



South African Wine: Trends and Opportunities for Trade in Africa

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1 Background to the South African Wine industry

The Cape winegrowing areas, situated in the narrow viticultural zone of the southern hemisphere, mainly have a Mediterranean climate and the mountain slopes and valleys form the ideal habitat for the wine grape *Vitis vinifera*, the products of which have given pleasure to man for many centuries. Long, sun-drenched summers and mild, wet winters contribute to the ideal conditions for viticulture at the Cape.

Liberated by the advent of democracy in 1994, the South African wine industry has gone from strength to strength, with exports reaching 319 million litres in 2020. Currently, more than 2 778 farmers cultivate some 92 005 hectares of land under vines. Some 269 096 people are employed both directly and indirectly in the wine industry. The annual harvest in 2019 amounted to 1 247 522 tons (973.6 million litres), of which 86% was used for wine. The annual harvest in 2020 amounted to 1 342 109 tons (1 042.0 million litres), of which 86% was used for wine.

The South African wine industry is backed by various organisations. The Department of Viticulture and Oenology, Stellenbosch University offers pre-graduate as well as post-graduate degrees in Viticulture, Oenology and Wine Biotechnology; Elsenburg Agricultural College offers a course in cellar technology, and the ARC-Nietvoorbij is a research facility with various experimental farms. In a joint venture, the South African wine and table grape industries and Stellenbosch University established the Institute for Grape and Wine Sciences (IGWS) to enhance the international competitiveness of the wine and table grape industries. This evolved into a hub called Innovation in the Grape and Wine Sectors.

All wines for export must be granted an export licence. Samples of each batch of wine destined for foreign countries are sent to the Wine & Spirit Board at Nietvoorbij, Stellenbosch where they undergo detailed tasting tests and chemical analysis in the laboratories before licences are granted. An official seal is given to each bottle by the Wine & Spirit Board, which verifies that the claims made on the label regarding origin, vintage and grape variety are true. South Africa leads the world in environmental sustainability and regulated production integrity. From the 2010 vintage, a new seal for South African wines was introduced, which traces the wine from vine to bottle. The seal is a world first and certifies a wine's integrity as well as sustainability.

As far as international wine production is concerned, Italy leads with 18.3% of the global total, France is second with 17%, Spain third with 13.2%, and South Africa eighth with 4.0% (2020 figures).

Wine producers

Estate wineries, under the original legislation could make wine only from grapes grown on their own land. In 2004, a new dispensation did away with the traditional 'estate' and focuses instead on 'estate wine' which must be produced in contiguous vineyards farmed as single units. These units must also be equipped with facilities to enable all processes up to final certification. All previously registered estates have now automatically been registered as Units to produce Estate Wine. For the first time, they can use their names to brand their total wine production (i.e., estate as well as non-estate), but only certified estate wine may be labelled and marketed as such.

Producer cellars (co-operatives), which on a communal basis process the grapes of their farmer member shareholders into wine, alone have invested vast amounts in production equipment and they press about 80% of South Africa's total wine harvest.

Independent cellars and a number of wholesalers who buy in both grapes and wine, make wine for bottling under their brand names, as well as making wine from grapes grown on their own wine farms.

Wines of South Africa is an industry owned, not-for-profit organisation. Its mission is to contribute to the global success of the South African wine industry by building Brand South Africa. (Source: Wines of South Africa, 2020.)

Source: Wines of South Africa, 2021

2 Production

According to the South African Wine Industry Information and Systems (SAWIS), the wine industry in the South African context is much wider than signified by the ordinary meaning of the word "wine".

- Brandy and its component parts (wine for brandy and distilling wine) have always formed a significant part of South Africa's wine industry.

- In recent years grape juice and grape juice concentrate for use in non-alcoholic beverages, and not just for the sweetening of wine, have also come to the fore.
- The South African wine industry thus encompasses wine (natural, fortified and sparkling), wine for brandy, distilling wine, brandy and other spirits distilled from distilling wine, and grape juice and grape juice concentrate for use in wine and non-alcoholic products (Sawis, 2021).

In 2020, South Africa crushed 1.34 million tons of grapes, an increase of 7.6% from 2019. This constituted 1042 million litres of wine produced, an increase of 7% from 2019.

Figure 1: Wine Production, 2018 - 2020

PRODUCTION	MILLION (LITRES), 2018	MILLION (LITRES), 2019	MILLION (LITRES), 2020	2020/2019 TREND
Wine	824.3	836.8	898.0	107.3
Wine for brandy	36.5	39.0	39.2	100.5
Distilling wine	89.5	94.7	101.2	106.9
Grape juice concentrate and grape juice	15.4	3.1	3.5	112.9
TOTAL	965.7	973.6	1041.9	107.0

Source: SAWIS, 2020

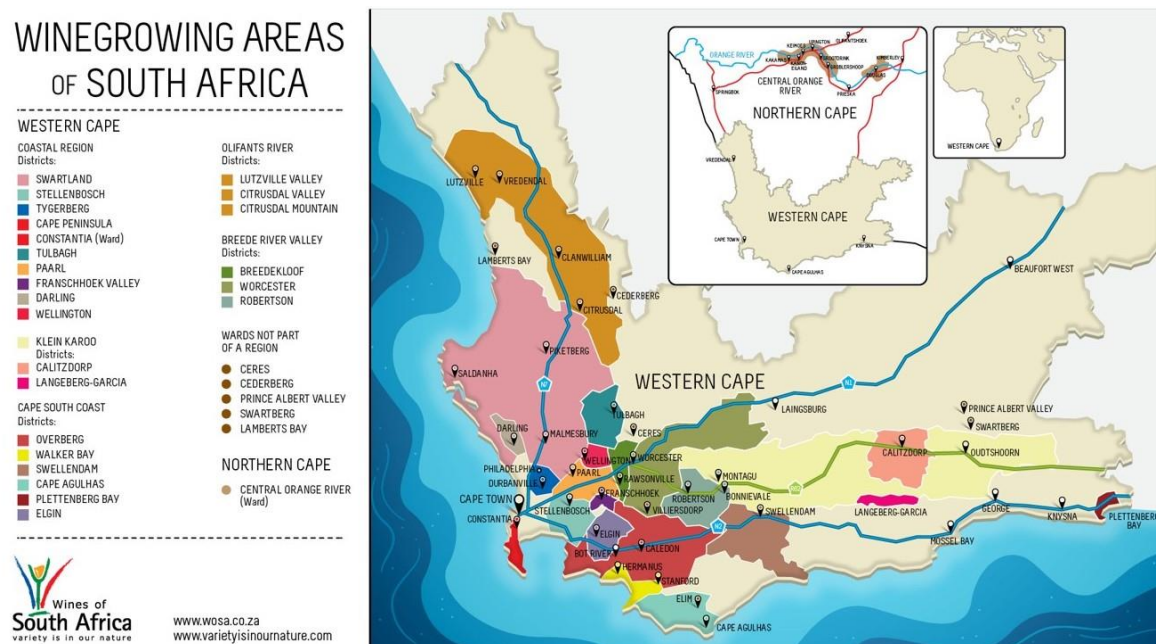
Figure 2: Wine Production, 2018 - 2020

PRODUCTION	MILLION (LITRES), 2018	MILLION (LITRES), 2019	MILLION (LITRES), 2020	2020/2019 TREND
White wine	518.0	569.0	587.0	103.2
Red wine	306.3	267.8	311.0	116.1
TOTAL	824.3	836.8	898.0	107.3

Source: SAWIS, 2020

In South Africa, viticulture (the cultivation of grape vines) takes place mainly at a latitude of 34° South in an area with a mild Mediterranean climate. South Africa's wine industry is mainly located in the Western Cape Province. Minimal amounts of viticulture exist outside of this province.

Figure 3: Wine growing areas of South Africa.



