

A PROFILE OF THE SOUTH AFRICAN WINE MARKET VALUE CHAIN

2017



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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 include the following:

- **Natural wine** is a non-fortified and non-sparkling wine, including perle wine which is wine carbonated to the extent 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 plays significant role in the Western Cape province. South African wine production was rank number eight (8) and twelve (12) in the world in terms of world exports. The wine industry in the Western Cape (excluding tourism) supported almost 300 000 jobs in 2016. It is estimated that the wine industry contributed R19.3 billion to the Western Cape economy in 2016. This is estimated to amount to approximately 7.3% of the total provincial Gross Domestic Product of the Western Cape.

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 extent wine tourism) in generating images of South Africa abroad.

Figure 1 below indicates wine gross value of production (GVP) between 2007 and 2016 marketing season.



Source: South African Wine Industry Information and Systems (SAWIS), 2017

As indicated in Figure 1 above, wine gross value of production started to increase in 2007 to a level of approximately R2.8 billion. In 2008, the wine gross value of production experienced a subsequent increase of R3.3 billion. Between 2007 and 2009, wine gross value of production experienced a consistent increase to levels of approximately R3.6 million. The figure indicates that a peak was attained in 2016 at approximately R5 billion. The increase was primarily influenced by increases in wine exports. In 2010, wine gross value of production experienced a slight decline until a peak was attained in 2013 and 2014 at approximately R4.8 billion and R4.72 billion. In 2014, wine gross value of production experienced a slight decline at approximately R4.72 billion. The figure further indicates that the increase in wine gross value of production during 2015 represents 1.4% increase as compared to 2014 marketing season. In 2016, the gross value of wine production increased by 5% compared to 2015 season and increased by 76% compared to a 2007 figure.

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.

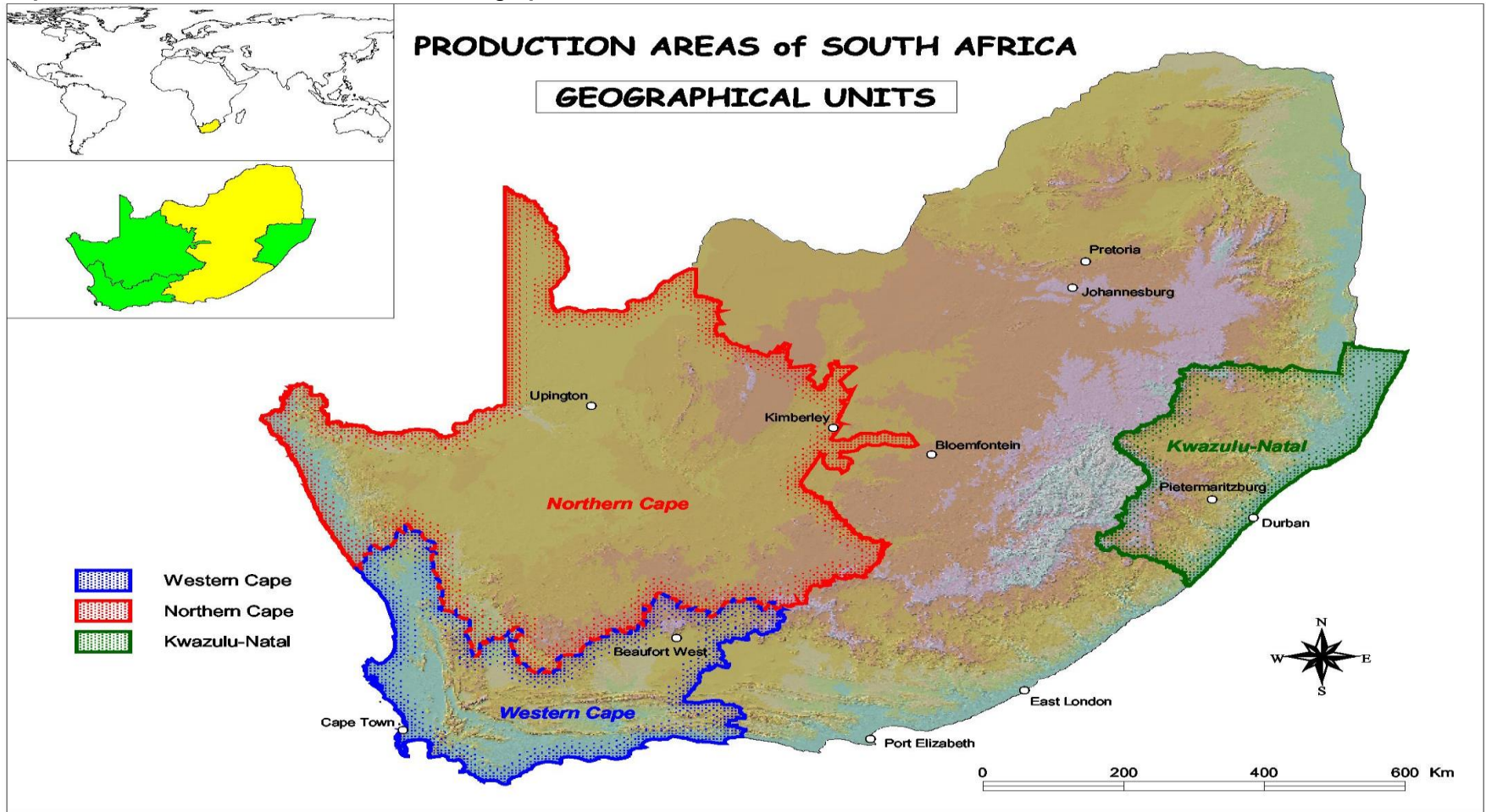
Table 1: Regional distribution of grape vines and of wine output in 2016 (excluding sultana)

Region	Number of vines	% of total vines	Area in hectares	% of total hectares
Stellenbosch	46 048 995	16.47	15 252	16.13
Paarl	45 521 022	16.28	15 150	16.02
Robertson	43 443 122	15.53	12 910	13.66
Swartland	32 692 610	11.69	12 892	13.64
Breedekloof	40 998 717	14.66	12 941	13.69
Olifants River	26 410 210	9.44	9 861	10.43
Worcester	20 061 292	7.17	6 472	6.85
Northern Cape	8 825 657	3.16	4 123	4.36
Klein Karoo	7 105 155	2.54	2 344	2.48
Cape South Coast	8 548 650	3.06	2 601	2.75
Total	279 655 430	100.00	94 545	100.00

Source: South African Wine Industry Information and Systems (SAWIS): 2017

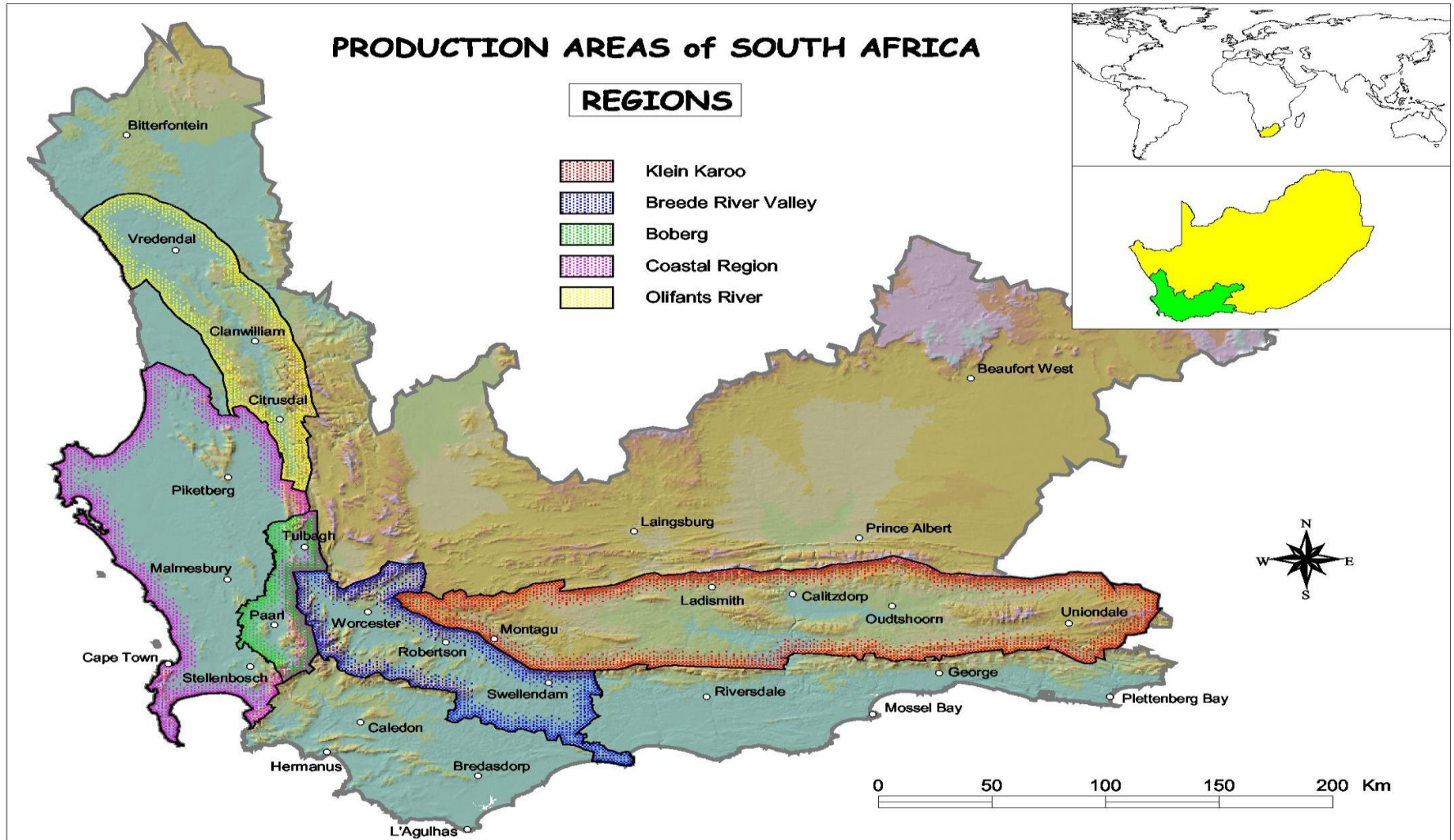
Table 1 show that geographically, the area of wine grape vineyards is fairly evenly distributed in four wine regions (Paarl at 16.28%, Stellenbosch at 16.47%, Swartland at 11.69%, Robertson at 15.53% and Breedekloof at 13.69%). These areas cover more than 60% of total area planted during 2016. Of these, Paarl, Stellenbosch and Robertson are dominated by vineyards owned by farmers that are members of the cooperatives (or shareholders of companies that are ex cooperatives). Paarl has 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



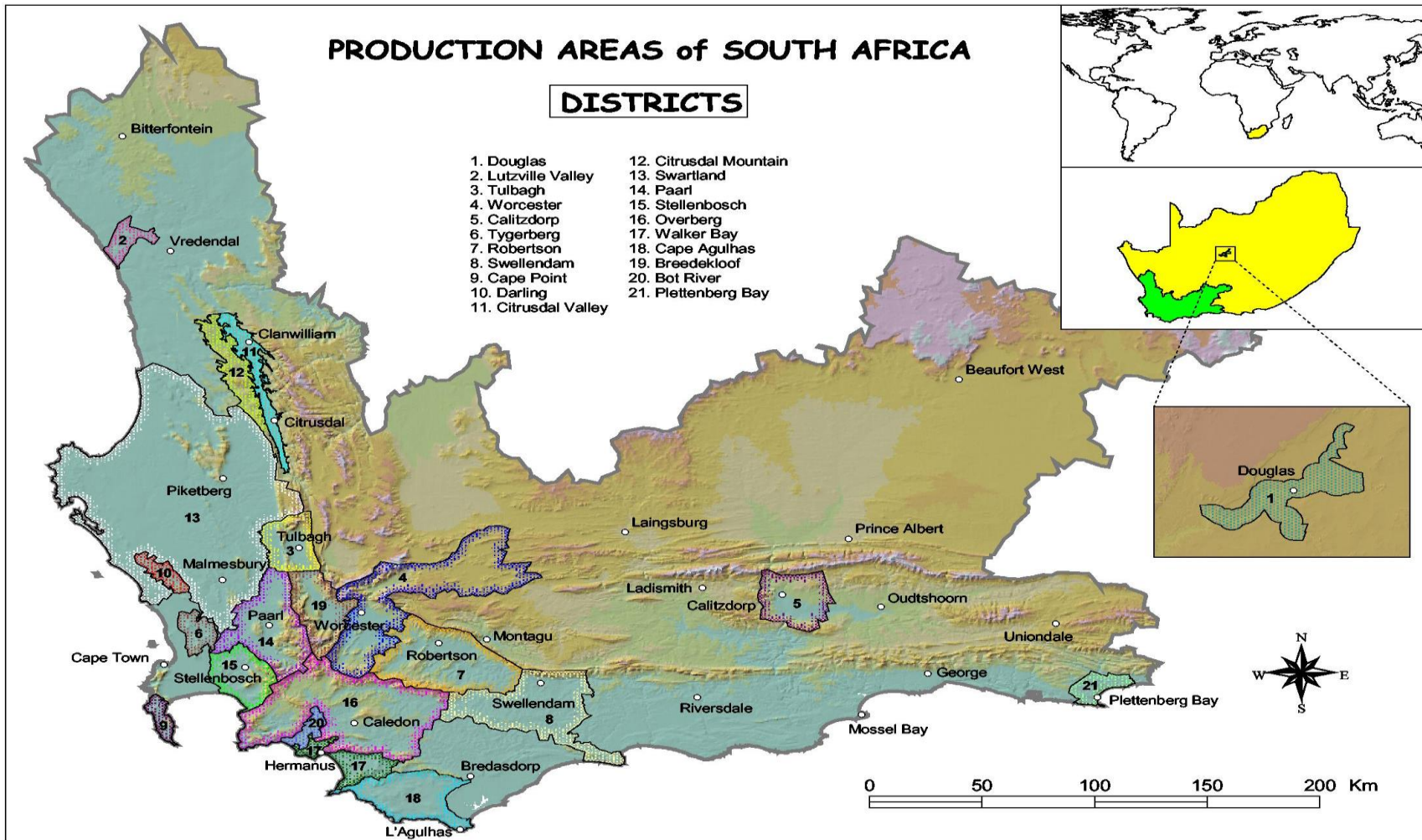
Source: SAWIS

Map 2: Production areas of South Africa – Regions



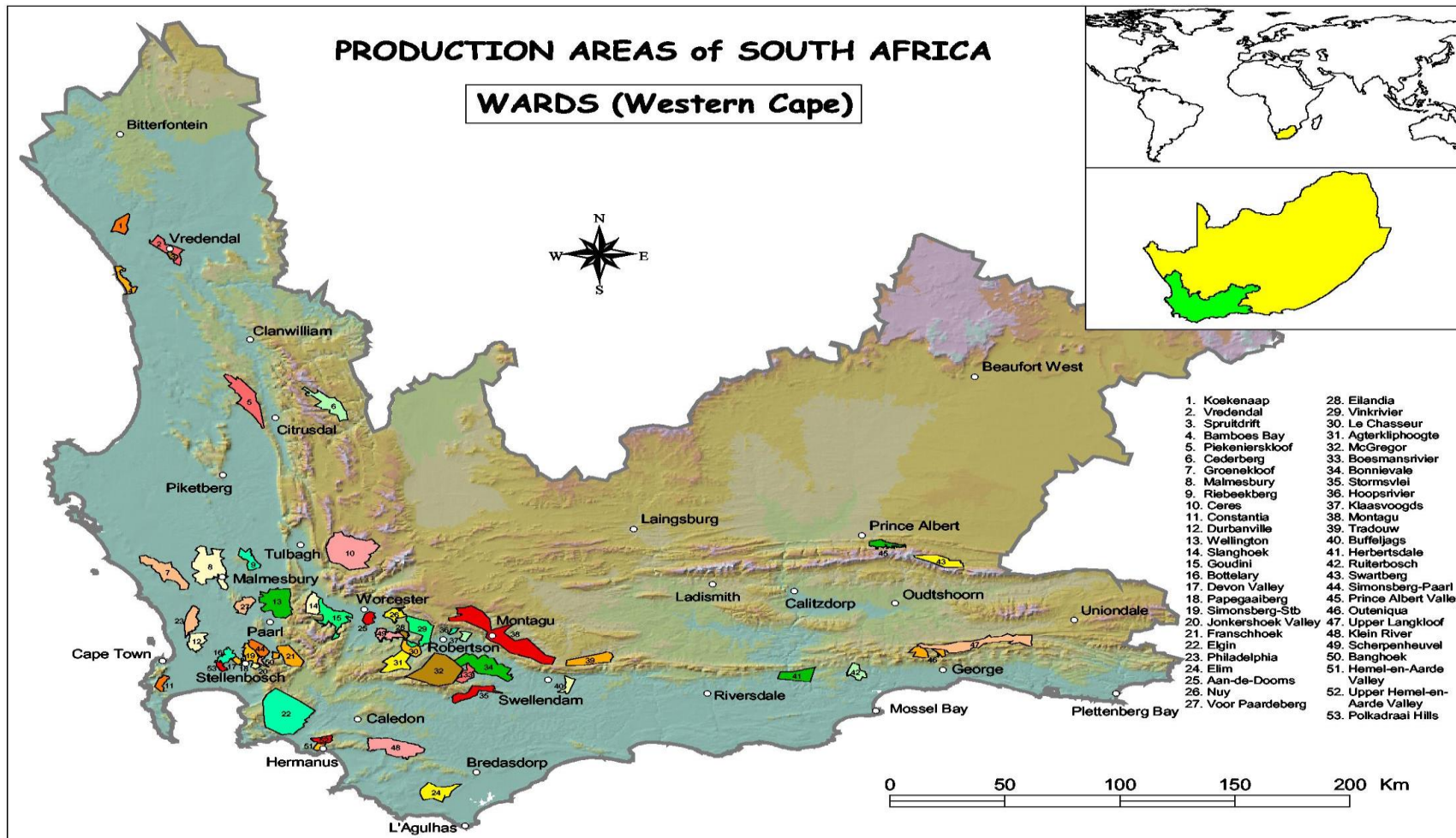
Source: SAWIS

Map 3: Production areas of South Africa – Districts Source: SAWIS



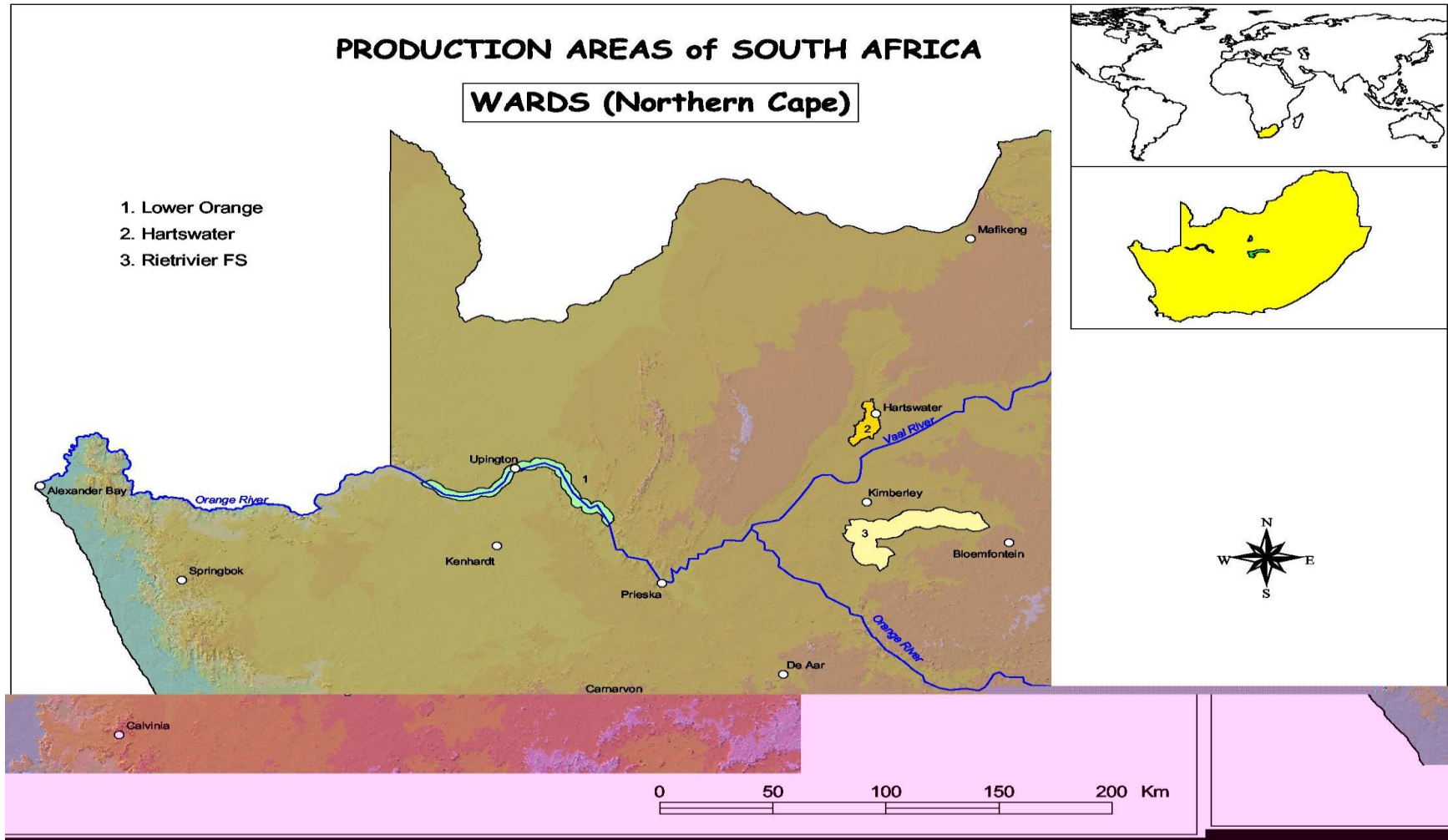
Source: SAWIS

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



Source: SAWIS

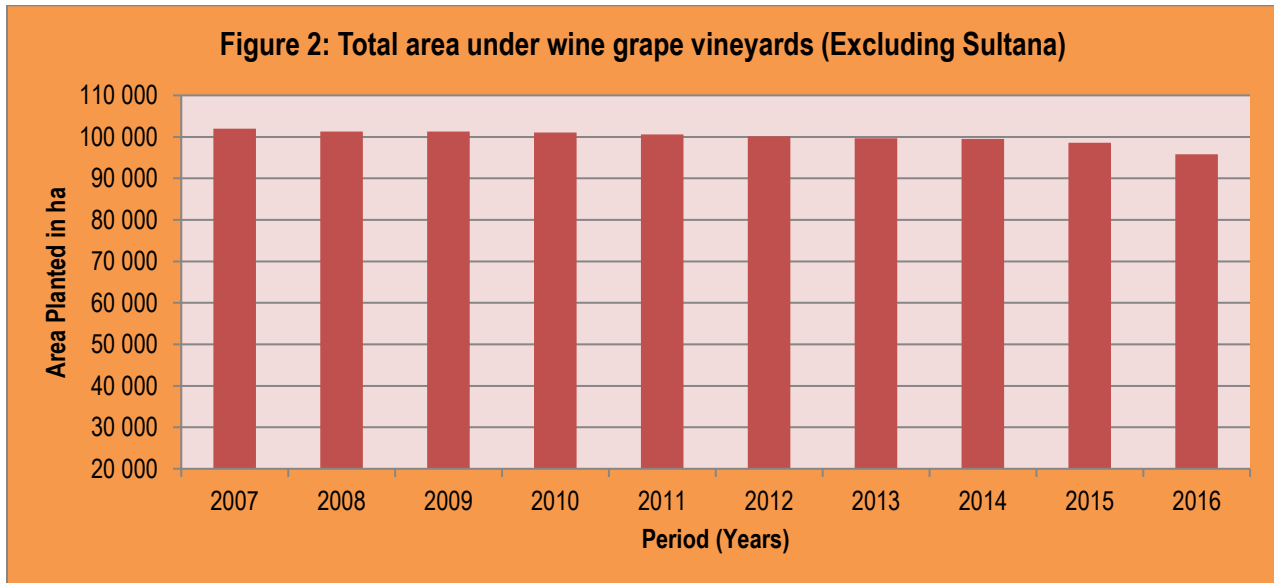
Map 5: Production areas of South Africa – Wards (Northern Cape)



