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STRATEGIC BUSINESS FRAMEWORK: A PROCESS FOR EMERGING BUSINESSES TO PARTICIPATE IN SOUTH AFRICA'S WINE INDUSTRY

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ABBREVIATIONS

ARC	Agricultural Research Council
CSIR	Council for Scientific and Industrial Research
CHIPS	collateralized housing investment papers
DCM	Development Capital Market
FRD	Foundation for Research and Development
IDC	
JSE	Johannesburg Stock Exchange
KWV	Ko-operative Wijnbouwers Vereninging van Zuid-Africa, Beperkt which is translated as "The Cooperative Wine Growers Association of South Africa, Ltd."
SME	Small and Medium Enterprises
WPA	White Papers on Agriculture
VCM	Venture Capital Market

I. EXECUTIVE SUMMARY

The wine industry is one of the fastest growing industrial sectors in South Africa. The industry was under public control, with the ownership and management infrastructure under the Ko-operative Wijnbouwers Vereninging van Zuid-Africa, Beperkt (KWV). However, because of strong domestic markets and high potential for global market share participation, the industry has recently been under tremendous pressure to restructure and privatize. To expedite action toward this new initiative, the wine cooperative has made a major stride by petitioning the government, under the new dispensation, to change its legal status; and reorganize technology transfer, training and physical structures, financial, and human capital, according to market-driven forces and competitiveness. Historically, the South African wine industry was and still is owned and dominated by the wealthy minority families. Given this peculiar nature, the question is whether newly emerging businesses have windows of opportunity to access the South African wine industry and participate effectively in production, processing, distribution and the marketing of wine.

Background

The Republic of South Africa became independent in 1994, after years of oppression and domination by the minority rulers. The end of apartheid in 1994 opened the South African economy to new challenges of how to restructure the economy in order to take advantage of its growing potential, and at the same time systematically increase the involvement of the historically disadvantaged population in every facet of the economy. The wine production sector of agribusiness, which until the recent 1997 legislative arrangement for the industry to deregulate, had continually upheld the legacy of apartheid through its almost 100 percent white domination and ownership. This peculiar nature of the industry justifies the need for an assessment of how it can be reorganized to provide equal opportunity and access to the newly emerging businesses.

Production and Market Environment

Production in the wine industry is vertically integrated with each established owner having control of vineyards, production process and processing, distribution and marketing. In general, the South African industry is competitive with highly integrated estates.

Cooperative arrangements exist under the KWV through which surplus production can be bought and processed for marketing. About 95 percent of all the wine producers, and all of the 260 Wine Cellars that press grapes belong to the KWV cooperative.

The South African wine industry enjoys export demand from countries like the United Kingdom, Germany, the Netherlands, and Canada. Other African countries that are major consumers of wine present a great potential market for South African wine. At present, domestic demand remains strong, with more than 11 percent of the wine being exported. South Africa has great potential to become competitive in the global market, given its long history of producing quality wine. If this

is to be realized, there is a need for increased growth and productivity in the industry. This study examines how the new emerging businesses could play a meaningful and complementary role in the industry.

Policy and Regulatory System

The role of the public institution is crucial with regard to policy and regulatory issues. Due to the age long discriminatory practices in South Africa, the government occupies a strategic position to effect the desired change. For example, demonopolizing the economy and encouraging transparency in all industries, particularly the wine industry, will involve some legislative measures on the part of the government.

To ensure orderly transition, peaceful coexistence and economic cooperation among the various groups in the economy, we propose that the government first creates a conducive policy environment, and assists in the development of a civil society. For the new emerging businesses to become actively involved and participants in the economy and in the wine industry, other important measures and interventions like low risk financial services, capacity building that provides opportunity for training at all levels, access to land through restructuring of the farm and non-farm rural sector, and empowerment of the disadvantaged groups must be given adequate attention.

Government initiative should not lose focus of the fact that the economy should remain competitive globally. In this regard, new businesses might need initial support and subsidies in order to survive and compete with the well established wine companies.

Technology Transfer

The initiative to coordinate research institutes and other academic centers should be paramount if the economy is to be competitive. Information technology should be well disseminated to users and trainees for proper use in the production process. Discriminatory practices that put some groups in South Africa at a disadvantage should be eliminated, and equal access and opportunity should be encouraged by the government and all research and academic institutions. If the emerging entrepreneurs are given the needed training and skills, their complementary role will create an added value to the wine industry through increased production and productivity.

Access to Land

The ownership of land is essential to compete in the wine industry. Apart from financial constraints, access to land is a major impediment confronting newly emerging businesses in South Africa. The new initiative for land reform would need to be transparently implemented. Otherwise, the cost of new businesses to enter the wine industry would become too prohibitive to make it viable or even possible for them to get started in the industry. With the present market condition, an integrated wine company with a medium size cellar, will cost about R8 million which represents the initial investment only. Thus, the more difficult it is for businesses to obtain land, the greater the barriers to entry.

Human Capacity Building

The present level of management skills and the level of education in the South African wine industry is extremely low. Among the disadvantaged black businessmen, entrepreneurial capacity and management skills are virtually nonexistent. With regards to agriculturally related industries, South Africa needs to enhance its human capacity through increased educational opportunities with financial support for all groups. For the middle management group, there is a need for unique intensive training, similar to an extension service approach to educate them about new developments. The emerging businesses also need to form support groups among themselves, to ensure the consolidation of their gains from the new reforms taking place.

Financial commitment is pivotal to achieving meaningful results in capacity building. Given the inadequate financial position of developing countries, it is necessary for these countries to develop innovative strategies to complement dwindling donor participation in fostering economic development.

Access to Finance

Financial constraints are the greatest impediments to the new emerging businesses in South Africa for gaining access to the wine industry. Adequate credit is necessary for relaxing some of the constraints in the pre-production stage, and providing capital to venture into economically feasible activities in production and marketing are central to any plan for economic empowerment. Thus, a focused program needs to be developed to provide low risk finance to the emerging entrepreneurs, particularly, the disadvantaged business group. Both the private, public (government), and other international agencies would need to be sourced as necessary to provide the needed support. The government would need to provide a sufficient infrastructure to facilitate the necessary financial support.

For the new businesses aspiring to enter the wine industry, the financial pressure is great. The pre-production investment to acquire land, develop a vineyard and hire labor is costly. The move to an integrated company, which is commercially viable, requires a functional cellar for processing. Thus, the question that still remains is, how viable would a new investor be in this industry, if low risk financing is unavailable? How can they be a part of the business as well as compete with the established companies? This can only materialize with concrete support from the public sector and reorganization of the industry, which for years have been under the control of the KWV.

Summary

The purpose of this concept paper is to demonstrate the economic potential that exists in the South African wine industry, and how the industry could capitalize on this aspect to attain and sustain the desired growth, and become more competitive in the global market.

The historical development of the industry and its legacy of absolute ownership control by the minority population was reviewed. The change under the new political dispensation with new

initiatives to consolidate the economy with a policy of inclusiveness was examined. The last issue examined and assessed in this study was how interested members of the historically disadvantaged population could gain access into the wine industry, and become active participants and owners, rather than mere laborers in the industry.

Important issues like access to finance, land, technology transfer, information technology, education, training and extension services, and management skill development were discussed. Strategies to minimize the constraints posed by these factors were also examined. The need for capacity building was deemed necessary if the industry is to take advantage of the niche market. The new emerging entrepreneurs could create additional opportunities to meet the challenge of expanding markets in the wine industry.

II. INTRODUCTION

South Africa's thriving wine industry, which has outgrown the current public sector ownership and management infrastructure, currently under the Ko-operative Wijnbouwers Vereninging van Zuid-Africa, Beperkt (KWV) cooperative, is faced with new challenges of how to reorganize and provide access to newly emerging businesses desiring to participate in the industry.[1] In a move to meet the challenges under the new political dispensation, the wine industry recently petitioned the government to change the legal status of the KWV and reorganize technology transfer, training and physical structures, financial and human capital in a market oriented and competitive way. The economy, under the minority rule for years until 1994, had a structure of extreme dualism, where the minorities had total access to opportunities and the historically disadvantaged population was neglected. The policy of apartheid that existed in South Africa promoted extreme inequality in income distribution. A typical example of South Africa's economic sector reflecting this imbalance is the wine industry sector, where production and ownership have completely been under minority domination, with the historically disadvantaged people employed as laborers.

The Western Cape is the center of the wine production region in South Africa. Its conducive climatic environment for wine production, coupled with its wealth of economic potential has however, not provided equal opportunity to its majority population, because of the past historical antecedent of discrimination and racial domination practiced by the institution of apartheid in South Africa.

For South Africa to take advantage of its resources and seek to maintain a sustainable economic growth, there is a need for increased production in the various economic sectors with increased productivity and technological growth. In addition, economic policies should take cognizance of the need for capital formation and capacity building with an eye to improving human capital development that is fundamental to entrepreneurial development in the economy. However, in order to achieve increased economic growth with equity in South Africa, it is imperative to systematically increase the involvement of the historically disadvantaged population in every facet of the economy, particularly, the wine production sector of agribusiness, which to date continues to uphold the legacy of apartheid through its 100 percent minority domination and ownership. This calls for a transparent action plan to enhance the ability and capacity of the historically disadvantaged population to become gainful participants in viable and sustainable small and medium agribusiness enterprises in South Africa.

The creation of a healthy climate of ownership participation of the newly emerging businesses and farmers into the agribusiness sector, especially the wine industry, should be planned and effectively put into operation with a primary focus on expanding the economy without taking away jobs or land from anyone. The Nelson's Creek Wine Estate experiment in the Western Cape Province, which granted ownership participation to the farm workers is a good example of inclusive participation.

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[1]Ko-operative Wijnbouwers Vereninging van Zuid-Africa, Beperkt is translated as "The Cooperative Wine Growers Association of South Africa, Ltd."

This type of "expansion focused planning," which takes into consideration the interest of the disadvantaged population, should be consolidated to generate employment, facilitate competition, explore and take advantage of domestic and international niche market opportunities, and ultimately create more equitable income distribution in the new South Africa. The workability of this scenario prompted:

- determine key factors like technology transfer, socio-cultural, financial, infrastructure, and policy issues that affect the participation of historically disadvantaged people in the wine industry.
- identification of human and physical capital that would be required to facilitate effective participation of historically disadvantaged people in the wine industry.
- strategies necessary for domestic capacity building (farm management, marketing processing, distribution, business skills) of historically disadvantaged people for small and medium size businesses (SMEs).
- access to land, markets, and other critical resources.
- access to and transfer of existing technology in the wine industry for historically disadvantaged SMEs.
- strategies for development of and transfer of new and appropriate technologies for SMEs in the wine subsector.
- proposed recommendations for creation of supportive environment that encourages effective participation of historically disadvantaged people in the wine industry.

Following the above thought process, the profile of the wine industry and the existing problems were addressed. A diagnostic analysis of existing infrastructures and supporting institutions, and their effective utilization and distribution in the wine industry was conducted. Access to critical resources and the racial divide that inhibit their effective utilization was assessed and necessary interventions were mentioned.

III. HISTORICAL PERSPECTIVE OF THE SOUTH AFRICAN WINE INDUSTRY

This section covers a chronological analysis of the development of the wine industry in South Africa. Significant events and legislative measures concerning the industry are discussed. A detailed history of wine production in South Africa is listed in table 3.1. All major events as they relate to wine production are highlighted in this table. South Africa has been exporting wine since 1699. However, the period 1761-62 was when any notable amount of South African wine was exported. The wine industry had its ups and downs. In 1909, there was a serious overproduction of wine with extremely low prices to the extent that wine was being poured onto the ground. This happened again in 1918. Hence, a cooperative of growers was formed and was named Ko-operative Wijnbouwers Vereninging van Zuid-Africa, Beperkt (KWV) which is translated as "The Cooperative Wine Growers Association of South Africa, Ltd."

In 1924, the KWV was empowered to set a minimum price for distilled wine in South Africa. In the same way, the KWV was also empowered in 1940 to set the minimum price for good wine. These two acts granted by the government to the KWV, actually allowed the formation of a cooperative with monopoly power. Economic theory shows that a cooperative with monopoly power may generate greater returns than a private firm with monopoly power (Roy, 1970).

The reign of Apartheid was introduced in 1948 by the National Party. One of the crucial laws under apartheid was that blacks could not own land except in the homeland areas. This law is just one of the many that caused the black population in South Africa to become disenfranchised. As a result of this law, land became an important issue in the Post Apartheid era.

In 1955, the Oenological and Viticultural Research Institute was established at Nietvoorbij research center. In 1980, the Cape Wine Academy was formed to train the public in the areas of wine appreciation. A list of courses offered by the academy can be found in Appendix H.

The wine industry was and is extremely monopolistic, and this fact was recognized in South Africa. Hence, the Mouton Commission in 1983 recommended a less monopolistic structure for the wine industry, but this was not accepted by the government. During the time that this study was conducted, the government of South Africa has a lawsuit against the KWV concerning its plans to deregulate.

One of the most important dates in South Africa is April 27, 1994 when the apartheid era legally ended. This action has allowed the South Africans who were previously disadvantaged, to take advantage of the opportunity and seek financial assistance, as any other citizen of South Africa.

Since the end of Apartheid, the exports of wine have dramatically increased. However, there is one major issue that could retard the growth in this industry. A damaging article written about the wine industry by John Platter described how some wine producers give their black laborers payment in wine (which is commonly called the "TOT system"). This system has been illegal in South Africa

since 1983 (KWV, 1996). However, it is estimated that 20% of the producers still give their workers wine before and after work to get them so inebriated that they cannot request monetary payment (Equinox, 1997). The article also explained the issues of wine production in South Africa, stating the fact that there are no black producers of wine.

The South African wine industry has appeared to take this issue seriously. Presently, they are devising all types of programs to show that their black laborers are now going to be shareholders in the business. The problem with this approach is that these programs are organized so that the workers will never be major owners, only laborers in the industry. None of the plans reviewed by the authors to date show any positive direction in creating a commercially viable black wine producer in South Africa.

Table 3.1. The South African History of Wine Making.

Year	Major Events
1652	The Dutch East India Company (Jan Van Riebeeck and his party) established the first European settlement at the Cape of Good Hope.
1659	February 2, Van Riebeeck records the making of the first wine at the Cape.
1679	Appointment of Simon van der Stel as Commander of the Settlement. Later in the same year, he founded the town of Stellenbosch.
1699	Simon van der Stel retires to his estate at Constantia. His son, William Adriaan van der Stel replaces him as Governor. The first modest exports of wine from the Cape took place.
1761/2	The first notable exports of red and white Constantia wine occurred.
1778	Groot Constantia was acquired by the Cloete family. The following decades saw the sweet Constantia wine winning acclaim throughout Europe.
1811	Quality control was instituted by the British authorities in the Cape on wines exported from the Colony.
1825	The British Government imposed heavy tariffs on the importation of French wines, and the sales of Cape wine increased rapidly in Britain.
1860	First appearance of the phylloxera epidemic in the French vineyards.
1861	Palmerston Government reduced tariffs on French wine imports, which had protected the Cape wine market.
1863	Louis Pastuer's investigations into the diseases of wine in France.

Table 3.1. The South African History of Wine Making.	
1885	The appearance of phylloxera in the Cape vineyards.
1906	Formation of the first SA wine cooperatives; the first being the Drostdy in Tulbagh.
1909	Overproduction caused a slump in wine prices to an all-time low.
1918	Serious over production led to great quantities of unsaleable wine being poured down the drain. The KWV was formed.
1924	KWV was empowered to fix the minimum price for distilling wine.
1925	Professor Perold crossed various vines which eventually gave rise to the first specimens of the Pinotage cultivar.
1935	Formation of the Stellenbosch Farmers' Winery (SFW)
1940	KWV was empowered to fix the minimum price for good wine.
1945	Formation of the Distillers Corporation. The years following the Second World War saw further development of cold fermentation, which gave impetus to the production of quality white wines.
1948	The National Party came to power. Start of the Apartheid policy.
1950	Gilbeys (SA) formed.
1955	Oenological and Viticultural Research Institute was established at Nietvoorbij, outside Stellenbosch.
1961	First bottled Pinotage appears. First Lieberstein marketed.
1965	Amalgamation of Stellenbosch Farmers' Winery, Monis of Paarl and Nederburg.
1971	Stellenbosch Wine Route opened.
1973	South African Wine of Origin (bus tickets) legislation is implemented.
1975	First auction of rare Cape wines at Nederburg.
1979	Formation of Cape Wine and Distillers.

Table 3.1. The South African History of Wine Making.	
1980	The newly formed Cape Wine Academy began courses for trade and the public.
1983	The Mouton Commission recommended a less monopolistic structure for the wine industry, but this is not accepted by the Government.
1991	Wine of Origin legislation is changed.
1994	April 27, End of apartheid era!

