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## South Africa, Republic of

### Wine

### Annual

### 2004

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**Report Highlights:**

The latest figures indicate that South Africa's 2004 wine grape production is expected to reach about 1.314 million MT, up from the previous industry estimates of 1.250 million MT. The 2004 wine production, that includes juice and concentrate for non-alcoholic purposes, rebate and distilling wine, is expected to reach about 10.185 million HL, at an annual recovery rate of 775 litres per ton of grapes.

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Includes PSD Changes: Yes  
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Annual Report  
Pretoria [SF1]  
[SF]

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## Executive Summary

The latest figures indicate that South Africa's 2004 wine grape production is expected to reach about 1.314 million MT because of good, dry weather conditions in the Western Cape during December and January. Wine production, which includes juice and concentrate for non-alcoholic purposes, rebate and distilling wine, is expected at 10.185 million HL at an average recovery of about 7.75 HL per ton of grapes, an increase of about 5% from a former industry estimate. The 2004 season is expected to have a bumper production because of conducive rainfalls and enough sunlight in the Western Cape during December and January. Expectations are for an increase in red wine production, attributable to the increase in area harvested.

South Africa's 2004 exports of natural wine are expected to grow by 18.5% compared to last year. One of South Africa's largest wine and spirits exporters, wines of South Africa (WOSA), expects to sell more of its export-quality wines in the domestic markets because of a likely oversupply worldwide. The industry does not expect more imports of bulk wine this year, as compared to 2002 and 2003. However, expectations are red wines may still be imported this year.

South Africa's wine industry hosted a Cape Wine Trade show from March 30 - April 2, 2004. The show, which is a biennial event, attracted about 1,200 wine buyers, of which about 940 were international.

## Production

The 2004 season is expected to have a healthy bumper crop because of dry weather in the Western Cape during December and January. South African Wine Information & Systems (SAWIS) reported that the Breeder River valley was the only place infected with Botrytis at the beginning of the season caused by sporadic southeasterly rain and high humidity. The cool conditions encouraged growing and ripening although it delayed the 2004 harvest. The harvest was further delayed by a heatwave and rainfall at the beginning of March. The grapes, normally in the cellars by early March, were harvested 7-14 days later this year compared to 2003.

The wines are expected to be of good quality because of the cool season, however they will develop more slowly than warm season wines. Wine production, initially expected to be average, will reach about 10.185 HL, the largest crop ever in South African history, about 6.5% more than in 2003. The recovery rate for juice and concentrate for non-alcoholic purposes, rebate and distilling wine is expected at 7.75 HL per ton of grapes. The significant increase of wine production was due to an influx of damaged tablegrapes from Orange River and also expanded area planted in Worcester.

TOTAL AREA PLANTED TO ALL VINES						
	2001		2002		2003	
VINE TYPE	VINES (‘000)	HECTARES	VINES (‘000)	HECTARES	VINES (‘000)	HECTARES
Wine grapes	314,051	106,331	316,669	107,998	321,601	110,200
Table grapes*	22,538	11,173	23,733	11,946	24,493	13,354
Rootstocks	404	143	262	92	275	98
Currants	1,016	333	1,045	348	1,065	356
<b>Total</b>	<b>23,554</b>	<b>117,979</b>	<b>316,931</b>	<b>120,384</b>	<b>347,434</b>	<b>124,008</b>

Source: SAWIS

**\* = A small fraction is used for wine**

#### PRODUCTION PER REGION

##### STELLENBOSCH

In Stellenbosch, total 2004 harvest increased by 8% over 2003 because of ideal temperatures and enough late rains (August-September), with increases for Shiraz, Merlot, and Pinotage, and a decrease for Cabernet Sauvignon. The season was disease-free, except for oidium infections on leaves at post-harvest. The cold spells during winter led to good flowering and fruit-bearing stage of the vines. In January this year, the Chardonnay berries were already at pea-size.

An average wine crop for Stellenbosch is estimated at about 98,000 MT annually. Stellenbosch 'Wine-of-Origin' region consists of more than 300 cellars and growers, with an average annual wine crop of about 98,000 MT. Harvesting in this area began at the end of January 2004.

##### PAARL

Total harvest was reduced by about 10%, for Chenin Blanc, Chardonnay, Sauvignon Blanc, and Merlot, in 2003/4 because of the extremely dry weather conditions in summer and winter that reduced the water level of dams in the Boland. Heatwaves in January 2004 and early February also aggravated the situation.

