking for a uniqueness in their relationship with the beer giant?

Might the SAB not be responding "We have standard pricing policies for everyone, anything else will offend the North European sense of balance and justice of many of our shareholders and other customers "

Perhaps if the deep cultural issues were better appreciated on both sides, better communication would result The small cost of time and money invested in this learning process would in this case alone save SAB shareholders substantial amounts of money It would also give the taverners their beer without leaving them feeling like the insignificant anonymous customers that we all feel like when we deal with large mechanised inhuman conglomerates

Let's not compromise our North European efficiency. But at the same time, let's learn from Africa how to make the people we deal with feel like the important people they really are □

● *The writer is director of the SA Institute of Business Ethics*

FM 11/12/92 (182)

CORPORATE FINANCE (182)

SAB's pioneering issue

SA Breweries' R1bn bond issue suggests it believes long-term inflation and interest rates will rise FM 11/12/92

The issue effectively locks SAB into a pre-tax cost of 14,9%, being the yield to maturity (YTM) from issue to redemption in seven-and-a-half years' time SAB 2000 has a 14% coupon but was issued at 96,01543 to give a 14,9% YTM

Had management been optimistic on the inflation and interest rate outlook, it is unlikely it would have committed itself to this

Three-month BA paper is trading at 12% and theoretically should fall in line with lower inflation and inflationary expectations in the short term Three-month BAs were being issued at 16,4% a year ago, having eased in line with inflation

Should interest rates fall SAB can buy back the 2000 and reissue new paper at a lower coupon, similar to the behaviour of US mortgage holders The SAB 2000 was issued at a slightly higher yield than RSA 147, the most comparable stock in terms of period The 147, which traded at 13,90% when the SAB paper was issued, is to be redeemed in 1999

There are two reasons for a higher yield on SAB paper

First, institutions feared it might be less liquid, despite a commitment from Standard Merchant Bank, Rand Merchant Bank and UAL Merchant Bank to make a market The three will quote a daily buy and sell price on the Reuters screen

The second reason relates to the perception that government stock is less risky

Institutions taking SAB 2000 last week presumably felt short-term gilt rates were set to drop But in the first week of trading the SAB 2000 yield has increased to 15,05%, in line with higher yields across the gilt board The yield on RSA 147 has jumped to 14,10% Though holders of the SAB 2000 have taken a capital loss, traders note it's smaller than on gilts

Fergusson Bros economist Tim Hacker believes short-term interest rates are set to drop further in line with a short-term lowering in the inflation rate He adds that the long rate, reflected in gilts, has been rising in the past two months, indicating concern about funding government's deficit and pessimism on longer-term inflation As a result long rates are unlikely to follow short rates down

The issue of this paper is significant SAB financial director Selwyn MacFarlane says corporate bonds have never been available to local corporates, despite being the most significant optional financing route used by foreign corporates

Fixed interest debentures have been issued but suffered from a lack of marketability, as well as brokerage costs, which do not apply to corporate bonds

Other bluechip corporations, such as Anglo American, Barlows, Rembrandt, Liberty Life and Standard Bank, could follow SAB's lead However, analysts note, it is critical that corporate bonds should be marketable, or institutions will rather invest in Eskom and government stock

MacFarlane reckons SAB's balance sheet has been strengthened by the issue, even though it is a form of debt finance As retiring debt has been replaced with long-term fixed-interest debt gearing is affected, but the quality of debt has improved ■

Firm told to pay former employee record R308 000

SI Times 13/12/92

By CHARLENE SMITH

A FORMER warehouse manager who was forced to resign because of union pressure has won a record award of R308 756 for unfair dismissal

In making the award, the Industrial Court hammered Amalgamated Beverages Industries (ABI) for responding to union pressure without giving 50-year-old Attie Jonker, "an exemplary employee who got on well with his superiors and those who he supervised" a chance to defend himself

It warned that companies often faced requests to dismiss employees — and in future this could "include a fear of working with someone who has AIDS or the HIV-virus" But companies had to "maintain standards of fairness"

Mr Jonker, of Pretoria, will also get a R34 000 debt paid off Just before he began work at the company he bought a car that was repossessed after he lost his job.

Mr Jonker was employed by the company just over a year ago

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Two years previously, he worked for a Pretoria bakery that called in police who attacked strikers There were allegations that Mr Jonker assisted them, but arbitration between the Food and Allied Workers Union and the bakery found this was untrue

Mr Jonker's Vanderbijlpark lawyer, Mr Riaan du Plessis, said that within three months of his employment at ABI, Fawu members demanded his dismissal

The court found pressure was put on Mr Jonker to resign by ABI It found that Fawu and its members "are the guilty parties" but the company had only itself to blame for carrying the costs of the award

The court took into account Mr Jonker's age and his ability to obtain a similar post and awarded him an amount calculated at what he could have earned at the R4 200 salary at ABI, minus his present lower income as a storeman, capitalised until retirement

Mr du Plessis, who is also a university lecturer in labour law, said he believed the case created "a lot more rights for employees" and made it likely that more unfair dismissals would be brought before the court

Del Monte goes for fruits over fizzies

GTOAN? ST Times (BUSS) 13/12/92 (182)

By JULIE WALKER

ROYAL Corporation is hedging its bets — by buying into a fruit company for the health nuts and distributing Mars Bars for the chocophiles

At a presentation by the company on its Del Monte Foods International acquisition, Royal chief executive Vivian Imerman referred to the European trend towards healthy eating and drinking

His view is that mothers prefer to give their children fruit and fruit drinks rather than sugary puddings and carbonated fizzies

On the other side of the coin, Royal has had outstanding initial success as the Southern African distributor of Mars chocolates

"Demand has been so strong that we sold the first shipment immediately We have to fill the pipeline before we can even begin to advertise," says Mr Imerman

Protect

Mars, a food company with annual sales of $18-billion, will introduce rice and petfood into the region next year

Sponsoring broker to Royal, Davis Borkum Hare, outlines what it sees as pros and cons on Royal's £345-million purchase of DMFI

Analyst John Morris says it will protect and expand Royal's international food distribution business and gain control of a significant distribution infrastructure

The deal provides an outlet for SA's own produce to Europe, and gives access to the 500-million European consumers Royal already owns Donald Cook, a major SA grower and canner

Importantly for shareholders, more than 90% of Royal's earnings will be sourced offshore Both Royal and DMFI were previously owned by Nabisco and have much in common

On the downside, foreign-currency translations present a risk, but at the end of the day the rand is expected to depreciate against harder currencies

Of the 29 financial institutions approached for investor support of the deal, 26 pledged backing

Anglo American Corporation comes by joint control of Royhold and is to make an offer to the minority now, even though not technically obliged to

If it makes one now, it will not have to make one later if it increases its stake, and so avoids having the prospect of a higher price overhanging it.

The SA Reserve Bank has given Royal permission to pay for the deal in financial rands over a 14-month period In the meantime, Royal has secured £270-million of banking facilities offshore, which will be repaid over time

Royal is to change the name of all its companies, other than the chemicals operations Each will be prefaced by Del Monte, and the group year-end moved to November

ERIC ELLERINE ... 'Deferred tax is only a disguise to dress up the balance sheet'

"We place a strong emphasis on training and promotion from within, and offer bursaries and education grants. There is more realism on both sides now. We believe this country has a great future, but it lies more in the hands of the politicians than the economists now."

Malbak is the major shareholder in Ellerine and management have a large stake. Poised for recovery, it looks a good buy at R57, barely eight times earnings.

SAB's tasty 'vanilla bond'

S[T]imes (B455) 13/12/92 (182)

CORPORATE treasurers have a learning curve ahead of them with the advent of the corporate bond market.

SA Breweries' R1-billion issue a week ago was the first of what is expected to be a range of longer-term avenues through which companies will be able to make their funding arrangements.

Principal mover behind the SA Breweries deal was Standard Merchant Bank, whose general manager, treasury, Chris Kenny notes that corporate treasurers will no longer have to rely on traditional overdrafts and short-term paper for their debt-funding.

"Last year, SMB set as one of its strategic objectives the establishment of a corporate bond market in SA. For various reasons, such as prescribed asset requirements and, more importantly, no committed market makers, SA has lagged the rest of the world in this regard," says Mr Kenny.

Interest had been expressed by many of SMB's clients — mainly blue-chip companies.

"The move came on the back of Standard Bank Investment Corporation's own decision to issue R290-million in debentures two years ago when changes were made to the then Banks Act.

"We discovered that life offices — major subscribers to such issues — were looking for a yield of about 2% higher than the efficient yield curve determined by traders on the capital market in Government and parastatal stock.

"Yet most borrowers believed that they should be borrowing at not greater than 1% above the yield curve.

"The momentum for the concept of fixed-interest corporate borrowing has really picked up this year as market rates have fallen."

In the rest of the world, the issue managers subscribe for the issue and are responsible for selling it into the market. For technical reasons, this is not yet possible in SA and, in the event, the SAB issue was placed privately across 19 investors.

"Ultimately, the market will determine what level is acceptable to both borrower and lender with respect to the yield curve. SAB is the benchmark, but it looks as though 1% above the efficient yield curve will be the average."

The issue gives the corporate treasurer another string to his funding bow. He will now be able to lock in to long-term, fixed-interest money while keeping open the option of entering hedges, swaps or repurchasing the debt," says Mr Kenny.

As the corporate bond market develops, new options will become available providing corporate treasuries with greater flexibility.

The more sophisticated operations are most likely to take advantage of the new products, but in due course no treasurer will be able to ignore developments.

Mr Kenny says there will be a big effort to educate the market players in use and application of the new fixed-interest instruments.

It took many months of discussion with the financial authorities, who were supportive of the proposals for a corporate bond market.

The launch of SAB's "vanilla bond" has paved the way for future issues in flavours to suit all tastes

Blue chip firms plan bond issues

(182)

MARCIA KLEIN

TWO blue chip companies were considering issuing corporate bonds after the SA Breweries (SAB) R1bn bond issue, JSE operations director Neil Carter said on Friday

BDAY 14/12/92

He said participation in the corporate bond market initially would be limited to larger players, with the minimum size of new issues ranging from R250m to R500m

The SAB issue of 14% bonds had come on the market at a yield of 14,9%, indicating that SAB's after-tax borrowing cost was about 7,5%, fixed until the year 2000

As the corporate bond market enabled companies to mix fixed and floating debt, Carter said, it was not surprising other companies had expressed interest

The SAB corporate bond issue was the first of its kind in SA and "its significance should not be underestimated"

While there was no legal difference between a corporate bond and a debenture, both of which were corporate borrowing instruments with a fixed rate of interest and fixed date of maturity, the corporate bond had superior tradeability, he said.

In SA, the corporate bond market had several advantages

Investors preferred low-risk, fixed-rate returns provided inflation remained low. Borrowers had the certainty of a fixed rate of interest for funding medium- to long-term investments and the ability to buy back this funding before maturity.

"Through the use of derivative markets,

☐ To Page 2

Bonds

BDAY 14/12/92

corporates will be able to shift their financing risks into the hands of speculators and concentrate on managing their investment risks," Carter said

The corporate bond market had taken a long time to develop, largely because of prescribed asset requirements, which previously gave government and semi-government bodies a "statutory monopoly" on long-term, fixed interest funds, with pension funds and life offices holding large

(182)

☐ From Page 1

parts of their portfolios in bonds or gilts

Following the Jacobs committee report in 1988, prescribed asset requirements were replaced with guidelines, in terms of which pension funds and life offices were required to invest a minimum of 10% of the market value of their assets in public sector debt or cash This meant institutions could "invest in the fixed interest paper of their choice"

NEW MARKET IN CORPORATE BORROWINGS

182

SA Breweries' private placement with local institutions, of R1bn in corporate bonds, has revived a market in fixed-rate borrowing that has been dormant for more than 10 years Private sector borrowings have predominantly been at floating rates since 1980, says Jacko Maree, MD of lead manager Standard Merchant Bank

The market in corporate debentures, which was relatively active in the Seventies, was damaged by.

☐ Accelerating inflation and the existence of prescribed assets which compelled institutions to put a portion of their funds into gilts. Investors preferred to put the remainder into growth assets, says Maree Abolition of the prescribed requirement and the relaxation of guidelines which replaced them, as well as a change in inflationary perceptions, have created a more favourable environment, and

☐ Marketable Securities Tax of 1%, abolished recently, made trading expensive

Corporate bonds differ from old-style debentures in that the debenture market was illiquid, compared with the gilts markets So investors were virtually locked in to maturity

Each SAB bond carries a coupon of 14% with interest payable half-yearly and the yield to redemption (June 7 2000) is 14,9%, a premium of 1% on percentage point on the government R147 The issue was oversubscribed but Maree would not reveal by how much He predicted the premium would narrow when trading started on Wednesday on the JSE and through trading screens of Bond Market Association members SMB, together with UAL Merchant Bank and Rand Merchant Bank, "have undertaken to make a market in the bonds in addition to providing bond lending facilities, thereby ensuring liquidity and tradeability in the instrument "

Corporate bonds, unlike commercial paper (with a term of less than one year), do not require a bank's endorsement

Wine shortchanged 182

THE South African Bureau of Standards (SABS) has found that 19 percent of wine vats sold at retail outlets do not comply with their stated volumes.

The SABS yesterday told wine packers to improve their quality control measures for wine vats after conducting a countrywide survey at 51 wine packers, testing 4 405 vats from 180 batches Sowetan 15/12/92

The survey showed 839 vats contained less than the correct volume and the average contents of 58 batches of the 180 tested were found to be deficient The Trade Metrology Division of the SABS has placed an embargo on the sale of non-conforming products - *Sapa*

Suspects identified

Tests find wine vat buyers are sold short

(182)

CT 15/12/92

PRETORIA — The South African Bureau of Standards (SABS) has found that 19% of wine vats sold at retail outlets do not comply with their stated volumes

Consumers lose about R2,10 on average when a 5ℓ vat is missing between 80 and 100ml, the SABS said

The SABS yesterday warned wine packers to improve their quality control measures for wine vats after conducting a countrywide survey at 51 wine packers, testing 4 405 vats from 180 batches The survey showed 839 vats contained less than the correct volume and the average contents of 58 batches of the 180 tested were found to be deficient.

The SABS allows for a 35ml margin of deficiency for a 5ℓ vat One 5ℓ vat was found to have 411ml less than its stated volume, and other vats were also found with deficiencies

The Trade Meterology Division of the SABS has placed an embargo on the sale of non-conforming products

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WINE EXPORTS

FM 18/12/92

Growing like vines

The wine industry has been quick to capitalise this year on its re-emergence as a player in the international wine scene SA is now shipping as much wine to the UK as the US does and, by 1995, it expects to top US exports to the UK by 40% Shipments to the US are projected to reach 100 000 cases next year, up from zero last year

Last year, while still suffering from left-over sanctions, the industry sold 855 000 cases abroad, with 500 000 cases going to the UK, according to KWV This year, between 1,3m and 1,5m cases will be shipped, with 700 000 being sold in the UK That's the same volume that the US will send to the UK this year

The UK never banned SA wine but many retailers felt obliged not to stock it Now, indications are that the local wine industry

continued

FM 18/12/92.

will reach its target of shipping 1m cases to Britain by 1995

The US will take 60 000 cases of SA wine this year Sanctions were lifted 17 months ago and wine exports resumed in September So far the reaction in the US has been mixed On a 100-point scale, the influential *Wine Spectator* gave Delheim's 1989 Grand Reserve a rating of 57, panning the wine as "poor, undrinkable, and not recommended" Faring best were the Louisvale 1991 Chardonnay (88) and the Van Loveren 1991 Pinot Gris (86), which were classified as "good to very good, a wine with special qualities"

On the other hand, Florence Fabricant, a wine writer for *The New York Times*, had nothing bad to say about SA wine in a recent article that focused on the country's pinotages She said they are uniquely South African, "easy to like for their gentle, fruity complexity and a relatively reasonable price" Rocco Ancarola, owner of the Boom restaurant in the Soho section of Manhattan, which stocks SA wine, told her "Pinotage is SA's claim to fame"

But the main marketing thrust remains the UK, which imports 60m cases a year, and not the US, which produces its own wine and imports only 19m cases a year

The one cloud over these export successes, KWV believes, is the sudden entry of numerous exporters who are shipping lower-quality wine in bulk and capitalising on the country's good reputation for wine Jannie Retief, a KWV marketing executive who is also chairman of the SA Wine & Spirit Exporters' Association, claims that the newcomers may have captured 5% of the export market

"They use poor-quality bottles and corks, and the labels often have spelling mistakes," he says "That damages the image of SA wine and our efforts to build up brands If they tried to establish a brand name or a trademark, we would have no objection, and would help them"

The association's administration manager, Andries van Tonder, says "They pop up like mushrooms, come to see us to find out who has wine for sale in bulk, and we never hear from them again"

But Retief stresses that the wines they export are not inferior As with all local wine, this wine must be tasted and approved by the Wine & Spirit Board as being suitable for export ■

SAB launches R1bn tradeable bond issue

CT 2/12/92 (182)

From HILARY GUSH and MARCIA KLEIN

PRIVATE sector participation in the traded bond market was triggered yesterday with SA Breweries' (SAB) placement of R1bn corporate bonds.

SAB said the initiative represented the first tradeable corporate bond issue undertaken by a local industrial company. "It provides SAB with an exciting new source of long-term fixed rate debt funding and other major corporations are likely to follow this lead."

Group financial director Selwyn MacFarlane said the finance raised through the bond issue would form an important component of SAB's long-term funding requirements. However, the issue would not be spent on a specific investment.

"It is a natural replacement of long-term financing that is running out in the next few years and settles us with a financing facility for the rest of the decade."

The SAB announcement said the bonds — which were free from marketable securities tax and registration charges — carried a coupon of 14% with interest payable half-yearly. The nominal value of each bond was R100 000, which would be redeemed in June 2000.

Capital market

JOHANNESBURG — Capital market rates were slightly below their opening levels, with the excitement being provided by the R1bn private placement of seven year bonds by SAB.

The medium dated SAB 2000 bonds were placed at 14,9% — offering a full percentage point extra return than government's similar dated R147.

The key long dated Eskom 168 was last quoted at 14,66% from 14,61% and Government's R150 was last quoted at 14,665% from 14,63%.

Volume on Monday was R1,7bn from Friday's R4,1bn — Reuter

Lead issue manager Standard Merchant Bank (SMB) MD Jacko Maree said the issue — which had been approved by the Financial Services Board, the JSE and the Bond Market Association (BMA) — was modelled on RSA and Eskom stock and would be traded on a yield-to-maturity and not a price basis.

Although the stock would be traded on the JSE's gilts floor, Maree said the major market would be through the BMA by means of inter-bank screen trading.

Liquidity and credit risk premiums had to be considered when pricing the bond relative to benchmark RSA stock. Maree said SAB had as good a credit risk rating as government.

Price therefore hinged on tradeability. Although SMB, Rand Merchant Bank and UAL Merchant Bank were committed to making a market in the stock, the bonds were not as liquid as RSA stock as the issue was comparatively small, he said.

At the opening of trade today the bond — to be placed at 14,9% — would trade at a 1% premium to the benchmark R147 stock. However, as trading picked up the gap between the two bonds' yields would probably narrow to around 75 points.

The issue was well oversubscribed. Major corporations keen to follow SAB's move were adopting a "wait-and-see" attitude.

A gilts trader proclaimed the issue "an enormous success" and a precedent for further bond issues by other large corporations. She said the size of the issue would ensure the bond could trade effectively without disturbing other rates.

SAB director Malcolm Wyman said the bond issue was aimed primarily at the institutional market. Most of the placing had been done in multiples of R1m.

Local wines set to crack major markets

S Times (Buss) 27/12/92

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By IRINA VON HOLDT

WHEN export barriers came tumbling down, the wine industry was largely ready

On the one hand, while waiting and watching, winemakers and marketers learnt what overseas consumers wanted, but on the other were unprepared for the keen prices that buyers demanded

In the UK 80% of all wine sold is under the £3 mark, and the British wine buyers who poured into this country in search of suitable wine were both expert and demanding

At this price, a case of wine must be sold at R40 fob, which means virtually no profit, but at least staff are being employed and turnover maintained With inflation running at around 15%, it is unlikely that these prices can be maintained

Sanctions

KWV export marketing executive Piet Momberg said that an export target of 1,3-million cases had been set for the industry this year

Final figures were not yet available, but the target looked very achievable other spokesmen privately concluded that it would be easily exceeded

This represents a 52% increase on last year's figure of 855 000 cases

The UK was immediately targeted as the main market as it continues to be the most alluring to all wine-producing countries

With virtually no production of its own in terms of volume, and with a largely well-educated public in wine matters, imports run at 60-million cases annually

At present 45% of Cape wine is exported to the UK, and a target of 1-million cases has been set for 1995

The next most important market in Europe is Germany, which has been faithful even during the sanctions years, even if only modestly so

Denmark and the Netherlands have also turned out to be useful markets in the past two years

In Canada, Sweden, Norway, Australia and New Zealand sanctions continue, which, in the case of Canada, is a serious loss

SA's main competitor in the UK market is Australia, with sales of 16-million litres, equivalent to nearly 1,8-million cases Of particular interest is the speed with which this was achieved, coming off a modest base of 200 000 cases in 1985

SA has the potential to improve on those figures as our wine production runs at well over double that of Australia The shrill prosanctions voice from Australia is understandable, as it was that country which stood to benefit handsomely, and that included wine sales

They are only too aware that at present they are in a "window period" before SA wine exports come fully on stream

Sensitive

The US is a particularly enticing market, though it cannot compare in volume to that of the UK

Total imports to the US are 20-million cases a year (against the UK's 60-million), mainly to the eastern states, which have only modest vineyard plantings compared with those of California

Exporters have been dismayed at the complexity of the market and have said it is like dealing with 51 separate countries

The KWV has had a measure of success in the US with its so-called "sexy" Springbok range, featuring labels with Springbok in the veld against a backdrop of Bushman-style painting The wines are already in 25 states

The Bergkelder is particularly pleased that last month it appointed the experienced and respected firm of Louis Roederer, the well-known champagne house, as agents to assist it in its re-entry into the complex US market

In turn, it has a complex range of wines from 17 estates as well as its own-label products The agreement may well have another spin-off at home — we may see more of the famous champagne on our shelves

From Stellenbosch Farmers Winery, spokesman Richard Coleshaw pointed out that in the US there was still some political sensitivity towards this country

They had done unexpectedly well with the Nederburg range and had run out of stock, and the firm was considering airfreighting wine ~~to the~~ US rather than being unable to supply at this sensitive stage

SFW has for some years looked to the rest of Africa and to Thailand, Singapore, Hong Kong and Japan, as well as more recently to Kenya and possibly soon to Zimbabwe

While wine has been exported, ideas have been imported, and the SA consumer is benefiting

Until the late 80s winemakers seemed to be trying to outdo one another to see who could make the longest lasting wine Mouth-puckering tannins in the reds and over-oaking of the whites became the order of the day Not so now We are seeing a new generation of user-friendly wines, ready to drink almost as they hit the shelves soft fruity and generous and no need to bequeath them to heirs, yet their makers claim that they will last

To avoid any shortage of supply in the future, this year also sees the lifting of the quota system, so that now farmers can produce as much wine as they wish and there can be no excuse for lack of exports, barring political disaster

Cape of good hopes

Guardian/W in W/Mail 30/12 — 7/1/93

Tim Atkin detects signs of a welcome change in South Africa's wine industry

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EVERYONE assumed it was an April Fools' Day joke when the KWV, South Africa's controlling wine body, announced it was scrapping its notorious quota system earlier in the year. Grown wine producers wandered from barrel to barrel, shaking their heads in sheer disbelief; polemic-hardened critics were at a loss for words.

But the decision was for real. Two years after President de Klerk's explosive speech unbanning the African National Congress, the tide of reform was finally lapping at the citadel of the Afrikaner-dominated wine industry. Like the ruling National Party, the KWV is busy manoeuvring to retain power. Hence the sudden abolition of the quota system.

This historic (some might say prehistoric) piece of legislation gave the KWV statutory powers to decide who could plant grapes, and where they could do it. In essence, it was a classic bit of protectionism. As a farmers' trade union, the KWV is sustained by its members, and the quota system, like so much in South Africa, was designed to protect the interests of the white minority — in this instance, 6,000 grape growers.

The KWV's decision was not entirely based on expediency, though only a fool would argue that sanctions and international opprobrium played no part in the change of heart. By Afrikaner standards, there is a genuinely liberal spirit about the KWV these days. Marketing men understand that the old South Africa is on its last legs and are talking excitedly about the future.

Reforms aside, the KWV's grip on the industry is still too tight. In one sense, it does little to encourage quality wine production. A large part of the KWV's role is to deal with the annual grape surplus, selling it off as bulk wine, grape concentrate, or distilled spirit. Here, too, there is a good dose of protectionism. By fixing prices for minimum "good" wine and distilling wine, the system keeps in business bad wine growers, churning out massive yields.

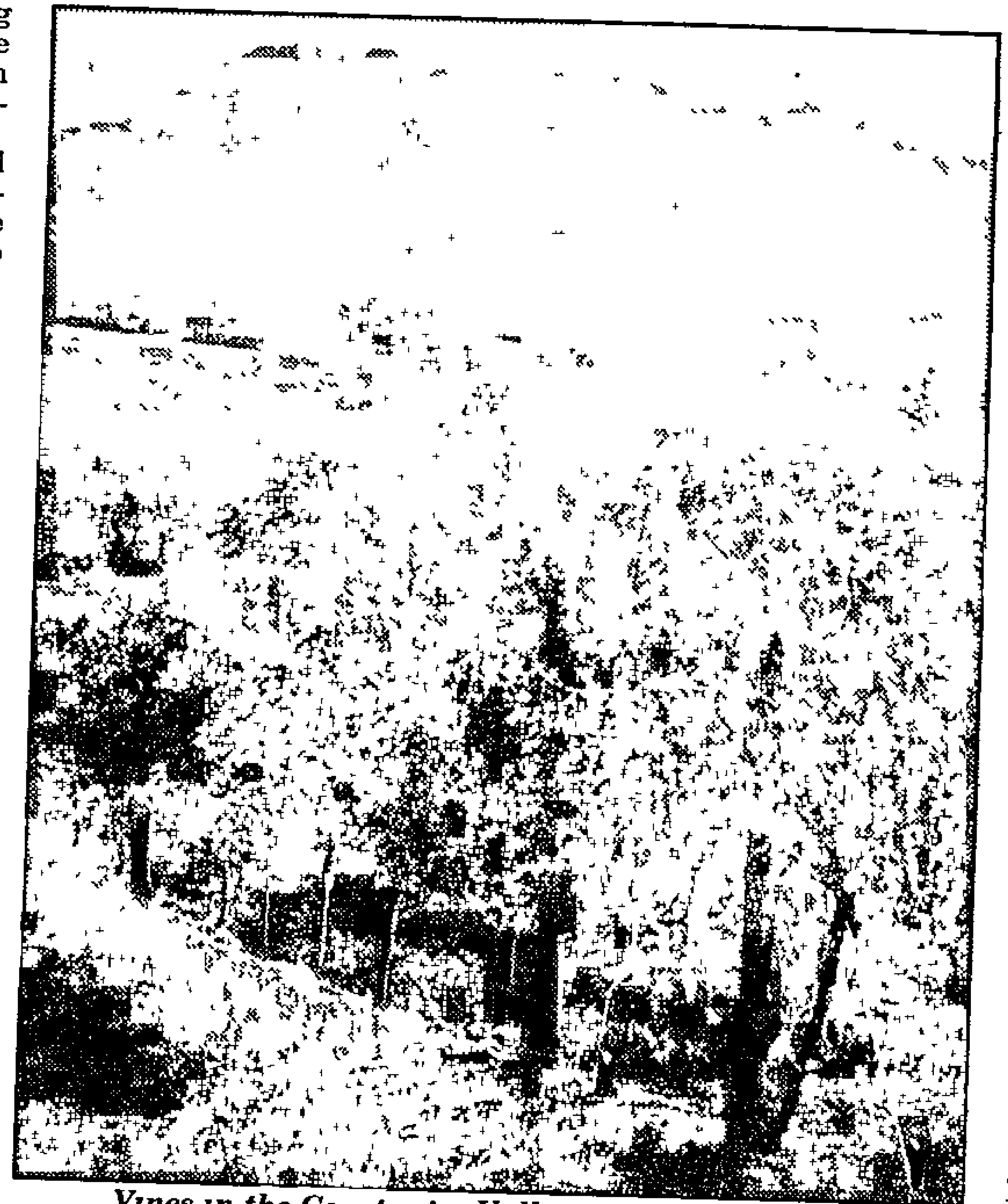
The minimum wine price should be abolished. In fact, there is currently talk of transferring all the KWV's administrative powers to the Department of Agriculture. This would leave the KWV free to concentrate on what it does best — making wine — rather than interfering in everyone else's business. It would also answer the charge that the KWV is both poacher and gamekeeper, something that rightly irritates competitors.

Abolishing the minimum wine price would, at the same time, introduce a much-needed element of competition into the South African wine industry. For a country that has been the skunk of the world these last 20 years, South Africa's wines are generally in remarkably good shape — modern, well-made, and full of interesting quirks. Isolation, it seems, has done far more damage to South African rugby than it has to the wine, but the industry still needs another 50 'dynamic estates.

Thus far, most of the hard work has been done by a small band of enlightened private producers, although there are also four or five co-operatives (particularly Swartland, Vinfruco, Vredendal, and the KWV itself) which are turning out some brilliant wines at the £2.99 end of the spectrum.

Nevertheless, despite its long history — the Cape is the oldest wine-producing area in the New World — the modern South African wine industry is no more than 10 years old.

It is only in the last decade that new French barrels have been imported on a wide scale and that new, disease-resistant clones of Chardonnay, Pinot Noir, and Cabernet Sauvignon have become available.



Vines in the Constantia Valley south of Cape Town
— PHOTOGRAPH MARK VAN AARDT

Given the bureaucratic and political handicaps, the South African wine business is in remarkably fine fettle. It is already producing brilliant Sauvignon Blancs, a handful of promising Chardonnays, unique Pinotages, one or two good stickies, and some very good red Bordeaux style blends.

In a climate where investment is extremely hazardous and the future still uncertain, foreign companies have started to take an interest in South African wine. Everywhere you look, there are Germans, Swiss, Frenchmen, and Englishmen pumping money into new ventures.

It is still be too early to assess the potential of South African wines. We will have a better idea once new wineries such as the Elgin Vineyards, Mulderbosch, Bouchard Finlayson, Madeba, Villiera, and Vergelegen, have got a few more vintages under their belt. However, it is my feeling that, politics permitting, South Africa could one day challenge Australia as the dominant New World producer. Its winemakers have a better understanding of British tastes than the Californians, they produce far more interesting wines than the Chileans, and they command a much greater range of styles than the New Zealanders.

For some readers, the time may not yet be right to drink South African wines. As someone who has been critical of vineyard labour practices in the past, it is a stand with which I have a certain amount of sympathy.

All I can report with regard to the Cape's more liberal producers is that the majority of the 42 private estates I visited treat their workers decently, given the constraints of a semi-feudal system.

Conditions are certainly no worse than in Portugal or Chile, although they are still far from ideal. The work of the Rural Foundation has been extremely important in raising standards.

Where abuses continue (poor pay, the "dop" system, primitive housing) they tend to be in outlying agricultural areas like the Klein Karoo, away from the critical gaze of international opinion. Here, someone who provides his workers with electricity in their homes is considered avant garde.

Good labour relations make sense. Anyone who is serious about making great wine needs motivated, settled, and contented employees, not cheap casual labour from the nearest squatter camp. The extension of basic employment laws to agricultural workers this month will be a further advance.

But the biggest battle has already been won. In their hearts and minds, the best wine producers know there is only one way forward.

MANUFACTURING – BEVERAGES
1993

Battle of 'Sunday booze' brewing

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WAG 2/1/93

■ The powerful liquor lobby could use its influence to stop liquor stores trading on Sundays· One reason could be that small traders could lose out to supermarkets.

JEAN LE MAY
Weekend Argus Reporter

THE powerful liquor lobby, in which retail liquor interests are strongly represented, could throw its weight against Sunday liquor trading.

A number of liquor stores including a major chain have broken away from the Federated Hotels, Liquor and Catering Association of South Africa (Fedhasa) to form their own association, the SA Liquor Stores Association (Salsa)

Western Province Cellars, a major liquor retailer of the Rembrandt group with 190 outlets countrywide, has resigned from Fedhasa, according to Mr Jack Culinan at WPC's regional head office

Reasons for the breakaway were that Fedhasa had formulated no policy about the issue of "after hours" licences to liquor stores and was too concerned with hotels and tourism, according to Salsa spokesman Mr Ken Henecke

Mr Aldo Girolo, chairman of the Restaurant Guild, which is part of Fedhasa, said the Guild was strongly opposed to liquor stores being allowed to open late at night and on Saturday afternoons and on Sundays

The chairman of Fedhasa'a liquor committee, Mr Ian Rubin, said he was personally in favour of longer hours, but admitted that Fedhasa had taken no formal stand on the issue

The split from Fedhasa was disclosed in interviews with Weekend Argus this week concerning the controversy surrounding the refusal by the Liquor Licensing Board of a special licence for Sunday trading to Mr Vaughan Johnson's wine shop on the Waterfront

Mr Ken Henecke of Liberty Liquors in Durban, chairman of Salsa's steering committee, told Weekend Argus that the association had not lodged an objection against Mr Johnson's application

It intended hiring a market research company to establish what demand there was for liquor trading on Sundays

"The fact that the wine shop in question is on the Waterfront should make no difference," he said

"It all boils down to making a profit and there should be no favouritism in the issue of special licences

"If one licence is given, everybody else will want licences for Sunday trading"

He was sceptical about the number of tourists who would buy at a liquor store on the V & A Waterfront, he added

It had been decided to form Salsa because there was a feeling that Fedhasa was occupied too much with hotels and tourism, he said

"No doubt we'll be co-operating with Fedhasa at a later stage, but we decided there was a need for a special body to look after the interests of liquor stores"

A spokesman for Pick 'n Pay, which sells liquor in some of its stores, said that its lease for the Waterfront store excluded selling liquor However, it would very much like to sell liquor, he said

A Cape Town lawyer who specialises in liquor cases and asked not to be named said that "everybody is blaming the Liquor Licensing Board, but it has to implement goverment policy

"And that policy is definitely against liquor trading on Sundays unless very special reasons can be given why it should be allowed"

The new Liquor Act, when it was first drafted, allowed trading on Sundays, but that provision was deleted because of pressure from the churches and conservative groups, he said

Another factor was that although liquor outlets in shopping malls and tourist centres could benefit greatly, many smaller stores throughout the country would have problems with Sunday trading, he added.

They would have to decide whether to hire extra staff for the extended hours, or stay closed at weekends and take the chance of losing custom

Yet another factor was that wine producers themselves may not sell wine on Sundays and public holidays, with the exception of Groot Constantia which is owned by the State

Mr Johnson, who was refused a licence to open his Waterfront liquor store on Saturday afternoons and Sundays, intends re-applying to the board for extended hours

"The Liquor Act makes provision for Sunday trading — special liquor licences may be granted in circumstances where the board sees fit," he told Weekend Argus.

"I know that pressure has been brought to bear on the board by some liquor stores which for some reason are against trading for longer hours

"I have a fundamental problem with why the board does not apply the same criterion to all liquor outlets"

SA Brews could double or triple beer exports

STAR 11/1/93. (182)

Chris Gilmour, head of industrial research, Senekel, Mouton and Kitshoff, focuses on companies that should show good earnings growth.

Outlook '93

The beverages, hotels and leisure sector has traditionally been an extremely highly rated sector on the main board of the JSE.

Because of this, and the high profile of many of the constituent companies in the minds of investors and the general public, the sector enjoys a rather glamorous image.

Notwithstanding these observations, the sector was a relatively poor performer in 1992.

As can be seen from the chart below, the sector declined by about 2 percent in the course of the year.

With an average p/e ratio of 18,9, however, the sector is still extremely highly rated. Only insurance, investment trust, food, pharmaceuticals and stores are more highly rated.

The main reasons for this poor performance relate to the share price movements of the three constituents of the beverages, hotels and leisure index — SA Breweries (SAB), Kersaf and M-Net.

SAB is easily the largest constituent of the index and moved in a fairly narrow band between about R50 and R60 during the year.

Kersaf suffered from the share price decline of its main holding, Sun International (Bophuthatswana) (Sun Bop). Sun Bop's immediate prospects were severely dampened by the proliferation of gambling dens within the borders of the Republic.

M-Net, which enjoyed a very high share price at the start of 1992, fell sharply throughout the year.

What, then, for this sector in 1993?

Because of the heavy weighting of SAB in the index, much depends on the outlook for malt beer consumption. Local per capita consumption of malt beer declined in volume terms in 1992 for the first time in decades.

This was a direct reflection of the longevity and severity of the recession.

Present indications are that 1993 may not be much better and may actually be slightly worse.

Counter-balancing this, to some extent, is the success of beer exports from South Africa. In the year ended March 1992, SAB exported more than 8 million cases of beer to more than 40 countries around the world.

Soft drinks

SAB beer products are renowned for their strength and consistent quality. It would not be surprising, given some aggressive export marketing, to see the present export figures doubling or even tripling in the medium term.

SAB's soft drinks subsidiary, ABI, should be able to show earnings growth close to the rate of inflation.

The hotel interests of SAB, represented by the wholly-owned Southern Sun, should also benefit from an upsurge in foreign tourism once South Africa is perceived as a relatively peaceful, cheap destination by foreign tourists.

While on the subject of tourism, a major beneficiary of any potential improvement in foreign tourism would undoubtedly be Sun International and Sun Bop in particular.

The huge capital expenditure programme in the group is now complete and management hopes to attract a significant number of foreign tourists to this rather unique attraction in the Pilanesberg hills.

Locally, M-Net has been a resounding success, surpassing expectations of almost everyone concerned, including management.

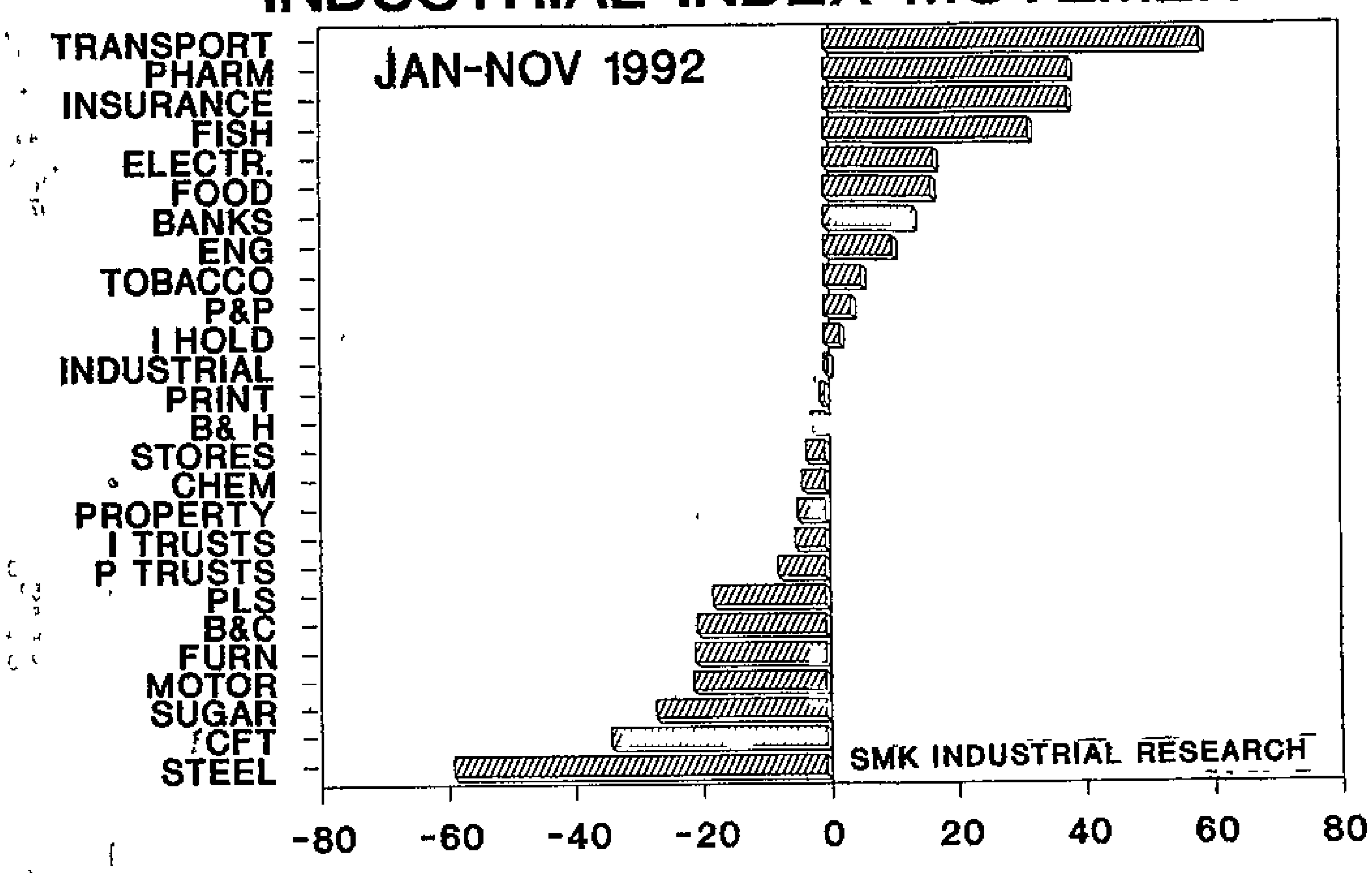
With more than 25 percent of the television-viewing population having an M-Net decoder, M-Net's penetration of the total television market is higher than that of any pay-TV company in the world.

Internationally, however, the group faces a long hard road in terms of bringing its latest acquisition, FilmNet, into profitability.

Thus far, we have dealt with the index constituents of the beverages, hotels and leisure sector. There are many more exciting non-index companies in the sector, including ABI, Suncrush, Interleisure, City Lodge and Servgro.

Given a reasonable economy with an associated increase in personal disposable income, most if not all of these companies should exhibit earnings growth well above the rate of inflation.

INDUSTRIAL INDEX MOVEMENTS



Bold moves on liquor laws

(182) ARG 14/1/93

HIGHER penalties for selling liquor to people under 18 and allowing bottle stores to open longer and on public holidays are among reforms to the Liquor Act proposed in new draft legislation.

According to a memorandum attached to the Liquor Amendment Bill published yesterday, the hours of off-sales outlets are being extended "without having to apply for them" Provision is also being made for off sales on public holidays.

It says the penalty for the sale of liquor to people under 18 will increase but the prohibition on serving liquor in restaurants to people who are not eating there will be scrapped.

The compulsory meal, the memorandum says, is difficult to enforce and restricts entrepreneurship.

A clause which bars people not living in South Africa from obtaining liquor licences will be lifted as it impedes foreign investment.

Holders of hotel liquor licences who are members of the SA Tourism Board's voluntary grading and classification scheme will be exempted from any restrictions on liquor sales.

No immediate clarification could be obtained from the Liquor Board on what the higher penalties for sales to minors would be or how off-sales hours would be extended. — Sapa

Tourism

No. R. 58 15 January 1993

EXCHANGE CONTROL REGULATIONS

CHANGE OF NAME OF AN AUTHORISED DEALER IN FOREIGN EXCHANGE

Paragraph 3 (a) of Government Notice No R. 1112 of 1 December 1961, as amended, is hereby further amended by the deletion with effect from 16 November 1992 of The Commercial Bank of Namibia (S A) Limited from the list of authorised dealers for the purpose of the Exchange Control Regulations published under Government Notice No R 1111 of 1 December 1961 and by the addition of International Bank of Southern Africa—S F O M. Limited with effect from the same date.

No. R. 58 15 Januarie 1993

DEVIESEBEHEERREGULASIES

VERANDERING VAN NAAM VAN 'N GEMAGTIGDE HANDELAAR IN BUITELANDSEVALUTA

Paragraaf 3 (a) van Goewermentskennisgewing No R 1112 van 1 Desember 1961, soos gewysig, word verder gewysig deur die skrapping met ingang van 16 November 1992 van The Commercial Bank of Namibia (S A) Limited van die lys van gemagtigde handelaars vir die doeleindes van die Deviesebeheerregulasies gepubliseer in Goewermentskennisgewing No R 1111 van 1 Desember 1961 en deur die toevoeging van International Bank of Southern Africa—S F O M Limited met ingang van dieselfde datum

DEPARTMENT OF MANPOWER

No. R. 72 (182) 15 January 1993

MANPOWER TRAINING ACT, 1981

ACCREDITATION OF THE CARBONATED SOFT-DRINK INDUSTRY TRAINING BOARD FOR AMALGAMATED BEVERAGE INDUSTRIES LIMITED

The Carbonated Soft-drink Industry Training Board has in terms of section 12B (1) of the Manpower Training Act, 1981, submitted to the Registrar of Manpower Training its constitution, signed by all parties to the training board, for accreditation

The Registrar of Manpower Training is considering the accreditation of the Carbonated Soft-drink Industry Training Board Information concerning the relevant constitution may be obtained from the Chairman, Carbonated Soft-drink Industry Training Board, P O Box 76202, Wendywood, 2144, or ABI Head Office, 14 Pongola Crescent, Sandton

Interested parties may, within 30 days after publication of this notice, advance reasons in writing why there must, in their opinion, not be proceeded with the accreditation of the Carbonated Soft-drink Industry Training Board.

Representations in the above regard must be submitted to the Registrar of Manpower Training, Department of Manpower, Private Bag X117, Pretoria, 0001

For the purposes of this industry—

"Training Board" means the Carbonated Soft-drink Industry Training Board for Amalgamated Beverage Industries Limited in the Magisterial Districts of Alberton, Benoni, Boksburg, Brakpan, Brits, Bronkhorstspruit, Cullinan, Durban, Germiston, Inanda, Johannesburg, Kempton Park, Krugersdorp, Lower Tugela, Ndwedwe, Pinetown, Pretoria, Randburg, Randfontein, Roodepoort, Springs, Umbumbulu, Umlazi, Westonaria and Wonderboom, and

"Carbonated Soft-drink Industry" or "Industry" means the Industry in which employers and employees are associated for the purpose of engaging in the business of the bottling, marketing and distribution of carbonated soft-drinks to wholesalers and retailers from its premises in the magisterial districts mentioned above

G. D. HAASBROEK,

Registrar of Manpower Training

DEPARTEMENT VAN MANNEKRAG

No. R. 72 15 Januarie 1993

WET OP MANNEKRAGOPLEIDING, 1981

AKKREDITERING VAN DIE GEKARBONEERDE SAGTEDRANKNYWERHEID OPLEIDINGSRAAD VIR AMALGAMATED BEVERAGE INDUSTRIES BEPERK

Die Gekarboneerde Sagtedranknywerheid Opleidingsraad het kragtens artikel 12B (1) van die Wet op Mannekragopleiding, 1981, sy konstitusie, geteken deur al die partye in die opleidingsraad, aan die Registrateur van Mannekragopleiding voorgelê vir akkreditering

Die Registrateur van mannekragopleiding oorweeg om die Gekarboneerde Sagtedranknywerheid Opleidingsraad te akkrediteer Inligting in verband met die betrokke konstitusie kan van die Voorsitter, Gekarboneerde Sagtedranknywerheid Opleidingsraad, Posbus 76202, Wendywood, 2144 of ABI Hoofkantoor, Pongolasingel 14, Sandton, bekom word

Belanghebbende partye kan, binne 30 dae na publikasie van die kennisgewing, skriftelik redes aanvoer waarom daar na hulle mening nie voortgegaan moet word met die akkreditering van die Gekarboneerde Sagtedranknywerheid Opleidingsraad nie

Vertoe in bovermelde verband moet aan die Registrateur van Mannekragopleiding, Departement van Mannekrag, Privaatsak X117, Pretoria, 0001, voorgelê word

Vir die doeleindes van hierdie nywerheid beteken—

"Opleidingsraad" die Gekarboneerde Sagtedranknywerheid Opleidingsraad vir Amalgamated Beverage Industries Beperk in die landdrosdistrikte Alberton, Benoni, Boksburg, Brakpan, Brits, Bronkhorstspruit, Cullinan, Durban, Germiston, Inanda, Johannesburg, Kempton Park, Krugersdorp, Lower Tugela, Ndwedwe, Pinetown, Pretoria, Randburg, Randfontein, Roodepoort, Springs, Umbumbulu, Umlazi, Westonaria en Wonderboom; en

"Gekarboneerde Sagtedranknywerheid" of "Nywerheid" die Nywerheid waarin werkgewers en werknemers geassosieer is vir die doeleindes van die bottelering, bemarking en verspreiding van gekarboneerde sagtedranke aan groothandelaars en kleinhandelaars vanaf persele in die landdrosdistrikte hierbo genoem

G. D. HAASBROEK,

Registrateur van Mannekragopleiding.

Cheers for the new liquor bill

(182) CT 15/1/93

Staff Reporter

SWEEPING changes to the liquor laws that will scrap restrictions on restaurants and allow certain wine farmers to trade on Sundays have been widely welcomed.

The Liquor Amendment Bill published this week, which will go through Parliament soon, proposes that wine and malt restrictions in restaurants be scrapped

Wine estate owners with a producer's licence have welcomed the news that they will shortly be permitted to trade on Sundays

Hotel liquor licence holders who are members of the South African Tourism Board's voluntary grading and classification scheme will be exempted from all restrictions on liquor sales

According to a memorandum attached to the bill, restrictions on the hours, days and circumstances under which hotels can

Changes to favour tourism

serve liquor are not beneficial to tourism

The ban on serving liquor in restaurants to people not having meals will be scrapped because it restricts entrepreneurship and is difficult to enforce, according to a memorandum attached to the bill

Bottle stores will be open to trade on non-religious public holidays and remain open until 8pm in the week. On Saturdays bottle stores will be able to remain open until 5pm

The maximum penalty for selling liquor to people under 18 will be doubled from R10 000 to R20 000

Captour chief executive Mr Gordon Oliver said he was encouraged to see that the government was now more attuned to the needs of the industry "Foreign visitors just can't understand why we don't trade on Sundays," he said

The managing director of Neethlingshof, Mr Francois Theron, said he was "delighted" that he would be able to trade on Sundays, as his business was geared to tourism.

A managing director of one of the larger liquour groups, Mr Boetie Rietoff, said he welcomed the longer trading hours, but believed people should be required to present identification to ensure sales were not made inadvertently to persons under 18

Bottle stores will not be permitted to trade on four religious public holidays — Good Friday, Ascension Day, the Day of the Vow and Christmas Day

7,5c wine price rise agreed by KWV

(182)

ARG 15/2/93

Staff Reporter

WINE farmers will be paid 7,5c more for a standard bottle of natural wine this year, the lowest increase in years.

Minimum producer prices were announced by KWV chairman Mr Pietman Hugo after a meeting of the 12 directors who represent 4 800 wine farmers in eight districts.

Farmers will get 8,4 percent more for good wine and 5,8 percent for distilling wine, which is equivalent to 7,5c a 750mℓ bottle, making the total price R1,28 a litre. The new distilling wine price is 69c a litre.

These prices bear little relation to what consumers pay after costs of administration and the process of bottling, labelling and marketing have been added.

Mr Hugo said the modest increases were a continuation of wine farmers' conservative pricing policy over many years.

With an inflation rate of 11 percent, the increase meant a price cut in real terms of about three percent.

He said the minimum price wine farmers had been paid over the past 10 years had decreased in real terms by an average of two percent a year. The distilling wine price had dropped in real terms by an average of 3,4 percent a year.

Mr Hugo said the KWV had no say in the wholesale or retail prices of wine. Other parties in the marketing chain also made annual price adjustments.

KWV has estimated this year's crop at 933 million litres and expects 72 percent to be sold in South Africa and the rest exported.

Mr Kobus Joubert, chairman of the Co-operative Wine Sellers Association, said the wine industry was facing a difficult time in a stagnant market and the increases were acceptable in light of the economic situation.

He said South Africa produced value-for-money wines but the industry had to learn to be "more relaxed and informal".

Wine farmers were contributing towards keeping retail prices low by accepting low increases. The rest of the marketing chain had to follow their example, he said.

Fedhasa slams wine increases

(182)

Staff Reporter

THE prices paid to wine farmers are to be increased — but if KWV and other businesses were to look at productivity and increased efficiency, automatic annual increases would not be necessary, Fedhasa said yesterday

This was said by Mr Ian Rubin, chairman of Fedhasa's National Liquor Stores' Committee, after Mr Pietman Hugo, KWV chairman, announced that wine farmers would be paid 8,4% more for good wine and 5,8% for distilling wine

The price increase for natural wine was equal to 7,5 cents per standard 750ml bottle — which makes the total price R1,28 per litre The new distilling wine price is 69 cents per litre

Mr Hugo said the modest increases were a continuation of the wine farmers' conservative pricing policy over ~~many~~ years

The minimum price which the wine farmer had received for his wine over the past 10 years had in real terms decreased by an average of 2% per year, while the real distilling wine price had dropped by an average of 3,% per year

Mr Rubin said all liquor retailers would now increase their prices when existing stocks ran out

CT 16/1/93

Switch to cider

SA's beer-swilling public is drinking more and more cider, says a Liquor Store Monthly survey. It says the market for cider or apple-based alcoholic drinks has grown by more than 7-million litres in the past year. (182)

The size of the market is now 23- to 24-million litres and the industry estimates the market could grow to 30-million litres by year-end, the magazine says.

REPORTS Business Day Reporters, Sapa

B/DAY 19/1/93

Tempora reports a 72% boost in profit

BDay 19/1/93

(182) DUMA GQUBULE

SUNCRUSH investment company Tempora Investments reported a 72% increase in after-tax profit to nearly R4,6m for the half-year ended December

However, a 52% increase in issued shares resulted in a 14% increase in earnings to 16,8c (14,8c) a share In the financial year to June 1992, the company more than doubled its after-tax profit to R7,3m

The company's major investments are in consumer groups, Suncrush holding company Dalys and Cadburry Schweppes, in which it has a 21,7% stake.

Dividend income was up 21% to R2,6m (R2,1m) and interest income more than trebled to R3,9m (R1,1m), giving total income of R6,5m

Attributable earnings came to R4,6m.

Second corporate bond issue expected

(182) TIM MARSLAND

THE corporate bond market is set to expand by half as another top industrial firm follows SA Breweries' lead with a R500m issue, merchant bank sources say.

The brewer launched its R1bn bond in December BIDAY 19/1/93.

Standard Merchant Bank corporate finance GM John Bestbier, who was closely linked with the SAB deal, said a number of new bonds were needed to create liquidity in the corporate bond market

"We intend bringing a number of new bonds to the market with similar terms to those of the SAB issue," he said It was important to have a number of corporate bonds "pitched in the same area which would create trading opportunities between the various bonds"

He was reluctant to name the company planning the new bond issue, but said it should have the same standing as SAB

Current legislation meant future bond issues would be done by private placement, he said.

SAB financial director Selwyn MacFar-

☐ To Page 2

Bond issue

BIDAY 19/1/93. (182)

☐ From Page 1

lane said he was "delighted" with the issue. He said SAB would look at the market again in the next few years should it need to raise long-term capital.

Dealers have expressed concern with the low trading volume of the SAB issue. However, a dealer said the market might have had "unrealistic" expectations that the SAB bond, which matures in 2001, would be actively traded He said the bond was not intended for speculative purposes

"The idea was to bring borrowers and lenders together, which was done very well"

Bestbier pointed out that corporate bonds were a new instrument in SA and would take time to attain popularity. "The bond was also issued early in December, a traditionally quiet period in the markets"

The SAB bond was at 14,690% yesterday compared with a yield of 14,90% when it was issued.

More frothblowers switch to sippin' cider in SA (182)

JOHANNESBURG — South Africa's traditional beer-swilling public are drinking more and more cider, a liquor industry publication survey shows

The latest edition of Liquor Store Monthly says the market for cider or apple-based alcoholic drinks has grown by over seven million litres in the last year

The size of the market is now put at between 23- to 24 million litres and the industry estimates the market could grow to 30 million litres by the year-end

The publication says if the boom pressure on one of the major brewers of the drink persists, expansion of its bottling and canning facilities will be unavoidable ARG 19/1/93

Although cider and its related drinks are marketed as an alternative to beer, there seems to be little chance it will seriously impinge on the giant South African beer market of more than two-billion litres consumed annually. — Sapa

SA's wine exports double in a year

(182)
CT 20/1/93

PAARL. — South Africa's wine exports doubled last year to a record 1,8 million cases, or 16 million litres, and earned nearly R500m in foreign exchange.

KWV marketing GM Jannie Retief said exports to the Far East, particularly to countries such as Japan and Taiwan, had increased by 128%.

Germany and Britain however remained South Africa's largest export markets, with the UK taking up 40% of exports and Germany 23%.

Dr Retief ascribed the surge in wine exports to the efforts of the Exporters' Association.

The association had started with five members and now had 70. — Sapa

Oil prices take a tumble

LONDON. — World oil markets yesterday reacted calmly to events in the Gulf and prices fell abruptly.

March futures for the benchmark Brent Blend fell 20c to $17,26 per barrel US light crude futures showed a similar decline — Sapa-Reuter

Exports of wine double to R500-m

TOM HOOD, Business Editor

182

WINE exports doubled last year to earn about R500 million for the Western Cape's economy.

And they could surge ahead this year as more countries drop sanctions and open their doors to South African brands. Nations such as Canada, Norway, Sweden, Australia and New Zealand still refuse to buy South African wine.

A record 1,8 million cases (16 million litres) were exported, the SA Wine and Spirit Exporters Association reports today. ARG 20/1/93

Table wine made up 80 percent of bottled exports, meaning spirits and fortified wines were no longer the top sellers.

The opening of closed markets such as the United States, Finland and Denmark featured highly in the increase of exports.

Exports to the Far East surged by 128 percent, said association chairman Dr Jannie Retief, who is also KWV's chief marketing executive.

Germany and Britain remained South Africa's top markets, taking 23 percent and 40 percent of exports respectively.

Business was helped by new entrants to the export market, including co-operatives, estates and wholesalers.

Soft drink wholesale prices rise 11,5%

182

KELVIN BROWN
and RALPH LAZAR

SOFT drink manufacturers yesterday announced an average 11,5% increase in wholesale prices.

SA Federation of Softdrink Manufacturers president Hennie Viljoen said the rise could be attributed to increased input costs. Over the past year container costs rose by 13% and labour costs by 14%, because of wage increases, while the sugar price also rose in June.

Companies supplying the soft drink industry with bottles and cans said the price increases were not out of line with overall packaging cost increases, but major retailers came out against the increase.

Pick 'n Pay director Richard Cohen said he could not understand why the price increase was necessary at this stage. Pick 'n Pay would hold prices constant while stocks lasted but would not increase the price of no-name-brand soft drinks

OK director Mervyn Kraitzick found the price increase unacceptable.

He said OK had been quoted price increases of 13% for cans, approximately 15% for 1*l* and 2*l* bottles and 21% for 1,5*l* bottles but as yet had been given no explanation for the increase OK would hold its prices until February 1 at least, Kraitzick said.

SA Sugar Association national marketing director Frans Oosthuizen said the sugar price rose by 14,5% in June last year, but added that sugar accounted for only 5% of the final selling price of soft drinks, distribution costs accounted for most of the final selling price.

About 1,7-billion litres of soft drink were sold in SA last year, Viljoen said.

BD 13/1/93

STAR 21/1/93.

Wine exports soar

(3) wine (182)

By Tom Hood ~~Witwatersrand~~

Wine exports doubled last year to earn about R500 million for the Western Cape's economy

And they could surge ahead in 1993 as more countries drop sanctions and open their doors to South African brands

Important countries such as Canada, Norway, Sweden, Australia and New Zealand still refuse to buy South African wine.

A record 1,8 million cases (16 million litres) were exported, the SA Wine and Sprit Exporters' Association reports

Table wine made up 80 percent of bottled exports so that spirits and fortified wines were no longer the top sellers.

The opening of closed markets such as the United States, Finland and Denmark featured highly in the increase of exports

The association's chairman, Dr Jannie Retief, who is also KWV's chief marketing executive, says exports to the Far East rose by 128 percent, boosted particularly by Japan and Taiwan

Germany and Britain remained South Africa's top markets, with the UK taking up 40 percent of exports and Germany 23 percent

Business was helped by new entrants to the export market, including co-operatives, estates and wholesalers

KWV exported 70 percent of all wine and spirits until recently, Dr Retief says.

Cape wine producers aim for UK

(182)

ARG 23/1/93

LONDON. — Cape wine farmers are negotiating with a top British chainstore to produce an in-house brand similar to those bottled for Woolworths here.

Mr Neil Ellis and Mr J "Boland" Coetzee, in Britain this week to promote their wines and meet distributors, said they were currently involved in talks with Marks and Spencer — a quality clothing and food store.

"We will be producing a wine for them soon They are very, very keen but there are still a few things to sort out," they said

Marks and Spencer has confined its in-house brands to only six producers so if the South Africans clinch this deal, it will be an important leap forward in the export market The bottles will carry the producers' names

More than half a million cases of South African wine (including sparkling wine) were sold in Britain last year and producers are now hoping that with added exposure to the market and improved distribution techniques, the market will grow

However, one important obstacle that must be overcome is pricing

"Supermarkets in Britain have become significant players in the wine market but you can't sell a bottle of wine costing more than five pounds (about R23) in a supermarket," Mr Ellis said

"Realistically, your price range should be from £2,99 (about R13) to £3,99 (R18,50) to an absolute maximum of £5 (about R25) for a really good wine The minute you go above that you can forget it," he said

Unfortunately, bottling and packaging was very expensive in South Africa and exchange rates didn't help. "We can hardly tell our trading partners to feel sorry for us, we'll just have to find a solution," he said.

The country's biggest competitor in the UK at present was the Australians.

"The Australians have some good wines and

■ The collapse of South Africa's international pariah status has led to increased opportunities for South African wine producers, who are presently gearing up to meet rising demand.

TONI YOUNGHUSBAND
Weekend Argus Foreign Service

their prices are low They also got into the market a lot earlier than we did and have cornered a large slice of it," said Mr Coetzee

He added that while South Africa's independent producers were relatively new to the export market, new vine material planted in the mid-80's was showing excellent promise "We are going to see better and better wines in the next five to 10 years"

Suggestions that South Africa's wine farmers could not produce the volume needed by the export market were dismissed by both men

While that may have been true in the past, South Africa's producers were now very aware of the importance of the export market and the need to prove the country's capabilities

"Uncontrolled growth is a bad thing but I believe we can produce enough for our market and at reasonable prices," said Mr Ellis

Another important aspect of the export market is identifying trends "We live in a warm country so obviously our palates are different to those from people living in a cold climate In cooler countries, they want wines with more flavour We are working on developing wines specifically to suit the export market," said Mr Ellis.

That export market did not stop at Britain "While I believe the UK has always been the world's wine centre, there should be no reason why our wines don't do well in Benelux countries," he added

SOUTH 23/1-27/1/93. (182)

Trouble brewing over sorghum

AN OLD apartheid law is being used to quash the huge success of a sorghum beer brewery in Mfuleni.

The Mfuleni brewery, a division of National Sorghum Breweries which has 19 production points countrywide, has encountered resistance to their expansion beyond Cape townships.

Police in the Western Cape have come down hard on shop owners who sell the low-alcohol beer in mainly white areas

According to the Sorghum Beer Act of 1962, the sale of sorghum beer is only allowed in African areas determined by the Group Areas Act

In February 1991, when the Group Areas Act was scrapped, a number of general dealers operating in traditionally white areas started selling the yeasty brew — with fairy-tale success.

But according to shop owners across the Western Cape, police have gone out of their way to enforce the outdated legislation, especially in the peak selling months of October to December.

Mr Flountino de Freitas, a cafe owner in Paarl who was fined R100 for selling the beer, says: "They have really tried to make me feel like a criminal. They took my fingerprints and made me appear in court as if I had killed someone"

"I thought apartheid was supposed to be over"

Mr Alindo Pestane, from Agter Paarl, told SOUTH that police came into his shop every day for a week late last year, to see whether he was selling the beer

"I am losing a lot of money because the stuff was so popular here. I used to sell about 630 litres a week, but now the police make sure I don't," Pestane said

The beer's alcohol content of only three percent puts it outside the scope of the Liquor Act. But this has not stopped police from using this slice of legislation as well

Seven other cafe-owners told SOUTH that they have been hounded by police in terms of the Liquor Act Even though the beer is legally defined as a foodstuff, police have treated it as liquor

Police spokesperson, Captain Ciska du Plessis, maintained that sorghum beer "is classified as liquor".