Source: SAWIS

1.2 Production

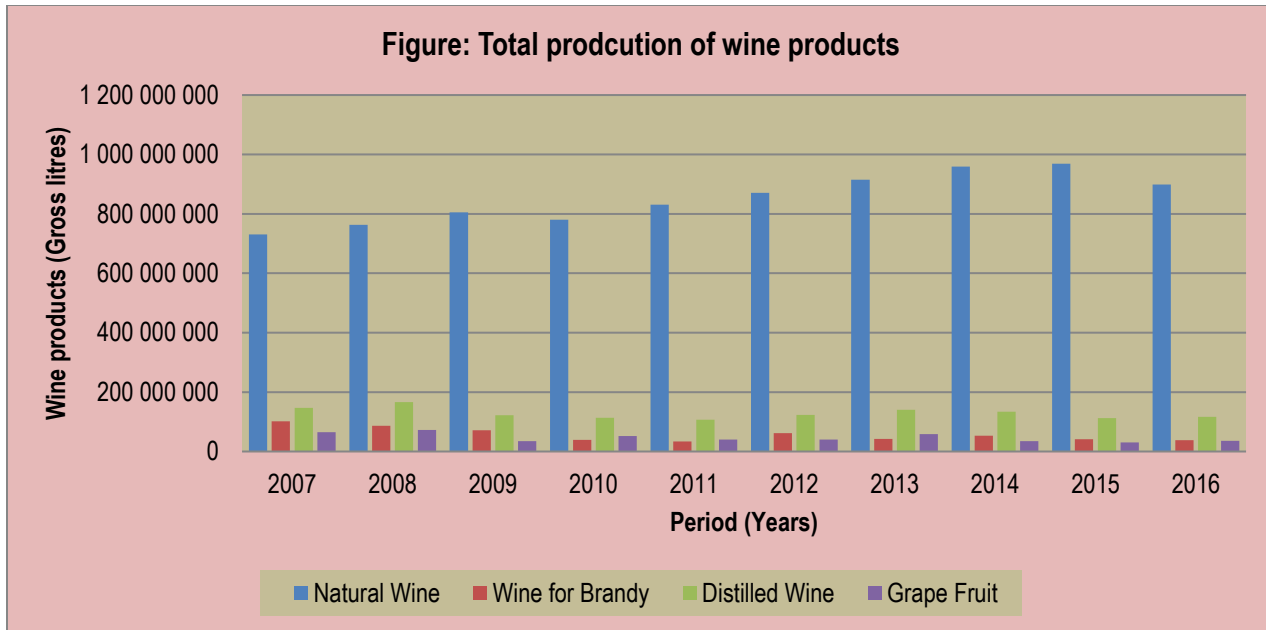
Figure 2 illustrates total area under wine grape vineyards (excluding Sultana) between 2007 and 2016 production season.



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

The graph further illustrates that the total area planted under wine grape vineyards (excluding sultana) has been slightly stable in the last decade, from 101 957 ha to 95 775 ha between 2007 and 2016 production season. The figure also illustrates that between 2012 and 2016, there was a decline in the total area under wine grape vineyards, as compared with the first half of the period under review. The figure further illustrates that in 2007 a peak was attained in total area under wine grape vineyards at approximately 101 957 ha. The figure also illustrates that the total area planted under wine grape vineyards (excluding sultana) declined consistently from 2007 to 2016 to approximately 95 775 ha in 2016. The figure illustrates the increase in the total area under grape vine yards to 130 000 ha in 2015. The slight decline in total area under wine grape vineyards during 2016 represents 3% decrease as compared to 2015 total area under production season.

Figure 3 below indicates total production of different wine products in South Africa between 2007 and 2016.

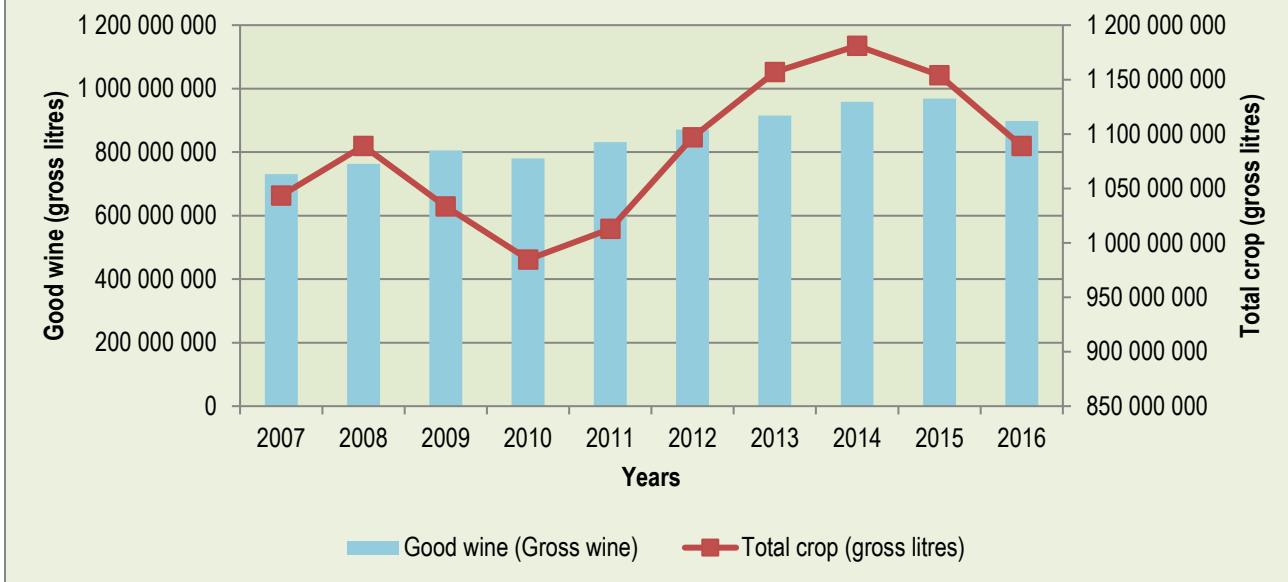


Source: South African Wine Industry Information and Systems (SAWIS): 2016

The figure further indicates that during the past decade, majority of wine producers in South Africa have been concentrating mainly on the production of natural wine over the past decade. That has been mainly due to the volatility of prices, reflecting changes in domestic and export demand and previous planting decisions from 2007 to 2016 production season. According to the graph, it clearly indicates that natural wine was in demand throughout the whole period from 2007 to 2016, followed by wine for brandy and then both grape juice and distilling wine. The figure further indicates that between 2011 and 2015, natural wine production in South Africa increased consistently until a peak was attained in 2015 at approximately 968 million gross litres, while production of wine for brandy attained a peak in 2008 at approximately 166 million gross litres. In 2016, production of natural wine declined by 7% compared to the previous season (2015).

Figure 4 below indicates good wine production as against total wine crop in South Africa between 2007 and 2016.

Figure 4: Good wine vs wine crop production



Source: South African Wine Industry Information and Systems (SAWIS): 2017

Figure 4 further indicates that over the past decade, domestic production of good wine started to increase in 2007 and at the same time the total wine crop followed the same trend, until a decline was experienced between 2009 and 2010 at approximately R1 billion gross litres. The figure also indicates that good wine and total crop production was at an average of 852 million and 1 billion gross litres respectively. The figure further indicates that good wine production in South Africa attained a peak in 2014 and 2015 at approximately R958 and R968 million gross litres respectively and the total wine crop also attained a peak in 2013 and 2014 at approximately R1.1 billion gross litres respectively. Good wine production in South Africa started to increase again in 2011 with a consistent increase in 2012 and a peak in 2014 and 2015 at approximately 958 and 968 million gross litres respectively. The figure also illustrates that between 2009 and 2011, there was a general decline in total wine crop as compared to good wine production during the same period under scrutiny. The slight increase in good wine production in South Africa represents 4.7% increase during 2015 as compared to 2014 marketing season. The 2015 increase was short-lived as production of good wine experienced a 7.2% decrease in 2016.

1.3 Deregulation of markets and re-regulation of labour

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, labour and employment legislation was brought to a minimum International Labour 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 Labour 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 below depicts per capita consumption of wine products in the domestic markets between 2007 and 2016.

Table 2: Per capita consumption of wine products in the domestic markets between 2007 and 2016

Year	Wine consumption – litres per capita			
	Natural wine	Sparkling wine	Fortified wine	Total
2007	6.52	0.19	0.71	7.43
2008	6.42	0.20	0.69	7.31
2009	6.01	0.17	0.68	6.86
2010	6.09	0.18	0.66	6.93
2011	6.16	0.17	0.65	6.98
2012	6.21	0.16	0.64	7.02
2013	6.20	0.15	0.62	6.97
2014	6.54	0.15	0.61	7.31
2015	6.52	0.19	0.71	7.43
2016	7.12	0.16	0.58	7.86

Source: South African Wine Industry Information and Systems (SAWIS): 2017

The table further depicts that the local consumption of wine has slightly increased in 2016 to 7.12 litres and a rapid growth in the volume of exports in the last couple of years is evident. 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 especially in the previously disadvantaged areas is hardly growing because wine is generally not regarded as consumables such as beer, brandy and whiskey. The wine industry will therefore struggle to maintain a share in the market for alcoholic beverages in both the global and local markets. The table also depicts that consumption of natural wine has slightly increased in 2016, while consumption of sparkling wine remained constant and that of fortified wines declined slightly over the same period.

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: Extent of the total South African wine industry

Table 3 below shows the extent of the total South African wine industry between 2015 and 2017 marketing season.

Grapes crushed in tons	2015	2016	2017	2017/2016 TREND
White varieties	954 890	909 902	937 635	103.0
Red varieties	460 830	434 022	441 749	101.8
Table grapes	61 371	61 335	57 877	94.4
Total	1 477 091	1 405 259	1 437 261	102.3
Production in million litres				
Natural wine	968.4	898.4	918.6	102.2
Wine for brandy	41.8	37.8	47.9	126.7
Distilling wine	112.9	116.9	113.6	97.2
Grape juice concentrate and grape juice	30.9	35.9	38.2	106.4
Total	1 154.0	1 089.0	1 118.3	102.7
Domestic sales (wine) in million litres				
Natural wine	383.3	395.8	406.9	102.8
Fortified wine	33.5	32.2	33.6	104.3
Sparkling wine	8.2	8.9	9.2	103.4
Spirits	119.1	121.4	126.8	104.4
RTD's	447.3	431.2	450.3	104.4
Beer	3 123.0	3 170.0	3 212.2	101.3
Total	4 114.4	4 259.5	4 239.0	101.9

Grapes crushed in tons	2015	2016	2017	2017/2016 TREND
Exports (wine) in million litres				
Natural wine	412.4	424.1	444.0	104.7
Fortified wine	0.3	0.4	0.3	75.0
Sparkling wine	7.3	3.9	4.1	105.1
Total	420.0	428.4	448.4	104.7

Source: South African Wine Industry Information and Systems (SAWIS): 2017

Out of a total of 1.4 million tons of grapes crushed in 2017, the trend in terms of percentages was 103% of white varieties, 101.8% were red varieties and 94.4% were table grapes.

Total production was slightly over 1 million litres, of which (102.2%) was natural wine, Grape juice concentrate and grape juice (106.4 %), distilling wine (97.2 %) and brandy was at (126.7 %). In percentage terms, spirits and RTD's sales constitute the vast majority of sales in both the domestic market at 104.4% each. In the export market, Natural wine dominated at about (104.7%). Reds make up 92.8% of domestic sales, even though they account for 99.4% of production. Natural wines and sparkling wines are relatively small niches and sell almost exclusively on the domestic market. By comparison, the industry in 2017 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 99% 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 2017

Variety	Total Tons	% of variety crushed by		
		Private Wine Cellars	Producer Cellars	Producing Wholesalers
Chenin Blanc	329 876	10.6	86.7	2.7
Colombar(d)	294 019	6.4	93.5	0.1
Sauvignon Blanc	114 366	32.1	55.7	12.2
Chardonnay	75 989	27.4	62.7	9.9
Muscat d'Alexandrie	28 563	10.6	89.3	0.1
Semillon	15 274	22.8	73.7	3.5
Muscadel	13 735	32.2	67.5	0.2
Viognier	8 668	31.0	58.2	10.8
Other white varieties	57 146	20.0	73.5	6.6

Variety	Total Tons	% of variety crushed by		
		Private Wine Cellars	Producer Cellars	Producing Wholesalers
Table grapes	30 394	37.1	62.9	0.1
Total white varieties	968 029	15.3	81.0	3.7
Shiraz	100 739	29.3	56.9	13.7
Cabernet Sauvignon	83 948	30.6	53.9	15.5
Merlot	55 162	32.9	52.7	14.4
Pinotage	88 815	19.6	71.8	8.6
Ruby Cabernet	34 305	8.4	90.5	1.2
Cinsaut	27 405	15.8	81.4	2.8
Petit Verdot	8 588	30.2	47.9	21.9
Pinot Noir	10 603	57.2	21.2	21.6
Other red varieties	35 185	49.6	37.4	13.0
Table grapes	27 483	8.8	91.2	-
Total red varieties	469 232	26.8	62.1	11.1
Total white and red	1 437 261	19.1	74.8	6.1

Source: South African Wine Industry Information and Systems (SAWIS): 2017

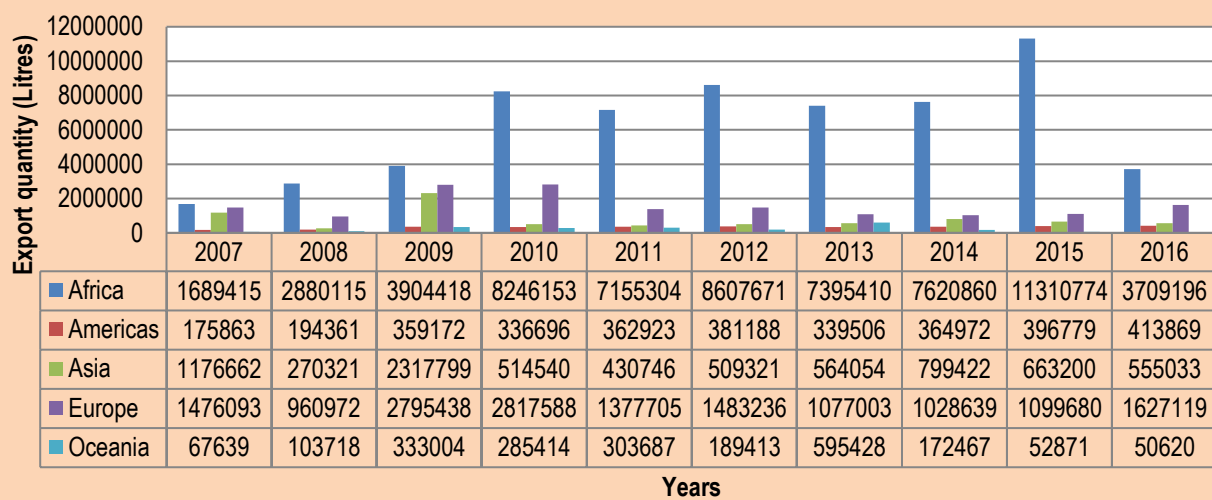
Table 4 above shows that cooperatives and ex-cooperatives (producer cellars) still crush approximately 74.8% of all grapes used for wine making locally during 2017 marketing season. Along with a few producing wholesalers, they are the ones that can provide economies of scale, competitive pricing and 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

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 2007 and 2016 marketing season. Figure 5 below depicts export volume of wines of fresh grapes (including fortified wines) from South Africa to various regions of the world between 2007 and 2016 marketing season.

Figure 5: Export volumes of wine of fresh grapes (including fortified wines) to the world



Source: Quantec EasyData

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 with minimal export volumes from Americas and Oceania. Exports of wine of fresh grapes from South Africa to Africa started at lower levels in 2007 of approximately 1 689 415 litres. In 2007 to 2010, exports of wine of fresh grapes from South Africa to Africa experienced an increase of 388% before recording a slight decrease in 2011. The peak was attained in 2015 at approximately 11.3 million litres followed by a drastic decrease between 2015 and 2016. The figure also depicts that export volumes 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 export volumes of wine of fresh grapes from South Africa to Asia attained a peak in 2009 at approximately 2.3 million litres. The figure further depicts that export volumes of wines from South Africa to Americas and Oceania were not more than 600 000 litres per annum during the same period under observation. The decrease in exports of wines of fresh grapes from South Africa to Africa in 2016 represents 67% decrease as compared to 2015 marketing season.

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 5: Types of exported wine and other liquor products (2017) in litres

Types of wines and spirits	Packaged		Bulk		Total litres 2015
	Litres	AS % of total per variety	Litres	AS % of total per variety	
Chardonnay	11 828 748	36.21	20 834 801	63.79	32 663 549
Sauvignon Blanc	21 920 213	46.88	24 833 960	53.12	46 754 173
Chenin Blanc	16 976 473	32.15	35 811 783	67.85	52 779 256

Types of wines and spirits	Packaged		Bulk		Total litres
	Litres	AS % of total per variety	Litres	AS % of total per variety	2015
Other white wine	32 453 621	33.68	63 893 110	66.32	96 346 731
Blanc de Noir and Rose	6 028 227	15.25	33 495 078	84.75	39 523 305
Cabernet Sauvignon	10 925 900	47.85	11 907 343	52.15	22 833 243
Shiraz	12 756 663	51.93	11 806 748	48.07	24 563 411
Pinotage	9 943 626	49.41	10 181 475	50.59	20 125 101
Merlot	6 113 333	38.38	9 816 830	61.62	15 930 163
Other red wine	41 408 374	44.76	51 096 667	55.24	92 505 041
Subtotal natural wine	170 346 178	38.36	273 677 795	61.64	444 023 973
Fortified wine	315 303	100.00	-	-	315 303
Sparkling wine	4 059 270	100.00	-	-	4 059 270
Total wine	174 720 751	38.97	273 677 795	61.03	448 398 546

Source: South African Wine Industry Information and Systems (SAWIS): 2017

According to table 5, of the total exports in 2017 marketing season, 38.97% was bottled wine and 61.03% 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 6: Bottled and bulk natural wine exports by South Africa in litres (2017)

COUNTRY	2017			
	WHITE	RED	BLANC DE NOIR / ROSé	TOTAL
UNITED KINGDOM	55 341 500	37 880 682	5 635 711	98 857 893
GERMANY	37 400 177	34 632 790	6 132 986	78 165 953
FRANCE	9 161 136	8 072 597	11 983 187	29 216 920
SWEDEN	12 822 583	8 345 949	474 206	21 642 738
THE NETHERLANDS	13 138 834	7 254 633	2 292 236	22 685 703
CANADA	17 247 978	8 689 063	447 118	26 384 159
DENMARK	6 353 876	13 549 346	2 143 121	22 046 343
RUSSIA	18 639 037	9 108 310	955 894	28 703 241
USA	5 641 511	4 443 055	546 069	10 630 635
CHINA	1 422 659	14 228 718	21 101	15 672 478
BELGIUM	5 932 586	3 479 548	725 191	10 137 325
FINLAND	3 196 769	1 921 089	320 183	5 438 041
ANGOLA	161 056	699 503	19 283	879 842
JAPAN	2 849 357	1 583 846	6 894	4 440 097
KENYA	2 501 300	1 221 284	62 034	3 784 618
THAILAND	1 208 022	1 490 278	25 651	2 723 951
SWITZERLAND	2 235 931	1 037 398	373 694	3 647 023
UAE	1 398 826	1 755 442	102 979	3 257 247

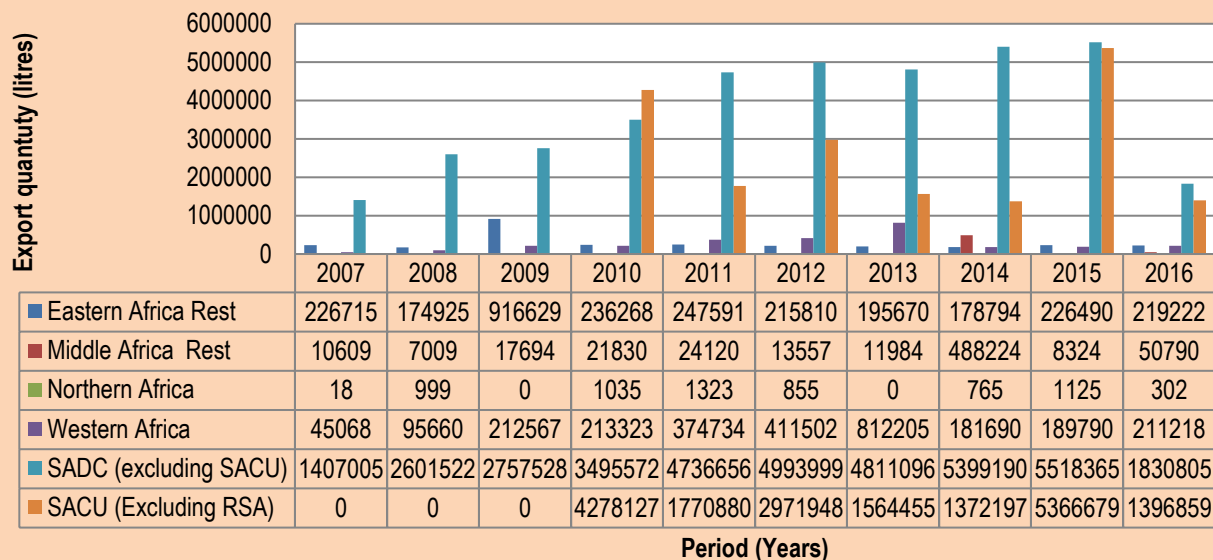
COUNTRY	2017			
	WHITE	RED	BLANC DE NOIR / ROSé	TOTAL
NEW ZEALAND	520 976	669 381	64 679	1 255 036
CZECH REPUBLIC	2 596 386	338 289	2 754	2 937 429
TANZANIA	1 410 785	819 749	56 651	2 287 185
MAURITIUS	877 704	704 289	323 107	1 905 100
REP OF IRELAND	637 782	787 887	9 086	1 434 755
ZAMBIA	530 992	189 939	15 883	736 814
ZIMBABWE	764 463	435 095	39 375	1 238 933
OTHER COUNTRIES	11 573 311	10 950 414	1 455 080	23 978 805
TOTAL	215 565 537	174 288 574	34 234 153	424 088 264

Source: South African Wine Industry Information and Systems (SAWIS): 2015

Table 6 indicates that in 2016, 23% 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 18.4% of total exports (34% of which was bottled and 66% was in bulk), followed by France with 6.9% (all packaged, much of it 'Bag-in-box), Russia with 6.7% (54% of which was bottled and 46% was in bulk) and Canada with 6.2% during the period under scrutiny. Together, these five destinations account for 61% of the volume of wine exports. Interestingly, over 10 million litres of bulk wine (4% of exports) end up in countries like Netherlands, Sweden and Denmark for blending with local wines. Table 6 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 424 088 264 litres of wine exported in 2017 represent a 1% increase from 420 026 862 litres in 2015.

