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South Africa, Republic of

Wine

Competition Annual

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Report Highlights:
South Africa's 2002 wine grape harvest is estimated at 1.06 million tons, a 9% increase from last year, though smaller than the average crop over the past 5 years. Wine production is also estimated to increase 9% to about 810 million litres, at an average recovery of 760 litres of wine a ton of grapes. South Africa's wine exports jumped 20% in 2001, and further increases are expected in 2002. The long awaited South Africa-EU Agreement was finally signed on January 2002, following resolved issues on intellectual property rights. However, the EU recently imposed restriction on South Africa's use of certain labeling terms (e.g. 'Tawny' and 'Ruby').

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

Executive Summary

South Africa's 2002 wine grape harvest is estimated at 1.06 million tons, a 9% increase from last year, although the crop was smaller than the average crop over the past 5 years. South African Wine Information and Systems (SAWIS) estimates wine production of about 810 million litres at an average recovery of 760 litres of wine a ton of grapes. This is 15 million litres less than the estimate in November.

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. SAWIS projects a short supply of the 'reds' in the long-run. There has been a decrease in domestic 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 includes use of new cultivars, and improving existing cultivars.

SECTION 1
Narratives

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. The geographical locations dictate marked differences in grape varieties and wine styles. The classification, regulated under the 1973 legislation, is indicated by a seal of approval 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 around Constantia, Stellenbosch, Paarl and Franschhoek is estimated at 100,000 hectares. 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 correct preparation of the soil to the production of recycleable packaging. Continuous research and upgrading of vineyards and winemaking facilities are conducted in line with environmentally- friendly guidelines.

In recent years, red wines have accounted for 75% of new plantings in order to keep up with international demand. 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. 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 recent introduction 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, is produced from a number of new vineyards. In 2000, Chenin Blanc, was cultivated on 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 2001 wine production per cultivar and exports in million liters.

Country: SOUTH AFRICA						
Commodity: Wine						
WHITE VARIETIES		2000		2001		
	Tot. HA	Crushed(T)	Exports(Mil Liters)	Tot. Ha	Crushed(T)	Exports(Mil. Litres)
Chenin blanc	22,566	310,623		21,100	265,090	
Colombar(d)	11,432	219,034		11,920	195,610	
Sultana	11,910	34,600		11,070	17,640	
Chardonnay	6,067	45,514	11.784	5,990	45,040	13.9
Sauvignon blanc	5,436	63,986	6.477	5,760	50,140	7.615
Hanepoort	4,047	63,986		3,600	55,190	
Riesling(cape)	2,161	24,459		1,780	21,710	
Others	8,130	163,251	58.542	6,650	114,720	75.515
Total	71749	925453	76.803	67870	765140	97.03
RED VARIETIES						
Cabernet Sauvignon	8,824	31,698	8.479	10,390	42,180	9.174
Pinotage	6,501	35,581	7.136	6,880	45,660	8.403
Merlot	4,888	17,903	2.419	5,710	27,000	3.076
Cinsaut	3,533	28,530		3,370	26,170	
Shiraz	5,631	13,142	1.112	7,080	22,970	2.06
Others	4,441	45,864	40.389	5,040	48,360	53.34
Total	33818	172718	59.535	38460	212340	76.053

Statistical Information

Production

Wine

South African wine producers are expecting a better harvest this year both in terms of quality and volume. This is despite downy mildew which spread across grape producing areas in October 2001. The cooler, cloudy conditions during ripening and the absence of heat waves were, however, positive for quality. The coloring of grapes was better this year and growers expect high quality wines from certain regions.

South Africa's 2002 wine grape harvest is estimated at 1,060 million tons, a 9% increase from last year, though smaller than the average crop over the past 5 years. SAWIS estimates wine production of about 810 million litres at an average recovery of 760 litres of wine a ton of grapes. This is 15 million litres less than the estimate in November. The biggest increase of only 3.6% was expected in the Western Cape.

The Cape Winelands experienced heavy rains quite late in the winter season in CY2001. For the first time in four years, dams were overfilled. The humidity and heavier canopy growth offer favourable conditions for the Downy Mildew spores to develop. In December 2001, wine farmers experienced the worst occurrence of downy mildew in the history of the industry. The actual extent of infection will only be known when veraison (colour ripening of the grape) occurs, around January 2002.

