

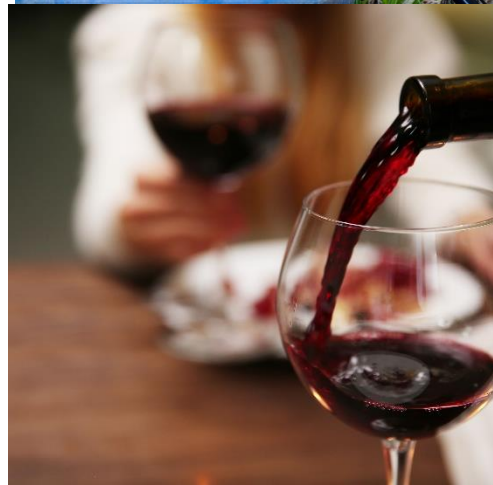
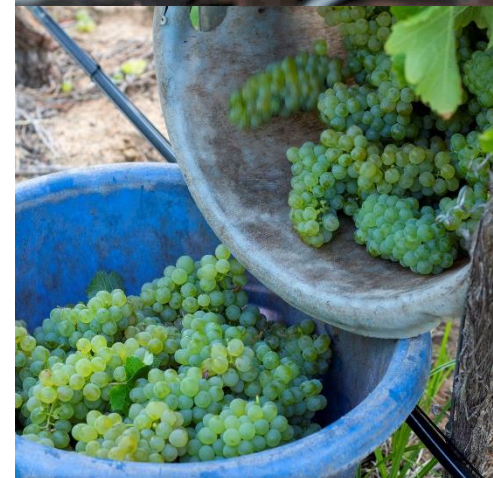


Winning in Wine

Yes we can, but how?



#Vinproday
Rico Basson
19 January 2023



SA wines win awards across every level



Best Vineyards

11 SA vineyards included in the World's 100 Best Vineyards 2022, including 3 in the top 50.



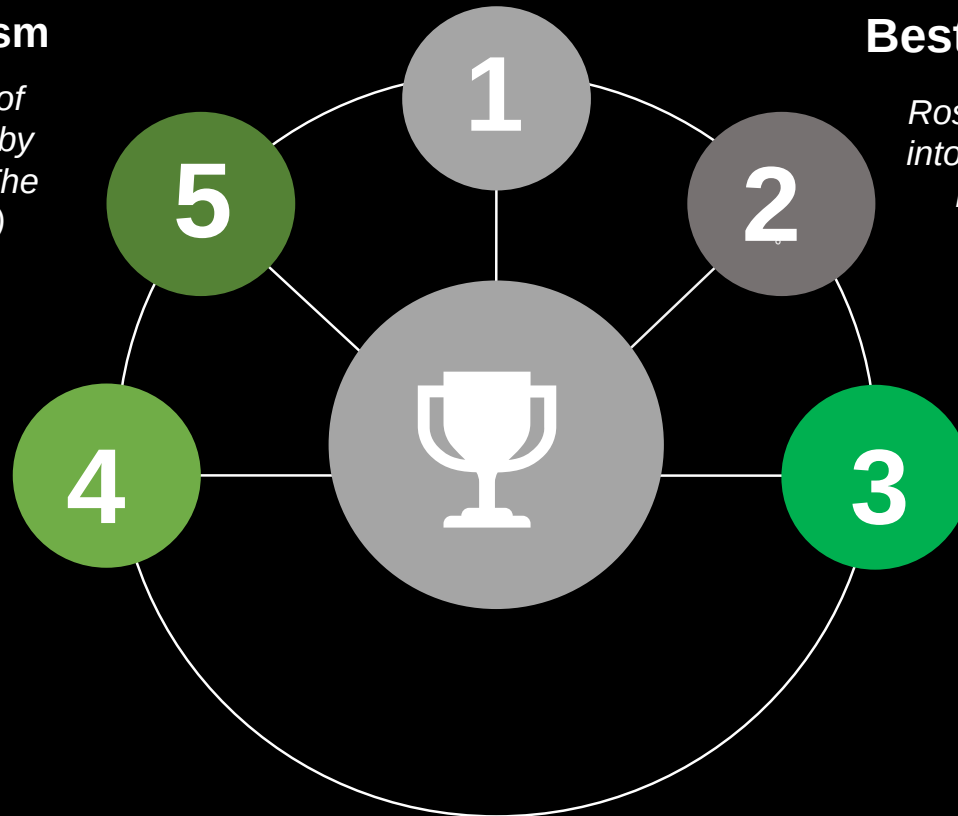
Best Wine Tourism

9 winners in the Best of Wine Tourism Awards by Great Wine Capitals (The Award of Excellence) 2023.



Best Wines

Numerous awards supported by science & initiatives such as OWP.



Best Technical experts

Rosa Kruger was inducted into Decanter's prestigious Hall of Fame Award.



Best Producers

Red Wine Producer of the Year: Kanonkop Wine Estate
White Wine Producer of the Year: Jordan Wines
Carmen Stevens – 1659 Award.



SA brandy is world class



- Winning numerous **global awards** and rated as the **best quality brandy producer worldwide**.
- Van Ryn's 20-Year Old Potstill named **World's Best Wine Brandy** at the 2022 World Brandy Awards.



Most
awarded in
the world



WineLand

JANUARY 2030

Dare to dream
News headlines
2030



Spanish wine fill SA wine boxes

**Agriculture left high and dry:
water battle continues**

**South African wine shine
in their African backyard**

**Port of Cape Town now rated in
TOP 100 globally**

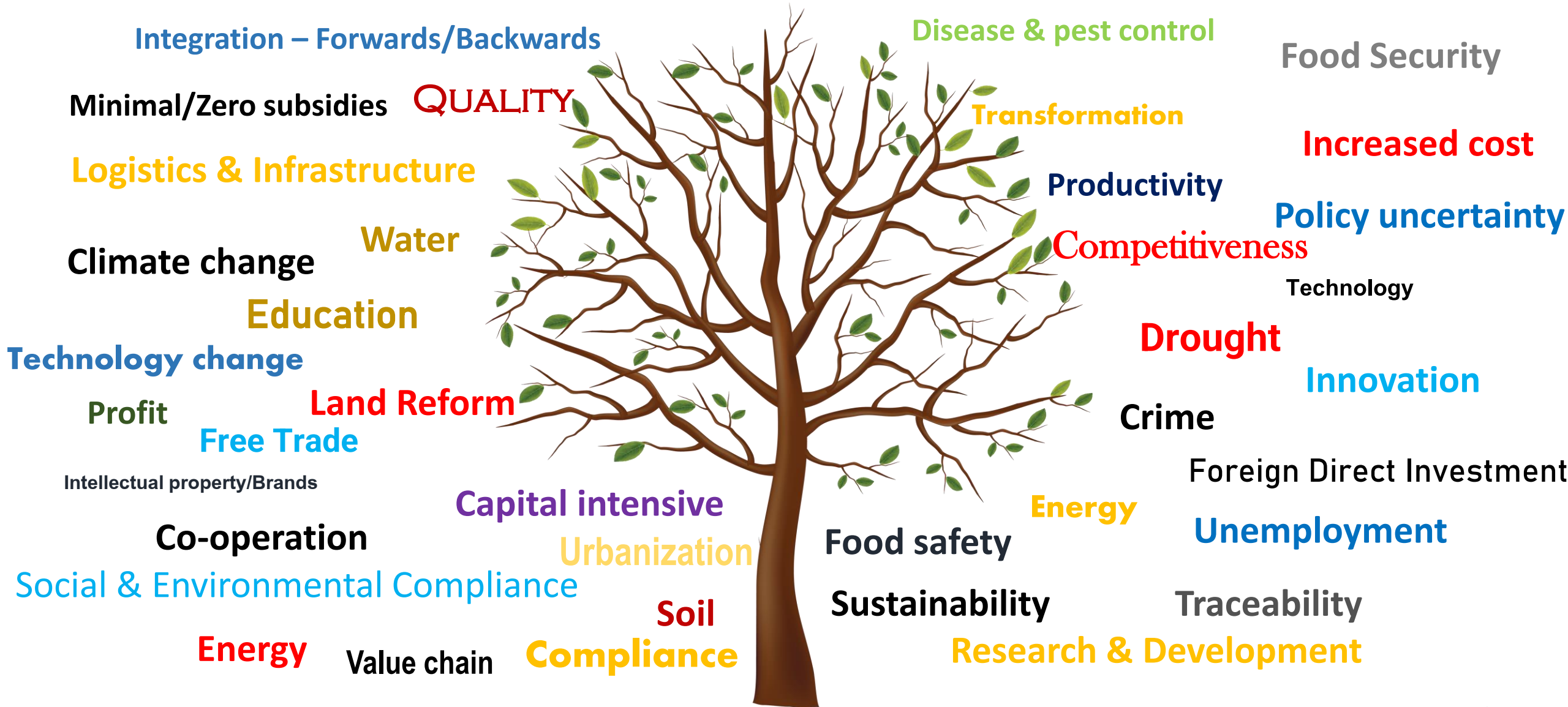
**SA Wine receives
coveted EU diversity
& inclusion award**

**Prowein tradeshow
in Metaverse**



9 770043 965000 01091
RSA R80,00 INCL VAT

Agri Business Environment



We are hamstrung by political ideologies that are not outcome-based, have limited accountability, and no sense of urgency....

...this is at a time when our global competitors are far more aggressive in their execution.

