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Wine

Competition Annual

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Report Highlights:
South Africa's total wine production in 2001 is expected to decrease to 735 million litres, about 12 percent lower than the revised 2000 production figures. Output decreased as producers continued to uproot white wine varieties. As a result of a higher demand for red wine, producers are shifting plantings to red wine varieties. Increased production of red wine grapes is expected in areas such as Malmesbury, Stellenbosch, and the Little Karoo, while a smaller crop is expected in the Orange River compared to last year.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Pretoria [SF1], SF

Executive Summary

South Africa’s wine industry has undergone major changes in the last 10 years. Recent developments include the establishment of a new regulatory and institutional framework, with KWV divested of its statutory obligations to regulate the industry. The free market system has created huge export opportunities but also stiff competition from other wine producing countries. A high demand for red wines in the world market is forcing SA to shift its plantings in favor of red wine varieties. The South African Wine Information System(SAWIS) projects a short supply of the ‘reds’ in the long-run. There has been a decline in the overall South African demand for wine in recent years, due to a decline in purchasing power.

The South African Wine industry, which has been product-driven is currently adopting a more market-oriented approach that requires use of new cultivars. Pinotage has shown to be the most favorable wine in SA. Emphasis is now on Chardonnay and Sauvignon Blanc with improvement on cultivars.

South Africa’s total wine production for 2001 is expected to decrease to 735 million litres at an average yield of 762 million litres/ton, about 12 percent lower than the revised 2000 production figures. The wine crush decreased as producers continue to uproot white wine varieties. As a result of a higher demand for red wine, producers are shifting plantings to red wine varieties. Increased production is expected in areas such as Malmesbury, Stellenbosch, and the Little Karoo while a smaller harvest is expected in the Orange River compared to last year. According to the SA Wine Industry, red wine varieties rose by more than10 % in 2000, while white wine varieties decreased by 2%.

SECTION1

Narrative
South Africa has five wine regions(Coastal, Olifants River, Boberg, Breede River Valley, and Little Karoo). These regions consist of 14 districts which are classified under the Wine and Spirit Board and further divided into smaller wards according to their specific meso-climates and terroirs. These dictate marked differences in grape varieties and wine styles. The classification, regulated under the 1973 legislation, is indicated by a seal(certified by the Wine and Spirit Board) on each bottle which guarantees the reliability of all information relating to origin, grape variety and vintage as stated on the label. The total vineyard area extends to about 100,000 hectares around Constantia, Stellenbosch, Paarl and Franschhoek. Wine is produced from about 340 wine cellars and estates.The wine community comprises around 4,500 producers, employing a labor force of 100,000.

According to SAWIS, South African wine growers and winemakers are committed to the Integrated Production of Wine(IPW) system that focuses on every stage in the production process, from environmental impact studies and the correct preparation of the soil to the production of recyclable packaging. Continuous research and upgrading of vineyards and winemaking facilities are conducted in line with environmentally- friendly guidelines.

In recent years, red wine have accounted for 75% of new plantings in order to keep up with current international demands. Cabernet Sauvignon is grown in almost all the regions of the Cape but most extensively in Paarl and Stellenbosch, and accounts for about 25% of the hectares planted to red wine grapes. Merlot, which was initially mixed with Cabernet Sauvignon, is now mostly bottled separately. It is produced in the drier regions along the West coast in Stellenbosch, Paarl and Worcester. Pinotage, a cross between Pinot Noir and Hermitage(Cinsaut), is a rich and spicy wine cultivated in 20% of the total red wine vineyards. Pinor Noir is produced from a small area around the cooler Walker Bay and Elgin areas. There has been an increase in area planted to Shiraz, an intense smoky and spicy wine suited to a warmer climate. Cinsaut is fairly widely planted and used mainly for blending. Cabernet Franc and Mourvedre are recently introduced of red varietals.

South Africa’s white varieties still dominate the Cape winelands, although the trend is towards a more market-driven balance between white and reds. Chardonnay, a full and fruity flavoured wine which can be oak-fermented or left unwooded is produced from a number of new vineyards. In 2000, Chenin Blanc(Steen), a full-flavored wine with excellent maturation potential, was cultivated from about 25,000 hectares. Sauvignon Blanc wine varieties are grown in the Paarl, Stellenbosch and Constantia areas. There has been a reduction in the area planted to Semillon over the past several years. Other white varieties include Riesling, Colombard, Gewurztraminer, Muscat de Frontignan, Muscat d’Alexandrie, Pinot Gris, Cape Riesling(Crouchen Blanc) and Viognier.

