MANUFACTURING - BEVERAGES
APRIL 1975 — OCT. 1977

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Mercury 24/4/75

How do our local wines go down overseas?

By JON BEVERLEY

BRITAIN is putting the cork on South African wines, firstly by the recent increase in he wine tax and then by the expected import barriers arising from the European Common Market.

Can the local product withstand these moves?

More than half of our wine exports and sizeable quantity of our brandy goes to Britain. Scandinavia is another big market, also Canada, but total exports have been pretty stable in terms of quantity and value for the past 20 years.

Wine exports have been hovering between 100 000 and 200 000hl, brandy between 15 000 and 22 000hl with an average value of about R4m every year.

Exports come into focus when the R60m value of the annual South African wine crop is considered.

When it comes to wine quality South Africans, even the wine marketeis, are chauvinistic. Give us a good South African red anytime is the latest cry

And that is the way it went at the two recent wine auctions at Paarl Wine merchants, convinced that their customers would pay good prices for the scarcer wines bid up into the R20 region foi some

These expensive, bottles should start appearing on the shelves of bottle stores soon — and the customers can now start looking at the German and French wine prices to see just what they are getting for their money.

Britons won't be seeing much of these auctioned wines — most South African wine, not all, is sold in Europe under the K.W.V. label which is not generally available to the South African public.

PRICE

So while the British Chancellor, Mr. Denis Healey, has put up the price of wine, by about 40 cents or 24 pence, from South Africa, and from anywhere else, how do our wines shape on the British wine cellar shelf next to French, German, Italian, Portuguese and less common shipments from Australia, California and North Africa?

For all the ballyhoo in South Africa they do not compare with the best wines. Call them good second or third growths

The reason is not far to find. South African wines are consistent as a result of the steady climate and careful control in the cellar. They are pleasant to drink but not much of an adventure.

The makers of the best wines in France and Germany have to contend with atrocious weather. Perhaps once in a decade a superb combination of weather, soil and grape will produce a wine that tastes superior to any other before

The adventure comes in learning the distinguishing marks of such a great wine

The Paarl auction gave a push to South Africa's new wine — Edelkeur, — described in the blurbs as "almost spiritual" New legislation allowing the sweetness of a wine to be higher than before and the courage of cellar masters made this possible

SWEET

It's a straw - yellow and sweet wine, not with the cloying sweetness of a dessert wine, but extra sugar that is caught by harvesting the grapes very late and after they have developed the "noble rot." It is similar to the German Beerenauslese (selected berries) the grapes being gathered by hand which makes it an expensive wine.

In France the Sauternes wine is similar. It is a richer relation of the popular late harvest wines

To answer the question posed earlier Our wines can compete very well with a similar quality from elsewhere on the British market.

Wine drinking is on the increase as the price of spirits rises Mr Healey has added 64 pence (or about R1) to the price of whisky and gin in his budget It is not clear whether other spirits are affected as well.

But British wine bars are enjoying a revival Money is being poured into them and various companies have announced extensive plans for expanding these facilities

Social factors have made them more attractive to liberated women and others who don't like British pubs with their plastic decorations and noisy discos The old style pub has almost vanished.

Indeed the growing popularity of wine is linked almost with its character and its cheapness compared with spirits Beer is often boozy and bright, full of the froth of a superficial life, a necessary cool draught in heated moments it is matched in this respect by a glass of cool white wine

Vigorous marketing has put wine onto South African tables with something like 240m bottles sold last year and the Wine of Origin legislation has made wine labels honest and defined some good wines which have earned the wine of Origin Superior label.

But the South African fledgling with some 30 years' growth has to compete in Britain with growths of much more than 300 years from France and Germany Even the French labelling system (appellations d'origine) has been in force since 1851

Wines from the Continent have flowed into Britain except when wars have stopped exports and it is by no means easy to introduce and keep the South African wine label to the fore.

TRADITION

Wine drinkers have long memories, reinforced by tradition It is not so very long ago (about 50 years) that South African wines reached the nadir from the peak of the Groot Constantia wines that swept the Continent in the early 1700s

That fame was followed by the greed of the early Cape wine farmers who watered down the wines and the reputation as well

It will be safe to say that South African wines make their way on price first and quality thereafter and Mr. Healey has made it just that more difficult to ensure our farmers continue to earn much-needed foreign exchange.

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SA Brews lifts final payment

RDM 8/5/75

By HOWARD PREECE
Financial Editor

SA BREWERIES made a taxed profit attributable to ordinary shareholders of R32 260 000 for the year to March 31, 1975, compared with R27 520 000 the previous year

The final dividend has been increased from 6c to 6,5c to make a total of 9c for the year, against 8,5 in 1973-74

In line with net profit, earnings a share rose from 16,28c to 18,07c

SA Breweries is heading for the select billionaire class with turnover last year up from R627 140 000 to R881 710 000

The problem for ordinary shareholders is the increased gearing position Interest rose from R5 630 000 to R13 780 000 Payment on preference dividends shot up from R1 300 000 to R4 320 000

It was these factors rather than the increase in tax from R20 660 000 to R23 350 000 that depleted the distributable profit

Gross profit was up by more than 30 per cent from R63 510 000 to R84 290 000

The gearing position is to be further strengthened by a R20-million loan which SA Breweries is seeking at about 13 per cent to finance developments in the beer division

The company says "Earnings attributable to ordinary shareholders showed a satisfactory increase of R4 740 000, or 17 per cent, to R32 260 000 Comparisons with the previous year have been distorted by virtue of the fact that the Fed Stores group was a subsidiary for only seven months of last year, and in addition the financing of that acquisition only took place in the last quarter of that financial year

INTEREST

"As a direct result of the method of financing the acquisition referred to above, earnings per share in respect of last year were inflated by 1c and the chairman, last year, referred specifically to this in his annual statement The comparison therefore of this year's earnings per share of 18,07c with the adjusted figure of 15,31c for last year shows an increment of 18 per cent

"Group turnover showed an improvement of 41 per cent, but after adjusting for turnover related to Fed Stores in respect of the first five months of last year, the real increase was 18 per cent It is to be noted that this rate of increase slightly exceeded the growth in private consumption expenditure for the economy as a whole

"In regard to trading surplus, an apparent decline in the ratio of profit to turnover is reflected Again, if the adjustment in respect of Fed Stores is made, then there is a slight improvement in the profit ratio this year

"Net interest charges were higher than in the previous year as a result of interest on a full year's borrowings to finance the Fed Stores acquisition, capital expenditure, mainly in the beer division, and higher rates of interest "

The company forecasts "Declining growth rates are presently being experienced in most sectors of the consumer goods industry and inflation continues at a high level

"These trends are likely to continue, but your directors expect some recovery towards the latter part of this year In the event that this happens and the group is able to contain the effects of inflation and maintain profit margins, the group should achieve a further improvement in earnings in the coming year "

On yesterday's closing price of 130c SA Breweries yields historically 13,9 per cent on earnings and 6,9 per cent on dividend

For those who take an optimistic view of the industrial and stock market outlooks, these yields are obviously attractive for such a blue chip Not least because SA Breweries, with nearly 180 million ordinary shares in issue, is one of the few industrial shares which appeal to overseas investors "who are nervous of being locked in South African industries

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CUTS BY WINE GIANTS

10/5/73

Mercury Correspondent

CAPE TOWN — Signs of consumer resistance to the higher-priced wines have forced liquor giants Stellenbosch Wine Trust and the Rembrandt Group to cut prices.

Stellenbosch has confined its price reductions to slashing the prices of six wines in its large Oude Libertas range while Rembrandt has cut the prices of most estate wines by 68c a case

Stellenbosch lowered its prices by a hefty 28 to 37 percent in what may be an unprecedented move The wines with the old prices (a case) to the trade in brackets are Rood R7 (R11,03), Riesling R7 (R9,78); Chenin Blanc R6 (R8,96)

Muscat d'Alexandrie Colombar and Clairette Blanche have all been reduced from R8,13 to R6 a case.

Both groups denied that the cutting was the start of a price war but indicated that there has been some resistance to wines in the top ranges

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(2) Agric-Wine

(3) 16

Support for liquor price inquiry

24/5/76

STAR

Own Correspondent

CAPE TOWN — The hotel industry in South Africa would support a full Board of Trade inquiry into the liquor industry, Mr Arnold Brock, vice president of the Federated Hotel Associations of South Africa, said today.

This is the latest step in the growing row over the price of table wines at restaurants.

At the weekend, Dr Andre du Toit, chairman of the powerful KWV, joined issue with Fedhasa on the subject. He questioned the results of a survey undertaken by Professor J Zewenbergen of Pretoria University, showing that in spite of a mark-up of 189 percent on table wines, five-star hotels still showed a loss of 3,9 percent on sales allowing for costs and overheads.

He said apart from the wine industry's objection to "apparently excessive margins hoteliers may now wish to arrogate for themselves, the producers take the strongest exception to the fact that the retail trade continues in its mark-up policy to discriminate against wine."

DESERVED

He said a Board of Trade inquiry "could well be called for" in view of the magnitude of the public interest.

Mr Brock expressed surprise that Dr du Toit should attack Fedhasa. "I am quite amazed that he should be quoted in this way. Fedhasa would not criticise the mark-ups of wine merchants because we believe the profits they make are justly deserved, even though they may well be more than the 189 percent to which they now object," he said.

"We would gladly support a State probe into prices, but then the Board of Trade inquiry should investigate all matters affecting liquor prices, from the primary producers through the merchants to the retailer.

"We're not only talking about hotel prices, but everything involved in the liquor industry, including free competition and other aspects that affect prices."

Beer sales fight — Rembrandt R9-m down

(182)

Sun Times 1/6/75

By FLEUR DE VILLIERS

MORE than R9-million has gone down the drain in the struggle between two South African giants, the Rembrandt group and South African Breweries, for control of the country's R150-million-a-year beer market.

So far the Rembrandt group has been the loser. This week its liquor company, Oudemeester, revealed that its beer division, Intercontinental Breweries, had shown a loss of R4,2-million for the past year. In 1974 its loss was R4,8-million.

Oudemeester's chairman, Mr Dirk Hertzog, declined to comment, but indicated that Intercontinental had no intention of quitting the fight, which began in 1973 when the South African tobacco king, Dr Anton Rupert, took control of Louis Luyt Breweries from the flamboyant rugby-playing millionaire.

It was billed at the time as the start of an "eyeball to eyeball" confrontation between Rembrandt and the market leaders, South African Breweries.

Dr Rupert's take-over of Louis Luyt Breweries was marked by an acrimonious exchange between him and Mr Luyt which subsequently promised to develop into a permanent rift.

The battle for the custom of the South African beer drinker — with a R150-million a year market as the prize — began in 1972 when Louis Luyt Breweries entered the market, and grew steadily more bitter as first Mr Luyt and later Dr Rupert were involved in several public clashes with South African Breweries.

Former challengers to SAB's beer supremacy — Old Dutch, Stag and Whitbread — found that they could not effectively compete with the giant — but all indications are that, despite a two-year loss of R9 million, Intercontinental Breweries will not quit.

When Louis Luyt sold his 26 per cent stake in the brewery to Rembrandt for R1,1-million he did so at a time when the company had incurred heavy losses —R600 000 in six months.

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SUNDAY TIMES, Business Times, June 8, 1975

Wine shake-out bubbling over

By GORDON KLING

THE year of the shake-out in the South African wine industry has arrived. This is the view of the KWV and all the main marketers, who agree that despite all the talk about the rarity of good red wines, there has been no growth in total natural wine consumption for the last two years.

An actual drop was recorded in 1974 and it's expected to get worse.

This is because of lower sales in the lower-priced "traditional" Coloured end of the market, which accounts for 90 per cent of all natural wine sales.

John Lapping, in charge of marketing at Stellenbosch Wine Trust (the giant of the industry comprising Stellenbosh Farmers Winery, Monis, Nederburg, Sedwick-Taylor and John Dwyer Holdings), points to a 45 per cent increase in the price of leading Lieberstein in the last 12 months as an example of the reason.

"There has been a high degree of consumer resistance to the price increases and at this level they're switching right out of natural wines."

This is backed up by Andre du Toit, KWV chairman, who told the annual meeting in Paarl this week that there is a strong indication that the relative position of wine products of the liquor market has become weaker.

Mr Lapping says the market for high quality wines remains good, but they account for less than 7 per cent of turnover and are relatively insignificant despite the great romance image attached to them.

"Sales of imported wines in this category advanced by more than 100 per cent last year, but this just doesn't matter when compared to what's happening in the vin ordinaire market."

Even the outlook for the better wines is somewhat clouded. John de Villiers, KWV's general manager, says export sales this year are unlikely to match last year's record because of large surpluses in Europe and harder economic times.

And both Stellenbosch and Anton Rupert's Distillers Corp have announced recent price cuts in their upper ranges (only the whites have been affected so far, but again, consumer resistance to high prices was cited as the reason for the cuts).

There is no possibility of a net fall in the better wines, however, and at least one group is considering expanding into the American market. Danie Terblanche, managing director of Union Wine Corporation, says the company, known for its Bellingham range, has been unaffected by the drop in the cheap wine market since it declined to enter it.

Mr Terblanche sees rising costs posing a real threat to low-price wines and believes the greatest potential lies in blended wines in the medium price range, now almost non-existent in the market.

"Blendeds permit uniform quality and this is the direction we're moving in.

"Bellingham is negotiating for sales in America and if blended wine catches on here it could be a solution to a lot of problems, by keeping prices down.

A benefit to the consumer is that many of those sought-after cabernets and pinotages are going to be more freely available later this year.

The marketers acknowledge that fairly high stocks of unsold quality wine are overhanging the market at the retail end.

SWT has already taken most of its best reds off "allocation" standing and KWV says there will be better supplies of higher quality varietals this year.

Harder times in the industry have soured the always uneasy relations between the big marketers and KWV, because the companies are straining profit structures to hold the line on low-price wine costs, while the farmers set the wholesale price for their wine.

Mr De Villiers at the KWV says the farmers' margin is not all that high and their price increases are not the only ones affecting the market.

"Prices have to be kept at a level to maintain the place of wine farming in agriculture in the Boland.

"We also have to provide incentives to farmers to expand production.

"The KWV's prices are advertised before final approval is granted by the Minister of Agriculture, and there have been no objections to our increases."

But it's no secret that the marketers are unhappy with the almost 50 per cent increase in the wine price charged them by the farmers over the past 18 months

Lothar Barth, SWT managing director, says he appreciates that the farmers also have to contend with rising costs, but he criticises the "one price system" which means the minimum price guaranteed to the farmer applies to all wines from all areas.

Mr Barth diplomatically says: "The question does arise — are there farmers who can, if given the opportunity, produce at lower prices than the current minimum price?"

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WEEKEND ARGUS, JUNE 14 1975

Wine taking a back seat to spirits

Weekend Argus Reporter

IF PRESENT trends continue, wine — one of the heritages of the Cape — will be taking a back seat to other alcoholic beverages. Sales for the last financial year show that although some wine sales increased they were led by sales of cane spirit and beer.

Sources in the wine industry claimed this week that inflation was forcing consumers to buy the relatively cheaper spirits and beer.

'It could be said that consumer resistance is forcing down the sales of wine but it is a passive resistance and not an active protest. People simply have to count their pennies more carefully and obviously, if they can find a cheaper substitute drink than wine, they will,' a wine industry spokesman said.

The slower sales growth of wines might even turn into a decline. 'The only thing we can do is try to foster a love of wine and encourage the drinking of wine. We are certainly not going to sit back and let our sales be eroded,' the spokesman said.

The KWV has already expressed its concern about the low duty levied on imported whisky. The protection which brandy enjoyed over whisky in 1947 had been 240 percent. After the recent increase in excise duty it only amounted to 44 percent.

The spokesman said that three years ago a board of inquiry had been formed to investigate a number of factors relating to the alcohol industry and one of the investigations concerned the production of wine alcohol as opposed to white spirits.

The board had said the production of white spirits could have serious social effects because it 'gave a kick without flavour.' The matter was not taken further at the time but, possibly, this would be looked into again in the light of a slow down in wine sales.

In the past year the sale of unfortified wine showed a decrease of 1,7 percent as compared to 1973. Fortified wine sales increased by 11,9 percent while brandy increased by 19,4 percent. These increases were much lower than projected increases.

In his latest report the chairman of the KWV, Dr Andre du Toit, said: 'Unfortunately large crops and low prices in Europe in contrast to increased local prices have resulted in us being confronted with intensified competition from abroad.'

'This could mean that sales of exported wines could also take a dip — certainly in the coming year.'

The spokesman said it was highly unlikely that the KWV could force a loading on the price of cane spirits.

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Stellenbosch Wine profit up 45pc

STAR 19/6/75

Rammie Botha

Stellenbosch Wine Trust, which increased its taxed profit for the year ended March by 45 percent, expects further profit growth this year, says chairman, Mr W J Winshaw.

He points out, however, that inflation makes it difficult to predict how the consumer in South Africa is going to allocate his funds.

People are expected to spend more on liquor this year than last year, but with liquor prices 20 percent higher than in January this year, it is difficult to predict how the price increases will affect consumption.

Commenting on the slowdown in sales of natural wines, Mr Winshaw says he believes this is temporary.

The natural wine market in South Africa, of which the low-priced natural wines represent more than 90 percent, has shown phenomenal growth over the past 30 years. From 1945 consumption doubled every 10 years and 1975's consumption is about eight times that of 1945.

During the past financial year the company maintained its market share in all product categories and remains the leader in the local natural wine market.

Sun Times (Bus Times) 29/6/75

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By COLIN CAMPBELL

SOUTH African Breweries is thrusting towards a R1 000-million turnover and solid entrenchment as South Africa's biggest industrial group.

SAB plans to spend R80-million by March next year to modernise and further extend its hold on the South African economy. The addition of R20-million as working capital takes projected commitments to R100-million.

This, and other plans, are detailed in chairman Dr Frans Cronje's annual review for fiscal 1975, published yesterday.

Dr Cronje tells shareholders that there should be a further sound improvement in SAB's profits for fiscal 1976, but warns that the South African economy faces "some difficulties"

Dr Cronje says that the R80-million will be spent on fixed capital investments in its brewery operations; on television equipment and TV sets for leasing; and on the first stage of a programme to develop larger retail stores and hypermarkets.

Of this, R30-million will be spent on breweries operations, and the chairman adds that "these expenditures are all considered essential if we are to meet projected turnovers and maintain our position in the market place"

SAB, which controls OK Bazaars, has not unveiled its hypermarket plans, but it is understood that the group plans at least two hypermarkets — one in Johannesburg and one in Cape Town — both near the present Makro outlets

The cost of the group's expansion plans will be funded from internal resources and from borrowings.

In May SAB negotiated a R20-million loan — first reported in BUSINESS TIMES on May 4 — and has R15-million in the pipeline from the leaseback of properties arranged with Sanlam.

It will use its short-term facilities to supplement the balance

The shortfall will be met by disposal of assets, and the chairman adds. "It is essential in the present financial climate that the group utilises its resources more effectively"

Gross margins were squeezed last year, and though turnover rose by 42 per cent to a record R888,9 million the pre-tax and pre-interest return slipped from 10 per cent to 9,4 per cent.

Net interest paid rose significantly from R5,6-million to R13,9-million, but despite this factor, the group was able to report record earnings of 18,1c a share, and improve its dividend payment by 0,5c to 9c a share

SA Breweries should enjoy some relief on the interest front charge if interest rates continue to tend down, and because of management's intention to control costs strictly, earnings growth should continue

Over the past 10 years, earnings have grown at an average annual compound rate of 12,3 per cent.

Dr Cronje is particularly lucid on his group's responsibilities towards the community it serves. Points from his review include:

- SAB is moving towards unified salary and wage structures to eliminate the wage gap between Black and White workers doing the same job.
- In addition to supporting sport, university education and charitable causes, SAB will concentrate its efforts more forcefully in the field of technical education.
- SAB intends to initiate a research project to identify the various problems associated with the consumption of alcohol beverages, and in evaluating the sociological effects of these.

Dr Cronje makes a plea for the authorities to assist the private sector by offering forward cover facilities for medium-term loans, thus eliminating the exchange risk.

The capital requirements of South African industry are vast, and while SAB has the capacity to raise foreign capital, the group is obviously exposed to currency risks

If forward cover is not accepted as a proposal, then Dr Cronje suggests that realised currency losses on loans should be allowed as a deduction from income when tax is determined.

There is no breakdown of turnover contribution, but on the profit contribution front, the South African beer division retains number one spot at R13,7-million of R36,6-million. The OK Bazaars — 70 per cent owned — chipped in R9,07-million.

The extensive annual report details SAB's most important investments, and highlights from the review of the directors under Dick Goss's leadership include.

- Beer division: This recorded an increase of 31,6 per cent, which was ahead of the industry as a whole. Expenditure in monetary terms increased by 23,4 per cent, and in volume terms grew by 25 per cent compared with a 19 per cent growth in spirits, 11,9 per cent by fortified wine, and a 1,1 per cent dip in natural wine
- OK Bazaars: Further sound growth in earnings should be achieved.
- Southern Sun (79 per cent interest)—last year's "extremely good performance" should be maintained if not improved on in 1976
- Retco (?? per cent stake)—the company expects a moderate earnings improvement this year.
- Stelbos (29 per cent)—this company finds it difficult to predict sales volumes this year because of possible consumer resistance to higher prices, but a further profit growth is expected

Because of the gnawing effect of inflation, SAB proposes to revalue its assets on a replacement basis this year

As an investment, SA Breweries can safely be recommended as a safe medium-term holding.

The group is closely identified with the growth of the South African economy, and though the percentage rise in dividends paid may not be dramatic, at least shareholders have every right to expect a steadily rising dividend income

Its earnings track record is good, and given management's determination to work assets as profitably as possible under current inflationary pressures, shareholders can safely bet that this year's earnings will be a record

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Cape Times 4/7/75

Beer price up

CAPE beer drinkers will have to pay 1c a can more in bottle stores for certain beers from Monday. They will also have to pay 1c more for lager and stout "quarts" in both bottle stores and bars. Lager cans and dumpies will all be pushed up by a cent a unit on Monday. The new bottle store price will be 30c each for lager cans, 31c for Amstel cans, and 46c for 750ml "quart" bottles. Announcing the price rise yesterday, Mr George Rom, chairman of the Hotel, Bottle Store and Restaurant Association in the Cape, said the brewers had decided to increase the price. The trade was unable to absorb the new increases, coming as they did so shortly after the excise increase on beer in the March budget

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Oude Meester chief warns on price control

ARGUS 4/7/75

IT IS INEQUITABLE and even dangerous for the economy of a country to apply price control as a form of profit control, particularly if the inflation factor is ignored, Dr W. R. Hertzog, chairman, said in the annual report of the Oude Meester group.

The company must therefore follow a conservative dividend policy, said Dr Hertzog.

The highly inflationery conditions referred to in the previous annual report and the view that it is inequitable to tax company profits without taking replacement costs into account, are likely to be placed before the standing committee on taxation by the Minister of Finance.

Group profit after tax for the year ended March amounted to R10,3 million as against R5,7-million for the previous period of nine months.

SHARE CAPITAL

During the year Intercontinental Breweries increased its share capital by R6-million through the issue of 12-million shares.

Beer and Malt Investment, which has a controlling interest in Intercontinental and in which Oude Meester and Rembrandt ... have a 50 percent interest, underwrote this issue.

In the establishment of these trademarks a loss of R1 8-million is attributable to Oude M...

...ENEPPE

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WINE EXPORTS TO UK UP

Argus 5/7/78

Weekend Argus Bureau

LONDON — South Africa was the only major country supplying wine to Britain which showed an increase in shipments and their value in the first five months of the year, according to overseas trade statistics issued by the Department of Trade.

These show Britain's wine imports during May as being down 34 percent in volume and 27 percent in value against May last year. The total value in May stood at R11.6-million.

But the five-month figures are even more depressing — in one sense — and so enhance the South African success.

Total wine imports in the period were down by 72 percent against the same period last year, and down in value by 19 percent, to R58-million.

Against this, imports of wine from South Africa rose by 23 percent in volume and close on 37 percent in value of R1.2 million.

West Germany was South Africa's closest rival in terms of percentages. German wine arrivals were down by nearly 4 percent in volume but up by nearly 7 percent in value to R61-million.

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ALARM IN WINE INDUSTRY

W/E ARGUS 5/7/75

By Don Lilford

THE gathering momentum of the consumer backlash on expensive wines — particularly reds — is causing ripples of alarm over a wide spectrum of the wine industry in the Western Cape.

The prediction, in some quarters, is that unless merchants reduce their prices, they could be landed with large quantities of wine for which there is little public demand.

EXORBITANT

It is widely conceded that the boom times of six months ago, when many varieties of red wines were virtually unobtainable and people were prepared to pay exorbitant prices for them, are gone. Today there is no shortage of red wine, but this has not arrested the recent trend of consumers to favour the cheaper red wines and even to give preference to whites.

Against the background of falling sales of table wines, the following developments have taken place recently:

● In mid-May, two of the biggest merchants — Stellenbosch Farmers Winery and the Oude Meester group — announced substantial cuts in the price of certain wines. Some reductions amounted to 50 cents a bottle.

● Many wines, which until last week were only available on quota to distributors, are now available in quantity from merchants.

A spokesman close to the industry gave the following synopsis of how the red wine consumer backlash has built up.

'When the red wine boom was approaching its zenith and cabernet was a magic word, people dived in and bought in quantity — not so much for consumption purposes but to store away.

'Stock became depleted and there was the feeling in some quarters that merchants or distributors were holding back in the anticipation of higher prices. When large quantities of cabernet suddenly became available at the height of the boom when prices were at their peak, many consumers stopped and asked themselves why.

'This, in my opinion, was the nudge that stopped them from rushing for red wine. Rather than pay the high prices, many of them decided to use the stocks they already had in their private cellars and a fair percentage converted back to white wines, which are cheaper than the red in the noble category'

Mr I. J. Sacks, chairman of a large organisation of liquor discount retailers in the Western Cape, agreed there has been a definite consumer resistance to high priced wines — both red and white.

'This has not, however, been the result of merchants holding back stocks,' he said. 'That, in my opinion, is simply not true

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DISTILLING WINE SHORTAGE NOT YET SERIOUS

ARGUS 10/7/75

DISTILLING wine and spirit was not freely available but there was as yet no shortage on the market, Mr L. A. O. Barth, managing director, said after the annual meeting of the Stellenbosch Wine Trust.

Mr Barth said the establishment of a body consisting of Government officials, industrialists and farmers to keep a watch on the scarce raw material available has helped prevent a serious shortage.

In the Western Cape an executive expansion programme was being undertaken. The research laboratory and office equipment was being enlarged in the Stellenbosch headquarters.

During the year, all the group's retail stores had been renamed Solly Kramer, and the second part of a 'retail' project which was now under way was the conversion to stores with a 'supermarket and self-service flavour.'

Mr Barth said the major sources of cork were Spain and Portugal Owing to the political situation, the latter country might constitute a 50 percent supply risk, although there was no indication at present of the cork supply being stopped.

No charge had occurred since the annual report three months ago, and it was difficult to predict how the price increases would affect the consumption of various categories of liquor with differing price margins

Joe Neppe

partners

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SUN TIMES
(B T) 13/7/75

By GORDON KLING

SOUTH AFRICANS will probably be given the chance to take a majority stake in Gilbey Distillers and Vintners, one of the big three liquor groups in this country, and a wholly owned subsidiary of Britain's Grand Metropolitan Hotels conglomerate through International Distillers and Vintners (IDV)

Stanley Lee, IDV's financial director, arrives in Johannesburg tomorrow for talks with Gilbeys and its retail partners, which industry sources say could result in Gilbeys becoming a South African company.

The retailers include the Rebel chain of outlets in the Transvaal and Pretoria, and the Liquorama group in the Cape.

Speaking from London this week, Mr Lee stressed that IDV had no intention at present of terminating its association with South Africa.

"We are redisposing our interests because of capital market conditions. South African exchange control regulations inhibit the local borrowing of any company, but it is particularly difficult for a wholly foreign-owned concern.

"We're obviously talking in millions of rands, and the number which comes out at the end of the day is something on which I have no clear idea.

"This is one of the things we're not happy about. The precise shape of the re-arrangement is proving to be far more difficult than we ever dreamt it would be.

"There are real differences on what the various parties should get out of the deal.

"We don't, however, foresee losing connection with the retail outlet side."

Mr Lee did say that the deal would be conducted on a cash basis. "On the London end, we're caught with United Kingdom exchange control regulations on the disposal of assets abroad, so we'll have to have some very good reasons for not repatriating the proceeds."

Gilbeys now has more than 60 retail outlets in South Africa, including the Rebel, Liquorama, Happiness and Fine Fare chains.

It also controls the huge Benny Goldberg store in Johannesburg.

This compares with some 200 stores in Dr Anton Rupert's Distillers' Corporation Western Province Cellars retail chain, and 131 outlets owned and operated by SA Breweries' Stellenbosch Wine Trust.

Mr Lee says that while the negotiations this week should help Gilbeys' liquidity, they won't make much difference to Grand Metropolitan.

"Grand Met borrowings are now in the R800-million range."

Maxwell Joseph, a self-made hotel tycoon, is Grand Met's chairman. Mr Joseph is one of the select band of post-war entrepreneurs who made fortunes in last decade's property development jungle.

1.2.13

22

Wine system protects consumers

Cape Times 4/8/75

—Research chief

THE SYSTEM of classifying wines according to their places of origin had been devised to guarantee consumer satisfaction and not as a system for price manipulation, Dr J Burger, director of the Research Institute for Viticulture said at the weekend.

Speaking at the first wine show to be held in Stellenbosch, Dr Burger said that one of the greatest disadvantages of the system was that the price of certified wines could rise disproportionately to their quality. The system should not be used as a lever to manipulate prices but to ensure that the consumer obtained the desired quality, unique to the wine of a particular region, Dr Burger said.

Because wine was an entirely natural product, factors such as climate, soil and geographical locality affected the quality of the wine. Origin would in time become the over-riding factor in wine production.

He warned all those connected with the system to guard against "unjustified assumptions".

"It is not enough to believe that wine of a particular area has a rarer or higher quality than that of another. Such an assumption would have to be proved over a reasonable period of time. One could not assume that uncertified wines were of a lower quality than certified wines."

The prize for the most outstanding wine on the show went to Dr A Schickerling of Bertrams Wines Limited.

Planning & change seminar

Race laws must change

Cape Times 21/8/75

— Reynders

DR. H. J. J. REYNDERS, executive director of the Federated Chamber of Industries, said in Cape Town yesterday that discriminatory legislation which threatened South Africa's economic progress should be phased out, and at the same time both Whites and Blacks would have to make radical adjustments in their traditional attitudes.

Dr. Reynders was addressing the Change-Orientation and Planning seminar organized by the Graduate School of Business of the University of Stellenbosch.

He said it had to be accepted that the Black urban populations of South Africa were here to stay and "once we accept this fact our planning for the future must take cognisance of it".

The inevitable changes would mean better training and vocational instruction for the Blacks for higher occupations, and induce White workers to accept Blacks as their equals.

He said that four-fifths of the Blacks in South Africa had the characteristics of a stable population and as far as industry was concerned stability was essential.

"REPUGNANT"

Dealing with the problem of wage discrimination, Dr Reynders said that discrimination between people of different races who perform identical work "is repugnant to us".

But certain economic realities had to be considered. Regardless of race or colour the price of labour depended on supply and demand, productivity and the capacity of the employer to pay. It also had to be recognized that every person required the basic necessities of life.

The most obvious approach to bridging the wage gap was equal pay for equal work regardless of race. But tied up with the problem was job reservation and the fact that ... and Coloured

F.M. 31/10/75 (182)

That the beer division of SAB is looking overseas for marketing management types?

Its half-page advert in London's *Sunday Times* is offering a series of jobs, all at "negotiable" salaries ranging from R8 500 for "brand co-ordinators" to R14 000 for a brand manager and a marketing services manager. There are either free company cars or a "generous assisted car scheme".

And for those who would like to be either sales promotion and retailing consultants, or a merchandising consultant, the ad specifies that "the word CONSULTANT in an SA context denotes an active senior service function rather than a backroom thinker"

Who would have thought that SAB had to tap overseas for middle-line management?

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F. M. 7/11/75

BREWERIES WINS ON POINTS — KRUGER

(182)

"The fears of 1965 are not fears today" is how Justice Minister Jimmy Kruger confidently explains government approval of SA Breweries' bid for 100% of Stellenbosch Wine Trust

The fears of a decade ago, that SAB would monopolise the liquor industry, were, however, sufficient for government then to stop SAB from controlling Stelbos Back in 1956, producers and brewers were prohibited under the Liquor Act from acquiring further retail interests other than hotels. Then in 1962, SAB acquired 100% control of Stellenbosch. That move was successfully fought by Oude Meester into the highest court in the land, only to see it legalised the following year by an amendment to the Liquor Act

In 1966, when Stelbos took over Monis of Paarl, the then Minister of Justice, John Vorster, ruled that SAB's holding in Stelbos should not exceed 33% and that of JCI 16%. SAB's shareholding was later diluted to 31% as a result of the 1971 takeover of Sedgwick Tayler.

Since then both Stelbos MD Lothar Barth and SAB chief executive Dick Goss have argued that the operations have remained at arms' length and have traded and operated quite independently Stelbos has insisted that, beyond acting as a kind of merchant banker, SAB exerts virtually no influence on day-to-day affairs, nor even in the long-term planning, of the group.

Nevertheless SAB, in conjunction with JCI, has with a combined holding of some 49% of Stelbos shares, held *de facto* control of Stelbos. "We're now seeking *de jure* control," says Goss affably

What circumstances have altered to make government change its policy (Kruger claims it isn't a policy change)? SAB is bigger and stronger than ever, controlling some 94% of beer sales, 76% of natural wine and 70% cane spirits (the industry's big growth area), although less than half of fortified wine and less than 30% brandy

The main answer appears to be government's yet to be announced Factor Points System, under which the big producers (and everyone else) will have a ceiling put on the number of liquor outlets they can control This, avers Kruger, "will stop any possibility of a monopoly in the retail trade " The system apparently works against SAB and Stelbos under present circumstances since points are allocated to them as a group whereas, as Goss points out, SAB only has 43%.

Kruger has also accepted submissions that the liquor industry has become much more competitive since the Sixties; that strong challengers (Oude Meester/SA Distillers, Gilbeys and Union Wine) have emerged, and a situation has been created where "SAB is not in a position to monopolise the market "

Kruger goes on to say that after investigations by his own Department and by the Ministry of Economic Affairs, at his behest, he came to the conclusion that "no harm could be done" and so gave SAB permission to bid for Stelbos

Strangely, these investigations, Kruger admits, did not include a study of the SAB offer to Stelbos shareholders (he appears to believe that SAB paper is worth having under any circumstances), nor did they include seeking the views of any of SAB's competitors — not even Oude Meester which has for so long fought against such a takeover

Asked by the *FM* if his decision was final if, at this late stage, one or more of SAB's competitors should complain, Kruger replied "I think I've considered everything possible."

That'll have to be seen (Oudemeester replied "no comment" to the *FM*'s inquiries this week).

Government certainly is setting a lot of store on its Factor Points System to ensure that the brewer liquor producers are effectively curtailed from spreading any further the 21%-22% they have of SA's outlets

SAB, says Goss defensively, is almost at its ceiling, while smaller groups have room to expand There is, however, more to the issue than just retailing outlets There's competition, availability of products, pricing and a host of other matters important both to the liquor industry as a whole and to the drinking public.

Goss insists the old order won't changeth — "We're not injecting anything at operating level; we're not merging the business into one big liquor outfit, independent trading will stay "

Does government's change of heart mean that the door's open for further mergers, for the big to get even bigger? "I'll consider each application on its merits," replies Kruger cautiously

Liquor exports a record, but . . .

OD. 24/11/75

1 167

~~2. 3~~

3 182

WORCESTER — Liquor exports totalled a record figure of R6 255 000 last year, but as a result of large wine surpluses in Europe and other wine producing countries, and the resultant drop in prices, export prospects were not good, said Mr Andre du Toit, chairman of K W V, at the annual conference of winegrowers here

Sales would, however, be better than anticipated, and it was now expected that exports would only be R325 000 less than the 1974 total

The demand on the local market was less than last year, and it was expected the market would remain stagnant for a considerable period he said The immediate prospects for an improvement in sales were not rosy

Mr Du Toit said brandy was one of the most important products of the industry, and the market for this was stable and firm

"The market for brandy must, at all times, be protected and looked after, and should not be damaged due to shortage of stocks and provision" — SAPA

Deal with Wine Trust worth R54-million

Brewery becomes R1500-m colossus

(1) 182 Sun. Times (Bus Times) 21/12/75
(2) Agric Wine

SOUTH AFRICAN BREWERIES, which was founded 80 years ago to run a brewery in Johannesburg and one in Maritzburg, will firmly entrench itself as the colossus in the South African liquor industry once it has absorbed Stellenbosch Wine Trust in a R54-million deal

Stelbos' shareholders have everything to gain from accepting SAB's terms to take them over, and will become firmly part of a group whose turnover next year should straddle the R1 500-million mark

All directors and advisers recommend that Stelbos shareholders accept the 350-for-100 terms

The official scheme of arrangement documents outline the following bull points for Stelbos shareholders.

- Dividends: Forecast dividends of 26c for Stelbos and 9,5c for SAB indicate that the Stelbos shareholder can expect an almost 28 per cent boost to his income
- Earnings. The Stelbos shareholders stand to gain 9 per cent in earnings from the combined group There has been some market concern that earnings of SAB will suffer from the acquisition, ~~because of the in-~~creased capital

However, once Stelbos is fully owned by SAB, instead of being only a 29 per cent investment, SAB will be able to consolidate earnings instead of merely taking in dividend income from Stelbos.

- Market price: Based on the last market price for both issues before the proposed acquisition was announced, Stelbos shareholders gain 14,4 per cent in stock market terms
- Net asset value: Based on the last balance sheets there will be a 61 per cent appreciation Taking into account assessments of the current values of the fixed property and plant of the SAB group, and the fixed property, plant and liquor licences of Stelbos, the gain is trimmed to 47,4 per cent

SAB was once fully in control of Stelbos, but the Government ruled — on fears of a monopoly — that SAB had to divest part of its interest

This stake was then wound down to 29 per cent

The chairman of Stelbos, Mr W Winshaw, tells shareholders in a letter that the strength of the SAB connection was the foundation for the success of Stelbos

He adds that the anticipated growth in the liquor market will require substantial capital investments, and that a full association with the SAB group will allow Stelbos to take full advantage of SAB's commitment to the wine and spirit industry

Growing

Once the merger is through, SAB will derive over 70 per cent of its earnings from liquor and liquor related investments. At present, this source, despite all sorts of diversification that SAB has undertaken, contributes roughly 60 per cent of group earnings

Stelbos shareholders will also have a share in the beer market, which is generally billed as "growing faster than any other sector of the liquor industry"

The various meetings to discuss and approve the terms are being held on January 14. The last day for Stelbos shareholders to register in order to qualify for the terms is January 9

If all is approved, Stelbos quotation on the JSE should be withdrawn on January 23

South African Breweries which is internationally recognised, achieved a R888,9-million turnover in the year to last March.

The group, which started out as a small-time brewery operation, now includes:

Southern Sun, the Southern African hotel chain,

OK Bazaars,

A 40 per cent stake in UDC Holdings,

Foodcorp/Glenton & Mitchell,

Shoecorp,

A half interest in Schweppes,

A 55 per cent stake in the country's largest furniture company, Afcol ,

A 32 per cent stake in Retco, the R100-million property group.

15/1/76

(1) 182

Breweries in big merger

CAPE TOWN — Stellenbosch wine shareholders overwhelmingly approved the merger with South African Breweries yesterday — creating a giant with sales of more than R1 200 million which is probably the biggest consumer orientated group in the country.

In terms of the merger, still to be approved by the Supreme Court, Stellenbosch becomes a wholly-owned subsidiary of the Breweries. South African Breweries previously held 29 per cent

More than 70 per cent of the Breweries' profits will now be derived from liquor and this percentage is expected to rise.

On the ordinary scheme, 457 shareholders with 9 219 278 shares were entitled to vote Of these 99,1 per cent were in favour and only 26 representing 0.9 per cent against.

Four shareholders (2 085 shares) abstained. The voting on the other schemes was similar. — DDC.

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Row over move on imitation drinks

STAR. 26/1/76.

A move to ban all imitation fruit drinks — which would effectively kill the multi-million-rand refreshment drink industry — is being opposed by the Grocery Manufacturers' Association.

Present law on fruit juices is that any drink containing less than six percent natural fruit juice, after being diluted with water, has to have the word "imitation" on its label for consumer protection. These drinks include brands such as Cool Aid, Exa, and the concentrates made by Tomango and Lecol amongst others.

A draft regulation which would effectively ban all these was published for comment by the Department of Agriculture, Economics and Marketing (Inspections Services) recently.

Consumer movements and manufacturers are strongly opposed to any such move.

"It would effectively remove the consumer's right to choose between a cheap drink purely for refreshment, and having to drink something more expensive containing fruit juice," one manufacturer commented.

The issue was referred by the South African Squash Manufacturers' Association to the Grocery Manufacturers' Association.

Dr Lawrence McCrystal, head of the association, said today it was "strongly opposed to the move."

INTERFERENCE

"We regard it as total interference with the free market. This is contradictory to everything free enterprise stands for." He added that, if juice manufacturers could not sell their own product the answer did not lie in cutting out all opposition.

His association had already met to discuss the issue, and was negotiating with the authorities.

He added that, if successful, the move would affect not only squashes and cordials, but those bottled drinks containing less than six percent natural fruit as well — "this is a huge market, selling millions of bottles a year."

"Our contention is that this is a refreshment market, providing cheap drinks for those who want them," he added.

It was not known exactly where the move originated, he said.

A spokesman for the Citrus Board was not available for comment.

(1) 251
(2) 182

T.W. Beckett — profits were exceptional

ARGUS 11/2/76

THOUGH T. W. Beckett earned profits in the six months ended December equal to those of the whole previous financial year, the company does not expect the present rate of improvement to be maintained.

Directors of the company, which is the Anglovaal group's tea and coffee producer, point out that the 26 percent improvement in turnover to R18,6-million for the half-year was influenced by trade purchasing in advance of price increases

Nevertheless, the improved turnover led to a high utilisation of factory capacity and this also played its part in the profit recovery after 1975's 44 percent slump.

The directors also forecast a further rise in raw material costs in the immediate future.

(1) ~~150~~
(2) 182

Strikers go back at bottlers

STAR 17/2/76

The 180 Black truck helpers who went on strike at the Benrose plant of Coca-Cola yesterday, returned to work shortly before lunch today after discussions with the plant management

Sixty delivery trucks came to a standstill yesterday when the men struck because casual labourers employed during the summer peak period were given notice a month earlier than usual

The strikers claimed that if the casual workers left it would have meant two men would be loading trucks instead of three

Mr Ray Renaud, a spokesman for Coca-Cola, said today that the men agreed to go back to work when it was decided to keep the casual labourers on

Casual labourers will now work for the full summer peak period

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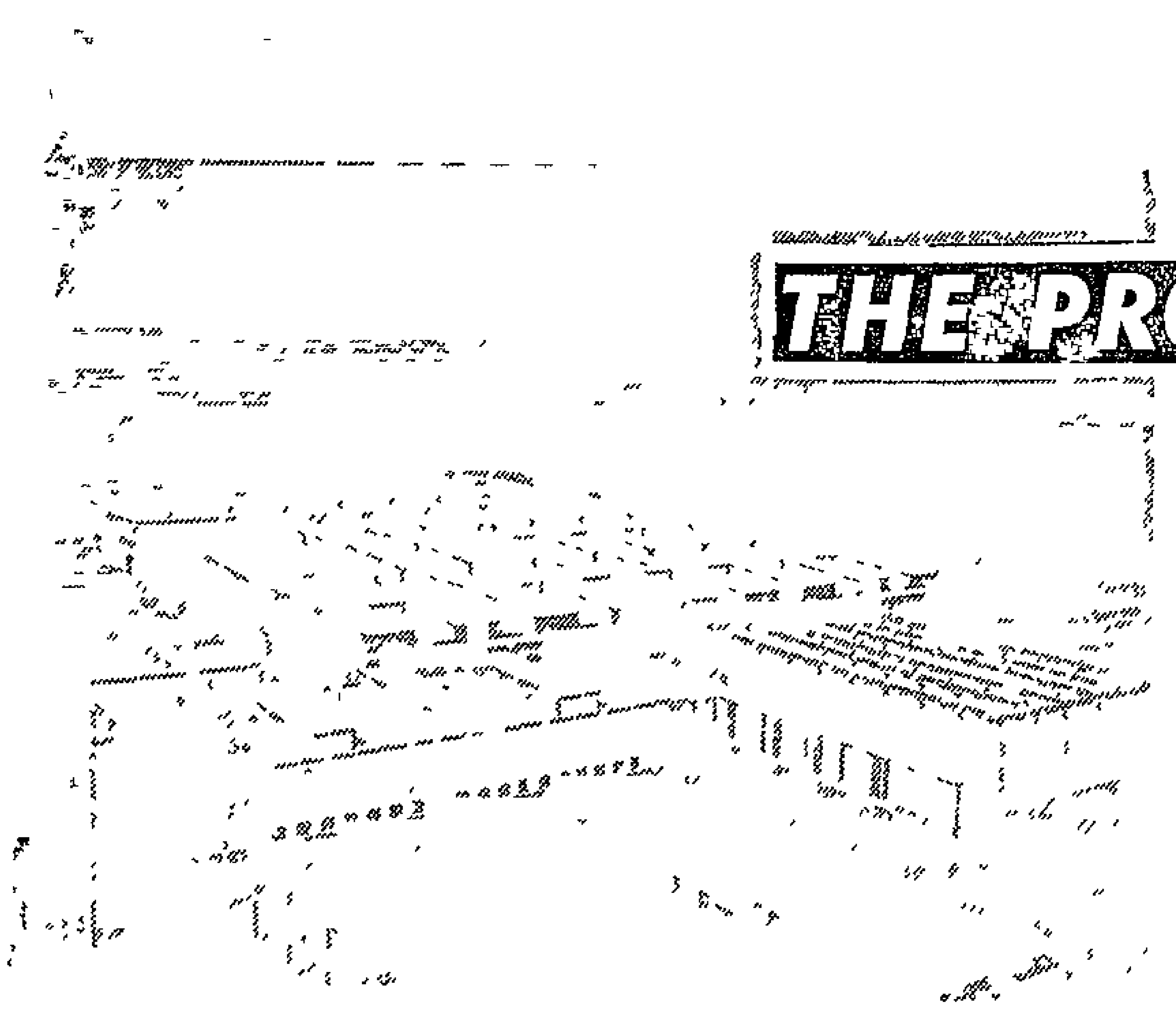
THE PROSPECTON STORY

24/2/76 WM



A GENERAL view of the S.A. Breweries' plant which came into production a year ago. BELOW: one of the 48 fermenting tanks. Each has a capacity of 1 000 hectolitres. The bottom half is in an enclosed cellar.

First phase of brewery expansion

THE FIRST PHASE of S.A. Breweries new operation at Prospecton represents an investment approaching R14-million.

Mr. George Topp, general manager of the South African Breweries' Natal region, said. "We had reached saturation point at our Umbilo brewery and it became imperative to install additional capacity. Prospecton was the logical choice."

Work on the Prospecton brewery started in the middle of 1973 and the first-test batch of beer was brewed at the plant in October, 1974. Initially the Prospecton beer was taken by road tanker for bottling at Umbilo, but the Prospecton plant's own bottling and canning lines have now been in operation for some time.

Packages of all sizes and brands are being bottled and canned at the plant.

The 16ha site at Prospecton was acquired 3½ years ago for R1,7 million. The new brewery sprawls over 13 hectares and the group plans to use the remaining three hectares for future expansion.

The brewery, which is the largest under development by S.A. Breweries and is one of the biggest and most modern in Southern Africa, has several unique features.

The bottling and canning lines are fully automatic.

The 48 fermenting tanks, each with a capacity of 1 000 hectolitres, have their bottom half housed in an enclosed cellar while the remainder protrudes through the roof and into the open air.

The height of the buildings on the site had to be restricted because they stand in the flight path to Louis Botha Airport and they had to be positioned with special regard to the availability of rail sidings.

Special arrangements had to be made for water supplies and a 45 metre water tower had to be erected on the site's western boundary to ensure adequate water pressure.

At the moment the Prospecton plant has a staff of about 400 but it is anticipated that the number of employees will swell to around 1 500 when it is fully completed in 1990...

Manufacturing – Beverages

Breweries soak up extra duty on beer

RDM 7/4/76

Staff Reporter

DRINKERS' Budget blues have turned to cheers with the announcement by breweries that most beer will be sold at old prices.

Intercontinental Breweries confirmed yesterday that the company had decided to absorb the increased duty on beer.

There will, therefore, be no price increase in its range of Kronenbrau 1308, Beck's, Heidelberg and Sportsman.

South African Breweries will not increase the price of Lion, Castle and Carling Black Label in quart containers, but other sizes will go up in price. There will be no increase in all sizes of Hansa.

Spokesmen for both groups and leading retail stores ruled out the possibility of a beer price war.

A director of a leading city bottle store said pre-Budget stocks of beer would be sold at the old price.

"If we receive new stock at the old price, then there will be no increase. But obviously if we are charged a higher price by a brewery, then the price of that brand will go up," he said.

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ECONOMIC REGION

Fin. Mail

SA Breweries 12/11/76

The SA consumer is under extreme pressure and has been for some time now, for reasons which are well enough known and needn't be elaborated on. But that pressure inevitably seeps back, particularly when the Price Controller keeps a wary eye on price rises, to the actual producer of the consumer goods concerned.

There's none bigger in the consumer goods field than SA Breweries, generally considered to be one of the bluest of the JSE's blue-chips Judging by the latest interim figures, however, that blue looks now to be a bit faded, rather like the old serge suit that's seen much better days

Dick Goss . . . peering into a more difficult future

Breweries dominates the liquor market and, as managing director Dick Goss pointed out at the *FM*'s Investment Conference on Thursday, it has over the years expanded — still consumer-orientated — into reasonably dominant positions in furniture, footwear and retailing, with important toeholds in property and banking.

All well and good. But just as in the US what is good for the country is good for General Motors, and *vice versa*, what is bad for the SA economy is bad for SAB. So it doesn't come as much of a surprise that the latest half-year statement from SAB, complicated though it may be by the Stellenbosch Wine Trust deal — which was a highly profitable exercise, by the way — shows a considerable check to the SAB growth record.

Operating margins are down, largely because the beer business, which still dominates the whole complex, had to operate with lower margins (And it would be a poor investor who had failed to notice that other interests, like Afcol, Amrel and OK were slogging along rather than striding ahead)

So the company has wound up with earnings of 6,5c on the SFW-increased equity, only a hairsbreadth more than the figure for the comparable six months And the very modest gain owes more than a little to a change in accounting methods, which has more than trebled, at R1,3m, what SAB describes as "attributable group interest in net earnings of associated companies and a subsidiary not consolidated" The subsidiary not consolidated is UDC, and the associated company, Retco, one of the few property companies able these days to keep its head well above the financial deluges affecting others in that industry

SAB has, for the first time, produced a half-time balance sheet Whether that will allay shareholders' fears on liquidity is anyone's guess, but as it is, net assets are computed at 232c, almost three times the depressed market price.

Assets, of course, are only as good as how they're made to work and produce profits Goss reckons that his are good, and will work, but in the meantime, SAB has about R34m in capital commitments and has authorised a further R38m for new projects That may not be an alarming figure in the context of R196m of net current assets and can no doubt be internally funded or borrowed, as the company says

Either way, however, the funding seems likely to curb the company's dividend growth record, with local interest rates at high levels and foreign borrowing exceedingly hard to get for reasons quite outside the control of the company.

It's perhaps not surprising that SAB finds the year's outcome hard to predict Beer prices have gone up, of course, but whether that's enough to offset the falling away in demand in other consumer sectors remains to be seen

And that is exactly how the SAB board is treating the situation, when it says that "there is a reasonable prospect of the company either achieving or coming close to achieving last year's eps", in which event the final will be maintained at the same level as last year (7c)

Long-term shareholders will probably be satisfied with the interim statement. They ought not, however, and despite the prospective 11,2% yield on the shares, be surprised if the political atmosphere makes further inroads into the share price. Around a fifth of the shares are overseas held

Meanwhile, the company has decided to mop up the 35% not held in the highly successful Solly Kramer liquor retailing business, either by a scheme of arrangement or by a standby cash offer of 110c a share, which is equal to the existing market price Accepting shareholders will also get a 7,5c dividend for the company's end March, 1977 year given that the scheme or stand by offer goes through

On the face of it, the deal has some attractions, but it would not surprise me if one or two shareholders would have preferred to stay with the Kramer business rather than be immolated by the SAB giant Those who bought the shares back in 1975 at their 75c low, however, can hardly complain

Don Wilkinson

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Lean time for liquor retailers?

10/11/73

JOHANNESBURG — Liquor retailers are in for a tough time and there is little prospect of growth in the liquor industry as a whole in the short to medium term

The likelihood that sales at an average bottle store are in for a decline was one of the considerations that led Solly Kramer's directors to accept South African Breweries 110c cash offer for the 35 per cent which SAB does not already own

The directors recommend acceptance by minority shareholders of the Breweries' offer to reinvest in more lucrative fields

Mr Barney Kramer, chairman of the 133 outlet liquor chain store, saw the danger signals flashing last year and warned shareholders at the annual meeting that the industry was facing a tough year

He said then: "Up to now spending in bottle stores has been growing faster than average earnings — in other words, people have been spending a growing slice of their income on liquor. This year we expect to trend to reverse."

From a SAB point of view, the offer document makes it clear that strategic considerations are of overriding importance

It has become clear that the interests of SAB, both as controlling shareholder and as a major supplier, are not always congruent with those of minority shareholders of Solly Kramer

SAB needs might require the implementation of marketing techniques, the strategic resisting of outlets and pricing structures, which will not necessarily be in the interests of minority shareholders".

The absorption of Kramers by SAB will eliminate the potential conflicts of interests.

Reading between the lines it looks as if the Breweries' giant is girding its loins for difficult times ahead. — DDC.

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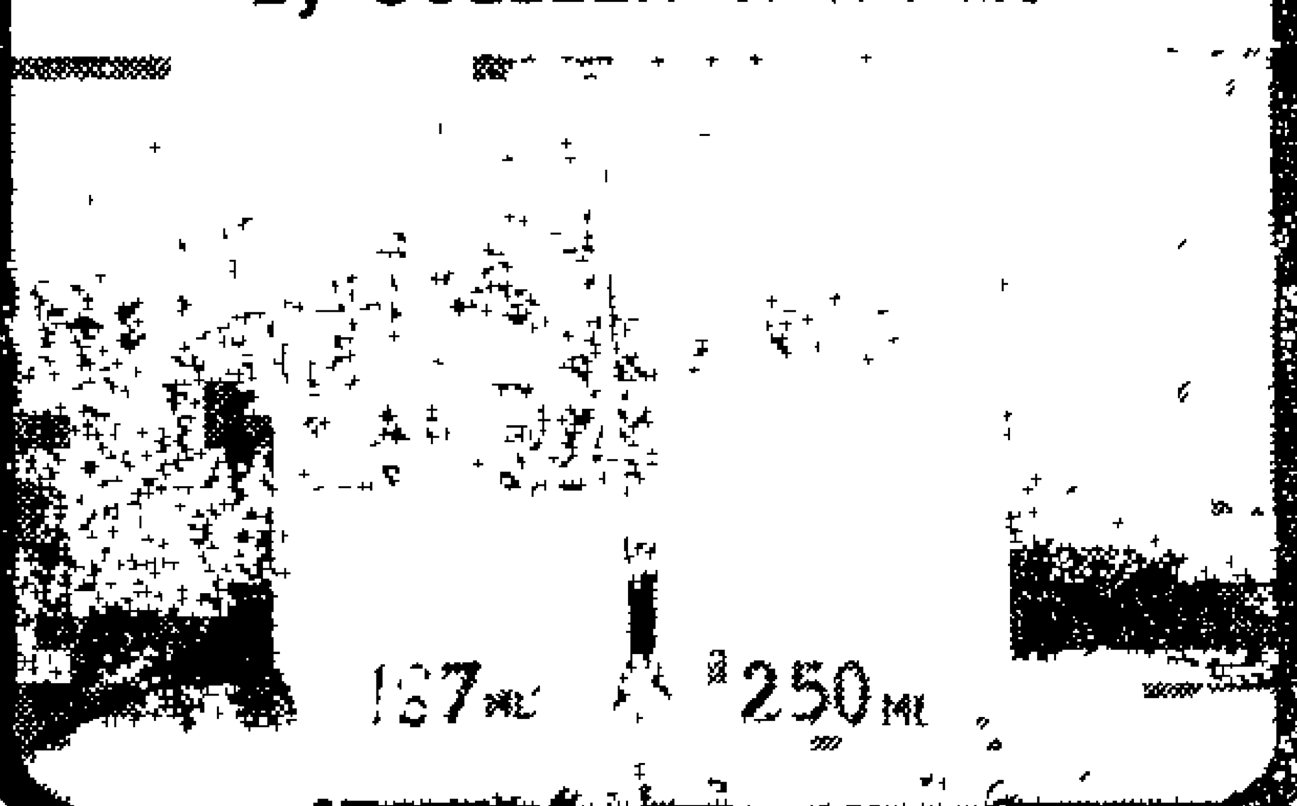
TALKING SHOP

By COLLEEN SHEARER



in a squeeze-top bottle which cannot be spilled by the children, but it could encourage wastefulness. What little boy doesn't enjoy giving an extra squeeze, thereby doubling the cost of the drink?

It would be far better to dilute to the full amount — three litres — at the outset. The taste is pleasantly tangy.

Pick 'n Pay's No Name Brand orange juice, purporting to save money by cutting down on packaging costs, came out at 2 cents a glass and only gained seventh position.

And Lecol 2-litre at 2,2 cents was dearer than Lecol 750 ml! (The chart prices were averaged at four supermarkets).

Supa Squash comes in a 5-litre jar for R1,49 which works out at 1,86 cents a glass, hardly worth the greater outlay.

A newcomer to the fresh orange juice field is Rosemarie. This dairy boasts that its cheaper pack, the plastic udder bag, keeps down costs and thus will enable it to beat by at least 2 cents a litre any other brand on the market.

Rosemarie is also selling plastic jugs for 35 cents each in which you simply place the full plastic bag and pour — it will not spill. Reason given for recommending the jug is that the udder bag is sterile inside and it thus seems pointless to pour the orange juice out into an unsterile container.

Of course, you may have a suitable jug of your own in which to prop up the bag, but 35 cents is very cheap nowadays.

These jugs are generally to be found in the hardware section of the supermarket.

Not all supermarkets have introduced Rosemarie orange juice yet, but you should find it in Pick 'n Pay and most Spar Foodliners. Checkers may start stocking it soon.

23/11/77 S.T.

Brand	Price	Total diluted volume	Cost of sugar	No. of glasses (250 ml)	Price per glass	Remarks
ORANGE BASES						
Brookes Oro-crush	30c	9 500 ml	24c	38	1,42c	
Esto	26c	13 300 ml	30c	53	1,05c	
Princess	19c	12 500 ml	36c	50	1,10c	Imitation
Tomango	30c	12 000 ml	30c	48	1,25c	Contains orange juice
POWDER BASES						
Kool-Aid	6c	2 500 ml	10c	10	1,60c	Synthetic flavour
Sweet Aid (Kellogg's)	11c	3 750 ml	—	15	0,73c	Sugar free. Artificial
Sweet 'n Kool	6c	2 000 ml	—	8	0,75c	Sugar free. Synthetic
ORANGE SQUASH						
Brookes Oros	23c	3 000 ml	—	12	1,90c	6,75% orange
Brookes Orange "D"	35c	3 000 ml	—	12	2,90c	6,25% orange
Carnation double conc.	22c	3 000 ml	—	12	1,80c	8,3% orange
Ideal	23c	3 000 ml	—	12	1,90c	6,2% orange
Lecol	24c	3 000 ml	—	12	2,00c	7,0% orange
Lecol Diet	35c	3 000 ml	—	12	2,90c	8,0% orange
Interspar	23c	3 000 ml	—	12	1,90c	6,25% orange
Pot O' Gold	24c	3 000 ml	—	12	2,00c	6,0% orange
Tomango	21c	3 000 ml	—	12	1,75c	6,5% orange
No Name Brand	24c	3 000 ml	—	12	2,00c	6,75% orange
Lecol 2-litre	71c	8 000 ml	—	32	2,20c	7,0% orange
Lecol "Diet" 2-litre	85c	8 000 ml	—	32	2,60c	8,0% orange
Supa Squash 5-litre	R1,49	20 000 ml	—	80	1,86c	6,25% orange

Beer . . . without the bang

READERS have asked for a repeat of the ginger beer recipe. This time I shall give half measures so that you will be able to fit the bottles easily in the refrigerator. THIS IS IMPERATIVE and cannot be over-emphasised

You still hear of exploding bottles which were stored at room temperature. Some people are nervous of trying to make the ginger beer for this reason. I have no trouble at all. And it is delicious, particularly with a blob of ice-cream on top.

Total volume for the recipe below is 2,5 litres. Cost is 10 cents a litre or 2,5 cents a glass.

Dissolve 750 grams granulated sugar in 1 litre hot water. Add 1,25 litres cold water and, when lukewarm, pour in half a bottle of Jamaica Ginger (available from chemists).

Put a little of this liquid in a cup and sprinkle on a heaped teaspoon of dried yeast. When the yeast becomes active — 15 to 20 minutes — add it to the main liquid and stir. Add a small handful of raisins.

The ginger beer is ready when the raisins rise to the surface in about six hours. Remove the raisins and bottle the liquid Secure the tops firmly [illegible] leave the bottles at [illegible] temperature for six [illegible] eight hours. THEN STORE IN THE REFRIGERATOR.

Remember the controlled price of 1-litre minerals is 27 cents plus 14 cents deposit on the bottle.

A complaint came in about a tearoom which took 14 cents deposit, but paid only 12 cents when the bottle was returned. The excuse was "a handling charge". This is illegal and similar incidents should be reported immediately to the Price Controller — or, if you wish, Talking Shop.

PRICE TAG

GOOD NEWS in a recent Government Gazette. It is now compulsory for retailers to price-mark every item for sale. This new regulation applies also to advertised goods. Previously these often hid behind rosy blurbs. In future the consumer will be protected by knowing the facts, particularly people who buy on instalment plan.

Undoubtedly there will still be dealers who will try to evade the law and it is up to all of us to report them to the Price Controller.

Mention was made of tl

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the relevant legislation be

amended to authorise the pricing policies necessary for greater internal financing, and expressed the view that

SAB/OK FM MAIL 13/5/77

A tough year

182

There's nothing dramatic about the results from SA Breweries and its cohorts OK Bazaars and Afcol, though the figures from each are probably better than those who were prepared to sell SAB at 78c back in March — the 1977 low — had expected.

At that price SAB were then yielding, for a blue chip on the JSE, a rather mind-boggling 12,2% on a repeated 9,5c total dividend, and clearly indicating market expectations that that repetition wasn't on the cards

Since then, of course, the price has strengthened as the conviction grew that a cut dividend from SAB was just not on.

So it has turned out, but the group as a whole has only just scraped through. Earnings are 21,5c this time against 20,5c, largely thanks to a full year's earnings from consolidated Stellenbosch Wine Trust, and possibly also some minor gain from the recent increase in beer prices, a market which, nevertheless, has become increasingly competitive, and promotionally expensive

It is clear, as the table shows, that SAB has for some time now been ex- growth, and that a continued long haul lies ahead That is implicit in the preliminary statement, which looks for little "meaningful growth" in the economy for the financial year ended next March, while hoping for an upturn in SAB's own second half

It's a sentiment echoed by OK Bazaars, 70% owned by SAB It too, fulfilled market expectations by repeating its total dividend at 58c, but cover has slipped fractionally, thanks to the 5,3% drop in earnings to 110,3c (116,5c) The half-time forecast went rather wildly wrong OK looked for a modest earnings improvement on the year, but as the economic climate deteriorated and customers switched to essentials from the more highly marked-up items it was left with much heavier stocks to finance, despite the fact that its second half-year, which includes Christmas, is normally expected to provide the real profit and earnings gravy.

Thus, the results reflect the classic inflationary squeeze on income. But apart from having to carry higher than expected stocks, OK's expansion/Hyperama programme, plus the refurbishing of existing stores, inevitably takes time to pay off, and will be expensive to fund just as cash flow is under pressure.

At their current price levels the shares look unexciting for prompt improvement, certainly until London sentiment improves — with over 15% of the shares on the London register, SAB is more exposed to the overseas overhang than any other SA industrial

Don Wilkinson

1. Report of the Franzsen Commission opp cit para 193 p 49
2. Ibid para 194 p 49
3. Ibid para 192 p 49
4. Ibid para 191 p 48 and para 194 p 49
5. Ibid para 195 p 49

Sake-Rapport 26/6/77 (182)

BROUERYE KAN MEER SÓ UITBETAAL

AANDEELHOUERS kan maar gerus vasbyt aan hul SA Brouerye-aandele. Die maatskappy het sy sake goed onder beheer in die huidige swaar ekonomiese toestand.

Niks wonderliks gaan binnekort by die maatskappy gebeur nie, maar volgens mnr Dick Goss, die besturende direkteur, is SA Brouerye op die oomblik eintlik te likwied In kort beteken dit dat die maatskappy nie op die oomblik die bronne tot sy beskikking ten volle benut nie, maar in die huidige klimaat is daar niks so kosbaar soos kontant nie.

Volgens die maatskappy se jongste jaarverslag wat vandeesweek beskikbaar gestel is, kon hy daarin slaag om al vier die doelwitte wat vir die jaar tot 31 Maart 1977 gestel is, te bereik.

Hierdie doelwitte was onder meer die volgende.

- Opbrengs op eienaarskapitaal te handhaaf. Dit het inderdaad 'n klein bietjie gestyg, van 12,4 persent tot 13,3 persent
- Die maatskappy wou ook sy verdienste en dividend per aandeel handhaaf Die verdienste het egter gestyg van 20,7c per aandeel tot 21,5c, terwyl die dividend gehandhaaf is op 9,5 persent
- Maar die belangrikste doelwit was om bostaande te behaal saam met 'n verbetering in die finansiele posisie van die maatskappy

Die volgende verhoudings toon hierdie verbetering Lenings waarop rente betaal moes word in verhouding tot totale kapitaal, het gedaal van 49 persent tot 47 persent, terwyl die totale skuld as persentasie van totale kapitaal gedaal het van 92 persent tot 83 persent.

KITSONTLEDING, waarin VIC DE KLERK kyk na die maatskappye agter die aandele.

Die bedryfsverhouding toon oor die afgelope vyf jaar 'n verbetering van 1,39·1 tot 1,96.1 en hiervan het die grootste verbetering die afgelope jaar plaasgevind

Die SA Brouerye-groep kon in die afgelope boekjaar 'n netto wins ná belasting van R47 195 000 vir sy gewone aandeelhouers verdien en dit was gelyk aan 'n opbrengs van 13,3 persent

Nie een van die bedrywe waarin die groep hom bevind, het gedurende die jaar 'n buitengewoon swak bydrae gelewer nie, hoewel dit met die OK Bazaars nie heeltemal so goed gegaan het as wat verwag is nie. Die probleem hier was 'n baie swak Kerstyd, wat gelei het tot besonder hoë voorraadvlakke en daarmee saam 'n aansienlike styging in rentebetalings van R2 303 000 die vorige jaar tot R4 119 000

Die persentasie-bydrae van die verskillende afdelings van die SAB-groep vir die afgelope jaar was soos volg.

	1975	1976
Drank	43	49
Winkels	24,7	21
Meubels	14,0	11,6
Skoene	1,4	2,4
Hotelle	6,5	7,6
Rhodesie	10,4	8,9
Ander	—	-0,5
Totaal	100%	100%

Een van die groep se belangrikste middeltermyndoelstellings is om die opbrengs op eienaarskapitaal te verhoog tot minstens 17 persent Indien hierin geslaag kan word, beteken dit dat die groep 'n aansienlike groeppotensiaal in verdienste per aandeel het al word niks nuuts aangepak nie

Indien die opbrengs vanjaar reeds 17 persent was, sou die verdienste per aandeel 27c gewees het pleks van die verklaarde 21,5c

Mnr Goss sê dat hy ongelukkig nie kan aandui hoe gou hierdie hoer opbrengs bereik sal kan word nie, maar dat dit nie bloot net 'n langtermynplan is nie, is ook duidelik

As verder in ag geneem word dat die eienaarskapitaal jaarliks met minstens 7 persent styg bloot net deur die terugploeg van onuitgekeerde winste, word die potensiele verdienste per aandeel nog groter

Indien daar jaarliks 7 persent teruggeploeg word en die doelwit van 'n opbrengs van 17 persent word oor drie jaar bereik, beteken dit 'n verdienste van ongeveer 33c per aan[deel] Indien die maatskappy [...] verder hou by die voorneme om ongeveer 50 persent van die wins as 'n dividend te verklaar, kan die uitkering styg tot minstens 15[c] per aandeel

Die prys van SAB se aandele het oor die afgelope week verbeter van 79c tot 85c en geoordeel op die huidige dividend van slegs 9,5c per aandeel, is dit nie juis 'n aandeel wat die belegger oornag kan ryk maak nie

Maar as die potensiaal van dividendgroei plus die relatiewe veiligheid van die bestaande dividend en die kapitaalwaarde van die aandele in ag geneem word, moet dit 'n goeie belegging wees

---

...uld produce either 40 bushels of wheat or 30 bushels ...ilable land.

R100

...t price R 20 per bushel

... price R 50 per bushel

...pen to the farmer in the short and long term? What ... of action? Explain your assumptions.

(15%)

Output (of units)	Labour (No. of men)
0	0
1	6
2	11
3	15
4	21
5	31
6	45
7	63
8	85
9	111
10	141

R5 per man, fixed cost of R100, calculate Total cost, ...t, Average ~~Fixed~~ variable Cost, Marginal Cost.

...w the relationship between these curves.

(30%)

p.t.o.

2/...

marginal revenue cur ... of the monopoly - i.e. with a straight line
demand curve (= aver ... he marginal revenue curve
lies half-way betwee ... curve and the vertical
axis. But since t ... al revenue curve was also
halfway between dd a ... M′ C′ will cut dd at a
point (S) which is at ... ve the horizontal axis as
point N. Similarly ... the price at which the
moncpolist sells his ... e same height as point P,
and OM′ is twice OM.

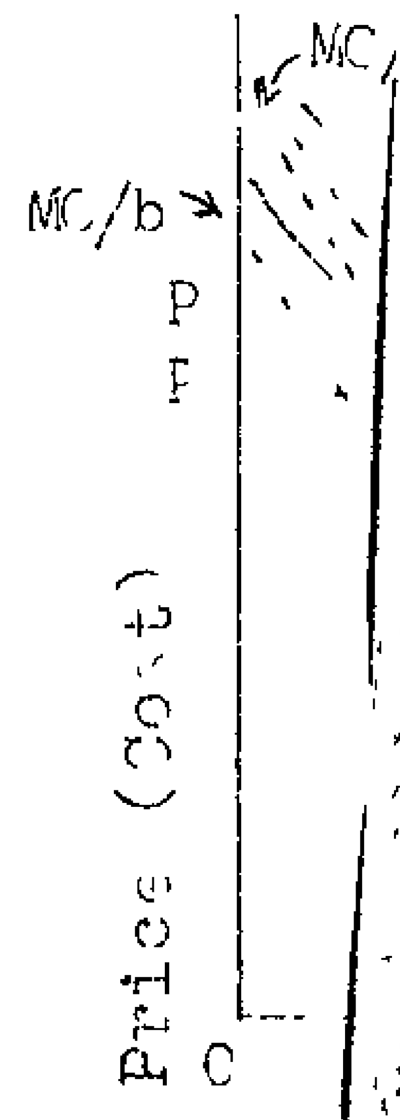
182

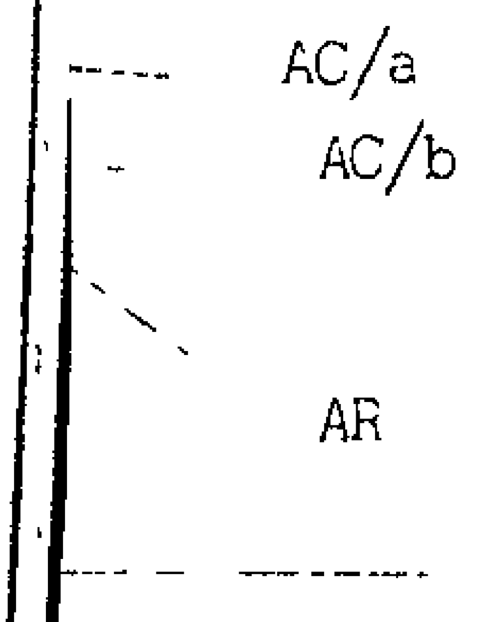
(b) <u>ASSUME NON-IDENTICA</u> ...

Explanation of how <u>P</u> ... ld arise by <u>LOW-COST</u> producer.

Firm A would lik ... O at price P, but the most profitable output f ... rice P′. The lower price P′ will, ofcourse, pre ... be compelled to sell at this price. In our dia ... make a profit at the lower price; if this was ... ually be compelled to cease business and firm B ... nopoly.

Our general con ... it under perfect oligopoly the price will be fixe ... equates marginal cost and marginal revenue for all th ... curves are identical, or at the level which equate ... rginal revenue for the most efficient firm (wh ... eader', setting a price to which the rest must conf ... ce must be one which allows all firms in the indus ... normal profits.





2. <u>PRICE LEADERSHI</u> ... ume <u>DOMINANT FIRM</u>

Assumptions here ... accept this Dominant firm as Price Leader ... <u>Price Takers</u>, as in pure competition.

In the following dia ... ket demand curve for the product. Since each small firm accepts the price as established by the dominant firm, we can establish a short-run supply curve for the small firms just as we did in the purely competitive model. We can sum horizontally the marginal cost curves of the small firms (assume that input supplies are perfectly elastic). This is indicated by ΣMC in the figure and is a short-run supply curve showing how much all the small firms, working together, will place on the market at each possible price.

2/7/77 N/MERCURY

Liquor licence 'need'

Court Reporter

THERE was a "very pressing and substantial" need for a liquor licence for Durban's Portuguese Club — Associacio Portuguesa do Natal — the Liquor Licensing Board was told yesterday.

The board, under the chairmanship of Mr. G. A. Robertson, was considering an application by the club for a licence at its premises in Epsom Road.

Mr. D. Winterton, for the club, said it formed the focal point of the social lives of many Portuguese people in Durban and was the only one of its kind in Natal.

It occupied premises previously used by the Durban Municipal Club and had a membership of about 675 which, Mr. Winterton said, would increase if a liquor licence were granted.

Parties

During the week the average number of members at the club was about 150 per day.

At weekends this rose to between 300 or 400.

The club also organised parties, dances and film shows.

"Captain S. Weyers, of the South African Police had recommended that the liquor licence be granted and there were no objections to granting of the licence," Mr. Winterton said.

The board later inspected the club premises and has reserved its recommendation on the application, which will be sent to the National Liquor Licensing Board.

Sake-Rapport 3/7/77 (182)

Só kan IKB sy ,ouers' help

Deur DAVID MEADES

DIE vordering van die bierfiliaal van die Rembrandt-groep, Interkontinentale Brouerye, die afgelope jaar tot 31 Maart 1977 was merkwaardig. Ofskoon 'n beskeie wins van R60 025 getoon is, was die werklike ommeswaai in sy winsgewendheid meer as R1,2 miljoen.

Die wins van net meer as R60 000 vir die afgelope jaar vergelyk met 'n ooreenstemmende verlies van R326 431 verlede jaar. Maar dié verlies was ná 'n inkomste van 'n buitengewone aard, wat hoofsaaklik uit 'n verhoging van R837 211 uit 'n verhoging op die deposito op bottels gespruit het

Die werklike bedryfsverlies het in die jaar tot 31 Maart 1976 sowat R1 161 000 beloop, wat die afgelope jaar tot 'n bedryfswins van R62 235 omskep is

Oudemeester

Hierdie stand van sake by IKB behoort vir veral die aandeelhouers van Oude Meester baie bemoedigende nuus te wees Oude Meester het 'n belang van 50 persent in Bier- en Moutbeleggings, wat op sy beurt 'n belang van 85 persent in IKB het Die Rembrandt-Groep het die ander 50 persent in Bier- en Moutbeleggings

Die resultate van IKB word deur Oude Meester op die ekwiteitsmetode in berekening gebring, wat beteken dat Oude Meester in sy inkomstestaat voorsiening maak vir 42,5 persent van IKB se syfers. Die jaar tot 31 Maart 1976 is hier vir 'n verlies van R140 000 voorsiening gemaak, wat vanjaar 'n wins van R25 500 sal wees — 'n ommeswaai van R165 500

In IKB se jaarverslag sê die maatskappy dat hy weer eens 'n gesonde groei in sy omset kon toon en dat hy vol vertroue is dat markaandeel van sy produkte verder sal groei en dat IKB sodoende sy regmatige deel van die biermark sal verower.

Groeipyne

Met die oog hierop is die maatskappy besig om 'n nuwe brouerye van R5 miljoen in Natal op te rig, wat in die tweede helfte van aanstaande jaar sal begin produseer

Dit kom dus voor of IKB nou sy groeipyne afgeskud het en voortaan net beter sal doen. Die maatskappy se aandeel van die biermark word op sowat 10 persent geraam Maar dan is hy hoofsaaklik in die noordelike mark bedrywig, wat vir sowat 70 persent van die totale omset verantwoordelik is Dit beteken dat hy reeds byna 15 persent van hierdie mark moet hê.

Die Natalse mark moet in hierdie stadium vir IKB van die grootste belang wees Dit is seker veral so met die oog op die groot aantal Transvalers wat elke jaar daar gaan vakansie hou en as hulle IKB-ondersteuners is, die produk ook dáár wil koop Op die oomblik moet die bier per spoor soheentoe vervoer word, wat die koste kwaai verhoog. En dan is die Natallers ook bekend as groot bierdrinkers

En met sulke groot uitbreidingsplanne vir die toekoms, tesame met 'n winssituasie, kan daar nou geen twyfel meer bestaan dat IKB hier is om te bly nie Vorentoe sal dit waarskynlik al hoe beter gaan

Maar vir die minderheidsaandeelhouers van IKB — hulle hou nog 3,6 miljoen aandele — is die kanse vir 'n dividend uiters skraal Die groep se verpligtinge is groot, sy intergroepskuld beloop R11,4 miljoen, teenoor R3,2 miljoen se aandeelhouersbelange.

En die Rembrandt-groep is bekend as 'n konserwatiewe groep Daar kan aangeneem word dat daar geen sprake van 'n dividend sal wees alvorens die maatskappy se geldsake nie op 'n werklik gesonde grondslag is nie Dit kan nog baie jare duur

D.D. 28/7/77

Alcohol, medicine wrangle

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EAST LONDON — A wrangle has broken out over the alcoholic content of medicines.

The liquor and drug squad in Cape Town are investigating supermarkets selling Panado syrup and Vicks Vaporub which, they maintain, carry a higher than two per cent alcohol content, which, under the Liquor Act and Government Notice number 1147 of 1965 is prohibited from being sold in supermarkets.

But the chairman of the Border and Eastern Districts branch of the Pharmaceutical Society, Mr G. Schlachter, said yesterday there was no alcohol in Vaporub and Panado had only one per cent in the form of a solvent.

Mr Schlachter said there were cough syrups with up to five per cent alcohol and an East London manufacturer said there were some Dutch medicines which had more than two per cent alcohol.

Mr Schlachter said while the Pharmaceutical Society had been trying to get medicines sold in pharmacies only for many years, this had not been done maliciously.

"If the police have acted against supermarkets, then I am sure they have done this off their own bat and not through a complaint by pharmacists. We are not malicious and we compete with supermarkets on price."

Mr Schlachter said one of the reasons of the law was that if a true alcoholic got even a small amount of alcohol through a medicine, it could set him off again.

"Every chemist has had the experience of specifically being asked for a non-alcoholic medicine, but if a person picks up, say a cough syrup in a supermarket, there is nobody there to tell him if the medicine contains alcohol and even if it is not probable, it is possible that this could set the true alcoholic off again," Mr Schlachter said. — DDR.

The low-calcrie beer that makes you drink more

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Sun. Times 31/7/77

By TONY KOENDERMAN

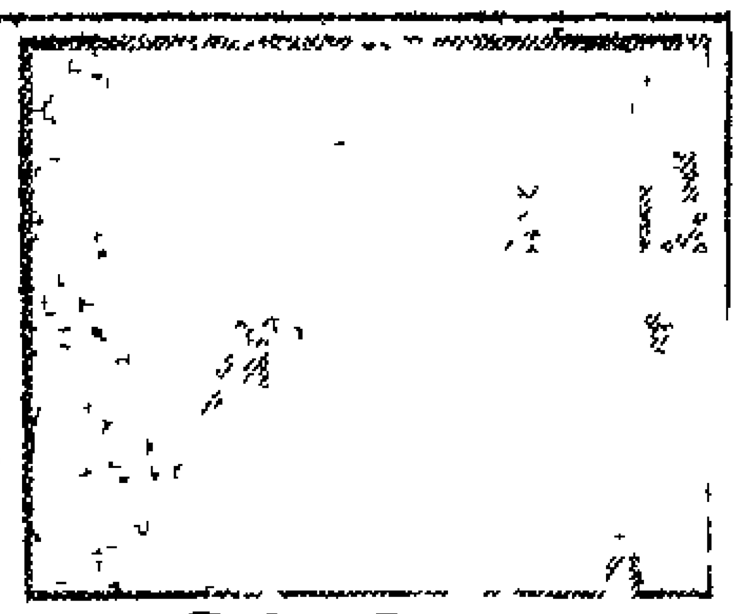
SOUTH AFRICAN Breweries' Hansa beer is to undergo a major change of image. It will be marketed as the country's only low-calorie beer.

The beer itself, a Pilsener type, remains the same, but SAB has decided to capitalise on its light, less fattening and less filling characteristics.

Independent tests have shown that Hansa contains 24 per cent less carbohydrates and 11 per cent less kilojoules (calories) than average South African beers

"Research has shown us that Hansa's lightness is vitally important," says Peter Savory, SAB's general manager, marketing.

In the United States, low-calorie beer has captured between 5 and 7 per cent of the market in only two years It has catapulted one major brewer, Miller's, from seventh place to third in the beer market.



Peter Savory

There are 25 low-calorie beers on the American market, and 20 per cent of total beer sales are thought to be within reach of this segment.

The present share of low-calorie beers, coincidentally, is exactly the same as Hansa's share of the white beer market in South Africa

"We would be very happy if its share moved up to 10 per cent now," says Mr Savory. It is not expected to appeal much to blacks, who comprise 60 per cent of the market

Sun. Trib. 7/8/87

(132)

The beer goes on computer

SOUTH African Breweries has gone on computer in Natal, but this will have no effect on the flavour of your favourite beer. What will improve is customer service — through increased productivity and less dependence on human memory.

Andrew Hayman, the man in charge of installation of the new SAB On-line Order Entry Computer System, says that errors should be reduced to around three per cent. Paperwork has been simplified, and now only one document — a priced delivery note/invoice — is needed where customers previously had to handle four — a delivery advice note, invoice, full beer receipt, and returnable container receipt.

South African Breweries has been holding customer seminars throughout Natal in an attempt to reduce teething troubles during the introduction of the new system, which was designed by the brewery and ICL.

For the information of the Faculty Officer: ... ›repared by

PREFERENCE / OPTIONS	1	2	...	POINTS
1	9	3		99
2	4	5		106
3	3	6		87
4	11	1		163
5	4	L		88
6	13	[illegible]		143

A full minute of the ... members in due course.

5 August 1977

..H.R.E. PAAP
..culty of Arts

All set to build brewery

Finance Reporter

Sun. Trib 14/8/77

182

WORK will begin tomorrow on the construction of the new R5 million brewery in the Prospecton area of Amanzimtoti for Intercontinental Breweries Ltd.

The main contracts were this week awarded to Roberts Construction Company (Natal) for structural and civil steel work, H. Huppman of Germany for the brewhouse; and Elgin Engineering (Cape) for the stainless steel storage vessels.

"Buddy" Immelman, managing director of Intercontinental Breweries, said at a Press function in Johannesburg this week that the 100 percent stainless steel tankage system and the highly efficient Huppman brewhouse, which is being introduced to South Africa for the first time, will make the Durban brewery the most modern in the country.

The brewery, being built on a site to be called Fountain Park, is expected to produce its first brew in August next year.

Immelman said the new plant will relieve pressure on present production capacities at the company's breweries in Krugersdorp and Bloemfontein and cater for the growing Natal demand for Kronenbrau 1308 and the recently introduced Sportsman lager.

He added that the Durban brewery was part of Intercontinental's long-term expansion strategy.

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New brewery for ICB

Sunday Times (Business Times) 14/8/77

WORK has begun on a new brewery outside Durban for Intercontinental Breweries. This follows the award last week of the main contracts.

The brewery, which will initially cost about R5-million, is being built on a site to be called Fountain Park in the Prospecton area of Amanzimtoti. The company's existing breweries are in Krugersdorp and Bloemfontein.

Intercontinental, which is part of the Rembrandt Group, is headed by managing director "Bully" Immelman in its battle against giant South African Breweries.

"Bully" Immelman

Work on brewery to start

N. Mercury 15/8/77

(182)

Mercury Reporter

WORK on a R5 000 000 brewery will start at Prospecton on the Natal South Coast this week

Mr "Bully" Immelman, managing director of Intercontinental Breweries in South Africa, said at the weekend that there was a fast-growing demand for its products in Natal.

Production was expected in about 12 months time, he added.

Intercontinental breweries entered the South African market nearly four years ago and have breweries at Krugersdorp and Bloemfontein They produce Kronenbrau and Sportsman lager.

Natal to get new brewery

16/8/77

(182)

Mercury Correspondent

JOHANNESBURG — Work begins this week on a new brewery outside Durban for Inter-Continental Breweries Limited. This follows the award last week of the main contracts.

The brewery, which will initially cost about R5 million, is being built on a site to be called Fountain Park in the Prospecton area of Amanzimtoti. The company's existing breweries are in Krugersdorp and Bloemfontein.

The contract for the civil and structural steel work has been awarded to the Roberts Construction Company (Natal) (Pty.) Limited.

The brewhouse contract has been awarded to H. Huppman of Germany. The contract for the storage vessels has been awarded to Elgin Engineering (Pty.) Limited.

The brewery's Huppman's Brewhouse, which is being introduced to South Africa for the first time, will contribute towards making it the most modern in South Africa.

Intercontinental Breweries Limited has been in operation in the South African beer market for less than four years.

ARGUS 14/9/77 (4)

189

ALCOHOLISM and liquor abuse among farm labourers in the Western Cape has caused considerable concern to wine farmers in the region and will be the subject of a meeting of the Paarl Farmers' Association on September 20.

Two officials of the South African National Council on Alcoholism (SANCA), Mr D. Green, the director, and Mr H. Bailey, the information officer, will address the meeting.

Mr Jan "Boland" Coetzee, rugby Springbok, who farms at Muldersvlei, will also address the association.

SUCCESS

Mr Coetzee is known for his work in improving the quality of life of farm labourers in the Boland and has had considerable success in reducing alcoholism among his farm hands.

In a memorandum to members the association states that alcoholism is one of the most serious problems facing farmers.

Every labourer with drinking problems has an adverse effect on the reputation of all wine farmers, the memorandum states

FIN. MAIL 16/9/77

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REMBRANDT GROUP LIMITED

Business responsibility

The Rembrandt Group with its associates is a unique world-wide enterprise of equal partners The assets of the group exceed R2 400 million and turnover approximates R4 400 million

CHAIRMAN'S ADDRESS — 1977

I am privileged and pleased to welcome you all — shareholders as well as proxy-holders — to the 29th Annual General Meeting of Rembrandt Group Limited.

The annual report containing the financial statements and reports of your directors and the auditors for the financial year ended 31st March 1977 was released some time ago A consolidated financial review covering the five most recent financial years was included. With your approval I will take these as read and confine my comment to supplementary remarks

Earnings and reserves of companies in which an interest of between 25% and 50% is held are accounted for by the equity method The most recent recommendation of the Accounting Practices Committee is that the earnings and reserves of companies in which an interest of between 20% and 50% is held be accounted for by the equity method. The application of this recommendation would have had no effect on the earnings of your company for the past year

OWN ACCOUNTS

The income of your company consists mainly of dividends received from subsidiaries Profit after tax for the year under review amounted to R16,2 million. Of this amount R10,4 million, representing 20c per share, was paid in dividends. The profit retained — R5,8 million — has been added to profits retained in previous years, resulting in retained earnings of R25,3 million being carried forward to the following year.

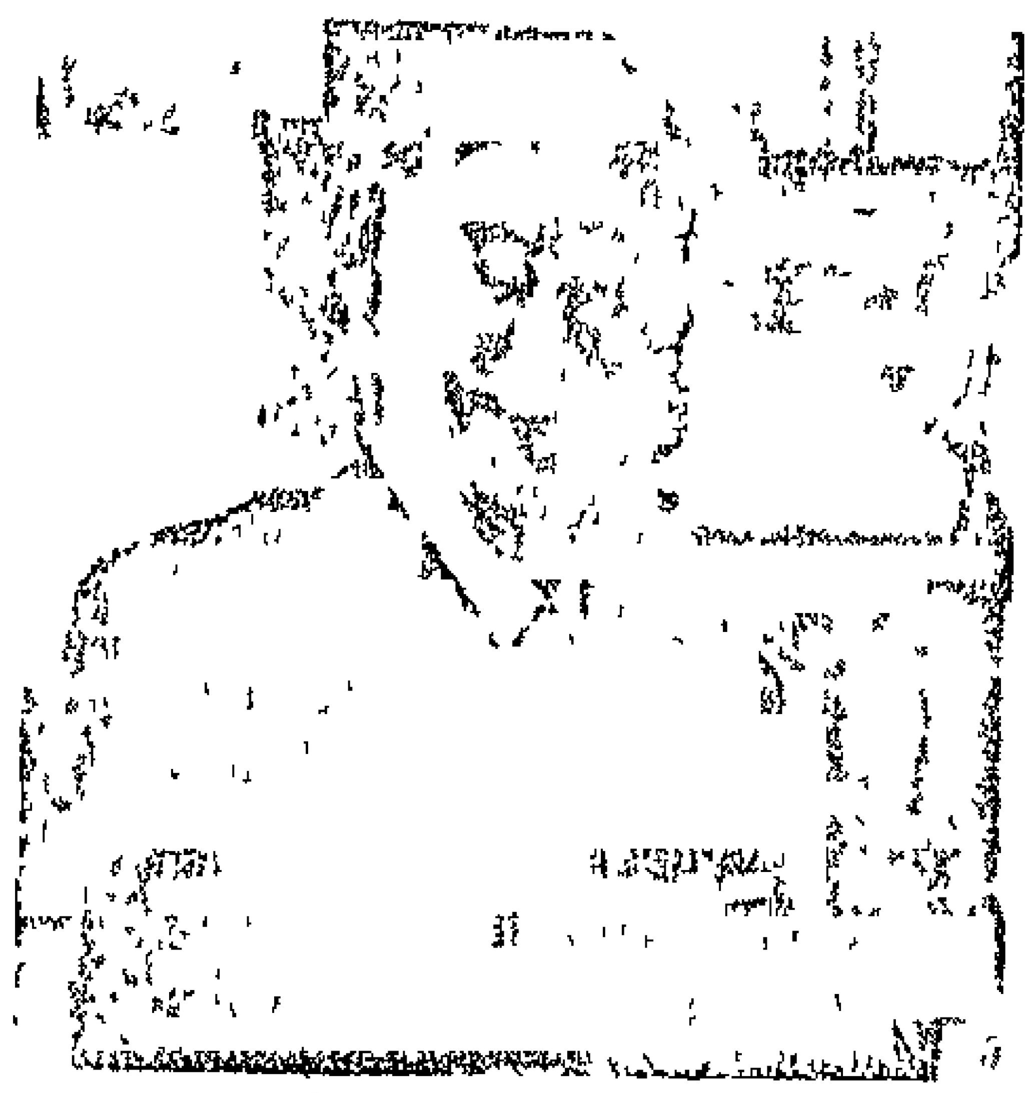
An interim dividend of 11,0c per share has just been declared from profits of the current financial year, compared to an interim dividend of 10,0c per share declared during the past financial year

CONSOLIDATED ACCOUNTS

The consolidated accounts of your company and its subsidiaries reflect a net profit before tax of R97,8 million. After provision for taxation (R31,4 million) and the deduction of the interests of outside shareholders (R14,9 million), net consolidated profits attributable to you as shareholders of this company amount to R70,8 million. Earnings per 10c share were thus 135,7c.

The profits of your company accrue mainly from foreign sources In contrast with the previous year, when the rand was devalued by 21,9%, there were no exchange rate fluctuations of any comparable magnitude this year, so that profits were not affected to the same extent

Because of inadequate price adjustments your group's principal lines of business in South Africa, viz tobacco and liquor, made lower profits than in the previous year despite increases in market share



Dr Anton Rupert

The consolidated assets of your company increased to R966,5 million After allowing for total liabilities of R419,7 million, total shareholders interest amounted to R546,8 million, and the interest of own members at 31st March, 1977, totalled R381,6 million, or 731c per share

REVIEW OF GROUP OPERATIONS

The total assets of your group, including associated companies with whom industrial partnership in practised, but excluding mining, increased during the financial year to more than R2 400 million while turnover increased to almost R4 400 million.

Your group is at present the fourth largest cigarette manufacturer in the free world and is also amongst the ten largest brewery groups and distillers It also has a 25% interest in one of the world's largest mining houses and recently acquired a 20% interest in one of South Africa's best-known banks

Since 1971 I have been pointing out the dangers to which our society is exposed as a result of inflation Cost increases are still prevalent in those industries in which we operate I wish briefly to mention one aspect, namely the price of basic raw materials

When the company entered the industry in 1941 the average price of tobacco was 27,8c per kilogram The estimated average price for 1977 is 251,8c per kilogram, which represents an increase of 806% Since 1970 alone the price of tobacco in South Africa has increased by 181%

The same pattern is found in the wine industry In 1943, when we entered the industry, the average price of distilling wine and good wine was 2,2c per litre, this year the average price was 18,2c per litre, which represents an increase of 727% Since 1970 alone the basic price of good wine has increased by 140%.

These increased costs have obviously created a need for additional capital The continuous rise in the prices of raw materials makes it necessary to use a large portion of profits to replace stocks at such increased prices

But it is also important to remember that should prices increase by too much, not only may turnover decrease but exports may be adversely affected The entry of the United Kingdom into the European Common Market meant that the Republic not only lost the preferential treatment it had previously enjoyed but in addition now has to contend with E E C trade protectionism

Tobacco Industry

Last year I mentioned the first phase of the new factory being erected for your South African tobacco subsidiary at Heidelberg in the Transvaal. Work on this phase is now nearing completion and production will begin shortly

We welcome the announcement made earlier in the year that Parliament has authorised the Minister of Finance to increase excise during the course of the year In the past such increases were announced when the Budget was presented, which resulted in the trade investing in abnormally high stocks in anticipation of increases in excise In the months following the Budget stock levels were adjusted by reducing wholesale purchases This build-up of stocks disrupted the normal distribution pattern in the trade and upset the normal production programme without benefiting the consumer

(Continued on next page)

More industrial giants must seek out Fortune

Bus. Sun. Exp. 18/9/77 (182)

By PENELOPE GRACIE

ODDLY, only three South African companies appear on Fortune's list of the 500 largest industrial corporations outside the US

The question arises as to why South Africa's other industrial giants failed to submit their annual reports to Fortune Doing so would have boosted our representation in the international stakes

The companies represented are De Beers, SA Breweries and Iscor De Beers has moved up to 147th position this year from last year's 197. SAB, a newcomer to the lists, comes in at 172 and State-owned Iscor ranked 254th

It has slipped from position 211 in the last year South Africa's Premier Milling which held position 373 in the 1975 list has moved off the list for it was consolidated into another listed company, Associated British Foods

Fortune's list shows Mitsubishi Gas Chemical at position 500 with sales of $395-m Surely we have more than three locally owned groups with turnovers in excess of R343-m in 1976?

Where are our top industrial giants? Where is Barlows, and Murray and Roberts? OK Bazaars is consolidated into SAB but what of AECI, Anglo-Transvaal Industries, Amic and Picbel?

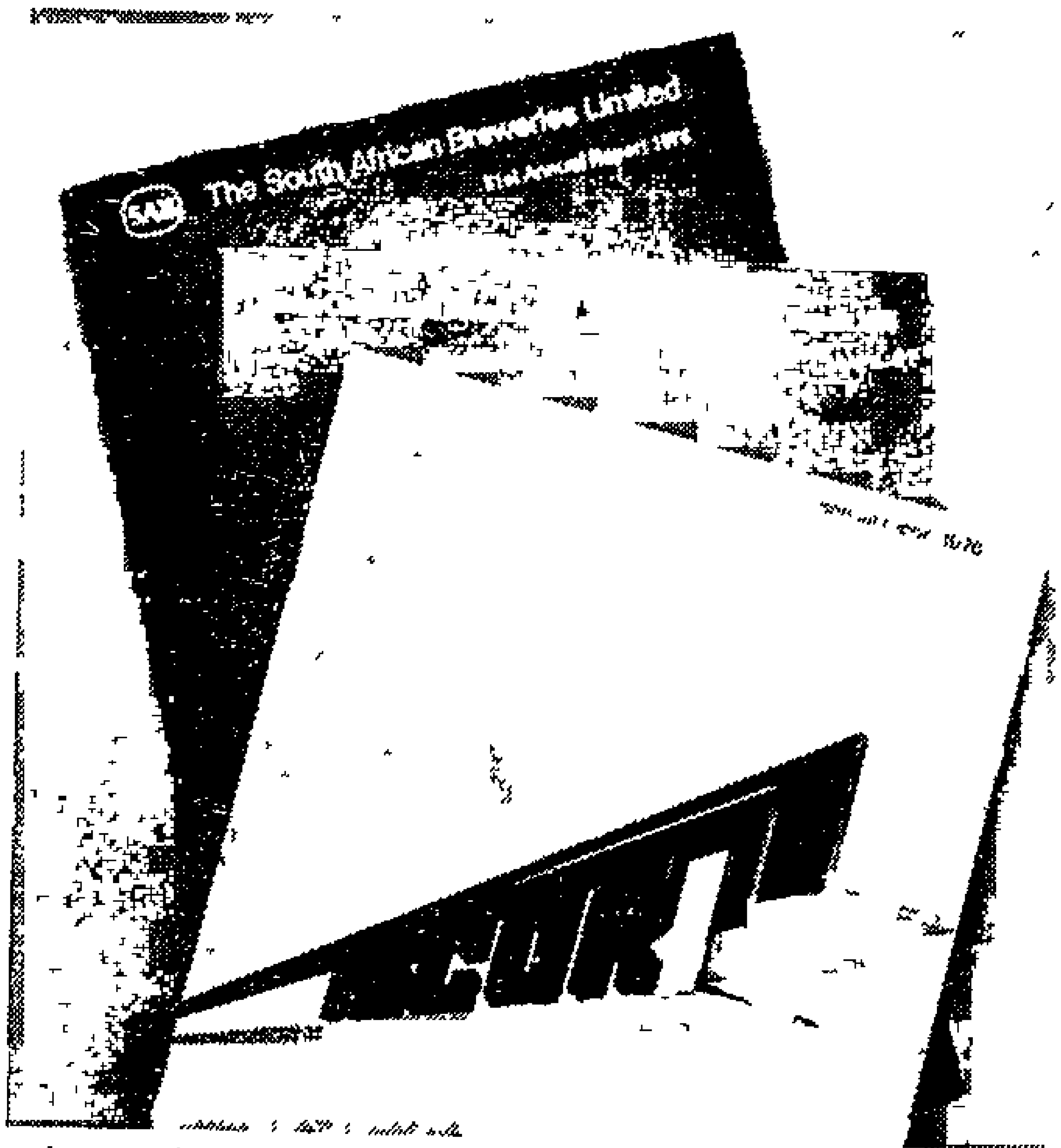
South Africa with only three industrial companies listed in the top 500, ranks alongside some of the world's lesser industrial nations — India, Mexico, South Korea, Turkey and Venezuela

The Fortune list also reflects the world's largest money losers outside of the US British Steel takes the top prize

Last year it lost $541-m but ranked 33rd on sales. The French company, Denain Nord-Est ranking 47th on the list of highest sales in the world, lost $517-m, and another French giant Salicor, which ranked 128th, lost $311-m in the year

Interestingly seven of the biggest losers are also among the top 50 companies when ranked on sales.

• The world's biggest company outside the US is the Royal Dutch-Shell group with annual sales of R30 000-m



Annual reports of South African Breweries, De Beers Consolidated Mines and Iscor, the only South African companies rated in Fortune magazine's top 500.

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Schulze

(1947) using the empirical approach of Köppen, and is classed as "CWb". This notation indicates a warm temperate climate with at least one month with a mean temperature below 18°C and at least eight months with mean temperatures above 1°C, with the coldest month above -3°C. The "W" symbol, desert, is derived from a combination of summer rainfall less than 635mm with annual mean temperatures of under 15,5°C. Using Thornthwaite's classification, Schulze (1947) described the area as a sub-humid warm climate with deficient moisture in all seasons, "CB'd".

These plots are associated with bantu habitation in the form of kraals and locations, and the stresses that are associated with a large number of people with livestock. Plot 195 is the exception, being far from habitation, but there is evidence to show that in the past it may have been a road site.

The basal cover is good, normally being about 3,0 per cent. There is a very high grazing pressure on all these plots and all grass culms are grazed off short. This gives a very fine-textured photo image with a greyey-yellowy-brown (gyybr) hue. The brown will be caused by the reflection of the red soil forms (Avalon and Hutton).

5.2.3 (xii) Er... grostis plana co-dominant grassland community

This community (...), 183, 162 and 172. Communities
in this category ... the pediment. These waterways are
not intermittent ... s (banks) but are depressions in which
water collects c ... l to the rivers.

Eragrostis ... ant but Eragrostis plana is more
frequent than i ... Andropogon appendiculatus, although
not dominant, i ... plots.

In situ ... longer Pennesetum sphacelatum is
present and, in li ... dominant. No plots were taken in
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basal cover coul ... an five per cent.

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it is not limited ... overlap into
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N Mercury 13/10/77

The spirit is lacking

182

SURE cures for alcoholism seem as far away from achievement as ever, if recent experience from the Cape Province is anything to go by.

The William Slater Hospital for Whites was the first special institution for the treatment of alcoholism to be established in South Africa by a provincial authority.

A large team — including psychiatrists, registrars, nurses, psychologists, social workers and occupational therapists — works there.

According to the S.A. Medical Journal, the treatment offered is of the most intensive type, starting with an in-patient stay of 3 - 4 weeks.

This is only a preparation for continuing out-patient treatment.

Therapy offered to the alcoholic was both specialised and sophisticated.

But of 41 Whites who attended the William Slater, only four could be regarded as having achieved the desired treatment goal.

Of Blacks treated, only two achieved sobriety or controlled drinking. Originally 30 were involved.

"This follow-up demonstrates that this form of treatment is unsatisfactory and unsuccessful, since only 7-10 percent of patients referred to specialised units attained sobriety," comments the author of the Groote Schuur study.

He points out that this is less than the percentage reported in other studies, in which, with no treatment at all, 15 percent became abstinent.

MANUFACTURING.
BEVERAGES

NOV. – DEC. 77.

MARCH. – NOV. 78.

LIQUOR INDUSTRY

Going for the tiddlers

(182) FM 24/11/78

Jaws apart, dorsal fins churning up the water, liquor leviathans SA Breweries and Rembrandt are once again in the throes of a bitter battle for SA's R1,4 billion drinks market. In the process, still more smaller fry are likely to be swallowed up

First in the feeding line is the last of the important vertically integrated liquor groups — Jan Pickard's Union Wine-Picardi Hotels combine. Pickard told *FM* this week he had been approached

by SAB and was busy "talking." But in virtually the same breath he claimed a more tenuous but still significant feeler had been put out by Oude Meester — SAB's traditional enemy and Rembrandt's wine and spirit arm in the restructured Rupert group.

Pickard says SAB approached him some 10 days ago. "They came to sew it up; we talked to them in principle. Money was not discussed. But we're talking further. I'm quite happy to talk, and for that matter I've also talked to someone at Oude Meester."

Pickard's disclosures have caused consternation in the industry. Oude Meester boss Gys Steyn says he is "not aware" of discussions with Pickard but adds: "If there had been it would not be a matter for announcement to the press."

And in a salty reaction to the possible takeover of Pickard's liquor interests by SAB, Steyn adds: "SAB's illegal entry into the wine and spirit industry created a serious imbalance in the competitive situation This threat to all competitors in wine and spirits through a monopoly in beer could only be removed by breaking that monopoly with an alternative supplier of beer becoming firmly established. Rembrandt's minority investment in Gilbeys strengthened competition both in wine and spirits and in beer. If SAB should take over Union Wine the effect would be the reverse."

Illegal entry

Breweries' MD Dick Goss confirms talks with Pickard ("I won't contradict what he has said") but adds it would be a mistake to regard the deal as a "fait accompli."

On Steyn's comment about SAB's "illegal entry" into wine and spirits (through its takeover of Stellenbosch Farmers' Winery 15 years ago) Goss argues that the acquisition of SFW was tested in the courts, found to be against the Liquor Act, but Parliament later amended the law and the deal was ratified

Meanwhile, Pickard refuses to say publicly which parent he would prefer Sources close to him, however, maintain there are "bad vibes" between the former rugby Springbok and his old colleagues at Oude Meester They believe if a deal is clinched it will be with SAB

Such a move would be a logical counter to Remgro's recent purchase of 49% of Gilbeys, which SAB refers to as "a very unfortunate development" An SAB spokesman explains that Breweries has been "forced to seek permission to increase its involvement in 'tied' outlets to restore the competitive balance."

Moreover, Goss claims SAB was offered Gilbeys first but because of his group having campaigned for non-involvement by producers "we therefore declined.

"We don't want to be further involved — but on the other hand we are equally unhappy about being bound in an unfair situation where our competition has a better position in the bottle store trade," he warns.

Sammy Linz, who runs Rebel bottle stores, part of Gilbeys, says current developments bode ill for small traders They could go to the wall, along with the independent brandy-vodka-cane-gin-only stores and others serving the shebeen trade. "Big is beautiful," he argues. He foresees more of the trade going the "hyper route." By "hyper" he means a store with a turnover in excess of R200 000 a month, as opposed to the R50 000-a-month outlet on the corner.

Unless these developments take place, he says, smaller stores will have to push for legalised in-store wine tasting and seek recognition as specialists with a legitimate place in the market. The alternative, Linz is convinced, is slow, painful, but inevitable death

Or perhaps a quick death if the leviathans decide to do battle at the retail — as opposed to wholesale — level Significantly the market place has interpreted SAB's current negotiations with Union Wine as precisely such a move.

Union Wine operates as a producer and wholesaler of liquor, controlling — according to last year's accounts — 28 hotels, 27 off-sales, and 29 bottle stores. It also markets under co-operative agreements such fine wines as Bellingham. Since 2 256 liquor licences are held by bottle stores and hotel off-sales outlets altogether, the acquisition by SAB of this small number hardly seems significant. But it does bring SAB more into line with Rembrandt on the bottle store side, where Breweries needs more muscle.

Other ways that large producers like SAB and Oude Meester can gain control of outlets without actually following the takeover trail are also being exploited. Explains OM chairman, Dirk Hertzog:

"Ownership is merely one way of tying outlets to a supplier. It is the least objectionable way because the ownership is known and disclosed to the Liquor Board

"Outlets, however, are tied in many other ways — notably by loans at low or even no interest, by discounts aimed at knocking out competitors, by special guarantees, and by extended credit." It would be misleading, he adds, to disclose ownership without simultaneously giving all details of other "ties."

Hertzog's remarks are interpreted in the trade as a dig at SAB for making a massive R2,5m low-interest loan (since repaid) to Rebel when Linz was in control. Since the major effort centres on the bottle stores, Rupert's men in the field are saying they will have to use the same tactics.

Yet Goss maintains his group's involvement with the retail trade has been fully disclosed and is "totally recognised."

Beer is the flagship of liquor retailing. Thus, of the R1 400m a year that SA spends on its liquor, R425m goes on beer (with another R200m on sorghum beer). Rembrandt hopes to capture at least 20% of this market through its Intercontinental Breweries. The group's declared intention is to "break the beer market by full

Rebel scooter . . . delivering the goods?

...ary to labour the point that until 1972 too much was

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competition." That is why — the group stated at the time — it took 49% in Gilbeys

But the twin keys to the retail market are the bottle stores and the off-sales outlets These generate well in excess of R800m, or two-thirds of total retail liquor sales Of the 2 256 bottle stores and off-sales outlets, industry sources reckon 600 are tied to major groups — including medium-weight traders like Rennies and Premier Milling.

SAB's Solly Kramer chain owns over 130 on its own and Rembrandt now has direct influence over something like 300 through Western Province Cellars, Liquor Town, and Gilbeys/Rebel

OM's Hertzog says his group has the edge on SAB on the bottle store side, but concedes that SAB owns more hotels Breweries' hotels are a source of extreme annoyance to Rembrandt. Dr Rupert's executives claim, for example, that they have on more than one occasion entertained at SAB-owned Southern Sun hotels (the Landdrost for one) only to find Oude Meester's most popular products unavailable

Goss admits this could have happened but he views such conduct in a "very serious" light. "It is completely against our policy which states that consumer demand must be lived up to "

The factor points system — under which points were allocated for the ownership of various types of liquor licence — appears to have collapsed as the industry has restructured itself. SAB was set a ceiling of 2 000 points, as was OM Gilbeys and Picardi Investments were each set a ceiling of 1 000. Now all restraints seem to have gone and it is open season from all accounts.

Those hoping government may step in and enforce new guidelines or constraints may be in for a shock The Liquor Board's Eric le Roux tells the *FM* he knows "absolutely nothing" about such a move. If Justice Minister James Kruger is planning anything, he is playing it very close to his chest

Meanwhile, the two majors' annoyance with one another is not difficult to detect While OM executives bitterly blame SAB for much of the turbulence, Breweries men are equally infuriated According to them, SAB has for some time campaigned for a "planned reduction" in the number of outlets tied to each producer while stressing.

- The process must not be allowed to disrupt the stability of the retail trade to which producers have contributed,
- Vested interests must be respected; and
- The competitive balance must not be upset.

Asked whether he thinks current goings-on will lead to a full-scale price war, negotiator Pickard is sceptical. "The Oude Meester Group aren't price cutters, they're marketing men," he insists. "I know them because of my own old association with them — I was a founder member of the group. They'll fix up their windows to look like something and do that kind of thing. But they won't cut prices "

Unlike most of the smaller traders, Premier Milling's Tony Bloom is fairly confident about the future. Indeed, Bloom is looking for additional outlets to supplement Magnum (which he describes as a "new concept"), Benny Goldberg ("simply the biggest"), and the Civil Service Bottle Store ("unique at the top end of the business"). Premier's liquor interests are rounded off by the Gray Smith stores and President Wine & Brandy. Bloom concedes he is also planning to expand into hypers, where turnover can be in excess of R300 000 a month.

Rennies Liquor Holdings' John Lacey is more reticent. Lacey, whose group controls Douglas Green, J D Bosman, and 23 Holiday Inns, says: "We are awaiting clarity on the factor points system — or its successor. We are also waiting to see what repercussions the latest acquisitions will have on the liquor industry."

... in connection ... public sittings in that year.

Disputes and Strikes

Finally, one of the principal objectives of the Act was to settle disputes between African workers and their employers. Until 1973 all strikes by, or lock-outs of, African employees were prohibited as were the instigation or incitement of such strikes or lock-outs as well as sympathetic strikes or lock-outs. The maximum penalties for a contravention were severe and comprised a fine of R1 000 or three years' imprisonment, or three years' without the option of a fine, or a combination of both fine and imprisonment.

The Act defined a labour dispute as one between an employer and two or more of his African employees in connection with employment, conditions of employment or

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22. Report of the Department of Labour for 1973 (R.P. 33/1975) p.13.

WINE

FM 24/11/78 (182)

Too many pips

SA's 6 000 winegrowers have demanded firm assurances from Justice Minister Jimmy Kruger that their interests will not suffer as a result of the battle for supremacy between Remgro/ICB/Oude Meester and SA Breweries, (see page 700).

In a sternly-worded letter to the minister a few weeks ago, shortly after Remgro paid R18m for 49% of Gilbeys, KWV expressed a keen sense of betrayal at Kruger's decision to abandon the Factor Point System, a gentlemen's agreement concluded about four years ago to put a ceiling on vertical integration in the liquor industry Kruger has been led to understand that, because producers were not consulted about the abrogation of the agreement, farmers reserved the right to look after their interests on the home market.

Under normal circumstances, when producers have a problem which threatens their freedom of action at primary level — and sometimes even in "downstream" marketing activity — amendements to the various control acts have usually been forthcoming to restore the balance of power. Deals like the Remgro-Gilbeys alignment and the distinct possibility of overt co-operation between SAB and Union Wine are omelettes which cannot be unscrambled by legislation.

KWV chairman Andre du Toit expects remaining independent wholesale producing merchants to be mopped up as Remgro and SAB take up strategic positions for their beer war He also expects a further wave of strategic investments in independent liquor stores with huge volume throughputs On a recent visit to KWV headquarters in Paarl, SAB chief executive Dick Goss made it clear he regarded the abandonment of curbs on wholesale producing merchants into retailing as a signal to abrogate all resale price "understandings" between traders.

Du Toit fears that, because beer is to be the chief weapon in the armories of SAB and Remgro, vine products will receive secondary consideration by the two giants He is not impressed with arguments that fierce competition between the two groups will boost wine and spirit sales.

Price wars between groups with enormous cash resources are invariably inconclusive and usually end up in covert truces. The possibility exists that when SAB and Remgro tire of battling with each other they could reach covert understanding and carve up the market, to suit their respective strong points. Minimum price agreements, agreed market shares and other adverse arrangements could result. Wine farmers would be at the mercy of an oligopoly.

KWV is therefore expected to step up activity on the home market Direct sales of natural wine to the public by SA's 70 producers' co-ops are rising fast. By building more central bottling plants like the one at Worcester, output could be increased sharply Officials in Paarl are not fazed by the fact that the co-ops are ill-equipped with marketing outlets. In Germany, they say, 40% of natural wine sales are by mail order. They are confident the same high degree of direct sales could be achieved here.

