

PREPARED FOR:



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## Study of the Liquor Industry in South Africa

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PRIVATE & CONFIDENTIAL

Prepared by:



Date: March 2004

## CONTACT DETAILS

Reality Research Africa's team for the assignment includes:

- |                   |                    |
|-------------------|--------------------|
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| • Elliot Ramatapa | Managing Member    |
| • Bob Currin      | Member             |

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- |             |   |  |
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This report has been prepared specifically for the Department of Trade and Industry.

## Background

The last two years have seen a major initiative by the Department of Trade and Industry to restructure the liquor industry. This drive has focused on breaking existing monopolies and to bring new entrepreneurs on board, while at the same time addressing the social and economic costs associated with alcohol misuse.

As part of this process, the dti commissioned Reality Research Africa to undertake a study investigating the current state of play within the industry.

The South African Liquor industry is estimated to be generating gross revenue of R30 billion per annum. The evolution of this industry has led to an industry now characterised by a few companies with high levels of horizontal and vertical integration. In addition to this there is a large illegal or informal sector, confined mainly to retail, resulting in employment of a survivalist nature.

This situation defeats the government's approach to competition. The government has proposed two policy shifts in its role as regulator:

- i) To restructure the liquor industry and give priority to facilitation of entry and empowerment of new entrants;
- ii) To better reflect all costs associated with Liquor, including alcohol related problems in health and other fields.

The vision is to determine the appropriate mix of enterprise and regulation, to balance the interests of all participants in the liquor trade and of society as a whole.

## Objectives

The objectives of this study is to gain an in-depth understanding of the South African Liquor industry, including major players, their composition, dynamics and degree of fulfilling public policy objectives.

The brief indicated that the objective of the project is to gather information with a view to providing input for the restructuring of the industry.

The scope of this study encompasses the following criteria:

### Overview of the Industry

- i) The size and nature of the liquor industry - formal
- ii) The number of manufacturers and distributors by province;
- iii) Estimated annual turnover for manufacturers and distributors;
- iv) Estimated alcohol volumes produced by manufacturers;

### Meeting the public policy objectives

- i) Ownership and the level of vertical or horizontal integration of the industry;
- ii) Employment creation - manufacturing and distribution;
- iii) Revenue generation - manufacturing and distribution;
- iv) The need for fixed investment and infrastructure development;
- v) Black economic empowerment in the industry - manufacturing and distribution.

### Approach to Market Analysis

The approach that we have adopted stems from the fact that primary research is very expensive and that wherever possible existing, highly accurate and reliable data should be utilised in the first instance and once the broad parameters have been defined, primary research can be commissioned.

The overview of the industry we approached using desk research. We obtained data from public and private data sets as well as interfacing with individuals within the industry itself.

### Overview of the industry

The liquor industry has changed significantly over the last 2 years, with mergers and insolvencies taking place and consequently dominance within the industry has become obvious. The South African liquor industry has experienced a period of consolidation arising in part from a polarisation in which the larger players become more powerful and the smaller players struggle to survive.

### Size and Nature of the Liquor Industry

The South African liquor industry has experienced a period of consolidation arising in part from a polarisation in which the larger players become more powerful and the smaller players struggle to survive. The Distell merger (while still subject to ongoing negotiations with the Competition Tribunal) has brought economies of scale which make it difficult for even the other large companies to compete. At the same time, the makeover of Gilbeys South Africa into Guinness UDV has been completed and international brands belonging to Guinness have largely (but not entirely, NB : Gordons Gin) become part of the Guinness UDV portfolio. The result is that in brand and therefore margin terms Distell faces an international competitor of real significance in the spirits market. The domination by these two companies of the branded spirits market will be dealt with elsewhere in this report. Suffice it to say that there are poor pickings for anyone else seeking to do business in this section of the industry.

South African Breweries recorded a slight volume increase in 2003, mainly due to very good December trading. The growth in presence however of Namibian Breweries' brands in the premium sector of the domestic market shows that SAB's virtual monopoly is being eroded. Just the same, it is fair to say that there is little opportunity for other players to threaten SAB's domination of the beer industry.

Unsurprisingly, this climate has adversely affected the competitiveness of most other players. DGB, now effectively owned by management, has shown good consolidated growth with increased profitability in certain niche markets, e.g. notably with brands targeted to the 18 - 30 year old disco / night-club consumers. However, with Distell and Guinness UDV dominant in the branded spirits sector, DGB is still forced to seek growth and margin outside the conventional spirits industry. The company has seen a dramatic increase in its wine volumes though a significant percentage of this turnover comes from exports. Strong UK based relationships have protected the volumes but it is safe to assume that margins are substantially under pressure.

Winecorp is in the midst of a further reshuffle. The company recorded a trading loss in 2003, blaming this on the strengthening Rand. It is reported that shareholders are hoping to cease their ongoing funding commitments. A major strategic study of the company and its potential is presently being undertaken and it is not improbable that sections - if not the whole trading business - may be offered for sale.

The bankruptcy of Cellarmaster in 2001 forced a vast number of local wine producers to seek alternative distribution arrangements. DGB set up a fine wines division and picked up some of the more lucrative brands. The Really Great Brand Company expanded its range; so did Vinimark and Meridian. New World Wine Agencies also grew as a result of this realignment. However, it is safe to say that one of the difficulties faced by small wine producers (and all overseas brands seeking representation in South Africa) is the absence of real choice when it comes to local market representation, especially in Gauteng and on a national basis.

For the minor players in the industry, survival is a real issue. Higher distribution costs, too few viable brands (and too many rats-and-mice products) have all undermined profitability. Late in 2003, Tayler & Company shut its doors. Cape Vintners International also appears to have ceased trading as a wholesale distribution operation. While Terroir has been on the acquisition trail (from a brand / distribution point of view) rumour has it that margin pressure is beginning to take its toll.

Local wine farms - many of which have enjoyed good times since the mid 1990s - are now experiencing margin pressure as the Rand strengthens and international markets - many in recession - seek cheaper product. By the middle of the second quarter of 2003, wines which had been offered primarily to export markets were being reintroduced to local consumers. Resistance by trade customers and sluggish domestic demand has put

further pressure on these prices. The result is that many prestigious wine brands which previously sold on allocation are now struggling to achieve an acceptable level of sales. Wineries which were dependent on exports for the bulk of their revenue are suffering severe negative cash flow. It is reported that Stellenbosch Vineyards is showing quite serious losses. Even strongly structured companies like Fairview find that their export sales produce no real income.

The Rupert family has separated some of its own brands / estates from the Distell umbrella. La Motte, L'Ormarins and Fredericksburg / Rupert & Rothschild are now handled through a separate business as part of Meridian. LUSAN, the family's joint venture with Hans Schreiber is handled within Distell as a separate division though it is rumoured that there have been negotiations around Schreiber's shareholding. Meridian - purchased by Gavin Ditmar from Longridge prior to the acquisition by Winecorp of the rump of Rupert Johnson's business - has become one of the more visible players at the premium end of the market. In other words, like DGB, Vinimark, Really Great Brand Company, and New World Wine Agencies, these smaller players have profited from the mergers, meltdowns, and bankruptcies of the industry to become stronger within specific niche markets. NMK Schulz appears to be stable, partly because of its professional management, partly because of its specialty beer business. George Pagan (formerly Pagan International) now trades as Wines of the World and appears to continue to cobble a living from an extensive range of Portuguese products offered to Portuguese communities in South Africa and exported to neighbouring states.

### **The effect of Excise**

Over the past decade, the State has sought to increase its share of wine producers' income. The previous government was particularly tolerant of the wine farming interest and collected the bulk of its revenue from the beer industry and from spirits producers. For example, in 1987 excise on wine totalled R12.8 m whereas excise on brandy and wine spirit amounted to R181.3 m. By 1997 however, wine excise had risen to R243.9 m (a twenty fold increase) while on brandy and wine spirit it had increased to R545.4 m (a threefold increase).

In 2002, wine excise totalled R355.1 m, brandy and wine spirit excise, R634.6 m. Despite this enormous increase in the State's share of wine revenue, the industry has not been able to keep up with demand. In 2002, it was compelled to import over 30 million litres of wine in bulk to meet the requirements of the local wine market (by comparison, bottled wine imports in the same year totalled a mere 429,000 litres). It is clear from this that the domestic wine market is not significantly threatened by imports and further that demand, despite a dramatic increase in wine excise, has grown ahead of the industry's ability to supply. Moreover, taking into account the total State revenue from the wine industry (excise and VAT), producers' income exceeded State revenue in 2002 for the first time since 1993.

## The extent and potential of Exports

The focus in this section is mainly on wine. There is a certain amount of trade (legal and illegal) in all alcoholic beverages to neighboring states. Beer, it should be noted, is generally brewed in the country of consumption. Spirit exports, other than to neighbouring states and for the hospitality industry, are mainly parallel trade. A notable exception is Amarula which has grown to be a significant international brand with important markets in South America and the Far East.

Wine sales have grown dramatically since 1995. In 1997, total wine exports totaled 110 million litres. In 2002, this had risen to 217 million litres, and exports had grown to 38% of total table wine production from just over 20% five years before.

The UK is still South Africa's most important customer, accounting for 97 million litres, followed by the Netherlands 37 million litres, Germany 16 million litres, Denmark 8 million, Belgium 8 million, and Canada 7.6 million litres.

The recent strength of the Rand may have produced a tapering off in export demand though the potential is still significant. In the past three years, South Africa has leapfrogged into number 3 or number 4 position in the UK market. From this, it appears that the baggage of the past has been largely eliminated and this has been confirmed by market research. In a market where Australia now outsells France, it would appear that the New World's credentials as a wine supplier are not in question. This in turn means that the opportunity for further growth in this market should not be underestimated. South Africa's small presence in the United States and the opportunities in Germany, other European countries and the Far East, all suggest that, notwithstanding inefficiencies and high domestic costs (themselves a consequence of years of a weak domestic currency), South Africa's wine export potential is still largely untapped.

## Manufacturers

In order to better understand the industry as a whole, we have within our research process looked at each manufacturer and gathered information that encompasses the following:

- address details,
- contact details,
- number of employees,
- description of products,
- brand names,
- target audience,
- production capacity per annum,
- market share,
- shareholding,

- empowerment stake (%)

In addition to this, manufacturers were asked to comment on aspects such as:

- factors influencing the success or otherwise of the industry,
- competition and Barriers to entry,
- Prevailing conditions in the Industry

