

BMi Research Wine Report 2016

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South African local wine sales increased during 2015 in terms of volume and value.



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The local market growth may be attributed to new consumers entering the market in the sweet red and rose wine markets. It is believed that the increased marketing and promotional activities also contributed to the high volume growth. The 3 litre and 5 litre bag-in-box (BIB) packs are said to be driving the sweet wine industry as they are cheaper and considered value for money packs compared to the traditional 750ml glass bottle. Natural wine volumes also increased during the base year, possibly as more variants and brands were introduced to the market. The average industry selling price of wine increased by 7.1% compared to CPI of 4.6% during the same period. The increase in higher selling price of wine may have attributed to the high price increase.

The country still produces more wine than can be consumed locally, with the sellers exporting more than half the volume produced within South Africa. However wine exports declined as the local producers focused on the South African market. The volume of wine sold in bulk packaging continued to increase, putting pressure on the local packaging industry. The United Kingdom remained the main export destination followed by Germany. The wine industry exported more than half of the wine produced locally. The main export destinations were the United Kingdom and other European countries. The volume exported to the UK is not expected to change much during the Brexit period.

Other African countries such as Angola, Kenya, Mozambique, Mauritius and Zimbabwe continue to source their wine in South Africa, amongst other countries. The volume imported by these countries increased from 2014 to 2015 whilst volume exported to Tanzania and Nigeria declined.

The local regional distribution remained almost the same with Gauteng, KwaZulu-Natal and the Western Cape showing good growth during the base year. The disposable income in these metropolitan regions is believed to be above average with consumers able to purchase higher priced products, such as wine. The three major metropolitan regions continue to dominate the wine industry in the local market. It is said that the above average disposable income levels and new citizens moving to these regions contributed to the increase in demand for the product. The regions also have an above average number of young adults who are willing to try new products on the market. The non-metropolitan regions show limited change in volume distributed.

The channel distribution also remained similar to that of the previous year. The off-consumption channel is growing in volume with more retail stores increasing their marketing campaigns in order to gain more customers. Wine products are easily available online where they can be delivered rapidly to their destination.

The wine market is expected to grow in 2016 but at a lower rate as the drought season affected the crops planted and the yield expected to be harvested. The industry is expected to recover in the medium term from the low yield and slow economic growth.

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