In the Stellenbosch area, early infection was identified on Chardonnay, Pinotage and Shiraz leaves. The variety with the highest level of infection is Cabernet Sauvignon.

In December 2001, Paarl experienced the worst downy mildew infection in five years, resulting in production loss of about 10% to 15%.

South Africa's Vine area (in 1000 Ha)		
1994	1999	2005 (EST)
94	104	136
Production (m/hl)		
4.2	5.9	7.9

Estimated 2001 wine grapes per wine district is reflected in the table below:

District	Production		
	2001		2002
	Estimated	Actual	Estimated
Orangeriver	83,000	83,523	90,000
Olifantsriver	152,697	159,769	170,000
Malesbury	75,964	80,865	90,000
Klein Karoo	36,773	36,170	40,000
Paarl	118,161	123,269	130,000
Robertson	136,763	141,527	150,000
Stellenbosch	113,700	98,653	130,000
Worcester	247,403	253,895	260,000
Total	964,434	977,671	1,060,000

FAS, estimates for 2002

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

Year	Planted(HA)	Uprooted(HA)	Total(HA)
1997	4189	2916	98,203
1998	4372	2870	100,979
1999	5589	5168	104,179
2000	6043	8013	105,566
2001	4554	6018	106,331

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					
	2000		2001		2002	
	Estimated	Actual	Estimated	Actual	Estimated	
Drinkwine	585.001	540.233	485	530	540	Mil. Litres
Rebate wine	45	24.826	40	8	10	Mil. Litres
Distilling wine	162	129.858	120	109	130	Mil. Litres
Non-alcoholic	108	142.293	90	99	130	Mil. Litres
Total	900.001	837.21	735	746	810	Mil. Litres
Commodity:						
CERTIFIED WINE						
	2000		2001		2002	
	Estimated	Actual	Estimated	Actual	Estimated	
White variety	54	65.434	60	70.886	70	Mil. Litres
Red variety	27	35.472	32	37.021	40	Mil. Litres
Non-varietal	63	80.101	70	99.644	100	Mil. Litres
Total	144	180.917	162	207.551	200	Mil. Litres

At an average yield of 763 litres of wine per ton of grapes crushed, the 2001 harvest amounted to 746 million litres, a 10% decrease from a year earlier because of the effect of downy mildew infections in some wine areas. Drinking wine reached 530 million litres, a marginal decease from 2000. Rebate wine and Distilled wine dropped by 66% and 16% respectively from last year. Non-alcoholic wine fell 43 million litres below the average in 2000.

Area planted : Vines

AREA PLANTED TO VINES								
	2000		2001				2002	
		Actual	Estimated	Estimated	Actual	Actual	Estimated	Estimated
VINE TYPES	Tot.vines ('000)	Area (HA)	Tot.vines ('000)	Area (HA)	Tot. vines ('000)	Area (HA)	Tot. vines ('000)	Area (HA)
Wine Grapes	313889	105566	316500	106200	314052	106331	315000	107000
Table Grapes	22316	10985	22400	22400	22538	11173	22700	11500
Rootstocks	559	199	560	560	404	143	300	110
Currants	980	316	990	990	1016	333	1030	340
Total	337744	117066	340450	130150	338011	117979	339030	118950

The area planted to wine grape vines on commercial farms in 2001 remained fairly constant from the previous season. The percentage planted to wine grapes was 90%, while 9% was 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						
	2000		2001		2002	
	Estimated	Actual	Estimated	Actual	Estimated	
White Varieties	970766	896591	772000	740027	800000	Tons
Red Varieties	138681	158050	154000	197923	220000	Tons
Table Grapes	46227	43529	40000	39511	40000	Tons
Total	1157674	1098170	964000	977461	1060000	Tons

FAS estimates; 2002

The 2001 wine grape harvest decreased by 11% from 2000 because of more than enough rainfall that caused mildew infection in some parts of the wine regions.

Consumption

In South Africa, wine is mostly distributed by supermarkets.

