AGRICULTURE— 3-WINE

1998

Import duties on wine leave a sour taste

BD 9|1|98 (3)WINE

John Dludlu

GOVERNMENT's move to introduce duties on a range of wine imports has attracted a barrage of criticism and anger from players in the industry.

Alex Dale, marketing and sales director at wine maker Longridge, said yesterday the adjustments would "particularly have a damaging effect" on the upper end of the wine business.

The adjustments, announced this week, would raise duties on premium champagnes — such as Dom Perignon, Krug and Cristal — by as much as 4 000% compared with last year.

Imported wines would be affected too: those used as a component of local brands such as Tassenberg would be taxed at 25% of free on board value, while the deluxe market would be most affected. It was unclear how significant the effect would be on prices.

Dale said the tariffs looked like a "protectionist and narrow-minded measure" that would not raise significant revenue.

"It is ironic that the African National Congress government is doing what would be expected of the previous government," he said.

The move meant that "we will see less of the better wines".

The trade and industry department's agro-processing directorate said the revision was designed to "replace quantitative import control with customs tariffs".

The department's written response contained documents dating to November 1994, outlining the process leading to the adjustment of tariffs. The response included representations from certain industry players.

Government sources said the effect on prices would not be as high as feared.

The French trade commission expressed concern at the announcement which would raise duties on French champagne by at least 1 500%.

It said it was surprised by the decision and had not been notified.

Like other industry watchers, the commission was concerned by the retrospective application of the adjustments to January 1 which would affect stock on its way to SA.

Echoing Dale's concerns that the amendments would affect "small-volume, high-value items", industry

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commentator and Business Day writer Michael Fridjhon said the adjustments would affect the already beleaguered "niche" products. The upper end of the industry, which would bear the brunt of the duties, was already under pressure from the rand's devaluation.

"It is interesting that the amendment does not affect beer imports. This shows that (the department's) vendetta against SA Breweries has clouded its judgment on tariffs/import control policy," he said.

The duties meant the state was furthering the protection of the Western Cape wine industry, Fridjhon said.

Other sources said there was already a shortage of wine imports in SA. One said SA imported 2-million cases of spirits, compared with about 6 000-8 000 cases of champagne.

Comment: Page 7

Cape wine farmers lose millions in heatwave

③ WINE ARG 10/1/98

TWEET GAINSBOROUGH-WARING

Blistering heat followed by heavy rains in some areas has caused losses expected to run into millions of rand for Western Cape farmers.

Worst affected have been the grape farmers in the Swartland, where soaring temperatures destroyed a substantial percentage of crops.

Marius Boshoff, technical adviser for the WPK Agriculture Co-op in Malmesbury, estimates crop losses could be as high as 25%, while some farmers believe they have suffered losses of up to 50%.

"It's still to early to assess the full extent of the damage," Mr Boshoff said.

Marius Erasmus, manager of the Swartland Cellars, said he expected the quantity of grapes brought to the cellar to drop by 10 to 15%.

"This will be a production loss of 200 000 cases of wine," he said.

Mr Erasmus said the situation had been worsened by the fact that since August last year, rainfall had been poor and the vines in the Swartland area did not have the usual amount of foilage to shield the bunches of grapes from the sun.

"The Malmesbury wine-growing region has been particularly badly hit because the vineyards are not irrigated."

He said those farms which had irrigation had not been affected.

Farmers in the area said although the latter part of January and the month of February were normally the hottest part of the year in the Cape, last weekend's searing heat had arrived unexpectedly early and had hit vineyards hard.

Last weekend's searing heat had arrived unexpectedly early

Grapes on the bunch had burnt and shrivelled.

Kobus Basson of the farm Slot, a supplier of grapes to the Swartland cellars, has suffered heavy losses. He estimates crop losses of up to 50% in some of his vineyards.

Mr Basson said the high temperatures had also brought the harvest forward and it was almost two weeks earlier than last year.

He said the grapes surviving the heat were smaller and as a result had a more intense flavour. Although quantities would be lower, the quality of wine is expected to be excellent.

Farmers are hoping for at least 10mm of rain to cool the ground and bring some relief to the vines.

Early ripening cultivars, especially the white grape varieties of chenin blanc and chardonnay, were hardest hit by the heatwave.

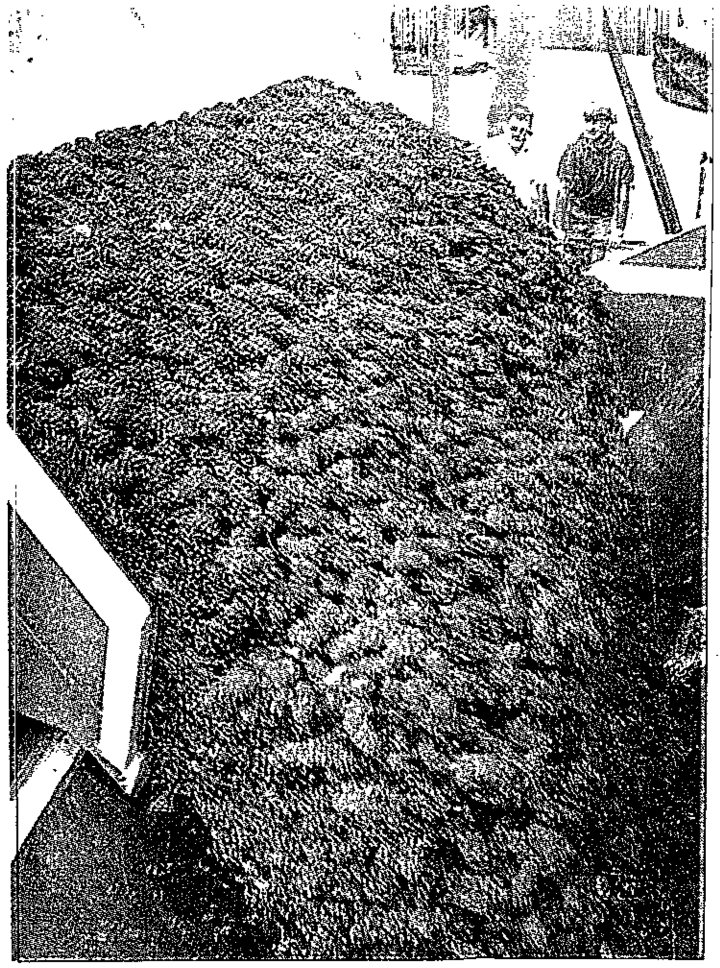
Last year, the drought in the Swartland – thought to be caused by the El Nino weather phenomenon – also saw the poorest wheat harvest in 40 years.

Ben Vyfer, who farms grapes, ostriches and cattle in the Malmesbury area, said the heat of the past week had been bad, but not as bad as in 1966 when had farmers lost up to 75% of their grape harvest.

He had lost several young ostriches in the searing heat. "Temperatures were 43C in the shade," he said.

Meanwhile in the Cederberg at Dwarsrivier, heavy rain following the earlier heat devastated yellow cling peaches.

Farmer Huibrecht Niewoudt said the rain had caused the skin of peaches to go black. The unseasonal rain had been a disaster for them, as this was their only crop at this time of



Red, red wine: the first grapes of the harvest are tipped into the crusher

Burned bunch: these grapes clearly show the effects of the heatwave

DOUG PITHEY

Sunburnt: Swartland farmer Kobus Basson compares badly scorched grapes with a normal bunch

Steps to improve education taken in face of budget crisis

Kevin O'Grady BD 13/1/98

GAUTENG education MEC Mary Metcalfe announced steps yesterday to improve the quality of schooling as schools reopened today, but said budget constraints would hamper the provision of textbooks and stationery.

About 3 000 of the 5 000 temporary teachers whose contracts were allowed to expire last year were likely to be re-employed to ensure that "there is a teacher in front of every class by the second week of the school year".

Among the steps to be taken in the wake of last year's 4,1% decline in the Gauteng matric pass rate were measures to improve the quality of teaching and learning, teacher and pupil discipline and teacher development.

"One of the most important steps" would be the gazetting of regulations listing serious and minor offences committed by students with guidance for appropriate disciplinary action. "The implementation of this management and discipline tool has enormous potential in establishing the parameters of acceptable behaviour in our schools."

The regulations would be complemented by a management guide for principals, a framework code of conduct for pupils and guidelines on effective school discipline for teachers.

The Gauteng education department would take increased responsibility for monitoring the quality of learning by keeping tabs on the continuity of attendance, coverage of the syllabus and the completion of work by pupils.

The department's district offices would undertake an audit of poorly performing secondary schools and concentrate on assisting them in dealing with their most critical problems.

A "teacher appraisal instrument" agreed on by government and unions last year would be introduced in a shift away from the school inspector system. The absence of a system combining development and appraisal had been "largely responsible for the downward spiralling in the system".

The department would not hesitate to report ill-disciplined teachers to the SA Council of Educators or to follow its own internal disciplinary procedures.

Although changes to the funding of schools would not take effect this year, national funding policy, which would direct a greater proportion of funding to poorer schools, would be implemented from the beginning of the 1999/2000 financial year. This year, the department would spend R173m on 59 major new school-building projects as well as extensive repairs and renovations.

Due to overexpenditure this year, mainly on teachers' salaries, there would be no funds for the replenishment of textbook supplies. The department's stationery tender — for supplies to public schools other than former Model C schools, which still make their own arrangements for textbooks — was delayed and cut by 70%.

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Ties thaw as Mandela heads for Moscow

Stephen Laufer

PRESIDENT Nelson Mandela is to travel to Moscow soon amid signs of a thaw in the "mini ice age" between SA and Russia.

Russian Deputy Foreign Minister Viktor Posuvalyuk and his SA counterpart Aziz Pahad met in Pretoria yesterday to iron out details of the trip.

At a press conference in Pretoria, they would not divulge the exact dates, saying only that the visit would be announced officially in Moscow seven to 10 days in advance, as was the usual practice. It is understood that the announcement is likely to be made late next week.

Mandela is expected to spend three to four days in Moscow, meeting Russian President Boris Yeltsin. The deputy chairman of Russia's parliament, Arthur Chilingarov, said Mandela would be asked to speak before the duma, or parliament, during his visit.

Yeltsin has been holidaying amid renewed speculation about his health, a possible reason for the delay in announcing Mandela's trip.

The "ice age" between Moscow and Pretoria — the legacy of a turnaround in Russian policy towards the African National Congress in the early 1990s after the collapse of the Soviet Union — has kept the Kremlin off Mandela's international itinerary since he became president. He is understood to have been particularly angered by Yeltsin's warm support for former president FW de Klerk.

Picture: Page 3

Restaurateurs up in arms over wine tariffs

BD 13/1/98 (3) WING

Shareen Singh

OWNERS of French restaurants in SA are pressing the French government to retaliate against new tariffs on imported wines.

Germain Marquis from the Association of French Restaurants, which represents 14 restaurants in SA run by French nationals, said the introduction of tariffs would result in the European market "reacting against SA".

The association would meet French embassy officials next week to discuss measures to put pressure on SA to drop the tariffs introduced last week.

"The wines we sell are really not in competition with SA wines. It is of a completely different quality, which a small market is attracted to." That market might shrink because the average middle-class person who "treats himself now and again may not be able to do that if it gets too expensive".

SA products would also suffer as Europeans were likely to put "tax barriers" on local wines.

Other players in the industry have also criticised the tariffs. Alex Dale, marketing and sales director at winemaker Longridge, said they would "particularly have a damaging effect" on the upper end of the wine business. The tariffs looked like a "projectionist and narrow-minded measure" that would not raise significant revenue.

The adjustments would raise duties on premium champagnes — such as Dom Perignon, Krug and Cristal — as much as 4 000%.

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Rise in wine import tariffs will bring benefit to no one

BD 13/1/98

(3) WINE

Michael Fridjhon questions government's reasons for the hike in imported wine tariffs and examines the effect on the liquor industry.

THE hike in imported wine tariffs announced last week was as much a shock to the industry as it was to the consumer.

The disingenuous disclaimer from the trade and industry department that importers were aware tariff reform was on the cards is easily dismissed. In November 1994 the department announced an investigation into the tariff structure of the industry.

Evidently 21 submissions were received by the department, but any claims to transparency in how this decision was arrived at do not stand scrutiny: the hikes were made without any published review of the evidence before the Board on Tariffs and Trade.

The verbal explanation given — that these duties would replace the country's dependence on import permits — was too glib to be taken seriously.

In my own experience in the wine business, permits have not played a role in import control since the 1980s.

This is hardly surprising. The fall of the rand from the heady heights of 1984 has been so considerable that this country has never again matched the bottled wine importations of the first half of that decade. In 1984 a bottle of Dom Perignon retailed for about R30. Today it sells for R600.

You do not have to be US Federal Reserve Board chairman Alan Greenspan to work out that a plummeting currency is the best form of import control for non-essential commodities.

Nevertheless, there has been a major growth in wine imports in the past two years, but in a particularly narrow price segment of the market. With the boom in SA's wine exports, producers at the high volume/low price end of the market have been forced to source bulk supplies of red wine for blending into such well known brands as Tassenberg.

The flavour may be right, but wine experts are still in the dark about why government has decided to increase import tariffs so drastically

Indeed, it is no secret that almost all SA standard and medium-priced wines (in other words, virtually everything sold in returnable bottles, and bags-in-the-box) contain a percentage of foreign wine.

The new tariffs will obviously affect the retail price of this bread-and-butter segment of the market. However, they cannot have been put there to provide a level of protection to local farmers whose booming export business has been the cause of the shortage in the first place.

Had this been the case, the department would also have been obliged to slow the flow of imported grape juice concentrate on which the fruit juice industry has become dependent (for the same reason) since the Mandela-led wine export bonanza.

The one segment of the industry that has seen import permits used to provide a measure of import control has been Scotch whisky. SA is one of the top 10 purchasers of Scotch worldwide, notwithstanding the plummeting rand. The effect of an ever weakening currency has been partly offset by a market swing from standard brands to the cut-price cheapies.

But duty hikes have actually remained below increases in the in-bond price of whisky over the past 15 years. In the mid-1980s, duty represented more than 50% of the wholesale price of a case of branded Scotch; today it is less than 25%. It is not surprising that the substance of many of the industry's submissions to the board following the 1994 announcement dealt with protection for the country's grape farmers — mainly against low-priced spirits imports.

Clearly, if tariffs are to be used to replace import permits, the roaring trade in Scotch whisky should have been targeted long before consideration was given to an insignificant flow of fine wine. Remarkably, however, the department announced a decrease (admittedly marginal) in the duties of Scotch at the same time as it put in place the punitive tariffs on wine, port and bubbly.

At the best of times it is difficult to fathom the board's motives. Nevertheless, when champagne imports account for fewer than 8 000 cases a year while whisky is now well over the 2-million case mark, the explanation that the new duties replace other controls is patently implausible.

What we have in the tariff structure announced last week is an arrangement that profits no one — except perhaps KWV (whose wines are not officially sold in the local market). Stellenbosch Farmers' Winery, the country's biggest wine producer, is also undoubtedly the country's biggest wine importer and its low-priced high volume brands are bound to suffer from the board's fiat.

At the top end of the market, there are only a few importers who have survived the meltdown of the rand. A 25% ad valorem tariff may thin out their numbers; it will certainly cost jobs.

Opportunities for customs fraud will increase as currency restrictions are eased while the department, ever the Laurel and Hardy of government policy, will find itself rehearsing the familiar refrain: "Here's another nice mess you've got me into."

☐ *Fridjhon is an international liquor consultant, Business Day's wine columnist, and a shareholder of the Reciprocal Wine Trading Company.*

ET(BR) 14/1/98

SA wines back on US menus

~~[illegible]~~ (3) WINE

RICH MKHONDO

Washington, DC — After the wine business was nearly destroyed by US anti-apartheid sanctions, South African wines are beginning to flourish across the US, vigorously migrating to restaurant's wine lists and prominent on retail shelves.

New brands such as Springbok and old classics like Groot Constantia can be found in many restaurants across the country, and more choices are available at grocery and bottle stores.

South African wines are earning up to an 87 out of 100 rating from wine magazines and newspapers, and tasters in many pubs and restaurants quickly run out of Boschendal sauvignon blanc.

"We have been experimenting by pouring the Boschendal by the glass. It is one of our most popular sauvignon blancs," said a restaurant manager in Santa Monica, outside Los Angeles.

Experts in California, where 80 percent of US wine makers are based, said international trade sanctions against South Africa, among the strictest ever imposed, had practically destroyed the country's wine business.

The experts, restaurateurs and liquor-store owners said that soon after the lifting of US trade restrictions in September 1991, South African growers streamed to California and Europe to learn the latest in viticultural and wine-making methods.

They returned home not only with the knowledge to make wines better suited to the world market, but with money from foreign investors.

In 1990, Americans imported 855 000 cases of wines from South Africa. The latest 1996 figures from KWV International put the figure at 11,1 million cases, earning the country $125 million in foreign exchange.

Ken Omish, the managing director of Cape Ventures — which imported 155 000 cases of wines from South Africa last year, a 33 percent growth from 1996's 120 000 cases — said Cape wines were popular with American tourists and investors who return home having fallen in love with South African wines.

"The biggest problem is that unlike other countries such as Australia, Chile, France, Italy and Spain, which promote their products across the US, there had been no public relations effort by South Africa," Omish said.

"It is a pity because South African wines have the potential of phenomenal growth to challenge other countries and the state of California's 80 percent dominance of the US market," said Omish. — Independent Foreign Service

Duty pops cork on wine prices

Consumer likely to bear brunt of 25% increase

ARG 14/1/98 (3) WINE

LLEWELLYN JONES
BUSINESS REPORTER

Prices of some wines are expected to rise after the Department of Trade and Industry slapped a 25% duty on imported wines last week.

The move by the DTI has taken industry players, still reeling from the possible effects of the proposed new Liquor Act, by surprise.

Riaan Kruger, head of the Cape Wine and Spirits Institute, a body that represents wine producers, wholesalers and marketers, believed the increase in costs would be directly passed on to consumers.

Mr Kruger said this would come on top of the price rises that would arise inevitably out of the restructuring of the liquor industry in the proposed new Liquor Act.

"We (the CWSI) have calculated that the new system will add 25% to general prices," he said

Such companies as Gilbeys, Stellenbosch Farmers' Winery, Shoprite, Woolworths and Makro, which all import large quantities of wine, are expected to be hit hardest by the new import duties.

Some top-of-the-range champagnes could jump in price by hundreds of rands, said Mr Kruger, adding that the rise in duties would also affect the middle and lower end of the market.

SFW, the country's biggest wine producer, is also the biggest wine importer, bringing in vast quantities of wine from such countries as Chile and Argentina to make low-priced, high-volume brands like Tassenberg.

Retail giant Shoprite, an importer catering for a very price-sensitive market, is also likely to feel the pinch.

With a worldwide shortage of wine, SFW and Shoprite have both come to rely on imports for the lower end of the market, while many South African producers export their premium-quality wines to earn valuable foreign exchange.

Woolworths has been importing vast quantities of mid-range-quality wines from such countries as Chile, Hungary, Bulgaria and France to improve the variety available to customers.

"The shortage of wine, particularly red wine, has left us with no choice but to import," Woolworths senior wine buyer Ivan Oertle said.

"Inflation on red wine is already unrealistic – in the region of 25% – and this is only going to exacerbate the situation."

Pick 'n Pay, however, is unlikely to be knocked as hard as its competitors.

Dave Stewart, the store chain's senior wine buyer for the Western Cape, said imports represented less than 5% of Pick 'n Pay's range of wines.

BRENTON GEACH

Tariff hike: Pick 'n Pay doesn't see a problem but other retailers are worried

EU talks to go ahead amid wine tariff worries

John Dludlu (3) WINE

THE co-operation talks between SA and the European Union (EU) resume later this month amid worries over SA's move to introduce tariffs on imported wines.

Government recently announced plans to introduce tariffs on imported champagnes and wines. This was designed to move away from quantitative restrictions in the sector, according to government.

An EU official said yesterday Brussels was in favour of a move towards tariffs as the system was more transparent, but he warned the final result should not be more protection in the sector.

"We are a bit concerned that it (tariffs) may pollute the atmosphere of the talks."

He said while one item — say the wine tariffs — might not have a big effect, a series of issues might have a negative effect.

Henriëtte Kievit, a business consultant at the Amsterdam Consulting Group, said there were sentiments in Europe that the wine tariffs were introduced to put pressure on the EU to open up its markets, notably in the farm sector. Another source said SA would be asked to explain the move towards tariffs on wines and champagnes. The tariffs were expected to affect mainly southern EU states which had strong agricultural lobbies.

Bahle Sibisi, newly appointed chief director for foreign trade relations at the trade and industry department, said technical talks would resume this month to tackle trade liberalisation ahead of next month's ministerial meeting.

Trade Minister Alec Erwin and João de Deus Pinheiro, the political heads of the negotiations, were due to meet in mid-February to review progress on the talks.

The EU official said the EU's executive had completed a detailed proposal on trade liberalisation. This would be presented to the EU council's group on Africa to "check if it is within the March 1996 (EU) mandate".

BD 14/1/98

Price rise shock for wine lovers

ARG 14/1/98 (3) WINE

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The move by the DTI has taken industry players, still reeling from the possible effects of the proposed new Liquor Act, by surprise.

Riaan Kruger, head of the Cape Wine and Spirits Institute, a body that represents wine producers, wholesalers and marketers, believed the increase in costs would be passed directly on to consumers.

This would come on top of price hikes that would result from the restructuring of the liquor industry in the new Liquor Act, he said. Big wine importers are expected to be hit hardest by the new import duties.

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KWV waiting for state to take action

Wine trust's delay sours partnership

(3) WINE CT(BR) 20/1/98

Christo Volschenk

Cape Town — Slow progress in setting up the Wine Industry Trust for development in the wine industry was threatening to damage the cordial relations between KWV and the government, industry sources said yesterday.

The government and KWV, which agreed to fund the trust as part of the co-operative's change to a company, have been on good terms since the signing of an agreement on September 10.

Theo Pegel, KWV's group director, said yesterday that to date no money had flowed into development because the government had not set up the trust and KWV did not want to finance development projects before the trust had been set up.

In terms of the agreement, KWV would pay membership fees of R477 million in the next 10 years to the trust, established to develop the wine industry and promote the entry of new farmers.

The department of agriculture, whose task is to set up the trust, had suggested that KWV pay for development projects even before the trust was legally in place, but KWV had refused on the ground that it would be "technically impossible" and would breach the agreement, Pegel said.

In terms of the agreement Derek Hanekom, the agriculture minister, would appoint the trust directors and convince other players in the industry to become members.

At the time of the signing Hanekom said "it was hoped the state, wholesale trade, organised labour and community interests would join KWV in the trust, which could bring the funds available for development to over R500 million". But four months after the agreement was signed the issue of membership is still far from resolved.

Chris Blignaut, the deputy director-general of agriculture, said yesterday the department had discussed the issue of membership with the Cape Wine and Spirits Institute but "more talks would be necessary".

Blignaut said legislation to govern the operation of the trust still had to be drafted.

"It could still take some time to get the legal entity in place but the issue is getting our urgent attention," he said.

Govt's tariff adjustments to ensure sustainable growth

Government recently came under fire from wine and wheat industries after announcing a range of tariff adjustments. **Themba Rubushe** explains what prompted these changes

BD 23/1/98 (3) WINE ~~(3) WHEAT~~

THE recent adjustments by government of import tariffs over a range of goods — poultry, wheat and wheaten flour, and wine and alcoholic beverages — were made necessary by various factors.

In the past quantitative import control was used to protect agricultural and processed agricultural products. Following the Marrakesh Agreement of 1994 and government's new policy of phasing out import control, it was decided that where protection was justified, it had to be in the form of tariffs and these should never be higher than the level determined by the Marrakesh Agreement.

In the first phase of introducing tariffs on agricultural products, more than 900 lines had to be investigated. Protection was recommended according to the general guideline that customs duties should result in domestic production and consumption being more or less the same as was the situation under import control.

The next step is the development of customs tariff dispensations for the different agricultural industries which promote the optimal development of the industries. This acknowledges that sustainable growth requires improvement of the international competitiveness of, among others, agricultural industries.

The position on the wheat and wheat milling industry, wine and alcoholic beverage industry, and the poultry industry relative to deregulation and setting tariffs differs significantly.

□ Poultry. After the implementation of an amended tariff dispensation with respect to poultry meat and preparations thereof, the SA Poultry Association in July 1995 requested protection higher than 27% ad valorem on certain poultry cuts.

As a result, the trade and industry ministry asked the industry to set up a forum to identify factors making the industry uncompetitive and to develop strategies to address these factors in order to improve competitiveness.

The Poultry Forum was thus established in August 1995 to look at the future of the poultry industry and secure its long-term viability by reducing costs throughout the pipeline from producers to consumers in order to contribute to food security locally and greater competitiveness of the domestic poultry production generally.

The increase in duty on frozen chicken cuts from 27% ad valorem to 220c/kg came into effect on September 18 last year to protect the industry against imports of abnormally low priced frozen cuts. These were adversely affecting the local poultry industry and would, down the line, severely prejudice the growth and development of the industry.

Soon afterwards, the Board on Tariffs and Trade was notified that certain importers were instructing their suppliers to apply minimum quantities of seasoning to chicken portions in order to circumvent the payment of the higher duty applying to frozen chicken cuts. The 27% duty applicable to processed poultry was also adjusted to 220c/kg on January 8 this year to close the loophole.

□ Wheat and wheaten flour. In anticipation of the deregulation of the wheat industry, a tariff adjustment system was recommended during 1995. This recommendation was based on the assumption that statutory control of the Wheat Board would be abolished on November 1 1996 and thus the new system would replace import control and as a protective measure for the wheat industry. However, when it was decided to postpone by a year the existence of the board and statutory control over the industry, the board recommended a moratorium on applying the new system.

The moratorium was lifted in October last year, a month before the abolishment of all control.

On December 3 last year, the board was asked to recommend an increase in the rate of duty according to the approved system for adjustment in the customs duty on wheat and wheaten flour.

The adjusted duty, published on January 9, is 5c/kg for wheat and 50% ad valorem plus 5c/kg for wheaten flour. The system for determining tariff protection for these products was intended as a temporary measure for the industry to adjust to deregulation and international competition.

On December 19 last year, the board published its intention to investigate and revise the tariff system for wheat and wheaten flour and invited comments until the end of January. The aim of the probe is to arrive at a tariff dispensation which will promote the optimal development of the industry in harmony with government's general economic objectives.

□ Wine, Alcoholic Beverages. The investigation into the tariff dispensation regarding beverages, spirits and vinegar to replace quantitative import control with tariffs started in 1994. During this investigation, the considerable interaction between various role players, including the public sector, made it clear that they had widely diverging views on the level of protection the board should recommend. For example, duties as diverse as 31c/l and 324c/l on wine, and 41,7c/l and 1820c/l on sparkling wine were proposed by major role players.

The board had to find its way through this wide field of views before submitting its report to the ministers of agriculture, and of trade and industry. These were the recommendations which were implemented on January 8. Furthermore, the board's recommendation that import permits should be issued freely was accepted. This meant the quantities imported would no longer be limited through import control.

Since this was the first step in the process of introducing tariffs into the industry, it must be seen as a temporary measure.

The board stated in its report that an in-depth investigation should be conducted after a reasonable period in the light of the further development of the industry and the nature and degree of competition from imports.

□ *Rubushe is the department of trade and industry's director of communications.*

BD 27/11/98

Labourers produce wine from own land

(3) WINE

Louise Cook

SA's long-established and thriving wine industry reached a milestone yesterday when farm labourers from the Nelson Wine Estate at Paarl started making wine from grapes grown on their own land on the estate.

The labourers, headed by Mathewis Thabo, said they planned to invite US Vice-President Al Gore to the launch of their new label, Klein Begin, in March.

"Eight months ago the owner of Nelson Wine Estate donated 25 acres of land to 16 labourer families in recognition of their help in converting the farm from a bankrupt estate 10 years ago" into a thriving business, Klein Begin spokesman Anzill Aoams said.

"This bold step to reward labourers in a conservative industry is the first of its kind in SA."

Aoams said a large portion of Palamino vines on the labourers' piece of land was taken out to plant Carbernet and Pinotage cultivars. The workers would use the Nelson estate's sophisticated equipment and large imported oak vats in the cellar to produce their wine.

Red wines might also be produced some time in the future.

The Nelson estate won the SA Young Wine Show's champion estate award in 1996.

Local vines in grip of black goo

(3) WINE

MtG 30/1–5/2/98

Richard Spoor

South Africa's multi-million rand grape and wine industry is being threatened by a newly discovered fungus, dubbed "black goo", which may have contaminated most of the country's commercial vines.

The fungus, discovered by plant pathologist Dr JH Strauss-Ferreira, may account for losses of up to 50% of new plantings in the Orange River Valley and elsewhere since 1994.

The fungus is also believed to have infected up to 50% of young vinestock planted in California during the past three years, costing the industry there an estimated $250-million, says Strauss-Ferreira.

No figures are available yet for potential damage in South Africa, but growers have confirmed that one table-grape producer in the Orange River Valley has lost 14 000 new vines out of 15 000 — a loss of 93%. The accepted industry norm for vinestock losses is 10% and, at a price of up to R4 per vinestock, growers say that industry-wide losses could run into "hundreds of millions" of rands.

Vine growers, particularly in the high-risk Orange River Valley, accuse nurseries and the Wine Grape Improvement Association of providing inferior quality vinestocks that are more susceptible to black goo in an effort to meet increased demand.

Growers allege that the association, which is the sole supplier of rootstock, and nurserymen have weakened the plants by aggressively stimulating their growth with fertilisers in order to meet the huge growth in demand for vinestocks.

Gawie Kriel, chair of the association, has confirmed that demand has increased from 34-million to 50-million plants in less than three years, but denied any significant drop in quality. He does admit, however, that the association has supplied non-graded or "special etiquette" rootstock, which was not quite up to the association's usual standards.

A nurseryman from Wellington, who did not wish to be identified, has confirmed that the graded rootstock supplied by the association wasn't of a satisfactory standard and that more than half the plants grafted on to rootstock supplied by the association didn't survive.

He says nurserymen placed the responsibility for the infected vinestock squarely at the door of the association but were too scared to publicly criticise their only legal supplier of rootstock.

Kriel concedes that the rapid growth in demand was not anticipated, but said that all the association's members should take responsibility for the lack of foresight.

Ironically, the association was given a virtual monopoly on the grading and propagation of plant material in terms of the Plant Improvement Act, to ensure high-quality and disease-free plants were supplied to the industry.

Its production members and sole suppliers of rootstock are wine industry "big boys" — KWV, Stellenbosch Farmers' Winery and Distillers. Kriel also says he does not accept that the rootstock supplied by the association is responsible for the high levels of vinestock deaths.

Strauss-Ferreira, of the Nietvoorbij Institute of Viticulture and Oenology in Stellenbosch, suspects that the entire South African rootstock is infected with black goo.

The disease's pathogens clog up water-carrying vessels in vines with a black goo that eventually chokes off nourishment, causing a decline in the health of vines before killing the plants if they are put under any environmental stress.

Strauss-Ferreira says black goo may make vines vulnerable to other diseases. Black goo is so unusual that an entirely new genus has been created for it — *Pheaoacremonium*.

Strauss-Ferreira believes that the fungus could be killed if vinestocks are treated with warm water, but very few nurseries use this technique as it is costly and in itself poses a threat to the delicate young vinestock.

Whatever the cause of the current spate of vinestock deaths, the isolation of the fungus is an important breakthrough. Further research holds the promise of a treatment or cure, smaller losses and healthier and more productive vines.

The benefits for the South African and indeed the world grapevine industry could be huge. — *African Eye News Service*

'SA needs strategy to hold wine exports'

BD 24/2/98

(3) WINE

Louise Cook

WINE sales to the UK — representing 60% of all SA wine exports — dropped 7% between June and November last year after previous year-on-year increases of up to 38%, Wines of SA London director Jane Hunt said yesterday.

In a keynote address at the Longridge wines conference in Cape Town, Hunt warned that unless the SA wine industry changed dramatically and set up "a suitably resourced industry body to draw up a workable strategy for the whole industry", wine exports were under threat.

"Every month passed without direction will make it progressively more difficult for the SA wine industry to achieve its potential. The big five who were highly influential in the local wine industry had the resources and were therefore able to bring about change, but they had failed significantly to capitalise on the opportunities.

"This failure will have long-term effects on their export competitiveness and is in complete contrast to the leading roles that the large companies play in Australia and Chile," Hunt said.

She said branded products were essential for the success for the whole of the SA industry. In the UK, well-established SA brands were either unsuitable or unsuccessful. Increases in wine prices should reflect increases in quality and the number of grape varieties in SA should be rationalised, she said.

"SA's export success since 1994 need not to be seen as an unrepeatable phenomenon. Industry cohesion, commitment, speedy change and hard work combined with improved wine quality, will ensure this," she said.

Hunt said SA wines were regarded in the UK as good value for money, a factor which, with the exception of France and Australia, put SA ahead of all competition.

WINE INDUSTRY ③ WINE
FM 6/2/98

Price hikes squeeze market

Producers warned, forgo domestic consumers at your peril

Strong reds . . . oh for a draught of vintage

The temptation for wine producers to favour export markets has left local consumers short of superior reds, and paying more for them all the time.

Even foreign markets are beginning to kick against the latest price increases. "The hefty increases western Cape producers of better quality wines took last year have the potential to damage their rapidly expanding export market," says Peter Lowe, a London agent for SA wines.

He says good quality Cape wines "have suddenly become popular overseas, largely because of their relatively low price and quality which is good and getting better. But we are reaching a stage where, to benefit fully from their popularity, producers are increasing prices. They are doing it too quickly. SA producers will soon close the gap between their wines and Australian and New Zealand wines which are just as good but expensive."

Walter Finlayson, MD of Glen Carlow Vineyards, which produces Finlayson Pinot Noir, says he increased its price by between 60% and 70% last year. "We felt our price was far too low for a quality product. It was rated the top pinot noir in 1996.

"Sales haven't been affected by the higher price. If anything, they have improved. We produce about 2 000 cases a year and will increase this to 3 000 cases if we get the right grapes. We grow our own but buy about 25% from our neighbours."

But Vaughan Johnson, who runs a wine shop at the Victoria & Alfred Waterfront in Cape Town, accuses producers of rushing into exports at the cost of the local market. "There is a shortage of reds — we have never been this short of good wine for the domestic market before."

Bergkelder marketing manager Naas Erasmus says "producers had to take increases (an average of 15%-20% in Bergkelder's portfolio of red wines this year) because of the increases in grape prices. There is a shortage of red grapes and winemakers are having to bid against each other. The price of top quality red grapes and that of pinotage grapes doubled between 1995 and 1997."

But Lowe warns producers to pay more attention to the domestic market. "Create minor shortages in the export market, but look after your home market. It's your bread and butter. The export market is a fragile one."

David Pincus

Black goo threatens SA wine

ST(CM) 1/2/98 (3) WINE

SOUTH Africa's multi-million rand grape and wine industry is being threatened by a newly discovered fungus, dubbed "black goo", which may have contaminated most of the country's commercial vines.

The fungus, discovered by plant pathologist Dr J H Strauss-Ferreira, may account for losses of up to 50 percent of new plantings in the Orange River Valley and elsewhere since 1994.

The fungus is believed to have also infected up to 50 percent of young vine-stock planted in California over the last three years, costing an estimated $250-million, said Strauss-Ferreira.

No figures are available yet for potential damage in South Africa, but growers have confirmed that one table-grape producer in the Orange River Valley had lost 14 000 new vines out of 15 000 — a loss of 93 percent.

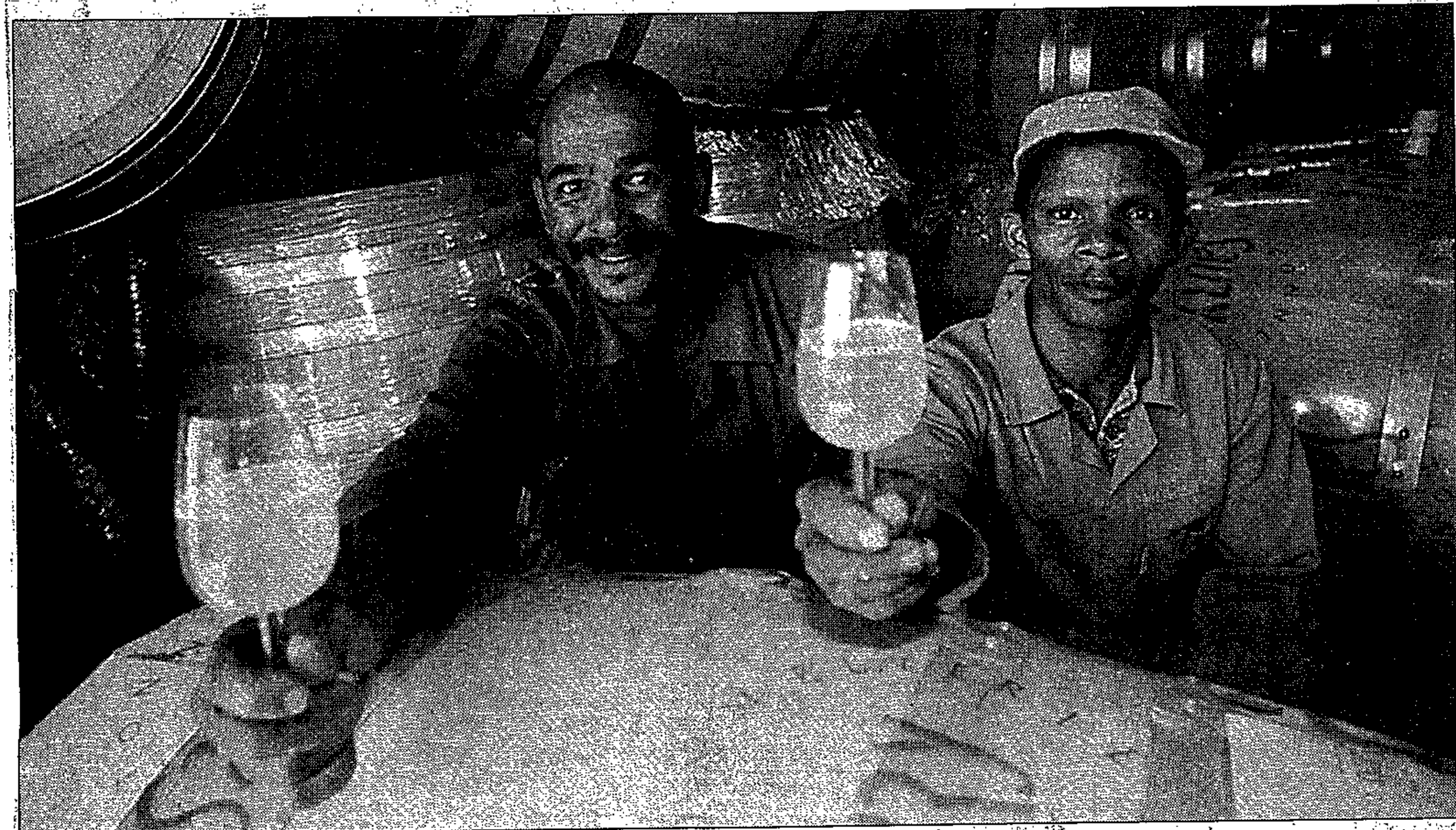
Growers say losses could run into "hundreds of millions" of rands round the country.

Vine growers, particularly in the Orange River Valley, accuse nurseries and the Wine Grape Improvement Association of providing inferior quality vine-stocks that are more susceptible to black goo because of the demand.

Growers allege that the association, which is the sole supplier of root-stock, and nurserymen have weakened the plants by aggressively stimulating their growth with fertilisers.