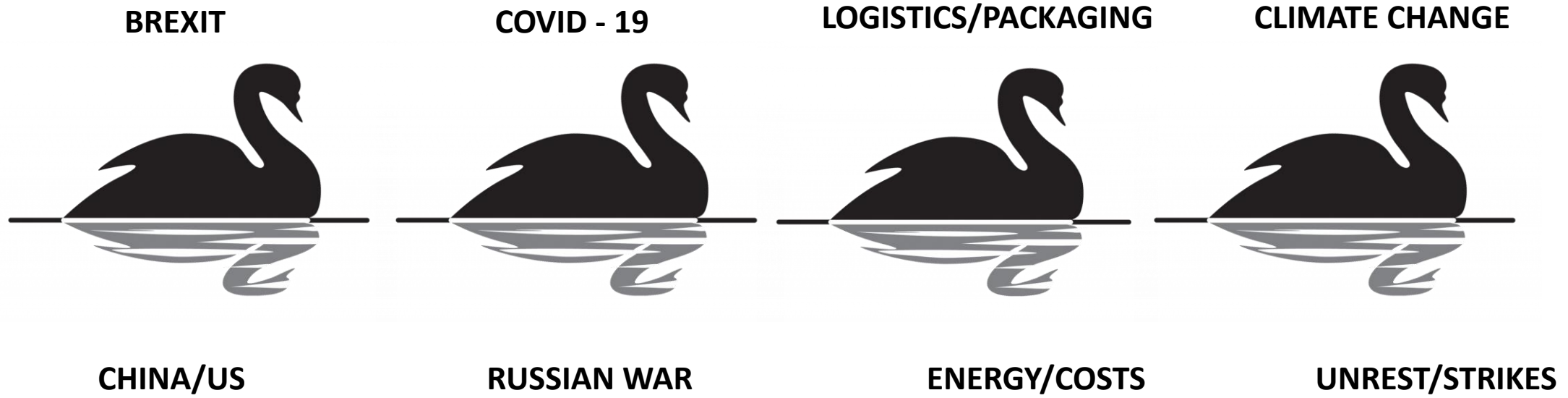
Time for decisions!



Recap...



#Permacrisis



Navigating the turbulence/uncertainty?

Realities and trends....

What is on our desks

DISRUPTIONS - supply chain, massive cost escalations, ROI?

GLOBAL TRADE - recession, protectionism, tariff & non-tariff barriers

HEALTH POLICY and responsible trade (WHO, Aware.org, U-label)

TAXATION & illicit trade: stability & enforcement

SUSTAINABILITY - ESG compliance & beneficiation (IPW, WO, Wieta)

TRANSFORMATION focus from farm to market

RESEARCH, innovation, business intelligence & people development

BUSINESS MODEL with sound governance & agreements

FOCUS – regional shift, less fragmentation & more specialization

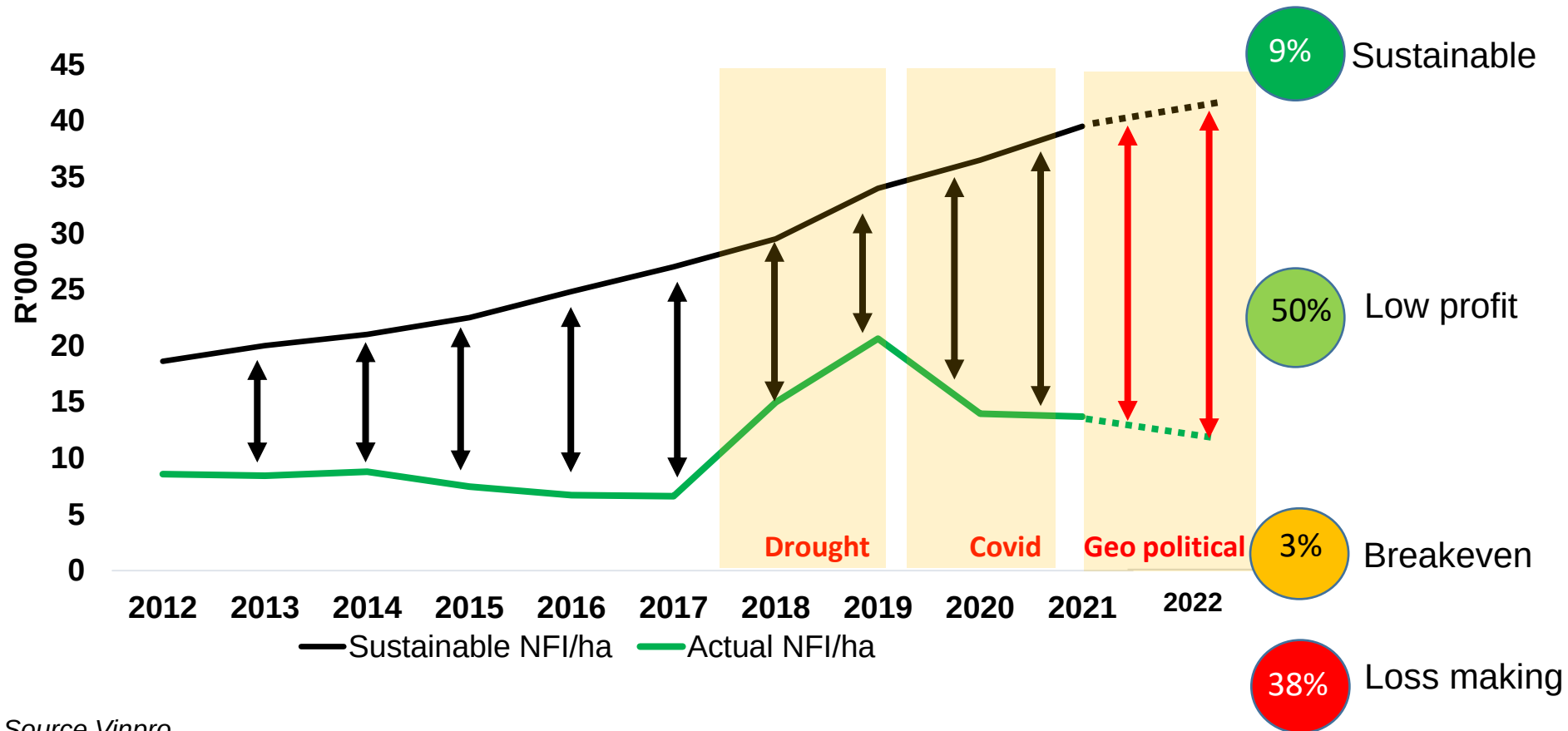
MARKET CHANNEL strategy & message

What is your desks

Continued Profitability Decline at Farm Level

All these factors have led to a sustained cycle of declining profits at a net farm level where today, producers are functioning at non-sustainable profit levels.

Net Farm Income per Hectare (NFI/ha)
(2012 – 2022)



The Net Farm income per hectare has remained significantly below sustainable levels and this gap is widening.

Average producer ROI for 2022 = **2,4%**

Any silver linings?

- Recovery in domestic & global sales volumes
- Stock levels trending back to equilibrium
- Upward trend re prices short to medium term
- Premiumisation & the rise of fine wine
- Advocacy inroads e.g. Masterplan, cider formula & illicit trade
- Drinks Federation SA & Aware.org
- Wine tourism recovering
- Consolidation, investment & new business models
- Opportunity vs opponents?

Connect and grow - Flagship projects

People development



Gen – Z



Winetech

Climate change

Water efficiency

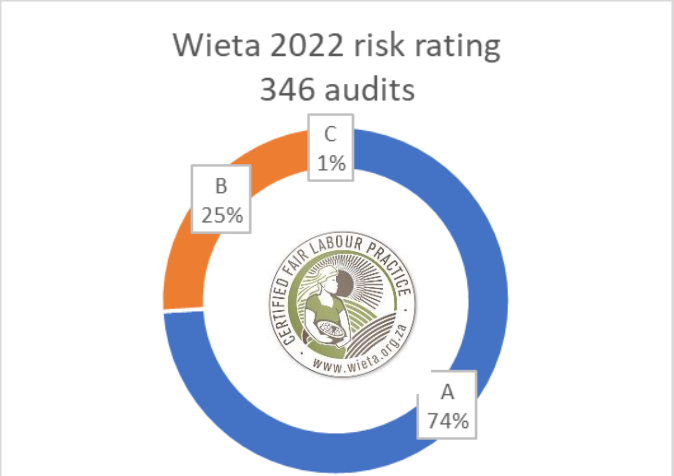
Plantbreeding



Enterprise Development (BOF & BOB)