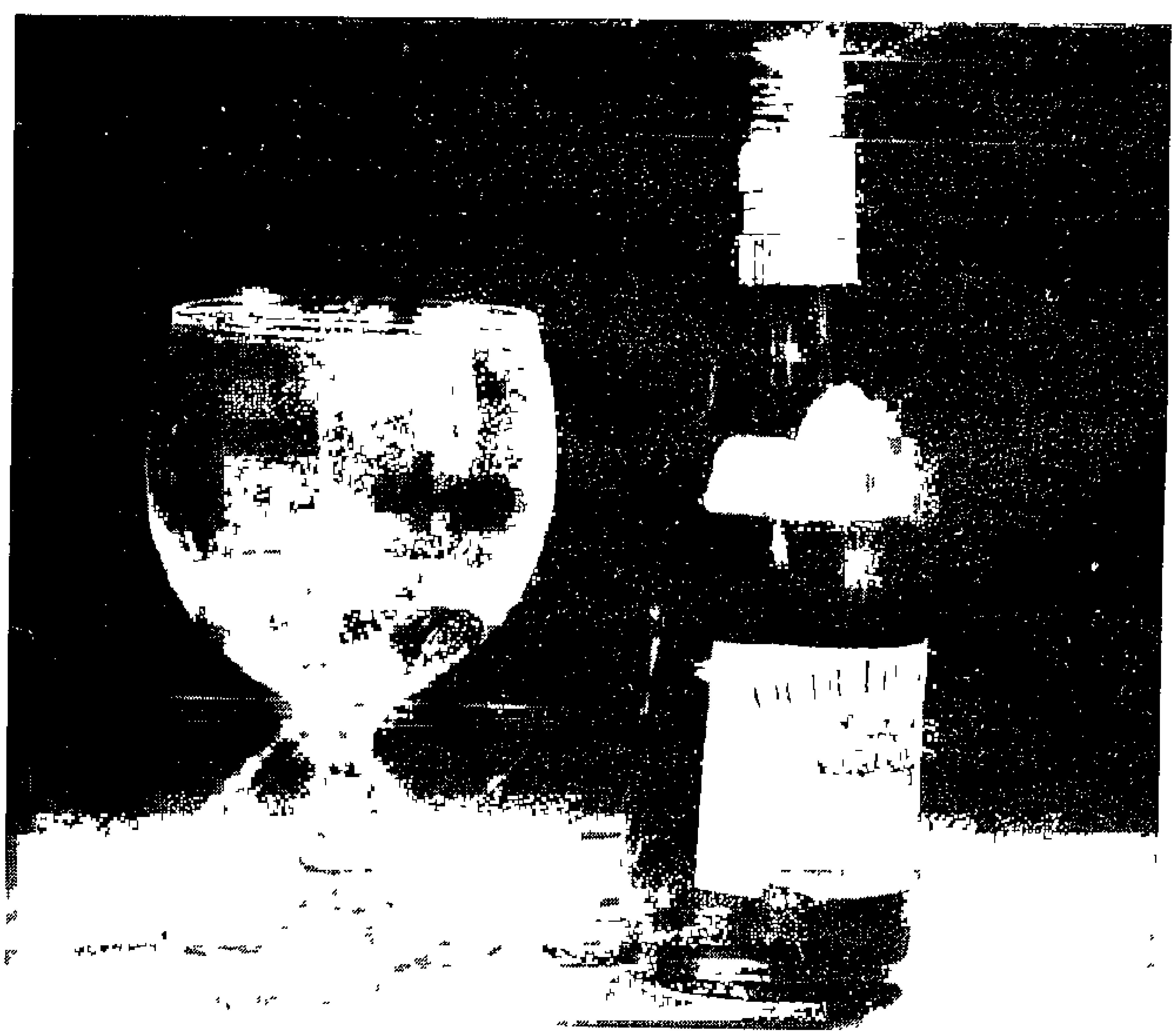
At the same time, it can be expected that the powerful wine lobby in parliament will go to work to unfreeze SA's rigid liquor laws by putting the squeeze on the cabinet to allow freer distribution of natural wine at grocery stores Andre du Toit argues shrewdly: "It's racially insulting that blacks and whites may mingle freely when they buy groceries and clothing, but when they buy liquor they are forced to shop separately"

KWV can be expected to protect its flanks, too, by insisting on tighter statutory surveillance of the production and marketing of wines of origin. One of chairman Du Toit's greatest fears about developments in the Remgro-SAB war is that it will precipitate large-scale standardisation of wine products

He argues that in a trade war it is essential to pare unit costs in order to get any sort of margin at all. Standardisation and product limitation is the best way to achieve large volume throughput at the lowest possible cost For this reason, says Du Toit, KWV will resist all attempts to water down the country's wine of origin legislation

There is, of course, another reason why he insists on strict enforcement of regulations tying origin to cultivar. The fastest growing sector of the natural wine market is for medium-priced wines The country's 70 co-operative wine cellars, with their low production costs, are in a favourable position to exploit limitations imposed by the origin laws

At present the medium priced wine market is dominated by certified wines. If the wholesale producing merchants are to compete effectively with the co-ops they would be forced to decentralise production facilities and this would upset their pricing structure



Wine's new image . . . like baked beans

DM 19/1/79

BEER

Pushing for market share

SA Breweries' MD Dick Goss is not letting the grass grow under his feet in negotiations to take over Jan Pickard's Union Wine and Picardi Hotels.

The negotiations — disclosed six weeks ago by the *FM* — have reached an advanced stage. The initiative was taken by SAB with the aim of tying up the last large vertically integrated liquor group as it and Anton Rupert's Intercontinental Breweries gird their loins for the great beer battle.

According to Goss, "a number of discussions have now been held with Pickard. "We're obviously talking seriously," Goss says, "but we have not reached sufficient finality to ask for the shares to be suspended." The SAB chief was not prepared to disclose what kind of money the deal would involve.

Meanwhile, the Rupert camp is not dozing: the *FM* learns that it is prepared to spend upwards of R40m on promotions to thwart the SA Breweries juggernaut.

Rembrandt controlled Intercontinental Breweries is believed already to be spending R12m a year on advertising, public relations and sales promotions. Considering that SA's total beer promotional figure is estimated by ICB managing director Gerard Steinmetz to be in excess of R20m, and that both SAB and ICB concede they spend about the same on total advertising and promotion effort, ICB, with less than 10% of the beer market, is clearly of the view that it will take heavy marketing programmes to dent SAB's dominance of the market.

Asked to what extent he is subsidised by Rupert's other companies, Steinmetz replied: "That's the $64 000 question right now, isn't it?"

It is known that in its first three years ICB lost R9,5m and last year Rupert told Rembrandt shareholders the bid for increased market share would demand "great expense and investment in market development and capital projects."

Disclosing his intention to take over the minority interest in Oude Meester (through which Rembrandt controls ICB), he said neither of the subsidiaries had the financial resources required for the battle.

Rembrandt, however, would supply the necessary.

Total capital investment in ICB plant, buildings, and equipment at March 31 1978 stood at R18m but Steinmetz reckons a further R10m has been spent since then — mainly on ventures in the Transvaal and Natal.

Since he believes he now has the capacity to meet ICB's requirements, spending on plant should slow down considerably, though the new Cape brewery will continue to need funds for a while.

Though Steinmetz "guesstimates" that ICB and SAB spend about the same on press and cinema advertising, he bewails the fact that ICB cannot hope to equal SAB's TV penetration. The reason is the SABC's tough ruling on spots for the beer trade.

A minimum of 12 spots per brand is automatically allowed each year. These are not interchangeable. The rest of the breweries' allocations is determined by a formula based on total advertising expenditure and market share. Since SAB and ICB are virtually on a par on expenditure, the key lies in market share. SAB — with about 90% of the market — has thus wound up with the bulk of TV spots.

ICB also still faces problems over SAB's introduction of Stallion 54 — a malt liquor beer which ICB contended was in illegal conflict with its own trademark Colt 45. The Supreme Court recently found that there was no infringement by SAB, but the matter is now going on appeal.

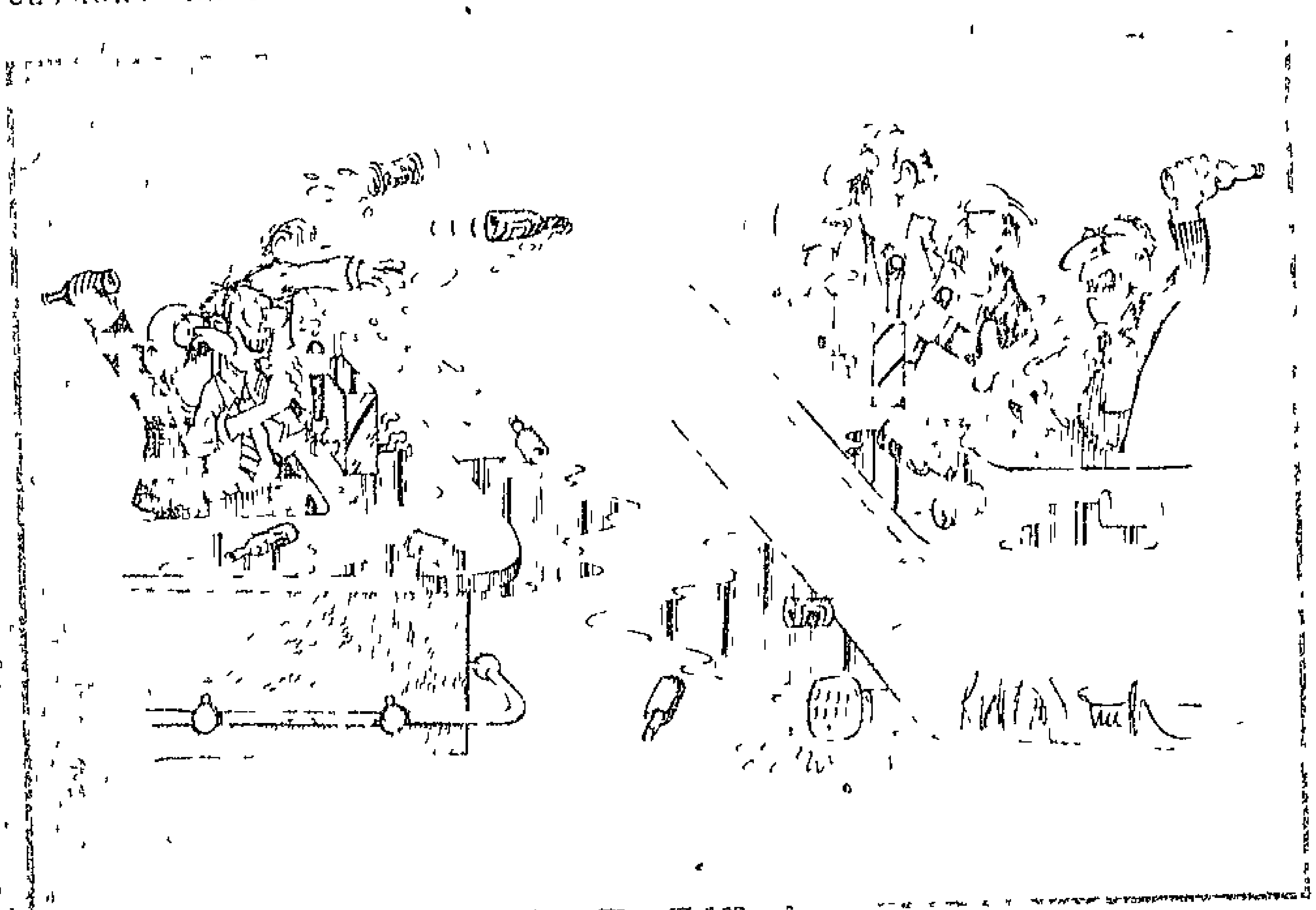
ICB's competitors are convinced that the launch of Colt 45 will go ahead albeit several months late. They reason that since the Colt 45 promotion material and the product had all been prepared (the beer was in tanks ready for bottling) when SAB sprung the Stallion 54 surprise, ICB could lose more by delaying the launch further and trying to re-cycle the beer into other brands' blends.

Steinmetz is as reticent about Colt as he is on ICB's current progress. "I'm never satisfied with progress," he says. But he claims the beer market is picking up and could benefit from the increase in the price of wine announced this week by the KWV.

Another obstacle is sales resistance in the black market, which Steinmetz estimates at 60% of the total (though SAB's figure is lower). As the result of long relationships with SAB, he says, it has proved extremely difficult to penetrate.

Nevertheless, ICB and its Rembrandt parent may have a number of cards up their sleeves. One rumour is that ICB may venture into the hotel business. As one senior executive says the success of SAB's venture into hotels lay in the fact that it sold the myriad small, hotel-owned and climbed into bed with the outstanding team of Sol Kerzner and Southern Sun.

If ICB had to get into hotels, it would have a limited choice of hotel chains. In fact the only one which looks a prospect is Holiday Inns. To buy it, ICB would probably have to pay a premium and take over Rennies Liquor too. And whether Rennies would be interested in divesting itself of an extremely worthwhile section of its business is another matter. ICB would be unwise to go it alone.



Don't worry, say beer giants

182

RDM 13/1/79

By SIMON WILLSON

TWO SOUTH AFRICAN brewing giants have joined forces to investigate whether local beers contain nitrosamines — the substance found in some beers by a German research team and labelled by them as "one of the strongest cancer-inducing agents known".

South African Breweries and Intercontinental Breweries said local beer drinkers should not worry about the claim made earlier this week by the German Cancer Research Centre that some beers constituted a cancer risk.

Even if nitrosamines are found to be present in beer, the South African brewers emphasised that Dr Tom Connors, of the Medical Research Council toxicology unit in London — which first discovered nitrosamine — had stated that "there is no evidence of any sort that nitrosamines cause cancer in human beings".

Commenting on the joint investigation, a spokesman for the brewers said last night:

"In other countries there are brewers' associations which react on behalf of the industry to matters of common interest. We have no such body here, so two companies with a common problem are looking at it together."

He added that co-operation was especially important in the case of the investigation of nitrosamines because of the complex analytical processes involved

The two companies will use laboratory facilities in England and in Denmark and hope to have the first results of their investigation within a fortnight

American brewers have known since the middle of last year about the discovery of cancer-causing substances in German beer and have been running tests on their own beers

The South African brewers quoted a statement by the American Brewers' Association which said:

"To date there is no medical evidence that the minute quantities of about two to three parts (of nitrosamine) per billion are harmful to man

"These compounds are so widely present in the environment and in a wide variety of common foods, in ambient air, cosmetics and pharmaceuticals that complete avoidance may be a practical impossibility."

● In Germany, two members of parliament yesterday demanded in Parliament that the West German government prove conclusively that beer contains nitrosamine, reports UPI.

SA BREWERIES

(182)

Girding for war

FM 17/11/78

Though non-liquor interests increased their contributions to earnings by about 24%, the intensifying beer and liquor war meant that SA Breweries reported an unexciting 0,4c earnings increase to 7,4c in the six months to September 30.

The liquor divisions' margins came under pressure with higher marketing expenditure required to maintain market share. Nevertheless "their taxed profits approximated those for the first six months of the previous year," say the directors

Besides profit considerations, the liquor war has taken a new turn which could oblige SAB to increase its currently planned R60m capex.

The directors are upset that approval has been granted for Remgro's take-over of the Gilbeys group, which has 50%-ownership of 60 Rebel retail liquor outlets. They feel this has "changed the competitive balance to the group's disadvantage" and intend making representations to the Minister to afford them equal treatment "to achieve parity in terms of our retail involvement"

Increasing the number of retail outlets is probably more easily achieved through acquisition If so, where might that leave Uniewyn? Establishing new outlets would probably be partly financed from the September R50m deb issue, rather than repaying existing debt Therefore, it is possible that the R60m capex, which was intended largely for the liquor division, will be substantially increased. Under these circumstances gearing would still be satisfactory. Adding the debs to previous borrowings raises the debt:equity ratio from 51% to 60%.

The directors forecast a "sluggish upturn in economic activity," but expect non-liquor activities to at least offset the "erosion of liquor profit margins" in the second half. They point out that "there is a reasonable prospect that profits ... will at least match those of the comparable previous period."

It seems unlikely that last year's 8c final will be bettered after the maintained 3c interim. On growth considerations the shares have fallen to 130c, yielding 8,4% On this they merit a buy recommendation but investors must be prepared to sit out a prolonged beer war

Peter Pittendrigh

qualification, must attend classes at a Technical College to at least an N 11 level. However, if an apprentice is unable to pass even N 1, he/she would still qualify as an artisan at the end of the period of indentureship, i.e. through passage of time. The holder of an N 111 is regarded as having an educational qualification equivalent to Standard X.

The ambitious apprentice of recent years could continue with the NTC parts 1V and V and the National Technical Diploma (NTD). Today the 'T' examinations have replaced the NTC 1V, V, and NTD. The introduction of the T courses heralded the age of clearly defined qualifications for technicians. The Diploma qualification is at a higher level than the Certificate. Thus the Diploma T course ... higher level than the Certificate T course. The Certi... ...pletion of T1, T2, and T3, each compr... ...ing a total of 360 hours of instru... ...e offered only at Colleges for Adva... ...also offer some of the Certifica... ...ical Colleges. The Diploma can... ...4, each comprising six subjects and... ...on, including laboratory work. In... ...ss all subjects with an overall ag... ...candidate on the other hand, re... ...ell as the Certificate, is only awa... ...erved a period working for an app... ...which he/she is being trained.

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SOFT DRINKS

The slim sell

182

FM 17/11/78

Diet soft drinks are big business Store Audit Research shows that diet drinks have increased their share of the overall carbonated soft drink market by a staggering 103% in the last three years

Diets now has a 6% to 10% share of the total soft drink market Coca-Cola chief Fred Meyer projects, on US experience, that diet drinks are likely to stabilise at a 10% share Bill Donald, Pepsi-Cola marketing manager meantime expects diet drink consumption to grow between 25% and 50% in 1979 He thinks diet drinks could hog a 15% share of the overall soft drink market in the short term.

With its sacharine/cyclamate-sweetened Tab, Fanta and Sprite, Coca-Cola's diet-drink-share totals over 50%. Coca-Cola withdrew its grapefruit based Fresca earlier this year Meyer shrugs, "some drinks do well, others don't."

Diet Pepsi, from the Pepsi-Cola stable, is the number one brand leader with 37%. Tab trails with 29%; Fanta with 12,5% Pepsi's new entry, Mirinda Slim, in orange and lemon flavours, has grabbed 5% of the total market in its two week post launch Says Donald, "we're hoping for a 10% to 15% market penetration within the next three to four months."

Pepsi intends bringing in more new flavours — "we're reaching a far younger market with them and we'll be opening it up further" Donald feels that if blacks, who account for 70% of over-all soft drink sales, can be converted to the diet market, sales would go up even more spectacularly.

On the fringe of the diet market are diet mixers Canada Dry with its imminent Reef launch of Canada Slim diet ginger ale and tonic water is about to enter that area

Regional manager Gordon Huggins says Canada Dry is preparing to "invest" behind the products He expects diet mixer sales to reach 12% to 14% of the Reef market Initial sales are expected to total 2 000 cases of one-litre bottles of ginger ale and 1 000 of tonic. Huggins: "I would be happy with that It might go up to 3 000 cases of ginger and 1 500 of tonic in the short term."

Cadbury Schweppes does not intend "at this moment" to compete in the diet mixer market. Cadbury Schweppes came in two months ago with Diet Sparkling Lemon, a "6% pure fruit juice base" drink Group MD Neville Bain expects a 16% to 20% growth in demand for this high flavour drink. Sales so far, he says, have been "well in excess of expectation."

Nobody expects the US and Canadian polemic about the carcinogenic properties of saccharine and cyclamate to depress diet drink sales in SA. Says Fred Meyer "The SA authorities have found no firm evidence contra-indicating the use of these artificial sweeteners." Good news for thinnie fans.

Division 34: manufacture of paper and paper products; printing and publishing.

Division 35: manufacture of chemicals and chemical, petroleuum, coal, rubber and plastic products.

Division 36: manufacture of non-metallic mineral products, except products of petroleum and coal.

Division 37: basic metal industries.

Division 38: manufacture of fabricated metal products, machinery and equipment.

Division 39: other manufacturin

Since 33 firms were seen out of ... blishments with more than 300 employees, the san ... one firm for every four establishments. The ... erviewed in each division too is roughly one for ... ments with over 300 employees. Most of the fi ... isted of a single establishment.

C. Natal Employers' Association su

We were fortunate in obtaining ... nce of the Natal Employers' Association, who sen ... ee Appendix B) on SALDRU's behalf to all of th ... of approximately 300 firms operating throughout ... firms responded. They employed 2 951 (14,1%) Whi ... sians and'Coloureds' and 14 643 (69,7%) Africans,a t

D. Witwatersrand

The Witwatersrand area include ... tricts of Alberton, Benoni, Boksburg, Brakpan, Gerr ... Kempton Park, Krugersdorp, Oberholzer, Randfc ... d Springs. A total of 26 firms were intervie

... ir headquarters in ... red is far greater ... were involved ... ices of one kind ... terviewed, consisted ... a company to manu- ... and repair them). ... ey of firms on the ... rviewed were based ... try and provided ... just that part

Rapport 12/11/78 182

SAB SE WINS IS EINTLIK HOËR

DIE verhoogde halfjaar-wins wat die SA Brouerye vandeesweek aangekondig het (7,36c per aandeel teenoor 6,98c in die ooreenstemmende tyd verlede jaar) is op die historiese basis eintlik baie beter as wat verklaar is. En die toepassing van die SA riglyn 4-003, ofte wel inflasieboekhouding, lê agter die storie.

Die SAB het reeds in sy jaarstate vir die jaar tot 31 Maart vanjaar die kern van die SA riglyn gevolg. Sy geval is kortliks soos volg: Krediteure en langtermynlaste is ongeveer gelyk aan voorraad. Die hefboomregstelling (wins op monetêre laste) is dus ongeveer gelyk aan die voorraadregstelling wat benodig word. Die bedrae kanselleer mekaar dus uit.

Al wat die SAB dus in effek moet doen (solank as wat monetêre laste gelyk is aan debiteure plus voorraad) is om addisionele waardevermindering af te skryf. En in die 1978-jaarverslag, nadat hul vaste bates geherwaardeer het, het SAB benewens gewone waardevermindering van R20,1 miljoen 'n verdere R2,6 miljoen afgeskryf. Volgens die herwaardasiesyfers was waardevermindering gebaseer op huidige koste (vervangingskoste) gelyk aan R22,7 miljoen.

Teen hierdie agtergrond kan 'n mens derhalwe SAB se wins vir 1978 soos volg uitlê:

Historiese wins ná belasting R64,5 milj.
Minus voorraadregstelling RX.
Minus addisionele regstelling R2,6 milj.
Minus hefboomeffek RX
Totale regstelling per 4-003 R2,6 milj.
Wins ná belasting per 4-003 R61,9 milj.

Die SAB kan dus stellig beskou word (met Huletts en Dunlop o.m ook) as 'n baanbreker op die gebied van 4-003.

S.A.B. ontevrede oor bierstryd

Burger 9/11/78 182

JOHANNESBURG.

DIE stryd tussen Suid-Afrika se twee grootste drankgroepe, Oude Meester en S.A. Brouerye, is aan die verhewig. Die jongste teken hiervan is dat die S.A. Brouerye gereageer het op die groot belang wat die Rembrandt-groep, wat Oude Meester en Interkontinentale Brouerye beheer, in Gilbeys verkry het.

'n Dringende aansoek sal tot die Minister van Justisie, mnr. Jimmy Kruger, gerig word om ook sy kleinhandels-afsetpunte te vermeerder.

S.A. Brouerye se direkteure sê in die maatskappy se tussentydse winsverslag met verwysing na die belang wat die Rembrandt-groep in Gilbeys gekry het dat die mededingende ewewig in die kleinhandel tot sy nadeel versteur is.

Uit die dokumente oor die oorname van Oude Meester het geblyk dat Rembrandt hom gereed maak vir 'n duur drankoorlog, waarvoor die Oude Meester-groep self nie voldoende geld het nie.

Verdere bevestiging vir die verhewiging van die drankstryd is die mening van S A Brouerye se direkteure dat sy winsgrense op drank in die tweede helfte van die boekjaar tot 31 Maart sal daal weens toenemende mededinging. Verhoogde bemarkingsuitgawes op drank word ook verwag.

Anders as in die afgelope boekjaar tot 31 Maart 1978 toe die drankafdeling, en veral bier, 'n groot bydrae tot die wins gelewer het, sê die direkteure dat die drankwinste die afgelope ses maande ongeveer dieselfde as in die ooreenstemmende ses maande verlede jaar wées.

Die toename in die toeskryfbare wins in die afgelope ses maande van 6,3 persent is gevolglik aan die ander belange van die groep te danke.

S.A. Brouerye se voorbelaste wins vir halfjaar was R36,18 (R33,37) miljoen. Die verdienste per aandeel was 7,36c (6,98c), waaruit 'n onderanderede tussentydse dividend van 3c verklaar is. Verkope het sterk tot R743,67 (R652,62) miljoen gestyg

Uitspraak is onlangs voorbehou in 'n geding tussen die twee groepe oor die gebruik van die handelsmerke Colt 45 deur Interkontinentale Brouerye en Stallion 54 deur S A Brouerye.

committees at the lower end
committees was introduced.
of some members appointed by
his African employees. At
be elected by the African
e employer and need not be
nted in a manner determined
ers have preferred the
edence over the works
committee are very simply
are of mutual interest to the
d to make to the employer such recommendations
oyment of such employees or any other matter
The law does not limit the period of office
would presumably be bound by the terms of its

ther hand, is a wholly elected body. In any
than twenty African workers, where no liaison committee exists, such workers may elect a works committee consisting of no fewer than three or more than twenty persons. However, representation is limited to a quarter of the total number of African workers in the establishment or section of the establishment at the time of the election. The Bill extended representation in the sense that it allowed for more than one works committee in an establishment and in larger firms, therefore, sections of the African labour force can now elect their own works committees.

A meeting convened to elect a works committee is held under the chairmanship of the employer concerned or his authorised representative. Obviously where the employees and their employer enjoy a reasonably harmonious relationship dissension on this score is unlikely. However, where relations are cool or even hostile, where distrust exists on one or both sides, this particular arrangement is inadequate for resolving what may be a fundamental conflict of interests. While the present definition of a labour dispute is far wider than that contained in the 1953 legislation, and a Bantu Labour Officer and/or Inspector, with or without the assistance of the Regional Bantu Labour Committee concerned, should intervene in an attempt to effect settlement there does seem to be a remarkable shortcoming in this connection. The Act

Steady SAB alleges discrimination

RDM 4/11/79
(1K2)

By HAMISH FRASER
Deputy Financial Editor

SOUTH AFRICAN Breweries has coupled a predictably pedestrian set of interim results with the disclosure that it believes it is being unfairly treated in terms of the Liquor Act and will appeal to the Minister of Justice for its competitive position to be restored

Attributable profits rose by 6,3% from R15 311 000 to R16 269 000 in the six months to September 30 on pre-tax profits which increased by 9% from R42 040 000 to R45 834 000 Turnover rose by 14% from R653-million to R744-million

Earnings, allowing for a higher appropriation to minority shareholders and an increase in the issued share capital, inched up from 7c a share to 7,4c a share

The interim dividend has been maintained at 3c

SA Brews directors attribute the failure of pre-tax, pre-interest profits to keep pace with turnover to the higher cost of marketing in the liquor division

"These divisions achieved growth in turnover substantially in line with the estimated growth of the industry and their profits after tax approximated those for the first six months of the previous year, despite the higher level of marketing expenditure referred to

"The increase in attributable earnings was therefore brought about by satisfactory profit improvements in the remaining interests of the group "

In an obvious beef at the way its main competition, the Rupert Distillers group, has been able to increase its muscle in the retail market by taking, through Gilbeys, a stake in the Rebel retailing chain, SA Brews says it will make representations to Pretoria to achieve parity with its competitors

"The Liquor Act has been administered in a manner which has allowed major producers/wholesalers a limited but equal capability of investing in the retail liquor trade," SA Brews says

"It was recently announced that a major liquor producer-/wholesaler had acquired a stake in another wholesaler with widespread retail interests In terms of the Liquor Act, a transaction of this nature requires ministerial approval

"This was granted and the effect is to change the competitive balance to the group's disadvantage

"We will make urgent representations to the Minister to achieve parity in terms of our retail involvement based on the fundamental principle of equal treatment by Government for all competitors in the private sector "

SA Brews is no stranger to discrimination in the liquor business and all power to it in its efforts to see that its commercial position is not prejudiced

It already faces a penal tax, imposed on a volume basis, in its brewing activities and it is acting its shareholders' interests to see that it is subjected to no other commercial disadvantages

Looking to the next six months, SA Brews says that the upturn in overall economic activity will be sluggish

"Competition in the liquor industry will intensify and this is likely to result in some erosion of liquor profit margins and further increases in marketing expenditures

"However, the diversified interests should continue to show improvement

"Against this background it is anticipated that there is a reasonable prospect that attributable profits in the remaining six months of the financial year will at least match those of the comparable period of last year "

SA Brews shareholders, if they have not already recognised it, should realise that in the short term at least, the directors are committed to a financial policy which is designed to entrench the group's market position once and for all and that the numbers at the bottom line are unlikely to be spectacular in the next year or so.

But once SA Brews is confident that it has its balance sheet in the sort of shape that it believes is necessary to withstand all weathers, and once it is sure that it has the full measure of the Rupert group, the growth in sustainable earnings will have made the wait worthwhile

Analysis of the category of engineering technician effectively illustrates the point. The 1970 Census gave a total of 6 300 (excluding the handful of African technicians). The 1969 Survey total was 5 128 and the 1971 Survey total, was 5 433. Thus the 1969 and 1971 figures are respectively 81,4% and 86,2% of the Census figures. The difference is surely significant. Further similar discrepancies can easily be found. er

Note further that is is dangerous to use the 'Shortages/Vacancies' numbers in the Survey to determine the total demand for technicians (or shortfall in the supply). This is because categories such as 'engineer' and 'technician: engineering' are separated, whereas in the case of the category 'geologist' for example, no distinction is made between a geologist who holds, say,a Ph.D., and one who holds a National Certificate. This makes it impossible to obtain a picture of the shortage of geology technicians. It is likewise useless should they happen to be classified under 'technician: other'.

Furthermore, a 'Shortages/Vacancies' figure of 784 engineering technicians given in the 1975 Survey does not indicate that it is necessary immediately ... Sufficient trained personnel m ... headed 'Managerial, Executive a ... lution to the shortage might be to ... nicians for technical jobs.

According ... of engineering technicians wa ... yed. However, the findings o ... tion of the Societies of Profess ... hey found that 19 632 engineeri ... dents to their questionnaire. ... hortage, was a staggering 17 ... Compare this with the singl ... becomes obvious that huge disc...

It is illu ... ication of these figures.

NM 31/10/78 (182)

Beer boss confident of winning battle

JOHANNESBURG — The battle for a bigger share of the R350-million a year beer market will be long, but Mr. Gerard Steinmetz, managing director of Intercontinental Breweries, is confident he will succeed.

The determination of the brewery to achieve its aims was expressed by Mr. Steinmetz who said his company was looking for its share of the market, and "as there are only two breweries in South Africa, that means 50 percent."

The first step will be a gradual build-up from the current market share of between 9 percent and 10 percent to 20 percent.

Last week, Intercontinental officially opened its R7-million brewery at Fountain Park, Prospecton, near Durban, as part of a R16-million expansion programme which will include extensions to the Chamdor and Bloemfontein breweries.

A second phase will be the opening of a brewery at Blackheath at the Cape. Property has been acquired in the area and a decision to go ahead with the project is expected early next year.

The company's four brand names were launched nationally in March this year and Mr. Steinmetz is satisfied with market acceptance.

The Natal brewery will solve many problems associated with transport and result in considerable savings. It will also allow for a bigger attack on the Eastern Cape market where the company's products have not been as well received as had been expected.

Previously, this market was served from the Bloemfontein brewery, but rail costs added considerably to overheads. This market will now be supplied from Durban by sea.

Another development within Intercontinental, which falls under the Rembrandt banner, is the acquisition by Rembrandt of a 49 percent interest in W & A Gilbey (SA) and the purchase of a 50 percent interest in Rebel Discount Liquor Stores by Gilbey Distillers & Vintners.

LIQUOR (182) FM 3/11/78

Punch for all tastes

If there is a beer war between SAB and Remgro's ICB it will be confined to the wholesale level.

The numbers indicate that, in theory anyway, it would be dangerous for the two groups to do battle down at the retail level.

Total number of liquor licences in issue is 5 719, about 600 of which are tied to the five major wholesale producing merchants. Opinions differ about volume throughputs of the "tied" sector. Fedhasa sources say they account for 40%; wholesale merchants say it is half that. Nevertheless, both SAB and Remgro agree it would be madness to disrupt the retail situation that has prevailed the last four years or so.

Competition in the beer market (528,6m litres in the 12 months ended July 1978; retail value R425m) is going to be intense and capital-hungry. It is a point for Oude Meester minorities to ponder before next Friday's meeting to consider the Remgro scheme of arrangement.

To become profitable, ICB will have to capture about 25% of the beer market. Installed, ICB brewing capacity will give it 20% of the market, including the planned Western Cape facility.

ICB refuses to disclose current market share. Whatever it is, it has probably gobbled up more than R40m so far (including the Gilbey deal which opens up another 60 selling points where it can expect preferential treatment in addition to the 200-odd WP Cellars and Liquortown outlets).

To get to 25%, Remgro may have to sink a further R50m-R60m into the struggle. Because Oude Meester has 50% of ICB it would be expected to contribute heavily to campaign funds and that would be a heavy drain on OM's dividend capability for years to come. And although there are people with an unshakeable belief that Anton Rupert never enters a struggle that he cannot win, the might of SAB is such that it has the capacity to keep Remgro at bay for longer than most shareholders would care to wait.

Our advice to minorities, therefore, is to take 60c and wait for liquor bargains.

The inside view of the Gilbey deal is that it is marginally unfavourable to OM from another angle: the R18m cash injection will appreciably strengthen Gilbey's competitive position in wine and spirits. Notionally that could be a drag on OM earnings because it gives the UK group beer protection (from conditional selling) it never had before.

Market talk is that Union Wine's position is secure because it has been protection from SAB in terms of an unofficial treaty sealed with an alleged interest free loan. In fact, industry sources disclosed this week that it was an interest free SAB loan of R1,5m to Rebel which set in motion the whole Gilbey Rebel Remgro alignment last week.

RAPPORT, 29 Oktober 1978—3

RUPERT SLAAN 'N LEKKER SLAG

Deur DAWID MEADES

HOE koop 'n mens 'n groot Amerikaanse brouery vir feitlik niks nie? Die antwoord is deur jou vertroue in die Switserse ekonomie op die spel te plaas — en dan moet jou naam ook dr. Anton Rupert wees.

Dit is presies wat die Suid-Afrikaanse nyweraar gedoen het in 'n reuse-transaksie binne sy wêreldwye tabak- en drankryk.

Switserse frank help doen die ding met Carling se aankoop

DR ANTON RUPERT . brouery gekoop vir baie min geld.

Die besonderhede van hierdie verhaal is pas deur die invloedryke Amerikaanse saketydskrif Business Week vertel as voorbeeld van hoe multi-nasionale groepe die sterk Switserse frank inspan om vir oornames te betaal

In die geval van dr. Rupert se transaksie kon hy binne drie maande 'n wins van byna R20 miljoen (R28 miljoen Kanadese dollar) maak

Die partye in hierdie speletjie was almal lede van die internasionale Rembrandtgroep: R & R Holdings, dr Rupert se hoofbeheermaatskappy, wat tot onlangs Rothmans of Pall Mall Canada (RPMC) beheer het; Martin Brinkman, op een na Wes-Duitsland se grootste tabakmaatskappy en 'n volfiliaal van Rothmans International; RPMC, op een na Kanada se grootste tabakmaatskappy; en dan US Carling Breweries Inc. van Baltimore in Amerika, wat op sy beurt weer deur RPMC besit is.

Die hele storie het teen die einde van verlede jaar begin toe Carling oor nege maande 'n verlies van 10,1 miljoen Kanadese dollar getoon het Dit het 5 miljoen Kanadese dollar uit RPMC se wins gesny, en om sy inkomstestate beter te laat lyk, het dr Rupert op 15 Desember 1977 34,5 miljoen Kanadese dollar by 'n Kanadese bank geleen en die volgende dag Carling vir 30 miljoen Kanadese dollar gekoop.

Hierdie 30 miljoen dollar het RPMC se sake baie beter laat lyk Hy kon vir die jaar tot 31 Maart 1978 'n winsstyging van 44 persent tot 51,1 miljoen Kanadese dollar (voor belasting) toon.

In Junie vanjaar het dr Rupert besluit om sy R en R Holdings se belang in RPMC in kontant om te sit deur die maatskappy aan Martin Brinkman aan te bied

Brinkman het in die stadium sowat 200 miljoen Duitse mark gehad, wat net 3 persent rente in die Duitse banke verdien het Deur RPMC oor te neem, kon hy sy verdienste op die geld tot 14 persent opstoot

Maar R en R Holdings was net bereid om te verkoop as hulle in Switserse frank betaal word

Kortom, dit is presies wat gedoen is Alle winste van RPMC sou ook van die koopdatum van 20 Junie na Brinkman gaan, maar dr. Rupert het geëis dat hy dan rente kry op die kontantbetaling tot tyd en wyl die transaksie deur Rothmans International goedgekeur word, wat op 19 September gedoen is

Die verkoopprys vir RPMC was 96,9 miljoen Kanadese dollar, wat toe gelyk was aan 180 miljoen Duitse mark, wat Brinkman op die koopdatum omgeskep het tot 163,6 miljoen Switserse frank en dit in 'n soort trustrekening gestort het, waarop dr Rupert 1 3/8 persent rente per jaar sou verdien

In die drie maande tot September het die Switserse frank met 27 persent teenoor die Kanadese dollar gestyg en het die aanvanklike 96,9 miljoen Kanadese dollar tot 124,7 miljoen aangegroei, met inbegrip van die rente wat verdien is

Daar was dus 'n wins van 27,8 miljoen Kanadese dollar en dr Rupert het inderwaarheid dan net 2,2 miljoen dollar vir Carling betaal!

Rupert ,veg' tot einde

Rapport 29/10/78 (182)

Deur DAVID MEADES

'n GROTER vastrapplek in die bierbedryf het nou noodsaaklik geword vir die sukses van die Rembrandt-groep se drankbelange. Dit sal 'n belegging van sowat R70 miljoen verteenwoordig wanneer Oude Meester en Interkontinentale Brouerye volfiliale van Rembrandt word, plus die belegging van R18 miljoen vandeesweek in Gilbeys.

Dit is daarom dat die bierstryd nou vir dr. Anton Rupert 'n stryd tot die bittereinde geword het — ongeag die koste.

Dit was waarskynlik een van die grootste redes waarom Rembrandt 'n belang van 49 persent in Gilbeys se gewone en voorkeuraandele gekry het Terselfdertyd het Gilbeys ook vandeesweek 'n belang van 50 persent in die drankafslaggroep Rebel Discount Liquor Stores verkry

Rembrandt is besig met 'n aanbod om al die aandele te verkry in Oude Meester en Interkontinentale Brouerye wat hy nog nie het nie Dit sal hom R25 miljoen in kontant kos en die grootste rede hiervoor is juis die doelwit om sterker in die biermark te word

Dié aanslag op die biermark sal heelwat nuwe kapitaal verg, wat 'n groot las op die buite-aandeelhouers sou geplaas het Die belegging in Gilbeys is spesifiek gedoen „om mededinging in die bierbedryf te versterk," wat dus daarop neerkom dat Rembrandt nou reeds R43 miljoen aan harde kontant stoot.

Groot geld

Vorentoe sal nog groot geld ingepomp word. By Rembrandt word gesê dat dit onmoontlik is om die omvang van hierdie belegging te bepaal. Daarvoor het 'n mens 'n kristalbal nodig en dit kan maklik tussen R15 miljoen en R50 miljoen wees

En hierdie soort geld is wel tot die beskikking van die Rembrandt-groep. Die wêreldwye groep hou elke jaar sowat R60 miljoen van sy winste terug, terwyl die groep ook pas 'n bedrag van meer as R100 miljoen in kontant oorsee losgemaak het.

Ofskoon niemand by Rembrandt hom spesifiek oor die bierstryd met SA Brouerye wil uitlaat nie, is dit duidelik dat die hele aanslag neerkom op 'n verbreking van SA Brouerye se feitlike monopolie en sy houvas op die kleinhandelmark vir bier

Lenings

Dit is bekend dat drankgroepe buite die SA Brouerye-groep met finansiële hulp in onder meer die vorm van rentevrye lenings gebind word om die afset van Interkontinentale Brouerye se produkte tot die minimum te beperk.

SA Brouerye het 'n paar jaar gelede ten volle beheer oor Stellenbosch-Wyntrust verkry en dit is duidelik dat daar by Rembrandt gevrees moet word dat daar aan die wyn- en spiritualie-kant soortgelyke druk op sy produkte uitgeoefen kan word

Met die sowat honderd ekstra kleinhandelafsetpunte wat nou deur Gilbeys beheer word, is die Rembrandt-groep dus van één ding seker Daar sal nie teen sy bier gediskrimineer word nie, terwyl sy wyn- en spiritualie ten minste op die rakke sal wees

Vermoë

Met die sowat 160 afsetpunte van Westelike Provinsie-Kelders (WPK) is daar dus nou genoeg drankwinkels om mededingend te bly met dié van SA Brouerye en buite-winkels wat SA Brouerye steun.

Terselfdertyd is IKB besig met 'n landwye uitbreidingsprogram van R15 miljoen om die vermoë van sy brouerye te vergroot om te kan voorsien in 'n belang van 20 persent van die biermark.

Die gevoel by Rembrandt is blykbaar dat 'n belang van tussen 20 en 25 persent van die mark hom in 'n posisie van effektiewe mededinging sal stel.

Dit bly egter 'n baie duur onderneming vir die Rembrandt-groep en daar kan verstaan word wanneer dr Rupert sê dat hy nooit die biermark sou betree het as dit nie was dat SA Brouerye in die wyn- en spiritualiëmark ingekom het nie

Gerugte oor prysoorloë op die bierfront is nou ook weer sterk aan die loop Sulke uitstappies kos gewoonlik baie duur en dit is te betwyfel of so iets ooit baie groot afmetinge sal aanneem In 'n prysoorlog waar 'n grote met 'n kleintjie baklei moet die grote in rand en sent die ergste spit afbyt en is net lonend as jy baie seker is dat die kleintjie daardeur uit die mark gedruk sal word

Intussen lyk dit logies dat 'n hotelgroep soos Holiday Inns ook op een of ander manier in die bierstryd betrek kan word Behalwe die baie sterk Southern Sun-hotelgroep in die SAB-groep, is Holiday Inns 'n

Vervolg op bl. 3, kol 8

Bul toon bul in groot bierstryd

Vervolg van bl. 1

lid van die Rennies-groep, die enigste ware groot hotelgroep in die land

Dit is bekend dat hierdie twee hotelgroepe mekaar veral in die huidige slap ekonomiese toestande kwaai opkeil. Dit is geen geheim dat daar in die Southern Sun-hotels nie juis groot liefde vir die produkte van Rembrandt is nie

Holiday Inns stoot die Rennies-drankbelange Dit is egter maar baie klein Rennies se totale omset van sy drankfiliaal beloop maar slegs sowat R25 miljoen per jaar.

Aan Sake-Rapport is gesê dat die Rembrandt-groep geen planne het om regstreeks in Holiday Inns betrokke te raak nie en dit is ook bekend dat die beheermaatskappy van Rennies, Matheson Jardine van Hongkong, nie daarin belang stel om te verkoop nie

Tog lyk dit of die een of ander vorm van ongeskrewe samewerking moontlik kan word, wat sal verseker dat Rembrandt-produkte, en spesifiek bier, ook in die hotelbedryf nie heeltemal op die agtergrond gedruk word nie

(Lees hierby oor die opening van die IKB-brouery Vrydag in Durban).

Bier-name kan verwar, hoor hof

Burger 28/10/78

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Van Ons Korrespondent

JOHANNESBURG.

DIE betekenis van „Colt" en „Stallion" is só na aan mekaar dat die man in die straat die twee soorte bier maklik met mekaar kan verwar, het adv. S. C. Cockeren, wat namens die Amerikaanse maatskappy verskyn, gister in Pretoria se Hooggeregshof gesê in die saak waarin die maatskappy versoek dat die Suid-Afrikaanse Brouery verbied word om die bier Stallion 54 te bemark.

Die Amerikaanse maatskappy, Carling National Breweries Incorporated, en Interkontinentale Brouery beweer dat die handelsmerk Stallion 54 inbreuk maak op hulle handelsmerk Colt 45 Die Amerikaanse maatskappy doen aansoek om 'n interdik wat S A Brouerye Bpk en sy filiaal Nasionale Brouery (Edms) Bpk. sal verbied om die Stallion-handelsmerk te gebruik Hy beweer dat dit onredelike kompetisie sal meebring, omdat die handelsmerk baie soos die handelsmerk van Colt 45 lyk.

Adv Cockeren het gesê S A Brouery het sekere elemente van die Amerikaanse maatskappy se handelsmerk geneem en dit vir hulself toegeeien en in hulle handelsmerk aangewend.

S A Brouery ontken dat die bemarking van Stallion 54 onredelike kompetisie is. Daar is niks wat die Carling en Interkontinentale Brouery verhoed om hulle Colt 45 te bemark nie, hoewel dit hulle moontlik nie hierdie stadium ekonomies sal bevoordeel nie Omdat Colt 45 in dié stadium nog nie bemark word nie, kan daar nou geen verwarring wees nie

S A Brouery se Stallion 54 is reeds na 2 000 punte versprei en dit sal moeilik wees om hierdie voorrade terug te trek indien die interdik toegestaan sou word, het die verweerders gesê

Adv Cockeren het gesê S A Brouery het voorsien dat Carling en Interkontinentale Brouery die handelsmerk met die perdjies gaan gebruik en dat hulle Colt 45 op hierdie wyse sou wou bemark, Stallion het volgens hom ook baie skielik op die mark verskyn en dat dit gedoen is om hul veldtog ge benadeel.

Regter W Boshoff het beslis dat uitspraak voorbehou sal word

Adv A Suzman het vir S A Brouerye verskyn

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ssed, or it was company policy to have one, or
for a works committee. About 26 (9ʼ) gave
vel of education among their African workers
a system of negotiation, while a further 12
ces on the advice of outside agencies such
e Steel and Engineering Industries Federation
the reason that works committees resemble
is not quite correct for the differences between
union are more marked than the similarities.
the fear of collective bargaining which
he Verster survey indicates. Yet another
aison committees are consultative rather than
believe, the crux of the matter. The disparity
l works committees established since the 1973
hat management perceives its interests to be
ol through consultation. Whether this is

f works committees. In January 1973 there
uted works committees throughout the Republic[33]
year these had increased to 31.[34] At the end
ittees had reached 207[35] and of these, 98
(47%) were located in the Transvaal,61 (30%) in the Cape, 45 (22%) in Natal, and 3 (1%) in the O.F.S. Later information put the number at 239 in May 1975, a ten-fold increase in a little over two years.[36]

The Verster investigation collected less satisfactory data on these committees than it had on liaison committees. This was due in part to the fact that management is not represented on a works committee and in many instances was not able, therefore, to complete the questionnaire satisfactorily. In some cases, apparently, the works committee members viewed the questionnaire and its purpose with suspicion. In June 1974 questionnaires were sent to 124 organisations of whom only 34 responded. These 34 had established 41 works

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33. Hansard 7 columns 485-7, 20 March 1973.
34. Hansard 10 columns 632-4, 10 April 1973.
35. Hansard 10 column 691, 15 April 1975.
36. Rand Daily Mail, 22 May 1975. Cited in: Muriel Horrell and Tony Hodgson. Op.cit. p.212.

Liaison and Works Cc

Instead of simply pr
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A liaison committee
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The works committee,
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labour force can now elect their own works committees.

A meeting convened to elect a works committee is held under th
of the employer concerned or his authorised representative.
the employees and their employer enjoy a reasonably harmoniou
dissension on this score is unlikely. However, where relati
even hostile, where distrust exists on one or both sides, this
arrangement is inadequate for resolving what may be a fundamer
interests. While the present definition of a labour dispute
than that contained in the 1953 legislation, and a Bantu Labour
Inspector, with or without the assistance of the Regional Bantu Labour
Committee concerned, should intervene in an attempt to effect settlement there
does seem to be a remarkable shortcoming in this connection. The Act

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(182)

27/10/78

DIE BURGER, VRYDAG, 27 OKT

VIER BROUERYE BETROKKE

Bier-stryd gis tot in hof

PRETORIA.

VIER Amerikaanse en Suid-Afrikaanse biermaatskappye is hier in die Hooggeregshof in 'n geding betrokke oor die bemarking van 'n nuwe bier, Stallion 54, deur die S.A. Brouery.

Die twee aansoekers is die Amerikaanse maatskappy Carling National Breweries Inc. en Interkontinentale Brouery Bpk, wat 'n lid van die Rembrandt-groep van dr Anton Rupert is. Die aansoekers wil nie hê dat die verweerders die handelsmerk Stallion 54 gebruik nie.

Die voorsitter van Carling in Amerika, mnr. D. L. Farber, het na Pretoria gekom vir die saak.

Die verweerders is die Suid-Afrikaanse Brouery Bpk en 'n filiaal-maatskappy, die Nasionale Broumaatskappy (Edms) Bpk.

Die aansoekers het onderskeidelik in 1968 en 1974 die name Colt en Colt 45 as hul handelsmerk vir bier met die embleem van 'n perd en 'n perdeskoen daarop laat registreer, word beweer.

Colt 45 is 'n produk wat in verskeie wêrelddele deur Carling bemark word en sou plaaslik deur Interkontinentale Brouery in lisensie van Carling bemark word.

Interkontinentale Brouery was van plan om sy bemarkings projek op 2 Oktober te begin, nadat hy in April en Mei vanjaar 'n proefloop gehad het

NOG HANGENDE

In 1955 het die S A Brouery die naam Stallion as handelsmerk laat registreer In 1967 het hy aansoek gedoen om Colt 45 te laat registreer Hy het dit laat vaar toe dit teengestaan is

Die aansoeke van S.A. Brouery om die name Stallion 45 en Gunner 45 as handelsmerk te laat registreer, is nog hangende.

Op 22 September het die S.A. Brouery Stallion 54 op die mark geplaas.

Carling en Interkontinentale Brouery beweer dat, as die etikette van Colt 45 en Stallion 54 vergelyk word, hulle „opvallend en opsetlik eenders" blyk te wees.

Daarom kom dit neer op 'n skending van hul geregistreerde handelsmerk, voer hulle aan

IN TE MENG

Hulle maak ook daarop aanspraak dat die S A Brouery van voorneme is om hom in te meng in hul wettige handel onder 'n geregistreerde handelsmerk.

Carling en Interkontinentale Brouery beweer ook dat die S A. Brouery hulle wil verhinder om hul deel uit die Suid-Afrikaanse biermark te kry

Albei hierdie bewerings word deur die S.A. Brouery ontken.

Carling en Interkontinentale Brouery het 'n interdik aangevra om die verweerders te verbied om die handelsmerk Stallion 54 te gebruik en onwettig met hulle mee te ding. —(Sapa.)

Rupert and SAB in court beer battle

Cape Times 23/10/75

PRETORIA — Judgment was reserved in the Supreme Court yesterday when the country's major beer producers crossed swords about the launching of "Stallion 54" by South African Breweries

The opposing parties are Intercontinental Breweries Ltd, which is part of the Rupert stable, and the American company, Carling National Breweries Inc, on the one hand, and SA Breweries Ltd and a subsidary, National Brewing Company (Pty), on the other.

The application follows the launching of Stallion 54 by SA Breweries on September 22, about 10 days before Intercontinental Breweries intended launching a beer called "Colt 45" under licence for Carling

The applicants have a registered claim on the name of Colt 45, together with a horse emblem, which they claim has been infringed by the Stallion 54 label, which also portrays a horse They claim their trademark and the Stallion 54 label was so similar that the public would probably be confused

Mr Justice Boshoff, who presided, asked whether a person confronted by Colt 45 would let his imagination run. The word Colt would register in the mind, rather than the image of a horse, the judge said

Secondly, Carling and Intercontinental claimed that SA Breweries had been guilty of unlawful competition

By launching Stallion 54, they had not acted in the course of their own business, but had attempted to thwart rival traders. They claimed SA Breweries had appropriated for themselves the benefits of the Colt 45 reputation Carling built overseas.

By doing so SA Breweries created a climate in which Colt 45 would not be launched, because it would be confused with Stallion 54 They conceded that if the court held that Colt 45 could be launched without fear of confusion, they had no case concerning the alleged unlawful competition.

Carling and Intercontinental claim competition can be fierce, but it must be fair, and it is unfair to block a competitor's channels of trading

It was remarkable that the figure 54 had been used they said SA Breweries had justified this on the grounds the beer had a 5,4 per cent alcohol content, but the applicants claimed instructions were given that this should be the alcohol content

This rather appeared to "place the cart before the horse," counsel for Carling and Intercontinental Breweries said They are seeking to have SA Breweries interdicted from using the Stallion 54 label and from continuing to compete "unlawfully" with them — Sapa

REMGRO/GILBEY

A new cocktail

(182)

FM 21/10/78

The row expected at the meeting to ratify Remgro's takeover of the minority stake in Oude Meester has been postponed indefinitely due to Remgro's acquisition this week of a 49% stake in Gilbey SA

While Oudemeester's board has put out a statement to the effect that the Gilbey deal will not affect the Oudemeester deal, the advisers, Senbank and Barclays Merchant, will have to be satisfied that this is the case. Their scrutiny will take longer than the one day they have before the meeting scheduled for today — hence the postponement.

Gilbey is revealing as little as possible about its deal. It has announced only that it has enlarged its capital base through the issue of new ordinaries and prefs, representing 49% of the equity, to Remgro

Being a private company, hitherto wholly-owned by UK-based International Distillers & Vintners, Gilbey does not publish financial statements. No 3 in the competitive SA retail liquor market, Gilbey is not thought to be wildly profitable Until now, because of its foreign ownership, it has been rumoured to be illiquid Rembrandt's cash injection and SA nationality should remedy this. The effect on Remgro's earnings and net assets will be minimal, though the acquisition will strengthen Rembrandt's competitiveness in liquor generally.

Remgro's Rupert . . . increasing the competition

More outlets

Gilbey has about 60 retail outlets and a 50% stake in Rebel discount liquor stores acquired a week ago. Gilbey held a 49% stake in Rebel from 1973 to 1976 but sold out to avoid to competing with its customers. While it is No 3 in retail liquor, it is far smaller than No 2, SAB's Stellenbosch Wine Trust with 130-odd stores and top-ranker Oudemeester's Western Province Cellars, with 200 stores. Gilbey is bigger in gin, vodka, whisky distilling and importing than in wine and beer (see *Business*).

Will Remgro's 60c offer for Oudemeester be accepted by 75% of the minorities, the required number for ratification of the scheme of arrangement? Probably, though no one is overwhelmed at Remgro's generosity. The five biggest minorities, representing 10,7% of the equity, tell the *FM* they will accept But there will be a lot of heat generated with the Shareholders' Association valuing the shares as high as 110c

Larger minorities are accepting Remgro's 60c only because they feel it is preferable to the collapse of the offer and a return of the share price to its pre-suspension level of 43c

David Carte

REMBRANDT/GILBEYS

Scoring on points

(182) FM 27|10|78

Wednesday's acquisition by Rembrandt of a 49% stake in Gilbeys — SA's third biggest liquor group — is certain to set the R1 100m/a year-plus trade on its ear. Less contentious is the near-simultaneous repurchase by Gilbeys of a major stake (in times past it has been 49%, today 50%) in the Rebel liquor retail chain.

On the first point, Rembrandt's move is particularly noteworthy since it has been the very group which has long complained about SA Breweries' apparent stance in the liquor business.

Those with long memories will remember Dr Anton Rupert's sentiments, expressed in his chairman's address at the 25th agm of the Rembrandt Group in 1973: "We entered the retail liquor trade," he said, "not because of any desire for vertical integration, but because circumstances forced us to do so . this was after our request for a complete separation of all ties between liquor production and the retail trade had not been met.

"We are in favour of the retail trade being completely independent of liquor producers," he concluded. Again, in 1975, Dr Rupert referred to the "former monopoly" (read SAB) and the "conditional sale of beer together with wine and other liquor.

"Our hand was forced," he continued, "when our opponents, despite provisions to the contrary in the Liquor Act, entered the wine industry."

It was precisely to counter such fears — along with those of the retail trade in general — that the Factor Points System was devised in consultation with Minister of Justice James Kruger. In essence, it was a loose (as opposed to a legally binding) understanding whereby each of the four major groups — SAB, Oude Meester, Gilbeys, and Union Wine — would limit their retail interests.

The mechanics of the system hinged on points allocated against their various types of liquor licences. Bottle stores would count for seven points, management agreements for six, and so on.

At the end of the day it was agreed that SAB and Oude Meester should work to a ceiling of 2 000 points each while Gilbeys and Union Wine would each work to 1 000. In those days — and little has really changed — Oude Meester had 1 750 points (*FM Liquor Survey* November 28 1975), SAB 1 217, Gilbeys 611, and Union Wine 441.

The principle behind that system was that justice should not only be done to the retail trade but be seen to be done. However, that system fell away towards the end of last year because, among other things, the points allocated bore no relation to the rand value traded against that licence. It became open season in the liquor trade.

Then, as now, Minister Kruger's approval is required under the terms of the Liquor Act before major deals get the go-ahead. Such approval for the Rembrandt/Gilbeys deal was granted on Tuesday and the question is why?

Assuming little has changed in the key licence holdings by the major groups, Rembrandt's stake in Gilbeys will push it clear through the previously agreed ceiling of 2 000 points according to the now-defunct Factor Points System.

So, whatever the trade thinks of the business wisdom of the deal, it surely has a right to expect some continuity of thinking? If the deal wouldn't have been allowed to go through a few months ago, why now? The question is especially valid in view of Rembrandt's current rationale. "The object of the investment is to strengthen competition in the industry while maintaining the present competition in wine and spirits."

Where does this leave Union Wine? No one is saying anything, but with 25-odd hotels and a similar number of bottle stores it has to be the biggest single remaining plum in the tree. And if the trade is disturbed now it would become near-hysterical if any move were to be made for Union Wine by either of the two majors.

The Rebel deal is much less contentious an issue since it only represents a return to the trading conditions of three years ago. Then, Gilbeys had 49% of the Rebel chain which it surrendered in 1976. Word is that commitments incorporated in that deal have now been cancelled with Gilbeys' acquisition of 50%.

Rebel, which will remain under "autonomous management," explains that "all our competitors are linked to producers" and it therefore makes a lot of sense to come in from the cold. From the days of Rembrandt's early complaints the shoe is being quietly slipped onto the other foot. Meantime, questions are bound to be asked why the Minister allowed a deal which would have been banned (or, at least, heavily frowned on) not so long ago? And where does this leave Union Wine?

COOL DRINKS (182)

Matters are popping

FM 13/10/78

A protracted and expensive dispute is in progress between Pepsi Cola and Starlite Products of Durban.

Starlite, which makes and distributes flavoured drinks under the Gold Top label, took over when the Pepsi-Schweppes bottling arrangement ended in October 1976. It has held the Pepsi franchise for Natal, excluding Pietermaritzburg, ever since.

Disagreement over a number of issues has arisen and arbitration proceedings began in July with advocate Doug Shaw QC as arbitrator

In view of the arbitration, both parties are reluctant to discuss the matter All Pepsi MD Clive MacDonald will say is that "we have a smaller share of the market than we would like but we hope to put that right shortly."

Starlite MD E Kara's riposte is· "In the first year we did 96% of the Schweppes figure in Durban alone, but this year there have been certain production difficulties. It is too early to say yet how they will affect the final figures "

The *FM* understands that the dispute concerns implementation of cancellation of the franchise monetary claims; purchase of immovable property, claims for defective bottles and cans; and various other related matters

Arbitration proceedings have been adjourned until November and are scheduled to run "for an indefinite period "

BOERE CO

No 3 (182) FM 1/9/78

In the big booze attle, Stellenbosch Farmers' Winery (W) and Oude Meester (OM) are locked in constant struggle for supremacy But when it comes to the fledgling market for local whiskies, SFW is streets ahead

It was proved ag n this week. No sooner had (me out with its MacLeans abel Blend (in a pack bearing a re able resemblance to Johnnie W lker ed label) as its answer to SFW's distinctive Three Ships, than SFW struck with another blend Unlike Three Ships and MacLeans, both of which are blends of Scotch malt whisky and SA grain spirit, SFW now has launched Southern Gold — a blend of Scotch malt whisky, SA grain spirit and three-year-old SA whisky

Again, there is SFW's strong marketing appeal to the drinking patriot For every case of Southern Gold purchased instead of im d whisky, there is a R10 foreign hange saving Again, SFW is pl ying p the theme of a potential whisky short ge in that government, by limiting the rand value of import permit, has effectively halved the amount of scotch which an importer could purchase between 1974 and today

But Three Ships' stablemate is not going to try hitting the whisky market head-on Rather, Southern Gold will be an extension to its blends category directed generally at the spirits market, promoted without the snobbery of whisky and more at the aspirational whisky inker It hopes to broaden the w isky aternity by enticing the ordinary to its ranks It will be for the Villagers' Ted Dixon rather than Basil Clay

Not that Southern Gold will be cheap, because of the imported scotch component It will retail at around R5 a bottle against Three Ships' approximate R5,46 and MacLeans' R5,49, though all are much cheaper than the R6,69 or so being paid these days for Bells, White Horse and similar scotch brands

Each year, SA consumers spend over R100m on w Southern Gold's initial estimate hat it will capture the equivalent of 3 of this market

But then SFW's first year target for Three Ships, last November, was only 2% It has achieved 10,1% , putting it behind market leaders White Horse (which has dropped from 21% to 15%), and Bells (14%), but well ahead of such established brands as Johnnie Walker, Haig, Black & White and 100 Pipers, each of which enjoy around 7%

How well is MacLeans doing?

OM marketing director Peter MacLean w not divulge percentages but states th s "beyond expectations and doing exceptionally well."

MacLean sees total penetration of the whisky market by local blends at not much more than 12% "Since Three Ships already has 10%, the battle really is on"

Put now that SFW has come out with a different blend, aimed at a different drinker, it's a different ball game. It will extend the market, and OM will have to pull out all the stops to catch up.

When a person has been sick for a long time, and the doctors and the amaggira have been unable to help, he might be advised by a person who had the same sickness and who was helped by the Zionists to come to us.

A person coming to our church does not tell us what kind of sickness (ugula) (s)he has. The spirit will tell us what kind of sickness (s)he has. After the spirit has told us what is wrong, we can heal the person.

I asked him as to the reasons for people joining the

ople come because they see that the church lp them. Others come only for pleasure. What experienced is that people come to our church whether we are able to tell them about their lties. After they have heard all about what then, they often do not come back. Others ing sick. After being healed, they join the ind become a member of the congregation.

nquired about specific treatment techniques. that he used a medicine (izuwasho),

s, bathing, sacrifice, specially ...

The sacrifice of an animal is undertaken in response to the ancestral shades "because most of the peoples ancestors want them to do something". The coloured cords appear to play numerous roles in healing, they may represent different kinds of spirits, they may be tied round specific parts of the body, e.g. wrists, ankels, waist or head and serve a protective function in warding off "enemies". Dreams of plants or herbs by "patients" are interpreted as indicating that the "patient" requires the specific plant or herb dreamt about.

I explained that I had a special interest in the treatment of mental illness and asked him about his views with regard to the treatment of such persons. He replied:

> The cord for healing such people is a cord which we have to respect. It is a thick cord which I hang over my shoulders when praying for the "patient". The "patient" has izilwane (animals) which start fighting. There are two kinds of izilwane. The one kind hide themselves. The other kind do talk. When they start talking, the person becomes wild and starts
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REMGRO/OUDEMEESTER

Good for Remgro

(182) FM 11/8/78

If Remgro succeeds in acquiring the 42% minority in Oudemeester, its SA-sourced dividend income will rise, enabling it to retain more foreign earnings abroad

The Oudemeester dividend has been stuck on 3,5c for three years and last year Remgro received only R1,6m from this source With no change, the balance of 33,1m Oudemeester shares, which are to cost R19,8m would yield only an additional R1,15m in dividend income But the huge retentions of the past three years have reduced Oudemeester's gearing considerably and the time may be ripe for a more generous policy

Once it is wholly-owned, every extra cent of dividend from Oudemeester will yield R788 000 to Remgro, and if Oudemeester becomes more expansive after the takeover, cutting dividend cover from 3,9 to say 2, Rembrandt would receive R5,3m in dividends from Oudemeester This is equal to 45% of the R11,7m (R10,4m) Remgro paid last year

This projection, moreover, assumes earnings only constant, when they should improve with the economy At first sight, it looks a good deal for Remgro, but the offer document will no doubt paint a bleak picture of prospects, particularly for the beer division.

The offer price of 60c represents a premium of 39,5% over the pre-suspension price of 43c but a discount of 53% to net assets Earnings last year were 13,5c, so exit PE is 4,4, compared to 3,2 presuspension. The bid is fair in relation to the pre-suspension price, which reflected disillusionment with Oudemeester on dividend and tended to undervalue the quality of the earnings and cash flow, taking account only of the dividend yield.

Apart from Remgro, there are few substantial holders of Oudemeester The biggest are Old Mutual with 3m shares or 3,8% of the equity and Sanlam with 1,1m shares or 2,3% This means resistance will probably not be strong even if holders feel the offer is a bit light Neither Old Mutual nor Sanlam has worked out a response yet

Shareholders will know only on Friday if the offer will be via a scheme of arrangement, as seems most likely, or which merchant banks will be acting An initial reaction to the offer is that it is decidedly thin and 70c may be needed to get it through Holders would be justified in holding out for an "unreasonable" price if only to prevent the disappearance from the lists of another tradeable stock and the only liquor investment alternative to SA Breweries

David Carte

(182) FM 14/7/78

OUDE MEESTER

Heavy reinvestment

Activities: *Liquor group formed by the merger of 50 companies in 1965 SA Distillers became a wholly owned subsidiary in 1975 Owns 50% of Beer and Malt Investments, the controlling company of Intercontinental Breweries A subsidiary of Rembrandt Group*

Chairman: *D W R Hertzog, managing director P G Steyn*

Capital structure: *78,8m ordinaries of 50c 12 000 7% prefs of R1 Market capitalisation R36m*

Financial: *Year to March 31 1978 Borrowings long and medium term, R20,4m, net short term, R30,7m Debt equity ratio 73% Current ratio 1,7 Net cashflow R11,5m Capital commitments R1m*

Share market: *Price. 46c (1977-78 high 55c, low 35c, trading volume last quarter 431 000 shares) Yields 29,3% on earnings; 7,6% on dividend. Cover 3,9 PE ratio· 3,4.*

	'75	'76	'77	'78
Return on cap %	25,9	24,2	19,4	19,0
Turnover index	152	200	221	n/a
Gross profit (Rm)	20,4	23,6	23,5	23,8
Earnings (c)	18,6	15,1	13,4	13,5
Dividends (c)	3,0	3,0	3,5	3,5
Net asset value (c)	61	71	81	91

Over the past three years Oude Meester has ploughed back R36m into the business But this heavy reinvestment has had no positive effect on profits For the last three years gross profits have stayed stuck at R23,5m

This indicates that either new investment has been in unprofitable expansion or that in the competitive liquor business it requires this amount of investment just to maintain position in the industry Return on capital has deteriorated sharply from 24,2% to 19,0% over this period. If the effects of inflation are

Oude Meester's Hertzog . . no revelations

added, then it is clear that Oude Meester has been going backwards at a rapid rate

This would normally show up in gross profit margins. But the group, in the past, has only provided a turnover index and this time has even dispensed with that, saying "it would be harmful for the group to disclose particulars relating to turnover" So no profit margin figures can be worked out, though undoubtedly, the trend is one of severe contraction.

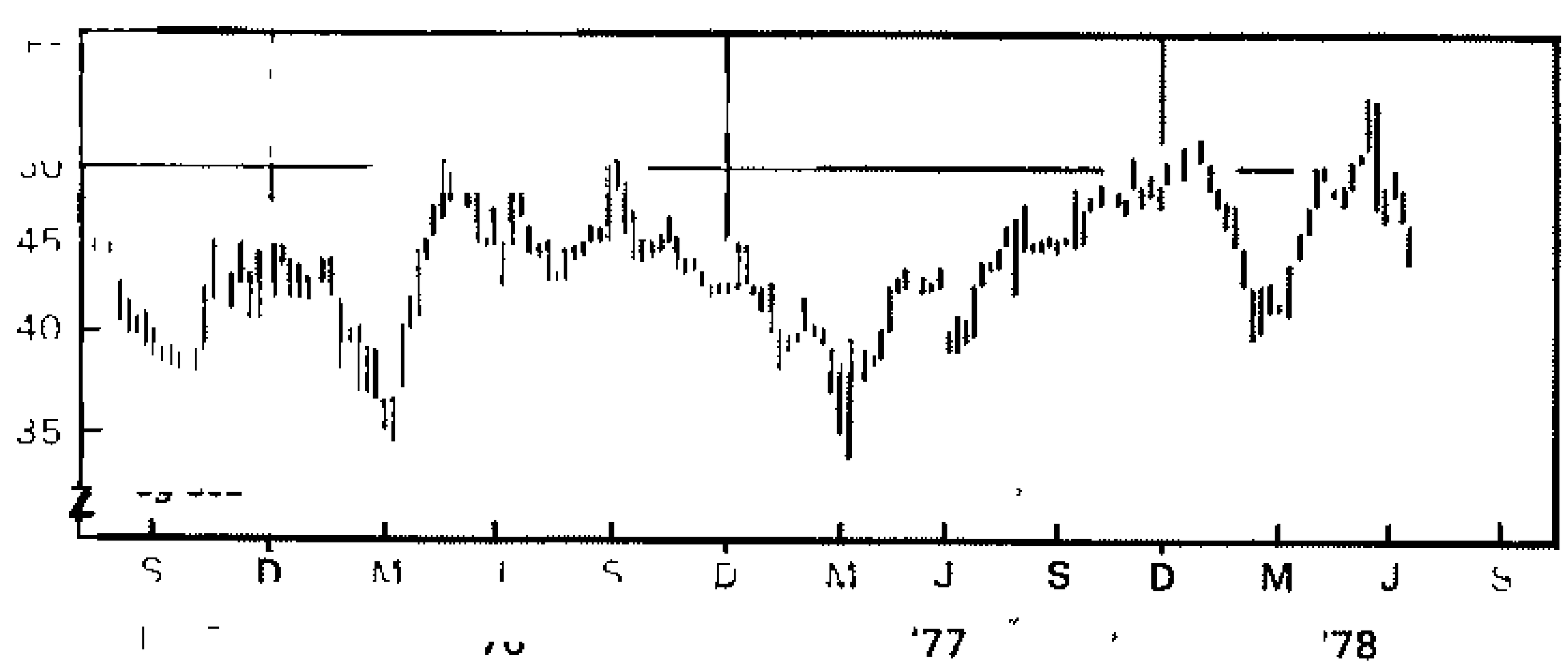
A positive point is that cash flow is degearing the company fairly rapidly The debt ratio is down from 90% to 73% and with only R1m of capex planned for this year the debt ratio could unwind to near 50% by the end of this financial year

At this level of gearing the need for large retentions diminishes and the high 3,9 times cover could be reduced But the outlook for wines and spirits is not encouraging In real terms the market contracted last year and "results for the current year depend on the development of the business cycle" That's about as positive a comment as can be found in Dirk Hertzog's chairman's statement which is largely an exercise in irrelevancy

The interest in Intercontinental Breweries is held as an investment It is still not making profits and market share will have to be substantially increased before fair profits can be expected

As an investment, Oude Meester has been most disappointing and there is nothing on the immediate horizon to suggest a change in fortunes Despite the low PE and solid asset backing, it does not look like a bull market stock *Richard Stuart*

OUDEMEESTER: no breakout



(182) FM 14/7/78

WINE

A faint bouquet

The worst drought in the Cape winelands for 30 years will probably result in another short crop in 1979, according to Stellenbosch viticulturalists To explain why is a long story, but the absence of rain in the cold winter months will definitely inhibit yields, they say Following a fairly healthy crop of 6,2m hectolitres (hl) in 1978, the prospect of a tight situation next year may encourage producers to seek another increase in minimum prices, which seem to be heading for R20/hl for distilling wine and R25/hl for good wine

If the economy continues to improve in the intervening months, unemployment drops and disposable incomes rise, they may get away with it The slide of wine sales may even be checked

According to the latest excise figures, for the 12 months ending April 1978, sales of unfortified wine continued to dip, but at a relatively low rate of 5,5% Fortified wine was down 7,2%, brandy 3,2%, and white spirits (cane, gin and vodka) down 8,2%

The table gives a breakdown of how the total wine grape crop is converted to various products — reflecting the dwindling influence of unfortified wine among products of the vine.

PRODUCTS OF THE VINE
(millions of litres)

	1970	%	1977	%
Brandy	108,1	28,5	134,7	32 7
Gin	2,6	2,0	0,8	1 6
Vodka	3,0		4,8	
Liqueurs	1,8		1,0	
Unfortified wine	179,7	47,4	155 9	37,9
Fortified wine	83,8	22,1	113,8	27,7
Total	*379 1*		*411,0*	

The good news is that wine farmers need not fear a wine lake for some time, because there is a discretionary volume of about 1m hl of distilling wine which could be diverted, at the expense of sugar cane, to the manufacture of gin, vodka and liqueurs These may be made from either wine or cane spirit, depending on the abundance of the former which, in terms of law, must take precedence over the latter. This gives farmers a "cushion" equal to one-sixth of the 1978 wine crop to fall back on in the event of a heavy surplus.

The bad news is that disposals of natural wine, as a percentage of all products derived from the grape, are falling. It is bad news for both the producers (who get paid more for that portion of their crop which gets turned into potable wine) and the wine houses which are heavily invested in this end of the market.

It has been noted (*FM* last week) that the bottom end of the natural wine market is falling away for reasons not clearly defined. Low-priced natural wine (LP wine) is probably price sensitive; consumer preferences may have changed (it has been suggested that the new generation of coloured people, for example, prefer "up-image" wines or spirits because they associate traditional, mass-selling brands with the squalor and deprivation of their childhood); or the wine of origin system (WO) has involuntarily stigmatised LP wines. Who knows?

A mission comprising producers, manufacturers and government has just returned to SA after a five-week tour of wine countries in Europe and the Americas to study WO systems and patterns of wine distribution The mission will compile a report and make recommendations to Agriculture Minister Hendrik Schoeman.

They should propose two things. First, they should ask Schoeman to suspend implementation next year of a regulation which will enforce a strict link between cultivar and origin as a condition of WO certification. This insistence on area of origin purity is considered both irritating and cost inflationary, particularly for the large wholesale producing merchants.

Second, he should strongly consider scrapping the system of "bus ticket" certification.

The law should be sufficient deterrent against offenders, for whom there are heavy penalties Wines passed for marketing by the Wine and Spirits Board need not carry a label certifying they are kosher and above suspicion To do so is a reflection on the integrity of the winemaker

WINE

FM 7/7/78

Dreg on the market

182

Why are wine sales falling? Since ~~1975~~ overall sales volumes have slumped nearly 30%. The most obvious explanation is that, because more than 80% of natural wine is consumed by people in the lowest income groups and the shelf price of the cheapest *vin ordinaire* in Cape Town has increased from 33c/bottle to 78c in that period, these wines have become extremely price sensitive and their consumers are hooking into substitutes So until poor people's disposable incomes rise, low-priced natural wine sales will probably continue to fall

Lothar Barth, MD of Stellenbosch Farmers Winery, believes there is another reason: marketing problems arising from the delimitation of wines of origin (WO) system introduced, it so happens, in 1973.

Barth is a member of a high-powered mission comprising representatives of the two departments of Agriculture, the KWV and the leading wine houses, (Oude Meester and SFW) which is due back in SA this week-end after a month's visit to Germany, France, the US and Argentina where members looked at other WO systems in an attempt to improve the local model

The idea of the mission was initiated by Barth and supported by Agriculture Minister Hendrik Schoeman who was also instrumental in persuading representatives of other sectors of the wine industry to make the trip He made it clear, however, that while improvements and modifications to the existing system would be considered, there could be no question of deviating from the basic principles of the existing WO arrangements with firm links between cultivar, origin and time.

It is clear that SFW is experiencing marketing problems with the WO system, and Barth is striving to arrive at an acceptable compromise between SFW's pre-1973 marketing philosophy and the concept of delimitation of origin

The old philosophy was to sell good wines at reasonable prices, regardless of origin. The pivot of the system was mass volume sales under a limited number of trademarks. Under that system the trademarks were the seal of quality. It worked. Sales increased eight-fold over a period of 30 years, peaking in 1973.

Compliance with WO regulations has led to a proliferation of labels and products and the trademark practice has been fragmented.

SFW believes consumers are firmly gripped by the notion that a bottle of wine that does not bear the "bus ticket" marks of WO certification is inferior.

WO supporters, on the other hand, contend that the system has nothing to do with quality, but merely with the pretences of the wine.

There can be no doubt that strict rules relating to cultivar, origin and year of vintage have subjected wine houses to heavy cost-inflating modifications to manufacturing techniques. It has doubtless led to distortions in demand and enforced additional investment, all of which have been reflected in shelf prices The pattern of demand has also changed, trademark loyalties have been diluted, preferences blurred. Marketing has become a nightmare in the low to medium-priced ranges.

And it must be with some envy that SFW notes the resounding success of arch rival Oude Meester's partnership arrangement with 14 leading estate wine producers under the Bergkelder association. Bergkelder sales volumes are small but they are concentrated in that sector of the market where the consumer's ability to pay is never in question.

SA BREWERIES (182) FM 23/6/78

Rating restored

Activities: *Diversified liquor group. Liquor interests include the beer division, Stellenbosch Wine Trust and Solly Kramer's Diversifications include OK Bazaars (70% owned), Amrel (53% owned), Afcol (56% owned), Southern Sun (66% owned), Transito Hotels (100% owned) and Shoe Corporation (100% owned) JCI owns 19% of the equity*

Chairman: *Dr F Cronje; managing director. R J Goss.*

Capital structure: *221m ordinaries of 20c 1m 6,2% cum prefs of R2, 43,5m 7% conv red prefs of R1, 10m 5,6% red cum prefs of R1, 2,5m 7% cum prefs of R1, and 2,4m red cum prefs of R1 Market capitalisation R309m.*

Financial: *Year to March 31 1978 Borrowings long and medium term, R169m, net short term, R67m. Debt equity ratio 51%. Current ratio 1,7. Group cash flow R84m Capital commitment R63m*

Share market: *Price: 140c (1977-78. high, 140c; low, 74c; trading volume last quarter, 1,9m shares). Yields: 16,9% on earnings, 7,9% on dividend. Cover 2,2 PE ratio. 5,9.*

	'75	'76	'77	'78
Return on cap %	14,0	14,3	15,4	15,6
Turnover (Rm)	812	1 116	1 324	1 428
Gross profit (Rm)	84,5	102,9	107,4	116,8
Gross margin %	10,4	9,2	8,1	8 2
Earnings (c)	18,2	19,0	21,7	23 7
Dividends (c)	9,0	9,5	9,5	11,0
Net asset value (c)	130	129	135	153

The group is now operating comfortably within the financial constraints that it has set itself. The debt ratio of 51% is a self-imposed limitation compared to the 60% ratio considered optimum in a more stable political environment.

Interestingly, conditions in the coming year "may well be conducive to moving slightly ahead of these self-imposed constraints." This is an important indication from one of the country's major enterprises that the barometer of business confidence is rising It is reinforced by chairman Frans Cronje's comment that "the foundation has now been laid for a new era of growth" in the economy.

The financial ratios under which SAB operates are considered conservative in current economic conditions and the more expansionist mood is already evident in the "deliberate action" to reduce the current ratio from 1,91 to 1,68 achieved during the year.

But SAB is still far short of attaining its stated objective of a return of 17%-20% on equity. Although some progress has been made on this front, the return

Dick Goss . . . in an expansionist mood

rising from 13,5% to 14,6% over the year, the effect of charging additional depreciation against revalued assets has negated this gain The base remains at 13,5%

A major handicap in achieving the goal remains the inadequate return at OK On a group basis (before minorities) OK accounts for 22% of capital employed which is returning 11,6% on the total and only 9,1% on equity Getting OK to an acceptable profit level is the group's biggest challenge

The 9% improvement in SAB's earnings came entirely from the liquor interests The total contribution from all the diversified interests remained unaltered And within the liquor sector, beer was almost totally responsible for the higher profits This was achieved against a 5,5% volume contraction in the beer market while the wine and spirits market declined 10%

Not surprisingly, new investment will be concentrated in the liquor interests. Up to R35m is planned this year with some R25m earmarked for the remainder of the group In addition, net working capital needs are expected to increase by approximately R40m

This expenditure will be financed out of retained earnings and associated gearing, and if targets are met, overall gearing should remain fundamentally unaltered. Loan and pref redemptions of R30m this year will be rolled over

The deconsolidation of the Rhodesian interests, which previou represented R28m of net shareholder ds, are now included at cost of R5 These interests contributed R3,1 of dividend income, reflecting a pa out ratio of nearly 75% So the net effect of leaving out the retained profits in Rhodesia is not that serious In fact, the overall effect is to reduce reported earnings by only 0,5c a share or 2%

Asset revaluation increases net assets by R9m. The revaluation of fixed interests in the liquor division added R46m, but against that was charged R11m for goodwill and liquor licences and R26m against investments The last figure represents a massive 54% write down of investments. The large items were R14m against Retco, which is now in at 33c a share against 102c, R4m against Amalgamated Beverage Industries (from the merger between Coke and Schweppes) and R9m against UDC

The group as a whole is consumer orientated and its fortunes are thus heavily geared to a revival in consumer spending. That it has been able to make headway in a year of reduced consumer spending is a notable achievement

The shares have led the rally in the industrial market and are now 65% above the level of a year ago Much of this movement was a restoration of the high market rating SAB has traditionally enjoyed That process is now complete But the yield is still 7,9% and the shares should continue to appreciate in line with the market

Richard Stuart

SOURCE OF PROFITS

(Rm after tax and additional depreciation)

	1978	1977	1976	1975	1974
Diversified interests					
Variety discount stores	12,8	12,8	13,5	12,6	6,6
Furniture	6,3	7,2	8,0	7,1	7,8
Hotels	5,5	4,8	3,7	2,6	1,2
Shoes	1,7	1,5	0,8	0,2	1,1
Other investments (less admin)	0,4	0,5	1,4	3,4	4,6
	26,7	26,8	27,4	25,9	21,3
Liquor interests	35,2	30,7	24,3	17,2	12,1
Total	*61,9*	*57,5*	*51,7*	*43,1*	*33,4*

X

fox

SA BREWERIES (182) FM 12/5/78

Froth in the beer

SAB has proved that its rerating by the market has been based on sound fundamentals. Over the past year it has been a most rewarding stock to follow. At 132c it is 50% higher than when the prelim was last announced.

For the year to end March turnover is up 7% to R1 512,4m (R1 415,2m) and attributable profits are up 12% to R52,9m (R47,2m). To add to the gleam in shareholders' eyes, the final dividend has been boosted 1c to 8c to give a total 16% increase.

The group has adopted a more conservative accounting policy. Rhodesian subsidiaries have been deconsolidated, and dividend income from these sources will only be bought to account as and when received. The affect of this change reduced earnings by R1,1m. Furthermore, the group has charged R2,6m of additional depreciation on the enhanced replacement values of fixed assets in the liquor division. Together these changes have knocked R3,7m off attributable earnings. Adjusted attributable earnings are R49,2m or 22,3c per share, which will be used as the new base figure.

The profit push came almost solely from the liquor division. Last year liquor contributed R31m of taxed profits and this year it probably made R37m. So liquor now accounts for over 50% of taxed profits. The liquor arm is now producing the kind of performance it was 18 months ago before the price cutting war with ICB began. Nevertheless in real terms there was a 5% decline in the liquor market over the last year. But SAB maintained market share.

OK Bazaars

Contributions to taxed profits from Afcol, Amrel and OK Bazaars were R12,4m (R13m), which is good going considering the difficult conditions facing the retail industry. OK, which at the half way stage looked like upsetting the recovery, exceeded its own expectations. After being down 21% at the half way mark it managed to maintain earnings of 106,5c for the year to end-March. Like its parent it also deconsolidated its Rhodesian interests, which reduced earnings by 3,8c.

The dramatic swingback in profits in the second half, up 10% on the comparable period, was largely due to the effective control of costs, including shrinkage and pilferage. Gross margins also improved as a result of improved ranging and an improved merchandise mix. So the measures instigated at the end of the last financial year are now bearing fruit, as are the management changes.

SAB's Dick Goss ... rebuilding the market rating

But even more encouraging is that the trend away from the higher margin goods to foodstuffs carrying low margins, reported at the interim stage, is changing, and customers are once again looking at the less essential items. This was particularly evident in March which was a bumper month for the rest of SAB.

OK's buoyant second half enabled it to boost the final dividend by 3c to 41c, to counteract the cut made at the half way stage. The total dividend is maintained at 58c. The market pushed the price to 630c, up 20% over a month.

Amrel, the furniture retailing arm, also did well to virtually maintain profits at R2,1m (R2,2m). But Afcol was badly caught in the price cutting war in particle board. Now that its particle board factory has merged with Amic's Bruply, profits should recover. Second half profits were down 44% to R1,9m (R3,4m) to give total profits for the year of R5,5m (R7,5m).

SAB's other subsidiaries, namely Shoe Corporation and Southern Sun, "achieved satisfactory profit improvements," says SAB group financial manager Selwyn McFarlane. Southern Sun is doing extremely well, and has marketed its way into good profits.

MacFarlane is confident that over the last year SAB has built itself a solid base. "Last year was a year of tightening control and improving productivity, the current year should see an improvement in volumes. There's lots of scope for increased volume on the liquor side and also on the retailing side, although we are not sure what affect the general sales tax will have. Furthermore, having taken some cognisance of inflation in our accounts, we are better placed to be able to declare 50% of profits."

SAB was strong ahead of the results and now yields 8,3% at 132c. It has been at the forefront of the advance in industrials and should stay in the vanguard.

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(182) S.T. 30/4/78

Premier Milling's liquor store prototype

PREMIER Milling's expanding liquor subsidiary (turnover more than R20-million a year) will open a huge new liquor supermarket in May which, it is expected, will increase turnover by a third.

By TONY KOENDERMAN

The 3 500 sq.m store, carrying R1,5-million worth of stock, including 14 000 bottles of wine, 24 000 bottles of spirits and 64 tons of beer on display, and claimed to be the biggest in the country, signals a new phase of development for Premier Milling Liquor Holdings.

It is, says Premier's deputy chairman, Tony Bloom, "the prototype for a number of stores we have in mind"

The division's sales have quadrupled in the past three years as the number of outlets has grown to 10. Important acquisitions in that period included President Wine and Brandy, which is the company's wholesale division, and Civil Service Wine and Spirit Store Last year, Premier also bought a 50 per cent stake in Benny Goldberg's Liquor Supermarket

However, Mr Bloom emphasises he is not on a "buying spree of licences.

"We are trying to differentiate our stores rather than opening up a number of ordinary corner stores.

"The name of the game is not the number of outlets, but the profitability of the outlets"

Premier is also bottling brandy, cane, gin and vodka under its Corona house name for its own stores only, and for outside stores it bottles under other brand names

The new store, Magnum Liquordrome, is in Bedford Gardens

R5,5m brewery for City

Cape Times 21/4/78

(182)

Industrial Reporter

A R5,5m brewery employing 250 people is to open in Cape Town next year.

Intercontinental Breweries said in a statement yesterday that the plant, to be situated at Blackheath, would come on stream about August 1979.

The group, part of the Anton Rupert financial empire, is South African Breweries' only local competition. It markets Kronenbrau, Sportsman, Becks, Heidelberg and Culomborg Lite, against SAB which brews in the City with labels which include Castle, Lion, Hansa and Amstel.

A company spokesman told the Cape Times yesterday that it decided to establish the Cape Town brewery because of good product demand and the financial strains imposed by shipping beer from its Bloemfontein brewery.

"The beer market in the Cape is growing," he said. All the group's brands, with the exception of Becks, which took longer to brew, would be produced at the new plant.

(182) FM 21/4/78

THE BREWING SCENE

Intercontinental buys a round

After much sparring the gloves are finally off in the 520 million litres (Ml) beer market worth, at retail level, around R530m.

Intercontinental Breweries (ICB) is to spend upwards of R11,5m in building an entirely new brewery, upgrading three others (one of which is still incomplete) and erecting a new distribution depot

By far the most significant slice of that projected expenditure is R5,5m set aside for a new brewery at Blackheath, Cape Town Work on the 15 ha site is expected to get under way within the next two months and the brewing lines should be running by July or August next year

Intention is, ICB executive vice chairman Gerard Steinmetz tells the *FM*, to produce the full range of the company's products at the Blackheath site

The move makes a lot of sense for several reasons Not least of these is the fact that, according to *FM* calculations, ICB's railage cost to the Cape from its Bloemfontein plant cannot be much less than R14 per hectolitre Moreover, the company has only recently entered the Cape in full strength thus making all of its products available nationally. Supply lines, clearly, were being stretched

Added to which the Cape market is generally regarded as being some 20% of the national total. On that basis, and considering ICB's rounded off 10% market share, we estimate that the new brewing facility will have a capacity of not less than 200 000 hl

At the same time ICB is upgrading its Prospecton brewery in Durban by roughly a third Again, ICB is saying nothing on revised capacity but our guess is that the revamped brewing facility, scheduled to come on-stream in August, will then have a capacity of between 200 000 hl-250 000 hl

That is, based both on ICB's estimated market share and on the fact that the Natal market is widely reckoned to be running at between 18%-20% of the national total

ICB's Steinmetz . . . drawing up the battle lines

But it's in the Northern Provinces, including the hefty Transvaal market, where at least 60% of the national action is to be found And that explains why ICB is in the process of upgrading its Chamdor (Johannesburg) and Bloemfontein breweries Completing the plus-minus R6m spend (apart from the Cape Town facility) is the erection of an entirely new distribution depot in Johannesburg

It's to be sited alongside the M2 motorway on the old City Deep site. Work is in hand and it's expected to be operational by October Coincidentally, the new depot is all but alongside the new SA Breweries 13 000 m² distribution facility due to be commissioned on June 1

Eyebrows may be raised over ICB laying out upwards of R11,5m especially at a time when the beer market is static — if not in something of a decline But, perhaps, it's not entirely unexpected Last year, (*Business Brief*, December 9) Steinmetz told the *FM* that "a company can only survive long-term if it holds at least one quarter of the market held by its biggest competitor" SAB is the *only* competitor and our guess is that, on paper anyway, the new Blackheath facility will bring ICB up to a 20%-25% beer brewing *capacity* as a percentage of the national total

Of course, brewing capacity is one thing Market share is quite another. But Steinmetz is clearly drawing up his battle lines

That the beer market is tending to dry up is confirmed by the fact that in the last calendar year excise duty was paid on just 521,4 Ml — down from previous years and contributing to what most in the business talk about as a nominal 1%-2% decline in sales

Just where we go from here is anyone's guess but in recent months it has been ICB which has been making all the running It launched its Culemborg Lite and its Heidelberg 100 in November last year while SA Breweries' last launch was of its Schafft in mid-1976 — that is, if you exclude the "re-positioning" of its Hansa Pilsner in August last year

Of course SAB is there to be shot at and constant moves by ICB to build up a product range and lay in brewing capacity creates the illusion of continuing activity.

Nevertheless, it seems to be SAB's round next.

HOW THEY SHAPE UP

SA BREWERIES BREWING SITES	SA BREWERIES BRANDS	INTERCONTINENTAL BREWING SITES	INTERCONTINENTAL BRANDS
[illegible] (Jhb)	Castle Lager	Chamdor (Jhb)	Kronenbrau
Alrode (Jhb)	Castle Milk Stout	Bloemfontein	Heidelberg 100
[illegible]	Lion Lager	Prospecton (mid-year)	Sportsman
[illegible] (Durban)	Lion Ale	Blackheath (next year CT)	Becks
Prospecton (Durban)	Black Label		Culemborg Lite
East London*	Shafft		Luyt Lager
Port Elizabeth	Amstel		
Newlands (CT)	Rogue		
Gaberone	Hansa Pilsner		
Rosslyn (proposed 1983)			

*[illegible]

Rapport 16/4/78

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OUDE MEESTER BREEK DEUR

DIE Oude Meester-groep se toetrede tot die uitvoermark vir wyn het alle verwagtinge oortref. Toe die groep vyftien maande gelede tot hierdie stap oorgegaan het, is daar gehoop om R1 miljoen per jaar te haal. Hierdie doelwit is byna verdubbel.

Volgens mnr Louis Kriel, uitvoerdirekteur van Oude Meester-Kelders, het die groep die afgelope jaar tot 31 Maart meer as R1,6 miljoen se wyn en spiritualie uitgevoer. En al die aanduidinge is dat die uitvoer sy sterk stygende neiging sal handhaaf.

Hierdie uitvoerpoging is begin toe Oude Meester die beherende belang in Henry C Collison & Sons van St James, Londen, verkry het. Dit was van hier dat daar ook na die res van Europa gewerk is en Oude Meester-produkte word nou na elke EEG-land behalwe Italie uitgevoer

Hoewel Brittanje uit die aard van die saak steeds die prioriteitsmark bly, word daar veral nou groot welslae in Switserland en Wes-Duitsland behaal, sê mnr. Kriel.

Die groep se Bergkelder-rooiwyne word veral hoog aangeskryf in hierdie twee lande. En met die sterk prysverhoging van Franse witwyne, doen ons witwyne nou ook besonder goed op die Europese mark.

In Brittanje is die groep se Fleur du Cap- en Grunberger Stein-wyne weer besonder gewild, terwyl Uitkyk Carlsheim aan die landgoedwynkant besig is om vir hom naam te maak

Die Oude Meester-groep is nou ook met die laaste voorbereidings besig om 'n aanslag op die Amerikaanse mark te doen. Collisons het 'n filiaal in Amerika geregistreer en die verwagting is dat daar teen die middel van die jaar in alle erns met die uitvoer van wyn na hierdie mark begin sal word

Terseldertyd word die Verre-Ooste se moontlikhede nou ondersoek. Daar is reeds twee proefbesendings na die Ooste gestuur en die reaksie was baie goed, het mnr. Kriel gesê. Agente sal waarskynlik binnekort aangestel word.

Mnr. Kriel meen dat die Suid-Afrikaanse wynbedryf soos die Franse in die afsienbare toekoms die posisie kan bereik waar hy meer gehalte wyn gaan uitvoer as wat hy op die plaaslike mark verkoop

Maar, voeg hy by, dit sal net moontlik wees as daar voldoende hoeveelhede in Suid-Afrika is en ons wetgewing oor afbakening e[illegible] sertifisering nie te onbu[illegible]saam is nie Die groep se wyne in hierdie klas is besig om baie goed op die plaaslike mark te doen en met die welslae op die uitvoermark was die afgelope oes net betyds om te verhinder dat daar nie 'n ernstige tekort aan voorrade ontstaan nie

Mnr Kriel verwag egter dat die afgelope wynoes in gehalte sowel as omvang baie goed gaan wees en dat dit die groep in staat sal stel om met sy uitvoerpoging voort te gaan

Die R1,6 miljoen se wyn en spiritualie, waarvan sowat 80 persent tafelwyn is, wat die afgelope jaar uitgevoer is, verkry meer perspektief wanneer in aanmerking geneem word dat die KWV se uitvoer sowat R5,5 miljoen beloop het

LIQUOR (182) FM 10/3/78

From grain to grape

Despite lifting attributable earnings by 28% on pre-tax profits of R10,9m (up 25%) in the September 30 1977 interim report, the Oude Meester (OM) group reports relatively small sales increases for the six months So OM is looking to improve earnings by focussing on export markets

OM's "substantial shareholding" in Richelieu et Cie, France (producers of Cognac brandy), has, however, given OM little clout in overseas markets Under an 18-year-old franchise agreement with Richelieu, OM produces Richelieu brandy in SA It's one of SA's top four brandy sellers and, along with OM brandy and Viceroy, gives OM a 70% slice of SA's annual 50m 750 ml bottle brandy market

The Richelieu agreement precludes sales other than in Southern Africa to the Zambian border, presumably to avoid clashing with Richelieu's own export interests OM exports are in OM brandy and Bergkelder wines Top sellers are Fleur du Cap and Grunberger Stein wines

At end 1976 OM bought a 50% stake in London wine merchants Henry C Collison which markets and distributes for the OM group in England 1977 wine and brandy exports total R1,1m with an 80%-20% wine/brandy ratio

Target is to "double wine and brandy exports of which KWV contributed R5,5m in 1977," says OM export director Louis Kriel 50% of sales are in England, 20% in West Germany All EEC countries have big potential, says Kriel, but exports are developing well in the US, Canada and Paraguay

"We're converting traditional whisky drinkers to become SA brandy drinkers. We're succeeding despite the fact that whisky at roughly £5 a bottle in London is cheaper than OM brandy at £5,87"

1. Homme
2. Naam
3. Oude
4. Gesl
5. Ras
6(a) Sl
(b) Sl)
7. Sool

Aan perr

8. Hoe erk het

Aan toe: lleenlik:

9(a) Pe
(b) J. aas
(c) Je
(d) Be n die jaar
(e) Ha laas gewerk

10. Aa

(a) Werkure:

Maan-Vry	Begin	Uitskei	Pouse(s)
Sat.	"	"	"
Son.	"	"	"

(b) Jaarlikse verlof deur boer betaal
onbetaal

11. Kontantloon (weekliks)

12. Ander betaling (weekliks)

(a) Vleis: hoeveelheid
prys (as nie gratis verskaf word nie)
waarde aan boer
waarde aan werker

Beer is best as SA Brews lifts interim

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RDM 10/11/77

By HAMISH FRASER
Deputy Financial Editor

THE BEER division of South African Breweries carried the group to a commendable 19,5 % improvement in attributable profits in the six months to September 30 and the interim dividend has been raised from 2,5c to [illegible] on the strength of the higher profits and [illegible] leaner looking balance sheet.

Shrugging off the lower contributions from its retailing subsidiaries, SA Brews lifted pre-tax profits by 14 [illegible] from R34 259 000 to R39 196 000 on a 5,5 [illegible] increase in turnover which went up from R6[illegible] million to R69[illegible] million.

The improvement in margins which the chairman, Dr Frans Cronje, promised in his last annual review may be used in the beer division [illegible] those comparisons [illegible] better results from Rhodesian Breweries and a lower net interest bill also helped.

Attributable profits rose from R13 691 000 to R1[illegible] 597 000 lifting earnings from 6,21c a share to 7,45c a share.

SA Brews is still not prepared to take a view on private consumption expenditure levels or patterns for the peak spending season — which falls in the second half of its year — but says profits for the second half should at least match those of the second half of last year provided there is no deterioration in trading conditions.

[illegible] some stimulation of the economy [illegible] SA [illegible] to [illegible] does [illegible] hope that SA [illegible] another increase in the dividend could be paid [illegible]

The [illegible] been [illegible] itself [illegible] an [illegible] balance sheet which accompanies the [illegible] profit figures show.

[illegible] around [illegible] increased [illegible] has fallen from 0,[illegible] interest [illegible] dropped from [illegible]

It is [illegible] recording that SA Brews [illegible] director [illegible] [illegible]

[illegible]

[illegible] accommodating

The shares closed to 104c yesterday ahead of the result. Assuming a half cent [illegible] in the final to make a total of 10,5c the yield of more than 10 [illegible] looks good.

Even if the final is merely maintained the shares do not look expensive on yield considerations.

The recent weakness in the share price can probably be attributed to the disappointing results of the retailing subsidiaries and particularly OK Bazaars — but the beer division's strength should persuade some investors back into the counter.

(182) Cape Times 1/11/77

Rupert launches new beer in Cape

By PAUL DOLD
Financial Editor

THE Western Cape may be on the verge of a beer price war as Dr Anton Rupert's Intercontinental Breweries moves in for an assault on the local market

Intercontinental announced yesterday that it was launching its prestige line Kronenbrau — the group's top-selling and longest established beer Up to now only Becks has been marketed locally and Kronenbrau is to be backed up, by an intensive marketing effort

A price war between Intercontinental and the powerful South African Breweries which dominates the South African market cannot be ruled out with the peak beer sales period about to begin

Kronenbrau will be available locally initially in 340 ml cans, 375 ml bottles and 340 ml dumpies and the beer will be sold at normal prices

An intensive sales campaign is also under way in the Eastern Cape where Sportsman Lager has been released Both the Western Cape and Eastern Cape launches are significant steps in Intercontinental's national coverage

Already all four products including Heidelberg are sold in the Transvaal, Free State and Natal

Intercontinental says it is delighted with the progress the group has made in the past four years and the takeover by Rembrandt has led to a sharply rising sales graph

The main breweries are in Krugersdorp where additional high-speed canning plant has been installed and in Bloemfontein where warehousing has been expanded by 25 percent.

To cater for the Natal market, Intercontinental is building a third brewery at Prospecton, which is due to come on stream in May, 1978 Clearly a brewery in Cape Town will follow once sales volume justifies the development.

In the meantime beer will be railed to Cape Town and it's probable that once the Durban brewery is producing, the Western Cape will draw supplies from Natal cutting transport costs significantly

SAB

THE SOUTH AFRICAN BREWERIES LIMITED

Interim report

for the six months ended 30 September 1977

FINANCIAL RESULTS

Consolidated income statements

The unaudited results of The South African Breweries Limited and its subsidiaries for the six months ended 30 September 1977 compared with the six months ended 30 September 1976 and the year ended 31 March 1977 are as follows:

	6 Months to 30 9 77 R000	6 Months to 30 9 76 R000	77/76 % Change	Year to 31 3 77 R000
Turnover	679 334	660 806	5 5	1 415 156
Operating income before interest and taxation	48 269	45 370	6 4	121 009
Net interest paid	9 073	11 111		21 778
Operating income before taxation	39 196	34 259	14 4	99 231
Taxation	16 381	13 989		36 567
Profit after taxation	22 815	20 270	12 6	62 664
Attributable to outside shareholders	4 106	4 191		10 723
Preference dividends	2 342	2 388		4 746
Attributable to ordinary shareholders	16 367	13 691	19 5	47 195
Extraordinary items	(336)	960		1 753
Ordinary dividends	6 586	5 482		20 856
Retained earnings	10 117	7 249		24 586

	6 Months to 30 9 77 cents	6 Months to 30 9 76 cents	Year to 31 3 77 cents
Earnings per ordinary share	7 46	6 24	21 52
Dividend per ordinary share	3 00	2 50	9 50
Dividend per cumulative preference share			
6 2	6 2	6 2	12 4
7 0% convertible redeemable	3 5	3 5	7 0
5 6% redeemable	2 8	2 8	5 6
8 0% redeemable	4 0	4 0	8 0
7 0%	3 5	3 5	7 0

FINANCIAL RESULTS (continued)

Consolidated balance sheets

	30 9 77 Rm	30 9 76 Rm
Fixed assets	545	527
Current assets	470	455
Total assets	1 015	982
Current liabilities	262	259
Long term liabilities	217	221
Total liabilities	479	480
Ordinary shareholders' equity	367	335
Preference capital	71	72
Outside shareholders interests	98	95
Total capital	536	502
Net asset value per share (Rand)	1,68	1 55

Financial ratios

Interest bearing debt to total capital	52/1	57/1
Total liabilities to total capital	89/1	96/1
Current assets to current liabilities	1 80/1	1 76/1

Equity accounting

In the light of the decision taken at the end of the previous financial year not to incorporate the post acquisition results of associate companies on the equity accounting basis pending the publication of a definitive statement by the Accounting Practices Board in South Africa comparative figures for the six months to 30 September 1976 have been adjusted to eliminate the effects of equity accounting prematurely introduced

Fixed assets

As at 1 April 1975 a detailed assessment of the current values of fixed assets in the Group was made and revealed that these values were some R50 million in excess of the book values thereof No further such revaluation has been undertaken since that date

At 30 September 1977 outstanding capital commitments amounted to R23 million (1976 – R34 million) whilst a further R34 million (1976 – R38 million) had been authorised by the Directors but not committed

FM 11/11/77 (182)

SAB/OK

OK is a drag

Without OK, SA Breweries' pre-tax profit growth would have been 28% and not just 19,5% (see table)

Beer prices, bolstered by a price increase and a mild winter, accounted for most of the increase

The improvement must be seen in perspective, though By SAB's own admission, first-half beer profits last year were depressed The price increase came in the second half, with the result that 71% of taxed profits were earned in the second half

But this year the directors anticipate second-half earnings "approximately in line" with last year's R33,5m or 15,3c per share This suggests eps of 22,7c (21,5c) for the year or a 5,6% improvement, and a 33·67 split

While total assets increased by R33m in the half year, total liabilities decreased R1m, "which resulted in all financial ratios improving significantly" This also explains the interest charges down R2m at R9m. Capital commitments, mainly in OK, are down from R34m to R23m, whilst a further R34m (R38m) of capital expenditure has been authorised but not committed.

At OK, things look bad. Pre-tax margins have been hacked from 3,8% to 2,9%. The decline in earnings from 42,8c to 33,8c, at 21%, was more or less in line with pre-tax profits

OK's headache has been that cash squeezed consumers have cut down on higher margin goods, such as clothing, furniture and houseware and spent mainly on basic foods, where margins are low.

Dividend cover was allowed to fall below two last year but, with the present cut, returns to two Joint managing director Cyril Atkinson says 50% of earnings is not a formally established payout Liquidity has improved and is not a reason for the reduced dividend, says Atkinson OK has capital commitments of R20,8m, mainly in respect of the Durban hyper, which it intends to own and pay off in cash — at least initially, pending a possible leaseback sometime in the future.

Last year 53% of turnover and 60% of pre-tax profits were earned in the second half Atkinson says the second half, incorporating Christmas, is normally better, but with Christmas only five weeks away, there has been no sign of an upturn and the group is "a little worried".

The dividend cut pushed the shares down from 700c to 650c to yield a historical 8,9% If the final is also cut by 15%, the prospective yield is 7,6%, which is not attractive, given prospects for the sector, which is still feeling for the bottom

SAB should pay 10,5c (9,5c) so it yields a prospective 10% A lower yield basis should be reached once consumer spending picks up

David Carte

THE TWO YEAR RECORD*

Half year ended	Mar 31 1976	Sept 30 1976	Mar 31 1977	% change†	Sept 30 1977	% change†
	Rm				Rm	
SAB						
Turnover	718,4	660,8	754,3	+5	697,3	+5,5
Pre-tax profit	55,5	34,2	65,0	+17	39,2	+14,4
Attributable profit	29,5	13,7	33,5	+13	16,4	+19,5
OK						
Turnover	247,4	247,4	283,2	+14	260,1	+5
Pre-tax profit	15,1	9,4	14,4	4	7,5	—20
Attributable profit	8,6	5,1	8,0	7	4,0	—21
SAB without OK						
Turnover	475,9	413,4	471,1	1	437,2	+6
pre-tax profit	40,4	24,8	50,6	+25	31,7	+28

* SAB with and without OK
† Over previous comparable period

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BEER FIN MAIL 9/12/77 182

Act first

"A company can only survive long term," asserts Gerardus Steinmetz "if holds at least one quarter of the mark held by its biggest competitor." As execu tive vice chairman of Intercontinent Breweries (ICB) Steinmetz is clearl talking about capturing a sizable chun of the substantial market held by th country's only other beer producer, SA Breweries

So why should Steinmetz succeed? He typifies the new mood of aggression or senses coming to a head in ICB He ha the right financial and marketing creden tials from the Rembrandt group of com panies too

Foundations were laid in 1959 whe he was with Rembrandt in Stellenbosch The next spell, from 1961 to 1966 was in finance production and marketing wit the First National Tea & Coffe Factories and during which time he wa directly involved in the launch of Frisco instant coffee

Financial roles within the cigarette group and Oude Meester followed in suc cessive years prior to becoming the MD of Oude Meester in 1968

The past seven years have been spen with the local interests of Rembrand with responsibilities, once again fo finance, marketing and production It's a formidable record and has clearly left it mark in terms of, among other things ar awareness of the importance of brand marketing so vital in that other keenly contested marketing sector cigarettes

Part of that awareness comes over when, talking about marketing in general, Steinmetz leans across the table and says "Act, don't react," and then as an afterthought, "but if you have to react do it so damn fast that they think you acted"

He's now into his stride and follows through with "sell an advantage" What he means in marketing terms, is don't come into the market place with a me-too" brand Each launch must offer an alternative, a distinct lure

We've already seen that philosophy in action with the launch of Culemborg and Heidelberg One offers a low calorie alternative while the other is being promoted as the beer made with 100% hops -- the all malt beer"

Taxed on his chances of breaking SAB's Castle grip of the black market, Steinmetz underlines that ICB's market ing policy is one of selling to *all* sectors of the market He's thus part of the camp which argues that you don't sell to any *specific* sector

Nevertheless, the 25% market share that ICB is going for in the short term would bring some "tight spots" if it hap pened overnight Without the Prospecton Brewery (near Durban) on stream (it's due in July) and no brewing facility, as yet, in the Cape, supply lines would obviously be stretched

But right now it's a flat beer market, with zero growth and the immediate prospect of a 25% share for ICB seems somehow remote Yet it does seem the sort of supply problem that Steinmetz will dearly love to wrestle with

MANUFACTURING - Beverages

26-1-79 — 2-12-79

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BEER DISPATCH

Premature casualty

V82 FM 26/1/79

Stepped up hostilities in the beer war have left Remgro's rating unscathed, while SAB has been sharply downrated

Our comparative yield chart ends at the beginning of January so it does not show SAB's recovery of the past three weeks Nevertheless, not since early 1977, when there were misguided fears of a dividend cut and post-Soweto selling from London, has SAB's rating in relation to the rest of the industrial market been so low

At its current 140c, SAB yields an historical 7,8% and, assuming a 1979 total dividend of 11,5c, a prospective 8,2% The average yield on the JSE Actuaries industrial index is 6,2%. Which suggests, effectively, that the market rates SAB as 32% below average.

The downrating of SAB started in September, when Remgro took out the minorities in Oudemeester and Intercontinental Breweries and acquired 49% of Gilbeys in an all-out drive to procure 20% of the beer market

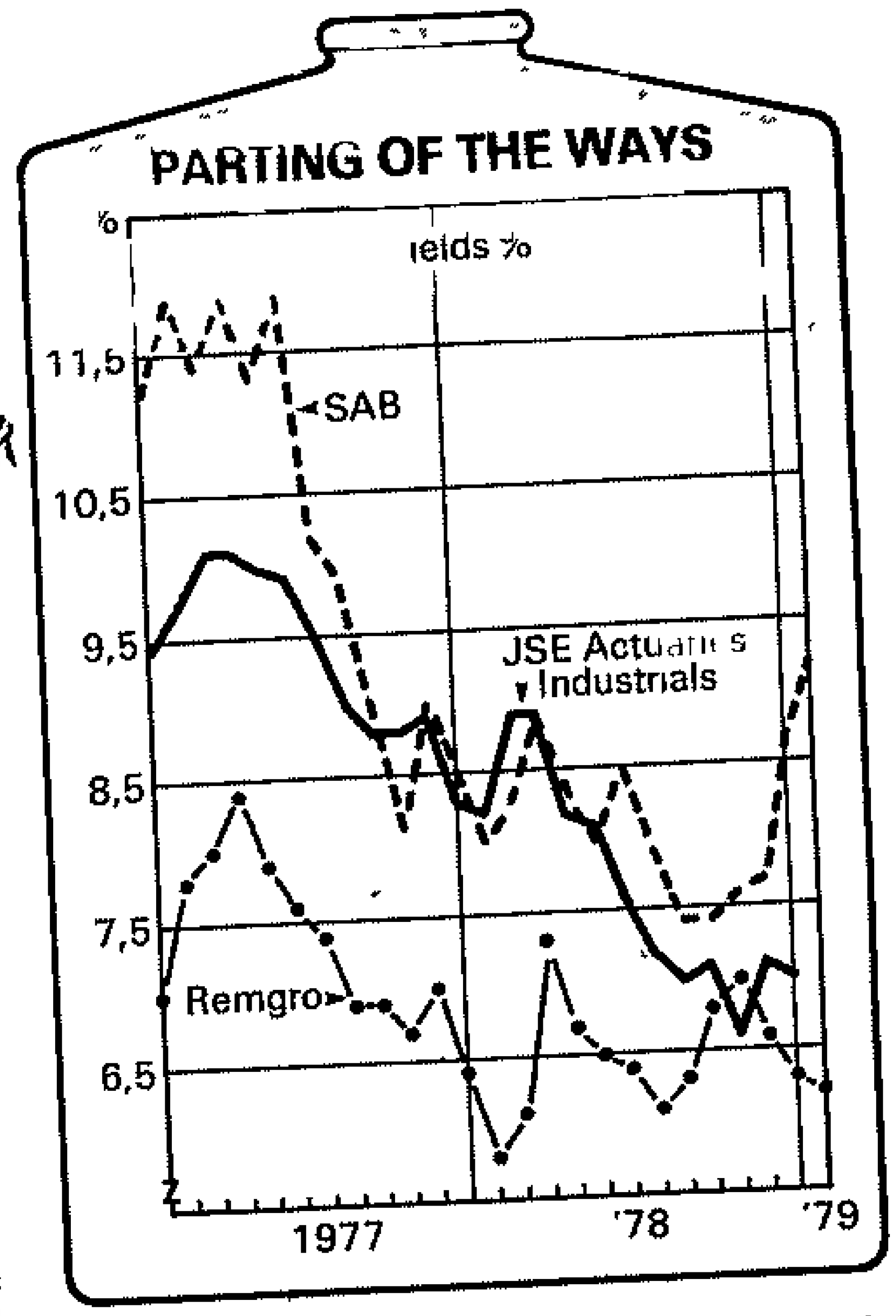
Although it revealed non-liquor profits 24% ahead at half time, the SAB interim to end-September 1978 did nothing to halt the slide in rating Liquor profits level pegged but earnings were only 6% ahead largely because "higher levels of marketing expenditure were incurred by the liquor divisions."

The interim forecast was very cautious — "it is anticipated that there is a reasonable prospect that attributable profits in the remaining six months of the financial year will at least match those for the comparable period of the previous year."

In 1978 SAB made R33,9m in the second half, which suggests attributable profit for the year of only R50,2m — a 2% increase on 1978's R49,2m.

Based on the interim, the *FM* estimates that non-liquor interests will contribute R30,7m (R26,7m) — a 15% improvement (see table). So it looks as if SAB at mid-year was expecting liquor profit to decline by R3m this year.

The market's response seems to have been that if the beer war hurts this much



this early, it will be agony when ICB's capacity is up to 20% and the real battle starts

Supporters of SAB point out that it has successfully weathered several beer wars before SA beer drinkers, they aver, are conservative to a fault and it will therefore cost Rembrandt far more to take them away than it will for SAB to keep them

SAB's non-liquor profits:

	1978 Actual	1979 FM Estimate	% change
	(Rm)		
OK	12,8	14,3	+12
Amrel and Afcol	7,7	6,5	+22
Southern Sun	6,6	5,5	+20
Shoe Corp	1,7	1,7	nil
Other	0,4	0,4	nil
Total	26,7	30,7	+15

There is also the prospect that the big marketing drive of the two will boost beer consumption. The faithful argue further

Bibliography

29.

SEPTEMBER, 1978.

Dear Forest Glader,

Half a year has passed since our last A.G.M., and you may like to know what has been, and is, happening in the Association.

1. COMPOSITION OF THE BOARD

[illegible] had to accept the resignations of R.A. Provan, H.S. Rumbelow

Brewers' silent on report of big price rise

By SIMON WILLSON

BEER INDUSTRY spokesmen were tight-lipped yesterday on reports from Johannesburg's leading liquor retailers that the price of South African Breweries' beer was due to rise by up to 4c a bottle next week

Mr Laurie van der Watt, general manager of the SAB beer division, was on a tour of new SAB brewery plants in Transkei yesterday and was unavailable for comment on the reports

A spokesman for the SAB public relations department said Mr Van der Watt was the only person qualified to confirm or deny the reports However, the spokesman said a price increase as big as 4c a bottle was extremely unlikely

"There has never been a rise of that size and the industry would never impose one Based on past increases, beer price rises from the brewers usually average about 4% or 5%, which means an increase to the customer of less than a cent a bottle," he said

The managing director of Intercontinental Breweries, Mr D Steinmetz, said he was unable to comment on the reports of an increase

One retailer said the SAB had warned that the price of beer would go up at the end of January He expected the increase to be imposed today or tomorrow

Liquor retailers expect that if the price increase is implemented it will be imposed suddenly and overnight to prevent a wave of panic buying and stockpiling to beat a price increase

Meanwhile the director of the food buyers of a large national supermarket chain forecast that the whole range of potato and corn-based snacks such as crisps and corn chips would be 18-20% more expensive by the end of this month

He said new stocks of canned food were already more expensive and would cost the consumer more within weeks as old stocks ran out He gave the following examples of increases already on the shelves

- 410g Koo' cream-style sweetcorn up from 31c to 33c
- 825g Silver Leaf canned peaches up from 66c to 69c
- Purity junior baby food up from 24c to 27c
- 200g slabs of Cadbury chocolate up from 84c to 95c with Nestle chocolate going up as well next week
- 50ml Nugget shoe polish up from 20c to 21c
- 100g Colmans mustard powder up from 73c to 79c

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and the Divisional Council. The common area must be kept open for the use and enjoyment of all members. No full enclosures of any sort can be permitted, and all which have been made must be completely opened up. Barriers or obstructions

2 / ....

put on the common area and interferring with the enjoyment and use of the common area by all must be removed.

