Global and SA Trends

Global Trade Trends

According to the Rabobank Wine Quarterly Q1 2018 four issues have come to the forefront:

1. Sourcing strategies are in flux - Rising bulk wine prices, new trade agreements and evolving market conditions are changing how wine is being sourced and the impacts are being felt all along the value chain. Short-term strategies focus on evaluating availability and costs. The short-term scarcity and rising prices have affected grape and must buyers, thus wineries who already have been confronted with higher input prices, and bulk wine purchasers looking to buy large amounts at relatively low prices for their own blends or brands. For many growers, higher prices and easy-to-place volumes may bring temporary relief but do not change their challenged strategic position. For others, higher prices may not be enough to offset lower production.

2. Rising bulk wine prices – Bulk wine prices continue to see a general upward trend across the globe, albeit with some exceptions such as in France where pricing has remained largely stable due to the fact that the focus is on higher value varietals than generic wines and the prices for French varietals appear to be setting a price ceiling. The upward impact is seen most notably in the more generic varietals. Buyers looking to purchase bulk wine have followed different strategies - some have minimized their purchases, betting on a price reduction later on; some decided not to wait; some have bought less assuming they will be selling less; other players have acquired even larger volumes despite higher prices reflecting that prices are unlikely to come down.


4. US imports are still rising – Imports continued its upward trend, with France and NZ driving bottled imports and Australia driving success in bulk wine.
Forecasting the future 12 years hence is not an easy business at the best of times. Last week’s VinPro Day saw Wine Intelligence CEO Lulie Halstead unveil her ‘six As’ for success in 2030.

1. Awareness: without connecting effectively with your market in terms of recognition and recall, brands (which would include regions and countries in my book) will not be able to have any lasting success. While one could argue that this has always been true, the past decade has seen a growing polarisation of success between the brands and countries that have strong recognition and familiarity, and those which are less well known.

2. Availability: closely allied with awareness, brands must focus on being available in the proliferating channels to market, and think carefully about the costs and benefits of ignoring certain channels in favour of others. Channel management has always been difficult, but the continuing rise in prominence of online retail (particularly in Asia) has put this business question at the heart of brand strategy.

3. Accountability: the world is going to continue to become more knowledgeable, and judgmental, about the brands and products they use. Brand owners will need to think even more carefully how they present their offering in terms of reassuring consumers that by making a purchase, they are buying something that has been looked after, with ingredients that are high quality and not harmful, and that in some way the brand is contributing to the effort to reduce waste, pollution and energy use.

4. Accommodating: If the past 12 months are any guide, the next 12 years will see the momentum of the gender equality movement grow, and translate into further redress and respect for other ethnic, gender or sexual orientation groups across many major countries. The notion of ‘Accommodating’ is that brands will need to portray themselves as inclusive and moving with the needs of the societies in which they operate.

5. Affluence: since the turn of this century, extraordinary changes have been occurring in the developing world. There are now 1 billion fewer very poor people than there were 20 years ago. This unprecedented change in the fortunes of humanity has been driven largely by China, and my prediction is that the next 12 years will see the realisation of the other half of

### Change in wine exports YTD 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume change (%)</th>
<th>Value change (%)</th>
<th>Period of measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>9.7</td>
<td>8.9</td>
<td>Aug-Oct</td>
</tr>
<tr>
<td>Spain</td>
<td>3.9</td>
<td>7.5</td>
<td>Jan-Oct</td>
</tr>
<tr>
<td>Italy</td>
<td>n.a.</td>
<td>7.0</td>
<td>Jan-Dec</td>
</tr>
<tr>
<td>US</td>
<td>-7.0</td>
<td>-11.0</td>
<td>Jan-Sept</td>
</tr>
<tr>
<td>Argentina</td>
<td>-13.7</td>
<td>-1.6</td>
<td>Jan-Oct</td>
</tr>
<tr>
<td>Chile</td>
<td>6.8</td>
<td>7.6</td>
<td>Jan-Nov</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.7</td>
<td>N/A</td>
<td>Jan-Dec</td>
</tr>
<tr>
<td>Australia</td>
<td>90</td>
<td>13.0</td>
<td>Oct-Sept</td>
</tr>
</tbody>
</table>

*Value changes in local currencies. Argentina and Chile in USD.

Source: Wine Australia; Gomberg, Fredrikson & Associates; Observatorio Vitivinícola Argentina; SAWIS; Oficina de Estudios y Políticas Agraria de Chile; New Zealand Winegrowers 2017
this revolution, namely the full development of a large relatively affluent middle class in China and India. Already we can see the effect of this in China, where the imported wine drinking population has almost tripled in 10 years, and we believe will hit 100 million within the next decade.

6. Adaptability: It almost goes without saying that the pace of change around the world is accelerating, bringing with it urgent and in some cases existential challenges for brands. The ability to move with the times, and – if possible – stay one step ahead in terms of innovation and consumer engagement will determine whether brands can be successful over the next decade or so.

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**Amazon opens a supermarket with no checkouts**

In a move that could revolutionise the way we buy groceries, Amazon has opened a supermarket with no checkout operators or self-service tills. It uses hundreds of ceiling-mounted cameras and electronic sensors to identify each customer and track the items they select. Purchases are billed to customers' credit cards when they leave the store. On entering the store, shoppers walk through gates similar to those in the London underground, swiping their smartphones loaded with the Amazon Go app. Then they are free to put any of the sandwiches, salads, drinks and biscuits on the shelves straight into their shopping bags.

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**Department of Labour**

In a statement, the labour department announced that the new minimum wages will rise by 5.6%. The adjusted monthly rate will stand at R3 169.19 while the new daily wage is set at R146.28. The new minimum wages will kick in on 1 March 2018.

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**These are the biggest retailers in South Africa**

Shoprite, Spar Group, Pick 'n Pay Stores and Woolworths.

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