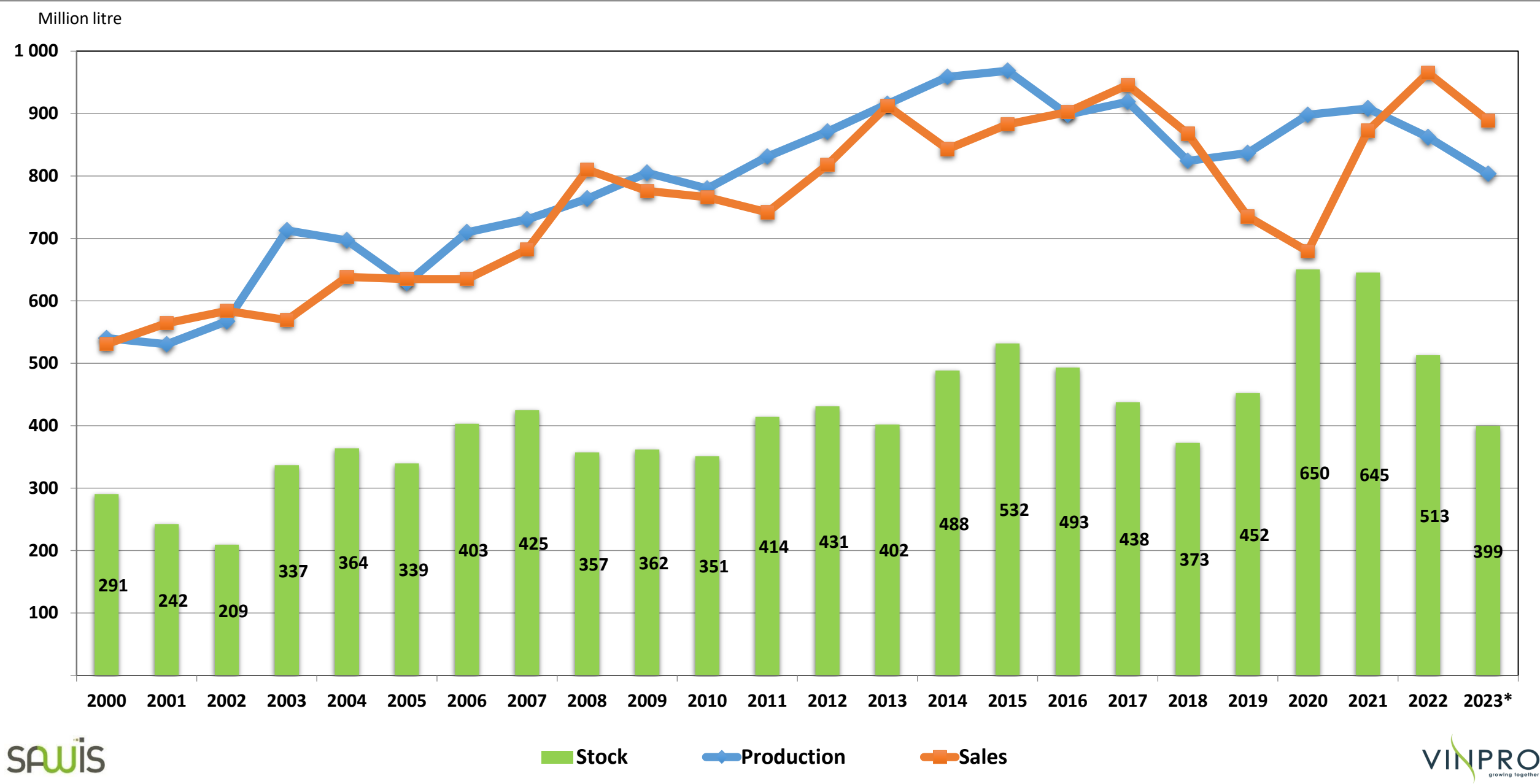
Ethical accreditation



Sustainability framework

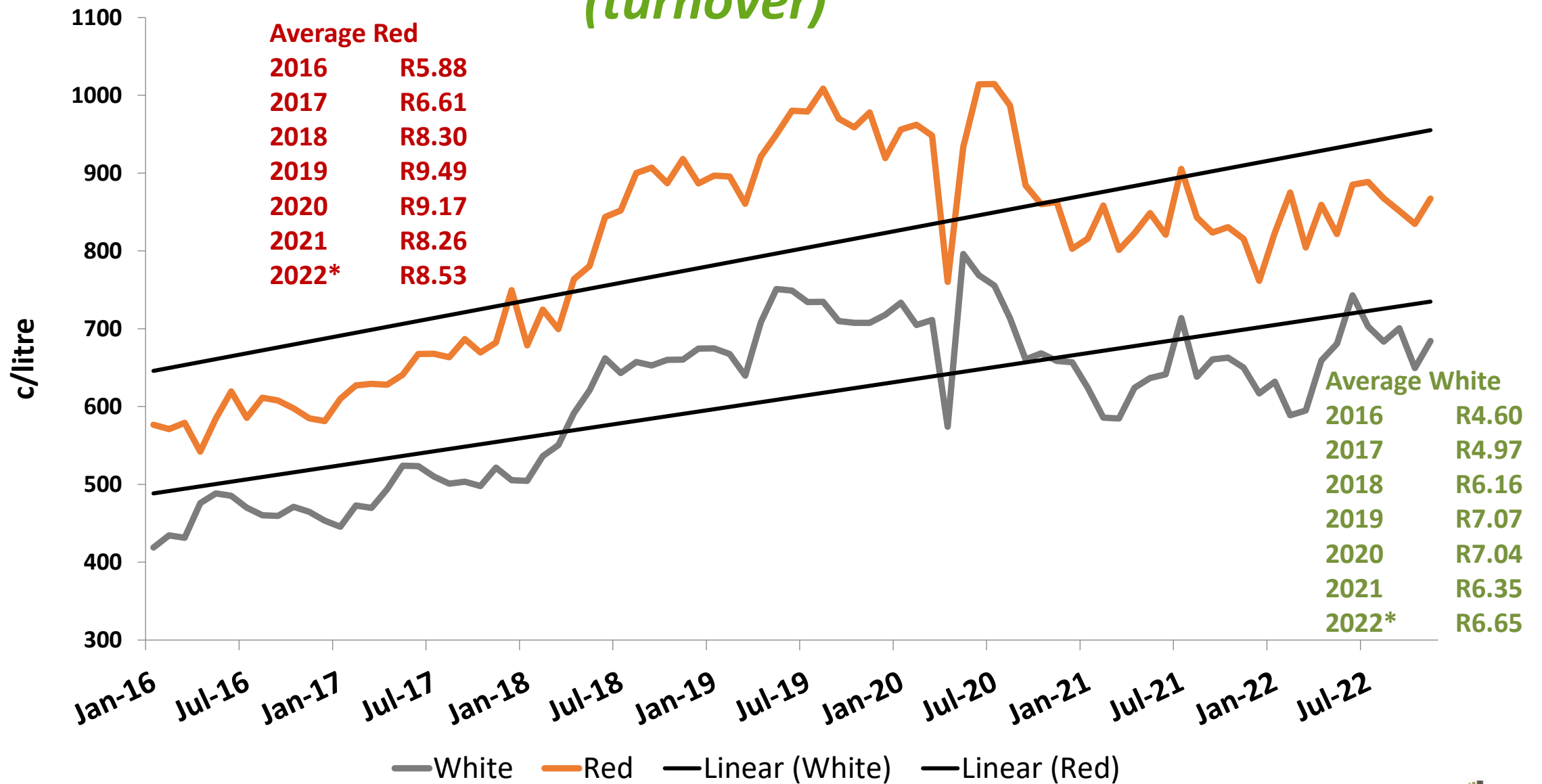


Wine production, sales and stock



Prices of domestic bulk white and red wine

(turnover)



Forecast – nominal prices

	Average bulk wine price at winery	% increase/decrease
Bulk wine traded locally		
2015	R4.92	1.3%
2016	R5.04	2.6%
2017	R5.54	9.9%
2018	R6.86	23.7%
2019	R7.83	14.3%
2020	R7.78	-0.7%
2021	R7.00	-10.0%
Baseline		
2022*	R7.18	2.5%
2023	R7.74	7.8%
2024	R8.48	9.6%
2025	R9.25	9.1%
2026	R10.05	8.7%
2027	R10.77	7.1%

Recovery expected in 2023 and 2024

Forecast done in November 2022 before effect of lower 2023 harvest & resultant lower stock levels was known.

Lower stock levels, shortages of specific varietals & import parity might place upward support on indicated forecast.

Average bulk wine prices are expected to rise by **8% – 10% in nominal terms in 2023/24**, on the back of lower production levels, a weak Rand and sound export volumes which resulted in stock reductions.

Above inflation gains in nominal prices are projected for 2023, 2024 and 2025, as stock levels normalise and the market rebalances.



WINE

Change the narrative.



Wine accounts for only 14% of total legal alcohol consumed in SA*, compared to 56% beer, 20% spirits

Of all the alcohol categories, wine has the highest occasion footprint with food.

SA wine market has the highest prevalence of lower ABV wine consumption globally.

*Due to local innovation***

63% of Regular still wine drinkers are female and 83% of these are 25 years or older.

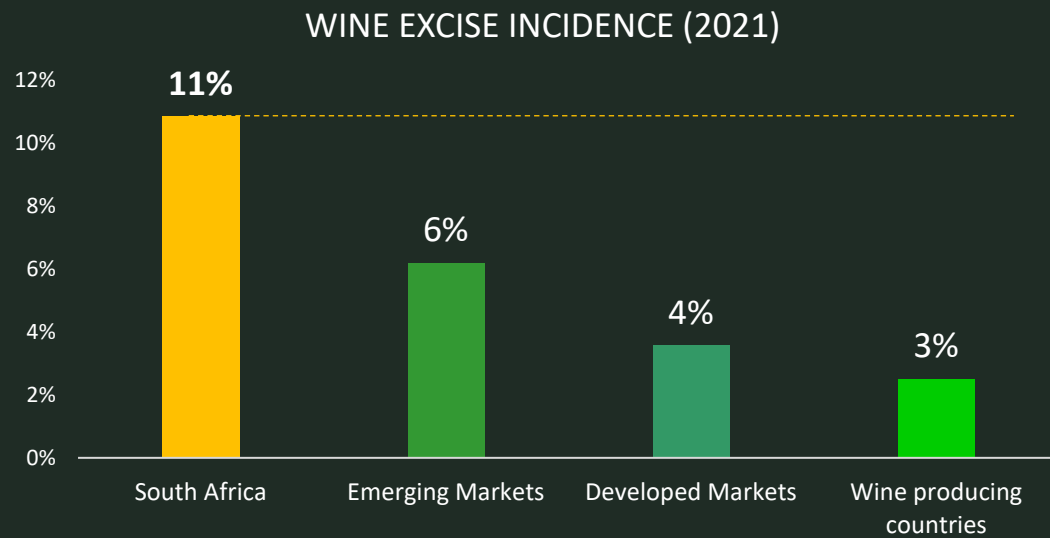


*: in LAA, IWSR 2021 data

** : ~30% of total volumes (litres) wine consumed in SA is <10% ABV

Global benchmarking of still wine taxation

The excise burden on still wine in South Africa far exceeds that of emerging markets, developed markets AND wine producing countries.



Source: Various sources including IWSR (2021), OECD, own analysis.

Do we have a clear narrative?

What is Wines of South Africa “tagline?”

- a) Sustainability360
- b) Welcome to the Cape Floral Kingdom
- c) Welcome to our world of diversity
- d) Welcome to our world of discovery
- e) Welcome to our world of Rugby

Do we have a clear narrative?