Figure 6 illustrates exports of wines of fresh grapes (including fortified wines) from South Africa to Africa between 2007 and 2016.

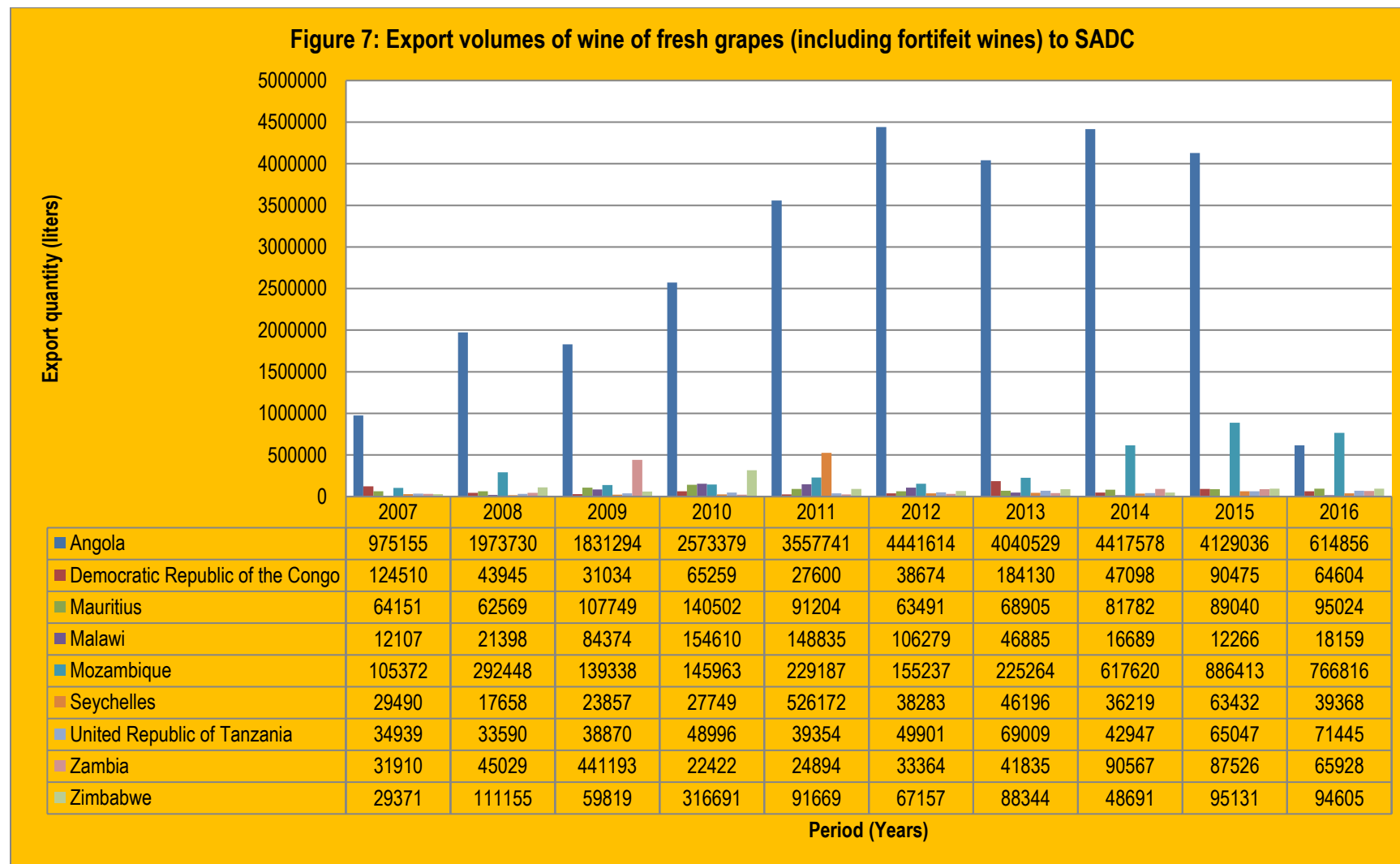
Figure 6: Export volumes of wine of fresh grapes (including fortified wines) to Africa



Source: Quantec EasyData

The figure further illustrates that the major export market for wines of fresh grapes from South Africa to Africa was SADC region, followed by SACU and low export volumes of wine from Eastern Africa Rest, middle, Northern and Western Africa. The figure also illustrates that export volume of wines of fresh grapes from South Africa to the SADC region started to increase in 2007 with low levels of 1 407 005 litres until a substantial increase was observed in 2008 at approximately 2.6 million litres. The figure further illustrates that from 2009 export volumes of wine of fresh grapes from South Africa to SADC experienced a consistent increase until a peak was attained in 2012 at approximately 5.0 million litres. The figure further illustrates that there was a slight decline in exports of wines of fresh grapes from South Africa to SADC in 2013 at approximately 4.8 million litres followed by a slight increase in 2015 at approximately 5.5 million litres. Between 2015 and 2016, exports of wines of fresh grapes to SADC experienced a drastic decline of 67%. The figure also illustrates that export volumes of wine of fresh grapes from South Africa to SACU attained a peak in 2015 at approximately 5.3 million litres. The figure also illustrates that export volumes of wine of fresh grapes from South Africa to Eastern Africa Rest attained a peak in 2009 at approximately 916 000 litres. The drastic decrease in export volumes of wine of fresh grapes from South Africa to SADC during 2016 represents 67% as compared to 2015 marketing season. The substantial decrease in export volumes of wine of fresh grapes from South Africa to SACU during 2016 represents 74% as compared to 2015 marketing season.

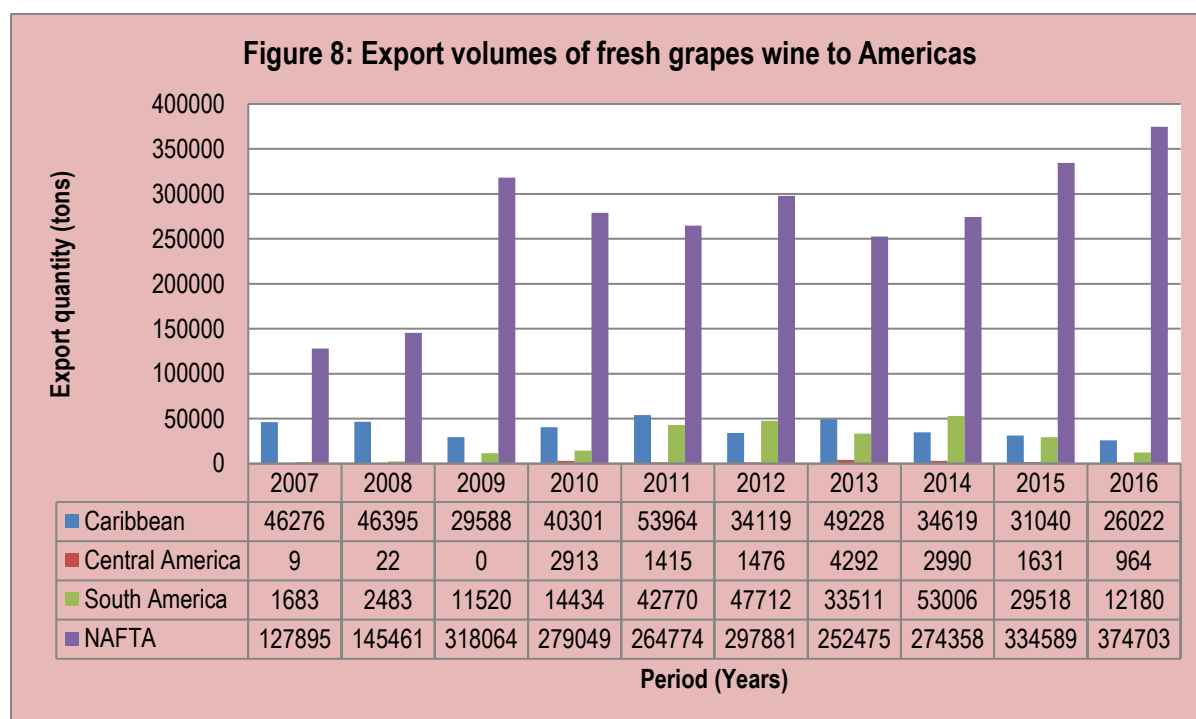
Figure 7 below shows export volumes of wines of fresh grapes (including fortified wines) from South Africa to the SADC region between 2007 and 2016.



Source: Quantec EasyData

The figure further shows that between 2007 and 2016; Angola commanded the greatest market share of wines of fresh grapes from South Africa to SADC, followed by very minimal share of wines of fresh grapes exports volumes from South Africa to Mozambique and Mauritius. The figure also shows that over the past ten years, DRC, Zambia, Malawi, Zimbabwe and Tanzania had very low exports volumes of wine of fresh grapes from South Africa. The figure further shows that export volumes of wine of fresh grapes from South Africa to Angola started to increase substantially in 2008 with a consistently increase until a peak was attained in 2012 at approximately 4.4 million litres. The figure further shows that a slight decline in export volumes of wine of fresh grapes from South Africa to Angola was experienced in 2013 at approximately 4.0 million litres followed by an increase in 2014 attaining a peak at the same time at approximately 4.4 million litres. The figure also shows that export volumes of wine of fresh grapes from South Africa to Mozambique attained a peak in 2015 at approximately 886 392 litres. The drastic decline in export volumes of wine of fresh grapes from South Africa to Angola in 2016 represents 85% as compared to 2015 marketing season.

Figure 8 below illustrates exports of wines of fresh grapes (including fortified wines) from South Africa to the Americas between 2007 and 2016.

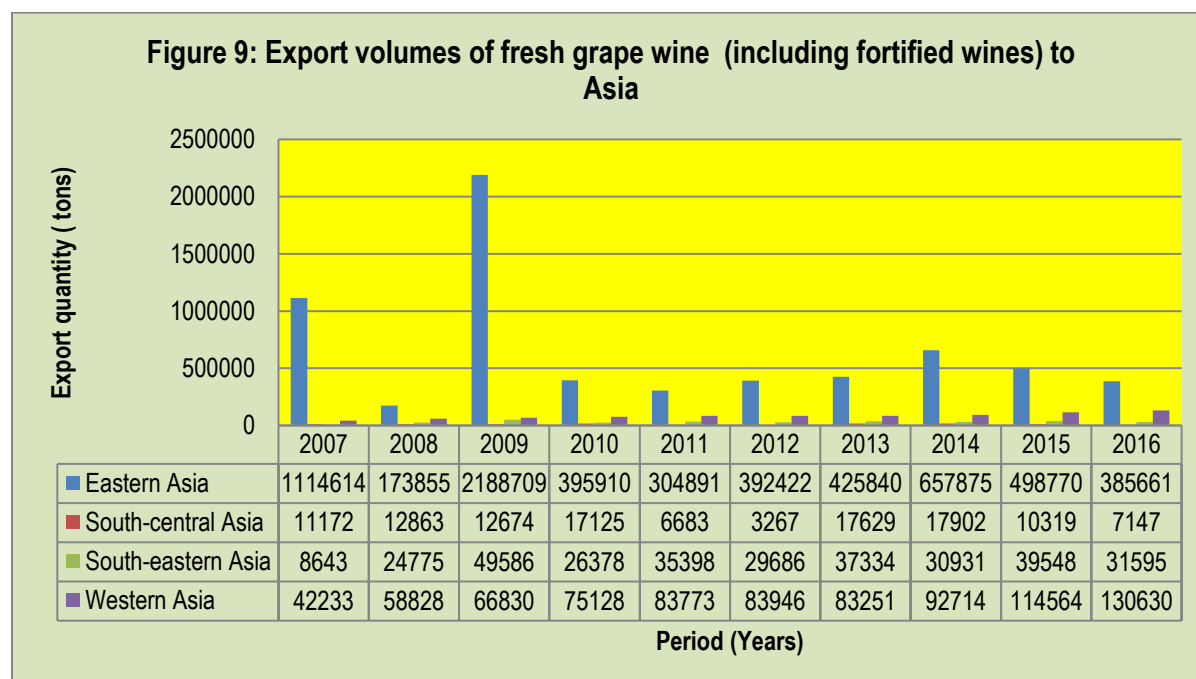


Source: Quantec EasyData

The figure further illustrates that the major market for wine of fresh grapes from South Africa to Americas was mainly NAFTA, followed by very low export volumes of wine of fresh grapes to South America and Caribbean. The figure also illustrates that export volumes of wine of fresh grapes from South Africa to NAFTA has been generally increasing between 2007 and 2016, until a peak was attained in 2016 at approximately 374 703 litres. The figure also illustrates that export volumes of wine of fresh grapes from South Africa to NAFTA experienced a slight decline between 2010 and 2011 of approximately 279 050 and 264 744 litres respectively. In 2012, export volumes of wine of fresh grapes

from South Africa to NAFTA increased to approximately 297 882 litres and a slight decline was experienced in 2013 at approximately 252 475 litres. The figure further illustrates that there was a significant increase in export volumes of wine of fresh grapes from South Africa to NAFTA between 2014 and 2016, moving from 274 358 litres to 374 703 litres. The figure further illustrates that export volumes of wine of fresh grapes from South Africa to the Caribbean attained a peak in 2011 at approximately 53 964 litres. The slight increase in exports of wines of fresh grapes from South Africa to NAFTA in 2016 represents 12% as compared to 2015 marketing season.

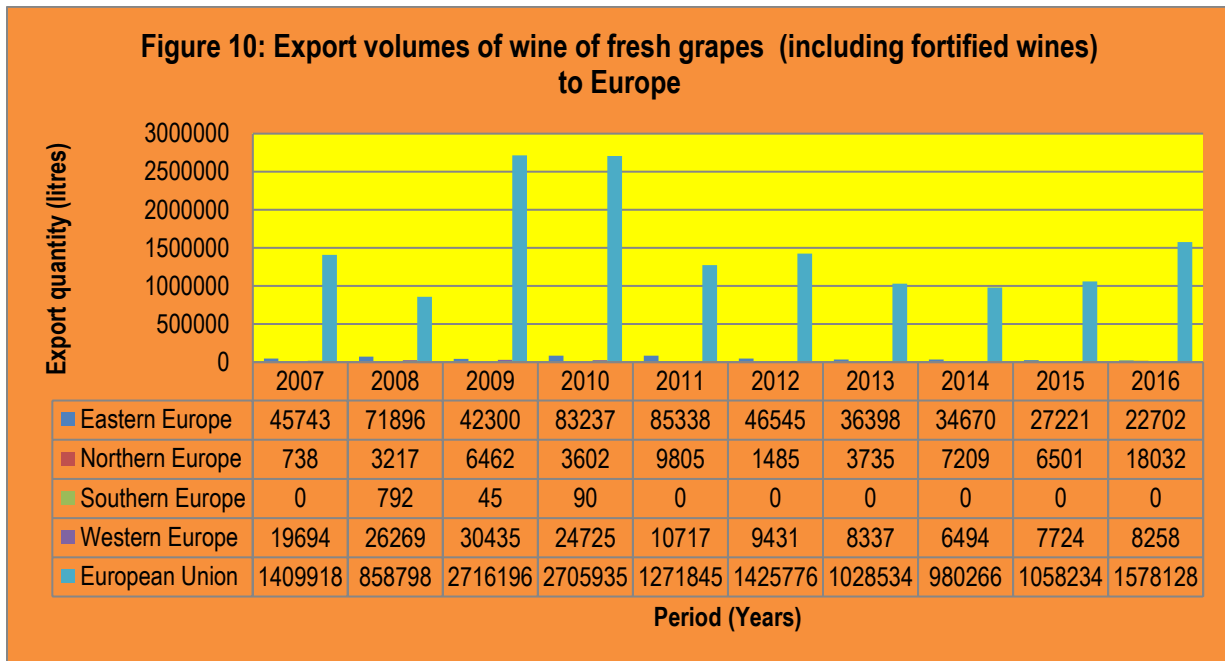
Figure 9 below indicates exports of wines of fresh grapes (including fortified wines) from South Africa to Asia between 2007 and 2016.



Source: Quantec EasyData

The figure further indicates that Eastern Asia commanded the greatest market share of wine of fresh grapes from South Africa to Asia between 2007 and 2016, followed by very low export volumes of wine of fresh grapes from South Africa to South-central Asia, South-eastern Asia and Western Asia. The figure also indicates that export volumes of wine of fresh grapes from South Africa to Eastern Asia attained a peak in 2009 at approximately 2.1 million litres. The figure further indicates that in 2010 and 2011, there was a dramatic decline in wine export volumes of fresh grapes from South Africa to Eastern Asia up to lower levels of about 304 891 litres. Also important to note was that over the past decade, export volumes of wine of fresh grapes from South Africa to South-central Asia, South-eastern Asia and Western Asia were not more than 140 000 litres per year. In 2013 and 2014, exports volumes of wines of fresh grapes from South Africa to Eastern Asia experienced a slight increase of about 425 841 and 657 875 litres respectively. Over the past three seasons, exports of wines of fresh grapes to Eastern Asian region has been on the decline. The figure further indicates that the slight decrease in export volumes of wine of fresh grapes from South Africa to Eastern Asia in 2016 represents 23% decrease as compared to 2015 marketing season.

Figure 10 below depicts export volumes of wine of fresh grapes (including fortified wines) from South Africa to Europe between 2007 and 2016.

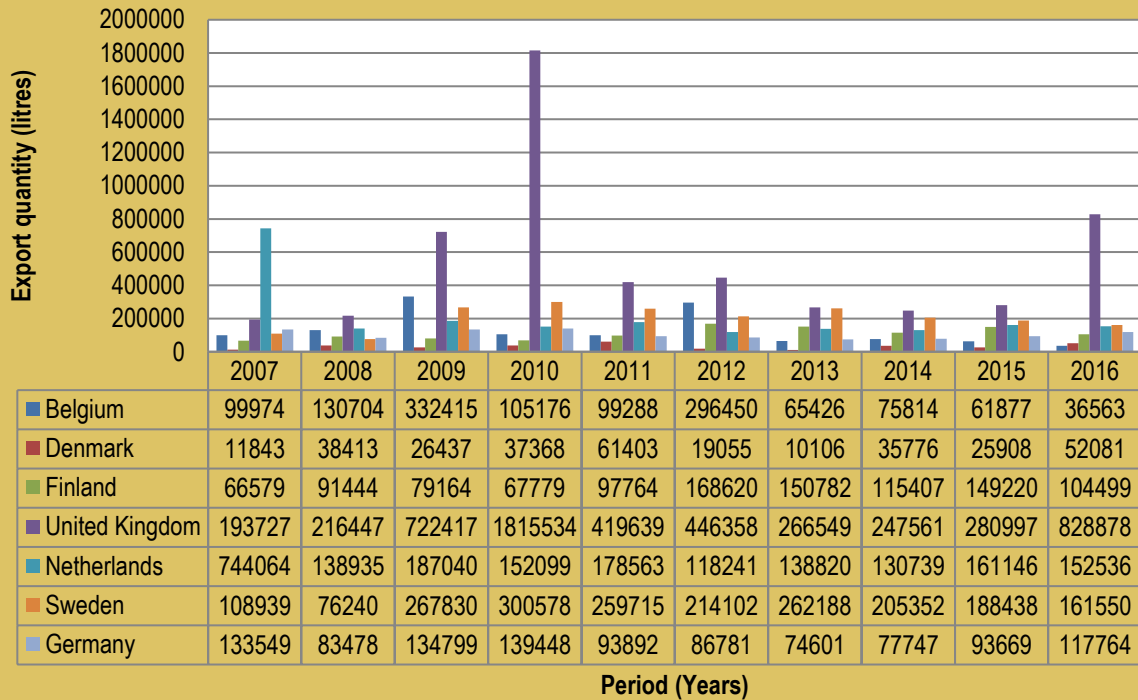


Source: Quantec EasyData

The figure further depicts that the major market for wine of fresh grapes from South Africa to Europe was mainly European Union. The other four European regions had very low levels of wine export volumes from South Africa of not more than 100 000 litres per annum between 2007 and 2016. The figure also depicts that export volumes of wine of fresh grapes from South Africa to the European Union declined by 39% in 2008 before realising a upright increase of 216% between 2008 and 2009. The figure also depicts that in 2011, there was a dramatic decline in wine export volumes of fresh grapes from South Africa to the European Union of about 1.2 million litres. A slight increase in export volumes of wine of fresh grapes from South Africa to the European Union was experienced at approximately 1.4 million litres in 2012, followed by a decrease in export volumes of wine of fresh grapes from South Africa to the European Union during 2015 at approximately 1.0 million litres. The figure also depicts that the increase in export volumes of wine of fresh grapes from South Africa to the European Union in 2016 represents 49% as compared to 2015 marketing season.

Figure 11 below illustrates export volumes of wine of fresh grapes (including fortified wines) from South Africa to European Union between 2007 and 2016.

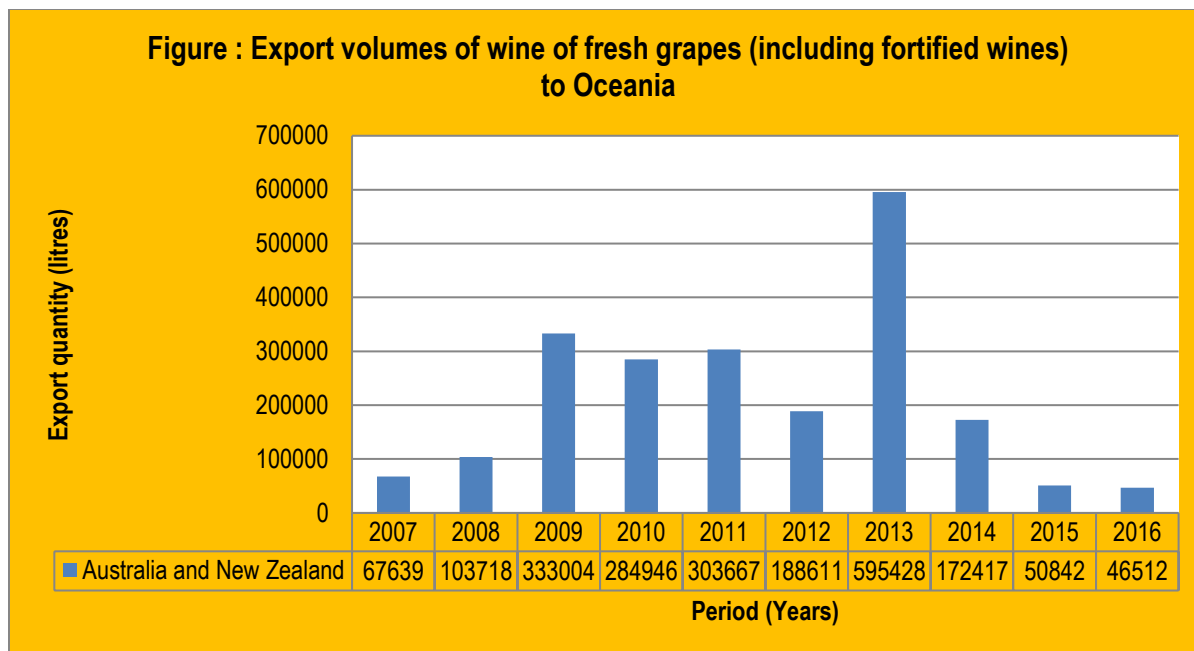
Figure 11: Export volumes of wine of fresh grapes (including fortified wines) to European Union



Source: Quantec EasyData

The figure further illustrates that over the past ten years, United Kingdom commanded the greatest market share of wine 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 800 000 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 2010 at approximately 1.8 million litres. 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 to lower levels of about 416 639 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 further illustrates that in 2012, exports volumes of wine of fresh grapes from South Africa to United Kingdom slightly increased to approximately 446 358 litres and a decline was experienced between 2013 and 2014 at approximately 266 548 and 247 561 litres respectively. The figure also illustrates that the increase in exports volumes of wines of fresh grapes from South Africa to the United Kingdom in 2016 represents 195% increase as compared to 2015 marketing season.