We quite realise that some people have gone to a lot of trouble and expense to plant on their own or the common area. Thus where enclosures have been made by planting, we hope that they can be opened up by the least possible disturbance and the judicious moving of certain, rather than all, plants. Mr. Roberts, the Architect for the estate, and member of the Board, will be glad to discuss and advise on the possible methods of doing this, and we would suggest that people who have enclosures made by plants should contact him before moving or removing plants themselves.

The Directors have most reluctantly decided that if these enclosures, barriers or obstructions have not been removed by the end of 1978, they must take the necessary steps, possibly through legal action, to have them opened up or removed. While some people have already received requests to open up enclosure and remove barriers, we wish to make it clear that the regulations and policies apply equally to all.

As a general rule, the Directors have decided that they will consider applicati for fences, hedges etc. along the eastern and western boundaries of private er but that none will be permitted on the northern boundaries of any private erf.

4. PLANTING AND GARDENING ON COMMON AREA

We are all very grateful to members who have helped to improve the common area with extra plants, which the Association could not have afforded. Of course once planted they form part of the common area, and so have to be maintained by the Association, and the gardeners on the estate may have instructions, from time to time, to clip, prune or move the plants for the good of the plants themselves, or to ensure that the common area is kept open for the enjoyment and use of all members.

5. PETS

People are constantly complaining about animals straying round the estate and dirtying area close to houses. Sometimes this is so bad that it is a health hazard. It is extremely difficult to see a solution to this problem, and in the past the Board has felt unable to do anything about it, save ask for considerati from dog-owners in cleaning up and generally keeping control of their dogs. The trouble is now becoming so acute that we must remind all members of regulation 4.1.3 which requires permission from the Board for the keeping of animals. Thus in future no one may keep a pet without first obtaining the permission of the Board, which can of course be refused. To try to decide on a future policy to contain this problem and be fair to pet-lovers, we wish to have a complete picture of the situation. For this we need details of the pets kept in each household, and we should be grateful if you will complete the attached form and return it to Mrs. Foox, House No. 44 (Hamlet 4), as soon as possible.

6. The Directors have received complaints that quite a few people have washing line up on their balconies in the full view of passersby. All the houses have yards especially to avoid this unattractive feature. Moreover, it is quite possible to put up lines at a very low level on 1st floor balconies so that washing hanging on them cannot be seen from the ground or from other houses. Please would people refrain from putting washing in a place or at a level where it can be seen by others.

7. EXTERIOR LIGHTS

For a glorious few weeks after the repair work on the lights had been completed

3 / ....

(182) 7/2/79 Star

Get brewing!

JOHN ROLT takes the cap off a new craze

rocketing costs and speculation about a beer price rise, doing your own thing is rapidly being replaced by brewing your own thing

Home beer brewing is rapidly becoming a major pastime of a growing number of people A Pretoria supplier of materials for the home-brewer, Mr Lex Krabbendam, says that in the past year he has sold brewing kits to more than 200 people from all over the Transvaal.

"And it is growing all the time A beer price increase now will be the decisive factor in more and more people trying it," he said

Home-brewing seems more complicated than it really is With the kits available on the market, it is as easy as drinking the final product — and at a minimal cost.

The initial outlay on equipment should be no more than R20 and after that it costs about R4 to brew 20 litres of the good stuff

For your R20 you can get a fermenting vessel to brew in, a beer kit containing a concentrate to make 20 litres, a capping machine and 100 caps.

Empty bottles to store the potion should present no problem Scrounge them from friends and neighbours or buy them from a bottle store for about 5c each

OLD HAND

The easiest way to start brewing your own beer, says Mr O'Brien Collins, an old hand at the business, is to buy the equipment with a beer kit

First step is to boil five litres of water Once it is bubbling away, add a kilogram of sugar This is an important step, Mr Collins says, because the amount of sugar added to the water will determine the strength of the beer One kilogram will give you a medium beer, less than that a light beer For the boys who want a real bounce, add a little more than a kilogram

Once the sugar has dissolved, add the beer concentrate from the kit and allow it to boil slowly for 10 minutes

While this is happening, sterilise the fermenting vessel with the special powder in the kit

Then pour the water, sugar and concentrate mixture into the fermenting vessel and top it up with cold water to make the 20 litres

TAKES TIME

Add the yeast, which is also in the kit, to the mixture in the fermenting vessel and close the lid

The bubbling brew must then be stored in a warm place for a minimum of about five days Yeast works better in warmth

"I normally leave my brew for about two weeks Basically the longer it stands the better, because it gives the sediment time to settle The beer is clearer the longer it stands," Mr Collins added

The next important step is bottling Sterilise the bottles with hot water and a bottle brush, but do not under any circumstances use soap The bottles must be 100 percent clean

ADDS GAS

The bottling process should be done where the fermenting vessel has been standing

"The idea is to move the fermenting vessel as little as possible A nook in a garage or pantry is ideal"

Once the bottles have been sterilised, add a third of a teaspoon of sugar to the empty bottles This bit of sugar adds gas to the beer Another word of warning Do not put any more sugar in the bottle or you could end up with a "gusher" or bottle blast

Mr Collins says "gushers" are unpleasant and inconvenient things to keep around the home.

Cap the bottles, using the machine bought with your initial investment, and pack the bottles away for about two weeks

The sugar added to the bottles starts a second fermentation process.

"Another important thing to remember is that the bit of sugar added to the bottle before filling does not determine the strength of the beer. The strength is determined by the amount of sugar put into the fermenting vessel," he added

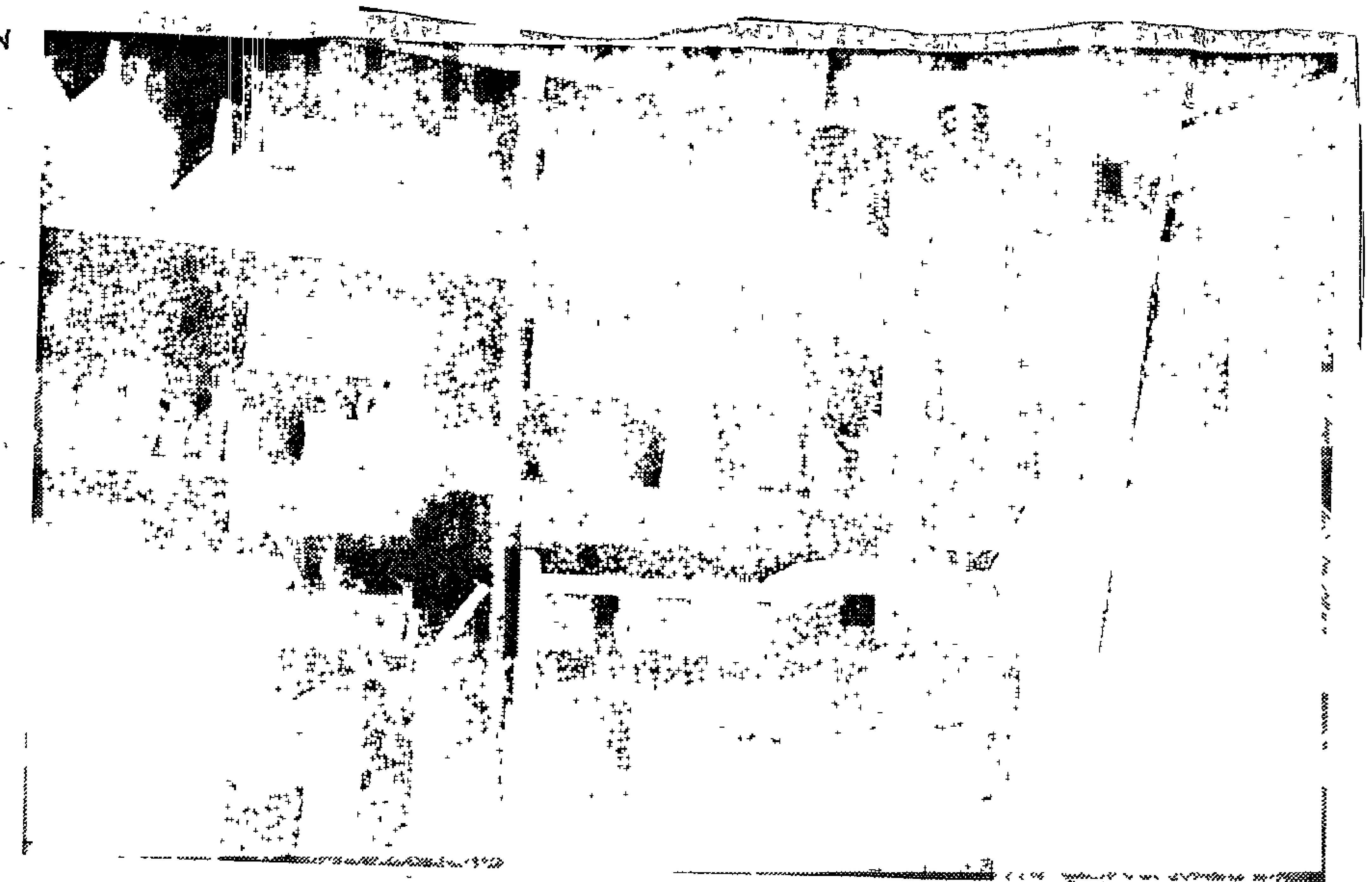
After the two weeks have passed, the beer is ready for drinking.

The second batch of beer will cost no more than about R4 for 20 litres.

This is the simplest method of brewing your own beer, other ways can get very complicated, depending on your taste

It is not necessary to buy a brewing kit. You can experiment with different recipes and combinations of hops and different types of malts to suit your taste.

Mr Krabbendam has an impressive array of recipes, most of them from overseas There is also a South African Amateur Brewers' Association with its offices in Johannesburg run by Mr Peter Dockerty (telephone 41-8581).



Mr Lex Krabbendam, a Pretoria supplier of home-brewing equipment, displays the "gceries" necessary to start up in competition to the big boys in the beer business.

Oorlog tot die laaste vaatjie bier

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Rapport 11/2/79

Deur DAVID MEADS

DIE magtige Rembrandt-groep van dr. Anton Rupert het „amptelik" oorlog verklaar teen die S.A. Brouerye-groep, wat die biermark in Suid-Afrika oorheers.

Die manne by Rembrandt op Stellenbosch sê dat dit 'n stryd tot die bitter einde is en dat Suid-Afrika nou vir die eerste keer 'n voorsmaak van die werklike spierkrag van die wêreldwye Rembrandt-groep gaan kry

Rembrandt se bierfiliaal, Interkontinentale Brouerye, kondig vandag aan dat hy nie sy pryse gaan verhoog nie „totdat daar 'n regverdige en redelike verspreiding van ons produkte is" Terselfdertyd word die bestaande verstandhouding tussen I K B en S.A.B., waardeur informeel gesamentlik oor pryse besluit is, opgeskort

* Die S.A. Brouery sê die „oorlogsverklaring" verbaas hom nie. Hy kom môre self met aanbiedinge van 'n spesiale prys vir sommige biere

Bierdrinkers het einde vandeesweek die eerste voordele van hierdie bieroorlog aan hul sakke gevoel toe die pryse van S A B -produkte skerp verhoog is, maar I.K.B. s'n op die ou prys gebly het.

In sekere hotels kos I.K.B. se Kronenbrau 1308 nou 4c per bottel minder as S A B se Lion en Castle Die ander produkte in die I K B -stal is Culemborg, Heidelberg, Sportsman en Becks, terwyl die ander biere in die S A B -groep Black Label, Amstel, Stallion 54 en Hansa is.

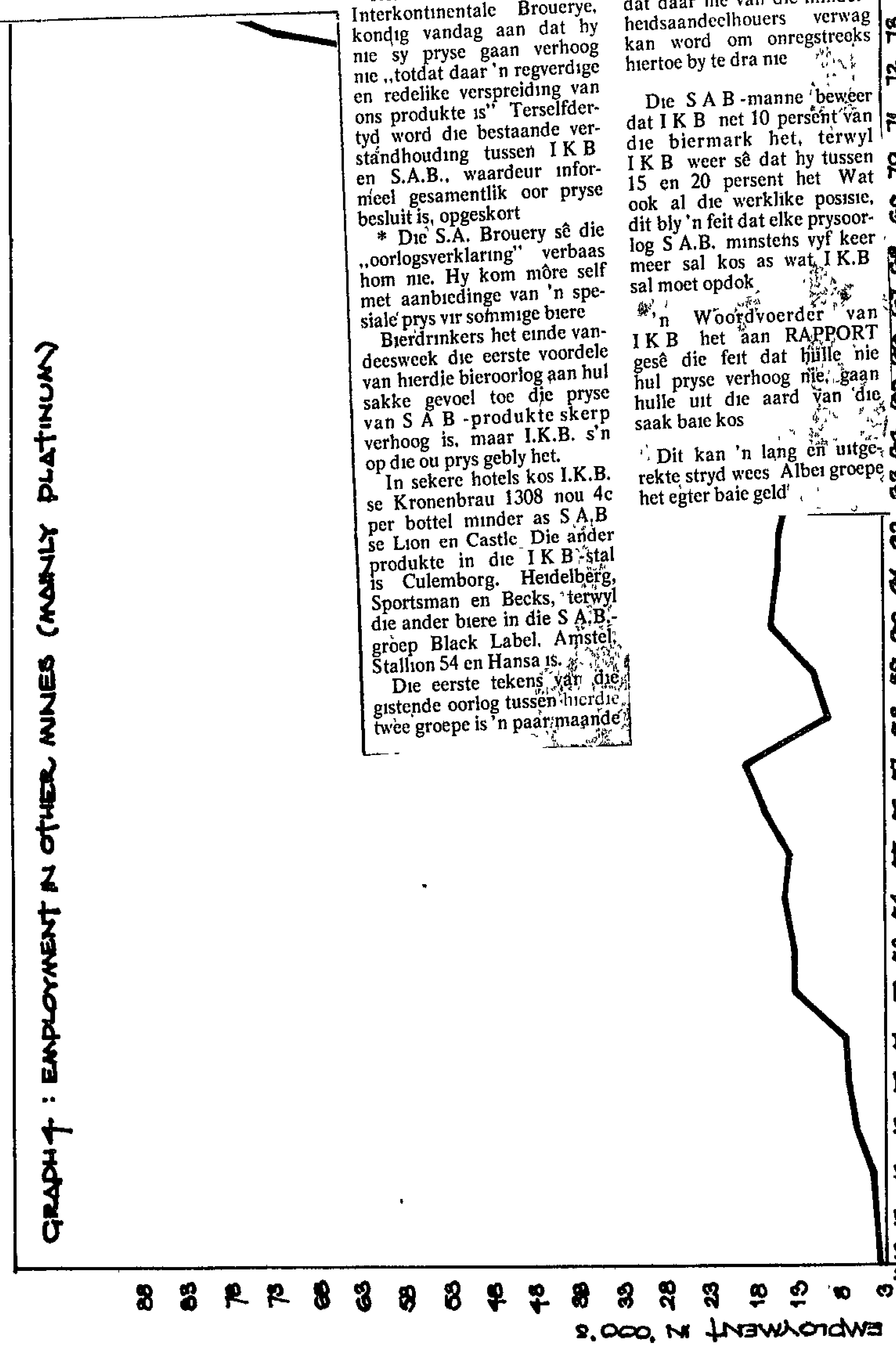
Die eerste tekens van die gistende oorlog tussen hierdie twee groepe is 'n paar maande gelede gesien toe Rembrandt 'n aanbod gemaak het vir die minderheidsaandele in sy filiale Oude Meester en I K B

Toe is gesê dat hierdie aanbod gedoen word omdat die bierstryd vorentoe geweldige groot bedrae gaan verg en dat daar nie van die minderheidsaandeelhouers verwag kan word om onregstreeks hiertoe by te dra nie

Die S A B -manne beweer dat I K B net 10 persent van die biermark het, terwyl I K B weer sê dat hy tussen 15 en 20 persent het Wat ook al die werklike posisie, dit bly 'n feit dat elke prysoorlog S A B. minstens vyf keer meer sal kos as wat I K B sal moet opdok

'n Woordvoerder van I K B het aan RAPPORT gesê die feit dat hulle nie hul pryse verhoog nie, gaan hulle uit die aard van die saak baie kos

Dit kan 'n lang en uitgerekte stryd wees Albei groepe het egter baie geld



Price freeze as beer war gets hotter

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Staff Reporter

INTERCONTINENTAL Breweries threw down the beer price gauntlet yesterday with an announcement of price freezes and reductions in the cost of certain sizes — but South African Breweries, who have by far the larger share of the market, are likely to follow suit this week

And the war between the breweries for a share of the market is unlikely to be confined to price. The nature of Intercontinental's advertisement in yesterday's papers has caused concern in South African Breweries and they are to discuss its content today

Intercontinental's advertisement appears to claim that they are being hampered in the distribution and sale of their products.

But neither the flying words nor rands and cents necessarily mean an immediate reduction in prices to all beer drinkers

"Some people still have old stock at the higher prices Retailers will have to play it as it goes with all the yo-yoing," said Mr Natie Matisonn of the Liquor Traders' Association. "It's confusing and we're not putting out any more directives Everybody will have to do his or her own thing "

The war between the two brewing houses recently landed them in court over the distinction in the names and labels of a malt beer. And both breweries are in some way connected with rumours of deals that would broaden their influence in the liquor manufacturing and distributing markets.

South African Breweries are negotiating with Mr Jan Pickard's Union Wine and Picardi Hotels. The Rembrandt Group (holding company of Intercontinental) are currently rumoured to be talking to Rennies and the Hong Kong group Jardine Matheson over their stake in Holiday Inns.

[illegible] diamonds at Orapa, copper-nickel at Selebi-Phikwe and coal at Morupule has changed Botswana's economic position.

Botswana's open and democratic conduct has lent a special moral stature to the country within the increasingly problematic political conditions of Southern Africa. Her domestic financial strength, exhibited in the recent decision to introduce her own currency, provides Botswana with the chance to forge new economic policy instruments and programmes, particularly on rural development, that could provide valuable lessons for the region.

The First Decade

Botswana's first decade of independence has been well used to realise the discoveries of mineral wealth and to begin developing democratic institutions and government capacities. Official statements, in particular the National Development Plan 1976-81, stress the need to turn attention to the large disparities within the countryside and between the countryside and the towns.

Mineral development, the growth of government, the initial provision of physical and social infrastructure, and a run of fair to good weather has expanded the economy considerably. Between 1966 and 1973/74 GDP rose from P37 million to P192 million and per capita GDP from P68 to P305. The

FM 16/2/79 (32)

THE BEER WAR

Getting down to business

The Rembrandt group this week debunked the myth that it is only seeking 20% of the beer market. It is clear that it is prepared to wrestle for as much of the market as possible, and says so.

"We expect to break even when we have 20%," says Oude Meester chairman Dirk Hertzog. "But we're in a fight for the beer market, and we're looking for parity."

Hertzog's statement puts the matter in perspective for the first time. Both SAB and Rembrandt have been warily circling each other like Japanese Sumo wrestlers, observing traditional courtesies, and letting off lots of steam.

This week they got down to business, running full page advertisements in SA's biggest newspapers, designed to present corporate viewpoints rather than promote individual products. It all hinged on the decision of the Rembrandt Oude Meester/Intercontinental Breweries combine to keep prices of its beers down until (in its own words):

- Fair and equitable distribution of its products had been assured, and
- Existing agreements hampering the sale of its products had been discontinued.

Rembrandt was saying to SAB: stop giving interest free loans to tied outlets and give us a break or we'll undercut you until you're forced to.

SAB's swift reply pointed out that Rembrandt controls more than twice as many liquor outlets (though SAB has an advantage in the hotel trade through its ownership of Southern Sun) and rejected the implied accusation that it put retailers under an obligation to push its products at all costs.

"That's rubbish," SAB's Laurie van der Watt retorts. But the Stellenbosch group has an *idee fixe* that SAB is defeating the market mechanism through tough tactics. This applies particularly to SAB's stranglehold on the black market, about 60% of the total.

Beer cans for Africa ... at cut prices, too

The shebeens are the main bugbear, as far as Rembrandt is concerned. Hertzog has no illusions about the difficulty of cracking this market. He believes shebeens should operate on a legally registered basis, buying not from wholesalers but retailers. "It would be almost impossible to set up a suitable wholesale distribution network on an economic level," he explains.

Whether this would solve the problem is open to question. Moreover, the shebeen trade does not respond to standard promotion techniques, and this will make penetration by Rembrandt even more difficult.

However, the real action is taking place in the white market. Both major groups appear to be on the lookout for additional outlets and hotels to strengthen their hands.

Something may eventually come from discussions between Rennies and Rembrandt over "co operation" with Rennies Liquor Holdings and Holiday Inns. Reacting to a report in *Fox* in the *FM* last week Rennies vice-chairman Ted Steyn elaborates: "We have had exploratory discussions with the Rembrandt group with a view to finding areas of co-operation. However, we are not negotiating and no proposals have been put to us. Naturally, if the Rembrandt group puts a proposal to us it will be considered on its merits."

Such a move would give Rembrandt access to a hotel chain and its off-sales, as well as bringing other liquor interests into the fold. At the same time SAB is negotiating for Jan Pickard's Union Wine and Picardi Hotels.

What the Minister of Justice would say in the event of successful negotiations remains to be seen. Hertzog is sure he would reject any attempt by his company, for example, to acquire more than 49% of Holiday Inns and RLH. And since the criterion for any merging of interests in the liquor industry is whether competition would be strengthened, Jimmy Kruger would be in a dilemma.

He allowed Rembrandt to take 49% of Gilbeys as it would increase competition in the hitherto SAB-monopolised beer market. On that basis he might favour Rembrandt in further deals. It would be more difficult to justify a takeover of Union Wine and Picardi Hotels by SAB.

A key issue remains the number of liquor licences held by Rembrandt interests (about 330). SAB believes the minister should intervene to ensure that a more equitable formula is established — maybe one which would preclude Rembrandt from developing further in this area. "Some people say we should get rid of a number of our outlets. The parity of outlets, however, only becomes relevant when there is substantial parity on beer distribution," responds Hertzog.

Rembrandt is also concerned about the use of discounts as a tool to lock it out of the market. Rembrandt also believes that it would minimise SAB's long-run losses to have conceded it a break-even share of the market (20%). "We wouldn't have held down prices — and as a result they would not lose what they are going to," says Hertzog.

SAB's products are currently selling at 4% more than Rembrandt's. Castle Lager is selling at R7,54 a case, whereas ICB's comparable lager, Kronenbrau, is retailing at R7,08.

This is bound to have an impact on the consumer, though SAB's Van der Watt confidently predicts that "the consumer will support the products that best suit his needs. I do not believe that price is the sole determinant of market share."

Rembrandt's preparations have been made with care. ICB's MD, Gielie Steinmetz, was picked as the man most likely to succeed. He is a former managing director of Oude Meester and financial director of the group's SA interests.

How long will it take for Rembrandt to start making a profit with its beer operation? Says Hertzog. "That's crystal ball gazing. It could take several years. On the other hand it could take much less." He insists, however, that there will be no let-up until the job is done.

There's a precedent. Thirty years ago Anton Rupert's Rembrandt group took on United Tobacco, which then held 80% of the cigarette market. Today, Rupert controls 80% of the cigarette market, UTC hovers around 20%. But SAB, generally considered one of SA's most efficient and dynamic industrial companies, may be a harder nut to crack.

ON FEMINISM - THE WOMEN'S MOVEMENT REPLY

As a group of U.C.T. Feminists we are appalled by the naivety of the S.S.D. editors' in including the pretentious study entitled "A Critique of Bourgeois Feminism" in their latest newsletter. We would like to point out some of the combined illogicalities, misconceptions and muddled thinking that appear in their article.

The description of what a Women's Movement should be confines itself to stating the obvious; "A Women's Movement is a political movement", "It must, therefore, identify the women's position within the structures of society". To assume that factors such as the "pass-laws, the reserves, squatter-camps and the role of women in these" have not been explored, even theoretically, by the U.C.T. Women's Movement indicates that the writer of this article has no direct knowledge of discussions and projects currently in progress among Women's Movement members. A notable difference being that members of the Movement are perhaps more aware of the discrepancy between "examining the institutions that ~~continually~~ produce and reproduce the structural position of women in South Afric... ...t the writer idealistically refers to as "adequate political ... the context of such an undeniably bourgeois establishme... ...sity. To theorize around the projected "integrated struggle f... men and women" is mere utopianism, organisation must co... ...ecific oppression. Separatism in no way excludes the awareness... groups.

In correlating such diverse sta... ...ental contradiction that exists between men and women" (which c... examined in detail) and saying that "the contradictions that e... ...lasses then assumes secondary importance (if at all)" the wr... that he/she moves from stating a basic feminist tenet to attac... ...inist stance - radical feminism (not to be confused with Marxis... ...l or Lesbian Feminism) which is only one of the numerous positi... ...omen within the 'umbrella' organization of the movement. ... ...sinformed attempt to stereotype the U.C.T. Women's Movement int... ...cal-feminist group and attack its policies accordingly.

By a process of flawed illogic... false conclusions are deduced, the most erroneous of which co... ...-raising". No feminist position in any Women's Moveme... ...scription of "consciousness-raising" as an involvement wit... ...t is clear that, despite the tedious catalogue of fundament... ...ailed to appreciate the basic fact that "women's problems"-... ...tion etc., are not personal and private problems and that the... ...tes the crucial transition in awareness from the personal t... ...hout individual political consciousness there can be no ... ...lousness. A practical example of this is the "speaking bitt... ...groups of Chinese peasant women, which played a ...

The cultural conditions of pe... ...omic basis of their oppression in determ... very real contradictions that exist be... oppression as discrimination and workin... ...ion as essentially exploitation" a... ...geois' psycho-sexual forms of oppre... ...ial forms on the other substituting a ... more profound understanding of ho... ...pon and reinforce each other.

The mock-warning that "inade... ...'s liberation is not achieved s... ." shows no cognisance of the histori... this century have women, by figh... ...eving equality, simultaneously or, ...

...s/...

PICOTEL BLINK

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RAPPORT 18/2/79

MNR. JAN PICKARD se drankgroep Picotel het 'n skitterende ses maande agter die rug. Sy wins ná belasting het in die ses maande tot einde Desember met 25 persent van R307 000 tot R384 000 gestyg, of van 6,1c tot 7,6c per aandeel. Die tussentydse dividend bly egter onveranderd op 3c.

Dit lyk of mnr. Pickard onnodig konserwatief oor die winsverwagtinge vir die jaar is. Hy sê dat die direksie meen dat die wins voor belasting tot sowat R1 000 000 vir die jaar kan styg, wat met die jaar tot einde Junie 1979 se R891 000 vergelyk.

Die afgelope ses maande het die wins voor belasting met 27 persent van R452 000 tot R576 000 gestyg. Dit beteken dat die wins voor belasting in die tweede helfte verlede jaar R439 000 was en as die syfer vir die lopende ses maande net onveranderd bly, sal daar reeds meer as R1 miljoen getoon kan word.

Die belastingverpligting kan dalk in die lopende ses maande styg en dit kan dan die syfer ná belasting effens knou. Die afgelope ses maande was die belastingkoers 31,7 persent, teenoor sowat 27 persent in die vorige boekjaar.

Mnr Pickard sê in die tussentydse winsverslag dat die styging in wins hoofsaaklik weens beter omsetsyfers in die hotels en beter vertonings deur die drankwinkels is.

● Mnr. Eddy Magid, Noordelike hoofbestuurder van Picotel, is Maandag tot die direksie verkies.

1/3/79 (182)

Safety of beverage creamers to be probed

CAPE TOWN — The Minister of Health, Dr Schalk van der Merwe, said yesterday he would look into the safety aspects of "non-dairy" creamers.

He was commenting on reports by the Medical Research Council that certain popular non-dairy creamers contained a higher proportion of harmful fats than real cream.

Dr J. P. du Plessis, head of nutrition studies at the Medical Research Council, told a seminar of dairymen in Cape Town this week that lack of information had serious implications for high-coronary-risk patients.

There were also complaints at the seminar about advertising and terms such as "non-dairy" and "animal-fat free."

"I do not know enough about the results of the research into the non-dairy products to comment in detail, but I will make a point of finding out more about them," Dr Van der Merwe said

On the advertising issue, he said the moderate consumption of animal products had never been proved to be the major cause of heart and blood-vessel diseases

Other causes which added their effects were tensions, excessive smoking, high blood pressure, diabetes and hereditary causes

"It is in my mind not fair advertising to promote the idea that dairy products are more deleterious to health than non-dairy products," he said

Dr Du Plessis pointed out that problems arose chiefly from the fact that the man in the street was generally advised to decrease his intake of saturated animal fats and to substitute them with polyunsaturated plant oils

"The public particularly associate animal fat and cholesterol with a high risk coronary heart disease What they do not realise is that certain types of plant fats such as coconut oil should really, because of its effect on cholesterol levels, be classed among the animal fats and not with the vegetable fats

"This lack of information has important implications for individuals who are particularly conscious of their fat intake such as high coronary risk subjects," Dr Du Plessis said.

If these people suffered from high blood pressure, high cholesterol levels and were overweight, they were likely to use non-dairy creamers

"In our view this could be highly detrimental to their health," said Dr Du Plessis

On the basis of this study and in view of the significant increase in the use of these creamers by the public, Dr Du Plessis and his co-workers have recommended that urgent attention should be given to the advertising and labelling of such products.

"We believe that it has become imperative to protect the health of the consumer by ensuring that full details of the type and quantity of actual vegetable fat used in the manufactured product be indicated in the container.

"Furthermore, advertising claims that these products have any nutritional health advantages over the use of dairy products should be disallowed," Dr Du Plessis said

In Johannesburg, Mr Bill Stewart, managing director of the largest manufacturer of non-dairy creamers, said his company was checking the Medical Research Council's information

"I think a lot of the facts are unfounded and incorrect. "Our products are not made from coconut oil," he said

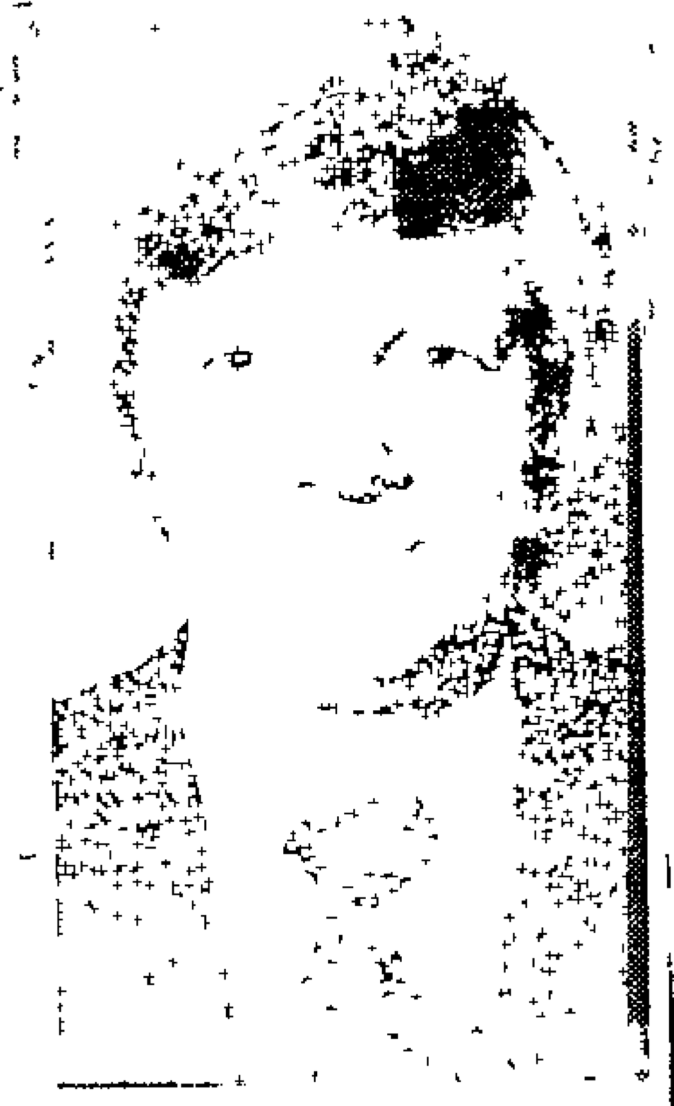
Mr Tony Gawith, another manufacturer, said he could not comment on the medical aspects

"It does not take into account why these products were designed. "We have never posed as an 'anti-milk' but a convenience product The impression that we have deliberately tried to mislead the public I find irritating," he said

Prof Harry Seftel, head of the Lipid Clinic at the Johannesburg Hospital and director of the carbohydrate and lipid research unit of the University of the Witwatersrand, said if the statements and figures produced in the report were accurate, it was alarming.

"If people are using these creamers on the grounds that they are swallowing less fatty acids, then it is a matter of great concern It means the public are being deceived"

The general manager of the Milk Board in Pretoria, Mr Awie Visser, said the publication of the report would put the matter of cheap milk substitutes in the right perspective. — DDC-DDR.



DR DU PLESSIS

SALDRU / SAIST
SMALL GROUPS

NAME	SMALL GROUP No.	NAME	SMALL GROUP No.
H. ADAMS	2	M. JACOBS	6
T. ADLER	7	M JACOBSON	5
S. ARCHER	8	B. JAFFE	5
J AXTON	4		
G BEATON	-		
M J.C LEYERS	4	H W KANIS	4
D BOLPHE	3	E. KATZ	7
J. BRODIE	-	M. KEARNEY	8
S BROWNE	6	H KHAMISSA	4
N CRONBERGER	8	M. KING	4
E. B.CH	8	R KIRSCH	5
T. BUCHAN	6	I KITAI	7
V. BU..AN	2	J KLOPPER	8
M BUFGGER	2	K P KLUGMAN	6
A. CLAASSENS	4	P W. KOK	6
L CLARKE	6	A KOOY	7
D COOPER	7		
P COOPER	5	J LEATT	6
R. CORBETT	3	I LEVY	5
J C A DAVIES	8	B LEVER	8
C DE BEER	6	W. LOUW	2
R. DE SAIGE	4		
B. DICK	5	N. MADUZA	1
R. DUNCAN-BROWN	6	C R MACKENZIE	2
J.P. DU PLESSIS	6	M MARK	8
		G R F MASEY	7
		D R B MADIDE	8
B. EMANUEL	2	H J MATTHYSEN	7
H. ENGELBRECHT	6	M D. MCGRATH	3
		P. de V. MEIRING	3
S FEHRSEN	4	C MEYER	

NAME	SMALL GROUP No.	NAME	SMALL GROUP No.
J. QUINCE	7	L. WAGSTAFF	1
G.E RAINE	3	H.L. WATTS	9 & 5
F. READER	4	G. WESTCOTT	6 & 4
F. READER's FRIEND	6	M. WHISSON	6
A REDECKER	2	G. WHITE	8
D REES	8	N.W. WHITE	4
J V O REID	5	T. WILSON	6
J REVENTLOW	6	M. WEST	2
M. REITENBERG	6		
M RIGG	1	A. ZWI	8
S. ROSS	5		
J H ROBBERTZE	6	URBAN FOUNDATION MEMBER	5
B SAMOROFF	7		
E SAPIRE	1		
M SAVAGE	-		
H. SCHNEIDER	5		
M SCHNEIDER	6		
E. SCHULTZ	8		
R SCHWEITZER	2		
R. SCOTT	6		
D SELVAN	4		
S B SHOCHET	4		
J. SMITH	1		
A SOLOMON	2		
K SOLOMONS	2		
A SORKIN	1		
C.P STEVENS	8		
K B SUNDGRUN	3		
E E. SUTTER	4		
E. THALMEIER	2		
E S. THERON	4		
T. THOMAS	4		
L.R. TIBBIT			

PICBEL

PM 2/3/79

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Prospects improve

Activities: *Holding company with subsidiaries in the meat, liquor and canning industries Owns 62% of Asokor, 59% of Uniewyn and 73% of Picfin (previously Comair)*

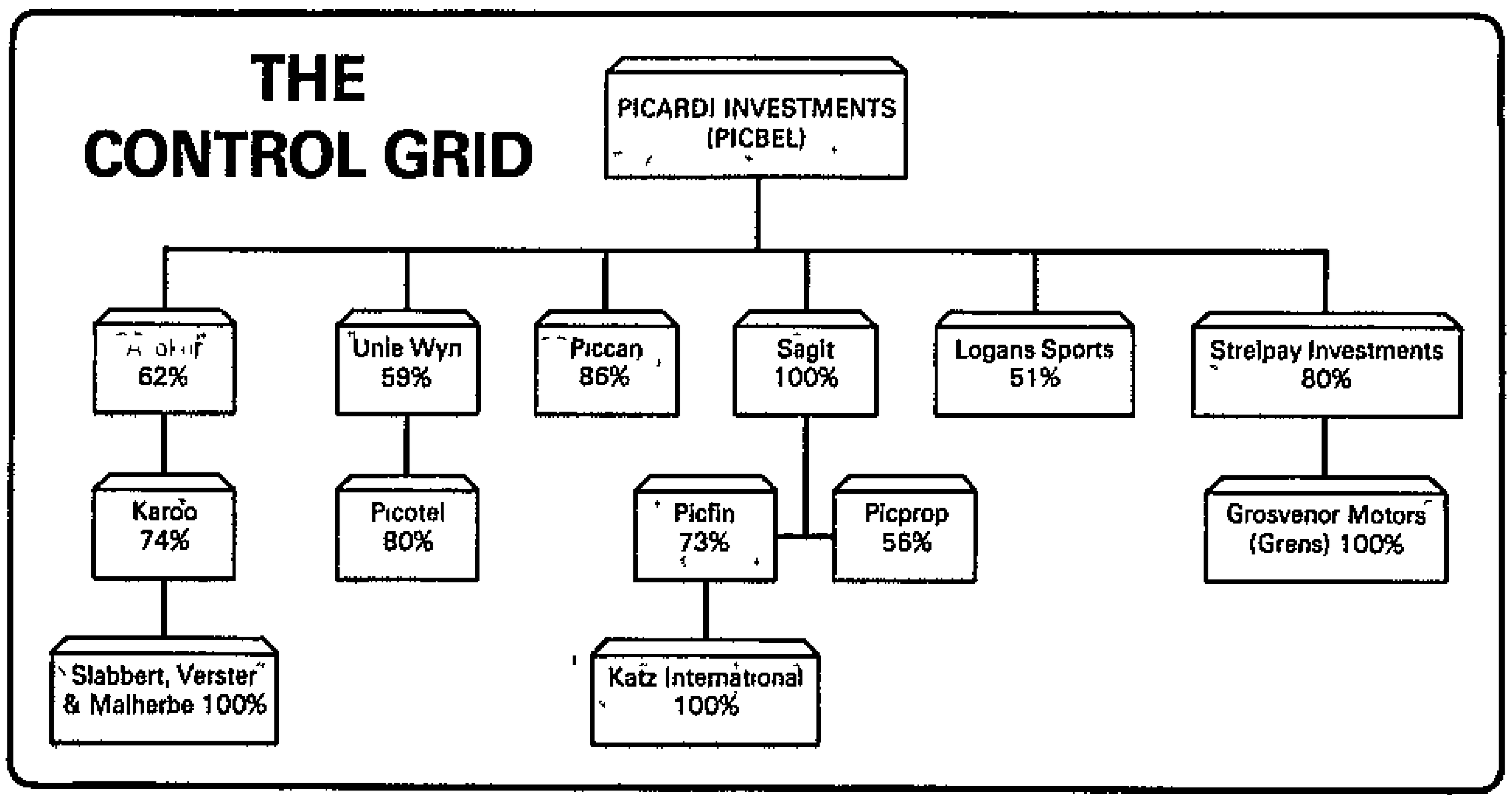
Chairman: *J A J Pickard, vice chairman T B Rood.*

Capital structure: *4,4m ordinaries of 50c, 4m 9% red cum prefs of 50c and 47 000 cum prefs of R2 Market capitalisation R3,1m*

Financial: *Year to June 30 1978 Borrowings· long and medium term, R21,4m; net short term, R50,5m Debt·equity ratio: 259% Current ratio 1,04 Group net cash flow R6,5m Capital commitments· R306 000*

Share market: *Price 70c (1977/78 high, 73c, low, 32c, trading volume last quarter, 123 000 shares) Yields 22% on earnings, 5,7% on dividend Cover 4,0 PE ratio 4,4*

	'75	'76	'77	'78
Return on cap %	12 6	15,2	16 5	15,9
Turnover (Rm)	300	352	360	352
Pre-tax profit (Rm)	5,6	6,3	7,6	6,7
Gross margin %	4 4	4 1	4 7	4 6
Earnings (c)	14,7	6,9	32,6	15,8
Dividends (c)	4	4	4	4
Net asset value (c)	148	145	118	99



Although Jan Pickard in his belated chairman's statement forecasts "a substantial growth in profits" due to the improved prospects of some subsidiaries, the group's 1 748% gearing (measured as total debt plus prefs as a percentage of nav) could detract from its investment appeal Last year interest paid rose to R9,4m (R8,9m) and pref dividends syphoned off R365 000 So after the minorities' R3,0m (R2,6m) share and R2,6m (R2,2m) tax, shareholders were left with a mere R697 000 (R1,4m) attributable profit from gross R16,1m (R14,8m).

However, there are growth prospects One promising area is Picfin, the subject of prolonged litigation, which resulted in the annual report being published late Although its profitable aviation interests have now been sold, the whittled-down company contributed earnings of R387 000 (R216 000) in the six months to December 31 1978 Investment of the net R3m received for the aviation interests should lift its earnings to R780 000 this year Further improvements are on the cards when the full benefits of investments accrue (*Fox* February 16)

Picotel with its 27 hotels and 29 bottle stores is forecast to "show a remarkable increase in profits" However, the interim report to December 31 1978 says "your directors believe that pre-tax profits for the year will increase to .. R1m." After last year's R891 000 and R576 000 (R452 000) in the six months to December 31 1978, the improvement might not be so remarkable Picotel forecasts that last year's 7c total payout will at least be maintained, following the unchanged 3c interim Uniewyn, which holds 80% of Picotel's equity, "can look forward to an improved position in the liquor industry," says Pickard

But it is unlikely that he is alluding to the possible bids expected from SA Breweries and Remgro On nav considerations a bid of around R7m is possible, but the market capitalisation is only R3,6m

Better interim results have been reported by the group's meat subsidiaries Asokor and Karoo, which increased first-half earnings to R625 000 (R529 000) and R587 000 (R495 000), respectively. However the second half could be adversely affected by the drought

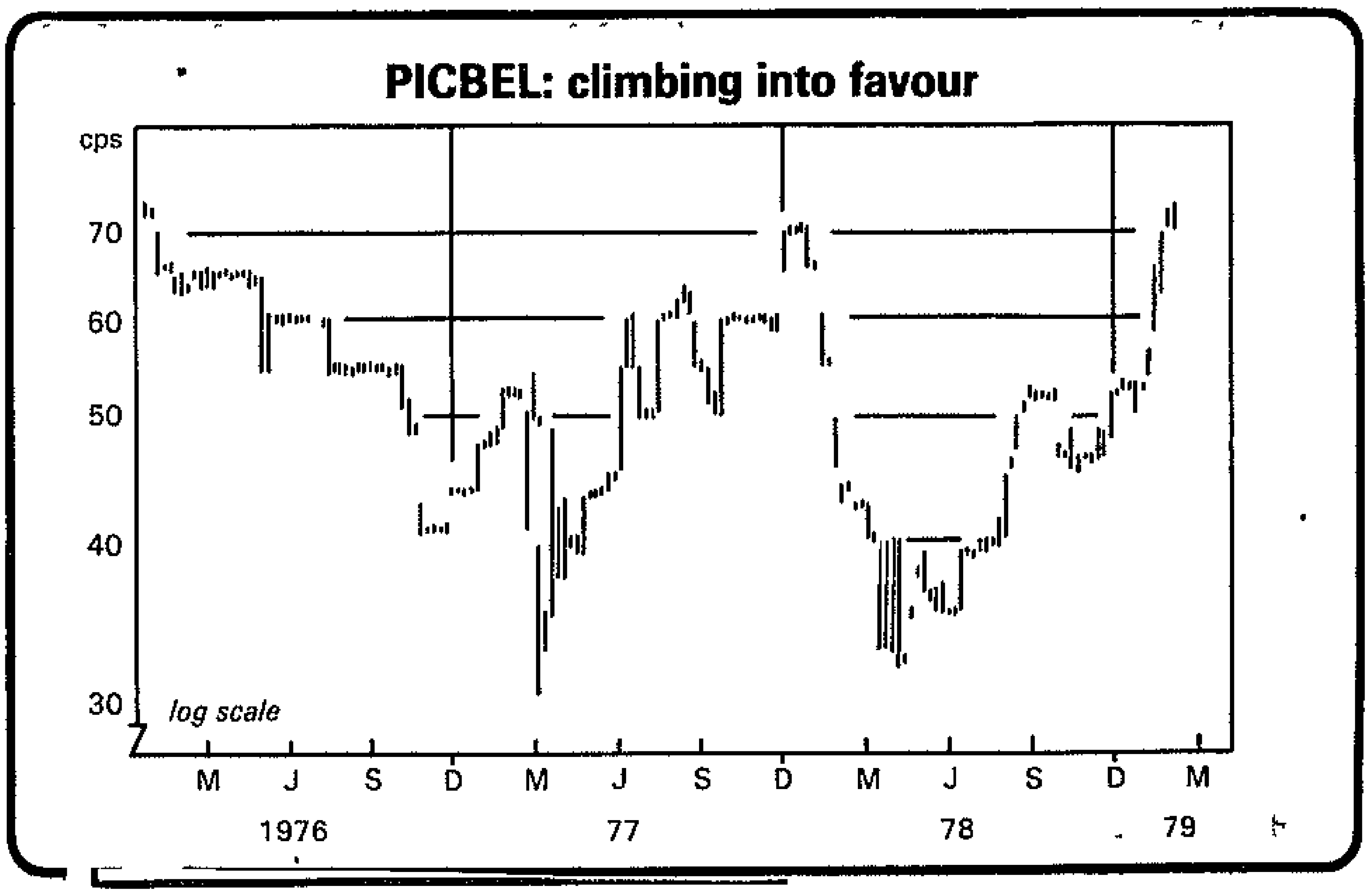
Piccan, the canning subsidiary, appears to be overcoming its problems. Last year its loss situation was reversed with a R226 000 (R115 000 loss) attributable profit Continuing improvement depends on effecting interest savings through lower stock holdings with selective production cutbacks.

Picbel's gearing will improve slightly with R6m cash from the sale of its interests in Metje & Ziegler and Griffon However, interest-bearing debt is still likely to be around R66m compared with shareholders' funds of R4,4m

While Pickard is encouraged by the better first-half results, it is difficult to foresee earnings of more than 20c this year, out of which 5c could be paid if last year's cover is maintained.

On a prospective yield of 7,1% the share is not particularly attractive, though there is speculative appeal if SAB and Remgro try to outbid each other for Union Wine.

Peter Pittendrigh



SAB

Beer war blues

SAB's profits in the year to end-March look set for a new record while beer war fears have the share's rating tumbling. At its current 128c, SAB yields a historic 8,6% against the average 6,4% of the JSE Actuaries industrial index

Management reports that beer sales during the long hot summer have been more than buoyant. With economic revival in the air, Dick Goss and his team report sales well on their way back to their long-term volume growth trend of 10% to 15% a year. Considering that beer profits last year were a record despite the first stagnant volume beer sales in 50 years, there is every indication that beer profits this year will be better than last — despite the "higher marketing costs" referred to in the interim and the implied forecast that liquor profits would decline on the year.

SAB's beer . . . still the lion's share

SAB regards opposition threats to take 20% and more of the beer market as "nothing new" The argument seems to be that beer drinkers would rather fight than switch and that SAB is entrenched in the all-important black market, which takes 60% of SA's "white" beer SAB professes unconcern at the beer war, saying only "the proof of the pudding will be in the bottom line figures" The attitude seems to be that even if ICB gains market share, SAB's beer profits will grow, as there is plenty of volume growth in prospect.

However, the bears believe that ICB's preparedness to spend millions to gain market share cannot be good for SAB. Ever since it took out the minorities in Oudemeester and snatched 49% of Gilbey, Rembrandt has been on the offensive The stock market likes gunslingers, but Remgro's offensive must be costing it plenty The Oudemeester and Gilbey stakes cost R43,5m and must be yielding a low return.

While beer has been SAB's best growth area in recent years, it is very much worth noting that beer profits account for only 30% of SAB's total. Wines and spirits bring in another 30% and the non-liquor interests the remaining 40%. Wine and spirits profits, I understand, will be in line with those of last year. With wines in an uptrend and perhaps soon to be available in more supermarkets, management thinks profits here could grow steadily.

Per capita beer and wine consumption in SA is low by international standards. But with more blacks entering the market, growth potential does exist

SAB attributes the weakness of its own share price to investors buying SAB stock in London and selling in SA to create financial rands to buy De Beers De Beers' recent strength seems to confirm this, but other London-quoted SA stocks have not shown simultaneous weakness Nevertheless, this must have been one depressant

But beer war fears are clearly the biggest bear factor Institutional investor's, already heavily laden with SAB stocks, have taken the view that SAB will underperform the market in the medium term If liquor profits rise only 5% and non-liquor by 15%, earnings this year should be at least 25c and the dividend 12c, which puts the counter on a prospective yield of 9,4%. SAB has not cut its dividend in 83 years and on yield grounds alone, is attractive.

David Carte

LIQUOR 182

White spirits down

South Africa refuses to conform to international drinking habits. So says Sam Linz of Rebel, commenting on the decline in the sales of white spirits (cane, vodka, gin, and white rum) which, at about R170m in 1978, are down 16% compared to an 8% decline for the total liquor market.

International trends point to a move to "lighter" spirits with white rum sales fast catching vodka, the Number One seller in the US. But here, sales of cane spirits at about 19m litres have stabilised to make up 75% of the white spirits market, while gin and vodka have declined to a 12% share at about 3m litres each. With Smirnoff claiming the biggest share, vodka sales topped 7m litres five years back when its popularity peaked.

This decline puzzles the experts, who also doubt whether white rum will make much headway against cane, the traditional drink in Natal, which accounts for almost half of annual cane consumption.

Some R1,2m of advertising was pumped into cane last year, by far the biggest portion of the R1,9m spent on advertising for the whole of the white spirits market. R1,8m was spent advertising brandy, which accounts for 52% of spirit consumption.

One reason for their decline may be that white spirits are in general "neutral" or tasteless, and so need mixers, thus adding to cost. This could explain the move to "brown" spirits like brandy and whisky which go down just as well with water.

New man on Diagonal beat

Beer-sales rally puts a new fizz into SAB

NEVER mind the beer war, SA Breweries' results for the year to end-March will pleasantly surprise the market when they come out on Wednesday.

The beer war has helped, not hindered, beer sales I understand that after stagnating for the first time in 50 years last year they are back on their long-term growth tack of between 10 per cent and 15 per cent per annum in volume terms

Beer war ballyhoo, the long, hot summer and looser consumer purse strings have had beer drinkers knocking it back and sales and profits have soared

While it is conceivable, though not proven, that SAB lost a share of the market to Rembrandt's Intercontinental Breweries, the inference would seem to be that there is enough growth in the beer market to accommodate them both without injury to SAB

Considering it was largely fear about the beer war that has held the share price back since last November and that the non-liquor interests are performing well,' the SAB share price could be in for a re-rating

Admittedly, beer contributes only about 35 per cent of group profits, but the non-liquor interests — which contribute 40 per cent — are also booming Only the wine and spirits side, which last year contributed 25 per cent, is stagnant

Southern Sun Hotels has just published impressive profit figures (see page 1) and SAB s stake in this company rose from 66 per cent to near 75 per cent after Southern Sun took over Transito Hotels

Southern Sun s probable listing could be worth a lot to SAB Amrel reported operating profits up 125 per cent to R8,2-million (R3,6-million) this week, and Afcol, Shoe Corporation and OK Bazaars are all expected to report solid improvements next week

At the current 155c, SAB yields a historical 7,1 per cent against the average 6,4 per cent yield on the JSE Actuaries industrial index

This suggests that SAB is an 11 per cent worse investment than average Which, for a consumer-oriented company that has not cut its dividend in 83 years, to me sounds crazy at the beginning of a consumer-led economic recovery

The wine and spirit division gives cause for most concern

Profits have slipped badly and conditions don't look like improving rapidly — although consumption after July could rise

The imminent legalisation of the sale of wine in supermarkets could help The Board of Trade's inquiry into monopolistic conditions in the liquor industry is a remote but real bear point

And growth in the wine and spirit divisions is likely to be slow Other negative factors are the 8 per cent London holding, which could make the stock vulnerable to Financial Rand creation and the fact that institutions are already heavily laden with SAB stock

Still, the positive factors preponderate

OK Bazaars, 70 per cent owned by SAB, has undergone a re-rating recently, gaining 100c to 865c in six weeks

The word is that Meyer Kahn and his team are getting their act together and next week's results will surprise even the optimistic

OK is reverting to its old image of a value-for-money bazaar, where one can get anything from a mousetrap to a refrigerator for a reasonable price

Its loss-making hypers are slowly but surely being turned around I gather that while Eastgate hurt the Edenvale hyper, the OK's superstore in Eastgate more than compensated

OK has one little-appreciated advantage over its competitors — its sturdier financial base It has a debt-equity ratio of only 39 per cent and, unlike most stores, owns a good number of its stores

This enables it to fight price competition better than the more highly- geared stores

Another point in OK's favour is that it sells big ticket items such as fridges and stoves and these are likely to move more than single-use consumer goods such as food once the Budget's tax cuts become effective in July

OK is building hypers in Pretoria and Roodepoort, but these will be smaller and better sited than the others

It also has new stores lined up for Kenilworth and Secunda, so growth should continue in the medium term

Some might feel OK's growth will be impeded by competition from Pick 'n Pay in the smaller towns but one wonders whether Pick 'n Pay — like OK before it — might not become a bit unwieldy for Raymond Ackerman to control if it moves into the platteland

Sales were 15 per cent ahead at the interim and earnings 13 per cent

I would expect year-end earnings of 125c and a dividend of 64c, which puts OK on a prospective yield of 7,4 per cent — against the sector average of 6,4 per cent

While several stores are looking overpriced, OK still looks fair value

Furniture retailer Amrel, a 53 per cent subsidiary of SAB, goes from strength to strength and has just declared earnings of 70,7c (38c) and a dividend of 23 5c (12,5c)

It too will score on the HP binge expected after July While bad debt and unearned finance charges last year soared from R54 000 to R1,4-million, managing director Ronnie Cohen insists bad debts rose in line with turnover

Amrel is to open five new stores this year and it would be disappointing if it did not earn 85c — a 20 per cent improvement — especially with Cuthberts, Select-a-Shoe and Impulse under its belt

Unprofitable stores are being closed and assets re-deployed across the retail spectrum, so Amrel should be less furniture-dependent in future

Afcol, which makes furniture and particle board, has just reported a 56 per cent leap in earnings to 28,4c (18,2c) and is exceedingly bullish about the future The dividend was hiked to 14c, putting the share on an 8 per cent dividend yield

If my projections are realised, SAB's non-liquor interests will increase taxed profits 28 per cent to R33 million (R26,1-million), which, at the attributable level, works out at R23-million (R1?-million) — an increase of about 2,3c per SAB share from the non-liquor interests alone

If liquor profits rise only 7 percent to R37-6million, earnings will benefit another 1,1c per share and approach 26c per share — a 16 per cent overall improvement — which would be no mean feat for a group this size

These earnings figures are after an additional depreciation allowance of R2,5-million, which means they are of unusual quality

On earnings of 26c I would expect a dividend of 12,5c or 13c The latter puts the share on the most attractive dividend yield of 8,4 per cent

I would expect the share price to rise to at least 175c by July — especially if the market moves upwards, as expected

SA BREWERIES (182) FM 11/5/79

Safe in its lager

If anything, the so-called beer war between SAB and Rembrandt's Intercontinental Breweries has simply served to quench more thirsts. And those who expected round one of the fight to be gory with red ink must be feeling a little disappointed. As usual, SAB has shrugged off the challenge and come up with a creditable performance all round, and especially from the beer division. Basically, SAB draws only 35% of group profit from the beer tap and is too diversified to suffer from a body blow, particularly one that has missed the mark.

Compared with a somewhat unsteady 6% advance in first-half earnings, profits bubbled in the second period by 19% when compared with the equivalent previous period. And for the year to March 31, the overall increase was 15%

For the record, turnover rose by 12,7% to R1 609m and earnings per share appreciated by 14,7% (after allowing for additional replacement provisions). The dividend, however, was more cautious, being only 8% higher at 12c.

During the year, capital and reserves attributable to ordinary shareholders increased by R1m as a result of setting off the remaining goodwill arising from consolidation (R25m), a net deficit on revaluation of retail interests (R6m), and offsetting retained earnings (R29m) and an increase in ordinary share capital (R3m).

All of the group's diversified interests are reported to have done well Retailing (OK Bazaars), furniture (Amrel) and hotels (Southern Sun) turned in good results, and in fact accounted for about 75% of the increase in group taxed profit.

MD Dick Goss says that on the liquor side intensive competition has led to increased volumes and that the beer division "improved profit significantly while maintaining market share." Beer sales, which have remained flat for many years, are now thought to be growing again at more than 10%. So in the end, there might well be enough room for both SAB and ICB to brew their own thing without brawling.

Stellenbosch Wine Trust, however, merely held last year's profit level. But, given static volumes in the wine and spirit industries, this was commendable enough. Pending legislation governing the sale of wine in supermarkets could help both the retailing side and SWT. But as for achieving parity on the liquor retail front, nothing has been forthcoming other than a Board of Trade enquiry into monopolistic conditions within the industry

Goss expects the economic recovery to accelerate during the year, leading to higher consumer spending on group products. And with his expectation of maintained margins this year, there should be further growth in earnings.

Market reaction to the results was somewhat muted, with the share closing at 162c to yield 7,4%. With every prospect of a consumer-led recovery surfacing this year, this is taking an unduly pessimistic view of prospects and paying too much attention to the fact that SAB may be a vehicle for generating financial rand

John White

SOFT DRINKS

FM 4/5/79 (182)

More fizz

The long hot summer of 1978 put more fizz into the soft drinks market after its earlier decline Despite the likelihood of a price rise as a result of the increased cost of sugar, the R200m a year business is looking for bigger sales this year.

Last year sales showed an initial drop of 10%, but picked up in the second half, and sales decline for the whole year was about 2% But Mineral Water Manufacturers' Association president Tom Cook notes that last year's price increase may have dampened sales prospects

Pepsi-Cola marketing manager Olaf Ek attributes the improvement partly to the economic upturn, since soft drink sales are very sensitive to economic cycles, and 71% are to blacks.

Although manufacturers are reluctant to give market shares, they estimate that Coca-Cola leads with about 38% of the market, followed by Sparletta and Pepsi Coke products together probably hold about 60% of the market, Sparletta about 20%, and Pepsi about 10%

About 10% of the market is accounted for by canned drinks However, tin plate price increases have caused the can market to decline faster than the industry decline of 2%, and a further drop in can sales is expected this year "The canned drink is an expensive product compared with the bottled drink," says Ek, "despite its convenience"

Diet drinks account for about 7% of sales. This sector tends to show a growth rate well ahead of market growth, and has experienced good growth over the past year A 6% to 7% increase is expected this year

Cadbury-Schweppes SA franchise manager Ian Jamieson, says that even the black market, traditionally a buyer of softdrinks for their sugar content, is buying diet drinks as health awareness increases The diet market has grown from only one or two brands six years ago, to at least 11 brands available now

Brand leaders in the diet market are Diet Pepsi and Tab, with about 35% each, followed by Diet Fanta and Diet Sprite, with about 11% and 8% respectively Coca-Cola diet brands together hold about 50% of the market

Flavours in the diet market, previously dominated by colas, are growing rapidly, according to Ek Pepsi's recently launched Mirinda Slim has already gained a 10% market share

Increased can prices have caused a growing demand for bottles, and there has been a decline in sales of the 175 ml and 300 ml containers with the introduction of the new 500 ml pack

Brand consciousness is an important aspect of soft drink sales and about R5m is spent annually by the industry on media advertising, apart from promotions However, this is only 2,5% of total turnover

"Last year's price increase on deposits and contents mainly of litre packages, covered raw materials and packaging costs," comments Ek

(182)

FM 8/6/79

BEER SALES

Feeling the draught?

Market talk suggests SA Breweries dominance in beer is beginning to slip — but only ever so slightly Reveals one insider "At the beginning of 1978, SAB's share of the beer market was 95% By year's end it dropped to just on 90% "

He maintains that Anton Rupert's Intercontinental Breweries (ICB) more than doubled its market share in the last year, but the consensus is it's still less than 10%

The feuding beer giants themselves are tight as clams on who is doing what to whom in the R500m a year market All that's known is that the 550m litres sold in SA, Swaziland and Lesotho is expected to grow 8%-10% in 1979

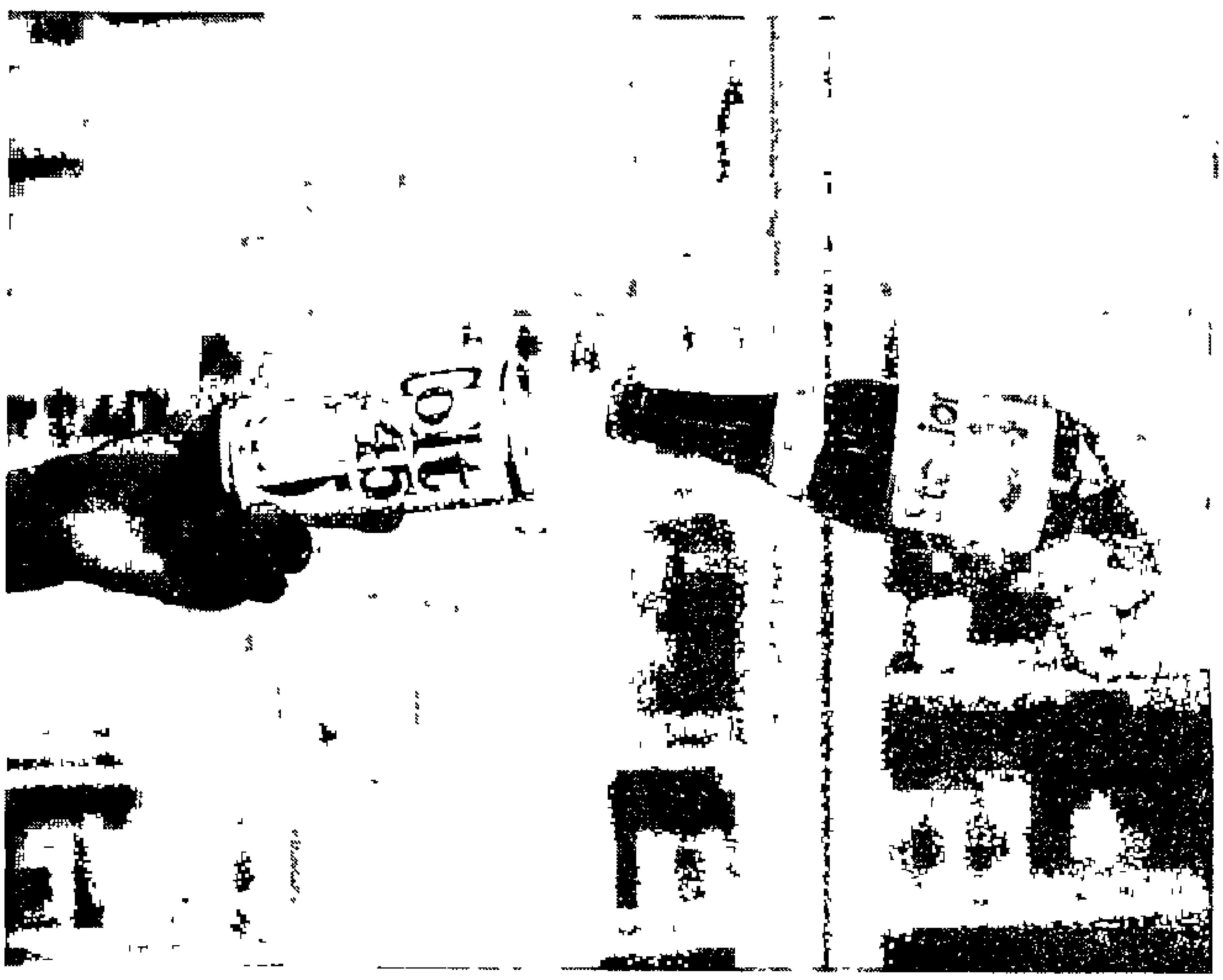
Says Rembrandt (which owns ICB), "We operate in a highly competitive market We don't provide market share as it interferes with our marketing strategy "

Equally unforthcoming is SAB group GM, Ken Williams who looks after the beer division "We have a dominant share in each of the beer types (dry, sweet and strong) " Market share is classified info but he adds, "We'll defend our share vigorously "

Rembrandt is widely believed to be after 20% of the overall beer market But that's only an initial target — it expects to break even at 20% In fact it's out to grab as much as it can get Newest estimates are that Rupert is targeting for a whopping 33% But an official communique merely reads, "our target is confidential "

ICB has just launched Colt 45, a malt liquor beer brewed under licence from Colt Breweries of America Ltd It's competing directly with SAB's Stallion 54, launched last October (ICB sued SAB for infringement of trademark claiming manner of use of Stallion 54 constituted unlawful competition ICB lost the case with SAB's defence that it registered the name 10 years ago The matter is now on appeal)

Market reaction is that Colt 45 sales have hardly taken off despite a launch rumoured to have cost "nothing under R100 000 " Says Benny Goldberg of Benny Goldberg's Liquor Supermarket, "It's had a lot of publicity but we're not moving a lot SA is traditionally slow in taking on something new " Western Province Cellars merchandise manager Sperry van der Westhuizen says, "no comment " Rebel Stores says "it's a great new product but with marketing ploys under wraps it's difficult to predict sales " There is a feeling that Stallion's earlier introduction "pre-empted Colt and affected sales adversely "



Beer war . . . in line for a head on confrontation

Other ICB products appear to be faring well Claims one industry source, "Kronenbrau Gold competing with SAB's Lion Lager is going great, especially amongst rural and mineworking blacks " (Blacks represent an estimated 60% of total beer sales) He says Gold is equally well accepted by white 18-25 year old beer drinkers, who comprise over 50% of the total white market Lion, he says, lost "a tremendous share to Kronenbrau Gold — it could be 5% " Currently Lion holds roughly 28% of the total market, 36% of the dumpy market 22,5% of the total market is dumpies and it grew 8% in 1978

Kronenbrau 1308 competing with SAB's Castle has upped its total market share from 6,5% in mid-1978 to over 11% by year's end, chiefly due to its 19% share of the dumpy market Castle lost 4% in the last six months of 1978, from 24% to 20%

Whatever strides ICB is making, SAB is hardly running for cover In off-sales, worth roughly R180m of the total, SAB triumphs with 90% of the market Comments one SAB staffer, "the thought that ICB could achieve an overall 33% of the beer market in the short term is ludicrous and that's the understatement of the year "

FM 8/6/79 (182)

WINE

Turning to vinegar

Slack consumer demand at the bottom end of the natural wine market and two successive crops in excess of 6m hectolitres could spell trouble for the wine industry

Between 1973 and 1977 the good wine portion of the crop (the portion that is turned into potable wine) fell from 55% to 45,5%, reflecting the combined effect of the recession and changed pattern of demand, before rising 665 000 hectolitres last year to 47% However, a substantial portion of the 1978 crop remains unsold, with producers and wholesale merchants reporting a "considerable" build-up of stocks

For the second year running, KWV has set the crop "surplus" (the estimated undisposable portion of the distilling wine crop) at nearly 30%, reflecting another year of anticipated low growth (In the happy years of the 1972-74 wine boom the surplus declaration averaged 17% on crops averaging about 4,5m hectolitres)

At the KWV's agm in Paarl this week, chairman Andre du Toit said there was a grim prospect that, because of the large 1979 distilling wine pool (over 3m hectolitres), the stagnation of spirit sales

on the home market plus the fact that the retail trade bought forward their requirements of rebate brands in December last year, more than 2m hectolitres of distilling wine will remain unsold this year

Until government, on the recommendation of the Board of Trade withdrew KWV's sole right to supply wine spirit for the manufacture of gin, vodka and liqueurs, there had always been the prospect that surplus could be off-loaded on this market Despite bitter opposition from winegrowers, government has now placed cane spirit producers on an equal footing with KWV so that these categories of liquor are almost exclusively cane-based Another belly blow followed in February this year when the BTI recommended that grain alcohol should be permitted to compete, on an equal cost basis, with wine spirit

Du Toit says that despite the recent increase in the price of maize, grain alcohol, which is being produced in old brandy distilleries is still cheaper than wine spirit under the existing tax dispensation and "unless an adjustment is made very soon, could mean the end of wine spirit in this sector of the liquor market "

Whisky remains a thorn in the side of wine farmers Last year brandy sales expanded a mere 0,6%, while sales of imported whisky rose to 25% of brandy volumes This was because the level of tariff protection for brandy has been eroded to a mere sixth of the original level negotiated in 1947 In money terms whisky sales have nearly doubled since 1974 and expanded R9m last year to R21 1m

Faced with these structural problems KWV does not see much prospect of expanding the home market to work off the growing surplus in 1979 Last year the market stagnated Excise figures show that sales of unfortified wine expanded a

mere 1 3m litres and brandy 80 000 litres, an improvement of 0,6% Sales of fortified wine slumped 5 7m litres (8,6%)

A heartening development, says Du Toit, is that demand for middle and upper priced wines continues to rise (35% last year) About half the demand is in the Transvaal and 25% in the Western Cape, the traditional wine-consuming area Du Toit reckons the middle and high priced wines now constitute about 22% of total wine throughput

It remains a matter of deep concern, however that nearly 70% of demand for low priced (LP) wines is based in the Western Cape, regional GDP of which is declining in real terms KWV fears, too that LP wine sales will suffer as a result of the beer war between Remgro and SAB not only because of price competition but also because funds for wine sales promotion may be diverted to finance the beer struggle.

SAB has plan for R100m expansion

Sun. Times Bus. 24/6/79

(182) ~~(244)~~

Dick Goss

By STEPHEN ORPEN

A JUMP of R182-million in turnover to R1 609-million in the year to end-March — yielding a 15% lift in earnings per share — plus new scope for borrowings, are behind plans for at least R100-million worth of expansion by the SA Breweries Group.

Largest of the new projects being planned is a major brewery in the Pretoria region "which could ultimately rival the Isando brewery in size."

According to SAB managing director, Dick Goss, replacement cost of the Isando plant, with an output that accounts for about half the beer consumption in the northern provinces, would today be about R80-million.

Isando provides a hefty slice of national "white" beer consumption of some 6-million hectalitres a year, worth some R500-million at retail.

Work on the Pretoria plant will initially absorb some R20-million, with capacity being added as beer demand grows.

The 1979 allocation for the Sun City hotel and resort complex being built in BophuthaTswana with Southern Suns, in which SAB has a 75% stake, is R27-million and Goss says he expects the project to become one of the most rewarding in the group's hotel stable, already returning excellent results.

About R12-million will be spent on a new maltings plant in the Cape and around R6-million on Hyperamas

Expansion, replacement and modernisation of existing SAB facilities, including those within the furniture group Afcol, in which Breweries has a 56% stake, will swallow about another R12-million.

In the past financial year, SAB increased group net assets by some R30-million, or R10-million less than expected, financed mainly from retained earnings

The larger expansion now planned is still modest; relative to turnover and total assets, but promises the wherewithal for a continued healthy growth in earnings.

Bier-oorlog raak bitter

Rapport 24/6/79

R A A K

DICK GOSS BROM

182

Deur ALPHONS DU TOIT

DIE Suid-Afrikaanse bieroorlog begin nou 'n bitter smakie kry. Die reuse-Suid-Afrikaanse Brouerye-groep voel plek-plek bitter oor die hele aangeleentheid.

Mnr. Dick Goss, besturende direkteur van SAB, het in 'n gesprek oor die groep se jaarstate wat Vrydag gepubliseer is, die kookpot se deksel so effe gelig.

„Daar word beweer dat SAB, weens sy hotel- en drankwinkelbelange die biermark oorheers en tot sy eie voordeel manipuleer. Hierdie stelling is onwaar. Feit is SAB beheer regstreeks of onregstreeks 41 hotelle en 153 drankwinkels.

„Ons opposisie (die reuse-Rembrandt-groep) beheer regstreeks of onregstreeks sowat 42 hotelle en meer as 300 drankwinkels Hoe SAB dus die mark kan oorheers of manipuleer, begryp ek nie."

Mnr. Goss sê dit is beslis nie 'n brouery wat bepaal wat sy markaandeel gaan wees nie. Dit is die verbruiker wat volgens sy eie smaak hiervoor sorg. Die verbruiker drink die bier van sy keuse. Hy kan nie gedwing word om 'n ander bier teen sy wil te koop nie.

SAB het vanjaar in Februarie sy bierpryse met 4% verhoog. Die opposisie het sy bierpryse op die ou vlak gehou.

Desondanks het die bierafdeling van SAB sy omset verhoog „Wat ons markaandeel betref, kan ek net sê dat die groeikoers heeltemal bevredigend is. Die bieroorlog is in sekere mate tot die voordeel van die bedryf as geheel".

„Die algemene publiek word meer bierbewus en die bier-koek word groter. Mededinging is gesond en tot voordeel van die verbruiker"

Ondanks die feit dat SAB die helfte minder drankwinkels as sy grootste mededinger beheer, kan hy nie sy belange in drankwinkels verhoog nie.

„Die voormalige Minister van Justisie, mnr. Jimmy Kruger, het aan my gesê dat SAB nie toegelaat sal word om sy belange in drankwinkels te verhoog nie", sê mnr. Goss.

„Myns insiens is dit 'n uiters onbillike houding van die owerheid. Feit is dat SAB verkieslik geen enkele drankwinkel sal wil besit nie. Maar terwyl ons opposisie so 'n groot klomp besit, het ons geen ander uitweg nie. Die huidige situasie moet maar voortduur".

Gedurende die verslagjaar ...
Sentrum die volgende behels.

A Mobiliteit en Politieke Verand

Hierdie projek is 'n paar jaar gelec
soek onder die kleurling bevolking
eiland is onderneem 'n Aantal tyd

Bier-dinge

Vervolg van bl. 1

gelede mee begin is.

Vir die jaar wat voorlê voorspel mnr. Goss 'n geweldige potensiaal in die groei van die middelslag- en duurder wyne.

„Ons volfiliaal, Stellenbosch Boerewynmakery, is voornemens om op groot skaal in hierdie sektor te belê met die oogmerk dat hierdie groei aangemoedig en gehandhaaf sal word".

Hoewel die jaarstate geen aanduiding gee van hoeveel van die winste uit drank aan bier te wyte is nie, kan geraam word dat sowat 60% van die winste uit die bierafdeling verkry is en sowat 40% van wyn en ander dranksoorte.

„Die komende jaar gaan in baie opsigte taai wees. Die verwagte groeikoers van 4% sal, as gevolg van die geweldige styging in die prys van brandstof, kwalik gehandhaaf kan word.

„Dit is onmoontlik vir die SAB-groep om al die kostestygings self te absorbeer, en 'n gedeelte sal noodgedwonge aan die verbruiker oorgedra word.

„Die stimuleermiddels wat in die Begroting deur sen. Horwood aangekondig was, tree volgende maand in werking. Die probleem is egter dat prysstygings hierdie stimulering reeds uitgewis het.

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Mnr. Goss het beklemtoon dat dit strydig met die wet is om die biermark te probeer beheer. Volgens wet moet hotelle en drankwinkels alle biersoorte aanbied.

„Hoe is dit dan moontlik dat SAB, met 'n minderheid afsetpunte, die opposisie met sy meerderheid afsetpunte, sy regmatige aandeel van die mark kan ontsê?

„Die stelling is belaglik, ongegrond en onwaar", sê mnr. Goss.

In die jaar tot 31 Maart 1979 het die SAB-groep 'n omset van meer as R1,6 miljard getoon, 'n styging van ongeveer R2 miljoen teen verlede jaar se syfers.

Die nabelaste wins is byna R75 miljoen teenoor die R64,5 miljoen van verlede jaar. Die verdienste per aandeel beloop 25,7c en die dividend is 12c.

Die groep het byna 50 000 werknemers en die aandeelhouding is nou 'n rapsie meer as 90% suiwer Suid-Afrikaans. Sowat 50% van die groep se winste is deur sy nie-drank filiale verdien.

„Dit," sê mnr Goss, „is 'n duidelike bewys van die sukses van ons diversifikasie waarmee etlike jare

Vervolg op bl. 3, kol. 7

iakers) en van die American Friends Service
leurgebring Hy het 'n aantal konferensies in
le dele van die land bygewoon, baie vergader-
preek en senior beamptes van die Carnegie
, van Community Relations Services van die
van Justisie van die Amerikaanse regering,
rican Friends Service Committee en kollegas
n verskeie universiteite besoek

ugustus en September het die Direkteur Engeland,
Switzerland, Swede, Israel en Zambie besoek
aanstaande joernaliste, Suid-Afrikaanse dip-
tor amptenare van die Suid-Afrika-Stigting
regerings betrokke by Suid-Afrikaanse belange
y het besprekings gevoer met stigtings, trusts
ndige verenigings As gevolg van sy besoek
nd het hy 'n toelae vir die Konstruktiewe Pro-
g van die Algemeen Diakonaal Bureau van die
de Kerken in Holland.

L Boshoff, ere-Fellow van die Konstruktiewe
t met 'n aantal instansies, wat universiteite
Transvaal insluit, en met verskeie handels-
ele firmas in Natal, kontak opgebou

ensies

978 het die Direkteur die volgende konferensies

se Konferensie, Nasionale Uitvoerende komitee-
adsvergadering van die Suid-Afrikaanse Insti-
vir Rasseverhoudinge, Kaapstad (Januarie)

rikaanse Jaarlikse Vergadering van die Religious
ty of Friends, Stutterheim (April).

Wêreldkongres van Sosiologie, Uppsala, Swede
ndeling voorgelê in Werkgroep 6 en vergaderings
oon van die Raad van die Internasionale Sosio-
se Vereniging as die amptelike afgevaardigde
uid-Afrika (Augustus).

JABULA FM 6/7/79 (186)

(182) (186)

Narrower margins

Activities: *Manufactures, markets and distributes low cost foodstuffs and beverages (Bantu Beer) mainly for the black market. Has processing plants in Springs and Durban. 75,5% owned by Premier Milling.*

Chairman: *J Bloom*

Capital structure: *1,3m ordinaries of 50c. Market capitalisation: R5,5m.*

Financial: *Year to March 31 1979. Net cash: R1,6m. Current ratio 2,1. Net cash flow: R628 000. Capital commitments: Nil.*

Share market: *Price: 430c (1978-79: high, 750c; low, 400c. Trading volume last quarter, 3 700 shares). Yields: 15,6% on earnings; 8,8% on dividend. Cover: 1,8. PE ratio: 6,4.*

	'79	'77	'78	[illegible]
Return on cap %	46,7	43,4	38,[illegible]	21,6
Turnover index*	114,6	136,0	164	153
Pre tax profit (Rm)	1,00	1,71	1,85	1,34
Earnings (c)	78,2	80,3	92,3	65,9
Dividends (c)	41	41	45	38
Net asset value (c)	270	310	304	293

* Base 1975=100

Although Jabula's profitability fell ? ... a marginal drop in sales it produced a strong balance sheet which reflects a continuously liquid position (R1,6m cash ... reserves) coupled with no gearing. This enables the company to take advantage of any capital investment propositions which might come its way in the near future, as well as aiding it in combating the strong competition it now faces from companies such as Tiger Oats and Fedfood.

The directors attribute the fall in profitability to increasing raw material costs and the necessity of keeping retail prices down in order to remain competitive and retain market share. The company has also lost certain product profits to Epol, for which it used to produce certain lines but which are now produced "in house" by that company.

The problem facing Jabula relates in some way to its cash position. The capital investment programme undertaken over the past few years is winding down, and no new capital commitments are reflected in the annual report. However parent Premier Milling's annual report hints at diversification programmes for this year, which should increase sales and resultant profitability. Although nothing has been mentioned specifically, it is expected that this programme will involve import substitution in the high-technology food processing area.

Whether such capital investment will absorb a large part of the available cash resources which Jabula holds is unlikely, as it is thought that available plant will be utilised to carry out the diversification. Hence it is strange that the dividend was cut by 16% to 35c. Management appears to have been overly conservative in its payout policy, although retaining so much cash in the company does give Premier access to some relatively cheap financing (its present interest rate is around 11%) and does afford a certain tax saving for the holding company.

Given that the company is able to capitalise on its strong financial position, the downturn experienced last year should be seen as temporary. With adequate cash resources for likely developments, there is scope for a more generous dividend policy. This would go some way to improving the share's rating.

Jonathan Bader

COATES BROS F. M. 13/7/79

(183)

Fading ink

Coates may be SA's largest manufacturer of printing and packaging inks but it is currently not that profitable Indeed, its track record over the past four years has been less than exciting. Returns on capital employed have steadily dwindled, dropping from 28% in 1975 to 23% in 1978. Gross margins have been eroded by stiff competition and rising costs, falling from 14,9% to 13,6% over the same time span. Nevertheless, higher turnovers have kept profits growing, albeit somewhat unsteadily Earnings over the period have risen by 58% to 33,1c last year and the dividend has gone up by 30% to 13c, covered a reasonable 2,6 times

Evidently the upturn in the economy has yet to filter through to Coates. For, in the six months to end-April, turnover was down by 4% to R7,1m and pre-tax profit tumbled 25,9% to R647 000 (R873 000). Taxed profit was down from R482 000 to R366 000, and pre-tax profit was but 9,1% of turnover (11,8%)

Besides the battle for market share, and more recently sluggish demand coupled with oil-related cost increases, Coates' results have been adversely affected by the swap of previously-held agency Lithographic Plate & Chemical (LPC) for a 20% stake in UK Vickers subsidiary Howson-Algraphy. Last year, LPC made a material contribution to both turnover and profits in the first nine months Howson-Algraphy, on the other hand, has yet to make its presence felt as far as Coates is concerned; and no contribution is expected until next year from this local manufacturer of lithographic plates and chemicals

While Howson is believed to have already 30% of an estimated annual market of R8m, what is needed are higher exports to utilise fully capacity and tariff protection to enable it to undercut stiff competition from suppliers such as Ozosol, Polychrome, Fuji and Kodak (3M is another local manufacturer which could benefit from protection). Howson has already applied for 25%, but so far has not heard anything concrete However, this is a short-term palliative Much better would be less reliance on the state, which tends to breed inefficient operations.

Financially, Coates is strong Debt: equity last year was a mere 17,6% and long-term debt was down from R400 000 to R250 000, although total borrowings remained unchanged at R1,3m The problem, then, lies with Coates' heavy dependence on oil-based raw materials So the squeeze on margins is far from over and only a strong economy will ensure that the second half will be much better

As such it is too much to hope for anything more than a repeat of last year's 13c dividend But, with a yield of 10,2%, the tightly-held share has limited downside potential.

John White

TEA ·FM 20/7/79 (162)

Local blends

The plight of SA's R60m-a-year tea industry highlights yet again the folly of interfering with the market mechanism Tea packers have long been griping about having to take up most of the local, albeit high quality, crop At about R3,30/kg it is almost double the average price of tea imported from countries such as Sri Lanka, Malawi and Zimbabwe-Rhodesia

With local production of 5 200 t, accounting for about 23% of consumption, government's threat to withhold import permits from companies refusing to buy their quota of SA tea has tended to push prices up And this in turn has led to a drop in consumption on a market already facing price resistance The switch to tea during the recent coffee shortage exerted upward pressure on tea prices Consumption has dropped from 26 000 t to around 20 000 t

What has really been worrying the packers (and growers) is that falling consumption, coupled with increased local production, would eventually price the commodity out of the market

Approaches were therefore made to government to establish some type of advisory board to draw up policy guidelines and put a ceiling on the level of local production It is reliably understood that Pretoria has reacted by forming two committees — under the Department of Agriculture

The crucial question, however isn't really one of control, but rather, should an uneconomic industry be artificially fostered? Tea was first planted in Natal in the 1890s and abandoned in 1948 when unsuitable weather conditions and foreign competition proved too much 90% of the world's crop is grown in tropical high rainfall areas where there is an abundance of cheaper labour than in SA

Savings in foreign exchange, growth in under-employed rural societies (Sapekoe, producing 70% of the local crop, employs 7 000), and economic self-sufficiency are reasons given for encouraging tea production Higher costs are, however, now endangering the R15m invested in the industry

Sapekoe's MD Douglas Penwill, arguing for protection of an infant industry, stresses that local tea is of high quality and "that it is more a question of how much main grade tea packers can take up." Any comparison with imported grades is odious because of lower quality, he says One packer, however, claims that he is having to take up Sapekoe main grade (80% of crop) at a top price of R3,40/kg whereas the top price paid for comparable grade Ceylon tea is R1,65 into stores at the present time." Local teas are consistently R2,00/kg more than imported pickings of the same quality," he says.

Penwill counter-claims that he could compete if he slashed labour costs — at present accounting for about 65% of his bill — to bring them in line with wages of 30c-40c a day being paid in Malawi and Sri Lanka "All very well," growls the representative of a Rhodesian tea grower "But while this perversion of the law of supply and demand takes place, a previously stable market has slid 15% The only growth being shown is in the off-grades, or cheaper teas, which have gained 5% and are all imported anyway "

Sunday Express 22/7/79

(182)

Oudemeester Cask comes out tops in Transvaal

THE Oudemeester group's revolutionary new wine package, the cask, has been enthusiastically received in the Transvaal.

The popularity of the new pack has created a demand for the wine which the producers are battling to satisfy.

The Cellar Cask is a container fitted with a small tap. The wine is sealed in such a way that the wine never comes into contact with the air so no oxidation can take place.

When an ordinary bottle is opened and some of the wine used the rest of the wine oxidises and deteriorates.

Quality wines can now be bought in bulk without any danger of the wine deteriorating after part of it has been used.

The revolutionary new pack holds five litres of wine, equal to more than six bottles. The wine is contained in a special foil-clad bag of silver-metallised polyester, which collapses as the wine is "tapped", with the result that no air enters the container.

The wine is thus protected against both light and air while the rectangular form of the rigid container makes it easy to cool or to store in the fridge.

The tap for pouring the wine provides a strong flow, and doesn't drip. A further advantage is that the container can be destroyed when empty, doing away with the need of returning it to the liquor store to recover a deposit.

"Making quality wine available in this new pack has already been done with good results overseas," said Mr Nico van der Merwe, the product manager of the Cellar Cask Wine, yesterday.

"In Australia, more than 50% of all wines are already marketed in these containers and in America sales in these containers are increasing rapidly. We expected that Cellar Cask would be well received but we couldn't foresee that there would be such a rush for the product within the first few weeks.

"The public literally snatches up the Cellar Cask Wines with they are delivered to the retailers and in some cases advance orders are placed."

(182) FM 27/7/79

LIQUOR WAR

Infighting for outlets

Just as surely as Justice Minister Alwyn Schlebusch will receive urgent representations from South African Breweries (SAB), to lift the ban on its planned takeover of Union Wine and Picardi Hotels, so will he receive counter-demands from the Rembrandt group to stand firm

Anton Rupert's second-in-command, Dirk Hertzog, says he stands foursquare behind the government decision (*FM* last week) to prevent SAB from acquiring the last of the independent liquor groups The takeover would give SAB another 28 hotels and 56 liquor outlets

But, says Hertzog, this did not mean his group — Remgro — should be precluded from negotiating with SAB's near victims "That's all hypothetical at this stage, but, if we went for Union Wine and Picotel, we wouldn't ask the Minister for a majority stake That wouldn't be right "

A minority stake (which Union Wine and Picotel chairman Jan Pickard has repeatedly said he would not sell) is apparently what Remgro may be after

All of which adds up to more bitters in the brew

In what is arguably Remgro's strongest direct attack on the SAB juggernaut Hertzog hammers the attempt by SAB to move into Pickard's liquor interests

He reckons Remgro's recent acquisition of 49% in Gilbeys (leaving 51% and full managerial control with International Distillers and Vintners of London) doubled Gilbeys' capital — thus strengthening, not diminishing, competition in wines and spirits

Rupert . . . hints of a minority stake

"Gilbeys obviously switched their support in beer from SAB to Intercontinental Breweries (ICB), thereby increasing competition in beer and ensuring the survival of SAB competitors in wines and spirits as well "

Hertzog adds, "In contrast, if SAB were to take over the Union Wine group, it would reduce competition in wines and spirits as well as in beer A monopoly of beer supplies in one group — also a major producer of wines and spirits — is a lethal threat to competitors in wines and spirits, since beer supplies are vitally important to retailers "

Soft loans

He concludes that it is misleading to think of SAB as having only 130 outlets through Solly Kramer To these, he says, must be added 60 outlets owned through Southern Sun Hotels and other outlets tied by such things as soft loans Moreover, he denies that SAB has "long held" the view that producers should be out of the liquor sector

"During the past 50 years, in submissions to five major government investigations, SAB vigorously favoured ownership of retailers by producers and tying retailers to brewers by means of loans, confidential discounts, leasing agreements and so on Four competing breweries were eliminated by the SAB stranglehold on liquor retailers, namely Stag Breweries (Anglovaal), Old Dutch Breweries (Union Free State), Whitbreads and Luyt Only in the past four years, since Rembrandt launched ICB and also gathered retail holdings to ensure marketing outlets, has SAB changed its mind against ownership of retail outlets," Hertzog claims

In what members of the liquor trade interpret as a direct criticism of SAB's powerful hold on the shebeen business, among other unofficial trade links, he states "Open and direct ownership is surely less vexatious than soft loans and other indirect control of outlets "

Moreover, Hertzog blames the present situation in the industry on the "illegal entry of SAB in 1960 into the wine and spirit industry by acquiring Stellenbosch Farmers' Winery (SFW) contrary to prohibition in the Liquor Act

"At that time SAB controlled some 300 retail outlets with a 100% hold on beer This set-up made a 100% takeover of wines and spirits at their will inevitable

"For reasons I have never understood, the Liquor Act was changed to legalise SAB's entry into the wine and spirit industry It is therefore incumbent on government to make possible viable competition in beer in order to maintain competition in wines and spirits as well," he reasons

Hertzog's claim that SAB moved illegally into wines and spirits is irrefutable It was tested in court at the time, and found to be against the Liquor Act But the deal was ratified by Parliament a year later

Nevertheless, it's old hat now, and not an argument towards which government is favourably disposed — nor SAB for that matter

SAB points out that it is MD Dick Goss's present attitude that counts And he is firmly against increasing his involvement in retailing, tied outlets, or anything smacking of increased competition in these areas

Outlining the *rationale* behind SAB's attempt to aquire, on a phased basis, Union Wine and Picotel, one SAB spokesman says his group was "forced" to take the step — simply to keep Rembrandt out As he sees it, a Rembrandt-Pickard group tie-up would have meant that Rembrandt-Oude Meester would have established a hold on SA's retail trade in excess of three times SAB's own limited interests in this sector

"This, for obvious reasons, cannot be allowed to happen But if it weren't for this threat, I doubt whether we'd have shown the slightest inclination to negotiate with Pickard," he adds

Hertzog's reason for his outspokeness

Goss . . . wary of more retail outlets

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CHEERS! BOOZERS WORK HARD TO KEEP THEIR INDUSTRY AFLOAT

Sun. Tribune 12/8/79 (182)

By TONY HUDSON Finance Editor

NEVER MIND rapidly rising costs, inflation and all the other ills that plague our economy — boozers have been beavering away to make sure their favourite industry does not follow the path to the wall.

The latest Nielsen Marketing Research figures, published in Hotelier and Caterer, show that expenditure on liquor from bottle stores for the 12 months to March was up seven percent to a hefty total of R625,6 million.

And for the period February/March the figure was over R101 million — 10 percent up on the same period in 1978.

However, despite the increased spending, the actual amount being consumed showing a drop of two percent. The report says the average two monthly consumption for the last 12 months was 71,7 million litres.

The average selling price of liquor per litre in February and March was R1,50 a litre — an increase of nine percent on the same period last year.

Beer is becoming more important to tipplers. In February 1977, it accounted in rand terms for 26,8 percent of liquor sales while in February this year the percentage had moved up to 30,8.

Next most popular drink was brandy which took 19,7 percent of sales, followed by unfortified wines with 14,4 percent, whisky 9,7 percent, cane 9,1 percent and gin 2,8 percent.

(Geregistreer as The Abe Ba[illegible]
Inter-Racial Studies Limited
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INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

Star 21/8/79 (182)

Breweries stay silent on booze battle

THE MARKETING SCENE

By Jean Moon

"There is no beer war in progress," report several Johannesburg bottle store owners.

They agree that Intercontinental did not put up prices at the same time as SA Breweries, but discounts on certain SAB packs have brought prices more or less in line

One bottle store owner comments that these discount offers on particular brands in certain packs last for a short period only, and are immediately followed up by discount offers in other lines

Both breweries are highly touchy on the subject of the alleged beer war. Both refuse to make any comments on new marketing techniques and advertising programmes — probably fearing the rival brewery will get in on the act before them.

It has been reported that, in Natal in particular, liquor advertising has been stepped up by both breweries It has been suggested they are sponsoring some retail advertising of their own products

SAB has made a breakthrough with its twist tops According to beer drinkers interviewed, however, this innovation is not sufficient to encourage them to change their brands

Certainly these new light and tough dumpies take up less room and chill more quickly in the refrigerator, apart from eliminating the need for a bottle opener All brands of SAB dumpies now have twist tops

Intercontinental is in the process of launching its Colt beer on a nationwide scale. About two weeks ago the brand was introduced into Natal, and the brewery is reported to be "delighted" with results Colt has now been launched in the Eastern Cape and Border areas

It is not just beer manufacturers that have been busy with the introduction of new lines William Grant and Sons is in the process of launching a new eight-year-old whisky in South Africa.

The marketing is being handled by Gilby's, whose marketing manager, Peter Fleck, feels the South African whisky market is wide open for a genuine eight-year-old Scotch. Gilby's claims the discerning South African whisky drinker will recognise the difference between a standard Scotch and one that has been matured by one of Scotland's oldest distilleries. "Grants 8" is matured and bottled in Scotland

Not to be outdone, Union Wine has launched "a truly South African brandy with a warm identity to relate to all South African consumers" The group is marketing a superior quality liqueur brandy as well as a five-year-old line, and is aiming for maximum distribution throughout South Africa A two percent market share is expected in the first year As consumption of brandy in this country is 36m litres a year, even two percent of this figure spells a good many tots

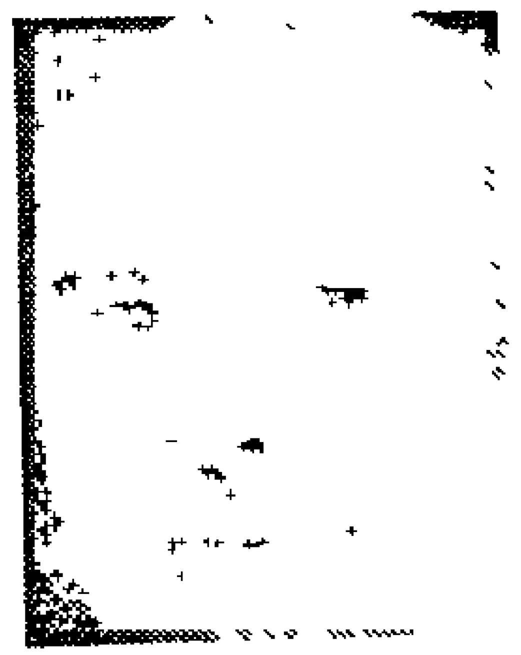
The brandy comes in a bottle with a wood grain label. The lettering appears to have been burned into the "wood," and the whole thing is topped with a red seal This type of packaging should attract the white market, but for eye appeal to the blacks the bottle will be encased in raffia, a symbol of strength.

Apart from brandy consumption, South Africans polish off 16m litres of cane, 4m litres of gin and 3m litres of vodka every year, which goes to prove we earn the reputation of a heavy drinking country the hard way.

Bottlestore owners also report the huge success of Cocorico, the coconut-based rum produced by Gilby It is claimed this can be used with any mixer Grants have also recently produced 4-to-21-year-old Hedges and Butler whisky

Wine drinkers have not been left out Twee Jonggezellen and Backsbury have both introduced three more wines to their range

The quantity rather than quality wine drinker has been well catered for by the Cellercask This five-litre cask, which can be stored in a refrigerator, has a far longer life than bottled wine The tap method of extraction causes a vacuum and prevents air getting to the wine



RIGHT: Mr Henry Howell has been appointed chairman of the executive committee to plan and administer the 1980 Congress of the International Advertising Association to be held in Durban from May 19 to 23 next year. The congress is expected to attract more than 500 advertising, marketing, public relations and media executives from all over the world. Mr Howell is chairman of the Bophuthatswana Broadcasting Board and formerly a director of commercial services at the SABC.

Ek is altyd dankbaar vir die geleentheid wat die jaarverslag bied om my waardering te betuig aan lede van die Akademiese Advieskomitee en die Beheerraad vir hulle leiding, aanmoediging en belang in die aangeleenthede van die Sentrum

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

Mnr E.V.E Howes
Professor M F.Kaplan
Ds W.A. Landman
Mnr G K. Lindsay
Sir Richard Luyt
Professor S.J Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

CT 6/9/79

(182)

4 Amla firms liquidated

(186)

Court Reporter

A PRICE war led to a drop in a soft drink firm's turnover, the Supreme Court was told yesterday during applications for the final liquidation of Amla Mineral Waters (Pty) Ltd and three other subsidiaries of the Amla Group.

Mr Justice Burger granted the applications against Amla Mineral Waters, Amla Distributors, Amla Property and Amla Holdings

In an affidavit before the court, a director, Mr Amanullah Gool, said that Amla Mineral Waters had assets totalling R1 297 000 and liabilities totalling R1 249 688.

Mr Gool said the company owed R769 852 to Amla Holdings, the company that brought the application.

He said: "Amla Mineral Waters has not traded successfully for some time in the past and the position has been aggravated in recent times in that a price war has resulted in a drastic cut in the retail selling price.

"In consequence of this price war, the turnover has dropped substantially and this in fact has led to a build up in stock (returned boxes and bottles) which has adversely affected the company's liquidity.

"In consequence, the company is unable to pay its debts and has no revenue to pay its day to day expenses "

Dealing with Amla Properties in another affidavit, Mr Gool said: "The affairs of the various companies comprising the Amla group are of neccessity inextricably bound with each other and it is self evident that no member of the group can carry on trading with its associate and/or holding companies under liquidation."

Mr Trevor Morris, instructed by Sonnenberg Hoffman and Galombik, appeared for the applicants

LIQUOR

Totting up the changes

(182) FM 14/9/79

South Africans will be spending an estimated R1,5 billion on booze this year, but if trends at off-consumption outlets are anything to go by, they'll probably be drinking less than last year

Latest research shows that total volumes at these outlets dropped 1% to 430,5m litres worth R640m for the year ending May 1979 Sales for the previous year were down 11% on 1977's 488,2m litres as consumers felt the crunch of rising prices and cut back on their drinking habits Researchers point out that these statistics, because they don't includes sales in townships by 14 black administration boards, could well show a contraction that in fact doesn't exist Estimates are that blacks account for roughly 60% of total consumption, although what percentage is through outlets in the townships is unknown at this stage

Beer, at 203,9m litres (up 4%), is still leader in volume terms, while the biggest growth occurred in the unfortified wine market — up 9% to 79m litres Main losers have been fortified wines (down 31% to 29,8m litres in three years) and white spirits (down 18% from 16m litres in 1977).

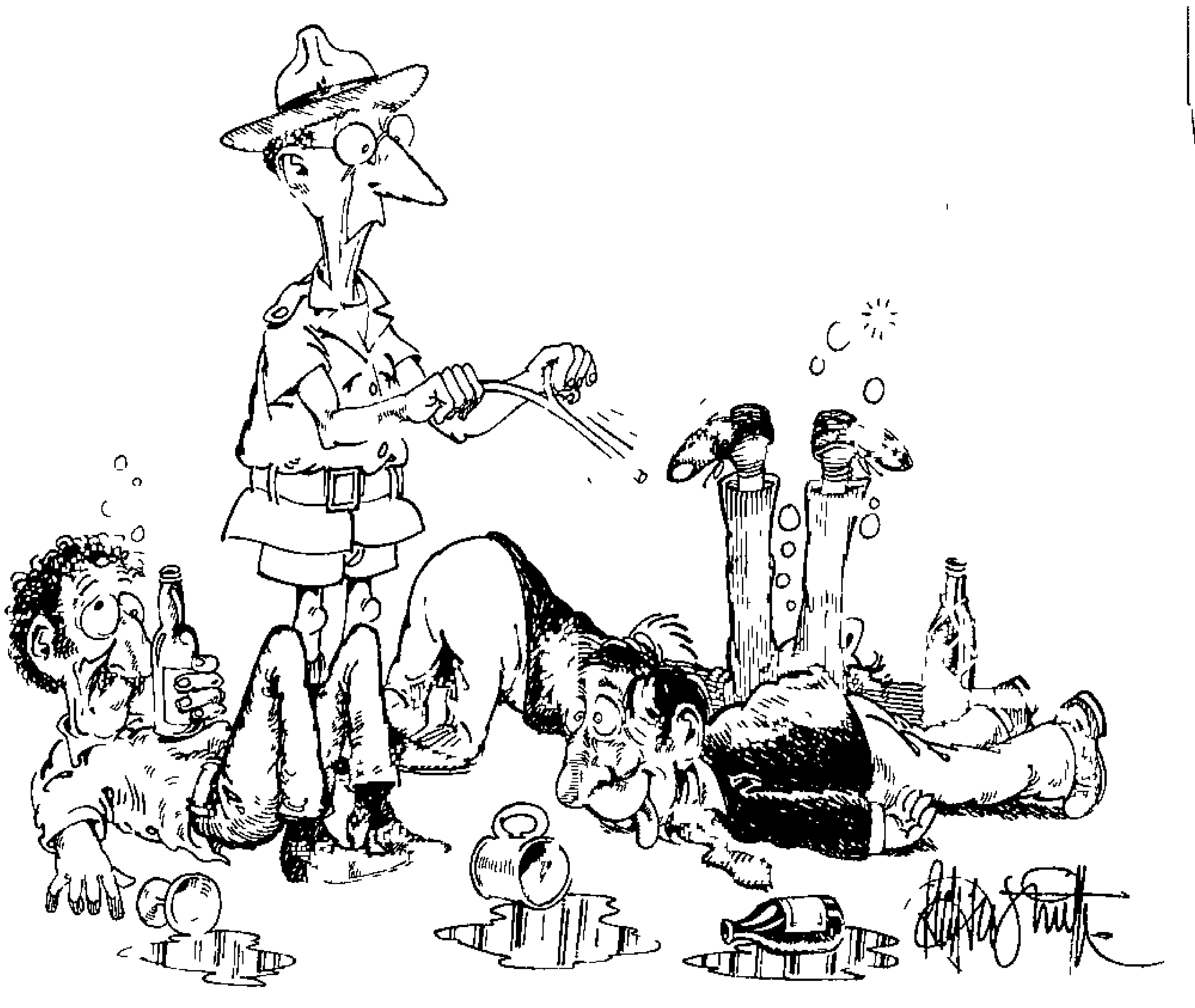
Swing back

The swing back to wine comes as a relief to the wine industry In its heyday in 1974, 185m litres were sold, and this dwindled to 140m litres in 1978 — the discrepancy in the off-consumption outlet figures is explained by sales direct from estates At the same time annual per capita consumption dropped from 8,2 to 5,5 litres Main reason for this was that until 1970 80% of sales were in the western Cape with coloureds the biggest buyers Price increases, and a craving for a "new image" drink amongst younger drinkers, changed this and a switch to other beverages, particularly spirits, became apparent

Then came the breakthrough — the introduction of medium priced wines to combat the poor image that lower priced wines gave the market Coupled with the introduction of the "jug" and packaging innovations, this has led to an increased consumption outside the Cape of an average 17% over the past three years Says KWV chairman Andre du Toit "The demand for middle and upper priced wines is a heartening development" He reckons this demand rose 35% last year with half in the Transvaal and 25% in the Cape While these wines constitute about 22% of total throughput

SFW's Henry Kempen agrees with a sense of relief that "this year the decline in wine consumption has been arrested", while Solly Kramer MD John Hooper says they're giving more floorspace than before to wines "The market's there," he says, adding that wine is becoming the in-thing for collectors and hobbyists "They're exploring the cultivars, going for home cellaring and even investing in wine"

SFW has adopted a bold new marketing strategy to put more wine into home — "It's not as though we're trying to create a nation of drunks," says Kempen, noting



that per capita consumption in France hovers around 90 litres a year, compared with 10 ℓ/a in SA Main thrust of the wine plan will be to convert more of the vast black consumer market "Increases in this sector have been enormous, considering the small base we're working with More and more black women are taking to wine," is Kempen's view

How does someone like SA Breweries MD Dick Goss view the future liquor market? "The market for beer, natural wine and spirits will grow, with the natural products like beer and wine having the greatest chance" He could be right Brandy sales, by far the biggest on the spirit side, have remained virtually static, white spirits and fortified wines have taken a knock, while whisky volumes have been constant

The decline in consumption of white spirits (gin, vodka, cane and rum) amongst white drinkers, at a time when there has been a move to "white and light" consumerism, from cigarettes to foodstuffs, has tended to puzzle the experts Rebel's Sam Linz sees it as SA refusing to conform to international drinking standards, with brandy refusing to relinquish its strong traditional hold as the drink of the "nasie"

Perhaps the hardest hit by price increases whisky has nevertheless managed to maintain it's position — mainly through the introduction of Stellenbosch's whisky-type distillates Although not true-blue products in their own right, they are lumped together with the real thing for statistical purposes Rum, current sales running at 604 000 litres (up 7%) is reported to be catching on fast as a prestige drink amongst coloureds, with Red Heart number one seller in the Cape

Old Buck, with its he-man sporting image (Gerrie Coetzee and other champions in the various divisions sport Old Buck belts) is going great guns in the townships according to SFW, while Vodka sales have taken a 37% dip to 1,8m litres over the last three years Cane still rules the roost among the other white spirits from its strong Natal base with sales of 8 9m litres — 1% down on last year

Just how important are statistics on consumption trends? Retailers feel they're invaluable — forward stock purchases floor allocations promotions are all based on latest available figures Bennie Goldberg is the odd man out "I'm only concerned with what happens under my roof — one bottle's the same as the next" SA's 7m-odd imbibers seem to disagree

186 D.D. 21/9/79

Shops sell old fruit juices

EAST LONDON — Liquifruit fruit juices which have been kept beyond the expiry date on the cartons are being sold by at least seven East London shops

A Daily Dispatch investigation revealed yesterday that stocks of the drink sold to the public were often as much as a month older than was permitted on the expiry date In one case the carton sold to a Daily Dispatch reporter was more than five months old

"I'm going to do something about this," said the marketing manager of Appletiser, the firm manufacturing Liquifruit, Mr G Groenewald, when approached for comment

"When I approached the Department of Health I did not meet with much enthusiasm but I will approach the agricultural inspector's service to get them to bring forward legislation to stop this type of thing," Mr Groenewald said

The Daily Dispatch investigation was sparked off by a complaint from a member of the public

Asked if there was any danger to the public from the old stocks, Mr Groenewald said "I can't say it will be dangerous to drink old stocks, but the taste may be off and the consumer certainly isn't assured of 100 per cent quality "

A container of Liquifruit with an expiry date of 18 4 79 was sold to a Daily Dispatch reporter at James Lamont Super market on the Quigney

The manager of the supermarket Mr D Cocorozis, said the fault lay with his staff who failed to circulate the product on the shelves

The expiry date on a Liquifruit carton bought at Pick n Pay in Vincent was blacked out

Regional director for Pick 'n Pay Mr T A Carroll, said "The fact that it came through to the supermarket is very strange We simply do not allow blacking out at our supermarket under no circumstances "

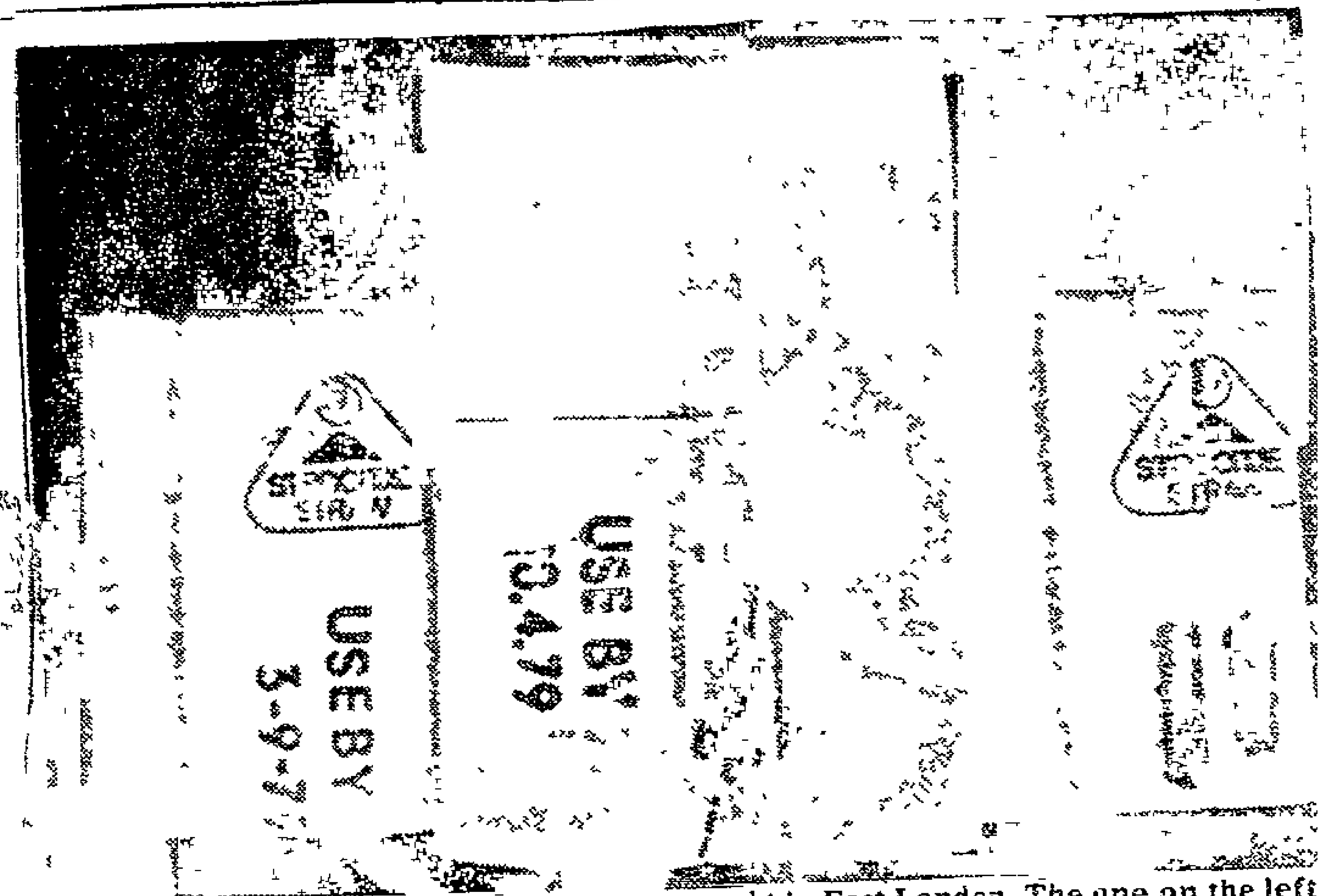
The manager of L Chibba on the Quigney , where a carton of Liquifruit dated 12 8 79 was sold, Mr L D Chibba, said the distributors supplied him with old stock

Mr Alan Felmore, manager of OK Bazaars in Oxford Street where a Liquifruit carton was bought two weeks after the expiry date, said "Stocks are rotated but mistakes can happen The old stock will be taken off the shelves "

A carton of the fruit juice bought at Johnny's Supermarket in Vincent was dated 13 8 79 When approached for comment, a man who identified himself as the manager of the supermarket, said "I have nothing to say This is my business and I don't want my name mentioned " He said he never checked the date on stocks of Liquifruit delivered to him

The manager of Oranjeland Supermarket on the Quigney Mr H Zeelie who sold a Liquifruit container dated 11 9 79, said he would remove the old stocks from his shelves

No comment could be obtained from Checkers Supermarket where a container of the fruit juice dated 3 9 79 was bought No staff qualified to comment were available — DDR



Some of the outdated Liquifruit cartons bought in East London The one on the left is dated 3 9 79, the centre carton has a date stamp four months old, and the date on the sample on the right is blotted out

1822

Brewery for Bellville

Argus 21/9/79

(182)

2[illegible] Argus

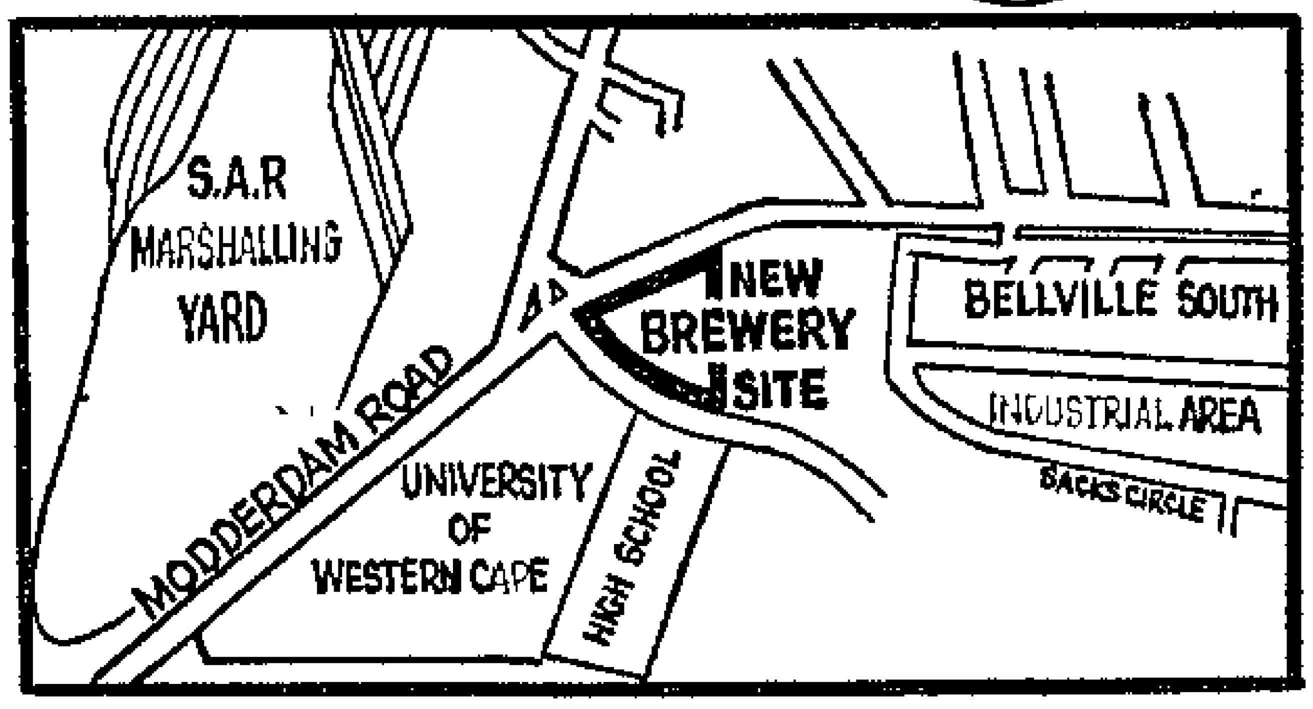
Property Editor

IN ONE of the largest industrial land deals in the Western Cape Intercontinental Breweries have bought 11,2 ha in Bellville South to establish a brewery

It is expected to be in operation by the end of 1980 and the whole development may cost about R8-million

The prime industrial site is triangular, lying between Modderdam and Symphony roads and near the new goods yard at Bellville South It has its own railway siding.