Concha y Toro

"We exist to transform every glass of wine and every encounter around the world into memorable experiences."

Statement of purpose

SA Global

"Welcome to our world of discovery"

South African wine is globally recognised as premium quality, exciting and distinctive

WOSA vision

SA Domestic

?



Shaping a sustainable future



ARE YOU **SURE** WE SHOULD
BASE OUR MARKETING PLAN
ON EVERYTHING JUST GETTING
BACK TO BUSINESS AS USUAL?



TOM
FISH
BURNE



**The road to sustainability
needs to be walked
together...Connect and grow**



Current position:

- Low producer price inflation with high-cost growth.
- Unsustainable profit squeeze on producers.
- Producer attrition.

1

Industry consolidation and structural adjustment is underway and is inevitable BUT additional external shocks could result in abnormal shrinkage.

2

SA Wine
&
brandy

WISE
Strategy



agriculture, land reform
& rural development

Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA

AAMP

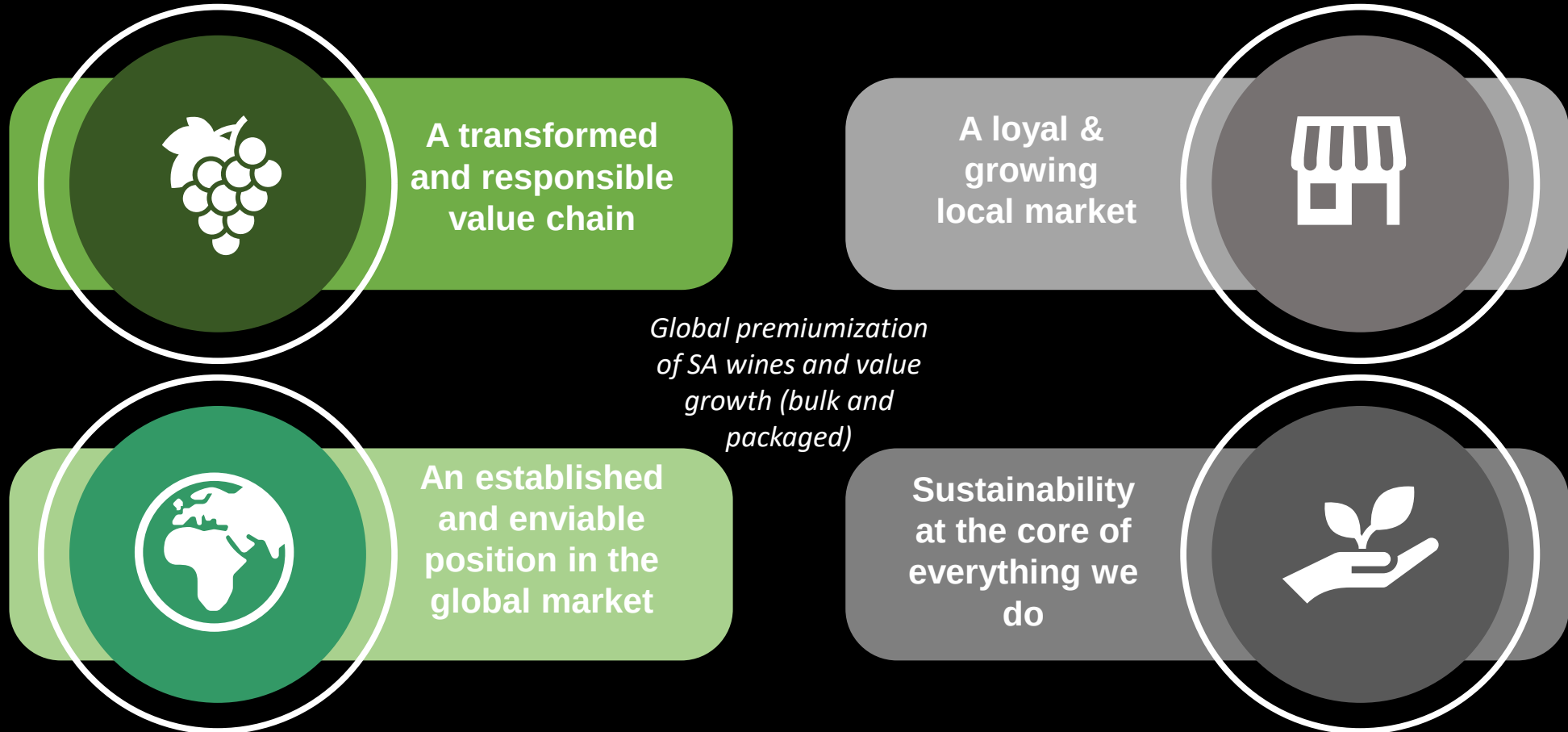
3

Desired Future Position:

Smaller but more
sustainable industry.

Our Strategy to Shape a Sustainable Future (WISE)

Our four strategic focus areas will enable the desired future state outcome for the wine industry



Government Support Required

The required interventions have **already been agreed and set out in the AAMP**, signed in 2021, across 5 key pillars:



Key Building Blocks to Achieve Industry Sustainability



	AAMP	WISE	ROI*
Farm level efficiencies		Sustainability at the core of everything we do	1% -1,5%
International: Beneficial market access***		An established and enviable position in the global market	1,5% - 2%
International: Geo-focused break-out growth in premium wine**		A transformed and responsible value chain	2% - 2,5%
Exponential growth in wine tourism		A loyal & growing local market	1% - 1,5%
Positive Local Mix: Expand consumer in mainstream (R40-R85/bottle)			2% - 2,5%
Foundational: CPI linked excise & stable policy environment			1% -1,5%

