A PROFILE OF THE SOUTH AFRICAN WINE MARKET VALUE CHAIN

2012

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RECENT DEVELOPMENTS

For the most part of the first decade of the second millennium, the wine industry in South Africa experienced a significant swing towards red wine production – moving from 18% of planting in 1996 to 44% in 2008. This gave rise to a surplus production position putting downward pressure on producer prices.

Given that the local demand for wine, red wine in particular, did not match the increased supply, the local industry was forced to enter the export market in a much more aggressive way than ever before. No wonder then the export, as percentage of local production increased from 21% in 1999 to 54% in 2008. Despite fluctuations in the rand exchange rates over this period, the general trend was downwards, helping to maintain export profitability.

The inflationary conditions coupled with pressure on disposable income have resulted in consumers trading down. This obviously became much more price conscious. The South African wine consumer in general is regarded as more price conscious and less likely to venture into the higher priced products. In 2008 the demand for white wine has weakened whilst red wine sales showed a moderate increase. However, as far as red wine is concerned, the supply / demand position has since moved into equilibrium.

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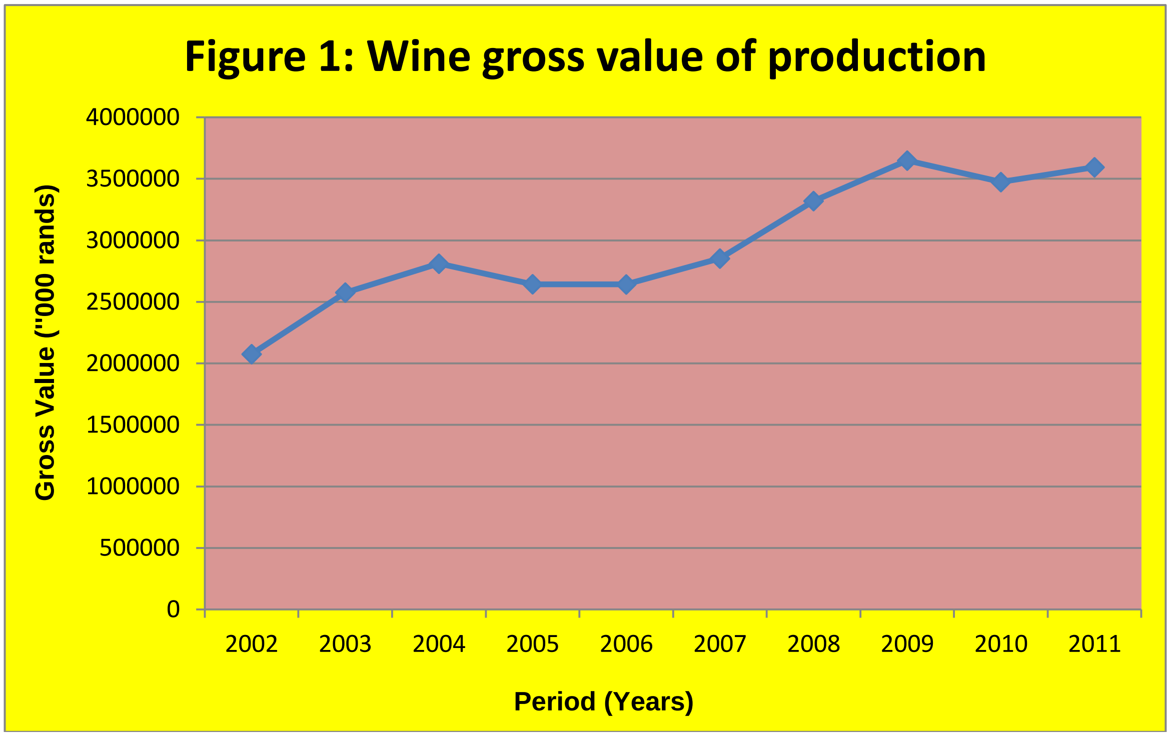
1. DESCRIPTION OF THE INDUSTRY

The wine industry in South African context is much wider than signified by the ordinary meaning of the word "wine". Brandy and its building blocks (wine for brandy and distilling wine) have always formed a significant part of South African wine industry. In recent years, grape juice concentrate for use in non-alcoholic beverages, and not just for sweetening of wine, have come to the fore. The South African wine industry thus encompasses wine (natural, fortified and sparkling), wine for brandy, distilling wine, brandy and other spirits distilled from distilling wine, and grape juice and grape juice concentrate for use in non-alcoholic products. Wine products includes the following:

- **Natural wine** is a non fortified and non sparkling wine, including perle wine which is wine carbonated to the extend that the pressure in the container in which it is sold is between 75 and 300 kPa. It includes any grape juice or must and grape juice or must concentrate used in the sweetening of such natural wine.
- **Fortified wine** is a non-sparkling wine which has been fortified with wine spirit. It includes the volume of wine spirit used in the fortification process.
- **Sparkling wine** is carbonated (either by fermentation or by impregnation with carbon dioxide) to the extent that the pressure in the container in which it is sold is more than 300 kPa. It includes any grape juice or must and grape juice or must concentrate used in the sweetening of such sparkling wine.
- **Wine for brandy** is wine specially prepared for double distillation in a pot still and then, as distillate, matured for a period of at least three years in oak casks with capacity of more than 340 litres.
- **Distilling wine** is wine specially prepared for distillation of spirits intended for use in brandy or other spirits, for fortification of wine for industrial purposes.
- **Grape juice** concentrate and grape juice refers to unfermented, undiluted or concentrated juice from grapes destined for use in non-alcoholic products such as fruit juices.

The wine industry in the Western Cape (excluding tourism) supported almost 200 000 jobs in 2008. The industry contributed R14, 214 billion to the Western Cape economy during the same year. This amounted to approximately 7.3% of the total provincial Gross Domestic Product of the Western Cape. When assessing the contribution that was made to the national economy's GDP, an amount of R26, 223 billion or 1,95% was added to the South African economy.

The wine industry is an important contributor to the economy of the Western Cape region of South Africa. Perhaps, even more important than the direct economic impact of employment and foreign exchange generation is the unique position of wine (and to some extend wine tourism) in generating images of South Africa abroad.



Source: Statistics & Economic Analysis, DAFF

Figure 1 indicates wine gross value of production (GVP) between 2002 and 2011 period. As indicated in figure 1 above, wine gross value of production started to increase in 2002 to 2004, and then again between 2005 and 2006 there was a slight decline in gross value of production. Between 2007 and 2008, wine gross value of production experienced an increase consistently until a peak was attained in 2009 at approximately R3,6 million. The increase was primarily influenced by increases in wine exports and the strengthening of the exchange rate of the rand against the currencies of major trading partners. The increase in 2011 represents 3.5% in wine gross value of production as compared to 2010. The decline in wine gross value of production in South Africa during the 2010 represents 4.8% as compared to 2009.

1.1 Production Areas

In South Africa, viticulture takes place mainly at a latitude of 34° south in an area with mild Mediterranean climate. The wine industry is overwhelmingly based in the province of Western Cape; with some production taking place in the Northern Cape and (very little) in Kwa-Zulu Natal. The Western Cape enjoys a cooler climate than its latitude might suggest, with good conditions for growing a wide range of grape varieties for winemaking. The traditional winegrowing areas along the coastal zone benefit from its cooling breezes that moderate the summer temperatures, especially the cold Benguela current that flows northwards in the Atlantic from Antarctica.

The Cape mountain ranges form a backdrop to what is internationally recognized as one of the most beautiful wine producing areas of the world. The vineyards lie on a valley sides of the mountain foothills some areas, and in flatter plains in others. The diversity of topography and mesoclimatic conditions results in a wide range of wine characters (see Maps 1 to 5). One of the potential competitive advantages of the Cape wine lands is great variety of soils, something that should be exploited.

Table 1: Regional distribution of grape vines and of wine output in 2011 (excluding sultana)

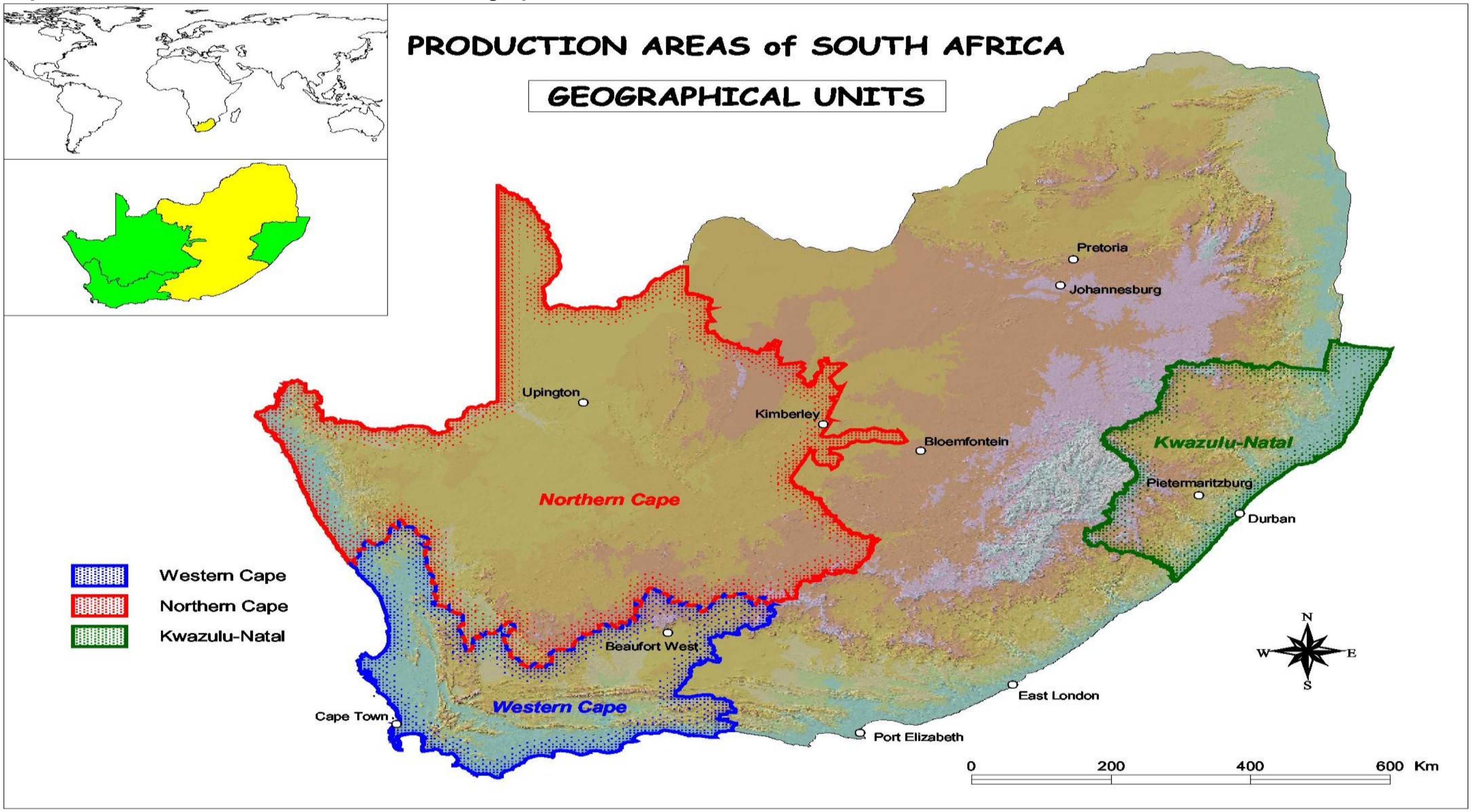
Region	Number of vines	% of total vines	Area in hectares	% of total hectares
Worcester	27 594 124	9.20	8 647	8.60
Paarl	49 660 148	16.55	16 371	16.28
Stellenbosch	51 291 572	17.10	16 827	16.73
Malmesbury	35 509 236	11.84	14 042	13.96
Robertson	48 717 916	16.24	14 330	14.25
Olifants River	27 470 127	9.16	10 037	9.98
Orange River	10 470 102	3.49	4 962	4.93
Little Karoo	8 368 101	2.79	2 724	2.71
Total	**259 081 326**	**86.37**	**87 940**	**87.44**

Source: South African Wine Industry Information and Systems (SAWIS): 2011

Table 1 shows that geographically, the area of wine grape vineyards is fairly evenly distributed in four wine regions (Paarl 16,28%, Stellenbosch 16,73%, Malmesbury 13,96% and Robertson 14.25%). These areas cover 61.22% of total area planted. Of these, Worcester and Robertson are dominated by vineyards owned by farmers that are members of the cooperatives (or shareholders of companies that are ex cooperatives).

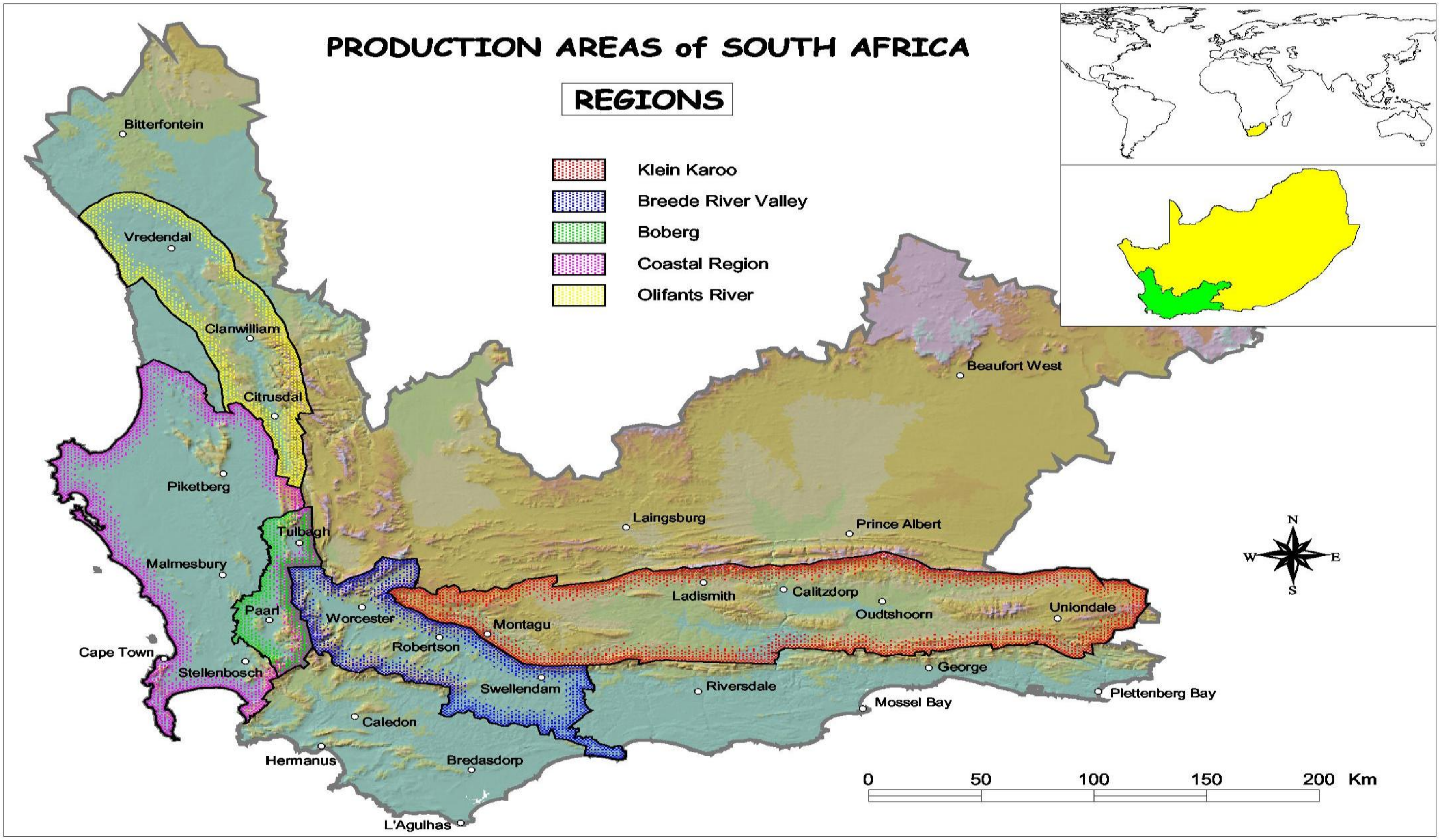
Paarl and Malmesbury have both independent and cooperative grape growers and cellars. The wine industry in Stellenbosch is overwhelmingly operated by independent growers and cellars.

Map 1: Production areas of South Africa – Geographical Units



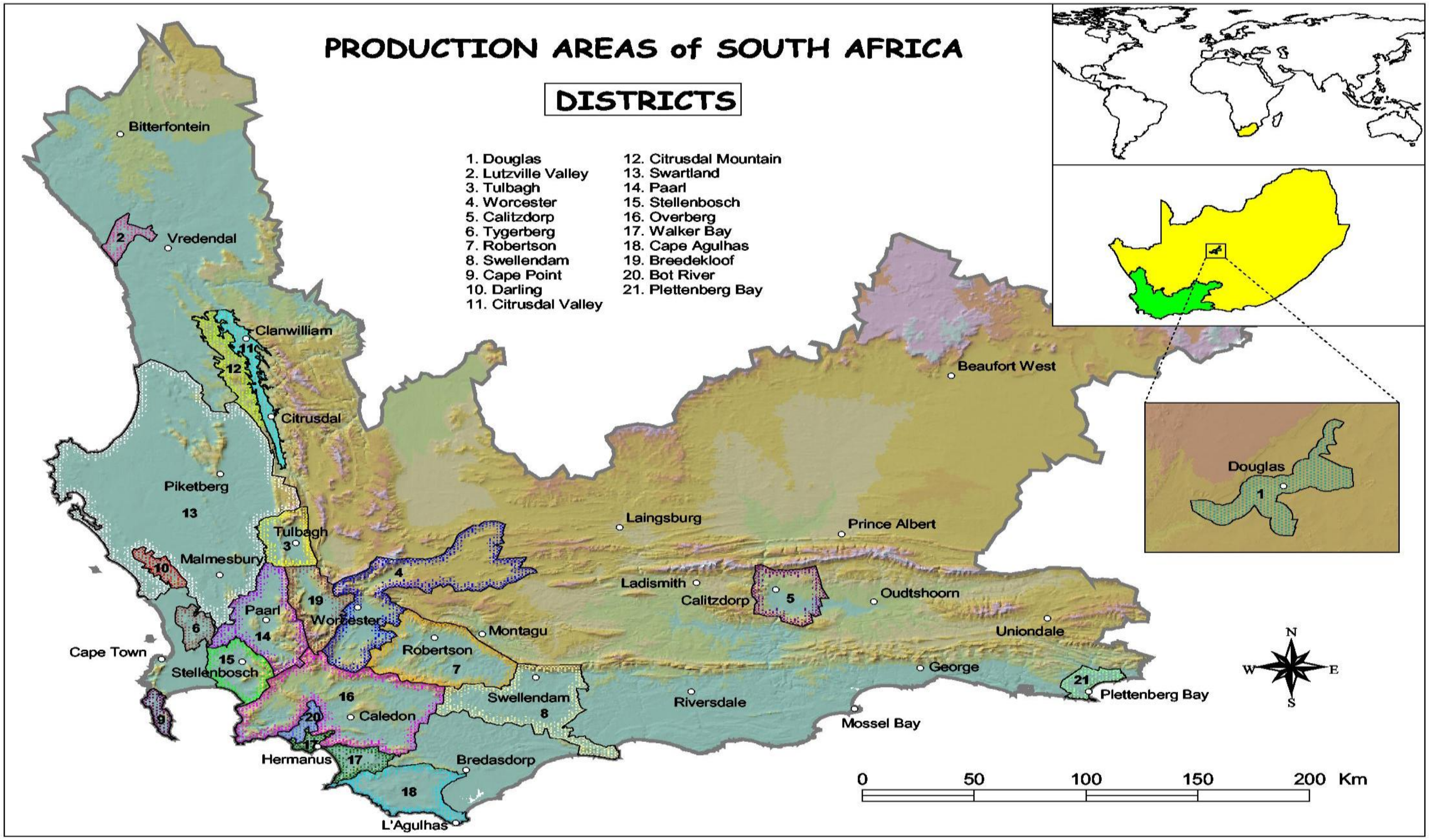
Source: SAWIS

Map 2: Production areas of South Africa – Regions



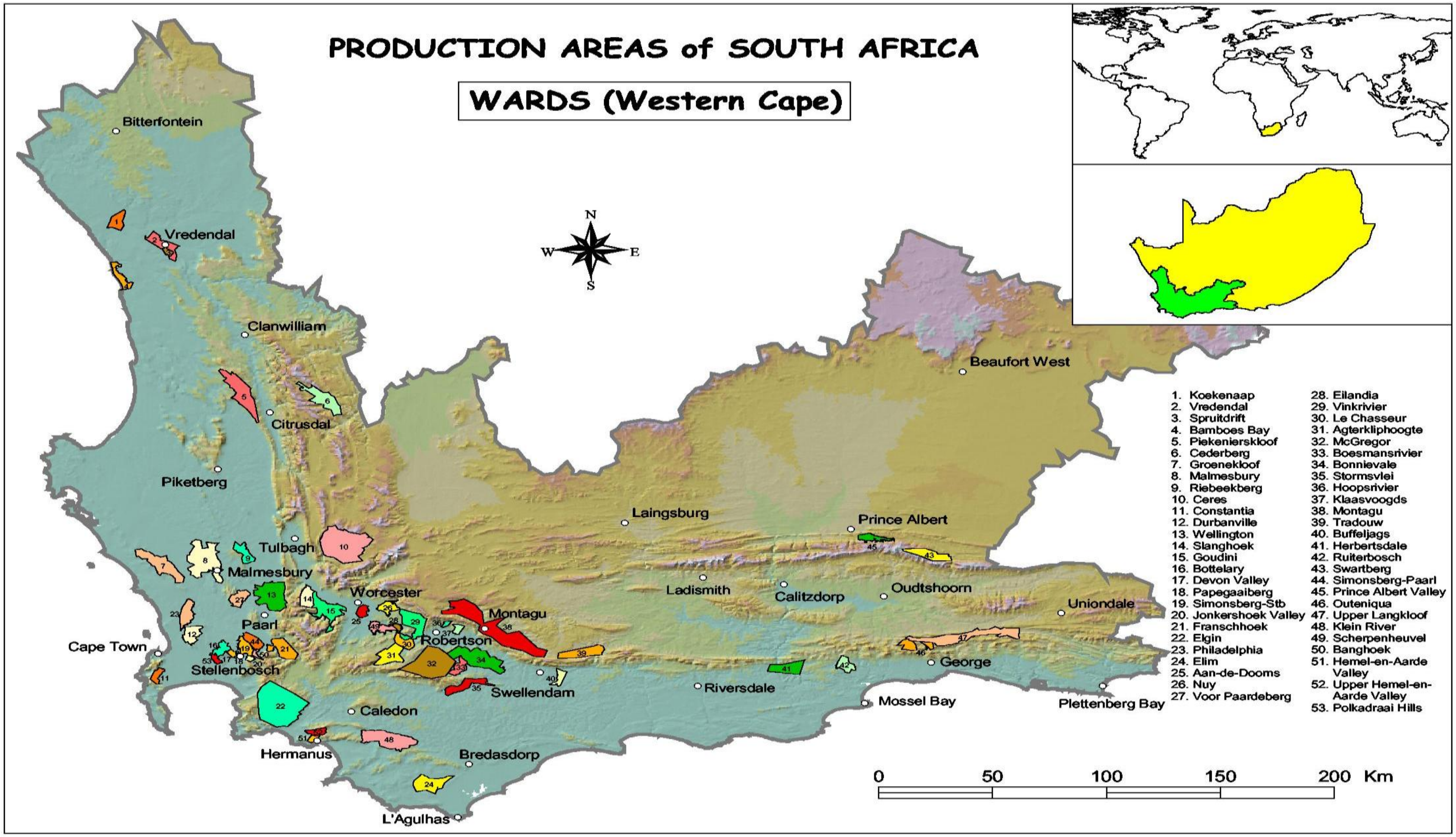
Source: SAWIS

Map 3: Production areas of South Africa – DistrictsSource: SAWIS



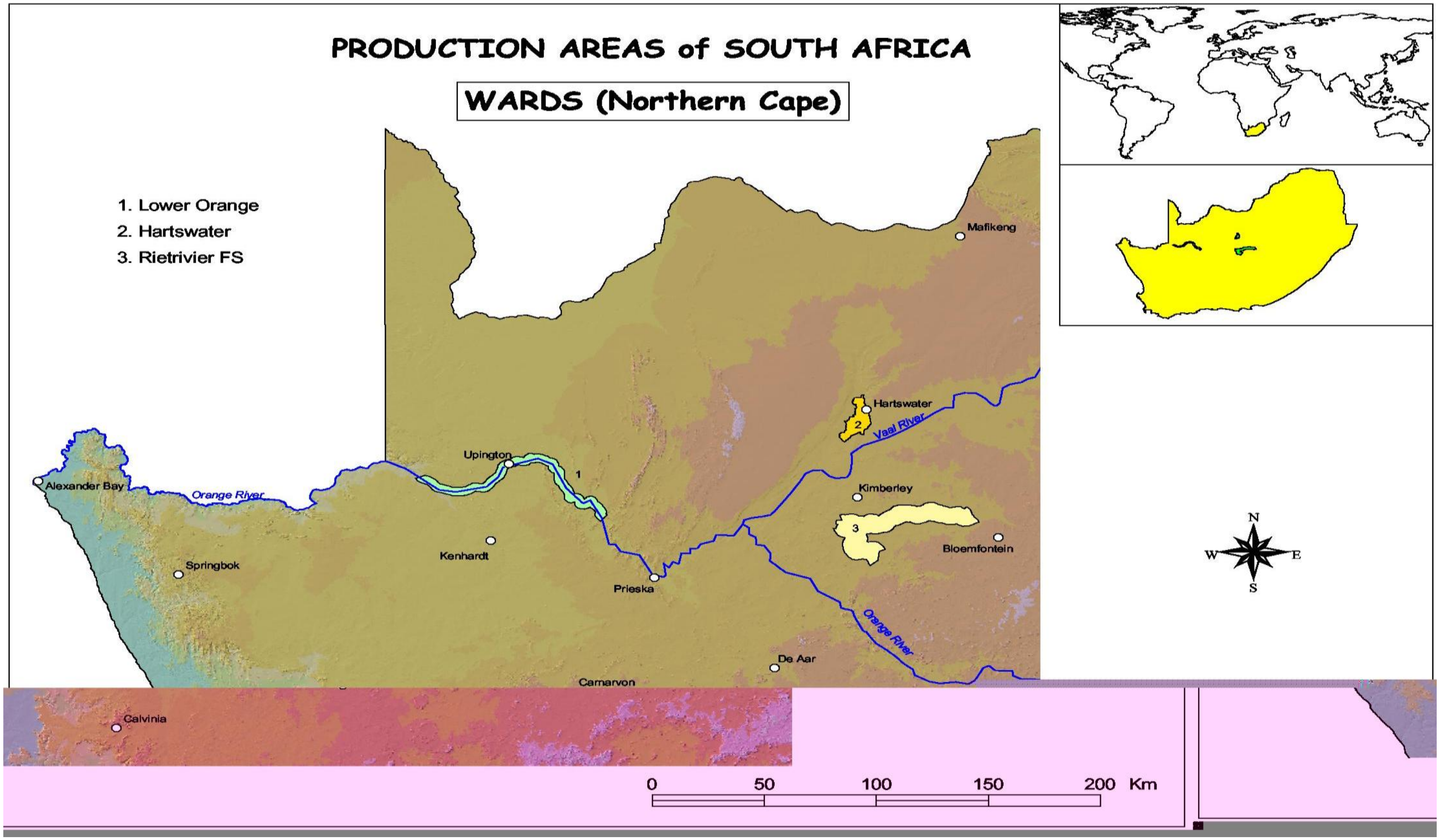
Source: SAWIS

Map 4: Production areas of South Africa – Wards (Western Cape



Source: SAWIS

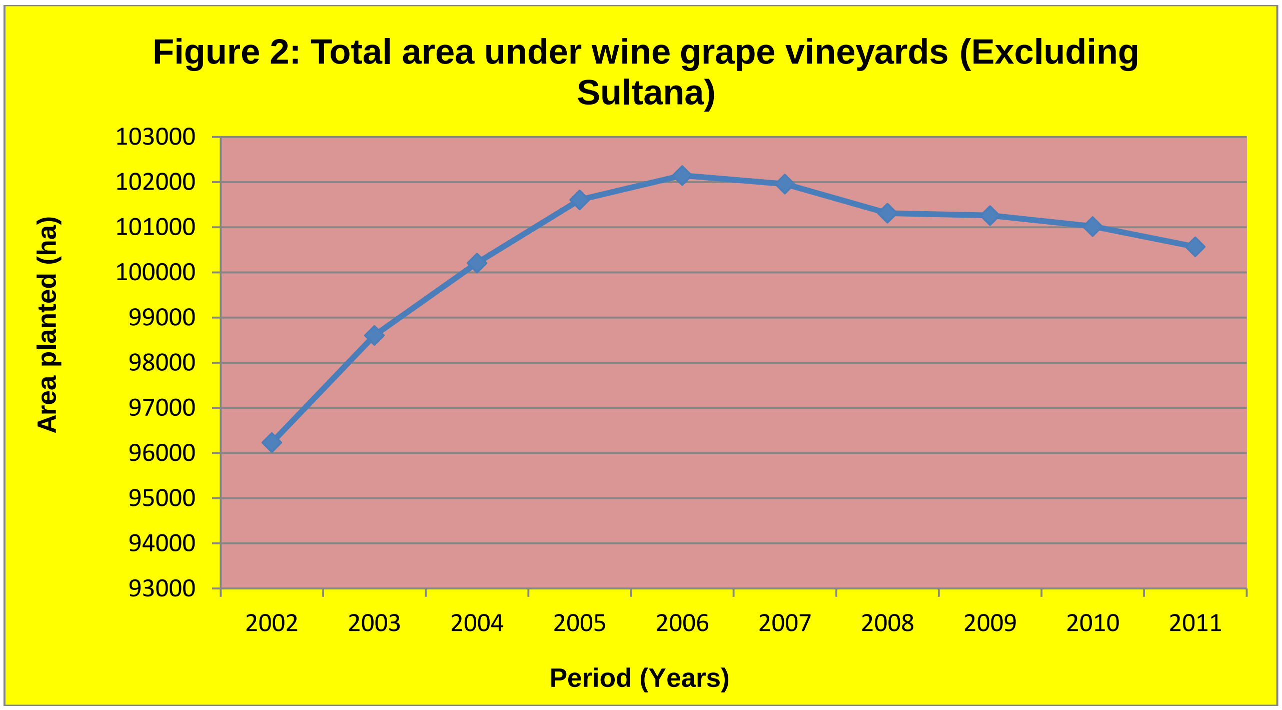
Map 5: Production areas of South Africa – Wards (Northern Cape)