##### SWARTLAND

The 2004 total harvest decreased by about 6% from last year because of the extreme dry and cool climatic conditions. The late cold and wet conditions caused uneven budding for Shiraz, Cabernet Sauvignon, Merlot and Chardonnay. Production decreased for Chenin Blanc, Chardonnay, Sauvignon Blanc, Merlot and Cabernet Sauvignon.

##### ROBERTSON

The 2004 harvest rose by 4% from 2003 because of early Chardonnays and increases of Pinotage cultivars that came into full production. The ripening period was warm, with humid conditions before harvest, with a heatwave in early January and February. The harvest was delayed by about 7-10 days. The overall quality for red wine is expected to be good, with an improvement especially for Merlot.

##### WORCESTER

The 2004 harvest reached a huge increase of about 17% compared to 2003 because of less humidity and average maximum and minimum temperatures that resulted in no infestations of fungal diseases. The harvest was delayed by about 10 – 14 days. Wine production of premium whites increased by about 28%, while the reds increased by 31%. The area is expected to produce more rebate wine as a result of a larger than average crop size. The qualities of Chardonnay and dry white wines are expected to improve.

##### LITTLE KAROO

Total grape production increased by 4% in 2004 from last year. Increased production was from the Western Karoo, around Montagu to Barrydale mainly from Colombard varieties as compared to the east, along Ladysmith to Oudtstroom areas. The 2004 summer season was characterized by warm, dry weather with little rainfall in January, which resulted in a little sunburn damage around Montagu wine producing area. The eastern parts experienced continuous thunderstorms with rain resulted in grape rotting on early cultivars. Despite the uncooperative weather, wine quality is forecast as promising, especially on vines that were properly managed throughout the season.

## OLIFANTS RIVER

The 2004 figures for total wine grape harvest shows a decrease of about 12% from 2003 because of a serious drought that caused irrigation water restrictions to less than half the normal volumes per hectare. Lower crop size was for Colombar, Chenin Blanc, Hanepoort and Chardonnay varieties. Red wine grape production increased to 19% of total production from this region.

The ripening period was cooler, longer and disease free with only isolated instances of downy mildew and rot. Above average white and red wines are expected because of the slower deliveries that enabled smooth handling by the cellars.

## ORANGE RIVER

The total wine grape harvest increased by about 40% because more Sultana table grapes, which were initially destined for fresh markets, were sent for wine processing as a result of damage by heavy rains during first week of January. Increases are also attributable to younger red wine vines that came into full production. The quality of wine is not expected to be as good as in 2003.

TABLE FOR EXPECTED 2004 GRAPE AND WINE CROP

DISTRICT	GRAPE PRODUCTION IN MT				
	2002	2003*	2003	2004*	2004*
		Previous Estimate	Actual	Previous Estimates	Latest Estimates (May 2004)
Orange River	173,420	144,491	144,697	159,899	202,142
Olifants River	165,603	209,350	205,150	188,415	179,711
Malmesbury	80,026	109,224	109,118	98,302	102,571
Little Karoo	42,020	42,306	42,301	44,633	43,951
Paarl	105,287	144,808	144,833	137,568	130,639
Robertson	165,304	176,489	176,440	185,300	184,027
Stellenbosch	76,999	114,695	114,285	124,200	123,100
Worcester	271,216	297,001	296,865	311,851	348,223
<b>Total Grape Prodn</b>	<b>1,079,875</b>	<b>1,238,364</b>	<b>1,238,364</b>	<b>1,250,168</b>	<b>1,314,364</b>
<b>HL/MT grapes</b>	<b>7.72</b>	<b>7.72</b>	<b>7.75</b>	<b>7.72</b>	<b>7.75</b>
<b>Wine Prodn (mil. HL)</b>	<b>8.342</b>	<b>9.556</b>	<b>9.560</b>	<b>9.647</b>	<b>10.185</b>

