

## **SA wine exports back on growth track**

South African wine exports are on the rise again, reflecting a 16% volume increase for the first 11 months of 2007 compared with the same period in 2006, according to industry body, South African Wine Information and Systems (SAWIS).

Commenting on the latest data, Chief Executive Officer (CEO) of Wines of South Africa Su Birch said she expects exports for the full year to exceed the 300-million litre mark, which would be a record for the country.

Confident of continued growth this year, despite the highly competitive nature of the international market, Birch said she projected an increase in export volumes of at least 6%, according to Southafrica.info.

"Although a conservative estimate, all indications are that the temporary setback in sales experienced in 2006, when volumes dropped some 5% on 2005, is now well and truly behind us."

### **Export expansion through Europe**

Another positive trend, Birch added, was that the country's global reach has widened, significantly diversifying risk.

"Whereas five years ago, 72% of our packaged exports went to just the UK and the Netherlands, the net has widened so that the UK, Sweden, the Netherlands, Germany and the US currently account for 70% of total export volumes."

She says that with the exception of the Netherlands, where sales are characterised by heavy discounting, other major markets have shown sound growth in demand for local packaged wines.

"In the Netherlands, we are currently addressing the higher-priced segment of the market, where margins are more attractive for producers. We are advising local wineries to move their focus away from extreme value business.

"The UK remains our biggest export destination, where we have reversed the negative trend of the past two years.

"Not only are packaged wines showing a growth of 6% but we are growing ahead of the market's 4%, which means we should begin to increase market share again from next year.

"We are also particularly heartened by the fact that much of this growth is taking place in the more premium segment of the market," she stated.

### **Trips on the UK Top 20**

South Africa has succeeded in retaining three trademarks on the UK multiple grocers' Top 20 list of bestsellers, namely Kumala, FirstCape and Namaqua.

Birch says Wines of South Africa is continuing to pursue opportunities to grow profitable trading relationships, not only among the multiple grocers but by giving greater attention to the independent retailers.

and the on-consumption channel.

Sweden has become South Africa's second biggest market for packaged wine. "We are now number two Sweden, behind market leader Australia."

"The entire Scandinavian bloc offers very exciting potential. We have shown double-digit growth not only in Sweden, but also Denmark and Finland, and we haven't even begun to tap Norway."

One of the strongest growth markets has been Germany, where volumes have jumped over 40%.

According to Wines of SA's representative in Germany, Petra Mayer, South Africa is now the fifth biggest supplier of imported wines to the country, up from ninth position in 2000.

## **Growth in Canada**

Another star performer is Canada, with Quebec proving a fast-growing market for South African producers historically most active in Ontario.

Volumes to Quebec grew 76% to reach sales of 175,000 cases with a value of CAN\$22-million in the 12 months to September.

Local wineries not already in this market are being urged also to develop a presence in Quebec, which accounts for 40% of Canada's total wine consumption.

All four provinces have upped their purchases of local wines, says Wines of SA's representative in Canada Laurel Keenan, with total volumes for Canada up 11%.

Exports to the US are over 9% higher on last year.

Birch believes that Russia also offers excellent opportunities.

After an initial foray by Wines of SA earlier this year, sales have risen fourfold on a year ago, albeit off a low base, and there is widespread optimism for further market penetration.

## **Potential shortage**

Birch does, however, sound a note of caution.

"With exports of red wines growing at nearly three times the rate of whites, we could be experiencing shortages of reds by the 2010 FIFA World Cup. As it is, there are currently some shortages of certain white cultivars, notably Sauvignon Blanc.

"Although shortages might mean higher prices for grape suppliers, the situation will not be to the advantage of our industry. South Africa is still a very young exporter in global terms, and to be unable to meet market demands could make us vulnerable."

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