Gawie Kriel, chairman of the association, confirmed that demand has increased from 34-million to 50-million plants in just under three-years, but denied any significant drop in quality.

He did, however, admit that the association had supplied non-graded or "special etiquette" root-stock, which was "not quite up to the usual standards". — *Sapa*



GESONDHEID! Toasting an exciting future as wine producers are the chairman of the Fair Valley Communal Property Association, Attie Adams, left, and winemaker Ainie Adolf
Picture: AMBROSE PETERS

Sweet harvest for workers

3 WINE

CHARL DE VILLIERS

ST (CM) 8/2/98

LAND Affairs Minister Derek Hanekom and the Danish Prime Minister, Paul Nyrup Rasmussen, will be present when 59 families take ownership of their new farm, Fair Valley, on the Fairview estate in Suid Agter-Paarl on Tuesday.

The workers will be making their own wine from grapes sold to them at cost by Charles Back, their former employer and owner of the Fairview Wine Estate, who says the Fair Valley label should be ready for distribution by June.

Proceeds from wine sales by Britain's Oddbins Group and local outlets are to be ploughed into a communal property association run by the workers.

"Many years ago I had the idea that farm labourers should be allowed to own land," Back said yesterday. "I see this as a basic moral obligation of the wine industry as a whole, because in the past there had been measures in place that did not allow people to acquire land."

Back said pinotage grapes would be grown on 18 ha of land. Workers used their R15 000 grants from Land Affairs to buy the land with some help from Back.

SFW lifts earnings 12% on demand for good wine

(3) WINE CT(BR) 23/2/98

VERA VON LIERES

Cape Town — Stellenbosch Farmers' Winery (SFW), the wine and spirit producer and wholesaler, at the weekend reported a 12 percent jump in attributable earnings to R78,8 million for the six months to December 31.

The results were helped by good demand for wines in the upper to medium categories.

Jeff Malherbe, the chairman of SFW, said: "Our quality alcoholic fruit beverage products have performed particularly well and ... we experienced an increased demand for our higher- and medium-priced wines."

The company bought glass bottles from the Middle East to meet the strong local demand for alcoholic fruit beverage brands.

Shortages on the red wine side continued, a trend that was expected to continue for the next few years.

"In order to maintain consistent quality in some of our internationally known trademarks, we imported red wine," Malherbe said.

The wines were bought at competitive prices on the international market without increased costs to consumers.

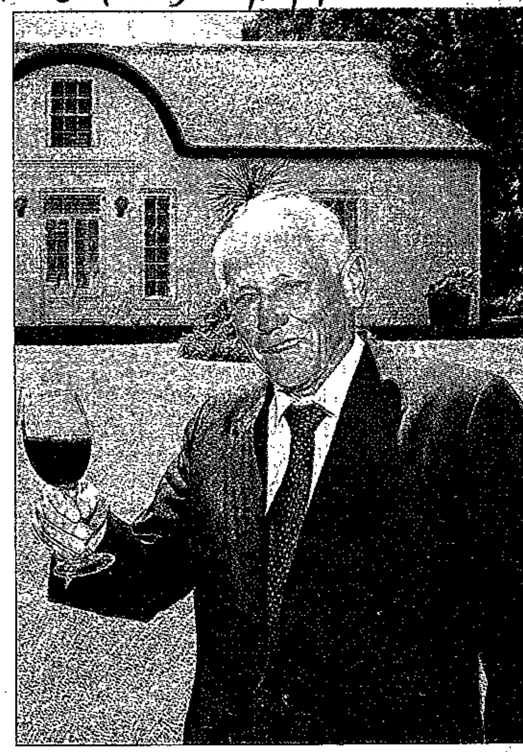
Headline earnings a share moved 12,8 percent higher to 55,6c, the interim dividend (at 8c a share) was hoisted 14,3 percent and turnover bounced 12,4 percent to R1,26 billion.

The expected slowdown in demand in the higher-margin spirit market put a lid on the interim results, Malherbe said. This segment of the market, particularly the brandy sector, had seen strong growth over the past five years.

Malherbe was upbeat that turnover growth would be maintained in the second half of the year but he said long-term planning was hampered by uncertainty surrounding upcoming changes to the Liquor Bill.

The government's draft liquor bill, still under discussion, prohibits cross-holding between the different categories of liquor licences. It proposes only four categories of liquor registration — manufacture, wholesale, retail and special events.

One of the aims of the bill is to ease the entry of small businesses into the industry by prompting traditional players to unbundle certain assets.



A TOAST TO THE FUTURE *Jeff Malherbe, the chairman of Stellenbosch Farmers' Winery (SFW), was confident that turnover growth would be maintained, but he said long-term planning was hampered by uncertainty surrounding upcoming changes to the liquor bill. The bill prohibits cross-holding between the different categories of liquor licences and aims to ease the entry of small businesses into the industry*

PHOTO: ANDREW BROWN

Wine exports to UK drop by 7%

CT(BR) 24/2/98 (3) WINE

Christo Volschenk

Cape Town — After wine exports to the UK grew 38 percent in 1995 and 30 percent in 1996 they unexpectedly dropped 7 percent in volume terms in the second half of last year, said Jane Hunt, the director of Wines of South Africa in London.

Wines of South Africa, which is based in London, is an export promotion agency. The company has more than 100 local producers as members.

Speaking at a conference organised by Longridge Winery, an exporter, in response to the drop in wine exports to the UK, Hunt suggested the phasing out of the government's general export incentive scheme had a lot to do with the drop.

Unreliable supply was another major reason for the drop in exports, she said.

"When government assistance dried up, producers increased their prices to maintain their profit margins," Hunt said.

"Quality did not lift with the prices and consequently British consumers turned their backs on South African wines."

She said the rot in exports could be stopped by concentrating the marketing effort at the top end of the British market.

"We should export more top quality wines.

"Currently, South Africa has a fair share of the lower and middle price markets, where consumers have little loyalty to brands and producing countries," Hunt said.

"In the high price market consumers are far more loyal and that is where South African producers should aim."

Hunt said the wine industry needed a clear strategy and a "suitably resourced, independent body" to regulate the industry and drive the export effort.

About 60 percent of all South African wine exports go to the UK, the single biggest buyer of South African wines.

Alex Dale, the export director of Longridge Winery, said overall wine exports were still growing, with new markets constantly being added to traditional markets.

"It is cause for concern when our biggest market suddenly takes a dip at a time when more growth was expected," Dale said.

☐ WINE

EI(BE)12/2/98 (3) WINE

Japan imports ¥223m worth of SA wine

Japan imported ¥223 million worth of South African wine in 1996, compared with ¥72 million worth in 1992 and ¥80 million worth in 1995, according to a recent report in the newsletter of the Japan External Trade Organization.

But South Africa lags behind Australia and Chile as a source of wine to Japan. Australia supplied ¥845 million worth of wine to Japan in 1996 and Chile supplied ¥682 million worth.

The newsletter said Japan was in the midst of a wine boom, following the publication of reports that red wine was good for health, with imports rising by 57 percent since 1990.

"Sapporo Breweries, the number-three name in the Japanese wine industry, began selling three South African wines (from Stellenbosch Farmers' Winery) in 1996," it said. — *Audrey d'Angelo, Cape Town.*

THERE'S JOY IN FAIR VALLEY

Wine land handed over to farm workers

OT 11/2/98 (3) WINE

ONCE A TOOL for controlling the labour force on Western Cape farms, wine is to be the emancipator of 59 farm families at Paarl. **PRISCILLA SINGH** reports.

IN the wine heartland of Paarl, farm workers at Fair Valley will work harder this year than ever before. Only now it will be as landowners and future wine makers.

The 59 families, who worked on the Fairview Wine Estate for Mr Charles Back, were over the moon last year when they heard he was going to give them their own land to develop and [illegible]

There has always been joy and happiness in Fairview, the workers say, but now when they wake in the morning to go to work there is renewed excitement among them.

The land into which they will put down their roots has been renamed Fair Valley, because of the fair chance they were given to start a new life, said Mr Attie Adams, who has worked at Fairview for 19 years.

"I feel very happy about our getting land. I have three children, and now at least I know I can leave a legacy behind for them, without their having to struggle the way I did," Adams said.

Mr Johan du Preez agreed with Adams. "I have worked here for eight years, and it is a great pleasure to get our own ground. It is also a good future for our children," he said.

The "land dream" was made possible by a share equity agreement reached with the Department of Land Affairs and Back.

The 17,4 hectares were formally handed over at the Fairview Estate yesterday in the presence of Back, Land Affairs Minister Mr Derek Hanekom and visiting Danish Prime Minister Mr Poul Nyrup Rasmussen.

Hanekom said the Fair Valley project was of historic significance because it gave farm workers entry into an industry that had for centuries been largely white owned.

Wine, which had been a tool for controlling the workforce in the wine industry, had now been transferred into the hands of farm workers for the first time and Fair Valley therefore had the potential to emancipate farm workers economically, Hanekom said.

"I want Fair Valley to be an inspiration to other farmers in the district and the rest of the country, to prompt them to share the land with their workers. No one else knows the land better than they (the workers) do," Hanekom said.

Land Affairs provincial director Mr Terence Fife said the opportunity to own land allowed the full potential of the farm workers and their children to be developed. It was also an attempt to reverse the conditions of poverty imposed on them by apartheid.

The Fair Valley project had the full support of the land reform programmes of the DLA because this new co-operation would cement the rights contained in the Constitution and opened new vistas in the relationship of farmers and workers, Fife said.

Back agreed to contribute R200 000 — half the purchase price of the land — and the DLA will cover the rest of the transaction.

Back will also contribute the free use of agricultural implements and the sale of high-quality wine grapes to the workers at cost.

He will also allow them the free use of the wine cellars at Fairview and, in partnership with them, convert the existing farm worker housing into holiday accommodation for tourists.

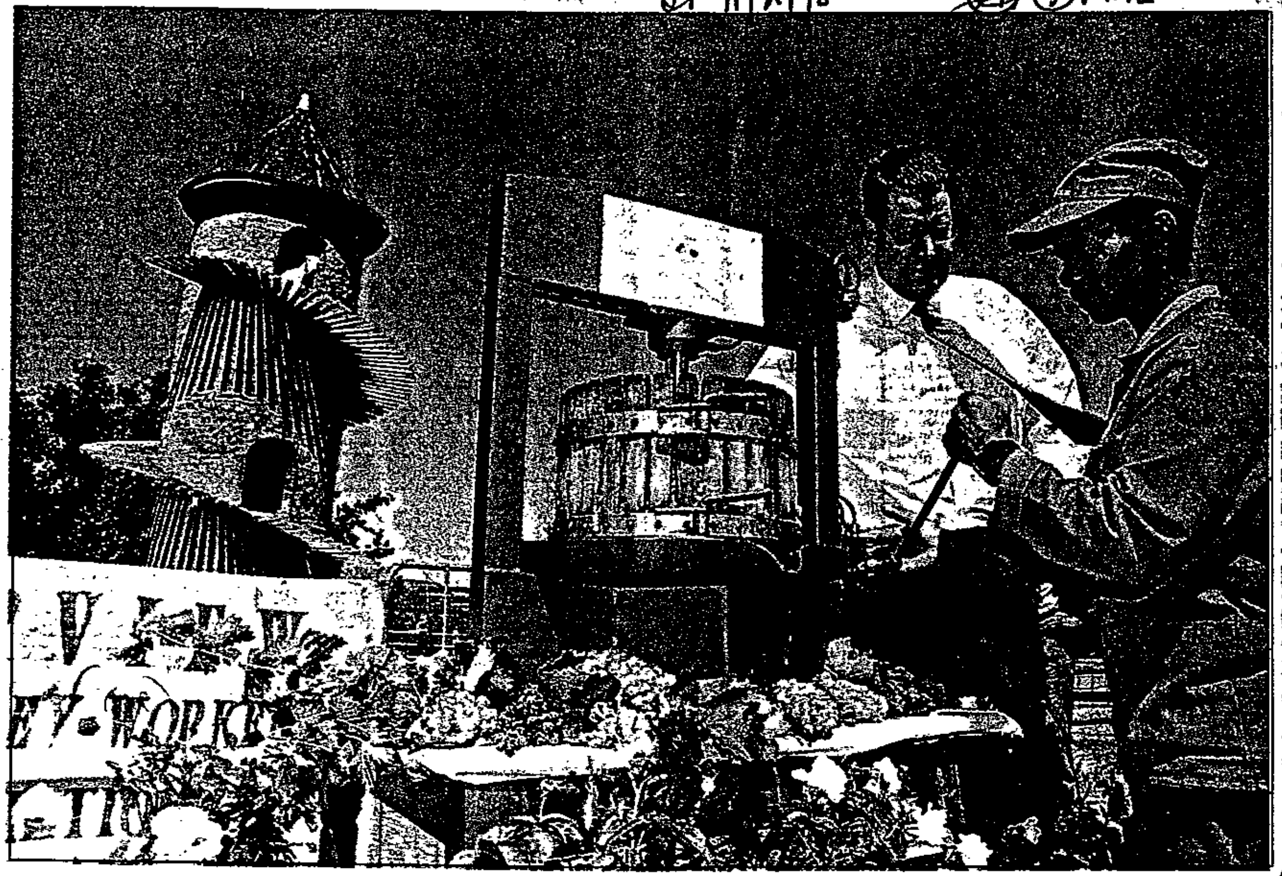
The proceeds of the holiday cottages will be used by the Fair Valley Communal Property Association to build the families houses on their own land.

Women will for the first time have a stake in the property. Households headed by women will have independent access to land and housing benefits.

Fife said the short-term objective of the project would be to bottle and market wine produced entirely by farm workers under their own label, using the Land Acquisition Grant of the DLA.

As the government delegation wound down their tour of Fairview, wine maker Mr Awie Adolph reflected on his plans and said he could not wait to work his land and produce his first bottle of wine.

"Then all you must come back and taste the best wine you will ever have," he said.



WINE FROM OUR LAND: Awie Adolph shows Danish Prime Minister Poul Nyrup Rasmussen how to press the grapes for wine-making.

PICTURE: BENNY GOOL

‘Black goo’ virus threatens grape and wine industry

BD 2/2/98 ~~FRUIT~~ (3) WINE

NELSPRUIT — SA’s multimillion-rand grape and wine industry is being threatened by a newly discovered fungus, dubbed “black goo”, which may have contaminated most of the country’s commercial vines, African Eye News Service reports.

The fungus, discovered by SA plant pathologist JH Strauss-Ferreira, may account for losses of up to 50% of new plantings in the Orange River Valley and elsewhere since 1994.

The mystery fungus apparently also infected up to 50% of young vine-stock planted in California during the past three years, costing the industry an estimated $250m, Strauss-Ferreira said.

No figures are available for potential damage in SA, but growers have confirmed that one table-grape producer in the Orange River Valley has lost about 14 000 new vines out of 15 000 — a massive loss of 93%.

The accepted industry norm for vine-stock losses is 10% and, at a price of up to R4 per vine-stock, growers say that industry-wide losses could run into “hundreds of millions” of rands.

Vine growers, particularly in the high risk Orange River Valley, accuse nurseries and the Wine Grape Improvement Association of providing inferior quality vine-stocks that are more susceptible to the black goo, in a bid to meet increased demand since 1994.

Growers allege that the association, which is the sole supplier of rootstock, and nurserymen weakened the plants by aggressively stimulating their growth with fertilisers in order to meet the huge growth in demand for vine-stocks.

Gawie Kriel, chairman of the association, confirmed that demand has increased from 34 to 50-million plants in less than three-years, but denied any significant drop in quality.

He does admit that the association has supplied nongraded or special ‘etiquette’ rootstock, which were not up to the association’s standards.

However, a nurseryman from Wellington, who did not want to be identified, confirmed that the graded rootstock supplied by the association was not of a satisfactory standard and well over half the plants grafted onto rootstock supplied by the association did not survive.

Kriel conceded that the rapid growth in demand was not anticipated but said that all the association’s members, who include nurserymen and farmers, should take responsibility for the lack of foresight.

Ironically, the association was given a virtual monopoly on the grading and propagation of plant material in terms of the Plant Improvement Act — to ensure that high quality and disease free plants were supplied to the industry.

Kriel said he did not accept that the rootstock supplied by the association was responsible for the high levels of vine-stock deaths. “Any number of factors could be responsible,” he said.

Strauss-Ferreira, however, suspects that the entire SA rootstock is infected with the black goo.

He says black goo may make vines vulnerable to other diseases such as the 2000-year-old Roman disease, Esca, better known as black measles.

He says effective measures to control the scourge are some way off as not much is known about the fungus’s origins, severity, spread or transmission mechanisms.

Lack of staff hampers fake bubbly probe

LLEWELLYN JONES
BUSINESS REPORTER

(13) WINE
ARG 26/2/98

Manpower shortages at the Office for Serious Economic Offences are hampering the investigation into a fake bubbly scandal at KWV which hit the headlines last year.

It was alleged that KWV had tried to sell thousands of cases of sparkling wine disguised as French champagne in the United States and Europe in the early 1990s. The bubbly was later sold at a Customs auction after it was turned away from the United States.

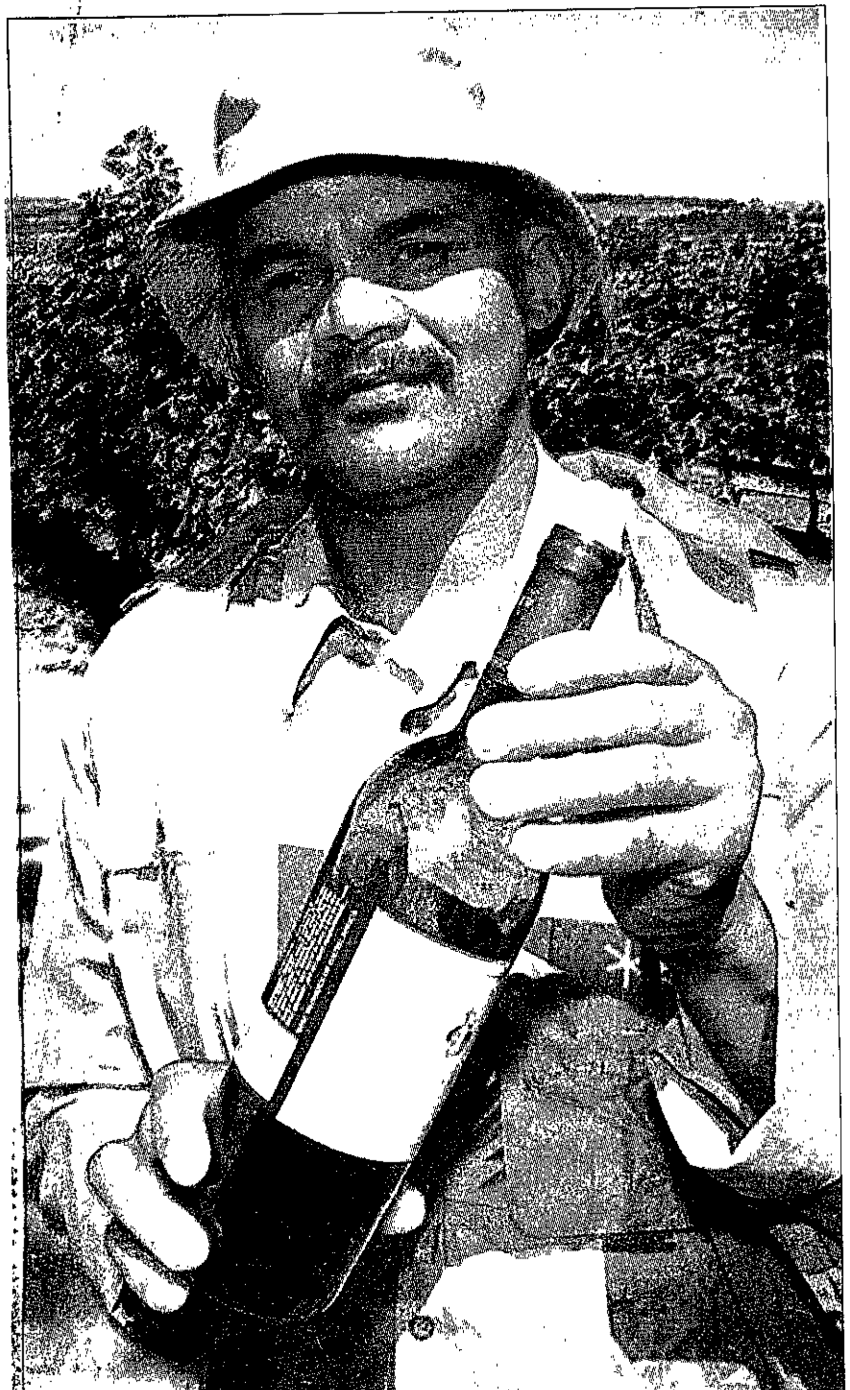
Tommy Prins, head of the Office for Serious Economic Offences (OSEO), said he was "extremely concerned" at the progress of the investigation which had been hampered by serious staff shortages.

He was reluctant to place a timeframe on when the investigation would be concluded.

Workers taste fair fruits of labour

ARG 11/2/98 (3) WINE

Proud new owners pick first grapes for their own wine



LEON MULLER

Partner: Hartwick Gouws is one of 59 workers who have acquired Fair Valley farm

NATALIE KAMMIES
STAFF REPORTER

After 19 years as a worker on Fairview wine estate, Attie Adams will at last get the chance to harvest a wine crop of his own.

Mr Adams is one of 59 workers employed at Fairview, near Paarl, who have bought 18 hectares of land next to the farm to build homes and plant their own grapes.

The workers will call their new farm "Fair Valley". The project was made possible with the help of the Department of Land Affairs and Fairview owner Charles Back.

At a harvest ceremony yesterday, workers picked the first grapes for their wine.

Mr Back helped them buy the land by contributing R200 000 to the purchase price of R400 000, and the department provided each worker with a R15 000 subsidy.

Mr Back will allow the workers the use of his wine cellars and tools free of charge.

In the meantime, the workers will buy grapes from Mr Back at cost to make wine which they will bottle and sell under their own label. The proceeds will go towards the building of their houses and growing their own crop.

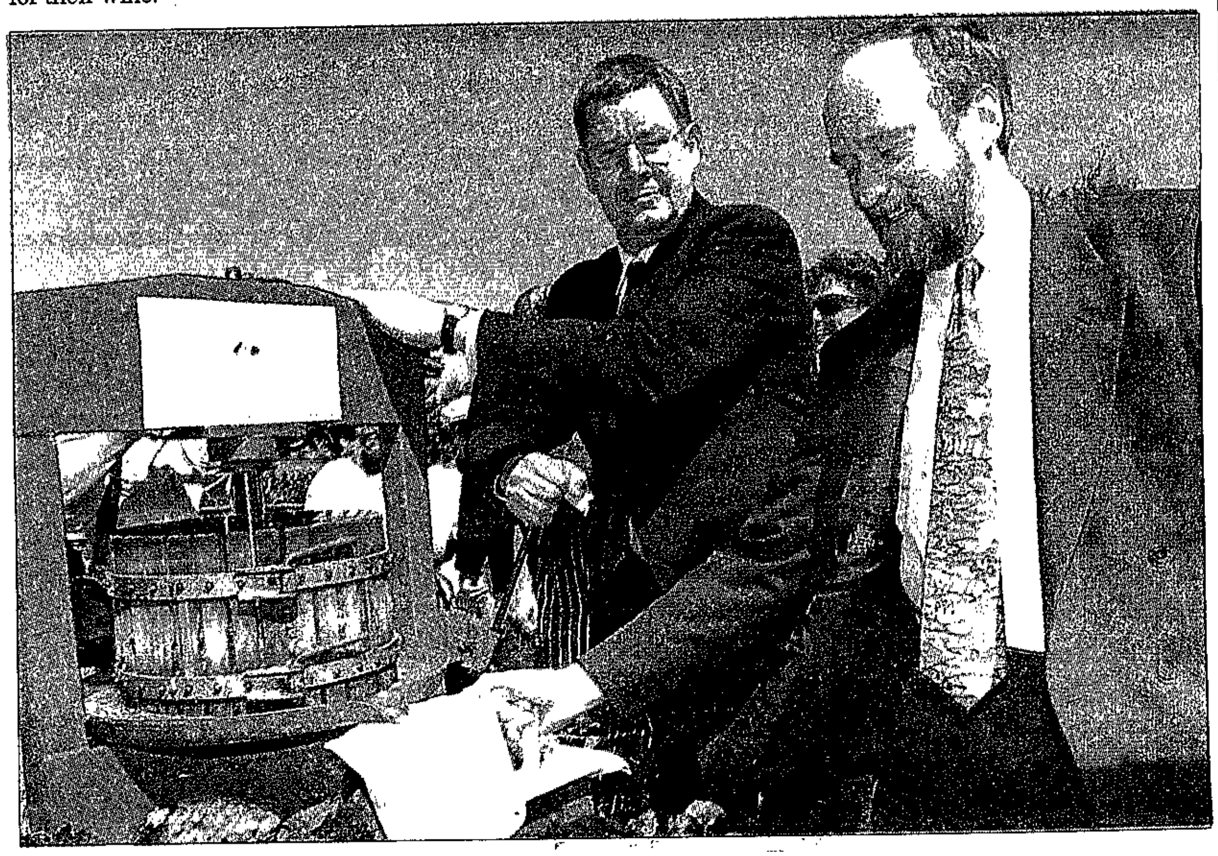
In terms of an agreement between Mr Back and the workers, existing workers' houses will be converted into tourist accommodation, with the proceeds going towards the new farm.

Yesterday's ceremony was attended by Land Affairs Minister Derek Hanekom and Danish Prime Minister Poul Nyrup-Rasmussen.

Mr Hanekom said the project was an example of the Government, private sector and disadvantaged workers working together. Mr Back said: "I feel excited and very happy that all the workers are so committed to the project."

For Mr Adams, chairman of the Fair Valley Communal Property Association, elected by the workers to steer them in the project, it is a dream come true.

"I'm so happy. My forefathers never had the opportunity to own their own land, but I'm glad that we can now pick the fruits of their labour."



Drop of cheer: Derek Hanekom about to savour the juice pressed by Danish Prime Minister Poul Nyrup Rasmussen at Fairview

Wine industry trust 'should be in operation by April'

3 WINE

Interested parties to see draft trust deed

ARG 4/2/98

LLEWELLYN JONES
BUSINESS REPORTER

The new Wine Industry Trust, which is to be established under the landmark agreement between the Government and the KWV, should be in place by the end of April, according to Herman Rademeyer, a legal advisor to the Department of Agriculture.

In terms of the agreement reached in September, the KWV will contribute R480 million to the creation of a trust to be established for the benefit of the wine industry and its employees.

The agreement was reached after a protracted battle between Agriculture Minister Derek Hanekom and KWV over the co-operative wanting to convert into a company.

Mr Rademeyer reiterated that there was no friction between the department and the KWV over the delay in establishing the trust, although "there has been some frustration expressed by people who will benefit from the trust".

Mr Rademeyer said a draft trust deed, which was presented to the department and the KWV by a private legal firm two weeks ago, was now being considered by the two parties.

'It will take some time – probably about two months – to identify and appoint the trustees'

He said the draft document would be circulated to "interested parties" – these had yet to be determined – once the KWV and the department were happy with its form.

"Those who will be contributing to the trust will be the first to see it ... but nobody else has been consulted yet," Mr Rademeyer said.

He expected the draft document would have been circulated before the parliamentary portfolio committee on agriculture, water affairs and forestry meets on February 25 to discuss the Wine and Spirit Control Amendment Bill.

This bill must be in place before the trust can be established.

Mr Rademeyer said the bill would go before Parliament on March 10.

It would then go before the National Council of Provinces for final approval in April.

The trust would, however, not open for business immediately after it had been established as the Minister of Agriculture would still have to appoint the trustees.

Mr Rademeyer said "it would take some time", probably about two months to identify and appoint trustees.

Signing of wine deal threatened

(3) WINE

Sowetan 2/3/98

Black consortium opposes deal because it's negotiating with SFW

By Isaac Moledi

A MAJOR black empowerment deal which could lead to blacks acquiring a stake in the wine industry has been rocked by controversy a day before the signing of the deal.

Wine producer Stellenbosch Farmers Winery (SFW) will tomorrow announce a major empowerment deal which will result in the establishment of a new grape farming venture.

This initiative will, for the first time in the country's wine industry, give black liquor retailers a stake in wine production.

The announcement is scheduled for Cape Town and is a joint venture between SFW, its employees and the community in the Western Cape represented by a trust and a black consortium called Maluti Foods & Beverages.

However, Morena Investments, another black consortium which claims to have been left out of the deal, has threatened to derail the proceedings, saying SFW and Maluti "will not sign if we are not involved".

A source within Morena said they were not even aware of any deal that has been clinched between the two groups, as "we are under the impression that our negotiations with SFW are still on".

The source accused Maluti chairman MK Malefane (whom the source claimed was initially part of the Morena negotiating team with SFW) of "going behind our back to conclude his own deal with SFW".

The source added: "There are people within SFW who do not want to see Morena being involved in these talks and they are busy feeding the SFW board with lies.

"But as far as we are concerned, we are involved in negotiations with SFW. A launch without us is unacceptable."

Malefane said Morena members declined his invitation to join Maluti in order to be part of the deal with SFW. "However, the doors are still open for them to join us," he said.

Director of corporate affairs and industry Andre Steyn said the signing would go ahead tomorrow but his wine production company will continue talking to Morena through SFW to ensure that there is a broadly-based empowerment grouping representing black liquor retailers in the country.

Under tomorrow's deal, Maluti-SFW have purchased a 1 000ha wine farm in Darling. The farm's grapes will be supplied to SFW.

Cellar talk of wine industry shakeup

(3) WINE CT (PR) 9/7/98

LYNDA LOXTON

Cape Town — Speculation was rife in the wine industry yesterday about major black empowerment deals involving the giant Stellenbosch Farmers' Winery (SFW) and Malaysian millionaire Samsudin abu Hassan.

It was unclear whether the two were linked, but sources said that SFW was expected to announce a joint venture agreement with Maluti Food and Beverages of Gauteng today, while Savanha Holdings, the recently listed Cape winery, was understood to be negotiating a black empowerment deal as part of a larger investment deal.

SFW and Malaysian millionaire Abu Hassan linked to the speculation

This emerged after Savanha issued a cautionary announcement that it was in talks with a "large consortium" wanting to invest R20 million in Savanha, after which Savanha would lease a 200-hectare wine estate from the consortium.

The deal is being handled by New Republic Bank and brokers Mathison & Hollidge, which have been closely involved with Samsudin, hence the speculation that he is involved.

He is known to have bought several properties in and around Cape Town and was once a major shareholder in Boland Bank.

Samsudin's strong financial interests, however, made some analysts sceptical that he was involved in the Savanha deal.

Malaysian-listed Mycom Berhad, which has control of Aroma, the liquor retail chain, is another possible candidate, although it is understood to have been badly hurt by the financial crisis in Asia and not likely to be looking or new investments.

Sources said that the R20 million injection into Savanha would be a major boost and help it replace the aged equipment at the old Simondium cellar, now known as Berg & Brook Cellar, near Franschhoek.

It was established as a wine marketing operation three years. Last year it raised R10 million through a private placement of shares which was fully subscribed.

Although it has two small farms, it does not own large vineyards. The 200-hectare wine estate could prove a useful addition and help Savanha develop its own brand.

It was also expected to use the money to strengthen its marketing activities in increasingly competitive domestic and export markets. Its wines have been described as "well priced".

The winemakers are Nico Vermeulen, former cellarmaster at Simonsig and L'Ormarins, and Alain Moueix, the youngest of many generations of winemakers from France's Pomerol Petrus family.

NEWS

Thousands of black liquor retailers could gain through R30m empowerment joint purchase of Cape wine farm

SFW and Maluti sign 'black wine' deal

(3) WINE CT(BR) 4/3/98

LYNDA LOXTON

Cape Town — In the first significant black empowerment deal in the South African wine industry, Stellenbosch Farmers' Winery (SFW) has joined forces with Maluti Foods & Beverages in the R30 million development of a new wine farm, it was announced yesterday.

Matthews Malefane, Maluti's executive chairman, and Frans Stroebel, SFW's managing director, said the deal would be funded upfront by SFW. Maluti will pay off the loan over 12 years, but this period could be shortened if other investors were identified. Several international investors had already expressed interest.

Malefane said the joint venture would be known as Papkuilsfontein Vineyards. A 975-hectare farm had been bought for R15 million near Darling, on the Cape west coast.

Premier-quality vineyards would be established on 250 hectares of the farm, with a potential yield of 2 500 tons a year. By planting between 15 hectares and 25 hectares a year, the vineyard could be in full production in 12 to 15 years' time.

"This will make a significant contribution to alleviating the current and growing shortage of noble varietals for the top end of the wine market," Stroebel said.

Initially, SFW will hold 50 percent of the new vineyard while Maluti will hold 35 percent through an investment company. The remaining 15 percent will be held by a community trust consisting of vineyard workers and disadvantaged members of the Western Cape community.

As the loan is paid off, SFW will gradually pull out of the venture until Maluti and the community trust own 100 percent.

In terms of the agreement, 80 percent of the Papkuilsfontein harvest will be sold to Nederburg and SFW at market-related prices for the first 12 years. The balance will be used by the vineyard to make its own wines with the winemaking expertise and cellars at SFW.

GLASSES RAISED
Toasting the new deal between Stellenbosch Farmers' Winery and Maluti Foods & Beverages are, from left, Zak Zak Kgasoane, a Maluti executive director; Frans Stroebel, SFW's managing director; Matthews Malefane, Maluti's executive chairman; and Jeff Malherbe, the SFW chairman. The venture will be known as Papkuilsfontein Vineyards

PHOTO: ANDREW BROWN

Malefane did not rule out the possibility of the vineyard eventually establishing its own cellar. The wine would be distributed by Maluti shareholders, who are all owners of taverns, shebeens and bottle stores, mainly in Gauteng.

Malefane said Maluti was not another example of "a few elite black operators enriching themselves" but an opportunity for thousands of black liquor retailers to get involved in wine production. Shares would be distributed by private placement.

Stroebel said that emphasis would be placed on making the vineyard technically self-sufficient through training. Initially it would be managed by Nederburg Wine Farms under the direction of Ernst le Roux, SFW's technical director.

"The first step will be the detailed physical and chemical analysts of the soils, before confirming the varietals earmarked for cultivation," said Stroebel.

Although about 130 hectares were now planted with vines, some of the vines were not of a high quality and probably would have to be replaced.

Although several wine farmers in the Western Cape have recently handed over some land to their workers to grow and make their own wine, this is the first large commercial deal involving a black investment group.

Blacks clinch R30-m wine deal

Sowetan 4/3/98 (3) WINE

Move is beginning of the end of white dominance in the industry

By Shadrack Mashalaba

BLACK participation in the wine industry received a boost of a R30 million joint company initiative yesterday after an announcement by black-owned Maluti Foods and Beverages and the giant Stellenbosch Farmers Winery (SFW).

The deal, which marks the beginning of the end of white monopoly in the industry, is aimed at the development of Papkuilsfontein, a 975 hectare property at Dassenberg, near Darling, into a premier grape producing farm.

The joint venture will be known as Papkuilsfontein Vineyards.

The announcement follows speculation on the market that Savanha Holdings, the recently listed Cape winery, was also negotiating a black empowerment deal as part of a larger investment deal.

The Savanha's speculation emerged after the Cape winery had issued a cautionary announcement that it was in talks with another black consortium which intended to invest R20 million in Savanha.

In terms of the deal between Maluti and SFW, both parties had agreed that SFW will acquire 50 percent of the new company's issued capital and Maluti, through an investment company, acquiring 35 percent.

The remaining 15 percent will be secured by a community trust – which represents Papkuilsfontein employees, as well as the community of the Western Cape.

The trust, currently with four board members, will be known as the Maluti Groenekloof Community Trust drawn from the community.

Addressing a media briefing in Cape Town yesterday, SFW managing director Frans Stroebel said his company had acknowledged that the local wine industry needed to be opened.

Stroebel said he was confident there would be no problem for Maluti to service its debt, which would take 12 years and be financed from profit.

"The deal will not only be a financial success and in no way affect our relationship with our existing suppliers," said Stroebel.

Stroebel said 80 percent of production from Papkuilsfontein will be delivered to SFW and Nederburg, with 20 percent used by Maluti to produce its own wine which will be marketed under their own brand name.

Maluti executive chairman MK Malefane said, the deal marked greater involvement of blacks in the primary sector. "In the past they had been relegated to the periphery," he said.

Malefane said the wealth of experience, ready market, taverns and shebeens would make the deal a success.

Black group pegs out stake in Western Cape winelands

AAG 4/3/98 (3) WINE

R30-m project to yield 2 500 tons of grapes

LLEWELLYN JONES
BUSINESS REPORTER

Black business has taken a foothold in the wine industry in the Western Cape, previously a bastion of white ownership.

Stellenbosch Farmers' Winery (SFW) has joined Gauteng-based Maluti Food & Beverages in a R30-million venture to develop Papkuilsfontein Vineyards as a black-owned business along the West Coast near Darling.

Maluti Food & Beverages comprises businessmen M K Malefane, Zak Zak Kgasoane, Benz Manyika, who have interests in the media, liquor and cigarette distribution in Gauteng, and Eddie Moleko who has hotel and liquor interests in Cape Town.

Maluti executive chairman Mr Malefane said the company would hold a private placing of shares among black liquor retailers later this year to extend the shareholder base as far as possible. He did not believe the proposed new Liquor Act – which specifically prohibited a cross shareholding between producers and retailers of alcohol – would present a problem.

'The transfer of skills to farm personnel is as important as the extension of farm ownership'

"We placed the problem before the Department of Trade and Industry, and they said it was not the intention of the new act to disqualify people like Zak Zak (Kgasoane) from becoming a producer," said Mr Malefane.

SFW will initially hold a 50% stake in the business, but will gradually sell its stake to Maluti and the Maluti Groenkloof Trust over five to 10 years.

The projected R30-million cost of the project covers the purchase of the farm, as well as working and development capital for the establishment and running of vineyards on the 975ha property.

The project involves the establishment of premier quality vineyards on about 250ha of the farm, which is expected to yield 2 500 tons of quality wine grapes once fully developed. The new vine stock will come out of KWV supplies that have been set aside for disadvantaged communities.

The whole project has been financed by SFW, and Maluti will repay the loan out of the income earned over 12 years.

Nederburg Wine Farms, a member of the SFW stable, has been contracted to manage Papkuilsfontein Vineyards until Maluti's staff has developed management and viticultural skills.

Mr Malefane emphasised that the transfer of skills to farm personnel was as important as the extension of farm ownership.

'Time switches' set to control plants

ARG 6/3/98 (3) WINE

Wine farmers show big interest

CAROL CAMPBELL
SPECIAL WRITER

A special laboratory is being set up at Stellenbosch University to find ways to identify a "time-switch" which could accelerate or delay the ripening and other development of plants.

If these "time-switches" are successfully developed by Matie scientists, they hold far-reaching implications for the genetic engineering of plants around the world and will reinforce South Africa's position as a major player in agricultural development.

The "time-switches", called "promoters" by scientists, could even determine when a plant's leaves become disease-resistant.

The scientist behind the research is Frikkie Botha, who moved to Stellenbosch from KwaZulu Natal to do research and teach students about the genetic engineering of plants.

"This type of research has been underway for some time in the sugar industry. There is also a big interest from wine farmers to test it on grape crops," he said.

The bulk of his funding will come from the sugar industry.

The wine industry has made funds available for Professor Botha and his team of students to work on finding ways to increase the production and quality of grapes.