Figure 12 below shows export volumes of wine of fresh grapes (including fortified wines) from South Africa to Oceania between 2007 and 2016.



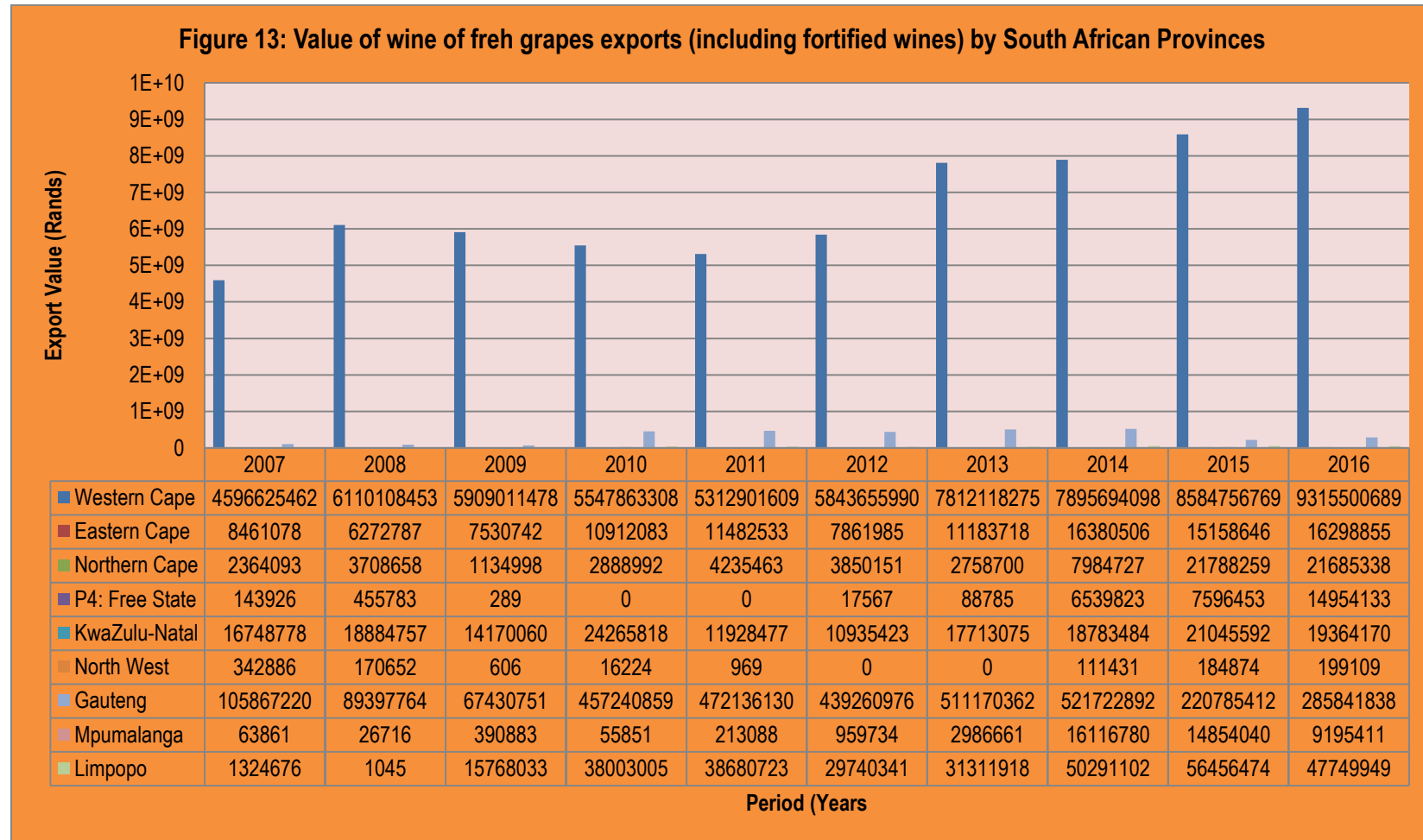
Source: Quantec EasyData

The figure further shows that the major market for wine of fresh grapes from South Africa to Oceania was mainly Australia and New Zealand between 2007 and 2016. The figure also shows that export volumes of wine of fresh grapes from South Africa to Australia and New Zealand started to increase in 2008 to high levels of about 333 004 litres in 2009, representing a 223% increase. The figure also shows that export volumes of wine of fresh grapes from South Africa to Australia and New Zealand experienced a period of instability between 2010 and 2013. The figure further shows that between 2010 and 2012, there was a slight decline in wine export volumes of fresh grapes from South Africa to Australia and New Zealand, while in 2013 export volumes of wine of fresh grapes from South Africa to Australia and New Zealand saw a dramatic increase and a peak was attained during the same year at approximately 595 355 litres. Since the 2013 boom, exports has been declining ove the past three years. The figure further shows that in 2016, there was a slight decline in wine export volumes of fresh grapes from South Africa to Australia and New Zealand. The substantial decline in exports volumes of wines of fresh grapes from South Africa to Australia and New Zealand in 2016 represents 9% as compared to 2015 marketing season.

3.1 Provincial and district export values of South African wine products

A review of provincial level trade data shows that the Western Cape Province had high export values of wine over the past decade (2007-2016). This can be attributed to the fact that the Western Cape Province is the leader in both the production and export of the wines. 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 to Europe and other regions in the world. Figure 13 below depicts the value of wine exports of each province of South Africa between 2007 and 2016.

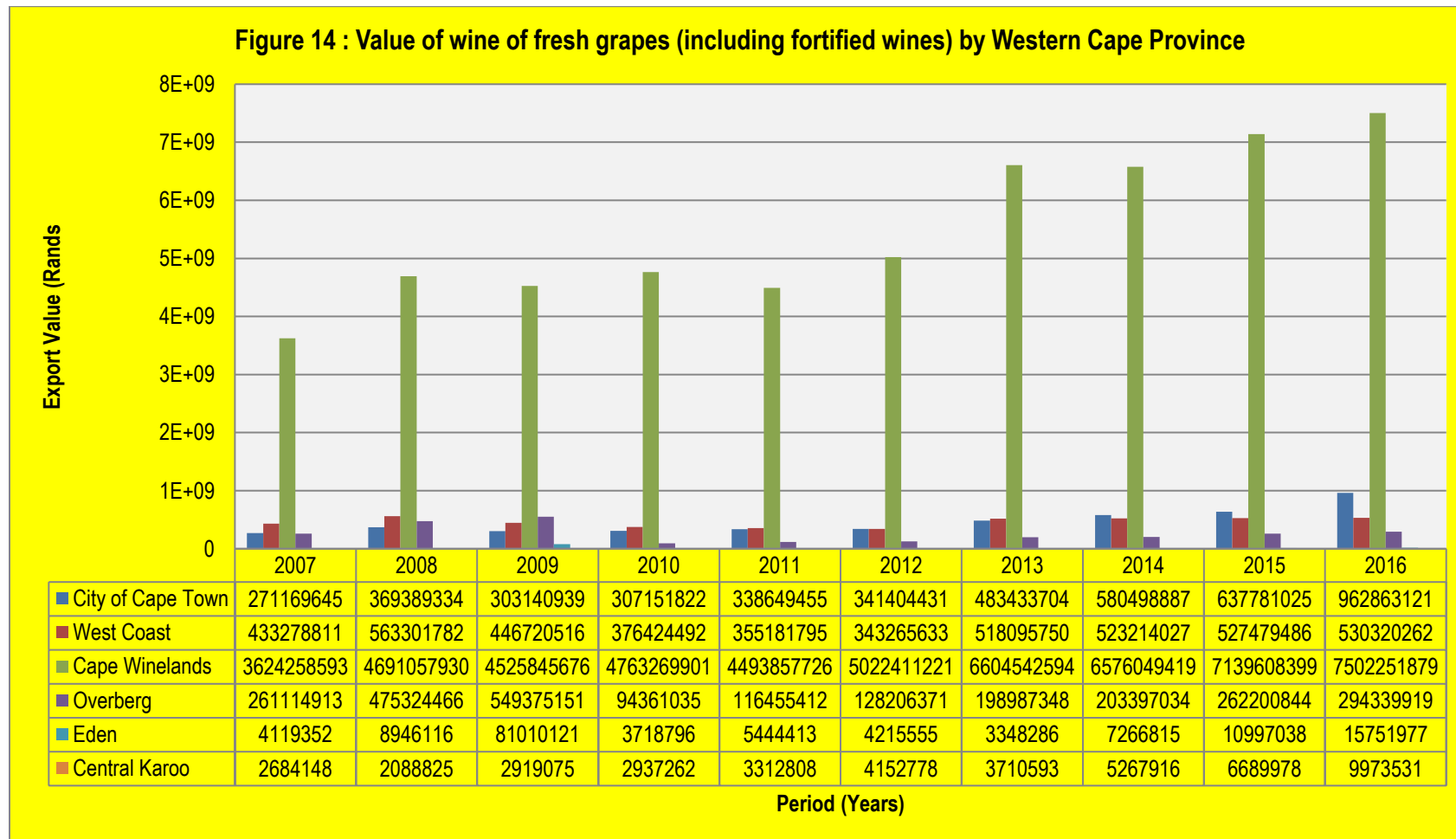
Figure 13 shows the value of wine of fresh grapes (including fortified wines) exports by provinces of South Africa to the world between 2007 and 2016.



Source: Quantec EasyData

The graph further shows that between 2007 and 2016, Western Cape Province commanded the greatest share of wine of fresh grapes from South Africa to the world, followed by Gauteng Province and Kwazulu Natal Province with reasonable export values of wine of fresh grapes to the world. The figure shows that other six (6) remaining provinces had very low export values of wine to the world. During the same period under examination, export values of wine of fresh grapes from the Western Cape Province to the world started to increase in 2007. The graph further shows that in 2008, export value of wine of fresh grapes from Western Cape Province to the world attained a peak 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 export values of wine of fresh grapes from Western Cape Province to the world of about R5.3 billion in 2011. In 2012, export value of wine of fresh grapes from the Western Cape Province to the world experienced a slight increase at approximately R5.8 billion. The graph further shows that in 2013 a sharp rise and a peak were attained at approximately R7.8 billion. The graph further shows that value of wine exports continued to increase until a peak was attained in 2016. The slight increase in export value of wine of fresh grapes from the Western Cape Province to the world in 2016 represents 9% as compared to 2015 marketing season. The Western Cape Province is generally a major producer and exporter of wine in South Africa.

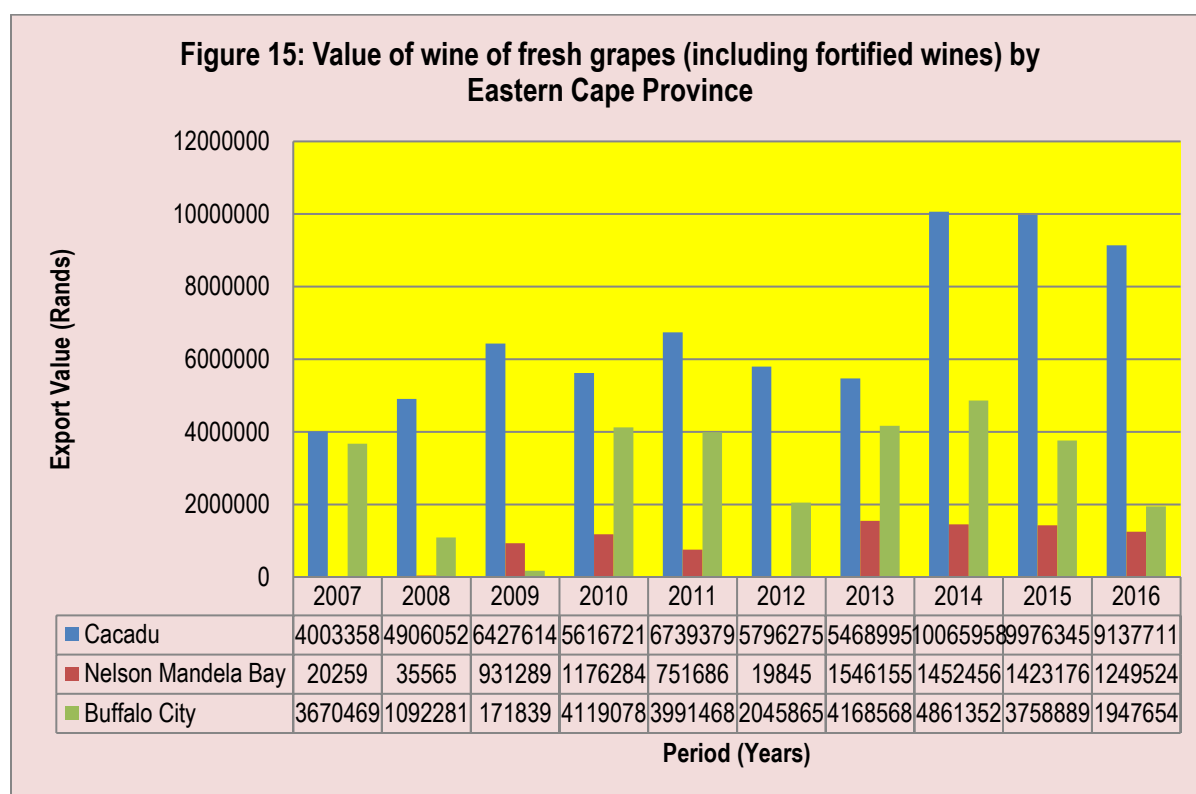
The following figures (14 – 22) shows the value of wines of fresh grapes exports from various districts in the nine provinces of South Africa. It is clear from figure 14 above that value of wine of fresh grapes exports from the Western Cape Province to the world between 2007 and 2016 were mainly from Cape Winelands District Municipality, followed by the City of Cape Town Metro and Overberg District municipalities.



Source: Quantec EasyData

The graph further depicts that high export values of wine of fresh grapes from the Western Cape Province from the Cape Winelands District and City of Cape Town to the world were recorded in 2016 at approximately between R7.5 billion and R962 million respectively. The graph further depicts export value of wine of fresh grapes from the City of Cape Town Metropolitan Municipality to the world attained a peak in 2016 at approximately R962 million. The wine exports from the 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 export value of wine of fresh grapes from Cape Winelands District to the world of about R4.5 billion in 2011. Export values of wine of fresh grapes from Cape Winelands to the world increased in 2012 to approximately R5.0 billion and a constant increase was experienced between 2013 and 2016 moving from approximately R4.8 billion to 7.5 billion. The slight increase in exports value of wine of fresh grapes from Cape Winelands District municipality to the world in 2016 represents 5% as compared to 2015 marketing season. The Western Cape Province is generally a major producer and exporter of wine in South

Figure 15 below indicates the value of wine of fresh grapes exports from the Eastern Cape Province to the world between 2007 and 2016.

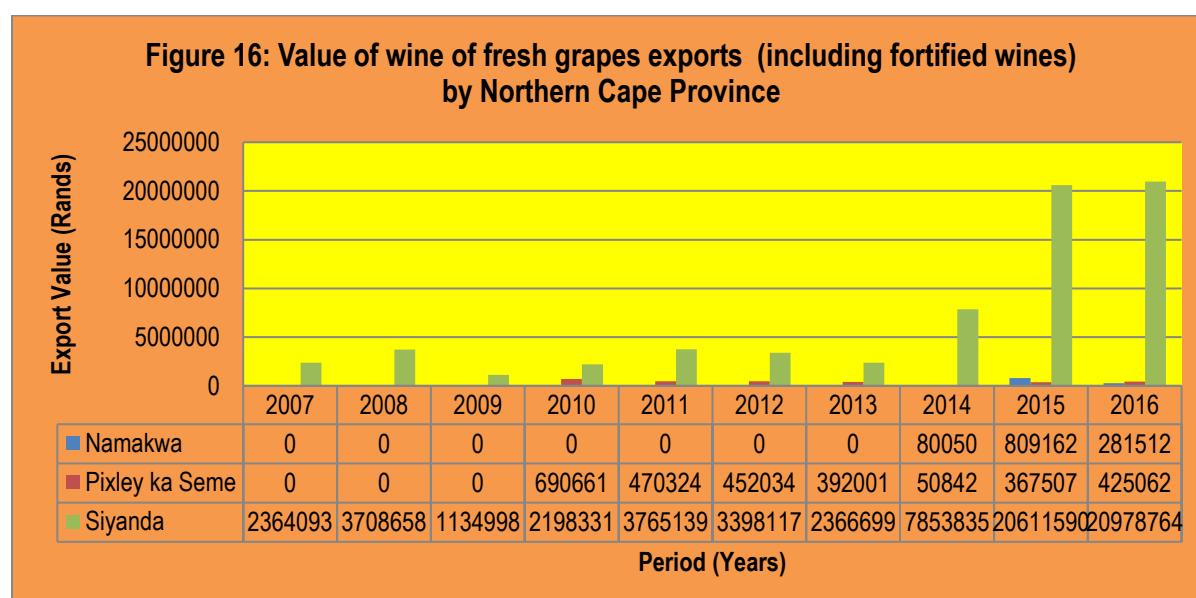


Source: Quantec EasyData

The figure further indicates that between 2007 and 2016, Cacadu District Municipality commanded the greatest market share of export values of wine of fresh grapes from the Eastern Cape Province to the world, followed by Buffalo City and Nelson Mandela Metropolitan Municipalities. The figure also indicates that export value of wine of fresh grapes from Cacadu District Municipality to the world started

to increase in 2008. Between 2007 and 2009, Cacadu District Municipality experienced a surge in export values of wine to the world to higher levels of about R6.5 million in 2009. The figure further indicates that export values of wine from Cacadu District to the world saw a slight decline in 2010 at about R5.7 million until a peak was attained in 2011 at approximately R6.9 million. The figure also indicates that export values of wine from Buffalo City exports to the world attained a peak in 2010, 2011, 2013 and 2014 at approximately R4.1, R4.1, R4.1 and R4.8 million respectively. In 2014, export value of wine of fresh grapes from Cacadu District Municipality to the world experienced an increase of about R10 million and since then exports value of wine has been on the decline. The slight decline in export value of wine of fresh grapes from Cacadu District Municipality to the world in 2016 represents 8% as compared to 2015 marketing season. The Eastern Cape Province is generally not a major producer and exporter of wine.

It is clear from Figure 16 below that the value of wine of fresh grapes exports from the Northern Cape Province to the world was mainly from Siyanda District Municipality between 2007 and 2016.

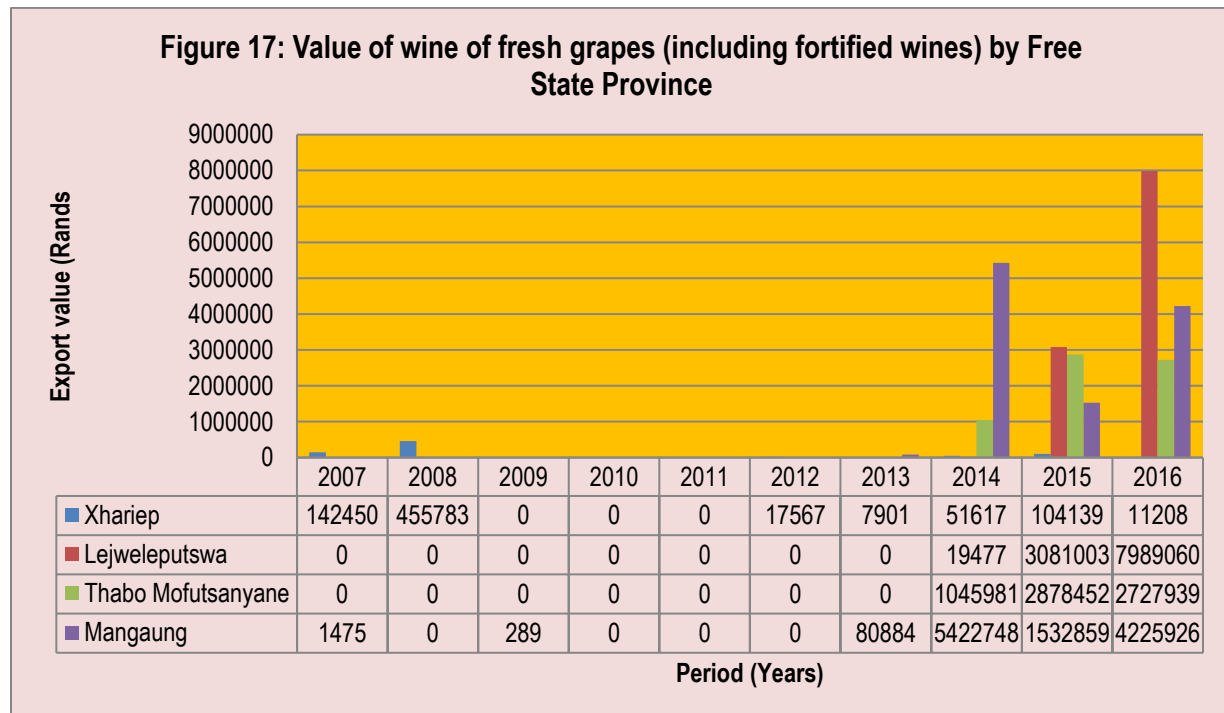


Source: Quantec EasyData

The figure further illustrates that high export values of wines of fresh grapes from Northern Cape Province to the world were mainly from Siyanda District municipality between 2007 and 2016. Siyanda District Municipality recorded between R2 million and R20 million from exports of wine of fresh grapes to the world over the past ten years. The figure also illustrates that export values of wines of fresh grapes from Siyanda District municipality attained a small peak in 2007 at approximately R2.3 million. The figure also illustrates that export values of wine of fresh grapes from Siyanda District municipality attained another peak in 2016 at approximately R20.9 million. The graph also illustrates that in 2010, Pixley ka Seme District municipality was the second with higher export value of wine of fresh grapes to the world of about R690 661 during the period under scrutiny. The graph further illustrates that there were a number of declines in export values of wine of fresh grapes from Siyanda District municipality to the world in 2007 and 2009 from 2.3 to R1.1 million. In 2010, export value of wine of fresh grapes from Siyanda District to the world started to increase again at approximately R2.1 million until a small peak

was attained in 2011 at about R3.7 million. In 2013, exports values of wines of fresh grapes from Siyanda District to the world experienced a slight decline of about R2.3 million. Over the past two years, value of wine exports from Siyanda municipality remained fairly stable. The decrease in export values of wine of fresh grapes from Siyanda District municipality to the world in 2016 represents 1.7% as compared to 2015 marketing season. The Northern Cape Province is generally not a major wine exporter.

Figure 17 below depicts the value of wine of fresh grapes exports from Free State Province to the world over the past decade (2007-2015).

