

Analysing the competitiveness of the wine industry: the South African case

Johan van Rooyen¹, Dirk Esterhuizen
University of Pretoria.

Abstract

Competitiveness performance is a dynamic and involved process rather than an absolute state of affairs and can therefore only be assessed in a relative sense and over time. In this paper competitiveness is defined as the ability to sustain a country's wine trade in the global environment. The RELATIVE TRADE ADVANTAGE (RTA) formula is firstly used to measure competitive performance in the South African wine industry since 1960. The PORTER MODEL is then applied to analyse recent views and opinions of wine executives on factors enhancing and constraining competitiveness. Strategic approaches to sustain competitiveness are identified.

JEL classification: N50, Q17.

Keywords: South African wine industry competitiveness, analysis strategies to sustain competitiveness.

¹Corresponding author: cjvr@sun.ac.za, Department of Agricultural Economics, Extension and Rural Development, Dorpsstraat 156, Stellenbosch 7600, Pretoria-South Africa.

1 Introduction

Competitiveness performance is a dynamic and involved process rather than an absolute state of affairs and can therefore only be assessed in a relative sense and over time. The growth produced by competitive activities should thus be sustained rather than short-lived. Short-term efforts such as opportunistic ‘price wars and cost cutting’ seldom sustain a competitive position. Long-term or sustained performances are therefore relevant in defining and analysing competitiveness as quoted below (Boehlje, 1996; Cho & Moon, 2002).

(Wine) industries and firms are competitive when they are able to trade globally, products at qualities and prices that are as good as or better than their competitors; and they are able to attract sufficient sources of capital, land, labour, technology and management from other competing economic activities. In short, to be competitive in today’s world is to continue to trade your wine products successfully (Esterhuizen & Van Rooyen, 2008).

The paper explores trade competitiveness and competitive performance in the South African wine industry. First, a short background to the South Africa wine industry is given. This is followed by the measurement and analysis of competitiveness in the wine industry. Finally, strategies and mechanisms to create and sustain competitiveness in the South African wine industry are proposed.

2 The South African wine industry at a glance

The wine industry contributed an estimated R16.3 billion (US\$1.6 billion) to South Africa’s gross domestic product (GDP) in 2003. This figure rises to R20.5 billion (US\$2.1 billion) when tourism is included. An amount of R4.2 billion (US\$420 million) per annum (2006) is contributed to government revenue via excise taxes. Producers’ income amounts to R2.61 billion (US\$261 million). The industry sustains about 256,000 job opportunities (including 20% through wine tourism), although much of this is seasonal labour. Investment capital is in excess of R50 billion (US\$5 billion).

In 2006, some 4,360 producers and 580² cellars in South Africa – mostly in the Western Cape province, with some in the Northern Cape and Free State – produced 927.9 million litres of wine, brandy and grape juice concentrate from a harvest of 1,3 million tonnes of grapes, making South Africa the world’s 9th largest wine producer. About 700 million litres of drinking wine were produced from this harvest, of which 36% was red and 64% was white wine, compared to a yield of 12% red wine as late as 1995.

²Indications are that more than 170 new cellars were established since 2006.

The wine industry entered the global marketplace as major shifts were underway in production and consumption. While global wine production has declined over the past two decades, the share of wine production that is traded internationally has more than doubled. This trend has opened up new opportunities for South African wine exports, provided that they are able to demonstrate a competitive edge in the world market.

South Africa produces 3.1% of the world's wines and exports 38% of its wine production (271.6 million litres in 2006) to the value of R3.85 billion (US\$385 million) per annum. The UK (30%), Germany (16%) and the Netherlands are currently the major export destinations for South African wines. Per capita consumption in South Africa is 8.6 litres in comparison with 47.6 litres in France, 21.8 litres in Australia, 34.6 litres in Argentina and 9.8 litres in the USA.