"These are high-risk projects and something that an industry can seldom undertake alone. By doing this type of work in collaboration with the university, the risk is shared between us," he said.

The shift towards science and technology in the country's education system has provided a university like Stellenbosch with the opportunity of becoming a leader in different fields, Professor Botha said.

"Agriculture and science are two areas of research which are most likely to draw funding from the private sector."

The research involves manipulating a plant's metabolism by inserting a new gene into its cells. The trick is to find the switch which will make the gene active at the right moment and then turn it off again.

"For example, we might want to insert a gene which will accelerate the ripening process to allow harvesting earlier. The time-switch must come on at exactly the right moment."

The switch must also tell the gene where in the plant to become active.

"We don't want a ripening-related process to start in the roots," he said. The genes are "shot" into plant cells on tungsten and gold bullets, or by using a bacteria that has had its harmful properties removed.

"There are almost unlimited possibilities for mankind through genetic engineering – trees with more or bettre fibre, sweeter grapes or other fruits, delayed ageing in fruits and pest- and disease-resistant crops."

The new laboratory will help South African farmers remain competitive with their international counterparts into the next century.

Quality SA wines popular in Japan

③ WINE
BD 9/3/98

Patrick Wadula

WINES from the southern hemisphere including SA, Argentina, Chile, Australia and New Zealand, are establishing a niche market in Japan, according to Focus Japan magazine.

The low price, high quality wines from these countries are becoming more and more popular, the journal says. Previously Japanese vintners imported these wines in bulk for use in blends, but now they are increasingly being sold under their original labels.

Japanese customs clearance statistics show that Japan is in the midst of a "wine boom". Imports rose by 57% over the past five years, reaching 109,7-million litres in 1996.

A further sharp increase was expected in 1997 figures.

Sapporo Breweries, the third largest Japanese name in the wine industry, began importing and selling three SA wines in February 1996. This was followed by four Australian wines in February in 1997 and four Chilean wines in March.

With the popularity of the southern hemisphere wines rising, the wholesaler began importing and selling four Argentinean and two wines from New Zealand. Its SA wines — all priced at ¥800 (about R32) a bottle — are produced by Stellenbosch Farmers Winery.

Sapporo envisages a rise in demand for upmarket wines, including SA wines.

SA wine producers losing out, British expert warns

(3) WINE

ARG 11/3/98

Move to cut promotion 'flabbergasting'

LLEWELLYN JONES
BUSINESS REPORTER

South African wine producers do not put enough effort into marketing their products in other countries, says Lucy Warner of Thresher Estate, Britain's biggest retailer of wine.

Ms Warner said the local wine export industry was incredibly fragmented and, as a result, was losing out to other "New World" wine producers like Australia and New Zealand.

Ms Warner was commenting on the news that the South African Wine and Spirits Exporters' Association (Sawsea) had withdrawn funding from Threshers to promote South African wines. Threshers is the second largest retailer of South African wines in Britain with expected sales of about 300 000 cases at its 1 509 stores this year.

Sawsea vice-chairman Andries van Tonder said the association did not have the funds to support promotion activities at all retailers in Britain and had to spread the available money around.

"We have to spread the funds around from year to year to ensure that all our members benefit from the funds they pay to us in levies," said Mr Van Tonder.

'Australia spends four times as much as South Africa in promoting its wines'

Ms Warner agreed that all retailers selling South African wine should benefit from the funds available, but was "absolutely flabbergasted" that this would be done at the expense of one of the South African wine industry's biggest supporters in Britain.

She said the move would severely affect the promotion of South African wines at Threshers.

"These funds were used to fund staff education on South African wines and on customer tastings," said Ms Warner.

Threshers also would not again be running a promotion of South African wines which had proved very successful last year.

"My love and passion is South African wines, but I also must make money."

Ms Warner said promotion of South African wine in Britain had always been under-funded.

Australia spent four times as much as South Africa in promoting its wines.

"There is no united approach," she said.

The industry players must stop fighting among themselves and get on with it, or lose out."

SFW-MFB joint venture may beat govt's proposed wine industry policy

A new wine joint venture signals real rather than symbolic empowerment, writes Michael Fridjhon

(3) WINE BD 12/3/98

THE announcement last week of a joint venture between Stellenbosch Farmers Winery (SFW) and Maluti Foods and Beverages (MFB) heralds a new stage in empowerment in the wine industry.

Previous ventures — with the exception of Charles Back's Fair Valley project — have tended to be symbolic rather than significant both in conception and in the number of direct and indirect beneficiaries. The SFW/MFB deal involves the symbiosis of a mutual back scratch as well as numbers on a scale which has hitherto eluded most other players.

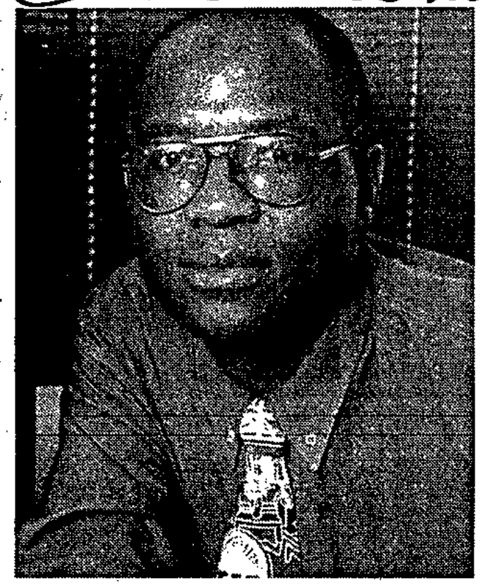
The scheme is misleadingly simple. The joint venture has bought a 975ha west coast farm with the unlikely name of Papkuilsfontein for about R15m. While there are just more than 100ha of vineyards on the property, most of the plantings will in time need to be replaced. The cost of the vineyard renovation will add another R15m to the project. The purchase price and capex will be guaranteed by SFW, which will in turn purchase 80% of the production from the joint venture at "market-related prices".

The remaining 20% of the crop will go to Maluti, though in reality it may be supplied to SFW either for processing or for product of equivalent value which can be traded by Maluti in the ordinary course of its business. The sale of grapes from Papkuilsfontein is expected to bring the project out of debt within 12 years.

SFW holds 50% of the project equity, MFB has 35% and the Maluti Groenekloof community trust owns the remaining 15%.

SFW has offered its partners its shares — at market-related prices — once the project is free of debt. It is clear that SFW is not at risk: its management will deal with the day-to-day running of the farm, and its access to the farm's grapes ensures that its liability will be met from production; at worst it is bringing an outside shareholder into a project it could quite easily manage itself.

This is where the scheme reveals its genius. SFW is not doing this without a sound financial motive — Maluti is not some handout recipient giving the Ruperts a cosmetic empowerment partnership.



MALEFANE

MK Malefane, who put Maluti together more than a year ago, has delivered to SFW a consortium including many of Soweto's top liquor traders. Their clout as retailers makes them particularly useful allies in this project.

True, the Ruperts, through SFW and Distillers, control the country's major wine and spirit brands and can afford to ignore any retailer grouping. But given the long-term prospects for the liquor industry, a Soweto-based trading alliance must be worth the almost nonexistent risks of the joint venture.

In the ordinary course of a year's trading SFW would have to spend some money cultivating relationships with major customers. The Maluti partnership means that a significant portion of this expense can be committed to the more or less self-liquidating Papkuilsfontein project at the cost of just the 50% equity SFW surrendered upfront.

Papkuilsfontein could be the pilot scheme for many such joint ventures, each one bringing other significant retail players into an alliance with SA's most important wine and spirits producer.

Each time SFW (or Distillers) sacrifices future profit for present goodwill it will be weaving a web that will strengthen its brands and enhance relationships with the retail sector. In so doing, it will make a mockery of the trade and industry department's strategy to isolate SA's monopolistic producers by forcing a clear segregation between production, distribution and retail.

The various liquor licensing proposals published by the department in the past year — which have caused widespread consternation in the industry — all involve imposing on the SA trade the same three-tier structure which has been in place in the US since the prohibition era.

The drive behind this draft legislation has been empowerment coupled with antitrust sentiments. The department's thinking has been muddled, if not inept.

Now that the country has been presented with a scheme which fulfils empowerment criteria — not simply for a privileged few, but for a widely dissipated shareholder base and for the beneficiaries of a community trust — the department will be hard-pressed to proceed with its ill-thought-out agenda. Nothing is more likely to sound the death knell of the three-tier structure than the Papkuilsfontein project and its many clones we can expect to see in the next six months.

It has been fashionable in SA to speak of win-win situations. For sheer genius, however, it is hard to imagine anything more elegant than the way SFW's Frans Stroebel has put a significant deal to bed while poisoning the department's wells.

Legal wrangle sours students' dreams

CT 13/3/98 (3) WINE (10)

THE WINE INDUSTRY TRUST, formed to assist the disadvantaged after the KWV court settlement, is tied up in red tape while a group of students struggle to pay their fees. **ERIC NTABAZALILA** reports.

BLACK VITICULTURISTS: University of Stellenbosch students, Thokozani Sibeko (left), Bonginkosi Buthelezi, Thokozani Mtshali, Silindile Msimango, Michael Shandu and Busisiwe Biyela, wish to make their mark in the exclusively white wine industry. However, they need financial assistance to continue their studies to become primary wine producers. PICTURE: ALAN TAYLOR

THE dreams of six black University of Stellenbosch students who want to make their mark in the exclusively white wine industry could come crashing down as the Wine Industry Trust — formed to help people from previously disadvantaged communities — is caught in a legal wrangle.

Although the future of Mr Thokozani Mtshali, Mr Michael Shandu, Mr Thokozani Sibeko, Ms Bonginkosi Buthelezi, Ms Silindile Msimango and Ms Busisiwe Biyela look bleak, they are still confident that someone will come to their aid.

"I'm confident that if I do well in my first year, someone will come and help me out," Shandu said.

The students are all in their first year and registered for BSc Agriculture, majoring in viticulture oenology.

The trust was formed last year after an out-of-court settlement between KWV and the government over the ownership of KWV's assets. KWV agreed to pay a membership fee of R447 million to the Wine Industry Trust for the next 10 years.

The trust would invest some of its money in areas such as research and development, export promotion, social development projects, training and upgrading of skills of farm workers and the facilitation of the entry into the industry of new players from former disadvantaged communities, as primary producers.

The settlement followed after KWV announced that it intended to convert from a wine co-operative to a private company.

Mr Theo Pegel, KWV co-operative director, said the company had its own bursary scheme, but it was late for the students to apply. He said the company was helping students from financially disadvantaged communities.

Pegel said he did not know where the students got the information about the trust.

"We never envisaged it to be formed by this time of the year. Role players and the manager of the trust had to be first elected by Minister of Agriculture and Land Affairs Derek Hanekom, and then they would decide how these students could be helped. I can't see any way they can be helped right now," he said.

Mr Jabulani Ntshangase, a trustee of the South African Airways Wine Education Trust and a partner at the Spice Route Wine Company, said: "The reason there are no role players appointed to discuss how cases like this could be handled is because the minister and his department are not doing their jobs. Our students are suffering while these people are busy spending months discussing acts of law."

Ntshangase said he had earlier written a letter to KWV requiring that the students be assisted financially. The company replied that "no such funding would be available as the company's entire social responsibility budget had been committed to the payments it would make to the Wine Industry Trust".

He then wrote another letter to Hanekom asking him to intervene as he was not certain whether the trust would be formed in time to help the students with their initial payments.

He wanted the university to obtain some guarantee that the fees for some of the entrants will be met from this fund.

Up to now, nothing had come forward and he had assisted the students financially when he saw that they were "struggling".

Mr Steven Goldblatt, legal adviser to Hanekom, said: "I don't think the minister can bind the trust on what it should and should not do. According to the agreement, there must be a change in the Wine and Spirits Act which was supposed to be discussed in Parliament yesterday.

"I think the solution lies in negotiations within the wine industry where all the role players who would form the trust could meet to discuss how a special payment could be made to the university. I will try to attend to this case next week and see what we can do," Goldblatt said.

Ntshangase made a direct appeal to the government that, while it discusses the act, it should consult the university and guarantee that students' fees and other expenses would be met once the trust has been formed.

Although there were frustrations caused by the delay, credit should be given to companies who had come forward and helped people from former disadvantaged communities, Ntshangase said.

Distillers to build wine cellar after restructuring

BD 27/3/98 (8) WINE

Samantha Sharpe

CAPE TOWN — Wine producer and wholesale distributor Distillers Corporation plans to build an R86m wine cellar in Durbanville, following a restructuring of its wine interests.

Distillers spokesman Ian Skietekat said the reorganisation involved the formation of a new company, SA Wine Cellars, which would take responsibility for the distribution of the group's wine. Sources linked the development to expected changes in the Liquor Act.

Skietekat said the new company would operate in the local market only.

Construction of the Durbanville cellar is to be undertaken in co-operation with seven wine farms in the area. The first wines may be produced next year.

He said Distillers would hold a 55% stake in the cellar, with the sharing producers taking a 40% share and 5% set aside for worker ownership.

Wine reshuffle by Distillers

CT(BR) 27/3/98 (3) WINE

MARC HASENFUSS

Cape Town — Distillers Corporation, the fine wine and spirits company owned by Rembrandt, would restructure its wine interests and invest R86 million in a new wine cellar in Durbanville near Stellenbosch, Ian Schietekat, the company spokesman, said last night.

He said Distillers would restructure its wine interests by establishing a new company, to be called SA Wine Cellars.

Sources claimed the move was prompted by pending changes to the controversial Liquor Act, which deem that liquor companies should either be involved in producing, wholesaling or retailing liquor — but not in all three functions.

Schietekat said SA Wine Cellars would act as a distributor for the wine interests of Distillers in the local market, which would include the new Durbanville cellar.

He said the first wines would be produced in Durbanville as early as next year, and the cellar would be a collective undertaking by wine producers in the area.

"The construction of the cellar is proof of Distillers' confidence in the future of quality wines, particularly in respect of the export market. The wines produced here will be marketed both locally and internationally," Schietekat said.

He said Durbanville had been identified as one of the more sought-after areas for the production of quality wines.

Schietekat said the producers who had entered into partnership with Distillers included Jackie Coetzee, the De Villiers brothers, Ryk de Witt, Bernard Kruger and Wheaty Louw.

He said the Durbanville cellar, which offered panoramic views of Table Bay and Cape Town, would also be developed into a major tourist attraction.

WINE

(3) WINE ET(AR) 2/4/98

Exports to UK signal shift from bulk sales

Exports of South African table wine to the UK grew 9 percent to more than 4 million cases last year, signalling a strong shift away from bulk wine sales, according to figures released yesterday by the South African Wine and Spirit Exporters' Association.

The figures show a 25,1 percent increase in export volumes for December compared with the same period last year, countering recent reports of a 7 percent fall between June and December.

Tina Coady, the marketing manager of Wines of South Africa in London, said the continued growth was encouraging: "But what is most exciting about these figures is the growth in South Africa's market share. In May and June, South Africa held 5,5 percent in both value and volume terms. But in the last two months of the year this had climbed to 5,6 percent in volume terms and 5,7 percent in value terms." — *Francoise Botha, Cape Town*

WINE *The best in the country comes under the hammer tomorrow, and foreign buyers will be watching*

Nederburg auction is an international barometer

CT (MR) 3/4/98 (3) WINE

FRANCOISE BOTHA

Cape Town — Tomorrow's Nederburg auction will put not only South Africa's wines under the hammer but also the country's standing, as foreign buyers make their judgments.

If positive, this barometer of international sentiment towards South African wines will pave the export way for other local producers, many of whom remain divided about whether further price spirals will be to their benefit.

It was reported earlier this year that the volume of wine exported to the UK, the industry's largest foreign market, had slumped 7 percent over the six months from May to November.

The media frenzy that followed, claiming the honeymoon for South African wines was over, was dispelled this week by the South African Wine and Spirit Exporters' Association. Exports are not flagging, they say: they grew 9 percent in volume terms last year, on top of the 29,5 percent and 48,6 percent gains achieved over the previous two years.

Although these figures represent both bottled and bulk wine sales across all quality strata, they provide a clear indication of foreign buyer perceptions about South African wines in terms of quality and value for money.

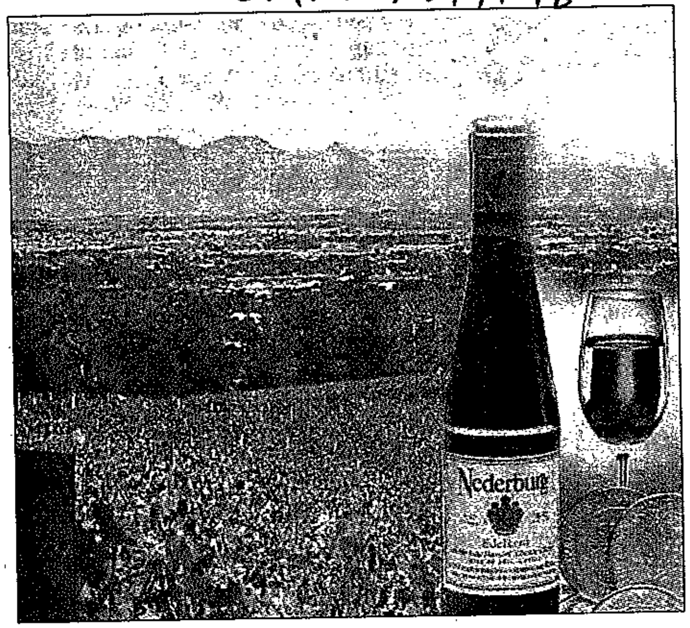
And, in much the same way, at the top end of the market a similar statement will be made tomorrow by foreign buyers.

The Nederburg auction, which has attracted buyers from more than 20 countries, bidding for 9 500 cases of the Cape's premium quality wines, can certainly make a difference to those international perceptions.

As flag bearers for the local industry, the auctions' foreign buyers can create a ripple effect for other export sales, sending a powerful message to international wine buyers that South Africa's premium quality wines have been underpriced.

If they do, however, it will certainly come at a price — if the past is anything to go by.

Investors in the country's highest quality wines, sold at both the Nederburg auction and the Syfrets Cape Independent Winemakers Guild auction in September, have faced tough choices after recent surges in foreign buyer demand.



While last year's Nederburg auction saw a small increase in the percentage value of export sales from 44,8 percent to 47,5 percent, stronger international demand, coupled with local investor interest, saw average prices of red wines climb 30 percent to R615,67 a case, or R51,30 a bottle before VAT.

Similar price increases were seen over the past two years at the Syfrets auction, with average case prices falling 147 percent to R838 in 1996 but adding a further 10,6 percent last year to R927 a case, or R77,25 a bottle before VAT.

While the local wine industry, which had been left in the cold internationally during the sanctions era, welcomed this re-acceptance reward, opinions differ as to what the future should hold on the price front and whether further increases will benefit the industry.

Anthony Hamilton Russell of Hamilton Russell Vineyards said: "South Africa's quality red wines are cheap by international standards and this price correction should have been expected. It is also likely to continue until prices are brought in line with those of our international counterparts and competitors."

Meanwhile Richard Kelley, the locally based English Master of Wine, holds the view that the end of the price spike should be in sight, especially for wines that are not at the top end of the quality spectrum.

"The problem is that these auction wines probably represent only 5 percent of the South African market," he said.

"For those wines not in this bracket, these price increases cannot carry on for ever unless their quality goes up commensurately. However, at the top end there are still some bargains to be found, especially given the currency devaluation."

Despite the Nederburg auction's role as a showcase for the best wine the Cape has to offer and an opportunity to build the quality image of the local industry, some hard-nosed commercial wine buyers at last month's Pro Wein show in Duesseldorf had a more telling reaction to South African wine prices: "They are increasing too rapidly and your wines no longer represent good value for money."

And it is here that a danger lies for the industry. Sharp increases in the price of fine and rare auction wines can be tolerated by the market. But too many producers have climbed on the bandwagon, ultimately doing the industry a disservice. The message that came romping home was: Compete on quality.

Millions spent to 'save wine'

(3) WINE Sowetan 6/4/98

By Len Maseko

SOUTH Africans dug deeper into their pockets at the Nederburg auction in Paarl in the Western Cape at the weekend to keep overseas buyers from shipping out most of the country's premier wines.

South African wine investors forked out a total R3,2 million of the R4,7 million spent at the event to secure 6 041 cases of the products.

This figure represents about 68 percent of the day's total sales.

The top buyer was the wholesale group Makro; followed by Pick 'n Pay; Spar Supermarkets; Wu Chiu Lin Trafficker of Taiwan; Shoprite Checkers; the ship chandling company Sagad (Cape); Western Province Cellars; Afdis of Zimbabwe; Grays Ltd of Mauritius and Champany Inn from Scotland.

It was as much the auction as the bubbly, that flowed copiously, that drew many of them.

For their part, the 42 chefs from Southern Sun did much not to spoil the broth in their joint effort.

Instead, it was the guests who were spoiled and pampered by the 200 waiters in attendance.

An overseas scholarship for people from disadvantaged groups in the industry to study viticulture was announced.

Record R4,7-m spent at Nederburg wine auction

Star 6/4/98 (3) WINE

BY JANINE WALKER

Total sales at this year's Nederburg wine auction set up a record high of R4 706 575, an increase of 7% on last year's figure of R4 402 277.

This was despite 723 fewer cases being auctioned.

South African buyers went all out at the premier event on the country's wine calendar to keep our finest produce in the country.

Local sales accounted for nearly 70% of the wines bought, with overseas buyers buying 25% of the local wine. This is a drop on last year's figure of 40% when a Taiwanese buyer spent more than R1-million on local products. The remaining 5% of the local sales went to African countries.

The message to the market was clear: the major growth in the wine market is likely to be in premium quality wines. This year the average price of a 9-litre case of wine sold at the auction for R636, an increase of 18%, compared to last year's price of R540.

American wine expert and the guest speaker, Allen Shoup, pointed out that consumption of wine throughout the world is not growing, while wine harvests increase all the time.

But the consumption of premium wines in America has increased 800% in the past 12 years. People are drinking less but better. It's a trend which South Africa is likely to follow.

While there were plenty of restaurants, guest houses and lodges buying, it was the supermarket chains that dominated the bidding.

The top five buyers were Makro, Pick 'n Pay, Spar, Wu Chin Lin of Taiwan and Shoprite Checkers.

Of the 32 white wines on auction, the Neethlingshof Sauvignon Blanc Noble Late Harvest 1990 achieved the highest price at R450 for 6 x 375ml bottles. Of the 71 red wines on auction, the top seller was Warwick Trilogy 1988 (3 x 1,5 litres) which fetched R1 850.

The honours in the fortified wine category went to the 50-year-old Monis Collectors Port 1948 which went for R3 700 for 6 x 750ml bottles.

Auctioneer Patrick Grubb, who has presided over all 24 auctions, announced the inception of the Patrick Grubb Scholarship, which will annually send a person from a disadvantaged group in the industry to spend six weeks working in Europe or North America.

The charity wine auction for Hospice raised nearly R26 000.

Foreign buyers soak up Cape wine – and then call for more

ARG 6/4/98 (5) WINE

Sales hit a record at auction

LLEWELLYN JONES
BUSINESS REPORTER

South Africa could immediately treble wine exports if there was no shortage of supplies, according to top international buyers in Cape Town for the Nederburg auction held at the weekend.

"South African wines hold 2,5% of the Danish market, and this could easily be trebled virtually overnight if the availability – particularly of red wines – was there," said Frank Sondergaard, a wine buyer from Denmark.

Otto Lenselink, a buyer who services the Benelux countries and some Asian countries, said he daily handled queries from China for South African wines.

The Asian market had completely changed in the wake of studies showing the health benefits of red wine, said Mr Lenselink.

But Ingo Mack from Germany warned against producers riding the bandwagon of South Africa's international success and exporting cheap wine.

"Once you damage the name, you cannot recover," he said.

Pat Straker from Britain also warned against greedy producers who were pricing their wines out of the market.

"Five years ago, South African wines offered the best value in the British market. They have now been overtaken by wines from Chile and Argentina as best value for money."

Sapa reports the 24th Nederburg wine auction on Saturday established a sales record of R4 706 575 – up 7% on the previous year in spite of there being 723 fewer cases on auction.

In aggressive and competitive bidding, local buyers bought nearly 75% of the wines – with the Western Cape, Gauteng and Northern Province accounting for 61%.

Overseas bidders accounted for 25% of sales – a drop on last year's figure of 40%.

"In spite of the shaky Eastern stock markets, the Taiwan wine merchant who bought more than R1-million worth of wine last year put in a good showing this year – the fourth biggest buyer," said auction manager Bennie Howard in a statement.

Top buyer was wholesaling group Makro.

"Once again there was a good showing from wholesale and supermarket wine buyers – who were responsible for nearly 29% of total sales," said Mr Howard.

Average price of a nine-litre case of wine sold at the auction increased by 18% to R636 (1997: R540). Of the 32 white wines on auction, the top seller was Neethlingshof Sauvignon Blanc Noble Late Harvest 1990, which went for R450 for six 375ml bottles.

Of the 71 red wines offered, the top seller was Warwick Trilogy 1988 (three 1,5 litres) – which went for R1 850. The average price for a nine-litre case of red wine was R699 – up 14% on last year's R616.

New record set at Nederburg wine auction

(3) WINE BD 6/4/98

CAPE TOWN — The 24th Nederburg wine auction — characterised by aggressive and competitive bidding — in Paarl on Saturday, established a sales record of R4,7m — up 7% on the previous year despite there being 723 cases less on auction.

Local buyers purchased nearly 75% of the wines, with the Western Cape, Gauteng and the Northern Province accounting for 61%.

Overseas bidders accounted for 25% of sales — a 40% drop on last year's figure.

"Despite the shaky Eastern stock markets, the Taiwanese wine merchant who bought more than R1m worth of wine last year put in a good showing this year; being the fourth biggest buyer," said auction manager Bennie Howard.

"Other strong foreign buyers were Zimbabwe, Mauritius, Denmark, Scotland, Switzerland, Germany, the US and Canada."

The top buyer was the wholesaling group Makro, followed by Pick 'n Pay, Spar Supermarkets, Wu Chiu Lin Trafficker of Taiwan, Shoprite Checkers, the ship chandlering company Sagad (Cape), WP Cellars, Afdis of Zimbabwe, Grays Limited of Mauritius and Champany Inn from Scotland.

"Once again, there was a good showing from wholesale and supermarket wine buyers who were responsible for nearly 29% of total sales," said Howard. The average price of a 9*l* case of wine sold at the auction increased 18% to R636, compared to R540 last year.

Of the 32 white wines on auction the top seller was Neethlingshof Sauvignon Blanc Noble Late Harvest 1990, which went for R450 for six 375ml bottles.

Of the 71 red wines on auction the top seller was Warwick Trilogy 1988 (three 1,5*l* bottles) which went for R1 850. The average price for a 9*l* case of red wine was R699, showing an increase of 14% on last year's price of R616.

The top selling fortified wine on auction was the 50-year-old Monis Collectors Port (Stamp Collection) 1948 which went for R3 700 for six 750ml bottles. This superb vintage also fetched the highest price on the auction in 1991, 1992, 1994 and 1997. — Sapa.

Hanekom, KWV head for row over co-op deal terms

LLEWELLYN JONES
Business Reporter

ARG 14/4/98 (3) WINE

Harsh words could be exchanged today when KWV executives and Agriculture Minister Derek Hanekom meet to work on the agreement struck between them last year.

The agreement allowed for the KWV to convert from a co-operative to a company.

News that Mr Hanekom and the KWV could be at loggerheads was the talk of the Nederburg Auction in Paarl last week. Industry insiders said Mr Hanekom and the KWV had clashed over the interpretation of various clauses in the agreement.

The agreement, which sets up a Wine Industry Trust largely financed by the KWV, was reached after several months of acrimonious legal battles, with Mr Hanekom arguing that the KWV's assets belonged to the nation and could not be distributed among shareholders.

One source said a meeting between the parties two weeks ago had ended in deadlock, with both calling for legal advice.

But both parties have since denied that there was any new feud.

Steven Goldblatt, a legal adviser to Mr Hanekom, said he did not believe either side was questioning the agreement.

"As with any agreement of this size and nature, there is a measure of fine-tuning which needs to be done," he said.

KWV chief executive Willem Barnard said the KWV was co-operating with a committee appointed by Mr Hanekom to implement the agreement.

"The KWV is committed to the agreement as it stands and will abide by what is written into it, but it will take time to interpret and refine," Dr Barnard said.

"The KWV intends to adopt a flexible approach to its implementation, provided the objective of a self-regulatory industry – similar to those which successfully exist in other wine making countries – is not jeopardised," he said.

But industry players are unhappy at the time it is taking to set up the Wine Industry Trust which is due to have been established for the benefit of the wine industry and its employees.

Launch of wine trust hinges on KWV

eT (BR) 16/4/98 (3) WINE

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The Wine Industry Trust, the joint venture between the state, KWV and the wine industry, could be up and running within two months — if KWV agrees.

The trust is aimed at developing the industry with funds creamed off KWV profits over the next 10 years.

The department of agriculture should finalise the rules for the governing of the trust this month, Herman Rademeyer, the head of legal services in the department, said yesterday.

"Then it would only be for the trust deed to be registered and trustees to be nominated before money could flow into the trust and it could start with its development work," he said. He added that the trust could well be up and running within two months.

But sources in the wine industry said KWV was not keen to take responsibility for the trust before it had been relieved of its duties under the KWV Act — and that might not happen for several months.

PROGRESS *Derek Hanekom, the minister of agriculture*

This week the senior management of KWV met with Derek Hanekom, the minister of agriculture and land affairs, and department officials in Pretoria to thrash out a compromise.

After the meeting, the two parties issued a short statement which said that progress had been made and that only "a few small technicalities" prevented a breakthrough with the trust.

In terms of an agreement signed by Hanekom and KWV last year, R200 million plus interest would be donated to the trust by KWV for development projects. The state would pay KWV another R88 million for work done for the trust, which would also be donated to the trust.

In total, almost R500 million would be donated by KWV over the 10-year period.

The legislation to relieve KWV of responsibilities such as supplying distilling wine to wholesalers is scheduled for debate in parliament on Monday.

The KWV Amendment Bill provides for a management authority to be set up by Hanekom to take over the responsibilities of KWV from June 30 next year.

The management authority would administer the KWV Act until June 30 2001 at the latest, by which time new regulating legislation for the industry would have been finalised, Rademeyer said.

Wine trust delay as KWV haggles with Hanekom

(3) WINE

LLEWELLYN JONES
BUSINESS REPORTER

ARG 16/4/98

The long-awaited creation of a Wine Industry Trust could still be some time off while the KWV and Minister of Agriculture Derek Hanekom haggle over the interpretation of the agreement they signed last September.

The agreement allowed the KWV to convert from a co-operative to a company and called for the establishment of an industry trust to which the KWV would give some R47-million a year over the next 10 years.

KWV chief executive Willem Barnard said a meeting in Pretoria on Tuesday to resolve differences of opinion between Mr Hanekom and the KWV had been inconclusive.

He said the two parties would meet again early next week to continue discussions. Dr Barnard said, however, that the points of difference were "not a major thing".

He said KWV did not want to get into another high-profile clash with the minister as it did over the KWV's conversion to a company last year.

CA

LEON MULLER

Weighty words: Sampie Noboie of the Food and Allied Workers' Union hands a memo to Minister of Environmental Affairs Pallo Jordan

Fawu marchers want job security

(159) (4) FISHING (3) WINE (186)

ALIDE DASNOIS
BUSINESS EDITOR

ARG 17/4/98

Chanting Food and Allied Workers' Union members marched on Parliament yesterday demanding the Government take urgent steps to protect jobs in the wine, canning and fishing industries.

A memorandum handed to Environmental Affairs Minister Pallo Jordan urged that in any fishing agreement with the European Union, all boats fishing in South African waters be obliged to fly the South African flag and employ South African crews.

The marchers also handed in a memorandum at the offices of the European Union, urging European countries to open their markets to South African agricultural exports and stop unfair competition from cheap European imports here.

Fawu has criticised the EU for imposing tariffs of up to 21% on imports of South African canned fruit and vegetables, at the same time subsidising European farmers.

The flood of cheap European canned goods on South African markets is threatening jobs, says Fawu.

Langeberg Foods has already laid off 2 000 seasonal workers and 400 permanent workers and up to 4 800 other jobs are under threat, Fawu says.

Fawu has asked the government to keep some tariffs in place to protect the domestic canning industry and to slow the restructuring of the wine industry until measures to protect jobs have been discussed.

Fawu fears that jobs in the wine industry will be lost if the EU succeeds in its attempt to exclude 40% of South African agricultural products from the free trade deal that is under negotiation.

KWV's profits drop amid conversion

ARG 17/4/98 (3) WINE

LLEWELLYN JONES
BUSINESS REPORTER

Profits of wine group KWV slumped to R23-million last year from R83-million the previous year as it battled with Agriculture Minister Derek Hanekom over its conversion from a co-operative to a company.

Chief executive Willem Barnard said that although the results had been affected by management focus on converting to a company, the poor results were largely because of various accounting procedures and large-scale investments.

Dr Barnard said a hefty chunk of the drop in profits was because the KWV subtracted the cost of stock bought during the year from the group's income, rather than regarding it as an asset.

He also noted that the the company's profits had also been influenced by significant investment in red wine cellars in Paarl and an upgrade of the company's plant in Upington.

KWV details its structure as a liquid company

(3) WINE

ST (PT) 19/4/98

REPOSITIONING

By MARCIA KLEIN

KWV, the wine co-operative in the throes of major change as it converts to a company, this week detailed its new structure and its financial results, both of which will be discussed at what should prove to be an interesting annual general meeting later this month.

KWV operated as a co-operative for 11 of the 12 months to December. It reported net taxed profit of R23.8-million, down sharply on the R83.2-million of the previous year, and achieved on a near-unchanged turnover of R829.1-million.

However, this had nothing to do with the conversion to a company, but a result of accounting policy — subtracting the cost of liquid stock (distilling wine, red wine and grape juice concentrate) from income. If it was counted as an asset, almost R100-million could be added back, making the result rather more pleasing. KWV is looking at changing its policy to value stock at cost.

KWV's exports were under pressure following the abolition of Geis. During the year, KWV International established Australian company Red Vale, in which it has a 50% interest, and acquired 50% of the Kaaps Hollandse JV for distribution and marketing in the Netherlands.

The abolition of Geis saw SA wine exports to the UK slow, increasing by only 7.6% from January to November 1997, with a decrease since July. SA exports for 1997 grew by 9% to 12-million cases from 11.1-million in the previous year.

KWV spent R76.6-million in capex over the year, largely on the red wine cellars in Paarl and the concentrate plant in Upington.

KWV's new st[illegible] which turns it from [illegible] op into a [illegible] includes Clas[illegible] shares, with [illegible] ing the cont[illegible] and held b[illegible] ers. Together the [illegible] B shares hold KWV Group, which in turn holds the operating companies.

The new structure ensures that control of KWV remains with co-operative members. Financial director Nico Kotzé said KWV did not want to repeat the experience of Bonnita and Langeberg, which were snatched up by Premier and Tiger Oats.

Although control remains with the co-operative, there are various advantages to be gained by changing into a company. MD Willem Barnard said KWV will have the advantage of building capital and be able to imp[illegible] its image in the [illegible] markets [illegible] traded. These [illegible] the UK, [illegible] Scandinavia [illegible] America. [illegible] negotiations [illegible] the ministry of agri[illegible] it was agreed last year to establish a Wine Industry Trust, with KWV contributing R390-million over 10 years.

Broking firm PSG has valued KWV shares at between 200c and 300c a share.

Bill ditches KWV, gives Hanekom 'sweeping powers'

(3) WINE BD 21/4/98

Wyndham Hartley

CAPE TOWN — Tough amendments to the Wine and Spirit Control Amendment Bill which give Agriculture Minister Derek Hanekom sweeping discretionary powers in the industry and which reduce the status of KWV to that of an "interest group" were forced through the National Assembly's agriculture committee yesterday.

The bill seeks to create a management authority for the wine and spirit industry to take over the statutory functions exercised in the past by KWV. This follows the liquor co-operative's announced intention to convert to a public company.

The bill originally insisted that some decisions of the management authority would be by simple majority but that those taken in key areas of marketing in the industry would have to be by the total consensus of the new management authority.

This safety threshold for the KWV was thrown out by the African National Congress in the committee.

If the bill is approved by Parliament, Hanekom will be given the power to decide what constitutes an "interest group" in the industry. These groups will then be entitled to nominate members for appointment to the management authority.

The amendments will then allow Hanekom to appoint nine of the nominees to serve on the authority and a further three at his discretion if provisions of the present act are not in place.

The legislation also instructs the minister to include representation on the management authority of "small-scale farmers and the historically disadvantaged". In the definitions of interest groups, labour is specifically included. It is specified that KWV, and other assignees to the management authority, shall not have less representation than any other interest group.

National Party MP Manie Schoeman said it was pleasing that a clause allowing certain aspects of KWV's involvement to be separated from the repeal of the legislation in June 1999 had been retained, but that, overall, some of the amendments were "not in the spirit" of the agreement reached between KWV and the minister.

Exporter claims wine was diluted

BD 22/4/96 (3) WINE

Nicola Jenvey

DURBAN — Trawal Co-operative in the Olifants River region faces legal action following allegations by Cape Town-based wine exporter The Natural Corporation that some the wines supplied to it by the co-op were diluted with water.

The Natural Corporation has instituted civil proceedings against Trawal after a consignment of wine sent for testing was rejected by the Wine and Spirits Board. It is an offence to water down wine and should these claims be substantiated, the co-op faces both criminal and civil proceedings.

Court records show The Natural Corporation purchased several thousand litres of wine from Trawal to bottle under its own brand labels, primarily for sale in the US.

The transaction was worth about R1m.

However, The Natural Corporation alleges that when delivered, some of the wines were found to differ substantially from the samples originally presented to it and the board.

A "dry red" was reportedly so light in colour that it resembled a rosé and the pinotage's alcohol content was more than 1% lower than in the initial sample.

Trawal responded that The Natural Corporation had sent the wine to a bottling plant after delivery and — based on its own internal investigation — water could not have been added while the wine was still at the co-op. The alternative might be for problems to have arisen at the bottling plant.

