

SOUTH AFRICAN WINE INDUSTRY TRUST

NAMC Presentation

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Sharron Marco-Thyse
Chairperson

WINE INDUSTRY IN CONTEXT

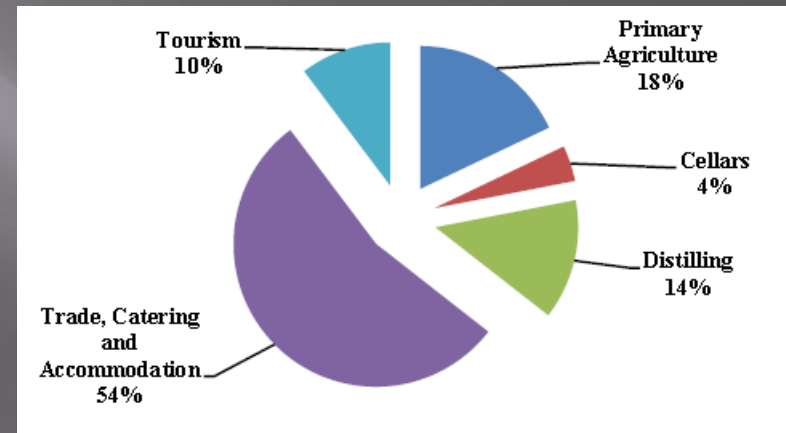
- ▣ The wine industry contributes some R163 billion a year to South Africa's GDP
- ▣ An additional R4.2 billion is generated annually through wine tourism.
- ▣ The industry employs 275 606 people directly and indirectly (58% are unskilled, 29% semi-skilled and 13% skilled). This employment impact represents about 8.8% of the total employment in the Western Cape and about 2.2% of the total employment in the rest of South Africa
- ▣ The area planted under wine grapes has increased constantly since 1990, and totaled 101 958 ha in 2007.

WINE INDUSTRY IN CONTEXT

- ❑ 18.0 per cent of household income generated by the wine industry (excluding tourism) is destined for low-income households.
- ❑ Widening and deepening poverty and inequality – drop-off in wine grape production profitability since 2004 by 50%. Less profit = less growth, deepened inequality, less BBBEE opportunity, less skills development and stiffened socio-economic transformation.
- ❑ Due to labour intensive production within wine industry and an annual expansion averaging 5%, makes for an excellent ratio when investing in job creation.

TRANSFORMATION TRACKRECORD

- But growth of an industry does not translate into equitable or sustainable forms of development! Only 4,4% of entities have some degree of black ownership and just 2,26% of vineyards are black-owned, an indication that transformation in this sector remains long overdue. Transfer of ownership and access to opportunities for HDI's in this sector is moving at an alarmingly slow pace”.
- Transformation of the wine industry can only be achieved if sustainable new ownership is encouraged and supported, poverty alleviation is pro-actively addressed and if skills development is embarked upon.
- The wine industry provides significant economic, employment and development opportunities in production, trade, exports and tourism.



ZERO HUNGER (CENTRAL TO THE INFRASTRUCTURE DEVELOPMENT PLAN STRATEGY)

SAWIT is undertaking 3 BIG strategic interventions towards the Zero Hunger campaign in line with the Infrastructure Development Plan.

1. A major scarce skills development training programme
2. A major “Job Fund” Programme: GroundCrew
3. A major agriculture steel production initiative

1st STRATEGIC INTERVENTION SKILLS DEVELOPMENT & TRAINING PROGRAMME

- ▣ SAWIT has researched and reflected on many fronts that transformation is offensively restrained by the lack of skills development – and especially at a black management level.
- ▣ Works Skills Plan data - AgriSETA estimated that the demand for skilled employees at different levels in the next few years is 510 686.
- ▣ SAWIT will train 500 students in the two most important critical skills in the wine industry: Wine making & Plant production over a 3 year period.
- ▣ The partnership between SAWIT & NSF & DHET is a R36 million programme that started in September 2011.