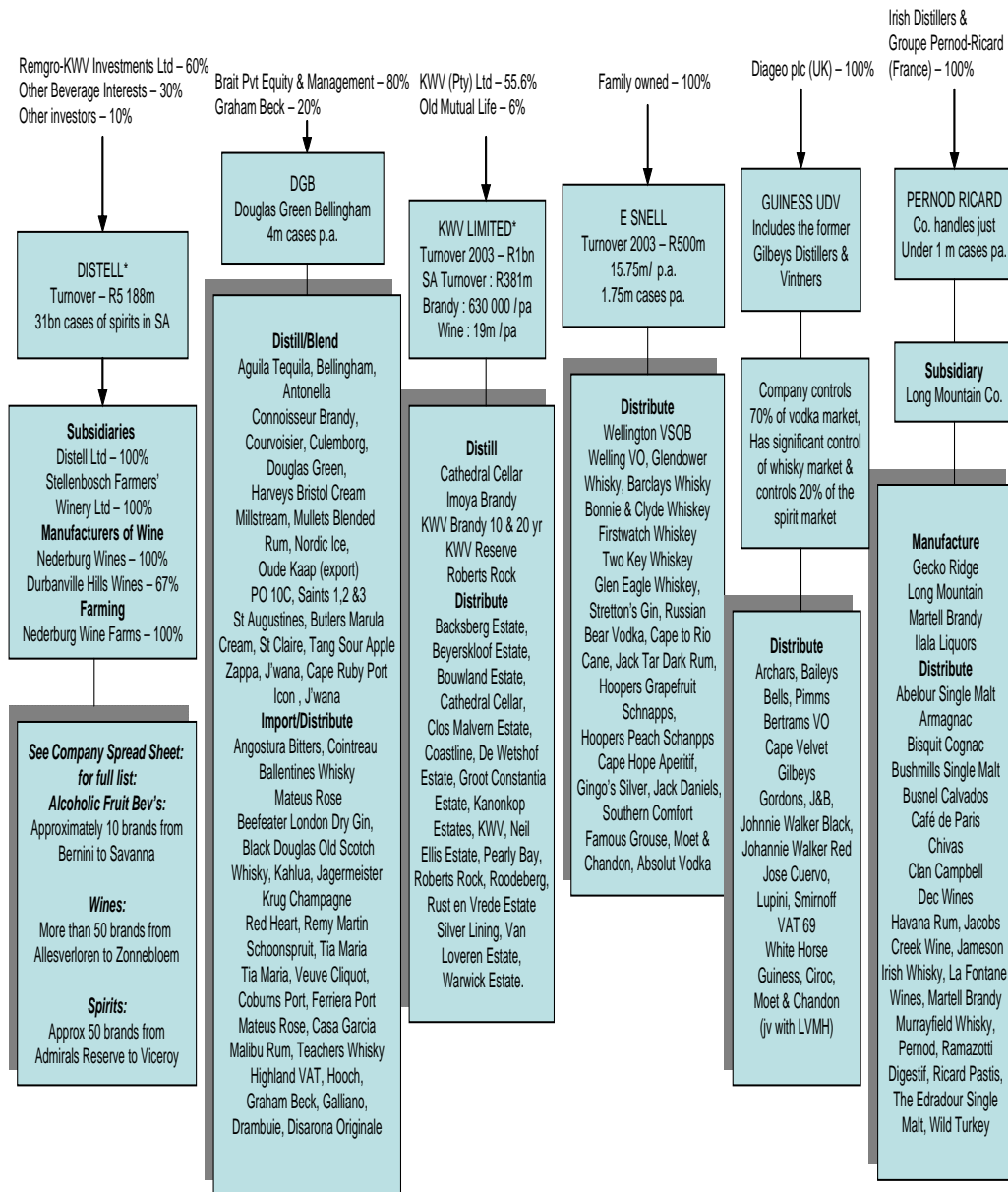
Our research process relied upon the co-operation of the various players within the industry. This will be apparent in the detail given by the various manufacturers.

We have defined a breakdown of the market as follows:

- Distilling, rectifying and blending of spirits; Ethyl alcohol production from fermented materials; Manufacture of Wine: Large companies
- Distilling, rectifying and blending of spirits; Ethyl alcohol production from fermented materials; Manufacture of Wine: Medium companies
- Breweries (excluding sorghum beer breweries)
- Sorghum beer breweries
- Smaller wine producers (information not available by individual producer, but included as are vital to in obtaining an understanding on the total industry volumes)



## Distilling, rectifying and blending of spirits; Ethyl alcohol production from fermented materials; Manufacture of Wine: *Large companies*



\* Listed on the JSE

**DGB (PTY) LTD**

A private company created out of the merger of Douglas Green and Bellingham.

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>011 653-1000</b>
<b>PO Box 7896</b>	<b>724 Sixteenth Avenue</b>	Fax Number:	<b>011 653-1101</b>
<b>Halfway House Gauteng</b>	<b>Randjiespark Midrand Gauteng</b>	Website:	<b>www.dgb.co.za</b>
Code :	<b>1685</b>		<b>1685</b>

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>Harry Dare</b>	<b>Director: (Marketing Director)</b>	
<b>Mr Y Ebrahim</b>	<b>Director</b>	
<b>Timothy Hutchinson</b>	<b>Director: Managing</b>	
<b>Michael Lovell</b>	<b>Director: Financial</b>	
<b>Mr CC Smit</b>	<b>Director</b>	
<u>No. of Employees</u>	<b>500</b>	
<u>Shareholders</u>	<b>In January 1999 there was a change in the DGB shareholding whereby a consortium consisting of Brait Private Equity and Management acquired a 80% shareholding. Graham Beck - 20%</b>	
<u>Empowerment Stake %</u>	<b>nil</b>	

Description of Products :

**The company produces wine and spirits and also imports, exports and distributes fortified wines, spirits, liquors, as well as soft drinks and bottled waters.**

Target Market :

**Retail, hospitality and airlines.**

Brandnames :

**Aguila Tequila, Angostura Bitters, Antonella, Ballantines, Beefeater London Dry Gin, Bellingham, Black Douglas Old Scotch Whisky, Cape Ruby Port, Casa Garcia, Cockburns Port, Cointreau, Connoisseur Brandy, Connoisseur Superior VO, Courvoisier, Culemborg, Disaronno Originale, Douglas Green, Drambuie, Ferreira Porto, Galliano, Graham Beck, Harveys Bristol Cream, Highland Vat, Hoopers Hooch, Icon, J'wana, Jagermeister, Kahlua, Krug Champagne, Mateus, Millstream, Mulletts Blended Rum, Nordic Ice, Oude Kaap, PO 10 C, Red Heart, Remy Martin, Saints 1,2 & 3, Schoonspruit, St Anna, St Augustine, St Augustines, St Claire, St Morand, St. Raphael, St. Vincent, Tang Sour Apple, Tia Maria, Valvita, Veuve Cliquot Champagne, Zappa**

Production Capacity pa: **4 Million cases per year (approximately)**

Factors influencing the success or otherwise of the industry :

**The company acknowledges that it is reliant on the export market for growth, which presents vulnerabilities when the rand strengthens. However a strong rand**

is advantageous when importing spirits for distribution.

Competition and Barriers to entry :

**Has always been a very competitive industry.**

Prevailing conditions in the Industry :

**The company has seen a dramatic increase in its wine volumes, however a significant percentage of their turnover is due to exports. Margins, however, are under pressure.**

General Comment :

**Approximately 20% - 25% of turnover is due to exports primarily to the United Kingdom. The company prefers to seek growth outside the conventional spirits industry and targets the clubbing consumer in the 18 - 30 yr age bracket.**

**DISTELL GROUP LIMITED**

Listed on the JSE.

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 809-7000</b>
<b>P O Box 184</b>	<b>Aan-de-Wagen Road</b>	Fax Number:	<b>021 886-4611</b>
<b>Stellenbosch</b>	<b>Stellenbosch</b>	Website:	<b>www.distell.co.za</b>

Code : **7599** **7600**

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>Duimpie Bayly</b>	<b>Director: Non-Executive</b>	
<b>Piet Beyers</b>	<b>Director: Non-Executive</b>	
<b>Merwe Botha</b>	<b>Director : Financial</b>	
<b>Johan Carinus</b>	<b>Director</b>	
<b>Stoffell Cronje</b>	<b>Human Resources Director</b>	
<b>Edwin de la H Hertzog</b>	<b>Director : Non-Executive</b>	
<b>Smartie Genade</b>	<b>Operations Director</b>	
<b>Hennie Heyl</b>	<b>Director: Production</b>	
<b>Etienne Heyns</b>	<b>Director : International Operations</b>	
<b>Gert Loubser</b>	<b>Director: Research</b>	
<b>Mr MJ Madungandaba</b>	<b>Director: Non-Executive</b>	
<b>David Nurek</b>	<b>Chairman</b>	
<b>Scott Pitman</b>	<b>Director : Marketing</b>	
<b>Daan Prins</b>	<b>Director</b>	
<b>Jan Scannell</b>	<b>Managing Director</b>	
<b>Andre Steyn</b>	<b>Director : Corporate Affairs</b>	
<b>Peter Swartz</b>	<b>Director: Non-Executive</b>	
<b>Timothy Tarr</b>	<b>Director : Sales</b>	
<b>Thys Visser</b>	<b>Director: Non-Executive</b>	
<u>No. of Employees</u>	<b>4300</b>	
<u>Shareholders</u>	<b>Remgro-KWV Investments: 60%; Other Beverage Interests (Pty) Ltd: 30%; Other investors: 10%.</b>	
<u>Empowerment Stake %</u>	<b>None</b>	
<u>Turnover (R million per annum)</u>	<b>5 188m</b>	<b>Year End: 2003</b>

Trading Subsidiaries :

**Distillers Corp (Botswana) (Pty) Ltd, Distillers Corp (Namibia) Ltd, Distillers Corporation International Ltd, Distillers Corporation Ltd, Durbanville Hills Wines (Pty) Ltd, Ecowash (Pty) Ltd, Expo Liquor Ltd, House of JC le Roux, Lusan Holdings (Pty) Ltd, SFW Ltd, Swaziland Liquor Distributors Ltd, Western Province Cellars Group Ltd**

Description of Products :

Distell is a producer, distributor and markets flavoured alcoholic beverages as well as fine wines and spirits.

Brandnames :

5th Avenue, Admirals Reserve, African Sky, Allesverloren, Alto, Amarula, Angels Share, Autumn Harvest, B & G Schnapps, Bacardi, Bernini, Blowhole, Bols, Brandydale, Bucksfizz, Cameron, Capenheimer, Castelo Gingerfizz, Cellar Cask, Chateau Libertas, Chateau V O, Clan McGregor, Clubman, Commando, Consulate, Copperband, Count Pushkin, Crown, Dewars, Drostdy Hof, Dunns, Durbanville Hills, Espirit Ales, Fleur du Cap, Flight of the Fish Eagle, Fort Simon, George Spies, Glenfiddich, Golden Alibama, Gordons, Graca, Grand Mousseux, Grants, Green Spicer, Grunberger, Harrier, Hilltop, Honey Blossom, Hunters, Jacobsdal, Jacques Pinard, JC le Roux, Kalahari, Kellerprinz, Klipdrift, Knights, KWV, Lanzerac, Le Bonheur, Lemon Sting, Lieberstein, Louis Roederer, Macleans, Mainstay, Manhattan Lemon Sting, Martell, Martini, Meerlust, Mellow-Wood, Moby Dick, Monis, Nachtmusik, Nederburg, Neethlingshof, Olaf Bergh, Old Buck, Oom Tas, Original Paarl Perle, Oude Meester, Overmeer, Peche Royale, Pimms, Plaisir de Merle, Pongracz, Richelieu, Rietvallei, Romanoff, Roodendal, Royal Oak, Sableview, Savanna (Savuti), Scottish Leader, Sedgewicks, Seven Seas, Ship Sherry, Stellenryck, Stellenzicht, Tanqueray, Tasheimer, Tassenberg, Thandi, Theuniskraal, Thomas Jefferson, Three Ships, Tukululu, Two Oceans, Uitkyk, Underberg, Van Ryns, Viceroy, Virginia, Zonnebloem, Zorba

Sales by Volume: **15m cases of wine**

Market Share (Estimate) :

**70% brandy; 40% spirits; 50% FAB**

Factors influencing the success or otherwise of the industry :

The company still feels the impact of cell phone and gambling spend which has resulted in a drop of national alcoholic beverage sales. However, premium brandy showed good growth and premium wine showed the strongest growth with 23%.

Prevailing conditions in the Industry :

Distell gained market share in all the major categories except flavoured alcoholic beverages. Better domestic growth and improved customer demand in the forthcoming year is expected. Internationally, the picture has been less positive with the world economy in poor shape, although it does seem to be improving.

General Comment :

The company's retail outlets are Western Province Cellar and Liquor Town, both of which have shown a lack of profitability. The competition authorities ruled that the company had to relinquish the brands Martell and KWV 10 and 20 year old brandies. The company was able to fill the gaps left with their existing extensive range. Distell dominates the local gin market.

**EDWARD SNELL & CO. LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>031 902-8877</b>
<b>PO Box 26325</b>	<b>49 Joyner Road</b>	Fax Number:	<b>031 902-8553</b>
<b>Isipingo Beach</b>	<b>Prospecton</b>	Website:	<b>www.esnell.co.za</b>
<b>Kwazulu-Natal</b>	<b>Isipingo Kwazulu-Natal</b>		

Code

: **4115**      **4115**

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>William Hooper</b>	<b>Director</b>	
<b>Dave Hooper</b>	<b>Director: Managing</b>	
<b>Iain Hooper</b>	<b>Deputy MD</b>	
<b>Jean Marc Pousson</b>	<b>Director : Financial</b>	<b>jmp@esnelli.co.za</b>
<b>Neil Proudfoot</b>	<b>Director</b>	
<b>George Topp</b>	<b>Director</b>	
<u>No. of Employees</u>	<b>300</b>	
<u>Shareholders</u>	<b>Privately owned.</b>	
<u>Empowerment Stake %</u>	<b>Nil</b>	

Description of Products :

The company is the third largest alcohol spirit beverage business in the country, producing, warehousing, distributing and selling their own brands, as well as a number of major international brand names.