The present tenants on the site will leave by the end of February but it is expected that bush clearing and preliminary



construction on the brewery will start in a few weeks.

'All stops are now open to build a brewery in the Cape,' a spokesman for Intercontinental Breweries said

'We hope to be in operation as soon as possible but as yet we have no definite date as to when the brewery will be functioning.'

He gave bad news for Western Cape beer drinkers. 'When our brewery is in operation it will not mean cheaper beer in the Western Cape We have a standard price all over the country and anyway our prices are lower than our competitors, right down to the bare bone now'

DELIGHTED

The Tygerberg Bureau reports that the Mayor of Bellville, Dr J J de Jager, said he was delighted with this new 'asset to our prosperity' especially since Bellville had just become a city

'That has been a contributing factor, of that I am sure, and of course the fact that the Railways are concentrating their goods activities in our city must have weighed heavily,' Dr de Jager said.

The property deal was negotiated by Mr Duran Pooley of SRE Real Estates

Y SEPTEMBER 24 1979

Hoteliers, stores oppose varkies

182

THE hotel and bottle store industry in the Western Cape is opposed to the sale of wine in the 20-litre swart varkie, is concerned at the five-litre plastic packaging and will support those in the industry seeking to market natural wines as a product of culture and sophistication

'The sale of cheap wine in large packages, including the 25 litre and 20 litre swart varkies, reduces the prestige of the product', Mr Arthur Freedberg, convener of the liquor legislation committee of the Federated Hotel Associations of South Africa said in an interview

He supported the wholesale industry's attitude in marketing wine as a product of culture and civilised living

Mr Freedberg said the hotel industry and the retail liquor industry, of which he was a member had helped to change the attitude to wine in the past 15 years so that 60 to 80 percent of retail off consumption buyers were now women as wine buyers for the family

CHANGED HABITS

Marketed as a prestige product and 'most desirable beverages, the sale of natural wines had increased nationally

Sales decreased more recently in the traditional wine area of the Western Cape because of various factors including change in drinking habits

This had resulted in the need for a new approach to wine selling with the emphasis on its culture — not as a cheap alcoholic beverage designed to induce intoxication, as was suggested by the marketing of swartvarkies

'You cannot market wine in 20 litre and 25-litre plastic "cans" and maintain its prestige,' Mr Freedberg said

CONCERNED

'And we are concerned too at the 5 litre plastic containers, until we have been satisfied that both technically and aesthetically these containers are acceptable

'We will certainly co-operate to the fullest with any step by manufacturers and marketers to present wine for what it is — a product of great tradition and culture which adds so much to the pleasure of our daily lives and more particularly so when enhancing meals'

Mr Freedberg added 'The simplest of meals can be transformed into a banquet by the addition of a glass of natural wine'

182 6/11/79 DD

Truce in SA beer war

JOHANNESBURG — A truce has been called in the great South African beer war between South African Breweries and Dr Anton Rupert's Intercontinental Breweries.

Negotiations are underway for South African Breweries, which already has nearly 90 per cent of the South African beer market, to secure its dominant position by taking over Intercontinental.

Liquor industry sources say the Rembrandt Group will take over some of South Africam Breweries' stake in Stellenbosch Farmers Winery in exchange.

The shares of South African Breweries and the Rembrandt companies were suspended on the Johannesburg Stock Exchange yesterday, pending the outcome of the discussions which is expected early next week.

Industry sources said the deal had been done in principle and that only the details had yet to be worked out.

The Rembrandt Group's withdrawal from the beer market was seen as an acknowledgement by Dr Rupert that his stated objective to take a substantial share of the South African beer market was proving more expensive than he had bargained for.

But by taking Stellenbosch Wineries profitable wine interests in return, the Rembrandt group has entrenched itself as the leading producer and retailer of wine.

The beer battle has cost both groups dearly.

SA Brews, jealous of its leading position in the beer industry, has met Intercontinental's attempts to secure a significant share of the market face on. Consumers have benefited from price wars which have spread through both groups retail outlets.

SA Breweries has about 180 retail outlets compared with the Rupert group's 360.

But industry sources said last night that the merger of the beer interests would not put an end to price wars between the groups.

SA Breweries, through its 100 per cent stake in Stellenbosch Farmers Winery, had been heavily involved in the production of wines and spirits and although its wine interests would probably be severely curtailed as a result of its deal with the Rupert liquor division, competition through the competing retail outlets would ensure continued competition.

Rembrandt's decision to concede defeat in the beer war was seen as an admission that it could not crack SA Breweries hold on the fast-growing black market.

Beer consumption in black urban areas is growing dramatically and SA Breweries has managed to hold on to the lion's share of it. Intercontinental's attempts to get a toe-hold have been a disappointing as they have been expensive.

For all that, the potential threat of Intercontinental gaining a significant share of the beer market has been a thorn in SA Breweries side and its removal will be a relief to SA Breweries.

The defence of its position has led SA Breweries to expensive marketing programmes and sources close to the group say the money it will save through rationalisation of production and marketing will enable it to keep the beer price competitive. — DDC

IX DISEASES OF THE DIGESTIVE SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1-4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5-24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25-44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45-64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

X DISEASES OF THE GENITO-URINARY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

XIV CONGENITAL ANOMALIES

	W		A		C		B	
	M	F	M	F	M	F	M	F
				1,03	1,24	0,79	0,89	0,74
				0,05	0,05	0,02	0,04	0,05
				0,01	0,01	0,02	0,00	0,00
				0,00	0,00	0,01	0,00	0,00
				0,00	0,00	0,00	0,00	0,00
				0,00	0,00	0,03	0,00	0,00
				0,04	0,04	0,03	0,03	0,00
				14	50	33	54	47

ERINATAL MORBIDITY AND MORTALITY

	W		A		C		B	
	M	F	M	F	M	F	M	F
				11,55	29,22	24,78	23,16	22,23
				0,02	0,02	0,04	0,04	0,00
				-	-	-	-	-
				-	-	-	-	-
45-65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

New liquor lines drawn?

S. Times 11/11/79

(182)

By STEPHEN ORPEN

LATEST talk in the liquor industry is that the complex and sweeping re-organisation currently being evolved by the Government in concert with the industry's corporate giants — including SA Breweries, the Rembrandt Group and the KWV — will result in three major wine groups, built from the resources of SAB, the four Rembrandt companies concerned, and KWV interests

It is also said that the State's administration boards — retail liquor monopolies in the black townships — will withdraw from their liquor business, a huge source of finance for them in the R700-million-a-year beer sector

They could be financed instead from the Consolidated Revenue Fund through a liquor excise hike

SAB has long gripped the private sector share of the black beer market in a stranglehold which Rembrandt's Intercontinental Breweries has been unable to break

No parties to the discussions will comment as they have been sworn to secrecy under a formal agreement not to talk to the Press

Huge SA liquor deal ends beer war

C.T. 14/11/79

(182)

By GORDON KLING

THE BEER WAR is over — and the battle lines in the South African wine industry have been redrawn in terms of a multi-million rand agreement between the country's liquor giants.

The deal, approved by the cabinet yesterday, leaves South African Breweries with a monopoly in the R700-million a year beer market through the purchase of its sole rival, Intercontinental Breweries, from Dr Anton Rupert's Rembrandt Group.

SAB and Rembrandt are to merge their wine and spirit interests into a new company managed by Rembrandt in which they will each hold 30 percent, as will the 6 000-member wine farmers' co-op, the KWV

The public, mainly wine farmers, will hold 10 percent of the shares in the company, Cape Wine and Distillers Ltd, which is to seek a listing on the Johannesburg Stock Exchange.

The wine farmers are to learn further details of the scheme and how they can participate in it at a meeting on the 27th of this month.

Essentially the wine deal comes down to a merger between SFW and Rembrandt's Oude Meester

SAB's managing director, Mr Dick Goss, pledged last night to maintain the wholesale price of beer at current levels until 1981, except for excise duty increases But industry sources believe the beer monopoly will mean an end to the special price-cutting promotions that characterized the four-year beer war And it is certain that several wine and beer brands will be discontinued

The architect of the scheme, Senbank chairman Dr Fred du Plessis, told a press conference in Johannesburg last night that it would result in a R75-million cash inflow to Rembrandt and R20-million to SAB

It was hoped the new wine company, which was to have R180-million capital, would be operating within a year, he said

Dr Du Plessis said he would be "very surprised" if the price of beer were to be increased in the near future.

The restructuring of the R1,5 billion liquor industry takes it back to conditions prevailing 25 years ago before SAB bought into wine through Stellenbosch Farmers Winery in a move which wine interests believed would prove damaging to the industry.

Discontent has heightened in the past few years as wine sales fell victim to the battle for beer While SAB has proved once again that it is supreme in beer, there are certain to be high spirits at Rembrandt, who have fought consistently for a separation of brewing and wine-making activities.

On the other hand, there is bound to be considerable trepidation at SFW, where staff now come under the day-to-day management of what had previously been their chief competitor. However, both groups have agreed to avoid any retrenchment of staff.

I understand a major priority of the new wine company will be improved export sales

Both SAB and Rembrandt have also agreed to the disposal of their vast network of retail outlets, but this is likely to be an excercise stretching over 11 years or longer

CIT. 15/11/79

(182)

Discontent at new liquor merger

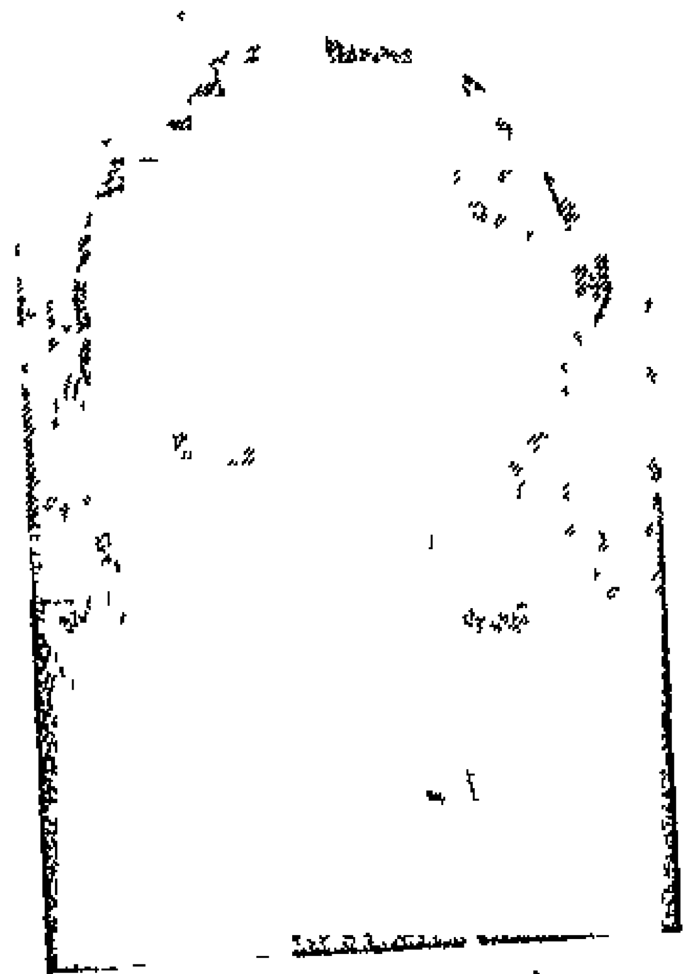
By GORDON KLING

AN R8-MILLION brewery planned for Bellville appears to be an early casualty of the vast rationalisation scheme which yesterday had the South African liquor industry reeling in its tracks.

"A monster has been created in wine and spirits," said Mr Jan Pickard, head of Union Wine, which with Douglas Green wines, was left out of the negotiations As minorities in the new deal, Union and Douglas Green must now await an offer from the soon-to-be formed Cape Wine and Distillers Ltd, maintained Mr Pickard, and if this was not acceptable, it would go to arbitration He was convinced the new deal would leave Union at a competitive disadvantage aggravated by Rembrandt and SAB control over some 500 retail outlets "The government should have insisted that the retail outlets be sold within six months, instead of years, to a (independent) group like Sanlam, " he said

Official comment from all three parties, Dr Anton Rupert's Rembrandt Group, South African Breweries, and the KWV, remains firmly in favour of the deal which will leave SAB with a monopoly in beer, while bringing the KWV into a powerful new wine-combine, managed by Rembrandt and jointly owned by all three

But behind the scenes there is considerable discontent, particularly at SAB's Stellenbosch Farmers Winery, which now comes under Rembrandt management, and at Rembrandt's Intercontinental Breweries As one reliable source in the industry put it yesterday "After four years of war psychosis you don't just relax that easily"



Mr Jan Pickard

Industry sources were at pains to point out yesterday that definite plans had not been reached regarding the particulars of the rationalisation process But it was a safe bet to assume Intercontinental's Bellville brewery, originally intended to get underway any day now, would be put on ice

Beer brands likely to disappear from the market are SAB's Schafft and Stallion, and Intercontinental's Becks, Heidelberg, Sportsman and Culemborg Lite This would leave SAB with the market leader Carling Black Label, followed by Lion and Castle Also likely to be continued by SAB are Hansa, Amstel, Kronenbrau, Stout and Colt 45

Referring to fears of a price rise from the beer monopoly, a SAB spokesman in Johannesburg yesterday told the Cape Times he believed there were sufficient watchdogs — including the Department of Justice, consumer groups and the Price Controller — to prevent unreasonable increases

"We've been a de facto monopoly since 1956, and yet the price of beer hasn't remotely risen to the extent of the rise in the consumer price index. We're a benign monopoly and our track record proves that bigness isn't necessarily bad Most of the problems in the industry arose through its vertical integration and this will be remedied with the sale of the retail outlets "

Over at Rembrandt morale is high Rembrandt, with a presence in 27 countries, on all six continents and acknowledged marketing expertise, also believes that it can make substantial new inroads into the wine export market

The KWV is happy about what it sees as the "stabilizing effects" flowing from the termination of the debilitating beer war while wine lanquished in the background

On the other hand, there is considerable doubt amongst economists and consumer organisations that the new structure, lacking the competitive element, will be in the best interests of consumers

TABLE II

	WHITE		ASIAN		COLOURED			
Rheumatic Heart Diseases (390-3								
Hypertensive Diseases (400-404)								
Ischaemic Heart Diseases (410-41								
Cerebrovascular Diseases (430-43								
Total Circulatory Diseases (390-458)								
Motor Vehicle Accidents (E810-E81								
Suicide (E950-E959, E979) *	24.6%	15.4%	12.6%	12.5%	84 3.9%	18 2.8%	76 4.1%	11 3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

* E979 "Suicide and self inflicted poisoning by motor vehicle exhaust gas" is a code used in South Africa which does not appear in I.C.D. (8th revision) See Ref. 13.

(3) Without prejudice to any other criminal liability incurred
of a company is carried on recklessly or with such intent or for su
tioned in subsection (1), every person who was knowingly a party to
business in the manner aforesaid, shall be guilty of an offence.

(4) The provisions of this section shall have effect notwithst
concerned may be criminally liable in respect of the matters on th
declaration is made.

425. Application of cri
who is or was a director o
has been granted, whether
provisions of this Act, and
or made any omission in re
affairs of such company, w
omission had been made by
the winding-up of such co
business or affairs, or thos
relating to insolvency, such
and liable on conviction
insolvency, and all the prov
apply in respect of such a
past or present director o

426. Private prosecut
winding-up of a company
pany has been guilty of a
relation to the company
liquidator shall cause all
to be laid before the Attor
that he declines to prosec
(3) and (4), institute and c

(2) The Court may
portion of the costs and e
the assets of the company

427. Circumstances i ... dicial management.—
(1) When any company b ... her cause—

(*a*) is unable to ... t its obligations; and

(*b*) has not beco ... essful concern,

and there is a reasonable p ... al management, it will
be enabled to pay its debts ... uccessful concern, the
Court may, if it appears j ... ment order in respect
of that company.

(2) An application ... in respect of any com-
pany may be made by any ... ction 346 to make an
application to Court for th ... visions of section 346
(4) (*a*) as to the application ... pply to an application
for a judicial management

SUNCRUSH (132) 2011/11/79

Growth prospects

Activities: *Bottles and markets soft drinks nation-wide A Natal subsidiary, Intertruck holds the International Harvester franchise Directors control 32 9% of the equity Dalys, of Durban, holds 50%*

Chairman *R D Hamilton*

Capital structure *2,7m ordinaries of 50c, 500 000 7% red prefs of R1 Market capitalisation R6,3m*

Financial: *Year to June 30 1979 Borrowings long- and medium-term, R2,8m, net short-term, R2,8m Debt equity ratio 57,4% Current ratio 1,1 Net cash flow R1,6m Capital commitments R378 000*

Share market *Price 235c (1978-79 high, 235c, low, 100c, trading volume last quarter, 72 000 shares) Yields 25,2% on earnings, 8,1% on dividend Cover 3,1 PE ratio 4,0*

	'76	'77	'78	'79
Return on cap %	15 6	14 5	16 5	19 2
Turnover (Rm)	25 0	30 3	28 3	34 3
Pre tax profit (Rm)	1 5	1 3	1 7	2 6
Gross margin %	8 3	6 8	8 7	9 5
Earnings (c)	58 5	27 3	41 9	59 3
Dividends (c)	20	13	15	19
Net asset value (c)	280	282	302	355

By taking over a soft-drink operation in Welkom and reversing the previous year's International Harvester loss, Suncrush moved back on to the growth path lost in 1977 And chairman Robin Hamilton expects the soft-drink division's growth and tax allowances to produce higher earnings this year

In August last year, Suncrush acquired Welkom Bottling for R1 1m, satisfied as to R600 000 cash and the issue of R500 000 7% redeemable prefs Suncrush also intends buying the properties used by the company for R500 000 in January 1980 This acquisition showed "good sales increases and satisfactory profits," which accounted for a major portion of last year's earnings increase Hamilton says last year's hot, dry summer also contributed to growth

Increased earnings from soft-drinks came about despite higher costs of fuel and raw materials Sugar, in particular, rose 15% in the 18-month period to end-February 1979 after a 13% increase over the previous 13 months Hamilton complains that the local price is subsidising exports This position has since reversed, with the local price currently lower than international levels

The group's International Harvester franchise operated at pre-tax loss for 1977 and 1978 Last year a R113 000 profit (R56 000 loss) was earned but little change is expected this year The division's profitability is dependent on International Harvester's market share which, says Hamilton has been falling for the past few years Steps are being taken to alleviate this

Last year Suncrush sold its Hunt Leuchars & Hepburn shares realising a R500 000 profit which could produce annual earnings of up to 4c when re-invested

Changes to the balance sheet last year included a slight reduction in total borrowings to R5 7m (R5 8m) and improved stock and debtors control At end-June stocks were R5 1m (R4 7m) — 23 9% (26 3%) of total assets Additional creditor finance was used as the end-June balance was 29 4% up while turnover rose 21 3% to R34,3m

This year, the group plans capex of nearly R600 000 on its Klerksdorp factory and the Welkom branch as well as R500 000 earmarked for buying the Welkom properties Financing these extensions will be helped by the R1 9m 11,75% debentures created since the year-end, which will push the debt equity ratio up to about 77%

At 235c the share is on a two-year high yielding an historic 8,1% But re-investment of the proceeds of the HLH shares alone could help boost earnings to around 64c this year If the 3 1 times dividend cover is maintained a minimum payout of 21c is possible putting the share on an attractive 8 9% prospective yield

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Gilbeys, Uniewyn verkoop nie

RAPPORT 18/11/79

~~232~~ 182

Deur GERT MARAIS

IN teenstelling met die indruk wat die afgelope week gewek is ~~nadat~~ die drankooreenkoms tussen Rembrandt en Suid-Afrikaanse Brouerye aangekondig is, sal Gilbeys en Uniewyn nie hulle drankwinkels hoef te verkoop nie.

Dit sal beteken dat Gilbeys, waarin Rembrandt 'n belang van 49 persent het, die grootste kleinhandelverspreider van drank in die land gaan word. Uniewyn sal die tweede grootste verspreider wees.

Volgens die ooreenkoms wat Rembrandt en SAB vandeesweek bekend gemaak het, sal hulle gedurende die eerste vyf jaar van die skema van 7,5 persent van hulle dranklisensies per jaar niet verkoop. Daarna word die persentasie tot 10 persent per jaar opgeskuif — totdat al hul lisensies verkoop is.

Die verwarring oor ander drankprodusente wat dranklisensies besit, het ontstaan omdat daar in die verklaring wat die Regering oor die saak uitgereik het, gesê is „die reg van enige beheerinstansie of persoon om kleinhandeldranklisensies (uitgesluit hotels en restaurante) te bekom, word voortaan tot hoogstens vyf beperk".

Weens hierdie woordkeuse is algemeen aanvaar dat alle groepe daardeur geraak sal word en daarom gedwing sal word om hul drankwinkels tot slegs vyf te verminder.

Hierdie indruk is nie net in die pers gewek nie, maar die drankgroepe het onder dieselfde wanindruk verkeer. Die besturende direkteur van SAB, mnr. Dick Goss, asook woordvoerders van Rembrandt en Gilbeys het gesê hulle is onder die indruk dat nie net Rembrant en SAB geraak word nie.

Die voorsitter van die Drankraad, mnr. F. J. le Roux, het dit egter duidelik aan Sake-Rapport gestel dat net Rembrandt en SAB hulle dranklisensies sal moet verminder. Geen ander groep word betrek nie.

Niemand wat nie nou lisensies het nie, of minder as vyf het, sal egter in die toekoms toegelaat word om meer as vyf te bekom nie.

Hy sê dit is nie die Regering se oogmerk om aan mense wat niks of baie min, met die bierstryd tussen Rembrandt en SAB te doen gehad het, voor te skryf nie.

Hierdie standpunt sal Uniewyn en Gilbeys baie goed pas, maar dit is te betwyfel of SAB baie in sy skik daarmee gaan wees. Dit sal immers beteken dat Rembrandt, hoewel nie die beheer nie, steeds 'n baie belangrike invloed op die grootste kleinhandelverspreiders van drank sal kan uiteofen.

Rembrandt het sedert hy die belang van 49 persent in Gilbeys verkry het, volgehou dat hy die maatskappy nie beheer nie, maar dat dit bloot 'n belegging is. SAB het nie heeltemal met hierdie siening saamgestem nie.

Dit is moeilik om te glo dat SAB, wat steeds onder die indruk verkeer dat Gilbeys se drankwinkels volgens die voorgestelde formule verminder sal moet word, sal aanvaar dat hy al sy eie drankwinkels moet verkoop, maar Rembrandt 'n belang van 49 persent in die grootste kleinhandelverspreider behou.

SAB beheer tans 153 afsetpunte. Hiervan is sowat 10 Southern Sun se eiendom en word nie deur die ooreenkoms geraak nie. Rembrandt beheer 323 as Gilbeys se 73 bygetel word. Uniewyn het 54, waarvan 24 buiteverkope van hotels is. Rennies het 17 buiteverkooppunte en Premier Milling 9 drankwinkels.

In die Regering se verklaring oor die ooreenkoms tussen die twee drankgroepe is aangedui dat dit die klein drankprodusente vry sal staan om hul belange aan die nuwe maatskappy, Cape Wine and Distillers, te verkoop wat weens die samevoeging van Rembrandt en SAB se Stellenbosch Boerewynmakery en Oude Meester sal ontstaan.

Uniewyn se mnr. Jan Pickard het teenoor Sake-Rapport gesê hy wil onafhanklik bly en wil sy drankwinkels behou. Dit staan die nuwe maatskappy egter vry om 'n aanbod aan hom te maak.

Gilbeys se situasie is onduidelik. Indien hy onafhanklik bly en nie aan Cape Wine verkoop nie, sal hy sy drankwinkels kan behou. Indien hy egter deel van Cape Wine wil word, lyk dit asof hy ook sy dranklisensies sal moet verminder.

Rembrandt sal ongetwyfeld 'n rol in hierdie besluit speel.

... y adapted to a forest environment, but has managed to inhabit a number of different environmental regions, including the savannah zone, by its "linear distribution along streams" (Nash, 1969:51). The morsitans group is primarily associated with the wooded grassland environment and tends thus to be more dry-ecology adapted.

According to Scott (1970:615) the riverine tsetse, G. palpalis and G. tachinoides, appear to be most commonly associated with human trypanosomiasis, being the vectors for Gambian Sleeping Sickness. Nash (1970:611), however, gives details of blood meals of these two species and the mammalian hosts which included

... and cattle)

suids	60% (all warthog)
primates	15% (man)
birds	3%
other	9% (porcupines, etc.)

Not all game species are used by tsetse for meals. Those which tend to be ignored are zebra, impala, wildebeest, waterbuck: others of low preference: baboons and other monkeys, kob, hartebeest, oribi, gazelles, steinbok, roan and carnivores (Ibid:96). Reedbuck, eland, sheep and goats are also of low preference, but will be used when choice is limited.

Moisture plays an important role in tsetse ecology. Rainfall must be

The Cape Times

WEDNESDAY, NOVEMBER 21, 1979

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Increasing beer prices

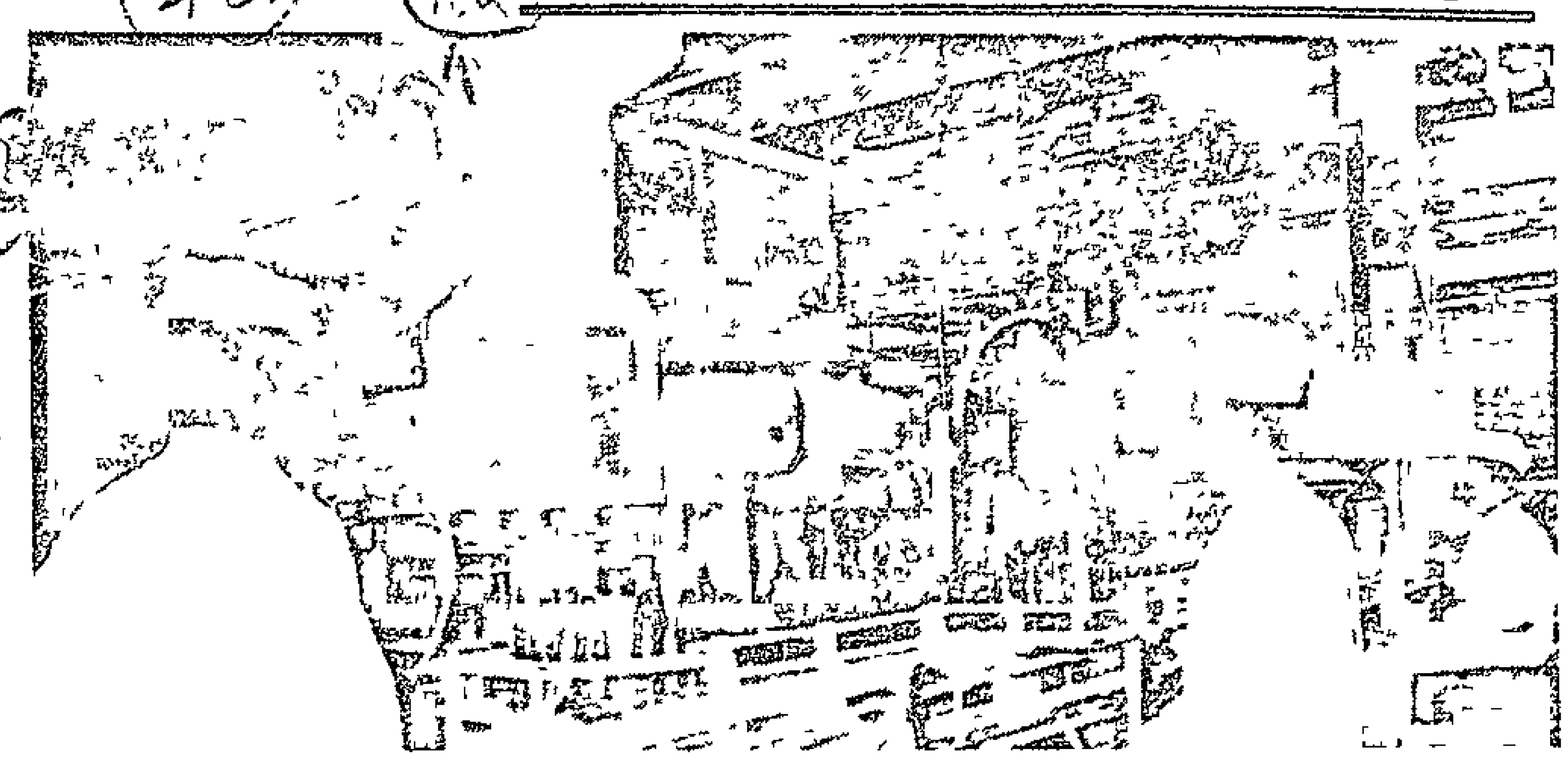
SOUTH AFRICAN Breweries' beer price increase is the logical outcome of a monopoly in a market where once there had been fierce competition. SAB committed itself last week to keeping prices unchanged until 1981 and now maintains it has honoured its undertaking in that only the wholesale price of Intercontinental beers has been allowed to rise Various reasons have been given for the action The inescapable fact remains that these reasons did not prompt an increase when there was a competitive market.

But this is only a small part of the new monopoly's effect on prices. Widespread discounting which characterized the beer war is also being phased out. The promotional discounts saved the consumer as much as 99c a case, and although SAB says it is planning to reintroduce the discount on one brand, it now seems most unlikely that the practice will be as widespread as before the big liquor deal or that the amount of the discount will be as great

As things now stand it looks as if the ordinary consumer is being asked to pay more in terms of a deal which effectively gave the huge beer market to a single, highly profitable company And what is to hold down wine prices? After all, the other side of the deal was to create a virtual wine monopoly, and if SAB has found that certain prices were uneconomic now that there is less competition, it seems a fair bet that the new wine combine, representing big business and the wine farmer, could come to the same conclusion

Beer and wine are virtual staples The government, which must share responsibility for the higher prices by approving the deal in the first place, should reconsider the position

Coca-Cola keeps top on grades



Work at Coca-Cola factory in Benrose, Johannesburg.

COCA-COLA have flatly refused to give POST information regarding their grades.

During an interview with Mr Viljoen and the company's division manager for Southern Africa, Mr F J Meyer, we were told "It is company policy not to publish detailed information regarding grades as this could put us in a competitive disadvantage."

POST had asked for the number of people in each job grade — both weekly and salaried — and their breakdown by race This would give a picture of the upward movement of blacks into more senior positions.

All they say is that they have six grades (1 — 6) for weekly paid workers. Workers in these grades range from a janitor to a syrup supervisor. No whites belong to these grades.

Mr Viljoen says they have no grading structure for salaried staff. **POST** then asked to be provided with the number of people (the salaried staff) in each job category. This was also refused.

The company pays a minimum gross wage of R43 a week. This works out to R186 a month. Mr Viljoen says there are 212 people on this minimum pay.

Unisa's Bureau of Market Research calculates the Supplemented Living Level (SLL) for a family of five in Johannesburg at R185,88 a month. Coca-Cola uses this figure to guide them in determining their minimum pay.

The Sullivan Principles, to which the company subscribes, urge employers to pay their workers wages and salaries "well above the appropriate local economic level."

The company employs 2 660 Africans, 640 whites and a total of 500 coloureds and Asians.

It operates 39 bottling factories throughout the country. Of these only three are wholly American. The rest of Coca-Cola factories are run on franchise from the company

Asked if the company's franchise outlets also subscribe to the Sullivan Principles, Mr Viljoen says "We do not have jurisdiction over them We merely set an example"

Mr Viljoen says they have two canteens at each factory — one for the weekly paid workers and another for salaried staff The latter is integrated The same applies to the toilet facilities

Asked why only canteens and toilets for salaried staff are integrated, he merely says "We distinguish between weekly paid workers and the salaried staff, and that's company policy"

But Mr Meyer had earlier shown **POST** a memorandum which he says was sent to all their workers. The memorandum states clearly the policy of Coca-Cola on integration.

Section 3 of the memorandum stresses that there should be no segregation of the races in all eating, comfort and work facilities

POST: Have you had any hostile reaction from your white workers to integration in the salaried staff canteen?

Mr Viljoen: "When we first opened one of these canteens to all races two years ago, only four whites in our employ came up to complain. We advised them to stay away from that canteen and for your information they are still boycotting this canteen up to now."

How does the company negotiate with its workers?

Mr Viljoen says they have liaison committees representing their weekly paid employees. The committees consist of six worker representatives and six management representatives These meet once a month to discuss working conditions in the company For the monthly paid workers the company negotiates on individual basis

The company has nothing against trade unions

During **POST**'s visit to the Benrose, Johannesburg-based Coca-Cola depot, we were told by the general manager there, Mr N Isdell "Our workers are not unionised We have not even had any request for unionisation. But if the workers feel they want to form a union we shall have no objection at all to that"

The company has not been approached by any trade union for recognition

About training of blacks in the company Mr Viljoen says they only concentrate on three areas — sales and marketing soft drink production and quality control.

He says driver salesmen, who call on and make deliveries to the company's customers, are initially put through a four-week training course that covers truck driving, book-keeping techniques and basic sales principles Last year the company trained about 50 for this job category

The company further provides training in bottle washing, filling, inspection and packaging

Mr Viljoen added that they train blacks for technical positions in their quality control laboratories Candidates for training as laboratory technicians are required to have at least a matriculation certificate in science This training takes five years to complete Coca-Cola now has 40 blacks as laboratory technicians out of a total quality control laboratory staff of 60

Mr Meyer says they have, through the American Chamber of Commerce, donated money towards the establishment of a technical high school in Soweto They have also paid R3 000 to Unisa to train retailers in Soweto The company also grants bursaries to students of all races at universities throughout the country.

the 'coloured' communi-
r for whom Male Female
rs in 1970. For whites
ears in 1970.

Death, Life Tables for National Populations, Seminar Press, New York

9. Sadie, J. L. (1970) . S. Afr. J. Economics, 38, 1.

10. Dell, R. (1976) Monitoring of Government Statistics, in Seminars in Community Medicine, Volume 2. ibid.

21/1/79

Beer: Need for rise explained

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Industrial Reporter

THE general manager of South African Breweries in the Cape, Mr John Seton, said yesterday comment on beer prices should be put into clearer perspective so that consumers could understand the issue.

He said Intercontinental Breweries' products, which represent seven percent of sales in the Cape province, had been increased by 4,8 percent to bring their prices into line with SAB products

"ICB products were shipped into the Cape and freight rates made them uneconomic.

"In the case of discounts on beer products, less than 10 percent of the packs were discounted at any one time The discounts varied and were entirely promotional," he said.

FM 23/11/79 (182)

SOFT DRINKS

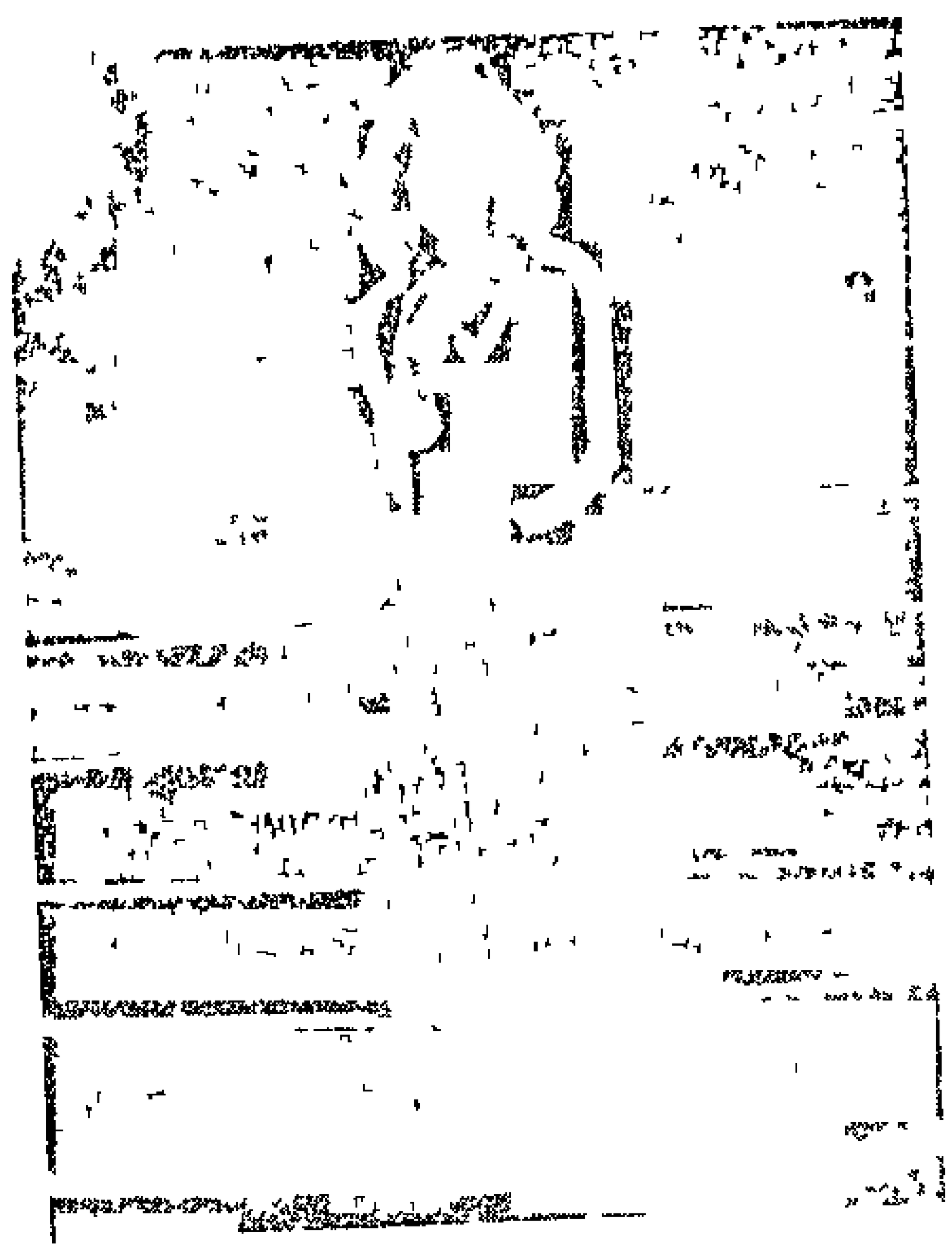
Things go better

Pepsi has lost out sadly to Coke in the R240m SA soft drink market according to a Goldman Sachs international soft drink study. In a market which declined 5.5% between 1976 and 1978 Pepsi's market share dropped from 15% to 13% while Coke sales actually grew against the trend.

This year, brands in the Coca Cola stable are estimated at 70% of the market against 10% for Pepsi brands.

Executives at Coke say the improved performance of all the company brands is due to the tie-up with Schweppes.

Buck van Rensburg, operations director at Pepsi, agrees and says: "The Schweppes move to Coke was a setback to us. In Natal we lost 75% of our bottlers and in some parts of the Eastern Cape our product was not available for several months. In this market if you are not out



Soft drinks ... hard market

you are dead. It will take time to recover our position."

From 1972 to 1975 industry volume sales grew by 14% a year — a growth unequalled anywhere in the world except Brazil.

The crunch came in 1976-77 when the sugar price went up 228%. Rocketing retail prices pushed sales down. An unusually cool summer further depressed consumption and sales for the year were 2.8% down on the previous year. Sales have stagnated since then at around 678m litres a year for the total market.

With the cooling of consumer ardour a lot of plant capacity put in during the years of heady growth is now lying unused. Profits are taking a knock and the annual return on investment to the industry is only 5%, says Hennie Viljoen, acting president of the SA Soft Drink Manufacturers Association.

Government is also putting the screws on mergers. "The price controller grants us price increases only once a year and then only after inspecting our balance sheets," he says. "What is worse, our biggest costs like sugar, glass bottles and fuel are themselves price controlled and we sometimes absorb statutory price increases on these for months before we can get relief."

The soft drink industry is the biggest local sugar user, spending R20m a year. Glass bottles come to R12m, labour R37m and distribution R20m. Advertising is a mere R5m.

The new high prices are switching consumers to the economical 1 litre returnable bottle, which has shot up to 75% of total volume sales from 44% in 1975. Beverage in this container costs only 34 cents litre (provided you return the bottle) against 73 cents litre for the 340 ml non-returnable can, which has fallen from 13% of the market in 1975 to 5%. Consumers looking for volume but not the schlepp of returning their empties can buy the 2 litre polyethelene bottle at 42 cents litre. Supermarkets like it as it provides higher unit price sales, less handling of empties and less loss through breakage.

[redacted]

SUNDAY TRIBUNE, NOVEMBER 25, 1979

(182)

Breweries boss Goss said price wouldn't go up — but it did! NOW...

Look for more beer hikes

By TONY SPENCER-SMITH

SOUTH African Breweries' managing director Dick Goss said when his company reached a deal with Intercontinental Breweries that SAB would not push up the price of beer before 1981.

This week SAB pushed up the price of beer.

DICK GOSS
Pledged no increase before 1981

Now SAB is considering raising the wholesale list prices of Intercontinental Breweries beers in Natal, the Free State and the Transvaal.

And another piece of bad news for drinkers is that, according to a senior Government spokesman, the liquor industry monopoly will almost certainly be left intact by the Government even if it is found to be an undesirable influence on the market.

Drinkers were stunned this week when SA Breweries — now the country's only beer producer after taking over Intercontinental — announced that the wholesale list prices of ICB brand dumpies were to be raised by 27 cents a case in the Cape to "bring them into line with the SAB prices."

The SUNDAY TRIBUNE reported two weeks ago, that economists and consumer spokesmen were predicting that the new structure of the industry — passed by the Cabinet — would lead to beer and wine increases. Few expected an increase so soon.

Increase

SAB tried to justify the Cape increase by saying that there was no ICB brewery there and the beers had to be freighted in, making ICB prices there "uneconomical".

SAB's National General Manager (beer division), Mr Laurie van der Watt, told me this week that similar price "alignments" were being considered for the rest of the country.

Beer drinkers were hit this week by three wholesale price hikes.

- The 27 percent list price increases in the Cape.
- The dropping of all promotional discounts on SAB and CB brands. These were sometimes as much as 7 percent and did not involve only dumpies.
- The axing of introductory discounts on SAB's new superdumpies, which ran as high as 10 percent.

Mr Eugene Roelofse, consumer ombudsman of the SA Council of Churches, warned that the current hikes were "only the beginning".

"Mark my words, soon SAB will tell us tearfully and with bitter regret, that prices have to go up again.

"The Government's anti-monopoly stance lies in tatters."

At the time the new agreement was announced, Mr Dick Goss, managing director of SAB, pledged that beer prices would be held at current levels until 1981, except for excise duty increases.

Mr van der Walt said this week Mr Goss had been referring specifically to SAB brands, not CB beers.

But observers have criticised this as semantic sleight of hand, as ICB beers are now SAB products.

Mr Rupert Lorimer, chief PFP consumer affairs spokesman, lashed this week's price increase.

"The promise of Mr Goss that beer prices will be held to the level at the time of the merger is apparently quite meaningless.

"The competitive situation has been destroyed. The hard fact is that the man in the street will be paying more for his beer despite South African Breweries' undertaking.

Legislation

But Mr Tjaart van der Walt, Secretary for Commerce, said the new anti-monopoly legislation is not yet in operation.

"We hope to bring it in on January 1 next year, a Competition Board has still to be appointed."

He said possible monopolistic conditions in the liquor industry had been under investigation for some time by the Board of Trade and Industries, and the new agreement would be included in that investigations, which would be taken over by the Competition Board.

"The Government will certainly watch prices very carefully. There could for instance be a recommendation that price control be instituted.

"But it is extremely unlikely — on practical grounds — that it will be possible to unscramble the new structure of the industry."

Why liquor will never be the same...

Sun. Trib. (132) 25/11/79

THE LIQUOR industry will never be quite the same again. With three big monopolies firmly entrenched there's hardly any room for the small operators One thing is certain the rationalisation will not lead to lower prices for the consumer.

But shareholders of S.A. Breweries are well pleased with the news as the price of the shares rose from 225 to 270. The accompanying chart of S A Breweries shows how resistance from line AB at 270 halted the advance. It stands to reason that after the uninterrupted rise from 150 to 270 — a gain of 80 percent — a period of consolidation would now be necessary

Line CD is the major bear trend according to this chart and when broken at 190 was confirmation of a new bull market This chart does not show the 1969 top so if line AB is broken we cannot tell where the next resistance level is likely to be encountered

Nevertheless if, after a period of consolidation, the shares manage to break up above the barrier at 270 it would point to considerably higher levels

★ ★ ★

UNION WINE, currently trading at 87, is one of the few independents left in the industry and consequently one wonders what's about to happen — will it be gobbled up? The chart shows that there is a major barrier in the form of line AB to 120

But the shares are making an interesting pattern and seem about to challenge line AB once more. I would say that around 90 cents the shares look attractive with minimal downside risk evident

The upside potential would be significant if there is a break of line AB at 120

Union uproar at brewery plans to lay off workers

By Blea Hannis, Labour Reporter

Trade unionists were in an uproar today as news was leaked of retrenchments arising from the newly created South African Breweries monopoly in the beer industry

Mr Laurie van der Watt, head of SAB's beer division, declined to comment on a report that at least 200 whites and an unknown number of other workers were to be laid off

He said a Press conference was being arranged for this afternoon because "every person in the country has been on to me."

It is understood that the SAB management met East Rand staff of Intercontinental Breweries yesterday and people were "given the golden handshake"

More such talks were expected to take place elsewhere today.

Mr Ted Frazer of the Brewery Employees' Union (Cape Peninsula) said he had heard three people had been laid off by Intercontinental Breweries in the Cape.

Mr Frazer saw retrenchments as an inevitable consequence of the merger of the two groups.

"We deplore any move which increases unemployment and imposes hardship on workers," he said.

Mr Arthur Grobbelaar, General Secretary of the Trade Union Council of South Africa, said if retrenchments were to benefit the consumer there might be justification in it.

"But by all accounts no benefits will accrue to consumers," he said.

"The Government doesn't seem to have acted in terms of the Monopolistic Conditions Act."

Senator Anna Scheepers, another well-known labour leader, said: "South Africa's anti-monopoly legislation seems to serve no purpose."

An SAB statement on the merger said: "SAB prides itself on the fair treatment of staff and if rationalisation should result in redundancies, everything possible will be done to treat such cases in a responsible and fair way."

400 to lose jobs over beer move

8.35

Rom 20/11/?

182

By BRUCE STEPHENSON

ABOUT 400 Intercontinental Breweries employees — mostly white — will lose their jobs in ICB in the wake of the takeover of ICB by South African Breweries, SAB announced in Johannesburg yesterday.

Of these, 299 will be retrenched outright and a further 100 will be offered jobs in the Rembrandt group of companies, Mr Laurie van der Watt, general manager of the SAB beer division, said.

Mr Van der Watt told a Press conference that retrenched staff would get two months' notice on December 1, plus one month's pay for every completed year's service, subject to a minimum of three months' pay.

This means a minimum of five months' pay. They also get a Christmas bonus, refund of leave credits and pension payments, and a further payment based on age and service.

Three quarters of the 800 people to be absorbed from ICB are black, while virtually all the 100 to be offered jobs with Rembrandt are white. The 299 to be laid off are divided equally between black and white employees, he said.

Five ICB depots are to close. They are those at Bethal, Watloo in Pretoria, Denver, Krugersdorp and Bloemfontein.

All present and inherited sport sponsorships would be continued and sponsorships would be evaluated on merit.

After December, six brands may be dropped from the SAB range. They are Schafft, Stallion 54, Colt 45, Culembourg, Heidelberg and Sportsman Lager.

Mr Rupert Lorimer, Progressive Federal Party MP for Orange Grove, said there had been "gross negligence" on the part of the Government.

Mr Lorimer said South Africans were already paying more for their beer because SAB had no competition.

He challenged the Government to say why it was allowing the brewery to take the public "for a ride".

Turner's triumph

By DAVID MOLLETT

YESTERDAY'S Newmarket race meeting belonged exclusively to jockey Gerald Turner.

Turner booted home five winners, scoring on Razzle, Harry's Gambit, Eucalyptus, Belligerence and Polly Bisqui.

The former champion would have made the record books if he had won on Hurriza in the last race. Victory on the colt would have meant that he had ridden the jackpot — a feat previously accomplished by only four jockeys. Unfortunately Hurriza was unplaced.

Turner received an ovation from the crowd after his win on Eucalyptus in the main race, the R8 000 Java Handicap.

Argus 30/11/79 (HSF) (182)

Liquor: Government 'alert'

THE Government allowed the Soth African Breweries and Rembrandt-KWV monopolies to be formed because it was felt that these moves would be in the 'best interests of the liquor trade and of the economy as a whole,' the Minister of Industrial Affairs, Dr Schalk van der Merwe, said in Pretoria today.

'Nevertheless, the Government is fully alert and is keeping a close watch on these companies, and we have sufficient legal and legislative machinery to counter any abuses of the public interest,' he added.

Commenting on the retrenchment of 400 Inter-Continental Breweries staff, announced yesterday by SAB, Dr van der Merwe said he realised that the move was disruptive 'and no small trauma' to the workers involved, but his department was satisfied that SAB was doing everything in its power to alleviate distress.

'The retrenchment of some staff following a rationalisation of this kind was to be expected. People must realise that for the sake of productivity it is occasionally necessary to reduce staff, but I don't think there was any lack of concern on the part of SAB for the dismissed staff.'

Dr van der Merwe confirmed that his department had been informed of the retrenchments yesterday afternoon.

The Government, in considering the proposed re-organisation of SAB, the Rembrandt Group and KWV, had to decide whether monopolies per se were wrong, and had come to the conclusion that in this case the formation of the two monopolies could, in the long run, be beneficial in avoiding trauma or injury to the economy.

'We felt it would be more rational to separate the wine and beer interests and thereby generate stability in both branches of the liquor industry,' he said.

'Nevertheless, we are aware and fully alert to the possibility of abuse, and we have the Competition Board, which has been constituted and will begin work on January 1, to control any misuse of privelege.

This board will take over those functions of the Board of Trade associated with monopolies.

(Continued on Page 3, col 2)

Pickard expands liquor trade

NM 30/11/79

(182)

Deputy Financial Editor

A SECOND liquor giant has emerged with Mr. Jan Pickard's two liquor companies being given permission to acquire 75 liquor stores, giving Union Wine control of 129 outlets.

S.A. Breweries, with its 153 outlets and Rembrandt with 323, have been told, in terms of the new liquor deal, to shed their bottle-stores.

One of the requirements of the new beer-wine deal was that no group would be able to control more than five bottle-stores.

Permission for Union Wine to buy the stores was granted by the Minister of Justice on November 1. The liquor deal was announced on November 6.

With the major companies divesting their stake the new liquor store line-up is expected to be Union Wine 129 stores, Rennies 21 licences (four are not being used) and Premier Milling — nine licences.

Power group

Mr. Pickard said yesterday: "We wish to reassure those licence holders who might see this as yet another power group in the retail liquor trade that Picotel, a quoted company and the retail arm of Union Wine, has always followed a policy aimed at rendering the best return for its shareholders on their investment.

"Uneconomic prices in the retail trade will not be enforced and the outlets will not be used as a channel between the wholesaler and the consumer."

Meanwhile, it is evident that the KWV has significant problems from overproduction. Earlier this year the chairman told the wine farmer members that money would be needed to build storage facilities.

He indicated that consumption of lower-priced wine had fallen and while quality wines showed a welcome recovery, the overall consumption at 8,67 litres a head a year was down from the peak of 11,63 litres in 1973. Each year had shown a fall.

The situation with brandy was not much better. Consumption was at about the same level as 1962 and had fallen from a peak in 1974.

Spirit output

This means that the wine used for distilling into brandy and wine spirits has accumulated.

On the other hand, cane spirit production has taken away a market previously used by wine spirit and although consumption of the cane spirit-based gin, vodka, cane spirit and liqueurs has dropped (from 0,48 of a litre to 0,38 litre per year) there is no possibility now of wine replacing cane.

Whisky consumption has doubled since 1968 and beer has more than doubled.

PM 30/11/79 (132)

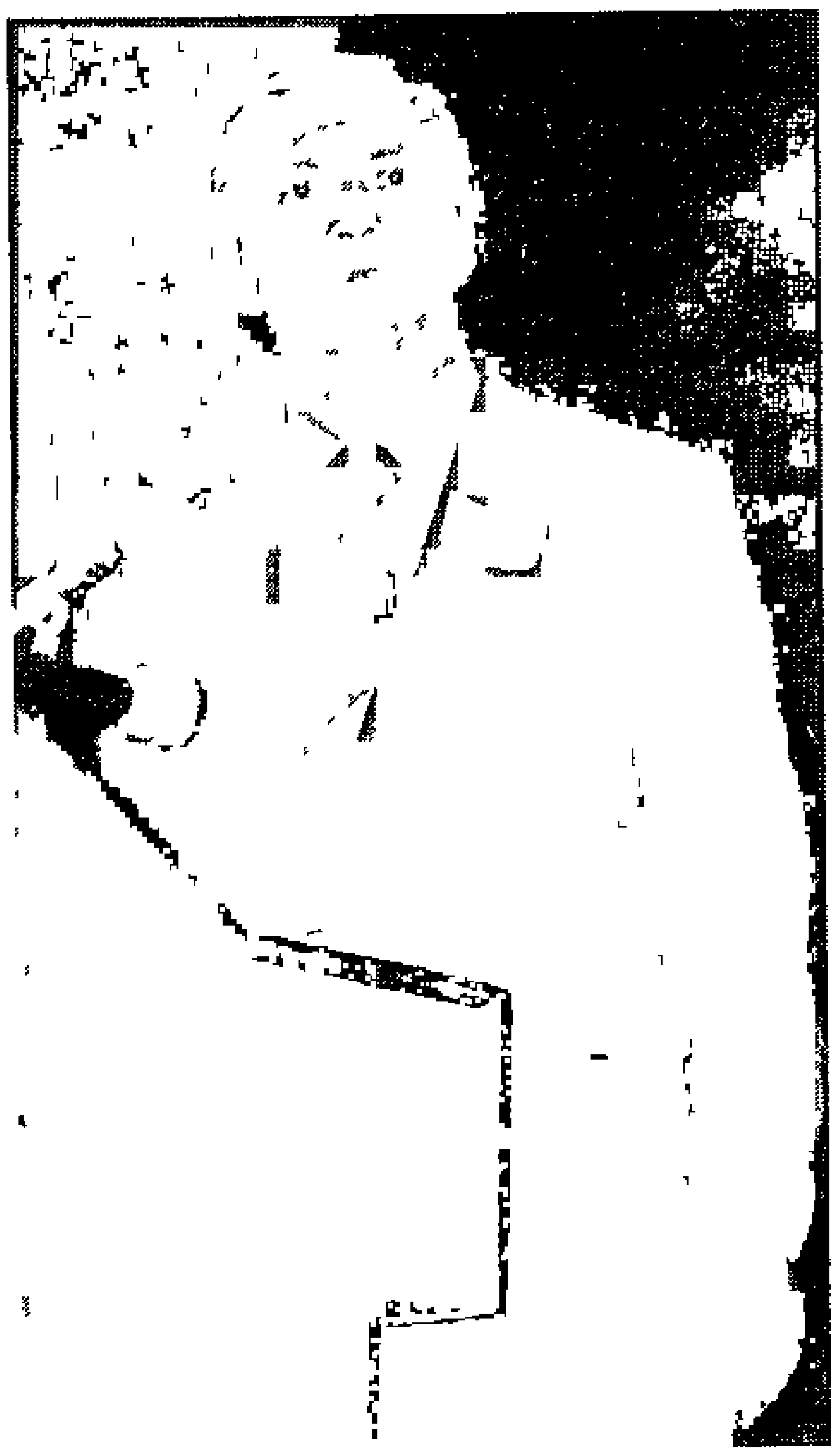
SENBANK

Liquor benefits

Among those to benefit from the proposed restructuring of the liquor industry Senbank will rank high

Having successfully assembled the skeleton of the country's liquor rationalisation, Senbank, and other institutions with which it is closely associated through chairman Fred du Plessis, seem set to collect the benefits of fleshing out the bones

For starters, Senbank has been appointed consortium leader to raise R54m from the bank sector to finance KWV's 50% share in a joint holding company with



Fred du Plessis . . further rewards from that rationalisation

Remgro which will take 60% of Cape Wine, the R180m wine and spirit house which is to control SFW and Oude Meester, the former operating companies which are to be excised from SAB and Remgro respectively

Banks will hold most of KWV's shares, expected to yield a twice-covered 7%, for a period not exceeding 10 years during which transfer will be made on a continuous basis as KWV's own financing plan unfolds

KWV's commitment will be financed from three sources First, R1m a year will be diverted from KWV profits to buy back shares from the consortium With dividends received ploughed back into further redemption of bank-held shares, KWV estimated it will buy back R17m worth at par over the 10-year period

Second, all winegrowers (including estate producers) will contribute towards a 10-year rotating levy fund calculated to raise R23m From next year, farmers will pay R1,50/t on grapes produced and the proceeds will be used to buy shares back from the banks at par Over the 10-year period the levy will be progressively increased to R3,50/t

Third, there will be a private placing of 7% participating prefs shares to wine farmers, co-op wine cellars and their personnel to raise not less than R14m and, depending on response to the offer, not more than R26m — in which case the levy fund will be reduced accordingly

It is almost certain that the offer will be managed and underwritten by Senbank The offer opens January 10 and the shares will probably be listed on JSE a few months later To ensure that KWV retains control (51% or R54m), subscriptions in excess of R26m will not be entertained

Having gone that far, it is a foregone conclusion that Senbank will be awarded leading position in the consortium of merchant banks that will manage and underwrite the public offer (10%) of Cape Wine shares and its March listing on the JSE

John Stewart

SAB layoffs: 100 offered jobs

C.T. 30/11/79 (182)

By GORDON KLING

SOUTH AFRICAN BREWERIES has announced details of a massive employee retrenchment, first disclosed yesterday in the Cape Times, following on from the beer monopoly established by SAB's take-over of Intercontinental Breweries

The general manager of SAB's beer division, Mr Laurie Van der Watt told a press conference in Johannesburg yesterday that only 800 of ICB's 1 200 employees would be retained Dr Anton Rupert's Rembrandt group, ICB's previous owner, would offer positions to 100 of the former ICB employees, and the remaining 299 would become redundant at a cost of R1-million to SAB

Some former ICB employees have expressed reservations over the new positions offered by Rembrandt, but there were no indications yesterday of major complaints

The only salary changes affecting employees who accepted positions with SAB, said Mr Van der Watt, would be increases in cases where ICB pay scales were below SAB scales

The retrenched staff had been given two months' notice, and most would be asked to work during this period In addition, they would receive a month's salary or wages for every completed year's service subject to a minimum of three months' pay, irrespective of whether they were weekly paid or salaried staff

The minimum payoff cheque would thus be five months' pay

Retrenched staff would also receive a refund of their leave credits and pension contributions as well as a Christmas bonus SAB would make a further payment based on an age and service equation

Mr Van der Watt also confirmed a recent Cape Times report that SAB had decided not to proceed with an R8-million ICB brewery planned for Cape Town

- The retrenchment of a large percentage of the staff of Intercontinental Breweries presented a very unpleasant and shocking picture, the Progressive Federal Party's chief spokesman on labour affairs, Mr Rupert Lorimer MP, said yesterday, Sapa reports

He said in a statement, that however generous severance pay was to be the fact still remained that hundreds of people were to join the ranks of the unemployed "because a monopoly has been allowed in the brewing industry"

The government has been negligent in allowing this monopoly to come into being'

388 186 169

299 SAB workers to lose their jobs

By JOE THLOLOE

TWO hundred and ninety-nine workers — about half of them black — will be losing their jobs as a result of the South African Breweries' recent take-over of Intercontinental Breweries.

They will, however, get at least five months' pay.

This was announced by the general manager of the beer division of the SAB, Mr Laurie van der Watt, at a Press conference yesterday.

The announcement ends a period of uncertainty for the former ICB workers, during which the unregistered Food Beverages and Allied Workers Union threatened legal action because "the retrenchments may constitute an unfair labour practice"

Mr van der Watt announced that about 800 ICB people will be employed by the SAB Just over 600 of these are black Another 100 will be offered positions in the Rembrandt group

He said 299 will be redundant. These are mainly in the marketing, distribution, administration and financial departments.

The retrenched workers will be given two months' notice and one month's salary for every year's service to a minimum of three month's pay, a refund of leave credits and pension contributions, Christmas bonus, and further payment based on age and service.

Mr van der Watt said the SAB will establish teams at each major centre to assist staff to find alternative employment.

He said. "It is inevitable that in any acquisition redundancies will take place This is particularly so where there are two businesses with duplicated activities, and where rationalisation can be undertaken to reduce costs and thereby minimise consumer prices"

On Wednesday the company had talks with the workers, with the trade union attending "as an interested party"

Earlier in the day, the union had demanded a postponement of the retrenchments until.

- "Proper communication is established with the workforce"
- "Procedure for retrenchment, if retrenchment is necessary at all is set out"
- "Terms of compensation are agreed upon"

Mr van der Watt yesterday said the union and the workers were satisfied with the arrangements for retrenchment. Officials of the union were not available for comment last night

Most of the workers will stop working on December 1, but some will be asked to stay on for a month or two before they terminate their services.

Between yesterday and Friday staff are being advised individually whether SAB can offer them positions or not.

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DEVELOPMENT RESEARCH UNIT

RESEARCH DIVISION
SCHOOL OF ECONOMICS,
ROBERT LESLIE BUILDING,
UNIVERSITY OF CAPE TOWN,
RONDEBOSCH
7700

29th November 1979

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...r Saldru will be celebrating
...rty in our new offices on the
...e Social Sciences Building.

...senting our second report and
...r new publication 'Economics

...join us at 6.30 p.m. on that

...ill be able to attend to
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Uniewyn kort geld vir drankwinkels

Rapport 2/12/79

(182)

Deur GERT MARAIS

DIE toestemming wat Uniewyn gekry het om 'n verdere 75 drankwinkels te koop, kan sy wins 'n aansienlike stoot gee - mits hy die geld om die drankwinkels te koop goedkoop in die hande kry.

Hoewel die toestemming wat verkry is aan Uniewyn gegee is, is dit waarskynlik dat sy filiaal, Picardi Hotels, die drankwinkels sal koop. Picotel het reeds 54 afsetpunte. Hiervan is 24 buiteverkope van hotels en 30 drankwinkels.

Nadat Suid-Afrikaanse Brouerye sy 153 afsetpunte en Rembrandt sy 250 verkoop het, sal Uniewyn met 129 en Gilbeys met 73 afsetpunte die grootste kleinhandelsverspreiders in die land wees.

Mnr Jan Pichard, voorsitter van Picotel en Uniewyn, sê dit behoort geen probleem te wees om die 75 drankwinkels te koop nie. Toe hy nog destyds by Oude Meester betrokke was, het die groep honderd drankwinkels binne drie weke gekoop. Dit kan weer gedoen word.

Geen onderhandelinge is nog met Rembrandt of SAB gevoer om van die drankwinkels wat hulle verplig is om te verkoop, aan te koop nie. As die prys reg is, sal hy egter belangstel.

Dit is seker redelik om aan te neem dat kleinhandelsdrankwinkels in die toekoms winsgewender sal word omdat die twee groot groepe hulle daaraan onttrek.

Picotel en Uniewyn se balansstate is ongelukkig nie sterk genoeg om in een slag groot bedrae in kontant te betaal nie. Wie van die twee ook al die drankwinkels gaan koop, sal die geld waarskynlik óf met 'n regte-uitgifte, óf met skuldbriewe moet kry.

Volgens die jongste balansstaat het Uniewyn R11,7 miljoen se bedryfsbates en R12,3 miljoen se bedryfslaste gehad. Die bedryfsbates het net R37 000 kontant ingesluit, terwyl die bedryfslaste R3,8 miljoen se oortrokke bankrekeninge en R2 miljoen se krediteure ingesluit het.

Picotel se posisie was nog slegter. Sy bedryfslaste van R4,1 miljoen was aansienlik groter as sy bedryfsbates van R1,7 miljoen.

Die netto winsgewendheid van die 75 ekstra drankwinkels sal dus grootliks van die koopprys daarvan afhang. Hoe hoër die koopprys, hoe groter sal die bedrag wees wat geleen moet word om daarvoor te betaal en dus hoe groter die rente op die geleende geld.

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Two aspects
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these rates are also influenced by their fatality rates
decrease in the mortality related to Tuberculosis will
by a decreasing incidence of this disease but also by i
primary, secondary and tertiary levels of intervention
ly decrease the fatality rate and, therefore, the assc

Secondly, it should be appreciated that although the ca
important for comparative purposes since they take into
underlying population, for the providers of health care
are also of importance. This is particularly true for
contribute a comparatively large proportion to the total population, for example 'coloured' children 0-4 years old. The different demographic profiles of the two communities for 1951 are presented in Fig. I, and this provides an indication of the age distribution of whites and 'coloureds'. The changes in this distribution which occurred between 1941 and 1970 are, for the purposes of the present study, of relative unimportance.

The expectations of life for 'coloureds' and whites are presented in Fig. 6. Although data has been published for Africans[5], this is speculative and is not considered to be of sufficient reliability to warrant inclusion. Two different expectations of life have been included: (1) e_o - the expectation of life at birth, and (2) e_{45} - the expectation of life at 45 years of age. Characteristically women have a better expectation of life than men, and Fig. 6 indicates that this is so for both whites and 'coloureds'. In fact, so marked is this difference that at e_{45} 'coloured' females have a better expectation of life than white males. What is perhaps of some concern is that the gap between the expectation of life for males and females is widening. This trend is apparent in both the whites and the 'coloured' communities, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

MNR MICHIEL LE ROUX, 30, is nou die nuwe baas van Oude Meester

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2/12/79

RAPPORT

Bloedjong man word baas van Oude Meester

VIR die tweede keer binne 'n maand het 'n bloedjong man een van die top-poste in die land ingepalm. Hierdie keer is dit die begaafde regsgeleerde mnr. Michiel le Roux, wat vandeesweek grootbaas van Oude Meester geword het.

'n Week of drie gelede is prof. Niel Barnard, van die Universiteit van die Vrystaat in Bloemfontein, aangestel as die nuwe Sekretaris van Nasionale Veiligheid.

Mnr Le Roux, 'n man wat in matriek sewe onderskeidings behaal en die graad LL.B. aan die Universiteit van Stellenbosch verwerf het, is aangestel as besturende direkteur van Oude Meester. Hy was voorheen direkteur van beplanning in die maatskappy

females have shown an increasing life expectancy
hough this has been small, it contrasts with the
ite and 'coloured' males.

hat the Expectation of Life at birth for the
marked improvement between 1941 and 1970, it is
ither 'coloured' males nor females, at either e_o
ectations of Life in 1970 which are as high as the
hat also gives some cause for concern is that al-
f Life cannot be expected to improve indefinitely,
'coloured' life expectancy is levelling off at a
occurred in the white community.

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F.M. 7/12/79

(182)

WINE INDUSTRY

Swimming in it

KWV's plans to try to dispose of a major portion of its 200m litre surplus of distilling wine on the international commodity alcohol market have suffered a sharp reversal But it may be possible to retrieve the situation by intensified sales efforts in European potable alcohol markets

Amid strict security, KWV recently secured brandy spirit export contracts in Europe worth about R2,5m, but it will not disclose the volume of spirit involved Informed estimates indicate, however, that despite the European contracts, close to 200m ℓ of distilling wine will have to be disposed of in the next three months before the 1980 grape crop is pressed

The possibility that this large quantity of wine could be disposed of in Europe in the form of industrial alcohol (ethanol) has received a sharp setback with the news that the European Economic Commission plans to amend EEC alcohol regulations which presently permit large-scale "dumping" of agricultural alcohol on Europe's synthetic alcohol market

Wine lake

Faced with yet another huge wine lake, the European Commission proposes to enlarge the so-called reserved sector of the Euro-alcohol market from 4,4m hectolitres to about 5,6m hℓ The reserved sector of the market, which competes with synthetic alcohols produced by chemical industrial companies from refinery run-off material, comprises fermentation alcohol (or farm alcohol) derived from wine, sugar beet, potatoes and fruit

The reserved sector is to be enlarged in order to accommodate part of an expected heavy surplus of wine in Europe this year, one of the biggest crops in 20 years

A measure of the commission's alarm about the wine lake (the extent of which has not yet been finally calculated) is that the additional litreage of 1,25m hℓ will be sold on the free alcohol market in competition with synthetic alcohol In order to "compete", the commission will have to subsidise farm alcohol to a huge extent

On the reserved market, fermentation alcohol sells at about R2 125 a ton and is used for the manufacture of gin, cosmetics, vinegar and so on On the "open" industrial market, the current price of alcohol is about R600 a ton Given that 1,25m hℓ converts to about 100 000 t, it means that the farm alcohol producers

P.T.O

CHAPTER III

THE OTHER REQUIREMENTS.

(2) THE PARTIES MUST HAVE THE REQUISITE LEGAL CAPACITY. (HANDELINGSBEVOEGDHEID).

This topic has been dealt with under the Law of Persons. See in general, De Wet and Yeats, pp. 47-64; Wessels, §§ 696-884; Mackeurtan, part II, Gibson, pp. 20-35; Hahlo and Kahn, p. 453.

(3) THE REQUISITE FORMALITIES MUST BE OBSERVED. (DAAR MOET AAN DIE VORMVEREISTES VOLDOEN WORD)

In dealing with the history of the law of contract, we saw that the law developed away from formalism towards the position that a mere conscious union of wills creates a vinculum iuris. We also saw that an offer and an acceptance may take place by any conduct sufficient to indicate intention. From this it follows that our law does not, in general, demand that any particular formalities shall be observed in contracting. (See especially Decker, note 1 on Van Leeuwen, R.H.R., 4.2.1.

There are, however, cases where the law demands that certain formalities shall be complied with, mostly that the contract shall be in writing, with or without additional formalities, such as notarial execution (notariële verlyding). It is also possible that the parties themselves may have decided that the contract is to be in writing. We shall deal first with this type of case, then with the case where the law demands the observance of formalities, (nakoming van formaliteite), and lastly with the so-called "parol evidence rule".

Formalities prescribed by the parties.

An offer may contain a stipulation that it can be accepted only in writing, or the parties may indicate during their preliminary negotiations (voorlopige onderhandelinge) that the eventual agreement is to be binding in law only if it is cast in a certain form. Unless these elected formalities are complied with there is no contract. (See Gr. 3.14.26; Voet 5.1.73; Goldblatt v. Freemantle, 1920 A.D. 123.

It must be kept in mind, however, that the parties might have agreed to have their contract reduced to writing merely to facilitate proof, i.e. the writing is not considered as a sine qua non for the contract, it is not a

...is case the contract

... compel the other to sign

... case, is a factual matter

... is against the writing

... ad probationem quam ad

... 921 A.D. 303; Malcolm

... to be in writing,

... Russon Brothers (Pty.)

will have to be subsidised to the tune of about R150m

In European terms, that may not be a large sum to buy contentment of the EEC's most powerful lobby (the wine-grower), but it could mean hardship for their SA counterparts until alternative markets emerge

Klöckner-Becorit (SA), which employs over 400 people at its Klerksdorp factory, was, until the merger, a wholely-owned subsidiary of its German parent, and has an annual turnover of about R24m Coalequip, founded only in July 1978, is also expected to have a turnover of R24m in 1979, from its own manufacturing operations at its Spartan plant and from sales of imported equipment

Now, Coalequip will become an equal partner in Klockner-Becorit SA Boart chairman Hilton Davies, General Mining executive director George Clark and Roy Landsdown, director of Boart's coal mining equipment division, will join the Klockner-Becorit board Karl-Heinz Wehner, Klockner-Becorit (SA) MD, Peter Beckman and Harry Brigish will represent the German company

Wehner expects to realise from the merger 'opportunities to rationalise the combined productive and engineering capabilities of Coalequip and Klockner-Becorit "

Coalequip and Klockner-Becorit SA, between them, produce a vast range of equipment for underground mining Although Coalequip's product range is obviously angled mainly towards coal mining, Klockner-Becorit produces important items for gold mining too, like hydraulic roof supports

Davies expects Coalequip's 1980 turnover to hit R56m, derived from its own operations and from its 50% share in Klockner-Becorit

Klockner-Becorit already boasts a minimum 65% local content for its SA output, and the combined resources of the new partnership will have a strong design capability able to develop or modify equipment specifically for SA mining conditions

RDM.
22/12/79
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[illegible]

THE [illegible] 1,5-billion liquor industry trade-off between SA Breweries and the Rembrandt Group has been charged [illegible] by the Federated Hotel Association of Southern Africa.

Fedhasa has dubbed the shock restructuring of the South African liquor industry as a "monopoly".

Under the new dispensation, SAB takes over Rembrandt's [illegible] interests [illegible] intercontinental [illegible] while [illegible] and KWV form a new wine marketing giant called Cape Wine and Distillers, which will be managed by [illegible] Rembrandt [illegible].

Fedhasa also complains that it received a slap in the face when it was not consulted on the SAB-Rembrandt deal.

A strongly worded editorial in the December edition of Hotel and [illegible] Fedhasa's official journal [illegible] the remark by one of the parties involved, partly [illegible] the need for secrecy during the negotiations [illegible]

[illegible] it is impossible to tell [illegible] Fedhasa is not sold [illegible] Water [illegible]

The editorial also said [illegible] monopoly appears to be the name of the game [illegible] the creation of [illegible] which is likely to have far-reaching effects on licensees.

Fedhasa, which said it was treating the new deal with extreme caution, listed possible disadvantages for the [illegible] among them:

Would the two liquor giants press for a deposit system on liquor bottles [illegible] which has been successfully resisted by Fedhasa [illegible] largely because of the competitive system prevailing between the [illegible] producer [illegible] merchants?

Would there [illegible] producer [illegible] merchants [illegible] discriminatory [illegible] discount [illegible]

[illegible] indicated that [illegible] Fedhasa was worried at the prominence achieved by KWV, which has [illegible] availability of liquor licences.

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MANUF. - Beverages

1-1-80 - 31-12-80

Price of wine likely to rocket

CT 9/1/80

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By LEON BEKKER

WINEMAKERS are considering a price increase which could push the minimum price of wines up by 18 percent

The board of directors of the wine co-operative, KWV, is meeting on Monday to finalize its pricing recommendations to the Minister of Agriculture, Mr Hendrik Schoeman.

Dr André du Toit, the chairman of KWV, said last night that the details of the recommendations were speculation and still "in the air" at this stage

Sources in the industry, however, said increases were inevitable, and all that was at issue was the size.

Last year farmers' costs rose by 13,5 percent, which resulted in a price increase of 12,1 percent.

This year production costs would be about 18 percent up, which should result in a price rise of between 16 and 18 percent

Dr Du Toit said the law stipulated that the price structure recommendations should be before the minister by January 15.

The new structure, once approved by the minister, is then published in the Government Gazette and anyone with valid objections to the new prices could make representations to the minister

Wine-shy trend feared if prices increase

Argus 9/1/80

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Staff Reporter

WINE retailers in the Western Cape believe that another increase in the price of wine could lead to consumer resistance, particularly in a part of the country not experiencing the economic upswing noticeable in the Transvaal.

The board of directors of KWV, controlling body of wine farmers, will meet on Monday to decide on recommended new minimum prices, amid speculation of a possible 18 percent increase

'KWV to blame'

A major retailer commented 'KWV have only themselves to blame for wine's sagging situation

'Faced a few years ago with a downward consumption curve they have increased prices every year — landing up with over-production and consumer resistance, with customers switching to other forms of liquor'

By law, KWV is recognised as the sole representative of wine farmers — a situation going back about 60 years

Each year, by January 15, it makes representations to the Minister of Agriculture on the proposed minimum price for raw wine.

Objections

The Minister, Mr Hendrik Schoeman, then gazettes the proposals, to which objection may be made

In the past retailers and others have objected — 'but we've never got anywhere,' commented a liquor trade representative.

'What KWV wants, it gets'

Last year KWV estimated that production costs had risen by 13,5 percent and asked for a price increase of 12,1 percent, which was granted

The KWV board of directors will meet on Monday to confirm its recommendations to the Minister

With an estimated increase in production costs over the past year of 18 percent, largely said to be due to fuel prices, KWV could ask for an increase of 16 to 18 percent.

However, it has said that until the board meets on Monday and the Minister has published the proposals, all figures are 'purely speculative'

But within the retail and hotel trades, a proposed 16 to 18 percent increase over and above the 12,1 percent increase last year — pushing the total increase in the past 15 months to about 30 percent — is viewed with some alarm.

'No way'

'There is already consumer resistance, and this is no way to overcome it,' a hotelier commented

'The liquor trade has pulled in its belt year after year hoping for the better times ahead in a financial recovery, but KWV doesn't seem to see things in the same light

'It is a simple law — increase your prices and you reduce consumption The wine industry's salvation lies elsewhere'

KWV blamed for soaring wine prices

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9/1/80

Own Correspondent

CAPE TOWN — The prices of wines could increase by 18 percent when the directors of KWV meet on Monday to decide on recommended new minimum prices for all wines

Wine retailers in the Western Cape believe that, if such a high increase were granted, consumer resistance could lead to a fall in wine sales.

The increase would come on top of last year's 12,1 percent rise, pushing the total increase for the past 15 months to more than 30 percent

Major Cape retailers blame KWV — recognised as the sole representative of wine farmers — for "wine's sagging situation"

In spite of falling consumption KWV has increased prices every year.

In a recent interview with The Star, a senior member of the newly formed Competition Board (which investigates monopolistic conditions) said the wine industry was increasingly "smacking of creeping socialism."

"Farmers have too large a slice of the distribution, marketing, pricing and selling of wine," he said

In reply, Dr André du Toit, chairman of KWV, said farmers were unable to cope with last year's 18,4 percent rise in production costs, of which fuel accounted for 13 percent Farmers would ask for an equivalent price increase.

"There was also a sharp decrease in the consumption of table wine," he said

EXPORTS

But wine experts point out that, at the same time, there was a significant upswing in the consumption of expensive and quality wines

"Farmers are getting a minimum of 18,5c for a bottle of wine — the bottle costs more than that," Dr du Toit said.

"Even if wine consumption falls briefly in South Africa it should not be particularly upsetting for wine farmers. Wine excesses are exported and SA wines are finding increasing favour on international markets

Surpluses are also channelled into the making of sherry, port and brandy — the prices of which all undoubtedly rise in sympathy with wine," Dr du Toit pointed out.

The Competition Board is currently investigating the wine and beer industries.

HOT BUTTERSCOTCH SAUCE

Mary Snelling, Ridgeworth

1 T syrup
2 T brown sugar
squeeze lemon juice
1/2 oz butter/margarine
1/2 pt warm water
1 d custard powder mixed with 1 T water

Put butter, sugar, syrup into a pan and cook to a rich brown toffee, draw aside and water carefully, then the lemon juice. Add ...

182 24

Melt butter in saucepan. Add flour; cook till brown. Beat in cream and wine. Whip very well. Boil for 5 minutes. Add salt and pepper to taste and chopped parsley.

---oOo---

BRANDY SAUCE (For Steamed Puddings)

K.W.V. Paarl

Make a white sauce with 1/2 oz butter, 1 oz flour, 1/2 pt milk, add 1/2 oz sugar and 2 t brandy.

---oOo---

... Stir until ... ring. Stir ... over hot water

2 T honey
1/4 cup van der Hum
9 cherries finely chopped
4 walnuts finely chopped

Heat in a double boiler until very hot. Serve over ice-cream.

---oOo---

Wine, spirits to go up 15 pc

CAPE TOWN — Prices of wine and a wide range of spirits are to rise by about 15 per cent from next week because of a big hike in primary producer prices, although there is a substantial surplus.

KWV, the wine farmers' co-operative, decided on an increase of 12 per cent in the minimum price of good wine to wholesalers and 13,6 per cent for distilling wine. The recommendation goes to the Minister of Agriculture, Mr Schoeman, today for approval which has always been granted.

A KWV spokesman said last night it could take anything from a few days to a month, depending on outlets' stocks, for the increase to be reflected in the retail price, but it could generally be considered as coming into force from next week.

Liquor dealers said the increase would amount to a rise of about 15 per cent in the retail price of wine and spirits including brandy, gin and vodka which are based on distilling wine.

The move was unofficially greeted with dismay by the major producer wholesalers. "They're crazy," exclaimed an executive of one large Stellenbosch winery.

Wholesalers, who although previously critical of KWV pricing policies, are now partners with it in the recently-formed Cape Wine and Distillers Company formed during the rationalisation of the liquor industry last November, could not be reached for comment.

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F	C M	C F	B M	B F
27,11	133,70	119,02	91,30	88,18
2,39	17,22	16,21	10,23	9,93
0,74	2,26	1,25	1.64	1,12
2,48	8,80	4,96	4,78	3,70
8,72	24,27	17,87	18,06	15,57
2,93	96,90	71,79	53,38	45,89
5,51	14,62	11,00	8,77	8,13
1967	16632	12847	18348	13062

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	0,78
45-64	0,44	0,18	1,73	1,04	1,73	1,02	3,80	3,64
65+	1,84	1,95	8,32	6,56	8,55	5,71	14,69	14,84
ALL	0,22	0,23	0,56	0,38	0,83	0,65	1,80	1,96
NO	463	485	199	134	943	761	3765	3145

XVII ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

Liquor man asks: Where's the logic?

Mercury Reporter

THE director of a Durban liquor outlet, Mr Dave Hooper, said yesterday that he could not understand the logic of increasing the price of wine in the face of a massive surplus.

Reacting to the decision by the KWV wine farmers' co-operative to increase producer prices by 15 percent, Mr Hooper said 'In the face of a massive surplus one would have expected them to reduce the price.'

He expected the higher price to filter through to the consumer in about a month.

The current wine surplus in South Africa amounts to about 30 percent of the country's annual production of 2 300 000hl of good and distilling wine. In the trade the surplus is referred to as a 'wine lake'.

The director of the Consumer Council, Mr Johan Verheem, said the increase was a result of a 'breakdown of sound competition in the market place'.

The problems in the industry arose because a 'monopoly has been created'.

The Minister of Agriculture, Mr Hendrik Schoeman, is expected to make a decision on higher wine and spirit prices today.

He has the final say over prices and in the past has always granted KWV requests for a price rise.

8

Next week you will be paying about 15% more for wine and spirits, so now's definitely the time to stock up. And that's what Belinda Stephens of Forest Hill, Johannesburg, was doing at her bottle store yesterday.

Picture, DAVID SANDISON

RDM 16.1.80

KWV denies claims over price hike

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Staff Reporter

THE giant wine co-operative, KWV, which controls 90% of South Africa's wine industry, yesterday flatly denied that its shock 15% price increase was designed to make the public pay for its R54-million bank loan negotiated when Cape Wines and Distillers Ltd was formed last year

Cape Wines and Distillers emerged from the South African Breweries-Rembrandt agreement in which SAB took over Intercontinental Breweries and KWV secured a 30% stake in the newly-formed R180-million conglomerate embracing 72 wine co-operatives

The price hike has also came under heavy fire from Opposition spokesmen and consumer organisations yesterday, especially after the Government sanctioned the massive wine and beer monopolies. They vowed to raise the matter in Parliament next month

The price increase comes on top of last year's 12,1% price increase which pushed the total increase for the past 15 months to more than 30%

Replying to questions about the price increase, a KWV spokesman, Mr Chris Swanepoel, said "This price increase has nothing whatsoever to do with the paying of our portion of shares owed to the bank consortium that gave us the loan "

Mr Swanepoel explained that every year KWV fixed a minimum price increase This was based, he said, on average production and increased running costs of wine farmers

He confirmed that KWV had a surplus of wine, but that when people talked of a "glut of wine" they were viewing the position out of all perspective.

"Each year we declare a surplus of distilling wine and we also keep back a quantity of wine as a precautionary measure. Obviously the wine does not get wasted as we find markets overseas where it is sold."

The Progressive Federal Party's consumer affairs' spokesman, Mr Rupert Lorimer, deplored the increase

He strongly condemned the Government for allowing monopolistic organisations to exist and vowed the Opposition would demand explanations from the Minister of Agriculture, Mr Hendrik Schoeman, for sanctioning the increase.

"I actually do not, and can not, accept this unjustifiable increase. We intend taking Mr Schoeman to task for this action and each member of the Opposition will launch a strong attack on the Government for allowing this to happen

"The increase is a direct result of KWV being a monopolistic concern and it is high time this Government learnt that the time has come to stop this blatant allowance of monopolistic companies upgrading prices wholly in excess of the current inflation rate," Mr Lorimer said.

Ms Betty Hurzel, of the Consumer Union, criticsed monopoly organisations in the country

"When KWV formed the new company we were given the assurance that they would not put up their prices

"The first thing that we see is this massive price increase and it has resulted because of the monopoly situation at KWV This is of great concern to the Consumer Union," she said

The general manager of KWV's powerful competitor, South African Breweries, Mr L van der Watt, refused to commit himself on the price rise "I have no comment to make whatsoever," he said

Mr Natie Matisson, chairman of the Hotel, Liquor and Catering Association of Transvaal, said. "The consumer is now going to have to pay more for his wine and this could lead to the inevitable fight between the breweries and wineries."

Deputy director of the Federated Chamber of Industries, Mr Marty Martins, said "KWV has had a monopoly since 1918 when the late General Jan Smuts, in his wisdom, thought to create greater powers for co-operatives

"And if that was the view of General Smuts, then who the hell am I to argue with that," he said

In December, amid strict security, KWV secured brandy-spirit export contracts in Europe worth R2,5-million, but they refused to disclose the vol-

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common in developing countries -- vector borne and parasitic diseases, malnutrition and deficiency diseases, tuberculosis and wounds, but diseases found in developed countries[5] may require the attention of a qualified doctor. The role of the nurses in the Day Hospital should not be underestimated even though they do not make any final diagnosis or prescribe medicines. They are able to reduce the work-load of doctors considerably However, it might be possible for nurses to direct patients either to a nurse physician or a doctor for

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queues at the Day Hospitals would reduce the 'need' for professional treatment, or whether fees should be raised to limit the number of patients This is essentially an ethical question.

The need for the integration of curative and preventive health services in South Africa is well documented[7] and will not be considered further here. In the future, following the Health Act of 1977, all new facilities will be co-ordinated by the Provincial Administration second is more thorough and enables surveillance for TB and other diseases to be done. The first entails people gathering at stopping places and waiting, sometimes for hours, until the clinic van appears. Neither provides help in emergencies, and in either case rapid repeat visits (e.g. the reading of Heaf Tests, managing pneumonia, etc.) are difficul The mobile clinic system is probably better for surveillance and dealir with chronic ailments, family planning and immunisation than for ongoir preventive or urgent curative work; for this, easy access to some kinc of permanent worker, however simply trained, is a necessity.

3.8 EFFECTIVENESS OF CLINICS

Clinics have clearly eased the load on doctors and centralised hospital facilities and reduced costs, both to the patient and to the providing authority (Westcott, Ch.12, and *55), but in some areas they are not regarded as equally effective, and GP's and hospitals are still often preferred. Westcott argues (Ch.11) that in areas where nurses are not specially trained as clinicians, acceptance could be speeded by enablin nurses to take a fuller role, examining, diagnosing and prescribing for wider range of ailments; in many circumstances the present range of restrictions (e.g. on tentative diagnoses) seems unnatural.

A great reduction in the incidence of TB has been achieved in the Sundays River Valley by the clinic nurses. In the Graaff-Reinet area, clinics have continued work which keeps the rate of VD in that area well below the national average (Scott *58). More broadly, their effect on health status has not been assessed, but a few clues are available, e.g. Frankish's finding that around a remote hospital with only mobile clinics the child death rate increased with distance from the hospital whereas in an area with permanent clinics, it did not. (This picture is, however, complicated by the higher income and better communications in the latter area, both of which would enable people to be more mobile).

However, Kok (*25) notes that no difference was observed in the number of children immunised in villages where there is a clinic and where there is none. Clearly the amount of outreach and education done by clinics is very variable.

Westcott quotes figures from permanent clinics around a Transkei hospital

SAB building R19m brewery for Tswanas

South African Breweries and the Bophuthatswana Government have entered into an agreement to build a brewery in Ga-Rankuwa at an eventual cost of R19m.

Work will begin immediately. It is expected that the brewery, which will include a brewhouse, cellars, bottling hall and distribution fleet, will supply beer from the summer of 1981.

The Bophuthatswana Government will purchase 25 percent of the share capital after two years, and have an option to take up a further 25 percent at any stage within the two-year period after that.

TRAINING

According to Mr R J Goss, group managing director of SAB, it is planned that at least 90 percent of employees will be Tswanas.

"With this objective in mind we are starting immediately to recruit Tswanas into our existing breweries and to train them in every aspect of brewing," he said.

Training programmes will be devised for production, financial and administrative, and laboratory staff.

To begin with, the Bophuthatswana brewery will produce most of SAB's beer brands, including Castle Lager, Lion Lager, Carling Black Label and Castle Milk Stout.

SAB will franchise these brands to the Bophuthatswana brewery and will be responsible for its management.

Mr Goss said the size of the investment was an indication of his company's confidence in Bophuthatswana's economy and in the future of that country.

VIP securit

families to approach them. Indigenous healing may

ferred for this reason. Little was learnt about the role and prevalence of indigenous healing in rural areas, though it was clearly of great importance, even as a second-preference source of primary health care.

4. HEALTH PERSONNEL

From the accounts of health services, it is clear how the appropriate choice of health worker for various roles is linked to the choice of health service structure. This section deals with the present scope and future potential for the role and training of various health workers. It is taken for granted that each task should be allocated to the least trained worker who can effectively perform it. Two themes ran through the discussion: how, with limited numbers of health professionals, all sections of the population could be reached; and how to remedy poor communication between patients and health workers in health service settings, which often reduces compliance and the effect of health education. Means were sought to deal with all patients in their cultural and social context.

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Now SAB tackles streamlining task

STAR 9/2/80

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JSE Spotlight

Jean Moon looks at SAB's problems after the beer war

The dust has settled after SA Breweries' victory in the "battle of the beer market," and though both contenders are now wearing smiles, it is not going to be all smooth sailing for SAB

Before the final shot was fired, SAB had intended to put up its beer prices by 5 percent, but it has now agreed to peg them for the rest of 1980. This might be quite tough in the face of galloping inflation (now at above 14 percent). But, had the price increases come into operation, and had SAB continued offering price cut lines (which in the past accounted for 1 percent of sales), it would still have been the loser to the extent of about 10 percent

For starters, SAB faces a bill of over R1 for retrenchment pay for the 299 ICB staff who could not be accommodated in the new set-up. Then it must work towards turning the loss-making ICB operation into at least a break-away position.

BRANDS

The streamlining includes taking a good look at some of the less popular, therefore less viable brands with a view to discontinuation We should hear quite soon which are to be axed

The likely ones are Shaftt, Stallion, Colt, Culemborg, Sportsman, Beck and Heidelberg

These brands represent less than 1 percent of the R600m-a-year market It is hard to assess exactly how much was spent last year on advertising these brands, but it could be near the R1m mark

SAB is reputed to have spent at least R5,9m on beer advertising during the price war while ICB spent about R3m in its effort to increase its 8,3 percent market share.

So far SAB had kept mum on its advertising budget for this year, but it can be expected that the type of advertising will swing towards an increase in corporate image ads and those "lovely refreshing beer-type" ads designed to increase beer sales rather than create brand-swapping.

Advertising of wine and related spirits to some extent no longer applies and should save a substantial sum. Last year the advertising expenditure of Stellenbosh Farmers' Wineries is rumoured to have been a hefty R8,5m. This now becomes the headache of KWV and Rembrandt.

While the new setup can only be good for the parties involved, beer drinkers received the news with dismay When the battle was in full fury, SAB and ICB had special offers running nearly all the time

Though these offers were often confined to the slower-selling brands, avid beer drinkers were prepared to switch for a week or two in order to extend their paunches even further at a slightly lower price.

It is highly unlikely that, apart from a few exceptions when a certain brand is being tested on the public, any special offers will appear on bottle store shelves

MORAL

These discounts were limited to the smaller bottles and cans, which is the most expensive way to buy beer anyway But for the sake of convenience (like non-returnable bottles and carry packs) the public is prepared to accept about 10 percent less volume of beer for the same price

Fancy packs and labels add considerably to costs, which has been proved by the better bargains obtainable on super dumpies which come in boxes

The moral of this bit of the story seems to be that, provided you drink more than one beer an evening, it would pay you to buy in pint or quart bottles — and provided you wife does not mind the empties piling up in the back yard before they are returned to the bottle store for the deposits.

DUPLICATION

The streamlining and cost-saving also depends to a large extent on cutting out the duplication which resulted from the takeover

Still no decision has been taken on the fate of the multi-million rand factory complex in Prospecton near Durban SAB has three factories in the area and this R4,8m giant has now become a white elephant

In other areas where interests have become duplicated, five overlapping depots will be mothballed and sold at a later stage.

The two Denver depots are in the process of being amalgamated and the Krugersdorp depot has been moved to Chamdor ICB's Bethal depot was moved to SAB's Witbank depot nearly before the ink was dry on the agreement

Rosslyn has taken over the deliveries formerly made from Waterloo in Pretoria.

BLACK MARKET

Last year R600m was spent by the public on lager beer, and this is expected to grow at a compund rate of about 15 to 20 percent in the next three years to total over R900m by 1982 In the past five years, the compound growth rate was 10 to 15 percent

Much of the growth is expected to come from the black market as the beer-drinking population increases along with higher wages Last year's estimate put black consumption at 60 percent against 40 percent for whites.

The market leaders in beer are Castle, Black Label and Lion, which account for more than 80 percent of sales

BREAKDOWN

At the time of the takeover, the ICB range, which includes Kronenbrau 1308 and KB Gold, only accounted for 8 percent of the market share. The small balance is made up of the less popular SAB brands.

A rough breakdown of distribution: bottle stores 50 percent, mines and administration boards 30 percent and the rest through clubs, hotels and restaurants.

Potbellied beer drinkers may complain bitterly about the cost of the calorie-filled beverage, but the brewer's margin is really quite small Excise takes up 45 percent of the cost while raw materials account for 10 percent Other costs such as employees' pay and depreciation swallows a further 20 percent Packaging and other variables account for a further 20 percent, leaving a mere 5 percent to the brewer.

NEW BREWERY

This week SAB's group managing director, Mr Dick Goss (with the help of the President of Bophuthatswana, Chief Lucas Mangope turning the first sod), set the wheels in motion for the construction of a R19m brewery in Ga-Rankuwa

The brewery will be completed in about 18 months' time and will turn out the equivalent of 1,7m quart bottles of beer a week, which will cater for 90 percent of Bophuthatswana's needs.

I think it fair to assume that SAB intends to rely on a good volume increase as well as in streamlining to help it over the next year. But while this might be good for the brewers, what about those paunches?

Perhaps it will also provide more work for those clinics which specialise in streamlining figures.

President opens R4m brewery in Butterworth

BUTTERWORTH — Every new industry that established itself in Transkei made it easier for those that followed, the Transkei State President, Chief Kaiser Matanzima, said here yesterday

Chief Matanzima was speaking before officially opening South African Breweries' new R4 million brewery

He said Transkei's most valuable assets were land, water and a strong, willing and competent labour force and the decision of the brewery company to utilise these assets made sound economic sense

He believed the company was committed to improving the quality of life of the communities in which it operated and suggested it begin in the efficient use of the labour force and in providing attractive career opportunities

"Stable employment is every man's desire and the dignity thus afforded him is a valuable asset," Chief Matanzima said

Commending SAB for its role in Transkei he mentioned their generous donation of R50 000 spread over five years for the development of the University of Transkei

The amount was raised to R60 000 yesterday when the company's group managing director, Mr Dick Goss, handed over a cheque of R10 000 to the State President

In his reply, Mr Goss said his company was gratified to note that the Transkei Development Corporation would be participating to a large extent in the brewery

"The land, and the buildings on it, were funded by the TDC, who also paid for the depot in Umtata and have made this company a capital loan," he said

The factory employs 140 people — 130 of whom are Transkeians — DDR

WINE SALES

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15/2/80

Soaking it up

The bubble is back in SA's R250m-a-year wine industry with sales shooting up to 183 Mℓ last year — close to the 1973 high of 200 Mℓ — according to David Jordaan, marketing manager for KWV

Although production still exceeds consumption — total crops have increased by 4% in the last three years while wine consumption has been falling and the brandy market has remained static — new packaging techniques and an extensive marketing drive by the Oude Meester Group, Gilbeys and SFW has pulled the industry back on to its feet

Since the wine industry's heyday in 1973, consumption dropped by an average of 5% annually, reaching an all-time low of 174 Mℓ in 1977

Last year, Stellenbosch Farmers Winery (SFW) poured an additional R4m into new packaging and promotion programmes — with encouraging results, says marketing director Jurgens Burmeister

The latest introduction into the market has been the 5 ℓ casket "The technological characteristic of the air-sealed container makes wine an easier commodity to store and keep," says Jordaan

Adds Burmeister "The caskets have done exceedingly well, although we'll have to wait to assess the full impact "

Johan Marais, marketing director for Oude Meester says that, from early research results, the new packaging innovation appears to be selling well "People are becoming more wine conscious The wine stays fresh for much lo... wine can now be a permanen... feature "

Burmeister says the cardboard caskets are also convenient for retailers "The shelf life of the product is increased ten fold and their compactness makes storing much simpler "

Packaging innovations and the gradual introduction of better quality wines in 1,5 ℓ and 2 ℓ bottles and 5 ℓ casks have been employed to attract a more affluent market, says KWV's general manager Godfrey de Bruyn

Companies have been forced to reassess their market penetration because consumption in the predominantly lower-class Western Cape market, which accounted for 75% of the wine consumption three years ago, has dropped by 25%

"The image of wine is being pitched at a higher level to capture a broader market," says De Bruyn

Adds Burmeister "A few years ago, wine was seen as a cheap alcohol rather than a product with a wide spectrum of taste and variety " High priced wines accounted for only 20% of the total wine market

Companies are now wooing the Witwatersrand, which controls 40% of consumer spending The result has been a 15% growth rate over the last five years in areas outside the Western Cape "No other alcoholic beverage sector has matched this growth," says Burmeister

But, he says, a large sector of the market has not yet been captured Per capita annual wine consumption in SA is much lower than in Europe — in France it is 100 ℓ and in Italy 120 ℓ while here it dropped from 8 ℓ in 1974 to 6 ℓ per capita last year

Wine sales . . . climbing back to the 1973 high

	Sparkling	Other wine	Total
	Hectolitres		
1973	26 713	1 981 560	2 007 237
1974	27 698	1 947 921	1 975 619
1975	27 429	1 859 439	1 886 868
1976	28 255	1 840 349	1 868 604
1977	28 307	1 719 428	1 747 735
1978	29 756	1 732 763	1 762 519
1979	29 472	1 839 390	1 868 862

Spirits to go up 5c a tot, wine by 50c a bottle

182

Star 21/2/80

Spirits, will become a drink for those with expensive tastes from March 3, when they go up an average of five cents a tot in Johannesburg hotels, bars and restaurants

Wine will go up an average of 30c to 50c a bottle

Johannesburg will become the most expensive city in the country for drinkers. The Free State, Natal, the Cape and most smaller Transvaal towns will stick to spirit price increases of three cents a tot for whisky, and two cents a tot for other spirits.

The price increases from part of the snowball effect KWV (Ko-operatiewe Wijnbouwers Vereniging) price hikes and overseas whisky price rises have had on the industry

Whisky rose an average of 15 percent in price overseas. Wine rose between 10 and 12 percent here

On top of that, wholesalers last week slapped an average 6,1 percent increase on liquor

Sensing possible consumer resistance, the Transvaal Hotel, Liquor and Catering Association has attempted to halt the cost spiral

"Even though hotels have had increases in running costs during the last year, we have decided not to incorporate them into a liquor price increase," a spokesman said

LE 7

ccording to cash wages (R per week)

	Number of workers	Cumulative %
	4	3,08
	22	20,00
	34	46,15
	33	71,54
	20	86,92
	6	91,54
15,	0	91,54
17,	7	96,92
	4	100,00
	130	

R28,62

ws that 93 workers (72%) earned R10 a

113 (87 %) earned R12,50 a week or less.

f R8,69 a week in cash is startlingly

erages derived from agricultural census

Census breaks regular employees into White,

ican, and average cash wages for Coloured

ers in each district (total cash wage bill

r employed) are shown below. Comparable

survey by race are: African cash wages,

average R8,36 a week; Coloured cash wages, average R8,77 a week.

bulk of disease and suffering is amongst not the white population but the African population and the bulk of illness occurs in rural areas and not in urban areas. Out of a registered number of 17 374 doctors in South Africa (Race Relations Survey, 1977:541), only 482, or 2,8% (Hansard, 1976, 2, Col.39) work in the Bantustans and overall figures estimate ratios in the range of 1:600 doctors for whites as contrasted to 1:40 000 doctors for blacks. Expressed differently, 81% of all doctors live in urban areas (Cooper, 1974:20), where only slightly more than a third of the population live, and the majority of all doctors primarily service the needs of the white population. This maldistribution of doctors is a mirror of the maldistribution of resources in South African society. Indeed, the organisation of South African medicine provides a clear illustration of the Law of inverse medical care, which is that 'The availability of good medical care tends to vary inversely with the need of the population served' (Hart, 1975).

While it may be inevitable within the existing organisation of South African medicine that doctors, who the Human Sciences Research Council currently estimate on average earn R18 250 p.a. (Financial Mail, 14 November 1977), cluster into areas where richer practices amongst the affluent and more ancillary services are to be found, and where professional advancement is more possible, the medical profession must question whether the implicit transmission of an ethic whereby medicine among blacks and in rural areas is devalued can continue to be supported. A simple increase in the number of doctors is unlikely to alter the law of inverse care, what may be far me[illegible] approaching this

New wine group has big prospects

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Argus Correspondent

PAARL. — The KWV with its R362-million assets is now part of an organisation that controls more than 80 percent of the distribution and marketing of wine and spirits consumed in South Africa, Dr Andre du Toit, chairman of the KWV, said when he addressed members of the Paarl Farmers' Association here last night.

Dr du Toit listed the benefits the KWV and its wine farmer members would receive because of the creation of the new group between the KWV, Stellenbosch Farmers Winery Ltd, Oudemeester and Henry Taylor and Ries (Pty) Ltd, to be known as Cape Wine.

BIG GROWTH

The growing local population, their increasing prosperity and a growing demand for South African natural wines and brandies on overseas markets indicated a favourable growth potential for the new undertaking.

The KWV's stake was acquired for R42-million. This amount will be financed with 1-million R1 shares to be taken up by the KWV from its own sources and 14-million R1 preference shares from private placing.

Another 27-million R1 preference shares is to be taken up by a consortium of banks

The 14-million preference shares will be offered to selected wine producers,

hav[illegible] services in South Africa, for instance, have been described by the Minister of Health as being 'so inefficient, unbalanced and uncoordinated' that they fail to meet the needs of the country (Sunday Express, 14 March 1976). To take another illustration in the area of ancillary services: within the three African townships in Cape Town, there is not one pharmacy for

the use of the population and residents have to leave the townships to obtain drugs if clinics are not open. One need hardly quantify the obvious: the number of qualified dentists, pharmacists, opthalmologists, or more importantly, the number of health visitors and health educators is severely limited, as is the number of institutions available, particularly to the black population, to serve the needs of the mentally ill,[3] the handicapped and the elderly. In short, ancillary medical services, especially those available to the black population, are in chronically short supply, and are weakly developed.

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The *fourth*, and probably the leading characteristic to be mentioned, typifying the social organisation of South African medicine, is that it is dominated and controlled by whites and is deeply permeated by the structure of apartheid. Its own professionals are trained in different institutions according to their skin colour and paid differentially (although it would cost South Africa only R1,4 million p.a. to pay equally qualified doctors the same salary and R14,2 million p.a. to give equally qualified nurses the same pay (Hansard 1977, Col.599)). Similarly, gross segregation runs throughout the bulk of medical facilities available to the population and thus inevitably many, if not most, of these facilities are not equal either in terms of their physical capacities, physical quality or in terms of the quality of care that they are able to offer. There can be no other country in which the duplication of expensive facilities on an unequal basis on the grounds of colour is the norm. Most vitally, though, apartheid has meant that the majority of the population are shut out from any real part in the political decisions shaping [illegible]articipate in the design of services, [illegible] of medical resources or in decisions [illegible]ections that medical services are to [illegible]elands can help decide about the [illegible]graphic areas merely gives emphasis [illegible] the general exclusion of blacks in the [illegible]ystem of health care.

[illegible] in South Africa generally has been [illegible]f the population as the important factor determining the health of the population is socio-economic development and not the application in medical technology. Second, it has also been argued that there is a particular social organisation attached to South African medicine. These two broad features conditioning and

KWV deeper into the market

SXW 25/2/81

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Own Correspondent

PAARL — The KWV with its R362m is now part of an organisation that controls more than 80 percent of the distribution and marketing of wine and spirits consumed in South Africa, said Dr Andre du Toit, chairman of the KWV, when he addressed members of the Paarl Farmers' Association here.

Dr du Toit dealt in detail with benefits which would accrue to the KWV and its wine-farmer members as a result of the creation of the new group between the KWV, the Stellenbosch Farmers' Winery, Oudemeester and Henry Taylor and Ries.

SHARES

The growing local population and their increasing prosperity together with an increasing demand especially for South African natural wines and brandy, indicate a favourable growth potential for the new undertaking which will be known as Cape Wine.

The KWV indirect interest in this organisation was acquired for R42m and it is envisaged that this amount will be financed with R1m ordinary shares of R1 each to seven percent participating, accumulative preference shares of R1 each from private placing and 27m 7 percent redeemable participating accumulative preference shares of R1 each. These are to be taken up by a consortium of banks consisting of the Central Merchant Bank with 40 percent, Volkskas with 40 percent and Boland Bank with 20 percent.

The purpose of the issue of the 14m shares is to give selected participants involved in the wine industry at producers' level the opportunity of beneficially participating in the KWV's indirect 30 percent share holding in Cape Wine.

The issue is offered to wine farmers' co-operative societies directly involved in the wine industry and to a limited extent to their personnel.

Participants can thus acquire an interest in the processing and marketing of their products.

The KWV is of the opinion that the re-structuring of the wholesale liquor interests holds possibilities for rationalisation which will be to the advantage of all parties involved in the wine industry.

W A C B

Wine auction pavilion in use this year

Argus 25/2/80 (182

Argus Correspondent

PAARL — South Africa's first permanent wine auction pavilion will come into use on March 8 when the sixth wine auction of prestige wines will take place at the historic Nederberg Wine Estate outside Paarl.

Wine buyers from all over South Africa and abroad who have attended the Nederberg actions since 1975 have learnt to associate the sale with the huge marquis tent and its festive atmosphere

But the tent is something of the past now and in its place has come the R100 000 complex which consists of the wine tasting and auction pavilion, the specially designed section under gaily covered canvas awnings, where lunch will be served, a restored Cape Dutch farmhouse which will be used as a kitchen and a permanent information centre for the media

1 500 PEOPLE

The wine pavilion itself can comfortably accommodate 1 500 people and cross-ventilation for the huge interior is provided by two huge sliding doors reaching from floor to ceiling on two sides of the building.

The roof rests on steel structures leaving the floor space completely free of obstructions like pillars or other roof supports The north facing open section overlooks some of the famous Nederberg vineyards.

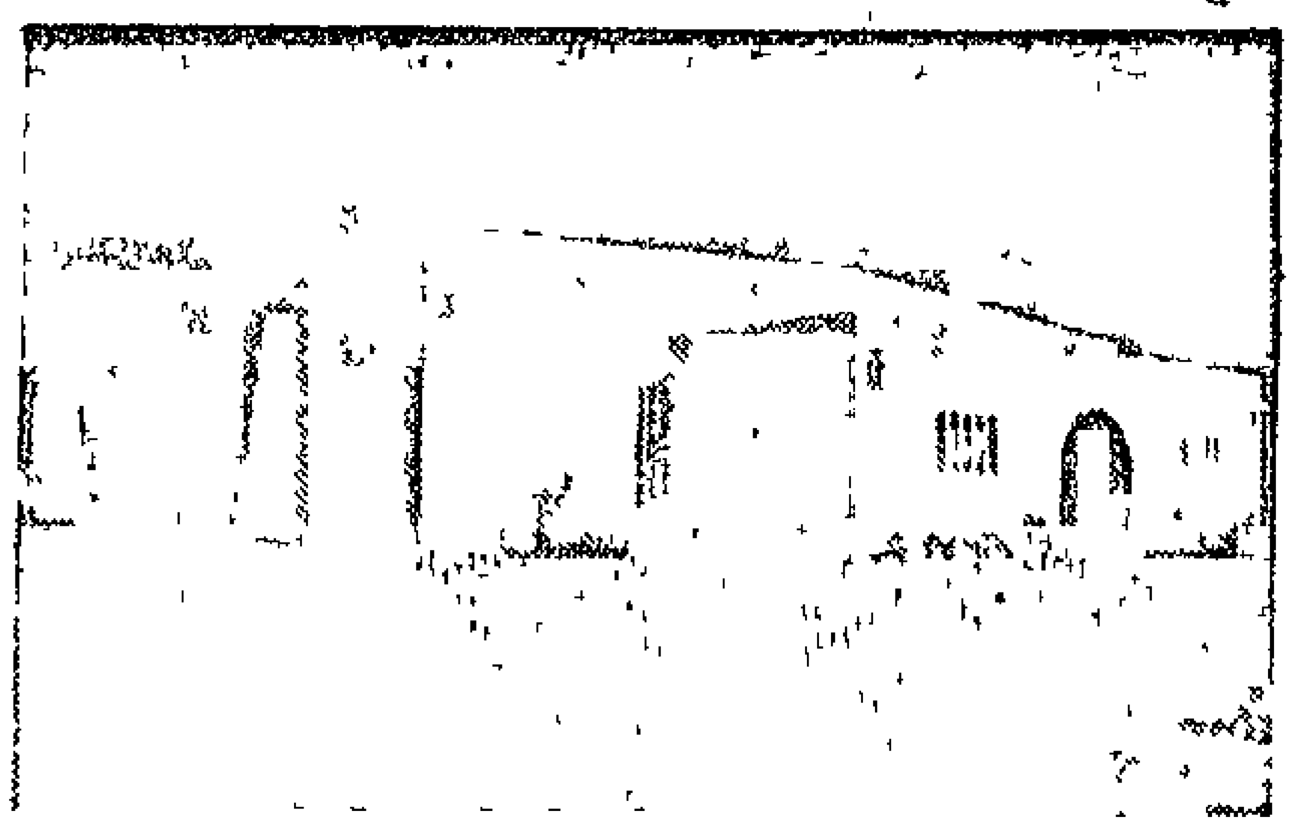
SALES

The story of the Nederberg wine auction is told by the escalating sales figures and attendances since the first sale during 1975 when 12 400 cases were sold for R237 000 with the average sales price of R19,20 a case

Eight hundred people attended the sale of whom 300 were liquor dealers, 100 special guests, 300 from the public and 100 from the media

Each successive sale has been marked by phenomenal increases in sales and attendance figures Last year, 7 295 cases were sold for R487 000 with the average of R63,43 for white wines and R72,43 for red wines a case

The new wine pavilion will be known as the Johann Grauer Centre in honour of the viticulturist who emigrated from Germany in 1934 and settled at Nederberg wine farm



SOUTH AFRICA'S first permanent wine auction pavilion, which will be used for the first time at the sixth annual auction of prestige wines on the historic Nederburg wine estate near Paarl on March 8

XVI

25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

	M	F	M	F	M	F	M	F
0-1	21,76	16,18	40,44	27,11	133,70	119,02	91,30	88,18
1-4	1,17	0,94	2,42	2,39	17,22	16,21	10,23	9,93
5-24	1,05	0,46	1,31	0,74	2,26	1,25	1.64	1,12
25-44	3,02	1,47	4,33	2,48	8,80	4,96	4,78	3,70
45-64	17,46	9,49	26,27	18,72	24,27	17,87	18,06	15,57
65+	73,62	54,55	92,20	82,93	96,90	71,79	53,38	45,89
ALL	9,44	7,40	8,03	5,51	14,62	11,00	8,77	8,13
NO.	19600	15374	2828	1967	16632	12847	18348	13062

[redacted]

IAKE BACKYARD BOOZE LEGAL—

IP of black drinkers at their local — a shebeen. Shebeen owners in conjunction with the big liquor companies are trying to make shebeens legalised

That's the call from SA's liquor giants

w/c ARGUS 1/3/80

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By Keith Kiewiet

SOUTH AFRICA'S liquor giants, Stellenbosch Farmers' Winery and South African Breweries have given their heavyweight backing to the country's shebeen owners who want their backyard trade legalised.

The shebeen owners claim they provide much-needed social facilities in otherwise drab, black townships and for this reason they want to ply their trade without fear of police raids. Now the liquor giants are backing them to the hilt in their fight for legality.

A Government-appointed committee has already produced a report on the activities of shebeens and this will be given to the Cabinet during the current session of Parliament.

The committee obtained information from senior police officers, social institutions, religious organisations, educationists, social workers and community and civic leaders as well as from the liquor industry.

ces for people where drink is served in moderation.

That being the case it seems silly for the Government to try to deny what is.

For this reason his company had for three years been trying to persuade the Government to legalise the trade.

Instead of submitting a memorandum to the committee we organised a photographic presentation supported by literature.

Survive

'The SAB has appealed to the Government to go through the statute book and overhaul these sensitive liquor laws. Basically, shebeeners have a right to survive. They have families for whom they fend. They have young children to bring up. They are good traders. Legalise them.'

What the shebeen owners want is the granting of licences to all shebeens with no conditions attached for a period of six months.

Facilities

During this time, the shebeen owners would have time to adjust facilities to comply with the law, and apply for permanent licences.

The chairman of the Soweto Tavern Association, Mr Lucky Michaels, said his association would soon send a petition to the Minister of Justice asking him to repeal certain clauses and provisions of the liquor laws which stand in the way of shebeening.

'We desperately desire that perfect harmony should reign supreme in our townships, that residents, including shebeeners, will work hand-in-hand with all the authorities and the police without any form of social bitterness,' he said.

Tasteful

The report is expected to suggest that liquor distribution in the country's black townships should be undertaken by the residents of these townships.

'Shebeens are like any other social club,' says Mr Dave Hughes, marketing manager (planning and development), of Stellenbosch Farmers' Winery.

'For this reason we believe it is senseless to continue raiding them and generally harassing what is in reality an effective distribution network,' he said.

Mr Hughes said that the company would back the concept of legalised shebeens as places of social gathering and moderate drinking in tasteful surroundings.

Meanwhile, a South African Breweries director, Mr Colin Hall, is quoted in the Soweto Tavern Association's official organ, iSpotini, as saying that his firm fully backs the association in its attempts to legalise shebeens.

Moderation

Mr Hall told Weekend Argus this week, 'Obviously we are not calling for the legalisation of all shebeens — some of them are very bad.

'But most of them are respectable meeting pla-

Drankwinkels nie vinnig verkoop

Rapport 2/3/80 (23) 182

Deur GERT MARAIS

SUID-AFRIKAANSE BROUERYE en Rembrandt is besig om twee totaal uiteenlopende beleide met die verkoop van hul onderskeie kleinhandeldrankwinkels te volg.

