



Wine farmers stay positive

● *Third of producers fail to make a profit, and many are quitting, but Vinpro takes heart from market signals*

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Wine-grape farmers remain optimistic about their future even as more than a third of producers are making a loss.

Just as worrying is that the industry now has 25% fewer producers than a decade ago.

Wine-grape production for the year was nearly 1.23-million tonnes, about 15% down compared to 2017, according to wine producers body Vinpro.

It says the only way to ensure a sustainable supply of wine is for farmers to receive higher prices for their wine. The average net farming income was about R45,000/ha compared with the R70,000/ha required to be financially sustainable.

Wine is one of SA's largest agricultural exports, with nearly 100,000ha of vineyards, mostly in the Western Cape, accounting for 4% of world production.

Vinpro said many wine-grape farmers were either leaving the industry, uprooting vines for more profitable crops or not replacing vineyards.

The Bureau for Economic Research and the Bureau for Food and Agricultural Policy predict that at 85,000ha, the area under wine grapes will be about 10% smaller by 2022.

Vinpro MD Rico Basson on Wednesday ascribed the decline in the number of producers over the past 10 years to various fac-



Plenty of work: Grape pickers in full work mode at the Perdeberg wine estate in the Western Cape. While there are 25% fewer producers than 10 years ago, employment numbers have not been affected. /File picture

tors including profitability, economy of scale, and mergers.

"This decline is in line with the bigger picture of agriculture globally, as well as in a local context," he said.

SA is the eighth-biggest wine producer. The industry contributes R36bn to GDP and employs nearly 290,000 people.

However, citing impact studies, the decline in the number of

producers had not affected employment opportunities.

"It's important to remember that although the number of producers have become less, the hectares of vineyards have not declined at the same rate at all and in some instances where vines were uprooted, other more labour-intensive crops were planted," Basson said.

In 2017 the wine industry

sold 447-million litres in the local market and exported some 448-million. The 895-million-litre total represents a 3.5% increase compared to 2016.

The challenge for 2018, said Basson, was that lower production and stock levels reaching equilibrium could result in a significant shortage of wine to service the local and export markets at 2017 levels.

"We have in the short term already seen evidence of above-average adjustment of prices at South African retail level for certain wine categories with further adjustments expected over the medium term," he said. "In an environment of short supply, and with the local and export markets as considerations, the highest bidder will win."

A global wine shortage

would have a positive effect on sales volumes and value growth in priority export markets.

Basson said the winter rains in the Cape had brought some relief for farmers. "We are not out of the woods by a long shot, because the major storage dams are ... only around 50% full, [but it] is considerably better than the 25% at this stage last year."

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