Source: SAWIS, 2016

The table below shows that geographically, the area of wine grape vineyards is fairly evenly distributed in these wine regions (Stellenbosch 16.40%, Paarl 16.02%) and (Robertson 13.91%, Breedekloof, 13.82% and Swartland, 13.42%). These areas cover more than 60% of total area planted during 2020. Of these, Paarl, Stellenbosch, and Robertson are dominated by vineyards owned by farmers that are members of cooperatives (or shareholders of companies that are ex cooperatives). Paarl has both independent and cooperative grape growers and cellars. The wine industry in Stellenbosch is overwhelmingly operated by independent growers and cellars.

Figure 4: Geographic distribution of South African wine grape vineyards per wine region (excluding sultana), 2020

Wine regions	2010 Area hectares	% of total hectares	2020Area hectares	% of total hectares
Stellenbosch	17 081	16.19	15 085	16.40
Paarl	16 642	16.47	14 742	16.02
Robertson	13 493	13.36	12 801	13.91
Breedekloof	12 560	12.43	12 714	13.82
Swartland	14 238	14.09	12 344	13.42
Olifants River	9 997	9.90	9 403	10.22
Worcester	6 394	6.33	6 651	7.23
Northern Cape	5 078	5.03	3 463	3.76
Cape South Coast	2 712	2.68	2 621	2.85
Klein Karoo	2 823	2.79	2 181	2.37
TOTAL	101 017	100.00	92 005	100.00

Source: SAWIS, 2020

The Distell Group is by far the largest contributor in volume terms to total wine production in South Africa, as can be seen in the table below.

TOP 10 SOUTH AFRICAN COMPANIES, 2019		
RANK	COMPANY	% OF SA VOLUME
1	Distell Group Ltd	37.30%
2	Namaqua Wines (Pty) LTD	6.90%
3	Robertson Winery	5.30%
4	DGB (Pty) Ltd	2.50%
5	Omnia Wines	1.10%
6	Orange River Wine Co (Pty) LTD	0.90%
7	Boland Wine Co (Pty) LTD	0.60%
8	Snell & Co, Edward	0.50%
9	Boland Kelder	0.40%
10	Graham Beck Winery	0.20%

Source: Euromonitor International, 2020

3 Domestic consumption

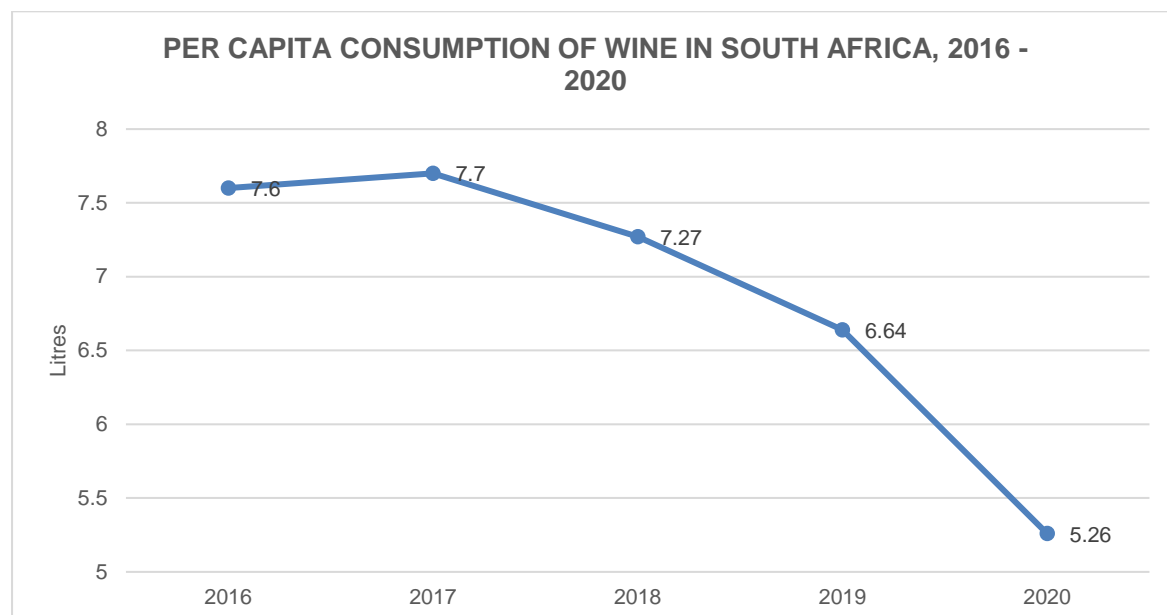
It was estimated that the domestic consumption of wine will increase by 4% to 430 million litres in 2020, from 414 million litres in 2019, based on the increase in wine production, growth in the demand for semi-sweet wines, and growth in the premium wine segment market.

The per capita consumption of wine in South Africa at about 11 litres is still low compared to other countries such as Portugal (59 litres), France (51 litres), Italy (44 litres), Switzerland (37 litres), Austria (32 litres), Belgium (32 litres), Australia (30 litres), Argentina (27 litres), Namibia (20 litres) and the United States (12 litres). The South African wine industry has a comprehensive plan called the Wine Industry Strategy Exercise (WISE) project, which seeks to increase the domestic consumption of wine to at least 450 million litres by the 2024/25 MY.

Beer is the preferred alcoholic beverage, and at an annual consumption level of 3.2 billion litres, it accounts for 75 percent of the total alcoholic beverage consumption in South Africa, followed by alcoholic fruit beverages and

spirit coolers (e.g., Smirnoff Spin) at 12 percent. Wine consumption accounts for 10 percent, and spirits account for 3 percent of total alcoholic beverage consumption. It is expected that will maintain this market dominance given the current consumer preferences and the relative low price of beer. Spirit's consumption is also expected to grow driven by the increase in whisky consumption, which is gaining a wider market appeal.