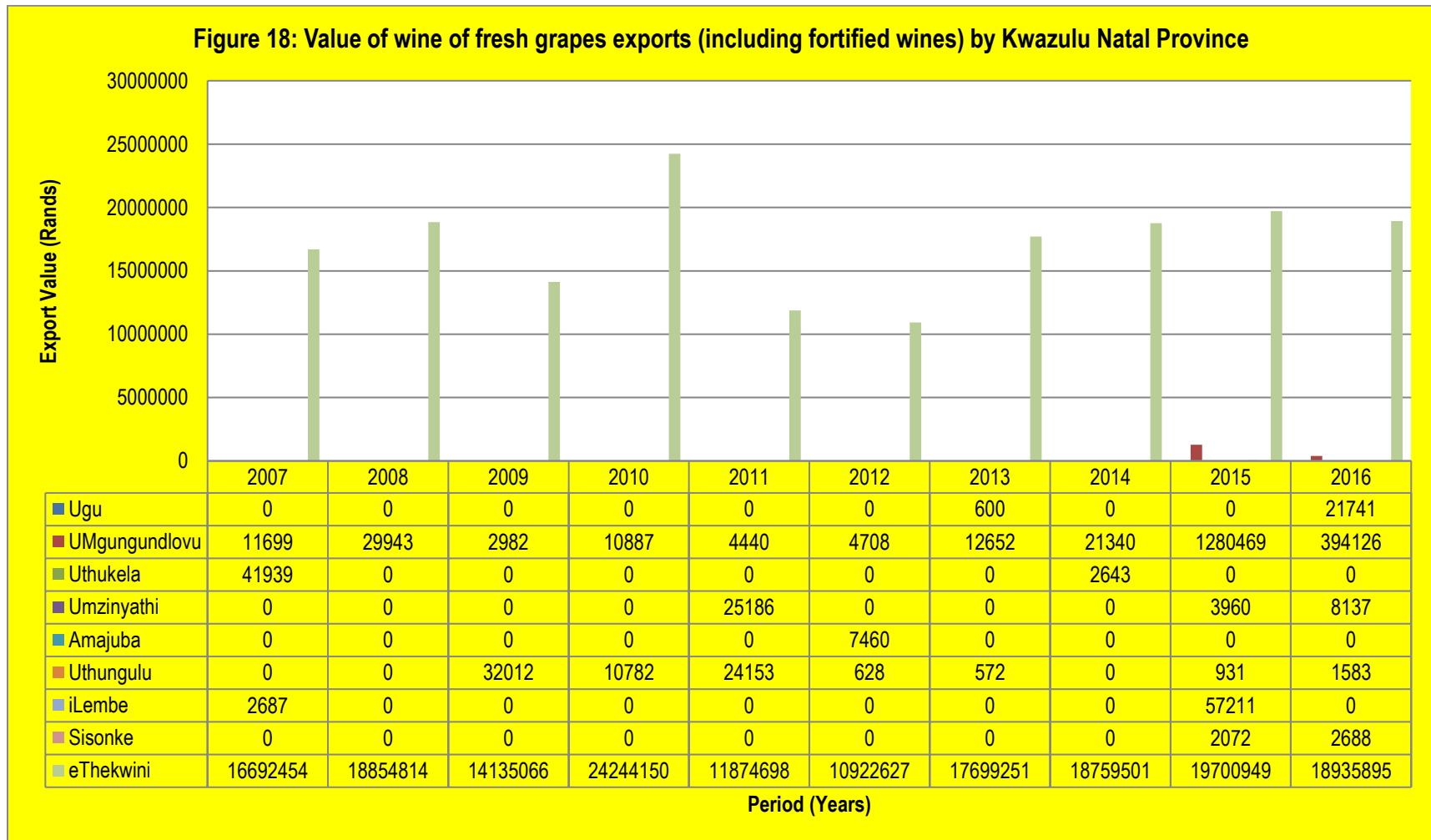


Source: Quantec Easy Data

The figure further depicts that Mangaung District Municipality was the main exporter of wine of fresh grapes from the Free State Province to the world over the past ten years, followed by Thabo Mofutsanyane District Municipality and Xhariep District Municipality. The figure also depicts that in 2008, and again between 2010 and 2012 Mangaung District Municipality did not export wine of fresh grapes to the world, until a peak was attained in 2014 at approximately R5.2 million. The figure further depicts that export value of wine of fresh grapes from Xhariep District Municipality attained a peak in 2008 at approximately R455 783. The figure further depicts that in and again between 2009 and 2011, there were no exports of wine of fresh grapes from Xhariep District Municipality to the world. In 2014, export value of wine of fresh grapes from Mangaung District Municipality to the world experienced a notable increase of approximately R5.2 million. Thabo Mofutsanyane District municipality never reported any wine exports during the first seven years of the past decade, only re-emerging in 2014. The district recorded R2.7 million worth of wine exports to the world in 2016. Lejweleputswa District municipalities had very intermittent export values of wine of fresh grapes from Free State Province to the world over the past decade. The increase in export values of wine of fresh grapes from Mangaung

District municipality to the world in 2016 represents 176% as compared to 2015 marketing season. The Free State province is generally not a major exporter of wine.

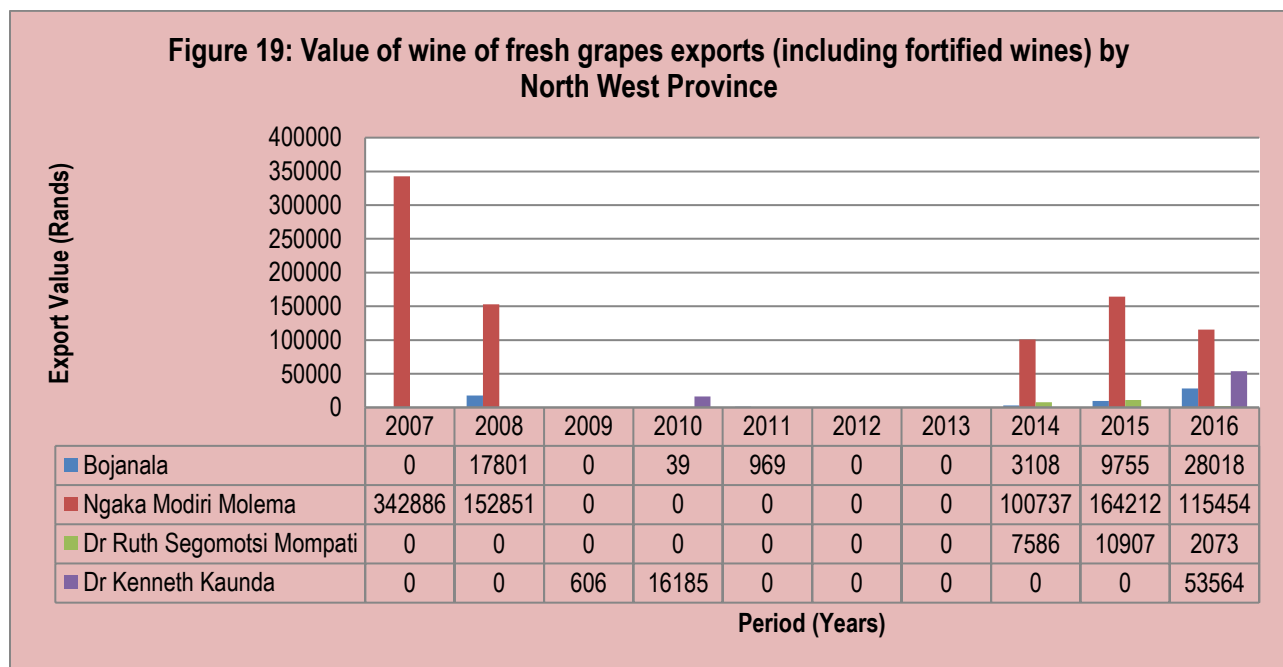
Figure 18 below shows value of wines of fresh grapes exports from KwaZulu-Natal Province to the world between 2007 and 2016.



Source: Quantec EasyData

The figure further shows that high export values of wine of fresh grapes from KwaZulu-Natal Province to the world were mainly from eThekweni Metropolitan Municipality between 2007 and 2016. The figure also shows that high export value of wine of fresh grapes from eThekweni Metropolitan Municipality to the world were recorded in 2010 at R24.2 million. The figure further shows that export values of wine of fresh grapes from eThekweni Metro Municipality started with a consistent increase from 2007 to 2008 until a decline in 2009. The figure also shows that export value of wine of fresh grapes from eThekweni Metro Municipality to the world attained peak in 2010 at approximately R24.2 million. In 2011 and 2012, export values of wine of fresh grapes from eThekweni Metro Municipality to the world declined consistently to lower levels of about R10.9 million in 2012. In 2013, export value of wine of fresh grapes from eThekweni Metropolitan Municipality to the world increased dramatically to approximately R17.7 million. The figure further shows that there was a slight increase in export value of wine of fresh grapes from eThekweni Metropolitan Municipality to the world in 2014 to approximately R18.9 million. The figure further shows that over the past decade, Ugu, UMgungundlovu, Uthukela, Uthungulu, iLembe District municipalities recorded lower levels of export values of wine of fresh grapes from KwaZulu-Natal Province to the world of not more than R1.3 million per annum. The slight decrease in export value of wine of fresh grapes from eThekweni Metropolitan Municipality to the world in 2016 represents 3.8% as compared to 2015 marketing season. The KwaZulu-Natal Province is generally not a major wine exporter.

Figure 19 below indicates value of wine of fresh grapes exports from North West Province to the world between 2007 and 2016.

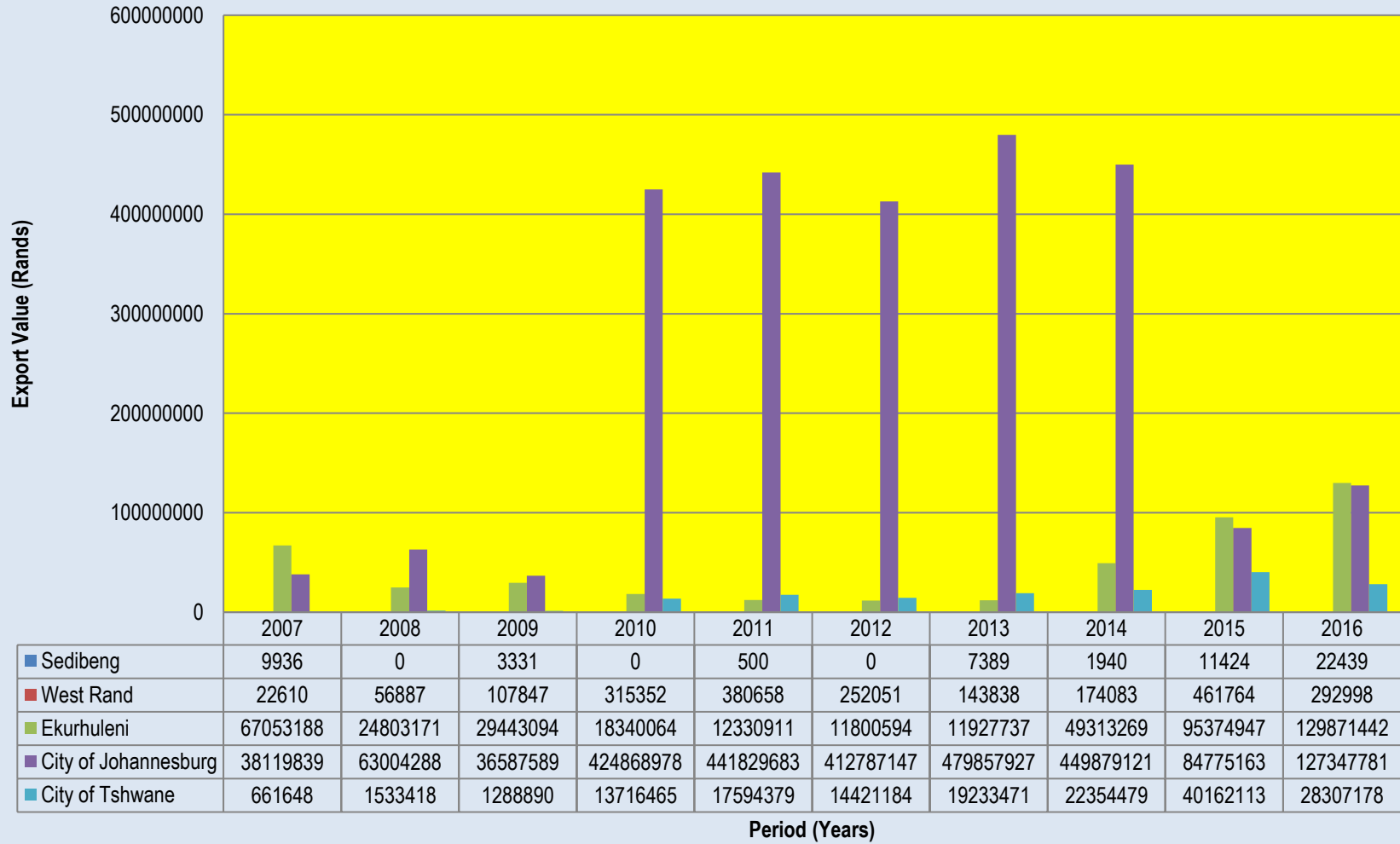


Source: Quantec EasyData

During the same period under examination, the graph further indicates that major export values of wine of fresh grapes from North West Province to the world were mainly from Ngaka Modiri Molema District Municipality, followed by very low exports values from Bojanala, Dr Ruth Segomotsi Mompoti and Dr Kenneth Kaunda District municipalities. The figure also indicates that exports of wines of fresh grapes from Ngaka Modiri Molema District to the world declined significantly in 2008 and between 2009 and 2013, no exports of wine of fresh grapes came from the district. The figure also indicates that there was a slight increase on export value of wine of fresh grapes from Ngaka Modiri Molema District to the world in 2014 of about R100 737. The figure also indicates that there was a slight increase on export value of wine of fresh grapes from Ngaka Modiri Molema District to the world in 2015 of about R164 212. In 2016, exports of wine from the district declined from R164 212 to R115 454. The figure also indicates that export value of wines of fresh grapes from Bojanala District to the world started to increase in 2008 and attained a peak in 2016 at approximately R28 018. The decline in export value of wine of fresh grapes from Ngaka Modiri Molema District to the world in 2016 represents 30% as compared to 2015 marketing season. The North West Province is generally not a major wine exporter.

Figure 20 illustrates value of wine of fresh grapes exports from Gauteng Province to the world between 2007 and 2016.

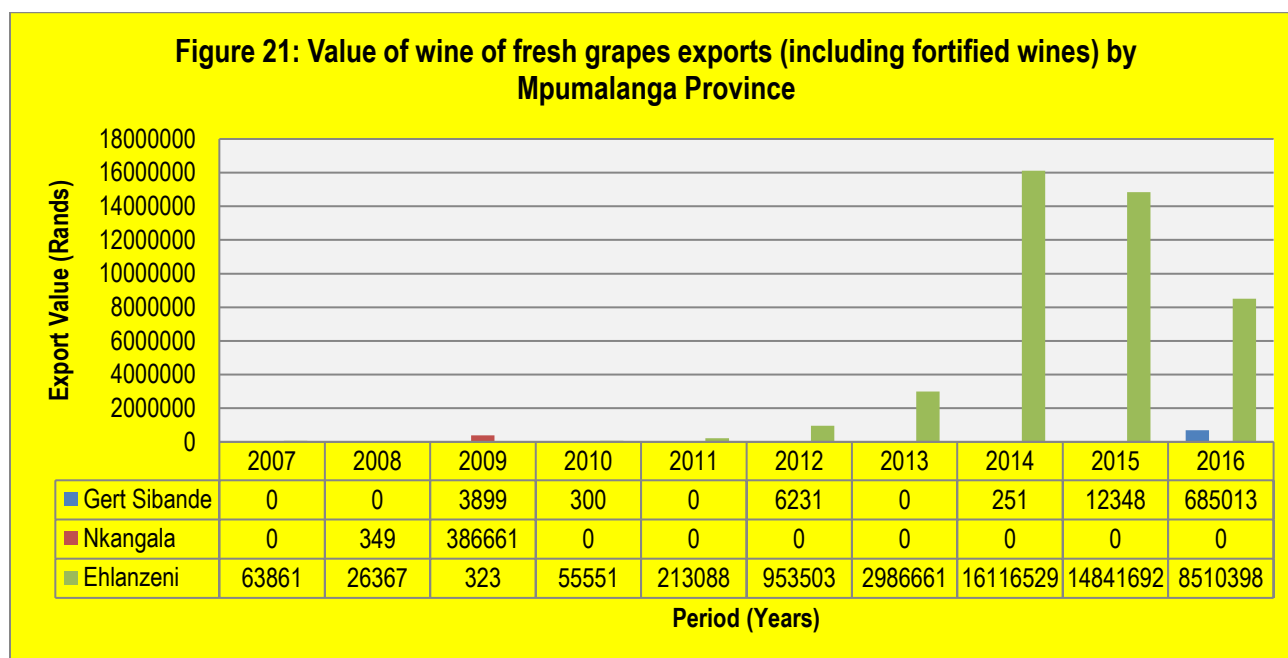
Figure 20: Value of wine of fresh grapes(including fortified wines) from Gauteng Province



Source: Quantec EasyData

The figure further illustrates that export values of fresh grapes from Gauteng Province to the world were mainly from City of Johannesburg Metropolitan Municipality followed closely by Ekurhuleni Metropolitan Municipality between 2007 and 2016. During the period under scrutiny, wine export values from City of Johannesburg Metropolitan Municipality to the world attained a peak in 2013 at approximately R479 million. Export values of wine of fresh grapes from Ekurhuleni Metropolitan Municipality to the world also contributed strongly to the economy of Gauteng Province during the same period under examination, attaining a peak in 2016 at approximately R129 million.. There was a decline in export values of wines from City of Johannesburg Metropolitan Municipality to the world in 2012 at approximately R41.2 million. In 2012, export values of wine of fresh grapes from Ekurhuleni Metropolitan Municipality to the world experienced a very slight decline of about R11.8 million. The increase in export values of wine of fresh grapes from City of Johannesburg Metropolitan Municipality to the world in 2016 represents 50% as compared to 2015 marketing season. The Gauteng Province is generally not a major wine exporter.

Figure 21 below indicates value of wine of fresh grapes exports from Mpumalanga Province to the world between 2007 and 2016.

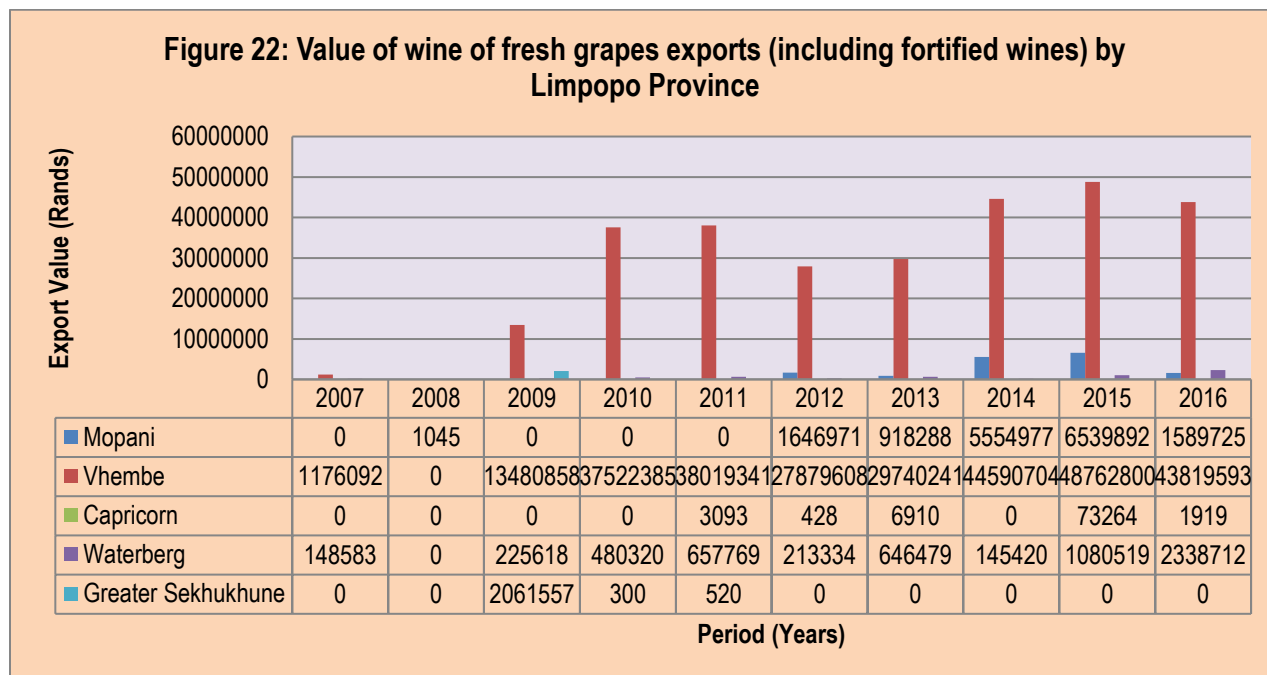


Source: Quantec EasyData

The figure further indicates that between 2007 and 2016, export values of wine of fresh grapes from Mpumalanga Province to the world were mainly from Ehlanzeni District Municipality. The figure also indicates that Nkangala District Municipality was the second major exporter of wine of fresh grapes from Mpumalanga Province to the world. The figure further indicates that export values of wines of fresh grapes from Ehlanzeni District Municipality to the world started to decrease in 2008 and further dropped in 2009 to very low levels until a substantial increase was experienced in 2012 at approximately R953 015. The figure also indicates that export values of wine of fresh grapes from Ehlanzeni District Municipality to the world attained a peak in 2014 at approximately R16.3 million. The figure further indicates that export values of wine of fresh grapes from Nkangala District municipality to the world attained a peak in 2009 at approximately R386 681. The figure also indicates that in 2010 and 2011, there was a slight increase in export value of wine of fresh grapes

from Ehlanzeni District Municipality to the world of about R212 691. The decline in exports value of wine of fresh grapes from Ehlanzeni District Municipality to the world in 2016 represents 43% as compared to 2015 marketing season. The Mpumalanga Province is generally not a major wine exporter.

Figure 22 depicts value of wine of fresh grapes exports from Limpopo Province to the world between 2007 and 2016.



Source: Quantec EasyData

The figure further depicts that export values of wine of fresh grapes from Limpopo Province to the world were mainly from Vhembe District Municipality between 2007 and 2016, followed by export values of wine of fresh grapes exports from Mopani, Capricorn, Waterberg, and Greater Sekhukhune District Municipalities were very low and not more than 5.7 million during the same period under scrutiny. The figure also depicts that export values of wine of fresh grapes from Vhembe District Municipality to the world were from a low base during the first half of the period (2007-2011) under review, but managed to pick up during the second half until a peak was attained in 2015 at approximately R48 million. The figure further shows that there was a slight increase in export values of wines of fresh grapes from Vhembe District Municipality to the world between 2012 and 2013 until a dramatically increase was experienced in 2014 and at the same time attained a peak at approximately R44.6 million. However, Mopani District Municipality has emerged as a second exporter of wine of fresh grapes from Limpopo Province to the world over the past decade attaining high levels of export value of wine of fresh grapes in 2015 at approximately R6.5 million. The slight decrease in export values of wine of fresh grapes from Vhembe District Municipality to the world in 2016 represents 10% as compared to 2015 marketing season. The Limpopo province is generally not a major wine exporter.

