

Global *Wine Village*

February 2013 Number 76



SAWIS

SA WYNBEDRYF-INLICHTING & -STELSELS
SA WINE INDUSTRY INFORMATION & SYSTEMS

Editorial

Africa poised for a great future. Read more on page 4.

Global economy: key issues in 2013. Read more on page 7.

Are bottles pricing themselves out of the on-trade market? Read more on page 8.

Countries disagree on safe drinking advice. Read more on page 10.

Ministers consider 'calorie labels' for wine, beer and spirits. Read more on page 14.

The Three Biggest Health Myths in Wine. Read more on page 15.

Greetings

Nadine

Editor: Nadine Uren

- PO Box 238 Paarl 7620

- Tel: (021) 807 5707

- Fax: (021) 807 6017

E-mail: nadine@sawis.co.za

Index

Economic environment

Markets/Regions	4
Packaging	8

Social environment

Lifestyles	9
Health	13



Markets/Regions

Africa poised for a great future

As 2013 commences, afro-pessimism seems to cede to afro-optimism. There is a global consensus: Africa is poised for a great future. What will be the impact of Africa's growth on our industry? What will be the major trends of the year?

Here are the key trends that will shape the industry and have the longest lasting impact over the next decade.

1. The rise of digital and social media

Digital media has seen exponential growth in Africa at the expense of traditional media. Consequently, the latter has been forced to rebrand itself and translate its business into digital form in order to stay relevant.

2. The convergence of the mobile and digital world

70% of Africans have experienced the internet for the first time on their handset: it's the norm (Source: Global mobile statistics 2012).

Activities such as blogging and social networking are fast gaining momentum as over half of those in Kenya (55%) and Tanzania (50%) have written their own blog or forum entry, compared to only

32% in the US (Source: Digital Life, a global research project into people's online activities and behavior).

Africa leads the Mobile money transfer revolution and the m-commerce rise will continue in 2013.

In 2013, Africa will embrace the mobile digital world and brands will strive to create advertising campaigns tailored for this new form of media.

3. Managing Africa in clusters

Africa is an economically growing continent with a mammoth size. It is hugely diversified with its 54 countries, 2500 languages, over 3000 ethnic tribes and tremendously diverse cultures

Global brands such as Unilever, Coca-Cola, Airtel, and Barclays are coming closer to consumers and adopting the cluster model of efficiency. This model allows proximity to the consumer, but also maximises efficiency

for their dollars.

4. The growth of the B-brands

In a number of sub-Saharan markets, there is an incremental growth of local brands

successfully challenging the multinationals. During the past five years, the B-brands have approximately gained 15% share from the market leaders, mostly in the beer and the FMCG category.

This trend will even grow stronger in 2013. The tech knowhow, better infrastructures and the economic boom will enable local brands to thrive against multinational competition.

5. Television - the medium of the future

2013 will see the advent of local programming in a big way. Content generation with locally produced, relevant programming will take the TV industry by storm. The two-hour slot post the evening news, which is currently ruled by international soaps dubbed into local languages, shall be replaced with local programming.

6. Survival of the fittest

In 2013, corporates with deep pockets and sustaining power will rule.

Particularly in the advertising industry, the trend has been for smaller agencies to crumble under financial pressure and ultimately sell out to the larger agencies. While the industry is gaining momentum, it still needs to battle with its day-to-day issues and those who have the staying power shall be the ones to play in the long run.

Clients still don't pay on time; multinational brands need governance and transparency; media inflation is high; complacency is poor; quality resources are expen-

sive and hard to get. These problems will persist in 2013. Agencies with good governance, strong financial muscle, scale, and a large footprint will survive.

7. Afrocentricity

In 2013, brands and communication agencies will place more emphasis on Afrocentricity because they have realised that Africa's one billion-strong population deserves individual attention. Advertising campaigns developed outside of the African continent will be a thing of the past.

8. Here comes the youth

While the world is ageing, 40% of the population of Africa is under the age of 15. By 2040, Africa will be home to one in five of the planet's young people. This is the trend which will cause the big change that will affect how brands view their marketing strategies.

9. 720 degree communication

Move over, 360! 2013 will see the merge of different ATL and BTL activities. The convergence will enable brands to anticipate what the consumer wants and deliver products and services that satisfy their needs.

10. Value-based compensation

2013 will see the dominance of value-based compensation for agencies. All global brands are adopting this method of agency evaluation and remuneration.

www.bizcommunity.com/Article/196/424/88527.html



What happens when the wine runs out?



