

# Financial position of SA Wine Grape Producers

VinPro / Nedbank Information Day  
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## Index!

- Cost of wine grape production
- Profit margins of wine grape producers
- Top performers in “diffucult times”
- Summary – “What drives the Top performers”



## Source

- Winetech / VinPro Production Plan Survey (2004 – 2009)
- Evaluate production-, capital- & cost structure, as well as profitability
- With specific reference to the Industry Average
- Not cultivar specific – evaluate wine grapes
- Participants – “above average management skills”
- Bigger units – “Economy of scale advantages”

### Profitability:

Yield  
Price  
Cost

### Total Production Cost

Cash Expenditures  
Provision for Renewal



## Cash Expenditures (Short-term Practices)

- Pruning
- Fertilizer
- Herbicide control
- Pesticide control
- Canopy management
- Cost of harvesting
- Mechanisation
- Electricity
- Water tax & levies



## Other Cash Expenditures

- Repair and binding material
- Repair / maintenance / insurance of fixed assets
- Repair / maintenance / insurance / licenses of loose assets & transport hired
- Municipal- & property taxes
- Administration and general expenditures – banking cost, bookkeeping fees, prof fees, security, telephone, membership fees, training / courses, ...



## Provision for Renewal

- Essential for economically sustainable production
  - **Vineyards – Term of 20 years**
    - Soil preparation
    - Trellising system
    - Irrigation system
    - Vines
    - Fertilizer

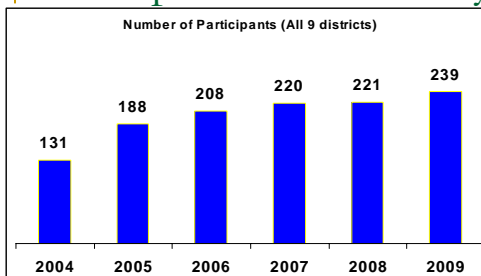


## Provision for Renewal

- Essential for economically sustainable production
  - **Loose assets / production means – 5 to 15 years**
    - Tractors
    - Vehicles
    - Implements
  - **Buildings / Fixed improvements – 60 years**
    - Farm buildings – sheds, etc
    - Labour housing
    - Manager housing



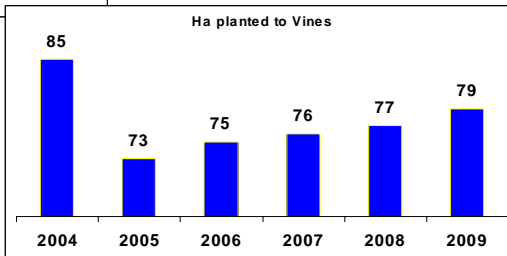
## Participants & Economy of Scale



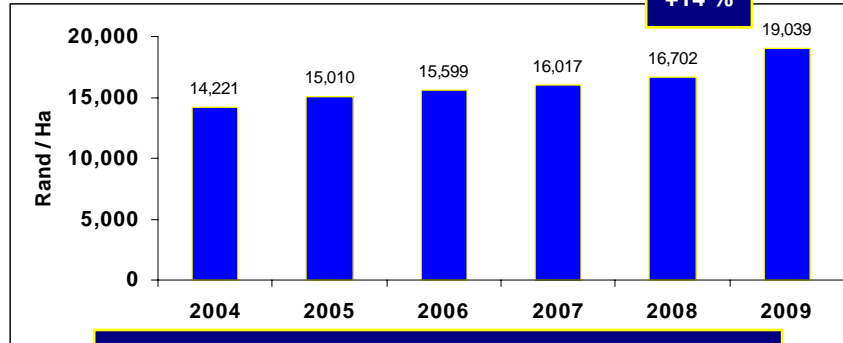
**Total Ha: 20,164 Ha**  
**Sawis Ha: 101,325 Ha**

**Hectares: 20 %**  
**Tons: 22 %**

Red grapes: 36 %  
 White grapes: 64 %  
 % harvested mech: ±50 %  
 (Orange River excluded)