Source: SAWIS

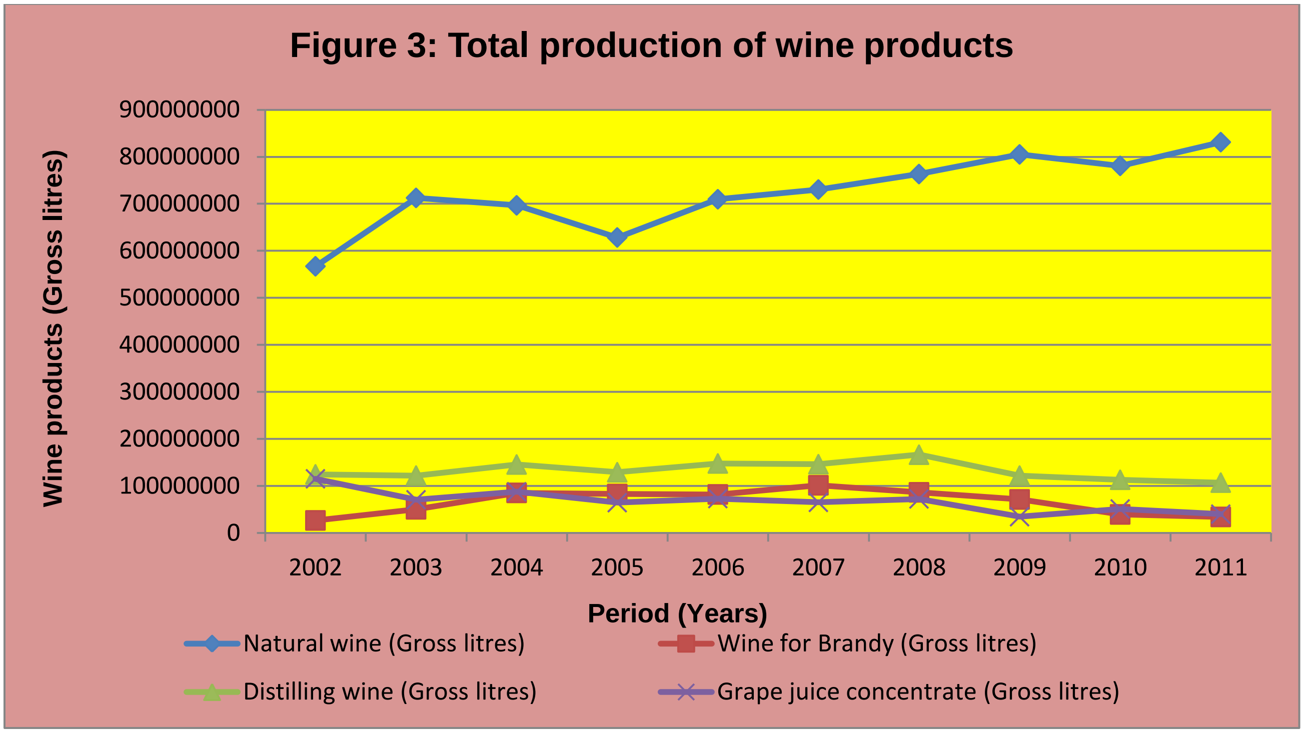
1.2 Production

Figure 2 illustrates total area under wine grape vineyards (excluding sultana) between 2002 and 2011 period. The graph further illustrates that the total area planted under wine grape vineyards (excluding sultana) has increased dramatically in the last decade, from 96 000 ha in 2002 to 102 000 ha in 2006 and 100 568 ha in 2011. The figure also illustrates that between 2007 and 2011, there was a slight decline in the total area under wine grape vineyards. The figure further illustrates that in 2006 a peak was attained in total area under wine grape vineyards at approximately 102 000 ha. The decline in total area under wine grape vineyards during the 2011 represents 0.44% as compared to 2010.



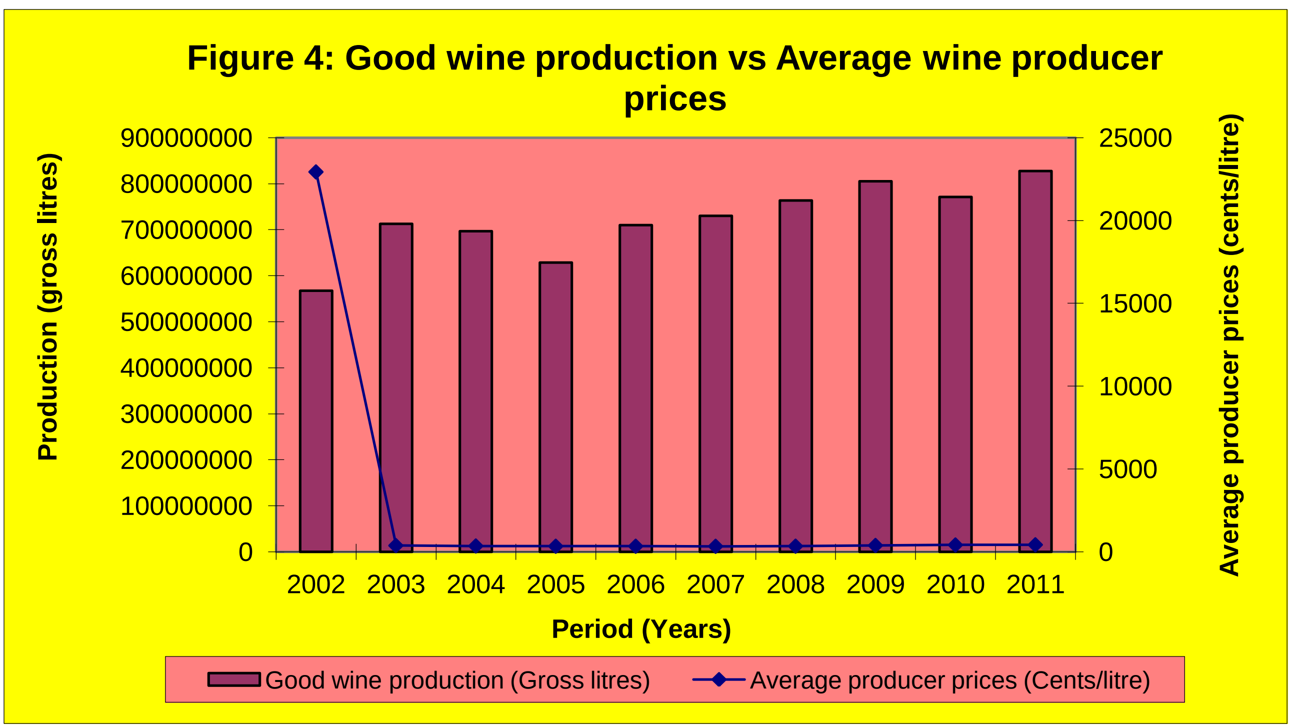
Source: SAWIS

For the past decade, majority of wine producers in South Africa have been concentrating mainly on the production of natural wine (see figure 3). That has been mainly due to the volatility of prices, reflecting changes in domestic and export demand and previous planting decisions from 1999 to 2008 period. Figure 3 indicates total production of different wine products in South Africa between 2002 and 2011 period. According to the graph, it clearly indicates that natural wine was in demand throughout the whole period from 2002 to 2011 period, followed by distilling wine then both grape juice and wine for brandy. In 2009 and 2011, natural wine production in South Africa attained a peak at approximately 805 and 831 million gross litres respectively, while the lowest production of wine for brandy was in 2002 at approximately 26.7 million gross litres.



Source: SAWIS

Figure 4 indicates good wine production as against average wine producer prices between 2002 and 2011 period.



Source: Statistics & Economic Analysis, DAFF

Figure 4 indicates that over the past decade, domestic production of good wine experienced fewer fluctuations between 2002 and 2008 at approximately between 567 and 763 million gross litres. The figure also indicates that good wine production in South Africa attained a peak in 2011 at approximately R827 million gross litres and average wine producer prices attained a peak in 2002 at approximately 22 936 cents per litre. The figure further indicates that between 2002 and 2003, good wine production started to increase in 2002 until a decline in 2004 and 2005. Between 2003 and 2011, the figure indicates that it was less profitable to produce wine as traders received less money for producing high quantities of wine. In 2002, it was profitable to produce and sell wine as traders received more money for producing less quantities of wine.

The average producer price of wine started to increase in 2002 and during the same year attained a peak at approximately 22 936 cents /litre. The figure further indicates that between 2003 and 2011, there was a constant decrease in the average producer prices of good wine during the period under review. The lowest average producer prices that were attained in terms of cents per litre were in 2007 at approximately 334.87 cents per litre.

1.3 Deregulation of markets and re-regulation of labor

The political transition of the 1990s brought about a wave of change in the political and economic position of the country. With the new government in power, labor and employment legislation was brought to a minimum International Labor Organization (ILO) level and beyond to ensure that basic human and social rights were afforded to all the workers under the law. The extension of Labor Relations Act of 1995 and the free movement of unions in the sector led to bursts of union activity in agriculture.
The extension of basic human, social and economic rights to farm workers resulted, inter alia, in increased levels of casualization and externalization – which were carried out to mitigate the consequences of increased labour costs and the costs of complying with labour legislation.

This did not take place overnight, by the mid-1990s, farmers had developed new technologies as a result of industry restructuring (deregulation, opening of the export market), but that labour practices had remained unchanged. It was also found out that employment had grown in wine farms (due to the major new plantings that took place in the 1990s) and that there was no apparent decrease in the size of permanent labour force, despite the passing of new labour legislation. At that time, wine farms were said to be still stuck in a low productivity and low wage model, with no formal contracts between farm workers and owners, no middle management (except in larger farms), and very low levels of unionization.

The first signs of labour restructuring had emerged in some farms, where owners had cut their permanent work force, adopted technologies that minimized the need for such workforce, and were restricting the security of occupation on farms by hiring younger workers. These practices were to become the norm of labour management in wine farms in the following decade.

In the mid-2000s, they characterized the changes in the wine industry resulting from deregulation, opening of export markets and regulation of labour a 'double divide'. The first divide entails the winners and losers among cellars and farmers, depending on how positioned they are to make use of global export opportunities. The second divide is among the workers that remain in the permanent workforce (usually skilled ones) and those who have been casualized and externalized, and are now hired through labour contractors.

This movement towards the minimization of a permanent labour force and the casualization of unskilled and low-skilled labour is not confined to the wine industry, but it is part of a wider process taking place in the

Western Cape and elsewhere in South Africa, especially in labour-intensive farms. These casual workers are excluded from the basic entitlements that permanent workers have now gained. Despite reporting wages that may not be lower than permanent workers, casual workers face higher livelihood vulnerability and insecurity.

1.4 Consumption

Table 2 depicts per capita consumption of wine products in the domestic markets during the 2011 period. The table further depicts that the local consumption of wine has slightly declined in 2011 despite a rapid growth in the volume of exports in the last couple of years. South Africans have continued to consume all types of alcohol and have consumed increasing amounts of beer and spirits. At the same time the consumption of wine is hardly growing. The wine industry will therefore struggle to maintain a share in the market for alcoholic beverages in both the global and local markets.

Table 2: Per capita consumption of wine products on the domestic markets in 2011

Year	Wine consumption – litres per capita			
	Natural wine	Sparkling wine	Fortified wine	Total
2002	7.42	0.15	0.65	8.23
2003	6.39	0.16	0.65	7.19
2004	6.43	0.17	0.67	7.26
2005	6.27	0.18	0.68	7.13
2006	6.24	0.17	0.71	7.12
2007	6.52	0.19	0.71	7.43
2008	6.42	0.20	0.69	7.43
2009	6.01	0.17	0.68	6.86
2010	6.09	0.18	0.66	6.93
2011	6.14	0.17	0.65	6.97

Source: SAWIS

2. MARKET STRUCTURE

The South African wine industry has gone through a tough period of major changes over the past decade, as largely reflected by the changes in its economic structure and institutional framework. Its re-introduction into the world trade setup has brought huge opportunities, as reflected by the increase in exports but on the other hand has brought pressure on its competitiveness, both locally and abroad.

Table 3: Extend of the total South African wine industry

Grapes crushed in tons	2009	2010	2011	2011/2010 TREND
White varieties	864 933	812 894	805321	99.1
Red varieties	427 650	375 236	416 191	110.9
Table grapes	55 037	73 179	84 531	115.5
Total	1 347 620	1 261 309	1 306 043	326.0
Production in million litres				

Grapes crushed in tons	2009	2010	2011	2011/2010 TREND
Natural wine	805.1	780.7	831.2	106.6
Wine for brandy	71.4	39.6	34.2	86.4
Distilling wine	122.1	113.3	107.2	94.6
Grape juice concentrate and grape juice	34.8	51.2	40.2	77.2
Total	**1 033.4**	**984.8**	**182.0**	**258.0**
Domestic sales (wine) in million litres				
Natural wine	296.8	304.4	310.8	102.1
Fortified wine	33.4	33.1	33.1	100.0
Sparkling wine	8.5	8.9	8.8	98.9
Brandy @ absolute alcohol	18.1	17.0	115.1	102.6
Total	**356.8**	**363.4**	**467.8**	**404.0**
Exports (wine) in million litres				
Natural wine	389.1	371.0	350.4	94.5
Fortified wine	0.3	0.4	0.4	100.0
Sparkling wine	6.2	7.2	6.6	91.7
Total	**395.6**	**378.6**	**357.4**	**286.0**

Source: SAWIS

Table 3 shows the extent of the total South African wine industry between 2009 and 2011 period. Out of a total of 1.3 million tons of grapes crushed in 2011, the trend in terms of percentages was 99.1% of white varieties, 110.9% were red varieties and 115.5% were table grapes.

Total production was slightly over 1 billion litres, of which 106.6% was natural wine and the brandy was (86.4%), distilling wine (94.6%) and Grape juice concentrate and grape juice (77.2%). Natural wine sales constitute the vast majority of sales in both the domestic market (102.1%) and in the export market (94.5%). Reds make up 103.9% of domestic sales, even though they account for 77.2% of production. Fortified wines and sparkling wines are relatively small niches and sell almost exclusively on the domestic market.
By comparison, the industry in 2009 exhibited similar levels of grape production and similar make up in terms of production wine; rebate/distilling wine and non-alcoholic. However, natural wine exports represented approximately 94.5% of total sales (by volume) as the industry had just started to gear up for the international wine markets following the end of sanctions.

2.1 Domestic markets and prices

There is an extensive distribution of wholesalers and retailers, as well as producer cellars, estates and other organizations which market wine directly. They ensure that the product reach consumers around the country. The opposite picture applies to private cellars and producing wholesalers.

Table 4: Varieties utilized for total wine making purposes during 2011

Variety	Total Tons	% of variety crushed by		
		Private Wine Cellars	Producer Cellars	Producing Wholesalers
Chenin Blanc	259 774	9.9	87.2	2.9
Colombar(d)	259 529	4.6	94.8	0.6
Muscat dÁlexandrie	33 565	10.3	89.3	0.4
Sauvignon Blanc	91 702	32.6	51.7	15.7
Muscadel	9 604	31.1	68.6	0.3
Chardonnay	76 394	22.5	69.9	8.4
Viognier	7 993	27.0	56.1	16.9
Semillon	13 830	24.3	67.3	8.4
Other white varieties	52 931	13.2	84.1	2.7
Table grapes	59 418	12.0	75.9	12.1
Total white varieties	**856 747**	**187.5**	**744.9**	**68.4**
Cabernet Sauvignon	89 402	27.9	54.3	17.9
Cinsaut	27 829	10.2	83.7	6.0
Pinotage	61 247	23.3	66.0	10.7
Merlot	64 928	28.7	54.5	16.8
Shiraz	99 040	28.6	53. 9	17.5
Ruby Cabernet	35 486	9.9	88.7	1.4
Cabernet Franc	6 585	44.4	35.8	19.7
Petit Verdot	6 733	30.2	46.6	23.1
Other red varieties	24 942	50.2	34.5	15.3
Table grapes	25 113	2.9	97.1	-
Total red varieties	**441 304**	**25.1**	**61.4**	**13.5**
Total white and red	**1 306 044**	**17.0**	**75.2**	**7.9**

Source: SAWIS

Table 4 shows that cooperatives and ex-cooperatives (producer cellars) still crush approximately 80% of all grapes used for wine making locally during 2011 period. Along with a few producing wholesalers, they are the ones that can provide economies of scale, competitive pricing and large volumes. These are essential requirements for supermarket chains to place wines on the shelf. The fact that cooperatives focus on run of the mill wines is an open secret, although it is perhaps insufficiently remarked in industry publications how much they have improved in the last decade in terms of quality – the result of technical improvements in both wine making and viticulture.

Cooperatives crush a much higher proportion of white varieties than red, and a much lower proportion of their average share of highly sought varieties such as Sauvignon Blanc, Cabernet Sauvignon and Shiraz. Yet, they are still responsible for crushing over half of the production of these varieties, with the exception of Sauvignon Blanc. This is mainly due to climatic reasons as well as many cooperative farmers are located in warmer areas that are not friendly to this grape variety

Table 5: Average prices of wine sold in bulk in South Africa (2011)

Varieties	Cent per litre					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
All varieties	**338.42**	**334.87**	**340.67**	**384.21**	**413.48**	**424.90**
Cabernet Sauvignon	476.23	430.49	451.74	539.66	583.72	618.50
Merlot	426.29	396.68	417.67	495.26	556.81	584.34
Pinotage	392.88	396.68	410.15	472.69	535.38	584.01
Shiraz	514.37	458.12	471.89	560.82	601.86	621.41
All red varieties	**406.02**	**374.41**	**386.75**	**459.08**	**502.97**	**533.59**
Chardonnay	495.11	474.14	481.54	523.90	530.75	532.66
Sauvignon Blanc	547.53	517.21	519.00	546.06	538.00	540.69
Colombar	293.68	297.46	297.23	314.72	328.17	346.81
Chenin Blanc	317.27	323.17	321.45	350.23	367.89	380.72
All white varieties	**310.51**	**314.46**	**314.71**	**345.44**	**364.98**	**372.41**

NB. Price excludes added wine spirit

	Cent per litre					
Concentrate/Sweet must for sweetening	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
	236.43	262.13	293.28	362.17	365.57	366.56

	Cent per litre @ 10% ALC/VOL					
Wine for brandy	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
	210.59	222.43	225.45	236.33	261.14	249.71

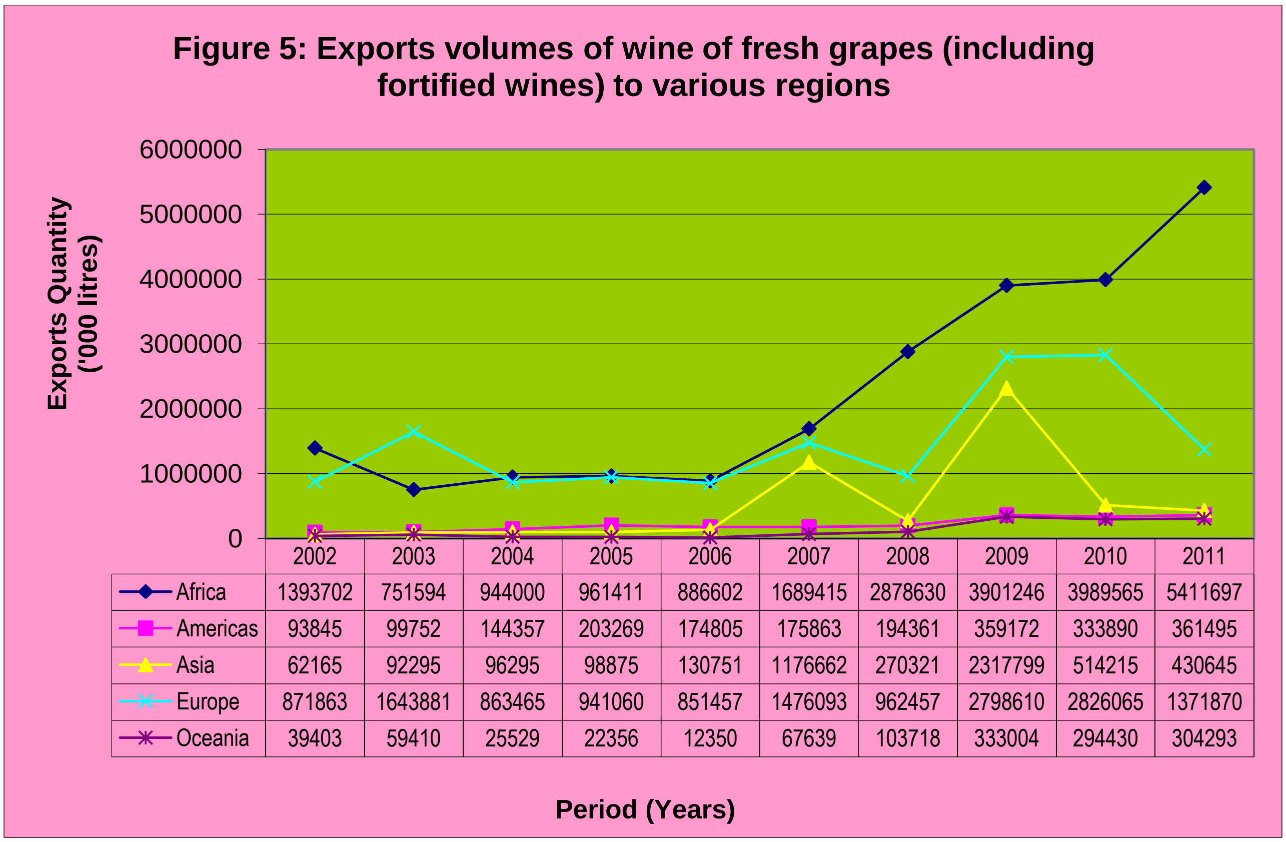
	Cent per litre @ 10% ALC/VOL					
Distilling wine	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
	94.10	93.36	95.50	97.83	109.66	111.42

Table 5 shows average prices of wine sold in bulk in South Africa between 2006 and 2011 period. Table 5 further shows the global red wine glut that started in 2006 and has continued in the following 5 years. Chenin Blanc in 2011 was trading at 380.72 cents per litre as compared to 367.89 cents per litre in 2010. The price of wine for brandy has increased at an increasing rate from 2006 to 2010 but decreased in 2011 to 249.71 cents per litre. The price of distilling wine has declined in 2007 compared to 2006 but from 2008 to 2011, there was a consistent increase in terms of its price. In 2008 the price of distilling wine started to increase to 95.50 cents per litre until a peak was attained in 2011 at approximately 111.42 cents per litre. Some cooperatives indicated that in 2010, they were profiting more from a hectare of vineyard that was being managed to produce distilling wine than from a hectare managed for table wine production.

Globally, the wine industry is generally highly price responsive. Price movements, especially in global context, characterized by over production, high subsidized regimes, surplus removal schemes and export promotion support, fluctuate considerably, causing uncertainty and instability.

3. EXPORTS OF WINE OF FRESH GRAPES

This is a review of world level trade data for wines of fresh grapes, including fortified wines by South Africa between 2002 and 2011 period.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa	1393702	751594	944000	961411	886602	1689415	2878630	3901246	3989565	5411697
Americas	93845	99752	144357	203269	174805	175863	194361	359172	333890	361495
Asia	62165	92295	96295	98875	130751	1176662	270321	2317799	514215	430645
Europe	871863	1643881	863465	941060	851457	1476093	962457	2798610	2826065	1371870
Oceania	39403	59410	25529	22356	12350	67639	103718	333004	294430	304293

Source: Quantec

Figure 5 depicts exports volumes of wines of fresh grapes (including fortified wines) from South Africa to various regions of the world between 2002 and 2011 period. The figure further depicts that the major export market for wines of fresh grapes from South Africa to the world was Africa, followed by Europe and Asia. Exports of wine of fresh grapes from South Africa to Africa started to increase in 2002, with a slight decline between 2003 and 2006. In 2007 to 2009, exports of wine of fresh grapes from South Africa to Africa experienced an increase until a peak was attained in 2011 at approximately 5.4 million litres. The figure also depicts that exports of wine of fresh grapes from South Africa to Europe attained a peak in 2010 at approximately 2.8 million litres. The figure further depicts that exports of wine of fresh grapes from South Africa to Asia attained a peak in 2009 at approximately 2.3 million litres. The increase in exports of wines of fresh grapes from South Africa to Africa in 2011 represents 35.6% as compared to 2010.

Natural wine as a category makes up almost 99% of exports with the rest accounted by sparkling wine and fortified wines. Given the small size of exports of fortified wine, it is curious that the European Union (EU) forcefully insisted that South Africa drop the use of names 'port' and 'sherry' from exported products and that almost brought down the negotiations with South Africa on a bilateral trade agreement.

Table 6: Types of exported wine and other liquor products (2011) in litres

Types of wines and spirits	Packaged		Bulk		Total litres
	Litres	AS % of total per variety	Litres	AS % of total per variety	2011
Chardonnay	11 266 482	56.41	8 705 768	43.59	19 499 300
Sauvignon Blanc	16 334 049	64.50	8 988 725	35.50	25 322 774
Chenin Blanc	16 220 264	34.82	30 364 243	65.18	46 584 507
Other white wine	32 159 451	47.26	35 894 510	52.74	68 053 961
Blanc de Noir and Rose	8 096 273	38.10	13 154 345	61.90	21 250 618
Cabernet Sauvignon	12 057 319	69.29	5 343 684	30.71	17 401 003
Shiraz	12 545 726	74.56	4 281 143	25.55	16 826 869
Pinotage	8 292 231	52.30	7 562 653	47.70	15 854 884
Merlot	6 272 506	64.21	3 496 809	35.79	9 769 315
Other red wine	54 553 309	49.87	54 829 558	50.13	109 382 867
Subtotal natural wine	**116 971 795**	**551.32**	**160 418 861**	**448.79**	**340 176 783**
Fortified wine	348 858	100.00	-	-	348 858
Sparkling wine	6 649 735	100.00	-	-	6 649 735
Total wine	**123 970 388**	**751.32**	**160 418 861**	**448.79**	**347 175 376**

Source: SAWIS

According to table 6, of the total exports in 2011, 60.73% was bottled wine and 39.27% was bulk wine. The varieties with the highest bottled-to-bulk export ratio are not surprisingly, noble varieties such as Shiraz, Cabernet Sauvignon, Sauvignon Blanc, Merlot and Chardonnay. The highest proportion of bulk exports is under 'other red wines'.

Table 7: Bottled and bulk natural wine exports by country in litres (2011)

COUNTRY	2011			
	WHITE	RED	BLANC DE NOIR / ROSé	TOTAL
UNITED KINGDOM	40 213 117	34 525 717	6 607 086	81 345 920
GERMANY	30 810 135	42 986 383	6 366 447	80 162 965
SWEDEN	15 722 461	20 023 843	1 003 139	36 749 443
THE NETHERLANDS	11 015 631	10 503 062	3 335 759	24 854 452
DENMARK	4 516 211	12 856 604	388 712	17 761 527
CANADA	9 371 725	4 647 147	116 636	14 135 508
U.S.A.	8 344 290	4 327 883	180 909	12 853 082
FRANCE	3 840 558	4 553 401	944 687	9 338 646
BELGIUM	5 063 063	3 791 519	450 368	9 304 950

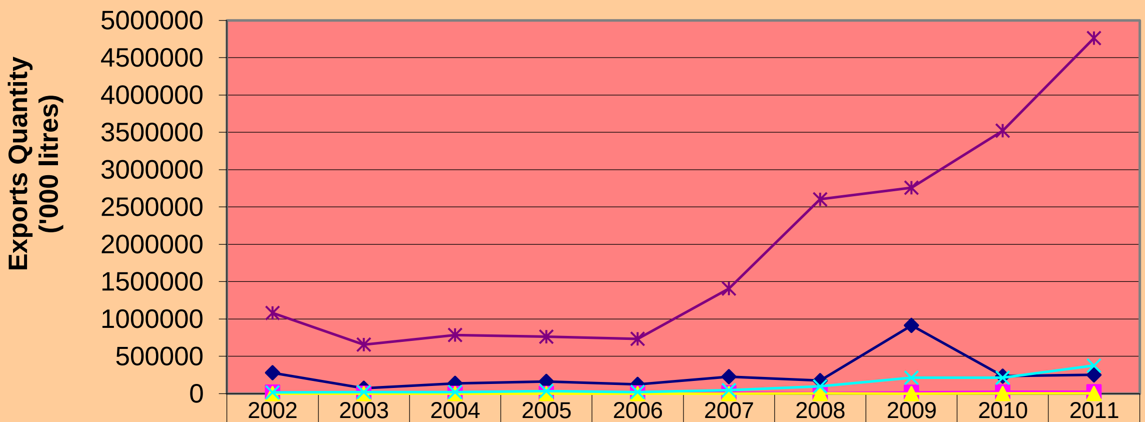
COUNTRY	2011			
	WHITE	RED	BLANC DE NOIR / ROSé	TOTAL
RUSSIA	7 406 563	923 241	23 889	8 353 693
CHINA	1 064 197	4 194 189	35 870	5 294 256
FINLAND	3 071 915	2 141 052	7 101	5 220 068
KENYA	2 198 271	1 504 381	54 611	3 757 263
NIGERIA *	501 535	2 850 765	274 610	3 626 910
SWITZERLAND	1 641 158	1 002 107	397 122	3 040 387
JAPAN	1 376 519	1 318 209	9 756	2 704 484
UNITED ARAB EMIRATES	1 175 667	1 290 343	78 804	2 544 814
REPUBLIC OF IRELAND	1 275 621	1 065 353	36 720	2 377 694
THAILAND	903 044	1 305 219	26 379	2 234 642
NORWAY	269 906	1 551 701	153	1 821 760
TANZANIA	945 816	648 077	30 540	1 624 433
AUSTRALIA	785 526	525 998	11 286	1 322 810
CZECH REPUBLIC	938 202	354 076	21 860	1 314 138
NEW ZEALAND	574 413	672 813	65 381	1 312 607
MAURITIUS *	540 645	423 864	237 458	1 201 967
OTHER COUNTRIES	6 367 301	9 247 991	545 335	16 160 627
TOTAL	**159 933 490**	**169 234 938**	**21 250 618**	**350 419 046**

Source: SAWIS

Table 7 indicates that in 2011, 28.9% of total volume of wine exports from South Africa went to the United Kingdom (UK), three quarters of which was in bottles and the rest was in bulk. Germany was the second destination with 10.9% of total exports (34% of which was bottled and 66% was in bulk), followed by Sweden with 4.2% (all packaged, much of it 'Bag-in-box), Netherlands with 8.0% (54% of which was bottled and 46% was in bulk) and Sweden. Together, these four destinations account for 52% of the volume of wine exports, although the United States of America (USA) is growing quickly and is a potentially important destination for higher quality wine. Interestingly, over 10 million litres of bulk wine (4% of exports) end up in countries like Canada, Russia and Denmark for blending with local wines. Table 7 also indicates that bulk exports from South Africa to Europe are increasing, which is hardly what local producers want to do to improve their image. This is due to high local bottling costs and differential taxation in some countries.