Target Market :

Lower end of the consumer market

Brandnames :

Barclays, Barclays Whisky, Bonnie & Clyde, Cape Hope, Cape to Rio Cane, Firstwatch Whisky, Glen Dower, Glen Mill Light Rum, Glen Morangie, Glendower Whisky, Gleneagles, Hoopers Grapefruit Schnapps, Hoopers Peach Schnapps, Jack Fraser, Jack Tarr Rum, Russian Bear Vodka, Strettons London Dry Gin, Two Keys, Wellington VO, Wellington VSOB

Units manufactured pa    **15.75m litres**

Market Share (Estimate) :

**18%**

Factors influencing the success or otherwise of the industry :

The excise duty which is soon to be increased will negatively affect the industry. The SFW/Distell merger is now a stronger force to be reckoned with, despite them having to relinquish certain brands to appease the competition authorities.

Competition and Barriers to entry :

## Fair competition

### Prevailing conditions in the Industry :

The respondent commented on the growing illegal trading operations which are adversely affecting business.

### General Comment :

As the company performs almost exclusively in the discount market they battle to compete in terms of shelf space, influence or net revenue. The company's wine distribution amounts to approximately 5% of turnover. The percentage of export sales is considered fairly big which they would like to increase however due to the strong rand it could be difficult. They distribute the following international brands: Jack Daniels, Southern Comfort, Famous Grouse, Moet & Chandon and Absolut Vodka. They bottle Southern Comfort under licence to Brown Forman Beverages of America. They have offices in Bloemfontein, Cape Town, George, Kempton Park, Newcastle, Pietersburg, Durban and Port Elizabeth.



**GUINNESS UDV SA (PTY) LTD**

<b>Postal Address</b>	<b>Physical Address</b>	<b>Telephone:</b>	021 917-4200
Private Bag X21	Old Oak Office Park - Acorn House	<b>Fax Number:</b>	021 917-4399
Tyger Valley	cnr Durban and Old Oak Roads	<b>Website:</b>	www.diageo.com International
Cape Province	Tyger Valley Cape Province	<b>e-Mail:</b>	info@gudv.co.za
<b>Code:</b> 7536	7536		
<b>Contacts : Name</b>	<b>Designation</b>	<b>Contact at:</b>	
Mr GM Ballantine	Director		
Mr CP Caldwell	Director : Financial		
Mrs SA Keith	Director : Marketing		
Mr DA King	Director		
Simon Litherland	Director : Managing		
Mr SKT Seane	Director		
Mr JA Steyn	Director : Sales		
Karen Van der Meulen	Manager : IT Development		
<b>No. of Employees</b>	400		
<b>Shareholders</b>	Diageo plc (UK) 100%		
<b>Empowerment Stake %</b>	Nil		

**Description of Products :**

The company manufactures, imports and distributes liquor.

**Brandnames :**

Archers, Bells, Bertrams VO, Cape Velvet, Captain Morgan Black Label, Captain Morgan Spiced Gold, Gilbeys, Gordons, Guinness, J&B, Johnnie Walker Black, Johnnie Walker Red, Jose Cuervo, Lupini, Sambucca - Black & White, Smirnoff, Smirnoff Spin, Vat 69, White Horse

**Main Competitors and Comparative Size :**

Distell

**Market Share (Estimate) :**

20% of spirits

**Competition and Barriers to entry :**

Very competitive market

**General Comment :**

The company controls 70% of the vodka market and has a significant control of the premium whisky market. They also control 20% of the spirit market. Diageo, the holding company, are considered to be the largest producer and distributors of liquor in the world.

**KWV LTD**

Bankers : ABSA Ltd. Auditors : PriceWaterhouseCoopers.

Postal Address	Physical Address	Telephone:	<b>021 807-3078</b>
<b>KWV Group</b>	<b>57 Main Street</b>	Fax Number:	<b>021 863-1061</b>
<b>PO Box 528</b>	<b>Suider Paarl</b>	Website:	<b>www.kwv.co.za</b>
<b>Suider Paarl</b>			

Code : **7624** **7624**

Contacts : Name	Designation	Contact at:
<b>Willem Barnard</b>	<b>Director : Manager (Group)</b>	
<b>Mr WB Bestbier</b>	<b>Director: Managing</b>	
<b>DC Cronje</b>	<b>Director : Non-Executive</b>	
<b>D De Wet</b>	<b>Chairman: Deputy</b>	
<b>FA Du Plessis</b>	<b>Director : Non-Executive</b>	
<b>AS Du Plessis</b>	<b>Director: Non-Executive</b>	
<b>CJ Du Toit</b>	<b>Director : Non-Executive</b>	
<b>Mr AW Eksteen</b>	<b>Group Secretary</b>	
<b>WR Hewett</b>	<b>Director : Non-Executive</b>	
<b>Mr WR Hewitt</b>	<b>Director</b>	
<b>PBB Hugo</b>	<b>Director : Non-Executive</b>	
<b>LN Jonker</b>	<b>Chairman</b>	
<b>Mr TN Kotze</b>	<b>Director</b>	
<b>Mrs E Mouton</b>	<b>Director</b>	
<b>PB Retief</b>	<b>Director : Non-Executive</b>	
<b>FA Sonn</b>	<b>Director: Non-Executive</b>	
<b>Wiehan Viviers</b>	<b>Manager : Marketing</b>	
<b>CH Wiese</b>	<b>Director : Non-Executive</b>	
No. of Employees	<b>723</b>	
Shareholders	<b>VinPro Co-operative Limited - 10%</b>	
Empowerment Stake %	<b>Nil</b>	
Turnover (R million per annum)	<b>1bn</b>	<b>Internationally, South Africa turnover - R381m = 37% of turnover</b>
		<b>Year End: June 2003</b>

Description of Products :

**KWV distills rebated brandy to the specifications of Distell and E Snell, which they send to them for further blending of the liquid into the finished product. KWV also manufactures wines and fortified wines through their interest in Distell, as well as a grape fruit concentrate for non alcoholic beverages which is sent to the Ceres Fruit juice factory**

Brandnames :

**Backsberg Estate, Beyerskloof Estates, Boschendal Estate, Bouwland Estate, Cathedral Cellar, Clos Malvern Estates, Coastline, De Wetshof Estate, Groot Constantia Estate, Imoya Brandy, Kanonkop Estates, KWV Brandy 10 & 20 year,**

**KWV Reserve, Neil Ellis Estate, Pearly Bay, Perold, Roberts Rock, Roodeberg, Rust en Vrede Estate, Silver Lining, Van Loveren Estate, Warwick Estate**

**Sales by Volume: Brandy - 630 000 litres & 19m litres of wine**

**Turnover per product :**

**Local turnover figure pertains to brandy sold locally.**

**Market Share (Estimate) :**

**50% of the local brandy market**

**General Comment :**

**KWV South Africa buys in the wine from its Co-op members, and further blends, matures, and distills it before passing the products to KWV International for selling abroad, and Distell and Edward Snell for the local market. KWV International is the marketing arm of the group who, up until recently, exported all their products. Due to the restraint, which forbid them from trading in South Africa, being lifted in 1999 and the restriction placed on Distell from distributing KWV 10yr & 20 yr old brandy (as a result of Distell's merger with SFW), KWV will now become involved in marketing and distributing within the country.**

**PERNOD RICARD SOUTH AFRICA (PTY) LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	021 880-8800
PO Box 1324	2nd Floor, Carpe Diem	Fax Number:	021 880-8860
Stellenbosch	Cnr. Proton and Quantum Streets	Website:	www.longmountain.co.za
Western Province RSA	Techno Park Stellenbosch		www.pernod-ricard.com
Code :	7599		7600
Contacts : Name	Designation	Contact at:	
John Bailie	Director : Marketing		
Dirk Conradie	Manager : Group Brand		
Audrey De Mardt	Public Relations		
Mr DP de Mardt	Director: Managing		
Fergus Fitzgerald	Director: National Sales		
Jane Snyman	Manager : Financial		
No. of Employees	150		
Shareholders	Pernod Ricard Groupe - 100% via Irish Distillers.		
Empowerment Stake %	Nil		

Trading Subsidiaries :**Long Mountain Wine Company**Description of Products :

The company manufactures Long Mountain wine and Gecko Ridge wine, Martell Brandies and Ilala Liquors. They import a considerable amount of spirits which they distribute along with their own products, throughout the country. They also export just under half the company's turnover.

Target Market :**Retail and hospitality industry**Brandnames :

**100 Pipers, Aberlour Single Malt, Armagnac, Benriach, Bisquit Cognac, Black Bush Powers, Bush Mills, Bushmills Single Malt, Busnel Calvados, Cafe de Paris, Chivas Regal, Chivas 12yr old, 18 year old and standard, Clan Campbell, Gecko Ridge Wines, Glen Grant, Glen Keith, Glenlivet 12,18 & 21 yr old, Havana Club Anejo Rum, Havana Club Silver Dry Rum, Jameson Irish Whisky, Long Mountain Wines, Longmorn, Martell Brandy, Martell range of Cognacs, Olmeca Tequila Blanco & Gold, Pernod, Powers, Prince Charlie, Ramazotti Amaro, Ricard Pastis, Royal Salute - 21 yrs old, Sambucca - Black & White, Seagrams Gin, Strathisla, Wild**

### Turkey, Wild Turkey Rare Breed

Units manufactured pa      **Just under 1m cases per annum**

Factors influencing the success or otherwise of the industry :

**The demise of Seagrams saw the company inheriting most their brands. Internationally, the company is one of the world's three largest leading liquor companies.**

Competition and Barriers to entry :

**Has always been a very competitive and dynamic market.**

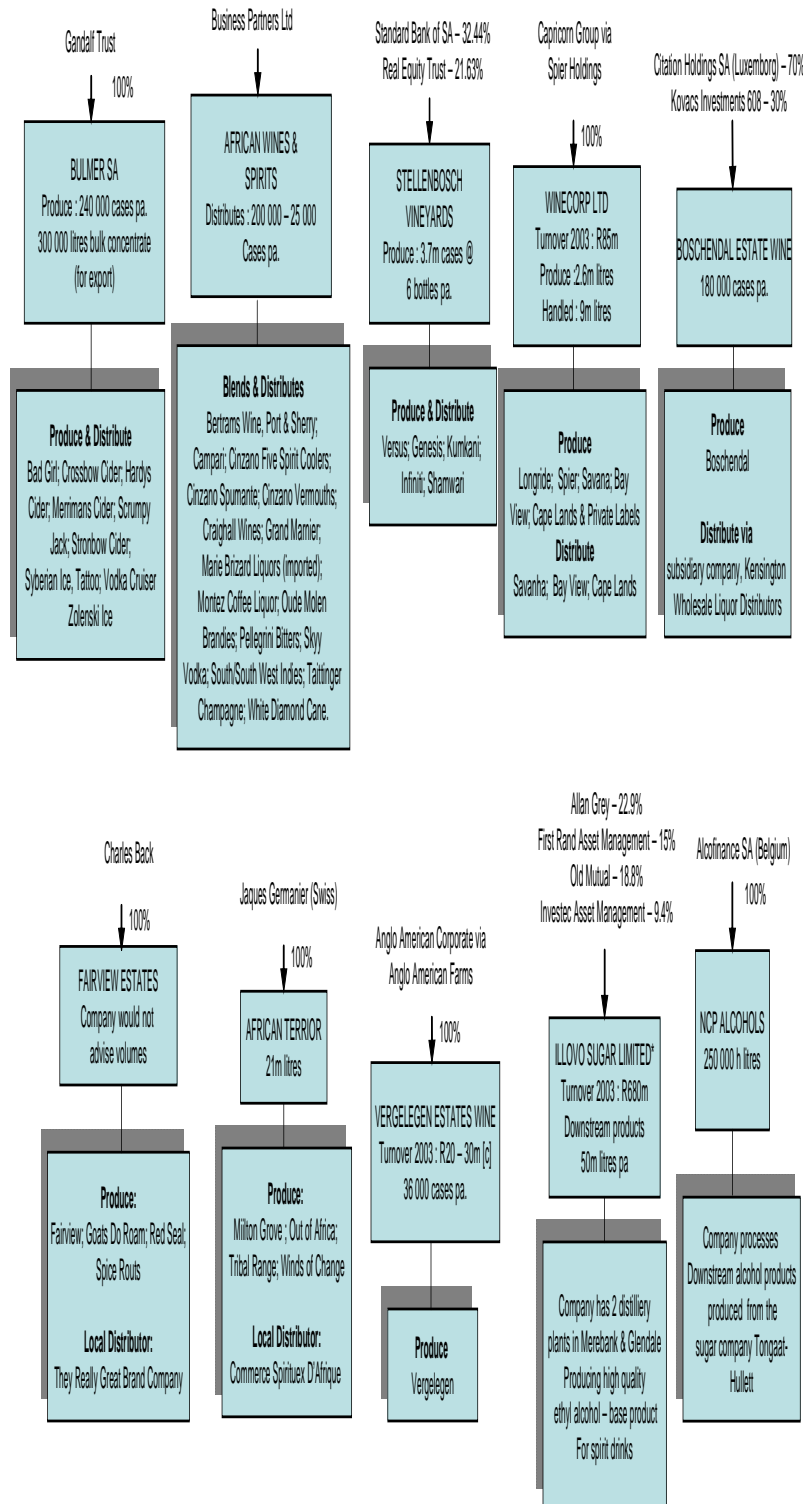
Prevailing conditions in the Industry :