The table below indicates the year 2000 wine production per cultivar.

Country: SOUTH AFRICA						
Commodity: Wine						
WHITE	VARIETIES		1999	2000		
	Tot. HA	Crushed(T)	Exports(Kl)	Tot. Ha	Crushed(T)	Exports(KL)
Chenin blanc	24,768	337,201		22,566	310,623	
Colombar(d)	11,678	226,277		11,432	219,034	
Sultana	11,578	41,287		11,910	34,600	
Chardonnay	5,983	40,027	10.766	6,067	45,514	11.784
Sauvignon blanc	5,277	40,857	7.377	5,436	63,986	6.477
Hanepoort	4,521	77,567		4,047	63,986	
Riesling(cape)	2,762	30,481		2,161	24,459	
Fransdruif	2,538	44,370				
Others	7,891	159,918	51.836	8,130	163,251	58.542
Total	76996	997985	69.979	71749	925453	76.803
RED VARIETIES						
Cabernet Sauvignon	6,963	32,237	8.481	8,824	31,698	8.479
Pinotage	5,698	20,468	6.05	6,501	35,581	7.136
Merlot	3,701	19,384	2.641	4,888	17,903	2.419
Cinsaut	3,699	23,930	2.641	3,533	28,530	
Shiraz	3,469	7,942	1.135	5,631	13,142	1.112
Others	3,653	71,650	37.354	4,441	45,864	40.389
Total	27183	175611	58.302	33818	172718	59.535

Statistical Information

Production
Wine

Wine grape production in 2001 is expected to decrease to 735 million litres at an average yield of 762 litres/ton, about 12 percent lower than the revised 2000 production figures. The grape crush decreased 12% to 964,000 Metric Tons as producers continue to uproot white wine varieties. As a result of a higher demand for red wine, producers are shifting plantings to red wine varieties. According to the SA Wine Industry, red wine varieties rose by more than10 % in 2000, while white wine varieties decreased by 2%. A bigger harvest is expected in areas such as Malmesbury, Stellenbosch and the Little Karoo, while a smaller harvest is expected in the Orange River compared to 2000.

Estimated 2001 grape and wine production per wine district is reflected in a table below:

District	Production(Estimated 2001)
Orangeriver	83,000
Olifantsriver	152,697
Malesbury	75,964
Klein Karoo	36,773
Paarl	118,161
Robertson	136,763
Stellenbosch	113,700
Worcester	247,403
Total	964,434

SAWIS, estimates as of 15 March,2001

The table following table shows the area planted and uprooted in the past five years:

Year	Planted(HA)	Uprooted(HA)	Total(HA)
1996	3608	2718	6326
1997	4189	2916	7105
1998	4372	2870	7242
1999	5589	5168	10757
2000	6043	8013	14056
Total	23801	21685	45486

Source: SAWIS

The shift towards increased red varieties is reflected in the above table. The majority of uprootings, which expanded significantly in the past two years, were white grapes; the new plantings were overwhelmingly red varieties.

Country: SOUTH AFRICA						
Commodity: WINE		PRODUCTION				
		1999	Est.2000	Act.2000	2001	
Good wine		595.908	585.001	540.233	485	Mil. Litres
Wine(for Brandy)		47.972	45	24.826	40	Mil. Litres
Wine(for Spirits)		152.961	162	129.858	120	Mil. Litres
Non-alcoholic		117.254	108	142.293	90	Mil. Litres
Total		914.095	900.001	837.21	735	Mil. Litres
Commodity: CERTIFIED WINE						
		1999	Est.2000	Act.2000	2001	
White variety		55.975	54	65.434	60	Mil. Litres
Red variety		29.313	27	35.472	32	Mil. Litres
Non-varietal		61.028	63	80.101	70	Mil. Litres
Total		146.315	144	181.007	162	Mil. Litres

At an average yield of 779 litre of wine per ton of grapes crushed, the 2000 harvest amounted to 837 million litres, 8% less than in 1999. Wine considered good by the industry reached 540 million litres, 9% lower than in 1999. Wine for brandy and spirits amounted to about 25 and 129 million litres , a decrease of about 40% and 15% from last year respectively. Non-alcoholic wine reached 142 million litres, 25 million litres more than 1999.