*WISE ROI Target 2030 = CPIX plus 5%

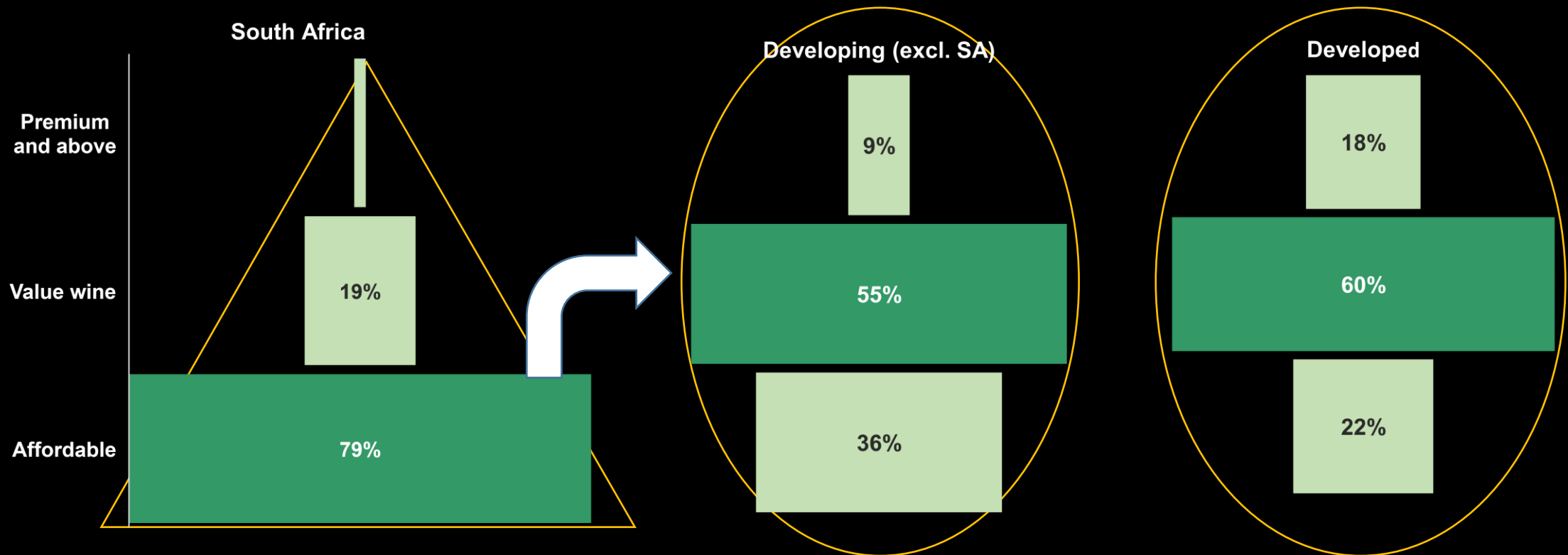
**USA,Nigeria, China

***Customs savings: Kenya, Nigeria, Angola, China

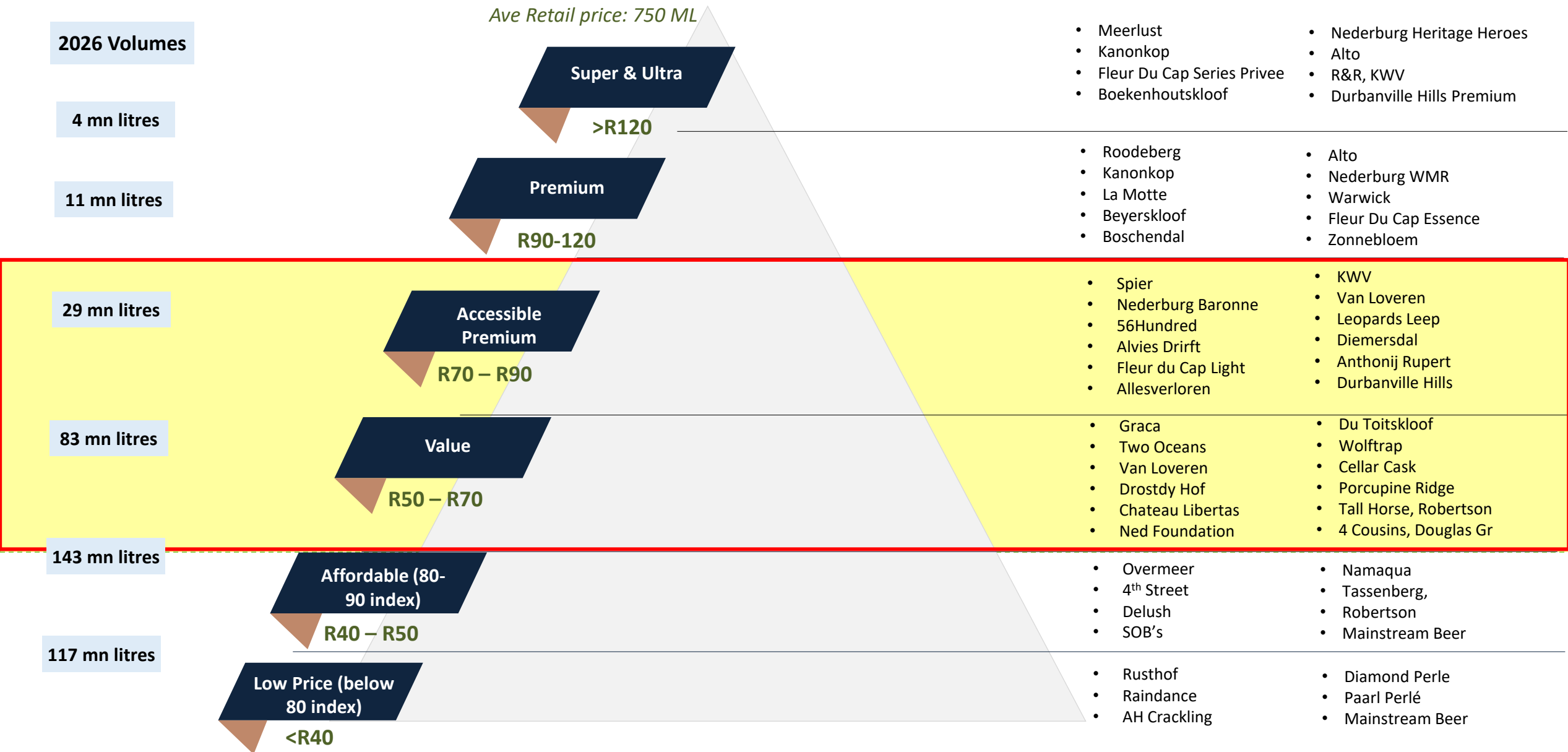
Transforming the SA wine market

Wine sales in the SA market are concentrated in the affordable segment. There is however real potential to transform the shape of the SA wine market by growing at higher price points.

Growth in the SA wine market can be achieved by current alcohol drinkers moving into the value wine segment. Such a trend would enable SA to mirror the wine price pyramid of other key wine markets.



SA: Local wine market sizing & price tiers

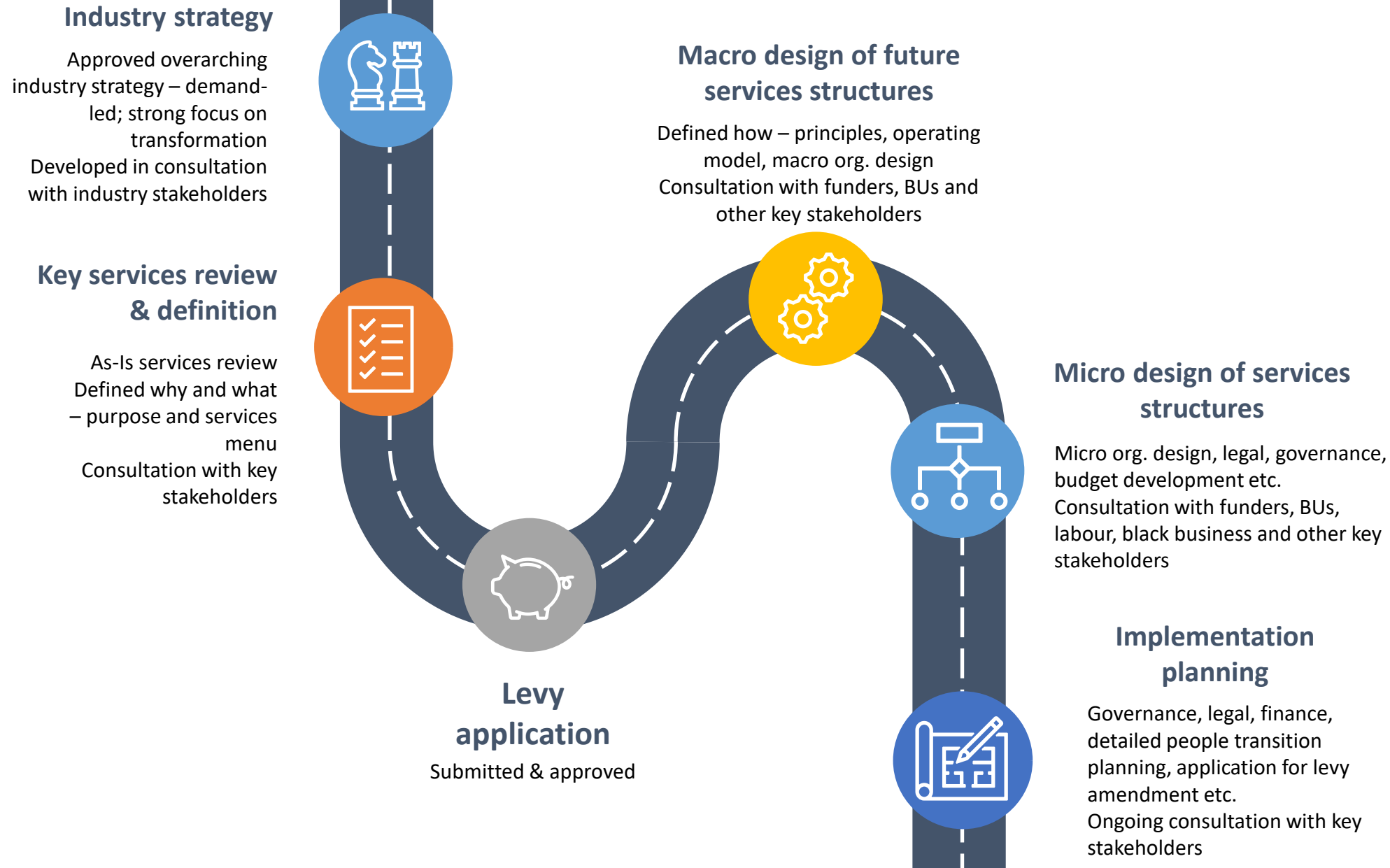




What else can we expect in 2023?

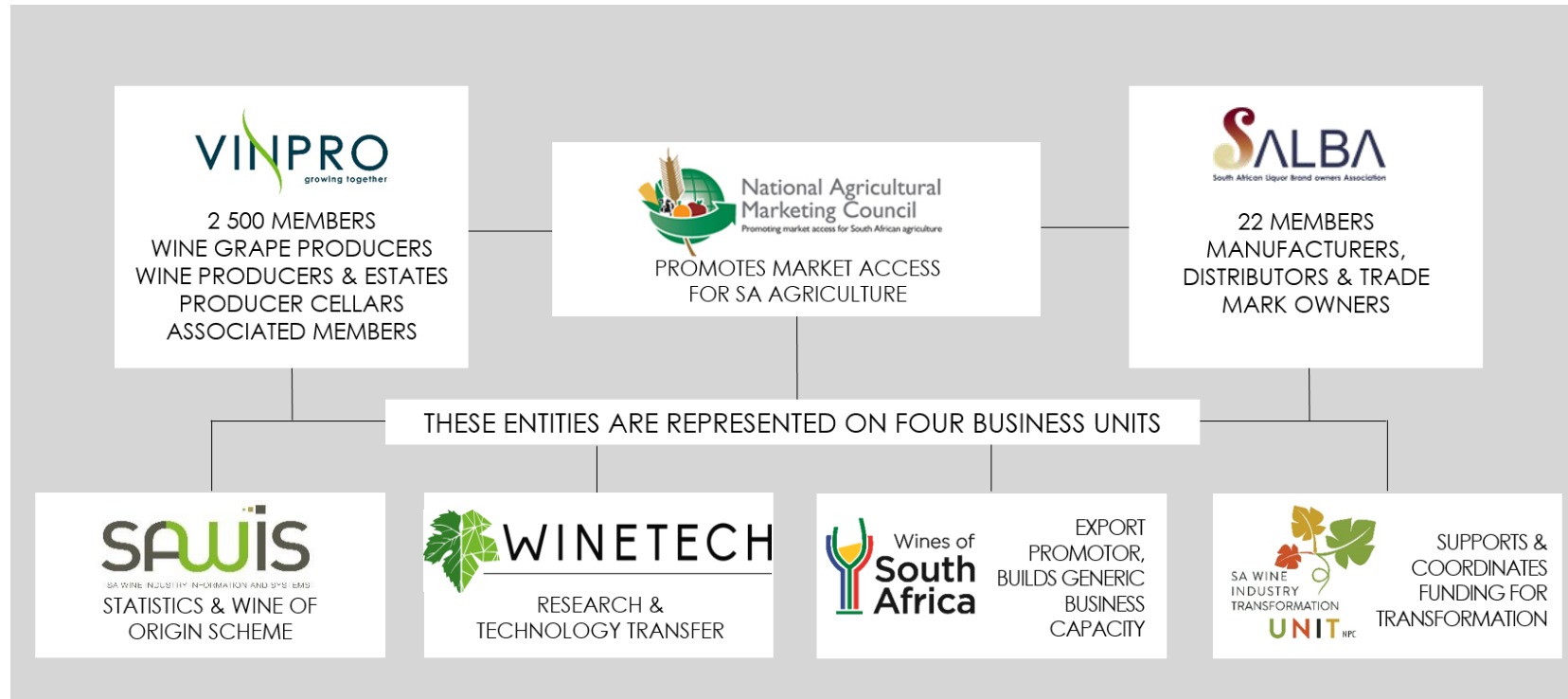


Review process: Industry strategy, funding and support services 2020 - 2023



SA Wine and Brandy industry bodies

Statutory Funding for 2022 - total R124 million



Industry support services have a critical purpose and role to play to support industry growth and development.

