VITICULTURE & WINE – 1988

Cape Times 3/12/88 3Wine

Ice-maiden Christine cool on farm furore

Christina Mueller

Eight years ago Constantia's winelands trembled when Richard Mueller, German industrialist and owner of Buitenverwachting, was linked with the alleged sale of American computers to Russia. Now there's another rumpus, this time involving Mueller's wife Christine (Sieglinde) and her bio-dynamic farming methods 140 ha estate. GERTRUDE COOPER reports.

BLONDE, blue-eyed Christine (Sieglinde) Mueller is unperturbed by the furore being caused by her plans to introduce bio-dynamic farming into Buitenverwachting in the Constantia Valley.

"I'm not unique. I also know I can't change the world," says Mueller. "Through the use of man-made chemicals, however, nature has been thrown out of balance and that imbalance needs to be restored.

"For me it is a matter of concern what I do with the piece of land entrusted to me, that I do the best I can with it for the next generation. For me the way of doing it is through bio-dynamics which enhance the biological processes of the soil in a natural way without recourse to pesticides and fungicides."

When her husband, "mystery" German industrialist Richard Mueller, bought Buitenverwachting for R2 m in 1980 his aim was to develop it as the showpiece of the valley.

Modern farming methods and a new planting programme introduced have, in a relatively short period, seen the realization of Mueller's dream of a farm to rival neighbouring Groot Constantia.

Making wine for the first time in 30 years, the estate's first vintage succeeded beyond all expectations. Last year 30 000 cases of wine were produced and Buitenverwachting won two silver medals at a London wine show.

It is now Christine who wishes to take the dream even further. As a major estate policymaker since the farm was sold four years ago for R3,5 m to a trust set up by her and her husband (in hiding in Europe since 1983 when his name was linked to the alleged funnelling of high technology from America to Moscow) for their descendants, she sees bio-dynamics as the answer.

Plans for what in farming circles is seen as a revolutionary changeover led to a difference of opinion and the recent early termination of Andre Badenhorst's contract, due to run until 1990, as general manager of the estate. He was largely responsible for modernising the estate and his departure has sent ripples through the wine industry.

"I know I am being criticised but the people judging me are doing so only on the capacity of their understanding. I am not concerned. I am not running into some foolish enterprise. Why would I want to destroy something as beautiful as this?

"My grandfather was an organic farmer. I have been aware of this way of life for a long time."

The first changes are being introduced on only 10 ha of the 140 ha farm. "Even that is going to take time," says Mueller. "It will take at least seven years to cleanse the area of chemical treatment.

"I also have a lot to learn. I have to do research on weather, on temperature, on plants. There are many serious observations still to be taken into account."

Referred to by her critics as

□ To Page 16

P.T.O.

APPENDIX B

WISCONSIN RISK ASSESSMENT SCALE

SUBJECT	AGE	BEFORE RELEASE	AFTER RELEASE
1	15	36	38
2	17	36	38
3			34
4			
5			
6			
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13			
14			
15			
16			
17			
18	45	15	13
19	50	12	10
20	50	15	13

Cape Times 3/12/88

Christine cool on farm furore

From Page 15

the "Ice Maiden", Mueller talks with sincerity of her beliefs.

"Why didn't I venture into this eight years ago when we bought the farm? We then had social problems to attend to. The labourers were still on the dop system. We needed to improve housing, introduce schooling and social upliftment. At that time I was told I was encouraging workers beyond their station — that they would think themselves above farm work.

"My reply to that is: I do not have the right to stand in the way of a person's improvement."

Three children from the farm are now enrolled as pupils in the nearby Waldorf School. She proudly points them out on a group photograph.

"Now I want to look at the soil, the place, the crops, the people who are going to eat them. What effect the crops will have on them. It will take at least another five years.

"I am not dogmatic. I will do what I can. I am also realistic. I need a cash flow, therefore the farm must continue to produce wine."

Buitenverwachting winemaker Jean Daneel will continue to run the cellar. "We have to buy in grapes — that I realize must be done — but I trust Daneel to buy grapes that relate most to my philosophy."

Mueller, who has dedicated herself to the study of bio-dynamics, has interests in a bio-dynamic coffee plantation in New Guinea which, she says, became profitable after only three years. "It was possibly a little easier there because of the relatively simpler farming methods so the effect of chemicals was easier to purge."

She already owns farmland in Germany which is being farmed bio-dynamicaly and she hopes to extend. "I have a friend who created a new forest in Germany this way. Another who farms grapes bio-dynamically in the south of France. I had a blind tasting of his wine here and winemakers judged it the best."

In Constantia, says Mueller, she is being attacked because her new methods will gradually decrease the use of fungicides and pesticides. "I am told 'what if your diseases come over to us?' Which I can just as easily counter: 'It's a two-way stream. What if yours come over to me? With our methods we don't ignore spraying entirely. The sprays we use are devised according to our methods. There is still a great deal to be learned about the relationship and interaction of plants."

Capital expenditure on Buitenwachting is believed to exceed R15 000. Bio-dymanics will cost the estate even more.

"When I go back to Europe I go to make money for this and other ventures. I am helping with a school in a Johannesburg township, for instance.

"I want to do something right. I believe that time doesn't stand still. That there are always people who have gone a step further. Bio-dynamics in agriculture, I feel, is such a step. But it applies just as much to music. To everything."

Wine industry looks to bumper grape crop

Bus Times 17/12/88

3 Wine

By CHRIS CAIRNCROSS

CAPE TOWN. — The Cape's wine industry is expecting the 1989 grape crop, which is to be picked soon, to yield a record 9,4 million hectolitres, marginally above the previous record of 9,1m hectolitres achieved in 1983.

If these expectations are met it will mean a continuation of the growth pattern set in 1986, after three years of dismal returns, and place the 1989 crop some 5,7% ahead of this year's yields.

According to KWV the vines have in general been performing well for this time of the year, and there have been no significant occurrences of diseases.

The crop size may ultimately be adversely affected by a lack of sufficient soil moisture in some non-irrigation areas, as well as a result of a shortage of water in some irrigation areas.

It does mean that although the total yield will be higher, the contributions from the eight wine regions in the Cape could vary considerably.

In the Paarl region the 1989 crop is expected to be about 8% larger than that achieved in 1988. In general the grapes are in looser bunches than before and this is attributed to the wind and cold during blooming time.

An average crop yield is expected in the irrigation areas, and a better than average crop in the dryland areas.

KWV forecasts that Cape Riesling, Colombar and Palomino show promise of good yields, with Cinsaut average to good in the Wellington area.

In the Stellenbosch farmers are predicting that the 1989 crop will yield some 7% more than this year.

The picture might change if it does not rain in the area shortly, as the strong easterly winds and lower total average rainfall in certain areas has led to near drought conditions.

According to KWV slight problems with berry set were experienced in the Gewurstraminer, Chardonnay and Colombar varieties, evident in that bunches reflect unequal stages of development.

Around Malmesbury the vines are looking good and growth is still active and a 9% improvement in crop yields is expected.

The cold period experienced after budding earlier this year delayed growth for a while, but full recovery apparently occurred with the advent of warmer air.

The Worcester region is planning on a 3% improvement in the crop, with good yields expected to come from Cape Rieling, Hanepoot, Cinsaut and Colombar, and only average returns from Chenin Blanc.

Strong south-easterly winds in the region caused some problems and a little damage to shoots. But here, too, there are fears about the late summer period if it does not rain before time, as irrigation water is not in plentiful supply.

Robertson wine farmers are looking for a slight improvement of only 1,5% in the 1989 crop, with this mainly coming from Colombar, Palomino, Raisin Blanc and Hanepoot.

The yield for Chenin Blanc is not encouraging. Frost problems in September also damaged early vines in the low lying vineyards. The damage was widespread but only a few farms were seriously affected.

Around the small Olifantsrivier region crop growth of 1,5% is expected, with contributions from Colombar, Hanepoot and Palomino. There were problems with berry set on many farms, with Chenin Blanc particularly unlikely to be as fruitful as before.

Montagu and Oranjerivier are the only two districts in the Cape wine region where generally smaller crops are expected.

In the former, the 1989 crop is expected to be as much as 15% smaller. This is mainly due to serious shortages of irrigation water around places like Oudtshoorn and the mountains above Montagu. Serious frost damage is also a contributing factor.

In Oranjerivier, the problem has mainly been flood damage, which is expected to trim 4% off the crop yield enjoyed in 1988.

3 Wine

SAA wine consumption 50 000 cases

Cape Times 21/11/88

By AUDREY D'ANGELO
Financial Editor

TOTAL wine consumption by SA Airways (SAA) passengers next year will be about 450 000 of the 250mℓ bottles served in flight.

This, points out Henry Hopkins in the current issue of Wynboer, the magazine published by KWV, is equal in volume to 50 000 cases of 12 ordinary 750mℓ bottles. And that, he says, makes SAA one of the wine industry's biggest customers.

Unlike other airlines which can choose from French, German, Californian and Spanish wines, SAA makes a point of serving only those produced in the Cape.

So food and wine personality Peter Devereux, who chairs the panel that chooses them, believes that for SAA to come seventh last year in a wine list ranking by Business Traveller magazine "with bulk, mass-produced everyday wines is both miraculous and a well-earned feather in the cap of our Cape wine industry".

The wine list ranking is decided by those available to ordinary passengers, not Blue Diamond passengers who are offered a special list including the wine of the month.

SAA's ranking in Business Traveller's 1988 list is not yet known. That will be announced early in the new year.

Meanwhile, Wynboer says, SAA's director for Inflight Services, Roelf Verster, is busy negotiating the mass purchase of about 25 wines for the airline's wine list next year.

Minister to address angry Cape farmers

1K6 4/4/88 3 Wheat

Staff Reporter

CAPE wheat farmers, angry at the cut in the producer price of wheat and competition from Free State farmers, have called a special meeting at Moorreesburg tomorrow.

It will be addressed by the Minister of Agriculture, Mr Greyling Wentzel, who is likely to face demands that the government restore last year's producer price and threats that farmers will change crops unless something is done.

The Cape farmers are particularly angry about Free State farmers cultivating what they see as the traditional Swartland crop.

This led to a surplus of about a million tons of wheat, triggering the huge cut in the producer price.

The price was set at R350 a ton by the Wheat Board at the end of last month. Last year's price was R395 a ton.

Disposing of the wheat surplus last year cost the Wheat Board R126-million. Wheat costs about R8 a ton to store, according to a board spokesman.

Durbanville farmer Mr Boetie Louw said he and other farmers were considering switching to other crops.

R45 CHOP INSTEAD

"Prices of fuel and fertiliser have gone up, and when we expected a 10 percent increase in price we got R45 a ton chopped off," said Mr Louw.

A spokesman for the Moorreesburg Agricultural Union, Mr Paul Kotze: "Production costs less in the Free State and their yield per hectare is higher than ours.

"Free State farmers jump on and off wagons as it pleases them," he said.

Mr Louw said he was not angry at the Free State farmers. "You can't blame them trying to earn a living."

Mr Wentzel will address the meeting at noon tomorrow in the Moorreesburg Town Hall.

● The Wheat Board says good progress is being made in selling this year's expected surplus. The deputy-general manager of the board, Mr Ivan Hemingway, said 575 million tons had been sold to foreign markets.

KWV toasts rising farmers' incomes

10/8/88 B/Day (3) Wine

HELOISE HENNING

THE KWV prides itself on wine producers' ever-rising income.

In 1987 at minimum prices it reached R388,2m, compared with R327,2m in 1986 and R34,3m in 1970, according to figures in the KWV Statistical Overview 1988.

In spite of a shrinking demand for wine and its derivatives, farmers have raised their income by 16% while producing larger crops and contributing to a surplus.

The estimated 16% or 1,404-million hectolitre (hl) surplus of the total 1988 wine crop (estimated to be 8,853-million hl) is not considered excessive, says KWV economic services manager Wihan Viviers.

A surplus of at least 10% is aimed at every year to smooth out the dips in this climatically exposed agricultural sector. In 1987 the surplus was 11% of the total.

The SA public last year consumed 8,06l of wine per capita, down from 8,29l in 1986. Brandy consumption remained constant at 0,48l per capita, but has lost in total market share to increased whisky consumption. Consumption of sparkling wine, however, improved from 0,19l to 0,20l per capita.

Government harvested an estimated R90m in GST during 1987 on natural wines, compared with R70m in 1986 (another indication of increased prices). And on brandy and spirits the Reciever gathered R99m in 1987. Total GST from the liquor industry in 1987 is estimated to be R579m.

R3m wine promotion campaign launched

Cape Times 13/7/88 3 Wine

Kobus van Niekerk

Financial Editor

SA comes 28th on the list of wine-drinking countries with an annual consumption of only 9,7ℓ a head compared with 78ℓ in France, 73ℓ in Italy and 71ℓ in Portugal.

But the newly formed Wine Foundation intends to change that. It will spend R3m in its first year on an intensive advertising and promotion campaign intended to make wine popular with all race groups — particularly on the Reef.

KWV and the producing wholesalers have joined in forming the non-profitmaking foundation.

Its first chairman, Kobus van Niekerk, deputy CE of KWV, told media representatives at the Mount Nelson Hotel last night that its aim was to encourage the moderate drinking of wine as the ideal complement to food.

He said he believed one of the reasons for SA's comparatively low wine consumption was that the most densely populated industrial areas were a long way from the Cape Winelands.

To help correct this, groups of opinion formers and media representatives would be invited to the Cape on a regular basis to acquire first hand knowledge of the wine industry and its products.

The Wine Foundation will have a board with 10 members. Five, representing the wine farmers, will be from KWV. The other five will be from the major producing wholesalers — Stellenbosch Farmers Winery, Distillers Corporation, Gilbey Distillers and Vintners, Union Wine and Douglas Green of Paarl.

Research on which its campaign is based has shown that white, black and Asian wine drinkers tend to belong to the upper income groups and are urbanized, under 50 and predominantly women. But among the coloured population wine is drunk more by those living in the country than the town.

White wines are by far the most popular category among whites, coloured people and Asians. But blacks prefer fruit-flavoured wines.

Perlé wines are the second most popular with all sections of the population. But sparkling wines are the third choice of blacks while whites and Asians prefer red wines. Fortified wines are more popular among coloured people than in any other population group.

Another good year for KWV

Star 11/5/7 88

Viticulture & wine

Finance Staff

In spite of the heatwave which hit many KWV wine producing regions and the floods of the Orange River most districts showed a crop increase this year.

This was announced in the chairman's report presented at KWV's annual meeting held in Paarl yesterday.

In his report, Mr Pietman Hugo said it was provisionally estimated that 9,09 hectolitres of wine was produced, which is 3,6 percent more than last year's 8,77 hectolitres.

The association's net profit from own transactions for the year ending December 31 showed an increase for the sixth consecutive year from R25,7 million in 1986 to R27,2 million last year. This represents an increase of 5,6 percent.

Even though the rise was modest and well below the inflation rate, the board was satisfied with the results, Mr Hugo said. Last year was not an easy year.

The implementation of sanctions led to the loss of certain important KWV export markets, including the United States, Canada, Australia and New Zealand. The rand also strengthened against most of KWV's trading partners which affected the organisation as well in the highly competitive international market.

It is a little early in the financial year to give an acurate estimate of KWV's profit, but at this stage, however, it seems the profitability levels achieved in 1987 will be repeated in 1988, said Mr Hugo.

METROPOLITAN

Bigger crop of wine grapes, says KWV

Argus 10/5/88

3 Wind

Tygerberg Bureau

MOST wine-producing districts showed a crop increase this year in spite of the Orange River floods and the heatwave in many regions, KWV chairman Mr Pietman Hugo said today.

He told the KWV's annual meeting in Paarl that provisional estimates showed Stellenbosh had an increase of 11,2 percent over last year's crop.

The Olifants River district was up 8,3 percent, the Orange River 9,7, Montagu five, Worcester 4,2, Robertson 2,7 and Paarl 1,4.

High quality

The initial high grape quality was favourable for making good wines, while grapes from the middle-season cultivars in certain areas were affected by the heatwave in early February.

He said Malmesbury, down 0,7 percent, was the only district to produce less than last year.

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The association's net profit from transactions for the year ending December 31 showed an increase for the sixth consecutive year from R25,7-million in 1986 to R27,2-million last year. This was a 5,6 percent increase.

Though the rise was modest and well below the inflation rate, the board was "satisfied" with the results.

Not easy

The year was not easy. Sanctions led to the loss of certain important KWV export markets, including the United States, Canada, Australia and New Zealand.

The rand had strengthened against most of KWV's trading partners. This had affected the organisation as well in the highly competitive international market.

"It is a little early in the financial year to give an accurate estimate of KWV's profit, but at this stage it seems 1987's profit level will be repeated this year," said Mr Hugo.

Drop-Inn wins wine appeal

STC 5/5/88 wine viticult (3)

Finance Staff

The DroInn group has succeeded with costs on all counts in its appeal against Hyfarm Investors represented by Hans Schreiber of Neethlingshof Wine Estate.

In terms of the judgement of the appeal panel, Drop-Inn is not obliged to purchase any of the wines in dispute — some 40 000 cases out of 55 000 cases which the court held do not constitute "noble cultivar white wines".

The contract value of the disputed wine is R2,2 million and the costs are estimated to exceed R600 000.

Group chairman Mr Sam Berk, said that the judgement vindicated his board's view that by tendering delivery of wines purporting to be "noble cultivar white wines" Neethlingshof was in breach of its obligations in terms of the contract.

The outcome of the appeal may see a re-rating of the group's share price which has been depressed by the market's perception that Drop-Inn was involved in unfavourable litigation.

(3) Viticulture & Wine

Red wine and headlines — for R875 a bottle

DIP 18/4/88

by Glyn Williams

CAPE TOWN — The cowboy analogy is main street at high noon for the showdown.

But at the 14th Nederburg wine auction at Paarl on Saturday it was five-thirty on a sunny autumn afternoon.

The last item for sale — a case of Lanzerac pinotage 1969 with a reserve of R260 — looked innocent enough but the combatants were prepared to shoot it out with rands, not guns.

After all, there was prestige at stake.

And so two commercial groups sent it up by leaps and bounds, not to mention R500 a time.

Eventually it was knocked down to Mr Sam Berk, chief executive of a liquor group, for a fabulous R10 500, or R875 a bottle. It was the highest price paid for a single case at the auction, not counting charity items.

Worth it? Not in drinking terms, of course, but worth every penny of the resulting publicity.

The total result surpassed Nederburg's expectations of R1,8 million. The final tally was R1 955 482, or 30 per cent up on last year.

Like Topsy, the auction has grown from R237 000 at the first in 1975 to R891 725 in 1985.

It topped the million in 1986 for the first time.

It looks like the second million in sales will be attained next year, or a doubling in three years.

The reds brought in R1 259 941 and the whites R695 541. There were 84 wines and 22 participants, with an offering of 10 216 cases, higher than usual but still well below the 12 400 cases on offer at the first auction.

Exports sank alarmingly to 2,14 per cent of total sales last year but brightened to more than nine per cent on Saturday, with Japan, Switzerland and the Republic of China being big buyers.

Sales to Eastern Cape buyers were still well down at 2,75 per cent of total.

The auction was opened by a French wine man, Mr Jean Hugel, in honour of the 300th anniversary of the Huguenot settlement in South Africa, with Gallic aplomb and with a more than usual touch of humour.

Mr Hugel . . . Gallic aplomb.

Million plus today

D/D 16/4/88

Viticulture & wine

3

viticulture & wine

WINE

The 14th Nederburg auction at Paarl today will be a pointer both to the economy and to wine trends. I believe that Nederburg will be more than happy with the results at the end of the day.

Reds again dominate the auction with 57, against 27 whites, 10 216 cases in all. They will be sold for more than R1 million.

Apart from the usual favourites that fetch the high prices, with cabernet sauvignon the king as usual, there will be more than usual interest in Jan (Boland) Coetzee's first offering from Vriesenhof, following his departure from Kanonkop.

He is offering his Vriesenhof 1982 (a good year, of course) and it goes without saying that it has a superior rating. Jan Boland blends merlot and cabernet for this.

There are two other newcomers. Du Toit's Kloof Co-op is offering a hanepoot superior and Zevenwacht has a rhine riesling 85 that has gathered a good reputation.

The auction has a French theme in celebration of the 300th anniversary of the arrival in this country of Huguenot winemakers. Prepublicity material has a nice line about one of them managing to flee France disguised as a violin player. How do you disguise yourself as a violin player? Still it seems to have worked.

GLYN WILLIAMS

SATURDAY, MARCH 26 1988

26/3/88

World's best wine for R4,25

By DEREK TOMMEY
Finance Editor

THE South African wine industry is exuding an aura of quiet satisfaction. The two victories it scored in the Paris wine Olympiade last weekend showed that among its white wines are some of the world's best; and costing less than R5 a these deserve far more recognition than they are receiving.

However, news of the awards is expected to result in greatly increased interest in South African wines both here and abroad.

The victories fully deserve the acclaim that is being given them. In competition with the best of Australian, American, French, Spanish, German and Italian Weisser (Rhine) riesling wines, a 1984 vintage riesling from Villiera Estate, on the Paarl wine route, and whose counterpart today sells at R4,25 a bottle, was adjudged the best.

A 1986 Weisser riesling from Liefland Estate near Paarl, and which has been selling at R4,75 a bottle, won third prize at the morning tasting. The winner here was a wine submitted by Jean Hügel of Alsace.

The contest was for one red and one white cultivar. The wines submitted were chosen by editors of a leading wine journal in each of the countries taking part. The wines had to represent their country's best.

Mr Henry Hopkins, editor of *Wynboer*, selected both the red and white wine entries.

Wine specialists believe that wines from the Liefland Estate and the other South African wines entered in the Weisser reisling category might have done even better if they had not been so new.

Europeans like their reislings matured and this is believed to have given the Villiera entrant an edge on the competition.

Mr Hopkins said it was the first time that South Africa had entered the competition.

For Mr Jeff Grier, winemaker at Villiera, the award was a personal triumph. He started the estate as recently as 1983. However, in spite of his youth, he is just 30, he had bags of experience behind him when he started on his own.

After leaving the army he studied viticulture at the University of Stellenbosch. He joined Distillers Corporation, then moved to Delheim and also worked in Europe for "three vintages".

Making good wine is a matter of constant attention to detail and keeping abreast of developments in the trade both here and overseas, he said.

The award will not bring him any immediate benefit as there is little 1984 Villiera riesling available. But in the medium to long-term it should put his estate "on the map", here and overseas.

Mr Grier said he was already exporting to the United Kingdom on a small scale and the publicity given his wine should help sales overseas.

He agreed that South African Weisser rieslings, chardonays and sparkling wines required some maturation in the bottle. He said it was false that the newer the white wine was, the better it was.

Mr Jaco Smit, who made the Lievland wine, agreed. He said rieslings could be matured for up to five years.

South Africa had the soil and the weather to produce excellent wines, he said.

(Continued on page 3.)

best wine for R4,25

(From page 1.)

Mr Hopkins said the success of the Wiesser rieslings was partly a result of the cultivar having been around a long time. Winemakers had great experience in making wine from them.

As the winemakers' experience with other cultivars increased, similar good results could be expected.

South Africa has already scored a number of sucesses with its red wines.

The success overseas of South African wines is expected to lead to greater local interest in wine. South Africans are still infrequent wine-drinkers. Altogether they consume about 272-million litres of wine a year, but drink over five times more beer — 1,5-billion litres.

The awards should help this country's wine exports to Europe and to the Far East where the demand for South African wine has grown significantly in recent years.

However, if Americans, Canadians, Australians and New Zealanders want to drink South African wines they will have to come here to do so. These countries have banned the importation of wines from South Africa — which now means, a wine man commented, they have to make do with second best.

FM 18/3/88 (3) Wine

LIQUOR

Wine whines

Stop sipping and start gulping. That's the message to wine and spirit drinkers from KWV, which complains that South African consumption is well below the level of other countries.

And who's mostly to blame? Drinkers in the Transvaal, says KWV. They may like to savour the best wines, but they aren't drinking enough generally. It's time to turn quality into quantity.

KWV says more than 70% of natural wines are drunk in the Cape and most fortified wines south of the Orange River. Most high priced wines are drunk in the Transvaal, but they constitute only 10% of the market.

That's why KWV has set aside R2,5m for wholesalers to promote wine sales. Most of it is targeted north of the Vaal. Wholesalers have to apply to KWV for a share.

Nothing will be allocated, according to a KWV source, unless it is to be used innovatively.

He says the R2,5m is part of a scheme through which KWV hopes to improve the industry's research and strategic planning by working closely with merchants and wholesalers.

"We have some 6 000 farmer members and we have to look after their interests. Every litre of wine sold locally is to their advantage. We also sell a lot of wine spirits to local distillers for their brandies and fortified wines."

On the surface, there is plenty of scope for developing the South African wine and spirit market.

Figures from the Society for Distilled Alcoholic Beverages, in the Netherlands, suggest the average South African drinker is a novice in world terms.

He consumes 4,6 *l* of pure alcohol/year, which puts him 32nd on the list of 47 countries. Frenchmen drink the most — 13,2 *l*/year. Even in Finland, where liquor sales are strictly controlled by the government, the average is 6,9 *l*.

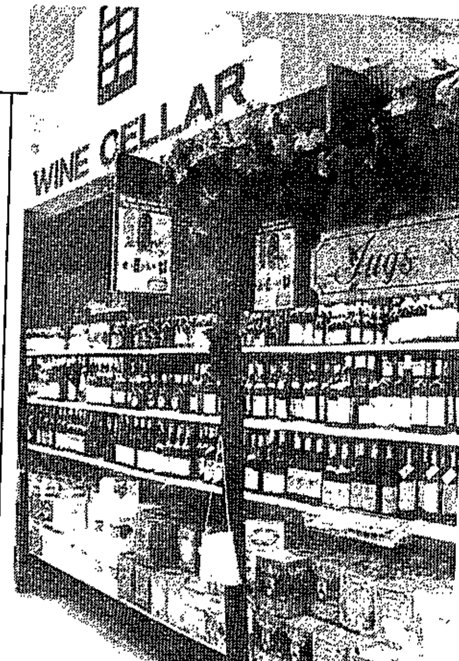
Vodka winning

"In France, they drink 78,4 *l* of wine each year; in Italy, 73,3 *l*/year; and in Portugal 70,8 *l*/year. Our 9,72 *l* each year puts us 28th," says KWV.

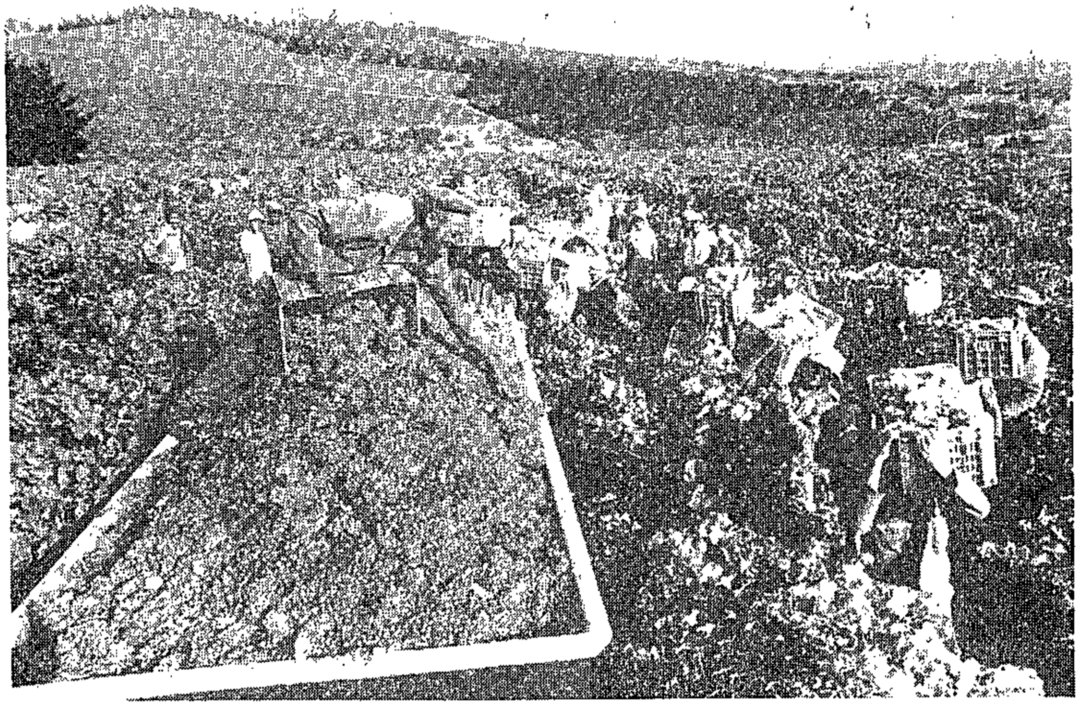
Meanwhile, local industry figures suggest that whatever the military state of play between Pretoria and Moscow, Russia is winning the war of consumption in SA.

Cane spirit sales in 1987 were nearly 50% down from their peak in 1981, when they outsold gin and vodka combined. Cane continued to outsell gin last year but was second to frontrunner vodka. It was the first time this decade that cane sales did not lead the white spirit market.

Cane sales have dropped steadily from nearly 2,2m cases in 1981 to just over 1,2m in 1987. Its share of the diminishing white spirit market has also dropped, from 55% of 4m cases in 1981 to 36% of 3,1m last year. Vodka's share over the same period has more than doubled from 17,5% to nearly 42%.■



SA wines . . . are we drinking too little?



Picture: DANA le ROUX, The Argus.

HARVESTERS: Grape pickers on Mr Frans Malan's farm.

Argus 18/2/88 3 Wine

Heatwave threatens next wine crop

By KAREN STANDER
Staff Reporter

THE heatwave has not only had a bad effect on this year's grape crop but will also have a negative influence on next year's, Mr Kobus Rossouw, Simonsvlei Co-op's manager and winemaker, said today.

In some areas up to 50 percent of the leaves on vines had been burnt.

This meant the vines would not have the leaves they needed in the resting period between harvest and winter and this would have a detrimental effect on the size of next year's crop.

He said the prospect of rain was welcome as long as it did not rain too much or for too long.

"The biggest danger is that if it rains for a number of days the vines will get botritis, a kind of rot.

"But if the wind blows after it rains this will decrease the danger."

The D F Malan weather office has forecast rain later today for the Peninsula, Boland and the Overberg.

The cultivars which ripened late, cabernet sauvignon, chenin blanc and clairette blanche, had yet to be harvested.

He said "sunburn" on grapes gave the wine a burnt taste and smell, but only grapes still on the vine this week would be affected.

Mr Jan Booysen, a manager for KWV, said rain could not improve vines already damaged by the heat.

This week wine farmers have been trucking labourers to the Boland from Khayelitsha in an attempt to harvest grapes which ripened early.

Mr Frans Malan, a director of KWV and the owner of Simonsig wine farm, said many unemployed labourers had turned up of their own accord looking for work but some farmers were bringing in workers from the Peninsula.

He said contract labour from Transkei was normally used for harvesting but with the removal of influx control more people were available locally.

Mr Chris Joubert of Spier wine estate said he had employed pickers from Khayelitsha who were brought from the township at the beginning of each week and taken home at weekends.

Mr Joubert said he did not normally employ extra labour for the harvest because women living on the farm worked as pickers and the children helped after school.

But this year the hot weather had made the situation urgent and had resulted in having to bring in extra workers.

There was still work for more labourers, he said.

(3) Wine 28

UNION WINE

No dividends

Despite the fact that Union Wine has made a profit for two consecutive years, it has still declared no dividend. This is small wonder, given that there was a loss in the previous three years. Chairman Jan Pickard says that, rather than declare a dividend, it was

FM 12/2/88

(3) Wine FM 12/2/88

Activities: *Wine farmers, wholesalers and retailers of liquor and hoteliers.*
Control: *Pichold has 57%.*
Chairman: *J A J Pickard; managing director: W D Terblanche.*
Capital structure: *13,2m ords of 50c each; 7,9m 10% comp conv cum prefs of 50c each. Market capitalisation: R19,8m.*
Share market: *Price: 150c. Yields: 10% on earnings; PE ratio, 10. 12-month high, 280c; low, 80c. Trading volume last quarter, 72 000 shares.*
Financial: *Year to June 30.*

	'85	'86	'87
Debt:			
Short-term (Rm)	14,7	15,3	10,2
Long-term (Rm)	3,8	3,7	14,1
Debt:equity ratio	0,85	0,43	0,69
Shareholders' interest	0,42	0,61	0,49
Int & leasing cover	1,02	1,24	1,51
Debt cover	0,07	0,14	0,19

Performance:

	'85	'86	'87
Return on cap (%)	6,9	6,9	9,9
Turnover (Rm)	100	101,8	112,8
Pre-int profit (Rm)	3,6	5,0	7,1
Taxed profit (Rm)	1,2	1,3	2,8
Earnings (c)	(8,9)	6,3	15,0
Dividends (c)	—	—	—
Net worth (c)	166	268	205

decided to strengthen the group's own funds further.

The better results were based on more than a rising market, though turnover increased 136%. Pickard says the past two years show that satisfactory results are possible if expenses are contained and a methodical and determined marketing approach is adopted.

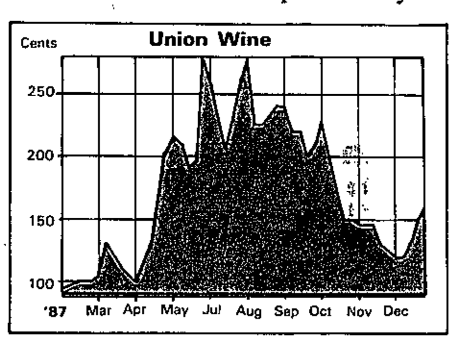
In the wholesale liquor section, problems were encountered due to cost increases, while consumers proved to be resistant to higher-priced table wines in restaurants. But profitability improved and emphasis was placed on quality. In the retail market, the increasing number of licenses granted to grocers meant more competition, while purchasing power remained unchanged.

The main problems were encountered in the hotels. Off-sales have been separated and run as liquor stores, but low room occupancy and increased costs meant the hotels made no contribution to group profits, though Pickard does not mention a loss. He hopes that legislation to permit Tavernas and Garni Hotels will help this division.

Since year-end, a property in Oudtshoorn has been sold and, as Jan Pickard Junior puts it, the commitment to the liquor industry has been reaffirmed by the launch of a new brandy (Bastille), a new white wine, Bellingham Paarl Riesling and four liqueurs.

Despite the problems, the achievements of the past two years make Pickard optimistic that a dividend may be declared next year. The group has R7,3m in unutilised tax losses, but in the present market it would seem wiser to look for something with a more solid dividend record.

Pat Kenney



Bill seeks to ease wine laws

Star 11/2/88

PARLIAMENT — A Bill to allow a more market-orientated approach in fixing wine prices and relax restrictions on wine traders has been published.

A memorandum attached to the Wine and Spirit Amendment Bill says existing provisions relating to the suspension of restrictive measures concerning the sale of wine are extended to authorise the Minister of Agriculture to suspend those measures in the case of the sale of wine in small quantities to people licensed to deal in liquor.

To bring about a more market-oriented approach in fixing the minimum and quality prices of a wine, certain provisions in the law are adjusted to make provision for differentiated prices for different categories of wine.

Provision is also made for regulations to eliminate the malpractice of putting misleading indications on the labels of liqueurs made from various other spirits. — Sapa.

(3) Wine

FLAVOURED WINE

Fizzling out

Indications are that the initial strong growth in the flavoured wine market has fizzled out.

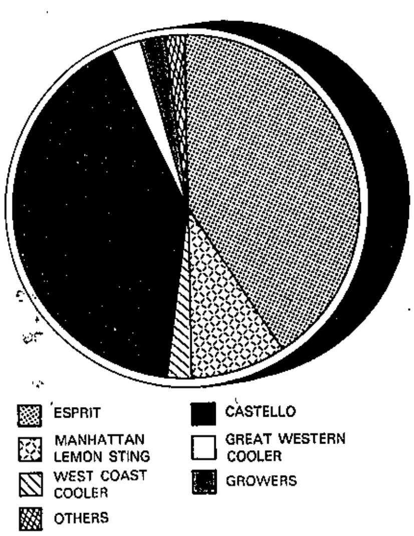
As a much-vaunted panacea to mopping up SA's huge wine lake, flavoured wines have not worked. Total adspend has fallen from around R2m for the 12 months to October 1986 to just under R1m for the same period last year — a 50% drop.

Overall consumption by June 1988 is expected to be 18% below the previous year — 21 M*l* compared to 25,8 M*l*. At least six brands have fallen by the wayside in recent years.

However, the figures are more indicative of a shakeout than a total flop. A handful of brands like Esprit and Castello are still selling well and are even consolidating their positions.

Still in the race

IBIS market shares for flavoured wines



The flavoured wine market took off with a bang at the end of 1984 amid a lot of glitz, media hype and no small measure of controversy.

Here was the new refreshing drink with a 6,5% alcohol content that was going to take the South African market by storm. No flavour was too outlandish and everything from apricot to kiwi fruit was tried on the market.

It was a total shotgun approach and the results were often surprising. For example, brands aimed at the white female market took off in the black market too.

Shortlived boom

But the boom was shortlived. Unrest in black areas affected sales and promotion. Two rounds of supplier-led price increases also had their effect. But what really hampered competitive pricing, producers feel, was legislation.

By law, flavoured wines must contain no artificial flavourings, which has led quality conscious producers to turn to imported ingredients. And unlike the US, where alcohol content is brought down through the addition of water, South African producers are compelled to add grape juice which, ironically, makes the wines less refreshing.

Local producers are pushing to be allowed to go the American route and it is thought that a change in this direction might soon be forthcoming. This would result in flavoured wines with a lower alcohol content, lower production costs and, hopefully, higher sales.

Meanwhile, the survivors are taking steps to consolidate their positions in a more discerning and sophisticated market. Even the supporting advertising is now less explanatory and more lifestyle-oriented. "We're entering the mature phase now," explains Esprit's senior brand manager at Stellenbosch Farmers' Winery. "The sparks have stopped flying." ■

WOOL & MOHAIR - 1995

MOHAIR

③ WOOL + MOHAIR FM 6/1/95

Producer power

The Mohair Board appears to be fighting for survival as producers insist on being paid out R75m in reserves after the industry's single channel marketing scheme was dissolved a year ago.

The dispute started when the board — at the end of 1993 — transferred its assets to a producer-owned company called Mohair Marketing International after producers voted to deregulate the industry, terminate the previous stabilisation scheme and privatise the board's functions.

But Clause 35 of the Mohair Scheme stipulates that once the scheme is abolished, the assets of the board must be distributed among producers according to a certain ratio determined by individual production. The ruling was upheld by the Port Elizabeth Supreme Court last July when it found that the Minister acted *ultra vires* in deciding that the board's assets should be distributed to producers in the form of shares and loan capital.

Some producers now want their money paid out to them. After prolonged negotiations with the dissatisfied producers failed to produce a solution, the board tabled a proposed amendment to the scheme in the *Government Gazette* that, if accepted, will allow producers to claim their payments made to the board over the past three years. The rest of the money and other board assets will be placed in a trust to be controlled by "a producer organisation."

But major mohair producer Chris Louw says: "It is disturbing that autocratic action has again been taken without first consulting producers. Forming a trust to administer funds which legally belong to producers further undermines transparency. The fact that no details concerning the proposed trust are available is cause for great concern."

Louw is calling on producers to object to the proposal and insist on an individual vote to decide whether there is still a need for the board.

Mohair Board chairman Giele Grobler says the objectors are being short-sighted. He claims it will always be necessary for the industry to be stabilised as mohair demand is determined by fashion. When there is little demand, funds are needed to compensate producers for low prices. He says the proposed trust will continue to stimulate mohair production and consumption if the board is dissolved.

Says Grobler: "Clause 35 is increasing pressure for the board's dissolution simply because producers want to get their hands on the money. But this money has been collected by the industry over the past 20 years for its protection. With international mohair prices at a peak, the industry should be collecting funds."

He denies the board has acted autocratically. He says the decision to transfer the funds to Mohair Marketing International was taken at the 1993 annual SA Mohair Growers' Association Congress.

But Louw counters that the ballot put before producers at that meeting was misleading as it did not ask producers if they wanted the funds distributed among themselves. "Producers were asked only if the board should retain the funds or whether the money should be transferred to the producer-owned company whose functions and powers were never made clear."

Grobler says that if the objections warrant it, the Department of Agriculture will consult producers before submitting a report to the Minister. ■

(3) WOOL

Mohair, wool demand grows

Star 26/1/95

BY CHARLOTTE MATHEWS

Wool and mohair production is likely to increase in SA as world demand and prices for these fibres improve and in the long term this will benefit wool processor Gubb & Inggs, the directors said in the group's latest annual report.

Wool and mohair prices are substantially higher than they were a year ago, with wool 70 percent higher and mohair 135 percent higher, showing improved world demand.

Stocks of unsold wool in Australia are down to 3,5 million bales from 3,9 million in August 1993, but planned sales from this stockpile are ahead of schedule.

In the year to June 1994 the group's turnover grew to R248,6 million from R237,3 million previously and earnings a share rose sharply to 294,6c from 115,4c.

③ WOOL + MOHAIR FM 27/1/95

WOOL PRICES

Sheepish comeback

Average clean wool prices for the first half of the current marketing season, which ended in December, improved by a dramatic 79% to R17,92/kg. The Wool Board now estimates total gross earnings for the full season at R594m — well above last season's R414m.

Ona Viljoen, spokesman for the board, says though global demand for wool should taper off if prices keep rising, the Port Elizabeth wool market indicator once again jumped 5,5% in the week ending January 19 as local prices "corrected" upwards against the Australian market.

Viljoen says the board estimates the average price for the season will level out at R16,78/kg — 57% above last year. Volatile Chinese demand seems to be the major factor affecting international price movements at present. Political uncertainty in that country following the demise of ailing national leader Deng Xiaoping could further influence prices.

Factors which experts say have a bearing on the current bull market in wool are:

- International consumer preference for wool as a high-quality natural fibre;
- China's resurgence as the world's major wool consumer. It buys about 20% of total global production and the figure is expected to rise to 25% by the year 2000;
- Healthy economic growth in most major

Continued on Page 81

Continued from Page 78

consuming countries — particularly South Korea, an important buyer of SA wool, whose economy is expected to grow by 7% this year. ;

- Fears of a wool shortage as production levels fall worldwide. In Australia, the world's major producer, the worst drought in decades is expected to depress this year's clip to a 10-year low of about 700m/kg, well down on average longterm production of 800m/kg.

In New Zealand, output is expected to drop to 266m/kg (the lowest in 30 years); Uruguay's sheep population has shrunk 14% over the past two seasons to 22,1m; and in Russia, sheep numbers are declining as local demand for fresh meat and lucrative live exports to the Middle East decimate the national flock.

In SA, the situation is much the same. Says Viljoen: "The board expects the local clip to drop from the previous season's 69,3m/kg to about 66,3m/kg in the season ending mid-1995, the lowest level since the Twenties. The drought is a major cause but aggravating factors are high mutton prices, which encouraged farmers to slaughter stock and the rising incidence of stock theft which is forcing farmers to switch to beef."

The current price surge is a reversal of the situation in 1991 when a huge Australian over-supply forced the country to suspend its floor price, resulting in a 30% drop in international wool prices overnight. The crash in wool prices also plunged the SA Wool Board into a severe financial crisis.

As a consequence, the board ended the June 30, 1991 financial year with net liabilities of R34,8m, compared with net assets of R90m the previous year.

Since then, the board has been effectively privatised and the wool scheme, set up under the Marketing Act, deregulated. Since the State paid its R141m international debt in 1993, the board has sold off seven properties in Durban, Cape Town and Port Elizabeth for R34,5m; seen a 58% reduction in its expenditure to R31,4m in 1993/94p; and is now debt-free and solvent.

All that is needed for the industry to finally redeem itself is for local production to return to the record 148,2m/kg level set in 1965. ■

GUBB & INGGS (3) WOOL & MOHAIR

Warm feelings

FM 27/1/95

Activities: *Wool and mohair processing and sales.*
Control: *Merwool (Pty) Ltd 66,2%.*
Chairman: *J P Stucken.*
Capital structure: *2,1m ords. Market capitalisation: R42m.*
Share market: *Price: 2 000c. Yields: 2,5% on dividend; 14,7% on earnings; p:e ratio, 6,8; cover, 5,8. 12-month high, 2 000c; low, 650c. Trading volume last quarter, 8 071 shares.*

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	55,5	59,2	53,1	104,0
LT debt (Rm)	1,2	0,9	0,5	—
Debt:equity ratio	1,51	1,35	1,08	1,81
Shareholders' interest	0,30	0,36	0,41	0,31
Int & leasing cover	1,74	3,75	1,67	2,78
Return on cap (%)	7,4	11,4	6,4	6,7
Turnover (Rm)	261,9	294,0	237,3	248,6
Pre-int profit (Rm)	12,3	18,8	9,6	13,6
Pre-int margin (%)	4,7	6,4	4,0	5,5
Earnings (c)	174,5	576,0	115,5	294,6
Dividends (c)	40	90	40	*230
Tangible NAV (c)	2 486	2 957	3 065	3 156

* Special dividend of 180c. Ordinary dividend of 50c.

The recovery in the wool market has begun, with the company lifting EPS by 255% to 294,6c for 1994. Turnover rose by 4,8% to R248m and attributable earnings were R5,9m (R2,3m).

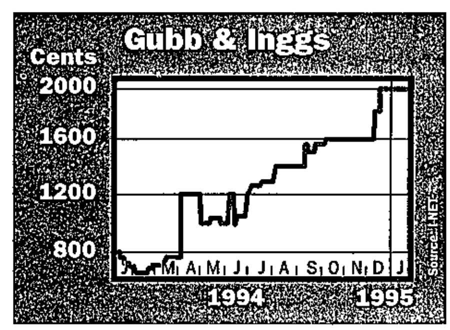
Executive director Harry Bonner says the special dividend of 180c was declared for two reasons: as a "loyalty" dividend to the shareholders; and to distribute a large chunk of retained capital ahead of possibly unfavourable changes in the tax laws.

Current fashion trends have stimulated the demand for mohair, but have also pushed up the price by nearly 400% over the last eight months. The extra expense is reflected in a surge in the company's short-term borrowing and an increase in year-end stock value from R70m in 1993 to R106m in 1994.

Wool prices have also risen, by about 60%. As a trading house, Gubb & Inggs normally has a high debt:equity ratio because it is obliged to hold stock through off-seasons both in SA and in Europe. Even so, gearing of 180% must increase the risk profile of the share.

Ability to carry this debt will depend on the extent of recovery in trading profit. Fashion is fickle and the long-term fortunes of mohair remain uncertain, but the wool market seems likely to experience a more sustained recovery, helped partly by a drought in Australia which is expected to lead to the speedy consumption of their surplus "wool mountain".

Pressure on margins is currently being exerted by Russian wool coming on to the market, but inferior quality is expected to restrict its influence on the market. Bonner expects the price of exports to rise in 1995, compensating for the declining SA wool clip which may keep production levels static. He says demand is good and supply adequate and wool prices are creeping back up to their pre-drought and depression levels.



Though profit margins have been volatile over the past four years, tangible asset value has increased by 27% from 2486c in 1991 to 3156c in 1994 — the share price is less than two-thirds of this. The shares, if they can be found, would be a good buy for the small investor with a strong stomach for risk.

Margaret-Anne Halse

Better wool prices signal recovery

(3) WOOL

CT 23/2/95

BLOEMFONTEIN. — Wool producers who had kept to wool sheep would probably receive realistic prices over the next few years, National Woolgrowers' Association Free State branch president Johan Neethling told delegates to the branch's annual congress at Aldam, near Ventersburg, yesterday.

Neethling said the wool industry was emerging from one of its worst recessions.

He said too big an increase in the wool price had never benefited producers because it led to consumer resistance. It was hoped there would be slow but sustained increases instead.

Wool prices showed a firm tendency in a shrinking but still large world stockpile.

Neethling said that in the first weeks of the 1994/95 season prices were double those at the same time the previous season.

Meat prices had also showed an upward trend which improved the profitability of wool farming.

Small stock farmers had, however, been caught in the past few years between low prices and high production costs and it would take time for them to recover. Extreme cold and too little rain in 1994 had not helped.

Neethling said the congress would have to find answers to problems of pollution of wool by kemp, bailing cord and black fibres, and stock theft was cause for much concern. — Sapa

ANIES

Mohair group to raise R10m

LOUISE COOK

MOHAIR processor Cape Mohair Holdings plans to raise R10m from shareholders — all of whom are mohair producers — to upgrade and expand its existing facilities. 3 MOHAIR

The money raised would fund expansion at its plants in Port Elizabeth, Berlin near King William's Town and Cape Town.

Chairman Denys Hobson said it was critical for the company to develop in directions which would make it less vulnerable to the swings in trading conditions brought about by the dictates of fashion and fashion-related industries.

"At the moment there is a huge worldwide demand for mohair by the fashion industry, but history has shown us that this is cyclical. We hope to raise about R10m to upgrade and expand the non-fashion related spheres of the group."

BD 9/5/95

The new shares would be issued at R3,50 a share. R5m of the issue had been underwritten by four mohair producers and a shareholder of an international sales network.

Wool industry 'is on the mend'

(3) WOOL

BD 12/5/95

LOUISE COOK

SA's ailing wool industry was expected to turn around this year and production should improve next year, National Wool Growers' Association chairman Pikkie van den Heefer said yesterday.

The clip had dropped from 120-million kilograms four years ago to a predicted 58-million kilograms this year, down 7-million kilograms on last year.

The decreased production has resulted in local processors paying premium prices to keep processing facilities running.

Van den Heefer said the threat of imported live sheep from Australia could see many red meat producers switch to wool production or partial wool production.

Good wool prices and recent good rains in the Karoo could also attract more producers to the industry.

SA Wool and Mohair Buyers' Association chairman Gunther Beier said buyers were hoping for a sharp increase in production as SA wool prices had been higher than those in Australia.

High processing costs have been pushing up the price of wool, making it difficult for buyers to increase sales.

"Prices have more than doubled to R22/kg from R11/kg at the beginning of last year, which should encourage producers to up production next year," he said.

Local buyers were in an unfavourable position as reduced production had caused processing facilities, which were built to handle 120-million kilograms a year, being underutilised.

Co-operative BKB fibre marketing manager Willie Saunders agreed that more wool was likely to be on the market during the next season.

The new season would start in August, he said.

"The decline in production has not been normal and was due to the drought and high meat prices. We will be lucky to get 58-million kilograms this year, but things should improve next year."

He said: "The local processors are forced to buy locally and have been struggling to keep plants going."

WOOL BOARD (3) WOOL

Levy revolt

FM 12/5/95

A group of 120 wool farmers, meeting at Richmond in the Karoo last week, has threatened to stop paying the annual levy raised by the Wool Board. Their threat is the culmination of bitter differences in the wool producing community and could be the start of a rebellion against the board.

Wool farmers are obliged to pay the Wool Board a 5% levy (before tax) on their annual wool cheque. The board expects R30m from levies in 1995-1996.

The farmers' main gripe is dissatisfaction with the board's answers to their concerns about the industry's finances. Some farmers came from as far as Grahamstown and the Free State to attend the meeting, arranged by a sub-branch of the National Wool Growers' Association (NWGA).

Wool producers have been pressing the board over the handling and channelling of funds which were made available by Wolex, the board's agent to a private company, Premium Cape Wool (PCW), headed by Wool Board directors.

The farmers are also disturbed about a set

Continued on page 48

Continued from page 45

of rules recently formulated by the NWGA which prohibit office bearers on all advice committees from divulging any information to wool producers or the press. Information about the industry may only be released by the chairman or, after a majority decision, by the committee. Farmers, however, say that they are outvoted by board members on these committees. NWGA president Peter Kingwill is also vice-chairman of the Wool Board.

The action by the 120 farmers was prompted by a meeting of the board's advice committee on finances last month. The committee includes three producers: Briers Bekker (chairman), Peet Visser and Pikkie van der Heever. Wool Board CE Johan Gieselbach (ex officio), chairman Hennie Prinsloo and three other board members also serve on the committee.

A problem at last month's meeting was that the minutes of the previous one could not be approved because the tape recording had been erased. But Gieselbach denies this and says the problem had been that one member had not read the minutes. He says only part of one meeting had been double-taped. The three producers also voiced unhappiness over the board's handling of the PCW funds and its explanations of how the funds and interest had been channelled through various accounts.

At the Richmond meeting, Van der Heever, a prominent wool farmer in the district, was unanimously supported when he expressed his intention not to sign the code of rules, which would prohibit him, as a farmers' representative, from divulging information to producers. At that stage, the farmers threatened to stop paying levies to the board.

They were also angry that members of the SA Fell Mongers & Wool Pullers' Association have resisted paying levies since 1992. This association buys pelts and hides from farmers, then exports without the intervention of agents or brokers. The levy income from this association last year had been expected to be R1,3m and this has not been paid. Gieselbach says the board is negotiating payment but wool growers say the association refuses to pay any arrears.

In terms of a draft Marketing Bill, the payment of levies will be enforced. However, a resolution accepted by the Richmond meeting calls for the matter to be decided by a 75% majority in a referendum of wool producers.

The farmers are also unhappy about the board's increased travel budget for the next year — R750 000 for officials travelling on behalf of the board and the International Wool Secretariat — which is about R250 000 more than this year. It is also forecast that the board's expenditure will rise from around R34m to R40m in the next financial year.

In another development, the board has threatened to take legal action against a Karoo private marketing company, Lanata,

which was founded by a number of wool farmers to deliver wool to processors bypassing the auction system. These farmers also don't pay the annual levy. *Eddie Botha*

Head start for mohair producers

By JEREMY WOODS

A MOVE by Cape mohair farmers to set up their own manufacturing and marketing operations, before government downgraded the Mohair Board, has resulted in a thriving new industry with big export demand for mohair products.

Two years ago, when government farming boards around the country were being disbanded, some 3 000 Cape mohair farmers set up their own manufacturing and marketing company, and in a private placing, subscribed for its shares.

Instead of selling their mohair to the board for a fixed price, the farmers wanted to add value to their product and sell it to whomever they wanted.

South Africa provides some 50% of the world's mohair from Angora goats who like the dry hills of the eastern Cape, where most of the mohair comes from.

Once Cape Mohair Holdings had been set up, the Mohair Board gave it working capital of R10-million, and the group now manufactures mohair blankets, mohair socks and knitting yarns which it exports to Italy, Taiwan, Korea, Japan and the UK.

Now Cape Mohair Holdings is looking to raise further capital from its farmer shareholders.

"At the moment there is huge world demand for mohair by the fashion industry, but history has shown us that this is cyclical. We plan to upgrade and expand our existing manufacturing facilities for the non-fashion related part of the group such as mohair blankets and mohair socks," said Cape Mohair chairman Denys Hobson.

The group plans to raise a further R10-million from its shareholders, all of whom prodce mohair.

"Export demand for our products is very strong, but our hair blankets are very popular among blacks in the emerging market. A blanket is a vital part of their make-up and they are very discerning buyers with natural fibres," said Mr Hobson, a former Springbok cricketer.

(3) WOOL + MOHAIR ST (BT) 21/5/95

Chinese demand sees sharp rise in wool sales

(3) WOOL CT (PR) 19/7/95

By Shirley Jones

Wool worth over R718 million was auctioned during South Africa's latest wool season, compared with last season's R413 million. The season's increase was despite a 3 percent drop in production.

The average grease wool price on BKB catalogues was R11,40 a kilogram, substantially more than the R6,39 for the season ended June last year.

BKB noted that the most noticeable trend during the latest season was a sharp 25 percent price escalation for fine wool.

During the same period, prices for medium wool rose 20 percent and strong wool prices showed an even more encouraging increase of up to 32 percent.

BKB said the reason for these exceptional performances was increased demand from China.

When demand from this quarter dropped off towards the end of the season, wool prices began to ease.

"The price ratio of wool to synthetic fibres remains favourable for wool.

"Cotton prices have reached new heights and, with the relatively low levels of wool stocks held by processors, the outlook for the 1995/6 season would appear to be favourable for producers," said the manager of BKB's branch in Port Elizabeth, Bruce Paterson.

According to the Textile Federation's latest economic review, wool accounted for 62 percent of export volumes and 90 percent of the value of South African fibre exports.

These increased by 38 percent in volume and 47 percent in value, making the fibre sector of the textile industry the only category with a favourable trade balance at R415 million.

retired police commissioners and chiefs of the SANDF and

Flour imports concern

(3) WHEAT

Louise Cook

BD 11/8/95

THE prolonged uncertainty about a tariff for imported wheat has sparked fears of large-scale flour imports among producers.

Although Tiger Oats dismissed the fears, the Chamber of Baking was noncommittal.

The wheat industry was the last agricultural sector to switch from import permits to tariffs in terms of GATT. The sector, through the wheat forum, asked the Board on Tariffs and Trade to set a 66% tariff on imported wheat and 190% on imported bread flour.

Cheap imported flour poses a greater threat to the local industry than imported wheat, Western Province producer organisation vice chairman WT Myburgh said yesterday.

He said it was easier to import flour because it was containerised and cheap.

Tiger Oats executive director Hamish McBain said, "Cheap flour imports are not sustainable as overseas countries are withdrawing their export enhancement programmes and flour prices are likely to rise."

International wheat prices have risen sharply to $216-$220 in recent weeks because of shortages.

The board yesterday refused to comment on the possible level of the tariff.

Little optimism on wool price

CT(BR)3/10/95(3) WOOL

By Françoise Botha

Staff Writer

Wool prices dropped 5 percent at last week's Wool Exchange sale in Port Elizabeth and the possibility of future price increases does not look encouraging, says Jimmy Bruce, the divisional manager of the Farmers' Brokers' Co-operative.

He said the reasons for the price decline were varied, but included a worldwide downtrend in the demand for natural fibres, a situation caused by the slowing down of western economies.

"This is giving rise to price resistance at the retail end of the market."

Bruce said the absence of China as a buyer of raw wool had also played a role since the country had 180 000 bales in stock which had yet to be delivered to factories.

Bruce said that local processors were the main buyers in South Africa, and that interest from western Europe had been considerably lower than at previous sales.

While prices for fine and short wool were unchanged, medium quality wool was 2,5 percent lower and strong wools up to 5 percent below the levels of the previous sale.

Bruce said that 94 percent of the 11 666 bales on offer were sold.

Last week's sales comprised 66,5 percent long wool, 21 percent medium wool, 1,5 percent short wool and 11 percent lox.

The highest price achieved at the sale was R24,31 a kilogram for AFY-type wool.

[redacted] WINE

1995

SA wine enhances Zimbabwe bouquet

MICHAEL HARTNACK

HARARE — Since Christmas Zimbabwean wine lovers have been making inroads into 20 000 litres of SA pinotage, which made history last month when it became the first shipment of its kind to cross the Limpopo in a bulk tanker for bottling under a Zimbabwean label. BD 23/1/95

"It's in bottles and on the shelves already," said Cairns Holdings MD Tim Johnson, who imported the shipment from co-operatives in the Robertson area to blend with local pinotage from Cairns's Mukuyu Winery, near Marondera.

Despite red wine production now reaching 150 000 litres a year, Mukuyu is unable to meet rising demand from Zimbabweans who are switching increasingly from beer and spirits, on doctors' orders. (3) WINE

Zimbabwe's fledgling wine industry, which produced its first drinkable reds in 1987, came of age this year when Mukuyu Winery manager and winemaker Berthold Seitz put Zimbabwe's first 1 400 cases of pinot noir on the market just before Christmas.

Vintners until recently believed Zimbabwe was incapable of producing a good quality pinot noir.

But one visiting SA retailer said on tasting the first pinot noir from the latest vintage: "We would have no difficulty selling every drop of this in SA."

However, Zimbabwe's three wine producers want to prevent a "wine drought" which might cause customers to drift back to beer and spirits.

SA sold UK 88% more wine in '94

(3) WINE

CT 3/1/95

From LINDA ENSOR

LONDON. — Sales of South African wines to the UK rose 88% from January to September last year and are expected to show an 818% volume increase over the past four years.

Indications are that SA wine exports to the UK for the whole of 1994 were almost 1,75 million cases.

This compared with 190 715 cases in 1990, 307 614 in 1991, 604 355 in 1992 and one million in 1993.

"South Africa's phenomenal success over the past four years has seen her UK wine imports surpass those of other 'New World' producers such as the US, Hungary, Chile and New Zealand," said Wines of SA director Mr Rupert Ponsonby.

Meanwhile, the SA Wine and Spirit Exporters' Association has announced its intention to increase its present commitment to the UK market this year by appointing an in-house campaign director.

This person will be responsible for the development of the highly successful Wines of South Africa campaign in Britain.

Association chairman Dr Jannie Retief said: "The British market has been a traditional and successful market for SA wines for centuries and we will be looking to build on our presence in the UK market significantly during the next five years."

Six weeks ago British wine writers awarded Robertson winemaker Mr Danie de Wet the international winemakers award of the prestigious wine annual the Grapevine.

He was given the award for producing "world class wines of distinction during the year".

Wine for Africa

Star 28/1/95 (3) WINE

CAPE wine farmers expect a slightly larger crop this year than last, and winemakers report that in most areas the quality of the grapes is excellent. A statement issued by the KWV says an expected 891 million litres of wine will be produced in 1995 — about 7 percent more than last year's total of 913 million litres. The record crop in recent years was the 1992 harvest, 999 million litres of wine.

Farmers in the drier areas of Worcester, Robertson and the Little Karoo expect only a very small increase in the size of the harvest, in spite of having given the vineyards supplementary irrigation during the growing period. — Own Correspondent.

KWV gets an instant price hike

ST(BT)5/2/95 ③ WINE

By JEREMY WOODS

A PROPOSAL by the KWV for a new minimum wine price has been published for comment in the same issue of a Government Gazette proclaiming its passage into law.

The gazette of January 27 announces in government notice R109 a proposal by the government-appointed co-operative for a minimum price for good wine of 139c/*l*, up from last year's 128c/*l*.

The gazette calls for objections to be raised within 14 days but also includes notice R111, in which Agriculture Minister Kraai van Niekerk announces his approval of 139c/*l* as a new minimum price.

"The gazette suggests that KWV has never had any difficulty getting price increases rubber-stamped by the Minister," says Michael Fridjhon, an independent consultant to the wine industry.

"Everyone was amazed to see the Minister's approval," says Tim Hutchinson, managing director of Douglas Green Bellingham.

Publication of the announcements follows a recent meeting independent wholesalers held with Mr van Niekerk at which he urged KWV and wholesalers to meet and negotiate an agreed price.

The wholesalers argued that last year's minimum of 128c/*l* be reduced as KWV wine farmers have been undercutting this price using direct marketing methods.

But KWV refused to lower the minimum price, arguing for 139c/*l*.

Negotiations had not been concluded when the gazette of January 27 was published.

The minimum wine price, a contentious issue in the industry, governs the price at which wine can be sold in this country, though a minimum price no longer applies to exports.

TIM HUTCHINSON

KWV, the largest wine farm co-operative, maintains it needs to set a minimum domestic price to protect its 5 000 members from the big wholesalers.

Wholesalers say the KWV is hanging on to minimum wine prices as a last vestige of its power.

They say they have lost considerable market share because, while they have to pay minimum prices, KWV farmers can sell their wine through direct marketing below the minimum price.

"All we ask for is equal competition," says one major wholesaler. "Our hands are tied by KWV's minimum prices while KWV members are eroding our volumes and margins."

On Friday, KWV issued a statement saying: "This matter deals with three notices published in the Government Gazette of January 27, 1995.

"Of those, two were published in accordance with the standard procedure.

"However, the third was in fact a concept notice which was sent to the Minister of Agriculture to be published later, after his approval."

The statement says a copy of the draft notice was "mistakenly also forwarded to the Government Printer and published without the Minister's signature of authorisation". A correction will be published, it adds.

In the announcement published in the gazette, Mr van Niekerk said that the new minimum price, "as determined by the (KWV)" had been approved by him.

"It looks like a rubber-stamp operation," says Mr Hutchinson. "The KWV has thrown more petrol on the fire.

"The whole matter highlights the KWV's influence as a strong National Party lobby in the Western Cape with a Nationalist Minister of Agriculture.

"If the Minister ignores objections to the new prices, as he has in the past, it will only further highlight the political influence the KWV has with the current decision-makers.

"It is little wonder the Competition Board has announced an investigation into the wine and spirit industry, which we all welcome."

An official at Mr van Niekerk's office said on Friday that the Minister was "out of his office".

KWV red-faced on wine price

CT 6/2/95 (3) WINE

Staff Reporter

KWV has promised to correct its "mistake" after its proposal for a new minimum wine price was published for comment in the latest issue of the Government Gazette – and simultaneously promulgated as law.

The embarrassing faux pas was immediately seized upon by independent wholesalers as proof that KWV has never had trouble getting its price proposals rubber-stamped by the government.

The January 27 gazette contains a notice of a proposal by KWV for the minimum price of wine to be raised from 128c a litre to 139c a litre and invites objections from the industry within 14 days.

However, it also contains an unsigned notice in which Agriculture Minister Dr Kraai van Niekerk announces his approval for the increase.

A KWV spokesman explained yesterday that "a concept draft notice which granted government approval for the price increase was sent to the government printer who inadvertently printed it without the minister's signature".

KWV was responsible for drafting both notices, which it sent to the government printer at the same time. He said a correction would be published in the next issue of the Government Gazette.

WINE (3) WINE FM 13/2/95

Winds of change

The Cape wine industry — once the most monolithic of all the alliances between government and Afrikaner capitalism — is undergoing a profound change.

In 1979 P W Botha approved an industry realignment that gave Rembrandt control of over 75% of the wine and spirits sector. Various State commissions of inquiry condemned the deal, observing that it was inimical to consumer interest.

In those days the Ruperts were happy to nail their colours to the NP mast. P W chauffeured the juggernaut, the Cabinet overrode recommendations from the Competition Board and Anton Rupert, the man who had lost the beer war against SA Breweries, was given a free hand to run the wine industry.

Five years after P W left office, industry watchers have certainly noted the appearance of fault lines in a structure that once seemed impervious to change. Is this a temporary phenomenon? Can life in the Rembrandt Group's wine companies ever be the same again?

The Ruperts' wine business comprises Distillers/Oude Meester (which includes The Bergkelder), Stellenbosch Farmers' Winery and a 49% stake in Gilbeys. Operating officers in all the companies, except Gilbeys, come from Rembrandt nurseries. The Gilbeys situation is an anomaly: Rembrandt appears to have no direct control of its activities. Losses amounting to tens of millions of rand through inadequate financial controls have forced the Ruperts to write down the value of their stake in the company.

Write-offs have become something of a habit lately in the liquor side of Rembrandt's business. Little more than a year ago, it closed Henry Tayler & Ries, its joint venture with Guinness's United Distillers Group. This year it knocked about R25m off the value of its retail chain, Western Province Cellars/Liquor Town.

The 1979 agreement included an undertaking by Rembrandt that it would sell off stores within a few years. It wasn't long before it reneged on this deal, pressing government to permit it to keep stores while compelling other producers to dispose of their chains. No doubt it now regrets that its relations with the Nationalists were so good that it was not compelled to get rid of stores while they still had value.

Its investment in SFW is finally beginning to look quite good. CE Frans Stroebel has made SFW a leaner and more competitive business though in doing so he is steering the company in the direction of a conflict with the KWV, Rembrandt's partners in the liquor business.

In an endeavour to improve margins on bulk wines and spirits he has been fighting the KWV's statutory right to fix floor prices for the industry. There is no amicable way to resolve the conflict implicit in the KWV's role as trade union for wine farmers and SFW's as a processor of wines and spirits: Anton Rupert must have been dreaming when he put them into the same bed and still expected an efficiently run operation.

This same contradiction is becoming increasingly evident at Distillers now that growing exports have given wine farmers other buyers for their bulk and bottled wines. The group's grape growers are not queuing up to do business with the boys who bullied them mercilessly over the years. The result is that The Bergkelder is being forced to pay more — and to pay sooner — for its grapes.

When Dewetshof's Danie de Wet withdrew from the scheme, his erstwhile "partner" seemingly tried to wreck his brand, dumping stocks at rock-bottom prices. By developing export markets, De Wet has flourished. His example has encouraged other "partners" to escape while they still can. In the past five years they have watched several of their number swallowed up. Understandably, they do not wish to succumb to the same fate.

If the export boom continues, there may not be enough of them left to feed the Rembrandt Group's appetite for low-price, high-quality grapes. Since most profits come from spirits brands, the fate of the wine division is largely irrelevant to income. But great prestige resides in being part of the top end of the wine business.

It is here that the influence of the Ruperts appears to be on the decline. *Michael Fridjhon*

Sparkle all round as SFW lifts dividend

ARG 24/2/95 (3) WINE

Business Staff

TURNOVER by the Stellenbosch Farmers' Winery group for the six months ending December 31 1994 increased by 17,3 percent, SFW announced.

The interim dividend for the period was declared at four cents — 14,3 percent up from last year.

Attributable income increased by 6,8 percent to R28,5 million.

Chairman Frans Davin said the turnover was stimulated by price increases being kept substantially below the inflation rate last year.

"This resulted in lower profit margins. Market shares have however not only been maintained but, in certain instances, have increased," Mr Davin said.

He said that due to tight management of working capital, the balance sheet at the end of December reflected a sound position.

"Sales are expected to continue improving during the second half of the financial year which, if realised, will result in an increase in earnings for the full financial year," Mr Davin said.

■ Electronics group Grintek lifted earnings in the six months to December 1994 by 33 percent to R17,1 million but expects the rate of growth in the second half of the year will be lower.

According to figures issued here, turnover lifted 18 percent to R877,5 million and operating profit grew by 10 percent to R39,9 million.

A 60 percent surge in income from investments to R6,8 million, mainly because of a larger contribution from QData, was partly offset by a higher interest charge but the bottom line was boosted by income from associates which surged to R2,4 million from R331 000 previously.

After an extraordinary charge of R8,1 million, slightly below 1993's R9,5 million charge, arising mainly from goodwill written off, earnings a share were 8,4c (6,6c).

A dividend of 1,7c (1,4c) a share was declared.

Grintek director Tony Mitchell said the goodwill write-off arose mainly from Siltek's acquisition of shares from executives of a number of subsidiary companies, whereas in 1993 it arose on acquisitions. Such transactions would be ongoing for Siltek.

Grinaker Electronics, which specialises in electronics communications, lifted turnover by 13 percent to R148 million but pre-tax profit dropped by 40 percent to R2,5 million as new orders were delayed.

A higher effective tax rate as it loses GEIS benefits makes it unlikely that Grinaker Electronics will better 1993-94's profits in the current year.

Mr Mitchell said the overall effect of Grinaker Electronics' substantially higher tax rate on Grintek's tax liability will be only three or four percentage points.

Siltek, an information technology company, recently reported earnings a share 25 percent higher at 53c.

Grintek chairman Jack Saulez said the group's trading in the second half of the financial year is likely to be better than the first half.

NEWS FEATURE *Retailers in 70 countries have South African wines on their shelves*

③ WINE

Sowetan 16/3/95

S African wines are in demand

■ **BOOMING SALES** *Local product of the vine passes the taste test:*

A FEW years ago South African exiles would smile nervously when offering a smuggled bottle of their native wine, unsure how friends would react to its taste or political incorrectness.

It usually passed the taste test. And with world economic sanctions that punished the old apartheid regime now gone, merchants in 70 countries stock South African bottles on the shelves. Sales are booming and prices sit a notch under the competition from California, Australia and Chile.

SA wines a consistent finish

David Winter, European marketing director for Wente Bros of Livermore, California, says South African wines are an exasperating opponent in the price-conscious British market.

"We have a hard time competing in price because our labour costs are obviously higher," Winter said. "The only way we can compete is to say, 'Look, our wines taste different.'"

Wine has been made near Cape Town since French Protestants who fled religious persecution in the 17th century found the sandy soil and moderate climate ideal.

South African wines have a clean, consistent finish. The favourites are floral sauvignon blancs and chardonnays — light whites with universal appeal. South Africa also produces good shiraz and pinotage, a native red.

Mandela's release helped market

Annual exports have grown to about 14 million gallons, 6 percent of the yearly production of 234 million gallons.

Before Nelson Mandela was released from prison in 1990 and became South Africa's first black president four years later, wine makers faced tough times.

From 1990 to 1994, shipments to Britain nearly quadrupled from 1,3 million gallons to just under 5 million. Sales to the United States shot up from 2 900 gallons in 1990 to 676 000 gallons in 1993. Other major markets include Canada, Germany, Belgium and the Netherlands.

Sanctions hobbled them from selling abroad and denied them imported machinery, cork and oak.

The industry-controlling KWV cooperative paid only survival prices for grapes to be sold as wine in the low-price domestic market.

Demand for wines is high

Some vintners evaded the sanctions, bypassing lucrative labelled exports and selling in non-traceable bulk bottled elsewhere with no mention of South Africa. The former Yugoslavia took the lion's share — up to 2.3 million gallons a year.

"Thank God Mandela got out of prison, because I don't think the wine industry would have lasted for another five years," says farmer Schalk Visser, who uprooted a quarter of his vines to plant less costly crops.