The 350 419 046 litres of wine exported in 2011 represent a 5.5% decrease from 370 947 151 litres in 2010. That decrease may have been due to amongst others the strengthening of the Rand against other major trading currencies and the decline of markets.

Figure 6: Exports volumes of wine of fresh grapes (including fortified wines) to Africa



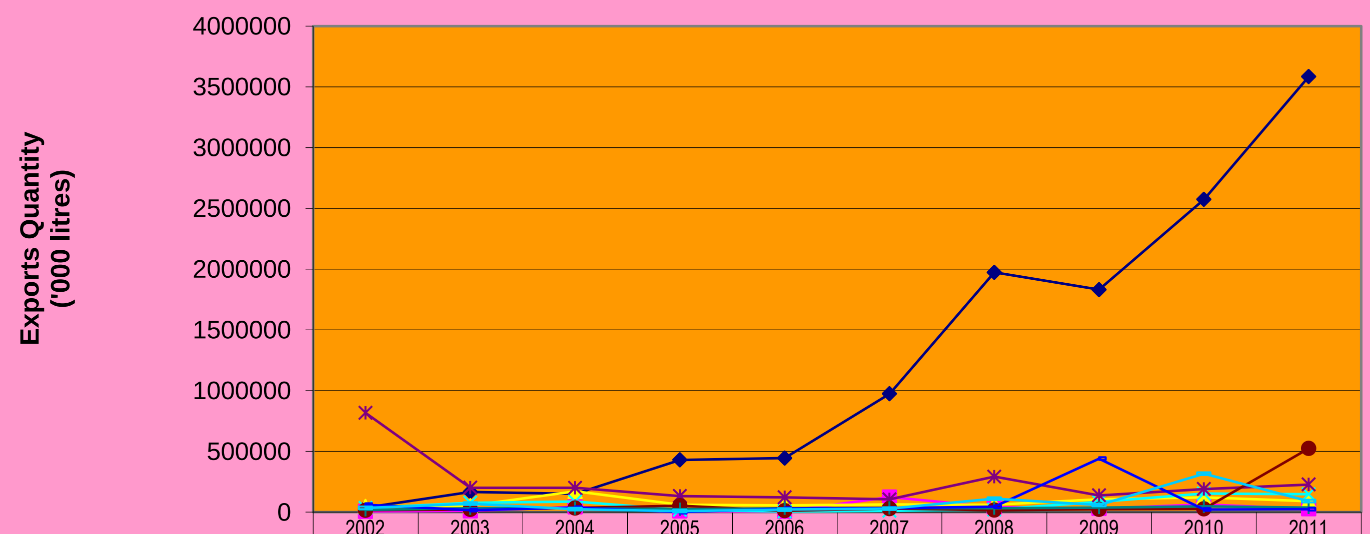
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Africa Rest	279460	71031	136991	162928	122940	226715	173440	913457	233058	249944
Middle Africa Rest	19374	4013	2169	2221	8685	10609	7009	17694	22261	24288
Northern Africa	0	0	0	0	36	18	999	0	1035	1323
Western Africa	15238	20405	19780	34396	21489	45068	95660	212567	211788	374696
SADC	1079630	656145	785060	761866	733452	1407005	2601522	2757528	3521423	4761446

Period (Years)

Source: Quantec

Figure 6 illustrates exports volumes of wines of fresh grapes (including fortified wines) from South Africa to Africa between 2002 and 2011. The figure further illustrates that the major export market for wines of fresh grapes from South Africa to Africa was SADC region, followed by low export volumes from Eastern Africa Rest. The figure also illustrates that exports of wines of fresh grapes from South Africa to the SADC region started to increase in 2002, with a slight decline between 2003 and 2006 of about 656 145 and 733 452 litres. The figure further illustrates that from 2007 exports of wines of fresh grapes from South Africa to SADC experienced a consistent increase until a peak was attained in 2011 at approximately 4.7 million litres. The figure also illustrates that exports of wine of fresh grapes from South Africa to Eastern Africa Rest attained a peak in 2009 at approximately 913 457 litres. The increase in exports of wines of fresh grapes from South Africa to SADC during the 2011 represents 35.2% as compared to 2010, while the increase in exports of wines of fresh grapes from South Africa to eastern Africa Rest during the 2011 represents 7.2% as compared to 2010.

Figure 7: Exports volumes of wines of fresh grapes (including fortified wines) to SADC



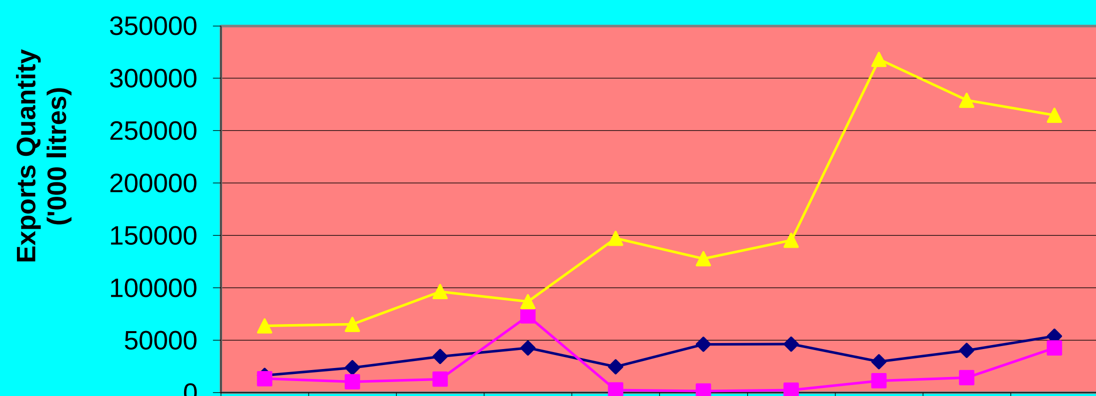
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Angola	37819	167565	150129	430912	445079	975155	1973730	1831294	2574273	3585063
Democratic Republic of the Congo	7192	11334	43877	10365	7572	124510	43945	31034	65252	28489
Mauritius	47379	53325	171171	61137	55834	64151	62569	107749	120985	90710
Malawi	35257	78510	88745	19374	6175	12107	21398	84374	153699	147812
Mozambique	817658	202260	200818	133610	122689	105372	292448	139338	191404	228784
Seychelles	15923	23465	34386	53122	12824	29490	17658	23857	27744	525269
United Republic of Tanzania	20125	31868	33345	24279	32624	34939	33590	38870	48992	39346
Zambia	62505	17095	37362	19.173	29639	31910	45029	441193	22414	24566
Zimbabwe	35772	70723	25227	9894	21016	29371	111155	59819	316660	91407

Period (Years)

Source: Quantec

Figure 7 shows exports volumes of wines of fresh grapes (including fortified wines) from South Africa to the SADC region between 2002 and 2011 period. The figure further shows that over the past decade; Angola commanded the greatest share of wines of fresh grapes from South Africa to SADC, followed by very minimal share of wines of fresh grapes exports from South Africa to Mozambique. The figure also shows that over the past ten years, Zimbabwe, Zambia, DRC, Mauritius, Malawi, and Tanzania had very low exports volumes of wines of fresh grapes from South Africa. The figure further shows that exports of wines of fresh grapes from South Africa to the Angola started to increase in 2003, with a slight decline in 2004 of about 150 000 litres. The figure also shows that from 2005 to 2008, exports of wines of fresh grapes from South Africa to Angola increased consistently until a slight decline in 2009 of about 1.8 million litres. The figure further shows that in 2010, exports of wines of fresh grapes from South Africa to the Angola experienced an increase and a surge of exports until a peak was attained in 2011 at approximately 3.5 million litres. The figure also shows that exports of wines of fresh grapes from South Africa to Mozambique attained a peak in 2002 at approximately 817 658 litres. The increase in exports of wines of fresh grapes from South Africa to Angola in 2011 represents 39.3% as compared to 2010.

Figure 8: Exports volumes of wines of fresh grapes (including fortified wines) to Americas

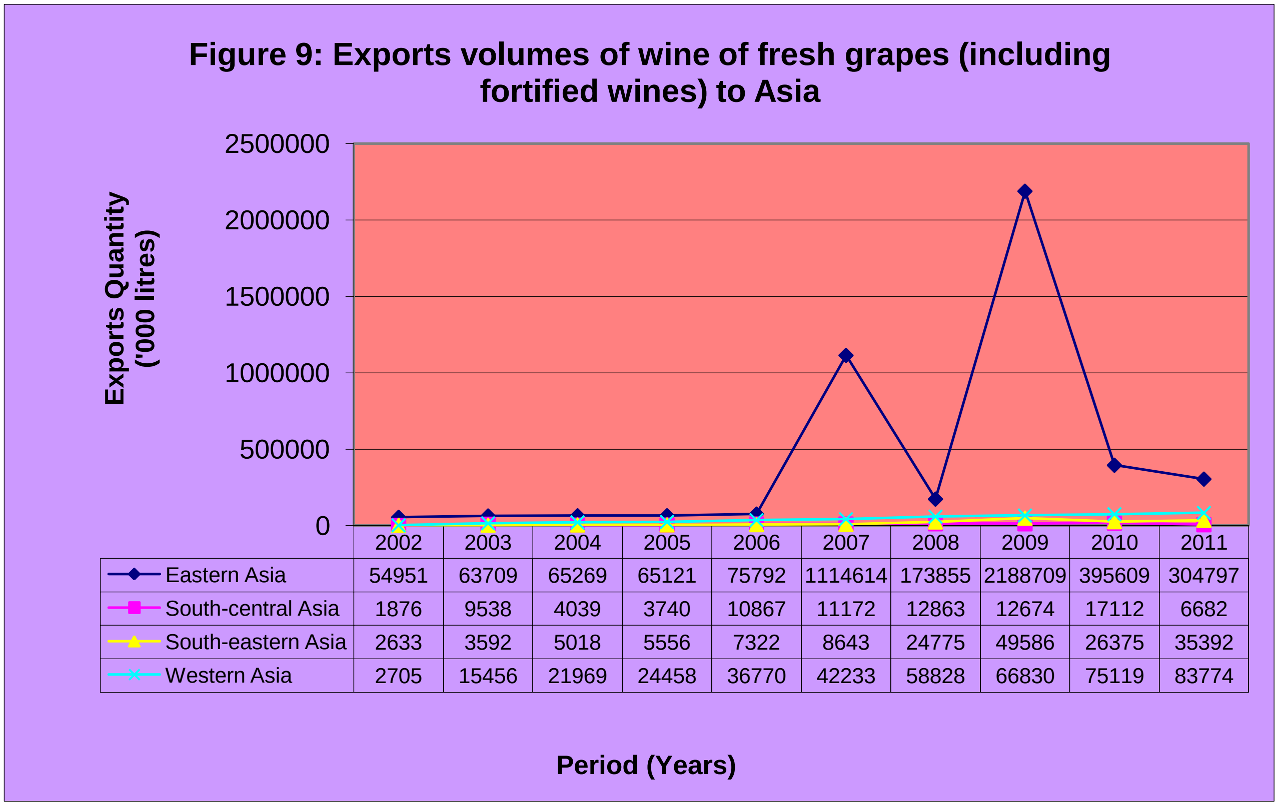


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Caribbean	16568	23958	34627	42691	24750	46276	46395	29588	40410	53964
South America	13396	10495	13055	73360	2717	1683	2483	11520	14433	42765
NAFTA	63800	65236	96576	86902	147338	127895	145461	318064	279047	264766

Source: Quantec

Figure 8 illustrates exports volumes of wines of fresh grapes (including fortified wines) from South Africa to the Americas between 2002 and 2011 period. The figure further illustrates that the major market for wines of fresh grapes from South Africa to Americas was mainly NAFTA, followed by very low exports volumes of wines of fresh grapes to South America and Caribbean. The figure also illustrates that exports of wines of fresh grapes from South Africa to NAFTA has been generally increasing between 2002 and 2010 period, a peak was attained in 2009 at approximately 318 064 litres. The figure also illustrates that exports of wines of fresh grapes from South Africa to NAFTA experienced a slight decline in 2010 and 2011 of approximately 279 000 and 264 000 litres

respectively. The figure further illustrates that exports of wines of fresh grapes from South Africa to South America attained a peak in 2005 at approximately 73 360 litres.
The decline in exports of wines of fresh grapes from South Africa to NAFTA in 2011 represents 5.12% as compared to 2010, while the increase in exports of wines of fresh grapes from South Africa to South America in 2011 represents 196% as compared to 2010.

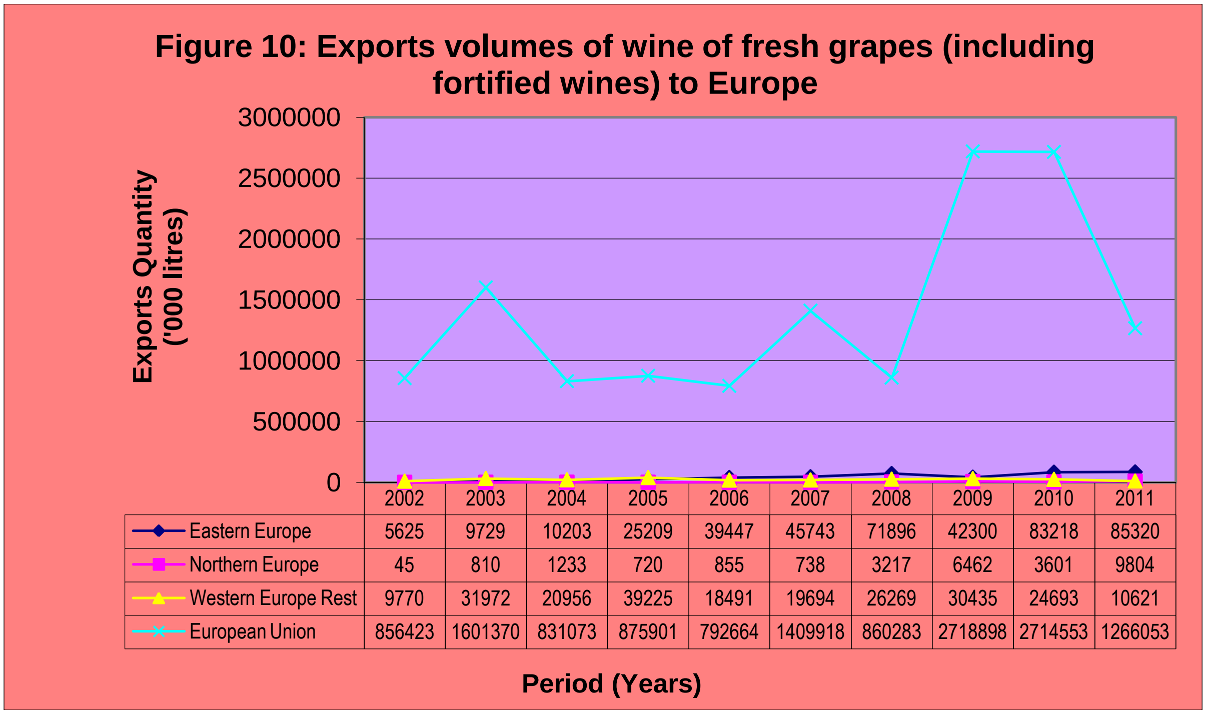


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Asia	54951	63709	65269	65121	75792	1114614	173855	2188709	395609	304797
South-central Asia	1876	9538	4039	3740	10867	11172	12863	12674	17112	6682
South-eastern Asia	2633	3592	5018	5556	7322	8643	24775	49586	26375	35392
Western Asia	2705	15456	21969	24458	36770	42233	58828	66830	75119	83774

Source: Quantec

Figure 9 indicates exports volumes of wines of fresh grapes (including fortified wines) from South Africa to Asia between 2002 and 2011 period. The figure further indicates that Eastern Asia commanded the greatest share of wines of fresh grapes from South Africa to Asia over the past ten years, followed by very low exports volumes of wines of fresh grapes from South Africa to South-central Asia, South-eastern Asia and Western Asia. The figure also indicates that exports of wines of fresh grapes from South Africa to Eastern Asia attained a peak in 2009 at approximately 2.2 million litres. The figure further indicates that in 2010 and 2011, there was a dramatic decline in wine exports of fresh grapes from South Africa to Eastern Asia upto lower levels of about 304 797 litres. Also important to note was that over the past decade, exports of wines of fresh grapes from South Africa to South-central Asia, South-eastern Asia and Western Asia were not more than 100 000 litres per year. The figure further indicates that the slight decline in exports of wines of fresh grapes from South Africa to Eastern Asia in 2011 represents 23.0% as compared to 2010.

Figure 10 depicts exports volumes of wines of fresh grapes (including fortified wines) from South Africa to Europe between 2002 and 2011 period. The figure further depicts that the major market for wines of fresh grapes from South Africa to Europe was mainly European Union. The other three European regions had very low levels of wine exports volumes from South Africa of not more than 100 000 litres during the period under scrutiny. The figure also depicts that exports of wines of fresh grapes from South Africa to the European Union started to increase in 2002, with a small peak in 2003 at approximately 1.6 million litres. The figure further depicts that exports of wines of fresh grapes from South Africa to the European Union also attained a peak in 2009 and 2010 at approximately 2.7 million litres respectively. The figure also depicts that in 2011, there was a dramatic decline in wine exports of fresh grapes from South Africa to the European Union of about 1.2 million litres. The figure also depicts that the dramatic decline in exports of wines of fresh grapes from South Africa to the European Union in 2011 represents 53.4% as compared to 2010.

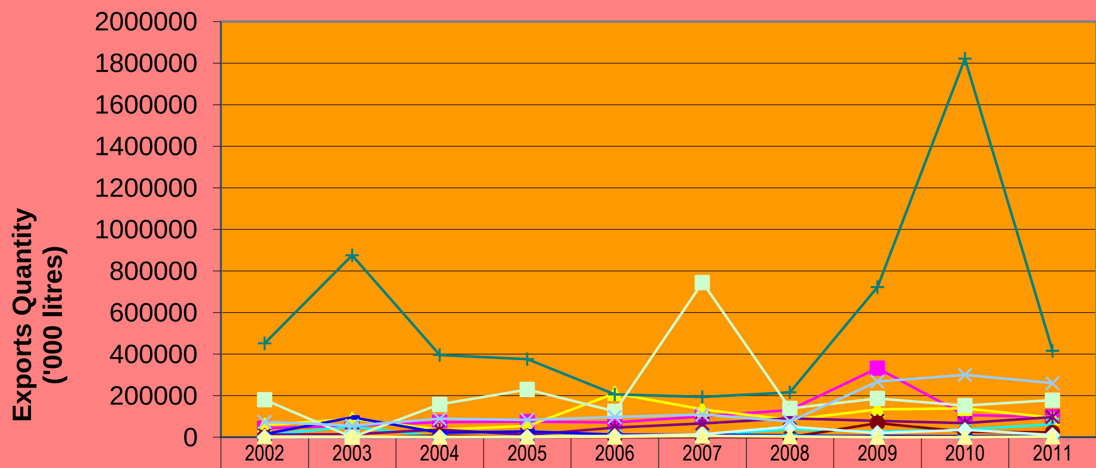


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Europe	5625	9729	10203	25209	39447	45743	71896	42300	83218	85320
Northern Europe	45	810	1233	720	855	738	3217	6462	3601	9804
Western Europe Rest	9770	31972	20956	39225	18491	19694	26269	30435	24693	10621
European Union	856423	1601370	831073	875901	792664	1409918	860283	2718898	2714553	1266053

Source: Quantec

Figure 11 below illustrates exports volumes of wines of fresh grapes (including fortified wines) from South Africa to European Union between 2002 and 2011 period. The figure further illustrates that over the past ten years, United Kingdom commanded the greatest markt share of wines of fresh grapes from South Africa to European Union, followed by Netherlands. The figure also illustrates that other European regions had very low levels of wine exports volumes from South Africa during the period under scrutiny of not more than 4000 litres per year. The figure further illustrates that exports volumes of wines of fresh grapes from South Africa to the United Kingdom attained a peak in 2003 and 2010 at approximately 875 501 litres and 1.8 million litres respectively. The figure also depicts that in 2011, there was a dramatic decline in wine exports volumes of fresh grapes from South Africa to the United Kingdom with lower levels of about 415 797 litres. The figure further illustrates that exports volumes of wines of fresh grapes from South Africa to the Netherlands attained a peak in 2007 at approximately 744 064 litres. The figure also illustrates that the dramatic decline in exports volumes of wines of fresh grapes from South Africa to the United Kingdom in 2011 represents 77.2% as compared to 2010.

Figure 11: Exports volumes of wine of fresh grapes (including fortified wines) to European Union

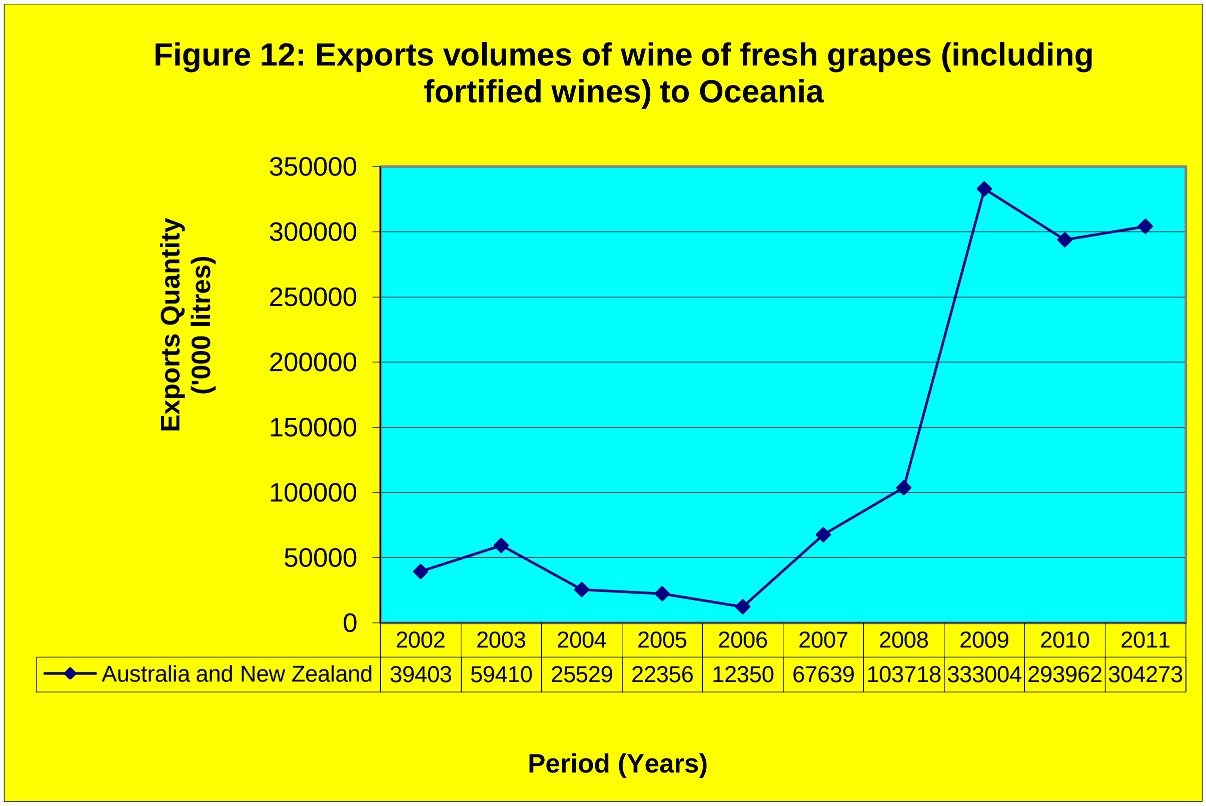


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Austria	1342	1419	528	1455	1215	1809	3555	6255	5009	5916
Belgium	43628	56158	72762	75471	70754	99974	130704	332415	106071	98996
Germany	59092	88703	37507	54492	211188	133549	83478	134799	138924	93885
Denmark	10866	50667	1949	4342	5430	11843	38413	26437	37372	61398
Finland	12015	13878	36665	11052	46404	66579	91444	79164	68101	97846
France	487	606	8513	2258	1088	1453	6.724	68234	26451	23047
United Kingdom	452004	875501	395969	376162	206294	193727	216447	722417	1821254	415797
Ireland	15864	95231	22360	28734	12770	12192	9322	3429	5013	4189
Italy	467	232	1116	231	5395	7004	6874	45	45	4545
Latvia	675	1980	1890	2880	6003	14768	51052	21015	35909	11520
Netherlands	180890	346.222	158496	230167	125153	744064	138935	187040	152273	178517
Poland	3840	3330	1305	1755	1530	6151	3338	871	607	2835
Sweden	73651	55525	89063	83915	97439	108939	76240	267830	300576	259797

Period (Years)

Source: Quantec

Figure 12 below shows exports volumes of wines of fresh grapes (including fortified wines) from South Africa to Oceania between 2002 and 2011 period. The figure further shows that the major market for wines of fresh grapes from South Africa to Oceania was mainly Austarlia and New Zealand. Exports of wines of fresh grapes from South Africa to Australia and New Zealand started to increase in 2002 and 2003, and then a decline occurred between 2004 and 2006 to lower levels of about 12 350 litres. The figure also shows that exports of wines of fresh grapes from South Africa to Australia and New Zealand experienced an increase again in 2007 and 2008, until a peak was attained in 2009 at approximately 333 004 litres. The figure further shows that in 2010, there was a slight decline in wine exports of fresh grapes from South Africa to Australia and New Zealand, while in 2011 exports of wines of fresh grapes saw a slight increase. The slight increase in exports of wines of fresh grapes from South Africa to Australia and New Zealand in 2011 represents 3.5% as compared to 2010.



Source: Quantec

3.1 Provincial and district export values of South African wines

A review of provincial level trade data shows that the Western Cape Province had high export values over the past decade. This can be attributed to the fact that the province is firstly the leader in both the production and export of the wine. Secondly, the registered exporters are based in the province and thirdly, the province has the Cape Town harbour that serves as an exit point for wine products. Figure 5 below depicts the value of wine exports from each province of South Africa.

Figure 13 shows the value of wines of fresh grapes (including fortified wines) exports by provinces of South Africa to the world between 2002 and 2011 period. The graph further shows that over the past decade, Western Cape Province commanded the greatest share of wines offresh grapes from South Africa to the world, followed by very low exports values of wines of fresh grapes from other eight remaining provinces. During the same period under examination, exports values of wines of fresh grapes from the Western Cape Province started to increase in 2002, with a consistent increase and a small peak in 2005 at an export value of approximately R3.6 billion. The graph further shows that in 2006, exports value of wines of fresh grapes from Western Cape Province declined until an increase was experienced in 2007 and a peak in 2008 at approximately R6.1 billion. Other provinces featured intermittently but usually registered very low values in terms of trade over the past ten years. Between 2009 and 2011, the graph shows that there was a consistent decline in exports of wines of fresh grapes from Western Cape Province to the world of about R5.3 billion in 2011. The decline in exports of wines of fresh grapes from the Western Cape Province to the world in 2010 represents 3.9% as compared to 2010. The Western Cape Province is generally a major producer and exporter of wine in South Africa.