Volgens die ooreenkoms wat in November gesluit is toe die bieroorlog tussen die twee beeindig is, sal hulle in die komende vyf jaar 7,5 persent van hulle dranklisensies per jaar moet verkoop Daarna word die persentasie tot 10 per sent per jaar opgeskuif totdat al hul lisensies verkoop is

Dit beteken dat SAB vanjaar sowat tien drankwinkels moet verkoop en Rembrandt sestien

SAB het tot dusver nog nie een drankwinkel verkoop nie Geen transaksies word voor die tweede helfte van die jaar verwag nie Die maatskappy is tans besig om planne vir die verkoop van die winkels deur te werk

Die algemene beleid by die verkoop van die winkels sal egter wees om die swakste eerste te verkoop Dit sal dié wees met 'n klein omset en 'n klein wins, meestal op kleiner plekke

SAB is van plan om Solly Kramer, die naam waaronder die winkels handel dryf, se personeel die eerste opsie te gee

Vir die huidige word gepoog om die winkels se personeel so goed moontlik bymekaar te hou, want dit is duidelik dat daar geen langtermynvooruitsigte vir hulle in die drankwinkels self is nie

Rembrandt, aan die ander kant, het reeds met die verkoop van sy kwota winkels vir die jaar begin Die maatskappy wil nie sê hoeveel tot nou toe verkoop is nie, maar dit is waarskynlik nie meer as 'n handvol nie

Verskeie navrae is tot dusver uit alle dele van die land ontvang en 'n paar aanbiedinge word nou oorweeg

Die maatskappy volg egter glad nie die beleid om voorkeur aan WP-kelders of enige van die ander winkelgroepe se personeel te gee Gewone sakebeginsels word gevolg as die prys reg is, word die winkel verkoop

Volgens 'n woordvoerder van die maatskappy is dit nie die beleid om bekend te maak hoeveel, waar, aan wie of teen watter prys die winkels verkoop word nie Rembrandt sal hom egter by die ooreenkoms hou

'n Ander drankgroep, Uniewyn, is in teenstelling met SAB en Rembrandt se pogings om van hulle drankwinkels ontslae te raak, druk besig om sy eie reeks winkels uit te brei

Die maatskappy het kort voor die ooreenkoms tussen SAB en Rembrandt gesluit is, toestemming van die Regering gekry om 'n verdere 75 winkels te koop Dit sal hom die groep met die meeste kleinhandelsafsetpunte vir drank in die land maak

Uniewyn is besig om 'n hele paar winkels te ondersoek en sal binne die volgende veertien dae daaroor besluit Die groep sal graag sy kwota van 75 so gou moontlik wil koop

Die eerste klomp sal vir kontant gekoop word, maar daarna sal na finansiering oor die langtermyn gekyk moet word 'n Uitgifte van een of ander aard is waarskynlik moontlik

Volgens Uniewyn se besturende direkteur, mnr W D Terblanche, is daar heeltemal genoeg drankwinkels om na te kyk Hy ondersoek tans 'n paar op die platteland Die enigste voorwaarde wat hy stel, is dat die winkels winsgewend moet wees

Hy sê nie SAB óf Rembrandt het nog nie van hulle winkels aan hom aangebied nie

Geeneen van die drie groepe wil kommentaar oor die pryse van drankwinkels lewer nie Afhangende van grootte en winsgewendheid kan die prys vir 'n gemiddelde drankwinkel egter tussen R60 000 en R200 000 wissel

SUNDAY TRIBUNE, MARCH 2, 1980

~~169~~ ~~237~~ 182

Legalise shebeens!

Two liquor giants back the efforts of shebeen owners to win official acceptance

Tribune Correspondent

SOUTH AFRICA'S liquor giants, Stellenbosch Farmers' Winery and South African Breweries, have given their heavyweight backing to the country's shebeen owners who want their backyard trade legalised.

The shebeen owners claim they provide much-needed social facilities in otherwise drab black townships, and for this reason they want to ply their trade without fear of police raids. Now the liquor giants are backing them to the hilt in their fight for legality.

A Government-appointed committee has already produced a report on the activities of shebeens and this is likely to be laid before Parliament during the current session.

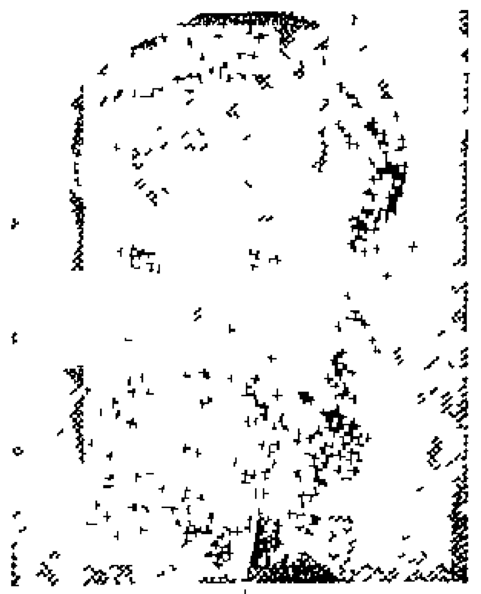
This committee has obtained information from high-ranking police officers, social institutions, religious organisations, educationists, social workers and community and civic leaders as well as from the liquor industry.

And it seems likely that the report will tell the Government it can no longer simply ignore shebeens and that it is obvious liquor distribution in the country's townships should be undertaken by the residents of these townships.

"Shebeens are like any other social club," says Dave Hughes, marketing manager (planning and development) of Stellenbosch Farmers' Winery.

"For this reason we believe it is senseless to continue raiding them and generally harassing what is in reality an effective distribution network," he says.

His company would back the concept of legalised shebeens as places of social gathering and moderate drinking in tasteful surroundings.



Dave Hughes, marketing manager of Stellenbosch Farmers' Winery

Meanwhile, a South African Breweries director, Colin Hall, is quoted in the Soweto Tavern Association's official organ, Espotini, as saying that his firm fully backs the association in its attempts to legalise shebeens.

Mr Hall said this week: "Obviously we are not calling for the legislation of all shebeens — some of them are very bad. But most are respectable meeting places for people where drink is served in moderation.

"That being the case it seems silly for the Government to try to deny what is."

For this reason his company has for three years been trying to persuade the Government to legalise the trade.

"Instead of submitting a memorandum to the commission we organised a photographic presentation supported by literature, which we then showed members of the commission," he said. "The SAB has appealed to the Government to go through the statute book and overhaul these sensitive liquor laws. Basically, shebeeners have a right to survive. They have families for whom to fend They have young children to bring up. They are good traders. Legalise them."

Meanwhile, what the shebeen owners want is the granting of a period of grace to all shebeens with no conditions attached for a period of six months during which an orderly licensing can take place.

During this six months the shebeen owners would have time to adjust facilities at their premises to comply with the law.

The chairman of the Soweto Tavern Association, Mr Lucky Michales, said his associations would soon send a petition to the Minister of Justice to repeal certain clauses and provisions of the liquor laws which stand in the way of shebeening.

"We desperately desire that perfect harmony should reign supreme in our townships — that residents, including shebeeners, will work hand-in-hand with all the authorities and the police without any form of social bitterness," he said.

Enjoying a relaxing drink and a chat at a shebeen

QUOTE

Shebeens are like any other social club. For this reason we believe it is senseless to continue raiding them and generally harasing what is in reality an effective liquor distribution network. — DAVE HUGHES of STELLENBOSCH FARMERS' WINERY

100 on strike

By ERNEST NKABINDE (182)

ABOUT 100 workers in the sales department of the Coca-Cola Vaal Bottlers yesterday refused to work until the company had refunded money deducted from the pay of drivers last week and had agreed to give van helpers half a cent for each case they deliver.

(152)

After negotiations between the management and the works committee the men got refunds ranging from 80c to 85c.

But when the company offered to increase the allowance to helpers from a quarter cent to a third of a cent the men still did not go back to work.

No deliveries were made for the day.

The men are to meet the management again this morning, to resolve the allowance to the helpers.

Post 7/3/80

The van helpers get R38 a week and a quarter cent for each case they deliver. The helpers — 74 of them — say that their allowance ranges between R5 and R7 a week and say that is too little.

Money

The managing director of the firm, Mr Neil Luck, yesterday said there was no strike. But when asked about the people loitering outside the premises he said the men were alleging that money was deducted from their pay, but it was an internal matter.

The men allege that on February 18 they were told they had to clock in and out. Generally, they clocked in, but because they knocked off late at night, they did not clock out.

Money was deducted

To Page 2

c/page

Part of the crowd o fworkers who went on strike yesterday at Coca-Cola.

100 workers down tools

Post 7/3/80 (182) (152)

From Page 1

from their pay because they had not clocked out.

They claim that last week they sent the works committee to talk to management about the money that was deducted, but nothing came of the talks.

ances were attended to.

Other grievances were:

- That they did not get their bonuses at the end of last year although some of them had worked for the company for over 30 years.
- That some of the workers were assaulted at

It was a shocking day for Transvaal drinkers

By IAN REID

DRINKERS came reeling out of Transvaal bars yesterday — but NOT from the effects of alcohol. They had been hit by price increases

Yesterday a new recommended price list issued by the Hotel, Liquor and Catering Association of the Transvaal came into effect which shot the price of some drinks up by 10% This is the first new recommended list that the association has sent out in about two years (the last one was before the advent of GST)

The recommended prices: Beer (all brands), 55c per 375 ml bottle; Windhoek Lager, Becks Stout and Amstel 60c, draught (500ml glass) 70c, 259ml glass 45c, proprietory brandy 45c, premium brandy 48c, white spirits 45c, proprietory whisky 60c, premium whisky 75c, and mixes 20c

As prices vary from bar to bar depending on the star rating of the hotel it is not possible to give a percentage figure for the increase, but going on the past track record of the trade, most hotels will simply add the recommeneded increases to their current prices, many of which are above the recommended prices at any rate.

The letter to all hotels was signed by Mr Bill Smith, general secretary of the association Yesterday Mr Smith had no comment to make

~~169~~ 182

RDM 4/4/80.

28/3/80

25m KWV response

CAPE TOWN — The KWV offer of 14-million 7% profit-sharing preference shares of R1 each to wine farmers and cooperatives attracted applications for more than 25-million shares The KWV is considering increasing the number of shares in the issue, and these will be allocated on April 1

The issue is to help finance the KWV's share in the holding company of the new Cape Wine & Distillers, in which the KWV and Rembrandt will each hold 50% of the equity — Reuter

Board's plan to kill shebeens

Daily Disp 27/3/80 30 164 182

An astonishing — indeed alarming — plan to eliminate shebeens in the Eastern Cape and to create a state liquor monopoly, has been drawn up by the Cape Midlands Administration Board, now called the East Cape Administration Board

The plan has been submitted to the National Liquor Board as a counter to the general trend to normalise liquor distribution in black areas

The Liquor Board itself is investigating the possibility of legalising shebeens and lifting the ban on bringing liquor into black areas outside the homelands other than through the administration boards

Because the administration boards are so heavily dependent on the profits derived from the sale of liquor, such a proposal would inevitably have considerable financial implications for them if it were implemented

According to the memorandum the old Midlands Board is the landlord/administrator to 361 400 people living on 42 000 erven It owns 17 liquor stores and ten bars, with an expected 1978 turnover of R13,4 million and a net profit of R1,3 million Sales of liquor and sorghum beer contributed nearly 45 per cent of the old Midlands Board's annual revenue — on a mere R1 2 million invested

Since 1978, the Cape Midlands and Cape Eastern boards have been merged and that presumably means it controls even more liquor outlets, although the ratio of income from liquor sales is unlikely to have changed

Not surprisingly the board is somewhat concerned that if its income from liquor is cut off, this will either make it more dependent on the central government or it will have to cut down on its activities

In its submission, the board said such a move would make it more heavily dependent on the Consolidated Revenue Fund to keep going, whereas the statutes of the administration boards clearly state that they should be financially self-reliant

Shame!

What the board does not consider is the abhorrent principle that a

by Political Correspondent BARRY STREEK

government agency, which is all it is, should be dependent on its income from liquor sales

Nor does it consider the essential racism in this concept It is apparently all right for whites, Coloureds and Indians to obtain liquor from non-state-owned enterprises, but for blacks a different principle should apply

What rubbish! The sooner the government gets out of the liquor business, the better

While the government is loudly proclaiming its belief in free enterprise, the East Cape Administration Board is proposing the exact opposite More than that, it is proposing a total monopoly

The board rationalises this by saying the transfer of the liquor business will deprive the board community of benefits, and by claiming that the profits will pass into the hands of a few

One of the "benefits" which is basic to the activities of all the administration boards, is the implementation of the much-hated pass laws, including the staff and vehicles necessary for raiding properties outside the black areas

How much does this benefit cost?

That aside, the board is fundamentally arguing a very socialist philosophy — for which, I will readily concede, there is a sound theoretical argument

But if it is to have any validity, it has to be a matter of broad state policy To isolate one area of commercial activity, namely liquor, and then argue socialism (under totally white control) for blacks, is just so illogical that it is surprising the government has not instructed the board to withdraw its plan

The board, however, goes much further in its document in its attack on the shebeens

It estimated that there were 300 shebeens in the Port Elizabeth area Most of these had deteriorated into illicit off sales shops, having discarded their 'on-consumption social club' character The board says there are 76 licensed off sales liquor stores in the Port Elizabeth area, many of which rely up to 80 per cent on the shebeen trade

Not infrequently liquor price wars in Port Elizabeth are the result of intense competition between white and Coloured liquor store-owners competing for a major share of the shebeen trade At times, horror of horrors this has enabled shebeen operators to undercut even board liquor stores

'There is only one simple solution to the problem and that is to prohibit the sale of liquor to blacks by white and Coloured liquor stores — and to transfer this right exclusively to holders of 100 BIS licences' (section of the Act affecting administration boards and local authorities)

The board also wants limits on individual sales

Besides the monopolistic tone of this proposal it reflects the ridiculous thinking that motivated the now-abandoned ban on the sale of "white" liquor to black people

Why on earth in a capitalist society should the administration boards not be subject to competition whatever the race of the liquor store owner?

The board also claims that shebeens are not desirable because they attract people under the age of 18 they sell on credit, they are conducive to drug trafficking, they disrupt the family circle because they remain open all night, and they are often hotbeds of political plotting by activitists and agitators

It cited the following handicaps — why the board cannot compete successfully with shebeens limited business hours while shebeens have open house, shebeens sell on credit, at shebeens clients are served by 'women and prostitutes"

Shebeens have privacy and luxurious appointments, they are nearer home and offer gambling tables, shebeens allow dancing and singing and have no closed days

Really, one would have hoped that by now there would have been more enlightened thinking in government circles

Obviously, it is undesirable for people under the age of 18 to be drinking in shebeens and for prostitutes to trade there

But surely, the point must have sunk into the minds of government officials by now that shebeens are part and parcel of life in South Africa and that nothing they do will change that

Nor is it desirable for them to be forced out of existence by heavy-handed government bureaucracies trying to make more money out of liquor sales

What is desirable is that through the legalisation of shebeens, they be put in a position similar to that of other liquor outlets in South Africa — that they be turned into the corner pubs which are so basic to life in the rest of the world

In other words, the same rules, including open competition should apply to black and white drinkers, and shebeens like hotels and pubs should be able to offer attractions such as music, to draw customers

Such a development would be much preferable to the creation of a state liquor monopoly in the form of the boards

And if the administration boards were not so concerned about selling liquor and administering the pass laws they might have a chance of gaining real acceptance among black people

As they are now, it would be better to abolish them

Alwyn takes aim at 'swart varkie'

Con 28/3/80. (182)

Political Staff

THE ASSEMBLY — The Minister of Justice, Mr Alwyn Schlebusch, yesterday asked wine producers and dealers to take immediate steps to phase out the notorious "swart varkie" 20-litre wine container

In a statement he said that although he did not intend proceeding with legislation to ban the "swart varkie" during the current session of Parliament, he would like to see the container disappear

'I trust that those who market wine in this type of receptacle will take note of this "

He said a draft Bill was published in January which made provision for the prohibition of the marketing of wine under a wine farmer's licence in receptacles with a capacity of more than five litres

The step was taken as a result of representations by the KWV and was supported by producing wholesalers and the Co-operative Wineries Committee It was aimed at prohibiting the marketing of wine in the so-called "swart varkie"

The Minister said he had decided not to proceed with the legislation during the present session It was necessary to investigate certain aspects further and the Department of Justice would shortly consult the interested parties

NM 2/4/80

Ammonia plant is planned

(182)

JOHANNESBURG—A Sentrachem subsidiary has announced the erection of a new complex to produce ammonia from coal, at the same time paving the way for Sentrachem to make methanol.

Fedmis managing director, Mr Johan van der Walt, says the erection of the plant will start in 1981—about 1 500 tonnes of ammonia will be produced a day.

Although the prime purpose will be to produce ammonia, it will enable Sentrachem to broaden its interest in the manufacture of alcohols as a supplementary source of liquid fuels.

It entails the doubling of the envisaged ammonia project to manufacture methanol from coal.

Coal field

The plant location has not yet been finalised. Several areas are being considered, but in view of the coal consumption it is logical that the complex will be erected in close proximity to a coal field.

According to Sentrachem's managing director, Mr D J Marlow, about 300 000 tons of methanol will be produced.

He says the methanol section is a natural extension of his group's alcohol-fuel manufacture and that the methanol production integrates well with the envisaged ammonia project.

The process to synthesize ammonia and the synthesis of methanol are closely related.

The heart of the process is a gasification plant that will use about 2 000 000 000 tons of coal annually for the production of ammonia alone, depending on the quality. If the project is doubled to produce methanol as well, 670 to 3 500 000 tons of coal will be consumed annually.

Mr Van der Walt says the project will be undertaken without external shareholdings. Based on the group's present long-term forecasts, no difficulty is expected in financing the project. - (Sapa)

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agte etropoli-
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die produksiestruk vaardigingsektor.

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hoewel die Kaapse metro ietwat gebaat het
by dié oplewing toon di iteitsvlakke al-
reeds weer tekens van v op 'n relatiewe lae
stand van bedrywighede.

2.5 Die toenemende sek l van die Wes-Kaapse
ekonomie

Die uitstaande bydraende afnemende mededingings-
vermoë van die Wes-Kaaps ktor is

- die toenemende kons in die kleinhandel.
Die wel en weë van aardigers - en
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word byvoorbeeld be wat vyf groot
kleinhandelsgroepe. i daartoe dat by
dalende aktiwiteits ten gevolge van
afnemende aanvraag a ervaardiger afge-
wentel word; hierby fs ook oordeels-
mistastings aan die nhandelaar, en

groter damme kan moontlik ontwerp word met eventuele toerismebenutting in gedagte om sodoende 'n huidige bron van kapitaalverkwisting te elimineer.

Besonder verdienstelike privaat studies oor die onderwerp van toerisme het onlangs ook verskyn o.a.:

- An Evaluation of Tourist Resources of South Africa - Franco F. Ferrario ('n Monograaf: Dept. Geografie, Universiteit van Kaapstad: 1978);

- Outdoor Recreation in the Greater Cape Town Region - Resource Base and Resource Utilization - Vincent Taylor (D. Phil skripsie: Dept. Geografie, Universiteit van Stellenbosch: 1978).

Die BEO het ook redelik onlangs statistiese opname-ontledings vir die Departement van Toerisme gedoen oor neigings in binnelandse toerisme-voorkeure en -gewoontes van onderskeidelik stedelike en plattelandse blanke Suid-Afrikaners; die verkreë resultate kon as beduidende riglyne dien vir fasiliteitontwerp en bedryfsbeplanning terwyl verdere opnames tendense vir beleidsformulering kan aandui.

Dieselfde redenasie geld vanselfsprekend vir oorsese toeriste op besoek in Suid-Afrika asmede vrye tydsbesteding besonderlik in omliggende plattelandse gebiede; laasgenoemde veral in die lig van die petrolkrisis, waarby koste-oorwegings gaandeweg belangriker gaan word.

Omdat toerisme en ontspanni[...] laag op die prioriteitskaal van verbruikers l[...]afneem met toename in ouderdom - sal die pry[...]n vraag vir meeste van die fasiliteite van die[...]latief hoog wees wat 'n hoë mate van aanpasba[...]edryf vereis; vir welke doel die bedryf rigly[...]benodig.

Wat oorsese besoekers betre[...]treklikheid van besoeke aan Suid-Afrika seder[...]eels ontleen aan suiwer finansiële oorwegings soos [...] interne koopkrag van die onderskeie geldeenh[...]toeriste-toere is in

NM 3/4/80

Share issue

(182)

Deputy Financial Editor

CAPE Wine and Distillers is to offer 14 million new shares at 115 cents each but only seven million will be for the public This is the new liquor giant formed by Rembrandt, the KWV and S A Breweries to absorb the wine interests of Oudemeester and SA Breweries

Closing date of the offer is April 15.

According to the directors, earnings for the full year to March 31, 1981 should amount to 16,5 cents a share—or an earnings yield on issue price of 14,3 percent.

2 new unions for wine and spirits

STAR 11/4/80

182

~~138~~

139

By Sieg Hannig

The wine and spirits industry has two new trade unions — one for blacks and one for other races — which will cover factories in about 40 magisterial districts in all provinces

The application for the registration of the black union has been published in the Government Gazette and that for the mixed union is expected to be published soon

This was disclosed today by Mr Barney Krynauw, general secreteary of the Garment Workers' Union of South Africa and provisional general secretary of both new unions

Two separate unions were formed because current legislation demanded that a mixed union with white members had to have a white executive committee.

"Any future changes in the law will be used to change this dispensation," Mr Krynauw said

The unions have submitted a memorandum to the Wage Board in an effort to improve the industry's wages and working conditions.

Mr Krynauw hoped that direct negotiations between the unions and the employers would be made possible through the eventual establishment of an industrial council for the industry.

RDM 17/4/80. 232 182

Cape Wine draws R174-million

By HAROLD FRIDJHON

THE issue of 14 million shares at 115c in Cape Wine & Distillers, the new R223-million holding company for the Rembrandt/KWV/SFW wine and spirit interests, was oversubscribed nearly 11 times, Senbank announced yesterday

Applications received were valued at R174 800 000 and totalled 152-million shares

When the offer was made at the end of March, 1-million shares were reserved for staff, these were oversubscribed 2,8 times

Six-million shares were to be allotted to "bona fide registered wine farmers and wine cooperative societies" — these attracted applications for 18 900 000 shares, an oversubscription rate of 3,15 times

The public allocation of 7-million shares was oversubscribed 18,6 times, the issue attracting applications for more than 130-million shares

The directors of Cape Wine will decide on a basis for allotment later this week, it is expected that the shares will be listed on the Johannesburg Stock Exchange on April 30

Kaapwyn: Kan hy 160c haal?

182

Deur GERT MARAIS (RAPPORT 20/4/80)

'N AANSIENLIKE meningsverskil bestaan tussen markkenners oor die prys waarteen Kaapse Wyn en Distilleerders se aandele aanstaande Woensdag op die mark sal kom.

Die ramings wissel tussen 130c en 175c, wat beteken dat die verwagte premie op die uitgifteprys op tussen 13 en 52 persent gestel word. Die uitgifteprys was 115c per aandeel.

Diegene wat glo die premie sal maar aan die lae kant wees, grond hul menings veral op twee faktore: die toestand waarin die wynmark is en die huidige toestande op die Effektebeurs.

Hulle sê die wynmark is nie besonder winsgewend nie en die kanse dat dit 'n vinnige winsgroei sal toon, is nie besonder goed nie. Sowat 70 persent van die wynhandelsmerke het 'n lae omset en is glo nie winsgewend nie.

Hierdie argument is waarskynlik grootliks waar, maar 'n mens moet nie hieruit die indruk kry dat Kaapse Wyn en Distilleerders bloot 'n wynmaatskappy is nie. Sy grootste inkomste kom uit spiritualieë en nie uit wyn nie.

In die prospektus word nie baie aandag aan die toekomstige vooruitsigte van die maatskappy gegee nie. Daar word nie veel verder gegaan as 'n raming van 'n verdienste van 16,5c en 'n dividend van 8,25c per aandeel in die jaar tot einde Maart 1981 nie.

Verder sal die besluit om die waardering van voorraad van eerste-in-eerste-uit en gemiddelde koste, tot laaste-in-eerste-uit te verander, toekomstige verdeelbare winste wesenlik verminder. Dit sal tot gevolg hê dat die winste nie met vorige syfers vergelykbaar sal wees nie.

Diegene wat 'n lae premie op die uitgifteprys verwag, sê ook dat beurstoestande nie nou meer so gunstig is as 'n paar maande gelede nie. In half lustelose toestande verwag hulle moeilik 'n hoë premie.

Die meer optimistiese waarnemers grond hul verwagtinge op heeltemal ander faktore.

Hulle wys daarop dat net 10 persent van die maatskappy se totale uitgereikte aandele van 140 miljoen aan die publiek aangebied is. Rembrandt en SAB, wat hul onderskeie wyn- en spiritualieë-belange saamgevoeg het om Kaapwyn te stig, hou elk 30 persent van die aandele. Die KWV hou 'n verdere 30 persent.

Dit is egter onwaarskynlik dat al 14 miljoen aandele waarvoor die publiek kan inskryf, as ten volle verhandelbaar beskou kan word, want 1 miljoen hiervan gaan vir werknemers en amptenare van Kaapwyn en 6 miljoen vir bona fide geregistreerde wynboere en koöperatiewe wynverenigings. Die surplusaansoeke van hierdie twee groepe word by die publiek se aansoeke gevoeg.

Die personeel het in werklikheid vir 2,8 miljoen aandele aansoek gedoen, die wynboere vir 18,9 miljoen en die publiek vir 130,3 miljoen. Die eerste twee groepe se surplusaansoeke van 14,7 miljoen aandele word dus by die publiek se aansoeke om 130,3 miljoen gevoeg.

'n Mens kan seker aanvaar dat 'n groot deel van die aandele wat aan die wynboere toegeken gaan word, nie maklik verkoop sal word nie. In geheel gesien, sal dit dus verbasend wees as meer as 5 persent van die totale uitgereikte kapitaal vir verhandeling beskikbaar sal wees.

Die tekort aan goeie aandele wat deur pensioenfondse en versekeringsmaatskappye ondervind word, behoort op sigself 'n taamlike mark vir die aandele te skep. Nadat die spekulante uit is, kan dit 'n stygende invloed op die prys uitoefen.

Die tweede argument van diegene wat 'n taamlike hoë openingsprys verwag, draai om Kaapwyn se prys teenoor ander aandele in die sektor waarin hy genoteer gaan word.

Bertrams toon geen dividendopbrengs nie, Picotel staan op 9,1 persent, SAB op 4,1, Suthsun op 3,2, Suncrush op 7,9 en Uniewyn op 6,1 persent. Die afdeling se gemiddelde dividendopbrengs is 6,1 persent. Kaapwyn word uitgegee teen 7,2 persent.

Hoewel Kaapwyn waarskynlik nie besonder vinnige winsstygings gaan toon nie, is dit moeilik om in te sien hoekom sy opbrengs veel hoër as die afdeling se gemiddeld moet wees. 'n Mens kan hom skaars in dieselfde klas as byvoorbeeld Uniewyn plaas.

Teen 'n prys van 150c sal die aandeel 'n opbrengs van 5,5 en teen 160c 'n opbrengs van 5,2 persent gee. Hoewel dit steeds effens hoër as die afdeling se gemiddeld is, is dit waarskynlik meer realisties as pryse van 130c aan die een, en 175c aan die ander kant.

Cape Wine offer — the details

232 RDM 22/4/80 182

THE allocation of shares in the heavily oversubscribed Cape Wine and Distillers public share issue shows a fairly well balanced distribution to the big and the small investor.

The issue, which attracted R174·800 000 and was almost 14 times oversubscribed, offered shares in the new company — effectively controlling the South African wine industry — at 115c a share

Merchant bankers, Senbank, announces that one in ten applicants for 100 shares will receive 100 shares, two in ten applicants for 200 shares will received 100 shares and so on to nine in ten applicants who applied for 900 shares, who will receive 100 shares.

Thereafter, applicants for between 1 000 shares and 9 000 shares will receive about 7% of the number of shares applied for.

Applicants for between 9 100 and 12 000 shares will receive about 6%, while applications for between 12 100 shares and 50 000 shares will receive about 5% of the number of shares applied for.

Applications for between 50 100 and 125 000 shares will receive about 4,0% and applications for between 130 000 and 250 000 shares will receive about 3,5% of the shares applied for.

Applications for over 250 000 shares will receive about 3% of the application.

In terms of the "private" issue, employees subscribed for 2 867 900 of the 1-million shares on offer.

In this respect, applications up to, and including 2 000 shares will be allotted in full. Applicants who subscribed for 2 000 share or more will receive 2 000 shares plus about 16% of the excess subject to a maximum of 10 000 shares.

For the 6-million shares reserved for wine farmers, applications for 18 948 700 shares were received

Applications up to 5 000 shares will be alloted in full, while those who applied for more thasn 5 000 will receive 5 000 shares plus about 15% of the oversubscription.

rural hinterland. Until further research is done we cannot know for certain but it seems likely that the building of Mdantsane will have reduced the proportion of East London, "black married workers whose wives live elsewhere" below the 45% which was the proportion in the late 1950.[29] However, the need for a hostel housing 8 000 men shows that even in a model border area migrant labour will continue to exist and indeed, if Durban is any guide, expand.

The picture in the next major industrial area down the coast is very different. Port Elizabeth/Uitenhage, being in the coloured labour preferntial are is the west of the Fish-Kat line, is moving away from family housing to the building of more hostels to house contract workers.

In Uitenhage during ... wo black townships. The 'Old location', Kabah an ... a Nobuhle ('At the place of beauty') begun in 196 ... s are being moved from Kabah which is to become ... loured people. At the end of 1971 the populati ... 000 whilst Kwa Nobuhle there were 13 000, of wh ... nts houses in the new hostel. The plans are ... ple still Kabah to move either as family units to ... lt for them in Kwa Nobuhle or, ifthey do not qualify ... unmarried women with children, old-age pension ... to such places as the Happy Valley Township in ... trict or the Old Age home near Peddie.

The trend in Uitenha ... from the fact that between the mid 50's until 1970 t ... rs were accommodated in a small hostel in Kabah hou ... his was demolished and replaced by the new hoste ... ch was built to house 1392 men and which has already ... r expansion to a capacity of 2512 beds. Moreover ... has been set asidefor the hostel to be doubled again ... 024 beds when the need arises. Where white and c ... s not available all

'Swart varkie' reprieved for a year

(182)

WM 22/4/80

THE ASSEMBLY — The Liqour Amendment Bill, which provides for the clarification of legal interpretations and the streamlining of procedures in the principal Act, was read a second time.

A provision to ban the use of the 20 litre "swart varkie" wine container was dropped because, the Minister of Justice, Mr Alwyn Schlebusch, said all sectors of the industry had not been consulted The industry now had received notice that the 20 litre container had to be phased out and that it was the Minister's intention to ban them next year.

Another measure included in the Bill was the provision for a once-only classification for international hotels, rather than repeated annual applications Classification would be subject to an annual licence fee

Government departments could now form clubs and obtain liquor outlets for their canteens or restaurants, such as those which the SA Police and Defence have

The second reading was supported by the Official Opposition and the NRP, which gave notice that it would oppose a clause in committee regarding the payment of the license fee for international status

The NRP leader, Mr Vause Raw, said that the clause reflected Government thinking that serving citizens of colour required the imposition of a penalty and his party was opposed to such a principle

Replying to objections to the clause, the Minister said he had been informed by his department that the clause would not alter the present situation and that no extra financial burden would be placed on licensees — Sapa

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Liquor advertising accounts reshuffled

Argus 24/4/80

(782)

Financial Editor

CAPE WINE and Distillers, the company formed to take over Oude Meester and Stellenbosch Farmers' Winery in the recent reorganisation of the liquor industry, believes that an advertising agency cannot handle both beer and wine accounts at the same time

This has led to a considerable reshuffling of accounts among advertising agencies recently.

One of the latest consequences of this belief is that J Walter Thompson, which handles several SFW accounts, has had to surrender the SA Breweries Lion Lager account which was worth more than 'seven figures' a year

Another consequence is Van Zijl and Schultze, Lund and Tredoux, has been forced to relinquish three SFW accounts for Nederburg, Taskelder and Kellerprinz

REORGANISATION

However, the reorganisation of the liquor industry led to this agency, which already held the Castle lager, Castle milk stout, Amstel lager, Hansa pilsener and SAB corporate accounts, being awarded the two Kronenbrau accounts.

Now it has also obtained the Lion lager account.

This may be only a temporary arrangement, as it appears it is SA Breweries' policy to have separate agencies handling its three major brands.

A short list of 25 indicators having the
latıvely hıghest scores ıs also presented
ıis more selective lıst includes 12 leadıng,
oughly coıncıdent, and 6 laggıng indıca-
s, 21 are monthly and 4 are quarterly [5]
ıe short lıst (table 2) ınvolves little of the
ılıcatıon ın economic coverage that is pro-
ɛd, for varıous reasons, in the full list
e the full lıst, it ıncludes ındıcators rep-
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Lion beer advertising account changes hands

CT 24/4/80 (182)

MR NIC TREDOUX, executive chairman of Van Zijl and Schultze, Lund and Tredoux, yesterday announced the acquisition of the Lion lager account from South African Breweries

This follows ,the resignation of this "seven-figure" account by J Walter Thompson who were obliged to do so through a request from the Cape Wine and Distilling Company

Mr Tredoux said this move follows a period of great uncertainty in the largest advertising account reshuffle in the history of South Africa's advertising industry

VZ, after serving the Stellenbosch Farmers' Wineries since 1962, when the Lieberstein campaign was created, recently had to relinquish the accounts of South Africa's three largest wine brands — Nederburg, Taskelder and Kellerprinz — as well as Bols brandy, because of the agency's alignment with SA Breweries' beer business — a situation which Cape Wine and Distilling regarded as being in conflict with its wine interests

Shortly after taking over Intercontinental Breweries, SAB allocated the two Kronenbrau accounts to VZ Now VZ has come to an arrangement with SA Breweries whereby the agency will take over the Lion lager business, fully understanding SAB's declared policy of using separate agencies for each of their major mass market brands

Mr Tredoux said it is unusual for an agency to accept business on this basis However, the spirit and working relationship between VZ and SAB are such that this could be done without reservations

"We regard this move as a demonstration of complete confidence in VZ's beer experience and big brand ability", Mr Tredoux said

Up to the acquisition of Kronenbrau, VZ have held the Castle lager, Castle milk stout, Amstel lager, Hansa pilsener and SAB corporate accounts

In a separate interview Mr Peter Savory, general manager, marketing, of SAB, said that his company had not stood in the way of its advertising agencies handling liquor accounts other than beer

In fact, he had reconfirmed this policy only recently to the company's agencies J Walter Thompson's decision was therefore uninfluenced by SAB

Mr Savory added that it was firm policy for SAB's three major brands to be handled by separate agencies and he would look at a realignment of the brands at an opportune time

He confirmed that this was the first time to his knowledge that a SAB beer account had been resigned He would not disclose the size of the Lion account other than to say it was in the seven-figure bracket

RDM 13 30/4/80 182

Changes at SFW

CAPE TOWN — Adjustments in the wine industry since the formation of the wine combine Cape Wine & Distillers, continue with a management restructuring at Stellenbosch Farmers' Winery.

Five SFW directors and seven regional directors are now to report directly to SFW's managing director, Mr Ronnie Melck. The directors are Mr John Lapping (marketing, wines and spirits), Mr Bernie Dempers (financial and commercial), Mr Chris du Toit (operations), Mr Colin Tatham (corporate planning), and Mr Piet R[illegible] (personnel and industrial relations).

Mr Du Toit, previously director of technical services, has been appointed regional director of the Eastern Cape, succeeding Mr Ronnie Nienaber, who is retiring. Mr Brian O'Grady is regional director of the Western Cape.

KWV Bel debut

~~232~~ 182

RDM 7/5/80.

Financial Reporter

KWV Beleggings preference and ordinary shares make their debut on the Johannesburg Stock Exchange board in the beverages and hotels sector today

Trade will take place only in the 16 500 000 7% participating preference shares, which were privately placed with about 2 000 wine farmers, cooperative societies directly involved in the wine industry and, to a limited extent their employees

The 1-million ordinary shares and 24 500 000 7% redeemable prefs will not be traded on the market as they can only be transferred within their respective holding parties

The ordinaries are held intact by a wholly owned KWV subsidiary and the redeemable prefs are held by Boland Bank, Senbank and Volkskas

The value of the tradeable prefs is about equal to that of Cape Wine ordinary shares, currently trading around 135c

KWV, whose sole asset is its 30% holding in Cape Wine, will distribute all its earnings Based on Cape Wine's paying its forecast 8,25c, the company should pay 8,14c for the 1980-1981 year

SA Brews best in many years

RDM 8/5/80

182

By HOWARD PREECE
Financial Editor

SA BREWERIES has produced, as expected, its most exciting results for many years with taxed attributable profit up by 31% from R56 900 000 to R74 600 000 for the year ended March 31.

The final dividend has been increased from 9c to 12,5c to give a total of 16,5c (12,5c)

Earnings a share, on fractionally increased capital, rose from 25,7c to 33,5c

The series of spectacular profit surges reported in the past week or so from the Afcol and Amrel furniture interests, from OK Bazaars and from Southern Sun Hotels had pointed the way to a bonanza showing from the parent SAB

But liquor is what SAB is still primarily all about — and the beer monopoly is now what the liquor is all about

The chairman, Dr Frans Cronje, and the managing director, Mr Dick Goss, say simply "The profits from the beer and liquor retailing divisions were affected by certain non-recurring expenditure and the full benefits of rationalisation should materialise in the ensuing year "

What that low-key offering means is roughly this

"For most of last year SAB spent a fortune doing promotional battle with the Rembrandt group in the so-called Great Beer War

"But after the liquor industry carve-up agreed last November just watch our beer profits this financial year "

Back, however, to last year's group figures

Turnover rose by 30% from R1 365-million to R1 770-million

From that came gross operating profit up from R103-million to R139-million

Tax and interest cut that to a rise from R52 800 000 to R78 500 000

Dividend income and attributable earnings from non-consolidated associated comapnies and foreign subsidiaries was almost level at R21 300 000

There was, apparently, a much smaller contribution from Zimbabwe and the property group Retco (which SAB has tried to sell) still has plenty of problems

This item has been changed in accounting practice by the inclusion of Cape Wine (formerly Stellenbosch Wine Trust) on an equity accounting basis

Cape Wine accounted for around two-thirds of that R21 300 000.

On the other hand there was a hefty rise from R11 600 000 to more than R20-million in the earnings attributable to outside shareholders of the booming subsidiaries

Dr Cronje and Mr Goss say "During the year to March 31 it is estimated that the monetary growth in private consumption expenditure was 17%.

"In comparison with this group turnover grew by 30%."

COMMENT: It is clear that beer was the backmarker for SAB last year.

While the beer and liquor retailing divisions pushed their contribution to earnings up by R6-million (or 27%), the other SAB interests grew by more than R15-million (up 73%)

These figures exclude the R3 400 000 drop in earnings from the wine and spirit interests arising mostly from the liquor industry reorganisation.

All the evidence points to good results again this year from OK, Afcol and Amrel (although last year's increases can hardly be maintained for the latter two).

Southern Sun's absolute contribution is still relatively small, but the Sun City contribution should be felt even by SAB.

Beer, however, is surely the key to this year's outlook. And that looks good

But SAB shares have shown tremendous growth over the past two years and, as always, it seems remarkable in retrospect how cheaply they could have been picked up.

At 317c now, however, they offer an historic dividend yield of 5,2% just over twice covered.

The prospects are such that there may be a little steam left, but that will depend largely on the overall market trend.

SA BREWERIES

FM 9/5/80

Barrelling along

(182)

After the buoyant results from subsidiaries such as Afcol, Amrel, OK Bazaars and Southern Sun, it was predictable that SA Breweries would show a substantial earnings improvement for the year to March 31

It turns out, in fact, that the 30,4% gain from 25,7c to 33,5c a share is the largest annual increase in at least two decades, despite a fairly significant loss of income as a result of the re-organisation of the group's wines and spirits interests with those of Rembrandt and KWV

Attributable profits rose R17,7m from R56,9m to R74,6m Of this amount, R15,1m (85%) came from the non-liquor subsidiaries whose aggregate contribution was up 73%, while R6m was attributable to beer and liquor retailing — a 27% increase

The reduction in earnings attributable to the wines and spirits sector was R3,4m, although this will be offset in the current year by additional profits from beer as the group reaps the full benefits of being once more in total control of SA's beer market.

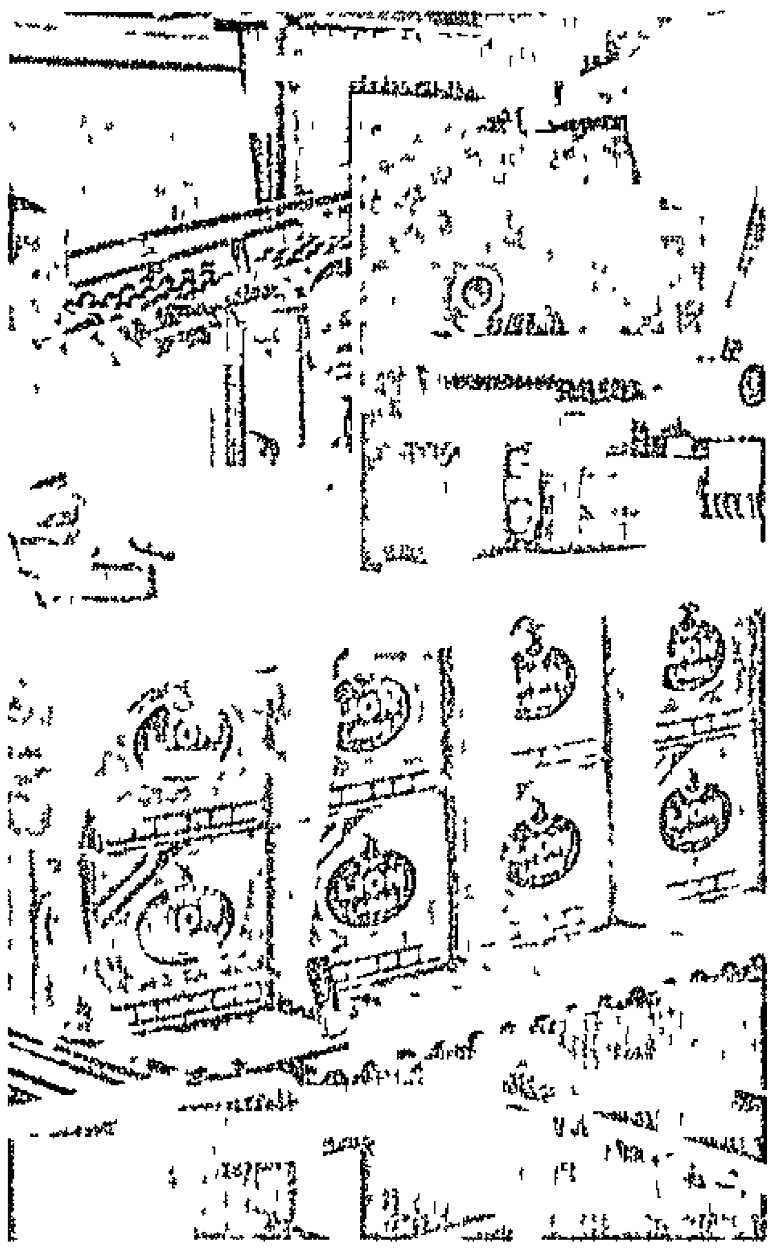
The profit statement follows the same pattern as those of the main non-liquor subsidiaries with a faster growth in operating profits than in turnover Pre-tax profits were further enhanced by a very limited increase in net interest paid, while the after-tax figure benefited from a decline in the tax charge to 33,4% (37,1%)

Negative influences included a static contribution from associates dividend and foreign subsidiaries not consolidated, and a 71% increase in profits attributable to outside shareholders of subsidiaries

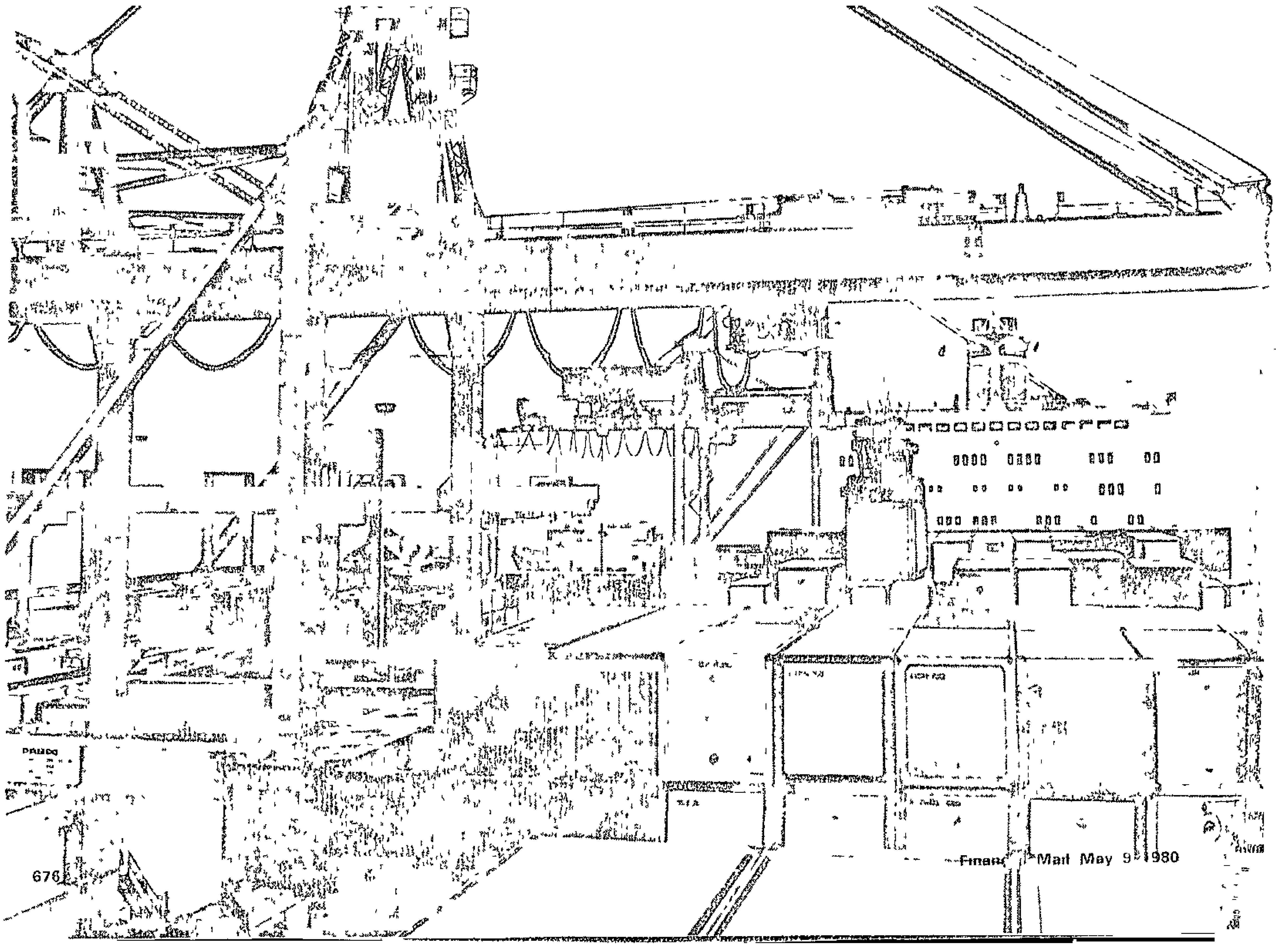
The report comments that profits from beer and liquor retailing were affected by non-recurring expenditure obviously relating to the acquisition of Intercontinental Breweries But with these costs out of the way and with competition in the beer industry eliminated the group should now be in a better position to achieve a more balanced growth between its liquor and non liquor interests instead of having to rely heavily on the latter as has been the case over the past few years

Apart from the sharp earnings improvement shareholders have scored from a reversion to the group's usual twice-covered dividend policy after an increase to 2,14 times in 1979 The result is that the dividend total is up 37,5% from 12c to 16,5c with the bulk of the increase coming from the 12,5c (9c) final

At Wednesday's closing price of 317c the share yields an historic 5,2% which is a fair bit above the existing industrial sector average Initial broker reaction to the results was that they were good enough to sustain the price but logically one would expect company such as this to have a premium rating



SAB earnings growth by the case-full



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Preliminary Results and

for the year ended 31 March 1980

COMMENT

Earnings

During the financial year to 31 March 1980 it is estimated that the monetary growth in private consumption expenditure was 17% In comparison with this Group turnover grew by 30% and earnings attributable to ordinary shareholders by R17 7 million to total R74 6 million representing a satisfactory improvement of 31% in earnings per share

This increase was brought about by higher earnings of R15 1 million or 73% in the Group s diversified interests R6 0 million or 27% in the beer and liquor retailing divisions less a reduction of R3 4 million or 24% in earnings attributable to the wine and spirits interests and arising mainly from the recent reorganisation of those interests

The profits from the beer and liquor retailing divisions were affected by certain non-recurring expenditure and the full benefits of rationalisation should materialise in the ensuing year

Dividend

In the light of the improved results and the Company s stated policy of paying a twice covered dividend it has been decided that the final dividend will be increased from 9 cents to 12 5 cents per share making a total for the year of 16 5 cents and representing an increase of 38% over the previous year

Future prospects

The buoyancy in the South African economy is expected to continue throughout 1980 and carry on well into 1981 This augurs well for the consumer goods orientation of the Group and accordingly further satisfactory increases in Group profits and dividends are expected in the forthcoming financial year

For and on behalf of the Board
F J C Cronje (Chairman)
R J Goss (Managing Director)

2 Jan Smuts Avenue
Johannesburg 2001
7 May 1980

FINANCIAL RESULTS

Consolidated income statements

The unaudited results of The South African Breweries Limited and its subsidiaries for the year ended 31 March 1980 are as follows

	1980 Rm	1979 Rm	Improvement %
Turnover	**1 770,0**	1 365 0	29 7
Operating profit before interest and taxation	**138,8**	103 3	34,4
Net interest paid	**21,0**	19 3	
	117,8	84 0	40 2
Taxation	**39,3**	31 2	
	78,5	52 8	48 7
Dividend income and attributable earnings of associated companies and foreign subsidiaries not consolidated	**21,3**	21 1	
Profit after taxation	**99,8**	73 9	35 0
Additional replacement cost depreciation	**1,6**	1 5	
Attributable to outside shareholders	**20,2**	11 6	
Preference dividends	**3,4**	3 9	
Earnings attributable to ordinary shareholders	**74,6**	56 9	31 1
Extraordinary items	**(0,9)**	(0 4)	
Ordinary dividends	**36,7**	26 7	
Retained earnings	**37,0**	29 8	24 2
Earnings per ordinary share (cents) (after additional depreciation)	**33,5**	25 7	30 4
Dividend per ordinary share (cents)			
Interim	**4,0**	3 0	
Final	**12,5**	9 0	
	16,5	12 0	37,5
Ordinary shares in issue (000's) (effective numbers on which calculations are based)	**222 405**	221 690	

Turnover rose 30% and taxed operating profit 49% . . . Earnings per share up 30% and dividends increased by 38% . . . Future prospects favourable . . .

Final Dividends

FINANCIAL RESULTS
(continued)
Consolidated balance sheets

	31 3 80 Rm	31 3 79 Rm
Ordinary shareholders equity	**399**	365
Preference capital	**49**	49
Outside shareholders interests	**112**	90
Total shareholders funds	**560**	504
Interest bearing debt	**277**	250
Total capital employed	**837**	754
Fixed assets	**600**	502
Current assets	**500**	458
Total assets	**1 100**	960
Interest free liabilities	**263**	206
Net assets	**837**	754
Gearing ratio		
Interest bearing debt to total shareholders funds	**0,49 1**	0 50 1

Accounting conventions
From 1 April 1979 the post acquisition results of associated companies not previously accounted for and certain foreign subsidiaries not consolidated have been incorporated in the financial statements on an equity accounting basis The effect of this change has been to increase earnings attributable to ordinary shareholders in the year ended 31 March 1980 by R2 1 million or 0,9 cents per share and had it been applied in the previous financial year additional earnings of R0 6 million or 0 3 cents per share would have been brought to account

The results of Cape Wine and Distillers Limited (formerly Stellenbosch Wine Trust Limited) have been dealt with in the consolidated income statements on an equity accounting basis Accordingly the 1979 comparative figures as previously published have been re-stated to present more fairly the movement in Group turnover and related operating profits No change has been made to the comparative balance sheet figures

Directors F J C Cronje (Chairman) R J Goss (Managing) C Carrington* C A Hall P K Hoogendyk D M Lubner Sir Albert Robinson* A M Rosholt J G van der Horst J G Ward F J L Wells K R Williams* *British

DECLARATION OF FINAL DIVIDENDS
NOTICE IS HEREBY GIVEN THAT on 7 May 1980 the Directors declared the following final dividends on account of the year ended 31 March 1980 payable on or about 4 July 1980 to Shareholders registered on 30 May 1980

Ordinary shares
A final dividend of 12 5 cents per share which together with the interim dividend of 4 0 cents per share paid on 28 December 1979 represents a total for the year of 16 5 cents per share (last year s total dividend 12 0 cents per share)

Preference shares
Final dividends calculated in respect of the six months ended 31 March 1980

Class	Nominal value per share	Dividend per share
6 2% cumulative	R2 00	6 2 cents
7 0% convertible redeemable cumulative	R1 00	3 5 cents
8 0% redeemable cumulative	R1 00	4 0 cents
7 0% cumulative	R1 00	3 5 cents

The foregoing dividends are declared in the currency of the Republic of South Africa Warrants in payment will be posted on or about 4 July 1980 to Members at their registered addresses or in accordance with their written instructions and will be despatched from the office of the transfer secretaries in Johannesburg to all payees except those to whom payment will be made from the office of the London Secretaries of the Company (Barnato Brothers Limited 99 Bishopsgate, London EC2M 3XE)

Any instructions which will necessitate an alteration in the office from which payment is to be made must be received on or before 30 May 1980

Payments from the office of the London Secretaries of the Company will be made in United Kingdom currency calculated by reference to the rate of exchange ruling on 23 June 1980 or at a rate not materially different therefrom

South African Non-Resident Shareholders Tax at the rate of 14 03% and United Kingdom Tax will be deducted from the dividends where applicable

The Transfer Books and Registers of Members in respect of the shares which are the subject of this notice will be closed from 31 May to 8 June 1980 both dates inclusive

By order of the Board
B C Waigel
Group secretary

2 Jan Smuts Avenue
Johannesburg 2001
7 May 1980

1980 SAB
THE SOUTH AFRICAN BREWERIES LIMITED

Giant new brewery for SAB

Sun Times (Bus. Times) 11/5/80

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By ANDREW McNULTY

SOUTH Africa's biggest brewery — one of the largest in the southern hemisphere — is to be built by SA Breweries at Rosslyn, near Pretoria, at a cost of more than R60-million.

When complete, it will produce 3,6-million hecta-litres of beer a year — more than the combined output from SAB's three coastal breweries

This was disclosed to Business Times in an interview with top SAB executives this week, after the group announced the most spectacular year-end results in many years

Managing director Dick Goss was confident of further "very satisfactory" growth in the current year

He also reiterated that SAB will honour its commitment not to increase beer prices until 1981.

The chief executive of the beer division, Laurie van der Watt, says the giant new brewery will be the first in a series of such projects that will be needed in coming years

"Very hefty investment in new beer capacity will be required," says Mr Goss

Tenders will be called for in the next three months and construction will start later in the year

The project will mean a further big boost to the liquor division's earnings prospects It will start contributing when production from the first module — to produce at a rate of 1,8 million hecta-litres a year — starts by the summer of 1982

The second module, a doubling up of the first, will be completed some three to four years later

More than 1 000 people will eventually be employed in the complex A total of 400 new jobs will be created for technical and operating staff in the first module and 200 in the second module This excludes distribution personnel

Finance will be provided from the group's substantial retained earnings and depreciation

The announcement was made after results that show

- Turnover up 29,7%
- Operating profit (before interest and taxation) up 34,4%
- A final dividend of 12,5c a share for a total of 16,5c, up 37,5%

Mr Goss points to several factors boosting optimism for the current year

Consumer demand has risen at a pace beating the group's expectations of only three months ago

Major growth areas are in consumer durables, furniture and tourism, in all of which SAB is well represented through OK Bazaars, Amrel and Southern Sun

The beer market is very

☐ To Page 3

RAND DAILY MAIL, Tuesday, May 13, 1980

Mr Colin Hall.

Mr Laurie van der Watt.

(182) RDM 13/5/80.

Changes at the top at SA Brews

Financial Reporter.

MR COLIN Hall has resigned as an executive director of South African Breweries "for personal reasons."

Two new executive directors have been appointed to the SAB board Mr Selwyn MacFarlane, formerly group financial manager, becomes executive director responsible for group finance and administration and Mr Laurie van der Watt, formerly general manager of SAB's beer division, becomes executive director responsible for SAB's industrial division, which embraces the manufacturing subsidiaries, Afcol and Shoe Corporation

These changes were announced last night by Mr Dick Goss, group managing director of SAB

A statement said that "for personal reasons, Mr Colin Hall, a group general manager and executive director of SAB, has resigned, but at the invitation of the SAB board will remain on the board in a non-executive capacity

"Mr Hall will also be available to group management in a consulting capacity until end August, 1980

"SAB's group central management has also been restructured through the creation of two other divisions, for which current executive directors are responsible.

"Mr Ken Williams, formerly executive director responsible to the group managing director for SAB's investments in brewing, the OK, and property, becomes the chief executive of the beverages division, which embraces brewing, retail liquor, and investments in wine and spirits and in the soft drinks industry, as well as retaining responsibility for the group's property investment portfolio.

"Mr David Lubner, formerly responsible for the group's investment in the furniture and footwear sectors, becomes chief executive of the retail and hotels division, bearing responsibility for SAB's investment in the OK, Amrel and Southern Sun Messrs Williams, Lubner and van der Watt will all report directly to SAB's group managing director, Mr Dick Goss

"Arising from the appointment of Mr van der Watt to the SAB board, the post of general manager of the beer division falls vacant Mr Ken Williams will act in this capacity until such time as a successor to Mr van der Watt has been appointed" — Sapa

GDM 13/5/84

Now — Kellerprinz in the box trend

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By SIMON WILLSON
Industrial Reporter

AUSTRALIAN technology is still a large feature in Stellenbosch Farmers Wineries' newly-launched flagship in the boxed "cask" wines, Kellerprinz, which came on to the market recently

The Kellerprinz range, which has already proved its worth in glass, will now be dispensed in five-litre tots from aluminium bags as the latest drink to be packaged in the increasingly popular "wine-in-a-box" form

But the bags and the valves which dispense the wine are currently being imported from Australia, where the cardboard "cask" wine containers were first introduced about 12 years ago.

Amalagamated Packaging Industries (API) are importing the materials from a company in Western Australia, ACI Liquitainer At the moment all the materials are imported, but within two months API hopes to manufacture the bags in South Africa from imported materials

Eventually the intention is for API to manufacture the valve in South Africa as well

The valve is really the secret of the whole boxing operation It was patented in the United States, and is named the Fattori valve It has no moving parts, and dispenses the wine without allowing air into the bag

SFW first went into boxed wines last year with the Autumn Harvest range, but this was regarded as a test run prior to the introduction of the more popular and market-proven Kellerprinz Tassenberg brands in boxes

The boxed Tassenberg first hit the shops — without publicity — on May 1 and sold 65 000 litres on the Reef in two days, breaking the 100 000-litre mark after four days and breaching 200 000 litres in six

LIQUOR FM 30/5/80

Spirit of the vine (182)

Oude Meester (OM) could launch a new white spirit in competition to Mainstay cane spirit as a result of the Wine and Spirits Amendment Bill at present before Parliament. The Bill will make it legal to market a clear grape spirit of the same alcohol content as brandy, gin and cane and may help drain the national wine lake which could swell even further from this year's bumper grape crop.

The new spirit is basically a *grappa*. But it should be a lot smoother than the fiery liquid which is sometimes dished out free to unsuspecting patrons of Italian restaurants because it will not, according to the KWV, be made from the last pressings of the wine. *Grappa* is drunk in Europe mainly as an after-dinner liqueur but is likely to be marketed here both as a liqueur and as a mixer.

Structure

If the liquor excise structure is anything to go by, chances are that it will be relatively lightly taxed to give it a retail price level with or slightly below the more cheaply produced cane-based spirit.

If it catches on as a mixer in the mass market, it will probably take business from cane-based white spirits and could go far towards keeping the wine surplus in check at present levels of production.

Industry informants outside the OM camp are not overly enthusiastic about market acceptance of the new product and OM is keeping its plans quiet. But rumour has it that OM could be tempted to use grape spirits to take a swipe at the huge market dominated by Stellenbosch Farmers Winery's (SFW) Mainstay cane spirit.

Challenging Mainstay would be a costly marketing operation and more than one brand of cane has already failed in the process. Doing so with a grape spirit would be even more difficult as consumers accustomed to cane may not take kindly to grape spirits. But it may be the only chance left to break the hold of cane-based spirits on the white spirit market and KWV is bound to give OM every encouragement in this endeavour.

The new Wine and Spirits Amendment Bill contains another provision which should not cause any grief to KWV. It aims to raise the minimum content of three-year matured pot distilled brandy (so-called rebate brandy) in SA brandies from 25% to 30%. Many brandy brands already use more than the present legal minimum, so this should cause only a marginal increase in sales revenue to KWV. It is unlikely to raise the retail price of brandy by more than one percent.

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DAY JUNE 3 1980

3/6/80 ARGUS

9,5 pc increase in wine crop likely

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Argus Correspondent

PAARL — The 1980 wine crop is expected to be 9,5 percent greater than the 1979 crop, the chairman of the KWV, Dr André du Toit, said at the annual meeting of the KWV in Paarl today

Favourable weather and the absence of widespread vine diseases had influenced the crop this season

With favourable market trends Dr du Toit foresaw no insurmountable problems with the handling of this large 1980 crop.

Speaking on the export market conditions Dr du Toit said that in its role as stabiliser of the wine industry, the KWV was obliged to enter and develop the export market to dispose of surpluses.

This development was highly successful and assured a perfect equilibrium for nearly 20 years

The export market, however, represented an outlet for less than 20 percent of the total wine crop The focal point of KWV's marketing efforts had been and always would be the local market

He was glad to report, however, that the estimated value of total exports increased from R5,7-million to R7,2-million Export of light wines alone increased by 30 percent

Canada with 54 percent and Britain with 20 percent were jointly responsible for nearly three-quarters of total KWV exports.

On local market conditions Dr du Toit said that in the main 1979 could be said to have started a growth phase. The most encouraging aspect of the local market was the sale of unfortified wines

According to excise returns there was an increase of 7,6 percent of 13-million litres The strongest growth was in high-priced wines which grew by 11,4 percent followed by low-priced wines with 7,3 percent and medium-priced wines with 5,3 percent The trend was continuing

Sales at the beginning of 1980 showed an encouraging growth rate compared with 1979 especially in South West Africa, the Eastern Cape and the Northern Cape, which could be ascribed to a revival of the market among blacks, said Dr du Toit.

WINE FM 6/6/80 (182)

Drink, drink. . .

The 1979 wine crop of 6,3m hectolitre was a crop the KWV paid for — but could not sell

A mere 2,8m/hℓ went as good wine and a massive 3,5m/hℓ (56%) was taken as distilling wine, much of which is still unsold The size of the distilling wine portion of the crop was unexpectedly high so the 27% "surplus" declaration was inadequate

According to KWV chairman Andre du Toit the 1980 crop will go close to 7m/hℓ, or nearly 10 Mt, but a surplus declaration of nearly 40% will ensure that the co-op will not be as stretched for cash as was the 1979 crop

(Perhaps it should be explained that the surplus is not really a surplus at all but ... rtion of the distilling ... ot be sold during the ... ppropriates this por- ... es it and disposes of

it as best it can The proceeds are later returned to farmers in the form of an *agtershot* because in the initial part of the wine-year they paid the minimum distilling wine price — R21 36 per hℓ this year — less the percentage of the surplus – 39 1% this year for a net advance payment of R13 per hℓ So, the bigger the surplus declaration the worse off they will be for the year unless KWV manages to get rid of the excess at a good price)

However, prudent action during the fat years when KWV established a bonus stabilisation fund has more or less saved the growers bacon because nearly R9 5m in deferred bonuses from the 1977 and 1978 crops will now be paid to them

According to the financial statement the 1979 year closed with a marginal surplus of R310 000 compared with R3 8m the previous year quite the worst performance most winegrowers can remember The distilling wine pool accounts closed with a loss of R3,3m (representing wine paid for which the co-op could not sell)

But things may be on the mend Last year exports went from R5 7m to R7 2m in which exports of table wine rose 30% with Canada (54%) and the UK (20%) emerging as the biggest buyers In the first four months of 1980 foreign sales of table wine rose three-fold compared with the same period last year

Big loss to small profit

Last year KWV s forays into the international commodity alcohol market yielded sufficient income to turn what was shaping to be a big loss into a small profit for the year

The co-op also hopes to do well this year with its new *eau de vie*-type grape spirit, of which 7m litres has been distilled for the home market and for export

The local market continues to show signs of picking up Last year disposals of table wine rose 7 6% with high-price wines showing largest increase (11,4%), reflecting consumers improved financial position Sales of fortified wine are still declining and last year slumped 24% below 1974 levels Finance Minister Horwood continues to resist the wine lobby's representations for a cut in excise duties

But on the other hand the Board of Trade has recommended, and government accepted, that the old differential duties on wine spirit and cane spirit be restored With cane discriminated against, it should once again become more attractive to make gin, vodka and liqueurs from wine spirit This is good timing, for gin sales rose 22% last year, vodka 7% and liqueurs 30% If wine spirit regains its former strength in this so-called grey market it could mean additional demand for about 3m litres of wine spirit valued at about R6,6m this year

Still on politics, KWV gave notice at its AGM in Paarl this week that it is going to put the squeeze on government to give full effect to last year s amendment of the Liquor Act by which the former 30% restriction on the granting of grocery wine licences in certain areas was removed

Earlier this year the Liquor Board received 88 applications for grocery wine licences in the Cape 34 were not in order or were withdrawn Of the remaining 54 not a single application was granted

FM 6/6/80

(182)

CAPE WINE/KWV

Why the difference?

A month after KWV Beleggings was listed, the market is still confused as to why the 7% participating prefs at 125c are trading at a 10c discount to the Cape Wine ordinaries In essence, the KWV prefs approximate the Cape Wine shares, which, arguably, means they should trade at the same price

KWV Beleggings, the quoted holding company of the combined 60% Rembrandt/KWV stake in Cape Wine, has 24,5m cum red part prefs and 1m ordinaries in issue — both of which are non-tradeable In addition, it has 16,5m tradeable 7% cum part prefs Effectively, each of these 42m shares is backed by a Cape Wine ord And as policy is to pay out distributable earnings (the dividend from Cape Wine) in full, after a small admin charge, each category of KWV share should trade at the same price as the Cape Wine ords

Profits from KWV are declared at a rate of 7% on the ords after providing for the prefs, the surplus is then divided in equal proportions between all shareholders Any arrears on the pref dividends are paid ahead of any other dividends Thus on the basis of Cape Wine's 8,25c dividend forecast for 1980-81, KWV expects to pay a dividend of 8,14c a share — the difference representing the administration charge

Cape Wine, the holding company of the Rembrandt/SAB wine and spirit interest, earned R30,8m in the year to end-March 1979 Since then it has changed to lifo accounting with the result that earnings for the six months to end-September 1979 amounted to R15,8m R13m was forecast for the second half The full year's results should be known in the next couple of weeks, but a total profit of R28m would mean earnings of 20c For 1980-81 the directors have forecast 16,5c earnings and a dividend of 8,25c based on a 50% distribution policy

There are, however, indications that the decline in consumption in some areas of the wine market has been halted and that there could be significant gains in the non-white market So, Cape Wine could earn up to 20c this year On this basis a dividend of 10c could be paid which would translate into a 9,9c payment on the KWV 7% part prefs Thus at 135c Cape Wine yields a prospective 7,4% and, at 125c, KWV 7,9% In view of the cumulative nature of the prefs, and the approximation to a Cape Wine ord, brokers argue there should be no price difference Hence the relatively heavy trade in the prefs compared with Cape Wine ords *Des Kilalea*

Cape Wine . . . signs of improving wine consumption

8/6/80 SUN TIM B:1 (182)

Cadbury Schweppes riding high

By ANDREW McNULTY

EXPANDING markets and better fortunes in raw material prices are boosting Cadbury Schweppes.

Other factors — bigger market shares and strategies for tapping the black market — are further improving prospects for this company, which has looked steadily healthier over the past four years.

After a slow first half of 1979, overall sales volumes have risen by more than 25% in the past 12 months

Bearing in mind that most sales normally occur in the second half, this pace could accelerate further later in the year.

Results for the six months to June, to be published in early August, will show earnings "substantially up".

This emerged from a discussion this week with the managing director, Neville Bain.

The R40-million-a-year group, 34% South African-held, produces soft drinks, chocolate, cocoa, and confectionery It is benefiting from several years of professional management

This has seen development of a corporate strategy, upgrading of resources; spending on direct media and quality control, training, including some 150 additional production staff this year; and higher morale, contributing to zero senior staff turnover in three years.

Cash generator

A 9,4% interest in Amalgamated Beverage Industries (ABI) has become a major cash generator

With improved cash flow from other divisions, the company has looked seriously at several takeover or merger possibilities, but will probably delay this until the demands of the growth phase are lessened

Capital of about R2,4-million will be spent in this year on production facilities and a further, like amount will be spent in the next three years

All areas are fairly price sensitive — particularly with sights on the black market — and strong efforts are being directed towards sales volumes

Market share of above 50% in the chocolate market, worth R86-million at retail level, has grown

High volume brands are being identified and, of new products, Bournvita and Star Bar are both expected to achieve over R1-million in sales this year

Reduced

Sales of slab chocolates fell about 40% after price rises following cocoa bean price hikes in 1975 These prices have risen some 17% in the past 18 months, but Mr Bain says they will not be increased again this year and could be reduced next year

The producers' price of cocoa was cut by 20% early this year and a further similar reduction is about to be made

The R270-million soft drink market, which Cadswep exploits via a 5% national market share — doubled in three years — and its interest in ABI, is also expected to grow strongly and has been found by an international study to be in the world top five among soft drink markets.

This market, like the R225-million sugar confectionery market of which Cadswep has about 6%, is expected to grow with the spending power of the black consumer while his taste grows more discerning — right up Cadswep's alley

The share has nearly doubled its earnings and dividend in the past two years The price moved from a low of 150c last year to Thursday's 375c for a historical yield of 6,1%.

The chairman forecast a 20% dividend lift in 1980 This outlook conservatively yields a prospective 7,4% compared with 5,5% for the sector — suggesting some steam yet in the price

JABULA FM 13/6/80 182

Recovering margins

Activities *Markets manufactures and distributes low cost foodstuffs and beverages (Bantu beer) mainly for the black market Has processing plants in Springs and Durban 77,5% owned by Premier Milling*
Chairman *A H Bloom*
Capital structure *1,3m ordinaries of 50c Market capitalisation R10,2m*
Financial *Year to March 31 1980 Net cash R2,3m Current ratio 1,9 Net cash flow R773 000 Capital commitments R25 000*
Share market *Price 800c (1979-80 high 810c low, 400c, trading volume last quarter, 5 500 shares) Yields 11,9% on earnings, 7,0% on dividend Cover 1,7 PE ratio 8,4*

	'77	'78	'79	'80
Return on cap %	43,4	38,2	25,8	33,8
Turnover (Rm)	*13,5	*15,3	15,2	19,9
Pre-tax profit (Rm)	1,71	1,85	1,34	1,92
Gross margin %	12,8	12,2	8,9	9,7
Earnings (c)	80,3	92,3	66,9	95,3
Dividends (c)	41	45	38	56
Net asset value (c)	310	364	393	432

*FM calculation

Though chairman Tony Bloom gives only a brief projection of near-term prospects it appears that Jabula is set for further solid turnover and earnings advances

Margins have still to recover fully from last year's set-back, but with black employment and earnings increasing, a steady advance should be possible over the next few years In part indicating management's views on likely turnover growth at year's end raw material stocks at R741 000 were 54,1% higher than the year-ago level of R480 000 Turnover advanced by 31%, while stocks of finished goods declined

With year end cash resources of R2,3m (R1,6m) the company can readily fund larger stocks at higher prices without resorting to significant short-term borrowings Management is confident that plant extensions can be funded internally

The same is probably true of the proposed new operation in Transkei while this year growth through acquisition is being sought Following last year's successful introduction of several new products – some of which replace imports a further broadening of the product range into higher margin goods is in prospect

Taking the prospective new developments in conjunction with expansion of existing operations and increased working capital likely to be tied up in greater stocks management is unlikely to opt for a lowering of dividend cover That does not imply that cover is about to be raised But investors who are holding the shares in anticipation of both earnings growth and lower cover should probably set their sights two years or so ahead

A dividend total of 65c seems well within reach this year placing the share on an attractive 8,1% prospective yield That however is somewhat academic as precious few shares change hands

9/6/80 Argus

600 tyre workers on pay strike

Argus Bureau

PORT ELIZABETH — Goodyear Tire and Rubber Company's plant at Uitenhage was closed at noon today when about 600 black workers refused to go back to work because of a wage demand

Public relations officer, Mr Mike Selley, said the closure of the plant until Monday at 7 am would also affect 300 black workers, who were due to work on a second shift today

The 600, who would not go back to work, were on the night and first day-shifts

Workers demanded a R3 an hour basic rate compared to the present R1,10.

When they would not elect a representative committee to negotiate, they were asked to leave if they did not return to work, said Mr Selley.

The Cortina assembly plant of the Ford Motor Company in Struandale, Port Elizabeth, closed because of a short supply of parts.

See Page 14.

SA Brews to spend R170m

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RDM 20/6/80.

By DAVID CARTE
Deputy Financial Editor

AFTER PUSHING up turnover 30% to R1 766-million, taxed profit 34% to R100-million and earnings a share 31% to 33,6c and spending a gross R142-million on expansion in the past year, SA Breweries plans to spend another R170-million in the current financial year and is budgeting for better profits in all divisions.

These are some of the highlights in Dr Frans Cronje's chairman's report which is full of records, optimistic forecasts and figures resembling telephone numbers.

The group last year spent a total of R142-million, mainly on extending SAB's northern breweries, funding expansion in Southern Sun Hotels and OK Bazaars, increasing Afcol's stake in Romatex and bolstering working capital by R55 900 000.

It reduced assets by R60-million in the liquor industry reorganisation, with the result that group net assets increased R82 300 000 to R836 315 000.

Another R120-million will be spent this year mainly on brewery expansion, completion of the Caledon maltings project, OK Bazaars expansion and Phase 2 of the Sun City complex In addition, working capital needs will increase another R50-million

Depreciation will provide R35-million of the R170-million required and the rest will be funded by retained earnings and borrowings. SAB's total interest bearing debt to shareholders funds was only 50% at the yearend compared with its self-imposed restraint of 60% and interest cover increased to 6,5

The latest results mean that SAB has increased earnings a share at 15% a year compound during the past decade and return on equity has improved from 9,8% to 18,8%.

Beer sales rose 20% in volume terms to 6 600 000 hectolitres last year, while beer profits rose 30% to R28 300 000 in spite of one-off costs related to the industry reorganisation. Capex in the beer division will amount to R80-million this year

Following the acquisition of Intercontinental Breweries and the reduced stake in wine and spirits through Cape Wine & Distillers, SAB must divest itself of all its bottle-store licences over the next 12 years

SAB is budgeting for sharply reduced wine and spirit profits in the year ahead In 1979 Stellenbosch contributed R14 400 000 to group profit. This operated within the SAB group for the first half of the year.

But only a third of its profits were brought to account in the second half after the reorganisation, with the result that wine and spirits last year contributed R11-million. Next year their contribution is expected to fall to R8-million. Soft drinks, Appletiser and Coca-Cola, brought in R1 400 000 All told, beverages brought in R42 600 000 against R38 400 000 - about 43% of the total against 52% in 1979.

Retail and hotels contributed an attributable R41 300 000 — 41% of the group total — compared with 36% in 1979.

OK brought in R19 100 000 against R14 700 000 — 19% of total attributable profit compared with 20% in 1979 — and Southern Sun weighed in with an attributable R13 700 000 (R8-million). This represented 14% of total profit against 11% in 1979.

The industrial division contributed R14 700 000 compared with R8-million — 15% against 11% Of this, Afcol contributed R13 900 000 against R6 100 000.

OK, Southern Sun and Amrel are all budgeting for "satisfactory" earnings growth in the current year

Southern Sun is to spend R10-million extending Sun City — an "overwhelmingly successful" venture — which by the yearend had cost R32-million, and R30-million on a 350-bedroomed hotel in central Cape Town

Building of the Cape Town hotel starts this year. It will be completed by 1983. Southern Sun is looking for a "satisfactory" increase in earnings.

While Afcol earnings "cannot be expected to increase at the same rate" as 1979, the stake in Romatex and a fair climate should ensure "good growth in earnings".

SA BREWERIES Fm 27/6/80

Profitaholic

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Activities: *Diversified liquor group with a monopoly of the SA beer industry and a 30% interest in Cape Wine & Distillers Subsidiaries include Afcol, Amrel, OK Bazaars, Southern Sun and Solly Kramer Main shareholders are JCI (19%) and Old Mutual (10%)*
Chairman: *Dr F J C Cronje, managing director R J Goss*
Capital structure: *222,4m ordinaries of 20c, 1m 6,2% prefs of R2, 42,6m 7% red prefs of R1, 2,5m 7% prefs of R1, 1,6m 8% red prefs of R1 Market capitalisation R734m*
Financial: *Year to March 31 1980 Borrowings long- and medium-term, R194m, net short-term, R76,4m Debt equity ratio 47,8% Current ratio 1,6 Group cash flow R125,7m Capital commitments R106,2m*
Share market: *Price 330c (1979-80 high, 342c, low, 120c, trading volume last quarter, 3,2m shares) Yields 10,3% on earnings, 5,0% on dividend Cover 2,1 PE ratio 9,7*

	'77	'78	'79	'80
Return on cap %	15 4	15 6	13 6	16 2
Turnover (Rm)	1 324	1 428	1 363	1 766
Pre-tax profit (Rm)	86 0	96 7	84 4	118 2
Gross margin %	8 1	8,1	7 8	8 1
Earnings (c)	21 7	23,7	26 3	34 0
Dividends (c)	9 5	11	12	16 5
Net asset value (c)	135	153	165	188

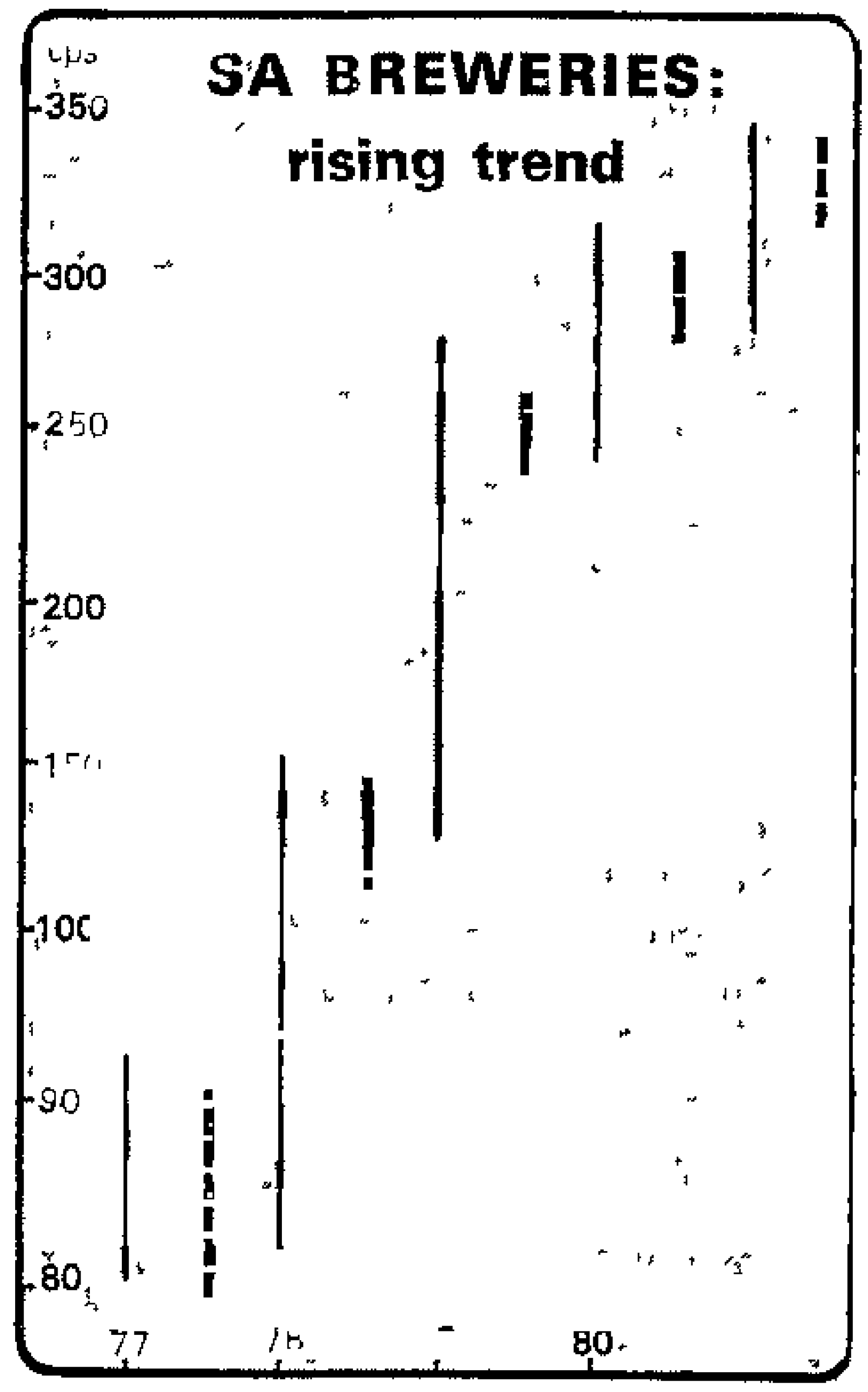
With consumer spending expected to remain buoyant until well into 1981, indications are that the SA Breweries group should at least be able to maintain last year's 29% earnings growth rate, with a commensurate increase in dividends

But at the same time, it also seems that the basic profit pattern of the past two years will continue, with non-liquor interests providing the major growth areas It could even be that the beverage sector's contribution to net earnings will drop below 50% of the total for the first time, despite the fact that in most of the non-liquor activities there are large minority shareholdings

Last year, the non-liquor side accounted for about 57% of group taxed profits (see table), but after taking into account minority interests — which mostly relate to companies such as Afcol, Amrel, OK Bazaars, and Southern Sun — the contribution to earnings was some R5,5m less than from beverages This year, however, if *FM* forecasts for the individual companies prove correct in aggregate, the position will be reversed with the non-liquor companies providing between 51% and 52% of net profits

This is not to say that the beverages sector will perform badly After negative growth relative to inflation over the past two years, it looks as if the profits from this division could improve by about 20% this year This compares with 11% in fiscal 1980 and is four times the growth rate of 1979

Main reason for this is that the current year is the first in which SAB will feel the full benefits of last year's rationalisation of the beer industry and the re-establishment of its monopoly position And while it is true that the group has undertaken



not to increase the wholesale list prices of beer until 1981, elimination of special discounts introduced at a time when it was necessary to protect market share will increase sales revenue This provides a measure of protection against rising production costs

Chairman Dr Franz Cronje, says the group is looking to a somewhat higher rate of growth in beer sales this year than 1980's 20% volume increase He further expects that beer profits will continue to improve at a rate faster than the growth in sales volumes, which reflects the productivity benefits of a higher sales base

Working on a 25% increase in sales volume, beer profits could thus show an improvement of around 35% to R38m after tax (R28,3m) — five percentage points better than last year's growth rate. Against this, however, other effects of the liquor industry rationalisation are less favourable in particular the 27% reduction expected in income from wine from R11m to R8m now that Stellenbosch is out of the group, after a 24% decline last year Then there will be a probable standstill position for Solly Kramer which will start to dispose of outlets in line with requirements that both SAB and Rembrandt divest themselves of their retail liquor interests

Overall, it is probable that there will be a net decline in beverage sector profits other than beer, hence the projection that

SAB . . . beer monopoly leading to further growth the sector as a whole will show an improvement of little more than half the gain expected from beer

Nevertheless adding to expected contributions from non-liquor interests the total taxed profit of the group should be in the region of R128,5m this year a 29% improvement on the 1980 figure. After allowing for additional depreciation on revalued assets minority interests and preference dividends some R98m would be left for

PROFIT PROFILE

Taxed profits before minority interests

	Estimated	Actual	
	Rm		
	1981	1980	1979
Beverages ..	50,0	42,6	38,4
Afcol . ..	20,5	13,9	6,1
Amrel .	11,5	8,5	4,0
OK Bazaars	25,0	19,1	14,7
Southern Sun .	18,5	13,7	8 0
Other	3,0	2,1	2,7
Total . .	128,5	99,9	73,9

equity equivalent to 41c a share against 34c previously. In terms of the policy of distributing about half of earnings the 1981 payout should thus increase from 16,5c to about 2?c

This puts the share at 330c on a prospective dividend yield of 6,?% somewhat ahead of the industrial sector average. It will therefore remain attractive to long-term investors even though some of the subsidiaries offer better growth prospects for the current year

Brian Pottinger

LIQUOR FM 11/7/80 (182)

House scotched

The major reshuffle of the liquor industry at the end of 1979 has paved the way for the re-alignment of several brands, and more might be on the cards

Most important of these changes has been the decision by the UK Scotch Whisky giant, Distillers Corporation (DCL), to deprive Superior Imports, associates of Rennies-owned Douglas Green of Paarl, of their John Haig agency from August 31, and to replace it with the Black & White brand, sales of which are a third smaller than Haig's

Haig goes to join several of the other major names in Cape Wines and Distillers (CWD), the new company created from the merger of SAB Rembrandt and KWV wine and spirit interests At this stage nothing has been done to provide for Union Wine former agent for Black & White who now finds itself without a major whisky brand Conversely no one seems greatly concerned by the increased dominance of CWD

The new arrangements strengthen the already unassailable position of CWD in the liquor industry It now enjoys part and or full agencies of Bells, White Horse Johnnie Walker Ballantines Chivas Regal and Haig among the imported Scotches as well as the production and distribution of Three Ships the most important of the local blends

In view of the fact that Johnnie Walker, Haig White Horse and Black & White are all DCL brands there has been a certain amount of speculation as to why DCL would increase the number of eggs presently held in the CWD basket

The top five

There could have been no question of dissatisfaction with the performance of Superior Imports and associates Douglas Green as Haig agents under their guidance the brand has remained consistently in the top five of the proprietary Scotches frequently in the number three position

With an estimated 5,6% of the total whisky market its annual case sales are in the region of 70 000 In addition Dimple Haig is probably the top-selling premium brand in the country turning over more than 15 000 cases annually

Said Alex Horwitz joint MD of Superior Imports and also of Douglas Green We regret having to relinquish Haig but we believe we can re-establish our position with Black & White He would not comment further

His new Black & White agency, with a market share of 3,6% and an estimated annual case lot sale of under 50 000 will represent an initial loss of revenue over that enjoyed through the sale of Haig Besides the commissions paid on the importation of every case of the proprietary brand there is the loss of commission on the far more profitable Dimple The initial difference in commission revenue to Superior Imports will be in the region of 40%

The past performance of Superior Imports as agents suggests it will substantially increase market share for Black & White though it can hardly have been impressed with the loss of its investment in marketing

DCL export director David Kerr, told the *FM* from London that he had no comment to make Our operating companies make their own decisions and I suggest you speak to the people at Haig "

Haig MD, Michael Henderson said from London that it was decided to go in with Stellenbosch because those chaps have a penchant for marketing

When it was put to him that there could hardly be complaints about Superior Imports marketing abilities he said Yes we were extremely happy with them but we decided in view of future expansion that it would be better to go in with Stellenbosch Asked if he was happy with the decision he replied We have to be happy with our decisions He denied that DCL had played a part in the decision

His non-committal stance gives force to claims by *FM* sources that there was obvious embarrassment on the part of DCL in implementing the new arrangements suggesting that it was subjected to pressures from CWD

At this stage it is not clear what force CWD strongman Gys Stevn, could possibly have exerted over DCL With only White Label and J & B of the major brands not in its camp, CWD was, if anything, top heavy and in need of a little agency reshuffling itself

Stevn was unavailable for comment on the two occasions the *FM* contacted his office An assistant said there was no comment to be made at this stage 'because it was still early days

Meanwhile Jan Pickard's Union Wine operation seems more emasculated than ever Without Black & White it has no spirit brand of any reputation, and must subsist entirely on the sales of Bellingham It seems only a matter of time before the company will not be in a position to ignore the offers from the wings Perhaps the speculation that the CWD is waiting for that time is not so idle after all

Superior's Horwitz . . .
Black & White agency

Fm 18/7/80

CAPE WINE

On target

182

Cape Wine & Distillers (CWD), product of the merger of the wine and spirit interests previously held by SAB, Remgro and KWV, has achieved its forecast for the six months to end-March The Rembrandt-managed company is further predicting that current demand for the company's products could leave earnings for the financial year to end-March 1981 higher than the R23,1m predicted in the company's prospectus And despite the 90% shareholding by SAB, Rembrandt and KWV, there has been lively interest in the remaining 10% available to the public

Turnover figures for the six months remain undisclosed and the market share held by the company is also unavailable But CWD's recent acquisition of the Haig agency has increased its dominance in the whisky sector, a position it already holds in the markets for other spirits and wines

Pre-tax profits for the first six months to end-March (the first reporting period since CWD's establishment) were R27,1m, reduced to R20,7m by a R6,4m Lifo adjustment Due to capex allowances, the tax rate was 36% and resulted in earnings of R13,2m, marginally above the R13m prospectus forecast And in line with stated policy of paying out 50% of earnings, a dividend of R6,6m was declared, equivalent to 5,2c per share on 126m shares Since March 31, however, the number of shares in issue has been increased to 140m following the issue to outside investors

The shares, which were offered to the public at 115c, came onto the JSE on April 30 at 135c Despite a 3,5m turnover during May and June, representing 25% of available shares, the price has moved up only 5c to 140c where it looks well-pitched until further performance yardsticks become available

Financial Mail July 18 1980

Although management is not specific about the degree to which this year's earnings will exceed the R23,1m forecast, the current consumer spending trend should continue to rise steadily At this stage it may be safest to assume that 8,25c will be paid, putting the share on a prospective yield of 5,9% compared to the 4,7% sector average

Fiona Halse

Liquor industry to wait and see

RDM
25/7/80

By JAYNE LA MONT

THE liquor industry is adopting a "wait-and-see" attitude after the announcement by the Minister of Health, Dr L A P A Munnik, that he will be investigating the question of alcohol abuse in South Africa

Sources in the industry said yesterday the Ministers' statement on Wednesday did not make it clear what steps he intended to take to curb alcoholism

In his speech to the East Rand Association of the South African National Council of Alcoholism, Dr Munnik said he had attended several matches between the Springboks and the Lions and had been disturbed to see the the number of people under the influence of drink

He said he would be asking his department to submit a memorandum to him on the problem of alcohol abuse, including the alcohol content of all drinks If, after the report, it became evident that steps were needed, Dr Munnik said he would take them "for the future of our county"

A spokesman for South African Breweries said yesterday he was surprised the Minister had made particular mention of beer

The spokesman said "Beer in South Africa has an alcohol content of between 4% and 4,5% On an international scale, the alcohol content of beer varies between 3% and 8%, so we are very low on the scale

"Of course, any help we can give the Minister, we will be only too glad to offer We do not propogate the misuse of alcohol The misuse of our product is a health and welfare problem, but any help we can give is avaailble," he said

A spokesman for Stellenbosch Farmers' Wineries said the company had no comment

"We are still looking at the speech," said the spokesman

Other liquor companies contacted yesterday also refused to comment

FM 1/8/80

WINE EXPORTS

Great lakes

182

SA's wine lake may be as high as 400m ℓ, but efforts to run it down before the 1981 crop is pressed have been complicated by huge accretions to European wine stocks

According to the UN Food and Agricultural Organisation's wine report, issued in Rome, EEC stocks have grown this year from 7,38 billion ℓ to 8,59 billion ℓ as a result of a community crop of 16,6 billion ℓ last year

This is about 2 billion ℓ more than the community can consume or export Prospects for the 1980 European crop are mixed at this stage The Italian crop, which will be ready for harvest in about two months' time, shows promise of being another heavy one But protracted spells of cold, wet weather in France and Germany may adversely affect yields of northern producers

There are fears in Europe that another fat crop in the EEC, to which must be added expected bountiful harvests from Spain and Portugal, will raise tensions among European farmers and add to pressure on the EEC Commission to keep out third country imports of products of the vine

In an effort to run down part of the 1980 lake, the common market authorities were planning to burn off about 900m ℓ of the 1979 crop into industrial alcohol which is to be sold on Europe's synthetic alcohol market In order to accommodate the additional volumes on the so-called open alcohol market, the EEC Commission has amended the community's alcohol regulations and enlarged the reserved sector of the market from 4,4m hectolitres to 5,6m hectolitres which now compete with alcohol produced by oil refineries In order to do so, the commission will subsidise wine growers to the tune of R150m

Quality wine exports

With so much wine about, KWV's efforts to sell off part of the domestic surplus in the European commodity alcohol market (at about R2 125 t) may be difficult

Meanwhile prospects for SA exports of quality wines remain buoyant Demand for these wines in Britain and Europe is firm despite EEC protection because they represent some of the best value for money of all medium-priced wines offered in Europe The problem for SA growers, however, is that this represents a small proportion of the total crop probably no more than 3%

Hopefully the success achieved by exporters of SA class growth wines will inspire more growers to upgrade their vines

Remgro in R100m energy, metals drive

RDM 2/8/80

By DAVID CARTE
Deputy Financial Editor

AS PART of a huge diversification drive, Rembrandt Group, in partnership with an unnamed European group, has established a R100-million off-shore commodities-based investment company.

This is revealed by the annual report released today.

The new company has spent R100-million on geographically spread and diversified portfolio investments in metals, minerals and energy Of this, R48 300 000 was spent after the year to March 31

The report does not say so, but Rembrandt watchers said the new company was established with the proceeds of the sale of Rothmans Canada last year

Remgro also invested R78 500 000 in South Africa last year

Its biggest SA investment was the R41-million it spent following its rights in the Federale Mynbou issue In March, Remgro acquired a 20% interest in Total SA for R16-million

It spent R6 300 000 following its rights in the Volkskas issue and its 20% interest in Legal & General Volkskas cost R5 800 000

In February, the group entered a joint chemical manufacturing venture with Henkel KGA of West Germany Its share of this 650-man, two-factory operation cost R9 400 000

Much of this domestic capital expenditure was financed by the net cash inflow of R79 500 000 arising from the reconstitution of the liquor industry

For the first time Remgro gives an asset and profit breakdown, which shows the extent of its diversification out of liquor and tobacco

At the yearend, 57% of capital employed was in tobacco and liquor, 12% in mining, 13,5% in liquid funds and 15,6% in other interests

The profit contribution from tobacco and liquor fell from 84,4% in 1979 to 72%. This happened even though liquor and tobacco profits were 8% better at R84 500 000

Mining's contribution rose from 10,5% to 13% and liquid funds' from 5% to 10% This trend away from tobacco and liquor towards mining and energy is expected to be even more marked next year

In the year to March, in spite of the strength of sterling and the rand, Remgro pushed up pre-tax profit 28% to R97 623 000 A slightly lower tax rate, enabled taxed profit to rise 31% to R76 891 000

Thanks presumably to the £18-million — or 18% — drop in profits of Rothmans International, which is not mentioned in the annual report, income from associates fell 7% to R40 688 000

Income of subsidiaries sold during the year was R3 188 000 compared with a loss of R5 388 000 in 1979

The upshot was that attributable earnings rose 27% to R118 670 000, while earnings rose in line from 179c to 227,3c a share Earnings excluding associates were 57% better at 149,4c (95,1c)

The stronger rand and pound had the effect of reducing total reserves by R30 300 000, whereas in 1979 it increased reserves by R19-million Exchange rate changes knocked R4 800 000 off pre-tax profits In 1979 they benefited profits to the tune of R1 700 000

Capital employed, excluding current liabilities, at the yearend was R835-million, of which R750-million, or 90%, was shareholders' funds

Rembrandt Controlling, Technical Investment Corporation and Technical and Industrial Investments all depend entirely on Remgro for their income and their performance and prospects mirror those of the operating company

COMMENT: Remgro is fast changing its nature, switching from the increasingly frowned-upon and regulated "dying habits" of smoking and drinking for the "now" sectors, commodities and energy.

The super-secretive group is even becoming slightly more forthcoming with information.

All these things are positive for the rating. So is the likelihood that sterling will weaken in the year ahead.

The bad news could be recession overseas and a stronger rand Whatever happens the well-covered dividend is guaranteed to grow respectably over the medium term, so all the Rembrandt shares are reasonable value in a rather expensive market

Cadswep turns on that schweppervescence

(182) (186) RDM 5/8/80

By HAROLD FRIDJHON

MEASURED against last year's first half performance, Cadbury Schweppes has turned in a spectacular performance for the 24 weeks ended June 14, 1980 with earnings 252% higher and the interim doubled from 5c to 10c.

In their interim report, the directors say the dividend was raised "to recognise the improved results and the directors' intention to reduce the disparity between the interim and final dividends"

Turnover for the half year rose from R13-million to R18-million, a 38,4% improvement but operating profit went up from R827 000 to R2 300 000, which is a leap of 278%

Taxed profit was R1 480 000 compared with R587 000 which made earnings of 29,2c a share against 11,6c

COMMENT: The potential for the full current year can best be gauged by comparing this first half's results with last year's second half.

Turnover last half year was R23 500 000 — and this included the Christmas trade — making R36 600 000 for the full year.

Pre-tax profit in the second half was R4-million, with R4,8m for the full year and earnings a share were 54c against 65,6c for the full year.

If one were to gross up the earnings for last year's second half with this year's first half — and this would be a gross under stating of the outlook because the directors expect favourable trading conditions to continue through the current year and the second half is the big earner — the least earnings a share one could expect for 1980 would be 83,2c.

Last year earnings were 65,6c from which dividends amounting to 23c were paid. This means that the least the final this year should be is about 20c, making 30c for the year.

It will probably be more, which means that that 5c raise in the interim as an increase and a reduction in the disparity between interim and final looks as if the directors are either over-cautious or somewhat niggardly.

Cape Wine on target

(182)

RDM 7/8/80

Deputy Financial Editor

CAPE WINE and Distillers met the forecast made in its prospectus in the six months to the end of March, and with demand for wine and spirits healthy, expects to do the same in the year ahead, says the chairman, Dr Andre du Toit, in his annual report.

Pre-tax profit in the first half-year of the new company's existence was R20 704 000 after a R6 429 000 lifo stock provision A tax rate of 36% left a taxed atributable profit of R13 214 000 or 10,5c a share

Dr Du Toit warns that because of the seasonal nature of the wine and spirit industry, profits do not accrue evenly through the year. Next year attributable profit is expected to be R23 100 000, or 16,5c a share, about half of which will be distributed as a dividend

Cape Wine came into being with the merging of the wine and spirit interests of SA Breweries, Rembrandt-Oudemeester and KWV It is owned 30% each by those companies and 10% by the public

One of the conditions of the merger was that SA Breweries and Oudemeester should get rid of their retail outlets over a period Dr Du Toit calls for this separation of the wholesale and retail function to be expedited.

Dr Du Toit says the past season's wine crop was of good quality and should be sufficient to meet significantly increased demand After declining for a number of years, natural wine sales last year rose 13,2% by volume This was thanks to improved quality and the "tap-vat" packaging innovation.

The white spirit market also recovered appreciably recently after a sharp decline over the past few years Fortified wine sales declined, but Cape Wine companies retained market share and this market should show positive growth

Dr Du Toit warns that growth in the brandy sector could be severely curtailed if excise duties are increased

COMMENT: The six months under review incorporated the festive season, but in view of the turnaround in demand for wine and spirits the 16,5c forecast for the full year ahead does seem cautious. This would suggest at least an 8c dividend, which puts the share on a 5,2% yield. The market seems to have judged that Cape Wine will do better than indicated.

CAPE WINE (182)

In good spirits

FM 15/8/80

Activities: *Investment company whose subsidiaries manufacture and distribute wines and liquor Established through the regrouping of the wine and spirit interests formerly controlled by Rembrandt and SAB, into holding companies Oude Meester, SFW and Henry Tayler & Ries*

Chairman *A J du Toit, managing director P G Steyn*

Capital structure *140m no par value ordinaries Market capitalisation R217m*

Financial *6 months to March 31 1980 Borrowings long- and medium-term, R72,9m, net short-term, R37,1m. Debt equity ratio 83% Current ratio 2,2 Capital commitments R16,5m*

Share market *Price 155c (1980 high, 160c, low, 126c, trading volume last quarter, 5m shares) 6-month earnings (c) 10,5 6-month dividend (c) 5,2 Net asset value (c) 105*

A prospective 5,6% dividend yield reflects the market's high rating of Cape Wine a company backed by experienced management and geared to benefit from the economic upswing It could also be that investors have noted the growing role that wine and spirits are playing in their lifestyle and conclude that such a trend on a national scale must bode well for the company's earnings

The company has released details of its first six months of trading, but even before these became available, the share price had moved up steadily since its listing last December There could be two reasons for this Either the market has had faith in the company right from the start, being an offshoot of the two monoliths SA Breweries and Rembrandt Or else the 5m shares traded over the past three months, representing more than a third of the 14m available to the public, can be taken as an indication that there are too few marketable shares to meet demand

But the most likely factor is the company's performance It slightly bettered its earnings forecast of R13m (10,3c) for the six months to end-March, and is forecasting earnings of 16,5c per share for the current financial year

Chairman Andre du Toit, last week elected chairman of the Volkskas group, has presented a prosy but not very informative report dealing essentially with the broader environment in which the company operates He does, however, expand on the company structure — the wine and spirit interests are vested in three separate holding companies, Oude Meester, SFW and Henry Tayler & Ries, which operate independently and in competition with one another

Prospects for each of these "divisions" are encouraging. The increasing trend towards wine-drinking, indicated by a 13,4% increase in national consumption for the 12 months ended March 1980, was boosted, says Du Toit, by "the continuing improvement in quality and the breakthrough made by the packaging innovation of the tapvat"

Brandy sales have remained fairly constant and Du Toit warns that growth in this sector could be severely curtailed by excessive taxes The white spirit market appears to be reviving and although the market for fortified wines has shown a declining trend, the company has in fact increased its market share Export markets for all products are to be actively pursued in the current year, backed by Du Toit's experience in this field

On the financial side, Du Toit points out that the seasonal nature of the liquor industry is not conducive to evenly accrued income during the year But even though he appears to warn shareholders against expecting the 10,5c earned over the 1979 Christmas period to be doubled this year, there is little doubt that this Christmas will be another bumper one for retailers

On this basis, earnings of at least 18c per share are possible, translating into a 9c dividend with company policy of a 50% payout Hence the promising 5,6% prospective yield

Fiona Halse

183

128 workers fined for illegal gathering

EAST LONDON — One hundred and twenty-eight, former NCI workers were found guilty here yesterday of holding an illegal gathering outside their factory

They were each fined R20 (or 20 days)

The magistrate, Mr N R Oosthuysen, said in his opinion the workers had contravened the Riotous Assemblies Act when they gathered outside the factory on July 11

Three days earlier, they had walked out of the plant after management dismissed nine members of the South African Allied Workers Union

Mr Oosthuysen rejected the defence claim that they had gone to collect their pay — all three State witnesses told him the men were instructed to fetch it at 2 pm that day, not at 7 am

He also rejected a statement to this effect handed in by their legal representative, Mr Griffith Mxenge, as it was not signed by all the accused and had the wrong date

"It was obviously drawn up with great haste and is of no probative value," he said.

None of the men had testified, so the only evidence he had came from the State witnesses, which he accepted

By gathering in the road outside the factory, they had prevented free access and blocked traffic

"But that was not their only aim," he said

"They also had a common purpose of trying to negotiate with management and to possibly put them under pressure"

The workers were guilty of an offence under the Riotous Assemblies Act, he said, for holding an illegal gathering outside the factory

The defence attorney, Mr Griffith Mxenge, asked that the men be cautioned and discharged, and claimed the man behind all the trouble was Captain Phillipus Olivier of the Security Police

"I am told you go from factory to factory telling the employers they must not recognise SAAWU," Mr Mxenge said

Captain Olivier denied this and said he could not tell all the factory managers which union to accept and how to react to their claims.

Captain Olivier had been called by the State prosecutor, Mr Willie Opperman, to tell of his experiences on the labour beat in this area

There had been six strikes since June, he said, and all centred around trade unions trying to compel management to take certain action

The strikers often gathered outside factories and prevented work-seekers from entering

"I am afraid this might lead to confrontation between strikers and work-seekers," Captain Olivier said

"Strikers feel they can force management to recognise them by keeping work-seekers out"

Mr Oosthuysen said a R20 fine or 20 days imprisonment was a satisfactory sentence

The workers, who were released on bail when they first appeared in court, were paid R10 of their R30 bail after the fine was deducted

They are Mr Moffat Ndlela 32 Mr Walter Kate 25

Mr Bensent Goda 00 Mr Mlindeli Reuben Siselana, 22 Mr Zola Richmond Nyaniso 22 Mr William Makeleni 26 Mr Petrus Saiman 24 Mr Albert Mazomba 22 Mr Martin Kupiso 22, Mr Wilson Jwili 20 Mr Mzingisi Norman Maku Makuzeni 23 Mr Andile Augustine Notshati 22 Mr Ashton Kili 25

Mr Mongezi Siyo 25, Mr Luvuyo Somtsewu 25 Mr Welcome Dikana 31 Mr Sonwabo Mbekeni, 27 Mr Welile Nxonono 29 Mr Samuel Geswind 29 Mr Cyril Cakata 62 Mr Nqekeza Bom 32 Mr Michael Siko, 37, Mr Cameron Ngudle 20

Mr Herbert Jadi, 40 Mr Lungstine Ngcwangu 24 Mr Bloem Mjilana 44 Mr Tonnyson Ndungane 15 Mr Ernest Dinjwa 26 Mr Headman Mayekiso 43 Mr Bonakele Mazwayi 21 Mr Samuel Ntsakana 20 Mr Mzwanele Futshani 23 Mr Lawrence Ngcukana 20 Mr Howard Mlindi Qoboza 66

Mr Alfred Bambelo, 23, Mr Edward Yapi 40 Mr Jacob Hewu, 20 Mr Nkonke Dukisa 36 Mr Mitchell Saiman 27 Mr Sophitsho Rani 29 Mr Ndyebo Ketelo 21 Mr Lawrence Laka, 21 Mr Promise Diko 29 Mr Leonard Gontwe 27 Mr Manduleli Ngaka 24 Mr Sidwell Gijana 24 Mr Benjamin Mnyute 34 Mr Mlandeli Matonise, 21 Mr Eric Yose 42

Mr Thami Banjwa 40, Mr Merriman Nohai 28 Mr Mzimasi Xobongo 23 Mr Alphius Gwadana 35 Mr Matthews Suntele 33, Mr Mthunzi Sikhaka 30 Mr Mpumelelo Kupiso 27 Mr Mhlangani Gxekilali 25 Mr Mota Katse 32 Mr Walter Kase 20 Mr Thembinkosi Qongq 25 Mr David Ntshoza 23

Mr Richard Gijana 40 Mr Michael Nqoma Mr Sandisile Vika, 25 Mr Alfred Gqweta 40 Mr Desmond Hanabe 42 Mr Wellington Rifani 20 Mr Sithembele Mabula 23 Mr Michael Mbutuma, 26 Mr Ndonozolo Kwelimfene 44, Mr Christopher Miseli 40 Mr Sonwabo Mbangi 30, Mr Nkululeko Mlunguza 22 Mr Joseph Nonzinyana, 26 Mr Terry Dameni, 21 Mr Lunga Mahlanvana 21

Mr Nkosi Nkohla 39 Mr Stoto Kilani 22 Mr Mvuka Gcaza 10 Mr Lazarus Matsila 24 Mr Willie Jwili 82 Mr Gilbert Mayekiso 25, Mr Willie Matyolweni 23, Mr Richard Boshula 23 Mr Boy Msongelwa, 52 Mr Wilson Nguta 40 Mr Makapula Tora 29 Mr Ntsikelelo Nqoloba 50 Mr Freeman Mcaka, 24

Mr Madoda Qelo 34, Mr Ndoda Daniso 38 Mr Lindela Jadezweni 27 Mr Mgoso Diko 38 Mr Ephriam Sekhalo 38 Mr Meshack Ndaliso 21 Mr Hamilton Fikizolo, 38, Mr Isaac Gqirana 38, Mr Maxinoy Best 40 Mr Matthew Plaatjie, 47, Mr Robben Mofodi 42 Mr Daniel Kombela, 20 Mr Otto Tokwe 26

Mr Kholisile Ndleleni, 20, Mr Banele Godlo 23 Mr Mongezi Makoa, 24 Mr Bernard Ketelo 35 Mr Johnson Mbembo 34 Mr Elliot Sintame 36, Mr Hamilton Dikana, 34 Mr Zollie Kilana 42 Mr Stanley Sofute 22 Mr Maxwell Duma 24 Mr Sampu Dunjwa, 29 Mr Alfred Daniso 20 Mr Temba Dukisa 30

Mr Mninimzi Gxwali 33 Mr Darrington Matowane 20 Mr Preston Nyila, 24 Mr Maxwell Mzini 39 Mr Trayitshite Tsewu 32 Mr Leonard Makala 42, Mr Lumanekile Tona 25 Mr Melvin Gotyana 24 Mr Albert Magadleta, 23 Mr Clerington Hoho 36, Mr Motuwashekhaya Ngceba, 52 and Mr Sydney Mbuyazwe 40 — DDR

Pickard shoots for supremacy in liquor sales

Big plans to boost retail outlets

24/8/80 SUN TIM (B.T.)

182

By PENELOPE MORGAN

MORE millions are to be raised by Picotel and Union Wine to pay for wide-ranging new moves by the Picardi Group to advance by stages towards supremacy in the R900-million a year liquor retailing business.

The money will be drawn from rights issues being planned by both companies for their shareholders

Jan Pickard, chairman of the Picardi Group, confirmed to Business Times this week that two major Picardi Group companies would shortly be announcing plans to broaden their capital base to provide funds for the purchase of 75 new stores.

He would not disclose full details of the issues but he revealed that they can be expected within some six weeks

He also noted that, combined, the issues will need to raise sums running into at least eight figures

Meanwhile, since Pretoria's November 13 directive to rationalise the liquor trade, other leading liquor retailers — SA Breweries Solly Kramers and Remgro's Western Province Cellars — have between them *sold off* 28 stores, mostly to private individuals

Before November, Solly Kramers and Western Province Cellars owned a total of about 430 retail outlets for liquor supplied by the respective parent companies

At that time, Picotel controlled only 55 retail outlets, of which 30 were bottle stores and 25 off-sales outlets

Now the two corporate giants are being brought down to size by officialdom, while the Pickard Group is taking up the slack

Mr Pickard denies that his company has received preferential treatment or that his group was allowed the extra 75 stores as a "payoff" after the momentous November 13 restructuring of the liquor industry

In terms of the re-structuring, SAB and Remgro, whose wholesale arms hold an estimated 90% of the market, have each to shed all but five of their retail outlets over the next 12 years

Both have already fulfilled this year's quota But it will take about eight years before they reach the level (30) at which Union Wine now stands

Putting Union Wines' current position in perspective, Mr Pickard explains "When Oude Meester was formed, it was originally entitled to buy 107 stores but in fact acquired 250

"After an application to buy a single bottle store in Bloemfontein had been turned down I complained to Justice Minister Schlebush that the situation was unfair

"Oude Meester was overstepping the mark by 143 stores while we were denied access to even one store.

"About three months before the November mergers we were told that we could buy 75 stores if SAB was given a minority stake in Union Wine but the mergers were announced before this could be achieved."

Dick Goss, managing director of SAB, explains the reasons for the restructure "Last year the industry was in turmoil because of aggressive price action on the part of some merchants, especially in the beer market, which in the longer term got them into difficulties

"The cut-price beer caused wine sales to plummet and this further aggravated the situation The current restructuring is essential "

SAB maintains a stake in the retail trade through its 49% slice of Gilbeys, which retails through Rebel, and through its 30% holding in the new Cape Wine and Distillers

EXHIBIT 7.1

(Adapted from: D.S. Barrie and B.C. Paulson, Professional Construction Management (New York, McGraw Hill Book Company, 1978) p. 274)

THE PROCUREMENT CYCLE

1. Identification or recognition of the need during design or estimating.

2. Determination of the design characteristics required to perform the desired function.

3. Quantification of the elements needed and preparation of procurement specifications.

4. Issuance and processing of internal requisition.

5. Solicitations of bids or price quotations.

6. Receipt and evaluation of proposals.

7. Issuance of purchase order, subcontract or lease.

8. Vendor's or subcontractor's preparation and submission of drawings or samples.

9. Review and approval of shop drawings by contractor, architect, engineer or project manager.

10. Fabrication by vendor or subcontractor.

11. Tracking and expediting.

12.

13.

14.

15.

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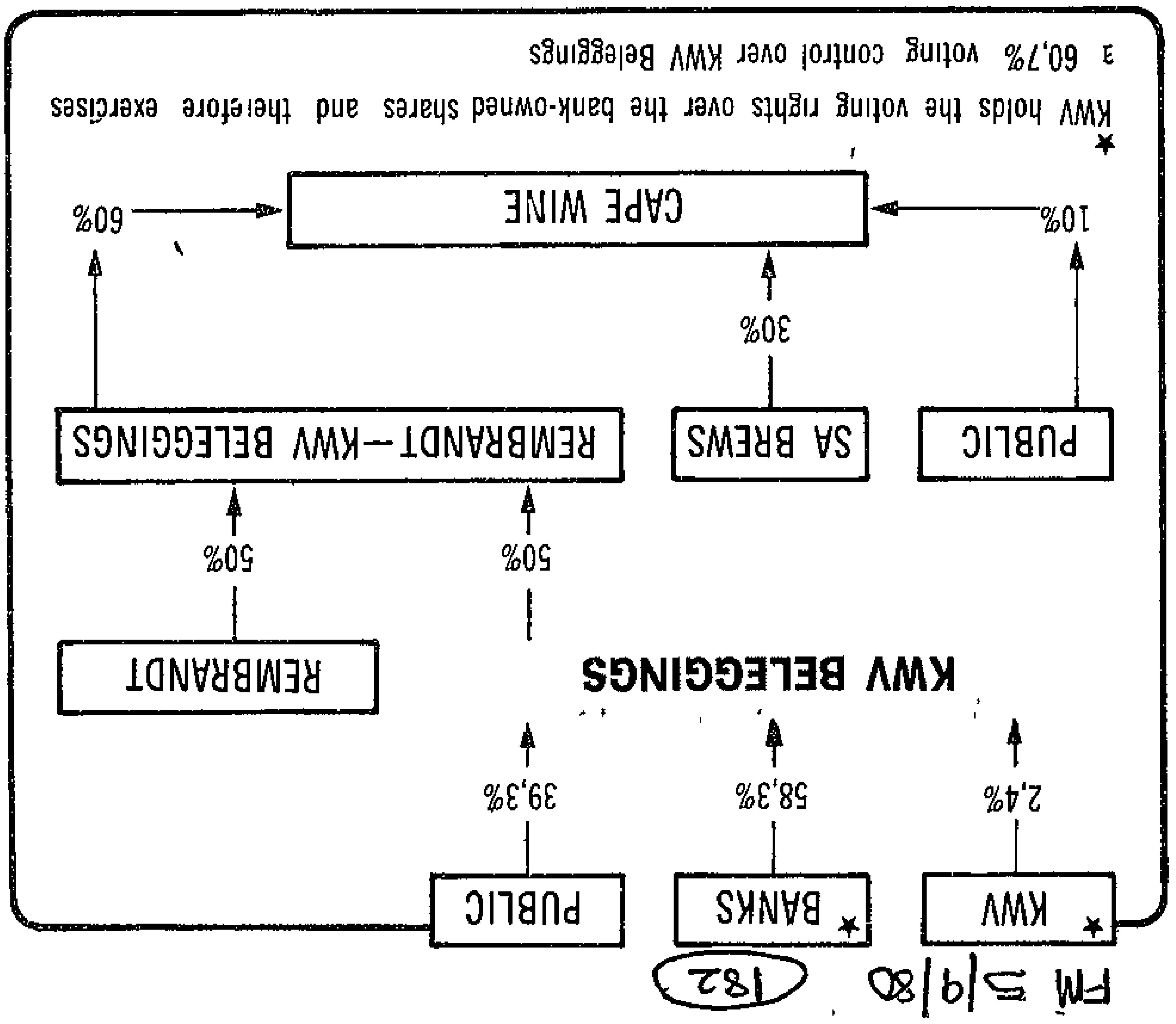
17.