Times have turned so good the South Africans are having trouble meeting demand.

"It's really a matter of making sure there's enough to go around," said Steven Spurrier, a wine expert in London.

"Australia and New Zealand are already having supply problems."

As South African wine becomes more popular abroad, local tipplers complain of rising prices and being unable to find choice bottles.

Local tipplers complain of prices

The main market is Britain, a wine-loving country that makes virtually none and is a proving ground for the world's wine exporters.

South African wine undersells the medium-range competition by a pound or two (dlrs 1,50-dlrs) a bottle in comparable categories in Britain. Prices run from the equivalent of dlrs 4,50 for a 1994 chardonnay to dlrs 10,50 for a 1991 estate cabernet.

Competitors say the prices result from poorly paid labour. South Africa has few wage structures other than conscience, although Mandela's government is considering a minimum wage for farm workers.

Pay varies from the nearly middle-class package provided by winery owner Larry Jacobs — a three-bedroom house with electricity and hot water and R1 500 a month — to shacks, communal taps and R450 some others pay.

"Times have turned so good the South Africans are having trouble meeting demand"

Kenyans drink to SA

(3) WINE

By Joe Khamisi

Foreign News Service

Nairobi — South African wines have grabbed 75 percent of the market in Kenya since their introduction here two years ago. (BR) CT 16/3/95

Bill Parkinson, chairman of wine marketing company Winemasters, said this week there were plans to expand sales to Uganda and Tanzania.

Winemasters imports two container-loads (about 1 000 cases) from Stellenbosch Farmers' Winery each month, representing 27 different brands. Parkinson said more South African wines were sold in Kenyan supermarkets and hotels than European wines.

Bruce Neill of Exim International and a Winemasters director, said South African wines cost less than European wines because of the weak status of the rand. But he complained about high Kenyan import duties.

Wine producers will 'look after' local consumers

(3) WINE

□ Exports boom, but SA tipplers will be OK

ARG 27/3/95

TOS WENTZEL
Staff Reporter

CONSUMERS of good South African wine need not fear a shortage or sharp price increases as a result of much bigger exports.

There have been misgivings among wine lovers because some estates have sold out some of their top wines before the new season's become available towards August.

Spokesmen for wine companies and the KWV say this is largely a seasonal phenomenon at wine estates producing relatively small quantities.

They point out that, although booming, the export market remains small compared to the local market.

The attitude of South African wine producers is that they will look after their local market and foreign consumers who supported them in times when they were up against sanctions.

Stellenbosch Farmers' Winery spokesman Bennie Howard said that as far as his company was concerned, there was a good balance between local and international markets.

"We do not foresee any stock problems as far as our local consumers are concerned or any undue price increases except those caused by a rise in the price of other materials such as packaging," he said.

Recently the price of wine increased between four and five percent. Last year there was no increase.

"We will look after our local consumers," added Mr Howard.

He pointed out that many misconceptions existed about the increase in exports. Local sales were still far more profitable, he said. If transport and promotion costs were taken into account, it was fairly expensive to export.

South African wines overseas were up against fierce competition, especially from Australia and Chile, he added.

A KWV spokesman pointed out that only about six percent of the total wine crop, more than five million cases, was exported last year.

Part of the produce of wine farms was exported in the form of grape juice concentrate at good prices. This could be 10 to 20 percent of a potential wine crop.

A surplus of lower-quality wines had in the past been turned into alcohol for export and South Africa had never had a "wine lake" in the way the European Union had.

Sydney Back, veteran wine producer and former chairman of the Estate Wine Producers' Association, said there was no serious shortage of good wine. It was just that estates which produced smaller quantities did run out of certain varieties from time to time.

Crops in the past two years and again this year had also in many cases been smaller.

Picture: PIETER MALAN, The Argus.

TOAST: Anneke Ehlers of Boland Wine Cellars, Huguette de Villiers of Landskroon Estate, Leon Mostert of Zandwijk and Wendy Coetzer of Fairview raise their glasses to toast this year's Argus/Paarl Nouveau Wine Festival.

Hot-air balloon will be one of the highlights

Staff Reporter

THE impressive spectacle of a colourful giant hot-air balloon promises to be one of the main attractions of this year's The Argus/Paarl Nouveau Wine Festival on Saturday.

Featuring an unusual design of a globe exploding from a parcel, the balloon is part of an international freight company's publicity programme.

The visit to South Africa is the balloon's first international appearance, at the start of a worldwide tour designed to use its imposing dimensions and graphic colouring to promote owner DHL's marketing message.

The Argus PAARL Nouveau WINE FESTIVAL

Just after dawn on the opening day of the festival this aeronautic creation will lift off from one of the historic wine farms of the region, carrying a new vintage due to be released during the festival.

With Gunther Brozel as the flamboyant master of ceremonies and a mystery celebrity special guest, be there in time for the opening ceremony.

Tickets are still available from The Argus at R25 or from Computicket at R28,30, and the price includes a bus ride up the mountain from the parking site at Oude Renbaan to the festival site (no more parking problems at the top of the mountain!), plus entrance to the festival.

Winemakers being 'done' by wily French coopers

DAVID BIGGS
Wine Writer

SOUTH African winemakers are being cheated by French coopers, according to British Master of Wine Serena Sutcliffe.

Speaking at the end of a week-long tour of the Cape by 40 British Masters of Wine, she said the visitors had been immensely impressed by the advances made in the South African wine industry in recent years, but it appeared that our winemakers were being "done" by wily French coopers (barrel-makers).

"We repeatedly found wines that seemed to have been stored in ill-matured French oak," she said.

"My message to South African winemakers is: 'Get wise! Learn more about oak maturing and don't let the coopers palm off their rejects on you. You're being done'."

Another wine master, Neil Summerfelt, said he had been particularly impressed by the standard of South African Cap Classique sparkling wines.

"Our Cap Classique tasting was one of the highlights of the tour," he said. "I believe there's tremendous opportunity on the world market for you there."

He added that the packaging of the sparkling wines needed some attention if they were to compete on the world market.

He thought Cape Chenin Blancs and Pinotages should be promoted strongly overseas.

"There's great potential for these wines because they're pretty well unique to South Africa."

The Masters of Wine are all involved in the wine trade and more than 70 percent of all wine imported into Britain is handled by members of the Institute of Masters of Wine.

Most of the visiting wine experts have returned to Britain.

3 WINE ARG 29/3/95

WINE EXPORTS (3) WINE

Many a slip?

FM 7/4/95

South African wine exporters should put more effort into developing products for the massive mid-price range market which accounts for most of the phenomenal success of the Australian wine industry in the UK.

That is the advice from a 40-member delegation from the Institute of Masters of Wine (IMW) which has just completed an extensive tour of SA to assess the local wine industry.

It was the IMW's first visit to SA for 18 years. IMW membership is restricted to people involved in the wine trade. In the UK, members account for 75% of all wine purchases which total 70m-80m cases a year.

During its 10-day SA tour, the group tasted 270 wines and met more than 100 local winemakers and other representatives in the wine industry.

Their conclusion was that SA wines offer good value in the lower and upper price ranges, but mid-price range wines are inconsistent. They point out that wines in this category are vital in the UK which is currently SA's single most important foreign market.

One suggestion is that local producers concentrate on developing niche markets for Chenin Blanc and Pinotage, two cultivars virtually unique to SA.

SA Wine & Spirit Exporters Association chairman Jannie Retief says the IMW's visit was important to the local industry. He confirms that part of SA's problem is the lack of "upfront, easy-to-drink" wines.

Nevertheless, SA wine exports are still booming off the low base of the sanctions years and continue to beat projections. Last

year, exports totalled 6m cases —more than double the initial estimate of 2,8m. Retief says this year's figure could reach 9m, but markets are growing so quickly that accurate forecasts have become almost impossible.

SA's ambition to sell 11m cases of wine overseas by 2000 now seems to be an underestimation. Retief believes the figure may have to be revised to 20m.

The UK remains SA's single most important market with sales last year of just under 2m cases. The sales figure this year is expected to be close to 3m.

Canada is SA's quickest growing market with sales last year of 250 000 cases off a base of virtually zero. SA's main foreign competition in Canada is Chile which sold about 750 000 cases last year. Retief says there has also been strong growth in Denmark and Germany.

More foreign buyers celebrate auction's 21st

Top prices paid as wines snapped up

3 WINE

Cape Town — The 21st Nederburg wine auction came of age in fine style on Saturday with the largest participation by foreign buyers in its history.

The scene of the auction at the historic Nederburg estate near Paarl was set by the first lot — a case of 1969 Lanzerac pinotage — which sold for R4 200 or R350 a bottle.

Towards the end of the auction, R2 200 a case was paid for five six-bottle cases of 1948 KWV Limited Release port. The reserve price per case had been set at R910.

Another highlight was the R1 650 paid by Jeffreys Bay hotel owner Mario van Eden for six bottles of 1948 Monis port.

NEDERBURG'S high-society event raises more than R40 000 for charity

The Hospice Association was the beneficiary of the charity auction of rare wines which traditionally takes place after the main event. A total of R10 500 was raised from a bottle of 1815 Waterloo Madeira donated by British auctioneer Patrick Grubb, who has officiated at Nederburg for the past 21 years.

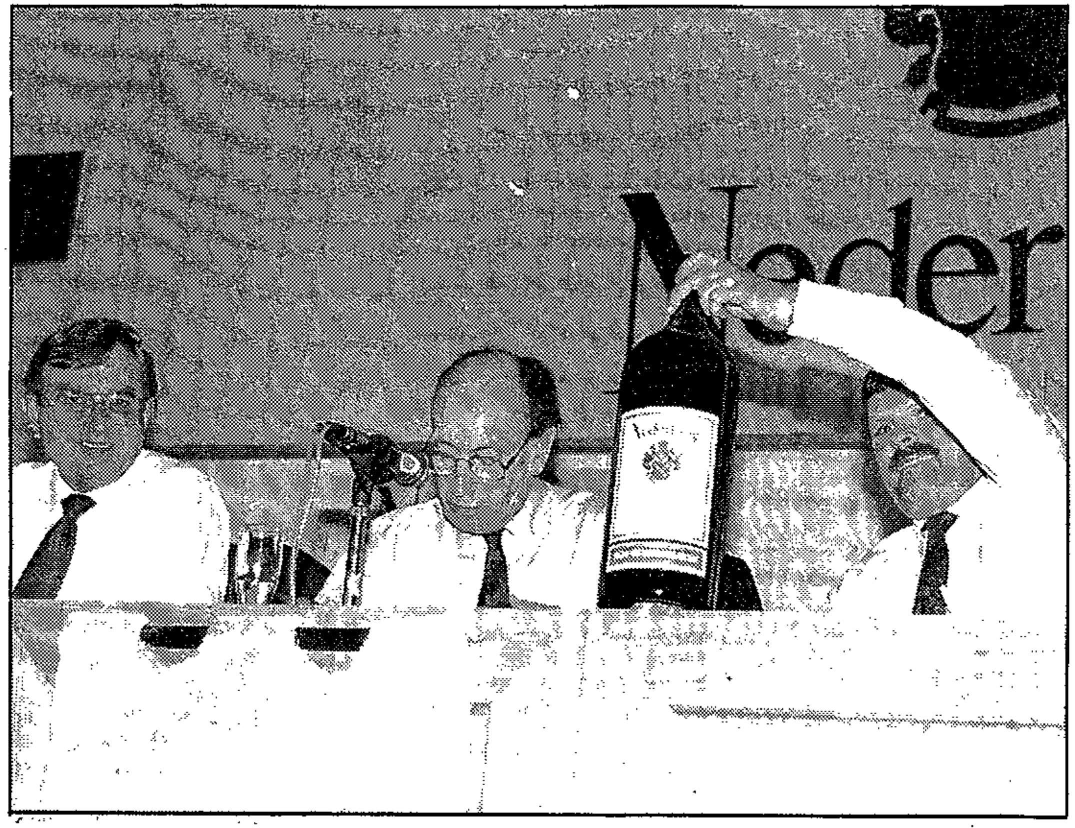
A bottle of 1962 Lanzerac Pinotage, the first ever bottling of this typically South African cultivar, fetched R1 200.

A total of R40 300 was raised in aid of charity.

The auction was opened by Chilean Professor Alejandro Hernandez, the president of an international organisation representing vineyard and wine producers. Hernandez said Chile and South Africa, as new-world wine producers, could work on their own strengths and weaknesses to make inroads into world markets.

Apart from the serious wine buyers, the auction has become one of the premier social occasions of the year in the Cape, and the peripheral fashion show and lavish lunch did not disappoint the hundreds of guests. — Own Correspondent, Sapa.

Star 10/4/95



A corker . . . auctioneer Patrick Grubb (centre) invites bids for this 1975 Nederburg Cabernet Sauvignon at the 21st Nederburg Wine Auction on Saturday. This bottle fetched R6 200.

PICTURE: ANDREW BERGMAN

Elitest wine images scare off potential buyers

(3) WINE
Sowetan
11/4/96

AN international wine expert says the image of wine should not become too elitist as this could frighten off potential users. Addressing the 21st Nederburg Auction in Paarl at the weekend, Chilean Professor Alejandro Hernandez said consumers already had to deal with high-priced wine and its myths and traditions.

"I think if the image of wine is too elitist it can cause problems for people wanting to buy it," said Hernandez, who is the newly elected president of the International Organisation of the Vineyard.

Restrained by myths

He said higher consumption would come from the improving economies of the New World, where consumers were not restrained by the myths and traditions of the past.

On the auction front, there was strong competition between local and foreign buyers on a day that saw local wines fetch a total of R2 880 196. Foreign buyers accounted for 39,4 percent of the day's sales — a figure which represented a decrease on last year's figure of 46,61 percent. The Taiwanese — followed by the Danes — were the largest foreign buyers, accounting for the 11,68 percent of sales.

Imported wines to keep prices in check

(5) WINE

LOUISE COOK

SHORTAGES could push prices of premium wines up by 30% this year, but increased competition resulting from the scrapping of the surcharge on imports would keep them in check, sources said yesterday.

Stellenbosch Farmers' Winery MD Frans Stroebel said bulk wine prices would probably not rise more than 12% as competition from Australian and French imports would increase in October when the surcharge on imported goods was dropped.

Futureline agricultural marketing MD Ika van Niekerk said no one in the industry knew if the price was right because current pricing, which operated on a minimum price system, was not transparent.

Meanwhile, severe shortages of premium wines were being experienced in the local market.

KWV said the 1994 exports of SA wines had reached a peak of 5,8-million cases, more than double the 2,58-million cases exported in 1993.

Cape-based cellar Bergkelder said many of its estates — including Uitkyk, La Motte and L'Ormarins — would have no more sauvignon blanc until the end of May.

Marketing director Nico van der Merwe said shortages were not caused solely by increased exports.

"It is directly caused by higher local demand. Local consumers have switched to drinking more premium wines, since economic conditions have eased and the political situation in the country has stabilised."

A shortage of pinotage could be added to the list.

Sources said a new trend had emerged among many of SA's winemakers, who were using typically Australian estate names.

This was being done to make futher inroads into the UK market.

According to a survey by British group Sainsburys, SA was heading for a 10% share of the UK wine market, 8% up from its current share.

KWV benefits from overseas marketing

(3) WINE

CAPE TOWN — Total SA wine, grape juice and brandy exports more than doubled last year to R300m, KWV Investments said.

In its annual report, KWV said its own exports, mainly to the US, Germany, Scandinavia and Canada, grew by 65%. BD 19/4/95

"In fact, exports to Canada equalled those of the pre-sanctions period eight years ago within this first year of KWV's re-entry into that market," KWV said.

Because of high packaging costs in SA, there was increasing pressure to export natural wine in bulk for bottling in Europe. SA bulk exports already amounted to more than 45% of total exports and export procedures had been tightened to ensure strict quality control.

The industry had held talks with the European Union about a possible wine and spirits agreement.

On the domestic market, KWV said the sale of natural wine increased by 8% last year and the "only negative feature of the domestic market is the exhorbitant increase in excise" — 26% on natural wine and 10,6% on brandy — which came into effect midway through last year.

The co-operative said that it ended the year to December 31 1994 with a record net income from own transactions of R79,9m compared with R29,5m the year before. The group ended the year with a net income of R102,9m compared with R28,8m.

"This satisfactory financial result is due to various factors, one of the most important being the successful marketing of brand products abroad," KWV said. — Reuter.

Demand still strengthening as wine exports double

WINE(3) ~~[illegible]~~) CT(BR)21|4|95

By Francoise Botha

Staff Writer

Exports of wine more than doubled last year — and the trend is expected to continue.

Figures released by KWV show that South African wine industry exports increased by 112 percent between 1993 and 1994.

The figures cover what is classified as "good wine", which means wine in bottle or bulk container and excludes wine intended for distilling purposes.

"The increase from 2,8 million cases to 5,93 million cases is significant and it seems that the demand for our top products is very strong," a KWV spokesman said.

Strong growth in exports is expected to continue. The wine industry has set high targets for the next few years and producers said they were on track to achieve these.

Jannie Retief, chairman of the South African Wine and Spirit Exporters' Association said, "the wine industry makes up 25 percent of the economic activity in the Western Cape and the only thing that is going to slow the growth in exports is a shortage of certain varietals like merlot and chardonnay.

"The association had hoped to increase exports to 11 million cases a year by the year 2000, but it looks like we will have to revise this target upwards," he said.

Markets have opened up gradually since 1990. Although South Africa is servicing more than 50 countries, experimentation with product mix and price brackets is only now starting to pay off.

The largest markets are European, specifically Germany and the United Kingdom, North America and the Scandinavian countries, with Canada also showing rapid growth.

Following the recent visit by the international Masters of Wine (MW), exports to the United Kingdom, our largest market, are expected to increase significantly. The MWs are responsible for 75 percent of the purchases of the 70 to 80 million cases of wine consumed in Britain annually.

At present, South African wines hold only 3 percent market share in the United Kingdom. Greater exposure and more aggressive marketing should push this share to 6 percent — an increase of 2,25 million cases.

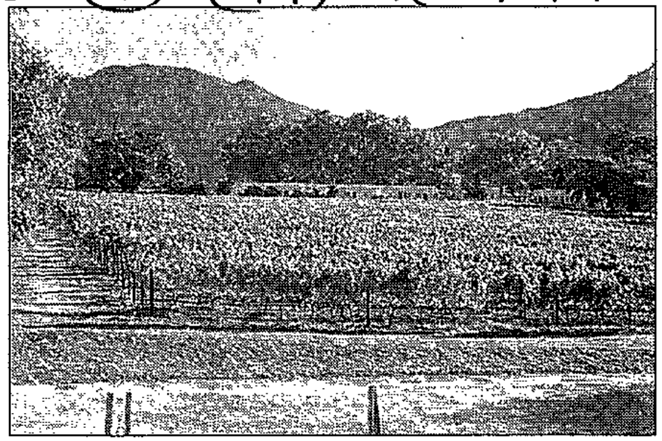
It is estimated that every 1 million cases exported creates an additional 1 000 jobs in the wine industry.

Richard Coleshaw, international marketing director of Stellenbosch Farmers Winery said: "South African wines have been very well received overseas and the growth in sales is an indication of that acceptance. However, the honeymoon period is over and we need to start competing on an equal footing with other new world producers like Australia and New Zealand."

Although British consumers are very price conscious, concern has been raised that the spotlight on South African wines is on the lower end of the market. Producers say that they would be happier if our wines could compete in the middle price brackets. Barring a few isolated examples, this is something South African producers have yet to achieve. Coleshaw added, "we need to increase volumes in the middle price bracket because it is essential to the export market".

Because most markets have already been opened to local wines, some producers are anticipating a slow down in the growth of exports.

Some estate producers who cannot keep up with the export orders, said the problem may be compounded by a "quality wine shortage".



GROWTH INDUSTRY *Winemakers are boosting export estimates*

WINE EXPORTS

YEAR	EXPORT VOLUME (millions of 9-litre cases)
1992	2,70
1993	2,80
1994	5,93

The export volumes are based on a standard 9-litre case, equivalent to 12 x 750ml bottles

Wine futures may mean Champagne prices

(3) WINE

LOUISE COOK

PREMIUM wines are soon to be traded on the SA Futures Exchange, but connoisseurs hoping to secure promising vintages at bargain prices may be disappointed — prices are expected to rise sharply as the new system gets under way.

Shortages could also help push prices up by 30% before the end of the year, industry sources said at the weekend.

Futureline agricultural marketing MD Ika van Niekerk said once trade started on Safex in July more local and international buyers would be attracted to the wine market, pushing up prices.

BD 24/4/95

He said Safex was creating an additional trading facility without disrupting existing ways of selling wine, such as auctions. Demand and supply would be the only factors determining which wines were traded, Van Niekerk said.

Meanwhile, a severe shortage of premium wines has developed in SA. KWV said last year's exports of SA wines reached a peak of 5,8-million cases, more than double the 2,58-million of 1993.

Cape-based cellar Bergkelder said many of its estates, including Uitkyk, La Motte and L'Ormarins, had no stocks of sauvignon blanc until June. Marketing director Nico van der Merwe said shortages were the result of higher local demand.

Stellenbosch Farmers' Winery MD Frans Stroebel said bulk wine prices would probably not rise more than 12% as competition from imported Australian and French wines would intensify after October 1 when the surcharge on imported goods went. "At the moment wholesalers are paying too much for bulk wines while premium wines are undervalued."

SA's top wines go on display

Own Correspondent

LONDON — The wines of 19 SA estates will be on show at the London Wine Trade Fair next month, an event which draws about 9 000 visitors from all over the world.

SA will be one of 15 countries exhibiting at the three-day show from May 16 to 18. In addition to traditional wine-making regions of France, Germany, Italy and Spain, the New World wines from Australia, New Zealand and California will be displayed. (3) WINE

Among the SA exhibitors will be Stellenbosch Farmers' Winery, Bergkelder, Klein Constantia, Hamilton Russel, Rustenburg and Boschendal.

A spokesman for Edward Cavendish & Sons — the agent for KWV in the UK — said sales had been "excellent" so far this year. She added that sales had been boosted by the media attention SA had received as a result of the visit by the Queen and its hosting of the Rugby World Cup. BD 25/4/95

19 SA estates on show at UK wine trade fair

CT 26/4/95 (3) WINE

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South Africa will be one of 15 countries exhibiting their wares on the three-day show — the biggest in the UK — from May 16 to 18.

Besides traditional wine-making regions of France, Germany, Italy and Spain, the New World wines from Australia, New Zealand and California will also be displayed.

Among the South African exhibitors will be Stellenbosch Farmers' Winery, Bergkelder, Klein Constantia, Hamilton Russell, Rustenburg and Boschendal.

KWV's net income of R79,9 million for 1994 was an all-time record, KWV chairman Mr Lourens Jonker said at Paarl yesterday. He said interest in South African wines was at an all-time high, with the total exports of bottled and bulk natural wines doubling in 1994 compared to 1993 — Own Correspondent, Sapa

Strong consumer demand for wines

(3) WINE

CAPE TOWN — SA's wine industry was experiencing the strongest local and international demand in its history, and grape juice concentrate and distilling wine imports could be required in the near future.

This was said by KWV chairman Lourens Jonker at the organisation's annual meeting in Paarl yesterday. Of about 4 700 registered SA wine farmers in SA, some 4 300 are registered with the wine and spirits producer KWV.

BD 26/4/95

"The majority of us here today have never experienced an era in which forces of supply and demand are as favourable as they are ... prices of top cultivars have already increased substantially," he said.

Jonker said due to the strong increase in the turnover of natural wine and brandy over the past year, together with the smaller 1995 wine crop, the total demand for grape juice could not be met. Plans for the short-term import of grape juice were already at an advanced stage.

The smaller 1995 grape crop had

EDWARD WEST

already caused shortages of distilling wine for the local market. Although the KWV would be able to replenish the deficits from wine spirit stocks this year, imports would have to be considered in the near future to replenish buffer stocks.

He appealed to producers to expand production as in five years 200 000 tons more than the average annual would be required. Estimates of turnover indicated that the average production of wine grapes would have to grow almost 3% a year.

Although the 1995 wine crop expectations of 9,8-million hectolitres had not been realised because of weather conditions, indications were that the 1995 crop would amount to 9,5-million hectolitres, about 4% bigger than last year but 5% down on the 10-million hectolitre record crop in 1992.

He said the KWV strongly opposed the 24,1% increase in excise duties on natural wines, and appeals had been lodged with authorities to investigate the matter.

CHEERS *Jan Siegelaar, a veteran estate worker, holds up a healthy bunch of grapes, a product which is becoming increasingly precious as more people in South Africa and abroad develop a taste for local wines*

(3) WINE

Wine shortage likely as export demand soars

CT(BR) 26/4/95

By Francoise Botha

Staff Writer

South Africa would run short of wine if the growth in demand in the domestic and export market continued at its current pace, the chairman of KWV, Lourens Jonker, warned at the co-operative's annual general meeting yesterday.

Total wine exports increased by 112 percent last year, pushing volumes from 2,8 million cases to 5,93 million cases. Domestic wine sales rose by 10 percent, while brandy sales grew by 15 percent.

"Viewed against the long-term decreasing per capita consumption of alcoholic products in South Africa, it is clear that the wine industry's share of the total showed a sharp increase at the expense of the traditional products," Jonker said.

Smaller crop

But wine supplies were running short.

Jonker said a smaller crop this year had caused shortages of distilling wine and grape juice concentrate for the domestic markets.

"KWV will be able to replenish the deficits from wine stocks this year but, in the near future, imports of distilling wine will have to be considered," he said.

The average production of wine grapes would have to increase by almost 3 percent a year to meet market requirements.

"This means that by the year 2000, about 200 000 tons more than the current average will have to be produced," he said.

This year's harvest is expected to be 4 percent bigger than 1993's, but — at 9,5 hectolitres — will still be down on the record crop of 10 million hectolitres in 1992.

Good year for local vintners

WINE
WM 28/4 – 4/5/95

After years of sitting with surpluses, local wine farmers are now struggling to keep up with demand, reports Lynda Loxton

AFTER years in the wilderness, South Africa wines are being hunted by foreign buyers and shortages of quality wines are already apparent at Cape wineries.

As a result, KWV chairman Lourens Jonker told the co-operative's annual meeting this week that South Africa, after years of wine surpluses, will have to take the unusual step of importing distilling wine and grape juice concentrate.

This is the result of a phenomenal growth in exports following the lifting of sanctions, and increased demand at home, on the back of intensive marketing campaigns and economic recovery.

In 1994, wine exports doubled to 5,8-million cartons, mainly to Europe and Canada and, Jonker said, foreign interest in South African wines was now "at an all-time high as more and more consumers identify with South African products."

As a result, the prices of top cultivars have increased substantially. Not surprisingly, this led to record results for KWV with income last year at an all-time high of R79.9-million, boosting cash on hand to R97,3-million. Of this, R34,8-million was paid out to co-operative members in January this year and a further R56,8-million will now be paid out as bonuses.

The demand for grape juice has also soared on the local and domestic markets. All this, plus good brandy sales, have wiped out the surpluses that used to dog the industry in years gone by and, Jonker said, now was the time for wine growers to start considering increasing production.

In fact, as part of the Reconstruction and Development Programme, KWV has an ambitious vision for the wine industry. Jonker said he would like to see another 200 000 tonnes of grapes being produced by the year 2000, which would help boost export earnings to R1,3-billion a year from the present R300-million. This would create another 5 000 jobs and increase investment.

The 1994/95 crop was smaller than expected at 9,5-million hectolitres, mainly because of the weather. This was about four percent higher than last year's crop but five percent smaller than the record 1992 crop. The good news, though, is that the 1995/96 crop is looking good. Jonker said red wines in particular are looking exceptional, "with good fruitiness, fullness and deep colours due to good grape sugars and relatively low juice extraction.

"White wines are also fuller with a fruitier character than usual. The standard of quality wines for brandy and grape juice was also good," he said.

Jonker said most of the farmers at the meeting "have never experienced an era in which the forces of supply and demand are as favourable as they are at present."

Several farmers said they would be watching carefully how the KWV handled the switch from operating in a climate of surpluses to one of shortages. They said stability was essential and hoped that the KWV would protect the interests of local producers while importing distilling wine and grape juice concentrate. This was obviously a reference to their fear that the market could be flooded with cheap wines, pushing prices down again.

Jonker had some advice on the new order for the farmers as well. In the past, they often accepted special packages from buyers who would buy some wines at prices equal to those offered by the KWV and others at lower prices just to get rid of surplus stocks. Now, he said, they had market forces working in their favour and "should not allow (themselves) to be exploited by opportunistic schemes ... there is no reason whatsoever for export wines to be sold for less than the domestic minimum price."

One farmer, however, complained that wine farmers often had no choice but to accept these packages. "We are in their hands ... they bully us and we have to take their prices."

Jonker said this could be avoided if the growers "learned to stand together". They could then get the prices they wanted no matter what pressure was put on them, he said.

Several farmers complained that although KWV had announced handsome payouts, these were quickly eroded by operating costs and higher payouts were needed.

In the past KWV has come under considerable flak for the minimum prices it pays for "good" and distilling wine, but, Jonker said, it was doing its best to "establish a market-oriented price system."

Heady days: Wine farmers can't keep up with demand PHOTO: PAUL WEINBERG

Good year for local vintners

③ WINE WM 28/4~4/5/95

surpluses, local wine farmers are now struggling to keep up with demand, reports Lynda Loxton

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It's a wine import-export merry-go-round

■ BY FRANCOISE BOTHA

Cheaper wines are being imported to offset a wine shortage caused by rising exports, says Cape Town retailer Oscar Foulkes of the Wine Warehouse.

Increasing local demand for low-priced, easy drinking wines was also causing sources to dry up, he said.

The KWV has suggested that an increase in production of 3% a year will be needed to meet rising demand, but local wine farmers who do increase vineyard plantings will need to wait a number of years before vines bear fruit.

In the meantime, the shortage will continue.

The KWV estimates that by 2000 ~~an~~ extra 200 000 tons will need to be produced. To meet the demand, lighter style cabernet sauvignons were being imported from Chile to satisfy the shortage in the ready-to-drink, below-R10-a-bottle category.

(3) WINE

Exports tutti frutti for Cape

ARG 29/4/95

3 WINE

JOHN VILJOEN
Business Staff

THE Cape's blossoming fruit and wine exports will realise R3 billion in sales this year for European-based marketing company Capespan.

Fast-growing Eastern European consumption of Cape fruit had prompted the company to start a Moscow office which would open its doors shortly, Unifruco chairman David Gant said.

Capespan was formed in October when Outspan and Unifruco merged their European marketing operations. The rationalisation had already saved between R12- and R15 million in operating costs, Mr Gant said.

Factors limiting the success of fruit and wine exports remain European tariffs, currency fluctuations in some countries, and crops which have disappointed in size or quality.

Recently returned from a round of meetings with Capespan, Mr Gant in an interview outlined the export performances and prospects of this year's fruit crops.

Nectarines, apricots and peaches had all performed better than last year. Volumes were higher than last year, but plums had proved a disappointment, he said.

Although the volumes were 20 percent higher than last year, some quality problems were experienced with the plum crop.

The problems began with periods of high temperature while the fruit was on the trees. High winds in Table Bay delayed the fruit's departure for Europe. The end result was poor quality fruit and lower prices than 1994, he said.

"This has been a disappointing year for plums which is sad as they have been something of a flagship. But it is a seasonal hiccup which we do not expect to happen again."

The pear crop was up on last year and export prices are higher.

Apple sales had just started in Europe, but it looked like being a good year for the Cape. The quality of apples from Northern Hemisphere producers was not good this season and good quality South African produce was taking advantage of this.

"All the supermarkets in the United Kingdom have switched from French Golden Delicious apples to South African Golden Delicious. This is a very good sign, and we don't expect too much competition from countries like Chile and New Zealand."

Exports to East Europe were taking off with "leaps and bounds" and Capespan was about to open an office in Moscow, Mr Gant said.

Sales in Eastern Europe would boost Capespan's European turnover to over R3 billion this year.

The devaluation of Southern European currencies against the Deutschmark had made South African produce expensive in these markets, he said.

It had become all the more important for the South African authorities to secure some form of duty relief for exporters, either in terms of the Lomé agreement or some other bi-lateral arrangement, he said.

Sales of Cape wines, another of Capespan's export activities, had taken off in Europe and it was difficult for the company to keep up with demand, a view echoed by KWV chairman Lourens Jonker this week.

The volume of table grapes sold also increased by more than one million cartons this year and farmers should also earn more than in 1994 in spite of quality not being the best, Mr Gant said.

London office for exporters of SA wine

3 WINE

CT (BR) 8/5/95

By Francoise Botha

Staff Writer

The SA Wine and Spirit Exporters' Association (SAWSEA) has opened an office in London in response to the strong growth in South African wine exports.

The aim of the move is to strengthen the generic marketing programme that was established in1990, along the lines of the highly successful campaign launched by Hazel Murphey for the wines of Australia.

A KWV spokesman said: "The generic programme is not involved in the marketing of an individual wine, but rather raising the awareness of the presence of South African wines in the UK market."

SAWSEA represents the producing wholesalers, including KWV, SFW, Distillers Corporation, Douglas Green Bellingham and a number of independent producers.

The activities are being financed largely by the 58 members of SAWSEA, who represent over 100 producers. A small subsidy is also provided by the Department of Trade and Industry and grants from the KWV.

A KWV spokesman confirmed that the organisation makes a proportionate contribution to the SAWSEA, as do all members. Over and above that, the KWV contributed an additional R1,5 million in 1995 to assist with the initiatives taking place in the United Kingdom.

Andries van Tonder of SAWSEA said: "We hope that we will be getting this amount on an annual basis."

Sales of South African wine in Britain have increased substantially over the past four years from 190 000 cases in 1990 to about 2 million in 1994.

The organisation is responsible for more than 80 percent of wine exports to the UK worth more than R200 million in FOB value.

Van Tonder said: "We anticipate an increase in exports in the region of 20 percent internationally."

A British Master of Wine, Jane Hunt, has been appointed to handle the campaign.

WEDNESDAY
MAY 10, 1995 ★

91% rise in wine to UK

LINDA ENSOR

(3) WINE

LONDON: South African wine exports to the UK topped 1,9 million cases last year — a whopping 91% rise over the1993 figure and 909% up on 1990.

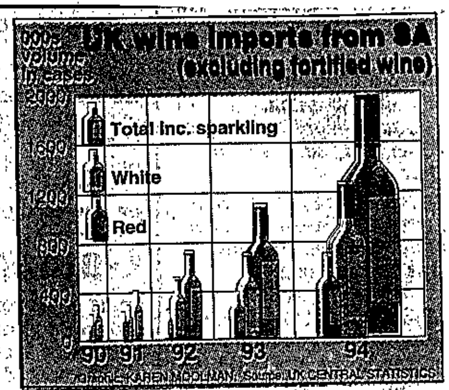
A spokeswoman for the London-based marketing organisation Wines of South Africa said the figures showed that South Africa was now well-positioned as one of the leading sources of New World wines in Britain, South Africa's most important export market.

South African Wine & Spirit Exporters' Association chairman Mr Jannie Retief expressed delight at the achievement, which he said was well ahead of wine industry targets.

CT 10/5/95

Wines of South Africa's Ms Anna Sandin said there was every indication the positive trends would continue, particularly because of the imminent 1995 Rugby World Cup in SA.

She noted UK distribution of SA wines had broadened across all price sectors, increasingly within both the higher and mid-market prices. The pinotage, in particular, was a favourite.



SA wine exports to UK soar by 91%

LINDA ENSOR

WINE (3)

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A spokesman for London-based marketing organisation Wines of SA said the figures showed SA was now well positioned as one of the leading sources of "new world" wines in Britain.

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Wines of SA's Anna Sandin said there was every indication the positive trend would continue.

BD 10/5/95

UK distribution of SA wines had broadened across all price sectors, with pinotage particularly favoured, she said.

BD 17/5/95

Fruit, wine sales soar

(3) WINE

Linda Ensor

LONDON — The gross income earned by SA fruit farmers this year would reach an all-time high as volumes and prices of most varieties had soared to record levels, Capespan International MD Louis Kriel said yesterday.

In the European market — the main market for SA fruit — gross earnings were expected to exceed £500m compared with the total £428m generated by Unifruco and Outspan last year before the merger of their European operations.

Therefore turnover would grow at least 17%, though Kriel cautioned against describing the year as a bumper one for farmers, saying that some would not earn as much as others.

Kriel said fresh fruit volumes had been very good. Year on year 1,5-million more boxes of grapes had been sold this year in Europe alone.

Wine sales had been so successful that Capespan was running out of stocks.

Regarding costs, Kriel said the rationalisation of Unifruco and Outspan in Europe had already generated cost savings, and there was potential to save a total of about R50m.

49-1410

KWV scoops UK wine medals

(3) WINE

CT 24/5/95

KWV has scooped two of the four gold medals awarded to South African wine cellars at the 1995 International Wine Challenge in the United Kingdom.

It won the awards for its 1992 Cathedral Cellar Triptych and the 1979 KWV White Jerepigo.

Global warming a threat to Cape wines

Star 27/5/95 (3) WINES

BRENDAN SEERY

Sauvignon Blaagh! Pinot Nausea, and Chardo-No Way!

Those vintages could be on the South African 21st century wine list, if global warming wreaks havoc in Cape vineyards, viticulture researchers have warned.

A rise in temperature in the Western Cape grape growing areas would reduce the area available for prime quality wines which prefer cooler weather, says Francois De Villiers of the Nietvoorbij Institute for Viticulture and Oenology in Stellenbosch.

Higher temperatures in the growing, ripening and harvesting periods would "undoubtedly affect wine quality "right across the spectrum".

De Villiers and his colleagues Andre Schmidt and Ryk Taljaard said in a paper presented to a Pretoria conference on impending global climatic change that the South African wine in dustry would "lose its competitiveness on the world peak quality wine market".

The researchers analysed the probable impacts of global warming on the wine industry by running a simulation where the global atmospheric carbon dioxide content would double and where mean temperatures would increase by 2deg C.

The results, according to De Villiers, were "a bit of a surprise because we did not think the effect would be so big".

Mike Dobrovic of Mulderbosch estate in Stellenbosch said farmers in the Cape had already noticed climatic changes from the "old days" and added that the global warming issue would "have to be taken very seriously indeed".

He said he believed that if the temperature rise was as high as four or five degrees, then as much as 80% of quality wine producing area would be lost.

Farmers would have to adapt their growing and harvesting techniques and would probably have to plant different cultivars, he said.

Anthony Hamilton-Russell, of Hamilton-Russell vineyards, said he was "not losing any sleep" over the global warming predictions, although he did take them seriously.

"If the change happens suddenly, say over five years, then there will be certain areas which will be ill-equipped to deal with the consequences. However, if it is more long term, the industry will adapt its techniques and cultivars to cope."

He added: "I do not think we are facing a disaster".

"Seeing the improvements in quality which are being made in the hotter wine producing areas of the world — such as Greece, parts of Australia and parts of the south of France — I would say quality would not suffer greatly.

"In any event, the changes would not be so much ones of quality, but of character," he added.

SA wine prices set to soar

(3) WINE

CLAIRE BISSEKER
STAFF REPORTER

CT 29/5/95

SOUTH AFRICANS could see boutique wines priced beyond their reach and lifestyle wines drop in quality as the export boom takes its toll on the local market.

The "critical" wine shortage has seen KWV urging farmers to plant new vines to increase production by 200 000 tons (about 20%) by the year 2000.

But until the new vines mature, in about five years, prices will climb to record highs.

Wine expert Mr John Platter said: "Local consumers have had it pretty good for many years. It looks as if we are going to be paying international prices for a while."

Wine retailer Mr Vaughan Johnson believes many wineries will be tempted to reduce the discrepancy between export and domestic prices. He expects a second price increase in August, which could push prices up by 15% across the board in the next 12 months. Foreign demand was strongest for SA boutique wines, which could increase by up to 25% over the next year, he said.

Any good co-op Cabernet Sauvignon at R10 is a "bargain", according to Simonsvlei Winery general manager Mr Kobus Louw, who expects the price to reach between R15 and R20 a bottle by the end of the year.

High demand saps KWV's distilling pool

(3) WINE

By Françoise Botha

Staff Writer

CT (BR) 8/6/95

The distilling wine pool is expected to be much lower than last year because of growth in demand for both wine and brandy, says Wihan Viviers, manager of the KWV economic services department.

"This is likely to impact on a number of industries, from fruit juice to pharmaceuticals," he said.

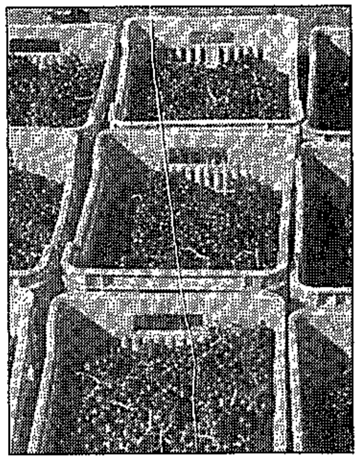
The pool, which is also used to produce grape juice concentrate, is determined by the total crop less the portion that is used to produce brandy and what is termed "good wine", sold either in bottle or bulk.

Concerns have been raised by fruit juice producers, Ceres, that the reduction will impact on the price of concentrate, which makes up the basis of their products.

Morrie Morrison, managing director of Ceres Fruit Juices said: "We have already had a 60 percent increase in the price of concentrate, but further increases will have to be absorbed because we can't pass these on to the consumer."

Distilling wine is also used for the production of neutral wine spirit for the liquor trade and pharmaceutical industry. Figures released by the KWV reflect a decrease in the distilling wine pool of 18,6 percent from 4,3 million hectolitres in 1993 to 3,5 million hectolitres in 1994.

"The KWV anticipated that the wine available for distillation and grape juice concentrate would be 45 percent of the 1995 crop, but this figure is now expected to fall to between 25 and 30 percent, which is equivalent to about one million hectolitres of grape juice," Viviers said.



SHORTAGE *KWV expects the wine available for distillation to drop dramatically this year*

A KWV spokesperson confirmed that imports of both distilling wine and wine for grape juice concentrate were being considered.

"The increase in export demand for good wine has also added pressure to the market. There used to be a portion of good quality wine that went into the distilling wine pool, but now there is such a demand that more farmers are finding it worthwhile to bottle this wine," he said.

Vlam Fourie, winemaker at Lateganskop, said: "In the past, distilling wine made up 23 percent of our crop, but because of new technology we have been able to reduce this to 8 percent. The increase in demand for good wine has certainly played a role in this and we are now selling greater quantities to the bulk wholesale market."

Why our wines are making a big splash

(3) WINE

The Argus Foreign Service

BORDEAUX. — South African wines have made a major breakthrough into the world market over the past two years, official trade sources said here.

They are being exhibited, with wines from 42 countries at the celebrated biennale World Wine Salon *Vinexpo* which opened here yesterday.

The world's acknowledged leading wine expert, Philippe Faure-Brac, lists two South African wines in his Top Ten which he serves in his elegant restaurant, the Bistro, in the swank Boulevard Hausmann.

One is a white Hamilton Russell 1993, priced at R32 a bottle, and should be drunk with roast poultry or veal. The other is also a white, Vin de Constance from Klein Constantia 1989 priced at R62 a bottle, and drunk with foie gras or alone.

The other wines on his list come from Argentine, Australia and Chile which together with South Africa "represent the New World in this domain as a spectacular new phenomenon." ARGT 20/6/95

"Figaro-Economique" noted that: "Within a few years these emerging wine producing countries have become serious competitors for France, Italy and Spain.

"This competition really started 15 years ago when Californian wines hit European exports which in the '80s averaged 40 million crates annually, compared with 15 millions today.

"Canada, which traditionally imported French and Italian wines, has turned to the New World wines which have taken 16 percent of the market."

South African wines obtained 1,1 percent of the world market in the two-year period 1991-1993, compared to New Zealand (1,4 percent) and Australia (7,9 percent).

Their wines hit European producers, with France's market share slipping from 49 percent to 46,5 percent.

Bernard Magrez, France's leading wine importer, noted: "These New World wines have several trump cards in their favour. Their wines are very good and show a great improvement in former years. They are cheaper at R6 to R7 a bottle because labour costs are lower. In France, vineyards pay a labourer R4 000 monthly, compared with R350 to R400 in Brazil, Argentine and South Africa and even less in Chile.

"They have the advantage of using aggressive and highly successful sales methods backed by such powerful organisations as South Africa's "KWV" and California's "Gallo". While in France our wine trade is split up into 400 dealers, most of them too small to be active overseas."

SA wine exports increase

(3) WINE

By FRANCOISE BOTHA

CT(BR) 23/6/95

STAFF WRITER

Bordeaux — South African wine exports are expected to increase significantly on the back of extensive interest from the international wine trade. But a shortage of certain varieties is likely to hamper supply.

John Sheppard, International Marketing Manager of Stellenbosch Farmer's Winery said at Vinexpo, the international showcase of world wines held in Bordeaux, France, that producers would have to hold back some wines because they do not have enough to meet the increase in demand.

"Export expectations are very positive. In light of the more than doubling of South African wine exports since the elections last year, there seems to be greater acceptance of our products on foreign markets. The export trend could continue if we had more wine available," he said.

Andries van Tonder, co-ordinator of South Africa's presence at Vinexpo and spokesman for the South African Wine and Spirit Exporters Association, said: "Year on year to April, we have seen an increase in exports of 20 percent to the UK markets and an average of 17 percent globally, and the main buying period hasn't even started yet.

"We expect an increase in exports later this year as the new vintage becomes available and wines are bought for the Christmas season.

"I don't think we will be able to double our exports again because of the wine shortage and the fact that we have entered most markets already.

"But we should be able to increase them by at least 20 percent or 1,2 million cases," he said.

"This gives us an opportunity to refocus our products. We are trying to move away from bulk wines and further into the branded products market," he said.

Julius Laszlo, winemaker of Montestell Wines for the export market and consultant to L'Ormarins said: "While there have been firm export orders, the market is consolidating."

SUNDAY TIMES, June 25 1995 39

SA wines come of age to win gold

(3) WINE ST 25/6/95

By IRINA VON HOLDT

SOUTH AFRICA beat the French again last week, when three South African wines won gold medals at the world's largest wine show and a South African brandy walked off with the prestigious Domecq trophy for the best brandy.

The La Motte Millenium 91, a Bordeaux-style wine, beat French opposition to win gold at the Vinexpo Show in Bordeaux, France.

Two other South African wines — Simonsig Chardonnay 93 and Alto Cabernet Sauvignon 87 — also won gold medals.

And the International Wine and Spirit Competition this week awarded the Domecq trophy to SA's newest estate brandy, Sydney Back, named after its estate owner. The trophy gives Sydney Back the status of the world's best brandy this year.

The South African stand at the bi-annual Vinexpo show was the largest to date and winemakers were pleased with the country's performance.

Said Pieter de Waal of Uiterwyk: "The French are getting worried — if we can produce this quality at our prices, we are a threat to them." The French wine industry has taken a hammering from US competitors who have produced ready-to-drink, attractive, clean fresh wines. This year, the French fought back strongly entering 38 exhibits in the Vinexpo show and lured customers and journalists to nearby chateaux for lunches and dinners.

Other South African wines that caused excitement at the show were the Allesverloren Shiraz and the Uitkyk Cabernet/Shiraz blend, said Nico van der Merwe of Bergkelder.

Frenchman Allain Huchon, now of Morgenhof estate in Stellenbosh, was ebullient. "We're having fun and we feel at home — we've been interviewed by French radio and TV. We have only one problem — we don't have enough stock because we are keeping it back for the South African market," he said. The show was housed in three halls. The largest hall was half a kilometre long with five aisles lined with exhibits on both sides — providing 10km of uninterrupted wine tasting.

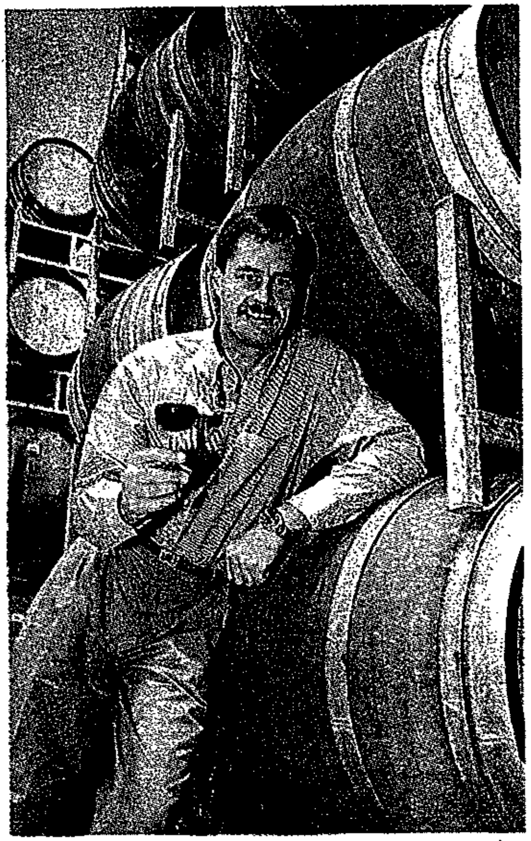
The show has its own post office, bank and fire brigade. An interval shuttle circulates every 15 minutes and the huge parking area is patrolled by police on horseback.

Four tons of glass was collected on the first day for recycling.

Rugby visitors give SA wine sales a boost

ARG 1/7/95 (3) WINE

■ Tourists in Cape Town for the Rugby World Cup have boosted the wine industry, already forging ahead on world markets by leaps and bounds.



Pictures: HANNES THIART, Staff Photographer.

☐ **SUCCESS:** Franschhoek's La Motte estate walked off with a gold medal at Vinexpo for its Millennium cultivar 1991 and Alto estate for its 1987 Cabernet Sauvignon. Here La Motte winemaker Jacques Borman celebrates.

IRVING STEYN
Staff Reporter

THE popularity boom in South African wines overseas is raging unabated, bringing unprecedented foreign earnings to the Western Cape and heralding a huge upsurge in tourism.

Boosting the popularity of the wines was the flow of thousands of tourists through the Cape's vinyards during the Rugby World Cup.

"We expect our sales overseas to grow as a result. Our overseas visitors will go home and look out for South African wines. Every bottle sold is a tourism advertisement for South Africa and the Western Cape in particular," KWV marketing executive Piet Momberg said in an interview.

He would not be surprised, he said, if sales increased overseas by 50 percent, which would put a strain on certain top varieties.

Last year exports more than doubled to 5,8 million cases. In 1993, 2,58 million cases were sold.

Britain took almost two million cases, making it the Cape's most important market.

Total export turnover of South African wine products amounted to about R300 million in 1994. Total export equalled about 16 percent of the local consumption of light wines.

KWV's total exports increased 41 percent compared with the previous year. Exports of packaged KWV wines showed solid growth, particularly to Canada, Scandinavia and the USA.

Within the first year of KWV's re-entry into Canada, exports to that market were three times mroe than originally budgeted for.

KWV is becoming more active with consumer-oriented promotional programmes in many markets. There are new ranges of wines being developed and the KWV label is getting a facelift to ensure it keeps abreast of trends in the 1990s.

Jannie Retief, KWV's chief marketing executive and chairman of the South African Wine & Spirit Exporters' Association, said there appeared to be no slowing down in the export growth.

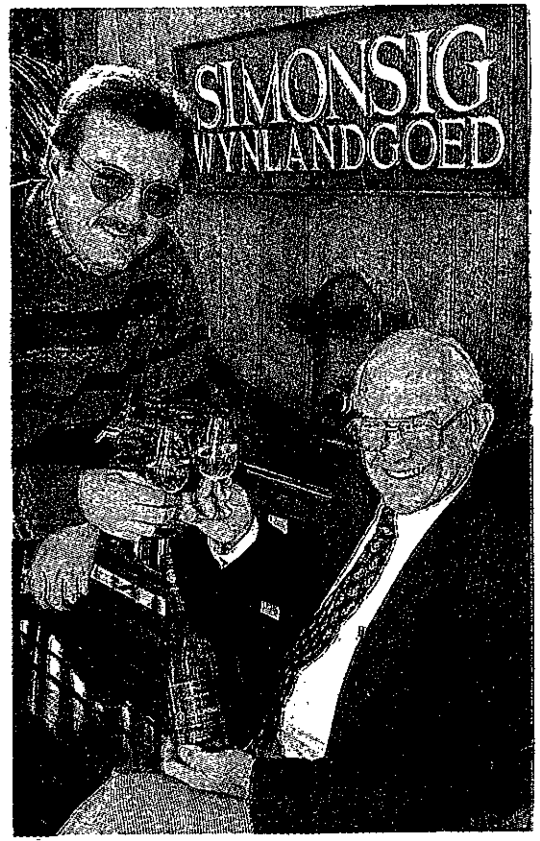
"It is phenomenal. More and more countries are listing our wines and we'll have to seriously re-evaluate our initial estimates of exporting 11 million cases by the turn of the century.

"With almost six million cases sold in 1994 and no sign of a let-up, it is obvious we should surpass that figure long before then, so we'll have to adjust our estimates.

"We aim to export the equivalent of 30 percent of domestic consumption.

"We have to accept that as an industry we are moving into an era of shortages with respect to certain noble varietals such as Chardonnay, Sauvignon Blanc, Pinotage and Cabernet Sauvignon.

"We will set clear priorities with respect to products and markets. I see this as a short-term situation because large-scale planting of these varietals has been ongoing in South Africa's premier growing regions over the past few years," Dr Retief said.



☐ **GOOD STUFF:** Right: Simonsig Chardonnay 1993 has won a gold medal at the prestigious Challenge International du Vin at Vinexpo in Bordeaux, the only South African white wine to win a gold at the tasting. Here Simonsig founder Frans Malan, right, and his winemaker son Johan taste a bit of the good stuff in celebration.

World Cup heralds golden harvest

Linda Ensor

BD 12/7/95

(3) WINE

LONDON — The rugby World Cup not only proved a unifying force for the fledgling SA nation — it also had a dramatic effect on international wine sales.

Sales of SA wine showed a substantial rise in the first four months of this year compared with last year. And an even more bouyant growth was expected for May and June when retailers, supermarkets and wine outlets staged special World Cup-linked promotions of SA wines.

"It's fantastic," trade minister at the SA High Commission Peter Pullen said yesterday when the latest figures were released. The performance, he said, was obviously linked to the publicity SA received in the build-up to the World Cup which had sustained the previous growth record.

"People who have tasted our wines are truly complimentary."

In April alone, 1,57-million (1,14-million) litres of SA wine were sold in the UK, bringing the total so far for the year to 4,3-million litres, a year-on-year rise of 65% over last year's 2,63-million litres and 1993's 1,98-million litres.

This put SA in third place behind Australia which sold 10-million litres between January and April and Bulgaria which sold 7,4-million litres. SA was also ahead of other new world wines from America, Hungary, Chile and New Zealand.

Bob Topp, SA brand manager for KWV's agents in Britain, said business was "booming" — so much so that some retailers had run out of all their stock of KWV's wines, the most popular of which were the Chenin Blanc and Roodeberg.

Topp, brand manager for Edward Cavendish & Sons, said KWV was on target to increase its sales by 50% this year.

But Wines of SA director Jane Hunt cautioned that only wines in the £2,99 to £3,99 price range were selling well, and there was a need to push for sales of the higher priced wines.

However there was no doubt that SA wine sales were growing and would continue to grow, especially as Australia had suffered a severe drought this year which cut volumes 30%. Spanish volumes had also been reduced last year by drought and this year by a frost.

As New Zealand's supplies were limited, there were tremendous opportunities for SA to increase its market share.

Wine experts were confident that SA wine sales in the UK would far exceed the total 17,6-million litres sold last year.

Boycott against French wines good for SA

BD 17/7/95

(3) WINE

LONDON — SA wine sales could be unexpectedly boosted by a boycott of French products in protest at the French government's decision to resume nuclear testing in the Pacific.

According to the Independent on Sunday, anti-nuclear protesters in Britain are launching a consumer boycott which aims to cut British consumption of French wine by a quarter.

Ironically, South African wines were targeted by anti-apartheid protesters in the 1980s — virtually wiping them from shop counters.

Although supporters of the boycott will be urged to change to Australian or New Zealand wines, SA, as an increasingly popular producer, may also benefit.

Leaflets are being distributed outside supermarkets showing a wine bottle and mushroom cloud. A spokesman for the 13-member Nuclear Test Ban Coalition said they believed the boycott action will hit the French wine market hard.

Yesterday, anti-nuclear protesters gathered in Trafalgar Square to mark the 50th anniversary of the first nuclear test explosion in the New Mexico desert.

Technology boost for wine, fruit exports

~~(3) FRUIT~~

(3) WINE

Staff Reporter

WINE and fruit farmers have launched their fourth Wine Farmers' and Fruit Growers' Exhibition at the Good Hope Centre.

The exhibition, aimed at the wine and fruit farmer, winemaker, fruit processors and exporters, was opened by the managing director of KWV, Willem Barnard.

Speaking at the official opening, Dr Barnard said the wine and fruit markets were strongly influenced by South Africa's geographical position and the country's technology.

South Africa's geographical position was an advantage because in certain instances, it eliminated severe competition from developed countries in the Northern Hemisphere. It was also closer to European markets than most countries in the Southern Hemisphere.

To best exploit the geographical position a technological push was required. The farmer needed a techno-partner that provided him with the latest technology and the best international standards and practices.

ARG 18/7/95

Dr Barnard said technological improvements invariably meant automation, mechanisation and informed decision-making. On the surface this seemed like a threat to job opportunities, but in reality quite the opposite was true.

South Africa desperately needed these employment opportunities. "therefore we must ensure that the market remains successful".

The exhibition features new technology, products and services with 135 companies taking part in this year's event and is open between 10 am and 6 pm.

NEW TECHNOLOGY: The new diesel forklift truck shown at this year's Wine Farmers' and Fruit Growers' Exhibition. Rita Du Toit tries out the new machine while Jim McCarthy gives it the thumbs up. Picture: HANNES THIART, The Argus.

'Cape wine and fruit industry jobs safe'

ARGT 18/7/95

~~3 EMPT~~ 3 WINE

JOHN VILJOEN
Business Staff

INCREASING use of the latest in technological innovation will not threaten jobs in the fruit and wine industry, according to KWV MD Willem Barnard.

Opening the Wine Farmers and Fruit Growers Exhibition at the Good Hope Centre in Cape Town yesterday, Dr Barnard said technology should boost employment levels by making farmers more productive and competitive.

"Jobs come about as a result of good business. Wine and fruit growers have to be successful to allow the growth of job opportunities."

Dr Barnard said technological advances were essential support for farmers in their bid to grow their markets, before touring displays of aids ranging from electrified fencing to the latest in computer-enhanced agriculture.

Much of the exhibition is devoted to various packaging alternatives available to farmers, but other stands at the trade show displayed irrigation systems and the benefits of modern agricultural research.

Dr Barnard said the South African wine and fruit industry had some way to go to achieving good production cost levels.

Manufacturers which gave them technological support should direct their efforts toward helping bringing these costs under control.

He also warned that there was no place in world markets for sub-standard produce.

Another vital aspect was ensuring that South African goods matched the environmental standards set overseas.

"We are also sure you are sensitive to the environmental responsibility we have," he said, referring to support industries.

There was a firm demand for environmentally sound production methods the world over. "We have to demonstrate our commitment to this to the world market," Dr Barnard said.

The South African fruit and wine industries had definite advantages over international competitors for lucrative northern markets.

The country had a distinct advantage when it came to getting its produce to Europe before competitors in South America and Australia.

But more important was the geographical variety within the country which allowed farmers to grow a full range of produce to meet the needs of export markets.

The two key factors which controlled the success of South African producers were the industry's inherent strong points and the technology which gave farmers the edge, he said.

Fruit and wine give business a boost

CT(BR) 20/7/94 (3) WINE

By Françoise Botha

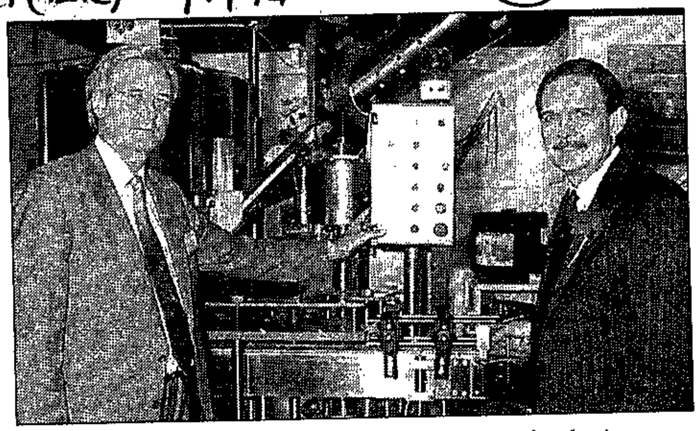
Western Cape businesses affiliated to the wine and fruit industry are booming, with some suppliers reporting a doubling in demand over the past year, and the trend is expected to continue.

In line with the increases in both domestic and export demand for local produce, suppliers of bottling, labelling and packaging equipment said at the Wine Farmers and Fruit Growers Exhibition held in Cape Town this week that considerable investment was being made in local industry.

Peter Peck, managing director of C de Solla Agencies, said: "Overseas suppliers are more inclined to give back-up now that we are moving greater volumes of machinery."

On average, suppliers reported that orders had increased by between 35 and 50 percent over the past year, with some reporting increases of over 100 percent.

"This is largely because of the big increase in the demand for wine from both local and overseas markets. As a result, producers are looking at new equipment to increase the recovery of good quality wine from pressing," he said.



TOP MARKS *Johan Beyers, the managing director of packaging machines company Filmatic, and Willem Barnard, the newly appointed managing director of KWV, with Filmatic's prize-winning stand*

Demand for other equipment in the wine industry, specifically bottling and labelling equipment, has also increased.

Frank Mason, sales and marketing manager of KHS Manufacturing, specialists in the bottling and packaging market, said that the increase in demand was largely from businesses that had put projects off shortly before the election and had now decided to continue with these plans.

Investment in the fruit farming and processing industries has followed suit with local equipment suppliers also reporting an increase in orders of 40 percent, but saying that the strongest growth in the market is still to come.

A packaging manufacturer said he expected even bigger increases in demand within about three years.

Good yields for Cape fruit and wine exporters

MAUREEN MARUD (3) WINE
Business Reporter

VINFRUCO, a marketing partnership of Cape fruit and wine producers, achieved export turnover of more than R10 million last year.

Selected as one of six finalists in the Weekend Argus/Cape Chamber of Commerce and Industry Exporter of the Year competition, Vinfruco has become a major exporter of wine from South Africa in only three years since it was founded in 1991 as a joint venture between Unifruco and eight Stellenbosch wine producers.

Vinfruco's exports have created seven permanent jobs, and indirectly 12 jobs at Stellenbosch Central Bottling Co-operative, which has invested R7,5 million to cope with the export volumes generated by Vinfruco. This has included a third dedicated bottling line.

In 1994 exports accounted for 99,5 percent of Vinfruco's total sales. In 1993 exports amounted to 98,7 percent of total sales, and in 1992 sales were 100 percent export.

ARG 29/7/95

Vinfruco is the first SA company to have its wines listed in all of the more than 450 stores owned by Tesco, the UK supermarket chain.

This was the result of Tesco choosing Vinfruco's Oak Village Vintage Reserve as its wine of the month in 1992, a spot usually reserved for Tesco's own labels.

Vinfruco currently supplies eight wines to Tesco, including two of the Oak Village range.

Vinfruco established the Oak Village brand and linked it to the "Cape" brand of quality, where it has been positioned to compete with the renowned Australian Jacobs Creek range.

Export achievements include the listing of a Stellenbosch Cabernet/Merlot and a Stellenbosch Chardonnay in the prestigious Marks and Spencer chain in the UK, and the listing of two wines in Sainsbury, the biggest wine retailer in the UK.

Vinfruco has also introduced a range of wines into Albert Heijn, Holland's major supermarket chain, and obtained listing for four wines with the Societe des Alcools du Quebec in Canada.

● The winner of the Exporter Shield will be announced at a banquet in Cape Town on August 15.

SOLD OUT . . . wholesaler Oscar Foulkes of Cape Town with his stocks of Chilean wine Picture: TERRY SHEAN

Foreign demand drains SA wine

(3) WINE

ST(DT) 30/7/95

By JEREMY WOODS

STRONG overseas demand for SA wine has forced wholesalers to import to satisfy local demand.

"From a producers' point of view we are sold out," said Danie de Wet, chairman of the Cape Estate Wine Producers.

"There is no unsold wine lying in cellars, it is all allocated. If you have any wine you can sell it before the sun goes down."

Mr de Wet says retailers still have plenty of stock.

But Cape Town wine wholesaler and retailer Oscar Foulkes says shortages are forcing him to import.

"There are major shortages and I cannot buy sufficient quantities to supply Makro and Shoprite-Checkers stores. This has forced me to look abroad and Chile has remarkable cabernets at prices and quality that are unheard of in this country.

"My retailers are selling top quality Chilean cabernet for R9,99 which is almost half what you would pay for a similar quality SA cabernet."

A statement from KWV on Friday said: "There is an industry-wide shortage of quality Savignon Blanc, Chardonnay, Shiraz, Cabernet Sauvignon and Merlot, while there is an acute shortage of Pinotage. This is due to the above average growth in the domestic and export markets."

KWV says it is considering "importing distilling wine to supplement a portion of next year's stock requirements of natural wine spirit".

MD 2/8/95

KWV International will woo global wine markets

(3) WINE

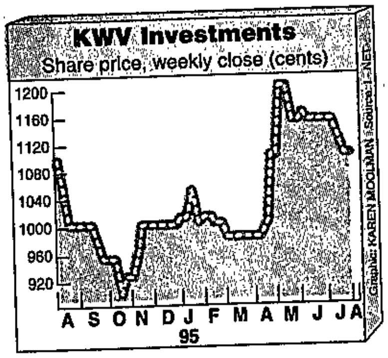
Edward West

CAPE TOWN — KWV had formed a R200m international company, KWV International, to expand its marketing structures and influence in foreign markets, KWV chairman Lourens Jonker said yesterday.

With SA's formal re-entry into international markets, wine exports had increased 350% between 1991 and the end of last year. Locally there had also been a 10% and 15% increase in wine and brandy sales respectively last year — after a number of years of static sales — which had resulted in shortages in most product categories, he said.

"It has become clear that it would be impossible to handle growing overseas markets as well as 4 400 producer farmers in one organisation," said Jonker.

KWV International would be a wholly owned subsidiary of KWV Holdings, which manages KWV's interests in Ceres Fruit Juices as well as KWV Investments, while KWV, the co-operative, would remain a producer organisation.



Jonker said the export market was KWV's main target, where it could build on its established export structures to 52 countries, with the UK, Europe, Scandinavia and North America as top priority.

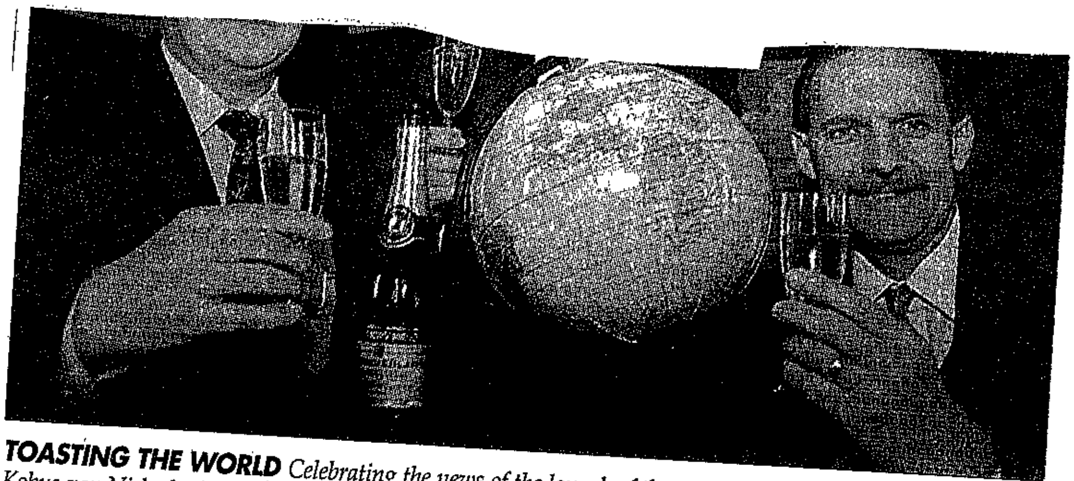
The aim was to build KWV International into a R1bn-a-year multinational over the next 10 years.

It would not market only KWV products. Jonker said the company aimed to market products from SA estates — some 60 other organisations also marketed export SA wine — and products from other countries. Other SA exporters would be able to benefit through association in foreign markets, he said.

The new company would establish six independent international divisions — some with their own subsidiaries — in the UK, Europe and Nordic countries, the Americas (including the US, Canada, Mexico and South America), Asia and the Pacific Rim, the Middle and Far East, Australasia and Africa.

Jonker said the KWV board was convinced the current market stabilising mechanisms and distilling wine pooling systems were still important to promote stability and growth in the local industry, which included KWV's limited right to sell on the domestic market at retail level other than via wholesalers, something which was not expected to change in the near future.

KWV Investments' shares closed unchanged at R11 on the JSE yesterday, near their annual high of R12 touched on May 19.



TOASTING THE WORLD *Celebrating the news of the launch of the new KWV International are, from left, Kobus van Niekerk, the managing director of KWV International, Lourens Jonker, the chairman of KWV, and Willem Barnard, the chairman of KWV International*

PHOTO ALAN TAYLOR

KWV creates a multinational arm

CT (BR) 2/8/95

(3) WINE

BY MAGGIE ROWLEY

KWV is launching a new wholly-owned company, KWV International, to handle its global marketing drive and is budgeting to lift turnover from existing levels of R200 million to R1 billion in the medium term.

Making the announcement in Paarl yesterday Lourens Jonker, the chairman of KWV, said the new company would be a fully-fledged multi-national commercial organisation with six divisional regions — Britain, Europe and the Nordic countries, the Americas including Canada, the Pacific Rim, the Middle and the Far East as well as Australia and Africa.

He said the move was aimed at growing KWV International into one of world's major beverage companies marketing not only South African but also foreign products, which were to account for about 50 percent of turnover down the line.

KWV's exports had grown 350 percent between 1991 and last year.

Imported wines filling the gap for local demand

Star 19/8/95 WINE 3

By IRVING STEYN

Cape Town – Quality imported wines are finding their way to South African shelves in increasing numbers at prices the local product sometimes struggles to match.

Wines from Chile, Argentina, Bulgaria, France, Italy, Macedonia, Hungary and New Zealand are being sold in the face of a shortage of quality domestic wines because of lower than normal crops, unprecedented exports and climbing local demand.

Oscar Foulkes of the Wine Warehouse in Woodstock said there were shortages of local wines "across the board", but he was able to cope with demand by importing wines from other countries "at much better prices".

He cited a high-quality cabernet from Chile which he was able to sell below R10 a bottle in the face of top range local cabernets at between R15 and R20.

"Apart from any other consideration, South Africans now feel they want to be part of the rest of the world and there is a big interest in buying foreign wines. We will be bringing in a hell of a lot more," Foulkes said.

Until now, imported wines were aimed at the connoisseur and they moved slowly. Foulkes said his company was the first to import wine "at everyday price levels", and sales had been "phenomenal".

After an initial container of wine from Chile he has two more on order and another from Macedonia.

"It wouldn't surprise me if, before long, half our sales are going to be imported wine," he said.

Apart from Chile, he was planning imports of chardonnay and sauvignon blanc from New Zealand which would sell for about R20.

Quality wines from Italy would retail at between R20 and R150 and French between R20 and R49.

Shoprite/Checkers wine expert Mark Norrish said his company was looking at Hungary, Bulgaria, Chile and Argentina for importing wines because their products had improved in recent times "by leaps and bounds".

"You can get unbelievable value for money on the world market, even taking into consideration freighting costs to Cape Town and even considering the dollar exchange rate."

He believes South African producers are at a disadvantage because of the excessively high cost of packaging, with corks costing much more and bottles at 90c each.

Norrish said his company had bought 600 cases of Chilean cabernet and sold out within three weeks without any promotion or advertising campaign.

"It shows you the market is there and hasn't been exploited yet, but I hasten to add that this would not be at the expense of the South African market, which could actually be stimulated."

Income up for SFW

■ BY STAFF WRITER

Improved trading conditions and operating efficiencies boosted net income before extraordinary items for Stellenbosch Farmers' Wineries (SFW) by 57,3 percent to R58,6 million for the year to June on a 17 percent turnover increase to R1,44 billion.

Earnings a share before "additional depreciation" were 42 percent up at 52,9c and after additional depreciation 57 percent higher at 41,8c a share. The final dividend was 12c (8,5c) for a 12-month total of 16c (12c).

SFW chairman Frans Davin said SFW had embarked on an extensive capital expenditure programme.

(3) WINE
Star 17/8/95

SFW toasts healthy results

BD 17/8/95 (3) WINE

Edward West

CAPE TOWN — Stellenbosch Farmers' Winery is toasting a 57,3% hike in attributable income to R58,6m in the year to end-June, benefiting from improved trading conditions and operating efficiencies.