A summary of the most important statistics of the South African wine industry is shown below:

- 126,419ha cultivated (2006)
- 4,360 (2006) wine grape farmers
- 750 cellars (2007)
- 354 million vines of the vinifera varieties
- 1.3 million tonnes annual harvest (2006)
- 1.013 billion litres (2006)
- 70% used for the production of wine
- 1.7% of the world's vineyards
- 1.3% of the world's wines
- 14th biggest producer in the world (area under vines)
- 9th largest producer of wine in the world
- 38% of South African wine is exported
- 271,6 million litres exported in 2006

3 Research methodology and analysis

An analytical framework developed by Esterhuizen (2006) to measure competitiveness performance and to analyse the major constraints and enhancements to competitiveness are applied in this article to analyse the competitiveness of the South African wine industry.

3.1 Measuring competitiveness performance

Firstly, competitiveness based on trade performance, is measured by the application of the **Relative Trade Advantage (RTA)** formula (Balassa, 1989, and applications by Volrath, 1991, ISMEA, 1999, Esterhuizen, 2006 and Esterhuizen and Van Rooyen, 1999, 2001, 2004, 2006). In this quantitative method, it is argued that competitive advantage could be indicated by the trade performance of individual commodities, value chains and countries in the sense that the commodity trade pattern reflects relative market costs as well as differences in non-price competitive factors, such as government policies.

This method supports our definition on competitiveness as indicated in the introduction. To measure how competitive the wine industry in South Africa is, it is necessary to determine how successful the industry sold its products over time in the local and global environment relative to other competitors. The Relative Trade Advantage method allows for the measurement of competitiveness under real world conditions such as uneven economic “playing fields”, distorted economies and different trade regimes and are therefore the most suited for measuring competitiveness status.

Applied to the South African wine industry, this approach considers trade performance, i.e. the ‘ability to continue to trade in a competitive global environment’ and is based on the ratio of trade in wine (by country A/firm A) vs the global trade in wine, relative to the ratio of trade (by country A/firm A). Data is drawn from FAOSTAT, 2006.

The long-term competitiveness index and the trends in competitiveness for the wine industry in South Africa as measured by Relative Revealed Trade Advantage (RTA) are shown in Table 1. In Figure 1 the trend is illustrated. It is clear that South Africa’s wines are increasingly internationally competitive with a sustainable and positive trend since 1990.

Five phases in competitiveness in the South African wine industry since 1962 are identified and the drivers of each phase are analysed i.e. a short history of the South African wine industry. (Van Rooyen, 2007):

The impacts of the regulation period and political sanctions (from early 1990s)

Table 1: The competitiveness index of the wine industry in South Africa: trends from 1961 to 2005 based on the Relative Revealed Trade Advantage (RTA)

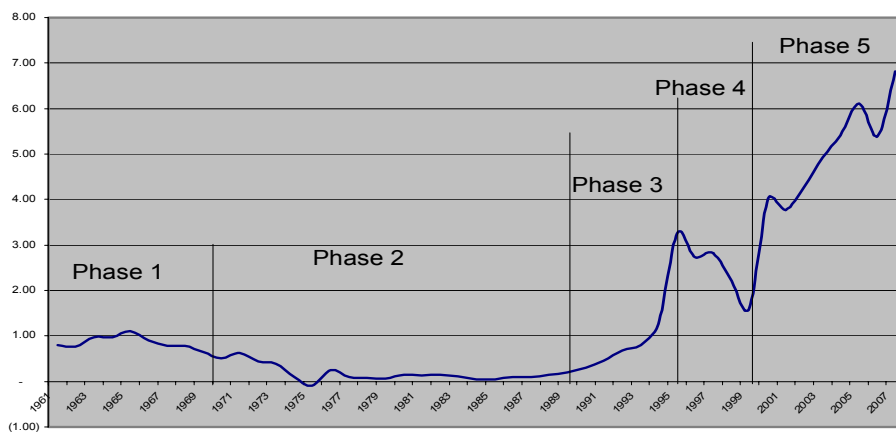
Product	RTA 2007	RTA 2006	RTA 2005	RTA 2004	RTA 2003	RTA 2002	RTA 2001	RTA 2000
Wine	6.81	5.39	6.12	5.41	4.93	4.28	3.76	4.02

Source: Own calculation based on data from FAOSTAT 2005; SA Brandy Company, 2005

Notes: Competitive (RTA > 1), marginal competitive (1 > RTA > -1), not competitive (RTA < -1); '+' Positive trend; '-' negative trend.

when political liberation and access to global markets was achieved, are dramatically captured as well as recent events related to changing consumer preferences and style changes, trade policies, exchange rate fluctuations and technological innovation.