However, he admitted that this would only be true when the relevant section of the act has been amended.

"People selling sorghum beer after this section has been promulgated will require the necessary liquor license," Du Plessis said.

But in the meantime, not only the shop owners are losing out, the brewery itself is taking most of the financial knocks.

Mr Mkuseli Nyewe, sales manager for the Mfuleni brewery, said the harassment has crushed immediate plans for extending the plant, which would have provided employment for another 30 people.

The 90 person workforce at present is drawn entirely from Mfuleni and its squatter camp.

In a community where there is no electricity or hot water, the business serves as a necessary boost to the area's development

"We own the only factory in Mfuleni and for many people it is like a home to them Our workers often come in on weekends because our facilities are always open to them, like showers for instance"

Nyewe said the company will seek legal advice to stop the harassment. — **Quentin Wilson**

SA tops in grape concentrate

St Times (BUSS) 24/1/93. (182)

By JEREMY WOODS

THE grape juice that started running this week through the new KWV grape-concentration plant at Vredendal in the north-west Cape will establish South Africa as the No 1 producer of grape concentrate in the world

Last year KWV sold 24-million litres of grape concentrate, about half of it to the world market.

This year the figure is expected to be at least 40-million litres, worth close to R134-million in grape concentrate before any added-on value such as packaging or labelling.

The estimated total world production of grape concentrate is 220-million litres, with a substantial portion of this, about 112-million litres, centred on the important US market.

"KWV is probably producing the best-quality concentrate available worldwide, which is one of the reasons we were accepted back into the US market within weeks of sanctions being lifted," says export marketing manager Gawie Minnaar.

Competing suppliers in Europe and South America, particularly Argentina, a major wine producer on the international stage, guarantee no more than 2% solids in their products.

"For US importers, KWV has the advantage of being a single, large volume producer with a concentrate that has no solids," says Mr Minnaar.

A quarter of all grapes produced in South Africa will go into grape-juice concentrate

The potential of this world market is so big that KWV, the wine-exporting co-operative owned and run by the wine farmers of the Cape, has spent R90-million updating and building new high-technology plants to supply the dominant position it has established in this lucrative market.

An existing grape-concentration plant at Robertson has been significantly upgraded — increasing capacity to 150-million litres of grape juice, or 30-million litres of concentrate.

The new plant at Vredendal will shortly be followed by another at Upington for a total cost of R50-million.

Meanwhile, in a separate move, KWV has snapped up a 25% stake in Ceres Fruit Juices, for R41-million.

Ceres, with its brand names Liqui-Fruit, Fruitree, and Ceres, is a large domestic user of grape-juice concentrate.

The sudden boom in the grape-concentrate market comes at a time when worldwide consumption of alcohol is declining as people become more health-conscious.

The growth of this market could render the contentious KWV minimum selling price for wine sales obsolete.

The difference between the two will narrow, and many wine farmers may prefer simply to sell their grapes rather than go through the lengthy maturation and bottling process to get good bottled wine.

Even in France wine consumption has dropped dramatically in recent years — from 115 to 75 litres a person.

"In one move we have diversifed out of the highly controlled alcohol business into the fast-growing health-food market," says Mr Minnaar.

Tempora posts 72% profit increase

Star 25/1/93. (182)

Tempora Investments posted a 72 percent gain in taxed profi for the six months to December to R4,6 million from R2,7 million previously

Earnings a share rose from 14,8c to 16,8c This followed a substantial rise in interest income from R1,09 million to R3,93 million

Dividend income was up from R2,12 million to R2,56 million.

Tempora's largest investment is in Cadbury Schweppes in terms of market value, followed by Dalys, SA Breweries and Amalgamated Beverage Industries — Sapa.

Rooibos sales up for third year

Business staff (182) ARCG 26/1/93

THE Rooibos Tea Board reports record sales in 1992, for the third successive year

Sales in 1992 increased 2,7 percent to 4 138 tons

Exports, which accounted for 13 percent of sales, rose 13 percent over the year.

The Board says its traditional markets in Europe and the United States were again showing interest in Rooibos since the lifting of sanctions and new markets were opening in Eastern Europe. But the Far East — particularly Japan and Korea — were still the biggest growth areas.

■ Syfrets has announced an internal restructuring programme designed to unbundle the group's two main revenue earners — investment and property finance — into separate business streams, each with its own managing director

The move coincides with the retirement in March of group managing director John Cragg Syfrets' investment business will be headed by Ashton Dominy, who will have the title of managing director and will be based in Cape Town

His portfolio will include all the group's investment areas — unit trusts, pension fund management, private client portfolio management and fiduciary services (insolvency, executorships, trusts and estate planning) It will also include Syfrets' direct property interests as well as those owned through certain strategic alliances

Syfrets' property finance business will be headed by David Rennie He will take on the title of managing director and will be based in Johannesburg.

Both managing directors will report to Nedcor chairman Chris Liebenberg.

Outgoing managing director John Cragg said the restructuring should enable Syfrets to maximise the potential for reciprocal business from other Nedcor companies, as well as emerging business opportunities in the new South Africa"

A new corporate advertising campaign would be unveiled next month

CT 29/1/93

Bottle stores happy to be open longer

(182)

Staff Reporters

BOTTLE-store owners would be happy to stay open longer on Saturdays, if a new proposal to existing legislation is passed — but they would also like to do business on Sundays

This was the response of liquor-store representatives interviewed after the second day of the first regional meeting of the SA Liquor Stores Association (Salsa).

Wine-writer Mr Michael Fridjohn and chairman of the Aroma liquor chain Mr Mike Kovensky said it should be up to individuals to decide whether or not to open their liquor stores on Sundays.

A spokesman for Rebel Discount Liquor store, Mr Johan Kotze, said. "It is inevitable that even the law will one day allow us to sell on Sundays because that is when people go shopping."

Groot Constantia plan slammed

(182) CT 2/2/93

Staff Reporter

THE SA National Civics Organisation (Sanco) yesterday slammed a proposal to hand over control of the government-owned Groot Constantia estate to a wine industry trust for operation on a non-profit basis

The Groot Constantia Control Board recently proposed the change in the estate's status to ensure it was not affected by possible shifts in government spending priorities, Groot Constantia estate manager Mr Danie Appel confirmed yesterday

Mr Appel denied that the proposal would lead to the "privatisation" of Groot Constantia, as the land would be held in trust

"It is the the closest we can get to privatisation while ensuring that the estate remains open to the public," he said.

Mr Appel said ownership of the estate would be vested in the wine industry, with representatives of KWV and other bodies sitting on the board and reinvesting profits into the estate's operations

But Mr John Neels, Sanco's Western Cape deputy chairman, said Sanco believed all public assets should be retained by the government

Despite assurances that strict conditions would be placed on the proposed trust, Mr Neels charged that "when it comes to a push, a few individuals could decide not to keep the estate open"

Mr Neels added that because Groot Constantia is a national monument the government should remain responsible for maintaining the estate and keeping it open to the public

"We are not saying that we would use it for squatters or houses, but it is part of our cultural heritage," he said

"In our history, there are instances where individuals from the church have sold public land held in trust. This move will be suspiciously treated Why did they come up with this suggestion only now?"

Council to study changes in liquor laws

ARG 4/2/93 (182)

CLIVE SAWYER
Municipal Reporter

THE city council has launched a probe into changes to liquor laws and their implications for taverns.

The housing committee resolved last month to oppose the use of houses and flats in council estates as taverns, and said all applications should be referred to it and the town planning committee

In a letter tabled at a town planning meeting yesterday, Deputy-Minister of Trade and Industry Mr David Graaff said the government had no objection to the Liquor Board considering applicatons for tavern licences "in those residential areas traditionally occupied by members of the coloured community"

But customers would not be allowed to "take away", Mr Graaff said

The committee asked for an investigation into existing contraventions of liquor laws, specifically by unlicensed taverns, and into proposed changes to the law

● The committee was prepared to approve an application by Ohlssons Cape Breweries to put up a new silo at its Newlands site, but wanted an assurance this would be the last addition to the site.

Ohlssons said the new silo would blend in with its surroundings, but objectors, including Mr Owen Kinahan of the Josephine Mill and Mr M Keller of the Albion Mill Trustees, said the silo would be a further commercial and visual intrusion in an area which had been "blitzed" by development in the past few years

'Relieve' taxpayer of estate

CT 4/2/93 (182)

By BARRY STREEK

THE state and taxpayer should be relieved of the financial responsibility for Groot Constantia, the management board of the wine estate said yesterday

"A sound financial future should be created for Groot Constantia which would allow viniculture to proceed in a manner consistent with the status of the farm," it said in its 1992 report, which was tabled in Parliament

The board's recommendation that a non-profit trust or company be formed to assume control of the estate was criticised last week by the SA National Civics Organisation (Sanco), who said it should remain under the government's control

However, the Minister of Agriculture, Dr Kraai van Niekerk, denied there were sinister plans behind the proposals

Liquor giant is set to retrench

Weekend Argus Reporter (182)

GILBEYS, the giant Stellenbosch liqour firm, is set to retrench nearly 100 workers, but declines to give reasons

A spokesman said yesterday the company was not prepared at this stage to disclose the exact number of people who would be affected

Weekend Argus was told this week that the figure was 100.

A company spokesman aid "The figure is definitely not a hundred people.

"We know that certain rumours are doing the rounds, but to comment at this stage would simply spread pain and despondency among people who may be affected." ARG 6/2/93

SA Breweries raises beer price by 7,4%

SA BREWERIES has announced a 7,4% average increase in beer prices

MARCIA KLEIN

Beer division chairman Graham Mackay said the increases would vary between pack ranges and geographic areas, depending on transport charges

The increase, effective today, represented prices to SAB suppliers and not retail prices in bottle stores and bars, which were set by the retailers themselves.

Heineken drinkers would not be expected to fork out any more for their drinks because the factors which determined Heineken's cost were offshore.

But this could be only a temporary respite, as government was likely to increase taxes on imported products when it announced its Budget next month.

Mackay said the increase was well below current and expected inflation, and was the 16th year in a row that SAB had kept its increase below inflation. Last year the beer price was increased 9,1%, and in 1991 beer prices went up by 9,7%

182

23/2/93

Beer price goes up today

Sowetan 9/2/93

By Isaac Moledi and Sapa

■ Taverners dismayed by price increase and warn of possible boycott:

(182)

THE price of beer produced by South African Breweries will increase by an average of 7,4 percent from today

SAB said the price hike would vary in geographic areas and pack ranges depending on transport charges

The brewery also said retail prices in bottle stores were set by the retailers themselves and SAB could therefore not say when and by how much these prices would increase

"This increase was well below current and expected inflation and is the 16th year in a row SAB has kept its increase below inflation," SAB's beer division chairman Mr Graham Mackay said yesterday

Shebeen owners yesterday greeted the increase with shock and said this could drive away customers

National Taverners Association president Mr Ephraim "Peggy Bel-Air" Senne accused the SAB of "playing a dirty game" with black taverners. He said it was only through *Sowetan* that he had learnt of the increase and warned that the brewery needed to be taught "one or two things" by the taverners

"Breweries have a tendency of notifying us at the last minute. They knew that if they had notified us beforehand, many of us could have stockpiled a lot of liquor in our taverns

Senne warned the brewery of a possible boycott if another increase took place

d that he was prep-
ear of flying, and take on
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has a golden handshake

SA Breweries raise beer price by 7,4%

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182

The increase represented prices to SAB suppliers and not retail prices in bottle stores and bars, set by the retailers themselves

CT 9/12/93

Mr Mackay said the increase was well below current and expected inflation

Star 9/2/93

Beer prices up today

182

244

South African Breweries yesterday announced its beer prices will go up by 7,4 percent today. Retailers could not say how prices would be affected — Consumer Reporter

SA apple juice 'is safe from toxin'

CAPE TOWN — There was no danger of SA apple juice containing high levels of patulin, a toxic chemical naturally produced by rotting apples, Ceres Fruit Processors MD Andre Ackerman said yesterday.

He was responding to reports of a political row in the UK over the failure of health officials to warn Britons that apple juice sold in UK supermarkets contained the potentially dangerous chemical which, in excess, could cause birth defects and cancer.

He said apples were picked off the trees (and not off the ground) in SA and should a rotting apple be among a good batch the quantity of patulin in the juice would be insignificant.

Ceres, which exports 70% of its apple juice production, did sporadic patulin tests but had never found it in samplings, he said

LINDA ENSOR 182

Ackerman said patulin was excreted by a specific mould in a rotting apple left lying on the ground for a few days and had been found in high levels in eastern European fruit which was of low quality.

Tests undertaken by the UK agriculture ministry in March last year found patulin levels eight times the permissible level. Although manufacturers were ordered to reduce the amount of patulin, none of the juice was withdrawn from the shelves and consumers were not warned of the dangers involved.

Since then UK apple juice processors had introduced measures to reduce the patulin to safe levels, Sapa-Reuter reported.

BDay 12/7/93

An ancient brew soon to be legal

(182) ARG 13/2/93

ALCOHOLIC beverages, such as mead or "honey beer", resulting from the fermentation of honey, were legalised by the Liquor Products Amendment Bill, the Minister of Agriculture, Dr Kraai van Niekerk, said in parliament

Introducing the second-reading debate on the Bill, he said it also allowed for the appointment of two people from the agricultural sector to the Wine and Spirits Board.

Mr Dempers Meyer (NP Humansdorp) said mead was as old as mankind itself but its fermentation had been prohibited by legislation.

The "honey beer culture" in the Eastern Cape went back to the time of the Hottentots and the Strandlopers

Mr Errol Moorcroft (DP Albany) said his party would support the Bill but he predicted that mead would not be drunk in the "higher social circles" — Sapa.

Grape juice will boost KWV sales

B/DAY 15/2/93. (182)

LINDA ENSOR

CAPE TOWN — KWV's expected R130m income from grape juice concentrate this year would help offset expected shortfalls from other products, CE Ritzema de la Bat said in an interview in the February issue of Wynboer magazine

De la Bat said world prices of grape juice concentrate were expected to rise in the short term as the Argentinians, the world's largest grape juice concentrate producers and SA's main competitor, had lost about 40% of their grape crop because of frost About 50% of the crop was used for grape juice concentrate This meant there would probably not be enough for their own needs and very little to export to the US

He said KWV sales of brandy and spirits had fallen because of the recession and the loss of the "gray" market which in the past had taken up about 1-million cases of total production. The gray market uses wine spirits as blends for gin and vodka, both of which had lost market share to cane spirits

De la Bat said KWV's diversification into grape juice concentrate was aimed at creating greater stability for the co-operative by pushing its products into more markets and creating more secondary products from basic commodities

"Last year's loss of income to wine farmers amounted to nearly R44m Therefore it was of the utmost importance for us to put our new concentrate plants into commission by the end of last year They should realise an income of approximately R38m

"This would have been additional income, were it not for the slump in other markets While total earnings for good wine should amount to about R500m, about R140m is earned from brandy and this year probably about R130m from concentrate"

He said that while the SA wine industry still had room to grow internationally, the global market for alcoholic drinks was in decline and alternatives had to be investigated

"The world demand for juices indicates tremendous growth — people are getting more and more health conscious We are not moving out of the wine and brandy business, it is purely a matter of additional alternatives"

De la Bat said farmers had been encouraged to cut production of distilling wine in favour of the more profitable concentrate "I think the producers will try to restrict distilling wine to the lowest possible level That's sound economic reasoning"

SA and the oral fixation

AMONG the JSE sectors which have habitually looked overpriced but have not proved to be so on a longer perspective are the consumer sectors — retail and wholesale, beverages, food, packaging, tobacco and pharmaceuticals. S1 Times (Buss) 21/2/95 (182)

That these sectors have outperformed the Industrial Index in recent years must be a reflection of the belief that consumption is one of the few certainties in anything but the most pessimistic scenario for a future SA

This belief in what is effectively the oral fixation of the masses is reinforced by trends which have occurred in many African states

For instance, because of the economic policies it has followed, Zimbabwe's economy is now virtually dependent on consumption, with little capital formation

Within the gamut of consumer sectors, three sub-sectors — beverages, food and packaging — hang together because they are related in their growth levels

They have all suffered from lower consumer spending and downtrading recently

But in the long-term, investors know the favoured ethnic group is changing in SA, that redistribution towards the new favoured group is inevitable and that that group will spend their new-found income primarily on the oral fixation

If SA's economy is better managed than Zimbabwe's, this could turbocharge the growth rates of traditionally "defensive" companies

Beverages — more specifically, beer and carbonated soft drinks — have had the fastest volume growth of these three sub-sectors

Until the 1991-1992 crash in consumer spending, beer, as represented by SA Breweries, had annual growth of 9% and above Soft drinks, as represented by Amalgamated Beverage Industries (ABI), had annual volume growth a few points below that.

Little wonder, therefore, that ABI — which has remained focused on its industry — has one of the highest ratings on the JSE.

Consumption growth of these liquids has recently declined to around zero, but there is plenty of hope for the longer term

Bottled beverage consumption in Zimbabwe has been extremely resilient. The habit for their consumption, once gained from the colonialists, is not easily or willingly lost

By contrast with bottled beverages, SA's food manufacturing growth has been modest at about 2% a year in the 80s, well below population growth of about 2,5% a year

The level of GDP growth every year has been a much more direct coefficient of annual food manufacturing growth than population growth urbanisation, though the latter has provided an underspin.

Food companies have responded to this slow fundamental growth rate by diversifying into value-added foods, pharmaceutical and wholesale activities

Packings are linked into the beverage and food sectors because they are its main customers. About 30% of all packaging production by volume goes to the beverages industry and 20% to the food industry

Packaging manufacturing growth has historically been faster than that of food, averaging perhaps 4% in the 80s but slower than beverages This relatively high growth rate may have encouraged packing companies like Nampak and Holdains not to diversify as food companies have

All three sub-sectors look vulnerable at their current high levels If they fall in price this year that will present a buying opportunity, on a long-term view at least

☐ *TEIGUE PAYNE analyses consumer industrial companies for Frankel Pollak Vinderine*

Earnings edge higher for Distillers Corp

JOHANNESBURG — Wines and spirits group Distillers Corporation, suffering from a drop in consumer spending, reported a marginal increase in earnings to R56,4m on a 7% rise in turnover to R543,8m for the half-year to end-December

CT 22/2/93

Attributable earnings rose to R56,4m (R54,9m), equivalent to 40,13c (39,2c) a share The interim dividend was maintained at 12c a share

Distillers has been struggling as consumers, with lower disposable incomes, find cheaper substitutes for the group's relatively highly priced wines and spirits

Lower spending knocks Distillers

DUMA GQUBULE 182

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Distillers has been struggling as consumers, with lower disposable incomes, find cheaper substitutes for the group's relatively highly priced wines and spirits.

MD Michiel Le Roux said all indications were that second-half trading conditions would be even more difficult than the first half

Earnings for the full year were, therefore, expected to be lower than those of the previous year The group had expected to maintain earnings for financial 1993 BDAM

Le Roux said the group's financial position continued to be sound, with interest-bearing debt a mere 1,9% of shareholders' funds. 22/2/93.

Distillers' results showed turnover figures for the first time Sales rose to R543,8m from R506,6m but operating profit was down to R107,6m from R109m Le Roux said this reflected consumers' weak financial positions and a reduction in margins

Net financing income increased to R4,7m (R3m) and pre-tax profit edged higher to R112,4m (R112m)

STAR 22/2/93

Suncrush boosts interim dividend

(182)

By Sven Linsche

Suncrush, the Durban-based soft dring bottling group, lifted its attributable earnings by 10 percent in the six months to end-December, in line with market expectations, and is paying an interim dividend of 170c, up 20c.

The improvement was based on a 13 percent rise in turnover to R296,7 million (R261,6 million) and an increase in operating profits from R42,4 million to R49,1 million

Earnings per share from trading operations were up to 865c (812c) while Suncrush's 43,4 percent stake in Tempora Investments yielded an additional 103c (72c). For the full financial year Tempora's income will be declared through dividend payments.

Dalys, which holds 50 percent of Suncrush, boosted attributable profits to R2,4 million (R2,1 million) and has raised its interim dividend by 13 percent to 16,8c (14,9c).

Suncrush lifts earnings 10%

CT 22/2/93 Own Correspondent (182)

JOHANNESBURG. — Soft drink bottler Suncrush increased attributable earnings by 10% to R26,3m from R24m in the the six months to end-December, despite pressure on sales volumes and difficult trading conditions in the industry

Although analysts said results were in line with expectations, the share fell by R20 or 4% to close on Friday at R480 from its high of R500. At this time last year, the share was trading at R390.

The Durban-based company increased its turnover by 13% to R296,7m from R261,6m despite particularly poor August sales. Operating profit rose 15,8% to R49,1m (R42,4m).

Income from investments rose 44% to R2,8m from R2m. Directors pointed out that Suncrush held 43,4% of Tempora Investments As Tempora's income for the full year was normally declared by way of a dividend at year-end, Suncrush's share of its retained income had been included in income from investments

Tempora's rights issue was reflected in the interest bill, which increased significantly to R4,1m from R117 000.

Trading earnings were 6,5% higher at 865c (812c) a share, and investment earnings — including Tempora — were significantly higher at 103c (72c) a share.

Dalys, which holds 50,2% of Suncrush, reported a 13% increase in earnings to 16,8c (14,9c) a share. It declared an interim dividend of 16,4c (14,5c) a share.

SFW profits squeezed in tough climate

JOHANNESBURG. — Tough trading conditions squeezed the Stellenbosch Farmers' Winery Group's profitability in the six months to end December 1992 as attributable income fell 14% to R24m (182)

Earnings a share dropped 15% to 17,1c a share, after additional appreciation, and the wines and spirits' group cut the interim dividend by 0,5c to 3,5c

Trading profit slipped by 11% to R63,7m despite an increase in turnover of 11,5% to R573,5m and a continuous cost reduction programme

SFW said it did not expect the poor economic climate to change during the remainder of the financial year.

The group would have to weather further difficult trading conditions — Sapa CT 25/2/93

SUNCRUSH FM 26/2/93

Still bubbling

182

Results posted by soft drink bottler Suncrush for the six months to December show how this market has avoided the worst of the recession Despite erratic sales and a 3,5% decline in volumes, turnover increased 13% to R297m and operating profit 16% to R49,1m The pre-interest margin improved marginally to 16,5%

The jump in the interest bill to R4,1m, from R117 000, follows associate Tempora's two rights issues and the purchase of 16,2% of Cadbury Schweppes from AVI subsidiary National Brands in September 1991 Management says this figure should fall substantially over the rest of the year Interest cover remains a healthy 12 times

Capex of R13m spent on vehicle replacement and, to a lesser extent, on plant and machinery is less than half of the R30,4m earmarked for the year

EPS from managed operations was lifted to 865c (812c), while Suncrush's 43,4% stake in Tempora Investments yielded an additional 103c (72c)

Forecasts are difficult to make in this industry, given unpredictable weather and possible violence But the increase in the interim dividend was greater than the growth in attributable income, partly because management is expecting a better second half The share price has eased 4% (R20) this month, but the rating remains demanding on a p e of 26,9.

Marylou Greig

'Resist temptation'

By DON ROBERTSON

STRONG support for Reserve Bank Governor Chris Stals's recent call for salary restraint is not only desirable but critical to the survival of many SA companies.

Many companies have barely survived the four-year recession. Their reserves have been plundered in the interest of survival, with the result that businesses are financially troubled, says Martin Westcott, managing director of P-E Corporate Services.

"Substantial salary and wage increases could, in many cases, make the difference between survival or failure."

The falling inflation rate represents a temptation for employees and unions to press for inflationary based salary increases on the assumption that the economy is recovering. This would be the wrong approach, as any recovery will be slow and difficult, he says.

Many companies now find themselves in a similar position to that of the government, which has insufficient funds to kick-start the economy without serious damage to the balance of payments.

On this point, Mr Westcott criticises the government for its speculated plan to pay out substantial sums in gratuities and pensions to public servants which, he says, are considerably larger than would have been the case in the private sector.

S/Times (13) Bus 25/2/93

COMPANIES

SAB may build brewery in Argentina

MARCIA KLEIN

SA Breweries (SAB), which has set up an export office in Argentina, could be looking at much larger investments in the region, a source said yesterday.

He said SAB could be considering setting up its own brewery in Argentina, which is a major export market for its Castle Lager brand

B/DAM 2/3/93

But speculation that it was gearing up for an investment of between $50m and $100m in a brewery was denied by SAB.

Public affairs manager Adrian Botha said: "Although SAB is looking for new ventures, no deals have been finalised."

He said that Argentina was SAB's major export market, and "what may be confusing people is the fact that we have set up an export office in the country".

(182)

However, industry analysts said yesterday that SAB's next expansion was likely to be offshore.

It would be difficult to break into mature markets like the UK, US and Europe, and exports to South America had been going well.

Setting up a facility would be more feasible than exports if the volumes were high, an analyst said.

SAB exported about 3% of its total volume, and analysts said a significant portion of these exports would be to South America

Wine and fruit exports rocket

AR CT 2/3/93

(82)

From CHRIS BATEMAN

LONDON — South African wine and deciduous fruit sales in Britain rocketed to an all-time high last year.

With major UK supermarkets now aggressively selling South African wines, the export volumes leapt up 96% from just over three million litres in 1991 to 5,9m litres last year.

Deciduous fruit farmers in South Africa are also "over the moon" with their record 48% increase in UK sales

From November 1992 to last month, their UK turnover was R108m compared with R70,5m over the same period in 1991.

General manager of Unifruco's marketing, Mr Ronan Lennon, said sterling's devaluation caused South Africa's main southern hemisphere rivals to divert exports to other European markets with stronger currencies

This caused the amount of fruit on offer in the UK to drop, pushing the price up.

However, he sounded a note of warning to fruit farmers. The European Community last week imposed a licence and quota system on southern hemisphere-grown apples — which make up 40% of all South African deciduous fruit exports.

Protest meeting called on brewery 'pollution'

CT 3/3/93 (182)

A PUBLIC protest meeting to discuss noise, pollution and traffic congestion in the Rondebosch and Newlands area closest to the SA Brewery and the Newlands rugby stadium will take place in the Josephine Mill in Boundary Road, Newlands on March 15 at 6pm

Mrs Margaret Heald, a spokesman for residents in the area, said "This date should be noted by all concerned residents Many of us are fed up with the general pollution and child vagrancy in what was once a quiet and desirable neighbourhood It has now become a heavy industrial area

"The black smoke from the SA Breweries stacks is still continuing as is the noise from their trucks — day and night. We feel their development has raped our suburb and they should be made to go elsewhere

"Whenever they 'fix' one complaint, there are still others outstanding. We are tired of being walked over with pleasant assurances that our complaints will be attended to."

Mrs Heald said invitations to attend the meeting had gone out to area councillors, traffic officials, the Press and SA Breweries.

A spokesman for the office of Mr John Eastwood, GM of SA Brewery, said they had been advised of the meeting by telephone and would respond in due course.

Attendance at the meeting which is open to all interested parties is free.

● The noise caused by jackhammers working at Newlands rugby stadium will stop at the end of this month, according to a spokesman for Mr Clive Day, quantity surveyor for Murray & Roberts, which is the civil engineers for the demolition project

Mr Day was responding to a question from a Rondebosch resident who lives near the stadium.

He told her that he was sorry about the noise disturbing people in the area.

DISTILLERS FM 5/3/93

What's up?

(182)

Perhaps it is a highly imperfect stock market Or maybe something is going on behind the scenes that only a few know about

HALF FULL

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	507	390	544
Pre-interest profit (Rm)	109,0	69,7	107,6
Pre-tax profit (Rm)	112,0	74,3	112,4
Attributable (Rm)*	54,9	39,0	56,4
Earnings (c)	39,2	27,8	40,3
Dividends (c)	12	27	12

* After additional depreciation

* Cont →

FOX

FM 5/3/93. (182)

Whatever the truth, a share price rise from 650c in October to 900c now is hard to justify, either fundamentally or technically

The interim report for the six months to December shows a 7,3% increase in turnover (for the first time, turnover figures are disclosed) and a small 1,3% dip in trading income This result was predictable (*Companies* October 16) in a recession which continues to diminish consumers' discretionary spending and while liquor traders battle for market share at the cost of margin

At grass roots, except for a couple of per cent fall in the prime rate, the economic climate has not improved A Distillers spokesman expects 1993 to be a tough year for the liquor trade Distillers will not escape this

Technical analysts must be scratching their heads The chart topped out at 900c in December 1991 after trading in a channel for three years The decline formed a downtrend line within the channel which, over a year, created a good example of a "flag"

The downtrend then penetrated the flag on the downside, suggesting further declines. But within three months, after first moving sideways, the price started a recovery which took it to R10, from which it has corrected to 900c. So much for technical analysis

In the year ended June, Distillers earned R7,5m interest on cash resources of roughly R46m These have been used, so this year's interest earned is unlikely to be as high And because of the economic climate, trading income is likely to suffer at least as large a decline as at half-time.

So why has the price risen? It could be that the market has finally recognised that Distillers has a solid financial base and, as a big player in the liquor market, deserves to be rated more highly Or it could simply be that there is too much money chasing too few quality stocks on the JSE *Gerald Hirshon*

Police ban on sale of sorghum beer at cafes

CT 9/3/93 (182)

By CLAUDIA CAVANAGH

SEA POINT cafe owners who have been selling sorghum beer have been ordered by the police to remove the product from their shelves

The station commander of Sea Point police station, Captain Denise Basson, said the drink had a relatively low alcohol content when packed but it increased dramatically when the brew stood on shop shelves

She said: "The yeast in the brew causes it to ferment into a highly intoxicating drink."

The issue was complicated but it appeared as though the drink was not governed by the Liquor Act yet traders must have a liquor licence to sell it, she explained

Social issue

The issue was brought to the attention of the Atlantic & Waterfront Review by Sea Point councillor Mr Chris Joubert who said residents had become alarmed at the "hundreds" of sorghum beer cartons littering the area

He said "The community has been fighting tooth and nail to get rid of this element and has approached the cafe owners concerned to ask them in a friendly spirit to stop stocking the brew

"Our requests fell on deaf ears and we're very concerned as this has become a social issue"

He said the city council's legal department had confirmed that it was illegal to sell the drink from cafes

"The shop has to have a permit issued by the local authority and a concession granted by the relevant minister." he said

Local sales hinder KWV

BDAY 10/3/93.

LINDA ENSOR

CAPE TOWN — The liquor-producing and distributing co-operative KWV suffered from exceptionally poor trading conditions on the domestic market in the year to end-December and experienced a real decline in profit. (182)

Net income of R55,5m (R55,1m) was generated despite the growth of about 50% in the export turnover of the co-operative's branded products and grape juice concentrate.

The growth in export turnover was largely neutralised by a drastic drop in sales of brandy and wine spirits to domestic wholesalers who reduced stock levels considerably.

A KWV statement yesterday said that due to an underestimation of last year's distilling wine pool, an excess of R18,8m (R4,12 per hectolitre at 10% alcohol volume) was paid out.

The board would therefore recommend at the AGM this year that a bonus of R22,8m be paid out in April to the producers who contributed to the pool of wine for distilling purposes in 1992.

Exports cushion KWV

182

Business Editor

A 50% growth in exports cushioned KWV against a drop in domestic demand in the past financial year

It ended the year with a net income of R55,5m compared with R55,1m in 1991 although the directors said, in a statement issued yesterday, that it had faced "exceptionally unfavourable conditions in the domestic market"

There had been "a drastic drop in sales of brandy and wine spirits to domestic wholesalers, who considerably reduced stock levels."

A spokesman said the SA industry had exported a total of 2,3m cases of wine last year, of which 1,8m had been bottled in this country with Britain the biggest market

"We are also back in the US market, where the response has been encouraging. It is a market with tremendous potential"

CT 10/3/93

The directors say that due to an under-estimation of last year's distilling wine pool, an excess of R18m — R4,12 per hectolitre at 10% alcohol/volume — was paid out to producers as a first instalment in 1922

This means that the board will recommend a bonus of R22 814 000 — less than expected — to be paid out next month to producers who contributed to the pool

"This amounts to R5,01 per hectolitre at 10% alcohol/volume."

Can St George's kill its dragons? 182

MARCIA KLEIN

ST GEORGE's Brewery, which brews in a year what SA Breweries loses in steam in a month, has increased litre sales sevenfold since it began brewing Mitchell's draught ales under licence, says MD Peter Brown. B/DAY

Last year's sales increased by 350% over the previous year.

This growth has come at a price, and last week St George's advertised in Business Day and the Citizen for a partner It required an investment of R1,25m to pay back borrowings, to embark on a limited advertising and promotion campaign in the PWV and Durban and to expand. 12/3/93.

Brown said responses from shebeen owners, stockbrokers, a public company and two firms of auditors meant it could soon be on the road to expansion

In mid-1991, St George's began negotiations with Lex Mitchell of Mitchell's Knysna brewery to brew its Bosun's Bitter, Forester's Draught and Raven Stout, well known beers in yuppie circles in Knysna and Cape Town.

Since it began brewing Mitchell's products, litre sales have grown rapidly. St George's sells about 60 000 to 63 000 litres a month.

Tempora to raise R246-m

Star. 12/3/93

182

Finance Staff

Tempora Investments has announced a R246 million rights issue to achieve a more balanced investment portfolio.

Tempora says in a statement that its portfolio is heavily biased towards its holding in Cadbury Schweppes and it would use the funds raised by the rights offer to take advantage of future investment opportunities

Tempora's holding companies have announced separate share offers to follow their rights in the Tempora issue

Suncrush, which controls 43 percent of Tempora, plans to raise R108 million and Dalys, R57 million, to follow its rights in the Suncrush issue, in which it holds 50,2 percent.

Simultaneously Tempora announced a rise in its final dividend for the year to end-June 1993 of 28 percent to 41c (32c)

Permits will be needed to sell sorghum beer

182

CT 16/3/93

CAFÉ owners selling sorghum beer without a permit will not be prosecuted until the end of June this year, following a recent agreement between the Cape Provincial Aministration, the police and the breweries

In last week's Atlantic & Waterfront Review it was reported that Sea Point café owners had been ordered to remove the product from their shelves after residents claimed the drink became highly intoxicating standing on shop shelves for some time

Customer list

However, the general manager of National Sorghum Breweries, Mr L B Mahlakahlaka, subsequently pointed out that the issue had already been resolved in the Supreme Court, whereby the Administrator of the Cape — who issues the relevant permits — allowed general dealers in areas previously classified as black residential areas or "an area declared to be a group area for the occupation of members of a coloured group" to sell the beer without permits

The breweries have supplied the CPA with a list of customers who do not have permits to try ensure — as far as is in their power — that they apply for permits by March 26

Mr Mahlaka—hlaka denied that it was not true that the yeast in the drink can cause it to become "highly intoxicating" He said the beer had a 3% alcohol content "calculated over seven days — and it only has a lifespan that long" After this period the alcohol content could rise between 0,2% and 0,5% depending on the weather

'Square one'

Sea Point councillor Mr Chris Joubert, who led the campaign against the brew being supplied in the area, said he had been very disappointed to hear of the ruling

"We're now back to square one until June 30 The good news is that the shops will definitely have to be licensed after that

"If the situation is abused the community will have to take strong action," he said, adding that he intended having the brew tested to determine the alcohol content for himself

Residents to take on brewery

(56) (182) CT 16/3/93

Staff Reporter

NEWLANDS' residents living near the SA Breweries plant last night protested against noise pollution, air pollution, "unbearable smells", and devaluation of their "now-industrialised area", blaming the brewery.

About 60 residents agreed to compile a list of their grievances concerning the plant by March 25, and to submit this to SAB management for response

Mr Owen Kinahan, who chaired the meeting, said unless residents substantiated complaints and put them to the breweries repeatedly nothing would be done about their grievances.

Mr John Eastwood, SAB general manager, said the plant was there "to stay, and to stay as good neighbours".

R14,4m profit puts NSB firmly in black

(182) ARGUS 16/3/93

MARC HASENFUSS
Business Staff

NATIONAL Sorghum Breweries (NSB) reported a stout 8 percent increase in bottom line profits at R14,4 million in the six months to end December.

However, group directors lashed out at the continued "harassment and arrest" of Sorghum Beer distributors and drinkers by the South African Police, especially in the Western Cape.

They pointed out that there were no such arrests and harassment when the State operated NSB

"This state of affairs cannot be allowed to continue and the matter must be solved."

NSB, which is black controlled, owned and supported, was privatised in 1991.

Commenting on the results under review, directors said the drought, unacceptable levels of violence and increasing retrenchment had adversely affected the group's customer base

Under these trying circumstances management concentrated on further tightening operational costs.

"The dumping of sorghum beer products by competition least concerned about profits and some who use it as loss leader, are further matters for concern", they added

Turnover jumped 20 percent to R258,6 million and operating profit moved up a satisfactory 15 percent to R22,7 million

The growth of bottom line was slowed by a 23 percent drop in investment income to R5 million.

They warned shareholders not to expect the same rate of return in the second half due to prevailing economic circumstances. This cautious tone was echoed on the unchanged dividend payout of 10c a share

NSB's net asset value increased 9 percent to 398c a share in the period under review

■ M-Net has sold its business information company Information Trust Corporation (ITC) to Chicago-based Trans Union for an undisclosed sum

Trans Union is a major competitor of ITC's former parent Dun & Bradstreet in the US, Puerto Rico and Canada.

M-Net chairman Ton Vosloo says ITC was acquired in 1990 at a time when the television channel was pursuing a strategy of diversification

"Operationally, ITC fitted well into the M-Net group. Despite the recession, it has performed very well over the last two years

"However, during the last year, M-Net has launched a new African service called M-Net International and is entering the European pay-TV market through a substantial stake in FilmNet

"Clearly, our focus now is on developing pay-TV markets in Africa and elsewhere"

The price offered by Trans Union gives M-Net a satisfactory return on investment. Mr Vosloo says ITC management supports the deal and will remain with the business.

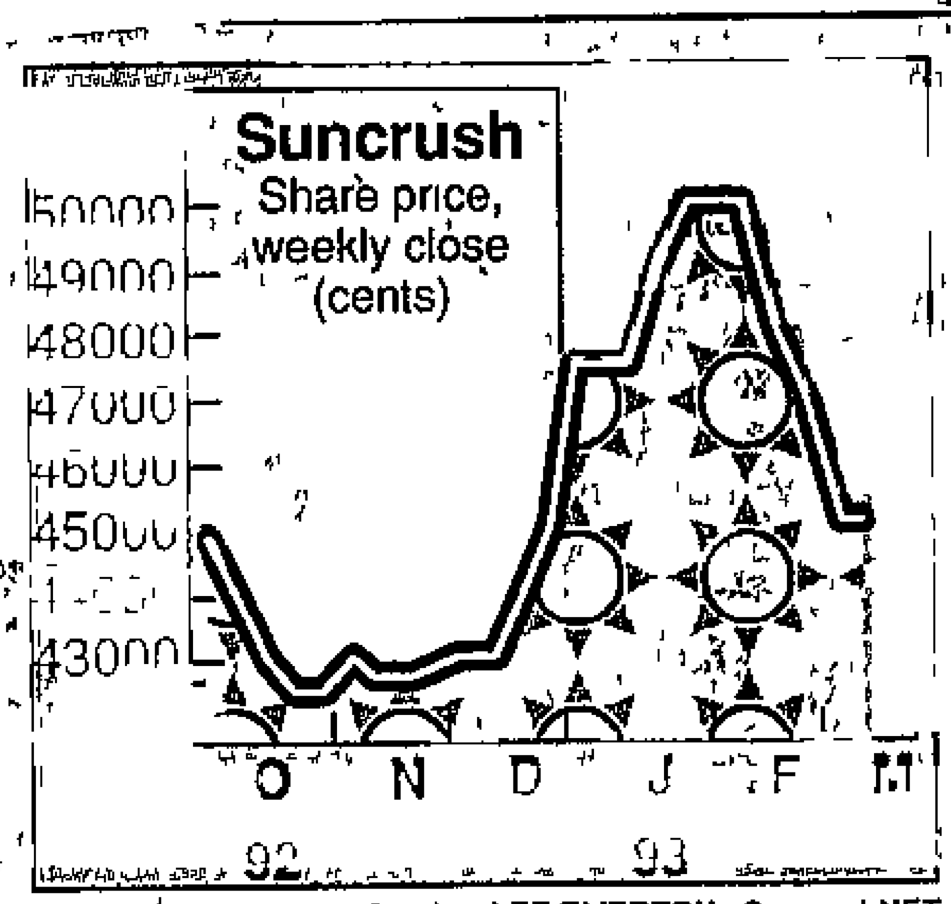
Larry Howell, vice-president in charge of Trans Union's international operations, says he is delighted with the acquisition because ITC is in a commanding position to be the leading credit information organisation in Africa

■ **Teljoy Business Services** (TBS), a subsidiary of Teljoy Holdings, will be split into two separate businesses with effect from April 1

About 30 staff will be retrenched, although the majority will be encouraged to start their own sub-contracting and dealer businesses.

The TBS core business, comprising the supply, installation and servicing of TV, video and audio equipment for the hotel and leisure industries, will move into the Teljoy rental division.

Specialist personnel will continue to serve major clients through Teljoy and Mastercare outlets.



Graphic LEE EMERTON Source I NET

Three rights issues will raise R400m

MARCIA KLEIN (182)

RELATED companies Tempora Investments, Suncrush and Dalys announced yesterday they would embark on rights offers to raise more than R400m between them.

Investment company Tempora said it would raise about R246m in a rights offer which would enable it to take advantage of future investment opportunities

At the same time Suncrush, which holds 43,4% of Tempora, would raise about R108m in order to follow its rights

Dalys, which holds 50,2% of Suncrush, would raise about R57m to follow its rights in Suncrush

BIDAY 17/3/93

This would be Tempora's third rights offer in three years The company raised R81,9m last year and R40,3m in July 1991

Tempora said its current portfolio was heavily biased towards its investments in Cadbury Schweppes and Dalys

The rights offer would enable it to take advantage of future opportunities that were in line with its investment policy "as and when they may occur"

This would provide it with a more balanced portfolio.

At end-December, its investments included Cadbury Schweppes, Dalys, ABI, SA Breweries, Saficon, Saker's Finance, Seardel and Searcon.

Tempora also announced a 28% higher final dividend of 41c (32c) a share for the year to end-June 1993

Rights offer shares would not qualify for the final dividend

Shares of the three companies closed close to their highs yesterday.

The last day to register for the offers would be Friday, March 26

Star 17/3/93

SAB earns top marks from rating company

By Derek Tommey (182)

Everyone knows that South African Breweries (SAB) is a top-ranking company.

But it has taken Republic Ratings (RR) — a credit rating company — to give reasons why it is so good.

It has awarded SAB a general unsecured short-term rating of A.1+ — the highest possible rating

Dave King, RR's director, gives a large number of extremely interesting and sound reasons for this decision.

- SAB's dominant position in the highly profitable brewing market;
- Its high-quality assets;
- Its significant surplus capacity;
- Its low business risk, and
- Its highly skilled management team.

He says RR concentrated on the core beer interests, though cognizance was taken of dividend income generated by its broadly based consumer subsidiaries and their net financing requirements.

SAB was compared with international companies with similar characteristics

SAB's debt level is relatively higher than that of other major international brewers

But its dominance of the local market (which has greater potential than those overseas) enables it comfortably to carry the higher financial risk.

King adds that the undoubted blue-chip quality of the company gives it considerable flexibility in financing

He believes SAB would sell any under-performing asset in need, thereby creating further cash resources.

RR has also given a long-term rating to SAB's 2000 issue of AA+.

King says the entry of SAB into the corporate bond market has created a precedent The development of this market will assist corporates in need of stable longer-term and more cost-effective finance

Bad news for booze firms

Staff Reporter

ALCOHOL companies yesterday slammed increased taxes and duties on their products, saying they would hit consumers hard

Gilbey Distillers and Vinters spokesman Mr Brian Bailey was irked that the Budget picked on alcohol producers again. Duties on spirits were raised by 37,7 cents per 750ml bottle.

"The consumer is now having to pay extra VAT on top of the increase," said Mr Bailey

Sapa reports that major winemaker KWV said in a statement that an increase in excise duties had probably been unavoidable

Wines will rise by four cents per 750ml bottle

KWV said that with VAT, government income from wine products would amount to R803 m this year, higher than the total estimated producer income of R780 m

South African Breweries' Beer Division executive chairman Mr Graham Mackay said the increases would add about 5,5 per cent to the retail selling price of beer.

CT 18/3/93 (182)

"We hope this latest increase will not place too heavy a burden on beer's main consumer, the working man," he said.

Mr Hennie Viljoen, president of the SA Federation of Soft Drink Manufacturers, said wholesale prices of soft drinks would be raised to incorporate the Budget increase of two cents a litre.

Star 18/3/93

Good and bad – liquor industry

By Peter Davies

Liquor manufacturers are divided on the merits of Minister Keys's Budget announcements.

SA Breweries beer division chairman Graham Mackay said: "Considering the straitened circumstances of the economy, Minister Keys's proposals display a much-needed balance However, we will be affected by VAT, which takes the inflation rate on products up to 14 percent in one smack."

Gilbey's also expressed disappointment with the "double blow" of increased VAT and excise tariffs

(182)

Gilbey's planning director Brian Bailey said that, with liquor sales already down on volumes of the last few years, "if sales go down further, the issue of unemployment can't be disregarded"

Seville Chonin, of United Tobacco, said the Budget provided little relief for his company.

The Government's decision to increase tax on cigarettes by only 5c for 20 was a "pathetic response", according to the Medical Research Council's group executive, essential health research, Dr Derek Yach.

Excise duty increases are: beer 4,8c per litre, spirits 37,7c per 750 ml, cigarettes 2,45c per 10, cigarette tobacco 5c per 50 g, pipe tobacco and cigars 5c per kilogram, fortified and unfortified wines and sparkling wine 4c per 750 ml, other fermented drinks 10c per litre, sorghum beer 1c per litre; sorghum beer powder 5c per kilogram, cold drinks and mineral water 2c per litre

Star 19/3/93

Few cheers over Budget

By Paula Fray

Those who rely on cigarettes and alcohol for a good time may well regard Finance Minister Derek Keys as a party pooper — the products' prices could rise three times during the next few weeks

A beer dumpy, which cost R1,53 (R1,70 VAT inclusive) before yesterday's budget, now increases by 2c in excise duty (R1,55 VAT exclusive) and with the new 14 percent VAT rate will cost R1,77

A normal cigarette packet of 20s (now R1,60 VAT inclusive) increases by 5c in duty and will cost R1,70 after the VAT increase

A leading brand of 750ml whiskey, being sold at R37,10 in a Johannesburg liquor store yesterday, will cost R38,61 after the 37,7c tax rise and new VAT.

But, there is more.

When petrol price increases begin to filter through, consumer groups expect more price increases

Sorghum Breweries to start on clear beer

CT 22/3/93 Own Correspondent (182)

DURBAN. — South Africa's 90% black-owned corporation — National Sorghum Breweries (NSB) — is planning to enter the clear beer market by the end of this year.

This move will bring NSB up against the formidable SA Breweries. The corporation intends to start production in Verwoerdburg

The corporation is keeping mum about the brewery's planned capacity. It has, however, indicated that its intention is not to compete with SAB.

(18) CT 24/3/93

Low alcohol beer takes off nationally

Business Staff

SA Breweries' new low alcohol beer, Chandler's, has proved more popular than expected since it was launched in the Transvaal in September, says marketing director Barry Smith

As a result Chandler's, which is brewed in the conventional way and then has most of the alcohol content removed, is now being distributed nationally "much sooner than was planned"

An earlier attempt by SAB to market a low alcohol beer was discontinued several years ago

But, Smith explained this week, market research showed that there was now a demand for such a product This was part of an international trend among beer drinkers "to exercise an option of limiting their alcohol intake on occasions

"Their reasons range from concerns about drinking and driving to a more generalised idea of being in control and following a more moderate, individualistic, thinking lifestyle"

Smith said that to date more than 1m litres of Chandler's had been brewed and demand was climbing.

Outlets

Because it contains alcohol, it will be sold through normal licensed outlets.

SAB does not see it "as a mainstream brand in terms of volumes" But it expects that regular drinkers of its other brands will buy the low alcohol beer on occasions

NSB's double victory

■ Court tells cops to lay off distributors:

By Joe Mdhlela
Consumer Reporter

Sowetan 26/3/93

THE National Sorghum Breweries scored a double victory when it won a court interdict stopping the police from harassing sorghum beer distributors in the Western Cape.

A fortnight ago, NSB chief executive Mr Mohale Mahanyele sought a court order from the Cape Town Supreme Court to restrain police from arresting sorghum beer distributors in the area.

(182).

Mahanyele submitted in court papers that the harassment had become a pattern since NSB became a black-owned company in 1990. Mr Justice Kuhn ruled that the two respondents, the Minister of Police and the Cape Administrator, should refrain from interfering with general dealers involved in the sale of sorghum beer.

Chinese brewer set to step on SAB's toes

PETER GALLI

CHINESE investors might soon tap into the local beer market and are preparing to pour hundreds of millions of rands into developing a huge brewery at Meyerton, south of Johannesburg

A 16ha site has been bought for the brewery, which would operate in direct opposition to SAB which has a near monopoly on the local market

A Meyerton town council spokesman confirmed that land had been bought, but said negotiations were still under way

"We are negotiating with the prospective developer, but nothing has been finalised as he still has to to obtain a permit from the Chinese government for this Should the permit not be granted, the entire deal will fall through

"As far as we are aware, the Chinese investors have no connection with SAB and will be competing with them," he said

Industry analysts said the beer market was extremely lucrative

'SA is believed to be the 11th largest per capita consumer of beer in the world and latest figures give a per capita yearly consumption of 58l or 60% of total local alcohol consumption,' one said

SAB's beer division posted a turnover of R4 84bn in the year to end-March 1992

Anglo American Property Services (Ampros) holds about 48ha of land in Three Rivers East extensions 1 and 2 — near Meyerton - and is optimistic it could be sold to house the brewery's staff

BDay 29/3/93

182

Bulk wine exports opposed

BDAY 1/4/93

LINDA ENSOR

CAPE TOWN — The bulk export of SA wine was damaging the reputation of good quality branded varieties, Stellenbosch Farmers' Winery (SFW) international agents unanimously agreed at a news conference yesterday

The agents from the UK, Switzerland, Taiwan, Zimbabwe, Denmark, Hong Kong, Singapore, US, Mauritius and Holland are in SA to attend the Nederburg auction on Saturday

"Bulk exports of cheap wine is bad news for SA wine," Dutch agent Otto Lenselink said

The agents said SA wine was bottled in the importing country, and there was no guarantee standards were being maintained as it was often mixed with other cheap wines — despite being sold under an SA label

They said the dumping of cheap SA wine on international markets was destroying the efforts of brand wine exporters to build up an export market for quality wines This was happening at a time when SA wine was a relatively new entrant on the international scene and had not had sufficient time to establish the reputation of its branded wines

"It is ridiculous to imagine that it is possible to sell cheap, unknown co-operative wines in Europe," German buyer Ingo Mack said "The only chance SA producers have to succeed is by selling good quality brand wines and investing a lot in advertising"

This was especially the case, Mack said, as wine consumption was declining in Europe, despite the huge surplus, and it was likely that only consumption of good wines would rise He believed SA wine producers had to improve their marketing efforts dramatically

SFW international affairs director Dick Coleshaw said the biggest danger facing the SA wine industry on the international market was for it to get the reputation of producing good, cheap, boring wine

Businessman owes R24m

SUSAN RUSSELL

JOHANNESBURG businessman Louis Ernest Raubenheimer, who is liable for debts of more than R24m incurred by two of his companies, was provisionally sequestrated in the Rand Supreme Court yesterday

The application for Raubenheimer's sequestration was brought by Xeratech, which has a R5,4m claim against him

Xeratech director Robert Peter van der Merwe said in an affidavit the claim was for goods sold and delivered to Raubenheimer's company, Integrated Visual Communications, under a dealership agreement

Van der Merwe said Raubenheimer had furnished a statement which put his assets at R7,2m as opposed to liabilities of R3m

However, Raubenhimer had signed suretyships for IVC and another of his companies, Central Copier Systems, in respect of the Xeratech debt and R18m and R1m owed to Absa and Standard Bank respectively

Both companies had been provisionally liquidated and Raubenheimer's shareholdings of about R900 000 were valueless

It was quite clear from this, he added, that Raubenheimer's empire had collapsed and he was insolvent

Free political prisoners' call

BDAY 1/4/93

MARIANNE MERTEN

THE ANC PWV region would launch a campaign for the release of political prisoners still in detention, regional peace desk co-ordinator Robert McBride said yesterday

McBride told a news conference in Johannesburg there would be a march from Daveyton's Sinaba Stadium to Modderbee Prison tomorrow as part of a "massive campaign" to demand the release of the prisoners.

He also said 43 members of the ANC Phola Park branch, who were awaiting trial, had suspended their nine-day hunger strike after receiving official assurances that their complaints would be attended to

The strike was a protest against allegedly abusive wardens and a lack of medical facilities.

Correctional Services spokesman W/O Rudi Potgieter said yesterday there were no prisoners on hunger strike at any prison.

He said the complaints at Modderbee were being dealt with by the prison head and the prisoners had indicated they were satisfied with how the matter was being handled.

Meanwhile, 23 political prisoners at Leeuwkop Prison said in a statement yesterday they were forced to apply for their release through the Office for Indemnity, six months after the record of understanding between government and the ANC.

This, they said, was contrary to the record of understanding. They demanded to be released at the end of this month.

SA wines 'need own personality'

182

CT 1/7/93

Staff Reporter

SOUTH African wines would have to develop their own personality and identity if they were to be marketed overseas successfully, international wine experts said yesterday.

In the run-up to the prestigious Nederburg wine auction, the estate's British agent, Mr Gerry Amdor, said pinotage was unique South Africa" and always in demand overseas.

This individuality made it very successful on the international market.

Agents from 13 countries will be bidding for thousands of bottles of top quality SA wines on Saturday

Director of international marketing for Nederburg and SFW Mr Dick Coleshaw said sanctions had played a major part in reducing the international sale of South African wines, but it would be deceiving now to think that SA wines were going to flood that overseas market.

SA wines would now have to compete with "new world wines" produced in Australia, California and Chile as well.

He said Nederburg would like to be exporting at least a third or even half of their high quality and high-priced wines.

FM 9/4/93.

WINE INDUSTRY

182

Uncorking big changes

The thought of using anything but a genuine cork to keep fine wines in their bottles is enough to make oenophiles pale But they will have to get used to the idea Not only are screwtops coming for fine wines, but also lightweight plastic bottles and cheaper labels The reason packaging costs are soaring Bottling a good wine now costs more than the wine itself

"It costs us R2 to bottle 750 ml of wine that we pay R1,28/*l* for," says Gary Baumgarten, who's in charge of KWV's quality control "We're looking at cheaper ways of bottling wine — cheaper capsules (the foil at the top of the bottle), cheaper labels and even lightweight bottles The wine industry is at the mercy of the packaging industry, which never takes a price hike of less than 20%" FM 9/4/93.

Screwtops are also in KWV's plans and a major factor is the growing shortage, and thus rising price, of cork The only place with the right climate for producing high-quality cork is Spain and demand is outstripping the country's capacity for expansion. In the Cape, cork trees still line some of the roads, a reminder of an unsuccessful 17th century experiment to produce cork locally — the cork turned out to be far too porous (182)

The cork on a bottle of good wine already costs as much as 65c to 70c, says Allan Jack, a partner in wine retailers Vaughan Johnson's He says the French vineyards that produce the world's best-known quality wines have first choice of the cork supply In the years ahead, whatever little they don't take will be snapped up by the better vineyards elsewhere, at a price

While KWV, the country's largest wine exporter, and other wineries are planning to switch to new types of packaging, some are resisting the trend Distillers Corp, which bottles a range of fine wines, says "We will continue to use cork in the interest of quality."

But true wine buffs know that a cork adds nothing to a wine's quality; in fact, it's a screwtop that probably improves a wine. "A certain amount of air is trapped when a bottle is corked, but when a screwtop is used the bottle can be filled to the top, which means there's no air left to oxidise the contents," says Armin Hallermann, who for many years was the national chairman of the SA arm of the 745-year-old *Chaine des Rotisseurs* (brotherhood of spit roasters), the world's oldest gourmet society

Hallerman does not agree with the theory that wine must breathe to mature "Wine matures better without air being trapped in the bottle I see no disadvantage in using screwtops, other than the lack of that satisfying *plop* when a cork is drawn, or that screwtops are not socially acceptable in certain circles They have nylon seals that don't leak, they don't impart any flavours to wine and they don't allow any air to get in"

He may be thrown out of the society for the heresy, but he also has no fight with wine bottled in plastic, "provided that all the necessary precautions are taken during bottling and it is stored properly — not in sunlight"

The new order apparently already has started in the Cape Wine that once was sold as box-wine is being sold in the bag, without the box It looks like a pillow filled with wine, but it's a big seller ■

WOOLTRU	6100		2 8	4 8
IND. - SUGAR				
CG-SUGAR	370		6 2	14 9
CROOKES	450		4 7	14 3
LONSUGR	6000		4 6	11 7
TONGAAT	2050		3 6	9 9
IND - TOBACCO & MATCH				
LIONMATCH	320		3 8	9 3
REMBR-BEH	1700		1 8	8 0
REMGRO	2425	25	1 5	7 5
TEGKOR	1500		1 6	8 0
TIB	1600		1 6	7 9
UTICO	10000		3 1	5 2
IND. - TRANSPORTATION				
CARGO	126			
LASER	95			
LONGRAIL	38		11 1	21 1
MOBILE	400		1 5	5 8
MOBILE-CD	420		3 3	
PRESTO	66			
PUTCO	285		11 2	21 2
RACY	64	SUSP ENDED		
TRENCOR C	1775		3 2	
TRENCOR	1750		1 4	6 5
UNITRAN	1100		2 4	8 3
UNITRANCD	1175		5 4	
VENTEL	100		8 2	27 1
DEVELOPMENT CAPITAL				
AIDA	30		3 3	8 3
AIMARK	6			
BLOCHS	25		23 6	19 6
CENMAG	100			
CHOICE	15	SUSP ENDED		
CITYHLD	90		1 8	4 6
CFC	600		3 7	5 7
DPF-INV	10	SUSP ENDED		
DPF-UNIT	80	SUSP ENDED		
ENRQL	78			
INVICTA	70			3 3
INVICTA D	9300		2	
INVICTA-P	120		12 7	
LEPPIN	20			
MAXMECH	5			44 0
MESTORE	33			
NISWA	30	SUSP ENDED		
NORVIC	2			
PETRA	5			
QUICKCO	12			1 7
RAPTOR	250		10 0	33 3
ROMENS	10			
ROMENS-P	35		9 1	
SHOCRAF	50		2 0	12 6
SPANJRD	85		7 1	16 4
SPICER	12			
VENTURE CAPITAL MARKET				
DINETTE	40			
TECFIN	30			6 0

Zimbabwe to spend $1,5bn

HARARE. — Zimbabwe's Industrial Development Corporation is considering investing with other partners in projects worth more than Zim $1,5 billion

(Cit 2 ... 13/4/93)

Sapa-Reuter

KWV ups output of grape juice

182

TOM HOOD
Business Editor

ARG 13/4/93

EXPORT turnover of wine giant KWV rocketed by 50 percent last year, mainly through sales of branded products and grape juice concentrate.

Grape juice was also a big seller in South Africa and sweet-must bonuses paid to producers jumped three-fold to R38 million, say the directors in the annual report.

KWV is to step up its output of fruit juice, spending R35 million last year to build plants at Vredendal and Upington to meet ever-increasing demand

Another R14 million will be spent this year to expand the grape juice concentrate plant at Robertson and upgrade maturation tanks and vats.

A 25 percent stake in Ceres Fruit Juices (Pty) was bought at a cost of R41 million

About 25 percent of the 1993 wine harvest is expected to be be processed into grape juice

Exports of natural wine jumped by 34 percent, said the directors New markets were opened and KWV now exported to more than 40 countries

Several South African wine producers entered the export market so that exports of South African wine more than doubled to a record volume of 2,3 million cases.

However, all foreign markets experienced recessionary conditions, which forced consumers to buy down. In Britain there was an increasing shift to buying liquor at supermarkets

Wine sales in South Africa stagnated, with big drops in sales of higher-priced wine, while brandy sales dropped 5 percent and sales of gin, vodka and cane spirits fell by between 14 and 18 percent

Competition from cane spirit producers hit the sales of gin, vodka and liqueurs, whose market share plunged to 20 percent from 35 percent in 1991

Wine exports double in a year

(182) CT 13/4/93

Business Editor

THE wine industry maintained sales and doubled exports in the past year, the directors of KWV say in their annual report released yesterday

Total industry sales reached a record volume of 2,3m cases "representing more than double the 1991 exports (an increase of 124%)"

The volume of KWV's natural wine exports rose by 34%, in spite of recessionary conditions in some of its major markets "This category was established as its most important one for export

"Several new markets are involved, with the result that KWV now exports its products to more than 40 countries"

Sales to the Far East, alone, rose by 128% although from a small base

The report says that in 1992 sales of grape juice concentrate also more than doubled KWV spent R80m on expanding its production facilities and buying a 25% share in Ceres Fruit Juices

Discussing wine exports, it says the downturn in Britain has caused an increasing shift to the supermarkets in terms of liquor sales

The American market is also under pressure, with recessionary conditions causing the consumer to "buy down" And sanctions against SA are still in place in several cities

"The EC not only suffers from a poor economy but also experienced huge wine crops in 1992 Prices of some French wines dacreased by as much as 40% while large volumes of wine from the East European countries are flooding the EC at low prices The Italian lira devalued, making Italian wines more competitive worldwide

"Markets such as Canada, Norway, Sweden, Australia and New Zealand are still inaccessible"

However, the report continues, "Despite the unfavourable global market conditions, 1992 was characterised by excellent export results for KWV and the SA wine industry. Several SA producers entered the export market"

KWV resists recession

LINDA ENSOR

CAPE TOWN — KWV's exports of branded products and the sale of grape juice concentrate locally and abroad helped it maintain its net income in the year to end-December in spite of the recession, the directors said in the annual report.

Export turnover rose 50%, while the sale of grape juice concentrate on the local market increased by 18,6% and on world markets by 140%. Wine sales to the UK and EC suffered from the recession but sales to the Far East soared by 128% off a low base.

SA's total wine exports reached a record volume of 2,3-million cases, 124% higher than last year, with the volume of KWV's natural wine exports increasing by 34%.

The directors said these factors helped offset the effects of a drastic decline in the sale of brandy and wine spirit to SA wholesalers, the abolition of the levy for publicity and services which cost KWV R5,1m, and a decline in net investment income. As a result, net income was maintained at R55,5m (R55,1m).

Sales of natural wine stagnated as wholesalers cut back on purchases of spirits and distilling wine to reduce stocks. The share of wine spirit in the grey market (gin, vodka and liqueurs) slumped to 20% (35%). The directors estimated that producer income from natural wine would amount to R717m for the 1992 crop, a rise of 9,8% over last year.

Brandy sales fell by about 5%, fortified wines by 2%, sparkling wine 8,6%, gin 18,6%, vodka 11,7% and cane spirits 14,2%.

Last year's total wine crop amounted to 999,7-million litres, 3% more than the previous year and the largest in the history of the industry.

Capex amounted to R52,6m, R35m of which was used to erect new grape juice concentrate plants at Vredendal and Upington and the remainder for expanding the plant at Robertson.

Capex, the R41,4m acquisition of 25% of Ceres Fruit Juices and the R18,8m deficit in the distilling wine pool cut KWV's cash resources by R109,4m and lowered its net interest earnings by R5,7m.

Pinotage — so 'exciting'

Stellebosch Farmers' Winery managing director Mr Frans Stroebel said this week on wine export prospects that pinotage was being completely underestimated locally (182) ARG 17/4/93

"At every tasting we have had abroad there has been a higher interest in pinotage than any other varietal. The taste is different enough to excite interest and the quality has impressed everybody."

Mr Stroebel said that although there was increased competition from other new world wine producers in the European markets South Africa had advantages.