Chairman Frans Davin said yesterday turnover grew 17,1% to R1,44bn, while trading profit was 32,3% higher at R113,4m. Financing income increased sharply to R7,8 (R3,6m).

The company was engaged in all sections of the wholesale wine and spirit industry and Rembrandt-KWV Investments was its main shareholder with a 60% stake.

Net income before additional depreciation of R15,4m (R14,9m) and an extraordinary item of R1,7m (R13,7m), was 41,8% higher at R74m. The extraordinary item represented a write down of the investment in associate retail group Western Province Cellars.

A final dividend of 12c (8,5c) was declared, bringing the total for the year to 16c (12c). Earnings a share was 41,8% up at 52,9c (37,3c). After additional depreciation earnings a share was 57% higher at 41,8c (26,6c). Net asset value amounted to 515c, 9,1% up from 472c in the year to end-June last year. On the JSE yesterday the share climbed 25c to 425c, just off its 12-month high this time last year of 450c.

Land, buildings, plant and machinery were reflected at current values and revalued every three years.

The surplus arising from the adjustment on July 1 last year was R25,4m and had been accounted for in non-distributable reserves. The balance sheet showed that at year-end cash resources amounted to R32m (R38,5m), while stocks were 18,8% higher at R380,4m against R320,1m at the previous year-end.

Interest-bearing liabilities dropped to R16,8m from R23,9m. Bank overdrafts and other short term loans were static at R6,6m.

Davin said that if the current positive trading conditions continued, attributable profit growth was expected to be sustained, albeit at a slower rate of growth.

Trading conditions were returning to normality after the elections last year in most parts of the country, with a consequent improvement in trade.

The company had embarked on an extensive capital expenditure programme and further substantial capital expenditure would be incurred in the current financial year.

(3) WINE

Income up for wine co-op

Improved trading conditions and operating efficiencies boosted net income before extraordinary items for Stellenbosch Farmers' Wineries (SFW) by 57,3 percent to R58,6 million for the year to June on a 17 percent turnover increase to R1,44 billion.

Earnings a share before "additional depreciation" were 42 percent up at 52,9c and after additional depreciation 57 percent higher at 41,8c a share.

The final dividend was 12c (8,5c) for a 12-month total of 16c (12c).

SFW chairman Frans Davin said: "If positive trading conditions continue, growth in attributable profit is expected to continue, albeit at a slower rate." He said SFW had embarked on an extensive capital expenditure programme.

ET (BR) 17/8/95

Imported wines take off

As SA brands are snapped up overseas, foreign labels rush in to fill the trade gap

ARG 19/8/95 (3) WINE

☐**IN VINO VERITAS:** Oscar Foulkes with some of the affordable imported wines he and others are stocking.
Picture: ANDREW INGRAM, Staff Photographer.

IRVING STEYN
Staff Reporter

QUALITY imported wines are finding their way on to South African shelves in increasing numbers at prices the local product sometimes finds hard to compete against.

Wines from Chile, Argentina, Bulgaria, France, Italy, Macedonia, Hungary and New Zealand are being sold in the face of a shortage of quality domestic wines because of lower than normal crops, unprecedented exports and climbing local demand.

Oscar Foulkes of the Wine Warehouse in Woodstock said there were shortages of local wines "across the board", but was able to cope with demand by importing wines from other countries "at much better prices".

He cited a high quality cabernet from Chile which he was able to sell below R10 a bottle in the face of top range local cabernets at between R15 and R20 a bottle.

"Apart from any other consideration, South Africans now feel they want to be part of the rest of the world and there is a big interest in buying foreign wines. We will be bringing in a hell of a lot more," Mr Foulkes said.

■ Wines from all over the world are coming to South Africa to replace shortages — and are finding a ready market at prices that are irresistible to buyers.

Until now imported wines were aimed at the connoisseur and naturally moved slowly. His company was the first to import wine "at everyday price levels", and sales have been "phenomenal".

After his initial container of wine from Chile he has two more on order and another from Macedonia.

"It wouldn't surprise if before long half our sales are going to be imported wine," he said.

Apart from Chile, he was planning imports of chardonnay and sauvignon blanc from New Zealand which would sell for about R20, quality wines from Italy for between R20 and R150 and France from R20 to R49.

Shoprite Checkers wine expert, Mark Norrish, said his company was looking at Hungary, Bulgaria, Chile and Argentina as sources of wines because their products had improved in recent times "by leaps and bounds".

"You can get unbelievable value for money on the world market, even taking into consideration freighting costs to Cape Town and even considering the dollar exchange rate for what it is."

He believes South African producers were put at a disadvantage because of the excessively high cost of packaging with corks costing much more and bottles at 90c each.

Mr Norrish said his company had bought 600 cases of Chilean cabernet and had sold out within three weeks without any promotion campaign.

Stabilising society boosts sales of spirits and wines

ARG 22/8/95

(3) WINE

Business Staff

CAPE-based producer of spirits and wines Distillers Corporation has announced an 11 percent increase in profits to R100,5 million (R90,9 million) for the year ended June.

This was on the back of a 16 percent increase in turnover to R1,25 billion (R1,1 billion).

The company declared a final dividend of 35c a share (31c), bringing the total for the year to 49c (43c), a 14 percent rise.

The company had focused on strong brand marketing in the past 12 months in an environment of increased retail licences and intensified competition.

"Our trademarks were positively influenced by the improved social stability experienced in the first six months of 1995," said managing director Jan Scannell.

The moderate growth rate and resultant increased consumer spending were reflected in the larger market share held by Distillers' products, he said.

But the continued strategy of containing price increases to protect sales volumes and an increase in spending on marketing saw margins drop by about two percent to 13,4 percent.

He expected consumption to increase as the economy gained further momentum in the coming year, Mr Scannell said.

"We will continue to focus on the management of our working capital. Since we expect an increase in local and foreign sales an additional investment was made in matured wines and spirits.

"This is reflected in the drop in cash flow from operations by R81 million to R71 million."

■ Leisure group **Kersaf Investments** reported a 17 percent increase in shareholders' profits to R208,7 million (R178,7 million) for the year ended June.

Earnings a share were up 12 percent, taking into account the share issue that accompanied the group acquiring an interest in City Lodge.

Turnover at R2,43 billion showed an increase of 10 percent on the previous year's R2,22 billion.

Trading conditions over the second six month period strengthened, with turnover up 16 percent and bottom-line profits 22 percent on the previous year's second half.

A final dividend of 90c a share was declared, an increase of 11 percent on the previous year. The total dividend for the year of 162c was eight percent higher.

Interest income for the year increased from R25,2 million to R53,2 million, owing to the higher rates available on cash funds and the improvements in earnings from associates from R6 million to R18,3 million.

This substantial increase was owing to the inclusion of earnings of City Lodge for the full year, compared with six months only in the previous year, and the strong trading enjoyed by Paradise Island in the Bahamas since the completion of construction and the reopening of this resort in December, 1994, Kersaf directors said.

Sun International's results for the year were adversely affected by the industrial unrest at Sun City in the initial months of the year, and by the attributable loss from Paradise Island over the construction period.

In spite of these factors, the improvement in trading conditions over the second period, together with the strong demand enjoyed by Paradise Island since its reopening, had enabled the group to post good results for the full year.

The narrowing of the Interleisure group's focus onto cinema and related activities had met with success, with turnover of these core businesses 22 percent higher.

City Lodge traded strongly throughout the year and achieved excellent results, with turnover 28 percent up on the previous year and attributable earnings reflecting an increase of 51 percent. The average occupancy for the year of 81 percent was six percentage points higher than last year.

The year ahead would be an important one for the group, with resolution likely on the structure of the casino gaming industry in South Africa and on the integration of the group's existing casino operations into this.

While recognising the uncertainties implicit in this, the directors were hopeful that these matters would be resolved positively.

The results for the year ahead should not be unduly affected by the granting of competing casino licences, accepting some delay in the commissioning of new casino facilities.

"It is accordingly anticipated that, notwithstanding the increase in taxation arising from the harmonisation of tax rates throughout South Africa and its impact on the major Sun International subsidiaries, earnings for the 1996 year should show acceptable growth."

KWV Investments showing top spirit

Business Staff (3) WINE 23/8/95 ARG

WINE and spirits manufacturing, distributing and marketing company KWV Investments reported an 18 2 percent increase in earnings per share to 64,3c (54,4c) for the year to June.

The total dividend was up 18,4 percent to 64,3c — 18,0c for the interim and a final of 46,3c — from 54,3c a year ago.

Income before taxation rose 18,3 percent to R27,0-million.

Distillers Corporation reported a final dividend of 35,0c (31,0 cents) which, with the interim of 14,0c (12,0cents), makes a total of 49,0c (43,0).

SFW posted a final dividend of 12,0 cents (8,5c) and an interim of 4,0c (3,5c) for a total of 16,0c (12,0c) for the year.

■Industrial Holding Company Klipton produced a 69 percent growth in earning a share for the year ended June.

Attributable profit increased by 69 percent to R1,8 million, resulting in earnings per share of 12 cents (7,1c).

Turnover was 16 percent higher at R157 million, with operating profits up 27 percent to R5,5 million. Interest paid rose 4 percent to R2,6 million, and after accounting for taxation of R0,2 million, profit after tax up 57 percent.

Star 10/10/95

SA wines leader of the pack

(3) WINE

Vancouver – A "three-pack" of South African wines that recently started to appear in Canadian bottle stores has received high praise by prominent Vancouver broadcaster and gourmet columnist Jurgen Gothe.

At about R23, the KWV combination of chenin blanc, sauvignon blanc and Paarl Roodeberg is "the best wine deal" now available, writes Gothe in the Weekend Sun.

He says the package offers "a great way to acquaint yourself with solid, good-value wines" that go with different meals, and suggests other wineries ought to emulate the South African's innovative wine sampling strategy. – Sapa.

SA wines welcomed in Scandinavia

(3) WINE

JOHN VILJOEN
Business Staff

SCANDINAVIA has emerged as a particularly favourable export market for South African wines, according to Stellenbosch Farmers Winery managing director Frans Stroebel.

He said after the AGM yesterday that Scandinavian countries were making a special effort to support South African products after boycotting them during the apartheid era, and that wines should also gain from negative sentiment in Scandinavia — and elsewhere — about French wine since that country's southern Pacific nuclear testing programme.

SFW's exports grew by 63 percent over the past year, but the company's priority was supplying South African outlets, he said.

SFW increased turnover 17 percent in the year ended June, reaping after-tax profits of R58,6 million, up 57 percent on the previous year's R37,2 million.

■ Chrysler is to return to South Africa. After nearly 13 years' absencewith two jeeps, to be sold through a direct dealer network in all the major urban areas. The Jeep Cherokee will be sourced out of the assembly plant in Toledo, Ohio; the Jeep Grand Cherokee will come out of the Graz, Austria plant.

Over the next two years, the Neon compact car, the Wrangler sport utility vehicle and the minivan will be introduced. Initially, Chrysler plans to sell about 3 000 units a year, but that could grow to nearly 10 000 vehicles by the end of the decade.

■ UAL Merchant Bank will set up its own equity and bond stockbroking operation on November 8, managing director Chris Pearce said.

A wholly owned subsidiary, called UAL Securities and headed by the chief of UAL's bond trading division, Adolf Potgieter, is to be formed to house bond trading, futures trading and share trading operations.

■ Chemical group Sentrachem lifted shareholders' profits 75 percent to R210 million in the year ended August, on the back of a 34 percent rise in turnover. Exports increased 62 percent to R750 million.

Wine estate to create 2 000 jobs

CT 7/11/95

(3) WINE

CAROL CAMPBELL

THE Western Cape will gain 2 000 new jobs when the new Spier wine estate near Stellenbosch is fully operational, and developer Mr Dick Enthoven said he hoped it would become a role model for other new businesses.

When it's finished, in roughly five years, the R125 million development will include a world-class hotel, a "cultural village", golf course, health hydro, restaurants and much more aimed at visitors.

In the short-term 500 new jobs have been created and local farmers are being encouraged to produce for the estate's kitchen.

"The basic philosophy of the RDP has guided us — we want to involve the local community in the project and our relationship with the staff will be one of partnership." ("We" are business partners Mr Gus Pickard, Mr Geoff Snelgar and Mr Miles Japhet of Johannesburg and Mr Tony Chinery of Durban.)

Mr Enthoven has taken over an old University of Stellenbosch building as a training centre, and nearby a farm school is to be refurbished and equipped for the children of staff and the community.

He has also brought in world experts in the hospitality industry to run Spier, and they will all take on apprentices.

Possibly his biggest coup was enticing former Sowetan Mr Jabulani Ntshangase back into South Africa from New York to oversee the wine operation.

BUSINESS

Wine industry to lose its price protection

BD 13/11/95 (3) WINE

Louise Cook

THE SA wine industry is to lose the minimum wine price protection that has cosseted the sector for nearly 60 years.

The agriculture department said recently that the system which saw wine farmers paid a minimum price by wine wholesalers belonged to another era.

A spokesman said Minister Kraai van Niekerk had refused to approve minimum price proposals put forward by the wine farmers' representative KWV, but had called on the KWV to find instead a consensus pricing within the industry.

KWV MD Willem Barnard said last week negotiations with wholesalers, including the Stellenbosch Farmers' Winery, were under way.

"In future the market will determine the stability and vitality of the industry. But government needs to keep duties and other taxes in check so as to not distort prices."

Barnard declined to comment on the likely impact on prices, though industry sources said any effect would be on the lower end of the market and could be minimal.

The actual mark-up on consumer prices stemming from the system is small. The benefits of a minimum system have been rendered largely redundant by the increase in wine prices, following higher exports.

The move, nevertheless, marks another significant step in the agriculture department's attempts to strip the industry of long-running protection. The system — contained in the Wine and Spirits Act — dated back to 1941. It had been rubberstamped by government every year since then.

But a department spokesman said the Wine and Spirits Act had been "written in another era", at a time when government had bent over backwards to protect the farming industry.

"Government will be involved only in stopping dumping of subsidised imports," he said.

Details of negotiations between KWV and the Cape Wine and Spirits Institute were unclear. However sources said that their proposals would be submitted to the minister this month.

AUSTRALIA ROUTS SA IN FIRST WINE TEST

Oz wine-makers burst SA bubble

CT 21/11/95 (3) WINE

ATTEMPTS TO BOOST the international profile of Western Cape wines have been dealt a blow. **FRANÇOISE BOTHA** reports.

IN a major blow to the South African wine industry, Australia swept the boards and scored 78 points to South Africa's 21 in their weekend wine Test match.

With the inaugural South African Airways Shield going to Australia, SA won only three of the 11 categories: Riesling with Klein Constantia's 1987; open dry whites with Thelema's 1995 Sauvignon Blanc, and dessert wines with Neethlingshof's 1991 Rhine Riesling.

In only one of four red wine categories did a SA wine appear in the top three — 1994 Stellenzicht Shiraz.

The results are set to receive wide publicity in international wine and travel publications and do not bode well for the local industry, which has been making increasing efforts to improve international perception of its wines.

Each country entered 100 wines. These were evaluated by nine judges — three each from Australia and South Africa and three international non-partisan tasters.

The trophy for the best South African wine in the competition went to the 1953 KWV Jerepigo. The best Australian wine was 1993 Paringa Estate Shiraz.

Commenting on South Africa's disappointing showing in the chardonnay and cabernet classes, Cape wine master and associate judge Mr Tony Mossop said local judges had found it hard to accept when, looking at their tasting notes afterwards, they found they had described their favourite Cape wines as "tannic and hard to drink".

British master of wine Mr Richard Kelley said: "It was probably not a good idea for South Africa to have competed at this stage, since the local wine industry is still going through a revolution."

It is only recently that South African producers have begun making New World-style wines that are fruity, accessible and easy to drink when young.

"The international panel is used to wines that have more up-front fruit," Mr Kelley said. "In five years, the results could be different. It probably says a lot that South Africa's winning wine is not a wine but a fortified grape juice."

The SAA Shield is set to become the premier wine event of the New World. This year's winner will hold the title until other New World producers like Chile, California and New Zealand have competed in elimination rounds.

CHEERS: South African wine writer and convener of the South African Airways wine list Mr Michael Fridjhon (left) and Australian wine master Mr Andrew Caillard sample a red wine during the first Australia-South Africa wine Test. ***PICTURE: CLIVE SMITH***

SA wine hits right foreign taste buds

ARG 25/11/95 (3) WINE

WILLEM STEENKAMP
Staff Reporter

■ South African wines have hit the right international taste buds and exports to international markets have shown a tenfold increase in the past five years.

SOUTH African wines have taken the international market by storm and in less than five years exports have increased from 660 000 cases in 1990 to nearly six million last year.

Exports are expected to total nearly seven million cases this year.

Wine exports already earn South Africa nearly R500 million in foreign exchange and the good news is that most of this money finds its way back to the Western Cape — the largest wine-producing province.

Where workers were laid off because of a low international demand for South African wines before 1990, the industry has now taken off and many new jobs are being created.

A spokesman for the South African Wine and Spirit Exporters' Association said wine-drinkers all over the world were turning to so-called new wines from countries such as Australia, New Zealand and South Africa.

"By the year 2000 we hope to be exporting upward of 11 million cases of wine annually which is set to earn South Africa, and in particular the Western Cape, nearly R1 billion a year."

Britain is South Africa's largest buyer of wines. In 1993 South Africa sold 480 000 cases of wine in the UK, this figure jumped to 1,8 million cases in 1994.

Exports to Germany jumped from 148 000 cases in 1993 to 475 000 cases in 1994 and the market is still growing.

Canada, which boycotted South Africa's wine because of this country's apartheid policies of the past, is now importing 240 000 cases of South African wine annually and the demand is still increasing.

But the domestic market still remains the largest buyer of local wines. Domestic sales are upward of 37 million cases a year. These figures only represent bottled wine and not bulk.

The downside of the increase in wine exports is that South Africa now has a shortage of certain types.

For instance, there has been an acute shortage of Chardonnay, Sauvignon Blanc, Cabernet Sauvignon, Pinotage and Shiraz.

A spokesman for the KWV said farmers were now starting to plant more vines but this was a long-term project and it would take a number of years before wine could be produced from these vines.

Cheapest wine will cost 73c

CT 30/11/95

A NEW system to determine a base price for wine was announced in Paarl yesterday.

The new system will be effective from next year. A base price of 73 cents a litre was agreed on. Prices above it will be determined by market value.

(3) WINE

Wine industry sets base price

3 WINE BD30/11/95

Edward West

CAPE TOWN — SA's wine industry has moved towards deregulating the pricing system for natural and distilled wines by replacing statutory pricing with a system allowing market-driven pricing above a certain base price.

However, the base price negotiated by the industry "would require government approval and publication".

The KWV and the Cape Wine and Spirits Association said yesterday the industry had agreed on a base price of 0,73c/l. The level of the base price would serve only as a "catch net".

The producer organisations said strong export growth by about 100 exporters was being experienced, while the domestic market was also showing signs of healthy growth after years of stagnation.

'PRODUCERS EXPRESSED RELUCTANCE'

Wine 'Test' divides industry

(3) WINE CT 1/12/95

THE 'WINE TEST' between South Africa and Australia has provoked strong reaction from the local industry, reports **FRANÇOISE BOTHA.**

AUSTRALIA's 78 to 21 points trouncing of South Africa in the South African Airways wine "Test match" has divided the local wine industry, with some top producers claiming that they did not want to participate and a key industry player calling the event a "fiasco".

Mr Riaan Kruger, director of the South African Wine and Spirit Exporters' Association (SAWSEA), said members of the organisation "were of the opinion that a competition of this nature was not the route to follow in promoting South African wines in the export market".

Producers told the Cape Times it was still too early to take part in such a contest as the SA wine industry was still undergoing a "revolution" in new varietals and wine styles, while Australia, which made the changes years ago, was in an "evolutionary stage".

Mr Kruger said the reluctance (to participate) had been conveyed to the organiser of the event, Mr Michael Fridjhon, after a number of meetings had been held with the 67 members of the organisation who collectively represent 110 wineries, including Stellenbosch Farmers' Winery, KWV, Distillers Corporation and Gilbeys.

According to Mr Fridjhon, this kind of competition is "taking place every day, everywhere in the world where quality wine is sold and consumed".

"There is nothing to be gained strategically by deferring the challenge presented by the Australians — a drubbing in a year's time is more likely to upset export sales," he said.

"It was no surprise when Australia romped home by a comfortable margin."

Commenting on why some members of SAWSEA had participated, Mr Kruger said, "while we did not openly support it, we did not want to boycott it".

He added the comments made after the event were not a "case of sour grapes", since the stance of the organisation had been made known before.

Mr Kevin Arnold, winemaker at Rust en Vrede, said it was surprising the event had gone ahead after many producers and the sponsors, he claimed, had expressed reluctance.

"We were kept in the dark as producers because they did not have the support of the industry," he said.

'Not to dictate'

Mr Tim Hamilton Russell, chairman of Hamilton Russell Vineyards, said it was not for any vineyard to dictate to the organisers.

"If one makes wine, people have the right to have it judged," he said, adding that because of the difference in the styles of the wines produced in the two countries "it was a bit of a case of comparing apples and pears".

Associate judge Ms Angela Lloyd said the results do not mean that South African wines are bad or exclusively filled the tail-end placings.

"Shiraz is the Aussies' speciality and the fact that Stellenzicht Shiraz beat a wine of the calibre of Penfold's Grange gives cause for optimism at the exciting potential here," she said.

"We are too used to patting ourselves on the back at unrealistically good results where only South African wines have participated, or in foreign competitions where we scrape the odd gold medal or trophy, when the Aussies gather them in droves."

Cape Wine Master Mr Allan Mullins said: "It was a terrific list of wines that we submitted ... and they are far better than they showed in the competition. The Aussie wines are very showy and they normally do better in judging."

A key player in the wine trade, who did not want to be named for professional reasons said, "it must have been very difficult for some of the judges to be totally objective when their wines were up for tasting".

"I am not surprised that Australian judge and wine producer Mr James Halliday's pinot noir won that category. It is a fiasco," he said.

Learning from the French

Turnover per hectare of vineyard is R2,28-million in Bordeaux, France, and R11 000 in the Stellenbosch region, according to a finding by the Uiterwyk Wine Estate.

French production from an average 47 hectares – roughly the same – is less than half the Stellenbosch production of 40 000 cases, but price per bottle is R510 compared to R1,39 a litre delivered to a Cape co-op or wholesaler.

"That analysis showed us we should produce much less wine of much better quality," says Uiterwyk Wine Estate manager Pieter de Waal. It became the launching platform for the estate's export drive.

"Having tasted many wines from other countries, we knew the quality we had was better than the overseas consumer can buy from anyone else at a comparable price. We just had to have them taste the wines and they would be won over."

Strategy was to appoint agents in targeted countries and, in tandem with them, concentrate only on top restaurants, hotels and specialised gourmet shops – excluding all supermarkets and chain liquor stores.

It has worked. Export sales in 1994-95 were more than a third of total sales, compared to less than 15 percent the previous year, and earnings rose to R325 000. Demand is about two-thirds more than can be supplied.

"Since we produce small quantities of wine, our prices are relatively high, reflecting the scarcity of the product."

The wine goes to six countries, compared with only two in 1993.

Marketing is highly personalised, with agents given the opportunity to "meet the people of Uiterwyk".

Comments De Waal: "Though this is expensive, we feel it is the best long-term method."

At the same time, there have had to be changes within the estate. "Because our export drive has placed larger emphasis on productivity, we formed a workers' committee, which in turn has warranted higher levels of skill through training by the Stellenbosch Rural Foundation and other organisations."

Grouping the workforce into specialist teams, such as pruners and cellar environment, whose productivity is measured and rewarded, has brought some remarkable improvements.

(3) WINE CT(BR) 1/12/95

Wine producers scrap legal minimum price

(3) WINE CT(BR) 4/12/95

By Françoise Botha

Cape Town — KWV and the wine producing wholesalers have scrapped the statutory minimum prices for natural and distilling wine to come in line with international practice.

Chief planning executive of the KWV, Willem Bestbier, said the agreement was reached between the KWV and the Cape Wine and Spirit Institute.

The institute represents producing wholesalers, including Stellenbosch Farmers' Winery, Distillers Corporation, Seagrams and Gilbeys.

Bestbier said the move should be seen in light of the deregulation of the agricultural sector.

"South Africa has been one of the few international wine producing countries that was still controlling prices in a statutory way.

"In the past, these controls have been an inhibiting factor, both to prices and the free market concept. This is also part of a drive to minimise intervention as far as possible," he said.

The new system will be effective from the beginning of next year. It will establish a base price of 73c a litre. The balance of the price will be negotiated between the parties. The statutory minimum good-wine price this year was R1,39 a litre.

Bestbier said that the move was "really just a softening of the regulation". The new prices would re-establish the balance between supply and demand.

Commenting on the long-term effects of the agreement on wholesale wine prices, Bestbier said: "Eventually it is going to have very little effect, if any. We are unlikely to see a drop in prices. There might even be an increase in the prices for good wine and especially scarce varieties like Merlot."

Quoting

"In some cases this is already happening because producers have been quoting prices sometimes up to R6 or R7 a litre," he said.

He added that the agreement would have to be submitted to the Minister of Agriculture for approval and publication.

"We have kept him abreast of developments over the past month and he was enthusiastic about it, so we do not see any problems with his approval being granted," Bestbier said.

SA wines move from forbidden fruit to fastest-growing export

By Brendan Boyle

CT(BR) 12/12/95 (3) WINES

Paarl — Once the forbidden fruit of apartheid, South African wine has become the fastest-growing export from the country.

During National Party rule, the country's wine was a target of sanctions and boycotts. But wine exports have multiplied more than fivefold since Mandela's release in February 1990.

The demand is so great that South Africans are finding some of their favourite wines impossible to get and Australian, Chilean and Spanish imports are appearing on South African shelves.

"The market has exploded in our faces. No one really anticipated the growth in demand after the 1994 elections," said Kobus van Niekerk, the managing director of the country's main wine export agency, KWV International. "Our wines used to be sold from under the counter. Now everyone seems to want to drink a wine with South Africa on the label."

Van Niekerk said export sales rocketed from R80 million in 1989, to an estimated R480 million this year. Export quantities jumped from 24,6 million litres in 1993 to 50,6 million litres, or 5,6 million cases, last year. The total export for this year was expected to be about 7 million cases, Van Niekerk said.

The increase in wine exports has thrown South Africa into competition with the southern hemisphere's two other key producers of the light and fruity new world wines that are challenging the established dominance of European products.

"If I were a South Africa wine maker, I would be very worried about Chile. It's very export-orientated and they are responding to the new world style more quickly than South Africa," said Australian wine maker and writer John Halliday.

Halliday was in Cape Town as part of an international panel judging a wine competition between Australia and South Africa, which the visitors easily won.

He said: "South Africa is recognised as a serious wine producer with a longer history of wine making than any other producer in the new world. But the wines reflect the years of political isolation… there is nothing in South Africa yet to challenge the great wines of Australia."

South African wine writer Michael Fridjohn agreed that the country's wine makers needed to shift away from heavy and complex traditional wines towards the lighter new world style. "It's not a virtue to be so austere," he said.

"The message coming in from around the world is loud and clear: wines should be soft and sweet in the mouth. We've got the weather for it, we're just harvesting too soon. We go on the chemistry of the grape and not enough on the taste."

Just two years ago, South Africa was selling most of the product of its vineyards as grape juice concentrate and the industry was nursing an oversupply, termed a wine lake.

"In the twinkling of two years, the export-led boom has left not even a puddle in place of a wine lake," said wine maker and writer John Platter.

Industry analysts say many of the country's 4 647 grape growers are heeding the international demand for simpler, easier wines from the range of cultivators they call the big six.

They are also changing the presentation of their wines, moving away from colonial labels with the names of historic Dutch estates like Allesverloren and Goede Hoop towards names like Nelson's Valley, Hippo Creek and Railroad Red on bright, modern labels.

Van Niekerk said KWV, the wine growers co-operative to which most farmers belong, was promoting a shift from chenin blanc, which accounts for more than 30 percent of the country's production, to the top-selling big six: cabernet sauvignon; merlot; pinotage and shiraz in the reds, and chardonnay and sauvignon blanc for the whites. — Reuter

would continue to be buoyant

WINE EXPORTS (3) WINE

Nuclear fallout

FM 15/12/95

France's insistence on going ahead with its nuclear test programme could mean a shortage of good SA wines on the local market and a hefty increase in prices next year.

The tests have already created strong resistance to French wines in many countries, including Sweden, the Netherlands and New Zealand, says KWV divisional marketing executive Piet Momberg. This has benefited other wine-producing countries such as SA, Australia and Chile, the so-called New World producers.

But, says Momberg, it's hard to quantify how much of SA's wine export increases can be attributed to increasing popularity abroad and how much to the growing boycott of French wines.

"We didn't really need any nuclear tests to boost our overseas wine sales; they have been growing dynamically on their own," he says. In 1990, SA exported 660 000 cases of wine. This rose to 1,12m in 1991, 2,3m in 1993 and 5,93m in 1994. This year, the industry expects to export 6,8m-7m cases.

This is good news for producers but not for lovers of local wines. Prices are not likely to remain at present levels. Momberg says: "There is already a shortage on the domestic market."

Distillers Corp export director Don Gallow says that, to show their opposition to the nuclear tests, several big department stores in the Netherlands which have been buying wines from French producers for decades want to replace the suppliers and have asked Distillers for a "submission."

Securing the business will see its exports rocket. In the year to June, exports hit R60m — 47% up on a year ago.

Gallow says Distillers tries to ensure there is always enough wine for the domestic market. It has invested large sums in developing the local market "and will not neglect it for exports."

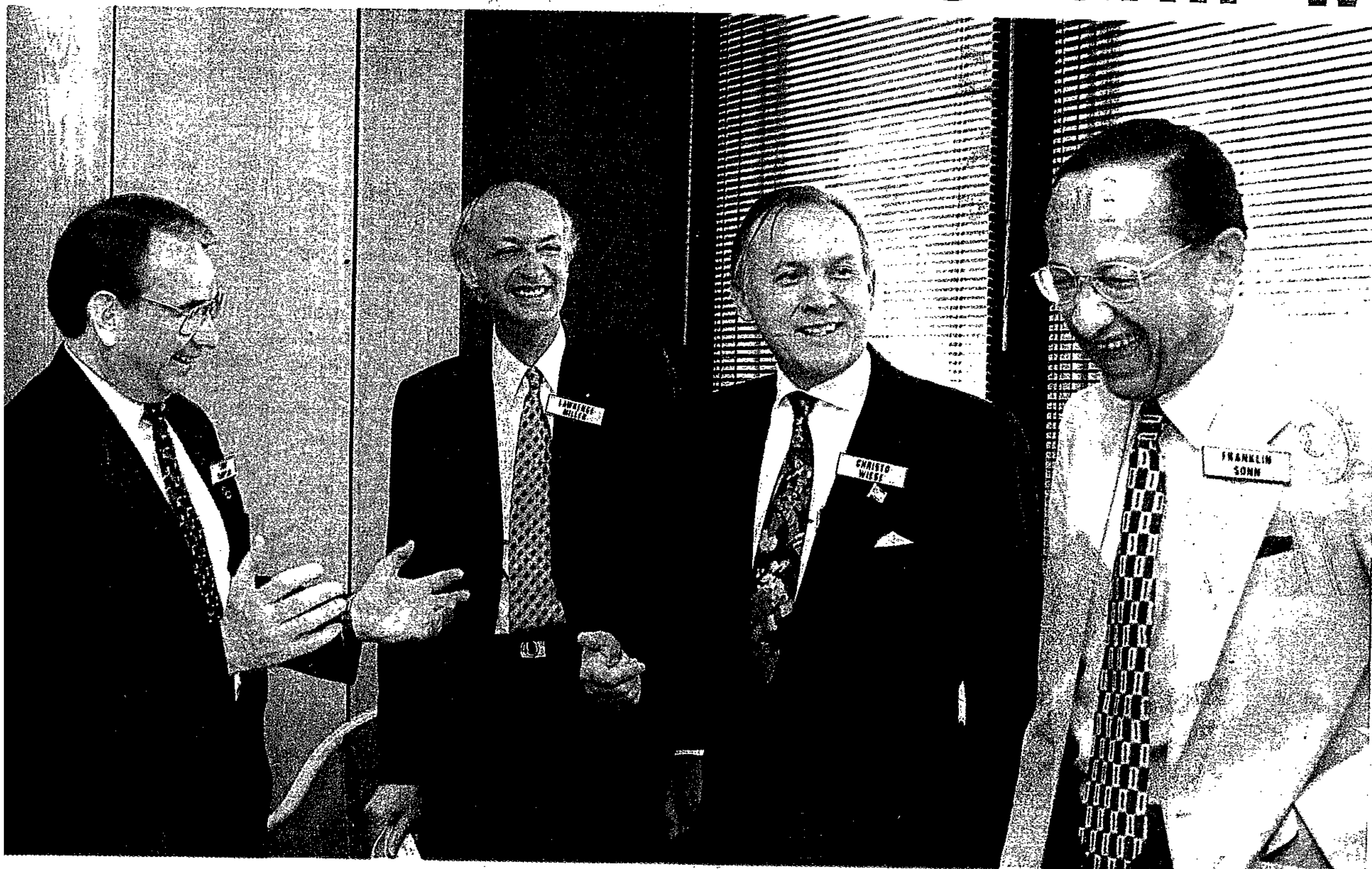
BUSINESS

Distillers reports heavy demand for Pinotage and is allocating percentages of stocks for export and local sale. ■

ST(M) 17/12/95

KWV cheer for wine farm workers

(3) WINE



By JEREMY WOODS

A NEW RDP programme to be launched by the KWV next year will focus on the priorities of wine farm workers — namely, housing, education, and health services as well as financial backing to establish new wine farms.

A key part of the programme is a plan to give wine farm workers financial backing to own new wine farms in conjunction with co-operatives or in partnership with other workers.

Industry sources believe that some R70-million could be available for this if fund-raising on the capital markets is successful.

The KWV is the largest and most powerful wine co-operative in the Western Cape, supported by its hundreds of wine farm members.

Much of the new programme is being implemented in conjunction with the Rural Foundation, which has organised most of the research into the wine farm workers' priorities.

Mr Theo Pegel, group director of human resources at KWV, said teams set up by the Rural Foundation had completed interviews at 900 workers' houses on 300 Western Cape wine farms.

Mr Pegel said one interesting aspect of the reseaerch was that local wine farm workers were "considerably better off" than their counterparts living in towns and other rural areas.

Another was that workers place great store on owning their own house.

"This could present legal problems if those houses are part of other wine farms, but this is being looked at to find a remedy."

Details of KWV's RDP scheme will be announced early next year.

Record wine crop due

ST(BR) 17/12/95 WINE(3)

By JEREMY WOODS

WINEMAKERS are expecting a 1-billion litre wine crop this year, 4,5% more than last year and bettering 1992's harvest by 1-million litres.

"This year's crop looks very healthy and, assuming favourable climatic conditions, this could be the best wine crop South Africa has ever had," a KWV spokesman said on Friday.

There has been some wind damage and isolated hail and frost damage in the Robertson, Klein Karoo and Orange River areas. But the moisture content in the unirrigated areas is still sufficient and dam levels in the irrigated areas are generally higher than last year.

KWV said on Friday a final, more accurate estimate would be done in January.

However, the record wine crop will do little to alleviate wine shortages, says the KWV. Wholesalers are still importing wine to make up the local shortfall.

Wine exports to Canada set to top 200 000 cases

(3) WINE

Chris Freimond

BD 19/12/95

VANCOUVER — SA wine exports to Canada are expected to increase 20% to 200 000 cases this year as producers continue an aggressive marketing campaign to make up ground lost during years of sanctions.

Canada is SA's third most important foreign market for wine after the UK and Germany. Sales last year, the first full year since sanctions were lifted, topped 167 000 cases. Before sanctions were imposed in 1986, SA's annual exports to Canada were about 50 000 cases, SA Wine and Spirit Exporters' Association chairman Jannie Retief said.

SA's share of Canada's bottled table wine market is about 1,5%. Canada leads this sector with a 32% share, followed by France (25%), Italy (13%), South America and the US (8% each), Australia (3%), Germany (2%) and Eastern Europe and Spain (about 1,5% each). Retief says local exporters are confident about growth. But competition from other New World wine producers is stiff.

Canadian figures indicate South American producers, headed by Chile, are expected to sell nearly 900 000 cases this year, and US exporters, mainly Californian, will ship about 920 000 cases to Canada.

But good news for SA producers is that arch-rival Australia is apparently struggling to increase market share. Sales are expected to dip slightly below last year's level of 390 000 cases.

Popcru claims may 'backfire'

Own Correspondent

BD 19/12/95

EAST LONDON — Popcru president Capt Mzingisi Moshara has come under severe criticism from the union's East London branch for making public statements on the alleged embezzlement of union money by his predecessor, Enoch Nelani.

Moshara confirmed at the weekend that Nelani and former national financial administrator Norman Lepere were facing criminal charges.

Nelani allegedly embezzled R20 000 for personal use.

Moshara's action was "totally unacceptable... These allegations are only distorted information aimed at discrediting an ... individual, which would backfire against Popcru," said Popcru East London branch organiser Vukile Pambo.

AGRICULTURE — WINE

BUSINESS

World gets taste for SA wines

ARG 3/8/96 (3) WINE

MAUREEN MARUD
Business Reporter

WINES from South Africa are pleasing progressively more palates overseas thanks to the efforts of brothers Gary and André Shearer.

They founded The Natural Corporation in 1990, now one of eight finalists in the Western Cape Exporter of the Year contest.

"We formed the company purely to export South African goods of natural origin," says Gary, who heads South African operations from Cape Town, while André takes care of international marketing and sales from a New York base.

Their entire focus so far has been on exporting South African wines.

It wasn't easy breaking into markets in Germany, Switzerland, Sweden, Canada, the US and the UK, says Gary.

When they started out in the final years before the collapse of the apartheid regime, they had to contend with antipathy towards anything South African.

They also had to make inroads where hordes of other countries were already competing for market share.

"In New York or London in one wine store you will find about 1 400 different products from 80 countries," says Gary.

"We go in and tell them ours is great, it's from South Africa. And people say 'Kanonkop? What does that mean?'

"It's been very difficult getting into those markets. Fortunately the wines have really come through because of their quality."

Other problems were related to the high costs of marketing wines internationally, with very little capital and no help from banks, wine industry leaders and suppliers.

A turning point was The Natural Corporation's participation in a Chamber of Commerce trade mission to Scandinavia in 1994, just after the change of government in South Africa. "We were welcomed with open arms. From a volume of sales perspective it was the beginning of where we are now, because it became so much easier globally to sell our product.

"We have overcome many obstacles in the past five years, and are now firmly entrenched in the wine trade," says Gary.

Wines they market include some of South Africa's most prestigious estates: Cabriere, Kanonkop, Buitenverwachting, Mulderbosch, Thelema, Glen Carlou, Blaauwklippen and Landskroon.

Recent additions are Cloete Wines of Somerset West and Veenwouden Private Cellar in Paarl.

The company also markets its own successful Kronendal and Cape Indaba brands.

A coup recently was The Natural Corporation's appointment by Swartland Winery as its agent in Canada and the US.

Other finalists in the Weekend Argus/Cape Chamber of Commerce & Industry Exporter of the Year contest are Africa Trading, Consani Engineering, Grosvenor Tours, Louvreflex International, Duncker & Louw, Technical Systems and Warwick Estate. Winners in the various categories will be announced at a gala dinner in the Cape Sun Hotel on August 14.

Bookings to the dinner can be made by calling Jennifer Dearham at the Cape Chamber of Commerce and Industry on (021) 418 4300.

EXPORTER OF THE YEAR

Boosting SA's economy: A Weekend Argus promotion in association with the Cape Chamber of Commerce and Industry

Argus 26/1/97

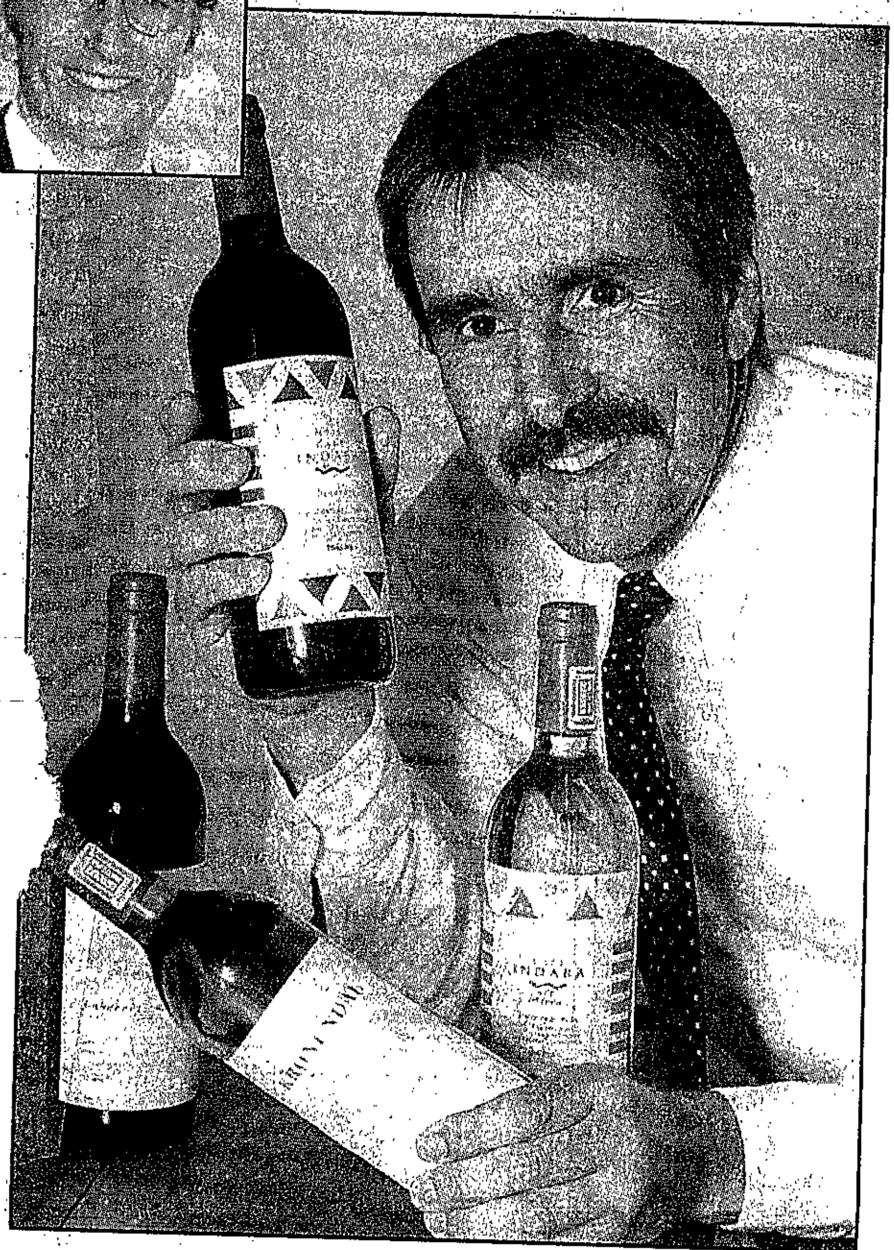
'Economic influx control' urged

Boland Bureau

[illegible] — Professor J L [illegible] of [illegible] University's Bureau for Economic Re[illegible] said [illegible] to prevent the move[illegible]

Aside from firm Government action that would force people to develop businesses and [illegible] other areas, there was little that could [illegible] vent the situation from worsening.

He said that not only were farmers [illegible]



☐ **FRUITFUL EXPORTS:** Gary Shearer, managing director of The Natural Corporation, displays some of the wine he exports in partnership with his brother, André (inset). PICTURE: JACK LESTRADE

Tighter controls boost margins

SFW reports sharp rise in share income

(3) WINE CT(BR) 22/8/96

By Françoise Botha

Cape Town — Stellenbosch Farmers Winery, the wine and spirit industry producer and wholesaler, has reported a sharp increase in income attributable to ordinary shareholders of 77,8 percent to R101 million for the year to 30 June.

It was achieved off a 22,8 percent increase in turnover to R1,767 billion. Tighter controls boosted margins and trading income rose 61,8 percent to R180,8 million.

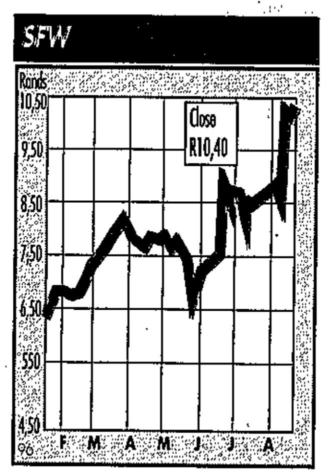
Jeff Malherbe, the chairman, said the increase was attributable to a rise in market share. He said trading conditions during a period had been favourable.

The performance was also boosted by improved marketing, production and operating efficiencies.

He warned that trading conditions were expected to become more difficult and that growth was expected to slow in the year ahead.

A final dividend of 20c was declared, an increase from 12c in the previous year. The dividend brought the total for the year to 26c.

The balance sheet showed improvements, with a reduction



in long-term interest-bearing debt from R16,8 million to R11,48 million and a 21 percent increase in fixed assets to R465,8 million.

Malherbe said that this year the company would continue with its capital-expenditure programme at about the same pace.

The increase in debtors to R208 million was in line the increase in turnover, and inventories were higher in preparation for supply ahead of the Christmas season.

Short-term creditors increased 19,7 percent and current tax liabilities rose 220 percent to R37,8 million.

SFW's market share 'significantly bigger'

(3) WINE BD 22/8/96

Samantha Sharpe

CAPE TOWN — Wine and spirit producer Stellenbosch Farmers' Winery posted a 78% increase in attributable income to R101m in the year to June after increased market share and buoyant trading conditions benefited group performance.

Share earnings after additional depreciation showed a corresponding improvement to 72,2c a share (40,6c), allowing a 62% hike in the group's dividend to 26c a share.

Group MD Frans Stroebel said the latest results showed the group had expanded its market share significantly "mainly in the brandy and fortified wine markets".

However, marketing, production and other operating efficiencies — in the context of a favourable trading environment — were also key factors behind the strong set of financial statements, he said.

"Efficiency-wise we have employed a new strategic approach towards the procurement of raw materials ... and upgraded our production lines to ensure optimum utilisation of our workforce," he said.

Turnover rose 22,8% to R1,76bn after inroads into competitors' markets boosted the group's sales base, with trading income up 61,8% at R180,8m. A marginal increase in net financing income was reflected in the growth in pre-tax income to R189,5m (R119,5m).

After-tax income advanced to R118,5m from R72,83m previously, with income from associated companies more than doubling to R223 000. Income attributable to outside shareholders — the group's major shareholder is Rembrandt-KWV Investments — was R1,08m (R683 000).

Group chairman Jeff Malherbe said the group expected trading conditions to get tougher in the year ahead, but he was positive the performance would continue to improve "albeit at a slower rate of growth".

Malherbe said: "SFW will continue its capital expenditure programme during the current financial year, which included a significant investment in a canning operation, at approximately the same levels as the previous year." The group's balance sheet showed fixed assets valued 19% higher at R472,5m.

The wine producer's share price gained 1,96% or 20c yesterday to close at R10,40 a share.

Workers in bid for famed wine estate

(3) WINE

The cultivation of wine at the Cape has a tradition intimately associated with European settlement dating back to 1652. This tradition could soon change as one of the Stellenbosch area's famed estates, Devon Valley, prepares for a possible takeover by a black business consortium as part of a bid to advance black economic empowerment. Labour Reporter ESTELLE RANDALL examines the issue.

ARG 28/8/96

THE 340-year white ownership of South African wine farms is about to change with the imminent purchase of a Stellenbosch wine estate by a black consortium.

By next week, the Devon Valley Development Corporation (DVDC) is expected to conclude an agreement to buy the 44,7-ha Devon Valley wine estate from Gilbeys.

An independent valuation of the estate put its market value at R11,37 million, but it is understood the selling price to DVDC may be lower.

Keith Frogley, Gilbeys' human resources director, was cautiously optimistic about the pending sale which Gilbeys has been negotiating with the DVDC for the past three months.

"We're hoping it will be finalised with the corporation, but if it isn't we won't jeopardise a straight commercial deal. We've also been negotiating with another local party," he said.

Gilbeys' corporate social investment executive, Thian Combrinck, said the deal with the DVDC would be unique because it was being driven by people from disadvantaged groups.

The DVDC has been given preference to conclude an agreement with the company by next Friday. This will be a final offer to purchase and will detail the conditions of sale and the selling price. About a month later, written guarantees of investment will be required.

The DVDC includes workers on the Devon Valley farm, black professionals and the Stellenbosch and Guguletu RDP forums. It hopes to finalise the selection of a principal investor from within the trade union movement.

Chris Swart, a DVDC spokesman, said the consortium hoped the SA Clothing and Textile Workers' Union (Sactwu) would be the principal investor.

He said Sactwu had been identified because it was the largest trade union in the Western Cape.

The union had also been involved in several investment initiatives aimed at black economic empowerment, including the bid for Anglo American's 48 percent shares in Johnnic.

"If other unions want to join, then we'd be interested," he said.

Devon Valley's sale follows a decision by Gilbeys in late 1994 to relocate its production operations in Stellenbosch to Gauteng and KwaZulu-Natal.

The relocation of production operations and the sale of its farms – Kleine Zalze and Devon Valley – raised the spectre of retrenchment and unemployment for farmworkers employed on these farms.

To soften the blow, Gilbeys established the Stellenbosch Business and Learning Centre in 1995.

Since linking up with the government's Local Business Service Centre in October 1995, the centre has offered support services to existing and emerging small businesses, including business advice and rental space at a nominal rate.

It also provides tender departments of larger businesses with a database of the small businesses in Stellenbosch.

However, about 20 farmworker families remained at Devon Valley after Gilbeys shut its operations there.

With the possibility of the sale of Devon Valley to a black consortium in which they could have a stake, these workers have established the Devon Valley Workers' Trust.

The sale of Devon Valley to the DVDC will entitle workers to a 20-percent stake in the farm. They will provide the money for this through settlement grants, of about R15 000 a family, from the Department of Land Affairs.

Steven Adams, a representative of the farmworkers' trust, explained that their 20-percent stake would provide the families with secure tenure and end the uncertainty which the families experienced after Gilbeys put the farm up for sale.

"The important thing for us is housing and that is why we are part of the deal to buy the farm," he said.

"Only about 10 families moved off the farm after Gilbeys stopped its production. They could afford to buy houses in Stellenbosch but this is not an option for most of us. The crime in Stellenbosch also

Pictures: ANDREW INGRAM, The Argus.

MAKING HISTORY: Howard Corkie, left, and Chris Swart have been driving the black consortium's bid to buy Devon Valley, a wine estate in Stellenbosch.

business development.

"The DVDC will maintain the vineyards and the winery which includes a cellar, wine shop and wine-tasting facilities," said Mr Swart.

There are plans to establish a guest house, conference facilities and open a restaurant.

"The existing production facilities will be used for warehousing and small business development."

Mr Swart said plans to do so were ready to be activated once Gilbeys' London shareholders approved the purchase next week.

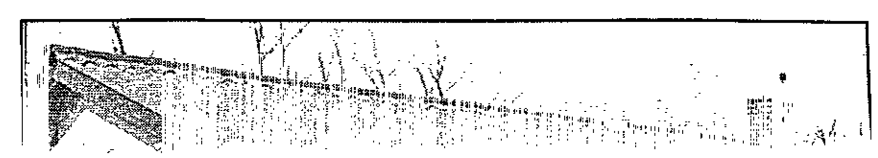
"The intention is to produce a red wine aimed at the top end of the market, with help from two French châteaux, based in France's Bordeaux area."

Devon Valley's 24ha of vines produce about 200 tons of grapes a year. There are also contracts

manor house – several three and four-bedroomed houses, and 37 farmworkers' cottages.

The business plan which DVDC has submitted to Gilbeys sets July 1997 as the target date for integrating the winery, guest house, restaurant, conference facility and business centre elements of the estate.

By November 1999, the first batch of new upmarket red wine is



...saw...e sa... ...e union wou...d ...a...e possible investment in Devon Valley at a meeting of the Cotton Provident Fund this week.

"If it means empowering work-

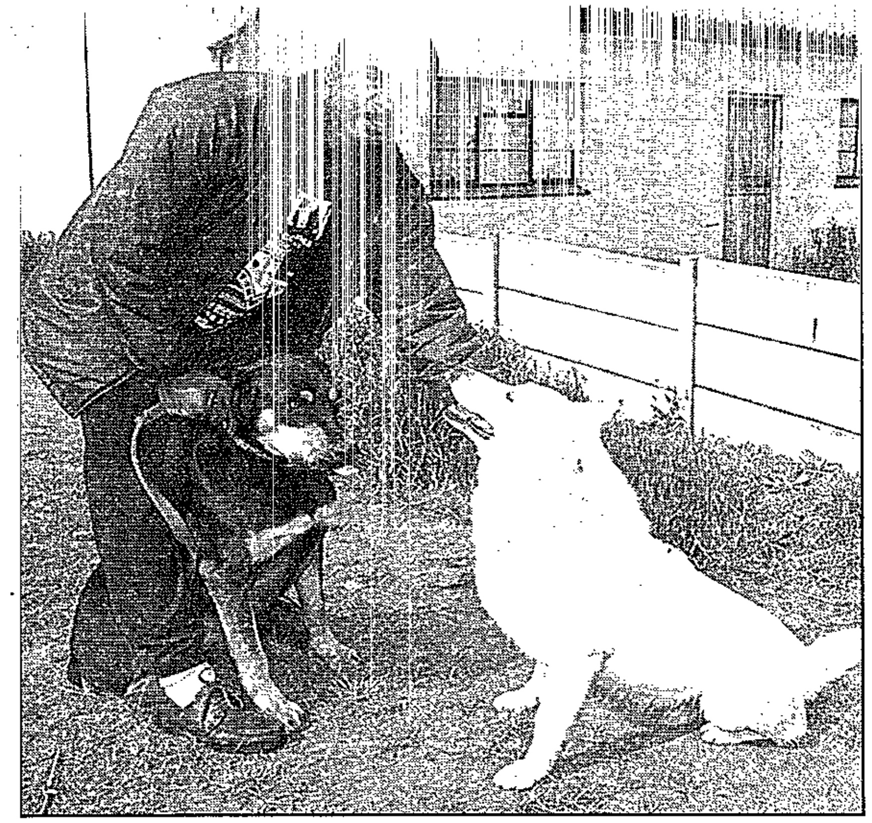
...t secures the purchase of Devon Valley, the DVDC intends retaining the wine-making operations of the farm and combining this with tourist and

exclude brand names being produced on the farm – Craighall and Bertrams wines. Instead, the new owners will have to develop a new line of wines.

supply the estate's winery with an average of 50 tons of grapes a year. These contracts end in 2005.

Facilities on the farm include Craighall – a two-storey thatched

The Afrika Beverage Company, South Africa's first black-owned wine distributor and wholesaler, is likely to be included in the production of the new wine.



WORKERS STAKE A CLAIM: Steven Adams, above, a representative of the Devon Valley Workers' Trust, which was formed to enable farmworker families living at Devon Valley to get a 20-percent share in the farm.

WAITING FOR NEW OWNERS: Craighall, left, the manor house on the Devon Valley wine estate in Stellenbosch, may have black owners for the first time. A black consortium is finalising the purchase of the estate from Gilbeys.

Coke stokes the cola fires as Pepsi runs dry

Pepsi, whose sales were until recently four times higher than Coke's in Venezuela, has had its market share destroyed by Coke's signing-up of its sole bottler in the country. But Pepsi has vowed to fight back, writes ED MCCULLOUGH of Sapa-AP from Caracas.

In advertising campaigns here, Pepsi offers cola drinkers unmarked cups of its soft drink and also Coca-Cola, and asks them to choose the better one.

It's called the Pepsi Challenge. Pepsi wins. But in the real world Pepsi has just lost in a big way.

Coke pulled off a huge business coup this month by signing up its archrival's sole bottler in Venezuela.

But Pepsi, the longtime market leader in the country, is organising a comeback that mirrors its marketing campaign, hoping its four-to-one market share was based not on market access but consumer preference for its sweeter taste.

"Look at this," said Pepsi's regional president, Alberto Uribe, showing a reporter a letter from university student Rommy del Valle Maza.

It began: "Keep your spirits up," and ended: "We'll wait for Pepsi because I won't change."

After six decades, Pepsi began disappearing from Venezuelan stores within days of the surprise deal two weeks ago between Coca-Cola and the bottling and delivery company co-owned by Oswaldo Cisneros.

Overnight Pepsi found itself with no way to bottle, deliver or import its product.

In the $700-million (R3,15-billion) soft drink market, Pepsi had garnered about $400 million (R1,80-billion) annually in sales. The market was out of reach with the scratch of a pen.

Mr Uribe said it was a question of how and when, not whether, Pepsi would be back.

"We've already taken the main decision – return to Venezuela," Mr Uribe said within day's of Coke's coup.

The company is also pursuing legal channels.

Pepsi is preparing to make an an indemnity claim for breaking a contract without warning that may top $100-million (R450-million).

The government's anti-trust agency begins hearings this week to determine whether the Coke-Cisneros contract is legal.

But the damage has been done. There are few local bottlers of comparable size to Mr Cisneros's plants, and importing is too expensive.

In short, Pepsi inherited Coke's problems when Coke grabbed Pepsi's bottler.

Thousands of cases of Coke were rolling off Mr Cisneros's assembly lines within hours of his breaking a contract with Pepsi that went back to 1939. The franchise was the cornerstone of the billion-dollar family fortune.

That same weekend, workers painted over the Pepsi logos on 2 500 trucks that delivered Pepsi to the far corners of this Caribbean nation of 21 million people.

Mr Cisneros apparently came to feel that Pepsi's success in Venezuela was due in large measure to the efficiency of his company.

Coke agreed, and offered to buy into his business, which Pepsi had treated as only a franchise.

While Coke was ready to invest tens of millions of dollars, Pepsi seemed to be content with sticking to a contract that ran to 2003.

"Pepsi ... didn't pay proper attention to the needs of their partner," said Tom Pirko, a New York-based beverage market analyst.

"Cisneros was looking to grow. Pepsi simply didn't make the commitment."

Mr Uribe and Mr Cisneros give different accounts of the breakup, in particular on the issue of whether Pepsi offered to buy out its bottler.

But Pepsi never thought its contract with Mr Cisneros was in danger. A Coke deal was unthinkable: Mr Cisneros had even been a member of Mr Uribe's wedding party.

But while the cola war has been front-page news, most Venezuelans seem to be taking it all in their stride.

Ricardo Vallenilla, a public relations executive, said he prefers Pepsi and stocked up on the soft drink last week.

"I'm one of those who think Coke is fine mixed with rum rather than sipped by itself over ice," he said.

But when his private stock runs out "I'll drink Coke."

SFW and Distillers hit record highs

(3) WINE ARG 29/8/96

Focus on increased productivity paying off – Stroebel

ESANN DE KOCK
and LLEWELLYN JONES
Business Reporters

WINE and spirits have been good business over the past year, with KWV Investments being one of the biggest beneficiaries.

KWV Investments sources its income from Stellenbosch Farmers Winery (SFW) and the Distillers Corporation with an effective 30 percent holding in both.

Yesterday KWV Investments showed its distributable income bubbling up just over 30 percent to R35,45 million in the year to June, as SFW and Distillers turned in record performances.

SFW chairman Jeff Malherbe recently announced the group had a net income of 78 percent for the year ended June 30, which he, in part, attributed to an increase in market share during a period of favourable trading conditions.

In an interview, SFW chief executive Frans Stroebel confirmed the good performance and said a focus on increased productivity had started to pay off.

He added the performance could have been even better if it were not for heavy stock shortages.

SFW had benefited from the weak rand, though products were priced in dollars, and huge overseas demand for Sauvignon Blancs and Chardonnays could have contributed to still higher trade, had stocks been available.

Mr Stroebel said growth in the domestic market, especially with an increase in tourism, had also contributed to larger local consumption of these wines – affecting overseas exports.

A relatively small percentage of the total wine harvest was exported.

Less than 10 percent of annual production of one billion litres was exported.

Mr Stroebel said while SFW was expecting an improvement in its performance, it predicted trade would become more difficult.

This was due to factors such as a lack of implementation of the government's macro-economic plan and rising crime.

He said huge fraud with competitors not paying excise also seriously affected SFW's potential performance.

Sales at Distillers rose 22,8 percent topping R1,53 billion, while improvements in distribution and manufacturing saw net profits gain 30 percent to R140,6 million.

But the current financial year might not be as rosy as the economy slows and the depleted rand bares down on the price of liquor imports.

Schalk Joubert, company secretary at KWV Investments, was optimistic.

"SFW and Distillers have good products and trademarks to see them through tough times," Mr Joubert said.

Wine makers plan for exports

(3) WINE BD 2/10/96

CAPE TOWN — SA wine producers are considering expansion and foreign joint ventures to cope with continued strong export demand.

In annual reports released this week both Stellenbosch Farmers' Winery and Distillers Corporation said further growth was expected this year.

SFW said its export sales volumes had grown 38% in volume over the past year and was expected to show continued growth for fruit juices and alcoholic fruit beverages, as well as its traditional wine and spirit exports.

"In order to meet this expected increase, SFW will assess the potential of joint ventures with international partners," SFW MD Frans Stroebel said.

SFW was exporting to 50 countries, with Germany the largest market. Exports to Africa had grown "significantly", mainly to Kenya and Zimbabwe.

Distillers MD Jan Scannell said exports had risen 22% in volume and 46% in value to R84m over the past year, and this was expected to be maintained in the coming year.

To meet increased demand the company had approved projects worth R47m in the coming year, mainly to improve efficiency and quality assurance.

But both groups admitted that keeping up with increased demand was being made difficult by the shortage of natural and distilling wines.

Distillers chairman Boetie van Zyl, said the shortages were restricting growth in sales volumes.

"The prerequisite for successful competition in domestic and international markets is steady and prompt supply of quality products, as well as maintaining the correct balance between price and quality," he said.

This called for joint planning by the industry to ensure that the growing demand for SA wine was not jeopardised by stock shortages. — Reuter.

MAIL & GUARDIAN
October 4 to 10 1996

Fruitful: Wine farmers are pleased by the crackdown on illegal liquor imports PHOTO: HENNER FRANKENFELD

Taxing time for wineries

(3) WINE

M+G (PM) 4-10/10/96

Although steps are being taken to curtail illegal liquor imports and exports, wine producers are still faced with the problem of excessive excise duties, writes **Lynda Loxton**

HEAVILY taxed at home, South Africa's wine producers are increasingly concerned about illegal imports and exports of spirits, which could be costing the country about R9-billion a year in lost revenue, according to some estimates.

Stellenbosch Farmers Winery (SFW) chairman Jeff Malherbe said in his annual report this week that this amount was more than "three times the country's current budget for the Reconstruction and Development Programme.

"Business looks to the government to create a stable environment with clear regulating policies within which sustainable economic development can take place. It is, therefore, gratifying to note the steps taken by business and the government to curtail this illegal action."

He was referring to the new Customs Law Enforcement Group Caucus, set up over the past year by business and the government. But he was less happy about developments on excise duty and import tariffs.

He said the liquor industry had always made "a substantial contribution" to the fiscus through company taxes and excise duty, but was this year once again hit by "excessive" excise duty increases for wines and alcoholic fruit beverages.

In his annual report, Distillers chairman Boet van Zyl said that of the cash value added by his group, 45% was used to pay excise duties.

"High levels of excise duties are detrimental to all interest groups and increases ... should be limited to below the increase in the producer price index to avoid upward pressure on inflation," he said.

SFW imports whisky and Malherbe said he was concerned about the delay in finalising import tariffs in terms of obligations under the World Trade Organisation. This was creating uncertainty, which affected long-term planning.

On the free trade agreement being negotiated with the European Union, Malherbe said that while SFW supported the principles of international free trade, "the agreement should be carefully negotiated in order to avoid unnecessary disruption of the local industry and resultant job losses".

Van Zyl said the import tariffs on wine and spirits should be set in such a way "to prevent the dumping of subsidised foreign products in the South African market, without disrupting the market for normally priced imported products".

SFW said its export sales had grown by 38% in volume over the last year and were expected to show continued growth. "In order to meet this expected increase, SFW will assess the potential of joint ventures with international partners," SFW managing director Frans Stroebel said.

He said SFW was now exporting to 50 countries, with Germany the largest market. Exports to Africa had grown "significantly", mainly to Kenya and Zimbabwe.

Distillers' managing director Jan Scannell said exports had risen 22% in volume and 46% in value to R84-million in the past year and this was expected to be maintained in the coming year.

To meet overall increased demand, Distillers had approved projects worth R47-million in the coming year, mainly to improve efficiency and quality assurance.

KWV changing from co-op to fully fledged company

(3) WINE

ESANN DE KOCK
BUSINESS REPORTER

ARG 9/10/96

KWV plans to transform itself from a co-operative organisation into a company – placing shares in the hands of its individual members.

This was announced by Lourens Jonker, chairman of Ko-operatieve Wijnbouwersvereniging, at a special meeting of wine farmers in Paarl today.

Mr Jonker called on the KWV membership to start mobilising to ensure the 75 percent support required for the acceptance of the proposal and action plan.

The 4 700 KWV members will vote early in December, with a view to implementing the restructuring after the annual general meeting in April.

Mr Jonker said that over the past few years KWV had regularly investigated and evaluated the advisability of converting into a company, coupled with the opportunity of unbundling assets to wine farmers.

He said that changing circumstances had contributed to the KWV board's being able to announce at this year's annual general meeting that it had approved in principle a limited unbundling of assets and that the final details would be presented to a meeting of members for approval before the end of the year.

A new public company, KWV Capital Group and Capital Limited, would be formed to serve as a holding company for the transformed KWV and its subsidiaries, Mr Jonker told the wine farmers.

KWV may be transformed into company

(3) WINE BD 10/10/96

Samantha Sharpe

CAPE TOWN — KWV has unveiled plans to transform the grape and wine-producing co-operative into a public company, a move which would result in an unbundling of all its assets for distribution to member farmers.

The proposals, which follow mounting pressure by the wine industry to move towards a company-based system, will be put to the membership in December for a decision, with 75% approval required before implementation in April next year.

Speaking at a special general meeting of 700 farmers yesterday, KWV chairman Lourens Jonker said the action plan centred around the creation of a new public company, KWV Group Limited, which would serve as the holding company for the transformed KWV and its subsidiaries.

Jonker declined to comment on the new company's market value, saying it was unlikely that it would be listed on the JSE in the short term. He said while the KWV board had approved in principle a limited unbundling of assets to farmers at this year's annual general meeting, "environmental changes have since necessitated that the KWV board makes further, far-reaching and comprehensive decisions.

"Accordingly, KWV is to be fully transformed into a company and for all practical purposes the total assets are apportioned and unbundled to wine farmers, with certain provisos."

Current KWV members would acquire shares in the public company proportional to their contribution to the co-operative's pool over the past 15 years, which could then grow in value. Shares in a co-operative retain only their nominal value, a bone of contention among co-operative members.

Profit distribution within KWV would then shift from the current situation where income is shared in accordance with the business transacted through the pool to one based on underlying shareholding, he said.

"By transferring KWV into a company and giving members shares in KWV group ... a more acceptable and just basis is laid for future distribution of these profits among shareholders."

On the provisos for unbundling, Jonker said these included the setting aside of 10% of the newly formed company's assets — 5% of which would go towards the establishment of a development trust to implement reconstruction and development goals. The other 5% would be set aside for acquisition by KWV employees.

Sapa reports that Jonker said: "This is an urgent and essential restructuring and repositioning in the SA wine industry, so as to serve the wine farmers effectively. The aim is to place the shares in the hands of the individual members."

Investment holding company KWV Investments, a JSE-listed company, would be unaffected by the restructuring, he said.

In its annual report KWV said SA natural wine products continued to gain international market share, with local wines exceeding expectations last year. MD Willem Barnard said export sales had increased 208% in the two years to last year from 2,5-million cases in 1993.

KWV ready to unbundle assets to members

(3) WINE

FRANÇOISE BOTHA

CT (BR) 10/10/96

Paarl — KWV, the wine farmers' co-operative, plans a limited unbundling of its assets to members. This involves well over R1 billion, KWV chairman Lourens Jonker said yesterday.

At a meeting of more than 700 farmers yesterday, Jonker said the co-operative organisation would be transformed into an unlisted public company next year.

KWV Group Limited would be established on April 30 if members agreed, he said.

He hailed the move as the most "important and decisive" for the South African wine industry and farmers since the co-operative was established in 1918.

The company was not planning to list because it had no need to go to the market for capital. KWV Group's interests would include 100 percent ownership of KWV International, its export arm; a 25 percent stake in Ceres Fruit Juices, which is controlled by South African Breweries; and a 52,2 percent holding in KWV Investments. KWV Investments includes 30 percent stakes in both Distillers Corporation and Stellenbosch Farmers' Winery.

In the new KWV Group holding company 400 million "A" class shares would be issued to co-operative members. The issuing of the shares would be determined by the co-operative members' relationship with KWV. This would be based on contribution to the distilling wine pool.

In addition, a new farmers' co-operative, KWV Co-operative Limited, would be established to continue current operations. Members will receive "B" class shares which have no asset value if the arrangement is approved. The voting shares would be used by farmers to retain control of KWV Group and its subsidiaries.

□ Business Watch, Page 16

Plans to restructure KWV

(3) WINE

Wine farmers will retain control, says Jonker

ARG 10/10/98

ESANN DE KOCK
Business Reporter

KWV has announced plans to urgently restructure the organisation and reposition it in the South African wine industry.

KWV chairman Lourens Jonker said at a special meeting attended by more than 2 000 people in the Paarl town hall yesterday that it was intended that the organisation be totally transformed with shares falling in the hands of individual members.

The support of at least 75 percent of members to ensure acceptance of the plan.

He said members would vote on the restructuring early in December with a view to implementing the plan it after an annual general meeting in April next year.

The idea is to form a new public company, KWV Group Limited, to serve as the holding company for the transformed KWV (private company) and its subsidiaries.

Mr Jonker said, in terms of the new plan, KWV would conduct its business fully in company form and KWV Group Limited would hold all shares in the transformed KWV.

A new co-operative, KWV Co-operative Limited, would by means of a "Class B share" have a majority vote to retain control by wine farmers over the KWV Group and its subsidiaries.

The co-operative would have no assets, he said, and the shares would carry no value or any profit sharing, but only a vote.

Mr Jonker said shares in a co-operative retained only their nominal value and members of KWV would acquire shares in a public company which, in due course, would increase in value.

By transforming KWV into a company and giving members shares in KWV Group Limited (proportional to their business relationship over the past 15 years), a more acceptable and just basis was laid for future distribution of profits among shareholders, Mr Jonker said.

And, as a company, KWV would be better positioned to build capital and the status would provide KWV with a better marketing profile.

While all KWV members would obtain shares in KWV Co-operative Limited, he said only members of KWV with a client relationship in the organisation would be able to obtain shares in KWV Group Limited. "Control of KWV must remain in the hands of the wine farmers."

Mr Jonker said the transformation scheme would ensure that KWV survived in the interest of and under control of the wine farmers in the long-term, to the optimal benefit of the entire wine industry.

The scheme would also ensure that no single shareholder would be able to take over control of KWV Group Limited.

ROY WIGLEY

Time for change: wine farmers pack the Paarl town hall to listen to the proposal by KWV to form a company and place shares in the hands of its members

SA wines selling well

By Gerry Reilly (3) WINE

THE world is buying South African wines at an increasing rate in the face of fierce international competition, contributing greatly to the country's foreign exchange earnings.

The lucrative wine markets of the United Kingdom and Europe, which were closed to South Africa during the apartheid years, opened up for local wine exporters after the change of government in 1994. 14/10/96

Since then sales of South Africa's wines have flourished and last year reached record levels.

KWV expects wine exports this year to exceed last year's by at least 9,6 million cases.

The country's wines are now being sold in 50 countries. They are on prominent display in chain stores throughout the UK and parts of Europe and are available in thousands of hotels and restaurants. Sowetan

Foreign exchange earnings last year amounted to R500 million. This year the figure is expected to reach R800 million, KWV according to general manager Mr Kobus van Niekerk.

Other industry sources claim the figure should be in excess of R1 billion by the turn of the century.

And wine farmers' earnings are rising to record levels. Their gross income last year was R963,2 million and the expectation is it will rise to R1,250 billion in 1997.

Van Niekerk says the only factor limiting even speedier growth in international sales is a shortage of the "big six" noble wine varieties – Chardonay, Sauvignon Blanc, Pinotage, Cabernet Sauvignon, Shiraz and Merlot.

(3-Wine)

Distillers still in good spirits despite wine shortage

CT (BR) 15/10/96

Marc Hasenfuss
Cape Editor

Cape Town — Distillers Corporation, which is 60 percent held by Rembrandt and 30 percent by South African Breweries, is set for another year of solid growth despite the shortage in the supply of natural and distilling wines.

Jan Scannel, the managing director of Distillers, said at the group's annual general meeting in Stellenbosch yesterday that the shortage would last for a few years. But he emphasised this would not hamper Distillers' earnings growth in the year ahead.