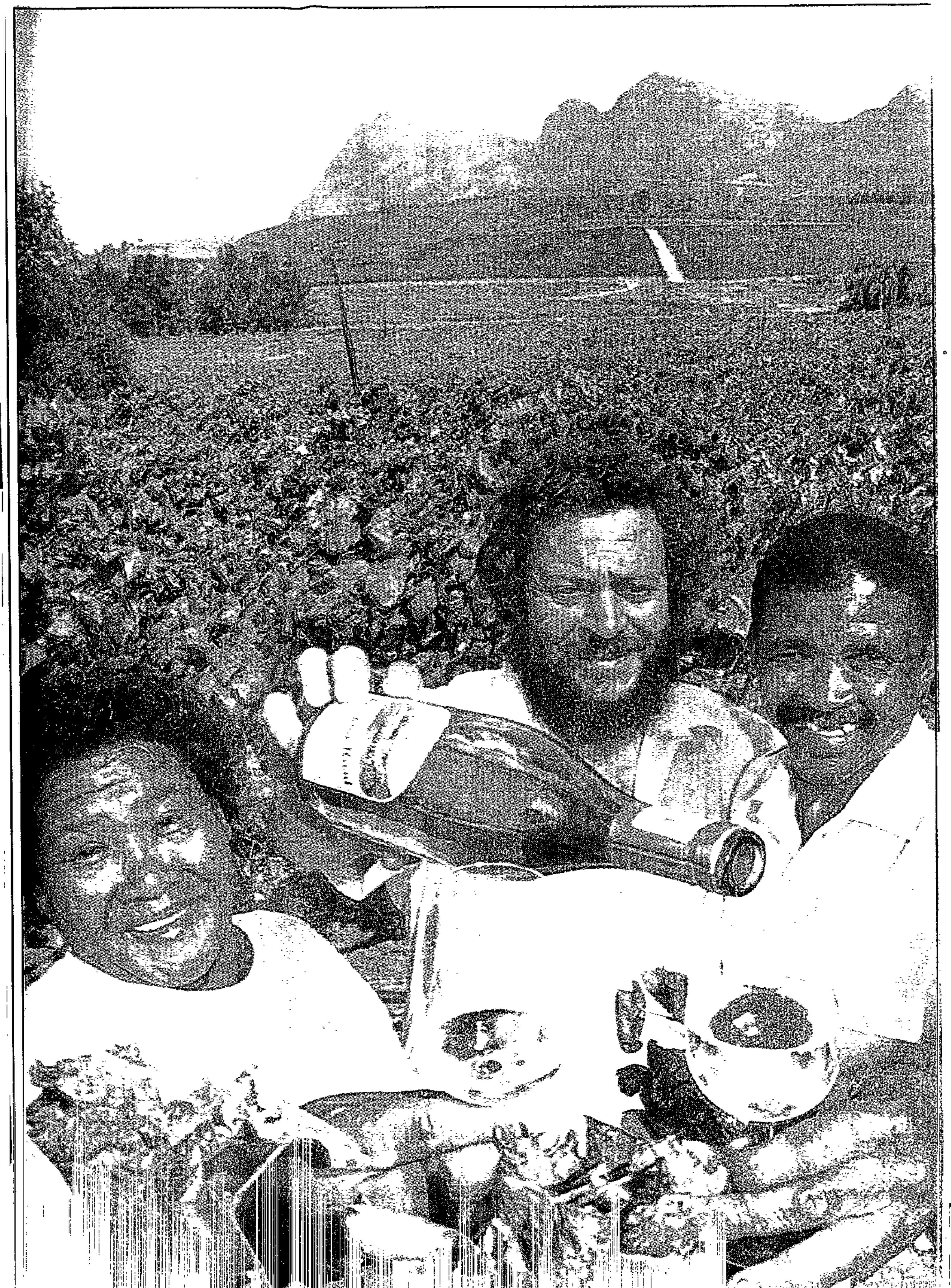
The Natural Corporation is now tendering return of some of the wine and is claiming about R400 000 in damages in respect of payments made upfront for its purchase. Trawal is opposing the claim.

Initially the board placed an embargo on the balance of wines coming from Trawal, but attorneys working for the co-op confirmed that this had been lifted. Trawal can therefore sell the remaining wine — originally due for The Natural Corporation, but which the exporter has subsequently refused delivery — to a third party.

FRUITS OF LABOUR

Workers' first wine sweetens months of toil

ST (CM) 26/4/98 (3) WINE



A GROUP of proud farm labourers notched up a first in the South African wine industry when they released their maiden vintage under their label, Freedom Road, at Backsberg Wine Estate near Paarl last week.

The wine, a classy white, will go into retail outlets and the record books as the first produced by estate workers.

Releases by similar management-worker initiatives — Klein Begin at Nelson Creek and Fair Valley on Fairview Estate — are to follow next month.

Over a glass of their wine, Dina Dirkse, spokeswoman for the 17 farm workers behind the Freedom Road label, talked about the 18 months of hard labour that lay behind their triumph.

They have spent every weekend, public holiday and spare moment working in the 14-hectare vineyard they lease from wine farmer Pieter du Toit.

"It's what we call a *moeg storie*," says Dirkse.

"People would ask: 'Why are you working on a Saturday?' Now they know. We're working in our own vineyard, growing our own grapes, producing our own wine."

Now that the harvest is in, Dirkse has resumed running the farm creche.

Like those of many other members of the collective, her family's history is bound up in Backsberg. Dirkse was born on the estate and her father worked the vineyards for 40 years.

Doon Stevens, Backsberg's assistant cellar master, has lived and worked on the estate for 50 years.

As senior assistant of the collective vineyard, he was responsible for nurturing and harvesting the sauvignon blanc grapes for Freedom Road's first white wine. He also supervised the growing and picking of the premium cabernet sauvignon grapes for the red wine now maturing in the barrel.

"The first grapes — that was a day to remember," the grape-pickers say.

"When the first cheque came, we forgot all about the hard work."

Sandra Moss, a cook and gardener on the estate, sketched the label. It shows a golden path leading to a sun dawning in the vineyards.

The name of the label was inspired by the title of President Nelson Mandela's autobiography, *No Easy Walk to Freedom*.

In another first, the wine is to be stocked soon by a UK supermarket chain that is keen to support the initiative.

The profits from domestic and export sales will fund a housing scheme, under which the workers in the initiative will gain title to land and better homes.

Written on the label on the back of the bottle is a letter explaining that Freedom Road means more to its growers than sales and profits: *Dear Friend, The grapes used to produce this wine came from vineyards tended by ourselves, in our own time and for our own benefit . . . Your enjoyment of this bottle brings us closer to the magic of owning our own homes.*

"We will be breaking the traditional tie between the insecurity of farm housing and employment," says Michael Back, owner of Backsberg Estate.

He is providing bridging finance and winemaking and marketing skills for the workers. Support is also provided by the government.

"It's easy to make wine, stick on a label and put it on the shelf when everyone makes a collective effort and works together," Back says.

"Ours is a family business where people have worked for generations, like my father and the workers' fathers.

"We are trying to put things right."

GRAHAM HOWE

Fawu could sour KWV's wine trust

(3) WINE

Louise Cook

THE wine industry trust to be set up with money from KWV could run into problems with the Food and Allied Workers' Union (Fawu.)

The trust was the outcome of the settlement last year of a dispute between Land and Agriculture Minister Derek Hanekom and alcohol distribution and wine company KWV, after the former co-operative announced its intention to convert to a company.

Fawu economics co-ordinator Dannyboy Masemola confirmed last week that the union planned to oppose any "undue" powers KWV planned to exercise over the trust, saying the money should be spent on worker improvement and skills training.

KWV agreed to pay R477m into the trust over the next 10 years. Negotiations to map out the details of the payment started recently between a KWV negotiating team headed by MD Willem Barnard and government, represented by Hanekom.

An industry source said the idea was to set the trust up as a nonprofit company run by a "thin spread" of trustees. This would be similar to several others established recently in the agricultural sector following the scrapping of control boards last year.

Masemola said Fawu had not finalised its policy on future worker and community participation in the wine industry, but expected "meaningful" representation on the trust as well as a "substantial" shareholding in KWV itself. A 5% shareholding, mooted early in the process, would not be acceptable to union members, he said.

KWV spokesman Henry Hopkins confirmed that the company would introduce a shareholding incentive scheme for all industry employees next month, but said the trust money would be kept back until the legal structure had been established.

Industry talk is that the most likely reason for the delay in the formation of the trust is uncertainty over statutory levies and quotas and whether the proposed company should have statutory powers. Department officials were not available for comment.

The parliamentary agriculture committee passed key amendments to the Wine and Spirit Control Amendment Bill last week, aimed at replacing KWV as the industry's controlling body with an interim management authority which would operate until end-June next year. A self-regulating industry is envisaged after that date.

Since converting from a co-operative to a company in December last year KWV has set up four divisions — KWV Group Services, KWV Cellars, KWV SA and KWV Industrial Services. The conversion resulted in a loss of R12m in the financial year to December, compared to R66m profit in 1996.

BD 28/4/98

Competition Board suspends investigation until new Act is passed

Reprieve for the liquor industry

CT (BR) 30/4/98 (3) WINE

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The Competition Board had put its investigation into the liquor industry and the affairs of the KWV on hold until the new Liquor Act had been passed, Lourens Jonker, the chairman of KWV, said at the body's annual general meeting yesterday.

"The new Liquor Act would possibly contain guidelines and prescriptions regarding competition which could affect the outcome of the investigation," he said.

In the meantime, KWV had appointed expert legal counsel to prepare its submission to the Competition Board.

The department of trade and industry was putting the final touches to a new liquor bill which would outlaw vertical integration in the industry with a three-tier licencing system.

The new legislation could make an investigation into possible monopolistic behaviour by big players in the industry superfluous.

Jonker also told farmers at the meeting that the opportunity for former members of KWV to take up shares in KWV after it had converted to a company had lapsed on April 23.

About 14 million shares were not taken up by qualifying non-members who have now forfeited their right to purchase shares.

GOOD SPIRITS *Willem Barnard, left, the KWV managing director, and Lourens Jonker, the KWV chairman* PHOTO ANDREW BROWN

Excise duty angers farmers

(3) WINE

WINE farmers were furious about the high excise duty on natural wine which has increased 259% since 1992, farmers said at the KWV annual general meeting in Paarl yesterday.

Chairman Lourens Jonker said the KWV was surprised and disappointed by government's increases in excise on vine products. He said a KWV delegation was well received by government but the budget did not reflect KWV's points of view.

"These increases will slow down growth in the industry, which employs 215 000 people. It may also cripple the industry's ability to finance empowerment projects," Jonker said.

"Furthermore, it may have a negative effect on government income and sales of wine products," he warned. — Sapa.

BD 30/4/98

New bill leaves industry with a three-tier hangover

The Liquor Bill, increased competition from imports and higher excise duty have put a damper on the wine and spirits industry, writes MARCIA KLEIN

ST (BT) 3/5/98 (3) WINE

THE Competition Board will suspend its investigation into the liquor industry until the new Liquor Act has been published.

This week, the Department of Trade and Industry told Parliament it would go ahead with the controversial Liquor Bill, which will affect a number of major industry players who are vertically integrated. The major objection to the new Bill is its introduction of a three-tier system which does not allow vertical integration between producers, wholesalers and retailers. Many liquor companies are involved in two or more of these activities, and say they will find it difficult to separate them.

Alistair Ruiters, the department's chief director responsible for the Bill, told parliament it would go ahead, but did not indicate how flexible the Bill would be with regard to this three-tier system.

KWV chairman Lourens Jonker said at the company's AGM this week the Competition Board investigation was still pending, but agreement had been reached with the board that no submission would be made until the new Liquor Act had been published.

"Considering that the new Act will possibly determine guidelines and prescriptions regarding competition, the investigation will be meaningful only after it has been passed."

Jonker said 1997 was dominated by negotiations with the Department of Agriculture, which resulted in the September decision to transform from a co-operative to a company, a move which was achieved in December. The negotiations also led to agreement on a Wine Industry Trust, which would be concerned with future regulation of the industry.

The industry experienced shortages during the year, and on a few occasions it was necessary to import spirits. "When focusing on the domestic situation, we have a market requirement of approximately 30-million litres. The local wine industry supplies slightly less than half the market requirement. A relatively bad crop in the most important supply districts added further pressure in 1997."

He said there was tough competition, and KWV had to fight against decreasing prices, particularly from Argentinian products. He said 1998 production and transferred stocks from 1997 had been sold out.

It is expected the 1998 wine crop of 914-million litres will be about 9.3% smaller than the 1997 crop.

"Another very interesting trend is the increase in volume of certified wine."

Currently 123-million litres of wine are certified, compared with 89-million in 1995 and 36-million in 1990. Expressed another way, last year 22% of the total good-wine production was certified, against 18% in 1995 and 10% in 1990. This means the Wine of Origin system adds a lot of value.

Commenting on excise increases in the latest budget, Jonker said the budget did not reflect the points of view of the KWV delegation which met the Department of Finance in January.

The latest increases were expected to bring government's income from excise and VAT on wine grapes to over R2-billion, while wine producers' total income will amount to about R1.45-billion.

Jonker said the increases will slow down growth in the industry, which employs 215 000 people. It may hamper its ability to finance empowerment projects and have a negative effect on government income and wine product sales.

He said it was "incomprehensible that this natural agricultural product, with proven health benefits enjoyed with moderate consumption, is targeted year after year for higher excise duty, which may seriously harm the economic position of the wine producer".

Since 1992, excise on natural wine has increased 259%.

KWV's LOURENS JONKER

Rosy future for red wine farmers

(3) WINE

Louise Cook

BD 5/5/98

THE outlook for SA's quality red wine remained positive for the foreseeable future despite extensive new plantings of premium red wine cultivars in Australia, Argentina and Chile and a 24% increase in California production last year, stakeholders said yesterday.

Goue Vallei Wines at Citrusdal, backed by KWV, dismissed industry fears that the SA market, which has experienced a growth spurt in the past four years, would face a surplus of premium red wines in a few years.

A KWV spokesman said prices for the sought-after red wines were likely to move sideways eventually, but there was no likely threat of overproduction in the next 10 years. "KWV is aware of the increases in the hectares planted under quality red wines elsewhere in the world, but this has been taken into account in the company's projections."

Goue Vallei Wines GM Jean Naude said indications were that in the markets of the east, such as China, new wine drinkers tended to move into red wines quicker than consumers elsewhere in the world. This opened "enormous" opportunities for producers.

Normally first-time wine drinkers started on sweet whites and went through a relatively predictable cycle of trying out different types of wine before getting to premium reds.

"SA's production of red wines was only 15% of total local production. At present world production is 50/50 for white and red, but demand is swinging towards 60% red and 40% white."

In SA plantings of shiraz cultivars shot up by 400% from 64ha five years ago to 282ha last year. Cultivars of pinotage went up to 533ha last year compared with 158ha in 1993.

LIQUID SHARES *Jannie Nel, group legal adviser of KWV (left at back), Rob Henderson, resident director of PSG Securities (right at back) and Burger Dreyer, trader at PSG Securities (front) celebrate the first trade yesterday of KWV's ordinary class A shares in the over-the-counter market established by PSG Securities* PHOTO: ANDREW BROWN

CT (BR) 19/5/98

KWV class A in fickle debut

(13) WINE

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — KWV Group's ordinary class A share price jumped all over the place on low volumes on the first day of the share's over-the-counter trading yesterday.

A total of 386 million ordinary class A shares had been issued. PSG Securities, appointed by KWV to establish and regulate an over-the-counter market for KWV ordinary class A shares, had earlier suggested the shares should open between R2 and R3. It labelled them "a buy" below R2 per share.

PSG also said the shares could be worth up to R5 each should the liquid stock be included in the financial statements in line with standard accounting practice.

The share price, however, never looked likely to reach the level of R2 placed on the ordinary class A shares by PSG Asset Management a few weeks ago. It started out at R1,50 and promptly dropped to R1,15 before recovering to R1,50 later in the day. 170 000 shares traded hands in an undisclosed number of deals.

Rob Henderson, resident director of PSG Securities — the broking arm of PSG Asset Management — said a "lot of interest" was expressed in the shares, and the first day's trading was "in line with expectations".

He said a number of retired wine farmers who qualified for shares wanted to sell them, which turned trade in favour of buyers on the first day. The shares can only be sold to members of the KWV (wine producers), non-members who qualified for shares (retired wine farmers) and employees of the KWV.

KWV's ordinary shares closed 20c lower at R14,70 on the JSE yesterday.

Red Chinese are chasing after our reds

CT 22/5/98 (3) WINE

DAN SIMON

IS the world clamouring for all the quality wine South Africa can produce?

Apparently so, but South Africa seems to be having problems keeping up with supply and demand, particularly for red wine exports to the People's Republic of China.

This is according to the Stellenbosch-based Cape Wine and Spirit Institute (CWSI), which disclosed yesterday that South African suppliers were battling to meet the "big volume" orders from China, where drinking red wine has become fashionable.

CWSI administrative manager Andries van Tonder said: "South Africa cannot always meet their orders and suppliers end up going for other niche markets that they can easily serve."

bottom line

South Africa, Van Tonder said, was now exporting about 12 million cases of wine a year — up from the paltry 400 000 cases the industry exported worldwide in 1990.

The UK still remained South Africa's main wine export market, accounting for about 30% of total annual sales. This was followed by the Benelux countries and Germany and Africa. US demand was still low.

Graham de Villiers, the newly appointed chairman of the SA Wine and Spirit Exporters' Association (Sawsea), said recent media reports that wine exports had started to slow were "untrue".

Exports to the UK market alone, he said, had climbed by 9% over the past year to more than 4,1 million cases, which accounted for close to 6% of UK wine sales.

He said the association was about to play a more active role in building the international image of South Africa as a quality wine producer.

"Sawsea has already taken steps that will lead to a doubling of its budget for export promotion before the end of this year. In addition, plans are well advanced for the Wines of South Africa office in London to be reorganised to accommodate the increased activity."

Final draft of Liquor Bill unveiled

CT (BR) 11/6/98 (3) WINE

LYNDA LOXTON

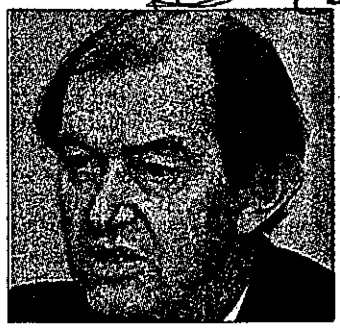
PARLIAMENTARY CORRESPONDENT

Cape Town — The final draft of the controversial Liquor Bill made concessions to wine farms but would result in unbundling by large corporations, mainly to black empowerment groups, Alec Erwin, the trade and industry minister, said yesterday.

Unveiling the final draft of the bill approved by Cabinet yesterday, Erwin thanked the liquor industry for its "very constructive" contribution.

"We are not going to please everybody, but I am pleased to say that in our interaction with the industry ... there seems to be a high degree of acceptance that this now is a workable and far better body of legislation than what we had before," he said.

The bill still separates manufacturers, wholesalers and retailers of liquor, but allows for four categories of retailers to cater for wine farms or small-scale brewers who sell their own wine for consumption on or off their premises, and for special events.



***PLEASED AS PUNCH** Alec Erwin, the trade and industry minister, yesterday*

PHOTO: ANDREW BROWN

Erwin admitted the new regulations could result in the sale of certain assets by large corporations such as SAB.

"But it is premature to speculate on that because the industry must make a range of choices. We have had constructive discussions with all the major suppliers around empowerment initiatives and where they could assist them enter the industry."

In a concession to large manufacturers, licences for manufacturing and wholesaling would be issued at a national level, while retail licences would still be dealt with provincially.

Large supermarkets would continue to be restricted to wine sales, while Sunday liquor sales would be allowed subject to local authority conditions.

The laws would be enforced by a new unified inspectorate in the department of trade and industry. It would cover gambling, lotteries, consumer affairs, competition policy and liquor.

☐ **Business Watch, Page 2**

SA holds its own in global wine industry

ET (BR) 10/7/98 (3) WINE

PETER GALLI

South Africa has never been a strong threat to the US wine industry: it produces much less wine and caters more to the local and European markets. But the local industry is increasingly becoming a global player, seriously competing with the US and other major wine-producing countries for a share of the lucrative international export market.

KWV, the co-operative, is still updating its statistics for last year. But the latest figures show South Africa is making great strides in exports since its years of international isolation due to sanctions.

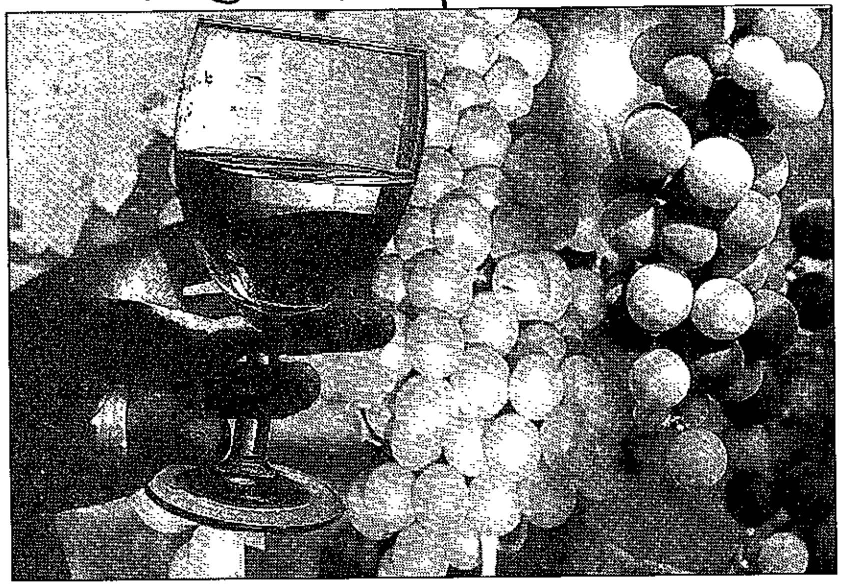
KWV says total wine exports last year surged to nearly 12,3 million cases, or 110,56 million litres, from an estimated 11,1 million cases, or 99,9 million litres, in 1996.

Lourens Jonker, the KWV chairman, said in the last annual report that the estimated foreign currency earned from the 1996 sales was about R550 million.

"Literally hundreds of South African wines are, for example, available on the shelves in the United Kingdom," Jonker said.

"South African wines are exported to almost 60 countries, with the European Union being the single largest client. At present, exports amount to about 15 percent of the country's natural wine production."

South Africa is competing head-on with the US for market share in the UK, which remains the largest market for Californian wines.



US exports to the UK last year jumped 33 percent to $108 million. US producers embarked on an active drive to boost exports, despite stiff international trade barriers.

US wine exports, 90 percent from California, grew 30 percent. Total US wine exports for the year are estimated at 227 million litres and are expected to earn the industry $425 million.

Gladys Horiuchi, the communications manager at the San Francisco-based Wine Institute, says vintners are predicting continued increases for this year in light of the record 1997 wine crop, with export revenue rising above $500 million for the first time.

While the South African industry is far smaller than its US counterpart, it is far more efficient in terms of its size. South Africa has just over 1 percents of the world's vineyards and ranks 20th in terms of global area under vines.

But it is the seventh largest wine producer, accounting for about 3 percent of total global production.

The US owns about 6 percent of the world's vineyards (ranked fifth), yet produces just 6,2 percent of total global production.

South African wine production amounted to 901,18 million litres last year, slightly lower than the 909,54 million litres of 1996. And KWV expects the 1998 grape harvest to equal 1997's 1,12 million tons and the 1,14 million tons in 1996.

The board recently said: "Harvesting of grapes has begun in most districts, and early indications are that the grapes are of excellent quality. This promises a good wine harvest".

Given that viticulture contributes 30 percent of the total income from horticulture in the Western Cape, it is an active economic contributor to the region, even before considering the economic benefits from tourism and related industries.

This contribution translates into growing profitability for the local industry. KWV figures show producers earned R1,46 billion (R1,23 billion) from the 1997 wine crop of about 901,17 million litres (909,54 million).

The government gets more than its fair share, with its emphasis on "sin taxes".

Consider that total revenue received by the state from wine products was R1,81 billion last year compared to produce income of R1,46 billion, and R1,61 billion in 1996 compared with income to producers of R1,23 billion.

All that from a country that has just 103 000 hectares of land under vines, with nearly 5 000 wine producers, some 66 co-operative cellars, 91 estate wineries and more than 100 private cellars.

The industry employs about 50 000 people, comprising some 4 646 farmers, 3 000 co-op cellar staff and 42 000 farm labourers.

By comparison, figures from the Wine Institute show California has 680 commercial wineries which cultivate 403 800 acres of wine grapes, generate 112 000 full-time jobs and about 50 000 part-time jobs during harvest, and rank among the state's top 10 agricultural products.

Each year about 2,5 million people visit California's wine areas, generating more than $300 million in sales for restaurants, hotels and other retail establishments.

Last year was a superb year for California wine producers. This year is expected to be on a par. The industry contributed an estimated $10,9 billion in economic activity to California last year, and pumped more than $335 million into state and local coffers from sales, excise, income and property tax revenues.

Prospects for growth in both the US and South African markets remain positive. Consumer demand is on the rise and export markets are waiting be expanded or tapped.

And the South African industry, which for so many years was denied access to the global market, can now clearly hold its own in that fiercely competitive arena.

□ *Peter Galli is a freelance writer based in San Francisco*

Windfalls for wine farmers as rand dives

ST (CM) 12/7/98 (3) WINE

Exports priced in foreign currencies profit

BOBBY JORDAN

CAPE wine farmer Etienne de Beer can't believe his bank balance. The more the rand plummets the more his account fills up with earnings.

Last week he made a R54 000 profit without squeezing a grape.

The key to his success, he explains, is wine exports.

Farmers like him sell thousands of cases of wine — priced in foreign currency — to overseas buyers. By the time the cheque arrives, the price tag is worth tens of thousands more in rands because of the currency's rapid decline.

"We are benefiting dramatically," De Beer said this week.

"I export a lot to the Dutch and we are getting a lot more rands for our guilders."

The rand's sudden fall had been a rude awakening for those farmers who had chosen not to quote their wine prices in foreign currency.

"A lot of people are crying now. They lost out," De Beer said.

"It's clear that the exchange rate can only decrease against other major currencies, so it would be stupid to quote prices in anything else."

Orders from overseas buyers improved in inverse proportion to the strength of the currency, De Beer said.

Some estates' sales orders had improved since the latest currency fluctuation.

Bernard Fontannaz, of Savisa wine farm in Paarl, said a plummeting rand gave South African produce a competitive advantage.

"It's a bit early to notice any major shifts, but a weak rand often increases our exports," Fontannaz said, adding that recent wine sales figures looked healthy.

Last year, 4,1-million cases of natural wine were exported, compared with 3,6-million cases in 1996.

A weak rand also meant more tourists would arrive to sample wines at Cape wine estates, said Peter Gebler of Neethlingshof.

"It doesn't cost a Swiss that much to come over here for a couple of weeks, particularly when the rand is low — and during that time, we hope, buy a few cases of wine."

ON THE RAND WAGON: Overseas demand for Western Cape wines has risen since the sharp fluctuations in the exchange rate Picture: JACK LESTRADE

The cup runneth over for SA wine exporters

CT (BR) 7/9/98 (3) WINE

Françoise Botha

Cape Town — South African wine exporters bucked the prophesied downturn and posted a 35 percent increase in bottled wine exports over the five months to May on the strength of a surge of orders from new foreign markets.

Figures released late last week by the South African Wine and Spirit Exporters' Association (Sawsea) showed that from January to May, bottled white wine exports increased by 22 percent year on year and bottled red wine exports surged by 55 percent year on year.

"If the honeymoon was over, then we could assume from these figures that we were starting a solid relationship," quipped Graham de Villiers, the chairman of Sawsea.

"We are seeing that a lot of the current growth is taking place in new markets, with inroads being made into the US and strong growth from Holland and the Benelux countries. Orders from Germany are also starting to play a more significant role, and there is ... a fair amount going to the East."

De Villiers said this development was exciting because these were all relatively new markets for South Africa. As our wines became "better known, export growth would gather pace", he said.

More good news was that the increase in bulk wine exports was showing considerable signs of slowing, posting only a 12 percent gain over the period.

Wines which were exported in bulk and bottled overseas were usually cheaper, higher-volume wines, De Villiers said.

He said the value end of the market was starting to grow in hard currency terms.

"Exporters are earning higher revenues because of the drop in the rand. Some foreign buyers are pushing for producers to reduce their prices in the wake of the devaluation of the rand," he said.

However, most would not do this, he added.

"By far the majority are maintaining their hard currency prices because of the impact on the price of imported components like corks, barrels and cellar equipment," said De Villiers.

Euro-speak imperils SA port and sherry

CT (BR) 21/7/98 (3) WINE

CHRISTO VOLSCHENK

Cape Town — The European Union (EU) had stepped up its drive to bar South Africa from using the words "port" and "sherry" on South African vine products sold anywhere in the world — even in South Africa, a source in the wine industry said yesterday.

If the EU wins the sole rights to the worldwide use of the words, there would be extensive damage to the R700-million-a-year local sherry and port industry.

The source, a member of the South African team of negotiators for a wine and spirits agreement with the EU, asked not to be named. He said the EU said, at the recent round of negotiations, it would push for a worldwide ban on the marketing of port and sherry by South Africa.

The demand was resisted by the South African negotiators, and the issue would be on the agenda at the next round of negotiations in September.

The source said the government seemed determined not to give in to the EU demand since up to 4 000 jobs in rural areas and another 2 000 jobs in secondary industries would be threatened.

In response, Danny-Boy Masemola, a spokesman for the Food and Allied Workers' Union, said the EU should not be allowed to "strip South Africa from markets in which major investments had been made over many years and on which jobs depended".

In 1969 a British high court ruled South Africa could use the words "port" and "sherry" on products sold in the EU, but when Portugal and Spain joined the EU the European Commission overruled the decision and barred South Africa from marketing port and sherry in the EU.

South African port and sherry was exported to other countries, and these markets were now under attack, the source said.

South African negotiators resisted the demand on the grounds that South Africa had acquired rights in the words over centuries of marketing port and sherry abroad. A KWV spokesman said these rights were protected by the agreement on trade-related intellectual property rights signed by the EU and South Africa.

Carel Nel, the South African Port Producers' Association spokesman, said producers would be deprived of a right established over 200 years. Local producers had "gone out of their way" to avoid confusion by labelling their products South African port and South African sherry.

New wine from donated land mellows taxman

ARG 22/7/98 (3) WINE

BLACKMAN NGORO
STAFF REPORTER

It was a great beginning for the new Nelson's Creek wine label, New Beginnings.

First, farmer Allan Nelson, the man who gave his farm workers 10ha of land on which to grow wine, heard the announcement he had been waiting for from the Government: there was going to be a donations tax exemption for those who donated immovable property to others in terms of the Land Reform Programme.

Then the 16 shareholders of the Klein Begin wine collective, one woman and 15 men, got a R44 000 cheque from Agriculture Minister Derek Hanekom so they could function "out of debt."

It was the first installment of a R197 000 Government subsidy to which the workers were entitled in terms of its first-time house-buyers' scheme.

And the Klein Begin wine collective poured its wines, a dry white and a dry red, under the New Beginnings label at Nelson's Creek, near Wellington yesterday.

The first bottle of wine was presented to Mr Hanekom, who pronounced it "excellent".

Mr Hanekom told Mr Nelson and members of the wine collective that the donations tax exemption had been negotiated with the Minister of Finance and the South African Revenue Services.

"A clause has been added to the Tax Laws Amendment Act, which provides for an exemption from donations tax where full ownership in immovable property is acquired by any beneficiary entitled to a grant or service in terms of the Land Reform Programme. The clause will be effective from April 27 1994, and is applicable only to immovable property."

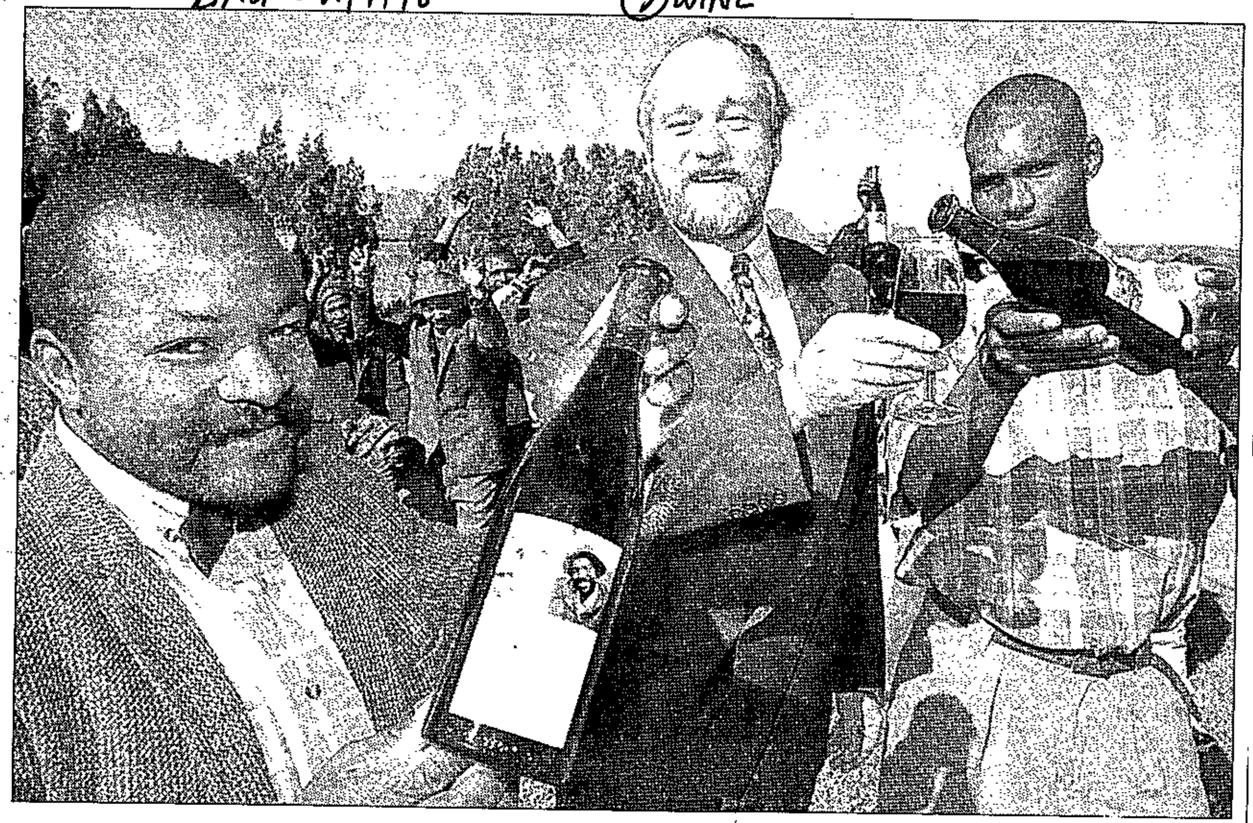
Mr Hanekom also said his department would help train the shareholders of the New Beginnings wine label.

"We have a facility within the department where those in need of the training will be taken care of. This department has assisted this project with financial back-up needed to carry it forward.

"The Government doesn't have a lot of financial resources. We need individuals to help others with what they can."

Mr Nelson praised Mr Hanekom as "a man of vision".

Fruit of our labour: the cheerful label on the New Beginnings wine bottle



ROY WIGLEY

Cheers! Derek Hanekom, centre, toasts the New Beginnings wine label with two members of the Klein Begin wine collective

Fish-hungry EU blackmails the Cape wine industry

ARG 25/7/98

(3) WINE

TWEET GAINSBOROUGH-WARING

Outrage is growing over the suspected "blackmail" tactics being used by Spain and Portugal to extort fishing rights from South Africa.

The Spanish and Portuguese are apparently using the unrelated issue of Cape wine exports as a bargaining tool to get their hands on the fish in South African waters.

The European Union, negotiating on behalf of Spain and Portugal, is demanding that South Africa stop using the names "port" and "sherry" for local fortified wines, even though Cape wines have borne these labels for two centuries and they have become household names here.

The Europeans reportedly say they would be prepared to let South Africa continue using the names "port" and "sherry" – if they were granted a "concession" giving them fishing rights in South African waters as a trade-off.

So far, the South Africans have told them to jump in the ocean.

The Spanish lay claim to the term "sherry", which is named after the Jerez region of Spain, while the Portuguese claim the right to "port" wine, named after the northern city of Oporto in Portugal.

South Africa's wine and fishing industries say the two issues are totally unrelated.

If the port and sherry labels are banned for use here, it could hit the Cape wine industry hard: these wines make up 8% of South Africa's wine exports.

The EU is negotiating a new trade deal with South Africa on behalf of all EU members, including Spain and Portugal, which have long been seeking to extend their fishing fleet in the South Atlantic, which has rich fish resources.

The KWV, representing the South African wine industry, says the EU appears to have picked on South Africa and ignored other wine-producing countries such as the United States and Australia.

Monde Mayekiso, chief director of Sea Fisheries, said: "The European Union is putting pressure on South Africa to get fishing rights in South African waters."

Mr Mayekiso said agreements in the 1970s allowing these countries to fish in South African waters had fallen away.

A member of the EU delegation in South Africa said discussions were being held on an agreement on wine and spirits, which would include the ban on the use of the terms "port" and "sherry".

He confirmed the EU was also negotiating fishing rights on behalf of its members.

"In the context of these discussions, members of the union can give mandates for negotiating special agreements," he said.

A spokesman for the Food and Allied Workers' Union, Danny-Boy Masemola, said: "We reject the EU's view that we should not use the terms port and sherry, but to ban the terms locally would be to rub salt in the wound."

Mr Masemola said the Western Cape had produced sherry and port for the past 200 years.

He said banning the names would have a crippling effect on

To page 2

Blackmail scare over 'port'

From page 1

the local industry. Up to 4 000 jobs could be lost in rural areas and 2 000 in secondary industries, such as marketing and sales, he said.

Carel Nel, chairman of the South African Port Producers' Association, said the issue of the port and sherry labels should be treated as a separate issue from the fishing rights.

"The terms have been in use in South Africa for 200 years," he said. They had come to denote styles of wines.

Mr Nel said the terms were allowed in other wine-producing countries, such as Australia, Canada and the United States.

A spokesman for the KWV co-operative said the local wine industry would put up a fight to retain the names, especially because they had been used for the past 200 years.

But Vaughan Johnson, a Waterfront wine retailer, has joined the fray.

He believes the names "port" and "sherry" should be dropped and the local products should develop their own identity "providing the wine-producing world is similarly restricted and treated equally".

ARG 25/7/98

Sherry, port in a storm over labels

BD 27/7/98

Louise Cook

(3) WINE

PRETORIA — SA would not give up its right to use the words "sherry" and "port" for SA wine products, despite claims by Spain and Portugal that they were the world's only authentic producers of port and sherry, a local wine industry official said at the weekend.

European Commission economic counsellor Leonidas Tezapsidis confirmed on Friday that SA's use of the words was being challenged in negotiations between SA and the commission on a wine and spirits agreement.

The commission wanted SA to drop the use of the words, even inside the country. The European Union (EU) wanted the sole rights to the worldwide use of the words in terms of an intellectual property rights arrangement.

Sources said Portugal claimed authentic port originated from the Duoro valley in the vicinity of a Portuguese town Porto and Spain claimed the same about sherry from Jerez, a village in southern Spain. They said SA had no less of a legitimate claim, having produced port and sherry since 1795, mainly for the British market.

Until Portugal and Spain joined the EU in 1973, SA used the words on products sold in the EU. Since then, the commission has barred SA from selling the products in the EU.

Reacting to the furore from the seventh annual port festival in the Karoo town of Calitzdorp, SA Port Producers' Association spokesman Boet Nel said the SA wine industry would be "devastated" if the right was lost.

The Food and Allied Workers' Union warned that the loss of the right would threaten 4 000 jobs in rural areas and another 2 000 jobs in secondary industries in SA.

DECLARATION AIMED AT ACCORD

Wines to be certified 'worker friendly'

(3) WINE

BOLAND WINES could soon carry a mark certifying that they are produced on farms that follow acceptable labour practices. Special Assignments Team **ROGER FRIEDMAN** and **BENNY GOOL** report.

CT 27/7/98

THE stand-off between labour and management at the Franschhoek wine farm Plaisir de Merle — where a strike by most of the workers enters its fourth week today — is the type of unpleasant situation that parties to last week's Winelands Declaration seek to avoid.

The declaration was adopted at a conference at Stellenbosch University last weekend by the farmers' organisation Agriculture Western Cape, labour unions and associations, non-governmental organisations, community-based organisations, government departments and academics.

ANC MP Rob Davies said yesterday that conference organisers would meet late this week to devise a process that would eventually lead to implementing the declaration.

By then, the bruising Plaisir de Merle wage dispute, now affecting a second farm in the Nederburg stable, Groenhof, should be over.

ANC MP Ben Turok, who is mediating between Stellenbosch Farmers' Winery and the African Wood and Allied Workers' Union, said yesterday he would invite both parties to Parliament today to thrash out their differences.

