

# SA wine industry remains resilient despite many challenges

The South African wine industry was hit hard by the Covid-19 pandemic and will still take a few years to fully recover. However, through a necessity to revive, recover and rebuild, wine businesses are undergoing a mind shift in the way they do business and the industry has fast-tracked tools aimed at becoming more robust, adaptable, competitive and sustainable.



Source: Kelsey Knight via [Unsplash](#)

This was the message at the 16th annual Nedbank Vinpro Information Day, which was attended by close to 450 virtual and in-person delegates at Allée Bleue Wine Estate, Franschhoek, on 20 January 2022. The event was sponsored by Nedbank Business Banking for the 15th year, with a financial contribution by Old Mutual.

## The landscape

"The wine industry still faces harsh realities while recovering from the after-effects of Covid-19," says Rico Basson, Vinpro MD. Glass shortages, export and import challenges at Cape Town harbour, the contrast between a 15% spike in farm cost inflation and a 3 to 5% wine price increase, as well as a growing illicit market are some of the issues that have a significant effect on the entire wine value chain.

"The South African economy has not performed noticeably worse than other emerging market throughout the pandemic, with activity imploding in 2020, before rebounding in 2021," says Nicky Weimar, Nedbank Group chief economist. However, the economy remains below its pre-pandemic levels. Consumers have become thrifter than before the pandemic, maintaining savings while keeping borrowing in check. Economic growth is expected to moderate to 1.7% and 1.8% this year and next year respectively, trending to a softer 1% in 2024. "We're still stuck in the downturn we were in before Covid-19 hit."

Policy uncertainty and political instability among the ruling party is expected to continue in 2022 and beyond, however it provides an opportunity for change. "The more severe a crisis is, the greater the chance for people to awaken and do something about it," says political analyst Mpumelelo Mkhabela. "South Africans are increasingly holding government accountable for their shortcomings, which can bring about positive change and stability."

Despite the challenges, wine businesses have endured. The industry has managed to reduce the uncontracted wine stock from 200 million litres at the end of 2020 to 60 million litres at end 2021 – in part by allocating wine grapes to grape juice concentrate. This, which along with a smaller wine grape crop (as estimated by SAWIS) may relieve downward price pressure. Wine export volumes and value have also shown good growth in 2021, particularly in traditional markets such as the UK, while diversifying into the US, China and Africa.

"While we commend our producers and cellars for their resilience and tenacity, without innovation we cannot move forward. The wine industry has a clear growth path (Wine Industry Strategic Exercise) towards 2025 which will, in close collaboration with relevant government departments and other stakeholders, create an environment for recovery and growth," says Basson.

## **Upping the wine tourism game**

"Wine tourism is one of the key drivers of the industry's strategic growth plan, which aims to attract international visitors and expand wine's local fan base throughout all wine regions to grow revenue, create employment and upskill staff," says Marisah Nieuwoudt., Vinpro wine tourism manager.

Wineries can improve their competitiveness by benchmarking itself against existing and future wine tourism intelligence figures in terms of composition, visitor statistics, expenditure and more.

A free online Wine Tourism Toolkit can also help them develop their signature experience, while resources and workshops on direct-to-consumer (DTC) marketing and sales provide clear guidelines on how to engage with consumers and visitors. Following a skills audit, a learning and development strategy for wine tourism kicked off at the end of 2021 to help wine tourism destinations increase the capabilities of their people.

## **Consumer trends to watch**

Just as in South Africa, global wine sales volumes have started recovering, but not yet to pre-pandemic levels. However, the wine category can take its cue from consumer trends linked to strong growth in ready-to-drink (RTD) product sales.

"Consider the serving size, style, packaging and the fact that RTDs are usually chilled, carbonated and mostly blends," says Lulie Halstead, Wine Intelligence CEO.

The regular wine-drinking population is decreasing, but consumers are becoming more engaged and premium-oriented, supported by an increase in at-home drinking occasions. "As consumers lean towards local and sustainable products, create trust and establish a personal connection in your storytelling, while emphasising the fact that wine is a natural product," says Halstead.

Millennial and Gen-Z consumers are driving a trend towards drinking in moderation, so no- and low-alcohol wines are here to stay. Ecommerce channels are forecast to grow and evolve, with online delivery apps becoming more popular and providing a great tool to build brand awareness.

## **Produce for a secure future**

Wine grape production is a long-term investment, which should be preserved for future generations. Vinpro consultation service manager Conrad Schutte shared smart production trends for a secure future.

"Plant the right cultivars for your wine goal on the right sites, while considering drought-tolerant rootstocks, cultivars and clones. Use water more efficiently by implementing monitoring systems that continuously measure if, when and how much you should irrigate," says Schutte.

Continued restrictions on the use of certain herbicides and fungicides has necessitated producers to look at regenerative and biological control measures. Smart wine grape producers also invest in their people, through training such as Vinpro's annual vineyard worker sessions and an exciting online learning platform that will be launched in the next few months.

## **Be inclusive and sustainable**

"The wine industry has what it takes to drive sustainability, but need a unified framework to drive this forward," says Bridgitte Backman, vice president of communications and public policy and government affairs (PPGA) at PepsiCo.

She suggested that the industry and businesses start by selecting a set of the United Nations Sustainability Goals (SDGs) that are attainable within their context and build success stories around them. "Apart from people, planet and profit, we should consider the purpose – why are we doing what we're doing – and make these elements part of our DNA," says Backman.

South Africa is a world leader in the field of traceability and environmentally sound practices through its Wine of Origin and Integrated Production of Wine (IPW) Schemes. "We need to talk more about these and our other strengths to change consumer perceptions about sustainability," says Bruce Jack, owner of Bruce Jack Wines.

One of the unexpected positives of Covid-19 was that it opened up a dialogue between the industry, government, labour and civil society, which could help leverage support for initiatives aimed at fast-tracking inclusive and sustainable growth. "Enterprise development will be a core focus area in 2022, while learning and development initiatives will ensure that we not only attract the right talent, but ensure that they have the right skills to match our needs," says Ronald Ramabulana, chairman of the SA Wine Industry Transformation Unit. "I would also like to see all South African wines coming from farms that are socially compliant."

## **Together we will endure**

John Hudson, national head of agriculture at Nedbank says: "As a sponsor of the Nedbank Vinpro Information Day for the 15th year running, Nedbank's commitment to and belief in the wine industry is clear. One of the most important industries in the Western and Northern Cape, South Africa's wine industry contributes a significant R55bn to the local economy and employs close to 269 000 people. Although it was hit hard by the lockdowns, the signs of recovery are there.

"However, for the South African wine industry to survive and thrive, it needs to move to a premium positioning in the global market, focus on inclusive growth and strive for environmental and financial sustainability. Together with Vinpro, Nedbank is working hard to guide our wine producers – who we view as resilient, resourceful and innovative – towards these goals."

"I believe that the South African wine industry will rise up again to reach its full potential and rebuild towards being stronger, more sustainable, robust and competitive," says Anton Smuts, Vinpro chairman. "However, we need to be introspective in terms of our choice of business models and turn challenges into opportunities. We need to be determined in our outlook,

refocus our thoughts and be more innovative to adapt to the changes taking place around us every day. Together we will revive, recover and rebuild towards a better 2022 and beyond."

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