3.2 Share analysis

Table 7: Share of Provincial wine exports to the total RSA wine exports (%)

Years Province	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Western Cape	97.13	98.09	98.22	91.24	90.86	92.22	93.12	96.00	96.01	95.73
Eastern Cape	0.18	0.10	0.13	0.18	0.20	0.12	0.13	0.20	0.17	0.17
Northern Cape	0.05	0.06	0.02	0.05	0.07	0.06	0.03	0.15	0.24	0.22
Free State	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.17	0.09	0.15
Kwazulu-Natal	0.35	0.30	0.24	0.40	0.20	0.17	0.21	0.22	0.24	0.20
North West	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gauteng	2.25	1.44	1.13	7.51	8.01	6.93	6.09	2.47	2.46	2.94
Mpumalanga	0.00	0.00	0.01	0.00	0.00	0.02	0.04	0.19	0.17	0.09
Limpopo	0.03	0.00	0.26	0.62	0.66	0.47	0.37	0.59	0.63	0.49

Source: Calculated from Quantec EasyData

Table 7 above is an illustration of provincial share towards national wine of fresh grapes exports over the past ten years. The table further illustrates that Western Cape Province has commanded the greatest share of wine exports between 2007 and 2016, 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 8: Share of district wine exports to the total Western Cape provincial wine exports (%)

Years District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City of Cape Town	5.89	6.04	5.12	5.54	6.37	5.84	6.19	7.36	7.43	10.34
West Coast	9.43	9.22	7.56	6.78	6.69	5.87	6.63	6.42	6.15	5.69
Cape Winelands	78.85	76.78	76.60	85.86	84.58	85.95	84.54	83.51	83.16	80.54
Overberg	5.68	7.78	9.30	1.70	2.19	2.19	2.55	2.56	3.05	3.16
Eden	0.09	0.15	1.37	0.07	0.10	0.07	0.04	0.09	0.13	0.17
Central Karoo	0.06	0.03	0.05	0.05	0.06	0.07	0.05	0.07	0.08	0.11

Source: Calculated from Quantec EasyData

Table 8 above shows the market share of district wine of fresh grapes exports to the total Western Cape provincial wine exports (%). Between the period 2007 and 2016, Cape Winelands District Municipality

commanded the greatest market share in exports of wine simply because of the competitive advantage in wine producing areas.

Table 9: Share of district wine exports to the total Gauteng provincial wine exports (%)

Years District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sedibeng	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
West Rand	63.04	27.71	43.32	3.94	2.60	2.68	2.36	43.16	43.38	0.10
Ekurhuleni Metro	36.31	70.51	54.62	92.99	93.56	93.98	93.85	44.50	38.18	45.43
City of Joburg	0.62	1.71	1.90	3.00	3.76	3.28	3.76	12.26	18.23	44.55
City of Tshwane	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	9.90

Source: Calculated from Quantec EasyData

Table 10 above indicates the market share of district wine of fresh grapes exports to the total Gauteng provincial wine exports (%). Between the period 2007 and 2016, City of Johannesburg and Ekurhuleni Metropolitan Municipalities commanded the greatest market share in exports of wine of fresh grapes simple because of good logistic services for exportation and the presence of O.R. Tambo Airport next to the area.

Table 11: Share of district wine exports to the total KwaZulu-Natal provincial wine exports (%)

Years District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ugu District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11
Umgungundlovu	0.07	0.16	0.02	0.04	0.04	0.04	0.07	0.11	6.06	2.04
Uthukela	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00
Uthungulu	0.00	0.00	0.23	0.04	0.20	0.01	0.00	0.00	0.00	0.01
Ilembe District	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.00
eThekweni	99.66	99.84	99.75	99.91	99.76	99.95	99.92	99.84	93.66	97.79

Source: Calculated from Quantec EasyData

Table 11 above illustrates the market share of district wines of fresh grapes exports to the total Kwazulu-Natal provincial wine exports (%). Between the period 2007 and 2016, the eThekweni Metropolitan Municipality commanded the greatest market share in exports of wine of fresh grapes simple because of the competitive advantage in exportation and the presence of Durban harbour.

Table 12: Share of district wine exports to the total Eastern Cape provincial wine exports (%)

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Years District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cacadu	52.03	81.31	85.35	51.47	58.69	73.73	48.90	60.51	65.85	74.08
Nelson Mandela	0.26	0.59	12.37	10.78	6.57	0.25	13.82	10.26	9.38	10.13
Buffalo City	47.71	18.10	2.28	37.75	34.74	26.02	37.27	29.23	24.77	15.79

Source: Calculated from Quantec EasyData

Table 12 above illustrates the market share of district wines of fresh grapes exports to the total Eastern Cape provincial wine exports (%). Between the period 2007 and 2016 Cacadu District, followed by Buffalo City, Cacadu District Municipality commanded the greatest market share in exports of wine of fresh grapes simple because of the presence of East London and Port Elizabeth harbours that makes it easy to ship the wine products to different regions of the world.

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

Years: District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Namakwa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.02	3.72	1.30
Pixley ka Seme	0.00	0.00	0.00	23.91	11.10	11.74	14.21	0.39	1.69	1.96
Siyanda	100.00	100.00	100.00	76.09	88.90	88.26	85.79	97.59	94.60	96.74

Source: Calculated from Quantec EasyData

Table 13 above illustrates the share of district wine of fresh grapes exports to the total Northern Cape provincial wine exports (%). Between the period 2007 and 2016, Siyanda District Municipality commanded the greatest market share in exports of wine of fresh grapes in the Northern Cape Province.

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

Years: District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Mopani	0.00	100.00	0.00	0.00	0.00	5.54	2.94	11.07	11.68	3.33
Vhembe	88.78	0.00	85.49	98.74	98.29	93.74	94.97	88.64	86.27	91.77
Capricorn	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00	0.13	0.00
Waterberg	11.22	0.00	1.43	1.26	1.70	0.72	2.07	0.29	1.92	4.90
Sekhukhune	0.00	0.00	13.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec EasyData

Table 14 above illustrates the share of district wines of fresh grapes exports to the total Limpopo provincial wine exports (%). Between the period 2007 and 2016, Vhembe District Municipality commanded the greatest market share in exports of wine of fresh grapes in the Limpopo Province.

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

Years: District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gert Sibande	0.00	0.00	1.00	0.54	0.00	0.65	0.00	0.01	0.08	7.45
Nkangala	0.00	1.31	98.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ehlanzeni	100.00	98.69	0.08	99.46	100.00	99.35	100.00	99.99	99.92	92.55

Source: Calculated from Quantec EasyData

Table 15 above illustrates the share of district wines of fresh grapes exports to the total Mpumalanga provincial wine exports (%). Between the period 2007 and 2016, Ehlanzeni District Municipality commanded the greatest market share in exports of wine products to different regions of the world.

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

Years: District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bojanala	0.00	10.43	0.00	0.24	100.00	0.00	0.00	0.99	5.27	14.07
Ngaka Modiri Molema	100.00	89.57	0.00	0.00	0.00	0.00	0.00	92.44	88.82	57.99
Dr Ruth Segomotsi Mompati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.57	5.90	1.04
Dr Kenneth Kaunda	0.00	0.00	100.00	99.76	0.00	0.00	0.00	0.00	0.00	26.90

Source: Calculated from Quantec EasyData

Table 16 shows the share of district wines of fresh grapes exports to the total North West provincial wine exports (%). Between the period 2007 and 2016, Ngaka Modiri Molema District municipality commanded the greatest market share in exports of wine of fresh grapes in the North West Province.

Table 17: Share of district wine exports to the total Free State provincial wine exports (%)

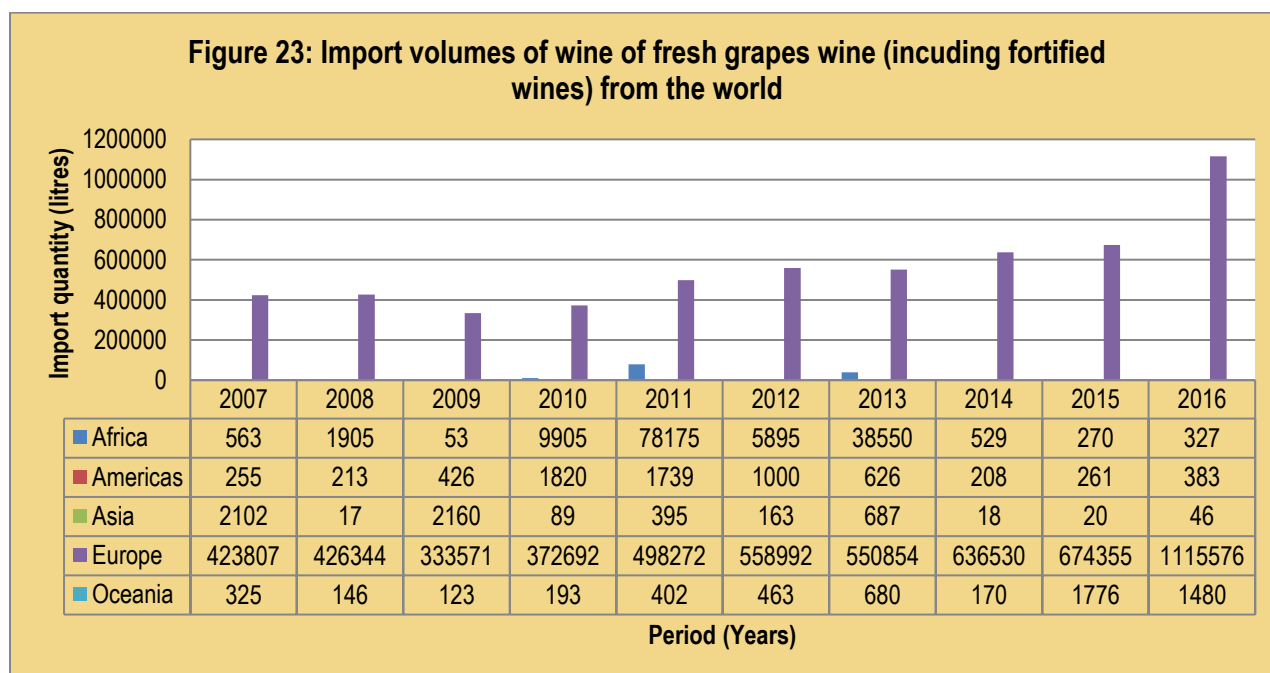
Years: District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Xhariep	98.98	100.00	0.00	0.00	0.00	100.00	8.90	0.35	1.37	0.07
Mangaung	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.27	40.56	28.26
Lejweleputswa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.27	37.89	53.42
Thabo Mofutsanyane	1.02	0.00	100.00	0.00	0.00	0.00	91.10	83.11	20.18	18.24

Source: Calculated from Quantec EasyData

Table 17 depicts the share of district wine of fresh grapes exports to the total Free State provincial wine exports (%). Between the period 2007 and 2012, Xhariep District commanded the greatest share in export values of wine of fresh grapes in the Free State Province. Between 2013 and 2016, Thabo Mofutsanyane and Letjweleputswa become top contributors to value of wine exports.

4. IMPORTS OF WINES OF FRESH GRAPES

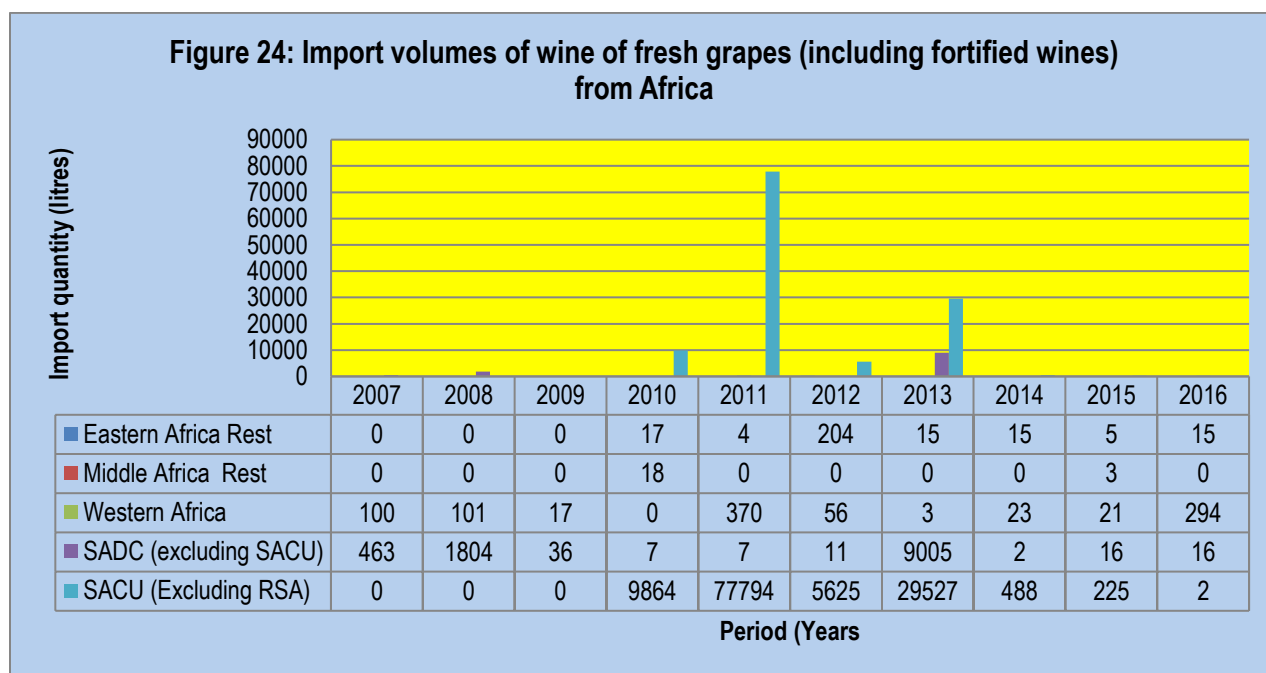
Figure 23 below depicts import volumes of wine of fresh grapes (including fortified wines) from various regions into South Africa between 2007 and 2016.



Source: Quantec EasyData

The figure further depicts that the major import market for wine of fresh grapes from the world into South Africa originated mainly from Europe, followed by very minimal import volumes of wines from Africa, Americas, Oceania and Asia. The figure also depicts that import volumes of wine of fresh grapes from Europe into South Africa were from a low base during the first half of the ten year period (2007-2011) reaching a maximum of 498 272 litres in 2011. The figure further depicts that import volumes of wine of fresh grapes from Europe into South Africa were from a high base during the second half of the ten year period (2012-2016) attaining a peak in 2016 at approximately 1 115 576 litres. The figure also depicts that in 2013, there was a slight decline in import volumes of wine of fresh grapes from Europe into South Africa to approximately 550 854 litres, while there was a slight increase in import quantity of wine of fresh grapes from Europe to South Africa at approximately 636 528 litres in 2014. Since 2013, imports of wine of fresh grapes have been on the incline, reaching over one million litres of imports in 2016. The slight increase in imports volumes of wine of fresh grapes from Europe into South Africa in 2016 represents 65% increase as compared to 2015 marketing season.

Figure 24 below depicts import volumes of wine of fresh grapes (including fortified wines) from Africa into South Africa between 2007 and 2016.

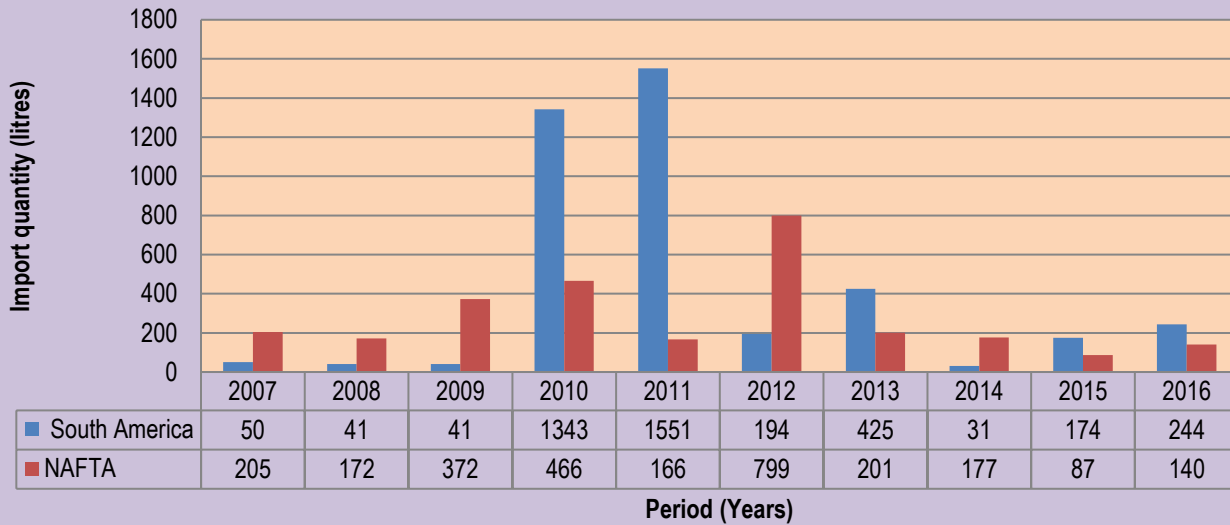


Source: Quantec EasyData

The figure further depicts that the major import market for wine of fresh grapes from the world into South Africa originated mainly from SACU, followed by SADC and very minimal import volumes of wine from Eastern Africa Rest, Middle Africa Rest, and Western Africa. The figure also depicts that import volumes of wine of fresh grapes from SACU into South Africa were from a low base during the first half of the ten year period (2007-2011) reaching a maximum of 77 794 litres in 2011. The figure further depicts that import volumes of wine of fresh grapes from SACU into South Africa were from a low base during the second half of the ten year period (2012-2016) attaining a peak in 2013 at approximately 29 527 litres. The figure also depicts that in 2013, there was a slight decline in import volumes of wine of fresh grapes from SACU into South Africa to approximately 29 527 litres, While there was a dramatic decrease in import quantity of wine of fresh grapes from SACU to South Africa at approximately 225 litres in 2015 followed by a drastic decline 2016 at approximately 2 litres. The drastic decrease in import volumes of wine of fresh grapes from SACU into South Africa in 2016 represents 99% decrease as compared to 2015 marketing season.

Figure 25 below depicts import volumes of wine of fresh grapes (including fortified wines) from Americas into South Africa between 2007 and 2016.

Figure 25: Import volumes of wine of fresh grapes (including fortified wines) from Americas

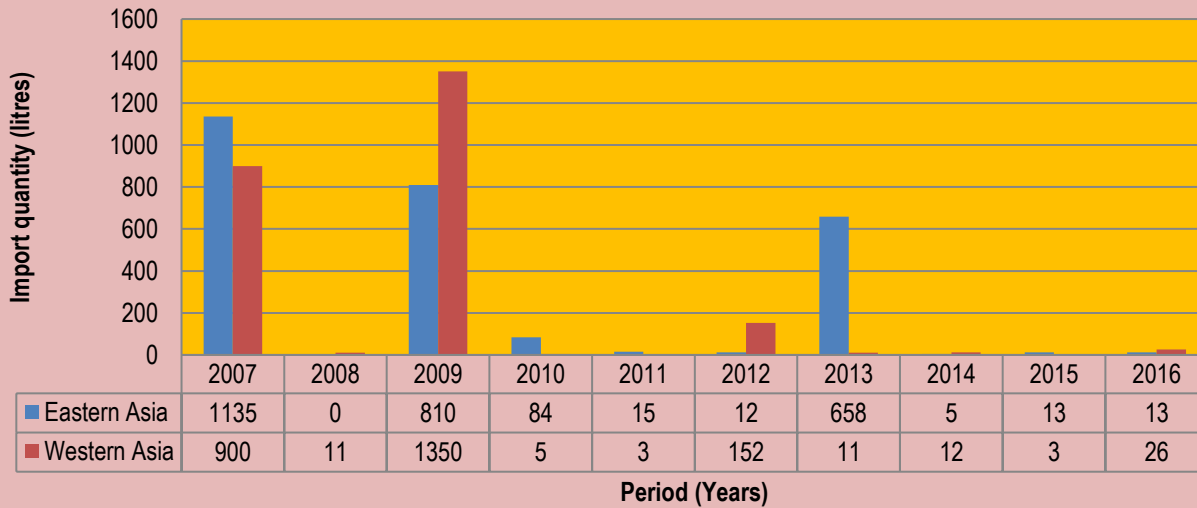


Source: Quantec EasyData

The figure further illustrates that the major import market for wines of fresh grapes from Americas into South Africa was mainly South America, followed by NAFTA between 2007 and 2016. Import volumes of wine of fresh grapes from South America into South Africa were from a low base during the first half of the ten year period (2007-2011) under scrutiny reaching maximum of 1 551 litres in 2011. The figure also illustrates that import volumes of wine of fresh grapes from South America into South Africa were from a high base during the second half of the ten year period (2012-2016) attaining a peak in 2013 at approximately 425 litres. Import volumes of wine of fresh grapes from NAFTA into South Africa also attained a peak in 2012 at approximately 799 litres. The figure further illustrates that there was a consistent decline in import volumes of wine of fresh grapes from South America to South Africa between 2012 and 2016 reaching as low as 31 litres per annum. The substantial increase in import volumes of wine of fresh grapes from South America into South Africa in 2016 represents 40% as compared to 2015 marketing season.

Figure 26 below shows volumes of wine of fresh grapes (including fortified wines) from Asia into South Africa between 2007 and 2016.

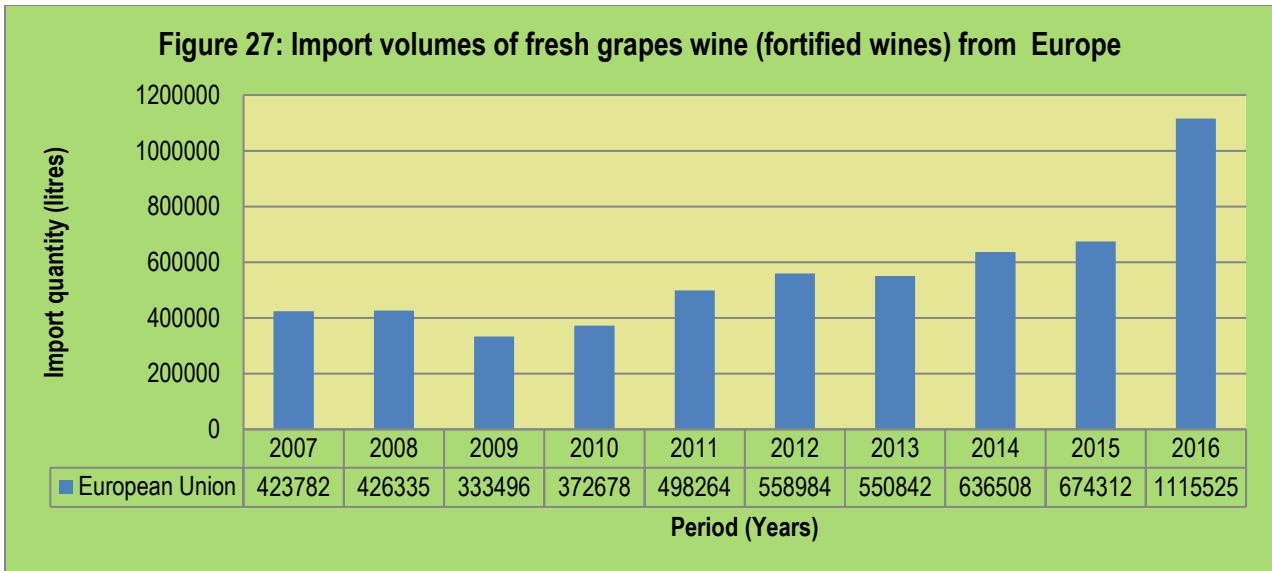
Figure 26: Import volumes of fresh grapes wine (fortified wines) from Asia



Source: Quantec EasyData

The figure further shows that the major import market for wine of fresh grapes from Asia into South Africa mainly originated from Eastern Asia, followed by very low or minimal volumes of wines of fresh grapes from Western Asia into South Africa. The figure also shows that import volumes of wine of fresh grapes from Eastern Asia into South Africa started to increase and was at peak in 2007, followed by a constant decrease until low level was attained in 2014 at approximately 5 litres. The figure further shows that between 2008 and 2014; import volumes of wine of fresh grapes from Eastern Asia into South Africa were very low and not more than 1 400 litres per annum. The figure also shows that import volumes of wine of fresh grapes from Western Asia into South Africa attained a peak in 2009 at approximately 1 350 litres. The was an increase of import volumes of wine of fresh grapes from Eastern Asia into South Africa in 2016 as compared to 2015 marketing season.