It was the oldest of the new world producers, with a history of 300 years, and was in the news

KWV hit as wine market is opened

ARG 17/4/93 (182)

BRUCE CAMERON
Business Staff

WINE industry giant KWV has taken a multi-million rand knock as government and critics force the entire industry on to a more competitive footing

This week KWV reported a substantial R18,7 million loss in its alcohol spirit division as a result of the removal of government support for effective collusion in the so-called "grey market" distilling for gin, vodka or liqueurs

And in a surprise move KWV has also lifted the minimum price on wine for export The co-operative has the statutory power to set the minimum price for the entire industry

The move follows the lifting of grape production quotas last year and the introduction of excise duties on natural wines, albeit at a lower level than other alcoholic drinks

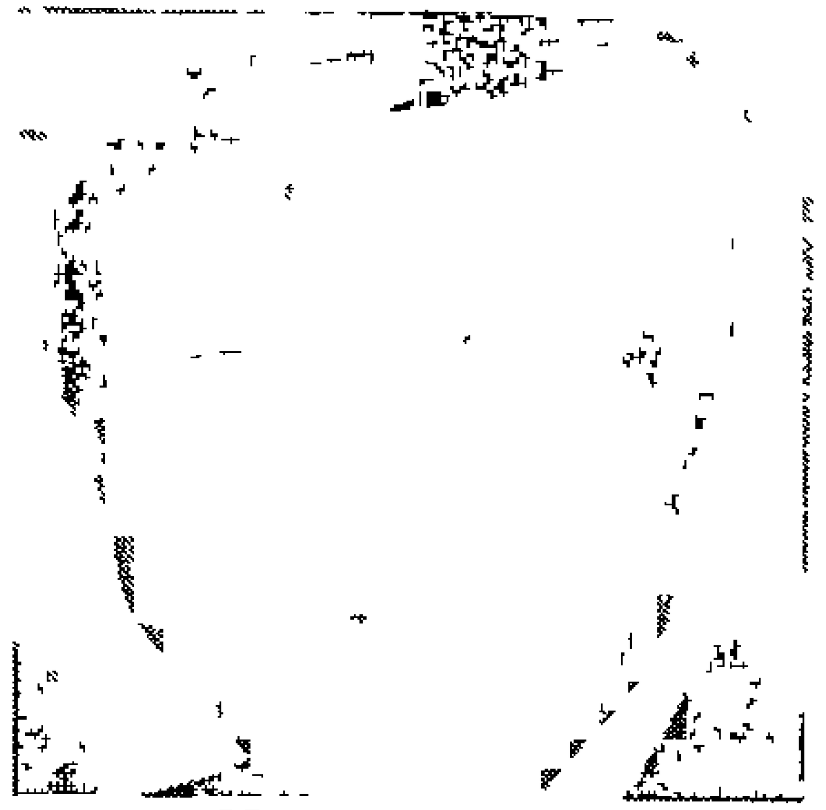
Until last year the government, at the bidding of the wine industry, would increase the tax on spirits distilled from either grain or cane sugar if the other two producers attempted to cut prices

Cane sugar and grain spirit can be produced at considerably less cost than wine spirit Cane sugar spirit producers kept prices in line with wine spirit, reaping bigger profits, knowing if they cut prices the government would take up the difference in excise duties

However with more competition among manufacturers of white spirits, pressure was put on cane spirit producers to reduce prices over the past two years

The government with its new commitment to market forces and a different political constituency has stayed out of the fight with the result that in spite of lower excise duties wine spirit now costs substantially more than the other spirits

KWV chief executive Mr Ritzema acknowledged this week that there was little the wine industry could do to win back a share of the almost 30 million litre a year market Instead the co-operative would now look to fruit juice concentrates, a



Mr Frans Stroebel

growing market in South Africa and overseas

He also confirmed that the R1,30 a litre minimum price on good wine had been removed on export wine

This would enable exporters, of whom there were now more than 60, to negotiate prices with producers This would make exporters more competitive with KWV, but was also likely to boost the already growing exports of South Africa wine

Mr De le Bat said the minimum price had been removed to give greater incentive to exporters

Wine exporters welcomed the move, saying it would make South African wine more competitive on the international market

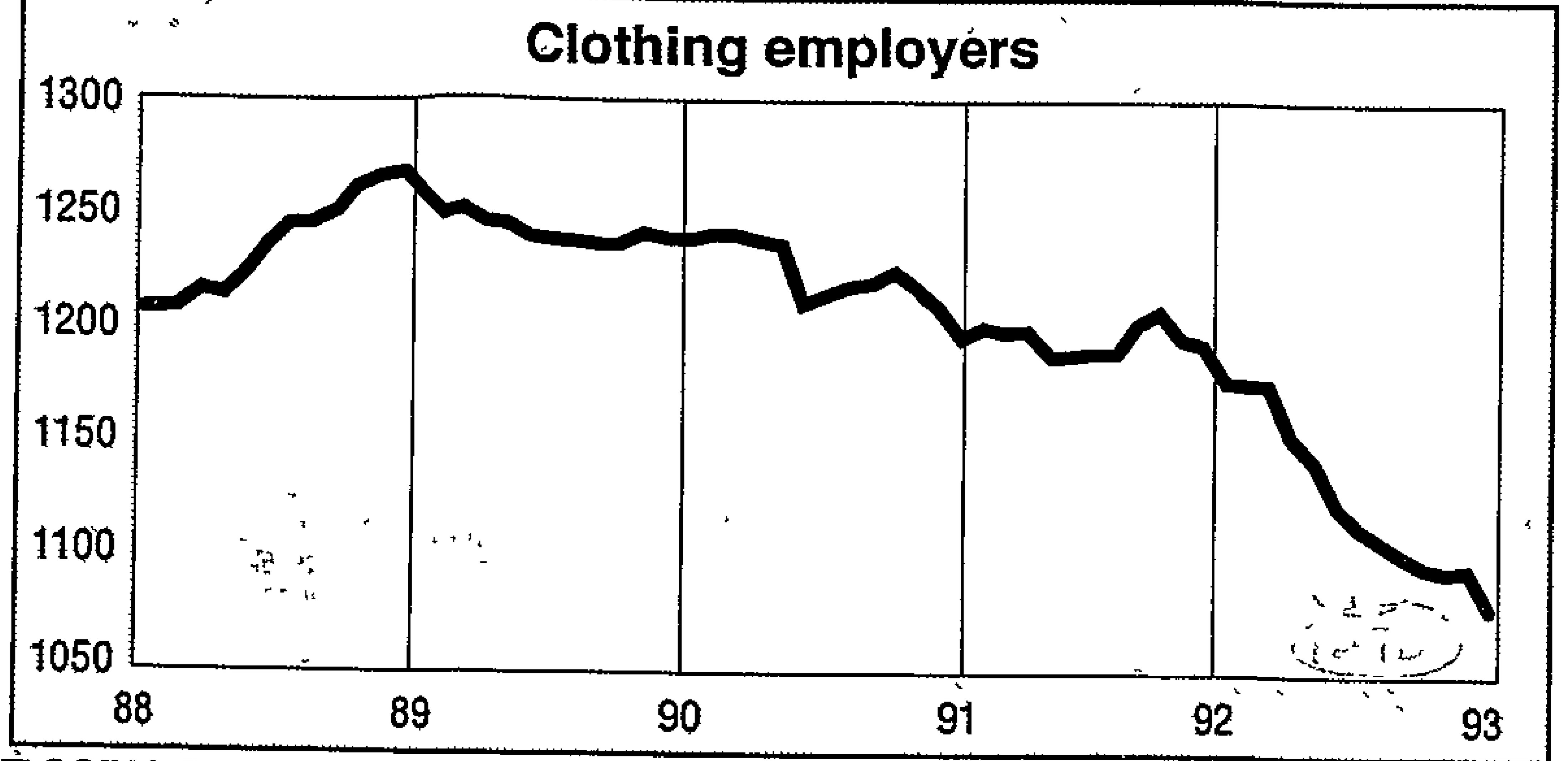
Mr Frans Stroebel, managing director of major exporter Stellenbosch Farmers's Winery, said the move was very pragmatic and with the lifting of the quotas last year would help boost exports

He pointed out that seven years ago Australia had exported 50 000 cases of wine a year to Britain Last year 1,5 million cases were being exported

Against this South Africa's exports to all countries were a little over 2 million cases This showed how much potential there now was in the export market for South African wines

Mr Stroebel said the recent Nederburg wine auction had shown there was substantial overseas interests, with people from 20 different countries attending the sale

Huge drop in number of clothing jobs



☐ **GOING DOWN:** The recession and surging imports put 97 of the country's clothing employers out of business last year and lowered the number of jobs drastically.

800 sign petition on sorghum beer in cafés

(182) CT 20/4/93

By CLAUDIA CAVANAGH

A PETITION objecting to the sale of sorghum beer "within 500 metres of churches and schools" in Sea Point has been signed by more than 800 residents and will be presented to the Administrator of the Cape, Mr Kobus Meiring

This follows the row which arose when police — reacting to a public outcry — tried to ban the sale of the alcoholic brew from cafés in Sea Point

In terms of a settlement drawn up between the police, the Cape Provincial Administration and the National Sorghum Breweries last month, it was agreed that café owners selling the beer without a permit would not be prosecuted until June 30

The breweries supplied the CPA with a list of customers who did not have permits and agreed to try to ensure — as far as was in their power — that they apply for permits by March 26

Residents claim the brew is intoxicating and are opposed to the fact that café owners can sell it to anyone of any age

Its sale falls under the Sorghum Beer Act and not the Liquor Act

However, the general manager of National Sorghum Breweries said the beer had a three percent alcohol content "calculated over seven days — and it only has a lifespan that long"

After this period the alcohol content could rise between 0,2% and 0,5%, depending on the weather

Sea Point Councillor Chris Joubert said "The community feels very strongly about this If our feelings are overruled the people will be disgusted"

Most café owners in the area had applied for permits and the police and City Council had been asked to comment on the issue, he said

"We've no problem with the beer being sold in a bottle store, but object to it being sold from corner cafés and fish shops," Mr Joubert stressed

Sam Motsuenyane

NSB honours Motsuenyane

(182)

■ Walter Sisulu to deliver speech:

Sowetan 23/4/93.

DR SAM Motsuenyane will be honoured for his pioneering work in black business circles, spokesman for National Sorghum Breweries Mr Don Manaka announced yesterday

The ceremony, expected to be addressed by ANC deputy president Mr Walter Sisulu, will be held at NSB's plant at Pelindaba Brewery.

Chief executive officer of NSB Professor Mohale Mahanyele will deliver the citation.

Manaka said Motsuenyane was in the forefront of "black economic empowerment" during the dark era of apartheid, giving small entrepreneurs hope for the future.

One of the founder members of the National African Federated Chamber of Commerce, Motsuenyane led the organisation as its president for 28 years

Motsuenyane was described by some commentators as a "Moses" who led the black business world into a new epoch of hope after he had vigorously campaigned against apartheid legislation that hampered growth.

"NSB is proud to honour a stalwart like Dr Motsuenyane," Manaka said

CADBURY SCHWEPPES (182) FM 23/4/93.

Sweet taste of success

Activities: *Manufactures and markets confectionery, soft drinks and food*
Control: *Cadbury Schweppes plc 53%*
Chairman: *A J L Clark, CE P M Bester*
Capital structure: *35,4m ords Market capitalisation R1,96bn*
Share market: *Price R55,50 Yields 1,2% on dividend, 3,0% on earnings, p e ratio, 33,5, cover, 2,5 12-month high, R60, low, R33,50 Trading volume last quarter, 129 963 shares*

Year to Dec 31	'89	'90	'91	†'92
ST debt (Rm)	10,5	28,5	13,8	35,7
LT debt (Rm)	38,1	27,9	46,9	36,0
Debt equity ratio	0,15	0,13	0,11	0,10
Shareholders interest	0 62	0 71	0,68	0,72
Int & leasing cover	7,6	4,6	4,8	4,6
Return on cap (%)	11,5	9,0	9,5	8,4
Turnover (Rm)	440	538	610	724
Pre-int profit (Rm)	41,9	47,1	60,6	70,5
Pre-int margin (%)	9,5	8,8	9,9	9,7
Earnings (c)	88,4	100 5	133,6	164,4
Dividends (c)	36	41	54	66
Net worth (c)	640	1 067	1 241	1 703

† Fifty-three weeks ended January 2

Once again results vindicate Cadswep's premium rating, on a p e of 33,5 The 23,1% rise in earnings to 164,4c (133,6c) a share on turnover up nearly 19% was achieved not only in difficult trading conditions but also intensified competition in the chocolate confectionery industry

Strong growth by squash and concentrates producer Bromor, which gained market share, left the record untarnished despite significant structural changes to manufacturing facilities, increased financing costs and depreciation

Hot weather in the first six months of financial 1992 was reflected in strong volume growth in soft drinks, reinforced by cash-strapped consumers who bought down The 31% increase in dividend income and equity-accounted earnings to R15,4m largely reflects ABI But this sort of performance is unlikely to be repeated, says CE Peter Bester Sales since December have weakend considerably, with volumes for the first quarter lower than year-ago levels

Weak trading conditions saw volumes in sugar confectionery dip 7% Cadbury was able to gain market share, benefiting from its strategic market penetration, with less expensive products from recently acquired Chapelat-Humphries In chocolates, where market volumes fell 4%, it was less successful, losing ground to competition (rather interestingly, some to Del Monte Food's Mars Bars during its trial period)

Bester *the hot weather helped*

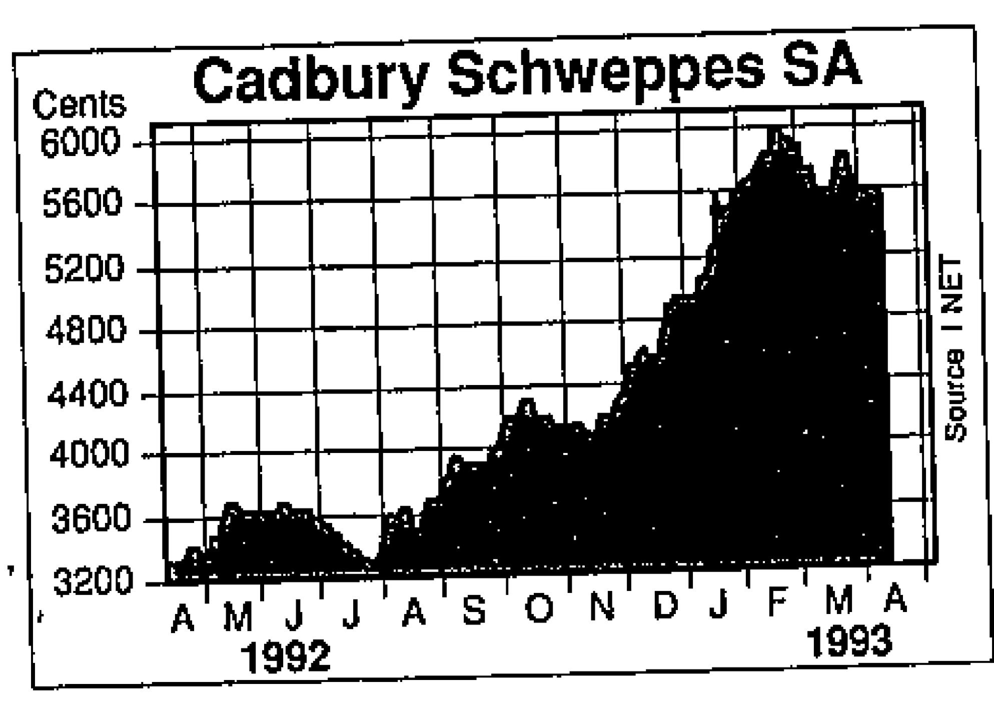
Capex reached record levels, bringing investment over the past two years to R100m This year the figure will come down significantly, says Bester, to roughly R30m, most being channelled towards the confectionery business Capex in 1994 will be biased towards soft drinks

Gearing, as reported in the accounts, stands at 40%, up marginally on the previous year But this is a conservative figure, for if shareholders' funds are adjusted to include associated companies (a policy followed by the *FM*) the figure becomes a healthy 10%

Management forecasts "worthwhile real earnings" this year, through the continuing strategy of broadening the consumer base, product development and entry into new markets Though Bester sees little growth in sales, efforts will be directed at increasing market share Benefits are still flowing through from previous acquisitions, and the important strategic investments made in 1992 have considerably enhanced wealth-generating capacity

The share price at R55,50 significantly exceeds NAV of R17 but analysts believe the solid earnings growth and balanced business portfolio are important fundamentals

There's no doubt the share is expensive However, if management can continue to produce results of this calibre, the counter still gives fair value *Marylou Greig*



NSB are accused of exploitation

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By DAN DHLAMINI

AT least 400 disgruntled workers at the National Sorghum Brewery's (NSB) Tlokwe plant in Potchefstroom are up in arms against their bosses.

The workers' spokesman, who wished to remain anonymous due to fear of reprisals, told City Press this week that the workers intend stopping all production from tomorrow until their demands were met.

C/Press 25/4/93.

The spokesman said the workers demanded that general manager T Nkabinde resign with immediate effect.

"Whites who are employed here are still earning far more than their black counterparts despite the fact that NSB is a black establishment," said the spokesman.

He said most Ikageng residents who applied for jobs were turned down, while some people from the reef got first preference.

The spokesman said despite the fact that Tlokwe brewery sold more sorghum beer than all other NSB plants, the workers at Tlokwe were the lowest paid.

NSB public relations officer Don Manaka denied all the allegations levelled against his company.

Sorghum brewers threaten to defy Act

MARIANNE MERTEN and TRACY SCHNEIDER (182)

NATIONAL Sorghum Breweries yesterday threatened to defy proposals which could put the sorghum industry under control of the Liquor Act BDAY 27/4/93

National Sorghum Breweries (NSB) executive chairman Mohale Manhanyele said he believed the company was "a target of tyranny by government and major vested interests" He told a media conference this move was a reaction to NSB's entry into the clear beer market through its acquisition of Vivo Breweries — "the first challenge to the SAB monopoly"

He claimed the Trade and Industry Department had finalised recommendations, for submission to the Cabinet tomorrow, without consulting NSB but after approaches from SAB and the wine industry. "We find it unacceptable that a company such as SAB, which is a monopoly in the clear beer market, should be consulted"

SAB beer division marketing director Barry Smith denied the accusations, saying SAB had been approached by government for its views on deregulating the sorghum beer industry, which would mean sorghum beer was as freely available as soft drinks SAB's view was that this would be "most unfair" because sorghum beer was an alcoholic product and should be treated as such.

If sorghum beer fell under the Liquor Act, distributors, sellers and brewers would have to apply for licensing permits

Manhanyele said this meant 500 000 informal sector sellers would have to face unfamiliar legal processess and high capital outlays to obtain licences. The move would also criminalise a large section of the black population where sorghum beer was brewed at home for festive occasions

NATIONAL SORGHUM BREWERIES LIMITED

Sowetan 28/4/93. (182)

SORGHUM BEER TO BE PLACED UNDER LIQUOR ACT BY MAY 1993

Attempts to cripple NSB continue

Sorghum Beer is a low 3% alcohol, highly nutritious beverage which contains carbohydrates, vitamins and proteins. Several products already have the SABS mark clearly demonstrating the product's high quality standards.

Following an announcement in Parliament on May 10 1990 by Dr Dawie de Villiers, the Minister of Mineral and Energy Affairs and Public Enterprises, that the State's Sorghum interests were to be returned to their traditional shareholders, the Black Community where the industry rightly belongs, a Board of Directors which is currently 85% black was appointed with senior management that is currently 90% black. The share holding in NSB is 90% black owned NSB has the single widest informal distribution network in South Africa involving approximately 500 000 people The vast majority of the traditional supporters of the company and its products are members of the black community.

When the company was formed in July 1990, the white business community predicted that NSB would not last longer than three months as it would be managed and owned by "untried and untested blacks with no experience of running a major business". The success of NSB since July 1990 to date has caused major revulsion among vested white interest to the extent that the law is now being invoked to cripple NSB operations.

As a result of harassment of our customers by the Cape Provincial Administration, during March 1993 NSB successfully obtained an order of court wherein the Cape Administration and South African Police were ordered not to harass NSB's customers in the so-called "white areas". During April 1993 NSB was again successful in obtaining an urgent interdict against the Transvaal Provincial Administration wherein the administration was ordered to give back sorghum beer permits it had unilaterally withdrawn.

At the moment amendments to the Liquor Act which amendments will become law during May 1993 have been tabled before Parliament standing committee. South African Breweries and the wine industries made presentations to the Deputy Minister of Trade and Industry, Mr David Graaf. NSB, which is the main competitor to South African Breweries' traditional sorghum beer industries was not invited to make presentations to the Minister nor to the Parliamentary Standing Committee

Among others, the amendments to the Liquor Act will have the following implications:

(a) All NSB's customers will now be subjected to the regulations and procedures of the Liquor Act. 90% of the sorghum beer market is in the informal sector and will not be able to comply with these requirements of the Liquor Act,

(b) The Liquor Act further provides that no off-consumption licences shall be granted to certain class of persons In terms of this classification, the distributors of sorghum beer will not be able to obtain licences and so will the majority of the customers;

(c) All NSB's customers and distributors will now be subjected to criminal prosecutions whereas currently they are operating within the law. This will greatly affect the growth of the sorghum beer industry;

(d) More than 500 000 will henceforth be denied the right to trade in a sorghum beer industry and thereby affect their means of livelihood;

(e) The sorghum beer market will henceforth be bound and restricted to the formal market and thereby stand the risk of being dominated by the formal markets;

(f) Although the procedure for acquiring a sorghum beer licence will be similar to that of other liquor licences, a sorghum beer license holder will not be able to sell other liquor products whereas other liquor licence holders will be able to sell sorghum beer,

(g) The subjection of the sorghum industry to the provisions of the Liquor Act will have the effect of hampering expansion project of NSB and the growth of sorghum beer markets;

(h) The implications of section 74 of the Liquor Act will have the effect of criminalising our current operations which are within the law.

The effect of all these amendments to the Liquor Act will be that the distribution network which currently involves approximately 500 000 people will be criminalised, all NSB's distributors will be forced to stop selling sorghum beer unless they can meet these stringent requirements.

NSB's mission is Black Economic Empowerment through ownership, control and management of a group of companies in the beverage, food and leisure industries. To further its mission NSB aims at an affirmative based policy of employment, procurement of supplies and services in its business undertakings.

R10139

Compensation sum in question

BIDMY

27/4/93

ERICA JANKOWITZ

THE Labour Appeal Court will resume a case in July concerning excessive compensation for constructive dismissal granted by the Industrial Court.

The amount granted far exceeded the existing standard maximum of six months' salary laid down by the Industrial Court, a legal source said.

The source said the decision suggested liability for compensation was "open-ended", unlike other countries in which the party found to have committed an unfair labour practice was liable for compensation.

In the UK, in which similar labour jurisdiction exists, maximum compensation is capped and may not exceed £10 000.

This case was taken to the Industrial Court in September 1992 by a warehouse manager who maintained that Amalgamated Beverage Industries (ABI) had forced him to resign under pressure from the Food and Allied Workers' Union.

During his first month of employment, treated as a probationary period in compliance with company policy, the union expressed its unhappiness with his appointment.

This stemmed from an incident at a previous employer, involving police action during industrial unrest, for which the manager was acquitted on all charges of complicity after arbitration.

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The company extended the manager's probationary period by two months with his consent.

During this period the union threatened to embark on national strike action if the manager's employment continued

As a result, the manager was asked to consider resignation.

The Industrial Court found that the manager had been constructively dismissed and looked at the question of compensation.

In the calcucation, presiding officer Arthur de Kock examined the plaintiff's prospects of re-employment as well as his past and future loss of earnings.

He ordered the company to pay R308 756 — equivalent to more than six years' salary because the manager was in his early 50s and therefore had diminished chances of finding alternative employment.

The source said that ABI would contest the court's finding and the compensation award

The company was prepared to take the case to the Supreme Court if the Labour Appeal Court ruled against it.

NEWS Goverment steps down after talks ● Knocking sense into Government's head

May 26 is D-day for schools occupation

Sowetan 29/4/93.

■ **'On that day white education will be brought to a halt':**

WHITE schools, including colleges of education and universities, will be targeted for mass occupation on May 26 to force the Government to address the crisis in black education, the southern Transvaal region of the National Education Co-ordinating Committee warned yesterday

NECC regional secretary Amon Msane said all white institutions which still upheld the status quo would be disrupted in a campaign to "knock sense into the Government's head"

"On that day white education will be brought to a halt," Msane warned

He added, however, that white schools that were committed to the struggle for integration in education would not be affected

Msane said a short list of schools to be targeted was still being drawn up and the names of those institutions would only be disclosed when the campaign was launched

The NECC is demanding an end to the unilateral restructuring of education, the establishment of a national negotiating forum on education and the scrapping of matric examination fees

Msane said previous meetings with the Minister of National Education, Mr Piet Marais, and the Minister of Education and Training, Mr Sam de Beer, had failed to produce the required results

"The Government has been negative to all our attempts to negotiate these issues All our meetings have ended in a deadlock and so we have to unlock the jams through mass action," Msane said.

He said various zones and branches of the NECC would co-ordinate marches to targeted white schools

Sorghum beer will still flow freely

Sowetan 29/4/93.

(182)

By Joshua Raboroko

■ **LICENSING PERMITS** Proposals to put the industry under the Liquor Act dropped:

THE GOVERNMENT has dropped proposals to bring the sorghum beer industry under the Liquor Act after an urgent meeting with the black-owned National Sorghum Breweries in Cape Town this week

The decision was taken after "cordial and friendly deliberations on technical, cultural, legal and principal issues", the Deputy Minister of Trade and Industry, Mr David Graaff, announced yesterday

In a statement the Minister said certain amendments to the Liquor Amendment Bill concerning the sorghum beer industry had been proposed by the parliamentary joint committee on trade and industry

After consultation with NSB's chief executive, Mr Mohale Mahanyele, it was "agreed that the Minister would request Parliament to withdraw the amendments in the Liquor Amendment Bill pertaining to the sorghum beer industry"

NSB executive director Mr Israel Skosana yesterday said they were delighted with the decision Black business had expressed its anger and frustration, he said

The company together with black business — especially the informal sector — had threatened to defy proposals that sorghum beer be placed under the Liquor Act

Sources said the move would have taken black business to the "prohibition days" of the 1950s when blacks were not allowed to buy or drink "white" liquor except by express permission

The proposal also meant that 500 000 informal sellers would have to face unfamiliar legal processes and high capital outlays to obtain licences

New Liquor Act 'would cripple' township industry

(182) ARG 1/5/93

ALIDE DASNOIS
Business Staff

THE future of the R500 million a year sorghum beer industry hung in the balance this week — until the Department of Trade and Industry backed down on plans to subject sorghum beer to the provisions of the new Liquor Act.

National Sorghum Breweries (NSB) put full-page advertisements in several daily papers early in the week claiming that the plan would "cripple" the company.

It would put more than 500 000 distributors of sorghum beer out of business, NSB said.

"Nine-tenths of our distributors are in the informal sector," explained Mr Bernard Mahlakahlaka, general manager of NSB in the Western Cape.

"Most live in shacks or matchbox houses, many are illiterate. There's no way they could find their way round the liquor licencing system

"Subjecting these distributors to the provisions of the Liquor Act would mean the death of these small businesses."

The plan was dropped after a meeting on Tuesday between directors of NSB and Deputy Minister David Graaff.

"The whole thing was a misunderstanding," Mr Graaff said.

"We thought we could accomodate NSB by bringing sorghum beer under the Liquor Act because the present legislation governing the industry is very antiquated.

"But NSB objected violently for other reasons.

"I found I was trying to help an old lady across the road when she didn't want to cross", he said.

At present the industry is regulated by the Sorghum Beer Act of 1964. NSB directors agreed that this Act is inappropriate, but said the answer was to deregulate the industry, not to subject it to a new Act.

"The old Act still refers to areas defined as white under the Group Areas Act," explained NSB executive director Mr Israel Skosana.

"Sorghum beer is not supposed to be sold in these areas. This is a total anomaly, now that there are not supposed to be any group areas any more."

He said sorghum was a traditional crop in South Africa and sorghum beer, which has a high nutritional value and a very low alcohol content, should be seen as a food.

"Distribution should not be regulated at all.

"In South Africa, there's too much regulation already. People are being harassed for selling sorghum beer, money is spent on policing the industry while there are more important things to worry about, like violence against our people."

■ To Page 3

Sorghum beer threat

■ From Page 1

The company had successfully brought legal actions in the Cape and in the Transvaal, preventing the police and provincial administrations — which grant permits for the distribution of sorghum beer in the former "white" areas — from harassing its customers.

Wine exports in bottleneck

ARGT 1/4/93

BRUCE CAMERON (182)
Business Staff

WINE exports are being undermined by the high price put on bottles by Consol Glass, the virtual monopoly bottle maker in South Africa

Wine makers, who are paying double the amount of their European competitors, are now searching for alternatives including bulk shipping of wine for bottling in Europe

A wine bottle costs 30 cents in Europe against 60 cents in South Africa

Mr Pietman Hugo, KWV chairman, said at the KWV 75th annual meeting this week that South African wine could be imported into the European community at a cost 15 percent lower than its European competitors, but packaging in South Africa was 85 percent higher

Mr Ritzema de la Bat, managing director of KWV, said in an interview that negotiations were continually held with Consol Glass The company however maintained that European bottle makers could effect economies of scale because of the enormous comparable demand for bottles

Mr De La Bat said that it was hardly worth importing bottles as with duties and shipping costs each bottle would be only one cent less than the cost of a South African bottle

Last year South Africa exported 21,6 million bottles of wine for which the additional cost of the locally made bottles would have been R6 480 000

A move has already started to export wine in bulk with bulk exports for last year being equivalent to 500 000 bottles

But De La Bat said European wine importers were not in favour of bulk imports as there was a tradition to wines which had to be maintained

He pointed out that the same tradition applied to corks although there were better and cheaper methods of sealing wine bottles He pointed out that every proper cork was imported at a cost of 60 cents

Big brewers going to war

S Times [Buss] 2/5/93

182

By CIARAN RYAN

A WAR is brewing between SA Breweries (SAB) and National Sorghum Breweries (NSB), which seeks a share of the R5-billion-a-year clear-beer market.

In the same week that NSB beat off a Government attempt to regulate sorghum beer, its chairman Mohale Mahanyele accused SAB of violating his company's exclusive right to sell sorghum beer outside the homelands

He also accused it of dumping Coke at give-away prices because of NSB's link with Pepsi

Professor Mahanyele says "We have evidence that SAB is marketing its sorghum beer in Soweto and elsewhere in SA"

"This is denied by SAB beverage interests head Peter Lloyd. He says, "Professor Mahanyele is entitled to his opinions, but we do not believe there is any dispute. We are responding to market needs within all legal constraints."

Wedge

Each side accuses the other of monopolistic practices. One industry source says NSB is trying to drive a wedge between SAB and its customers by depicting itself as an embattled black corporation under threat from white vested interests. Most SAB customers are black.

NSB placed full-page advertisements in newspapers this week implying that SAB and the wine trade were behind attempts to bring sorghum beer under the Liquor Act That would have required 500 000 informal distributors of sorghum beer to hold liquor licences.

SAB public affairs manager Adrian Botha says his company merely responded to an approach by the Department of Trade and Industry for comment on proposals to deregulate sorghum beer

"The Liquor Act provides for the brewing and sale of sorghum beer, but the clauses relating to it have not been applied Our response was that we believed sorghum beer, as a product containing alcohol, should be treated like all other alcoholic products"

Mr Botha says he is surprised at NSB's attempts to draw SAB's beer division into a dispute before it has even entered the clear-beer market.

"There are no restrictions on entry to the clear-beer market other than the costs involved We welcome free and fair competition but this sniping and the apparent attempt to politicise the issue are regrettable. We have more black employees than white in SAB and customers see us as a very socially responsible company"

Mr Botha rejects accusations that SAB has a monopoly

"The true definition of a monopoly is a company which is given exclusive rights to trade by statute. NSB fits this mould"

NSB's exclusive right to market beer outside the homelands expires in 1995 The sorghum-beer trade is worth an estimated R4-billion a year, of which NSB has about 12%.

SAB's Traditional Beer Investments sells its sorghum brand Chibuku in the homelands KwaZulu Development Corporation's Amabele Breweries has exclusive rights to sell sorghum beer in Natal.

Once NSB's exclusive rights expire, SAB is expected to make an all-out bid for a share of its market. The ANC views SAB's alleged beer monopoly with concern and could stop any predatory assault on NSB's market.

Reply

There are fears that NSB might lobby to retain its monopoly after 1995 Professor Mahanyele says NSB's rights need to be looked at in the broader context of SAB's control of inputs for the manufacture of clear beer

"We favour unfettered competition, but until this issue is addressed our exclusive rights must remain"

Mr Botha replies that SAB buys 45% of its hops and 60% of its barley in SA It buys SA's entire crop of hops and it established its own barley farms

Professor Mahanyele is confident that NSB will capture between 10% and 20% of clear-beer sales within a few years

Beverages analyst Chris Gilmour of Senekal Mouton Kitshoff says it is unlikely that NSB will take this kind of market share in the short term.

"NSB marketed sorghum aggressively last year and the timing was perfect. Because of lower disposable incomes in the black community, there was a shift back to sorghum beer, which had been a declining market for 20 years."

NSB's acquisition of Vivo Breweries gave it a small but vital foothold in a clear-beer market which is 99% controlled by SAB.

The NSB threat is regarded as the most serious challenge yet to SAB since Louis Luyt took 10% of the market in the 1970s It has strong credibility in the black community and an informal distribution network which covers the entire country

MOHALE MAHANYELE . complete ignorance of '

Star 4/5/93

Wine exports hindered by high cost of bottles

By Bruce Cameron

182

CAPE TOWN — Wine exports are being undermined by the high price put on bottles by Consol Glass, the virtual monopoly bottle maker in South Africa

Wine makers, who are paying double the amount of their European competitors, are now searching for alternatives, including bulk shipping of wine for bottling in Europe.

A wine bottle costs 30c in Europe, against 60c in SA

Pietman Hugo, KWV chairman, said at the KWV 75th annual meeting last week SA wine could be imported into the European Community at a 15 percent lower price than its European competitors, but that SA packaging was 85 percent higher.

Ritzema de la Bat, MD of KWV, said negotiations were continually being held with Consol Glass.

The company maintains, however, that European bottle makers can make economies of scale because of the enormous demand for bottles.

Liquor licence requests rocket

Star 4/5/93

(182)

CAPE TOWN — Applications for liquor licences increased by 44 percent last year compared with 1991, the Liquor Board said in its 1992 annual report tabled in Parliament yesterday.

The report ascribed the increased number of applications to the simplification of application procedures implemented in the new regulations in June last year.

The board received a "flood" of applications without merit, and the percentage refused increased by 7,6 percent compared with 1991.

Of the 2 464 applications received last year, 1 255 were approved. A further 595 were still under consideration.

There were also 185 applications for the removal of liquor licences of which 131 were approved and 27 were still under consideration. — Sapa.

New Liquor Bill 'set to boost industry'

182

By ARI JACOBSON

THE NEW Liquor Bill will help the industry to create export opportunities and generate increased employment and wealth, said deputy Minister of Trade and Industry David de Villiers Graaf.

De Villiers Graaf said that the government's deregulation of the liquor industry was aimed at "minimising control by the State over business and economic activities".

Speaking at the Fedhasa regional conference yesterday he warned that the liquor trade should not focus on "ways and means to protect vested interests".

"Competition need not be negative — rather conducive to entrepreneurial skills and service excellence," he said.

27/5/93

But he said that the "government acknowledged that the unchecked distribution (of liquor) may negatively affect public interest".

He added "we are committed to the retention of control over the sale of liquor but also bound to promote deregulation and principles of a free-market system."

ABI prospers in tough conditions

BDAY 6/5/93 (182)

MARCIA KLEIN

MAJOR soft drink bottler Amalgamated Beverage Industries' (ABI) attributable earnings rose by 19% to R81,6m (R68,4m) in the year to end-March, despite a decline in soft drink volumes for the first time in many years.

MD Alex Reid said the results were achieved against the backdrop of reduced consumer spending, mass action, higher taxes and cooler weather, which saw the industry experience the decline in volumes.

ABI increased turnover by 11% to R1,16bn (R1,05bn) and by 9% to R1,09bn (R999,6m) after deducting excise duty of R65,5m. Reid said sales were in line with the performance of the carbonated soft drink industry, and market share was maintained. Sales in the last quarter had been disappointing.

But ABI had continued to focus on improving productivity and distribution efficiencies, and cutting costs. The renegotiation of major bottling agreements with franchisors had also led to cost benefits These measures enabled ABI to show a 19% rise in trading profit to R148,6m from R124,6m.

ABI had also developed a strategy which enabled it to maintain market share in the informal sector despite unrest.

Net financing costs were well contained, and profit after tax was 19% higher at R84,2m (R70,6m).

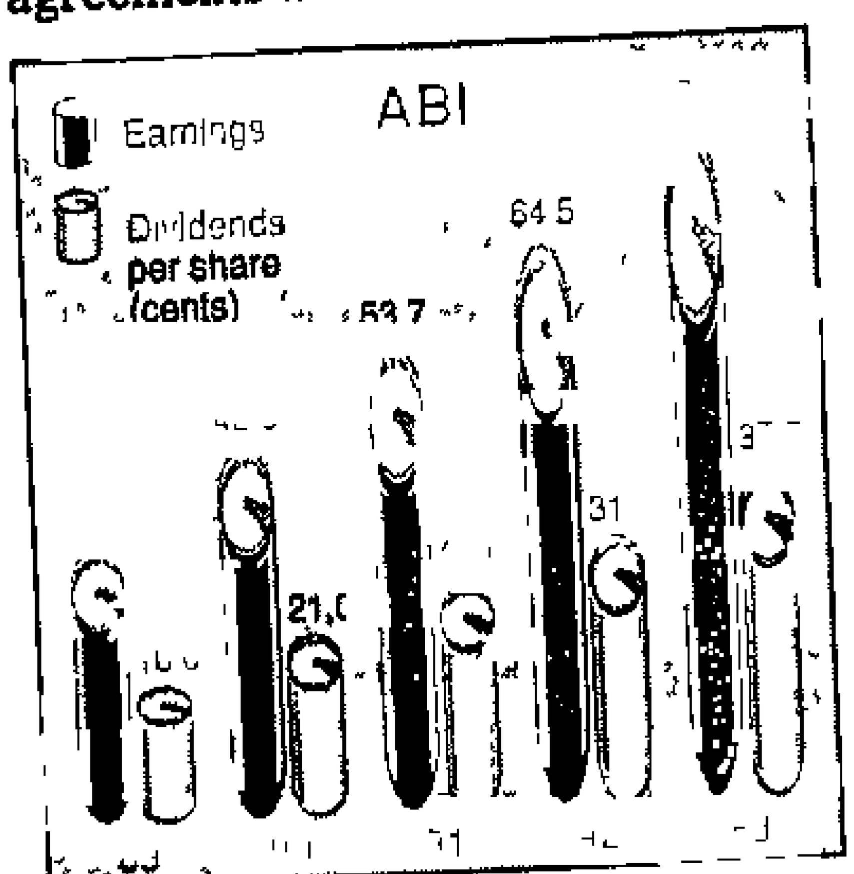
Earnings increased similarly to 77c (64,5c) a share. A final dividend of 29,5c was declared, bringing the full-year dividend up by 19% to 37,5c (31,5c) a share, with a two times cover maintained.

Reid said cash and cost management had assumed increasing importance as the hoped for improvement in consumer spending and sales had not materialised.

Capex of R78m, which was lower than the previous year, was covered by retained cash, allowing for an R11m reduction in debt. The balance sheet remained strong, with virtually no debt and average gearing of only 17% (23%).

Reid said ABI and other bottlers had been involved in some price cutting in the form of consumer promotions But he added that lower prices and the recent Coke giveaway were part of a marketing campaign, and not the result of overstocking.

Reid said consumer spending would remain depressed There would be little material improvement in sales, but "a reasonable growth" in earnings and dividends in the current financial year.



Graphics RUBY GAY MARTIN Source ABI

ABI attributable earnings up 19%

(182) CT 6/5/93

Own Correspondent

JOHANNESBURG — Major soft drink bottler Amalgamated Beverage Industries' (ABI) attributable earnings rose by 19% to R81,6m (R68,4m) in the year to end-March, despite a decline in soft drink volumes for the first time in many years

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Star 6/5/93

ABI shrugs off decline in sales

By Stephen Cranston

182

Despite the first decline in sales volumes for many years, soft-drink bottler Amalgamated Beverage Industries (ABI) has reported a 19 percent increase in earnings per share to 77c for the year to March The dividend has been increased by a similar percentage to 37,5c

Turnover, net of excise duty, increased by nine percent to R1,09 billion, but trading profit was up 19 percent to R148,5 million.

Sales were particularly high in the last quarter of the previous year, but fell in the last quarter of the year just ended because of cooler weather, a drop in consumer spending, mass action and higher excise

MD Alex Reid says efforts to improve productivity and cut costs at all levels have proved extremely successful

ABI has increased its direct sales to the informal sector by setting up a network of small distribution depots which are accessible to informal traders.

During the year, major agreements with franchisors Coca-Cola, Sparletta and Schweppes were re-negotiated with the object of updating and improving the long-term relationship, which has given the bottler such a stranglehold on the soft-drink market.

The alliance will need to be particularly strong to fight off a possible challenge from Pepsi

Financial director John Busschau says Pepsi's entry is well advanced and already has a level of presence, but ABI has been preparing for some time

ABI's long-term debt has fallen by 37 percent to R18,5 million and gearing from 29 percent to 17 percent.

Capital investment has been tightly controlled and has fallen from R105 million to R78 million.

Reid says that consumer spending is likely to remain depressed. But despite little material improvement in sales, ABI will achieve a reasonable growth in earnings and dividends, he forecasts

SA wine sales growing in UK

S Times [C metro] 9/5/93.

(182)

By LEW ELIAS

EXPORTS of South African wine to the United Kingdom have more than trebled since 1990 and are set to do so well internationally that projections for this year are impossible

Internationally, attitudes towards South Africa have changed — at this stage more noticably in Britain where supermarket chains are listing local wines in several price ranges

In 1990 South Africa's total wine sales to Britain was 190 715 cases, in 1991 it was 307 614 and last year 604 355 9-litre cases

Britain accounts for 31 percent of the country's wine exports, with Germany following with 19 percent

Last year more than 1,5-million cases were exported, but the potential is still great as this figure only represents four percent of production

The British are very conscious of price and, despite a big promotional push by the SA Wine and Spirit Exporters' Association since the lifting of sanctions, largely ignorant of Cape wine

British supermarkets have, in terms of wine sales, done a complete turnabout since the start of the decade and are now a major buyer of Cape wines Some have gone as far as promoting the products in stores that previously refused to stock anything from South Africa.

A problem for the sales of good wine from here is the English reluctance to spend more than £4,99 on a wine unknown to them With a quick conversion to rand this does not seem to be too bad — but according to Warwick Estate's Stan Ratcliffe a wine has to be produced at R5,36

Transkei tackled over beer sales

S Times (Buss) 9/5/93

By CIARAN RYAN

DURBAN businessman Mac Eksteen has challenged Transkei leader Bantu Holomisa over the homeland's prohibition on sales of SA-brewed sorghum beer

Mr Eksteen says the 1988 prohibition, which destroyed his R165-million-a-year business, is illegal because it contravenes free trade between the customs union members

He is claiming R2,2-million in lost profits from Transkei and is calling on the SA Government to pressure General Holomisa into reversing the ban and compensating him for losses

Mr Eksteen's company, Delmac Agencies, had exclusive rights to market sorghum beer in the homeland Delmac's beer sales to the Transkei were worth R65-million a year Sales of other food products amounted to R100-million a year, but this also dried up "because businesses in the Transkei were afraid to deal with us after being warned off the by the government".

Attempts by Mr Eksteen and SA to compel Transkei to abide by the SA Customs Union agreement — including a personal visit by President FW de Klerk to homeland leader Bantu Holomisa and threats of withholding funding — have came to nought

General Holomisa says while sorghum beer manufactured in the Transkei cannot be sold in SA because of National Sorghum Breweries' exclusive marketing rights, it is not fair to expose Transkei sorghum manufacturers to "one-way competition"

NSB chairman Mohale Mahanyele says: "We have good relations with the Transkei and understand why they have decided to stick to the prohibition of sorghum beer imports from SA."

Regulations in Liquor Act to be relaxed

S Times [C Metro] 9/5/93

By DINAH WHITE

RELAXATIONS to the Liquor Act could extend bottle-store hours and make licences easier to obtain, the deputy minister of trade and industry Mr David Graaff said this week.

Speaking at the Fedhasa regional congress in Caledon, he said the emphasis in changes proposed in the Liquor Amendment Bill would be on extended licensing hours for stores and possibly amending the prohibition of sales on public holidays.

The government would also review Sunday sales on wine farms, Mr Graaff said.

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Standards

Cape Administrator Mr Kobus Meiring said he was looking to Fedhasa for guidance on the issue of no smoking in restaurants and whether this could be implemented by legislation.

Satour's director of standards, Mr Greg McManus, outlined a new voluntary national grading and classification scheme for all registered hotels.

The July 1 introduction of the new grading would bring hotel standards in line with their European counterparts.

Satour will in January next year publish and distribute 150 000 copies of their guide to Southern African accommodation.

Mr McManus advised hotels "not to chase stars, as it will be the providing of service that is so important".

8 BUSINESS DAY, Monday, May 10 1993

Bearish predictions on SA Breweries' results

B/DAY 10/5/93.

182

MARCIA KLEIN

ANALYSTS are fairly bearish about SA Breweries' (SAB's) annual results to end-March, despite better than expected results reported by the group's major listed subsidiaries.

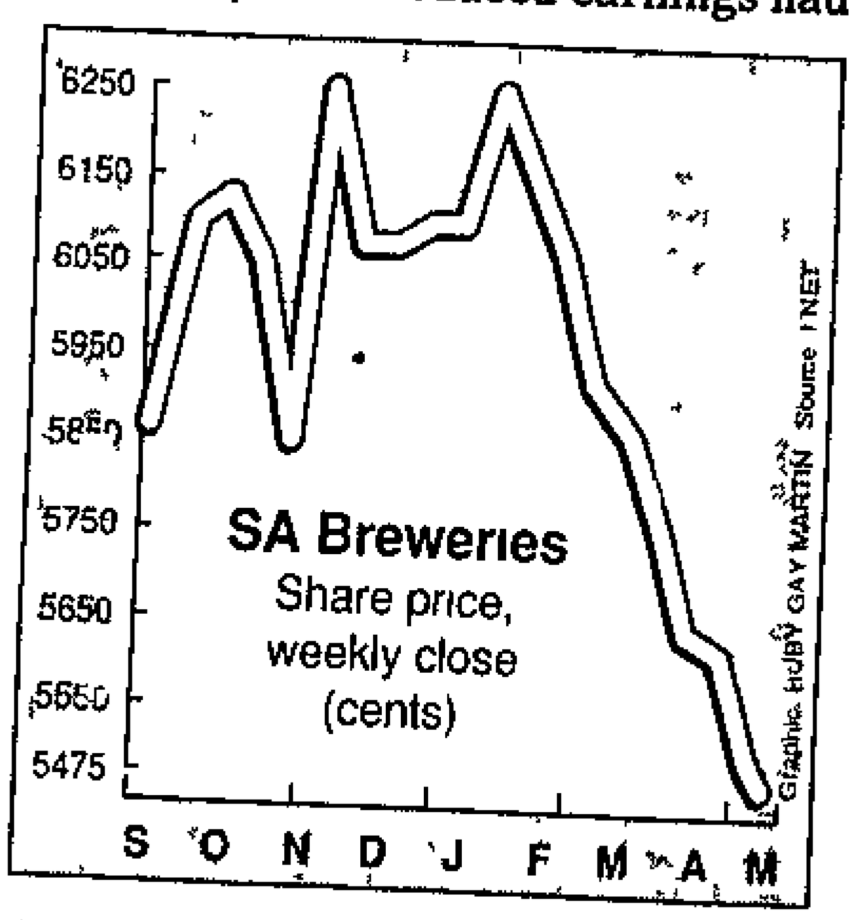
Most said they expected an earnings increase of between 3% and 5% when the group reported this week Earnings were 7% up at the September interim stage, and 10% up in the year to end-March 1992

Executive chairman Meyer Kahn said in his 1992 annual review that 1993 earnings would increase at a rate similar to those of 1992 on the back of further real earnings growth in the beer division

Analysts said SAB's results would depend largely on the beer division, which increased earnings by 13% to contribute 73% of attributable earnings at the interim stage. In financial 1992, beer earnings rose 16%, non-beer interests were up only 2%

Beer, together with star performers Edgars and Amalgamated Beverage Industries (ABI) make up most of group earnings. But analysts said the positive contributions from beer, as well as listed Edgars, ABI, Lion Match and Afcol, would be offset by significant losses at OK and reduced earnings from Da Gama and Amrel Unlisted hotel interests, which included Southern Sun and Holiday Inn, were expected to show a loss

Analysts said most subsidiaries had turned in a better than expected performance in the face of reduced consumer demand Even companies which reported reduced earnings had not fared as badly as expected The OK remained a problem, they said



SA Breweries
Share price, weekly close (cents)

The OK had contributed R9m to attributable earnings in the previous year This year, SAB's share of the OK's loss would be about R31m

Plate Glass, which is expected to report only after SAB, had made no contribution in the previous year Analysts said its contribution this year would be small

Although analysts expected no growth in beer volumes over the past year, they said the beer division would show real growth on the back of price increases, operating efficiencies and a significant rise in exports. Forecasts varied between 11% and 15% for this division

The contribution of non-SA interests was also expected to increase

Analysts said they expected a reasonable improvement in earnings in financial 1994, as SAB and its subsidiaries benefited from a lower company tax rate Although no improvement in private consumption expenditure was expected, they had forecast improved earnings in the beer division, ABI and Edgars

Battle looms for sorghum beer

Sowetan 12/5/93

■ SAB challenges NSB monopoly of the market:

By Joshua Raboroko

182

A BIG war for the R5 billion sorghum beer market looms as South African Breweries positions itself to make inroads into the market presently dominated by the black-owned National Sorghum Breweries

The full-scale battle starts in 1995 when NSB loses its exclusive right to sell sorghum beer in towns and cities

At that stage SAB is expected to make an aggressive attempt to erode the market, probably undercutting the market and using its massive resources to use volumes to cut its prices

Sources have disclosed that NSB might lobby to retain its monopoly after 1995 because SAB has a monopoly of the clear beer market

Executives of these two giants have been at each others throats, making accusations and counter-accusations over the selling of their products in the past

Both NSB and SAB accuse each other of monopolising their brands of beer

NSB's sorghum beer brand names include Juba, Leopard, Cocombo, Tlokwe, Sondela, Kalahari and Jikeleza

SAB's Traditional Beer Investment sells sorghum brand Chibuku in the homelands However, NSB claims that SAB is violating the rules by selling the brand in Soweto and elsewhere

Kwazulu Development Corporation's Breweries has exclusive rights to sell sorghum beer in Natal

The latest of these charges was when NSB beat off a Government attempt to regulate sorghum beer by placing it under the Liquor Act last week

NSB chief executive Mr Mohale Mahanyele asserted that SAB was violating his company's exclusive rights to sell sorghum beer outside the homelands He claimed that the Government invited SAB and the wine industry to make recommendations to the Cabinet without consulting NSB

He charged "We find it unacceptable that a company such as the SAB, which has a monopoly of the clear beer market, should be consulted"

Mahanyale also accused SAB of dumping Coke at give-away prices because of NSB's link with Pepsi Cola

"We have evidence that SAB is trading its sorghum beer in Soweto and other parts of South Africa"

However, these accusations have been denied by SAB beer division director Mr Barry Smith, who said that they had been approached by the Government for their views on deregulating the sorghum beer industry

He said that meant sorghum beer was freely available as soft drink, adding that their view was that this would be most unfair because the drink was an alcoholic product and should be treated as such

Sorghum beer is a low 3 percent alcohol, highly nutritious beverage which contains carbohydrates, vitamins and proteins Several products already have the SABS mark clearly stamped on them

If sorghum beer fell under the Liquor Act, distributors, sellers and brewers would have to apply for licensing permits

However, the Government, after "cordial and friendly talks on technical, cultural, legal and principal issues" with NSB representatives, agreed to withdraw its intentions

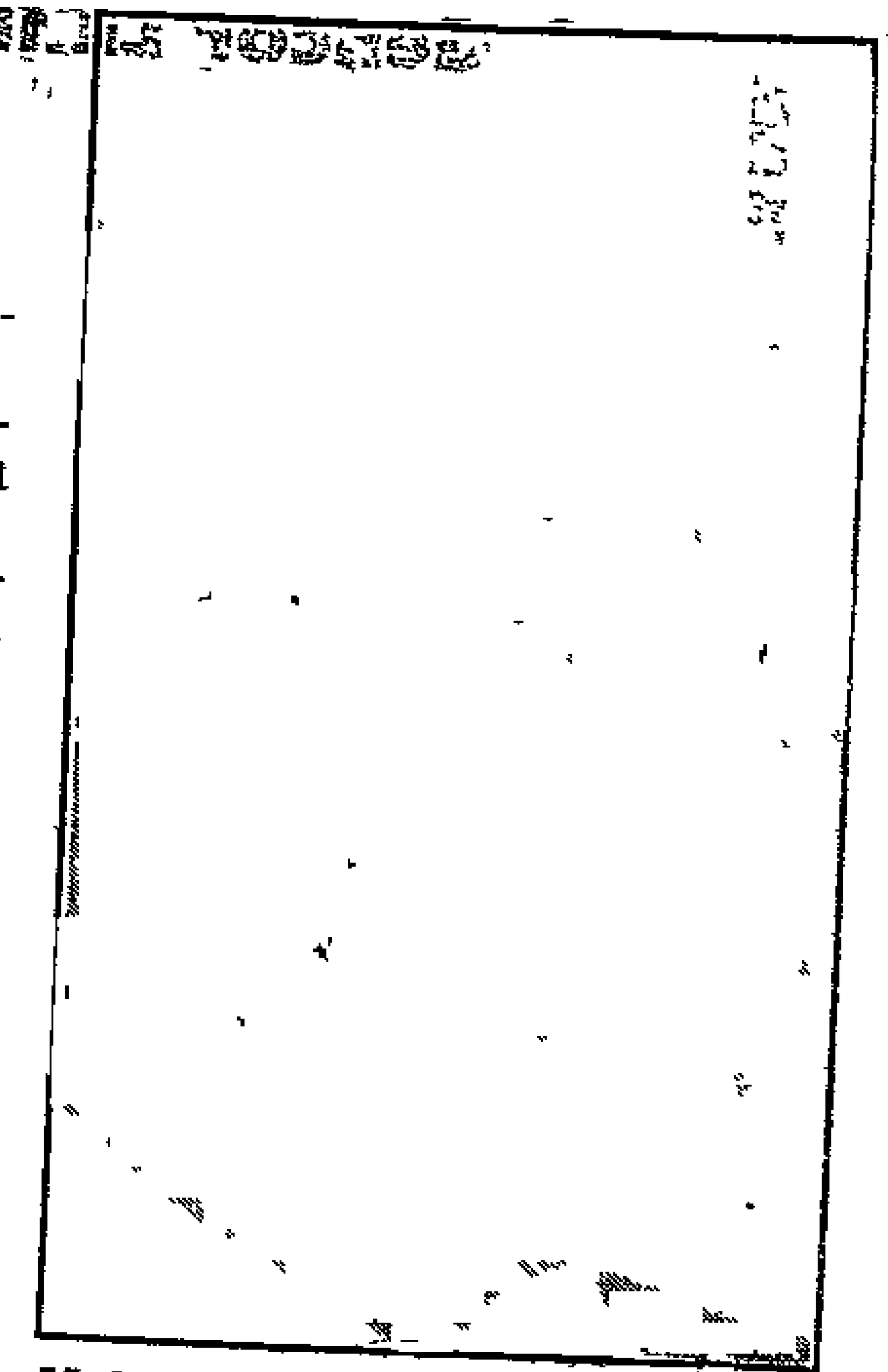
Smith said that there were no restrictions on entry to the clear beer market other than the costs involved

NSB's threat to enter the clear beer market is seen as a serious challenge to SAB because of its vigorous influence in the black community and informal distribution countrywide

A source in the SAB said that they would enter the sorghum beer industry once the exclusivity expired, although they were not sure what the Government would do after 1995.

SAB buys 45 percent of its hops and 60 percent of its barley in South Africa It buys the country's entire crop of hops and has established it own barley farms

When NSB was formed in July 1990, many predicted that it would not last longer than three years



Mohale Mahanyele ... accuses SAB of selling sorghum in Soweto.

Beer division lifts SAB's earnings

B/DM 13/5/93

(182)

MARCIA KLEIN

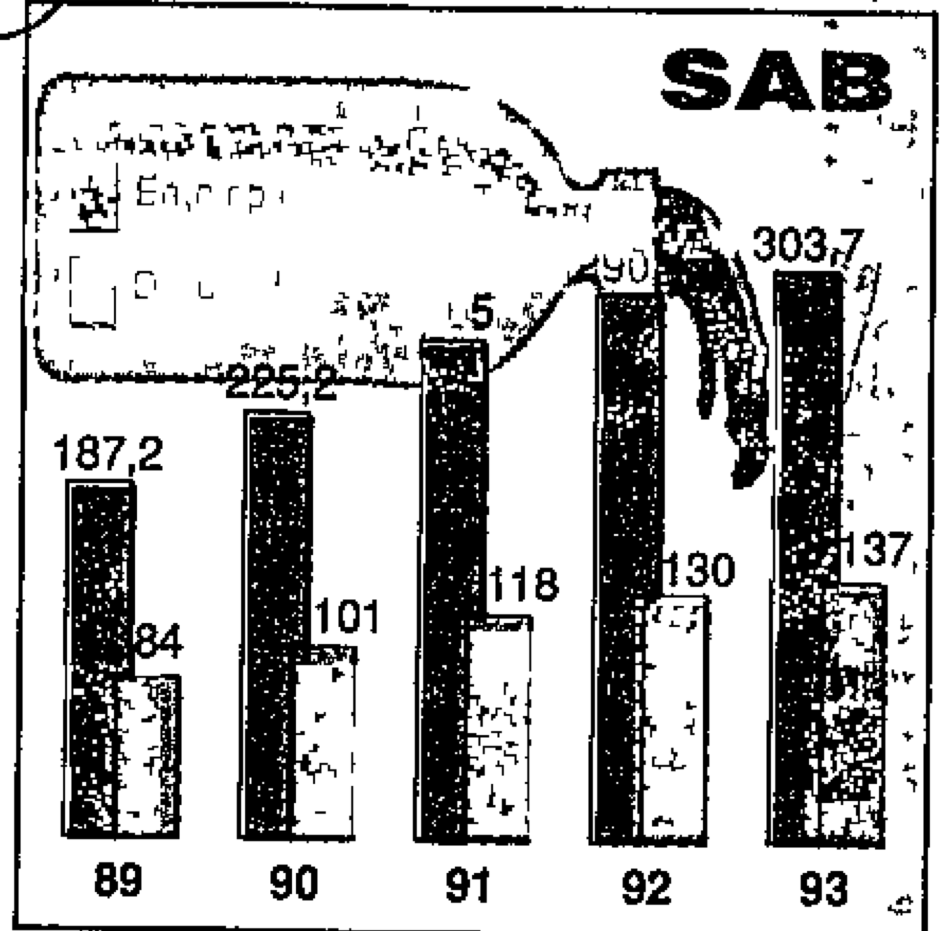
SA BREWERIES (SAB) achieved a 6% rise in attributable earnings to R825m (R779m) in the year to end-March as its beer division overcame pressure on volumes to post buoyant results

The group, whose non-beer interests include Edgars, ABI, OK Bazaars, Plate Glass & Shatterprufe Industries, Lion Match, Da Gama, Afcol and Amrel, increased attributable earnings by 5% to 303,7c (290,4c) a share on additional shares in issue

The beer division's attributable earnings rose by 16% to contribute R541m (R465m) to the bottom line. Other interests dropped by 10% to R284m (R314m) of earnings.

Executive chairman Meyer Kahn said despite pressure on SAB's widespread consumer goods interests, turnover had increased by 24% to R21,8bn (R17,6bn). The incorporation of Plate Glass had boosted turnover by 16%, with existing interests contributing a further 8%.

Trading profit rose by 21% to R2,3bn (R1,9bn). But a higher effective tax rate



Graphic LEE EMERTON Source SAB

saw profit after-tax rise by 15% to R1,2bn (R1bn) After the cost of additional preference dividends on shares issued for the Plate Glass acquisition, attributable earnings were 6% higher.

A final dividend of 102c a share was declared, bringing the full-year dividend

☐ To Page 2

SAB

B/DM 13/5/93. (182)

☐ From Page 1

up by 5% to 137c (130c) a share.

Kahn said the beer division's results reflected improved efficiencies and greater productivity, and were achieved on a modest 1% increase in volumes. Exports had been good until December, but the past quarter had been affected by strife in Angola and this had hampered distribution.

He confirmed that the beer division had established a presence in South America, where it sold mainly Castle and Ohlssons. SAB was intent on establishing brewing interests outside SA, particularly in Africa and South and Central America.

Hotel interests, which include Southern Sun/Holiday Inn and an interest in Sun International, dropped their attributable earnings to R17m from R27,1m.

Earnings from fruit juices were down by 40% as the industry felt the effects of the downturn on premium products.

ABI, Edgars, Plate Glass and Lion Match had performed extremely well, Kahn said, while Da Gama and Amrel had done well in their depressed markets. The OK had felt the effects of the environment and the costs of restructuring.

Kahn said SAB's balance sheet and cash flows were sound. Just under R1,4bn of net cash invested was totally funded by cash retained from operating activities. Working capital was reduced by R17m, after an increase in working capital of R463m in the previous year. Gearing was 54% from 65% previously

SAB's financial strength and surplus monies from the R1bn corporate bond placed the group well to invest R1,8bn in the coming year, he said.

It had proved its resilience in difficult times and Kahn expected increases in earnings and operating cash flows. SAB was not looking for acquisitions and would spend the current financial year absorbing and consolidating Plate Glass.

Beer div propels SAB earnings

(182) CT 13/5/93

From MARCIA KLEIN

JOHANNESBURG — SA Breweries (SAB) achieved a 6% rise in attributable earnings to R825m (R779m) in the year to end-March as its beer division overcame pressure on volumes to post buoyant results.

The group, whose non-beer interests include Edgars, ABI, OK Bazaars, Plate Glass & Shatterprufe Industries, Lion Match, Da Gama, Afcol and Amrel increased its attributable earnings by 5% to 303,7c (290,4c) a share on additional shares in issue

The beer division's attributable earnings rose by 16% to contribute R541m (R465m) to the bottom line Other interests dropped by 10% to R284m (R314m) of earnings

Executive chairman Meyer Kahn said despite pressure on SAB's widespread consumer goods interests, turnover increased by 24% to R21,8bn from R17,6bn The incorporation of Plate Glass boosted turnover by 16%, with the existing interests contributing 8%.

Tax rate

Trading profit rose by 21% to R2,3bn from R1,9bn But a higher effective tax rate saw profit after tax rise by 15% to R1,2bn from R1bn

After the cost of additional preference dividends on shares issued for the Plate Glass acquisition, attributable earnings were 6% up

A final dividend of 102c a share was declared, bringing the full year dividend up by 5% to 137c (130c) a share

Kahn said the beer division's results reflected improved efficiencies and greater productivity, and were achieved on a modest 1% increase in volumes Kahn said exports had been good until December. But the last quarter was affected by strife in Angola and this had hampered distribution

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SAB's financial strength and surplus monies from the R1bn corporate bond, placed the group well to invest R1,8bn in the coming year, he said

Ongoing recession impacts severely on SAB earnings

Star 13/5/93

182

By Stephen Cranston

SA Breweries lifted earnings by five percent to 303,7c in the year to March, in line with market expectations.

A final dividend of 102c has been declared, bringing the total for the year to 137c — five percent up on last year

Chairman Meyer Kahn says the prolonged recession has devastated consumer spending and placed unprecedented pressure on SAB's widespread consumer goods interests

Earnings from non-beer interests fell by 10 percent to R284 million, while earnings from the beer division were up 16 percent to R541 million.