**The company's brands are becoming stronger, with the premium brands growing. All categories are showing strong growth.**

General Comment :

**The company's wine has been accepted very well internationally. It is the No.1 selling SA wine in Ireland and the 4th biggest selling wine in the United Kingdom.**

## Distilling, rectifying and blending of spirits; Ethyl alcohol production from fermented materials; Manufacture of Wine: *Medium companies*



**AFRICAN TERRIOR (PTY) LTD**

Company was known as Savisa.

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 869-8103</b>
<b>P O Box 2029</b>	<b>Distillery Road</b>	Fax Number:	<b>021 886-4838</b>
<b>Windmeul</b>	<b>Stellenbosch</b>	Website:	<b>www.african-terrior.co.za</b>

Code

: **7630** **7600**

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>Alain Cajoux</b>	<b>Cellarmaster</b>	
<b>Olivier Glannaz</b>	<b>Director : Managing</b>	
<b>Dawie Kriege</b>	<b>Manager : Financial</b>	
<b>Pierre Smit</b>	<b>Manager : Operations</b>	
<u>No. of Employees</u>	<b>180</b>	
<u>Shareholders</u>	<b>Privately owned - Jacques Germanier (Swiss)</b>	
<u>Empowerment Stake %</u>	<b>nil</b>	

Description of Products :

**African Terrior only manufactures wine. The company owns the following farms: Sonop, Kersfontein, Diemersdal Estate and Cilmo Winery. Initially, African Terrior distributed solely to the international market. However, in June 2003 it began distributing its wine through Commerce Spirituex D'Afrique, a South African company, which distributes to both the retail and hospitality industries.**

Target Market :

**Primarily export market, although attempts are being made to capture the local market.**

Brandnames :

**Milton Grove, Out of Africa, Tribal Range, Winds of Change**

Units manufactured pa **21 m litres**

General Comment :

**The company is part of a Swiss Group, who also own Italian Terrior and Swiss Terrior. The countries that they export to are : United Kingdom, Germany, Norway, Sweden, Finland, Denmark, Holland, France, Italy, Japan, Hong Kong, Canada and Switzerland.**

**AFRICAN WINES & SPIRITS (PTY) LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 680-9300</b>
<b>P O Box 389</b>	<b>Level 1</b>	Fax Number:	<b>021 680-9386</b>
<b>Constantia</b>	<b>Dean Street Arcade</b>	Website:	<b>www.africanwine.co.za</b>
<b>South Africa</b>	<b>Newlands Cape</b>		
Code : <b>7848</b>	<b>7700</b>		
<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>	
<b>Mike Cox</b>	<b>Director : Marketing</b>	<b>021 794-6697</b>	
<b>Kees de Haan</b>	<b>Director</b>		
<b>James McLaghlan</b>	<b>Director : Managing</b>	<b>021 794-6697</b>	
<b>Andre van Wyk</b>	<b>Director : Operations</b>		
<b>Chris Weeden</b>	<b>Director : Sales</b>	<b>021 794-6697</b>	
<u>No. of Employees</u>	<b>36</b>		
<u>Shareholders</u>	<b>Business Partners Ltd - majority shareholder</b>		

Description of Products :

The company sources and blends its own wines and spirits, and distributes them throughout the country. Wine equals 65% of turnover and the premium branded spirit market, the balance.

Target Market :

Retailers and hospitality industry

Brandnames :

Bertrams Wine, Port & Sherry, Campari, Cinzano Five Spirit Coolers, Cinzano Spumante, Cinzano Vermouths, Craighall Wines, Grand Marnier, Marie Brizard Liquors - imported, Montez Coffee Liquor, Oude Molen Brandies, Pellegrini Bitters, Skyy Vodka, South / South West Wines, Taittinger Champagne, White Diamond Cane

Units manufactured pa    **200 000 - 250 000 cases pa**

Factors influencing the success or otherwise of the industry :

The company believes that the consolidation in the market has been to their benefit. The industry is going through tough times. Trends are changing all the time to such an extent that clients do not know how to order. Due to the strong rand and the consequent affect on exports, there now tends to be a glut of wine on the market.

Prevailing conditions in the Industry :

The company is sensitive to the economic conditions in the country as they represent niche brands aimed at the upper end of the consumer market.

General Comment :

Approximately 15% - 18% of turnover is exported primarily to Europe and Africa. The company is looking at growing this export figure.



**BOSCHENDAL ESTATE WINE**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 870-4200</b>
<b>Boschendal</b>	<b>Pniel Road</b>	Fax Number:	<b>021 874-1864</b>
<b>P O Groot Drakenstein</b>	<b>Groot Drakenstein</b>	Website:	<b>www.boschendal.com</b>
			<b>www.directory.wine.co.za</b>

Code : **7680****7680**

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>Charles Boswell</b>	<b>Director</b>	
<b>Chris Nissen</b>	<b>Director</b>	
<b>Clive Venning</b>	<b>CEO</b>	
<u>No. of Employees</u>	<b>200</b>	
<u>Shareholders</u>	<b>Citation Holdings SA (Luxemborg) - 70% &amp; Kovacs Investments 608 (Pty) Ltd - 30%</b>	
<u>Empowerment Stake %</u>	<b>30%</b>	<b>Kovacs Investments 608 (Pty) Ltd</b>

Trading Subsidiaries :**Kensington Wholesale Liquor Distributors**Description of Products :

**Boschendale produces wine under its own label, and distributes the wine through its subsidiary compay, Kensington Wholesale Liquor Distributors.**

Brandnames :**Boschendal Estate**Sales by Volume: **15 000 cases per month**General Comment :

**The estate has been taken over by the new consortium. Its previous sister company, Vergelegen Estate is still assisting the new holding company in the day-to-day running of the business. The new consortium proposes a low density residential development that will not affect the agricultural rights of the estate. 500ha of vineyards will be developed into 20 founder's estates and will be sold off at between R15m - R30 each. The owners of these estates are entitled to 1% share in the winery.**

**BULMER SA (PTY) LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	012 661-5600
P O Box 579	8 Adriana Crescent	Fax Number:	012 661-5671
The Reeds	Gateway Industrial Estate	Website:	www.bulmer.com International Company
	Centurion Gauteng		No local website
Code : 0158	0157		
<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>	
Karl Gribnitz	Chairman		
Johann Nel	Director: Non-Executive		
Andrew Thornywell	Director : Financial		
Mr MC Veysie	Director : Managing		
Michael Veysie	Manager : Marketing		
<u>No. of Employees</u>	16	Reduced from 150	
<u>Shareholders</u>	Gandalf Trust - 100%		
<u>Empowerment Stake %</u>	nil		

Description of Products :

**Bulmer produces, markets and distributes ciders and coolers.**

Brandnames :

**Bad Girl, Crossbow Cider, Hardys Cider, Merrimans Cider, Scrumpy Jack, Strongbow Cider, Syberian Ice, Tattoo, Vodka Cruiser, Zolenski Ice**

<u>Units manufactured pa</u>	<b>20 000 cases per month; 25 000 litres bulk concentrate per month</b>
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Factors influencing the success or otherwise of the industry :

**The respondent mentioned the affect of weather on the industry with regard to production. He also confirmed that the three main players (DGB, Distell and Guinness) dominate the industry and cause a ripple effect throughout the industry. They further advised us that they complained to the competition authorities about Distell.**

Competition and Barriers to entry :

**Very competitive market, with undue dominance.**

Prevailing conditions in the Industry :

**The company has been going through a turbulent time due the uncertainty within the company. The management buy-out took place in November which they hope will bring stability to the company. Two of their products, namely : Tattoo and Vodka Cruiser, are made under licence to a New Zealand Company. The other brand, Bad Girl is a joint venture with the Bad Girl company in Durban. This brand is a new concept with only 2.5% alcohol. The company is expecting competition in**

**this sector of the market.**

**General Comment :**

**Bulmers International, was acquired by Scottish & Newcastle in July 2003 and is a wholly owned subsidiary of the company. Bavaria Brau was going to become a major shareholder in the local Bulmers company, however, they became insolvent. Consequently management bought out the local Bulmers company and included Gandalf Trust to fund the operation. The company is due to be restructured and renamed this year. Exports comprise 60% of turnover to Botswana, Finland and Mauritius.**

**FAIRVIEW ESTATES(PTY) LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 863-2450</b>
<b>P O Box 583</b>	<b>Suid Agler</b>	Fax Number:	<b>021 863-2591</b>
<b>Suider Paarl</b>	<b>Paarl Road</b>	Website:	<b>www.fairview.co.za</b>
	<b>Suider Paarl</b>		
Code : <b>7624</b>	<b>7646</b>		
<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>	
<b>Charles Back</b>	<b>Director : Managing</b>		
<b>Koos Davis</b>	<b>Manager: Sales</b>		
<b>Suzanne Venter</b>	<b>Co-ordinator : Marketing</b>		
<b>Letitia Visser</b>	<b>Administration : Financial</b>		
<u>No. of Employees</u>	<b>150</b>		
<u>Shareholders</u>	<b>Charles Back - 100%</b>		
<u>Empowerment Stake %</u>	<b>nil</b>		

Description of Products :

**Company produce a unique range of cheese and internationally acclaimed wines.**

Target Market :

**85% of turnover is exported to USA and United Kingdom**

Brandnames :

**Fairview, Goats Do Roam, Red Seal, Spice Route**

Factors influencing the success or otherwise of the industry :

**The respondent confirmed that the overseas markets are very receptive to South African wines and that our prices are very competitive.**

Prevailing conditions in the Industry :

**It is a very competitive industry with the company having as many as 40 different wines in their stable. They market to both the on-trade (hospitality) and off-trade (retail) industries.**

General Comment :

**The Really Great Brand Company distribute their wines throughout South Africa. The overseas market is distributed by local agents. The company supply the occasional case of wine to African countries, on request, for the hospitality industry.**