Stability is remarkable when you consider the changes that have been happening in the industry over the same period. On the production side, we have seen 30% declines in wine produced in traditional wine growing countries such as France and Italy, and huge growth in vineyard acreage in countries such as Chile, Australia, and the USA (among others). In consumption terms, similarly precipitous declines in French and Italian wine drinking habits have been offset by the growth of developed world markets like the USA, UK, Germany, Netherlands, Australia and Japan, and – latterly – emerging markets such as China, South America and SE Asia.

As you will have worked out, this “stability” is not the same as a supply-demand equilibrium. The structural surplus has meant the global wine industry has been selling into a buyer’s market for a generation. Prices for wine have been held down, sometimes below the cost of production, and the world’s consumers have benefited from cheaper, higher quality product. This year, however, the pattern has been broken. The world will still drink around 25 billion litres of wine, give

or take, but weather events around the world have meant that in 2012 production was around the 25 billion litre mark – so no surplus.

It’s clear that 2013 will not be the year of the bargain wine. Growers whose wines are already prized will find greater demand, with fewer bottles to sell. Marginal operators, who typically sell their production on the spot bulk market, may find more customers calling on them. The rising tide will lift even the leakiest boats, at least in the short term.

Wiser and more financially stable growers and winemakers will keep price rises to a minimum, where there is a long-term relationship to be nurtured. Likewise, buyers who have played fair on prices over the years will probably get an easier time than the sharks and bottom-feeders of the supply chain. Finally, at the very end of the supply chain, in the supermarket wine aisle or on the wine list, prices will be higher and retailers and restaurateurs will need to work a bit harder to make the sale.

www.wineintelligence.com/2013/01/31/the-wine-global-surplus-has-the-pattern-finally-been-broken/

Global economy: key issues in 2013



For many economies, 2012 was a year to forget. Austerity in the developed world and a slowdown in China dented global growth. The downturn caused hardship for households and businesses, and headaches for many politicians. Markets also endured their torrid moments, mainly reflecting ever-changing perceptions of the risk of a break-up of the euro zone.

In 2013 global economic prospects look slightly brighter.

Some of the key economic themes that is likely to occupy governments, businesses, consumers and investors in the year ahead:

Stronger global GDP growth. The global economy will remain weak, but some improvement is in prospect. The downturn in the euro zone will ease, with the 17-country bloc likely to return to very weak year-on-year growth in late 2013. Recent stimulus in China should feed through more visibly during the year, with Chinese growth accelerating to an annual average of about 8.5% – although it should be noted that this will be a peak for the current cycle and is unlikely to be matched again given the slowdown in China’s trend growth rate.

Relative calm in the euro zone? Plenty more ups and downs is expected in efforts to contain and, ultimately, resolve the debt crisis in the euro zone, but the picture has brightened since mid-2012. The European Central Bank’s commitment in principle to unlimited sovereign debt purchases has calmed financial markets.

More fiscal brinksmanship in the US. If the world breathed a sigh of relief when US lawmakers struck a deal on January 1st 2013 to prevent/delay implementation of assorted fiscal tightening that could have sent the US into recession, the risks of a self-inflicted economic downturn have not disappeared. A grand bargain over the country’s long-term fiscal challenges has eluded Democrats and Republicans, and the fiscal cliff mini-deal was disappointingly modest in scope. The legislation preserves some tax breaks and extends unemployment benefits but has deferred any decision on government spending cuts.

An extension of the risk asset rally. Quantitative easing (QE) in the US and elsewhere, combined with a slackening of financial tensions in the euro zone periphery, has fuelled a rally in risk assets in the past few months. The

rally has a decent chance of continuing in 2013, as the ultra-low interest-rate environment in the developed world will encourage investors to seek higher yields in riskier assets such as equities, commodities and corporate bonds.

A Japanese reflation agenda. The election of Shinzo Abe as Japan’s prime minister in December 2012 has potential repercussions that extend well beyond the domestic economy. One of Mr Abe’s main policy goals is to end the deflationary pressures that have long dogged Japan, and thereby to create conditions for self-sustaining economic growth. As part of this agenda, we expect Mr Abe to push aggressively for the Bank of Japan to raise its inflation target from 1% to 2% and to commit to unorthodox monetary easing on a much greater scale – both to stimulate domestic demand and to counter the deflationary impact on Japan of QE elsewhere. The success or failure of these efforts could have implications for global exchange rates, and the policies could create international trade tensions if perceived by Japan’s trading partners as an attempt artificially to support Japanese exports.