PURPOSE

To **provide critical services** to the wine and brandy industry **value chain players** to enable the **industry** to become more **robust, transformed, agile and competitive.**



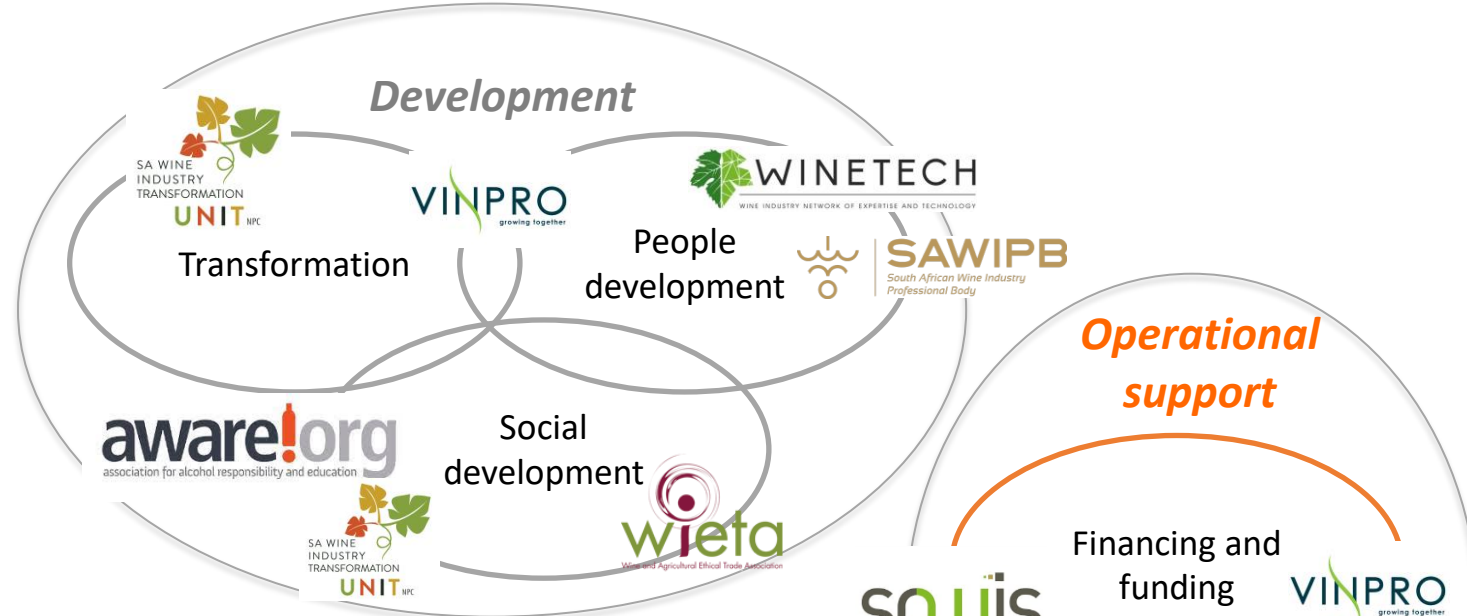
- To promote the interests of the wine industry with key stakeholders.
- To provide services to industry players that enable the achievement of the industry's strategic objectives.