**ILLOVO SUGAR LIMITED**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>031 450-7700</b>
<b>Illovo Sugar, Merebank PO Box 31003 Merebank</b>	<b>Illovo Sugar, Merebank Plant Ballantrae Road Merebank Durban</b>	Fax Number:	<b>031 462-9114</b>
<b>Code : 4059</b>	<b>4052</b>	Website:	<b>www.illovo.co.za</b>
<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>	
<b>Patsy King</b>	<b>Manager : Financial</b>		
<b>DG MacLeod</b>	<b>Director : Managing</b>		
<b>Burger Pretorius</b>	<b>Manager: Marketing</b>		
<b>Larry Riddle</b>	<b>Manager : General</b>		
<b>Mr RA Williams</b>	<b>Chairman</b>		
<u>No. of Employees</u>	<b>216</b>	<b>Including both distilleries</b>	
<u>Shareholders</u>	<b>Allan Grey - 22.9%; First Rand Asset Management - 15%; Old Mutual - 18.8% &amp; Investec Asset Management - 9.4%</b>		
<u>Empowerment Stake %</u>	<b>Nil</b>		
<u>Turnover (R million per annum)</u>	<b>680</b>	<b>Downstream products</b>	<b>Year End: March 2003</b>

Description of Products :

**Low-cost sugar producer and a significant manufacturer of high-value downstream products. The two distilleries, Meredale and Glendale, manufacture high quality ethyl alcohol which is the base product for spirit drinks.**

Target Market :

**Spirit manufacturers.**

Production Capacity pa **Two plants: Merebank and Glendale.**

Units manufactured pa **50 million litres per year.**

Market Share (Estimate) :

**Less than NCP Alcohols**

Factors influencing the success or otherwise of the industry :

**The volatility of the rand has a huge impact on turnover as all exports are quoted and sold in US\$. The local market is saturated and therefore cannot take up any slack. International world prices and, indirectly, the weather, affect the industry.**

Competition and Barriers to entry :

**There are only the two players in the market with Illovo attempting to gain market share**

Prevailing conditions in the Industry :

**Disposable income always affects spending power in the local market and the company feels the affects of cell phones, lottery spending, gambling etc.**

General Comment :

**Illovo sells their ethyl alcohol unbranded as a commodity chemical, locally to major liquor companies, and also to pharmaceutical companies for use in products such as cough mixtures, and as a solvent in cosmetic aerosols. In addition they export ethyl alcohol to about 20 companies for use in their alcoholic beverage industries. 70% of the volume produced is exported to Africa, Europe and the Far East. The two distilleries recorded increased volumes during the past year, with downstream operations contributing 14% to overall profit.**

**NCP ALCOHOLS (PTY) LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	031 560-1111
P O Box 2204	132 Sea Cow Lake Road	Fax Number:	031 579-2776
Durban	Durban	Website:	www.ncpalcohols.com
	Kwa Zulu Natal		
Code : 4000	4051		
Contacts : Name	Designation	Contact at:	
Gary Bregovits	Manager : Operations		
Mark Norton-Amor	Manager : Financial		
Hartmut Nowak	Manager : Export		
Peter Starling	Director: Managing		
Elmarie Tack	Manager : Marketing		
Andre van der Westhuizen	Manager : Supply chain		
No. of Employees	84		
Shareholders	Alcofinance SA (Belgium) 100%. Part of the Alco Group of Companies		
Empowerment Stake %	Nil		

Description of Products :

**The company manufactures and markets a high quality fermentation alcohol for the South African and International market, produced from sugar cane molasses and used in the alcoholic beverage, cosmetic and pharmaceutical markets.**

Target Market :

**Liquor Companies and pharmaceutical companies, both locally and abroad.**

<u>Units manufactured pa</u>	<b>250 000 hecto litres pa ethanol</b>
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Market Share (Estimate) :

**Lion's share**

General Comment :

**NCP is the primary processor of downstream alcohol products for the sugar company, Tongaat-Hullett, who do not regard this as their core business.**



**STELLENBOSCH VINEYARDS**

Bankers : BOE; Auditors : PriceWaterhouseCoopers Inc.

Postal Address	Physical Address	Telephone:	<b>021 881-3870</b>
<b>P O Box 465</b>	<b>Welmoed Complex</b>	Fax Number:	<b>021 881-3102</b>
<b>Stellenbosch</b>	<b>R310 Baden Powell Drive</b>	Website:	<b>www.stellvine.co.za</b>
	<b>Lynedoch</b>		
Code : <b>7599</b>	<b>7603</b>		

Contacts : Name	Designation	Contact at:
<b>Frans Albertyn</b>	<b>Director : Operations</b>	
<b>Hermann Bohmer</b>	<b>Director : Managing</b>	
<b>Charl Cilliers</b>	<b>Manager : Accountant and Administration</b>	
<b>Chris Kelly</b>	<b>Chief Winemaker</b>	
<b>Carol Maggs</b>	<b>Manager : National Sales &amp; Marketing</b>	
<b>Michael Moore</b>	<b>Manager: Sales</b>	
<b>Dave Stanford</b>	<b>Director : Financial</b>	
No. of Employees	<b>206</b>	
Shareholders	<b>Douglas Smollen Holdings - 7.49%; Real Equity Trust - 21.63%; Saldanha Group Investments - 4.60%; Standard Bank of SA- 32.44% &amp; balance of shareholders with less than 10m shares each = 33.84%</b>	
Empowerment Stake %	<b>nil</b>	
Turnover (R million per annum)	<b>140</b>	Year End: <b>2003</b>
Current Forecast	<b>170</b>	

Trading Subsidiaries :**Stellenbosch Bottling**Description of Products :

**The company is involved in growing, making, bottling and marketing their produce, to satisfy the needs of the market.**

Target Market :**Retail and hospitality industry**Brandnames :**Genesis, Infiniti, Kumkani, Shamwari, Versus**Production Capacity pa: **20 000 tons**Units manufactured pa **3.7m x cases @ 6 bottles**Prevailing conditions in the Industry :

**Approximately 50% - 60% of their produce is exported.**

**General Comment :**

**The company produces wines at its 3 wineries, Welmoed, Helderberg and Eersterivier. The company comprises of several of the former Stellenbosch Wine Co-operatives and shareholdings from various Stellenbosch estate owners. The company has experienced significant growth in the sales volumes in the domestic and international markets. They export R106m per annum at 650 000 cases. The company has been selected by BRL Hardy (Australia) as their partner for their new South African Joint Venture.**

**VERGELEGEN ESTATES WINES (PTY) LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 847-1334</b>
<b>P O Box 17</b>	<b>Vergelegen Wine Farm</b>	Fax Number:	<b>021 847-1608</b>
<b>Somerset West</b>	<b>Laurensford Rad Somerset West</b>	Website:	<b>www.vergelegen.co.za</b>
Code :	<b>7129</b>		<b>7130</b>
Contacts : Name	Designation	Contact at:	
<b>John Knight</b>	<b>Director : Financial</b>		
<b>Don Tooth</b>	<b>Director : Managing</b>		
<b>Eddie Turner</b>	<b>Manager : General Marketing</b>		
No. of Employees	<b>130</b>		
Shareholders	<b>Anglo American Corporation of SA through Anglo American Farms - 100%</b>		
Empowerment Stake %	<b>nil</b>		
Turnover (R million per annum)	<b>20 - 30m</b>	<b>Michael Fridjhon's estimate</b>	Year End: <b>2003</b>

Description of Products :

**Vergelegen manufactures wine under the Vergelegen label. Anglo American sold the Boschendal farm in November 2003, to a consortium.**

Target Market :

**Niche market**

Brandnames :

**Vergelegen**

**Sales by Volume: 36 000 cases p.a.**

Factors influencing the success or otherwise of the industry :

**The company believes that having their own distribution company is to their advantage. The distribution company only represents Pelligrino and imported water, along with Boschendal and Vergelegen labels.**

Competition and Barriers to entry :

**Very competitive market**

Prevailing conditions in the Industry :

**The strong rand over the last 4 - 5 months has put margins under tremendous pressure, particularly for exports. This has made the local market look attractive once again and in some cases, labels for exports are being distributed locally. Because there are numerous labels on the market, the respondent commented that generally the public choose a familiar brand. The smaller wine producer produces a superb quality wine, winning awards and is therefore aimed at the discerning public who know and appreciate fine wines.**

**General Comment :**

Company also sold their distributing company, Kensington Wholesale Liquor Distributors with their Boschendal farm to the same consortium. The distributors will continue distributing Vergelgen wine along with the Boschendal wine. Anglo American is still involved in assisting the new consortium with the running of Boschendal (production, marketing and distribution) - this is likely to continue for about a year. Boschendal produces 15000 cases of wine per month. Anglo American decided to sell this estate as it is not the corporation's core business, however Vergelegen is seen as a smaller estate aimed at a niche market with very valuable and historic property. Both estates export between 25% - 30% of production primarily to the United Kingdom.

**WINECORP LTD**

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>021 881-3690</b>
<b>P O Box 99</b>	<b>Winecorp SA</b>	Fax Number:	<b>021 881-3699</b>
<b>Lynedoch</b>	<b>Annandale Road</b>	Website:	<b>www.winecorp.co.za</b>
<b>Western Cape 7603</b>	<b>Stellenbosch</b>		

Code

:

**7600**

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>Quintus Basson</b>	<b>Manager : Marketing</b>	<b>quintus@winecorp.co.za</b>
<b>Bryan Culhane</b>	<b>Director : Sales</b>	
<b>Elizna Duminy</b>	<b>Director : Financial</b>	
<b>Jaco Durand</b>	<b>Director : Logistics</b>	
<b>Nicola Millson</b>	<b>Director : Marketing</b>	
<b>Moiria Potgieter</b>	<b>Company Secretary</b>	<b>021 868-3322</b>
<b>Linda-Louise Roosenschoon</b>	<b>Manager : Public Relations</b>	
<u>No. of Employees</u>	<b>120</b>	
<u>Shareholders</u>	<b>Capricorn through Spier Holdings - 100%</b>	
<u>Turnover (R million per annum)</u>	<b>85</b>	<b>Year End: July 2003</b>
<u>Estimated Profit (Rm)</u>	<b>Company recorded a loss in profits</b>	

Trading Subsidiaries :

**Africa Vineyards (Pty) Ltd, Thales Wine Cellar Services (Pty) Ltd, Winecorp Private Label Division (Pty) Ltd, Winecorp SA (Pty) Ltd**

Description of Products :

**The company is an investment holding company of a number of subsidiary companies and an associate company, holding interests in wine production and sales nationally and internationally, and in the cleaning and sale of wine barrels and cellar hygiene.**

Target Market :

**The quality market, with approx. 9% of their wine being exported, and half to the UK, the balance to Germany, Holland and Denmark**

Brandnames :

**Bay View, Capelands, IV Spears, Longridge, Naledi/Sejana, Spier**

<u>Units manufactured pa</u>	<b>2.6m litres produced of their own brands; 9m litres handled &amp; distributed for their Private Label Services</b>
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Factors influencing the success or otherwise of the industry :

**Changing wine tastes, i.e. a current higher demand for good quality red wines, compared with a higher demand for white wine some years ago. The end of**