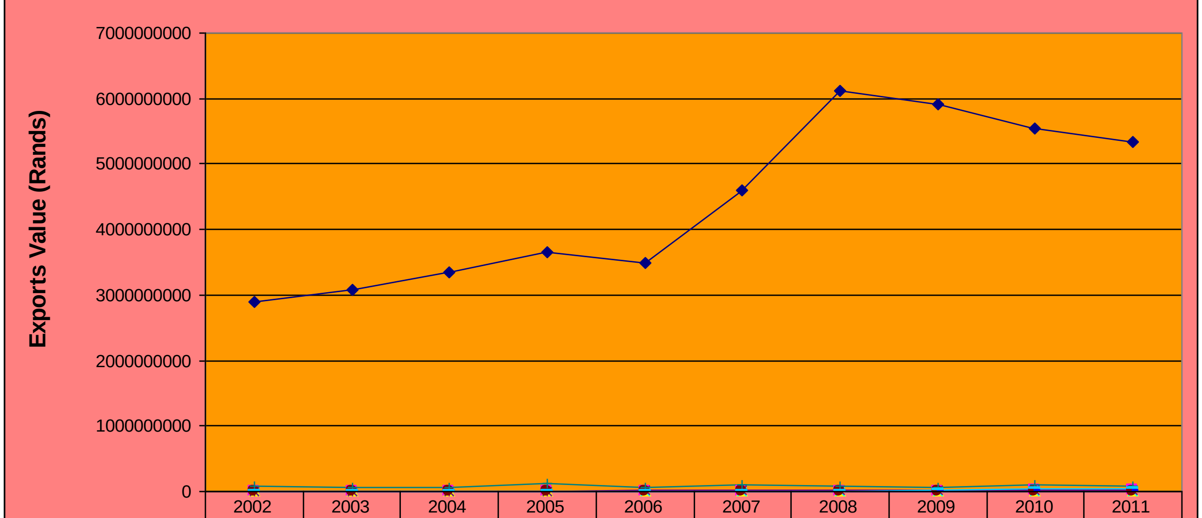


Figure 13: Value of wine exports by Provinces

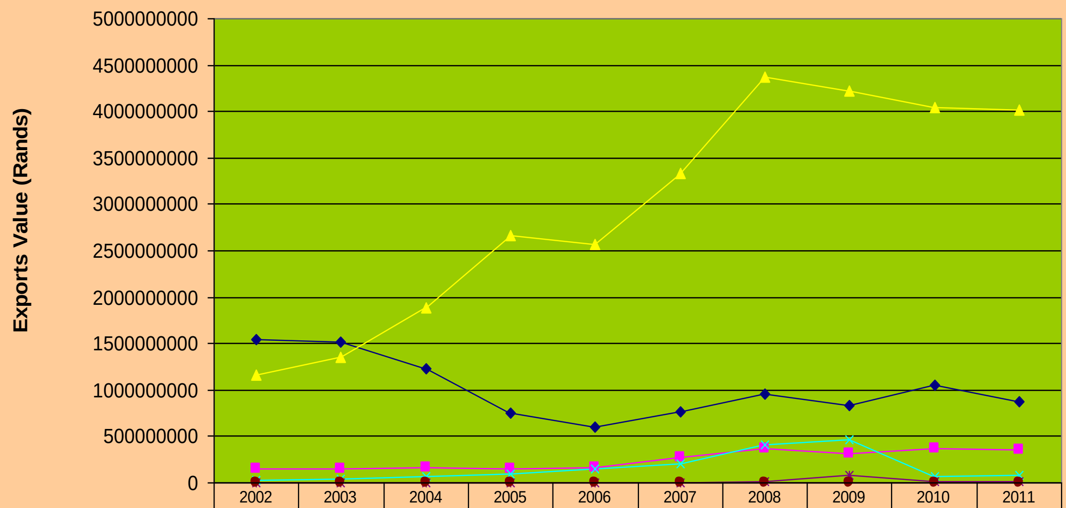
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	2895954354	3072805647	3348073087	3663086387	3483172101	4597050925	6112797419	5910106429	5551400459	5335866443
Eastern Cape	7845961	8203559	7090318	4324217	6025611	8461078	6272787	7544896	11041320	11843333
Northern Cape	3073360	1543094	4229562	6744199	1601106	2364093	3708658	1134998	2856596	4161311
Free State	99238	45437	677113	198528	1417916	143926	455783	289	735	0
Kwazulu-Natal	6730426	6634470	7064992	9854035	10676189	16749313	18880739	14154553	22822172	10278307
North West	1589	400462	36968	205262	439921	354207	172650	1624333	1343245	2798696
Gauteng	86561646	61064469	69523768	119810276	59792055	105429902	86710818	66771215	94587111	89244299
Mpumalanga	34543	106533	228534	735297	0	63861	26716	390883	77055	267724
Limpopo	9617	800	53966	1821475	378131	1324676	1045	13710244	37688752	37340763

Source: Quantec

The following figures (14 – 22) shows the exports values of wines of fresh grapes from various districts in the nine provinces of South Africa.

It is clear from figure 14 above that exports values of wines of fresh grapes from the Western Cape Province to the world between 2002 and 2011 were mainly from Cape Winelands District Municipality, followed by the City of Cape Town Metro and Overberg District municipalities. The graph further depicts that high export values of wines of fresh grapes from the City of Cape Town Metro were recorded in 2002 and and 2003 at about R1.55 billion in 2002, while high export values of wine from the Cape Winelands District were recorded between 2004 and 2011 at approximately between R1.8 billion and R4.4 billion. The graph also depicts that exports values of wines of fresh grapes from Cape Winelands district experienced a peak in 2008 at approximately R R4.4 billion. The graph further depicts that City of Cape Town Metro attained a peak in 2002 at approximately R1.55 billion. The wine exports from Cape Winelands District with no doubt contributed strongly to the economy of the District municipality during the same period under examination. Between 2009 and 2011, the graph also depicts that there was a consistent decline in exports values of wines of fresh grapes from Western Cape Winelands District to the world of about R4.0 billion in 2011.The decline in exports values of wines of fresh grapes from Cape Winelands District to the world in 2011 represents 0.59% as compared to 2010. The Western Cape Province is generally a major producer and exporter of wine in South Africa.

Figure 14: Value of wine exports by Western Cape Province



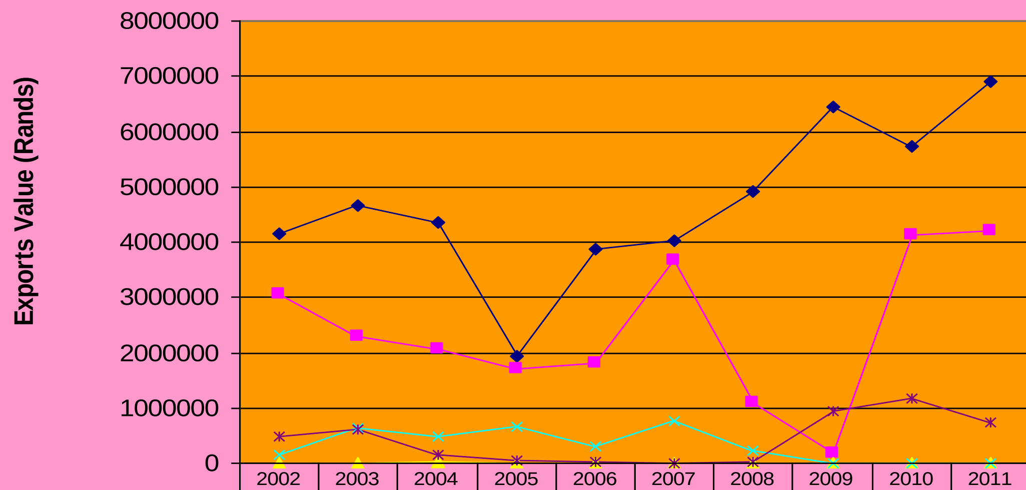
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Cape Town Metropolitan Municipality	1549625259	1520651659	1229239549	746360093	599706385	770513744	950644612	835914564	1058513397	872526217
West Coast District municipality	154111059	154526211	164343883	154577318	165055051	276739630	373268987	310147519	369953029	352108189
Cape Winelands District Municipality	1165416286	1348675971	1886109288	2662388535	2565797527	3338347283	4375085643	4217741101	4043890103	4019933436
Overberg District municipality	24928728	47031873	65795807	94970132	149333021	206465901	403061444	464213916	64066126	77462173
Eden District municipality	1873022	1919933	1839943	3743233	2264760	3593197	10243238	81038946	14558527	13714214
Central Karoo District municipality	0	0	744617	1047076	1015357	1391170	493496	1050383	419276	122214

Period (Years)

Source: Quantec

Figure 15 below indicates exports values of wines of fresh grapes from the Eastern Cape Province to the world between 2002 and 2011 period. The figure further indicates that over the past decade, Cacadu district commanded the greatest share of exports values of wines of fresh grapes from the Eastern Cape Province to the world, followed by Amathole District, Nelson Mandela Metro and O.R Tambo District. The figure also indicates that exports of wines of fresh grapes from Cacadu District started to increase in 2002 until 2003, and then experienced a decline in exports of wines of fresh grapes in 2004 with lower levels experienced in 2005 at about R1.9 million. Between 2006 and 2009, Cacadu District experienced a surge in exports of wines up to higher levels of about R6.4 million. The figure further indicates that exports of wines from Cacadu District to the world saw a slight in 2010 at about R5.7 million until a peak was attained in 2011 at approximately R6.9 million. The figure also indicates that exports of wines from Amathole District ports to the world attained a peak in 2007, 2010 and 2011 at approximately R3.6, R4.1 and R4.2 million respectively. The increase in exports values of wines of fresh grapes from Cacadu District to the world in 2011 represents 20.4% as compared to 2010, while the slight increase in exports values of wines of fresh grapes from Amathole District to the world in 2011 represents 1.6% as compared to 2010. The Eastern Cape Province is generally not a major exporter of wine.

Figure 15: Value of wine exports by Eastern Cape Province



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cacadu District municipality	4154995	4671179	4354094	1924964	3881128	4018121	4905302	6437538	5732898	6901210
Amatole District municipality	3066087	2284370	2076077	1706040	1799244	3670469	1092281	171839	4137804	4205155
Chris Hani District municipality	0	8717	24021	0	0	0	0	0	0	0
O.R.Tambo District municipality	147484	636403	491312	650625	313722	766992	238889	0	0	0
Nelson Mandela Metropolitan Municipality	477395	602889	144813	42588	31518	5497	36315	935519	1170618	736967

Period (Years)

Source: Quantec

It is clear from Figure 16 below that export values of wines of fresh grapes from the Northern Cape Province to the world were mainly from Siyanda District Municipality between 2002 and 2011 period. The figure further illustrates that high export values of wines of fresh grapes for the leading municipality were recorded over the past decade and were between R1.1 and R6.5 million. The figure also illustrates that exports values of wines of fresh grapes from Siyanda District attained a peak in 2005 at approximately R6.5 million. The graph also illustrates that Pixley ka Seme District was the second with higher exports values of wines of fresh grapes of about R1.1 million during the period under scrutiny. The graph further illustrates that there were a number of declines in exports values of wines of fresh grapes from Siyanda District to the world in 2003, 2006 and 2009 ata approximately R1.3, R1.6 and R1.1 million respectively. In 2010, exports values of wines of fresh grapes from Siyanda District to the world started to increase again at approximately R2.7 million until a small peak was attained in 2011 at about R3.6 million. The increase in exports values of wines of fresh grapes from Siyanda District to the world in 2011 represents 69.9% as compared to 2010. The Northern Cape Province is generally not a major wine exporter.

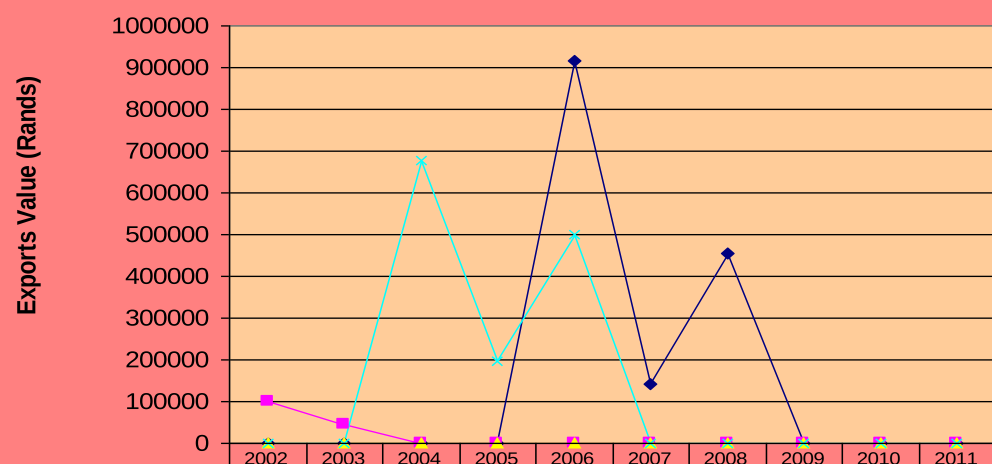
Figure 16: Value of wine exports by Northern Cape Province

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pixley ka Seme District municipality	1113075	0	191776	205658	510	0	0	0	680690	463500
Siyanda District municipality	1635677	1322369	4037786	6538541	1600596	2364093	3708658	1134998	2175906	3697811
Frances Baard District municipality	324608	220724	0	0	0	0	0	0	0	0

Period (Years)

Source: Quantec

Figure 17: Value of wine exports by Free State Province



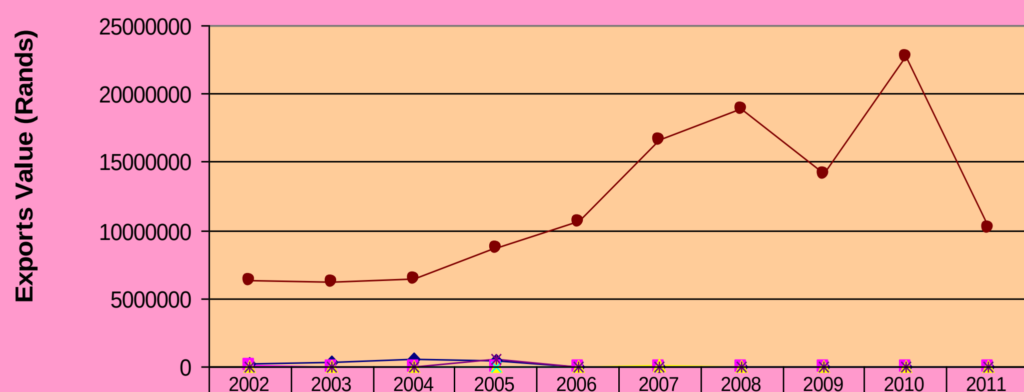
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Xhariep District municipality	0	0	0	0	917627	142450	455783	0	0	0
Motheo District municipality	98489	45437	0	0	860	1475	0	289	735	0
Lejweleputswa District municipality	749	0	0	232	905	0	0	0	0	0
Thabo Mofutsanyane District municipality	0	0	677113	198295	498524	0	0	0	0	0

Period (Years)

Source: Quantec Easy Data

It is clear from figure 17 that there is no area in the Free State Province that has consistently dominated in high exports values of wines of fresh grapes to the world for the past decade. The figure further depicts that from 2002 to 2003, Motheo District was the leading municipality on wines exports from the Free State Province to the world, then in 2004 Thabo Mofutsanyane District emerged as the leader in wine exports with approximately R677 113. The figure also depicts that between 2005 and 2008, Xhariep District was the leading exporter of wine to the world and a peak was attained in 2006 at approximately R917 627. The figure also depicts that between 2002 and 2003, and again between 2007 and 2011, there were no exports of wines of fresh grapes from Thabo Mofutsanyane Distrcit to the world. The decline in exports of wines from Xhariep District to the world in 2009, 2010 and 2011 represents 100% respectively as compared to 2008. The Free State Province is generally not a major exporter of wine.

Figure 18: Value of wine exports by KwaZulu-Natal Province



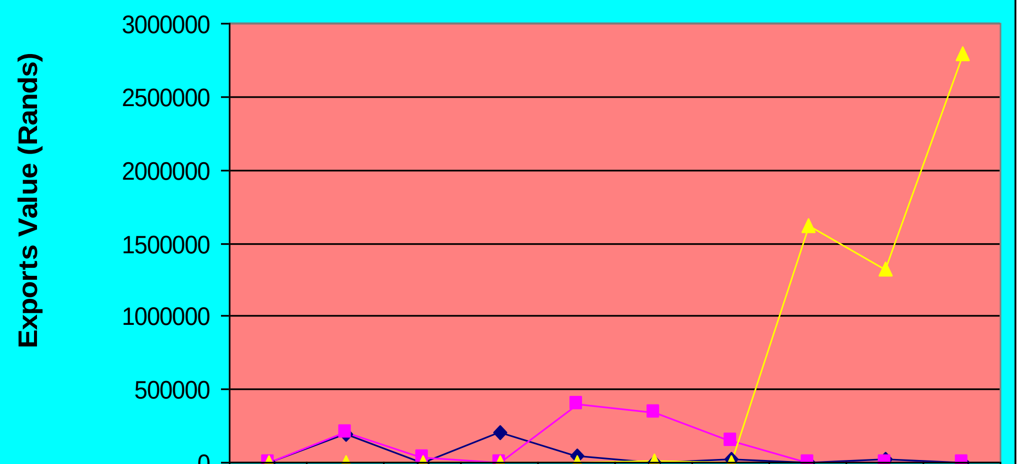
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ugu District municipality	241478	387651	582804	507819	27723	0	0	0	0	0
UMgungundlovu District municipality	147125	28842	5615	3942	772	11699	29948	2982	8518	4565
Uthukela District municipality	4633	0	22924	22668	27840	85831	0	0	29509	425
Uthungulu District municipality	47511	34016	34093	46029	1660	0	0	32012	10002	24206
iLembe District municipality	0	517	531	580677	0	2687	0	0	0	0
eThekwini Metropolitan Municipality	6289679	6183445	6419024	8692900	10618193	16649097	18850791	14119560	22772459	10224174

Period (Years)

Source: Quantec

It is clear from figure 18 that exports values of wines of fresh grapes from the Kwa-Zulu Natal Province to the world were mainly from eThekwini Metro between 2002 and 2011 period. The figure further shows that high export values of wines of fresh grapes for the leading Metro municipality were recorded in 2008 and 2010. The figure further shows that exports of wines of fresh grapes from eThekwini Metro municipaklity started to increase in 2002, with a slight decline in 2003. The figure also shows that exports of wines from eThekwini Metro municipality to the world saw an increase a a surge until a peak was attained a peak in 2008 and 2010 at approximately R18.8 and R22.7 million respectively. In 2009 and 2011, exports values of wines of fresh grapes from eThekwini Metro to the world declined tolower levels of about R10.2 million in 2011. The figure further shows that over the past decade, Ugu, UMgungundlovu, Uthukela, Uthungulu, iLembe District municipalities recorded lower levels of exports of wines of fresh grapes from KwaZulu-Natal Province to the world of not more than R5 million per year. The decline in exports values of wines of fresh grapes from eThekwini Metro to the world in 2011 represents 55% as compared to 2010. The KwaZulu-Natal Province is generally not a major wine exporter.

Figure 19: Value of wine exports by North West Province



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bojanala District municipality	955	190983	2148	204583	42723	0	17801	0	24809	969
Central District municipality	0	209428	34820	0	395075	342886	152851	0	0	0
Southern District municipality	635	50	0	679	2123	11321	1998	1624333	1318436	2797727

Period (Years)

Source: Quantec

Figure 19 indicates exports values of wines of fresh grapes from North West Province to the world between 2002 and 2011 period. During the same period under examination, the graph further indicates that exports of wines of fresh grapes from North West Province to the world were mainly from Southern District municipality, followed by very low exports values from Central and Bojanala District municipalities. The figure also indicates that exports of wines of fresh grapes from Southern District to the world started to increase at a slow pace in 2002 until 2008. The figure further indicates that in 2009exports of wines from Southern District to the world experienced a dramtic increase of about R1.6 million. In 2010, exports values of wines of fresh grapes from Southern District to the world saw a slight decline until a peak was attained in 2011 at approximately R2.7 million. The sharp increase in exports values of wines of fresh grapes from Southern District to the world in 2011 represents 112.2% as compared to 2010. The North West Province is generally not a major wine exporter.

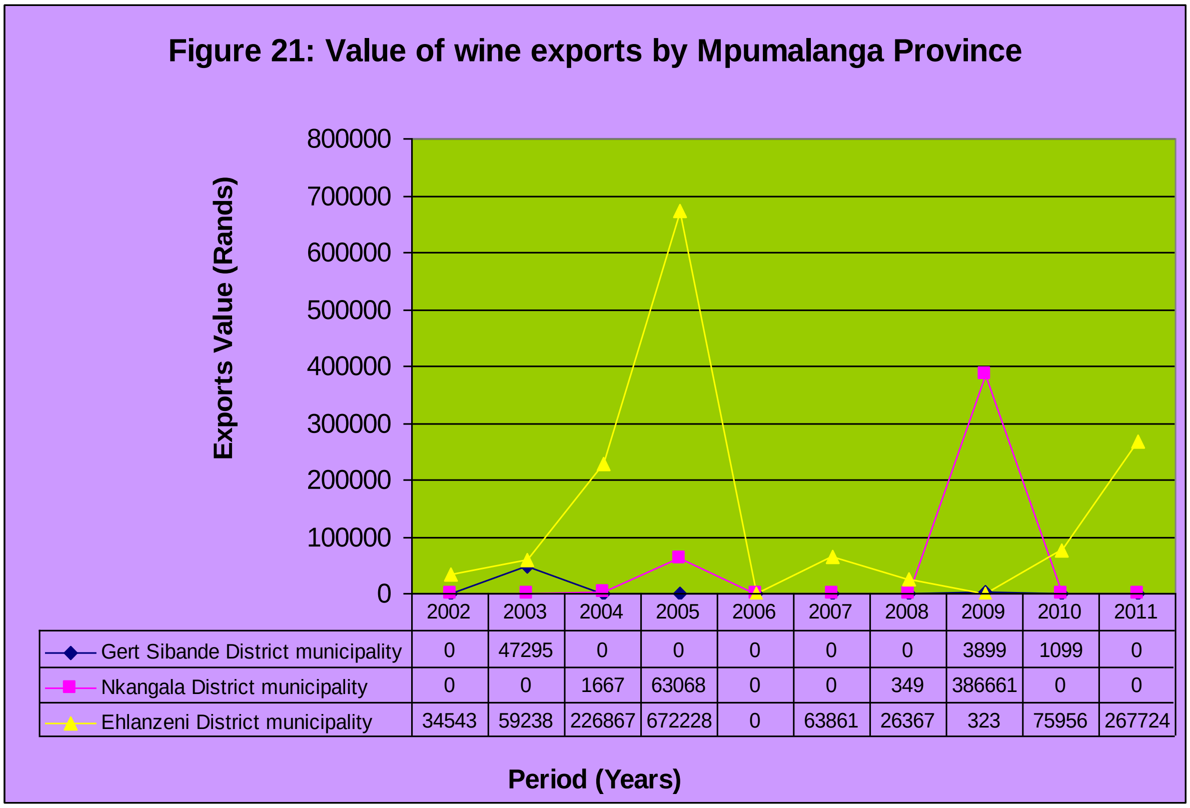
Figure 20: Value of wine exports by Gauteng Province

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedibeng District municipality	14804674	386378	351467	136669	276	30071	600000	18002	99	1381
Metsweding District Municipality	2354	139348	0	15819	0	50	0	411002	8662	1060
West Rand District Municipality	132937	177479	174382	285428	155237	211775	660243	2538815	393835	76791
Ekurhuleni Metropolitan Municipality	47454416	32214044	23009722	89127981	26358971	74202483	31643785	33759860	41314161	37477684
City of Johannesburg Metropolitan Municipality	23438413	27655374	45199796	27809615	32506184	30506967	52876177	29538828	51476305	50097624
City of Tshwane Metropolitan Municipality	728852	491845	788401	2434764	771388	478557	930612	504708	1394049	1589758

Period (Years)

Source: Quantec

Figure 20 illustrates exports values of wines of fresh grapes from Gauteng Province to the world between 2002 and 2011 period. Wine exports values as illustrated in figure 20 originated mainly from Ekurhuleni Metro municipality followed closely by the City of Johannesburg Metro municipality over the past ten years. During the period under scrutiny, wine exports valus from Ekurhuleni Metro attained a peak in 2005 and 2007 at approximately R89.1 and R74.2 million respectively. City of Johannesburg Metro also contributed strongly to the economy of Gauteng Province during the same period under examination, attaining a peak in 2008 at approximately R52.8 million. The figure also illustrates that there was a decline in exports values of wines from Ekurhuleni Metro to the world in 2011 at approximately R37.4 million, while there was also a decline in exports values of wines from city of Johannesburg Metro to the world in 2011 at approximately R50.1 million. The slight decline in exports values of wines from Ekurhuleni Metro municipality to the world in 2011 represents 9.3% as compared to 2010, while slight decline in exports values of wines from City of Johannesburg Metro municipality to the world in 2011 represents 2.68% as compared to 2010. The Gauteng Province is generally not a major wine exporter.

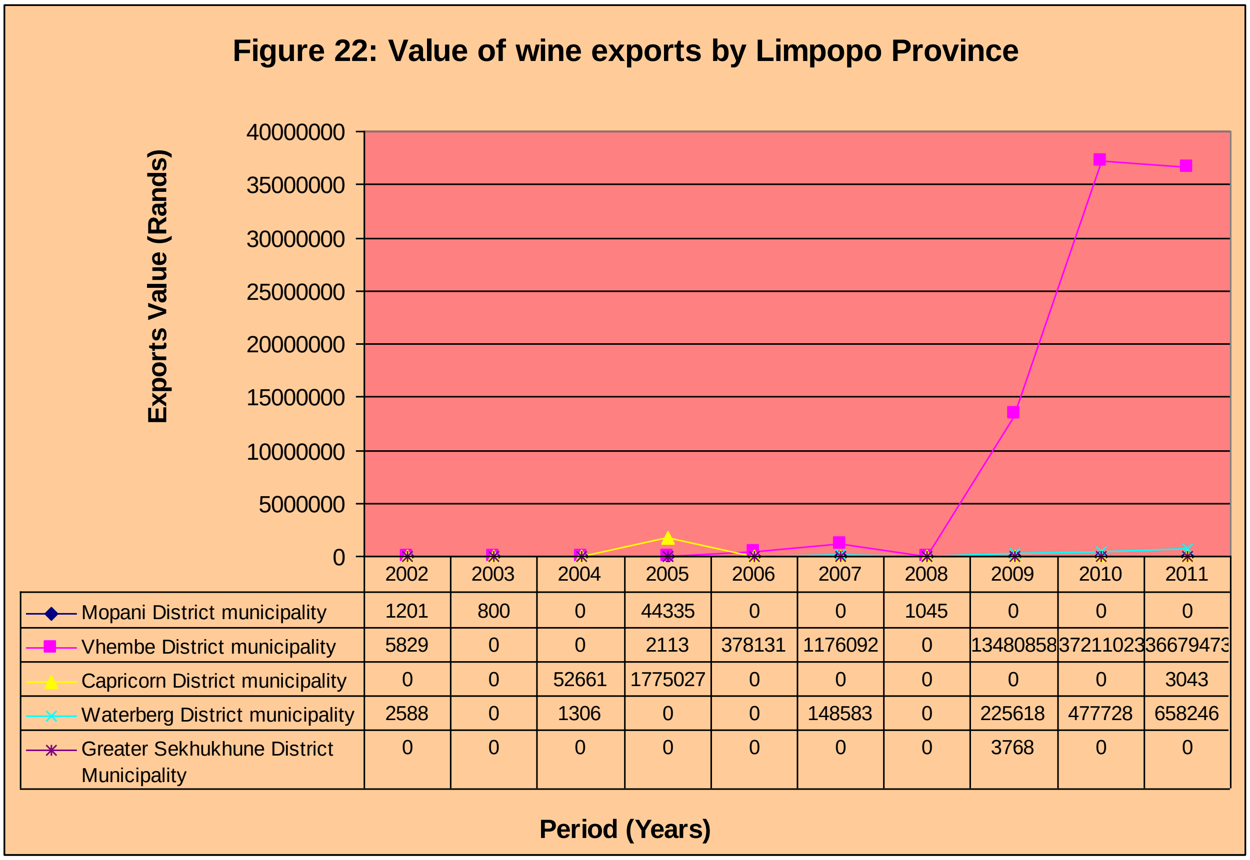


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gert Sibande District municipality	0	47295	0	0	0	0	0	3899	1099	0
Nkangala District municipality	0	0	1667	63068	0	0	349	386661	0	0
Ehlanzeni District municipality	34543	59238	226867	672228	0	63861	26367	323	75956	267724

Source: Quantec

Figure 21 indicates exports values of wines of fresh grapes from Mpumalanga Province to the world between 2002 and 2011 period. It is further clear from figure 21 that over the past decade, exports of wines of fresh grapes from Mpumalanga Province to the world were mainly from Ehlanzeni District. The graph also indicates that Nkangala District came second in terms of exports of wines of fresh grapes from Mpumalanga Province to the world. The graph further indicates that exports of wines of fresh grapes from Ehlanzeni District to the world attained a peak in 2005 at approximately R672 228, while exports of wines of fresh grapes from Nkangala districtto the world attained a peak in 2009 at approximately R386 661. The graph also indicates that in 2011, there was a dramatic increase exports value of wines of fresh grapes from Ehlanzeni District to the world of about R267 724.

The increase in exports value of wines of fresh grapes from Ehlanzeni District to the world in 2011 represents 252% as compared to 2010, while the decline in exports values of wines of fresh grapes from Nkangala District to the world in 2010 and 2010 represents 100% as compared to 2009. The Mpumalanga Province is generally not a major wine exporter.



Source: Quantec

Figure 22 depicts exports values of wines of fresh grapes from Limpopo Province to the world between 2002 and 2011 period. The figure further depicts that exports values of wines of fresh grapes from Limpopo Province to the world were mainly from Vhembe District, followed by very low levels of wines of fresh grapes exports from Mopani, Capricorn, Waterberg, and Greater Sikhukhune Districts. The graph also depicts that exports of wines of fresh grapes from Vhembe District to the world attained a peak in 2010 at approximately R37.2 million. However, Capricorn District has emerged as a second exporter of wines of fresh grapes from Limpopo Province over the past decade.

The slight decline in exports of wines of fresh grapes from Vhembe District to the world in 2011 represents 1.43% as compared to 2010. The Limpopo province is generally not a major wine exporter.