## Cash Expenditures

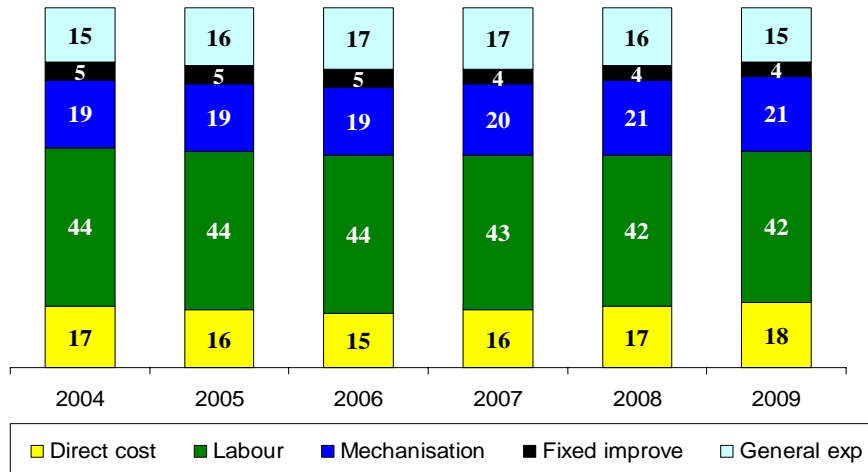


### 2008 – 2009:

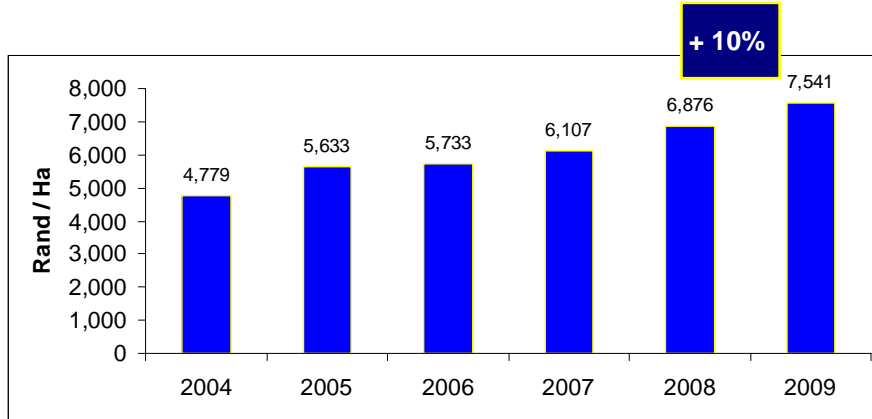
Worcester	+ 14 %	Breedekloof	+ 18 %
Klein Karoo	+ 16 %	Robertson	+ 16 %
Olifants River	+ 16 %	Orange River	+ 20 %
Paarl	+ 9 %	Stellenbosch	+ 11 %



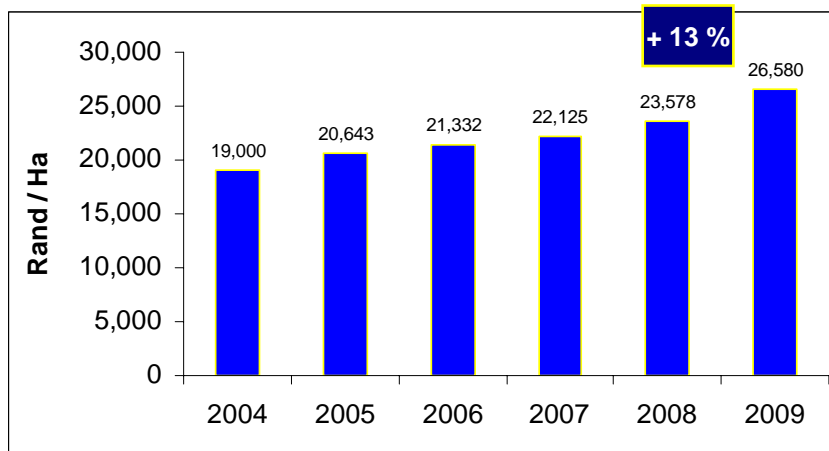
## Composition of Cash expenditures (%)