RAND
Daily Mail
MONDAY
September 8, 1980

(RBA) (182)

Price fixing at the back door

RBA 8/9/80

WE expressed disquiet last year when the liquor industry was carved up between South African Breweries and the Rembrandt Group, with beer falling under SAB and wine going to the R180-million conglomerate, Cape Wine Distillers

In business terms it all made sense: the economy that comes with scale and the inexorable growth of well-managed, already large corporations, with money to spend on expansion.

But we wanted to know what protection there was for the consumer in all this? Our cynicism was almost immediately justified.

While the deal was being put together, SAB promised that beer prices would not be increased in the near future. But this decision was soon rescinded and prices went up

On the wine side, the Government (which sanctioned the deal) included a clause in the agreement forcing wine producers and wholesalers to sell off their retail outlets over a pre-determined period

This, in some way, lessened the unhealthy situation where it was possible for one company to produce, distribute and sell wine against a background where the KWV controls prices, production and supplies anyway.

But within months of the giant CWD going into operation, the wholesalers (represented by Cape Wine and Spirits Institute) have agreed to set up a "non-discriminatory pricing" system to "ensure free and fair distribution of liquor products to retailers".

The wholesalers say they have done this at the request of the Federated Hotel Association of South Africa, representing retailers

Whatever the wholesalers tend to label this new system, it is nothing more or less than price maintenance. It means the public will no longer be able to benefit from cut-price competition between retailers and some wholesalers because discounts to retailers will be abolished.

The issue goes beyond merely making liquor cheaper. It cuts across one of the basic tenets of the free enterprise system — competing for prices.

And it is in essence a backdoor move which goes against the agreement sanctioned by the Government. The credibility of those who drew up and signed the agreement is at stake and there is an onus on them to stop this latest action.

10/9/80 Kom 182

Premier sells liquor interests

Financial Editor

PREMIER Milling is selling all its main liquor interests, apart from the 50,1% stake in Benny Goldberg's Liquor Supermarket, to Picardi Hotels.

The price tag has not been revealed but market sources suggest it will be in the R4-million to R5-million range.

The deal is effective from October 31. It will have "no material affect on the earnings and assets of Premier".

Picotel is a part of the Cape-based group controlled by Mr Jan Pickard who already has wide liquor interests.

Premier is selling nine bottle stores in the Johannesburg/Reef area.

These are Magnum Liquordrome, two Civil Service outlets, Birnam, President Wine, Mr Slashers and three Grey Smith stores.

Premier does also have some small liquor interests through Mine Stores of Natal but these are comparatively of little consequence.

COMMENT. There have been reports for some time that Premier's liquor interests were generally not working out.

The Benny Goldberg interest, with its self-contained management, was, however, excepted.

In the annual report this year Mr Tony Bloom, Premier's chairman, said: "Benny Goldberg's Liquor Supermarket... was able to report another successful year with turnover levels substantially above those of the previous year."

He said the retail bottle stores generally achieved "a satisfactory increase in profits due to increased turnover as well as higher profit margins".

But Mr Bloom made clear he was extremely unhappy with basic trends in the industry.

He said: "I must voice serious concern over recent developments.

"It is difficult to conceive how a Government ostensibly devoted to free enterprise could — in a year in which the Competitions Board came into existence! — sanction the creation of two overwhelming monopolies and the grant of preferential treatment to one other participant in the industry."

Mr Bloom said: "Much of the consumer-oriented marketing activity has already gone out of the industry with serious consequences for the aggressive, independent retailer.

"Discounts have been removed and bulk buying advantages are now virtually non-existent. As a result the consumer pays more."

The position has tightened further since Mr Bloom said that in May.

The sale of Premier's bottle stores to Picardi is not then surprising.

It is more likely that Premier will look to extension of interests in future within its existing areas of operation.

REMBRANDT FM 12/9/80 (182) and

The secret giant

From two small cigarette-making machines housed in a disused Braamfontein flour mill in 1948 to a multinational industrial empire with total assets of R3 500m and gross revenue from sales of R6 400m in 1980, Anton Rupert's Rembrandt group has not only assembled riches beyond the dreams of avarice, it may have helped to signpost the way to the realisation of the African dream

Until it began to diversify into mining, chemicals, banking, insurance and energy, the group had a handmade, homegrown look about it It identified strongly with the farmers whose raw produce, tobacco and wine, are the stuff of its business, and whose savings Rupert personally canvassed 32 years ago to finance a concession to make Rothmans and Consulate cigarettes

Rupert was also instrumental in locking wine producers into the "downstream" activities of the wine and spirit industry (manufacturing, marketing and distribution) in last year's drastic restructure of the liquor business By taking the farmers aboard on Rembrandt-KWV Investments (which has a 60% stake in Cape Wine & Distillers) Rembrandt has covered its flanks against all contingencies in the wine and spirit business At the same time, changes in the liquor business resulted in a cash inflow of R79,5m into the group Against this investments of R78,5m were made in diversification

The manner of the group's exit from beer, matched by arch-rival SA Breweries getting out of wine and spirits (and their joint commitment to sell off their retail outlets), suggests that Remgro has not only succeeded in stemming a substantial nosebleed sustained in a beer war. But it emerged stronger than ever in the subsequent peace treaty By means of its management contract in CWD it calls the shots in a strengthening SA wine and spirit market, currently expanding at an annualised 10% At the same time, inflation and a fast-improving retail trade environment will greatly enhance the market value of the hundreds of liquor shops it will sell in the next few years

And while subtle changes may be taking place in SA's cigarette market (90% dominated by Remgro brands), current growth at 5%-6% will ensure that this source investment will remain sound

Even so, group income from liquor and tobacco rose only 8,3% to R85,4m (R78,9m), while income from diversified interests increased 127% from the narrower base of R14,6m to R33,2m Put another way, net income from tobacco and liquor is running at 72% in 1980, compared with 84,4% last year

It is not easy to determine whether this represents a fundamental shift away from source investment Institutional investment analysts perceive that, so far as the domestic market is concerned, the group may have reached the limits of scope for structural growth in tobacco and liquor. Growth in net income from this source will be determined by consumption. And having established overall superiority in these fields, it is obvious that a greater portion of the group's cash stream will be channelled to selected diversifications.

A cynical view, however, might be that the only way the group can maintain respectable growth in its source business in SA is through monopoly Wasn't that

A CAGEY BLUE-CHIP

Rembrandt is undoubtedly SA's most international group It is also one of the bluest of blue-chip stocks quoted on the JSE But the Rembrandt Group remains an analyst's nightmare The four quoted companies, Remgro, Rembrandt Controlling Investments, Technical Investment Corporation and Technical & Industrial Investments, are the most under-researched blue-chip companies on the market

This is the result of the group's obsessive corporate camouflaging designed to protect worldwide interests, many consumer oriented, from anti-South African boycotts and embargoes In one of the few research reports on the Rembrandt group, a leading London stockbroker said in 1975 "Rembrandt's low valuation in absolute terms and relative to other major international tobacco groups can probably be attributed to its South African domicile, its policy of minimum disclosure and the shares' relatively limited marketability " More hard-hitting was the *Sunday Telegraph* which wrote, in 1972, that Rembrandt "is one of the most mysterious and little-known combines in the world, largely due to the reticence and secretiveness of the man who personally controls it through an involved system of pyramiding and the astute use of voting and non-voting shares Just how big is that empire and what does it control? No-one other than Rupert himself and a few close confidants, know the full answer to that "

A Rembrandt spokesman crystallised the group's non-disclosure policy when he said, in July last year, that the group's main interests were "the shareholders (not the press) and we believe that the financial-minded shareholders only want the figures with the detail to follow at a later stage "

This sentiment, however, suggests there is some direct and regular means of communication with shareholders which by-passes the media This, of course, is not true Even statutory communication with shareholders has been diluted as the group has been given permission in terms of section 15(a) of the Companies Act 1973 to withhold certain information It is only in the past five years that shareholders have been told what the revenue sources are The 1980 annual report was more forthcoming than previous ones, however, by breaking down the employment of capital and showing that over half of it is employed in the tobacco and liquor industries with 72% of net income derived from this source

But the group still refuses to list its associate and subsidiary companies This was understandable when Rembrandt directly controlled a large number of operating companies throughout the world However, following the Rothmans Canada sale to UK-domiciled Rothmans International (RI) (in which Rembrandt holds over 48%) Rembrandt's international holdings are now held through RI No reference is made in the Rembrandt reports to the RI shareholding nor to the many domestic subsidiaries and associate companies

One leading Johannesburg analyst believes the traditionally low earnings multiple rating given to Rembrandt is a function of the group's high earnings retention policy rather than lack of disclosure Remgro's annual earnings growth, including associates' earnings, in the five years to 1980 was a compound 27,1% In fiscal 1980 earnings were 227c a share Excluding the group's share in income retained by associate companies, earnings growth has compounded at 18,9% a year since 1975 It is on this figure that distribution policy is based and dividend growth has compounded at a moderate, but marginally inflation-beating, 13,4%

At the same time cover has been reduced from a high of 5,8 times in 1976 to 5 times in 1980 The reduced cover combined with marginally improved reporting standards, and the strong diversification into new growth industries are factors cited by analysts who point to Remgro and Rembeheer as highly favoured, long-term growth stocks

Ian Muil

what last year's liquor industry "rationalisation" was all about?

The *FM*'s Washington correspondent suggests that the centre of gravity of Rupert's foreign involvement may be shifting to Europe, although it has been confirmed that through a Canadian conduit the group has made a substantial investment in North American gas and oil

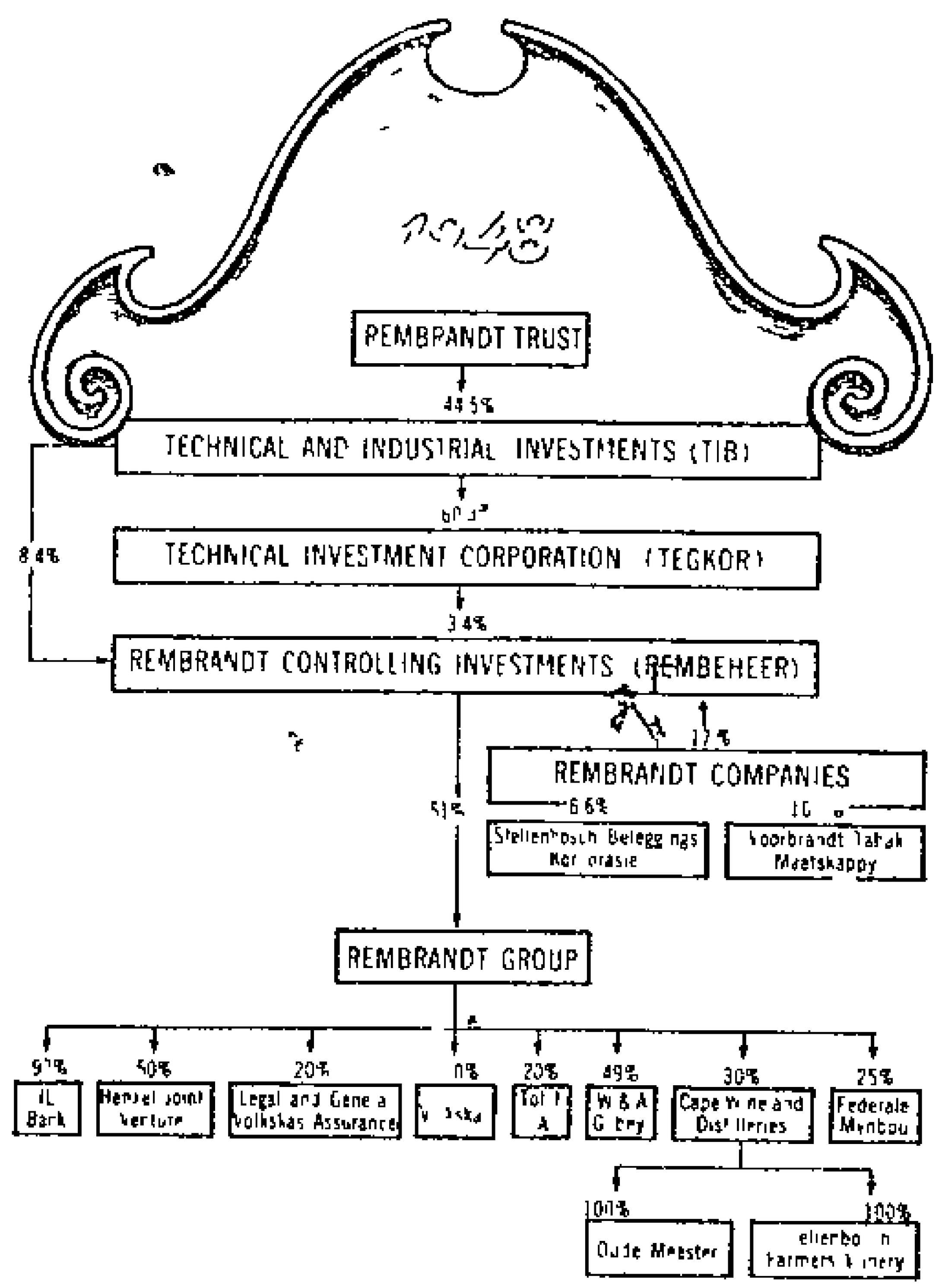
Splashy fling over

While six years ago *Business Week* described Anton Rupert as a ' little-known South African businessman" who had emerged as "one of the world's most powerful and influential multinational industrialists" the view from Wall Street is that the days of his splashy fling with American business appear to be over

In the last few years Rupert has sold Rembrandt's controlling interest in Liggett (1978) and its stake in Carling National Inc for $34,5m after the US Department of Justice blocked a proposed merger with Pabst in an anti-trust move

In the current financial year, say Remgro executives, the group's diversification strategy into "resource-based industries ' will gather momentum, especially abroad where in less than a year about R100m was placed in portfolio investments in metals, minerals and energy-related industries

In diversifying, the group adheres to the style which served it so well in building up its international tobacco empire development of the partnership ethic Over the years Rupert has surrounded himself with a small team of highly motivated investment and management analysts By constant travel and the forging of lasting friendships with the conservative but shrewd banking houses of Switzerland and Germany, Rupert and his team identify



investment opportunities, weighing each against two prime criteria the investee must be soundly based in management (as a rule Rupert avoids direct management involvement in group investments) and it must be engaged in a sector with strong growth/profit potential

In-house rumour has it that Remgro took and maintained a 25% stake in Fedmyn/Genmin because of Rupert's high regard for Wim de Villiers Likewise, it was Volkskas' long tradition of conservatism and management excellence which led to the acquisition of a 20% stake in the banking group and, latterly, a 20% interest in its long-term insurance arm, Legal & General

Remgro's strong connections with Volkskas arguably opened the way for its acquisition for R16m of a 20% stake in Total, the French oil marketer in SA, in which Volkskas has a holding It is understood that when Total s Alphonse Hough wanted to broaden SA participation in Total (which has a large minority interest in Sasol's Natref refinery), Volkskas exercised a pre-emptive right to select the new SA partner

In this manner, and as a result of Rupert s impressive circle of influential friends in banking, politics, industry and business it is clear the group, that was built on the simple principle of partnership and trust, will divert an increasing proportion of discretionary earnings into strategic positions in groups which sell basics and essentials

Corporate secrecy

Unfortunately that policy of partnership and trust has yet to extend fully to the group's outside shareholders According to a recent *Financial Times* survey of international corporate reporting, Rembrandt is ranked among the world's worst Things did improve slightly with the 1980 accounts, but the usual reason given for corporate secrecy — the need for protection from competitors and political difficulties — wears a bit thin after a while

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That probably still holds good, up to a point The real challenge facing Remgro and Rupert in future is to identify the inflation-proof, depression-proof sectors of the future

REMBRANDT FM 12/9/80 and (198)

The secret giant

From two small cigarette-making machines housed in a disused Braamfontein flour mill in 1948 to a multinational industrial empire with total assets of R3 500m and gross revenue from sales of R6 400m in 1980, Anton Rupert's Rembrandt group has not only assembled riches beyond the dreams of avarice, it may have helped to signpost the way to the realisation of the African dream

Until it began to diversify into mining, chemicals, banking, insurance and energy, the group had a handmade, homegrown look about it It identified strongly with the farmers whose raw produce, tobacco and wine, are the stuff of its business, and whose savings Rupert personally canvassed 32 years ago to finance a concession to make Rothmans and Consulate cigarettes

Rupert was also instrumental in locking wine producers into the "downstream" activities of the wine and spirit industry (manufacturing, marketing and distribution) in last year's drastic restructure of the liquor business By taking the farmers aboard on Rembrandt-KWV Investments (which has a 60% stake in Cape Wine & Distillers) Rembrandt has covered its flanks against all contingencies in the wine and spirit business At the same time, changes in the liquor business resulted in a cash inflow of R79,5m into the group Against this investments of R78,5m were made in diversification

The manner of the group's exit from beer, matched by arch-rival SA Breweries getting out of wine and spirits (and their joint commitment to sell off their retail outlets), suggests that Remgro has not only succeeded in stemming a substantial nosebleed sustained in a beer war. But it emerged stronger than ever in the subsequent peace treaty By means of its management contract in CWD it calls the shots in a strengthening SA wine and spirit market, currently expanding at an annualised 10% At the same time, inflation and a fast-improving retail trade environment will greatly enhance the market value of the hundreds of liquor shops it will sell in the next few years

And while subtle changes may be taking place in SA's cigarette market (90% dominated by Remgro brands), current growth at 5%-6% will ensure that this source investment will remain sound

Even so, group income from liquor and tobacco rose only 8,3% to R85,4m (R78,9m), while income from diversified interests increased 127% from the narrower base of R14,6m to R33,2m Put another way, net income from tobacco and liquor is running at 72% in 1980, compared with 84,4% last year

It is not easy to determine whether this represents a fundamental shift away from source investment Institutional investment analysts perceive that, so far as the domestic market is concerned, the group may have reached the limits of scope for structural growth in tobacco and liquor Growth in net income from this source will be determined by consumption. And, having established overall superiority in these fields, it is obvious that a greater portion of the group's cash stream will be channelled to selected diversifications.

A cynical view, however, might be that the only way the group can maintain respectable growth in its source business in SA is through monopoly Wasn't that

A CAGEY BLUE-CHIP

Rembrandt is undoubtedly SA's most international group It is also one of the bluest of blue-chip stocks quoted on the JSE But the Rembrandt Group remains an analyst's nightmare The four quoted companies, Remgro, Rembrandt Controlling Investments, Technical Investment Corporation and Technical & Industrial Investments, are the most under-researched blue-chip companies on the market

This is the result of the group's obsessive corporate camouflaging designed to protect worldwide interests, many consumer oriented, from anti-South African boycotts and embargoes In one of the few research reports on the Rembrandt group, a leading London stockbroker said in 1975 "Rembrandt's low valuation in absolute terms and relative to other major international tobacco groups can probably be attributed to its South African domicile, its policy of minimum disclosure and the shares' relatively limited marketability " More hard-hitting was the *Sunday Telegraph* which wrote, in 1972, that Rembrandt "is one of the most mysterious and little-known combines in the world, largely due to the reticence and secretiveness of the man who personally controls it through an involved system of pyramiding and the astute use of voting and non-voting shares Just how big is that empire and what does it control? No-one other than Rupert himself and a few close confidants, know the full answer to that "

A Rembrandt spokesman crystallised the group's non-disclosure policy when he said, in July last year, that the group's main interests were "the shareholders (not the press) and we believe that the financial-minded shareholders only want the figures with the detail to follow at a later stage "

This sentiment, however, suggests there is some direct and regular means of communication with shareholders which by-passes the media This, of course, is not true Even statutory communication with shareholders has been diluted as the group has been given permission in terms of section 15(a) of the Companies Act 1973 to withhold certain information It is only in the past five years that shareholders have been told what the revenue sources are The 1980 annual report was more forthcoming than previous ones, however, by breaking down the employment of capital and showing that over half of it is employed in the tobacco and liquor industries with 72% of net income derived from this source

But the group still refuses to list its associate and subsidiary companies This was understandable when Rembrandt directly controlled a large number of operating companies throughout the world However, following the Rothmans Canada sale to UK-domiciled Rothmans International (RI) (in which Rembrandt holds over 48%) all Rembrandt's international holdings are now held through RI No reference is made in the Rembrandt reports to the RI shareholding nor to the many domestic subsidiaries and associate companies

One leading Johannesburg analyst believes the traditionally low earnings multiple rating given to Rembrandt is a function of the group's high earnings retention policy rather than lack of disclosure Remgro's annual earnings growth, including associates' earnings, in the five years to 1980 was a compound 27,1% In fiscal 1980 earnings were 227c a share Excluding the group's share in income retained by associate companies, earnings growth has compounded at 18,9% a year since 1975 It is on this figure that distribution policy is based and dividend growth has compounded at a moderate, but marginally inflation-beating, 13,4%

At the same time cover has been reduced from a high of 5 8 times in 1976 to 5 times in 1980 The reduced cover combined with marginally improved reporting standards, and the strong diversification into new growth industries are factors cited by analysts who point to Remgro and Rembeheer as highly favoured long-term growth stocks

Ian Muil

what last year's liquor industry "rationalisation" was all about?

The *FM*'s Washington correspondent suggests that the centre of gravity of Rupert's foreign involvement may be shifting to Europe, although it has been confirmed that through a Canadian conduit the group has made a substantial investment in North American gas and oil

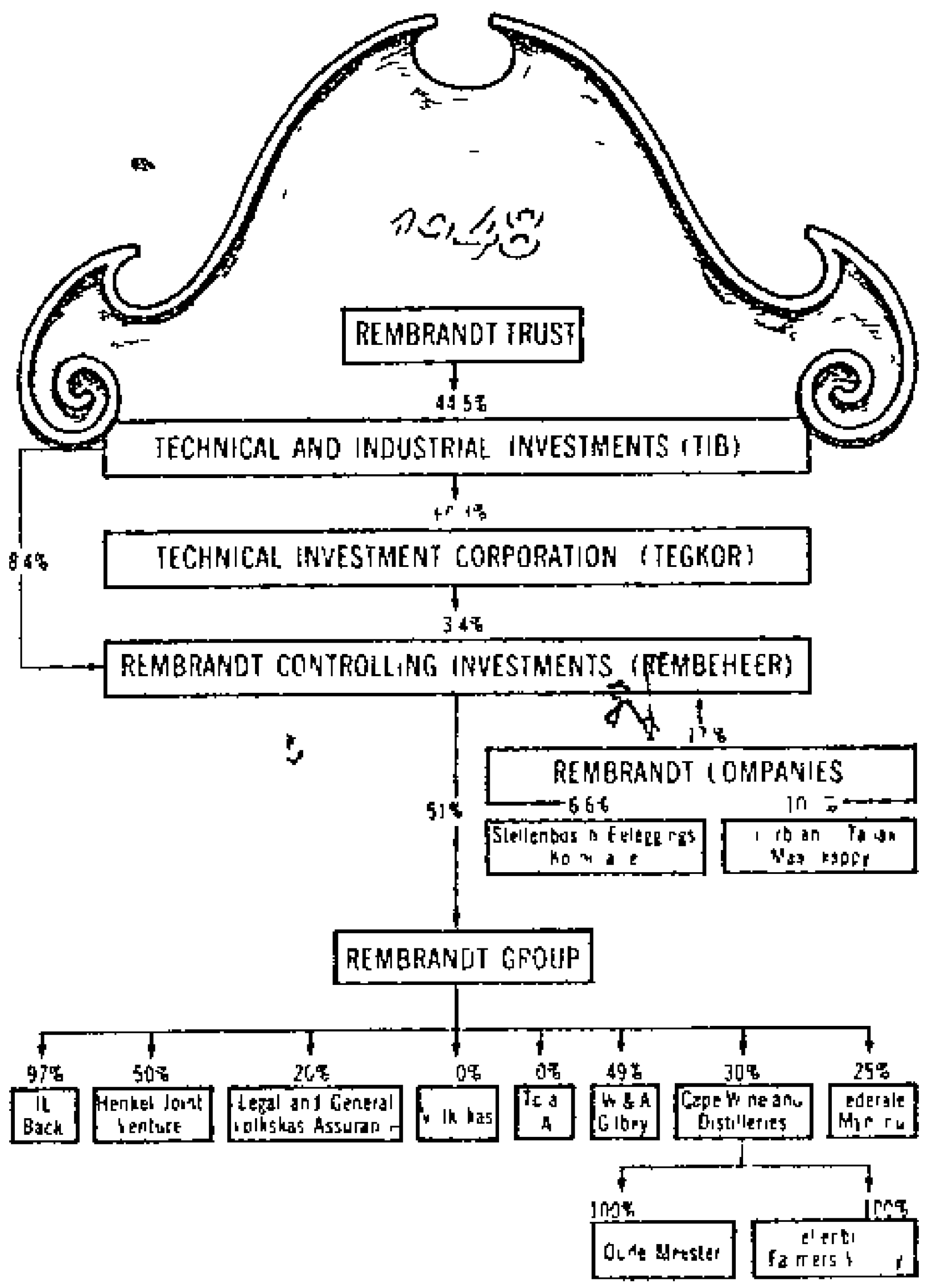
Splashy fling over

While six years ago *Business Week* described Anton Rupert as a "little-known South African businessman" who had emerged as "one of the world's most powerful and influential multinational industrialists" the view from Wall Street is that the days of his splashy fling with American business appear to be over

In the last few years Rupert has sold Rembrandt's controlling interest in Liggett (1978) and its stake in Carling National Inc for $34,5m after the US Department of Justice blocked a proposed merger with Pabst in an anti-trust move

In the current financial year, say Remgro executives, the group's diversification strategy into "resource-based industries" will gather momentum, especially abroad where in less than a year about R100m was placed in portfolio investments in metals, minerals and energy-related industries

In diversifying, the group adheres to the style which served it so well in building up its international tobacco empire development of the partnership ethic Over the years Rupert has surrounded himself with a small team of highly motivated investment and management analysts By constant travel and the forging of lasting friendships with the conservative but shrewd banking houses of Switzerland and Germany, Rupert and his team identify



investment opportunities, weighing each against two prime criteria the investee must be soundly based in management (as a rule Rupert avoids direct management involvement in group investments) and it must be engaged in a sector with strong growth/profit potential

In-house rumour has it that Remgro took and maintained a 25% stake in Fedmyn/Genmin because of Rupert's high regard for Wim de Villiers Likewise, it was Volkskas' long tradition of conservatism and management excellence which led to the acquisition of a 20% stake in the banking group and, latterly, a 20% interest in its long-term insurance arm, Legal & General

Remgro's strong connections with Volkskas arguably opened the way for its acquisition for R16m of a 20% stake in Total, the French oil marketer in SA, in which Volkskas has a holding It is understood that when Total's Alphonse Hough wanted to broaden SA participation in Total (which has a large minority interest in Sasol's Natref refinery), Volkskas exercised a pre-emptive right to select the new SA partner.

In this manner, and as a result of Rupert's impressive circle of influential friends in banking, politics, industry and business it is clear the group, that was built on the simple principle of partnership and trust, will divert an increasing proportion of discretionary earnings into strategic positions in groups which sell basics and essentials

Corporate secrecy

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(182)

PREMIER/PICOTEL

A nice measure

FM 12/9/80

Both parties insist that Picardi Hotels' purchase of wine liquor retail outlets from Premier Milling was "a good and fair one" But Picotel director and Transvaal general manager of Uniewyn Eddy Magid finds it difficult to suppress his excitement "This is the greatest deal I've ever done in my life"

On the face of it, Magid's excitement is justified. Jan Pickard's Union Wine and its 80%-owned Picotel are taking full advantage of the State's *carte blanche* to expand into the country's largest liquor retailing and wholesaling group Less than 10 months after the split of the liquor industry into the monopolistic beer and wine camps, Picotel is buying the bulk of Premier Milling's liquor interests.

In a part cash, part pref share deal Picotel will acquire Premier's Magnum Liquordrome, the Civil Service, Birnam, President Wine, Mr Slashers and Grey Smith outlets as well as the President Wine wholesaling operation

Premier Milling's 50,1% stake in Benny Goldberg's is not included Presumably the overriding reasons for this specific exclusion are personalities (the Goldberg family has a strong partnership with Premier's chairman Tony Bloom) and economics. Benny Goldberg's have a sound liquor retailing concept with a higher than average return on capital.

For R2,2m, and only half of this in cash, plus the value of stocks at October 31, Picotel expands its liquor store licences by nine Together with the purchase of the Victoria Hotel in Johannesburg three months ago and two bottle stores in Nelspruit, the group is still far short of the additional 75 licences it is entitled to acquire in terms of special dispensation granted It was the ceiling of a maximum of five outlets per group which in fact loosened Premier's hold over its own liquor outlets

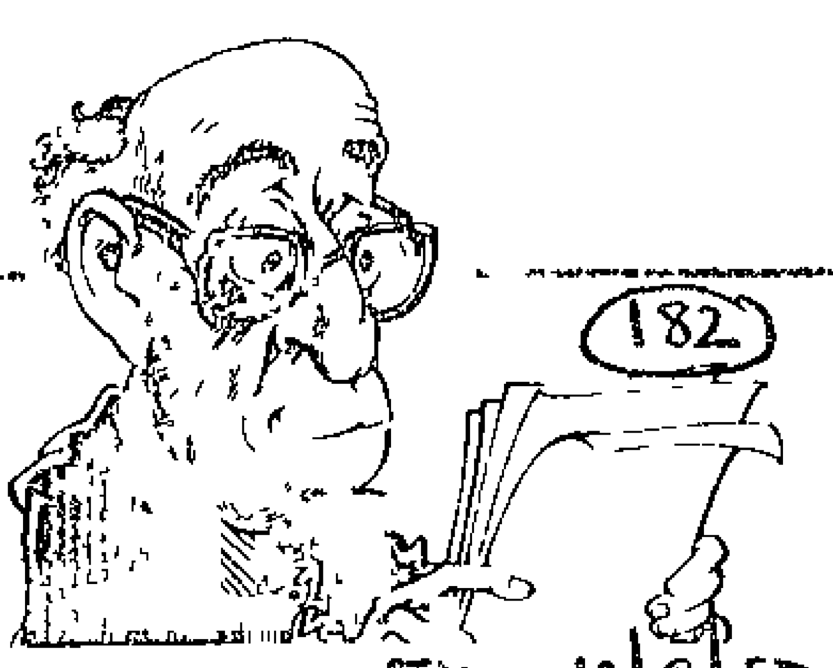
Premier could have held on and steadily improved margins through efficiencies, but the group is apparently pessimistic over the future of liquor retailing profitability given the strength of the beer and wine monopolies

Details of Picotel's pref issues are being prepared by Mercabank and should be available within a month This week's announcement from Pickard says however that the effect of the acquisition will be to increase Union Wine's 1981 group earnings by 6c per share and net tangible assets by 20c per share

This would be taking into account the "significant boost" in turnover Magid says the group is currently enjoying The Premier liquor outlets just acquired had an estimated R20m sales in the 12 months to March 31 but this has since been considerably inflated in real terms

Union Wine and Picotel look well set to improve not only return on investment but also market share in the near term Signalling the start of the recovery after unsatisfactory profit increases in the past four years, Union Wine increased earnings by 30% to 27,4c per share in the year to June 30 After allowing for a moderate rise in retentions to help fund expansions the dividend has been increased 27% to 7c a share Picotel has performed less spectacularly with a 22% increase in earnings to 16,4c a share As Union Wine holds 80% of Picotel, retentions are proportionately less and the 9c dividend (7,5c) is covered 1,8 times

The politics of the liquor industry are intriguing Investors can be assured that Jan Pickard's forecast of "a most promising future" is no idle boast



182

FM 12/9/80

The wholesale price "recommendation" arrangement concluded last week in the liquor trade confirmed fears expressed at the time of the creation of the wine and spirit monopoly to which government gave its blessing at the end of 1979

When the Oude Meester Group and Stellenbosch Farmers Winery joined with the KWV to form the CWD (Cape Wines & Distillers Ltd), no great insight was required to see that the elimination of the competitive element from the major sector of the liquor trade would have an adverse effect on consumer interests

Even at that early stage, price fixing was overtly mooted by the chairman of the KWV, Dr Andre du Toit He told the annual conference of wine growers' in Worcester that the unfair competition between retailers tied to the liquor giants would be eliminated His statement went virtually unquestioned at the time But there was no doubt that it was the intention of the industry to eliminate those discounts which had characterised the trade particularly during 1979

Dr du Toit was no doubt speaking feelingly of the plight of his new partner in the CWD, Dr Anton Rupert Rupert s beer price war with the SA Breweries had cost his Intercontinental Breweries tens of millions of rands and had finally led to the formation of the beer monopoly of SAB and the wine and spirit monopoly of the CWD

But it does not follow that discounts at wholesale are necessarily unhealthy for the trade in general ICB was doomed long before the beer price war took the turn that it did, largely because their market share was less than 10% of SAB's However, in the wine and spirit industry, where Oude Meester and SFW were more equally matched, while discounting had obvious detrimental effects on profits, the public enjoyed the real benefit

There have been several such price "recommendation" arrangements, as were established last week, over the past three years These so-called Codes of Conduct invariably came to grief in the lack of trust that existed between the two equally well-placed wholesalers to the trade The elimination of competition between these two groups with the establishment of the CWD casts an altogether more sinister feature over this latest arrangement

With no "countervailing powers" left to challenge the authoritarian nature of the agreement, CWD will be as free to set its own wine prices as SAB is able to fix beer prices And, as the few independent wholesalers have discovered, this kind of arrangement suits them equally well One trade source has indicated that profits since the creation of the CWD (and the elimination of the need to discount) have never been better — which means simply that, as predicted, the public are paying for SA's new liquor "dispensation "

The guilty party, of course, is the government It not only permitted this heinous state of affairs, it also connived in it

Soft drinks hit pocket harder than petrol

14/9/80 SUN TRIB.

182

Tribune Reporter

SOFT drinks will cost more than petrol after the 15 percent price rise comes into effect.

The new prices range from a two-cent increase on the smallest bottle to five cents on litre bottles.

This means a litre of soft drink will sell at 59 cents — more than a litre of petrol.

A spokesman for the Price Control Office said the increases were the result of higher production costs in the industry.

The new maximum prices, excluding tax and deposit, will be: 175/200 ml will go from 11c — 13c; 350 ml from 19c — 21c; 750 ml from 26c — 31c; and 1 litre from 34c — 39c.

A spokesman for the Durban Housewive's League has appealed to the public to cut down on soft drinks. "People should drink milk as an alternative. It is cheaper and a lot better for you nutrition-wise"

RDM 8/10/80

(182)

Union Wine sees further profit growth

CAPE TOWN — The continuing improvement in the general economic conditions in the country would have a positive effect on group turnover and a further growth in group profits could be expected, Mr J A J Pickard, chairman of Union Wine, says in the annual report

In the year under review the profit of the group, after tax and minority interests, amounted to R1 147 738 compared with R846 332 in the previous year, an improvement of 35,6%

Changes in marketing policy, including decentralisation of sales control and more advertising, helped improve consumer demand for the company's products and turnover increased by 22,1%

The Bellingham and Culemborg ranges of wines remained popular and the marketing of the company's products abroad had been satisfactory

The general development of the Bellingham farm and the planting of new vines continued to have priority

The planting of red wine cultivars had provisionally been ended and only white wine cultivars such as Riesling and Bauket Traube were being planted

In his chairman's report for Picardi Hotels, Mr Pickard said profits before tax, during the period under review, had increased by 39% from R963 935 to R1 342 145

The group now operated 25 hotels together with 25 off-sale privileges and 30 liquor stores licences

There had been escalation in costs of food supplies, fuel and other services which had resulted in tariff adjustments

"As far as I can see our tariffs in this country are still too low for the service offered and more realistic tariffs will have to be introduced from time to time in the future"

The parent company, Union Wine, had received blanket permission from the Government last year to buy up to 75 additional liquor store licences

These licences would be bought and operated by Picardi Hotels and this would have a beneficial effect on the earnings of this group

Plans had been made to expand the capital base of the company by a rights issue of preference shares to finance these expected acquisitions

"Since the beginning of this financial year favourable opportunities have presented themselves for immediate acquisition which led to the purchase of two licences in the Nelspruit area and the acquisition of the retail liquor interests of the Premier milling Group in the Transvaal

"These acquisitions alone are expected to increase earnings significantly let alone any others that may be made during the current year"

Things could go better with Coca-Cola

(182) RDM 8/10/80

TOP Coke executives deny it, but it is certainly a credible rumour that early this year a memo crossed the desks of senior people in Coca-Cola's domestic soft drinks division stating "1980 is the critical year Coca-cola must stop Pepsi's momentum."

Memo or not, the Pepsi problem certainly featured on the $5 000-million a year company's agenda of difficulties to be dealt with

But it was a crowded agenda, which could have been followed by the following items

- Stop the slowdown in domestic profits growth,
- Repair relations with bottlers and distributors,
- Find a successor to J Paul Austin as chairman and stabilise top management, and
- Improve the commercials

For a company as old and, some say, bureaucratic as Coke, there is strong evidence that at least four of these problems have already been substantially addressed

Pepsi remains, and will remain, one of several very powerful competitors in what has been a lucrative business

But the industry's most quoted market barometer in the US, rival sales of soft drinks through grocery shops, compiled by A C Nielsen, has recently allowed even the most worried Coke directors to have a Coke and a smile, as the current advertisements say

In the midsummer months, Coke drew level in the Nielsen rating, with its old rival, "the imitator," as Coke die-hards still scornfully term it, having trailed 21,6% to Pepsi's 22,8% earlier in the year

It is still not possible to report progress on item two — indeed Coke's recent announcement that earnings would decline in the current quarter compared with the same quarter last year (largely due to weather problems in Japan and strikes in Mexico) has made the earnings objective even tougher than it looked at the beginning of the year

But under the third heading — relations with bottlers, action has been taken which, if it works out, is at least part of the answer to domestic profits

Coke has renegotiated its 57-year-old contract with its more than 550 US bottlers to implement the first increase in price during that time of the substances which constitute the basic Coca-Cola mixture — caramel, phosphoric acid, cinammon, vanilla, caffeine, nutmeg, lime juice, lavender, glycerin, guarana (a substance from a tropical tree), and the "secret ingredient," which is derived from Coca leaves and Cola nuts

The mixture is transformed by Coke into a syrup by the addition of sugar — the only element of the whole package for which Coke has altered prices over the years, and then only in response to changes in the world sugar price

It is part of the company's mystique that the original Coke formula is still known only to a handful of top company people and that its only written version is in an Atlanta bank

BEER FM 10/10/80 (182)

The tankard runneth over

With beer sales this year running 30% higher than last year, retailers fear they may not be able to supply you with your favourite brand for your Christmas party And there is real concern that the onslaught of hot weather will push consumption still higher

"SAB had trouble supplying during winter," said one retailer "We are really worried about Christmas "

The big problem is that beer is bulky and laying in stocks now for Christmas would not only be expensive but space consuming — space which most retailers just don't have Because of the liquor laws, retailers may only store alcohol on their licensed premises

Larger retailers work on an almost daily in-and-out basis for beer — because of the bulk — sometimes taking as many as three truckloads a day

"If we don't have Castle, we will just have to sell them Lion," was one pragmatic solution to the problem

Ken Williams, acting GM of the SAB beer division, admits the position is tight, but says there will be no shortages "But we can't give a guarantee that every single bottle store will have every single brand and every pack It isn't only production Things are very stretched — trucks, distribution, depots and railway capacity "

Williams, puts forward the current economic upswing as the major reason for increased sales There is a correlation between beer sales and growth in the economy, he says, with beer highly susceptible to economic fluctuations

"I don't think the increases in beer sales are anything out of the ordinary," he says

But he believes the holding of the basic beer price since February 1979 has played a big part in the consumption increase "By comparison, it's a cheaper commodity, and there are also high discretionary levels of expenditure "

David Magid, MD of Western Province Cellars, says he has seen a directly related pattern of falling sorghum beer consumption and increases for ordinary beer But Williams believes this is not the major factor

Blacks are already reported to consume more than 60% (some say as much as 80%) of annual beer sales, which reached R600m last year If the growth trend continues, total sales this year could reach R780m, or R30/capita on beer

For retailers, the beer boom is a great big question mark They don't really understand the situation themselves

Joel Sacke, Transvaal MD of Rebel, believes price and the weather are contributing factors "It's probably the only product which hasn't increased in price," he says "And we've had unbelievable weather Hot weather is very conducive to beer drinking "

Sacke is one of the few retailers who is confident of having sufficient beer stocks over the summer festive season "We've made our arrangements," he says

SAB has committed itself to a R120m expansion programme to cope with the demand and is in the process of extending existing breweries at Alrode and Chamdor (ICB) Others have been commissioned for Rosslyn in Pretoria and Bophuthatswana, but they obviously will not alleviate the current situation

How long the current growth can continue is questionable

Western Province's Magid believes that the increases are basically in the black market and in the short term are likely to increase even further

SAB undertook last year to hold basic beer prices till 1981, but there is little doubt that increases will come with the new year Says Williams "We obviously won't be able to hold prices down forever " But, he says, there is no indication of when the basic price will be increased

However, even a price increase would do little to change the present momentum in the industry Magid says after an increase there is traditionally a slight temporary drop or levelling in sales, followed by a return to original trend

(Price increases which consumers have seen over the past year have been a result of withdrawal of discounts to retailers, and not of basic beer price rises)

SUNCRUSH (182)

Liquid assets

FM 24|10|80

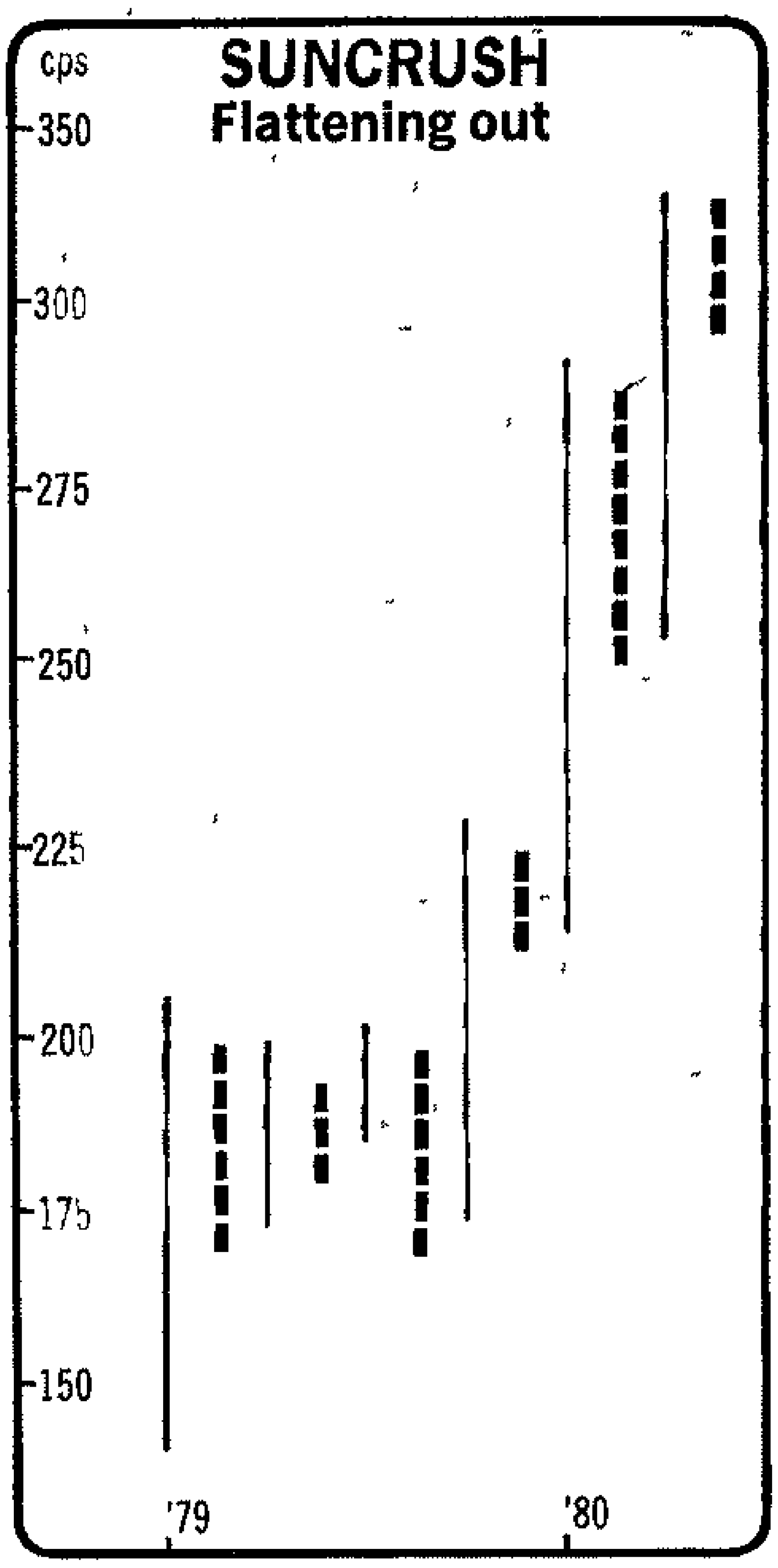
Activities· *Bottles and markets soft drinks nationwide A Natal subsidiary, Intertruck, holds the International Harvester franchise Directors hold 33% of the equity Dalys, of Durban, holds 51%*

Chairman· *R D Hamilton*

Capital structure: *2,7m ordinaries of 50c, 500 000 7% red prefs of R1 Market capitalisation R8,2m*

Financial: *Year to June 30 1980 Borrowings long- and medium-term, R5m Net cash R236 000 Debt equity ratio 47,7% Current ratio 1,1 Net cash flow R2,3m Capital commitments R1,6m*

Share market: *Price 305c (1979-80 high, 335c, low, 155c, trading volume last quarter, 178 000 shares) Yields 24,9% on earnings, 7,9% on dividend Cover 3,2 PE ratio 4,0*



	'77	'78	'79	'80
Return on cap %	14,5	16,5	19,2	21,2
Turnover (Rm)	30,3	28,3	34 3	39,8
Pre-tax profit (Rm)	1,3	1,7	2,6	3,3
Gross margin %	6,8	8,7	9,5	10,0
Earnings (c)	27,3	41 9	59,3	75,8
Dividends (c)	13	15	19	24
Net asset value (c)	282	302	355	428

Last year the most substantial soft drinks sales growth areas were the Transvaal and OFS gold fields And it is in these areas that production facilities and factories are to be expanded This should enable Suncrush to cope with increasing demand projected not only on the anticipated hot, dry summer, but also on an expanding market with the opening of new branches and the introduction of diet drinks

The soft drinks division, which bottles and markets Coca Cola, Fanta, Sprite, Tab, Krest, Schweppes and Sparletta, contributed 96% of last year's R3,3m pre-tax profit, on only 86,5% of total turnover This indicates that profit margins remained good, despite sugar and fuel price rises

Chairman Robin Hamilton predicts further steady growth of sales and profits for the division, and several programmes are under way to boost production capacity

In Pietermaritzburg, premises were extended and larger bottling capacity installed, and similar additions have commenced in the Welkom and Krugersdorp factories In addition, plant and machinery worth R287 500 was bought from Belfast Mineral Waters, and the company purchased three properties formerly leased for its operations

When these facilities come on line, it looks as if the soft drinks will remain responsible for the bulk of total profit, particularly in the light of continued unsatisfactory returns from the International Harvester franchise

This division has been losing market share consistently over the past few years, and Hamilton warns that no significant contribution to group profit can be expected this year Although market conditions improved generally last year, sales and profit performance did not Hamilton, however, notes that inventories within the division have been reduced, with a corresponding reduction in the loan finance provided by the holding company

Investment income is also likely to be lower this year, as part of the portfolio has been sold with some of the cash yet to be reinvested Less than R1,2m of the R1,6m realised from the sale of the Hunt, Leuchars & Hepburn holding has been reinvested in the market, but the forecast of 4c per share from this source was nevertheless achieved As most of this investment was made before the end of 1979 Hamilton says it is unlikely that substantial further investments will be made this year

Despite possible reductions in the profit contributions from investments and the Harvester division, the group is unlikely to be pressed for expansion funds In August 1979 R1,9m debentures were issued to lessen dependence on short-term borrowings which were reduced by about R2m In addition the group has the surplus from the sale of HLH shares which has not been reinvested, and last year's three times dividend cover provided generous retentions

So although there are few guidelines in the annual report as to the rate of growth anticipated this year internal liquidity should allow a 20% dividend hike to 28c (24c) On this basis the share yields an extremely high prospective 9,3% It has been traditionally under-valued due to poor marketability, and will probably continue so as long as it remains tightly held

Des Kilalea

WINE ~~[illegible]~~ (182)

A Solomon required

FM 24/10/80

Agriculture Minister Pietie du Plessis faces a severe test of judgment in a dispute between the KWV and the 130-strong Association of Independent Wine Grape Producers.

The latter is a body of mostly progressive farmers, who are not members of wine co-ops and who deliver grapes to the wholesale producing merchants in terms of long-standing supply contracts

Their dispute with KWV, the central production control authority in the wine industry, centres on the co-op's refusal to increase the quota tonnage of wine grapes which may be delivered to the wholesale merchants Growers say the quota, currently pegged at 42 000t, is inadequate and KWV's rigid attitude is in conflict with the spirit of the controlling legislation which is intended to "regulate" the quantity of grapes sold to wholesalers, not to "restrict" it

Individual growers say KWV's refusal to expand the quota is an unwarranted incursion on their freedom of choice Others say it is a restriction on competition and should be brought to the attention of the Competition Board

KWV, on the other hand, says that if the practice of direct grape sales to wholesalers is allowed to proliferate, it will undermine the co-operative movement and destabilise the system of careful production control in the industry By this is meant that the practice of direct sales has the potential to lure growers away from the co-ops and disrupt their viability

The growers say their influence on the market is exaggerated They number about 130 out of nearly 7 000 registered winegrowers Their permissible quota of direct sales is 42 000 t out of a total estimated wine grape crop of about 1,3Mt in 1980 (One ton of grapes converts to 636 l of wine at 20°C)

The background to the dispute has its roots in the tight market for shy-bearing cultivars which arose in 1974 following enactment of the country's wine of origin legislation Promulgation of the new regulations coincided with a short crop and a frantic scramble for noble cultivar grapes to meet heavy demand for fine wines

The scramble for secured supplies of noble cultivar grapes repeated itself the following year and in 1976, when KWV influenced an amendment to the Wine and Spirit Control Act (No 69 of 1976) empowering the Minister of Agriculture, on the recommendation of the KWV, to regulate the tonnage of grapes that may change hands in this manner

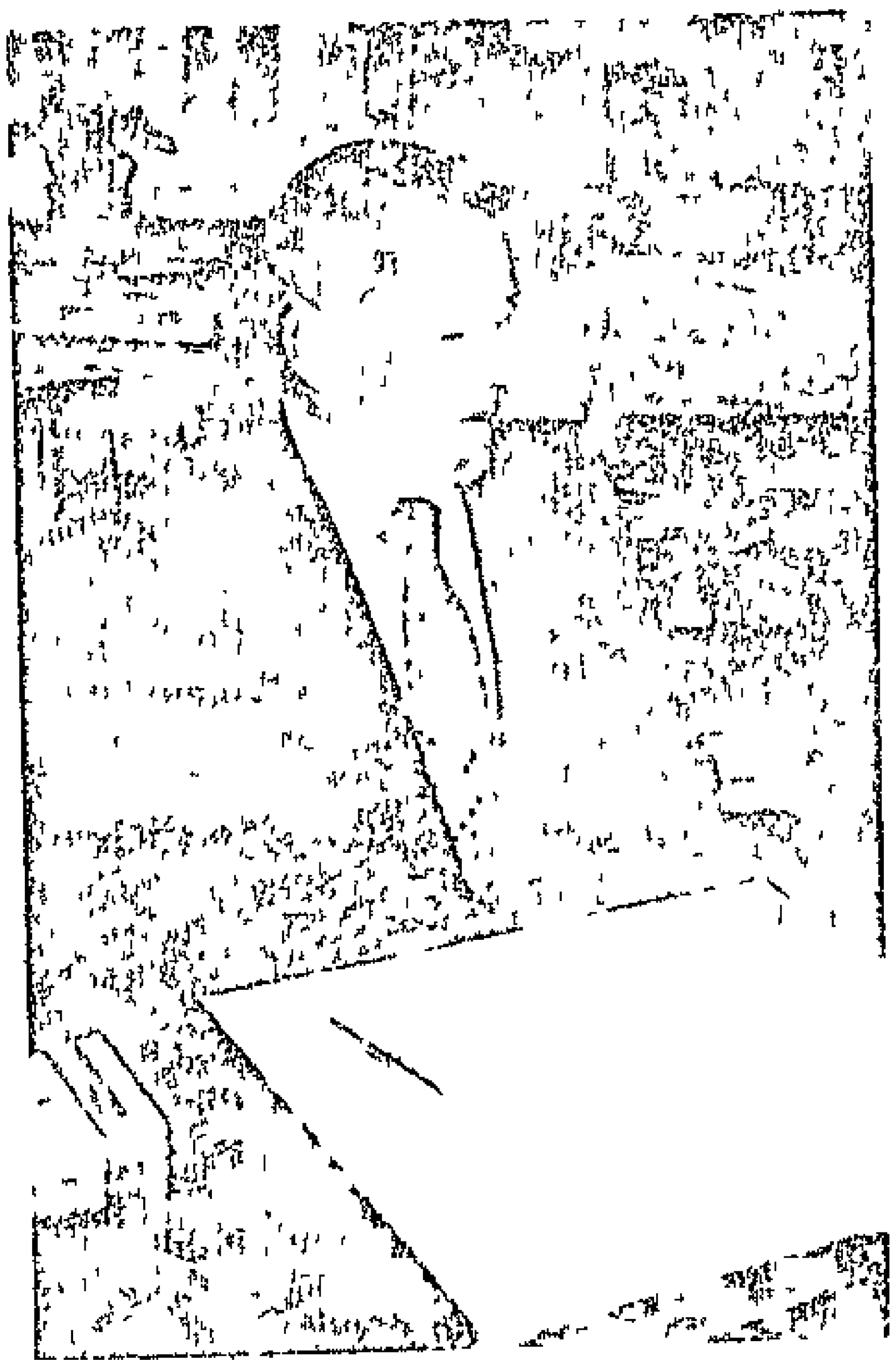
Although the practice of direct grape purchases from growers had been established for more than 50 years, it proliferated during this period as merchants paid up to R1 000/t for noble cultivar reds, about eight times the minimum price for good wine at the time

The growers are not entirely opposed to the idea of a regulator, but they do resent imposition of a rigid quota which does not make provision for unforeseen increments in production For example, hundreds of tons of noble cultivar grapes had to be absorbed by the KWV at the distilling wine price this year because wholesale merchants bumped up against their limit The independent growers plan to ask the minister to build a 7,6% inflator into the annual quota

On the other hand, wholesale merchants point out that their 42 000 t quota does not consist, entirely of shy-bearing cultivar grapes Owing to historical factors, contractual arrangements include heavy-bearing varietals which, according to the KWV, made up more than 50 % of grapes delivered to the wholesale producing merchants this year

What the KWV implies is that, if the original purpose of direct grape sales was to secure supplies of scarce cultivar grapes, independent producers have the potential to increase their deliveries of upper-end grapes by phasing out sales of heavybearing varietals (steen, cinsaut, palomino, and so on)

This point is taken by the independent producers, most of whom have indeed restructured their vineyards accordingly by chopping out junk cultivars What they are demanding is flexible application of the quota regulations until new plantings have come on stream (two to three years lead time) and their deliveries are all in the good wine class



Du Plessis . . must distill the struggle out of wine production

FM 31/10/80

UNIEWYN/PICOTEL

Expanding base

182

Activities: *Picotel operates 25 hotels and 68 liquor outlets after the purchase of Premier Milling's liquor interests since the year-end In addition to an 80 3% holding in Picotel, Uniewyn also has interests in wholesaling and wine distilling*

Chairman *J A J Pickard, managing director W D Terblanche*

UNIEWYN

Capital structure *4,1m ordinaries of 50c Market capitalisation R5,1m*

Financial *Year to June 30 1980 Borrowings long- and medium-term R2,8m, net short-term R6,8m Debt equity ratio 210% Current ratio 1,0 Group cash flow R1,8m Capital commitments R929 000*

Share market *Price 125c (1979-80 high, 145c, low 60c, trading volume last quarter, 741 000 shares) Yields 22,4% on earnings, 5 6% on dividend Cover 4 0 PE ratio 4 5*

	'77	'78	'79	'80
Return on cap %	23 4	20 7	21 6	21 7
Turnover (Index*)	116 0	116 0	114 8	134 1
Pre tax profit (R 000)	1 221	1 313	1 392	1 978
Gross margin (Index*)	94 4	96 0	105 8	108 0
Earnings (c)	17 0	19 2	19 1	28 0
Dividends (c)	3 25	5	5 5	7
Net asset value (c)	53	64	76	87

*Index bases 1976=100

PICOTEL

Capital structure *5m ordinaries of 50c Market capitalisation R6,0m*

Financial *Year to June 30 1980 Borrowings long- and medium-term R1,2m, net short-term, R1,2m Debt equity ratio 338% Current ratio 0,5 Group cash flow R1,1m*

Share market *Price 120c (1979-80 high 145c low 50c trading volume last quarter 303 000 shares) Yields 11 0% on earnings 7 5% on dividend Cover 1 9 PE ratio [illegible]*

	'77	'78	'79	'80
Return on cap %	52 4	37 6	41 2	45 4
Turnover (Index*)	117 3	[illegible]	[illegible]	141 6
Pre tax profit (R 000)	1 023	895	964	[illegible]
Gross margin (Index*)	113 4	99 6	93 8	115 1
Earnings (c)	13 7	13 1	12 6	16 8
Dividends (c)	7	[illegible]	7 5	9
Net asset value (c)	33	96	151	149

*Index bases 1976=100

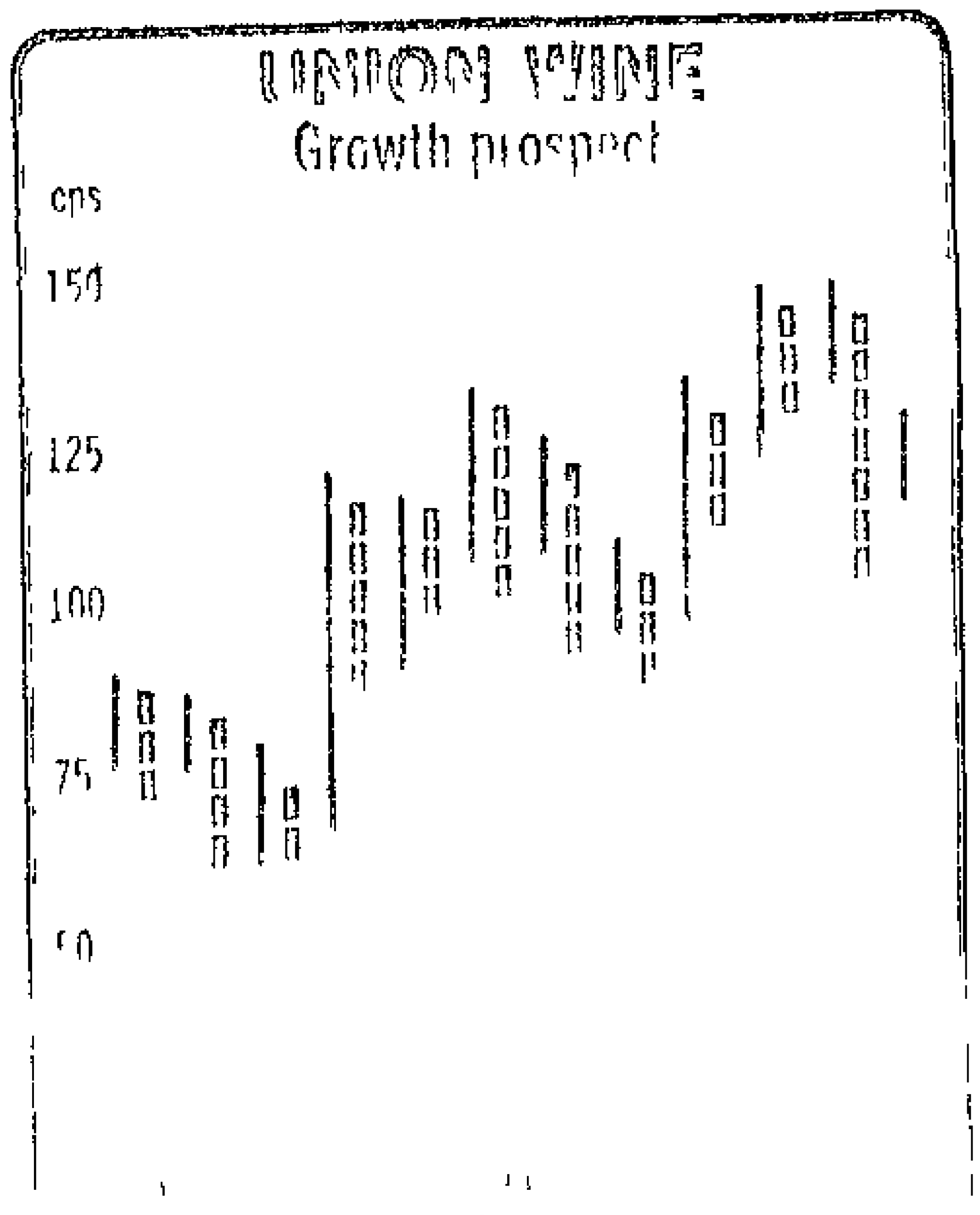
After last year's liquor industry shake-up, government permission for Uniewyn Picotel to purchase up to 75 additional liquor store licences makes this division one of the brighter growth prospects within the Picardi group

Since the year-end Picotel (80 3% owned by Uniewyn) has picked up 13 new outlets — two in Nelspruit and 11 from Premier Milling — which says chairman Jan Pickard will increase earnings "significantly" He does not quantify this although the prospectuses of the forthcoming pref share rights issues by both companies should be more explicit

Pickard said at the time of the acquisition of the Premier Milling liquor interests that these would add 6c to Uniewyn earnings, an increase of 22% on 1980's results

And since these additional earnings would be coming through Picotel, the effect on that company should be even greater possibly as much as 35% Obviously though, these estimates are subject to finalisation of the rights issue terms

While future profit growth of the group is likely to be dictated largely by liquor retailing, this was not the case last year, at least as far as Uniewyn was concerned The group does not give a breakdown of profits between its three main divisions But it is nevertheless apparent that liquor retailing, through Picotel, accounted for less than 40% of the improvement in net profits despite this activity being by far the biggest single profit source After taking into account minorities, Picotel represented about 58% (1979 64%) of Uniewyn's equity earnings, with the remainder split between wholesaling and activities, such as wine distilling and farming



It is also apparent that profits of non-retailing activities increased about 60%, which was almost three times the [illegible] earnings growth of Picotel

Pickard says of the wholesale division that [illegible] changes, including the [illegible] sales [illegible] being accepted in substantially improving consumer demand He singles out the Bellingham and Culemborg wine ranges in this regard but he also seems optimistic about prospects for Long John whisky for which the group has acquired distribution rights This replaces the Black & White label which Uniewyn lost earlier this year

And as far as wine production is concerned, the Bellingham operation is being expanded both as regards vine plantings and fermentation capacity

There continues to be some anomaly in the relationship of the share prices of the two companies, with Uniewyn by far the more highly rated Both counters are trading at around 122c but with Picotel's dividend almost 29% higher than the Uniewyn payment its historic yield of 7,5% is almost two percentage points above that of its parent On prospects it seems that these relative positions should be reversed

The same comments apply to financial structure Although Picotel appears to have a net worth of only 1c a share and a high 338% debt equity ratio this is after deducting R4 6m of liquor licences If, however these very real although difficult-to-value assets are included, net worth comes up to 106c and the debt equity ratio drops to under 50% This is markedly superior to Uniewyn's 108% on the same basis

Picotel also has superior profitability, as is indicated by a gross (pre-tax and interest) return on capital employed (again including the cost of liquor licences) of nearly 20% against Uniewyn's 16 6%

The lower rating probably stems from the company's rather dismal profit record There has been a net increase in earnings of only 10% over the past five years (although dividends over the same period are up 38%) compared with a 70% gain at Uniewyn (dividends up 115%) However, for the next couple of years at least, it seems that Picotel will be moving ahead faster than its parent and while this growth will obviously benefit Uniewyn as well, the yield disparity is not justified

[illegible]

BUSINESS

Spectacular profit rise for SA Breweries

STAR 6/11/80

182

By Jean Moon

The dust stirred up when SA Breweries swallowed Intercontinental whole, towards the end of last year, which was swiftly followed by shouts of "monopoly" obviously caused dry throats.

Despite the disappearance of attractive discounts enjoyed during the "beer battle," SA Breweries' turnover in the six months to September leaped 40,9 percent to R1 038,6m.

Even with large chunks of OK Bazaars, Southern Sun, Afcol and Amrel under its belt — all of which are enjoying boom conditions — it's 86,5 percent rise in after-tax profits to R54,5m has still taken some analysts by surprise The contribution from diversified interest rose 150 percent and from the beverages division 15 percent

Attributable earnings are 72,4 percent higher at 16,7c a share, and the interim dividend has been raised 2,5c to 6 5c a share.

REDUCTION

The drop in attributable earnings following the reduction in the Group's investment in the wine and spirit sector (following last year's reshuffle) is estimated at about R4m, but this was offset by increased beer profits.

Despite the breweries pledge to customers that beer prices would be held steady until some time in 1981, a growth in beer sales, high capacity utilisation, and the benefits of rationalisation more than offset the impact of higher costs of raw materials and operating costs

Before the merging of interest between the two breweries, SAB had intended to push prices 5 percent higher.

Retained earnings were increased to R22,4m, but capital commitments are R40m higher than last year at R64m Another R244m capital expenditure has been authorised, but only R40m of this is expected to be committed in this financial year The lion's share of this capital expenditure is for the expansion of beer production to meet the anticipated growth in the market.

SA BREWERIES FM 7/11/80 (182)

A thirst for growth

A recurrent theme of the recent SAB group interim reports was that the often exceptional earnings improvements recorded by such companies as Afcol, Southern Sun, Amrel and OK Bazaars (to put them in a growth order) would not be sustainable These sentiments are, inevitably, echoed by SAB itself which, after 72,4% first-half gain, nevertheless expects to show a satisfactory improvement for the remainder of the year

While no one would seriously expect any company to go on doubling earnings indefinitely, an important consideration is that better-quality industrials should, despite the forecast slow-down of the economy, continue to produce results which will keep shareholders comfortably ahead

For example, with the economy presently growing at 7,5% and an inflation rate of around 15%, the vast majority of companies should be able to show monetary profit gains in the region of 22%-23% And even if the growth rate of the economy slows to 5% next year, corporate profit gains of at least 20% should not be uncommon

But for the better quality companies able to pick up market share, improvements of between 25% and 30% are more likely

SAB chairman Dick Goss agrees that his group should at least be able to maintain this sort of growth while present economic conditions persist. Like a number of other corporate executives, however, he is wary of shareholders setting their sights too high after the recent spate of excellent results For one thing, most companies are now entering a period when profit comparisons will be made from a much higher base, the economy having started its rapid advance during the second half of last year.

But an equally important factor is that in most industries the spare capacity situation which existed a year or 18 months ago has largely been absorbed This means, firstly, that the substantial margin increases which many companies were able to achieve are unlikely to be repeated Secondly, to sustain turnover growth, companies will have to start thinking about expanding capacity which, at ever-escalating prices, is going to involve substantial expenditure.

SAB, for example, had capital commitments of R64m at September 30, up from R24m a year earlier But the group has also authorised projects worth a further R244m, to be spent over the next two or three years, bringing the capex total envisaged at this stage to R308m The corresponding year-ago figure was R104m

Most of this will be spent on additional brewing capacity, which is expected to rise by 40%-50% Considering the amount of money involved, a quite frightening aspect is that, with beer demand compounding at around 12% annually, this new

SAB's brew . . . and there's more coming on stream

capacity will be absorbed within a little over three years, and the whole process will have to start again

Fortunately, however, the group has more than adequate financial capacity for such expenditure With retained earnings and the group's self-imposed debt equity ratio of 60% (it is just over 50% at present), the necessary finance will be available if profits improve by no more than 30% this year and then compound at 15% over the next two years

But for a group like SAB, this is just about a "worst possible" scenario A more likely outlook is for a 50% improvement this year, and if profits can then maintain a 30% growth rate for two years, the total investment capacity, with debt at its limit, would be over R400m. And this does not take into account any additional capacity which might flow from the regular asset revaluations

After the substantial profit increases from non-liquor subsidiaries, it was inevitable that SAB's results would be excellent The group gives the improvement on the non-liquor side as 150%, but this includes such items as holding company profit and income from foreign investments

The actual profit attributable to the group's holdings in its four listed subsidiaries was up about 112% and represented something like 60% of total attributable profits This proportion, however, is abnormally high and will come down in the second half But for the year as a whole, non-liquor activities should still amount to 52% or 53% of the total

Growth in the beverage division was stunted by last October's rationalisation of the liquor industry in which SAB regained its beer monopoly by giving up its other liquor interests These are now represented by a one-third holding in Cape Wine (which is equity accounted) but the change, according to the interim report, cost the group some R4m in attributable profits However, this particular problem will be overcome in the current half, with the result that the beverage division growth rate should recover markedly from the 15% of the first six months

An earnings improvement of around 40% for the rest of the year (down from 72% in the period just completed) should enable the group to show an earnings total of 50c (33,6c) Although the interim dividend, at 6,5c (4c) has not kept pace with profits, Goss says this does not indicate any change of policy and that the difference will be made good in the final. This should, on the above estimate, be 18,5c to take the total payout to 25c (16,5c)

The prospective yield at the current 478c market price is a slender 5,2%, but this is not unreasonable in view of the group's high market standing

Brian Thompson

BEER FM 14|11|80 (182)

Burgeoning breweries

SA Breweries (SAB) will increase the country's total beer production capacity by a staggering 58% before the end of 1983 — and this will barely keep pace with demand if it continues to grow at the present rate

The cost will be more than R200m Following a 20% increase in volume beer sales last year, SAB had slated R100m for expanding output But with sales roaring ahead by a further 30% in the last six months, it has since doubled the figure

All SAB's breweries are now working uncomfortably close to full capacity, and this includes the three additional breweries which came into the fold when it acquired Intercontinental Breweries (ICB) from Remgro last November The new facilities will come into production only just in time

In spite of the huge increase to capacity only two new breweries will be built a small one in BoputhaTswana, which has no doubt been mooted for political reasons, and a huge one not so far away in Rosslyn near Pretoria

The rest will come from expanding output of five of the group's existing nine breweries.

The Rosslyn brewery is destined to become the biggest in the southern hemisphere and is one of the new generation of 'supertanker' breweries And its modular design will facilitate easy additions to capacity if this is required,

By the end of 1983 its production will be 1,7m hectolitres a year and by 1984 it will be 3,4m hectolitres This is just under half the country's entire 1979 beer production which came out of nine breweries last year

All other expansions will be made by adding capacity to existing plants Capacity at Isando, for long the biggest brewery, will be upped from 2,2m hectolitres a year to 2,5m hectolitres, and Alrode from 2,4m to 2,8m When this happens both of these breweries will have reached their capacity ceilings which are determined by available space

Durban's Prospecton brewery, which is already in production, is another of the new generation But for the time being its capacity will not be increased beyond 0,9m hectolitres a year as Durban has the brewery in Fountains Park which was acquired from ICB Prospecton has a potential production capacity of 3,0m hectolitres a year

SAB's policy is to build relatively big breweries to benefit from the economies of scale These benefits far outweigh the R1,2 extra excise tax which is levied each year on beer produced by each of its big breweries (See P 751)

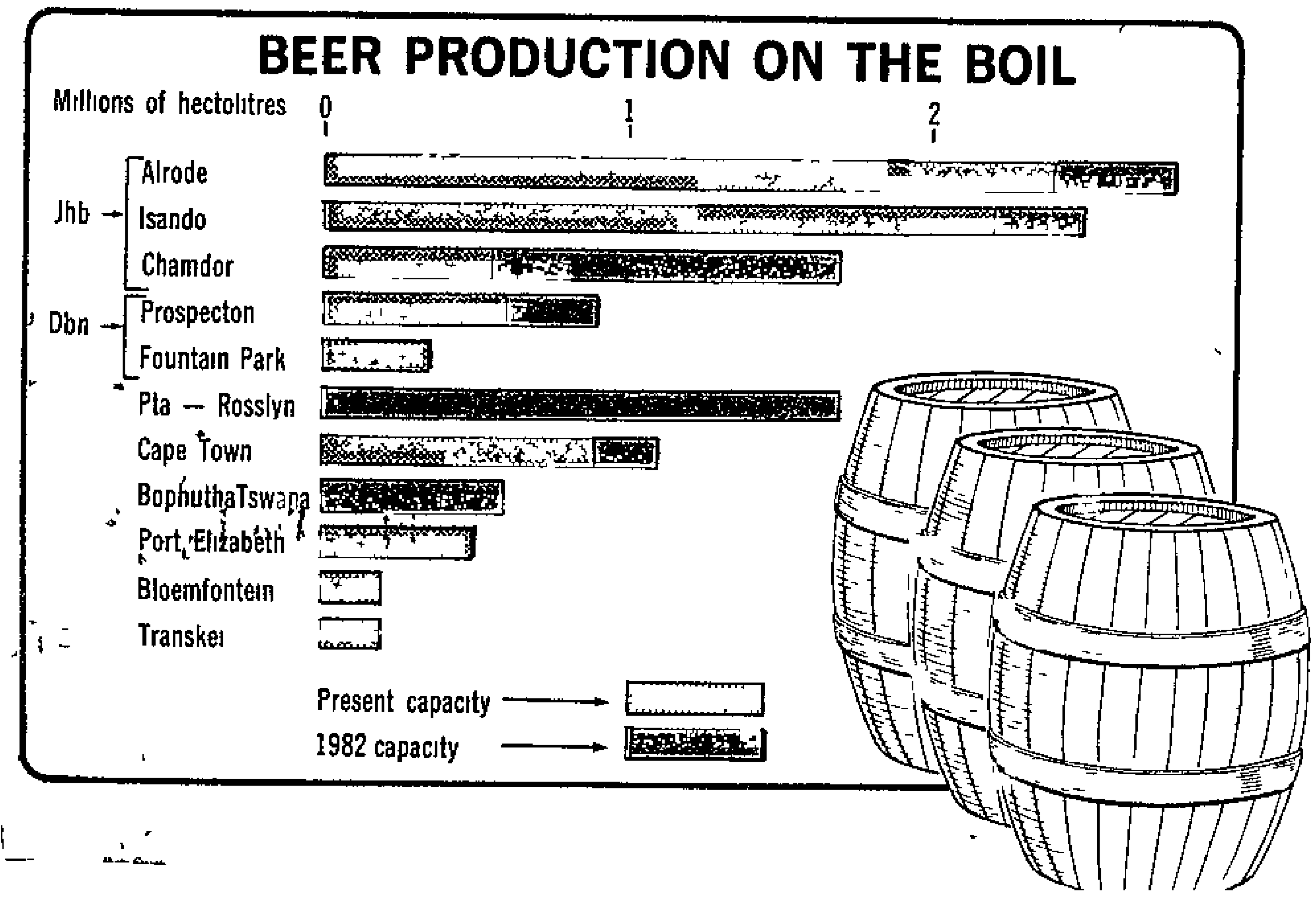
Another reason why SAB favours bigger breweries is that it cannot get enough specialised staff, brewers and packaging engineers are in particularly short supply as are artisans with the appropriate experience SAB has its own beer production school in Durban but this is not enough to fill its staff requirements, so it has set up a staff recruiting operation in the UK

But the advantages of a few big breweries have to be weighed against the cost of distribution which is a major cost factor

To optimise the production and distribution operation, SAB uses a computer model which, among other things, specifies the number of breweries to be built, and their sizes and locations down to the nearest suburb It also specifies the quantities of each beer brand and pack size to be produced at each brewery

ICB's Chamdor and Bloemfontein breweries have fitted well into SAB's production/distribution network, but its Durban brewery was superfluous and has been turned into a training centre

The big new breweries will produce the Lion, Castle and Carling Black Label brands, which have 85% of the market They will also concentrate on quart bottles which carry 60% of all beer sold Smaller breweries and the Isando brewery which has smaller packing lines will produce the smaller volume brands and packs



LIQUOR

Back to the lager FM 14/11/80 (182)

"Drink now and avoid the Christmas rush," reads the sign in a Johannesburg pub frequented by confirmed beer drinkers This could be good advice as SA Breweries (SAB) will be hard pressed to fill demand over the festive season Sales this year will reach 8,6 million hectolitres while the country's brewing capacity on normal shifts is only 7,9 million hectolitres

Volume beer sales rose 20% last year and in the last six months they rose again by more than 30% over the corresponding period in 1979 In the same period wine sales rose only about 12% from a much smaller base, and spirits sales stagnated

Beer now accounts for more than three out of every 10 drinks consumed and more than 40% of all expenditure on liquor With sales this year of around R830m it is one of the biggest single consumer expenditure items and equals more than 4% of all retail sales.

Beer drinkers have suffered long from government attempts to boost wine and wine spirit consumption at their expense In the early Fifties excise duties favoured brandy and wine, and price control on beer at pre-war levels stunted investment By 1968, beer was the least popular beverage — outsold, drink for drink, by spirits, fortified wines and natural wines

As the leading beer producer, SAB has often been harassed by government In the Sixties government forced it to sell some of its wine interests but forbade investment of the proceeds in the liquor market This led to SAB's successful diversification into other consumer goods fields

When Whitbreads entered the beer market in the Sixties, a unique discriminatory excise duty was slapped on beer produced by SAB's larger breweries This penalised large-scale production efficiencies

SAB continues to pay this duty rather than fragment its operations to uneconomic levels The extra excise costs R1,2m a year for *each* of eight breweries it runs

The excise structure makes beer the most expensive locally produced drink although it has the lowest percentage alcohol content Excise on beer is still more than 11c per drink This is very close to the excise on brandy and more than 22 times greater than the excise on wine In 1979 the average cost of a beer drink was 40c, a brandy was 33c, fortified wine 19c and natural wine 15c

Despite government's statement that it favours consumption of low alcohol content liquor, the tax favours the more alcoholic products of the vine

If excise on beer were reduced and the

WINE

(182) FM 21/11/80

Co-ops come out in revolt

A large body of winegrowers has come out in open revolt against the KWV As a result, Tuesday's meeting of growers at Worcester could be explosive

This week, strong protest by a number of producers' co-operative wineries against a new set of minimum good wine price add-ons proposed by the KWV resulted in the recommendations being scrapped by Agriculture Minister Pietie du Plessis Consequently, it is unlikely that revised add-on proposals will be put forward until January or February when KWV submits minimum price suggestions for the 1981 crop

Rejection of KWV's amended add-on proposals is seen as a severe blow to the body's efforts to reduce tension and suspicion between growers and the wholesale producing merchants, and to promote a spirit of "partnership and understanding" between them in terms of the agreement which led to the restructuring of the liquor industry last year

The tension generated by KWV's proposals arises from the system provided in the wine and spirit control act, wherebv the control authority recommends a value to be added on to the price at which co-operative wineries sell direct to consumers The add-on is intended to provide co-ops with a margin which would be ploughed back into development, promotion marketing and so on It is also intended as a device to discourage co-ops from selling purely on price to the detriment of their biggest customers — the wholesale producing merchants

In February this year, the value-added component was set at

- □ 54c/ℓ for wine sold to the public in bottles, jars "or other containers" of a capacity less than 4,5 ℓ,
- □ 27c/ℓ on containers between 4,5 ℓ and 5 ℓ, and
- □ 15c/ℓ for containers in excess of 5 ℓ, but not more than 25 ℓ (the so-called "swartvarkie")

These values were added on to the basic price of good wine (wine to be consumed as such, not for distillation) of R27 63 a hectolitre or 27,63c/ℓ This meant that a co-op could come into the market with a 750 mℓ bottle of, say, good steen at less than 70c, including excise duty and gst

Despite their economies of scale and distribution and marketing efficiency, the wholesale merchants could not come anywhere near matching these prices

Moreover, the February add-on determination did not provide for packaging innovations such as the revolutionary bag-in-the-box, which is now in the vanguard of new growth in the natural wine market It is now alleged that some co-ops selling "wine in the bag" are disposing of product at 34,5c/ℓ — cheaper than the price of Witzenberg or "Tassies" in Cape Town in 1967

It is understood that wholesale merchants, in the spirit of "co-operation and understanding" of the new liquor dispensation, pointed out to KWV that the co-op "carve-up" in the vitally important Johannesburg and western Cape wine markets would be bad for light wine in the long run

The position of the country's 72 co-ops is not contested In fact, they provide much-needed competition, according to the wholesale merchants But they do not compete on equal terms and the selling techniques of some are said to be bad for the image of wine

But while the management and board of KWV have sympathy with the views of the merchants, events this week showed clearly that they are apprehensive of a broadly based backlash from their 7 000 members

On the strength presumably of representation by wholesale produce merchants, the KWV amended its 1980 add-on proposals and published them in the Government Gazette of October 31, inviting objections within 14 days

The proposals, if accepted, would have raised co-ops' selling prices appreciably The suggested add-on for wine sold in 740 mℓ with cork closure and carton sleeve was 69c/ℓ Without cardboard sleeve it was 62c/ℓ The corresponding add-on for screw-top bottles was 52c and 45c respectively

At the same time, KWV proposed a special add-on for wine sold by way of the bag-in-the-box — at 46c/ℓ Substantially increased add-ons were proposed for wine sold in plastic containers and, at the same time, it was proposed that the 25% surcharge on direct sales to the public should be repealed Even so, this was unacceptable

It is understood that 13-17 co-ops registered strong protest not only with their local KWV directors, but with the Minister It is practically without precedent that a group of winegrowers or their co-ops should shoot down a KWV proposal to the Minister

The reason for their move is plain to see With nearly 40% of the 1980 distilling wine crop having been declared unsaleable on the domestic market this year, plus the fact that the distilling wine portion of the crop will comprise about 55% of the total crop of 7m hectolitres, most farmers, for technical reasons, will be getting a mere 13c/ℓ for the biggest portion of their crop — that is, the portion that does not get converted into good wine at a minimum of 27,6c/ℓ

For reasons of either over-production or under-consumption, there are clear limits to the volume of good wine the wholesale producing merchants can sell this year

For reasons of survival, it is understandable, therefore, that growers will exert pressure on their co-ops to increase the portion of their intake which is disposed of as good wine at 27,6c basic — regardless of marketing niceties

A proposed compulsory value-added component, which would bring co-op selling prices more in line with those of the wholesale producing merchants (and therefore result in a slowing of sales) was clearly unacceptable

The basic problem for most winegrowers is that the margin between distilling wine at 13c/ℓ and good wine at 27,6c/ℓ is the difference between survival and extinction In other words, an element of desperation has crept into the winegrowing business

Thousands of farmers, having taken a great deal of care to upgrade their viticultural production, are currently producing thousands of tons of wine grapes, which are being converted to distilling wine because potable wine lags so far behind supply Vine scientists reckon that at least 70% of wine grapes produced in the traditional wine districts of the country are suitable for drinking as wine as such On the basis of 1980 crop delimitation, however, the market has dictated pretty close to the converse

The response of rebel co-ops, which are prepared to dispose of good wine below the statutory minimum price (derived by KWV from painstaking costing surveys conducted "on the ground"), is a serious challenge to the basis of control board hegemony in the agricultural sector of this country

It strikes at the roots of production control, introduced in the wine industry about 60 years ago when farmers out-produced a small market to such an extent that thousands of tons of wine were allowed to run down the gutter or rot on the vine

Modern control board philosophy, however, places a high premium on market "stability" — which usually means optimum stocks attracting the highest possible price

What seems to be happening now is that the KWV, perceiving that the current "surplus" situation will not last forever, is trying to co-ordinate the selling prices to the public of wines made by co-ops and the wholesale merchants, in the largest of which (CWD) it has a 30% equity stake

Nobody who is willing to talk seems to know just how much wine the co-ops sell direct to the public, but the best educated estimates indicate that they account for

WAY TO HELP SMALL BUSINESSES?

Secretarial service firms are forming an association to fight a threat by the SA Post Office (Sapo) to cut off their telephones and telex services if they continue to send and receive telex messages for their clients

Sapo is empowered to do this under the Post Office act No 44 of 1958 which specifies that no person may use telecommunications lines for transmitting for the public without the authority of the Postmaster-General

Sources at Sapo have so far been unable to say if the Postmaster-General has ever granted such authority and cannot say if applications will be favourably considered

They recommend that in the meanwhile individuals and companies who avail themselves of these services should make use of public telexes at post offices

Says Mike Matthews, owner of Sandown Accounting & Secretarial Services, which is one of the threatened firms This is quite impractical as the nearest post office with a telex machine to our Sandown office is in Jeppe Street This Act can be applied to any telex user, and this includes hotels, the chambers of commerce and industries, clubs and data processing companies

The Sapo official who approached me said that he had already closed down a data processing company for using the telex on behalf of its clients "

In en om die sakewêreld

Bierbedryf in SA onder loep

Sakebeeld (182) 23/11/80

SUID-AFRIKAANSE BROUERYE se bierafdeling het sy eerste jaar ná die rasionalisasie in die bierbedryf (die oorname deur SAB van Interkontinentale Brouerye) voltooi. Franz Albrecht het aan die afdelingsbestuurshoof van die drankafdeling, mnr. Ken Williams, gevra watter voordele uit hierdie rasionalisasie gespruit het. Daarby is hy gevra om die vooruitsigte vir die bierbedryf in Suid-Afrika in oënskou te neem.

VRAAG: Watter besparings en voordele het voortgevloei uit SAB se oorname van Interkontinentale Brouerye?

WILLIAMS: Ons het ons produksie vaartbelyn gemaak deur verpakkings en produkte te rasionaliseer. Die verbruiker geniet tog nog 'n ruim keuse. Hierby handhaaf ons 'n hoë benutting van ons totale produksievermoë wat besparings in die hand werk. Origens het ons bespaar deur produktiwiteit te verhoog en op items soos advertensie.

VRAAG: Met hoeveel het die produksiekoste van bier sover in 1980 toegeneem, ondanks die uitskakeling van mededinging en die besparings en voordele van rasionalisasie?

WILLIAMS: Ons is hoogs kapitaalintensief en die koste van nuwe produksievermoë styg tans met meer as 20 persent per jaar. Dit is 'n belangrike feit in die lig van ons onderneming om produksiegeriewe teen 'n koste van sowat R200 miljoen uit te brei. Ons grondstowwe is hoofsaaklik mout en hop waarvan 'n groot deel ingevoer word. Tesame met swak oeste, het die pryse met soveel as 20 persent vermeerder. Verpakkingskoste styg nie soveel nie, maar ons is onderworpe aan inflasionêre druk.

VRAAG: Wanneer in aanstaande jaar kan die verbruiker 'n verhoging in die prys van bier te wagte wees?

WILLIAMS: Ons het ons onderneming aan die verbruiker nagekom om die prys van bier nie in 1980 te verhoog nie. SAB het in Februarie 1979 laas die brouersprys van bier verhoog. Ons sal beslis nie die prys op Nuwejaarsdag verhoog nie, maar wanneer dit sal gebeur, kan ek nie presies sê nie. Ons kan egter nie onbepaald voortgaan om die prys van bier te handhaaf nie, maar ons sal probeer om te sorg dat die verhoging die minimum uitwerking op die verbruiker het.

VRAAG: Wat is die grootste koste-items in die aanbevole kleinhandelsprys van 77c vir 'n bottel bier van 750 ml?

WILLIAMS: Aksynsbelasting is verantwoordelik vir 35 persent van hierdie prys Die aanbevole kleinhandelsbruto-winsgrens is sowat 25 persent van die prys, maar in die praktyk neig dit om baie laer te wees. Grondstowwe, en die verpakking vir die bottels waarop 'n deposito gevra word, behels sowat 16 persent.

VRAAG: Wat is die beraamde totale jaarlikse omset in die drankmark en watter aandeel het bierverkope in hierdie mark?

WILLIAMS: Die kleinhandelomset in die drankmark is sowat R1 000 miljoen per jaar. Gemeet aan drankies, behels bier sowat 'n derde van die mark, maar omdat bier se aksynsbelasting hoër as dié van wyn is, verteenwoordig bier 'n hoër persentasie as hierdie van die kleinhandelsomset van die drankmark.

VRAAG: Voorsien u dat die verbruik van bier in verhouding tot wyn in die afsienbare toekoms gaan verander, en in watter rigting?

WILLIAMS: Hulle sal albei groei na gelang van die verbruiker se smaak, hul pryse, hul beskikbaarheid en al die gewone dinge wat die verbruiker beïnvloed. Die verbruik van bier is skynbaar 'n bietjie hoër as wyn, maar wynverkope is blykbaar besig om toe te neem

VRAAG: Geskied die verkope van SAB se drankwinkels teen die tempo van tien persent per jaar binne tien jaar?

WILLIAMS: Ja. Ons het vanjaar dertien verkoop en daar is op die oomblik net meer as honderd oor.

VRAAG: Watter biersoorte sal aanstaande jaar nog op die mark wees? Oorweeg julle dit om enige hiervan nog uit te skakel?

WILLIAMS: Al die huidige handelsmerke behoort tot volgende jaar op die mark te bly. Die verkope van Kronenbräu is egter minder as wat ons gehoop het.

VRAAG: Kan die verbruiker enige nuwe handelsmerke in 1981 te wagte wees?

WILLIAMS: Ek glo nie daar sal in 1981 enige nuwe handelsmerke wees nie. Ons glo dat ons huidige reeks uit die soorte bier en verpakkings bestaan wat die verbruiker verlang, maar ons kyk gedurig uit vir nuwe en opwindende produkte vir die verbruiker.

Wine sales up, says KWV chief

ARGUS 24/11/80 182

THE average South African's consumption of 10 litres of wine a year was far less than that of his contemporaries in other wine-producing countries, the chairman of KWV, Dr A du Toit, said in Worcester yesterday.

Dr du Toit, addressing a conference of wine farmers said the total wine sales this year were running around the 200-million litre mark But the Western Cape accounted for a share of more than 50 percent of the national wine-market

The per capita consumption in other wine producing countries varied between France's 98 litres a head to Germany's 24 litres a head Even Britain, a non-wine-producing country, consumed seven litres of wine a person a year

BEER SALES

Wine sales in the first eight months of this year had risen 12 percent, but beer sales for the same period rose by 78 percent, Dr du Toit noted.

Dr du Toit said one of the main reasons for the sharp rise in beer consumption was to be found in the black consumer's use of his discretionary income The black consumer was swinging away from the traditional sorghum beer to the so-called 'white' beers, he said

'Some people estimate that 80 percent of all "white" beers are today drunk by these consumers It is further estimated that only 8,5 percent of all natural wines go to this sector of our market,' Dr du Toit said

The big problem was in the north 'The task ahead of the wine industry is to persuade consumers that wine also has a place in their lifestyles,' Dr du Toit said.

EXPORTS

Dr du Toit said exports to the end of October had reached R11,75 million with the book-value of exports expected to exceed the R13 million mark

"This means an increase of 81 percent on the total wine exports for 1979," he said.

Preliminary records indicated that about 6 990 000 hectolitres of wine shows,' Dr du Toit 1980 he added

Call to adjust high quality wine prices

THE chairman of KWV, Dr A du Toit, said in Worcester yesterday that prices paid for the show-case wines of the industry, the rieslings, cabernets and shiraz, would have to be adjusted to pay the producer to plant these cultivars

The alternative was to find better production methods for these cultivars, he said.

Dr du Toit said wine producers were careful in planting these cultivars because prices obtained were not in relation to their relatively low production as compared to that of other cultivars

A recent study had shown that in 1979 riesling made up 1,4 percent of the vines in vineyards but contributed only 0,6 percent to total production Shiraz occupied 0 7 percent of the vineyards but contributed only 0,3 percent of the total production, whilst cabernet contributes only 1,3 percent to total production

'It is conspicuous that the recognised high quality cultivars did not play a predominant role on the wineshows,' Dr du Toit said

The wine show results for this year indicated that the quality for 1980 overall was very good

LIQUOR 182 FM 28|11|80

Backlash potential

A high-powered delegation of SA wine and spirit producers, including KWV chairman Andre du Toit and GM Ritz de la Bat, had a meeting with Finance Minister Owen Horwood in Pretoria last week at which they urged him to raise customs duty on Scotch whisky

Customs commissioner Daan Odendaal, who attended the meeting, cautioned that such a move would contravene undertakings given by SA in terms of a Gatt binding in 1949 In terms of the binding, SA agreed not to raise tariffs against Scotch, in return for preferential UK treatment of SA exports of port, sherry and brandy

Since 1949, however, brandy's tax protection against Scotch has been whittled down from 270% to about 30% due to increases in domestic excise duty rates — which has given rise to a situation whereby the tax component of a bottle of brandy is more than 50% of its wholesale price

KWV argues that the 1949 binding no longer holds good because, by entering Europe in 1973 and adopting EEC protectionist systems which adversely affected SA's traditional exports of bulk sherry and port, the UK abrogated the 1949 trade-off and should therefore be subjected to the same sort of treatment on the SA market for its whisky exports — more so, because Britain has not compensated SA winegrowers for the loss of imperial preference

Horwood . . . a tax attack on whisky?

At their annual conference in Worcester this week, winegrowers were in a militant mood as they called for the removal of imposts which allegedly inhibit disposal of the crop Some demanded a complete rebate of the existing duty on wine (3c/ℓ), revenue from which constituted less than 1% of budgeted estimates of revenue for the exchequer

Pressures to mount a tax attack on whisky are increasing and are politically difficult to resist In the 12 months to end-March this year, sales had increased 22,8% to 13,4m ℓ and indications are that in the period since then, disposals quickened appreciably and could now be running at an annualised 14m ℓ

In contrast brandy sales are stagnat-

In contrast, brandy sales are stagnating, having increased less than 1% to 35,8m ℓ in the 12 months to end-June this year What alarms winegrowers most is that the ratio of brandy to whisky sales has fallen from five to one and is now less than three to one

The political problem confronting KWV is that whisky is advancing at the expense of the majority of its 7 000 members, who produce mainly distilling wine which, this year, comprised 57% of the total crop of 7m hectolitres And, for deliveries of distilling wine, they received only 13c/ℓ, compared with growers who got 26,7c/ℓ for deliveries of good wine

Whether Pretoria will do something about whisky remains to be seen Britain is still the leading buyer of Cape table wine, while France accounted for R4,2m worth of commodity alcohol' The potential for an EEC backlash of grave proportions is therefore great Other areas of trade could be dragged into the imbroglio if SA did yield to farmer pressure and raise tariffs against Scotch

□ Meanwhile, farmers at the Worcester meeting exerted strong pressure on KWV to seek a substantial rise in the minimum prices of good wine and distilling wine next year Some speakers suggested that the distilling wine price be hoisted from 21,67c/ℓ to something between 35c and 40c/ℓ, but that the good wine price be left at 1980 levels

At the same time, the question of minimum add-ons (*Business*, November 21) to the tax-paid prices, at which co-op cellars sell wine direct to the public, has been left in abeyance until next year and will probably be announced simultaneously with KWV's other price recommendations Thus an awkward situation was averted

90 dairy strikers dismissed

21/2/80 Star

By Andrew Walker

Milk deliveries in Florida and surrounding areas have been resumed and about 90 strikers from the local Creamline Dairies depot have been fired.

The manager of Kumek West Rand Dairies, Mr L van Vuuren, said the deliverymen who went on strike on Friday evening had "discharged themselves" by refusing to obey orders to return to work

Vehicles loaded with milk were placed at "strategic points" throughout the affected areas to sell milk so that householders would not have to drive to the depot for supplies

Many people were unaware of this and still came to collect milk themselves

The Florida depot was the only branch affected by the strike

Unions 'driven off shop floor'

STAR 24/5/(1983) 182

By Drew Forrest

The Federation of South African Trade Unions, which represents about 25 000 workers nationwide, has accused a growing number of companies of attempting to force black unions into the "bureaucratic mould" of their white counterparts

In a statement released yesterday Fosatu attacked these companies, in the paper, biscuit-making and chemical industries, for seeking to drive trade-unions off the shop-floor and into industrial councils, where all negotiation would take place

Fosatu unions have opted for registration, which would give them access to industrial councils But they are adamant that the latter should not replace bargaining structures at plant level

There was a further worrying trend towards the revival of the "discredited" official committee system as a substitute for elected committees of shop-stewards, the statement said

Fosatu would fight these trends, as they were "in the interests of employers and a minority of skilled white employees, while ignoring the needs of the mass of black workers"

Of particular concern to Fosatu is the Sappi paper plant in Springs, to which the Fosatu-affiliated Paper Wood and Allied Workers' Union had effectively been denied access

Sappi public relations officer Mr B Cradock could not be traced for comment yesterday

Trade union man held

182

3/12/80

EAST LONDON — The chairman of the East London branch of the African Food and Canning Workers' Union, Mr Welile Mzozoyana, has been detained under the Ciskei emergency regulations, the Secretary of the Ciskei Central Intelligence Services, Brig Charles Sebe, confirmed yesterday

Brig Sebe said Mr Mzozoyana was detained on Monday morning for Saawu activities

Asked how Mr Mzozoyana, could be detained for Saawu activities, he said "The terminology may be different, but the two unions are interwoven in their operations "

Mr Mzozoyana was one of 13 trade union officials arrested at the entrance to Mdantsane on November 7 They were released on November 12,

A spokesman for the African Food and Canning Workers' Union headquarters in Cape Town said "One can only suppose Mr Mzozoyana's detention is part of the continuing harassment of trade unionists "

The union's branch secretary here, Mr Bonisile Norushe, has been in detention since June He was detained by the South African Police under the General Laws Amendment Act and later under the Terrorism Act. — DDR

KEY TO COSTING TUTORIALS

Code	Details	No. of Tuts
CA	Cash budgets	4
CB	Capital budgeting	8
CC	Contract costing	2
CL	Linear programming	5
CM	Marginal costing	7
CP	Prof	4
CS	Stan	8
CX	Misc	6

THE ARGUS, WEDNESDAY DECEMBER 3 1980

3/12/80 Argus

Slowdown seen in food, clothing, wine production

THREE key manufacturing industries in the Western Cape — food, clothing and wine — are showing signs of slowing down after a year of one of the best growth performances in the country's economic history.

This is one of the conclusions of Trends, the quarterly statistical analysis by the Stellenbosch Bureau for Economic Research

In consumer goods manufacture, a disquieting trend to stagnate is shown in food production, says Mr Willem Roets, compiler of Trends

Clothing production is slackening off at a record high level, while liquor production in growth terms is definitely slowing down

FINANCE

Metal products are recording their best growth performance, textiles are faltering slightly but machinery production has shown no growth this year

Clothing and textiles are probably encountering problems in expansion on the export markets partly due to recessionary conditions overseas and worsening terms of trade for overseas buyers as a result of the increasing strength of the rand

Food exports, particularly canned fruit and vegetables, were hit by the appreciation of the rand and increasing competition from South American countries

'Trends in liquor consumption are gradually being influenced by changing social precepts associated with improving standards of living of the lower and middle income groups

'These changes seem to favour beer in preference to both wine and brandy'

Under the Act, labour control boards have been appointed: these have supervised the abolition of the labour tenant system and have also made determinations requiring individual farmers to reduce the size of their labour force. This Act is also the Act under which homeland consolidation takes place. Badly situated, African owned land has been expropriated - Africans owning at least 20 morgen (17 hectares) have been entitled to a similar area of land in trust areas; those with less have received cash compensation. Removals of labour tenants and squatters and people from 'black spots', under the homeland consolidation

1970's.

30 dairy strikers given their jobs back

4/12/80 STAR 182

Thirty of the 90 strikers fired from the Florida depot of Creamline Dairies have been reinstated.

The delivery men were given their jobs back after management told strikers they could apply individually for reinstatement, the head of the depot, Mr L van Vuuren said today.

"A large proportion of those who applied for reinstatement were taken back. Those who were re-employed were selected on merit. We are not taking back trouble-makers," he said.

The management refused requests from the Food, Beverage and Allied Workers' Union to take back all 90.

The general secretary of the union, Mr Leonard Sikhakhane, said today his organisation was seeking legal advice on workers who were not reinstated.

Food firm wage deal hailed

By STEVEN FRIEDMAN
Labour Reporter

ONE of the most substantial wage increases in recent years — 60% for some workers — is contained in an agreement signed this week between a multi-national company, Kellogg SA, and the Fosatu-affiliated Sweet, Food and Allied Workers Union

The agreement appears to be the first outside the Eastern Cape to recognise union demands for a "living wage" rather than one based on various poverty datum line surveys.

Kellogg's managing director, Mr Murray Rogers, said yesterday the agreement partly met union requests that companies move away from the various "poverty datum lines" towards a "realistic living allowance".

The increase is also the result of one of the few wage agreements negotiated between companies and unregistered trade unions

In a statement yesterday, the union hailed the agreement as an illustration of "the need for in-plant negotiations" between companies and unions on wage levels.

Many companies have refused to negotiate wages with unions, arguing that this should be done on an industry level only.

For several years, many companies have been relying on various poverty datum lines to set their minimum wages. These calculate the minimum a family needs to survive

However, during the East Cape motor strikes, unions demanded that companies ditch this standard, arguing that it allowed workers "only to exist".

They demanded that employers switched to a "living wage" negotiated between unions and employers.

Kellogg appears to be the first company outside the Eastern Cape to accept this and to negotiate on this basis with a union.

Mr Rogers said wages were not yet up to the standard negotiated in the Eastern Cape However, the new rates would be reviewed in the middle of next year in the light of increases in the cost of living

In terms of the agreement, the company's "probationary wage" goes up to R46 a week and its factory operatives will earn a minimum of R50 a week

This means that workers at the bottom of the scale will see their wages rise by 60% and proportional increases are contained for the other grades.

In its statement, the union says "The achievement of such a substantial increase is evidence of the wisdom of in-plant negotiations between unions and the company and the union wishes to acknowledge Kellogg's acceptance of the need for in-plant negotiations.

It adds that "the new wage levels are a testimony to both parties' acceptance of a realistic negotiating framework".

Negotiations for an agreement are already under way and are expected to be concluded early next year.

Mr Rogers said yesterday the new levels would come into effect early next month

4.9
182
RDM 5/12/80

Black union hits at dairy

1821

Labour Reporter

A BLACK trade union this week criticised a West Rand dairy's decision to fire striking workers before agreeing to talks with worker representatives on the issue

Ninety workers at a Florida dairy, Creamline Dairies, were fired on Tuesday after a strike

The strike, which began late last week, prevented milk deliveries to households in several West Rand areas

It was sparked by management's alleged refusal to negotiate with workers on their demand for a minimum wage of R50 a week

While about 200 workers struck originally, many of them returned to work on Tuesday Those who did not were fired

The general secretary of the Food, Beverage and Allied Workers Union, Mr Skakes Sikhakhane, said management had refused to discuss the issue with the union until the workers had been fired

The company's management has been repeatedly unavailable for comment

According to Mr Sikhakhane, the majority of workers at Creamline's Florida plant were members of his union at the time of the strike

The union is affiliated to the Council of Unions of South Africa.

He said he had made several attempts to arrange a meeting with the company to discuss the strike, but had been turned down

On Tuesday, he had visited the company's premises and had spoken to the plant's manager

"I told him that there was still time to settle the matter, but he refused to discuss it then," Mr Sikhakhane said

Later in the day, the company had contacted the union and offered to meet it

"When we arrived for the meeting, however, we discovered that the management, after consulting officials and the Dairy Trade Management Board, had already paid the people off

"We asked them to reconsider their stance, even at that late stage, but they refused," Mr Sikhakhane said

The company had said that it would be prepared to take some of the fired workers back individually, but would not reinstate them en bloc, he said

5/12/80 STAR

182

Milk strikers 'were intimidated'

Many of the men who went on strike at the Florida depot of Creamline Dairy had been told they would be killed or beaten if they did not strike, according to a spokesman for the Dairy Trade Management Board in Johannesburg

"Intimidation was rife and most of the 90 strikers had been forced to stop work Only a small number was responsible"

The spokesman claimed a small band of men started the strike and it was they who had warned their fellow deliverymen that they would be killed or severely injured if they did not stop work.

The strikers were fired after being ordered to return to work by management

"They were told that they had to resume duties. When they failed to do so they discharged themselves," said Mr L van Vuuren, head of the depot

At a meeting with the firm's management, representatives of the Food Beverage and Allied Workers' Union called on the firm to reinstate all the men.

"We refused to do this," said Mr van Vuuren," but we did tell the workers that we would be willing to consider individual applications from those who wished to be rehired" About 30 have been reinstated

A beer will cost more next year

STAR 182 6/12/80

By Charlene Beltramo, Fair Deal Editor

Theoretically, the past year has not seen any beer price increases, and this will be a major reason why next year, South African Breweries will push up the prices of South Africa's favourite drink.

But, if you're a beer drinker you'll realise that buying a pint of the best has been costing you more.

In November 1979, SAB took over Intercontinental Breweries, who, in return, were given a large slice of SAB's wine interests.

At the time SAB, under Government pressure, undertook not to increase the wholesale price of beer until 1981.

BAR PRICES UP

They have kept their promise. The wholesale price of beer hasn't been increased BUT promotional discounts have been withdrawn, incentive schemes stopped, 300 ICB workers retrenched, several bottom of the market beers dropped, including Schafft, Rogue and Culemborg, advertising reduced, and an uncompetitive market induced.

This in turn has meant that beer prices to the consumer have increased from seven percent to 55

Spotlight

percent, depending on the brand, type (eg dumpie) and the retailer.

Bar prices have gone up twice. Beer now costs around 53c a bottle in local pubs.

Premier Milling, who were emerging as a major force in the liquor industry, decided to cut their losses and get out and sold their liquor interest for about R4-million in the second half of this year.

Earlier in the year, Premier's liquor boss, Brian Joseph, complained that they could not keep prices down and were battling to be competitive.

Retailers who wanted to draw customers with competitive pricing, found that they had to make inroads into their own profit margins.

South African Breweries, on the other hand, had a 30,4 percent gain in profits for the year up to March 31 this year. This is the largest annual increase in at least two decades.

The beer and liquor retailing section alone reflected an increase of 27 percent.

Reliable sources are already predicting that in January or early February, 1981, beer and wine prices will rise about 15 percent.

Despite the protests of the country's powerful 6 000 wine farmers, however, it is likely that any wine price increases will be kept below those of beer.

Consumption of wine, although it has received a boost with the new casks, stands at only about nine litres per capita each year. Annual beer consumption, however, is around the 31 litres per capita mark.

Consumers can be pretty sure, as well that a New Year increase in the price of beer will not be the last for 1981.

Spokesmen for SAB were "not available for comment!"

KEY TO COSTING TUTORIALS

Code	Details	No. of Tuts
CA	Cash budgets	4
CB	Capital budgeting	8
CC	Contra	
CL	Linear	
CM	Margin	
CP	Probab	
CS	Stands	
CX	Misce.	

MINERAL WATER FM 12/12/80

Bubbling over

182

Sales of mineral water from ~~the renowned~~ Caledon springs have already reached the R300 000 mark on the local market. And, says Hymie Meyerson, MD of Xactics — which has 60% ownership of the Cape-based company, Health Beverages, which market the water — if negotiations are successful, sales on the export market could soon boost turnover to "seven figures."

Since its launch earlier this year, 50 000 cases of Caledon's Natural Spring Water — as the product is called — have been sold in SA. Main outlets have been health stores, pharmacies, all major supermarkets, bottle stores and hotels and restaurants catering for the tourist trade.

Says Meyerson: "We have to educate the SA market to drink mineral water." He notes: "We'll just have to create the interest. At the moment the turnover is still small. But I believe in the new year, it's going to take off."

Xactics, holding company of Quindrink, which manufactures fizzy soft drinks packed in plastic bottles, already had the facilities for bottling and adding sparkle to liquid. So the bottling of this mineral water presented no additional factory costs.

"We bring the mineral water from the Caledon hot springs (the water is 90°C) to Epping and put it through the filtration plant. The sparkle is put in and the water is bottled," says Meyerson. He adds that the mineral water is totally contamination-free, since it does not go through the syruping process, as soft drinks do.

"We're busy working on an order now and, if it's successful, it could mean a demand for 3m ℓ a month," says Meyerson, who adds that the export market involved is the Middle East.

Should this deal come off, it will necessitate an additional filtration and bottling factory being set up at the springs in Caledon, he notes.

"Fierce competition" in the market is prompting Meyerson to concede that, even if Natural Beverages does not make a profit through exports initially, penetration of the overseas market will be worth the additional capital outlay for the first few years.

"The water we're bottling is on a par with Perrier water," he says, noting that Caledon spring water won a prize at the Chicago trade fair in 1893 for its medicinal and curative properties.

This wonder-water is, or soon will be, available in 175 mℓ, 350 mℓ and 500 mℓ bottles (sparkling) and in 1,5 ℓ and 2 ℓ bottles (still).

'Caledon water . . . cheaper than Perrier'

Says a saleswoman at a local health store, which stocks and markets only this locally produced spring water: "Sales of Caledon mineral water are going very well. It sells for 39c a bottle and an equivalent sized bottle of Perrier water sells for 86c."

KEY TO COSTING TUTORIALS

Code	Details
CA	Cash budgets
CB	Capital budgeting
CC	Contract costing
CL	Linear programming
CM	Marginal costing
CP	Probability
CS	Standard costing
CX	Miscellaneous

No

UNCORKING MYTHS

182 FM 19/12/80

To cork or not to cork is a question the wine industry can no longer evade

Forget the myths and romance surrounding the traditional uncorking of a bottle the price and limited availability of good cork is going to force the industry to change And obviously, the more subtle and gradual that change, the more acceptable it will be

The present price per cork is between 6c and 8c But price alone is not the problem The only usable corks come from plantations on the Iberian peninsula, which means limited and, at times, uncertain availability The screw caps can be produced at a fraction of the cost and, as they are a manufactured product, can be made to exact specifications A few years of bad rains or growth can flaw cork to the degree where it is unusable.

Already the bag-in-the-box has made its imprint on the wine market But, though it has opened the way to uncorking wine, it is not a cure-all Bulk wine obviously enjoys limited popularity And the box is further limited in its application because it is expensive — in the region of R1,20/5 ℓ unit. Cost, therefore, makes it unsuitable for packaging lower priced wines And, as yet, no one has dared to package higher priced, or good, wines in bulk on any scale

The technology is there The sparkling wines in the new 250 mℓ bottle have been sufficiently pressurised even with a screw cap. When the specially-designed screw cap is covered with the traditional silver covering, there is little to distinguish it from a bottle with a wire-bound cork

The 250 mℓ bottles of wine, developed by SFW largely for use by their wine advisers, have been remarkably popular and now enjoy a fair percentage of the total wine market There is no question of wine deteriorating if it is not corked.

Quite the opposite Wine experts, including one of the top local tasters, have experimented (with bottles of Roodeberg, no less) and believe the alternatives could even be an improvement — no leaky corks, no air getting in to sour the wine The story about wine breathing through the cork is simply a myth

SFW's Dave Hughes says the 1979 Australian champion Rhine Riesling, Pewsey Vale, was closed with a screw cap The wine maker's comments on his closure was that the best wine deserved the best closure, says Hughes

If the industry could persuade the wine-drinking public to accept an alternative to corks for lower and medium priced wines, it could continue to cork higher priced, fancy wines (including the more prestigious estate wines), because a few extra cents on a bottle, for a good cork, is unlikely to make any significant dent in sales.

BREWING (132)

At the hop FM 19/12/80

Local hop production has been given a boost by the signing of a partnership agreement between South African Breweries (SAB) Hop Farms and Australian hop-growers Henry Jones and by the development of a new variety of hop which has good yield and aroma

Although hops have been farmed in the vicinity of George for over 30 years farming has not really developed with the beer industry and at present local farmers supply only 20% of SA brewing needs But with the signing of the partnership agreement SAB Hop Farms plans to extend its producing size from 180 t a year to 750 t By 1985 it expects to be supplying 50% of local hop demand — taking into account that demand will have escalated considerably by then

John Seton, Cape GM and chairman of SAB Hop Farms says the agreement was signed with the Australians because SAB was looking for people who had a broad feel for hop farming The Australians closest in latitude to SA, had the expertise and an Australian farmer will be assisting in the expansion programme

Not all of the hops will be grown on SAB land Some will be given out to contract growers in the area and SAB is looking into the possibility of leasing more land

Seton declined to give a value to the projected crop because of fluctuating world prices but says current world prices are in the region of R5 kg for coarse, bittering hops and R7 50 kg for aroma producing hops which make up 60% of the local crop

SAB Hop Farms has successfully developed a new variety of hop leading to large selection, high yield and good aroma Seton says

Hop growing is restricted to certain northern and southern latitudes At present SA is supplied by Western Europe the US Poland and Yugoslavia Although increased local production will not bring beer prices down it will provide the breweries with a reliable source, and be a saving in foreign currency Seton says The local crop will be totally taken up by SAB

UNIVERSITY FOUNDATION COURSE

In 1981 at SACHED, MOWBRAY, a special University Fo[...] planned. The intention is to provide students who [...] training for university work with a Foundation English [...] The course is designed for the post-matric students [...] language and who plans to study part-time while work[...]

We have discovered that many students who go straig[...] matric face many problems in understanding text boo[...] essays and knowing how to do research. This is as [...] students at U.C.T., U.W.C., etc., as it is [...] students.

THE COURSE:

The University Foundation Course is being planned a[...] which will initially be tested out in the form of t[...] to divide the year into two semesters.

- Arts students would take Foundation [...] two specialist courses other than [...]
- Science students would take Founda[...] Foundation Science plus possibly [...]

The year, therefore, is divided as follows:-

FIRST SEMESTER

8 Feb. - 12 June : Foundation English

Two 2-hour sessions per week at [...] which written work must be pre[...] vides a basis in the use of En[...] cussing and formulating ideas, [...] training in reading for a purp[...] breaking down text-book depend[...] read and essay techniques. T[...] to provide basic skills for a [...]

Or Foundation Maths.

Two 2-hour sessions per week p[...] manner from some Standard 10 M[...] Maths. It will include a tho[...] calculus and its practical appl[...] will be on full student partic[...] and solving problems and unders[...] This course provides a basis [...] Course.

SECOND SEMESTER

20 July - 5 Dec. : Foundation Courses in ONE or TW[...]

Accounting
African Studies/History
Economics
Law
Psychology
Science
Sociology

Each course will /...

Giant canning firm plans shot in arm

14/12/82

Mercury Correspondent.

CAPE TOWN — In the wake of the worst canning season in years and stagnant exports, the giant Langeberg Co-operative has scheduled a Press conference today to announce details of new plan intended to boost the ailing industry.

Confirming this yesterday, reliable sources indicated that it would centre on financial matters.

With an annual turnover of about R120 million, the canning industry in the Cape employs about 14 000 black and 1 500 white workers.

Commenting yesterday on Langeberg's provisional results for the year ended October, general manager Dr Johan Mouton said marketing conditions abroad had been extremely difficult.

He blamed problems in the industry on the firming of the rand against key foreign currencies, weakening of the economies of South Africa's main trading partners, over-production and a sustained rise in local production costs.

There was every indication the adverse conditions would persist in the new year. Canners could do nothing about the foreign exchange rate factors but he believed cost obstacles could be at least partly overcome by rationalisation within the industry.

Langeberg's provisional results put annual turnover up R10 million at R111,6 million but its trading profit dropped from R3 131 000 to R2 800 000. The rise in turnover was attributed mainly to increased domestic demand, said Dr Mouton.

LIQUOR (182) FM 26/12/80

Black power for beer!