Source: United States Department of Agriculture, 2020

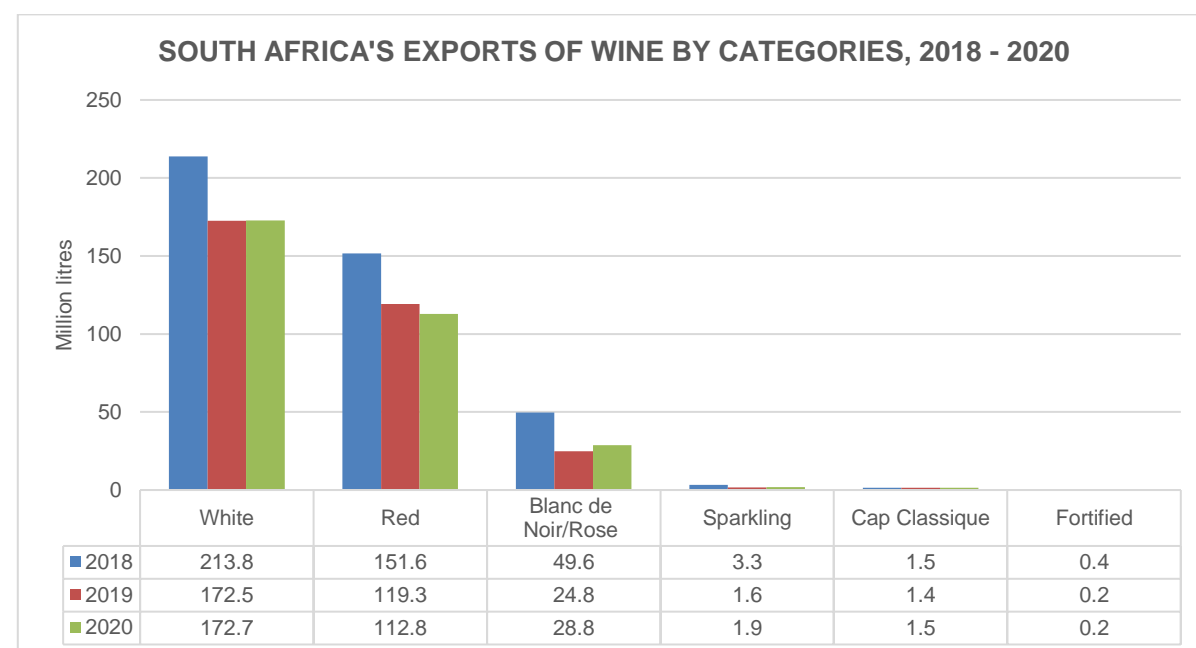


Source: SAWIS, 2020

4 South Africa Wine Trade

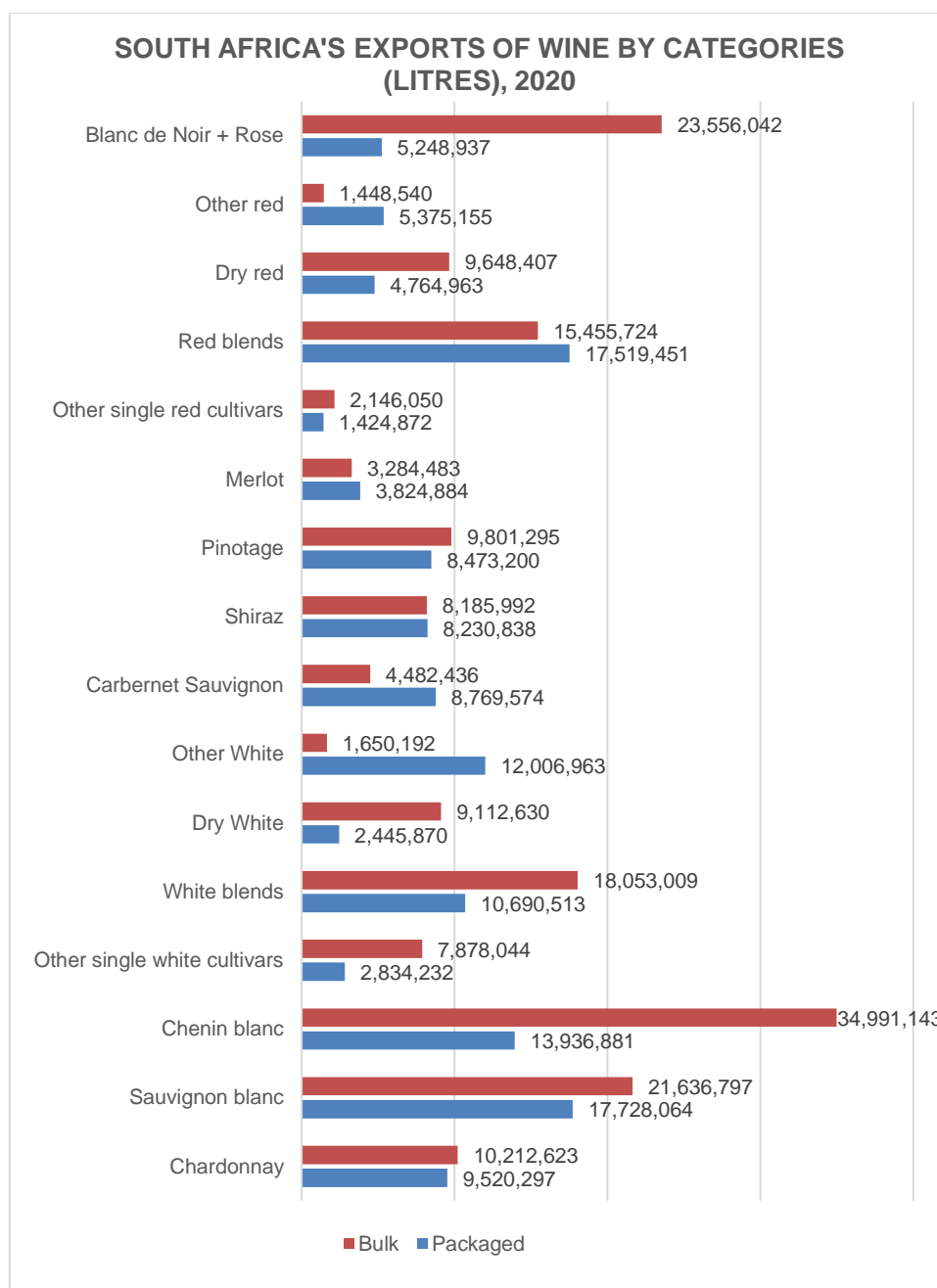
The figure below shows South Africa's exports of wine by categories between 2018 and 2020. South Africa's total wine exports decreased from 2018 to 2020 for all the categories of wine. That said, white wine still constitutes a large part of the exports followed by red wine.

6



Source: SAWIS, 2020

The figure below shows South Africa's detailed exports of wine by categories between 2018 and 2020, for both bulk and packaged wine.



Source: SAWIS, 2020

Export Markets

The largest export market for South African wines is the United Kingdom, followed by Germany, and the Netherlands. The largest growth has been recorded in the Belgium export market (8.39%) for the period 2016 to 2020. The top import source markets are shown below in the second column. France in first position, followed by Italy and Argentina in second and third place, respectively. The largest growth has been recorded in the import of wines from Argentina for the period 2016 to 2020 (764.62%)

The table below shows South Africa's top 10 wine export markets and top 10 wine import source markets in 2020.

SOUTH AFRICA'S TOP EXPORT MARKETS, 2020					SOUTH AFRICA'S TOP IMPORT MARKETS, 2020				
RAN K	DESTINATION MARKETS	VALUE 2020 (ZARm)	% GROWT H 2016 - 2020	% SHARE	RAN K	SOURCE MARKETS	VALUE 2020 (ZARm)	% GROWT H 2016 - 2020	% SHARE
1	United Kingdom	2019.77	6.33%	20.05%	1	France	329.62	8.04%	79.83%

2	Germany	1230.17	4.42%	12.21%	2	Italy	35.88	10.12%	8.69%
3	Netherlands	889.96	4.24%	8.83%	3	Argentina	15.39	764.62%	3.73%
4	United States	656.03	5.01%	6.51%	4	Portugal	10.07	4.07%	2.44%
5	Namibia	546.91	5.17%	5.43%	5	Not allocated	7.96	33.19%	1.93%
6	Canada	496.01	2.37%	4.92%	6	Spain	5.98	205.92%	1.45%
7	Sweden	472.61	-1.81%	4.69%	7	Germany	1.94	63.42%	0.47%
8	Denmark	439.58	4.77%	4.36%	8	United Kingdom	1.34	-9.24%	0.33%
9	Belgium	332.97	8.39%	3.30%	9	New Zealand	1.19	4.79%	0.29%
10	China	290.47	-7.50%	2.88%	10	Australia	0.82	-7.94%	0.20%
TOTAL EXPORTS		10075.95	2.62%	100.00%	TOTAL IMPORTS		412.90	10.58%	100.00%