Beer volumes increased by one percent, with local sales up 0,6 percent.

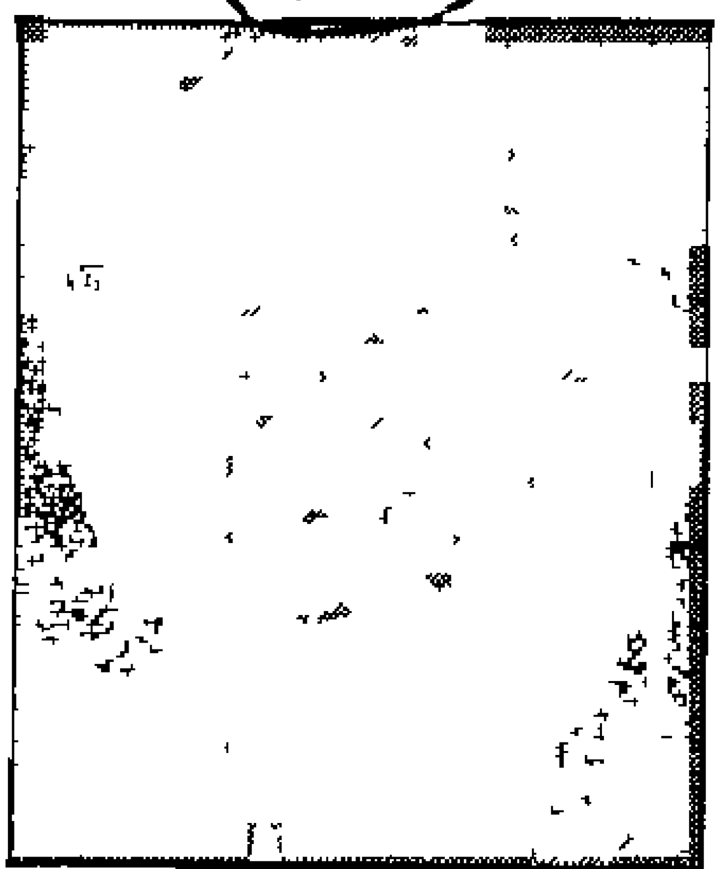
Exports were up 30 percent by the end of December, but were sharply down in the last quarter because of the resumption of war in Angola, which had become an important market and shipping point.

Profitability

Kahn says "There is scope for improved profitability when volumes are flat because when we are expanding capacity we are carrying unproductive assets in the form of uncompleted breweries, or new breweries which have not reached their potential productivity levels.

"With the completion of the Alrode brewery, our expansion will be over and all our assets will be working efficiently"

Despite reduced volumes, the listed Amalgamated Beverage Industries (ABI) lifted earnings by 19 percent.



Meyer Kahn . . unprecedented pressure on consumer goods interests

Profits from SA Fruit Juices, which makes Appletiser, Liquifruit and Just Juice, were down 40 percent because of higher prices of apple and pineapple concentrate and downtrading by consumers to cheaper squashes and artificial products

Kahn says that the contribution of the hotel interests was down by a third, which he attributes to the drying up of the international tourist trade and a reduction in corporate travel domestically.

Southern Sun is repositioning itself by converting most of its full-service hotels to limited-service Holiday Inn Garden Courts

Kahn says there are fewer five-star travellers today because the country is getting poorer and customers are looking for value

Nevertheless, in November the Sandton Sun Towers will open with a further 350 five-star rooms

The OK's R45 million loss was a shock for the group, but new management is busy repositioning itself to serve the bottom end of the market and has already begun reducing stocks and borrowings

Kahn says, however, a turnaround will take a further 18 months to two years.

The OK's losses account for the decline in the contribution from non-beer interests.

Otherwise contributions were virtually unchanged, with improved results from Edgars, Lion Match and Afcol, and a strong maiden contribution from Plate Glass, offset by a reduced contribution from Da Gama and Amrel.

Overseas interests, excluding those in Plate Glass, increased by 18 percent to R85 million They now have assets and turnover of R1 billion.

Tax rate

Financial director Selwyn MacFarlane says the changes in company tax lifted the group's tax rate from 36,5 to 40 percent. The secondary tax on companies of R41 million was offset by a R44 million credit for reduced deferred tax

Cash flow improved markedly, with cash flow per share up from 329,1c to 525,8c MacFarlane says there was a tightening of working capital throughout the group and net working capital fell by R17 million

Cash retained from operations of R1,37 billion financed all the capital expenditure programme, whereas in normal years it funds about half the requirements

Borrowings fell by R229 million and gearing was down from 65 percent to 54 percent, well below the self-imposed ceiling of 75 percent

Kahn says real growth in consumer sepnding cannot be expected before well into 1994

8/10/93 BUS/793

Upbeat wine forecast

SA WINE producers expected to sell 1-million cases of wine in Britain this year and were well ahead of the target date they had set for entering this market, SA Wine and Spirits Exporters' Association chairman Jannie Retief said in London yesterday. (182)

Jabu Mabuza

Mabuza joins SAB

Sowetan

■ NSB suspicion increases:

14/5/93

By Mzimkulu Malunga

FORMER chief executive of the Foundation for African Business and Consumer Services Jabu Mabuza has been appointed to a senior executive position at South African Breweries.

Mabuza, who has just resigned from Fabcos, will assume duty as group advancement manager on July 1.

SAB executive chairman Meyer Kahn says. "My executive looks forward to the contribution he will be making in the fields of affirmative action, economic empowerment and the development of small business

"He brings with him the kind of experience which we believe will boost our efforts in this regard"

The appointment of the 33-year-old Mabuza into the beer giant's fold strengthens beliefs that SAB is laying the foundation for a future battle with National Sorghum Breweries as the latter tries to make inroads into the clear beer market

Sources close to both companies say the stage is set for a head-on collision as SAB's monopoly is challenged

SAB is said to be worried that a future government might side with NSB in the latter's fight to increase its market share, hence the appointment of blacks to its hierarchy

SA wines top Chile, NZ in UK

From CHRIS BATEMAN (182)

LONDON — South African wine producers expect to sell one million cases in Britain this year — a full year ahead of the target date they set themselves on entering this market two years ago

Dr Jannie Retief, chairman of the South African Wine and Spirits Exporters Association, said at the third annual Wines of SA tasting in ~~London~~ yesterday that South African producers had outstripped Chile and New Zealand in exports to the United Kingdom

CT 14/5/93

They had used the wine-tasting expo to increase exports from 320 000 cases in 1991 to more than 680 000 cases last year

Dr Retief predicted that the the one-million-case barrier would be broken by the end of this year

Asked about South African producers who had begun exporting wine in bulk to bottle it in Britain and gain market advantage, Dr Retief said the monopoly held by Consol Glass in South Africa was "a problem"

"We're against bulk because we have a responsibility to employ people — about 300 000 — and this could put them out of jobs," he said

Bevcon reports decline in equity accounted earnings

BIDAY 18/5/93

(182)

MARCIA KLEIN

BEVERAGE and Consumer Industry Holdings (Bevcon), which has a stake of more than 30% in SA Breweries (SAB), reported a marginal decline in equity accounted earnings to R264,8m (R266,9m) in the year to end-March

Bevcon's wholly owned subsidiary Gemlib Investments holds 93,6-million ordinary shares in SAB, representing 30,32% (31,96%) of SAB's share capital

The dilution during the year reflects SAB's further issue of preference shares relating to the acquisition of Plate Glass and the issue of 4,6-million SAB shares in lieu of cash payment of SAB's final dividend for financial 1992

Bevcon declared a final dividend of 134,44c a share, with the 5% increase from the previous year being in line with the increase in SAB's final dividend

Bevcon's results reflect those of SAB Last week SAB reported that it had increased its attributable earnings to end-March by 6% to R825m (R779m), largely on the back of good results from its beer division.

The beer division's attributable earnings rose by 16% to contribute R541m to the bottom line. But other interests dropped by 10% to R284m of earnings. While SAB subsidiaries Edgars, ABI, Plate Glass, Lion Match and Afcol showed good profit growth, OK Bazaars posted a significant loss and Da Gama and Amrel reduced their profits.

Bevcon's dividend income rose to R128,2m from R121,6m and its share in the retained income of its associated company dropped to R136,7m from R145,3m.

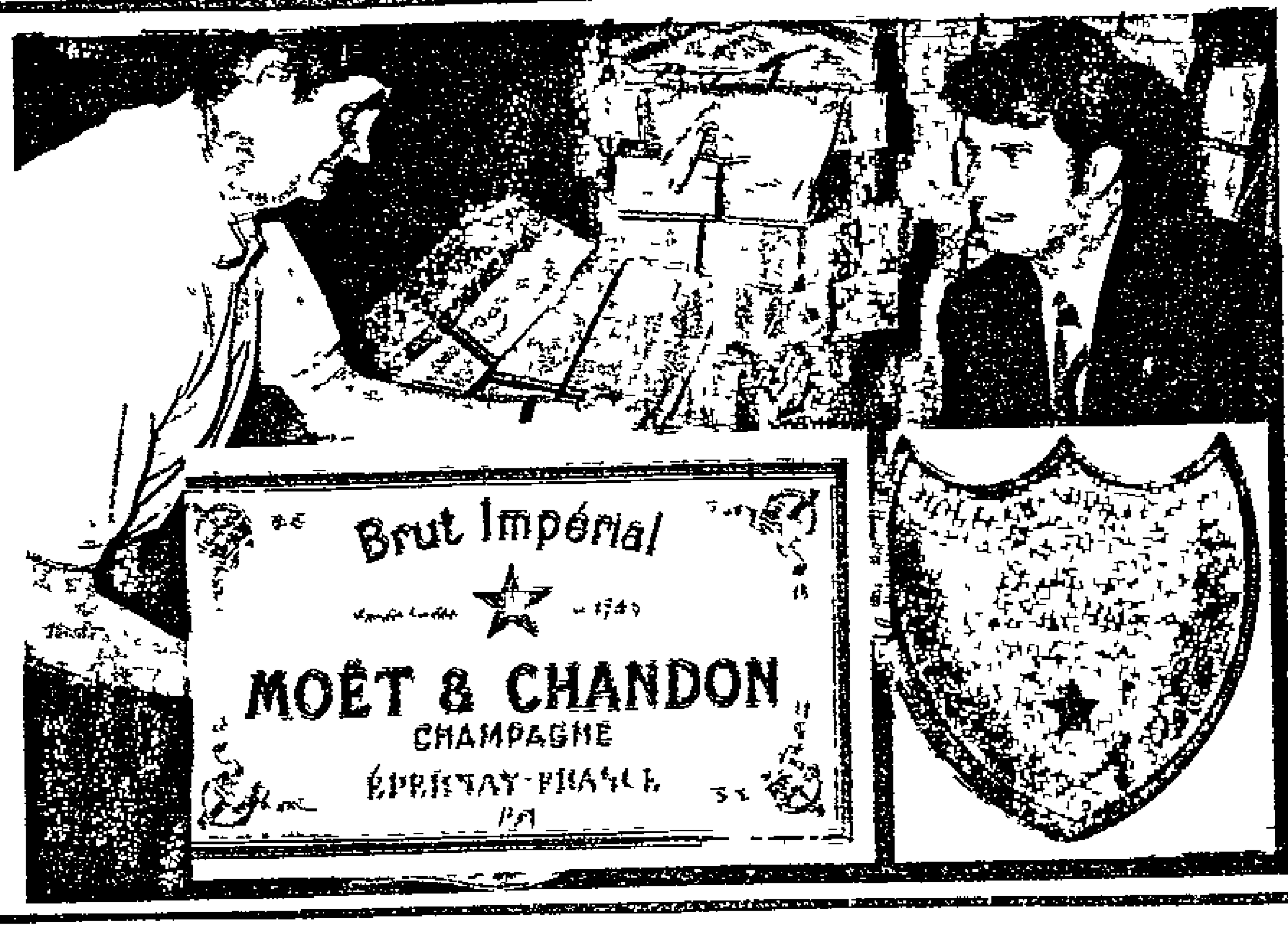
Earnings after the share of retained earnings of its associate were 373,12c (376,02c) a share

Bevcon directors said the secondary tax on companies would not affect Bevcon as dividends receivable were slightly more than dividends payable.

Yesterday the share closed untraded at R70 It reached a high of R77 in February.

Police to quizz wine exporters over champagne labels scam

CT 18/6/93 (182)



NOT THE REAL THING Police have uncovered a South African link in the marketing of bogus French champagne under the Moet et Chandon label Here is part of the 1,5-ton haul of fake labels **INSET** Fake copies of the Brut Imperial and Dom Perignon labels Picture STEWART COLMAN

By DAN SIMON

POLICE are to quizz bulk wine exporters to determine if their products were used in an international fraud syndicate which has been making millions by selling fake French champagne under the famous brand name of "Moët et Chandon"

This was disclosed yesterday by a member of the Cape Town SAP's Commercial Branch, who said police had exposed the South African link to the scam after seizing 1,5 tons of forged labels and packaging materials in a warehouse at D F Malan Airport last Thursday

This followed allegations that South African wine, among others, was used for this purpose

The labels and packaging materials, bearing the Moët et Chandon logo for Brut Imperial and Cuvee Dom Perignon, were destined for either Brazil or Panama, where they would be placed on bottles containing inferior quality wines

The product would have then been exported worldwide and sold as genuine French champagne It is understood that the find has saved the champagne producer about R47 million in lost profits

The investigating officer, Detective Warrant Officer Craig Wynne, said the raid on May 13 followed a tip-off from French police Members of the security services of Moët et Chandon accompanied police officers to the warehouse, he said

He said the tip-off followed in-depth investigations by the French police to pinpoint the source of the labels following the confiscation of 40 000 bottles of fake Moët et Chandon champagne in the Netherlands and Germany in 1991

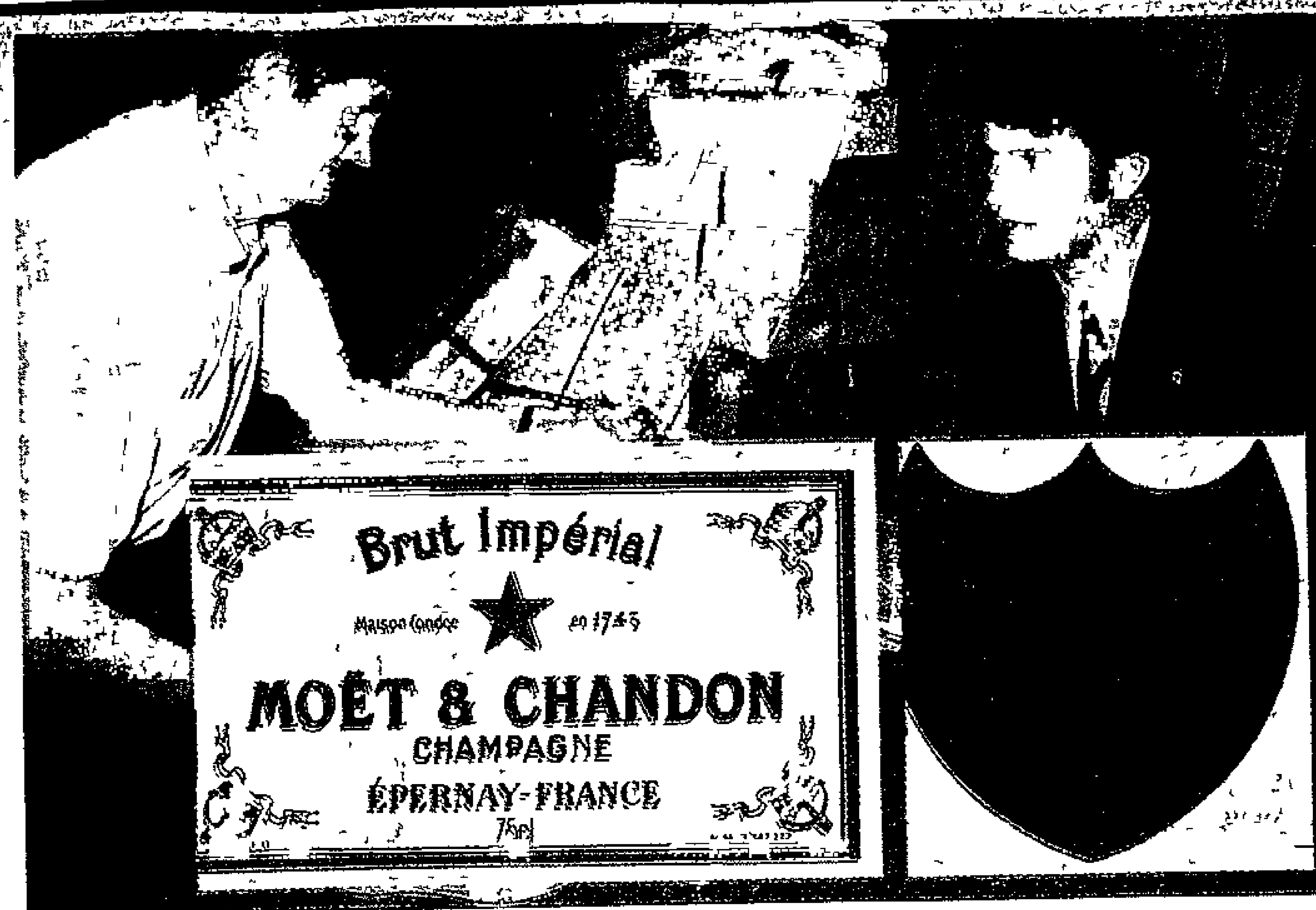
However, WO Wynne said both the French and SA Police were uncertain whether they had stumbled on the activities of a new syndicate or whether the find was a continuation of the exposed scam

WO Wynne said the forged labels and packaging materials were of extremely high quality Police also knew which "Western Cape" printing firm was responsible for the forgeries

He said police would be questioning the owner of the company soon

Police to quizz wine exporters over champagne labels scam

OT 18/5/93 (182)



NOT THE REAL THING . . . Police have uncovered a South African link in the marketing of bogus French champagne under the Moet et Chandon label. Here is part of the 1,5-ton haul of fake labels **INSET**: Fake copies of the Brut Imperial and Dom Perignon labels Picture: STEWART COLMAN

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City man linked to 'bubbly' scam

CT 19/5/93

(182)

By DAN SIMON

POLICE have questioned a city businessman about his role in a multi-million rand champagne scam

This was disclosed by police who are investigating a South African link to an international fraud syndicate which has been making millions of rand selling fake French champagne under the famous brand name of Moet et Chandon

The businessman was questioned after it was learnt that he allegedly placed an order for 900 000 labels to be printed Police disclosed on Monday that they had confiscated about 1,5 tons of forged labels and packaging materials in a warehouse at D F Malan Airport

Indications are that the labels and the packaging materials were printed by a company near Stellenbosch

As many as 780 000 of the labels with the Moët et Chandon logos for Brut Impérial and Cuvée Dom Perignon have already been shipped out of the country, possibly to Brazil or Panama

The labels are then placed on bottles containing inferior wines and exported worldwide

Police said they had questioned a city wine exporter about his links to the syndicate after his name was supplied by French police

It was said that the businessman allegedly had dealings with two Frenchmen who were arrested and jailed in 1991 after 40 000 bottles of fake Moët et Chandon champagne were confiscated in the Netherlands and Germany

The man, who acted as "a middleman" indicated that he had been mislead by "parties".

Commercial Branch investigating officer Detective Warrant Officer Craig Wynne said the invoices would be checked with records kept by the Department of Agriculture to determine whether export permits were granted

A spokesman for a printing firm, specialising in labels, said the production of labels was among the most "secret" operations undertaken by printing companies

Labels scam: Cops close in

(182)
CT 20/5/93

By DAN SIMON
in Cape Town and
CHRIS BATEMAN
in London

SAP given tip by top wine squad

POLICE have seized files belonging to a liquidated Stellenbosch printing company in their probe into the South African connection in an international wine labels scam

And they are to take a statement from a city businessman whom they have already questioned about the scam

The businessman was previously involved at Van der Stel Printers, the company believed to have printed more than 900 000 fraudulent labels bearing the Moet et Chandon logos — Brut Impérial and Cuvée Dom Perignon

An elite anti-fraud squad from France's famous Moet et Chandon tipped off the South African Police about the scam

A company spokesman said in France yesterday the tip-off had been intended to prevent more than a ton of fake labels being attached to inferior Cape sparkling wines and exported to South America as Brut Impérial and Cuvée Dom Perignon

Speaking from the champagne company's headquarters in Epernay, the spokesman said the scam could have cost Moet Chandon R47 million in lost sales

In Cape Town yesterday police confirmed that, acting on a tip-off from another printing company, they had seized a number of files belonging to Van der Stel Printers The company was liquidated some time ago

The order for the labels — some printed more than three years ago — was allegedly placed by a city businessman who apparently paid cash for them

Earlier this week the Cape Times disclosed that police had confiscated 1,5 tons of the forged labels and packaging materials they had found stored in a warehouse at D F Malan Airport

It has since been established that the bulk of the original order, believed to be 780 000 labels, has already been shipped out of the country, possibly to Brazil or Panama

The businessman questioned by the police has refused to comment on the probe

A Moet et Chandon spokesman said yesterday "People not entirely familiar with our products could easily have mistaken the fraudently labelled bottles for the real thing"

He said the company had created a special division for detecting frauds

"We think we have nipped this operation in the bud but the probe will continue," he added

The spokesman said he understood that no bottling of wine under the false label had taken place, nor had any of the wine been exported to South America

SA BREWS

Three cheers for Charles! (182)

FM 21/5/93.

SA Breweries (SAB)'s beer division must be starting to feel like the Lone Ranger of this widely diversified group Once again it gallops to the rescue as some other interests — notably OK Bazaars and hotels — turn in appalling performances

Turnover, up an impressive 24%, is skewed by the inclusion of Plate Glass, which accounts for 16% of the increase

What Plate Glass has done for turnover, Charles Glass (and other beer brands) have done for the bottom line, helping to push attributable earnings up by a creditable 6% and now 66% of earnings, the highest in at least seven years

In fact, since 1990 beer has increased its contribution annually, while "other interests" have steadily declined This coincides with the recession — before 1990 other businesses were picking up quicker while beer's contribution drifted

This demonstrates clearly the cyclical trend of SAB's portfolio, and could be used to support arguments in favour of the retention of conglomerates

Beer's gains come on a marginal increase in volume (about 1%) Executive chairman Meyer Kahn attributes them to better efficiencies and productivity, though growing emphasis on exports must have played a part, despite falling off in the past three months

SAB is one of those unfortunate groups hit by the double whammy of the old 48% corporate tax rate on earnings as well as the new 15% tax on dividends However, financial manager Ian Somerville points out that this was balanced by R44m released from deferred tax after an adjustment for the new corporate tax rate SAB will get the benefit of the lower tax rate this financial year

The higher effective tax rate, he says, was due to the expiry of certain export incentives as well as increased assessed losses from retail and hotel interests

After earlier outstanding results from Edgars and ABI, OK's R45m loss, plus an extraordinary loss of R40m, must surely raise questions about the wisdom of hanging on to this investment But SAB seems committed, ploughing a further R200m loan into the beleaguered retailer from surplus funds from its earlier R1bn corporate bond issue

Apart from the stalwart beer division, one of SAB's greatest strengths lies in its phenomenal cash-generating ability and sound management of working capital

SA Brews Kahn *looking to invest abroad*

Cash flow increased to 526c a share from 1992's 329c, raising cash flow from 70% to 106% to cash equivalent earnings Net working capital needs, on the other hand, fell by R17m

Though SAB still has the national beer market sewn up, with about 99% of total market share, a number of small competitors have emerged and are snapping at its heels Not that it has much to worry about this group has successfully and successively seen off all previous attempts to launch a meaningful challenge to its domination

An interesting recent development relates to Guinness which had the opportunity to establish an independent operation in SA Instead, it chose to go the route of contracting with SAB in terms of which SAB manufactures and markets Guinness under licence

And while the local market will remain SAB's core business, it has the size and muscle to play an international role Accordingly, it is looking increasingly at foreign opportunities, particularly in southern Europe and the UK, as well as South America

After dominating SA for so long, it seems a logical progression, provided management can exercise a judgment not always present in SA business forays abroad

The share price, at R57, has drifted over the year on ratings largely in line with the sector

That's not bad for a tough year, but till there is some indication of improved prospects for other consumer interests, which really means an upturn in the economy, the 2,4% yield remains demanding

Still, with the strong performing beer division and sound balance sheet, SAB will be good stock if an investor times it right

Till then, give the Lone Ranger a Carling, and one for Tonto too *Shaun Harris*

CHEERS

Year to March 31	1992	1993
Turnover (Rbn)	17,6	21,8
Operating income (Rbn)	1,93	2,34
Attributable (Rm)	779	825
Earnings (c)	290,4	303,7
Dividends (c)	130	137

DRINKING THE PROFITS

Contribution to attributable earnings

	1992 (Rm)	% of total	1993 (Rm)	% of total
Beer division	465	59,7	541	65,6
Other interests	314	40,3	284	34,4
Total	779	100	284	100

TIGER OATS (183)

Let them eat cake

FM 21/5/93

Just how much food, Tiger Oats's core business, is hurting can be seen in its 11% decline in contribution to attributable earnings to R103,4m Chairman Robbie Williams says performance was hit not only by reduced disposable income but also by higher raw material costs caused by the drought

Tiger Oats's commitment to a long-term view of investments in food and increasing its focus on value-added products has given rise in the past to a debate about branded products against staples This fades into relative insignificance against a 21% decline (in real terms) in food sales since early 1991, three times greater than that of total retail sales

The recent R9 plunge in the share price to R41 reflected market anxiety that Tiger will show only marginal earnings this year, for the first time in 10 years Interim figures suggest this may be so Turnover rose 11%, but lower volumes and losses in some divisions, depreciation and financing costs put pressure on margins, reducing the gain in operating profit to a mere 1%

Attributable income rose 3% though EPS

TAME PERFORMANCE

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Turnover (Rbn)	4,4	4,8	4,9
Operating income (Rm)	318	359	321
Attributable (Rm)	154	180	159
Earnings (c)	109	121	106
Dividends (c)	28	51	28

cont'd

SA export wines recalled in UK

(182)
ARG CT 24/5/93

Last-minute move averts 'catastrophe'

By CLAIRE BISSEKER

THOUSANDS of cases of Paarl wine containing a preservative declared illegal by the European Community were ordered off British shelves this week — but quick action by a KWV representative in London prevented South Africa from being plunged into a major international health scandal

The preservative is legal in South Africa

Threats by British authorities to have all South African wine removed from sale were averted when it was agreed that only the cases of Simonsvlei wine should be withdrawn

Simonsvlei Co op Winery has shipped the illegal consignment back to the Cape and undertaken a R5 million project to improve its sterilisation technique

This would remove any further need for the preservative Simonsvlei Co op board chairman Mr Giel Malherbe said yesterday

Dr Jannie Retief chairman of the Wine and Spirit Exporters' Association said the preservative Delvocid had been banned by the EC in imported wines but not in cheese, yoghurt or sausages

It is legal in South Africa and widely used to prevent secondary fermentation in sweet wines

The fact that it is totally harmless is what finally convinced the English authorities to relent although I had to assure them it would never

To page 3

From page 1

recur in any South African export wines," Dr Retief said yesterday

A senior KWV and Wine and Spirit Exporters' Association representative in London intervened to prevent "a catastrophe" for the Cape wine industry

"It came so near to being a catastrophe for the entire South African wine industry It was the sort of scandal from which we would never have recovered," Dr Retief said on his return to South Africa at the weekend (182)

South Africa's wine exports to the United Kingdom had increased by 124% from 1991 to 1992 and were expected to top one million cases by the end of this year

Stellenbosch Farmers' Winery, KWV and several major wine estates said yesterday they were well aware that Delvocid was banned in the EC, but they had no need for it as they made use of adequate sterilisation and bottling techniques CT 24/5/93

Mr Malherbe said Simonsvlei had been "totally unaware" that the preservative was banned and had withdrawn the full consignment from Britain, "to clear our name completely"

Respected wine critic Mr John Platter said yesterday "It is generally known by people making serious wine that Delvocid ought not to be used, but it reflects very badly on the authorities who monitor all our export wine"

Wine and Spirit Board spokesman Mr Andries Tromp said export wine was analysed for Delvocid but it was "impossible" to check every consignment

"In future we may have to look towards getting affidavits from wineries," he said

Star 26/5/93

Bottled water not so sparkling

(56) (182)

By Shirley Woodgate

South African bottled drinking water is not all that it is cracked up to be, and tap water tastes better, a Rand Water Board test has shown.

Despite the growing popularity of bottled water which is often believed to be healthier than the tap variety, a two-year survey by the RWB has revealed poor microbiological quality, a lack of classification terms for the liquid bought off the shelf and inadequate labelling.

Addressing the Water Institute of Southern Africa (WISA) annual conference in Durban yesterday RWB's Tony Bailey said unlike Europe, where the product was strictly controlled by EEC directives, local bottled water was subject only to the Foodstuffs, Cosmetics and Disinfectant Act 54 of 1972.

RWB investigations showed

- No local brands had expiry dates on their labels
- One local brand had storage instructions, namely "Keep refrigerated", yet was bought from the shelf
- Of the 20 "quality" variables listed on lables, only seven could be considered as having any significance to health, most reflecting only the mineral content of the water
- There was no uniformity in the use of classification terms in locally bottled water and many brands were wrongly classed as natural or mineral waters.
- Comparison of the aesthetic, physical, inorganic, organic and microbiological quality variables with chemical compositions listed on the bottle labels showed five brands were low in mineral content, and nine degassed sparkling waters had low pH values

"Although aluminium above the criteria limit was found in six bottled waters, levels were below the maximum permissible limit

- One brand described as chlorine-free, had consistently high levels of trihalomethanes, known as by-products of chlorination
- The six locally bottled still water brands failed to meet SABS requirements for standard plate count, possibly due to shortcomings in bottling
- A taste test by the RWB's sensory panel ranked carbonated tap water higher than several well-known brands of sparkling bottled water.
- Control of bottled water in South Africa did not match that in other countries and anyone could bottle water for sale without adequate quality monitoring of the product, Bailey said.

Local sales of spring, demineralised, carbonated, sparkling and still water were growing at about 30 percent yearly to an estimated 3,3 million litres in 1991, (2,8 million litres bottled in this country)

But Bailey warned "If you prefer the taste of bottled water, or it suits your social needs, you are free to make that decision. But please do not blame unsafe drinking water for that choice"

Black group wins SAB contract

Sowetan 27/5/93

■ Wheels of South Africa to transport beer in PWV region:

By Mzimkulu Malunga

SOUTH African Breweries has sub-contracted part of its beer distribution in the PWV area to a black company (2426)

The newly formed Wheels of South Africa, comprising a group of distributors who used to sub-contract for SAB on an individual basis, has been awarded a five-year contract to transport beer in the PWV region as well as between three major depots on the Reef

The eleven transporters who own Wheels of South Africa have bought a fleet of five trucks worth over R2 million. Already the new company has launched a campaign to make township residents aware of its existence

Managing director Sydney Mhlongo says the community awareness campaign is aimed at ensuring that the trucks are not mistaken for white delivery vans in unrest situations

(182)

Scam: SA wine sent to Cuba

182

CT 27/5/93

By DAN SIMON

NEARLY one million litres of South African wine were shipped to Cuba three years ago for the mass production of fake French champagne under the Moët et Chandon label

Police said yesterday that documents in their possession revealed that "thousands of hectolitres" of Chenin Blanc and Colombard wines were exported to Havana in 1990 by a well-known Boland wine producer

The producer had acted on the instructions of "two members" of an international fraudsyndicate.

In Cuba the wine had been transformed into "sparkling wine" and bottled for worldwide distribution as French champagne

"This is big, and will cause a stink," a police source said

At least 780 000 forged labels depicting the Moët et Chandon logos of Cuvée Dom Perignon and Brut Impérial were printed in Stellenbosch and shipped to Panama as part of the scam

"We are investigating the possibility that South African bulk wine producers are involved in the fake champagne scam following information we received," Commercial Branch investigating officer Warrant Officer Craig Wynne said yesterday

Police had taken a statement from a Boland businessman who, as a middleman, facilitated the printing of fake labels for "representatives" of champagne producers Luit Vuitton Moët Hennesy, WO Wynne said

Aroma notches up slight improvement

MARCIA KLEIN (182)

AROMA Liquor Holdings reported a marginal improvement in earnings to 3,2c (3,1c) a share in the year to end-February after buoyant first-half growth was offset by a depressed second half

Chairman and MD Mike Kovensky said the company, which had liquor and hotel interests, was able to improve earnings despite deteriorating trading conditions after the August interim stage.

Turnover, expressed as a percentage over the base figure of 100 in the previous year, rose 15%. Operating income was 8% higher at R1,13m from R1,05m. After a higher interest bill, net income before tax was marginally higher at R695 000 (R690 000). Net income after tax was 3% lower at R494 000 from R510 000.

An R18 000 attributable profit of associated company Aroma Liquors (Paarl), which compared with an R18 000 loss a year earlier, resulted in a marginal rise in attributable income to R512 000 (R492 000). The dividend was maintained at 1c a share.

30/5/89

'Rid the city of sorghum beer'

(182)

Municipal Reporter

A CALL was made in the city council's debating chamber yesterday to ban sorghum beer from the municipality altogether. CT 28/5/93

Mrs Patricia Sulcas-Kreiner, who had been asked to state her objections to an application to sell sorghum in Waterkant Street in writing, told of the misery of drinkers on pavements with babies in their care, of which she had photographs.

Mr Chris Joubert warned that the sorghum beer industry was very powerful, and said it would not be possible to stop sales. He favoured working out a code of conduct with sellers.

Anti-trust laws: 'Predatory' SAB a prime target

Business Staff (232) (182) ARG 28/5/93

JOHANNESBURG. — SA Breweries (SAB) will be directly in the firing line under any new anti-trust laws, says Davis Borkum Hare senior economist Jos Gerson

He told delegates at a Free Market Foundation meeting on economic concentration and anti-trust here that this was not because SAB was a monopoly or because it was ripping off the consumer.

"It is simply because they have been predatory in their power with regard to potential rivals who tried to break into the market in the past."

SAB would need to create a niche in its market for other players, despite the fact that it had demonstrated its efficiency against competitors in Africa to the north and in world markets.

There was a tendency in Third World countries to pick up outdated equipment and he feared that the ANC was in danger of importing "the whole white elephant of anti-trust".

Mr Gerson criticised South African economists for being "yesterday's men"

The majority, according to a survey by Professor Duncan Reekie of Wits University, were in favour of stringent anti-trust laws, despite a worldwide move away from this outdated philosophy.

Gencor and Sankorp had unbundled for political reasons, which was a luxury South Africa could not afford when economic growth was unable to keep pace with population growth.

Mr Gerson said he favoured the Chicago School view that where monopolies or concentrations of power did develop, they came about as a result of superior efficiency.

SA Breweries advised to let in competitors

Star 28/5/93

By Claire Gebhardt

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(182)

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WINE FM 28/5/93 (182)

Winds of change

The guest speaker at this year's Nederburg Auction was Christian Bizot, president of Champagne Bollinger and one of the most respected figures in the world of wine. Not only was his frankness refreshing but the views he expressed contained vital information for a country re-entering export markets after an absence of several years.

"French wines," he observed, "dominated the wine market 40 years ago. They were regarded as the only wines .. and they deserved this high reputation, as they had behind them history, the proper *terroir* (soils), the proper *cepages* (varietals) and the proper vinification

"Today," he continued, " .. wines from what we call the New World have made a dramatic entry into world markets . French wines are not the only quality wines of the world any more . . . great French wines still have an essential role to play: to be the ultimate point of reference . ."

I confess I found myself listening to his carefully reasoned affirmation of France as the home of great wine with a feeling akin to awe — if only for its sheer chutzpah. The 1 000-odd members of the audience were all directly involved in producing and marketing Cape wine. It seemed inconceivable anyone would risk upsetting their assumptions.

It was not that long ago that Gunter Brozel — then cellarmaster at Nederburg — looked me in the eye and said· "SA produces the best South African wines in the world " I understood from this remark that he was unwilling to see Cape wines compared.

Conventional wisdom still maintains that the best SA wines can hold their own against all comers Few people go out and test the reality of this assumption. Bizot was telling the country's winemakers that the international market is a great leveller Pretensions to quality are meaningless if the contents of the bottle fail to deliver what the label and price promise.

In the last two years the Cape's boutique wine producers have begun learning this lesson. A top local red wine might fetch R30 a bottle in SA, where few wine drinkers are familiar with international standards.

On the international battlefield, a wine must measure up to whatever else is selling at that price point In the UK, 85% of all wine sales take place in the under-£3,49 band; netting off this figure the essential add-ons for duty, VAT and handling, it means that the UK market deals mainly in wines which leave their countries of origin at about R5 a bottle To find a UK importer willing to pay R30 a bottle, you have to offer the equivalent of a Classed Growth from Bordeaux.

The Cape's wine exports grew by over 100% last year We now sell more than 2m cases abroad, an amount equal to about 6% of the domestic wine market though less than 2% of the actual grape crop The two biggest

FM 28/5/93 (182)

brands are KWV Roodeberg and KWV Chenin Blanc, both of which obviously sell under the £3,49 mark.

Life in the laager has prevented growers and consumers from confronting the real world Christian Bizot's message was simple enough· aim to be best but know the competition. What showed how the winds of change have blown through Paarl was the rousing applause with which he was acknowledged

Michael Fridjhon

WINE EXPORTS
FM 28/5/93

Sailing into rougher seas

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SA exported 2,3m cases of wine last year, 124% more than in 1991, and shipments are expected to soar again this year This is despite the smaller crop that's expected — around 9m h*l*, or 10% less than the record 10m h*l* crop harvested last year

The crop also is expected to be high quality and relatively disease free, according to the KWV "Its sugar-acid ratio and the pH of the juice are particularly favourable Both white and red wines promise excellent potential for development"

The UK is the biggest market for SA wines but the scope for expansion is still enormous Last month the SA Wine & Spirit Exporters' Association hosted a tasting in London's Hyde Park Hotel, with 32 producers presenting 260 wines to 400 selected trade and media guests The event was a precursor to the London Trade Wine Fair,

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held at the Kensington Fair Grounds last week, where only 20 local producers — those fortunate enough to have booked space early — presented their wines

Though exports continue to rise, the competition is stiffening because more local producers are trying their hand at exporting and the European crop last year was huge — some French winemakers reduced their prices by 40% This has forced some exporters to cut prices, much to the chagrin of KWV, which wants prices maintained

The KWV has identified £2,99 (R13,75) a bottle as the price most Brits regard as good-value-for-money wine That works out to R165/case, which after the deduction of R24,75 profit for the retailer, R21,05 for the wholesaler, customs duty of R55,20, transport costs of R15 and insurance of R3,45, leaves R45,55 for the cellar, or exporter But when prices are cut, that cut often comes out of the exporters' share For example, the Golden Valley Cellar of Citrusdal collected R45/case on its export wine last year but is getting only R31/case now

While competition is forcing down prices, the high cost of local packaging materials limits how much producers can cut prices Jannie Retief, who is in charge of KWV's export drive, says a good glass bottle costs 38c in France Here it is 80c Cartons and dividers are up to three times more expensive in SA and a good cork costs nearly 80c here, which is almost as much as it costs to bottle and label wine in Europe

Consol, which is protected by a 60% surcharge on imported bottles and thus controls the lion's share of the wine bottle market, acknowledges that wine bottles cost more in SA than they do in Europe, where it says a price war is forcing down prices It claims that the economies of scale of the larger European market enables manufacturers to produce cheaper wine bottles "More than 400m 750 ml green claret bottles are made every year in Europe, compared to about 18m in SA" ■

TAKING A BREAK

Tony Koenderman is on leave His Advertising & Marketing column will resume next week

SA wines praised in America

JOSEPH ARANES (182)
Weekend Argus Reporter

ARGT 29/5/93

TWO Rozendal wines, a 1987 and a 1989 vintage, have been voted the most satisfying South African wine on sale in America by a panel of New York wine tasters

Their findings were published in the New York Wine Cellars' Report after the panel had tasted all South African wine on sale in America

"The two vintages we sampled are among the most complex and satisfying red wines from South Africa available in the American market," wrote Neal Rosenthal from Select Vineyards, New York.

Owner of Rozendal farm in Stellenbosch, Mr Kurt Amman, said the news had made him very happy "It is an acknowledgement that we are on the right track

"This news puts us on par with the best wines in the world and the report is good for South African wine in general"

The wine tasters scored the wines on a points system and the Rozendal vintage 1987 scored 89 out of a possible 100 while the 1989 vintage scored 88 points

They described the 1987 vintage "Saturated medium colour with some brick tones Cedar, blackcurrant, leather and game on the nose Quite rich and ripe on the palate with a lovely texture and hint of sweetness"

The 1989 Rozendal was described as having a healthy, saturated medium colour — "Attractive and very complex nose melds notes of blackcurrant, tar, smoky oak, toffee, earth, game and nutty herbaceousness with a fascinating aroma"

KWV uncorks campaign to delight Canadian palates

(182) (746) ARGT 29/5/93

TOM HOOD
Business Editor

BUSINESS PERSONALITY OF THE WEEK

A WINE farm of your own, where you watch the sunset from the stoep of your Dutch-gabled farmhouse, sipping your best red after a leisurely stress-free day strolling through the vineyards in old hat and veldskoen......

Such is the vision of city slickers — merely to own a small one is the ambition of many tycoons who plan to invest the spoils from a big deal in a wine farm this side of the Hex River mountains.

But, reality is very different. Even the small vineyards are full of computers these days and the final decision to plant new vines might be made by an accountant.

To a wine giant like KWV, now in its 75th year and owning R1,3 billion of assets and stocks, the wine business is run with a dynamic Wall Street approach by men wearing suits and ties

Indeed, KWV management, headed by chief executive Mr Ritzema de la Bat, is planning a major invasion — the retaking of Canada.

Canadians were the biggest buyers of South African wines until sanctions were imposed in 1986

However, Canada has indicated it would lift sanctions soon and Mr De la Bat's team have worked out a battle plan to win back a market that other countries took over

Tastes have changed since sanctions began and KWV believes its higher quality and new wine styles will make a big impact.

In the past, KWV had to find new markets to replace those lost through sanctions — and it found them. Then, management drew up contingency plans for when sanctions ended, moving into old markets as quickly as countries opened their doors again.

Behind this effort is a team to whom wine is a business rather than a way of life.

And, heading the team is one of the industry's few MBAs, Mr De la Bat He gained this at Stellenbosch, where he also graduated with a B Sc and a B Comm He joined KWV 15 years ago and brought a new approach to the business.

Before that, he helped to establish the Rand Afrikaans University from scratch, becoming vice-rector and spending 11 years building up the university.

He describes running the wine business as being the management of change. Export markets have totally changed in his 15 years at KWV and not merely as a result of sanctions.

"Markets we had before, have totally changed. The Scandinavians, for example, moved more into natural wines from fortified ones like sherries and ports."

KWV has exported to Scandinavia since the 1930s and Sweden is expected to decide soon whether to import South African wines again

Spirits and wine are declining in many markets

Mr De la Bat said· "However, we expect to increase exports substantially in the next two years. People are interested in South African wines again, they are curious and want something new."

Trendy wines in the international market are chardonnay and cabernet. There was a shortage of them until recently and producers have had to make the change.

Mr de la Bat said: "A vineyard is such a longterm investment A hectare of vines is there for 25 years and costs R20 000 to R30 000 a hectare and the farmer waits four years to get a crop."

"We are looking also at brandy markets in the East — Taiwan, Singapore, Korea and continental China drink a lot of brandy."

Consumption of wine in South Africa is roughly 20 percent red and 80 percent white

In the Cape, wine consumption is about 16 litres per capita. In the northern provinces, it is less than four litres a head French consumption, by comparison, is between 70 and 80 litres a head This shows tremendous scope for expanding local sales.

After 15 years at the helm, Mr De la Bat said· "The most gratifying thing for me is the organisation's mission to contribute to the gradual, but continuous, increase in the income of the farmer We always have this in mind.

"We are trying to ensure a longterm stable growth for the 5 000 wine farmers and the 300 000 people working and living on the farms."

Star 31/5/93

'White business must help blacks'

By Stan Hlophe

National Sorghum Breweries (NSB) executive chairman Professor Mohale Mahanyele has challenged white businessmen to help blacks in their bid for economic empowerment.

Mahanyele was speaking at a function held in Johannesburg on Friday to honour him as the new chairman of International Management Centres.

He said that now was the time for white bosses to be on the side of the disadvantaged.

"If they want to be counted they should extend a helping hand to blacks as part of black economic empowerment. They have no more excuse as apartheid is gone and a new democratic government will take over next year," he said.

Mahanyele warned SA Breweries that NSB would take on the liquor giant which, he claimed, was trying to "run down" NSB.

"We have the right to run our own business our own way. When we started, you said we would not survive even three years, but we have made you eat humble pie. Now you want to throttle us," he said.

He urged a new government not to turn a blind eye to black economic empowerment.

"Political power without economic power is meaningless. If the new government goes on without addressing the needs of the majority, that would be its undoing."

Suncrush in 50-for-one shares split

(182) ARG 1/6/93

TOM HOOD, Business Editor

SUNCRUSH shares, among the most expensive on the Johannesburg Stock Exchange, are expected to drop from the current R405 to about R8 each from July 12 as a result of a 50-for-one share split

Each share is to be subdivided by a fiftieth, giving shareholders 50 for every one held, largely to make them more marketable

At R405, the share is 19 percent off the year's high of R500

The directors disclosed today a shareholders' meeting will be held next month to consider the proposed sub-division and if the proposal is approved, July 9 will be the record date for shareholders to swop their shares

After the sub-division, Suncrush will have 149 191 700 issued shares

Suncrush increased its earnings by 10 percent to R26,3 million after a 13 percent hike in turnover to R296 million in its last financial year

■ **Clinic Holdings** says the JSE has granted a listing for the 73,2 million convertible debentures to be issued at R5,40 in terms of a rights issue to raise about R396 million

The debentures are being offered at a 25 percent discount on the nominal value of R6,75

The company proposes to buy the property companies that house its hospital buildings

Suncrush to subdivide shares

Buss-day MARCIA KLEIN 2/6/93

BLUE chip soft drink bottler Suncrush is set to lose its status as the JSE's highest priced share.

The Natal-based company has announced a subdivision of its ordinary shares which will see the shares adjust to about one 50th of the share price prior to the subdivision (1822)

Each of the ordinary shares of 50c will be subdivided into 50 ordinary shares of 1c each

The share was quoted at Friday's close at R405 after coming off its yearly low of R400 established earlier this month On news of the split, the share rose yesterday by R15 or 3,7% to close at R420.

ABI set to maintain its long-term course

Buss. Day 8/6/93

MARCIA KLEIN

MAJOR soft drink bottler Amalgamated Beverage Industries (ABI) is set to continue its long-term growth pattern in the current financial year

In his annual review, chairman Pete Lloyd said the company would show a reasonable growth in earnings in financial 1994, but there would be pressure on volume growth In the year ended March, ABI increased earnings by 19% to 77c a share despite no volume growth and a subdued 11% turnover rise to R1,16bn (182)

The annual report showed a 26,3% compound growth in earnings over the past seven years and a 15,4% compound growth in dividends.

Lloyd said it would not be easy to grow sales in the coming year, although a gradual improvement over the year was still expected The company would concentrate on customer service and productivity improvement programmes. Capital investment would remain modest and directed towards market development activities, funded "comfortably" from operating cash flow

Lloyd spoke out against increases in taxation which were affecting ABI and the soft drink industry Government's intention was to make carbonated soft drinks a major source of excise revenue There was no rationale for this, as soft drinks were consumed by children and middle to lower income groups

In financial 1993, government had received R65m in excise tax from ABI's trading, which was 43% higher than the previous year In this year's Budget, rates were increased again by 20% to 12,4c/l. This made soft drinks expensive to the consumer and dampened volume growth. In addition, the 15% secondary tax on companies had added a R4,4m charge

The past year was "more than usually demanding", but the company had been able to show real growth in earnings and dividends.

The performance of the carbonated soft drink industry in sales, had been matched and market share maintained But the company showed the first decline in annual volumes in many years on the back of reduced consumer spending The group's performance was characterised by "encouraging achievements in containing costs at all levels"

About R40m was spent on expanding the group's capability This related mainly to coolers, vehicles and other equipment for the informal sector

Outgoing MD Alex Reid said since the interim stage, sales revenue had deteriorated, and distribution facilities and delivery to townships were disrupted A more consistent sales performance would depend on political stability.

The failure to achieve volume increases had resulted in a focus on preserving margins

ABI's focus remained on the informal sector, where 2 000 outlets were added to the customer base, increasing its size by 15%

Reid, who is 63, has been appointed as deputy chairman as a step towards his retirement Operations director Trent Odgers has been appointed as MD

Sale of liquor to children: R20 000 fine

(182)

Political Staff

HOTELIERS, bottle store owners and restaurateurs who sell alcohol to children could soon be fined up to R20 000

This was one of the provisions of the Liquor Amendment Bill, that went through its second reading debate in parliament yesterday.

Previously the fine was R10 000. ARG 9/6/93

In future the fine will rise automatically in terms of 1991 legislation that attempts to link the size of fines levied to the value of money.

The hours that off-sales outlets can be open are to be extended. When the Bill becomes law in a few weeks bottle stores can stay open between 8am and 8pm on weekdays and up to 5pm on Saturdays These times will also apply to some public holidays, but will exclude Sundays and Christian religious holidays

Wine farms can apply to sell wine from their farms on Sundays

Restaurants will be able to serve liquor whether the customer is eating a meal or not.

Star 9/6/93

More time to buy a tipple

(182)

By Chris Whitfield
Political Correspondent

CAPE TOWN — Booze will soon be on sale for longer hours — but those caught selling it to children will face a stiff fine of R20 000.

In terms of the Liquor Amendment Bill, which went through its second reading debate in Parliament yesterday, bottle stores will be able to stay open from 8 am to 8 pm on weekdays and until 5 pm on Saturdays.

The prohibition on the sale of liquor for off-consumption on public holidays will also be lifted in terms of the Bill.

But the fine facing hoteliers, bottle store owners and restaurateurs selling to minors will increase by 100 percent from R10 000

The Bill should be voted on by Parliament and become law within weeks

Deputy Trade and Industry Minister David Graaff, introducing the Bill, said it also scrapped other requirements which had inhibited entrepreneurs.

These included the requirement that a meal be served in order to buy alcohol in restaurants.

The restriction on a variety of drinks in restaurants and the requirement that they serve a specified number of brands would also be lifted.

Wine farms could also apply for a licence to sell wine on Sundays.

The ban on liquor licences to people not domiciled in South Africa was also being repealed "so as to encourage foreign investment"

The Democratic Party's Geoff Engel, MP for Bezuidenhout, said the deregulation proposed in the Bill was unsound and would in effect protect certain players in the industry

He said the Government should not determine trading hours as this should be left to local communities.

CP publishes proposals for the new constitution

Buss-Day 9/6/93

TIM COHEN

CAPE TOWN — The CP published yesterday its constitutional proposals, which insist on Afrikaner self-determination under a confederal constitution in a territory to be negotiated

The proposals, submitted to the negotiations technical committee on constitutional affairs, do not specify the territory the CP suggested should be set aside as an Afrikaner state

Nor do the proposals indicate specifically whether it will be possible for people in the territory who are not white to have the vote.

The document argues, however, that in terms of international law, states are not obliged to grant the vote to non-citizens

Only Afrikaners would qualify for full citizenship in the state Afrikaners were defined as people who were "descendants of the Afrikaner nation and those patriots who share the same destiny"

CP MP Corne Mulder declined to say specifically whether this definition would exclude people who were not white, saying only that the definition was self-explanatory.

Non-citizens within the Afrikaner state would not have the vote, would not be able to stand for Parliament, would not be able to lay claim to immovable property, but would have other private law rights.

On the territory, the CP document proposes that a process of negotiations should result in a legitimate set of boundaries "as opposed to mere unilaterally proposed instant maps".

The CP would present its proposals to the commission on the delimitation of states, regions and provinces, declining to release details of its proposals until they had been considered by the commission.

In contrast to parties that proposed a unitary state or a unitary state with regional powers, the CP was proposing self-determination for those who desired it, and any other dispensation for the rest

These states — there would be at least two, the Afrikaner state and the New SA — would be bound together "for the benefit of all in a confederation of mutual acceptance and co-operation"

The confederal state would co-operate economically, in a way similar to the EC, and would share scientific and technical progress

The document concluded that if all parties to the negotiations were serious and accepted the realities, it would be possible to resolve SA's complex problems

"This may be our last opportunity to resolve our constitutional problems in a peaceful manner," the document said

PAC rejects nationalisation

Buss. Day.

TIM MARSLAND

THE PAC would not nationalise industry if it came to power, PAC secretary for economic affairs Sipho Shabalala said yesterday.

Addressing a conference on commercialisation and corporatisation at Midrand yesterday, he said the PAC did not have nationalisation on its agenda

"I want to set the record straight. We will never nationalise buildings and so on. We are not fanatics," he said. 9/6/93

However, the PAC would like to see blacks on the boards of companies so that the workers "have a sense of ownership .. We want all people to have access to wealth," he said.

PAC economist Mosebjane Malatsi, who is also senior policy analyst at the Development Bank, said the organisation's focus would be on black empowerment through education.

There were too few blacks with the know-how to handle the running of businesses Therefore, the organisation would make education a key priority, he said.

added & headings

DP MP attacks liquor Bill

Buss Day 9/6/93

CAPE TOWN — Rather than stimulating competition, the Liquor Amendment Bill would protect certain players in the liquor industry, Geoff Engel (DP Bezuidenhout) told Parliament yesterday

Speaking in debate on the measure, he said the DP would vote against the Bill because the state's deregulation was unsound and licences and conditions of operation made such business inaccessible to local communities

Central government should not determine trading hours

"Due to the strong emotive, moral and religious issues at stake here, we believe the desired level (for setting hours and conditions) is third-tier government structures, namely local authorities, where each community can decide its wishes" (182)

While the NP supported regionalism and devolution of power, it still demonstrated how selective its principles really were

The DP knew there were many opponents of the Bill who did not want any deregulation

However, experience in other countries had shown that deregulation did not necessarily increase alcohol consumption, and in some instances had actually decreased consumption and abuse

Government had not been even-handed in its deregulation programme, which continued to discriminate against beer sales in supermarkets or other retail outlets where wine sales were permitted

This was unjustified state interference originally prompted by the wine co-operatives against English business, he said

Earlier, Deputy Trade and Industry Minister David Graaff said the implementation of the Liquor Act was a dynamic process that depended on the perceptions of the society it served But all the problems would not be solved by the amendment

However, the industry had come a long way on the path of deregulation He had no doubt that Parliament might find it necessary to pass further deregulation measures in future

D G H Nolte (CP Delmas) said the CP would oppose the measure because it extended liquor trading hours, and the CP was against trading on a Sunday

At a time of increasing murders, robbery and death, lengthening selling hours would contribute only to more violence and unrest, he said — Sapa.

Analysts warn of SA election chaos

Buss Day 9/6/93

GERALD REILLY

PRETORIA — Political analysts disagreed yesterday on the readiness of political parties, particularly the ANC, to meet the formidable challenges in the "brief" 10 month run-up to an election

Willem Kleynhans said the country was totally unprepared for an election within a year and an attempt to hold one would end in chaos and a badly flawed result

Of the country's 22-million eligible voters, 17-million would be Third World political illiterates

It would take a year or more of intensive education programmes to equip them properly to take part in a democratic election

He said there were massive "no go" areas where parties would be unable to hold meetings without provoking violence and disruption.

For the ANC, these areas included Bophuthatswana, Ciskei and KwaZulu, while NP recruiting efforts would not be tolerated in townships. The DP would not fare much better

Kleynhans said farmers were unlikely to allow the ANC to campaign on farms for the votes of the 500 000 enfranchised farm workers

He claimed the ANC had almost no election infrastructure and had put out the "begging bowl" in an effort to scrape together the R200m it claimed it needed to fight an election

However, Wits University political science associate professor Tom Lodge said an election in 10 months' time was feasible, with much hard work, and "certainly desirable"

He claimed the ANC was as well prepared as any other party at this stage but much remained to be done in registering and educating voters

In certain areas the ANC's organisation was "creaky" but then so was the NP's

Lodge said a delay in the election could lead to fragmentation of ANC support to the right.

An early election had the support of the business community, which believed it would lead to greater business and consumer confidence and stimulate investment

Wine industry told to heed EC rules

182 CT 10/6/93

By CLAIRE BISSEKER and IAN HOBBS

THE South African wine industry has been advised by British authorities to pay urgent and meticulous attention to the European Community's complex import controls This has come in the wake of a potentially disastrous mistake involving Simonsvlei Co-op Winery last month

British officials confirmed that the use of the preservative Delvocid in one shipment of the Simonsvlei Co-op's wine could have had catastrophic consequences for the multi-million-rand Cape wine industry

They said the Cape Times reported accurately on the mistake, and confirmed that the wine had been withdrawn from British shelves The use of Delvocid in wine is illegal in the EC

The officials were approached for comment by the Cape Times London Bureau after the Simonsvlei Co-op claimed in a letter to the paper that sale of the wine had been allowed to go ahead

The Ministry of Food, Agriculture and Fisheries in London and the government watchdog body, the Wine Standard Board both said Simonsvlei Co-op Winery general manager Mr Kobus Louw had concluded wrongly in his letter to the Cape Times that he had been granted a special reprieve for a genuine error

In his letter of May 25 Mr Louw said he had written permission from the British authorities However, he admitted that he had based this deduction on a letter received from the Wine and Spirit Association of Britain and Ireland, an international retail organisations

Views vary on liquor proposals

Star 10/6/93

By Michael Sparks

Churches — the traditional opponents of unfettered liquor consumption — say they don't expect proposed extended trading hours to contribute to liquor abuse

(182)

Retailers have welcomed the freedom to stay open late if they choose to, but said it was unlikely that stores would stay open until 8 pm on weekdays

Churches said they were not happy with extended trading hours, but they did not believe shorter hours would lead to less alcohol abuse, and hoped to address the problem in other ways.

Western Province Cellars managing director Con Oosthuizen said the implications for staff meant it was unlikely that most bottle stores would stay open late every night

But he added it was an important step that bottle stores could now choose for themselves when to close

Benny Goldberg's owner Rob Rutter said stores were unlikely to stay open until late as there was a dramatic increase in crime after dark.

Rutter added "I don't expect to see sales increasing dramatically People can only drink so much."

Federated Hotel, Liquor and Catering Association of SA liquor committee chairman Ian Rubin said that extending trading until 5 pm on Saturday would have important implications for bottle stores in shopping centres.

Until now, stores in large centres had been forced to close at 2 pm, while other stores closed at 5 pm

Dutch Reformed Church social welfare spokesman Dr Dawie Theron said the church did not expect alcohol use and abuse to be affected by longer trading hours But, he added, the church would have strong objections if liquor was sold on Sundays

Theron said the church had recently launched a nationwide programme emphasising the prevention of alcohol abuse, which they felt was a more effective approach to reducing abuse

Methodist Church spokesman Ruth Coggin said the church was unhappy about any relaxation in regulations on the sale of liquor.

But the church recognised that where alcohol was already being abused, the problem was unlikely to be worsened by extending liquor trading hours

SAB also swindled by export scam syndicate

B/Day 11/6/93

TIM MARSLAND

SA BREWERIES disclosed yesterday it was one of the companies which had fallen prey to syndicates operating bogus export schemes.

The scams may have cost SA hundreds of millions of rands in taxpayers' money.

Syndicates have been buying goods for export — purchasing them free of VAT and with an export discount related to the Trade and Industry Department's General Export Incentive Scheme (GEIS) — and then selling the discounted goods on the local market

SAB beer division chairman Graham Mackay said it was difficult to say to what extent the fraud had occurred, but his company had taken steps to combat the scam He said the problem had affected the entire liquor industry.

(182)

Syndicates involved in the liquor fiddle benefit from a rebate on the excise duty and VAT as well as the GEIS claim.

Mackay said that as far as Mozambique (named by many manufacturers as a key centre of the fraud) was concerned, the liquor scam seemed to involve the evasion of duties within Mozambique itself

He said there had been dips in exports to that country after these scams were exposed

SAB regional director Norman Adami said any potential fraud was of concern to SAB and, in one incident, evidence had been handed to the police which resulted in a prosecution

Export orders that were to be transported by land were limited to only one outlet.

He said SAB had introduced special markings on its export consignments Also, its pricing was such that it placed the onus on the exporter to make the excise, GEIS, and VAT claim

Adami said "We would like to believe that we have taken every practical precaution to prevent this from occurring."

With some companies, syndicates cede their right to a GEIS claim to the manufacturers, which makes perpetrating the fraud significantly easier.

Manufacturers said they had handed complaints to the Trade and Industry Department By late yesterday the department had not commented.

SA Sugar Distributors chairman Glen Christie said sugar makers had taken action to limit the fraud He said the fraud had occurred where loopholes had been found in the Customs and Excise controls

Some sugar manufacturers now refused to deal with certain agents, he said

Nedcor Bank chief economist pointed out the fraud could skew the export figures provided by Customs and Excise from which the balance of payments were calculated. However, he said the overall effect on the figures was likely to be limited, given the nature of SA's exports

He said the fraud could show a possible lack of rigour in scrutinising GEIS claims on the part of Trade and Industry

ABI (182)

Adding fizz

FM 11/6/93

Activities: *Bottling and distribution of carbonated soft drinks*
Control: *SAB 68%*
Chairman: *P Lloyd, MD A Reid*
Capital structure: *106m ords Market capitalisation R2,06bn*
Share market: *Price 1 900c Yields 2,0% on dividend, 4,1% on earnings, p e ratio, 24,7, cover, 2,1 12-month high, 2 300c, low, 1 450c Trading volume last quarter, 347 500 shares*

Year to Mar 31	'90	'91	'92	'93
ST debt (Rm)	1,9	42,3	28,0	51,4
LT debt (Rm)	6,1	4,1	23,2	11,7
Debt equity ratio	0,04	0,15	0,09	0,05
Shareholders' interest	0,56	0,58	0,56	0,58
Int & leasing cover	15,9	22,1	18,6	22,6
Return on cap (%)	23,7	25,7	22,7	26,1
Turnover (Rm)	740	884	1 045	1 157
Pre-int profit (Rm)	90,6	113,9	128,8	153,0
Pre-int margin (%)	11,9	12,5	12,0	12,9
Earnings (c)	42,8	53,7	64,5	77,0
Dividends (c)	21,0	26,0	31,5	37,5
Tangible NAV (c)	212	242	301	322

There is nothing healthier than competition — or at least the threat of it Though ABI denies that many of the measures taken during financial 1993 were anything to do with Pepsi Cola's planned return to SA, the performance — particularly in the second six months — is impressive in a market dependent on cash-strapped consumers

Even though volumes contracted for the first time in many years, which restrained sales revenue to a 9% increase, at R1,1bn, trading profit was up 19% to R148,6m The achievement was related to usage of new capacity and also helped by the closure of several old lines over the peak period, successful mix variances, renegotiations of major bottling agreements with franchisors and inroads into the informal sector It is seen best in the results for the six months to March

Trading profit rose 21% (14% up in the first six months) on a sales revenue up 6% (14%), improving the margin to 17,5% against 8,2% in the first half The increase in ABI's margin to an annual average of 13,6% is positive for the bottom line, and closes the gap between it and the other major bottler Suncrush, whose margin is a healthy 16% EPS increased 19% to 77c. If the deferred tax addback of R8m is excluded, the increase is 8%

PERFORMANCE COMPARISONS

Six monthly

	% change Sales revenue	% change Trading profit	Trading margin % 1992	Trading margin % 1993
First half	+14	+14	8,2	8,2
Second half	+6	+21	15,3	17,5
Year	+9	+19	12,5	13,6

The introduction of secondary tax on companies increased the cash tax charge by R4,4m, which reduced pre-tax profit growth of 20% to 8% However, in the accounts the profit impact was more than offset by the non-cash deferred credit of R8,3m, resulting from the change in tax rate to 40% The interest bill declined marginally against 1992's figure, though during the second half it fell 26% and this is expected to continue

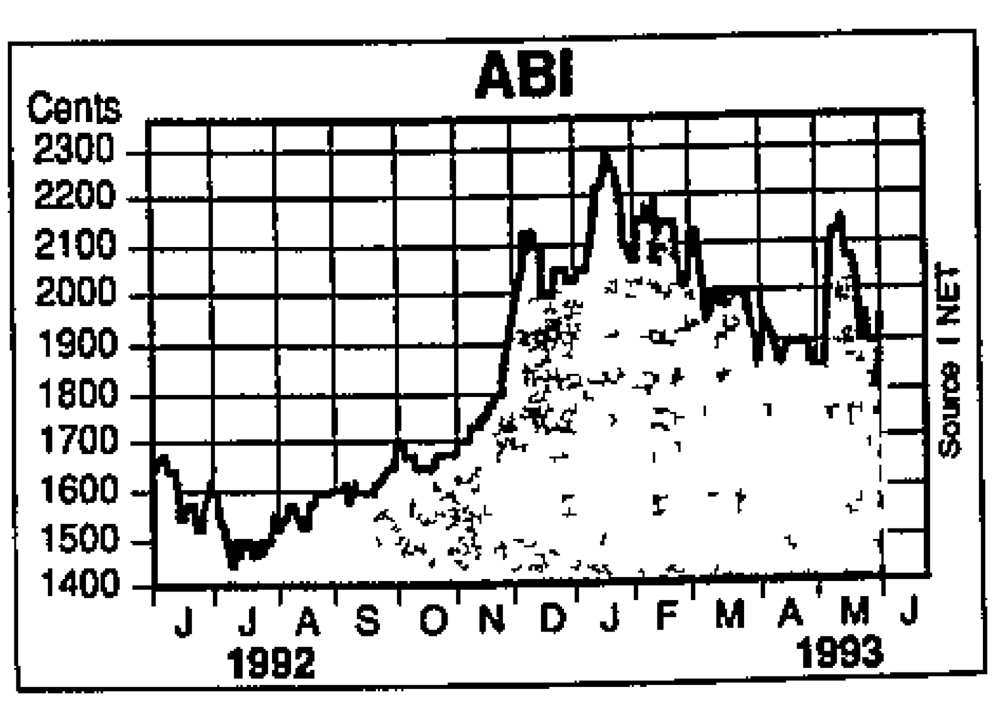
The balance sheet is strong Interest-bearing debt grew almost a quarter to R63m, but cash resources have doubled to R44,6m Gearing is low at 5,4%

Capital spending was reined back to R77,7m (R105m) Chairman Pete Lloyd says some R40m of this was spent on expanding capacity, relating mainly to vehicles, coolers and other equipment for the informal sector development programmes A reduced but still significant total investment of R62m is planned in financial 1994, and MD Alex Reid says focus will remain on the informal sector where 2 000 outlets were added to the customer base, increasing its size 15%.