Source: SAWIS

\*Industry Latest Estimates

## Production Subcategory

South Africa, Republic of Wine							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	01/2003		01/2004		01/2005		MM/YYYY
TOTAL Grape Crush	1210	1210	1200	1314	0	1260	(1000 MT)
Begin Stock (Ctrl App)	0	0	0	0	0	0	(1000 HL)
Begin Stock (Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Beginning Stocks	2220	2220	2530	3568	2600	4206	(1000 HL)
Prod. from Wine Grapes	6700	6960	6400	6680	0	6820	(1000 HL)
Prod. from Tabl Grapes	2600	2600	2600	3500	0	3050	(1000 HL)
<b>TOTAL PRODUCTION</b>	<b>9300</b>	<b>9560</b>	<b>9000</b>	<b>10180</b>	<b>0</b>	<b>9870</b>	<b>(1000 HL)</b>
Intra-EU Imports	310	0	320	0	0	0	(1000 HL)
Other Imports	0	447	0	300	0	370	(1000 HL)
TOTAL Imports	310	447	320	300	0	370	(1000 HL)
<b>TOTAL SUPPLY</b>	<b>11830</b>	<b>12227</b>	<b>11850</b>	<b>14048</b>	<b>2600</b>	<b>14446</b>	<b>(1000 HL)</b>
Intra-EU Exports	1840	0	2200	0	0	0	(1000 HL)
Other Exports	320	5485	330	6500	0	5500	(1000 HL)
TOTAL Exports	2160	5485	2530	6500	0	5500	(1000 HL)
Dom.Consump(Cntrl App)	7140	3174	6720	3342	0	4000	(1000 HL)
Dom.Consump(Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Dom.Consumption	7140	3174	6720	3342	0	4000	(1000 HL)
End Stocks (Cntrl App)	2530	3568	2600	4206	0	4946	(1000 HL)
End Stocks (Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Ending Stocks	2530	3568	2600	4206	0	4946	(1000 HL)
<b>TOTAL DISTRIBUTION</b>	<b>11830</b>	<b>12227</b>	<b>11850</b>	<b>14048</b>	<b>0</b>	<b>14446</b>	<b>(1000 HL)</b>

## Consumption

South Africa's 2004 domestic sales of natural wine are expected to increase by 5% or more because of a huge production. The two major wine companies, Wines of South Africa and KWV, are also expected to sell more wines locally this year because of a likely worldwide oversupply, and the deregulation of the Act of 1924 that allows KWV to sell good wines locally since March 2004. Before, KWV was restricted to sell only fortified wines and brandy to local markets.

<b>DOMESTIC SALES OF NATURAL WINE (In HL)</b>			
	<b>Apr 2002- Mar 2003</b>	<b>Apr 2003 – Mar 2004</b>	<b>Market Share (Apr 2003-Mar 2004)</b>
CWSI	1,285,643	1,222,423	39.63
Other Wholesalers	546,101	404,327	16.03
Cellars	262,507	272,122	8.82
Co-operatives	1,143,286	983,831	31.89
Sub-total	3,237,628	2,972,703	96.37
Wine component of alc fruit bev	129,923	111,905	3.63
<b>Total</b>	<b>3,367,552</b>	<b>3,084,609</b>	<b>100.00</b>

Source: SAWIS

### **Consumption Subcategory**

None

### **Trade**

South Africa's 2004 exports of natural wine are expected to grow by 18.5% compared to last year.

Reports are U.S. wine markets may end up with a glut of California wine, which will drastically reduce imports. France, Italy and Chile also increased their exports to the States. This may result in a decline of South Africa's total wine exports to the United States.

The industry expects the 2004 imports of bulk wine to be significantly lower than in 2002 and 2003 because of above average production in the local market. However, a minimum amount of red wines are likely to be imported.

### **Trade Subcategory**

One of South Africa's largest wine and spirits exporters, wines of South Africa (WOSA), expects to sell more of its export-quality wines in the domestic markets in 2004 because of a likely worldwide over-supply. Bulk wine for export is considered to be expensive because of the stronger value of the Rand.

South Africa, Republic of Wine			
Time Period	Jan-Dec	Units:	HL
Exports for:	2002		2003
U.S.	139,932	U.S.	152,542
Others		Others	
U.K.	2,392,807	U.K.	2,351,173
Netherlands	865,603	Netherlands	1,097,358
Germany	371,811	Germany	411,395
Denmark	108,073	Denmark	208,182
Sweden	177,799	Sweden	171,760
Belgium	115,937	Belgium	164,929
New Zealand	62,386	New Zealand	66,186
France	104,091	France	81,929
Canada	169,263	Canada	133,026
Switzerland	68,448	Ireland	125,736
<b>Total for Others</b>	<b>4436218</b>		<b>4811674</b>
<b>Others not Listed</b>	<b>52,426</b>		<b>520,674</b>
<b>Grand Total</b>	<b>4628576</b>		<b>5484890</b>