Seventy-seven of Plaisir de Merle's 123 workers were demanding a 14% wage increase, while the employer was offering 12%. "I am hopeful that we will be able to arrive at a compromise," Turok said.

But while the two percent gap might not appear insurmountable, the wounds and broken trust will take a long time to heal.

On Friday, management obtained a Labour Court interdict ordering the striking workers to stop intimidating scab workers brought in to replace them, and to stop interfering with tourists and would-be wine-buyers visiting the farm.

The workers angrily denied yesterday that they had intimidated anybody.

Farm manager Freddie le Roux declined to speak to the press.

Shop-steward Colin van der Westhuizen said most of the workers earned about R120 a week. The union was demanding more because "salaries are very low". While the farm was profitable, its income was not being fairly shared with its workers.

Van der Westhuizen said the strike was hurting workers, who were last paid three weeks ago. "We are surviving by sharing the little we have," he said.

The strike is also driving families apart. Elizabeth Fortuin, who has worked in the Plaisir de Merle vineyards for 28 years, is on strike. Her husband, Jan Fortuin, is working.

"We are no longer sleeping in the same room," she said. "I am sleeping with the children. He says the house is his and I must find somewhere else to stay."

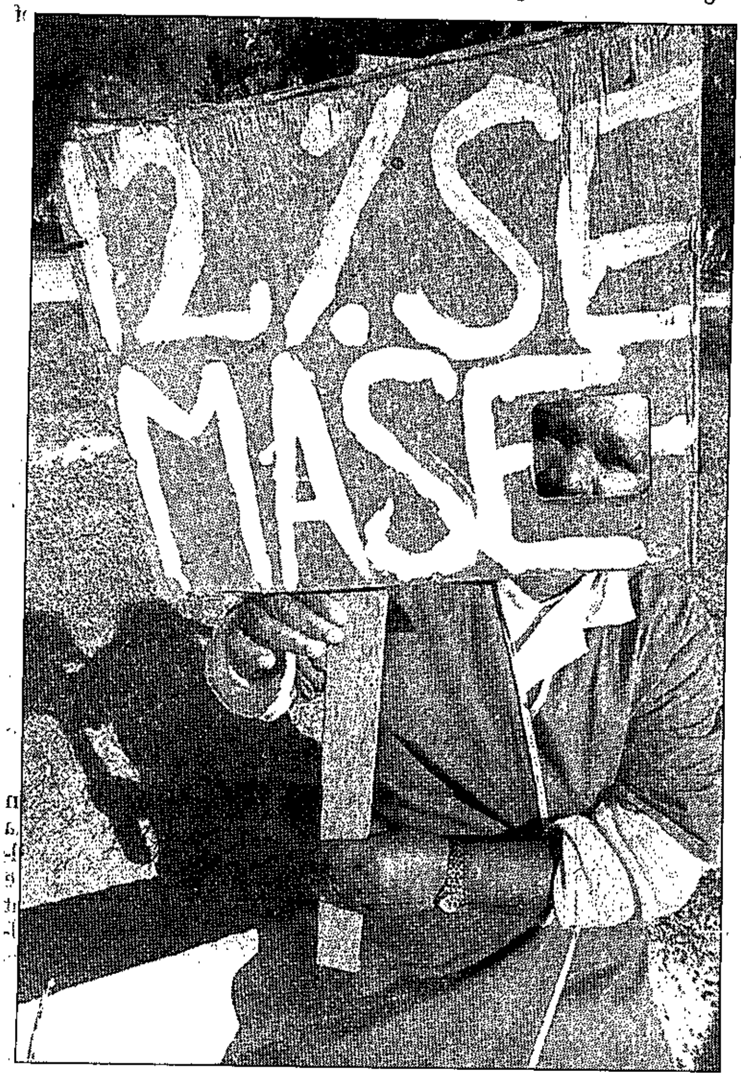
The fact that the "contract workers" brought in to replace those on strike are black, not coloured, has added to the tension. "They get drunk at night, then they come and threaten our people. They have no respect for our people. When our people drink they are peaceful," Van der Westhuizen said.

The Winelands Declaration commits the industry to fair wages determined by free collective bargaining, adequate housing, health care, access to education, improved living conditions and increased employment.

It also commits the industry to promoting gender equity, supporting efforts to create more equitable and representative ownership of the industry, promoting security on farms and addressing social problems — especially alcoholism and alcohol abuse.

It states: "We acknowledge that addressing abuses that occur in our industry is the responsibility of all of us. Where abuses and violations occur they threaten the reputation of the industry as a whole. We therefore commit ourselves to strive to create a new dispensation in which our customers can be assured that our labels are a guarantee of acceptable labour practices.

"In particular we will work together to devise monitoring and regulatory procedures that will allow the awarding of a recognised mark to producers that will guarantee purchasers that the wine they buy originates from farms where minimum standards prevail."



TOO LITTLE: Elizabeth Fortuin, whose 28-year marriage is under threat because she is on strike while her husband continues to work, shows what she thinks of the employer's offer of a 12% wage increase.

[redacted]

Port makers will resist EU pressure over name

(3) WINE

Louise Cook

THE SA Port Producers' Association, representing more than 90% of SA port producers, would resist any move by the European Union (EU) to force the local industry to do away with the use of the word "port" on port-style products. BD 13/8/98

The European Commission was trying to secure the use of the word "port" for Portuguese producers only and the word "sherry" for producers in the Jerez valley in southern Spain.

The commission was challenging SA's right to use the names in negotiations on a wine and spirits agreement being thrashed out between SA and the EU.

The negotiations were set to resume next month and formed part of the planned SA-EU free trade agreement.

However, the Port Association said that SA had produced port for the past 190 years and sales of R500m and at least 2 000 local jobs were at stake.

There was no way the name of the product could be changed, the association said.

"We have gone out of our way to avoid any confusion between Portuguese and SA port. Our members indicate that the origin of the product is the Cape and all labels clearly read 'Produced and bottled in SA'. We are trying to set up an international forum to address research and marketing of port."

SA was not the only port producer under pressure from the commission to drop the word port. A source close to the EU-SA negotiations said Australia, the US and Canada were in various stages of negotiations with the commission on the issue.

However, the SA association said the commission was getting nowhere and producers like California and Australia were going ahead with the use of the word.

The EU wanted SA to scrap the words, even inside the country.

Computer bills sap SFW income

CT (BR) 24/8/98 (3) WINE

Vera von Lieres

Cape Town — Stellenbosch Farmers' Winery (SFW), the wine and spirit producer, felt the brunt of its capital expenditure programme in the year to June 30, resulting in a 20,6 percent slide in attributable income to R107,7 million, Frans Stroebel, the managing director, said at the weekend.

Stroebel said the group, which is also a wholesaler, made substantial investments in computer facilities to ensure operating systems were in line with international standards.

These investments were financed through increased borrowings, resulting in higher financing costs which reduced pre-tax income by 19,5 percent to R167,7 million.

"We are confident that our investments in a computerised integrated management operating system will result in cost savings throughout the group," Stroebel said.

"These benefits will only flow through in future years."

Headline earnings a share were 17 percent lower at 73,7c. But the company managed to keep its final dividend at 22c a share, lifting the total dividend 3 percent to 30c a share.

Stroebel said the drop in consumer spending, particularly since the beginning of the year, was felt in a shift from higher margin to lower margin products. Among these, the group's alcoholic fruit beverage products performed well.

The group's growth prospects for the coming financial year were positive despite slower consumer spending.

"Concerted efforts to reduce costs and improve overall efficiencies will keep SFW on track for long-term growth," Stroebel said.

The company also expected its offshore expansion programme to propel growth in the export market.

In March this year, SFW announced it had joined forces with Maluti Foods & Beverages to develop a R30 million new wine farm, the first significant black empowerment deal in the South African wine industry.

Executives said a 975-hectare farm had been bought for R15 million near Darling, on the Cape West Coast, for the joint venture, which would be known as Papkuilsfontein Vineyards.

The share price was untraded on the JSE on Friday from its previous close of R3,90. The share is near its year low, after reaching a high of R9,10 in January.

The cup runneth over for SA wine exporters

CT (BR) 7/9/98 (3) WINE

Françoise Botha

Cape Town — South African wine exporters bucked the prophesied downturn and posted a 35 percent increase in bottled wine exports over the five months to May on the strength of a surge of orders from new foreign markets.

Figures released late last week by the South African Wine and Spirit Exporters' Association (Sawsea) showed that from January to May, bottled white wine exports increased by 22 percent year on year and bottled red wine exports surged by 55 percent year on year.

"If the honeymoon was over, then we could assume from these figures that we were starting a solid relationship," quipped Graham de Villiers, the chairman of Sawsea.

"We are seeing that a lot of the current growth is taking place in new markets, with inroads being made into the US and strong growth from Holland and the Benelux countries. Orders from Germany are also starting to play a more significant role, and there is ... a fair amount going to the East."

De Villiers said this development was exciting because these were all relatively new markets for South Africa. As our wines became "better known, export growth would gather pace", he said.

More good news was that the increase in bulk wine exports was showing considerable signs of slowing, posting only a 12 percent gain over the period.

Wines which were exported in bulk and bottled overseas were usually cheaper, higher-volume wines, De Villiers said.

He said the value end of the market was starting to grow in hard currency terms.

"Exporters are earning higher revenues because of the drop in the rand. Some foreign buyers are pushing for producers to reduce their prices in the wake of the devaluation of the rand," he said.

However, most would not do this, he added.

"By far the majority are maintaining their hard currency prices because of the impact on the price of imported components like corks, barrels and cellar equipment," said De Villiers.

Bottled wine exports show a heady increase

BD 10/9/98 (3) WINE

CAPE TOWN — SA wine exporters bucked the expected downturn and posted a 35% increase in bottled wine exports over the five months to the end of May.

Figures released by the SA Wine and Spirit Exporters' Association show that from January to May bottled white wine exports increased 22% while bottled red wine exports surged 55% year on year.

"If the honeymoon is over, we can assume from these figures that we are starting a good and adult relationship," said the association's chairman, Graham de Villiers. "What we are seeing now is a phase of steady sales, which is very encouraging."

He said a lot of the growth was taking place in new markets, with inroads being made into the US and strong growth coming from the Benelux countries. Orders from Germany were also starting to play a more significant role and a fair amount was going to the east. "These are all relatively new markets for SA and as our wines become better known, so the export growth will gather momentum," De Villiers said.

He said the increase in bulk wine exports was showing considerable signs of slowing, posting only a 12% gain over the five-month period.

"There are some foreign buyers who are pushing for producers to reduce their prices in the wake of the devaluation of the rand, but most will not do so. By far the majority are maintaining their hard currency prices because of the impact on the price of imported components like corks, barrels and cellar equipment."

SA wine exports to the UK increased by 9% in volume terms last year on top of the 48,6% and 29,5% increases recorded over the previous two years. Total growth in wine exports to the end of May stood at 22%.

Meanwhile, the KWV said yesterday the total SA wine harvest for the 1997/98 season was slightly lighter than the previous two seasons, in spite of the hectares under vine increasing over the past three years.

This season's smaller harvest can be attributed to climatic conditions during the ripening stage.

However, KWV said, more good wine was made from the crop compared with last year. The problem was that sales had not come up to expectation and according to estimates, there would be 14,7-million litres more good wine at the end of January next year than was anticipated.

Should weather conditions play along, the possibility of a record 1999 crop was also in the offing. — Sapa.

Export surge for SA wines

(3) WINE (~~...~~)

A SOUTH AFRICAN wine association said this week new foreign markets thirsty for the country's wine had led to a 35 percent surge in export growth in the first five months of 1998.

South African wine exports have grown in new markets in Asia, the United States, the Netherlands and Germany, Graham de Villiers, chairman of the South African Wine and Spirit Exporters' Association (SAWSEA), said in a statement.

"This is very exciting because these are all relatively new markets for South Africa and as our wines become better known, so the export growth will gather momentum," he said.

White and red wine exports grew by 22 and 55 percent respectively from January to May, SAWSEA said.

Wine exporters, who saw a massive increase in foreign demand after South Africa held its first all-race elections in 1994, had expected export growth to flatten off.

"If the honeymoon is over, then we can assume from these figures that we are starting a good and adult relationship," de Villiers said.

SAWSEA said it was pleased the increase in bulk wine exports had slowed over the last five months, because the industry wanted to focus on bottled sales to improve South Africa's image as a quality wine producer.

South Africa's largest wine cooperative KWV said recently wine exports surged by 10 percent in 1997 to 110.6 million litres from 99.9 million litres in 1996. – *Reuters.*

Sowetan 11/9/98

Equity Bill prompts KWV to offer a hand to wine industry's disabled employees

ARG 12/9/98 (3) WINE

LINDA DANIELS

KWV, which represents most of the Western Cape's wine farmers, is taking the Equity Bill to heart, making its premises more accessible to its disabled employees.

The Equity Bill covers the needs of disabled people in the workplace and seeks to eliminate race and gender imbalances.

KWV, which is based in Paarl and currently employs six disabled people, has called on the services of the National Environmental and Accessibility Programme (NEAP) to do a workplace evaluation.

Nosey Pieterse, a KWV industrial relations specialist, said: "No companies we contacted did anything. We were frustrated. We are the pioneers – there is so much other companies can learn from us."

When the KWV received the results of the NEAP audit, it was amazed at the changes required on the premises.

"They actually alerted us to how blind and deaf we were. For example, we have sirens, but deaf people will not be able to hear them," Mr Pieterse said.

The KWV's Henry Hopkins said: "We were quite amazed at the number of refinements we had to make. But it was done from our side – it was our initiative."

He said KWV's tourist facility had for some years been accessible to the disabled, "but we must obviously look further now".

KWV said it will improve parking bays, access paths, passages and stairs to make them convenient for people in wheelchairs.

Lift buttons will be lowered so wheelchair-bound employees can reach them.

The KWV will also restructure its toilets to accommodate wheelchairs.

Following the first workplace evaluation by NEAP, another report will be compiled by the Institute of the Blind and the Deaf next week. The institute will sort out problems such as how deaf workers notice sirens. KWV may install flashing lights instead.

Hanekom threatens KWV with court action

(3) WINE

Sowetan 18/9/98

AGRICULTURE Minister Derek Hanekom yesterday threatened wine and spirit giant KWV with court action if an agreement was not reached soon on setting up a new industry trust.

"It has to happen in the next two weeks," Hanekom told a parliamentary news briefing. "If there is no agreement, the matter will have to be referred to court."

Hanekom last year signed an agreement with KWV – which for decades had been the statutory regulator of the wine industry – to allow the former cooperative to convert into a public company. This ended a legal dispute in which Hanekom obtained a court order blocking KWV's application to become a company.

Under the accord, a wine industry trust was to be established which would invest in research and development, export promotion and in easing the entry of black farmers into the industry.

Hanekom said at the time that among other things, some of the assets which would be distributed to shareholders rightfully belonged to the state.

KWV would pay nearly R500 million into the trust over 10 years and a new board would take over its regulatory functions. Wine exports have soared since 1994. Last year, they surged by 10 percent to 110.6 million litres. – *Reuters*.

ULTIMATUM *Derek Hanekom, the minister of agriculture and land affairs, has given KWV a fortnight to register as a company. Hanekom argues this step is necessary to improve the competitiveness of South African wines and spirits in an ever-more demanding export market*

More fireworks over KWV deal

CT(BR) 18/9/98 (7) WINE

LYNDA LOXTON AND MARC HASENFUSS

Cape Town — KWV, the wine and spirits company, and Derek Hanekom, the minister of agriculture and land affairs, are at loggerheads again with a showdown in court in the offing.

Hanekom yesterday gave KWV a two-week ultimatum to implement the terms of the out-of-court settlement reached last year, which paved the way for the wine and spirits cooperative to register as a company.

Although declining to give details about which aspects of the settlement had not been implemented, Hanekom said he was "not altogether happy with progress made".

"The bottom line is that something has to happen in the next two weeks or we will refer the matter to court," he added.

Henry Hopkins, the spokesman for KWV, said the company was perplexed by Hanekom's statements.

"We were in contact with the minister's representatives yesterday and they said nothing about this. We've also been trying for two weeks to get hold of the minister."

Initially, the government had opposed KWV's attempt to register as a company on the basis that it had been set up as a co-operative with state funds. The government initially demanded R800 million of KWV's assets, but the out-of-court settlement resulted in KWV agreeing to pay R477 million over the next 10 years to a wine industry trust.

The trust would be used to develop the wine industry by researching new plants, training farmworkers and assisting new farmers to start wine farms.

Hopkins stressed that KWV was keen to resolve the current stalemate with the minister, as well as see the implementation of the trust as soon as possible.

"We are not stalling the process and are willing to honour our part of the deal. But the trust or section 21 company must first be set up, and we are not clear who is responsible for doing this."

Wine industry sources suggested that the implementation of the trust had been delayed as the minister and KWV still could not find common ground on the features of the trust.

"There are some complex issues at stake here," a source said.

Hanekom said wine production was "very competitive", and South African farmers faced stiff competition from countries such as the US, France, Italy, Argentina and Chile.

He stressed that the establishment of the wine industry trust was essential to give the country a competitive edge.

Hanekom threatens to take KWV to court over trust fund delay

ARG 19/9/98 (3) WINE

TWEET GAINSBOROUGH-WARING

Agriculture Minister Derek Hanekom has warned that he is considering taking KWV to court if the company continues to delay establishing a trust fund for the wine industry.

KWV agreed to pay R477-million into the trust over the next 10 years. But Mr Hanekom said he was unhappy with the delay in reaching agreement on the finer details of setting up the trust.

He has threatened the wine giant with legal action if an agreement is not reached in two weeks. Mr Hanekom said he was willing to go to court if the deadline was not met.

But Willem Barnard, a KWV director, said the original terms of the agreement had been substantially changed.

Mr Barnard said: "The KWV has indicated it would be flexible, but we want to thrash the changes out in detail."

He said attempts to arrange a meeting with Mr Hanekom two weeks ago had failed.

Mr Hanekom said earlier that the changes involved the composition, powers and functions of the legal entity that would be the recipient of the money, and who should be responsible for collecting the levies.

The amount of R477-million is to be paid into the fund by the KWV over 10 years. Money will be raised through special levies on former co-operative members and from profits.

Mr Barnard told Saturday Argus that in view of the substantial changes to the original agreement the KWV had felt progress in negotiations was indeed being made.

Negotiations have been held between a committee set up by Mr Hanekom and the KWV.

The establishment of a trust fund for the industry was proposed last year after the KWV, a co-operative, decided to convert to a company.

Funds from the trust will be used for the benefit of the wine industry, including research and plant development.

Money will also be used to support social programmes such as black empowerment, training and joint ventures.

Discussions are 'suspended', not ended

EU, SA trade talks sink on wines issue

ET(MK) 21/9/98 (13) WINE

JOHN FRASER

Brussels — Desperate efforts are being made to salvage crucial trade talks between the European Union (EU) and South Africa, after the shock suspension of negotiations at the end of last week.

Unofficial contacts were continuing between EU and South African officials last night, with the aim of resuming negotiations in Pretoria sometime next week.

It had been hoped that negotiators from both sides could have achieved a long-awaited breakthrough on Friday in the 21st round of the marathon EU-SA discussions, which were launched three years ago.

However, it became clear to both sides that there was little point in proceeding with the meeting, and the last formal session was held on Thursday evening, with the talks ending a day early.

Discussions collapsed after the EU side insisted on substantial progress on a wines and spirits accord, which is not part of the main negotiations on establishing a free trade area, but which is being negotiated in parallel.

The aim of this wines and spirits accord is to set rules on cellar practices, the content of wines and on the names by which both sides can market their wines.

An EU insistence that South African producers cease to use the terms "port" and "sherry" to describe their fortified wines, something which South Africa is most reluctant to do, is at the heart of these discussions.

EU officials say they were surprised and upset at the failure of the South African side to negotiate seriously during two days of discussions on wines and spirits, which were held on Monday and Tuesday last week, in advance of the main trade talks.

Indeed, there was a sense of anger when EU officials learnt that instead of staying on standby, the South African team of wine and spirit experts flew back home on Tuesday night.

Philip Lowe, the EU's chief negotiator, said on Friday that his side had never expected a final conclusion to the talks. He believed a decision about the naming of port and sherry was impossible at official level, and would need to be taken by ministers.

However, he was clearly annoyed that the discussions had not even "identified the main elements of a final agreement".

Because there was no progress on wines and spirits, the EU side decided to postpone its final offer on access for South African farm products to the EU market, which could have paved the way for the breakthrough.

Indeed, Elias Links, South Africa's chief negotiator, said on Friday he had started the week "very confident that this would be the last round".

South Africa rejects any linkage between progress in trade talks and movement on wines and spirits. So, while there was some progress in discussions on trade in industrial goods, it was clear from phone contacts on Friday morning that there was no point in carrying on with the formal negotiations, as there was no immediate chance of a deal.

Both sides insist that the discussions are suspended, rather than ended, and efforts will be made this week to set a date for renewed contacts. — Independent Foreign Service

EU adds 'grand cru' to its SA hit list

Louise Cook (3) WINE

PRETORIA — The trademark dispute on wines between SA and the European Union could widen to include the trade name "grand cru", which accounts for nearly half of the country's locally sold dry white wines.

Grand cru reportedly has been targeted along with "port" and "sherry" in negotiations in the EU-SA wine and spirits agreement.

Attempts to establish precisely what requirements the EU would lay down failed yesterday, but a source who returned from the trade talks in Brussels said grand cru was on an "extensive list of terms and trade names" to be negotiated when talks between the two regions resumed.

About 40 Western Cape wine estates produce grand cru wine.

Bellingham Estate marketing director Jacques Roux said it was unaware of the latest development, which would affect at least 1 000 labels on the domestic market. "It would be a disaster if we have to scrap the name. For us (at the estate) it has strong connotations to origin and locality."

BD 22/9/98

EU-SA talks: Page 3

Tug of war with Spain over 'sherry' continues

Louise Cook (374) (3) WINE

SPAIN's bid to win the sole right to use the name "sherry" was vital to that country, but negotiations to break the tug of war between SA and Spain were continuing, Spanish Secretary of State for Trade and Tourism Elena Pisonero said in Pretoria yesterday. "For us it is a very essential issue, as it is for you," she said.

The divide between SA and Spain on the sherry issue, as well as moves by Spain to gain entry to SA's fishing waters via the SA-European Union free trade negotiations, brought down the last round of talks with the EU in Brussels just as the two regions' offers were to be finalised. BD 1/10/98

SA walked out of the negotiations when the EU, acting on behalf of Spain and Portugal, insisted that SA surrender its right to use the names "sherry" and "port" and accepted the terms of a fishing agreement which would have boosted European countries' access to local waters.

Addressing a media briefing at the signing of an investment protection agreement between SA and Spain in Pretoria yesterday, Trade and Industry Minister Alec Erwin said SA wanted no link between the EU-SA free-trade agreement and the fishing, wine and spirits agreements, which covered those sectors separately.

"There are not major differences on the agreement as a whole. The negotiators will continue to make offers irrespective of positions the countries hold."

Hanekom and KWV reach agreement

(3) WINE CT(BR) 6/10/98

Ronnie Morris

Cape Town — Derek Hanekom, the minister of agriculture and land affairs, has reached agreement with KWV after two weeks of intense negotiations and does not intend to take the wine and spirits company to court.

Hanekom recently intimated he would take KWV to court because of alleged delays in the setting up of a wine industry trust.

Hanekom said yesterday an agreement had been reached on most issues, but there were still some unresolved concerns which needed to be finalised.

"I believe it is possible that we could reach an agreement quite soon on these issues, and for this reason I am not referring the matter to court," he said.

Hanekom said that he did not threaten to take KWV to court or to sue them.

"I said that if we could not get an agreement within two weeks, I would refer the matter to arbitration or litigation, for the court to make a decision."

A KWV spokesman said last week the company's commitment to reach an agreement on the wine industry trust "has not diminished in the slightest".

The company has been involved in negotiations with Hanekom's team for the past year.

"KWV's latest proposals have been passed on to the minister's team, and we await the minister's reaction," the spokesman said.

The government had initially opposed KWV's attempt to register as a company on the grounds that it had been set up as a co-operative with state funds.

At the outset, the government demanded R800 million of KWV's assets but in an out-of-court settlement KWV agreed to pay R477 million into a wine industry trust over the next 10 years.

OPTIMISTIC *Alec Erwin told exhibitors at Saitex '98 in Johannesburg that the recent stalemate would not sink trade talks with the EU* PHOTO: SELWYN TAIT

EU talks 'won't drown in port'

CT(BR) 7/10/98 (5) WINE

THABO LESHILO

BUSINESS EDITOR

Johannesburg — The stalemate in free trade talks between South Africa and the European Union (EU) was "not a major breakdown", Alec Erwin, the minister of trade and industry, said yesterday.

"I am confident this agreement will proceed. Relations between South Africa and the EU do not centre on port. It cannot be the end of negotiations and should not be," Erwin told international businessmen attending the sixth South African International Trade Exhibition (Saitex '98), which opened yesterday.

The talks reached a stalemate recently over the EU's demand that South Africa stop using the words "port" and "sherry" for its products.

Erwin said South Africa was "not a place for those who want to have a quiet sleep", but a vibrant place grappling with many problems and enormous challenges.

"Our challenge is to ... make the South African economy compete with the best in the world," said Erwin. But "the world economy is moving against us", he warned.

He said the government's basic strategy was to work with labour, business and the community to meet the immense developmental challenges facing the country.

Stewart Patterson, the president of the Witwatersrand Agricultural Society, said this year's show, at the Expo Centre in Johannesburg, was the biggest yet, with 790 company representatives from 40 countries.

The People's Republic of China, represented for the first time, is the biggest exhibitor, with 470 representatives from 230 companies.

Liu Fugui, the vice-chairman of the China Council for the Promotion of International Trade, said that the establishment of full diplomatic relations between China and South Africa this year marked a new era of co-operation between the two nations.

Trade between South African and China amounts to $1,6 billion.

Hanekom will fight EU for 'port' rights

Louise Cook (3) WINE BD 9/10/98

DURBAN — Land and Agriculture Minister Derek Hanekom vowed yesterday to fight European Union (EU) demands that SA should give up the right to use the names port and sherry.

Government and the wine industry would ward off any such demands, he said.

Addressing the SA Agricultural Union (SAAU) congress, Hanekom said that the port and sherry sectors in SA were worth between R700m and R800m in turnover a year. The names were part and parcel of SA's tradition and were not associated locally with geographical locations.

"Trade and Industry Minister Alec Erwin and I feel very strongly about the terms of the wine and spirits agreement — the demands by the EU are unreasonable," he said.

SA has been locked in a battle with Spain and Portugal over the use of the names for locally produced port and sherry, which comes up in a separate agreement on wine and spirits between SA and the EU. Other names such as grand cru are also affected.

Last month, the EU refused to submit an improved agricultural offer unless SA agreed to give up the right to use the names. The move threatened to scupper 21 rounds of negotiations between SA and the EU on a planned free trade agreement.

Hanekom also hit out once again at the EU's lucrative subsidies paid to European farmers, saying this meant they were effectively public servants farming for their governments.

The subsidies damaged the development of domestic production and "probably the key problem" was that they limited export opportunities to world markets.

"Markets are virtually closed due to the glut of products coming in from Europe — this makes it very difficult for countries like SA to get in.

"We are prepared to grant limited tariff protection on some farm products where it is justified — this does not mean that SA is following projectionist policies."

SAAU vice-president Japie Grobler said the World Trade Organisation was forced to devise rules for a more equal trading environment between nations, but developing countries needed to expand their export markets.

"We cannot afford to fall behind in seeking improved market access for exports as it is very difficult to catch up once you've fallen behind," he said.

On upcoming EU/SA negotiations, he asked for a mandate to demand from EU negotiators that subsidies be reduced before SA lowered any tariffs.

SA should also insist on improved market access in Europe, particularly for products like fruit, vegetables and canned fruit.

Hanekom, KWV thrash out new agreement

Louise Cook

③ WINE BD 14/10/98

A RENEWED standoff between Land and Agriculture Minister Derek Hanekom and wine company KWV was averted at the weekend when they thrashed out deals totalling R20m to be invested in industry development.

Details are still to be concluded, but both sides were confident yesterday that lengthy arbitration proceedings, mooted earlier by Hanekom, would no longer be necessary.

The issue goes back to KWV's transformation last year from a wine co-operative to a company. In an out-of-court settlement with Hanekom, KWV undertook to pay R500m over 10 years for industry development. The parties agreed that the money would be invested in a trust or a nonprofit company, but sources said Hanekom favoured a trust which would have boosted government's control over the money.

Yesterday KWV spokesman Henry Hopkins said the company was reluc-

Continued on Page 2

KWV

③ WINE

Continued from Page 1

tant to part with the funds unless it was certain that the money would be spent on wine industry research and emerging farmer empowerment.

Ministerial negotiating team member Michael Fridjhon said negotiations were at a "delicate" stage but declined to say which issues still needed to be resolved. Indications are that there could be a deadlock over representation on the trust, with the minister's team wanting a majority on the board. However, this could not be confirmed.

Last year, Hanekom opposed KWV's application in the Cape High Court to switch to a company, arguing that some of its assets had been built up through statutory powers given to KWV in terms of the Wine and Spirits Act. These powers have shifted to the Wine and Spirits Control Board.

DISTILLERS CORP

3 WINE

OVERFLOWING WITH SPIRIT

FM 26/10/98

■ **ACTIVITIES:** *Produces and markets wines and spirits.*
■ **CONTROL:** *Rembrandt-KWV Investments 60%; SAB, 30%.*

Year to June 30	'95	'96	'97	'98
Debt:equity ratio	—	—	—	0,34
Int & leasing cover	367	263	37	14
Return on cap (%)	16,8	17,1	18,9	19,7
Turnover (Rbn)	1,25	1,53	1,78	1,92
Pre-int margin (%)	13,5	13,4	13,9	14,2
Earnings (c)	71,8	93,5	112,6	125,5
Dividends (c)	49	59	66	67
Tangible NAV (c)	420	462	516	576

Liquor is not the road to riches it once was. Most retailers are no more than marginally profitable. Distillers' 50% holding in Western Province Cellars produced dividends of only R0,36m. Distillers' 8,1% annual growth in earnings since 1992 reflects equally tough conditions at producer level.

In total, the liquor industry experienced a no-growth year as economic pressures and Excise duties took their toll. Distillers fared well, increasing its brandy, white spirits and wine market shares.

Deteriorating conditions caused turnover growth to slow to 6,9% in the second half of financial 1998 compared to 9,5% during the first six months. Operating margin, pre-depreciation, remained steady at 13,5%.

As a major brandy producer, Distillers faces maturation lead times of three to five years. Strong growth necessitated heavy investment in maturation stocks and equipment. Financial manager Wim Bierman notes this was the main reason for a 22%/year increase in inventory levels since 1994. This reversed the strong net cash flow patterns of earlier years. Total net cash outflow of R417m over the past two years moved the company into a net R275m borrowed position during the second half of financial 1998.

Bierman sees a slowing in the inventory build-up this year, particularly with sales volumes declining. A return to positive net cash flows is vital. Failing this, year-end net borrowings indicate a 150% increase in interest payments at current rates. Other things being equal, the negative impact on earnings would be about 11%.

It's not going to be an easy year. A p:e of 4 and a dividend yield of 13,5% speak for themselves.

Stafford Thomas

view

STELLENBOSCH FARMERS WINERY

OVER AN INTEREST RATE BARREL

- **ACTIVITIES:** *Producer and wholesaler of wine, spirits and other beverages.*
- **CONTROL:** *Rembrandt-KWV Investments, 60%; SAB, 30%.*

3 WINE

Year to June 30	'95	'96	'97	'98
Debt:equity ratio	—	—	0,13	0,43
Int & leasing cover	34	60	96	7
Return on cap (%)	11,8	16,1	15,3	14,3
Turnover (Rbn)	1,44	1,77	2,02	2,19
Pre-int margin (%)	7,6	9,9	9,7	8,7
Earnings (c)	41,8	72,2	83,1	73,7
Dividends (c)	16,0	26,0	29,0	30,0
Tangible NAV (c)	370	429	499	546

FM 16/7/98

MD Frans Stroebel sums the situation up aptly. In nine years with SFW, the past six months were the "most difficult I have experienced".

Overall market share was held at the cost of reduced margins as consumers shifted to lower-margin products. The impact was severe. A 16% trading profit improvement at the interim stage reversed into a 28% fall in the second six months. Margins fell from 12,1% to 8,3%.

Spirits and fortified wines suffered the most. Gross income, 36% of SFW's total, fell 11%. Income from SA wine sales, 33% of the total, fell 4%.

Much hyped exports contributed only 5,6% of income, 6% up on 1997. Shortages of red cultivars restricted volumes, a problem that costly developments such as Papkuilsfontein will solve in years to come.

A bright spot was 14% growth in alcoholic fruit beverages (AFB). Fruit juices, also a strong growth sector, improved earnings by 36%. These divisions contribute about 25% of gross income.

SFW's five-year production upgrade has pushed funding requirements to R329m over the past two years. Borrowings have increased from R17m to R339m in the process. Commitments for financial 1999 are R113m, compared to net operating cash flow of R20m in 1998.

SFW has made minimal investment in new maturation stocks compared to Distillers, its focus being more on wine and AFBs. For both companies, profit rewards of heavy investments lie a few years away.

SFW's debt burden and capital expenditure at a time of weak demand gives rise to concern in the short term. This is reflected in the 3,7 p:e, which is likely to prove historic.

Stafford Thomas

Bill 'unlikely' to affect winemakers

(3) WINE CT 2/11/98

DAN SIMON

MOST wine producers in Stellenbosch, Paarl, Franschhoek and other parts of the Boland are unlikely to be affected by a provision of the new Liquor Bill which aims to prohibit producers from selling wine directly to the public if they produce more than a certain volume.

According to Stellenbosch Wine Route chairperson Spatz Spurling, owner of Delheim, most producers on the route would be classified as "micro producers" and thus be allowed to sell directly to the public.

There were fears that the controversial bill, which was passed by the National Assembly in September and which is to be deliberated by the Council of Provinces before being signed into law, could have a devastating impact on the Western Cape's tourism industry.

Wine sales to the public account for between 40% and 45% of many a wine estate's business.

It is uncertain how the bill will affect wine co-operatives which produce higher volumes. The cut-off volumes which will determine micro and macro producers has not yet been determined.

About 8 000 jobs in the wine and spirits manufacturing sector would be lost unless a clause in the Liquor Bill was amended before it became law this week, the National Union of Food, Beverage, Wine, Spirits and Allied Workers told Sapa late last week.

The clause provided for the automatic conversion of all licence holders, barring wholesale liquor licence holders. These included Distillers Corporation, Douglas Green, Gilbeys and Stellenbosch Farmers' Winery.

The union said the Department of Trade and Industry naively believed that if these companies were forced to apply for registration, they would be forced to implement empowerment initiatives. However, these firms would consider moving to neighbouring countries.

The union wanted automatic conversion of wholesale liquor licences without restrictive terms.

Savanha falls short of forecast

Samantha Sharpe (3) WINE

CAPE TOWN — Independent wine company Savanha has fallen short of its initial prelisting forecasts, with maiden headline earnings for the year to July at 0,44c a share from a pro forma 2,99c.

Given that the group was formed only in August last year — it listed in the development sector of the Johannesburg Stock Exchange last December — comparative figures were restated to cover the 12-month reporting period.

In line with the terms of the prelisting statement, no dividend was declared, with the first dividend to be paid in the year to July 2000.

Group chairman Graham Knox said despite significant growth levels in the period under review, the slow take-off of prereserved wines for the UK and accompanying increase in stock levels and finance costs had had a negative effect on profit.

Also, heavy investment in infra structure, especially in the areas of finance, sales and general management, which was needed as a platform for growth, had taken their toll on the bottom line in the short-term.

However, Knox said last year's stock levels were already being depleted with the infrastructure investment likely to return Savanha to levels of profitability outlined in the prelisting statement.

Although the "honeymoon" period for SA wines was beginning to wane, Savanha's strong brand positioning and economies of scale meant it was one of the few exporters able to meet the demands of both major European and SA retailers.

"Continued penetration of both the international and local markets in the next three years will set us on the road to solid profit performance," Knox said.

Of the year under review, he said Savanha had made significant progress in developing its vineyard operation to secure a long-term supply of premium quality varietals.

BD 18/11/99

SA to back down on port and sherry

Tim Cohen BD 3/11/98

(3) WINE

VIENNA — SA is preparing to concede to the use of the terms "port" and "sherry" for export products in exchange for increased agricultural quotas as a way of breaking the impasse in its stalled trade talks with the European Union (EU).

Agriculture Minister Derek Hanekom said yesterday that after a period of despondency over EU "obstructiveness" in the negotiations, both sides were increasingly optimistic that the conclusion of the pact could be at hand.

On the eve of the Southern African Development Community (SADC) conference with the EU, Hanekom said he could not divulge details of an impasse-breaking package that was negotiated recently between EU commissioner Joao de Deus Pinheiro and Trade Minister Alec Erwin.

Pinheiro sought agreement from the EU last week to negotiate a compromise agreement with senior EU bodies without publicly disclosing its terms.

However it is understood that the basis of the deal is that SA will make limited concessions regarding the trademark issues holding up the wine and spirits agreement in exchange for increased quotas of agricultural products.

In terms of the deal, SA would phase out the terms "port" and "sherry" over five to seven years on its export products, but would continue to use the terms internally. The term "grand cru", along with other terms, is also regarded by the EU as a trademark dispute.

In exchange, SA was pressing the EU to increase quotas on other agricultural products so that they matched the existing level of exports to European countries. Priority products include fruit, canned fruit, maize starch and wine.

Hanekom said SA was extremely unhappy with the EU's agricultural subsidies in terms of its common agricultural policy and whatever the outcome of the EU-SA trade pact, would continue to oppose these subsidies as part of the Cairns group of countries which are pushing for global free trade in agriculture.

He said there was no doubt that the EU's extensive trade subsidies distorted trade between SA and the EU. SA has a R17bn annual trade deficit with the EU.

The problem with the side agreement on wine and spirits was that the EU made no offers, but had laid down only conditions, some of which went further than the World Trade Organisation's Tripps agreement, Hanekom said.

However SA's exports of port and sherry were small and "significant" gains were possible even with small improvements to the tariff environment.

Hanekom said he would use the opportunity provided by the SADC-EU ministerial conference to lobby in favour of granting SA additional concessions and for the conclusion of the trade pact.

Meanwhile, Foreign Affairs Minister Alfred Nzo sought to dispel the concerns of other SADC member states about the consequences of the trade pact, saying that even as it engaged in bilateral negotiations, it had not and would not lose sight of regional concerns.

Opposition to the EU-SA trade pact has emerged from SADC members whose representatives have argued that as regional organisations, the EU's external relations should focus on the SADC rather than on a single member state of the organisation.

Nzo said SA's membership of the SADC did not exclude it forging bilateral relations, which were also pursued by other SADC member states.

R520m trust to fortify wine industry

ST 20/12/98

BOBBY JORDAN

3 WINE

THE winelands turned into wine-rands this week with the news that KWV would invest R520-million in the industry — including substantial support for previously disadvantaged wine farmers.

Funds would be made available to a trust and controlled by two companies: one a business-support company promoting local wine in export markets, the other a wine-industry development company focusing on social upliftment, KWV said in a statement this week.

The initiative follows year-long negotiations between KWV — which changed from a co-operative into a company last year — and Minister of Agriculture Derek Hanekom.

"The initial concept of the trust was founded in the agreement between KWV and the minister on the conversion of KWV . . . in December 1997. According to this, the trust would provide for the services that could not be delivered by KWV as a company," the statement said.