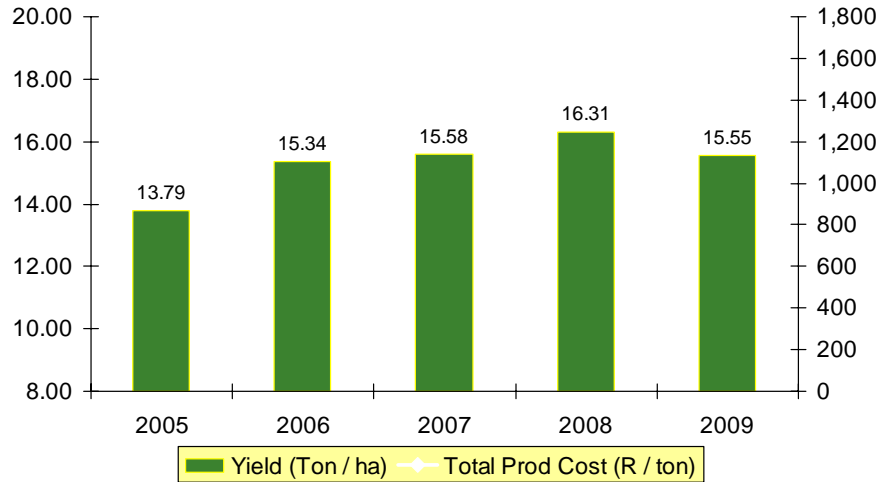
## Provision for Renewal



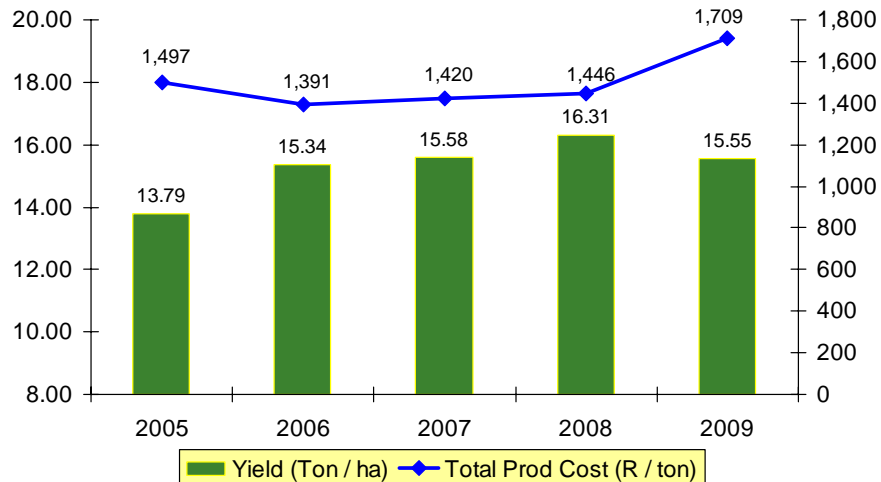
## Total Production Cost



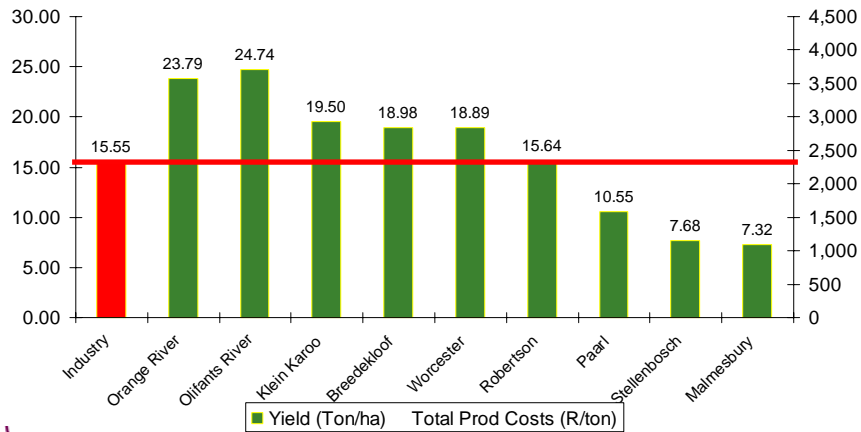
### Yield (Ton/ha) versus Production Cost (R/Ton) - Industry



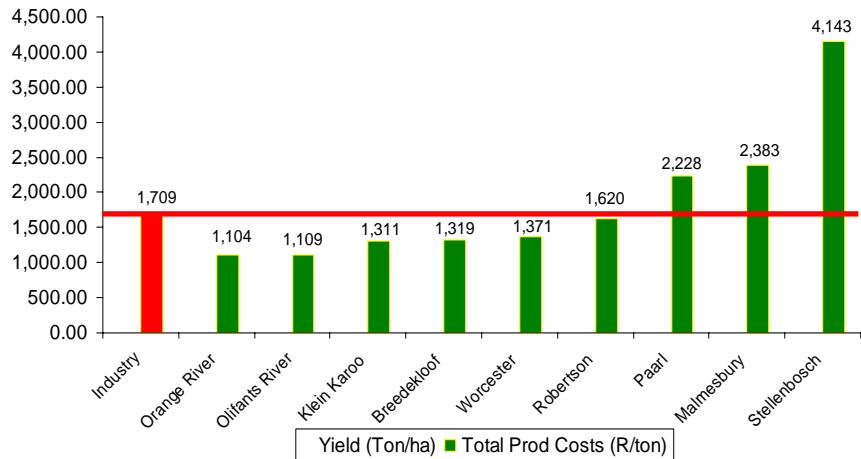
### Yield (Ton/ha) versus Production Cost (R/Ton) - Industry