Figure 1: The South African Wine Competitiveness Index (WCI) (1961-2007)



Phase 1 - Regulated competitiveness - 1970): During this period (starting in the late 1930s), the South African wine industry was heavily regulated through varietal choices and vine material, wine and wine grape production quotas, surplus removal schemes and price agreements. The KWV (Koperatiewe Wijnboere Vereniging), established in 1918, was granted statutory powers to regulate the industry. This period was characterised by a focus on high volume production and an overall orientation to brandy and fortified wine production (Ponte & Evert, 2007).

Phase 2 - Constrained economic and political environment (1970-1990): Increasing political pressures by the international environment during the

1970s and the imposing of sanctions brought the industry almost to a halt. Economic survival was possible through exports of large volumes of low quality wine to Eastern Europe and domestic consumption (Vink, *et al*, 2004). One important innovation during this period was the introduction of the scheme which brought local wine industry regulations in line with those in Europe. Cultivar and classic wines became more popular. Wine tourism and ‘wine routes’ was also introduced.

Phase 3 - ‘Madiba Magic’ (1990-1995): With the release of Nelson Mandela (Madiba) in 1990, the wine industry started with a remarkable period of activity and transformation. Economic sanctions were lifted, leading to international business exposure, access to international supply chains and increased investments. By 1997 the industry was fully deregulated and operated in a free market environment. The ‘Wine of Origin’ scheme was maintained and the environmentally ‘Integrated production of Wine’ (IPW) programme was widely implemented. International sales of South African wines increased from 20 million litres in 1992 to over 110 million litres (20% of the wine crop).

Phase 4 - Facing competitive realities (1996-2000): Despite increased sales (at relative low prices) certain cracks started to appear in the South African wine success story. Renowned wine writers/wine judges called for changes in style and quality to enable South Africa to produce internationally accepted wines – fruity, non-grassy, less tannins, great consistency, more quality reds (Le Roux, 2007). Australia also became a much more aggressive player in the UK, South Africa’s most important market.

All this resulted in a range of innovations including the planting of improved grape varieties and virus-free plant material; the terroir system was introduced, together with cultivar specific site solutions and the planting of more red varieties. Supply chain reliability also became a major success factor. By the end of the 1990s, the South African wine industry responded dramatically producing wines in the ‘new world’ style, but with a distinctly South African character (SAWB, 2002). Exports rose from 110 million litres in 1997 to 141 million litres in 2000 (26% of the wine crop).