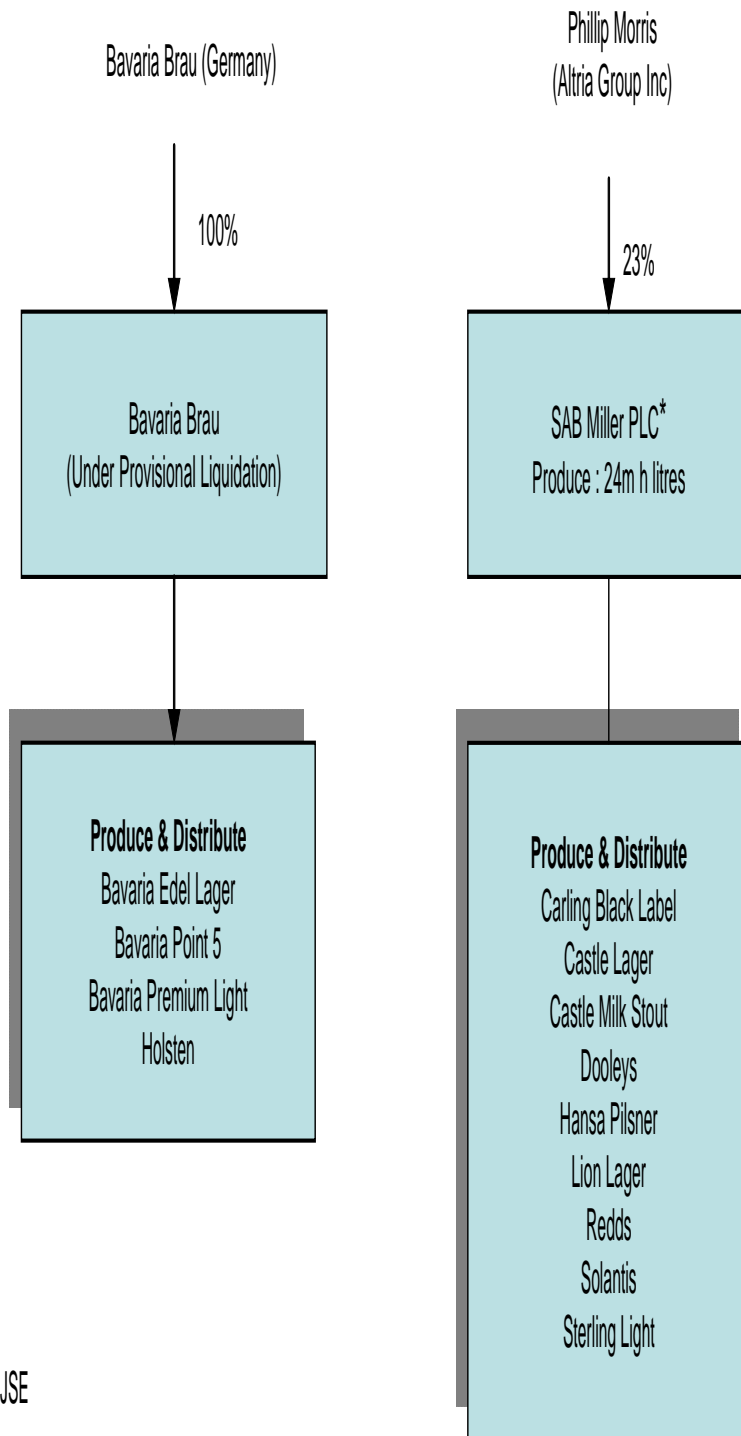
sanctions against SA has opened up the export market.

General Comment :

The company is primarily split into two divisions. Winecorp Private Label is involved in supplying the multiple retail sector internationally, concentrating in high volume commercial brands owned by retailers and agents. Over the last year this division has grown substantially, supplying over 800 000 cases of - buyers own brand - wine. The company have a wide network of 25 contract growers and long-term contracts with 12 core growers. The company presently own three vineyards, Spier, Nooitgedacht and a joint venture with Burgherspost, a West Coast vineyard. The other subsidiary, Afrika Vineyards, is responsible for the viticultural and vineyard farming operation of Winecorp Brands, producing and procuring all the grapes for their wineries. The company distributes Savanha, Bay View and Cape Lands, whilst Vinimark distribute their premium range; Longride and Spier. According to industry sources the company may be sold or split up and sold.



## Breweries (exclusive of sorghum beer breweries)



\* Listed on the JSE

**BAVARIA BRAU (PTY) LTD**

The company is under provisional liquidation.

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>012 661-9233</b>
<b>P O Box 15599</b>	<b>8 Adriana Crescent</b>	Fax Number:	<b>012 661-9232</b>
<b>Lyttelton</b>	<b>Gateway Industrial Park</b>		
<b>Gauteng South Africa</b>	<b>Centurion, Gauteng South Africa</b>		
Code : <b>0140</b>	<b>0157</b>		
<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>	
<b>Rainer Funk</b>	<b>Director : Managing</b>	<b>Bavaria</b>	
<b>Andrew Saunewell</b>	<b>Director : Financial</b>	<b>Bulmer</b>	
<u>No. of Employees</u>	<b>150</b>		
<u>Shareholders</u>	<b>Bavaria Brau (Germany)</b>		
<u>Empowerment Stake %</u>	<b>Nil</b>		

Description of Products :

**High quality, naturally brewed, German style lager beers.**

Target Market :

**Premium end of the SA beer market.**

Brandnames :

**Bavaria Edel Lager, Bavaria Point 5, Bavaria Premium Light, Holsten**

Main Competitors and Comparative Size :

**SAB**

General Comment :

**As the company is in liquidation and in the process of being bought out, no further details were divulged. Information would be forthcoming via the media. The respondent advised us that currently only Holsten dumpie bottles and Holsten light in cans are available.**

**SAB MILLER PLC**

Established in 1895. Auditors : PriceWaterhouseCoopers.

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>011 407-1700</b>
<b>P O Box 1099</b>	<b>2 Jan Smuts Avenue</b>	Fax Number:	<b>011 339-1830</b>
<b>Johannesburg</b>	<b>Braamfontein</b>	Website:	<b>www.sabmiller.com</b>
	<b>Johannesburg</b>		

Code

: **2000** **2001**

<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>
<b>Geoffrey Cyril Bible</b>	<b>Director: Non-Executive</b>	
<b>Steve Bluen</b>	<b>Director : Human Resources</b>	
<b>Louis Carey Camilleri</b>	<b>Director: Non-Executive</b>	
<b>Sue Clark</b>	<b>Director : Corporate Affairs</b>	
<b>Nancy Jane De Lisi</b>	<b>Director : Non-Executive</b>	
<b>R Fellows</b>	<b>Director : Non-Executive</b>	
<b>Jacob Meyer Kahn</b>	<b>Chairman</b>	
<b>Michael John Levett</b>	<b>Director : Non-Executive</b>	
<b>Graham Mackay</b>	<b>Chief Executive</b>	
<b>Peter John Manser</b>	<b>Director : Non-Executive</b>	
<b>Vincent Maphai</b>	<b>Director : Corporate Affairs</b>	<b>011 888-8111</b>
<b>Peter McLoughlin</b>	<b>Director: (Marketing Director)</b>	<b>011 881-8111</b>
<b>Miles Quintin Morland</b>	<b>Director : Non-Executive</b>	
<b>Gaoning 'Frank' Ning</b>	<b>Director : Non-Executive</b>	
<b>Cyril Ramaphosa</b>	<b>Director : Non-Executive</b>	
<b>L Renwick</b>	<b>Director : Non-Executive</b>	
<b>Mr G Sanders</b>	<b>Director : Financial</b>	
<b>Tony van Karlegen</b>	<b>Director : Managing</b>	
<b>Malcolm Wyman</b>	<b>Chief Financial Officer</b>	
<u>No. of Employees</u>	<b>5424</b>	
<u>Shareholders</u>	<b>Altria Group, Inc - 23.5% largest shareholder</b>	
<u>Empowerment Stake %</u>	<b>nil</b>	
<u>Turnover (R million per annum)</u>	<b>1.270m</b> <b>US\$ in SA</b>	Year End: <b>March 2003</b>

Description of Products :

The company brews and distributes a number leading beer brands. Although the company does have interests in non-alcoholic beverages, figures mentioned here are for beer and relate to this country only.

Brandnames :

Carling Black Label, Castle Lager, Castle Milk Stout, Dooleys, Hansa Pilsener, Lion Lager, Redds, Solantis, Sterling Light

Sales by Volume: **24m hectolitres**

Production Capacity pa: **30m hectolitres**

Factors influencing the success or otherwise of the industry :

Consumer trends in South Africa are continuously changing, which requires innovative thinking and rapid response on the part of suppliers to keep pace with market demands. To bear this out, IOL reports how some of Cape Town's upmarket clubs and bars have refused to stock Castle and Carling Black Label, two of SA's most popular beer brands, as they are not considered trendy/exclusive enough to suit the image the club wishes to portray, opting, instead, to sell premium beers, which are more expensive. (www.iol.co.za - 10 January 2004)

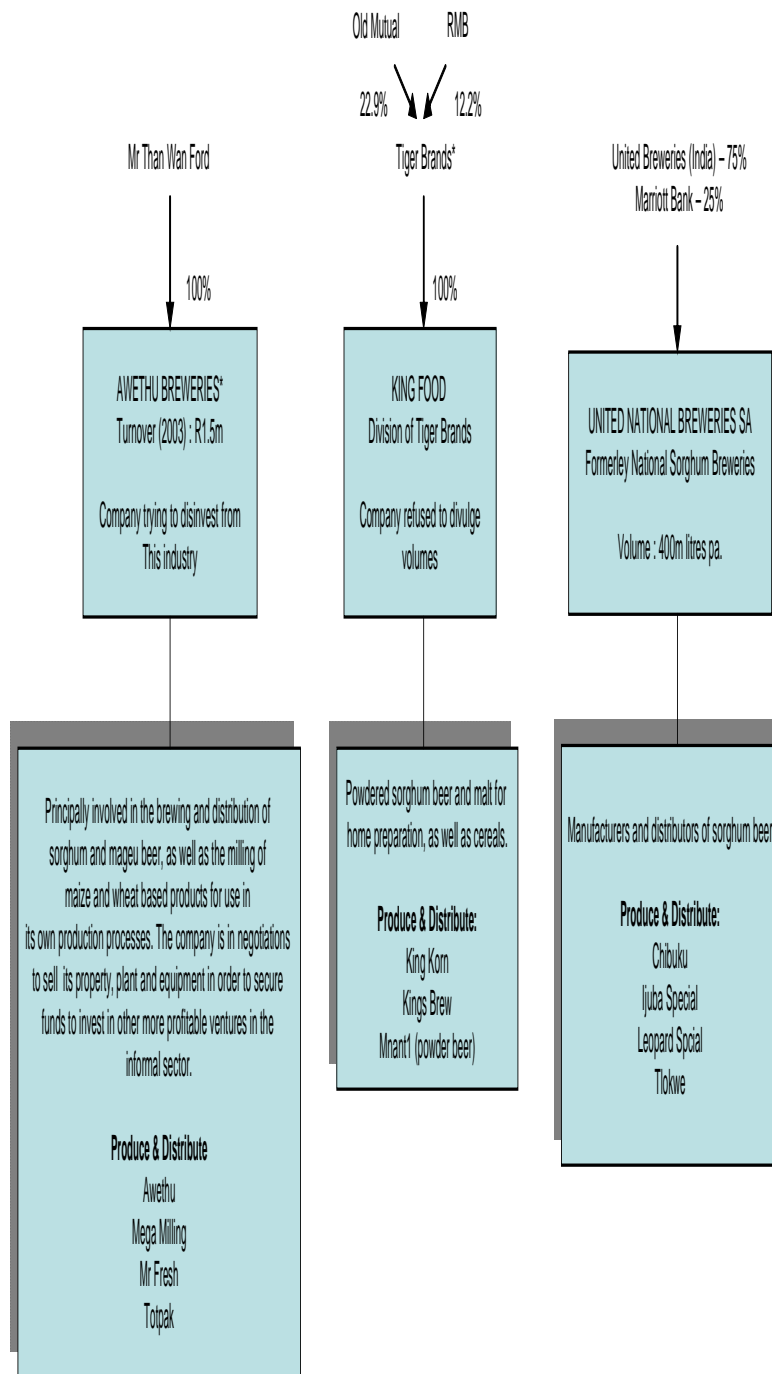
Prevailing conditions in the Industry :

Volumes were increased in South Africa by 0.8%, with operating performance in this business at an all time high. Improved productivity was offset by significant increases in raw material prices, higher marketing spend on new product development and introductions into the marketplace.

General Comment :

The company has brewing operations in Cape Town, Durban, two in Johannesburg, Pietersburg, Port Elizabeth and Pretoria.

## Sorghum beer breweries



\* Listed on the JSE

**AWETHU BREWERIES LTD**

Listed on the JSE.