IV. A CAUSAL LINKAGE MODEL OF THE FRAMEWORK FOR THE WINE INDUSTRY ANALYSIS

The model presented in Figure 4.1 is intended to show the basic causal linkages in the framework used for the analysis of the wine industry in South Africa. The model shows how policy reform could bring significant change to the development of the South African wine industry, particularly with respect to access to financing, land reform and access to land, enterprise development and creation, and production and farm management. Inter-linkage relationships exist between policy reform and market information, and access to finance and market information. Both production and farm management, and technology transfer have been influenced by market access and market information that exists in the economy. Human capacity development influences both enterprise development, employment creation, and production and farm management.

The interdependence of the subsectors on one another, and the direction of reinforcement provided by each sector is illustrated in figure 4.1. The first subsector in the figure, Policy Reform and Regulatory Issues, relates directly or indirectly to all other subsectors in the framework. The first linkage is a two-way flow between Market Access and Market Information, and the Policy Reform sub-sector. The level of information in the marketplace provides necessary guidelines for the government and other institutional support systems to initiate appropriate policies to assist wine producers, novice farmers, and other potential entrepreneurs in gaining access to the wine industry. In the same way, the linkage to other sub-sectors, shows the extent of influence of the public sector through policy reforms and regulatory measures, in creating a viable and supportive environment for the sub-sectors of the wine industry.

A strategic sub-sector in the model framework is the access to finance. There is a two-way flow between Access to Finance and Market Access and Market Information. This is designed in this way because available information from the market subsector influences the level of financial mobilization and consequent flow of financial assistance to the market subsector. Similarly, availability and access to finance is crucial to access to land and ownership. Once land is acquired for grape and wine production, the influence of finance is a contending factor with respect to Enterprise Development and Employment Creation. What the model establishes is that access to land takes precedence over enterprise development, in the wine industry development.

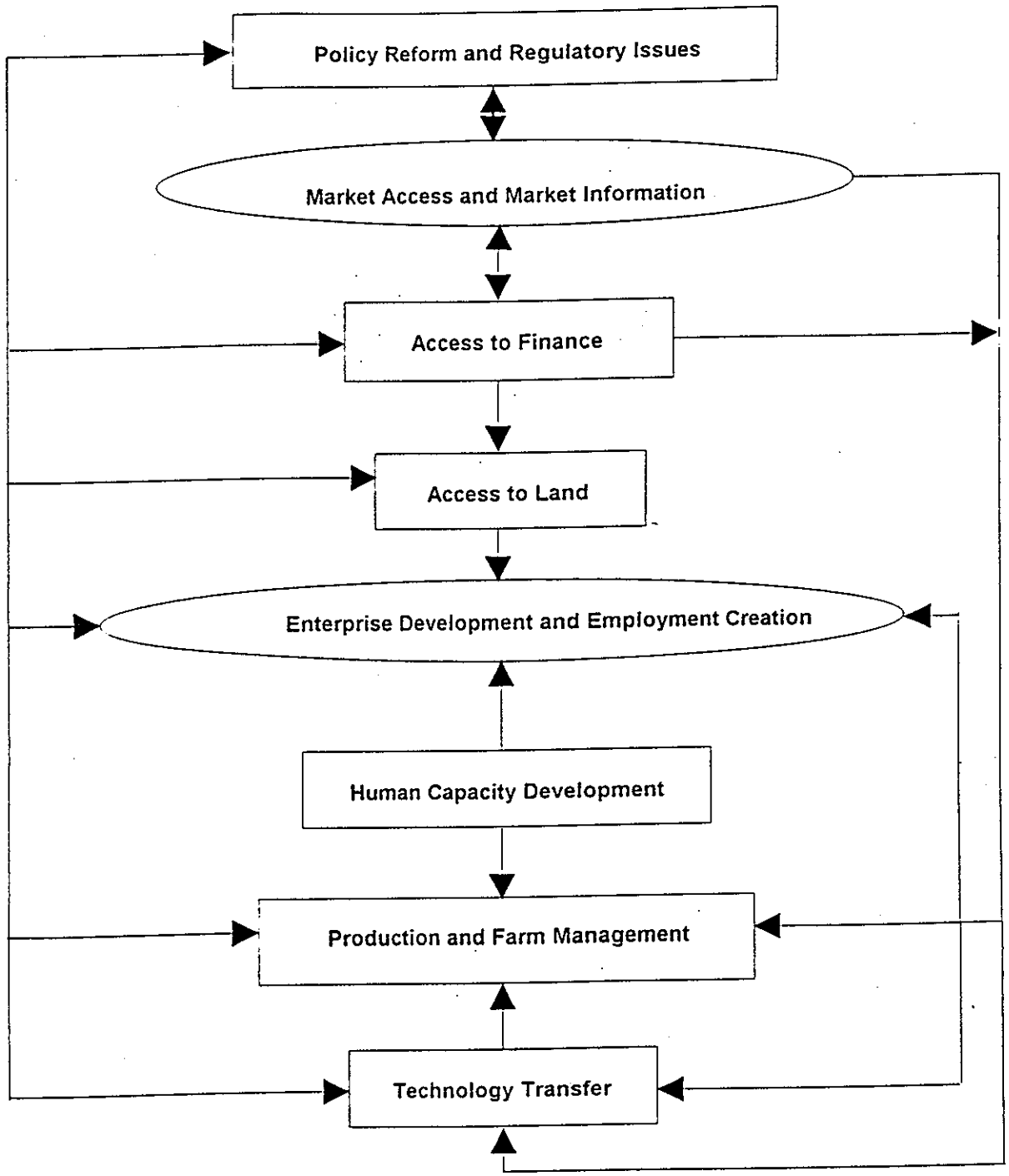
Human Capacity Development in the framework is shown to have direct influences on Enterprise Development and Employment Creation, and Production and Farm Management sub-sectors. This shows the significance of human resources (both skilled and unskilled) in the production, processing, and management of operations in the wine industry. The present situation in South Africa shows that critical skills are lacking in the development of the wine industry, especially among the black farmers, who constitute the major labor force in the industry. More significant is the serious deficiency of management skills. This constitutes a major impediment for the black entrepreneurs who are aspiring to invest and maintain ownership both in the production, processing and marketing of wine. Given this scenario, the involvement of the wine industry and the role of the government

in developing human capacity in South Africa was examined. The implication of this for wine production and competitiveness is the primary focus.

Technology Transfer sub-sector is linked to all the other sub-sectors in the model either directly or indirectly. The influence of policy reform and market information is apparent to innovation, and development and transfer. Finance, which is linked through enterprise development, is a crucial factor to science and technology development. Without commitment of financial resources, improved knowledge cannot be achieved, and the development and dissemination of new ideas will remain "on hold." The inadequate technology development and transfer in South Africa continue to make the South African wine industry extremely labor intensive as compared to the Australian wine industry, which has been highly mechanized. This raises the question of how the unique structure of the South African wine industry might affect its competitiveness in the global market.

The model, as discussed above, helps to elucidate the wine industry and the nature of the problem that new emerging businesses could face in their move to penetrate the industry. The changes that are necessary to liberalize the industry and create opportunity for those among the disadvantaged population who are interested in ownership in the industry are clearly shown by the causal linkage of the sub-sectors in the model. A major and key variable in the model is access to land and finance, which holds the key to new entrepreneurs' ability to gain access and ownership into the wine industry.

Figure 4.1: South African Wine Industry - Model Plan



V. PRODUCTION AND MARKETING COMMODITY SYSTEM

The strong domestic demand for South African wine and the potential for increased exports has created an enormous opportunity for expansion, and a need for increased productivity in the industry. The opportunity exists for emerging businesses to fill the new demand for South African wine without decreasing demand for existing wines. The question examined and assessed in this chapter is how the historically disadvantaged population can gain access into the wine industry and become active participants and owners.

The model presented in Figure 5.1 is intended to show the existing and potential bottlenecks for emerging businesses within the South African Wine industry. The model illustrates the important factors of pre-production and production along with the necessities for marketing. Inter-linkage relationships exist among all three stages: market information affects the pre-production decisions as well as the fundability of the project, and pre-production activities determine the output capacity.

Figure 5.1 should be used as a framework to analyze and assess the constraints that emerging businesses will encounter as they enter into the wine industry. There are several bottlenecks in the system which will affect the ability of emerging businesses to enter into the wine industry. The first subsector in the figure is the pre-production constraints and the interventions needed. This section is followed by the production and marketing constraints. The following discussion will address the interventions needed to address the constraints.

Pre-Production

The South African wine industry is characterized as having a few large conglomerates controlling the production process. The long history of cheap labor policies and employment segregation has resulted in concentrating the management skills in the minority group's hands. The production techniques practiced in the wine industry are highly vertically integrated from root stock production, planting, pruning, harvesting, processing, and bottling to the marketing process. The organization at the apex of the wine industry is the KWV. Until 1994, the KWV was charged with the responsibility of setting production quotas and marketing wine through Act No. 47 of 1970. This action effectively gave the KWV a monopoly position in the South African Wine Industry.

The KWV consists of 4,394 members which represent the majority of producers in South Africa. The total industry has 4,637 wine producers as reported in the South Africa Wine Industry Statistics, No. 20, 1996. The farm sector of the wine industry consists of 71 cooperative-operative cellars, 78 wine estates and 105 private cellars.

The production structure and culture stated above identified several areas in which emerging businesses will be at a disadvantage. The current governmental policies related to pricing and production quotas are not in favor of emerging businesses. The authors interviewed more than ten organizations that were established to assist wine producers in South Africa. In the interviews, we asked did they have plans to assist emerging businesses to become successful in the wine industry.

From their responses, it was evident that no thought has been put into assisting emerging businesses. The final set of groups that assists producers are the farmer organizations. By definition, these organizations represent their constituents only. Therefore to receive technical, financial, or any other type of assistance, you must be a member. An example of these organizations is a cooperative wine cellar. For those producers who do not have enough capital to construct and manage their own cellar, they can join a cooperative and have their grapes turned into wine at a minimal cost. Presently, there are 71 cooperative operated wine cellars. Will these types of organizations allow emerging businesses to join is the question?

In terms of being competitive, emerging businesses will have to be as efficient as the existing producers. Emerging businesses will face higher prices if they are not a part of the cooperative system. Producer cooperatives exist for the mere fact that they sell inputs at a cheaper price than one could find elsewhere. A great example of how producer cooperatives can reduce costs is that of the root stock. Presently, there is a two to three-year wait for root stock in South Africa. Everyone consulted stated that the KWV indirectly controls the root stock supply in South Africa (KWV employees would not acknowledge this issue). Those producers who are not KWV members will most likely be waiting a long time for root stock.

The pre-production constraints represent a complicated array of issues that will require an enormous amount of resources and attention from all parties associated with the industry. There are policies that must be revised, but more important is the fact that the general atmosphere must be improved. The barriers to entry have to be lowered or eliminated in this industry, so that the previously disadvantaged can partake in this sector of the economy.

Production

South Africa represents the state of the art technology in Viticulture and Oenology. South Africa ranks 7th in the world with a 3.4% share of the world wine production. In terms of total area devoted to vines, South Africa ranks 18th worldwide with a total of 103,000 hectares. The Western Cape is the center of grape wine production. Viticulture contributes about 30% to the total income of the horticultural industry in the province. The industry directly employs more than 50,000 workers, who in turn have about 250,000 dependents. Hence, wine production is extremely important to the South African economy. Wine has great potential to become one of the major internationally traded items in the economy which will increase foreign currency.

The constraints in the production sector mirrors those in the pre-production sector. They are just intensified. The South African wine industry is characterized as state of the art in terms of technology. However, the human capital associated with this technology is totally embodied within the minority population. Massive resources must be poured into training, appropriate research, and extension products that focus on the needs of emerging businesses.

The high initial capital investment involved in the wine industry to own such an integrated wine operation makes it more difficult for emerging businesses to penetrate the industry. To exacerbate the problem, the KWV estimates that a new winery will require an average period of five to seven

years before it will yield any profitable returns. Thus, government intervention is needed to create a supporting environment where emerging businesses can access essential services, as well as gain access to arable land and financing at an affordable cost. To implement this program, there will be a need to mobilize offshore capital for formal credit to support "start-up" businesses and expand emerging businesses in the input and marketing sector (Acquah and Masanzu, 1995). The formal credit should be used to leverage, expand, and mobilize non-formal rural financial institutions. Mobilization of rural financial markets, primarily through, savings and deposits will complement the initial formal credit base to develop a sustainable local financial base.

Given the historical antecedent of South Africa that has kept the black businesses at a financial disadvantage, it is essential that a major donor forum be organized to explore the possibility of creating public/private sector foundation/endowment funds. USAID through its Private Sector Development Unit (PSD) and USAID/South Africa, could provide a leadership role through: (a) participation in a donor forum/meeting, (b) support research and design of appropriate endowment models with credit schemes and/or (c) through its South Africa Enterprise Development Fund (SAEDF) to initiate endowment capital funds for the viable emerging businesses.

Marketing

The production and marketing structure of the wine industry under the umbrella of the KWV organization remains highly concentrated and vertically integrated. Major producers control their own production through owning and operating their own vineyard, cellar, and market outlets domestically and internationally. Several cooperatives have been formed up recently creating more competition in the market. These cooperatives market their products directly to the public. However, the KWV still enjoys its monopoly position. The monopoly/oligopoly market structure is characterized by its high barriers to entry.

Exports constitute about 11 percent of total wine production. This shows the strength of the domestic market. A survey of world wine consumption per capita in 1995 ranked South Africa as number 27 with 9.0 liters per capita consumption. The major wholesalers of processed wine are The KWV, Stellenbosch Farmers, Distillers Corp., Seagrams and E. Snell and Company.

The strong domestic demand for South African wine and the potential for increased exports, creates an enormous opportunity for expansion and the need for increased productivity in the industry. As a response to this, entrepreneurs have started to emerge in South Africa. Among these are black business groups, who are seeking opportunity under the new political dispensation. However, the wine sector like other sectors of the South Africa economy had been subjected for decades to a range of regulatory measures that prevented many producers from fully utilizing market opportunities (WPA, 1995). In many cases, the value-added chain in agriculture in South Africa is characterized by concentration and other factors, which in most cases relate to regulatory measures, that limit entrance by new or smaller entrepreneurs (WPA, 1995). However, since the 1980s, marketing has gradually been deregulated and reshaped within the framework of norms, consistent with those of a market-directed economy. The more recent deregulation under the new political dispensation

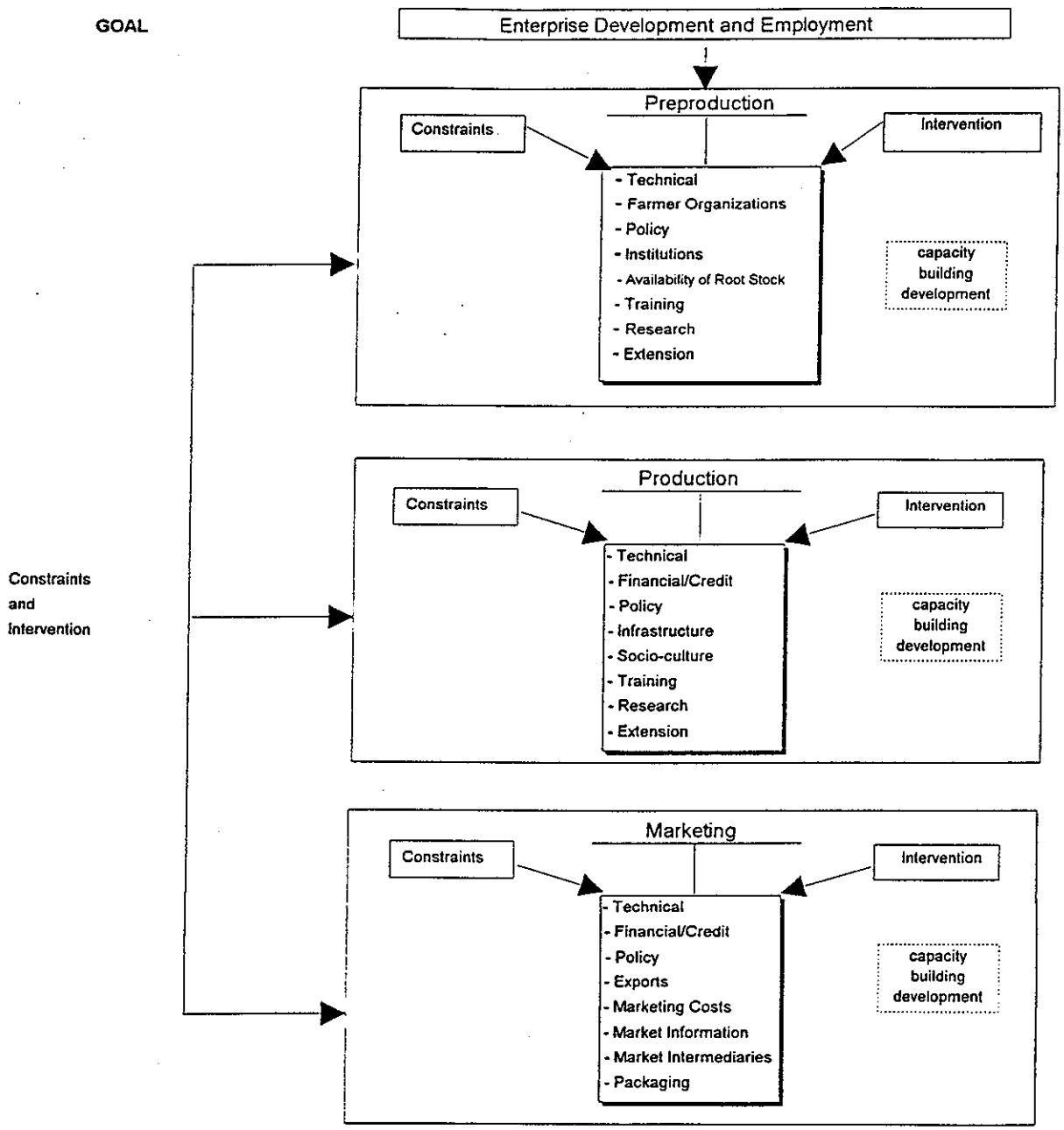
focuses on minimizing inequalities and creating opportunity for the new disadvantaged emerging businesses.