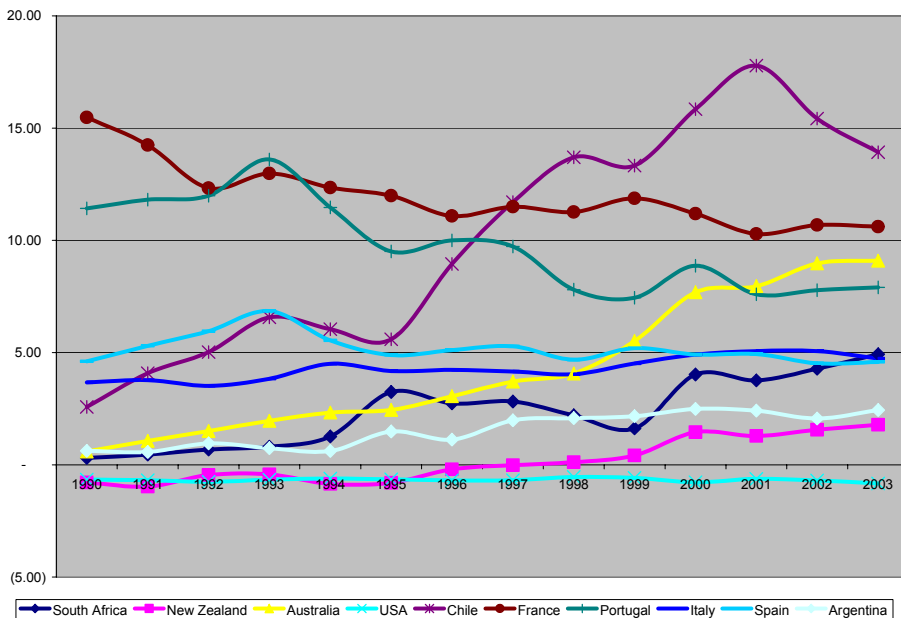
Phase 5 - Towards becoming a global player (2000 onwards): The industry also jointly decided on a strategic ‘course for excellence’ through the acceptance of ‘Vision 2020’ and the setting of the framework for a partnership with government through the ‘Wine Industry Strategy Plan’ (WIP) in 2003. This phase records a sustained increase in exports, in particular to the UK, Netherlands and Germany. Brand development and promotion became necessary business strategies, with a particular effort by the wine industry to establish unique ‘Brand SA’ properties for South African wines, emphasising the great diversity and value for money of the wine. ‘Variety is our nature’ with an increasing environmental focus

and social responsibility (the Wine Transformation Charter, 2006). Concepts such as integrity, authenticity and sustainability became key pointers in the industry (see the SA Wine Industry Directory, 2003-2008) as well as the notion of unique and typical South African wines (Pinotage-red; Chenin Blanc-white).

The impact of world market movements (e.g. Australia, 2007) fluctuating exchange rates and the presentation of unique lifestyle experiences (wine + food + tourism + value for money) became integrated in wine business strategies. Efforts to expand the local market are also in progress. Since 2000, exports again increased to 271 million litres in 2006.

Wine trading (both at import and export levels) is one of the most dynamic and competitive activities in the agro-food environment. Since the late 1980s, the share of wine production that is traded internationally has nearly doubled and wine trade has brought major gains to participants in expanding countries, but pain to many traditional producers (Anderson, 2004). A view of South African competitive performance measured by the RTA, in comparison with some other major wine trading economics is instructive. In Figure 3 the upward and relative “middle” position of South African is shown.

Figure 2: Trends in the competitiveness of selected wine producing countries (1990-2003)



3.2 The determinants of competitiveness

Secondly, determinants of competitiveness were established by using the Porter framework. The challenge is to determine how the competitive performance of the wine industry in South Africa is achieved. The aim is to determine the key success factors that established a competitive advantage and the constraints that impacted negatively on the competitiveness of the wine industry. The determinants of competitiveness, as described by Porter (1990, 1998), will be used as bases. Porter's (1990, 1998) theory of competitive advantage is an effort to identify the many factors that influence competitiveness and to show how they relate to each other and to the economic performance of a country's industries in a global economy. While the traditional and new trade theories provide the important explanation of production and trade patterns, as well as their effects on economic welfare, the work of Porter aims at understanding the process of change and why particular sectors in particular countries have been more successful than others.

The focus of this institutional analysis will be at the firm level i.e. individual firms will be requested to participate in the data gathering process through questionnaires. Executive opinions will thus be gathered.

In the application of this descriptive methodology, the institutional forces that have an influence on the competitiveness of the wine industry in South Africa will be described. Whereas the hard data in the previous section is used to measure competitiveness status over a specific period, the survey data measure competitiveness as it is perceived. The survey responses will reflect perceptions of competitiveness and indications for the future by business executives who are dealing with global business situations. Their responses are more recent and closer to reality since there is no time lag, which is often a problem with hard data. The Executive Survey will offer many unique measures and will capture the informed judgments of business leaders and decision-makers in the wine industry of South Africa on issues that influence their industry's competitiveness.