3.2 Share analysis

Table 9: Share of Provincial wine exports to the total RSA wine exports (%)

Years Province	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	96.52	97.52	97.41	96.23	97.75	97.15	98.13	98.25	97.02	97.16
Eastern Cape	0.26	0.26	0.21	0.11	0.17	0.18	0.10	0.13	0.19	0.22
Northern Cape	0.10	0.05	0.12	0.18	0.05	0.05	0.06	0.02	0.05	0.08
Free State	0.00	0.00	0.02	0.01	0.04	0.00	0.01	4.80	1.28	0.00
Kwazulu-Natal	0.22	0.21	0.21	0.26	0.30	0.35	0.30	0.24	0.40	0.19
North West	5.30	0.01	0.00	0.01	0.01	0.01	0.00	0.03	0.02	0.05
Gauteng	2.89	1.94	2.03	3.15	1.68	2.23	1.39	1.11	1.65	1.63
Mpumalanga	0.00	0.00	0.01	0.02	0.00	0.00	0.00	0.01	0.00	0.00
Limpopo	0.00	2.54	0.00	0.05	0.01	0.03	1.68	0.23	0.66	0.68

Source: Calculated from Quantec

Table 9 above is an illustration of provincial share towards national wines of fresh grapes exports over the past etn years. The table further illustrates that Western Cape Province has commanded the greatest share of wine exports between 2002 and 2011, followed by Gauteng Province. It is clear that Western Cape Province derives its advantage from the fact that most producers and exporters are based in Western Cape Province because of good infrastructure and logistics services.

Table 10: Share of district wine exports to the total Western Cape provincial wine exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Cape Town	53.51	49.49	36.71	20.37	17.22	16.76	15.55	14.14	19.07	16.35
West Coast	5.32	5.02	4.91	4.22	4.74	6.02	6.11	5.25	6.66	6.60
Cape Winelands	40.24	43.89	56.33	72.68	73.66	72.62	71.57	71.36	72.84	75.34
Overberg	0.86	1.53	1.97	2.59	4.29	4.50	6.59	7.85	1.15	1.45
Eden	0.06	0.06	0.05	0.10	0.07	0.08	0.17	1.37	0.26	0.26
Central Karoo	0.00	0.00	0.02	0.03	0.03	0.03	0.01	0.02	0.01	0.00

Source: Calculated from Quantec

Table 10 shows the share of district wines of fresh grapes exports to the total Western Cape provincial wine exports (%). Between the period 2002 and 2011, the Cape Winelands District commanded the greatest share in exports of wine simple because of the competitive advantage in wine producing areas.

Table 11: Share of district wine exports to the total Gauteng provincial wine exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedibeng	17.10	0.63	0.51	0.11	0.00	0.03	0.69	0.03	0.00	0.00
Metsweding	0.00	0.23	0.00	0.01	0.00	4.74	0.00	0.62	0.01	0.00
West Rand	0.15	0.29	0.25	0.24	0.26	0.20	076	3.80	0.42	0.09
Ekurhuleni Metro	54.82	52.75	33.10	74.39	44.08	70.38	36.49	50.56	43.68	41.99
City of Joburg	27.08	45.29	65.01	23.21	54.37	28.94	60.98	44.24	54.42	56.14
City of Tshwane	0.84	0.81	1.1	2.03	1.29	0.45	1.07	0.76	1.47	1.78

Source: Calculated from Quantec

Table 11 indicates the share of district wines of fresh grapes exports to the total Gauteng provincial wine exports (%). Between the period 2002 and 2011, Ekurhuleni Metro and City of Johanesburg Metro commanded the greatest share in exports of wines of fresh grapes simple because of good logistic services for exportation and the presence of O.R. Tambo Airport next to the area.

Table 12: Share of district wine exports to the total Kwa-Zulu Natal provincial wine exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ugu District	3.59	5.84	8.25	5.15	0.26	0.00	0.00	0.00	0.00	0.00
Umgungundlovu	2.19	0.43	0.08	0.04	0.01	0.01	0.16	0.02	0.04	0.04
Uthukela	0.07	0.00	0.32	0.23	0.26	0.51	0.00	0.00	0.13	0.04
Uthungulu	0.71	0.51	0.48	0.47	0.02	0.00	0.00	0.23	0.04	0.24
Ilembe District	0.00	0.01	0.01	5.89	0.00	0.02	0.00	0.00	0.00	0.00
eThekwini	93.45	93.20	90.86	88.22	99.46	99.40	99.84	99.75	99.78	99.72

Source: Calculated from Quantec

Table 12 illustrates the share of district wines of fresh grapes exports to the total Kwazulu-Natal provincial wine exports (%). Between the period 2002 and 2011, the eThekwini Metro commanded the greatest share in exports of wines of fresh grapes simple because of the competitive advantage in exportation and the presence of Durban harbour.

Table 13: Share of district wine exports to the total Eastern Cape provincial wine exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cacadu	52.96	56.94	61.41	44.51	64.41	47.49	78.20	85.32	51.92	58.27
Amatole	39.08	27.85	29.28	39.45	29.86	43.38	17.41	2.28	37.48	35.51
Chris Hani	0.00	0.11	0.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OR Tambo	1.88	7.76	6..93	15.05	5.21	9.06	3.81	0.00	0.00	0.00
Nelson Mandela	6.08	7.35	2.04	0.98	0.52	0.06	0.58	12.40	10.60	6.22

Source: Calculated from Quantec

Table 13 illustrates the share of district wines of fresh grapes exports to the total Eastern Cape provincial wine exports (%). Between the period 2002 and 2011, Cacadu District, followed by Amatole District commanded the greatest share in exports of wines of fresh grapes simple because of the presence of Port Elizabeth and East London harbours that makes it easy to ship the wine products.

Table 14: Share of district wine exports to the total Northern Cape provincial wine exports (%)

Years: District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pixley ka Seme	36.22	0.00	4.53	3.05	0.03	0.00	0.00	0.00	23.83	11.14
Siyanda District	53.22	85.70	95.47	96.95	99.97	100	100	100	76.17	88.86
Frances Baard	10.56	14.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec

Table 14 illustrates the share of district wines of fresh grapes exports to the total Northern Cape provincial wine exports (%). Between the period 2002 and 2011, Siyanda District commanded the greatest share in exports of wines of fresh grapes in the Northern Cape Province.

Table 15: Share of district wine exports to the total Limpopo provincial wine exports (%)

Years: District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mopani	12.48	100	0.00	2.43	0.00	0.00	100	0.00	0.00	0.00
Vhembe	60.61	0.00	0.00	0.12	100	88.78	0.00	98.33	98.73	98.23
Capricorn	0.00	0.00	97.58	97.45	0.00	0.00	0.00	0.00	0.00	0.01
Waterberg	26.91	0.00	2.42	0.00	0.00	11.22	0.00	1.65	1.27	1.76
Greater Sekhukhune	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00

Source: Calculated from Quantec

Table 15 illustrates the share of district wines of fresh grapes exports to the total Limpopo provincial wine exports (%). Between the period 2002 and 2011, Vhembe District commanded the greatest share in exports of wines of fresh grapes in that province.

Table 16: Share of district wine exports to the total Mpumalanga provincial wine exports (%)

Years: District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gert Sibande	0.00	44.39	0.00	0.00	0.00	0.00	0.00	0.99	1.43	0.00
Nkangala	0.00	0.00	0.73	8.58	0.00	0.00	1.31	98.92	0.00	0.00
Ehlanzeni	100	55.61	99.27	91.42	0.00	100	98.69	0.08	98.57	100

Source: Calculated from Quantec

Table 16 illustrates the share of district wines of fresh grapes exports to the total Mpumalanga provincial wine exports (%). Between the period 2002 and 2011, Ehlanzeni District commanded the greatest share in exports of wine in that province.

Table 17: Share of district wine exports to the total North West provincial wine exports (%)

Years: District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bojanala	60.05	47.69	5.81	99.67	9.71	0.00	10.31	0.00	1.85	0.03
Central District	0.00	52.30	94.19	0.00	89.81	96.80	88.53	0.00	0.00	0.00
Southern District	39.95	0.01	0.00	0.33	0.48	3.20	1.16	100	98.15	99.97

Source: Calculated from Quantec

Table 17 shows the share of district wines of fresh grapes exports to the total North West provincial wine exports (%). Between the period 2002 and 2011, Central District commanded the greatest share in exports of wines of fresh grapes in that province.

Table 18: Share of district wine exports to the total Free State provincial wine exports (%)

Years: District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Xhariep	0.00	0.00	0.00	0.00	64.72	98.98	100	0.00	0.00	0.00
Motheo	99.25	100	0.00	0.00	0.06	1.02	0.00	100	100	0.00
Lejweleputswa	0.75	0.00	0.00	0.12	0.06	0.00	0.00	0.00	0.00	0.00
Thabo Mofutsanyane	0.00	0.00	100	99.88	35.16	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec

Table 18 depicts the share of district wines of fresh grapes exports to the total Free State provincial wine exports (%). Between the period 2002 and 2011, Motheo District commanded the greatest share in exports of wines of fresh grapes in that province.

4. IMPORTS OF WINES OF FRESH GRAPES

Figure 23 depicts imports volumes of wines of fresh grapes (including fortified wines) from various regions into South Africa between 2002 and 2011 period. The figure further depicts that the major import market for wines of fresh grapes from the world into South Africa originated from Europe, followed by minimal importsvolumes of wines from Africa and Asia. The figure also depicts that imports of wines of fresh grapes from Europe into South Africa started to increase in 2002 with a dramatic increase between 2005 and 2008 of about 426 344 litres. The graph further depicts that in 2008 year, imports of wines of fresh grapes from Europe into South Africa experienced a peak in 2008 at approximately 426 344 litres. In 2009, imports volumes of wines of fresh grapes from Europe experienced a slight decline, and then in 2010 wine imports volumes slightly increased to approximately 375 788 litres. In 2011, imports volumes of wines of fresh grapes experienced a dramatic increase and a peak at approximately 512 936 litres. The dramatic increase in imports volumes of wines of fresh grapes from Europe into South Africa in 2011 represents 36.5% as compared to 2010.

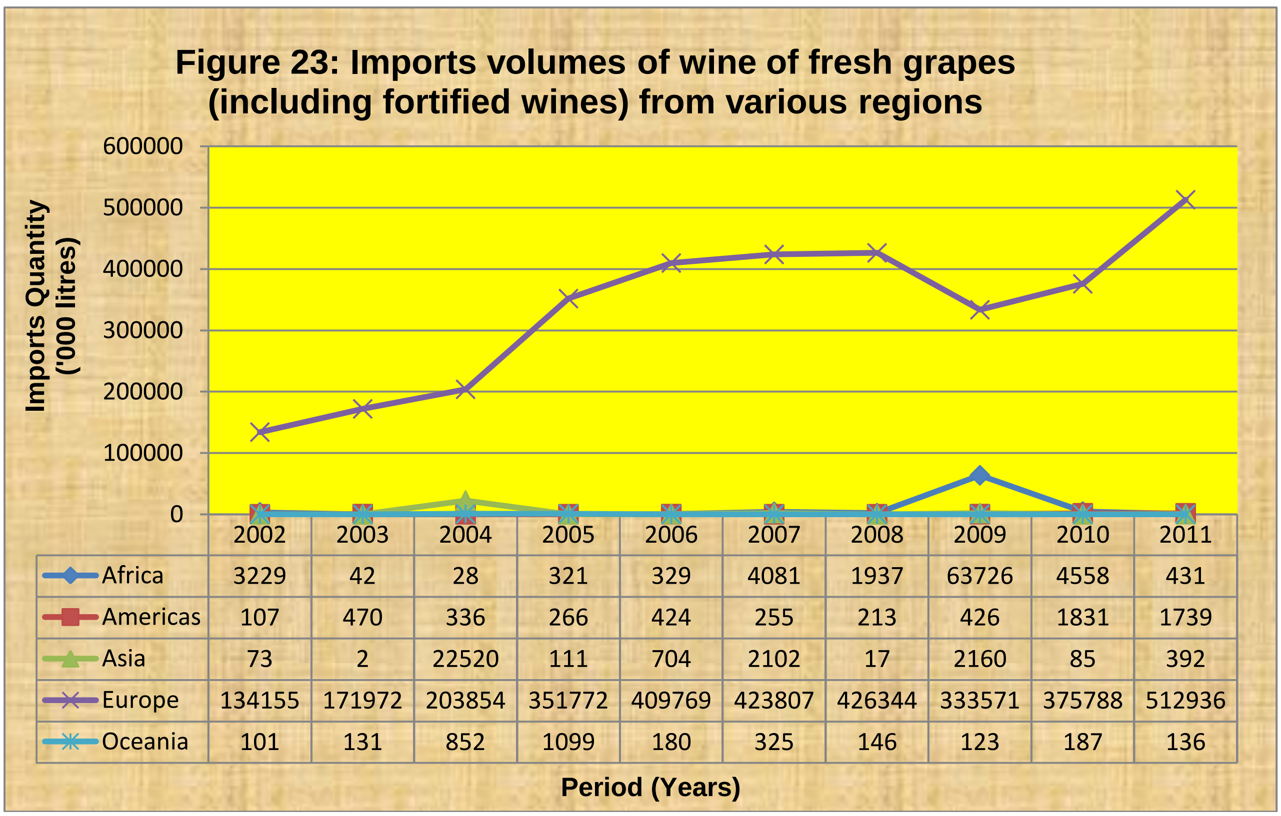
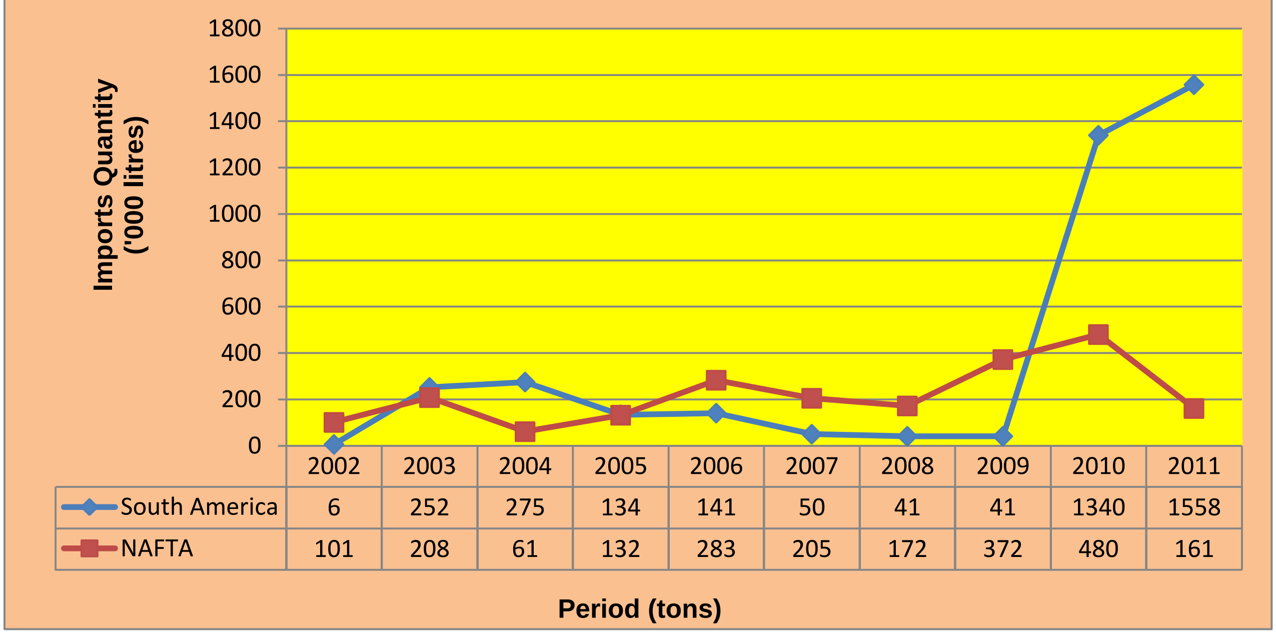


Figure 23: Imports volumes of wine of fresh grapes (including fortified wines) from various regions

Source: Quantec

Figure 24 depicts imports volumes of wines of fresh grapes (including fortified wines) from Americas into South Africa between 2002 and 2011 period. The figure further depicts that the major import market for wines of fresh grapes from Americas into South Africa was mainly South America, followed by NAFTA during the period under examination. Imports of wines of fresh grapes from South America started to increase in 2003 and 2004, and then a decline in imports of wines was experienced between 2005 and 2009 to lwer levels of about 6 litres. Imports of wines of fresh grapes from South America into South Africa attained a peak in 2011 at approximately 1 558 litres, while imports of wines of fresh grapes from NAFTA into South Africa attained a peak in 2010 at approximately 480 litres. The dramatic increase in imports volumes of wines of fresh grapes from South America into South Africa in 2011 represents 16.3% as compared to 2010.

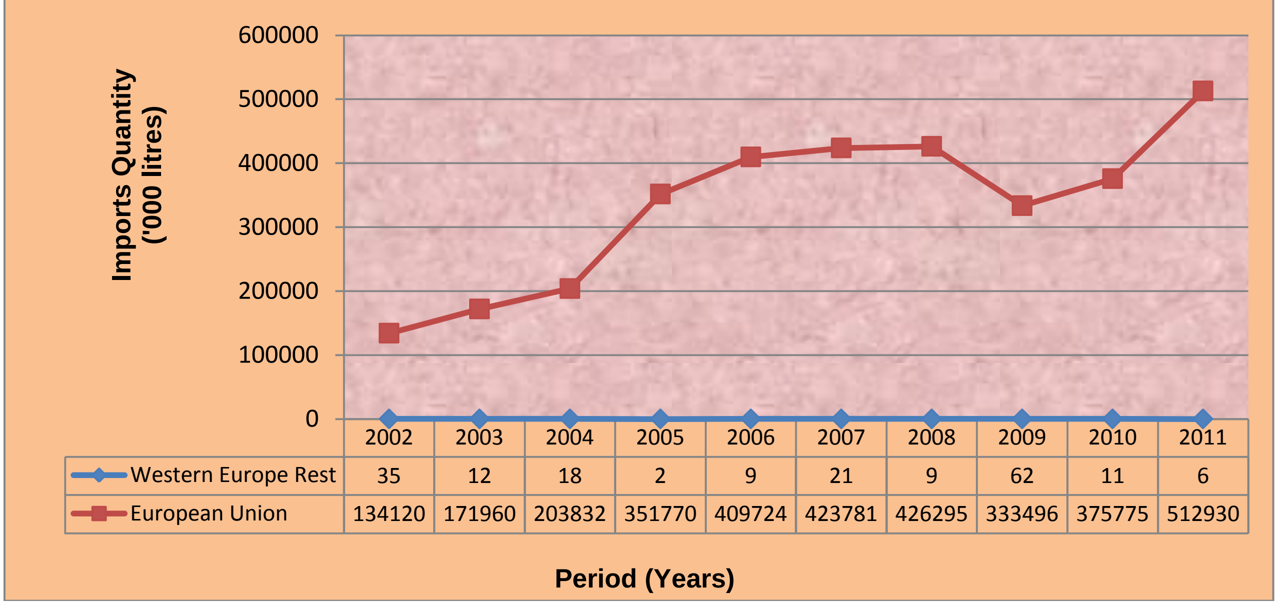
Figure 24: Imports volumes of wine of fresh grapes (including fortified wines) from Americas



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
South America	6	252	275	134	141	50	41	41	1340	1558
NAFTA	101	208	61	132	283	205	172	372	480	161

Source: Quantec

Figure 25: Imports volumes of wine of fresh grapes (including fortified wines) from Europe

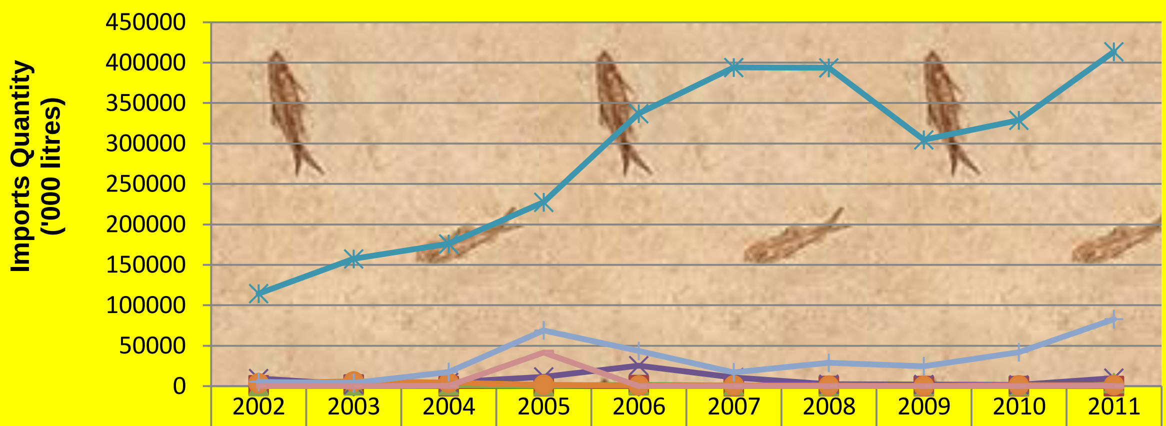


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Europe Rest	35	12	18	2	9	21	9	62	11	6
European Union	134120	171960	203832	351770	409724	423781	426295	333496	375775	512930

Source: Quantec

Figure 25 depicts imports volumes of wines of fresh grapes (including fortified wines) from Europe into South Africa between 2002 and 2011 period. The figure further depicts that the major import market for wines of fresh grapes from the Europe into South Africa mainly originated from the European Union, followed by very low or minimal volumes of wines of fresh grapes from Western Europe. The figure also depicts that imports volumes of wines of fresh grapes from the European Union into South Africa started to increase in 2002 with a dramatic increase between 2005 and 2008 of approximately 426 295 litres. The graph further depicts that in 2008, imports volumes of wines of fresh grapes from European Union into South Africa experienced a peak in 2008 at approximately 426 295 litres. In 2009, imports volumes of wines of fresh grapes from the European Union experienced a slight decline, and then in 2010 wine imports volumes slightly increased to approximately 375 775 litres. In 2011, imports volumes of wines of fresh grapes from the European Union into South Afroca saw a dramatic increase and a peak at approximately 512 930 litres over the past decade. The dramtic increase in imports volumes of wines of fresh grapes from the European Union into South Africa in 2011 represents 11.2% as compared to 2010.

Figure 26: Imports volumes of wine of fresh grapes (including fortified wines) from European Union



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Austria	1	10	25	0	0	2	110	4	36	6
Belgium	1049	1971	16	3	1231	1	108	49	35	119
Germany	269	1084	1201	533	1606	849	380	677	639	3803
Spain	9382	1910	4645	11494	25325	10610	2311	2119	1654	9951
France	114417	157291	175882	227372	336951	394024	393580	304534	328769	413481
United Kingdom	3599	5761	4165	1739	805	913	714	340	1119	1170
Italy	5318	3856	17585	68904	43431	17137	28891	24553	42078	82861
Netherlands	3	4	258	41652	49	9	15	9	2	182

Period (Years)

Source: Quantec

Figure 26 shows imports volumes of wines of fresh grapes (including fortified wines) from the European Union into South Africa between 2002 and 2011 period. The figure further shows that the major import market for wines of fresh grapes from European Union into South Africa was France, followed by minimal import volumes from Italy, Netherlands and Spain. The figure also shows that imports of wines of fresh grapes from the France into South Africa started to increase in 2002 with a dramatic increase between 2005 and 2008. The figure further shows that imports volumes of wines of fresh grapes from France into South Africa attained a peak in 2007 and 2011 at approximately 394 024 and 413 481 litres. In 2008, imports of wines of fresh grapes from France experienced a slight decline of about 393 580 litres, and then a slight decline in 2009 of about 304 534 litres. In 2010, imports volumes of wines of fresh grapes from France into South Africa slightly increased at approximately 328 769 litres until a peak was attained in 2011 at approximately 413 481 litres. The dramatic increase in imports volumes of wines of fresh grapes from France into South Africa in 2011 represents 25.8% as compared to 2010.

4. MARKET INTELIGENCE

4.1 Competitiveness of South African wine exports

Competitiveness is described as an industry's capacity to create superior value for its customers and improved profits for the stakeholders in the value chain. The driving force in sustaining a competitive position is productivity that is output efficiency in relation to specific inputs with regard to human, capital and natural resources. South African exports for wine of fresh grapes, including fortified wines, and grape must whose fermentation has been arrested by addition of alcohol, in containers of > 2 litres represent 5.8% of world exports and its ranking on the world exports is number 7.

Table 19: List of importing markets for grape wines exported by South Africa in 2011

Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (%, p.a.)	Exported growth in quantity between 2007-2011 (%, p.a.)	Exported growth in value between 2010-2011 (%, p.a.)	
World	221243	100	205959	1074	11	-6	9	
Sweden	49992	22.6	30631	1632	7	14	-5	6.2
Germany	48551	21.9	58210	834	25	15	22	6.2
United Kingdom	38996	17.6	42304	922	13	8	-13	6.2
Denmark	22328	10.1	13625	1639	22	19	71	6.2
France	7262	3.3	9118	796	14	10	26	6.2
Netherlands	6430	2.9	7700	835	-19	-33	10	6.2
Russian Federation	5339	2.4	7953	671	39	46	33	17.5
Belgium	5156	2.3	5989	861	7	0	20	6.2
Canada	4821	2.2	6546	736	14	0	19	0
Finland	4179	1.9	2628	1590	9	5	-9	6.2
Kenya	3652	1.7	2348	1555	22	21	19	25
United States of America	3008	1.4	3646	825	20	18	15	0
Mozambique	2528	1.1	537	4708	20	-65	202	0
Norway	2500	1.1	1165	2146	4	-2	20	0
Swirtzerland	2070	0.9	1858	1114	9	-6	-7	71.1
United Arab Emirates	2070	0.9	1468	1410	43	41	18	50
Thailand	1670	0.8	2022	826	81	78	21	60

Source: Trade Map

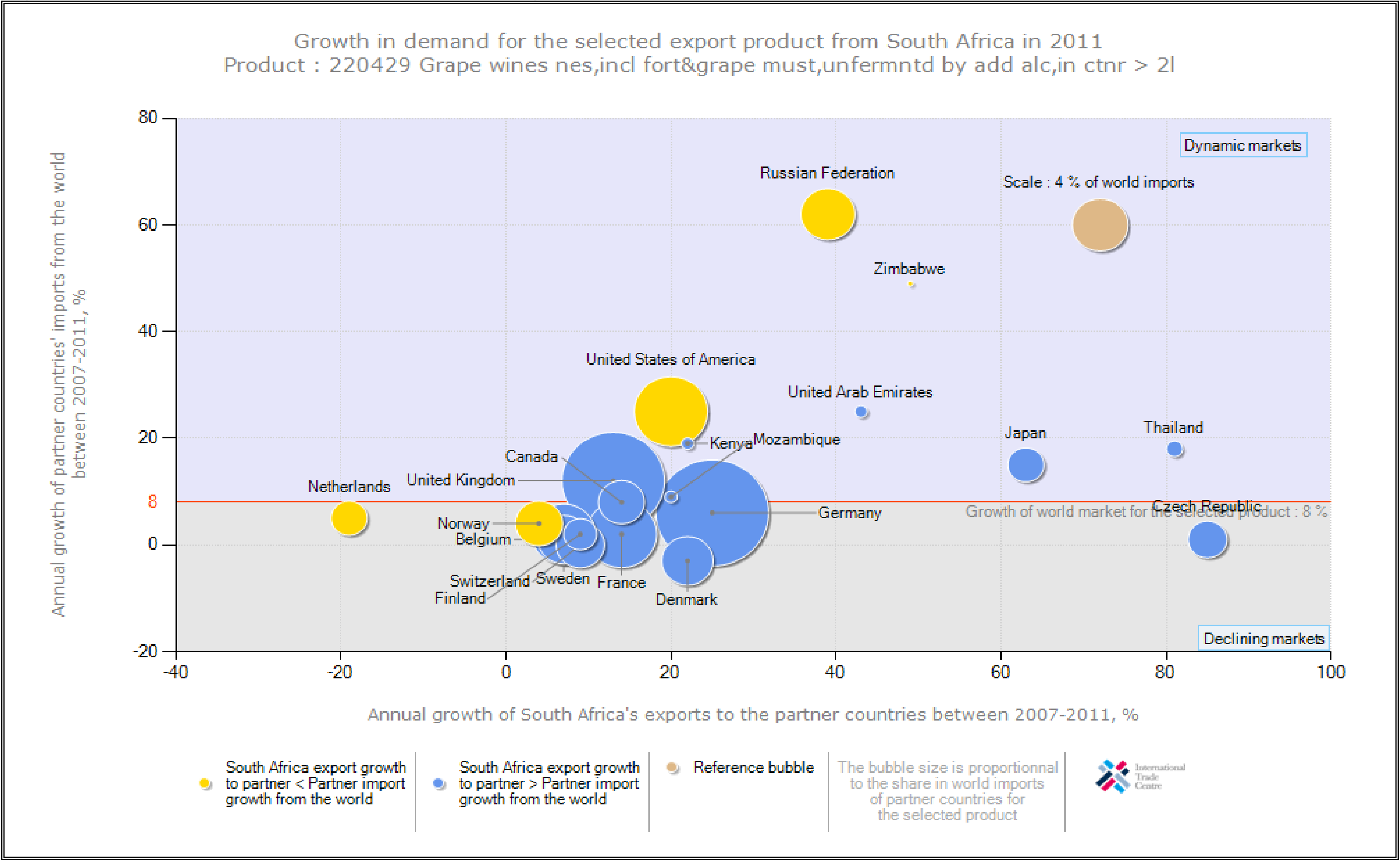
Table 19 illustrates the list of importing markets for grape wines exported by South Africa to the world in 2011. The table further illustrates that Sweden, followed by Germany and United Kingdom imported greater volumes of grape wines from South Africa. Sweden imported 30 631 tons, Germany imported 58 210 tons and United Kingdom imported 42 304 tons during the same period under examination. The table also illustrates that Sweden, Germany and United Kingdom imported more than what the world imported from South Africa, both in value and in volume terms between 2007 and 2011.