It must, however, be emphasized that apart from political problems resulting from decades of discrimination, the new emerging businesses are faced with other arrays of problems, among which are: low risk financing, lack of infrastructure, management skills, access to land, lack of cohesive organization, and other technical constraints. If the objective of economic growth and increased productivity that gives particular attention to the collective needs of the majority of the disadvantaged population of South Africa is to be achieved, the current process of deregulation would need to be properly managed so that it can create the desired enabling environment for the new emerging small and medium scale businesses. Regulatory measures that are discriminatory and unnecessary and that prevent equitable access to the market for new and smaller participants, should be discontinued. In addition, a focused and streamlined program would need to be developed to provide low risk finance to the newly emerging entrepreneurs. To be effective, this program should be targeted for ventures which have been assessed to be economically viable. Arrangements of this nature would help minimize the possibility of failure.

Conclusion

In this section, important issues like access to financing, land, technology transfer, information technology, education, training and extension services, and management skill development were discussed. Strategies to minimize the constraints posed by these factors were discussed. The need for capacity building is found imperative if the industry is to take advantage of the niche market. It is the contention of the authors of this study that the new emerging entrepreneurs could create additional opportunities to meet the challenge of expanding markets in the wine industry.

FIGURE 5.1: A MODEL PLAN FOR ENTERPRISE DEVELOPMENT AND EMPLOYMENT FOR EMERGING BUSINESSES IN THE WINE INDUSTRY



VI. POLICY AND REGULATORY SYSTEM:

The wine and spirit control Act of 1970 (Act No 47 of 1970) regulates the control and management of the wine and spirit industry by the Ko-operative Wijnbouwers Vereninging van Zuid-Africa, Beperkt (KWV). The KWV was thus held responsible for the enforcement of the Act.

Evolving Role of the Government in the Industry:

Government intervention is crucial in order to bring the desired change in the economy, particularly, in the wine industry which has been controlled exclusively by the privileged white farmers. The aspiration of new emerging businesses to become actively involved in the economy and be active participants in the wine industry could be accomplished through:

- the empowerment of disadvantaged people, particularly the emerging farmers;
- making financial services available to the disadvantaged persons in the rural areas;
- the promotion of retail lending institutions;
- provision of soft loans with lower interest rates;
- the prevention of exploitation of disadvantaged persons by institutions;
- the restructuring of the farm and non-farm rural sector to allow for small scale farming access to land;
- government encouragement of the private sector to cooperate in extending financial services to those who presently do not have access to these services.
- capacity building that emphasizes the empowerment of the individuals, households, local communities, and small and medium business associations to solve their own problems.

To achieve the above objectives, and make the wine industry a more open and competitive industry, government intervention is needed to create the desired economic environment. In this regard, the national government will need to coordinate with the provincial governments, that are directly in charge of available public lands. This will ensure that such lands are leased as mandated, under the new political dispensation, which emphasizes equal opportunity for the disadvantaged population of South Africa.

The KWV would need to be deregulated and mandated to provide an enlarged and increased ownership and participation by the farmers. The present policy under which the various Research Institutes, Universities, and other Training Centers operate does not provide needed services to the

majority population of South Africa. There is an urgent need to harness the country's resources so that the needed capacity development in the wine industry (through training and extension services, and technological development and transfer) can be appropriately connected for increased productive participation. The policy and the message should be clear with a mandate for implementation, and sanctions for lack of implementation.

Grades, Standards and Industry Agreements:

South African wine producers are members of the International Wine Office. In fact, the last meeting of the International Wine Office was held in Capetown. The International Wine Office is made up of 43 member countries. This regulating body determines the acceptable production procedures for wine. The guidelines are published in a book called "Recuile." South African wine producers follow these procedures.

In addition to the procedures set by the International Office, South Africa has its own guidelines as established in Act 60 of 1989. These guidelines coincide with the international guidelines. In compliance with quality assurance, the KWV has applied for and received certificates for its distilleries and concentration plants under ISO 9002. The KWV laboratory in Paarl is internationally recognized and accepted due to its accreditation under ISO 25.

In 1973, a comprehensive system of control was introduced for Wines of Origin. Thirteen areas of origin were designated and limitations were placed on the use of the term estate, the use of vintage dates, and grape variety designations (See Appendix B). The regulations of the local wine industry were brought in line with that of Europe and the KWV was placed in charge of executing the inspection on a contract basis. As of now, grades and standards do not represent a major problem for the emerging businesses.

There is one special agreement that should be mentioned. South Africa made an agreement with France not to use the term Champagne on any of its products. Instead of Champagne, the term Sparkling Wine was adopted.

The Role of Cooperatives in the Wine Industry:

South Africa's first wine cooperative was started in 1906 by the Drostdy group in Tulbagh. Due to over production of grapes, the KWV cooperative was formed in 1918. The KWV was granted the power to set minimum prices by the government in 1924 for distilling wine, and in 1940 for good wine. This effectively gave the KWV monopoly power in the South African wine industry.

The KWV currently controls 80% of the South African Wine Industry and has 4,700 members. The services offered to their members are as follows:

- Viticultural and Management Consultation
- Agricultural Economic Services
- Human Relations Services

- Securing Planting Materials
- Special Training for Members
- Integrated Computer Systems Providing the Latest Market Information
- Lobby Government for the Industry
- Use of Cellars and Equipment
- Market Output Worldwide (21 Countries)
- Assistance in Determining the Research Agenda for Nietvoorbij, University of Stellenbosch (Viticulture Program), and Elsenberg Agricultural College
- Determination of the Minimum Market Price.

Constraint:

The KWV owns 80% of the market and has great influence on all agencies related to the South African Wine Industry. The high market share controlled by the KWV poses a major constraint to emerging businesses to access the industry. Currently, there is a move by the KWV to privatize. According to the KWV's annual report of 1996, their net income was R71 million, fixed assets were valued at R814 million, and current assets were valued at R252 million (cost or market valuation).

Intervention:

Presently, the government has a court case against the KWV to reclaim the assets the government assisted the KWV in establishing. The current monopoly power the KWV enjoys should also have a monetary value associated with it. There are several options available to the government to assist emerging businesses in getting into the wine industry:

1. provide a grant to emerging businesses for wine production only

2. provide low interest loans to emerging businesses for wine production only

3. purchase vineyards and allow the farmers unions to lease them

4. buy back long term leases (at the original contract rate) from existing farmers and make this land available for emerging farmers

5. buy provincial and municipal land for emerging farmers use

6. buy planting material to establish nursery businesses.

The main objective should be to use the proceeds from the government's lawsuit against the KWV to provide a "soft landing" for the emerging businesses in the Wine Industry.

VII. TECHNOLOGY TRANSFER

Technology transfer, which refers to the different processes of introducing a new technology to the end-users for which the technology was developed, is one of the crucial factors influencing improved quality and productivity. In Africa, technology transfer has traditionally been done by agricultural extension services and input companies, and to a limited capacity, through researchers (Gelaw et.al, 1997). Commercialization of technology requires widespread distribution, adoption, acceptance of the given technology, and sustainability and contribution to social values.

The transfer and eventual commercialization of technology is not premised on the possibility of profit making, but on its contribution to social values and overall development in the economy. As discussed by Gelaw et.al. (1997), vital questions arise as regards the transfer of technology, and these include:

- what research, policy, and regulatory barriers in the institutional support sector hinder the transfer of technology?
- what are the essential linkages and conditions that facilitate the transformation of technologies in the production sector for economically viable ventures?

Investment in technology is expensive and thus requires a major resource commitment from both the public and private sector of the economy. For developing countries, most investments have been substantially supported by the public sector. This is due to the low level of capital formation in the private sector of the economy. To stimulate innovation and technology transfer and commercialization, it is necessary to understand the following:

- the dynamics of the essential factors that link the sources of technology (financiers, manufacturers, marketing agents, and end-users) in the input sub-sector markets;
- formal and informal barriers that inhibit efficiency in the flow of inputs from one sector to another;
- factors that lead to the transformation of technology into viable, profitable enterprises and value-added commercial products; and
- the ways and means of establishing unique partnerships between public and private sectors to invest in the development and transfer of technology.

The main vehicle of technology transfer and production in the wine industry in South Africa is through the Wine Industry Network of Expertise and Technology (WINETECH), a joint venture by producers, wholesalers and research bodies to establish a sustainable technology and human resource base for the South African wine industry. KWV's initiative in collaboration with the Foundation for Research and Development (FRD) was instrumental in the creation of WINETECH toward the end

of 1995 (KWV Fact Sheet, 1997). The main goal of the organization is the cost-effective production of the world's highest quality wines and products through "clean and green" technologies. Contributors to the Network include KWV, the Council for Scientific and Industrial Research (CSIR), Agricultural Research Council (ARC) via Nietvoorbij, the Institute for Wine Biotechnology at the University of Stellenbosch, Elsenburg Agricultural College, the Department of Agriculture, and the Foundation for Research and Development (FRD).

Arrangement for the development and transfer of technology in South Africa has moved to some level of bilateral agreement between South Africa and other countries. A recent development in this area involves the cooperation between Nietvoorbij and Israel. The ARC-Nietvoorbij Institute for Viticulture and Oenology confirmed its cooperation with Israel with the compilation of a declaration of intent between the Table and Drying Grape Section of Nietvoorbij and the Volcani Institute of Israel. As reported on the Internet, the above cooperative agreement is aimed at promoting the development of new, improved table grape cultivars. This includes the exchanges of genetic material and expertise necessary to achieve the objectives of the breeding program, such as the development of seedless and disease-resistant cultivars.

When the agreement is finally endorsed by the two parties involved, the agreement will enable researchers of the two institutes to exchange hybrids for evaluation under various conditions. It will also enable breeders to extend the growing season, as it will now be possible to move material between the southern and northern hemisphere. In addition, it will help to supply the need of the table grape industry for new cultivars. This agreement reflects the spirit of willingness to cooperate, which exists internationally among researchers. As stated, if this agreement is successful, similar agreements with other countries and in other fields could increasingly be concluded. With this new development, all South African researchers and the industries they serve will benefit from such agreements.

As a measure of coordinating and consolidating innovation and technology development and transfer in South Africa, WINETECH is set up to co-ordinate the activities of the University of Stellenbosch, Nietvoorbij, and Elsenburg Agricultural College. The intended contributions of these three institutes are in the following fields: soil science, viticulture, oenology and more recently (since 1995), wine biotechnology. The Institute of Biotechnology, founded in 1995 with a sponsorship of R5 million from the wine industry, has become a key role-player in WINETECH. The Institute is organized to assist in linking staff from various faculties at the University of Stellenbosch in a wine-net, to ensure that viticulture and wine-related research is undertaken in a coordinated fashion. Through the Institute, international liaison activities with other academic institutions overseas such as the Albert Einstein College of Medicine in New York, the University of Adelaide in Australia, The Catholic University of Louvain, Belgium, and the Technical University in Munich in Germany have been conceived and undertaken.

Some of the institutions charged with the responsibilities of research and technology development are:

- Institute for Wine Biotechnology
- Elsenburg Agricultural College
- Nietvoorbij Institute for Viticulture
- KWV
- The University of Stellenbosch
- Groot Constantia
- The Agricultural Research Council (ARC)
- Council for Scientific and Industrial Research (CSIR)
- Foundation for Research and Development (FRD)

Constraints:

The structure for technology development and transfer is well conceived with intentions to bring about a "national system of innovation." However, the reality of the present structure and organization to bring about any meaningful technological development and transfer is still self serving with only embryonic activity at the research centers. The reason for the lack of transparent performance of this sector is due in part to poor management and lack of adequate staffing. As of July 1997 when this project was implemented, the apex organization of technology development and transfer, WINETECH, had no staff to carry out its mandate.

Beside the fact that WINETECH presently has no operational staff, the identified supporting research Institutes in the country have not, in most cases, been able to disseminate their research activities and findings to the grass-root wine producers, who are in a better position to take advantage of the new ideas. In a prevalent fashion, an information gap exists between the various institutes and the farm workers who, by their historical disadvantage, are illiterate.

The various research institutes have not been able to restructure to accommodate, as stipulated by the White Paper on Agriculture (1995) and Technology (1994), the historically and economically disadvantaged black populace. All the above short comings, have tempered the potential progress of the WINETECH organization, in achieving the necessary capacity building with regard to technological development and transfer in South Africa, and particularly, in the wine industry.

Proposed Interventions:

For technology development and transfer to contribute meaningfully to the South African wine industry and participate in capacity building in the economy, the institutions involved will definitely need to take cognizance of the present political and economic dispensation with a new directive and initiative as outlined in the government White Papers. Some of the measures that the organization should address include:

1. Assisting in the development of indigenous capacities, through research, training and extension services.

2. Creating an avenue of openness to empower indigenous farmers to be able to participate freely and take advantage of the existing knowledge that could enhance their ability to become more productive in the economy.

3. Assisting in the promotion of and dissemination of information technology with the goal to promoting a more competitive and informative society.

4. Researching institutes like Nietvoorbij and Elsenburg should be mandated to develop training programs that cater for the deficiencies of the disadvantaged emerging farmers.

5. As a long term objective, public investment in R&D needs to be redistributed away from the support of activities within the government's own facilities and toward more comprehensive support of R&D initiatives in the private sector (WPST, 1994). This long term need must be seen in the light of the government's current responsibilities, namely to take the lead.

6. Promoting pre-competitive research, until a culture develops in the private sector where such research is seen as a business imperative.

7. Examining where entry barriers related to equipment and human resources are high.

8. Focusing on areas where the activity is considered to be a service which the government has a duty to provide, and

9. In areas in which majority of the participants in the economy can be easily marginalized, the research results and technology transfer need to be placed in the public domain.

VIII. Market Structure

The market structure of the wine industry in South Africa is vertically and horizontally integrated. This results from the ownership structure of the industry in which most of the wine estates own their established plantation, processing plants, and cellars for wine production. Marketing of wine is primarily handled and controlled by the KWV through the KWV cooperative. Thus, major producers process their sales, particularly exports, through the KWV. This horizontal combination of the sale of wine under the KWV cooperative gave the KWV the absolute controlling power for commercial distribution and sale of wine. The KWV, which was granted a monopolistic position in the marketplace, was also until recently, granted the authority to determine the minimum price for South African wine by the government. Presently, the KWV wants to reorganize from a cooperative to a corporation. Given the past monopolistic power of the KWV, it will be extremely difficult to compete with them in the future. The South African government realized this fact, and has attempted to recover some of the assets the KWV has amassed at the government's expense, by filing a lawsuit against them.

An overview of the wine industry is shown in table 8.1. There is a total of 4,700 wine producers in South Africa, and they cultivate more than 100,000 hectares. The wine industry employs more than 50,000 people, and offers shelter to more than 250,000 of their dependents (employees and their families usually live on the estate). South Africans produce approximately 950 million liters yearly and this amount is increasing rapidly.

Table 8.1

THE SOUTH AFRICAN WINE INDUSTRY

Number of Wine Producers----------	4,700
Hectares of Vineyards----------	100,500
Number of Employees and Dependents on Wine Farms--	300,000
Total Annual Wine and Grape Juice Crop (million liters)--	950
International Rank (Production)----------	7
International Rank (Per Capita Consumption)----------	27

The majority of South African wine is consumed domestically. In 1996, only 11% of all wine produced was exported as indicated in figure 8.1. However, exports have grown rapidly since the end of apartheid. This growth may be due to the fact that the exchange rates have made South African wine relatively inexpensive, and the fact that it is a South African product. Exports are expected to continue to increase. South Africa is the 7th largest producer of wine in the world, and 27th in terms of per capita consumption (KWV, 1996). Of the 11% export market, the top three importers of South African wine are in Europe as shown in Figure 8.2. In North America, Canada is the major export market for South African wine, not the United States. The United States has little trade with South Africa in terms of wine.

The high capital investment involved in the wine industry and the average period of five to seven years for any profitable returns makes it more difficult for emerging businesses to penetrate the industry.[2] The present oligopolistic ownership structure of the industry complicates the potential for emerging businesses to become wine producers. Figures 8.3 - 8.5 illustrate the present ownership structure of the South African wine industry.