According to Porter (1998) four broad competitiveness attributes that each nation establishes and operates for its industries must be considered. These attributes are:

- Factor conditions: The nation's position in terms of factors of production, natural resources, level of production costs such as the price of labour, capital, land, water, fuel, pesticides, machinery, the supply chain, knowledge and infrastructure and all transaction costs, necessary to compete in a given industry;
- Market conditions: The nature of demand for the industry's product and

service and the ability to capture this demand through marketing and sales, for example, demand composition, demand size and information on trends in demand;

- Related and supporting industries: The presence or absence of supplier industries and related industries that are internationally competitive;
- Firm strategy, structure, and rivalry: The conditions and environment governing how firms are created, organised and managed, and the nature of domestic rivalry;

In addition, government plays a vital role in orchestrating these determinants - influencing each either positively or negatively, through its policy-making and operational inputs. Indeed, government policy and programmes, as a determinant of an environment which is intended to enhance competitiveness must be viewed apart from the previous four determinants.

Finally there is the role of chance. Chance/uncertain events are occurrences largely beyond the power of firms (and often the national government) to influence. Events such as wars, diseases, political decisions by foreign governments, large increases in demand, shifts in world financial markets and exchange rates, discontinuity of technology can be described as chance events and would be exploited in a competitive manner by highly competitive industries.

In Table 2 these determinants of the competitiveness in the wine industry in South Africa are indicated. These items were rated through responses from 200 plus executives in the wine industry – the Wine Executive Survey (WES) to have an enhancing (3), constraining (1) or a moderate (2) impact on competitiveness.

(i) Factor conditions:

The average score achieved for all factor conditions is 2, which means that on average the factor conditions in South Africa have a moderate effect on the wine industry's competitiveness. The factor conditions that are constraining competitiveness most are the quality of skilled labour, the high cost of capital and the high cost of doing business in South Africa. The factors that have an enhancing impact on the competitiveness of wine industry in South Africa are the availability and cost of unskilled labour, the cost, quality and availability of technology in South Africa and the location of the wine industry in South Africa in terms of the international market.

(ii) Market conditions:

The Wine Executive Survey (WES) also indicated that the local market size and growth in the local market are constraining the competitiveness of the wine industry in South Africa. From a positive viewpoint, buyers of South African wine are

