

## PRESS RELEASE – OCTOBER 2004

### STUDY CONFIRMS WINE INDUSTRY AS MAJOR SOURCE OF ECONOMIC GROWTH IN SOUTH AFRICA

The South African wine industry's position as a pre-eminent player in the national economy has been confirmed by a study that has pegged the industry's contribution to the country's Gross Domestic Product (GDP) at R16,3bn. The study, commissioned by the South African Wine Industry Information and Systems (SAWIS) and conducted in 2004, also found that the wine industry provided direct and indirect employment opportunities for some 257 000 people in various sectors ranging from primary agriculture to cellars, manufacturing, wholesale and retail, as well as tourism.

"This study has given irrefutable proof that the wine industry is not only a major player in the South African economy in terms of its contribution to GDP and employment, but is also one of the country's strongest growing industries," says Dr Johan van Rooyen, chief executive of the South African Wine and Brandy Company. SAWIS is a business unit of the SAWB.

Van Rooyen says that compared with the previous SAWIS study, done in 2000, it is evident that the wine industry improved over the 1999 – 2003 period. Total turnover grew by 45% (i.e. ±11% per annum). "This growth was derived mainly from the excellent performance in the export market, which has almost doubled in Rand value terms since 1999," he says.

"It must, however, be kept in mind that in the period that the latest wine industry study was performed, exporters enjoyed an extremely favourable exchange rate due to the weak Rand," says Van Rooyen. "Current margins in international markets are under pressure. Continued growth of the industry will also depend on aggressively exploiting new markets and showing a commitment to market demands for higher quality wines. Closer attention will have to be paid to the South African market, where a stronger marketing drive for wine is needed. Local brandy sales, which amount to over 40 million litres per annum, remain buoyant."

The SAWIS study showed that the value of domestic sales of wine and wine-related products grew some 7% per annum over the period from 1999 to 2003.

According to the study, liquor price (including wine) increases have outstripped that of overall inflation. This was caused by higher manufacturing prices and the dramatic increases in excise duties. These punishing increases show no sign of abating. However, the increase in wine prices is also a function of supply and demand which lead to a decline in the local supply of white wines. These factors, together with a range of developments mentioned in the previous study (lottery, casinos, cellphone, higher municipal charges etc.) have caused liquor consumption (including wine) to decline in absolute terms since 1999.

Due to the above developments, liquor consumers started to "downtrade", i.e. buying more beer, to the detriment of lower priced wines. On the other hand a certain section of the market switched towards more premium brand wines and flavoured alcoholic beverages. This tendency was also supported by the increase in foreign tourists.

Total turnover of the wine and associated alcoholic based beverages, such as brandy, amounted to R10,7bn of which R3,2bn was exported.

Furthermore, it is estimated that an additional amount of R4,2bn was generated indirectly through tourism in the Winelands.

"Wine tourism is accepted internationally as being a catalyst for stimulating wine sales globally and is receiving paramount attention by the SAWB," says Van Rooyen. The importance of wine tourism is underscored by the SAWIS study, which found that of the 257 000 employed by the wine industry, over 59 000 worked in the industry's tourism sector.

The wine industry (excluding tourism) generates an amount of R10 607 million of private disposable income.

Of the R16,3 billion of GDP that the industry creates, about R11,4 billion eventually would "remain" in the Western Cape to the benefit of its residents. Of the total impact that the wine industry has on GDP, approximately 70% occurs in the Western Cape. For employment the percentage amounts to 63%.

"This study not only confirms the national importance of the wine industry, but also reiterates its enormous potential for future growth," says Van Rooyen. "With the government's acceptance and support of the Wine Industry Strategy Plan, which the SAWB is implementing and is aimed at transforming the industry and increasing its global competitiveness, the industry is set to continue and to increase its position as a vital cog in the South African economy."

The full report is available on the SAWIS website, [www.sawis.co.za](http://www.sawis.co.za). For further enquiries, please contact Yvette van der Merwe (tel 021-807 5703, fax 021-807 6000, e-mail [yvette@sawis.co.za](mailto:yvette@sawis.co.za)).

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