<u>Postal Address</u>	<u>Physical Address</u>	Telephone:	<b>016 986-0667</b>
<b>P O Box 5813</b>	<b>6 Delfos Boulevard</b>	Fax Number:	<b>016 986-0910</b>
<b>Vanderbijlpark</b>	<b>NW 7</b>		
<b>South Africa</b>	<b>Vanderbijlpark South Africa</b>		<b>awethu@global.co.za</b>
Code : <b>1900</b>	<b>1911</b>		
<u>Contacts : Name</u>	<u>Designation</u>	<u>Contact at:</u>	
<b>Jean Caddy</b>	<b>Company Secretary</b>		
<b>Tony Ford</b>	<b>Director: Managing</b>		
<b>Irene Vermaak</b>	<b>Director : Financial</b>		
<u>No. of Employees</u>	<b>100</b>		
<u>Shareholders</u>	<b>Mr Than Wan (Tony) Ford (MD) : 50.8% &amp; Financial Institutions - balance</b>		
<u>Empowerment Stake %</u>	<b>100%</b>		
<u>Turnover (R million per annum)</u>	<b>1.5m</b>	<b>Turnover reduced from R8.5m of previous year.</b>	<b>Year End: June 2003</b>

Trading Subsidiaries :**Hotshots Liquors (Pty) Ltd**Description of Products :

The company is principally involved in the brewing and distribution of sorghum and mageu beer, as well as the milling of maize and wheat based products for use in its own production processes. The company is in negotiations to sell its property, plant and equipment in order to secure funds to invest in other more profitable ventures in the informal sector.

Target Market :

The catering industry, mines and the informal sector through a network of its own franchised outlets.

Brandnames :**Awethu, Mega milling, Mr Fresh, Totpak**General Comment :

The large decrease in turnover is due to a change in company policy from actually selling its own beer to renting out its breweries and mill. The group further suffered a setback on the sale of the Ventersdorp Mill, which fell through as the guarantees had not been met. The company continues to rent out its Carltonville and Marizaan breweries and the Mill.

**KING FOOD**

A small division of Tiger Brands Limited. Tiger is listed on the Stock Exchange.

Postal Address	Physical Address	Telephone:	<b>018 297-7180</b>	
<b>P O Box 63</b>	<b>4 Curlewis Street</b>	Fax Number:	<b>018 294-8521</b>	
<b>Potchefstroom</b>	<b>Potchindustria</b>	Website:	<b>www.kingfood.co.za</b>	<b>Divisional address</b>
<b>North West South Africa</b>	<b>Potchefstroom, North West South Africa</b>		<b>www.tigerbrands.com</b>	<b>Parent company address</b>
Code :	<b>2520</b>	<b>2520</b>		

Contacts : Name	Designation	Contact at:
<b>Luke Horsten</b>	<b>Director : Managing</b>	
<b>Ernst Steynberg</b>	<b>Manager : Administration</b>	
No. of Employees	<b>200</b>	<b>(Beer Division)</b>
Shareholders	<b>Through Tiger Brands Ltd, listed on the JSE: Old Mutual 22.9%; RMB 12.2%</b>	
Empowerment Stake %	<b>Nil</b>	

Description of Products :

**Powdered sorghum beer and malt for home preparation, as well as cereals.**

Target Market :

**Primarily Metro Cash & Carry and the rural retailers**

Brandnames :

**King Korn, Kings Brew, Mnanti (powder beer)**

Units manufactured pa      **Respondent refused to divulge units produced**

Main Competitors and Comparative Size :

**United National Breweries**

Factors influencing the success or otherwise of the industry :

**The market has been slowly shrinking over the last 20 years. The respondent attributed this to the target market aspiring to western culture as there is more status attached to drinking a western beverage. However, he felt that that even though the market was diminishing, it would never disappear altogether.**

Competition and Barriers to entry :

**A competitive and sensitive market, with a few remaining players, all competing in a shrinking market.**

Prevailing conditions in the Industry :

**Throughout Africa, consuming home brew is still seen as a respectable past-time. The local people tend to make and grind their own malt, and shy away from purchasing beer/sorghum powder.**

**General Comment :**

Despite the continuous, slight downturn in sales throughout the sorghum/home brewing industry, the respondent confirmed that it is still a profitable business for shareholders, and a well run business. As he was reluctant to divulge consumer/sales figures, we can ascertain that the market is sensitive and competitive. He believed that, in South Africa, there is a stigma attached to consuming sorghum beer, referring back to the country's political history, when only sorghum beer was available to the black market.



**UNITED NATIONAL BREWERIES (SA) (PTY) LTD**

Formerly known as National Sorghum Breweries Ltd

Postal Address	Physical Address	Telephone:	<b>011 315-7337</b>
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**P O Box 9353****Gallagher House**Fax Number: **011 315-0318****Centurion****Gallagher Estates****Richards Drive****Midrand**Code : **0046****1685**

Contacts : Name

Designation

Contact at:

**Mr SP Choudharys****Vice President - Executive****Mr PS Gill****Vice President : Senior Coastal region****Mr RL Prekash****Vice President : Corporate Finance****Mr R Ranganathan****Vice President - Executive****Mr K Scholtz****Vice President- Senior In-land Region**

No. of Employees

**900**

Shareholders

**United Breweries (India) - 75%; Marriott Bank - 75%**Description of Products :**Manufacturers and distributors of sorghum beer.**Target Market :**Beer halls, shebeens & tuck shops.**Brand Names :**Chibuku, Ijuba Special, Leopard Special, Tlokwe.**Sales by Volume: **400m litres pa.**Main Competitors:**Bergville Breweries, Carlton Breweries, Champion Breweries, Ukhamba Breweries – Vanderbijl Park, Ukhozi Breweries.**Market Share (Estimate) :**90% of industry-made beer.**Competition and Barriers to entry :**The competition lies in the fact that 75% of sorghum beer consumers brew their own beer. The competitors mentioned in this profile are very small and unreliable in nature, but combined, own 10% of market share.**Prevailing conditions in the Industry :**The company is always seriously affected by increases or agricultural concerns in the maize and grain market. When prices rise the company is very reluctant to pass on the increase to the consumers as demand will inevitably decrease, profit**

margins therefore become extremely tight. Consumer figures overall remain steady.

General Comment :

The company owns 9 breweries and has 50 depots throughout the country - they distribute to over 200 000 outlets in the form of shebeens, tuck shops and beer halls. As the shelf life of the product is only 4 - 6 days from time of manufacture, this limits export growth considerably. The company exports a small percentage to Botswana, Zambia, Namibia and Angola.

## Liquor Industry Volumes

### Excise Market per Alcoholic Category - Year End 2002 / 2003

CATEGORY	ACTUAL VOLUME	R.S.P. PER LITRE	SALES VALUE
Brandy	40 700	62.53	2 544 971
Whisky	18 400	87.78	1 615 152
Rum	3 100	85.73	265 763
<b>Brown Spirits</b>	<b>62 200</b>	<b>71.16</b>	<b>4 425 886</b>
Gin	7 400	53.66	397 084
Cane	3 000	39.96	119 880
Vodka	13 700	50.97	698 289
<b>White Spirits</b>	<b>24 100</b>	<b>50.43</b>	<b>1 215 253</b>
Liqueurs	3 600	69.69	250 884
Other Local Spirits	900	66.18	59 562
<b>Total Spirits</b>	<b>90 800</b>	<b>65.55</b>	<b>5 951 585</b>
Sparkling Wine	7 800	39.81	310 518
HP Natural	36 000	33.79	1 216 440
MP Natural	83 000	11.60	962 800
SP Still	154 300	8.58	1 323 894
Perle	41 700	11.70	487 890
<b>Total Natural</b>	<b>315 000</b>	<b>12.67</b>	<b>3 991 024</b>
<b>Total Fortified Wine</b>	<b>30 550</b>	<b>23.82</b>	<b>727 701</b>
AFB's and Spirit Coolers	194 000	13.82	2 681 080
Beer	2 308 000	7.63	17 610 040
<b>GRAND TOTAL</b>	<b>2 946 150</b>	<b>10.61</b>	<b>31 271 948</b>

- AFB = Alcoholic Fruit Beverages
- R.S.P = Retail Selling Price
- 

Volume: 000, Value 000

Source: ACNielsen Retail Services

### Excise Market per Company - Year End 2002 / 2003

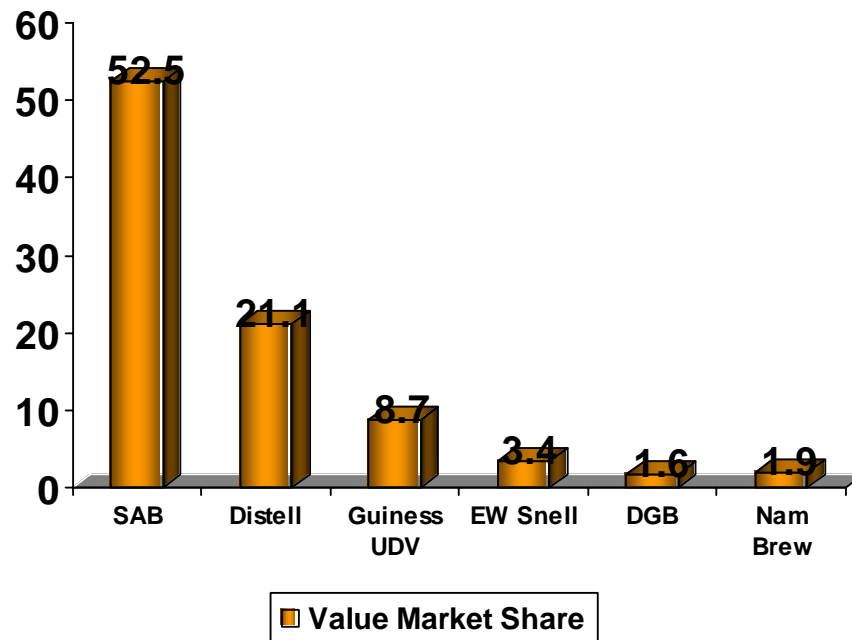
#### Volumes

	Company	Volumes
1	SABMiller	80.0
2	Distell	9.2
3	Guinness UDV	2.0
4	EW Snell	0.8
5	DGB	0.3
6	Namibian Breweries	2.1

Source: ACNielsen Retail Services

### Market Share per Company - Year End 2002 / 2003

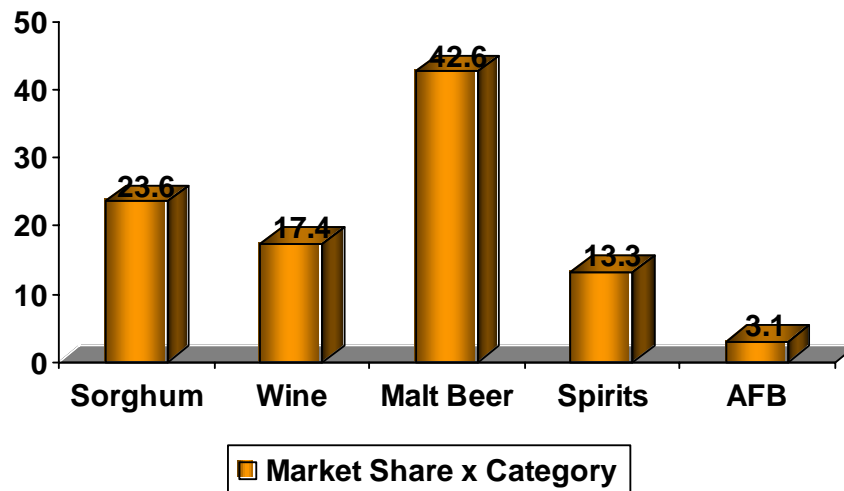
Value



Source: ACNielsen Retail Services

### Market Share per Alcoholic category 2003

% share based on alcohol content



Source: SAWIS - SA Wine Industry Information & Systems

**South Africa's Top 20 Selling Liquor Brands**

BRAND		BRAND OWNER
1	Carling Black Label	SAB Miller
2	Castle Lager	SAB Miller
3	Hansa Pilsner	SAB Miller
4	Castle Milk Stout	SAB Miller
5	Amstel	SAB Miller
6	Smirnoff Vodka	Guinness UDV
7	Klipdrift	Distell
8	Hunter's Dry	Distell
9	Bell's	Guinness UDV
10	Richelieu	Distell
11	Redd's	SAB Miller
12	Windhoek Lager	Namibian Breweries
13	Wellington VO	Edward Snell & Co.
14	J & B	Guinness UDV
15	Viceroy	Distell
16	Smirnoff Spin	Guinness UDV
17	Gordon's Gin	Guinness UDV
18	Bertrams VO	Guinness UDV
19	Sedgwick's Old Brown Sherry	Distell
20	Autumn Harvest Crackling	Distell

Source: ACNielsen Retail Services

## Smaller Wine Producers

### Index

(all included in appendix A titled wine.xls)

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- 3 Wine industry structure**
- 4 WINE REGIONS (For statistical purposes)**
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### Size of producers that sell wine, bulk and packaged July 2002 - June 2003

Volume sales	Number				
Litres	National	Western Cape	Northern Cape	Free State	MP
> 10 million	12	11			
> 5 - 10 million	21	21			
>1 - 5 million	65	60			
>100 000 - 1 million	122	119			
<100 000	236	233			
<b>Sub total</b>	<b>456</b>	<b>444</b>			
No sales during period	199	198			
<b>Total</b>	<b>655</b>	<b>642</b>	<b>11</b>	<b>1</b>	<b>1</b>

Source: SAWIS

Note: SAWIS agreements with the wine producers preclude the release of the data for Northern Cape, Free State and Mpumalanga.