Table 2: Determinants of competitiveness for the South African wine industry

Factor conditions	Rate	Firm strategy, structure and rivalry	Rate
Labour	(2)	Industry structure	(2)
Cost of low-level skilled labour	2	Regulatory structure and standards in industry	2 – 3
Quality of low-level skilled labour	2	Flow of information from customer to company	
Availability of low-level skilled labour	3	Local	(2)
Cost of skilled labour	2	International	2
Quality of skilled labour	1 - 2	Supply chain collaboration in product and process development	2 - 3
Availability of skilled labour	2	Information flow from primary suppliers	2
Cost of doing business in SA	1 - 2	Bargaining power of customers	2
Availability of water	2		2 – 3
Capital	(1 – 2)	Rivalry	(2 – 3)
Cost	1 - 2	Intense competition in the local market	3
- Availability	2	Source of competition in the local market	3
Climatic conditions the past three years	2	Entry of new competitors	3
Location in terms of international trade	2 – 3	Substitutes of products and services	2 – 3
		Difficulty to start a new business	1
Technology	(2)	Firm strategy	(2 – 3)
Cost	2	- Unique products, services and processes	2 – 3
Quality	2 – 3	Production of affordable high quality products	3
Availability	2 – 3	Production of environmental friendly products	2 – 3
		Strategy to employ quality technology	2 – 3
Infrastructure	(2)	Investment in human resources	2 – 3
- Cost	2	Continuous innovation	2 - 3
- Quality and availability	2	R&D spending	2
Average score for factor conditions	(2)	Average score for firm strategy, structure and rivalry	(2 – 3)
Market conditions	Rate	Supporting industries	Rate
Information on local markets consumer orientations:	(2)	Local suppliers of materials, components, equipment and services	(2 - 3)
Knowledgeable and demanding and buy innovative products	2 – 3	Availability	2 – 3
Actively seek out the latest products, technologies and processes	2	Quality	2
In pace with rest of the world	2	- Sustainability	2 – 3
Concern over ethics and production methods	2	International suppliers of materials, components, equipment and services	(2 - 3)
Importance of environmental friendly products	2 – 3	Availability	2 – 3
	2	Quality	2 - 3
		- Sustainability	2 – 3
Information on export markets consumer orientations:	(2 – 3)	Financial support	1 – 2
Knowledgeable and demanding and buy innovative products	2 – 3	Scientific research institutions	(2)
Actively seek out the latest products, technologies and processes	2 – 3	Availability	2 - 3
Concern over ethics and production methods	2 – 3	- Collaboration	2
- Importance of environmental friendly Products	2 – 3	Electricity supplies	2
	3	Telecommunication firms	2
Local market size	1 – 2	Internet service providers	2
Export market size	3	Specialised information technology services	2
Local market growth	1 – 2	Technical information flow	2 – 3
Export market growth	2	Glassware suppliers	2
Average score for market conditions	(2)	Packaging material suppliers	2
Administrative regulations	1 – 2	Road transport companies	2 – 3
Competence of the bureaucracy in the public sector	1	Air transport companies	2
The tax system's impact on investment and risk-taking	1 – 2	Training and skills development facilities	1 – 2
Impact of legal changes the past five years	1 - 2	Cost of crime	1
Environmental and biodiversity regulations	2 – 3	Health	2
Trade policy	2	Developments in Africa	2
Clarity on land reform policy	1 – 2	Biotechnology	2 – 3
Labour policy	1 – 2	Strong rand	1
Macro-economic policy	2	Fluctuations in the exchange rate	1 – 2
Clarity on bee policy and codes	1 – 2		
Trust in the political support system	1		
The current political climate in South Africa	2		
Average score for government	(1 – 2)	Average score for chance	(1 - 2)
1 = constraint	2 = moderate	3 = enhancement	() = average

Source: Own calculations from the 2005 Wine Executive Survey (WES)

knowledgeable, demand and buy innovative products and buyers are concerned over ethics and production methods. No clear indication on the quality of market information however was given although the information on consumer orientations was rated positive.

(iii) Related and supporting industries:

Most of the supporting industries are rated by the wine industry in South Africa to have contributed positively and have a positive impact on the industry's competitiveness. It is especially the availability, quality and sustainability of local and international suppliers of the wine industry's components, materials and equipment, the availability of scientific research institutions³, technical information flow and road transport companies that contribute positively to the competitiveness success of the wine industry in South Africa.

Access to training and skills development facilities and financial support are constraining the competitive success of the wine industry in South Africa. This latter observation on financial support systems must largely be related to the long-term nature of capital requirements of the industry and constraints and costs in mobilising funds and high real interest rates i.e. cost of finances.

(iv) Firm strategy, structure and rivalry:

The fourth broad determinant of competitive advantage in an industry is the context in which firms are created, organized and managed as well as the nature of rivalry. With an average score of 2 to 3, firm strategy, structure and rivalry as a whole, have a positive impact on competitiveness of wine businesses in South Africa. Some of the major enhancing factors include the regulatory structures and standards in the industry, integrity systems, intense internal competition, entry of new competitors on a regular basis, the production of affordable high quality products, firm level investment in human resources, employment of quality technology, the production of unique products, services and processes, the production of environmental friendly products, and continuous technical innovation.

(v) Government support and policies:

The wine industry in South Africa is highly regulated and to a large degree dependent on sound partnership arrangements with government. Government policy and support on matters related to export and trading, science and innovation, empowerment and transformation, tax and excise duties, natural resources such as land and water, labour relations, financial arrangements to name some, impacts directly on this sensitive and highly market orientated industry.