Source: Quantec, 2021

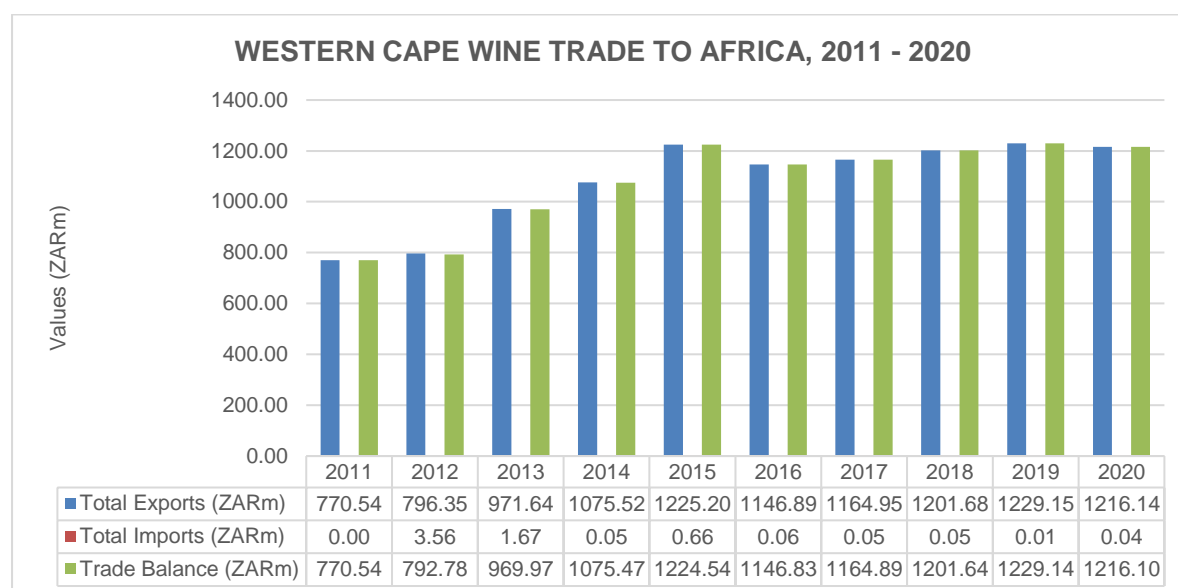
South Africa's top export markets for wine in Africa are shown in the table below. It is important to note that some countries are either members of the Southern African Customs Union (SACU) or the Southern Development Community (SADC) or members of both. Namibia was South Africa's top export market in Africa in 2020, at a value of USD546.91m, and accounting for 35.89% of all exports to Africa. Botswana placed second (USD130.43m) accounting for 8.56% of exports to Africa, with Tanzania the third largest export market (USD114.17m), accounting for 7.49% of all exports to Africa.

SOUTH AFRICA'S TOP EXPORT MARKETS IN AFRICA, 2020				
RANK	DESTINATION MARKETS	VALUE 2020 (ZARm)	% GROWTH 2016 - 2020	% SHARE
1	Namibia	546.91	5.17%	35.89%
2	Botswana	130.43	11.48%	8.56%
3	United Republic of Tanzania	114.17	6.96%	7.49%
4	Kenya	113.42	2.41%	7.44%
5	Zambia	93.96	10.69%	6.17%
6	Nigeria	78.38	8.53%	5.14%
7	Mozambique	68.26	-14.72%	4.48%
8	Lesotho	51.41	16.21%	3.37%
9	Zimbabwe	50.77	7.74%	3.33%
10	Mauritius	35.38	-6.10%	2.32%
TOTAL EXPORTS		1523.94	0.33%	100.00%

Source: Quantec, 2021

5 Western Cape's Trade of Wine

The figure below shows the Western Cape's trade of wine for the period 2011 to 2020. In 2020 the Western Cape's wine exports declined by 1.06% from a value of ZAR1,229.15m in 2019 to ZAR1,216.14m in 2020.



Source: Quantec, 2021

The figure below shows the Western Cape's top export markets in Africa in 2020. Namibia is the top export market in Africa in 2020 at a value of ZAR490m, and accounting for 18.96% of all exports to Africa. Kenya is second (ZAR111m) accounting for 12.51% of exports to Africa. Botswana is the third largest export market (USD87.05m), accounting for 8.38 of all exports to Africa.

TOP 10 AFRICA MARKETS FOR WESTERN CAPE WINE EXPORTS BY VALUE (ZARm), 2020				
RANK	MARKERT	VALUE (ZARm)	SHARE	GROWTH 2016 - 2020
	Africa	1 216	100.00%	-0.09%
1	NA: Namibia	490	18.96%	4.90%
2	KE: Kenya	111	12.51%	3.86%
3	BW: Botswana	104.05	8.38%	9.20%
4	TZ: United Republic of Tanzania	87.74	7.63%	12.73%
5	NG: Nigeria	77.63	5.70%	9.30%
6	MZ: Mozambique	47.48	5.23%	-5.04%
7	LS: Lesotho	36.36	5.00%	33.80%
8	ZM: Zambia	33.98	4.16%	19.33%
9	MU: Mauritius	33.67	2.78%	-7.17%
10	UG: Uganda	29.58	2.73%	4.57%

Source: Quantec, 2021

The Price of Wine in South Africa in terms of Value

The table below displays the market prices of different quality types of wine sold in South Africa.

Year	Low Price	Basic	Premium	Super Premium	Ultra-Premium	Total Wine
*	<R30	>R30 – R48	>R48 – R72	>R72 – R108	>108	
2018	190 960 813	127 115 328	27 076 038	22 969 791	19 015 100	378 137 070
2019	249 889 263	60 981 790	18 495 046	17 358 547	16455 748	363 180 421

Source: SAWIS, 2020

Note: *2018 retail price per litre, a 20% profit margin is added to the wholesale selling price to determine the retail selling price

High priced wine is classified as all wine selling at prices above R35.00 per 750ml.

Medium priced wine is classified as wines selling in the R22.00 to R35.00 (per 750ml) price range and most of the boxes.

5L boxes selling for less than R125 are classified as standard price.

Excise Duties

The table below displays the excise duties applied to different categories of wine sold in South Africa.

WINE (R/LITRE)	DATE ADJUSTED				
Product	22.2.17	21.2.18	20.2.19	26.2.20	24.2.21
Sparkling wine	11.46	12.43	13.55	14.36	15.51
Still wine	3.61	3.91	4.20	4.39	4.74
Fortified wine	6.17	6.54	7.03	7.34	7.92

Sources: SAWIS, 2020

Value-Added Tax (VAT)

The table below displays the value-added tax applied to consumer products sold in South Africa.

30/9/1992 – 6/4/1993	10%
7/4/1993 – 31/3/2017	14%
1/4/2018	15%

Sources: SAWIS, 2020

Tariffs applied to South Africa Wine

The table below displays various tariffs applicable when exporting South African wine to various countries in Africa.

TARIFF FACED BY SOUTH AFRICA IN THE EXPORT OF WINE (HS 2204 – WINE OF FRESH GRAPES, INCL. FORTIFIED WINES)	TARIFF FACED BY SOUTH AFRICA (%)
Namibia	0
Mozambique	0
Kenya	24.9
Tanzania, United Republic of	0
Zambia	0
Nigeria	20
Mozambique	0
Lesotho	0
Mauritius	0

Eswatini	0
Zimbabwe	10
Ghana	20
Democratic Republic of the Congo	18
Angola	30
Uganda	24.9
Seychelles	0
Madagascar	0
Senegal	20
Côte d'Ivoire	20
Cameroon	29.6
Rwanda	24.9
Sudan (North + South)	40
Liberia	13.5
Ethiopia	35
Benin	20
Sierra Leone	30
Algeria	30
Gambia	20
Congo	20
Djibouti	26
Tunisia	36
Burundi	24.9
Gabon	29.1
Chad	29.6

