

The smaller than expected 2019 crop - on the back of a low carry over stock - lead to a significant reduction in export volumes, shortage in certain cultivars, upward trend in producer prices and perhaps, most positive, also a new wave of optimism in placing orders for planting material. You can also have a look at the attached bulkwine prices – 2018 vs YTD 2019, in Word-format for ease of navigation.

It might be a good idea to pause on the reality of our raw material. Not only the uprooting's and new plantings, but more specific, the cultivar offering, age analysis and trends in each of the wine regions. In a recent WoSA strategic workshop our cultivar-mix (exports), oppose to that of other countries, were seriously debated – is this the *elephant* in the *export container*??

I leave in your midst to evaluate your own backyard, focussing on the Top 5. Most definitely an agenda item that deserves more airtime around any round-table discussion – Chardonnay, Sauvignon Blanc, Cabernet, Merlot and Shiraz what about Chenin and Pinotage? [These graphs can stimulate many a discussion.](#)

Strategic discussions are now taking place and to this end I trust everyone has received the latest [SA Wine Quarterly](#). The intent is to provide the likely aggregate market backdrop against which wineries will have to operate. Based on your specific business model and assumptions, all entities should position themselves in the market according to their own indicators, situation and long-term strategy.

We would like to suggest that you keep page 15, of the said quarterly, on-hand, as these are the key drivers in any strategic discussion. For ease of reference, this table and a number of self-explanatory slides have been included in this edition and can guide you in these critical conversations. [Read more.](#)

Other noteworthy information

1. EURO 1's

Although the allocation for 2018 was quite seamless, it is clear that in future DAFF Marketing would like to make some changes in the percentage allocations between fully BEE compliant (level 1 to 4), partially compliant (level 5 to 8) and not compliant (above level 8). We have raised a flag and are seeking an audience with DAFF, as such an adjustment will have significant implications. Our Stakeholder Manager can also be contacted for any guidance and/or assistance at, Michael Mokhoro mmokhoro@salba.co.za.

2. Tariff Determination

During 2018 Industry had the opportunity to present our case in terms of the relaxation of the tariff determination requirements for certified wine and the exclusion of bulk wine from the compulsory tariff determination obligations.

The initial outcome and the following remark from SARS Legal Division has reference, *“as far as bulk wine is concerned, the Budget 2019 announcement will only take effect upon implementation of the necessary amendment through the Taxation Laws Amendment Act, 2019, towards the end of this year. Until such time, the current legal provisions remain in force”*.

The wine industry has been engaging with SARS on a couple of practical issues with regard to tariff determination. During these deliberations the above has surfaced and we are urgently seeking clarity from SARS – *“does this mean that industry will have to apply for a tariff determination on bulk wine removals between warehouses, until such time as the law has been amended?”* We will keep you posted.

3. De-alcoholised wine

During the last month, the Wine and Spirits Board (W&SB) has requested that a Work Group be appointed (Vinpro and Salba representatives) - to identify the low/de-alcoholised/non-alcoholic wine categories needed by industry and to make a recommendation to the committee. The mandate was to determine the requirements of the respective categories. Following from the Vinpro-members feedback the content has

been digested and shared at the meeting. The final proposal has been circulated, via Wine Law, and we trust the process to be completed without any time-delays.

4. Ammonium hydroxide

Following a lengthy process, since September 2018, Vinpro has collated all relevant views. It was clear that EVERYONE fully understands the risk, the standard operational procedures (SOP's, OHS & PPE's), as well as the view of the OIV and EU-countries. Apart from the scientific/technical viewpoints, the financial impact can't be ignored, as clearly illustrated by SA's position on not only the international volume/value graphs (R/litre), but also in the local mark.

Despite the potential impact, a number of wineries, if not all, are accepting the fact that at some stage they will have to discontinue the practice of utilising ammonium as nitrogen source. To this end they are already on this journey, but depending the route-to-market (international, local, packaged or bulk – volumes at play) some might move faster/slower, depending the monetary impact.

Recently the W&SB made a final decision that the status quo to stay intact – a note will be added to Table 6, indicating it is only allowed for the local market and for export to those countries, which permits the addition of Ammonium hydroxide, during fermentation.

5. Aware.org.za Commercial Code of Communication

Following the launch of the Commercial Code of Communication an article has also been published in the WineLand (April 2019). It is clear that the Vinpro-members have been quite active and committed to implement the Code requirements, e.g. website age verification control, notifications in the tasting rooms/pricelists, social media, leaflets and displaying the underage logo as recommended ... many many thanks for your understanding and executing accordingly.

However, given the enormous sensitivity around youth/schools and the reality of underage drinking, we once again would like to call on all marketing agents/promotional activities to please steer away from any visuals portraying youth and wine in any material, be it on social media and/or running competitions. If in doubt, you are welcome to share the visuals and we will run it pass the Aware Technical Committee.

6. WIETA and Ethical Trade

At the recent Wieta AGM the introduction of 3rd party auditing has been announced, as well as further detail around the intent of *moving beyond audits* – focussed interventions at producer/winery level to follow in the course of the year. This then also a reminder to please verify the status of your Wieta certification (for the 2020-harvest season, the expiry date to be at least 30 April 2020). Please diarise any audit well in advance and allow sufficient time for any corrective actions to be implemented. If in doubt and/or in need of any pre-audit assistance, please visit the [website and/or make contact with the Wieta Office.](#)

“As jy bietjie gaan wegbreek die opkomende vakansie, maak seker jy skakel effe af; lees en gesels oor dinge wat jy nooit by uitkom nie; skep sommer ‘n nuwe woord met die volgende ronde Scrabble en wys vir almal - wat wil kyk - hoe jy nog ‘n krieketbal kan moker en ‘n goëlbal kan afstuur!!!”

Vreugde en vrede,

Christo

(06/06/2019)