With an average score of between 1–2, government services, policies and support systems are viewed to act in a constraining manner to the competitive success

³Although there is concern about the expected decrease in funding.

of the wine industry in South Africa. The major constraining factors are: burdensome administrative regulations, the impact of legal change, the competence of personnel in the public sector, South Africa's tax system's impact on investment and risk-taking, South Africa's resources policy (labour and land) and clarity on BEE transformation policy and the scorecard system.

It is interesting to note that the South Africa's environmental regulations are rated by the wine industry in South Africa to have a positive impact on their competitiveness, while macro-economic policy, the current political climate and trade policy are providing moderate enhancements.

(vi) Chance factors:

Chance events are occurrences that have little to do with circumstances in an industry and are often largely outside the power of the firms or a country to influence. Chance events however are important because they create opportunities and discontinuities that could allow shifts in competitive performance. Chance events can nullify the advantage of previously established competitors and create the potential that a new firm can supplant them to achieve competitive advantage in response to new and different conditions (Porter, 1998).

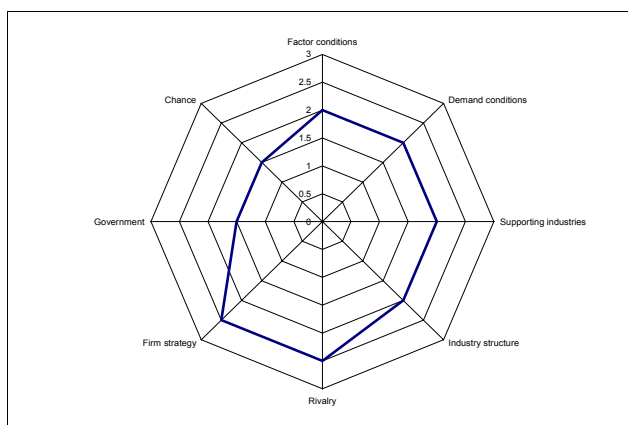
The cost of crime, the strong Rand and fluctuations in the exchange rate are important chance factors which have a constraining impact on competitiveness of the wine industry in South Africa. Aids does not yet feature as a major factor for the wine industry, while global technology developments are anticipated to provide competitive opportunities.

On average, the wine industry is not well positioned yet to exploit change occurrences in a positive manner. This may require more structured interaction in a global context to fully exploit aspects related to technological innovation, Africa's opportunities and fluctuation in exchange rates.

Figure 3 indicates the status as viewed by industry executives of the major determinants of competitiveness in the South African wine industry.

These determinants were further unpacked by industry workshops. Some of the prominent factors identified were: the importance of a unique and focused generic image of South African wine (Brand SA); choice of market segment and price point selection; style and quality issues in different markets; the certification of environmental and ethical factors (fair trade, social upliftment; biodiversity, etc); 'cutting edge R&D'; the positioning of unique South African wines (Pinotage-red; Chenin Blanc-white); effective government support systems – integrity and certification, port and harbour infrastructure regulations, reduced bureaucracy and improved policy coordination, etc.

Figure 3: The status of the determinants of competitiveness in the South African wine industry



Source: Own database
 Notes: 1 = Constraint 2 = Moderate 1 = Enhancement
 Source: Own calculations

4 Major drivers in the South African wine industry

From the above industry analysis, a number of future drivers are listed:

(i) **Product quality improvement and product integrity:** The plantings since 1997/98, the quality upgrading of South African wines and the introduction of measures to effectively establish production authentically and integrity and to combat for example illegal flavouring practices contributed substantially to the current position of strength. Initiatives and measures to enhance such industry level applications will be a future “building block” of success.

(ii) **‘Brand SA’ roll-out:** The ability to establish a unique “Brand SA” proposition for South African wines will assist in creating a differentiated “playing field” for South African wines. The industry’s efforts to craft a unique and vibrant marketing message based on the diversity of the South African winelands (including social and biodiversity is in progress and provide exciting opportunities). Furthermore, the inclusion of biodiversity codes at farm and cellar levels in the “Integrated Wine Production” system gives substantiation to this particular drive; social and transformation codes will follow soon, with the gazetting of the Wine Transformation Charter.