In the first 10 years, R400-million would be made available. After this, R120-million would be provided to continue the work of the trust, KWV said.

The first quarterly instalment would be paid next month, followed by the formal establishment of the trust in February with the appointment of 13 trustees.

KWV managing director Dr Willem Barnard said the agreement would benefit newcomers to the wine industry as well as KWV shareholders.

KWV, govt set to sign deal on industry trust

BD 17\12\98 (3) WINE

Pact should end wrangle between Hanekom and wine company

Louise Cook

PRETORIA — KWV and government are set to sign a deal — possibly before year-end — that will see between R350m and R400m being invested in a wine industry trust over the next 10 years, ending a protracted legal wrangle between Land and Agriculture Minister Derek Hanekom and the wine export company.

The two parties have been locked in a battle over KWV's assets being transferred to a company after the KWV's conversion to a company from a wine co-operative.

The parties reached an out-of-court settlement at the beginning of the year after a forensic audit of KWV's assets. The former co-operative undertook as part of the settlement to invest R470m in a trust to, among other things, uplift previously disadvantaged communities in the wine industry and support emerging wine farmers.

A source close to the negotiations said on Tuesday that the lesser amount agreed to in the deal was no reduction or material loss to the planned trust as certain "vaguely specified services" proposed by KWV had been taken out of the equation altogether.

Referring to talk by other sources of the deal being signed this year, the source said that would depend on the resolution of certain details on the future functioning of the wine industry since KWV's statutory powers had been scrapped.

The trust was apparently to have been set up by September this year in terms of the out-of-court settlement. However, industry sources said at the time the detailed legal agreement at one stage got bogged down on the number of trustees to be appointed by the minister compared with those appointed by KWV.

The source said the agreement would provide for 13 trustees and that Hanekom would have the right to appoint seven.

Previous speculation was that wine industry expert Michael Fridjhon would chair the trust, but this week no one was prepared to speculate on likely candidates for the position. Sources preferred to wait for Hanekom's decision, possibly in February next year.

Indications were that the deal would provide for a trust and two nonprofit companies to be set up. One of the companies would be a business support operation which would receive 55% of its money from the trust, while the other nonprofit enterprise would be a wine development company which would get 45% of its money from the trust.

The business support company would be geared towards commercial farmers, taking care of research, technology transfer, generic exports and promotions. Generic exports would be a major component, with no less than 57% of the money for the company likely to go to this function, the source said.

The wine development company would be directed at empowerment of farm workers on wine farms and support for previously disadvantaged communities.

Altogether 43% of the development company's funds would go to settling new farmers in the wine industry and 41% would go to training and empowerment of farm workers.

The deal would most likely provide for the remaining 16% to be used for market support and surplus removal schemes for new farmers, the source said.

The first payment into the planned trust would probably be made by January. However, the initial amount to be invested as part of the 10-year investment package was not known.

Sources confirmed that the amount would increase over time.

In September, the delays in getting the trust off the ground prompted Hanekom to cite arbitration as a possible way forward, but sources from the two negotiating teams agreed there were no longer "insurmountable" differences.

Trade pact threatened by wine

ARG 11/12/98 (3-wine)

Brussels – A row over South Africa's right to sell its fortified wines at home as "port" and "sherry" is threatening a vital trade deal with the European Union.

The Europeans are demanding that South African vintners should stop using the names sherry or port for their fortified wines, saying only Spain can produce wines called sherry, and only the Portuguese city of Oporto can label its fortified wine as port.

After an appeal from President Mandela fell on deaf ears at a meeting of foreign ministers on Monday, the issue will now go to the Vienna summit of EU heads of government this weekend.

The wrangle is an embarrassment to the European Commission because a deal was supposed to have been signed at the Cardiff summit at the end of Britain's presidency of the EU in June.

Instead when Mr Mandela arrived, he was promised an agreement by autumn – a deadline which has now been extended to Christmas. In his plea to EU heads of the government, Mr Mandela argued: "South Africa's economic success is by no means guaranteed and requires an immense effort".

After a marathon four-year negotiation the outline of a deal to phase out duties on some 90% of EU-South Africa trade, worth $19-bn (R114-bn) a year, was thrashed out last month at talks in Pretoria.

South Africa claims the terms port and sherry have been in widespread use for 300 years – but has agreed to a compromise under which it would stop using them on exports to Europe and phase them out over five to 10 years in other foreign markets.

But South Africa insists it must be allowed to continue marketing fortified wines as port and sherry for the home market.

"For the ordinary population the agreement cannot be concluded by us surrendering the household names in southern Africa of our own port and sherry," Mr Mandela wrote in his letter.

The row is particularly embarrassing because of the small scale of the trade involved.

Sales of South African "port" and "sherry" are worth only about R750-million, of which 13% comes from exports.

One EU official said last week: "We are talking about one of the new democracies. They have agreed to phase out the terms for Europe. Are we going to resist for such a petty reason?"

But others argue that the Europeans have already made enough compromises.

Spain, Italy and France fear they will suffer from greater access to South African agricultural products, including fruit and wine, to the European market. – The Independent, London

AGRICULTURE- WINE

1999

EU offers $10m to SA wine producers

BD 15/1/99 WINE

John Dludlu

THE European Union is offering up to $10m in marketing and technical assistance to SA wine producers, and to increase quotas of SA wines to the EU, as part of the fresh bid aimed at resolving remaining hurdles to a bilateral free trade deal.

A senior EU official yesterday confirmed the details of the EU's proposal, which were published in this week's edition of the Financial Mail, saying that the proposal, still under consideration, had been flagged to Pretoria officials.

It is also hoped the stalled talks could receive fresh impetus later this month when SA politicians and EU executives attend the World Economic Forum in Davos, Switzerland. Jacques Santer, the president of the European Commission, the EU's executive, is expected to attend the meeting.

The talks failed to reach finality last year over the disagreement on SA's use of the names, port and sherry for its fortified wines. The EU wants SA to stop using these terms both in third as well as domestic markets. Pretoria, on the other hand, which says its producers have been using the names for more than 100 years, wants to retain the terms both in its domestic market as well as in the Southern African Development Community.

The latest plan, crystallised last month in the corridors of the Vienna summit of EU leaders, is designed to break the impasse and enable the EU to meet its March deadline for the conclusion of the talks, which already have missed a number of self-imposed deadlines.

The $5m to $10m compensation, which would help shore up the cost of marketing alternative wine brands, underscores Brussels' determination to protect the two names. The EU has scored some successes in this battle. The money would not form part of the 125-million-euros-a-year aid package to SA.

Further, it is understood the EU is also offering fresh concessions — including either removing import tariffs on SA wines into the EU altogether or increasing wine quotas — to sweeten the proposal for SA.

Bahle Sibisi, the chief director for foreign trade relations at the trade and industry department, said last night: "We have yet to establish contact (with the EU) to agree on the way forward."

A Brussels observer warned yesterday that further delays in wrapping the deal could open the danger of it being scuppered by EU members who believed the new proposals were too generous.

The deal will see the EU removing tariffs on 95% worth of SA exports, while SA has offered to liberalise on 86% worth of imports from the EU.

Sherry truce sets up EU trade deal

(3) WINE (~~???~~)

HUGH ROBERTON
POLITICAL EDITOR

ARG 25/1/99

South Africa's clash with Spain and Portugal over the export of sherry and port to the European Union could be over and a comprehensive trade agreement with the EU is expected within days.

Senior South African officials said the deadlock was broken by a tacit consensus – still to be formally worded and put to EU governments – to shelve the dispute for a decade.

In the meantime, South Africa would be allowed to export fortified wines under the titles "sherry" and "port" to the EU and other countries, but in limited and possibly diminishing quantities – some officials believe the 1998 export levels could be used to set the ceiling – and the issue would be reviewed during further negotiations, probably in 2010.

In exchange for agreeing to this compromise, South Africa is understood to have sought additional trade advantages for Western Cape fruit and wine exports to the EU, although officials declined to reveal what these might be.

The "sherry"and "port" proposal is probably the best deal South Africa could have expected in the circumstances, and if it is endorsed by all the EU governments – South African officials say they believe it will be acceptable to Spain and Portugal – the way will be open for a historic trade deal that could form the foundation of South Africa's economic growth in the new millennium.

"In the end, it seems, it was just too small an issue to hold up what is a vast and exciting opportunity for both sides," said an official today.

The EU's chief negotiator with South Africa, Philip Lowe, who is the European Commission's director-general of development, hinted at an impending breakthrough last week when he told the European Parliament in Brussels: "The discussions have been under way since June 1995 and it should only be a matter of weeks before they are completed."

He added: "A great deal has already been agreed, including a number of sensitive issues. A political solution to those that remain would appear to be possible.

"We are now poised for this important agreement ,which will send a positive message not just to South Africa and its neighbours, but for the future of our trade relations with the African, Caribbean and Pacific countries as well."

Trade and Industry Minister Alec Erwin is due in Europe for the Davos World Forum at the end of this week.

Also in attendance will be EU President Jacques Santer.

An agreement in principle is expected to be fleshed out then.

Erwin and Pinheiro toast a chilly agreement in port and sherry

ARGT 30/1/99 (3) WINE

Davos, Switzerland – South African and European Union negotiators yesterday announced they had finally reached agreement on the outstanding issues of a proposed SA-EU free trade and development deal.

They declined to immediately make public details of the compromise reached.

The outstanding issues were resolved at a meeting between Trade Minister Alec Erwin and EU commissioner Joao de Deus Pinheiro at a two-hour meeting here, and now the agreement has to be referred to their principals for ratification.

Both men were confident that the compromise reached was within the mandate they had been given.

"I am very happy to say that today we were able to breach some of the gaps with some of the difficulties we have had," Mr Pinheiro said.

"As you know both of us will have to report back to our masters – Minister Alec Erwin will have to report back to the (South African) Cabinet, I will have to report back to the Council of Ministers in Europe.

"But I think that the work we did today is in compliance with the orientations we got from our masters.

"I think that today we reached a compromise, which as all compromises have not left any one of us happy, but we can live with it. That is the spirit of compromise."

Mr Erwin said the compromises reached were acceptable to the South African negotiators.

"I think in view of the sensitivities for many people around these compromises we won't elaborate on them a great deal now.

"I think it would be fair to say that as negotiators we have come to the end of these very important negotiations and hopefully these will be sanctioned by the principals."

Both sides had attempted to meet each other half-way, Mr Erwin said.

He would not disclose whether South Africa had backed down to EU demands that South African wine producers cease using the brand names port and sherry, saying only that the final agreement reached on the issue was complicated and had to be considered in its entirety.

It is expected that South Africa will phase out use of the brand names "port" and "sherry" and in return the EU will increase the quota of other wines South Africa may export to the EU and make funds available to market new brands of fortified wines.

"I think the best thing to do is to drink some port and sherry in this cold weather and we will make an announcement about this later," Mr Erwin quipped.

Mr Pinheiro said many of the issues discussed during the negotiations would be covered in broader trade negotiations to be conducted by the World Trade Organisation.

"We tried to have an agreement bearing in mind that in two years' time things would be solved in a more broad way, and that the (port and sherry) issue would be part of these broader negotiations."

He felt it was unfortunate that the negotiations had become stuck on the port and sherry issue because there were other parts of the agreement which had far greater economic consequence.

Mr Erwin said both sides had made certain last-minute concessions.

President Mandela was initially expected to attend yesterday's negotiations but arrived too late – he was unable to fly to Davos by helicopter due to heavy snow, and had to drive to the ski resort from Zurich. – Sapa

Deal struck with EU on use of 'port' and 'sherry'

BD 1/2/99 (3) WINE

Jim Jones
and John Dludlu

DAVOS — SA's port and sherry producers will continue using these fortified wine names for 12 years if a deal hammered out at the weekend by Trade and Industry Minister Alec Erwin and European commissioner for development João de Deus Pinheiro is endorsed by their principals.

It is understood that the key to the resolution of the port and sherry problem, which was one of several matters delaying the conclusion of trade negotiations with the European Union (EU), was agreement on its phrasing.

Erwin and Pinheiro would not divulge details of their compromise until their principals had seen and endorsed it. However, it is understood that while SA may retain "port" and "sherry", the arrangement will be reviewed after 12 years.

The dispute arose from the EU's demand that the terms be dropped by SA.

The compromise has brought the two sides tantalisingly close to the conclusion of four years' negotiations on a trade, development and co-operation agreement.

The Financial Times reported on Saturday that Erwin said: "With a bit of luck, it's an agreement."

However, Eltie Links, SA's ambassador to the EU, said: "It's not over yet." Erwin and Pinheiro have to sell their compromise to their principals. The SA cabinet is expected to discuss it on Wednesday.

Pinheiro will brief his colleagues in the commission, the EU's executive, on Wednesday, while Philip Lowe, the director-general for development at the commission, is expected to brief EU member states on the same day.

Pinheiro will also discuss the deal at the meeting of EU foreign ministers on February 22.

Links, SA's chief negotiator, praised Erwin and Pinheiro for the compromise. "It was very much a joint effort. At final stages of the game, you cannot get everything you want," he said.

It is understood the compromise includes confirmation of a range of concessions on the EU's part, such as better access to the EU for specified volumes of SA wines, canned fruit and dairy products.

Wine industry expert Michael Fridjohn speculated that the compromise would be a satisfactory resolution if the SA wine industry received real benefits for its voluntary derogation and the move did not confer more rights to the EU's wine producers than those allowed under the World Trade Organisation.

Daan Botha, chairman of the national chamber of industry of the Afrikaanse Handelsinstituut, said yesterday he was "a bit worried" about deferred parts of the agreement, such as the fisheries accord.

Apparently the fisheries talks, suspended at SA's request to separate aspects of the talks, will resume in a year. It seems the compromise also includes agreement by the EU to relax restrictions on SA's trade in automotive components.

Comment: Page 9

SA Wine club in Swiss coup

(3) WINE
CT (BR) 2/2/99

ROY COKAYNE

Pretoria — The Wine-of-the-Month Club, one of South Africa's leading direct marketers, had won its biggest export order to date and shipped R500 000 of mixed South African wines to Switzerland, Colin Collard, the founder and director of the club, said yesterday.

Tim Hacker, a director of the company, said the club was on target to achieve a turnover of R30 million for the year to February 28, which was 15 percent higher than the previous financial year.

Collard said the company was the country's fourth biggest retailer of wines and boasted a membership of 22 000, arguably making it the leading direct marketer in the country. Exports were looking exceeding buoyant, with about 4 percent of the company's revenue coming from the UK market.

Hacker said membership was expected to increase to at least 26 000 during the next financial year and a further 15 percent increase in turnover was expected.

He said exports, which accounted for 8 percent of total sales of 130 000 cases a year, were expected to increase to at least 15 percent.

Real power is economic

The Darling grapes of sweet success

3 WINE

By Isaac Moledi

STELLENBOSCH Farmers Winery and its black empowerment joint venture partners yesterday harvested the first cartons of grapes from their premier vineyard at Darling, in the Western Cape.

Darling, situated some 30km from the Cape's West Coast, was identified as a high potential wine producing area when SFW and black-owned Maluti Foods and Beverages announced a R30 million joint company early last year.

The venture, trading as Papkuilsfontein Vineyards Limited, involved the development of a 975 hectare farm called Papkuilsfontein, where the company intends growing quality grapes to create an own-label range as well as to supply SFW.

What makes the project unique is that its shareholders include black retailers and taverners, as well as a local community trust representing workers and residents.

SFW, which is the country's largest producer-wholesaler of wines and the fifth producer of wine in the world, currently holds a 49 percent share in the development.

Black entrepreneurs, represented by Leopont 98 Properties, hold 36 percent while the remaining 15 percent is held by the Maluti Groenekloof Community Trust.

SFW said its aim was to divest itself of its shareholding over the next two decades. The ownership will ultimately be vested in the black retailers and the local community.

Leopont 98 Properties principal Joe Chakela said yesterday that his company was delighted that it was harvesting the first grape from the 250 hectare that was utilised.

The grape, Chenin Blanc, will be turned into wine to be ready for selling in July this year. A brand name will also be provided, Chakela said.

Chakela said: "This venture will ultimately be controlled by black interests. Until now, black empowerment projects undertaken in the local wine industry have been confined to independents offering ownership of small land parcels to their own farm workers.

"Leopont, which represents a number of prominent liquor retailers mainly in the north of the country, is now being given the opportunity to reap the benefits of its considerable efforts to promote the development of a wine-drinking culture among black consumers."

He said the wine industry had remained a stronghold of whites despite the advent of democracy five years ago.

SFW's earnings feel 23% squeeze

(3) WINE ARG 20/2/99

Marc Hasenfuss

Cape Town — Stellenbosch Farmers Winery (SFW), Rembrandt's wine and liquor distributor, was sent reeling in the six months to December 31 as interest rate increases and the economic downturn squeezed headline earnings down 23 percent to R60 million, figures released yesterday showed.

SFW's results followed flat interim results from its stablemate, Distillers Corporation, earlier this week.

Compensation for the loss of its distribution rights on certain Scotch whisky brands contributed R67 million in extraordinary profit, pushing attributable earnings to R159 million.

However, the dividend (which was declared a few weeks ago) was cut from 8c a share to 6c a share.

SFW's turnover slipped 5 percent to R1,2 billion, with directors attributing the lower sales to the relinquishing of Scotch whisky brands by agreement with Diageo in August last year.

"Negotiations are continuing for the acquisition of distribution rights for products similar to those relinquished to Diageo," they said.

They noted that, while pressure on gross margins was minimised by savings in the cost of sales, the marketing and operating costs (including the costs of upgrading technology skills and systems) increased by 5,1 percent.

This left operating income down 17,3 percent at R126 million for the interim period.

Directors noted that cash generated by SFW's operations had improved and, together with the compensation received for the loss of distribution rights, had limited the increase in financing the company's business activities.

SFW's finance costs, nevertheless, soared from just over R5 million in the previous interim period to over R22 million. This was partly offset by dividend income from the company's unlisted investments, which contributed nearly R8 million.

SFW is a prolific exporter of fine wines to Europe, but no mention was made of offshore sales progress in the directors' commentary.

Looking ahead. directors warned that SFW's performance hinged on economic developments. "Local and international markets are difficult to forecast and any further downturn will have a significant impact on earnings."

SFW finished 1c stronger on the JSE yesterday at R2,96 in thin trade. The ruling market price is well off the latest stated net asset valuation of R6,35 a share.

SA to investigate conduct of French wine organisation

ARG 27/12/99 (3) WINE

JEAN LE MAY

The Department of Trade and Industry says it will investigate the conduct of a French wine governing body said to have broken an agreement with a South African wine estate.

Peter Younghusband, former owner of the Franschhoek estate Haute Provence, said this week the European Union's intransigence on the use of the terms "port" and "sherry" by South African companies reminded him of his costly four-year legal battle in which the estate fought off French efforts to force it to change its name.

A settlement was reached in 1997 in which Institut National des Appellations d' Origines (INAO) withdrew its objections. Less than a year later, the government-backed INAO was party to an EU directive that banned sales in France of wines with the Haute Provence label, said Mr Younghusband.

John Mulder, a director of the company that now owns Haute Provence, said this week "the estate was interested in recouping the legal costs we were put to because of French harassment".

He said: "Our case is relevant to the pressure now being put on South Africa in the EU agreement (on port and sherry), in which France is playing a role."

Mr Younghusband said: "The INAO was preparing its application to the EU even as it signed the agreement with Haute Provence.

"We were astounded by the sheer duplicity of what had happened and wondered what the real worth was of an official French signature on a legal document."

Mr Younghusband said the INAO "seemed to be trying to establish a legal precedent that would force other South African wine estates with historic Huguenot connections to change their names as well".

"We were forced into a David and Goliath act on behalf of the South African wine industry. They picked on us because we were small and they thought we would not be able to afford the cost of defending their legal action."

He said the INAO claimed that Haute Provence was a region of France and that the use of the name by the South African wine estate was causing confusion.

"We pointed out that all our wines were marketed under labels that clearly said that the wine was a product of South Africa. We also pointed out that our farm, like others in the Franschhoek valley, was named by French Huguenots more than 300 years ago. They arrived here because they were being persecuted in France, and now we were being persecuted again.

"However, when the South African registrar of companies rejected the INAO's bid to strike Haute Provence's name from the companies register, they threw in the towel.

"They gave in with bad grace and signed an agreement conceding the use of our registered name. But the next thing we heard was that all our European agents had received notices that our labels had been banned in Europe, by order of the EU. Only the British complied.

"We were told that often happens with directives from the EU. Our wines were still sold in Europe, even in some French restaurants. However, we had sold Haute Provence vineyards to Count Riccardo Agusta of Italy and the labels were gradually being phased out."

'Euros should drop dead', page 27

Wine trust will boost transformation

Louise Cook (3) WINE

TRANSFORMATION in the wine industry received a major boost at the weekend with the appointment of trustees and directors to the R370m SA wine industry trust chaired by ministerial adviser and industry expert Michael Fridjhon.

Fridjhon was appointed by Land and Agriculture Minister Derek Hanekom following months of negotiations between KWV and government about the functions and composition of the trust.

The trust is part of a legal settlement agreement reached between Hanekom and KWV following a lengthy high court battle over assets of the company.

In terms of the settlement, KWV will pay R370m over 10 years to fund the trust. A R120m investment fund is to be set up to "ensure an ongoing flow of revenue to the trust".

In addition, two article 21 companies, one a business support company and the other a development company, have been established.

The development company will focus in particular on farm worker issues and emerging wine farmer support among previously disadvantaged communities.

Included on the list of trustees for the new trust are Sowetan assistant editor Len Maseko, Food and Allied Workers' Union president Patrick Johnson, National Agricultural Marketing Council vice-chairman Godfrey Rathogwa and some members of the top management of Stellenbosch Farmers Winery and KWV.

Directors for the new development company include SA Agriculture Union president Chris du Toit and SA Agricultural, Plantation and Allied Workers' Union general secretary Dickson Motha.

Acting land claims commissioner Alan Roberts and Backsberg estate owner Michael Back have been appointed as directors to the business support company.

BD 1/3/99

Great wine rush now a 'backwash'

(3) WINE

SA producers rely more on quality than novelty as Europe's tradition of long family dinners declines

Tim Cohen

CAPE TOWN — The great SA wine export bonanza is over, official figures show.

The tapering off of the increase of SA's wine exports is beginning to ripple through the industry, causing farsighted exporters to start repositioning themselves towards the more stable top end of the market, industry experts say.

Big double-digit increases in wine exports seen almost every year since SA emerged from apartheid will probably flatten out this year — and could even decrease for the first time since 1992.

The wine export bonanza, with exports rising by a staggering 1 300% over the past five years, has caused a rush of new plantings and brought new levels of vitality and profit to the industry.

Wine exports doubled in the first year after SA's first democratic election to just less than 51-million litres, then doubled again over the next two years.

Figures for the first eight months of last year show a much smaller rate of increase — just less than 78-million litres were exported compared with 69-million litres the year before.

Wine of the Month Club director Colin Collard said foreign demand for red wine was still high, but for the first time in years good quality white wine was coming onto the local market again.

This suggested that foreign agents were not filling their orders for SA white wines, which producers were then trying to sell on local markets.

SA wines have in recent years been going through a honeymoon in foreign markets, often on novelty value. "We are seeing a bit of a backwash," Collard said.

SA wine makers now had to go through the much more arduous process of proving themselves on merit alone. In practice this would probably mean that producers would need to show that their wines are as good as Australia's, but not as expensive, he said.

The reason for the levelling off is not only because the novelty of SA wines has been wearing off, but also because the overall level of alcohol consumption is falling in many countries. This is compounded by the fact that in some countries the level of wine consumption is also falling dramatically as the time-honoured tradition of the family dinner continues to disintegrate.

According to consultants Sutton Poole Associates, wine drinking in wine-imbibing countries has suffered because there has been a move away from long family meal times. Instead, people have tended to become "grazers".

Hence, the total number of people who drink wine in France and Germany — the countries where detailed statistics on consumption patterns are available — has fallen dramatically.

In France, for example, the number of wine consumers has fallen 45% since 1980. On the other hand, the amount French consumers are prepared to pay for their wine increased 27% between 1990 and 1995.

The result has been a rush to the top end of the market, and a move towards "noble" cultivars, such as chardonnay, sauvignon blanc and cabernet sauvignon.

These trends are also being felt in SA where massive bulk sellers are beginning to reposition themselves aggressively.

Two good examples are the transformation of the KWV and Simonsvlei co-ops into companies and the brand reorganisation that has taken place within these companies.

New upbeat packaging is the order of the day. Gone are the old hard-to-pronounce Dutch and Afrikaans names. For example, KWV's premier wines will be sold under the Cathedral Cellar label, while Simonsvlei now brands under the Hercules Pillar label.

KWV cellar master Kosie Moller said the new company would now market under four brands. This change would be drawn back all the way into the production process so that effectively there would be four different wineries under one roof at KWV.

Premier wines would be sold under the Cathedral Cellar brand, then the solid KWV wines, then easy drinking "lifestyle" wines under the Roberts Rock label. A fourth group would be value-for-money wines under a variety of labels such as Pearly Bay.

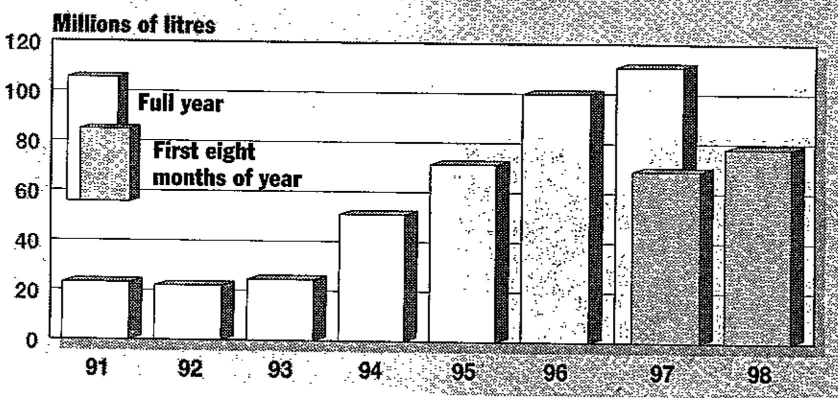
The change of approach at the old co-op is symbolised by KWV's intention to produce a wine called Perold, which will be sold for more than $100 a bottle.

According to one expert, this is not so much a case of moving upmarket, but moving out of the market completely.

Still, it shows how much attention is now being devoted to quality by wine makers who in the past tended to brag only about quantity.

BD 19/3/99

SA wine exports



KAREN MOOLMAN Source: AGRICULTURE DEPARTMENT

Red wine bloodbath as prices hurt buyers

3 WINE

ANDREW DONALDSON

ST 21/3/99

SOUTH Africans are now going to pay dearly for locally produced quality wines. This is the overwhelming reaction from restaurateurs, retailers and industry commentators following the unbelievably high prices fetched at this weekend's Nederburg Wine Auction.

As the auction, now in its 25th year, got under way on Friday, and the trend of high prices became evident, one buyer was heard to remark: "It's like going straight from losing your virginity to an orgy — without the seduction part."

Wine expert Peter Fridjhon, at the auction at the Boland estate on behalf of several smaller clients, was a little more succinct: "It's a bloodbath."

The 8 501 cases knocked down over two days fetched a staggering R5,5-million, compared with the R4,7-million that 9 217 cases fetched last year.

The auction started on a bullish note — and then went ballistic, fetching an average of R652,32 a case.

The first lot sold by auctioneer Patrick Grubb was a case of 12 bottles of Lanzerac Pinotage 1968 with a reserve price of R1 200. It went for a record R5 100. Traditionally, however, the auction's first lot is chiefly of interest to collectors. It was with the subsequent lots that eyebrows were raised.

A case of Nederburg Chardonnay/Sauvignon Blanc 1997 — a blend perhaps best described as "nothing special" — fetched R670, more than twice its reserve price of R280.

This works out at almost R52 a bottle — and that's before VAT, railage and a retail mark-up has been added.

It was the same with the reds. A case of six bottles of Kanonkop Pinotage 1991 fetched R1 550 — more than five times its reserve price of R300. That's R250 a bottle before VAT and other mark-ups.

Former Johannesburg restaurateur Ken Forrester of Gatrile's said: "That's pushing the price for a bottle of wine over dinner way into the R300-R400 region. I can't charge my customers that. Not for a pinotage. Even a good one."

Most commentators at the auction were baffled by the high prices — especially now that, for the first time in the post-apartheid era, foreign demand for SA wines has decreased dramatically.

In 1997, for example, foreign buyers snapped up almost half the 9 948 cases on auction. This year, South Africans snapped up 83,78 percent of the wines.

While it is true that falling wine consumption is a worldwide trend it is just as true that, when compared with those from Australia, California or South America, SA wines are just not good value for money these days. The quality is there, but at what price?

Underlining this is the fact that there were no Asian buyers at the auction. Traditionally big spenders, their absence sparked further pessimism.

Present, but not buying, were representatives from Australia, Barbados, Finland, Gabon, Ghana, Holland, Hong Kong, Japan, Singapore, Taiwan, Thailand, United Arab Emirates, the UK and Zimbabwe. This was surprising, considering the rand's under-strength value against most foreign currencies.

To some commentators, this year's event was seen as a celebration of the SA wine industry's old guard, a drawing in of the laager. Some point to the choice of the auction's opening speaker — Gunter Brözel, Nederburg's cellermaster from 1956 to 1989 — as "unfortunate". Second choice for speaker, it was rumoured, was President Nelson Mandela.

"The auction is, really, a public relations exercise," one wine writer said, "and this opportunity should have been used to look to the challenges of the future — and there are many — rather than dwelling on the past."

● See page 10

Port makers may take EU deal to WTO

(3) WINE BD 26/3/99

New world wine producers to meet in Montevideo

John Dludlu, Wyndham Hartley, Stephen Laufer and Reuter, Sapa-AFP

AS GENERAL euphoria greeted the SA-European Union deal yesterday, local port producers signalled their intent to put the brakes on with an approach to the World Trade Organisation (WTO).

Karel Nel, chairman of the SA Port Producers' Association, said his organisation would team up with fellow non-European port producers to challenge the EU's restrictive naming practices in the wine and spirits sector. New world wine producers are to meet in Montevideo, Uruguay. Sources believe a joint approach to the WTO on the issue of port and sherry denominations could be on the agenda.

SA's government and the EU welcomed the deal.

While Nel said he understood government's rationale in accepting the deal, some of his members were unhappy with it. Last week Nel, who said the association's 27 members represented 90% of SA's port producers, wrote to Trade and Industry Minister Alec Erwin, praising his hardline stance in talks with the EU.

Responding to the possibility that the port industry could lose this label after the 12-year transition period, Nel said the international challenge would seek to ensure that all foreign wine producers were treated alike: that none was forced to abondon its trade marks.

A spokesman for KWV welcomed the prospect preferential access to the EU.

Erwin, President Nelson Mandela and opposition parties have welcomed the conclusion of the negotiations. However, Erwin conceded in Parliament yesterday that the new wording on port and sherry, a compromise on the Davos package, could see use of the terms lost in the domestic market in 12 years. The Davos package allowed SA to use the names for 12 years, when names would be jointly agreed between SA and the EU. The new deal is that after 12 years "new denominations that shall be used in SA will be jointly agreed". This has been interpreted as conferring a veto right to the EU on names after the transitional period.

Erwin and Land and Agriculture Minister Derek Hanekom insisted, however, that the door on the wine labels was still "ajar". Erwin said the EU had intended to slam the door on port and sherry and that SA's concession kept hopes alive that the use of port and sherry in the domestic market might still be preserved.

Hanekom stressed that the port and sherry market for SA producers was largely domestic, with R100m of an R800m market going in exports.

EU ambassador to SA Michael Laidler said the EU leaders' unanimous endorsement of the agreement was an "irrevocable commitment" to the deal. He defended the changes, saying they were in the spirit of the Davos package. The deal, expected to come into force next year, would reinforce the EU's dominant position as a direct investment and trading partner with SA.

Erwin said the main beneficiary of the deal was agriculture, but SA's industrialists would also benefit substantially from duty-free access to European markets within three years.

When the agreement comes into force there will be duty-free access to EU markets for 32-million litres of SA's wines and allowance for duty-free quotas of agricultural products to grow 3% a year.

A Spanish diplomatic source said King Juan Carlos's state visit to SA in February had "helped establish a more sympathetic climate" towards the EU agreement.

The deal will remove tariff barriers on 90% of trade between the two in 12 years.

Rob Davies, chairman of parliament's trade and industry committee, said SA should not be over-euphoric as the tearing down of trade barriers would also pose challenges to business.

Cape's wine industry is entering a new era

(3-wine)

The setting up of the wine trust heralds a new era, writes Michael Fridjhon

BD 30/3/99

WHEN the Wine and Spirit Control Amendment Act is promulgated soon, an era in the Cape wine industry will come to a close: since 1918 (though increasingly from the 1950s) the liquor-producer, KWV, dominated every aspect of wine and spirit production in SA.

The Amendment Act, with its June 30 1999 sunset clause, oversees the death throes of KWV's statutory role and facilitates its entry as an active participant in the domestic trade.

At the same time, the formation of the SA Wine Industry Trust — funded at this stage by contributions from KWV totalling R370m over 10 years — paves the way for an industry-wide council to manage a business support and development programme. Its target is to ensure that this country becomes a world-class wine producer where players from every level play a real, meaningful part in its operation.

When KWV announced its intention to convert from co-operative to company in October 1996, few people realised how long, arduous and fraught its rites of passage would be.

Then newly appointed Agriculture Minister Derek Hanekom, conscious of the advantages KWV had enjoyed over the years it had managed the wine industry, intervened in the process. He made it clear that his intentions were fuelled partly by a need to address the statutory issues arising from the conversion and partly by a desire to ensure that after the transformation the industry would be operating on as level a playing field as possible.

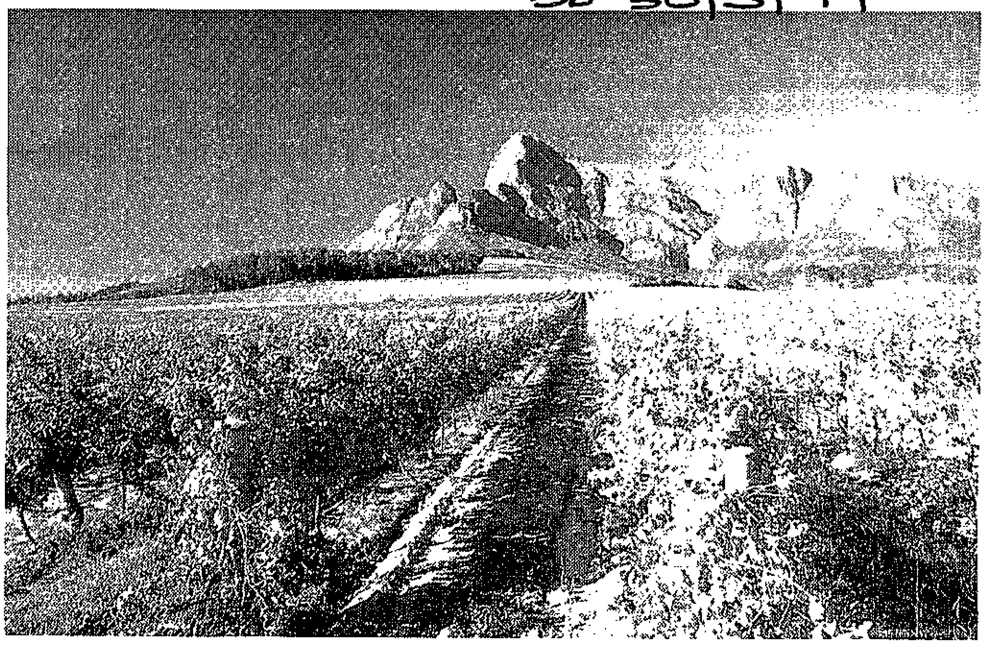
Accordingly, he opposed the KWV's application to court to sanction its proposed scheme of arrangement. He won the right to participate in the process, making it clear that the changes KWV intended implementing would leave a statutory void which could not be addressed without the legislature.

KWV's supporters accused the minister of attempting to nationalise the assets of the co-operative. Hanekom steadfastly maintained that there was a win-win potential in the situation. The wealth built up by KWV over its years of untrammelled statutory authority could not simply pass into private hands without disadvantage to the other commercial operators in the system.

In this, Hanekom enjoyed the support of the Cape Wine and Spirits Institute. Its members include most of the major domestic producers (and in several of which KWV holds a significant stake).

Finally, a dialogue took place between Peter Wrighton, on behalf of Hanekom, and KWV. Heads of agreement were drawn up in September 1997. The minister withdrew his objections to the scheme of arrangement. A new statutory dispensation for the wine industry was mooted, and the parties agreed to the creation of a trust to house payments from KWV to be invested for the good of the industry.

No sooner had the document been signed than differences arose as to the interpretation of its principles. Meanwhile, KWV had completed its conversion arrangements. For months the deal languished with little to drive it forward to a conclusion.



The aim of the trust is to ensure that SA becomes a world-class wine producer.

In the last quarter of 1998, a year after the original heads were signed, a new sense of urgency possessed both parties. Industry expectations had been raised by the 1997 understanding, and demands for cash were beginning to embarrass everyone.

Exporters sought money for genetic promotion, development organisations importuned KWV and government for grants, while KWV's involvement in statutory activities, however much reduced, nevertheless precluded its direct participation in the local market. Hanekom's pre-Wrighton negotiating team was brought in to see what could be salvaged.

Faced with the need to achieve results, the parties moved swiftly beyond the old heads of agreement to a new contract. KWV would be relieved of any obligations to perform services for the industry. It would pay the sum envisaged in the original agreement, less an amount which would compensate it for the cashflow implications of funding the trust through quarterly advance payments.

A structure was created to meet the requirements stipulated by both sides — a trust operating as the shareholder of two section 21 companies. The trust would have 13 trustees, and each company would have 13 directors, seven appointed by the minister, six by KWV.

One company would provide business support services for the wine industry (Busco), the other would deal with development projects (Devco). Slightly more than half the funds would be allocated to the former, less an amount of about 4% which would meet administrative overheads.

The key to both parties' thinking was the concept of subcontracting the supply of services for Busco and Devco; to create capacity in the new structure could only be a costly and unnecessary duplication.

The newly appointed boards of trustees and directors are representative of the industry and its participants at all levels. They include farmers and their producer organisations, wholesalers, labour, government departments dealing with land, agriculture and liquor, organisations with experience in appropriate development projects and specialist professionals.