Current service delivery is fragmented between various structures

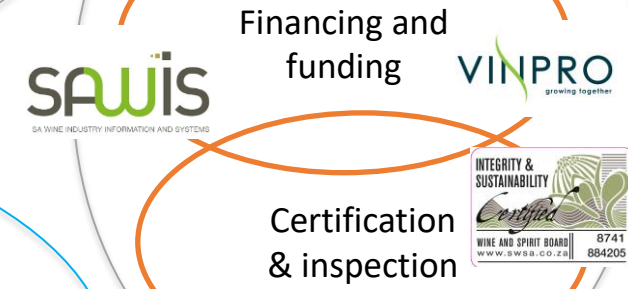
Growth stimulation



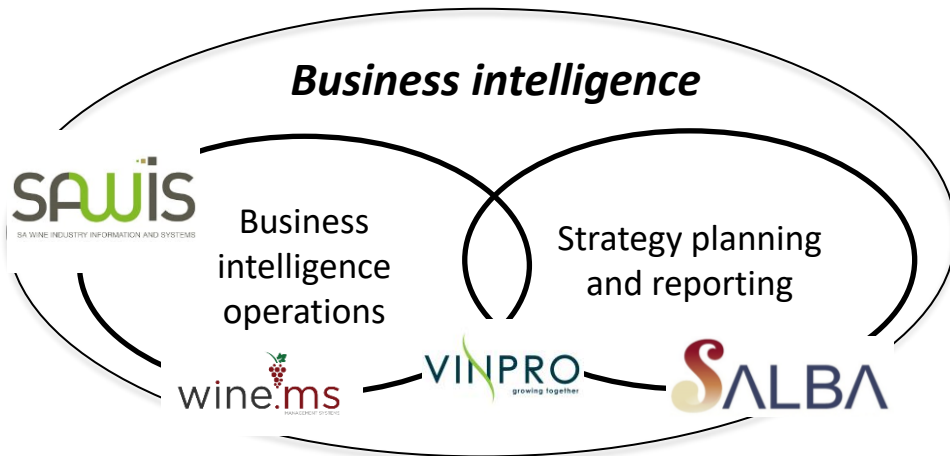
Development



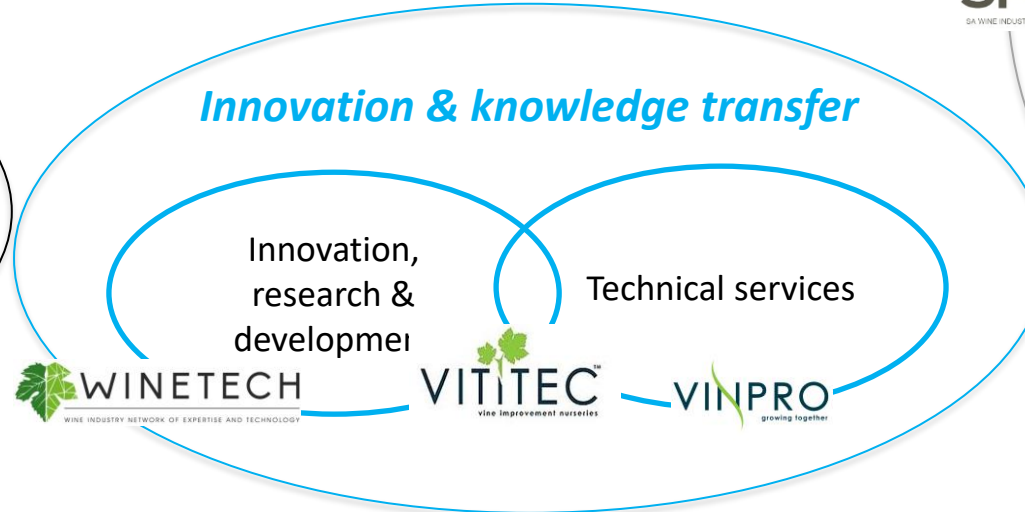
Operational support



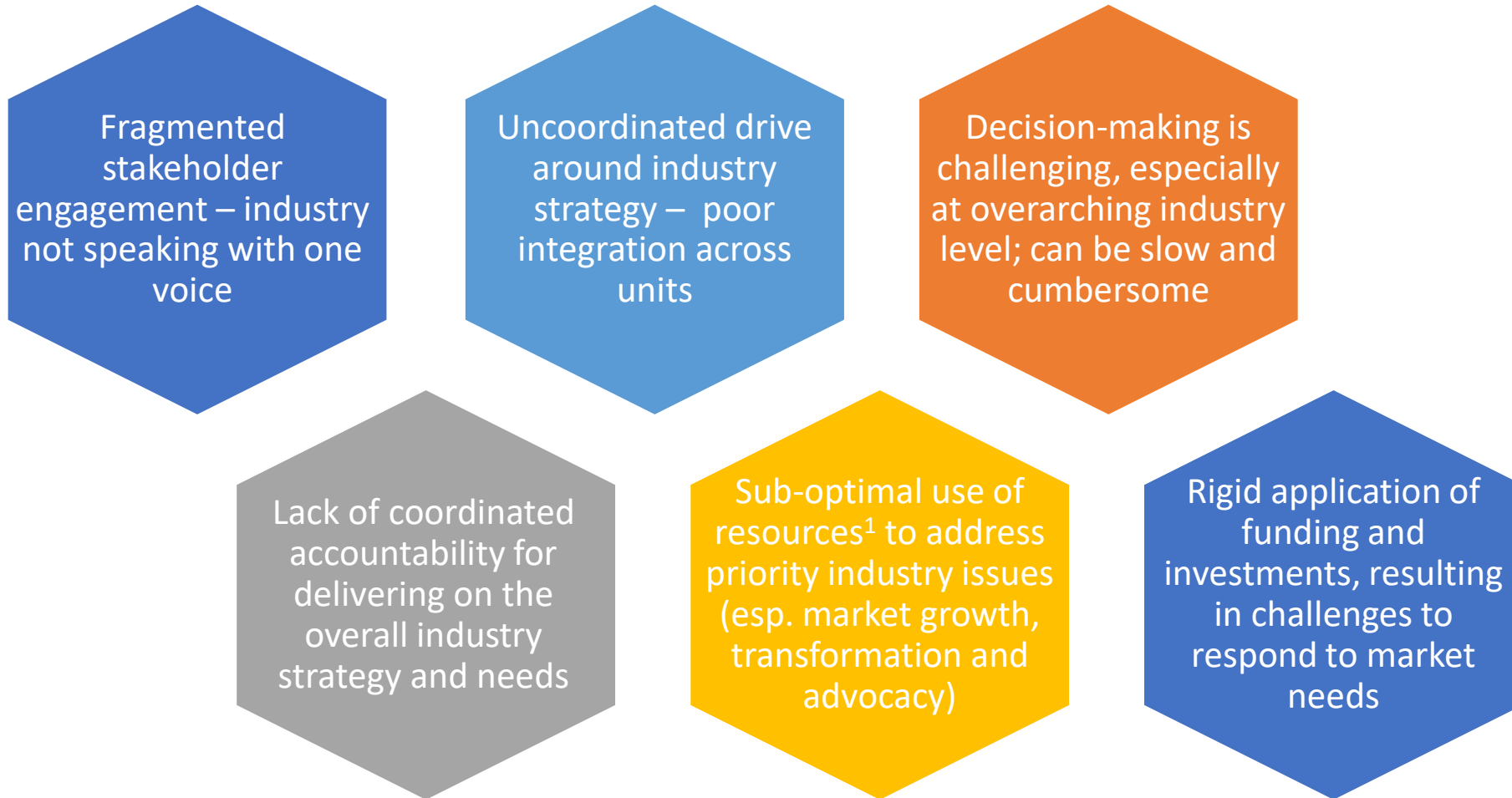
Business intelligence



Innovation & knowledge transfer



As a result, the industry is not getting the maximum value for their investment in these services

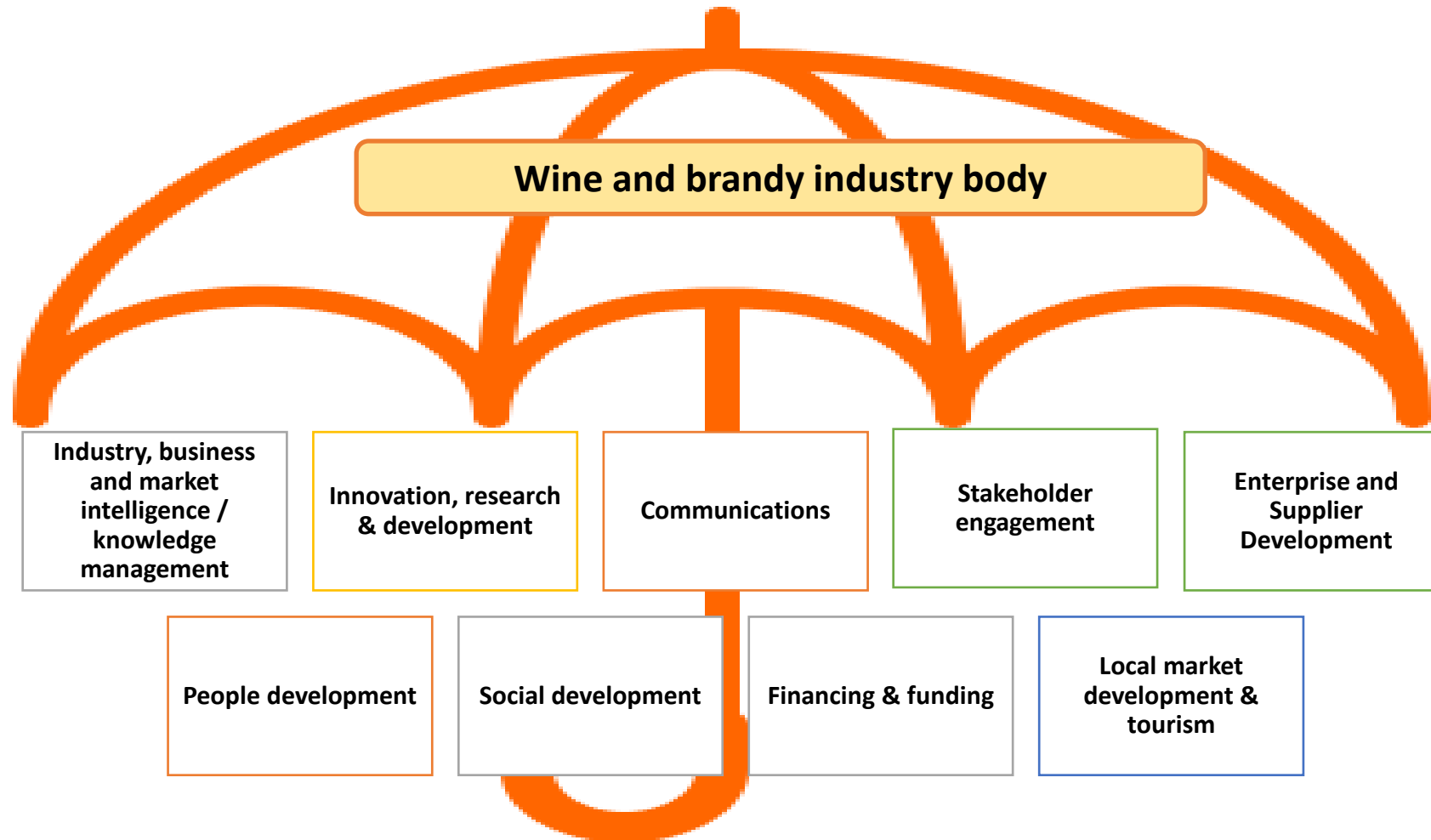


We needed to design a better way of delivering these critical services.

1. Currently, there are different aspects of similar services that are handled by different industry organisations, resulting in inefficiencies and sub-optimal use of resources.

SA Wine NPC

After extensive consultation the decision was made to establish a new organisation that consolidates as many of the industry services as possible under one umbrella



Winetech and WITU will consolidate into SA Wine, together with relevant services from Vinpro and SALBA.

Objectives of SA Wine

- **Single voice for industry.**
- All activities **coordinated** around the **industry strategy**.
- Single point of **accountability** for delivering on the overall industry strategy and needs.
- **Optimised application of resources** and improved **collaboration** between functions, in line with industry strategy and objectives.
- Improved **speed and agility**, especially in terms of decision-making.
- Increased **flexibility in allocating funding** to meet industry needs (consolidated levy structure).



SA Wine will be governed by an inclusive Board and day-to-day delivery will be managed by the CEO and a strong Executive Team

Members

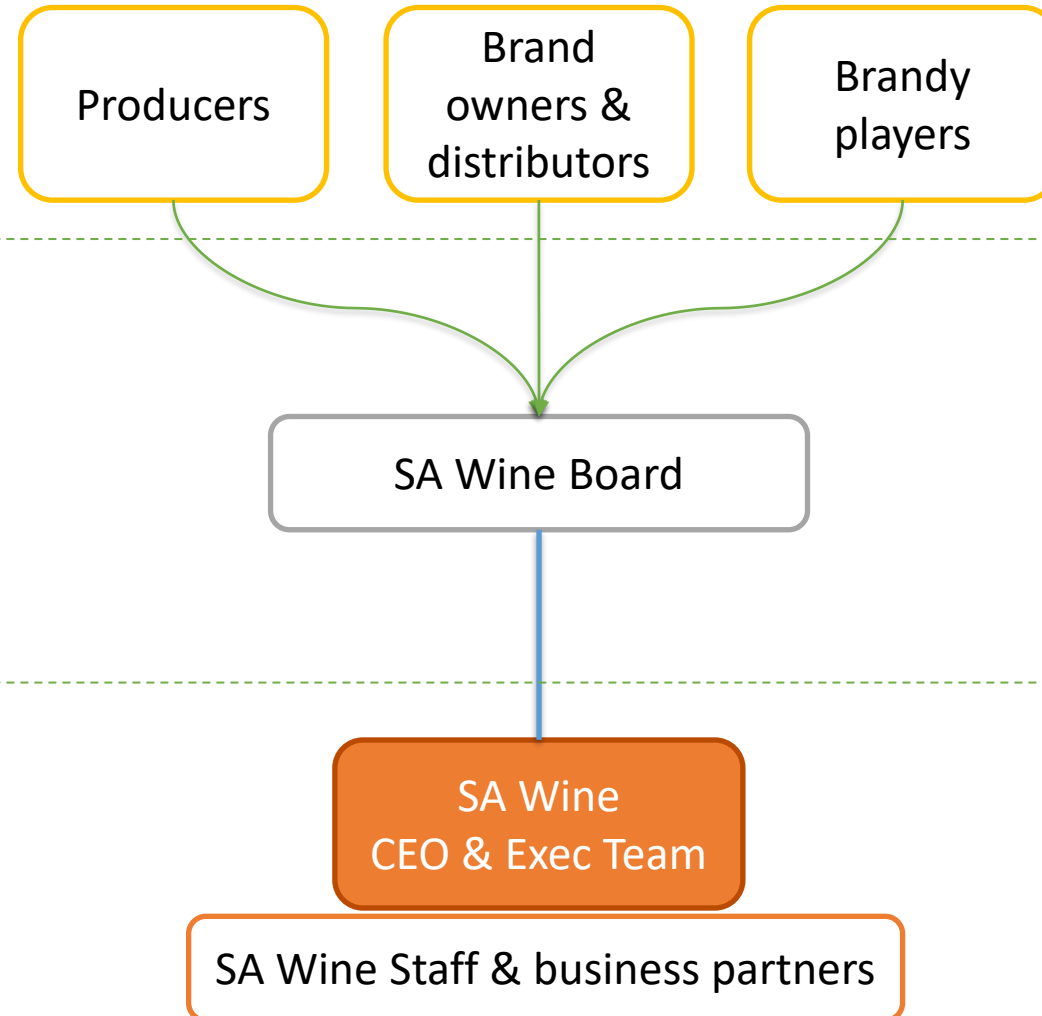
- Members of NewCo
- Approve MOI of NewCo
- Elect Directors to NewCo Board
- Attend NewCo AGM