A higher profile for structural reform. The reform focus will be echoed in parts of the emerging world – most notably in Brazil, where policymakers are having to come to terms with the country’s post-2010 slowdown and address long-standing needs for greater flexibility in the economy.

Austerity. Fiscal tightening will continue to constrain growth and dominate the public debate in many countries in 2013. Most obviously, it will remain a central economic and political issue in the EU, in part because of the severe fiscal consolidation still under way. Our budget-balance forecasts indicate that 20 out of the EU’s 27 member countries will experience fiscal tightening in 2013, which in many cases will come on top of a prior year of such hardship in 2012.

Political changes. 2013 looks set to be relatively quiet year for major elections, but a number of forthcoming and ongoing political changes will still bear watching. Some of these will be the result of transitions that commenced in 2012.

country.eiu.com/article.aspx?articleid=1410019725&Country=US&topic=Economy

Countries disagree on safe drinking advice



Psychologists from the University of Sussex researched government advice on drinking in 57 different countries, including all 27 EU member states.

The research found there was a “remarkable lack of agreement” about many different aspects of advice on alcohol consumption. Advice differed between countries about what constitutes harmful or excessive drinking, whether it is safe for women to drink as much as men and also on drink-driving.

Dr Richard de Visser and Nina Furtwangler who con-

ducted the research, says that in some countries, the weekly maximum is simply seven times the daily maximum, whereas in others there is an explicit statement that drinkers should have at least one alcohol-free day a week.

The research also found that in eight of the 27 EU countries there were no “readily accessible guidelines.”

Calls have now been made for internationally-agreed consumption guidelines to help people drink responsibly.

Dr de Visser added: “Agreed guidelines would be useful for

international efforts to reduce alcohol-related harm by increasing people’s capacity to monitor and regulate their alcohol consumption.”

In the UK the recommended alcohol limits are 21 units of alcohol per week, no more than four units in any one day and at least two alcohol-free days a week for men. Women are advised to drink no more than 14 units of alcohol per week, no more than three units in any one day, and have at least two alcohol-free days a week.

www.thedrinksbusiness.com/2013/01/countries-disagree-on-safe-drinking-advice/

Wine on the Rise

Amid a still-challenging economic environment, wine sales continued to grow in 2012, according to the Wine Market Council – an independent, nonprofit trade association – and The Nielsen Company, which presented their annual findings on U.S. consumer trends in wine. Key discoveries included:

Not just for fancy restaurants. Wine drinkers are finding more occasions suitable for consuming wine, including less traditional venues like ball games or concerts.

Millennials are driving wine increase. While Boomers remain the solid base of wine consumers, Millennials are providing growth in the category. However, drinking behaviors differ among younger Millennials, aged 21-26 (28% of this segment reported drinking wine daily), compared older Millennials, aged 27-36 (19% of this group reported drinking wine daily). Overall, this generation of wine consumers drinks more than their fair share of wine compared to other generations, the WMC reported. They also consume more wine per occasion and are more apt than other generations to report increased consumption compared to a few years ago.

Impact of changing demographics. Wine drinkers in the U.S. are consistently becoming more diverse, with higher rates of African

American, Asian American, and Hispanic representation, according to the Wine Market Council. Wine marketers were advised to pay closer attention to the fast-growing Hispanic/Latino demographic, which has been more likely to consume beer or spirits, rather than wine.

Wine by the glass. This was the first year the study included statistics on bottle vs. by-the-glass consumption. According to the study, the majority of wine drinkers order wine by the glass when they dine at any type of restaurant. Less than half order wine by the bottle, even at an expensive, white tablecloth restaurant. By-the-glass rates are higher for women, while by-the-bottle rates are higher for men.

Mad for Merlot: Merlot topped the list of red varietals respondents currently drink (61%), the WMC reported, followed by Cabernet Sauvignon (52%). Forming a second tier of red wines were Pinot Noir (42%) and red Zinfandel (34%). Regarding varietal preferences across generations, Cabernet and Zinfandel are most popular among Generation X, while Malbec is consumed by a greater proportion of Millennial wine drinkers.

www.winemag.com/Wine-Enthusiast-Magazine/February-2013/Wine-on-the-Rise/#.UQH9DGxL0.twitter



Goodbye Hangover – the rise of synthetic alcohol

The late nights, the laughter, the drinking games, and then the awful hangover the morning after. People enjoy alcoholic drinks on nights out and other occasions whereas the drug provides a feeling of wellbeing and relaxation, however, the drug also has a down side. Not only can heavy drinking cause nausea and a giant headache the morning after, alcohol can also destroy people's lives. In general, more people die from alcohol than from any other drug. In 2009, the NHS reported more than 800.000 alcohol-related admissions to hospitals, and more than 6.500 deaths. Even though people are aware of this downside of alcohol, the addictive drug remains popular. However a solution is near: synthetic alcohol seems to become more and more feasible.