(iii) **A sharper market segment focus:** The exposure of wine producers and marketers to evolving preferences and the focus on “doing-the-right-things right”

is driving the export initiative of South African wines. It is however clear that the increased understanding of the evolving market will be required to survive in a highly competitive global environment. The selection of appropriate countries, market segments in particular and price points and a clear comprehension of the required business systems to operate successfully in the selected segment will be necessary to give operational effect to a “Brand SA” strategy. Market segmentation will be a key in this focus area with ethical and environmental positioning as an important competitive advantage for South African wines.

(iv) **Cost effectiveness technology and business systems:** South Africa’s wine production cannot position itself as a “high volume-low unit cost” producer. South African wines should thus rather focus on higher quality, higher value points in particular market segments. However, the South African wine industry will still be highly constrained by relative high input cost systems. Technical efforts to increase yield per hectare (without compromising on wine quality) and to reduce supply chain costs and time (delay) costs will require innovative R&D solutions and information systems.

(v) **Social development and economic transformation:** Successful Black Economic Empowerment (BEE) strategy will enhance political commitment and support to the industry and create social stability and productive resource mobilisation. The establishment of entrepreneur oriented ‘black business class’ and top level black business leadership must be considered as a significant driver of the South African wine economy of the future. This will also impact positively on domestic market expansion of the consumption of wines as a lifestyle activity amongst black professionals.

(vi) **Driving the focus of the South African wines in the global arena:** The South African wine industry is strongly linked to global trends that need to be integrated into a South African strategy. The following should be noted:

- Shifting demand (Consumers want more clarity on the nature and ethics of a product; and companies need customer loyalty); increasing retail power (supermarkets); increasing competition and creating brand value; reliable supply chain systems.
- The world is looking for quality red wine. Premium red wine products that uplift the image of a country’s wine industry in total are thus required.
- Global business consolidation processes are underway - mergers and acquisitions and joint ventures of wine companies to form bigger brands and to achieve greater market access.

- The settings of multi-national wine companies are expected and links with global supply chains are expected sooner than later in South Africa.

(vii) **International trade agreements:** The global trends and the use of concepts such as “Geographical Indicators” and “Traditional Expressions”, to direct international trade regimes could be significant for global wine trade and South Africa is in a good position to exploit new opportunities but should also guard against the establishment of new ‘trade constraining’ barriers.

(viii) **Successful and proactive government and industry interaction to establish an enhancing business and social environment:** The wine industry, at a recent workshop on competitiveness, rated an open ‘red telephone line’ to government as vital for a successful and performing wine economy. This partnership will be required to focus on a number of activities. These include market development, regulation and export promotion; the active positioning of ‘Brand SA’ by government agencies (NDA, dti, SAA, Tourism, etc), infrastructure expansion, research funding and technological innovation; economic empowerment and transformation support; trade agreements and policy development; combating crime and the simplification of regulations and a reduction in bureaucratic ‘red tape’ to name a few areas of concern.

5 Conclusion

The analysis confirms the openness of the South African wine economy where the exchange rate and other global impacts and trends play an important role in competitiveness status. However, South Africa’s wines are increasingly internationally competitive with a sustainable and positive trend since 1990. To continue this positive trend in competitiveness a multi-pronged approach to sustainable growth and development are recommended focussing on five areas:

(i) the crafting of an identifiable ‘Brand South Africa’ proposition to portray the uniqueness of South Africa as a wine-producing region of excellence, adhering to sound social, environmental and business ethics;

(ii) the introduction of measures to counteract the negative impact of a fluctuating exchange rate such as cost effective production processes, effective supply chains, increased productivity and unique marketing strategies;

(iii) the implementation of transformation through social capital development and successful BEE activities;

(iv) the establishment of a sound industry/government partnership to create a competitive framework in order to stimulate investment and development in the sector; and

(v) increase funding for industry level initiatives, especially in market development and research and technological innovation.

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