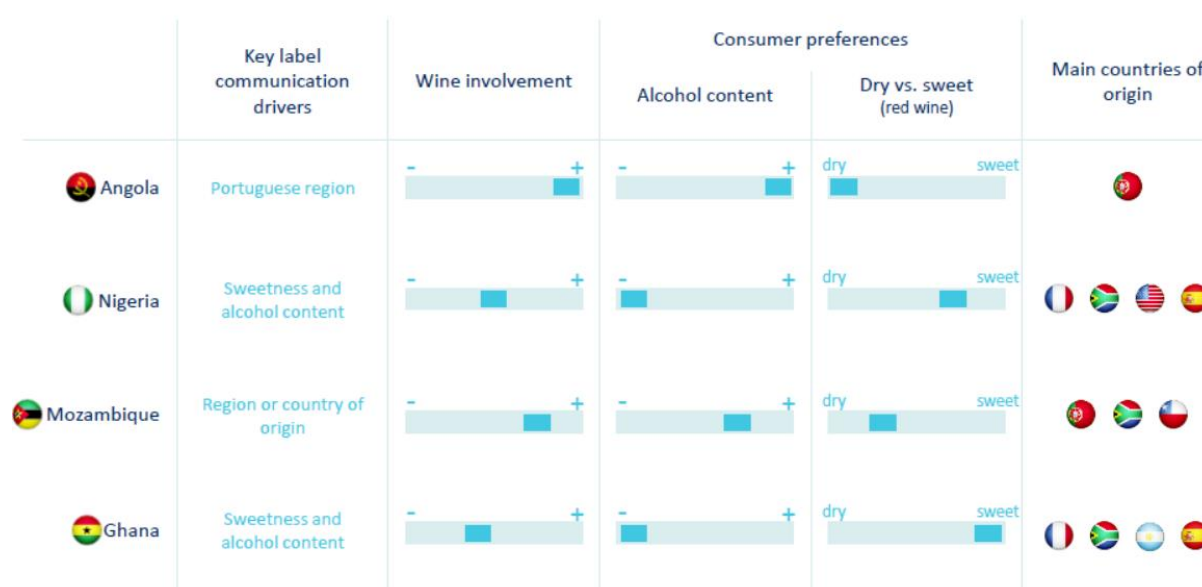
Source: Trademap, 2021

6 Opportunities for South African Wine in Africa

Overview

- Nigeria is the third largest market for imported wine within the set of Sub-Saharan markets
- Angola, Ghana, Nigeria and Mozambique consume 52% of the total imported wine in Africa
- Colonial influence plays a major role in consumer behaviours when it comes to wine. Portuguese-ex-colonies have higher involvement in wine and with a predominance of Portuguese brands. But English ex-colonies have less involvement and a broader spectrum of countries of origin
- Ghana, Nigeria, Namibia, Kenya and Tanzania have a British influence. Ivory Coast, Cameroon and Gabon have a French influence. While Angola and Mozambique have a Portuguese influence.

Figure: Key differences in wine consumption - Opposite styles between Portuguese-speaking and English-speaking countries



Sources: SAWIS, 2016

6.1 Nigerian Wine Market

Overview

- Nigeria's dependence on oil exports drove the country into an economic crisis leading to serious currency issues. At the moment, official and unofficial rates between the naira and the dollar are in place
- Regardless of the current crisis, the feeling is that it will soon be over and the future is bright for Nigeria
- Volume consumption has been dropping since 2013 and South Africa is the country of origin with the highest fall for still light wine. At the moment South Africa has 6% market share. Sparkling wine market is valued higher than still light wine market and South Africa only has 2% market share
- Sweeter styles of red wine are the most successful and most consumed and consumers typically go for lower levels of alcohol content. Many believe that wine brings health benefits. There is an opportunity for targeting those aged between 18 and 45 as wine is becoming more mainstream
- South Africa has good positioning in the formal on-trade, and is recognised as having good taste and good margins of profit, but not as aspirational
- There is an opportunity to increase volume in the informal channel, where 78% of all wine is being sold (mostly Spanish), and where South Africa only has around 5% market share. Also, Addide, a large chain of mini-markets serving suburban areas is not currently selling any South African wine
- Increasing the awareness through advertising, and promoting more tasting opportunities (e.g., promotions, in-store tastings) were highlighted as the most important action.

Source: SAWIS, 2016

Nigeria consumer analysis

- Sweet reds with lower alcohol is the most successful wine style
- Volume is drunk by men between 40% and 60% in more southern regions in Nigeria – more Christian
- Wine growth is driven by belief in its health benefits
- Sparkling wine is showing growing success
- Dry white is more popular among women
- Red wine occupies most of the shelf space (70%) reflecting Nigerian consumers; rose wine is 10% and white wine with 20% (SAWIS, 2016).

Sources: SAWIS, 2016

Main styles and opportunities

Wine Type	Opportunities
Red Wine	<ul style="list-style-type: none"> • It is what most people drink • Sweeter styles are more successful • Opportunity to target red wine at those aged 18-45
White Wine	<ul style="list-style-type: none"> • Opportunity to grow among females
Rose Wine	<ul style="list-style-type: none"> • Has a huge potential • Viewed as aspirational drink as champagne is unaffordable by most

Sources: SAWIS, 2016

Distributional channels for wine in Nigeria

	On- traded	Off-Trade
Formal Channel	<p>Formal restaurants are more concentrated in city centres near wealthier areas and many cuisines from local sea food to Italian pizzerias can be found.</p> <p>Hotels, bars, and lounges: Most hotels, bars and lounges are found in the city centres and are targeted at a more upscale consumer. A lot of new concepts and trendy places with live music are appearing all over Lagos</p>	<p>Supermarket chains: In wealthier areas, some international supermarket chains (e.g., Shoprite) can be found with a diverse offer of wine. Local mini-market chains (e.g., Addide) are found in the suburbs</p> <p>Individual supermarkets: Typically owned by the Lebanese community in city centres</p>
Informal Channel	<p>Local restaurants: These will be found in the suburbs and lower end areas and consist of small restaurants serving local food (e.g., catfish). Little wine is sold there although usually there will be a couple of random bottles available</p> <p>Open markets: Massive markets selling all sort of products including wine.</p>	<p>Wholesalers Typically consisting of warehouses with no temperature control –this is where the wine will be available at lower cost</p> <p>Street shops Thousands of street shops can be found in open markets and randomly in the streets</p>
Events	Weddings are a very important channel and the main events occurring in Nigeria. In recent years it has become common and trendy to offer wine to guests, which will typically be bought in the open markets	

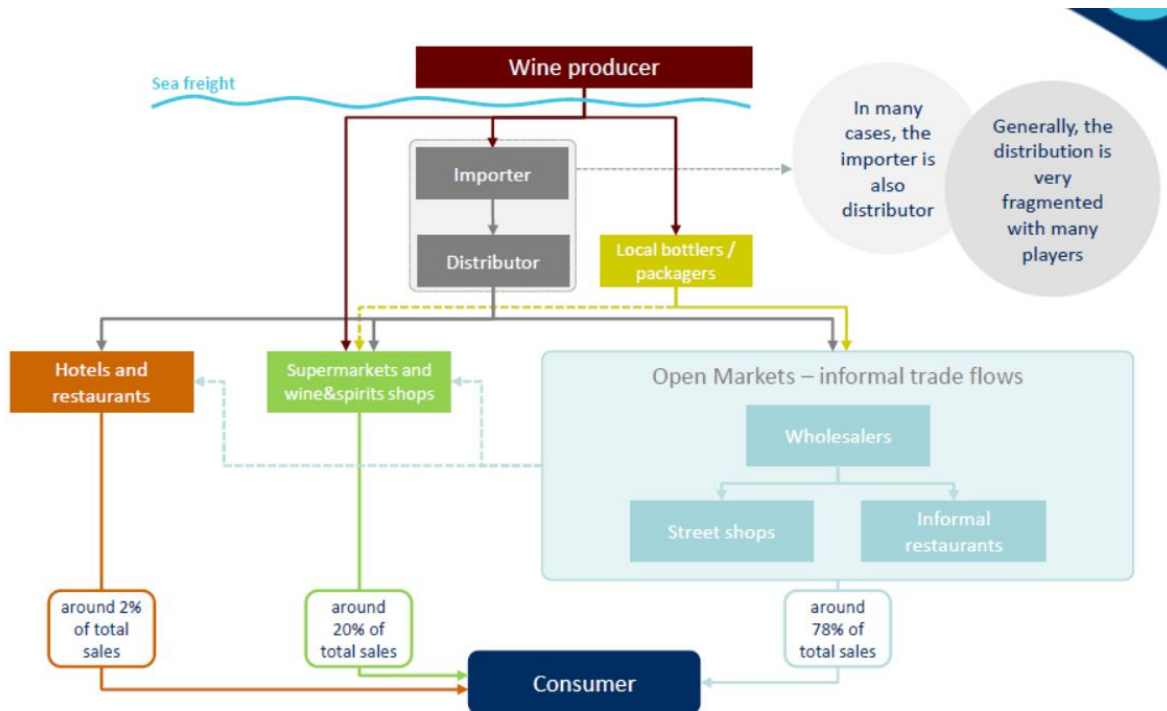
Sources: SAWIS, 2016

Key logistics issues

- In-port logistics can be very time consuming
- Poor road conditions
- Traffic
- Fuel scarcity at the moment
- Cost of transporting to north-eastern Nigeria
- Harassment from local police officers