"Our earnings contribution from wine is not that material (below 20 percent), and the shortage won't hit the company that badly," he said.

Scannel said that a shortage of "products of the vine" was having a detrimental effect on production. A reliable and continuous supply of natural and distilling wines demanded joint planning with producers.

"At the moment everyone is trying to get their hands on the stock that is available," he said.

Distillers is also in line for another strong export performance this year after increasing foreign sales 46 percent to R84 million last year.

But Scannel said export growth was being limited by the stock shortage as preference had to be given to the local market.

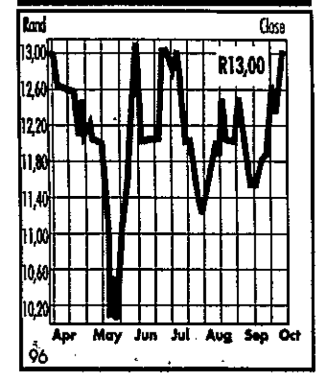
He believed the company could still increase exports to 9 percent of turnover in the year ahead.

"Our future successes also depend on to what extent we can break into the spirits market overseas. So far our Amarula Cream has found strong acceptance overseas," he said.

Regarding the recently acquired Devon Valley wine estate, Scannel said the company hoped to establish a House of Sparkling Wines.

"We have a major share in the sparkling wine industry and are looking for a vehicle to house our trademarks," said Scannel.

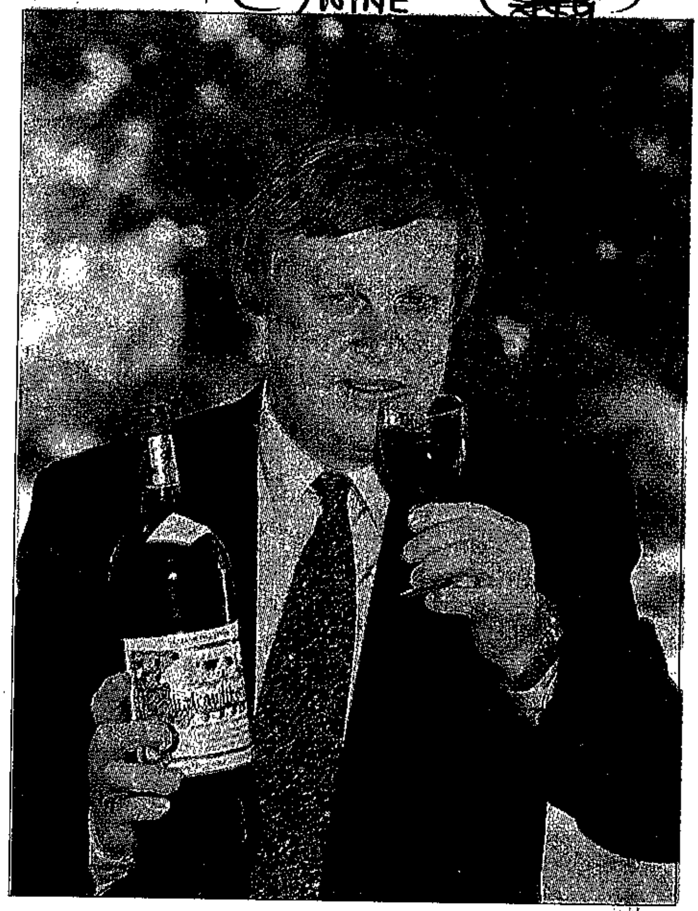
Distillers



SFW resorts to importing to meet demand for its exports

CT(BR) 17/10/96 (3) WINE

AUDREY D'ANGELO



FLOURISHING MARKETS *Frans Stroebel, the managing director of the Stellenbosch Farmers Winery group, enjoys one of his own red wines* PHOTO: ANDREW BROWN

Cape Town — The Stellenbosch Farmers Winery Group (SFW) cannot meet the heavy demand for its exports, and is having to import red wine and grape juice to supply the markets it is developing in other African countries, said Frans Stroebel, the group's managing director.

He said the group "could easily double our exports if we had the quantities available".

SFW, which lifted earnings by 77,8 percent in the year to June 30, had been hit by unreasonably high import duties on its exports to the European Union, he said.

It was also affected by illegal imports of spirits, which, because no customs duty had been paid on them, were being sold at unrealistically low prices locally.

Jeff Malherbe, the group's chairman, said that the illicit trade of spirits was a major concern, resulting in the loss of R9 billion in unpaid duties a year

Malherbe said the liquor industry had voluntarily contributed R1 million towards the cost of investigating the evasion of excise duty.

He said SFW cautiously welcomed negotiations in progress with the EU for a free trade agreement and a wine and spirit agreement.

"SFW endorses the principle of international free trade, but this should avoid unnecessary disruptions to the local industry or negatively affect the employment situation. Hidden subsidisation, which often occurs in other countries, must also be taken into consideration."

He said SFW exported to 50 countries, with Germany as its largest market.

Stroebel said the playing field was not level as far as exports of spirits to the EU were concerned. The South African duty on imported spirits was R14 a case but the duty charged on South African spirits entering the EU was R48.

New-look KWV has only faint wheeltracks to follow

(3) WINE

BD 21/10/96

The agricultural sector, often assumed to be economically conservative, is forging ahead with restructuring as it prepares for global competition, reports Samantha Sharpe from Cape Town

KWV's announcement last week that it plans to transform the grape and wine producing co-operative into a public company put it on centre stage. The move follows other, earlier initiatives by dairy group Bonnita, meat producer Kolosus and fruit and vegetable cannery Langeberg, all of which have endured the sometimes painful conversion from co-operative to private company.

KWV chairman Lourens Jonker says the unbundling of the organisation's assets for distribution to member farmers is clearly an urgent and essential restructuring and repositioning of the SA wine industry in a bid to serve wine farmers effectively.

Jonker says the move will place shares in the hands of individual co-operative members, and these can then grow in value. Shares in a co-operative retain only a nominal value, leaving no room for capital growth. It translates also into a more equitable basis for future distribution of profits among shareholders, while putting the company in a better position to build capital and market itself internationally, he says. Experience shows that co-operatives, as an ownership form, carry negative connotations in the international marketing environment.

Analysts agree that co-operatives may start the road to privatisation as inefficient entities, but through cost-cutting and the demands of the free market can become lean, which translates into considerable rationalisation benefits for shareholders.

Bonnita MD Louis du Plessis says the reasons for the dairy co-operative's restructuring in June 1992 and subsequent listing in 1994 were to unlock the value of assets to co-op members and create a structure to attract permanent capital.

The group has evidently succeeded on both counts. Premier pumped R100m into it in 1993 when it took a 39% stake, its first step on the road to a final 61% shareholding in the Cape-based company.

With the backing of its parent, the group has been able to grow its asset base dramatically. It recently bought the Zambian national dairy produce board's large production facilities in Lusaka, Kitwe and Mazabuka and increased its net asset value a share to 198,8c in 1995 from 139,8c in 1993.

Weighted average headline earnings a share soared 27,6% to 28,7c in the year to April, compared with 9,5c in 1993. Return on shareholders' funds was 15,4% at the end of financial 1996, compared with 6,9% before the listing.

However, the smaller KWV co-operative members and wine farmers might have legitimate fears that real wealth will remain in the hands of the larger wine farmers, despite their co-operative's transformation to a private company.

For independent farmers, such concerns are prompted by the fact that, unlike companies such as Bonnita and Kolosus, there appears to be no immediate intention for KWV to seek a JSE listing.

About 4 300 shareholders own 0,5% of Bonnita's share capital, compared with the 75,5% owned by 11 major shareholders. Du Plessis says the group's shareholding was originally distributed among members based on the extent to which they had done business with the co-operative. The accumulation of wealth and growth in capital to individual shareholders is thus reflected on a pro-rata basis from that date, he says.

For KWV members, the allocation of shares based on business conducted through the co-operative points to a bigger share of the pie for larger players, without the benefits of a JSE listing and a free market through which to trade.

Independent wine farmer Mortimer Lee says concerns about restructuring centre on the fact that shares to KWV members can only be traded among fellow wine farmers, effectively undervaluing their true worth, and by the fact that the pooling system for determining income and price will continue as before.

"However, I trust that this is seen by KWV as a first step and that the rest — the inevitable listing of the organisation — is taken as a fait accompli . . . The members must be the ultimate beneficiaries," Lee says.

Meanwhile, while Bonnita might offer a strong example of the benefits of privatisation, meat product group Kolosus has not enjoyed the same good fortune, reporting a 70% slump in net income to R14m for the year to May after restructuring costs hit its bottom line. The group's share price hit an all-time low of 360c earlier this year compared with its price of 650c in January 1995.

Formerly the Vleissentraal co-operative, Kolosus was one of the first co-ops to head for the JSE. This followed changes in the Land Bank's loan terms and an amendment to the Co-operatives Act in 1994 which spurred industrial co-operatives to restructure into companies.

Whatever the perceived disadvantages to privatisation in agriculture, it seems clear that survival in the global arena is dependent on an ability to function in a free market environment, which in turn means ownership in the hands of members. Companies like KWV appear to have recognised this principle.

Squeezing the grape dry

M+G 25-31/10/96 (3) WINE

A new research institute aims to make South African wines the toast of the world, writes **Lesley Cowling**

PROFESSOR Sakkie Pretorius and his family had started packing, getting ready to move across the world. He'd been offered a dream job — head of a big research institute in New Zealand, where he would have the staff and resources to work in his field, microbiology. But it meant leaving Stellenbosch and friends and family in South Africa.

Then the wine industry finalised a plan that had been in the pipeline for months and decided to fund a wine research institute. It would be at Stellenbosch University, and they wanted Pretorius to run it.

Pretorius still smiles and shakes his head as he remembers the last-minute change in plans and how his life and his family's suddenly turned around.

Any regrets he may have had about the New Zealand job have been overtaken by his excitement at the new project, his plans for the new building and the good news that the Department of Trade and Industry will match part of the wine industry's R5-million contribution.

But his story illustrates the importance of industry-academic co-operation in South Africa's science and technology sector: it allows for research opportunities that have, until recently, been rare.

Wine, despite its romantic image of vats and vineyards, is as technological as the next industry

The goals for the Institute of Wine Biotechnology are fairly simple: a growth in foreign earnings from wine and an increase in income and jobs in rural wine communities. It will also tackle problems that come up for producers, wine-makers and wholesalers.

But achieving those goals takes sophisticated methods. Wine, despite its romantic image of vats and vineyards, is as technological as the next industry. And wine industries all over the world compete for a slice of the market and have to be abreast of the latest wine-drinking fashions.

Pretorius says that South Africa is ranked 20th in the world in terms of hectares under grapevine, but ranked about eighth in terms of its products. This is a good position, but holding on to it will take work.

It starts with the vineyards: cultivating the right sorts of grapes, keeping pesticide levels down and developing agricultural methods. When its time for wine-making, you're into the science of enzymes and yeasts — an area Pretorius, as a world leader in microbiology, understands.

"In France, it is very fashionable to have spontaneous fermentation," he says. That's when wine-makers allow the yeasts already on the grapes to determine what kind of wine will develop. It gives the wine a complex character, because it has grown from a combination of many yeasts.

Most countries, however, go for one particular yeast. This means removing all yeasts already in the grapes and replacing them with one the wine-makers know and understand. Although this makes for a simpler wine, it has some advantages — its predictability. Wine-drinkers know pretty much what they're going to get and some like familiarity (as the popularity of champagnes like Moët et Chandon shows).

Pretorius says the South African wine industry has decided on a middle way — not spontaneous fermentation, but using a combination of yeasts to get some complexity. The work of the wine institute will experiment with yeast combinations.

South Africa does well in middle-range wines, but doesn't really compete internationally when it comes to top-class wines. This is another area for development, Pretorius says, as the high-quality wine market is very lucrative and would generate far more foreign income.

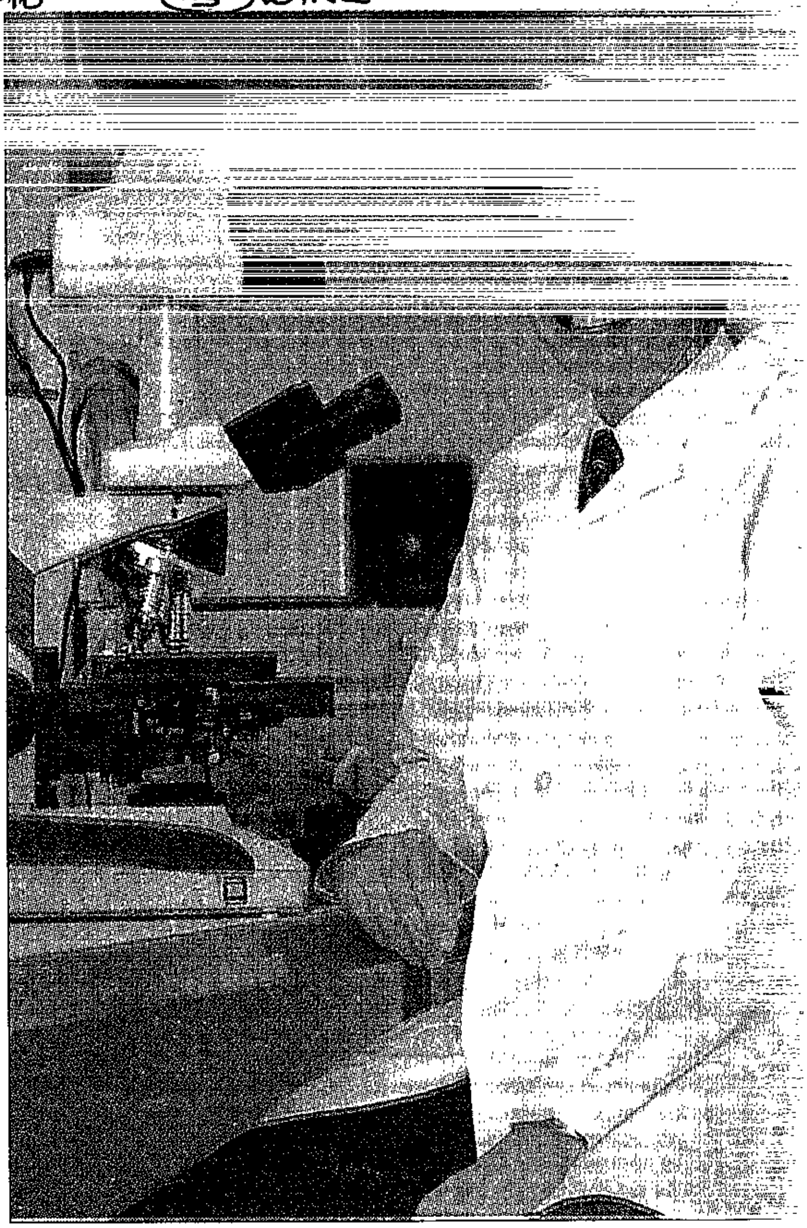
Another area that is important is acidity: Pretorius says South African wines don't have the right acidity and, like many other countries, adds D-malic acid to adjust the wines. This was used as an excuse, one year, to take South African wines off European shelves, until South African wine-makers pointed out to the European Union that many other wines with D-malic acid were being sold from other countries. The EU relented.

Pretorius says the problem arose from competitors in Germany, worried about the inroads South African wines were making into their markets. But it is important to head such problems off by knowing the technology (both here and internationally) so well that you can argue your case, he says.

The institute will collaborate with Elsenburg Agricultural College and the Nietvoorbij Insitute for Viticulture and Oenology and also with international counterparts. Students will be sent to an institution in Adelaide, Australia — "collaborating with the competition", Pretorius calls it — to learn from the successful Australian experience with wine.

The Australians very cleverly decided to focus on Chardonnay, which has become a very popular wine in consumer countries. But they did well in other wines, too, and last year outdid South Africa in a wine competition, winning eight out of 11 categories — this despite being a relative newcomer to wine-making.

This showed that South Africa's wine-makers can no longer rest on their laurels. Tradition is not the most vital ingredient for good wines — knowledge is. This new initiative will hopefully help South Africa catch up.



Sakkie Pretorius: Heading the Institute of Wine Biotechnology

Big money flows into research pot

Lesley Cowling

THE Institute of Wine Biotechnology grew out of a new initiative called the Technology and Human Resources for Industry Programme (Thrip), which is administered by the Foundation for Research Development (FRD).

The programme brings together industry, academic research and government in projects designed to serve national interests.

The way it works is this: if industry puts money into a Thrip-approved project, the Department of Trade and Industry matches the grants by putting in at least 50 cents for every rand invested by the companies.

In some cases, the department will match the funding on a one-to-one basis. For example, in projects where there are five or more students, the department will match the industry grant if more than half are black or female.

Projects are jointly managed by the academic and industrial partners.

Apart from the Wine Biotechnology Institute, Thrip funds about 78 projects involving 56 companies. Two of the bigger projects are the Catalysis Research Unit at the University of Cape Town and the Sasol Separation Technology Unit at Potchefstroom.

During 1995, the Catalysis Research Unit under Professor Cyril O'Connor received joint funding of about R1,6-million. The funding came from the Department of Trade and Industry, companies AECI, Sastech and Sentrachem and the FRD.

The Sasol Separation Technology Centre under Professor Piet Steyn received funding to the value of R1,5-million through the Thrip initiative.

In 1995, funding from industry for Thrip projects totalled R10,9-million, while the department's contribution was R5,6-million.

Says Dr Tjaart van der Walt, FRD Director responsible for Thrip: "Thrip has tremendous growth potential. Compared with a budget of R17-million in 1995, the programme's size is projected to exceed the R50-million mark in 1996. We are aiming at a R250-million programme by the year 2000."

CT (BR) 29/10/96

WINE *Everyday blends have up to 45% imported content*

Exports drain local wines

(3) WINE

Françoise Botha

Cape Town — Shortages of South African wine have resulted in local consumers being left with everyday drinking blends that include up to 45 percent imported wine, liquor industry sources said yesterday.

The shortage, particularly of red wine, has resulted from a combination of higher domestic consumption, export demand and shortages of certain varieties.

Some of the wine industry's wholesaler producers, including Stellenbosch Farmers' Winery and Distillers' Corporation, have been forced to import wine from Chile and Argentina to service their export markets or flesh out local high volume blends.

A liquor industry source estimated that bulk wine imports could be as high as 30 million litres this year.

South African wine exports last year climbed to 69,3 million litres.

Jannie Retief, the chairman of the South African Wine and Spirit Exporters' Association, said good wine exports were likely to show growth of at least 35 percent this year. The good wine exports included wine in bottle or bulk container, but exclude wine intended for distilling purposes.

The source said: "Those co-ops that were supplying at around R3 a litre are now getting about R5 on the export market.

"All of the deals in the past were done on a handshake, so some of the wholesaler producers have been caught short," he said.

Ian Schietekat, a spokesman for Distillers' Corporation, confirmed that the company had included wines imported from Argentina in its Taverna and Cellarcask Johannisberger red blends.

"By far the biggest percentage is local wine. Unfortunately I cannot say how much of the imported wine makes up the blend because it varies. We blend for high quality consistency so that the taste does not vary much between batches," he said.

The source said imports had also interrupted supply to liquor retailers because some producers had been forced to redesign their packaging to account for the imported component.

Wouter Pienaar, the cellarmaster with Stellenbosch Farmers' Winery, said yesterday that while the producing wholesaler had imported wine from Argentina, this was used exclusively for exports into Africa.

Pienaar said that despite the company's shortage in terms of its total requirements, none of the imported wines had found their way into the well-known box wine brands, which include Autumn Harvest, Kellerprinz, Overmeer and Tassenberg.

Speaking about the shortage, Pienaar said: "I do not know what will happen in the future, but at this stage we can survive. It all depends on what the harvest is like and what we can purchase."

The shortage includes key red varieties like Pinotage, which is hardly used in high volume blends anymore, and Cinsaut.

Because international demand for Pinotage, the country's only locally developed variety, had increased, most of the wine had been used for bottled wine exports. Older vineyards of Cinsaut, which for many years had been the backbone of "cheap and cheerful" blends, were being pulled out and replaced by varieties like Merlot, which fetched higher prices. But it would still take a few years before the new vineyards come into quality production.

Graham Banks, the winery manager for Boland Wine and Brandy, said the company had imported 3,5 million litres of dry white wine from Argentina. He said the wines had been clearly labelled as being produce of Argentina, packaged in South Africa.

New Cape co-op adds wine wealth

(3) WINE

FRANÇOISE BOTHA

CT (BR) 31/10/96

Cape Town — Four Stellenbosch-based wine co-operatives yesterday resolved to merge their businesses and convert to a public company in a move which would lead to control of a minimum 20 million litres of wine a year.

The formation of the new company, Stellenbosch Vineyards, described as a "pioneering exercise" for the industry, began with the restructuring of the four co-operatives in April. Initially the merged venture formed by Eesterivier, Bottelary, De Helderberg and Welmoed was known as the Stellenbosch Wine Exchange.

Johan Carinus, chairman of Stellenbosch Vineyards, said yesterday the producers would account for 32 000 tons of grapes, producing wine worth over R40 million.

It was possible the tonnage and value of production could grow substantially, Carinus said. "Three estates may also join the company, but it is still too early to tell. We are still engaged in discussion with them."

The restructuring is in line with the recent announcement by KWV to initiate a limited unbundling of assets to members.

The decision was the culmination of a dream for most Stellenbosch wine producers to restructure the production of wine in the region and unlock the asset value of co-operatives.

"These changes in the industry mean that it is going to be more business-driven," Carinus said.

Disease puts pressure on grape harvest

(3) WINE CT (BR) 25/11/96

FRANÇOISE BOTHA

Johannesburg — Late and abnormally high rainfall in the Western Cape has caused widespread outbreaks of downy mildew — a disease that could reduce the grape harvest and put further pressure on wine shortages.

Larry Jacobs, owner of Mulderbosch wine farm, said last week: "If a farmer says he has not got downy mildew, he has not been into his vineyard."

Mike Dobrovic, the winemaker on the farm, said: "Everybody has got it. I have seen it in every vineyard that I have been into."

Although it was generally too early to know what the extent of the damage would be, Dobrovic said that Mulderbosch had already lost one vineyard block of cabernet. "There will definitely be vineyards in Stellenbosch that are going to have lower production, especially from the lower blocks which stay wetter longer," he said.

Wine farmers in Stellenbosch and Paarl confirmed that their vineyards had been hit by the disease, with a handful reporting losses. But most agreed that the level and frequency of rainfall over the next few weeks would determine the extent of the damage.

Dobrovic said that the disease, coupled with the liberalisation of minimum grape-price legislation earlier this year, was likely to push grape prices up.

"There is such a shortage of grapes anyway that grape prices are skyrocketing. Some farmers are getting 45 percent more than they were two years ago and in exceptional circumstances it is between 100 and 200 percent."

André van Rensburg, the winemaker at Stellenzicht, said: "Because last year was also quite bad, we were expecting it ... and most farmers used systemic sprays. But a lot that are using (contact chemicals) have given up because it just gets washed off."

Jan Booysen, the manager of consultation services at the KWV, said: "At this stage there is almost no loss, but we will be in a better position to evaluate it in two weeks' time.

"The harvest may be the same as or slightly better than last year. If it remains relatively cool, we could expect a quality year."

Because of the late rains and cool conditions, the harvest was likely to start about three weeks later than normal, Booysen said.

KWV seeks court go-ahead to form new company

(3) WINE

ESANN DE KOCK
BUSINESS REPORTER

ARG 11/12/96

Giant wine co-operative KWV will ask the Supreme Court tomorrow to approve a change in its legal status from a co-operative to a company.

KWV said it could not comment on speculation that Minister of Agriculture and Land Affairs Derek Hanekom might ask for an interdict to delay the process.

Most of the co-operative's 5 000 members have already approved the change.

KWV managing director Willem Barnard said the change in status should broaden access to the wine industry and to KWV. The conversion and restructuring would mean KWV could conclude joint ventures and partnerships, in terms of marketing, with previously disadvantaged groups.

It would also make the company more efficient in increasingly competitive world markets, Dr Barnard said.

The new group will still be the mouthpiece of the wine farmer

KWV converts to company

CT (BR) 9/12/96 (3) WINE

MARC HASENFUSS
CAPE EDITOR

Cape Town — KWV, the South African wine farming co-operative, will convert to a company at the end of April next year after its 4 751 members voted in favour of the change in a special ballot held in various wine districts last week.

Lourens Jonker, the chairman of KWV, said at the weekend the move was the "most important and determining matter affecting the local wine farmer since the establishment of KWV in 1918".

He said a new public company would be established, KWV Group, which would serve as the holding company for the transformed KWV and its subsidiaries.

KWV said that the result of the vote was 83,8 percent in favour of converting to a company, which was considerably more than the 75 percent support required by the co-operative's statute. A mere 0,35 percent of members who voted were against forming a company.

The ballot followed Jonker's presentation of the transformation scheme at a special mass meeting in Paarl two months ago.

Jonker said the positive result of the ballot came as no surprise. "The industry already demonstrated its solidarity and enthusiastic support at the mass meeting in October."

He emphasised that all KWV's existing responsibilities to the industry, like administration and stabilisation, would remain in place and that the new company would remain the mouthpiece of the wine farmer.

KWV has decided to keep the base price for good-wine and distilling wine unchanged at 73c a litre.

The base price is subject to approval by Derek Hanekom, the minister of agriculture, and has been determined according to a system of consensus operating since last year.

KWV cautioned that prices could be adjusted upwards on market forces since favourable market conditions were predicted for next year.

Cape wine company wins President's award for export achievement

3 WINE

ARG 11/12/96

ESANN DE KOCK
BUSINESS REPORTER

Cape company The Natural Corporation has been named South Africa's Export Trading House of the Year in the President's Award for Export Achievement – an annual competition sponsored by the Department of Trade and Industry.

Started by brothers Gary and André Shearer in 1990 with the aim of exporting fine South African wines to markets around the world, the company's uncompromising attitude towards quality is paying off. And that applies to both its products and business partner sectors.

'A protectionist attitude in the South African wine industry is seriously hampering progress'

Managing director Gary Shearer says The Natural Corporation entered the market with the belief that South African wines were the most wonderful products to represent the company and open doors in future.

Following a casual for wine from Germany in 1990, the idea was born to export. They visited the winelands and soon landed export deals with some of the country's finest estates, including Cabriere, Kanonkop, Buitenverwachting, Mulderbosch, Thelema, Blaauwklippen and Landskroon.

A recent addition to their top quality portfolio is Veenwouden private cellar in Paarl.

In the volume sector of the business, the company boasts its own successful Kronendal and Cape Indaba brands.

In addition, Swartland Winery has appointed The Natural Corporation as its agent in Canada and the US.

The Shearer brothers, one of whom was in the overseas fashion industry and the other in the local computer business, predict that they will go from strength to strength.

Turnover increased by 155 percent in 1993/94 and by 80 percent in 1995/96.

The company was a finalist in the Weekend Argus/Cape Chamber of Commerce and Industry Exporter of the Year competition.

The Natural Corporation operates in the US, Canada, Germany, Scandinavia and the United Kingdom at the moment.

André says winning the President's Award for Export Achievement has shown that smaller companies can achieve good export results, especially considering that the wine industry has been subject to domination and closed mindedness.

"This has given us a slice of credibility. We need more companies to strive to achieve results in the right areas – not just selling to the first buyer, but trying to build up a reputation.

"Wine is an ambassador, not just a commodity. You sell the country and all that is associated with the country. It is tourism, it is political, it is everything. Everyone is fascinated by wine.

"Therefore it is also essential for the Government to provide support and access to promotional aspects of wine export and marketing," he said.

South Africa has some of the best quality wines in the world, the Shearers believe, but production problems and the protectionist attitude of the industry are seriously hampering progress.

Calling for cohesiveness and true unity in the industry, they warn that wine farmers should not think that the world is there for the taking.

ESANN DE KOCK

Winners: Andre and Gary Shearer of The Natural Corporation with the President's Award for Export Achievement

LOCAL PRICES SET TO SOAR

You'll whine as you dine

CT 11/12/96

(3) WINE

A TENFOLD increase in wine exports, growing local consumption and the weak rand are pushing up local prices to international levels. LISA TEMPLETON reports.

WINE lovers be warned: five years from now you could be paying more than R100 for an ordinary bottle of wine because there simply isn't enough to go around.

One of the main reasons for having to cough up for your favourite wine is the tenfold increase in export figures from a mere 855 000 cases in 1990 to a staggering 8,2 million cases last year.

But foreign markets are not solely to blame: local wine sales increased by eight percent in 1994 and a further 6,4% in 1995, there has also been an influx of tourists keen to taste the best local vintages.

"In the past we could negotiate a better price, but now the farmer dictates it," said Mr Darron Swersky, marketing director of Piccardi Rebel. "They know there is a shortage and they don't need to discount."

A KWV international report predicts that 10 million cases will be exported this year. National export figures rose by 208% from 1993 to 1995 alone.

The United Kingdom is the biggest consumer, taking 47%, followed by Germany, the Netherlands and Canada.

"There is huge demand from overseas. Since South Africa became the flavour of the month there has been much more exposure and we are now selling to a market not open before," Swersky said.

The high quality of South African wine and the weak rand had made the wine a "real bargain" for overseas buyers.

"But the local market is suffering in a big way. The smaller 'boutique' farms don't have the capacity and quantity to supply both markets, and as a lot gets exported, there is a shortage here," Swersky said.

Swersky said South Africa was importing wine from South America and Eastern Europe to make up for the shortage of red wine.

Mr Martin Moore, the winemaker at Groot Constantia, which exports 36% of its stock, said it was necessary for farmers to export wines to offset the huge costs involved in buying winemaking equipment, most of which is imported.

Mr Alwyn van Wyk, manager of Vaughan Johnson's Wine Shop at the Waterfront, said he had been reduced to selling current vintages ('93 and '94 reds and '96 whites) —

"But the local market is suffering in a big way. The smaller 'boutique' farms don't have the capacity and quantity to supply both markets, and as a lot gets exported, there is a shortage here"

a plight shared by some of Cape Town's top eateries.

"There just isn't the stock, in five years' time I can see people paying hundreds for a basic wine," Van Wyk said.

To protect local suppliers, wine farmers have created an allocation system that offers distributors and restaurants a number of cases at the launch of a new vintage to guarantee supplies.

Local interest in wine has surged since 1993.

Mr Jeff Grier, owner and winemaker at Villiera Estate in Paarl, attributed this to population growth, a trend towards drinking wine with meals, an increase in restaurants and a growth in disposable income since the recession in the early 1990s.

"The boom has been coming silently for a while, the public has become more aware of wine and there has been an increase in quality from the winemaking side, which has created more exciting wines and improved production by going abroad to learn new styles and get better equipment," Moore said.

To this add tourists, who want the best wines South Africa has to offer, according to Mr Steve Moncrieff, co-owner of Floris Smit Huis restaurant in Cape Town.

"The tourists know the top brands, they carry their John Platter directory of wine around, and they want the best of Kanonkop or Meerlust at around R80 a bottle. For a foreigner wine is ridiculously cheap here."

The shortage of wine, particularly aged reds, is due partly to sanctions in the late 1980s, and the early 1990s when some farmers pulled up their vineyards to plant fruit and vegetables, which were easier to export.

"At that time there was an abundance of wine, but now the wheel has turned and nurseries do not have enough grafted vines to meet the demand," Grier said.

Added to this is the long time it takes to produce wine, particularly red wine.

"Wine is not like cooldrink, it is dependent on climate and it takes time to produce and mature," Mr Nico van der Merwe, marketing director of Bergkelder said.

It takes four years to produce a crop and at least another three for the first substantial crop to mature, he said. "An Alto cabernet needs at least five years to mature before it can be sold."

Finally, climate is very important and in the last few years it has failed wine lovers. In 1994 dry, windy conditions produced the smallest wine crop in six years, according to the KWV report.

"Last year's crop was a bit smaller than usual and this year looks quite dodgy," Grier said.

So stock up your cellars so that you are not left whining.

WINE *Minister to evaluate if bid is in 'industry's best interests'*

Hanekom delays KWV plan

CT (BR) 13/12/96 (3) WINE

LYNDA LOXTON

Cape Town — The government locked horns with the country's wine industry yesterday when Derek Hanekom, the agriculture minister, moved to delay the bid by KWV, the wine co-operative, to become a private company.

KWV's plans to change its status from a statutory co-operative while remaining the regulatory body for the wine industry were postponed until March.

Analysts have been incensed by the co-operative's attempt to privatise assets worth about R2 billion built up during the years of KWV's control of the wine industry with the help of special tax breaks granted to it as a statutory body.

The privatisation plan was announced by Lourens Jonker, the KWV chairman, in October.

Hanekom, who has set up a special task team to investigate the plan, was said to be concerned that KWV, which was a referee and player in the wine industry, wanted to privatise its regulatory function.

Despite intense behind-the-scenes negotiations in recent weeks, KWV went ahead with its application yesterday to be declared a private company by the end of April.

Hanekom responded by saying he would apply for a court order to delay KWV's plans until he had satisfied himself they were in the industry's best interests.

In the end, the two parties agreed their applications should be postponed until March 25. This would allow each side to have the right to file further papers in support of their case.

Analysts welcomed Hanekom's intervention, saying there should first be a thorough assessment of KWV's assets and how they were obtained as well as its future regulatory role.

Michael Fridjhon, a wine industry commentator, said Hanekom "did the right thing" by insisting he had the right to take "a long hard look at the implications" of privatisation.

But Jonker said KWV's assets were the inalienable property of its 4 751 wine farmer members. "Any actions by the state to the contrary could be construed as an act of nationalisation," Jonker said.

Analysts also believe the court battle will provide an ideal opportunity to redefine KWV's regulatory role.

Until recently, KWV issued quotas limiting the production of wine grapes. It still has the final say over whether farmers can make wine.

Jonker maintained that KWV's statutory powers could be exercised in partnership with the producing wholesale trade and the state.

However, analysts believe a completely independent regulatory authority is necessary. — Reuter

Spirited Hanekom breathes down KWV's neck

(3) WINE ST (AT) 15/12/96

A legal battle has begun between the co-operative and the government, writes HEATHER FORMBY

Picture: JUSTIN SHOLK

HOT UNDER THE COLLAR . . . KWV managing director Willem Barnard

BATTLE lines have been drawn between Agriculture Minister Derek Hanekom, together with members of the Cape Wine and Spirits Institute (CWSI), and wine co-operative KWV and its members. Last week, KWV announced it would change from a co-op to a company from April next year subject to ratification of the Scheme of Arrangement by the Supreme Court. This week, Hanekom submitted an application to the court to delay the restructuring.

KWV expected its proposal to be ratified on Thursday but was "surprised" to be blocked by Hanekom. KWV managing director Willem Barnard says Hanekom was informed of the plans in July. But the advocate retained by the Land and Agriculture Policy Centre and who advises the minister, Steven Goldblatt, says he became aware of the time-frame only in October.

"Everyone was informed — it was a public debate," says Barnard, who lobbied KWV's 4 751 members and received a positive response from 84% of them. One source, however, believes KWV tried to push the process through before anyone could take note of the implications and that it was "less than candid with the minister".

The battle centres on the assets KWV has acquired in its role as a statutory monopoly. The government and CWSI members are questioning whether all these assets belong to KWV members. KWV has operated under the Wine & Spirits Act and with certain privileges and has been able to control the distilled wine and spirits industry. It has also controlled the wine surplus. Court documents claim that KWV contributed R11,9-million of the surplus contribution to its own reserves in 1995. Goldblatt says it could be argued that funds and assets were built up using statutory levies earned on wine and spirits. "Cellar space, for example, was built at no cost to KWV but from levies raised in its capacity of managing the surplus wine supply," he says.

In terms of the Scheme of Arrangement, KWV will distribute R1,6-billion to its members if it becomes a company. Assets will be allocated to members who have contributed to the wine pool over the last 15 years on a pro-rata basis. Barnard says the state has no claim on these assets "as it made no contribution whatsoever to KWV since its inception".

Barnard says KWV would not mind giving up its surplus control powers if it were restructured though "members might want to continue with the system without statutory requirements". Wine and spirit wholesalers such as Stellenbosch Farmers Winery, Distillers Corporation, Gilbeys, Douglas Green Bellingham and Seagrams have joined Hanekom in his application to delay the restructuring, saying in an affidavit that any change to the structure of KWV would have wide-ranging implications for the industry and shouldn't be done unilaterally. They conclude that if KWV were to become a company and keep its special powers, it would compete unfairly.

Hanekom says he wants to see that a proper regulatory framework is in place. The case was postponed until March 25 when it will be decided whether the minister can intervene in the proceedings.

(3) WINE

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AGRICULTURE — WINE

1996

JANUARY — JULY

SA wines 'too cheap' in UK

(3) WINE

BY FRANÇOISE BOTHA

CT (BR) 22/1/96

Cape Town — South African wine exports increased by 48 percent in the year to December, but the average prices achieved lag behind those of our new competitors, says Jannie Retief, chairman of the South African Wine and Spirit Exporters' Association.

Speaking at an Institute of Cape Wine Masters seminar in Stellenbosch last week, Retief said that South African wines in the British market were selling for far less than those from Australia, New Zealand and Chile.

The average price of a bottle of South African wine in Britain was £3,26, far less than wines from New Zealand at £4,75 and Australia at £4,26.

Commenting on the disappointing prices, Retief said South Africa was running the risk of becoming known as a country producing carafe wine, which had an image problem.

He said that in Britain, the largest export market, 71 percent of South Africa's wines were being sold through supermarkets or grocers and only 17,9 percent through specialist wine shops and bottle stores.

By comparison, Australia sold 39,6 percent of its wines through specialist shops and bottle stores, New Zealand 45,8 percent, and Chile 38,8 percent.

SFW forecasts robust performance for the year

(3) WINE BD 23/2/96

Samantha Sharpe

CAPE TOWN — An improved economy and buoyant market conditions has helped wine and spirit producer and distributor Stellenbosch Farmers' Winery (SFW) post a 71% surge in attributable earnings to R48,9m for the six months to December.

Share earnings rose 56% to 41c before an additional depreciation charge, and to 35c (20,4c) after the charge. The dividend rose 50% to 6c.

Group chairman Jeff Malherbe said the figures were not strictly comparable as sales patterns last year were distorted by an excise increase.

Robust earnings growth was forecast for the full year. There would be a second-half slowdown after Christmas boosted first-half performance.

Turnover rose 25% to R951,1m amid growing demand for its products. Tighter efficiencies and cost controls lifted trading profit 57,3% to R106m.

Static interest income and a higher depreciation charge led to a rise in pretax income to R98,1m (R60,5m).

Malherbe said the group had tackled an extensive capital programme. Capital expenditure more than doubled to R54,6m, and an additional R42,9m was authorised.

The capital expenditure programme and large increases in trade credit following from increased turnover over Christmas had reduced the company's cash resources. These fell R39,3m to a zero balance. A revaluation of fixed assets, however, led to a R34,5m surplus which was put into non-distributable reserves.

Foreigners could boost wine price

(3) WINE

By Françoise Botha

CT (BR) 22/2/96

Cape Town. — Strong demand from foreign buyers is likely to drive up the price of wines at this year's Nederburg auction, according to auction manager Bennie Howard.

Representatives from 21 countries, including Finland, Ireland, Kenya and Taiwan, are expected to participate in the auction on March 30.

At the showcase of quality South African wines last year, almost 40 percent of sales were to foreigners. As a result, the average price paid for a case equivalent to nine litres jumped from R226,28 to R386,51 — an increase of 70,8 percent.

Most big-value purchases at last year's auction were made by Danish and Taiwanese buyers, who spent R324 570 and R238 870. South Africa's greatest purchaser in value terms was Western Province Cellars at R161 580.

"We expect that this pattern will remain more or less the same. But there will be new buyers emerging as well and we are expecting more participation from countries like Canada," said Howard.

He said that the large group of South African buyers, who generally spent about R80 000 a year, was likely to continue to support the auction.

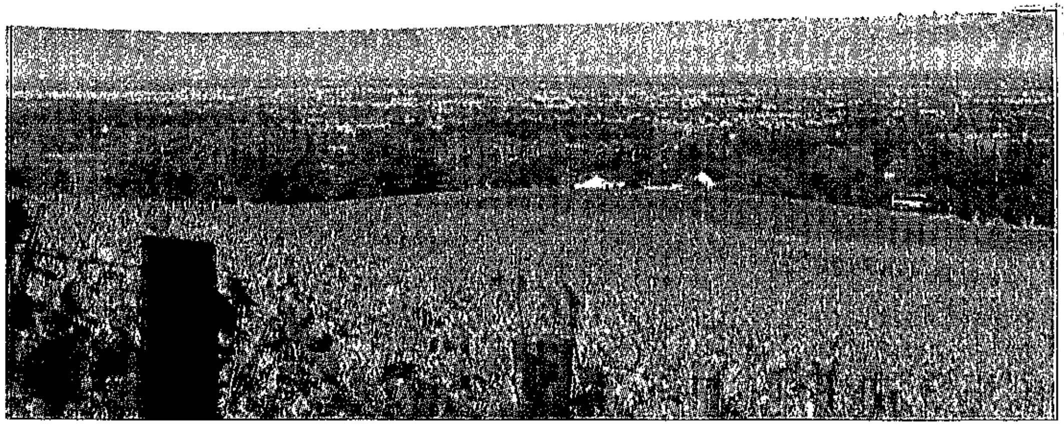
Purchases for the export market accounted for 39,4 percent of value — 22,8 percent of the total lots on auction and 37,7 percent of the cases. This highlights the tendency for more expensive wines to be exported.

This year's auction will also see a record 10 059 cases come under the hammer, which represents a 7,7 percent increase over last year's 9 338 cases. The number of estates, co-operatives and wineries represented has also increased to 45 from 39.

"There are many more six-bottle cases, which allows more flexibility for buyers and enables them to purchase a greater spectrum of wines in smaller quantities. This will benefit the increasing number of international buyers," said Howard.

A spokesman for the export division of the Stellenbosch Farmers' Winery said yesterday that no further countries could be added to its export list because the company did not have enough wine available to supply increased export demand.

Last year, the company committed itself to supplying the local market and existing foreign customers before expanding its international client base.



EXCEPTIONAL · *Wine growers expect high-quality grapes after the recent rains broke the drought in the Cape*

Grape quality is high, but it is still too early to predict yields (FB)

CT (BR) 23/2/96 (~~3 FRUIT~~) (3) WINE

By Françoise Botha

Cape Town — The quality of local grapes in the early stages of the harvest has been exceptional, but it is still too early to predict whether yields will be any higher than in the past, said Paul Wallace, the viticulturalist for Stellenbosch Farmers' Winery.

The remark comes in response to reports last week that Australia, one of South Africa's closest rivals in the British wine market, is likely to report bumper crops, estimated to be 25 percent up on last year.

South Africa's world wine rivals are Australia, New Zealand and Chile.

Australian producers forecast a grape crop that could be as high as 830 000 tons this year. But the most recent figures released by KWV show that this is still 28 percent less than South Africa's 1,063 million ton production last year.

KWV estimates that the harvest this year will be 5,4 percent up on last year at 1,121 million tons.

South African wine-grape production is not committed only to the production of table wines. About 40 percent of the local crop is used for brandy, distilling and grape concentrate for the fruit-juice industry.

A KWV spokesman said yesterday that only some of the early-ripening varieties had been picked. It would be necessary to wait until late-ripening varieties were picked in April before harvest figures would be available.

Wallace said the Australian figures referred to the Hunter Valley. Other areas like Coonawarra and Adelaide, which are cooler than Cape Town, would not have started harvesting yet.

He said the Australian figures should be seen in the context of good rains, which have broken four years of drought. Good rains in the Cape have also ended droughts that have persisted for the past two years in some outlying regions.

"For Stellenbosch, Paarl and the Swartland we are expecting the harvest to be much the same as last year, despite good rains. Generally, the number of bunches is the same but, in some areas there is bad berry set which will reduce the yield," he said. Another concern of some local farmers is the rain that fell in late January — a critical time for ripening some varieties.

"This has caused sour rot in some vineyards in irrigation areas like Worcester," said Wallace.

The good quality of South African grapes this year is likely to be more of a deciding factor in the competition with Australia on foreign wine markets than higher yields achieved by producers from Down Under, he said.

South Africa exports a little more than 2 million cases to Britain each year and has only 3 percent of the market compared with Australia's 8 percent.

Of greater concern is the pricing of South African wines in Britain — the wine market most sensitive to price and quality.

On average, South African wines are £1 a bottle cheaper than Australian wines. The chairman of the South African Wine and Spirit Exporters Association, Jannie Retief, said: "This might not sound like a lot, but it amounts to at least R60 a case."

CT (BR) 23/2/96

SFW's profit climbs 71%

(3) WINERY

BY AUDREY D'ANGELO

Cape Town — Stellenbosch Farmers Winery lifted attributable profit by an impressive 71,1 percent to R48,9 million (R28,5 million) in the six months to December last year.

Earnings a share were 41c (26,2c) before a R11,2 million allowance for depreciation and 35c a share after the depreciation allowance. An interim dividend was declared 50 percent higher at 6c (4c) a share.

Turnover rose 25 percent. The directors said the company had benefited from improved economic and market conditions.

Trading profit rose 57 percent to R106 million (R67,3 million). Net income before tax rose to R98,1 million (R60,5 million). However, the tax bill soared to R40,3 million (R24,3 million).

The company has been committed to heavy capital expenditure, which the directors said in their interim report was necessary "to maintain the company's leading position in the industry".

Capital expenditure rose to R54,6 million in the six months compared with R25,1 million in the same period in 1994. Another R42,9 million has been authorised for this six months.

The directors forecast a healthy increase in profit for the full year.

Wine lack retards exports

3 WINE

Business Editor

ARG 24/2/96

SHORTAGES of wine are holding back Stellenbosch Farmers' Winery exports, according to SFW chief executive Frans Stroebel.

He said export levels were higher than a year ago, but could be increased by a further 30 percent if stocks were available.

"The demand is there, but we don't have the stock in South Africa. As a company we have decided that we would rather not export if it means depriving our regular clients, retailers and restaurateurs, here."

He said foreign clients were particularly interested in Chardonnays and Sauvignon Blancs which were in short supply.

As a whole, the wine industry in South Africa only exported 20 percent at most of each year's harvest.

"For every litre exported, five are consumed here."

Mr Stroebel said SFW's profit growth this year should beat last year's 35 percent.

Growth for the full year would not match the 71 percent increase reported in the first half-year to December.

Turnover jumped 25 percent to R951 million at the half-way mark. Boosted by improved margins, shareholders' profits climbed from R28,5 million to R48,9 million.

But, Mr Stroebel cautioned, the two periods were not strictly comparable.

Sales of the group's products had shot up in June 1994 ahead of heavy excise duty increases.

"Had these sales been recorded in July and August, the base for comparison would have been higher," he said.

Strict controls benefit KWV

(3) WINE

By Françoise Botha

CT(BR) 29/2/96

Cape Town — KWV Investments has reported a 36,1 percent increase in earnings a share for the interim period ending 31 December last year, on the back of stricter cost controls.

The controls, implemented by both the Distillers' Corporation and Stellenbosch Farmers' Winery, in which KWV Investments has a 30 percent share, boosted earnings from last year's interim level of 68,4c to 93,1c a share.

The share dividend for the period rose 27,7 percent to 23c from 18c.

Commenting yesterday, Schalk Joubert, the company secretary, said the strong brand development by both of the producing wholesalers and an upswing in the economy had contributed to the satisfying results.

The results were achieved off a 27 percent increase in turnover and net income after tax of R9,62 million.

STELLENBOSCH FARMERS' WINERY

(3) WINE

FRUIT AT LAST

FM 1/3/96

The signs were there six months ago. Technical analysts would have noted that, in mid-October, Stellenbosch Farmers' Winery (SFW)'s share price broke into new, high territory.

After a succesful financial 1995, it was evident that SFW's prospects were improving, thanks partly to huge acceptance of its cider products. But few fundamental analysts expected that this would translate into an earnings increase of the magnitude SFW produced for the half year to December 31.

Turnover rose 25%, buoyed by a busy Christmas season. Pre-interest profit leapt 57% as margin jumped from 8,8% to 11,1%. How was this achieved?

MD Frans Stroebel says it stems from a prolonged restructuring of the company, new technology and a programme of cost containment. New efficiencies are maturing into results.

It's time they did. Most of these flow from the great cider success story which began with the introduction of Hunter's Gold cider in 1989. At that time, SFW's management was desperately seeking to replace its wine products in the stagnant, cheap wine market that had long been the backbone of the group.

Since then, the heavy promotional expenditure concentrated around a hopeless campaign to buoy Mainstay cane spirits — once SFW's star performer — has been replaced by the successful marketing and promotion of cider products.

BETTER TASTE

Six months to	Dec 31 1994	Jun 30 1995	Dec 31 1995
Turnover (Rm)	760,6	678,7	951,1
Pre-tax profit (Rm)	60,6	59,0	98,2
Attributable (Rm)	36,7	35,5	57,3
Earnings (c)	26,2	25,4	41,0
Dividends (c)	4,0	12,0	6,0

SFW is currently producing more than 90m h*l* of cider a year. Sales of its other products — in both the spirit and wine divisions — also improved.

SFW enjoyed a strong positive cash flow from operating activities, but large trade credit increases following increased demand over Christmas and its commitment to its capital expenditure programme caused a "temporary contraction" in cash resources. But the balance sheet remains virtually ungeared.

Though Stroebel is expecting the vigorous earnings growth to continue, he believes profit growth will slow in the second half. Even so, "a healthy increase in profits for the full year is foreseen, though at a lower rate."

Full-year EPS of roughly 67c — up 30% — may be a conservative prediction. But this would place the share, at 725c, on a prospective p:e of 10,8. Comparing this with main competitor Distillers (historical p:e of 15,9) and SA Breweries (26,7) makes SFW attractive. *Gerald Hirshon*

KWV head expects Cape wine shortage

CT(BR)29/3/96 (3) WINE

By Françoise Botha

Cape Town — South Africa could experience a shortage of table wine as early estimates of a record grape crop, up 5 percent on last year, could prove over-enthusiastic, Lourens Jonker, the chairman of KWV, said this week.

"I don't see how we will be able to achieve a 5 percent increase in the harvest because the rains that fell in December and January meant that, in some areas, the grapes did not reach optimum ripeness, were underweight and some developed sour rot.

"Some of our vineyards got diseases that we had never seen before and, because of the required safety period between spraying and picking, we could not spray. The period was just too short," said Jonker.

Johan van Zyl, the manager of economic services at KWV, said recent figures showed that more than 70 percent of the harvest had been brought in and was about 800 000 tons. The company expected an increase of 5,4 percent to raise production to 1,121 million tons this year.

The rains have affected production particularly in the Robertson, Breede River and Little Karoo regions, with some parts of Worcester also reporting a decreased crop.

Vineyards

The steen or chenin blanc variety has been most affected by the rains. The grape represents 30 percent of the national vineyard. Some Stellenbosch vineyard owners put tonnages at between 5 and 17 percent lower than expected.

But good production in the Orange and Olifants River areas, where large quantities of high-yield steen is produced for the bulk wine market, will boost production figures.

Van Zyl said an extra 30 000 tons of grapes, meant for dried fruit production, was expected from the Orange River area.

Despite the lower-than-expected tonnages, this year is still likely to be a record year, with more than 10 million hectolitres produced. The previous highest volume was recorded in 1992 at 9,99 million hectolitres.

About 40 percent of the total production will not be used to make table wines. It will be used for brandy, distilling and as a grape concentrate for the fruit juice industry.

"There may be a shortage of (table) wines from certain cultivars," said Jonker.

He said grapes with lower pH and sugar levels, because of the late rains, will be used for brandy production.

Jonker said despite an increase to 750 000 hectolitres of "rebate wine" for brandy, production would be short of the 1,2 million hectolitres required to meet KWV demand. It would import concentrate and distilling wine to make up the shortfall.

SA wines still making inroads, says KWV

(3) WINE

Samantha Sharpe

BD 18/4/96

SA NATURAL wine products continued to gain international market share, with local wine exports exceeding all expectations last year, the KWV said in its annual report.

KWV MD Willem Barnard said export sales had increased 208% in the two years to 1995, from 2,5-million cases in 1993.

"The total exports of wine currently amount to about 70-million litres, constituting 7,2% of the total wine crop and about 12% of the good wine sales."

Barnard said growth was curbed by limited availability of important cultivars, especially Cabernet Sauvignon, Merlot, Pinotage, Shiraz, Sauvignon Blanc and Chardonnay.

"More value will now be added to the products that are exported, and in this respect KWV International has already fared well in 1995 by achieving a growth rate of 46,5% in the export value of branded products to the UK, European and Scandinavian countries," he said.

The KWV group posted net income from own transactions of R78,3m in the year to December against a previous R102,9m.

Net income attributable to own members slipped to R78,3m from R103,35m previously.

Barnard said that the results should take into account higher than normal concentrate stock levels at the start of 1994, which were shipped later in the year.

Decreased

"This situation did not repeat itself in 1995 and, consequently, the concentrate turnover decreased by 17,8%," he said.

The lower turnover was further exacerbated by higher bonuses for grape juice.

Barnard said the 1995 wine crop stood at 9,66-million hectolitres, which was 5,9% up on 1994, but below the record 9,99-million hectolitres produced in 1992.

(3) WINE

KWV buys into German firm

CT (BE) 16/4/96

BY FRANÇOISE BOTHA

Cape Town — KWV International, the private company established by KWV Holdings last year to expand its global marketing, has acquired 74,9 percent of the German liquor distributor Eggers and Franke for an undisclosed sum.

Kobus van Niekerk, the managing director of KWV International, said yesterday that the deal was concluded at a "market-related" price. It would provide greater opportunities for South African wine and spirits internationally. Industry sources said the deal would be worth millions of rands.

KWV International represents 24 local wine producers. It markets a range of locally made wines and spirits as well as international brands on the foreign market.

"We hope to grow our share of the German market and offer the German public a good variety of products from South Africa," Van Niekerk said.

Strong growth in demand was expected from the eastern European market, where spirits, especially cognac, had done well.

KWV International was expected to achieve turnover of R200 million in its first year and this was expected to increase five-fold over the next 10 years, Van Niekerk said.

VINE ART *President Nelson Mandela receives a painting by pupils of the Ernita preprimary school from Joos le Roux, the KWV public relations manager, at yesterday's function* PHOTO: ANDREW BROWN

Wine industry at 'disadvantage to EU'

CT(BR) 25/4/96 (3) WINE

BY FRANÇOISE BOTHA

Paarl — Wine farmers' income for this year was estimated to total almost R1 billion, but the local industry was competing at a disadvantage with European Union producers, Lourens Jonker, the chairman of KWV, said yesterday.

Speaking at a special function to honour President Nelson Mandela following the company's annual meeting in Paarl, Jonker said the South African wine industry, which employed 50 000 workers, had been "welcomed back into the international market without reservation", but it was at a severe disadvantage when trying to compete with EU producers, which received government assistance.

"The South African wine industry is definitely marginalised ... and we appeal to the government to cautiously consider this in its approach to any possible future tax amendments affecting our industry."

He said government income from taxes generated by vine products would amount to about R1,5 billion over the year.

This figure included customs and excise duties and VAT, but excluded income tax, he said.

Wine farm jobs on the line, KWV chief warns

(3-wine)

ARG 25/4/96

Mechanisation could hit workers

MAUREEN MARUD
Business Staff

THE labour-intensive wine industry will be forced to mechanise if productivity falls short in a competitive international market, President Nelson Mandela was told in Paarl.

Speaking at a special function to honour the president, KWV chairman Lourens Jonker said 45 percent of farmers' costs related to human resources.

"In an extremely competitive international market there are few opportunities to increase prices, and higher productivity is the only variable to adjust," Mr Jonker said.

Mechanisation was the alternative, he added.

"This is a sensitive, but realistic issue, and could disrupt the potential growth in jobs and should be managed carefully."

Mr Jonker said potentially 5 000 job opportunities would be created in the wine industry by the year 2000, mainly in rural areas.

"The realisation of this potential growth is a process that should be nurtured with care, maintaining a fine balance. In the wine industry, this balance is shouldered by productivity."

In an interview Mr Jonker said continued growth in the domestic and foreign markets would result in expansion and job creation. Domestically, 1995 saw particularly favourable sales trends for wine and especially brandy. Wine exports exceeded expectations and increased by 43 percent to 7,7 million cases. Prospects were good for increased market share in 1996.

But new labour legislation was expected to bring enormous changes to wine farms, which currently employ 50 000 people, who in turn support around 250 000 dependants.

"At the moment no fewer than seven different draft bills which will have an impact on the employer-employee relationship are in preparation for implementation within the next two years."

Some of the new labour laws that would make high demands on producers with regard to the management of labour were being implemented this year.

The right to strike was just one of the rights granted to trade unions and their members.

Mr Jonker said: "We must be careful that the trade unions don't make excessive demands that will force us to mechanise."

Western Cape wine farms employed one labourer per roughly three hectares of land, whereas in Australia farmers employed one labourer per 30 hectares, "which shows to what extent they have already mechanised", Mr Jonker said.

Apart from disrupting the potential growth in jobs, mechanisation would reduce the labour force.

"If we mechanise - and we are in a position to mechanise - it will be a commercial option the farmer will be forced to take. The only way he can afford an increase in labour is with an increase in productivity."

On behalf of the KWV board Mr Jonker presented a scroll of honour to Mr Mandela for his "decisive contribution in the lifting of sanctions and the opening of markets".

KWV considers distributing shares

BD 25/4/96 (3) WINE

Linda Ensor

CAPE TOWN — KWV is considering distributing shares worth R1,4bn in assets, including Distillers Corporation and Stellenbosch Farmers' Winery, to its 5 000 co-operative members.

Chairman Lourens Jonker told the co-operative's AGM yesterday that they were considering the proposal to unbundle trading assets as part of reshaping plans.

The majority of those at the meeting approved the proposal to investigate the idea; a process due to be completed by the year end.

MD William Barnard said KWV wanted the co-operative members to retain the shares. Different share classes could be issued to retain management control within the co-operative.

Assets include stakes in listed Distillers and SFW, worth about R840m; a R500m stake in KWV International and its investment in Ceres Fruit Juices, worth about R70m. KWV jointly controls Distillers and SFW with Rembrandt.

The group had restructured in anticipation of a possible unbundling, and the trading assets were in KWV Holdings, which was separate from its co-operative production and service functions.

KWV would also exclude its cellars, distilleries, plants, facilities and stocks which it owned as a co-operative production unit from the asset distribution.

Jonker said that the co-operative was lobbying the authorities for a "responsible and conservative" tariff structure for the wine industry. It was becoming increasingly vulnerable under new world trade rules to the importation of subsidised, world surpluses.

In addition, the SA market would gradually open up to the European market in terms of the non-symmetrical free trade agreement presently under negotiation.

Reuter reports that President Nelson Mandela resisted the appeals for tariff protection.

Speaking after receiving a scroll of honour from KWV for his role in lifting sanctions, Mandela said SA should ensure it was internationally competitive on merit and not because of protection.

Mandela said that to improve the competitiveness of the wine industry, the government was reviewing all of its regulations, controls, licensing and competition.

Jonker said he expected SA wines would gain market share in exports, with the recent fall in the value of the rand likely to boost sales. The 1996 crop was the biggest in SA's history.

Wine farmers fear free trade

(3) WINE M+G 26/4-2/5/96

The exclusion of wine products from the EU free trade agreement negotiations has had wine farmers calling for tariff protection. **Lynda Loxton** reports

SOUTH AFRICAN wines have taken the world by storm, but the wine industry is growing restive about the possible unfair competition it could face from imports.

This week, KWV chairman Lourens Jonker told the co-operative's annual meeting in Paarl he was particularly concerned about competition from highly subsidised European wine producers, who might be tempted to dump their wine on the South African market to the detriment of the local industry.

But President Nelson Mandela, who attended the end of the meeting to receive a scroll of honour from KWV for his role in lifting sanctions, warned against any desire for tariff protection, saying that "we must at all times ensure that South African business is internationally competitive out of merit and not because of protection".

Jonker said the South African wine industry was "definitely marginalised" because of the government assistance that European Union wine farmers received. He added that the government and the wine industry "would have to plan strategies to capture world markets very carefully and ensure that, on home ground, fair trading rules apply".

Earlier, during KWV's annual meeting, Jonker had gone further and said that KWV was preparing to "convince the authorities that a well-considered, responsible and conservative tariff structure is essential".

Mandela said that to improve the competitiveness of the wine industry, the government was also reviewing all its regulations, controls, licensing and competition.

"The question to be answered is: what changes are needed in our new circumstances to create a climate, without protection or special privileges, for substantial growth. For the ultimate aim can never be to run down a national asset," he said.

Jonker told the KWV annual meeting that the exclusion of most wine products from the negotiations on a free trade agreement with the EU was "disappointing and KWV does not accept it readily".

KWV's wine exports have risen from 2,5-million cases in 1993 to 7,7-million cases in 1995 and the wine industry plans to increase export earnings to R1,1-billion by the year 2000 from the present R300-million.

Jonker said the 1996 crop just picked was the largest in the country's history at one billion litres, or 6,6% larger than the 1995 crop.

He said the depreciation of the rand would benefit exports, but could have a negative impact on production costs. South African wines would, however, remain competitive "with a favourable quality-price ratio".

Smaller wine crops in Italy and Spain, in particular, had also improved prices.

Cheers: The wine industry plans to increase export earnings
PHOTOGRAPH: HENNER FRANKENFELD

Wineries' 'bold step'

(3) WINE ARG 27/4/96

PAUL OLIVIER
Staff Reporter

■ The South African wine industry has established a wine institute in Stellenbosch to ensure South Africa becomes one of the top wine producers in the world.

THE South African wine industry has taken a bold step and plans an additional capital investment of more than R700 million to increase foreign earnings to R1,1 billion a year before the year 2000, creating an additional 5 000 job opportunities.

With about one percent of the world's vineyards within its borders, South Africa's annual output of 10 million hectolitres makes the industry the world's eighth largest wine producer.

With the scrapping of sanctions the country's fruity white wines, deep-flavoured reds, feathery sparkling wines, tawny ports, splendid sherries and intense brandies have been rediscovered and are taking the world by storm.

Sakkie Pretorius, appointed head of the newly established Institute for Wine Biotechnology (IWB) at the University of Stellenbosch, said the huge demand for South Africa's high-value-for-money wines had called for a fresh look at the technology that underpinned the mysticism and romanticism of the wonderworld of winemaking.

"The wine industry took a bold step to meet the new challenges by establishing an Institute for Wine Biotechnology and launching the Wine Industry Network of Expertise and Technology (Winetech) initiative," he said.

"The mission of this joint venture between the industry, research and educational institutions, the government and the community is to establish a sustainable forefront technology and human resource base for the South African wine industry to significantly strengthen the industry's international competitiveness."

The IWB, a world first, and Winetech were facilitated by the Foundation for Research Development (FRD).

The wholesale industry, represented by the Cape Wine and Spirits Institute (CWSI) and the producer's co-operative KWV, were unified behind this network.

It also includes the three main role players in viniviticultural research and training of people with appropriate skills.

Winetech aims to enable the industry to produce the world's highest quality wines and products of the vine through "clean and green" technologies in the most cost-effective way and to establish the network as the world leader in scientific knowledge and technological expertise in selected niche areas.

And Winetech aims to train people at all levels with appropriate knowledge, skills and insight to develop and integrate forefront know-how and technology of business strategy.

It also wants to establish a culture of innovation and exploitation of the best technologies, implement and strengthen mechanisms to transfer technology rapidly into all sections of the wine industry, and support the establishment of small-scale farming practices through access to forefront technology.

Said Professor Pretorius: "This network of expertise into which each partner brings unique core competencies is also contributing to capacity building in historically disadvantaged institutions in the higher education sector by establishing partnerships with research groups in historically black universities.

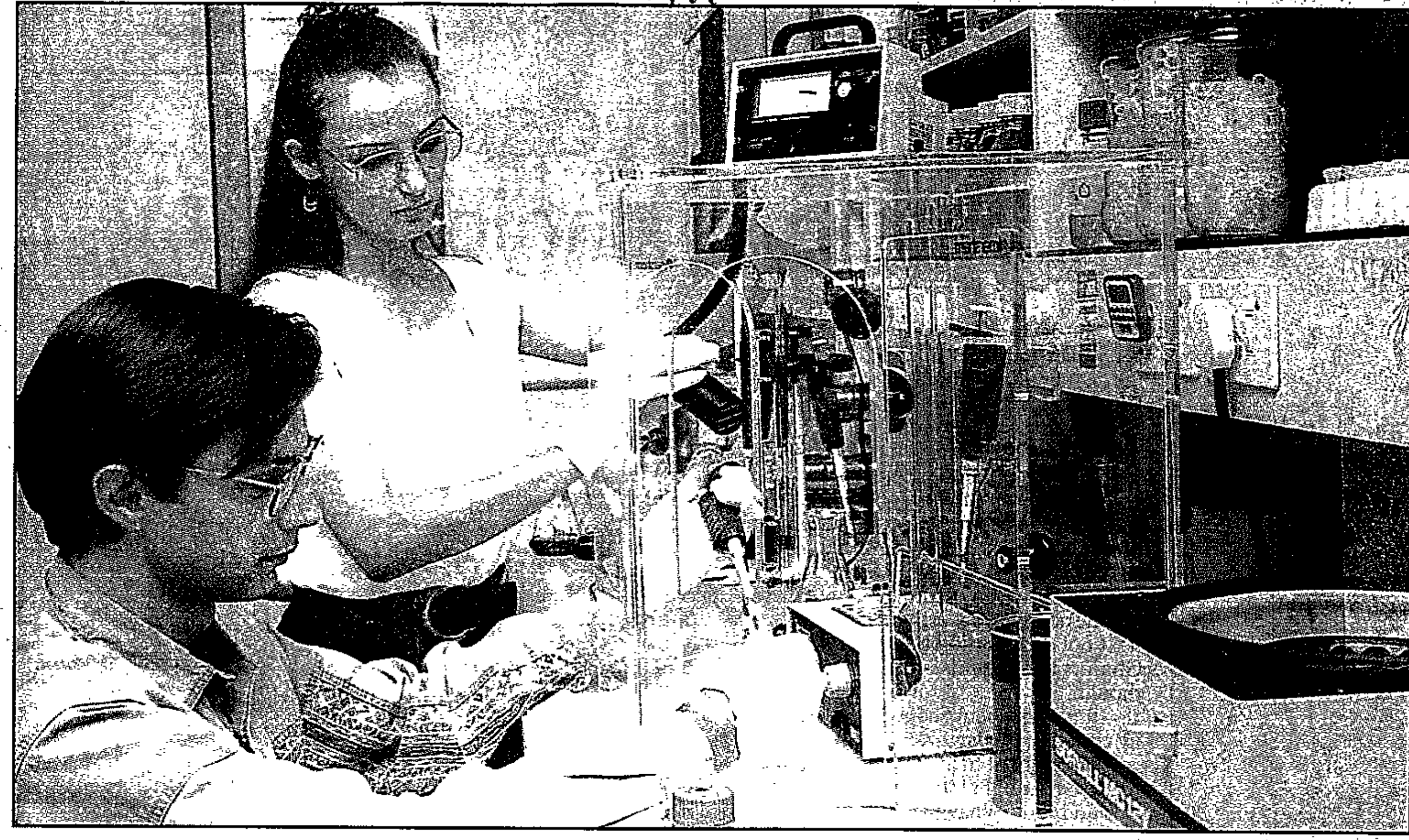
The world's best tertiary and other research institutes such as the Albert Einstein College of Medicine in America, the Max-Planck Institute for Biophysical Chemistry in Germany and the University of Louvain, are examples of capacity-building institutions.

"In this regard, the multi-disciplinary character of the newly-established IWB plays a key role in forging new relationships and partnerships, and bringing the various partners in line with this concerted effort.

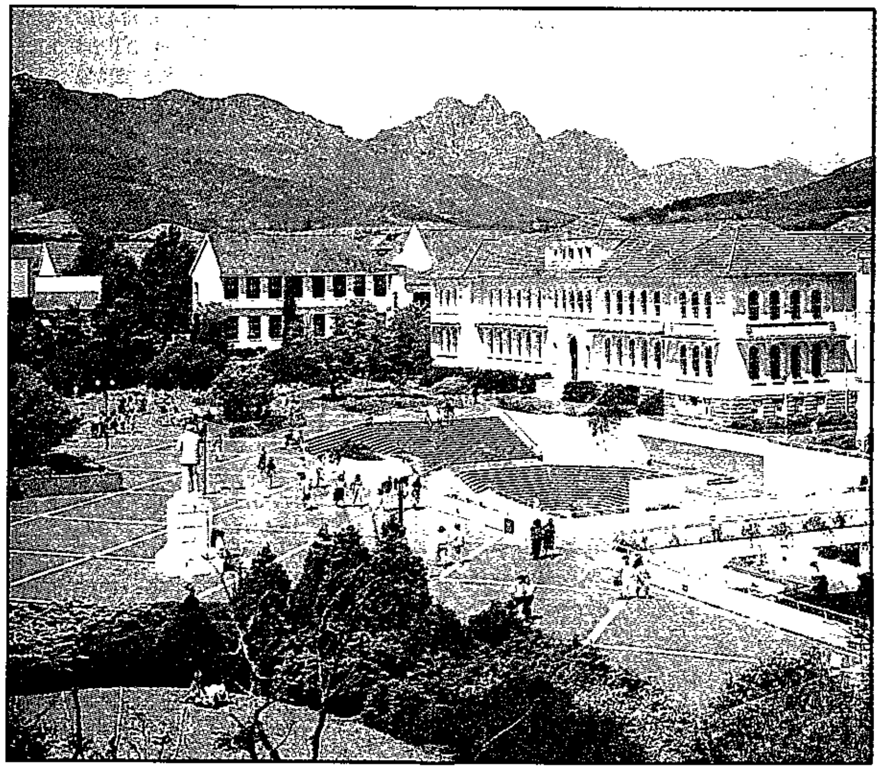
"The industry wishes to make money but aims to plough large amounts back into the Western Cape.

"Our economy is mainly agricultural-based and if we neglect this sector we jeopardise the entire province.

"We also envisage a real growth rate in the wine industry of at least three percent per year in per capita income of rural wine communities over the next five years."



❏ **TOP TEAM:** Researchers Enzo D'Aguanno and Shaunita Petersen are part of the team of experts who plan to make South Africa one of the top five wine producers in the world.



❏ **WINE HOUSE:** The Neethling Building, right, at the university of Stellenbosch, which will house the Institute for Wine Biotechnology sponsored in a joint venture funding to the tune of R10 million for its first year of operation.

KWV expects benefit from rand weakness

(3) WINE

From AFP

CT (BR) 15/5/96

Johannesburg — South Africa's booming wine industry was likely to benefit from the fall of the rand and significantly increased exports to Europe and North America this year, a spokesman for KWV, the wine producers' co-operative said yesterday.

Kobus van Niekerk, a spokesman for KWV, said 7,7 million cases were exported last year, a 43 percent rise from the year before.

KWV is the country's top wine exporter.

Van Niekerk said foreign sales were expected to rise further this year. The only limit was the volume of wine the country could produce.

Shortage

Van Niekerk said South African wines accounted for 3 percent of world production and vineyards were not expected to increase their output by more than 3 to 4 percent this year.

"Anyone who knows wine knows it takes a long time to produce anything of good quality."

As a result, South Africa's major overseas markets in the European Union, the United States and Canada could see shortages of certain quality wines if foreign demand continued to increase, Van Niekerk said.

"I think it would be fair to say that if you are overseas and enjoy South African wine, you may want to buy a bottle right away," he said.

André Steyn, a director at Stellenbosch Farmers' Winery, said South African wines are becoming increasingly popular in Australia, New Zealand and Asia.

"Our wine is becoming popular all over the world, so it is difficult to meet demand," he said.