South Africa's exported growth in value and volume to Sweden increased to approximately 7% and 14% respectively, while South Africa's exported growth in value and volume to Germany also increased to approximately 25% and 15% respectively. South Africa's exported growth in value and volume to United Kingdom also increased to approximately 13% and 8% respectively.

Sweden had a highest share in South Africa's exports of grape wines at approximately 22.6%, Germany at approximately 21.9% and United Kingdom at approximately 17.6%.

It is interesting to note that Russian Federation was the most competitive import market for South Africa both in terms of value and quantity at 39% and 46% respectively between 2007 and 2011.

Figure 27: Growth in demand for the South African grape wine exported in 2011



Source: Trade Map

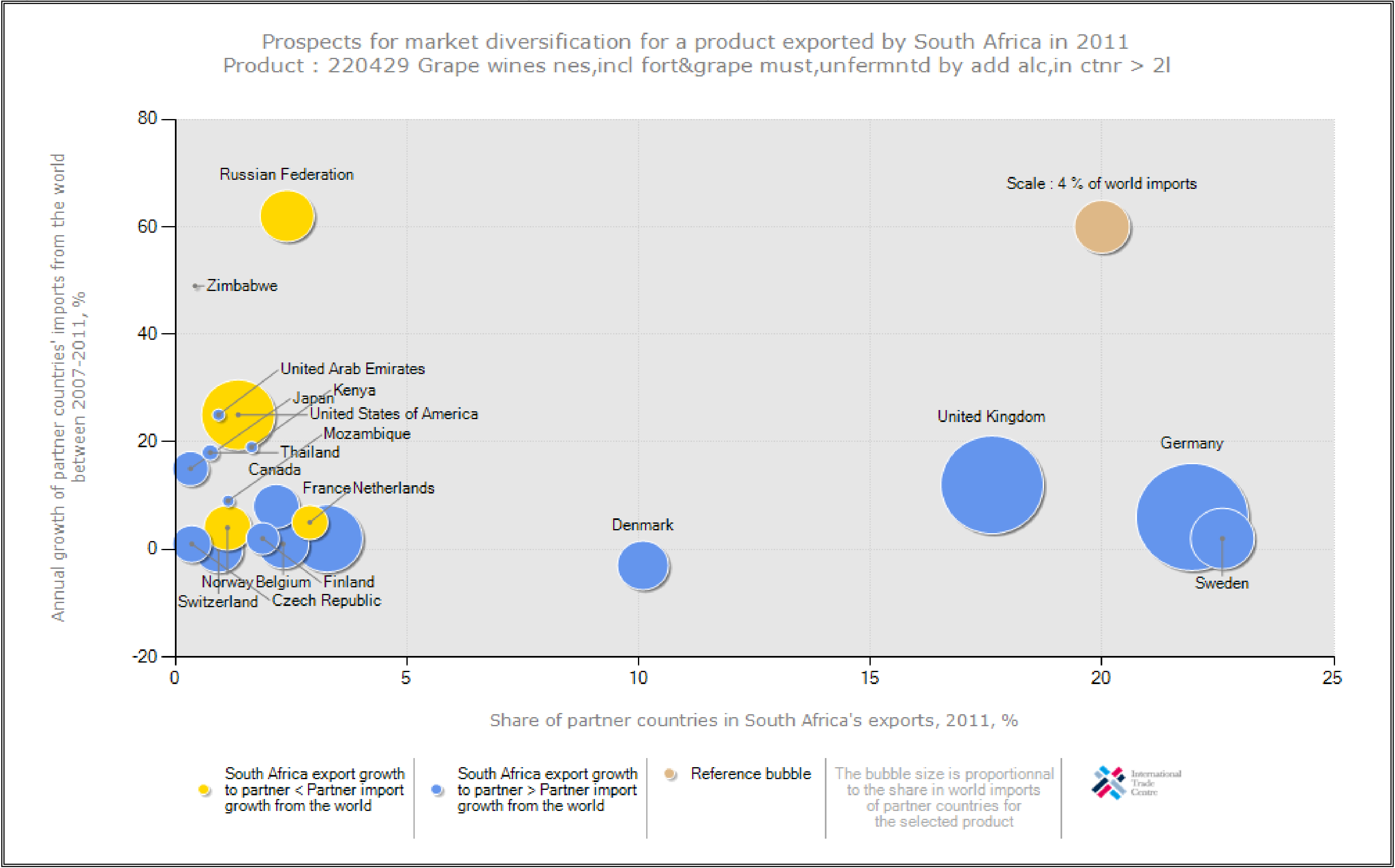
Figure 27 above shows growth in demand for South African grape wine exported in 2011. The figure further shows that Sweden, Germany and United Kingdom were the biggest markets of grape wines from South Africa between 2007 and 2011. During the same period under review, markets such as Russian Federation, Thailand, Zimbabwe and Japan had a growing demand for grape wines from South Africa due to the fact that their markets are dynamic and attract a lot of suppliers from the world.

Countries like Netherlands, Norway, Belgium and France, their imports from the world of wine from the world have declined during the same period under scrutiny.

Russian Federation was the most attractive market (dynamic markets) both in terms of South Africa's annual growth in exports and the annual growth of partner countries imports from the world followed by Thailand and Japan.

The bubble graph further shows that Czech Republic at 85% annual growth of South Africa's exports was the most attractive markets for South Africa but in a declining market for grape wines between 2007 and 2011.

Figure 28: Prospects for market diversification for grape wines exported by South Africa in 2011



Source: Trade Map

Figure 28 above depicts prospects for market diversification for grape wines exported by South Africa to the world in 2011. The bubble graph further depicts that during the same period under review, Germany, United Kingdom and Sweden were the biggest markets of grape wines exported by South Africa.

Sweden commanded the greatest share of approximately 22.6% per annum in South Africa's exports of grape wines, while it's annual growth of partner countries imports of grape wine from the rest of the world were approximately 5% per annum between 2007 and 2011.

The bubble graph futher depicts that if South Africa were to diversify its exports of grape wines, the most attractive market for diversification would be Russian Federation, followed by Zimbabwe.

Table 20: List of supplying markets for grape wines imported by South Africa in 2011

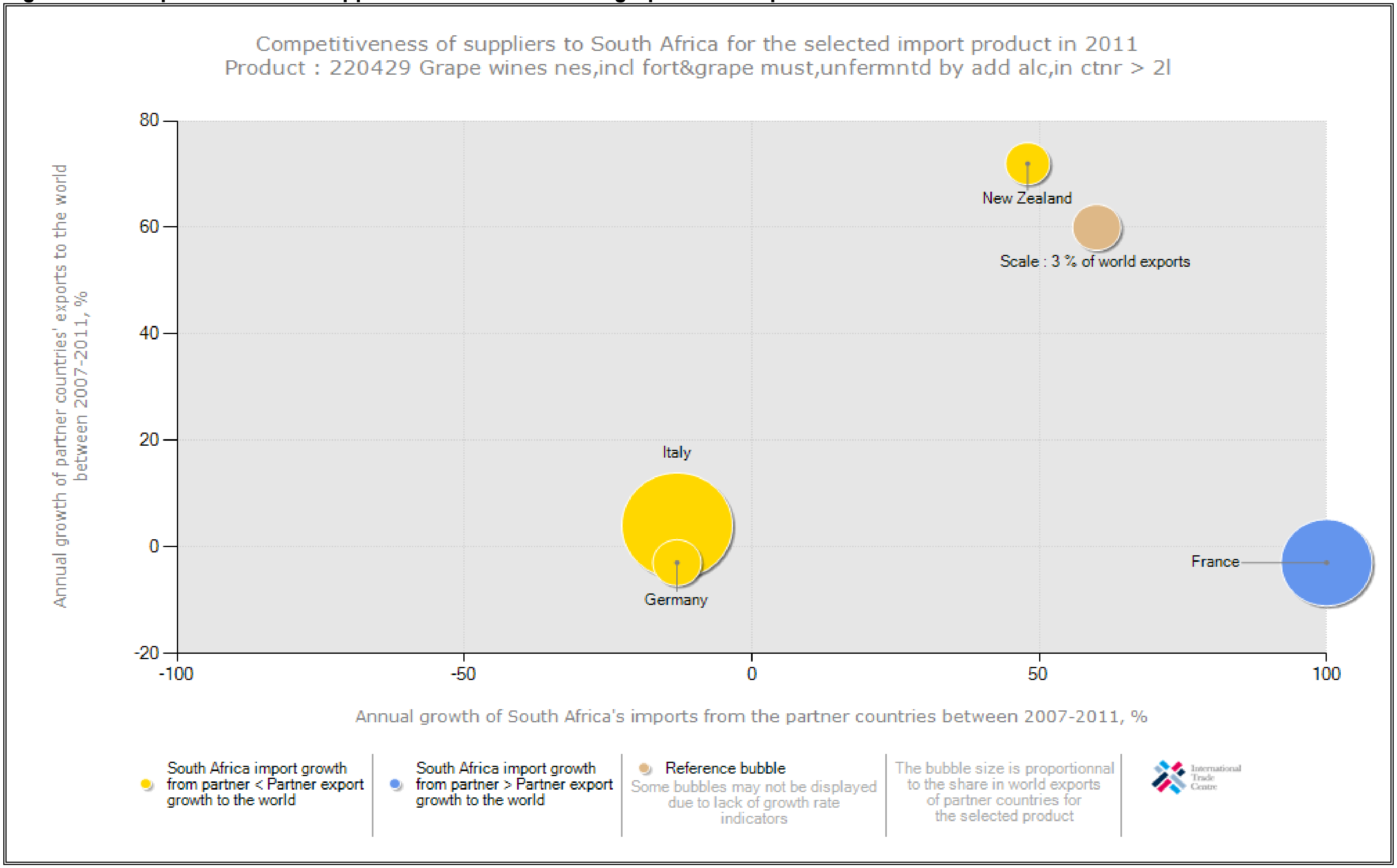
Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2011 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2011 (tons)	Unit value (USD/unit)	Imported growth in value between 2007-2011 (%, p.a.)	Imported growth in quantity between 2007-2011 (%, p.a.)	Imported growth in value between 2010-2011 (%, p.a.)	
World	143	100	112	1277	-22	-22	-82	
France	22	15.4	3	7333	129		-95	0
Italy	20	14	15	1333	-13	-11	18	0
Netherlands	20	14	23	870				0
New Zealand	7	4.9	0		48			22.3
USA	4	2.8	0					22.3
Japan	3	2.1	0					22.3
Germany	1	0.7	0		-13			0

Source: TradeMap

Table 20 indicates the list of supplying markets for grape wines imported by South Africa from the world in 2011. The table further indicates that South Africa is a net exporter of grape wines. The table also indicates that greater volumes of grape wines from the world into South Africa were from France, followed by Italy and Netherlands during the period under review. France supplied South Africa with 3 tons of grape wines to South Africa, while Italy supplied South Africa with 15 tons of grape wines and Netherlands provided the greater quantities of about 23 tons of grape wines during the 2011 period.

Interesting to note was that France had a highest share in South Africa's imports of grape wines although France supplied small quantities of grape wines to South Africa during the 2011 period. The table further indicates that South Africa's imported growth in value from France increased more than that of the world at approximately 129% as compared to negative 22% from the world. The world average exports of grape wines to South Africa in value and volume terms were negative at 22% respectively between 2007 and 2011. The imported growth in value from the world also declined between 2010 and 2011 to approximately 82% per annum.

Figure 29: Competitiveness of suppliers to South Africa for grape wines imports in 2011



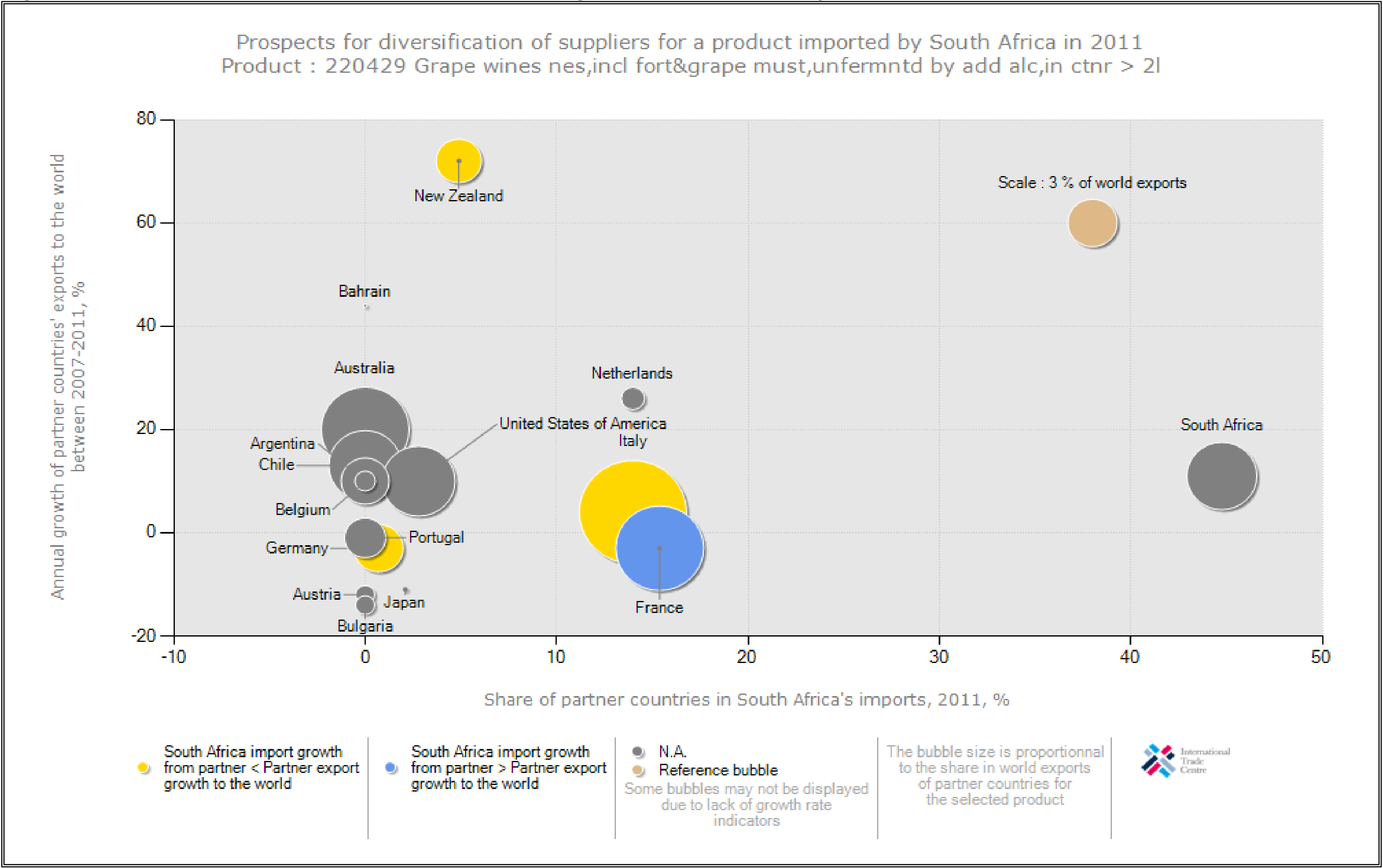
Source: Trade Map

Figure 29 above confirms competitiveness of suppliers to South Africa for grape wines imported from the world in 2011. The bubble graph further confirms that Italy and Germany were the biggest markets for grape wines during the period under review. The bubble graph also confirms that between 2007 and 2011, France was the most competitive supplier of grape wines to South Africa with an annual growth of South Africa's imports of 100%.

New Zealand was the second most competitive market in terms of the annual growth of its grape wines exports to South Africa between 2007 and 2011 with an annual growth of South Africa's imports of 48%.

Although South Africa imported small quantities of grape wines from France of about 3 tons as compared to Italy and Netherlands, France's share in South Africa's imports increased at 15.4%, as compared to 14% share of Italy and Netherlands respectively.

Figure 30: Prospects for diversification of suppliers for grape wines imported by South Africa in 2011



Source: Trade Map

Figure 30 above illustrates prospects for diversification of suppliers for grape wines imported by South Africa in 2011. The figure further illustrates that Italy, France and Germany were the biggest markets for grape wines imported by South Africa during the same period under review.

The bubble graph also illustrates that if South Africa were to diversify its suppliers of grape wines, small but attractive markets exist in France, Bahrain and New Zealand.during the period under review.

5. MARKET ACCESS

Barriers to trade can be divided into tariff barriers (including quotas, ad valorem tariffs, specific tariffs and entry price systems) and non tariff barriers (sanitary and phytosanitary measures, labels, etc). The main markets for wine employ various measures, both tariff and non tariff to protect the domestic industries. Whilst many of the non tariff measures can be justified under the auspices of issues such as health and standards, the tariff measures are increasingly under the scrutiny of the World Trade Organization (WTO), and as such are gradually being phased out. Nevertheless, exporters need to be aware of all the barriers that they may encounter when trying to get their produce on foreign shelves.

5.1 Tariff, quotas and the price entry system

Tariffs are either designed to earn government revenue from products being imported or to raise the price of imports so as to render local produce more competitive and protect domestic industries.

Quotas can be used to protect domestic industries from excessive imports originating from areas with some form of competitive advantage (which can therefore produce lower cost produce). Tariffs and quotas are often combined, allowing the imports to enter at a certain tariff rate up to a specified quantity. Thereafter, imports from that particular region will attract higher tariffs, or will not be allowed at all.

The entry price system, which is used in many northern hemisphere markets, makes use of multiple tariff rates during different periods when domestic producers are trying to sell their produce, and lower the tariffs during their off-season. Alternatively, the tariff rate can be a function of a market price – if the produce enters at a price which is too low (and therefore likely to be too competitive), it qualifies for a higher tariff schedule.

Whilst tariff regulations can be prohibitive and result in inferior market access, it is often the non tariff barriers that restrict countries like South from successfully entering the large developed markets. Many of these barriers revolve around different types of standards, including sanitary and phytosanitary standards (SPS), food health and safety issues, food labeling and packaging, organic produce certification, quality assurance and other standards and grades.

Table 21: Tariffs applied by EU markets to wine of fresh grapes, including fortified wines, and grape must whose fermentation has been arrested by addition of alcohol, in containers of > 2 litres from South Africa

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		**2011**	
France (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	159.91$/ton	13.17%	422.40$/ton	10.39%
France (Preferential tariff for South Africa)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	0.00%	0.00%	0.00%	0.00%
Germany (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	159.91$/ton	13.17%	422.40$/ton	10.39%
Germany (Preferential tariff for South Africa)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been	0.00%	0.00%	0.00%	0.00%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
	arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.				
Italy (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	159.91 $/Ton	13.17%	422.40$/ton	10.39%
Italy (Preferential tariff for South Africa)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	0.00%	0.00%	0.00%	0.00%
United Kingdom (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	159.91 $/ton	13.17%	422.40$/ton	10.39%
United Kingdom	Wine of fresh grapes, incl. fortified wines, and	0.00%	0.00%	0.00%	0.00%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
(Preferential tariff for South Africa)	grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.				

Source: Market Access Map

Table 21 shows tariffs applied by EU markets to wines of fresh grapes exported by South Africa between 2010 and 2011 period. The highest tariff applied by EU countries to South Africa's wines of fresh grapes exports was 422.40$/ton in 2011.

France, Germany, Italy and United Kingdom applied 0.00% preferential tariff to wines of fresh grapes from South Africa between 2010 and 2011 period.

Table 22: Tariffs applied by USA to wine of fresh grapes, including fortified wines, and grape must whose fermentation has been arrested by addition of alcohol, in containers of > 2 litres from South Africa

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
USA	Wine of fresh grapes, incl. fortified wines, and grape	84.00$/ton	2.45%	198.00$/ton	2.40%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
(MFN duties (Applied)	must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.				
USA (Preferential tariff for GSP countries)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	0.00%	0.00%	0.00%	0.00%
USA (MFN duties (Applied)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	0.00%	0.00%	53.00$/ton	1.34%
USA (Preferential tariff for GSP countries)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	0.00%	0.00%	0.00%	0.00%

Source: Market Access Map

Table 22 depicts tariffs applied by USA markets to wines of fresh grapes exported by South Africa between 2010 and 2011 period. The highest tariff applied by USA to South Africa's wines of fresh grapes exports was 198.00$/ton in 2011.

USA had a preferential tariff for GSP countries between 2010 and 2011 period.

Table 23: Tariffs applied by Canada to wine of fresh grapes, including fortified wines, and grape must whose fermentation has been arrested by addition of alcohol, in containers of > 2 litres from South Africa

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		**2011**	
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 13.7% vol.	0.00%	0.00%	0.00%	0.00%
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 14.9% vol.	0.00%	0.00%	0.00%	0.00%
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 15.9% vol.	0.00%	0.00%	18.02$/ton	0.41%
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl.	0.00%	0.00%	45.00$/ton	0.51%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
	sparkling wine): Wine of an alcoholic strength by volume not exceeding 16.9% vol.				
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 17.9% vol.	0.00%	0.00%	0.00%	0.00%
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 18.9% vol.	0.00%	0.00%	0.00%	0.00%
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 19.9% vol.	0.00%	0.00%	0.00%	0.00%
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 20.9% vol.	0.00%	0.00%	0.00%	0.00%
Canada	Wine of fresh grapes, incl. fortified wines, and grape	0.00%	0.00%	0.00%	0.00%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
(MFN duties) Applied	must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 21.9% vol.				
Canada (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Wine of an alcoholic strength by volume not exceeding 22.9% vol.	0.00%	0.00%	0.00%	0.00%

Source: Market Access Map

Table 23 shows tariffs applied by Canadian markets to wines of fresh grapes exported by South Africa between 2010 and 2011 period. Canadians applied 45.00% tariffs to South Africa's wines of fresh grapes exports in 2011.

Table 24: Tariffs applied by various export markets to wine of fresh grapes, including fortified wines, and grape must whose fermentation has been arrested by addition of alcohol, in containers of > 2 litres from South Africa

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF

		2010		2011	
Japan (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): Other wine of fresh grapes, including fortified wine, grape must with fermentation prevented or arrested by addition of alcohol	228.34$/ton	28.51%	25.00%	25.00%
Switzerland (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres	2898.21$/ton	233.585	25.00%	25.00%
Norway (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines; grape must other than that of heading 20.09. – other ;grape must with fermentation prevented or arrested by the addition of alcohol: Other: Of an alcoholic strength by volume not exceeding 2.5%	0.00%	0.00%	25.00%	25.00%
Russia (General tariff) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	20.00%	20.00%	25.00%	25.00%
Australia (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine): wine of fresh grapes, incl. fortified wines; grape must other than that of heading 20.09. – other ;grape must with fermentation prevented or arrested by the addition of alcohol: other	5.00%	5.00%	25.00%	25.00%
Singapore (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the	0.00%	0.00%	25.00%	25.00%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
	addition of alcohol, in containers of > 2 litres (excl. sparkling wine)				
Angola (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	15.00%	15.00%	25.00%	25.00%
Angola (Preferential tariff for SADC countries)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	15.00%	15.00%	0.00%	0.00%
Mauritius (MFN duties (Applied)	Wine of fresh grapes, incl. fortified wines, and grape must other than that of heading 20.09.: Other wine, grape must with fermentation prevented or arrested by addition of alcohol: Other: In bulk for bottling.	15.00%	15.00%	25.00%	25.00%
Mauritius (Preferential tariff for SADC countries)	Wine of fresh grapes, incl. fortified wines, and grape must other than that of heading 20.09.: Other wine, grape must with fermentation prevented or arrested by addition of alcohol: Other: Fortified wine.	0.00%	0.00%	0.00%	0.00%
Nigeria (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	20.00%	20.00%	25.00%	25.00%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
Kenya (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	25.00%	25.00%	25.00%	25.00%
Tanzania (MFN duties) Applied	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	25.00%	25.00%	25.00%	25.00%
New Zealand (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	5.00%	5.00%	25.00%	25.00%
China (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl. sparkling wine)	20.00%	20.00%	25.00%	25.00%
UAE (MFN duties)	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 litres (excl.	50.00%	50.00%	25.00%	25.00%

COUNTRY & TRADE REGIME DESCRIPTION	PRODUCT DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
		2010		2011	
	sparkling wine)				

Source: Market Access Map

Table 24 shows tariffs applied by various markets to wine of fresh grapes exports from South Africa between 2010 and 2011 period. Most of the markets for wine of fresh grapes from South Africa were highly protected between 2010 and 2011 period at approximately 25.00%.

In reality, the tariffs are likely to be far lower for South Africa when considering the preferential agreements, but at the same time, most tariff structures are particularly complex, with quotas, seasonal tariffs and specific tariffs (an amount per unit than rather than a percentage of value) all contributing to many different tariff lines and often higher duties payable than one might have anticipated initially. One must also bear in mind that most tariffs are designated to protect domestic industries, and as such are likely to discriminate against those attempting to compete with the domestic producers of that country.

One can also see that certain countries wishing to protect their local industries (presumably in which they feel vulnerable or where large number of farmers are employed) will raise prohibitive levels. African countries (such as Tanzania, Nigeria, Kenya and Angola), European countries (such as Russia) and Middle East countries (such as United Arab Emirates) have reasonably high tariffs for wines originating from South Africa.

5.2 The EU-South Africa wine agreement and its implications

Many of the South African regulations are built to ensure local compliance with a plethora of regulations that are applied on imports into the EU, US and other countries. Because EU is by far the main export market for South Africa, more emphasis will be on that market.

Wine trade between the EU and South Africa is regulated by the 2002 'Agreement in wine', and is part of the overall 'Trade, Development and Cooperation Agreement' (TDCA) between the two countries which was finalized in 1999/2000. What is important is to highlight is that the use of geographic origin names (such as 'port' and 'sherry' almost derailed the whole TDCA. Only by signing separate agreements on wine and spirits was South Africa able to conclude the TDCA.

During the TDCA negotiation process, the EU (under pressure from Spain and Portugal) made the case that South African producers should stop using the names 'port' and 'sherry' for wines of these styles that are produced locally. In order to conclude a draft TDCA agreement, South Africa agreed to phase these names out over a period of five years in export markets and twelve years in domestic market. In exchange, the EU committed to assist South African producers in designing new names for their products. However, the controversy re-surfaced again later in 1999 when the TDCA was been finalized. At that point, Greece and Italy objected to the use of the names 'grappa' and 'ouzo'. It is worth remembering that exports of port and sherry form South Africa are minimal, and that local production of grappa and ouzo is miniscule, with basically no exports.

While the TDCA went into force, these specific issues were only resolved in 2002 with the signing of the wine agreement. The agreement provides for the reciprocal protection of geographic names and defines a list of acceptable oenological practices, descriptions and presentations of wine. It includes clauses for the elimination of the use of the names port and sherry, and also grappa and ouzo. The EU eventually agreed to provide South Africa with a duty-free tariff quota for 35.3 million litres of wine, with an additional 6.72 million litres added to the basic allocation each year from 2002 to 2011. Under the agreement, South African exports are required to comply with sanitary, phytosanitary and other technical requirements and the rules of origin as stipulated by the TDCA. The 80% of the first allocation of permits was divided up in proportion of historical market share of exporters, and the rest to the SMMEs.

The 2002 agreement unfortunately did not end controversies. The EU later insisted that South Africa gives up the right to trademark names that include geographic locations, such as Nederburg and Roodeberg – two well known brands in South Africa that are exported. Interestingly, these names are not in the 78 page list of EU geographical indications of wine to be protected (as in 2002 wine agreement), no wine is made these two places located in Netherlands and Belgium.

Furthermore, the EU started raising problems with the use of descriptors such as 'ruby' and 'tawny' in port-style wines (which are without the name 'port'), and descriptors such as 'claret' or 'ripasso' in wine. This was a consequence of the application of new EU regulations on geographical indications that were supposed to 'relax' wine labeling rules for non EU producers. This itself was the result of a successful case brought by the USA against the EU in front of the World Trade Organizations (WTO) Dispute Settlement Board for breaching the Trade Related Aspects of Intellectual Property Rights (TRIPS) and General Agreement on Tariffs and Trade (GATT) agreements. These regulations allow some 'traditional' expressions such as 'classico' or 'amarone' to be used in the non member countries provided that:

- The term has been used in the country for at least ten years,
- Is recognized and governed by the rules which apply to wine producers,
- Is specific,
- Is distinctive and/or enjoys a reputation in that country,
- If the expression is in a language other than the official language of the country, the continual use has to be proven for 25 years.

As a result of continuing disagreements between the EU and South Africa, the wine agreement has actually never been ratified, and the 15 million Euros compensation fund has not been disbursed. The tariff quota system, on the other hand, has been put in operation. Interestingly, tariff quotas have been utilized mainly for exports into the UK. When the tariff quota was first applied, retailers in Europe refused to pass on the import tariff cut to exporters and instead pocketed the difference. Subsequently, under pressure from WOSA, UK retailers agreed to deposit tariff quota savings into a WOSA fund for the generic promotion of South African wine in the UK. Retailers in the Netherlands refused to do so and thus exporters in practice have used licenses for tariff quota exports primarily destined to the UK.

5.2.1 Rules on additives, processes and what is natural wine

The International Organization of Vine and Wine (OIV) is the international industry body in charge of approving the permitted substances and technical processes to be used in wine production. It is an inter-governmental body, based in Paris, whose resolutions are voluntary. The EU, however, has embedded the OIV list in its own regulations, so all wines exported to the EU needs to conform to the OIV list. In practice, given the importance of the EU New World wine exports, OIV has a quasi-regulatory status. In South Africa, the regulatory power in relation to these additives and processes is vested in Wine and Spirits Board and the Department of Agriculture. Any cellar can apply to have processes or additives registered, as long as they are 'safe', not 'wine foreign', do not leave undesirable residue and that the process does not alter the substance of wine.