The South African wine industry is controlled by few companies. Figure 8.3 (The South African Wine Industry: Ownership Structure) illustrates the ownership structure of this industry. South African Breweries and Rembrandt KWV Investments control more than 80% of the domestic wine market (Wesgro, 1994). Figure 8.4 entitled, "South African Wine Industry," illustrates the people involved in the industry. Each category is broken down into black and white populations. In the first three categories; Owners, Producers, and Wholesalers, there are no blacks in ownership positions. The majority of the blacks involved with the wine industry are workers in the vineyards. Blacks do own retail operations in South Africa. Most of the shebeens are owned by black retailers. Shebeens are not licensed nor are they legal. Not shown in figure 8.4, is the number of cellars and exporters who only purchase wine for export. There are 260 Cellars which press grapes (71 coops, 78 estates, 105 non-estates, 5 producing wholesalers and KWV) non of which are black owned. Non of the thirteen companies that buy wine for export purposes only, are black owned

In terms of consumption, it is estimated that the black population consumes 75% of all the domestic wine. Domestic consumption of wine is estimated to be around 108 million cases for 1997. Figure 8.1 illustrates the trend in domestic consumption which is the difference between exports and total production.

The international market is primarily controlled by the KWV. KWV International is a private company that is a subsidiary of the KWV. KWV International controls 70% of South Africa's export market for wine and spirits. KWV's distribution and marketing company in the United Kingdom is Edward Cavendish and Sons Ltd. (ECS) which was established in 1976 (KWV, 1992). The international distributors for Stellenbosch Farmers Winery are shown in Appendix G.

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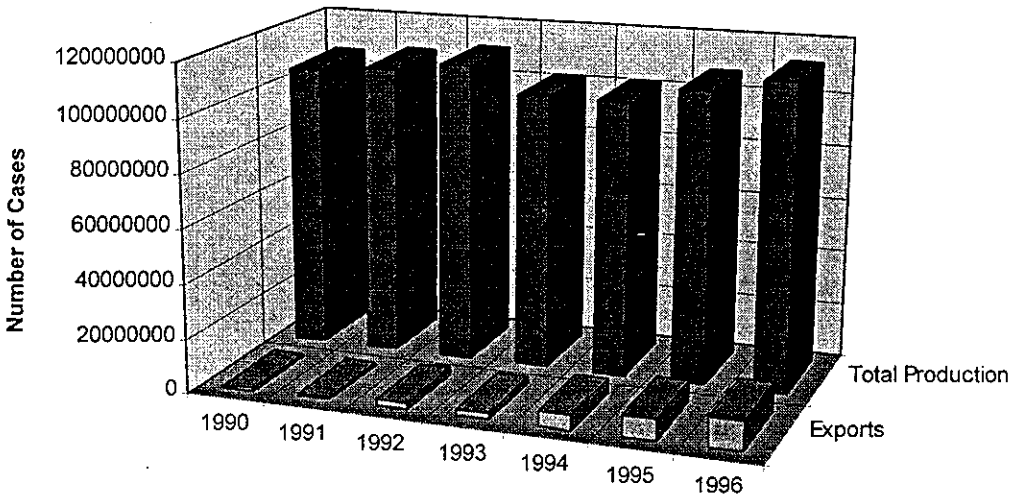
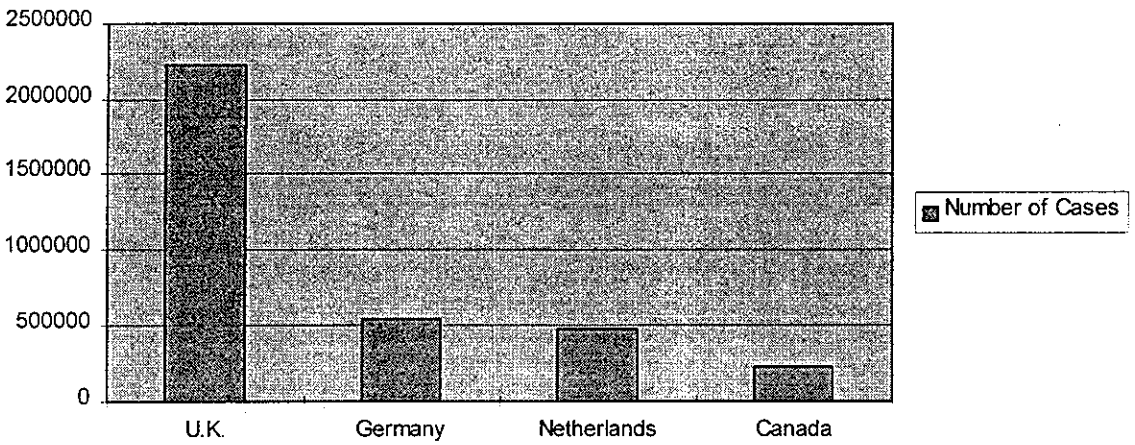
[2]The authors estimate that the average emerging business would need approximately R8 - R10 million in order to purchase an existing vineyard with a cellar.

Figure 8.1: Total Wine Production and Total Exports in Cases from South Africa.



Sources: KWV Fact Sheet, May, 1997.
KWV, SA Wine Industry Statistics, No. 20, 1996.

Figure 8.2: South Africa's Largest Export Markets, 1995.



Source: SA Wine Industry Statistics, No. 20, 1995.

Figure 8.3: The South African Wine Industry: Ownership Structure

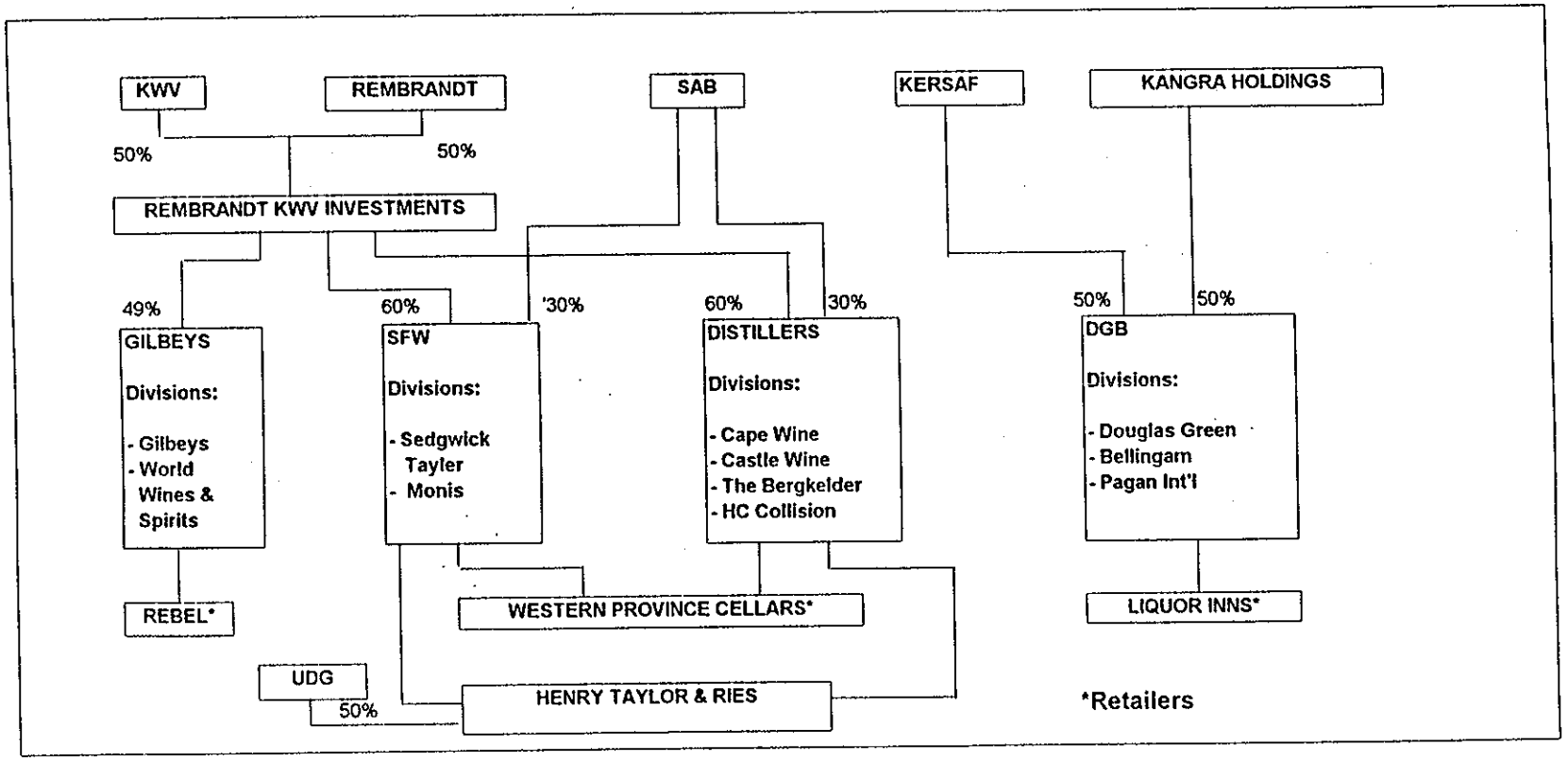


Figure 8.4: South African Wine Industry

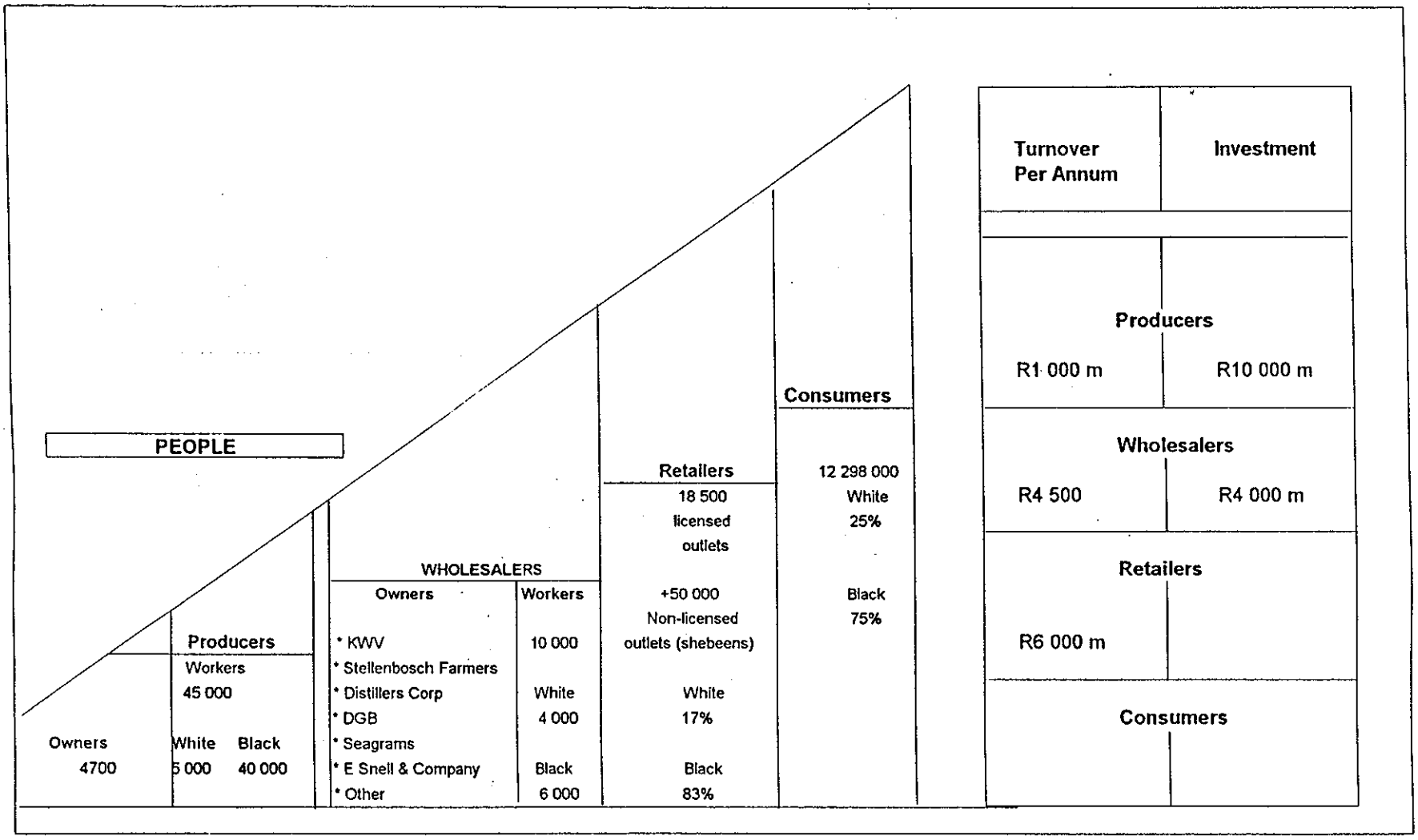
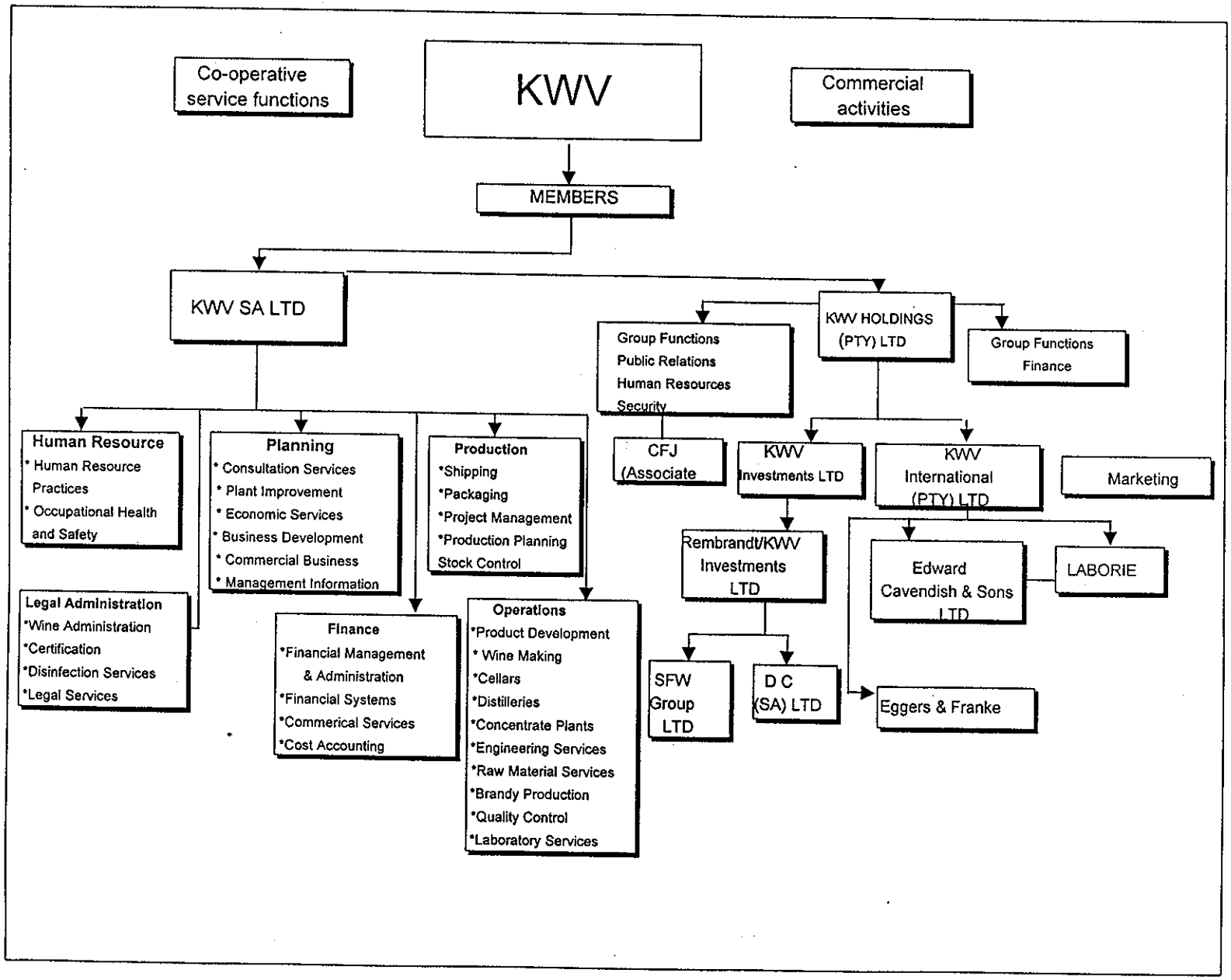


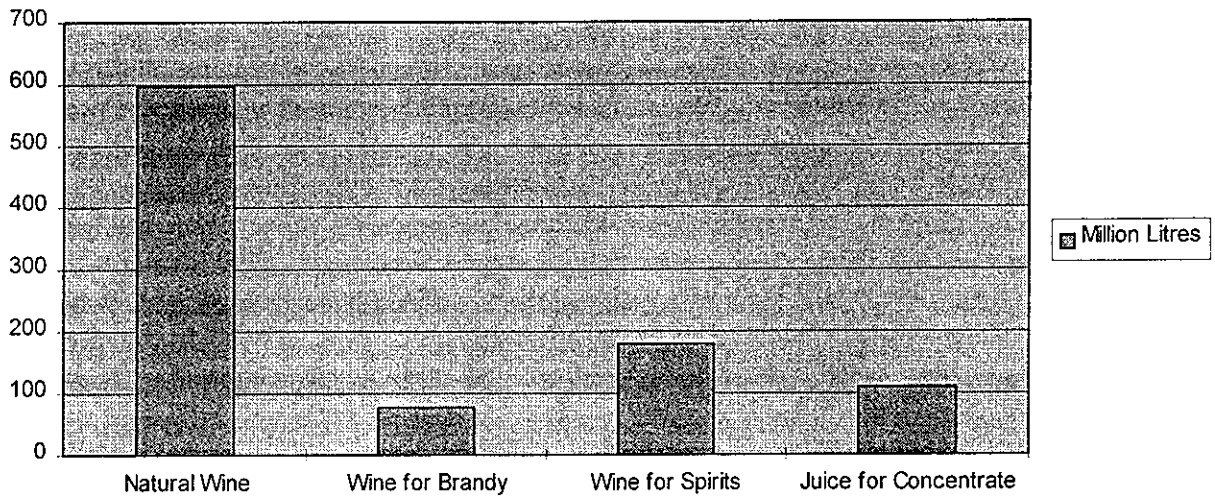
Figure 8.5: Structure of the KWV



Part of the horizontal integration is shown in Figure 8.3. The KWV has shares in various fruit juice, wine, bottled water, and spirits companies. The large fruit juice companies also have shares in the KWV. In addition, some of the financial institutions in the Cape are heavily influenced by the KWV. The research concerning wine production is largely determined by the KWV. Hence, the KWV has a true monopoly power over the wine industry in South Africa. Figure 8.5 illustrates the organizational structure of the KWV.