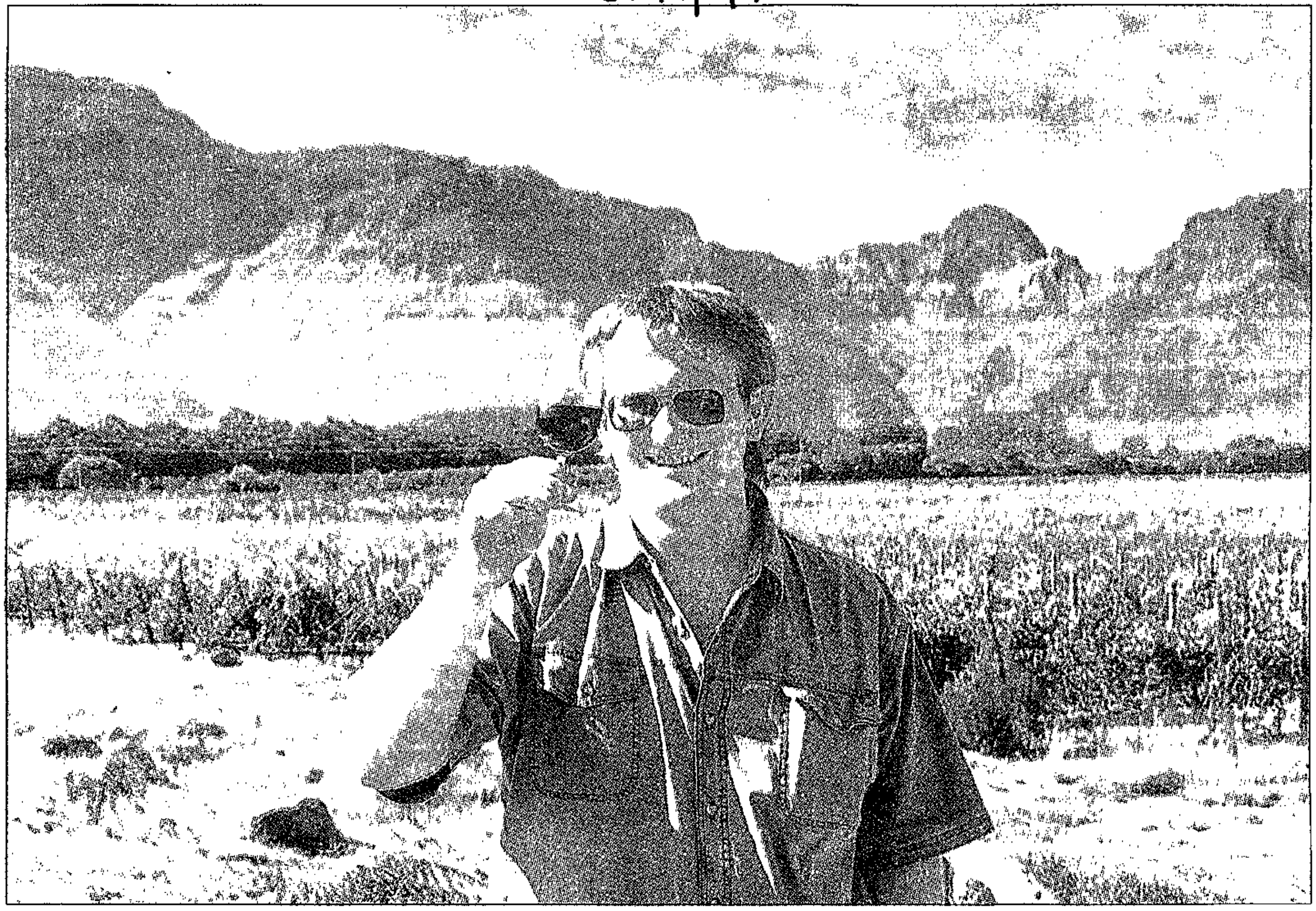
"And you have to remember, we have obligations to our local market as well."

The grapes of humiliation

③ WINE

ST 19/5/96

By NEIL PENDOCK



PREPARED TO PUT OUR TASTE TO THE TEST: Stellenzicht wine maker Andre van Rensburg will not support Cape growers who are considering boycotting the wine test match against Chile and Argentina that has been organised by SAA for next month

Picture: JUSTIN SHOLK

WHEN SAA decided to sponsor a wine test between South Africa, Chile and Argentina next month, it intended to highlight South African wines. Little did the airline imagine that the exercise would turn into a nightmare, rejected by many Cape wine growers.

Perhaps it should have heeded the warning bells. South African wine growers who took on their Australian counterparts last year lost by a humiliating 21 points to 78.

With some sectors of the industry fearing a similar outcome next month, SAA has come under intense pressure to call off the competition.

The South African Wine and Spirits Exporters Association, which is responsible for the export of more than 90 percent of local wines, believes the competition will show South African wines in a bad light overseas.

In a letter to SAA, Riaan Kruger, the association's executive director, complained about the lack of consultation in choosing wines for the competition and accused SAA of damaging the marketing of export wine by not following the association's strategies.

SAA has since changed the competition's format to accommodate the objections of the 80-member association.

The debate about the merits of the wine test match has split Cape growers into two camps.

Andre van Rensburg, wine maker for Stellenzicht — whose 1994 Shiraz was judged by some to be better than Australia's best wine, Penfold's Grange Hermitage, in the last SAA competition — said the uproar was "a gross overreaction".

"The objections of the better known estates are based on their unjust reputations earned from wine writers who have been too kind to them. These reputations disappear as soon as their wines are tasted," Mr van Rensburg said.

He supported the SAA competition and said the crop of excuses being offered were "because wine growers are scared, and if a wine maker is scared of competing against Chile, he should stop making wine and grow vegetables. Chilean wines are of low price and low quality and have found favour in the UK on cost considerations alone".

Mr van Rensburg said the main problem in the local industry was too many big names and not enough good wines.

'If a wine maker is scared of competing against Chile, he should stop making wine and grow vegetables'

Jeff Grier, a member of the Independent Winemakers Guild and a wine maker at Villiera, said the timing of the competition was all wrong: there was not much wine available and, since this year's harvest was a month late, most of the Cape's 1996 white wines would not be ready.

Mr Grier also said South African wine styles were not suited to international palates. Although in favour of international competition, he said the test match should be postponed until later in the year.

Kanonkop's Johan Krige, who represents the wine estates linked to the association, took a different view. He wanted the competition cancelled immediately because the industry had had no say in its planning.

Mr Krige said the timing was inopportune.

Last year's SAA competition between South Africa and Australia had been a debacle. Australian and Cape wines were made for different target markets, he said.

His call was echoed by Theo Pegel, a spokesman for KWV, who said the competition should be cancelled unless SAA could get the industry's full support.

However, Allan Mullins, Woolworths' wine buyer, was positive about the test match, describing it as "excellent, a fantastic thing. I have not one negative comment to make".

Mr Mullins rejected the argument that a poor showing would hurt sales because in his opinion most people who bought wine did not read what the wine press had to say.

"The New World wine market is completely different from the Old World market and just because the French don't like these kind of competitions is no reason for us not to do it," he said.

If all this were not enough, some of the local industry's worst fears about itself are being confirmed right now at the International Wine Challenge in London. There are 6 600 wines competing in the largest wine-tasting event in the world, and South African wines are not faring very well against Chile.

Robert Joseph, chairman of the challenge and an international wine writer, said that as a betting man he would not place much money on South Africa's chances against Chile in the SAA wine test.

At best it would be a close fight, he said.

Quoting preliminary tasting results from the challenge, he said 10 percent of the South African wines entered had earned a medal, while 12 percent of Chilean wines had been honoured.

He pointed out that these results were worse than they looked because the challenge included sparkling and dessert wines — areas where South Africa is much stronger than Chile.

Mr Joseph said the exclusion of "fizz and late harvest" from the SAA competition was a blow to South Africa's chances.

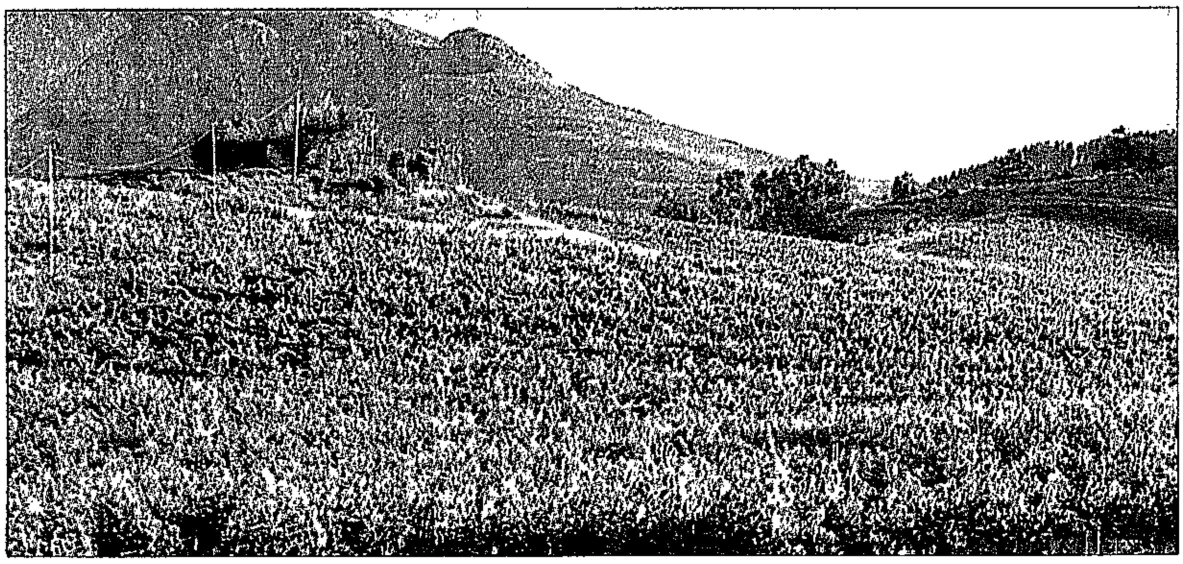
Danie de Wet, a director of KWV and chairman of the Cape estate wine producers association, said he took a dim view of the competition and confirmed that some growers were considering boycotting it.

South Africa's largest wine producer, Stellenbosch Farmers Winery, which includes the Nederburg and Plaisir de Merle ranges of wine, would not heed the boycott call, spokesman Bennie Howard said.

Also not expected to join a boycott are the wine estates that featured in the SAA shield competition against Australia.

A meeting scheduled between the association and SAA in Stellenbosch on May 30 promises to be a heated one with the battle lines already drawn: last weekend KWV held a wine symposium at Kwa Maritane game reserve and flew its Cape guests to Johannesburg on Sun Air.

STUNTING GROWTH



KWV sets the minimum price for grapes, ensuring an abundance of low-quality grapes suitable only for brandies and juices

Oenological dinosaurs

CT (BR) 12/9/96

(3) WINE

Dr John Seiler

Twenty years ago a Paris-based English wine merchant put together an informal comparative tasting of French and Californian wines: four white Burgundies against six Californian chardonnays, four Bordeaux against six Californian cabernets sauvignon. All were outstanding, but few of the Californian wines had been tasted in France and never competitively.

The tasters were French men and women with considerable influence in the French wine world. They ranked a Californian chardonnay and a Californian cabernet sauvignon highest. Some were chagrined when they realised what their blind tasting had revealed.

Some Californian careers were launched by this tasting. The French wineries lost nothing but some complacency. Now, after two decades, both regions make even better wines than they did then. California has had a string of five outstanding vintages, through last year. Until that same year, most of the great Bordeaux and Burgundy producers struggled through a series of indifferent vintages because of weather vagaries. Now that momentary imbalance in favour of California is shifting back to a basic equilibrium. Both producing regions continue to benefit from their competition. Both lead the competition for the established markets of Europe, North America, and the new markets of Japan and the Pacific Rim. Within their competitive framework, co-operative ventures have been launched, with cross-fertilisation of experience and points of view contributing to improvements in viticulture, winemaking and the wines themselves. There are still the hidebound in both regions, but with the rare exceptions of those who have always made extraordinary wine and see no reason to change, the rest fall by the wayside.

The same long-term successful growth in quality and competitiveness, even in a much more demanding international market, could be South Africa's: For the moment, the effort is stalled by the domination of wine industry dinosaurs. Their control is diminishing, but their ability to circumvent productive changes remains considerable. They, and the portions of the industry they dominate, need a public airing and vigorous government attention.

Take an immediate instance when their crotchety, fearful notions of competition brought a negative end.

Last month, Chile sponsored the first Vinsud, a co-operative effort to promote quality and interest in southern-hemisphere wines. SAA was to sponsor a competitive blind tasting among South African, Chilean and Argentinian wines on the lines of last November's South African-Australian competitive tasting.

Since only quality wines would have been selected, given the modest range of such wines produced in Chile and Argentina, South Africa would have "won" hands down. Yet despite this certain outcome, SAA succumbed to dinosaur-like views from KWV and other conservative elements in the wine industry and held back from affirming its sponsorship.

SAA's shrewd stalling effectively cancelled the competition and now seems intended to cut off publicly promised support for two additional years of the competition between South Africa and Australia. Aside from leaks to several Afrikaans newspapers, SAA has said nothing publicly.

For some senior SAA management and most KWV board members the very idea of losing the domestic industry and freeing both domestic and international competition is a fearful one. They were uncomfortable with the first South African-Australian Shield competition, fearing a "defeat". Afterwards, when Australian wines led in most categories, they encouraged articles in KWV outlets arguing that such competitions could only harm South Africa's international wine sales. That KWV led the protests was ironic, since its own exports in the past few years have grown sharply in volume but have improved only marginally from general mediocrity.

It was, of course, KWV that under the apartheid regime controlled the industry, bolstering grape growers and co-ops and squelching production growth and innovation from new owners of estates. It voluntarily ceased setting quotas on acreage production in 1993, but its power to set a minimum price for grapes remains, resulting in the over-production of low quality grapes.

At the same time little attention went to improving the circumstances of labourers. Individual producers, especially among smaller estates, did provide some humane, although most often patronising, improvements in wages and conditions, but since farmworkers were not unionised, there was no effective counterweight to this mixture of paternalism and racism among growers, co-op producers and some estate proprietors.

Only in the past six years has the industry's state of torpor been broken. The new producers were more alert to markets and consumer preferences even before the April 1994 election unleashed an international love affair with South African wines. More importantly, they recognise that international success will be long term. Those involved with the South African-Australian Shield or alert to its lessons have sped up changes in their vineyards and cellars to achieve long-term competitiveness. Blessedly for local consumers, most seem to be confining their exports to less than half present production. A few even limit their exports to varieties that they have not established on the domestic market, thus keeping domestic sales undiminished.

These producers want to compete. Not all of them will succeed. Some might even lose a portion of their South African markets to imports. But the recent rand devaluation has made imported wines more expensive and their longer-term prospects seem frail. Thus high quality South African wines have a secure home market as a buffer against difficulties in foreign markets.

It is only the producers of mediocre high-volume wines and conservative organisations that hold back from international competition. They have reason to fear competition in foreign markets of low-price, high-volume wines from Australia, Chile and Argentina. There might even be pressure in the domestic market from cheap imports among consumers for whom price is the sole criterion.

What should be done? Transforming KWV and its allies in the wine industry should be part of government policy. This segment of the wine industry shares some of the economic and political characteristics of South African Breweries and the same dominant shareholders. If no think-tank or independent securities analyst has yet looked at the grape growers, co-op producers and the KWV nexus in an economic-political context, that should be done urgently. The competitive tastings are a more immediate issue. An ad hoc group of interested producers, distributors, hotel and restaurant proprietors and wine shops should take the initiative, leaving KWV and its allies to languish on the sidelines. There are enough people in and around the wine industry who appreciate the value of becoming competitive.

☐ *Dr John Seiler is an American political scientist now resident in South Africa*

Gold medals a toast to SA wines

ARG 13/7/96

(3) WINE

Cathedral Cellar Triptych, KWV Red Muscadel honoured

PAUL OLIVIER
Staff Reporter

■ South African wines once again stood out among their rivals at the prestigious International Wine and Spirit Competition in London, with KWV walking away with two gold medals.

WINES from South Africa are continuing their growth on international markets and KWV wines were again among the gold medalists at this year's International Wine and Spirit Competition (IWSC) in London, with the 1993 Cathedral Cellar Triptych and a 1975 KWV Red Muscadel.

To add insult to injury to other international entries – 6 700 in total – Kanonkop's world champion winemaker and internationally renowned Pinotage maestro, Beyers Truter, was awarded the prestigious international A J Perold Trophy for the world's best pinotage. Pinotage was initially developed in South Africa in the 1920's and is now being cultivated worldwide.

The awards will be handed over at a glittering black tie banquet in London on August 2.

The IWSC, of which Anton Rupert is the president, was founded in 1969 and is the oldest continuously operating annual wine and spirit competition in the world.

The organisation was formed to encourage and promote higher standards of quality in wine production worldwide, and to assist producers in the promotion of their products.

The IWSC operates on the Olympic principle of "first past the post", not awarding gold medals to every wine or spirit which may receive a gold mark, although products have to reach minimum standards to achieve any award. It attracts entries from all the major wine-producing countries around the world and is judged by a panel of international wine tasters.

Points are awarded out of a possible 100, with 90 points or more for gold, 85 to 89 points for silver and 80 to 84 points for bronze.

Both wines and spirits are first subjected to chemical analysis, not only to ensure products are sound and without illegal additives, but also to guarantee stability.

The man responsible for both KWV's gold medals, winemaker Sterik de Wet, said: "Wine wholesalers and retailers in Britain place great value on medals and commendations awarded in this competition. The highly acclaimed Cathedral Cellar Triptych is a blend of cabernet sauvignon, merlot and cabernet franc, sourced from selected vineyards in the coastal region of the Cape.

"These wines are matured in small French oak barrels for 18 months, and then blended. It is ready for enjoyment, although it can be aged further.

"The 1975 KWV Red Muscadel, made from red muscadel grapes, has been tank-matured for 20 years and is a sweet dessert wine. This is a typical example of the calibre of full-bodied sweet wines South Africa can produce, given its unique climate."

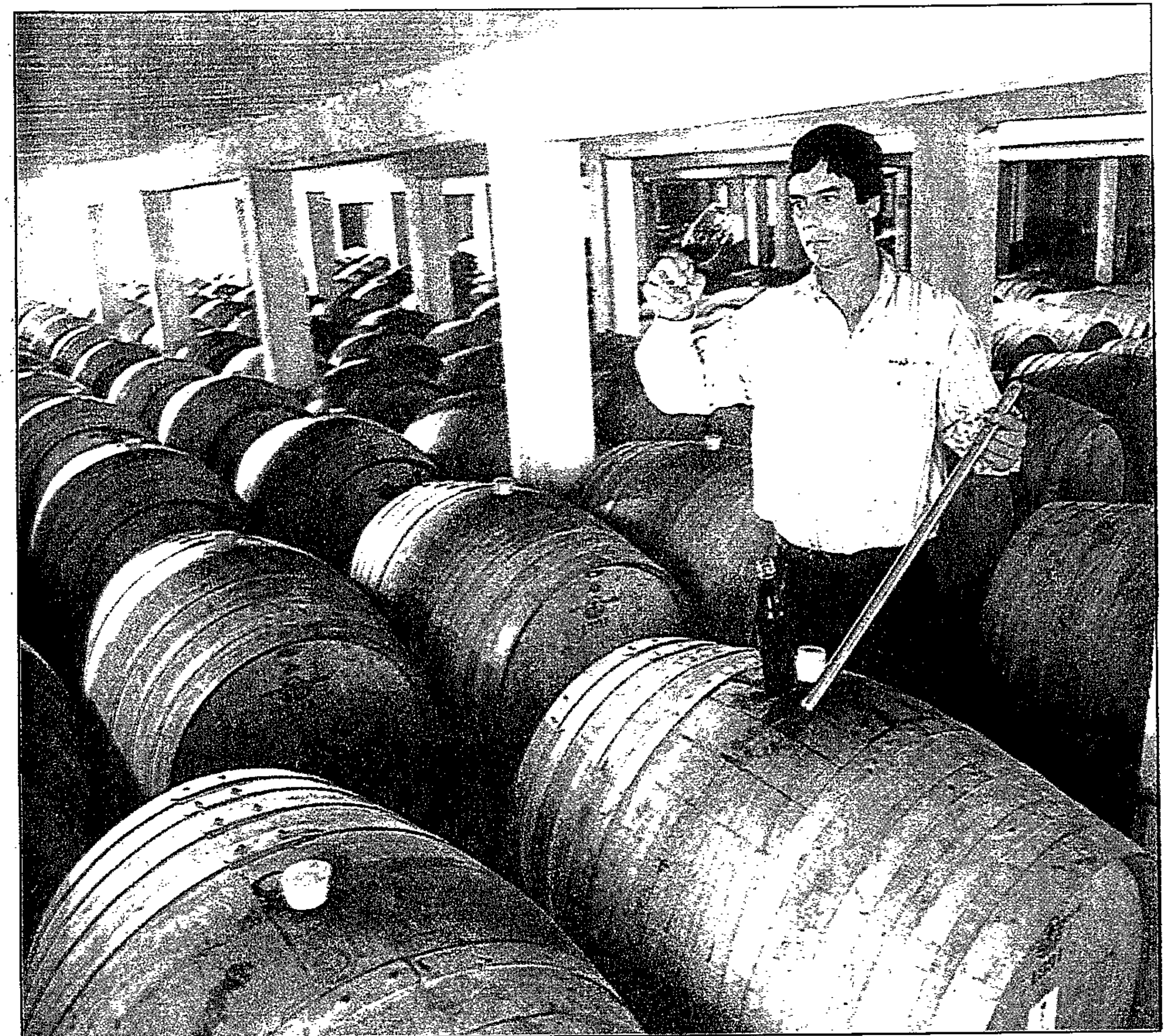
Mr De Wet has been a judge at the IWSC for the past three years and is aware of the high standard of all the entries from top producers worldwide. There is only one gold, one silver and one bronze medal awarded in each category. Judges may not judge wines from their own countries.

"I am delighted that KWV has obtained two of these sought-after awards, proving that we are capable of producing wines of world quality. We are doing extremely well against our main rivals, Australia, Chile and California.

"The new world wine-producing countries are benefiting on international markets because our wines are more adaptable than those of France, Italy and Germany.

"These traditional wine producers are being branded as producing 'boring' wines, a gap that was quickly filled by new producers.

"Particularly South Africa produces wines with a character unique to the country," said Mr De Wet.



❑ **GOOD AS GOLD:** KWV's international award-winning winemaker and judge Sterik de Wet doing what he does best – making internationally-acclaimed wines.He is seen here in one of KWV's caverous cellars from where the products are sent countrywide, and also to many foreign countries across the globe.

SA wines take gold again at top London competition

WINE (3)
Hdr 12/7/96

By PAUL OLIVIER

South African wines are continuing their growth on international markets and KWV wines were again among the gold medallists at this year's International Wine and Spirit Competition (IWSC) in London, with the 1993 Cathedral Cellar Triptych and a 1975 KWV red muscadel.

To add insult to injury to other international entries – 6 700 in total – Kanonkop's world champion winemaker and internationally renowned pinotage maestro, Beyers Truter, was awarded the prestige international A J Perold Trophy for the world's best pinotage.

Pinotage was first developed in South Africa in the 1920s and is now being cultivated worldwide.

The awards will be handed over at a black-tie banquet in London on August 2. The IWSC, of which Anton Rupert is the president, was founded in 1969 and is the oldest continuously operating annual wine and spirit competition in the world.

Analysis

The organisation was formed to encourage and promote higher standards of quality in wine production worldwide, and to assist producers in the promotion of their products.

The IWSC attracts entries from all the major wine-producing countries around the world and is judged by a panel of international wine tasters. Points are awarded out of a possible 100, with 90 points or more for gold, 85-89 for silver and 80-84 for bronze.

Both wines and spirits are first subjected to chemical analysis, not only to ensure products are sound and without illegal additives, but also to guarantee stability.

The man responsible for both of KWV's gold medals, winemaker Sterik de Wet, said: "Wine wholesalers and retailers in Britain place great value on medals and commendations awarded in this competition."

③ WINE

SAA drops New World wine test

ST(CM) 14/7/96

CULTIVAR CLASH . . . Cyrillia Fernandez and Judy de Kock taste wines Picture: TERRY SHEAN

By KEN VERNON

A SOUTH African Airways "test" between South African, Chilean and Argentinean wines has been quietly shelved by the airline after howls of protest from South African wine growers, who received a drubbing at the hands of Australian wines growers last year.

The contest is a burning issue that has split the once indivisible "vineyard broederbond", with SAA caught in the middle.

In a media release, dated last month but not yet released, SAA says the test has been "postponed".

But both sides of the wine divide admit there is no way it will go ahead. A second test against Australia is also in doubt.

"Discussions are continuing with the wine industry and no decisions have been finalised yet," says SAA public relations chief Leon Els.

But a top winemaker, Johan Krige of Kanonkop, is less diplomatic.

"This so-called test is a dead duck. There is no way South African wine growers will compete with Chile and Argentina because SAA wants us to play on an uneven playing field.

"We were forced to compete against Australia without our star players — the Pinotages — and our wines were lined up against Australian wines that were much more expensive. It was like New Zealand playing the Boks without Jomo Lomu! "

Stellenzicht wine maker Johan van Rensburg disagrees, saying: "The wine establishment has arrogantly said we are the world's best for too long but the reality was shown in last year's test against Australia.

"We were beaten fair and square. It shows our industry is in trouble. But if we want to improve we have to compete, it's as easy as that".

Krige retorts: "We were ambushed against the Aussies and we will not be led down the garden path again."

Alcohol imports top up KWV vats

(3) WINE (FS)

Linda Ensor BD 19/7/96

CAPE TOWN — KWV International had been forced to import 5-million litres of absolute alcohol from Europe over the last year after a shortage of wine in SA left it unable to meet its overseas demand, chairman Willem Barnard said yesterday.

The absolute alcohol was used for brandy production and distilling wine. Barnard said it had also been necessary to import grape juice concentrate.

The shortage of wine, which was reining in the expansion of SA exports, had been exacerbated by the strong growth in domestic demand. As a result, openings had been created on the local market for imported foreign wine, Barnard said.

While KWV's wine exports had shown a 25% growth in value terms over the past year, there had been a slight decline in volume growth because of the wine shortage.

He feared that SA wine producers were losing a one-off opportunity to snatch market share in Europe where current interest in SA wines was high.

Even last year's record crop was insufficient to meet the potential demand and KWV had had to increase its prices to lure farmers into supplying it with wine.

Barnard said steps had been taken to stimulate the production of noble varietals and prolific bearers, but noted that these would take about two years to reach fruition.

Particular focus was being given to the Orange River district for the production of grape juice concentrate and muscat wines.

In Boland, where good red wines were produced, KWV was attempting to reverse the switch away from grape cultivation towards vegetable and deciduous fruit farming.

This trend developed during the years of SA's international isolation when the farmer's return on his investment was "pathetic."

Barnard said KWV was satisfied with the quality of its exported wines which had won a number of international awards. Its marketing and distribution in Europe had been greatly enhanced by the recent acquisition of a distribution agency in Germany.

Meanwhile, Distillers Corporation's planned expansion into Africa has seen the opening of an office in Zimbabwe which would bottle Viceroy 5 Year, Oude Meester, Klipdrift and Count Pushkin Vodka.

Possibly because of the Zimbabwean government's sensitivities on the issue, the office had been staffed with Zimbabweans.

Three wines in the Drosdy-Hof range, the late harvest, claret and stein, had been bottled in Zimbabwe since October last year but a wide range of products would be imported from SA.

AGRICULTURE — WINE

1997

Falling rand and smaller crop push red wine price sky-high

(3) WINE

ARG 11/1/97

PAUL OLIVIER
STAFF REPORTER

South Africans are going to pay through the nose for good quality local wines this year, while the prices for some scarcer varieties might become astronomical.

Early indications from producers are that some wine prices could rise by 19 to 34 percent for reasons such as escalating production costs and a worldwide shortage, especially in red wines.

Larger wine producers like Stellenbosch Farmers' Winery, Distillers and Gilbey's traditionally announce their price increases at the end of January and these are passed on to the consumer in February. Customs and excise hikes are announced in the Government's Budget in March, bringing a further price rise.

South Africa is experiencing one of the worst red-wine shortages in years and the industry has been forced to import vast quantities. The shortage is caused by the increased popularity of South African red wine locally and internationally. The scenario has been worsened by expectations of a smaller crop this year due to mildew after late rains last year.

Red wine's popularity partly stems from its supposed health-giving properties. Scientific reports indicate that a diet rich in fruit and vegetables, together with moderate amounts of alcohol – specifically red wine – could protect against a range of illnesses.

The rand's weakening has also caused higher prices, increasing exports of our best quality wines and making top-range imported wines practically unaffordable. Escalating input costs and new technology are also major contributing factors.

"Although it must be said, first and foremost, that producers deserve a price increase because for years they have suffered under low prices, these are certainly excessive increases. This trend must be seen as being export-driven and what is worrying is that too many producers are exporting too much in relation to the local market," said Wine of the Month Club's Colin Collard.

"Producers say they don't export more than 20 percent of their stock, but that's baloney. Producers must be careful not to burn their fingers, because with all the planting going on in Australia, New Zealand, Chile and California, I foresee an over-supply of red wine in the foreseeable future.

Waterfront wine trader Vaughan Johnson was "absolutely horrified" by recent price rises, claiming some wine farmers favoured short-term gains over developing a long-term local customer base.

KWV ready to co-operate with Hanekom on wine industry

(3) WINE

Committee to probe regulatory structures

ARG 18/1/97

ESANN DE KOCK
BUSINESS REPORTER

KWV has agreed to give its full co-operation to a committee appointed by Agriculture Minister Derek Hanekom to investigate the regulation of wine and distilling industries.

The committee hopes to have a report ready by March 25, when the matter of KWV's privatisation will again be heard by the Cape Town Supreme Court, according to Chris Blignaut, a spokesman for the Department of Agriculture.

Dr Blignaut said in an interview the deadline for the completion of the report went hand-in-hand with the April deadline set by KWV for restructuring.

Under the chairmanship of Eckard Kassier, newly-appointed chairman of the National Agricultural Marketing Council, the committee members include two KWV representatives, two members of the Cape Wine and Spirits Institute, a representative from the Department of Agriculture and a legal advisor.

The committee's mission is to:

- Examine and comment on the existing regulatory environment;
- Report on what regulatory framework is desirable for the industry in the short, medium and long term;
- Outline the infrastructure and personnel needed to administer and control such regulations;
- Identify which institution/s should perform the above functions;
- Estimate the annual cost to perform these functions; and
- Make proposals regarding the timing and management of any transition.

Dr Blignaut said the committee's appointment was necessitated by the fact that the KWV – as a co-operative -administered the Wine and Spirits Act, in terms of powers laid down in the act itself.

"Now that it wants to transform to a company, the minister wants to be assured on how the Act would be administered in future and which regulations needed to be implemented."

Dr Blignaut said KWV and the Department of Agriculture decided on December 12, when the matter was first heard in the Cape Town Supreme Court, to tackle the minister's concerns about the industry outside the courts.

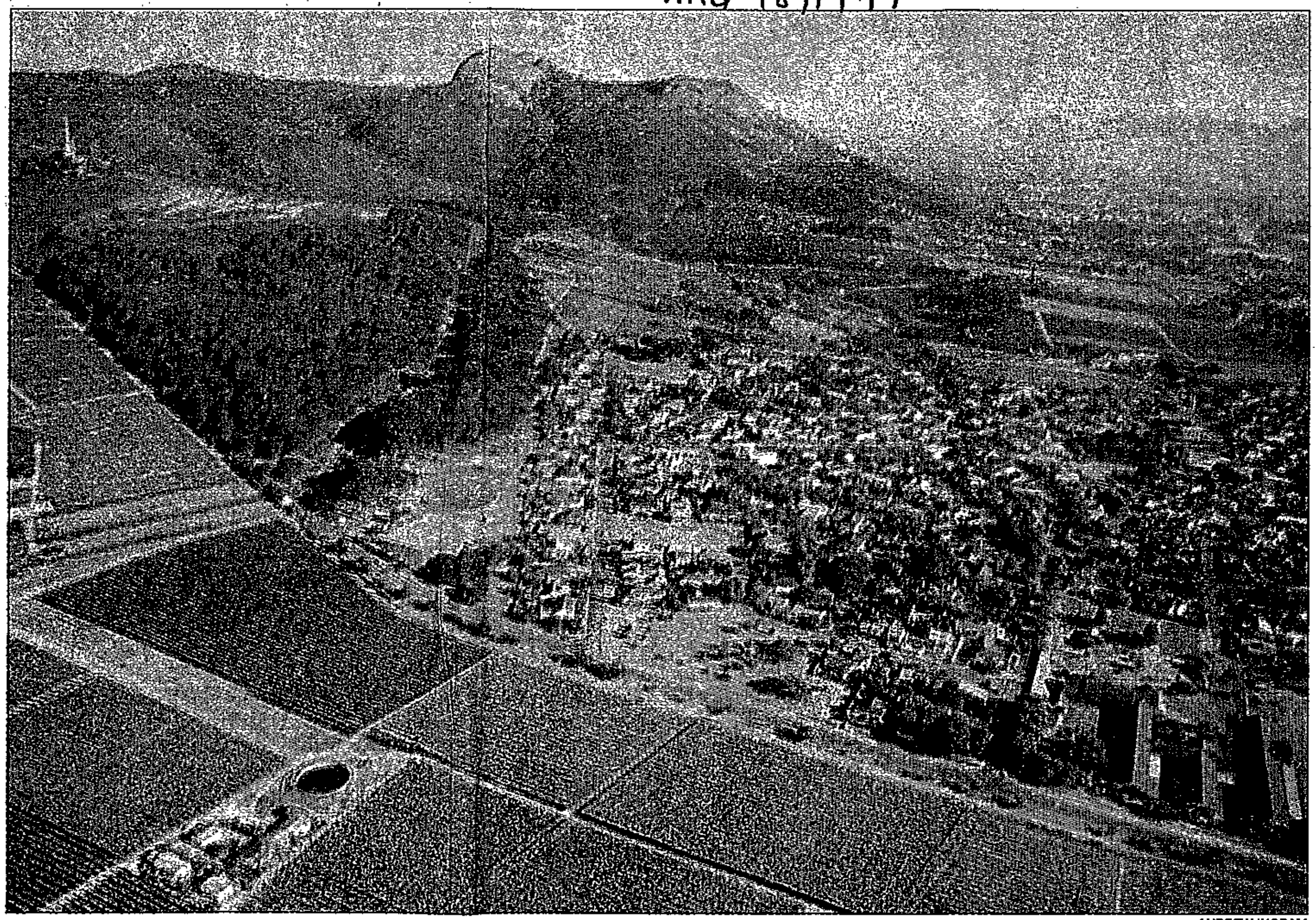
Analysts were incensed by KWV's attempt to privatise assets worth about R2 billion built up during the years of KWV's control of the wine industry with the help of special tax breaks granted to it as a statutory body.

Mr Hanekom had made it clear that he wanted to satisfy himself that KWV's plans were in the industry's best interests.

It is understood that committees work will comprise three investigations, two of which will consider inputs from the KWV.

Reacting to the minister's announcement about the committee, KWV managing director Willem Barnard said the co-operative had undertaken to assist the Department of Agriculture in an effort to get clarity on matters which could be cause for concern for the department.

KWV was at pains to clarify that it would make audited information available to the committee and that the committee itself would not do an audit of the KWV.



ANDREW INGRAM

Pearl of the winelands: the Western Cape's wine industry is under investigation by a committee

Record harvest will not end wine drought

BD 22/1/97 (3) WINE

Samantha Sharpe

CAPE TOWN — While SA wine growers look forward to a record harvest this year, local wine connoisseurs are in for a dry spell as a continued growth in domestic and export demand for SA wine continues to outpace production, sources warned at the weekend.

Wine co-operative KWV said in this year's preliminary harvest report that the wine crop was likely to match or exceed last year's record 1 012-million litres, despite difficult weather patterns experienced earlier in the season.

However, Wine and Spirit Exporters' Association chairman Jannie Retief said the growth in SA wine exports and increasing local demand for wine meant that producers would be unlikely to keep up with demand.

"There were some new vineyards planted in a bid to increase yields, but not enough to keep up with the rate of increase ... a problem exacerbated by the time new vineyards take to mature," he said.

Retief said the increasing popularity of wines among SA consumers — the SA market was expanding at a rate of between 5% and 6% a year — was a key factor behind the potential shortage, as was the country's mushrooming export market, which increased 35% in volume terms between 1995 and last year.

"However, it would be an exaggeration to say growth in exports is at the expense of local consumers, with exports making up about 25% of what is consumed locally," Retief said.

While some wines were being imported from South American countries including Chile and Argentina, these were targeted mainly at the everyday wine consumer, with imports of premium wines insufficient to fill the demand gap.

"Because of the weaker rand, premium wine imports from Australia, for example, are simply impossible. Unfortunately wine imports do not offer a viable solution to the shortage."

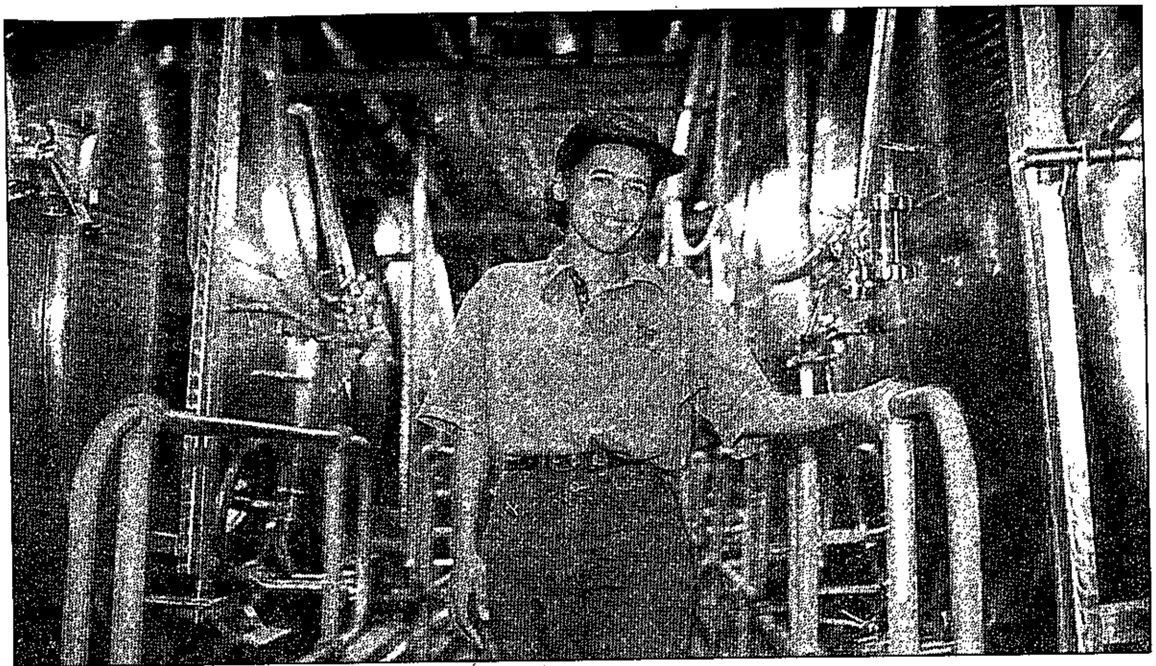
On the outlook for this year's crop, KWV spokesman Jan Booysen said that while the harvest was expected to mature two to three weeks later than usual following a long cool spring, an improvement in weather conditions from the first week in December had offset earlier problems.

About 60% of the total crop would be dedicated to pure wine production, with the rest made available as rebate wine for brandy and grape juice concentrate, he said.

On a regional basis, Booysen said a slightly smaller crop was expected in Paarl following cooler weather and a higher than expected evidence of mildew.

"There is some concern about vine conditions in the event of sudden hot weather, with some heat damage already experienced in the unexpected extremely hot conditions during the first week of January."

However, the Robertson district was promising a record harvest that would be 6-7% larger than last year, with Stellenbosch also expected to produce a larger harvest than last year, Booysen said.



Carmen Stevens: South Africa's only qualified black wine-maker PHOTOGRAPH: RODGER BOSCH

Battle for KWV assets

(3) WINE MTG 24-30/1/97

Gustav Thiel

GIANT wine co-operative KWV's bid to be converted into a company is becoming increasingly controversial as industry stakeholders accuse it of trying to hang on to more than R1,6-billion worth of assets, accumulated during apartheid years.

KWV's members — 4 751 wine farmers — form an exclusive white club with an enormous stake in the country's wine industry.

Several influential people in the industry, including wine farmers and journalists, this week condemned KWV's plans, saying it goes against the spirit of reconciliation and development in the country.

More than a dozen people interviewed by the *Mail & Guardian* preferred to remain anonymous, saying the issue was extremely sensitive.

Wine consultant Michael Fridjhon, who is indirectly involved in talks between the government and KWV, said the co-operative's plans could have a huge impact on the future of the wine industry in the country.

One wine journalist said if KWV's attempts succeed it would ensure that "past white privilege would be turned into present assets".

More than 80% of KWV's 4 751 members voted on December 6 last year to convert from its present co-operative status to a company.

This means that the co-operative will function as a company from April this year, its assets being put directly into the hands of the wine farmers.

KWV has, however, been locked in a legal dispute over the issue since December 12. Six days after the vote to convert, Minister of Land Affairs and Agriculture Derek Hanekom obtained a delay from the supreme court in its ratification of the scheme in terms of which the transformation is arranged. The dispute is due to be decided on March 25, if it is not settled out of court.

Analysts in the industry have been up in arms about the co-operative's attempts to privatise its assets, built up in the apartheid years through special tax breaks granted to KWV as a statutory body in terms of the Wine and Spirit Control Act.

A task team was set up by Hanekom in December seeking clarity on the legality of KWV's decision to privatise its regulatory function. A representative for Hanekom, Herman Rademeyer, said the minister was not in principle against KWV's plans. However, he must ensure that the development of the wine industry is not hampered by KWV.

'KWV has done absolutely nothing for the development of the wine industry in South Africa'

Spier Wine Estate's "official ambassador", Jabulane Ntshangase, was the only person willing to openly criticise KWV. Ntshangase, who contributes to various wine publications and is a member of South African Airways's wine selection panel, told the *M&G*: "I can categorically state that KWV has done absolutely nothing for the development of the wine industry in South Africa."

Said Ntshangase: "It is actually totally unbelievable that there is only one qualified black wine-maker in the whole of South Africa." She is Carmen Stevens, who qualified in 1996 from the University of Stellenbosch and is currently employed by Stellenbosch Farmers Winery.

As from this year, Ntshangase and well-known wine author John Platter will be running a wine development programme. Each year, four of 10 students admitted to the Elsenburg Agricultural College at the University of Stellenbosch must come from a previously disadvantaged community.

Said Ntshangase: "We aim to be aggressive in implementing affirmative action in the wine industry. It would, however, be a great pity if KWV succeeds in its plans to maintain the status quo of white privilege in the industry."

KWV's group director of public relations and human resources, Theo Pegel, told the *M&G* he saw very little wrong with the racial imbalance in the wine industry. "It is a simple fact of life that in almost all of the wine-producing countries of the world the wine-makers are almost exclusively white. I think that KWV in the past did plenty to initiate development programmes and that our future programmes will ensure that the industry develops sufficiently."

He added that "People must realise that the profile of a co-operative is not very high internationally".

According to a statement released this week by the Department of Land Affairs and Agriculture Director General, Frans van der Merwe, the dispute was discussed by KWV, Hanekom and the department at a January 10 meeting.

There it was resolved that the minister would appoint a committee to investigate the regulation of the wine and distilling industries. It was also agreed that all parties would co-operate in an audit of the assets controlled by KWV.

Farmers predict record grape harvest

But wine prices are expected to rocket

umper crop: Paarl and Stellenbosch farmers are expecting vineyards to yield bigger crops this year

ARG 25/1/97 (3) WINE

TWEET GAINSBOROUGH-WARING
STAFF REPORTER

In spite of diseases wreaking havoc in some vineyards in the Western Cape, wine producers remain hopeful that the province will still have a record harvest – but the bad news is that wine prices are sure to rocket.

Sources in the wine industry say there is a huge demand for Western Cape wines and there are sure to be both local and export shortages.

A late winter saw outbreaks of downy mildew in the vineyards from mid November, followed by powdery mildew.

Jan Booysen, the manager of consultant services at KWV said: "Despite individual farmers suffering losses as high as 50 percent in some blocks, due to disease, the overall projections for the 1997 harvest are up on last year, which was a record."

Several farmers have recorded losses of between 10 and 20 percent in some vineyards as the late winter had affected cultivars differently.

The cooler weather conditions throughout the year will result in smaller berries giving the wine more flavour, especially if the weather remains relatively cool up to the harvest.

He said losses as a result of disease had differed in regions as a result of climatic variations.

Bigger crops than last year are expected in the Stellenbosch and Paarl areas, and the crop from Franschhoek, which has a slightly cooler climate with more rain, is expected to be down on last year.

Worcester is also expecting a lighter crop than last year, with Malmesbury expecting about the same.

Wine farmers in Robertson are expecting a record crop. Lourens Jonker of Weltevrede Estate said: "The crop looks promising and we expect it to be up on last year's by about seven percent."

He said the unusual weather patterns experienced last year had resulted in high spraying costs to combat the diseases occurring in the vineyards as a result of the late rain.

"Relative to other areas, the Robertson district was down on its crop last year, but we hope to be above average this year," he said.

Danie de Wet of De Wetshof said the bad weather leading up to the 1996 vintage had accounted for losses of up to 20 percent in some areas of Robertson, with his farm registering a decrease of 27 percent on the previous year.

Mr de Wet said the high rainfall of 1996 had benefited farmers in the district who depended on natural water to irrigate their vineyards.

The cool, windy conditions during October, November and December prevented humidity and major problems with mildew.

"At De Wetshof the crop is looking good but anything can happen between now and the harvest," he said.

Flooding of the Olifants river adversely affected this area as farmers were unable to get into the vineyards to spray against disease and some individuals have recorded heavy losses in certain blocks.

The Orange river region is also expecting a record crop, with expectations for wine farmers in the Little Karoo being the same as last year.

In Stellenbosch some pockets were badly affected by disease.

(3) WINE ST 2/2/97

Wine makers seethe as critics stand by shock labour claims

By GRAHAM HOWE

SOUTH Africa's wine industry, the export success story of the 90s, is facing its biggest crisis since sanctions were lifted.

Cape wine farmers are in a fury over a BBC Radio 4 talk show which has created an international furore over low wages and labour practices in the SA industry.

Interviewed for the programme, the country's most prominent wine writers, John and Erica Platter and Michael Fridjhon, accuse the farmers of practising "slavery" in the past, running "prison farms" and of "accumulating wealth in very odd ways".

This week, in the face of an uproar among wine farmers, they refused to back down. Said Fridjhon: "I stand by what I said — the wine industry has passed on few benefits of the unprecedented boom to the workers in the vineyards. It should be on its knees for Mandela's statesmanship in making SA wines the flavour of month."

Now rumours are rife that wine farmers are organising a clandestine boycott of Platter's annual wine guide. If enough of them refuse to complete the voluntary survey forms, they could well sabotage the SA wine-buyer's bible this year.

They were reluctant publicly to criticise the wine writers, but most dismissed the allegations as "cheap media shots".

"Wine farmers of repute introduced civilised labour practices for farm workers years ago," said one wine maker.

Sales of Cape wines in Britain have soared to over three million cases a year in the latter half of the 90s and farmers fear the controversy could have serious consequences for the growing export market.

The giant British retail chain Marks & Spencers has asked KWV urgently to investigate the claims and, after calling an urgent meeting this week, the SA Wine and Spirit Exporters' Association took the unusual step of circulating a transcript of the broadcast to all their members.

Wine critics call for probe of KWV

BD 3/2/97 (3) WINE

Reneé Grawitzky

TWO acclaimed SA wine critics have raised the ire of local wine farmers by suggesting the industry benefited from apartheid and by calling for a verification of wine co-operative KWV's assets before it becomes a privately owned company.

KWV yesterday denied that any link existed between its plans to transform the co-operative and the recent furore over comments critics John Platter and Michael Fridjhon made on a BBC Radio 4 talk show last week.

Platter and Fridjhon highlighted the failure of the industry to pass on any real benefits of the boom to workers or broader communities and also mentioned KWV's plans to "privatise".

After the interview, British retail chain Marks & Spencer demanded an investigation and even threatened to delist SA wines, SA Wine and Spirit Exporters' Association chairman Jan Retief said yesterday. He said he took issue with Platter and Fridjhon washing "our dirty linen in public".

Other industry members have taken it further by calling Platter and Fridjhon "traitors".

In the interview Platter and Fridjhon said real wages had not increased significantly despite the industry boom, with workers earning in the region of R80 to R90 per week.

Platter said questions were raised about the transformation of KWV, whose asset base was more than R2bn.

He said he had outlined the protectionist privileges under which the assets had been amassed, including production quotas, monopolistic price-fixing powers, exemption from excise duties for many years and also the issue of prison labour on SA farms.

Fridjhon said KWV's assets had been acquired and used to perform statutory functions. It was not unreasonable to ensure that before they were distributed, that they "do indeed belong to the people that manage them."

KWV MD Willem Barnard said Platter and Fridjhon's comments seemed like "outside bashing of the industry without any purpose". Land Affairs Minister Derek Hanekom had initiated an inquiry into the conversion of KWV and KWV was participating in the investigations.

KWV privatisation furore not merely a storm in a wine glass

Business Day wine writer Michael Fridjhon gives his perspective on the controversy surrounding employment practices in SA's wine industry and the impending privatisation of wine co-operative KWV

BD 5/2/97 (3) WINE

THE dispute over the ownership of KWV's assets has spilled over into a confrontation between leading members of the wine exporters' association and several wine writers, notably John and Erica Platter and myself.

For more than a week, battle has raged over the apparently unrelated turf of a BBC broadcast detailing the kind of labour practices on Cape farms that would not make anyone proud to be South African. The exporters say these disclosures are unpatriotic. Given that I am part of the controversy, I can hardly claim to be disinterested. However, I can outline the facts and show how they relate to KWV's proposed restructuring.

In October last year, British wine writer Andrew Jefford visited SA, during which time he conducted several interviews. In one of these, John Platter, paraphrasing Kader Asmal's book, Reconciliation Through Truth, made some observations about the use of prison labour on Cape wine farms in the post-Second World War era. Given that many of the convicts were pass offenders — and thus political rather than violent criminals — the system added up to institutionalised slavery.

Needless to say, British supermarkets have sought assurances that none of their stocks emanate from producers with less than squeaky-clean practices.

This sudden focus on labour conditions in the Cape is not destined to amuse the country's bulk wine producers — of whom the KWV is a key player. Several years of unprecedented boom sales have not been translated into a commensurate improvement in the conditions of employment of vineyard workers in the Cape.

You may well argue that this kind of scrutiny is not the ordinary business of international wine critics. Indeed, I have yet to find the same concerns expressed by British wine writers when they visit Californian vineyards using cheap Mexican labour.

British hypocrisy in these matters is indisputable, but should not be permitted to cloud the merits of the case. If wine farmers wish to profit from the surplus of labour, falling back on the old adage of supply and demand, they must not be surprised when they find "transparency" thrust upon them when British consumers choose not to drink the fruit of such exploitation.

But what has all this to do with KWV's plans to convert from a co-op to a company? Very little, until it decided it was incendiary enough for a Reichstag fire.

Faced with increasing resistance to its proposals (the effect of which would be to enrich KWV management and the least efficient farmers at the expense of consumers and the country's quality wine producers), KWV obviously decided to set up a sideshow: Die Burger was fed the story two weeks after the broadcast transcripts were circulated.

The head of the exporters' association (a KWV employee) contrived to express his outrage at what he called the Platters' "unrepresentative" views. Then, mysteriously, Die Burger obtained ("from a source at the agriculture ministry") correspondence from me to Thabo Mbeki from 1995 in which I was critical of the management of the wine industry.

And so the connection has been made: wine writers are industry busybodies whose views on KWV's proposals must be discredited at any cost. This is a lot of intrigue for a glass of wine, but worth the effort for R2bn in assets.

Boycott claims anger wine writers

(3) WINE
ARG 10/2/97

LINDSAY BARNES
STAFF REPORTER

Cape wine authors John and Erica Platter have reacted angrily to reports that they are "colluding with sections of the British press to call for a boycott of South African wines".

In the latest round of the row, a prominent English Sunday newspaper, the Observer, yesterday questioned whether buying South African wines was acceptable after recent comments about exploitation of workers in the wine industry.

A report said the Platters had been vilified by wine growers in South Africa for "treasonable" co-operation with the BBC in a controversial radio programme.

Wine writer John Platter told the Cape Argus today that "references we made to exploitative conditions in the industry specifically referred to the past and have been misrepresented as pertaining to the present. We hope that the current boom in exports will continue and we would ask the British media to support us".

The row erupted over the programme in January which alleged shocking labour practices in the industry in the past.

The programme featured the comments of the Platters and a Gauteng wine writer, Michael Fridjhon, who may be facing legal action by the KWV as a result of the controversy.

The Observer reports come when the wine industry is enjoying an unprecedented boom overseas.

Wine sales had rocketed from 200 000 cases to four million since 1990, the report stated.

Two reports in the Observer and, on the front page, a caption to a photograph read

To page 3

Anger over wine claims

(3) WINE

From page 1

ARG 10/2/97

"If you thought it was OK to drink South African wine. Think again."

"Workers in Cape vineyards are literally slaves to the grape," one of the reports reads.

It refers to the still-prevalent "dop" system, whereby labourers receive half a litre of wine daily as part payment.

Jabulani Ntshangase, one of only two blacks who hold senior positions in the wine business, told the Observer vineyard owners chose people who would not speak up against the system to work for them.

Report calls for shake-up in wine and spirit industry

(3) WINE

Samantha Sharpe

BD 13/2/97

CAPE TOWN — The Kassier report has called for the dismantling of the regulatory environment governing the wine and spirit industry, and an end to the regulatory function of wine co-operative KWV.

The report, which has been welcomed by KWV, is one of three government-commissioned investigations surrounding KWV's planned transformation from co-operative to public company and precedes a court hearing in March.

KWV MD Willem Barnard said the co-operative welcomed the report's call to scrap the Wine and Spirit Control Act and to appoint an interim committee drawn from the wine trade, producers and government to administer regulatory matters prior to the introduction of new legislation.

"To be quite honest, it is a relief to have this albatross removed from around our neck. The fact is that we were tasked by government to administer specific regulations and that was a major obligation for which we received nothing in return," he said.

"KWV was a signatory to the Kassier report and we are giving our full support to all recommendations except for those encapsulated in the minority view of the wine trade regarding KWV's assets and the competitive nature of the KWV restructuring."

Reuter reports that observers said yesterday the recommendation, if accepted by Agriculture Minister Derek Hanekom, would overcome the situation which made KWV "player and referee" in the wine industry.

Hanekom appointed the committee in January after he had blocked plans by KWV to become a company. He said at the time the bid would be delayed until he was satisfied that it was in the best interests of the industry.

Kassier said another committee was auditing the assets held or controlled by KWV, while the Competition Board was investigating the implications on competition in the wine industry that might result from KWV's proposed restructuring.

NE

Fall in the rand batters an industry heavily reliant on imports (3) WINE

Wine may cost 40% more this year

CT(BR) 4/2/97

FRANÇOISE BOTHA

Johannesburg — The price of South African wines is expected to rise by up to 40 percent this year because of spiralling export demand and a shortage of premium and quality grapes, producers and retailers said yesterday.

Caroline Gawronsky, a Cape-based wine retailer, said some of the price increases had already come through. "What was R29 is now R42. What was R32 is now R55. Some wines which are now R40-odd are set to jump up to R60 later this year," she said.

André van Rensburg, a winemaker at Stellenzicht, said the main reason for the price increases was the fall of the rand over the past year as the wine industry was a large importer, predominantly of corks, tanks, labelling and bottling equipment and bottles.

"In productivity terms, our labour is also the most expensive in the world and receives annual wage increases of at least 10 to 15 percent," he said.

A shortage of premium quality varieties, coupled with the liberalisation of minimum grape price legislation early last year, is also likely to put substantial upward pressure on grape prices.

Van Rensburg said small crops, which had been the order of the day for the past four to five years, would also contribute to the price rise.

Richard Kelley, the British Master of Wine responsible for exports for Vinimark Trading, said because of strong demand and the small quantities available, the price of pinotage had increased from R4 to R5,50 a litre over the past year. "But whatever grape prices go up to can be offset by exports. A large number of producers are expecting export demand to continue to increase this year," he said.

Demand in the UK, South Africa's largest export market, increased by about 25 percent to 4 million cases last year, with market share rising to over 4 percent.

'Backward' wine farms under fire

But progressive growers praised for changes

ARG 20/2/97

(5) WINE

LINDSAY BARNES
STAFF REPORTER

Workers' conditions on the majority of wine farms in the Western Cape are still "extremely bad" although many progressive wine farmers have made efforts to improve employees' circumstances.

This is the firm opinion of academics and non-government organisations who work closely with the wine sector and were canvassed by the Cape Argus.

While they acknowledged that some change was happening, the industry drew heavy fire for being "backward" and a call was made for the Government to intervene and help educate workers about their rights.

Many in the industry have closed ranks as a result of the spate of bad publicity after a call by the British newspaper, the Observer, for a boycott of South African wines. The newspaper called for the boycott on the strength of apparently little change in former exploitation practices by the wine sector. It was set off by a BBC radio programme in January in which well-known Stellenbosch wine authors John and Erica Platter and Gauteng wine writer Michael Fridjhon discussed historical aspects of the wine industry's assets in light of the KWV's planned restructuring.

Few wine farmers were prepared to be interviewed, fearing that reports singling out the industry for attention could harm the boom in international wine sales.

The South African Wine Exporters' Association, the Association of Estate Wine Farmers and Stellenbosch Farmers' Winery declined to speak to the Cape Argus.

A recent study by the universities of Cape Town and Stellenbosch showed the tot system, by which workers are given free wine regularly, still existed on between five and 10 percent of farms in the Stellenbosch area. But the actual Western Cape figure could be as high as 20 percent, said KWV director Herman Bailey.

Grant Twigg, general secretary of the Farm Food and Rural Workers' Support Association, said farmers generally had a "couldn't-care-less" attitude but there were "good" wine farms where decent housing was provided.

Even these farmers tended to practise racist policies and paid Xhosa-speaking employees less than coloured workers. Black people's housing was usually worse than coloured homes.

"You'd be surprised. I'm talking about good, good farms which are internationally recognised."

The Government had to take an active role in dealing with the industry's shortcomings, he said.

John Hamman, a researcher for the Centre for Rural Legal Studies – a non-government organisation which has done research into land reform and labour rights – said there were workers on wine farms whose houses did not have basic amenities such as running water and toilets. The worst areas were Vredendal, along the Olifants River, Rawsonville, De Doorns and Robertson.

He said the wine industry suffered as a result of sanctions in the late 1980s but since the international market reopened the "new money" pouring in had been used on imported technology and investment in co-operatives rather than upgrading workers' living and working conditions.

"There are a number of progressive farmers who took the initiative to improve conditions but on the vast majority of farms in the wine industry the conditions are still extremely bad."

Mr Hamman said that compared with the fruit industry, where astonishing changes were taking place in favour of the

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ANDREW INGRAM

Changing times: Spier's Jabulani Ntshangase promotes the training of black people as wine makers

workers, the wine sector lagged sadly.

The difference was that progressive fruit farmers had realised the value of a happy, cared-for workforce and were paying better wages, providing better houses and improving working conditions.

An academic, who asked not to be identified, said a large part of the wine sector "is not progressive.

"One thing is certain – a large part of the wine sector is still backward in the sense of (poor) wages and providing little disposable income for households."

But there is no doubt that some changes have been instituted.

The Stellenbosch-based Rural Foundation introduced a code of conduct for the wine and fruit industry in the late 1980s and roleplayers admit they achieved substantial results.

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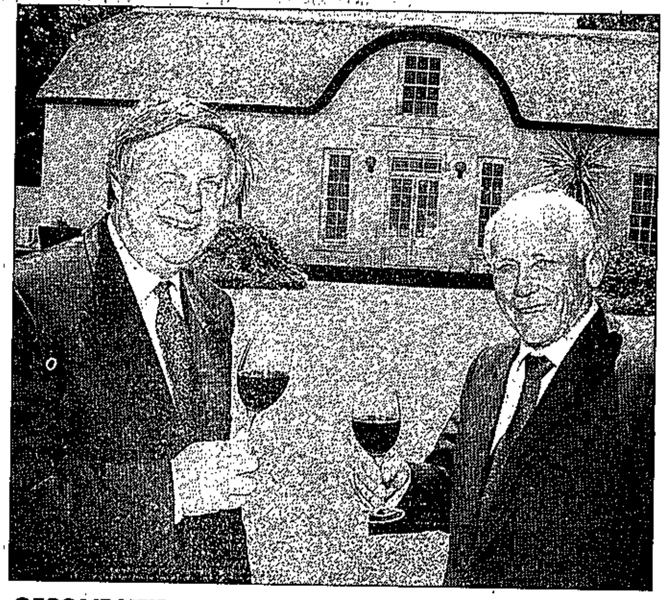


GESONDHEID *Frans Stroebel, SFW's managing director, and Jeff Malherbe, the chairman, raise a glass to more tourist dollars and less tax* PHOTO: ANDREW BROWN

C.T. (BR) 21/2/97

Tourists give SFW a reprieve

(3) WINE

Maggie Rowley

Cape Town — A lower tax bill and demand for high-margin products from tourists helped Stellenbosch Farmers Winery (SFW) produce a further spirited performance for the six months to December 31.

The wine and spirit producer lifted earnings 23 percent to R60,2 million (R48,9 million) on an 18 percent increase in turnover to R1,1 billion (R951,1 million).

Operating profit was lifted 15 percent to R122,2 million (R106 million), but a higher depreciation on historical cost saw net income before tax rise 14 percent to R111,8 million (R98,15million).

An effective lower tax rate resulted in a 21,4 percent increase in after-tax income to R70,1 million (R57,75 million). Net income before additional depreciation of R9,7 million (R8,4 million) was 22 percent higher at R69,9 million, equal to 50c (41c) a share.

Attributable income was 23 percent higher at R60 million, equal to 43c (34,9c) a share.

The interim dividend was raised 16,6 percent to 7c from 6c a share.

Capital expenditure amounted to R50,8 million (R52,9 million), but a further R65 million has been earmarked for upgrading facilities during this financial year.

The high level of capital expenditure, coupled with large inventories of imported whisky, brandy and red wine to meet local consumption demands, hurt cash flow.

Net cash outflow for the period jumped to R89,8 million from R37,6 million, in part because of a R17 million long-term investment in maturation inventories.

Frans Stroebel, the managing director, said demand from tourists for high-margin, high-quality products and improved operating efficiencies had enabled the trading margin to be maintained at 11 percent.

He pointed out that income did not accrue evenly over the financial year because the Christmas period fell in the first half of the financial year.

Furthermore, there were significant increases in the cost of certain grape cultivars of the 1997 vintage because of a widespread shortage. The company might therefore be hard pressed to maintain margins.

In spite of this, however, the company expected to retain earnings growth for the full year.

Favourable market boosts SFW

BD 21/2/97 (3) WINE

Samantha Sharpe

CAPE TOWN — Wine and spirit producer and wholesaler Stellenbosch Farmers' Winery (SFW) posted a 23% increase in attributable profit to R62,2m in the six months to December, boosted by favourable market conditions for the company's quality trademark products.

The healthy increase in attributable income was accompanied by earnings of 43c a share after additional depreciation, compared with a previous 34,9c. Before additional depreciation earnings were 50c as opposed to 41c. The group declared a 7c dividend, 1c up on 1995.

Group chairman Jeff Malherbe said yesterday he expected the rate of earnings increase in the first half of the financial year to be maintained for the whole of this year, despite increased pressure on margins.

"Significant cost increases in sought-after grape cultivars of the 1997 vintage are being experienced and the company may therefore be hard pressed to maintain margins in a competitive market," he said.

Turnover rose 18% to R1,1bn following positive market conditions during the period under review, with trading profit at R122,2m from a previous R106m. Malherbe said that notwithstanding the company's policy of keeping prices as low as possible, operating efficiencies allowed the trading margin to be maintained at 11%.

Net interest received rose marginally to R3,9m, with depreciation increasing to R14,24m from R11,3m at the same time last year. This resulted in a 14% increase in net income before tax to R111,9m, with tax virtually unchanged, bringing after-tax income to R70,2m from R57,8m previously.

A surge in equity accounted earnings to R353 000 from R32 000 and a rise in income attributable to outside shareholders brought net income before additional depreciation to R70m from R57,3m, with the additional depreciation charge reflected in the attributable income figure. Capital expenditure for the period stood at R50,8m, with R61m authorised for the rest of the year.

DISTILLERS CORP/SFW (3) WINE

DROWNING THEIR SORROWS

Half-year results from Distillers Corp and Stellenbosch Farmers' Winery (SFW) prove that no matter how tough times may be, cutting back on alcoholic beverages is almost last on consumers' lists.

Distillers increased EPS by 25,3% and SFW by 22%. With inflation under 10%, these advances are surprisingly big, particularly when consumer disposable income is ostensibly shrinking because of the cost of consumer debt.

MORE SPIRITED

Distillers

Six months to	Dec 31 1995	Jun 30 1996	Dec 31 1996
Turnover (Rm)	830	703	1 020
Pre-int profit (Rm)	150,3	81,7	176,3
Pre-tax profit (Rm)	149,5	77,1	171,9
Attributable (Rm)	81,5	49,4	102,1
Earnings (c)	58,2	35,3	73,0
Dividends (c)	17	42	21

FM 28/2/97

Turnover at Distillers grew 23% to R1bn and at SFW 18% to R1,1bn. Operating margin remained at similar levels in both companies. Both claim improved market share at home from quality trademark products; both report big increases in exports — particularly of wine.

Evidently, both expect demand to remain good. At Distillers, stock was 19% higher at end-December and at SFW 21%, though at both stocks were similar to their June year-end levels. Higher stock at half-time is indicative of an optimistic outlook for the rest of the year.

BETTER VINTAGE

SFW

Six months to	Dec 31 1995	Jun 30 1996	Dec 31 1996
Turnover (Rm)	951	856	1 121
Pre-int profit (Rm)	106,0	100,5	122,2
Pre-tax profit (Rm)	98,2	91,3	111,9
Attributable (Rm)	48,9	52,1	60,2
Earnings (c)	41,0	43,1	50,0
Dividends (c)	6	20	7

Though cash on hand remains high at Distillers (R135m), SFW MD Frans Stroebel explains its higher overdraft of R78,6m (1995: R13,6m) arose because cash flow was hit by high capital expenditure on the export programme as well as the need to raise long-term maturation stocks to provide for growing sales.

The companies expect the rate of earnings growth to be maintained for the rest of the financial year provided the decline in private consumption expenditure does not accelerate.

That suggests Distillers' EPS will gain about 25% to 120c for the year, to put it on a prospective p:e of roughly 10,5. If SFW increases its EPS by 22% to 103c it will be on a prospective p:e of 13,5c.

SFW's higher rating rests mainly on its innovation and marketing of cider and other fruit-based products in addition to traditional wine and spirit beverages. Distillers has a more conventional range. SFW's product range appeals to a wider range of consumers.

If the economy gets off its knees and runs into growth gear, SFW could be the better buy simply because of its product diversity; but neither the strength of the brands nor management at Distillers should be underestimated — as its stronger half-year earnings growth demonstrates. In short, it deserves a better rating. *Gerald Hirshon*

Report on KWV is handed to Hanekom

(3) WINE
BD 3/3/97

Louise Cook

A REPORT by the Competition Board on KWV was handed to Land and Agriculture Minister Derek Hanekom recently, leaving only a report on the co-operative's assets still outstanding, sources said at the weekend.

A board spokesman confirmed it had handed a "memorandum" on the KWV to the minister last week. However, he declined to comment on the content, saying the board had looked into the possible effect on competition if KWV converted to a company.

KWV announced last year that it wanted to switch to a company after having operated as a co-operative up to now. However, the co-operative agreed later to postpone the move — backed in a High Court application by the Cape Wine and Spirits Institute — to give the agriculture minister time to probe aspects of the conversion plan.

A report on KWV's assets was still being finalised, Hanekom said last week. KWV's conversion was expected to proceed by March 25, sources said.

KWV PRIVATISATION WINE

VINTAGE STUFF

FM 14/3/97

Wine industry wholesalers will not be the only victuallers affected if the proposed transformation of KWV to a private company gets the nod from the Cape High Court on March 25.

Gary May, branded liquor CEO of Gilbeys, comments: "Wholesalers, co-operatives, retailers and independent wine farmers will all be affected."

He adds that due to KWV's grip on production, standing contracts and arrangements with raw material suppliers, a "privatised" KWV will distort the industry. This may have a serious effect on the availability and pricing of many brands.

"Because KWV controls the surplus wine, a huge distilling capacity was built which was made possible only through legislation. Through transformation, KWV can become a private company with no cost of capital — but with control over available stock," says May.

Last year, 83% of KWV's members approved the change. If granted, all benefits gained over the years will be transferred to a private company, KWV Group, owned by the wine farmers.

This implies that most of the wholesalers — represented by the Cape Wine & Spirit Institute — may be locked out of the new supply chain, says the institute's executive director Riaan Kruger. Shares will not be listed so the market will not be able to put a fair price on the deal.

However, KWV MD Willem Barnard intends to go into competition with wine traders and create new brands. Initial steps involve a black empowerment deal.

"Such an investment will provide KWV with the necessary capital for the first phase in our extension programme. This is the reason the transformation to a private company is a prerequisite," Barnard says in an affadavit prepared for the court. Talks are under way to decide which black group will be invited to take up to 20% of KWV's offshore interests.

"Initially, the export market will be targeted," says KWV public relations director Theo Pegel. But, to the dismay of local wholesalers, there are no assurances that the local market will be left alone. At present, legislation — reinforced by a gentlemen's agreement — restricts KWV in supplying bottled products to Africa south of the equator.

KWV now operates as a private producer co-operative, with additional powers of regulating the wine industry through the Wine & Spirit Control Act. The Competition Board is still investigating the implications of the proposals.

According to Steven Goldblatt, an adviser to Agriculture Minister Derek Hanekom, "the Steyn report appointed to assess KWV's assets raises issues that have to be clarified. For this reason, another inspector will be appointed."

One can only hope the appointment will be made sooner rather than later for the benefit of all concerned — not least the consumer. *Piet Badenhorst*

Ferment over motives for KWV empowerment talks

ST(BT) 16/3/97 (3) WINE

NOT HAPPY ... Agriculture's Derek Hanekom

WINE INDUSTRY

By THABO KOBOKOANE

WINE co-operative KWV is believed to be talking to the Independent Development Corporation, Magotsi Trust, Nafcoc Holdings and Nyama Trust on the acquisition of a 20% equity stake in a restructured KWV.

Theo Pegel, director of public relations at KWV, would not confirm the names, but said the 20% equity stake was part of the co-operative's attempt to broaden participation in the industry to include blacks, farmworkers and retailers.

Sceptics have suggested the move could be an attempt by KWV to blackmail the minister of agriculture, Derek Hanekom, to allow it to become a company. Pegel claims the critics have "chosen to ignore" the fact that black participation was part of its original proposal to convert into a company.

"The reality is that we could not continue as in the past. Our original proposals to the High Court included opening opportunities in the wine industry.

"If we remain a wine co-operative this is not possible since only winemakers are allowed to be members."

In December the co-operative sought a High Court order to allow it to become a company, but this move was blocked by Hanekom, who argued that some of the KWV's assets were acquired through statutory powers enjoyed since 1924. KWV says these assets belong to its members, about 4 500 farmers.

Hanekom set up three inquiries to look into the industry's regulatory environment, assets of KWV and the effects on competition if it became a company.

Three reports later, there is no end in sight, although a High Court hearing is scheduled for March 25. All three reports are out, but only two are public. There is consensus on the first, the Kassier Report, which recommended that the Wine and Spirits Act, administered by KWV, be scrapped and that the industry be administered by a committee representing the wine industry, producers and government.

Hanekom seems unsatisfied with the second on the assets of KWV and is likely to reject the Competition Board's report as well. Hanekom's legal adviser, Steven Goldblatt, said Fisher Hoffman Sithole have been appointed to look further into the matter of assets.

The Steyn Report on KWV's assets said it was impossible to distinguish between assets acquired out of statutory and non-statutory activities.

Consensus needed for KWV to restructure, says Hanekom

CT(BR) 18/3/97. (3) WINE

MAGGIE ROWLEY

Cape Town — Derek Hanekom, the minister of agriculture, said last night that his ministry would oppose the KWV's application to convert to a company, unless KWV, the department of agriculture and the Cape Wine and Spirits Institute reached consensus within the next week on the co-operative's restructuring.

KWV's application to have its legal status changed to a company is expected to be heard in the Cape High Court on March 25.

The initial application, brought in December last year, was blocked by the minister who appealed to the court for more time to assess the full implications of the conversion.

Three inquiries to look into KWV's assets, the industry's regulatory environment and the effects on competition if KWV became a company, were set up by Hanekom.

These committees have all reported, but a further investigation into the assets of KWV (the issue which is believed to be delaying consensus) is now being undertaken by Fisher Hoffman Sithole. This is expected to be completed this week.

Hanekom said prolonged litigation was not in the interest of the industry nor any of the concerned parties.

"We hope we can arrive at consensus that will enable the restructuring of KWV to go ahead on a basis which will result in a healthier, more competitive industry which encourages new entrants and ensures a commitment to research and human resources development through training."

Meanwhile, KWV has confirmed that it has been approached by six black empowerment groups, who are interested in securing an equity stake of about 20 percent in KWV.

Theo Pegel, the public relations director of KWV, said serious negotiations would only get under way once their application for a change in legal status was approved to allow it to broaden its shareholder base. This was a prime reason for the conversion to a company, he said.

The black empowerment groupings are understood to include Nafcoc Holdings and the Cape-based Mnyama Holdings.

Mnyama Holdings' Peter Jones said they were not only looking at picking up an equity stake but also to use their strong links with rural communities to assist in KWV's strategic transformation and restructuring.