Sources: SAWIS, 2016

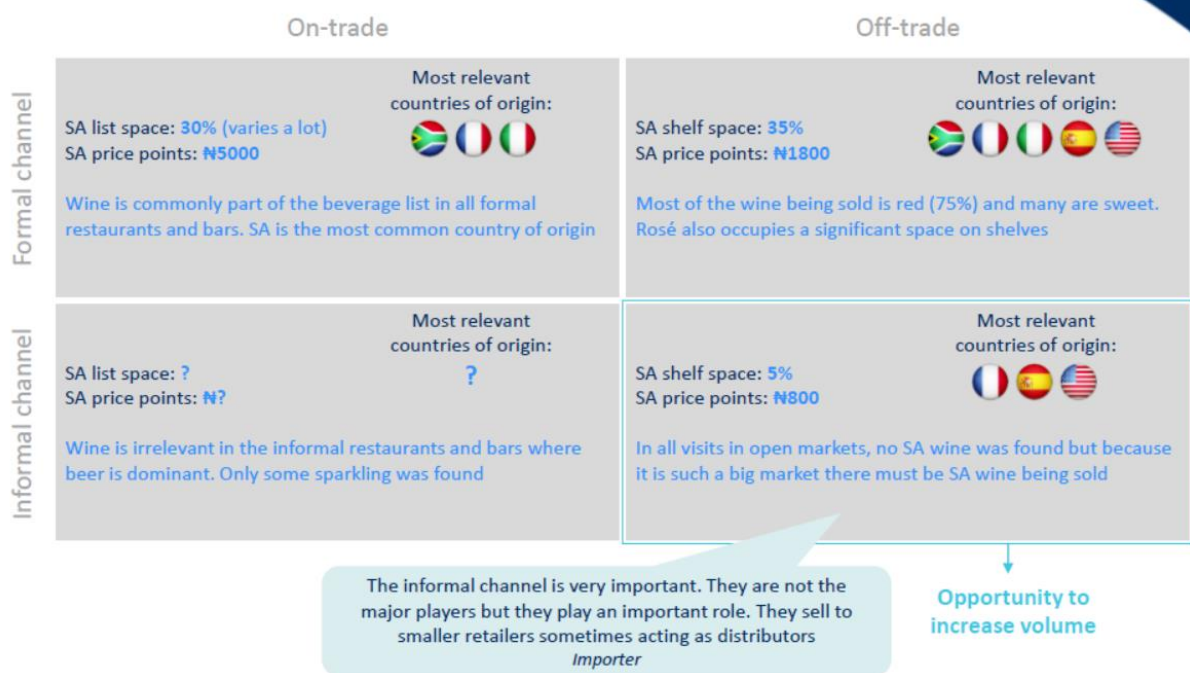
Figure: Distribution structure



Sources: SAWIS, 2016

Opportunities for South African Wine

Figure: South African wine performance in each channel



Sources: SAWIS, 2016

South African wine seen as good quality wine with good profit margins and with room to grow – especially in the informal channel

Perception towards SA wine (SAWIS, 2016):

- Producers of good tasting wine: SA wine is viewed as being good quality and a more premium option in the market, but not the most premium or aspirational
- Not aspirational enough: For aspirational consumers, SA wine does not give off enough of a status symbol
- Seen as high alcohol content wines
- SA produce a good margin of profit: Compared with wines from Europe, wines from South Africa are able to make better profit margins due to source cost
- Room to grow: There is space in the market for SA to sell

Challenges and entry opportunities

- Not evenly distributed / Dependence on retailers?
- Strength in supermarkets suggests high dependence on retailers that import directly from South Africa
- Not very relevant in the informal channel, where volume is made
- No presence in the mini-market chain Addide

Source: SAWIS, 2016

Figure: The trade suggests South African wines should increase awareness in order to boost sales



Sources: SAWIS, 2016

6.2 Angolan Wine Market

Overview

- Angola has a well-established wine drinking culture and is one of the largest markets on the continent for wine and spirits, where about 95% of consumption is red wine.
- Angola accounts for 32% of all wine exports to Africa, more than three times exports to Cote d'Ivoire and Nigeria.
- Although wine production in Angola is still in its infancy and the only company currently operating in the domestic commercial wine making segment is Sociedade Agro-Pecuária de Angola, which produces the 100% Angolan label Serras da Xixila.

Source: SAWIS, 2016

Angola main suppliers of wine (all wine)

- Angola imports most of its wine from Portugal and is the third-largest export destination for Portuguese wines, according to Portugal's Institute of Vines and Wines
- In 2018, Portugal's wine exports to Angola totalled 22.7 million litres, down from 62.6 million litres in 2014. Portugal dominates in both the bottled wine sector with 95% market share and bulk wine sector with more than 51% market share.
- Spain is the other leading supplier of bulk wine with 49% of the market.
- South Africa dominates the sparkling wine market with 83% market share, mainly by producer JC Le Roux.
- South Africa is the country of origin for nearly 10% of wines sold in the Angolan market.
- In 2018, wine exports from South Africa amounted to 2.1 million litres (sparkling wine accounted for over 1.5 million litres of this), down from 6 million litres in 2014.
- The South African sparkling wines, JC Le Roux and La Domaine, are Angola's most popular sparkling wine brands.
- Key players operating in the wine and spirits segments include the following companies: Pernod Ricard Angola, Distell Angola, Diageo Angola, Refriango; Kicando Comercio Geral e Agropecuaria; Indústrias Alimentares Reunidas (INAR), Kicando Comercio Geral e Agropecuaria and Sicasa.

Sources: SAWIS, 2016

Distribution Channels for Wine

In Angola, the country's so-called "open window" wholesale trading system dubbed "Janela Aberta", co-exists alongside formal wholesalers such as Mega Cash and Carry and Alimenta Cash and Carry. In most cases, the Janela Aberta acts as the wholesaler, supplying traders who ply their wares in Angola's informal open markets.

The formal retail market comprises a wide range of outlets that includes high-end speciality stores, such as Gourmet de Belas and Casa dos Frescos, as well as convenience stores, supermarkets and hypermarkets.

Major retailers in Angola include Shoprite and Usave, Zahara Trade trading as Kero, Nosso Super, Jumbo, Teixeira Duarte trading under the Maxi and Dakaza brands, Pomobel Lda, Score Distribuicao and Webcor's Kamba supermarket chain.

Although informal trading in open markets remains the norm in Angola, demand for modern retail facilities have risen significantly and numerous retail centres have been developed during the past five years. The trade in beverages is largely dominated by major Angolan, Portuguese and South African grocery retailers. The tougher trading environment has seen South African-based Spar Group, which opened its first store in the second half of 2014, exit after two years. Shoprite, which has 22 stores, said in 2019 that it was struggling with hyperinflation in Angola. Both Woolworths and Massmart, which earlier indicated they would enter Angola, have since scrapped these plans.