The boost to operating income derived from productivity improvements effected during the year are largely one-off and, while these are sustainable, the impact will diminish With emphasis on maintaining market share through increased volumes, margins are expected to feel the pressure But management's confidence in achieving reasonable growth is substantiated by a lower tax rate, a reduced interest bill, improved efficiencies and a favourable long-term outlook for the carbonated soft drink industry

At R19, the share price is off its annual high On a p e of 24,7 and dividend yield of 2%, the current rating provides an opportunity for investors to increase their exposure to the counter

Marylou Greig



SA Breweries looks abroad (182)

SA BREWERIES hit a peak of R63,75 on the JSE this week on talk that it was about to buy a foreign brewery.

Chief executive Meyer Kahn says the company is looking at some possibilities, but "no crucial negotiations" have been entered into

S Times (Buss) 13/6/93

"Deals such as these come and go across my desk very often," says Mr Kahn

Dispute over bottled, tap water

By Shirley Woodgate 182

Tap water is often unpalatable, full of unnecessary chemicals and, although not poisonous, may be detrimental to health, claims Hoogland Hydro's Abri Kruger.

Reacting to Rand Water Board claims that municipal water tasted better than bottled drinking water which revealed poor microbiological quality, bottlers have labelled the allegations one-sided and called for comparative tests with RWB water

Answering allegations that expiry dates were omitted on bottled water, Kruger said it was unnecessary as the water had an indeterminate shelf life since it contained no chemicals which could make it deteriorate

But if bottled tap water were left in the sun, it became microbiologically receptive once the chlorine escaped

Calling on the RWB to name the six outlets which had been tested and found wanting, Kruger said products from some backyard bottling outlets may contain platelets or microbes

ACTION LEARNING ... IMC director of studies Kennedy Skosana teaches workers how best to do their jobs.

Each one teach one the IMC way

182

THE NSB is more than aware that all its dreams of black economic empowerment can never be realised without an educated workforce – from the shopfloor to the boardroom

This, say company insiders, is a priority which has won over the people who for the past three years have earned their living at this vibrant black-owned and managed company which has been making waves in corporate SA

As a result the NSB has embarked on one of the most ambitious management development programmes ever launched in this country The NSB is offering to its employees, and members of the public, programmes built on "Action Learning" in partnership with one of the world's leading institutions in this field, the International Management Centres (IMCs), which have pioneered action learning programmes in 20 countries in the past decade

The IMCs, who work with major international companies – and with the smallest enterprises – have been keen and dedicated partners with the NSB to help it achieve its mission of an educated workforce

Already 100 NSB managers are participating in the IMCs' Master of Business Administration (MBA) programme, 60 are participants in its Bachelor of Management (BMgt) programme and eight in its Doctor of Business Administration (DBA) programme

"Yet such participation is only the beginning," said NSB executive chairman and chief executive Mohale Mahanyele

Mahanyele, who in June was elected the worldwide IMC chairman, added "With the promised support of the NSB Education Trust, we are able to promote managerial and scientific studies as part of our overall strategy of black economic empowerment

"Such a focus can alleviate the unacceptably high unemployment in our country and graduates will be equipped with skills which will enable them to participate in corporate SA with greatly enhanced competencies"

The IMC's multinational associate dean and director of studies, Kennedy Skosana, the first black South African to hold this post, agrees "We teach workers how best to do their jobs To be able to be effective managers"

Skosana explained the IMC approach to worker and managerial education was a tried and tested method – from the UK, Finland, Holland, Belgium and Germany to Malaysia, Singapore, Indonesia, Hong Kong Macau, Taiwan and Australia

And some of the world-renowned blue chip companies like Ernst and Young, Malaysian Airlines, Du Pont, Allied Irish Banks and Shell, are among 1 000 companies worldwide which use IMC education systems

■ IMC was established in 1964 in the UK and was originally known as the Institute of Scientific Business Since 1982, when its programmes of "Action Learning" studies were launched, over 20 000 managers worldwide have participated

Using "Action Learning" the vital issues facing an enterprise become the curriculum for study The IMCs also provide a supporting network and resources for managers who wish to learn together Some of this support comes from IMC faculty members deployed from universities, enterprises and consultancies worldwide

In addition IMC work is coordinated by five deans and regional faculty boards worldwide based in Africa, the Far East, the Pacific, North America and Europe

SAB wins right to buy Hungarian brewery stake

(182) C 17/6/93

BUDAPEST — South African Breweries Ltd (SAB) has won the right to buy a majority stake in Hungary's biggest and oldest brewery, Kobanyai Sorgyar, the State Property Agency (SPA) said yesterday.

It did not disclose terms of the transaction, in which SAB would acquire a stake of around 70% from the SPA and then boost its holding to more than 75% via a capital increase

SPA officials said SAB planned a multimillion-dollar investment to improve the brewery — Sapa-Reuter

SAB brews up frothy Hungarian deal

BUDAPEST — SA Breweries had won the right to buy a majority stake in Hungary's biggest and oldest brewery, Kobanyai Sorgyar, the State Property Agency said yesterday

BiDay 17/6/93

It did not disclose terms of the transaction, but agency MD Lajos Csepi said SAB would acquire a stake of about 70% from the agency and then boost its holding to more than 75% through a capital increase

The agency granted SAB exclusive rights for one month to negotiate final terms of the deal

(1827)

The Kobanyai brewery controls more than a third of the Hungarian beer market with $43,3m in 1992 sales But Csepi said the company was saddled with debt and needed to upgrade its outdated technology

Agency officials, pleasantly surprised by the bids in a closed tender, said SAB planned a multimillion-dollar investment to improve the brewery "The SA partner will make a serious investment and this is important, considering the technical condition," Csepi said — Sapa-Reuter

SAB to divulge details of offshore operations

B/Day 18/6/93

MARCIA KLEIN

SA Breweries will disclose information about its international operations for the first time in its annual report next week, the group said yesterday

Until now, SAB has only disclosed that the focus offshore was on beverages, but said divulging more information about these activities beyond the consolidated figures was not in the best interests of SAB or its shareholders (182)

In financial 1992, offshore earnings grew by 17% to R67m, while the group's total attributable earnings rose by 10% to R779m for the year In financial 1993, group earnings rose 6% to R825m Results of the offshore operations were not included in the latest results, but the offshore operations did well. Assuming an increase of 15% or more, offshore operations would contribute over R77m to attributable earnings

Commenting on a report from Budapest that SAB had won the right to buy a majority stake in Hungary's largest and oldest brewer Kobanyai Sorgyar, SAB beer division chairman Graham Mackay said SAB was far from making a decision on whether it would take up its right

Hungary's State Property Agency said SAB could acquire a 70% stake and increase its holding to more than 75% through a capital increase SAB has the right for one month to negotiate the deal's final terms.

Kobanyai Sorgyar has more than a third of the Hungarian beer market, with 1992 sales of $43,3m But it is saddled with debt and had to upgrade its outdated technology

Mackay said SAB was responding to an invitation, and had not yet done a due diligence exercise, which made it difficult to put a figure on the deal. The Financial Times yesterday pegged it at $100m including the purchase price, capital injection and development funding for five years

Mackay said there was an established beer drinking tradition in Hungary, with a high per capita intake of beer. Hungary was a large producer, and there were also logistical transport problems, so SAB had not exported much to this region in the past It was possible that the proposed deal could bring with it export opportunities.

Apart from Kobanyai Sorgyar, two of Hungary's seven brewers were sold to Austria's Brau-Union recently Belgium's Interbrew, the Netherlands' Heineken and management of a local brewer had each bought control of one

Analysts said yesterday it was difficult to assess the deal until more details were known But it would be in line with the group's strategy to expand offshore. SAB would not only gain a majority stake in a dominant brewery, but it would also gain a firm foothold in eastern Europe

The acquisition would require a significant amount of capex for new plant and to alleviate the brewer's current debt position

Sorghum selling opposed

APPLICATIONS for sorghum beer licences at cafes in Lansdowne, Bergvliet and Waterkant Street have been opposed by ward councillors

Mr John Muir and Mrs Ruth Ortlepp opposed the Lansdowne application

(182) ARG 18/6/93

Mr Gordon Oliver, the sole councillor for Bergvliet, said the community had been recently engaged in an intensive campaign against selling liquor in the suburb

In the case of an application by a Waterkant Street cafe, Mr Leon Markovitz said he had no objection — but ward colleague Mrs Patricia Sulcas Kreiner said selling sorghum beer would "encourage those homeless people who presently loiter outside bottle stores to loiter outside cafes"

The comments were forwarded to the liquor board by the executive committee yesterday

Smart 182 way to down a lion

CITIZEN 20/6/93

BEER giant South African Breweries moved into the future "cashless" society this week and scored a world first in the goods and services distribution arena.

The innovative system virtually eliminates the need by the breweries' delivery crews and depots to have large amounts of cash on hand

The Megalink system, developed by the Nedcor group's card division, will be phased in nationally from September.

Explaining how the system works, SAB beer division marketing manager Barry Smith told a press conference that "smart-cards" – they look like a credit cards but have a microchip – will be issued to the breweries' cash-on-delivery customers.

Once the customer has received beer deliveries, funds will be transferred from the microchip on the customer's card to the SAB card carried by the breweries driver – a transaction averaging four seconds for several months

would enhance the
hat all three groups
rescue plan.

granted, says Mr Riley.

A plank of the rescue scheme is the formation of a new Club Mykonos Langebaan. It will have a capital base of R80-million and 13 000 shareholders.

a box costing R140 Its fare is R1 500

The owner has to pay for an animal's keep in quarantine in the new country.

Beer for the communal good

S/Times (Buss) 20/6/93

By DON ROBERTSON

A PLAN to keep the locals happy with ample beer and generate funds for community development has been brewed by Brewmasters International.

Promoted by marketing and promotions group David Hume & Associates, the intention is to establish mini-breweries in poor areas.

(182)

They would produce clear beer and plough profits back into the community for clinics, schools, electrification programmes and boreholes.

The plan has attracted the interest of Anglo American.

A problem for these communities, however, is that a brewery would cost about R500 000. It is hoped to involve the Development Bank or the Small Business Development Corporation in underwriting the cost.

Managing director David Hume says mini-breweries making between 800 and 1 600 litres a day could pipe beer to beerhalls.

Beer could be made for 48c a half-litre, including Government levies. A brewery could pay for itself in a year, says Mr Hume.

The stainless-steel equipment is made in SA by Schnaier Metals and would be provided in a turnkey deal.

Brewmasters International is prepared to operate the breweries on a franchise and provide training Estimates suggest that about 1 000 breweries could be established in the next few years

Sorghum beer sales code of conduct expected this week

CT 22/6/93 (182)

TWEET GAINSBOROUGH-WARING

A CODE of conduct to monitor the sale of sorghum beer will, it is hoped be drawn up between the Sea Point Traders Association, retailers and suppliers at a meeting to be held this week

Councillor Chris Joubert said that despite there being a strong lobby to have the sale of sorghum beer banned altogether he was against this as he felt it would go underground

"It is essential that we get together and draw up a code of conduct regulating when it is sold and to whom, he said

Previously when the sale of cheap wine was a contentious issue, a round table discussion was held and an agreement was reached to withdraw the wine from the shelves of local liquor stores, Joubert said

Sorghum beer has a shelf life of seven days but during this time ferments and can increase the alcohol content to around eight per cent

Samples submitted by the general manager of National Sorghum Breweries on May 28 all showed alcohol contents of below 2% in beer yet to be delivered

Samples submitted by the Traders Association to the Department of Agriculture in Stellenbosch for testing were taken from various cafes during May and showed alcohol contents of 5,77%, 6,9% and 5,42%

Liquor licence

"There is no doubt in my mind that it ferments on the shelf," said Mr Joubert

Liquor traders and restaurateurs object to the fact that they have to apply for a liquor licence to sell anything with more than 2% alcohol and have to abide bu strict selling times

An agreement was reached recently whereby cafe owners had until June 30 to apply for a licence to sell the beer

Resilient SAB expects to improve performance

B/Day 24/6/93

(182)

MARCIA KLEIN

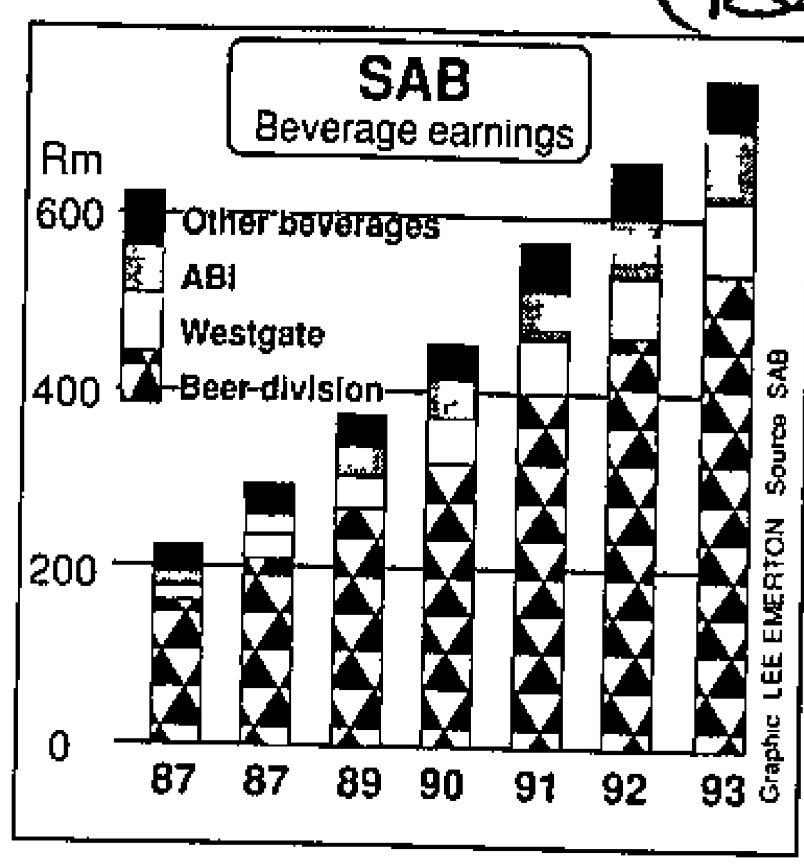
SA Breweries (SAB) was not expecting the resumption of real growth in private consumption expenditure before well into 1994, executive chairman Meyer Kahn said in his 1993 annual review

But SAB, which recently reported a 6% increase in attributable earnings to R825m on a 25% turnover rise to R21,8bn in the year to end-March, had proved its resilience, he said

In this light, an increase in earnings and in operating cash flows could be expected

Kahn said that over the past seven years the beer division's earnings had grown at a compound rate of 22,1% while other interests grew by 19,4% The seven-year average return was 20,7% against an objective of exceeding 20% per annum

During the year the group invested R1,4bn, with capex in the beverage interests amounting to R8[illegible]3m SAB had committed itself to capex of about R1,5bn in financial 1994, with beverage interests absorbing about R1bn This would include expansions at Alrode, Newlands and Prospecton breweries, upgrades of packaging capacity in the main plants; and over R200m for further container spending Retail and hotel interests would require about R250m and the consumer goods manufacturing activities would need about R200m



The beer division increased its earnings by 16% to R541m on a 13% turnover rise to R5,2bn Kahn said sales volumes improved marginally and selling price increases were well below CPI, and the increased earnings were from improved efficiencies and greater productivity

Kahn said liquor consumers at lower income levels switched from beer to cheap substitutes, and wine was benefiting from "its inordinately low excise contribution" The beer market also remained open to competitive threats from other liquor types like cider Several small competitors had entered the clear beer market, "and rumblings of competitive activity continue"

He said export sales, ~~which~~ had shown exceptional growth over the past two years, were marginally down This was partly due to increased export duties in Mozambique and unrest in Angola But sales had improved in the South American market, and more export markets were becoming accessible

Due to the low level of beer volume growth, SAB had deferred plans for a new brewery in Port Elizabeth and closed its Isando and Bloemfontein breweries

Southern Sun, which managed the group's hotel interests had outperformed the rest of the industry, with group occupancies at 57% But net financing costs rose significantly and earnings from associates dropped Total attributable earnings declined by 37% to R17,1m

Proposed beer sales opposed

CT 24/6/95 (182)

COUNCILLORS John Muir and Ruth Ortlepp are against the proposed sale of packaged sorghum beer in a shop in Lansdowne Road, Claremont.

According to an item in the Exco agenda of the Cape Town City Council, they are against the proposition because the Taronga Supply Store is in the heart of a residential area and is near to a church.

They feel a litter problem is likely to occur and that stores selling intoxicating beverages tend to attract people who do not live in the area.

No objection

Loiterers often behave anti-socially at these places, it is stated in the report.

Also, there is already a liquor store about two kilometres away.

The city planner reported that he had no objection to the application from a town planning point of view.

Business Report

Samancor in French deal

Business Staff

SAMANCOR and Societe du Ferromanganese de Paris-Outreau (SFPO) have agreed to co-operate in producing 40 000 to 80 000 tons of medium-carbon ferromanganese a year at Boulogne in France from manganese ore supplied by Samancor

The parties have also announced that Samancor will acquire a 5% shareholding in SFPO

Samancor will supply between 80 000 and 160 000 tons of its high-grade ore per year to SFPO, who will convert this into low-phosphorous high-carbon ferromanganese using its existing blast furnaces in France

This alloy will be refined into medium-carbon ferromanganese

Trials of the equipment required for the refining process are well advanced and small-scale production and sales will start shortly

Rand report

LOCAL exporters have pointed out that the report on the rand (Wednesday 23 June) was incorrect in saying "exporters should feel comfortable about not covering positions"

SA's foreign exchange controls requires exporters to cover positions seven days after shipment

CT 24/6/93

SAB discloses foreign interests

CT 24/6/93 (182)

From MARCIA KLEIN

JOHANNESBURG — SA Breweries (SAB) has for the first time disclosed details of its foreign beverage interests, whose turnover totalled close to R1bn in the year to end-March.

In his 1993 annual review, executive chairman Meyer Kahn said favourable changes in international attitudes towards political developments in SA allowed for more comprehensive reporting on the group's foreign beverage interests housed in Westgate Worldwide.

The group said Westgate's attributable earnings grew by 18% to R79m (R67m) in the year to end-March, while turnover rose by 17% to R949,4m (R813,7m)

SAB's total beverage interests reported turnover of R7,7bn, with the beer division's turnover totalling R5,2bn.

Westgate's 12% growth in total assets to R962,2m included capex of about R80m.

Westgate, established to handle beverage-related investments and activities outside SA, had seven breweries and three bottling plants.

Beer brands included Dorada, St Louis and Chibuku (sorghum), and soft drink brands included the Coca-Cola, Sparletta and Schweppes ranges and Appletise and Pinalito spring water.

Kahn said Westgate operated largely in sub-Saharan Africa through Netherlands-based subsidiary Indol International BV, which was "well established in Botswana, Lesotho and Swaziland".

Westgate also had "significant strategic holdings in the dominant beverage operations in Zimbabwe and the Seychelles", and was looking at other sub-Saharan beverage markets.

Westgate had also started to acquire and develop beverage interests in and around Europe. Compania Cervecera da Canarias, the largest brewer in the Canary Islands, was a Westgate subsidiary.

In the UK, Appletise was distributed under licence from Westgate subsidiary Niagara International BV

Export markets and franchises were being established in Europe and the brand rights for SAB's brands had been registered in markets worldwide. Westgate also owned the Carling Black Label brand for southern Africa.

Kahn said the volume of lager beer sold in Westgate's markets declined marginally in the year, but Chibuku sorghum benefited from changed consumption patterns

Indol's southern African subsidiaries, the major bottlers of Coca-Cola, reported virtually unchanged sales. Appletise retained its dominant market share in the UK and elsewhere

The annual report made no mention of a recent announcement by Hungary's State Property Agency that SAB had won the right to buy a majority stake in Hungary's largest brewer, Kobanyai Sorgyar

Kahn said SAB expected little or no growth in the European and southern African economies in the coming year

But Westgate was committed to achieving reasonable improvement of profit each year, and had budgeted for a further improvement in the 1994 financial year

SA BREWERIES FM 25/6/93

The waltzing brewer (182)

How will SAB fund the cash it will need to buy Hungary's largest brewer, Kobanyani Sorgyar? It's clear it is still too early to determine how financing arrangements will be structured — if, that is, SAB decides to go ahead with the deal * cont'd

FINANCIAL MAIL • JUNE • 25 • 1993 • 63

FOX FM 25/6/93 (182)

The project is rumoured to cost in the region of US$100m However, as this includes not only the purchase price but also a capital injection to strengthen the balance sheet, together with capex to be funded from retained earnings over five years, the initial outlay will be somewhat less But SAB group planning and development director Malcolm Wyman says exact figures can't be given as a complete evaluation of the Budapest-based business is still to be conducted

SAB won the right to exclusive negotiations to acquire 75% in the company after the Hungarian government's decision to privatise the brewing industry Kobanyani Sorgyar, though capturing 30% of market share with an annual production of 3m h*l*, is said to be the most indebted and needful of technical support in the sector

SAB has one month, to mid-July, to finalise negotiations, during that time a team of senior SAB officials will visit Budapest Though currently profitable, Kobanyani needs substantial capex to upgrade technology and improve profitability

In SAB's favour is that it could borrow against its offshore assets which, according to the latest annual report, are worth R962m

Previously these figures weren't disclosed but the decision to report them reveals that turnover from offshore operations increased 17% to R949m in 1993 Attributable earnings were R79m

Though much depends on financial considerations and on the SAB investigations, the acquisition would give SAB a significant foothold in Europe, a move in line with group strategy to expand offshore *Marylou Greig*

Equal jobs key to new SA

21/6/93

THE saddest thing about SA is that there are millions of able, willling and capable blacks who are still denied oportunities by both business and the political powers that be, charges NSB executive chairman and chief executive Mohale Mahanyele in his 1992 annual report.

"How else does any sensible person explain the almost total absence of blacks in the top echelons of ownership, control and management of the South African economy?

"How is it possible that the NSB can succeed with blacks in the top echelons," Mahanyele asked, arguing it was against this background that the NSB had positioned itself as a company that should be seen as playing a significant role in ensuring "that we have a just, fair and democratic post-apartheid SA".

Black economic empowerment was one of the keys to a democratic post-apartheid SA, he said.

"It cannot be doubted that unless and until there is a considerable amount of affirmative action, we will not be able to move away from the past Political empowerment must be accompanied by economic empowerment," Mahanyele said

He strongly believed that "unless South Africans seriously considered such a nebulous concept as "Equal Employment Opportunity" most blacks and some whites who were trapped in the poverty cycle would never rise above their present circumstances.

The economic woes now afflicting many South Africans would simply continue into the future, he warned

"Leaders have a significant role in creating the state of mind that is the society They can serve as symbols of the moral unity of the society," Mahanyele said, adding "they can express the values that hold the society together"

To add substance to his belief that business could be an agent for positive change, Mahanyele quoted management expert John Gardener "Most important, they can conceive and articulate goals that lift people out of their petty preoccupations carry them above the conflicts that tear a society apart and unite them in pursuit of objectives worthy of their best efforts" rghum Breweries

)MIC EMPOWERMENT A REALITY

(seated) Moss Leoka, Mohale

Changing the face of business

C Press 27/6/93

182

IN just three years the National Sorghum Breweries (NSB) has become the largest black-owned company in SA

With more than 4 000 employees, the company carries the hopes and aspirations of most black South Africans

In fact, at a recent glittering function in Johannesburg where NSB chairman and chief executive Mohale Mahanyele was honoured with the Businessman of the Year Award, ANC president Nelson Mandela lionised the company as having "put the issue of black economic empowerment very forcefully on the agenda in this country"

What Mandela and many others are already saying is that the NSB is black economic empowerment in action – not some obscure academic concept which does not deliver the goods as promised Its humble beginning has the ring of a Cinderella story

It was after the bewitching midnight hour when it was officially established as an independent business after the Industrial Development Corporation's (IDC) assets and operations were transfered on June 30 1990

On July 1 1990 the NSB was born and black economic empowerment was put to the test

Three years later the NSB has made great strides as it gives the sorghum beer industry a new, serious image and facelift The hard facts are that in pursuing its objectives of real and tangible black economic empowerment the NSB has been recording healthy trading results

Somehow the company can stand tall and proud in confirming that black South Africans can make it – particularly in a big industry like sorghum beer, which for years had blacks demanding that it be handed to them to run and manage

On the other hand, the NSB has become the barometer of how blacks will handle economic empowerment when the majority of South Africans find themselves in a post-apartheid society The NSB was born against the backdrop of a country that is engaged in a painful transition to a democracy

Mahanyele told a business magazine last year "NSB has a massive responsibility to show the people of SA how business should be done in this part of the world"

He went on "NSB does its business among the poorest and amid the squalor of the squatter camps We are therefore more acutely aware of the problems"

Because Mahanyele believes that the new SA will not usher itself in on its own but has to be created, he says the NSB has adopted an active policy of black economic empowerment to contribute to this dream of millions of South Africans who were cast in the role of underdogs

Mahanyele does not pull his punches "There will never be justice, fairness and equality unless past inequalities are addressed through such programmes as affirmative action The recent history of the Afrikaners is a poignant reminder of how vital it is to empower the poor in order to help themselves"

And to see that this dream and responsibility solidifies, Mahanyele has surrounded himself with able and willing people on the NSB board of directors

Included on the 11-person board are well-known businesspeople, Moss Leoka, Peter Wrighton of Premier Milling, popular musician "Mama Afrika" Miriam Makeba, former Soweto schoolmaster and now businessman Legau Mathabathe, musician-academic Professor Khabi Mngoma, accountant Israel Skosana and academic Dr N Mzamane

In addition to pursuing its mission, the NSB has reorganised its management and made numerous appointments No wonder today it boasts the single largest component of highly qualified and experienced blacks of any company in the history of SA

The black community also plays an important part in the affairs of the NSB – it sources a large portion of professional services and supplies from this community within which it conducts business Some of these services include advertising, marketing, insurance, travel, photography and printing

Mahanyele told *Enterprise magazine* "The company has created employment for hundreds of entrepreneurs who operate as independent distributors of sorghum beer and has a close relationship with many more shebeeners and taverners through the South African Taverners Association"

Another proud milestone was reached when an overwhelming number of blacks purchased shares in mid-1991 – there are now more than 8 000 ordinary shareholders plus 4 000 employees who belong to the NSB Employee Share Trust

"Our shares are still available to the public at R1,15 a share in 100 units Those who still want to buy our shares can purchase them from their nearest NSB brewery or Mercantile Bank," said public affairs executive Derrick Luthayi

Other visible jewels in the NSB crown are its brand-new Ladysmith brewery which is in full production and the Naspotie Brewery in the eastern Transvaal's Nelspruit area, which was completed this month and will be officially opened in August

A lot of people sit up and listen when Mahanyele says that the NSB has truly become the "people's company" and is changing the face of business in SA

It is not an idle boast The man is a firm believer in that oft-repeated truism "Nothing on earth is as powerful as an idea whose time has come"

Against all odds – this SA company succeeded

C/Press 27/6/93

By MOHALE MAHANYELE, NSB chairman and chief executive

ONE of the difficult things to understand about National Sorghum Breweries as a business is how different it is relative to other South African businesses.

Internally we have been affected by one of the most heinous types of industrial espionage. It can be expected that the more successful we become, the more sinister the enemies will be.

We have been faced with the fact that we acquired a business whose culture was generally unsuitable. Virtually all functions have had to be revamped restructured and refocused (182)

The executive team and myself placed heavy emphasis on giving due diligence to the need for control and accountability in all matters relating to our business

What we have achieved could never have been realised without the concern and support of our board of directors. Today we have a company almost totally different in its strategic planning vision, mission and goals from the one we bought in 1990

We have restructured our company into new strategic business units This means that we now have a company which is constituted in such a way that each business unit reports fully as an entity, with its own support systems internally, but receives overall support from head office.

The present status of the NSB Employee Share Trust Fund totals R15.3-million worth of shares.

This is again a very encouraging development, something which we must be proud of as it represents the empowerment of people that are employed in the company.

Blacks in particular have always generated wealth but rarely owned it It is in keeping with our mission that blacks must also own a significant part of their country's wealth in land, shares and other forms

hum Breweries

Brainpower's the force behind prof's business firepower

CIPRESS 27/6/93

BLACK business gained where academia lost when Sipho Nhlapo decided that his sheltered employment at university was frustrating

Nhlapo is not your run-of-the-mill academic. He has a Ph D in microbiology and biochemistry and was head of the University of the North's department of microbiology

This was after a brilliant school record at Frankfort in the Free State where he grew up He went on to matriculate at the Amanzimtoti Training College.

Then he read for a BSc, honours and masters degree at Fort Hare University before completing his PhD at the well-known Rutgers State University in New Jersey, United States

Frustration

The business bug bit Nhlapo when he joined the world-famous pharmaceutical giant Johnson and Johnson in the US as a management trainee From there he was transferred to the company's South African operation in 1982.

But the pull of academia once again got the best of Nhlapo and he joined the University of the North as a senior lecturer in microbiology Nhlapo, in fact, started the department of microbiology and ended up as its professor

Frustration with the academic environment set in and Nhlapo joined the National Sorghum Breweries "to put my knowledge and experience to industrial use".

Yet Nhlapo has not totally severed ties with academia He maintains links with the University of the North because, according to an interview in *Enterprise* last year, there is "a need for microbiologists and biochemists The magazine reported. "He sees it (academia) as an avenue for black empowerment"

182

He also said: "We can delegate research contracts to black universities and sponsor post-graduate students. This is a way for us to help develop black scientists There is room for lots of co-operation and we invite the universities to come and discuss these plans with us "

At the NSB research, development and marketing division his job entails setting up laboratories to maintain the high quality of his group's products and to research and develop new products.

Nhlapo feels challenged. He pointed out last year: "For so long the company has depended on the Council for Scientific and Industrial Research (CSIR) to do its research. Now all those activities have been brought in-house."

Nhlapo told *Enterprise* that some of these new products included high-protein food products.

Quality

Diversifying the group, he said, would help the NSB sustain itself in the long term. But Nhlapo is adamant that he is not ignoring the NSB's mainstay product, sorghum beer

He said: "Sorghum beer has never been given the image it deserves. It has even been known as a health hazard. Our role is to set a high standard of quality and improve that image It should be a drink for everybody and we are going to market it as such "

Judging from the strides the company has made in the past three years, many do not doubt that Nhlapo has kept his promise

EXPANDED VISION ... Prof Sipho Nhlapo's research, development and marketing division is studying diversification.

SAB drivers win in-house contract

S. Times (Buss) 27/6/93

By DON ROBERTSON

IT has been tried before, but the idea of allowing truck operators, working for a major distributor, to own their own trucks has taken on a new concept at SA Breweries

Black truck drivers at the Baragwanath depot of SAB have formed a close corporation and have won a contract for an inter-depot transport contract.

The formation of this new "informal" group has resulted in an order for 11 ERF truck tractors, costing about R500 000 each

This story of co-operation between black and white businessmen creates a position in which owners become operators with the necessary benefits

The new group, Wheels for South Africa CC, is an unexpected, but welcome spin off from the brewery's owner-driver programme, says SAB

Bob Jones, general manager for truck sales at ERF says they were approached by the group which had no financial or credit track record and no assets other than their own 100 years of distribution experienece.

"The close corporation partners had been chosen from SAB's owner-driver programme and would be monitored for driver use, experience, customer orientation, technical capabilities and honesty.

"We realised that these people, with all their experience, probably knew more about distribution than most," says Mr Jones.

"We, therefore, saw the potential and took the initiative by submitting a proposal to our joint venture finance company, Wesbank. This proposal was approved." (182)

The success of Wheels of SA was a pleasant surprise for depot manager, Deon Kriel, who had planned to award the inter-depot contract to "outside contractors"

Beer on tap plan to aid communities

BiDay 29/6/93

THEO RAWANA

A HUNDRED mini-breweries are to be set up in rural areas, with profits from the clear-beer sales being ploughed back into community-building projects, the company behind the scheme said yesterday (182)

The novel "brew-pubs" concept involved small breweries which would tap beer straight through to an adjoining beer hall, and was forecast to earn R60m for the communities in the next year, said BrewMaster International director David Hume

Hume said BrewMaster was to put up the breweries at a cost of about R500 000 each and train franchisees for two months. Repayment could be structured over up to five years

These enterprises would be wholly owned by the communities and all profits would be invested in community development projects

The brewery's location would cut out transport, distribution and labelling costs With production costs of less than 48c a beer, profit projections were about R600 000 a year.

BrewMaster hoped the Development Bank of Southern Africa and development corporations in the areas would underwrite each brewery for a year

"Socially responsible business now has the opportunity of becoming involved in rural development simply by underwriting a brewery for one year, with virtually no risk," said Hume

Hume said studies had shown that per capita consumption of clear beer in rural areas was about 10 litres a week "To date money spent on beer is channelled out of the communities into the hands of big business" This flow would be staunched

The name of the lager would be announced at the launch in the next few weeks

From CHRIS BATEMAN

SA trounces US wine exports to Britain

CT 30/6/93 (182)

LONDON — South Africa has become the fourth largest non-European Community country exporting wine to Britain, outstripping the United States for the first time this year, it emerged yesterday

The country's phenomenal increase in wine exports to Britain — from 190 715 cases in 1990 to 604 355 last year — saw her outstrip long-established wine exporters to the UK, like Chile and New Zealand, by last year.

Figures released yesterday by Britain's Central Statistical Office (CSO) reveal that SA exported 151 456 cases of wine in the first three months of this year, compared to the United States' 139 900, overtaking the predominantly Californian wine exports for the first time

The top non-EC wine exporter to Britain is Australia, (545 967 cases), followed by Bulgaria and Hungary

● The CSO began recording monthly figures of SA wine exports from last June when the country began featuring among the top seven non-EC wine exporters to the UK

SA BREWERIES FM 2/7/93 (182)

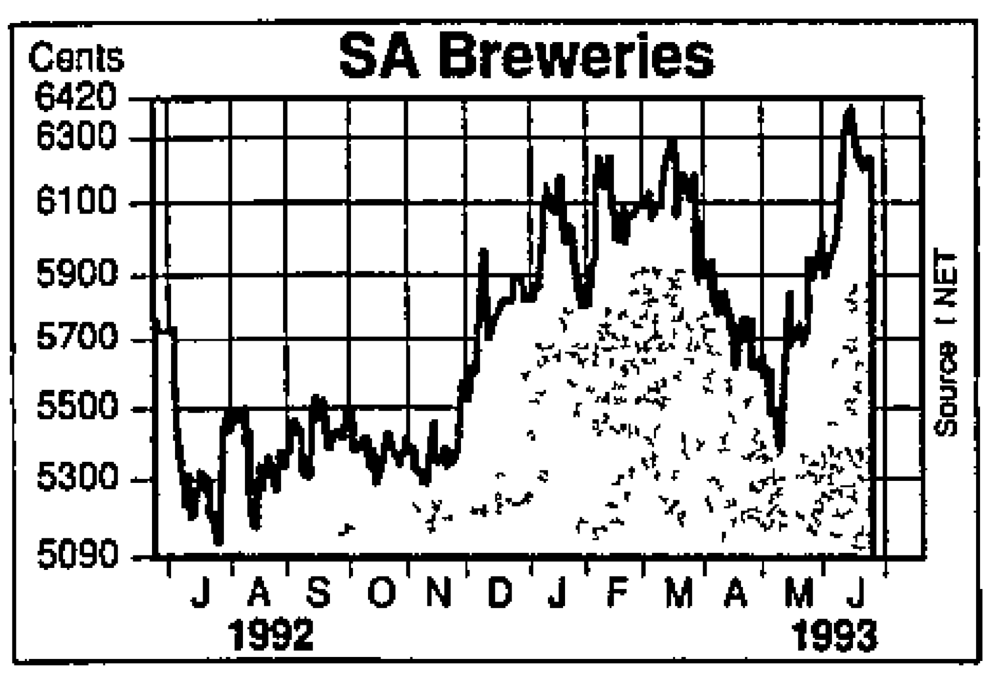
Still relying on beverages

Activities: *Consumer-based group with interests in beer and other beverages, as well as retailing, manufacturing and hotels*
Control: *Bevcon 34%, in turn controlled by JCI, Liberty & Anglo*
Executive chairman: *J M Kahn*
Capital structure: *273m ords Market capitalisation R16,9bn*
Share market: *Price 62,25c Yields 2,2% on dividend, 4,9% on earnings, p e ratio, 20,5, cover, 2,2 12-month high, R63,75, low, R48,50 Trading volume last quarter, 2,6m shares*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	659	720	1 496	1 457
LT debt (Rm)	1 279	1 640	2 058	2 564
Debt equity ratio	0,45	0,48	0,62	0,51
Shareholders' interest	0,44	0,42	0,41	0,41
Int & leasing cover	6,0	7,0	4,6	4,9
Return on cap (%)	15,7	17,7	15,2	15,4
Turnover (Rbn)	13,3	16,1	17,4	21,8
Pre-int profit (Rm)	1 383	1 799	2 005	2 419
Pre-int margin (%)	9,9	10,8	10,5	10,8
Earnings (c)	225	265	290	303
Dividends (c)	101	118	130	137
Tangible NAV (c)	1 009	1 168	1 457	1 741

Diversification may seem to have brought some benefits for SA Breweries (SAB) but the sound performance from its beverage interests, particularly the beer division, produced the 6% increase in the bottom line

Turnover rose by a quarter to R21,8bn, but that was partly because of inclusion of Plate Glass for the first time in April 1992 Executive chairman Meyer Kahn says 16% of this growth can be ascribed to Plate Glass, the rest being generated by SAB's continuing operations



The effective tax rate increased because of the expiry of certain export incentives as well as more losses from retail and hotel interests SAB is one of those companies hit by the Minister of Finance's (unintentional) double whammy it fell into the secondary tax on companies trap, without yet benefiting from the lower corporate tax rate However, R44m released from deffered tax helped to compensate, resulting in a 14,5% increase in taxed profit

The two-thirds contribution to EPS from beer was the highest in at least seven years

SA Breweries' Kahn *contribution from Plate Glass*

Beer has performed consistently over the past three years, other interests, which showed potential before 1990, have steadily declined during the recession

SAB is justifiably proud of its 26 years of unbroken growth in EPS — matched by few other major industrial groups Over the past seven years, earnings and dividends have grown at a compound 20,6%.

Good working capital control enabled capex of R1,4bn to be funded from retained earnings without recourse to borrowings The group's phenomenal cash-generating ability and sound management of working capital remain among its greatest strengths Cash flow increased to 526c a share from 1992's 323c

Debt equity is a sound 51% (1992 62%). Gearing has averaged 50% over the past seven years, well below the internal constraint of 75% As part of a restructure of long-term funding, SAB issued a tradeable corporate bond, raising R1bn at a fixed yield to redemption over its 7,5-year term of 14,8%

After the consolidation of joint financing companies Amretfin and Okfin, previously equity accounted, 1992 figures have been restated

Of greatest significance in the 1993 annual report is the disclosure of international operations Total offshore assets are stated at R962m with turnover of R949m, up 17% on the previous year Attributable earnings increased similarly to R79m, or 9,6% of the total

Westgate Worldwide, which primarily handles the international beverage-related investments and activities, controls the major breweries in Botswana, Swaziland, Lesotho and has strategic holdings in the dominant beverage operation in Zimbabwe and the Seychelles, through Dutch-based Indol International Apart from owning the brand rights for SAB's lager beers in major markets worldwide, it owns the Carling Black Label beer brand for southern Africa and Chibuku, the traditional sorghum beer brand

A subsidiary of the international company is the largest brewery in the Canary Islands In the UK, Appletise is made and distributed nationally by Coca-Cola Schweppes Beverages under licence from Westgate subsidiary Niagara International BV

SAB's beer division contributed R541m of total attributable earnings, a year-on-year increase of 16%, volumes grew 1% In total beverages contributed 92% ABI lifted earnings 19% on declining volume growth Edgars improved its position in a shrinking clothing market, reflecting the turnaround in the performance of Jet Stores and strong earnings growth at Sales House Edgars Group — on an 18% rise in earnings — provided just over a fifth of attributable earnings

OK Bazaars was a disaster Its turnover is 23% of the group's, but it remains a drag on earnings SAB's hotel interests were hurt by the difficult tourism market, resulting in a 6% decline in turnover

Manufacturing interests — Afcol, Lion Match and Da Gama — saw lower turnover, though control of working capital improved attributable earnings for all but Da Gama The investment in Plate Glass made a positive contribution after preference dividend funding costs

SAB BY SECTOR

	Turnover Rm		Attributable earnings Rm	
	1992	1993	1992	1993
Beverages SA	5 997	6 754	598	677
Beverages Westgate	813	949	67	79
Manufacturing	1 379	4 112	78	188
Retail	8 666	9 447	183	145
Hotel int	522	491	27	17
Other	24	26	(174)	(281)
Total	17 401	21 779	779	825

Earnings growth in 1994 will benefit from the lower company tax rate The beer division has shown it can achieve good earnings growth even when volumes are almost static

The share price has remained relatively stable at R62, after easing to this level ahead of the results

On an earnings yield of 4,9% and dividend yield of 2,2%, the share looks expensive, though comparable with other blue-chip consumer companies Its good earnings record suggests it will remain a favoured investment

Marylou Greig

Bottoms up! Consumers win beer war

W/Mail 2/7 - 8/7/93.

(182)

By MONDLI MAKHANYA

BEER drinkers are poised for a really festive season this Christmas as South African Breweries and the National Sorghum Breweries lock horns in a battle for market share. A price war is anticipated when NSB ventures into the clear-beer market around November.

NSB has spent close to R2-billion preparing to enter this market, having acquired two breweries near Verwoerdburg. A number of foreign brewers — rumours suggest Millers of America is one — have also been roped in for expertise and capital. A marketing campaign will kick off soon

The NSB's challenge to SAB, which controls 98 percent of the beer market, has been described as "extremely bold". History is littered with casualties who have dared challenge the monolith. Ironically, the brewery where NSB plans to brew its beer was bought from Rico, which was edged out of the market in its infancy by SAB.

It's a formidable task indeed for a company just two years out of state ownership. But, judging by NSB performance since the Industrial Development Corporation sold it to private, mainly black, shareholders two years ago, it may stand a chance.

NSB's annual turnover has increased from R310-million to over R500-million. And, unlike Iscor, whose share price has fallen considerably since privatisation in 1988, NSB's has been stable

The company has also embarked on a diversification programme, having bought Jabula Foods from Premier, and has begun exporting sorghum to neighbouring countries.

"We have confounded the prophets of doom," boasts NSB spokesman Derrick Luthayi "Many were saying we wouldn't even last a year."

But sceptics still abound. NSB's main business, sorghum beer, has been on the decline for the past 20 years. Although sales increased last year, this was due to depressed incomes in the black market, which downgraded from malt beer. NSB capitalised on this, heavily marketing its new, flavoured brews.

Sceptics also point to the fact that in 1995 NSB will lose its sole sorghum trading right outside kwaZulu, opening up competition from SAB's sorghum interests and kwaZulu's Amebele brewery.

If the acrimonious build-up to the launch of NSB's beer is anything to go by, the real battle will be brutal. There have already been allegations of industrial espionage, sabotage and poaching. "It's going to be a dirty fight," warns Senekal Mouton Kitshoff beverages analyst Chris Gilmour.

Working against NSB, reckons Gilmour, will be the difficulty of switching from sorghum, where quality can often be inconsistent, to the clear-beer market, where consumers are fussy about consistency. This may, however, be overcome with the help of the NSB's more experienced foreign partners.

Distribution will also be a problem, since SAB has spent decades and millions of rands developing a highly sophisticated distribution system. But Luthayi says this will be taken care of by the NSB's existing network of half a million distributors, most of whom are in the informal market.

The advent of deregulation, when beer will become available in supermarkets, will find SAB already well entrenched in the form of its subsidiary, OK Bazaar, the country's second-biggest retailer

One of the NSB's best-kept secrets is which market segment it plans to enter SAB has garnered every segment, from cheap beer to imported premium. It has also worked hard at establishing brand loyalty through social investment.

While some observers reckon NSB may have to take on Castle and Lion lagers if it is to gain the 30 percent market share it is aiming for, others say this will be "suicidal".

"I'd be really surprised if they did that," says SAB public-affairs manger Adrian Botha. "These are very mainstream brands and their breweries will not have the capacity. I would expect them to try the niche brands like Hansa"

One thing is certain, though: the consumer will for the first time in years have a choice and will benefit from price cuts.

Tobacco and liquor score

(182) ARG 6/7/93

□ Consumer spending earns Rembrandt R452,7 million

MARC HASENFUSS
Business Staff

TOBACCO and liquor earned R452,7 million for the Rembrandt Group in the year to the end of March — representing nearly half (47,6 percent) the group's total earnings.

Chairman Mr Johann Rupert said in his annual review the Trade Mark Group (which consists mainly of tobacco and liquor) increased its contribution to the bottom line by 10 percent in spite of reduced disposable income and increasing input costs

Remgro's mining interests under Tegniese Mynbeleggings (TMB) made up slightly more than a quarter (25,1 percent) of attributable earnings, increasing its contribution 5,3 percent to R239,2 million in the period under review

Mr Rupert said the recent surge in gold and other precious metals should have a favourable impact on results for the coming year — on condition prices were maintained at the higher levels

Remgro's industrial interests recorded disappointing results in the year to March — profits down 25,4 percent to R91,2 million (previously R122,3 million).

Industrial interests — as a percentage of total earnings — dropped markedly to 9,6 percent from 13 percent in the previous year.

Mr Rupert said the effect of Rainbow Chicken's losses on Remgro amounted to R15,6 million

However, he said that engineering interests — particularly the listed operations of Dorbyl and holding company Metkor — were still experiencing extremely difficult trading conditions

The contribution by Financial Services increased 11,4 percent to R78,3 million — representing 8,2 percent of group earnings (previously 7,5 percent)

■ Since the year end Remgro had acquired a 15 percent partnership in Vodacom. Remgro's investment in the cellular telephone network operator would be around R100 million

SAB 'determined to be a good neighbour'

By JILYAN PITMAN

SA BREWERIES had not yet answered all the complaints recently made by Newlands residents

This was said at a report-back meeting on Monday evening at the Josephine Mill attended by about 20 people and led by Mr Owen Kinahan

At the meeting it was acknowledged that the brewery had addressed a lot of the 29 complaints submitted to them in writing but others still needed solutions.

Residents said they were not happy with some statements from the brewery, particularly a comment that "the vast majority of our neighbours have not complained about noise from the brewery" 182

Vibrations

CT 8/7/93

Mr Kinahan said "SAB has given us a detailed response to our complaints and we appreciate the progress that has been made so far We would like to put on record that we are not impressed with the Cape Town City Council's half-hearted response to our memorandum"

Complaints that have been made against the brewery were about traffic noise, low-frequency noise and vibrations and air and water pollution.

Some suggestions towards solutions were made by those at the meeting bleepers could be carried by brewery personnel so that they could be reached at all hours if there was a need to complain about noise, particularly at night, the traffic department could have an all-hours phone to receive reports about violations by SAB brewery vehicles, Sunday work on the site should be clarified, and arrangements should be made for work-seekers to wait on brewery premises

Mr Kinahan said that noises made by piling operations, forklift truck opertions and those caused by broken bottles being thrown into bins had decreased.

"The corn-popping sound reported has not yet been identified but we will persist so that it can be eliminated"

He said SAB should be held to their statement that they were striving to be the most environmentally-friendly brewery in the country

Mr John Eastwood, GM of SAB, said in his report his team was determined to complete the current and planned activities as quickly as possible, within a 12-month period, and that SAB wascommitted to managing the brewery as a considerate neighbour

Brewing up some competition

182 FM 9/7/93

In 1991, SA Breweries' Graham Mackay said he wouldn't mind if the micro breweries that were beginning to flourish stayed in business They filled a niche They were draught brewers and catered for the more affluent beer drinker, while SAB was a mass brewer of bottled beer

Mackay, the beer division's MD, says that's the way it still is But the perception among the independents is that his marketing people are out to squeeze the small brewers' share of the draught beer market by making offers to publicans that they can't match

If that is so, the reason isn't hard to find The micro breweries are starting to peck away at SAB, which like any other company that dominates a business, allows its competitors a length of rope, then hauls it in when they stretch it SAB chairman Meyer Kahn underscored this in his recent chairman's report when he said several competitors had entered the clear beer market, "and rumblings of competitive activity continue "

And stretch it they have Sterling Breweries of Empangeni, Natal, started production last October and plans to build up to 4,8m l/year with its first phase, says MD Bernard Hack

Durban-based Keg Franchising now has 11 English-style pubs operating, with five signed up to open soon, says co-MD Derryck Myers All have to incorporate the word "keg" in their names The one in Johannesburg is the Keg & Crown and the one in Pretoria the Keg & Hound They stock SAB's entire range of beers, as well as 30 imported ones and sell 40-50 000l each a month, with 5% being English-style beer brewed by the independents

The draught beer market absorbs 12m l a year, with the micro breweries providing 2m l, says Peter Brown, MD of Johannesburg's St George's Brewery The remaining 10m l is SAB's and accounts for only a tiny percentage of its total output

"Beer wars are fought over fridges in bars and we're too small to match the top-quality dispensers and under-bar fridges SAB is providing to outlets," Brown says "Though SAB does not give discounts, it gives free kegs of beer for in-store promotions Our beer is 20% more expensive than SAB's We can compete only on taste and, being smaller, we respond more quickly to problems and deliveries than they can They are geared for mass deliveries "

Mackay says the independents have less than 1% of the total local beer market, in fact, the whole draught-beer market comprises less than 1% of the beer market The entire market was 2,24bn l in 1991, when it declined for the first time since 1978, from 2,27bn l in 1990 In financial 1993 it grew again, to 2,28bn l

St George's Brown *wars over fridges*

The beer market hasn't fully recovered from the wounds inflicted by former Minister of Finance Barend du Plessis, who hiked excise taxes from 47,5 c/l at producer level in 1990 to 66 c/l in March last year SAB paid R1,29bn in excise taxes in financial 1992 and R2,43 in 1993 That stifled growth, said SAB's Adrian Botha (*Business & Technology* July 24 1992)

Mackay denies that SAB is targeting the independents "All we're doing is improving our marketing Their problem is they are competing only in the draught market, which is self-limiting "

Lex Mitchell, founder of the Mitchells Knysna Brewery and the brew now used by St George's and Mitchells Waterfront Brewery in Cape Town, says "SAB has become very active recently It has put draught into every outlet I am in that is big enough to tempt them "

Competition from SAB may be just what Brown needs to slow his runaway growth to a trot Production, now averaging 60 000l a month, grew 25% in the first five months of this year over the same period last year That's on top of a 350% growth in 1992 over 1991, when it was producing 3 000l a month and still trying to educate South Africans about English-type beer

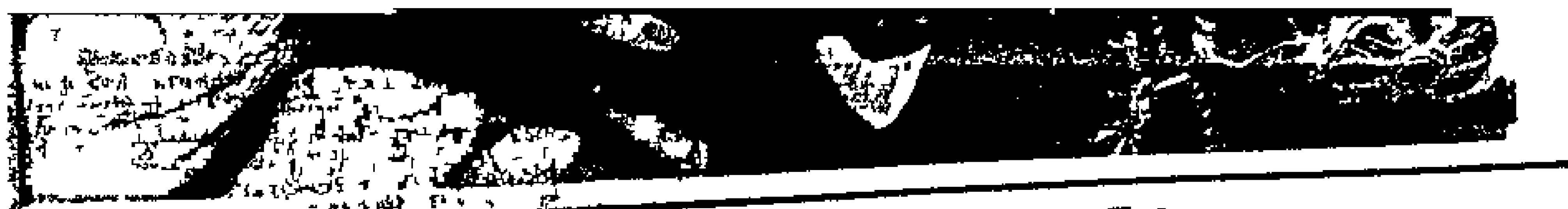
Another slight shift in the market may come as the result of Bavaria Brau coming on stream in April It is already producing 50 000 Hl a year Financial director Jeffrey Esekow says Bavaria Brau's beer is a premium German brew It is targeted at a niche market composed mainly of German-speaking people in Pretoria and the Witwatersrand and those who drink imported beer at R7-R10 a bottle "Our only competitor is Windhoek Beer, which is an imported product," Esekow says But beer is beer Those who drink Castle or the St George's brew may switch to Bavaria

When production increases to a planned 150 000 Hl/year Bavaria Brau's beer will be distributed over the entire PWV area and maybe as far as the northern Free State and northern Transvaal

All local beers are protected by the horrendous duties on imported beers, which don't apply to Namibian beers because Namibia and SA are both in the Southern Africa Customs Union

But despite the high prices, the consumption of imported beer is rising Inge Schulz, a director of NMK Schulz, a big beer importer, explains why prices are so high She says beer costs about as much in Europe as it does in SA, but when imported, it is subject to a surcharge of 72c/l, plus a 40% customs duty, which is normally levied in the fob value Then Vat is charged

Brown says this is levying a tax on a tax. He tried to import Australian beer, but found that a dumpie costing R1,80 in Brisbane costs R4 landed in SA "By the time it is sold to a customer in a pub in SA, it costs R7,50 "



constantly stare death in the face, they believe their job is to be where

Anger over longer liquor sales hours

S Times (C Metro) 11/7/93

By JACOB DLAMINI

ANGRY independent liquor store owners have rejected proposals to extend trading hours of retail stores and have accused the government of insensitivity.

(182)

The proposals are part of the Liquor Law Amendment Bill which went through its second reading in Parliament recently. In terms of the new Bill bottle stores would be allowed to trade from 8 am to 8 pm during weekdays and 8 am to 5 pm on Saturdays. The bill does not make provisions for trading on Sundays.

Bottle store owners claim that only chain stores stand to benefit as they have the resources to make staff adjustments. They say that extended trading hours would lead to an increase in robberies.

Raul Teixeira, executive member of the South African Liquor Store Owners Association, said: "There is no sales advantage for small traders The law will mean convenient shopping hours for the consumer, but huge security risks for us."

Mr Teixeira said only chain stores would benefit from the new law as most were situated in shopping centres which had extensive security arrangements. "It is not fair that people who only form nine percent of the retail industry should be the only ones to benefit from the law," he said.

Mr Teixeira said his Association made representations to the government which were ignored. "We sent them a letter but our views were not considered. Maybe if we march they will listen to us," Mr Teixeira said.

Major chain stores have welcomed the new proposals but countered allegations made by the independent owners They said the new bill would lead to staff and labour adjustments which could become costly.

"Small owners stand to benefit the most as they do not have unions to complain about overtime," said Rob Rutter, general manager of Benny Goldberg Liquor stores.

Mr Rutter said: "I will not be making any changes, so this will have no impact on my business."

The proposals were welcomed by Trevor Pearman, a director of Rebel Liquor Group. "We are in favour of the new bill We want to provide the best possible service to our consumers," Mr Pearman said He said his company would look at ways of making adjustments suit both the employees and the consumers.

Len Pfister, legal director for Western Province Cellars, also accepted the new bill saying, "The new bill does not prescribe to anybody It merely provides maximum trading hours which can be ignored

Code for selling Sorghum beer soon

182
CT 13/7/93

AT a preliminary meeting between the Sea Point Traders Association and the National Sorghum Breweries to negotiate a code of conduct for selling sorghum beer, it was agreed that a legally binding document would be drawn up

Both parties are discussing the criteria on which they wish to base the code with their respective organisations before meeting again to make final decisions

Goodwill

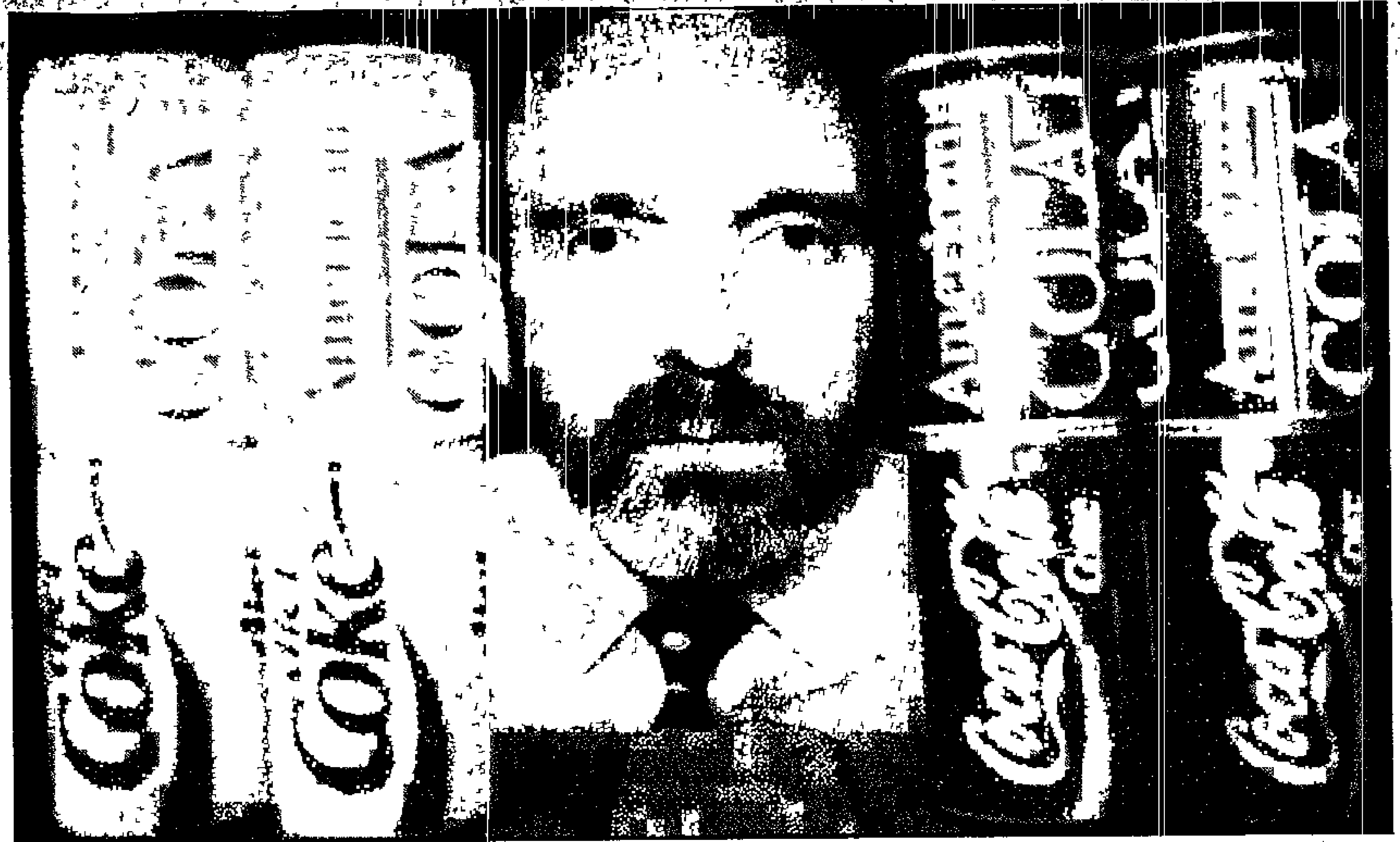
Chairman of the Sea Point Traders Association Chris Joubert said "Retailers had been given a June 30 deadline by which to apply for a licence to sell the beer and as far as we know about seven applications are being processed"

The spirit of goodwill between the parties was cemented with donations from both toward a Keep Sea Point Clean campaign

S Times (Bus)

Coke in a fizz over rival cola

(182)



NOT THE REAL THING ... Mark Lamberti, who accuses Coke of "bully-boy tactics"

By CHERILYN IRETON

COCA-COLA is at war with Makro and its alleged clone American Cola

Makro has been ordered to change the packaging of the 340ml cans of American Cola and American Diet Cola

The ruling comes from the Advertising Standards Authority (ASA) It upheld Coke's complaint that American Cola was trading on the its goodwill and that consumers were likely to confuse the packages of the new Makro products and those of Coke and Diet Coke

Makro will appeal against the ruling and fight the issue in court if necessary, says Massmart managing director Mark Lamberti He accuses Coke and the ASA of "bully-boy tactics designed to get us to kowtow on tenuous procedures and legalese"

Massmart, which owns Makro, is a subsidiary of the Wooltru group

ASA executive director Deline Beukes says the committee ruled on the general make-up of the 340ml cans

"The ASA committee, consisting of leading members of the communications industry, ruled that the unacceptable packaging should not be distributed after October 12, 1993 The revised packaging of the two Makro colas should also be submitted to the ASA"

Earlier this year the ASA ordered Makro to remove the claim of "original taste" from the cans Makro appealed against the ruling, but lost

Mr Lamberti says "We believe the designers have clearly differentiated American Cola from Coke Coke has virtually admitted that there is no legal basis for passing off We are confident of winning in court"

John Beckley, marketing director of National Beverages which produces Coke in SA, will not comment

Makro says market research refutes Coke's claim that consumers could confuse American Cola with Coke

Makro is not a member of ASA and "has never accepted its jurisdication"

Mr Lamberti says "We took part in the proceedings out of a sense of fair mindedness and co-operation Our legal advice casts some doubt on the validity of the powers of the ASA"

Makro launched its house-brand cola last Nobember This month it added a 2-litre version of the cola and diet cola to its range

The cola is produced in Malvern, Johannesburg, under licence from Cott Berverages of Toronto The cola concentrate is imported from the US

It is cheaper than Coke A case of 24 American cola cans sells for R21,95 at Makro, a discount of 21,5% against Coke's R27,95 Six 2l bottles of American Cola sell for R23,69, the Coke equivalent for R32,24

Mr Lamberti estimates that Coke has 99% of the R4-billion-a-year carbonated beverage market If American Cola sales go well, he believes they could total R18-million this year, under 0,5% of the market

"Being part of the Wooltru group, which owns some well-known brand names like Woolworths, we respect the value of brands"

Mr Lamberti believes the broader issue — "whereby Makro is offering small businessmen the opportunity of making a reasonable margin out of an appealing product line" — should be considered

When Makro introduced the cola at its Highveld store in Verwoerdburg, a Coke truck parked outside, selling at prices "well below anything we've ever heard of"

Extended trading hours as liquor laws relaxed

B/Day

DURBAN — Liquor laws are set to be relaxed by government today when the Liquor Act is published, allowing bottlestores to stay open until 8pm on weekdays and until 5pm on Saturdays 16/7/93

Liquor Board chairman Danie Botha confirmed last night that amendments to the Liquor Act were due to be published in the Government Gazette this morning These would allow restaurants to serve liquor without meals on any day of the week except Sunday, and on all public holidays except Christmas Day, Good Friday, Ascension Day and the Day of the Vow.