"If we are successful this will be our biggest investment to date," he said. Mnyama's other investments include stakes in the Capricorn Research and Science Park, Juta & Co publishers and two radio licences operating under Punt op Mediumgolf.

Union bid to block KWV

Rumpus as Fawu claims workers not consulted

(3) WINE

ARG 22/3/97

LLEWELLYN JONES
BUSINESS REPORTER

A row has blown up between the KWV and the Food and Allied Workers Union ahead of the KWV's court appearance on Tuesday in its bid to convert itself from a co-operative into a company.

The Food and Allied Workers Union (Fawu), which claims between 2 000 and 3 000 members in the wine industry, this week expressed "outrage and anger" at the KWV's failure to consult workers over the restructuring plans.

After a meeting with Minister of Agriculture and Land Affairs Derek Hanekom, Fawu said it had resolved to support the minister's undertaking "to use all possible means to oppose the KWV's scheme of arrangement".

The minister could not be reached for comment late this week, but the KWV reacted with dismay.

"This is a clear-cut case of organised labour being coerced to support the minister despite the disadvantages it may hold for their members", the KWV said in a statement.

The organisation's legal application to convert itself to a company in December last year was blocked by Mr Hanekom, who appealed to the court for more time to assess the full implications of the conversion.

He appointed three commissions of inquiry to look into the KWV's assets, the regulation of the wine industry and the effects on competition if the KWV became a company.

All three commissions have reported back, recommending notably that the KWV should lose all its regulatory powers – a recommendation supported by KWV.

The KWV has rejected any allegations that it did not consult employees.

Managing director Willem Barnard had "fully briefed all staff" including 300 Fawu members, about the proposed conversion late last year, the statement said.

Fawu "dismissed with contempt" claims that black empowerment could be a reason for the restructuring, possibly referring to the KWV's discussions with several black consortiums to take a 20 per-cent stake in the KWV once it had been converted to a company.

"How can they claim black empowerment while disempowering their own workers?" the statement said.

The KWV said the union's viewpoint was "incomprehensible" because the conversion had advantages for all workers and producers in the wine industry, as well as for consumers.

Fawu has called for a forum involving representatives of labour, the KWV, the state and other interested parties "to ensure proper negotiations and consultation".

revamp

DISTILLING *KWV transformation begins*

Agreement paves way for wine deregulation

CT (BR) 24/3/97 (3) WINE

FRANÇOISE BOTHA

Cape Town — An agreement reached this weekend between the KWV and members of the Cape Wine and Spirit Institute should pave the way for the deregulation of the Cape wine industry, with massive ramifications for the rapidly growing distilling industry in South Africa, an industry source said.

The agreement follows opposition from Derek Hanekom, the minister of agriculture, to establishing KWV as a company whose assets would be distributed to its members.

The parties agreed, among other things, that KWV will relinquish control of long-term distilling wine contracts. This move will allow other wholesaler-producers to secure contracts, thus giving them guaranteed and increased sources of both wine and grapes for production, the source said.

According to other features of the agreement, KWV will relax 90 percent of the control over plant material and give up the need for producers to contribute a certain percentage of production in terms of the KWV's quota system.

The source said that the industry had sought a five-year notice period from the KWV of its intention to enter the local market. Until now, the KWV has only produced for the export market.

The parties had also agreed that if the KWV were to launch its products on the local market, shares in the company would have to be publicly listed.

Frans Stroebel, managing director of Stellenbosch Farmers' Winery, said yesterday that it was still up to the minister of agriculture to clear the transformation of the co-operative into a company.

"The concerns of the wholesalers have been addressed, but there are still concerns between the minister and the KWV.

"This ... (move) will spur local and international investment in farms and grape production areas.

"In effect we are going to find a South Africa with far higher investment in the wine industry, (giving) this country a serious opportunity to compete in the international community," he said.

Opposition to KWV's privatisation plans

BD 24/3/97

(3) WINE

Samantha Sharpe

CAPE TOWN — Relations have soured further between the wine co-operative KWV on one side and Agriculture Minister Derek Hanekom and labour on the other, ahead of tomorrow's High Court hearing into its plans to transform itself into a public company.

About 83% of the KWV's members approved the plans last year, and a favourable court decision would see the distribution of all benefits accumulated over the years to the KWV's members.

Group director Theo Pegel said at the weekend that Hanekom had "coerced" organised labour into supporting his opposition to the restructuring during an exclusive meeting with the Food and Allied Workers' Union (Fawu).

Fawu said it "dismissed with contempt" the reasons behind KWV's unbundling, which included the possibility of a black empowerment partnership. The union asked for a forum to be established comprising labour, the KWV and other stakeholders, interested parties and the state, to ensure that proper negotiations and consultation took place.

Pegel said the union had agreed to attend a meeting last week with KWV staff, management and the minister.

"But, last Monday afternoon Mr Hanekom indicated to KWV that he was not prepared to meet KWV's staff, only with Fawu management and shop stewards.

"This is a clear case of organised labour being coerced to support the minister, despite disadvantages it may hold for their members," Pegel said.

It appeared from Fawu press statements the minister had given his undertaking to the trade union to do everything in his power to oppose the KWV's conversion. Hanekom had appointed two representatives to negotiate with the KWV, despite apparently having already decided to oppose the restructuring, Pegel said.

The KWV had learnt with "surprise and dismay" of Fawu's unhappiness with the transformation process, which it found "incomprehensible in view of the fact that the conversion actually holds advantages to all workers and producers in the wine industry".

The court was expected to consider three separate government-commissioned reports tomorrow — one an investigation into the regulatory framework for the wine and distilling industry, another into the assets of the KWV and a third into the competitive effects of the unbundling process.

While the Competition Board's findings into the competitive aspect have not yet been made public, the Kassier report has called for the dismantling of the current regulatory framework governing the wine and spirit industry.

The third report said although the KWV had statutory powers this had not boosted its reserves or allowed it to acquire undue assets. Auditors Fisher Hoffman Sithole were appointed to investigate how the KWV's assets were derived after ambiguity in the initial report.

'Soaring prices could scuttle wine exports'

CT 25/3/97

(3) WINE

LISA TEMPLETON

THE huge overseas demand for South African wine may dry up if prices continue to soar and quality does not improve, experts have warned winemakers.

The industry has seen a tenfold increase in exports since 1990 but soaring prices and mediocre quality may bring this honeymoon to a close, exporters say.

The Nederburg Auction of premier wines at the weekend saw a 30% increase in the price of red wines — with an average bottle of red going for R51,30. Retailers predict that the price of table wines will rise 15% to 40% this year.

"Prices have gone too far," said Mr Richard Kelley, export manager for Vinimark import/exporters.

"If South Africa continues to put up prices without the quality improving, the potential for exports could be shortlived."

Select wines were selling at prices higher than those asked in British retail outlets, in spite of the exchange rate, Kelley said.

British auctioneer Mr Patrick Grubb, who has brought the hammer down on 23 Nederburg Auctions, said he saw too many "uninspiring, insipid" South African wines in export markets. He advised producers to take advantage of the seller's market by producing top-quality wines.

Stellenzicht winemaker Mr Andre van Rensburg said it was only fair that local producers got better prices for high-quality red wine. "South African consumers have been protected — they've had it too good for too long."

Mr Jeff Grier, Villiera owner and winemaker, predicted that an increase in the production of red wine would neutralise price hikes.

Hanekom denies labour coercion claim

(3) WINE

Business Day Reporter

AGRICULTURE Minister Derek Hanekom yesterday denied a claim by KWV group director Theo Pagel, reported in Business Day on Monday, that he had "coerced" organised labour into supporting his opposition to the restructuring of the co-operative.

Pagel said this had been done during an "exclusive meeting" between Hanekom and the Food and Allied Workers' Union (Fawu).

The KWV concluded from a Fawu press statement, which "dismissed with contempt" the reasons behind KWV's unbundling, that the minister's undertaking to negotiate with it had not been made in good faith.

Hanekom rejected the suggestion that he had replaced a scheduled meeting with KWV staff and management with one attended only by Fawu representatives. "The Fawu shop stewards meeting was the only such arrangement in my diary," he said.

In a letter to KWV chief executive Willem Barnard, Hanekom says he met Fawu at the union's invitation, "and they decided to issue a press statement. We most certainly did not agree on what Fawu may or may not say, and could never have done so."

Hanekom told Barnard there was "clear dissatisfaction" among shop stewards about what they perceived as a lack of consultation with KWV employees.

"I would like to encourage you to continue speaking to my advisers in an attempt to come to an agreement which will give us a 'win-win' situation we are all looking for," the letter said.

BD 26/3/97

Lawyer moots KWV probe

(3) WINE BD 27/3/97

THE competition board should probe an agreement signed this week between the KWV wine co-operative and liquor wholesalers, the legal adviser to Agriculture Minister Derek Hanekom said yesterday.

"I would advise him (Hanekom) to make sure the agreement is the subject of a competition board inquiry," said lawyer Steven Goldblatt. He said the accord appeared to mitigate against the entry of new industry players.

"It seems prima facie to fly in the face of a transparent, open and accessible market," Goldblatt said.

KWV spokesman Cassie du Plessis declined to comment on Goldblatt's remarks. But he said the agreement in principle, signed with the Cape Wine and Spirits Industry (CSWI), meant the CSWI would withdraw its court efforts to block the KWV from converting into a private company. "There might be certain contracts emanating from this," Du Plessis said. Agreement details still had to be finalised.

Hanekom has also brought a court action to block the KWV privatisation move, basing his action in part on the fact that the KWV used its position as a statutory industry regulator to accumulate assets at no risk to itself.

The KWV's court application to convert to a company and Hanekom's objection were both postponed on Wednesday. They will be heard in the Cape Town supreme court on April 2.

The CSWI — which includes among others the Stellenbosch Farmers' Winery, Distillers Corp, Douglas Green, Bellingham, Gilbeys and Seagram — initially opposed the KWV's privatisation plan on the grounds it would pose unfair competition in the local market.

Sources close to the agreement signed this week said the KWV had given the CSWI assurances its marketing efforts would remain focused on exports, at least in the short term.

The sources said the KWV believed its current activities were generating sufficient profit and that trying to break into the domestic market would not be attractive to the co-operative.

They said due to a shortage of SA quality wine, the KWV did not have enough wine to service foreign customers. The KWV, with 4 400 wine farmer members, operated in about 50 countries, but was barred by law from selling in Africa south of the equator unless its members agree.

It provided about 50% of the brandy sold in SA. According to court papers, the KWV had accumulated R1bn worth of assets. — Reuter.

KWV's restructuring hearing postponed

CT(BR)27/3/97 (3) WINE

ANN CROTTY
CONSUMER INDUSTRIES EDITOR

The high court hearing on KWV's proposal to implement a scheme of arrangement that will enable it to restructure from its co-operative status into a company was postponed yesterday until April 2.

The delay is to give the judge and KWV an opportunity to consider the arguments presented by Derek Hanekom, the agriculture minister. The minister, who is not a party to the legal action, has applied to intervene in the case.

Meanwhile, controversy surrounds efforts by the Food and Agricultural Workers' Union (Fawu) to also become a party to the legal action. Willem Barnard, KWV's managing director, has criticised the union as having no legal interest in the matter as it was not a member of the co-op.

"This move by Fawu has been prompted by Minister Hanekom who visited our operation in Paarl and chose only to meet with a select group of Fawu members," Barnard said, adding that he wanted the minister to talk to the shop stewards and all employees but that Hanekom refused. "He chose to talk only to Fawu employees, which is strange. Fawu represents about 30 percent of KWV's employees."

Stephen Goldblatt, Hanekom's legal adviser, said the minister was in no way associated with Fawu and that if the union chose to support the minister's move then it could only be at the union's own initiative. Nevertheless, the minister was pleased with such support, Goldblatt said.

☐ Business Watch

KWV efforts to change status delayed again

(3) WINE

Union, Minister object

ARG 27/3/97

LLEWELLYN JONES
Business Reporter

The KWV's attempt to convert from a co-operative to a company has been delayed again after both the Minister of Agriculture and the Food and Allied Workers' Union (Fawu) intervened.

The union said last week it would oppose the KWV's plans, but its decision to enter the legal fray came as a "complete surprise", KWV managing director Willem Barnard said yesterday.

Along with Minister of Agriculture Derek Hanekom, the union has asked the High Court, which must give the green light to the KWV's conversion proposals, to authorise it to file counter arguments.

Yesterday's High Court hearing was postponed because the court decided that the Minister of Agriculture's opposing affidavit was "incomplete" and did not take into account the latest developments.

These developments include the settling of differences between the KWV and the Cape Wine and Spirit Institute over the KWV's conversion.

The Minister was given until this afternoon to file a completed affidavit.

Meanwhile, Mr Barnard expressed surprise at the union's stand, claiming shop stewards had voted to support the KWV's conversion into a company last Wednesday.

Union officials could not be reached for comment yesterday.

Dr Barnard reiterated his belief that the union management had been "coerced" into supporting the Minister despite the disadvantages that it may hold for its members.

If the Minister is successful in his application, the KWV's bid to become a company could be put on hold indefinitely until his concerns are allayed.

A legal adviser to the Minister said the issues were complex and "not capable of being resolved next week".

The Minister commissioned three reports: one on the regulatory environment in the wine industry, one on the KWV's assets and one on competition in a deregulated environment. He was also concerned that a new system should be developed that would open the wine industry to new players who had previously been denied access.

Two of these – the Kassier report on regulation and the Steyn report on the KWV's assets – have been made public but the findings of the Competition Board's investigation into competition in the industry have not yet been released.

The Kassier report called for the complete dismantling of the currently regulatory framework.

The Steyn report found that it was impossible to distinguish between assets acquired by the KWV as a result of its statutory powers and other assets. The Minister has now appointed auditors Fisher Hoffman Sithole to take a closer look.

But time is running out for the KWV which needs to change its status to that of a company to meet the challenges of global competition.

Hanekom launches late court bid to halt KWV

(3) WINE CT(BR) 3/4/97

Maggie Rowley

Cape Town — Derek Hanekom, the agriculture minister, yesterday lodged an application in the High Court for leave to intervene in KWV's application to sanction its conversion from a co-operative to a company.

He also sought permission to file documents after the court deadline had passed.

The required papers had been lodged more than a month late because time had been needed to consider the submissions of three committees appointed to investigate the implications of KWV's application.

Arguing in court papers for the right to intervene, Hanekom said the members of KWV occupied their positions in part "by virtue of a history of racial discrimination and limitation upon the ownership of land".

If the court sanctioned KWV's application, he said the members would participate in the privatisation of KWV in respect of assets held by the co-operative that were generated and held for the benefit of the industry as a whole.

Hanekom also argued that KWV's statutory powers and duties in terms of the Wine and Spirits Act made it an organ of the state and the proposed incorporation as a company would result in the overnight collapse of a regulatory system in place for more than 70 years.

At the very least, he maintained, KWV should not be permitted to effect a conversion without full consultation with the minister and the passing of legislation to ensure that no vacuum for the proper regulation of the industry was created.

Calling on the court to dismiss the minister's application with costs, KWV argued that it was not an organ of the state, but an agent carrying out certain functions of the state. The assets of KWV belonged to its members and any surplus contribution that arose from its control of the distilling wine pool was used for the benefit of members and producers who contributed to the pool.

NEWS

KWV fights to keep conversion on schedule

(3) WINE

ARG 3/7/97

'Risk of loss in delay'

DENNIS CAVERNELIS
HIGH COURT REPORTER

A strong risk existed that the wine industry could lose out on business opportunities if KWV's conversion from a co-operative to a company was delayed, KWV counsel Philip Ginsburg told the Cape High Court.

He was arguing yesterday against an application by Agriculture and Land Affairs Minister Derek Hanekom for an order effectively delaying the conversion.

The Co-operative Wine Growers' Association of South Africa and the KWV Group Co-operative are asking the court to sanction a change in KWV's legal status from a co-operative to a company.

In December, 83,8 percent of wine farmers representing KWV voted for the change.

The co-op also asked the court to approve its application for the Wine and Spirits Control Act to be amended to allow KWV to become a private company and for confirmation of a reduction of share capital in terms of the Co-Operatives Act.

The Minister is asking that KWV's application be postponed until affidavits are produced that could affect the court's decision to sanction the conversion.

Mr Ginsburg said the proposed scheme of arrangement had been properly approved by special resolutions passed at meetings held by KWV, as set out in an earlier court order.

He said new business opportunities beneficial to the wine industry and South Africa as a whole could be lost if the conversion process was delayed.

Theo Beckerling, SC, for the Minister argued that if KWV was converted to a public company it would no longer be qualified to carry out the powers and duties vested in it by the Wine and Spirit Control Act.

"Its assets are intended to serve the interests of the industry as a whole, and are not intended for the sole use and interest of KWV's members," he said.

The hearing continues today. Mr Justice W J Louw is on the Bench.

KWV toasts surge in S African wine exports

(3) WINE

11-million cases earn R550-m

ARG 3/4/97

South Africa's wine exports increased to 11,1-million cases last year, earning R550-million in foreign exchange, the KWV said in its annual report today.

The co-operative said it had revised its initial estimates for wine exports in 1995 to 8,2-million cases from 7,7-million before.

Wine exports had snowballed in the past few years, surging by 1 300 percent from the 855 000 cases in 1990.

"Literally hundreds of South African wines are, for example, available on the shelves in the United Kingdom.

"This is in sharp contrast to a few years ago when KWV wines and only a few others were available on the shelves."

The KWV said South African wines were exported to almost 60 countries, with the European Union being the single largest client.

Referring to the domestic market, the KWV said that since the end of 1993 the previously stagnant market for natural wine had improved.

This gained momentum in 1996 and growth now appeared to be sustainable in the medium term.

The intake of unfortified wine by the wholesale trade, including exports, had grown by 13,5 percent in 1996 and growth of about five percent was foreseen in the domestic market in 1997.

Including exports, growth could top 10 percent.

Domestic sales grew by five percent, with wines in the high- and medium-price range growing by between five and 10 percent, largely because of increased tourism and higher domestic disposable incomes.

"This growth is, however, hampered by the shortages in red wine in particular, as well as in noble white cultivars, currently being experienced in the market," the KWV said.

The market for standard-price wines was levelling off and could fall further in future.

This indicated that consumers were turning to higher-priced wines and to alcoholic beverages such as brandy.

The KWV said the latter trend was particularly evident in its 1996 financial results, with after-tax income rising to R88,3-million from R78,3-million in 1995, while net income from own transactions rose to R71,2-million from R47,7-million. – Reuter

THE KWV

3WINE

NO MORE WHINING

FM 4/4/97

The KWV and producer-wholesalers in the wine and spirits industry have buried their differences. The Cape Wine & Spirit Institute (CWSI) will not intervene in the planned transformation of the KWV from co-op to private company.

Institute executive director Riaan Kruger calls it "a win-win situation." However, he says it took months of deliberation for the two sides to settle their differences, some of which dated back many years.

The agreement will have far-reaching consequences. The KWV undertakes not to enter the domestic market immediately in competition with the producer-wholesalers. It is allowed to do so after five years, provided due notice is given.

When that happens, there will be repositioning in the domestic market of both the KWV and members of the CWSI.

KWV MD Willem Barnard says "the notice period is required to enable members of the CWSI to expand production facilities, while the KWV needs time to arrange distribution channels and establish trademarks."

The KWV may also eventually seek a stock exchange listing.

Long-term KWV agreements for the supply of distilling wine by producers from the Oranje and Olifantsrivier valley terminate in 2001, and the option to extend the arrangement by 10 years will not be exercised.

Both parties agree that a system of dealing with domestic surplus is essential. If there is a local shortage of distilling wine, imports will be co-ordinated. Statutory levies will fund research and industry information, as recommended by a commission of inquiry into the sector.

❑ A Cape High Court attempt by Agriculture Minister Derek Hanekom to block the KWV transformation was due to resume this week. *Piet Badenhorst*

Wine exports better 10m case target

(3) WINE (PAG) CT (BR) 4/4/97

FRANÇOISE BOTHA

Johannesburg — South African wine exports have soared above 10 million cases a year — a target that was initially expected to be achieved by 2000.

Figures released yesterday by the KWV showed exports climbed 35 percent and earned more than R550 million in foreign exchange. Exports rose from 7,7 million 9-litre equivalent cases in 1995 to about 11,1 million cases last year.

The increase in sales would have been higher at 44,2 percent, but the KWV revised the industry's 1995 export figures upwards to 8,2 million cases, reducing foreign sales growth over the past year. At the same time, the value of exports climbed 50 percent.

The strong growth in volume follows a 48 percent rise in 1995 and a 112 percent increase in 1994. The largest export growth was recorded in the Far East and North and South America, where volumes increased by 173 percent and 104 percent respectively.

The figures represent what is classified as "good wine", which is wine in bottle or bulk container and excludes wine intended for distilling purposes.

Jannie Retief, the chairman of the South African Wine and Spirit Exporters' Association, said the figures were good news for the local industry, especially given there was a shortage of red wines and wine made from noble cultivars.

The new figures are estimates based on statistics submitted voluntarily by producers who are members of the association. In total, the members produce more than 95 percent of bottled wine exports, but not all submitted export figures. Retief said the estimates had been necessary because the government was unable to collect and collate all wine export information.

The largest volume of wine — about 45 percent — went to the UK, followed by Germany.

Retief said the association would start to focus on expanding the country's export destinations, with special attention being paid to Germany and the US.

"We will start to focus on other countries apart from the UK so that we can have our cake split up in a more balanced way. It is better if we have a more diversified market, and both of those countries have shown the highest demand for new-world wines."

Privatised KWV 'will stick to its agreements'

(3) WINE

DENNIS CAVERNELIS
HIGH COURT REPORTER

ARG 4/4/99

All the rights and duties of the KWV co-operative will remain in force if it is privatised, the Cape High Court heard.

This was one of the arguments yesterday by Philip Ginsburg, SC, for KWV.

Agriculture and Land Affairs Minister Derek Hanekom has applied for an order that will effectively postpone KWV's transformation from a co-operative into a company.

The Co-operative Wine Growers' Association of South Africa and KWV are asking the court to sanction a change in KWV's legal status from a co-operative to a company.

The co-op is also asking the court to approve its application for the Wine and Spirits Control Act to be amended to allow it to go private.

In addition, it wants confirmation of a reduction in share capital in terms of the Co-operatives Act.

The minister is asking in his application to intervene in the proceedings that KWV's application be postponed until the court sees affidavits that could affect its decisions.

Mr Ginsburg said the proposed scheme of arrangement and conversion of KWV to a company would not change the essential nature of KWV.

It would still be prohibited from freely supplying or selling liquor for consumption in South Africa, Mr Ginsburg said.

The hearing continues today.

Hanekom's intervention 'may harm KWV earnings'

(3) WINE

Samantha Sharpe

BD 4/4/97

CAPE TOWN — Agriculture Minister Derek Hanekom's attempted intervention in wine co-operative KWV's planned conversion to a public company was a "strategy of delay" that could only harm the company's earnings potential, KWV said in the Cape High Court yesterday.

Hanekom had asked the court for permission to intervene in the restructuring process, which he said would lead to a vacuum in the current regulatory framework. But KWV said delays surrounding the conversion, which came with the support of 83,8% of members, could lead to a potential earnings loss for the group.

KWV's regulatory obligations would be continued under the guise of the newly created company.

"The nub of the minister's concern is that the industry should not be left without a regulatory structure ... and we say the existing regulatory structure goes with us," KWV said. The matter continues today.

Reuter reports KWV said in its latest annual report that the SA wine industry had experienced a boom year last year, with total wine exports increasing from 8,2-million cases to 11,1-million case and "the stagnation of the domestic market now something of the past".

"As a result, exports have snowballed by 1 300% from the 855 000 cases in 1990. The estimated foreign currency earned from these sales is about R550m", with the value of exports as opposed to export volumes increasing 50%.

The report said the strong international demand for SA wines showed continued growth throughout the year and put serious pressure on the limited resources of noble cultivars, which meant the full potential of the markets could not be exploited.

Export sales to the main markets increased considerably, growing 20% in the UK, 50% in Western Europe, 16% in Central Europe, 104% in the Americas and 173% in the Far East.

WINE *Cost of quality reds up by 30%*

Imported labels are in demand at top prices

CT (BR) 7/4/97 (3) WINE

FRANÇOISE BOTHA

Johannesburg — Sharp increases in the price of quality South African wine have paved the way for a significant increase in wine imports aimed at the middle and upper end of the local market.

The price of red wines at this year's Nederburg auction rose 30 percent. Alex Dale, the marketing director of Longridge Winery, a Stellenbosch producer active in the import business, said that the area where imports could be "most competitive" was in the middle market, from R20 to R45 a bottle, followed by the lower end between R10 and R20.

"The upper end of the market, from R50 upwards, is still far more tricky because South African wines are only starting to achieve these prices. But, this picture, in terms of price points, is somewhat historical because there are going to be a lot of wines in the R80 and R90 a bottle bracket," Dale said.

Longridge Winery, which sells to the trade on an import agency basis, represents wines mostly from France and Australia, with limited shipments from a host of other producing areas including California, New Zealand and Chile. The wines retail for prices from R19,95 to a few thousand rand a bottle.

"We started importing almost a year ago and set ambitious targets, which we easily exceeded, so the demand is obviously there. Imports will definitely grow. They cannot shrink, simply because there has been so little brought in in the past," he said.

Dale attributes the increase in demand for imported wines to an increasing culture of appreciation of good wine in the country. The company expects to import up to 10 000 cases this year.

"It is very important for South Africa to have wines that can command international prices. Although this translates into a situation where they look absurdly expensive for South Africans, those prices would still be a drop in the ocean for a highly rated international producer," he said.

WINE

Hanekom urges delay on KWV bid

CT(BR) 7/4/97

MAGGIE ROWLEY

Cape Town — Derek Hanekom, the agriculture minister, on Friday urged the high court to postpone for four months considering KWV's application to convert to a company. This would allow time to consider the full implications of the proposed conversion and devise an alternative statutory system for the wine industry, he argued.

Judgment in the minister's application for the right to intervene was reserved but is expected later this month.

The minister argued on Friday that KWV could not be both a player and a referee in the wine industry, and if it were to covert to a company was an alternative statutory system needed to be put in place.

He said if his application to intervene was successful, the requested four-month period should provide sufficient time. However, the nature of the work involved would require leeway from the court on either side.

Moving for the dismissal of the minister's application, KWV said the inevitable consequence of granting the minister the right to intervene would be the indeterminate postponement of KWV's application for conversion until an alternative regulatory system and policy was in place.

The organisation had extensive overseas business opportunities in the immediate future which it was entitled to exploit for its benefit and that of its members. The minister was under an obligation not to impede the progress of KWV's commercial objectives, it said.

The impediment the minister was putting in KWV's way arose from his application to intervene in KWV's bid to convert to a company to enable it to raise funds to pursue these opportunities.

THE KWV AND THE MARKET (3) WINE

FM 11/4/97

WAITING TO POP THE CORK

The wine industry is bubbling with controversy. At the heart of the matter is the proposal by the Koöperatiewe Wynbouersvereniging (KWV) to restructure itself as a private company.

This seems an admirable route towards opening the industry to deregulation and competition. The process is intended to make shareholders of the KWV's 4 700 member farmers, transferring to them ownership of the co-operative's assets that have been built up since its formation in 1918.

But a High Court case to defer the transformation has been brought by Agriculture Minister Derek Hanekom. Partly, Hanekom believes the regulatory functions conferred on the KWV by parliament — and enshrined in the Wine & Spirit Control Act — need to be addressed again by the legislators before the conversion can be made properly.

Partly, too, the Minister questions whether the KWV members should be the sole inheritors of assets built up over the years. Meanwhile, a number of highly emotive issues have surfaced.

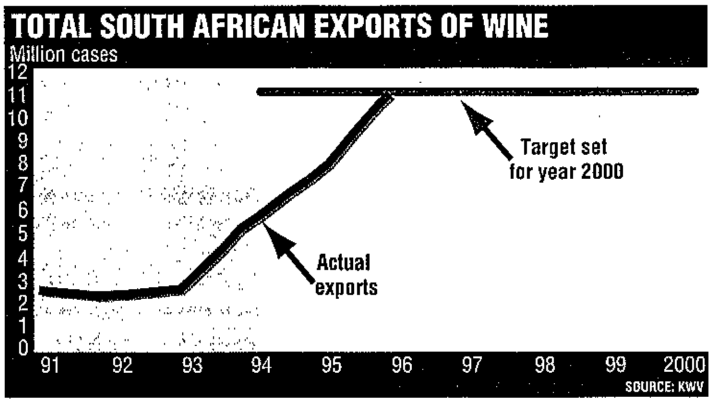
Hanekom

More than 80% of KWV members favour the transformation. They are mainly grape growers, whose products go not only into wine and spirits but into juice and concentrates. It is a labour-intensive field in which past labour practices — particularly the notorious *dop* system on wine farms, whereby workers were partly paid or "rewarded" in drink — have recently again come into the spotlight.

Though the KWV naturally opposes such obnoxious practices, elements with KWV links have blamed two wine writers — John Platter and Michael Fridjhon — for causing the trouble over a system it says has long been discontinued (though this may not be true on all farms).

This charge, however, is an over-simplification of what has been written and said by the writers and it is fair to discern the targeting of convenient scapegoats who are blamed for impeding the inexorable progress of the market.

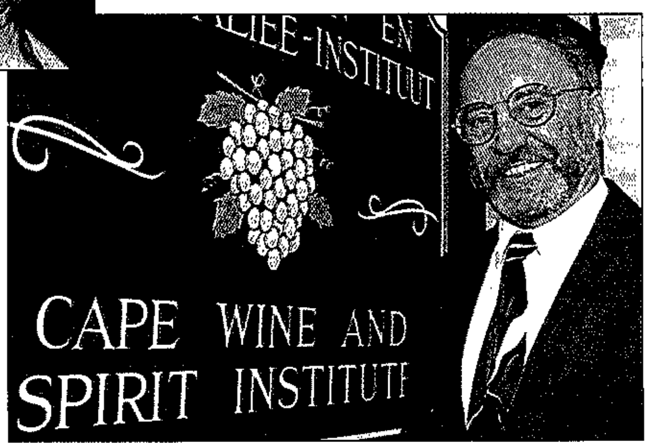
Nevertheless, in the modern trading environment, the market argument is strong. Willem Barnard, MD of the co-operative, says "there is no salvation for any industry in regulation and inviting government as a partner. Government is not a good partner in business. We must be directed by the international markets; we must be able to stand up and face competition without government involvement.



"We will not be able to achieve stature as a co-op — we need investment and to expand international operations, and members will only be able to give effect to this as shareholders." Certainly, international perceptions demand change. Irrespective of the issues being argued in court, deregulation would unquestionably have far-reaching effects, including the possible further vertical integration of the industry. Though affected unions argue that the KWV has not consulted sufficiently widely with its constituency, the co-operative has apparently managed to convince at least some previous opponents of the restructuring — the Cape Wine & Spirit Institute, representing wholesalers — to reconsider some of their objections (see *Business* March 28), though this may not have the force of a contract.

At the least, the move has gone some way towards meeting the wholesalers' concerns — though the agreement remains to be signed and sealed.

Until last year, the regulatory powers of the KWV enabled it to set the minimum price of wine. As Fridjhon — an adviser to the Minister — explains, the consequences were inevitable: market distortion. "The cartel — meaning the structure of the KWV with its interest in Stellenbosch Farmers' Wineries (SFW) and Distillers, and the interest of Rembrandt in those groups — was largely to blame for excessive price increases in wine as opposed to beer in the early Eighties. This is the major reason for the increase in market share of beer."



***Riaan Kruger** . . . differences date back more than 18 years*

Between 1980-1985 the price of beer increased by 35%, that of good wine by 68%. This trend has since been reversed (see graph).

But, it is feared, a new-born KWV may enjoy an unfair advantage over smaller producers. According to Barnard, the industry services provided by the KWV include advising smaller producers to establish themselves as exporters. The KWV at present supports 17 such producers in their bids to establish their labels internationally.

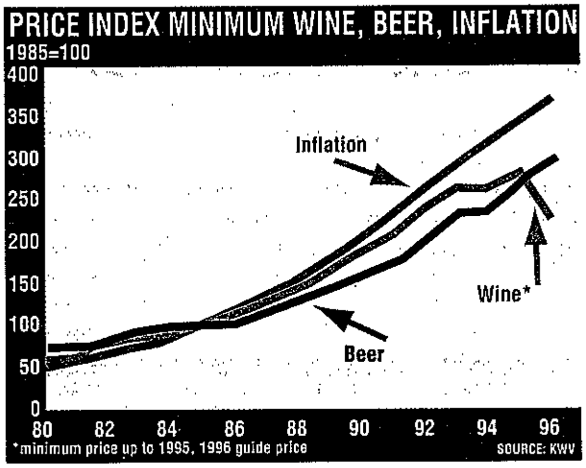
Fridjhon says the KWV charges producers for whom it does international business and gains cachet from the smart boutique brands it is seen to manage. What do the statistics reveal?

The latest KWV annual report shows national targets set in 1994 for the volume of wine exported to the year 2000 as 11m cases — a goal reached last year, representing a growth of more than 250% over three years.

KWV's share of this is 15%.

Fridjhon suggests this indicates the greater freeing of the industry in recent years. Additionally, the devaluation of the rand — and SA's greater "sexiness" in export markets — has boosted foreign sales. Fridjhon, who has a wide involvement in the industry, says that "if the statistics are correct, KWV's share of the export market has actually dropped from over 50% five years ago to 15% now — a sure sign that it has not profited from this new sexiness to the extent that other, even first-time, exporters have done."

Hanekom's concerns, however, are



with more than the size of the overall market and KWV's share. There are ethical issues — and a conundrum: how can the Minister equitably deregulate a co-operative, with a vast asset base, which in the past fulfilled an important role as industry regulator?

Barnard says the Minister's legal intervention could have unforeseen consequences: "The outcome will not only determine the fortunes of the KWV and its members; it can also open up a can of worms for other companies and co-operatives where regulation was (and still is) a feature of business."


Barnard

It was to answer this, and to assess the effects of restructuring, that Hanekom called for three independent inquiries into the affairs of the KWV. The first probed the assets (the Steyn report); the second (by the Competition Board) checked the effect on competition; and the third (the Kassier Committee) looked into the regulatory environment.

Initially, the Minister found himself on the same side as the majority of producer-wholesalers in the industry. But as the realisation dawned that the KWV might become — in effect — exempted from its regulatory duties under the Act, the tranquil atmosphere of the vineyards was disrupted.

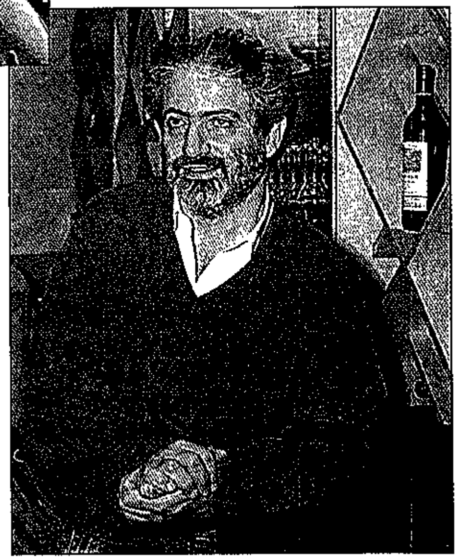
The KWV is specifically precluded by the Act from competition in retail liquor in Africa south of the Equator. But Fridjhon says "KWV supplies wholesalers and is the co-controlling shareholder in two of the biggest wine and spirit companies, to whom it supplies much of the raw materials for their business such as the rebate brandy necessary for the production of SA brandy.

"It has an exemption for the sale of KWV 10-year-old brandy, some ports and sherries, and the Laborie wines. After transformation, it could still trade — despite any agreement reached with the Cape Wine & Spirit Institute — if, for example, it formed a joint venture with SAB and launched a new company with new brands."

Riaan Kruger, executive director of the Cape Wine & Spirit Institute, says "some of our differences date back more than 18 years." The immediate effect of the agreement was that the institute did not join Hanekom in his court action last week.

Barnard contends that the agreement merely reflects a current working relationship in the industry. But the Minister's advisers do not see it like that. A lawyer for the Minister believes the pact strengthens Hanekom's case.

For his part, Fridjhon — who has written extensively on wine for the *FM* — has become something of a *bête noire* for the KWV. His appointment as an adviser to Hanekom was criticised on the grounds that


Michael Fridjhon . . . greater freeing of the industry in recent years

he is not impartial.

The KWV-wholesalers' agreement — or, possibly, draft understanding — flies in the face of one of the strongest points of argument advanced by Theo Beckerling, SC for the Minister.

And it is a point that Fridjhon presses strongly. "Due to the privileged position of the KWV in exercising the stipulations of the Act, a substantial asset base in the form of information was gathered over the years. These assets are public domain."

Fridjhon adds that there is far more than information involved: "KWV at present controls the essential raw materials for the industry. It owns the means of production necessary to process a grape crop." These include processing assets (wineries, juice concentrate plants, distilleries) which are "essential, given the transient life of a grape crop. Whoever has this equipment controls the growers. This is why the KWV was formed — to counterbalance the domination of the wholesalers. These assets may be public in nature."

Court gives Hanekom rights in KWV case

③ WINE

FRANÇOISE BOTHA

CT (BR) 16/4/97

Johannesburg — The KWV was dealt a blow in the Cape High Court yesterday when Derek Hanekom, the agriculture minister, was authorised to intervene in KWV's plan to convert from a co-operative to a company.

The ruling will allow Hanekom until July 14 to file documents relating to the future regulatory environment, competition implications and questions concerning some of the assets involved in the conversion.

Hanekom said the ruling would provide time to amend and repeal existing legislation and create a new framework to free up the workings of the industry.

"I do not wish to stand in the way of the KWV's plans to become more competitive and be in a better position to develop its foreign markets. I do, however, have several concerns about specific details relating to the KWV's proposed restructuring," he said.

The KWV reached agreement last month with producing wholesalers through the Cape Wine and Spirit Institute on the supply of wine, brandy and plant material to the domestic market.

Lourens Jonker, the chairman of the KWV, said that although information gathered by three commissions of inquiry appointed by the minister, as well as discussions within the industry, had clarified uncertainty among parties, it appeared that the minister and his advisers were ignoring the investigations.

"We believe the delay will lead to further abortive expenses for both the KWV and the taxpayers of the country," he said.

Jonker also lashed out at Michael Fridjhon, an adviser to the minister. He said: "It is incomprehensible that the minister's adviser and chief negotiator is a person who stands in direct competition with the South African liquor industry by being a promoter and marketer of products from other wine countries."

KWV's application postponed

(3) WINE

Hanekom given more time to finish investigation

ARG 16/4/97

LLEWELLYN JONES
BUSINESS REPORTER

The KWV was dealt a severe blow yesterday when its application to convert to a company was postponed in the Cape High Court to August 18.

The court ruled that Minister of Agriculture and Land Affairs Derek Hanekom could become a party to the KWV's application to convert into a company, allowing him to complete investigations into issues relating to the conversion. These include the future regulatory environment of the wine industry, the competition implications and questions relating to some of the assets.

The minister earlier opposed the KWV's application on the grounds that it could lead to the collapse of the regulations controlling the local wine and spirits industry, and would also see it benefit from the "privatisation" of assets which were generated through the exercise of its statutory powers.

Mr Hanekom welcomed the ruling, but added: "I want to make it clear that I do not wish to stand in the way of the KWV's plans to become more competitive, and to be in a better position to develop its foreign markets.

"I do have several concerns about specific details relating to the KWV's proposed restructuring, and the court has granted me the right to address these over the next few months."

He said the extra time would allow him to complete the investigation into KWV's assets.

Harvey Weiner, managing director of auditors Fisher Hoffman Sithole, who heads the investigating team, told the court it would take at least three months to complete the task of determining the nature and value of KWV's "substantial" assets.

The minister said he hoped that it would be possible for the parties to reach a negotiated settlement that would address the major issues in the time granted.

"I would like to see a new dispensation where the interests of everyone – new entrants, growers, producers, workers, wholesalers and consumers – are addressed."

Chairman Lourens Jonker said he was "extremely disappointed" that the KWV's application to convert to a company had been postponed again.

"We agreed in December to give Mr Hanekom three months for his investigations and gave our full co-operation to the three commissions appointed by him," Mr Jonker said.

"It now appears as if the minister and his advisers are ignoring these lengthy and costly investigations and we believe this delay will lead to further abortive expenses for both the KWV and the taxpayers."

Hanekom wins first round against KWV

Samantha Sharpe

CAPE TOWN — The Cape High Court granted Agriculture Minister Derek Hanekom leave yesterday to intervene in wine co-operative KWV's planned conversion into a public company, effectively placing an obstacle in its road to privatisation.

The decision would give Hanekom until July 14 to file papers relating to his concerns about the conversion, which included the future regulatory environment for the wine industry, competition implications and distribution of KWV's assets.

The matter would be heard in court on August 18.

Hanekom said that while he welcomed the High Court ruling, he did not want to be seen "to stand in the way of the KWV's plans to become more competitive and to be in a better position to develop its foreign markets".

But the additional time granted by the ruling would allow for the completion of a second investigation into the value of assets built up by KWV as a result of its statutory powers as well as time to enter into discussions about the competitive aspects of the conversion.

"The ruling confirms that my department does indeed have a bona fide interest in KWV's scheme of arrangement. I do hope that in the time granted it will be possible for all the parties to arrive at a negotiated settlement that addresses all the major issues."

KWV MD Willem Barnard said he

BD 16/7/97

Continued on Page 2

(3) WINE

KWV

Continued from Page 1

was disappointed that Hanekom had found it necessary to postpone the conversion. "The delay puts on hold KWV's plans for the international market for another financial year, with the forced continuation as a co-operative being costly." The conversion was originally planned for April.

Barnard said KWV was in talks with three investment houses, including a black empowerment group and an international party, involving separate deals of R100m each — all of which hinged on the restructuring process. He said KWV had agreed in December to give Hanekom three months for his investigations, giving its full co-operation to the commissions which gathered information.

While it would continue to co-operate with Hanekom regarding his concerns about the regulatory framework, the competitive implications had been resolved by an agreement with the industry's wholesalers represented by the Cape Wine and Spirit Institute. Any question about the distribution of KWV's assets to its members was "non-negotiable", he said.

Northern Cape 'to claim fair share of wine export market'

(3) WINE Star 17/4/97

By Hopewell Radebe
Provincial Reporter

The Northern Cape deserves a stake in South Africa's booming wine export industry, according to Thabo Makweya, the province's Agriculture and Land Affairs MEC.

Addressing farmers and delegates from five African countries and seven countries in Europe, North America and Asia in Upington on Tuesday, Makweya said the world was applauding the Western Cape for exporting excellent wines and grapes.

However, some of the wine and grapes that South Africa produced were from the Upington district in the Northern Province, he said.

Makweya said he believed the time had come for the province to claim its share in the market.

He added that the international market had already recognised its potential, but the province needed an opportunity to prove itself by directly exporting more of its wines, dried grapes and fresh table grapes than at present.

Upington had established a dried-fruit factory near the farms that benefited from the Orange River water irrigation scheme.

Makweya said the Government had created farming opportunities for small-scale farmers and was also going to develop a farming and irrigation infrastructure for them in the Springbok district.

He said he hoped delegates would encourage businessmen to invest in various agricultural projects in the province. Investors should explore joint ventures and foreign countries should co-operate in exchanging technical skills and equipment, he said.

Countries represented at the meeting included Tanzania, Namibia, Mali, Ethiopia, Botswana, Australia, Canada, Japan and Turkey.

KWV TRANSFORMATION (3) WINE

ROUND ONE TO HANEKOM

FM 18/4/97

The Cape High Court has found that Agriculture Minister Derek Hanekom has the right to intervene in the proposed transformation of KWV into a private company. A full hearing on the contested issues has been set for August 18.

Judge Willem Louw said the Minister had a prima facie right to contest the terms of the conversion since the duties of KWV are exercised in terms of the Wine & Spirit Control Act. Public interest was therefore at stake.

The four main issues of argument are:

❑ Who the bona fide owners of KWV are;

❑ Whether it is a State organ;

❑ Whether it is a suitable agent for administering the Act as a private company; and

❑ Whether the transformation will distort the market.

Michael Fridjhon, adviser to the Minister on the the KWV issue, says "the regulatory environment will now have to be addressed by the various parties. Parliament will have to reconsider the statutory environment and appoint a new regulatory body."

Other underlying issues also need attention. Fridjhon says competition in the industry and the tussle over the KWV's assets need to be addressed.

KWV MD Willem Barnard says the cooperative is willing to negotiate with Fridjhon, the Cape Wine & Spirit Institute, the Department of Agriculture, the Competition Board and other parties on regulation and competition.

The KWV and Fridjhon believe the agreement in principle between the KWV and the institute can lead to further discussion. But a clash is looming on the issue of the assets — not negotiable for the KWV.

Barnard says "a dangerous precedent is set in this case. Numerous co-ops and other private companies where some form of regulation plays a part will be directly affected should the State establish a right to the assets. The KWV was never financed by government."

Fridjhon, however, says that Harvey Wainer, the second auditor appointed by the Minister, indicated it would be possible to identify the assets built up because of the exercise of statutory powers. "Assets acquired for the use of the industry will have to be identified and an arrangement made to ensure that all players continue to have access to them."

Barnard's response is that the Minister's intervention is "a dangerous form of veiled nationalisation." *Piet Badenhorst and Arnold van Huyssteen*

(3) WINE

Hanekom keen to settle dispute

CAPE TOWN — Agriculture Minister Derek Hanekom would do everything in his power to settle out of court the dispute over turning KWV into a private company, he said yesterday.

It was the "right thing" to turn KWV into a company but a number of issues, including what was best for everybody concerned, had to be sorted out first, he said in reply to debate on agriculture policy.

Hanekom defended his use of adviser Michael Fridjhon, whom the National Party claimed had vested interests in the wine industry.

Fridjhon had been used by KWV itself as an adviser and consultant, and a number of interested parties in the industry had faith in him, Hanekom said.

His knowledge of the industry was also extensive. "I have trust in his integrity." — Sapa.

BD 23/4/97

KWV threat over farm tot system

(3) WINE (4)

Paarl – The wine co-operative KWV considered the tot system an unacceptable practice, and would consider buying wine only from producers who could assure it that employees were not supplied with wine during the work day as part payment.

KWV chairman Lourens Jonker, during his address at the co-operative's annual meeting in Paarl yesterday, said it was frustrating and disappointing that the tot system was still being used by a minority of farmers.

"It has been illegal since 1963 and persons continuing the practice expose themselves to prosecution." – Sapa.

Star 24/4/97

WINE *High court ruling puts co-operative's plans to become a company on hold*

Nothing will stop us, warns KWV

(3) WINE

NOT AMUSED *Lourens Jonker, the KWV chairman, told wine farmers yesterday no delay would stop the co-operative from its goal of converting to a company* PHOTO: ANDREW BROWN

MARC HASENFUSS
CAPE EDITOR

CT (BR) 24/4/97

Cape Town — KWV executives came out fighting at an annual general meeting in Paarl yesterday, warning that a delay in court proceedings would not stymie efforts to convert the wine co-operative to a company.

Addressing about 600 wine farmers, Lourens Jonker, the chairman of KWV, said yesterday the latest ruling in the Cape high court effectively meant that KWV's proposed date for conversion would be postponed until September this year.

"I would like to emphasise that no delay will cause KWV to deviate from its goal to convert to a company," he said.

Last week the court ruled that Derek Hanekom, the minister of agriculture, had a legal interest in KWV's Scheme of Arrangement and granted him permission to intervene in KWV's court application. Postponement for the hearing was given until mid-August.

But Jonker remained confident of attaining company status. "This is probably the last AGM at which we gather as a co-operative ... we are convinced KWV will welcome you next year as a company."

He stressed KWV had not appealed against the high court judge's ruling because such an appeal normally took 18 months.

Jonker was convinced KWV had complied with all the requirements and had followed the correct procedures in its application.

He said negotiations with the minister and his wine industry advisers failed to reach a solution because Hanekom appeared to be interested in benefiting from KWV's assets.

"I cannot help but express the greatest disappointment and displeasure regarding the meddling by the authorities in KWV and its members' household affairs."

Jonker said Hanekom's adviser and chief negotiator — identified as Michael Fridjohn, a well-known wine personality — was unacceptable to KWV.

"We cannot negotiate with a person who is in direct competition with the South African wine industry by marketing and promoting wines from other countries.

"This questions Hanekom's intentions to negotiate in good faith," he said.

□ KWV

Co-op predicts a near-record crop

CT (BR) 24/4/97 (3) WINE

MARC HASENFUSS

Cape Town — KWV, the Paarl-based co-operative, estimated yesterday a wine crop of about 984 million litres this year.

Lourens Jonker, the chairman of KWV, suggested this would be the third-largest wine crop and only 3 percent smaller than last year's record crop. "This year's large crop is ascribed mainly to a particularly large crop in the Orange River district and a good crop in the Malmesbury district."

Jonker said this year's wine crop had not been harvested entirely, which indicated the lateness of the season. He said the growth season was characterised by cool, cloudy and rainy conditions which occurred sporadically in all the wine districts.

"Widespread rain during the first week of April, when about 15 percent of the crop had not yet been harvested, was convenient with regard to the ripening of cultivars such as Cabernet Sauvignon in the coastal region, but had a detrimental effect on the quality and quantity of late cultivars in certain districts."

Jonker said the cooler weather during ripening was advantageous to quality, with more flavour being retained. "All indications are that the wines from early and mid-season cultivars as well as the premium cultivars, should be of an exceptionally high quality."

Farmers rebuked over 'tot' system

Lourens Jonker, the chairman of KWV, lashed out at wine farmers who still supported the "tot" system.

The tot system, which had been illegal since 1963, saw wine being given to workers as partial remuneration.

Jonker warned that sensitivity in international markets concerning the issue had prompted KWV to only consider buying wine from producers and cellars who provided "absolute" assurances that they did not subscribe to the tot system.

But he said the use of the tot system had been reduced to less than 1 percent from a 54 percent occurrence in 1987.

KWV refuses to negotiate over assets

'Members' right to assets of co-operative is indisputable'

(3) WINE ARG 24/4/97

LLEWELLYN JONES
BUSINESS REPORTER

The KWV is refusing to negotiate on the ownership of its assets in its application to convert from a co-operative to a company.

Speaking at the KWV's annual general meeting in the Paarl town hall yesterday, chairman Lourens Jonker said the KWV members' right to the assets of the co-operative was indisputable.

"We are not prepared to negotiate in this regard," Mr Jonker said.

This is the latest salvo in the dispute between Minister of Agriculture Derek Hanekom and the KWV over its bid to restructure into a company.

The KWV's application to convert into a company has been opposed by Mr Hanekom, who has raised questions about the ownership of assets accumulated by the co-operative through the use of KWV's statutory powers.

Earlier this month the KWV's conversion was again put on hold when the Cape High Court ruled that Mr Hanekom had a legal interest in the KWV's conversion into a company, and allowed him to become a party to the scheme of arrangement which would bring effect to the KWV's restructuring.

The next court date has been set for August 18.

Mr Jonker once again criticised the appointment of the wine writer and importer Michael Fridjhon as Mr Hanekom's adviser and chief negotiator with the KWV.

"The Minister thought it well to appoint an adviser and chief negotiator who is unacceptable to the KWV.

"We cannot negotiate with a person who is in direct competition with the South African wine industry and markets and promotes wine products from other wine countries," Mr Jonker said.

"It is an impossible situation for the KWV to negotiate with a competitor. This obviously places a question mark behind the Minister's intentions to negotiate in good faith."

Steven Goldblatt, a legal adviser to the minister, said Mr Hanekom had "every faith and confidence in Mr Fridjhon's ability to differentiate between his own limited business interests and the interests of the South African wine industry as a whole".

"Michael Fridjhon is an internationally respected and acknowledged expert on the wine industry.

"He has acted as a consultant to a number of major players in the wine industry here and abroad, and until recently, has acted in such a capacity to the KWV."

Mr Goldblatt added that Mr Fridjhon was not the chief negotiator for Mr Hanekom in his dealings with the KWV, but was rather a member of a team of negotiators.

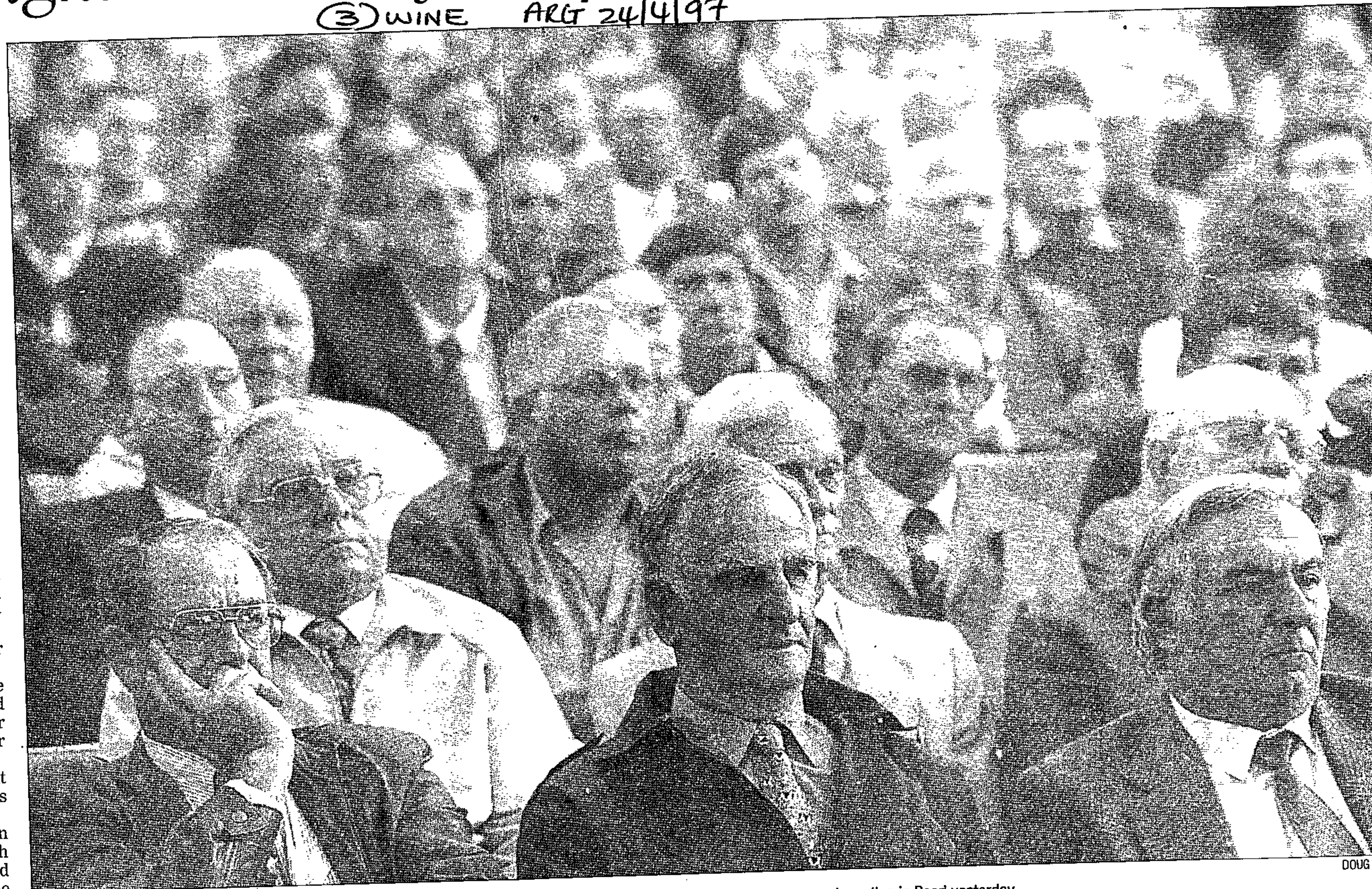
Mr Jonker said he could not help but express "your board's greatest disappointment and displeasure regarding the meddling by the authorities in the KWV and its members' household affairs".

He said he was confident that the KWV would succeed in September its bid to become a company.

No delay would cause the KWV to deviate from its goal to convert to a company, he said.

Mr Jonker told the meeting that the wine crop this year could reach 984 million litres.

"It seems that the 1997 crop will be the third largest in history. The crop is ascribed largely to a particularly big harvest in the Orange River and Malmesbury districts."



DOUG PITHEY

Bumper crop: the co-operative is expecting the third largest wine harvest in history, KWV shareholders were told at the annual meeting in Paarl yesterday

KWV lashes out at tot system of payment

(3) WINE

Samantha Sharpe

BD 24/4/97

CAPE TOWN — Wine co-operative KWV lashed out yesterday at the continued practice by some members of the tot system as payment to wine employees.

Chairman Laurens Jonker said at the annual general meeting that KWV supported the prosecution of members still practising the system, which had caused the industry "incalculable harm" in terms of negative publicity.

"Sensitivity in the international markets about this issue occurs at such a high level that KWV would consider buying wine only from those producers and cellars that give us absolute assurance that employees are not supplied with any products of the producer in terms of the tot system."

The industry deserved recognition for the fact that the practice had declined from a 54% occurrence in 1987 to 14% in 1989, with current levels at about 1%. "Compared to other wine countries, the incidence of this practice is probably lower than elsewhere."

Jonker said indications were that this year's harvest would yield about 984-million litres — about 3% down on the same time last year and 1,6% less than in 1992.

On KWV's planned conversion to a public company, Jonker said the co-operative would not be deviated from its plans as the conversion would benefit international consumers and the SA community.

Act designed 'to protect wine sector'

BD 7/5/99

Susan Russell

THE only reason licensed supermarkets and similar outlets had been restricted by the Liquor Act to selling table wine and prohibited from selling other alcohol was to protect the wine industry, it was submitted in the Constitutional Court yesterday.

Counsel P Hodes SC, acting for three employees of a Western Cape convenience store chain convicted under the Liquor Act, said the court was entitled to take judicial cognisance of the fact that it was well known in the province that the reason wine sales had been liberalised was because of the political prominence of KWV.

Hodes made his submissions in support of an application by Rebecca Lawrence, Rodney Negal and Magdalene Solberg challenging provisions of the Liquor Act which set out the conditions under which holders of a grocer's wine licence could sell alcohol.

The three applicants contend that the restrictions are a violation of their constitutional right to engage freely in economic activity.

Hodes said his clients did not wish to sell all types of liquor, but wanted to be able to sell beer and cider as well as wine during their business hours.

Constitutional Court president Judge Arthur Chaskalson questioned whether the court was empowered to make an order altering the law to enable holders of a grocer's wine licence to sell beer and cider as well as wine. This would entail not merely striking down legislation, but amending it.

Judgment was reserved.

BD 7/5/99

(3) WINE

SA wine industry toasts booming exports to the UK

(3) WINE

Tim Cohen BD 21/5/97

LONDON — SA's wine exports to the UK increased 48% in the first three months of this year, confounding predictions that the country's exploding wine exports were bound to level off.

Jane Hunt, the director of promotional organisation Wines of SA, said at the opening of the London Wine Trade Fair that in the first three months, 833 265 cases of wine had been imported to the UK. In contrast, the UK, by far SA's most important export market, imported 562 058 cases in the first three months of last year.

This growth took place on the back of staggering export growth over the past seven years with consistently large export increases every year.

KWV chairman Lourens Jonker said SA wine exports increased from 8,2-million cases in 1995 to 11,1-million cases last year.

Jonker estimated that foreign currency earnings from wine exports last year were R550m.

Hunt said SA's performance had been impressive, but pointed out that SA's share of the UK market was only about 5% in both volume and value. Australia had about 8% of the market.

Although SA's growth had been phenomenal, it was topped this year by wine imports from Chile which had increased 74%.

Hunt said SA had entered the UK market on the wave of the "Mandela factor" which had encouraged a positive attitude toward SA. But most importantly, SA's wines had entered the market at the right price, she said.

Hunt said that any lingering doubts about the quality of SA wines would be dispelled by the most recent harvest which had been an extremely good one.

An extremely diverse variety of SA's wines were now entering the European market, many unheard of in SA.

SA's export growth, and that of other "new world" wines, had take place at the expense of particularly Italian and German wines, she said.

Jonker said the wine industry was aiming to increase not only volume exports, but also value per case exported.

London fair tastes the best of SA

CT(BR) 22/5/97 (3) WINE

Tyrone Seale
LONDON

Millions of whites have left South Africa since Nelson Mandela became president. And so have reds. In fact, a total of 3,8 million cases of Cape wine were sold in the UK last year, compared with 2,9 million the previous year.

According to Lourens Jonker, the chairman of KWV, estimated foreign currency of about R550 million was earned last year alone through the export of South African wine to about 60 destinations.

In terms of production, South Africa ranks seventh in the world, with a 3,4 percent share of the total world production. This week, about 12 000 wine traders representing producers from every corner of the wine-making world are swirling and spitting their way through the London Wine Trade Fair where 107 South African producers are represented.

Some of these producers represent more than just one label, and this means everyone from Bacchus and Backsberg to Zevenwacht and Zonnebloem is enjoying exposure here in one form or another under the auspices of the London-based Wines of South Africa.

Beyond the three-day fair, which ends tomorrow, exposure of the fruits of South African vines is a task in which British liquor and food retailers are investing increasing energy. Tesco, the mid-market supermarket chain, is offering special deals on South African wines, some of which can be bought for as little as R15 a bottle. At R7 to the pound, it's clear that the Grape Curtain is shielding British tipplers from forking out fortunes for a good drink.

Apart from its pricing strategy, Tesco has another mission: the cultivation of new wine consumers in a friendly, non-patronising way. So, for example, fresh meat shelves carry tags offering various suggestions for wines that would go well with different dishes. The same is done at fish counters and in-store delicatessens. The wine shelves, in turn, carry suggestions for meals you might want to cook while the bottle breathes.

This is a strategy that has not gone unnoticed by Piet Momberg, the executive director of KWV's UK, Europe and Nordic division. Manning his company's stand at the trade fair, he said: "Britain is probably the best place in the world right now for marketing wine and making it accessible to everyone. We in South Africa should learn a great deal from that."

An instant eye-catcher at the South African show is Blue White, a high-quality unwooded chenin blanc by Old Vines Wine Cellars which commands five vineyards in Stellenbosch and a sixth in the Groenekloof ward on the west coast. Old Vines Wine Cellars was started by Irina von Holdt, the Cape wine master, and her daughter, Françoise Botha, who have called on winemaker Cathy Marshall's expertise in creating Blue White, which is presented in a blue bottle. The plump bottle with its long, slender neck is an elegant modern interpretation of the traditional Loire bottle used for chenin blanc, and is imported.

With such innovation to present at the London fair, wine dealers have every reason to be upbeat. One South African trader reported considerable interest in South African output, citing sentimental, post-apartheid novelty and attractive pricing that comes with a weak rand abroad as would-be traders' motivation.

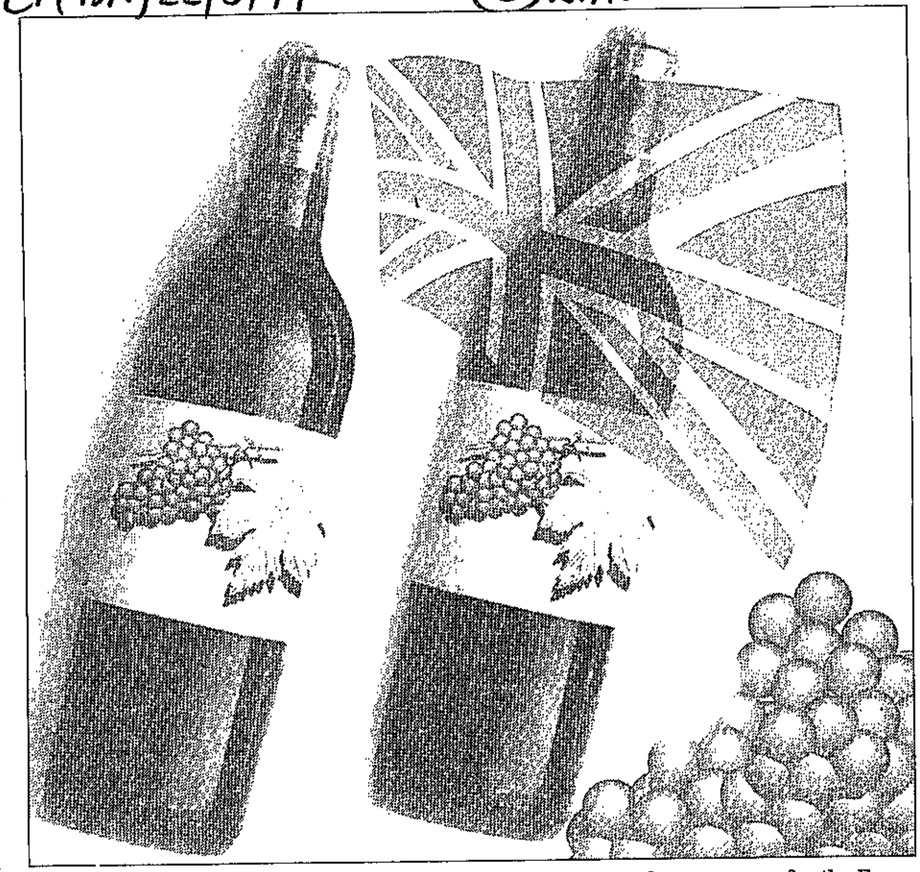
But the trader is also quick to point out that the interest is perfectly justified. "We are producing very good wines, and the quality is coming from investment in the industry. Producers are putting more energy and effort into travelling to other countries to pick up new ideas.

A newcomer to the London fair is Colin Webber, the product manager for the European, Canadian and UK division of Vinfruco, whose labels include Oak Village, Eikestad, Bottelary, Welmoed, Ashton, Merwespoort and Rosevale. The 60 or so producers who use Vinfruco's services have every reason to smile: from a sale of about 800 000 litres abroad five years ago, exports have grown to 8 million litres.

Webber believes this is in no small measure because of international goodwill towards a politically changed South Africa. But, he says, the national wine industry has to work hard to ensure goodwill is not the only thing that sustains the country's share in the world wine market.

He says the industry can also do much better in introducing more South Africans to wine. "In a society that's predominantly beer-drinking, we have an immense task. We must work on doing away with the myth that wine is only about sophistication and refinement. We must make it accessible to everyone."

Having spent R17 500 on his five-day London campaign, Webber is hoping this happens sooner rather than later. To which his fellow exhibitors have a standard, four-letter response: "Yebo!" — Independent Foreign Service



'Mandela factor' benefits SA wine exporters

BD 22/5/97 ③ WINE

Changing perceptions about SA and its wines are behind the surge in exports to the UK, writes **Tim Cohen**

LONDON — SA wine exporters have managed to increase exports at a huge rate into a highly competitive but declining market. Why have they succeeded so spectacularly in Europe — a market which many other SA exporters have not even attempted to crack, never mind achieved success?

The answer, says SA wines promoter Jane Hunt who has recently surveyed the UK wine trade on this question, lies in a mixture of luck, near-vertical learning curves by SA exporters and a good product.

But underlying it all is an absorbing tale of changing perceptions about SA and its wines which, according to research commissioned by Hunt's organisation, Wines of SA, have proved extremely important; much more so than previously thought.

In pure numerical terms, the increases in wine exports to the UK have exploded from 242 000 cases in 1990 to 3 800 000 cases last year. SA exported about as much wine into the UK in the first three months of this year than it exported in total in 1990.

Internationally, the picture was roughly the same, with 855 000 cases exported in 1990 compared with 11,1-million cases exported last year. Of course, the advent of a democratic SA helped enormously, with a large jump in exports taking place in 1994 when the number of barrels exported to the UK doubled from about one to two million cases in a single year.

But still, SA's wine exports to the UK do not come close to the exports of other European countries into the UK, especially France, and despite its recent success, SA has only about half of the market penetration achieved by Australian wines. Neither has it increased its exports over the past year nearly as much as Chile.

Nevertheless, research done by Hunt's organisation shows that SA has benefited from a profound and lasting change in orientation by European consumers away from traditional European wines origins, mainly towards "new world" wines. Members of the wine fraternity at the London Wine Trade Fair endorse this trend, tending to shy away from comparisons between Australian, SA and Californian wines which they tend to group together as belonging to a similar style.

However, distinctions between new world wines are perceived among members of the UK trade.

SA wines are seen as slightly different from Australian wines in that they fall stylistically between the rich fruitiness of Australian and the more austere European styles, giving them a user-friendly image. The survey of the UK trade threw up some issues of reputation, like the quality of SA's fruit exports which created the perception that the country was capable of quality produce.

It also helped that SA had some unique grape varieties like Pinotage and varieties not grown much elsewhere, like Chenin Blanc. The survey also threw up some factors that might have seemed to be mere inconveniences, like the fact that the UK and SA are in similar time zones.

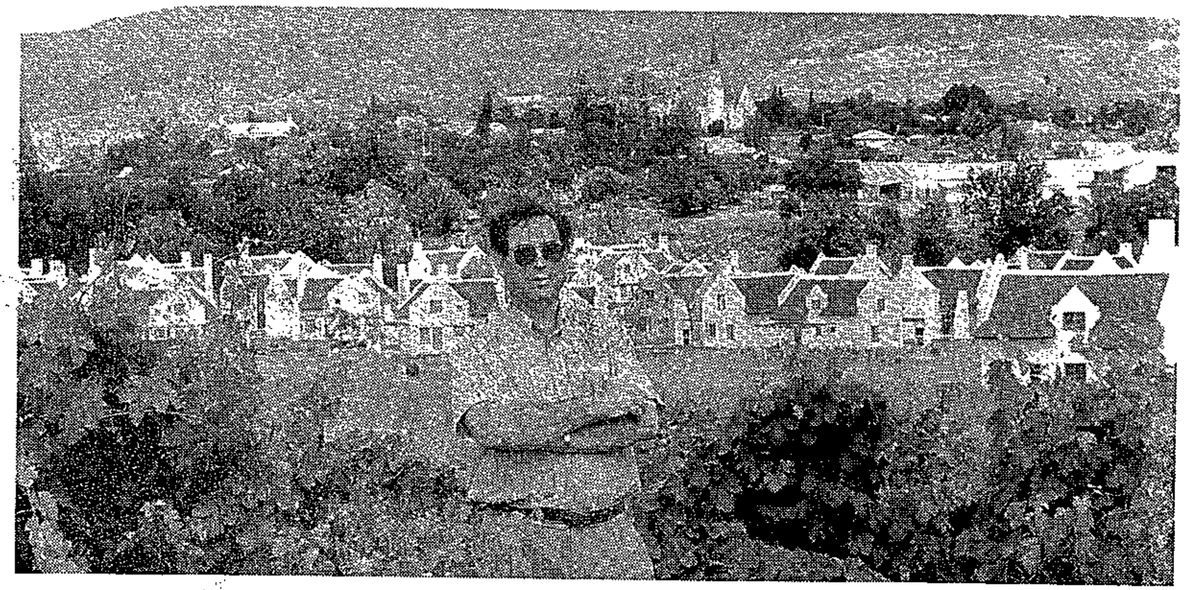
But most interesting of all was how important seemingly completely irrelevant factors featured in the survey. Perceptions of the country featured strongly among consumers and the trade.

Some of the perceptions are true, but many are complete fictions. Some were even embarrassing. For example, according to the survey, the UK public consider the existence of a privileged elite in SA to be an important reason why SA produces good quality wine, because, it is reasoned, producers would have been forced to produce good quality wine for this elite.

But the most important "perception" was what has been called "the Mandela factor": an overall positive feeling towards SA, combining historic links and existing sporting ties, a desire to help SA "get back on its feet" and an image of SA as a "strong, attractive country". This image exposes SA to a potentially powerful line of attack from other new world producers who tend to mumble behind their hands about labour conditions on Cape wine farms. But the survey showed a very small minority of consumers were concerned about the ethics of purchasing SA goods.

What does this all show? SA wine producers have been forced by the nature of the wine marketing to make a feature of their origin because of the strong tradition of specifying the origin of the wine on the bottle. Possibly unintentionally, exporters have found that far from being a hindrance, this aspect of the marketing of wine has proved to be a huge boost, suggesting that other exporters need not to be so coy about the origin of their products.

Which only goes to show that not only is Nelson Mandela a much loved president; he is also good for business.



The quality of SA's fruit exports has created the perception that the country is capable of quality produce.

Intervention serves the wine industry

Agriculture Minister Derek Hanekom explains why he has involved himself in KWV's application for conversion from a co-operative into a company

BD 26/5/97 (3) WINE

WINE production is one of the oldest agricultural industries in SA. Primary agriculture has been practised on the subcontinent since time immemorial, but the creation of a processed product dates back only to the 17th century. By the late 18th century, SA wine had achieved an enviable international reputation.

Wine is now one of the flagships of the country's agricultural products. For this reason, as much as for issues like regulation, competition and asset management, I had no choice but to involve myself in the question of the KWV's conversion from a co-operative into a company.

In October last year the KWV formally announced its plans to restructure itself. This was in contrast to its stated intentions: a few months earlier both the chairman and the CE of the KWV had indicated to me that the conversion of the co-operative into a company was improbable.