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

Several ways to access the wine market in Angola, depending on the end retailer:

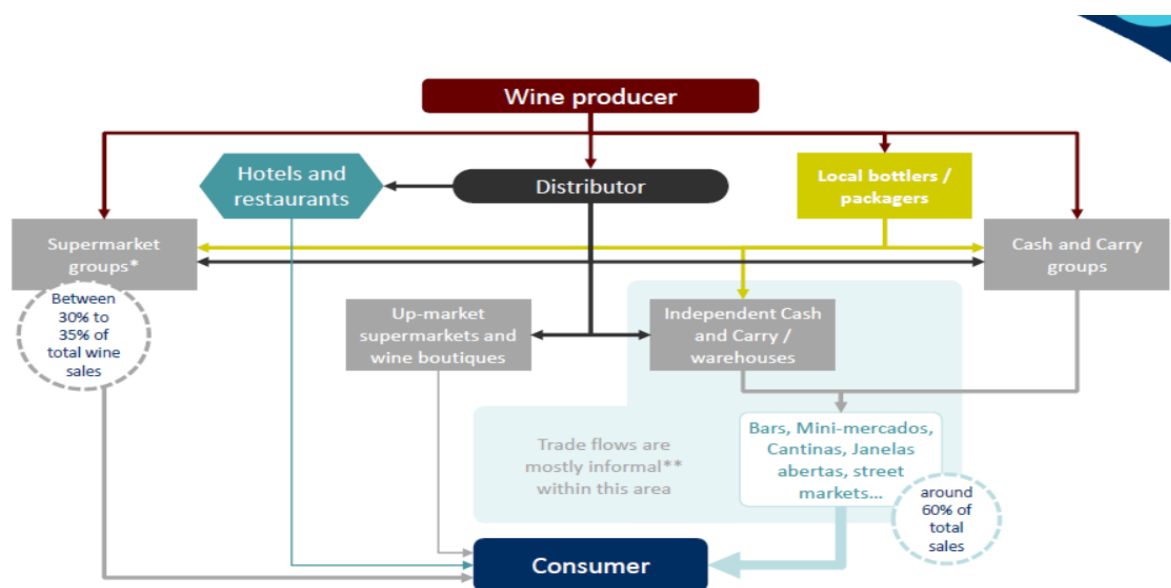
- Appointing a distributor to act as an intermediary in Angola
- Direct sales to key rattlers
- Direct sales to the major cash and carry operations
- Selling bulk wine to the bottlers and packagers of local brands

Pros and cons - depending on the level of integration wine producers in South Africa want in the market

- Retailers and cash and carry operations usually work through distributors in Angola, except where they have a leading brand. In these instances, they may prefer to deal directly as it cuts middlemen costs and makes them more competitive in the market. The key retail groups in Angola all have sourcing agents in Portugal that sources goods for them, including wine and suppliers generally have to register with them once the retailer or cash and carry local buyer has approved the product.
- Distributors are increasingly looking to globalise their ranges, in particular stocking more 'Ne World' wines from the likes of South Africa and Chile. However, several distributors in Angola represent only Portuguese wines, beverages and other products, meaning that suppliers need to be selective over their chosen partners
- Bulk wine sales are very cost sensitive and South African producers probably do not have the cost structures in place to compete at this end of the market. The packagers of bulk wine are also tied very closely to Portuguese suppliers and supply chains, making it difficult to break into this space.

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

Figure: Structure of Distribution in Angola



Sources: SAWIS, 2016

Formal retail includes:

- Supermarkets, cash and carry operations and independent cash and carry. It is estimated that for this sector, roughly 70% of wines sold are bottled red wines, 10% boxed red wine, 10% sparkling wine and 10% white and vinho verde.
- Supermarkets sell the majority of bottled wine direct to the consumer and account for roughly 30% to 35% of total sales in the country.
- Cash and carry operations sell to the trade and small retailers, mostly informal sector. Up to 90% of wine is red wine, with 7% vinho verde and 3% white wine (excluding sparkling).
- Mini-Mercados and Janelas Arbetas – there are thousands of these dotted all over the city, selling small volumes of wines and they are typically very small shops in less central areas. Wines are on average 20% to 25% more expensive for the same product as in the cash and carry outlets.
- Up-market supermarkets – stocked wines are roughly evenly split between red and white, almost all the wines being Portuguese.

- Wine Boutiques: There are not too many of these as yet, but it is a growing trend and they service the up-market segment with premium wine only. Portuguese red wines dominate, along with French champagne.
- Hotels and Restaurants: Sell the full spectrum of wines and champagnes depending on location and target market. Prices are generally three times those in the stores.

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

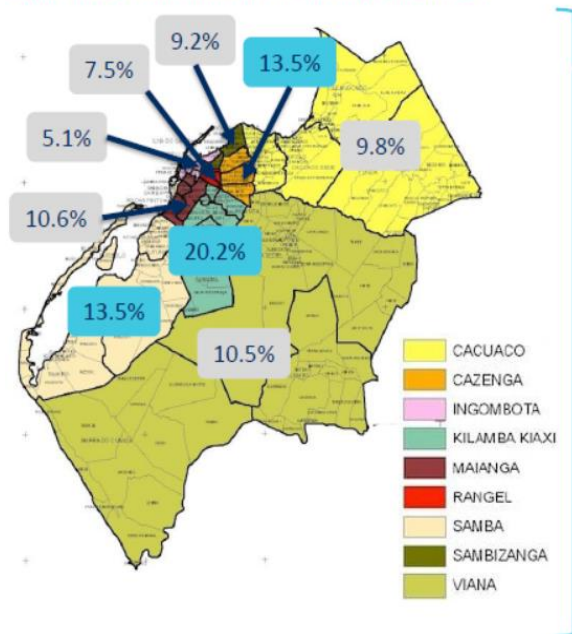
Angolan Wine Consumer

1 in 5 Angolan consumers over age of 18 drink bottled wine. This equates to a market of roughly 2.7 million Angolans. 31% of these are female and 69% are male.

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

Location of wine drinkers in Province of Luanda

Location of wine drinkers in Province of Luanda



Almost 50% of the wine drinkers surveyed reportedly live in the three municipal districts of **Cazenga**, **Kilamba Kixi** and **Samba**.

- **Cazenga** is home to just over 1.2 million residents of which one-third are under the age of 24. It is densely populated with 9.3 people per household. It is the fourth most populous municipality in Luanda.
- **Kilamba Kixi** is a flag-ship social development project that saw 20,000 apartments in 710 buildings being built from scratch over a period of 3 years from 2010. Built by the Chinese, the development is located 20km from the city centre. The units are being sold off and the area is attracting middle income earners from Luanda's growing middle class. The development will house an estimated 120,000 people.
- Centrally located and incorporating the Bay of Luanda, **Samba** is home to around 700,000 residents. The population of this district is growing rapidly as it is experiencing a high level of residential development taking place and the existing "musseques" are in transition. The area is attracting more middle income earners.

Sources: SAWIS, 2016

Behaviours of consumers

- Angolans overwhelmingly prefer red wine to white wine. It suits their palate and the food that they eat, which is very based in Portuguese cuisine
- Wine is part of everyday life for Angolans from all walks of life. The wine market is more developed Angola than in other countries in the region
- High-alcohol content wines are preferred and some producers highlight the content as a sales pitch – wines of 14% and above are well regarded
- There is a growing appetite for wine as the middle class grows in numbers and buying power, so will demand for higher priced wine and aspirational brands - these are largely associated with Portugal;
- Sparkling wine has become very popular since JC Le Roux entered the market.