Own Correspondent

Under the new amendments, bottlestore owners will face fines of R20 000 or six months in jail if they sell alcohol to people under 18 Previously, the maximum fine was R1 000 or six months in jail (182)

The SA Liquor Store Association said it did not expect stores to make "dramatic" changes to opening hours.

However, the abolition of the requirement for liquor stores to stock a minimum variety of liquor from different producers has sparked fears that major producers will entrench monopoly control

Dismay over extended trading time for liquor

182 TARG 16/7/93

DURBAN — The SA Liquor Store Association has expressed its dissatisfaction at the amended Liquor Act — a day before it comes into operation

Salsa, formed last year and which now has a claimed membership of 600 traders, said it was particularly unhappy with the extended trading hours

During weekdays, traders will from Friday operate from 8am to 8pm, while on Saturdays they will remain open until 5pm

Liquor stores will remain closed on Sundays but special Sunday trading licences can be sought from the Chairman of the Liquor Board.

Trading times have been a bone of contention between Salsa and the government for several months, said Salsa spokesman Manny Passos.

"The longer trading hours make us even more vulnerable to robbery Security now becomes a major problem"

He said traders were obliged to adhere to the new trading hours in terms of the Liquor Act

Mr Passos said that while some group liquor store directors were in favour of the extended trading hours, most of their managers and staff, as well as independent owners, were opposed to this

Extended hours would negatively impact on family life for many people and would lead to a host of related problems

On the other amendments, Mr Passos said Salsa believed there was already over-licensing for liquor traders and this problem would now be compounded.

Under the amended Act restaurants would be able to sell all kinds of liquor — not merely wine and malt as in some cases in the past — and patrons would not have to purchase a meal to get a drink

"Salsa wanted the government not to change the Act until there was a representative government in place, but they've gone ahead"

But Salsa was satisfied with one of the amendments — the fine for selling liquor to persons under 18 went up from R1 000 to R20 000 — Sapa

Liquor trade curbs relaxed from today

Star 16/7/93

Own Correspondents

Liquor laws are to be relaxed by the Government across South Africa from today, allowing bottlestores to stay open until 8 pm on weekdays and until 5 pm on Saturdays.

(182)

But bottlestores will remain shut on Sundays and tipplers will still have to buy a meal on Sundays and on four religious holidays if they want a drink.

Liquor Board chairman Danie Botha confirmed last night that far-reaching amendments to the Liquor Act would appear in the Government Gazette today.

Restaurants will be allowed to serve liquor without meals any day of the week except Sunday, and on all public holidays except Christmas Day, Good Friday, Ascension Day and the Day of the Vow.

Bottlestore owners now face a R20 000 fine (or six months in jail) if they sell alcohol to people under 18. The previous maximum sentence was a R1 000 fine, or six months' jail.

The SA Liquor Store Association (Salsa) said it did not expect that stores would make "dramatic" changes to opening hours, although several were likely to extend Saturday hours.

However, many small independent stores are fiercely opposed to the changes.

"The longer trading hours make us even more vulnerable to robbery. Security now becomes a major problem," said Salsa Transvaal chairman Manny Passos.

Battle brewing at NSB's depot

Sowetan 16/9/93

(182)

By Mzimkulu Malunga

A BATTLE is brewing between National Sorghum Breweries and the management of its beer depot at Langlaagte, Johannesburg

It all started when the NSB evicted the depot's leaseholder, Mr Silas Matsea, from the premises and locked the depot for more than three weeks, resulting in hundreds of litres of beer being spoilt

In a court case over the NSB's action, the company was ordered to reopen the depot and pay the depot management the costs incurred during the case

After the NSB had unlocked the premises, Matsea and his partner, Mr Livingstone Nkumanda, received another eviction notice from the plant's management, giving them 30 days to vacate the depot

"What puzzles me is the fact that the company that evicted us from the depot preaches black economic empowerment I'm just wondering whether the empowerment they speak about is selective," Nkumanda said yesterday

The partners allege NSB is targeting the depot because someone close to the company's executives has been earmarked to take over the business

"We know who the person is but we are not going to release his name at the moment," Nkumanda said

The NSB management has denied the allegation and said it would not comment on the issue as it was in the hands of their lawyers

Karoo Kand van Kerke

Liquor restrictions to be eased today

182 CT 16/7/93

Own Correspondent

DURBAN. — Liquor laws are to be relaxed today, allowing bottle stores to stay open until 8pm on weekdays and until 5pm on Saturdays.

The public holiday "drinks with meals" policy has also been relaxed, but bottle stores will remain shut on Sundays, and tipplers will still have to buy a meal on Sundays and on four religious holidays if they want a drink.

Liquor Board chairman Mr Danie Botha confirmed last night that far-reaching amendments to the Liquor Act were due to be published in the Government Gazette this morning, which will allow restaurants to serve liquor without meals any day of the week except Sunday, and on all public holidays except Christmas Day, Good Friday, Ascension Day and the Day of the Vow

In the new amendments bottle store owners now face a whopping R20 000 fine (or six months' jail) if they sell alcohol to under 18-year-olds. Previously, the maximum fine was R1 000, or six months' jail.

New liquor hours may raise prices

CT 17/7/93 (182)

Staff Reporter

THE managements of city liquor store chains expressed mixed feelings yesterday about the relaxation of laws which would allow outlets to remain open longer

The laws were relaxed yesterday, allowing outlets to remain open till 8pm on weekdays and 5pm on Saturdays They will stay shut on Sundays

Welcoming the convenience to costomers, they said extended trading hours would not necessarily be profitable, as consumers were unlikely to buy more liquor

Also, the longer hours could lead to price hikes

Outlets in busy areas and shopping malls would probably stay open later, they said, and the less profitable ones would close earlier

Rebel marketing director Mr Rob Naysmith said they were canvassing staff and customers about the trading hours "We will have to tighten security to prevent armed robberies and keep less cash on the premises "

Also, staff members would have to be paid overtime, electricity costs would escalate and workers would have to be taken home, he said

Drop Inn managing director Mr Jonathan Miles said certain outlets would stay open longer at the end of the month and in peak season

Some would be evaluated individually and others, such as the one in Sea Point, may remain open longer, he said

A spokesman for Solly Kramer's, Mr Pat Veary, said it was too early to say which stores would extend their trading times However, those in "dangerous areas" were unlikely to stay open longer, he said

'Racism will not succeed'

By Joshua Raboroko

NATIONAL Sorghum Brewery chief executive Mr Mohale Mahanyele says black economic empowerment that discriminates against whites will not succeed, just as discrimination against blacks has failed.

Writing in the July edition of *Enterprise* magazine, Mahanyele says the country's economy will never improve if whites are discriminated against in a new South Africa.

If the problems created by apartheid were not solved during the transitional period, then the new government would not be able to deliver.

What was needed now, he contends, was a solution to all problems that resulted from apartheid, such as land, education, housing, job creation, health care and economic growth.

182

There would never be equal opportunities in the country if these problems were not urgently attended to, he said.

The black-owned company (NSB) is a success story in black economic empowerment on a scale never before realised in the history of South Africa.

The company has been restructured in such a way that is now led by some of the country's top black executives — a new look, quite different from the image of selling only just sorghum beer but other products as well.

It has committed itself to playing a bigger role in black lives, especially those living in squalid conditions in squatter camps and rural areas.

Mahanyele says economic empowerment is the key to a democratic post-apartheid South Africa and if blacks do not prepare themselves for change during the transitional period, then he is afraid "we are all doomed."

He has urged blacks to improve their skills such as commerce and engineering, education and many careers paths that will enable them to fend for themselves in the new South Africa.

Holdains muscles into can market

HOLDAINS' acquisition of a significant stake in Crown Cork SA has given it a strategic entry into SA's beverage can market. The acquisition has coincided with SA's return to the international economy, and will enable the group to embark on a steady expansion throughout the continent.

Crown Cork has two plants in Johannesburg, one in Cape Town, and one in Kenya, Nigeria, Zambia and Zimbabwe.

Its products include two-piece drawn and iron metal beer and soft drink cans, crown corks, aerosol cans, food cans and aluminium can-ends. (194)

The company says its international partnership with its original international parent will benefit it by blending the best of local and international resources. B/Day

Crown says its partners are SA's second largest packaging group, Holdains, and the US leader and one of the world's packaging giants, Crown Cork & Seal. (182)

Protected

Crown says the isolation years saw SA build up resources that were often strategically rather than commercially driven. In addition, locally focused companies were protected "from the vagaries of international exposure"

Crown SA has enjoyed a relationship with US Crown Cork & Seal for more than 60 years. MD Harry Lavery says Crown is finding it easier to benefit from the US company's talents and experience under the new political dispensation. 19/7/93

He says Crown Cork's lead in technology began with the original Crown cork, invented in 1892, and it has retained its position to this day, with a little modernisaiton.

There have been a variety of other developments, including Crown fillers for bottles and cans, crowners, bottle washers and conveying equipment

Tip for tipplers: Not on Sundays

(182) ARG 21/7/93

☐ Unless it's with food, restaurants told

HENRI du PLESSIS
Staff Reporter

RESTAURATEURS beware — you may not sell liquor without food on a Sunday, and that's final.

This is the word from Mr Danie Botha of the Liquor Board in Pretoria

But who's checking, is the question Cape Town tipplers and restaurateurs are asking

Confusion reigned at city restaurants after the promulgation of amendments to the Liquor Act last week

The changes allow bottle-stores longer trading hours, but restaurateurs seemed unsure whether they could sell liquor without meals on Sundays

Several in Cape Town were under the impression liquor could be sold on its own on Sundays, while others believed the rule still applied — without being enforced strictly

The manager of Ferryman's Tavern at the Waterfront, Mr Craig Draper, said he believed Waterfront restaurants could sell liquor on its own on Sundays, because the Waterfront was "slightly different" from the rest of Cape Town.

"The Waterfront, because of its special situation, has a different set of rules, propably because it is on State land, or something like that," he said

But Mr Malcolm Lee, manager of Bertie's Landing, believed the rule was unchanged, even though his restaurant had tavern and restaurant licences.

"We do not sell alcohol without food on a Sunday, but we have found that the police do not enforce it very strictly. What they certainly do check up on is if you are selling alcohol to minors, and I agree fully with that.

"Selling to minors is a moral issue and it should not be allowed. I can't remember ever being checked on for selling alcohol without food on a Sunday"

Mr Botha confirmed the law had not changed, but would not comment on the policing of the Act

"You should speak to the police about that," he said.

The officer commanding the Narcotics Bureau in Cape Town, Colonel Niel Robbertse, said police would act on complaints and use their discretion

BUSINESS

SAB puts offshore arm's listing on hold

(182) ARG 21/7/93

Business Staff

JOHANNESBURG — SA Breweries' international interests, which are housed in Westgate Worldwide, are a long way from achieving a separate listing, says SAB financial director Selwyn McFarlane

Westgate is already a significant contributor to SAB, with a turnover of R949 million in the year to March and attributable earnings of R79 million

It also has significant cash resources, shown by its net interest earned of R10,3 million

Financially, Westgate is self-sufficient, and such self-sufficiency is the only condition by which the Reserve Bank allows SAB to operate it

Mr McFarlane says that if the right opportunity arises an offshore share placing would be the obvious route to take, and at that point a listing could be considered, but at this stage Westgate does not have enough to offer an increasingly sceptical international financial community

Westgate will invest in areas only where it feels it can add value There is little to be gained from taking on the well-established international brewers in mature markets

The option to buy 75 percent of the Kobanya Sorgyar brewery could provide SAB with an ideal opportunity to gain a foothold in Europe

"We have considerable manufacturing, marketing and distribution expertise to bring to the brewery," says Mr McFarlane "It has neglected brands and production facilities which have been marking time at best for 40 years"

In spite of non-existent marketing, Kobanya's principal brand Dreher is still remembered in many parts of Europe.

The possibility of exporting from Hungary, which is almost in the centre of Europe to the rest of the Continent is "exciting" and at every opportunity SAB will supplement production from its main breweries here, and test-market its own brands

Further opportunities should arise from privatisation in the former eastern bloc countries, but in Poland, for example, local partners are expected to take a substantial rather than a supportive role SAB does not see many attractions in being a minority investor

SAB was involved in beer and soft drinks in America but when sanctions made its investment untenable the funds were diverted to buy a brewery in the Canary Islands, Compania Cervecera da Canarias

This is a small brewery with a capacity of about 500 000 hectolitres which brews a beer called Dorado There are seasons of heavy tourist influx to the islands when supplies of the beer are brewed in South Africa and shipped over

Mr McFarlane says one important aspect of overseas investments is that it enables exports from South Africa to take place

This is particularly true of Appletise, which is manufactured in the UK under licence, as the concentrate is shipped from here

SAB was unable to register Appletiser in the UK because a soft drink brand called Tizer was already registered so the final "r" was dropped But in spite of this irritation, the brand has been exported from the UK throughout Europe with some success and Grapetise will soon be introduced

Westgate remains at an early point in its life cycle, although its brewing interests in Botswana, Swaziland and Lesotho are long-established

But Mr McFarlane says it does not yet enjoy the autonomy enjoyed by the listed subsidiaries

Pact ends wildcat stayaway

B/Day 23/7/93

ERICA JANKOWITZ

A STRIKE by about 2 000 National Sorghum Breweries (NSB) workers ended yesterday with management and the Food and Allied Workers' Union (Fawu) reaching agreement on an unconditional return to work on Monday. (182)

The wildcat strike, which began on Friday, was in support of the union's demand for a R350 across-the-board increase in response to management's R120 offer. It was confined to breweries in the Transvaal.

Fawu regional secretary Ernest Buthelezi said the company had applied for court interdicts in some plants, preventing workers from returning to work on Monday.

Buthelezi said the company's current minimum wage was R700 a month. The wage demand was not excessive in light of NSB's results.

A company spokesman said NSB management would withdraw the interdicts and would not force workers to sign undertakings before their return to work.

He said the dispute had been amicably resolved and mediation on the wage issue would continue today.

The parties had agreed to negotiate in good faith and to hold regular meetings on points of difference "so as to establish a good working relationship".

He said the issue of worker and shop steward training would also be addressed.

iefs

Sowetan 29/7/93

Strike in third day

(140A)

THE strike by hundreds of workers at National Sorghum Breweries' seven plants enters its third day today with no end in sight The workers who are members of the Food and Allied Workers Union are demanding an across-the-board increase of R350 a month Some of the plants affected by the strike are Egoli (Johannesburg), Pelindaba (Pretoria), Sondela (Sebokeng) and Tholo-Kudu (Pietersburg).

(182)

Star 24/7/93

Coca-Cola Company poised for SA return

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MANDY JEAN WOODS

THE Coca-Cola Company — one of the world's largest companies and the biggest-selling cool drink in the world — is set to return to South Africa before the end of the year.

According to National Beverage Services (NatBev) managing director Neville Kirchmann, negotiations for the return of The Coca-Cola Company have been under discussion for "a few months now" with plans for reinvestment by year-end.

"The company is obviously looking to re-enter the South African market but everything depends on sanctions being lifted. Only then can we make definite plans. But we are very hopeful that things will happen before the end of the year," he said.

Coke sales in South Africa topped R1 billion in 1992 and the Coke family of brands account for 90 percent of South Africa's soft drink market. Coca-Cola itself has about 50 percent of the market — around a billion litres. It is the most widely recognised brand among blacks in South Africa.

The Coca-Cola Company disinvested from South Africa in 1986 after the imposition of US sanctions. It sold its bottling operations to NatBev, giving it the exclusive right to use the Coca-Cola trademark in South Africa and set up its concentrate production in Swaziland.

"In effect," Kirchmann said, "the company pulled out. But we are now discussing what needs to be done to come back. The effect of this on NatBev is still to be decided. But there is no doubt that The Coca-Cola Company will be the name Coke is sold under, and that NatBev will still continue to exist, but in a revised way."

Kirchmann said Coca-Cola would be a bigger player on the South African scene when it returned. "We would obviously spend more money in things like international sport, culture and the arts. We would also have programmes for upliftment and empowerment of the people — that will be a very strong programme with Coke," he said.

NatBev this week confirmed that advertising of its brands Sprite

● TO PAGE 2.

Star 24/7/93

Coca-Cola

● FROM PAGE 1.

and Fanta would be moved from ad agency Bernstein Loxton Golding & Klein to McCann Erickson — which handles these brands worldwide — in anticipation of the return to SA of The Coca-Cola Company

The media co-ordination for all the Coca-Cola brands would in future also be handled by McCanns The changes are effective from August 1 and September 1 respectively Telephone callers to NatBev's Parktown offices are now greeted with "NatBev Coca-Cola, Goodday!" and, it is understood, negotiations with NatBev executives on their future have also begun

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Consumption of Coca-Cola throughout its 60 000 SA outlets grows by about 6 percent a year, with vast potential for growth Already SA produces half the Coca-Cola sold on the continent The long-term outlook is to increase consumption in Africa from 500 million cases a year to 2 billion

CIPRODO 25/7/93

NSB strike is over

By DAN DHLAMINI

THE seven-day strike over wages by Food and Allied Workers' Union (Fawu) members at National Sorghum Breweries plants in the Transvaal is over.

Disgruntled workers were demanding an across the board increase of R350 a month.

In a joint statement this week, Fawu and the NSB said an agreement was reached late on Friday night whereby employees will report for duty tomorrow morning without having to sign any undertakings.

The NSB and Fawu said their relationship was good.

With the strike over, the NSB and Fawu have called on all employees, customers, distributors and suppliers to resume normal trade. (182)

ompany resolve three-day dispute

NSB wage strike settled

Sowetan 26/7/93

By Ike Motsapi

HUNDREDS of National Sorghum Breweries workers, who had been on a wages strike for three days last week, are to return to work today

Workers went on strike when management refused to accede to their demand of a R365-a-month increase

The agreement was signed by the Food and Allied Workers Union and management on Friday (182)

The agreement, called a Record of Understanding, calls for the following

- Workers at all Transvaal outlets will return to work today and are not expected to sign any undertaking,
- Management agrees to consider withdrawing the present court order,
- Fawu recommits itself to the provisions of the recognition agreement,
- Fawu and management recognise that the wage dispute has been settled on July 23, and
- Both parties are calling on employees, customers, distributors and suppliers to resume their normal business with the company

Cadswep nets sharp rise in earnings

(182) (186)

CT 28/7/93

From MARCIA KLEIN

JOHANNESBURG — Soft drink and confectionery group Cadbury Schweppes (Cadswep) lifted its earnings by 21,6% to 74,4c (61,2c) a share in the 24 weeks to June 19

The sharp earnings rise and the 20% higher interim dividend of 18c (15c) a share were achieved off a high base in the previous year and in the face of difficult trading conditions in all of its markets

Despite the buoyant results, the share continued its downward trend yesterday, dropping 250c or 4,7% to R50 The share was at a R60 high in February and a low of R35 this time last year

Cadswep increased its turnover by 16,3% to R344,9m from R296,5m This was on the back of sales volume growth in most of the major sectors of the group

The higher sales volumes, as well as improved mix and the significant benefits from the reconfiguration of the confectionery division's manufacturing facilities, saw operating profit rise by 20,6% to R31,7m from R26,3m

Financing costs

Financing costs, which rose significantly last year, were reduced by 11,1% to R6m (R6,7m) CE Peter Bester said this reflected lower interest rates and lower borrowings Capex had declined significantly to R8m from R35m in the previous year and financing costs cover was increased to 5,3 (3,9) times

The balance sheet was presented for the first time at the interim stage Bester said borrowings had reached a seasonal peak at mid-year

Pre-tax profit was up by 31,5% at R25,7m (R19,5m) and taxed profit was 25,8% higher at R17,9m (R14,3m).

Associate companies — largely ABI — increased their contribution by 16,7% to R8,5m from R7,3m This brought attributable earnings up 22,7% to R26,4m (R21,5m)

The confectionery factories' rejig had resulted in a lower cost base and improved efficiencies, production and service levels

Bromor, which houses the cordial interests, had achieved volume gains above the previous year — which Bester had then described as "spectacular" The performance was aided by strong marketing action and a steady improvement in efficiencies and service levels

Although SA's carbonated soft drinks market was having a "tough time", Schweppes had improved, ahead of the market.

NEWS Movie furore

CP in bid to stop film being shown

Sowetan 29/7/93

Sowetan Correspondent

THE Conservative Party Youth Organisation has called on the *Weekly Mail* Film Festival to reconsider its plans to show the film *De Voortrekker*

Claiming that the film attacked Afrikaner culture and denigrated Christianity, the CP youth said it would do all it could to stop the film from being shown

The film is scheduled to be viewed at the weekend as part of the *Weekly Mail*'s "Limits of Liberty" Film Festival

The organisers said, however, that the show would go on as planned

Censorship

The festival, which aims to spotlight issues of censorship in South Africa, has become a lightning rod for controversy

Last week, protesters against the anti-Semitic film *Jew Suss*, were successful in forcing its withdrawal from the festival

The film is a notorious Nazi propaganda piece and groups objected to its insensitive attack on German Jews

Like the planned showing of *De Voortrekker*, the presentation of the anti-Semitic film was meant to be educational and a panel presentation was scheduled to follow the screening

Sowetan 29/7/93

R11,9-m gift for Nafcoc branches

NATIONAL Sorghum Breweries is to donate R11,9 million to the National African Federated Chambers of Commerce and Industries (182)

The money will come in the form of 1 000 bursaries to all of Nafcoc's 15 regions and prize money for the businessman and businesswoman of the year competitions

"Despite the fact that we are the only company in the corporate world that has met Nafcoc's proposed advancement plan, there are still some doubting Thomases about the capabilities of NSB," NSB executive director Mr Ephraim Skosana said at Nafcoc's annual conference at Sun City yesterday

Success

NSB chief executive Mr Mohale Mahanyele thrilled the audience on Tuesday when he spoke of his company's success. "Time for irrelevant talk has passed, now it is time for action," Mhanyele said

He said NSB had an annual turnover of over R500 million "Despite these achievements we are still not recognised

"Companies smaller than us on the Johannesburg Stock Exchange get bigger recognition than us because they are white

"Some of these companies which come to conferences like these to give you small change do not have black directors on their boards," he said

Dairy groups pool milk juice interests

(35) 182

CT 29/7/93

Own Correspondent

JOHANNESBURG — ICS Holdings' Dairybelle operations and Nels-Bliss Dairy Products have pooled certain of their milk and fruit juice interests to form a joint venture company with an annual turnover of about R250m

In terms of the deal, ICS's Dairybelle operations on the PWV and the entire business of Nels-Bliss — excluding the Lucerne Bulk Milk Transport operations — were acquired by a new company.

The provisionally named D & B Foods would be 70%-held by ICS and 30%-held by the Loubser family, the sole owners of Nels-Bliss. The deal, effective from Monday, did not involve a cash transaction

There would be no material effect on ICS earnings or NAV in the short term but would ultimately benefit shareholders.

Last month ICS and Foodcorp announced two deals for joint control of their processed meat interests and ICS's frozen foods distribution company The Cold Chain.

Sorghum beer poser

(182) ARG 30/7/13

SORGHUM beer which had been on the shelf for two days had an alcohol content of six percent — equivalent to beer, said Mr Chris Joubert

He said this was the finding of a state laboratories analysis

Because sorghum beer is classified as food, the council has no control over licensing its sale, except in terms of health regulations

Union threatens KWV

JOHANNESBURG — The Food and Allied Workers' Union (Fawu) has threatened to mount an international boycott of KWV wine over a wage dispute which has seen more than 200 production workers locked out of KWV premises at Paarl, Worcester, Vredendal and Upington.

The lock-out began on Monday when the union and the co-operative failed to agree on wages at a meeting.

Fawu said it had not threatened a strike and accused KWV of locking out workers without reason.

The union warned it would begin an international boycott and seek Supreme Court action if KWV continued the lock-out. CT 1/9/93

A KWV spokesman said the co-operative had acted in terms of the Labour Relations Act. Yesterday 53 of the 217 workers locked out had accepted a minimum wage increase of 9,9% and were allowed to return to work, he said. — Sapa

(182)

Gilbeys appoints new chief executive

Business Staff

STELLENBOSCH-based liquor group Gilbeys has announced the appointment of Robert Turnbull as its chief executive.

This follows the unexpected resignation of Mr Peter Fleck — who left the giant liquor group in June to pursue other interests.

Mr Turnbull was previously the financial director of International Distillers and Vitners, the holding company of the Gilbey group in South Africa.

In another significant move, Mr Keith Frogley has been appointed human resources director of Gilbeys in place of Mr Anton Erasmus, who resigned at the same time as Mr Fleck

Mr Frogley initially filled in as acting human resources director on the resignation of Mr Erasmus. (184-182) ARG 7/9/93

Sowetan

Distillers lock out staff

ABOUT 100 workers remained locked out of KWV distilleries in Paarl, Worcester and Upington in the Cape for a fourth day yesterday as they continued to reject a company wage offer 3|9|93

KWV spokesman Mr Cas du Plessis said, however, all 33 unionised workers at Vredendal and about 45 at Paarl had accepted the wine giant's 9,7 percent increase on minimum wages Threats by the National Union of Wine, Spirits and Allied Workers' Union to have the lockout declared unlawful had not yet materialised, he added. 182

— *Sowetan Correspondents and Sapa.*

SAB's market safe from Bavaria Brau

B/Day

MARCIA KLEIN

SA Breweries need not fear an onslaught from SA's newest brewery Bavaria Brau, which recently began to brew and market its traditional German ale 3/9/93

The Verwoerdburg-based brewer, with a current capacity of 50 000 hectolitres, is seeking just 0,22% of the national market, or 0,52% of the PWV market, according to chairman Erwin Funk. (182)

At the launch this week Funk said National Sorghum Breweries' new Vivo brewery, which is being extended next door to Bavaria Brau, would be "a major player in the domestic beer market" But this additional supply did not begin to address the potential market

Funk said SA was "an acknowledged beer-drinking country" He estimated national beer sales at 22,8-million hectolitres. But per capita consumption, when compared with other beer-drinking nations, showed plenty of room for growth

SA's per capita beer consumption was about 64*l* a year. Germans drank an average of 143*l* a head, the British drank 111*l*, while Americans drank 89*l*

Prost! Round number two in the beer war

(182)
WM 23/7-3/8/93

The small brewers are ganging up against South Africa's only 'natural monopoly'. **Mondli Makhanya** reports on the pending beer war

SOUTH AFRICA'S beer wars are about to begin afresh Tired of being bullied by the big boy on the block, small beer producers are pooling their muscle to challenge South African Breweries' virtual monopoly

This week a new premium beer, Bavaria Edel Lager, was launched by Bavaria Brau (BB), a private consortium of entrepreneurs, some of whom are former SAB employees The beer, styled on German beers, is available in 340ml dumpies Brewed to conform with the German Rheinheitsgebot food purity laws, Bavaria has no chemical preservatives

"There is a worldwide trend towards natural beers," explains BB marketing director Anton Marais.

As a marketing tactic, the company has situated itself on Ben Schoeman Highway between Johannesburg and Pretoria — arguably the busiest route in the southern hemisphere

BB will challenge Amstel Lager in the SAB stable. Based on quality alone, there is no doubt that it will give Amstel a run for its money, but the real battle will be fought in marketing and distribution

The recent proliferation of independent brewers may herald a new round of skirmishes in the beer trade Few will dare challenge SAB, which has more than 98 percent of the market. The most recent challenger, Louis Luyt, two years ago, backed out of a fight before the first barrel even rolled out of the brewery

Although SAB executives say they tolerate competition, those who have had a brush with them tell a different story. Anyone who has ventured into the beer industry will relate tales about the less than orthodox — though legitimate — means used to crush opposition Industry watchers say SAB has a war-council constantly devising strategies of pouncing on the next market entrant who might dent its market share

These are accusations SAB has always denied "The moment you are succesful, people like to think you're doing something underhand," says SAB public relations head Adriaan Botha "Why would you use underhand methods when you have 99 percent of the market? It's not in your interest to be perceived as a bully It would not be in our wildest, wildest dreams to do that"

BB executives hope they will be spared the same harsh treatment supposedly meted out to other brewers because they are only going for a 0,3 percent market share There is no doubt that figure will be the beginning and will help pave the way for the second lager they intend bringing on to the market before the year is out.

It is for this objective of trying to make inroads into a common enemy's hegemony that BB has linked up with National Sorgum Breweries (NSB) and kwaZulu Finance Corporation (KFC)

NSB, whose brewery is next door to the BB brewery in Verwoerdburg, plans to launch a clear beer later this year, to compete with SAB's Castle and Lion brands This project is much more ambitious than BB's NSB intends capturing up to 30 percent of the beer market

KFC earlier this year launched Freeman beer, a very bitter lager, in Natal Freeman has not been well received and Natal's beer drinkers have stuck to their favourite SAB brands

BB is helping NSB and Freeman with technical expertise A BB executive says the company is helping NSB and Freeman produce a quality beer "because we really want them to succeed against all odds

"We know SAB will have its guns out They may not be as heavy on us but they'll take the NSB challenge very seriously"

Bavaria's battle of the bottle begins

The other breweries will help BB out with marketing and distribution, especially in township areas, where "we have no expertise"

According to BB, Bavaria has had quite a good reception since it started testing the market in March It has already seen a little bit of dirty play, with its product being removed from public view in bottle stores As of this month it will now extend its reach beyond the PWV and sell nationally.

For quality and strategic reasons, BB will import most of its raw materials from Germany Most barley and hops farms in South Africa are in one way or another linked to SAB

Also, as technical director Rainer Funk explains "South African hops are very bitter compared to the German ones"

As Botha says "At the end of the day it's up to the beer drinker to decide what's good for him"

Let the wars begin And may they be clean

KWV workers still out

(182)

About 100 KWV workers remained locked out of distilleries in Paarl, Worcester and Upington for a fourth day yesterday as they continued to reject a company wage offer CT 3/9/93

(385) ARG 4/9/93

World boycott threat to KWV

THE Food and Allied Workers' Union (Fawu) has threatened to mount an international boycott of KWV wine over a wage dispute which has seen more than 200 production workers locked out of KWV premises at Paarl, Worcester, Vredendal and Upington (182)

The lock-out began on Monday when the union and the co-operative failed to agree on wages at a Conciliation Board meeting

ARG 4/9/93

Invest in tomorrow, Mandela tells MK

Star 4/9/93

ESTHER WAUGH
Political Correspondent

NELSPRUIT — ANC president Nelson Mandela told Umkhonto we Sizwe cadres yesterday to consider investing in their future and to allow the ANC to suggest how to do it.

He was referring to the R10 million raised to address the armed wing's welfare problems.

At a special MK conference in KaNgwane, Mandela said: "Cash handouts might sustain you for a few months, at the end of which your problems will remain. What we need to do is invest in your future."

He mooted projects to train cadres so that they could forge new lives.

Mandela told delegates — including some from Uganda — that the difficult conditions under which the organisation had had to operate were compounded by a lack of resources.

The unbanning of the ANC in 1990 had brought new problems. "In many ways it has been easier to deal with the political and military consequences of change than to cope with its human implications, as thousands of MK cadres have returned to South Africa requiring assistance to reintegrate into civilian life," he said.

"We have spent many painful moments agonising on how to spread what was available to maximum effect. It has been particularly painful that so many of you who sacrificed your childhood and youth, left the comfort of your families and made a commitment to sacrifice your lives for our country's freedom, should find yourselves back in South Africa, unemployed and without support."

It was incorrect to depend on assistance from donors. ANC members should finance the organisation. This would ensure that assistance from ANC headquarters would supplement funds raised regionally

"If you continue the heritage of dependence, you will let down the struggle," Mandela said.

Things go bitter with Coke at Pepsi threat

Star 4/9/93

DAVID CANNING

182

THE threat of a return to the country by Pepsico has been listed among reasons for a huge push by Coca-Cola into undeveloped markets.

In a campaign increasingly becoming a role-model for other large South African groups, Coca-Cola franchiser Amalgamated Beverage Industries (ABI) has pumped more than R3 million into the informal areas around Durban alone to build goodwill and close any possible loopholes to Pepsico.

Like the cleft-stick messengers of old, each day a network of Coke "runners" now fan out into areas unserved by roads, pushing wheelbarrows or supermarket-type trolleys to ensure that even the remotest spaza shops receive supplies to last a week.

ABI Natal marketing manager Bernard Swanson says that by building a direct relationship with 15 000 customers, Coca-Cola hopes to cement its position as market leader in South Africa.

"Coke" has become so dominant that SA rates as its sixth biggest market worldwide. Coca-Cola itself is rated at the world's 14th biggest corporation, with its market capitalistion around $50 billion according to Morgan Stanley Capital International.

Moreover, ABI's Phoenix Park headquarters, near Durban, has become the largest soft-drink bottling and distribution centre in the southern hemisphere.

Suncrush boosts earnings by 20%

CT 6/9/93 (182)

From MARCIA KLEIN

JOHANNESBURG. — Natal-based soft drink bottler Suncrush's trading results in the year ended June were hurt by pressure on volumes and difficult conditions in the industry, but a lower tax rate enabled it to boost bottom-line earnings 20% to 42,7c (35,7c) a share, and increase the total dividend to 12,2c (10,8c).

Since year end, Suncrush's shares have been split 50 for one, and earnings and dividends have been expressed in terms of the number of shares in issue after the split.

Financial director Brian Allison said poor trading conditions meant Suncrush was operating below budget for much of the year.

Turnover was up just 7% at R572m (R534,8m), and operating income was 8% higher at R91,7m (R85,2m).

Allison said Suncrush managed to maintain margins at 16%, but could do little about the pressure on volumes

After higher income from investments and a rise in the interest bill — reflecting the rights issue in investment arm Tempora and in Suncrush — pre-tax income was up 5% at R92,7m (R88,3m).

But the reduction in the tax rate enabled it to report a 19% increase in income after tax to R57,3m (R48,3m). Attributable income before extraordinary items rose 22% to R59m (R48,4m)

Trading earnings were 14% higher at 36,7c (32,2c) a share, while investment earnings — including Tempora — were 71% higher at 6c (3,5c) a share

Allison said sales in August and November had been poor and most of the other months had been below budget. Since year end there seemed to have been some improvement in trading conditions. Although the company was trading within budget, the budget was conservative

Commenting on the decision to list investment company Ettington Investments separately, he said Tempora was becoming increasingly beverage based in terms of its investments, which largely included Cadbury Schweppes and Dalys.

Its other investments, which included Saficon, Sakers Finance, Seardel and Searcon, were not fitting into its portfolio. The institutions involved with Suncrush in Tempora were happy to see it take them out into a new investment arm.

Allison said Suncrush was cautiously optimistic about the current financial year, but said that political events, unrest, disposable income and consumer confidence had an effect on its trading.

The share shed 10c or 1,1% to close on Friday at 880c in anticipation of results. Since the 50-for-one share split in July, the share has reached a high of R10 and a low of R8.

Dalys, which holds 50,45% of Suncrush, reported earnings of 62,9c (52,6c) a share.

Violence fails to stem German tourism to SA

By AUDREY D'ANGELO

VIOLENCE in SA has not discouraged visitors from Germany, a spokeswoman for Lufthansa said yesterday

"Our bookings are still very good both ways, and we have not had any slack period at all"

Lufthansa — which, like other international airlines, has been hit by the recession and stiff competition on international routes — returned to profitability in the last quarter

The spokeswoman said it was following a policy of not replacing staff who had left It had also formed "a daughter company, Lufthansa Express, for domestic flights in Germany"

Some Lufthansa staff had been offered new contracts, at lower salaries, to work for Lufthansa Express

Lufthansa and the privately-owned Austrian airline Lauda Air announced last week that they would form a new regional European airline

The Lufthansa spokeswoman said this did not mean the two companies would amalgamate The new company would be another "daughter", serving European routes

Lufthansa and Lauda Air have co-operated since last year Lufthansa holds 26,5% of Lauda Air CT 6/9/93

Three Canadair planes with 50-seat capacity have been ordered for the new company and are due to be delivered in the first three months of 1994 Staff hiring has also begun.

Low tax rate helps Suncrush earnings

MARCIA KLEIN

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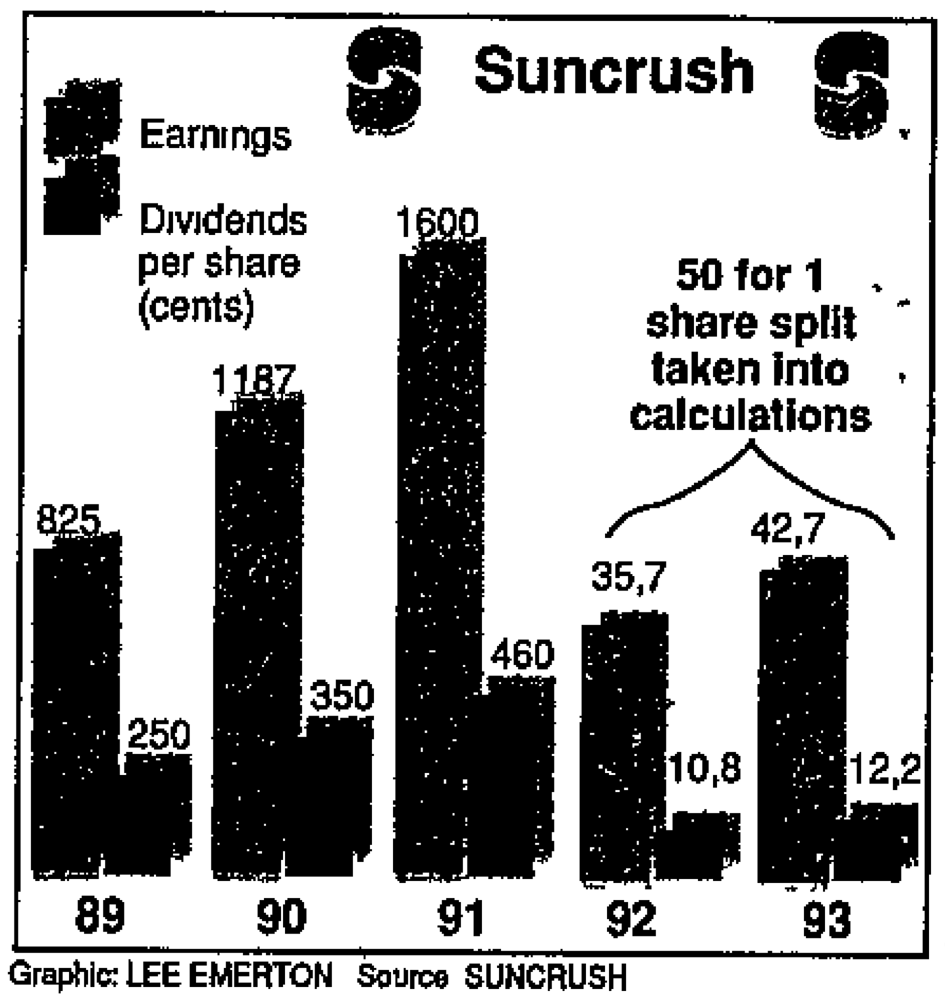

Graphic: LEE EMERTON Source SUNCRUSH

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☐ To Page 2

Suncrush

B/Day 6/9/93 ☐ From Page 1

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Lockout: Union tilts at KWV

Supreme Court Reporter 182 ARG 10/9/93

A UNION locked out by KWV in Worcester because of a wage dispute has challenged the wine giant in the Industrial Court.

The Food and Allied Workers Union claim the lock out, which began on August 30, is an unfair labour practice

Workers were locked out of KWV premises in Worcester, Paarl, Upington and Vredendal after negotiations on wage increases reached a deadlock on August 27 More than 200 workers were affected but about 100 have now accepted a 9,7 percent minimum increase By agreement, the application has been postponed until Wednesday

SAB thirsts for growth

S.Times

By ZILLA EFRAT

SA BREWERIES is involved in negotiations which could extend its dominance of the beer market in southern Africa. [BUSS]

It is looking for joint ventures in breweries being privatised in Mozambique, Tanzania and Zambia

Gert Goedhals, managing director of SAB investment arm Indol International, says Africa's beer market is growing 12/9/93

Progress in the talks has been slow and SAB faces competition from international brewers. (182)

Although the proposed ventures involve many millions, the investment will be small in SAB terms, says Mr Goedhals.

Negotiations with private parties for a share in a Malawi brewery are also under way, but results are a long way off

SAB already has shares in breweries in Zimbabwe, Namibia, Botswana, Lesotho and Swaziland

NEWS FEATURE *Going all the way, NSB is politically as well as economically motivated*

Battle of the beer giants is looming

National Sorghum Breweries is convinced it can win a fight that has daunted other competitors. Professor Mohale Mohanyele explains to **JOE MDHLELA** *why he knows they will be successful:*

182

THE SOUTH AFRICAN BEER market is on the verge of another battle This time between black-owned National Sorghum Breweries and SA Breweries

NSB's boss, Professor Mohale Mohanyele, told *Sowetan* he was preparing for a ruthless fight

"We are selling a black economic empowerment concept, and that is why we are going to be ruthless when we compete for a niche of the market dominated by the South African Breweries "

That was the executive chairman's opening gambit when he talked about Vivo Brewery, expected to start producing clear beer in November this year or January next year

Traditionally, NSB has produced sorghum beer

Phase one of the new brewery is situated in Midrand near Johannesburg

Mahanyele said they have left nothing to chance to make it a successful enterprise

Mahanyele said they were preparing to take the fight to SAB

Fought and won

He admitted that SAB had in the past fought and won against giants like Louis Luyt and Anton Rupert But this fight, he said, would also be politically motivated

"We are helped by the fact that ours is a black cause — not just an economic one Theirs was economically motivated The black empowerment cause, I believe, will win us the day," Mahanyele predicted

The company has R5 million to train staff, especially brewers and master brewers

"This will enable us to compete favourably with our competitors," he said

"We will fine tune our existing key personnel "

Heading the beer plant as managing director will be Mr Monwabisi Fandiso, a trained engineer with an MBA from the USA

"We have great sons and daughters of Africa who will make it happen "

"It could be said the master brewers I boast about may be tempted to join other breweries for better pay

"But the blacks we employ are working for a black cause, just as we have thousands of black politicians working for a black cause

"I am sure in the long run they will be loyal because they know that we are all into empowering ourselves both politically and economically "

"Speaking hypothetically, were NSB to fail, it would be a sad day for South Africa NSB represents black success and failure would impact badly on blacks as a whole "

But failure doesn't feature in Mahanyele's vocabulary and he mentions it to merely illustrate a point

The full budget for running Vivo Brewery phase one (there are three phases) is R500 million

Twenty percent target

Mahanyele said he expected his company to capture 20 percent of the market share once all the phases of the construction had been completed

"Our timing, politically and economically, to get into the clear beer market is right "

One of their strategies will be a marketing and advertising drive

"With sanctions gone, we will be able to garner financial support from our international friends in the United States, Germany, Great Britain and Japan," he said

The venture is partly financed from their own resources and partly through equity from companies in the United States and Europe

"I don't want to divulge names of overseas companies we are doing business with at this stage That may embarrass them, even though one accepts that sanctions have been lifted "

He is quite happy with the R1,5 billion stake overseas companies have in NSB

Superior technology

"We believe that the technology we are getting is superior to anything which exists in this country," he said.

Regarding fierce competition he said "We have a ready-made black clientele within our camp They are our shareholders, employees and a large contingent within the informal sector that is not particularly loyal to any brand name "

NSB is a black company, committed to black empowerment and this was a positive factor which could not be wished away — even by SAB

Asked whether the huge donations NSB was making to various political organisations, civics and business organisations, was meant to strengthen their hand in business dealings, he said "NSB wants to empower blacks to take their rightful place in the business world This can be done through education "

His company was pumping millions through various political organisations such as the African National Congress, the Azanian People's Organisation, the Pan Africanist Congress and the South African National Civics Organisations

Grants of this nature, he said, had to be created to enable people to be educated and trained

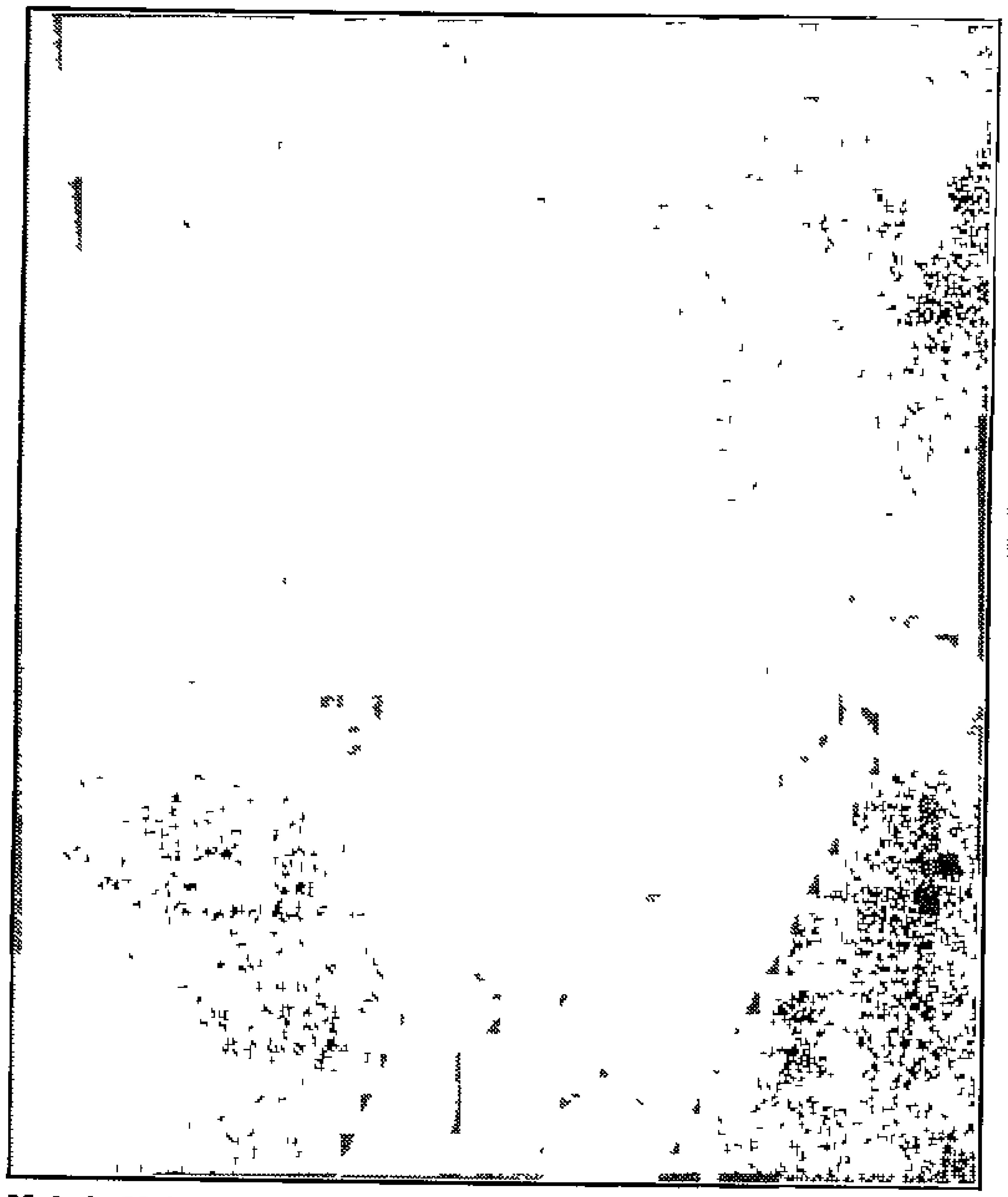
To that end, said Mahanyele, the company was spending R25 million to make that dream a reality

"Through the NSB Educational Trust, we keep a close watch on the way in which the money is disbursed," he said

They would soon talk to IFP leader Chief Mangosuthu Buthelezi about setting up bursaries in the KwaZulu area

"So we are reaching out to all significant political organisations without exception We believe IFP has a sizeable constituency in KwaZulu and deserves our assistance "

As for a rumour that NSB was about to fund an ANC newspaper, Mahanyele said "We get requests from various organisations If we receive such request from the ANC, I guess we would have to consider it, if it is a business proposition But the ANC has not made such a request "



Mohale Mohanyele

Beer man

Mohale Mahanyele

Age: 54

Special Achievements: Doctor of Business Administration — 1993; MBA — 1989; Professor of Industrial Strategic Management; Businessman of the Year (*New Nation*) — 1992; Distinguished Leadership Award-Champion of Black economic Empowerment-1992; Directorships: NSB; Vivo Breweries, Jabula Foods, SA Phillips, York Timber Ltd, Johnson and Johnson, Premier Group, SKF South Africa, Nissan South Africa, African Bank.

Nederburg wines scoop nine double gold awards

DAVID BIGGS (182) ARGIB/9/93

NEDERBURG wines topped the honours list at last night's Veritas Awards presentation at the Cape Sun, when they won nine double gold awards and eight golds.

The Veritas Awards are recognised as the highest honours given to South African wines. They are presented under the auspices of the KWV. All sectors of the wine industry are represented.

Other cellars that fared particularly well included Saxenburg with five double golds and one gold, Villiera Estate with four double golds and Blaauwklippen wines with three double golds

More than 850 wines were entered for this year's competition, and a panel of 50 judges, including winemakers, representatives of the wine trade, wine masters and wine writers, took three days to assess them all

High standards are demanded and only 59 wines achieved the coveted double gold.

Ninety wines won gold medals and 266 silver awards were presented.

The wines were divided into 14 categories for judging. The largest of these was the Cabernet Sauvignon class, with 98 entries.

Wines that win the double gold and gold awards are entitled to display a small gold sticker on the bottles. This is not always practical, particularly as most of the winning wines are already on liquor store shelves.

To help wine buyers select their award-winning wines, liquor stores have been supplied with booklets listing all the 1993 Veritas awards.

Lanzerac obliged to take back workers

CT 18/9/93 (182)

THE Labour Appeal Court has ordered the reinstatement of 17 Lanzerac Hotel employees who were unfairly dismissed in May 1992, about 14 months after Pepkor chairman Mr Christo Wiese bought the estate

The court found that the retrenchments constituted an unfair labour practice as the workers had not been consulted but merely notified of retrenchment

Lanzerac Landgoed (Pty) Ltd were ordered to pay the reinstated workers the equivalent of six months' salary, plus interest

Mr Wiese, the shareholder in Lanzerac Landgoed, bought the neglected estate near Stellenbosch in February 1991, wanting to restore its Cape Dutch manor house as a residence

After several changes in ownership of the hotel, the workers were retrenched at the end of April 1991, losing an ensuing Industrial Court application for their reinstatement

According to the court, Mr Wiese had told the hotel management that he would pay the redundant workers' severance packages

Mr S P Fitzgerald of Halycon Hotels (Pty) Ltd had made it a term of agreement with Mr Wiese that he could trim the staff complement

However, Mr Justice Conradie, assisted by two assessors, ruled that industrial court guidelines on retrenchment could not be departed from without reason — Sapa

BU

Investors enter SA beer war

S/Times 19/9/93

182

By CIARAN RYAN

A CONSORTIUM of European and US investors is poised to acquire a stake in black-owned National Sorghum Breweries (NSB), which launches its own clear beer soon

NSB chief executive Mohale Mahanyele says the partners will invest up to R500-million once sanctions are lifted, probably in a few weeks

However, in early 1992 Business Times reported that a JSE-listed conglomerate had advanced NSB R500-million and that Professor Mahanyele had said the money was in the company's bank account. The source and use of that investment has yet to be disclosed.

The first phase of NSB's R1,5-billion Vivo brewery comes on stream in November with the launch of six clear-beer brands.

Three breweries are being built at Midrand and two are planned for Natal and the eastern Cape.

NSB is taking up a challenge that defeated Anton Rupert and Louis Luyt — breaking SA Breweries' 99% hold on the R5-billion-a-year beer market.

Professor Mahanyele says NSB will take 20% of the market in two years This implies that it will have a brewing capacity of more than 4-million hectolitres by 1996

Professor Mahanyele says. "The Vivo brewery capacity was increased five-fold as a result of new technology"

SAB beer division chairman Graham Mackay says. "With all this talk of a beer war, we have yet to see NSB produce any malt beer. They will have to move fast to get to 4-million hectolitres in two years."

Analysts are sceptical about NSB's target of 20% of the market, saying brand loyalty can take years to establish and distribution networks are costly to administer and implement.

Chris Gilmour, beer analyst at stockbroker Senekal, Mouton Kitshoff, says "It is extremely unlikely that NSB will ever get 20%. One gets the feeling that SAB is not taking NSB's challenge seriously. Whatever happens will be good for the consumer. It is bound to provoke a beer war."

Mr Gilmour says it took SAB many years to build an efficient distribution network. NSB cannot expect to achieve similar efficiency in two years

He says blacks are unlikely to buy NSB beer merely because it is brewed by blacks.

Professor Mahanyele says: "Brand loyalty has little to do with it. Look at what is happening in soft drinks with all these no-name colas. What is the IBM brand name worth after its huge losses to clone PC manufacturers?

"A good-quality beer at a reasonable price will sell. We have blind-tested our beer on whites and blacks and the results were encouraging. The key to the success of this business is distribution. We have 500 000 people in our sorghum distribution chain and we can use it to market clear beer"

"We are able to get to areas that nobody else considers. There is a wide-open market for clear beer and we intend to tap it. We will have exclusivity in some areas where SAB does not go."

Mr Mackay says "It is not easy to set up a distribution chain for clear beer. It is different to distributing sorghum beer in that one must sell, as a brewer and a wholesaler, only through licensed outlets"

Professor Mahanyele projects a doubling in the clear-beer market in five years.

"SAB will thank us for this a few years from now"

He says one of the partners is a major US brewer, but he declines to name it.

It has been said that Anheuser-Busch or Millers will tie up with NSB, but this is discounted by analysts. "It is more likely to be a smaller European brewery."

Professor Mahanyele accuses SAB of violating NSB's exclusive right to market sorghum beer in SA.

"Truckloads of Chibuku (SAB's sorghum beer) are being sold in Soweto and other townships in SA But we are beating them hands down wherever we meet them in the market."

SAB denies it is selling sorghum beer in SA.

Six new brands for clear beer market

B/Day 20/9/93

GERALD REILLY
and THEO RAWANA

NATIONAL Sorghum Breweries (NSB) would launch its assault on SAB's monopoly of the clear beer market with six new brands and a R1,5bn investment in three breweries, NSB chairman Mohale Mahanyele said last week

Mahanyele said NSB planned to capture 20% of the market in the first two years of full operation

"We are not afraid of SAB In fact, the boot is in the other foot. We have been astonished by the results of surveys which show great potential support among whites as well as blacks," Mahanyele said.

The first of the brewing plants, called Vivo 1, would be in full production at the end of the year and distribution would start in the Transvaal.

Planning for Vivo 2 and 3 breweries, also in the Transvaal, was advanced Further plants were planned for Natal and the eastern Cape

The new beer's quality had been tested locally and abroad and results were "unanimously favourable".

"Sanctions are breaking at the right time for NSB We have been in touch with US investors and have been inundated with offers. Capital is therefore no problem and it is all systems go," Mahanyele said.

A consortium of European and US investors could acquire a stake in NSB and might invest up to R500m in the company.

Mahanyele said NSB had a ready market for its clear beer (182)

The sorghum beer market was three times the size of the clear beer market — about 2,3-billion litres of clear beer was sold annually, compared with more than 7-billion of sorghum beer.

"So we have a massive sympathetic market among blacks already in place and we believe the majority of our sorghum beer drinkers will choose Vivo beer ahead of other brews," Mahanyele said.

He said a multimillion-rand promotional campaign would launch the new brands.

SAB public affairs director Adrian Botha said his company had always welcomed competition.

"In a competition the consumers decide what beer to buy SAB will continue to market to consumers and let them decide," Botha said

NSB to take on SAB beer monopoly in SA

(182) CT 20/9/93

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Cape wine industry set to woo Canadians

Staff Reporter

THE Cape's wine industry is poised to launch an extensive media campaign in Canada to win back South Africa's share of the Canadian wine market after sanctions were lifted. (182) CT 25/9/93

The KWV's Mr Niel van Staden said yesterday Canada was South Africa's biggest export market before sanctions were introduced in 1986.

"Since then the 'new world countries', particularly Chile and Australia, have taken our share of the market. We will have to fight to get it back," he said.

Sorghum brewer's instant success

S.Times (BUSS)

By DON ROBERTSON

FIRST National Breweries (FNB) has developed and patented a sorghum beer in powder form which, when water is added, can be consumed immediately, instant alcohol and all 26/9/93

The R2-billion-a-year sorghum beer market has been dominated by National Sorghum Brewries (NSB), which makes the product in either powder or pre-mixed form under the Cheetah, Leopard and Tlokve brand names

But, according FNB managing director Riaan van den Heever, traditional varieties of powdered beers have a limited lifespan in the pre-mixed state and need to ferment for at least 24 hours after the addition of yeast

FNB, however, has solved this problem with a chemical process which converts alcohol into a powder contained by a carrier substance.

Sorghum meal and other ingredients such as sweeteners and flavourants have been added to form a powder with a long shelf-life When mixed with water, the product provides an instant beer with a 2% alcohol content (182)

The FNB product can be kept for a few months in powder form, says Mr Van den Heever After preparation, it can be kept for at least 48 hours. The powder remains suspended in the water and no sedimentation takes place.

The concept was developed by Antonie Lotter, professor of pharmacy at the University of Potchefstroom, over the past three years

Professor Lotter also developed the method whereby the alcohol can be contained in powdered form

Full-scale production of the instant beer has not yet begun, but Mr Van den Heever recently visited Hong Kong, Bangkok and Beijing, where brewers expressed an interest in buying the patent and exporting the product to countries in Africa. Brewers in Holland and Germany have also shown an interest.

BUSINESS

Distillers hikes thrust into export markets

182

ARG 5/10/93

ALIDE DASNOIS
Business Staff

SQUEEZED by heavy taxes and competition, Distillers Corporation is continuing its thrust into export markets, managing director Michiel le Roux said at the annual meeting in Stellenbosch

He said the group was considering setting up bottling plants in other African countries, which were the biggest potential growth area

Distillers' products were also doing well on European markets, although brandy exports to the European Community were hit by prohibitive duties

The lifting of sanctions would boost sales in Norway and Sweden, Mr Le Roux said yesterday

About 21 percent of the Bergkelder wines were exported

Distillers had also appointed a marketing director in Singapore to expand sales in the Far East

The group reported a 9 percent increase in profits to R102 million in the year to end-June, on turnover of R1,082 billion The current year would be one of consolidation, Mr Le Roux said

Distillers paid nearly R193 million in excise taxes during the year

Mr Le Roux said prices of the group's products had generally not kept pace with inflation Competition from cheaper wine, whisky and white spirits had affected sales

However the recent exemption of wine for export purposes from price control meant that the group could negotiate directly with the co-operatives, instead of having to buy at a fixed price

Lower buying prices would be reflected in the current year's results

■ Furniture group **Ellerine Holdings** put in a strong performance in the year to end August, lifting attributable income 27 percent to R64 million, reports **Marc Hasenfuss.**

The dividend payout was increased proportionately to 29,6c a share, covered 3 times

Sales soared nearly 30 percent to R758 milion in spite of poor trading conditions in the furniture retail industry This was achieved on the back of 17 new store openings in the period under review — bringing the number of stores countrywide to 371

However, the profit gain at pre-tax level was limited to 14 percent due to additional debtors provisions and a more than doubled interest bill of R5,5 million

Directors stressed that the additional bad debt provision was initiated by higher bad debts, but rather undertaken in light of prevailing high unemployment and political instability

An extraordinary item, relating to an adjustment to deferred tax provisions in line with the reduction in the tax rate, added R12,2 million after bottom line

Directors said the focus on asset management was maintained and the balance sheet remained strong Gearing remained satisfactory in spite of moving up to 23 percent from 17 percent previously as interest bearing debt was increased to R72 million

They remained bullish about prospects in the year ahead "Given the proven management team and the strong balance sheet, the company is well placed to face the challenges of the year ahead "

■ **Altron** reported an 11 percent drop in attributable profits to R43 million in the half year to end August

Production in Africa probe

B/Day 7/10/93

LINDA ENSOR

CAPE TOWN — Liquor producer and distributor Distillers Corporation was investigating the possibility of setting up production plants in Africa, its main export market, MD Michiel le Roux said this week. (182)

He emphasised that the go-ahead for a new project would depend on available incentives and tax structures.

He said many African countries had much higher excise duties on bottled liquor than on imported bulk products Africa was Distillers' largest export market with significant growth potential restricted in part by low foreign exchange reserves in by many countries.

The Far East was the major brandy market and a marketing director had been appointed for the region

Taxes creating thirst in wine, spirit industry

CT 5/10/93 (182)

By ARI JACOBSON

TAXES are killing the wine and spirit industry — a case in point is the Distillers Group's which paid roughly 50% of its profits to the government in taxes for the financial year to June, said Distillers MD Michiel le Roux speaking after the group's agm yesterday

Le Roux said if this persists it would "kill the goose that lays the golden egg"

According to Distiller's technical director Hennie Heyl the SA industry is a market leader in wine and spirit technology

The annual report shows that the majority of taxes impacting on Distillers are direct taxes (77%) but 20% of profits were eliminated with excise duty

Le Roux pointed out that the impression was wine and spirits were luxuries and should be taxed as such

However he said that a certain percentage of disposable incomes were spent on these goods and this gave it a similar spending pattern to food products

"It's definitely not true that in a recession people drink more"

Distillers increased after tax incomes by about 7% to R114m (R106m) for the year to June

The group has well-known brand names such as Oude Meester, Johnnie Walker, Drostdy Hof, Klipdrift and the Bergkelder wine range.

Le Roux pointed out that at present about 20% of the Bergkelder products were being exported and demand was increasing as new international markets opened up — the countries to recently start tasting Distillers products are Norway and Sweden

"Generally, we are doing extremely well in Europe," he said

But Le Roux mentioned that "the greatest area for growth" remained Africa — with the group already visible in Mozambique, Kenya, Zambia and Malawi

In addition the group has "posted a man in Singapore" to tap into a major brandy market — the Far East

Most wine and spirit products had shown increases in the year under review "which are below the inflation rate," according to le Roux

He said this reflected the competitive environment, influenced by cheap products swamping the market.

NSB's beer war will get SAB in a froth

Citizen 10/10/93

(182)

By ALI MPHAKI

NATIONAL Sorghum Breweries are not intimidated by sceptics who say they are jumping into the lions den by challenging the giant South African Breweries in the clear beer market

NSB chief executive Mohale Mahanyele was this week bubbling with enthusiasm for the fight when he declared that "battle lines are drawn and the gloves are off"

With the removal of sanctions this week, it is clear the beer "war" will intensify as companies vie for a slice of the lucrative R5-billion a year market

Mahanyele is under no illusion that the battle against SAB will be a "tough one", adding however that even "Goliath was defeated by David"

"We have different strategies and no company has a right to say customers belong to them"

Sceptics hark back to the failure of supreme entrepreneurs Anton Rupert and Louis Luyt when they challenged SAB's dominance of the beer market a few years ago

The facts stand that SAB has a 99 percent hold on the beer market and brand loyalty is not easily swayed But NSB is still intent on grabbing 20 percent market share within two years

Mahanyele scoffs at the sceptics who cried doom when NSB was floated three years ago, giving it three months to live

"After three months they said in six months we would be out But look at where are we now Our turnover has increased, our sales have rocketed and we have the most powerful distribution network in the country," beamed Mahanyele

NSB has opened their R1.5-billion Vivo brewery in Midrand and two others are planned for the Reef They will start selling their six brands of clear "Vivo" beer later this year

Yours truly has tasted the new NSB beer, and it gets my vote Viva Vivo!