Figure 27 below indicates imports of wines of fresh grapes (including fortified wines) from Europe into South Africa between 2007 and 2016.

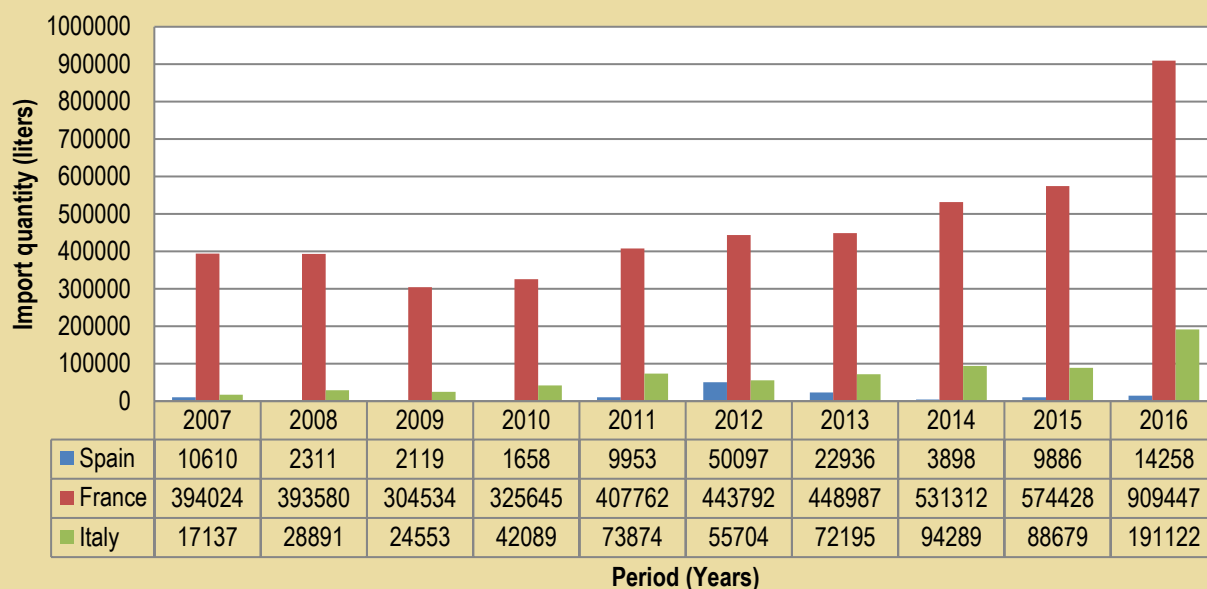


Source: Quantec EasyData

The figure further indicates that the major import market for wines of fresh grapes from Europe into South Africa originated mainly from European Union between 2007 and 2016. The figure also indicates that import volumes of wine of fresh grapes from European Union into South Africa were from a low base during the first half of the ten year period (2007-2011) reaching a maximum of 498 264 litres in 2011. The figure further indicates that imports of wines of fresh grapes from European Union into South Africa were from a high base during the second half of the ten year period (2012-2016) attaining a peak in 2016 at approximately 1.1 million litres. The figure also indicates that in 2014, there was a slight increase in import volumes of wine of fresh grapes from European Union into South Africa to approximately 636 507 litres. The increase in import volumes of wines of fresh grapes from European Union into South Africa in 2016 represents 65% as compared to 2015 marketing season.

Figure 28 shows imports of wines of fresh grapes (including fortified wines) from the European Union into South Africa between 2007 and 2016 marketing season.

Figure 28: Import volumes of wine of fresh grapes (including fortified wines) from European Union



Source: Quantec EasyData

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 and Spain. The figure also shows that import volumes of wine of fresh grapes from France into South Africa ranged between 304 534 and 407 762 litres during the first half of the ten year period (2007-2011) reaching a maximum of 407 762 litres in 2011. During the second half of the ten year period (2012-2016), imports of wines of fresh grapes from France into South Africa increased consistently until a peak was attained in 2016 at approximately 909 447 litres. The increase in import volumes of wines of fresh grapes from France into South Africa in 2016 represents 58% as compared to 2015 marketing season.

4. MARKET INTELLIGENCE

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 2% of world exports and its ranking on the world exports is number 12.

Table 18: List of importing markets for grape wines exported by South Africa in 2016

Importers	Trade Indicators						Tariff (estimated) faced by South Africa (%)
	Exported value 2016 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2016 (tons)	Unit value (USD/unit)	Exported growth in value between 2015-2016 (% p.a.)	Exported growth in quantity between 2015-2016 (% p.a.)	
World	661 628	100	493 396	1341	-1	3	
Germany	80,008	12.1	78 963	1013	-30	-44	3.4
United Kingdom	108,595	16.4	105 494	1029	-4	16	3.4
Netherlands	51,802	7.8	25 798	2008	5	-16	3.4
Canada	39,302	5.9	26 277	1496	-7	20	0
China	37,275	5.6	21 496	1734	-10	141	14.7
Sweden	35,237	5.3	20 340	1732	-9	-16	3.4
Denmark	34,767	5.3	22 743	1529	32	36	3.4
Namibia	32,898	5	26 759	1229	31	39	0
United States of America	38,107	5.8	11 072	3442	88	100	0.5
Belgium	15,078	2.3	9 182	1642	-18	-5	3.4
France	17,511	2.4	30 543	573	11	4	3.4
Mozambique	8,123	1.2	4 412	1841	-34	-22	0
Russian Federation	18,562	2.8	28 533	651	61	131	14.1
Angola	2,936	0.4	1492	1968	-69	-60	30
United Arab Emirates	12,701	1.9	5275	2408	51	80	
Japan	10,979	1.7	4 955	2216	32	32	14.5
Finland	9,052	1.4	5 212	1737	10	24	3.4
Kenya	10 575	1.6	4 448	2377	29	25	24.9

Source: Trade Map

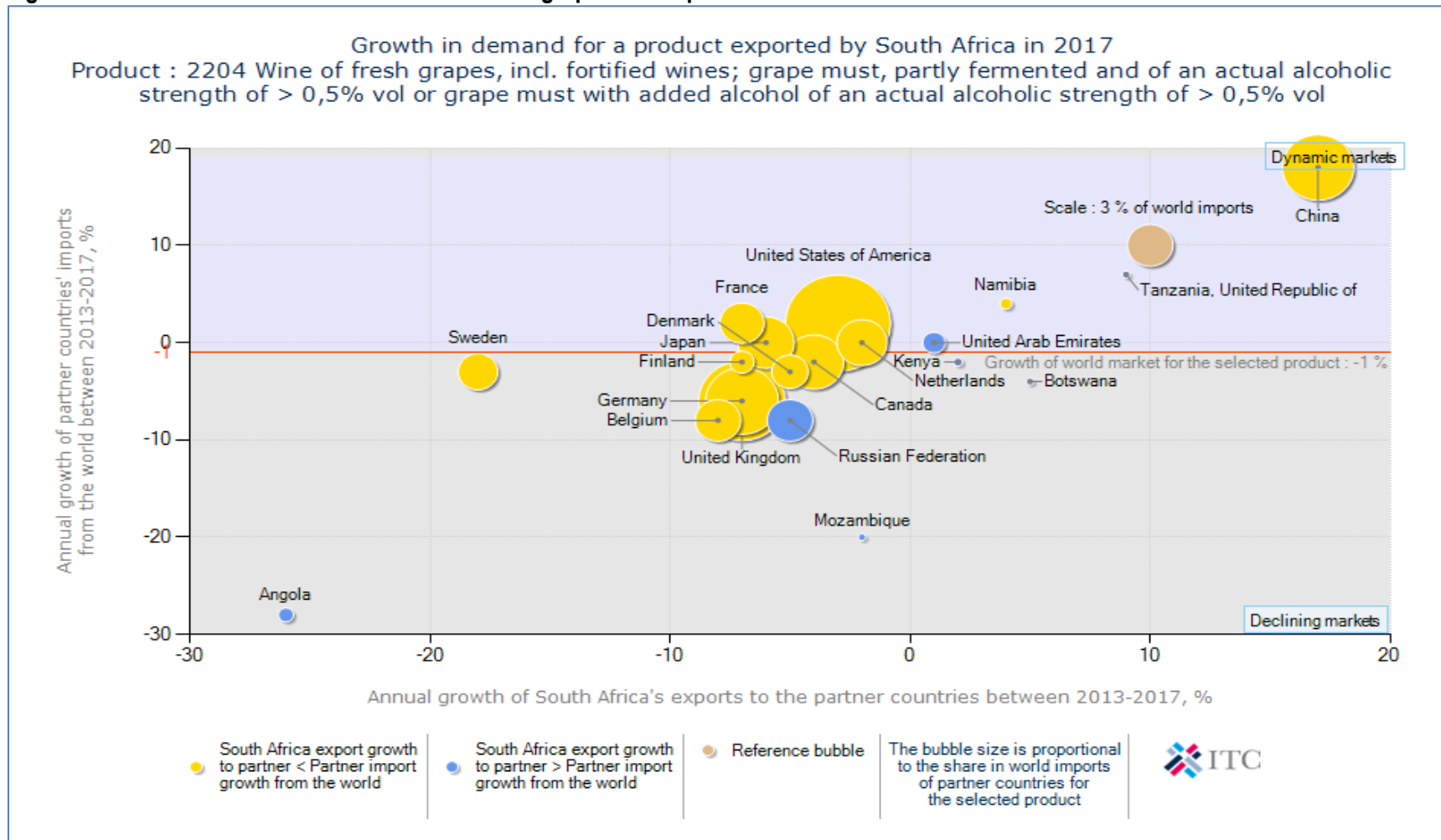
Table 18 illustrates the list of importing markets for wines of fresh grapes exported by South Africa to the world in 2016. The table further illustrates that Germany, followed by United Kingdom and Netherlands imported greater volumes of wine of fresh grapes from South Africa. United Kingdom imported 105 494, Germany imported 80 008 tons and Netherlands imported 51 802 tons during the same period under examination. The table also illustrates that Mozambique imported more than what the world imported from South Africa, in value and quantity terms between 2013 and 2017.

South Africa's exported growth in value to United Kingdom decreased to approximately 7%, while South Africa's exported growth in value to Germany also decreased to approximately 7% between 2013 and 2017. South Africa's exported growth in value to Netherlands increased to approximately 2% between 2013 and 2017.

United Kingdom had a highest share in South Africa's exports of wines of fresh grapes at approximately 16.6%, Germany at approximately 12.1% and Netherlands at approximately 8.1%.

It is interesting to note that Mozambique was the most competitive import market for South Africa in terms of both value at 78% each between 2013 and 2017.

Figure 29: Growth in demand for the South African grape wine exported in 2017



Source: Trade Map

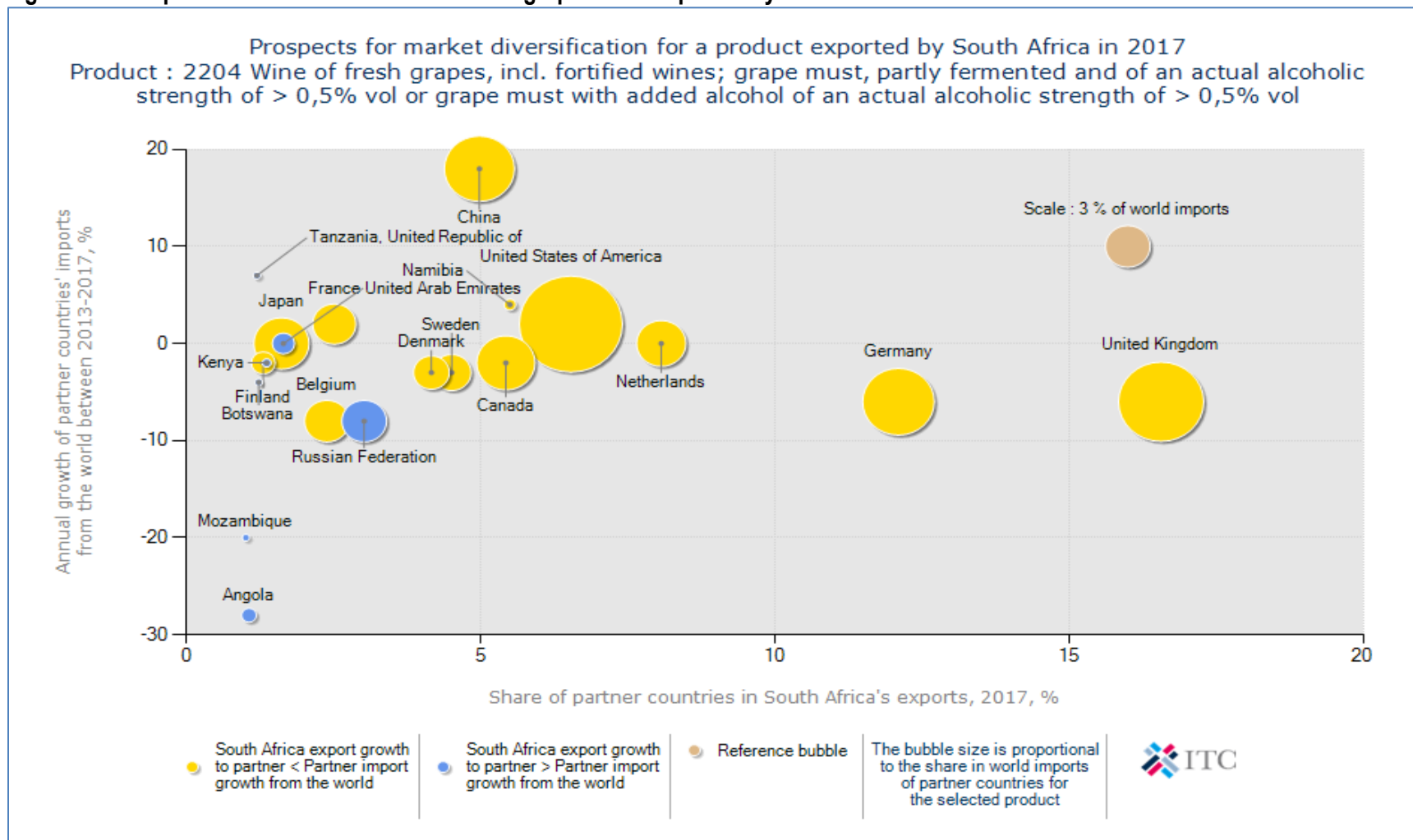
Figure 29 above the shows growth in demand for South African wine of fresh grapes exported in 2017. The figure further shows that Germany, United Kingdom and Netherlands were the biggest markets of wine of fresh grapes from South Africa between 2013 and 2017. During the same period under review, markets such as Kenya and United Arab Emirates had a growing demand for wine of fresh grapes from South Africa due to the fact that their markets are dynamic and attract a lot of suppliers from the world.

Countries like Russian Federation, Angola, Mozambique and Belgium their imports from the world of wine of fresh grapes from the world have declined during the same period under scrutiny.

UAE 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.

The bubble graph further shows that Angola at 161% annual growth of South Africa's exports was the most attractive markets for South Africa in a declining market for wines of fresh grapes between 2013 and 2013. The bubble graph further shows that Mozambique at 8% annual growth of South Africa's exports was the most attractive markets for South Africa in a declining market for wines of fresh grapes between 2013 and 2017.

Figure 30: Prospects for market diversification for grape wines exported by South Africa in 2017



Source: Trade Map

Figure 30 above depicts the prospects for market diversification for wine of fresh grapes exported by South Africa to the world in 2017. The bubble graph further depicts that during the same period under review, United Kingdom, Netherlands and Germany were the biggest markets for wine of fresh grapes exported by South Africa.

United Kingdom commanded the greatest share of approximately 16.6% per annum in South Africa's export volumes of wine of fresh grapes, while its annual growth of partner countries imports of wine of fresh grapes from the rest of the world were declining by approximately 3% per annum between 2013 and 2017.

The bubble graph further depicts that if South Africa were to diversify its exports of wine of fresh grapes, the most attractive market for diversification would be China, United States of America, France and Namibia.

Table 19: List of supplying markets for grape wines imported by South Africa in 2016

Exporters	Trade Indicators						Tariff (estimated) applied by South Africa (%)
	Imported value 2016 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2016 (tons)	Unit value (USD/unit)	Imported growth in value between 2015-2016 (% p.a.)	Imported growth in quantity between 2015-2016 (% p.a.)	
World	28213	100	2691	10484	-3	-8	
France	23068	81.8	1080	21359	-1	43	0
Italy	2263	8	426	5312	34	14	0
Portugal	722	2.6	255	2831	-21	-2	0
Spain	512	1.8	103	4971	8	32	0
Chile	190	0.7	48	3958	-50	-60	25
Australia	198	0.7	38	5211	-12	-14	25
United Kingdom	125	0.4	7	17857	-44	-88	0
Israel	36	0.1	8	4500	-64	-20	25
New Zealand	36	0.1	13	8000	440	63	25
Germany	37	0.1	4	9250	6	33	0
Belgium	2	0	0	0	-93	-100	0

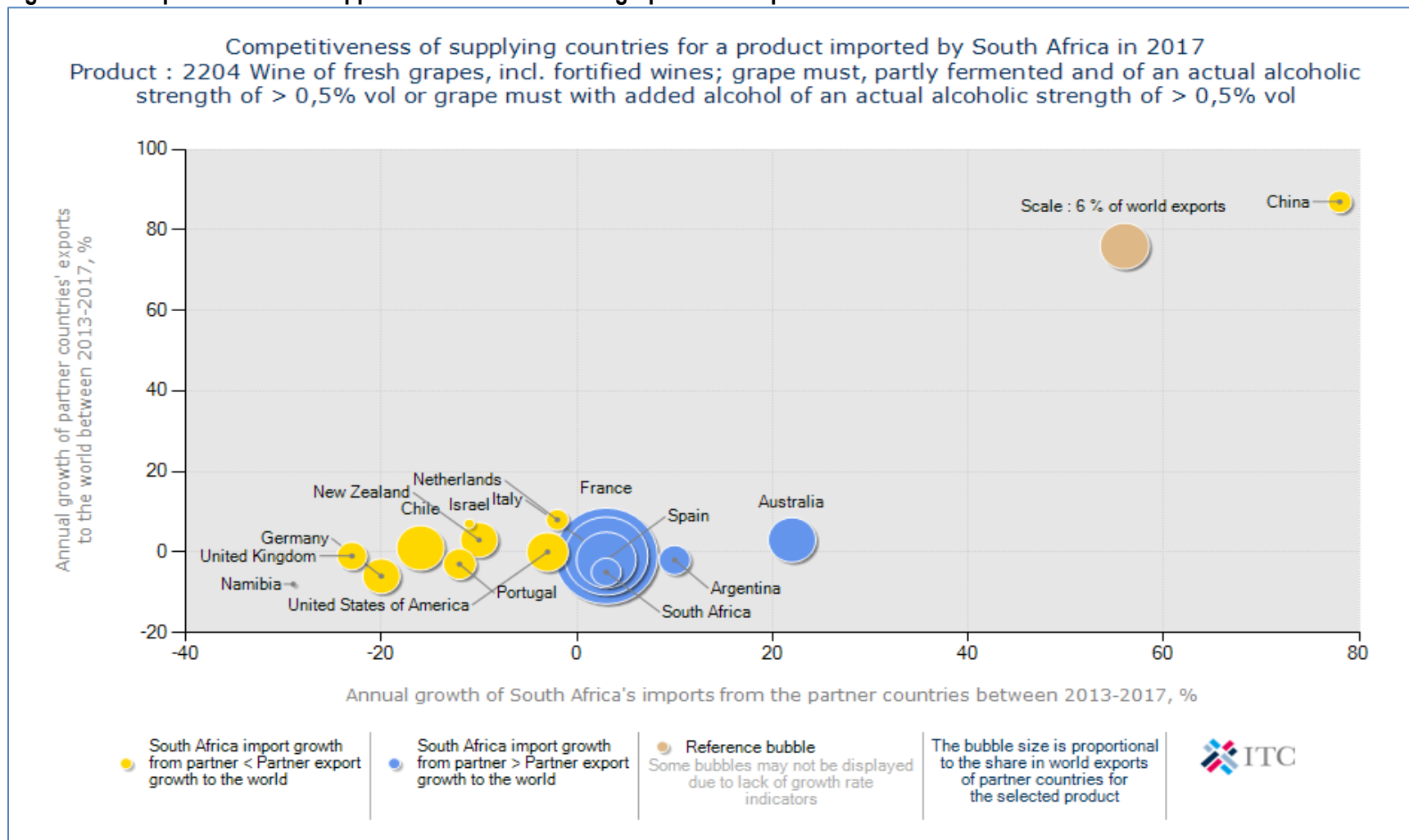
Source: TradeMap

Table 19 indicates the list of supplying markets for wine of grapes imported by South Africa from the world in 2016. The table further indicates that South Africa is a net exporter of wines of fresh grapes as the country exported 493 396 litres and only imported 2 691 litres over the same period. The table also indicates that greater volumes of wine of fresh grapes from the world into South Africa were from France, followed by Italy and Portugal during the period under review. France supplied South Africa with greater quantities of about 1 080 litres of wine of fresh grapes to South Africa, while Italy supplied South Africa with 426 litres of wines of fresh grapes and Portugal provided the smallest quantities of about 255 litres of wines of fresh grapes during the 2016 period.

Interesting to note was that France had a highest share (81.8%) in South Africa's imports of wine of fresh grapes but although Italy also supplied substantial quantities of wines of fresh grapes to South Africa during the 2016 period, their share (8%) in South Africa's imports of wine of fresh grapes is very low. The table further indicates that South Africa's imported growth in value for wine of fresh grapes from France decreased less than that of the world at approximately 1% as compared to 3% from the world.

The world average imports of wine of fresh grapes into South Africa in value terms decreased at 3% between 2015 and 2016.

Figure 31: Competitiveness of suppliers to South Africa for grape wines imports in 2017



Source: Trade Map

Figure 31 above shows competitiveness of suppliers to South Africa for wine of fresh grapes imported from the world in 2017. The bubble graph further shows that France, Italy and Spain were the biggest markets for wine of fresh grapes during the period under review. The bubble graph also shows that between 2013 and 2017.