Until recently, the KWV controlled the minimum price for wine. The industry operates under the 1994 amended price system to allow market forces to function freely, and to keep in place basic stabilizing mechanisms for optimal growth in the industry. Before 1994, the industry used a statutory price system that set the base price for marketing purposes. The KWV handles any excess domestic production on behalf of its members. The excess is processed mainly into high quality distillates and grape juice concentrate products, which are in high demand both in South Africa and abroad. Figure 8.6 is a graph of how grape juice is utilized in South Africa.

Figure 8.6: Utilization of Wine Grapes in South Africa, 1995.



Source: KWV Fact Sheet, May, 1997.

It is expected that the South African government will be successful in their attempt to force the KWV to pay remunerations for the support the government has given it in the past. The financial or physical capital attained from the law suit should be used to provide a soft landing for emerging businesses into the wine industry. Regardless of the business structure or the results of the lawsuit, the KWV will still be the dominant player in South Africa. During the draft of this document, information from South Africa indicates that the lawsuit against the KWV has been settled and that they have agreed to pay a compensation of R300 million to assist new emerging businesses in South Africa. However, some dissatisfied KWV wine producers have gone out on their own and marketed their wine directly to the public. See Appendix A for a list of web sites where one can

order South African wine directly. The emerging businesses will most likely have to do the same thing. Several KWV members have recently denounced their involvement with the KWV to give the impression that they were always liberals and supported the New South African politics. This action has helped to minimize the impact of the negative press the KWV has received of late.

Constraints:

The current market structure is extremely horizontal and vertically integrated with few businesses controlling the industry. The introduction of emerging businesses into this market structure is risky, particularly if the existing power structure does not want them in the business.

Proposed Interventions:

For emerging businesses to gain market access, it is essential that the existing wine producers, the government (all levels), educational institutions, and financial institutions work together to address the constraints that the emerging businesses will face. The government should assist emerging businesses by:

1. offering soft loans and startup funds.
2. restructuring the KWV, such that its monopoly power is minimized.
3. encouraging all levels of government to make governmental land available to the emerging businesses.

The KWV should assist the industry by assisting emerging businesses by:

1. mentoring them until they are able to manage the business.
2. assisting with technology transfer.
3. providing extension agents to these businesses as they do for their members.

The educational and research institutions should conduct:

1. short term courses to assist emerging businesses in the areas of oenology, viticulture, management, and marketing.
2. research on what special needs emerging businesses might have.
3. seminars to keep the emerging businesses abreast on what is occurring in the industry worldwide.

IX. ACCESS TO LAND

Western Cape farm workers, unlike other South African agricultural workers, have no recent history of land access or ownership. Du Toit (1993) explains that in the Western Cape, farm work has, for more than 100 years, been done by a "landless rural proletariat." This is in direct contrast to the rest of South African agriculture, where share cropping and labor tenancy have existed alongside commercial farming until fairly recently (Karaan and Tregurtha, 1996).

The regulatory measures in the 1995 White Paper on Agriculture, which is designed to provide a new initiative that could give farm workers, especially the disadvantaged farmers, opportunity to own land have not been carried out as stipulated. The White paper, providing a new vision of agriculture in South Africa, states that "a highly efficient and economically viable market-directed farm sector, characterized by a wide range of farm sizes, will be regarded as the economic and social pivot of rural South Africa, which will influence the rest of the economy and society (WPA, 1995)."

In order to accomplish this task, the government is faced with the challenges of how to meet the needs of the disadvantaged farmers who are in general, landless and are economically and financially incapacitated, (due to their historical position in the economy) to actively take advantage of the program. As a result, two policy initiatives have been formulated:

- The broadening of access to agriculture via land reform should be enhanced by adequate agricultural policy instruments, and supported by means of the provision of appropriate services.

- Financial systems should focus on the resource-poor and beginner farmers, enabling them to purchase land and agricultural inputs (WPA, 1995).

In addition to the government policies on land redistribution and restitution, concrete action on the part of the government on lease and rental policies can assist considerably in moving the initiative forward. Though, the government has a stated policy on lease and rental, this has not been properly monitored to ensure that the available municipal lands are leased according to the government mandate of equal opportunity and access. For example, while the authors were in South Africa, we witnessed a prime parcel of land, 120 hectares in the Tokia area of the Western Cape, being leased to two white commercial vegetable producers for a mere R12,000 per annum for 50 years. This land has the potential to produce wine grapes. To remedy this anomaly and ensure proper implementation, there is a need for cooperation between local and national government and non-government organizations (NGOs). This will be necessary because of the policy bureaucracy, and the level of financial resources required, which might be beyond the capacity of a disadvantaged individual or emerging farmers. Besides, the emergence of new businesses and farmers is shifting emphasis on single owner/operator farms to a situation where certain services, assets and inputs are provided by outside groups. Partnerships, pooled finance, joint ventures, leasing of land and cooperative-ownership arrangements are all means of cooperative actions that are becoming increasingly important for agriculture as a whole, and to the new entrants in particular. Government

intervention becomes crucial in the provision of guaranteed loans and ensuring that the new emerging farmers are not omitted from out in the evolving structure.

Government or municipal lands that are arable in each provincial region should also be available for lease, with some measure of affirmative action to ensure that the disadvantaged farmers have access to such lands. The old system where the big conglomerate farmers dominated the land ownership, is still in place and very healthy, particularly in the wine growing areas.

The level of active implementation of the South African land reform process is demonstrated in table 9.1. This shows clearly how the restitution of land rights has been the main focus of the reform process. Redistribution of land, has not received as much emphasis, especially in the Western Cape, where as of January 18, 1996 there had only been 10 cases of State administered land redistribution (Land Info, 1996).

The state's program of land reform, is administered by the Department of Land and Affairs (DLA). A Settlement Grant, with a maximum value of R15,000 per household is available, with the only eligibility criterion of having a total household income of less than R1,500 per month. The grant can be used for a variety of land acquisition options, which include:

- buying of land for residential purposes, agricultural production and small business development.
- securing, registering and upgrading tenure rights.
- improving housing and land through the provision of water, sanitation waste disposal, internal roads, top structures and fencing.
- acquiring equity in existing agricultural enterprises and participating in lease and lease-purchase schemes.

In terms of private activities related to land redistribution, there is one case that requires our attention. Fourteen laborers of the Nelson Creek Wine Estate were given 8.9 hectares of agricultural land and equity shares in the KWV by the owner. The question is, whether this is the model that South Africa wants to rely on for land redistribution or is this another form of disenfranchisement via encouraging sharecropping? Although a nice gesture, the laborers of Nelson Creek will remain common laborers; they just have 0.64 hectares each to share with their families.

TABLE 9.1

The South African Land Reform Process (1996)

Province	Restitution	Redistribution
Province Unknown	29	26
Gauteng	1,068	1
Kwazulu-Natal	2,062	55
Mpumalanga	323	38
Northern Cape	117	5
Northern Province	385	4
North West	191	11
Eastern Cape	339	17
Free State	61	15
Western Cape	627	10
TOTAL	5202	182

Source: Land Info, Barometer Land Info, Vol. 1(1), (1996), p. 19; Karaan, M., and Tregurtha N. A Human Development Profile of Farm workers in The Western Cape, Monograph, WESGRO, May 1996, p. 51.

X. HUMAN CAPACITY BUILDING

The education and skills level of most black South Africans are far below the standards necessary for success in launching a new business in an unfamiliar area of expertise such as wine making. The National Manpower Commission reported in 1991 that approximately two-thirds of the South African workforce has less than a sixth grade education. Furthermore, the majority of the workforce was functionally illiterate. Under Apartheid law, the white majority regime discouraged and inhibited black South Africans from obtaining education and skills training, particularly in mathematics and the sciences. The dropout rate was extremely high during this era. For example, of the 900,000 black South African students who entered first grade in 1976, only 10% completed 12th grade (IRRC, 1996).

The White Paper (1997) on Education states that the transformation of higher education is an integral part of the political, social, and economic transformations in South Africa. Compared to other African countries and other less developed economies, the core economy in South Africa has emerged with sophisticated technology, infrastructure and production methods. The wine industry is part of this core. National resources have been devoted to develop a state of the art wine industry.

Given the state of the art technology in the wine industry in South Africa, it is important to map out what programs exist for the people of South Africa, who are interested in any aspect of the wine industry. First, this can be accomplished by determining who is directly responsible for educating and transferring technology to the wine producers in South Africa. Secondly, what is the skill level in South Africa's wine industry? Thirdly, what are they doing to assist emerging businesses? Lastly, what can they do to assist emerging businesses?

The responsibility for educating people in the wine industry rests on several shoulders. The list includes:

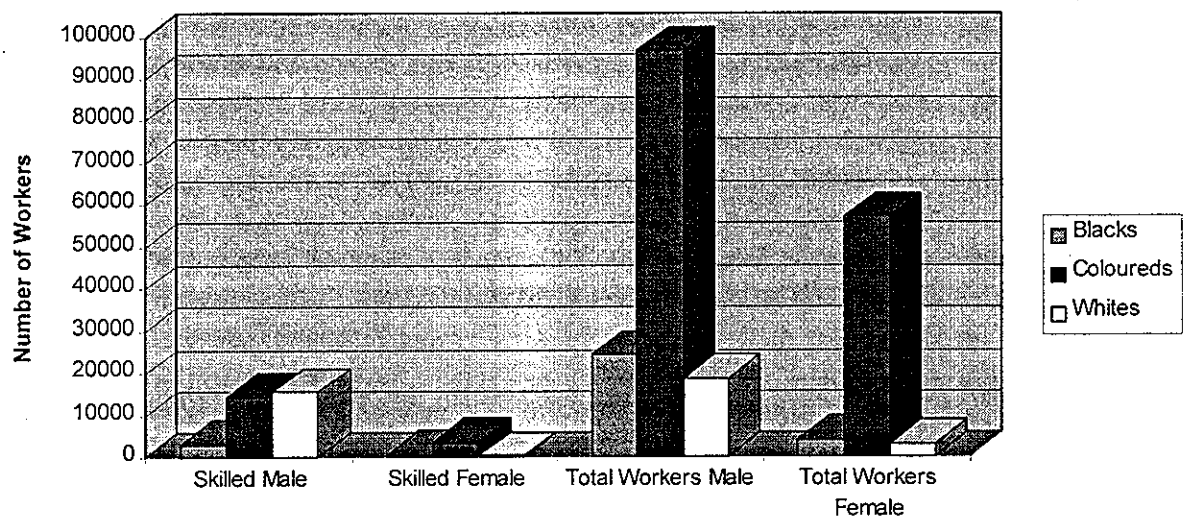
- University of Stellenbosch (4 year B.SC. in Oenology and Viticulture)
- Elsenburg Agricultural College (3 year Certificate program in Oenology and Viticulture)
- Cape Wine Academy (Short courses with various certificates and ultimately a wine master)
- Nietvoorbij (Research institution which is government funded and responsible for technology development and transfer.)
- Groot Constantia (Government owned wine farm that offers internships and practical training to University of Stellenbosch students)
- KWV (Transfer Technology is offered to its members via extension agents)

- Institute for Wine Biotechnology (Technology Transfer)
- Agricultural Research Council (Extension Agents in Viticulture and Oenology).

Given the number of established research institutes and the available infrastructures, the questions that arise are: How have the institutions and the trained experts assisted in providing capacity building through training and skill development? and in what capacity have they influenced the literacy development in the local economy? The number of skilled and unskilled labor per race group in the Western Cape is shown in Figure 10.1. Skilled labor in the wine industry for the non-white group is equivalent to a lower level manager, who has specific skills related to production. The majority of the coloured and black skilled laborers are found in the field as pruners, planters, and pickers. The white skilled laborers are primarily found in the wine production process, not out in the field.

The training needed to be a pruner, planter, picker type manager requires on the job training and short term training courses which are usually organized by the cooperative (KWV and etc.). Winemakers or farm managers, require a degree from one of the following institutions; Elsenburg Agricultural College, Cape Wine Academy, or the University of Stellenbosch. Obviously, the term skilled should be decomposed in the future, so that we can measure the progress the educational institutions have made in terms of educating the historically disadvantaged population.

Figure 10.1 The Number of Total and Skilled Agricultural Workers in the Western Cape, 1995.



Source: Provincial Statistics, Western Cape, 1995.

Presently, most vineyards do not send their workers for training. In fact, the manager for Groot Constantia stated that the majority of his workers are illiterate, and because they cannot read and write, he does not see the need to send them for training. He, however, contended that as more literate workers join the company, he would definitely create the opportunity for them to participate in short-term courses. The short term courses usually last for one or two days maximum. It should be noted that Groot Constantia is a government-owned vineyard.

Constraints:

There is an abundance of unskilled coloured and black laborers as shown in Figure 10.1. However, the problem is how to produce non-white managers that are capable of handling the financial and production responsibilities of the wine industry. The lack of trained non-white Viticulturalists and Oenologists is a major inhibitor to the success of the emerging businesses in this industry. If non-whites are to be trained in Viticulture, Oenology, wine making, or to be a wine master, new programs with new and unique approaches to transferring information and technology must be developed.

Among the identified areas of critical needs in the wine industry are:

Viticulturalists: Presently, there are no non-white trained Viticulturalists from the University of Stellenbosch or the Elsenburg College of Agriculture. However, there are five students currently enrolled at the University of Stellenbosch. They are expected to enter into the workforce by the year 2001. If this materializes, it will be a major step toward human capital development among the disadvantaged group of South Africa.

Winemakers: We were informed that there is only one non-white college educated winemaker in South Africa. This individual, Ms. Carmen Stevens successfully completed the program at Elsenburg Agricultural College two years ago. Currently, she is an assistant winemaker at Stellenbosch Farmers Winery, which is one of the largest winemakers in South Africa.

There are two other non-white men who are recognized as head winemakers. They have many years of practical experience which qualifies them to be winemakers. However, they have no academic training.

Extension Workers: The Western Cape has only one government sponsored extension worker who is trained in viticultural sciences. The majority of the wine producers utilize the extension services of the KWV, or their individual cooperative services.

Viticultural and Oenology Training: There are only a few places in South Africa that one can be trained in Viticulture and Oenology. The University of Stellenbosch offers a four year B.SC. degree, in Viticulture and Oenology Sciences (presently taught in Afrikaans). The second place is Elsenberg Agricultural College, where one can

receive a three year diploma in Cellar Technology (Presently taught in Afrikaans).

Wine masters: To our knowledge, there is one non-white Wine master in South Africa, Mr.Jabulani Ntshangase, who received his training in the United States. He is known beyond the frontiers of South Africa for wine quality testing. Several students are being trained to be Wine masters through a unique program sponsored by the South African Airways (SAA) Scholarship fund. There is a two year diploma (part time) offered by the Cape Wine Academy in Stellenbosch, Johannesburg, or Durban.

Interventions:

There is a serious need for new educational products for the emerging businesses of South Africa. These businesses have specific needs that are unique. The critical issues which need to be addressed concerning these programs include the following:

1. programs need to be flexible and encourage a diversified group to enroll. Presently, the Cape Wine Academy is the most flexible program that provides training in the wine industry. They focus primarily in the training of Wine masters. To learn more about these programs, please see Appendix H.