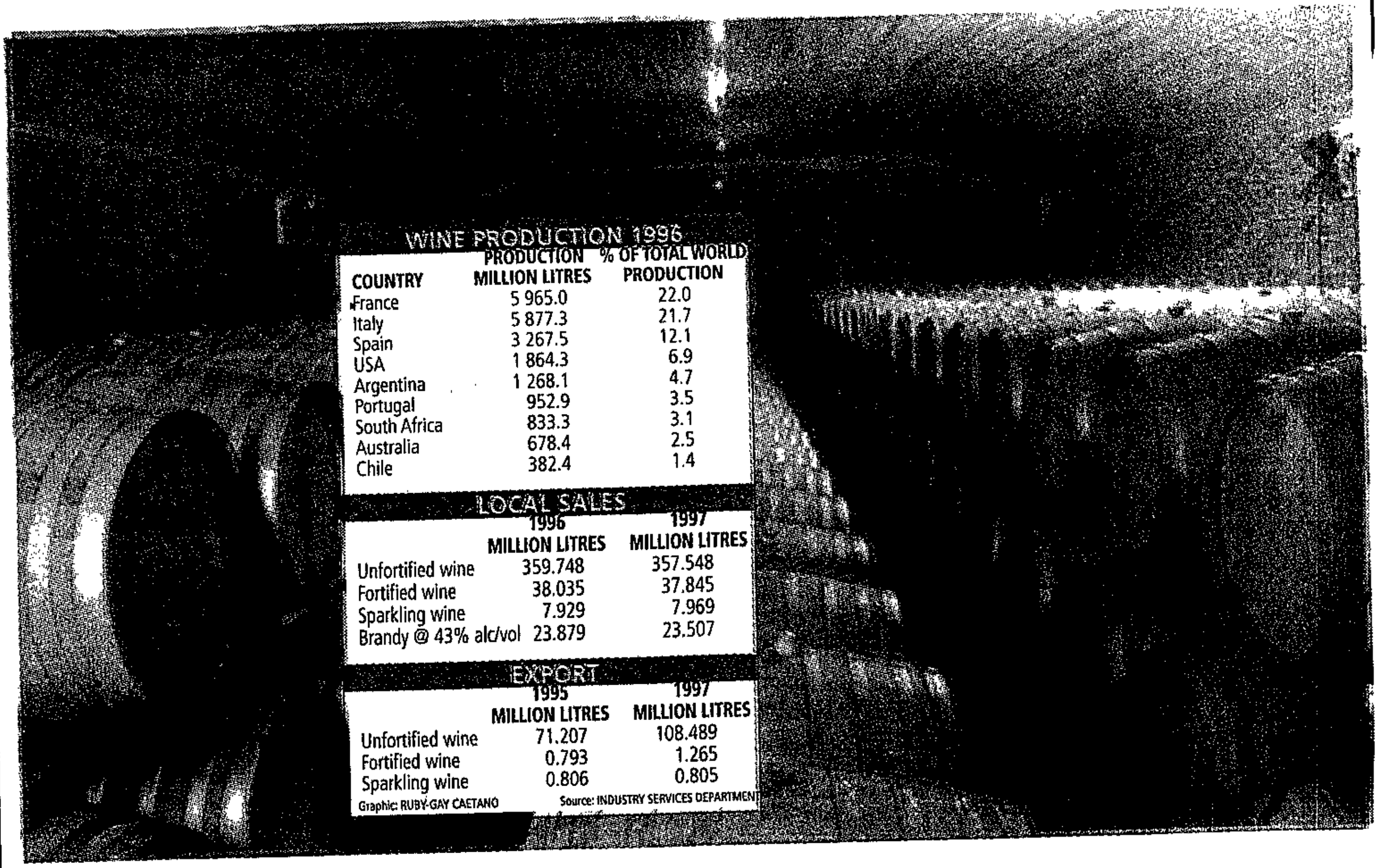
Parties, which a few months previously dealt with each other only on the most confrontational terms, must now meet to secure and implement a working vision for SA's wine industry.

These arrangements will never eliminate potential conflict; the objectives of some interest groups can be achieved only at the price of concessions from others. Undoubtedly, however, there will be a better understanding of the needs of participants, and communication conduits that never existed before.

These opportunities do not guarantee success. There is always the very real risk that trustees and directors will vote along partisan lines. There is no readily definable distinction separating co-operation from collaboration, or working together from selling out.

While the legacy of the past has the power to fragment, the vision for the future may provide a more cohesive and enduring bond.

□ *Fridjhon is the newly appointed chairman of the SA Wine Industry Trust.*



WINE PRODUCTION 1996

COUNTRY	PRODUCTION MILLION LITRES	% OF TOTAL WORLD PRODUCTION
France	5 965.0	22.0
Italy	5 877.3	21.7
Spain	3 267.5	12.1
USA	1 864.3	6.9
Argentina	1 268.1	4.7
Portugal	952.9	3.5
South Africa	833.3	3.1
Australia	678.4	2.5
Chile	382.4	1.4

LOCAL SALES

	1996 MILLION LITRES	1997 MILLION LITRES
Unfortified wine	359.748	357.548
Fortified wine	38.035	37.845
Sparkling wine	7.929	7.969
Brandy @ 43% alc/vol	23.879	23.507

EXPORT

	1995 MILLION LITRES	1997 MILLION LITRES
Unfortified wine	71.207	108.489
Fortified wine	0.793	1.265
Sparkling wine	0.806	0.805

Graphic: RUBY-GAY CAETANO Source: INDUSTRY SERVICES DEPARTMENT

Pushing wines under world's nose

(3) WINE ST(BT) 28/3/99

The new ambassador for SA wines says the industry needs to catch up with world trends, writes MARCIA KLEIN

SOUTH Africa's winemakers, who are eager to grow exports to offset a static local market, are facing significant competition from "new world" winemakers in countries like Australia and Chile for a share of the international wine market.

Kim Green, CEO of the SA Wine and Spirit Exporters' Association, says this is partly because SA winemakers did not fully exploit an important window of opportunity after the country was readmitted to the world economy in 1994, when SA products became fashionable.

The association, which has more than 100 members representing most of the industry, has appointed Green, 34, as its first full-time CEO to push demand for local wines and spirits abroad.

South Africa is the world's seventh-largest producer of wine, producing 833-million litres, or 3.1% of total world production, according to 1996 figures.

Wine industry figures for 1997 show that SA produced 653.8-million litres of good wine and 277.3-million litres of distilling and rebate wine. Local sales of wine totalled 403-million litres, and about 110-million litres were exported.

Green, a business science graduate and former SFW group marketing manager for wines, will focus initially on raising the profile of SA wines in existing and potential foreign markets.

She says the SA industry has not adapted quickly enough to change. Worldwide, people are drinking less, but better quality. "The market is moving to premium varietals and from white to red, and we need to move with these trends," she says.

"We also don't have the right service ethic. We tend to be arrogant with a take-it-or-leave-it attitude."

She says the local industry's name was also tarnished internationally when some unscrupulous operators dumped large volumes "in an unacceptable style".

Her biggest challenge is to promote the quality of SA wines. "In previous years we were marketing ourselves most aggressively on price and it is difficult to convince consumers that we can hold our own in the premier category too."

Green says SA has historically been a brandy-producing country and only 20% of the national vineyard is classic grape varietals. The national vineyard is large in world terms but does not necessarily have the right make-up, she says. Nevertheless, SA "is fast developing a reputation for its unique styles, especially at the top end of the market".

SA wine is exported largely to the UK, Germany (which does not make its own red wines) and the Benelux countries, but is gaining a foothold in other parts of Europe and the US.

Green says one of the industry's strengths is that while SA is not part of the old wine world, it is more experienced than the new world.

However, Chile and Australia have embarked on major marketing strategies and SA must do the same.

Green hopes to bring international wine writers and judges to the winelands and to encourage wine tourism.

Hangover in wine industry as party draws to a close

ST (BT) 25/4/99

Jolly conditions for SA wine have been evaporating since the 1980s, and the headache has spread to Stellenbosch Farmers' Winery, writes MARCIA KLEIN

(3) WINE

THE wine industry is being hammered by the squeeze on disposable income and the spectre of new liquor legislation — while still trying to adapt to the relaxation of what was a highly controlled industry.

Stellenbosch Farmers' Winery, the wine, spirits and beverages manufacturer and wholesaler, has been hammered, too, its share dropping to 290c from 875c just a year ago.

Director André Steyn says the industry has changed dramatically over the past few years. "This is partly because of the increasing sophistication of the industry since the 1980s. The change was driven by the opening up of international markets, the removal of legislation which led to interference in the market, the freeing up of liquor licences, and the removal of production quotas and KWV's control over the industry," he says.

He says the share price partly reflects uncertainty about the Liquor Act, which could have a significant effect on companies operating in more than one tier — manufacture, wholesale and retail.

It also reflects the company's 1998 results (where attributable income dropped to R107.7-million from R135.5-million on a marginal rise in turnover to R2.2-billion), and indicates there will be no fireworks in this year's results.

Steyn says there is a recession, sales are dramatically down, and SFW has invested heavily in setting up IT systems and export infrastructure. There has also been a significant investment in production and distribution facilities. "This has a short-term financial effect but is important for planning, forecasting and reducing costs, and obviously it will lead to better results in the future," he says.

"Internally we have also restructured. We have refocused the top management team and there is a clearer definition of authority and responsibility."

About 10% to 15% of SFW's turnover is export generated, and SFW is taking an aggressive stance on international sales. "We have taken our export effort offshore, establishing an international division in Europe. In the process we are contracting a number of parties to produce ciders and fruit juices for us offshore. We are targeting our traditional markets and we are also looking at the US. We have been a bit too self-effacing on our competitive edge in that market — our technical edge."

Steyn says export volumes remain small, still largely in traditional products and hampered by the shortage of red wine.

There is a need for select wine and grapes, he says. "We previously had the luxury of a vast supply of grapes and we could pick and choose, but now there is competition, with more people fighting for the same resources."

He says one of the industry's biggest challenges is getting the cultivar system right. Over the years there has been no incentive to invest in the noble varietals as the price premiums did not justify the expense. Quality selection of grapes has been a more recent trend.

New trends have been influenced by a new breed of winemaker — the businessman. Steyn says many businessmen have come into the industry, and although they are a minor factor in volume terms, their entry has led to innovation and "to a change in thinking in the industry", stimulating more marketing- and export-oriented strategy.

"Independents tend to evaluate a project on its merit rather than for a political reason."

Steyn says although the industry is under pressure, the best defence in a recession is trademarks. SFW's strong brands and market share mean it is "not a captive of the economic cycle".

"We have benchmarked internationally, and we have been successful in launching new brands and in innovation — for example in Graça, Hunter's Gold and Three Ships Whiskey.

"Our balanced portfolio, from wines to fruit juice, has been our saviour over the past few years. Market share gains in ciders, for example, have been countered by losses in other brands.

"We cover a wide spectrum and have strong trademarks and the ability to launch new products," he says.

Most SA wine exporters agree to pay levy

BD 7/5/99 (3) WINE

Funds would be used for research, a market information system and promotion

Louise Cook

THE majority of SA's 150 wine exporters have for the first time agreed to pay a statutory levy on exports, industry sources say.

The purpose of the planned compulsory levy, which would be payable by law if an application to government succeeded, is to increase export volumes of SA wines through marketing and develop new US and eastern markets.

The chairman of the new wine industry trust, Michael Fridjhon, confirmed that the industry was applying to the agriculture ministry to set up statutory levies for research, a market information system and, for the first time, export promotion.

SA Wine and Spirit Exporters' Association chief Kim Green said no decision had been taken on whether the export levy would apply only to exporting producers, or all producers. "In a way, we (exporters) also serve the interests of producers who do not export, as domestic prices are maintained through exports."

This view was backed by Fridjhon, who said in the absence of a surplus removal scheme, exports worked against a glut on the local market. "I would not have a problem if the levy covered all producers," he said.

However, according to Green, the application may exclude nonexporters if there were signs of undue resistance from them.

The proposed levies for information and research are separate applications, but indications are that there would not be resistance as the money is being paid in terms of the legislation that lapses later this year.

Before levies can become legally binding, recommendations to the ministry are needed from the national agricultural marketing council and two parliamentary portfolio committees. A well-placed source said it was hoped that the export levy would start by the beginning of July.

At present R3,5m a year was generated for export promotion through voluntary contributions by about 110 members of the export association. The idea was not to push up the amount, but rather to spread the collection base, the source said.

About 40 nonmembers who exported would be affected if the levy application succeeded, he said.

All statutory levies on agricultural produce, as well as an export promotion levy for wool, were scrapped in recent years. The wool levy was thrown out after a lack of support for the idea from farmers.

New marketing legislation does provide for the payment of statutory levies provided "directly affected" parties agree.

Last year's wine exports were 9% higher than in the previous year, with the main markets being the UK, Belgium, Luxembourg and Germany.

Wine trust opens with R370m

CT(BR) 12/5/99 (3)WINE

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – The new South African Wine Industry Trust and its subsidiaries, the SA Wine Industry Company (Busco) and the SA Wine Industry Development Company (Devco), had been launched, the industry said this week.

Representatives from the ministry of agriculture, KWV, co-operative cellars, wine estates, wholesalers, and organised labour met on March 31 to map out how best to use the first tranche of R20 million from the R370 million fund.

In terms of the trust deed, about half of the annual budget will be allocated to Busco and half to Devco. Busco is expected to invest more than 50 percent of its income in generic export promotion and slightly less on research and technology transfer.

Devco, in turn, will invest most of its budget in facilitating the access of new entrants from previously disadvantaged communities to the wine industry, as well as to community empowerment projects.

Michael Fridjhon, the chairman of the Wine Industry Trust, said the mood at the opening meetings had been very positive.

"There is a gratifying spirit of co-operation and a clear commitment among the parties to work together for the good of the industry as a whole," he said.

"What we need to do now is set about establishing a basic working infrastructure for the trust, Busco and Devco. There is provision in the trust deed for the appointment of a full-time manager to handle the day-to-day operational business. We now need to seek out a suitable candidate.

"The position will be a tough one to fill: we are looking for a senior manager with financial, negotiating and marketing skills.

"Our ideal candidate must also be something of a visionary, with experience in handling development and transformational issues, self-motivated, results driven and hopefully with some knowledge of the wine industry.

"We are not kidding ourselves that this is an easy brief but we are prepared to offer a package that should attract a high calibre individual."

The trust, which is expected to play a critical role in the development of the South African wine industry, will meet on a quarterly basis to discuss key issues related to the long-term growth of the industry.

The next round of meetings will be held in early June and will deal with urgent funding priorities as well as the staffing requirements of the three organisations involved.

'Bergie handbag' gets a classy handle

ARG 13/5/99 (3) WINE

STAFF REPORTER

Wine belongs in a bottle, in the connoisseur's mind, and plonk goes in a box – or, as inventive Cape parlance has it, a "Bonteheuwel briefcase".

But there's transformation afoot, and it's reaching into the cellar. A change in archaic wine regulations now allows producers to bag a share of the wine-in-a-box market, and some are losing no time in making the most of it.

Robertson Winery has already released a demurely packaged Chardonnay '98, in a two-litre box. And this is to be followed soon by a two-litre Sauvignon Blanc '99.

For years, though, wine producers were limited to bland "dry red" or "dry white" labels, with no mention of such high-falutin' details as cultivar or varietal, let alone vintage.

Cheap and often nasty, they filled a bottom-end niche and had tags to match – "bergie handbag" or "Bonteheuwel briefcase" among them.

The Afrikaans appellations have always been more direct, and arguably more accurate. A popular term – "doos wyn" – risks being indelicate, but tells it as it is: box wine. On the other hand, " 'n kraantjie" – necessarily pronounced "kraai'n-chie" (a little tap) – probably best describes the convenience of buying wine in this form.

Now, along with the convenience, comes classier wine – and what is referred to in the trade as "price advantage".

Cheaper packaging means less expensive wine, even good ones.

The change in South African wine regulations was spurred by a realisation that the country's reputation among vintners abroad was being tarnished by inferior boxed products.

Wine consultants Posy and Jeremy Hazell believe that "in time, as it makes more economic sense to add value to better wine, there should be an improvement in the overall quality and thus the image of South African wine abroad".

Who knows, "Bonteheuwel briefcase" may yet make way for "Constantia portmanteau".

SA wine exports in mini boom

16/06/99 C3 WINE

AUDREY D'ANGELO

Cape Town – The South African Wine and Spirit Exporters' Association (Sawsea) expected wine exports to rise by 12 percent to 130 million litres this year, Kim Green, its CEO, said yesterday.

She expected growth to become faster in the years ahead if South Africa marketed its better-quality wines more effectively.

Green said a proposed statutory levy of 5c a litre on all wines exported was being considered by a committee appointed by the National Agricultural Marketing Commission.

"If approved, this levy would generate some R6,5 million, which could help Sawsea secure a presence in new markets.

"The additional funds would also permit us to pursue more aggressively those markets where we have already begun making inroads," she said.

Green said 40 percent of South African wine exports were to the UK.

"Initially, South Africa made its mark at the lower end of the British market. We are working hard to dispel the image of being a producer only of mass volume wines," said Green.

"Fortunately, increasing exports by top-level producers are proving to more sophisticated consumers that we're able to provide an interesting array of quality New World-style products."

However, Green said, South Africa had little representation so far in the middle-price range of wines costing between £5 and £8 a bottle, "where excellent opportunities exist to grow our presence".

"British consumers are extremely price-sensitive but are prepared to pay for good value", she said.

"In the short term we need to work with what is available and create products that address this marketing opportunity.

"If from the very next vintage more South African co-operative wineries start vinifying their wines according to individual vineyard blocks, to allow for a better-quality selection process, they can make major improvements to the standard of their wines right away," said Green.

Focus turns to training as first crop of wines make a hit in UK

Thandi leaves SFW empowerment nest

CT (MR) 14/6/99 (3) WINE

RONNIE MORRIS

Cape Town – The Lebanon empowerment project in Elgin and Grabouw, the fruit and wine region, has been such a success that Stellenbosch Farmers' Winery (SFW), the wine and spirits company, has decided to let the fledgling company go it alone.

The brand name Thandi would be used for the marketing of the wines and fruit, said Andre Steyn, the director of SFW.

He said the first crop and wines under the label were recently exported to the UK and had been met with an extremely good reception.

SFW's interest in the Lebanon project has been transferred to Umhlobo Investments whose chairman, Trevor Steyn, has been involved in the project from the start. Steyn created two trusts to get the community project off the ground.

SFW's initial investment in the project amounted to R2 million.

Andre Steyn was one of the driving forces behind the scheme, together with viticulturists Ernst le Roux and Hannes van Rensburg.

Other founding partners, including Paul Cluver of Elgin, would remain involved.

"SFW's initial goal was to help launch the project," said Andre Steyn. "The time has come to progress to the next level and ensure the long-term sustainability of the project.

"It makes good sense to transfer the role to (Trevor) Steyn and Umhlobo, because he played a major role in the initiation of the project. He represents broad empowerment interests."

SFW's initiating role included the provision of capital as well as technical advice for establishing vineyards. It supplied plant material and developed the Thandi trademark and labels. SFW will continue to assist on a technical level.

Andre Steyn said a further contribution, aimed at the community, was the organisation and facilitation of a training plan for skills development.

"It is extremely important for us for the project to proceed even though we are no longer directly involved," he said.

He said two bursaries had already been allocated to students from the community who were studying at the Elsenburg Agricultural College.

"Our philosophy is to become involved in viable empowerment projects in the added value sector of agriculture. As soon as such projects are able to function autonomously, we take a step backwards and keep an arm's length distance."

(3) WINE

SA plans to export better quality wine

CAPE TOWN — SA wine exports should increase by 12% this year to a projected 130-million litres, and could grow even faster if the country could sell more quality vintages, exporters say.

Kim Green, CE of the SA Wine and Spirit Exporters' Association, said the country was seeing some success in its efforts to promote better quality wines in its main market, Britain.

"We are working hard to dispel the image of being a producer of only mass volume wines," she said.

"Once branding efforts from some of the larger producers take root in the medium-priced wine sector abroad, annual export turnover should grow even faster," Green said.

Green said SA had initially made its mark at the lower end of the British market, but exports from top-level producers were proving to more sophisticated consumers that the country could also turn out quality products.

SA is also keen to do more to promote wine tourism in the British market — which absorbs 40% of the country's wine exports — and encourage more tourists to visit the vineyards of the Western Cape.

Following a promotional trip to Britain, Green is due to visit Benelux and Scandinavian countries to explore export opportunities and help boost SA's current 3,1% share of global wine production.

The association has proposed introducing a levy of 5c a litre on all wines exported in order to generate about R6,5m a year for marketing abroad.

SA saw a surge in demand for its wines after sanctions were lifted and apartheid ended with democratic elections in 1994.

However, the growth of the market has slowed in recent years, and the country is facing tough competition from other "new world" wine producers like Australia and Chile. — Reuter.

Spat leaves sour bouquet

CT 20/7/99

③ WINE

FRANSCHHOEK: France has won the battle of the wine labels, leaving a distinctly sour taste on the palates of winemakers in this French corner of South Africa.

Within months South Africa's acclaimed Haute Provence wines will disappear from shop shelves around the world as the vineyard gives in to French insistence that Provence can only be in France.

"The French didn't win. We just made a commercial decision to stop fighting. From this vintage on, our wines will switch from the Haute Provence to the Agusta label," said vineyard director John Mulder.

The decision is a feather in the cap of the French wine industry and a slap in the face for winemakers in this scenic town inhabited more than 300 years ago by Huguenots fleeing persecution in France. It follows a battle between South Africa and the European Union over the use of the terms "port" and "sherry" on South African fortified wines — a battle South Africa had lost.

The Provence vineyard, named after the region from which original owner Pierre Joubert came, is one of the oldest in the country and, thanks to the talent of winemaker John Goshen, is now rated among the country's top five quality wine producers.

Until recently owned by journalist Peter Younghusband, a correspondent for Britain's *Daily Mail*, the vineyard chugged along happily for years, as much a business as a hobby.

But a gale of change has swept through it in the past two years. Italian Count Ricardo Agusta bought out Younghusband in 1997, and the French began their attack in 1998.

Goshen was killed in January this year in an accident with an electric grape press.

"The count spent R15 million on a new winery and we have increased our output to 40 000 cases a year from about 10 000," said Mulder. "This was a family business. We have now dragged it into the 20th century in terms of output, practices and attitudes."

Goshen has been replaced by winemaker Jean-Luc Sweerts.

Overseas demand is growing steadily, accounting for 40% of output.

"That has been our target. We want to keep a solid local market base. A lot of damage has been done to wine exports by people dumping rubbish," Mulder said.

About half the vineyard's output is accounted for by the Angels' Tears white wine. This label will survive the name change but will no longer be described as coming from the Haute Provence vineyard.

Mulder is philosophical about the loss of the label, but says it should be a lesson to other winemakers who use the area's unique Francophone background to market the place and their produce at home and abroad.

"The problem with Franschhoek is that they want to hang on to their Frenchness. I can see it as a marketing tool for tourists but it shouldn't be used abroad," he said. "We need to celebrate our SA winemaking industry. We should be proud of it rather than smothering it in pseudo-Frenchness." — Reuter

WINE *Debt remodelling strategy follows R10m loss last year as Savanha*

Trylogy changes sector as reshaping begins

③ WINE CT(BR) 20/7/99

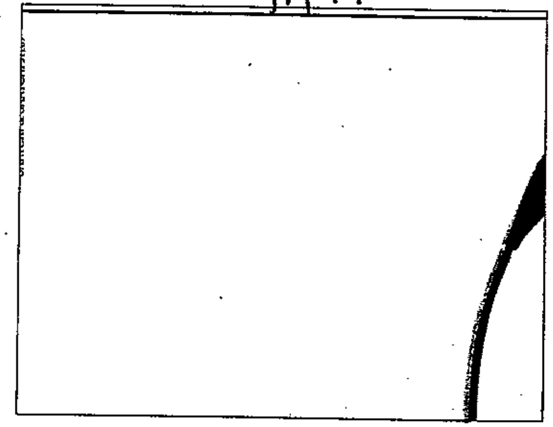
VERA VON LIERES

Cape Town - Trylogy Winecorp, the listed international producer of premium South African wines formerly known as Savanha Holdings, yesterday switched from the Development Capital sector to the Venture Capital board as the first part of its debt-remodelling strategy kicked in.

The Cape-based wine producer, whose popular brands include Longridge, Bayview and Savanha, was set for strong earnings growth in the medium to longer term, said Johann Laubser, the managing director.

But he warned that high stock holdings and the effects of the underperforming distribution network which knocked Savanha profits at the half-year mark, would have a "severe impact" on current year results.

"The positive effects of restructuring and acquisition benefits, such as cost savings and strengthened distribution networks in international markets, will not be reflected in earnings immediately," Laubser noted.



***FRESH BOUQUET** Johann Laubser (right), the managing director of newly created wine group Trylogy Holdings, with Antonie Jacobs, the financial director, display some of the group's Longridge wine brands*

PHOTO: ANDREW BROWN

Other benefits linked to the restructuring initiative were state-of-the art facilities, international expertise at management and board level and a broad range of wine brands focused on specific markets.

Trylogy's reshaping involved the merger of Savanha, the Spier Group and the Longridge wine group in a bid to rationalise costs.

It was also announced that a European sales presence would be set up to manage distribution and that the business would be based at Spier Estate, which is among the top six tourist destinations in the Cape.

Savanha's past financial year produced an income statement drenched in red, with a bottom-line loss of R10 million following international distribution snags aggravated by local market conditions.

On dividends, Laubser said the intention was not to declare a dividend during the next two financial years.

Other Trylogy wine brands are Berg & Brook and the more recently introduced "Guess" brand, which was launched in boxed wine form.

Trylogy ended the day untraded, with sellers offering shares at 45c.

Bowing to French pressure, Haute Provence winery says 'vive le SA'

BD 20/7/99 (3) WINE

FRANSCHHOEK — SA's acclaimed Haute Provence wines will disappear from shelves worldwide as the vineyard gives in to French insistence that Provence can be only in France.

"The French didn't win. We just made a commercial decision to stop fighting. From this vintage on, our wines will switch from the Haute Provence to the Agusta label," said vineyard director John Mulder.

The decision is a feather in the cap for the French wine industry and a slap in the face for the other vignerons in the town settled more than 300 years ago by Protestant Huguenots fleeing persecution in their native France. It also follows hard on the heels of a battle between SA and the European Union on the country's use of the terms "port" and "sherry" on its fortified wines — a battle the South Africans lost.

The Provence vineyard, named after the region from which original owner Pierre Joubert came, is one of the oldest in the country and, thanks to the talent of winemaker John Goshen, is now rated among the top five quality wine producers.

Until recently owned by journalist Peter Younghusband, a correspondent for Britain's Daily Mail, the vineyard chugged along happily for years as much as a business as a hobby.

Italian count Ricardo Agusta bought out Younghusband in 1997, the French began their attack last year and Goshen was killed in January this year in an accident with an electric grape press.

"The count spent R15m on a new winery and we have increased our output to 40 000 cases a year from about 10 000," said Mulder, who was brought in last September to kick the business into shape.

Goshen has been replaced by trouble-shooting wine maker Jean-Luc Sweerts and overseas demand is growing steadily. It now accounts for 40% of output.

"That has been our target. We want to keep a solid local market base. A lot of damage has been done to SA wine exports by people simply dumping rubbish," Mulder said.

The vineyard's main export market is Britain, although the US, Germany, Switzerland and Italy are coming along, and there is a gradual development in the difficult markets of Norway, Denmark and Sweden, where alcohol is expensive. "The Canadians are also showing an interest," Mulder said.

"We did have a good market in the Netherlands last year until someone decided to smuggle dope in one of our containers, which did not go down well with the Dutch customs," he said.

Mulder is sanguine about the loss of the Haute Provence label, but says it should be a lesson to the other Franschhoek winemakers who use the area's francophone background to market the place and their produce at home and abroad.

"The problem with Franschhoek is that they want to hang onto their Frenchness. I can see it as a marketing tool for tourists, but it shouldn't be used abroad," he said. "We need to celebrate our SA winemaking industry. We should be proud of it rather than smothering it in pseudo-Frenchness." — Reuter.

White wine surplus crisis hits industry

CT 16/8/99

(3) WINE

THE SOUTH AFRICAN WINE INDUSTRY has not kept pace with a decreasing international demand for white wine, leaving the industry with a significant surplus for the first time in five years. Consumer Writer **GUSTAV THIEL** reports.

EXPERTS agree that the crisis within the wine industry has arisen partly because action was not taken to prevent the overproduction of about 100 000 litres of white wine. However, the fact that the industry is stuck with a significant excess of wine for the first time since international markets opened up in 1994 points to more complex problems.

Kim Green, chief executive officer of the South African Wine and Spirits Exporters' Association, says the main reason there is excess wine is because the domestic industry is not equipped to adapt quickly enough to fluctuating international demand. She adds that the goodwill created by South Africa's transition to democracy "is almost gone and we have to face the reality that we are competing on the international market".

However, experts say there are other problems involved — among them the complex issue of democratising the industry to give labourers a stake in the farms on which they are employed.

British and European retailers — the biggest importers of South African wines — are showing a decreasing interest in white wines, specifically wines made from the chenin blanc cultivar, which constitutes about 60% of all white wines produced in the country.

Don Tooth, the director of Anglo American Wines — incorporating the Boschendal and Vergelegen estates — is in no doubt that the industry's reaction is too cumbersome to cope with changing demands. "We need to plant different cultivars and we need to do it soon. The industry needs to transform, but I believe we can be globally competitive if we address the problem areas," Tooth says.

Tooth agrees with Green that the "honeymoon period" for South African wines on the international market is a thing of the past.

Only 25% of the 900 million litres of wine produced annually in South Africa is from red cultivars. According to Green, wine drinkers in the UK and Europe are increasingly drinking red wines only.

The local industry is trying to adapt to changing demands and

❑ Turn to Page 3

Wine surplus

(3) WINE

❑ From Page 1

wine experts are compiling a strategy document, Vinpro Vision 2020 — based on an Australian model — to adapt to these demands.

Philip Spies, the project leader of Vinpro Vision 2020, is to give an update on the project at a wine exporters' conference in Paarl on Wednesday.

Asked about the white wine excess, he commented: "The problem is that our wine industry is always facing crisis situations because of the competitiveness of the international market. It would not be inaccurate to say we are facing a major crisis now, but we must make it clear that we are trying to change the industry to accommodate all role-players while at the same time trying to keep the process of transformation in the industry going."

Spiers said that transformation was hampered by the continued prevalence of the tot system — free wine as partial payment to employees and their families — on wine farms.

The tot system — and its attendant problems — had for generations ruined the lives of families working on wine farms. Despite protestations by key industry players that it is no longer a major problem, the evidence points to the contrary.

The South African Wine Industry Trust, formed last year with R420 million gained through KWV's conversion from a co-operative to a company, is addressing issues such as wine labourers being left in poverty and without any sense of ownership.

CT 16/8/99

The South African industry employs about 50 000 labourers and 3 000 co-operative cellar staff. Dependants of these workers number roughly 300 000 people.

Wine production is handled by about 82 estates and 70 co-operative cellars, producing some 900 million litres a year, of which roughly 75% is white wine. Investment in the industry totals about R5 000m at the level of the producer.

South Africa is the eighth-biggest producer of wine in the world and has a market share of about three percent. This share will be threatened if the industry does not convert to producing more red wines and become more serious about transformation and eradicating all traces of practices such as the tot system.

Green, Spies and Tooth agree on what needs to be done. They say chenin blanc vineyards should be cut back to accommodate noble cultivars such as chardonnay and various red cultivars.

Commented Tooth: "What we need most on the international market is a very strong and dominant brand name with which wine drinkers can associate.

"I have just returned from the UK where it was evident that people are not simply buying our wines because they are from South Africa. We need a clear direction from within the industry. Kim Green will have to play a major role."

Green says she is aware of her responsibility. She was involved with marketing at Stellenbosch Farmers' Winery and was appointed to her present position in April this year. "I think the responsible attitude is to admit that the wine industry is facing a crisis, but I don't want to create the impression that nothing can be done about it," she said.

● Tomorrow and on Wednesday, the wine export crisis and the tot system will be analysed on our Insight page. On Thursday there will a report on the wine exporters' conference.

A FUTURE IN THE WORLD OF WINE

Playing with the big boys now

CT 17/8/99 (3) WINE

SOUTH African wines are world renowned — but does the industry have what it takes to be a global player in a shrinking arena? Consumer Writer **GUSTAV THIEL** looks at the strategies that aim to make an assault on the international wine market in the new millennium.

THE next 20 years will decide whether South Africa can become a global player on the international wine market, but a lack of understanding of international market trends has left the country lagging behind New World wine producers like Australia.

The lack of structures to anticipate trends on the international market can, according to Kim Green, CEO of the South African Wine and Spirits Exporters' Association (Sawsea), be rectified of the industry's new strategy, Winetech Vision 2020, is successfully implemented.

The project is headed by Dr Philip Spies, who will have the task of suggesting methods of transformation for the industry to make South Africa globally competitive.

Spies says the industry is not facing a crisis, and emphasised that the industry could only be successful if a total strategy is followed.

He adds that negative and biased newspaper articles about the industry and also the prevalence of the tot system can do harm to the industry which, he said, is not warranted.

The industry is trying to come to terms with a surplus of 100 000 litres of white wine, the result of a trend in Europe to drink mostly red wine, and because wine drinkers on that continent are not yet enamoured with South African wines, simply because the country only entered the international export market in 1994 for the first time on a large scale.

According to Spies, the South African wine industry is defined as the "interrelated and interdependent cluster of primary, secondary and tertiary socio-economic activities within the South African economy which are based on viticulture".

Primary activities are those relating to resource management and farming, secondary activities are cellar and manufacturing-based and tertiary cover marketing, sales and logistics.

Says Spies: "The wine industry, similar to other agriculturally-based industries in South Africa, was, for most of the twentieth century governed by a system of statutory controls which provided clear operational guidelines to producers and other stakeholders.

"An additional factor which inhibited the development of the industry was the political situation in South Africa.

"International sanctions eroded the South African wine industry's share of the global market and often unorthodox steps were needed to protect the industry."

South African wines, experts agree, became the flavour of the month after 1994.

"The industry emerged from the confines of a siege economy to be confronted with what appeared to be smiling faces and an expanding world market for South African wines.

"What one foresaw was the growth in profitability ad infinitum; a continuous growth in exports, limited only by constraints in natural resource availability," says Spies.

It is against this backdrop that a number of important players in the industry, including the KWV and Sawsea, saw the need for developing a strategy on where the local industry is heading, and where it should be heading.

The strategy is sponsored by Winetech, which is an association of five of the most important stakeholders in the industry: The Association of Cape Wine Estates, the Cape Wine and Spirit Institute, the Cape Wine Cellars Committee, the KWV and the Foundation for Research Development.

Winetech's constitution dictates that it must support the wine industry with expertise, enabling it to be cost effective while producing quality wines and other grape-based products through the application of environmentally friendly technologies.

Spies will present the key strategic planning behind Vision 2020 at an exporters' conference in Paarl on Wednesday.

He gave the *Cape Times* an exclusive look at his initial proposals.

'The industry emerged to be confronted with smiling faces and an expanding market for South African wines'

It states that there must be a clear understanding within the wine industry of the long term global wine scene and of the dominant forces shaping the future of the global wine industry.

There must also be a clear understanding of the current situation in the industry; and there must be a perception of success, a vision of an ideal state of affairs within the industry.

Although Vision 2020 is still in its infancy and no concrete proposals have yet been made, Spies is optimistic that it will provide the framework to make an assault on the world wine market in the new millennium.

Vision 2020 will focus on broad based human development, which includes not only education, but also improvements in the quality of life of those communities that are directly dependent on the long term viability and success of the wine industry.

Focus will also be placed on technological innovation, which means a continuous improvement in the competence and capability of the wine industry to offer better products and services tomorrow than that which are offered today.

Sound infrastructure is another area of interest, which includes research and educational infrastructure which are necessary for the sustainable development of the value chain of wine.

Emphasis will also be placed on an inviting operating environment, which includes sound government policies relating to the wine industry, effective institutions and sufficient financial support. While the document sounds very academic, it provides an initial intellectual framework for future action.

Green says "there are a lot of positives in our industry and it is simply a question of getting the right strategy in place to ensure that we become a globally influential player".

ANGER OVER 'MONOPOLY'

Brandy blamed in wine glut

CT 17/8/99 (3) WINE

WINE-MAKERS blame the industry giants who imported brandy to SA for the surplus white wine with which they are now stuck with. Consumer Writer **GUSTAV THIEL** reports.

WINE producers in the Western Cape say a monopoly on the production and importing of brandy in South Africa is a huge contributing factor in the current oversupply of white wine.

The *Cape Times* reported yesterday on the crisis in the wine industry, which has an excess 100 000 litres of white wine and no market to sell it to.

Four producers of white wine in the Western Cape spoke yesterday about their unhappiness with the fact that the KWV, Distillers Corporation and the Stellenbosch Farmers' Winery (SFW) held a monopoly in the brandy industry in South Africa.

The producers said they wished to speak on condition of anonymity because they believed that the three wine and brandy producers would victimise them by not buying their white wine.

According to KWV's public relations manager, Henry Hopkins, the wine co-operative's market research showed three years ago that a demand for brandy would increase rapidly towards the end of the millennium.

SFW and Distillers ordered 2,28 million litres of matured brandy, mainly from France, and KWV imported 0,32m litres.

When the expected demand for brandy did not materialise, the South African market was flooded with an excess of brandy.

This, according to the wine-makers, meant that there was no demand for white wine from KWV, SFW and Distillers Corporation, who use large quantities of the wine in distilling brandy.

"The situation is dire for us because not only are we unable to sell our white wine overseas, but we cannot sell it to KWV, SFW or Distillers who normally buy from us."

KWV officially says that the declining demand for brandy is due to high interest rates, which have led to a decrease in consumer spending.

The wine farmers who spoke to the *Cape Times* say the three brandy producers should have made provision for a downward spiral in the market.

The wine-makers add that stringent export rules make it difficult for them to market wines overseas. To export one bottle of wine to the United Kingdom, for instance, costs R14.

To import one bottle to South Africa costs as little as 25 cents.

Wine-makers now blame the South African government for not putting more regulations in place to protect them against the imbalance.

Hopkins refused to comment on the brandy issue, saying it was a sensitive matter within the wine industry.

He referred the *Cape Times* to Frans Stroebel of the SFW and Merwe Botha of Distillers Corporation, but neither was available for comment.

The wine-makers agree that the oversupply of white wine is not a result only of excessive imports of brandy.

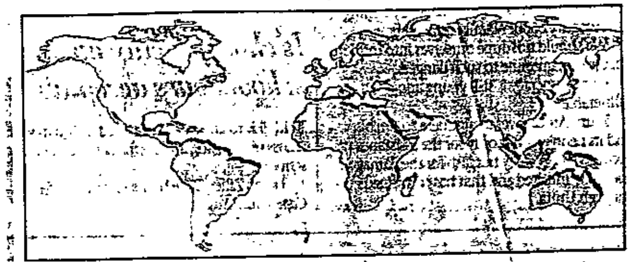
They add that the South African wine industry reacted too slowly to a decline in demand for white wine on the international market.

"We are trying desperately to plant new vineyards, but it is an expensive process and does not happen overnight ... We receive no funding from the government and ... the wine industry is not looking good," a wine-maker said.

● See Page 11

South African bottled and bulk natural wine exports for 1998

— litres per country



	White	Red/Rosé	Total
1. United Kingdom	27 360 985	19 493 000	46 853 985
2. The Netherlands	5 873 280	9 123 798	14 997 075
3. Germany	5 242 056	4 601 415	9 843 471
4. Scandinavia	3 614 347	9 123 798	8 078 177
5. Belgium	2 961 268	3 167 772	8 129 040
6. Far East	3 743 377	22 882 398	6 031 616
7. Canada	3 156 618	1 254 393	4 411 011
8. Switzerland	450 499	2 943 701	3 394 200
9. France	1 642 175	1 406 888	3 049 063
10. Rest of Africa	1 473 964	3 464 416	4 938 380
11. USA	886 062	938 066	1 824 128
12. Australasia	4 235 855	183 582	4 419 437
13. Middle East	203 909	1 073 846	1 277 755
14. Rest of Western Europe	249 041	129 508	378 555
15. Central America	171 646	221 287	392 933
16. Eastern Europe	102 685	167 742	270 427
17. Austria	178 602	82 157	240 759
18. African Islands	35 793	39 771	75 584
19. South America	101 276	59 625	180 901
Total:	61 683 444	55 083 036	166 766 480

This chart lists only countries for which export certificates are required. Source: Department of Agriculture, Directorate Plant Production, Health and Quality

From Jan van Riebeeck to regeneration

GUSTAV THIEL
CONSUMER WRITER

WINE production in South Africa started more than 300 years ago and today the country is the eighth largest producer in the world, but this position is under threat due to a fluctuating international market.