GLOVES OFF . . . Professor Mohale Mahanyele of NSB.

Heavy orders for SA wine

182

Business Editor

SUBSTANTIAL orders for South African wine have come from from Canada, New Zealand and Sweden, which recently lifted all trade sanctions, Stellenbosch Farmers' Winery chairman Frans Davin said today.

ARG 20/10/93

"The lifting of sanctions by almost all countries has boosted wine exports," he said at the company's annual meeting in Stellenbosch.

NEWS Press responsibility also needed

Sowetan 20/10/93

Workers at Coca-Cola on strike

182

By Ike Motsapi

MORE than 4 000 employees at Coca-Cola plants throughout the country went on strike yesterday over wages.

The workers, members of the Food and Allied Workers' Union, are demanding monthly across-the-board salary increases of 25 percent. Management is offering seven percent.

Chairman of Fawu's national shop stewards council Mr George Nene said yesterday the union and the management of Amalgamated Beverages Industries — owners of Coca-Cola — had been negotiating for wages since September 28 without reaching a settlement.

Management has raised its initial offer of five percent by two percent since negotiations started.

No censorship to silence the Press

Sowetan 20/10/93

By Glenn McKenzie

A NEW government will not use censorship to silence the Press, an African National Congress negotiator said at the *Sowetan* Nation Building Press Seminar at Vista University in Soweto yesterday.

The ANC's Mr Joel Netshitenzhe said his party did not favour specific legislation limiting freedoms of the Press Rather, the Press would have to abide by a new charter that protected individual freedoms.

"There will be no censorship in the new dispensation. We don't believe there should be a group of wise men and women who decide what we should or should not read," said Netshitenzhe.

Media lawyer Mr Paul Jenkins said there should be a balance between the freedom given to the Press and the freedom protecting individuals

There should be restrictions built into a Press code to prevent harming individual reputations "We can't have the media intruding into people's private lives if it is not wanted The extra-marital affairs of Mr and Mrs X are not the business of the Press."

Netshitenzhe agreed that media freedoms should not be limitless. He said voluntary journalistic bodies and the courts should play a role in and share Press responsibility

Broadcast licences could possibly be taken away if a television or radio stations infringe individual freedoms

Netshitenzhe said the Press should be allowed to freely comment on all actions of the new government, including a state of emergency. He said the ANC could not rule out a state of emergency but there must be very compelling reasons to declare one

News

SFW sales hit R1-bn as wine exports take off

(182)

ARG 20/10/93

TOM HOOD
Business Editor

SUBSTANTIAL orders for South African wines have come from from Canada, New Zealand and Sweden, which recently lifted all trade sanctions, reported Stellenbosch Farmers Winery chairman Frans Davin today

"The lifting of sanctions by almost all countries has boosted wine exports," he said at the company's annual meeting in Stellenbosch

The abolition by KWV of the minimum price for quality wine for export was a step in the right direction and was lauded by all exporters.

This meant wine could be exported profitably — previously profits were negligible with the predetermined fixed price for quality wine

When SFW called for tenders from producers and co-operatives for quality wine destined for export the tenders were oversubscribed tenfold.

Prices varied from 42c to 90c a litre as opposed to the current fixed price of 128c. SFW bought most of its export wine at 90c

Sales increased by 13 percent to reach R1 billion for the first time

Strikes hit bottling firm

ERICA JANKOWITZ

ABOUT 3 000 Food and Allied Workers' Union (Fawu) members embarked on an illegal strike at Amalgamated Beverage Industries (ABI) plants in the PWV region on Tuesday after workers in Durban started industrial action on Friday, ABI human resources manager Dave Smith said BDay

ABI bottles all leading soft drink brands, including Coca-Cola and Sparletta. A company spokesman said other companies were also involved in bottling the drinks and there were large stocks available 21/10/93

According to Smith, the two parties were in the process of wage negotiations when Fawu implemented an illegal overtime ban

At the time management had moved from its opening offer of a 5% increase to 7%. The union had stuck on its 27% wage demand coupled with calls for a number of other benefits, including housing subsidies and additional annual leave

As a result of the overtime ban disciplinary action was initiated against several drivers in Durban who had not completed their delivery rounds These workers did not attend disciplinary hearings and a strike ensued (182)

This had spread to all PWV operations, he said

The company was willing to continue negotiations as soon as work was resumed

Fawu was not available for comment

Illegal strike continues at ABI

BDay 27/10/93

ERICA JANKOWITZ

THE illegal strike by about 3 000 Food and Allied Workers' Union (Fawu) members at six of the seven Amalgamated Beverage Industries plants was not resolved yesterday, despite protracted negotiations, ABI spokesman Dave Smith said.

Only ABI's East Rand plant has not been affected by the action.

Fawu members embarked on the strike on October 19 to force management to withdraw disciplinary action against 26 drivers who had not completed delivery rounds because of an overtime ban called by the union during wage talks (182)(182)

Yesterday the company offered to reduce its penalty if the drivers were found guilty and would refer its right to discipline to arbitration.

However, both were "rejected out of hand by Fawu", Smith said

He said ABI obtained interdicts against union members yesterday. A Supreme Court order was to prevent further damage to company property by strikers and an Industrial Court interdict was granted as the overtime ban and strike were illegal.

Lower tax rate expected to boost SAB's earnings

BDay 27/10/93

MARCIA KLEIN

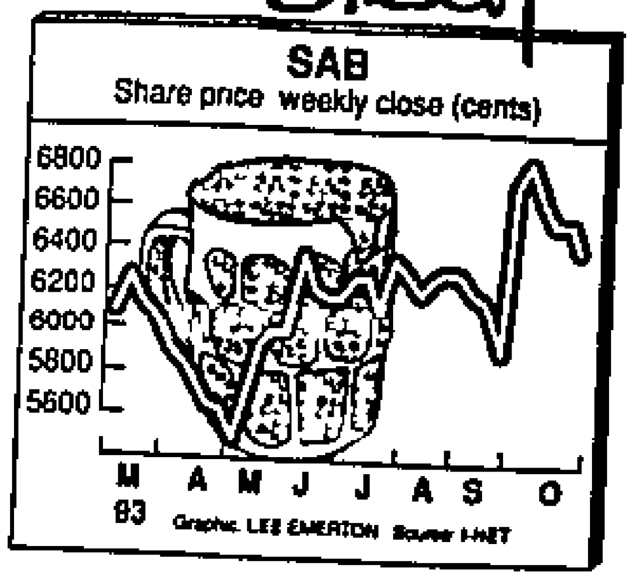
SA BREWERIES' (SAB) interim earnings to end-September, boosted by a lower corporate tax rate and improved efficiencies in its major operations, would show an increase of between 11% and 20%, analysts estimated.

They said that as much as half of the growth would be attributable to the lower rate of corporate taxation.

Nevertheless, they said this would be a good result given the fact that its major subsidiaries, which include the beer division, Edgars, OK, ABI, Lion Match, Da Gama, Afcol and Amrel, were dependent on private consumption expenditure.

While analysts agreed the beer and industrial group would show an improved result on the 5% earnings rise reported at the March year-end, they were divided on how Plate Glass & Shatterprufe Industries (PGSI), now a significant contributor to group profits, would perform.

PGSI had shown a significant improvement in the second half of the previous year.



Analysts said that its offshore operations had done well, but they believed that local operations had felt the effects of declines in activity and increased competition.

SAB's beer division, which is the backbone of the group's earnings, would not have experienced any increase in volumes.

However, increased efficiencies and better earnings from exports and non-SA operations should enable it to produce an increase in earnings.

Soft drink bottler ABI, like the beer division, would not see any increase in volumes. Nevertheless, its earnings were expected to be about 15% to 18% up on the previous year.

Analysts said that there had been an improvement in retail sales in recent months.

This should benefit the group's industrial interests — apart from OK Bazaars. OK was expected to show substantial losses, which would compare with a small profit in the previous year.

Afcol would do substantially better, and Edgars would benefit from lower taxation. (182)

Lion Match, which has issued a joint cautionary announcement with Consol, would also show good results.

Lion Match said this week that the negotiations were wide-ranging, but could not comment further at this stage.

However, analysts said that the cautionary could refer to the sale of Lion's Interpak to Consol.

NEWS Union may not intimidated workers ● Minister 'pushing SA to the brink'

Coke strike illegal

Sowetan 28/10/93

By Ike Motsapi

THE strike by about 4 000 employees of Coca-Cola in its second week has been declared illegal by the Rand Supreme Court yesterday.

The court also ordered striking members of the Food and Allied Workers' Union to refrain from intimidating or assaulting or using any form of violence against non-striking workers.

Fawu members went on strike over wages and management's decision to discipline workers who complied with the union's ban on overtime.

Mr Neville Barber of Westcom, the company's public relations division, said the company was concerned about the violence that had erupted especially at Midrand Factory.

(182)

He said talks between Fawu and management aimed at ending the strike had collapsed.

Mr George Nene, chairman of Fawu's national shop stewards council, confirmed that the talks held yesterday did not produce the desired results.

Rockman blasts Kriel

Sowetan 28/10/93

LAW and Order Minister Mr Hernus Kriel is "steering the country to the brink of civil war", Police and Prisons Civil Rights Union president Mr Gregory Rockman claimed yesterday.

In a stinging attack on the minister's response to the deepening police crisis, Rockman, a former lieutenant, accused Kriel of making unilateral changes to the SAP and of failing to address the grievances of black police officers.

He warned that Popcru-supporting SAP members countrywide were ready to embark on a national strike if Kriel failed to address the Port Elizabeth crisis sparked by the dismissal or suspension of about 450 striking policemen and if he did not agree to a public inquiry into the grievances of black SAP members nationally.

Recognition

In a statement on Tuesday following a high-level meeting with top police generals, Kriel hinted at possible recognition of Popcru, saying he supported "bona fide and legitimate" union activity within the SAP and that he had asked the Police Board for advice on dealing with unions. However, he stressed that no grievances could be used as an excuse for strikes or mutiny and he attacked Popcru for allowing itself to be "hijacked" by the ANC to further this organisation's political agenda.

Kriel did not refer to the Port Elizabeth crisis, other than to say that he was "considering" a Popcru demand for a meeting on the dispute — *Ecna*.

ABI drivers abducted as strike continues

B/Day 29/10/93

ERICA JANKOWITZ

TWO Amalgamated Beverage Industries (ABI) truck drivers abducted in central Johannesburg had not been found by late yesterday, a company spokesman said.

During the nine-day strike by about 3 000 workers at ABI's seven plants in the PWV area and Natal, attempted petrol bombings and stoning of trucks had been reported, he said

The strike was called in response to management disciplining drivers who had not completed delivery rounds because of an illegal overtime ban, implemented by Food and Allied Workers' Union (Fawu) members to force the pace of wage negotiations.

Talks with Fawu would resume today with a mediator in attendance

All plants were running on skeleton crews Temporary labour and "employees not on strike" were ensuring about 60% of distribution took place

Fawu national organiser Erik Nkoma said the union had offered to make up lost production at weekends and by working overtime, but would not concede to management's insistence on disciplining workers who had refused to work overtime

(182)

NEWS Dispute over ban on overtime ● Louw opens

Striking 4 000 to march

Sowetan 29/10/93

By Ike Motsapi

ABOUT 4 000 members of the Food and Allied Workers' Union on strike over wages at Coca-Cola are to march on the company's head office in Johannesburg next Tuesday

The workers will meet at the Alexandra Community Hall in 12th Avenue at 10am and march to the offices of Amalgamated Beverages Industries, the holding company of Coca-Cola, in Wendywood at about 1pm

The national strike is in its second week at all Coca-Cola plants

Mr George Nene, chairman of the national shop stewards council, said "Fawu is going to intensify the strike by involving the Congress of South African Trade Unions and civic organisations

(182)

"This week management met with the union but the talks deadlocked," Nene said "The union is saying that the company cannot discipline its members for a decision that was taken collectively at a mass meeting to ban overtime

"The decision is that of Fawu and management cannot discipline workers on an individual basis If the union can allow management to continue victimising its members, then Fawu is no more

The strike has been declared illegal by the Rand Supreme Court

Mr Neville Barber of Westcom, the company's public relations division, said the order was granted against Fawu on Wednesday

FM 29|10|93

DISTILLERS/SFW FM 29|10|93

Feeling flat

182

Distillers Corp
Activities: *Production, marketing and wholesale distribution of liquor products*
Control: *Rembrandt-KWV Investments*
Chairman: *J J M van Zyl, MD M S du Pré le Roux*
Capital structure: *140m ords Market capitalisation R980m*
Share market: *Price 700c .Yields 6,1% on dividend, 11,6% on earnings, p e ratio, 8,6, cover, 1,9 12-month high, 1 000c, low, 650c Trading volume last quarter, 118 000 shares*

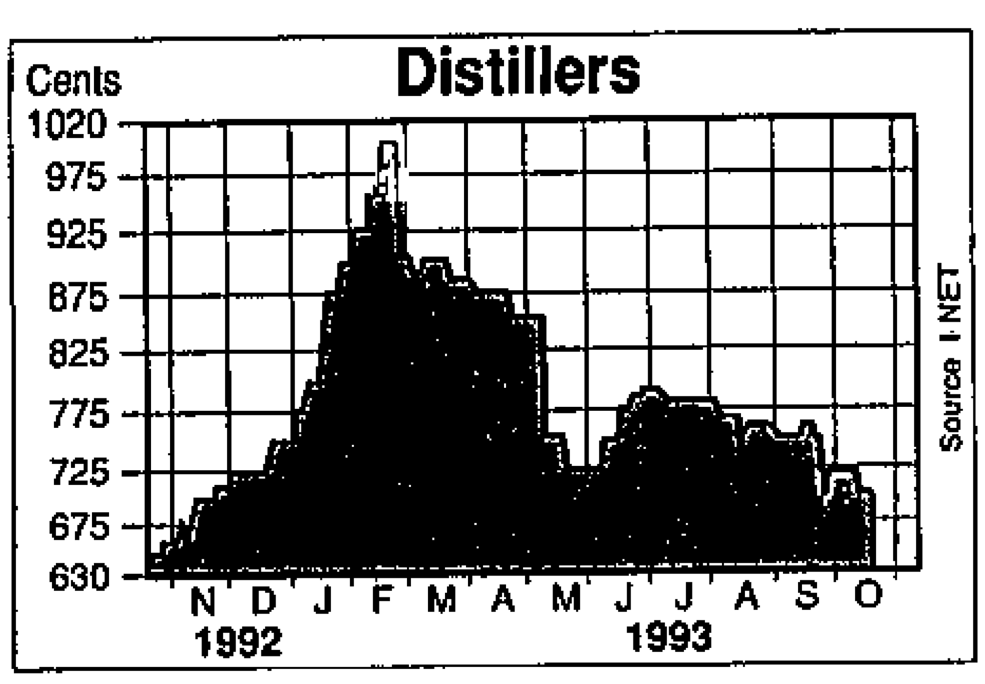
Year to June 30	'90	'91	'92	'93
ST debt (Rm)	35,4	21,2	13,5	—
Debt equity ratio	0,07	0,03	n/a	n/a
Shareholders interest	0,69	0,71	0,72	0,80
Return on cap (%)	23,5	23,7	21,5	22,1
Turnover (Rm)	n/a	n/a	1 013	1 082
Pre-int profit (Rm)	156,4	176,7	178,8	182,4
Pre-int margin (%)	n/a	n/a	17,6	16,9
Earnings (c)	62,8	72,6	76,7	80,9
Dividends (c)	30	35	39	43
Tangible NAV (c)	338	384	428	473

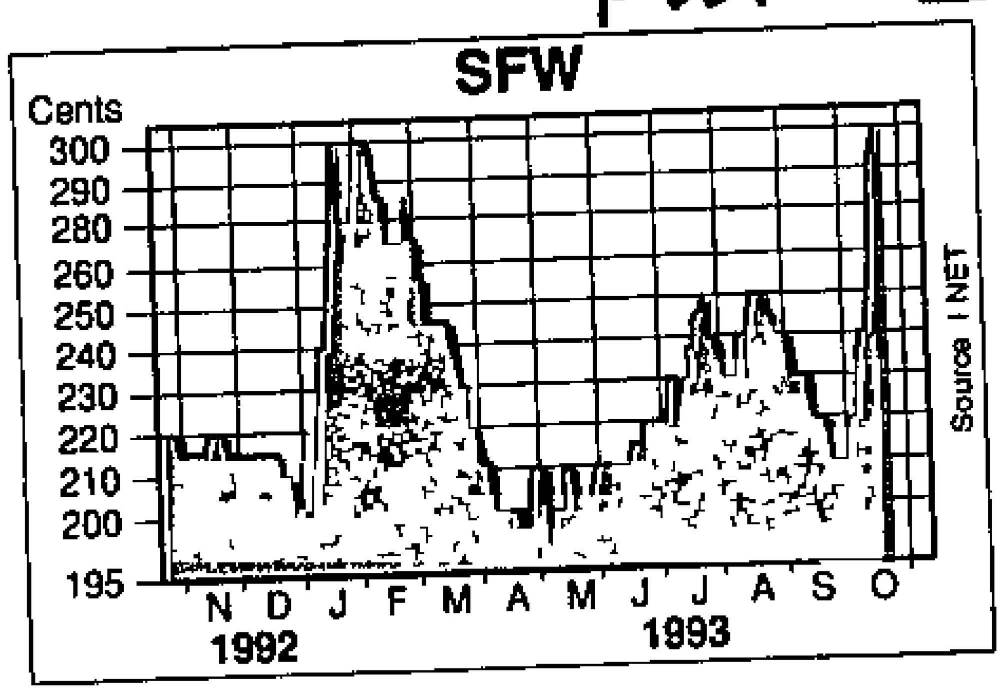
In the end, the market always has its way The case of higher-priced, typically estate SA wines, is a good example While the wine drinker's disposable income continued to be boosted by inflation, the demand for these products, almost irrespective of price, seemed to be insatiable

Now, however, as real personal disposable income has declined, the marketing companies are being forced to reduce prices to move stock and to retain market share In some cases, it's happening in the spirit market as well For this reason, turnover and profit growth in the two major wine and spirit marketing companies, Distillers and SFW, has been seriously weakened

For the past few years the *FM* has been particularly critical of **SFW's** EPS record, which has shown no real growth for some time (five-year compound growth was 3,8% from 1988 to 1993) Financial 1993 was again a dull year based on financial results Trading profit declined 8,2% and, despite the lower corporate tax rate, EPS fell 5,7%

In a tough market — demand for distilled beverages slipped about 1% over the year — SFW nevertheless raised turnover 13% to R1bn and gained market share by introducing low-priced products





Stellenbosch Farmers Winery
Activities: *Production, marketing and wholesale distribution of liquor products*
Control: *Rembrandt-KWV investments*
Chairman: *F J Davin, MD F H Stroebel*
Capital structure: *140m ords Market capitalisation R420m*
Share market: *Price 300c Yields 4,0% on dividend, 13,2% on earnings, p e ratio, 7,6, cover, 3,3 12-month high, 300c, low, 250c Trading volume last quarter, 634 000 shares*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	39,5	26,6	21,4	5,7
LT debt (Rm)	56,1	54,2	52,6	30,0
Debt equity ratio	0,14	0,11	0,87	0,56
Shareholders' interest	0,71	0,74	0,76	0,78
Int & leasing cover	20	11	21	21
Return on cap (%)	15,9	14,5	13,8	12,3
Turnover (Rm)	n/a	n/a	915	1 034
Pre-int profit (Rm)	110,0	105,8	108,7	99,8
Pre-int margin (%)	n/a	n/a	11,9	9,7
Earnings (c)	40,4	39,2	42,0	39,6
Dividends (c)	11,5	11,5	12,5	12,0
Tangible NAV (c)	351	385	427	453

Historically, SFW was most successful marketing wine to the lower end of the market This segment has been taken over recently by private wine farmers and co-operatives selling below the statutory minimum price because of the gap between minimum prices for distilling wine and natural wine As SFW chairman Frans Davin says, the "standard price" class of wine is increasingly sold on price alone, making it an unattractive investment SFW's poor financial returns in the past result more from this factor than from any other

The *FM* observed previously that sound management would long ago have foreseen this problem and found other, more attractive options. SFW's introduction of Crown Premium Dry cider is an example This product's launch was so successful that, along with sales from Hunter's Gold, reports Davin, they compensated for losses in the wine market This is the sort of action shareholders expect.

Leading competitor **Distillers,** also controlled by Rembrandt-KWV Investments but apparently operating independently, claims it maintained its market share in wines and spirits — its spirit sales are considerably larger than SFW's — and its turnover increased 7% to R1,1bn Both companies disclosed turnover for the first time this year

Selling prices of the group's spirits increased by no more than 2,5%, showing the effects of an easing inflation rate Market sources say prices of the premium estate wines marketed by Die Bergkelder, a division of Distillers, have been slashed to move stock Distillers is not in the low-priced wine market

Distillers' trading income increased a mere 1,9% as margin suffered Nevertheless, it's admirable that overall cost increases could be limited to 6% when inflation exceeds 10%, as chairman J J "Boetie" van Zyl points out, because of meticulous management of capital expenditure and operating capital

182

Two items in the Distillers balance sheet merit comment stock was 6,5% lower at R348m and debtors rose 23,3% to R107m, indicating more generous terms granted to customers In SFW, stock rose 1,3% and debtors 26,8% But the significant financial differences between the two companies are highlighted by their respective returns on equity — Distillers 17,1%, SFW 8,7% — and returns on capital employed (see tables)

It may not be fair to compare the two companies but, from an investment standpoint, Distillers maintains its lead Until the economy improves, though, other market sectors offer better returns than can be expected from the liquor sector *Gerald Hirshon*

SUNCRUSH

FM 29/10/93

Still in transition

The substantial shift in emphasis from production to investment that has taken place in Suncrush's total asset base over the past two years has significantly changed the group, so much so that it is difficult to draw firm conclusions from the latest annual report

While it is relatively easy to define the changes in the balance sheet, there is no way of knowing with any certainty what the long-term impact on the income statement will be The group is still in a transition phase, with investment funds yet to make a full year's contribution Furthermore, the long-term outcome will be materially affected by what associate Tempora Investments decides to do with its R240m-plus war chest

(182)

In 1991, Suncrush's balance sheet showed investments at book value to be 14% of total assets, while the income statement showed investment income (including retained earnings of associates) to be a similar percentage

Activities: *Makes and distributes soft drinks*
Control: *Dalys (50,5%)*
CEO: *R D Hamilton*
Capital structure: *149,2m ords Market capitalisation R1 253m*
Share market: *Price 840c Yields 1,5% on dividend, 5,1% on earnings, p e ratio, 19,7, cover, 3,5 12-month high, 1 000c, low, 800c Trading volume last quarter, 2m shares*

Year to June 30	**'90**	**'91**	**'92**	**'93**
ST debt (Rm)	3,1	3,1	21,4	—
LT debt (Rm)	30,7	35,6	46,0	33,3
Debt equity ratio	—	(0,04)	0,13	0,01
Shareholders interest	0,68	0 73	0,65	0,80
Int & leasing cover	—	—	59,6	17,7
Return on cap (%)	17,3	15 4	18,2	14 5
Turnover (Rm)	356	445	535	572
Pre-int profit (Rm)	61,6	76,1	89,8	98,3
Pre-int margin (%)	15,8	15,9	15,9	16,0
Earnings (c)	23 7	32,0	35,7	42,7
Dividends (c)	7	9,2	10 8	12,2
Tangible NAV (c)	170	260	239	362

of total attributable earnings

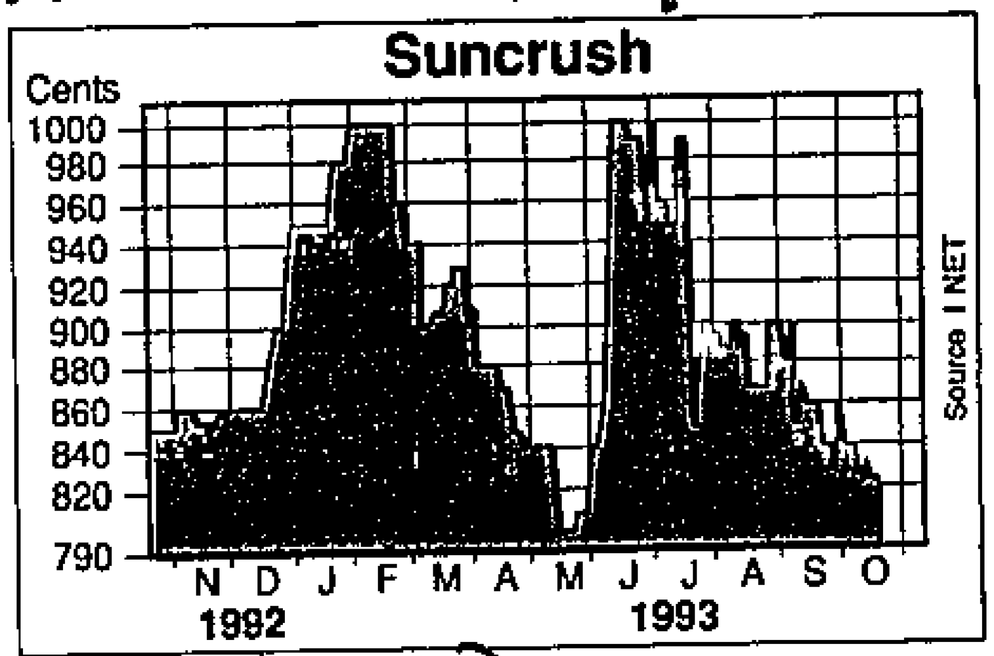
In the latest balance sheet, investments have risen to 44% of total assets But in the income statement, investment income still totals only 14% of earnings There will have been a further increase in assets since the financial year-end with completion of the takeover of DAB Investments (now Ettington Investments), whereby Ettington acquired Tempora's non-beverage investments These transactions involved a further cash outlay of almost R21m by Suncrush

The major reason for the increase in Suncrush's investments has been the massive expansion of Tempora, which has had three rights issues over the past two years, the most recent being in April this year, when it raised R246m before costs By following its rights and underwriting these issues, Suncrush's contribution to Tempora over this period has totalled more than R196m

In financing this, Suncrush itself has raised only R108,5m in fresh funds from shareholders A further R20m came from net cash resources (which moved from a positive balance of R13,5m in 1991 to net

Suncrush's Hamilton *investment earnings should rise*

FM 29/10/93



(182)

borrowings of R6,4m at June 30, 1993), leaving R67,5m — more than one third of the R196m total investment — to be financed from cash flow

That underlines another point, that Suncrush is a strong cash generator and, while maintaining a conservative dividend policy, needs an outlet for its surplus funds The question that remains to be answered, however, is whether the much-expanded investment base is going to pull its weight in terms of earnings and, in particular, whether the group will be able to overcome the diluting effect of its own rights issue which will make its full impact this financial year

CE Robin Hamilton notes that earnings from investments are expected to increase to around 8c a share in 1994 from 6c for the year just completed On the increased capital, this implies attributable earnings from investments of about R12m, which would be almost 45% up on the 1993 figure of R8,3m. On this basis, however, even if earnings from the soft drink operations level-peg at last year's R50,7, investment income would still amount to only 19% of group earnings, versus their 44% share of the balance sheet

Clearer picture

One cannot realistically compare earnings derived from investments with those from normal operations, but the fact remains that the changing profile of Suncrush lends itself to misinterpretation when it comes to assessing profitability

An example here would be the declines recorded last year in the gross return on total assets and net return on equity — the former from 15% to 11,8% and the latter from 18,2% to 14,5% A superficial conclusion would be that profitability of the soft drink operations was under pressure

But when one breaks down the financial statements, it turns out profitability here actually improved quite significantly, with net earnings increasing to 18,2% of total assets employed from 16,8% previously So while the group may not have enjoyed the turnover growth it would have liked, this in no way impaired efficiency of its operations.

Assuming no further major structural changes, this year should provide a clearer picture as to the potential of the "new" group On present indications, EPS growth is likely to be subdued due to the effective 8% increase in the number of shares on which this calculation will be based, but the high dividend cover, coupled with an increase in cash earnings from investments will, if necessary, allow for a pruning of dividend cover and should, therefore, ensure distribution is at least maintained in real terms *Brian Thompson*

[illegible]

By JULIE WALKER

SA BREWERIES' Netherlands-based subsidiary Indol has entered a joint venture with the Tanzanian government to own and operate Tanzanian Breweries STimes

SA Breweries has obtained Reserve Bank permission for Westgate Worldwide — its foreign group — to invest \$28-million (about R95-million) through Indol for 50% of Tanzanian Breweries (BUSS)

The investment comprises \$17-million of capital equipment to be supplied from SA and cash of \$11-million in the next two years (182)

The Tanzanian government will retain 50%, but this could fall to 40% if negotiations with the International Finance Corporation succeed. 31/10/93

Breweries at Dar es Salaam and Arusha will be rehabilitated and a new one built at Mwanza Indol will manage operations and key executives will be seconded to Tanzania.

Indol has brewing enterprises in Botswana, Lesotho and Swaziland

SA Breweries shares put on 50c to R66 ahead of results this week. At the beginning of the month they were R69, having climbed from R53 last November

SAB buys 50% stake in Tanzanian Breweries

B/Day 1/11/93

KELVIN BROWN

BEER and industrial group SAB has expanded its share of the sub-Saharan beer market by acquiring a 50% stake in Tanzanian Breweries.

SAB announced at the weekend it had obtained Reserve Bank approval for a deal involving an investment of R94m in Tanzanian Breweries to privatise, rehabilitate and expand its facilities [redacted] (182)

Bank insistence that overseas investment by local companies bring immediate returns to SA has scuppered a number of planned projects in the past year

SAB said it would supply Tanzanian Breweries with SA capital equipment worth R57m and inject R37m into the brewing company over the next two years This would enable the Tanzanian company to rehabilitate its two existing breweries and construct a new brewery.

An agreement was signed earlier last month between the Tanzanian government and SAB's Netherlands-based subsidiary Indol allowing Westgate Worldwide, the offshore group of SAB, to acquire 50% of Tanzanian Breweries, with Indol taking over its day-to-day managment

The Tanzanian government would initially retain the other 50% share of Tanzanian Breweries. But SAB said the World Bank's private sector arm, was negotiating with the government to buy a 10% stake in the Tanzanian brewer from the authorities

SAB said the acquisition was part of its plan to enter mass consumer markets in developing countries. Indol already operated in Botswana, Lesotho and Swaziland

The SA group said the latest brewing venture represented an important beachhead within its sub-Saharan focus and held the potential for further expansion.

The group's foreign operations had become an important source of revenue for its beer division as recessionary conditions at home restricted local growth.

Analysts predicted SAB's interim results to September, due out this week, would not reflect any increase in beer volumes. A rise in earnings was expected to come from increased efficiencies and better earnings from exports and non-SA operations.

SAB brews up sub-Saharan programme

(182)

CT 2/11/93

JOHANNESBURG — South African Breweries Ltd (SAB) said its previously reported R100m investment in Tanzania's brewing industry held prospects for further expansion in the region

"This latest brewing venture represents an important beach head for SAB within its established sub-Saharan focus and holds the potential for further expansion in the region within a total beverage-related context," it said in a statement

The Tanzanian government and SAB's Netherlands-based subsidiary Indol International BV signed a deal last month in terms of which a joint venture will be formed to own and operate Tanzanian Breweries Ltd (TBL)

This will be done under a plan to privatise, rehabilitate and expand its existing facilities

The Westgate worldwide offshore group of SAB will, via Indol, acquire 50% of TBL for an investment of $28m

The Tanzanian government will initially retain a 50% interest But negotiations are under way with the International Finance Corporation with a view to their taking up a 10% equity stake, which would cut Tanzania's holding to 40%

The investment plan provides for rehabilitation of TBL's existing breweries in Dar es Salaam and Arusha, together with the construction of a new brewery at Mwanza

Financing will take place by way of the supply of capital equipment from SA, to a value of $17m, and a direct cash injection over two years of $11m Management of day to day operations of TBL has been awarded to Indol — Reuter

BUSINESS

Sorghum brewer plans to seek stock market listing

Star 3/11/92

BY THABO LESHILO

National Sorghum Breweries (NSB), South Africa's most successful black company, will seek a JSE listing within two years, says executive chairman Professor Mohale Mahanyele.

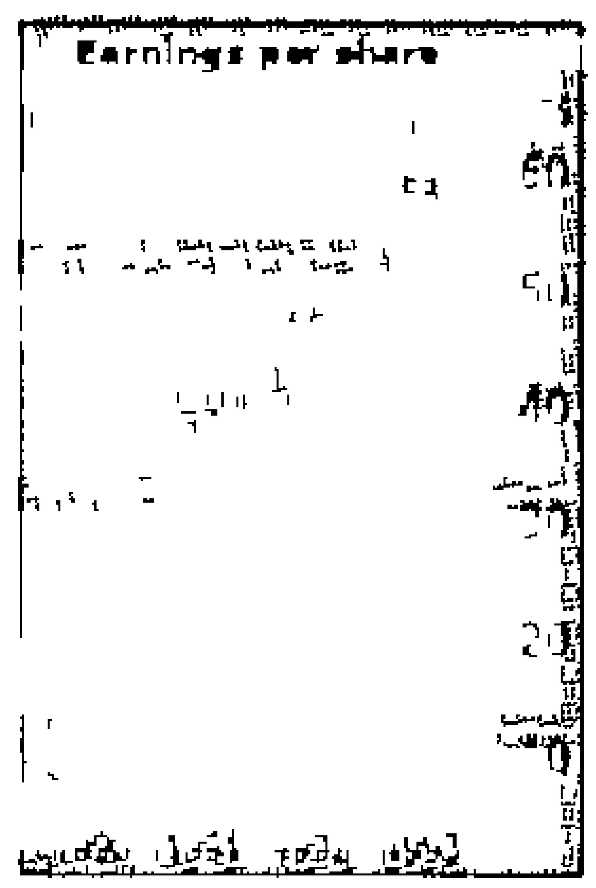
He said yesterday NSB would also make a R150 million rights issue to finance two new clear beer plants.

The listing, he said, was necessary to enable the many foreign investors interested in the company to invest.

The company's first clear beer plant in Midrand, called Vivo One, is due to start operating in December. It is fully owned by NSB.

Mahanyele said the company's impressive results for the year to June marked a significant chapter in NSB's existence.

Executive director Israel Skosana said turnover increased 23 percent to R532,8 million.



Of this, nine percent was generated by Jabula Foods, which was aquired from Premier.

Taxed income increased 21 percent to R25,6 million and earnings per share increased 21 percent to 58c.

He said although operating income had increased 23 percent, interest from income declined as a result of lower investment rates.

A final dividend of 20c per share has been declared.

Mahanyele said the company would stay in the sorghum beer market, which it has continued to dominate since its foundation three years ago.

(182)

"Never before in the history of South Africa has a black-owned, -controlled and -managed company given so much hope, pride and self-respect through achievement unparalleled amid the worst economic slump and political turmoil," he said.

Black business, he said, continued to suffer from such impediments as crime, high interest rates and violence.

"Virtually all black businesses have been brought to their knees by the unbearably high levels of violence.

"High interest rates, accompanied by extreme difficulties in acquiring bank facilities, have seen most blacks, particularly shebeeners and taverners, living on the brink of a serious debt situation"

NSB would continue to play a role in giving material support to promoting the ongoing constitutional negotiations, said Mahanyele

Primary focus would be on discussions with such black organisations as the ANC, Azapo, Inkatha and PAC.

He said NSB was ready for the battle ahead to capture 20 per cent of the clear beer market.

The battle (with SAB), he said, would be waged mainly in the arena of distribution.

NSB had a well-established distribution network.

The professor alleged that attempts were being made to hamper his company's entry into this market by moving away from tariffs based on volume-to-alcohol content.

Evidence of this had been brought to the attention of the Government in a letter of protest, said Mahanyele

Star 3/11/93

Soft drink strike has been canned

■ OWN CORRESPONDENT

A two-week strike by workers at Amalgamated Beverage Industries (ABI) has ended, but South Africans can expect to battle a little longer to buy soft drinks. (182)

The strike by 3 000 workers, which left hotels, cafes and retail outlets short of soft drinks, ended on Monday when ABI and the Food and Allied Workers Union (Fawu) reached an agreement.

In a joint statement ABI management and Fawu said that while workers had returned to work yesterday, operations would "for various reasons" return to normal only tomorrow.

The strike followed Fawu's decision during wage negotiations last month to impose an "unprocedural" overtime ban.

Wage negotiations will resume tomorrow and on Friday, an ABI spokesman said.

NSB hails 'historic' results

THEO RAWANA

NATIONAL Sorghum Breweries (NSB) had reached a "historic milestone", with annual turnover rising to well over R500m only three years after its inception, CE Mohale Mahanyele said yesterday. B/Day

"Never before in the history of SA has a black-owned, controlled and managed company given so much hope, pride and self-respect through achievement unparalleled amid the worst economic slump and political turmoil," Mahanyele said, announcing the company's 1993 results.

He said turnover had increased 23% to R532,8m (R433,3m). Nine percent of this increase related to turnover generated by Jabula Foods, a division acquired from Premier Foods last September. 31/8/93

Operating income also increased 23%. "However, interest income declined as a result of lower investment rates and investments in new projects which have not yet generated income." Net income after tax increased 21%. Net income before tax remained static at R39,6m.

A final dividend of 10c a share was declared, payable to shareholders registered on October 28. This yielded an effective dividend of 20c a share for the year.

Mahanyele said NSB would apply for a JSE listing within two years. "There is no fear of being taken over by the big companies. We will retain control even at 5%."

The company's entry into the clear beer market with six brands under the Vivo label later this year would be a success, he predicted, because distribution counted more than brand loyalty in the market — and NSB had a 24-hour market in places such as Soweto.

(182)

● Picture: Page 3

NSB sees turnover grow 23%

(182) CT 3/11/93

Own Correspondent

JOHANNESBURG — National Sorghum Breweries (NSB) had raised its turnover to R532,8m from last year's R433,3m — an increase of 23%, CE Mohale Mahanyele said yesterday

Addressing a conference here on the company's results this year, Mahanyele said 9% of the increase related to turnover generated by Jabula Foods, a division acquired from Premier Foods division last September

Operating income also increased by 23% "However, interest income declined as a result of lower investment rates and investments in new projects which have not yet generated income"

Net income after tax for the year increased by 21%

Net income before taxation had stayed virtually the same at R39 552 (R39 474)

A final dividend of 10% per share was declared, payable to shareholders registered in the company's books on October 28 The declaration of the dividend yielded an effective dividend of 20% per share for the year, Mahanyele said

Mahanyele said NSB was going for listing on the JSE within two years

ABI lifts earnings 15 percent

Star 4/11/93

Amalgamated Beverage Industries (ABI), bottlers of Coca-Cola, said yesterday it had overcome difficult trading conditions to improve attributable earnings by 15 percent to R23,4 million for the half-year to September from a figure of R20,3 million a year ago.

Earnings per share were 22,1c, against 19,2c in 1992. (182)

Managing director Trent Odgers says pressure on consumer spending and restricted access to markets affected sales, with the result that sales revenue improved by only 6,7 percent to R490 million (R457 million).

However, improved operating efficiency, tight control of costs and a lower tax rate enabled ABI to produce creditable results.

A 15 percent higher interim dividend of 9,2c (8c) a share has been declared. — Sapa.

Business Report

ABI seals earnings rise of 15%

(182) CT 4/11/93

From MARCIA KLEIN

JOHANNESBURG — Amalgamated Beverage Industries (ABI), SA's largest Coke bottler, increased earnings 15% to 22,1c (19,2c) a share in the six months to end-September, despite severe pressure on volumes and operating margins.

Directors said continuing pressure on consumer spending had reduced demand; and restricted access to markets had affected sales, with soft drink volumes down 4%.

Price increases aided a 7% rise in sales revenue to R489,6m (R457m). This reflected turnover of R520,4m, less R30,8m excise duty.

Although sales were 7% higher, trading profit rose only marginally to R38m (R37,6m), owing to volumes.

A reduction in average borrowings enabled ABI to slash financing costs to R1m (R3,5m) and to bring pre-tax profit up 8,5% to R37m (R34,1m).

Attributable earnings rose 15% to R23,4m (R20,3m) and a 15% higher interim dividend of 9,2c (8c) a share was declared.

MD Trent Odgers said the results had been achieved through improved operating efficiencies, tight control of costs and a lower tax rate.

Cash flow from operations improved by R23,5m, resulting in a further reduction in interest-bearing debt and lower gearing.

Sales and earnings would continue to be under pressure in the second half, directors said. In addition, ABI had been affected by industrial action at its bottling operations.

Nevertheless, it was expected that, with no major deterioration in trading, and a resolution to the labour dispute, second-half earnings would show acceptable growth.

On Monday a 13-day illegal strike by 3 000 Food and Allied Workers' Union members at seven plants ended. Operations were to resume today.

Analysts said yesterday the results were as expected. Soft drink volumes were under extreme pressure, with little indication this would improve significantly in the second half.

BUSINESS 'Unparallelled achievement amidst worst slump ar

Sowetan 4/11/93

'An historic milestone'

By Mzwandile Jacks

■ CHAIRMAN'S STATEMENT Turnover of half billion three years after inception

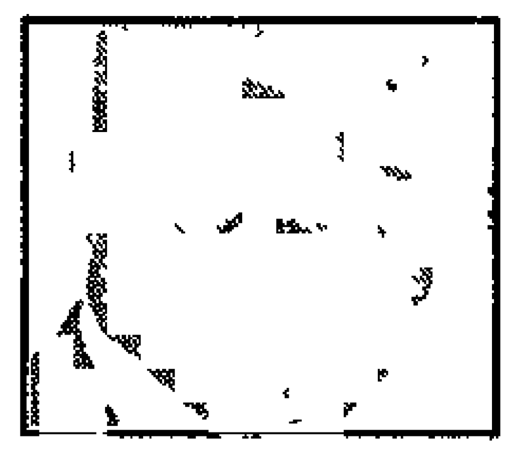
182

NATIONAL Sorghum Breweries had "reached an historic milestone" with a turnover of well over half a billion rands only three years after its inception

This was said by NSB chief executive Mr Mohale Mohanyele in his opening remarks on the release of the company's annual report

"Never before in the history of South Africa has a company owned, controlled and managed by blacks given so much hope, pride and self-respect through unparalleled achievement amid the worst economic slump and political turmoil," he noted

According to Mohanyele, unemployment, lack of land, deficiency in the education system and the role of blacks in business should be addressed urgently



Mohale Mohanyele

He said over the years blacks had been crippled by criminals who "greedily and mercilessly feasted on them"

Virtually all black businesses had been brought to their knees by the high levels of violence, he continued

High interest rates and difficulty in getting bank loans had left most shebeeners and taverners living on the brink of a debt situation

"Despite the continuing economic depression and the unemployment in the communities in which we conduct our business, the results that we achieved are very satisfactory," explained Mohanyele

NSB increased its turnover and operating income by 23 percent and nine percent of this concerned the turnover generated by the newly acquired Jabula Foods

ABI shrugs off reduced demand

B/Day 4/11/93

MARCIA KLEIN

AMALGAMATED Beverage Industries (ABI), SA's largest Coke bottler, increased earnings 15% to 22,1c (19,2c) a share in the six months to end-September, despite severe pressure on volumes and operating margins. (182)

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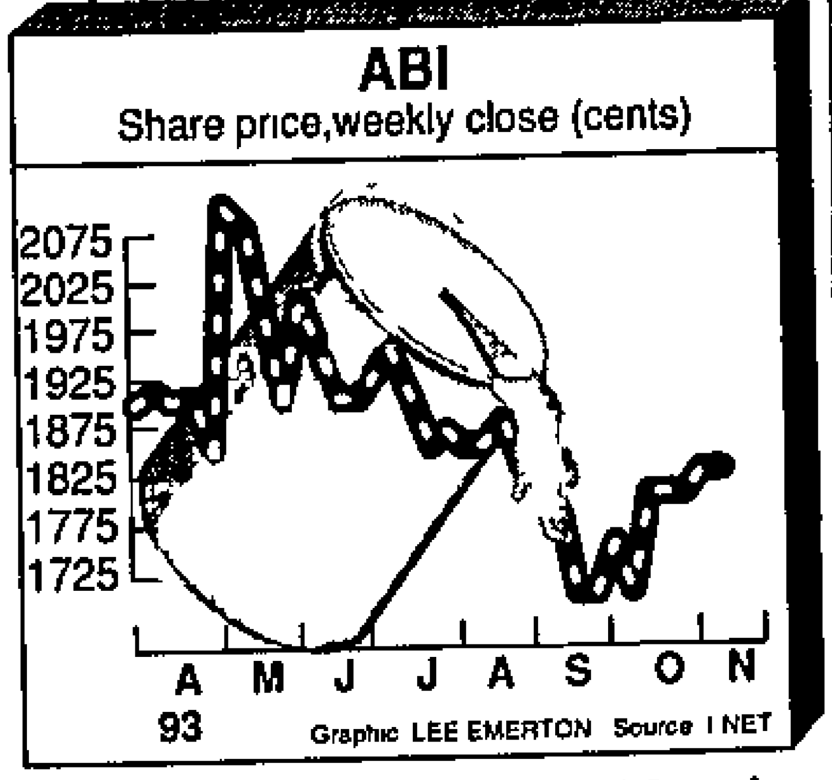

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BUSINESS
with Ali Mphaki

FIRM MUSCLE ... National Sorghum Breweries chairman Prof Mohale Mahanyele announces the corporation's successful progress for the year. He said the NSB aimed to challenge the SAB clear beer monopoly. ■ Pic: THULANI SITHOLE

A giant is brewing!

C/Press 7/11/93

NSB posts pleasing profits

182

By ALI MPHAKI

PROFESSOR Mohale Mahanyele is widely regarded as "the Mandela of black business"

When the National Sorghum Breweries chairman and chief executive recently took to the podium to announce the NSB's 1992/93 results at their Sandton offices this week, a hush fell over the crammed boardroom

"Never before in the history of South Africa has a black-owned, controlled and managed company given so much hope, pride and self-respect through achievement unparalleled amid the worst economic slump and political turmoil this country has ever known"

Mahanyele added how, as promised, NSB had reached "a historic milestone" in its three years of existince

He said the firm's annual turnover had exceeded the half-a-billion mark

"Come to think of it, three years is a relatively short time, but it has left us much older We are the foremost champions of affirmative action and we need to make it clear that there is no alternative until affirmative action is placed firmly on the agenda of the nation "

He said NSB recruited the cream of black talent and pointed out that nine members of his board were African

Of a staff of 5 000, eight members were studying for doctorates in business administration, 130 were completing their MBA's and 150 were engaged in business management studies

Today 20 of his staff are to leave for Australia where they will graduate in business management

"We have proved that affirmative action does work and does produce results There is abundant talent and skill in the black community for our people to take up their role in the corporate world," Mahanyele said.

He said NSB turnover for the year ending in June had increased by 23 percent to R532,8m compared to R433,3m last year

Operating profit increased by 22 percent from R26 514 to R32317 and operating income rose by 23 percent from R26m to R33m

Nine percent of the turnover was generated by Jabula Foods, a division which was running at a loss within Premier Foods before it was acquired by the NSB last year in September

A final dividend of 10 cents a share was declared, maintaining the annual dividend at 20 cents a share

Earnings per share also increased by 21 percent to 58 cents

"The present value of our dividend is far below the market value of our shares, but we expect our shares to increase threefold in the next two years," Mahanyele added

The next few months, however, are critical in the history of the NSB as it enters the hitherto SAB-dominated market of clear beer

Mahanyele said this move was necessitated by their distributors as well as shareholders, who urged them to join this market to meet their requirements

"If we could transform the dying sorghum beer industry into a viable one our shareholders and distributors feel we can also make it in the clear beer market Information and trends hold the promise that our move will be a success," Mahanyele said

He said NSB had the largest sorghum beer market in the country, supplying 7,2-billion litres a year, whereas beer consumption was 2,2-billion litres a year

Asked about the failures of Anton Rupert and Louis Luyt in their quest to crack the beer market Mahanyele said they failed because of their poor distribution networks

THE WEEKLY MAIL & GUARDIAN
November 5 to 11 1993

Sebokeng's beer supply guaranteed

(182) WMS-11/11/93

Mduduzi ka Harvey

VAAL beer-swillers can relax: South African Breweries will be one of the companies granted the Freedom of Sebokeng this week for its provision of "vital services" to the township's residents.

Freedom Granting Day, to be celebrated tomorrow at the Sebokeng Zone 11 stadium, was the brainchild of the African National Congress Youth League. Media officer Xaba Mothobi explained: "We want to build a relationship between the community and every company or person who offers services to the township."

The idea was first mooted at the Vaal Peace Summit in November last year and received added impetus following the murder of, among others, CCV journalist Calvin Thusago, and the continuous hijacking and looting of delivery trucks and vans.

Said Mothobi: "This day will be one of the ways of trying to bring peace and harmony to all our people. We don't want the killing of journalists and doctors in our community; we also don't want the hijacking of company trucks. Tomorrow Sebokeng will show this to the nation."

Those to receive the Freedom of Sebokeng include media representatives, doctors and companies which provide essential services to the community, such as Telkom, Eskom, Suncrush, SAB, Clover and Vaalgro.

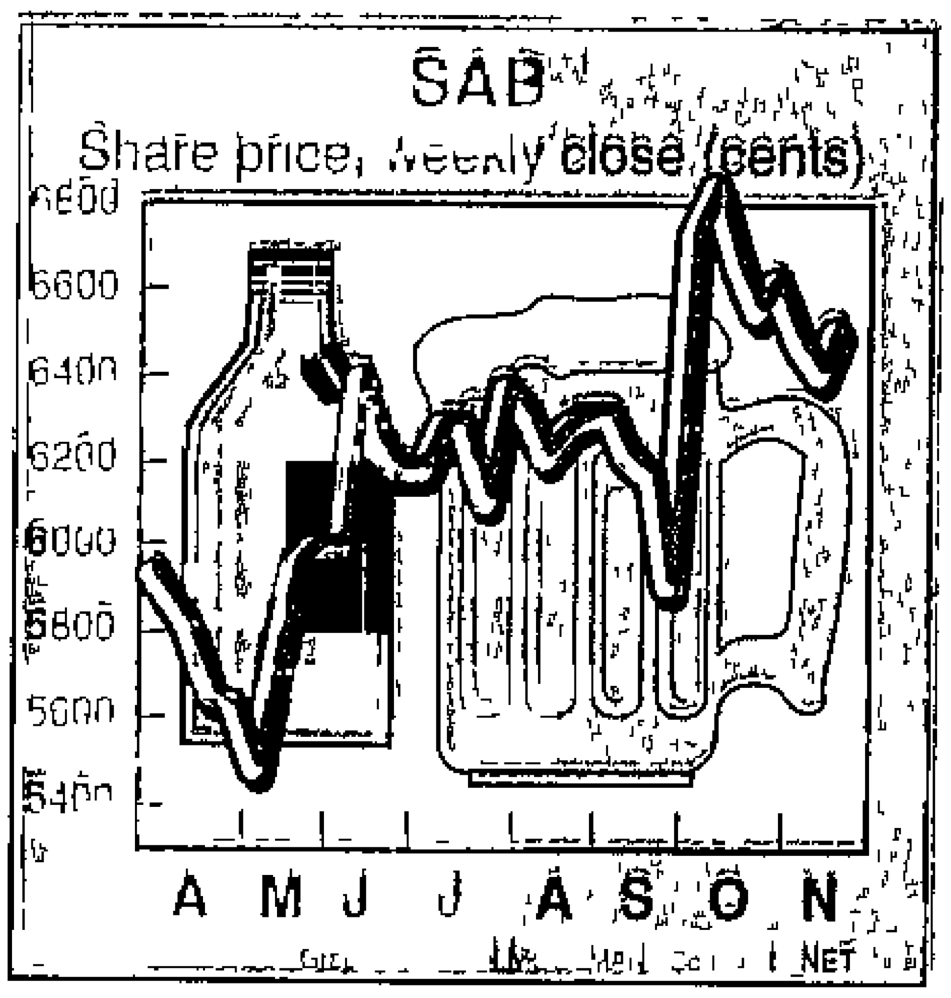
Local police will also be granted the freedom of the township, said Mothobi, adding that "notorious police are not invited. The community knows them and they know themselves ...

"We want to try and allow all those granted the freedom of Sebokeng to move freely in the township and for our community to help them to move freely," said Mothobi.

News is good for SAB shareholders

BDay 11/11/93

MARCIA KLEIN



GOOD performances by SA Breweries' (SAB) beer division and major earners Edgars, ABI, Plate Glass and Afcol led to an 11% rise in earnings to 103,4c (93,4c) a share in the six months to end-September.

The improved results of some of SAB's non-beer interests, particularly Plate Glass, meant that the performance of non-beer interests matched that of the beer division for the first time in years.

In line with the increase in earnings a share, an 11% higher interim dividend of 39c (35c) a share was declared. (182)

Group planning and development director Malcolm Wyman said the recession appeared to have levelled off, but had left private consumption expenditure "in a seriously weakened state". SAB's consumer goods interests did well to increase turnover 10% to R11,3bn (R10,3bn)

The 8% increase in trading profit to R971m (R901m) reflected competitive conditions and pressure on margins, but also poor performances by subsidiaries OK and Amrel. The group had managed its assets well and improved productivity.

Higher dividend income and a marginal increase in net financing costs — on the back of lower interest rates — saw pre-tax profit rise 10% to R765m (R696m). A slightly lower tax rate resulted in a 12% rise in profit after tax to R471m (R419m).

Attributable earnings were 12% higher

☐ To Page 2

SAB

BDay 10/11/93

☐ From Page 1

at R283m (R252m). This was at the lower end of market expectations, but Wyman said inflation had come off dramatically. The 2% real growth was pleasing in the difficult trading environment. (182)

The beer division's attributable earnings rose 12% to R207m, or 73% of attributable earnings, and other interests rose similarly to R76m despite losses in OK and Amrel.

Wyman said there was a marginal decline in beer volumes for the first time in years and exports were under pressure. The earnings rise was achieved through improved productivity and asset management. In the international beer operations, volumes were marginally higher.

Westgate, which houses the international beverage interests, had improved earnings but was affected by currency fluctuations. Westgate subsidiary Indol, which operates mainly in sub-Saharan Africa, had announced an investment in Tanzania, where it would manage two breweries with the possibility of bringing a third on stream. There was also speculation that it would invest in Zambia and Namibia.

It is believed that SAB will take up its option to buy Hungary's biggest and oldest brewery, Kobanyai Sorgyar, and that a deal will be signed shortly.

Wyman said cash generated from operating activities — of R875m — was down after higher levels of investment in stock and debtors. Expansions, largely in beverages, were financed mainly through an increase in borrowings. Gearing of 67% (60%) was at a seasonal peak and was still comfortably within SAB's 75% constraint.

Fixed investment of more than R800m, together with planned capex and acquisitions for the next six months, brought the year's investment spending to more than R1,9bn, by far the largest amount spent by the group in any year

Commenting on the decision to delist OK Bazaars, Wyman said a lot of work had to be done. Action which had already been taken was affecting its debt situation and the bottom line. There was a programme in place which involved long-term decisions and it was more appropriate for management to take these steps as an unlisted company. SAB was not trying to hide the performance of OK and its results would be reflected in its annual accounts.

SAB and management had agreed on a programme which would involve a time of continued losses and SAB investing a material sum of money.

Wyman said shorter-term prospects were uncertain and real economic growth was not expected before well into next year. Nevertheless, SAB expected to continue the rate of improvement of its interim performance for the full year.

SAB reports 11% rise in earnings

(182) CT 11/11/93

Own Correspondent

JOHANNESBURG — Good performances by SA Breweries' (SAB) beer division and major earners Edgars, ABI, Plate Glass and Afcol led to an 11% rise in earnings to 103,4c (93,4c) a share in the six months to end-September.

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Attributable earnings were 12% higher at R283m (R252m) This was at the lower end of market expectations, but Wyman said inflation had come off dramatically The 2% real growth was pleasing in the difficult trading environment

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Record capital expenditure of almost R2 billion planned

Star 11/11/93

SAB lifts earnings 11%

182

IT will take about three years to get OK back on its feet.

BY JOHN SPIRA

Beer and consumer products giant South African Breweries boosted earnings and dividends by 11 percent in the six months to September — a result more or less in line with market expectations

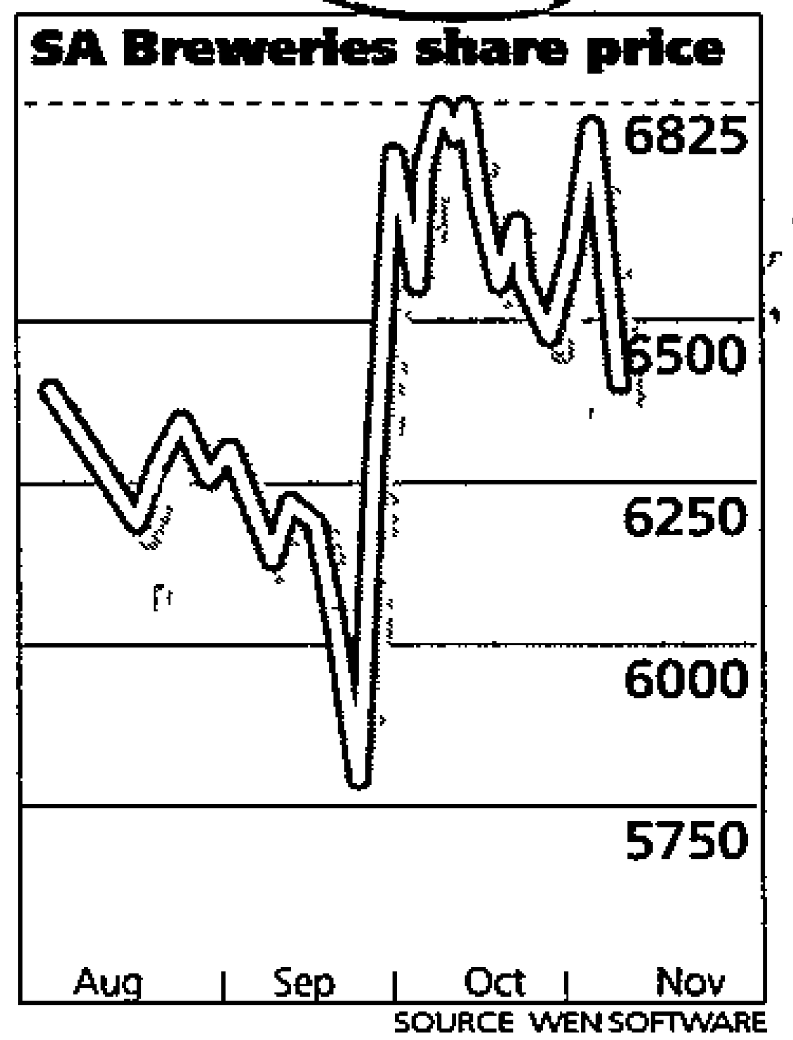
Yet while the JSE had been predicting an improvement in this region, it clearly had last minute doubts — to judge from the sharp 150c that the shares added following the release of the figures at lunch time yesterday.

OK Bazaars' shock results, along with second thoughts about the damage inflicted on SAB's trading volumes by the Hani assassination, apparently left some analysts in two minds as to whether the group would deliver the goods

Kahn . Sales dipped after Hani's murder.

In the event it did, showing an earnings gain well ahead of those currently being achieved by most other consumer-orientated companies

Executive chairman Meyer Kahn confirms that SAB did indeed suffer severely from the events which followed the Hani murder.



"In April and May, turnovers fell off dramatically, which meant, in effect, that the six month period reflects only four months of normal trading. Seen in this light, I'm delighted with the result."

On the OK setback, Kahn points out that the loss was comfortably absorbed into the consolidated accounts It would probably take three years before OK was back on its feet. SAB was devoting much effort to this end.

On interim earnings of 103c a share, the Beer Division, although suffering from a marginal decline in volumes, accounted for 73 percent — 12 percent up on the first half of the previous financial year.

SAB's other interests also improved their contribution by 12 percent in spite of losses incurred in certain of the subsidiaries.

Capital expenditure and acquisition activity for the current financial year will exceed R1,9 billion — by far the largest sum SAB has ever spent in one year.

The directors note that such a programme is "compelling evidence of SAB's confidence in South Africa and its potential to succeed in its newly emancipated role within Africa and the international markets"

Group planning and development director Malcolm Wyman says the actual and planned acquisition expenditure included breweries in Tanzania and Hungary He would not be drawn on speculation over possible additional breweries in Zambia and Namibia.

The directors are uncertain over the economy's shorter term prospects They believe that real growth of any consequence is unlikely to be experienced before "well into 1994".

If the earnings advance at the halfway stage is repeated for the full 12 months, dividends will total 152c for a forward yield of 2,3 percent — not especially demanding for a company of SAB's calibre. The shares have added 12 percent since the beginning of the year.

Standing the test of tough times

S Times (Buss) 14/11/93

By JULIE WALKER

SOUTH African Breweries (SAB) backed more winners than losers in the six months to September to report a 12% rise in attributable earnings to R283-million

Chairman Meyer Kahn does not expect any real growth in the economy until well into 1994 because of possible socio-political turbulence ahead of the elections

However, he aims to maintain the rate of improvement in performance, assuming there is no major deterioration in the economy

The nation's brewer has investments in many consumer-oriented businesses, such as furniture manufacturer Afcol, furniture retailer Amrel, clothing and textiles group Da Gama, chain stores Edgars and OK Bazaars, and Lion Match and Plate Glass

SAB turnover rose by 10% in the six months, roughly in line with inflation, to R11,3-billion Trading profit was 8% higher at R971-million

After adding dividend income of R43-million, deducting net financing costs of R249-million and tax of R306-million, SAB chopped out another R32-million against additional replacement-cost depreciation

An amount of R156-million was due to outside and preference shareholders to arrive at R283-million for SAB's shareholders (182)

Of this, almost three-quarters came from the beer division in spite of a small decline in volume

Earnings a share rose 11% to 103,4c attributable and the dividend climbed the same percentage to 39c SAB shares are R67, up from R53 a year ago and having peaked in October at R69

Mr Kahn says higher stocks and debtors meant a reduction in cash generated from R1,18-billion by 1992's interim stage to R875-million

SAB used net cash of R184-million, having generated R180-million more in the previous reporting period

Gearing reached a seasonal peak of 67% — within the group's ceiling of 75%

Fixed investment of more than R800-million was made in the six months Another R1,1-billion is earmarked for capital expenditure and acquisitions in the rest of the current year

Mr Kahn believes the three-year recession is levelling off, but has left private consumption expenditure seriously weakened

SAB is to buy out the minority shareholding in ailing OK Bazaars at R10 a share, or for the issue of SAB shares at an effective R68 each

● SEVERAL Barlows companies reported this week for the year to September ahead of the top group's restructure

C G Smith's turnover of R19,2-billion was only 6% higher than in 1992 and operating income edged up 1,4% to R1,44-billion Less was paid in interest and tax to lift taxed earnings by 12% to R885-million Earnings attributable to CG Smith shareholders were 7% up at R443-million

Drought hit C G Smith Sugar, which in turn depressed earnings of C G Smith Foods, down 5% to R289-million

Tiger Oats sales climbed by 9% to R10-billion, but operating profitability fell 3% to R659-million

A lower tax bill arrived at from allowances on capital projects as well as the lower corporate tax rate helped attributable profit to rise 7% to R357-million

In spite of a larger weighted average number of shares in issue, earnings a share rose 3% to 237c A 4% higher dividend of 82c was declared

Tiger's divisions include food, fishing and pharmaceuticals It says food prices and volumes were under pressure But oats, rice, distribution and shipping did well

Confectionery, pasta, sorghum and bakery improved Maize, wheat and oil fared worse, Langeberg suffered and chickens and eggs both lost money But eggs turned around in the second half and broilers are expected to perk up

Oceana Fishing had a good year of profit growth, as did Adcock Ingram and Logos Pharmaceuticals.