Area planted: vines

AREA PLANTED TO VINES						
		1999		2000		2001
		Actual		Actual		Estimated
VINE TYPES	Tot.vines('000)	Area(HA)	Tot.vines('000)	Area(HA)	Tot.vines('000)	Area(HA)
Wine Grapes	312251	104179	313889	105566	316500	106200
Table Grapes	21679	10575	22316	10985	22400	11270
Rootstocks	699	248	559	199	560	210
Currants	1045	341	980	316	990	320
Total	335674	115343	337744	117066	340450	118000

The area planted to wine grape vines on commercial farms in 2001 rose by about 1% from the previous season. The percentage planted to wine grapes is 90%, while 9% go for table grapes and the remaining 1% for both rootstocks and currants. Worcester, with about 17,300 hectares is the largest producer of wine grapes, followed by Paarl(17,200 hectares) Stellenbosch(15,900 hectares) and Orange river(15,200 hectares). Other major wine producing areas are Malmesbury, Robertson, Olifants River, and Little Karoo.

Crushed grapes

Country:	SOUTH AFRICA					
Commodity: CRUSHED GRAPES						
		1999	2000	2000	2001	
		Actual	Estimated	Actual		
White Varieties		973714	970766	896591	772000	Tons
Red Varieties		148720	138681	158050	154000	Tons
Table Grapes		49113	46227	43529	40000	Tons
Total		1173546	1157674	1098170	964000	Tons

The 2000 wine grape harvest decreased by about 6% from 1999 because of the smaller than normal harvest as a result of warm weather in some parts of the wine regions.

Consumption

In South Africa, wine is mostly distributed by supermarkets.

Country: SOUTH AFRICA						
Commodity: Wine						
Domestic Consumption						
		1999		2000	2001	
		Actual	Estimated	Actual		
Unfortified Wine		351.005	342	356.595	284	Mil. Litre
Fortified Wine		31.558	36	27.271	26	Mil. Litre
Sparkling Wine		8.815	9	4.986	7	Mil. Litre
Brandy@43 % alc/vol		17.482	18	15.681	13	Mil. Litre
Total		408.86	405	404.533	330	Mil. Litre

Trade

Exports

Country: SOUTH AFRICA						
Commodity: WINE						
	EXPORT					
		1999	2000	2001		
		Actual	Actual			
Unfortified Wine		127.688	138.382	144	Mil. Litres	
Fortified Wine		0.696	0.443	0.4	Mil. Litres	
Sparkling Wine		0.809	0.66	0.6	Mil. Litres	
Total		129.193	139.485	145	Mil. Litres	

South African wine exports grew by 7% in 2000 to about 139 million litres, as a result of new market opportunities and growing demand for local vintages. Exports estimate for 2001 shows an increase of about 4% from last year. The wine industry is becoming increasingly market-focused and producing wines that are acceptable to the world market at prices that are offering value. Sales of white wine, which is South Africa's high volume product, have been buoyant.

Country: SOUTH AFRICA						
Commodity: Wine			METRIC: Million Litres			
	EXPORTS: BOTTLED AND BULK					
Country: South Africa						
Varieties:		WHITE		RED		BLANC DE NOIR
Period	1999	2000	1999	2000	1999	2000
U.S.	1	1.029	1.321	1.069	0.001	0.003
Central America	0.078	0.086	0.074	0.065	0.002	0.002
S.America	0.017	0.03	0.022	0.055	0	0
United Kingdom	33.891	36.704	19.61	20.761	0.243	0.431
Netherlands	8.069	9.969	11.116	14.771	0.107	0.291
Australasia	0.255	1.198	0.211	0.127	0.02	0.014
Scandinavia	3.998	4.834	5.801	7.367	0.003	0.002
Germany	4.504	5.002	4.544	5.231	0.575	0.505
Far East	4.123	1.771	1.668	1.059	0.115	0.028
Canada	3.68	2.809	1.353	1.027	0.026	0.006
Belgium	3.334	3.371	3.724	3.107	0.419	0.109
Switzerland	3.124	5.997	1.675	1.259	0.489	0.545
France	2.107	2.037	1.709	2.458	0	0.052
Others	1.554	1.967	2.793	1.179	0.049	0.055
Total	69.965	76.804	55.621	59.535	2.049	2.043