Country: SOUTH AFRICA						
Commodity: Wine						
Domestic Consumption						
	2000		2001		2002	
	Estimated	Actual	Estimated	Actual	Estimated	
Unfortified Wine	342	356.595	284	363.874	370	Mil. Litre
Fortified Wine	36	27.271	26	27.606	30	Mil. Litre
Sparkling Wine	9	4.986	7	5.717	9	Mil. Litre
Brandy@43% alc/vol	18	15.681	13	16.447	17	Mil. Litre
Total	405	404.533	330	413.644	432	Mil. Litre

Trade

Exports

Country: SOUTH AFRICA					
Commodity: WINE					
	EXPORT				
	2000	2001		2002	
	Actual	Estimated	Actual	Estimated	
Unfortified Wine	139.8	144	176	200	Mil. Litres
Fortified Wine	0.472	0.4	0.548	1	Mil. Litres
Sparkling Wine	0.69	0.6	0.779	1	Mil. Litres
Total	139.485	145	177.419	202	Mil. Litres

FAS estimates for 2002

South African wine exports grew by more than 20% in 2001 to about 177 million litres, as a result of new market opportunities in Europe, and growing demand for local vintages. The export estimate for 2002 shows an increase of about 12% from last year, partly as a result of implementation of the duty-free SA-EU wine agreement. The wine industry is becoming increasingly market-focused and producing wines that are acceptable to the world market at prices that are offering value.

Country: SOUTH AFRICA									
Commodity: Wine				METRIC: Million Litres					
	EXPORTS: BOTTLED AND BULK								
Country: South Africa									
Varieties:		WHITE			RED			BLANC DE NOIR	
Period	1999	2000	2001	1999	2000	2001	1999	2000	2001
U.S.	1	1.029	1.087	1.321	1.069	1.624	0.001	0.003	0.067
Central America	0.078	0.086	0.135	0.074	0.065	0.141	0.002	0.002	0.01
S.America	0.017	0.03	0.001	0.022	0.055	0.027	0	0	0
United Kingdom	33.891	36.704	46.979	19.61	20.761	27.45	0.243	0.431	0.869
Netherlands	8.069	9.969	10.98	11.116	14.771	18.23	0.107	0.291	0.354
Australasia	0.255	1.198	10.28	0.211	0.127	0.228	0.02	0.014	0.031
Germany	4.504	5.002	5.498	4.544	5.231	5.856	0.575	0.505	0.548
Far East	4.123	1.771	0.264	1.668	1.059	0.445	0.115	0.028	0.053
Canada	3.68	2.809	5.259	1.353	1.027	1.625	0.026	0.006	0.061
Belgium	3.334	3.371	3.981	3.724	3.107	3.984	0.419	0.109	0.285
Switzerland	3.124	5.997	1.079	1.675	1.259	1.466	0.489	0.545	0.405
France	2.107	2.037	2.81	1.709	2.458	3.423	0	0.052	0.223
Others	1.554	1.967	8.676	2.793	1.179	11.554	0.049	0.055	0.102
Total	69.965	76.804	97.029	55.621	59.535	76.054	2.049	2.043	3.008

In 2001 the U.K. was SA's largest wine export market. Exports of Pinotage and Cabernet Sauvignon rose by 15% and 8% respectively.

Excise Duties and Taxes

COUNTRY: SOUTH AFRICA					
TAXES					
EXCISE DUTY					
COMMODITIES:		WINE AND CIDER(R/LITRE)			
			AMENDED DATE		
		02/17/99	02/23/00	02/21/01	2/20/02
Sparkling Wine		1.783	1.8811	2.0692	2.276
Natural wine and					
Wine-based drinks		0.6436	0.679	0.747	0.807
Fortified Wine		1.4559	1.536	1.689	1.825
Cider		1.0804	1.1398	1.208	1.305
COMMODITIES:		SPIRITS(R/LAA)			
Brandy		27.937	29.3752	32.312	35.7487
Wine Spirits		28.755	30.3365	33.37	36.71
Cane Spirits		28.755	30.3365	33.37	36.71
Grain Spirits		28.755	30.3365	33.37	36.71
Liqueur		28.755	30.3365	33.37	36.71
REBATES OF EXCISE DUTY					
GIN		0.139	0.139	0.139	0.139
Whisky		0.46	0.46	0.46	0.46
VALUE ADDED TAX = 14% FOR 2002					

Trade

South Africa increased its UK wine market share for its brands, Kumala, and KWV, which are at 7th and 17th positions respectively. The UK is still South Africa's largest export market.