Government should get out of the sorghum beer industry and sell its investments in breweries and retail outlets to blacks, says Ivan Deacon in a major study of the SA liquor industry

Deacon, who is MD of liquor distributors Henry Tayler & Ries, makes the recommendation in a Doctor of Commerce thesis just completed

He points out that sorghum beer accounts for 46,7% of the SA Customs Union's liquor consumption (when reduced to terms of absolute alcohol), compared to 17,3% for wines, 16,6% for malt beer and 16,4% for spirits (The figures are estimates for 1979, made by Stellenbosch Farmers' Winery)

Sorghum beer production is divided roughly 50-50 into wet and dry base products, that is to say, beer sold either as a liquid or in powder form to be made up either at home or by other distributors The SA government is responsible for all the wet base sorghum beer sold in SA, the rest being sold by the other states in the customs union

This gives government an 18,5% share of all absolute alcohol sold in the country, a share of the total liquor market exceeded only by the 33% of the newly created wine semi-monopoly, CWD SA Breweries, with 97% of the beer market in the customs union (the only other producer is South West Breweries), accounts for 16% of all absolute alcohol This leaves 4% for all other producers, which include Gilbey, Rennies and Union Wine

Among other recommendations made by Deacon are

□ Liberally license shebeens subject to reasonable standards,

□ Remove excise duties which penalise a malt brewer in relation to the size of a brewery,

□ Levy a tax on sorghum beer — it should not be regarded as a food supplement,

□ Keep the tax on natural wine low — it is high in comparison with international practice,

□ Tax all uses of wine spirit on the same basis "The present wine quality-price-income relationship is distorted and favours distilling wine," he says "SA producer wholesalers have also failed to bring about a wider price spectrum because most spirits sell virtually at the same price, the bulk of fortified wine sells at the same price, the bulk of natural wine sells at the same price, and a relatively small share of wine output and a minimal amount of brandy sells at premium prices "

Deacon observes that it would make more sense to make alcohol from grain spirit than from wine "The soil of the winelands of the Cape has a very poor efficiency in terms of comparable economic advantages when compared to other forms of biomass such as cereals or cane spirits "

Nevertheless, he favours wine bearing a lower tax than other liquor because "there is a far greater risk growing wine than other agricultural sugars or starches and, in addition, its production cycle is very long," — a somewhat odd view considering there is already a huge wine surplus

The maximum rebate permissible under the Gatt agreement should be allowed on all matured spirits, he says "This will further enhance brandy's status and its export opportunities and it will encourage a local whisky industry "

Overall, Deacon concludes that there is too much regulation of the industry "The government should be petitioned by the stakeholders of the liquor industry to follow a strategy of less regulation and seeking the stabilisation of the industry through effective competition," he writes

But he is on less sure ground when he continues "To this end it should involve the Ministry of Industries, Commerce and Consumer Affairs, the Board of Trade and Industries and the Competition Board to a much greater extent "

Less regulation?

SEE HOW THEY FLOW

An estimate of liquor consumed in the Southern African Customs Union, in litres of absolute alcohol — 1979*

Category	Volume consumed in bottle strength in litres	% alcohol vol/vol content	Volume consumed in litres AA	%
Brandy	37 000 000	43	15 910 000	9,50
Gin	5 000 000	43	2 150 000	1,30
Vodka	3 500 000	43	1 505 000	0,90
Cane & rum	17 700 000	43	7 611 000	4,50
Liqueurs	1 000 000	30	300 000	0,20
Sub total spirits			27 476 000	16,40
Sparkling wine	3 000 000	10,5	315 000	0,20
Natural wine	162 000 000	11,0	17 820 000	10,60
Fortified wine	55 000 000	20,0	11 000 000	6,50
Sub total wines			29 135 000	17,30
Whisky local blends	12 000 000	43	5 160 000	[illegible]
OFB	500 000	5	25 000	†
Malt beer	620 000 000	4 5	27 900 000	16,60
Sorghum beer	2 380 000 000	3 3	78 540 000	46 70
Wet base	1 1[illegible]0 000 000		33 940 000	23,20
Dry base	1 200 000 000		39 600 000	23 50
TOTAL			168 236 000	100 0

* Estimate made in consultation with SFW With the exception of all forms of sorghum beer the above products will be consumed under payment of excise

† Negligible

MANUFACTURING — BEVERAGES

14 JAN. 1981 — 18 DEC. 1981

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize
For the best student in :-

Sixth Year

P F Dunckley

Helen Gardner Travel Prize
For a student who has satisfactorily completed 1st, 2nd and 3rd major courses.

P A Rappoport

Molly Gohl Memorial Prize
For the best woman student in third year.

Miss C Tredgold

David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.

D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

S A Read

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S/MC 14/1/81 (18) 7

Beer cheer—price won't go up soon

Own Correspondent

CAPE TOWN — Beer drinkers can relax and enjoy their tankards No price rise is imminent

Rumours of possible immediate beer price increases have been heard since the beginning of the year

In November of 1979 there was a major reshuffle in the manufacturing companies when South African Breweries took over Intercontinental Breweries, which in return received a large slice of SAB's wine interests

At that time an undertaking was given that wholesale beer prices would not be increased until this year.

There have been predictions of a 15 percent increase in beer prices before March this year.

But in Cape Town yesterday when the question was put to Mr Lionel Drey, acting general manager of a local brewery, he indicated prices would stay at their present levels for the time being.

"I know of no proposed changes in wholesale prices" year, the "surplus" has been based on a larger crop of which distilling wine will comprise about 56%. In money terms winegrowers are going to be a lot worse off in 1981 than they were last year — unless KWV can repeat heavy disposals of commodity alcohol on international markets.

Openings to do so appear promising due to the fact that the 1980 French crop was about 12% smaller.

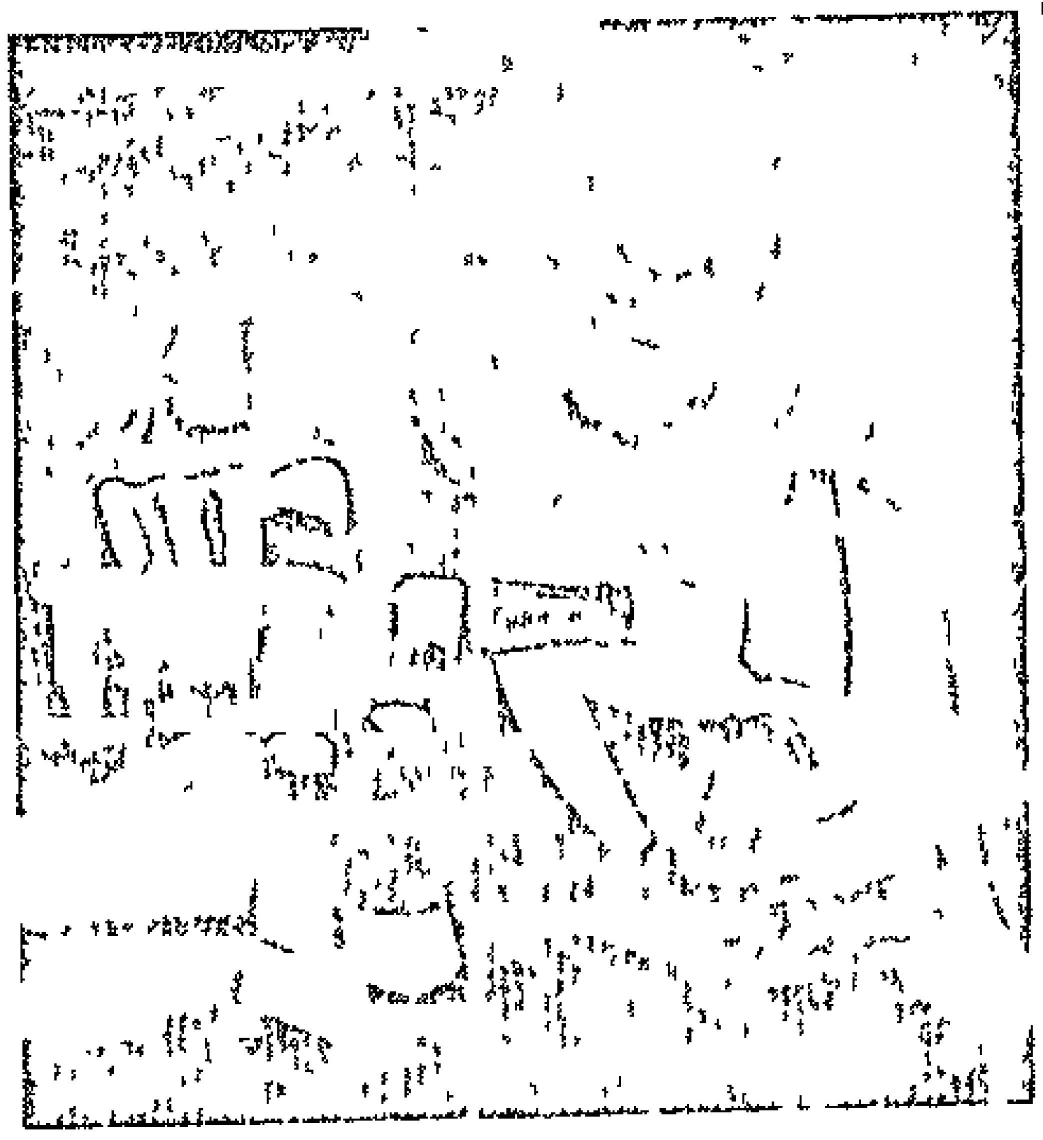
If the 1981 crop does indeed reach 7,3m hℓ and the consumption of wine and wine-based products does not explode, it is conceivable that KWV will soon be sitting on a surplus of about 350m ℓ.

Further bad news for winegrowers is the indication that the country's sole brewer intends to hold beer prices this year even though it may have capacity problems following a rise in consumption of 30% last year.

In that event, it is possible that SA Brews will sell a billion ℓ of beer this year (680m ℓ last year).

Not even a tax attack by Finance Minister Horwood on beer seems likely to hold beer below this level.

And although there is no established substitution effect between wine and beer, it is nevertheless a marketing fact that the higher beer sales go, the harder it is to break in new wine devotees, given constant prices of both products.



Beer ... unchanged prices are bad news for winegrowers

WINE FM 16/1/81 (182)

New price increase

By limiting to 10% its 1981 recommende[d] price increase for good wine and distilling wine, the board of the KWV is to [be] commended.

But although the recommenda[tion] amounts, in real terms, to a small reduction in the basic price, the increase nonetheless is in excess of the level which wholesale producing merchants could have absorbed in the interests of maintaining current levels of demand.

In raising the minimum good wine price from R27,63 to R30,39/hℓ, and the minimum distilling wine price from R21,36 to R23,50/hℓ, the board had to resist strident demands from the majority of its 7 000 members who, at their annual meeting in November, were calling for 1981 rises in the distilling wine price of as much as 40% "to save growers from destruction."

To have held the actual rise to 10% reflects either considerable political courage on the part of the board or a more sophisticated understanding of the tremendous problems confronting wine and spirit producers on the part of winegrowers.

What seems to have swayed the board, however, is the fact that the 1981 crop is expected to go well over 7m hℓ, the biggest on record. Because it is the fourth consecutive fat crop and comes at a time when the consumption of products derived from the vine is growing at less than 8% the surplus looks like reaching dange[rous] levels.

Although the expected unsaleable portion of the distilling wine crop has [been] set at 38,5%, compared with 39,1%

RDM 17/1/81 (182)

Thirty strike over dismissals

DURBAN — About 30 workers demanding reinstatment of dismissed colleagues and recognition of their trade union went on strike at the Montana Liquor Hypercellars in Durban yesterday.

The strikers said the Montana management wanted to replace the entire staff, who were joining the union

Mr Matthews Oliphant of the National Federation of Workers said the firm had been dismissing them at a rate of two a day

The workers are demanding that their colleagues be reinstated or the entire workforce be dismissed

A spokesman for Montana said the management was not aware the workers had a union and would be happy to co-operate with it He denied allegations that the firm was systematically firing union members.

Dismissed workers produced termination slips and claimed they were fired because they belonged to the union — Sapa

WINE FM 23/1/81

What's in a label? (182)

Frans Malan, one of the stormy petrels of the estate wine producing industry, is prepared to concede that Henry Kissinger (or was it Dorothy Parker?) had a point when he/she coined the maxim "even paranoids have real enemies"

Malan has also learnt that the individual is no match for the state bureaucracy, that loopholes in the law exist only as a challenge to be shut

In October 1977, in what was something of a *cause celebre* at the time, Malan, of Simonsig estate, Stellenbosch, successfully applied for an order in the Cape Town Supreme Court compelling the Wine and Spirit Board to certify Malan's 1977 vintage Pinotage bearing the tag "100 per cent" on the label

The board, after passing earlier vintages similarly marked, had refused in 1977 to certify Malan's Pinotage, arguing in papers before Mr Justice Gerald Friedman that labels indicating a percentage content of a given cultivar could sow confusion among consumers who would hold it to mean that a high percentage content of a cultivar was an indication of quality or, at bottom, of a higher quality than wines certified by the board complying with the minimum (50%) required by law

Judge Friedman disagreed and accused the board of grossly unreasonable action, particularly because it had passed the Simonsig 1974 and 1975 growths, and also because it could not dispute that Malan's label was factually accurate in every respect

Encouraged by the outcome of the application, and responding to the preference of 93% of his 13 000 regular mail order customers, Malan extended the practice of the 100% mark to other varietals produced on the estate.

But Government Gazette 7337 of December 1980 put the kibosh on the practice and Malan has been given until June next year to dispose of stocks bearing the 100% indicator. It also forbids the board to certify blended wines bearing labels indicating components of the wine and the percentages of varietals blended into the product.

One of the reasons given for the step is that it would be impossible for the board to police and verify such claims on the label because the permutations in respect of blended wines are endless

But Malan points out that such controls exist in any event and that inspectors of the board carry out physical cellar checks on wines intended for certification at a later stage

The practice of indicating varietal content on the label was a voluntary one, says Malan, who is the only producer to do so Amendment of the regulations, he says, is an unwarranted invasion of his freedom of choice

"Moreover, it negates the pious pronouncements of the sponsors of the wine of origin regulations who said the system was designed to reflect that the truth must not only be in the wine but that it should be seen to be in the wine."

The December 19 regulations appear to enshrine a trend in the opposite direction The appellation "late harvest" seems to have generated a great deal of consumer interest and last year over 11m ℓ of such wine was sold.

But few consumers guessed that what they were drinking was not "late harvest" at all but ordinary white plonk artificially sweetened by the addition of sweet must or concentrated must (moskonfyt)

To protect the existing 11m ℓ late harvest market and to comply with demands by German importers that such wine should be made from grapes harvested late or from "noble rot" grapes after the style of the famous German wines, three new categories of late harvest are gazetted late harvest, special late harvest and noble late harvest

BUSINESS

28/1/81 STAR

182

Cape Wine Distillers expected to resume Kirsh-Pickard talks

Geoff Shuttleworth

The dust has settled on the Union Wine saga — at least the bear squeeze has ended — and I have it that Cape Wine Distillers and the Kirsh/Pickard camp will resume talks in a few weeks' time

CWD has not confirmed that its holding in Union Wine shares is less than 25 percent but it appears that it failed in this objective after an expensive buying spree which, over four days, caused massive financial losses and gains and became the talking point of the business community.

The failure of CWD to block the entrance of Kirsh into the liquor industry does not end here, however. There are still many observers who believe that the relative peace and stability brought about in the industry since November 1979, when the war between SA Brews and Rembrandt and its companies ended, might come under pressure.

CONFUSED

There are many analysts who are still confused over why CWD embarked on such an expensive blocking move in the first place, especially as even with a 25 percent plus stake it could only have made Pickard and Kirsh change the scheme of arrangements rather than prevent Kirsh's debut.

A belated statement by CWD managing director Mr Gys Steyn, acknowledging that CWD was the buyer but that it was protecting its pre-emptive rights to Mr Jan Pickard's stake in Union Wine, was scoffed at

Not one Pickard owned Union Wine share has changed hands and there is no reason why he should have to dispose of any shares to get the deal passed in present or amended form.

The second more plausible reason for the CWD move was that it wanted to preserve the separation of manufacturing - wholesaling from the retail side of the industry.

SPOTLIGHT

Put under the spotlight, however, the argument is riddled with inconsistencies. The November 1979 liquor agreement, aimed at curbing ruinous competition in the industry and which hoped to incorporate some degree of separation between wholesaling and retailing, came far short of the second point.

CWD was born out of this arrangement which if continued — and there are many who doubt this will happen —, will mean that Rembrandt and South African Breweries will dispose of all but five of their retail outlets.

The Pickard - Kirsh camp points out that neither have been in any hurry to dispose of these outlets and that the least profitable are the ones that go first.

Observers are quick to point out that whatever the fancy footwork and legal loopholes, there still exists a near monopoly in the liquor industry and it was this that CWD was trying to uphold

On the face of it the buying spree last week looked like over-reaction. However, a brief analysis of the new-look Kirsh retail division highlights the importance of the Metro Cash and Carry operation in any venture into the liquor industry

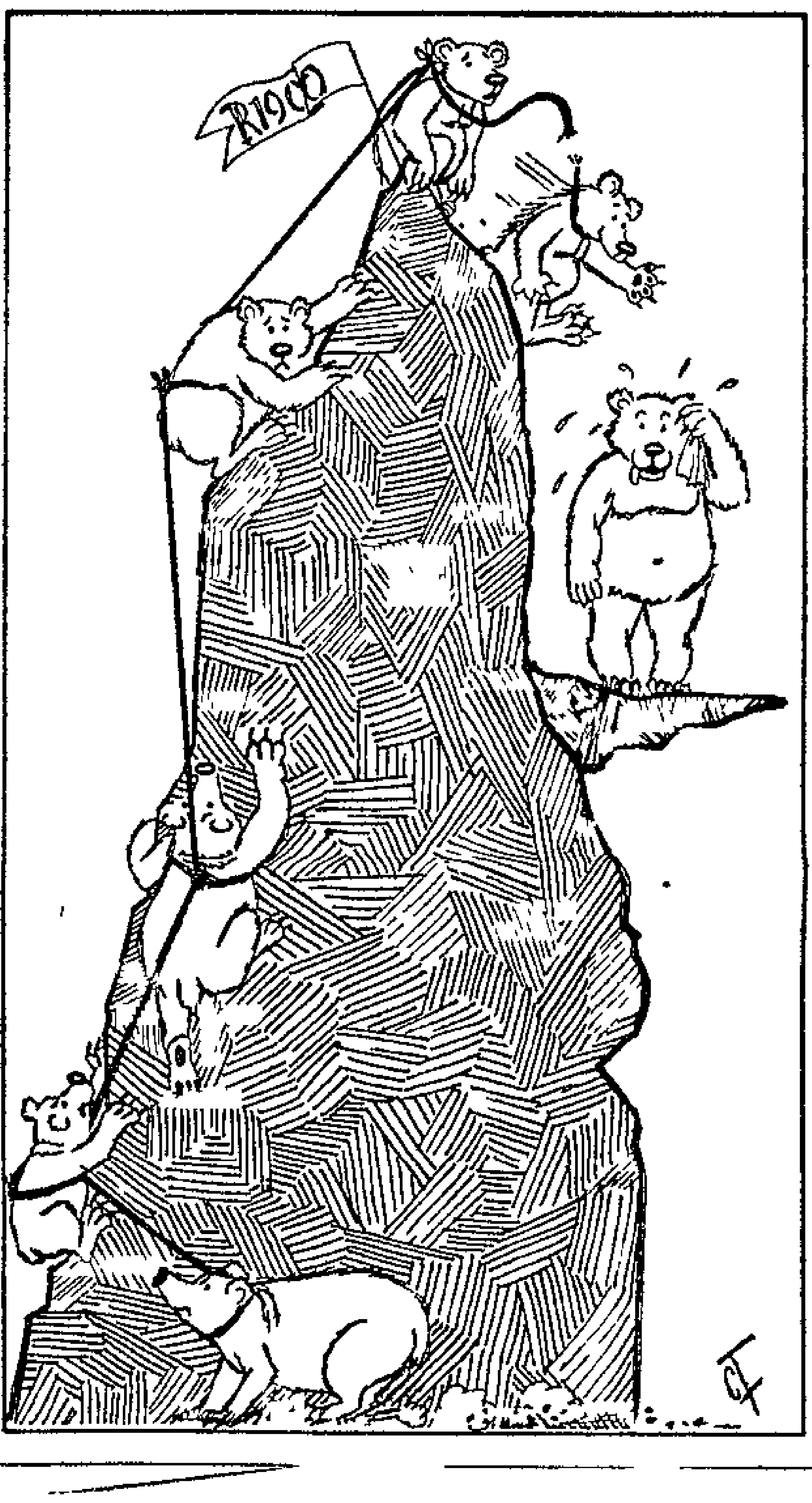
Observers believe the clout that Metcash and Union Wine can muster in the industry was enough to justify the as it may, conditions of competition can reach a point when such intentions are swayed by a CWD move They point out, however, the stance and direction of the move was baffling in that it never had any real chance of succeeding

A possible alternative reason for the CWD buying was that it might have swayed Jan Pickard to look at the price that Union Wine could command Certainly the CWD buying at a 400c average doubled the Union Wine/Coki deal price and there are unconfirmed reports that CWD was also prepared to almost double this price

If that is true, and there seems no way that it can be confirmed, then it underlines the apparent importance of the Kirsh debut.

Industry sources are, without exception, uncertain whether the 1979 agreement is legally binding on the parties

A spokesman for the SA Brews retail operations said that it was their policy to stick to the ministerial ruling. Be that more rational business yardstick.



Given the Government's declared policy not to intervene in the private sector and also the commitment to root out monopolies, it will be interesting to see the role it takes should the situation get out of hand, as it appeared to in 1978 and 1979

The liquor industry is currently under scrutiny of the Competition Board which started investigations in April 1979 It has still not reported and, taking into account the developments of the last two weeks, it appears that it will have to investigate further Some commentators are sceptical whether the report will make it for this parliamentary session

A lot of water (liquor) still has to flow under the bridge before any clear picture of the Kirsch/Union Wine/Coki clout can be measured Other points which still have to be settled include the legalisation of shebeens, seen as the area in which Metcash is set to outscore its opponents Another issue is the test case in the Western Cape in the distribution of liquor.

What will unfold in the industry is difficult, even impossible to predict. There is, however, a chronic need for the Government to declare its hand, and timeously too.

While the giants in the industry have battled it out at great expense, it hardly compares with what was won and lost by investors and brokers on the JSE

ACROSS BOARD

There will never be a full casualty list Losses were suffered across the board — from Rand Merchant Bank through to investors, from CWD to brokers. Even the apparent winners in the tussle Pickard and Kirsh, have also had to pay their price.

There were also enormous gains to be made Union Wine had for at least the past year been tipped as a takeover prospect and those who were patient in the face of the falling price during recent months should have had their day

A plus point was also won for the JSE Most now agree that the president, Mr Richard Lurie, took the right decision in suspending and then reinstating the listing a day earlier than planned

LIQUOR (170) FM 30/1/81

Spreading the vine

After a certain amount of restructuring, World Wines, and its major shareholder, Gilbeys, seems poised to expand its position on the wholesale imported liquor market.

Established three years ago as the imported liquor distributor for Oude Meester (which has since pulled out) and Gilbeys in the Transvaal, World Wines last year purchased Metter & Company in the Cape with a view to a broader national base. Distribution of most of its major brands in Natal has been on a sub-agency basis with Liquormaster, an independent wholesaler which has historically enjoyed close ties with the Gilbeys hierarchy.

However, as World Wines grows and its important products achieve a stronger market share, its position in Natal becomes increasingly anomalous: brands such as Southern Comfort, Moet et Chandon, Ricard and Kahlua tend to expect single national agency distribution networks, if only to consolidate media and promotional activity. It seems likely, therefore, that World Wines will have to establish a plausible presence in Natal in the very near future.

Two points remain to be decided. The first is: will a stronger national position bring World Wines closer to Union Wine, which has inherited from the Premier Group some important imported brands without the distribution to handle them?

Union's Transvaal GM, Eddy Magid, notes: "We see a gap in the market for an imported product specialist, and will be taking the necessary steps."

The second question is: will World Wines operate in Natal as associates of, or competitors with, its long-standing allies, Liquormaster?

RDM

Beer prices up on Monday

31.1.81

(82)

244

By MARTIN FEINSTEIN

SOUTH African Breweries (SAB) — the country's only beer brewer — is to increase its wholesale beer prices by an average 9,5% next month

The increase — effective on Monday — is expected to push up retail prices by between 10% and 12%

The lowest increase, 6%, is for large cans The highest, 13,4%, is for big "dumpies"

Small cans will cost liquor outlets 6,9% more. Quarts will cost 9,5% more, pints 10,3% and small "dumpies" 12,2%

SAB does not set retail liquor prices, and company executives could only estimate point-of-purchase increases as "between 10% and 12%"

Approximate increases across the counter, based on yesterday's prices at a central Johannesburg outlet, will be

Forty cents for 12 pints (current price about R4,09), 70c for 12 quarts (now R7,55), 39c for 12 small cans (now R3,95), 49c for 12 big cans (now R4,99), 36c for 12 small "dumpies" (now R3,65) and 34c for 8 big "dumpies" (now R3,39).

The general manager of SAB's beer division, Mr Peter Lloyd, blamed inflation and the higher cost of raw materials and wages for the increase

"Inflation during these last two years has been 30,1%, and we see no reason to believe that inflation will not remain at a high level and perhaps even accelerate in 1981," he said

Mr Lloyd said the cost of beer's three main ingredients — barley, malt and hops — had risen by 35%, 31% and 40% respectively in the last two years

Wages and salaries cost 33% more in the same period

"Certain raw material savings in cans have been passed on to the public, which is the reason for the smaller increase on cans," Mr Lloyd said.

SAB last increased its beer prices by 4,5% in February, 1979

Spirits will be next to go up, say hoteliers

S.Times, (~~[illegible]~~ 1982)

[illegible]

THE announcement by South African Breweries that beer is to be increased by an average 9,5 percent from tomorrow is just the first of widespread liquor increases, hoteliers believe

By GRAHAM SPENCE

The latest hefty increases in South Africa's favourite tipple are expected to hit the man in the [illegible] in some cases by as much as [illegible] percent.

Although there have been no official announcements, many hoteliers say they have been reliably informed that prices of many spirits will also be increased within the next couple of weeks.

The "grapevine" in the liquor industry is so well informed that price increases rarely comes as a surprise to the retailers and the past week [illegible] scale stockpiling by most outlets.

"I have been told that whisky is going up by [illegible] a case," a barman at a central Johannesburg hotel said.

"We are taking no chances and are stocking up as much as possible. If there are further increases we will continue to sell at old prices as long as our stocks last."

Most other hotel managers questioned said they were also preparing themselves for further liquor increases.

Announcing the bad news for beer drinkers this week, the general manager of SA Breweries' beer division, Mr Peter Lloyd, said inflation was running high and likely to increase even further during the year.

This is only the [illegible] beer price increase within two years, and Mr Lloyd blamed inflation and higher costs of raw materials and wages.

"South Africans are heavy beer drinkers and the price hike now puts the country in a unique position — it is probably the only place in the world where a bar pint of beer costs the same as a tot of Scotch whisky. It also now puts beer in the category of a rich man's drink."

Dumpies up

A quick survey shows that in many hotel bars a pint of beer costs 50c and up to 55c and a tot of whisky 50c. A 10 percent increase — which will be the minimum — will bring beer up to 55c as well.

In countries such as Zaire and Japan whisky, when available, costs more than R30 a bottle.

Another interesting feature of the price hikes is that the previously cheaper dumpies will now cost the same as cans. Mr Lloyd said this was due to certain raw materials savings in cans.

The increases which come into effect tomorrow are: pints 10,3 percent, quarts 9,5 percent, small cans 6,9 percent, large cans 6 percent, small dumpies 12,2 percent, large dumpies 13,4 percent.

182 FM 20/2/81

The recent rejection on technical grounds of a number of grocers' wine licence applications during the Cape Town sitting of the Liquor Board raises once more the need for a close look at this subject by government

In particular, action should be taken by the new Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, to whose department the administration of the Liquor Act was transferred last year

The need for such an examination is reinforced by the fact that the wine lake, which has been mounting up since 1978 now stands at about 400m ℓ — more than half of this year s estimated crop

Grocers' wine licences had their genesis in the findings of the Malan Commission of 1960, which suggested that the drinking habits of South Africans should be changed to encourage the consumption of natural wines and beer and recommended the distribution of these commodities through grocery shops From 1963, grocers could make application for wine licences — on condition, however, that they were making application in an area where natural wine consumption was 30% or less of total liquor sales This condition was lifted in 1979

And yet, to date only 69 licences have been granted Last year, out of 88 Cape applications 34 were thrown out on technical grounds and the other 54 were refused (Most applications come from retailing giants such as Checkers and Pick n Pay)

What is the problem? At first view it would appear to lie with the attitude of the board But, as the applicants' lawyers point out the board s duty is to carry out the law, even when it revolves around seemingly absurd points

What lawyers do point out, however is that the legislation places too high a premium on the correctness of finicky paper work It is not the board which should be taken to task, but the regulations

What we have is the strange dichotomy of our semi-puritan society government wants to encourage the consumption of liquor (it enjoys the revenue and believes it owes it to farmers and the economy to do something about wine consumption) and yet trips up the market with the liquor board the function of which is restrictive rather than permissive

In short the central anomaly is that the liquor board is continually being asked to grant exactly what it was set up to prevent!

But this is by no means the nub of the problem The problem also lies with the opposition of vested interests, which are represented at liquor board hearings and often oppose grocers' wine licence applications

These include, firstly, hoteliers The victorious tone of the leader on the outcome of the Cape applications in the hoteliers' official journal makes it quite clear where they stand Vested interests also include bottle-stores They believe the value of their assets would be threatened were control on liquor outlets to be eased

This highlights in turn, another anomaly A large force in the bottle-store market is Rembrandt KWV s partner in the CWD (SA s wine and spirit monopoly) The KWV is of course greatly in favour of grocers' wine licences as it produces and wholesales wine Thus Rembrandt appears to want two bites of the cherry It wants the KWV to market wines successfully and yet does not want its interests in the retail trade affected

If one accepts that SA s ailing wine crop must be aided, then government must move to free the industry One way of aiding such a move — which has been mooted by Ivan Deacon in his thesis on the SA liquor industry — is to compensate the bottle-store owners and hoteliers who have invested considerable sums of money According to Dr Deacon's computations this would involve an annual sum in the order of R26m over 10 years — which suggests the strategy is feasible

At the same time the perverse barriers which operate against licensed retailers — such as those which prevent them from selling food in association with liquor — must be removed What is needed in short is less regulation and more free market

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Uniwine bears severely bruised

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20/2/81

By Geoff Shuttleworth

Stockbrokers who sold short in Union Wine shares on the Stock Exchange on Monday and Tuesday not only face huge financial losses, but those who did not disclose these bear sales also face JSE disciplinary action and possible prosecution

The total number of disclosed bear sales in Union Wine shares was 232 282 shares At the suspension price this represents a nominal total of R3,4-million Brokers said that it is possible that as many shares again were undisclosed bear sales.

The share price of Union Wine soared to a high point yesterday morning of 1 900c a share from 112c 11 days ago, but the JSE suspended the share after 20 minutes at a price of 1 475c.

The rise in the share price was prompted first by the aggressive buying of Cape Wine Distillers to try to block the entrance of Mr Natie Kirsh into the liquor industry In turn, counter buying by the Kirsh group boosted the price

What really sent the price "through the roof" was that brokers who had expected the share price to decline — so that they could buy them back and make a profit on the turn — suddenly found the shares almost impossible to buy for delivery next Tuesday

AUCTION

An auction has to be held to enable the bears to buy shares, but if none are made available or the price is considered excessive then a make-up price is settled Most brokers believe that make-up price will be around the 1 475c suspension price

Mr Kirsh said yesterday he wanted to alleviate the pressure on bears and did not request the suspension One way of doing this is for him to sell some of his shares since, he says, he now has over 75 percent of the share capital in Union Wine — enough to thwart the Cape Wine Distillers blocking action

Brokers said the share price could move downwards if Mr Kirsh makes available some Union Wine shares

● See page 18.

(182) FM 27/2/81

The publication on December 19 of amended regulations governing labelling and product descriptions for liquor is yet another bureaucratic nail in the coffin of imported wines and spirits

With obsessive dedication the Department of Agricultural Technical Services, through the Oenological and Viticultural Research Institute at Nietvoorbij Stellenbosch describes correct print sizes for importers' code numbers and volumetric measurements and information such as country of origin

Since this must be overprinted on the main label of any bottle of imported liquor, it compels possible overseas exporters to make substantial investments in label stocks and special production runs Invariably there are difficulties and in many cases suppliers prefer to ignore the SA market

These regulations amend and extend a situation which has been in force since the beginning of 1973 From that time onwards, importers of alcoholic beverages (except beer) were required to submit samples of the intended importation for analysis and label approval before bringing in their shipments

This system necessitated substantial airfreight and clearing charges together with analysis fees to Nietvoorbij all of which were naturally added by the importer to the price of the product

Many of the analytic requirements were arbitrarily reached No-one knows how the figure of 35 parts furfural per million was established as a defining feature of malt whisky Unfortified wines with more than 80g sugar / became forbidden imports thus outlawing all the great dessert wines of the world

Some of the restrictive conditions were downright protectionist SA brandy must contain a minimum of 43% alcohol by volume despite the fact that all over the world 40% is considered satisfactory for conventional spirits and the maximum for the more matured ones

That extra 3% alcohol enables the farmers who produce distilling wine to sell an extra 7.5% of their crop Since imported brandy at 40% would pay less duty and would be infinitely smoother the regulations enforced 43% as the minimum strength for such brandies

The effect of this has been to compel exporters to SA to increase the alcoholic strength of their blend prior to bottling and shipping Old cognac, therefore receives at least a 3% alcohol boost for this market The mellowing of the maturation process is thus lost while at the same time the supplier's price for the goods is increased

The new regulations relate mainly to labelling and compel many producers carrying stocks of labels prepared for the SA market to destroy them and print new ones before July 1982

At the same time the emphasis on overprinted main labels rather than strip labels bearing the relevant information may eventually preclude from importation to SA the older European estate wines where stocks have already been labelled and despatched from the chateau

These regulations are enforced by government inspectors who visit bottle stores to examine the stocks already imported

Should a bottle be incorrectly labelled the law holds the retailer and not the importer responsible At the time of importation, importers must submit certificates of authorisation to customs and must then yield a bottle of each kind, irrespective of the quantity imported to the hands of the administering officer for a second analysis and check on the goods

Not only does this add substantially to the cost of an importation of fine wine but during the delay while goods are being examined the importer is forbidden to sell from the shipment

Since there is an approximately six-week delay at Nietvoorbij, the additional finance charges must also be borne by the importer who naturally passes these on to the consumer

Bearing in mind the fact that the taxpayer shoulders the burden of Nietvoorbij with its highly qualified technical staff and the itinerant inspectors one is compelled to ask who pays the piper and whose tune does he play?

TYPE OF AILMENT	DAY HOSPITAL (147 people)	BETHESDA (370 people)
Gastro intestinal	17%	20%
Respiratory	16%	15%
Genito-urinary tract	12%	2%
Traumatic injuries	12%	13%
Sores & sepsis	11%	13%
Musculoskeletal	10%	5%
Cardiovascular	5%	7%
Skin	5%	5%
Ear, Nose & Throat	5%	4%
Neurological	5%	4%
Eyes	2%	4%
Metabolic	--	6%
Infectious (measles)	0,5%	0,5%

The two sources show a high degree of correlation indicating that the figures are representative of the type of problems encountered in the black community.

Gastro intestinal ailments were mainly Gastro Enteritis which became quite a problem in the summer months. Traumatic injuries were mainly due to burns and wounds. The high incidence of burns seen at all clinics was probably due to fires in the houses for heating; most of these houses would not have had a proper fire place. Most ear, nose and throat ailments were discharging ears, this also seems to be a problem in the district and mainly found in young children i.e. below the age of 8 years. Genito urinal disease was mainly seen in the form of Cystitis. Thus of these major classes of ailments, 50% of the people seen suffered from one of the classes whose incidence is associated with poor hygiene, i.e. sores and sepsis, E.N.T., eyes, G.I.T., Skin and Genito Urinary disease.

STM 182

Wages up in liquor trade

STM 3/X/81

Labour Reporter

A union representing wine and liquor workers has won a new wage deal from the industry

Dr Anna Scheepers, general secretary of the National Union of Wine, Spirits and Allied Workers said the union had achieved a minimum wage for male workers of R40 a week and R32 for women

Liquor now under Dawie

182

STAR 9/3/81

PAARL — Strict and responsible control over the marketing of liquor was essential, Dr Dawie de Villiers, the Minister of Industries, said at the weekend. This was because of the sensitivity of the product and the social implications associated with its abuse.

Addressing 1 800 people at the Nederburg Wine Auction he said that as a result of the rationalisation of the Civil Service the National Liquor Board had been transferred from the Department of Justice to the Department of Industries. This illustrated the Government's approach to control over the marketing of liquor. — Sapa

New records at wine auction

By STEPHEN WROTTESLEY

IN SPITE of a lower attendance and fewer items for sale at this year's Nederburg Wine Auction, records were smashed — not by mere tens of rands but by thousands.

Prices shot to unheard of levels. For Nederburg Selected Cabernet 1962 it worked out at R80 a glass. A case of the wine was sold for R2 130, although other cases of the same wine were sold for lesser amounts, bringing the average down to about R2 000. The buyer of the most expensive case was Mr Sean Adamson from a Potchefstroom bottle store.

Only in his second year in the liquor business, he said the purchase was "worth it" for the publicity.

It became apparent before lunch that red wines would sell at exceptionally high prices when a case of Zonnebloem Cabernet 1937 was knocked down by veteran auctioneer Patrick Grubb for R430.

However, after most of the 1 000 crayfish and 2 000 oysters had disappeared down the gullets of the 1 800 guests and buyers at the auction — a prestige event on the Cape calender — prices rocketed.

The South African record for a case of red wine was broken when Stanley Goldberg, son of well-known Johannesburg liquor dealer Bennie Goldberg, paid R900 for a case of Nederburg Selected Cabernet 1964.

The previous record, according to liquor experts, was R510, realized at the 1979 auction for a 1962 vintage of the same wine.

Mr Goldberg, who could not say how much he spent on Saturday, but agreed that it could have been more than R40 000, said the wine would not be sold at full price — about R75 a bottle.

One of his assistants on Saturday, Sue Brown, said after the day was over: "I can think of other ways of spending a Saturday afternoon."

Mr Goldberg not only spent his money at the main auction, but splashed out at the charity auction — held this year in aid of the Karoo disaster fund.

Among his purchases for charity were four bottles of wine found in the mud at Montagu after the recent floods. He spent a total of R4 200 at the charity auction.

One of the other charity buyers was Mr R Mauvis, of the Saint Geran restaurant in Durban, who paid R600 for five bottles of Nederburg Selected Cabernet of vintages between 1963 and 1969.

Earlier he had been one of the bidders in the quest for one of the record cases. As the bidding slipped over the R2 000 mark Mr Mauvis pulled out. Later he said he liked to serve good wine, but shook his head at the price.

Other records broken at this year's auction were:

○ The total turnover — this year sales totalled R569 576 — R140 000 up on last year and R80 000 more than the previous record set in 1979. This was in spite of the fact that there were 2 600 fewer cases of wine available.

○ The length of time taken to complete the auction — even though there were fewer lots than last year to dispose of, the auction lasted well into darkness. The organizers explained afterwards that there had been more sophisticated interest and a bigger spread of buyers. Many preferred to buy only single items.

Foreign financial interest in this year's auction was well down on last year and overseas buyers took less than three percent of the sales.

The sign that says it all: "Conserve water, drink wine". The briefcase, said to belong to auctioneer Patrick Grubb, was seen a great deal during the seventh Nederburg Auction of Rare Cape Wines

Control over marketing of liquor essential

Staff Reporter

STRICT and responsible control over the marketing of liquor was essential, Dr Dawie de Villiers, Minister of Industries, Commerce and Tourism, said at the weekend.

This was because of the sensitivity of the product and the social implications associated with its abuse, he said.

Dr De Villiers was addressing 1 800 people attending the seventh Nederburg wine auction at Paarl on Saturday. He officially opened the auction, which was attended by local and overseas buyers.

For the first time since its inception in 1975, numbers of those attending were restricted. In 1975, 800 people attended the auction and this had risen to 2 300 by 1980.

Megaphone

Much of Dr De Villiers's speech had to be made with the aid of a megaphone because shortly before the opening ceremony the Nederburg estate was hit by power-supply problems.

He said that as a result of the rationalization of the civil service the National Liquor Board had been transferred from the Department of Justice to the Department of Industries, Commerce and Tourism.

The minister illustrated the government's approach to control and marketing of liquor.

"Because of the sensitivity of the product — as well as the social implications associated with its abuse — strict and responsible control over the marketing of liquor is essential.

"This does not necessarily mean that the marketing of the product — and particularly in the case of a natural product such as wine — should not be determined by healthy normal market forces," he said.

It was in this spirit that he hoped to administer the law and, insofar as it appears that the wine industry is influenced by existing limitations, "I am prepared to consider favourably suggestions for the improvement of current practice," he said.

Dr De Villiers said he hoped the new approach would enable the wine industry to overcome some of its problems and that the graphs of success would continue to show an upward trend.

The Minister of Industries, Commerce and Tourism Dr Dawid de Villiers addresses the crowd at the Nederburg wine auction which he opened on Saturday

New records at wine auction

By STEPHEN WROTTESLEY

IN SPITE of a lower attendance and fewer items for sale at this year's Nederburg Wine Auction, records were smashed — not by mere tens of rands but by thousands

Prices shot to unheard of levels. For Nederberg Selected Cabernet 1962 it worked out at R39 a glass A case of the wine was sold for R2 800, although other cases of the same wine were sold for lesser amounts, bringing the average down to about R2 400 The buyer of the most expensive case was Mr Sven Adamson from a Potchefstroom bottle store

Only in his second year in the liquor business, he said the purchase was "worth it" for the publicity

It became apparent before lunch that red wines would sell at exceptionally high prices when a case of Zonnebloem Cabernet 1967 was knocked down by veteran auctioneer Patrick Grubb for R430

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Mr Goldberg not only spent big money at the main auction, he splashed out at the charity auction — held this year in aid of the Karoo disaster fund

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Control over marketing of liquor 'essential'

CT 9/3/81

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Staff Reporter

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This transfer illustrated the government's approach to control over and marketing of liquor

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The Minister of Industries, Commerce and Tourism, Dr Dawid de Villiers addresses the crowd at the Nederburg wine auction which he opened on Saturday

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STAR 11/3/81 (182) 232

Kirsh buys into liquor trade

By Mervyn Harris

Entrepreneur Natie Kirsh has moved into the hotel and liquor trade by joining forces with Jan Pickard's Picardi Finance group

Under the proposed deal announced today, Mr Kirsh will buy a 49,9 percent interest in Union Wine through his recently formed retail arm, Coki Corporation

Mr Kirsh's latest merger follows hard on the heels of last month's move into the furniture industry when he gain [ed] control of Russels In January he bought a 30 percent stake in Dions

The new group will operate 25 hotels in the Transvaal and Cape and 55 retail liquor outlets.

It also has Government approval to acquire a further 75 outlets which if it takes up its options will make it the largest liquor retailer in the country.

● See Page 22.

i) Number of rooms.

The number of rooms in a house is related to its total area, but more important, it serves as a measure of privacy.

TABLE 23

Distribution of houses according to number of rooms, average number of people living in each type of house.

Number of rooms	Number of Houses	Average number of people in house: during week	at weekends and during school holidays
1	15	3,4	3,4
2	37	4,4	5,0
3	38	5,4	5,7
4	21	5,8	6,2
> 4	6	6,3	6,3

b... y include the worker-
a... ople lived at weekends

ii) A... ibution of the people
li... ccording to square metres
av...

182 12/3/81

Business Mercury

Liquor deal threatened

JOHANNESBURG—The proposed retail liquor deal between Kirsh Industries' Coki Corporation and Mr Jan Pickard's Union Wine and Picardi Hotels appeared threatened on Monday by hectic dealing in Union Wine and Picotel shares.

In panic trading, nearly 1-million Union Wine shares and 461 000 Picotels changed hands

The Union Wine share price more than doubled from 230c to 475c during the day, while Picotel gained 43c or 16 pertcent, rising from 227c to 270c.

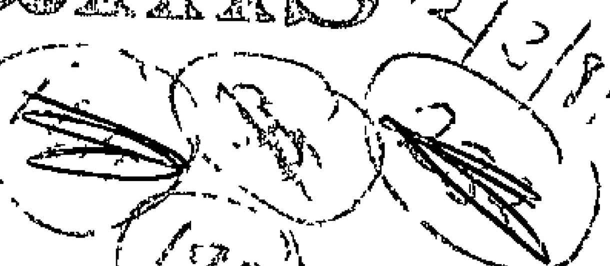
The 985 185 Union Wine shares that traded on Monday, on the face of it, represented 23,5 percent of that company's issued shares and no less than 58 percent of the 1 673 000 shares not in the control of Pickard group companies

The 461 400 Picotel shares that traded represented 9,17 percent of that company's issued shares or 46 percent of the 1-million shares not owned by Pickard group companies

But stock market observers were doubtful that these proportions of the companies' issued shares actually traded, noting that in many cases the same shares were traded several times.

Three broking firms appeared the most active buyers of Union Wine and Picotel shares — Max Pollak and Freemantle, Fergusson Brothers, Hall Stewart and Co and Simpson, Frankel, Hern, Kruger Inc

Kirsh teams up with Pickard liquor



By DAVID CARTE
Deputy Financial Editor

COKI Corporation, the recently constituted retail division of Kirsh Industries, is to become a partner of the Pickard Group in what will be the largest retail liquor company in South Africa

Coki last week became the owner of 54% of Russells and 33% of Dion's to become one of the biggest retailers of furniture and home products in SA. It is now to acquire a 49,9% stake in the Pickard Group's Union Wine and Picardi Hotels.

With the right to operate 130 retail outlets Union Wine will become the biggest liquor retailer once the major liquor producers SA Breweries and Cape Wine & Distillers withdraw from retailing.

In accordance with a Government ruling made at the time Cape Wine was formed, SAB and CWD have 12 years to divest themselves of their bottle stores.

Union Wine also produces liquor, but before CWD was formed it was granted permission to open 75 new outlets to obtain parity in retail with the liquor majors.

Once SAB and CWD have sold their bottle stores, no other retailer will have more than five outlets. This means Union Wine will be by far the biggest liquor retailer in SA.

At present the Pickard Group operates 25 hotels in the Cape and Transvaal, produces the Bellingham and Culomberg estate wines, and has 42 bottle stores and 25 off sales. It plans to buy another 75 bottle stores and to expand existing one.

The Pickard Group, through Picfin, will retain 50,1% of Union Wine, which in turn will own 100% of Picardi Hotels.

The present 20% minority in Picotel and 40% minority in Union Wine will be bought out and these shares will disappear from the Johannesburg Stock Exchange.

Minorities in both companies are being offered R2 cash or one Coki share. Public participation in Union Wine and Picotel will still be possible through either Coki or Picfin.

Picotel shares were suspended at 130c, Union Wine at 135c and Coki at 215c yesterday. So, based on these relative prices, Picotel shareholders opting for Coki shares will get a 65% premium for their shares and Union Wine will offer a 59% premium.

To expand and develop the revamped Union Wine Group Coki will inject sufficient cash into it to match the R8 200 000 loans and advances the company has received from Picfin and its associates.

Mr Natie Kirsh, chairman of Kirsh Industries, said the deal would not immediately benefit the net assets or earnings of Coki, but he was excited at longer-term prospects. Coki would equity account Union Wine.

Mr Mervyn King, Coki's chairman, told me that Metro Corporation, controller of Coki, still had plans to go into liquor wholesaling. The idea was still in its infancy, but once off the ground would be done on an arm's length basis from Union Wine.

Even after laying out the R8 200 000 in cash, Coki would still have plenty of muscle for development of Coki into "the leading retail group in the country".

"We are delighted with the latest deal since it fits in exactly with our philosophy of investing in growth sectors of the retail marketplace, in partnership with strong managers who know their business intimately.

"Coki does not seek to run its retail interests on a day by day basis, but to assist with strategic and policy matters and to share its financial and planning expertise with the independent operating managements."

Mr Jan Pickard, chairman of the Pickard Group, said: "Union Wine will still be controlled by Picfin. With Coki as an active partner, we are better placed to exploit our resources and further improve our profits.

"It will be possible for Union Wine to complete its expansion programme to acquire further outlets."

Liquor industry observers speculated that Coki and Picfin would divide responsibilities with Coki concentrating on retailing and Picfin on wine farming and other aspects of the business.

Mr Ken Williams, a director of SA Breweries, said the deal did not significantly change conditions in liquor retailing.

Details of the scheme of arrangement under which the Pickard-Coki partnership will be established will be circulated to shareholders shortly. The shares of Picfin, Union Wine, Picotel and Coki will be relisted at the opening of the JSE today.

Mr Douglas Gair, chairman of the listings committee of the stock exchange, said the shares were suspended because news of the deal first broke during trading yesterday. The committee took the view that there was not a reasonable opportunity of all shareholders hearing of the arrangements.

COMMENT: Before this deal, with Dion's and Russells in the fold, Coki was estimated to have net assets of 160c and earnings of 33,7c a share. The market yesterday was therefore valuing it at 6,4 times prospective earnings. This seems reasonable and means few minorities will opt for the cash. It also means a counter-bid will not be easy.

The deal looks good for both parties. Coki is into the high-growth, inflation-proof area of liquor retailing in a big way, while Union Wine gets financial and marketing muscle.

One possible problem is that the Competition Board is still investigating the liquor industry and the Government's policy is that no retailer should have more than five outlets. This leaves Union Wine way out of line, although it may not be easy for the authorities to revoke permission already granted.

Picotel, Uniewyn share moves

Protests over Pickard, Kirsh deal

RDM 13/3/81

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By DAVID CARTE
Deputy Financial Editor

THE Johannesburg Stock Exchange may be asked to call for returns from stockbrokers on trading in the shares of Picardi Hotels and Union Wine shortly before these companies announced their get-together with Coki.

This follows complaints of heavy turnover and strong price movements in the shares for four days before the deal was announced on Wednesday morning

In terms of the deal, Union Wine and Picotel minorities are to be offered R2 in cash or one share in Coki, the retail division of Kirsh Industries

With Coki shares suspended at 215c, the offer was effectively a premium of up to 60% on pre-deal prices

At least one shareholder who sold shares shortly before the announcement may demand to be compensated.

The Stock Exchange committee is expected to recommend an inquiry into surging turnover in the shares between Thursday, March 5, and Wednesday

The committee will meet on Tuesday.

Last Thursday, 5 000 Picotel and 13 200 Union Wine shares were traded The price of Picotel moved up from 115c to 120c, and Union Wine was stable at 112c

On Friday, 9 200 Picotel and 15 600 Union Wine shares traded but the prices did not change

On Monday, this week 10 300 Picotel and 15 600 Union Wine shares traded Picotel moved up to 125c and Union Wine to 120c.

On Tuesday, only 900 Picotel shares traded, but 8 250 Union Wine shares changed hands. Picotel moved up to 127c and Union Wine to 135c.

The deal was announced on the stock exchange notice board and the telex services shortly after stock exchange trading opened at 9.30 on Wednesday.

The JSE listing committee ordered the shares suspended after 22 minutes of trading on Wednesday morning.

In that brief period, 16 700 Union Wine shares traded, according to one seller, at up to 170c No Picotels changed hands.

Last year, 518 000 Picotel shares traded That was an average of 43 000 a month During February this year turnover was 19 000

In 1980 Union Wine shares turned over at an average of 149 000 a month and in February 25 000 were traded

Mr Jan Pickard told me yesterday the shares were not suspended earlier because until Tuesday night "there was no deal". The deal was first discussed on the evening of March 5 and was clinched in Cape Town only on Tuesday night this week.

He said the deal was supposed to have been announced at the JSE and on wire services on Wednesday before the market opened.

He agreed that the shares should have been suspended immediately turnover and prices started to rise, but said it was possible that turnover and price movement in the shares could have been in anticipation of the companies' good results, published today.

Mr Natie Kirsh, chairman of Kirsh Industries, the ultimate holding company of Coki, agreed the shares should have suspended, but said they were not his to suspend.

Mr Doug Gair, chairman of the listings committee of the Stock Exchange, confirmed that it was the listings committee that had eventually insisted on suspension of the shares because it believed that not all shareholders would see the announcement at the JSE and on wire services.

He said the shares would have been suspended before trading started on Wednesday if the JSE had seen the announcement earlier As it was, the companies had to lodge an application for suspension. This caused a short delay and was one reason why trading went on for 22 minutes on Wednesday.

COMMENT: When the first started talking seriously, they should have followed JSE procedure in announcing this and warning shareholders to be cautious in their dealing.

Immediately it became apparent that a large premium was to be offered on the stock market prices — whenever that was — the shares should have been suspended.

Likewise, as soon as turnover and prices started to surge, the shares should have been suspended.

I would have thought the onus of suspension was mainly on the Pickard Group as its shares were most likely to move.

BUSINESS

Pickard and Kirsh team again in liquor trade

86 (82) STAR 14/3/81

ANN CROTTY reviews the background of two independent businessmen who have recently formed a partnership in the liquor industry.

Fifteen years ago two young businessmen were involved, as directors, in the running of Whitbread SA Whitbread, unable to breach the South African Breweries' beer monopoly, eventually sold its SA interests to SAB and so the business contact between two men — one Afrikaans speaking, one English speaking — came to an end.

This week's merger between Coki and Union Wine brought Jan Pickard and Natie Kirsh back together again with a common interest in the liquor industry

In the past 15 years the men have made important contributions to the economy

Controversial, tough and dynamic, each built an empire from nothing — the hardest place from which to build an empire or make money

ATTRIBUTES

What they accomplished in the recent past shows that neither has lost those attributes which took them to the top

At the time of the involvement with Whitbread both men had reached similar stages in their careers — not established but promising In the early 1960s, Pickard, with the help of backing from Windhoek businessman Ernst Behsnen, chairman of Metj and Ziegler, had started a liquor business

When he left Whitbread in 1968 he took with him all 10 Whitbread hotels to form the basis of Picotel He has since built a conglomerate whose activities include liquor, hotels, cars, electrical goods, sports goods, and until recently, meat and canning.

THREE DEALS

In its most recent annual report Picbel — Pickard's holding company — announced an annual turnover of R498-million

In the past 12 months Pickard has been involved in three big deals he has reduced his investment in meat to a 40 percent share in Karoo, which is now a Kanhym subsidiary, sold his canning assets to Langeberg Co-op for about R7-million and, most recently merged Union Wine with Coki

Other recent events include being awarded the M S Louw Medal for outstanding achievement in the business world by the Afrikaanse Handelsinstituut last March, selection as a member of the President's Council, and election as president of Western Province Rugby Union He is a former Rugby Springbok

Kirsh's first business venture was in milling in Swaziland This was done in the early 1960s with the help of backing from Laurie Jaffee, Reuben Rutowitz, Bennie Wainstein and the Ginsbergs of Bethal Mills

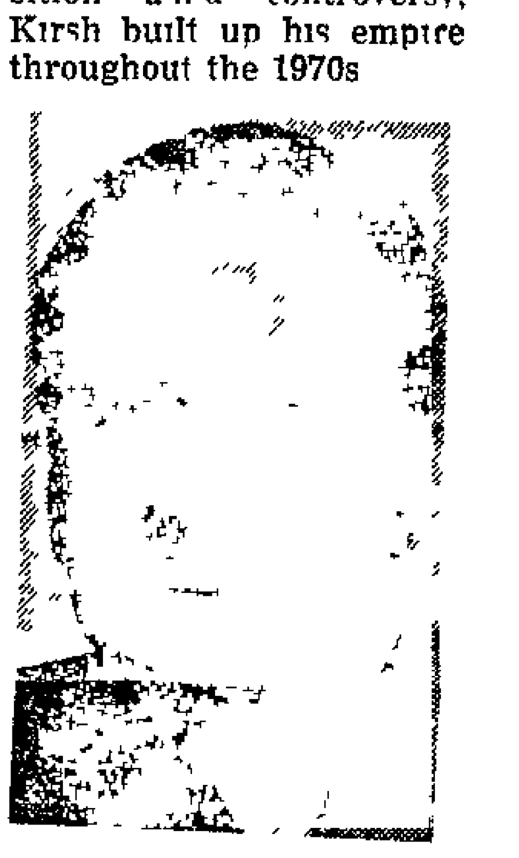
MALTINGS

When Whitbread sold out to SAB, Kirsh acquired the remaining half of the Whitbread maltings — Kirsh Holdings already held half He later sold the maltings to SAB in a profitable deal

By 1970, when he decided to sell half his Swaziland interests to the State, Kirsh had built a trading company which spread across Swaziland

In May 1969 in buying control of Moshal Gevisser, a wholesale business, Kirsh had entered the JSE In 1971 he bought out the minorities and the company became Kirsh Industries — a private company

Through merger acquisition and controversy, Kirsh built up his empire throughout the 1970s



Jan Pickard . . . busy 12 months.

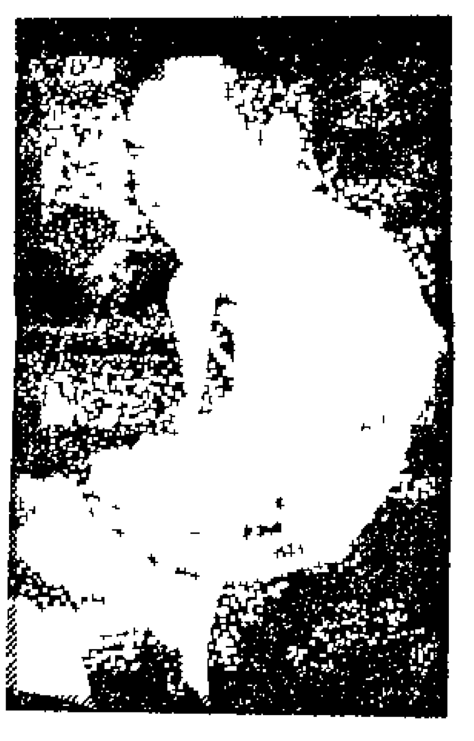
Kirsh Industries' principal activities are in the wholesale and retail trade and in a recent interview Kirsh revealed that these two divisions of his group will have a combined turnover of more than R1 000 million for the financial year which ends on February 28 1982

SURPRISE SWOOP

At the end of 1980 Kirsh acquired a 30 percent stake in Dions for R11-million At the end of last month in a surprise swoop on the JSE, Kirsh took over a 55 percent stake in Russells for R34-million. The estimated turnover of R1 000-million for the current financial year includes contributions from Dions and Russells The former was described by Coki chairman Mervyn King as "the image outlet in the market" and the latter as "the Rolls-Royce of the furniture distribution industry"

Kirsh's latest deal with Pickard, in which he will acquire a 49,9 percent stake in Union Wine, was not included in the R1 000-million estimate King says that in the short term it will make little difference to the net-asset value or earnings of Coki but that he is most optimistic about the long-term outlook

In this latest deal Kirsh will buy out the minorities in Picotel and Union Wine The wine group will then issue part of their unissued shares in order to exchange Picotel shares for Union Wine shares Thus Picotel will become wholly owned by Union Wine which will in turn be owned 49,9 percent by Coki and 50,1 percent by Picfin



Natie Kirsh . . . Swaziland springboard.

"FAIR PRICE"

The minority shareholders will be offered R2 or one Coki share for each of their Picotel or Union Wine shares Picotel and Union Wine shares were 130c and 135c respectively at the time of their suspension on Wednesday but the figure of R2 was agreed on because, as Pickard said "It was a fair price in terms of earnings"

If all cash options are utilised the minorities will cost Kirsh is Industries R5,4-million Added to this is R8,2-million cash which Kirsh is contributing to Union Wine to match the same advances made to Union Wine by Picbel (since the June balance sheet) for working capital and to enable Union Wine to buy the remaining 65 liquor stores for which it received Government dispensation last year

FIVE PAGES

The deal was negotiated and finalised in less than three days and the contract is five pages long — facts which demonstrate both men's continued disregard for formality.

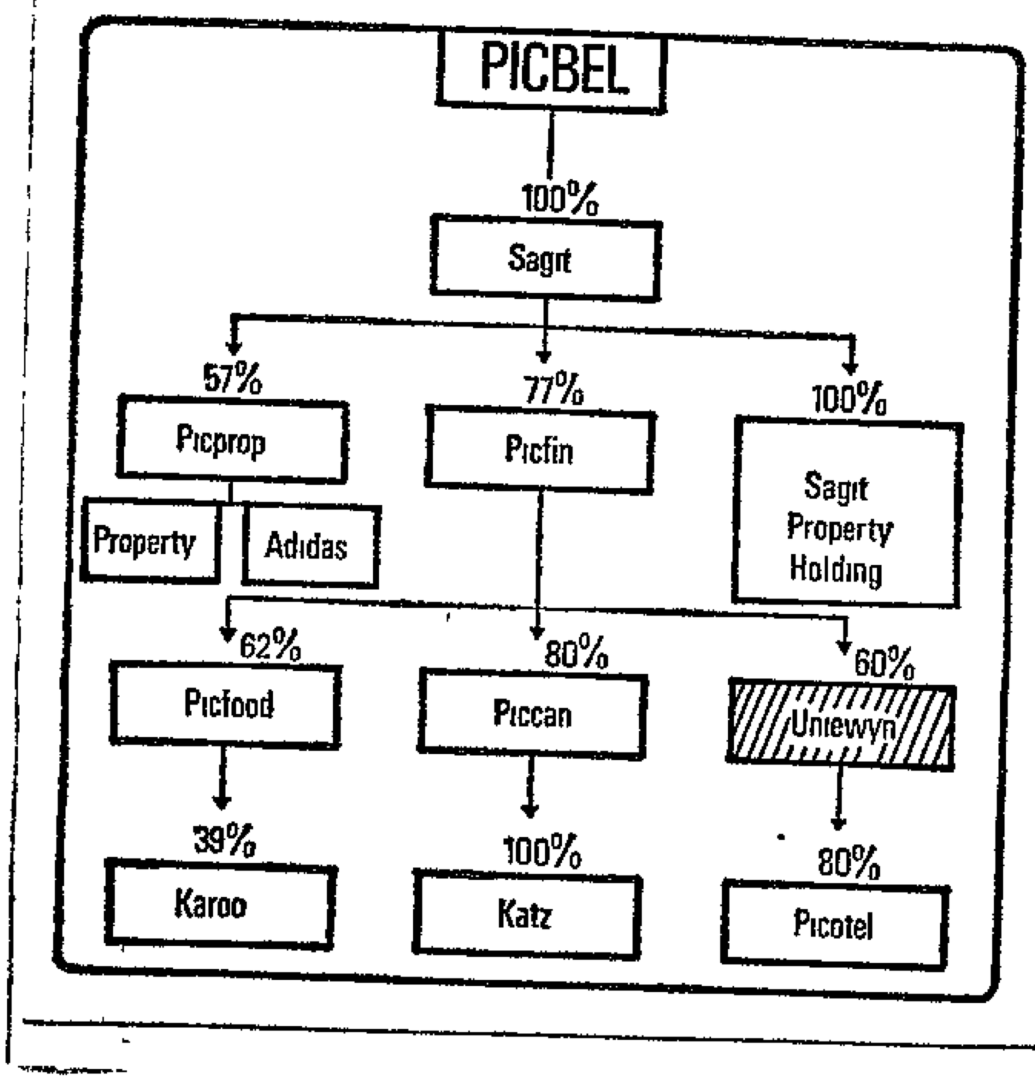
The deal will bring the Kirsh group into a new area One can only speculate that with their experience in wholesaling they may be tempted to move into wholesaling liquor to licensed traders.

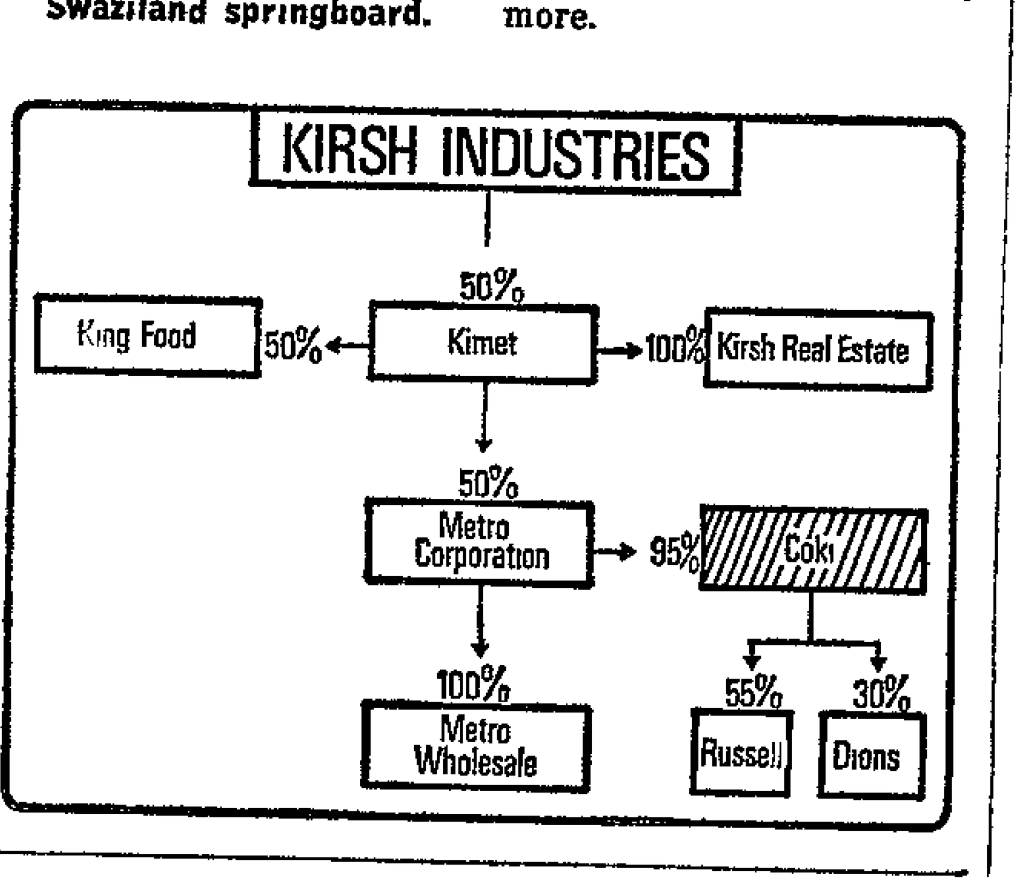
Kirsh's retail experience, Pickard's knowledge of the liquor industry plus the R16,4-million cash available to Union Wine for expansion will certainly help the company to come among the biggest retail chains.

SYNERGISTIC

It is interesting to note that as recently as last November Mervyn King, in an address to the UCT Graduate School of Business in Johannesburg, outlined the course which a cash-rich company, such as Kirsh Industries, should follow

It is precisely the course which Kirsch has taken Since that talk Natie Kirsh has committed about R68-million to synergistic integration The market waits for more.





Liquor share trading halted

19/3/81

By Geoff Shuttleworth

Union Wine shares were suspended 20 minutes after the Johannesburg Stock Exchange opened this morning This followed two days of hectic trading which sent the share soaring to 1 900c from 112c in 10 days Suspension was at 1 475c

Stockbrokers believe that a mystery buyer probably Cape Wine Distillers (CWD), is trying to block the entrance of Mr Natie Kirsh, chairman of Kirsh Industries, into the liquor industry CWD is owned by Rembrandt, South African Breweries and Stellenbosch Farmers Winery with 30 percent each A spokesman for CWD refused to comment on this speculation

Union Wine chairman, Mr Jan Pickard (left), Coki chairman Mr Mervyn King and Kirsh Industries chairman Mr Natie Kirsh got together in talks today to discuss the Union Wine/Coki deal which might be jeopardised by intense buying of the shares on the stock exchange in the last two days

REQUEST

The share was suspended at the request of the president of the JSE, Mr Richard Lurie, and not at the request of Mr Jan Pickard, chairman of Union Wine

Mr Kirsh and Mr Pickard said this morning that they did not want the share suspended but wished to ease the position of brokers who had "sold short"

Brokers believe that the extreme volatility in the share price was because brokers, having sold short on shares they did not actually own, were forced to buy at any price to meet the delivery deadline of next Tuesday

Brokers said there was still a shortage of Union Wine shares to meet this delivery The normal process for "bears" — those who have sold short — is for the stock exchange to hold an auction If insufficient shares are available to meet the call, a make-up price is agreed

But brokers are worried because bears selling short are required to disclose the sale and they believe there are cases in which this was not done Stock exchange rules make such an omission a criminal offence

Only 10 110 shares changed hands this morning and this increased concern that there were a fair number of bears about

The issued share capital of Union Wine is 42-million shares and, on Monday and Tuesday at least a third of these changed hands

Mr Pickard, who owns 60 percent of the shares, is not allowed to vote at a special meeting to pass the scheme of arrangement whereby he will reduce his holding to a fraction over half and sell the remainder to Mr Krish via his company, Coki Corporation

If the mystery buyer can acquire 10 percent of the issued share capital he may block the proposed scheme of arrangement If he gets 25 percent of the shares he may block any other special resolutions such as increasing the Union Wine issued share capital to dilute the mystery buyer's stake

Mr Pickard, who flew to Johannesburg last night to review the situation with Coki chairman, former judge Mr Mervyn King, has said that he will somehow have Mr Kirsh as a partner and deny a board position to the mystery buyer Mr Kirsh returned hurriedly from Switzerland yesterday to attend the talks

TRANSFORMING

Mr Pickard could sell the assets of Union Wine to Mr Kirsh or any one of his three other listed companies but this would mean transforming Union Wine into a cash shell

Such an action would be time consuming and expensive as it would involve renegotiating of leases and licences

Trading in the four shares involved in the deal is now the subject of an inquiry by the committee of the stock exchange

If it is accepted that access to health care is the right of all citizens, then as John Bryant stated in the opening quotation of this paper there are "profound social, political, ethical and educational implications". This paper has examined some of the educational aspects of the provision of future health workers in southern Africa. I have made no attempt to predict what types of health workers we will need, or to suggest where they should work or within what type of national health care delivery system they should work. Rather, I have indicated that education should be viewed as part of the total health

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LIQUOR 2 (182)

Co-ops score

FM 20/3/81

The deadline for objections to KWV's "revised" proposals in respect of add-ons to the minimum price at which co-operatives sell direct to consumers has passed without incident

This means the price gap between products of the wholesale producing merchants and the co-ops will widen appreciably in 1981 and push up the latter's share of the low priced and medium-priced (LP and MP) light wine market beyond last year's 19 Mℓ out of 180 Mℓ

For although the minimum price of good wine was raised from R27 63 to R30 39 hectolitre (about 10%) earlier this year the producing merchants have posted an average 5% wholesale price rise on light wines whereas co-op cellars compulsory add-ons have been held at the same levels as last year

The add-on or value added is intended to provide co-op cellars with a margin which would be ploughed back into development market promotion and so on It also has the effect of discouraging co-ops from selling purely on price — to the detriment of their biggest customers the wholesale merchants

The fact that the 1981 add-ons have not advanced on those published in February last year gives rise to two conflicting interpretations

The official explanation is that the basis of computing the add-ons has changed In the past costing surveys and the subsequent recommended add-on were calculated to give an average yield to co-operative cellars of 15% on capital employed which, it is understood, is roughly the yardstick used by the wholesale merchants

This method has now been replaced by one in terms of which the add-on should yield a return equal to 5% of the cost of replacing assets It is argued that inflation will, in time narrow the gap between the value added components of prices charged by the wholesale merchants and the co-op cellars

The other explanation for holding down an increase in add-ons is that co-op cellars have brought strong pressure to bear on the KWV and urged its board and management not to recommend a higher value added because this might slow the rate at which their direct sales are rising

In November last year, presumably at the insistence of wholesale merchants KWV recommended to the Minister of Agriculture that the February 1980 add-ons should be increased substantially The new lists were published and objections invited There was an immediate backlash from 17 major co-ops and the proposals were withdrawn

The March 1981 lists tend to confirm the notion that KWV does not want a repetition of what amounted to open revolt against one of its recommendations something which is probably without precedent in the history of the organisation

The reason for the winegrowers stand is plain to see The portion of their crop which will attract the (lower) distilling wine price is edging dangerously towards the 60% mark and the good wine price at 30c/ℓ is almost double the voorskot price of distilling wine

In other words, they stand to make less and less on more and more of their crop Their only tool to push the percentage of the total crop that gets sold as good wine is price, even if it means that they would harm the market share of their biggest customers, the wholesale merchants

The latter would view this development with alarm, but it is not known whether they have registered objections to the latest list of add-ons If they have not — and this will be known next week — it means that they have accepted the official explanation (of a new costing regime) If they have, the fat could be in the fire

LIQUOR 1 FM 20/3/81 (182)

The Kirsh/Pickard network

Assuming that the deal between Natie Kirsh's Coki and Jan Pickard's Union Wine goes through as envisaged — a question which had the financial world buzzing as the *FM* went to press this week (see *Fox*) — the point everyone seems to have missed is that their partnership will create the biggest liquor distribution network in SA

That is far more important than becoming the largest retailer (130 stores) of liquor in the country

The key to the deal is not so much that Kirsh/Coki has gained a partnership in an integrated wholesale producing merchant cum retailer, or that Pickard stands to gain an additional cash injection to an upper limit of R8m to buy more stores, but that Pickard's wholesale liquor licences can be employed by Metcash and its vast network of strategically-placed warehouses and depots to set up a massive liquor distribution business

No one would welcome this development more than the country's 15 wholesale producing merchants, the 72 producing wine co-operative cellars and the sole brewer who would all confirm that distribution (to more than 7 000 retail outlets in SA SWA/Namibia, Botswana, Lesotho and Swaziland) is not only a pain in the neck but a heavy drain on the p & l account Independent liquor retailers would doubtless welcome the development too, if it resulted in an improved flow of product at no additional cost

But the biggest upside potential of the Kirsh-Pickard deal is the imminent legalisation of the shebeen trade in black townships and plans in the pipeline at the Ministry of Commerce and Industries to de-regulate the flow of liquor between manufacturers and consumers

De-control of shebeens has the potential to unlock pent-up demand growth of unpredictable proportions, especially in the beer market

The latter may go in excess of 1 000m ℓ this year, of which nearly 60% will be consumed by blacks, and about half of that will go through the shebeen network Decriminalisation of the trade in the townships could well result in lower prices since there would no longer be a need for shebeens to charge a premium to cover stock losses in raids

But even greater economies will flow to consumers from the fact that off-consumption licences or authorities will only be granted in respect of proper liquor store premises, and black retailers "will be protected by maintaining the statutory restriction on the introduction of liquor in black residential areas '

This means that ordinary consumers and illicit liquor dealers in the townships will continue to be debarred from buying in white areas and smuggling liquor into the black areas The fact that black retailers with off- or on-consumption authority would no longer need to buy supplies from white liquor stores in the common area implies that prices will be stabilised and Metcash which operates as a wholesale discounter, would be well placed to take over the distribution operation of the liquor manufacturers

Pickard . will have his 130 shops

Obviously it will be some time before SA Breweries (SAB) and the other liquor manufacturers/importers make up their minds about switching distribution and deliveries to the Kirsh network, but in the meantime it is clear that the arrangement is going to work wonders for sales of Union Wine products — even before Pickard fully exercises his government licence to complement his liquor store network by an additional 75 outlets

Also, from a "political" point of view, Kirsh's deal with Pickard makes a lot of sense

Quite apart from the fact that they were once instrumental in persuading a former Minister of Finance to grant an excise incentive to small brewers like Stag and Whitbreads — much to the disgust of SAB — a deal with anyone else would have raised cries of foul play because, rightly or wrongly, the November 1979 restructuring of the country s R2 000m liquor business continues to be viewed with opprobrium in some quarters

But even more important than the fact that Pickard was just about the only kosher choice of a partner left in the business, a recent resolution passed by the Federation of Hoteliers and Caterers of SA (Fedhasa) probably influenced the outcome as much as anything else In the resolution Fedhasa reaffirmed its support of that portion of the November 1979 settlement agreement ' by which Remgro and SAB undertook to dispose of their retail liquor holdings (a total of 349 stores in 12 years)

Until the recent Fedhasa statement there had been doubt whether the association would insist on the divestment There was a lobby in Fedhasa which feared that the exit of SAB and Remgro from the retail scene would create a dangerous vacuum that would be filled by "undesirable interests with no affinity with the liquor business ' Somebody has allayed their fears

This means that, no matter what findings and recommendations the authorities comes up with in their investigation into possible monopolistic tendencies in the liquor business, Pickard will have his 130 shops and no other juristic person will be entitled to more than five

● 232 282 Union Wine bear sales disclosed

Brokers who sold short face possible action

By Geoff Shuttleworth

Stockbrokers who sold short in Union Wine shares face not only huge financial losses, but those who did not disclose their bear sales also face JSE disciplinary action and possible prosecution.

This morning a spokesman for the JSE revealed that the total number of disclosed bear sales was 232 282 Union Wine shares, which at the suspension price of 1 475c, puts a nominal value of R3,4-million on the disclosed shares.

What has not been disclosed, and is not likely to be known until Tuesday, is the number of undisclosed bear sales. Brokers estimate that the number of these cases could be at least equal to the 232 282 disclosed sales.

Stockbrokers have until next Tuesday to deliver these bear sales shares and if this is not done, a call-up will give the seller until next Friday to deliver.

If this fails then an auction will take place next Monday (March 30) — assuming that the listing of the shares of Union Wine has been reinstated. If ther eare not sufficient shares on offer, or if the price is considered exhorbitant, then a make-up price will be determined by the JSE committee.

At this stage it is not known when the listing of Union Wine will be reinstated.

Brokers who have not disclosed bear sales face disciplinary action under Rule 27 of the Stock Exchange regulations. Dependent on the outcome of this investigation, the matter can be handed over to the Registrar of Companies and prosecution could ensue.

The client has to accept the price whether it represents a profit or a loss.

The procedure outlined sets a precedent in the history of the JSE and while most expect the make-up price to be around the suspension price, there are many who argue for a price both above and below this price.

At this stage of developments it is not known whether sufficient shares will be made available. Analysts believe not. Mr Natie Kirsh, on being questioned whether Coki would release shares replied "Will Cape Wine Distilleries?"

Brokers said that what caused the bear squeeze, the largest in living memory — was that brokers sold short expecting a Russell type Kirsh acquisition.

A few weeks ago Kirsh entered the market and in a space of three days bought sufficient to take control of Russell. The Russell share price subsequently declined.

Most brokers thought that the move by CWD was unlikely, and Mr Kirsh noted "the sheer illogicality of the buying brought about this bear squeeze."

When the market learnt that there were two buyers in the market — Kirsh/Pickard as well as CWD — the price rocketed as delivery has to be made by Tuesday next week and the battle for Union Wine shares looked as if it would not only go on longer, but that the price would exceed the then average of just over 200c a share.

In addition to the bear sale position, the JSE committee will also have its hands full in assessing whether there was any insider trading in the four shares — Union Wine, Picotel, Coki and Picfin — towards the last week before the Union Wine/Picotel tie up with Coki was announced.

No comment was available from the stock exchange as to when the share will be reinstated or why it was suspended, particularly as several brokers were angry that they were unable to fulfil their bear positions.

Others believe that the relatively thin volume in Union Wine shares after the opening yesterday — just over 10 000 shares — indicated that the two buyers had cornered the market and that the JSE was then entitled to suspend the share.

CWD bid to halt Kirsh was doomed to fail

Analysts believe that even had Cape Wine Distillers been able to get 25 percent of Union Wine's it would have been unable to block the entrance of Mr Natie Kirsh into the liquor industry.

They said that this point is likely to be put to the CWD board by its shareholders at some stage.

Assuming a conservative Union Wine share price of 500c as the average for the three days' trading in the shares and assuming that CWD has acquired outright and through bear sales 25 percent of Union Wine, this would have cost CWD R5,3-million. Brokers believe most bear sale Union Wine shares are held by the CWD camp.

A spokesman for the company has repeatedly said that managing director Mr Gys Steyn is "too busy" or unavailable for comment and at this stage the company has still not confirmed that it was buying the shares.

Analysts note that even if CWD had acquired a 25 percent stake it would have enabled the scheme of arrangement between Picotel/Union Wine to have been blocked, but could not have blocked the gist of the arrangements — Kirsh's entrance into liquor on a big scale.

Coki and Picotel/Union Wine said in a statement last night that it is their intention to proceed with the original proposals and that "the procedure to be adopted may be changed, but the effect will be the same."

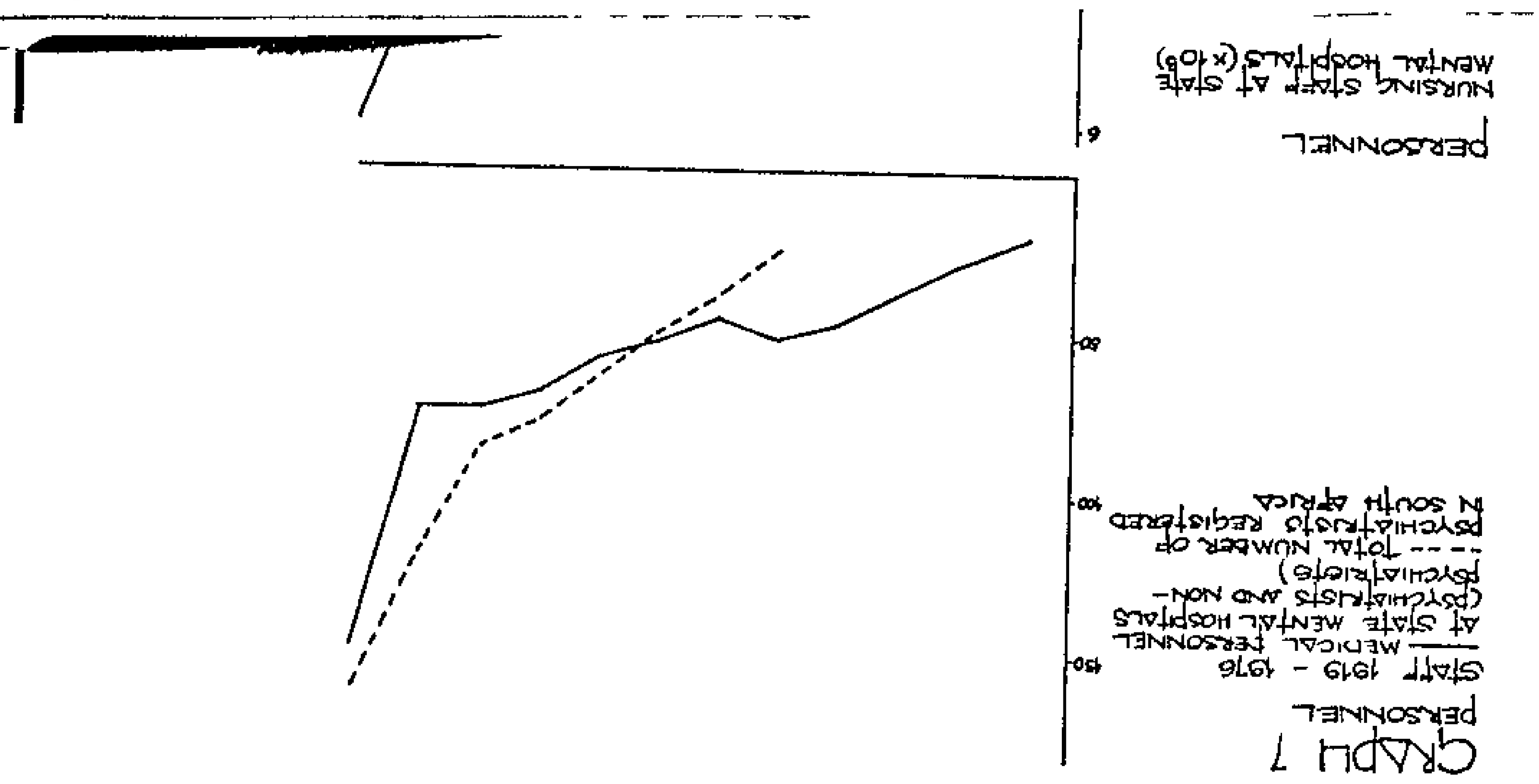
So long as Pickard held more than 50,1 percent of Union Wine's issued share capital the assets of Union Wine could have been sold or juggled between the Pickard companies or partially sold to Coki — the permutations are almost endless.

Analysts believe that all that could have been gained from the CWD foray on the market was to make the scheme of arrangements as difficult and expensive as possible to pass in one form or another. CWD could not have effectively stopped Kirsh Industries entering the liquor industry.

Union Wine has permission to operate 130 outlets and expand these by 75 whereas CWD has under the November 1979 liquor agreement been required to dispose of theirs over a 10-year period.

What they believe was really at stake was the tie-up with Coki and with it Metro Cash and Carry. Metcash is the key to the successful debut by Kirsh in addition to the imminent legalisation of shebeens.

At the end of it all Pickard will have up to 205 outlets and no other operator will be entitled to more than 5. — **Geoff Shuttleworth.**



The total number of psychiatrists i
six-fold since 1940, i.e. 1940 (26
who are practising overseas).

7. The medical category includes p
officers, both full time and pa
figures include trained, traine

Liquor agreement in jeopardy?

Liquor industry sources contacted this morning are uncertain whether the November 1979 liquor agreement is legally binding Initiator of the agreement, Dr Fred du Plessis, was also uncertain

This follows speculation that parties which include South African Breweries and the Rembrandt companies may decide not to dispose of their outlets as was originally agreed on in 1979

The agreement which ended the price war between Dr Anton Rupert's Rembrandt liquor interests and SA Brews beer interests was sanctioned by the Government One of the conditions was that the direct link between wholesale and retail operators should be severed and as a result of this the parties to the agreement agreed to sell off all but 5 of their respective outlets over 10 years

Following the apparently unsuccessful attempt by Cape Wine Distilleries to block Mr Natie Kirsh's entrance into the liquor industry via a 49,9 percent stake in Union Wine, the industry has been rife with rumours that the Rembrandt companies, and particularly Cape Wine would terminate the 1979 agreement Cape Wine is held by SA Brews, SFW and Rembrandt with 30 percent each

Mr Ken Williams of SA Brews said however, that "one cannot go back on a ministerial ruling and that SA Brews is going to honour its agreement

Assuming that the Union Wine/Picotel Coki deal goes through in its new form Union Wine will be able to add 75 new outlets to its existing 130 stores

Union Wine price falls

24/3/81

By Geoff Shuttleworth

The price of Union Wine shares which were reinstated on the Johannesburg Stock Exchange this morning fell rapidly after opening at the suspension price of 1 475c a share

By midday the price had fallen to R10 a share

Stockbrokers described the trading as "a bit of a damp squib" as there was no scramble for shares Earlier Stock Exchange President Mr Richard Lurie had consented to a request from Union Wine chairman Mr Jan Pickard to have the shares reinstated a day earlier

The shares were to have been reinstated only tomorrow, but reports of fairly extensive canvassing of platteland shareholders and of a considerable secondary market in the shares developing outside the JSE, prompted the move

Stockbrokers who sold short in Union Wine shares last week have until Friday to acquire and deliver the shares, while shares bought today only have to be delivered next Tuesday.

Union Wine last night increased its issued share capital by 6 4 percent, in a perfectly legitimate way, which has the effect of diluting the so far undisclosed holding that Cape Wine had built up last week

SA Brews in major new growth plan

S. Times 29/3/81 (182) ~~(184)~~ ~~(188)~~

AMREL, the furniture-retailing arm of SA Breweries with large shoe interests is embarking on an aggressively competitive expansion programme costing R27-million this year

Key point of the programme is the establishment of discount furniture warehouses where customers can walk in and with the help of home decorators furnish an entire home

By Elizabeth Rouse

The establishment of Amrel s discount furniture warehouses which will offer customers a wide variety of quality furniture plus all accessories making up a home was announced by managing director Ronnie Cohen this week

The first two warehouses each costing R2-million (including leasebacks) will open before the Christmas season

Building has already started in Durban near the new station and in Alberton s main street — both warehouses being strategically sited to compete with other furniture chains

The existing 4 000-sq-m Amsterdam store in Pretoria which will be extensively revamped will be the flagship of the chain to be called Amsterdam

By March 1982 a warehouse will be built in a well-populated Johannesburg area with another to follow to serve the East Rand

Cape Town Pretoria (which will have two warehouses by the end of 1983) and Port Elizabeth are next on the programme By the end of 1983 Amrel will have at least eight furniture warehouses

Mr Cohen forecasts that the Pretoria Durban and Alberton discount warehouses will chalk up sales of R20-million in the first year of business The group s total investment of about R15-million should eventually yield a turnover of R50-million a year

By offering customers the convenience of one-stop shopping plus the advice of decorating experts Mr Cohen believes that Amrel is filling a gap in the furniture trade

The term warehouse may reflect the size of the buildings but not the variety and quality of furniture and other household goods which will be on offer

● To Page 3

Sizzling furnisher plans

S. Times 29/3/81 ~~(188)~~ ~~(184)~~ ~~(182)~~

● From Page 1

Based on the US concept of furniture discount warehouses, which have proved to be enormously successful, the goods on sale will range from crockery, cutlery, linen, carpets and curtains to furniture for every room in the house

Amrel's buying policy will be highly competitive, and furniture and household articles from all countries will be on sale

Mr Cohen has been looking at goods available from the Far East (Taiwan, naturally) and found excellent quality at competitive prices

He is now heading for the United States and will look also at Continental furniture Amrel is already retailing top quality curtains and carpets from the Continent.

Amrel is aiming for the medium to up-market furniture trade, but prices will be at cash levels, in other words competitive with cash-and-carry prices, with the usual credit-sale terms available for buyers

Existing furniture-retail components of Amrel — Geen & Richards, Lubners, McNamees and Melodys — are also scheduled for expansion Amrel has signed leases on 20 new stores, the majority of which are now being built They will be opened from April to September this year

Four Melody stores are being added with the aim of getting a stronger foothold in the musical instrument business in South Africa (In fact, Amrel seems to have no major competitor left in this market)

Amrel's shoe division, which last year opened 50 new stores, including 39 Selecta outlets, is to add 35 stores to its empire this year, Eleven uneconomic shoe stores have been closed and R1-million is being spent in refurbishing existing stores

The Barnes chain, which operates mainly in-store branches (such as in Garlicks and John Orrs), has opened two free-standing stores in Johannesburg and Pretoria

More ambitious is the establishment of a chain of initially six women's high fashion shoe outlets in up-market urban areas such as Sandton

In addition, 25 new Multiserv kiosks (heel repairs and keys) will be opened in stores this year

Last, but not the least most lucrative profit growth area once SATV's Channel 2 is launched, is the Early Bird Television service division It does all OK and Amrel repair work, and profit growth should be substantial once blacks buy television sets in quantity This division is also expanding into servicing of domestic and household appliances

Broking analysts expects a total dividend of 60c to 62c from Amrel for the March 1981 year-end This means that earnings will be in the region of 180c-186c, given a three-times-covered dividend Sales could be in the R165-million to R170-million region

Ronnie Cohen is optimistic about Amrel's growth prospects for the 1981-1982 year and expects a real growth of 30% in its furniture business

Type of work	Hours a week	Cash wage (weekly, R)	Payment in kind (daily)
Unknown	?	1,50	?
	?	2,31	?
	?	3,46	?
	?	3,46	?

In addition to meals, many women get other items of payment in kind - working clothes, food, materials for dresses and other 'presents' at Christmas. Except for working clothes, these payments are included - with the cash wage of the women - in estimates of 'total family income' above.

Hourly cash wages of the 43 women whose working hours are known are below.

TABLE 31

Distribution of women workers according to cash wages, cents an hour

Wages (cents an hour)	...rs	Cumulative %
0 - 5		16,28
6 - 10		58,14
11 - 15		65,12
16 - 20		76,74
21 - 25		83,72
> 25		100,00
total		
Mean:		
Range:		

The table sh[...] or 58 percent, earn 10c an hour or le[...] 43 women earn between them R5,78 in an h[...]

There's no 'wine lake,' says KWV

CAPE TOWN — The KWV says there is no such thing as a "wine lake" or an excessive wine surplus in South Africa.

In a statement in Cape Town it said that to ensure continuity in domestic and overseas markets, all the agricultural sectors had to produce on average more than the local demand. Without such a policy a bad season could lead to a sudden shortage.

Because of the long term investments entailed in vineyards, wine production could also not be adjusted to meet short-term trends in the market. For this reason buffer stocks of distilling wine were stockpiled and export markets maintained. — Sapa.

resources allocated to health services, since the growth rate of the supply of hospital beds was considerably slower than the growth rate of per capita incomes.

When, however, the racial distribution of hospital services is examined a bias in favour of Whites becomes clear. In 1960 there were 100 Whites per bed, against 186 Blacks per bed, and in 1975 the white ratio

4. The Racial Distribution.

In 1970, Blacks accounted for 83 per cent of the population, and Africans accounted for 84 per cent of all Black people. At the same time Whites received approximately 72 per cent of personal income, and Africans 19 per cent, resulting in a disparity of 15:1 in the ratio of White to African per capita incomes, and 5,1:1 and 6:1 for the ratios of White to Asian and White to Coloured per capita incomes[15]. Rural African incomes ... are ... incomes below their Poverty Datum Line

The relatively low incomes of Blacks have two immediate effects on health. The first is the lower level of health which results from poor diet and environment and this is clearly illustrated in Table 8

(15) ... McGrath, Racial Income Distribution in South Africa, Black/White Income Gap Project, Report No 2, University of Natal, 1977.

(16) Calculated from National Accounts of the Bantu Homelands 1969/70 to 1973/74, Department of Statistics, Report no. 09-17-01. Table 1.1 and 2. Incomes of commuters are included, as well as one-third of the incomes of migrants.

(17) G Maasdorp and A.S.B Humphreys (eds), From Shantytown to Township, Juta, 1978, pp. 109 and 110.

Kirsh, Pickard get Uniewyn

RDM 3/4/81

182

By HAROLD FRIDJHON

THE Kirsh-Pickard team has won control of Union Wine. A laconic statement by Mr Mervyn King, chairman of the Coki Corporation, says that the Coki Corporation/Picardi Finance camp holds 75,1% of the issued share capital of Union Wine.

Mr King would make no further comment, but earlier market speculation suggested that the bid by Cape Wine & Distillers to block the Coki/Picfin scheme had been successful enough to get more than 25% of the "victim" company

The reason why the Cape Wine rumour gained some credence was because of the highly fluid state of Union Wine dealing on the Johannesburgh Stock Exchange Shares were owed to the market as a result of all the bear selling, but until these shares were delivered neither party in the market tussle could be sure whether it had bought real or phantom shares sold by bears

Mr King's statement puts an end to all this speculation because, I believe, Coki/Picfin have physical share certificates in their possession to leave no doubt, that they hold considerably more than 3 500 000 of the 4 474 600 shares in issue

The market is suffering from a physical shortage of scrip This is the result of delays in the postal service. There is a possibility that a large number of share certificates might be in the company's office awaiting registration or, perhaps, splitting.

The brokers who acted for Cape Wines are now calling in shares and this could cause distress to market operators because if they are unable to deliver when called on to do so, the buying brokers might demand that a make-up price be declared

If a broker who covered in his short position by buying shares at, say, R10 a share and who is awaiting delivery of scrip is then forced into a make-up price situation, he would suffer a double loss.

It is believed that Mr King made his statement in an endeavour to alleviate the acute market situation by declaring his position It has been suggested that the Coki/Picfin camp might even sell any excess shares that they hold to assist the market

If this is so, it would be reasonable to expect the Cape Wine camp to make a similar a similar gesture If it has lost the battle, it could offload some shares — at a profit

Brokers said last night that a supply of scrip would assist the market and save many brokers — and others — from further financial loss

3/4/81 STAR

182

Statement by Coki clears air

By Mervyn Harris

The announcement by Mr Mervyn King, chairman of Coki Corporation, that Coki and Picardi Finance have physical possession of 75,13 percent of the issued share capital of Union Wine reduces uncertainty over the whereabouts of the shares.

Analysts say this will help stockbrokers sort out bear positions following the hectic dealing in Union Wine shares two weeks ago.

There are estimated to be 50 000 disclosed bear sales and another 50 000 undisclosed bear sales.

Market speculation suggested that Cape Wine and Distillers might have gained 25 percent of Union Wine shares in its bid to foil the link-up between Coki and Picfin.

This would have enabled CWD to block a special resolution or the issuing of more shares by Union Wine.

Mr King's statement means that Coki and Picfin have greater flexibility and can now increase share capital and get the partnership underway.

Some analysts say, however, that there could be another bloodbath as brokers, who have still to cover their short positions, scramble for the remaining shares.

A make-up price might still have to be declared if brokers are unable to deliver the shares when called on to do so.

The market is now waiting to see when CWD will declare its hand. It kept quiet throughout the hectic dealings and refused to acknowledge for some days that it was the big buyer of Union Wine shares.

Brokers for Cape Wine are believed to be calling in shares. It will be interesting to see whether CWD will sell its shares if it has not gained the amount of Union Wine scrip it sought.

LIQUOR

182 FM 3/4/81

Re-construction on the cards

A truce has been called in the Union Wine/Cape Wine & Distillers (CWD) imbroglio and Natie Kirsh has returned to his Swiss ski resort The question now is who will win the peace?

According to the best available information, an enduring accord in the volatile liquor business will only be possible after another "restructuring" operation A number of alternatives are contemplated and a formal announcement is expected soon

First, a deal could be structured to buy all or part of Picbel's liquor interests upon which the market has placed a value five to eight times higher than that which prevailed before Kirsh came on the scene

Union Wine/Picotel never did fit into the November 1979 dispensation (which, the *FM* learns on the highest authority, was rammed through with almost indecent haste before promulgation of the new Competition Act last year)

It is both a wholesaler and a retailer and nothing could persuade Jan Pickard to part with the piece of paper given him by former Justice Minister Alwyn Schlebusch entitling him to a further 75 liquor store licences

At the same time, a first-refusal option held by SA Breweries (SAB) in respect of Union Wine passed to CWD when SAB's wine interests became part of the new wine and spirit house

Or did it? According to press statements of the past 10 days, CWD's attempt to block the scheme of arrangement proposed by Kirsh was made in order to protect this pre-emptive right (held by a brewery which had been granted a financial stake in a wine and spirit house)

But the Kirsh offer did not alter the status of even that pre-emptive right because Pickard did not sell a single share and control is retained

The theory has been explored (on which CWD will not comment) that the Stellenbosch house acted in the manner it did to prevent the formation of a new liquor giant with unpredictable strength and influence in manufacturing, wholesaling, distribution and retailing

There were strong rumours in the liquor market this week that a distribution giant comprising Union Wine and Metcash would become the biggest beer distributor in the country (Distribution cost, it is understood, is equal to 15% of gross revenue from sales in the beer market) If this were to happen, the fear exists that the distributor could enforce a form of "linkage" in respect of the products of Union Wine

CWD's Steyn . like Brer Rabbit, laying low and sayin' nuffin'

Another menacing whisper that was being put around in the independent retail trade this week was that Union Wine's retail arm, backed by the full resources of Pickard and Kirsh, could become the vehicle of a relentless price war and other nameless unfair trade practices

A delegation from the Federated Hotel Association of SA (Fedhasa) has been given firm assurance that this will not happen (How could it, if the country's 2 000-odd independent liquor retailers stood to gain most from Kirsh's vision of becoming a major distributor/discounter to the retail trade?)

These fears seem to be unfounded in view of the fact that Union Wine was not the first wholesaler approached by the Kirsh interests It was reliably learnt this week that other wholesalers were approached ahead of Union Wine, but that nothing came of it

Another point which has been made to Fedhasa is that Union Wine is a signatory to an agreement sponsored by the Cape Wine and Spirit Institute last year to the effect that its 15 members pledge to sell to all retailers at the same price and the same discounts

The alternative to buying Union Wine outright in terms of the 1979 agreement would be to either acquiesce in developments or to draw battle lines by negotiating a distribution tie-up with a rival chain in the same business as Metcash

This seems unlikely because it implies price wars, hidden discounts, withholding of supplies and all the nefarious practices which gave rise to the government-sponsored settlement of 1979 And crucial to the success of either camp would be on whose side of the fence SAB decided to come down If it chose the CWD side, it would be exposing itself to firm action from the Competition Board for being party to a monopoly

Another alternative would be to provide Picbel with the cash incentive not to go ahead with the Union Wine/Kirsh deal and at the same time make it worthwhile for the Pickard liquor interests to get out of retailing But what Picbel would consider worthwhile is probably well in excess of what rival interests would be prepared to pay, especially now that massive value has been added to the group because of the potential implicit in an association with Metcash

And then there is the key question of whether SAB is opposed to the Pickard/Kirsh tie-up The hunch of the market is that it is not — because of the extent of logistic relief that would be forthcoming from doing business with Metcash, especially when shebeens are legalised

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Star 9/4/81

Retco's profits up 75 percent to R4,8-million

By Ann Crotty

Retco, SA Breweries property arm, has announced a 75 percent increase in pre-tax profit for the year ended 28 February 1981, to R4,8-million from R2,8-million.

The improved performance is attributable mainly to profit from sales of property — R1,3-million (R145 000)

Net income from properties increased by only 10 percent to R7,9-million from R7,2-million in 1980. However, this increase occurred notwithstanding the reduction in properties. The after-tax figure was R3,3-million, an increase of 126 percent on the previous year

Profit attributable to shareholders was R3,3-million an increase of 118,6 percent on the previous year's figure of R1,5-million From this dividend for the year is 5c a share compared with 1980's dividend of 2c a share

The annual dividend is as anticipated at the interim

TEN SALES

Income continues to be significantly reduced by heavy interest payments Net interest paid for 1981 was R4,4-million, a 5 percent reduction on the 1980 figure

During the year 10 income-producing properties, together with certain sectional-title units, vacant land and hotels were sold These properties realised R13,3-million which resulted in increased liquidity and a 5 percent decline in net interest payable

It has become the company's policy to sell properties not suited to its portfolio.

Retco intends to proceed with the formation of a property unit trust based on some of its property investments The directors consider that such a trust would be in the interest of shareholders

It is proposed that a substantial number of Retco's properties will be incorporated in the trust The indebtedness relating to these properties will be repaid The units in the trust will be distributed to Retco shareholders pro rata to shareholdings

The balance of the properties will ultimately form the basis of payment to shareholders

Retco will continue to be listed on the JSE and application will be made for a listing of the units

News of the trust, plus the anticipated improved results, has already affected the share which has been trading in high volume and increased from 46c to more than 65c during March

... period of exposure li'ely to cause pneumoconiosis exists. The relative toxity of a series of dust particles has been worked out experimentally, but can serve only as a guide.

In some cases, standards determined by international organisations are applied in South Africa, but the Commission points out that the formulation of standards and threshold values for industries

... re, not only for the pro- ... but "also because they have serious and sometimes ... ry". (p.76)

... consult various bodies before ... ts. They will have to secure ... mployer organisations, White ... itary organisations, industries, ... isations.

... legislation, they should be as constructive as possible - i.e. suspended sentences.

The industrialist should have the right of appeal. A system of licensing should be introduced to promote industrial health. The issue of a permit or licence can be refused/withdrawn if certain

conditions pertaining to industrial health are not complied with. But licensing should be applied selectively. Licensing is necessary for control of factories, storage of hazardous substances and chemicals, hazardous processes and industrial activities.

Chapter XXII & Chapter XXIII: Trained Staff Required for the Successful Promotion of Industrial Health.

If the Department of Health is to carry out its new functions with respect to industrial health, it is clear that trained industrial health staff are absolutely essential.

Except for first aid assistants, industry, at the moment, is making very limited use of safety officers, nurses and General Practitioners. There are no industrial health nurses and very few industrial health inspectors.

At the moment the following health staff could be profitably employed in industry: 6 300 G.P.'s; 1 275 health inspectors; 41 960 nurses; 32 factory inspectors; 82 inspectors of mines and quarries; 5 agricultural inspectors; 1 chief officer, assisted by 5 senior inspectors for air pollution control; 10 radiation inspectors; 159 safety officers; 5 industrial hygienists; 400 audiometrists.

The Commission recommends that consideration be given to the training of the following staff: safety officers, industrial health nurses; industrial physicians, industrial hygienists and industrial health inspectors.

... explosives and other hazardous substances.

The Industrial Health Act would cover all workers in industry who would otherwise not be covered by other specific provisions in Act. Its general duties would be the initial cornerstone of inspection work. The general duties of employers would be to protect "as far in my opinion

FM 17/4/81

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LIQUOR

New deal pending?

Michael Fridjhon is a well-known liquor consultant and advisor to the trade

The draughtsmen of the liquor reconstruction of 1979 conceived of an alcohol trade that was elegantly simple production of beer separated from the production of wine and spirits, retail separated from wholesale — a horizontally not a vertically, integrated industry

Nevertheless Jan Pickard was permitted a position which stood in direct contradiction to this commitment, a position in production, wholesale and retail unmatched by any of his rivals And he had already been given permission to acquire a further 75 retail licences to supplement his already comfortable Union Wine/Picotel network

At the time with Gilbeys in wholesale and retail, the anomaly was hardly striking There was no compulsion on Gilbeys to dispose of its retail licences though it was equally clear that it would not be permitted to purchase more bottle stores Pickard it was presumed could at best become a giant among midgets

The Kirsh/Pickard alliance has altered the complexion of this arrangement The strength of Cape Wine & Distillers (CWD) is in some ways matched by the potential clout of Kirsh's Metro No one is quite sure whether the new alliance will exercise its power more in the retail or the wholesale areas, though the trade will never be the same again Legalised shebeening, massive retail discounting, wholesale price-cutting and new brand creations are all now mooted

And the astonishing feature of all this is the resounding silence from the participants So much so, that one is compelled to suspect that the last cards have yet to be tossed on the table What are the possible end-game scenarios?

Whatever emerges is unlikely to compromise further the promised separation of vertical interests Hence a Pickard/SA Brewery (SAB) arrangement, as was proposed in 1979, is out of the question Similarly, a deal with Gilbeys for its retail and wholesale operations is unlikely A purchase of either its production or retail position

is possible with retail the more likely acquisition

This would however, depend on Gilbeys being prepared to give up a very comfortable vertically integrated structure with no chance of ever being allowed to recreate it

Undoubtedly, if anything further is to come in the way of a trade restructuring Anton Rupert's dream of horizontal integration will have to be appeased in a way that will satisfy Jan Pickard and his new partners And since Rupert has been compelled to dispose of his retail interests, and Metro is strong in distribution and selling, rather than production, what more elegant solution than a deal between Pickard and Rupert by which Pickard obtains Rupert's retail operation in exchange for his production business and some extra cash?

A deal of this sort would require the support of parliamentary friends and happily neither of the potential participants are lacking in this respect Pickard would need a good deal more than his additional allocation of licences to justify the surrender of Union Wine — not because Union Wine is such a great asset in its own right, but because it's lonely out there in the retail trade, and there's nothing like the security of four or five hundred licences to compensate for the loss of a wholesale operation

So Pickard would require a new dispensation — permission to extend his retail operation well beyond the limits set in 1979 He would be able to argue that in selling Rupert Union Wine about 90% of the wholesale trade would be horizontally integrated, whereas his present quota of retail licences is less than 5% of the available total

He would probably obtain permission for more licences than Rupert could ever pass on to him And Rupert would have to be sure that some ceiling would be set to Pickard's right to acquire bottle stores, otherwise the victory of CWD would be pyrrhic indeed

What are the chances of all of this coming to pass? In the cloud-cuckoo-land of the SA liquor trade, probably pretty good Its logic is built into a 1979 dispensation which would have seemed as inconceivable in 1978 as this must to free-traders in 1981

Afcol posts another 100%-plus increase

RDM 1/5/81

By DAVID CARTE
Deputy Financial Editor

"UNPRECEDENTED" furniture sales hoisted Afcol, SA Breweries R200-million-a-year furniture maker, to its second successive earnings increase of more than 100% in the past two years

Following up earnings growth of 107% in 1980, Afcol reports an earnings surge of 110% in the year to March 31 Earnings a share were 121,2c compared with 57,6c

With a final dividend of 31c, making 61c for the year, the dividend improvement was also 110%

Largely because of "pent-up demand during the period 1974 to 1978", sales soared 36%, or R50 million, to R193 798 000

Once again the economies of greater throughput lifted profits more than proportionately Pre-tax profit soared 97% to R29 865 000

A small increase in the tax rate was more than offset by a 157% rise in dividend income and earnings of associates to R11 735 000, so that attributable earnings were 110% better at R28 017 000

One reason for the big rise in associate earnings was the larger stake in Romatex, which yesterday reported a 58% earnings increase The yearends are out of line, but my calculations are that Romatex contributed R6 226 000 of the associate total of R11 735 000, or no less than 22% of group earnings

On prospects, the company says "A buoyant building industry and improved consumer incomes indicate that furnitue sales will continue to grow in 1981, but at a lower rate than last year

"There is already some evidence of this slowing growth rate, according to retail sources, but it is too early to tell whether this is cyclical or the effect of recent changes in credit regulations "

The group says it has added to capacity and will augment this This will enable the group to meet increased demand and "should result in increased earnings per share"

"However, it would be unrealistic to expect earnings to grow at the rate of the last two financial years "

COMMENT. At 660c, Afcol yields 9,2% The high yield suggests market concern about its vulnerability to a downturn, but it could also mean the results were better than expected.

Bumper rise in dividend of SAB

(182)

7/5/81

By Mervyn Harris

STar

Shareholders of SA Breweries are to get a bumper 64 percent rise in dividend payouts after attributable profits rocketed to the highest annual rate of improvement on record in the year to March.

The final dividend has been increased from 12,5c to 20,5c a share, boosting the total payout for the year to 27c

Operating profit soared by 69 percent to R239-million on sales of R2 375,2-million — an increase of 38 percent

BEER SALES

Booming beer sales and an 86 percent jump in income from the group's diversified interests pushed up earnings attributable to ordinary shareholders by 62 percent, or R46-million to R102,7-million Earnings a share rose from 33,6c to 54,3c

The company says the rise in operating profit was in large measure because of the high level of capacity utilisation and related productivity.

As anticipated in the interim report the growth in earnings in the second half of the financial year was at 57 percent slower than the 72 percent reported in the first six months

The jump in turnover is regarded as "extremely satisfactory" when viewed against the background of an estimated money growth in private-consumption expenditure of slightly more than 22 percent

In its first full year as a beer monopoly after the reorganisation of the liquor industry, the company says the 40 percent rise in beer sales was the major factor in a "very pleasing" performance by the beer division

The triennial revaluation of fixed assets which took place during the past financial year revealed a surplus of R85-million and book values have been adjusted accordingly

Capacity utilisation throughout the group is at a high level, especially in the beer division, and substantial capital-expansion programmes have begun

The existing conservative financial-gearing policies are to be maintained and dividend cover will be increased over the next few years to help finance these programmes and to finance the significant growth potential of the group in an inflationary environment

SLACKENING

The directors say, however, that this should not prevent dividends from continuing to show satisfactory growth

The company expects consumer spending to show reasonable growth this year in spite of a slackening in the tempo of economic activity

A satisfactory, though more modest, improvement in earnings and dividends should thus be achieved in the coming financial year.

Beer and the rest boost SA Brew 61%

RDM 7/5/81 182

By DAVID CARTE
Deputy Financial Editor

UNPRECEDENTED beer sales and an 86% leap in non-liquor profits helped SA Breweries to its biggest profit jump in 86 years in the year to March.

In SAB's first full year as an unchallenged beer monopolist, sales soared R650-million, or 37,9%, to R2 375-million and gross profit R97 800 000, or 69,3%, to R239-million

Pre-tax profit rose R95 500 000 — 82,1% — to R211 700 000 and taxed attributable profit 61,6% to R120 700 000 Earnings a share rose in line to 54,3c.

A final dividend of 20,5c has been declared, making a twice-covered 27c for the year — a 63,6% improvement on the 16,5c paid last year

The directors say the economy has entered the mature phase of the current business cycle and forecast "a slackening in the tempo of growth"

Nevertheless, they expect "reasonable" growth in consumer spending and "satisfactory, though more modest" growth in earnings and dividends this year.

The directors are eminently satisfied by group sales growth of 38% compared with national retail sales growth of 22% They attribute the large rise in gross profit to "the high level of capacity utilisation and related productivity"

In a "very pleasing performance by the beer division", sales improved 40% by volume The managing director, Mr Dick Goss, told me SAB's own products' volume sales rose by 30% and those of Intercontinental Breweries by 10%, making 40% growth for the industry and for SAB Beverage profits rose in line with sales by 41%, or R17-million.

This means that, with beer prices frozen for nine months of the financial year, beverage margins were only maintained. SAB was granted an 8% beer price increase in January

Beverage profits must have been about R58 500 000, or slightly less than half total earnings of R120 700 000. Cape Wine & Distillers, 30%-held and equity accounted, has not yet announced its results, so beer and other beverage profits have not been disclosed

The non-liquor interests raised their contribution by 86%, or R29-million, to about R62 700 000.

OK Bazaars, 72%-owned, will have contributed R19 745 000 at the attributable level, 69%-held Southern Sun R16 671 000, 56%-owned Afcol R15 689 000, and 67%-owned Amrel R9 129 000, making a total of R61 234 000 Shoe Corporation and Retco contributed the balance

The directors warn that dividend cover will be raised over the next few years to enable substantial capital expansion programmes to take place without increasing group debt ratios.

Mr Goss told me this statement would be amplified in the chairman's statement. All he could say now was that the rise would be gradual and "should not prevent satisfactory dividend growth".

He said that apart from capital expenditure of more than R70-million in Southern Sun, the group was to spend R150-million this year expanding its breweries, which were working at capacity and were pressed to meet demand

He was confident the capital expenditure programme could be financed without recourse to shareholders

Inflation would largely offset the beer-price increase, but there was no prospect of another increase in the foreseeable future.

Mr Goss said investment allowances should prevent the tax rate from rising significantly above the current 36,4% (33,7%)

The triennial revaluation of fixed assets took place during the year, revealing a surplus of R85-million and book values have been adjusted accordingly

COMMENT: The excellent results of OK, Amrel, Afcol and Southern Sun led the market to expect great results from SAB, but these probably exceed most expectations.

But until the chairman clarifies the matter, there may be some alarm at the vague dividend cover pronouncement. This certainly complicates estimation of a prospective yield.

Salaries and wages are likely to keep pace with inflation in the current year, but higher mortgage and HP rates are likely to squeeze consumer pockets. SAB is the consumer group par excellence and is thus highly exposed to a consumer slowdown.

But its accounting is conservative and the numbers are rock hard, so, even allowing for a slowdown, 20% growth should not be difficult.

RDM 7/5/81 (182) (~~244~~)

R98-m profit rise for SAB

By DAVID CARTE
Deputy Financial Editor

SA BREWERIES has announced a R98-million rise in gross profit and its biggest earnings rise in 86 years in its first year as an unchallenged monopolist in beer

But, with beer prices frozen for nine months of its financial year to the end of March, beer profit margins were static

The profit lift was thanks to a big volume increase in beer sales and an 86% profit increase by SAB's vast non-liquor interests.

Sales in the year to the end of March rose by R650-million, or 38%, to R2 375-million and gross profit 69% to R239-million Taxed profit was 62% better at R120 700 000. SAB's dividend has been raised 64% to 27c (1980 16,5c) a share

With 222-million shares in issue, this means it is paying out R60-million to shareholders

While beer sales soared 40% in volume terms, beverage profits rose in line, meaning margins were only maintained

Beer profit growth was therefore due entirely to the greater efficiencies and lower costs enabled by higher throughput, says the managing director, Mr Dick Goss

SAB was granted an 8% beer price increase in January Mr Goss said another was unlikely for some time

SAB's non-liquor interests provided R29-million of the R46-million taxed profit increase

For example, OK Bazaars, 72%-owned, increased taxed profit 45% to R27 424 000, while 56%-held Afcol, the furniture manufacturer, lifted taxed profit 110% to R28 017 000 and Southern Sun Hotels raised taxed profit 91% to R24 161 000

● See Page 15

SA BREWERIES FM 8/5/81 ~~188~~ 182

Ringing the changes

For the first time in the group's history, the contribution to net earnings from SA Breweries non-liquor interests has topped that from the beverage division.

Total attributable profit of R120.7m achieved in the year to end-March breaks down to about R62.6m (52%) from diversified interests and R58.1m (48%) from liquor. This compares with R33.6m (45%) and R41.1m (55%) respectively in 1980 when total earnings were R74.7m.