2. distance learning is essential to increase the availability of educational products to the people.

3. scholarships and student loan programs need to be implemented so that South Africans can afford to be trained in these areas. The University of Stellenbosch has five black South African students enrolled in the viticulture and oenology program. This came about largely due to the efforts of Mr. Jabulani Nthshangasi. The students received the SAA Wine Education Trust scholarship. This scholarship is financed by the sale of wine on the South African Airways flights. The scholarship will also pay for a two year diploma from the Wine Education course at the Cape Wine Academy in Stellenbosch, Johannesburg, or Durban.

4. at present, the education programs are three to four years long. Hence, a series of short term training programs, two weeks to six months long are needed in the following areas:

   a). Wine Production Management
   - Viticulture Management
   - Oenology Management

   b). Wine Financial Management
   - Vineyard Finance
   - International Trade
   - Marketing

5. internships need to be introduced into the training programs. A good place to offer these internships would be Groot Constantia and Nietvoorbij Research Center, both of which are

government owned. The necessary facilities for such programs are available in these centers. The KWV and its coop members should be requested to participate in this program as well.

6. admittance standards need to be reviewed for these programs. These courses, particularly the short ones, need to be open to anyone who has the interest and the financial means. The idea is to transfer the technology and knowledge to the common laborer as well as to business people.

XI. PRODUCTION AND FARM MANAGEMENT MODELS

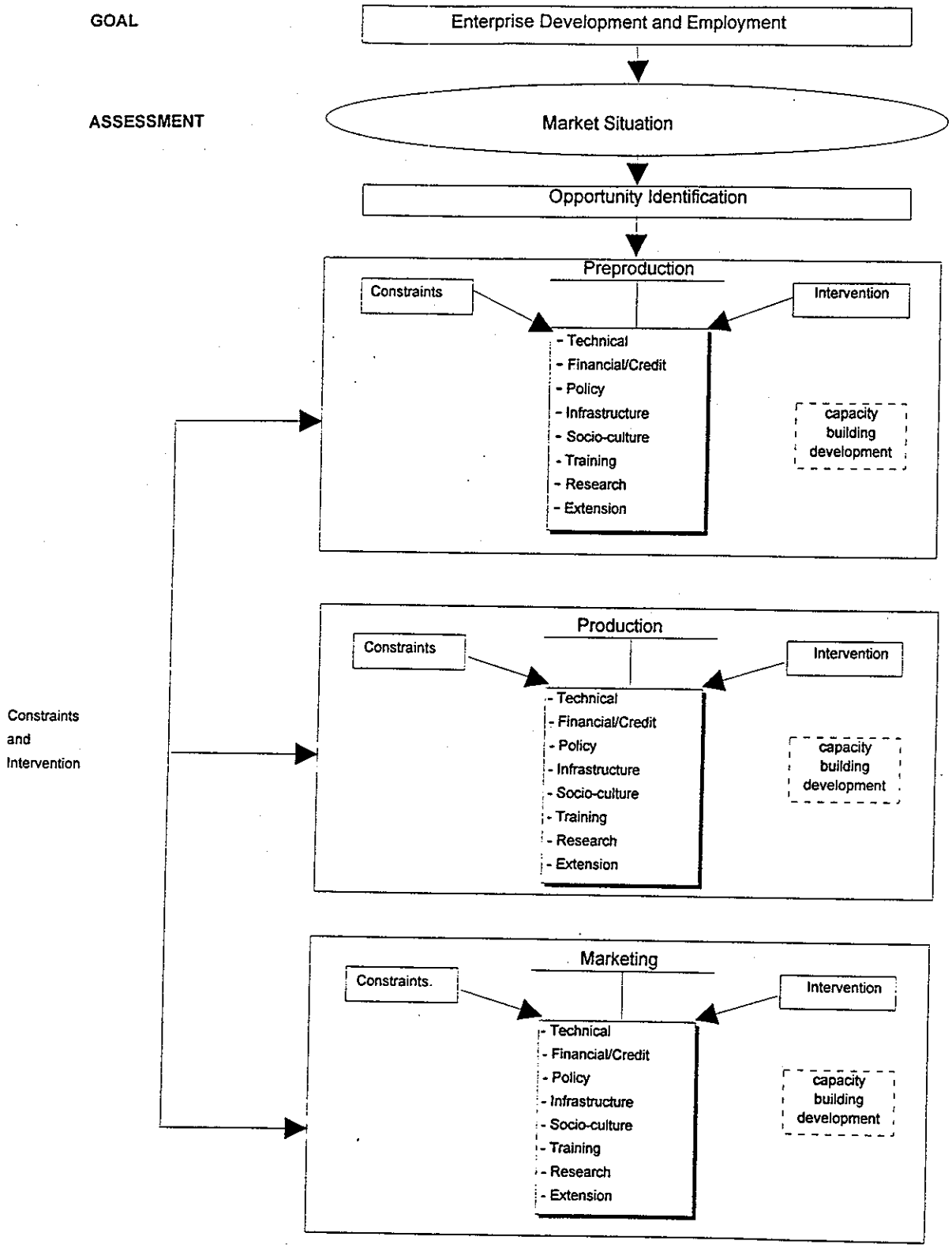
The analysis of production and farm management is critical to understanding the transformation that takes place in the production, processing, and marketing of wine in South Africa. To illustrate how policy intervention interplays with the various stages of wine production to distribution and marketing, an adaptive model for emerging businesses in the South Africa wine industry is presented in Figure 11.1. The model is stepwise and demand driven. It shows how enterprise development and the market expansion could create expanded opportunity, given proper intervention, for increased production in the South African wine industry. The significance of capacity building is emphasized in the model at every stage of wine development, from production to post-harvest.

The wine industry is controlled by large conglomerates that are owned by the minority population. The concentration of skilled labor within the white labor force is being influenced, among other factors, by the long history of cheap labor policies and employment segregation. Also, small and medium-sized enterprises are underdeveloped, while highly leveraged ones under invested in research, development and training.

The production technique practiced in the wine industry is highly vertically integrated from planting, and grape production, to harvesting, processing, and marketing. The organization at the apex of the wine industry is the KWV. Until 1994, The KWV was charged with the responsibility of setting production quotas and marketing the wine industry through Act No. 47 of 1970. This led to the wine industry being controlled and structured by the KWV. Most wine centers are structured after the KWV and Groot Constantia, which are public establishments that own integrated production systems from farm land to processing and marketing.

The South African wine industry stretches over an area of more than 800 kilometers in length, and covers nearly twice the total surface area of a country such as Holland (KWV, 1997). The farm sector of the wine industry consists of 71 cooperative cellars, 78 estate wineries and 105 private cellars. The industry offers direct employment to more than 50,000 workers, who in turn have about 250,000 dependents. South Africa is ranked 18th in the world in terms of the number of hectares under vines, with more than 100,000 hectares. In terms of production, however, South Africa ranks 7th in the world, with a 3.4% share of the total international wine production. In the Western Cape, the center of wine grape production, viticulture contributes about 30% to the total income of horticulture in the province.

Figure 11.1: A Model Plan For Emerging Businesses - The Wine Industry



The key areas of support to small and medium-sized enterprise should include:

- access to advice
- favorable amendments to legislative and regulatory conditions
- access to marketing and procurement
- access to finance
- access to infrastructure and premises
- access to training
- access to appropriate technology

Pre-Production Constraints and Intervention:

The pre-production stage has been a major obstacle to potential participants in the South African wine industry. One of the major obstacles is the historical antecedent of the industry which arrogate it to the white families that have traditionally owned the vine farms and wine production facilities. Major farm lands have been under their possession and making it difficult for new entrants to have easy access to viable land, particularly in the Western Cape province, which is best suited for wine growing. Public lands under municipal holding remain inaccessible because the new land reform program of 1995 is yet to be properly implemented. When the new land reform programs take full effect, the competitive market conditions may still prohibit new entrants.

Other constraints that limit the access of the new emerging farmers to becoming owners and active participants in the industry include finance, access to technology, and poor management skills as listed below.

Constraints

- Access to land
- Financial constraints
- Access to technology and method of transfer
- Training
- Historical disadvantage
- Institutional constraints

Intervention

To break the entry barrier into the wine industry, the government would need to be actively involved to ensure that the land reform and regulatory measures under the new political dispensation are mandated and carried out. As contained in the Government White Paper on Agriculture, the broadening of access to agriculture via land reform should be enhanced by adequate agricultural policy instruments, and supported by means of the provision of appropriate services. Financial systems should also focus on the resource-poor and beginner farmers, enabling them to purchase land and agricultural inputs.

Institutions that are charged with the responsibility of providing training, information dissemination, skill and technological transfer should structure their organizations to cater for the disadvantaged masses, to ensure successful ownership and participation in the wine industry. The pervasive effect of the system of apartheid is the legacy of inequalities generated by decades of policy interventions specifically designed to exclude the majority of South Africans from participation in social, political and economic spheres of life (WPST, 1994). Under the new regime, programs need to address the inequalities which have excluded potential black women and men from active participation in the economic main stream.

Production Process:

Three important major components can be identified and addressed in this respect. These include:

- Vineyards and Grape Production
- Transformation Process, and
- Wine Processing.

Constraints:

- Access to technology required for production
- Capacity for technology transfer
- Access to land
- Access to credit
- Low level of capacity building among the farmers who are major players in the wine industry.

Interventions:

There is an immediate need for domestic capacity building as observed in the wine industry. The industry could become a better productive sector with enlarged global markets if proper intervention occurs to remove the existing disparity with regard to access to opportunities among the major participants in the industry. Information dissemination should be freely available to all players. To integrate the emerging farmers to participate productively, programs for training and retraining should be organized for all to take advantage of the opportunity to upgrade the workers' skills.

To ensure ownership and participation, the government should intervene through their regional and municipal authorities to ensure that the land reform Act is implemented to grant access to the emerging farmers.

Post-Harvest/Processing

Constraints:

- Infrastructure constraints
- Access to training/level of education
- Institutional constraints
- Access to appropriate technology
- Access to markets
- Access to information
- Inadequate management skills

Intervention:

1. There is a critical need for domestic capacity building particularly in skills development and upgrading, for the wine farmers. The existing institutions like the University of Stellenbosch, Nietvoorbij Institute, KWV, and the Department of Agriculture at Elsenburg should be mandated to restructure and cater for the deficiencies in training and upgrading of skill in the economy. Language barriers should be removed for maximum benefit.

2. Favorable amendments to legislative and regulatory measures that guarantee opportunity for active participation for the emerging farmers should be implemented.

3. The various institutions of finance should be well coordinated to assist and give opportunity to the emerging businesses. Loan guarantees with low risk interest rates should be adopted to allow the emerging farmers access to soft loan schemes.

4. Both public and NGOs should work together to provide needed information for post-harvest problems like processing, storage, testing, packaging and marketing.

5. Extension services with short courses should be encouraged and actively pursued to bridge the knowledge gap that presently inhibits the ability of the emerging farmers to becoming viable independent farm owners.

XII. ACCESS TO FINANCING

Access to finance and the ability to obtain needed finance serves as one of the major constraints in getting emerging wine farmers to become active investors and owners/producers in the wine industry. Studies suggest that most financial institutions, whether in the private or public sector, serve only a part of the agricultural sector. Many black farmers, small-holders, and part-time farmers, therefore, did not previously have access to financial services [Agriculture White Paper (WPA.), 1995].

The essence of a nation's financial sector is a set of arrangements embracing the borrowing and lending of funds by non-financial organizations and individuals, with the intermediation of this function handled by financial institutions. These financial institutions or intermediaries are engaged in the following (Beenhakker and Unger, 1993):

- facilitating fund transfer from lenders to borrowers;
- providing additional funds when demanded through the important role of the central bank and private banks;
- using financial instruments to satisfy the various needs and requirements of the non-financial sector; and
- creating markets in debt instruments so that the price and allocation of funds are determined in an efficient manner.

South Africa has a very sophisticated financial sector, where various well developed financial intermediaries participate in intricate financial markets with first-world financial instruments. Given the prolonged rate of inflation, that is rather significantly higher than that of industrialized nations; the increasing fiscal deficit, unnecessary duplication of services, particularly in the various government departments; as well as the controlled exchange rate, South Africa's monetary, fiscal and exchange rate policies can be labeled less than optimal.

In general, the underlying philosophy of South Africa's financial and regulatory framework, as put by Beenhakker and Unger (1993) is simply that, "although competition implies the freedom to make mistakes, the regulatory authorities have the responsibility to try and preclude such mistakes or, at least to lessen their consequences." The financial analyses in this report addresses the regulatory system of South Africa to the extent that it may hinder the access of black SMEs to capital.

In South Africa, specific legislation separates the business activities of deposit-taking institutions, insurance companies, fund management companies and stock brokering firms. As such, the regulatory structure of financial institutions is based on an institutional separation of financial services. The Bank Act, the Insurance Act, the Pension Fund, and the Unit Trust Control Act, all define in detail the specific areas of business activity for these financial intermediaries (Beenhakker

and Unger, 1993). The financial intermediaries are also subject to the Financial Markets Control Act or the Stock Exchange Control Act if they operate as members of exchange, falling under one of these acts. The financial Markets Control Act and the Stock Exchanges Control Act represent the enabling financial legislation. Every participant in South Africa's financial sector is also subject to the country's general financial legislation, such as the Usury Act, covering the charges of maximum interest rates on loan capital.

In South Africa, the financial markets consist of the money market, the capital market, the futures market, the options market, and the foreign exchange market. The principal characteristics of these markets, particularly the money market and the capital market and the access of emerging black businesses to their services are examined below.

The Money Market

The money market is the market for the issuing and trading of short-term securities. In South Africa, the term money market refers to wholesale or large financial transactions of lenders, the borrowers, and the financial intermediaries. From the legal point of view, the money market does not discriminate against financial activities of SMEs and individuals. However, in reality, the historically disadvantaged black businesses with poor or no financial backing cannot raise funds in the money market. The ultimate borrowers in the money market are the privileged groups, the corporate sector (including domestic and foreign controlled companies) and the government sector.

In addition to the ultimate borrowers, financial intermediaries issue money market instruments. According to Beenhakker and Unger (1993) these intermediaries and the securities they issue are:

- the South African Reserve Bank with the following type of security: Reserve Bank debentures.
- the Land and Agricultural Bank with the following types of securities: Land Bank bills; Land Bank promissory notes; and Land Bank call bonds.
- private banks with negotiable certificates of deposit.
- building Societies with negotiable certificates of deposit.
- the South African Housing Trust with capital project bills.

The main holders of money market instruments are the financial intermediaries. The business sector is the largest and the ultimate lender in the money market. The main investors within the business sector are the large cash rich corporations and the mining houses. With respect to the wine industry, the newly emerging black businesses have not been able to raise funds in the money market. This, in essence, makes it difficult for them to gain access and maintain ownership in the wine industry.

The Capital Market

The capital market consists of the bond market and the equity market. In theory, the bond market includes all long-term lending and borrowing activities, including the intermediation of these activities. In practice the South African bond market includes only the "wholesale" transactions, i.e., all long-term borrowing and lending transactions and the intermediation thereof in large volumes (nonnegotiable paper is excluded). Similar to the money market, the bond market is only for the "big players," and as a result, emerging black SMEs have been unable to participate effectively in this market.

The terminology relevant to the bond market is slightly different in South Africa then from the USA. In South Africa, an instrument of debt is referred to as a "stock" (rather than a "bond"), whereas a stock in the USA refers to an ownership share of a corporation. However, long-term negotiable debt of the corporate sector is termed "debenture" in South Africa.

While the majority of the financial intermediaries are involved in the money market as far as funding is concerned, the following intermediaries acquire a major portion of their funding by issuing fixed-interest stocks:

- Bophuthatswana National Development Corporation
- Ciskei Peoples Development Bank
- Development Bank of South Africa
- Industrial Development Corporation
- Land and Agricultural Bank of South Africa
- Small Business Development Corporation, and
- South African Housing Trust

The lenders in the bond market, which are the holders of the fixed-interest securities can be classified into two categories: the financial intermediaries and the ultimate lenders comprising of businesses, foreign, government, and household sectors. Thus far, black and other SMEs have not been able to raise funds in the bond market. This situation could change if innovative approaches, such as the one recommended by the executive staff of Theta Securities (Proprietary) Limited, regarding the placing of collateralized housing investment papers (CHIPS) were followed for raising funds for SMEs. The ultimate purpose of the CHIPS issue is to raise medium-term funds from financial intermediaries, in order to make basically unsecured loans available, on a group responsibility basis, to members of disadvantaged communities.

The other component of the capital market is the equity market. This is utilized for the purpose of issuing and exchanging equities. The equity market is formalized under the Johannesburg Stock Exchange (JSE) and licensed in accordance with the Stock Exchange Control Act. This Act was introduced in 1947, amended on many occasions, and consolidated in 1985 (Beenhakker and Unger, 1993). The JSE has primary markets referred to as "boards" which consist of the Main Board, and the Development Capital Market (DCM).