SOUTH AFRICA, REPUBLIC OF 2003(JAN-DEC) TOTAL EXPORTS, WINE (HL)				
COUNTRY	Natural Hts 2204	Not Sparkling Hts 220421	Sparkling Hts 220410	Total
U.S.	54,619	97,282	641	152,542
U.K	940,433	1,401,986	8,755	2,351,173
Netherlands	425,722	668,174	3,462	1,097,358
Germany	187,276	223,232	887	411,395
Sweden	108,471	99,156	555	208,182
Denmark	77,061	94,192	507	171,760
Belgium	75,369	88,998	562	164,929
New Zealand	65,624	0	562	66,186
France	58,499	23,430	0	81,929
Canada	56,748	76,278	0	133,026
Ireland	42,932	81,852	952	125,736
Finland	33,072	44,746	139	77,957
Switzerland	31,828	23,438	319	55,585
<b>Total listed</b>	<b>2,157,653</b>	<b>2,922,764</b>	<b>17,341</b>	<b>5,097,758</b>
<b>Total unlisted</b>	<b>171,710</b>	<b>206,230</b>	<b>9,192</b>	<b>387,132</b>
<b>Grand total</b>	<b>2,329,363</b>	<b>3,128,994</b>	<b>26,533</b>	<b>5,484,890</b>



South Africa, Republic of Wine			
Time Period	Jan-Dec	Units:	HL
Imports for:	2002		2003
U.S.	23	U.S.	395
Others		Others	
Argentina	313,043	Argentina	427,740
Spain	10,390	France	5,636
Portugal	8,880	Italy	4,769
France	5,428	Portugal	4,632
Italy	5,689	Belgium	546
U.K.	1,543	U.K.	817
Israel	912	Israel	645
Australia	417	Spain	579
Netherlands	150	Australia	113
		Netherlands	76
<b>Total for Others</b>	<b>346452</b>		<b>445553</b>
<b>Others not Listed</b>	<b>49</b>		<b>1,378</b>
<b>Grand Total</b>	<b>346524</b>		<b>447326</b>

South African imports of wine from Argentina increased by 37% in 2003 from a year earlier. The improvement in the value of the Rand benefited the U.S. wine exporters as indicated by a sharp increase from the above table. The industry does not expect more imports of bulk wine this year, as compared to 2002 and 2003. However, expectations are red wines may be imported this year.

<b>SOUTH AFRICA, REPUBLIC OF 2003(JAN-DEC) TOTAL IMPORTS, WINE (HL)</b>				
<b>COUNTRY</b>	<b>Natural Hts 2204</b>	<b>Not Sparkling Hts 220421</b>	<b>Sparkling Hts 220410</b>	<b>Total</b>
U.S.	126	248	21	395
Argentina	427,724	16	0	427,740
France	2,579	1,484	1,573	5,636
Italy	1,704	3,026	39	4,769
Portugal	1,544	3,088	0	4,632
Belgium	356	170	20	546
U.K.	291	468	58	817
Israel	215	430	0	645
Spain	200	360	19	579
Australia	38	74	1	113
Netherland	26	50	0	76
<b>Total listed</b>	<b>434803</b>	<b>9414</b>	<b>1731</b>	<b>445,948</b>
<b>Total unlisted</b>	<b>472</b>	<b>906</b>	<b>0</b>	<b>1,378</b>
<b>Grand Total</b>	<b>435,275</b>	<b>10,320</b>	<b>1,731</b>	<b>447,326</b>

**Stocks**

South Africa's stock levels for wine at co-operatives and cellars are expected to rise to 4.206 million HL on 31 December 2004 compared to 3.568 million HL of last year.

**Stocks Subcategory**

None

**Policy**

South Africa's wine industry operates under a free market system. Buyers and exporters deal directly with the vineyards. Buyers can also buy on-line at [www.cybercider.co.za](http://www.cybercider.co.za)

The South African government is encouraging all private industries to include a Black Economic Empowerment (BEE) strategic plan within their sectors. Currently, the wine industry adopted such a plan, South African Wine Industry Strategy Plan (WIP). The plan, that was prepared by the South African Wine and Brandy Company (SAWB) through consultation with the SAWB chambers representing the wine producers, labor, cellars, and the wholesale trade, the South African Wine Industry Trust (SAWIT), relevant government departments and agencies, and other stakeholders within the industry. The plan was accepted by the Minister of Agriculture as the strategic framework for cooperation and action in the South African wine industry in October 2003. It addresses issues such as equitable access and market participation, global competitiveness, environmental sustainability and responsible consumption.

**Policy Subcategory**

South Africa's 2004 budget resulted in an immediate increase in specific Excise Duties (sin taxes) for tobacco and alcoholic beverages. As of February this year, taxes on alcoholic beverages increased by 30.7% for natural unfortified wine, 28% for sparkling wine, and 16% for fortified wine. The excise duty also increased by 13.5% on spirits, by 9% on beer, by 7.1% on alcoholic fruit beverages.