Major Occupation (OFO)		Estimated Demand
Group	Title	
1	Managers (commercial and small, emerging farmers)	264 370
2	Professionals	4 141
3	Technicians and Trade workers	8 925
5	Clerical and administrative workers	800
6	Sales workers	400
7	Machinery operators and drivers	5 800
8	Elementary workers	226 250
Total		510 686

Source: AgriSETA, WSP data and SSP demand forecasts

2nd STRATEGIC INTERVENTION: SAWIT'S GROUNDCREW (JOB FUND) PROGRAMME

- SAWIT has over the past 14 years noted, that two of the most challenging and prohibiting factors for emerging and small-scale farmers and producers in moving towards economic viability is the ability to enter and sustain a market presence and to reap the benefits accrued in a products' value chain. With small volumes, one - if fortunate enough - remains but a simple supplier to a larger producer, never being able to generate sufficient amount to negotiate alternatives or enter the value chain
- Leveraging existing capacity - forming, development and support of a cooperative farming and production initiative that owns the processing, distribution, and retail capacity - all framed under a shared Brand.
- This allows for the pooling of resources and produce so as to be able to supply and maintain a vibrant presence within formal retail as well as export. An initial 11 different organic ranges from wine to honey, will reflect over 25 different products.
- Enter retail space in the Western Cape initially and then nationally. This will be supplemented through an on-line store option.
- The benefits to is the offering of an organic product range, developed by BEE processing and production enterprises. Hence an innovative product line is afforded to the customer whilst speaking to procurement targets, enterprise development, and sustainability agenda's.
- Through sharing materials, production and the value created through their own collective brand, GroundCrew™ co-operatives are strengthened through a product mix, value chain development, ensured market access and a realised ownership in a Brand.

GROUNDCREW STRATEGY

- ▣ The production and distribution facilities will be based in the Western Cape and participating farmers will predominantly be active within the Western Cape, but a few farmers such as the Riemvasmaak Community (Northern Cape) and tea producers in the Eastern Cape will be included from where products such as dried nuts, dates, and tea can be secured.
- ▣ The Brand will reflect the ventures elements of being **Empowering** for emerging farmers (they have ownership in the brand and retail profits), **Sustainable** through embracing biodynamic methods, **Investing** in job creation, and **Transformational** through enterprise & community development. Hence by providing food products that have been acquired and produced by small scale farmers this initiative speaks to the current market shifts of consumers seeking ethical goods that are sustainably produced and healthy to consume.

3Rd STRATEGIC INTERVENTION: Agriculture steel production initiative

- ▣ This initiative is part of the GroundCrew programme but will be rolled out separately.
- ▣ SAWIT undertook an initiative with a Steel group based in the Western Cape that would produce & procure the supply and cutting of certain grades of stainless steel.
- ▣ The strategy is to participate in the infrastructure development plan activities as it relates to construction and or the supply of agricultural steel products for irrigation, dams, movable or non-movable machinery etc...
- ▣ SAWIT will engage with Government and the relevant bodies that will roll out this programme to ensure that the steel initiative is included in these plans.
- ▣ We envisaged that the Steel initiative will create additional employment as well as contribute to the social intervention programmes of SAWIT and create a sustainable black economic empowerment opportunity.

FINANCIAL RESOURCES

EMPOWERMENT & TRANSFORMATION LEVY

- ▣ SAWIT continue to raise funds for all its transformation initiatives and it has been very successful in leveraging such funding; but this is not enough.
- ▣ SAWIT is investigating the possibility of accessing the empowerment and transformation levy ("the levy") as a potential source of funding in terms of the relevant legislation and has raised this request to the NAMC since 2009.
- ▣ SAWIT is well placed, given its ministerial mandate & objectives and its activities over the past few years in the wine industry. Our activities coincide with the objective of the transformation levy.

CONCERNS:

1. The Ministerial trustees of SAWIT has no say or input on how the industry levy is collected; distributed or applied.
2. The 20% transformation levy should be revised. 60% of the levy should be allocated to industry transformation objectives and activities.
3. The transformation levy must be managed by SAWIT to ensure that Governments socio-economic imperatives are met within the wine industry.

WINE LEVY QUESTIONS

- ▣ Section 10, read with section 11 of the Act, provides that a directly affected group may in writing request the Minister to establish, continue, amend or repeal one or more statutory measures and upon receipt thereof, and provided that such request is not inconsistent with the objectives of the Act, the Minister shall refer the request to the NAMC for investigation.
- ▣ SAWIT would like to make a formal representation and application for an allocation of the whole or part of the empowerment and transformation levy to be made to SAWIT. This will assist us to deliver on our ministerial mandate.
- ▣ We have the following questions:

QUESTIONS:

- ▣ Has the NAMC commenced the process of revising the existing Regulations?
- ▣ If so, how far is the process and when are the draft regulations due to be published?
- ▣ Will the NAMC be calling for submissions in respect of the redrafting of the regulations?
- ▣ We need information on any regulations which are due to be promulgated, particularly in respect to the levy.

Thank You