In 1989, a third market, the Venture Capital Market (VCM) was established to accommodate venture capital companies or companies specializing in debenture capital projects. Though venture capital is very much needed in South Africa (in particular for further development of SMEs), not much success has been achieved in this direction. For the wine industry, the assessment of returns and the likelihood of failures, among the newly emerging business entrepreneurs, has limited the role of venture capital in the industry. Thus, for the historically disadvantaged black businesses to emerge and be able to participate viably in the economy, and particularly in the wine industry, there is a definite need for some sort of intervention from the government and other support institutions.

Given the above scenario, the policy initiative under the current dispensation should give consideration to empowerment of the disadvantaged people, and make available financial services especially to disadvantaged persons in the rural areas. To achieve this objective, the institutional strategy should include among others (Strauss Cooission, 1996):

- restructuring of the parastatals. That is, the government must rationalize and restructure existing parastatals to support small and medium size enterprises;

- encouraging the private sector. That is, the government must encourage the private sector to cooperate in extending financial services to those who presently do not have access to these services;

- fostering alternative institutions. That is, the government must encourage community banking and encourage the established banks and other financial institutions to help fund community banks; and

- that all National Development Finance Institutions should carry out their mandate to continue or commence the extension of wholesale lending in rural areas. These institutions include:
    1. the Development Bank of South Africa
    2. the Industrial development Corporation
    3. Hula Enterprise Finance
    4. the Land and Agricultural Bank of South Africa; and
    5. the National Housing Finance Corporation.

The South African economy is flourishing and has enormous capacity for investment both institutional and private. With the new democratic government, many investors in both direct, indirect, or joint ventures are participating in the economy. Equity funding and venture capital for business start-up are increasing the opportunity of business funding in various sectors of the economy, particularly agribusiness. Notwithstanding these opportunities, many emerging businesses are still eluded today because they lack the needed information that could give them access to these financial resources. Some of the financing schemes available to investors in South Africa are included in table 12.1.

TABLE 12.1 INVESTMENT INCENTIVES

NAME OF SCHEME	DESCRIPTION
1. Competitive Fund	The Fund will support the introduction of technical and marketing know-how and expertise to firms. The firm will assist on a 50% contribution by the firm itself and grants will be paid on a reimbursement basis.
2. Sector Partnership	To support subsector partnership in preparation of technical and marketing programs with the aim of improving competitiveness and productivity of firms. Up to 65% of the costs of the project (up to R1.5 million) are covered.
3. Medium term loan	The scheme is available for the establishment of new industries or the expansion of existing industries at an interest based on medium-term capital market rates.
4. Normal Finance	Designed to assist the smaller and medium size industrialist in the growth phase of their development.
5. Venture Capital	To stimulate development of various products or the establishment of new ventures for products with good growth potential.
6. Economic Empowerment	Manufacturing businesses usually require owners' empowerment funding of at least 33 - 40% of the total funding to ensure long-term viability. The scheme provides for a reduced contribution with the IDC providing a larger than normal contribution of the project funding.
7. Low interest rate scheme	Low interest finance is made available to industrialists for the promotion of Exports for the acquisition of fixed assets (machinery and equipment) to promote new investment directed at exports.
8. Emerging Entrepreneur	To enable an entrepreneur to access funding from his/her bankers for the establishment, expansion of a new or existing business. The maximum indemnity is 60-70%. The maximum facility is R75,000.

TABLE 12.1 Continued:

9. South African Enterprise Development Fund	The SAEDF will provide assistance to businesses through: a). **Direct investments** and loans to qualified private, commercially promising enterprises; Direct investment ranges from a minimum of US$250,000 to a maximum of US$2,500,000. b). **Indirect investments** to financial institutions (banks, investment companies, etc.), non-governmental organizations (NGO's), and other private institutions effectively serving SAEDF's intended target market. The financial intermediaries will invest in or make loans to the lower end of its target market which require loans of less than U.S. $250,000. c). **Joint Venture** - participation in joint ventures with international investors, who can introduce management skills and financial resources to the region.
10. NewFarmers	Broadening of the ownership base in agriculture. Focus is more on improving viable businesses.

Source: Department of Economic Affairs and RDP, Investment Incentives Package, Western Cape, 1996.

A restructured financial support system should above all be effective. It should reach large numbers of clients, improve their income, build up their assets base, mobilize savings, lower transaction costs, reduce financial regulations and implement risk-reduced mechanisms (WPA, 1995). The government has to facilitate and sometimes subsidize the costs of training in order to reduce the burden on financial institutions.

XIII. Questions and Issues for Emerging Businesses

The following section is dedicated to developing questions for emerging businesses to consider before they attempt to enter the South African wine industry. The prior twelve sections of this document have detailed the enormous amount of barriers emerging businesses will have to overcome to enter and be successful in this market. Some of the barriers were exogenous to the system (external, structural, and historical), which new policies will have little effect on. The barriers that are endogenous to the system can be affected by policy adjustments. Regardless of the political, economic, or social situations, emerging businesses must assess their weaknesses and strengths and the opportunities and threats that present themselves in this market.

Below are some questions that every emerging business should consider before attempting to enter the South African Wine Industry.

General Questions:

1. Define the Product
    - a. Evaluate the product as an innovation.
    - b.. Relative advantage
    - c. Compatibility
    - d. Complexity

2. What are the potential Major Problems and resistance to product acceptance?

3. Define the Market
    - a. Describe the market(s) in which the product is to be sold
        - (1). Geographical region(s)
        - (2). Distribution of the product
        - (3). Forms of transportation and communication available
        - (4). Consumer buying habits
            - (a). Typical retail outlets
            - (b). Product sales by other middlemen
        - (5). Advertising and promotion
            - (a). Advertising media used to reach target market(s)
            - (b). Sales promotions used (sampling, coupons, etc.)
            - (c). Pricing strategy
                - i). Customary markups
                - ii). Types of discounts available
    - b. Compare and contrast your products and the competition's
        - (1). Market size
        - (2). Competitor's product(s)
        - (3). Competitor's prices
        - (4). Competitor's promotion and advertising methods

c. Are marketing plan objectives and goals consistent with corporate objectives and goals?
   (1). Has the company established customer service/distribution objectives and goals?
   (2). Does the marketing plan target narrow market niches versus having a broad market focus?
   (3). Does a formalized process for new product/service development exist?
   (4). Have sales objectives and goals been established for products/services?
   (5). Does your company document its competitors' pricing? strategies/actions?
   (6). Is the marketing plan comprehensive and does it include examination of key marketing questions?
      (a). Size of each target niche
      (b). Your sales within each target niche
      (c). Profit contribution of each target niche
      (d). Your sales with each key customer
      (e). Geographic distribution of your key customers
      (f). Sales potential of each key prospect within each target niche
      (g). Geographic distribution of your key prospects
      (h). Geographic distribution of competitors within each target niche

Specific Questions:

1 What business and economic threats/opportunities exists in terms of:
   a. Government regulation threats/opportunities
   b. Products and services
   c. Customers
   d. Competitors

2. Does the company know where sales are growing in the industry?
   a. By key customer
   b. By market niche
   c. By product/service
   d. By geographic area
   e. By new customer

3. What is the focus of the marketing of the products?
   a. As low cost/price emphasis
   b. Focused broadly on the market
   c. Focused narrowly on markets
   d. Offering product or capability differentiation

4. Does the company have an established advertising and promotion budget?

5. Is the marketing plan comprehensive? (Does it include:)

a. Total market potential/growth
b. Attaining market share
c. Competitive environment
d. Product line evaluation
e. Distribution channel assessment
f. Promotion/advertising programs
g. Pricing strategy

6. What is the company's estimate of its market share for the following?
   a. Total market
   b. Target niches
   c. Key customer(s)
   d. Product line

7. How viable will my business be if I cannot get low risk financing?

8. How can I compete with established companies?

XIV. CONCLUSION

The prior sections of this document have detailed the enormous amount of barriers emerging businesses will have to overcome to enter and be successful in this market. Some of the barriers were exogenous to the system (external, structural, and historical), which new policies will have little effect on. The barriers that are endogenous to the system can be effected by policy adjustments. Regardless of the political, economic, or social situations, emerging businesses must assess their weaknesses and strengths and the opportunities and threats that present themselves in this market.

- The government should allow the KWV to privatize. However, the assets that were amassed by the KWV due to the government granted monopoly, should be remunerated to the government. In turn, the government should use those funds to provide a "soft landing" for the emerging businesses in the wine industry.

- KWV should be deregulated to increase participation of the majority of the population.

- South Africa's wine industry could benefit from an expanded market that might result from increased participation by emerging businesses.

- Unique wine products from the new emerging businesses could create a new market and improve South Africa's global competitive position.

- The Institutes, Universities, and Extension Services Centers should all become participants in building the capacity of the economy through training and technological development and transfer, particularly to the previously disadvantaged population.

- The government should be an active participant in providing necessary intervention to remove constraints like access to land, finance and technological transfer that impede ownership and productive participation.

- To ensure that there will be adequate local technical capacity to support the development process in the wine industry, it may be necessary for USAID to give support to institutional development that relates to the wine industry.

APPENDIX A

Internet Providers of Information on South African Wine

http://www.exinet.co.za/wine/sfw/backgrd.html (MAJOR INFORMATION PROVIDER)
STELLENBOSCH FARMERS' WINERY: BACKGROUND Entrance gates Cellar Stellenbosch Farmer's Winery Ltd markets nearly half of all wines sold in Southern Africa, employs more than 3 500 ...

http://www.icon.co.za/~jewelnet/winerack.htm
The Wine Rack, Member of the Internet Link Exchange Mail me your comments South African Wine A 300 Year Old Heritage. Page last updated on Friday, 16 May 1997 Contents. A Brief History ...

http://www.herald.co.uk/local_info/SA_Wine/WF7_0.html
Cellar Management Software A list of software which makes managing a wine cellar easier. Cellar Solution It comes with an up-to-date list South African wines and estates as a built in..

http://os2.iafrica.com/kwv/kwv.htm
KWV - The initials of good wine. KWV The initials of good wine KWV was founded on January 8, 1918 during a shaky period in the history of the South African wine industry... and has over the years played a key role in ...

http://www.intewine.co.uk/netXtra/Intewine/region/areas.html
South African Wines: The Regions. INTEWINE (SOUTH AFRICA) WINE GROWING AREAS In 1973 with the introduction of the Wine of Origin System, South Africa's winelands were divided into a series of official regions, ...

http://os2.iafrica.com/kwv/kwv.htm
KWV - The initials of good wine. KWV The initials of good wine KWV was founded on January 8, 1918 during a shaky period in the history of the South African wine industry... and has over the years played a key role in ...

http://wl.iglou.com/why/africa.htm
SOUTH AFRICAN WINES [Robin Garr's Wine Value Archive] South African Wines Kanonkop 1994 Stellenbosch (South Africa) "Kadette" ($8.99) Very dark garnet color. Spicy oak forward,

http://www.aztec.co.za/biz/africa/natcorp/cloete.htm
The Natural Corporation - South African Wine Estates - CLOETE Cloete Wines The name of Cloete has become a legend in the history of Cape wine. No other family has achieved such acclaim, both at home and internationally, for wines from Cloete ...

http://www.bergkelder.co.za/index.htm
South African Wine - The Bergkelder Home Page - Stellenbosch, THE BERGKELDER (MOUNTAIN CELLAR) YOUR GUARANTEE OF THE FINEST CAPE WINES Cut deep into the slopes of the Papegaaiberg on the outskirts of Stellenbosch is The Bergkelder - the famous ...

http://www.infobahn.co.za/winebase
WINE BASE - THE ELECTRONIC WINE ROUTE THE ELECTRONIC WINE ROUTE South African Wine Producers Tour the South African Wine Routes Veritas Awards - 1995 South Africa's first and only comprehensive on-line wine information ...

http://aztec.co.za/biz/africa/natcorp/veenwou.htm
The Natural Corporation - South African Wine Estates - VEENWOUDEN, Veenwouden WINE OF ORIGIN COASTAL REGION The History Situated on the northern side of Paarl on the Paarl/Wellington Road, with spectacular views over the Klein-Drakenstein Mountains, ...
http://www.gofedex.com/winewinewine/varietal.html
South African Wines by Varietal * From the Wine Shop and Wine Cellar of Featuring fabulous wines from South Africa, now available in the US. WineCellar Internet is a top-rated cyberspace guide to wines and wineries. Learn about wine, shop for wine ...
http://www.wine.co.za/index.htm
South African Wines online or find your local wine merchant. Lookup everything there is to know on South African wines, wineries & wine routes. Internet Information & amp; Service provider to
http://www.teletimes.wis.net/wine_9402.html
Teletimes February 94 -- The Wine Enthusiast THE WINE ENTHUSIAST South African Wines In April, South Africans will hold their first true general elections in its history. South Africa is a wealthy, industrialized nation and ...

APPENDIX B

Wine Regions, Districts and Wards

South Africa's Wine of Origin legislation divided the winelands into a number of official "areas", now called "districts". These districts are grouped into "regions" and some of the districts have further subdivisions called "wards". Some regions have wards but no districts. Some districts do not form part of any region.

The Regions/Districts/Wards
Breede River Valley
Worcester
Nuy
Goudini
Slanghoek
Scherpenheuvel
Aan-de-Doorns
Robertson
McGregor
Vinkrivier
Goree
Riverside
Eilanda
Boesmanrivier
Agterkliphoogte
Le Chasseur
Hoopsrivier
Bonnievale
Boberg (Only applies for fortified wines)
Paarl
Tulbagh
Coastal
Tulbagh (Natural wines)
Paarl (Natural wines)
Franschhoek
Swartland
Riebeekberg
Groenekloof
Durbanville
Constantia
Stellenbosch
Simonsberg-Stellenbosch
Klein
Karoo
Olifants River

No districts - Wards only
Spruitdrift
Koekenaap
Lutzville Valley
Vredendal

Self contained districts (not in any regions)
Swellendam
Bonnievale (shared with Robertson district)
Piketberg
Overberg
Walker Bay
Douglas

Self contained wards (not in any regions or districts)
(not in any district)
Cederburg
Benede-Oranje
Andalusia

Most of this information comes from The Complete Book of South African Wine.

APPENDIX C

Directory of Plantations and Winemakers in South Africa*

Vineyard Estates Visited by the Authors			
Name	**Address**	**Phone**	**Fax**
Groot Constantia	PB Constantia 7848	021-7945128	021-7941999
Evan Mathews**	Posbus 35, Saron		
KWV International	Box 528, Suider-Paarl 7624	021-8073911	021-8073000
Laborie	Box 528, Suider-Paarl 7624	021-8073911	021-8073000
Rust en Vrede	Box 473, Stellenbosch 7600	021-8813881	021-8813000
Spier	Box 1078, Stellenbosch 7599	021-8813096	021-8813634
Stellenbosch Farmers Winery	Box 46, Stellenbosch 7599	021-8087911	021-8871355
Warwick	Box 2, Muldersvlei 7606	021-8844410	021-8844025

* Wine Centers and Plantations visited in South Africa.

