

Michael Fridjhon in Business Day - 22 January 2015

The University of Cape Town's Graduate School of Business runs a post-graduate wine business programme. The students were recently asked to write an essay describing and analysing two completely different approaches to wine production, one the consumer-driven approach, the other where the producer calls the shots. This dichotomy is not unique to South Africa. In most wine producing regions the high volume cellars create their wines to meet the specs laid down by supermarket groups. However, in the rarefied atmosphere in which the top properties and the rock star winemakers operate, producers dictate the terms of engagement and the well-heeled consumers toe the line. It's a safe rule that the better branded an appellation is internationally, the higher the percentage of winemakers who appear exempt from the need to be nice to their customers.

Judging from the essays I have seen, none of the students considered the possibility that producer-driven wines, assembled with a complete disregard for consumer preferences, could be made on an industrial scale. However, this would certainly have been the case in South Africa no more than two decades ago. Winemakers and their bosses (often the general managers of the cooperatives which dominated the landscape at the time) operated with a take-it-or-leave-it approach, clearly oblivious to the fact that much of what they offered was out of kilter with the expectations of the market. The isolation of the apartheid-era enabled them to get away with this unaccommodating attitude. It only took a few years of dealing with the international brokers, and then directly with importers and distributors, for this to change. Today the idea is so alien that a generation of post-graduate students cannot even conceive of it.

When people talk of producer-driven wines today they usually mean artisanal offerings, generally made in small quantities and often (though by no means exclusively) from site-specific vineyards. The defining features of this segment are high-profile winemakers or proprietors, the impression of shortage of supply, and a craft rather than an industrial production environment. The statistics tell their own tale of the transformation of the South African industry. In the twenty year period since 1994 the number of wineries has more than doubled, but almost all of the new cellars fall into the smallest segment - those handling 100 tons or less annually. Nowadays more than half of the country's wineries process less than 7000 cases. I'm guessing (in the absence of readily available stats) that this is a 500% increase over the period.

However, the amount of land under vine has not increased - so where do the roughly 300 new wineries get their fruit? The answer is mainly from growers who twenty years ago were obliged to sell their crop to the co-ops and wholesalers at what was then the floor price for table wine. In fact, regions like the Swartland (undoubtedly the most fashionable of the newcomers to the fine wine business) have pretty much been "saved" by the gentrification which has come with the craft wine movement. Many of the country's best known ultra-premium artisan brands source their fruit from growers who are finally able to earn a little money from their ancient vines.

This doesn't mean that they can all afford new bakkies: average prices for fruit from these exceptional sites may have increased fifteen-fold over the period, but given the inevitable low yields from old vines, it's only the absence of a better alternative which binds the growers to this new generation of winemakers. Even under these improved conditions, their operations are not necessarily sustainable in the long term. Since the fruit component of these highly sought-after wines which sell for R400 (or more) per

bottle is unlikely to cost the winemaker much over R35, there's room for a more generous payment model.

If the new generation learnt nothing else from the co-ops they supplanted, it was to pay as little as possible for their grapes. Perhaps things haven't changed that much in the Cape wine-lands after all.