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

South African Wine in Angola

South African wines are good quality, but are not well known in Angola

- This was the general view from buyers and retailers, although there is a sentiment that because so many Angolans have been travelling to Namibia and South Africa, they probably do know South African wines better than expected
- However, South African wine producers need to do much more to raise the profile of South African wines in Angola, where the comfort levels with Portuguese products is very high
- Consumers say that South African wine is very different even though they enjoy Portuguese
- There is a strong identify with Portuguese wine being sophisticated - there is no such link for South African wines , so no aspiration link - which is very important in Angola
- The notion that SA's historical baggage in Angola is a problem is simply not true anymore, especially in the mass market

South African wines should compete very well in the lower to middle price bracket

- Buyers who are familiar with premium brands from South Africa believe that they can definitely compete in the market with the correct support

South African wines have a problem because they are cultivator-based

- Most Portuguese wines are blends, from regions of Portugal and consumers are used to buying on this basis
- The links in with both the bling or aspirational advantage that Portuguese wines have as well as insecurity of not being able to identify wines because they are cultivator, rather than regionally based

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Other

- The names can be difficult for consumers to remember and identify with
- Agents who stock South African wines have a very limited range
- The SADC FTA should boost wine exports of South African producers

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

Suggested Market Entry strategies

More retailers stressed the need for a strong agent in Angola to assist with getting products onto shelves, branding and marketing

- South African wines will not make significant headway in the market against Portuguese products without this
- Shoprite would prefer to work directly with wine producers from South Africa in order to cut out the middlemen and thus provide a more competitive price in the market

Profiled: JC le Roux and Nederburg have a very high profiles in the market - others do not

- Marketing of 'SA Inc.' from a wine perspective, as well as individual brands, is very important and it must be done on a regular basis
- It must include regular tastings, promotions, gifts and branding and other tools used in wine markets in other countries

Inward visits to South Africa

- Several key buyers in Angola have either visited South Africa or intend to visit in order to scout for wines and understand the sector better
- The industry should remain in constant contact with key distributors and retailers to ensure that such visits are maximised

Promotional hampers

- Kero and Maxi have both floated the idea of stocking South African hampers at Christmas and Easter that would contain a range of South African products such as wines, chocolates, cheese, olives.
- This could be done in conjunction with other promotional events as well, both in-store and independently

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

For the bulk of the market the key selling points are:

- Quality and price – a good mix of this will ensure strong sales
- Labelling should be attractive, although this is not easy to get right
- Labelling should be in Portuguese as well, both by law and for the consumers.
- It is a competitive environment and new entrants must be prepared to market their products and market consistently in order to get noticed
- South African wines are well regarded by those who know them – but they are drowned out by the sheer volume of Portuguese products, hence the need to consistently market
- There is an opportunity to supply far higher level of bottled wines in Angola, if producers have the will to enter the market and engage with the market on its terms

Sources: SAWIS, 2016; WhoOwnsWhom, 2019

6.3 Mozambique Wine Market

The alcoholic beverages sector, commonly known as the liquor industry, is generally divided into three main segments:

- Beer, including sorghum and cassava-based beers, lagers, craft beers and brewed ales, as well as malt and other malt liquors;
- Wine; and
- The distilling, rectifying and blending of spirits, which are segmented into white spirits such as vodka and gin, brown spirits such as brandy, rum and whisky and liqueurs and flavoured alcoholic beverages, including RTD beverages such as spirit coolers and ciders.

Sources: *WhoOwns Whom, 2021*

Size of the industry

- According to the World Health Organisation (WHO), beer accounted for 79% of pure alcohol consumed in Mozambique in 2016, followed by spirits (12%) and wine (8%).
- Figures provided by Distell from user assessment studies reveal that about 7.8 million Mozambicans regularly consume alcohol. Of these about 4 million (51%) drink mainly beer, 2.4 million (31%) spirits and 1.4 million (18%) wine.
- Although the Mozambican wine segment is still relatively small, demand for sparkling wine, cheap red wine and premium wine labels, is rising steadily. Foreign tourists continue to drive the growth in consumption. Most of the wine consumed in Mozambique is imported from South Africa and Portugal.
- The volume of wine imports from Portugal dipped to 1.2 million litres in 2018 from 1.3 million litres in 2017, according to Portugal's Institute of Vines and Wines.
- Over the same period, imports of South African wine declined to 970,000 litres (of which 45% was white, 30% red and 25% sparkling) from 1.2 million litres, according to statistics from SA Wine Industry Information and Systems.

Sources: *WhoOwns Whom, 2021*

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Wholesale and Retail

Formal trading remains underdeveloped in Mozambique, particularly in the smaller towns and rural areas. Although modern shopping malls are mushrooming in urban areas, informal market traders significantly outnumber mainstream wholesalers and retailers. Local beverage manufacturers and importers supply mainstream retail outlets and the informal trade. As mentioned, leading retailers include Shoprite, Spar, Woolworths and Game. High-end speciality beverage retailers include Casa dos Vinhos and Socimpex.

Sources: *WhoOwns Whom, 2021*

Branding, Advertising and Marketing

- Marketing plays a key role in the value addition chain. Marketers across Africa are increasingly seeking to align brand stories with national identities in order to penetrate local markets and build brand loyalty.
- In Mozambique, localised marketing and advertising campaigns are commonly used to create brand awareness. International festivals are also regarded as an effective marketing platform.
- Maputo is the host-city for a number of annual events. The 55th Maputo International Fair (Facim) trade show took place in August 2019. The 2018 event was attended by 1,386 exhibitors from more than 24 countries and 40,000 visitors.

Sources: *WhoOwns Whom, 2021*

Barriers to Entry

Informal micro and small-scale producers of home brews and local spirits are generally able to engage in low value-added processing with low overheads, little capital and simple tools. However, establishing a commercial operation is significantly more challenging. Barriers to entry include the following:

- Commercial beverage manufacturing is capital intensive and technologies have to be imported;
- Mozambique is highly dependent on imports;
- Access to credit can be challenging;
- There is widespread corruption;
- Inadequate infrastructure, poor service delivery, erratic power and water supply, and bandwidth and network connectivity which are either absent or unreliable;
- Operational costs are high; and
- There is a shortage of skilled labour.

Sources: *WhoOwns Whom*, 2021

6.4 Ghana Wine Market

There are four main types of beverage alcohol: molasses/cane sugar-based, grain-based, fruit-based and agave-based. The alcoholic beverages sector, or liquor industry, is divided into three main segments.

- The distilling, rectifying (purification of alcohol) and blending of white spirits, such as vodka and gin; brown spirits such as brandy, rum and whisky; liqueurs and flavoured alcoholic beverages, including ready-to-drink beverages such as flavoured wine and spirit coolers (also known as alcopops), hard seltzer (alcoholic sparkling water), cider (an apple-based drink) and perry (a fermented pear-based drink).
- Beer, including sorghum and cassava-based beers, lagers, craft beers and brewed ales, as well as malt and other malt liquors.
- Grape wine, which is wholly imported, as the local climate is not suitable for production.

Sources: *WhoOwns Whom*, 2021

Wholesale and Retail Trade

Ghana's formal wholesale market comprises an extensive network of distributors and "cash and carry" outlets that supply small traders, convenience stores, supermarkets, hotels, bars, clubs and restaurants. A number of importer-distributors supply international brands to specialist retail stores, hotels, restaurants, bars and social clubs.

Retailers include specialist liquor stores, non-specialist retail outlets, such as Shoprite, Melcom Superstores and Massmart, and increasingly, ecommerce sites. With over one million subscribers in Ghana and more than three million monthly visitors, Jumia is the country's largest online retailer of alcoholic and non-alcoholic beverages.

Ghana's large beverage manufacturers play an active role in the distribution of their products to their consumers. Coca-Cola has been particularly proactive in this regard and has developed innovative strategies to overcome infrastructural challenges and inadequacies in the underdeveloped retail sector. The company's initiatives include supplying vendors with refrigerators and/or with bicycles fitted with coolers. At street markets, commercially-produced beverages are sold along with traditional drinks. Counterfeit products and illegal liquor are prevalent and present an ongoing challenge to the Ghanaian beverages industry (WhoOwns Whom, 2021)

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State of the industry

- With consumption averaging less than 10 million litres per annum, the domestic grape wine market is small.
- With annual revenue averaging around US\$70m, Ghanaian-owned Kasapreko is a major player in West Africa. The ISO 2000-certified manufacturer produces herbal bitters whiskies, gins, liqueurs and tonic wine for the domestic and export markets. Its flagship brand is Alomo Bitters, which dominates the spirits market. Other brands include Kasapreko Gin, K20 Whisky and Carnival Strawberry Liquor.
- Other notable players include specialist wine importer, distributor and retailer, Sai Wine Café, and Nkulenu Industries, which supplies and exports palm wine.

Sources: *WhoOwns Whom*, 2021

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