** This is a newly acquired plantation. The plantation grows vines and other crops, but as of now does not produce wine.

For a comprehensive directory of South Africa Wine Centers, Cellars, Vineyards, Wine-makers and Restaurants **see**: John Platter, "South African Wines: Cellars, Vineyards, Winemakers, Restaurants," 1997. To get a copy of this detailed book, which gives you all relevant information about all of the Vineyards and Cellars in South Africa, is available from:

Publisher:
John & Erica Platter
Clos du Ciel Vineyards
P.O. Box 3162
Stellenbosch 7602
Capetown, South Africa

APPENDIX D

Black Owned Businesses that are or may want to be Involved in the South African Wine Industry.				
Business Name	**Owner**	**Tel/Fax**	**Sector**	**Potential**
African Beverages	**Mr. V. Kama**	**021-883-8344 021-886-4896**	**Wine Exporters**	**Previously they just labeled existing wine. Currently they are not in operation**
Amien Foods	Mr. G. Parker	021-691-0119	Meat Processing & Non-Carbonated Drinks	Can be involved in the Management or Bottling
Bakgotsi Holding (PTY) LTD.	**Mr. Stan Mphahlele**	**011-403-3675/96 011-403-1339 083-264-0803 mob.**	**Currently they are an investment Group, they will form Peu Holding Co. by July 24. This group will invest in Agriculture only. The chairman of this group will be released soon.**	**They have put an option to buy a 14 Hectare wine estate, which has a cellar. They would also like to purchase shares in KWV.**
Brimstone Holdings	Mr. M. Brey	021-638-6475 021-637-6477	Investment Group	Purchase shares of new or existing wineries
Foodworld	Mr. L. Parker	021-934-4910 021-934-4916	Food Retailer	Potential market or management experience
Fruitpak Engineering	Mr. A. Antonels	012-905-2915	Agricultural Machine/Equipment Manufacture & Repair	Supply and Repair Agricultural Machinery and Implements

Black Owned Businesses that are or may want to be Involved in the South African Wine Industry.				
Business Name	**Owner**	**Tel/Fax**	**Sector**	**Potential**
Gorvala Investments	Mrs. Gorvala	021-951-1798	Investment Group	Purchase shares of new or existing wineries
Hot Spice Products	Mr. M. Vasta	021-638-3132	Producer of Spices and Sauces	Potential market or management experience
Mnyama Holdings	Mr. S. Dube & P. Jones	021-261-020	Investment Group	They are interested in purchasing shares of KWV and a winery
Mounteng Investments	Mr. M. Mbeta	021-692-3919 021-691-4774	Investment Group	Purchase shares of new or existing wineries
Murway Investments	Mr. I. Murudker	021-637-9186	Investment Group	Purchase shares of new or existing wineries
Neale's Hydraulics	Mr. N. Williams	021-905-2516	Repair & Maintenance of Hydraulic Machines	Repair & Maintain Farm Machinery for the Wine Industry
Sinakho Investments	Ms. J. Mkhwanazi	021-975-4961	Investment Group	Purchase shares of new or existing wineries
Siphumelele Investments	Mr. S. Montsi	021-683-4486 021-683-4487	Investment Group	Purchase shares of new or existing wineries
Thabani	**Mr. J. Ntshangase**	**021-762-8830 021-762-8831 082-801-6103 mob.**	**Should be an Official Company by August 17, 1997. This company will purchase estates and produce primarily agricultural products.**	**They have put in an option to purchase an 80 hectare wine estate with no cellar. If accepted by the owner, Thabani has 30 days to get financing.**

Black Owned Businesses that are or may want to be Involved in the South African Wine Industry.				
Business Name	**Owner**	**Tel/Fax**	**Sector**	**Potential**
Ukhozi Investments	Mr. L Ngcokoto	021-683-6464	Investment Group	Purchase shares of new or existing wineries
Umbono Investments	Mr. H. Allison	011-838-7660	Investment Group	Purchase shares of new or existing wineries
Venture Foods	Mr. S. Parker	021-637-1387	Soft Drink Manufacturer	Potential market or management experience
Vuleka Holdings	Mr. C. Mtoba	021-418-6464	Investment Group	Purchase shares of new or existing wineries
Whip Investments	Ms. W. Luhabe	021-322-188	Investment Group	Purchase shares of new or existing wineries
Siphumelele Investments	Mr. S. Montsi	021-683-4486 021-683-4487	Investment Group	Purchase shares of new or existing wineries

APPENDIX E

Black Farmers Unions that are or may want to be Involved in the South African Wine Industry.			
Individual	**Owner/Chairman**	**Tel/Fax**	**Region**
Mr. E. Mathews	Saron Landbouvereniging	Posbus 35	Saron
Mr. C. Jooste	Stellenbosch New Farmers Association	Posbus 2352	Stellenbosch
Mr. G. Willems	Vredendal Kleinboerevereniging	Posbus 1067	Vredendal-Noord
Mr. P. Hahn	Ebenhasser Kleinboerevereniging	Posbus 1117	Vredendal Noord
Mr. W.G. Cloete	Saron Gemeenskapsboerdery	Posbus 6	Saron
Mr. F. Liebenberg	Saron Projekkomitee	Klingstraat 5	Saron
Mr. C. Wilton	Paarl Kleinboer Vereniging	Ghwarri Laan 11, New Orleans	Paarl

APPENDIX F

WINE INDUSTRY ORGANIZATIONS

1. Rural Foundation
   Tel no:021-887 6870

2. Wine Foundation
   Bill Cooper-Williams / Oupa Salemane
   Tel no:011-880 1025 / 011-493 0805

3. Brandy Foundation
   Pietman Retief
   Tel no:021-887 3157

4. Cape Wine Academy
   Christine Rudman
   Tel no:021-808 7911

5. Nietvoorbij (Viticulture and Oenological Research Institute)
   Liesel Koch
   Tel no:021-889 5500

6. Wine Biotechnology Institute
   Pro. Sakkie Pretorius
   Tel no:021-808 9111/808 4730

7. Cooperative-opertaive Wine Cellars Committee
   Sakkie van der Vyver
   Tel no:021-887 2828

8. Cape Estate Wine Producers' Association
   Daine de Wet
   Tel no:0234-51 853/7

9. Vine Improvement Board & KWV Plant Improvement Program
   Nico van Rensburg
   Tel no:021-872 1831

10. Wine & Spirit Board
    Hugo van der Merwe
    Tel no:889-6555

11. Cape Independent Winemakers' Guild
Jean Daneel
Tel no:021-887 0117

12. SA Wine and Spirit Exporters' Association
Riaan Kruger / Andries van Tonder
Tel no:021-887 0117

London: Jane Hunt MW of Wines of South Africa (WOSA)
Tel no:0944-171-470 8820 Fax: 0944-470 8821

B. SA NATIONAL WINE SHOW (SANWS) ASSOCIATION

The Veritas Awards and the SA Young Wine Show are organized by them. The various regional young wine shows also take place under their auspices.

1. Veritas Awards and SA National Wine Show
Elsabe Ferreira
Tel no.021-807 3104

2. Secretaries: Regional Wine Shows
Paarl Wine Show Association
K. Theron
Tel no:021-863 3040

3. Stellenbosch Wine Show Association
S. Nel
Tel no:021-886 4867

4. Robertson Valley Wine Trust
N. Janse van Rensburg
Tel no:02351-3167

5. Worcester Winelands Association
B. Botha
Tel no:0231-28710

6. Klein-Karoo Wine Show Association
P. Contadie
Tel no:0443-226065

7. Olifants River Wine Show Association
J. Rossouw
Tel no:0271-33086

8. Orange River Wine Show Association
D Volgraaff
Tel no:054-741 0001

C. WINE ROUTES

1. Constantia
D. Appel
Tel no:021-794 1999

2. Durbanville
W. Starke
Tel no:021-975 1655

3. Stellenbosch
C. Francis
Tel no:024-842 3630

4. Helderberg
G. Faure
Tel no:021-851 4022

5. Paarl
G. Theron
Tel no:021-807 3196

6. Wellington
T. Broodryk
Tel no:021-873 1386

7. Tulbagh
A. Jordaan
Tel no:0236-301504

8. Franschhoek
G. de Villiers
Tel no:021-876 2362

9. Worcester
B. Lategan
Tel no:02324-658

10. Klein-Karoo
G. le Roux
Tel no:04439-2548

11. Swatland
D. du Toit
Tel no:02244-213

12. Orange-Vaal
J. Burger
Tel no:054-741 0001

APPENDIX G

STELLENBOSCH FARMERS' WINERY: INTERNATIONAL AGENTS

ARABIAN GULF
African & Eastern P.O. Box 49 Dubai Tel:9714 366389 Fax:9714 369593

AUSTRALIA
Tucker & Co. 11 Rosebery Avenue Rosebery NSW 2018 Tel: (02) 662-1444 Fax: (02) 662-2725

BENELUX
Otto Lenselink Wijnimport BV le Loswal 2a 1216 BE Hilversum Tel: (035) 242952 Fax: (035) 233078

CANADA
The Mark Anthony Group 1750 West 75th Avenue Vancouver British Columbia Canada V6P 6G2 Tel: (604) 263-9994 Fax: (604) 263-9913

Selections Internationales 50 Rue de la Barre Bureau 110 Longueuil Quebec J4K 5G2 Tel: (514) 878-3050 Fax: (514) 651-5453

DENMARK
Amka Vinimport Ostre Blvd. 29 DK-8900 Randers Tel: (86) 419600 Fax: (86) 411037

FINLAND
Harald Zetterstrbm oy ab Luotsikatu 9 A Lotsgatan 00160 Helsinki Tel: (0) 179445 Fax: (0) 656361

GERMANY
Weinwelt Mack & Schiihle GmbH Neuestrasse 45 Owen 73277 Tel: (07021) 570134 Fax: (07021) 83243

HONG KONG
Grandom Dransfield (Int'l) Wine & Spirit 36-42 Pok Man Street 1st and 2nd Floors Mongkok Kowloon Tel: 787-0838 Fax: 787-4442

IRELAND
Edward Dillon & Co. 25 Mountjoy Square East Dublin 1 Tel: (01) 8364399 Fax: (01) 8741064

JAPAN
Kanematsu Corporation 2-1 Shibaura 1-Chome Minato-Ku Tokyo 105-05
Tel: (03) 5440-9549 Fax: (03) 5440-6559

Royal Liquor & Food Co. No. 8-16 Hiroo 5-Chome Shibuya-Ku 150 Tokyo
Tel: (03) 3440-0621 Fax: (03) 3446-5628

KENYA
Kenya Wine Agencies Ltd P.O. Box 40550 Nairobi Tel: (2) 557-733
Fax: (2) 54-5634

B P Investments Limited P.O. Box 49493 Nairobi Kenya Tel: 222813
Fax: 332079

MAURITIUS
Grays Limited Beau Plan Pamplemousses Tel: (02) 43-3097 Fax: (02) 43-3664

Mamet et Fils Ltee. P.O. Box 17 6 Dumas Street Port Louis Tel: (021) 20207 Fax: (021) 22102

NEW ZEALAND
National Liquor Distributors 44a The Mall Onehunga Auckland Tel: (09) 636-6031
Fax: (09) 636-4875

NORTHERN IRELAND
Arthur Guinness Son and Company (Northern Ireland) Ltd. Apollo Road Belfast BT12 6PJ
Tel: (0232) 661611 Fax: (0232) 669889

NORWAY
Gunnar Amundsen P.O. Box 7504 Skillebekk 0205 OSLO Tel: (22) 553010
Fax: (22) 558577

SEYCHELLES
Vines Limited Cnr. Revolution Avenue & Bel Air Road Victoria Mahe Tel: 322663
Fax: 324196

SINGAPORE
Latin-Asia 221 Henderson Road No 06-18 Singapore 0315 Tel: 276-4900 Fax: 276-4920

SWEDEN
Philipson & Sbderberg AB P.O. Box 29163 Norra Hamnvagen 3-5 Stockholm 510052
Tel: (08) 663-9410 Fax: (08) 667-4164

SWITZERLAND
Repsa Weine AG P.O. Box 234 CH 6340 Baar Tel: (42) 321636
Fax: (42) 317993

Schuler & Cie AG St Jakobskellerei Franzosenstrasse 14 6423 Seewen-Schwyz CH.
Tel: (043) 243473 Fax: (043) 243474

TAIWAN
Fenterburg Trading Co. Ltd. 2nd Floor 360 Ching Nien Road Section 1 Fengshan Kaohsiung Tel: (07) 747-8152 Fax: (07) 747-8328

Chiu Lin Trafficker Co. Ltd.
No. 10 Chung-San Road A-Lien Kaohsiung Tel: (7) 697-3237 Fax: (7) 697-3222

THAILAND
S.L.P. Inter-Marketing Ltd. 6th Floor Laksi Plaza Bangkhen Bangkok 10210 Tel: (2) 576-0365/6 Fax: (2) 576-0369

UNITED KINGDOM
Caxton Tower Wines Limited 4 Harlequin Avenue Brentford Middlesex TWS 9EW
Tel: (081) 758-4500 Fax: (081) 568-9149

Patrick Grubb Selections Orchard Lea House Steeple Aston Bicester OX6 3RT
Tel: (0869) 340229 Fax: (0869) 340867

UNITED STATES OF AMERICA
Dreyfus Ashby Inc. 60 East 42nd Street Suite 1901 New York NY 10165
Tel: (212) 818-0770 Fax: (212) 953-2366

ZIMBABWE
Allied Liquor (Pvt) Ltd. P.O. Box 1203 Harare
Tel: (4) 303862 Fax: (4) 303083

APPENDIX H

COURSES OFFERED BY THE CAPE WINE ACADEMY

Wine appreciation classes are conducted by the Cape Wine Academy, founded in 1979, which is sponsored by the Stellenbosch Farmers' Winery and the KWV. One of the most respected achievements in the wine industry is certified qualification from the Cape Wine Academy. The objective of the Cape Wine Academy is to help students increase their:

- enjoyment of wine
- understanding of what to look for when tasting wine
- knowledge on how to choose wine for pleasure or investment, and
- understanding of wine terminology and the techniques of wine-making.

The courses listed are taught in English and Afrikaans and are offered throughout South Africa as well as via correspondence.

Preliminary Wine Course

An introduction to the wonders of wine. Four evening lectures of about 2 hours plus an examination, over five weeks. A tutored wine-tasting is conducted at each lecture. Course literature is provided and students who successfully complete the course examination receive certificates and CWA membership. The preliminary examination is a pre-requisite for further study and can be written without enrolling for the Preliminary Wine Course. An invigilator can be arranged for students unable to write at the Academy centers.

Certificate Wine Course

An in-depth study of the South African Wine Industry. Lectures by wine experts on topics such as wine making, viticulture and structure of the industry. Aspects such as Sparkling wine, fortified wine and brandy are included. A file of notes and a textbook are provided. There are six comprehensive lectures and tasting given over four months. Two courses are offered per year starting in February and July with examinations in June and November respectively.

Pre-requisites:

- CWA Preliminary Course
- The KWV Wine Course
- KWV Certificate or KWV Advanced Certificate.

Diploma Course (Diploma I & II)

Ten in-depth lectures and tutored tasting are given each Diploma year on the main wine-producing countries of Europe, North America and Australia. A file of notes and overseas textbooks are provided for each course. Diploma I courses start in August each year with one written paper and a tasting examination (of South African Wines only) the following June. At the end of the second Diploma year, on the successful completion of two written papers (one South African and one international) and a tasting examination (of local and European wines), a very prestigious certificate and badge are awarded together with well-earned membership of the exclusive CWA Graduate Club.

A three day optional Tasting Symposium is held in Stellenbosch each February for students registered for Diploma I - with daily varietal tasting presented by Cape Wine Masters and other wine experts. An intense six-day optional Advanced Seminar is held in Stellenbosch each March for second-year Diploma students, Diploma Graduates and interested parties from abroad (providing they hold an equivalent wine diploma).

Pre-requisites

- Successfully completed CWA Certificate Course
- KWV Wine Seminar Cape Winelands Seminar
- KWV Intermediate Diploma or KWV Final Diploma.

Cape Wine Master

The Cape Wine Academy works closely with The Cape Wine and Spirit Education Trust which sets the Cape Wine Master examinations. The most prestigious South African wine title to receive is that of Cape Wine Master. Qualification required to write the Cape Wine Master examination is the CWA Diploma II.

The Cape Winelands Seminar

This wine course is held only in the Cape. The **twice-yearly, one week seminar** is open to students who have successfully completed the KWV Certificate or Advanced Certificate Wine Course, CWA Preliminary Course, a recognized national or international wine course or those recommended by the international trade. Students are given the opportunity to learn the secrets of South African wines first-hand from experts through lectures, tutored wine tasting workshops (covering a range of interesting themes) and visits to numerous wineries in the Cape winelands. A visit is also made to Nietvoorbij Institute for Viticulture and Oenology in Stellenbosch. Each day begins with a detailed discussion of the vini and viticultural aspects of a specific wine area. Students who attend the Cape Winelands Seminar are awarded membership of the exclusive Ordo Amicorum Vini (The Order of the Friends of Wine). The number of students is limited.

Course in Management of Liquor Products

This is the first wine and spirit training course to have been registered with the Department of Manpower. Liquor trade employers can be reimbursed as a tax concession for staff training.
The course is designed to fulfil specific group needs, especially the Liquor trade, Hotel Schools and overseas groups. The duration of the course is: 6 modules x 2 ½ hours and a written examination.

Half and One Day Wine Courses and Wine Workshops

For local and overseas groups, special half and one-day courses can be arranged.

The Prestige Wine Course

This one-day course is designed to provide a comprehensive knowledge and understanding of wine appreciation to all people interested in intensive wine training. For business persons and the liquor trade, enhance your professional image with your wine knowledge so that you can confidently select wines for stylish entertainment and investment. The course includes the art of tasting, history and geography of Cape Wines, grape varieties, production areas, wine making, matching food with wine, storage and investment in wine, sparkling and fortified wines. Brandy and Cognac are also discussed and tasted.

- Each lecture is accompanied by a tasting of selected wines.
- A special lunch with matching wines is included.
- A comprehensive file of notes is provided.
- An attendance certificate will be issued.
- On completion of a Preliminary Course questionnaire you may continue with the second level of the Cape Wine Academy - the Certificate Course.

APPENDIX I

INTERNATIONAL AGREEMENTS

Cooperation between Nietvoorbij and Israel

The ARC-Nietvoorbij Institute for Viticulture and Oenology has confirmed its cooperation with Israel with the compilation of a declaration of intent between the Table and Drying Grape Section of Nietvoorbij and the Volcani Institute of Israel.

The cooperation agreement, which has yet to be endorsed by all the parties concerned, is aimed at promoting the development of new, improved table grape cultivars. This includes the exchanges of genetic material and expertise necessary to achieve the objectives of the breeding program, such as the development of seedless and disease-resistant cultivars.

The agreement will enable researchers of the two institutes to exchange hybrids for evaluation under various conditions. It will also enable breeders to extend the growing season as it will now be possible to move material between the southern and northern hemisphere. In addition, it will help to supply the need of the table grape industry for new cultivars.

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