**Marketing**

The wine industry hosted its largest show, Cape Wine trade show, from March 30 - April 2, 2004 in Stellenbosch. The show covered about 5,000 square meters and showcased about 4,000 wines over 4 days. About 1,200 people attended the show, of which an average of 940 people were international wine buyers, even though it coincided with a European show. The local wine cuisine was also feature at the show and attracted the country's premier chefs. The second Cape Wine show may take place later at an unspecified time.

The WOSA delegates are scheduled to attend a Wine Trade show in Chicago from June 20<sup>th</sup> to June 22<sup>nd</sup>, 2004. Wines of South Africa will have an exhibition stand of about 140 square meters, funded by the Department of Trade and Industry. WOSA has about 35 importers and US-based representatives of numerous South African suppliers.

South African wines occupy a unique position among New World wine producers. Most of the wine is from the Western Cape, famous for its varied topography, soils, micro-climates and vegetation. Research is assisting producers to better manage current sites and to establish new locations for vines, at high-lying mountain areas or around the nearby Indian or Atlantic oceans. Recently, South African wine farmers are experimenting with Italian and Spanish cultivars, moving away from the traditional French varieties.

**Marketing Subcategory**

A break-through in the wine industry history is KWV's (one of South Africa's largest wine and spirits group) expected sale of about 25% of its shares to an empowerment consortium, and the domestic selling of its wine by June 2004. Initially, KWV was bound by its agreement with Stellenbosch Farmers Wineries and Distillers Corporation to sell only to the export market. This is a positive contribution of a merger between Stellenbosch Farmers winery and Distillers corporation to form Distell. The group also established two director positions on its Board for empowerment appointments.

<b>AVERAGE PRODUCER PRICES FOR WINE GRAPES AT COOPERATIVES (RAND/TON)</b>			
	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>RED VARIETIES</b>	R8.8 = \$1	R10.5 = \$1	R7.6 = \$1
Cabernet Sauvignon	4,849	4,442	3,987
Cinsaut	2,257	2,736	2,746
Merlot	4,300	3,925	3,348
Pinotage	3,991	3,557	2,979
Pinor Noir	3,140	2,892	2,971
Shiraz	4,159	3,674	3,319
Cabernet Franc	3,839	3,459	3,142
Tinta Barocca	2,697	3,127	2,682
Carignan	3,430	4,929	4,725
Ruby Cabernet	3,148	3,057	2,725
Roobernet	2,626	2,626	2,756
Gamay Noir	2,837	1,980	1,361
Other Reds	851	1,257	1,657
<b>WHITE VARIETIES</b>			
Colombar	639	801	1,006
White French	369	583	720
Semillon	970	1,230	1,592
Hanepoort White	585	799	1,062
Cape Riesling	611	881	1,278
Gewurtztraminer	942	1,066	1,120
Sauvignon Blanc	1,713	1,841	1,894
Chenin Blanc	725	916	1,121
White Muscadel	599	888	1,084
Chardonnay	1,732	1,984	2,084
Weisser Riesling	928	1,127	1,310
Bukettraube	755	845	822
Pinot Gris	668	600	986
Clairette Blanche	594	894	1,235
Other whites	458	615	743
<b>All varieties</b>	<b>1,136</b>	<b>1,307</b>	<b>1,263</b>

Source: SAWIS

<b>AVERAGE PRICES OF DRINKWINE SOLD IN BULK (R/HL)</b>			
TYPE	2002(Jan-Dec)	2003 (Jan-Dec)	JAN-MAR 2004
Cabernet Sauvignon	822.87	798.53	758.36
Cabernet Franc	702.26	736.52	911.48
Merlot	764.74	728.95	669.54
Pinotage	681.43	635.85	519.59
Ruby Cabernet	614.41	617.91	554.73
Shiraz	748.04	756.52	616.84
Cinzaut	484.44	537.18	534.22
Chardonnay	396.06	470.17	469.14
Sauvignon Blanc	409.20	481.06	470.77
Colombar	203.17	273.69	267.91
Riesling	203.81	281.41	286.62
Semillon	240.91	330.08	321.53
Chenin Blanc	215.27	302.90	285.46

Source: SAWIS

#### TERMS USED IN REPORTING

Natural Wine = Total of Natural wine ( Hts 2204), plus Bulk wine(not sparkling, Hts 220421), and Sparking wine ( Hts 220410).