In 2000 the U.K. is SA's largest wine export market. Ireland is the fastest growing wine market in the EU. Exports of Pinotage rose 15%, while Cabernet Sauvignon remain constant at 8.4 million litres in 2000

COUNTRY: SOUTH AFRICA				

TAXES				
EXCISE DUTY				
COMMODITIES:		WINE AND CIDER(R/LITRE)		
			AMENDED DATE	
		02/17/99	02/23/00	02/21/01
Sparkling Wine		1.783	1.8811	2.0692
Natural wine and				
Wine-based drinks		0.6436	0.679	0.747
Fortified Wine		1.4559	1.536	1.689
Cider		1.0804	1.1398	1.208
COMMODITIES:		SPIRITS(R/LAA)		
Brandy		27.937	29.3752	32.312
Wine Spirits		28.755	30.3365	33.37
Cane Spirits		28.755	30.3365	33.37
Grain Spirits		28.755	30.3365	33.37
Liqueur		28.755	30.3365	33.37
REBATES OF EXCISE DUTY				
GIN		0.139	0.139	0.139
Whisky		0.46	0.46	0.46
VALUE ADDED TAX = 14% FOR 2001				

Trade

SA-EU AGREEMENT

The SA-EU's wine and spirits agreement is still being negotiated. A formal agreement would unlock a 32 million-litre, tariff-free wine quota for local exporters. The implementation of this agreement was delayed by the EU due to disagreements on the production and labelling of local grappa, ouzo, port, sherry champagne and some other spirits. The current negotiation seeks to transfer this to a legally binding international treaty. The agreement also would allow SA-based firms to export under reduced or no duty to the EU.

Sparkling wine is currently subject to a duty-free transitional quota. This quota will remain in place until the tariff on the product has been eliminated. A reciprocal quota applies to bottled and sparkling wine. In return for a quota on a certain product, SA will grant the EU a quota of an equivalent size for the same product.

AGOA
South Africa will benefit on a duty free treatment for its wine exports to the US under the African Growth and Opportunity Act.

Policy

South Africa's wine industry operates under a free market system, as buyers and exporters deal directly with the vineyards. Buyers can also now buy on-line by accessing cybercider.co.za

Marketing

Wines of South Africa(WOSA) promotes SA wines in the international markets, with offices in London, Switzerland, Germany, Toronto and New York. IMOYA, a KWV's brandy mainly for export, won last year's best brandy of the year in the international market. In California, SA wine is sold under the label 'Cape Indaba'. Research on generic export promotion is conducted by BASCAL, a subdivision of WOSA with a focus on technology.

Import regulations:
South Africa applies a general duty of 25% on wine imports. That duty, combined with the weakness of the Rand and the fact that South Africa is a surplus producer, means that there is only a limited market for imported wines in South Africa.
Contact: Division of Plant Production, Health and Quality: Tel: 27-21-809-1687;Fax: 27-21-887-0036.

Labelling requirements:
Indication of class designation
Indication of country of origin
Registration of code numbers

Contact: Division of Plant Production , Health & Quality. Tel:27-21-809-1681 or 809-1602; Fax:27-21-887-6392 or 887-6396

SECTION II. DEFINITION OF REPORTING TERMS

TERMS USED IN REPORTING

Good Wine and Unfortified wine:
Natural wines without spirit for drinking purpose.

Wine for Brandy:
A rebate wine utilized for the distillation of pot still brandy which must be aged in small wooden casks for at least 3 years. Brandy must contain at least 30% of the matured product.

Wine for spirit:
Wine used to fortify wine.

Non-alcoholic wine:
Wine used for non-alcoholic purposes (like Juice).

Fortified wine:
A natural wine fortified with some spirit(Dessert wines, Jerepigos, and Muscadels, etc)