ICS was satisfactory, having entered some joint ventures to improve prospects

Also in the Barlows stable, Reunert did well on only a 4% rise in turnover to R2,4-billion Operating income jumped 12% to R236-million and interest received climbed to R21-million for a 16% pre-tax rise to R258-million

Taxed profit was up by a third, but less was attributable to outside shareholders and Reunert's attributable earnings of R108-million were 17% higher than in 1992

Since the yearend, Reunert acquired some assets from Barlows and entered into an agreement in principle with GEC and Siemens

Nampak had a great year, lifting earnings 18%

Barlows shares climbed to R41,25 ahead of group results It is down by about 20% since February, but up from the October low of R38

Ambev, chain stores' favourite cola

ST Times

By DON ROBERTSON

AS the battle for the soft-drink market in Southern Africa hots up, Durban-based Ambev has become the largest supplier to chain stores. 14/11/93

Ambev opened its production and bottling plant near Durban three years ago and became a small supplier in the Natal region with its Jive brand. It is now the largest supplier of house-brand soft drinks to Pick 'n Pay, Shoprite-Checkers and OK Bazaars.

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Managing director Bernard Hack says another retail chain has been signed and a deal with a second will be concluded by the end of the year.

Ambev has also opened a bottling plant in Cape Town. (182)

The company has introduced a range of mixers under the Jeeves name. They include soda, lemonade, quinine tonic, ginger ale and a caffeine-free cola.

It was helped in establishing these products by Bushboeke Allen, a consultancy which researches customer preferences and supplies flavourings for carbonated soft drinks in 37 countries.

The entry into house brands was achieved through two-litre disposable bottles. Ambev now has a 1,5l bottle.

Alliances have been established with independent bottling companies throughout SA to handle production of 2,4-million litres a month.

The soft-drink market in Southern Africa is worth about R2-billion a year.

Mr Hack says a major reason for Ambev's success in chain stores is the close relationship which has been built up between them and his company.

"We are not merely selling a commodity. We have developed flavours individually for each chain in close co-operation with the customer. We are constantly re-evaluating our products.

"In this competitive market you have to be more than a bottler and distrubutor. You have to keep your finger on the pulse of the consumer and be able to translate preferences into flavours."

COMPANIES

Bevcon floats higher on SAB stake

MARCIA KLEIN

BEVERAGE and Consumer Industry Holdings (Bevcon), which has a stake of more than 30% in SA Breweries (SAB), reported an 11,6% rise in equity accounted earnings to R89,7m (R80,4m) in the six months to end-September.

Bevcon's wholly owned subsidiary Gemlib Investments holds 93,6-million ordinary shares in SAB, representing 34,2% of SAB's issued ordinary share capital. Its interest in SAB preference shares amounts to R30,2%. Bevcon declared an interim dividend of 51,3c (46c).

In line with what was declared by SAB, the dividend was 11% higher than the previous year.

Results reflected those of SAB, which last week reported an 11% earnings rise to 103,4c (93,4c) a share on a 10% increase in turnover to R11,3bn (R10,3bn). It was the first time in years that the performance of SAB's non-beer interests matched those of the beer division. BDay

Bevcon's dividend income rose to R36,5m from R32,7m in the previous year, and its share of earnings of its associate increased to R53,3m (R47,7m).

The share closed untraded at a high of R87 yesterday, off a yearly low of R67,50 at this time last year. 16/11/93

SAB said that it expected to continue the rate of improvement of its interim performance for the full year (182)

This meant Bevcon shareholders could expect a similar growth in earnings and dividends at end-March as that achieved at the interim stage.

Bevcon notches 11% earnings rise

CT 16/11/93

JOHANNESBURG — Beverage and Consumer Industry Holdings (Bevcon), which has a stake of more than 30% in SA Breweries (SAB), reported an 11,6% rise in equity accounted earnings to R89,7m (R80,4m) in the six months to end-September (182)

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Star 17/11/93

SAB buys stake in Hungarian brewery

SA Breweries has acquired an 80 percent stake in Kobanyai Sorgyar Rt, Hungary's oldest brewery, for $50 million (R170 million)

SAB said yesterday it had also agreed to institute a $40 million reconstruction, rehabilitation and upgrading programme over four to five years.

The programme will enhance Kobanyai's production, marketing and distribution activities.

Capacity will be restored to 2,5 to 3 million hectolitres a year. Well-known brand Dreher will be given particular emphasis. (182)

The investment by SAB will be held through its Westgate Worldwide group established in the 1970s to handle SAB's offshore beverage-related investments — Sapa.

SAB moves into Hungary

BIDay 17/11/93

MATTHEW CURTIN

SA BREWERIES (SAB) has bought an 80% interest in Hungary's largest brewery Kobanyai Sorgyar Rt in a R300m ($90m) deal, the group's first major overseas acquisition since the lifting of sanctions

SAB paid $50m for the stake in the company and committed $40m to a four- to five-year reconstruction and upgrading programme The group won the exclusive right to buy into Kobanyai in June from Hungary's State Property Agency, charged with the country's privatisation drive, and finished a due diligence study in October

The acquisition has been financed through the group's offshore subsidiary Westgate Worldwide, which owns Netherlands-based beermaker Indol International, without need for SA funds, thus avoiding Reserve Bank approval of the deal The bank approved SAB's R94m investment in Tanzanian Breweries last month (182)

Group secretary AOC Tonkinson declined to comment yesterday on the transaction in the absence of executive chairman Meyer Kahn and beer division executive chairman Graham Mackay, understood to be on their way back from Europe Other SAB officials were not available for comment

In a statement yesterday, SAB said the deal should be seen in the light of a "concerted exploration of beverage-related opportunities in mass consumer markets with developing country characteristics". The revamp at Kobanyai would enhance production, marketing and distribution, as well as restoring production capacity to as much as 3-million hectolitres a year

The company would be recapitalised and would emerge almost debt-free, but would have little impact on SAB profits "in the early years". The group had set up "a bridgehead" in central Europe and SAB's beer division would manage Kobanyai on behalf of Westgate

Analysts said the move was a small but significant step in SAB's ambition to estab-

To Page 2

SA Breweries

BIDay 17/11/93

From Page 1

lish itself as an important player in the world beer and beverage market.

Ed Hern Rudolph analyst Sid Vianello said time would tell whether SAB proved as adept at managing a European business as it had with its SA operations. The most important aspect was the acquisition of Kobanyai's leading Dreher brand. Eastern Europe represented "new exciting markets with a heck of a lot of potential" for companies with good brand names, and success with Dreher might lead to significant sales outside Hungary. (182)

SAB had taken advantage of a rare opportunity to buy a European brewery and would benefit from its involvement in one of central Europe's strongest economies, he said.

Westgate's focus so far has been in sub-Saharan Africa through Indol, which is well established in the Frontline states Westgate has other beer and beverage interests in the Seychelles, Zimbabwe and the Canary Islands, while the Appletiser apple juice brand is distributed under licence from Westgate in Britain.

Westgate reported sales of R949m in the year to March 31, compared with SAB group sales of R21,8bn

Star 18/11/93

Shebeeners plan to boycott SAB

Township beer drinkers are in for a dry season after the National Taverners' Association yesterday announced plans to boycott SA Breweries products indefinitely from December 13.

NTA chairman David Hlatshwayo said some taverners owed SAB up to R900 000 while their credit limits were less than R30 000.

(182)

As a result, SAB had suspended their accounts and was threatening them with court action. SAB spokesman Adrian Botha said the allegations were "ludicrous". — Staff Reporter.

Angry taverners to boycott SAB

Sowetan 18/11/93

By Mzwandile Jacks

CREDIT LIMIT Customers allege mishandling of their credit accounts:

TAVERNERS throughout the country are to embark on a massive beer boycott of South African Breweries next month

The National Taverners' Association said yesterday they had decided on the action after months of fruitless negotiations with the SAB following alleged mishandling of their credit accounts by the company

NTA spokesman Mr Sidney Motingoe said a number of taverners' businesses around the country had to close down because of alleged mismanagement by SAB "SAB claims our taverners owe millions of rands which they (taverners) do not owe," he said

SAB spokesman Mr Adrian Botha said yesterday the company "strongly refuted" the allegations made by the taverners "SAB has held many fruitful meetings with a representative body with the three main taverner organisations over the last 10 months

"With the exception of the future of distribution and some problems relating to non-payment of large outstanding amounts owed by certain outlets to SAB, which are both being dealt with in separate working groups, all issues raised by the taverners originally have been addressed successfully, and have been recorded as such in minutes of those meetings "

(182)

NTA spokesman Motingoe said the credit limit allocated to them was R3 000 and some of the taverners owed SAB more than R9 000

"How can we owe that much whereas we are not allowed to make credits up to such amounts?" he asked

Motingoe said the NTA had more than 5 000 members countrywide and most of them would take part in the boycott

New York using its clout to boost investment in SA

ARG 19/11/93

Pressure put on top 100 companies

BRUCE CAMERON, Business Staff

THE city and the state of New York are using their considerable financial clout to encourage Fortune magazine's top 100 companies to invest in South Africa.

The city and state led the battle to impose sanctions and force disinvestment, using the billions of dollars in pension fund money and city contracts to force the top 100 companies and the financial sector to take a tough line on South Africa.

The pressures contributed to Chase Manhattan Bank in New York calling in its South African debt in 1986, leading to South Africa's financial crisis and the declaration of a moratorium on debt

The debt squeeze was the toughest of all the sanctions that South Africa faced and was a major factor that forced the economy into the longest recession since union in 1910

The city and the state of New York are now poised to use their considerable financial muscle to put pressure on the same companies to get involved again

New York City mayor David Dinkins has sent a special emissary — commissioner Wallace L Ford, head of the city's department of business services — to the international investment congress being held in Cape Town by the New York-based CEO Institute.

In an interview, Mr Ford said the city and state of New York had supported the African National Congress when it called for sanctions. They had also been the first institutions to lift sanctions after ANC president Nelson Mandela announced the end of the sanctions period last month

The city and state had encouraged potential investors to attend the Cape Town conference, "which is the first major post-sanctions investment conference"

Mr Ford said the initiatives would not necessarily result in immediate substantial investment but the companies knew the feelings of the shareholders and this "could do a great deal of good"

Even though Mr Dinkins would be leaving the office of mayor in January, the present administration had firm indications from the incoming one that it would pick up the policy to encourage investment in South Africa

Brewery at odds with customs about duties

182

ARG 19/11/93

Business Staff

THE Department of Customs and Excise has been accused of attempting to destroy the fledgling National Sorghum Breweries (NSB) attempt to challenge the South African Breweries' virtual monopoly of the clear beer market.

Chairman and chief executive Mohale Mahanyele told an international investment conference in Cape Town that if the department's proposed measures succeeded, NSB initiative would be destroyed and the SAB monopoly would be maintained.

In an interview Professor Mahanyele said the department had called a meeting earlier this week at which NSB was told it would be expected to pay duty on manufacture of the beer and no longer after the sale of the beer.

This would place tremendous cash flow pressures on NSB which Professor Mahanyele doubted it could survive The department had also told the NSB that it was removing an incentive regulation under which small brewers effectively paid 50 percent less excise duty than SAB

The department's deputy commissioner Isak Coetzee denied the allegations

He said: "We are looking at the simplification of the tax collecting procedures."

This was being done in consultation with the industry, he said.

SAB spokesman Adrian Botha said: "We believe the government is looking at ways of collecting excise more effectively. We are not aware that any decisions have been taken."

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SA BREWERIES FM 19/11/93

Capex bubbling

SA Breweries (SAB) rides triumphantly above the fray — yet again And this time the problems of diversification — which become peculiarly apparent during long recessions when the propensity to consume is at rock bottom — have been compensated by some benefits SAB achieved EPS growth of 11%, well above that reported by most con-

SAB's Kahn *more real growth*

(182)

sumer-reliant companies

For SAB, its foray into non-beverage activities has had mixed results Though latest results show a marked improvement in earnings contributions from these activities, up 12% to R76m, this was thanks to a stunning performance from Plate Glass (EPS up 74%, contribution to SAB bottom line R49,9m) and Edgars (EPS growth 20%, a contribution of R65m) These results compensated for the litany of bottom-line losses by OK, Amrel and Southern Sun totalling about R35m

The stalwart — as ever — was beverages, in particular the beer division which contributed 73% of earnings, or R207m, 12% up on last year This was achieved on 2% lower volumes. Financial director Selwyn MacFarlane attributes the figures to improved productivity and internal efficiencies with capacity running close to 78%. Beer exports, accounting for 3% of beer volumes in financial 1993, took a severe knock owing to civil disruptions in Angola and Mozambique

FOX

FM 19/11/93

Beverages as a whole did well, with ABI contributing R15,9m to the bottom line despite the effects of a strike of worrying intensity and continuing concern about the company's labour relations. Appletiser's volumes continue be affected by consumers' preferences to buy down. International beverage interests appeared to do well and the continued decline of the rand over this period has worked in SAB's favour

Turnover rose 10% to R11,3bn but competitive conditions in the nonbeverage industries squeezed margins and constrained the rise in operating income to R971m — up 8% Tax benefits were not as great as the market expected MacFarlane attributes this to timing, suggesting further benefits will be felt at year-end (182)

Cash flow halved to R272m as a result of an increase in net working capital, partly reflecting the tardiness of debtors (not unexpected in a recession). Net borrowings are enough to inspire a temporary twitch A year ago, net borrowings stood at R79m This time, it's R970m — an increase of R891m — and debt equity has jumped from 0,54 last year-end (March) to 0 67

SAB's bond issue of R1bn with a coupon of 14,8% was made in the expectation that double-digit inflation would continue As it hasn't, and interest rates have fallen commensurately, SAB should be on the losing end of this stick. That it isn't is entirely due to the intelligent application of derivative hedging instruments

MacFarlane says the R1bn financing raised will be used in SAB's R2bn expansion — the most it has spent in any year R800m went into fixed investment over the six months, locally and abroad He says offshore assets are being repositioned and energies channelled into developing beer interests — an area neglected in the past because of the substantial growth in beer volumes during the Eighties Acquisitions planned include breweries in Tanzania and Hungary

Most activities usually have a stronger second half but beer sales are particularly resilient Adhering to the policy of using volumes and general efficiencies to offer value for money, the annual beer price increase will again be below inflation

Chairman Meyer Kahn is forecasting real earnings growth for the 1994 year and says he will be especially pleased if 12% EPS growth is repeated in the second half. This puts the counter on a forward p e of 19,3 and dividend yield of 2,3% — certainly comparable with other blue chip consumer companies

Marylou Greig

Star 19/11/93

Beverage wage talks deadlock after strike

Wage talks between Amalgamated Beverage Industries and the Food and Allied Workers' Union have deadlocked and the union has requested the establishment of a conciliation board to hear the dispute.

The deadlock came after both sides had agreed to mediation following a two-week strike by more than 3 000 workers which ended a fortnight ago, and which caused some disruption to deliveries of soft drinks in the PWV.

(182)

Management has offered a 10 percent increase — raising the minimum wage by R171 to R1 882. The union is demanding 16 percent. — Labour Correspondent.

SAB boycott clears the way for NSB's new beer brands

Vuyo Mvoko and
Mondli waka Makhanya

(182)

THE imminent beer war between South African Breweries and National Sorghum Breweries takes on a new twist next month when township taverners begin a boycott of SAB products

The boycott, announced this week by the National Taverners' Association, coincides with the launch of NSB's clear beer brands The beer is due on the market in the next few weeks. Many taverners are shareholders in NSB and will also be the decisive factor in the battle for the black beer market which comprises 80 percent of the total market.

It is also the anniversary of a similar attempted boycott last year which ended when SAB and the taverners reached a compromise Since last year's boycott coincided with the busy Christmas season many taverners simply paid lip service to the boycott and continued selling SAB beer.

The alternative offered by the taverners association, Zimbabwe import Zambezi Lager, found little favour in the brand-loyal township beer drinkers The beer has now virtually disappeared from the market

WM 19-26/11/93

Says SAB spokesperson Adrian Botha: "It's strange the people at the forefront of this are always those who owe us the most money."

Taverners spokesman Sydney Motingoe said they found it odd that individual members could owe SAB more than R9 000, given the SAB's R3 000 ceiling. After last year's beer boycott, "taverners said they couldn't get going again, unless they had beer So we extended credit", said Botha.

He denied allegations that a deadlock in the six-months-old negotiations sparked the boycott.

Whether deliberate or not, the boycott will certainly ease the way into the market for NSB's new products.

■See PAGE 1, Lifestyle supplement

NEWS *Tribute* to publish damning story on NSB

Brewery backs down

Sowetan 25/11/93

IN A dramatic last minute move yesterday, National Sorghum Breweries backed down from an intended Supreme Court interdict to stop publication of the December issue of *Tribute* magazine.

Tension rose on Monday when news leaked out that *Tribute* would hit the streets this week with a report on NSB spanning 13 pages alleging corruption, fraud and the allocation of plum jobs to family members of senior NSB executives

The magazine is on sale today. Editor Mr Jon Qwelane says intense interest generated by the NSB story has led him to order more copies than usual

NSB threatened to sue the magazine and prepared the legal action to stop distribution of the magazine.

A senior lawyer retained by NSB tried unsuccessfully on a number of occasions to strike a deal with Qwelane. (182)

The lawyer's intention was to organise a meeting between Qwelane and NSB officials with the aim of reviewing the stories before publication He also asked for copies of the story or at least to read it. Qwelane rejected the lawyer's attempts.

Qwelane says he saw no reason to meet NSB officials because he and deputy editor Mr S'bu Mngadi had spent an afternoon with NSB chief executive Mr Mohale Mahanyele at his home in Sandton going over the allegations with him The two editors taped Mahanyele's responses

The publication of the reports by *Tribute* coincides with the postponed crucial annual general meeting of NSB shareholders and directors to have taken place this month but will now be held on December 10.

It also coincides with the current visit to South Africa of prominent American businessmen who have apparently taken a keen interest in NSB.

Some of the stories are accompanied by documents which Qwelane says came from sources at NSB head office in Sandton.

One of the damning documents is a cheque made out to a building company for work which, according to *Tribute*, was never done but the final invoice was stamped and signed by an NSB director and then charged to the maintenance department at Springs

SAB determined to revitalise OK

Star 26/11/93

BY STEPHEN CRANSTON

SA Breweries and OK chairman Meyer Kahn last night admitted responsibility for the OK's problems.

In a presentation to the Investment Analysts Society, Kahn said that the OK had suffered from bad focus, bad luck and a bad environment.

SAB had been happy to maintain the OK in intensive care, as it was such a small contributor to the group bottom line, but in the last couple of years it had "croaked on us".

SAB, however, was determined to resuscitate it, recapitalise it and get it right.

Kahn defended SAB's policy of diversification from beer.

He said that in the last seven years, the beer division had increased earnings at a compound rate of 22,1 percent, the rest of the group at 19,4 percent.

"We have made mistakes but they have been far and away outweighed by our successes," Kahn said.

On SAB's recent investments, Kahn said there was enormous scope for expansion at Tanzania Breweries, in which SAB recently acquired a 50 percent stake.

He predicted that SAB would increase output from 300 000 hectolitres to 10 million hectolitres in 10 years. This was feasible as Tanzania now had a population of 30 million.

South Africa, with 35 million "throats", consumed 23 million hectolitres a year.

The Kobanya Brewery in Hungary, acquired earlier this month, supplies two-thirds of Budapest's beer demand and 35 percent of the demand in Hungary. (182)

There was considerable scope for exports as Hungary was close to Romania, the former Soviet Union and other growing markets.

SAB's first task was to modernise the brewery's "stone age" production facilities and to fix product quality and distribution.

Kahn was not too concerned about the emerging competition from NSB and from Pepsi for its soft-drink bottler ABI.

He said he had seen more Pepsi in the newspapers than on the shelves.

He said SAB had no intention of handing over market share to the black-owned brewer NSB in order to satisfy public opinion.

"We will continue to be an internationally competitive, world-class, low-cost producer of beer and will continue to add to our range, satisfying the tastes and aspirations of the broader population.

"The public must judge whose beers they want to buy."

SIBIYA . . . Encouraged journalists to improve their skills.

MAHANYELE . . . Media should not publish wild rumours.

NSB's Mahanyele hits at 'unfounded' reports

C Press 28/11/93

By MOSES MAMAILA

ONE of the challenges facing black business was to rid the black community of elements who opposed black achievement, reckons National Sorghum Beer chief executive Professor Mohale Mahanyele

Speaking at the launch of the Media Development Trust outside Johannesburg this week, Mahanyele warned against press reports aimed at "destroying" the development of black business.

Mahanyele, who appeared to be responding to media reports on alleged corruption, nepotism and maladministration at the NSB, said the media should be factual and not publish "wild and unfounded rumours, because this will catch up with you"

He told the cheering audience that a friend advised him to cool down, "but being Mohale (which means a fearless hero), I want things even hotter"

(182)

He said this was the time when people should move away from petty things and deal with the real issues which faced the community — such as the high rate of unemployment

Mahanyele said the NSB had set aside R200 000 in bursaries for black journalists to improve their skills, particularly in business journalism.

Speaking at the same function City Press editor Khulu Sibiya said: "Until there is a truly black-owned press we may as well close shop."

Sibiya said newspapers which catered for blacks often concentrated on crime, sex and sport, and not on the real black news because they did not want to offend the advertisers

He said the Media Development Trust had been formed to look into the "unacceptable scenario" of the past.

Encouraging journalists to improve their skills, Sibiya said: "An ignorant journalist will keep his society in perpetual darkness"

Black flagship under a cloud

ST Times (Buss) 28/11/93

By CHERILYN IRETON

BLACK South Africa's corporate showpiece, National Sorghum Breweries, and its chairman, Mohale Mahanyele, are the target of allegations threatening to damage the move towards black empowerment.

Allegations of corruption, mismanagement and nepotism rocked SA's first black-owned public company this week, with questions being raised over Mr Mahanyele's competence, track record and academic qualifications.

A key issue to emerge from the row is the relationship between Mr Mahanyele, NSB and a UK-based academic institution, the International Management Centres (IMC).

Mr Mahanyele received a professorship from the IMC in August 1992 shortly after obtaining a Master of Business Administration degree and a doctorate from the same institution.

He is currently chairman of IMC's council, an annually elected post, says IMC principal Dr Gordon Wills.

NSB pumps millions into IMC via the NSB's Education Trust, which was started with a R30-million Government injection with profits from the share sale.

More than 130 NSB staffers have since been enrolled in its MBA programme, eight for doctorates, and 150 for junior management degrees.

A former NSB employee who quit the MBA programme after two months says IMC and the course are a joke.

"It does not matter whether you have a degree, a matric pass or Standard Five. The course is disorganised, during our lecture sessions out near Vereeniging, most of the 40-odd students just sat around drinking sorghum beer," says the former employee, who asked not to be identified.

NSB insists the Education Trust money is spent responsibly. Twenty students whose studies were funded by NSB received Bachelor degrees in management at a graduation ceremony in Australia on November 7.

The professorship is a faculty grade within the IMC. In that grade Mr Mahanyele is responsible for "tutorial, research and development in the field of strategic management", says Dr Wills.

He says the IMC's work is formally evaluated by the Human Sciences Research Council in Pretoria and the British Accreditation Council.

HSRC spokesman Francois Burger says degrees such as those issued by the IMC were "causing us a lot of problems, as they are willing to enrol students without an undergraduate degree". When it evaluates such qualifications, the HSRC first looks at undergraduate study and will only give credits for years studied thereafter.

The allegations about Mr Mahanyele and NSB appeared in Tribute magazine after a two-month investigation into the company.

NSB and Mr Mahanyele responded at length on Friday to what they termed a "brazen and insidious attempt to vilify NSB and Mr Mahanyele".

NSB management acknowledged its accountability to shareholders, employees, customers and the public, but left several key questions relating to financial issues unanswered.

The rumours appear to have been fuelled by the change in date of the group's annual general meeting, an apparent delay in the publication of the audited financial statements, and a delay in its entry into the clear beer market, first scheduled for November and now unlikely to take place before April.

The annual shareholders' meeting, originally publicised for Wednesday this week, has been rescheduled for December 10. This follows publication of the "incorrect date" when the group's unaudited figures were released last month.

Although the annual report is not yet available, the auditors, Deloitte and Touche, signed the accounts last week — without any qualification, according to the firm's audit partner, Glam Swiegers. He would not comment on whether there had been problems, citing client confidentiality.

NSB says it is "preposterous" to suggest there are any improprieties in its books of account. It denied vehemently that funds were being misappropriated.

Tribute claimed that Mr Mahanyele and Israel Skosana spent over R1-million last year for "services as directors" and managerial services.

This claim is "devoid of truth", say NSB directors. "This amount includes various reimbursement of expenses incurred on behalf of the company."

The audited statements or chairman's report may show whether a R500-million foreign investment — which Mr Mahanyele first claimed in Business Times to have cornered in early 1992 and then again in September this year — exists.

The unaudited statements say capital of just over half that amount is tied up in NSB. This is made up of reserves and shareholders' funds of R171-million, and loans of R117-million.

Mr Mahanyele, 54, who gave evidence as Mr X against Winnie Mandela in a terrorism trial in the late 1960s, is one of the most capped black directors.

He was named businessman of the year last year by Engen and New Nation, and Communicator of the Year by CCV. He sits on the boards of The Premier Group, SKF South Africa, Nissan South Africa, York Timber, Johnson and Johnson and SA Phillips.

He is a strong advocate of black empowerment, and is on record as saying that were NSB to fail, it would impact badly on blacks as a whole.

NSB went public in 1991 after Mr Mahanyele persuaded Government to sell its sorghum beer interests to NSB staff, distributors and consumers. Staff, including Mr Mahneyele, own more than 36% of the shares. The Premier Group holds almost 8%.

Premier chairman Peter Wrighton has recently been appointed to the NSB board. Mr Wrighton, who is respected for his business ethics, is currently chairing the King Committee task group that will compile a guide to ethical practices for SA businesses.

Mr Wrighton said he could not comment on the allegations, as they were still only allegations. He had not yet had a chance to talk to Mr Mahanyele about them.

In a statement issued on Friday, NSB's directors said they would vigorously refute unfounded allegations made against them.

"We are in the course of investigating certain allegations. If mistakes have been made, or irregularities have taken place, we will act promptly to remedy them and to report to shareholders."

Allegations of nepotism were ill-founded and malicious.

A comment in the Duncan Innes labour letter earlier this year best sums up feelings after this week's disclosures: "This really is a land of opportunity and rising stars. Twenty-three years ago, one Mohale Mahaniele (sic) appeared as a State witness in a Terrorism Act trial against Winnie Mandela and 21 others.

"The same man served on P W Botha's state economic council. Last year he was chosen businessman of the year by New Nation and Engen. He was a pall-bearer at O R Tambo's funeral. He is MD of SA's biggest black-owned business, NSB. How about a toast to the New South Afica?"

QUESTIONS RAISED Mohale Mahanyele, National Sorghum Breweries chairman and the target of allegations of mismanagement and nepotism

(182)

SAB brews plans for more growth

S Times (Buss) 28/11/93

(182)

By JULIE WALKER

SA BREWERIES' executive chairman Meyer Kahn says beer consumption has climbed from 7-million hectolitres in 1979 to the current 23-million hl because SAB moved beer from the kitchen to the dining room.

"Our beer is a first-world product, well priced, packaged and labelled and we have spent massive amounts on our distribution," Mr Kahn told members of the Investment Analysts' Society in Johannesburg this week

He describes SAB's annual report as one of the top 10 in the world "This report is our dining room, I propose to take you back into the SAB kitchen" His presentation comprised a single slide with seven headings covering the issues facing SAB today

His view is that apart from the management, track record, returns and so on, SAB's brands — both beer and retail — are the main reason why the share trades at four times net asset value on the JSE

Mr Kahn says that if you believe brands are dead you have to reduce all people to their lowest common denominator "No aspirations and the sales of make-up, mirrors and combs all stop, and the Chinese return to wearing pyjamas and riding bicycles"

Next on the slide came competition. "We have been savaged and ravaged by competition," he says in a deadpan voice "I've seen more Pepsi in the newspapers than I have on the shelves

"We welcome competition We have always been SA's temporary sole supplier of beer and will remain so We have never beaten the hell out of any competitor and never will.

"Nor will we timidly hand over pieces of our market share What we will do is continue being a world-class, low-cost producer of beer, and add brands to our range to satisfy all aspirations South Africans can judge whose beer they want to drink"

This brought him to anti-trust, or competition law. He says each country's legislation differs but the golden thread is anti-competitive behaviour and conduct SAB brought in an international anti-trust company to audit the group.

"They came, they looked, they schlepped, they quizzed us over Rembrandt (an unsuccessful challenger to SAB's beer dominance in 1979) — talk was that our reps opened its beer in bottle stores so it went flat, and that we said it made you sterile. The anti-trust company passed us on every single aspect"

Mr Kahn took the trouble to point out beer's importance to the fiscus — its 1991 contribution was four times the gold-mining tax and double all the mining tax; in fact, SAB chipped in 5% of the total revenue that year.

Next was unbundling "The real question people want to ask," says Mr Kahn, "is do we want to be big and strong, or small and weak. We have given it a lot of thought and we think that size is quite important You don't take knives to a gunfight."

Over the past seven years, SAB's earnings have grown at a compound rate of 21,1%, beer alone at 22,1% and the balance — other drinks, shops, hotels and manufacturing — by 19,4%

Mr Kahn outlines the problem children The OK was hit by a trifecta of B's — bad focus, bad luck and a bad environment. SAB is to buy out the minority and nurse OK back to health. Amrel's business has fallen off because of SAB policy — no credit sales without a deposit.

Textile group Da Gama was bought at the height, but Mr Kahn says its decline is due to the dumping of cheap textiles by the Far East, which supplies 40% of SA's textiles now

Southern Sun, the sleeping giant of 56 hotels and 11 000 rooms, has also struggled, but Mr Kahn warns Rip van Winkle is stirring

He says there are three reasons why a group looks to international expansion management ego, currency deterioration and size relative to local market Mr Kahn pleads guilty on all three counts. SAB has chosen Africa and central Europe as the first steps towards becoming a global force

Global SAB is already the sixth biggest brewer in the world with 30-million hectolitres.

SA gets top rating on world markets

CLAIRE GEBHARDT

ARGT 29/11/93

THE United States will classify South Africa as one of the world's top 10 emerging markets, bringing incalculable benefits in investment trade.

The classification was anounced last night at an American Chamber of Commerce dinner in Johannesburg by US Secretary for Commerce Ron Brown who is heading the America's first trade and investment mission to South Africa since President Bill Clinton lifted all remaining sanctions.

Mr Brown also listed 11 developments that would begin the process of revitalising South Africa's economy and speeding up black economic empowerment

He predicted the country could become the powerhouse of Africa

Developments included

■ The signing of an Overseas Private Investment Corporation agreement with Finance Minister Derek Keys tomorrow to encourage and support US investment in South Africa

■ An Economic Co-operation Initiative focusing on southern Africa.

After a 14-year absence, Exim Bank was processing a request from Nedcor Bank for $63 million in financing to purchase American-made Boeing aircraft

If approved this will bring Exim's total investment in South Africa since February 1992 to $253 million

■ The opening of an International Business Advocacy Centre

■ A US National Export strategy to reduce export controls in key hi-tech sectors and the creation of one-stop shops to house key government agencies under one roof whose expertise South Africa could draw on

■ A promise to review tax and tariff barriers to American goods

■ To match up US and South African companies eager to do business with one another.

■ To discuss a bilateral tax treaty with the South African Government.

■ To encourage emerging black-owned businesses

■ The announcement that New Africa Advisors, a black-owned asset management firm had created a $2 billion investment fund and that others among the delegation had similar plans to direct investment towards South Africa.

■ The appointment of a senior economic diplaomat to signal Clinton's strong commitement to SA

"We stand on the verge of a great triumph of the human spirit.

"A triumph of political and economic freedom that will make South Africa a soaring example of what nations can become· a source of hope and growth that will spread throughout Africa and around the world."

Spirited gain for Aroma

(182)

MARC HASENFUSS
Business Staff

ARGT 29/11/93

AROMA Liquor Holdings showed a spirited 25 percent gain at bottom line to R183 000 in the half year to end August — thanks mainly to a marked reduction in the interest bill.

However, the group's market share offensive dried up profit margins, transforming a 25 percent sales gain (no interim figures disclosed) into a 10 percent drop to R379 000 at operating level

Bottom line was saved by an improved cash flow — which cut the interest bill by 31 percent to R184 000 Long term borrowings now stand at a more manageable R474 000 (previously R818 000)

Earnings a share came in at 1,1c (previously 1c) No interim dividend was declared

Directors said the difficult trading conditions were likely to persist until year end, with the prospects for increased tourism over the festive season less than encouraging.

They predicted increased turnover and improved market share for the balance of the year

■ Saambou Bank's attributable earnings have soared by 212 percent to R7,8 million (R2 million) for the half year to end September.

An abbreviated income statement showed net operating profit before taxation up 65 percent to R14 million (R8,9 million)

This was achieved after a R5 million general provision for any possible change in operating risk caused by the socio-political scenario. (Last year a provision of R6 million was made for the same purpose)

Earnings a share came in at 6,2c (2c), making for an interim dividend of 1c a share.

Managing director Johan Myburgh said Saambou was continuing with the process of converting non-performing assets to better quality assets.

"The ratio of productive assets to non-productive assets for the same period rose from 82,9 percent to 84,5 percent which has had a positive effect on our margins"

He said Dinkum Save boosted liquidity in the period under review. The popular savings product grew by 59,4 percent.

COMPANIES

Aroma Liquor earnings up 27%

MARCIA KLEIN

AROMA Liquor Holdings increased bottom-line earnings 27% to R183 000 (R144 000) in the six months to end-August as improved cash flow offset lower operating income.

Turnover figures were not given, but the liquor and hotel company's sales were 25% up on the previous year's. MD Mike Kovensky said despite the recession, Aroma had read the market well, gained market share, and increased turnover

However, this had been achieved at lower profit margins, and operating income had dropped 10% to R379 000 (R423 000)

Improved cash flow resulted in a significantly lower interest bill and a 26% rise in pre-tax income to R195 000 (R155 000).

Aroma's share of the losses of associate Aroma Liquors (Paarl) amounted to R12 000 (R11 000) for the period. Kovensky said these results were a direct consequence of violence.

Earnings were 1,1c a share from 1c a share in the previous year.

Kovensky said Aroma's Cape Rendezvous hotel at Brackenfell was ahead in terms of market occupancy. Occupancy rates had doubled off a low base to more than 50%, and had sometimes run as high as 60% November had been flat, with occupancies at 50%, and December had started off slowly, but rooms were filling up.

B|Day 29|11|93

In terms of the liquor interests, Kovensky said Aroma had invested heavily in its stores to ensure it was in a position to take advantage of the faintest upturn.

Sales in September and October had been encouraging, but they had flattened in November

(182)

Kovensky said Aroma was doing business at significantly lower margins, but was looking at growing its customer base through improved service and a broader product range Aroma had opened a store in the Somerset Mall, and had two possible stores in the pipeline

Kovensky said the difficult trading conditions were expected to continue until year-end, and the prospects for increased tourism over the Christmas period were not encouraging.

Nevertheless, he expected higher turnovers and improved market share.

Where's NSB's clear beer, anyway?

(182)
WM 3-9|12|93

Allegations of financial mismanagement, nepotism and kickbacks have been levelled at National Sorghum Breweries. **Mondli waka Makhanya** reports

A BLACK business is in the limelight again — for the wrong reasons Would-be giant-killer National Sorghum Breweries attracted unwelcome publicity this week when *Tribute* magazine published an investigative article highly critical of top NSB management

Allegations of corruption, nepotism and financial mismanagement were levelled at chief executive Mohale Mahanyele and his team

Dissatisfaction with Mahanyele's reign has resulted in the defection of several senior employees, including two executives Some of these went over to arch-rival South African Breweries whose monopoly over the clear beer market NSB plans to challenge

The response from Mahanyele and other quarters in black business — including some NSB shareholders — was familiar the allegations are designed to hamper black business, thus halting black economic empowerment

NSB directors are treating the exposé in *Tribute* — a black publication — as an unpatriotic betrayal and called it "a sad day . for the black community"

The magazine was accused of having "standards applicable to black business which are not applicable to white business". Others in the black business community found the allegations "harmless" and "not worthy of the dust's that's been kicked up"

Some of the allegations against Mahanyele and his team are vexatious, such as his having issued "insulting memos".

But it was alleged that his luxury vehicles and an entertainment complex at his suburban mansion had been obtained wholly or partly with NSB funds or kickbacks from potential contractors Mahanyele and senior executives were also accused of nepotism

Again this was justified on the grounds that "the Oppenheimers, Ruperts and Ackermans of this world . . have sons, daughters and in-laws working with them" Those, however, are seen to be "family businesses", where the family has a controlling stake.

But by far the most damaging of these allegations, and the one which will be of interest to shareholders and the foreign brewer which is supposed to be linking up with NSB, are those pertaining to financial mismanagement

NSB executives are said to have signed cheques liberally without supporting documentation, allowing for widespread abuse Granting contracts to the highest bidder was taken a little too literally with engineering and distribution contracts given to more expensive bidders — ostensibly because they offered kickbacks and were closely connected to the NSB hierarchy Plant and other fixed assets were also, it was alleged, bought for inflated prices.

A besieged Mahanyele and his team will have to face these and other questions at the company's annual general meeting in a week's time But, for the moment, Manhayele's position seems safe.

There has been no baying for his head from shareholders, either because he has managed to turn the company around from the moribund state it was in when it was privatised in 1990, or because "he is a feared man", a one observer put it Most shareholders are individuals rather than institutions and therefore do not have much clout unless they act collectively

Beer baron ... Questions have been raised over how Mohale Mahanyele runs NSB — and over his luxury house and cars PHOTO RUVAN BOSHOFF

The worst that will happen will probably be the negative perception given to foreign investors who are tying up with black businesses, of which NSB has been the most exemplary A foregn brewer, either American or Australian, has comitted up to R400-million in NSB

With an annual turnover of R530-million, up from around R300-million in 1991, plush offices in Sandton and millions of rands spent on social investment, NSB's reputation as the jewel of black business seems well deserved

But the company's extreme secrecy has thrown its performance into question in financial circles Although as a non-listed company it has no obligation to be totally open to inquiries, NSB plays its cards too closely to its chest when approached by the press and other analysts and researchers

One of the questions uppermost in shareholders' minds at the AGM will be exactly *when* NSB's threatened foray into clear beer will take place.

Although the beer has been test-produced at the Bavaria Brewery next door to NSB's Vivo Brewery in Verwoerdburg, and test-marketed in taverns, it has yet to hit the bottle store shelves After much hype that it would be on the shelves this Christmas season, it now seems it will not be out until April — supposedly to take advantage of election euphoria

"We are experiencing two or three problems at the brewery," says NSB public affairs manager Don Manaka.

Ed Hern Rudolph beverages analyst Syd Vianello thinks that after the April election the foreign backer may bring in some managerial and technical expertise to help run the brewing

However, even when those problems have been solved and the internal squabbles ironed out, there remains a lot to be done before the beer is launched — which throws into question whether NSB was really serious about launching the beer this year

The company has, for instance, not even placed an order for bottles — a process which takes a long time before actual delivery A distribution network has yet to be set up if NSB is to rival South African Breweries' highly sophisticated network

NSB seems to be relying on its sorghum distribution outlets of which it says there are half a million This will, however, be totally inadequate as they are aimed at a totally different market segment And distributing sorghum cartons is not quite the same thing thing as distributing returnable bottles.

Star. 3/11/2/93

Bottler faces strike, shortage

Amalgamated Beverage Industries — bottler of top-selling brands Coca-Cola and others — is bracing itself for a strike starting today

ABI said in a statement yesterday that 2 500 of its workers would take part in the industrial action after wage talks had broken down

The company said eight ABI sites in Durban and the PWV region would be hit by the strike, affecting the availability of some soft drink brands and packs.

Plans were being made to keep disruption of production and deliveries to a minimum, it said (182)

The strike was in support of a demand for a 15 percent wage increase.

Management had offered 10 percent to bring the minimum wage to R1 882 a month, it said

"Our wage levels are among the best in the country and a 10 percent increase in times of 8 percent inflation is fair and reasonable," ABI said

It remained open to renewed negotiations with the Food and Allied Workers' Union, but the company had budgeted for an 8 percent increase "and 10 percent remains our best offer" — Sapa.

Beer boycott called off

Sowetan 3/12/93

THE planned boycott of SA Breweries' products by two taverners' associations has been called off

The boycott, called by the National Taverners' Association and the United Taverners' Association of SA, had been planned to coincide with the busy Christmas period

The surprise about-turn was announced at a Press conference in Johannesburg yesterday

SAB marketing director Mr Barry Smith welcomed the suspension of the boycott last night (182)

NTA president Mr Ephraim "Peggy Bel-Air" Senne, NTA chairman Mr David Mokoena and Utasa president Mr Ramongalo Moatshe were present at the briefing

The taverners had accused SAB of mismanaging their credits and allegedly suspending members' accounts

In a joint statement the liquor forum, which comprises the NTA, Utasa and the South African Taverners' Association, said they had resolved at a meeting in Bloemfontein that there was still room for negotiations with SAB

In the light of this latest decision, they called on members who owed the brewery to pay their debts or enter into any suitable agreement on how to settle outstanding accounts

Brew pub set to open this week

SA's first franchised brew pub would open in Johannesburg this week with the financial backing of Nedcor's small business division, the Firkin Brewpub Company said on Friday.

Firkin hopes the concept will catch on with communities throughout SA, particularly with shebeen queens who could brew their own beer at a lower cost and determine their own stock levels. B/Day 6/12/93

The opening of the brew pub on December 8 in Sandton coincided with the "mash-in" of the pub's first lager which would be drawn straight from the brewing tanks into the customer's glass, Firkin MD David Hume said. (182)

The attraction of on-tap, direct-from-the-brewery beer of franchised brewpubs has enjoyed widespread success in Britian and the rest of Europe, and more recently in the US.

NedEnterprise GM Neville Edwards said the concept of the franchised brew pubs matched Nedcor's belief in franchising as an answer to business ownership. "The success of the Sandton venture will open up new franchise opportunities and NedEnterprise will consider applications for financial assistance." — Sapa.

Sudden turnover in KWV shares

TIM MARSLAND

LIQUOR investment company KWV Beleggings saw about 5% of its issued shares change hands on the JSE yesterday in a deal matching total trade in the company's shares for the past 12 months

More than 2,02-million shares worth R18m booked over at 900c a share — 15c below its overnight closing level

The company has 42-million shares in issue with a market capitalisation of R378m B/Day 8/12/93

The bookover matched the total trade in the share over the past year, where shares worth R21,6m changed hands, according to I-Net.

Analysts said it was hard to pinpoint the source of the deal as the company was secretive about its affairs, but they speculated it could be linked to institutional interest. Spokesman Cas du Plessis refused to comment

The company holds 50% of the issued share capital of Rembrandt-KWV Investments, which in turn holds 60% of Distillers Corp and Stellenbosch Farmers' Winery — both listed companies.

Control of KWV Beleggings lies in Wijngaard Investments, a subsidiary of Wijnbouwers Vereniging van Zuid Afrika.

Wijngaard Investments holds 60% of KWV Beleggings.

Chairman Pietman Hugo told shareholders recently that profits were under pressure in the short term. (182)

Blaming uncertainties such as weak consumer spending, tight monetary policy and inflation, he said it was difficult to make an accurate forecast of prospects for the rest of the year.

NSB's books under scrutiny

By CHERILYN IRETON

SOUTH Africa's first black-owned public company, National Sorghum Breweries, has appointed a committee to investigate allegations of mismanagement, nepotism and corruption.

Hundreds of shareholders sanctioned the probe at the beer-maker's annual meeting on Friday, which lasted more than three hours and was closed to the Press.

The shareholders also expressed confidence in the company's management.

The investigation will be carried out by four non-executive directors. They hope to conclude their probe in mid-January, says the committee's convenor, Dr Lekgau Mathabathe of Natal. He will be assisted by Professor Khabi Mngoma and businessmen Horace Masimula and Moss Leoka.

"We will get into the entire spectrum of allegations and will report our findings to the full board. We have had preliminary discussions but will start seriously in January, after the festive season," says Dr Mathabathe. ST Times (Metro)

Although shareholders were invited to ask questions there were no dissenting views, only support for management and a feeling that "we should get this thing out of the way as soon as possible", says Dr Mathabathe. 12/12/93

Non-executive directors will ensure that action is taken if anything improper emerges, says chairman Mr Mohale Mahanyele. (182)

Shareholders also gave approval for a rights issue to raise fresh capital. Mr Mahanyele says the amount to be raised will be decided nearer the time.

Discussions with foreign investors were continuing but "it is not in our interests to reveal any numbers at this stage".

NSB locks out media

Sowetan 13/12/93

By Mzimkulu Malunga

NATIONAL Sorghum Breweries chairman Mr Mohale Mahanyele rallied the support of shareholders round him at the company's annual meeting on Friday

Mahanyele asked shareholders whether the media could be present but National Taverners' Association representative Mr Sam Buthelezi proposed that the media be locked out

(182)

The meeting came amid allegations of corruption among senior officials within the NSB

NSB has announced the formation of a commission of inquiry into the corruption allegations A report is expected to be submitted to the board's meeting in February

Southern Sun sees rich pickings in '95

Star 14/12/93

BY JOHN SPIRA

South African Breweries' Southern Sun Hotel Group has geared itself up to generate huge profits in 1995.

That's the word from Southern Sun managing director Ron Stringfellow, whose calculations reveal that a 15 percent increase in average room rate achieved would translate into R40 million for Southern Sun's bottom line.

And a one percentage point increase in occupancy would be worth R6 million

"We're looking at prospective profits that would make a meaningful impact on the earnings of a giant like SAB"

SAB owns 100 percent of Southern Sun

"All we need is for the ball to bounce right a few times

"As soon as political stability is restored, all of a sudden this industry becomes highly lucrative."

Demand

Demand for hotel accommodation had been weak for some years owing to the domestic recession and the virtual disappearance of foreign visitors as a result of the high level of violence.

However, Stringfellow expects that by 1995 these negative factors will have turned around

"When that happens, occupancies will start picking up, in the process increasing room rates,

Ron Stringfellow .. occupancies will start picking up.

some of which are lower than they were 10 years ago

"Although the international market will help bolster growth, the really big booster that will turn our industry around is the local economy, because 80 percent of our market is South African"

What of next year?

"Stability is crucial. If violence surrounds the election, the hotel industry will have its worst ever year.

"But if things go reasonably smoothly, we'll do better than in the recent past.

"Since we're seeing growth in the international market, we'll have good business around the elections We're getting more and more sporting groups coming in and the economy has turned."

Stringfellow sees 1995 as a great year because the rugby World Cup will be a big boost — and it will come in June, a valley period for the industry.

Also, international tourists will be coming back and, hopefully, the recovery will be in full swing.

"That's why we've been spending a lot of money"

He believes that, relative to its competitors, Southern Sun's product is getting better and better because it is spending money (182)

Customers

"It's going to pay off when, ultimately, the market is not price driven and customers seek a quality, value-for-money product

"When there's more money around, people will be able to afford a better product.

"At the moment, we're all chasing the customer looking for rock-bottom prices.

"That will change as the economy turns and foreign tourists start coming back in big numbers."

How has Southern Sun prepared itself for the anticipated 1995 boom?

"We've opened seven hotels this year at a cost of R300 million and put a lot of money into training

"We've been repositioning via a formula that's proved to be exactly right. Occupancies at our Garden Courts are spectacular"

Of the R300 million spent, R157 million is accounted for by the Southern Sun Hotel portfolio, R58 million by Southern Sun resorts, R16 million by the core Holiday Inns, R44 million by Garden Courts and R25 million by Formule 1 units

"For an industry which has been going through very difficult times, that's a lot of money to be putting into the product

"It's a brave commitment, a calculated risk."

How will the industry accommodate the heightened demand which Stringfellow expects to materialise in 1995?

Two things would have to happen.

- The whole industry has been pricing itself too low at present, because everyone's been fighting for a cake that's too small

Prices are probably 15 to 20 percent below what they should be

- More hotels would have to built.

Quality

"We're confident that Garden Court will be a big volume chain based on quality and economy.

The Garden Court is aimed at finding ways to give the customer all he needs, but on a lean production basis — multiskilling, levelling out the organisational structure.

"So even if the industry stays relatively static, we'll gain market share all the time, which means we'll have to provide more product."

Stringfellow notes that South Africa gets only 300 000 genuine international tourists a year

"The number of total overseas visitors has gone up to 600 000, but a lot of that is friends and relatives and businessmen.

"The pure tourist number could easily double It should be four times that number

"But if it just doubles, we'll be under-sourced with hotels and a lot of new units will have to be developed.

"Unusual in our industry is that a large portion of our costs (capital and labour) are fixed.

"Until you can come up with lean production methods like we've done at Garden Court, if occupancies don't go up, it all goes to the bottom line.

"That's why, when demand revives, we're going to make huge profits"

Cut-price labels bite into liquor market

BIDAY 22/12/93

MICK COLLINS

ESTABLISHED spirit brand names are being badly mauled as cut-price labels bite deeply into the R2,9bn, 96-million litre a year market.

Market share of cut-price spirits — brandy, whisky, cane, gin and vodka — grew 39,4% this year from 25,2% in 1989

"And the trend is up, probably to well over 40% next year," an Ibis Marketing Information Services spokesman said in Johannesburg yesterday

"Cut-price whisky has leapt from having 52,7% of market share in 1992 to 58,1% this year. Brandy has gone from 29,4% to 31,1%, while white spirits — gin, cane and vodka — have soared from 33,3% to 41,8% " One of the hardest hit had been the 1-million cases a year white cane spirit market, where cheaper brands held 21% of the market in 1988, 30% last year and 40% of today's market

The spokesman said foreign drinkers would make do with less rather than sacrifice their favourite brand name

"But South Africans are unique When cash gets tight they will go for any brand that even vaguely resembles what they normally drink However, over Christmas proprietary brands fare better as people have more cash " (182)

But this was temporary because as the euphoria of Christmas wore off and cash dried up consumer drinking patterns reverted to the cut-price mentality

Strike ballot at Coke

Sowetan 24/12/93

■ WAGE DISPUTE No festive merrymaking as workers make arrangements to down tools

By Sipho Zungu

There will be no festive merrymaking for Coca Cola workers as they will be making arrangements to go on strike soon

This was stated by the Food and Allied Workers Union (Fawu) which is involved in a pay dispute with Amalgamated Beverage Industries (ABI), bottlers of Coca Cola

Coca Cola employees who are members of Fawu met ABI management at the Conciliation Board in a bid to settle their pay dispute but failed to reach agreement

A spokesman for the union said they had compromised and moved from their original demand of a 16 percent increase to 15 percent but the company's offer still remained at 10 percent

Report back meetings were held at all ABI plants and it was decided to conduct a strike ballot

The date set for the strike ballot is next Tuesday and the results of the ballot will be announced the following day

Shop stewards 182

Mr George Nene, chairman of the Coca Cola shop stewards council, accused the company of being "opportunistic" adding that it could "easily afford a more than 15 percent increase"

He said Fawu was going to ask its mother body, the Congress of South African Trade Unions, civic associations and all progressive formations to support them during "the historic strike"

Mr Hennie de Villiers, head of the personnel department at ABI, said yesterday that he could not comment on the matter and referred *Sowetan* to another ABI executive, Mr Dave Smith, who in turn, said "Fawu will be having their strike ballot on Tuesday

"There is nothing we can do We were prepared to give, rather the company was prepared to offer a 10 percent increase but we were deadlocked when Fawu demanded at least 15 percent "

At the time of going to press the company was preparing to release a statement on the matter

Showdown at the pub

FM 24/12/93

(182)

With sales of bottled beer static since 1991, the brewing industry is focusing on one of the only sectors still growing, the tiny draught beer market. SA Breweries (SAB) has sold Castle Draught for years, but, over the past several years, small, independent brewers have entered this niche market. Recently SAB began upping the ante.

"Beers on tap are growing at about 20% a year because people are hungry for something other than SAB's mass beers," says Rob Mitchell, co-MD of the Keg Group, which has 15 English-style pubs around the country and plans to open another 10 next year.

The independent microbreweries may talk tough when it comes to SAB, but they know they have their work cut out for them when it comes to competing with the master, which rang up R5,2bn in beer sales last year. Though draught still represents less than 1% of SAB's 22,5m h*l* annual production, the company is systematically increasing its presence in the market by using its financial muscle to do what the independents cannot do on a huge scale, loaning publicans refrigerators and giving them free promotional material.

"SAB is still putting refrigerators in for free and giving away beer freebies," says Lex Mitchell (no relation to Rob), who brews under his name in Knysna. "That's fair competition and I cannot complain about it, but they have lots more money to use for promotions than I do."

During this year alone, two microbreweries have run into trouble. Helderberg in the Cape reduced its output significantly and St Georges in Johannesburg was placed in provisional liquidation by its shareholders a few months ago to prevent a bank acting against it.

St Georges MD Peter Brown says the decision doesn't spell disaster. "We are still trading profitably and will, hopefully, come out of liquidation early next year. Sales increased by 23% in the year to August, then flattened. In October and November, compared with October and November last year, which were very good months, they increased by 10%."

This is not the first time that St Georges has weathered a crisis. It could have sunk two years ago had Brown not switched to brewing Lex Mitchell of Knysna's beer under licence and selling it in the PWV and Durban.

Brown now wears two hats, he's also marketing manager of the newly commissioned Bavaria Brau brewery in Verwoerdburg. He says he joined Bavaria Bräu because St Georges was producing at peak capacity. "There wasn't enough for me to do, so I left the running of it to my two sons, Stewart and André."

In addition to St Georges, Bavaria Brau and the Mitchell operations, lovers of microbrews also can get their draught from the Sterling in Empangeni and the Waterfront in Cape Town, co-owned by Atholl Mitchell (no relation to Lex or Rob).

SA Breweries *unloading on the little guys?*

Brown says that while the niche players may not be clashing head-on with SAB mass-market beers such as Castle and Lion, they do fight it out at the top end of the market, with brands such as Amstel, Holstein, Heineken and Windhoek.

"We have been battered by SAB's unbridled chequebook marketing tactics in the draught market," Brown says. "But despite its manoeuvres, beer drinkers are beginning to recognise they have to pay a premium price for a superior draught beer" such as Bavaria Edel Lager and Mitchell's Bosun's Bitter, Forester's Draught and Raven's Stout.

Lex Mitchell says he works hard at fending off the SAB juggernaut, but has lost some custom to Castle Draught. He produced 70 000 *l* of beer last Christmas and "will be very happy to have to brew that much this Christmas."

Atholl Mitchell, who brews under licence to Lex, is also having to cope with opposition from SAB, which, he says, "has increased its awareness, service and professionalism in the draught market, it now has dedicated draught teams that it never had before."

Nevertheless, he says his business is flourishing. From March to October he brewed 20% more than the same period last year. To cope with the holiday hordes in Cape Town, he has stepped up production to 60 000 *l*/month, which is maximum and expects to keep producing at that rate until February.

SAB spokesman Adrian Botha says the company welcomes the independents if they produce good beer, which stimulates the entire beer market. "We even supply them with raw materials, such as hops and malt, but obviously we won't market their products for them."

Lex Mitchell argues that the SAB opposition is subtle. "They will, for example, spend a lot of money on a publican who will give them a verbal undertaking that he will sell only their draught beer. That's not a very nice trend. It smacks of tied houses, which I thought went out years ago."

Botha emphatically denies that SAB ties outlets to its products. "That's prohibited by the Liquor Act." He says there's nothing new, however, in the company providing publicans with refrigerators. It also gives discounts on products that are on promotion, but for only a limited period.

"These are marketing tools and yes, we're using them to increase our sales of Castle Draught, which has been on the market for many years and has shown itself to be the consumer's preferred brand." He says the company's sales of draught are growing, off a small base, at an annual rate of just under 18%, month on month.

The small independents know that despite the bruising competition, it's nothing like what the black-owned National Sorghum Breweries will feel when it comes on line early in the new year with its first clear beer in a quest for a slice of the mass bottled-beer market. Bearing in mind what happened to Whitbread, Swazi Breweries, Louis Luyt and Anton Rupert, who all tried to outbrew Breweries, the smart money must be on SAB.

ABI faces strike threat

(182)

Own Correspondent

CT 30/12/93

JOHANNESBURG. — The Amalgamated Beverage Industries is working on contingency plans to contain possible disruptions to the production and distribution of its soft drinks after a majority of workers voted for a national strike yesterday.

The management of the company, which distributes Coca Cola, will meet Food and Allied Workers Union officials today to discuss the matter.

"We will then finalise the steps we need to take to minimise disruptions to our production and deliveries, a spokesman said.

About 2 500 workers, including those in Phoenix and Edwin Swales VC Drive warehouse in Durban, voted overwhelmingly in favour of a strike to support their demand for a 15% wage increase

The company was adamant that its 10% offer was a "fair and reasonable increase in the light both of current business and economic circumstances"

The spokesman said the offer would add R171 a month to the wages of its lowest earners, bringing the minimum wage to R1 882

It was not yet clear when the strike would start. The union has to give the company 24 hours notice before embarking on industial action, according to their agreement, and this had not been done by late yesterday

ABI workers vote for strike

BDay 30/12/93

GAVIN DU VENAGE

A STRIKE at Amalgamated Beverage Industries (ABI) seemed unavoidable after about 2 500 Food and Allied Workers' Union (Fawu) members voted for industrial action, the company said yesterday.

Workers on Tuesday voted 70% in favour of a strike. However, it was not clear when the strike would begin, and company officials would meet the union today. "We will then finalise the steps we need to take to minimise disruption to our production and deliveries," a spokesman said.

(182)

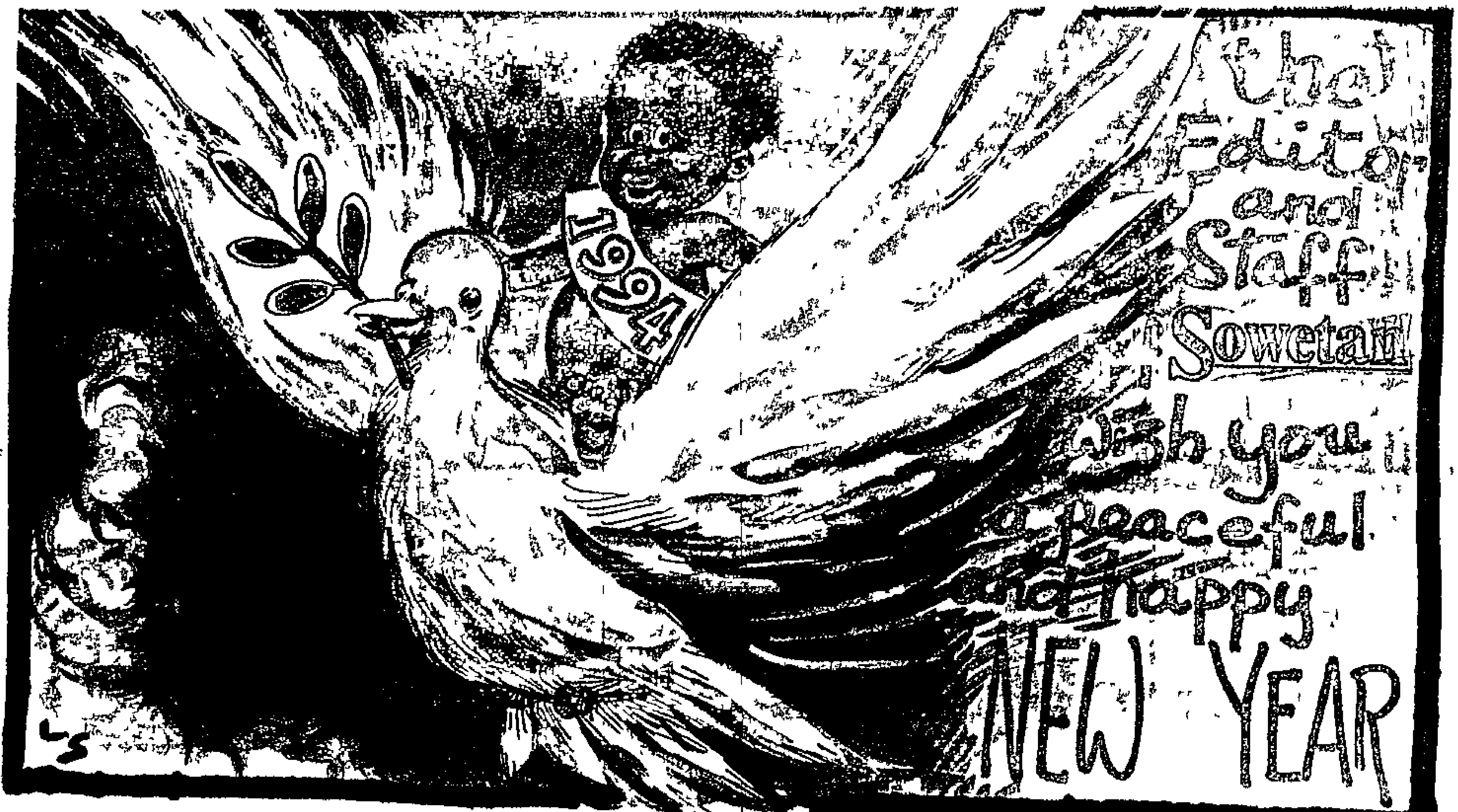
Fawu has demanded a 15% pay hike while ABI has offered 10%.

The company was adamant that its 10% offer was a "fair and reasonable increase in the light of current business and economic circumstances". The spokesman said the offer would add R171 a month to the wages of its lowest paid workers, bringing the minimum wage to R1 882.

Mediation and Conciliation Board attempts to resolve the dispute had failed.

A 13-day illegal strike in October left a number of ABI employees injured and delivery vehicles destroyed. In one incident two non-striking drivers were abducted and released only after having the union's position "democratically explained to them". The strike severely affected deliveries and left hotels, cafes and retail outlets short of soft drinks.

Fawu officials could not be reached for comment yesterday.



New Year shock for workers

Sowetan 31/12/93

By Ike Motsapi

THE LEGAL NATIONAL STRIKE by about 5 000 members of the Food and Allied Workers Union employed at all Coca-Cola plants throughout the country over wages begins today

The decision followed the collapse of last-minute talks aimed at resolving the dispute between management of the Amalgamated Beverages Industries the holding company of Coca Cola plants, and Fawu officials yesterday

Fawu is demanding salary increases of 15 percent for its members Management has made a final offer of 10 percent (182)

The union is to ask political civic church and community organisations to support the strike

In another development the South African Commercial Catering and Allied Workers' Union and management of Pepkor the holding company of Shoprite-Checkers seem to be set on another collision course — this time over retrenchments

Mr Papi Kganare, general secretary of Saccawu, announced that management of Pepkor is to retrench about 1 500 workers

And in Venda, government services ground to a halt yesterday following a sit-in by more than 22 000 civil servants over wages

ABI s spokesman Mr Neville Barber yesterday said eight sites in Durban and the PWV areas will be affected by the strike Other plants are expected to operate normally But the union said the strike was national

Barber said about 2 500 workers voted 70 percent to 30 percent in favour of a work stoppage in support of Fawu s demand for a pay hike of 15 percent

Kganare said ' Saccawu has already declared a dispute with management and we are busy mobilising our members to resist this latest threat by Pepkor

Pepkor s spokesman Mr Surge Martinengo, dismissed Saccawu s allegations We know of only 40 people who are going to be affected by the retrenchments at a store which closed in August and not 1 500, ' he said

Saccawu members went on strike for six weeks over wages earlier this year after a dispute with Pepkor management.

Barber said the company's 10 percent salary increase offer would add R171 a month to the wages of its lowest earners

2 500 ABI workers begin pay strike today

GAVIN DU VENAGE

MORE than 2 500 Amalgamated Beverage Industry (ABI) workers will begin a legal strike today after both mediation and a Conciliation Board hearing failed to resolve a pay dispute. BIDAY

Members of the Food and Allied Workers' Union (Fawu) voted to go on strike by more than 70% in a poll held earlier this week. They have demanded a 15% pay rise while ABI has offered 10% 31/12/93

An ABI spokesman said yesterday the company was making contingency plans to reduce disruption of production and deliveries to the minimum ABI is a major producer and bottler of soft drinks

Eight ABI sites in Durban and the PWV area will be affected.

"A 10% increase in times of an 8% inflation rate is fair and reasonable," the spokesman said.

He added that while the company remained open to talks, 10% was its final offer ( ) (182) ( )