SA-EU AGREEMENT

Following several delays, the South African - EU Agreement on Wine and Spirits was finally signed on January 28, 2002. The EU granted South Africa an annual duty-free volume of South African wine of 35,300,000 litres, with an annual increase of about 6,720,000 litres effective from 2002 to 2011. The agreement applies to EC tariff lines 2204, 2204.21.79, 2204.21.80, 2204.21.83, and 2204.21.84. The agreement ensures reciprocal protection of names indicating EU and Member state origin for spirits with a transitional period of 5 years. The agreement also allows South Africa to protect the use of the name "South Africa" or similiar names on wine products to describe the country of origin. The EU committed to contribute 15 million Euros towards restructuring of the wine industry in South Africa to increase opportunities for previously disadvantaged groups.

South African exporters are required to comply with sanitary, phytosanitary and other technical requirements as stipulated by the EC, and Rules of Origins as part of the TDCA. Eighty percent of permits will be allocated in proportion to the market share of historical exporters, based on actual exports during 1998, 1999 and 2000. The remaining 20 percent of exports are to be allocated for new and small, medium and micro enterprises.

During May 2002, the EU launched a new ban on South African wine-makers for the words "Vintage", "Tawny", and "Ruby" on their labels of fortified wine exports. The EU adopted new rules for the labelling of wine, which provide that from January 01, 2003 information on wine must be shown on labels. The labels should indicate the alcoholic strength, lot number or the name of the bottler. The use of certain optional terms, such as production methods, traditional expressions, names of vineyards or the vintage year are regulated. Provisions applying to third -country wines marketed in the EU are also outlined.

AGOA
South Africa benefits from 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

The local exhibition for international buyers and media, introduced last year by WOSA as Cape Wine 2000, was repeated in April 2002. This is one of two major initiatives central to WOSA’s strategy. The other, a world wine tour, in which over 30 local wine producers are expected to participate, will be held in September 2002.

Since 2000, South African wine exporters have been targeting the Asian countries as the new market to explore.
In the same year, South African wine producers participated in several wine exhibitions in countries such as Japan and Singapore, as well as Hongkong. Advertising of SA wine is already taking place in Japan. Exports of SA wine to India is also being looked into. Wines of South Africa(WOSA), a non-profit organization responsible for the generic promotion of SA wines on international markets, has worked hard to ensure that South African wine gained volume and

market share in off-shore market, especially Britain and Holland. Its effort has resulted in excellent penetration in Canada, and 20% growth in other markets.

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.

During April 2002, seventeen of South African wine estates participated in the Nederburg Auction, the principal wholesale wine auction in South Africa.

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
The South African wine industry uses the following terms;

DRINK WINE :
Is fit for drinking as wine in the ordinary sense., and is also refered to as "good wine" .
Included in the drinkwine are:
1. NATURAL WINE : Anon-fortified and non-sparkling drinkwine. It can also be a perle wine, when it is carbonated at pressure between 75 and 300 kPa., or any grape juice or must and grape juice or must used in the sweetening of such natural wine.
2. FORTIFIED WINE : non-sparkling drinkwine which has been fortified with the wine spirit. It includes the volume of wine spirit used in the fortification process.
3. SPARKLING WINE: Is drinkwine carbonated , either by fermentation or by impregnation with carbon dioxide, to the extent that the pressure in which 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.

REBATE WINE: wine is specially prepared for double distillation in a pot still and then, as distillate, maturation for a period of at least three years in oak casks with a capacity of not more than 340 litres.

DISTILLING WINE: Wine especially prepared for distillation to spirits intended for use in brandy or other spirits, for fortification of drinkwine or for industrial purposes.

NON-ALCOHOLIC wine: Refers to fermented, undiluted or concentrated juice from grapes destined for use in non-alcoholic products such as fruit juices.