The KWV administers the Wine and Spirit Control Act of 1970. As such the co-operative enjoys statutory powers to manage the fluctuations of supply in the wine industry in a way which is intended to minimise the economic hardships associated with surplus and shortage. The organisation is imbued with considerable control over all the wine farmers in the country, whether or not they are members of the KWV.

The fact that the KWV administers the Wine and Spirit Control Act makes it a unique agricultural entity in that it is both a player and a regulator.

The KWV's conversion from co-op to company would leave a regulatory void in the wine industry: the Co-operatives Act clearly states that at the moment of conversion the co-operation ceases to exist. This means that the authority granted by an act of Parliament to the KWV would become null and void, since the entity to which it was granted would have ceased to exist. No entity except Parliament has the right to appoint a successor, so neither my ministry, nor the KWV, was entitled to presume that a newly formed company could assume the responsibilities exercised by the KWV in terms of the Wine and Spirit Control Act.

It is worthwhile dwelling for a moment on the implications of this situation. In terms of the act, the production of wine and distilled wine products is regulated through the KWV. It was simply impossible for me, as agriculture minister, to let the conversion proceed without intervention.

I was concerned that assets acquired for the management of the industry's perennial oversupply problems (as recently as 1995 the KWV declared a surplus of just under 50%) would suddenly become the property of a private company and might no longer be available to the wine farmers. This in turn would have at least two further implications: in the event of a future surplus, the wine farmers could find themselves in much the same position as they were in when the KWV was formed nearly 80 years ago. Certain of the KWV assets, I believe, were built up using regulatory powers which insulated KWV members against ordinary commercial risk. These assets should be quantified and identified before the KWV can legitimately lay claim to the assets that it holds. I believe that some of these assets are of a public character.

In this I was not alone: all of SA's major producing wholesale liquor merchants — including Distillers Corporation (whose brands include Oude Meester, Klipdrift, Richelieu and Viceroy), Stellenbosch Farmers Winery (SFW) (producer of Nederburg, Zonnebloem, Tassenberg, Graça, Martell and Hunters Gold) Gilbeys and Douglas Green, Bellingham — supported my application to court. They were deeply concerned that the KWV's planned conversion would undermine the already brittle competitive environment of the SA liquor industry.

It is worth noting that the KWV is a co-controlling shareholder of two of these companies (whose business comprises more than 70% of the country's wine and spirits trade) and that such intervention by Distillers and SFW could hardly have been frivolous or lightly undertaken under the circumstances.

We have not gone to court — at this stage — to oppose the KWV's transformation. On the contrary, there may be real merit in its proposed changes. I have always been of the view the parties affected by the KWV's planned restructuring are probably better able to fashion a "win-win" solution through meaningful engagement rather than by resorting to litigation.

The KWV, however, through its conduct, forced me to go to court to determine whether or not I had a right to action.

I needed to ensure that the KWV's planned restructuring be put on hold until the implications relating to regulation, competition and the ownership of and access to the assets of a statutory nature had been determined.

On April 15, Mr Justice Louw ruled in favour of my intervention. We have now until August to prepare argument dealing with the various issues raised by the KWV's conversion, and also to address as many of the matters as we can jointly agree upon, consequent upon this restructuring process. Already there is an agreement in principle between producing wholesalers and the KWV. Issues which have soured relations between the parties for more than a quarter of a century are closer to resolution than ever before — a sure indicator of the merits of the process I initiated.

The questions raised by future surpluses, as well as the assets used for their disposal, still remain. In part these can only be resolved once an appropriate framework is in place. We also need a detailed examination of the assets of the KWV, firstly to determine their application in the surplus removal process, and secondly to analyse how they were acquired.

The dispute about assets has been characterised by some commentators as a form of clandestine nationalisation. Nothing could be further from the truth.

KWV CE Willem Barnard is on record as saying that he would not want in the newly formed company anything to which it was not entitled. The state — for its part — has no desire to take from farmers assets which are justly theirs. An independent auditor has been appointed to prepare a report, which we hope will be available by July. His preliminary finding, submitted to the court in April, showed that a significant percentage of the KWV's wealth arose from the exercise of its statutory authority.

Finally, it is right that I address the issue of the appointment of Michael Fridjhon as my adviser in this matter. He is an internationally renowned authority on wine and an undisputed expert on the SA wine industry. KWV chairman Lourens Jonker has expressed concern that Fridjhon's interest in a small wine importing company — from which he draws neither a salary nor a dividend — renders him unsuitable to be my adviser. This is a curious view, given that less than two years ago Fridjhon was consulted by KWV's senior management, led by Barnard. His input was described by group director Theo Pegel as "very valued". Pegel went on to say that Fridjhon's views were "highly regarded and did influence our thinking".

KWV director Danie de Wet commended Fridjhon in a letter last year, which acknowledged his efforts to internationalise Cape wines: "SAA and the South African wine industry are privileged to have a person like you working in their interest."

I would like to emphasise that I am doing everything within my power to find a speedy resolution to this issue, including entering into negotiations with the KWV.

Above all, I am convinced that my interventions serve the best interests of the growers, producers, wholesalers, workers, consumers and future entrants in the wine industry as a whole. It is my earnest hope that these diverse interests can be reconciled.

‘Feudal attitudes’ of wineland farmers are called into question

(3) WINE (48)

BD 28/5/97

ANC member of Parliament **Ben Turok** accuses wine farmers of misguidedly trying to prevent the establishment of a new village in the Paarl area

BUSINESS Day's leader page article on SA's recent wine export successes (May 22) is good news. The country needs to increase exports and we need foreign exchange. Hopefully it will create jobs. It is important to note that the major factor in the increase is "changing perception" about SA based on the "Mandela factor".

Before we get carried away, however, we should also note the fickleness of external views of our wine industry as was shown when our two leading wine journalists, Michael Fridjohn and John Platter, made critical remarks on the BBC about conditions on wine farms in the Western Cape.

Marks & Spencer, Britain's largest chain store, reacted immediately by questioning whether it should sell SA wines. Any similar revelations about the conduct of our wine farmers will no doubt have a similar effect — so they had better put their house in order.

I raise these matters because of my experiences in Greater Paarl, where the wine and fruit farmers still think they can get away with feudal attitudes to their workers. Some in Simondium employ permanent workers for R50 a week, others in Groot Drakenstein employ casual workers for R80 a week. The accommodation is awful and there is no security of employment. Worst of all, they are bitterly opposed to an independent housing development sponsored by government.

The Groot Drakenstein Landowners' Association, of which Anglo American Farms is the largest component, has resisted for one and a half years all efforts to establish a rural village at Meerlust-bosbou which is 67ha of stony ground unsuitable for vines, but which lies in the heart of wine and fruit farms near Paarl.

The local working community, which consists of mostly farm workers, insists this land is most convenient for a village. This has been endorsed by the town planning consultants to the winelands district council, engineers and all the experts asked.

All the cabinet ministers concerned (there are four) are agreed in principle that this piece of state land — currently leased to Safcol, but greatly underused — should be allocated for a rural village as there is a huge housing shortage in the area. Subsidies of R15 000 a household are available.

The response of the landowners and farmers has been that they do not want a "squatter camp" in this beautiful valley, renowned for its tourism and good wines.

Part of the site has now been advertised for rezoning by the council, but the landowners and farmers have lodged numerous objections and we face a long fight. On June 3, the land affairs director-general will hold a meeting of all parties and their numerous lawyers to try to resolve the issue.

Based on past experience, one is pessimistic about the outcome. At previous all-party meetings which I convened, the land owners and farmers were extremely difficult. There were several walkouts, and when forced to concede to the principle of a village the land owners and farmers argued for only 50 to 100 houses, whereas the town planners have proposed 500 as the minimum for a viable village.

The landowners and farmers insisted on inserting clauses that applicants for plots should not have criminal records relating to drugs, alcohol or dangerous weapons, and that they should have been working in the area for five years. The new residents would also have to construct houses which were in keeping with the surrounding environment.

The Groot Drakenstein Housing Forum, representing the working community, has responded with great indignation to these proposals and insists that, as people born in the area who have also worked there all their lives, they are entitled to plots where they can build their own houses outside of the control of farmers. In other words, they want to break with feudal relations, "tied houses" and the rest. Clearly our new constitution and the policies of Land Affairs and Agriculture Minister Derek Hanekom support such views.

It is difficult to avoid the impression that we are moving to a deadlock where powerful and wealthy wine and fruit producers will use their lawyers to block the establishment of a village. There are numerous diversions underway, including a scheme by Anglo for alternative housing, which will, however, take 10 years to be realised.

All concerned are opposed to a squatter camp. There is already one in existence at Simondium graveyard, where 50 people are camping, protected by the Supreme Court since they were moved there by the provincial government. The squatters themselves have not allowed any further increase of the camp but eagerly await plots in the proposed Meerlust village.

If the landowners and farmers continue to obstruct this village, there will certainly be a land occupation which no one will be able to control. This will lead to all the awful consequences that such events usually bring.

Our wine and fruit farmers should enter the 20th century and the new SA. Neither they nor SA can afford the adverse publicity of another land occupation, especially in the middle of a wine route. No doubt foreign journalists will have a field day examining the labour practices in the industry.

And I doubt whether President Nelson Mandela will want to save them then.

Criticism about conditions on wine farms led Marks & Spencer to question whether it should sell SA wines.

KOÖPERATIEWE WYNBOUERSVERENIGING

Management sniffing at heady bouquet

Will Derek Hanekom's blocking move sour vintage payouts for wine co-op's top brass?

(3) WINE

The controversial conversion of the Paarl-based KWV from co-operative to company has taken a new and dramatic turn.

Hitherto unpublished documents in the possession of the *FM* show that senior managers are in line to benefit from huge payouts under a share incentive scheme.

Known as a Scheme of Arrangement, up to 5% of the new company's equity will be reserved for staff. This could translate into a R150m-plus "windfall."

The scheme will operate on the basis of years of service. At the top of the handout queue are chief operations executive Charl Theron, with 27 years' service, KWV International MD Kobus van Niekerk (26 years), secretary Schalk Joubert (24 years), group human resources director Theo Pegel (17 years), chief planning executive Willem Bestbier (15 years), group finance director Nico Kotze (14 years) and chief legal executive Willem de Klerk (13 years).

"All employees, from workers through to management, would qualify on the basis of years of service," confirms Pegel.

There has been much speculation on the value of the KWV. Its annual report indicates a book asset value of R1,7bn but wine industry experts say the true figure could be as much as R3bn. Translated into share capital, 5% on this figure would come to R150m.

"Down the line, we are thinking of the variety of activities normally found to motivate staff, from bonuses to share option schemes," says Pegel. "The KWV incentive trust scheme would buy shares from the organisation and allocate them according to the schemes we might work out."

FM 30/5/97

Their cup may run over


Bestbier


Kotze


Pegel


Theron


Van Niekerk


De Klerk

Qualification on years of service appears, at least initially, to rule out MD Willem Barnard, a former Armscor executive who has been with the KWV for only two years.

But the whole plan could come unstuck. Agriculture Minister Derek Hanekom believes the KWV's assets have been built up through decades of the exercise of statutory powers and belong to the wine industry, not KWV farmers. In April, the Cape Town High Court ruled that the Minister had the right to intervene over the proposed conversion from co-operative to company. The matter goes to court again in August.

A lawyer says that "if the Minister succeeds in his objection, the whole Scheme of Arrangement dies and, with it, all the arrangements that surround it, including the management participation scheme."

Another 5% of the equity has been earmarked for a "community foundation." Pegel says this will "do community work in the wine industry — social development plans, education, that type of thing."

The remaining 90% will be divided among the co-op's farmer members. "Currently the 4 700 farmers own the co-operative," says Pegel. "However, the portion that they own is not identified. When we convert to a company, that portion will be identified in the form of a share certificate saying you now own X number of shares. That number will be based on their patronage over the past 15 years."

On an equal payout basis, each farmer would receive more than R600 000. For those whose "patronage" is deemed worthy, payouts will exceed R1m. **Jack Lundin**

EASTERN CAPE

Unionist quits for government

Unions reluctantly agree to move aimed at strengthening province

Union chief Enoch Godongwana is to join the Eastern Cape legislature next month as the first step towards being appointed a provincial minister — most likely of Economic Affairs.

The move, Godongwana says, will not adversely affect the National Union of Metalworkers of SA (Numsa) of which he is general secretary. His successor will likely be deputy chief Mbuyi Ngwenda.

ANC provincial secretary Humphrey Maxengwana said this week that Godongwana tops the party's provincial election list. His redeployment is aimed at strengthening the Eastern Cape legislature, and is part of premier Makhenkesi Stofile's moves to inject more efficiency into the administration, formerly headed by Robben Island veteran Raymond Mhlaba, who is becoming ambassador to Uganda.

Charismatic Godongwana grew up in the region, where he is highly regarded. He has been a critic of government's macro-economic blueprint, Gear. **Amarnath Singh**

(ii) 1 January 1997 till 30 April 1997

(2) (a) Yes.

1 543

(b) Yes.

1 177

(c) Yes.

1 177

(3) (a) and (b) No.

(4) (a) 2 116

(b) 448

Dept: annual report

658. Ms M E TUROK asked the Minister of Arts, Culture, Science and Technology:

(1) (a) What was the cost of printing his Department's 1996 annual report, (b) why was the report printed in five languages, (c) how many copies were printed, (d) in which provinces was it distributed and (e) to which bodies was it distributed;

(2) whether his Department intends printing future annual reports in the same format; if not, what is the position in this regard; if so, what are the relevant details? N1100E

The MINISTER OF ARTS, CULTURE, SCIENCE AND TECHNOLOGY:

(1) (a) The printing costs were R92 453,77.

(b) Section 6 of the Constitution enshrines a policy of official multilingualism. In addition this section stipulates that for the purposes of government at least two official languages must be used. The Department of Arts, Culture, Science and Technology is fully committed to realising the constitutional provisions on multilingualism and to promoting the development and use of all our official languages.

The decision to publish the annual report in five languages was informed by the principle of functional multilingualism introduced by the Final LANGTAG Report. In terms of this approach the official languages are to be rotated on a clearly defined basis for publication purposes. It was therefore decided to publish the annual report in English and Afrikaans, and on a rotation basis, one of the Nguni languages, one of the Sotho languages and either Tsonga or Venda.

(c) 3 000 copies were printed.

(d) It is being distributed in all nine provinces.

(e) The annual report is being distributed to the Department's stakeholders and associated institutions throughout the country. These include foreign embassies in South Africa, the science councils, universities and technikons, provincial governments, government departments, cultural organisations, NGOs, national, provincial and university libraries, business organisations, science and technology bodies, unions, language institutions, dictionary units, theatres, dance groups and the media.

(2) The Department intends printing future annual reports in the same format. Next year we will use another group of languages, and in this way all official languages will gain exposure. The Department values the contribution of language to cultural development, and wants to develop the terminology of marginalised languages, as well as human resources in the language sector. This view is supported by the Constitution, which states: "Recognising the historically diminished use and status of the indigenous languages of our people, the state must take practical and positive measures to elevate the status and advance the use of these languages".

Hansard.

QUESTIONS

†Indicates translated version.

For written reply:

Unemployment Insurance Fund: statistics

63. Mr P G MARAIS asked the Minister of Labour:

(a) What total amount was paid into the Unemployment Insurance Fund in 1995, (b) how many persons received unemployment insurance in each of the provinces during the past financial year and (c) what was the percentage increase or decrease in each case? N119E

The MINISTER OF LABOUR:

(a) Amount paid into the Fund in 1996:

Contributions by employers and employees	-	R2 324 402 095,23
State contribution	-	R 7 000 000,00
Total amount		R2 331 402 095,23

(b) Number of persons who received benefits:

Gauteng	-	245 870
KwaZulu-Natal	-	182 151
Eastern Province	-	73 365
Northern Province	-	37 365
Free State	-	53 677
Western Cape	-	150 398
Mpumalanga/Northern Province	-	74 486
Total number of beneficiaries	-	817 212

Public sector: pension/provident funds

132. Mr K M ANDREW asked the Minister of Finance:

What was the average annual investment return achieved by each of the public sector's pension and provident funds in the 1995-96 financial year? N221E

The MINISTER OF FINANCE:

In respect of the Government Employees Pension Fund, the average annual investment return is as follows:

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Average interest yield	13,40%	13,30%	12,55%	11,81%	11,50%	13,35%
Average yield	14,25%	14,19%	14,61%	13,13%	11,84%	13,01%

There is no provident fund.

Banks: profit before tax/income tax

270. Mr K M ANDREW asked the Minister of Finance:

What was the amount in (a) profit before tax earned and (b) income tax paid on those profits by South African banks in each of the latest specified three financial years for which information is available? N418E

The MINISTER OF FINANCE:

The details of the banks below which were furnished by the Commissioner for Inland Revenue are in respect of the last three financial years which have been assessed. Details of 6 banks which are not available are not included in the figures but would not materially effect them –

(a) Profits before tax R8 085 385 092 (including dividends of R1 260 322 360)

(b) Income tax paid R1 332 159 249

Designing/producing newly designed coins

320. Mr K M ANDREW asked the Minister of Finance:

What was the cost to the State of designing and producing the newly designed coins brought into circulation in 1996? N510E

The MINISTER OF FINANCE:

The new designs (in terms of the new constitution) for 1996 were incorporated with the new dies needed annually for normal production runs of circulation coinage. New dies are manufactured on a continual basis because they wear out in the minting process. Dates have to be changed once a year as a matter of routine.

The design change done in 1996 added approximately R50 000 to the costs of the South African Mint Company. The total cost was less than 0,5% of the total coinage ordered by the South African Reserve Bank for local consumption during calendar 1996.

Wine-producing estate in Paarl: cheap migrant labour

(3) WINE

406. Prof B TUROK asked the Minister for Agriculture and Land Affairs:

(1) Whether his or his Department's attention has been drawn to allegations that (a) a certain wine-producing estate in Paarl, the name of which has been furnished to his Department for the purpose of his reply, uses cheap migrant labour at the rate of R80 per week, (b) the owners of the estate, whose name has also been furnished to his Department, are the main opponents, through the Groot Drakenstein Landowners Association, of the creation of an agri-village on State land at Meerlust-Bosbou and (c) there is anger amongst the working community in the area about the obstruction of housing proposals by certain commercial interests; if so,

(2) whether any of these allegations have been found to have any substance; if so, what are the relevant details in each case;

(3) whether, in view of the above and the deregulation of fruit and wine exports, he will allow an export licence to be granted to the said estate; if not, what is the position in this regard; if so, why;

(4) whether he will make a statement on the matter? N651E

The MINISTER FOR AGRICULTURE AND LAND AFFAIRS:

(1)(a) The Department of Land Affairs: Western Cape is not in a position to answer the allegation that the estate uses cheap migrant labour at the rate of R80 per week. However the Provincial Office is in the process of discussing a joint farmworker housing project for permanent employees at Anglo Farms. Although this project is still in design stages, discussions over beneficiary criteria revealed that most permanent employees are unionised, and secondly that the average wage paid to permanent Anglo employees is substantially above the average wage for the industry in the area.

(b) An official from the Western Cape Provincial Office met with both the Managing Director and General Manager of Anglo Farms on 28 May 1997. At this meeting it was stated that as a company, Anglo Farms does not intend taking an official position on the proposed housing development at Meerlust/ Bosbou nor do they intend lodging an objection to the recent advertisement placed by the Winelands District Council in terms of the Provincial Ordinance calling for comments on the proposed rezoning of Meerlust/ Bosbou.

The unofficial position of Anglo Farms top management is that the Meerlust/Bosbou project should go ahead and that the Anglo proposed farmworker housing project be seen, not in opposition to the Meerlust project, but as a complimentary initiative to solve the large housing shortage in the Groot Drakenstein valley.

It is the belief of the Land Affairs official involved in both the Meerlust and the Anglo projects that as a company, Anglo Farms is not the main opponent of the Meerlust/Bosbou housing project [in fact the company tacitly supports the project at Meerlust].

Rather the main opposition of the housing development at Meerlust comes from (wealthy) landowners organised as the Groot Drakenstein Landowners Association. In the official's view this is where the perception held by Prof Turok comes into play, as some individuals who are land owners in the valley in their own right but who are also employees of Anglo Farms (e.g. The Chairperson of the Groot Drakenstein Land Owners Association) are publicly and vocally opposed to the project at Meerlust. It is perhaps understandable that the opposition stance taken by these individuals might be perceived to be an official company stance. However, the official position of Anglo Farms (i.e. the company) is that they do not wish to take a position on the proposed housing project at Meerlust/Bosbou.

(c) The Department of Land Affairs: Western Cape is very aware that the working community in the valley are becoming increasingly angry and frustrated by the delays and public opposition to the proposed project at Meerlust. The blame for this cannot however be laid at the door of Anglo Farms. The Department has already budgeted R6 000 000,00 for the Meerlust project. However it must be stressed that at this stage the Provincial Planning Ordinance has been used and opposition/comments will therefore be addressed to the Winelands District Council.

(2) See (1) (a), (b) and (c)

(3) Fruit: Although the Business Plans for the fruit control boards have not been finalised at this stage, it is generally expected that exports will be free of any restrictions, except for quality and phytosanitary controls, i.e. anybody will be able to export without a permit relating to quantities and destination.

Wine: Currently the wine industry is regulated by the following Acts:

(i) Wine and Spirits Control Act, No 47 of 1970
(ii) Liquor Products Act, No 60 of 1989
(iii) Plant Improvements Act, No 53 of 1976

The Kassier Committee (Committee to investigate the regulation of the Wine and Distillation industry) recommended that the above legislation be repealed. At this stage, however, a permit to export can be refused if the wine does not conform to laid down quality standards only.

(4) No.

Commissioner of Correctional Services: training/responsibilities/remuneration

430. Dr M S APPELGRYN asked the Minister of Correctional Services:†

What is the (a) background, (b) training, (c) previous experience, (d) current responsibilities and (e) total remuneration package of the Commissioner of Correctional Services? N707E

The MINISTER OF CORRECTIONAL SERVICES:

(a) and (b) Mr Khulekani Sitole was born on 10 October 1961 in Frankfort in the Free State.

After finishing his Junior Certificate at Selelekela High School, he went to Sefikeng College of Education where he studied for his Primary Teacher's Certificate. This was studied concurrently with matric at Makabelane High School (part-time).

In his second year at Sefikeng College of Education, he was expelled, as he was the leader of the then Black Consciousness Movement. Consequently he received "underground" training for a period of eight months. The following year he returned from exile and completed his Primary Training Course at Tshiya College of Education in Qwa-Qwa.

He then completed a Bachelor of Arts and Honours degree through the Vista University, majoring in Psychology and Education. Next was his Bachelors and Masters degrees in Education through the University of South Africa with Psychology and Education as majors. During his studies he received numerous awards at various Institutions of Education.

Mr Sitole also did his Masters degree in Public Administration at the University of Pretoria during 1992 and he earned a certificate in Technological Education through the Jackson State University in the United States.

Presently he is busy with his final thesis for his Doctorate in Education.

He has travelled to various overseas and African countries and conducted numerous study tours on a variety of Correctional matters.

(c) Mr Sitole started out as teacher in 1982 and was appointed as High School principle in 1987.

In 1993 he worked as an Inspector and finally as an Area Manager for the Department of Education and Training in the Free State.

SA wines slip from Kenyan tables

AKG 1/7/97 (3) WINE

JOE KHAMISI

Dar-es-Salaam – Until recently, connoisseurs and average diners in Kenya felt no qualms when ordering South African wines in restaurants.

They were up to 40% cheaper than wines from the more-established French and Spanish vineyards, but this is no longer true.

High costs of producing wine and the reduction by the South African Government of special export incentives from 14% to 7% now mean higher prices for the commodity.

When South African wines exploded into the eastern African region about five years ago, the market went into a frenzy as the new imports out-marketed and out-priced the more established European beverages by up to 10%.

Eleven million cases of wine were imported from South Africa in 1996, ranging from bottles to cardboard containers.

But with the new developments, prices of South African wines have gone up by between 30% and 39%, industry sources say.

The move puts the popular drinks from KWV and other leading South African producers into direct competition with French and Spanish wines.

An early beneficiary of the high prices of South African wines are the Spanish Casa wines which are slowly eating away a significant market share of the South African wines.

In Tanzania, the European imports already control 60% of the market. Since debuting in Kenya three months ago, reports say, Casa wines quickly sold its first consignment of two containers.

By the end of the year, it expects to sell a total of 10.

Presently, Winemasters, the main supplier of South African wines in East Africa sells an average of 16 containers a year.

Industry analysts expect the South African share to come down as more East Africans discover the quality and affordable prices of the Spanish variety.

With liberalisation, the nascent local wine industry has been severely assaulted by foreign beverages.

Until a few years ago, Kenya produced mostly papaya, plums and pineapple wines which were no match to white and red grape wines. Local producers are now turning to grape vineyards, but their products are still largely unrecognised.

Spanish wine battles SA rivals in Kenya

(3) WINE ETC (BR) 1/7/97

JOE KHAMISI

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With liberalisation, the nascent local wine industry has been severely assaulted by foreign beverages. Until a few years ago, Kenya produced mostly papaya, plum and pineapple wines which were no match to white and red grape wines. Local producers are now turning to grape vineyards, but these are still young and their products largely unrecognised internationally. The new market developments are pushing most local producers, including the state-run Kenya Wines Agency, to go for quality.

"We can't compete against 'chateau cardboard'," says John O'Olier, a wine producer, referring to the widely popular five-litre container from South Africa and Europe. "So we are ripping up a lot of the vines and going for quality."

Kenyan producers would like to see the high taxes on wine reduced to enable them compete effectively with imports. — Independent Foreign Service.

KWV to meet Competition Board today

BD 1/7/97 (3) WINE

Louise Cook

THE KWV would meet Competition Board chairman Pierre Brookes today to establish the reason for the board's "unexpected" decision to launch a full-scale investigation into the wine co-operative, Kooperatiewe Wijnbouers' Vereeniging (KWV), corporate services director Theo Pegal said yesterday.

He said the co-operative was "completely in the dark as to what is going on" since the competition board had undertaken a report on KWV in January this year.

The board found that, should KWV transform into a company, it would be subject to the same rules and regulations as any other company, Pegal said.

Competition Board chairman Pierre Brookes said developments in the liquor industry had now necessitated a comprehensive probe into various aspects of KWV as well as SA Breweries (SAB).

"In the case of KWV we will be looking at the effect of the conversion to a company on competition and new market entrants, possible anticompetitive aspects of the co-operation agreement between KWV and the (Cape) Wine and Spirits Institute, as well as KWV's shareholding."

The probe into SAB would cover its distribution network and licensing arrangements. SAB has about a 30% shareholding in Stellenbosch Farmers' Winery and Distillers, Brookes said.

SAB corporate manager Dunbar Bucknal said that despite its shareholding, SAB had no managerial control in the companies.

The shareholding was a move for SAB to diversify after increased discriminatory excise tariffs. Other large international beer groups have already diversified, Bucknal said.

He also denied that SAB's distribution network discouraged competition. "As with any company, SAB is entitled to secure the most effective distribution network possible. It would be ironic if government and the Competition Board want to penalise success."

The Cape Wine and Spirits Institute was not available for comment.

Meanwhile, KWV and government negotiating teams were racing to reach an out of court settlement on the issue of KWV's planned conversion to a company before the next Cape High Court hearing in August.

Pegal confirmed that talks between the parties — at this stage focusing on future regulation of the wine industry — started for the first time last week.

Asked if the talks would cover the controversial issue of who owned KWV's R1bn assets, he said it would come up when an auditors' report was completed.

KWV and Land and Agriculture Minister Derek Hanekom had been locked in a legal battle over KWV's planned conversion to a company. At issue was whether farmers were the sole owners of the co-operative's assets.

'Assets belong to industry'

BD 2/7/97

(3) WINE

Louise Cook

IT WAS "quite clear" that KWV had built up its assets as a result of past statutory powers enjoyed by the co-operative, Land and Agriculture Minister Derek Hanekom said yesterday.

Addressing a farm export conference in Potchefstroom, Hanekom said a forensic audit on the issue would be completed soon.

"I am not the minister of the KWV but of the wine industry as a whole. It is a crazy and unfortunate perception that the minister is pitted against KWV. But recently several developments have come to light around operations of the co-operative — the Competition Board is now also involved."

Referring to a possible police probe into allegations that KWV ran a champagne scam in the early 1990s, Hanekom said the law had to take its course.

The standing committee on agriculture was set to decide in August whether or not to refer the allegations to the Office for Serious Economic Offences.

Addressing the issue of assets — a contentious issue in agricultural circles and the focus of a Cape High Court hearing in August — Hanekom said KWV's asset accumulation was boosted by the fact that it had statutory powers in the industry. "Assets belong to the industry as a whole, not only the KWV."

At this stage the focus was on KWV but government was generally concerned about a number of issues in cases of conversions, including the likely effect on competition.

He accused KWV of having failed to consult with other roleplayers in the industry last year at the time of deciding to convert to a company, saying that due to the fact that the co-operative was "in a sense an organ of the state", it had a duty to consult other stakeholders.

The Competition Board announced at the weekend that it would launch a full investigation into KWV and SA Breweries, probing aspects such as shareholding, distribution networks and the effect of a conversion by KWV on competition.

WINE

Honeymoon is over for SA producers

CT(BR) 4/7/97 ③ WINE

FRANÇOISE BOTHA

South Africa's wine industry, which has been riding the crest of a post-sanctions export wave, is showing dangerous signs of its international favour falling by the wayside.

Over the past six weeks international buyers have sounded warning bells loud and clear, both at the London Wine Trade Fair in May and at Vinexpo, the world's largest wine and spirits show in Bordeaux last month. The honeymoon period is over for the industry, which earned R550 million in exports last year.

And wine buyers were forthright with their remarks: If the country's wine producers are going to compete effectively in the global arena, now is the time to shed their jaded image and get down to serious business — something for which the industry has been slated time and again.

Mark Harrison, a British buyer, said: "If we place an order with a South African wine producer, it sometimes takes up to three weeks before we get a response. A similar order with a Chilean producer means that we often receive confirmation the same day. If your industry is serious about its export markets, it will have to change its approach."

Given the recent spate of critical comment, it appears the industry is at a crossroads of international marketing choices, which if handled correctly, will ensure a strong future. But the positioning of the country's wines in the global marketplace needs close attention if the apparent success is to continue.

British buyers, long the lovers of a bargain, were quick to point out that the long-term survival of the industry in the international arena would depend on shifts in the mindset of Cape producers — the most important being to move away from exporting poorer-quality and unbranded bulk wines.

This produce — with its tacky labelling giving scarce recognition to its country of origin, invariably finding its way on to supermarket shelves at the lower end of the market — has done nothing to build a quality image for the industry. And, it is a quality image that will ultimately allow the industry's long-term success and survival.

Jane Hunt, a British Master of Wine and the UK director of Wines of South Africa, said the nudge upwards in price achieved by South African wines over the past year from £3,30 to £3,38 had been hampered by cheap bulk wine imports. But the trend of other New World producers like Australia, which had made steady average price gains over the past two years, would become a more general trend and one from which South Africa could also benefit.

Of course, this begs the question why South Africa would want to be seen to be pitching at the lower end of the market, while rival New World producers like Australia, which lack the Cape's richness of wine history, have made strides in increasing average prices as well as value-for-money positioning in the minds of the buying public.

While the fall of the rand has no doubt contributed, it appears international bargain-hunting attention has also shifted to other countries, with Argentina and Bulgaria now heading the list. There is also little doubt foisting the duty of international quality recognition on to a handful of award-winning winemakers such as Gyles Webb, Norma Ratcliffe and André van Rensburg is clearly short-sighted.

Perhaps the real story here is South Africa's small share of the UK wine market — only 4,9 percent in volume terms and 5 percent in value terms — and the limited quantities, and therefore market share, in other potentially lucrative countries.

The lack of export-promotion funding, which has long been the lament of the South African Wine and Spirit Exporters' Association, also appears unlikely to change.

Jannie Retief, the association's chairman, said after the government's announcement of a reduction of export subsidies, plans put forward to fund the association with a levy on grape production were quashed by growers. This was surprising when the prices of sought-after quality varietals had climbed in some cases from between 45 percent and 200 percent over the past two years on export demand.

But a glimmer of hope is to be found in that the association, which in the past was predominantly supported by the producing wholesalers, has recently attracted an increasing number of small private producers. This shift in the balance of membership signals the beginning of a new era for export focus.

The international warning that the honeymoon period is over also means that South African producers will be judged on quality rather than sentimental reasons. And in line with this, South Africa's presence at international wine trade shows and participation in competitions will become increasingly important.

Sadly, the message is taking time to get home. Despite swelling membership numbers, the limited participation of small private producers was seen nowhere more clearly than at Vinexpo. Although a shortage of stand space trimmed the numbers who could participate, it was the producing wholesalers and the established wineries that stole the show.

On the domestic front, the international importance of the Nederburg Auction and the Cape Independent Winemakers' Guild Auction as showcases of quality and rare wines cannot be downplayed. For an industry that will no doubt rise to the challenges it faces, it seems many a lesson can be learned from these two benchmark events.

☐ *Françoise Botha attended the London Wine Trade Fair and Vinexpo on behalf of Business Report and a private producer*

KWV SAYS IT MAY APPEAL OVER FORENSIC AUDIT CONFIDENTIALITY

(3) WINE

Cape Town — KWV, the wine and spirits co-operative, will decide over the next two days whether it intends applying for at least part of the forensic audit on its assets to remain confidential, Willem Barnard, the managing director, said yesterday.

KWV would need time to digest the documents submitted this week to the high court by Derek Hanekom, the agriculture minister, before deciding whether to lodge its application.

He said that as agreed with Hanekom, KWV would only apply to keep confidential those parts of the report which could prove detrimental to the business of the co-operative if revealed to its competitors.

The co-operative has been holding talks with the minister over the past two weeks to resolve the issues of competition, regulation and ownership of assets. — Maggie Rowley

CT (BR) 16/7/97

KWV will not oppose publication of Weiner Report

CT (BR) 17/7/97

(3) WINE

Maggie Rowley

Cape Town — KWV would not oppose the publication of the Weiner Report assessing the ownership of the co-operative's assets, Willem Barnard, the managing director, said yesterday.

The Weiner Report forms part of the agriculture minister's answering papers lodged in the Cape High Court this week.

An interim arrangement between the minister and KWV allowed the co-operative two days to assess whether it would oppose making public certain parts of the report which could prejudice it on a commercial basis.

Barnard said the report did not contain any information of a sensitive nature to KWV. "In fact, we believe the Weiner Report is highly speculative and indecisive in terms of its objective to identify KWV assets that could belong to the state.

"However, we understand Weiner will provide quantified data within a week, and obviously we need to assess that information to ensure that publication will not prejudice us," he said.

Although indicating earlier this week that the papers could be made available to the public, Pieter Riedermann, the senior state attorney, said he had now advised the minister that the "matter should follow normal procedure, and the papers should not be made public until it comes before open court on August 18".

"The relationship between the minister and KWV is sensitive, and we believe publishing the papers at this stage, when KWV still has to respond, is not in anyone's interests."

In April this year, the minister was granted leave to intervene in KWV's planned conversion from a co-operative into a public company and had until this week to file papers relating to his concerns about the conversion, including the future regulatory environment for the wine industry, competition implications and the nature and distribution of KWV's assets.

The minister had earlier opposed KWV's application on the grounds that it could lead to a collapse of the regulatory system.

Bill tries to put new wine in old bottles

Instead of curing the liquor industry's ills, government is proposing muddle-headed attempts at social engineering, writes Michael Fridjhon

BD 18/9/97 (3) WINE

THE Liquor Industry Policy Document and the trade and industry department's draft bill published on July 11 has provoked a massive outcry. Some of the controversy arises from the proposal to create four types of licences — and then to restrict owners of one category of licence from holding an interest in any other licence. However, even a cursory examination of the policy document reveals many serious areas of concern.

The vision statement accompanying the proposal speaks of the importance of restructuring the liquor industry and facilitating entry and empowerment to new players. It also concerns itself with the alleged costs associated with liquor and claims to endeavour to seek an appropriate balance between enterprise and regulation, between traders, consumers and society as a whole.

The policy document is laced with a myriad well-intentioned attempts at social engineering. It details SA's history of politically driven liquor legislation and purports to address the past with its proposals for the future. Nothing could be more naive or muddle-headed. No doubt, in the three weeks this material is open to the public for comment, the department will hear ample argument to disabuse it of these illusions.

The writers correctly focus on the monopolistic structure of the formal sector. It does not take much insight to identify that many of the ills of the liquor trade date back to apartheid-era legislation, followed by the cosy "boetie-boetie" deal brokered by the late Fred du Plessis in 1979.

It was through this that SA Breweries (SAB) acquired its beer monopoly while Rembrandt and the KWV sewed up the wine and spirit industry.

This arrangement was subjected to a Competition Board investigation and condemned as fundamentally flawed (report number 10 of 1982). Unfazed, PW Botha ignored this recommendation and rubber-stamped the monopolistic arrangement designed to favour interests of the Cape wine industry — probably the most powerful lobby in his dark and corrupt administration.

Since then, little has changed: SAB still dominates the clear beer sector with a market share of about 98%.

The Rembrandt/KWV cartel controls companies which account for more than 70% of the wine and spirits trade. Some of the shebeen business has been legalised through the introduction of taverns licences though as much as 90% of retail liquor activity is unlicensed, illegal and conducted with brazen impunity.

The industry as a whole is ruled from the production sector and there is no hint of a potential countervailing power lurking in the wings to balance the account. No wonder the new brooms at the department have cast around for a structural solution to the problem.

Still, dubious logic, misinformation and hearsay accorded the status of fact undermine the best intentions of the document. The proposal to separate the vertical segments of the industry seems based on the argument that ownership of Western Province Cellars (WPC) enables Distillers and Stellenbosch Farmers Winery (SFW) to "play a major role in the retail sector".

WPC is in fact the last vertically integrated wine and spirits chain and recently produced a write-off/write-down of more than R25m on the balance sheet of the holding company.

The belief that a separation of producer from wholesale from retail sector encourages competition is based on a US model wholly inapplicable in the SA context.

We have not recently emerged from a prohibition era where brands are less meaningful than control of distribution channels. Depriving new retail entrants of the right to build their own labels, or denying the smaller producers (like the new microbreweries it wishes to see empowered) the opportunity of developing their market through their own distribution networks will simply freeze the present dispensation in amber. If the department is unhappy about how SAB, SFW or Distillers dominate the industry, it should look to appropriate antitrust legislation to address the problem. Artificial vertical segmentation will simply prove inflationary, inserting unnecessary margins between the producer and the consumer.

The same fluffy thinking informs the proposal aimed at bringing the 120 000 to 190 000 illegal traders into the formal sector.

Over the past 10 years barriers to entry for shebeeners have been substantially lifted — to no avail — precisely because there is no quantifiable benefit to going legal. In the draft bill the department proposes heavy penalties aimed at discouraging the illegal trade. Maybe it will want to discuss these with Meyer Kahn, who may not be able to give liquor act investigations priority over hijackings, murder and rape.

The department is under the mistaken impression that "more than half of the wholesale trade in liquor is carried out on a retail pricing basis, due to the unlicensed and illegal character" of the dealers. In fact most of the retail trade in liquor is carried out on a wholesale pricing basis, precisely because of the self-regulating nature of any highly diversified and densely populated sector.

Another bizarre and potentially controversial proposal is the suggestion that the liquor boards and public forums the legislation intends to spawn, as well as an educational programme aimed at informing the public of the dangers of alcohol abuse, will be paid for by a special levy.

In the words of the document, this is in line with government policy that "polluter pays". Nothing reveals better the prejudice behind these proposals than this terminology, and the "statistics" pressed into the service of the cause. Thumbsuck guesstimates about the cost to the economy of Foetal Alcohol Syndrome, alcohol-related accidents and abuse are accorded the status of fact: in the same paragraph (dealing with the syndrome) which states that "little comprehensive research has been done", we are told "it is likely that as many as one in every eight children in the poorer socio-economic group in large parts of the Western Cape will (not even "may") be affected".

Armed with this unsubstantiated statistical claptrap — extrapolated on a vast scale — the proposal claims that the liquor business costs the country more than the revenue its excise and taxes bring the fiscus. This then becomes the justification for the suggested liquor levy.

If the draft bill ever gets to Parliament in its present form, our members of Parliament should think carefully before acceding to a scheme of arrangement which abrogates the legislature's right to fix and manage levels of domestic taxation.

Given liquor's price/demand inelasticity, the levy could deprive the fiscus of its full tax take from liquor. In other words, the levy will become an additional tax, affecting in the long term Parliament's ability to squeeze the last useful cent out of the industry.

The infrastructure it will proliferate will be less directly accountable to the electorate than those institutions which must seek funding approval every year. This gravy train will flourish on coq au vin, as every province acquires its own liquor authority populated by "one community representative for each geographical subregion of the province".

The thinking, taken to its logical absurdity, will soon entitle anyone who believes that his interest may be affected by the internal combustion engine to claim representation on a motor industry advisory board.

While the principle that "polluter pays" has a happy resonance about it, who gets to quantify the so-called pollution, what credit does the industry earn for stress reduction and the proven health benefits of moderate red wine consumption, and when will stock farmers be expected to pay for the cardiac artery disease suffered by immoderate red meat consumers, or even by those genetically predisposed to the ailments associated with the commodity?

The social engineers of the department have a lot more work to do, and need to show evidence of a little clear thinking, if they hope to get their drawing board utopianism into a form that will work in the practical world. At present their proposals will stifle any prospect of a change in the balance of power of the liquor industry — which, for all its sins, is a vital source of state revenue, and an employer of some significance in the economy.

They may also need to consult with their colleagues on the Competition Board, whose own investigation into monopoly practices in the industry was gazetted a mere week earlier.

☐ *Fridjhon is a liquor consultant and wine writer.*

SA's drinking fraternity

☐ 98% of malt (clear) beer consumed in SA is produced by SA Breweries.

☐ Per capita consumption grew from 13,72 litres in 1970 to 51,04 in 1987, though the growth rate has since slowed.

☐ Malt beer has an 81% share of all alcohol sales; more than half of the beer sales are through unlicensed outlets.

☐ There are about 0,74 liquor stores per 1 000 people in formerly white areas, only 0,05 in traditionally black areas.

☐ The number of shebeens has been estimated at between 118 200 and 190 000, with continuing growth taking the number towards the latter.

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KWV drops opposition to forensic audit of assets being made public

(3) WINE BD 18/7/97

Louise Cook

THE KWV would not ask the Cape High Court to keep the Weiner report, a forensic audit on its assets submitted to the court this week, among court files — thereby making them public record — before the case was heard next month, the KWV said yesterday.

The Weiner report was "lifted" on Monday after indications that the KWV would take legal action if it was made public before the wine co-operative had had time to study the contents. However the KWV reversed its position on Tuesday. Communications chief Kas du Plessis said the co-operative would not specifically ask the court to keep the document on file.

While documents lodged at the court are usually kept on file as public records, the court registrar has the power to remove them at his discretion.

The report, part of Land Affairs and Agriculture Minister Derek Hanekom's replying affidavits in a case arising from the KWV's planned conversion to a company, has been keenly awaited as key to government's intervention in the conversion.

Referring to reports implicating the KWV in a Champagne scam, believed to be covered in the Weiner document, Du Plessis said: "We did not have a fair deal from the press; we are happy to wait for the case to be heard in court."

KWV group director Theo Pegal said he had been advised not to comment on the report, but said it had failed to address ownership of assets.

The report was commissioned to probe the way in which KWV built up its assets and whether the statutory powers it enjoyed as regulator of the wine industry had contributed to the accumulation of assets. Hanekom has argued that at least some of the assets should be handed to the industry rather than co-operative members.

Asked if the KWV was prepared to negotiate with government on the asset issue, Pegal said discussions had focused on regulatory issues, with assets "on the agenda for a later date".

Meanwhile, auditing firm Fisher Hoffman Sithole, which drew up the Weiner report, said yesterday a final report would be completed "soon". Chief state attorney Piet Riedeman said the status of this document had not yet been decided.

"Maybe we will have to place reliance on (the) further report," he said. However, the KWV would have the right to stop the document from being presented to the court if it so wished.

The reasons for a further report could not be established yesterday.

See Page 11

Punch-drunk KWV could be forced to settle with Hanekom

(3) WINE

ST (DT) 20/7/97

THABO KOBOKOANE

Looks at the battle over the soul of KWV

UNTIL recently, KWV chairman Lourens Jonker was in a defiant mood, snubbing attempts by Agriculture Minister Derek Hanekom to intervene in the conversion of the wine co-operative into a private company.

"I cannot help but express the greatest disappointment and displeasure regarding the meddling by the authorities in KWV and its members' household affairs," Jonker told KWV's member farmers in May at its AGM in Stellenbosch.

Since then, however, the co-operative, and the powerful wine industry in the Western Cape, have been stung by a number of blows. These setbacks have forced Jonker to consider compromises.

The most telling blow was an audit this week supporting Hanekom in his assessment that some of KWV's assets belong to the state. But the co-operative has also been hit by a Competition Board probe, proposals under the Draft Liquor Act to split the group up, and, embarrassingly, revelations that it exported fake champagne in the early 1990s.

Hanekom has been the target of great anger in the agricultural lobby. The former cattle farmer from the Northern Province has personally led the challenge against KWV. After his recent successes, however, he said an out-of-court settlement with KWV could be reached on the question of its status.

But such a settlement won't come easy — both Hanekom and Jonker are men of strong conviction, and their conflict in court resumes on August 18.

KWV applied to the Cape High Court in December to convert from a co-operative to a company and transfer its assets to farmer members.

Backed by the Cape Wine and Spirits Institute (CWSI), Hanekom immediately challenged the application. Hanekom has argued that the conversion will not only create a regulatory vacuum (KWV administers the Wine and Spirits Control Act of 1970), but that some of KWV's assets were acquired via its statutory role.

Hanekom remains adamant that "certain of the assets were built up using regulatory powers which insulated KWV against ordinary commercial risk. I believe that some of these assets are of a public character," he wrote in a financial publication in May.

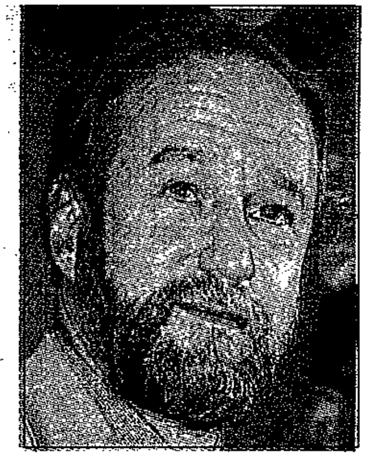
Jonker told the KWV AGM that a delay in court proceedings would not delay efforts to convert into a company. He accused Hanekom of stalling the negotiations because Hanekom appeared to be interested in benefiting from KWV's assets.

KWV has privately lobbied government officials, going as far as the Office of Deputy President Thabo Mbeki.

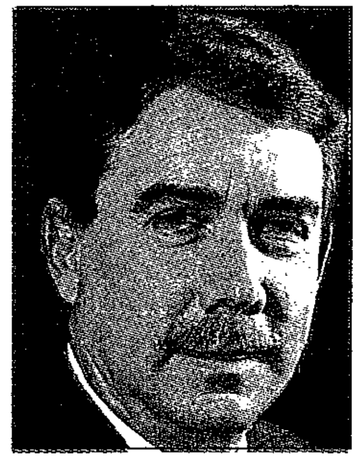
Government insiders say KWV was unable to solicit support from the new government and was told that the matter belonged to Hanekom.

KWV, which has strong ties with the previous government, has been on a networking drive to court influential new faces in parliament. President Mandela has addressed its AGM and parliamentary committee members on education and labour have been invited to functions with KWV heavyweights.

These efforts may pay off in the long run, but for the moment the co-operative has to deal with Hanekom and his advisers, Stephen Goldblatt and Michael Fridjhon — the latter a thorn in KWV's side. In spite of KWV's protestations that Fridjhon, as an importer of wines and competitor to KWV, is unacceptable, Hanekom has stuck with him.



DEREK HANEKOM . . . leading the charge



LOURENS JONKER . . . fighting back grimly

Hanekom has presented to court the findings of a special audit into the acquisition of KWV's assets.

According to Goldblatt, Hanekom's adviser, the audit by Fisher Hoffman Sithole found that "some assets of KWV were of a public nature".

And KWV, which had threatened to seek a court order barring the report from being made public, this week dropped its opposition to the report going out into the open.

However, Theo Pegel, group director at KWV, has dismissed Goldblatt's interpretation as "highly speculative and needing to be contested in court".

EARTH'S BOUNTY . . . were these assets acquired via statutory powers in the apartheid era?

The report by Fisher Hoffman Sithole is the fourth commissioned by the minister, who was granted the right to intervene in KWV's conversion to a company by the Cape High Court.

The three previous Hanekom-appointed commissions of inquiry looked into KWV's regulatory environment, its assets and the effects on competition if it were to become a company.

There is consensus on the first, the Kassier report, which recommended that the Control Act be scrapped and that the industry be administered by a committee representing the wine industry producers and government. In fact such is consensus that "good progress" has reportedly been made between the two in negotiations aimed at an out-of-court settlement.

The second, by the Competition Board, looked at possible areas of investigation into the new company as far as competition was concerned.

But by this time the co-operative had reached an agreement with Hanekom's ally, CWSI, in terms of which KWV undertook not to enter the SA market directly without giving five years' notice.

In June, the Competition Board stepped in and announced plans for a full-scale investigation into KWV and SA Breweries. The board is probing possible anti-competitive aspects of the deal with CWSI, and the effects of the conversion on competition and new market entrants, as part of its inquiry into the liquor industry.

The Steyn Report, the third and most crucial to KWV's conversion, concluded that it was impossible to determine which assets had been acquired via KWV's statutory and which via its non-statutory powers.

But so determined was Hanekom that he promptly appointed Fisher Hoffman Sithole to look further into the question of the assets.

If the new findings do, indeed, conclude that certain of KWV's assets are of a public nature, they give him a greater armoury for the court proceedings.

The sticking point is really whether some assets of KWV were acquired through its role as the administrator of the Wine and Spirits Control Act. Hanekom is convinced this is the case. KWV disagrees.

Goldblatt said a resolution would depend on the "attitude of KWV" to the Fisher Hoffman Sithole report, and on how much KWV was prepared to fight.

But Pegel said: "We definitely do not agree with his (Goldblatt's) assumptions and are disappointed that he does not respect the agreement we have with him not to discuss sensitive matters — on which we are negotiating — in public."

Both parties want to avoid a protracted court hearing which is likely to cost millions of rands when behind-the-scenes negotiations could facilitate a less expensive settlement.

'Assets were built up using regulatory powers which insulated KWV against commercial risk. Some of these assets are of a public character'

brought in to help speed

KWV's asset report closed for time being

(3) WINE

Louise Cook

BD 21/7/97

THE Weiner report, a forensic audit handed to the Cape High Court on the KWV's assets last week, would be unavailable for public scrutiny before August 18, the court said on Friday.

This is the date when the case between the co-operative and Land and Agriculture Minister Derek Hanekom is due to be heard.

Requests by a Business Day staff member to view the document were turned down.

Reversing an earlier decision, the KWV last week dropped objections to the document being made public.

Meanwhile, it was established certain data was not made available to auditing firm Fisher Hoffman & Sithole at the time of the audit.

KWV group director Theo Pegal said last week the co-operative refused to disclose data on trademark export transactions and good wine stockholdings.

However, a source said researchers doing the audit did find some of the records which the co-operative claimed had been unavailable.

It is understood the report could deal with reports implicating the KWV in a Champagne scam in the early '90s.

The parliamentary agriculture standing committee would decide next month whether or not to refer the allegations to the SA Police Service's Office of Serious Economic Offences.

FAIRVIEW ESTATE WORKERS TO GET OWN HOUSES, LAND

Boland labourers aim for first with pinotage

CT 30/7/97 (3) WINE

THE FACE OF WINEMAKING is set to change at a prestigious Boland wine estate. Special Assignments team **ROGER FRIEDMAN** and **BENNY GOOL** report.

WORKERS at Fairview Wine Estate are set to move into their own houses on their own land, and aim to become the first black producers, makers and bottlers of South African wine under an independent label with a 2003 pinotage.

In the meantime, they will hone their wine-making and marketing skills by producing chenin blanc under their own Fairvalley label with grapes sold to them by Fairview owner Mr Charles Back.

The scheme is being made possible by Department of Land Affairs developmental grants of R15 000 each to the households of 57 Fairview workers, a R200 000 donation from Back toward the R400 000 purchase price of 18 hectares of land adjoining his own, and a tourism-related joint venture between Back and the workers.

Fairview is the second prestigious wine estate in the Paarl region to announce major plans based on sound business logic for the development and future security of its workers. The Fairview deal differs from that of Nelson's Creek Estate in that Nelson's Creek workers will take ownership of the land, but not the houses.

"This is something we could never have dreamt of. It is almost like manna from heaven," said Fairview worker's committee chairman Mr Attie Adams yesterday. He has worked the land for 19 years, his parents worked it before him, and their parents before them.

Back said: "The workers have the same love for this land as I do. This I realised when I came to the farm in 1978. From those early days I had an idea to do something like this, and it only gained momentum as I continued to work with these people. Two years ago I started investigating options."

At the heart of the Fairvalley development plan is the conversion of the workers' cottages on Fairview Estate into self-catering chalets for tourists.

The profits generated by the chalets will fund the building of houses on a portion of the workers' new piece of land.

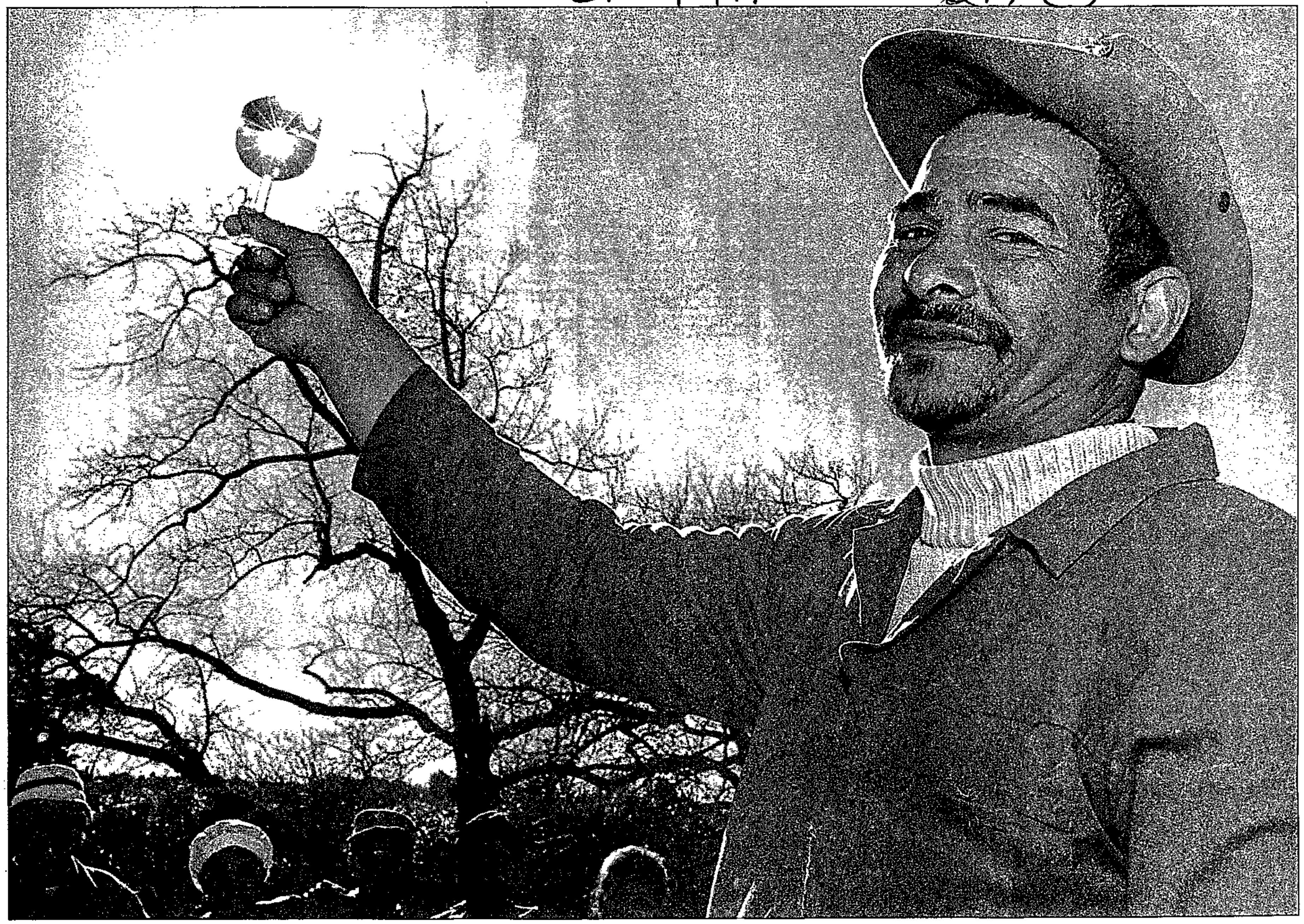
The project will be tackled in two phases, the first of which will entail converting a group of 13 cottages into tourist accommodation with a Cape farm-worker theme. The chalets will be decorated with historic photographs, illustrations and text depicting, among other things, the dop-system. Back will foot the bills for the conversions, but will not have to pay for labour.

Should the chalets run at 30% occupancy rates, they would generate enough money to take out R70 000 bonds for 22 houses on the new land.

By the time the second phase — involving the conversion of another 10 cottages, possibly into backpacker-style accommodation — is up and running, the profits are anticipated to cover the costs of the rest of the required housing.

Besides making and bottling chenin blanc, the workers will set up a shop next to the R101 arterial road between Paarl and Klapmuts.

"We love this land," said Adams. "Yes, maybe our forefathers suffered here for little gain. We must forgive and move forward. Now we are looking to the future, and the future of our children who will move to Fairvalley."



A TOAST: Fairview worker's committee chairman Mr Attie Adams holds up a glass of wine in a toast to the success of a development plan at this Boland estate, saying the workers will ensure that the wine they produced was good enough to sell overseas.

LIQUOR *Forensic audit will determine extent of co-operative's public ownership*

Hanekom flays 'belligerent' KWV

CT (BR) 4/6/97 (3) WINE

MAGGIE ROWLEY

Cape Town — KWV was being unnecessarily belligerent and provocative about negotiating the ownership of its assets, Derek Hanekom, the minister of agriculture, said yesterday.

At KWV's recent annual general meeting, Lourens Jonker, its chairman, told members KWV was refusing to negotiate the ownership of its assets as its members' right to these assets was indisputable.

Hanekom described these comments as "belligerent and provocative". The forensic audit on KWV assets to determine if, and to what extent, there might be public ownership should be completed within two weeks, Hanekom said.

Asked if KWV had co-operated with the forensic auditors, Hanekom said: "The answer to that will be revealed by the forensic audit."

Hanekom, who was on an educational visit to Distillers Corporation in Stellenbosch, said in an interview that while he would keep an open mind on the issue, he still firmly believed the statutory powers enjoyed by KWV were the real reason behind the co-operative's acquisition of assets.

"Therefore, the state has an interest in assets which were accumulated as a result of statutory powers and not acquired in the normal course of business," Hanekom said.

"If it is accepted that the state had an interest in KWV assets, the question would then centre around how to unbundle these assets and what model to put on the table."

He said the state was not interested in taking over any of the assets but instead wanted to ensure that management of the assets was in the interests of the public, and not just for the benefit of immediate investors.

Jan Scannell, the managing director of Distillers Corporation, said that while the corporation did not want to be drawn into the ownership debate of KWV assets, it believed the minister had no option but to intervene in KWV's bid to convert from a co-operative to a company.

PHOTO: ANDREW BROWN

THAT'S THE SPIRIT *Jan Scannell, the managing director of Distillers Corporation, and Derek Hanekom, the minister of agriculture, toast the future of the South African wine and spirit industry yesterday*

KWV accused of selling fake bubbly

STAFF REPORTERS

The national wine co-operative KWV is at the centre of allegations that its senior officials tried to sell 240 000 bottles of fake champagne abroad in the early 1990s, according to reports in two newspapers today.

The alleged project, which involved importing bottles from France and the printing of fake labels, was apparently approved at the highest levels of the co-operative in July 1990.

The "scam" involved bottling South African sparkling wine under the two labels, "Paul Lambert" and "Charles Lemond".

The so-called champagne contravened international standards which determine that real champagne is produced exclusively from grapes grown in the Champagne district of north-eastern France.

According to a report in the Mail and Guardian today, several thousand cases of "Charles Lemond" were refused entry to the US in the early 1990s and were subsequently offered for sale in Cape Town.

KWV had not commented on the allegations at the time of going to press.

(3) WINE Star 6/6/97

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KWV in fake French bubbly scam

The national wine co-op has been caught out in a scheme to sell bogus champagne in Europe and the US

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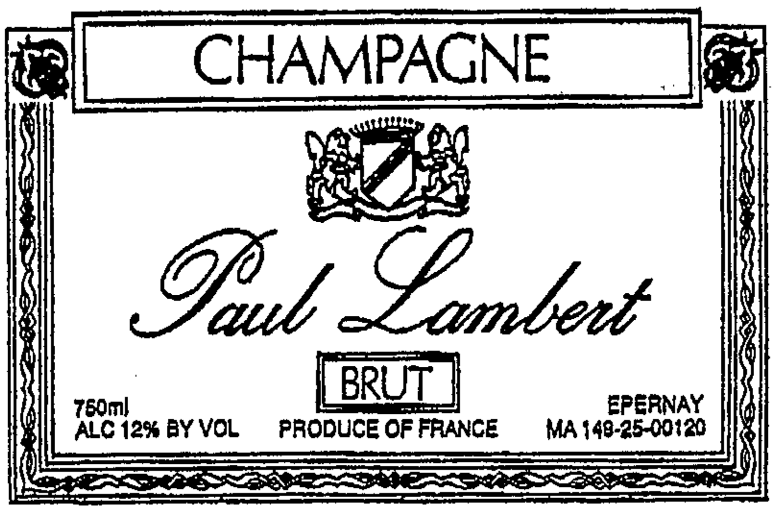
MAIL & GUARDIAN
June 6 to 12 1997

sLoth



All in a name: 'Paul Lambert' was one of the fake labels

4. Mock-ups:

Sal jy asb "mock-ups" van die bottels sowel as die kartonne vir produksie voorsien?

5. Onthou S.A. moet NêRENS op enige verpakkingsmateriaal verskyn nie, ook nie die VOORSIENERS se name nie.

Baie dankie

'Remember South Africa must not appear anywhere on any of the packaging materials and neither must the name of the suppliers,' states this internal memo giving instructions about the labelling of the bottles

KWV in fake champagne swindle

③ WINE

M+G 6-12/6/97

The national wine co-op has been implicated in trying to sell fake champagne to Europe and the US, report **David Beresford** and **Mungo Soggot**

TO : MR FRITZ COETZER
NUMBER : 02231-74381
FROM : NIEL VAN STADEN
DATE : 28/8/90

KWV
POSBUS/PO BOX 528 SUIDER-PAARL 7624
631001
TELEFAX +27 2211 633440
TELEFEX 555605
TELEX 527107 KWV

PROJECT SPARK

1. On 27th June 1990 we met with Messrs Hartmann, Reyes and yourself to discuss above project. Discussions reached an advanced stage and in fact the Design Services Dept were briefed on label designs.

2. Label designs were presented to abovementioned gentlemen by 6th July.

3. The product was tasted and approved.

Sparkle and fizz: The operation was codenamed 'Project Spark' and allegedly involved senior KWV officials

THE national co-operative which controls South Africa's wine industry, KWV, has been implicated in a major swindle involving the attempted sale of fake champagne to Europe and the United States.

Documents obtained by the *Mail & Guardian* indicate senior KWV officials were party to the fraud, which involved counterfeiting and the attempted sale of 240 000 bottles of bogus champagne into the international wine market.

The alleged fraud revolves around attempts to market two brands of fake champagne — "Paul Lambert" and "Charles Lemond" — in the early 1990s. It appears to tie in with other international scandals involving attempts to market fake versions of two of France's most famous brands of champagne, Moët & Chandon and Dom Perignon.

Senior officials at KWV named in the documents have flatly denied any knowledge of the Paul Lambert and Charles Lemond operation. They say they have never heard of the two brands of "champagne" and have no knowledge of the documents themselves, which include memos and faxes on KWV letterheads.

KWV (Kooperatiewe Wijnbouwers Vereeniging), the national wine co-operative, has various statutory obligations to maintain standards in the industry. It also has a joint controlling interest in the country's two largest liquor producers, with a combined turnover totalling at least 70% of wine and liquor sales.

Hugely wealthy, KWV is currently the subject of a battle for control of its assets, totalling an estimated R1,6-billion. Its 4 751 members — almost all of them white farmers and producers — are demanding that the co-op be privatised.

Minister of Agriculture Derek Hanekom — who is arguing that the assets are profits from apartheid and that KWV should be treated as a national asset — is trying to block the move.

There have been suspicions of South African involvement in international champagne frauds since the late 1980s.

In 1991, three fraudsters — Jean-Claude Rémaury, Charley Delmare and Marc Proux-Delrouyre — were arrested in Paris in connection with a champagne-counterfeiting scam involving operations in Cuba and South Africa.

Proux-Delrouyre was stabbed to death in his home before he could be brought to trial — a murder which has never been solved. Delmare and Rémaury were convicted of counterfeiting and fraud, and were sentenced to 18 months in jail and a fine of 100 000 francs. In a separate civil claim, Moët & Chandon were awarded damages of Fr5-million against them.

In 1993 there was more hard evidence of South African involvement in a champagne swindle when police seized 900 000 fake Moët & Chandon and Dom Perignon labels which had been printed in Stellenbosch and were awaiting shipment to Panama. Panama and Cuba have figured prominently in champagne frauds.

Last year, after a lengthy police investigation, the attorney general's office in the Cape announced there was insufficient evidence to justify any prosecutions in connection with the fake labels.

It was reported that, during their investigations, police seized documents showing KWV had exported nearly one million litres of Chenin Blanc and Columbard wines to Cuba in 1990 which had been ordered by "two foreigners". The attorney general's office said there was no evidence of bad faith on the part of KWV.

The use of the term "champagne" is strictly controlled by international law and treaty. To qualify for the description, the wine must be produced from grapes grown in the Champagne district in north-eastern France;

It appears to tie in with international scandals involving attempts to market fake versions of Moët & Chandon and Dom Perignon

the entire production process — including a secondary fermentation process which must take place in the bottle in which it is finally sold — has to be carried out in the demarcated area; and the final product requires a certificate of authenticity issued by the Comité Interprofesssionel des Vins de Champagne.

The documents obtained by the *M&G* indicate the Paul Lambert and Charles Lemond "champagnes" were made with South African wines and bottled in South Africa with counterfeit labels complete with fake French coding. The Comité Interprofessionnel du Vin de Champagne, the champagne regulatory body in France, has confirmed neither brand exists. A representative said Paul Lambert was on its blacklist of counterfeit brands.

KWV apparently imported 240 000 premier-grade champagne bottles from one of France's major manufacturers, St Gobain, for the operation.

Senior officials with KWV International named by the documents as being involved in the operation — codenamed "Project Spark" — include Niel van Staden, currently divisional executive with responsibility for overseas markets, including the US; Dr Danie Retief, an executive director; and J "Kobus" van Niekerk, managing director. Van Niekerk was out of the country this week and not contactable. Retief and Van Staden emphatically denied any knowledge of the operation.

A fax on a KWV letterhead dated August 28 1990 records that on June 27 1990 Van Staden met Marc Reyes (an alleged accomplice in the 1991 Moët & Chandon case), Fritz Coetzer (a Stellenbosch export agent) and a Mr Hartman (believed to have been an American agent) to discuss Project Spark. "Discussions reached an advanced stage and in fact the Design Services Dept were briefed on label designs," it states.

The fax says the label designs were presented to the four men by July 6. "The product was tasted and approved. Dr Retief approved the project in principle on June 29 1990, and in his absence Mr J van Niekerk obtained approval on July 23 1990 for the project to proceed provided that orders were received for the full 20 000 cases and acceptable guarantees."

Retief approved the ordering of the bottles on August 3 and "KWV proceeded to order 252 000 bottles from France, 240 000 corks from Portugal, printed with the word Champagne, as well as 240 000 gold foil capsules. The value of these goods is R663 000."

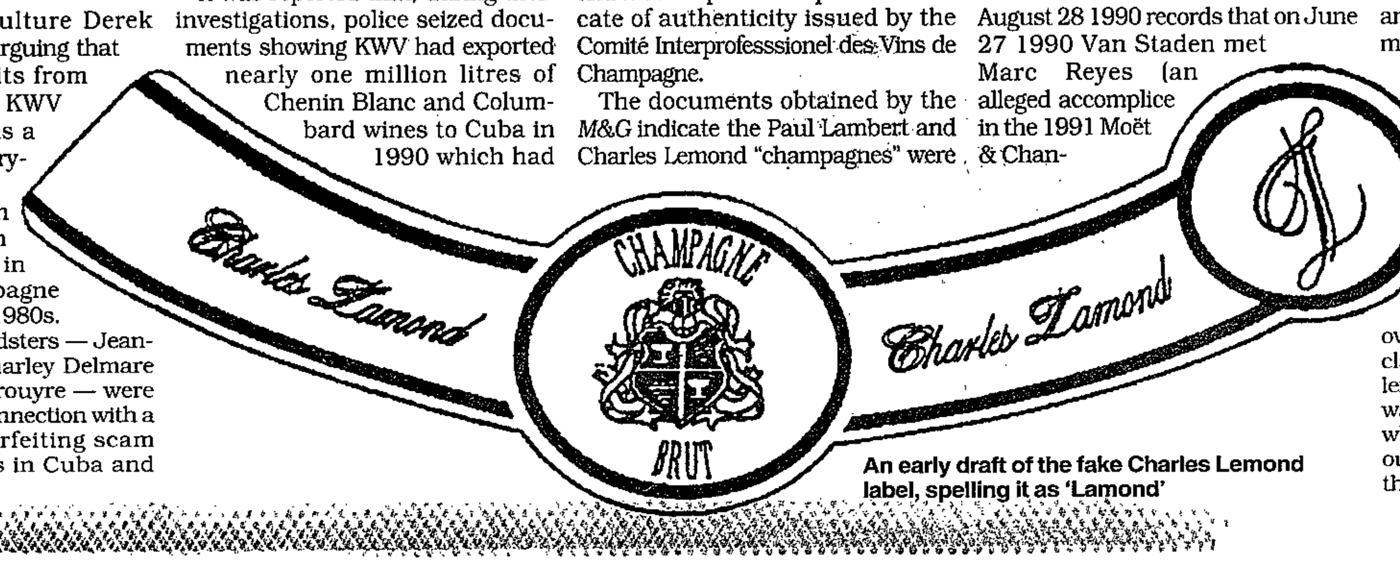
An internal memorandum dated September 6 under Van Staden's name gives detailed instructions to another member of KWV for the ordering of labels for the bottles of Paul Lambert and Charles Lemond, and stickers for their cartons. The memo concludes in Afrikaans: "Remember South Africa must not appear anywhere on any of the packaging materials and neither must the name of the suppliers."

It is not clear from the documents what happened to the fake champagne. But in 1991 America's Bureau of Alcohol, Tobacco and Firearms (BATF) discovered fake champagne was circulating in the US under the Charles Lemond and Paul Lambert labels. The wine was traced back to an import agency, California Clearing, in the town of Tustin.

Subsequently several thousand cases of Charles Lemond materialised at a Customs auction in Cape Town. Customs officials told local traders the wine had been returned to South Africa after it had been refused entry into the US, and was being sold to defray storage costs.

A condition of sale was that it could not be resold. Customs said no guarantee could be given that it had been made by the "Methode Champenoise" method. This was despite the fact that labels described the wine as champagne.

The *M&G* submitted a series of questions to Customs on Wednesday morning regarding the auction, including the circumstances in which the wine was seized; details regarding its previous ownership; whether it was aware its claim to be champagne was fraudulent; whether potential bidders were warned of its fraudulent nature; and whether a fraud inquiry was carried out. Customs had still not replied by the time the *M&G* went to press.



An early draft of the fake Charles Lemond label, spelling it as 'Lamond'

KWV fizzes with fury

(3) WINE ARG 6/6/97

The KWV has reacted angrily to press allegations today that it attempted to pass off its sparkling wine as French Champagne in the United States and Europe in the early 1990s.

"This appears to be part of a campaign to discredit the KWV locally and internationally while it is in the process of converting into a company, and on the eve of negotiations with the Minister of Agriculture which will affect the future of the SA wine industry," the KWV said.

"Similar allegations appeared five years ago and were investigated by the police." The claims could not be substantiated, the KWV said. – Business Staff

KWV sold wine in Champagne bottles

(3) WINE

BD 6/6/97

Stephen Laufer

THE KWV tried to sell thousands of cases of its sparkling wine disguised as French champagne in the US and Europe before dumping the rest on the SA market, company documents show.

The plan was approved at the highest levels of the co-operative in July 1990, but turned sour after US authorities refused to allow more of the product to be imported. Quantities were then sold as Champagne at a customs auction in Cape Town.