"Synthenol", or synthetic alcohol, is supposed to cause the same feeling of relaxation, however without the downside of alcohol. The alcohol substitute works like alcohol on the nerves in the brain, however, it does not affect the parts of the brain which control mood swings and lead to addiction. Also it is much easier to flush out of your body. Furthermore, an interesting feature of synthenol is that the tipsiness can be 'switched off' instantaneously with an antidote. This means that after a long night of partying and drinking, you can simply pop a pill and drive home sober.



Professor David Nutt and his team at the Imperial College London have been trying to create the new alcohol. They envision a world where you can drink, without getting drunk. In order to produce this new and better type of alcohol, Nutt and his team are concentrating their efforts on benzodiazepines, of which diazepam, the main ingredient of Valium is one. Valium is a derivative drug, meaning it causes the body to relax, which has been widely used in medication over the last few decades. Prof Nutt says that thousands of candidate benzos are already known to science and that it is just a matter of identifying the closest match to alcohol. Synthenol thus seems pretty feasible.

Ideally, like alcohol, 'synthenol' would be tasteless and colourless, so that it could be used to replace the alcohol content in beer, wine and spirits. However, though feasible, the synthetic alcohol product does not yet exist.

Up until now, the traditional drinking industry has shown no interest in the product, however some countries might be persuaded the sponsor the team whereas the new drug could have a dramatic effect on society and improve the nation's health.

beta-lab.nl/content/goodbye-hangover-%E2%80%93-rise-synthetic-alcohol

Health

Red wine prevents cholesterol build up from meat



Drinking a glass of red wine while eating red meat can counteract the build up of cholesterol following a meal, scientists have found.

They found that harmful compounds from the meat would build up in the blood stream of volunteers as they digested a meal, helping to form "bad" cholesterol that can damage blood vessels and increase the risk of heart disease.

The researchers showed, however, that antioxidants in the wine known as polyphenols

stopped these compounds from being absorbed in the gut and so they did not get into the blood stream where they can cause harm.

Professor Ron Kohen, from the institute of drug research at the Hebrew University of Jerusalem, said this may help to explain why red wine has frequently been found to reduce the risk of heart disease.

www.telegraph.co.uk/health/healthnews/9797559/Red-wine-prevents-cholesterol-build-up-from-meat.html

Ministers consider 'calorie labels' for wine, beer and spirits

Bottles of wine and beer could display how many calories they contain to discourage people from drinking too much, under new Government plans.

Anna Soubry, a health minister, said officials have been in talks about "the possible inclusion of calorie content on labels" with the alcoholic drinks industry.

They are separately looking at how to reduce deaths caused by alcohol and tackle anti-social behaviour fuelled by drink.

The alcohol education charity says that two large glasses of wine have about the same amount as a beefburger at 400 calories.

There are fears it could raise the price of alcohol for moderate middle-class drinkers and fail to tackle the drinking habits of people with alcohol problems.

www.telegraph.co.uk/foodanddrink/foodanddrinknews/9843238/Ministers-consider-calorie-labels-for-wine-beer-and-spirits.html



The Three Biggest Health Myths in Wine

1: Wine contains a lot of sugar

It's easy to see where this theory may have started. Grapes have sugar. Wine is made from grapes. Therefore, all wine has sugar? Not so. "If a wine is considered dry, the amount of sugar consumed is quite small," said Waterhouse. The fermentation process for dry wines eliminates almost all the sugar and converts it to alcohol.

However, if you're a diabetic looking to understand how alcohol affects your blood sugar levels, that's an entirely different question complicated by the rest of your diet, activity levels and insulin therapy. Even medical practitioners have divided outlooks here: Waterhouse pointed out that in the United States, the convention has been to discourage diabetic patients from drinking, but not so in the United Kingdom. (Recent research suggests that moderate alcohol consumption, which temporarily lowers blood sugar levels, is associated with a lower risk of developing diabetes.) If you're concerned about how wine affects your blood sugar levels, you should talk to your doctor to find the best approach for you.