Board

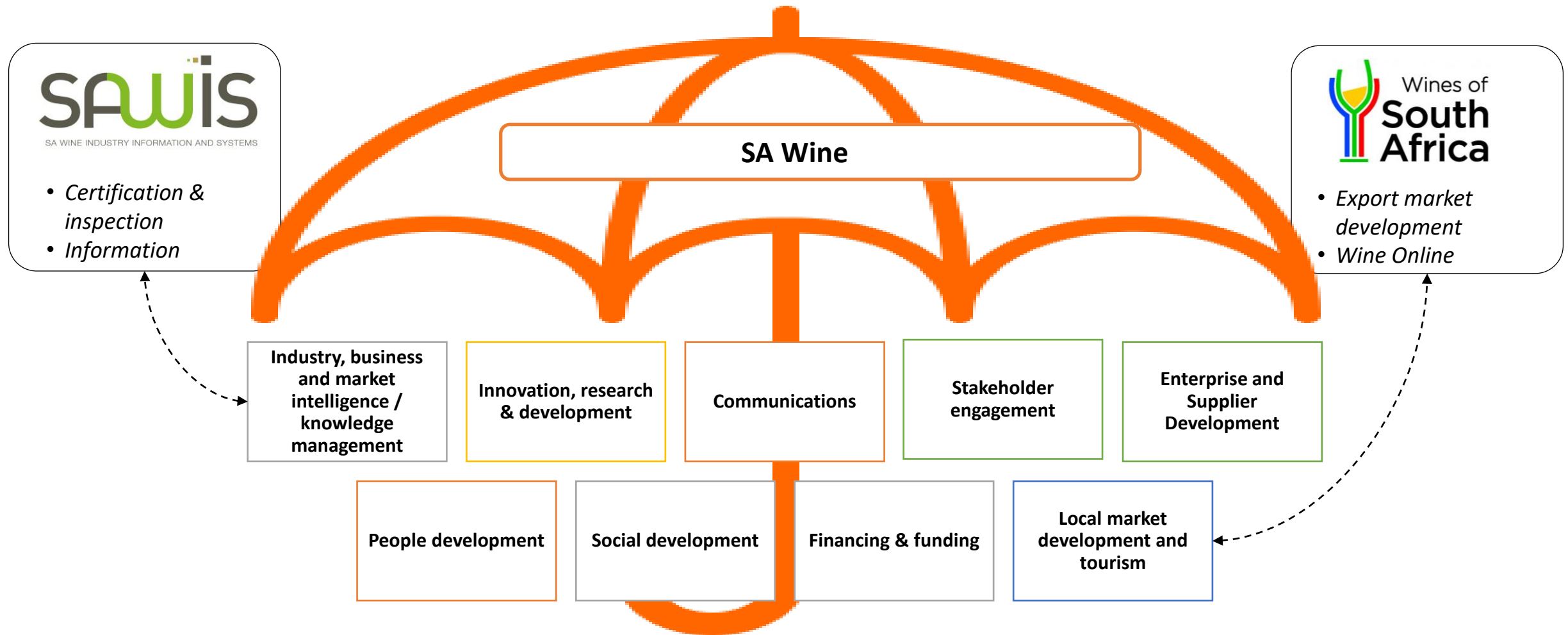
- Ensure effective NewCo corporate governance
- Approve industry strategy
- Approve overarching budget allocation to deliver on strategy
- Quarterly meetings to monitor progress against KPIs and roadmap

Day-to-day delivery

- Draft strategy & budget for Board approval
- Day-to-day activities required to deliver core industry services
- Engage stakeholders and specialists where required



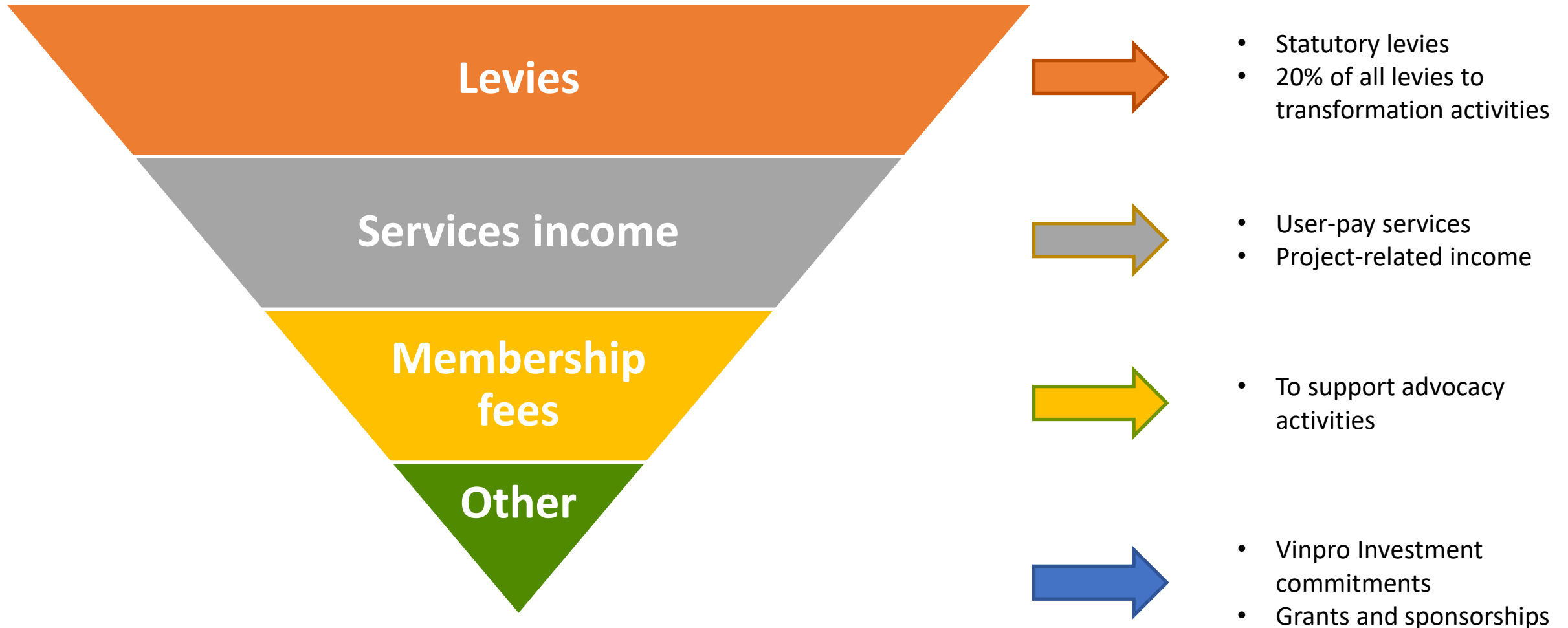
There are currently some constraints with integrating WOSA and SAWIS¹ into SA Wine



However, through robust MOAs, we will be able to establish a strong collaborative working relationship between the 3 entities.

1. SAWIS needs to retain its independence to ensure effective certification and inspection. 2. WOSA needs to retain its Export Council status.

SA Wine's income will be predominantly driven by levies, supported by some services income and membership fees.



Implementation timeline 2023 of SA Wine NPC



Communication & stakeholder engagement



Can we win in wine?



"The rate at which South - African Wine has developed over the past 15 years is nothing short of astonishing.

It is quite possibly the most dynamic wine producing country in the world currently with both classic styles continuing to be honed as well as extremely exciting new projects.

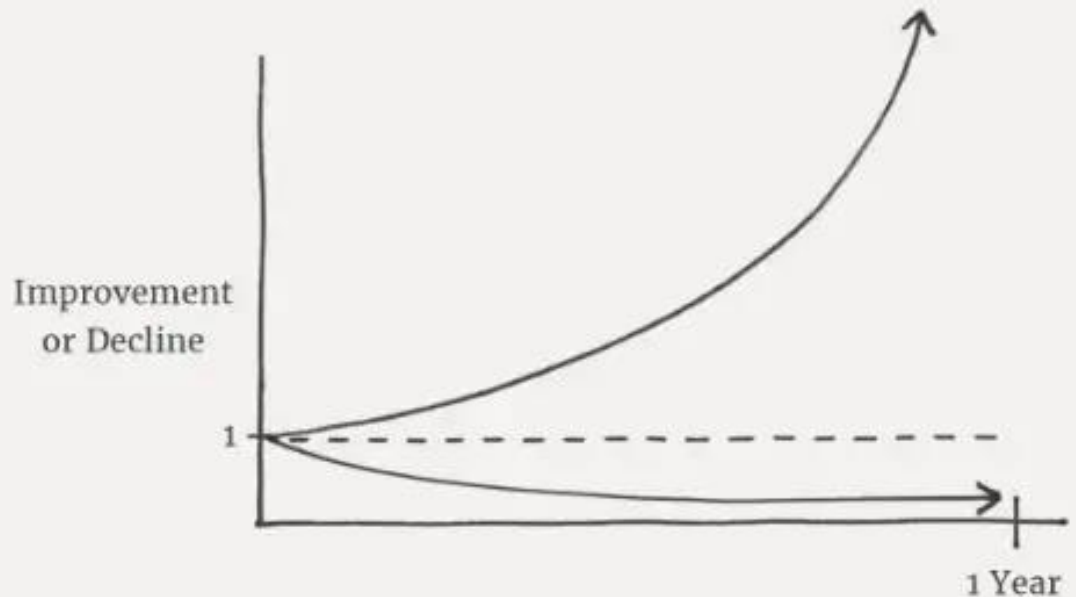
Producers are showing a much deeper understanding of which cultivars (or blends) are best suited to the Cape..."

Alistair Cooper IWSC, 2022

The Power of Tiny Gains

1% better every day $1.01^{365} = 37.78$

1% worse every day $0.99^{365} = 0.03$



JamesClear.com Atomic Habits



THANK YOU

rico@vinpro.co.za