### Yield (Ton/ha) versus Production Cost (R/Ton) – Districts 2009

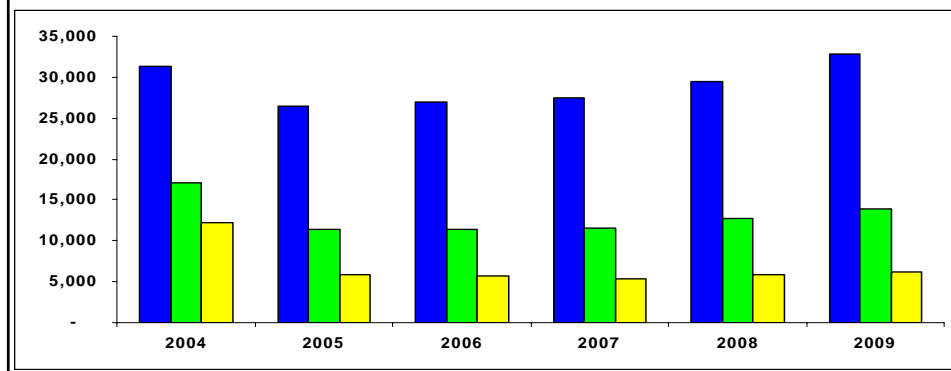


### Yield (Ton/ha) versus Production Cost (R/Ton) – Districts 2009

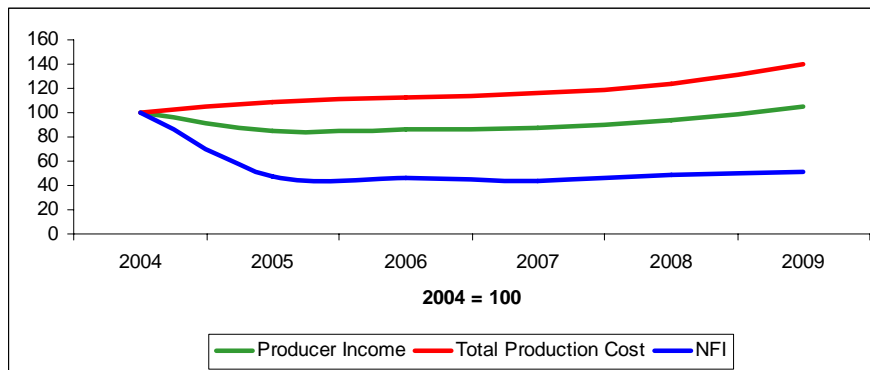


## Profitability 2004 to 2009

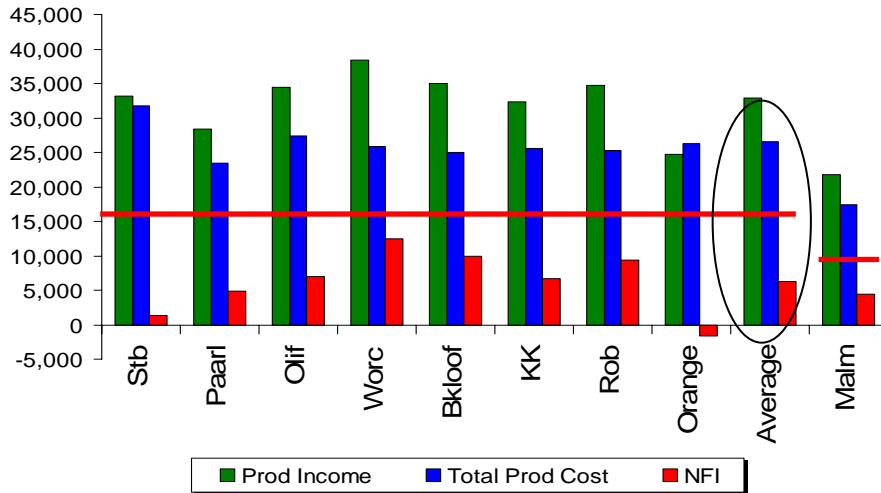
	2004	2005	2006	2007	2008	2009
Yield (Ton/Ha)	13.11	13.79	15.34	15.58	16.31	15.55
Income (R/Ton)	2,383	1,916	1,763	1,766	1,807	2,113
<b>Prod Income (R/Ha)</b>	<b>31,241</b>	<b>26,422</b>	<b>27,044</b>	<b>27,514</b>	<b>29,472</b>	<b>32,857</b>
Cash Expenditures (R/Ha)	14,221	15,010	15,599	16,017	16,702	19,039
<b>Gross Margin (R/Ha)</b>	<b>17,020</b>	<b>11,412</b>	<b>11,445</b>	<b>11,497</b>	<b>12,770</b>	<b>13,818</b>
Provision for Renewal (R/Ha)	4,779	5,633	5,733	6,107	6,876	7,541
<b>NFI (R/Ha)</b>	<b>12,241</b>	<b>5,779</b>	<b>5,712</b>	<b>5,390</b>	<b>5,895</b>	<b>6,277</b>