Rules and related discussions around 'what is natural' in wine are complex and disputed around the world. South Africa has also been at the centre of attention in recent years due to the so-called 'flavourant scandal'. The process involves the addition of pyrazine to Sauvignon Blanc to impart an extra 'green pepper' profile that is highly regarded among the influential wine writers and judges. Sauvignon Blanc is fairly a newcomer to the Cape Peninsula – plantings started only in the 1970s but major expansion is as recent as the late 1990s, when it became a fashionable variety in the white wine markets, supplanting Chardonnay.

The Cape Peninsula has areas that are ideal for growing Sauvignon Blanc, including Constantia, Walker Bay and Elim, where it exhibit fresh, herbaceous and green pepper profiles. Warmer climates such as in Robertson can also yield some impressive Sauvignon Blancs, but generally with more tropical notes, and gooseberry and passion fruit 'nose'. Yet, for years in the early 2000s, these warmer climate wines had expressed high levels of 'green pepper' aromas that were out of the ordinary.

Technically, it is possible to manipulate wine in many different ways. The French have been legally adding sugar to their wines to increase alcohol level for centuries (and in certain circumstances, also acid), yet appellation rules in some areas prohibit the use of irrigation. It is possible to remove excess alcohol from wine through reverse osmosis (a practice that is legally sanctioned in Australia and now also in South Africa, but so far only for wine not destined to the EU). Concentration of must is in use in most First-Growth Bordeaux estates (and in many other places) to reduce the effect of dilution in rainy vintages (by using reverse osmosis or vacuum evaporators). In Australia, it is possible to extract flavour from grapes through spinning-cone technology and add its essence back to the final product.

Vegetarians and/or vegans would probably recoil at knowing what agents are used for fining wine (to clarify and stabilize it) – among others, dried blood, egg white, fish bladder and milk – but they may approve of bentonite clay. While adding sugar is not necessary in South Africa (as a matter of fact, reducing alcohol is, acidification is frequently done and tannin addition increasingly so. All in all, 46 different substances are permitted as additives in wine making in South Africa (not pyrazine though).

The key issues in this debate are: What is the level of manipulation that is acceptable for wine and in what historical/local context (and regulation)? Linked to these are the issues of 'authenticity' and 'disclosure' (the acceptance or not flavour-enhanced or added labeling) and issues of where to draw boundaries. Some observers have argued that 'flavour-enhanced' labeling should be adopted for wines that have been tampered with, for example with wood chips and staves, reverse osmosis and concentration devices, and that 'flavourants added' labeling should be used when a nature-equivalent flavourant is used.

A related aspect is one of logistics. One way of looking at the use of wood chips and staves to stimulate barrel ageing is to consider the wine as needing to be 'ready' to be drunk immediately after purchase (overwhelmingly the case if the wine is purchased in supermarkets) in relation to the production costs of maturing wine for longish periods of time in oak barrels. In other words, wines need to be enjoyable at the moment of purchase nowadays, and thus manipulation is carried out at the expense of longetivity. But even in relation to 'traditional' techniques, like oak barrel maturation, some observers dissent on how much wooding is needed – too much wood is said to 'dumb down' a wine, providing simple, powerful flavouring that the new wine drinker can readily identify (especially if American wood is used, which imparts a clear vanilla character).

5.2.2 Voluntary standards

In addition to the regulations outlined so far, the wine trade is shaped by voluntary standards. These standards cover a wide array of aspects of labour conditions, production, processing, food safety and quality management more generally. Some of the standards are increasingly applied in the industry are the following:

- The International Standards Organization (ISO) 9000 and ISO 1400 series of standards on quality management and environmental management respectively,
- Hazard Analysis and Critical Control Point (HACCP) systems for food safety,
- Wine Industry Ethical Trade Association (WIETA) code of conduct based on South African labour legislation,
- Fair Trade certification which aims at guaranteeing fair conditions in production and trade,
- Organic and biodynamic certifications

Until recently, only few cellars had been certified against the ISO 9000 series of standards and HACCP systems. When done, the stimulus from South African wine industry actors themselves in the quest of improving quality management and therefore reputation with their buyers. HACCP compliance is becoming more important (and driven from outside), as HACCP has been embedded in the British Retail Consortium (BRC) food standard that is increasingly required by the European, especially UK retailers

WIETA came into existence as a result of insistence of Ethical Trading Initiative (ETI)-aligned British supermarkets. Originally, it was almost identical copy of the ETI code, which was based on International Labour Organization (ILO) conventions. Following amended, it currently exceeds South African legislation. What kind of 'attention' it is attracting from European retailers is not clear. It is however struggling to sign up farms/cellars/firms – so much that it has moved into the fruit industry in order to remain viable. Fair Trade certification of wine was actually designed and implemented for the first time in South Africa and includes a few successful brands (Thandi being the most successful Fair Trade wine brand in the UK). Production of wine made from organic grapes is small but growing in South Africa, with emerging pockets of biodynamic production as well.

5.2.3 British Retailer Consortium (BRC) Global Standard – Food

The most important standards for high volume wine exports to EU destinations are the BRC – Global Food Standard and its German equivalent – International Food Standard (IFS). These are a combination of standards on food safety (especially HACCP), Good Manufacturing Practices (GMP) and quality management (see box 1 on BRC)

Box 1: BRC Global Standard – Food

Under the terms of the UK Food Safety Act 1990, retailers need to take reasonable precautions and exercise due diligence to avoid 'failures' in the development, manufacture, distribution, advertising or sale of food products to the consumer. This involves among other things, the verification of technical performance at food production sites. In much of the 1990s, each UK retailer undertook these activities separately and verified performance against its individual and internally developed standards. In most instances, verification was undertaken by in-house technologists and in other instances, by third party inspection bodies.

In 1998, the BRC developed the BRC Food Technical Standard (now called Global Standard – Food). Initially, this was used mainly for the supply of retailers' own private label products, but in recent years also for food service and ingredients manufacture. It has also been used outside the UK. Since the first issue of the standard in 1998, it has been revised on three occasions. Issue 4 was published in January 2005, and issue 5 was published in January 2008. Third party bodies carrying out assessments must gain accreditation to ISO/IEC Guide 65

Main requirements:

- *Implementation of HACCP*
- *A documented and effective quality management system*
- *The control of factory environment standards, products, processes and personnel*

Source: BRC Global Standard: Food; Issue 4, January 2005

5.2.4 The Integrated Production of Wine (IPW) Scheme

The Integrated Production of Wine (IPW) Scheme is a semi regulatory system that was introduced in South Africa in 1998. It provides guidelines for Good Agricultural Practices for farms and Good Manufacturing Practices for cellars to produce wines that are healthy, clean and environmentally friendly. The scheme is officially voluntary, but registered IPW actors represent 97% of harvested grapes in the country. This may be the case if one calculates registration with the system, but the proportion of actually audited farms and cellars is much smaller. The system is still mainly regulated via self monitoring.

IPW, together with other stakeholders in the industry, is also promoting a wider initiative to develop a 'super standard' (SANS64) that aims at covering quality, food safety, social and worker safety, environmental protection, traceability and Good Agricultural Practices all in one place. The idea is that SANS64, together with the provisions embedded in the Liquor Products Act of 1998, would match the provisions of all other international standards covering these aspects, including ISO 9000, ISO 14000, HACCP, SA8000, EUREP-GAP, BRC and IFS. However, there are those who feel that SANS64 is unlikely to be recognized by the other standards initiatives it is trying to integrate as it is duplicating parts of an international effort to develop the future ISO 22000 standard, which aims at integrating food safety and quality management systems.

5.3 Entry barriers and rules of participation in the UK retail market

5.3.1 Elements of an industrial convention: Delivering basic quality

There are three elements in delivering basic quality in wine that are taken for granted by the UK retailers. They are as follows:

- Intrinsic (basics) and packaging,
- Codified solutions to food safety,
- logistics

UK retailers communicate very specific demands on intrinsic and packaging to their suppliers when buying basic quality wine. They tell them what to bottle, what kind of label and cork to use, the weight and shape of the bottle and the recycling possibilities.

Specifications in 'intrinsic' at this level of quality can generally be measured or described easily. These include levels of alcohol, total acidity, volatile, sulphur dioxide content, residual sugar content, methods of protein and cold stabilization, a flavour profile and general wooding regime (un-wooded, lightly wooded, etc). According to Company 27, to get listing with a retailer, a supplier needs to deliver on intrinsic at the specific price point, which means fruit 'forward, clean, easy drinking wine in the right packaging and consistency year by year'.

At the beginning of a relationship with a supplier, retailers may operate in a more hands-on manner with their suppliers. They may send samples of what they want, visit the cellars, etc. Usually, after few years, they tend to operate in a more hands-off manner. On the contrary, involvement with producers is much more hands-on for private brands (brands owned by supermarket chains).

In recent years, the packaging of 'basic quality' that needs to be provided by South African suppliers has become more demanding. One of the main retailers in the UK wants to implement retail-ready packaging in wine, which entails unloading from the pallet to shelf in one move. Retailers are also moving towards screw cap and synthetic closure to minimize returns for 'corky' wine. Majority of cooperatives and ex-cooperatives are either going through the process of certification for the BRC Global Standard – ISO 9000 or had enquired about WIETA certification and Fair Trade. Their buyers (marketers and producer wholesalers, sometimes direct retailers in importing countries) had started requiring them to obtain BRC certification within few years.

In 2005, BRC certification was essential for bottling plants in South Africa, but not production facilities. At the same time, cooperatives and producer wholesalers were under pressure to certify at least against HACCP and ISO 9000. One marketer argued that this trend is actually good for wineries, because up to late 1990s, retailers used to do audits themselves, which was time and resource consuming because of repetition and overlap of different rules. BRC provides a one-stop solution and ready made 'industrial convention' to solve food safety and quality management concerns. The general view in South Africa is that requirements for ISO 9000 and BRC (including HACCP) are tedious, paperwork intensive but not unreasonable. They do not pose serious operational or cost barriers, and can actually help raise efficiency and quality management at the cellars.

Some smaller private cellars, whose clients are not major UK retailers, have different views on certifications. A representative of one of them argued that he does not want any certifications and no written down rules. All they want is to treat their workers and motivate them. They don't want to fill forms and they want to work with people.

In terms of logistics, UK retailers are working towards lead times of eight weeks on promotion. As a result, UK based agents and marketers are trying to get more control over logistics. Previously, they sold wine FOB (free on board) ex-Cape Town harbour to retailers. Now, they have started selling 'in-bond delivery' in the UK. This way, retailers can place a call with a lead time of three days for delivery. Retailers are seeing themselves increasingly as shelf-space providers; so if you run out of supplies, it is your own problem as a supplier, not theirs. Suppliers can now log in the retailer's system and see movements in space and stocks. They order replenishments themselves, basically just calling up the buyer and advice them to order.

Recently, UK retailers have also started to develop specific policies and codes on social issues, and are increasingly looking at WIETA to provide answers.

5.3.2 Elements of a market convention: Delivering price and promotions

South Africa is the 5th largest exporter to the UK market, with approximately 9 million cases (see table 31). The average price of a 75cl bottle is £3.77, lower than that of the top four exporters to UK with the exception of Italy. The highest average price recorded in the UK is for New Zealand wine with 5.92£/75cl. The explicit focus of the South African industry is to 'break the £5 barrier, where it is having problems in performing, and where margins are healthier.

5.4 Entry barriers and rules of participation in other end-markets

5.4.1 Netherlands

Dutch off-trade consumers buy wine mostly on the basis of price, in combination with image/packaging style and reputation of the country as a whole. Brand names are owned either by suppliers or retailers, and they change all the time. There is very little brand loyalty. In the Dutch markets, suppliers have far more leeway on how to make a blend and deliver a product. It is a market less driven by promotions, but it is price sensitive.

Different brands are offered to different retailers (a wine can be sold by up to 20 different labels). These 'disposable brands' are owned by the supplier, but this means little as the retailer can switch brand names (and suppliers) at will.

There are fewer and broader minimum quality demands. Recently, Dutch retailers have started to ask for ISO 9001 certification and IFS. They also accept BRC certification if it is in place already. In short, for basic quality wines, the value chain is highly driven by retailers on the basis of a 'purer' market quality convention than in the UK.

5.4.2 Sweden

Sweden is a peculiar market because the monopoly agency (Systembolaget) buys on tender for the off-trade market. The tenders specify the variety, a broad profile of the intrinsics, country of origin, price point and volume.

Sweden has recently enquired within South Africa about the possibility of supplying Fair Trade wines. WOSA on its part is lobbying for WIETA accreditation instead. Systembolaget operates around 420 stores and 590 agencies. South African suppliers use agents who are specialists in tendering with the monopoly agency. The same agents have a sales force to place wines in the more profitable on-trade market.

South Africa has experienced dizzying growth in Sweden (34% increase in sales in 2006), and was expected to become the largest exporter to the country in 2007 (up from position four in 2005). According to Systembolaget's buyer of South African wines, they (South Africans) deliver good value for money, plus the Swedes are frequent travelers to the Cape.

The biggest volume in Sweden by far sold in bag-in-box. The monopoly agency is the lead firm in this value chain, and the composition of industrial and market conventions is similar to the one in the UK, with perhaps a more 'genuine' interest in 'civic' preoccupations.

5.4.3 Germany

The German market is basically split into two segments: the Aldi market (from the name of the dominant discounter there) and the rest. The Aldi market is extremely price sensitive. Wine is shipped in bulk and bottled locally because of lower duty on bulk wine. There is also pressure to keep levels below 13° (as duty is higher over that level). Aldi market controls 30% of the wine market by volume. When dealing with Aldi, the margin is so low that suppliers have to cut down on expenditure all along (cork, lighter bottle, cheaper label). It is important to be in such a market to 'move volume'. Aldi sells considerable volume of wine at €2/bottle. This means that one has to be able to sell €1/bottle FOB ex-South Africa. The phenomenon known as the 'Aldi spiral' means that once you are listed with them your retail price will spiral from €6 to €3 within years.

5.4.4 USA

The USA is a market where South African suppliers see potential for growth. The USA is a new market for South Africa. It is a challenging one because of its fragmentation due to state based regulations and a three tier supply chain. The three tiers are importers, distributors and retailers and in most states the separation of roles is mandated by regulation. Furthermore, there is no role player who can hold more than one two of the three licenses, and most often only hold one. Because of this system, retail prices are 3 to 3.5 times the FOB price ex-Cape Town. It is difficult to get a foothold in the USA market because distributors may have 4 000 wine in their wines in their portfolios and serve 20 retailers. The main challenge is to obtain visibility.

Unsurprisingly, the USA market is much more fragmented than the UK, with only three distributors handling over one million cases. Wine trade relations in the USA are much more personal in nature and the personality of winemakers and eccentric wine property owners is also more of a factor than elsewhere. At the same time, brand recognition is also essential. Wine critics in the USA are more influential than elsewhere. Thus, the strand of the value chain for wine is (rather surprising) characterized more by domestic, opinion and inspirational conventions than industrial and market conventions.

However, the USA market is also changing, with Wal-Mart now selling substantial amounts of wine and carrying out big in-house promotions. South Africa is not yet a well established geographic category in the USA, therefore big advertising and marketing investments are needed.
At the same time, the recent agreement between Gallo (the largest producer/marketer in the USA) and the ex-cooperative Swartland in South Africa may open the door to a more systematized presence of South African wines in the USA.
Charles Back's Fairview winery (also a producer of goat cheese) has had some success in the USA by exploiting anti-French sentiment in the early 2000s. Humour was used as an entry point. It has sold considerable amounts of 'Goats do Roam' and 'Goats Door' wines in the USA. A French court challenge carried out in the USA claiming that these names were too close to the French appellations 'Côte du Rhône and Côtes d'Or' was unsuccessful. Charles Back has now extended its range to Bored Doe (a pun on 'Brdeaux'), 'Goats do Roam in villages' (Côtes du Rhône Villages) and 'Goats Roti (Côte Rôtie). A southern Italian inspired blend is now sold as 'The Goatfather'.

6. REGULATORY FRAMEWORKS

6.1 The wine of Origin Scheme

The Wine of Origin (WO) scheme in South Africa is a set of regulations that guarantees the origin, cultivar and vintage of wines. It was first introduced in 1973. Currently, all wines for exports need to be certified under the WO scheme while wines for domestic consumption are only subject to these regulations if the producer wants to specify origin, cultivar and/or vintage on the label. The WO scheme is administered by the Wine and Spirits Board (WSB) which performs control functions and carries out sensory analysis of all batches of wine submitted for certification.

6.1.1 Origin

The principle behind certifying origin in wine is that the character and quality of a wine are determined more by natural factors (such as soil, climate and location) than by human intervention (cultivar choice, viticultural techniques and wine-making techniques). Such a claim is fiercely disputed in the wine world, with Old World wine making countries (especially France and also Italy and Spain) stating the 'nature-deterministic case'; and New Countries (especially Australia) arguing that wines of specific character can be replicated almost anywhere in the world with appropriate techniques.

Accordingly, France has the oldest and most sophisticated 'geographic appellation' system in the world with specific limitations on what cultivars can be planted within certain areas, which viticultural techniques can be used, when the harvest can take place, what the character of grapes needs to be for specific labels and what wine making techniques can be used. Cultivar names are rarely specified on wine and brand names tend to be not as important as in the New World (with the large scale exception of Champagne). The bottle will showcase the name of the individual producer and/or bottler.

Australia on the other end of the spectrum relies mostly on brands and cultivar names for consumer recognition and is developing basic Wine of Origin Scheme delimiting areas in response to EU requirements. South Africa stands in the middle of this spectrum, but closer to the New World wine system as far as the WO is concerned. This means that there are several 'layers' of geographical indicators, from broad regions to individual vineyards, but that no specific limitations on cultivar, grape quality and viticulture and winemaking techniques are imposed.

Table 25: South African production areas defined in terms of the Wine of Origin Scheme

Region	District	Wards
Breede River Valley	Robertson	Agterkliphoogte Bonnievale Boesmansriver Eilandia Hoopsriver Klaasvoogds Le Chasseur McGregor Vinkriver
	Worcester	Aan-de-Doorns Goudini Nuy Scherpenheuvel Slanghoek
	Swellendam	Buffeljags Stormsvlei
Klein Karoo	- -	Montagu Tradouw
	Calitzdorp	-
		Upper Langkloof Outeniqua
Olifants River	Citrusdal Mountain	Piekenierskloof
	-	Bamboes Bay
	Citrusdal Valley	-
	Lutzville Valley	Koekenaap Spruitdrift Vredendal

Region	District	Wards
Coastal Region	Cape Point	-
	-	Constantia
	Darling	Groenkloof
	Paarl	Franschhoek Valley Wellington Simonsberg/ Paarl Voor Paardeberg
	Tygerberg	Durbanville Philadelphia
	Stellenbosch	Jonkershoek Valley Papegaaiberg Simonsberg/ Stellenbosch Bottelary Devon Valley Banghoek
	Swartland	Malmesbury Riebeekberg
	Tulbagh	-
No region	Overberg	Eglin Klein River
No region	Cape Agulhas	Elim

Region	District	Wards	Region	District	Wards
			No region	Douglas	-
			No region	- - - - - - - -	Cederberg Hartswater Herbertsdale Lower Orange Prince Albert Valley Riettiver (FS) Ruiterbosch Swartberg

Source: SAWIS

In South Africa, the broadest geographical units, below the generic 'Wine of South Africa are Western Cape, Northern Cape and the new addition Kwa-Zulu Natal (see Map 1). Most of the wine of high quality is produced in the Western Cape while the drier parts of Northern Cape produces bulk wines of basic quality and wine for distillation. Kwa-Zulu Natal produces a miniscule quantity. In Western Cape, there is a large diversity of geography, climate and soils. These indications are of only very general character.

The next layer in the WO system is the regions (such a Coastal Region) which are a combination of several districts, portions of districts and other small regions. They are usually built around a common broad geographic trait such as a river or a plateau (see Table 25 and Map 2).

Districts are also built around macro characteristics such as mountain ranges and rivers, but with a more specific character than regions. They still encompass a variety of soil types (see Map 3). Stellenbosch is probably the most recognized district internationally.

Wards are where soul, climate, ecological factors start to have a distinctive and more recognizable impact on the character of wine. Wards such as Constantia and Franschhoek enjoy a good reputation for high quality wines. There are also emerging areas such as Elim and Elgin for cool climate varieties such as Sauvignon Blanc.

Estate wine is wine made up of grapes grown within the borders of one or more bordering farms, as long as they are farmed as a unit and made into wine on a cellar placed within this unit. The regulations on the estate wine have been changed several times and are subject to some debate. Previously, grapes for estate wine could be sourced from non-contagious farms provided that they were farmed as a unit (this, however, was applied only in a few, 'historically justified' cases). This provision was eliminated to conform with a more purist approach to estate wine. At the same time, changes were made on the use of names. While in the past the name of the estate could only be used for its 'estate wine' (i.e. the name of the farm 'Sun Valley estate wine' could only be used together with the 'estate wine' indication on the bottle, but other wine produced by the same farm and not sold as 'estate wine' had to use different name, e.g. 'Flower Valley'), subsequent changes allowed estates to sell non estate wines with the same name ('Sun Valley'). The most recent changes entail that 'estates' are no longer recognized by the WO scheme – only 'estate wines' and units registered for the production of estate wine.

The smallest production unit that can be certified under the WO scheme is single vineyard wine, made with grapes coming from a single cultivar and a single vineyard not exceeding five hectares. This is a new system (the first wines were certified in 2005) and it is still unclear whether it will have many takers among high quality producers. It is specifically inspired from the French idea of the 'clos' (a specific vineyard with unique characteristics that was enclosed by a wall). The South African system differs with the French system as there is no requirement that the soil characteristics and structure in the vineyard be uniform.

WSB is also considering the development of a certification system for the Terroir Specific Wines (TSW). These wines have to show identifiable and homogeneous characteristics with respect to topographical, climatic, soil and geological patterns (as in the French definition of terroir). This would be a further step in South Africa towards the demarcation of geographic origin according to the European model, but it is unlikely to be backed up by strict rules on quality, cultivar choice and specific viticultural techniques.

Finally, recent changes in legislation allow for blending wines and grapes from different Wine of Origin areas, and for indicating all the areas on the label (e.g. Wine of Origin Stellenbosch and Paarl; previously, it would have been labeled as 'Coastal', a larger unit).

6.1.2 Cultivar

Cultivars impart distinctive characteristics on the wine made from them. The quality and reputation of, say Sauvignon Blanc and Colombard are very different even though large quality differences may occur within each cultivar due to differences in climate, soils, topography, viticultural and wine making techniques. Therefore, truth-in-labeling regulations are set to protect consumers' misrepresentation of cultivar content.

There are no limitations on which cultivars can be used in specific areas under the South African WO scheme. This differs with the old Wine of Origin schemes. The only limitation is that farmers have to use a cultivar from an approved list, but the list is very long (75 varieties approved).

In terms of labeling, if a wine producer decides to place the name of a cultivar on the label, 85% of the content of the wine must originate from that cultivar. If more than one is indicated, they must appear in descending order of blend proportion on the label. A percentage also need to specified for cultivars that make up less than 20% of the blend

6.1.3 Certification system

The seal that accompanies certification in South Africa is a guarantee to the public that the claims made on the container (including bulk wine) are correct, and that the wine was of good basic quality when it was evaluated for certification. The certification system is based mainly on paperwork management for 'truth in labeling' purposes.

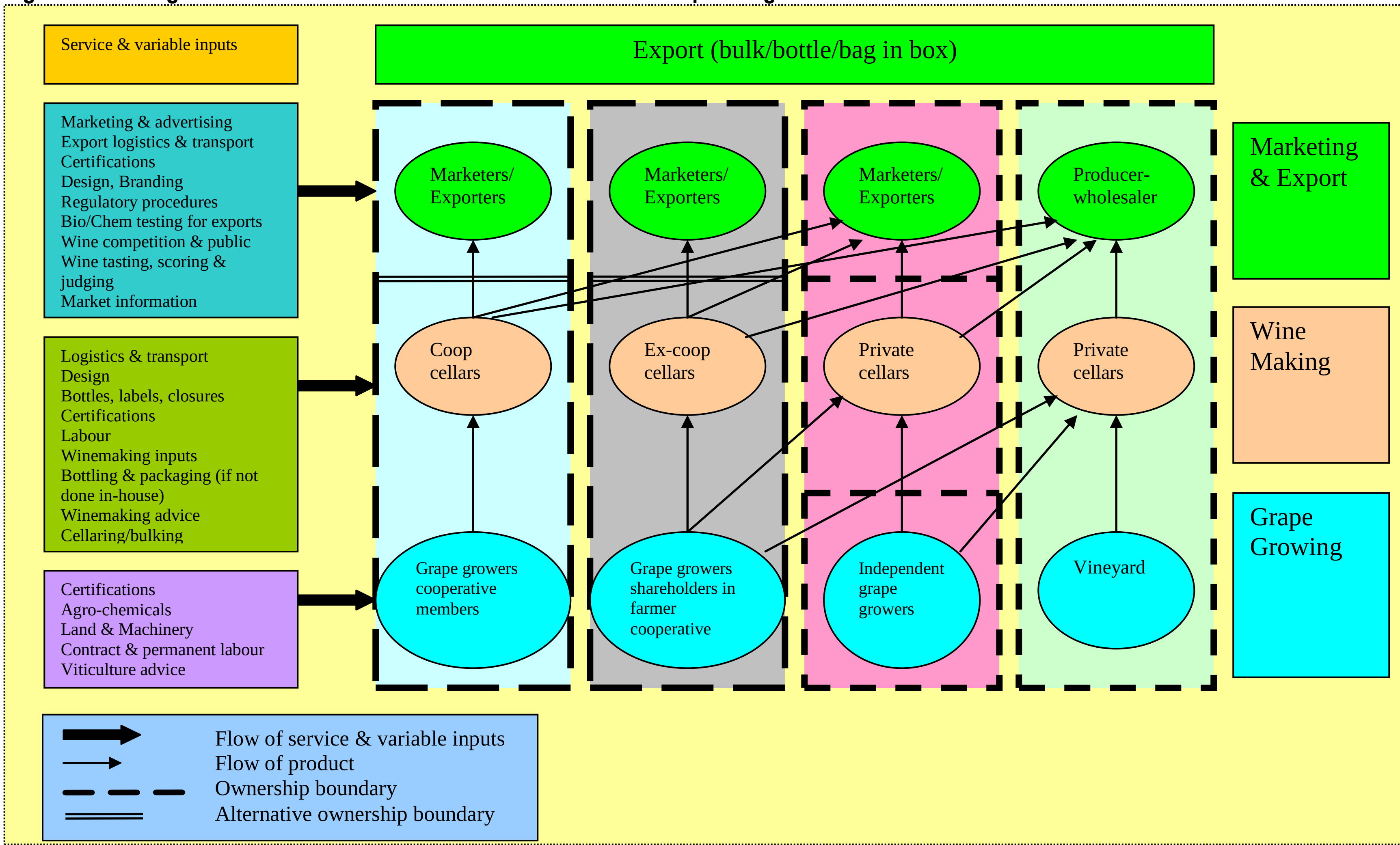
The operators need to provide WSB and SAWIS with number of notices (from harvesting of grapes to certification). The process can require the filling of up to 30 documents. As for the basic quality certification, wine is evaluated by tasting panels of the WSB. Additionally, the Department of Agriculture carries out chemical testing for each wine batch to verify that the wine meets legal requirements in terms of maximum levels of sulphur dioxide, volatile acidity and that the alcohol level declared on the bottle is correct (within a 0.5% error margin).

The whole certification system is fully computerized and available to on-line producers. It provides full traceability of wine. Each seal (placed on a bottle or other packaging material) has its own ID number. Sensorial evaluation is carried out by a panel of WSB tasters with part-blind procedure (vintage and variety are known, but not the producer). It provides a minimum guarantee of quality for South African wine and is focused on detecting some basic unacceptable characteristics such as lack of clarity, excessive sediment, faulty colour, insufficient or undesirable flavours/odours and a lack of distinctive varietal character.
If a wine is exported to the EU, certification is needed from the Department of Agriculture in relation to substances that can and cannot be added to wine according to a table included in the Liquors Act. According to the Department, it is almost impossible to detect many of these substances chemically.

7. THE VALUE CHAIN FOR WINE IN SOUTH AFRICA

A simplified configuration of the export oriented and domestic segments of the value of the value chain for wine in South Africa is illustrated by figures 31 and 32. The two segments have been separated at only at the graphic level, as in practice the great majority of players operate in both segments simultaneously. What these two figures indicate are the differences in the flow of products in the two segments, while the functional layout and ownership patterns are almost overlapping.

Figure 31: Configuration of value chain for wine in South Africa – export segment



Source: SAWIS

Figure 31 delineates the export segment of the value chain for wine in South Africa. The right column defines the boundaries of various functions (grape growing, wine making and marketing/exports). The left column shows the variable inputs and services that are provided to 'direct actors' (those who handle grapes and/or wine directly) to make these functions operative. The central part of the figure shows product flows (solid arrows) and ownership patterns (patterns of prevalent ownership boundaries and alternative configurations. This is done to reduce graphic complexity that would entail representing each variation).

