

Overview of BEE initiatives in the wine industry

Presentation at Launch of AgriBEE
26 July 2004
East London

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Background

- SAWIT-SAWB Conference 2003
- Vinpro initiative
- SAWB Co's WIP
- Industry Charter & Scorecards
- Observations of BEE initiatives
- Academic and comm research

Key Features of the SA Wine industry

- 2,8% of global production
- Gross output: R14.6 billion p.a (2nd)
- 4326 producers
- 424 cellars
- 108 000ha under vines

Industry Growth

- 100 new wineries since 1999
- Investments in plantings, technology, value adding
- Exports: 2002 = 210mil liters
1994 = 50mil liters
- Exports=R4.5 billion (2001)
- Markets for bottled wine:
 - UK 50%; Netherlands 21%, Scandinavia 9%
 - Germany 6.5% & 3% Japan, India, China, US

Vinpro-Nedcor Exercise

- Purpose: Design models for LAND reform
- Criteria: Viability (*tangible returns*)
 - Avoid bankruptcy from land cost
 - Skills transfer
 - Allow for exit
- Method: financial analysis
 - Analysis of land reform projects
 - Survey of independent entrants
 - Craft financing mechanisms

Results

- Farm Models
- Financing mechanisms
- Lessons of experience
- Inventory of projects

Models

- Contract farming
- Crop / profit sharing
- Housing
- Community based ventures
- Black estates
- Equity sharing (*late addition*)

Finance Mechanisms

- Loans
- Equity (N,deferred & prestige shares)
- Grants
- Convertible debentures
- Community bonds
- Secondary equity market
- Futures / options
- Stock exchange

Projects/Ventures

Black owned estates	Joint ventures	Housing & Social devel	Brands
Gelukshoop	Lutouw	Fair Valley	Tabani
WinolaPark	Papkuilsfontein	Winds of Change	Thandi
Biz Afrika	Bouwland	Freedom Road	Lindiwe
Robdevco	Carpe Diem		Tukulu
New Beginnings	Thandi		Indaba
	Goedemoed		Karuwa
	Erfdeel		
	Cape Olive		

Lessons

- Large heterogenous groups
- Exit problems
- Gearing & debt
- Land cost & valuations
- Facilitators/consultants
- Tangible benefits
- Govt leverage (e.g water)
- SAWIT role
- Tradeable equity
- Skills transfer
- Profit sharing
- Entry of private black capital

Impact

- 2 corporate BEE deals (KWV, Boschendal)
- <1% of land black owned
- ± 500 beneficiaries
- <20 ventures
- 6 ventures incl value addition
- Significant private entry

SAWB Initiative

- Wine Industry Plan (WIP)
- Roadmap to A Charter and Scorecards
- BEE Survey (Kassier)
- Steering committee, facilitators & Reference panel
- Stakeholder consultations in progress
- Due early 2005

Issues

- Role of labour
- Clustered enterprises
- Wine-BEE scheme
- Utilise levies for BEE
- Localised initiatives
- Industry driven, govt supported
- Wine spec Scorecard
- Land transfer Vs % Output
- BEE in value chain
- Opportunities in Brands

Thank you !

Mohammad