## Meeting the public policy objectives

- i) Ownership and the level of vertical or horizontal integration of the industry;
- ii) Employment creation - manufacturing and distribution;
- iii) Revenue generation - manufacturing and distribution;
- iv) The need for fixed investment and infrastructure development;
- v) Black economic empowerment in the industry - manufacturing and distribution.

## Ownership and the level of vertical or horizontal integration of the industry

It is clear from section one of this report, that the liquor industry has become increasingly uncompetitive. The Distell merger, the consolidation of Guinness UDV brands in the old Gilbeys business, the ongoing domination of the beer market by SAB, the financial pressure on some of the mid-size wine industry players (notably Winecorp and Stellenbosch Vineyards), and the consolidation within the small distributor business have all reduced the number of key players performing adequately in the South African market.

The situation is significantly worse however the moment one analyses dominance of the high margin branded liquor business. It is important to distinguish therefore between players who live off the crumbs of the distribution business, and those whose ownership of, or rights to, strongly established brands, entitle them to much greater profits. Guinness UDV for example has between 5% and 10% of the total liquor market and around 20% of the spirits market, but it controls 90% of the prop whisky market and a significant percentage of the premium whisky market. It also controls 70% of the vodka market including the most lucrative white spirit brand. Since it is overseas owned, and so are the brands that it handles, it is able to transfer price to optimise income. Distell has over 70% of the brandy market but almost all of the high margin brands. While companies like E Snell have plus / minus 9% of the brandy business, 29% of the whisky business, and 15% of the white spirits business, they perform almost exclusively in the discount segment of the market. The result is that they cannot compete in terms of shelf space, influence or net revenue.

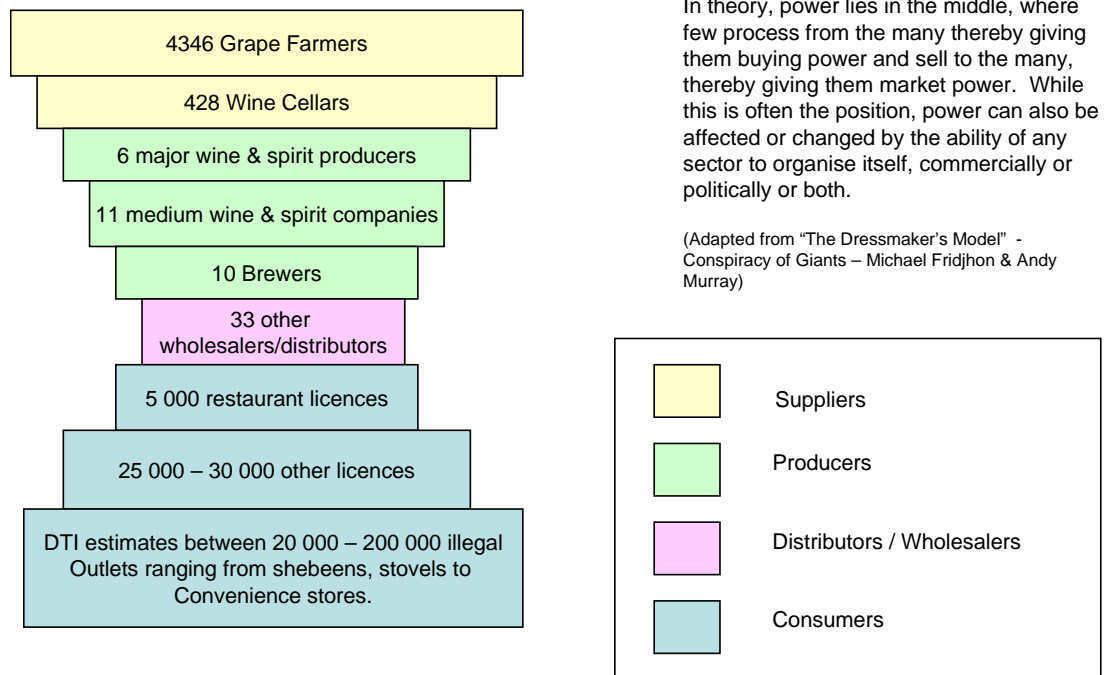
Horizontal integration continues to plague the branded liquor market. SAB has maintained a 30% share of Distell thus linking its dominance of the beer market to a company which dominates the domestic brandy and (for the time being) local gin market. KWV continues to vote its interest in Distell with Rembrandt though its proposed 2004 launch in the domestic market may open fracture lines in this relationship. For the time being at any rate the 1979 industry realignment is largely intact with only the presence of Guinness UDV as the brand owner / distributor of whisky, vodka (and potentially of Gordons Gin) in a position to counterbalance this preponderance.



Vertical integration is much less relevant. Lack of profitability of the Western Province Cellars / Liquor Town stores made them something of a millstone within Distell. Rebhold's ownership of Picardi Rebel has not integrated backwards into an important wholesale or distribution company. The same is true of Aroma Drop Inn which has failed to develop a wholesale presence through Premier Wine Cellars. Stellenbosch Vineyards (comprising several of the former Stellenbosch wine co-operatives but with shareholdings from various Stellenbosch estate owners) has not really integrated between the production and the distribution sectors. Redistribution businesses - most notably Makro and Metro - have not established any substantially vertically integrated alliances; the grocers have also remained independent buyers (though Shoprite Checkers, Pick 'n Pay, and Woolworths, are beginning to follow the UK model of developing their own brands).

While it is true to describe the industry as unattractive from a competition point of view, the fault has less to do with vertical integration, more to do with horizontal integration, and most to do with ownership of margin arising from brand domination.

### Industry Table Showing Suppliers Through To Consumers



## Black economic empowerment in the industry - manufacturing and distribution

The absence of a Black Economic Empowerment charter has been widely noted and formed the basis of negotiations between the industry and the dti at the time that the new Liquor Act was drafted in the first half of 2003. The proposed three-tier structure was intended to enhance black ownership at the distribution sector of the industry, though the final Liquor Bill sees these provisions in only a very watered down form. The South African Wine Industry Trust is presently engaged in drumming up support for a Black Economic Empowerment initiative. This would appear to be a smokescreen to conceal a conflict of interest between the Chairman of the Trust, some of his business associates, and the KWV as the funder of the Trust and the potential party to the deal. The arrangements - all of which are covered by a confidentiality agreement - appear to involve the purchase by Trust Chairman Gavin Pietersen and BAWSI Holdings (now trading as Chuma Investments) of a stake in KWV. In order to fund this purchase, the parties seek to pillage the empowerment fund of the Wine Industry Trust, and have obviously secured KWV's six (out of 13) Trust votes. Pietersen brings the necessary extra vote. With the down payment of between R50m and R100m, the parties have approached the IDC to fund the remainder of the purchase. The sellers comprise G T Ferreira and a consortium which includes Hansie van Niekerk, all of whom appear to have purchased their KWV shares as a speculative investment. If the deal goes through, this will give a black empowerment consortium a significant stake in a high profile liquor business which in turn owns a sizeable chunk of Distell. While this will aid both companies in terms of government contracts, it will not reflect community empowerment in any way nor will the owners enjoy a controlling share in any important domestic brands. Other black economic empowerment occurs in schemes managed by organisations like the Wine Industry Trust and various wine farms where workers obtain an equity stake in part exchange for their labour. Such schemes include the worker's trust at Paul Cluver, Thandi, Beyerskloof, and Vredendal, and now the empowerment stake at Boschendal.

## Corporate Actions

This report has already detailed the effect of mergers, liquidations, and down-trading on the production and wholesale sectors, and suggested imminent changes affecting the presence of KWV. The uncertainties relating to Winecorp and Stellenbosch Vineyards have also been noted. **Speculation** by Michael Fridjhon beyond this is offered with the utmost caution.

- It seems unlikely that the Distell merger will not proceed and only cosmetic changes to brand ownership are expected.

- Neither Winecorp nor Stellenbosch Vineyards can continue to trade indefinitely under existing circumstances. While there are strong shareholders willing to see out short term crises, there is obvious impatience at the difficult trading circumstances in which both companies find themselves. However, there would be little logic in a merger between the two entities and little value in stripping the assets of either company. While foreign liquor companies (notably Allied and Lion Nathan) have both expressed an interest in South Africa, it is difficult to imagine them paying a premium for either Winecorp or Stellenbosch Vineyards.
- Major international whisky brand owners, viz. Guinness UDV and Pernod Ricard are both investing substantially in the premium whisky market. It seems reasonable to assume that there will be a shift in consumer spending as a result of this. An increase in whisky volume sales will come at the expense of 'softer' beverages since the target market (black 45% female) is not necessarily a present consumer of premium brown spirits.
- Changes in liquor legislation may encourage some producer wholesalers to look to the existing low margin distribution sector. Meridian already has an alliance with the Rupert family. New World Wine Agencies is effectively independent though its major shareholder, Nick Diemont, turns 60 next year and must be seeking an exit strategy which may involve the wine farms the company represents. DGB has long sought an alliance which will increase its critical mass and may welcome overtures from foreign companies able to enhance distribution for its brands internationally or able to increase its clout in the local market. However the profile of its own products do not make it particularly attractive to Pernod Ricard. The long awaited launch of KWV in the South African domestic market is likely to be something of a damp squib and for this reason will probably not be of interest to an operation like DGB.
- Anglo American Farms has sold the *Boschendal Estate* to a consortium as at October 2003 for a sum of R323m. (please refer to Annexure 1). Anglo American still own Vergelegen. The consortium of investors is led by Mr Clive Venning and Mr Charles Boswell and is made up of Citation Holdings SA who has acquired 70% of the farm. Kovacs Investments 608 (Pty) Ltd, an empowerment group, chaired by Mr Chris Nissen will acquire 30%.

## Geographic Information

As part of the study, it was decided to map the locations of the various producers in order to assist with a more informed observation of the industry.

The locations of the wine cellars and wholesale outlets were mapped in the first instance.

This spatial data adds a completely new dimension to the viewing of data and helps to add a further dimension to the understanding and interpretation of data.

The findings of the desk research and geo-location of outlets and communities being served should provide an excellent basis for understanding the dynamics of the liquor industry in Southern Africa, and pave the way for informed and responsible legislation of the industry.

## Geo-Location of Wine cellars and Wholesalers

The following two maps provide a national overview only. Detailed provincial maps are also available.





## References

### **Companies/Organisations**

ACNielsen Retail Services  
 All Media Product Survey 2003A  
 Cape Wine and Spirit Association  
 South African Wine Industry Information & Systems (SAWIS)  
 Who owns Whom (Pty)Ltd: The  
 Research House  
 Wines of Southern African

### **Publications**

Alcoholic Beverage Review 2003	Ramsay Stone & Parker
Beverage Business Yearbook 2004	Ramsay Stone & Parker
	Michael Fridjhon & Andy
	Murray
Conspiracy of Giants	Department of Trade and
	Industry
Liquor Policy Paper	

### **Websites**

[Africa Business Direct:](#)  
[Food and Beverage On-Line](#)  
[South Africa food industry fast facts](#)  
[South Africa food industry overview](#)  
[Trade Page](#)  
[Department of Trade and Industry](#)

## Appendix A