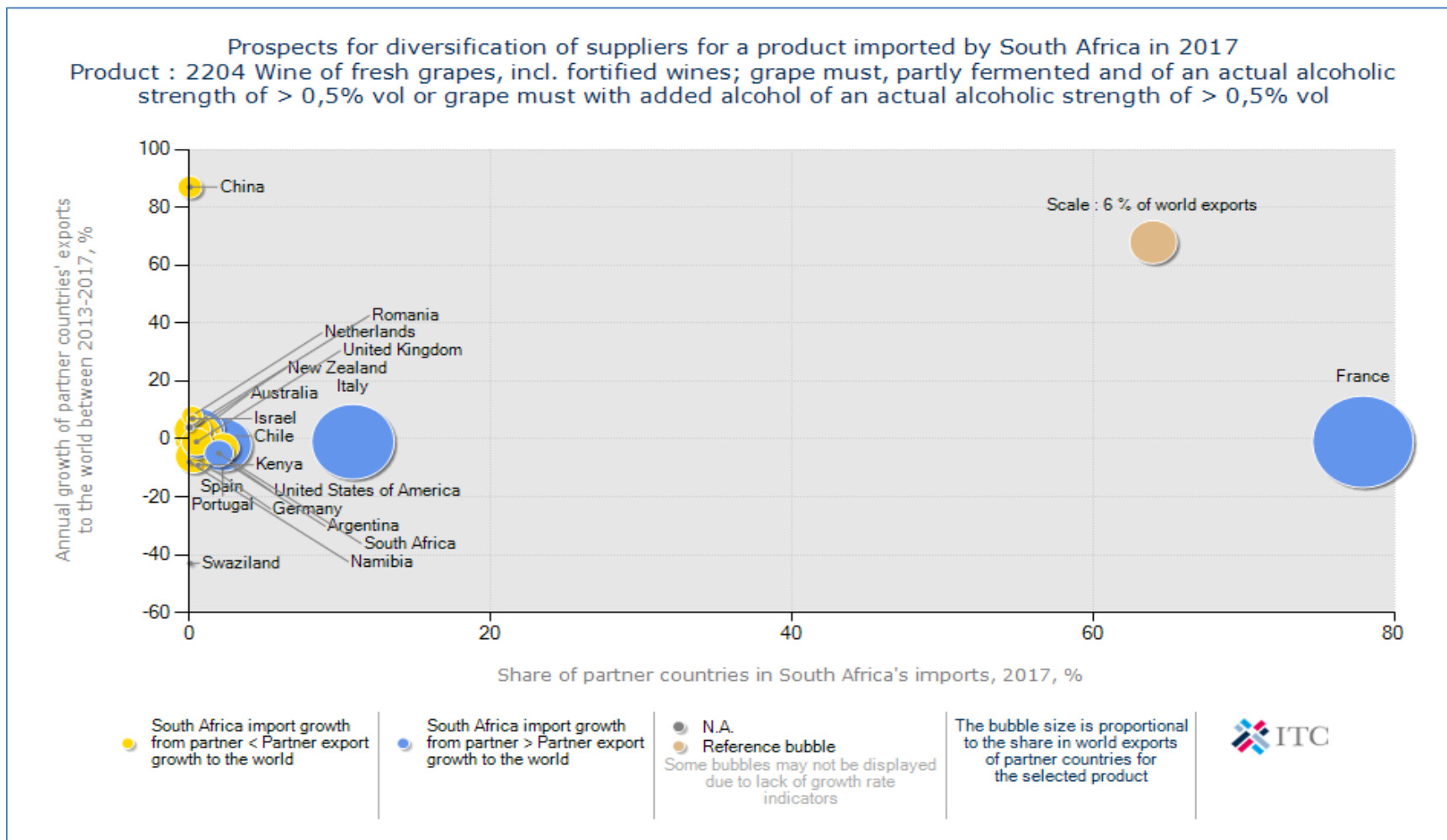
Australia was the most competitive supplier of wines of fresh grapes to South Africa with an annual growth of South Africa's imports of 22%.

Argentina was the second most competitive market in terms of the annual growth of its wines of fresh grapes exports to South Africa between 2013 and 2017 with an annual growth of South Africa's imports of 10%.

France was the third most competitive market in terms of the annual growth of its wines of fresh grapes exports to South Africa between 2011 and 2014 with an annual growth of South Africa's imports of 3%.

Although Italy also supplied substantial quantities of wines of fresh grapes to South Africa during the 2017 period, their share (10.9%) in South Africa's imports of wines of fresh grapes is very low as compared to France 77.9% share.

Figure 32: Prospects for diversification of suppliers for grape wines imported by South Africa in 2017



Source: Trade Map

Figure 32 above illustrates the prospects for diversification of suppliers of wine of fresh grapes imported by South Africa in 2017. The figure further illustrates that Italy, France and Spain were the biggest markets for wine of fresh grapes 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 wines of fresh grapes, small but attractive markets exist in China and Israel 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 labelling and packaging, organic produce certification, quality assurance and other standards and grades.

Table 20: 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 (2016)

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
			2016	
United Kingdom	Wine of fresh grapes, incl. fortified wines, in bottles with ""mushrooms"" stoppers held in place by ties or fastenings, holding <= 2 l; wine otherwise put up with an excess pressure due to carbon dioxide in solution of >= 1 bar but < 3 bar measured at 20°C, in containers holding <= 2 l (excl. sparkling wine), with a protected geographical indication (PGI)".	MFN duties applied	393.02\$/ton	8.46%
		Preferential tariff for South Africa	0.00%	0.00%
Netherlands	Wine of fresh grapes, incl. fortified wines, in bottles with ""mushrooms"" stoppers held in place by ties or fastenings, holding <= 2 l; wine otherwise put up with an excess pressure due to carbon dioxide in solution of >= 1 bar but < 3 bar measured at 20°C, in containers holding <= 2 l (excl. sparkling wine), with a protected geographical indication (PGI)".	MFN duties applied	393.02\$/ton	8.46%
		Preferential tariff for South Africa	0.00%	0.00%

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
			2016	
China	Wine of fresh grapes, including fortified wines; grape must other than that of heading No. 20.09: Other wine; grape must with fermentation prevented or arrested by the addition of alcohol: Other wine of fresh grapes, in containers holding 2L or less	MFN duties applied	14.00%	14.00%
Belgium	Wine of fresh grapes, incl. fortified wines, in bottles with ""mushrooms"" stoppers held in place by ties or fastenings, holding <= 2 l; wine otherwise put up with an excess pressure due to carbon dioxide in solution of >= 1 bar but < 3 bar measured at 20°C, in containers holding <= 2 l (excl. sparkling wine), with a protected geographical indication (PGI)"	MFN duties applied	393.02\$/ton	8.46%
		Preferential tariff for South Africa	0.00%	0.00%
Germany	Wine of fresh grapes, incl. fortified wines, in bottles with ""mushrooms"" stoppers held in place by ties or fastenings, holding <= 2 l; wine otherwise put up with an excess pressure due	MFN duties applied	393.02\$/ton	8.46%
		Preferential tariff for South Africa	0.00%	0.00%

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
			2016	
	to carbon dioxide in solution of ≥ 1 bar but < 3 bar measured at 20°C, in containers holding ≤ 2 l (excl. sparkling wine), with a protected geographical indication (PGI)"			

Source: Market Access Map

Table 20 shows tariffs applied by EU and Far East markets to wines of fresh grapes exported by South Africa during 2017. The highest tariff applied by EU countries to Most Favoured Nation's wines of fresh grapes exports was \$393.02/ton over the same period. France, Germany, Belgium and United Kingdom applied 0.00% preferential tariff to wines of fresh grapes from South Africa over the same period under review. China apply 14% to Most Favoured Nations's wine of fresh grapes exports during the same period.

Table 21: 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	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
			2017	
USA	Wine of fresh grapes of an alcoholic strength by volume $>14\%$, in containers holding <2 liters but not >10 liters	(MFN duties (Applied)	224.00\$/ton	14.52%
		Preferential tariff for AGOA	0.00%	0.00%

COUNTRY	PRODUCT DESCRIPTION	TRADE DESCRIPTION	REGIME	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
				2017	
		countries			

Source: Market Access Map

Table 21 depicts tariffs applied by USA markets to wines of fresh grapes exported by South Africa during 2017. The highest tariff applied by USA to Most Favoured nation's wines of fresh grapes exports was 224.00\$/ton and 0.00% to South Africa's wine exports due to preferential tariff for AGOA members.

USA had a preferential tariff for ALGOA countries between 2016 and 2017 export season.

Table 22: 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 (2017)

COUNTRY	PRODUCT DESCRIPTION	TRADE DESCRIPTION	REGIME	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
				2016	
Canada	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.	(MFN duties) Applied		14.68%	0.28%

COUNTRY	PRODUCT DESCRIPTION	TRADE DESCRIPTION	REGIME	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT TARIFF
				2016	
	sparkling wine): Wine of an alcoholic strength by volume not exceeding 13.7% vol.				

Source: Market Access Map

Table 22 shows tariffs applied by Canadian markets to wines of fresh grapes at different categories exported by South Africa during 2017 period. Canadians applied 14.68% tariffs to South Africa's wines of fresh grapes exports in 2017.

Table 23: Tariffs applied by various export markets to wine of fresh grapes, including fortified wines from South Africa (2017)

COUNTRY	PRODUCT DESCRIPTION	TRADE DESCRIPTION	REGIME	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM
				2017	
Australia	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	(MFN duties) Applied		5.00%	5.00%
New Zealand	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.	(MFN duties) Applied		0.00%	0.00%

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM
			2017	
	sparkling wine)			
Angola	Wine of fresh grapes, including wine fortified with alcohol; grape must other than that of heading 2009: sparkling wines and sparkling wines: champagne	(MFN duties) Applied	30.00%	30.00%
DRC	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)	(MFN duties) Applied	20.00%	20.00%
Zambia	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.	(MFN duties) Applied	25.00%	25.00%
		Preferential tariff for South Africa	0.00%	0.00%
Mozambique	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.	(MFN duties) Applied	20.00%	20.00%
		Preferential tariff for South Africa	0.00%	0.00%
Mauritius	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)	(MFN duties) Applied	15.00%	15.00%
		Preferential tariff for South Africa	0.00%	0.00%

Source: Market Access Map

Table 23 above shows tariffs applied by various import markets to wines of fresh grapes exports from South Africa during 2017. Most of the markets for wines of fresh grapes from South Africa were protected during the export season at between 5% and 30%.

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), Asian countries such as China and Japan) 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 from 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 labelling 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 labelling) and issues of where to draw boundaries. Some observers have argued that 'flavour-enhanced' labelling 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' labelling 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 longevity. 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 readymade '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 advise 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 travellers 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 24: South African production areas defined in terms of the Wine of Origin Scheme

Region	District	Wards	Region	District	Wards			
Breede River Valley	Robertson	Agterkliphoogte	Coastal Region	Cape Point	-			
		Bonnievale		-	Constantia			
		Boesmansriver		Darling	Groenkloof			
	Eilandia	Paarl		Franschhoek Valley				
	Hoopsriver			Wellington				
	Klaasvoogds	Simonsberg/ Paarl		Voor Paardeberg				
Le Chasseur	Tygerberg		Durbanville					
Worcester	Aan-de-Doorns	Goudini	Stellenbosch	Philadelphia				
		Nuy			Jonkershoek Valley			
		Scherpenheuvel			Papegaaiberg			
Slanghoek	Simonsberg/ Stellenbosch							
Swellendam	Buffeljags	Stormsvlei			Bottelary	Devon Valley		
							Klein Karoo	-
			Calitzdorp	-				
Upper Langkloof	Outeniqua							
Olifants River	Citrusdal Mountain	Piekenierskloof	Swartland	Malmesbury	Riebeeckberg			
	-	Bamboes Bay				Tulbagh	-	
	Citrusdal Valley	-	No region	Overberg	Eglin			Klein River
	Lutzville Valley	Koekenaap						
	Spruitdrift	Vredendal						
			No region	Cape Agulhas	Elim			

Region	District	Wards	Region	District	Wards
			No region	Douglas	-
			No region	-	Cederberg Hartswater Herbertsdale Lower Orange Prince Albert Valley Rietriver (FS) Ruitersbosch 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 produce 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 as 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 soil, 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-contiguous 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 labelled 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-labelling 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 labelling, 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 labelling' 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).

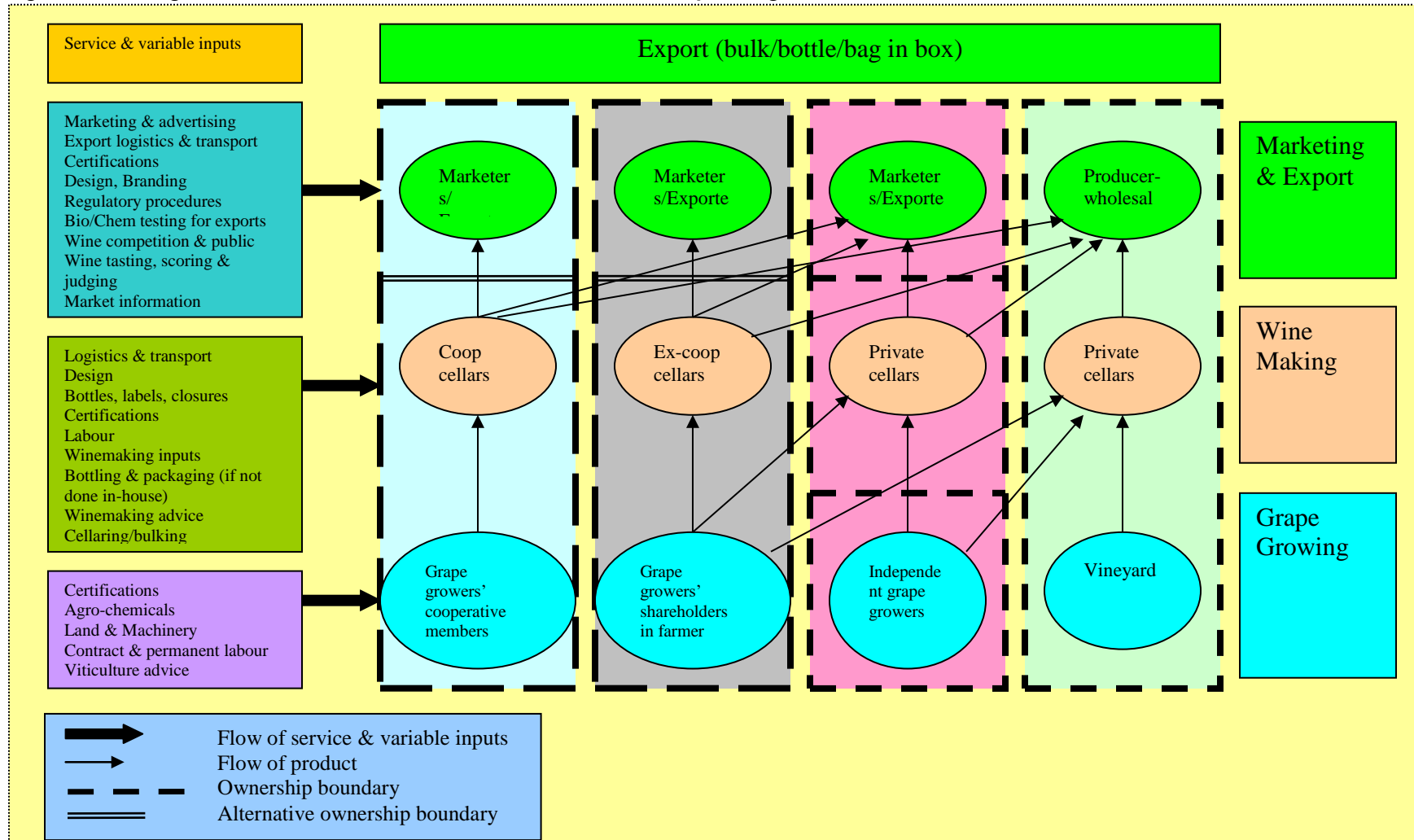
The whole certification system is fully computerized and available to on-line producers. It provides full traceability of wine. Each seal (placed on a bottle or other packaging material) has its own ID number. Sensorial evaluation is carried out by a panel of WSB tasters with part-blind procedure (vintage 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 33: Configuration of value chain for wine in South Africa – export segment



Source: SAWIS

Figure 33 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).

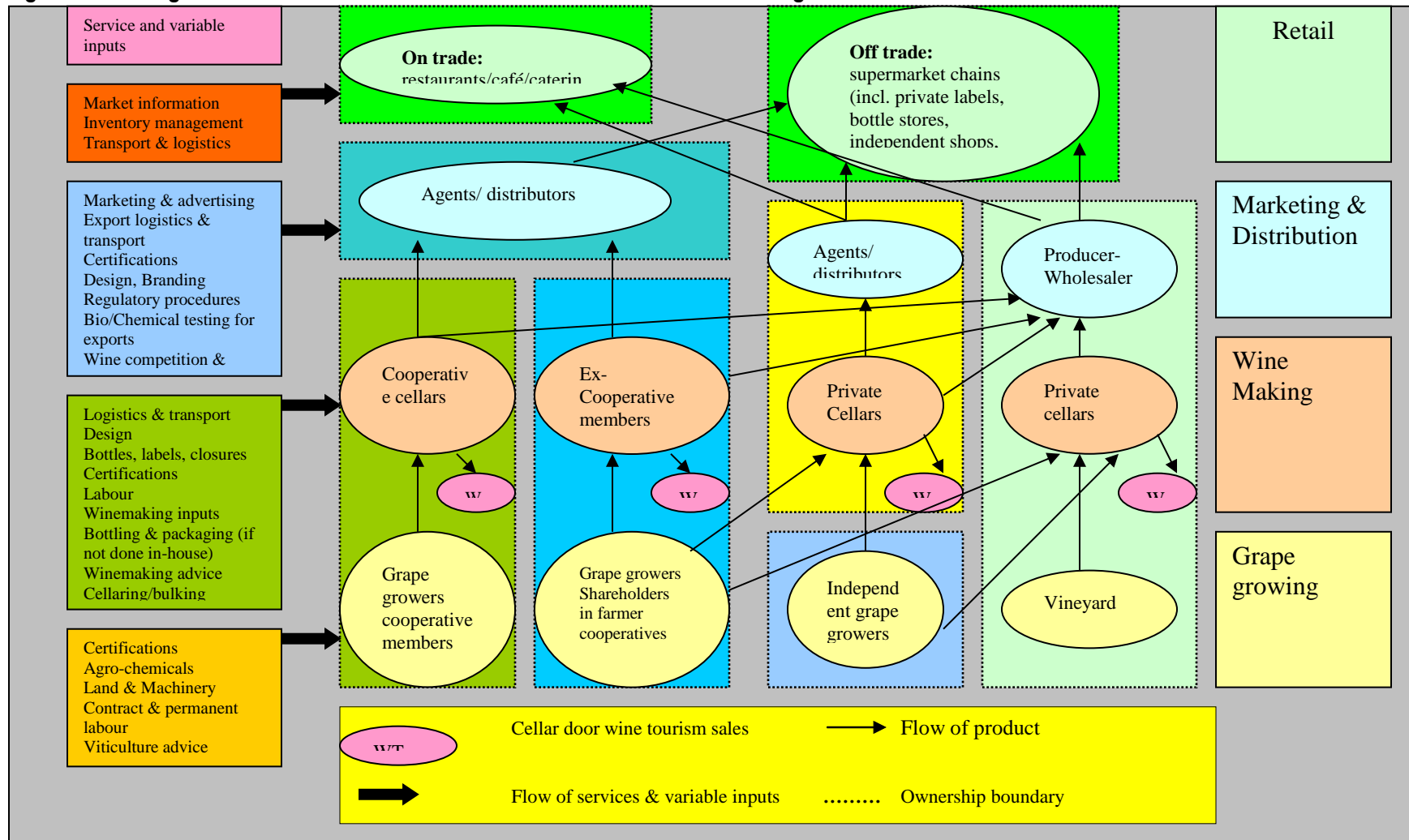
The bottom part of the figure represents a typology of grape growers. They are as follows:

- 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 34: Configuration of value chain for wine in South Africa – domestic segment



Source: SAWIS

Figure 34 describes the configuration of the value chain for wine consumed domestically. 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. These 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 R20.20 (2015 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 R50.00 – 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 2012/13 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:

- R39.0 million to WOSA (plus R4 million that WOSA receives from SAWIT)
- R23.5 million to Winetech
- 13.0 million to SAWIS
- R24 million for transformation through SAWIS, WINETECH AND WOSA.

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 25: 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 society	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 biodiversity 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 and 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, Nurserymen 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	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	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
(WIETA)			of and adherence to a 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 3 029 primary producers of grapes for wine in South Africa, 38% of which produces under 100 tons and further 36% produces between 100 and 500 tons. There is also 13% that produces between 500 and 1 000 tons and further 8% that produces between 1 000 and 5 000 tons. There are only 3 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 546 wine cellars in the country: 472 private cellars, 48 producer cellars (cooperatives and ex-cooperatives) and 26 cellars owned by producer wholesalers (buying bulk wine from other cellars as well).

Finally, there are 122 bulk wine buyers, 70 of which focus exclusively on exports. Over a decade ago, there were only 26 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 26: South African wine industry structure in 2016-17

NUMBER OF PRIMARY WINE PRODUCERS	PER PRODUCTION CATEGORY		
	TONS	NUMBER OF PRODUCERS	
3 029	1 – 100	1 139	
	> 100 – 500	1 099	
	> 500 – 1000	404	
	> 1000 – 5000	372	
	> 5000 – 10000	12	
	> 10000	3	
NUMBER OF WINE CELLARS WHICH CRUSH GRAPES	48 Producer Cellars 472 Private Wine Cellars 26 Producing Wholesalers		
546			
NUMBER OF BULK WINE BUYERS	122 Wholesalers (including producing wholesalers)		
122			

Source: SAWIS

Table 26 shows South African Wine Industry structure and examines the composition of wine cellars by capacity in 2016 and 2017. The table further shows that there were 3 029 primary wine producers in South Africa, 546 wine cellars which crush grapes. Furthermore, there were about 122 bulk wine buyers, there were 404 private wine cellars with crushing capacity of between 500 and 1 000 tons of grapes, and another 372 with crushing capacity of between 1000 and 5 000 tons. There are only 12 private cellars with crushing capacity of between 5 000 and 10 000 tons and only 3 private cellar with crushing capacity of more than 10 000 tons.

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 27: Number of wine cellars per production category in 2016 / 2017.

CATEGORIES (TONS OF GRAPES CRUSHED)	NUMBER OF WINE CELLARS (2014)				NUMBER OF WINE CELLARS (2015)			
	Total	Private wine Cellars	Producer Cellars	Producing Wholesalers	Total	Private wine Cellars	Producer Cellars	Producing Wholesalers
1 - 100	244	235	-	9	224	2145	-	10
> 100 - 500	153	148	-	5	167	159	1	7
> 500 - 1000	55	51	2	2	42	41	-	1
>1000 - 5000	59	51	4	4	58	51	4	3
> 5000 - 10000	14	5	7	2	16	4	9	3
>10000	41	4	35	2	39	3	34	2
Total	566	494	48	24	546	472	48	26

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
<ul style="list-style-type: none"> • 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 terroirs (total natural environment of any viticultural site). 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Increased competitions from fellow Southern hemisphere countries like Chile, Australia and New Zealand. 	<ul style="list-style-type: none"> • 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 KVV Lourens Jonker announced that the KVV 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 KVV 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 KVV 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 KVV. The main purpose of the trust was to be custodian of the funds paid by the KVV. 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 KVV.

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 (KVV 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.

10. ACKNOWLEDGEMENTS

10.1 The following industries/organizations are acknowledged.

10.1.1 South African Wine Industry Council

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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

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www.tralac.co.za

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