A KWV (Koöperatiewe Wijnbouwers Vereeniging) spokesman said yesterday senior officials were not available for comment.

The episode appears under the alternate code names Project Spark, Project Spark II and Project Isabella in KWV documents. Project Isabella was also the code name of an earlier French-based scheme to fake premium Moët et Chandon Champagne.

An August 26 1990 fax to an intermediary from the company's export manager, Neil van Staden, headed Project Spark, says approval for the KWV's project was obtained from two senior officials of the co-operative.

Initial approval in principle came from Jannie Retief, currently deputy head of KWV International, the fax says. It states that Jakobus van Niekerk, head of KWV International, obtained approval on July 23 1990.

The project would go ahead "provided that orders were received for the full 20 000 cases", the fax to Fritz Coetzer of Impex says. He is identified in the document as having participated in discussions on Project Spark with "Messrs Hartmann and Reyes", who had "indicated" they could "obtain guarantees if not for the full quantity, then for at least 10 000 cases".

Kim Hartmann is employed by Jean Pierre Vaghi, of a company called Baron de Sigognac, a key mover in the late 1980s scheme to bottle counterfeit Champagne under the Moët et Chandon label in Cuba. Marc Reyes was also involved in the Moët scheme.

Separate documents show KWV contracted to sell 10 000 hectolitres — equivalent to 1,3-million bottles — of SA white wine to Baron de Sigognac, around the time of the original Moët scheme. This involved hundreds of thousands of bottles of counterfeit champagne and led to prison sentences in France for some conspirators.

Van Staden's August 26 1990 fax states that KWV imported 252 000 Champagne bottles from France, 12 000 more than required for 20 000 cases. Also imported were the exact number of gold foil capsules, and corks from Portugal printed with the word Champagne, needed for 20 000 cases — 240 000 each. These cost R663 000.

The 900g bottles, normally used only for premium champagne brands, cost more than R1 each plus shipping costs. The fake champagne auctioned in Cape Town was in 900g premium Champagne bottles with the markings of the French glass manufacturer, St Gobain, on the base.

Van Staden's fax refers to machine proofs of labels bearing the name Paul Lambert. An internal KWV memorandum in Afrikaans dated September 6 1990 from Van Staden and headed Projek Spark requests David Toua of the company's production department to order 100 000 Paul Lambert labels from J Ryan printers in Paarl.

The same memorandum asks Toua to fax photocopies of Charles Lemond labels to Hartmann and Reyes once some minor alterations had been made. Toua is to request their immediate approval so that 50 000 labels can be printed.

Charles Lemond was the name of

Continued on Page 2

KWV

(3) WINE

Continued from Page 1

BD 6/6/97

the fake champagne sold at the auction in Cape Town.

Under point five of the memorandum, van Staden tells Toua to "remember SA must not appear on any packaging material, also not the name of the suppliers (of the materials)". There is no printer's identification on the Charles Lemond labels.

The agriculture department's directorate of plant and quality control, responsible for regulating wine imports, told a potential buyer in a fax in August 1993 it "cannot confirm that this wine was made according to the Methode Champenoise". The product could not be offered for resale in SA, and anyone doing so would be prosecuted.

The directorate's head, Andries Tromp, said yesterday he remembered the sale "vividly". His directorate had been asked by customs and excise to verify the beverage as champagne, but as no import permit was available, it had been unable to do so.

Customs and excise had been told to inform buyers that the champagne was fake. He had no idea of the product's origin, "it came out of the blue".

See Page 5

Hanekom reacts to alleged KWV scam

BD 6/6/97 (3) WINE

Stephen Laufer

LAND and Agriculture Minister Derek Hanekom expressed astonishment through a spokesman yesterday at the allegations that the Koöperatiewe Wijnbouwers Vereeniging (KWV) and its senior officers had been involved in a scheme to pass off their sparkling wine as French champagne.

The minister's legal adviser, Steven Goldblatt, said that Hanekom, who is travelling in South America, was astounded at the allegations. Hanekom believed they should be investigated at the highest level, and might refer them to the Office of Serious Economic Offences.

He would also consider appointing a commission of inquiry. He believed that sufficient legislation was in place to deal with the allegations should they be substantiated. He said the allegations should not have any bearing on the present- litigation between the minister and KWV over the co-operative's privatisation.

The scam could involve KWV and several of its senior staff in civil and criminal litigation with the potential of millions of rands in fines and damages, a lawyer who was familiar with commercial legislation and treaties said yesterday. It could also embarrass senior officials responsible for a customs and excise sale in which the fake drink was sold to the SA market, if it is shown that they aided KWV knowingly in offloading the fake champagne onto the SA market.

The customs officials had been informed that the product was counterfeit, the agriculture department's directorate of plant and quality control head, responsible for regulating imported wines, Andries Tromp, said yesterday. But a buyer said he and others had not been informed that this was the case.

Fake SA Champagne under the Charles Lemond label, right, was sold in the same heavyweight bottles as real premium brands like Taittinger.

Besides possible liability under the Merchandise Marks Act, KWV may be open to prosecution for fraud because the sparkling wine was passed off as champagne, which it was not. The company could also be liable under World Trade Organisation (WTO) rules to which SA is a party, and which require that international marques be respected.

Contravening WTO rules has the potential to damage SA's international standing as an investment destination just as crucial international trade mark issues from the sanctions era appear to have been resolved, if action is not taken fast. It may also place a large question mark over KWV's integrity as it battles with Hanekom over its bid to privatise.

Any contraventions of the Merchandise Marks Act are fineable per each fraudulent item, and KWV could find itself paying a penalty for every bottle of SA sparkling wine labelled as from Epernay in the champagne region of France.

As a parastatal regulatory authority, KWV, with several representatives on the Wine and Spirit Board, has a direct role in checking the authenticity of imported alcoholic beverages. The board also implements the so-called 1935 Crayfish Agreement in which SA specifically undertook to protect the integrity of French wine in return for a guaranteed market for crustaceans.

Because it was falsely labelled as French champagne, the Charles Lemond sparkling wine sold at a customs and excise auction in Cape Town directly contravened the Crayfish Agreement. It also used the most highly protected of all French trade marks — champagne — apparently contravening the Merchandise Marks Act and WTO rules.

Tromp said yesterday he remembered the sale of the Charles Lemond at the Cape Town customs and excise auction "vividly". Customs and excise asked his directorate to verify the beverage as champagne, but as no import permit was available it had been unable to do so. Customs and excise had been told to inform buyers that the champagne was fake.

Hartenberg wine estate's marketing director James Browne said yesterday that he had been among the buyers at the auction. Customs and excise had not informed buyers that the Charles Lemond was not the authentic product.

"It was sold as champagne; that is what got me there. The unwritten understanding was that the orderer had not cleared the champagne through customs, or that it had been confiscated."

He said the sparkling wine had not held its own in comparisons with real champagne. He also found the brand name had never been mentioned in any periodical.

Details from the KWV documents indicate the company knew what the nature of its relationship with Kim Hartmann and Marc Reyes, their partners in "Project Spark", was, and that it was passing off counterfeit champagne.

A fax from Van Staden to Reyes in Paris dated September 6 1990 headed "Charles Lemond" says: "This product will not be ready for shipment till about October 8 1990." It requests Reyes to "urgently advise who the importer of Paul Lambert and Charles Lemond is".

In a fax headed "Project Spark II" dated November 29 1990, Van Staden said "we are prepared to sell 1 454 cases of above product FOB Bremmerhaven", presumably the German port of Bremerhaven.

KWV's share of the selling price would be \$45,50 a case plus freight to the US, plus freight from the US to Bremerhaven, plus interest. Transport costs quoted show the product was initially bound for the US, but appears to have been turned back.

French journalist Jean-Moise Braitberg later reported that the US Bureau of Alcohol, Tobacco and Firearms, the regulatory authority for imported alcoholic products, had reported to the French agricultural attache in Washington that 2 000 cases of Charles Lemond had been detected in the US. California Clearing of Tustin had imported them with fake origin certificates allegedly stolen from the Bordeaux chamber of commerce.

California Clearing worked regularly with Vaghi, the man behind the original Moët scam. The Bordeaux certificate numbered 003145 issued to Conway Trading, a company connected to Vaghi's employee Hartmann, was for 1 454 cases of alleged champagne.

A fax Van Staden sent on February 11 1991 says that at a January 10 1991 meeting in Paris, Reyes had mentioned "that 80% of SPARK had already been sold by supermarkets and that they would pay for the quantity they had sold". Van Staden asked when the money was expected.

On June 18 1991, Van Staden faxed an offer of 1 454 cases of sparkling wine at \$45 a case of 12 bottles free on board Cape Town, apparently the same shipment the KWV earlier tried to sell in Bremerhaven. Agent Fritz Coetzer was to receive \$15 a case as commission for their sale. It is possible that this was the sparkling wine sold as champagne at the customs and excise auction.

The Charles Lemond was bottled in premium-grade 900g bottles normally used only for top brands such as Moët et Chandon or Taittinger. KWV imported the bottles from France although it would not have needed them for locally produced sparkling wine declared as such.

It also ordered a laser code marking system capable of printing serial numbers onto each bottle, a method used by producers of better champagne to counteract counterfeiting. KWV is unlikely to have needed the R250 000 machine to mark its own products. In October 1990, KWV signed an undertaking that the printer was for its use only and it would not be made available to police or military entities in SA or Namibia.

Star 7/6/97

Claims about wine sold as champagne 'unfounded'

(3) WINE

Cape Town – Allegations that KWV tried to sell thousands of cases of its sparkling wine disguised as French champagne in Europe and the United States were of a serious nature and potentially damaging to KWV's reputation and goodwill, the wine co-operative said yesterday.

"Obviously KWV will have to consider its legal options with regard to this matter," KWV said.

The group was responding to newspaper reports yesterday claiming that the sparkling wine was dumped on the South African market after US authorities rejected attempts to sell more of the drink in the US.

Auction

The reports, said to be backed by company documents, said the alleged scam was approved by senior KWV officials in July 1990, but went awry after US authorities refused further imports.

The excess was allegedly sold as champagne at a customs auction in Cape Town.

KWV said it was amazed it once again had to face "unfounded allegations" about illegal champagne deals.

"Similar allegations appeared in the local and international media as far back as five years ago and were extensively investigated by the South African police in Cape Town," the wine co-operative said, adding it had given its full support and co-operation to the investigating team. – Sapa

KWV accused of racist practices

ARG 7/6/97 (3) WINE

Co-op investigates allegations

THABO MABASO
BUSINESS REPORTER

Embattled wine co-operative KWV has now been accused of racist employment practices.

The co-op, which hit the headlines this week when press reports claimed that KWV tried to pass off thousands of cases of sparkling wine as French champagne in the early '90s, has now been accused of racism by several former employees.

A spokesperson said racist practices were not possible in terms of KWV policy and procedures because current South African labour legislation was applied as a minimum standard.

The co-op would need time to investigate the matter fully before commenting further, he said.

Two black managers who resigned last month and who did not want their identities revealed, cited KWV's attitude towards black employees as a reason for their departure.

They said blacks at the co-op were generally assigned menial jobs and were subject to constant "racist" jibes from white managers.

It is alleged that racist remarks were behind the dismissal of a Food and Allied Workers' Union (Fawu) shop steward, Samuel Mvundlela, who was involved in a fist fight with a white manager last year.

Mr Mvundlela was dismissed in October after a company disciplinary hearing found him guilty of misconduct.

The white manager who allegedly called Mr Mvundlela a "kaffir" is said to be still working at his job.

Mr Mvundlela, who says he was unfairly dismissed, has taken his complaint to the Independent Mediation Services of South Africa (IMSSA) for mediation.

Fawu's Boland acting secretary Sebastian Julie said KWV had offered Mr Mvundlela R7 000 as a settlement in the case.

William Nqgolobe, who worked for KWV as a temporary machine operator for 18 months, said he had been dismissed at the end of April without notice after speaking out against racist practices.

"All the hard and dirty work is given to black workers at KWV," he said.

Mr Nqgolobe said he queried the constant use of Afrikaans to communicate with black workers, whose understanding of the language was minimal. He had also asked why black temporary workers were always overlooked for permanent posts.

"These are obviously very serious allegations, and in terms of KWV company policy and procedures it is not possible for these practices to occur, as current SA labour legislation is applied," the KWV spokesman said.

'Bubbly smear a bid to dull KWV sparkle'

AFG 7/6/97

(3) WINE

The KWV has said allegations that it tried to sell thousands of cases of its sparkling wine disguised as French champagne in Europe and the United States were of a serious nature and potentially damaging to its reputation and existing goodwill towards the co-operative and its products.

"Obviously the KWV will have to consider its legal options with regard to this matter," the group said yesterday.

"This appears to be part of a campaign to discredit the KWV locally and internationally while it is in the process of conversion to a company and on the eve of important negotiations with Land and Agriculture Minister Derek Hanekom, which will affect the future of the total South African wine industry," the group said in its reaction to the allegations.

The KWV was responding to newspaper reports yesterday claiming that the sparkling wine was dumped on the South African market after US authorities rejected attempts to sell more of the drink in the United States.

The reports, which are said to be backed by company documents, claimed the alleged scam was approved by senior KWV officials in July 1990, but went awry after US authorities refused further imports.

'This appears to be a campaign to discredit the KWV on the eve of negotiations'

The excess liquor was then allegedly sold as champagne at a customs auction in Cape Town.

The KWV said it was amazed that it had once again to face "unfounded allegations" about illegal champagne deals.

"Similar allegations appeared in the local and international media as far back as five years ago and were extensively investigated by the SA police in Cape Town," the wine co-operative said, adding it had given its full support and co-operation to the investigating team.

Questions were answered and affidavits were submitted.

The co-operative said the attorney-general had decided not to prosecute anyone, including the KWV, because of evidently unsubstantiated claims and allegations.

The wine co-operative said it was again confronted with the allegations by a Johannesburg newspaper's wine columnist about two years ago.

"At the time, as is the case now, our reaction was that the law should follow its usual course.

"To our knowledge, the information was not used in any report.

"If any new information has become available in the meantime, it should be taken up with the authorities," the KWV said. – Sapa

Police, revenue service intend to investigate sale of fake Champagne

(3) WINE

Stephen Laufer

POLICE and the SA revenue service have said they intend investigating allegations that the KWV sold fake Champagne in the early 1990s.

The head of the Western Cape's Office for Serious Economic Offences, Adv Tommy Prins, said he had discussed the issue with director Jan Swanepoel. They were interested in the case but could investigate only if it was referred by an affected party or the justice minister.

The KWV said on Friday it would have to consider its legal options, but again failed to issue a statement by the company officials implicated in the scheme. The co-operative had earlier said it was unable to respond to initial reports because it wanted to discuss the allegation with the head of KWV international, Jakobus van Niekerk, who was unavailable.

SA revenue service commissioner Trevor van Heerden said initial investigations indicated that the proceeds of a customs auction at which 1 423 cases of fake Charles Lemond Champagne were sold in Cape Town in late 1992 had gone into the state fiscus. But he was "looking for clear documentation it was paid in and that no benefit had accrued to the KWV".

Senior Supt Gerhard van Rooyen, the commander of the commercial crime branch of the SA Police Service in the Western Cape, said his unit had investigated allegations of KWV involvement in the printing of counterfeit Moët et Chandon labels between mid-1993 and late 1994. It appeared after Friday's news reports that new information had come to light, and there was a need to compare information in the docket with the news reports before discussing the matter with the attorney-general.

Company documents show that the KWV (Koöperatiewe Wijnbouwers Vereeniging), which regulates the SA wine industry, tried to sell thousands of cases of sparkling wine labelled as Charles Lemond and Paul Lambert Champagne in the US and European. It was then auctioned in SA.

BD 9/6/97

Van Heerden confirmed on Friday that 1 423 cases of Charles Lemond had been auctioned at an SA customs sale on November 17 and 18 1992 in Cape Town. This was almost the exact number offered by Neil van Staden, the company's export manager, in Bremerhaven and then to an SA broker. Van Staden had tried earlier to move 1 454 cases of Charles Lemond in Germany and then via the SA intermediary.

Van Heerden said preliminary in-

Continued on Page 2

Champagne

(3) WINE

Continued from Page 1

BD 9/6/97

vestigations showed the goods' origin was unknown, and they had been auctioned off as uncleared goods.

The agriculture department's quality control directorate, responsible for approving imported alcoholic beverages, had certified the goods as "potable sparkling wine". Auctioneers had announced that the purchases were for private consumption only.

One of the buyers, Hartenberg wine estate marketing director James Browne, said purchasers had not been informed that the product was not genuine. But the agriculture department's quality control chief Andries Tromp said last week he had told customs officials the wine was not real Champagne despite its labelling as such.

Van Heerden said he wanted to "dig deeper" on what customs officials had known about the wine's origins, and what buyers had been told.

The KWV said on Friday it was "amazed that it must once again face unfounded allegations with regard to certain illegal champagne deals". The allegations had surfaced as far back as five years ago and the attorney-general had declined to prosecute.

"This, however, appears to be part of a campaign to discredit the KWV locally and internationally while it is in the process of conversion to a company and on the eve of important negotiations with Land and Agriculture Minister Derek Hanekom, which will affect the future of the SA wine industry."

Meanwhile, **John Dludlu** reports that government has confirmed Van Niekerk is heading SA's delegation in talks on on a wines and spirits agreement with the European Union. "There's no secret about it," an agriculture department spokesman said.

Comment: Page 11

KWV to investigate fake Champagne

BD 13/6/97

③WINE

Stephen Laufer

THE KWV has admitted it could have been involved in a plan to sell thousands of cases of SA sparkling wine disguised as French Champagne in the US and Europe, some of which was later sold on the local market.

The board of the Koöperatiewe Wijnbouwers Vereeniging (KWV) said yesterday the co-operative "could possibly have assisted such an agent to label products on his behalf in a manner which concealed its SA identity". An internal investigation would be launched.

The agent referred to could be Kim Hartmann or Marc Reyes, both mentioned in KWV documents as the prospective buyers of between 10 000 and 20 000 cases of falsely labelled SA sparkling wine.

The admission by the KWV follows denials in which it said a police investigation in the early 1990s had cleared it of any wrongdoing. It also said it was contemplating legal action against newspapers reporting the allegations.

The SA Police Service Western Cape commercial crime squad said last week it was looking at reopening the investigation. The case is also being investigated by the SA revenue service and could be referred to the Office for Serious Economic Offences, which has expressed interest in it.

Inland revenue commissioner Trevor van Heerden said he wanted proof that the proceeds of a 1992 customs auction, in which 1 423 cases of fake Charles Lemond Champagne were sold, had gone to the state fiscus.

KWV spokesman Theo Pagel said the board had expressed the "serious wish to come clean — it is the only way we can deal with this can of worms which is hurting us on the market".

The co-operative said the price-quality ratio of KWV products during the sanctions era had left considerable room for other parties to purchase these products legally and then to

Continued on Page 2

KWV

③WINE

BD 13/6/97

Continued from Page 1

make new or amended claims of origin to suit the target market.

But company documents — faxes and internal memorandums signed by KWV export manager Neil van Staden — suggest the KWV was the driving force behind the scheme. It imported French Champagne bottles and Portuguese corks with the word "Champagne" imprinted on them, and had the fake labels printed locally.

It is understood a preliminary internal investigation this week convinced the KWV board of the need to make further inquiries. It said it would do everything in its power to obtain "full details with regard to allegations that it had been involved in an illegal transaction during the 1980s", and to make the information public.

KWV documents show that the plan to sell fake Charles Lemond and Paul Lambert Champagne was in full swing as late as 1990 and 1991.

The KWV's internal investigation would be conducted at the highest level and with the greatest degree of urgency. The board was convinced it would get the full co-operation of Van Staden and other employees reportedly involved in the scheme.

Among those named in the documents as having approved of the fake Champagne plan are Jannie Retief, now deputy head of KWV international, and Jakobus van Niekerk, head of KWV International.

Wines travel troubled trade waters

(3) WINE

FOREIGN SERVICE

ARG 14/6/97

Brussels – South Africa is under strong pressure from the EU to stop calling its port "port" and its sherry "sherry".

The Europeans are seeking to get these names dropped as part of a wider accord on trade in wines and spirits.

This is one element in an overall trade and co-operation package under discussion between the EU and Pretoria.

South African officials say they are resisting EU demands over the names of port and sherry.

"We did not steal these names," protested SA Ambassador in Brussels Elias (LT) Links.

"We have a history of winemaking which goes back centuries, and these names were brought from Europe by winemakers at that time.

"They are as much a part of our tradition as they are part of European tradition and we feel quite strongly about this."

The negotiations are also looking at additives used in winemaking, with the EU seeking to get some banned.

However, Australia was able to fight off such demands, and SA hopes to do the same.

There is also a problem concerning Vin de Constance – one of the few wines President Mandela enjoys.

Made at Klein Constantia in the style of the very first South African wines produced when the Cape was settled by the Dutch, Vin de Constance is stronger than the EU's maximum strength for a wine, and is technically banned.

However, most EU states – with the exception of the British – have ignored the rules.

SA wines show new sparkle in Europe

(BR) (3) WINE

FRANÇOISE BOTHA

Johannesburg — Export markets apart from the UK were showing significant opportunities for the South African wine industry, said Jane Hunt, the British master of wine and UK director of Wines of South Africa, the country's generic wine promotion organisation.

Speaking at a wine marketing conference during the recent London Wine Trade Fair, Hunt said that while the UK market accounted for 47 percent of the country's wine exports, Germany, the Benelux countries, Scandinavia and Canada were leading the field in terms of new market interest.

Commenting on the wine market in the UK, Hunt said exports of South African wines between 1990 and 1996 had "far exceeded all expectations".

Export case volumes climbed from 242 000 in 1990 to 3,8 million last year. That gave South Africa a 4,9 percent share of the UK market in volume terms and a 5 percent share of that market in value terms.

South Africa's reputation for quality helped significantly in the marketing of wine

Hunt said market research undertaken last year showed UK wine trade and consumers were positive towards South Africa.

The research also showed their expectations of the country's wines were high.

"By following a quality route and differentiating itself from other New World wine producers — especially Australia — it is believed South Africa has greater potential in terms of goodwill than any other producing region and could anticipate considerable success in the UK for the longer term," she said.

This followed a definite move by consumers away from supporting traditional European producers towards wines of New World origin.

"This trend was initiated by Australia, and South Africa, the latest arrival on the market, is seen to have grown to a greater importance than all the others, except Australia, in a very brief time. There is also a belief that the general nudge upwards in price, successfully achieved by Australia in the last two years, will become a more general trend and one from which South Africa could also benefit," she said.

Members of the UK wine trade indicated that there was great interest in South African wines, especially because of the availability of inexpensive white wines which dominated sales and provided an appropriate entry point to the market.

The growing number of small estates also played a role because they allowed for marketing at higher price levels.

South Africa's reputation for quality, especially the quality of its fruit, also contributed significantly to the marketing of wine.

South Africa's vineyards, which span approximately three times the area of New World rival Australia, are not extensively planted with varieties favoured by international markets.

Hunt said there was, however, a planting programme under way which included the "big six" varietals like merlot and chardonnay, which were in demand internationally.

Regular wine consumers also indicated the UK was a highly receptive market for South Africa.

The core group which participated in the research represented 12,5 percent of the UK adult population, or 6,9 million people.

Hunt said "most consumers were neutral about purchasing South African goods".

However, some of those polled "actively indicated a desire to help the country get back on its feet", she said.

CT (BR) 17/6/97

Champagne and KWV: Parliament query

ARG 20/6/97

(3) WINE

LLEWELLYN JONES
BUSINESS REPORTER

The KWV has come under the spotlight from Parliament's Portfolio Committee on Agriculture, Water Affairs and Forestry.

Yesterday the committee asked chairperson Janet Love to find out if there was an investigation into the cooperative's alleged participation in a champagne scam in 1991, with a view to asking the Office for Serious Economic Offences (OSEO) to look into the matter.

This followed a motion, tabled by ANC members, in response to recent newspaper reports that the Paarl wine co-operative tried to sell thousands of cases of sparkling wine disguised as champagne.

But confusion reigned in the committee over whether or not there was an investigation currently underway.

Emmanuel Schoeman of the National Party gave the committee his assurance that there was an investigation underway, but other members questioned this as they had seen no press reports to confirm this.

Tommy Prins, the Western Cape director of OSEO, told the Cape Argus that he had made preliminary enquiries but had not yet received an official request to launch a formal enquiry from any of the affected parties.

"We can't investigate in a vacuum," Mr Prins said, adding that there was no police investigation into the matter either to the best of his knowledge.

KWV chairman Lourens Jonker said the cooperative would welcome any investigation and would give any assistance which might be required.

KWV at first denied the allegations but said last week that it would launch its own internal investigation into the alleged champagne scam.

Wyndham Hartley

Economic offence body may investigate KWV disclosure

(3) WINE

CAPE TOWN — An investigation by the Office for Serious Economic Offences (OSEO) looms for the KWV co-operative after a meeting of Parliament's agriculture, water affairs and forestry committee yesterday.

A motion from the African National Congress (ANC) before the committee asked for approval for a call to the office for an investigation into the disclosure that sparking wine was marketed as champagne in the early '90s by the KWV.

The committee decided it would hold back its motion until it had been established whether police had reopened an investigation of the allegations.

The resolution before the committee said the office should investigate the matter because of the enormous damage the allegations were doing to SA's image abroad, to the wine industry as a whole and to the tourism industry in the Western Cape.

National Party MP Manie Schoeman said police were investigating the allegations and that the co-operative was co-operating fully with them.

He said the alleged fraud happened more than five years ago when sanctions against SA agricultural products were still in place. He asked whether it was the intention of the committee to investigate all sanctions-busting activities.

Schoeman said sanctions-busting had been necessary at the time and referral of the matter to the OSEO should not be approved because it would preempt the police investigation.

Committee chairman Janet Love (ANC) said the seriousness of the allegations against the KWV went to the "heart of our international standing" because it was about fraud and faking French champagne.

She said she could not see how these alleged actions by the KWV could have helped SA producers sell their products.

ANC MP Jonathan Arendse said it was not the committee's job to sit in judgment which was why there was a recommendation for OSEO to get to the bottom of the matter. He said the committee had to be certain police were investigating.

BD 20/6/97

Major social housing project launched

BD 20/6/97

Robyn Chalmers

A MAJOR social housing project was launched near Johannesburg's city centre yesterday by the Johannesburg Housing Company as government's social housing policy begins to get under way.

Housing Minister Sankie Mthembi-Mahanyele said yesterday the Jeppe Oval project in Jeppe was the first scheme where government's institutional subsidies were used to provide greenfields rental stock.

"This project is adding more than 240 new units to our housing stock, as well as meeting needs for the provision of affordable, well-located and decent housing."

She said that between December 1995 and last month, the housing department had reserved 2 228 institutional subsidies, which was less than 0,5% of the more than 555 000 subsidies reserved overall.

There was strong interest in institutional subsidies coming from local authorities who were looking to increase the amount of affordable rental stock available from their constituencies.

Gauteng housing and land affairs MEC Dan Mofokeng said that the province was paying close attention to the city centre and was looking particularly at quality and management.

"We are concerned about the standards of products being delivered ... and we are grappling with the management of housing projects. Unless we have proper management, housing stock will deteriorate and payments become a problem," he said.

The standards being prescribed by local authorities for services were eating into the funds available for top structures, and Mofokeng said the housing subsidy, which was introduced in 1994, should be worth at least R19 000 by now as compared against the current R15 000.

Mofokeng said continuing disputes between landlords and tenants in the inner city had to be regulated, and the Residential Landlord Tenant Act would be implemented by August 1997.

Gauteng provincial and local authorities had embarked on a number of projects to improve the city centre, including the inner city housing programme which comprised of 1 400 units at a cost of R20m in subsidies plus 600 transitional units involving R8m in subsidies.

"There are seven institutional housing projects in Johannesburg's inner city, representing 1 061 housing units amounting to R10,6m," he said.

Economic offence body may investigate KWV disclosure

3 WINE

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BD 20/6/97

Competition Board will add SAB to liquor study

(3) WINE (252) CT (MR) 30/6/97

From Reuter

Cape Town — The Competition Board has decided to broaden the scope of its investigation into the liquor industry to focus on KWV and South African Breweries (SAB), Pierre Brooks, the board's chairman, said on Friday.

Brooks said he planned to investigate the effects of KWV's plans to convert itself into a company. He would also focus on shareholdings by KWV and SAB in enterprises with which they compete, SAB's distribution system and "other related matters".

The industry has been hit by controversy recently. Derek Hanekom, the agriculture minister, took legal action to prevent KWV's move because he wanted clarity on how it would affect the wine industry and its assets.

Brooks said he also wanted to investigate an agreement between KWV and the Cape Wine and Spirit Institute, which had initially also opposed KWV's moves to become a company.

SAB dominates the South African beer market and has been engaged in a war of words with Namibian Breweries, which has been making steady inroads into the market.

Brooks said the apartheid-era government had rejected certain reforms the board recommended for the liquor industry in the 1980s, and approved a corporate structure that still existed today.

He said "political considerations" probably influenced the decisions taken at that time.

In 1995, the board decided to investigate the industry again because of "developments ... which require it to have a more specific enterprise and issue focus".

Wine route 'at risk'

CT 4/8/97 (3) WINE

CHRIS BATEMAN

MANY outlets on the Cape's famous wine-route may have to close their doors to the public unless the proposed new liquor laws are changed.

In terms of the draft bill, farmers will be allowed only to retail their own wines, from grapes grown by them, and then only on their own farms.

This means the potential demise of local co-operatives such as Stellenbosch wine route's Vlottenberg, De Helderberg, Lievland, Simonsvlei, Koelenhof, and Eerste Rivier, Wellington's Bo-vlei, Drakenstein and others.

The draft bill will convert all existing liquor licences into exclusively either manufacturing, wholesale or retail, forcing businesses to reduce operations to a single type of licence. The bill has also seen a huge outcry by the very people it is designed to help — taverners and shebeeners.

● See Page 5

Wine farmers 'not worried' by dry spell

BD 6/8/97

Samantha Sharpe (3) WINE

CAPE TOWN — Western Cape wine farmers were not unduly worried about unusually low rainfall last month, although the 1997/98 crop's future did hinge on the weather in the next few months, KWV manager extension services Jan Booysen said yesterday.

July rainfall as measured at the Stellenbosch Wine Institute was a mere 30,4mm compared with the 30-year long-term average of 120mm. Levels were last as low in 1959.

Booysen said the wine growing areas had enjoyed sufficient cold weather in April, May and June so as not to warrant concern. "At the same time, local dams are still very full — in fact more than at the same time last year."

Problems could arise, though, if the dry spell in July continued this month, with the possibility of late frost also a threat to the upcoming harvest. On the harvest's projected size, Booysen said it was still far too early for estimates.

Industry may go to court to extract data

Wine makers challenge bill

CT (BR) 14/8/97 (3) WINE

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The wine industry may contest in the Constitutional Court a decision by the department of trade and industry to withhold the names of the parties who supplied input and submissions on which the draft liquor bill was based.

The industry requested access to all submissions made to the department to allow it to prepare a "considered response to the bill" and "engage in a proper discussion with the department on the draft", Andre Steyn, a representative of the Cape Wine and Spirits Institute (CWSI), said yesterday.

The CWSI represents wholesalers in the industry including Douglas Green, Bellingham, Gilbeys and Mooiuitsig. It asked the department to decide by last Friday whether to grant access to all information.

At a meeting between the department and the Liquor Initiative Forum on Monday, department officials told the wine industry its request had been refused on the grounds that the inputs were confidential.

The forum on Monday met Alec Erwin, the minister of trade and industry, to clear up the status of the forum's proposals for a new liquor law, which was thrashed out over two years.

The proposals were presented to government, but completely ignored in the draft liquor bill. In its place the draft bill contained ideas which had never been discussed in any forum or with the trade unions, Steyn said.

The industry was uncertain about the status of the draft bill after national department officials said it was a discussion document, while officials of some provincial governments viewed it as the government's formal position on the issue, he said.

"The wine industry cannot prepare a considered response without knowing the status of the document and on whose ideas it was based. But we are going ahead and will present our response on September 4," Steyn said.

Govt may be entitled to KWV assets

③WINE

BD 19/8/97

Samantha Sharpe

CAPE TOWN — Wine co-operative KWV's statutory powers had allowed it to accumulate more than R800m in assets, to which government might be entitled in the event of the co-operative's planned privatisation, it emerged in the Cape High Court yesterday.

The R800m figure was one of the findings of the long-awaited Wainer report into the acquisition and application of KWV's assets being used as evidence in the legal battle between the co-operative and the agriculture ministry over KWV's restructuring plans.

It is the second such report, the first having been discarded after it produced evidence which could have supported KWV's privatisation initiatives.

Agriculture Minister Derek Hanekom alleged in court papers that KWV assets derived from the exercise of its statutory powers could be used only for public purposes and could not be repaid to members in terms of the restructuring plans.

This argument was given weight by the Wainer report, which said KWV benefited under the Wine and Spirit Control Act, in terms of which it was responsible for the management of a pooling mechanism making KWV the industry's buyer of last resort.

The report's investigation covered KWV's financial records over a period of more than 75 years.

"The pooling mechanism has contributed substantially to KWV's net asset wealth. It has also contributed to KWV's viability and commercial sustainability, which ... may not have been possible were it not for statutory powers," the report said.

"The net asset value derived by KWV from the pooling mechanism has been computed as being at least R803m in current value terms. This benefit would not have arisen in the absence of KWV's statutory powers."

While KWV had refused to provide "certain documents relating to its financial affairs", it appeared the co-operative's total value exceeded R1,5bn, based on its version of the fair value of its investments, the report said. However, alternative valuation bases, including those on earnings models, indicated a value for KWV of more than R1,8bn, it said.

KWV downplayed the Wainer report, saying that the co-operative's origins were contractual, not statutory and that assets accrued under the pooling mechanism belonged to members.

"What the respondent (the minister) is contending is that KWV is a public authority exercising public power and that the money you make belongs to the state.

"Certain provisions of Act 91 of 1981 make it clear, we submit, that the state has no control or say of any nature in respect of the manner in which the KWV deals with its profit," it said.

"It is not uncommon for governments to look with envy at successful private enterprise and this is no exception ... (government) wishes to enrich itself at the expense of the Cape wine farmers without compensation."

The matter continues today.

State says it wants R800m from KWV

(3) WINE

CHRISTO VOLSCHENK

CT(BR) 19/8/97

Cape Town — The net asset value of KWV, the wine co-operative, was just short of R2 billion, of which R800 million belonged to the state, the Cape high court heard yesterday at the resumption of KWV's attempt to get court sanction to convert from a co-operative to a public company.

The case was postponed in April this year to give Derek Hanekom, the agriculture minister, time to file papers that explained his concerns about the proposed conversion.

In July Hanekom filed a report by Fisher Hoffman Sithole, the auditing firm, that alleged KWV had acquired R800 million of its assets because of the statutory powers it had enjoyed as the regulator of the industry. As such, this money was public property.

Yesterday the court heard that the government wanted R800 million to be paid to the state and not to the members of KWV. KWV's legal team dismissed the claim, saying it would amount to expropriation of assets by the state without compensation.

No official claim has yet been laid by Hanekom for the amount, but, according to sources, KWV recently offered to pay the state R50 million for an out-of-court settlement, which was rejected.

The Fisher Hoffman Sithole report was the first attempt to put a figure to the assets built up over the years under the so-called surplus system, which required KWV to market surplus wine abroad.

The asset buildup in the 75 years since KWV got statutory powers in 1924 were "quantified with various complex multi-variable computer models", the auditors said.

KWV's legal team yesterday spent the day in court building their argument that KWV was not a state-owned institution, that its assets were not state-owned and that the calculation of the R800 million was flawed.

Hanekom wants R800-m to let KWV off the leash

ARG 19/8/97 (3) WINE

DENNIS CAVERNELIS
High Court Reporter

Minister of Agriculture Derek Hanekom is claiming R800-million from wine co-operative KWV, which wants to convert to a company.

Mr Hanekom says the money represents assets the co-op accumulated in its role as regulator of the Wine and Spirits Control Act, the Cape High Court has heard.

KWV is asking the court to sanction its conversion from a co-operative to a company.

Philip Ginsburg, SC, for KWV, said yesterday Mr Hanekom was contending that "KWV is a public authority and exercises public power ... he moves from that false premise to another – that once you exercise public power, the money you make belongs to the state.

"The state has quantified that in the amount of R800-million. Until the minister is satisfied that R800-million is secured, the conversion cannot take place."

Mr Ginsburg said the assets required by KWV for the administration of the Wine and Spirits Control Act "consist mainly of vehicles, furniture and computers, with a book value of about R1,3-million".

Mr Justice D Chetty is on the Bench, Mr Ginsburg and H Botha appear for KWV, and T Beckerling, SC, and D Unterhalter appear for the minister.

Fears of wine free-for-all

ARG 20/8/97 (3) WINE

DENNIS CAVERNELIS
High Court Reporter

The agriculture minister claims the wine industry will be left unregulated if KWV is allowed to become a company, the Cape High Court has heard.

But Philip Ginsburg, counsel for KWV, said, in response to the contention by Derek Hanekom, that in its new form as a company KWV would take on all the "rights, assets and obligations" of its previous incarnation – including the regulation of the Wine and Spirits Control Act.

Mr Ginsburg was arguing in KWV's application for its conversion to a company to be sanctioned.

The minister, who is opposing the application, claims that R800-million of KWV's assets belong to the state, as it acquired them because of its statutory powers as regulator of the wine industry.

Legislation allowed the co-op to convert to a company and all of its rights, assets and obligations to pass to the new company, said Mr Ginsburg.

Mr Ginsburg said the minister's argument was that the relevant legislation "does not contemplate the transfer of statutory powers and regulations" from the co-op to a company, "leaving the Wine and Spirits Control Act unenforcable".

The legislature could not have intended the Wine and Spirits Control Act to "fall down like a house of cards" if the conversion was allowed.

The hearing continues.

AGRICULTURE *Minister's legal team puts case at hearing*

KWV misled members, court told

CT(BR) 20/8/97 (3) WINE

Christo Volschenk
ECONOMICS EDITOR

Cape Town — Members of the KWV, the wine co-operative, might have been misinformed by the management and board when they were asked to vote on the conversion of the company from a co-operative to a company last year, the Cape High Court heard yesterday.

This was the thrust of the argument presented by Agriculture Minister Derek Hanekom's legal team on the second day of the hearing in which the KWV seeks the approval of the court for its proposed plan to restructure.

KWV's legal team told the court on Monday that all the rights and obligations of the KWV would pass on to the new KWV, leaving members in the same position as before.

But yesterday advocate Theo Beckerling, who appeared for Hanekom, told the court "a proper interpretation" of the scheme suggested the new KWV would not have the same obligations towards its shareholders as the existing co-operative had towards its members.

"Wine farmers who are members of the KWV would lose their protected status," he said.

The new company would not be obliged to buy wine from wine farmers, neither would it have to pay the statutory minimum price.

The current arrangement whereby wine could only be bought and sold with a permit would also fall away, allowing wine farmers and wholesalers to sell and buy wine to anyone at any price, he said.

"The existing mechanism, which is partly enshrined in legislation and partly in the statutes of the KWV, would vanish. The members of the KWV might have been misled to believe that their positions would be unchanged," Beckerling said.

A senior official in the KWV's legal department said the KWV disagreed with Beckerling's interpretation of the proposed scheme. The consequences of the plan had been properly explained to members.

The hearing is expected to continue until Friday.

Social fund may solve KWV wrangle

CT(BR) 22/8/97 (3) WINE

Christo Volschenk
Economics Editor

Cape Town — A social fund for the improvement of living conditions of workers in the wine industry was at the heart of an out-of-court solution being negotiated by KWV and the government, industry sources said yesterday.

KWV, the wine co-operative, has approached the Cape high court to allow it to convert to a company, but the government is vehemently opposed to the plan.

Derek Hanekom, the agriculture minister, said yesterday he "would like a fund to be set up which is co-managed by a number of stakeholders, including the KWV and the government".

A hearing to get the conversion plan sanctioned by the Cape high court was postponed on Wednesday. KWV's legal team said it needed time to consider its response to a suggestion by the government's legal team that the members of KWV might have been misinformed about their rights under the new dispensation when they voted overwhelmingly in favour of the scheme last year.

Derek Hanekom

The parties are negotiating the details of a so-called social fund, which is to be set up with money injected by KWV over the next five years. The money for the trust would be skimmed off KWV's profits, and it would not be necessary for KWV to sell any of its assets.

A forensic audit by auditing firm Fisher Hoffman Sithole and commissioned by Hanekom contended that about R800 million of KWV's assets of R1,8 billion had been acquired over the decades thanks to the special statutory powers the KWV received as the regulator of the wine industry in 1923.

Hanekom said yesterday the government did not expect KWV to pay the R800 million in "state assets" over to it, but wanted "a trust to be created for the benefit of the industry".

Sources said yesterday the two sticking points in the negotiations were how much KWV must pay into the social fund and whether the government and KWV should co-administer the fund.

Informed sources put the figure to be injected into the fund by KWV between R200 million and R400 million.

Hanekom said the money could be used for a variety of programmes to improve the lives of wine industry workers.

It is believed social spending priorities would be pensions, housing, schooling, recreational facilities and training facilities. In return the government would give its blessing to KWV's conversion to a company.

KWV, govt ask for delay

3 WINE
BD 27/8/97

Samantha Sharpe

CAPE TOWN — The legal battle between wine co-operative KWV and Agriculture Minister Derek Hanekom over the co-operative's planned restructuring could be nearing an end, a joint request for a postponement of their court case indicates.

The two parties have been in conflict since the KWV's announcement that it planned to restructure and privatise — a move that would see its assets distributed to members.

The KWV said yesterday both parties had asked for a postponement until September 3 following continuing negotiations for an out-of-court settlement. These talks had reached a "very sensitive stage and both negotiating teams have indicated that they wish to consult with their principals", the wine co-operative said.

The KWV declined to comment on the nature of the talks and on a possible outcome, with "both parties having agreed to refrain from commenting in public until such time as finality has been reached regarding this matter".

KWV deal hailed by both sides

Argus 10/9/97 (3) WINE.

The deal to convert the KWV from a co-operative to a public company on December 2 has been hailed as an historic compromise by the co-op and the Government.

Agriculture Minister Derek Hanekom, who signed the agreement at Paarl yesterday, said it was an historical breakthrough while KWV chairman Lourens Jonker said a "win-win-win" situation had been reached.

Both acknowledged it had been a hard and uphill battle to come to an agreement after a High Court battle in Cape Town.

"No one is claiming victory today," Mr Hanekom said. "Despite apparently impossible differences, both parties put the country first and the agreement is a victory for the wine industry as a whole."

In terms of the agreement, a new organisation will be established through the medium of a non-profit Wine Industry Trust, whereby the wine industry will, under the authority of the minister, largely regulate and fund itself.

The trust will comprise all the roleplayers in the industry, including labour, and will not only undertake the functions of the KWV co-op, but will also invest in such areas as:

- Research and development.
- Export promotion.
- Social development projects, training and upgrading of skills of farmworkers.
- Facilitating the entry into the industry of new players from formerly disadvantaged communities, as primary producers.

KWV will make a payment to the trust estimated at R477-million over 10 years, comprising total annual subscriptions of R200-million and contributions to financial and running costs of R277-million.

The minister will assist in acquisition of land for viniculture and other development. – Sapa

KWV and Hanekom settle dispute

(3) WINE

BD 10/9/97

Samantha Sharpe

CAPE TOWN — Wine co-operative KWV's privatisation plans will go ahead following an out-of-court settlement with Agriculture Minister Derek Hanekom which will result in KWV paying R477m to a new nonprofit company responsible for management of the industry.

The parties have been at loggerheads over KWV's plans to restructure into a private company, with the establishment of the section 21 Wine Industry Trust effectively smoothing the conversion process. Government claimed in court papers that it was entitled to certain assets KWV had accumulated as a statutory body.

In terms of the agreement, KWV will pay R477m to the trust over a 10-year period, of which R200m will be from annual subscriptions and R277m a contribution to financial and running costs. With additional input from other industry players this is expected to grow to more than R500m.

The agriculture ministry will retract its opposition to the restructuring plans and assist in the acquisition of appropriate land for viticulture and other development purposes.

In a joint statement yesterday, the ministry and KWV said the funds would be used for research and advisory services, encourage training, support the wine industry's export drive, promote the entry of new farmers and other "various services ... especially to the labour community on wine farms".

The trust would be managed by a board of directors representing interested wine industry parties as determined by the minister and run by a professional manager and a small staff complement appointed by the board.

KWV MD Willem Barnard said industry services already provided by KWV and the SA Wine and Spirit Exporters' Association would be contracted out by the trust on a tender basis following a five-year transition period during which KWV would continue to manage the industry. This would prevent duplication of services.

On the investigation by the Competition Board into KWV, Barnard said this would probably form the basis of the trade and industry minister's plans to restructure the Wine and Spirit Control Act. "Competitive positioning and partial industry stratification will form part of that exercise."

He said KWV, while under no formal obligation to do so, would use the privatisation process to fund expansion internationally and would not attempt to compete locally — the possibility of which had raised alarm among local distributors.

"The international market is far more attractive than the domestic market, especially given the benefits of a weaker rand, and is such a huge market that our ability to win market share at little additional ... spend is very good."

Hanekom said he was pleased with the new development, as well as with KWV's contribution, and he was happy to withdraw his opposition to the KWV's conversion into a company, which is scheduled for December 2.

"No single party is claiming victory; jointly this is a great victory for the wine industry and for our country."

DRINKING PARTNERS *Lourens Jonker, the KWV chairman, left, and Derek Hanekom, who say the settlement includes setting up the Wine Industry Trust* PHOTO: ANDREW BROWN

CT(BR) 10/9/97

KWV settles out of court

③ WINE

CHRISTO VOLSCHENK

Cape Town — KWV would pay membership fees of R477 million in the next 10 years to a Wine Industry Trust established to develop the wine industry and promote the entry of new farmers, Lourens Jonker, the wine co-operative's chairman, and Derek Hanekom, the agriculture minister, said in a joint statement in Paarl yesterday.

The payment is part of an out-of-court settlement reached by the KWV and the government in the court battle over the ownership of KWV's assets. The fight followed KWV's announcement last year that it intended to convert from a wine co-operative to a private company.

In terms of the settlement, the government would withdraw its objection to the conversion plan from the Cape High Court and drop its demand to be given R800 million of the KWV's total assets, estimated at R1,8 billion.

The conversion plan is expected to be rubber-stamped by the Cape High Court today, when the government will formally withdraw its objection. The KWV would convert to a company on December 2 this year, Jonker said.

In terms of the settlement the KWV will pay R477 million to the trust, to be set up as a section 21 company and managed by a board of directors appointed by Hanekom.

The state, wholesale trade, organised labour and community interests could also join the trust to bring the total funds available for development to over R500 million, Hanekom said. All the money would be ploughed back into the wine industry.

Hanekom said the settlement "was a positive development for the wine industry, the KWV, workers in the industry and the economy at large".

The industry contributes R10 billion annually to the economy of the Western Cape. It provides 215 000 jobs and is expected to export wine products worth R1 billion next year.

The trust's board of directors would include government representatives, the KWV and the workers in the wine industry. The trust would promote the entry of new farmers by buying land and settling aspirant farmers.

"The trust would sell the land to the farmers as soon as the farmers are financially secure," Jonker said.

The trust would be run by a manager with a small administrative staff. It would concentrate on contracting existing players in the industry to provide research, advisory services, training and welfare services to the trust.

"Existing players would be contracted to avoid duplication of structures," Jonker said.

The members of KWV will not be asked to vote on the settlement reached with government.

R1,8bn bonanza for 7 000 as KWV drops co-op status

CT(BR) 11/9/97 (3) WINE

Christo Volschenk

Cape Town — About 7 000 members and ex-members of the KWV would receive a total of a 400 million shares when the wine co-operative, with an estimated net asset value of R1,8 billion, converts to a company on December 2 this year, the KWV said yesterday.

Willem Barnard, the KWV's managing director, declined to speculate on the amount of wealth that would be transferred to the members and ex-members of the KWV on conversion to a company.

Ex-members included retired farmers and farmers who had sold their farms in the past 15 years.

He said: "The balance-sheet values the wine co-operative at R1 billion, which means each share would be worth R2,50 at the outset, but we would have to wait until the shares have traded to see what value the market places on the KWV."

A report commissioned by Derek Hanekom, the agriculture minister, put the net asset value at R1,8 billion.

This translated into an average wealth transfer of R250 000 for each of the 7 000 members and ex-members.

But the shares would be allocated based on each member's contribution over the years to asset-building at the KWV.

Barnard said: "Shares would be allocated to members and ex-members in accordance to their contribution of grapes to the pooling system over the past 15 years, with big grape producers getting more shares than smaller farmers."

Employees would receive 5 percent of the shares to be issued, with all employees receiving the same number of shares regardless of seniority in the organisation or years in service.

Ex-members and employees would only be able to sell their shares to bona fide wine farmers.

"Shares would be traded by tender through a firm on the JSE and a listing on the JSE could follow in time," Barnard said.

A firm had been appointed but Barnard declined to name it.

KWV link in bubbly swindle

(3)WINE

Omar orders probe

ARG 20/9/97

OWN CORRESPONDENT

Johannesburg – The Office for Serious Economic Offences (OSEO) has been called in to investigate an international fake champagne swindle allegedly orchestrated by senior officials within the Ko-öperatiewe Wijnbouwers Vereeniging (KWV).

KWV, the national co-operative which controls South Africa's wine industry, allegedly tried to sell thousands of cases of its sparkling wine, disguised as French champagne, in the United States and Europe in the early 1990s.

Several senior staff have been implicated in the scam and could be tried for criminal charges of fraud and could face civil litigation for millions of rands.

Champagne is France's most coveted and protected trade mark. Real champagne is produced exclusively from grapes grown in the Champagne district of north-eastern France.

Some of the fake champagne was allegedly off-loaded on to the South African market at a customs and excise sale after a potential foreign buyer had the produce tested and could not determine that it was real champagne.

This week OSEO spokesman advocate Tommy Prins said that his office had received an instruction from justice minister Dullah Omar to investigate the alleged swindle.

"We confirm that an investigation has been instituted in connection with the allegations involving the manufacture and sale of fake champagne," Mr Prins said.

"When you start dealing in the realm of fake champagne, you enter into the realm of the Trade Marks Act and the Crayfish Agreement."

South Africa specifically undertook to protect the integrity of French wine in return for a guaranteed market for crustaceans in 1935.

There have been suspicions of South African involvement in international champagne fraud since the late 1980s.

In 1991, three fraudsters were arrested in Paris in connection with a champagne scam involving operations in Cuba and South Africa.

One of the alleged culprits was stabbed before he could be brought to trial in a case which has never been solved.

In 1993, South African police seized 900 000 fake Moët & Chandon labels which had been printed in Stellenbosch and were awaiting shipment to Panama.

After police investigated the 1993 case, the attorney-general's office in Cape Town declined to prosecute on the grounds that there was insufficient evidence.

Omar orders probe into fake champagne scam

Star 20/9/97 (3) WINE

By JACKIE CAMERON

The Office for Serious Economic Offences (OSEO) has been called in to investigate an international fake champagne swindle allegedly orchestrated by senior officials of the Ko-öperatiewe Wijnbouwers Vereeniging.

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OSEO spokesman advocate Tommy Prins told the *Saturday Star* this week that his office had received an instruction from Minister of Justice Dullah Omar to investigate the alleged swindle. "We confirm that an investigation has been instituted in connection with the allegations involving the manufacture and sale of fake champagne, and anything else connected to this.

"When you start dealing with the realm of fake champagne, you start entering into the realm of the Trade Marks Act and the Crayfish Agreement," Prins said. SA specifically undertook to protect the integrity of French wine in return for a guaranteed market for crustaceans in 1935.

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Wine sales tied up in red tape

③WINE

ELISSA GOOTMAN

CT 22/9/97

SOUTH AFRICAN wines can hit the high notes as well as the low notes, but they can be better marketed overseas without the bureaucratic bungles, says an expert employed "to make South African wines sing in the United Kingdom".

The Australian and Chilean wine industries, though less likely to breed liquid gems, benefit from quality consistency and smooth logistics, says British Master of Wine Ms Jane Hunt.

Hunt is chief executive of Wines of South Africa, a company founded by the SA Wine and Spirit Exporters' Association to promote South African wines in the UK. She is in the country to judge the annual Veritas Awards, the local wine industry's filter for excellence.

South African wineries, says Hunt, are "tied up in knots with their regulations and their committees ... Criticism is rarely taken constructively, and there are too many meetings and too much bureaucracy".

Nonetheless, from 1990 to 1996, wine exports from South Africa to the UK increased from 200 000 cases a year to nearly four million. In 1996, 30% of exported South African wines went to the UK.

This burgeoning market is precisely what concerns South African buyers, who are beginning to opt for imports rather than endure steep prices on names they used to buy for next to nothing.

Bellingham winemaker Mr Charles Hopkins, who is also judging the Veritas Awards, said: "The demand for SA wines overseas is intense. It's incredible. That's fun for us, but it may not be for the local consumer."

But Hopkins said he realised this trend might change. "If we're too arrogant and concentrate on the export market, people here will turn their backs on us, and they're our bread and butter. Eventually the demand for South African wines overseas will stabilise, and everyone will want to come back into the local market."

Tasting for the Veritas Awards was wrapped up late last week by 42 wine experts, divided into specialist panels, who tasted up to 80 wines a day. The results will be announced on October 10.

Producers can only enter wines with 200 cases of available stock, so South African wine lovers need not fear that the winning bottles will be reserved for export.

Wine inflation may be corked soon

CT(BR) 30/9/97 (3) WINE

FRANÇOISE BOTHA

Cape Town — The rapid spiral in South African wine prices over the past few years may be nearing an end as foreign buyer demand showed signs of slowing, local wine buyers said at the Syfrets Cape Independent Winemakers' Guild Auction at the weekend.

The average price of a 12-bottle case of wine climbed 10 percent this year to R927 a case, or R77,25 a bottle — a much smaller increase than last year's 147 percent rise to R838 a case.

Mark Norrish, the wine buyer for Shoprite Checkers, said although prices were underpinned by foreign buyer demand, a high percentage of winning bids came from local buyers.

The auction, a showcase for a handful of quality wine producers invited to join the guild, posted record sales totalling R1,3 million for 1 400 cases — significantly more than last year, when 934 cases were sold.

The highest price paid went to Thelema Cabernet Sauvignon Reserve 1994 at R2 000 a case, or R167 a bottle. Other producers which achieved prices of over R1 000 a case included Kanonkop, L'Avenir, Warrick, Rust en Vrede and Morgenhof.

Richard Kelley, the British Master of Wine, said earlier that the end of the price rises may be in sight.

"This cannot carry on forever," he said. "These prices are crazy."

The auction attracted fewer buyers than last year, although telephonic bids from Sweden, Hong Kong, Taiwan, Switzerland, Finland and the US accounted for 40 percent of sales.

This was lower than the ratio of sales at this year's Nederburg Auction, where foreign buyers accounted for 47 percent of sales in value terms despite a 30 percent increase in red wine prices.

Johan Krige, the manager of the guild, said the majority of international buyer demand came from Switzerland. The largest local buyer was Macro, the chain store group, which purchased R360 000 of wine.

This year's auction was the second of a three-year, R210 000 sponsorship commitment from Syfrets directed at assisting the continued growth of the Cape wine industry.

HANNES THIART

Rescuing red: Altus le Roux, general manager of Boland Wine Cellars, with some of his stock

Farmers' red wine headache cured by imports

Industry can't keep up

ARGT 15/10/97 (3) WINE

VIVIENNE HEETEBRIJ
STAFF REPORTER

South Africa's wine industry cannot meet the national demand for red wine, and some wineries are being forced to import stock from such countries as Chile, Argentina and Spain.

Experts say the red wine shortage, the result of farmers growing fewer red than white wine grapes, has been a big headache for the wine industry for the past few years.

Henry Hopkins, editor of the wine industry magazine Wynboer, said some wholesalers made no secret of the fact that they were using imported wines to bolster dwindling stocks of local red wine. "This happens aboveboard. The wholesalers specify the sources on the labels," he said.

The bulk imports are blended with local wines before they are sold.

Andries Tromp, assistant director of quality control in the Department of Agriculture, said that as far as he knew none of this blended wine was re-exported overseas.

He said there was, however, a possibility this could happen in the future.

The current shortage of red wine is affecting the price of white wine exported, which is now not being sold at its premium price.

"In Europe, our main market is for red wine. If you want to make importers buy white wine at a good price, you have to include red in the deal," said Altus le Roux, general manager of Boland Wine Cellars.

His Paarl co-operative has been making wine for five decades and exports up to 25% of its 14 million litres produced annually.

He said South Africa could no longer give overseas importers what they wanted – 40 to 50% red and 50 to 60% white wine.

"Only 15 to 20% of the planted grapes are red wine cultivars."

That and the South African wine industry's under-developed marketing strategy paved the way for foreign importers to buy other so-called new land wines, Mr Le Roux said.

Australia, selling quality wines through effective marketing, was South Africa's No 1 competitor in the export arena.

The surplus of white wine varieties has historical roots. Before 1992, South Africa's wine was mostly sold nationally. Farmers produced mainly white wine because that was what South Africans preferred.

After economic sanctions were lifted, wine exports increased, mostly to Europe, where a mix of both red and white wine is in demand.

Red wine has generally experienced an increase in demand throughout the world.

Mr Le Roux said Western Cape winemakers were currently improving their competitiveness by balancing their mix of white and red grape crops.

Boland Wine Cellars' red wine production has increased 20% in the past three years. "We motivate our farmers to grow red wine by paying them good prices," Mr Le Roux said.

He does not approve of the idea of exporting South African wine blended with Chilean or Argentine wine, saying consumers could not be expected to read labels carefully. "If it is imported from South Africa, overseas consumers will think it is 100% South African wine and they will get the wrong impression of the quality of our wine – especially if you are talking about the bulk wine used for the blend, which is usually of a mediocre quality," he said.

Wineries expect R1bn exports next year

CT (BR) 17/10/97

(5) WINE

MARC HASENFUSS

CAPE EDITOR

Cape Town — The South African wine industry was expected to bolster its foothold in offshore markets next year with KWV predicting export sales to soar 45 percent to close to R1 billion, Johan van Zyl, the group manager of strategic information at KWV, said yesterday.

He said exports were still growing strongly off a low base in 1994. "We haven't been in export markets that long, but we conservatively estimate sales growing to between R920 million to R980 million this year."

Export destinations are mainly in Europe, including strong markets in the UK, Germany, Denmark and other Scandinavian countries.

"By the end of 1996 we had exported 11,1 million cases of wine, which was our initial target for 2000. We started off in 1994 with only 5,6 million cases sold to export markets."

He said the latest forecast for 1997 sales compared to export turnover in 1996 of R682 million and R450 million in 1995.

"We thought our successes in international markets might just be a honeymoon phase but these sales just keep growing stronger."

However, Van Zyl cautioned against a tendency for certain South African producers to market lower quality wine in international markets.

"We have to establish a reputation for good quality wines otherwise we can expect a backlash against South African wines at some stage."

Other wine industry statistics from an independent study released by KWV yesterday showed the total retail income from wine-based drinks at about R6 billion and tourism to the Cape winelands at more than R1 billion.

The study also showed that the wine industry contributed more than R10 billion to the South African GDP and generated 215 820 jobs directly and in associated industries.

The KWV study was conducted over the past three months by the Pretoria-based firm, Conningarth Consultants.

According to the study, a total of 95 786 people are directly employed in the industry.

The primary grape-growing sector of the industry was responsible for R882,1 million in revenue a year, to which value is added at various stages of production to the amount of R6,019 billion, seven times the value of the basic raw material.

Tourism to the winelands generated an additional R1,302 billion.

☐ EXPORTS (3) WINE CT (BR) 23/10/97

'Cheap trap' hurts reputation of SA wines

South African wine exporters needed to get out of the "cheap trap" that was damaging the international image of the country's wines, said Caroline Gilby, a British Master of Wine and a wine writer, recently at the Michelangelo International Wine Awards. She said producers who had bulk exported poor quality wines, which were retailing at about £2 a bottle, were largely to blame. "South African producers need to send out a consistent quality message. At the top end of the market, the quality is exceptional but this cannot be said relative to price at the lower end. "There is a lot of goodwill towards South Africa in the UK market at the moment ... but unfortunately people do not have the same confidence in picking up a bottle of South African wine as they do in an Australian or New Zealand wine," she said. Gilby said while the quality perception about a bottle of South African wine was ahead of its eastern European counterparts, average prices were well below those of other New World producers. The average price of South African wine was £3,37 compared to Australia's £4,39. — *François Botha, Johannesburg*

Liquor bill 'threatens SFW projects'

(3) WINE   CT (BR) 24/10/97

CHEERS *From left, Frans Stroebel, the managing director of Stellenbosch Farmers' Winery, with Jeff Malherbe, the chairman* PHOTO: SHAVONNE HILL

Vera von Lieres

Cape Town — The new liquor bill could unintentionally jeopardise the implementation of black economic empowerment projects under way at Stellenbosch Farmers' Winery (SFW), the wine and spirit producer and wholesaler warned yesterday.

Jeff Malherbe, the chairman of SFW, told an annual general meeting in Stellenbosch that the company was involved in a greenfield project in the Elgin area with the aim of benefiting previously disadvantaged people in the local community.

But the draft liquor bill, with its prohibition on cross-holding between the different categories of liquor licences, could prevent the implementation of such a project and others.

"Other similar projects involving black economic empowerment groups are at various stages of development. Our concern is that an unintended consequence of the draft liquor bill would be to prevent these projects from being implemented," said Malherbe.

He said that SFW supported the bill's aim of encouraging new entrants into the industry but that the making of top wines required substantial financial backing and technical expertise, something SFW was providing through the Elgin project.

Malherbe said the most efficient way to secure black participation in the liquor industry could be on the retail side, by legitimising unlicensed retailers, such as shebeen owners and informal liquor traders.

This would protect them from unfair competition and ensure some control over the distribution of liquor.

□ Business Watch, Page 16

Consortium angry at KWV tactics

(3) WINE

Sowetan 10/11/97

Accusations are that the winemaker bailed out when pressure was off

By Isaac Moledi

TALKS WHICH COULD have led to a black consortium owning a substantial stake in KWV International have been abandoned by the company, fuelling accusations that the international wine manufacturing giant had used blacks to resolve its differences with government.

Sources close to Mnyama Holdings, a consortium which has been negotiating for a 20 percent share in KWV, accused the company of reneging on its initial promise of selling blacks a stake in the company "now that their problems with the government have been resolved".

KWV and the government had been at loggerheads over the way KWV wanted to restructure, but the problem has since eased off.

KWV confirmed at the weekend that Mnyama was one of the 12 black empowerment groupings which the company had been talking to in order to sell the 20 percent stake.

The initiative, KWV's group director for corporate affairs Theo Pegel said, was however abandoned after the company entered into a new agreement with the government to establish a wine industry trust which would focus on the development of the industry and the empowerment of wine farmworkers and other black stakeholders.

About R477 million is to be invested in this trust over a 10-year period.

Pegel denied that his company had used the black consortium to solve their differences with government.

But a source who has been close to the negotiating teams accused KWV of betraying its negotiations which Mnyama believed were conducted "in good faith and with serious intent".

The source said: "This decision appears to have been taken by KWV when it became clear that another matter, which had been the focus of the media for quite some time, was about to be resolved."

The source claimed that "we honestly believed that the decision-makers in KWV had undergone a remarkable paradigm shift, which reflected the spirit of transformation pervading the new South Africa.

"By once again pulling laager on the aspirations of the previously disadvantaged constituency, KWV has clearly demonstrated its *mala fides*, and so manifested that the bilateral interactive negotiations were merely an exercise in expediency on their part".

French connection boosts the wine industry

De Rothschild family heads the invasion of expertise and investment

ARG 15/11/97 (3) WINE

ROY WIGLEY

Vine talk: winemaker Schalk Joubert, left, and Anthonij Rupert in the Fredericksburg vineyards

TWEET GAINSBOROUGH-WARING

French flair is pouring into the Cape's wine industry as winemakers and leading estates from France bring their expertise and money to the Boland.

The new French invasion has strengthened the historic "French connection" which began more than three centuries ago when the Huguenots settled in the fertile Franschhoek valley.

Coincidentally, the latest French wine interests to arrive in the Cape have invested in Franschhoek – in the form of the world-famous De Rothschild family, which produces the prestigious Chateau Lafite Bordeaux blend. Cape billionaire Anton Rupert was a longstanding friend of fellow billionaire Baron Edmund de Rothschild, who died recently.

Before his death, the baron entered a joint venture at the Fredericksburg Wine Estate in Franschhoek owned by Dr Rupert's son Anthonij.

The De Rothschild family has bought half the historic Fredericksburg Estate on the slopes of the Simonsberg. Baron De Rothschild's interests in the estate will be continued by his son Benjamin.

The estate is one of several farms owned by the Rupert family in the valley and under the joint ownership, will produce three new wines. The best of these wines will carry the new R&R label and will be limited in production to 25 000 cases.

The De Rothschild family owns a portion of Chateau Lafite and Chateau Clarke in Bordeaux.

New venture: Anthonij Rupert, left, and winemaker Schalk Joubert in the new winery

Schalk Joubert, Fredericksburg's winemaker, said the French connection would have a big impact on the valley and, indeed, on winemaking in the Western Cape.

The running of the winery would still be in local hands, but the financial implications of the deal would contribute to the new winery and cellar which should be ready for the 1998 harvest early next year. "In addition, we will have greater French input on the winemaking side as a result of mutual visits by winemakers from France and South Africa."

Mr Joubert said the input was more than simply a business deal, as the De Rothschild family visited the estate at least four times a year and had also bought other nearby vineyards for future development.

Cape winemaster Alan Mullins said the French influence was starting to take hold in the Cape and that this latest development was most welcome.

French interests have also invested in Morgenhof wine estate in Stellenbosch and a number of French winemakers have given local wineries the benefit of their expertise.

KWV boss calls for major change

BD 3/12/97

Samantha Sharpe

(3) WINE

CAPE TOWN — Wine group KWV would have to change dramatically in the next few years in the light of its transformation from co-operative to public company, group MD Willem Barnard said yesterday. Addressing staff on the day of the group's official conversion to a company, Barnard said that while KWV had been evolving over the past two years, "now is the time to make those changes work".

KWV would have to become increasingly competitive in its new role as a public company, with the emphasis on increasing output. This would have to rise to four times current levels, but without changing existing cost structures, with early indications that this was feasible, Barnard said.

Group chairman Lourens Jonker said the aim was to establish KWV as a world class company manufacturing and supplying quality products. "We have identified two roles which hold the key to our future as a company — our commercial role and our role within the wine community."

Jonker said three divisions — KWV SA, KWV Cellars and KWV Industry Services — had been formed during the group's internal restructuring this year. Each would function as a separate unit.

KWV International, a separate company within the group, would handle all marketing activities.

KWV uncorks battle plan for world market

(5) WINE

ARG 3/12/97

New products mark corporate era

EDWARD WEST
DEPUTY BUSINESS EDITOR

A range of new products and packaging would follow the KWV's conversion to a company yesterday after 80 years as a co-operative, said its managing director, Willem Barnard.

He said at a celebratory function at KWV head office in Paarl yesterday that the company had repositioned its product range and reprioritised international markets.

"Our portfolio has been streamlined ... after careful preparation for the international game KWV will now be able to play with more flexibility and creativity."

'Our portfolio has been streamlined ... KWV will now be able to play with more flexibility'

He said the KWV was under no illusion that it was one of the world's smallest marketers of wine and spirits, with the market dominated by US and Australian companies. "We are keen to take them on."

The KWV had been frustrated with its limitations as a co-operative – in the international market a co-operative was often regarded as a bureaucratic institution with negative connotations, and as a co-operative it did not have the commercial freedom to go for new international opportunities.

As a company the KWV's shareholders would be able to invest directly into its fortunes, and it would also be able to access foreign capital. However, there was no need currently to seek foreign capital.

He said the KWV would have to improve its productivity four times, off the same cost base as at present. But retrenchments would be a last resort.

The KWV has been restructured into three divisions, with each operating as a separate unit. KWV Group is the holding company, with its shares to be held by farmers and staff. KWV Cellars will be involved in processing and procuring vine products, KWV Industry Services will provide industry information, certification and inspection services to the wine industry, and KWV will export the group's products.

Wine producer Savanha makes its debut on JSE

BD 8/12/97 (3) WINE

Shareen Singh

CAPE wine producer Savanha is to make its debut on the Johannesburg Stock Exchange today with a market capitalisation of R40m.

The company, which was established as a wine marketing operation three years ago, raised R10m through a private placement of shares which was fully subscribed.

Financial director Peter Williams said the purpose of the listing was to raise funds to invest in technology and capital expansion, including the group's right to exercise an option of increasing its stake in the Berg & Brook Cellar near Franschoek.

Williams said the listing would give Savanha management, employees and business associates the opportunity to take equity in the company.

Savanha did not own large vineyards, though it had two small farms.

Specialist farmers provided the grapes the company needed, MD Graham Knox said.

"This gives us greater flexibility — if something does not work out we can change at no cost," Knox said.

The company has engaged the services of a viticulturist and a wine consultant from the French company Chateau Moueix to improve the quality of its wines.

A prelisting statement said Savanha had posted net income before taxation of R1,42m for the year to July.

It forecast after-tax earnings for the corresponding period next year of R4,27m, based on the assumption that exchange rates would not deteriorate.

Empowerment issue upsets KWV union

BD 10/12/97 (3) WINE

Shareen Singh

WINE group KWV's decision not to make provision for black empowerment in terms of share ownership of the company which converted from a co-operative last week has raised eyebrows among black business and union officials.

KWV and Land and Agriculture Minister Derek Hanekom reached an out of court settlement recently on assets, worth R800m, belonging to the state. In terms of the deal, KWV is to pay R488m into the wine industry over 10 years and continue paying into a trust for the social upliftment of workers on wine estates it owns.

KWV CEO Willem Barnard said that the decision not to bring in black shareholders was a commercial one. "We have a huge debt to pay and at this stage we do not believe we will be considered an attractive investment. If we have to go to the market today we will be underselling," he said. The company was paying into a trust which would assist black workers, he said.

Steven Goldblatt, an adviser to Hanekom, said there was no provision in the agreement on black equity participation as that was a separate issue from the dispute around assets. He said KWV was being "disingenuous in hiding behind the out of court agreement — either it wants a bona fide black empowerment shareholder or it does not".

The Food and Allied Workers' Union (Fawu) has expressed dissatisfaction with the settlement which it said was concluded without consultation with the union. Fawu general secretary Mandla Gxanyana said the issue of black economic upliftment was integral to the restructuring of KWV.

"We expected the issue of black empowerment to be addressed," he said. Fawu would discuss the issue with Hanekom and KWV, Gxanyana said.

As exports soar SA turns to imported wines

(3) WINE CT 24/12/97

WHILE bottles of Cape Levant or Roodeberg will grace many a European and American table this festive season, more and more South Africans will be drinking Chilean, Bulgarian or French wine with their turkey.

Foreign demand for South African wine has soared since the end of apartheid and is now so great that many varieties are sold only abroad or are too pricey for local consumers.

Importers have been quick to move into the market to quench South Africans' thirst for new varieties and affordable brands.

"The local market will have a shortage for at least the next four years — there is still a big market to tap," said Mr Tienie Louw, director of Tradex wine importers.

Mr Mike Froud, editor of South Africa's Wine magazine, said the country's top producers were selling more and more wine overseas.

South African wine exports rose to 11,1 million cases in 1996, a 13-fold increase since 1990, when South Africa exported 855 000 cases. But Froud said it was a shame that some wines were exclusively exported and he no longer included them in his magazine's tastings.

"What's the point if we can't purchase them?" he asked in a recent editorial.

Supermarket shelves in the Cape wine-growing heartlands look more like those in London or New York, routinely stocking European or American varieties alongside local tipples.

Froud said wines from Chile were entering the country as serious competitors on the price front, and connoisseurs could now savour fine European and Australian wines, unavailable during the trade embargo of the apartheid years.

South Africa ranks among the world's top wine-producers, churning out around one billion litres a year. But 80% of the crop is white wine and the world wants South African red.

"The red wine shortage will remain with us in spite of price increases and new planting," said Louw, who imported 17 million litres of low-priced Argentine red wine this year.

"There was always a perception that our wines were the best, but that is being shot down now," he said.

Wine magazine says a good South African cabernet can now fetch more than R50, while some 40 of the imported cabernets, mainly from Bulgaria, Chile and France, cost less.

Mr Tim James, writer for Wine magazine, says even the most ardent South African wine patriot must test foreign wines.

Wine buffs say Chile, Australia and the United States — the other key producers of the light and fruity "New World" wines which have been challenging Europe's dominance — are more geared up for the export market than South Africa.

Froud said producers were beginning to turn their attention back to the local market, if only to protect their international reputation. "You get foreigners here who can't find the wine they can buy at home and they ask 'If it is not established in its own market then how good is it?' " he said. — Reuter