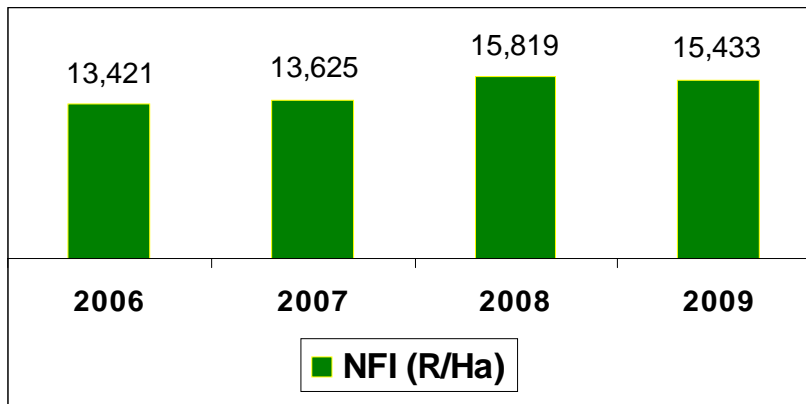
## Index



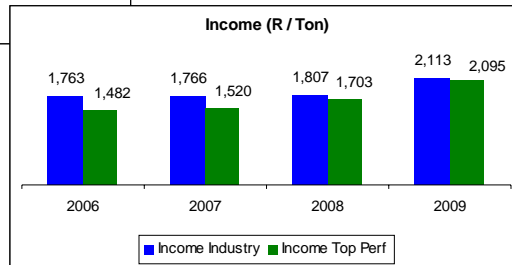
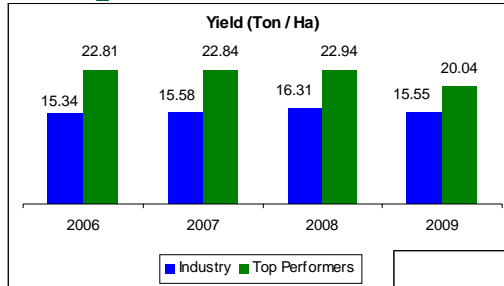
## Profitability per District – 2009 harvest (R / Ha)



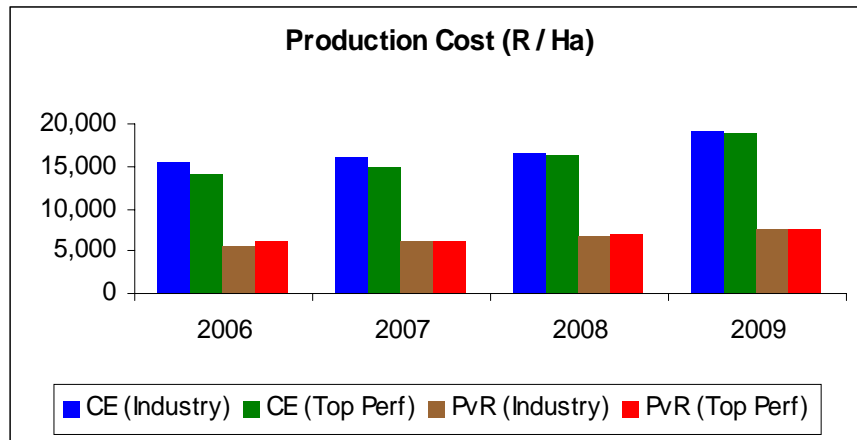
## Top Performers – “WCVDG”



## Top Performers



## Top Performers



## Summary – “What drives the Top performers”

- The owner plays a bigger role in the day to day management
- Good labour management – make more use of properly trained and motivated permanent labour
- Diversification into other farming enterprises with little to no unutilised time – capital structure utilised very effectively
- Have a regular vine replacement programme in place and age composition of vineyards are better than the average
- Long term practices very precisely
- Short term practices varied according to price points – For example different programmes for fertilisation, disease, pest and weed control, irrigation, etc.
- Production practices are adjusted to the price point of the grapes
- Keep detailed records of activities, even at block level
- The common denominator for success seems to be high yields or high prices, but preferably both



Thank you!

