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WINE INDUSTRY AT CROSSROADS – SEEKS GOVERNMENT SUPPORT

Nine years after the deregulation of the South African wine industry, Government support is needed to put the industry in a winning position in terms of global competitiveness and sustained local performance. In a presentation to the Ministerial Committee on the Impact of Regulation of South African Agriculture, the South African Wine & Brandy Company (SAWB) said through its CEO, Dr Johan van Rooyen, that the post-deregulation period of the South African wine industry since 1997, which included the scrapping of the regulatory role of the KWV, had numerous positive results. Competitiveness increased and wine exports soared leading to job creation and rural upliftment.

“Nine years later, however, the South African wine industry is under pressure due to a global oversupply of wine, with certain high volume producing countries being subsidised and making it virtually impossible for South African producers to compete on price points in global markets,” he said. “The past decade looked good. The next one doesn’t – unless the wine industry sustains its competitiveness and for this, support by government at various levels is now needed.”

Van Rooyen also said that stagnant local wine consumption also made it extremely difficult for South African producers to look at developing markets in their own country. “Add the strengthening of the Rand to this equation, and things are tight in the wine industry – to say the least. Government support will thus be required across a broad front to collaborate with the industry to in order to deal with policy development, strategic positioning and operational aspects in order to provide stability and create an enabling environment to achieve a competitive, profitable, vibrant and equitable South African wine industry.

The SAWB team argued that the South African wine industry operates at a different, more competitive, but at the same time at an economically more “fragile” level than was the case ten years ago. Certain negative social impacts related to “survival and existence” are also recorded in the industry.

“An interesting feature of the South African wine sector is that the sector is highly integrated in the national and regional economy of the Western- and Northern Cape and this creates substantial income, employment and rural development linkages and multipliers,” said Van Rooyen. “Economic swings and external ‘shocks’ are thus directly translated through these many linkages to impact directly on the livelihood of many – especially in rural areas.”

Van Rooyen also pointed out in the report to the Ministerial Committee that the industry had gone to great lengths to create a fully representative and legitimate industry structure to deal with the many economic and social issues and challenges, as well as the development of the industry in an aligned and decisive manner. Many

challenges will also be attended to at firm business-level and this will also require a supportive business environment to sustain progress and development.

In its presentation to the Committee, the SAWB identified the following aspects as being major future drivers in the South African wine industry:

- Product quality improvement and product integrity
- A positive image and “Brand SA” roll-out
- A sharper market focus
- Cost effectiveness technology and business systems
- Business focused economic transformation
- Links to the driving focus in the global arena
- International trade agreements
- Successful and proactive Government: Industry interaction to establish an enhancing business and social environment

As the Ministerial Committee focused on the impacts of deregulation and the required support role of the Government and its agencies to enable growth and development, the following were recommended by the SAWB for Government support to ensure a competitive, profitable and equitable South African wine industry (Such as the National Agricultural Marketing Council [NAMC] and the Agricultural Research Council [ARC]). These were fully consulted with the various industry structures.

General support measures to enable a growing wine industry:

- (i) The continuation of statutory levies and the “ring fencing” of allocations
- (ii) Increased R&D support
- (iii) Establish a “red telephone line” between Government and the industry
- (iv) Promote the “Brand SA” focus by industry and relevant Government agencies
- (v) Intensify environmental controls
- (vi) Reduced statutory costs and introduce realistic taxes and excise duties
- (vii) Speed up legislation reform
- (viii) Reduction of cost of crime and the “climate-of-corruption” and efficient service provision and combat of illegal activities in the wine industry
- (ix) Establish strategic intelligence support systems (policy and strategy analysis)

Market development was identified as a high priority area for collaboration and support. The following priority focus areas were highlighted for market development and marketing support to the wine industry by Government agencies:

- (i) Create laboratory capacity (inter alia by outsourcing) for quicker certification
- (ii) Upgraded infrastructure to remove costly harbour/port congestion
- (iii) Improved port business systems and cost effective organisation of facilities
- (iv) Support to “Brand SA” by linking marketing, biodiversity and environmental considerations
- (v) Finalisation of RSA/EU Wine and Spirit Agreement to release the €15 million as agreed to
- (vi) Facilitate International Agreements to promote South African wines
- (vii) Market trends and intelligence support
- (viii) Wine-Online solutions (Phases 2 & 3) to facilitate and export administration
- (ix) Support to new BEE entrants in the marketing/trade business environment, (x) including funding and market access.

(The full report and presentation to the Ministerial Committee can be viewed at www.sawb.co.za).

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