

# Distell to combat wine grape glut

Distell is adopting a strategy dubbed "vineyard mothballing" in order to cope with South Africa's current oversupply of some red wine grapes and wine - the intention is to literally put vine production on hold, until the grape glut is over.

While producers all over the world are leaving grapes to rot in the vineyards because they have either run out of tank storage space from previous vintages or they simply cannot afford to vinify the grapes and add to the existing wine lake, Distell is following a practice conceived by the Australians to keep the vines alive but reduce maintenance costs to the minimum until supply and demand are better balanced.

## Number of routes

Explains Ernst le Roux, who is head of all grape and wine buying for Distell: "We plan to explore a number of routes to put vine production on hold for potential implementation ahead of the 2008 harvest. In the coming growing season, we'll be testing the concept to see if it is viable from an economic and viticultural point of view.

Should it prove a proposition worth pursuing, we obviously won't apply it to all red vineyards but only in those instances where the market calls for it, as the extent of oversupply varies according to varietal and quality. Despite the glut, there are some wine styles that are extremely popular and we have difficulty in meeting demand."

For the year to June 30, 2006, Distell succeeded in growing wine sales both domestically and internationally. Local sales volumes were up 1.9% and exports (excluding Africa) rose 20%.

## Low maintenance

"Some of the options we are considering include cutting vines right back to 30cm above the ground, giving them just enough water to keep going, spraying minimally against disease and keeping labour costs down by stopping weed control, fertilisation and foliage management. Another possibility is to prune very aggressively and then follow the same low-maintenance regime.

"Then, as soon as we anticipate a pick-up in demand, we return to normal viticultural practices and within a year, the vines are back to their previous levels of production."

Le Roux says the low-maintenance approach to reduce operating costs would be supported by the introduction of cash crops, where appropriate, to ensure a steady stream of revenue for farmers involved.

## International discussions

"From international discussions, we are aware that in Australia and elsewhere, programmes are under way to mothball vineyards in selected areas in an effort to correct their oversupply. The Australians are projecting that the grape glut in their country could continue for another two to five years, according to Lawrie Stanford, the Australian Wine and Brandy Corporation's information and analysis manager.

"He has been quoted as saying grape supply could outstrip demand until 2010 as export growth rates slow in the face of a continued oversupply and intensified competition from other players. While the situation in South Africa is not as severe, we believe in responding pro-actively to avoid a further inflated local oversupply."

Le Roux says the impact of the various techniques employed to put production on hold would be monitored jointly by Distell and its supplier growers. "We want to find optimal measures to protect future supplies and, as importantly, to protect the farmers who are under enormous pressure to cope with rising supplies and declining prices."

- South Africa, like most other wine-producing countries, faces an oversupply across all sectors of the market from extreme value to top-end wines, with prices under pressure in every segment. Locally, however, the excess applies specifically to red varietals, whereas in some countries it affects both reds and whites.

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