

REGULATORY IMPACT OF TRANSFORMATION IN THE *wine industry*

On 31 March 2022, the South African Wine Industry Transformation Unit (SAWITU) invited a cohort of government delegation to meet black wine brands to discuss solutions of increasing brand visibility in local markets.

Wine Arc Visit

On November 2021, the South African Wine Industry Transformation Unit (SAWITU) finally opened the home of black wine brands; the Wine Arc.

The magnificent Wine Arc, situated at the Agricultural Research Council's (ARC's) Nietvoorbij Campus in Stellenbosch, has welcomed many delegations and dignitaries from government, industry, business and tourism.

Thirteen Black Wine Brands, mostly women, fall under the marketing, finance and enterprise development support of The Wine Arc. These brands have albeit reached brand status locally and globally.

Built at an estimated cost of roughly R10 million, The Wine Arc is touted as geographic location and a tourism hotspot for black wine brands. It offers various services such as wine tasting, meeting rooms, conference facilities and private events (on condition that the 13 wine brands are only those consumed). Furthermore, The Wine Arc has an online shopping store, where the wine brands can be delivered to a customer's doorstep within a few days and at a reasonable price.

But under the veneer of this glitz and glamour, there is but a sobering disbelief that with all the support black wineries were receiving in the past, especially from the levies, local market share was not on the uptake.

A USDA GAIN Report (2020) found that South Africa's per capita consumption of wine was low (11 litres) compared to other countries such as Portugal (59 litres), France (51 litres), Italy (44 litres) and Namibia (20 litres).

With this view connected, the NAMC joined by Proudly SA, 'Department of Agriculture, Land Reform and Rural Development (DALRRD) and the Department of Trade, Industry and Commerce (Dtic) undertook a wine transformation visit to Cape Town to better understand the challenges that the brands were experiencing.



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Ms. Wendy Petersen, SAWITU Executive Manager, explained that the initiative was part of a strategic objective to grow local and international market share in the South African wine category. 'One of our transformation strategy priorities is regarding the broader value chain, which should include preferential procurement policies' and the township market presented such, she said.

Vinpro, a non-profit company which represents close to 2 600 South African wine producers, cellars and industry stakeholders, has been working with all the wine brands to access markets.

But all these efforts can be undone in a split of a second if the wine industry does not liaise closely with government.

'Part of the invitation is to share constructive ideas and investigate growth opportunities. We are aware there maybe areas as the industry we are lacking in, however, from where we stand, it is important for government coordination to filter in every stage of work' said Phil Bowes, Enterprise Development Manager at Vinpro.

Black Wine Brands

The team visited and heard from four black wine brands, some of them being members of the The Wine Arc. Founder and Owner of La Ric Mal Wines, Mr. Malcom Green, said one of the challenges he had experienced, is that wines had no associated culture in the township market and it was for this purpose government assistance was required to unlock this opportunity. La Ric Mal Wines was available across all Shoprite stores, with their Sweet Rose brand 'Lerato' exceedingly doing well.

Mr. Green offered that unless there was purposeful and direct intention to educate the township market and consumer about wine culture, promoting winesSouth Africa, it could be a futile attempt. 'What is wine in Zulu, Sesotho or TshiVenda? We must start where it matters' he said.

From Stellenbosch, the delegation travelled to Franschhoek and met the owner of a boutique wine farm brand Klein Goederust, Mr. Paul Siquqa. He had bought the dilapidated farm in 2015 and preferred to still use the name Klein Goederust for commercial purposes. 'Without the Western Cape Department of Agriculture, SAWITU, Vinpro, this would not have been achievable. My request is for national government, and its trade agencies to be more involved especially in promoting wine tourism. We would benefit greatly as black wine brands' he said.

Over to Wellington, we are introduced to Denise Stubbs, CEO and owner of Thokozani Wines who has been in the business for 18 years. Like her peers, she has witnessed the role and impact of transformation regulation benefitting her. They are currently in the process of acquiring a major stake in Diemersfontein Wine, a third-generation brand.

'While it was successful feat to be on retail shelves, banks and funding agencies where not coming to the party. One of our famous wines, Ovation, is a top seller at Woolworths. We see growth and want to expand, but our applications for loans and blended finance stall for some reason' she added.

Government Response

The Western Cape Department of Agriculture (WCDoA) was proud of the establishment of the Wine Arc initiative and its role in the ambit of transformation.

'Honestly, from our side, the role of SAWITU adds value in implementation of transformation initiatives in the wine industry. Because of this relation, our turnaround time for support becomes quicker and smooth. Moreover, we get to see return on investment from various initiatives implemented together' said Director of Agricultural Economic Services at WCDOA, Ms Bongiswa Matoti.

Proudly SA lauded the Wine Arc initiative as it spoke to localisation drive, serving as a vehicle for promoting and procuring from a collective wine brand than one.

'This is highly commendable. We will support this initiative, in fact it would make our job easier, to promote a collective wine brand entity to our various platforms' said the CEO of Proudly SA Eustace Mashimbye.

The Department of Agriculture, Land Reform and Rural Development (DALRRD) also commended SAWITU including its critical stakeholders in the process; Vinpro, SALBA, SAWIS and WOSA, in adhering and supporting one of the NAMC's Transformation Committee Guidelines pillars i.e., enterprise development.

'It is pleasing to record the efforts of regulation, such as collection of levies, CASP funding through the WCDoA, in assisting farmers to access the markets and facilitating supply agreements and purchase contracts. Moreover, it is a welcome relief to hear your members applying for loans than asking for grants. We will through the NAMC, devise an immediate response to tackle all the matters raised' said Victor Thindisa of the DALRRD Agroprocessing Directorate.