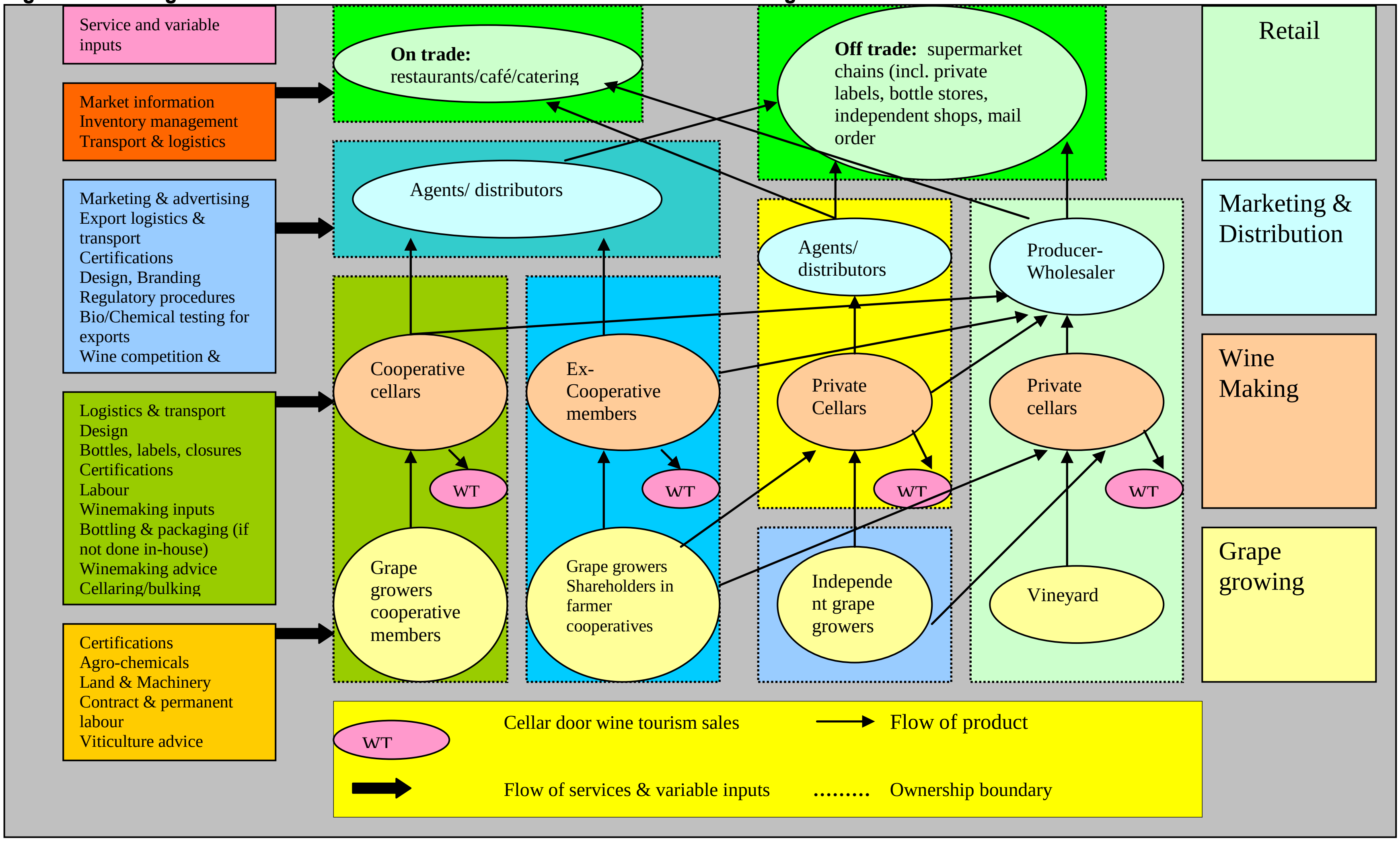
The bottom part of the figure represents a typology of grape growers. They are as follows:

- Growers that are part of a cooperative or a shareholding company (usually, an ex-cooperative);
- Independent grape growers that do not have wine-making facilities or are not members or shareholders of a cellar;
- Vineyards that are owned by private cellars (which may also form part of a vertically integrated producer-wholesaler configuration.

The differentiation between coop and ex-coop cellars is in that members of a coop cellars are supposed to deliver their entire crop to their cellar. Shareholder growers can (and do) also sell in the open market to private cellars. Independent grape growers sell to private cellars but also to ex-coop cellars.

At the level of wine making, we also have three configurations. They are the coop cellars, ex-coop cellars and private cellars. The latter can be fully independent, vertically integrated from vineyards to export, or partly integrated from wine-making to export. At the level of marketing/export, coops and ex-coops until recently sold most of their wine output to producer-wholesalers or marketers/exporters. However, the new trend in the last 5 – 6 years has been for these cellars to join forces between them and with marketers/exporters (sometimes directly with importers) to create dedicated marketing/exporting outfits.

Figure 32: Configuration of value chain for wine in South Africa – domestic segment



Source: SAWIS

Figure 32 describes the configuration of the value chain for wine consumed domestically. It has the same overall structure as in Figure 19, but with the added function of retail. Retailing can take place at the cellar (wine tourism), in on-trade facilities (restaurants, cafes, etc) and in off-trade facilities (supermarkets, bottle stores, etc). Domestic consumption, it must be remembered, represents more than half of total wine production by volume in South Africa.

Supermarkets handle approximately 35% of all wine sales by value in South Africa. Theses are dominated by four chains. They are Pick' n Pay, Shoprite/Checkers, Spar and Woolworths. Pick' n Pay is responsible for approximately 37% of wine sales, followed by Shoprite/Checkers, Spar and Woolworths.

Woolworths is an upper-segment chain focusing on private labels (following the model of Marks & Spencer in the UK). It is the only chain with a dedicated wine buyer who holds a Cape Wine Master diploma. The other chains have category managers who buy wine but also other products, and they are not trained wine tasters. Woolworths's bulk of wine business is based on its own private label. It currently holds 110 different wine lines. The wine category manager creates all the blends, which are produced exclusively for Woolworths. The retailer has control over the entire process and also decides on the design of the labels. The wine manager gives specifications to the wine makers at various cellars. The higher the price point, the more detailed are the specifications. Most volume is moved in the price bracket of R13.20 (2005 retail price), with wines exhibiting fruity, easy, accessible and Australian type styles. Woolworths' business model is to have only one wine for a specific bracket – e.g. only one Sauvignon Blanc at R30.00 – while the other chains might have up to ten on offer (it offers other brands as well, but most of the wine on sale is private label). The idea is that Woolworths does the selection, which entails less stress for the consumers and guidance specifically for those who may not know much about wine (this is especially important outside of the Cape).

Woolworths works with 35 suppliers, 10 of which have been with them for 20 years. Since the late 1990s, they have started to have formal contracts with suppliers, with each products supplied under full specifications (bottle, cork, style, how it has to be made, sulphur dioxide and alcohol levels). Prices are re-negotiated every year. On promotion, Woolworths shares the reduction of the margin at the 50-50 level with the supplier. Wine imports constitute only 6% of sales.

The retailer's margins vary from 5% to 40% of selling price, depending on volume and quality. Woolworths has its own auditing system of suppliers, covering hygiene, staffing, labour practices and technology. Suppliers are subjected to one audit a year paid by Woolworths (except for the first one). The chain does not ask the suppliers to conform to other certifications (except for organics, which is carried out externally). Yet, many of Woolworths' suppliers also hold HACCP and ISO 9000 certifications because they operate in the export market.

Pick' n Pay, Shoprite/Checkers and Spar operate a very different system. These chains mainly sell branded wine. Food safety audits and production sites are only inspected where the suppliers provide wine for own-label wines, which is a small minority of their business. As in the UK, wine promotions are used to sell volume and are planned in advance with selected suppliers. Many of the buying practices of South African retailers resemble closely those applied by UK retailers. Stickers showing that a particular wine has won medals at wine competitions are very important for sales, especially for wines in the mid range prices.

Marketing in the rest of the off-trade sector (independent shops) and in the on-trade sector (restaurants, cafes, etc) is done through a complex network of distributors and agents. That is not the case with the bottle store sales (except local name for liquor stores which are organized in a few powerful chains, such as Picardi and Ultra). Among the largest distributors, there are producer-wholesalers such as Distell and DGB.

Wine tourism is a well developed industry in the Cape, with of organized wine routes. Cape Town is a part of the Great Capitals of wine network. A good proportion of cellars is open to the public and has tasting facilities on-site. Approximately forty four properties also have restaurants. Scenic beauty and many flagship properties displaying Cape Dutch architecture add flavour to the 'Cape wine experience'. While wine tourism industry has generated R4.2 billion in 2003, the actual volume of wine sales through direct cellar door sales is not likely to be very significant in absolute terms – with the exception of some flagship properties such as Vergelegen, Boschendal or Constantia based cellar farms.

8. ORGANIZATIONAL ANALYSES

8.1 Formal institutions and organizations

The main characteristics of the official institutions and organizations that make up the South African wine industry are summarized in Table 26. Some of these organizations are funded through the statutory levies, which in 2005/06 amounted to R42.6 million. In addition to this funding, there is also a voluntary fund to help nurture responsible drinking (R1.4 million) and a fund (negotiated by WOSA with UK retailers) that collects duty-free savings for a quota of exports to carry out generic promotion of South African wine in the UK. The statutory levies are allocated as follows:

- R20.7 million to WOSA (plus R4 million that WOSA receives from SAWIT
- R13.5 million to Winetech
- 6.5 million to SAWIS
- R1.9 million to DTU (Development and Transformation Unit)

The executive office of SAWIC is partly funded by these levies, but also by members of institutions and organizations that have members on the board of directors.

Table 26: Formal institutions and organizations in the South African wine industry

Institution	Established	Members	Mission	Functions and positions
Industry Association for Responsible Alcohol Use (ARA)	1981 with a different name	SAB, VinPro, Wine Cellars SA, members of SALBA and 50 associate members	Promotion of responsible use of beverage alcohol	Representative authority and policy making body on the social aspects of alcohol consumption, supports stringent age limits on consumption (age 18), moderation in consumption as quality of life factor and medical advice on consumption during pregnancy.
Black Association of the Wine and Spirits Industry (BAWSI)	1998	100 black owned businesses, 48 NGOs under RUDNET (Rural Development Network), 16 labour unions, farm worker co-coordinating council, other organizations and 'emerging farmers and taverniers'	Transforming the wine industry to make it representative of the South African socie ty	Mobilize individuals and interested parties from historically disadvantaged backgrounds for social upliftment of people on farms; implement fair labour practices and empowerment of members.
Biodiversity and Wine Initiative (BWI)	2004	4 champions, 4 coops, 70 private wineries and conservation partners	Conserving the bio-diversity of the Cape Floral Kingdom	Prevent further loss of biodiversity in the threatened habitat on critical sites in wine areas; set aside areas as natural habitat; promote changes in farming practices that enhance the suitability of vineyards as habitats for biodiversity.
Cape Estate Wine Producers Association (CEWPA)	1968	111 units that are registered for the production of estate wine	To maintain and promote the unique position of the estate as the pinnacle of the Wine of Origin system, and to represent the interests of its members in industry	Management committee with 11 elected and co-opted members, 4 committee meetings a year and 2 general meetings. Lobbied for the establishment of estate demarcations in the 1973 SA Wine of Origin System.

Institution	Established	Members	Mission	Functions and positions
			forums	
Cape Winemakers Guild (CWG)	Started by 8 founding members in 1982	Approximately 40 members by invitation only	To nurture and develop members' winemaking expertise, to serve as benchmark of South African winemaking through showcasing of members' wines	For nomination a winemaker must have been responsible for producing outstanding wines for 5 years minimum and continue doing so, only those nominated that are voted positively by 2/3 by the AGM can enter, the CWG Auction is the annual showcase.
South African Vintners Alliance (SABVA)	2005	12 black owned wine companies	Creating an enabling environment for emerging black owned wine companies	Linking wine enterprises to business sources, develop a business model to ease entry into wine industry for prospective entrepreneurs.
South African Society for Enology and Viticulture (SASEV)	1979	1 100 members	To optimize the quality of South African grapes, wines and related products by distributing scientific knowledge	Membership includes viticulturists, enologists, laboratories, scientists; publishes a scientific journal; organizes meetings an disseminates information.
South African Wine and Brandy Company (SAWB)	2002 - 2006	Organizations representing wine industry constituencies	Enhance the strategic environment for the benefit of the industry	Representative body of the wine industry, drew up the Wine Industry Strategy Plan (WISP), seeks to increase global competitiveness and profitability, generate equitable access and participation in the wine value chain, enable environmentally sustainable production of wine.
South African Wine Industry Council (SAWIC)	2006	Board of Directors has members from VinPro, WCSA, Salba, labour, civil society and emerging farmers	Not available	Emerged from the restructuring of SAWB; it includes 4 business units namely: Winetech, SAWIS, WOSA and DTU. It is focusing on the development of a Wine-BEE Charter.
South African Wine Information	1999	Part of SAWB/SAWIC	Provides data and information to wine	One of the business unit of SAWB (now SAWIC)

Institution	Established	Members	Mission	Functions and positions
and Systems (SAWIS)			industry players and applies the Wine of Origin scheme	
South African Wine Industry Trust (SAWIT)	1999	Trustees appointed by the Minister of Agriculture	Transformation of the wine industry for the benefit of the historically disadvantaged	Created through the agreement between KWV and the government to focus on transformation of the wine industry in SA. It includes 3 non-profit companies BUSCO (Business Support Company), DEVCO (Development Support Company) and WECO (Wine Industry Empowerment Company)
VinPro	2003	5 000 bona fide wine producers	Wine farmers service organization providing services and representation in the wine industry bodies	Formerly part of the service branch of the KWV. Provides services in viticulture, oenology, soil science, agro economics and management.
Wine Improvement Organization (OIV)	1986	KWV, Distell, Techno Grow, VinPro, Nurseymen Association	Plant improvement and certification	Executing the Plant Improvement Scheme for wine grapes. Official body concerning vine propagation material.
Wine Cellars of South Africa (WCSA)	2002	56 cellars and wine marketers	To establish an environment within which its members can optimally produce and market wine with consideration for other sectors of the industry	Members represent approximately 75% of all wine sold in SA. Mostly are cooperatives or ex-cooperatives. Majority of these used to be members of KWK (Cooperative Wine Cellars Committee) and WBA (Wine Marketing Association).
Wine and Agricultural Ethical Trade Association (WIETA)	2002	128 grower and producer sites, 94 in wine industry (25 fully accredited	Improve the working conditions of the employees in agriculture by promoting the adoption of and adherence to a	Measure how agricultural producers are responding to the rights and obligations established in the labour legislation introduced after 1994 and assists them in ensuring compliance.

Institution	Established	Members	Mission	Functions and positions
			code of good practice	
Wine Industry Network for Expertise and Technology (Winetech)	1996, operational from 1999	Part of SAWB/SAWIC	Provide the industry with forefront technology and human resources to strengthen competitiveness and profitability	Support the industry through expertise, training, education technological innovation and scientific network.
Wines of South Africa (WOSA)	1999	350 South African wine exporters	Generic marketing of South African wine abroad (from 2006, also promotion of wine domestically and promotion of wine tourism)	Generic marketing body falling under SAWB (now SAWIC), aims at building 'Brand South Africa' for wines, runs wine shows and keeps media informed , brings wine and lifestyle writers to the Cape
Wine and Spirit Board (WSB)	1973	Participants to the Wine of Origin and IPW schemes, Department of Agriculture and Agricultural Research Council	Administers the Wine of Origin system	Runs testing committees, administers the Integrated Production of wine scheme, certifies wine and issues seals of certification, advises the Department of Agriculture on technical issues regarding wine and liquors
Independent Vignerons	1974	45 independent grape growers	Communicate the interests of the independent grape growers and represent them in industry bodies	Initially, active in obtaining the right to sell grapes directly to wholesalers (before liberalization). Currently the organization is responsible for communicating with stakeholders on grape prices, contracts, strategies and provide market information to members

Source: Wineland

8.2 The official SAWIS picture

A point of departure in configuring the wine industry in South Africa is SAWIS' system of classification of participants. According to SAWIS, there were 3 999 primary producers of grapes for wine in South Africa, 43% of which produces under 100 tons and further 37% produces between 100 and 500 tons. There is also 12% that produces between 500 and 1 000 tons and further 8% that produces between 1 000 and 5 000 tons. There are only 7 large scale producers with an output of over 5 000 (see Table 27).

At the primary production level, the picture is not substantially different from the one that was prevalent in the mid 1990s. Currently, SAWIS counts 560 wine cellars in the country: 481 private cellars, 59 producer cellars (cooperatives and ex-cooperatives) and 20 cellars owned by producer wholesalers (buying bulk wine from other cellars as well).

Finally, there are 121 bulk wine buyers, 70 of which focus exclusively on exports. Over a decade ago, there were only 56 wholesalers, 10 of which focused exclusively on exports. Thus, the winemaking structure has changed dramatically, with a fast growth in the number of private wine cellars and wholesalers/exporters.

Table 27: South African wine industry structure in 2011

NUMBER OF PRIMARY WINE PRODUCERS 3 527	PER PRODUCTION CATEGORY		
	TONS	NUMBER OF PRODUCERS	
	1 – 100 > 100 – 500 > 500 – 1000 > 1000 – 5000 > 5000 – 10000	1 461 1 273 457 329 7	
NUMBER OF WINE CELLARS WHICH CRUSH GRAPES 582	52 Producer Cellars 505 Private Wine Cellars 25 Producing Wholesalers		
NUMBER OF BULK WINE BUYERS 101	57 Wholesalers (including producing wholesalers) 44 Exporters (buy wine for export only)		

Source: SAWIS

Table 27 shows South African Wine Industry structure and examines the composition of wine cellars by capacity in 2011. Table 27 also shows that there were 3 527 primary wine producers in

South Africa, 582 wine cellars which crush grapes. Furthermore, there were about 101 bulk wine buyers, there were 505 private wine cellars with crushing capacity of between 500 and 1 000 tons of grapes, and another 47 with crushing capacity of between 1000 and 5 000 tons. There was only 1 private cellar with crushing capacity of between 5 000 and 10 000 tons. Producer Cellars still provide the bulk of large scale wine production (with 52 facilities able to crush over 10 000 tons of grapes.

This picture suggests increased fragmentation in wine production. Private cellars dominates small to medium scale production and producer cellars with and a few producing wholesalers dominates large scale production. A new category has also emerged and that is wholesalers that have a small winery 'on the side'. This is important to showcase that wine tourism industry is also a significant player.

Table 28: Number of wine cellars per production category in 2010 / 2011 period.

CATEGORIES (TONS OF GRAPES CRUSHED	NUMBER OF WINE CELLARS (2010)				NUMBER OF WINE CELLARS (2011)			
	Total	Private wine Cellars	Producer Cellars	Producing Wholesalers	Total	Private wine Cellars	Producer Cellars	Producing Wholesalers
1 - 100	267	260	-	7	258	251	_	7
> 100 - 500	150	144	-	6	158	151	_	7
> 500 - 1000	50	47	1	2	55	51	2	2
>1000 - 5000	63	50	10	3	58	47	7	4
> 5000 - 10000	15	3	10	2	15	3	9	3
>10000	40	-	37	3	38	2	34	2
Total	**585**	**504**	**58**	**23**	**582**	**505**	**52**	**25**

Source: SAWIS

8.3 Strengths, Weaknesses Opportunities and Threats (SWOT) analysis

Some of the strengths, weaknesses, threats and opportunities of the wine production sector in South Africa are the following:

Strengths	**Weaknesses**
• The exceptional export growth over the last 12 years. The SA wine industry is making inroads as a global player. • The sound development of an aligned and focused statutory levy system for the industry to support industry activities like generic marketing. • South African wines are perceived internationally to less overwhelmingly fruity than other New World wines such as Australia and have some structure and elegance of Old world wines such as France. • South Africa has a great variety of terriors (total natural environment of any vitcultural site.	• South Africa does not have strong brands for mid-range quality wines sold over €7/£5. This is the fastest growing segment and the margins are healthier. • Lack of serious investment due to small margins. • Price competition amongst South African producers and high unit costs renders the wine industry increasingly marginal, a “price taker” and economically unstable. • Fragmentation of production entities. There are too many producers who produce small quantities. This too makes the industry to be economically unstable. • Port congestions. Wine has a similar season to fruits (December to March). As a result fruit always get preferential treatment primarily due to its higher value and is more perishable. This constrains wine trade.
Threats	**Opportunities**
• Increased competitions from fellow Southern hemisphere countries like Chile, Australia and New Zealand.	• South Africa should take an opportunity to capitalize on the global increase in red wine demand.

8.4 Business opportunities and challenges

With the end of apartheid and the opening of export market, investment flowed in the industry, new farms and cellars were established, wine quality improved, cooperatives modernized themselves (both infrastructural and managerial). At the same time exports increased dramatically.

Positive coverage on the health benefits of wine continues to drive wine consumption amongst the older generation. With aging population profiles in UK, Europe and USA, this is positive for consumption. Lifestyle changes are driving the relationship between food and wine as more meals are eaten out of home.

New opportunities have seen the emergence of medium-scale exporting participants. These have been formed by the conversion of former co-operatives (e.g. Simonsvlei), by a new enterprise formed by existing co-operatives (e.g. WestCorp), by strategic alliances formed between private producers (e.g. Winecorp) and by consolidation of existing enterprises (e.g. Omnia Wines).

One other feature is the virtual explosion in smaller cellar based businesses and trading companies. The rapid institutional change that has characterized the industry in the past decade has come about because of strategies to adapt to new trading environment. A key feature of these of this environment has been to the ability to exploit new opportunities in the global market, and more institutional changes can be expected as the industry consolidates its position in the international markets.

There is a growing need for marketing strategies, business training and development and also resources to penetrate, educate and build the domestic market. Support programmes from both the government and the industry need to give more attention on growing the local market given the challenges of the stronger trading currency and trading barriers presented by foreign markets.

The other general challenges that the wine industry in South Africa is currently facing are as follows:

8.4.1. Global over-supply;
8.4.2 Sensitivity to the outside economic shocks such as exchange rate fluctuations, currency values, tax increases, etc;
8.4.3 High subsidization regimes by the competitors especially developed countries;
8.4.4 Increased production costs;
8.4.5 Surplus removal schemes.

9. EMPOWERMENT ISSUES AND TRANSFORMATION IN THE SECTOR

9.1 Transformation of the industry

In the early 1990s, the promise of democratic transformation posed a new challenge to the elites, in particular the KWV, which had previously controlled the wine industry, and seemed to hold significant promise to black workers. In order to protect the economic assets it had built up since 1924, the KWV needed to mitigate the risks of government intervention and transformation of the industry. The opportunity had been created by the Amendment of the Cooperative Act in 1993 to convert itself into a private company and therefore pre-empt transformation by distancing itself from the control of government.

In 1997, the chairman of the KWV Lourens Jonker announced that the KWV would be applying to the Supreme Court to convert to a public company. However, the then Minister of Agriculture and Land Affairs resisted a mere financial conversation from a cooperative to a company. The Minister argued that the assets built up by the KWV while exercising its statutory duties should be considered in the public domain and would benefit the entire industry (Kruger et al. 2006; Williams 2005). The dispute was settled out of court in September 1997, with the agreement that the KWV would fund an industry trust to provide services to the industry as a whole and to support industry transformation.

In February 1999, the South African Wine Industry Trust (SAWIT) was established and a board of trustees appointed by the Minister of Agriculture and Land Affairs and by the KWV. The main purpose of the trust was to be custodian of the funds paid by the KWV. The functions of the trust were separated into two not-for-profit companies namely Wine Industry Business Support Company (Busco) and Wine Industry Development Company (DEVCO).

The objective of Busco was to support research, development and competitiveness in the industry. For that purpose, it was allocated 54.6% of SAWIT's funds. The funds were used to finance the Winetech which is the research institution to support human resource development and transfer of technology, SAWIS and WOSA. Busco was also used to fund the provision of services that had previously been provided by KWV.

The objective of Devco on the other hand was in equal measure the development and support of new entrants to the industry. Furthermore, Devco was expected to support and uplift farm workers and their communities. A part of its budget was also related to the marketing of wine products and access to the related extension services. In reality, it did little to support new entrants into the industry in comparison to the support provided to the established industry through Busco (for a detailed discussion of DEVCO's performance, see Kruger et al. 2006; Williams 2005).

In 1999, Winetech developed the Vision 2020 document. The Vision 2020 is the document that laid down a process of research and consultation for building an 'innovation driven, globally competitive and highly profile industry' (Winetech 1999). While it announced the end of the 'productionist' era and announced the need for the industry to become more market oriented, it did not offer much in the way of guidance as to how the industry could achieve this. The report pointed out that in order to succeed in the market, producers had to produce quality while also stating that quality was whatever the market wanted.

Vision 2020 played a vital role in attempting to establish a framework in terms of which changes in the industry had to be debated and legitimized. These terms were technical and neo-liberal and rigorously eschewed any real engagement with the burning political questions facing the industry. There was no mention of a change of ownership or redistribution of productive resources in the industry, nor any specific mention of 'black empowerment' (Kruger et al. 2006)

A prerequisite for the implementation of Vision 2020 was an industry structure and leadership that represented all stakeholders in the wine industry. Thus, in 2002, the two main producer-wholesalers in the industry (KWV and Distell) moved to form SAWB as the 'inclusive and representative' body of the wine industry. The rationale behind the chamber structure that was adopted was that the various industry sectors would enjoy equal 'representation' and 'equal ownership'. The SAWB's four chambers represented producers, cellars, trade and labour. SAWB became purportedly the forum where both old and new economic and political interest groups could stake out their claims in the transformation process of the wine industry. However, the solution of a 'representative' institution was inherently unstable because now established discourse of BEE (see Ponte et al. 2006) opened for new demands which could not be met by old habits.

White interests still maintained 99% of ownership and control over the assets of the wine industry. Thus, the structure of SAWB was still basically 75% white and 25% black (black interests were only represented in the chamber).

SAWB was restructured in July 2006, when it became SAWIC. SAWIC is structured into four business units namely: the already existing SAWIS, Winetech, WOSA (now working to promote domestic consumption and wine tourism as well as exports), plus the newly created Development and Transformation Unit that will take care, inter alia, of the Wine-BEE Charter. An advisory forum was also created, to provide SAWIC with advice on strategic issues. The forum includes representatives from BAWSI, NAFU, VinPro, Wine Cellars of South Africa, SAWIT and the Rural Development Network.

9.2 BEE in the wine industry

The troubles of the wine industry with BEE (or lack thereof) are well known (Kruger et al. 2006; Williams 2005). The industry is still completely white in terms of ownership, control and consumption. Most black operators in the industry are found on the farms as labourers, and increasingly in tasting rooms and in wine tourism trade. There are indications that conditions for the permanent work force have improved, but at the same time a large proportion of it has been externalized and is now hired ad hoc through labour contractors. Some 'black empowered' labels have emerged and a handful are enjoying healthy sales, but all in all they involve a very small number of operators.

According to the industry, empowerment initiatives in the wine industry should cover the entire spectrum of the industry's value chain. Information gathered from a survey conducted in the co-operative cellars, indicates that sixty two percent of co-ops were currently involved in one of more BEE projects. As far as direct empowerment programmes are concerned, equity schemes are the most favoured, while skills development initiatives are the most significant in human resource development. Outsourcing of cellar activities and farming operations are regarded the most important in the case of private cellars.

Table 29: Current BEE programmes in the Private and co-operative wine cellars

Category breakdown	**Number**
1.Direct Empowerment	62
1.1 Equity ownership in cellar	17

Category breakdown	Number
1.2 Equity in farming sector	20
1.3 Profit sharing	1
1.4 Housing	9
1.5 Management	2
2. Human Resources	
2.1 Mentorship	7
2.2 Employment Equity	1
2.3 Skills development/Training	9
2.4 Community Development	??????
3.Indirect Empowerment and Entreprise development	
3.1 Outsourcing cellar/farming activities	35
3.2 Preferential procurement	26
Enterprise Development	1

The above statistics changes all the time as more and more empowerment initiatives takes place in the wine industry. It can be stated however that all the segments of the wine industry are currently in the process of developing their respective charters and establishing the baselines and targets for their scorecards.

BEE projects in the brand ownership sector have been more progressive with the result that over 20 black-owned wine labels have been created by black companies throughout the Western Cape. These companies have access for financial assistance from the South African Wine Industry Trust and the Department of Trade and Industry through various schemes such as export promotion and marketing material development. BEE in the corporate/wholesale sector is also making a mark with the big companies such Distell and KWV leading in the way in empowerment programmes.

In summary, it is clear that there is still much to be done to enhance empowerment initiatives in the wine industry. Particular challenges are in the areas of access to finance and skills transfer.

There is also a growing need for marketing strategies, business training and development and resources to penetrate educate and build the domestic market. Support programmes from government need to give more attention on growing the local market given the challenges of the stronger currency and trading barriers presented by foreign markets.

Generally, the industry is still almost completely white in terms of ownership, control and consumption. Most black operators in the industry are found on the farms as labourers and increasingly in taste rooms and wine tourism trade. There are indications that conditions for the permanent labour force on farms have improved, but at the same time a large proportion of it has been externalized and is now hired ad hoc through labour contractors. Some ‘black empowered’ labels have emerged and a handful are enjoying healthy sales, but al in all they involve a very small number of people.

10. ACKNOWLEDGEMENTS

10.1 The following industries/organizations are acknowledged.

10.1.1 South African Wine Industry Council
Box 7055
Stellenbosch
7599
Tel (021) 886 8992
Fax (021) 882 9510
Web: www.winecouncil.co.za

10.1.2 South African Wine Industry Information and Services
Box 238
Paarl
7620
Tel (021) 807 5704
Fax (021) 871 1360
Web: www.sawis.co.za

10.1.3 VinPro
Box 1411
Suider-Paarl
7620
Tel (021) 807 3322
Fax (021) 863 2079
Web: www.vinpro.co.za

10.1.4 Trade and Industrial Policy Strategies (TIPS)
P. O. Box 11214
Hatfield
0028
Tel (012) 431 7900
Fax (012) 431 7910
www.tips.org.za

10.1.5 National Agricultural Marketing Council (NAMC)
Private Bag X 935
Pretoria
0001
Tel (012) 341 1115
Fax: (086) 626 4769
www.namc.co.za

10.1.6 International Trade Centre
www.intracen.org

10.1.7 Directorate: Agricultural Statistics

Department of Agriculture, Forestry and Fisheries;
Private X 246
Pretoria
0001
Tel (012) 319 84 54
Fax (012) 319 8031
www.nda.agric.za

10.1.8 Trade Law Centre for Southern Africa (TRALAC)

P. O. Box 224
Stellenbosch
7599
Tel (021) 883 2208
Fax (021) 883 8292
www.tralac.co.za