European countries still dominate the international market, with France holding almost 23%, Italy 22% and Spain 13,6%.

The first vines in South Africa were planted in 1655 by the first governor of the Cape, Jan van Riebeeck. Wines were produced at Roschheuvel, today known as Bishopscourt.

The Dutch, however, showed little inclination to grow vines on a large scale in the Cape, and it was only after the French Huguenots settled here that the production of wines began to flourish.

In the eighteenth century, production slowed because of resistance from Europe.

In the nineteenth century, Britain's war with France opened that market for the Cape, but when peace was established between the two, the industry was on the brink of collapse.

The establishment in the early part of this century of the Ko-Operatiewe Wijnbouers Vereniging or KWV saw the regeneration of the industry. Since then the industry has grown until the dawn of democracy in 1994 when overseas markets opened up for our wines.

SA learns a lot from Australian vineyards

GUSTAV THIEL

TWENTY FIVE years ago Australia had no significant wine industry, but they embarked on a programme to make the country the dominant force on the international market.

Called Strategy 2025, it aims to make Australia the most influential and profitable supplier of branded wines, "pioneering wine as a universal first choice lifestyle beverage".

The project is headed by Paul van der Lee of the Winemakers' Federation of Australia, who estimates that the country's wine industry will achieve $4,5 billion in annual sales by 2025.

The South African industry studied Strategy 2025 in detail before deciding to embark on the compilation of its own document, Wintech Vision 2020.

This document will aim to make the country able to deal with the changing demands of the international wine market.

Australia overtly states that they do not desire to be the biggest wine producer in the world — that honour lies with France — but to be the most influential.

The strategy is designed around enhancing the image and reputation of Australian wines by concentrating on quality and entrenching innovation as the driving force to achieve a competitive advantage over Europe's biggest producers.

According to Van der Lee, Australia currently rates second in competitiveness behind traditional European winemaking countries.

America is in third place, followed by Chile, Italy, New Zealand, South Africa, Argentina, Eastern Europe and a number of other South American countries.

Van der Lee says the South African wine industry can improve significantly on its competitiveness if Vision 2020 can be implemented successfully.

He adds that the global wine market will become increasingly cut-throat with world wine sales only increasing from $65bn today to $69bn in 2025, which will mean an actual decline in the volume of wine consumed.

Australia thinks Europe will remain [illegible] most important export market well into [illegible] next century.

Europe will concentrate on tappin[illegible] markets on that continent while not i[illegible] the three biggest markets: France, the [illegible] Kingdom and Germany.

Australia has embarked on a programme to plant 40 000 new hectares over the next decade to stay in touch with demand.

It is in this area that South Africa will have to follow the example of the Australians.

South Africa has 100 000 hectares of vineyards, but the majority of these are white wine grapes and the trend, worldwide, is to grow more red wine.

Australia, through Strategy 2025, has already prepared for a marked increase in red wine production.

Wine exporters still at odds over idea of levy

BD 18/8/99 (3) WINE

Louise Cook

EARLIER hopes of having a statutory levy on wine exports set up by the beginning of last month are being dashed as industry stakeholders still grapple with the merits and size of the levy.

A key issue that came out at recent public hearings in Stellenbosch — held under the auspices of the National Agricultural Marketing Council — was that all exporters did not agree on the necessity and merits of a levy.

National Agricultural Marketing Council chairman Eckart Kassier said exporters of bulk wine said they would not benefit from generic advertising of SA wines. This was because the bulk wine was blended with wines of other countries, such as Canada.

"The (wines of) SA origin are lost in the process," Kassier said.

The plan with the proposed levy was to boost sales of SA wines overseas and develop US and eastern markets.

It was proposed earlier that a compulsory levy be introduced and paid by the exporters and local producers. It was argued that exports helped to prevent a glut on the local market and boosted local prices.

SA Wine and Spirits Exporters' Association chief Kim Green said if there was undue resistance from producers, the idea of including them in the scheme would be dropped.

Kassier said yesterday no finality had been reached after the hearings.

"The council will report to the (agriculture) minister, probably after our meeting in October," he said.

Kassier said if the proposal for a levy was to be implemented, then it would probably be introduced only for a two-year period after which its continuation would be reviewed.

Wine Industry Trust chairman Michael Fridjhon said the applicant for the levy was a new wine industry forum.

At present R3,5m a year is being generated for export promotion through voluntary contributions made by about 110 exporters.

The idea behind the new compulsory levy was not to push up the amount, but to spread the collection base.

'INDUSTRY UNREALISTIC'

Extent of white wine glut 'underplayed'

CT 18/8/99

(?) WINE

THE SA WINE INDUSTRY is trying to hide the fact that it is facing its most serious crisis in decades — one that could cripple the industry — by underplaying the amount of white wine it cannot sell. Consumer Writer **GUSTAV THIEL** reports.

THE most up-to-date wine industry figures show that more than a quarter of all the white wine produced in 1998 is going bad in cellars around the country.

This is because the industry was not prepared for a down-turn in the international market for white wine and because too much brandy was imported from Europe.

The *Cape Times* reported on Monday what industry leaders had publicly admitted for the first time — that it was stuck with 100 000 litres of white wine from the 1998 harvest.

This figure was verified by the chief executive of the SA Wine and Spirits Exporters' Association, Kim Green, and the director of Anglo American Wines, Don Tooth.

Green said the industry had to be realistic in admitting the white wine excess, but added that "one bad article in the international media can cost the industry millions of dollars".

Callie Hickman of South African Wine Industry Information and Systems, a Paarl-based organisation initiated by the industry to keep tabs on all statistics, confirmed yesterday that the initial figure of 100 000 litres was "a total underestimation".

Hickman says the excess amount of white wine exceeds 100 million litres — almost a quarter of the total amount of white wine produced in South Africa last year.

Hickman says there "should be no misunderstanding within the industry about the excess amounts because we supply them with the latest figures".

Jaco Boonzaaier, who works for 10 wine co-operatives in the Breede River Valley, contacted the *Cape Times* yesterday to say that "a figure of 100 000 litres is a serious misrepresentation of the facts, because even relatively small co-operatives in the Breede River Valley are stuck with at least one million litres of white wine that they cannot sell".

However, it was not only Green and Tooth who got the figures wrong. Michael Fridjohn, the previous minister of agriculture's special adviser on wine and present chairperson of the Wine Industry Trust, said the excess amount is one million litres.

Philip Spies, project leader of Winetech 2020, an industry initiative aimed at finding the right solutions to the problems within the wine industry, says the media can cause "great damage" with negative reporting.

Green says the export market is "highly competitive" and that it needed positive reporting in the media to project a better image overseas.

Hickman insists industry players had all the information on excess wine production in South Africa.

Nearly 815 million litres of wine were produced in South Africa in 1998. Of these, only 544 million were used for so-called "good wine", meaning the wine drunk by consumers.

The rest is used in the fortification of brandy or in other distilled wines. Hickman says white wine makes up 84% of all good wines made in South Africa.

This means that some 456 million litres of white wine are produced annually, of which about 100 million litres is exported.

This is almost the exact amount of excess wine that the industry is currently stuck with.

Tooth says his impression on a recent visit to the United Kingdom, the biggest importer of South African wine, was that they are drinking less South African wine and that European drinkers are switching to red wines.

The fact is that the excess 100 million litres will have to be dumped. Says Boonzaaier: "You cannot keep white wine for too long in the cellars. It is already not of good enough quality to sell as quality wine."

Green warned that any attempt to sell poor quality white wine on the international market "will do irreparable damage to our trademark".

A *Cape Times* investigation found evidence that wine makers are selling some of the excess white wine in so-called *papsakke* to farm labourers.

The KWV has expressed concern about a proliferation of wine smuggling in the Western Cape. This practice could be aided by the excess amounts of white wine on the market, according to a KWV spokesperson.

Hickman says that in 1993 there was an excess of 260 million litres of all wine, but then it was used to make brandy and other distilled wines.

Three years ago, the KWV, Distillers Corporation and the Stellenbosch Farmers' Winery bought almost 2,5 million litres of brandy from Europe on advice from the Cape Wine and Spirit Institute. As a result the market is currently flooded with brandy and there is no market for all the white wine.

The 100 million litres represents an income of almost R2 billion for wine producers in South Africa. If the wine has to be dumped, it will be a serious blow to the entire South African economy.

● See Insight, Page 15

SA white wine glut 'caused by deregulation'

Louise Cook   BD 19/8/99   (2) WINE

THE glut of white wine on the market — which farmers this week blamed on excessive imports of brandy over recent years — was also caused by wine industry deregulation being implemented for the first time this year, industry sources said yesterday.

Unnamed farmers reportedly blamed the KWV, Distillers Co-operative and Stellenbosch Farmers' Winery (SFW) for having imported 2,60-million litres of cognac from France since 1997. They said the imports depressed sales of their locally produced white wine as the wine would normally have been bought for the production of brandy and cognac.

Since the imports, demand for brandy and cognac has dropped and white wine sales have plunged to a record low this year.

"This situation is dire for us because not only are we unable to sell our white wine overseas, we cannot sell it to KWV, SFW or Distillers who normally buy from us," the farmers told the Cape Times this week. They reportedly wanted to remain anonymous for fear of not being able to sell their wine to the three enterprises.

However, KWV spokesmen Willem Bestbier, backed by director Henry Hopkins, said the current glut of white wine was a "drop in the ocean" compared to some surpluses of the past.

"The difference is that before, the KWV was obliged by law to buy surplus wine on the local market as part of a surplus removal scheme." The glut was not only as a result of the cognac imports of the past two years, but due to government's scrapping the laws in terms of which the KWV was obliged to buy excess wine on the market.

In addition, this year's grape crop was the biggest ever, Hopkins said.

Sapa reports that the farmers blamed government for not putting more regulations in place to protect them against imbalances in demand and supply.

The KWV has invited producers sitting on excess white wine to deliver it to the company.

SALES OPERATED LIKE TOT SYSTEM

Papsak operation halted

(4) (3) WINE

THE South African wine industry is too fragmented to deal with its future and to tackle the important issues of transformation and upliftment of the poor. Consumer Writer **GUSTAV THIEL** reports.

TRILOGY Wine Corporation owns the Berg-and-Brook farm from which independent wine producer Tjaart van der Walt operated the illegal *papsak* retail operation reported in the *Cape Times* yesterday.

Van der Walt's operation — he rented space from Berg-and-Brook — was stopped by Trilogy's chief wine maker, Ben Radford, this week. Van der Walt may still make wine, but may not sell it to the workers on the farm.

Trilogy's deputy chairperson, Graham Knox, told the *Cape Times* yesterday that Berg-and-Brook farm families, to some of whom Van der Walt sold wine under circumstances that equate to the tot system, will be moving to a village in the area which is part of Spier's upliftment programme.

Knox said Trilogy had "never been involved in anything approximating the tot system".

A spokesperson for Spier said the Spier resort's wine and entertainment components were operated separately and that neither had been involved in the tot system.

All the families on Trilogy's Berg-and-Brook farm are to be rehoused in a village that has schools, shops and medical facilities.

> *If farmers couldn't sell their wine, KWV bought it, but nobody has the responsibility today.*

Knox said the workers identified in the article on the effects of the *papsak* system did not live on Berg-and-Brook, but might have bought wine from Van der Walt.

Knox came to South Africa 30 years ago from Australia. He says South Africa needs visionary leadership and proper structures to cope with the demands of a new society.

Knox said that formerly KWV had operated as "a kind of grandfather to the industry", but had converted three years ago to a company, responsible only to its shareholders.

"Formerly KWV had administered the industry, and if farmers couldn't sell their wine, KWV had bought it and found ways of disposing of it.

"Nobody has the responsibility today to buy wine that farmers are stuck with," Knox added.

The *Cape Times* reported this week that farmers have an excess of 100 million litres of white wine that they cannot sell.

The reason for this is partly that European drinkers have switched to drinking red wine. Three years ago KWV, the Distillers Corporation and Stellenbosch Farmers' Winery bought white wine for making brandy from Argentina and France. But reduced consumer spending in South Africa had led to a brandy glut, which added to the white wine surplus.

Wine farmers in the Western Cape told the *Cape Times* yesterday that KWV had a market for distilled wine spirits in Russia, but couldn't capitalise on this because wine producers wanted too much for their product.

KWV is currently offering 37 cents a litre for white wine, but most wine makers feel that this is too low.

One Stellenbosch wine maker says most of the white wine will have to be dumped.

Knox admitted that the industry is facing complex problems, but he feels that "we have enough positive energy within our ranks to make a success of the future of the industry".

"What we desperately need is a commitment from all wine producers towards proper transformation and democratisation."

To win in world wine , SA must serve up the bouquets, and forget about the buckets

IN the last part of our current in-depth look at the wine industry, Consumer Writer **GUSTAV THIEL** examines the future position of the industry in international markets.

(3) WINE

THE consumption of wine in South Africa is stagnant and could even decrease, and therefore the wine industry will have to concentrate on export markets.

The CEO of the SA Wine and Spirit Exporters' Association (SAWSEA), Kim Green, told industry leaders at an export conference in Paarl yesterday that the per capita consumption of wine in South Africa is about 9 litres per year as opposed to an average of 22l in our main export markets.

The South African wine industry is facing an immediate crisis with an excess of 100 million litres of white wine, most of which will have to be dumped.

"From 1994 we have seen unprecedented market growth where the market was buoyant and we could sell whatever we produced" Green said.

"However, this has been problematic as we have not had sufficient time to learn about these markets and their requirements from a product and service perspective."

Green said the general trend in South Africa's major export markets — the United Kingdom, Germany and the Benelux countries — is for consumers to drink more red wine and to drink less, but better quality, wine.

She added that wine is seen as a lifestyle beverage and a fairly healthy alternative to other forms of alcohol.

The United Kingdom, Germany and the Benelux countries are the major importers of South African wine because they have an increasing awareness of wine, are more adventurous and are buying so-called new world wines.

Green emphasised that South Africa can still offer good value for money wines and have, from 1994 when export markets opened up to this country, been fortunate in the way the "Mandela factor" impacted on exports.

According to SAWSEA the people of the UK consume about 10% of the entire annual worldwide wine production.

France still consumes the most wine at 46% while South Africans drink 2,6%.

The average Sterling price of a bottle of South African wine on the international markets is £3,62 per 750ml bottle.

This is significantly cheaper than the £4,49 for Australian wine and £4,34 for American wine — yet Australia still holds a significantly greater share of the market than does South Africa in the UK.

In Germany and the Netherlands, South African wines still hold a higher share than other new world producers like Australia and Chile, but Green warns that these competitors "are fast making inroads in these viable markets".

Green said at the exporters' conference that the perception of local wines plays a huge part in how well they sell overseas.

Europeans feel that South Africa exports too much ordinary white wine at the bottom of the market and that there are not enough large brands."South Africa does not show a unified face and is seen as a poor service provider," according to Green.

She added that South African wine producers need to take a marketing rather than a production view and should listen to what the consumer wants.

"The world per capita consumption is still increasing in our major export markets.

"There will always be a market for quality wine over a range of prices."

The wine world, South Africa included, can take heart from two ubiquitous phenomena, however. Most of the wine — 70% — is sold in mass markets in lower price ranges. The remaining 30% is sold in restaurants and in speciality wine stores at higher prices.

South Africa will need to concentrate on exploiting the higher end of the market to be a successful player in the international wine industry.

CT 19/8/99

Crumb of comfort for winery

(3) WINE

Nicola Jenvey

DURBAN — A R67m compensation payment made to Stellenbosch Farmers' Winery (SFW) for the loss of certain distribution rights in SA was the redeeming feature of an otherwise dismal year to June.

The Rembrandt subsidiary lost the distribution rights to several international brands, including Bells whisky and Booths gin when British company Diageo switched to the in-house distribution of its products. SFW received R67m in compensation, a significant factor in the 20% rise in attributable income to R128,7m.

However, turnover dropped 7% to R2,03bn, and net operating income after depreciation tumbled 35% to R120m as the impact of losing the distribution rights took full effect.

Headline earnings dropped to 40,4c from 74c and the final dividend of 11c a share (1998: 22c) brought the annual total to 17c (30c).

SFW chairman Jeff Malherbe said the drop in profits was experienced against a dramatic shrinkage in local consumer spending. The company was also forced to absorb sharply higher excise duties on certain products to avoid passing on further price hikes to consumers. The shortage of red wine further curtailed growth.

Malherbe said SFW was countering the lost distribution rights by "aggressively growing" the market for the locally produced whisky Three Ships. The company has acquired the distribution rights for one of the country's top four Scotch whisky brands, Scottish Leader with effect from July 1.

SFW has continued leading in the fast-expanding alcoholic fruit beverage sector where it attained a 75% market share for the year under review. The introduction of Hunter's Dry had met with "a positive response" from local consumers.

The product category was also showing encouraging potential abroad. Savanna cider has been launched in Europe to a favourable initial reaction.

Malherbe said the shortage of noble red wine cultivars was being addressed through the expansion of SFW's own nursery to stock growers and by securing these relationships with long-term contracts for premium quality grapes.

The company was also engaged in partnerships to accelerate vineyard development programmes among suppliers, he said.

BD 20/8/99

LIQUOR *Higher excise duties add to poor results*

SFW suffers from consumer hangover

CT (BR) 20/8/99 (3) WINE

Marc Hasenfuss
CAPE EDITOR

***NOT CELLAR BOUND** (from left) Frans Stroebel, the managing director of SFW, and Smartie Genade, the group operations director, are confident about the wine and spirits producer's future prospects despite profit spiralling downwards in the year to June 30*

PHOTO: ANDREW BROWN

Cape Town – Stellenbosch Farmers' Winery (SFW), the wine and spirits producer, suffered a consumer spending hangover in the year to June 30, reporting yesterday that after-tax profit and dividends fell more than 40 percent to R63,2 million and 17c a share, respectively.

Frans Stroebel, the managing director, attributed the drop in profit to more than a "dramatic shrinkage" in spending. SFW was also forced to absorb higher excise duties on some products to avoid passing on price increases to consumers.

The company's turnover dipped 7 percent to R2 billion, but trading margins were squeezed from over 10 percent to 8,3 percent, knocking operating profit down 25 percent to R166 million.

Stroebel said SFW also lost the distribution rights to several international scotch brands and a gin when Diageo switched to the in-house distribution of its products.

SFW received R67 million to compensate for the loss of the Diageo distribution rights.

The payment was accounted for as an exceptional profit, which pushed attributable net income up almost 20 percent to R129 million.

Stroebel said the loss of the distribution rights was being countered by aggressively growing the market for Three Ships, a locally produced whisky pioneered by SFW.

He said the company had also acquired the distribution rights for one of South Africa's top four Scotch whisky brands with effect from July this year.

Jeff Malherbe, the chairman of SFW, said the company continued to lead the fast growing alcoholic fruit beverages market, where it held a 75 percent market share.

Stroebel said exports, comprising mainly wines, represented more than 10 percent of SFW's total sales.

One industry source speculated that SFW would be marketing fruit juices offshore in what could be a lucrative departure from the traditional wine-dominated export business.

"It seems SFW will be sourcing the raw materials for fruit juices and ciders overseas and introducing newly adapted brands on these markets."

SFW lost 5c to finish at R4 on the JSE yesterday.

Two wine producers join forces

ET (MR) 30/8/99

(3) WINE

Vera von Lieres

Cape Town – Trylogy Winecorp, the freshly restructured producer of premium South African wines, had linked up with a large privately owned wine producer to distribute wines in the domestic market, Johann Laubser, the managing director, said at the weekend.

He said Trylogy, formerly called Savanha Holdings, had signed a commission-based agreement with Vinimark.

"Being predominantly wine-focused, Vinimark is uniquely resourced for and positioned as a distributor in this segment to ensure that our brands grow and perform to their true potential."

Trylogy, which this year introduced a major debt-remodelling strategy, houses top wine brands.

Its reshaping involved the merger of three of the Cape's leading wine producers – the Spier Group, the Longridge Group and Savanha.

The group's wine exports to the UK, Europe and North America would continue to be handled by Stephen Ladlam, the internal export manager, Laubser said.

Vinimark would distribute Savanha, Longridge and IV Spears wines to major retail chains and liquor outlets, as well as the "on consumption" hotel and restaurant trade in South Africa.

Tim Rands, the Vinimark managing director, said the venture with Trylogy was enhanced by the group's connection with the Spier wine estate.

Trylogy shares were untraded on Friday from a previous close of 25c.

Sad sales lurch KWV into red

CT (BR) 30/9/99 (3) WINE

LYNDA LOXTON

Cape Town – A dramatic slump in brandy sales and the need to set aside funds for a wine development trust pushed the KWV Group into the red in the 18 months to June 30, Willem Barnard, the managing director, said yesterday.

He said he was, however, optimistic about prospects in the year to come as the group's new strategic framework took shape and the slump in brandy sales bottomed out. He expected exports in quality wines and grape juice concentrates to do well.

The results reflected the group's switch from a co-operative to a fully fledged but unlisted company.

Barnard said KWV would no longer carry buffer stocks of brandy for wholesalers, who last year ordered local and imported brandy "rather copiously", based on demand over the last five years.

High interest rates and a decline in non-essential spending had deflated demand, and wholesalers took up less than half of what they ordered in 1997, leaving KWV holding huge stocks. Brandy sales declined by 67,7 percent in 1998.

KWV declared a maiden dividend of 3c for 390 million out of the 600 million authorised Class A shares issued.

Barnard said the company had started providing the R369,7 million it had committed to the new South African Wine Industry Trust, thus affecting cash flow.

KWV also started VinPro, the group consultancy and technology transfer division. A new white wine pressing cellar and other wine making facilities were commissioned earlier this year.

KWV discounted the liability to the new trust and debited the after-tax amount of R131,6 million as an exceptional item. As a result, net income for the period of R55,3 million was converted into a loss of R76,3 million.

Barnard said there had been an encouraging increase in the sales of grape juice concentrate, which had been repositioned as a profit-making commodity on the international market.

KWV's wines continued to do well in international competitions, vindicating its investments in modern pressing and fermentation plant and equipment.

Export income was boosted by the favourable exchange rate in the second half of 1998.

KWV shares closed unchanged at R9,75 yesterday.

SA wine makers urged to set up export marketing company

LYNDA LOXTON (3) WINE ET (MR) 5/10/99

Cape Town – South African wine makers should set up an export marketing company to maximise exports in the face of weak domestic demand, Jeff Malherbe, the chairman of Stellenbosch Farmers' Winery, said in the company's latest annual report.

Malherbe said the government should also consider urgently providing financial support for the extensive planting of new cultivars, which were more popular on overseas markets.

Competition in the industry had intensified because of the stagnant domestic market and the entry of foreign wine makers.

While the trend towards globalisation had also created opportunities for the local wine industry, export efforts had been hampered by fragmentation and "the real risk to South Africa of the sale of poor quality wines in the international market," Malherbe said.

Steps had been taken to tackle this through the establishment of a more representative exporters' body – the South African Wine and Spirits Exporters' Association. It would be funded by a statutory export levy.

But Malherbe said: "While these steps are welcome, I am not sure they go far enough to establish our wines overseas. In my view, the future of the South African wine industry lies in the international market. The quality of our wines has increased dramatically and we can hold our own in any market."

Malherbe said it was important for the bigger exporters to consider joining up to form one export marketing company, "which could lead to a better exploitation of the various export markets, assist in further expanding those markets where we already have a foothold and seek new markets".

'The future of our industry lies offshore. We can now hold our own in any market'

The problem with South African wine was not its quality but its price. South African prices were way above those for Australian and Chilean wines and an export company would benefit from efficiencies of scale created by joint marketing and distributing efforts.

South Africa also did not have enough wine made from the cultivars that were popular overseas. In other wine-making countries, governments provided financial assistance to growers to uproot old cultivars and establish new ones.

"Given the status of the wine industry in South Africa, its export potential and that it is one of the biggest employers in the country, the government should attend to this problem as a matter of urgency," Malherbe said.

Port producers may act against govt

BD 13/10/99 (74) (3) WINE

John Dludlu

SA's port producers, who remain opposed to key aspects of the wines and spirits accord between SA and the European Union (EU), will meet soon to decide the next course of action in the desperate battle to cling on to brand names.

Karel Nel, the chairman of Port Producers of SA, said although his association — which claims to represent about 95% of the country's 35 or so producers of this wine — believes government negotiated a better deal for the country, the trade, development and co-operation accord would not benefit port and sherry producers directly.

He was particularly concerned that the promised financial assistance, worth €15m, to aid the "restructuring" of the SA wines and spirits sector, would benefit only export-orientated wine producers.

In terms of the agreed parts of the wines and spirits accord, 32-million litres of SA's table wines will benefit from tariff concessions to the EU.

Additionally, SA has agreed to phase out the use of the names port and sherry for fortified wines in export markets in five years and eight years in the Southern African Development Community. In domestic markets, SA may continue using the names for 12 years.

The association will decide on October 25 — just days before the fresh deadline for the finalisation of the wines and spirits talks — whether to demand direct compensation from government or to launch a court challenge.

Speaking after the signing of the deal this week, Trade and Industry Minister Alec Erwin said government had yet to decide on how to use the promised EU financial assistance.

A senior government official said: "We are not talking about compensation." It is unclear how the figure of €15m was arrived at.

Nel, in an interview before the deal's signing, said the association believed SA was "bullied into the agreement". However, he was broadly happy with the way government handled the talks.

SA goes 12 rounds: Page 15

(3) WINE

Wine industry looks towards working with govt, says KWV

GUSTAV THIEL
CONSUMER WRITER

THE giant wine company KWV, which transformed itself two years ago from an almost exclusively white co-operative, is starting to normalise its relationship with the government.

KWV chairman Lourens Jonker said in his annual address in Paarl yesterday that since the co-operative became a company, there were indications from the government that the contribution of the wine industry to the South African and Western Cape economies was no longer underestimated.

The relationship between the ANC government and the KWV has been difficult. Former Agriculture Minister Derek Hanekom threatened the company with legal action over its plans to convert from a co-operative, but never followed through on the threats.

In spite of the transformation, the government still remains suspicious about the commitment of the KWV to transformation in the wine industry.

Said Jonker: "We are looking forward to a new phase of co-operation and development to the benefit not only of the wine industry, but also the country and its people."

Jonker, however, criticised the government's view that the "fate of agricultural products should be entirely subject to the free market".

"This view is maintained despite the fact that capitalist countries, such as the USA, and the European Union do not hesitate to grant and adjust subsidies when necessary."

He said the wine industry was looking for realistic import measures to protect South Africa's agricultural products against highly subsidised imports.

Jonker also said he hoped money for a wine industry trust would be made available later this year.

CT 14/10/99

SWF chief calls on wine exporters to join forces

ARG 21/10/99

(3) WINE

Stellenbosch Farmers' Winery chairman Jeff Malherbe has called in the company's latest annual report for the country's major wine exporters to consider joining one marketing and distributing company to create collective efficiencies and better exploit markets abroad.

"While the South African Wine and Spirit Exporters' Association can assist in co-ordinating our international sales, and furthering the establishment of a generic approach, it would in my view be necessary for the bigger exporters to consider joining one export marketing company to assist in expanding those markets where we already have a foothold, and to seek new markets," he said.

Mr Malherbe added that South Africa's wine exporting initiatives were being hampered by a lack of suitable grape varietals to match the demand of foreign palates.

Recognising the enormous cost involved in upgrading and replanting Cape vineyards, he urged the government to provide resources to speed up this process.

"Given the status of the wine industry in South Africa, its export potential, its contribution to state revenue and that it is one of the biggest employers in the country, the government should attend to this problem as a matter of urgency."

Referring to the bilateral negotiations between South Africa and the European Union on wines and spirits, he said agreement in principle had been reached.

The obligations on the part of South African producers of port and sherry to consider alternative names for these product categories had been postponed for 12 years and would thus "not have any short-term impact on the group's considerable investment in these fortified wines". – Sapa

SA wine exporters' levy approved

Louise Cook (3) WINE

SA WINE exporters are the latest among certain farming sectors to have to pay a compulsory levy on products.

The levy is payable from this month and follows approval by Land and Agriculture Minister Thoko Didiza of an application by exporters for a levy.

Didiza also approved a proposal that the levy be applicable to exporters for a period of two years, after which the possibility of extending it to other parties in the wine sector — even non-exporting producers — would be investigated.

KWK, an organisation representing primary wine producers, says it is too early to say what the reaction of non-exporting producers will be to the levy, which is 5c/*l* on all exports. The levy is expected to generate about R7m for generic promotion of SA wines.

Meanwhile, it has emerged that SA is not doing enough to boost its premier wines overseas.

SA Wine and Spirits Exporters Association's Kim Green said that: "Urgent steps must be taken to increase the output of premier wines."

Green said exporters were not funding brands enough to be noticed in the "highly competitive" overseas market.

BD 3/11/99

SA wine makers announce link-ups to improve quality

(3) WINE BD 8/11/99

Belinda Anderson and Sapa

TWO SA wine makers have announced link-ups which will boost their capacity to produce quality home-grown wines.

One initiative is an international cost-cutting link-up, the other, a local acquisition that will see the creation of one of the largest estates in the Franschhoek area.

Venture capital listed Trylogy Winecorp has announced an estimated R15m joint venture with French barrel-cleaning company Thales that it expects to turn over R6m in the first year. Thales, which will initially invest an R1m, chose SA as an investment destination because of a shared commitment by the partners to producing quality wines.

Trylogy MD Johann Laubser said increasing pressure to compete internationally was forcing producers to find ways to cut costs.

"There is an international trend to better quality wines and the prices that you can charge are not increasing with the added investment needed to make quality wines. So if you can reduce costs in the way the Thales process does, it is very worthwhile," he said.

The Paarl-based initiative, to be called Thales Wine Cellar Services, will use the Thales technology to clean and re-use barrels. An average barrel costs about R3 400 and lasts for only about four years. The Thales process chemically sterilises the barrel, adding an extra few years' life.

In a different sort of link-up, the owner of a large Franschhoek estate has become the major shareholder in a Swiss consortium that spent R30m last year to buy La Terra Luc, a 123ha estate that used to belong to Roberto Palazzolo.

Count Riccardo Agusta, who owns Agusta Wines and is chairman of Trauve Estate, will head up a consortium including directors such as the former vice-president of the Deutsche Bank Hong Kong Asia Pacific, Peter Berthold.

The La Terra Luc estate, also situated in Franschoek, grows fruit and produces and bottles the mineral water La Vie de Luc. Agusta plans to invest a further R6m to develop 30ha of red wine vineyards on the estate.

The two estates will together become one of the major producers in the Franschhoek valley.

Reads and whites, but few blacks

BD 23/11/99 (3) WINE

Wine industry must change to compete, writes Louise Cook

SA's revamped and deregulated wine industry has not yet seen the end of a string of changes and could be facing a "shake-out" of some smaller estates by next year, says Stellenbosch Farmers' Winery corporate director Andre Steyn.

"The honeymoon is over," he says. "From next year there will be consolidation in the industry. Many smaller estates have experienced record sales and exports for a long time.

But competition with countries like Australia and the US is on the increase."

Steyn says in Australia, the four biggest producers control 80% of the market, a scenario that is likely to develop in SA over time.

In the past two years the wine industry has shed regulatory controls related to prices and quotas and set up new organisations to run information administration and quality control.

Farmers can no longer turn to the former co-operative KWV to buy, at a fixed price, all wine surpluses. Now a company, KWV can focus on its core business of wine-making and sales.

Thanks to the efforts of former land and agriculture minister Derek Hanekom and KWV, the industry now has pledged R370m over the next 10 years to a trust that will oversee black empowerment and research — and support exports.

The emphasis on generic promotion is reflected in the money allocated to this by the trust.

Out of seven items to be funded this year and next, generic promotion is to receive by far the biggest amount of R6,5m.

For the next two years a total of R22m will be spent on items like research, "voluntary" surplus wine removal and different projects for new black farmers, wine makers and farm workers.

The question is whether the industry is ready to run along the lines of France and Australia's well-funded and established wine sectors.

"Not quite," says the SA Wine and Spirits Association's Kim Green.

Green believes that, unlike Australia, which has a very positive association for wine drinkers worldwide, SA is still haunted by ghosts from the past.

Another reason why strong SA brands are lacking is short supply, she says. Steyn sees black empowerment in the wine industry as disappointing.

Thus far only Stellenbosch Farmers' Winery and a handful of private landowners in the Western Cape have started any tangible empowerment projects.

The projects seem to have hit a lull and there are no more than about half a dozen in total.

An industry that is perceived to be white-controlled could perpetuate negativity towards SA and its products.

Many small co-operatives and companies claim to be running vast empowerment projects. Upon closer scrutiny, they are doing no more than giving special training to one or two black employees.

The development arm of the wine industry trust has allocated more than R4m to assist new farmers for 1999/2000.

Wine Industry Trust GM Marthinus Saunderson says there is no doubt that all the money will be paid out for farmer settlement projects next year and that this will be done in co-operation with financiers and development agents like the land affairs department, the banks and the Agricultural Research Council.

"The trust has not yet paid out any money since it was set up in March this year because guidelines and criteria for spending first had to be devised," says Saunderson.

"There are the best part of 45 applications for funding that have come in and they vary from money for a soccer club in the winelands to buying expensive farmland."

Saunderson says the tedious pace of black empowerment is not only true for the wine industry but agriculture as a whole. This is due to the relatively lower returns on investment in farming, compared to other sectors.

"Black empowerment in agriculture, and wine for that matter, is less likely to take off in primary farming.

"In secondary industries like distribution, processing and packaging, there is a greater chance of attracting investment," he says.

The challenge is to preserve the superb standards in wine making that have been built up over more than 300 years while adapting to globalisation and SA being a world player.

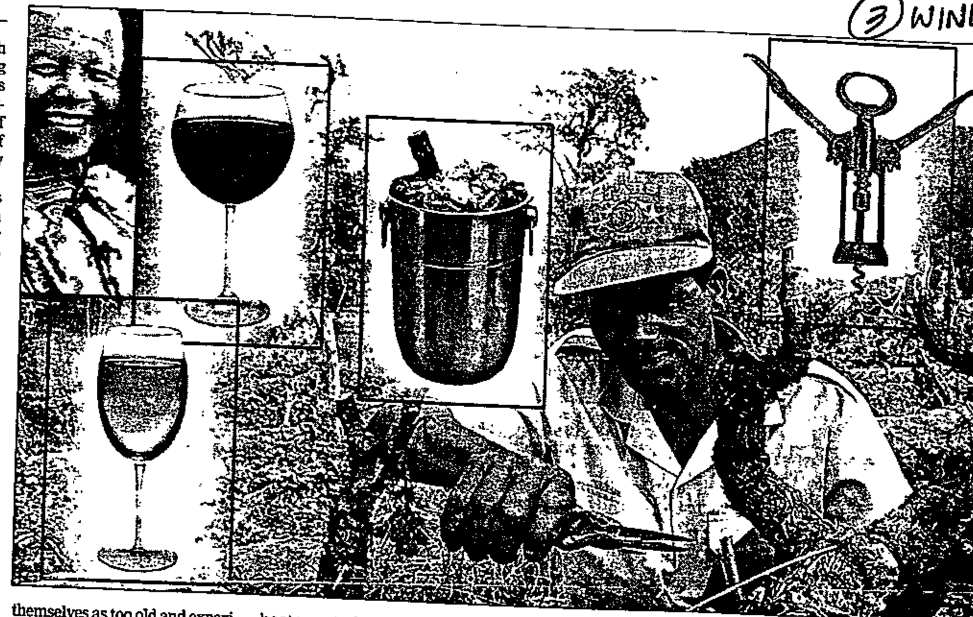
WINE

There are 'new beginnings' for black winemakers

(3) WINE

CT (PR) 25/11/99

EMMA THOMASSON



Cape Town – Black South Africans are breathing new life into the country's wine industry which saw exports surge after the fall of apartheid but is now facing stiff competition from other "New World" producers.

South African wine exports soared from 20 million litres in 1992 to 116 million litres last year as the country came back into fashion after years of apartheid-era sanctions, with many consumers keen to drink to Nelson Mandela's new democracy.

But the rate of growth is declining in South Africa's main markets of Britain, Germany and the Netherlands, where other so-called New World wine producers like Australia, Chile and California are moving in.

Back home, the majestic Cape wine estates are still mostly owned by white Afrikaners, many of whom are resistant to learning from their competitors after years of apartheid isolation or to improving conditions for their workers.

But some in the industry are waking up to the reality of the new South Africa and tapping the talent of the black majority, granting them land and teaching them the tricks of the trade.

Michael Frijoen runs the newly created Wine Industry Trust aimed at promoting South African exports, investing in research and technology and giving black farmers a leg up.

"The Cape wine industry has constantly lagged behind its New World competition in terms of performance and the boom post-1994 didn't help because it became too easy," Frijoen said.

"A lot of the local guys see themselves as too old and experienced, while the empowerment guys go to overseas markets and learn," he said. "Those empowerment schemes that really work will do an excellent job for export promotion. The image of South African wine will be enhanced."

Alan Nelson, who owns the now world-famous Nelson's Creek vineyard, has blazed a trail. In 1988 he bought a bankrupt estate and promised the workers still living on the property he would give them land if they helped him create a champion estate.

Two years ago Nelson kept his promise and donated 9,5 hectares to his workers who have recently produced their first wines marketed under the "New Beginnings" label which boasts it is "produced, matured and bottled in the new South Africa".

In an industry where most workers are paid less than R150 rand a week, making their own wine has been a boon. The New Beginnings co-operative plans to use its profits to buy more land and build its own cellar, a bottling plant and new housing.

"These days we've got our own vehicles and furniture and other things," said co-operative member Matthaeus Thabo, who is also Nelson's apprentice wine maker. "People want to work harder because they know it is their own land."

New Beginnings is now marketed as the wine of choice of South Africa's emerging black middle class and was served at the inaugural dinner of Tito Mboweni, the country's first black Reserve Bank governor, in August.

Meanwhile, the Wine Industry Trust is paying for some 40 black and mixed-race workers to undergo a crash course in the history of wine and wine making and the fine art of tasting.

"We need more wine ambassadors. Historically the industry has been white and male dominated," said Helene Scott from the Cape Wine Academy, who is leading the course.

Participants will emerge with a diploma and hopefully present tastings of South African wines at international shows, giving the public face of the country's wine a more representative complexion.

"Black people have never been wine lovers and here are doors being opened for us," Ivan Davids, a production manager at a wine estate, said as he sipped a Chardonnay. "I used to just take wine for granted. I never tasted it."

Another course participant, Wellington Metshane, is already on his way to making his own wines and persuading his friends to ditch their beloved beer in favour of a more refined tipple.

"As soon as black people start to be wine makers there are going to be some good ones," Metshane said.

Metshane has already been on a training course in France's wine-producing Bordeaux region and has learnt valuable tips about production methods he is applying back home.

But those like Metshane and Davids are the exceptions in an industry which employs over 300 000 farm workers.

Nicky Taylor, a lawyer for the Centre for Rural Legal Studies, said workers gaining access to land and breaking into wine making were still the exception rather than the rule and relied on the discretion of farmers like Nelson.

"Not many farmers in the wine industry have decided to go for equity share schemes," she said. "But one would hope there would be more initiatives to increase worker participation in decision making in the workplace."

And Taylor said although it had long been illegal to pay farm workers in wine, some unscrupulous farmers still practised the so-called "dop" system.

"The conditions on many farms are a cause for concern, with poor housing and a lack of compliance with basic labour legislation as well as social problems like alcohol abuse," she said. "Even if the dop system is eliminated, because workers have become addicted to alcohol over the years, they use their hard-earned wages to buy alcohol." – Reuters