



# DOING BUSINESS IN SOUTH AFRICA

Population 60 million | GDP Growth 1.4% | Wine Imports \$50mil

South Africa is the cornerstone of the Southern African economy and can be described as the most developed on the continent. It has a vibrant population spread between 6 major cities speaking 11 different languages. It is one of the only countries in Africa with a strong middle class but does have an unemployment rate of 32%.

## Wine in South Africa

### Consumption of Wine

South African's consume about 4.5mil hectolitres of wine per and wine accounts for about 10% of all alcohol consumption. It's long history of producing wine means that the market for locally produced wine is very large with easy access through formal retail and horeca. The biggest brands tend to specialize in the everyday-drinking segment where volume is achieved in retail. Premium wine is generally consumed in restaurants, wine bars, and at home with a recent increase seen in clubs.

### Consumption Trends

With strong domestic production, wine consumption is fairly stable each year. There is a renewed focus on developing new wine drinkers in previously untapped market sectors with more premium wines looking to access "new wealth". The bulk of wine purchases are made in the formal retail where grocers play a very important role. The general wine buyer will purchase wine when shopping for food. Fine Wine outlets have increased in number along with trendy wine bars to attract the younger crowd.

## Trading Notes for Wineries

### Importers and Fine Wine

South Africa has a strong but smallish market for imported wine. There is a good knowledge about wine in general as well as international wine but there has always been a lack of access. Imported wine only really gained traction in the past 10years with a selected few operators bringing amazing wines and presenting them in educational ways. The buyers of these businesses are total wine nerds and love getting access to new regions. We've also seen the emergence of a secondary market for fine wine where certain auction houses buying and selling collections.

### Brands and Wine Preferences

The premium wine buyer in South Africa generally knows what they're looking for, which is mainly locally produced. With better access to imported wine, this buyer has ventured into imported wines but is sometimes hesitant due to prices being much higher versus the local equivalent. They will have limited knowledge of international brands outside of the "known brands" but will be more than willing to explore and try new wines. Californian wine is very much new to South Africa but certainly an exciting prospect.

## Market Insights

- Most of the premium wine is consumed in Wine Bars, Restaurants and at home.
- Better access to imported wine has opened the door for more exploration and wider consumption.
- The imported wine market is dominated by France, Italy and Portugal.
- South Africa hasn't received much attention from other regional industry bodies so we will have an edge in creating visibility for Californian wine.
- There might be an opportunity to work with certain grocers in South Africa as they hold much sway in the market. Shoprite also has an African footprint with stores in 5 other countries.
- South Africa has a very strong Sommeliers Association as well as good educational platforms.
- The secondary market in fine wine is growing and more and more consumers are buying wine as potential investments.
- The largest markets for wine is certainly Cape Town and Johannesburg with opportunities in premium tourist trade as well.

## Taxes, Shipping and Terms

- Californian wine is on the back foot as there is a 25% tax on our wines. European wines have no import tax.
- VAT is 15% and Excise Duty is R5.57/L of wine.
- Shipping from San Francisco to South Africa is through most notable shipping lines. Cost can range between \$3500 - \$5000\* for a full 20ft container.
- Transit time is approximately 10 weeks\* from the West Coast but it is much quicker from the East Coast.
- With all costs included, wineries can expect their wines to sell for about double the US retail price in South Africa. So, if you sell retail \$50 in the US, the same wine will be \$100 in South Africa.
- South Africa has a stable economy with a strong banking sector. This means that credit insurance will be in place and terms can be discussed, should the need arise.

## Notable Importers

- Radford Dale Imports
- Wine Cellar
- Great Domaines
- Reciprocal
- Reuda Wines

South Africa Potential Market Size	
Price Segment (ex-cellars)	Volume per Year (estimated)
\$1-\$3	Container
\$3-\$5	10 Pallets to a Container
\$5-\$10	5-10 Pallets
\$10-\$20	1-5 Pallets
\$20-\$50	50-100 cases x6
\$50+	10-50 cases x6