2: Sulfites in wine cause headaches

Headaches caused by wine consumption are a real problem for some folks. Sulfites – which can occur naturally in wine and are also often added as a preservative to wine and foods such as dried fruits – incorrectly often bear the brunt of the blame. "There is no medical evidence that sulfites cause headaches," said Waterhouse.

Only a very small percentage of the population has a true allergic reaction to sulfites, and that allergic reaction ranges from rashes to breathing problems – not headaches. Wine-triggered headache research has identified many possible culprits other than sulfites, including histamines, daily stress, any number of compounds in wine or the alcohol itself.

3: We know what component of wine promotes health

Studies on the correlation between the consumption of wine (or a substance in wine) and disease X or disease Y seem to come out every other week.

But Waterhouse said, "These studies can't prove that a particular substance in a wine is the causal factor." The reason is that "the best data is epidemiological data" – from studying large populations of individuals over time and determining patterns of disease. You can imagine the number of variables involved with this type of study: how much a person exercises, what they eat, what else they drink, and how all those factors interact. So pinpointing whether health benefits are due to alcoholic beverages in general or wine in particular, much less a particular substance in wine, is a challenge.

So it's something of a moot point to try to determine what type of wine is "healthier" because it's rich in substance A or B. The amount of any compound in an individual wine can vary not only by grape or region, but by growing-season conditions, viticultural techniques or winemaking practices. And different compounds could have different benefits.

One relationship that the data shows? "Most experts are willing to say that non-drinking is a risk factor for dying from cardiovascular disease," Waterhouse said. "The effect is quite substantial. If you look at 10,000 people, a mix of [moderate] drinkers and non-drinkers, half as many people will die in the drinking group. That is really clear."

www.winespectator.com/blogs/show/id/47965



China's thirst for Australian wines soars

China's growing thirst for Australian wines may be a golden ticket for now, but whether demand will last remains unknown.

tvnz.co.nz/business-news/china-s-thirst-australian-wines-soars-5329445

Record California Wine Crop 'a Blessing'

California's 2012 winegrape harvest broke the previous record for biggest crop, totaling 3.885 million tons. Meanwhile grapevine nurseries sold enough vines last year to plant at least 27,000 acres, more than all the vineyards in Oregon.

www.winesandvines.com/template.cfm?section=news&content=111007&hitle=Record%20California%20Wine%20Crop%20%27a%20Blessing%27&

Craft beer becoming alternative to wine at the dinner table

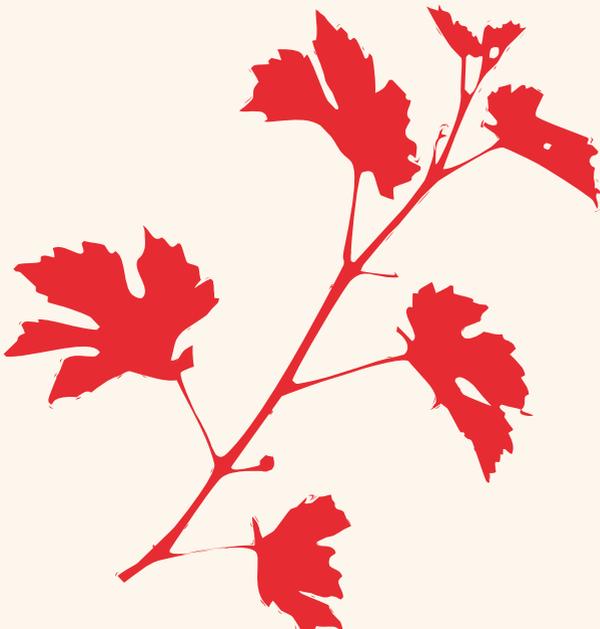
Now with over 2,000 breweries operating across the country that produce a wide variety of beer – more people are choosing a craft beer while enjoying a nice meal – over a bottle of wine or a mixed cocktail.

www.foxnews.com/leisure/2013/01/24/craft-beer-becoming-alternative-to-wine/#ixzz2JFhdTINH

US wine exports up 15 percent

Portugal's exports of table wine to the US – a crucial market – in the first 10 months of last year was 15% up on the same period of 2011, according to the industry's promotional body, ViniPortugal.

www.theportugalnews.com/news/us-wine-exports-up-15-percent/27648



design, layout & printing by vrgraphics
t: 021 863 3165 f: 021 863 3239

A publication of 
SAWIS

SA WYNBEDRYF-INLIGTING & -STELSELS
SA WINE INDUSTRY INFORMATION & SYSTEMS