However the proportionately smaller contribution from liquor is no reflection on the performance of that sector. The preliminary report notes that beer sales volume increased by 40%. This was matched by profits of the beverage division as a whole notwithstanding the effects of the October 1979 liquor industry rationalisation and the fact that beer prices remained unchanged as far as SAB itself was concerned.

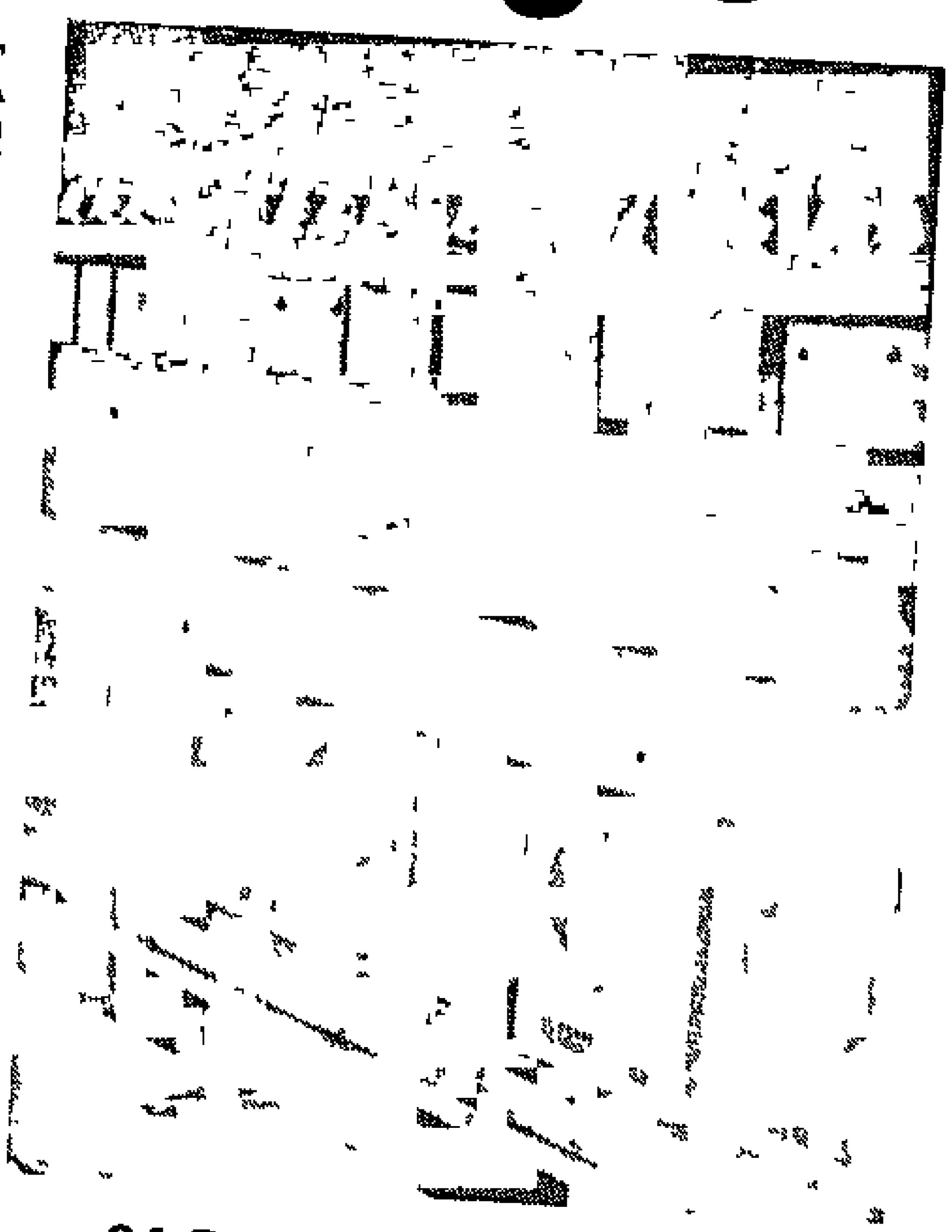
In the interim report the company commented that changes within the liquor industry had probably reduced net profit for the six months by about R4m. This was because of the exchange of the group's non-beer liquor interests (which were then centred in wholly-owned Stellenbosch) for a one-third holding in Cape Wine.

And while the distorting effects of the swop would have been overcome during the second six months, it seems that the 41% profit growth rate achieved on this side over the year was nevertheless reduced by about 10 percentage points.

But even if the change had not taken place, beverage sector growth would still have been overshadowed by the performance of companies such as Afcol, Southern Sun, Amrel and OK Bazaars which contribute the bulk of non-liquor earnings.

SAB gives the improvement in its share of non-liquor profits as 86%, but this includes holding company profit and income from foreign investments. The actual increase in attributable profits from the four listed companies was about 73%, with OK Bazaars the biggest contributor at R19.7m followed by Southern Sun (R16.7m), Afcol (R15.7m) and Amrel (R9.1m).

Less pleasing is the news that the group is to start retaining a greater proportion of earnings. While the existing twice-covered dividend policy is liberal by present industrial market standards, there has been no evidence so far of strain. However with a heavy capex programme particularly in the beer division where capacity is to be increased by between 40% and 50% over the next couple



SA Brews — a good head on beer sales

of years management has decided to increase retentions progressively.

Once the annual report becomes available it will be possible to establish whether this move is absolutely necessary. At the interim stage the *FM* estimated that based on a 1981 growth rate of 30%, followed by 30% gains in 1982 and 1983, the group would have an additional investment capability of some R400m, about R100m more than planned capex at the time. That estimate included retentions and an increased debt equity ratio of 60%, but excluded the additional gearing effects of asset revaluations.

Over the past year borrowings rose from R277m to around R385m but, with an asset revaluation increasing non-distributable reserves by R85m, the debt equity ratio has remained fairly constant at 51% (50%).

The other aspect of course is that with inflation still excessively high the group is having to invest considerable amounts in working capital simply to maintain its existing rate of activity.

Fran Thompson

Cape Wine R27m

RDM 9/5/81 (182)

Financial Reporter

CAPE Wine & Distillers reports pre-tax profit of R64 300 000 for the year to March

Because the company was constituted in October 1979, no comparable figures are provided But pre-tax profit in the six months to March 1980 was R27 133 000

Pre-tax profit after a lifo stock adjustment was R51 200 00 and earnings a share 21 5c

No taxed attributable profit has yet been disclosed but with 126 million shares in issue this must have been R27-million

This means that CWD must have contributed R8 100 000 of SAB's taxed attributable profit of R120 700 000 It also means SAB's beer profits must have been about R50-million

A second interim dividend of 2,5c has been declared making 6 4c for the year intensive methods. This has also resulted in a decrease in the amount of skilled workers required because of the relatively unskilled labour required to operate the capital (machines, tractors etc.)

The ICB has re[illegible] [illegible]itation of skills (through [illegible] fill our needs a (minds e[illegible] [illegible]n economic terms this is a go[illegible] [illegible] did not spend anything (i[illegible] [illegible] which [illegible] [illegible] It w[illegible] [illegible] skills [illegible] of the [illegible]

SOFT DRINKS (1?2

Pepping up Pepsi

FM 15/[illegible]

Widespread rumours about the demise of soft drink manufacturer Pepsi-Cola which were fanned by shortages of the product in several outlets are premature. Pepsi is committed to fighting for its share of the industry — which chalked up about [illegible] in sales to the retail trade last year.

Pepsi's Buck van Rensburg says a change of the Johannesburg distributor caused problems but these are being sorted out. The Pepsi franchise for the central Johannesburg area was held by Tiger Oats subsidiary Breen Bottling Co until March this year.

When Tiger rationalised its soft drink interests and closed the Breen distribution warehouse in favour of its Pretoria-based bottling and distribution company, Schillings, Pepsi developed a distribution network of its own.

For Pepsi the changeover meant at times uncertain penetration of the market. Problems are being ironed out, Van Rensburg says, but not quite as fast as Pepsi would like. Breen was also distributor for Canada Dry, Seven Up and [illegible]

[illegible] Pepsi still trying to undo the dam[illegible] [illegible] [illegible] [illegible]

[illegible]

[illegible] [illegible] [illegible] the [illegible] [illegible] [illegible] [illegible] and Canada Dry product [illegible] [illegible] the factory door Canada [illegible] [illegible] process [illegible] [illegible] since recovered.

Industry spokesmen say the situation was aggravated by a shortage of glass bottles and carbon dioxide which affected all manufacturers. It is understood the shortage of carbon dioxide could soon become chronic.

Consol Glass, which supplies the industry, says the unseasonable warm weather forced a belated demand and problems arose when soft drink manufacturers needed additional bottles. The distribution problem faced by some manufacturers also put extra pressure on others. And although the shortage of carbon dioxide is believed to be over for the moment, it is expected to recur [illegible].

Cadbury Schweppes MD David Wood says industry production volumes were up [illegible] [illegible] according to Mr Wood [illegible] shortage of glass bottles has been [illegible] problem for about a year and could continue to year end. At times this factor [illegible] affected potential sales [illegible].

Since its tie-up with the Coca-Cola distribution network, Schweppes has gained slightly in market share, says Wood.

Prospects for 1981 are generally considered [illegible] [illegible] growth could [illegible] slow [illegible]

WINE 1 FM 15|5|81 (182)

Money and the box

As promotions go, the *RDM*'s Milner Park Wine Festival is out of the top drawer. But it's going to take more than a hard sell to white palates to give wine the fillip it so urgently wants.

It will need the help of the Soweto shebeen queens to do that. Black consumers, after all, have done most to give beer the 79% market penetration it now enjoys. Will they do the same for wine?

It's unlikely. SFW's wine marketing manager Dick Coleshaw says there is some promotion being done in this area. But he adds: "Wine is not part of the traditional black market."

More accurately, perhaps, it is not part of the traditional African market. Coloureds account for the major share of nearly 100 Mℓ of downmarket plonk consumed in SA in 1980-81.

Yet even this traditional range is stuck in a no-growth rut. So are the more expensive nobles. It has been left to the middle-range house wines to provide the

industry with any growth at all.

The trade can thank the box for that. Since it appeared in June 1979, boxed wine has grabbed nearly 16% of the action (outside the distilling market) with 30 Mℓ sold in the last financial year.

The performance helped chalk up all-round sales growth of just under 10% at the expense of both the noble and traditional ranges.

It's interesting to see from SFW statistics that white varietals are strengthening their grip. They notched up 84% of all house wine sales in 1980-1981, having had less than 70% the year before.

Coleshaw's conclusion is that these 'everyday' labels are more suited to white wines. A similar trend emerged with the introduction of jugs several years before.

Reds, however, appear to lag all around. Among the nobles more than 65% by volume is now attributed to white cultivars, reds account for 27%, and roses have the rest.

Early predictions suggest the current Cape crop will encourage the flight from reds. Weather conditions and the late harvest have produced high-acid, high-sugar white grapes ideal for crisp, fruity blends which should do well on both the local and overseas markets.

Reds, on the other hand, are expected to be thinner and more difficult to unload.

But with farmers having to convert more of their lands for the distilling market, the need is to increase sales of table wines in all forms.

Exports could help. SA is holding its small share in Europe and more recently it got a toe in the door of the potentially lucrative US market. Coleshaw sees it as a difficult market to crack.

Nevertheless, it is going to be a hard slog getting rid of the current 38% surfeit. The obvious solution is to woo blacks away from beer, but so far there doesn't seem to be much hope of that.

Argus 19/5/81

Better pay deal for SA's brewery staffs

182 ~~158~~

Argus Correspondent.

JOHANNFSBURG. — New minimum wages for employees in the brewing industry have been gazetted

The wage agreement follows an agreement by the industry's employers' association and the Witwatersrand Brewery Employees' Union

Also gazetted this month were minimum wages, bonuses and sick fund payments for employees in the iron, steel, engineering and metallurgical industries

The agreement affects a large number of employers' associations as well as unions The major unions affected by the agreement are the Boilermakers' Society and the Amalgamated Engineering Union

C Herald 6/6/81

Cool drink strike over

(182) (183)

MOST of the about 70 delivery workers at Pepsi Cola in Epping were back at work on Wednesday according to management.

The delivery workers struck on Tuesday.

'Ninety percent of them are back at work,' said managing director Mr R Vote on Wednesday morning.

The reasons for the strike are still unclear. However, it seems that there was no union involved and that the workers decided on their own to stop work.

'A number of reasons for the action have been put forward but we're in the process of trying to clear everything up,' Mr Vote said.

'We will be meeting with a couple of worker representatives today.'

It was not possible to distinguish between qualified in-training and assistant nurses in the statistics. Without these distinctions, no valuable assessment of the real expansion of nurs

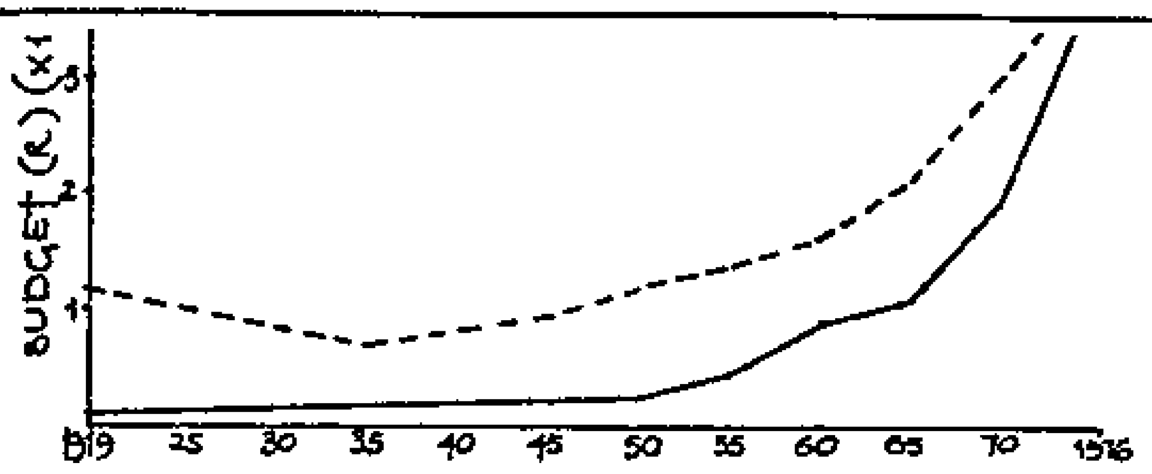
V. FINANCES 191

The money set asi increased from £3 1976.

xx

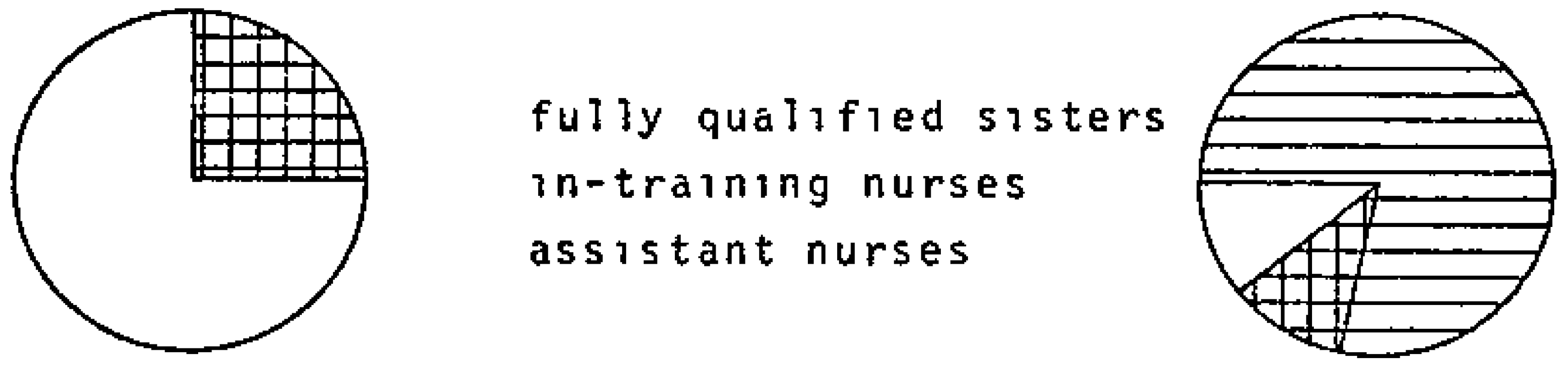
GRAPH 8

MENTAL HEALTH BUDGET 1919 - 1976
— ABSOLUTE AMOUNT (IN £ TILL 1964)
--- CORRECTED FOR 1976 PRICES (USING RANDS FROM 1919).



(A simple ratio of I 2 is utilised in converting pounds (£) into rands (R).)

8. For example if in 1980, 600 of the 800 nurses were fully qualified and the remaining 25% were in-training nurses, a very different situation would pertain if only 60 of the 800 nurses were fully qualified, only 20 were in-training nurses ard the remaining 720 were unqualified assistant nurses.



Not only would this difference affect the nurse.patient ratios, it would alter the quality of care delivered by the nursing staff as a whole. (xx See page 14a)

The actual staff position could not be ascertained. Only the limited observation can be made that the total number of nursing staff kept pace with the total inpatient population; in fact, it rose at a slightly higher rate.

There is no evidence available to show that the psychiatric nursing staff is rising. It is probable that the ratio is rising.

I4a/ ...

SA Brews looks to beer for the froth

182 Vaderland 13/6/8

By DAVID CARTE
Deputy Financial Editor

WITH profit growth due to slow in its hitherto-booming hotel, retail, furniture and other divisions, SA Breweries is counting on its beer division for good growth in the immediate future

This emerges from the annual report published today

The chairman, Dr Frans Cronje, says the beer division is looking for "good growth" His view of the other divisions, while positive, is slightly less optimistic

Overall, SAB is looking for a "satisfactory, though more modest improvement in earnings and dividends" in the current year

Dr Cronje reports a strong swing among blacks from sorghum to lager beer National beer sales grew 30% by volume last year and, now that it is an unchallenged beer monopolist, SAB's sales rose 40%

Dr Cronje says SAB is brewing at capacity and needs to expand to meet fast-rising demand

SAB plans to spend R350-million on expanding beer capacity in the next three years This year alone it aims to spend R175-million on expanding and opening breweries This amounts to 70% of the group's planned capital expenditure of R250-million this year

The balance of R75-million will be spent mainly on Southern Sun Hotels and OK Bazaars Working capital needs are expected to rise by R50-million and depreciation and sales of fixed assets will require another R100-million Where necessary, medium or long-term debt will be arranged

SAB's policy is not to let debt exceed 60% of equity At the yearend it was 51% and interest cover was 9,8, so it was well within self-imposed limits The group also comfortably exceeded all target returns on funds

Dr Cronje warns that the group's heavy capital expenditure requirements in an inflationary era will mean increasing dividend cover from the current 2 to 2,5 over the next "few years" He says dividend growth should nevertheless be "satisfactory"

Last year the non-liquor interests contributed more than half of group earnings for the first time Beverages contributed 47%, industrial 15%, hotels 14% and retail 24%

Actual contributions were beer R43 900 000, other beverages R14 800 000, Amrel R13 700 000, OK Bazaars, R27 200 000, Southern Sun R29 100 000, Afcoal R29 700 000, Shoe Corp R2 300 000 and other R2 700 000

OK Bazaars forecasts retail sales growth of between 4% and 5% and expects to compete successfully in a more competitive market

The furniture interests, Amrel and Afcol, expect "some hesitance" among consumers, but believe they are well situated to respond to the growing needs of their markets Southern Sun expects "further, though less dramatic" improvement in the current year

SAB employed 52 200 people at the yearend, an increase of 7 000 on the year

6

Sif(6+-n)

LIQUOR 1 (182)

Sour days FM 5/6/81

KWV expects the wine surplus to persist for another five years. The gap between sales and production could run to an upper limit of 100m ℓ a year before closing around 1986 when the crop will have stabilised at 7 1m hℓ

For this reason the board of the cooperative has voted a massive 33% transfer from the 1980 operating surplus of R10 6m to reserves. Most of it will go into capex on additional storage capacity. In March last year maturation and storage tankage capacity was 284 2m ℓ housed in 251 buildings occupying 21 6 ha

If the crop surplus runs to the volumes projected, transfers to reserves will have to be maintained at near the R3m mark including payments of about R1m a year to the Senbank consortium which financed KWV Beleggings 33% stake in Cape

Fruit of the vine — an over-abundance for five years

Wine & Distillers

The 1981 crop is estimated at 6 6m hℓ, a fall of 5 7% on last year's bumper 7 1m hℓ. Total wine consumption advanced 20m ℓ last year, nearly 11% up on 1979 and the total still wine market is reckoned to be running at 200m ℓ a year

By comparison beer advanced 34% last year and could hit 1 billion ℓ in 1981. Sorghum beer sales last year reached an estimated 2 3 billion ℓ

KWV chairman Andre du Toit says the beer markets are a serious challenge to the marketing skills of wine houses but he has a hunch that wine will do better in black areas once government regularises liquor sales in the townships. The lion's share of current liquor offtake falls within the realms of illicit dealing. It is now two years since government committed itself to de-control of liquor distribution in the townships and to the legalisation of shebeens. Nothing has happened although according to West Rand Administration Board chairman John Knoetze the wheels have started rolling

In an open market Du Toit feels that wine houses will be able to wean a good deal more blacks from beer to the wine habit

This process could well accelerate in the years ahead. KWV pricing policy in the past season reflects an awareness that the best method of reducing an unsaleable surplus is by price stabilisation. In the past the board of the KWV seems to have been hard pressed to resist pressure by growers to calculate basic price recommendations according to the production cost experience of the least efficient farmer in the 12 months preceding the annual price fix, regardless of the state of the market. It now seems to have dawned upon the control authorities that sales volumes can best be increased by holding prices

It is also not beyond the realm of possibility that the attention of fiscal authorities will be drawn to the fact that beer has unfair cost advantages over wine. Beer is made by an industrial process whose cost inputs are probably 50% lower than that of natural wine. Sustained pressure on the authorities led to the imposition of a price equalising duty on spirits derived from cane and grain. Because of this winegrowers regained sales of 150m ℓ of wine spirit for the manufacture of gin, vodka and liqueurs

Perhaps the tax instrument could be used to reduce the ratio of four to one at which malt beer outsells light wine

There is tremendous pressure on wine growers to increase sales. The good wine portion of the crop, which attracts a net minimum payment to growers of nearly double what they get for distilling wine, has fallen to 45% of the crop compared with nearly 70% in France and the US. Last year 3 1m hℓ of the crop was sold as good wine and nearly 4m hℓ was classified distilling wine. The theoretical loss of revenue for growers was therefore nearly R20m

Last year KWV was fortunate enough to boost distilling wine sales by R5 5m (doubtless due to the discriminatory duty imposed on grain and cane spirit). It also made R4 2m in Europe from the sale of column-stilled grape spirit and commodity alcohol

In addition normal wine and spirit exports rose 41% in money terms to R8 3m which was 70% of total SA exports of products of the vine

But 1981 is going to be a hard year. There is not much hope of repeating commodity alcohol exports because Europe has a surplus. Other exports will probably show little growth, if any, largely because of the recession in established markets and increased competition from other wine producing countries

And in view of the projected fall in real gdp growth in SA it is unlikely that last year's 11% growth in light wine sales will be repeated. On balance the unsaleable surplus may well increase slightly despite the smaller 1981 crop

Fig 1

Fig 2.

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LIQUOR (232) (182)

Rennies' refill

FM 19/6/81

Rennies Hotel and Liquor Holdings has purchased the liquor importing and marketing company Superior Imports from Avron Wilensky and Alec Horwitz for an undisclosed sum

Overseas principals of major Rennies liquor group, Douglas Green of Paarl (DG), and Superior Imports have approved the arrangements and will honour all agency agreements on the understanding that all companies continue to operate as they have done in the past.

Rennies entered the liquor industry with the 1976 purchase of DG, essentially a wholesale operation which markets, under its own label, products purchased through the KWV and other sources

This base was extended with the purchase of Avrons in the Cape and J D Bosman in Johannesburg — firms with a strong regional distribution and valuable portfolios of imported products

Wilensky remained as DG's joint-MD (regional) for the Cape and Horwitz for the Transvaal Both men reserved the right to retain their own agency company — Superior — on the understanding that DG would enjoy the lion's share of its product distribution, and that Rennies had an option to purchase at a later date

In exercising this option, Rennies appears to be acquiring a valuable asset Superior's agencies include Red Heart rum, SA's largest-selling imported spirit (excluding whisky), Black & White scotch, Harvey's sherries, Veuve Clicquot champagne Cointreau and Tia Maria All these products are among the brand leaders in their particular categories DG unquestionably offers the best imported liquor distribution in SA, so market share can only increase

With imports not nearly as restricted as they have been for five years there is every reason to believe that the profits of the agency company will comfortably justify the investment and consolidate Rennies/DG as the pre-eminent force in SA's imported wholesale liquor business

Both Wilensky and Horwitz are overseas However, Tony Bush, chief executive of Rennies trading division and Rennies director, says "The liquor division will derive substantial benefits from this development Superior fits perfectly into the operations of DG and we are pleased to have kept the services of Superior's management team — Wilensky, Horwitz and Kevin McLintock — for the future"

He notes that the acquisition will not materially affect Rennies group earnings, or net asset value, in 1981

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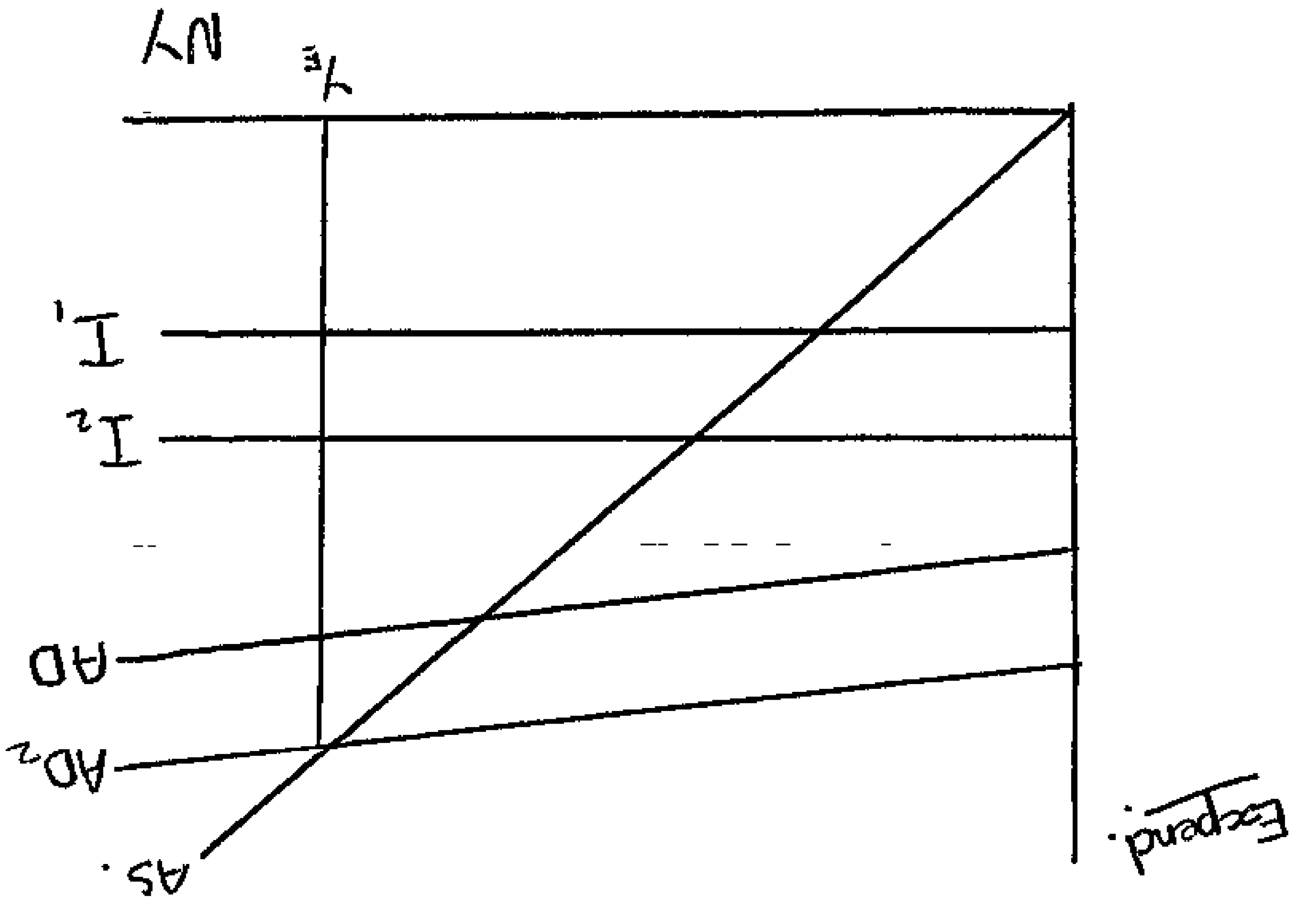
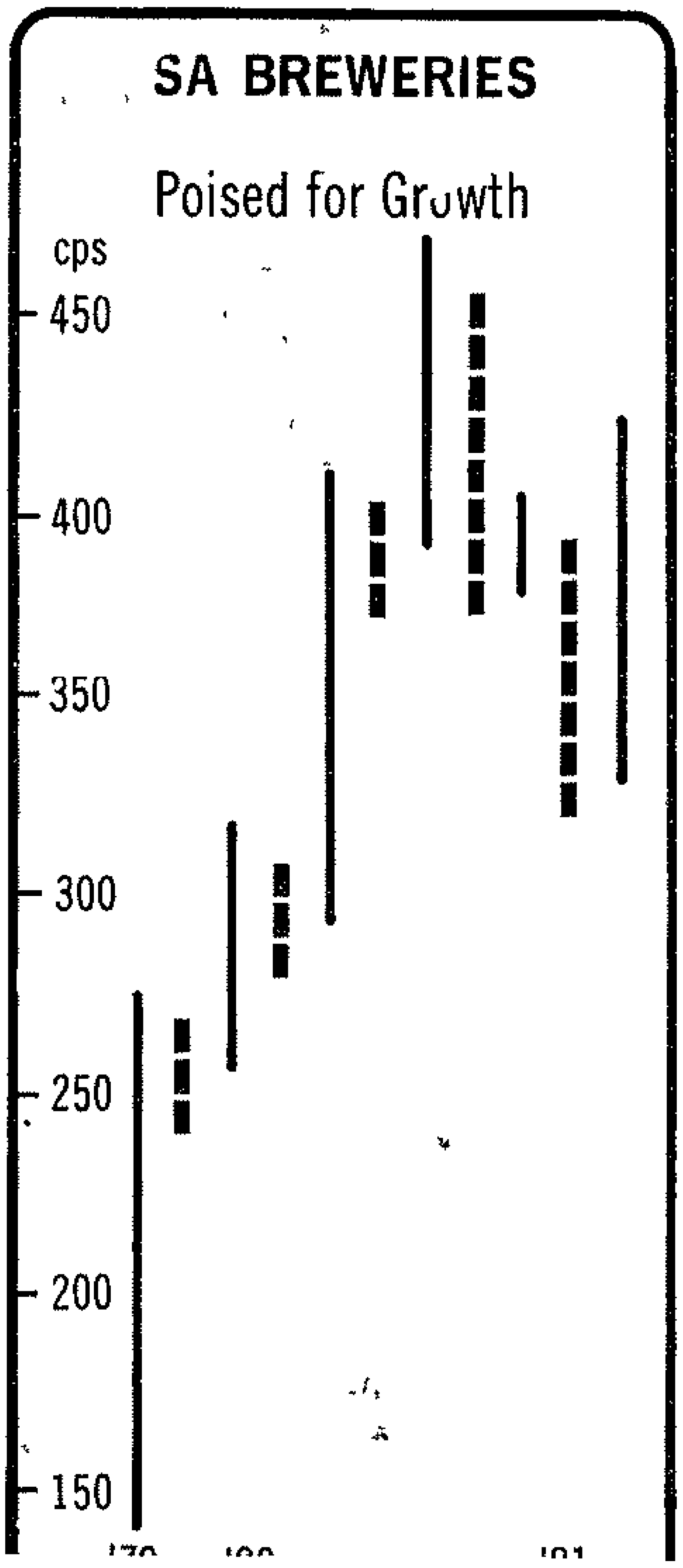


SA BREWERIES (182) FM 19/6/81

Beating all records

Activities· *Diversified liquor group with a monopoly in the SA beer industry and a 30% interest in Cape Wine & Distillers Subsidiaries include Afcol, Amrel, OK Bazaars, Southern Sun and Solly Kramer Main shareholders are JCI (20%) and Old Mutual (10%)*
Chairman *Dr F J C Cronjé, managing director R J Goss*
Capital structure *222 4m ordinaries of 20c, 1m 6,2% cum prefs of R2, 42,6m 7% con red cum prefs of R1, 2,5m 7% cum prefs of R1, 1,2m 8% red cum prefs of R1 Market capitalisation R916m*
Financial *Year to March 31 1981 Borrowings long- and medium-term, R239,9m, net short-term, R107,2m Debt equity ratio 48,6% Current ratio 1,5 Group cash flow R205,1m Capital commitments R400m*



Share market· *Price 412c (1980-81 high, 478c, low, 263c, trading volume last quarter, 2,3m shares) Yields 13,3% on earnings, 6,6% on dividend Cover 2,0 PE ratio 7,5*

	'77	'78	'79	'80
Return on cap (%)	15 6	13 6	16 0	20 6
Turnover (Rm)	1 428	1 363	1 723	2 375
Pre tax profit (Rm)	96 7	84 4	116 3	211 7
Gross margin (%)	8 1	7 8	10 5	12 2
Earnings (c)	23 7	26 3	34 0	54 7
Dividends (c)	11	12	16 5	27
Net asset value (c)	153	165	188	245

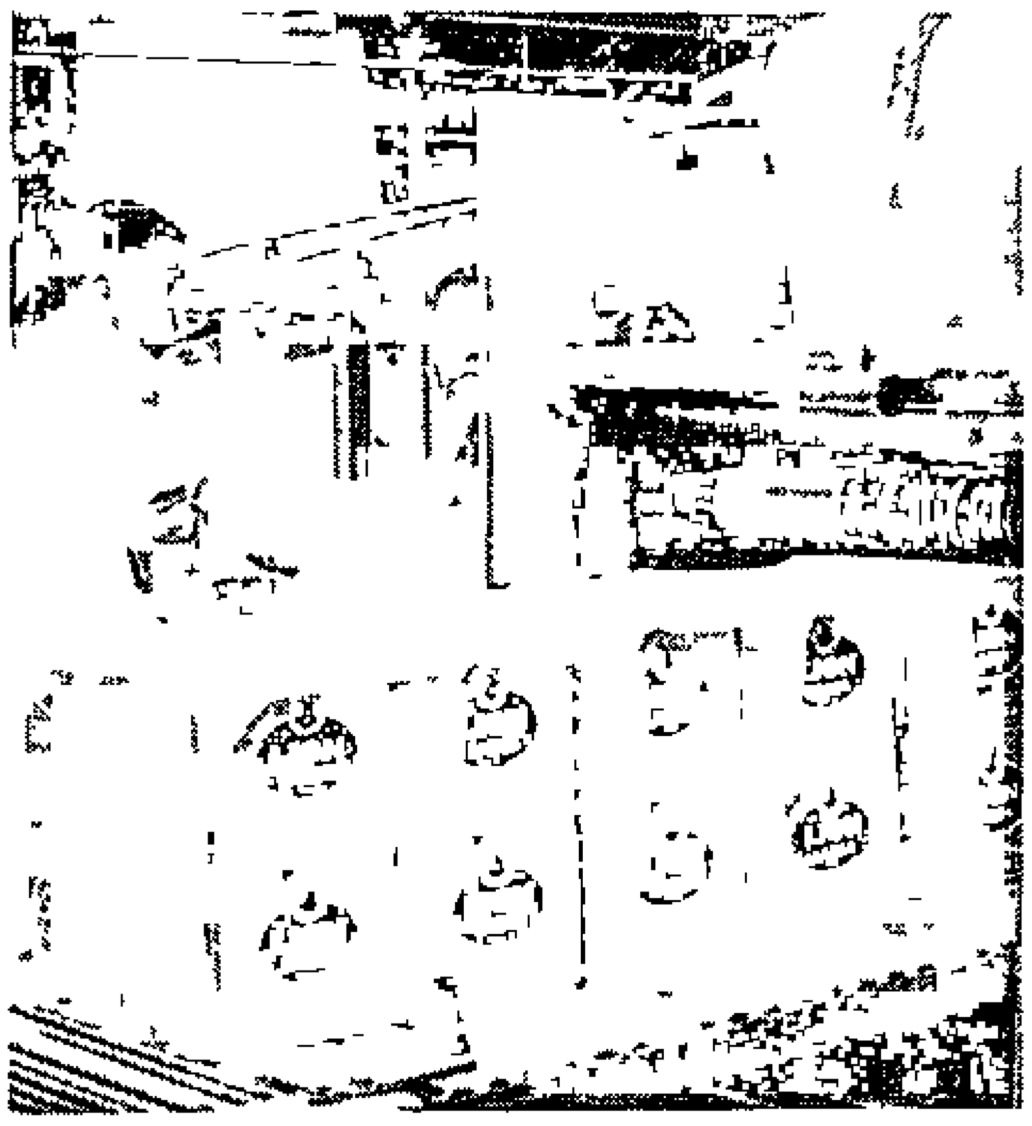
Last year's boom in the beer industry and in subsidiaries OK Bazaars, Afcol, Amrel and Southern Sun has placed SAB in a solid position to reap the benefits of still-growing consumer spending and to provide finance for future expansion Thus chairman Frans Cronje says that while more modest growth is expected, SAB should achieve "a satisfactory improvement in earnings and dividends "

This forecast, which is based on the assumption that a greater proportion of earnings will be retained, suggests that at the attributable level performance should be fairly sound The decision to gradually lift dividend cover from the present 2 0 to 2 5 times fits in with the general market trend But it has not enhanced the share s rating The market s disaffection on this score is understandable as SAB is highly liquid and conservatively geared But with its retail operations in the furniture and general trade and the capital needs of the expanding beer division and Southern Sun management considered a more conservative funding policy prudent

This year the firm has earmarked R250m for expansion Most will be in the beer division which strained capacity last year as demand rose above expectations The R180m-odd to be spent on the beer division in fiscal 1982 is part of a R350m three-year plan for new capacity in metropolitan and homeland areas The balance of this year s expansion will go towards the opening of six new stores by OK Bazaars and further enlargements to Southern Sun s Sun City complex in Bophuthatswana

Not only is capex a reason advanced for higher retentions Cronje says working capital needs this year are expected to rise by around R50m This retention decision fits in with SAB s policy to revalue fixed assets every three years and provide increased depreciation

Last year saw the beer interests providing a lower percentage of corporate earnings The largest single profit contributor however, was the beverages division which weighed in with 47% (54%) of the group total, meaning a 53% (46%) share coming from the diversified interests The beer division s own profit growth was, however, strong with volume rising 33% and earnings ending the year 41 4% higher at R57,4m (R40 6m)



SA Brews . . . beer still provides the lion's share

Of the group s diversified interests Afcol the country s largest furniture retailer which has 20% interest in Romatex was the single biggest contributor to taxed profit R29 7m (R13 9m) was consolidated as Afcol s earnings more than doubled for the second consecutive year The next biggest income source was the hotels division which weighed in with R29 1m (R13,7m) at the taxed profit level This followed the Southern Sun group s higher-than-average occupancy rates and the very successful Sun City complex which is currently being expanded Following on were OK Bazaars, which turned over R1 billion in fiscal 1981 and pushed taxed profit 42,4% higher and furniture retailer Amrel

SAB's CONTRIBUTORS

	1980	1981
	%	
Beverages		
Beer & other	41,6	35,9
Retail:		
Amrel	8,6	8,4
OK Bazaars	19 5	16,6
Hotels	13 9	17,8
Industrial		
Afcol	14,2	18,2
Shoe Corp	0,8	1 4
Other	1 4	1 7
	100	100

Having come through a boom year with a much improved financial status and financial capacity to expand SA Breweries is well placed, largely through its subsidiaries, to post another substantial profit gain Obviously a repeat performance is not on the cards given the slower growth expected in the country But there is no reason why the group should not be near the top of the 25% earning growth the market expects from the better companies On this basis, and given the desire to retain a greater percentage of earnings, the current share price could be offering a prospective yield of around 7,7% which appears reasonable on an income basis

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sulted in a small change in
AS exceeds ~~agg~~ AD, then output
in demand. The "gap" can be closed.

Absolute advantage.

From the table + diagram ~~as~~ it can be seen that ~~England~~ PORTUGAL has the absolute advantage in both wine + cloth production (she can produce both at lower cost than England However trade will still occur as there is a comparitive advantage.

Comparative advantage.

This is the ratio ~~of~~ between similar comodities produced in different contries. Here the ratio for cloth is 90 : 100 (or 108:120) whereas for wine it is 80 : 120 thus there is a greater disparity for wine. From this we can say that ~~Portugal~~ england has the comparitive advantage in cloth production and portugal in wine production. ie. Portugal looses more in terms of wine production if she were to produce cloth than England would loose in terms of cloth production if she were to produce wine. Because Portugals opportunity cost is so high she will be prepared to manufacture wine only and trade her wine for englands cloth (at a ratio of 1: .83 whereas in her own country she would only get 1: .89)

~~at~~ produce + ~~ratio of~~ :

BEERY MOVES

(182) FM 26/6/81

A mysterious European brewery is looking at a plan to challenge SA Breweries (SAB) in the domestic beer market

The group is investigating the possibility of launching a new lager and pilsener in the Transvaal

So far the effort has only got to the point of seeking a potential partner for the venture

A Bedfordview marketing consultant, Fred Marx, says he was asked by European "contacts to place an advertisement in the *FM* (June 12) asking interested readers to reply

Marx says his firm, which does "substantial business with European traders he refuses to name, is merely a 'go-between for the European brewery and any potential SA partner

Marx claims he does not know the name or location of the interested brewery, but has received quite a number of replies to the advertisement

"So many people have gone under trying to fight SAB that it s understandable these people are trying to keep it a secret, ' Marx says

SAB, for its part, sticks to the line that it would welcome competition in the marketplace

"We would be happy to have more brands available, beer GM Peter Lloyd insists

He also denies that SAB is concerned about Marx s moves

It is too early to say anything concrete about it, he says

Perhaps it is

At any rate, Marx left for Europe this week to deliver the replies to his contacts

Perhaps he s also gone to receive further instructions

d the diagrams.

Coco-Cola slammed on blacks policy

Sowetan 27/7/81

(7624) (182)

NEW YORK - Civil Rights leaders including the Rev Jesse L Jackson have called for a nationwide boycott by blacks of Coke and other Coca-Cola company products, claiming the concern keeps blacks out of its policy making and profit sharing positions.

"We're asking people to drink in their bests interests . and don't choke on coke," said Mr Jackson, head of People United to Save Humanity Push)

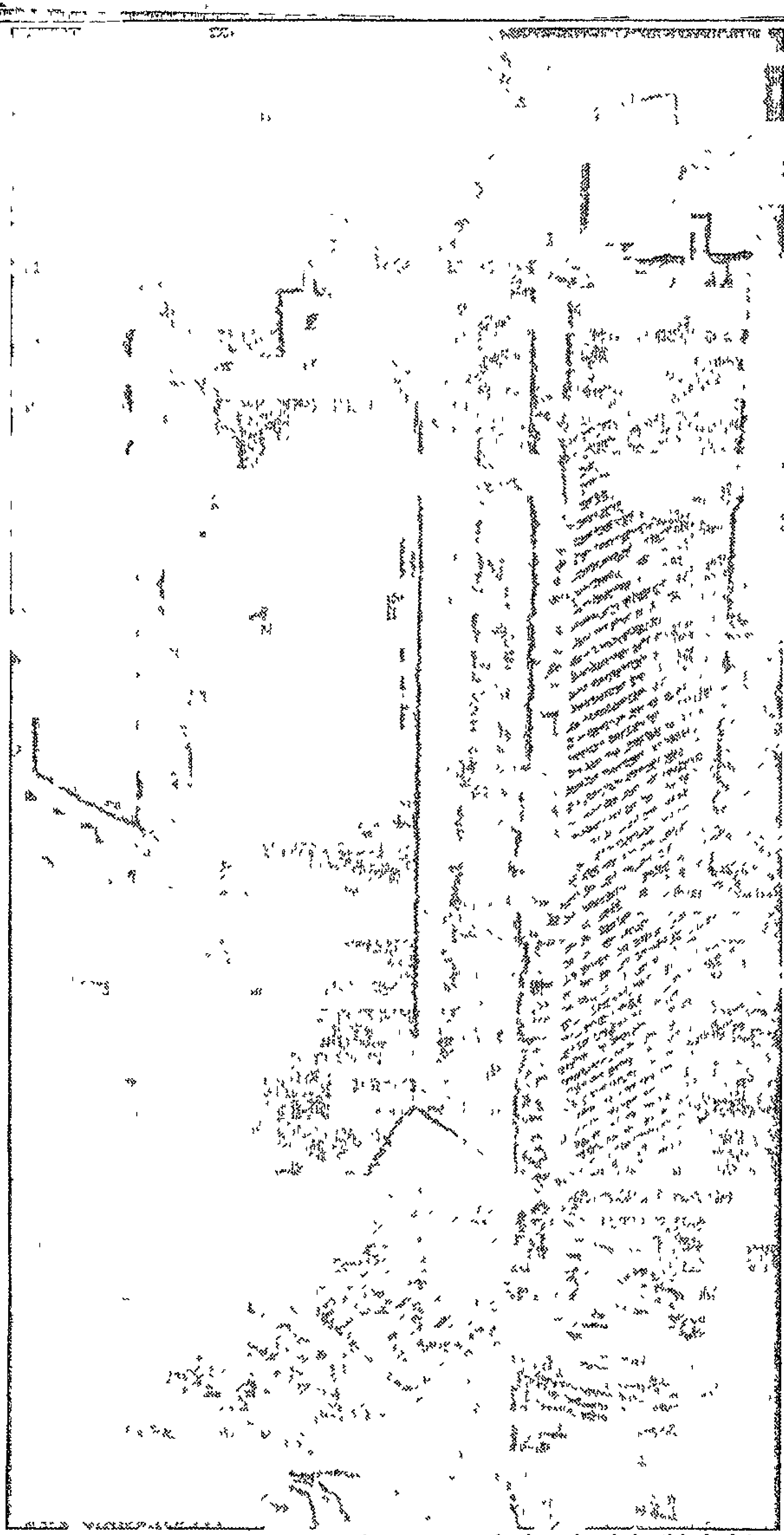
He said that the multi-million Rand company also markets such popular soft drinks as Tab, Sprite, Mellow Yellow, Fresca and Mr Pibb

Mr Jackson said meetings with Coca-Cola representatives in the past seven months to discuss the company's responsibility to the nation's black community had produced only a "cosmetic relationship '

He said there are no blacks on the 18 member board of directors, and none of its 550 bottling franchises or 4 000 National Fountain wholesale businesses is black owned.

Coca-Cola spokesman Mr Carlton Curtis said the company's only black board member, Mr William Allison, left in 1977 to take up a position in the Carter Administration

"The Coca-Cola company has long been a leader in making opportunities available for black on various levels, "Mr Curtis said in a telephone interview



SEVEN months after a 19-year-old boy was crushed to death in this hoist a gate was fixed to the landing preventing workers from using.

Picture DAVID SANDISON

Gate now fixed to canning firm's death lift

HELENE ZAMPETAKIS

A GATE was fixed to a goods lift yesterday, seven months after a 19 year-old youth was crushed to death when the lift failed to stop on the top floor of a small Johannesburg canning firm.

On February 9 this year, Leonard Gumede 19 of Natal, caught the hoist to the second floor of the Goch Street pet food cannery — but the lift had no control buttons inside and Leonard died when his head was crushed.

Mr Isador Katz, director of Omega Property Trust, was acquitted on a charge of culpable homicide.

He was convicted of failing to have gates and locks fixed to the lift entrances, to have notices on each landing prohibiting people from using the lift, to have the lift examined regularly, and to report the accident to the police. He was fined R190 or 60 days' jail.

No lock

The hoist, an open wooden platform in a narrow shaft could be operated only from the ground floor by pressing the control button until it reached the top floor.

At the Goch Street cannery yesterday workers fixed a gate on to the hoist, but no lock was visible.

An employee at the cannery said she and others had been told on Wednesday that if they wanted to use the hoist they would need a key to unlock the gate.

Suicide

Mr Katz said yesterday he was not responsible for Mr Gumede's death, which had been caused by technical faults that even the magistrate couldn't understand and had nothing to do with the lack of locks'.

When asked whether he had taken steps to ensure his employees' safety Mr Katz replied ' I don't ensure anything whatsoever. If a boy wants to take a joy ride and commit suicide on a lift which is clearly marked, I do not bind myself at all '

Mr Katz later admitted that the only sign prohibiting people from using the lift was in English, 'which the boy couldn't understand '

He blamed the accident on the lift firm which he said had failed to maintain the lift in good order

KWV sees Budget blow

(82)

Deputy Financial Editor

THE KWV, the wine-grower's co-operative, has made a stinging attack on additional excise duties imposed on its products in the Budget.

According to KWV, the agricultural economy of the Western Cape has been dealt a serious blow

KWV said yesterday the additional excise on fortified wines and spirits was a shock and "totally incomprehensible"

Excise on brandy was raised 51,6c a bottle to 270c a bottle, an increase of 23,6% Excise now accounted for 43% of the consumer price of brandy and 47% of the price of white spirits

According to KWV, sales of brandy were constant from 1978 to 1980 and per capita consumption fell 8% in three years Consumption of natural wines has fallen for four years

"The unexplained action of the State in imposing a 23% excise increase in these stagnant market conditions cannot be accepted," says KWV, calling for urgent attention to the whole question of liquor taxation

According to KWV, the Government is aware of the difficult financial position the industry experienced for the past three years Its action is in "direct contradiction of the wine industry's circumspect pricing policies".

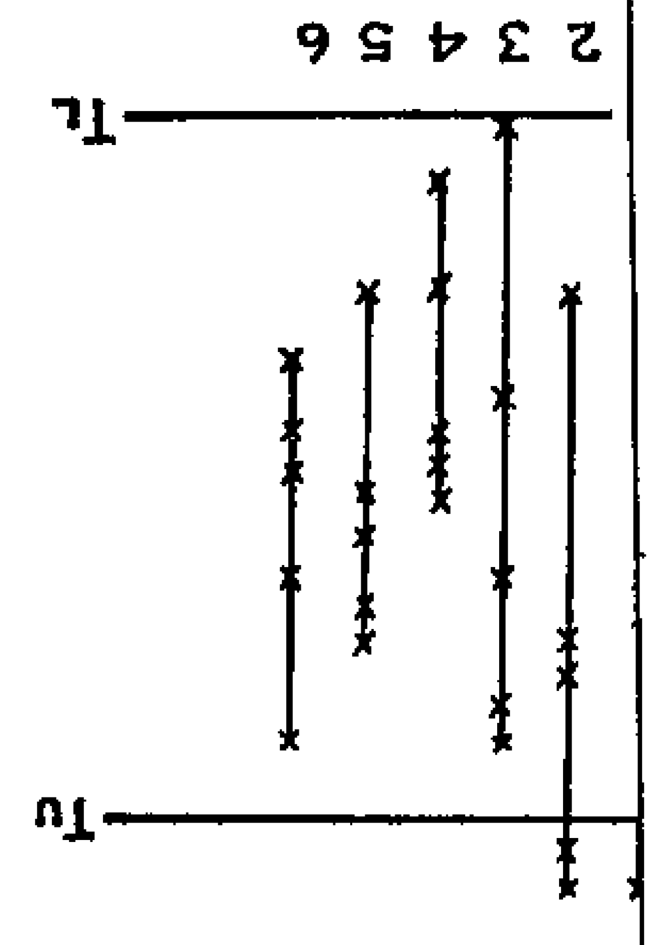
So as not to aggravate falling consumption, producer prices of distilled wines were raised only 10% at the beginning of this year, although producers' costs rose more than 15%

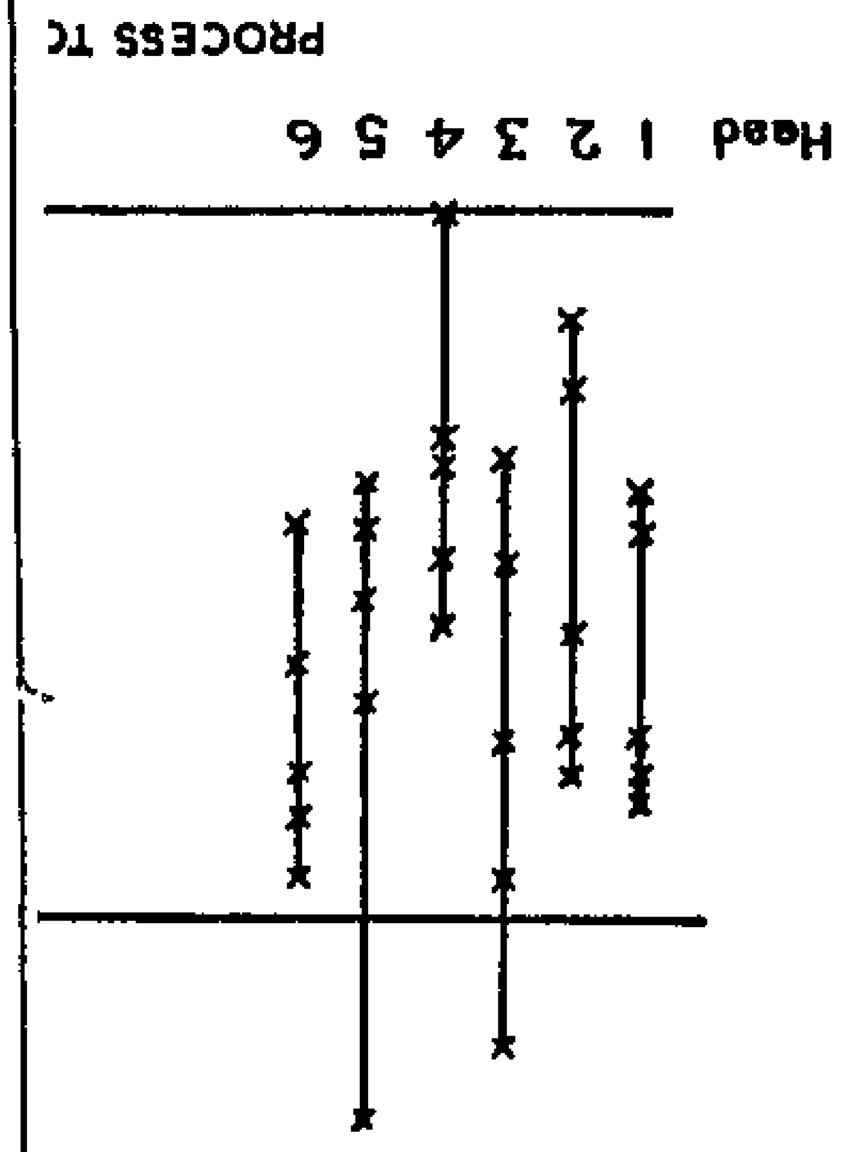
The price increase came to 19,5c a litre compared with the extra excise of 156,2c a litre

KWV says the Government received R120-million from wine spirits, and producers received only R60-million

It says the "incomprehensible" excise increase will have serious financial consequences as wine sprits account for 42% of producers' total income

● **Excise duty on beer, as a portion of the retail price, is "much the same" as that on spirits, says a spokesman for SA Breweries — but if allowance is made for relative alcohol content, the duty on beer is much higher than on spirits.**





LIQUOR

An unimaginative tax

FM 21/8/81 (182)

The higher liquor duties, announced by Finance Minister Owen Horwood last week, seem to be in line with government's long-standing view that alcohol is a luxury and therefore fair game when the fiscus needs more money

However, a look at the possible consequences of the hikes on the trade and consumers (especially blacks) suggests the Minister might have been unfair and will be unable to really achieve what must be an important secondary objective

This appears to be that the new excise and duty give an advantage which some see as unfair, to wine farmers at the expense of brewers and distillers

Natural wine has been left alone, while beer is going to rise an additional 44c a case, and spirits to R6 more a case — the biggest increases in a decade Tax on fortified and sparkling wines will also go up

To all intents and purposes the measure appears to be an attempt by government to make the Cape wine industry economically viable — and placate politically influential wine farmers If this were not the case, why not also tax wine?

Nor is this the first time that government has let this bias slip

Recent years have seen a reduction in the wine excise But even this has failed to attract sufficient consumers to make a big difference to relatively poor wine sales and help drain the country's brimming wine lake, although recent figures indicate some increases in consumption

Moreover, in the *FM*'s view, it is doubtful whether Horwood's move will actually increase wine sales Raising the excise on its competitors does not make natural wine any cheaper, it simply means the cost of liquor is now higher

It is more likely that a consumer, who previously devoted 10% of his liquor budget to wine, will now use this money to cover the spirit and beer price rises, rather than buy more wine

The *FM*'s view is that the key to improving wine sales lies not so much in manipulating the prices of other beverages but in improving wine marketing And, just as important, the bureaucratic hindering of grocers' wine licences should stop once and for all Further, government's warm noises about the licensing of off- and on-consumption premises in black townships should be translated into action

And even if wine sales are boosted in the long-term by taxing beer and spirits — and the gap between wine and beer sales narrows — the short-term implications for fortified wine and brandy (of which distilling wine is a major portion) are, to put it mildly, gloomy

KWV GM Ritzema de la Bat says "The duties on fortified wine and on spirits are totally incomprehensible

"The increase in duties has shocked the industry Duty on brandy has been put up 51,6c a bottle to R2,70 a bottle This is a rise of 23,6% For the consumer, this represents a 43% share of the retail price

KWV's de la Bat . . spirited objections

"Brandy sales remained constant from 1978-80 and per capita consumption in SA dropped by about 8% The 23% hike — in this stagnant situation and without any kind of explanation — is, in the view of the industry, unacceptable "

One can understand De La Bat's ire when it is remembered that distilling wine represents 42% of wine growers' income and that, at the beginning of the year, the distilling wine price was held down in an effort to stimulate brandy sales

SA Breweries, which has been in the pound seats since the 1979 liquor reconstruction, and continues to recline there, does not see the increase in beer excise as a head-on attack from government It seems that, after being left alone for three years, SAB was expecting an excise increase

Nevertheless, divisional chief executive for beverages, Ken Williams, says "Our problem is that, in our industry, we have to plan well ahead If we don't, the result is huge inefficiencies, which we can't afford If government adds a little excise over a long period of time, we can plan When it plays yo-yo with beer duties — and we have a price line that goes up and down radically — it makes life difficult

"Linked with this is the question of timing Government should take its chunk when the market is going up, not tailing off "

The second major point that needs to be made is that black consumers will bear the worst brunt of the increases Blacks account for about 70% of beer sales and 50%-60% of the spirit market

The black drinking pattern is not unknown those who can afford more than sorghum beer, buy "white" beer, those who can afford more than that, buy spirits Very few consume wine Coloureds, as their incomes have increased, have swung to spirits and beer

Government is clearly intent on changing this pattern The logic appears suspect in the wake of the bread price increase For the result is an enormous rise in the cost of the black food basket It might be argued that liquor is a luxury, but anyone aware of the social role of liquor in the townships — where entertainment other than shebeens is minuscule — knows that argument bears little relationship to reality

Clearly, the thinking behind the increase in excise and duty on liquor was not particularly imaginative First, in return for a comparatively small amount of revenue, the brewers and distillers have been hit during a period of declining demand Second it seems unwise to hit black consumers from both directions at this delicate stage

Star 11/9/81 (182) (2M19)

Cape Wine buoyant

STELLENBOSCH — Cape Wine and Distillers recorded audited net pre-tax income of R65-million in the 15 months ended June 30

As the group was formed only on October 1, 1979, the only comparative figure available is for the six months ended March 31 last year, when pre-tax profit of R20,7-million was achieved.

During the period under review, taxation took R25,5-million leaving after-tax profit at R39,5-million.

The board has declared a final dividend of 7,7c a share to total 14,1c a share for the year after two previous interims of 3,9c and 2,5c respectively.

The report contains no comment — Sapa.

Cape Wine final

CAPE Wine & Distillers had audited net pre-tax income of R65-million in the 15 months to June 30, 1981 As the Group was formed only on October 1, 1979, the only comparative figure available is for the six months to March 31 last year when pre-tax profit was R20 700 000

In the period under review, tax took R25 500 000, leaving taxed profit at R39 500 000

The final dividend is 7,7c, making 14,1c for the year after two interims of 3,9c and 2,5c

The report contains no comment — Sapa

the lower th[illegible]e, the larger will be the [illegible] This potentially significant effect on EPS will in turn affect the earnings yield and dividend cover ratios, as they are based upon the earnings figure, as well as the price earnings ratio.

Ratios such as return on total investment, and other profitability ratios, for example, the return on owners' equity, will also be affected by capitalising interest, but not to such a great extent. This is due to the fact that the total amount of the investment in assets is larger in amount than income, and accordingly, the amount of interest capitalised bears a smaller proportion to those assets than it does to income.[52] The same survey also indicated that the ratios of investment turnover and the book value of the assets per share changed by less than 3% if interest were expensed rather than capitalised.[53]

4.8 Consolidated Annual Financial Statements

4.8.1 Group Accounts

What happens to the interest that has been capitalised when consolidation takes place? If no practical guidelines exist, it is possible for management of the holding company, by virtue of their position of control, to manipulate the profits of the group by merely borrowing funds from outside the group, and then lending these funds to their subsidiary

LIQUOR FM 11/9/81

Saving Dawie

182

Wags in the parliamentary lobby were musing this week that Finance Minister Owen Horwood may have imperilled Cabinet colleague Dawie de Villiers chances of securing a kosher (elected) seat in parliament

This is not all that far-fetched Piketberg the seat De Villiers is contesting in a by election against the HNP includes a large number of wine-growers in the Olifants River region which includes places like Vredendal Klawer and Citrusdal

And the winegrowers as everyone knows are on the march More than 2 000 signed a petition calling an unprecedented protest meeting at the Paarl showgrounds attended by winelands MPs and by KWV board members (KWV GM Ritz de la Bat and his top brass were in London for the 50th anniversary celebrations of the SA Winefarmers Association)

The farmers were protesting against the 93 increase in excise duty on spirits

But the wags underestimated Horwood s fleetness of foot On the one hand it was announced that the long standing provision for a rebate on distilling wine (laid down for three years in oak for the manufacture of brandy) would be discontinued from Wednesday Then in a move which may yet save Piketberg for De Villiers, customs commissioner Daan Odendal published a government notice in Wednesday's gazette announcing a reduction of 5 43c 100 ℓ in the duty on wine spirit

This is a major concession It is certainly not out of line with even the most exaggerated expectations of the farmers In terms of Horwood's budget proposals the duty on wine spirit was raised to 85 770c/100 ℓ of absolute alcohol

However, he announced that he was studying recommendations by the Board of Trade that the rebate on pot-still wine spirit (known as rebate brandy) should be increased to compensate distillers for the extra cost of laying down spirit for the statutory three years

The effect of the rebate on overall earnings of winegrowers was not substantial because the volumes of spirit designated rebate brandy are modest compared with total production of wine spirit (By law, brandy sold as such should contain not less than 30% spirit matured for three years)

In terms of Wednesday s government notice the maturation rebate is abolished This will upset a few efficient growers On the other hand the duty on all wine spirit is reduced to 80 342c/100 ℓ of absolute alcohol It is not yet clear how much revenue the Exchequer will have sacrificed but it could probably be argued that no price is too high to avert the possibility of another Gardens reversal

On a rough calculation assuming that 400 Mℓ of the 1981 wine crop is to be converted to wine spirit the concession may be worth about R10m to the producers — whose faith in the power of protest will have been restored

SOFT DRINKS

Not so cool

FM 25/9/81 (182)

What initially began as a complaint about Pepsi-Cola "predatory pricing" by rival Cape Town bottlers, has now snowballed into a full-blown investigation of the entire soft drinks industry by the Competition Board

The industry is keeping mum on the matter, but it is understood that Pepsi upset competitors in the Peninsula when it launched it's 1,5l bottle It was marketed at the same price as it's competitors' 1l package

Manufacturers responded by first challenging Pepsi on price, but then resorted to calling for official intervention

The Competition Board set up an inquiry into, of all things, "the restrictive practices resulting from the price policy of Pepsi in respect of the marketing of soft drinks" This has now been replaced with an investigation into "the possible existence of restrictive practices in the soft drink industry"

While it appears not only fair but also beneficial that a company should be able to sell it's product at the cheapest possible price, Pepsi's competitors seem to feel differently

Pepsi's "predatory pricing" policy is, claim angry bottlers, aimed at grabbing a bigger share of the market and will have the effect of forcing other manufacturers out of business

This, as the old argument goes, would lead to a less competitive environment

Pepsi's strategy has apparently proved successful It has obtained a 30% share in the Cape Town area compared with its 6% national cut

And there is more in the Pepsi pipeline it seems The US parent company has recently invested a further R9,6m in SA

Representations from interested parties in the soft drink industry are presently being called for by the Board

It is possible that even if it finds restrictive practices in the industry it may recommend that they be maintained "in the interests of the public"

The Board hopes to tie up the investigation by the begining of next year

182 FM 25/9/81

SPIRIT OF REBELLION

Possibly in its haste to appease rebellious wine-growers, government has boobed badly on new wine spirit duties On September 9, while about 2 000 farmers held a protest meeting at Paarl to complain about the 23% increase in excise duties on spirits announced in the Budget, the Commissioner of Customs gazetted a notice announcing not only a reduction in the duty on wine spirit, but a new dispensation for rebate brandy

The fact that farmers have so far not responded to the Ministry of Finance's olive branch is probably an indication of their confusion In his August 12 Budget, Finance Minister Horwood hoisted the duty on wine spirit by R1,56/*l* absolute alcohol (aa) The new duty was R8,57/*l* absolute alcohol, while the duty on Class A wine spirit (matured in oak for three years for the manufacture of brandy only) was R7,61/*l* This reflected the rebate which compensates producers for laying the spirit down for three years

On September 9, government announced that the duty on wine spirit had been lowered to R8,03/*l* aa, a nice little gesture that would boost producers' retained earnings by 54c/*l* aa

To the consternation of the brandy business, however, it was announced that the compensatory rebate for Class A spirit matured in oak would be abolished (By law, brandy should contain not less than 30% class A spirit One litre of absolute alcohol is sufficient for the manufacture of 2,5 bottles of brandy at drinking strength. One bottle of brandy contains about 43% absolute alcohol by volume)

The new dispensation, therefore, means that the tax-paid cost of brandy will increase from R7,61/*l* aa to R8,03/*l* aa for that 30% of it which comprises Class A spirit

That would be quite a heavy blow to farmers who specialise in the production of distilling wine suitable for pot-still conversion to Class A spirit. Moreover, the withdrawal of the rebate implies that producers must lay down Class A spirit for three years without compensation for loss of earnings in that period and for inflation

The only way they can get their money back is by raising selling prices and that would slow brandy sales further And that is what farmers were griping about in the first place However, because Class A spirit (rebated) makes up only 30% of a bottle of brandy, the overall reduction in the duty on ordinary wine spirit (Class B) does mean that the total tax-paid cost falls by about 25c/*l* aa

The farmer could benefit to this extent He would benefit even more if a new tariff class were to be written into the excise book, re-establishing the rebate for Class A spirit But government's boob goes further than that

It discriminates heavily against cane, contrary to the spirit of the last Board of Trade recommendation, which determined that there should be tax-paid parity between spirits derived from the grape and from molasses The new excise determination leaves cane spirit for the manufacture of cane as such at R9,57/*l* aa, R1,54/*l* more than wine spirit.

It remains a matter of some interest to see whether wine-growers and their control co-op (KWV) would protest against this discriminatory move After all, they have a 30% equity stake in Cape Wine which, in turn, has nearly 90% of the SA cane market

Stoppage over wages

Ev Post 28/7/81

Post Reporter

ABOUT 300 workers on the production line at the SA Bottling plant in Port Elizabeth's North End stopped work today in a pay dispute

The reasons for the dispute could not immediately be established, but apparently concerned hourly rates of pay The minimum weekly rates are R45, but workers apparently wanted to know what their hourly rates were

The firm's management could not be reached for comment, despite several approaches by the Evening Post

One secretary said most of the top level management were away overseas A divisional general manager, Mr I R Bishop, declined to comment and the production manager, Mr J B de Wet, was not available

Bottling staff back at work

E. Post 29/9/81 (182)

By SANDRA SMITH

ABOUT 230 workers returned to their posts at the the SA Bottling Company plant in Port Elizabeth's North End after a stoppage yesterday in support of demands for higher wages and better working conditions

They opted to go back pending the return from overseas of SA Bottling's chairman, Mr P R Gutsche, and managing director, Mr P H Gutsche, in a fortnight

A spokesman for the General Workers' Union of South Africa (Gwusa), which has been involved in negotiations for recognition with the company, said today the dispute began on Friday when a woman was dismissed

She was reinstated after a protest but all those involved are said to have had R1,10 deducted from their salaries that week The union spokesman said the workers were told the deduction was to make up for the hour they did not work after the woman was dismissed

On Monday workers informed the firm's management they wanted to know what their hourly rate of pay was. About 230 stopped work in suport of a demand for a minimum wage of R2 50 an hour, instead of a minimum of R45 a week

The Gwusa spokesman said he was informed yesterday by members of SA Bottling Company management that they would contact him later in the day to tell him when they would hold a meeting with the workers

When they did not contact him, he went to the plant in Harrower Road and found that most of the workers had already left after a meeting with members of management

He said the workers decided to return to work today, and would discuss their demands for higher salaries and better working conditions with the the Gutsches when they returned from overseas

For the second day the firm has remained tight-lipped about developments

The divisional general manager, Mr I Bishop, was not available for comment His secretary said the situation had "returned to normal"

S/Q 29/9/81 (82) (152) (33)

Workers end strike to await MD's return

Own Correspondent

PORT ELIZABETH — A temporary truce has been reached between management and workers at the SA Bottling Company's plant in Harrower Road, where 230 workers walked out yesterday

The workers, mostly members of the General Workers' Union of South Africa (Gwusa), were reported to be back at work today after their walkout yesterday over a demand for higher wages and better working conditions.

A two-hour meeting with the company's divisional general manager, Mr I Bishop, was held and workers decided to wait until the chairman and managing director of the company came back from overseas in two weeks' time before pushing for their demands to be met.

A minimum wage of R2,50 an hour instead of R45 a week, as the starting salary for lower grades was one of the worker requests

It was also claimed that money had been deducted from their wages for going to the toilet and that supervisors insulted and swore at them

The walkout was believed to have been sparked when a worker was allegedly fired for taking a 15-minute breakfast break

PEPSI-COKE BATTLE

Taking out the fizz

FM 2/10/81

182

Official reaction to the soft drink price war in the Cape is surprising, to put it mildly, in view of government's concern over inflation and commitment to free enterprise Some would argue that it is nothing short of absurd

Why on earth has the Competition Board become involved? And why, in the midst of a price war, has price controller Dougie de Beer raised the maximum controlled price level?

To take the board first Rather than leaving rivals in the soft drinks industry, Coke and Pepsi, to fight out a battle for market share, it has succumbed to the temptation to intervene for what appears to be intervention's sake

Angered at the marketing strategy adopted by Pepsi Cola earlier this year, western Cape soft drink bottlers called for an official investigation into the company's pricing policies The board should have rejected the call out of hand

Instead, the board set up an inquiry into "the restrictive practices resulting from the price policy of Pepsi in respect of the marketing of soft drinks" This has now been replaced by a full-blown investigation into "the possible existence of restrictive practices in the soft drink industry"

The *FM* understands that the board fell for the angry bottlers' claims that Pepsi's price cutting is aimed at grabbing a larger share of the market It is, they say, a deliberate policy of underpricing in order to destroy competitors Once the opposition is out of the way, their argument goes, the company could then recoup any losses by using its monopolistic position to raise prices to inordinate levels The public would then be helpless victims

If Pepsi's "predatory pricing" activities are allowed, and rivals are ousted from the market, they argue, it would ultimately result in less competition

The argument is neither new nor peculiar to SA The logic is questionable not only in general terms but more especially under the present set of circumstances

Firstly, selling goods below cost is not necessarily predatory behaviour A firm can sell its product below cost in order to attract customers and to inform them of the product's quality The activity can, therefore, be seen rather as an investment As with other forms of investment, costs are initially higher than receipts

Secondly, according to neo-classical economic theory, the super profits enjoyed by the eventual monopolist would attract newcomers into the market, thereby cutting profit margins which would result again in lower prices

Therefore, if price is to be the regulator of the market and allocator of resources, monopoly prices could not be maintained for long

The predatory pricing argument also assumes that competition is a function of numbers — the greater the number of competitors, the greater the competition

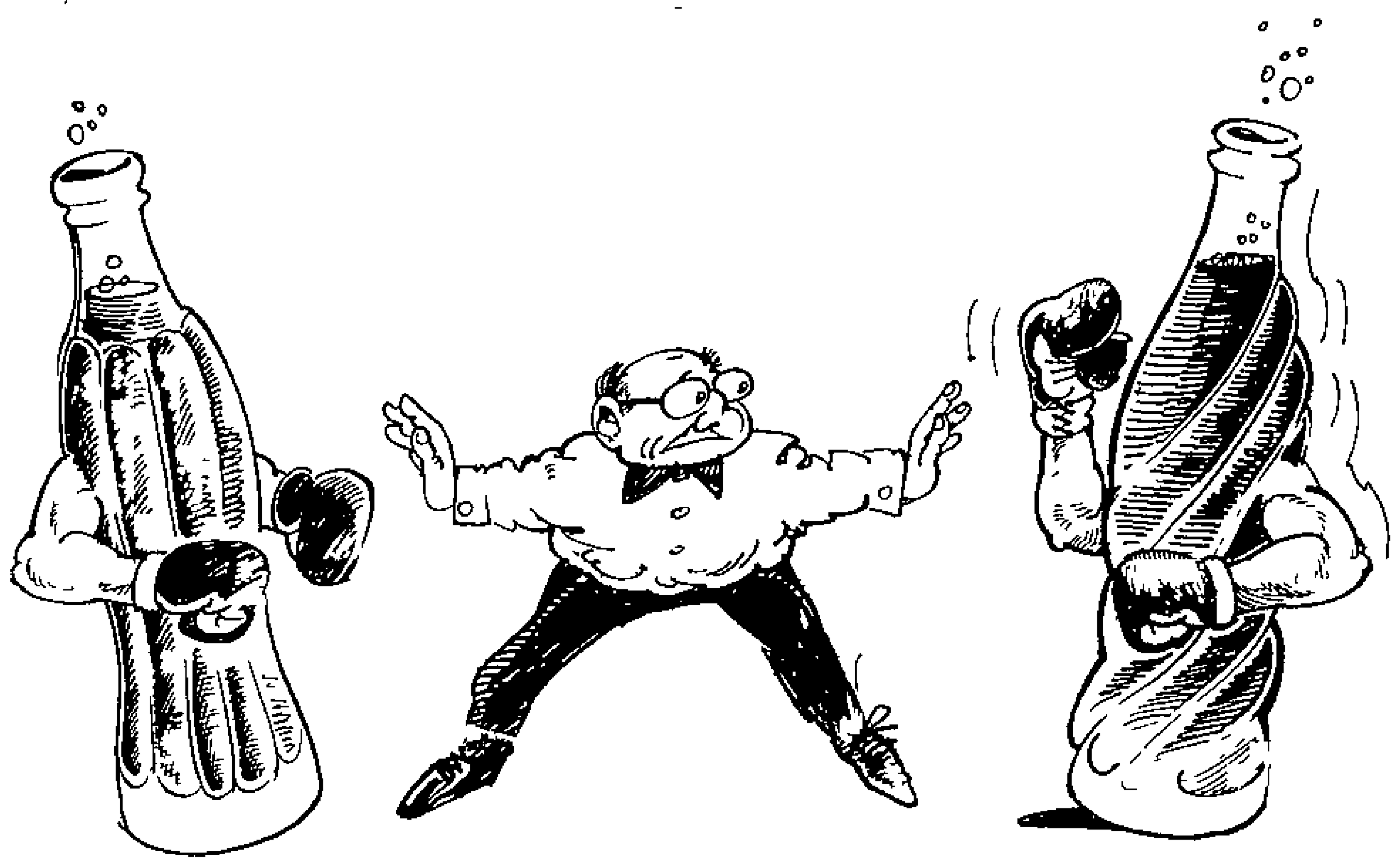
It tends to focus on quantitative differences and takes no cognisance of the qualitative benefits that may flow from economies of scale

That the consumer may benefit now from lower prices appears to be of secondary concern, at best

In the peculiar circumstances of the western Cape bottlers/Pepsi battle, the logic behind official intervention becomes even more curious

The SA soft drink industry is clearly dominated by Coca-Cola and its local bottlers, who together hold over 90% of the local market Pepsi Cola has about 6%, with the remaining 4% shared by a number of small manufacturers Does the Competition Board seriously believe that from a 6% market share Pepsi poses a serious threat to competition if it cuts prices in an attempt to gain more?

Pepsi has, however, managed to secure 30% of the western Cape market



Pepsi's regional vice-president, Peter Helmes, admits that it would be impossible for Pepsi to seriously challenge Coke's position Operating out of Nairobi, he is responsible for the company's franchise system in Africa

He says "The firm's bottling plant in Cape Town falls outside of my jurisdiction and I am, therefore, unable to comment directly on the specific battle being waged However, with regard to the rest of the country, Pepsi's distribution network is too weak at present to pose any real threat to Coke

"Pepsi does, however, have its eye on the African market The potential for growth is tremendous In line with this view we are busy expanding operations"

SA is Pepsi's second largest market in Africa and is an obvious focus for investment The US parent company recently invested R9,6m into bottling operations for the local market

At best it might be argued that the board's decision to investigate the position will only

quotable

Ralph Nader, in a 1968 *Playboy* interview

I originally came to Washington with a great deal of hope that the regulatory agencies would champion the consumers' interests, but it didn't take me very long to become disillusioned Nobody seriously challenges the fact that the regulatory agencies have made an accommodation with the businesses they are supposed to regulate — and that they've done so at the expense of the public

Sa 6/10/81

Car plant halted by new strike

182 193

Labour Reporter

The big CDA car plant in East London was hit today by yet another wildcat strike which saw close to 3 000 workers downing tools

Production was at a standstill Today's strike was one of a number which started over disputes with management over worker dismissals

The 414 hourly-paid workers at the commercial vehicles plant were told they had been dismissed, and 971 other hourly-paid workers were warned to return to duty tomorrow or face dismissal.

Another 1 100 workers at the passenger plant were told to return by Thursday or face dismissal

The strike scene also spread to Port Elizabeth today where about 200 workers at the SA Bottling Company plant went out on strike over the issue of dismissals

Management would not comment on the unrest which reportedly involved the Macwusa-linked General Workers Union of South Africa

At Boksburg Foundry about 200 workers were still on strike today and have been warned by management to return by the end of the day or be paid off.

At the four Huletts sugar mills in Natal about 2 000 workers were still on strike over pension grievances.

The Telephone Manufacturers of South Africa (Temsa) plant in Springs was taking on a new workforce following yesterday's dismissal of about 1 000 workers for joining in last week's sympathy strike. Only 140 workers were retained from the original workforce

The strike at Johnson Tiles at Olifantsfontein also continued today over the issue of worker dismissals. At Triomf's Chloorkop fertiliser plant at Kempton Park about 500 contract workers were dismissed yesterday after refusing to meet management's return - to - work deadline.

The Triomf dispute centred around wage demands

Strikes still hit Natal, East Cape

Argus 6/10/81

152 121 350 182 183 192 161 134 155 140

Argus Correspondent

JOHANNESBURG — Thousands of workers continued to strike today in Natal and the Eastern Cape and firms on the East Rand took on workers after dismissals of about 2 000 yesterday

A weeklong strike by more than 2 000 sugar workers at four of Huletts five plants in Natal showed no signs of abating

Plants at Amatikulu, Darnall Mount Edgecombe and Felixton were shut as management considered recommendations by the Industrial Council subcommittee on a controversial pension fund scheme

Amid growing frustration and impatience on both sides the Chamber of Commerce has advocated a delay of at least three years in implementation of draft proposals in the pension scheme

DOWNED TOOLS

About 200 workers of the SA Bottling Company in Port Elizabeth downed tools today

They said the company had appointed coloured workers in the place of four blacks dismissed last week during a dispute which led to a work stoppage

The dispute was about wages and working conditions

About 600 black and coloured workers at Car Distributors Assembly in East London ignored a union call for a full return to work today, a CDA spokesman said

WILDCAT

The plant which employs 3 300 has been hit by wildcat strikes since last week

The strike by 800 at Johnson Tiles in Olifantsfontein, near Pretoria, continued over a dispute involving worker dismissals

At the Telephone Manufacturers of South Africa (Temsa) plant in Springs, about 1 000 workers were told they had 'dismissed themselves' by not reporting to work

Only 140 workers met the deadline and the company today began taking on a new work force

TRIOMF

Yesterday about 500 workers at Triomf's fertiliser factory in Kempton Park were dismissed after refusing to meet back-to-work deadlines, and the firm was taking on new workers

2 900 back as EL firm reverses its decision

Star 7/10/81

~~192 152 1404 300 186~~

~~193 182 183 187 129~~

By Tony Davis
Labour Reporter

Countrywide strikes today appeared to be abating as nearly 2 900 strikers returned to work at the large CDA motor plant in East London and disputes elsewhere were resolved

Management at CDA reversed its decision to dismiss 414 hourly-paid workers and its back-to-work deadlines and this morning most workers were back

Talks between CDA and the Fosatu-affiliated National Union of Motor Assembly and Rubber Workers were being held to resolve the dispute which arose after several workers were dismissed last week

Officials in the Huletts group, whose four Natal sugar mills are closed by 2 000 workers striking over pension grievances, were hopeful that the dispute would be resolved this week

There were brief flare-up at two Boksburg firms yesterday — Stamcor and L F Metter — involving wages and staff dismissals

At Stamcor a work stoppage over pay demands was settled and management said there had been no dismissals over the issue

At the metal firm about 150 workers were involved in a brief strike which was resolved when management reinstated a dismissed worker.

About 160 workers at the Boksburg Foundry returned to work today after a dispute over the promotion of a shop steward. The worker was allegedly assaulted by four others as a result of his promotion, according to sources

The four were subsequently dismissed

At Telephone Manufacturers of SA in Springs and at Triomf's Chloorkop fertiliser plant, managements continued to take on new workers following the dismissal of about 2 000 employees at both firms this week.

There was also a brief stoppage at the Johannesburg manufacturing firm of Bowthorpe-Hellermann-Deutsch this morning over the issue of pay increases. Management said the issue had been resolved.

About 200 workers were involved in a dispute over dismissals at the SA Bottling Company plant in Port Elizabeth yesterday.

And at Johnson Tiles in Olifantsfontein several hundred workers were dismissed after striking over "victimisation" of union members.

Strikers reject ultimatum at bottling plant

Ev Post 7/10/81

(18) 182 (29)

By GRANT AUBIN

ABOUT 250 striking workers at SA Bottling today rejected an ultimatum to return to work or be dismissed

The workers were today refused entry to the plant in North End

They said there would be no return to work until Mr P H Gutsche, the firm's managing director, returned from overseas next week

A spokesman for the crowd gathered outside the gates said that when they arrived at the plant at 7am they were refused entry and "chased" away

Yesterday deliveries were reported to have been stopped, but today at least one truck was seen leaving the plant

The spokesman said the workers main complaint was the employment of a man on Monday who was paid R10 for a four-hour shift

"This is what we want to be paid R2,50 an hour — but, they start us at R15 or R17 a week," said a woman striker

The same woman complained that the firm had not been paying hospital bills of workers who had been injured at the plant

"If we have been hurt at work we get nothing, not even a cent," she said

Strikers complained bitterly about a woman a former unionist, who was still working today

The spokesman for the crowd said that they were waiting for Mr P H Gutsche and Mr P R Gutsche, the firm's chairman, to return from overseas and they would not return to work until then

Workers claimed that the management was going to use them to train coloured workers who would then replace them

The firm's acting manager, Mr J de Wet, could not be contacted this morning

An official of the firm told the Evening Post that they had "no hope" of contacting him as he was "very busy today"

Eighty workers at the Sydenham engineering yard of the General Post Office who walked out yesterday have been paid off

"They did not report for duty today and were paid off," said Mr G de Korte, Regional Director of the GPO

EV Post 8/10/81 (182)

Workers in place of 180 strikers being recruited

Post Reporters

ABOUT 180 postal workers on strike at the North End and Sydenham engineering yards have been deemed to have "dismissed themselves" and the recruitment of a new labour force has begun

This was learnt today from the Regional Director of the General Post Office, Mr G de Korte

The strike began this week after members of the workers' liaison committee were dismissed

Mr De Korte said the workers, by not reporting for duty, "had not kept to their side of the contract, and had thus dismissed themselves"

The Post Office had had no problem recruiting new workers and some of them had already started working

Workers claimed that members of the liaison committee were dismissed because of their membership of the General Workers Union of South Africa (Gwusa)

At the SA Bottling Company some 250 workers on strike since early this week have still not returned to work

The acting manager of the firm, Mr J de Wet, today again said he had no comment to make

The spokesman for the Gwusa could not be reached for comment on the strikes

In East London, a strike at the giant Mercedes Benz manufacturing plant, CDA, ended yesterday, but industrial unrest continues to simmer in the city

The entire black workforce of about 200 at the dog-food firm, Epol, stopped work yesterday demanding the return of their pension fund contributions They returned to work today

Epol's director of operations, Mr A T Hambly, said that workers would have the choice of having their pension contributions paid out next Friday or of remaining in the fund

At the motor component manufacturing firm of TFM in East London the entire black staff walked out They will be rehired from tomorrow if they so choose

The TFM walkout came after seven workers were dismissed yesterday morning They had complained about overtime in the paint-shop department

Sacked strikers refuse to accept their dismissal

Ev Post 9/10/81

~~152~~ 182 ~~139~~ ~~186~~ ~~300~~ ~~192~~

Post Reporters

WHILE SA Bottling is hiring staff to replace the 250 workers who are on strike, workers claimed today that had not been dismissed

Striking workers confirmed they had been told to collect their pay yesterday but were adamant that they could not be dismissed until the managing director, Mr P H Gutsche, returned from his overseas trip next week

They have refused to collect their pay

Meanwhile, SA Bottling management continued to keep a tight-lipped silence on the situation

The acting manager, Mr J de Wet, who has consistently refused to comment on the strike, could again not be reached today

A spokesman for the striking workers told the Evening Post that yesterday management had told them to collect their wages

He said they would not go back to work, or accept the money, before the company met the General Workers Union (Gwusa) to discuss the strike

They also refused to speak to Mr De Wet, saying they would discuss the strike only with Mr P H Gutsche SA Bottling will not recognise Gwusa

The union said today it was willing to discuss the issues

Although the plant was reported to have struggled with deliveries earlier in the week, several large trucks were seen leaving the plant today

The strikers said two busloads of black workers were brought in from the townships on Wednesday

Of the original 250 on strike only one had returned to work and she slept at the plant, they said

Some of the workers' complaints were that

- They were told they would not receive year-end bonuses
- They had never been told their hourly rate of pay They are demanding R2,50 an hour
- Coloured workers were being trained to replace blacks

Meanwhile, in East London production was back to normal at TFM Motor Components and Epol Dog Food today after both factories were hit by strikes on Wednesday and were not working yesterday

About 150 workers at Epol downed tools on Wednesday demanding the return of their pension fund contributions

The branch manager of the factory, Mr R Kreusch, said today after talks between management and officials of the African Food and Canning Workers Union yesterday it was agreed the workers would return to work today

The company's director of operations, Mr A T Hambly, said yesterday those workers who still wished to withdraw from the company's pension scheme by Friday next week could do so

Mr Kreusch said all workers had returned today and production was proceeding normally

It was incorrectly stated in yesterday's Evening Post that the workers had returned yesterday

At TFM Motor Components, 55 workers who downed tools after the dismissal of seven paint shop workers were re-employed today

A spokesman for the company, Mr J Melton, said production had returned to normal White employees had completed essential tasks yesterday and production had not been seriously affected by the strike

THE STRIKE SITUATION

Strike fortnight leaves its mark on SA industry

EXPRESS 11 '0 8! (142) (182)

IN THE last two weeks more than 20 strikes have swept across South Africa and this week alone, 2 000 of 7 000 workers involved in work stoppages were sacked

In an escalating wave of strike action that has gripped the country, the East London plant of Mercedes Benz ~~Manufacturer Car~~ Distributors' Assembly, was brought to a virtual standstill on Tuesday by its third strike in less than a week

And three of the biggest sugar mills in Natal and Zululand, owned by the Huletts group, were forced to close for a day

Since mid-September, a battery of country-wide strikes has been reported.

By CHARLOTTE BAUER

O On September 22 more than 2 000 Black workers at Anglo-American's Scaw Metals plant in Wadeville went on strike

The strike ended after management re-instated a Black worker who was fired after assaulting a White

O Following a wage dispute about 150 workers downed tools at a Grinaker construction site in Sarnia, Natal

O On September 23, 10 striking workers at a Captain Dorego fish and chips outlet in Johannesburg returned to work after they were promised R5-a-week bonuses

O Five days later more than 100 workers stopped work at Game discount stores in Durban, demanding higher wages This resulted in the dismissal of 141 striking workers

O On the same day about 400 metal workers at the Derbyl Railway Products plant in Boksburg went on strike for an across-the-board increase

They conditionally returned to work two days later

O Striking stevedores employed by the South African Stevedores Services Company in Durban agreed to return to work after a shutdown at the docks

The decision by the 950-strong workforce to return to work was conditional upon management meeting their liaison committee to discuss grievances

O 230 workers at the SA Bottling Company in Port Elizabeth agreed to return to work after [illegible] over higher wage demands

O More than 500 workers went on strike at Power Steel in Wadeville, Germiston, demanding the re-instatement of a colleague they claim was unfairly dismissed

They later returned to work

O Workers at the Derbyl plant in Boksburg downed tools for the second time in a week after their demands for an across-the-board increase were refused by management

O On October 1 about 800 workers employed by the Sappi Paper Mill in Zululand refused to go on duty for the morning shift because they were dissatisfied with the new pension scheme.

O At the milling firm, H Lewis and Company, a Tongaat group subsidiary in Kempton Park, about 560 workers, most of them members of the African Food and Canning Workers' Union, downed tools in protest at the dismissal of a colleague All were fired

O On the same day 700 workers quit the Car Distributors' Assembly plant in East London

The action followed the dismissal of a fellow worker

O In Natal 800 Hulett's workers downed tools The strike was sparked by protracted disputes involving pending pension fund legislation

O Striking workers at Telephone Manufacturers of SA in Springs caused the factory to be closed The company sacked about 1 500 men

Black unions — spearhead of change

O Last year's municipal workers strike brought the issue of industrial unrest into every White home in Johannesburg. This year the number of strikes has increased as workers realised their potential for change

JOHN KANE-BERMAN REVIEWS WORKER [illegible]
— AND THE CHANGING ATTITUDES OF MA[illegible]

JUST two-thirds of the way through, 1981 is already well on the way to being another "year of the worker" — like 1980

There have been at least 115 reported strikes by Black workers, while Black unions report that new members are flooding [illegible] than ever before

At the same time [illegible] between Black unions [illegible] up, with militant new groups poaching members from moderate unions

More and more union leaders are talking of the need to become involved in broader community — as opposed to strictly factory — issues while some even joined in public political protests against the Republic Day "festivities"

Not only are Black workers becoming increasingly conscious of their potential power as workers, employers are also now more sharply aware of it than ever before

The hardline anti-union stance of the vast majority of employers so evident only a year ago is slowly beginning to be eroded by worker power

Unions are finding access to factories easier than in the past while the number of companies that have signed recognition agreements with Black unions has jumped from only two in 1979 to about 70

Also significant is the fact that managements are becoming steadily less willing to toe the Government's line in handling Black unions

At least one company ignored a specific urgent request by the Minister of Manpower, Mr Fanie Botha, not to recognise an unregistered Black union

There is a growing trend among managements to regard a union's standing on the factory floor as the main criterion in deciding whether or not to recognise it not whether it has official approval from Pretoria

Growing numbers of employers seem to feel they simply cannot wait while Pretoria tries to sort out the mess it has made of the post-Wiehahn industrial law

But although there is a new realism abroad among some employers, they are also profoundly worried that Blacks denied political but now granted economic rights will use trade unions as political instruments

As Brian Matthew executive director of the Midlands Chamber of Industries in strike-prone Port Elizabeth puts it "A wall has been built across the river We've opened one sluice gate to reduce some of the pressure, but kept all the others closed So it's inevitable that all the pressure will now come through this one opening"

What Black unions have achieved, they have won against tremendous odds

Recently for instance the Chemical Workers Industrial Union has been squaring up for a battle against Colgate Palmolive in Boksburg

The union which is affiliated to the non racial Federation of Soth African Trade Unions (Fosatu) had been trying for a year to be recognised by Colgate

But the company would not agree to bargain about wages at plant level, arguing that this must take place in the industrial council for the chemical industry

The company finally acceded to the union's demands after an overwhelming vote by the workers to strike in their support

The significance of this was that the company capitulated to the threat of a strike before the union had to call a strike to demonstrate its strength

Before a strike was due to start, a nation-wide boycott of Colgate products had been set in motion by Fosatu to back the union's demands, and thousands of "boycott Colgate-Palmolive" stickers were distributed with lists of the company's products

Acting Transvaal branch secretary of the union, Chris Bonner, said Colgate could be highly vulnerable to the boycott since it was operating in an intensively competitive market

And the union had decided on a strike levy on its 3 000 members across the country to help its Colgate members during the strike

Officials and shop stewards of other Fosatu unions on the increasingly-militant East Rand reported at the time that their members were wearing boycott stickers on their overalls in other factories — sparking, they claimed fears among other companies that a Colgate strike could spill into their own factories

Solidarity across factories is one of the significant new trends among Black workers Last year a sympathy strike — the first ever in South Africa — spread right across the meat industry in Cape Town in support of worker demands in one factory

The recent strike in the motor industry in Port Elizabeth was another step down this road for workers at General Motors and Ford downed tools in support of workers at Firestone [illegible] earlier refused to handle Firestone tyres in the motor assembly plants

Consumer boycotts also have precedents the most successful being the boycott of Fattis and Monis products to back the Food and Canning Workers Union's demand in 1979

The company gave in after the boycott — which had backing among Black organisations all over the country, including Chief Gatsha Buthelezi's Inkatha movement — began to affect its share price adversely

Success breeds success in the union movement

Mrs Maggie Magubane, whose Fosatu-affiliated Sweet, Food, and Allied Workers Union recently signed a historic agreement with Kellogg in Springs in terms of which the union will in future be consulted over retrenchments, says "Workers and my township neighbours read or hear about our agreement and then come and ask us to help them organise a union that works like our union"

The two main exponents of "community-linked unionism" are outside the main groupings

They are the Motor Assembly Components Workers' Union of SA (Macwusa), which is based in Port Elizabeth but now expanding to the Sigma motor plant in Pretoria, and the SA Allied Workers' Union (Saawu), whose power-base is East London

Both say factory issues cannot be divorced from community issues

Illustrating what "community-linked unionism" implies, Macwusa's Sipho Pityana says that if slum and disease conditions in the townships make a worker ill so that he takes sick leave the employer must be aware of these community problems

Both Saawu and Macwusa suffer severe harassment with more than 200 — mainly Saawu — members or officials having been detained without trial at one or other time this year

Even so they are growing

WINE FM 13/11/81

Ignoble sales

(182)

In certain sectors of the 200 Ml/year SA wine market, consumption is on the up and up Overall volume growth during 1980-81 was 12% For the 1980-81 financial year ended June, wine sales totalled R283m, 12,9% of the R2,2 billion total liquor market In value terms wine improved 32%

Noble wines in the high price bracket — over R1,75/bottle in retail terms — performed poorly, however Sales totalled R49m, with medium priced wines (R1,10-R1,74) achieving R100m sales and standard priced wines (below R1,10) scoring R134m

Stellenbosch Farmers' Wineries (SFW) wine marketing director John Lapping says upmarket growth was marginal at best Noble wine sales constitute no more than 10% of overall volume but values are obviously considerably more Sparkling wines — also in the high price bracket — achieved 25% growth, with 4 Ml consumed locally Export performance was exceptional, aided by the German market where SFW introduced Nederburg Kapsekt

Lapping says "There's been tremendous acceptability in Germany even in competition with local sparkling wines, some of which sell for considerably less than the SA product"

One reason for "pretty flat sales" in the noble market, he says, is insufficient "branding" of product Some "strongly positioned brands" of higher-priced wines are doing well Examples are Zonnebloem, Chateau Libertas, Lanzerac Rosé, La Gratitude and Tassenberg which SFW is promoting strongly

SFW wine marketing manager Dick Coleshaw admits "branding could be a bit better" But he maintains the flat sales for nobles relates to the explosion in boxed wine sales which reflect over 40% growth this year More than 20 brands are available and selling in ever increasing quantities

The packaging innovation means greater convenience Quality of boxed wines is good Some of the better brands like Autumn Harvest and Kellerprinz scored silver and gold medals at international wine festivals Public acceptance has been phenomenal

Although the market for nobles is slack, some individual estate wines are doing exceptionally well Anglo's Boschendal Estate, for example, is unable to supply demand Boschendal is said to produce no more than 7 000 cases of Blanc de Noir, one of its most popular wines introduced this year Sales were rationed to dealers and the public who visited the estate

Boschendal Blanc de Blanc, Riesling, Le Pavillon, Chenin Blanc et al are all sold out Stockists say the estate could produce two or even three times present volumes and "there would be no problem selling it" The *FM* learns that the whole estate produces no more than 50 000 cases at this stage

Rustenburg is said to produce 12 000 cases of red and 6 000 of white — also totally inadequate to supply strong demand Meerlust and Dewetshof are similarly placed Backsberg, it is estimated, produces less than 100 cases of Chardonnay a year Customers are allowed two bottles, none to the trade Sydney Back refuses to confirm this, merely saying that wines from his estate are selling "very well"

But as expensive estate wines account for "not even one third" of total high-price volumes, their success has done little to bolster the figures for nobles overall

Managers drive forklifts at strike-hit plant

E P Post 13/10/87

182 (158a) 139

By GRANT ÁUBIN

SENIOR management at the strike-hit SA Bottling plant in North End, Port Elizabeth, yesterday drove forklift trucks to ease the backlog in deliveries

According to an informed source, three of the firm's managers, Mr J de Wet, Mr P Pretorius and Mr E Smit, as well as foremen and checkers, drove forklift trucks at the plant yesterday to ease the distribution problem

Some of the 250 workers involved in a strike at the plant for almost two weeks claim the strikers have been fired by the firm

A fullscale recruiting campaign has resulted in only three of the former employees being rehired, workers say

The firm's management has consistently refused to confirm that there is a strike, or to explain its attitude and actions towards those involved in the dispute

Last week reporters were told there would be no statements until the return from overseas of the firm's chairman, Mr P R Gutsche, and managing-director, Mr P H Gutsche They have returned but were today unavailable for comment

A spokesman for the General Workers Union of South Africa said a meeting was held with management today

"We were accused of influencing workers to strike One of the Gutsches said we made him cross by going on strike while he was on holiday," he said

Mr Gutsche then said he could rehire some workers

"We told him he must take all of them back," the spokesman said

Firms hit as labour unrest continues

(182)

Star 13/10/81

Labour Reporter

About 100 workers at the Uitenhage motor components firm, Motoravia, went on strike yesterday over wage demands and union recognition

A spokesman for the Fosatu-affiliated Transport and General Workers Union said the union had a majority representation at the plant Workers also demanded better wages, he said

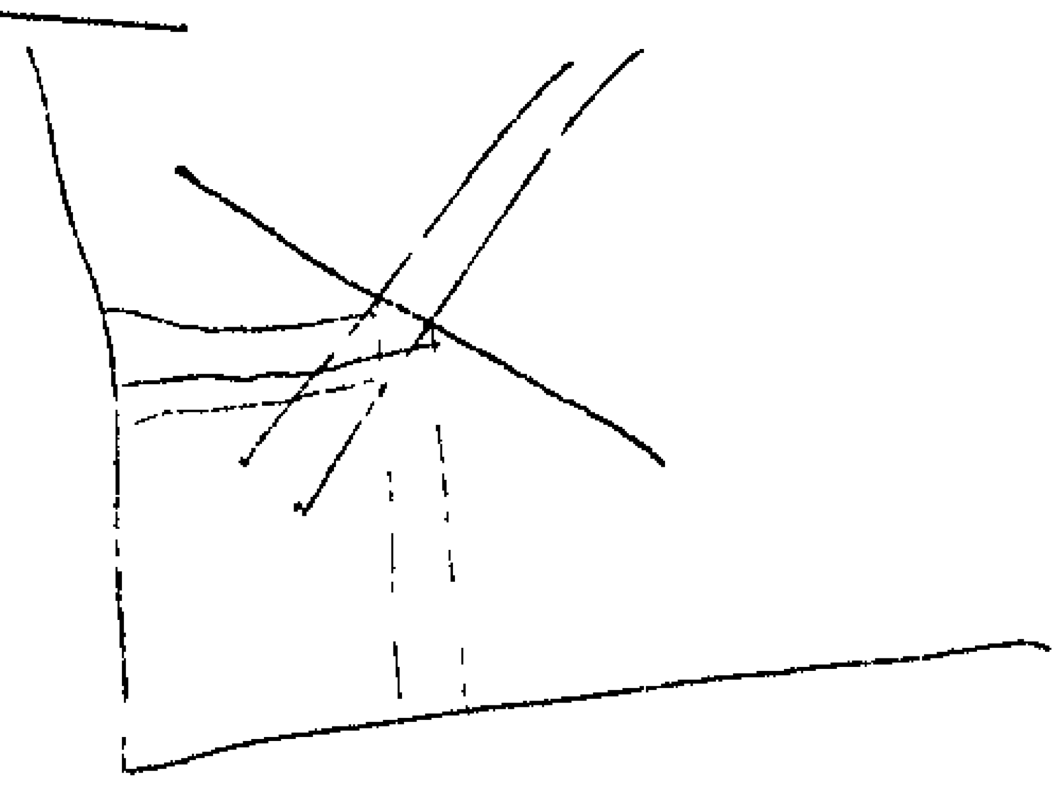
The SA Bottling Company plant in nearby Port Elizabeth continued today to take on a new work force after the dismissal last week of about 250 workers

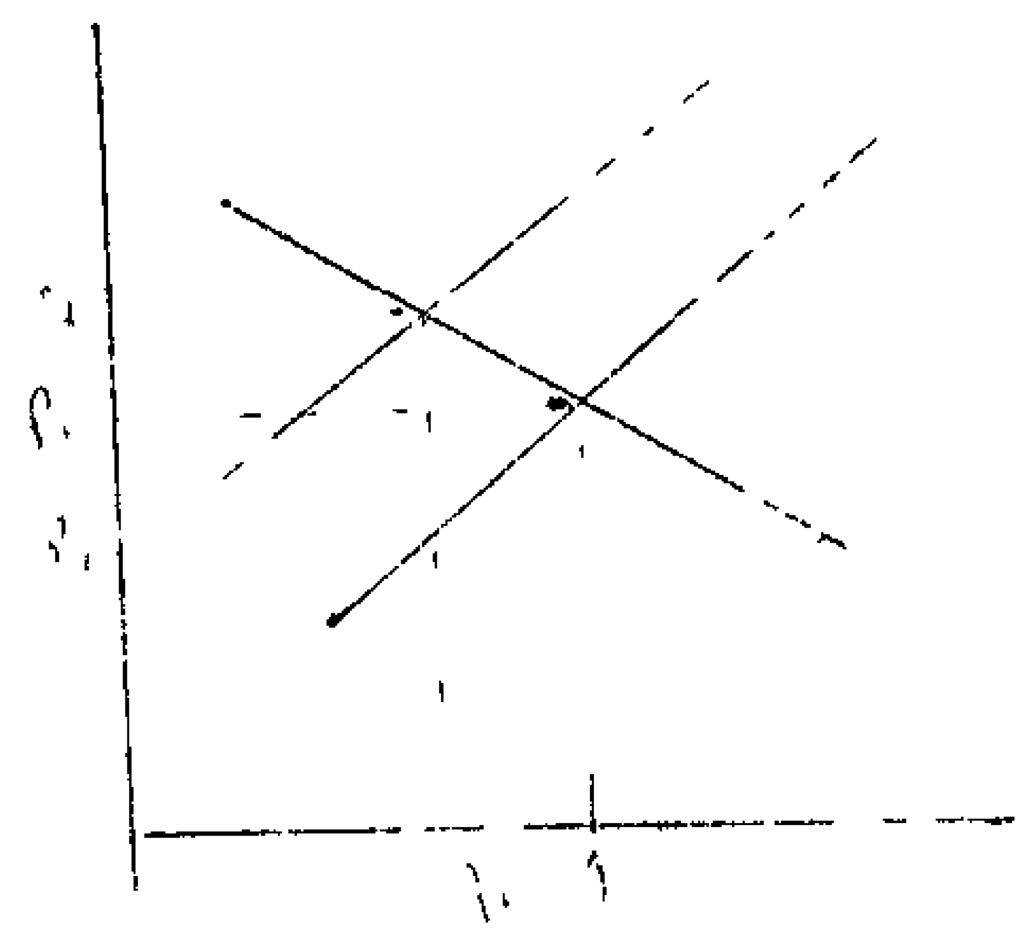
A worker delegation was expected to meet management at Johnson Tiles in Olifantsfontein after dismissal of about 600 workers earlier this month

A union spokesman said workers hoped to return to work tomorrow if the dismissed employees were taken on again

About 1 000 black employees of the Natal Tanning Extract Company at Melmoth were on strike today over proposed pensions legislation

And in Maritzburg, 120 Huletts Aluminium workers struck for some hours yesterday, also over the pensions issue





Star 14/10/81

PE trade unionists may be charged

Labour Reporter

A number of trade unionists were detained in Port Elizabeth by the Security Police yesterday in connection with recent strikes in the area.

They are being held under the Criminal Procedures Act and a Security Police spokesman said there was a possibility they would be charged.

The number of detainees is not known, but police were able to confirm that Mr Themba Duze, an official of the Motor Assembly and Components Workers Union, was among those held.

A Security Police spokesman said the people were held in connection with strikes at two Port Elizabeth post office branches and the dispute at the SA Bottling Company

18 men detained after labour unrest due to appear in court

EV Post 14/10/81

(~~32~~) (182)

By GRANT ALBIN

COLONEL Gerrit Erasmus, Divisional Commander of Security Police said at least 18 men had been detained by the Security Police in Port Elizabeth for labour unrest in the past two days. He said the number was expected to rise to 24 by today.

Col Erasmus said at least 18 people were expected to appear in court tomorrow on charges of intimidation. The rest would appear later in the week on similar charges.

The arrests came after labour unrest at various factories.

Yesterday six striking workers from the SA Bottling Company, and a trade unionist, Mr Themba Duze, were detained after a raid on a meeting of the 250 strikers. The workers arrested with Mr Duze, who is an organiser for the General Workers Union (GWUSA) were Mr Brian Singaphi, Mr Richard Sokutu, Mr E Nyomani, Mr John Mdodana, Mr Albert Mkavo and Mr Mondo Pikoli. They are being held under the Criminal Procedures Act.

SA Bottling spokesmen were again unavailable for comment.

Meanwhile about 200 workers at the Imperial Cold Storage factory at Aloes were today given an ultimatum to return to work or resign.

The workers went on strike on Monday demanding minimum wages of R1 an hour.

In another incident yesterday about 180 Uitenhage workers of Motorvia stopped work and refused to return unless their union was recognised. The workers are members of the Transport and General Workers' Union.

They are also asking for a minimum wage of R50 a week for local drivers and higher pay per trip for convoy drivers. However, they have stressed that union recognition is of paramount importance. A company spokesman declined to comment.

In Port Elizabeth the General Post Office is replacing the 180 strikers who were dismissed recently. All the workers are expected to be replaced by the end of the week.

GENERAL NEWS

3195 15/10/81

Striking workers arrested in East Cape

Labour Reporter

Production stopped yesterday morning at Huletts Aluminium plant in Maritzburg when about 200 early-shift workers downed tools

The workers, who were demanding that management pay them out their pension contributions, stayed on the premises

Officials of the Fosatu-affiliated Metal and Allied Workers' Union went to the factory to discuss the dispute with the workers

Huletts Aluminium was also hit by a work stoppage over pensions on Monday and 80 workers resigned to receive their contributions Later they were joined by another 130 workers

Four Huletts sugar mills in Natal, as well as Huletts Refinery near Durban, were hit by pension unrest earlier this month

About 800 workers at Natal Tanning in Melmoth started returning to work yesterday after striking last Friday over wage demands. Several were charged by police and later fined for conducting an illegal meeting

In the Motorvia dispute at Uitenhage officials of the Fosatu-affiliated Transport and General Workers' Union talked to about 100 drivers about their grievances

And, yesterday, in Port Elizabeth at least 18 workers were detained by Security Police, apparently for 'intimidating other workers

Police confirmed the arrest of Mr Themba Duze, an organiser of the Motor Assembly Components Workers' Union in connection with recent strikes at two Post Office branches and the SA Bottling Company

A strike by about 300 workers at Imperial Cold Storage, Addo, over wage demands was also reported yesterday

At Johnson Tiles, in Olifantsfontein, former workers started streaming back to the plant on Tuesday afternoon to re-apply for their old jobs after a strike on October 5 over union recognition

A company spokesman said many of the 260 workers were taken on again but some were not because vacancies had already been filled by newly recruited labour

Mr J Joubert, Personnel manager at Johnson Tiles, said the firm was not anti-union but would deal only with unions that were representative of the workforce

NM 15/10/81

Pensions still creating problems in industry

(182)

Mercury Reporter

IN SPITE of the Government's decision to defer their Preservation of Pension Rights Bill until 1985 the pension issue is still causing unrest among workers in Natal industry

The Huletts Aluminium plant in Pietermaritzburg was shut down yesterday by what management called a 'partial work stoppage involving 300 employees' following the resignation on Monday of 130 hourly paid workers

According to Mr Frank Ferguson of Huletts the men resigned 'in order to obtain payment of their pension fund contributions as they were concerned over the proposed pension legislation

Mr Ferguson said a reason for the stoppage was the reinstatement of the workers who had resigned on Monday

'In this connection employees were informed that those who left the company's employment on Monday would be reinstated on repayment of their pension contributions which were paid to them at that time, he said

Mr Ferguson said intimidation and coercion had taken place, and it was evident that many of the men on strike 'wished only to continue work in the usual manner'

Afternoon and night shifts were cancelled because a bus carrying some of the company's employees was stoned

In Durban workers at Grindrod Cotts Stevedoring returned to work yesterday after the management decided to repay their pension fund contributions

Labour unrest spreads in Eastern Cape

SB DETAIN 18 STRIKERS

Sowetan 15/10/81

~~329~~ 139 182 ~~186~~ ~~233~~ ~~868~~

SECURITY police in Port Elizabeth have detained at least 18 striking workers and a trade unionist as labour unrest continues to spread in the Eastern Cape.

OWN CORRESPONDENT

Mr Themba Duze, an organiser of both the Motor Assemblers' and Component Workers' Union (Macwusa) and the General Workers' Union of South Africa (Gwusa), was detained with six strikers under the Criminal Procedures Act as security police swooped on a workers' meeting on Wednesday night

Yesterday morning, another 12 workers were detained according to Colonel Gerrit Erasmus, head of the Eastern Cape Security Police, who warned that more would be "locked up" if they continued to "intimidate" other workers

The detention of Mr Duze brings to six the number of Macwusa officials held by Security Police

Meanwhile about 300 workers of the Imperial Cold Storage polony factory at Addo have gone on strike, demanding minimum wages of R1 an hour

Workers claim the company pays a standard wage of R33 a week to all black workers although this has been denied by management

A spokesman for the Port Elizabeth General Post Office said yesterday that about half of the 180 workers who walked out last week had been replaced He expected the labour force to be at full strength by the end of the week

Another 250 workers at SA Bottling have been recruited in place of strikers who walked out last week

And in Uitenhage 180 workers at Motorvia, a car ferrying company, were still out yesterday morning

RDM 15.10.86

18 unionists held in Cape over strike at plant

Labour Reporter

EIGHTEEN members of the Port Elizabeth-based General Workers Union of SA, including a union organiser, have been detained by police in connection with a strike at SA Bottling Company, a Coca-Cola plant in the city

This brings to 23 the number of unionists held by police in Port Elizabeth Five officials of the Motor Assembly and Components Workers' Union of SA, Gwusa's sister union, have been held under Section 6 of the Terrorism Act for some months

They include the union's chairman, Mr Dumile Makanda, and an organiser, Mr Sipho Pityana

Police have confirmed the detention of the 18 and have said they will appear in court today charged with incitement

A union spokesman said yesterday that eight Gwusa men, including a union organiser Mr Themba Dusa, were held by police during a meeting in Kwazakhele township on Tuesday

"They were all attending a workers' meeting at a hall in the township Police arrived at the meeting took them out and arrested them," the spokesman said

The other seven detainees are all workers at SA Bottling They are Messrs Albert Mkayo, Monde Bikoli, John Mdodana, Elias Nxumani, Richard Sokutu, Brian Singaphi, and Dumani Kanga

Since then 10 more workers had been detained, in police dawn raids on their homes yesterday, the spokesman added Their names are not yet known

DD 15/10/87

East Cape strikes end

182

PORT ELIZABETH — Two Eastern Cape strikes ended yesterday after agreements were reached between trade unions and the managements of Imperial Cold Storage (ICS) at Aloes and Motorvia in Uitenhage

Meanwhile, a security police spokesman confirmed yesterday that 18 people had been detained here this week

A spokesman for the General Workers Union (GWUSA) said the detained people were SA Bottling Company and Post Office workers

The ICS deadlock was broken last night after talks between the management and the vice-president of Gwusa, Mr Sicelo Duze

The workers had demanded a minimum wage of R1 an hour, but have now agreed to accept management's offer of 80c an hour "on the short-term"

The strike at Motorvia, where about 180 workers, mainly drivers, have been striking since Monday in an effort to have their union, the Transport and General Workers Union, recognised, has also been called off

New talks about the recognition of the union are scheduled for next Wednesday — DDC

Gwusa organiser released

Post Reporter

AN organiser for the General Workers Union (Gwusa) Mr Themba Duze was released this morning after two days in police detention, but the six SA Bottling workers held at the same time are still in custody

Meanwhile, employees at the Imperial Cold Storage polony factory at Aloes returned to work today

About 180 workers, most of them truck drivers, at the convoy firm of Motorvia in Uitenhage were still on strike today — contrary to reports that they would return today

The Port Elizabeth general manager of ICS Mr P W du Toit, said the work stoppage at the firm had ended

LIQUOR (182) FM 16/10/81

In better spirits

Government's wine spirit tax bungle (*Business* September 25) has been sorted out

From the point of view of winegrowers, the Department of Customs and Excise has done a splendid repair job on its administrative error and the benefits should be reflected in improved end-of-year bonus payouts

At the same time, the department has introduced a new dispensation in respect of rebate wine spirit which will help to bend Gatt rules in the unlikely event that such a step would be contemplated

Under the old order, government allowed brandy distillers a rebate on the 30% portion of a bottle of brandy that comprised pot-stilled wine spirit laid down in oak for three years This was to compensate producers for the cost of maturation (As a matter of interest, KWV currently invests in 2 000 new vats a year at R300 per vat)

The extent of the rebate is governed, however, by a Gatt rule to which SA submitted — some would say meekly — more than 30 years ago Thus, the rebate may not be increased to the level where it undermines, say, Scotch whisky In terms of the new deal, a rebate of 54,2c/l of absolute alcohol (AA) is to be allowed on *all* components of the brandy blend

This comprises not less than 30% matured pot-still brandy and not more than 70% wine spirit or grape spirit

This means that everybody scores at the production end

Consumers will not benefit directly Brandy-makers point out, however, that escalating costs of maturation would have made a wholesale price rise unavoidable Brandy drinkers have now been spared and KWV, with an easier tax burden, may be in a position at the end of the season to pass on a few rands to growers

But, as the saying goes, Horwood giveth and Horwood taketh away Part of the original tax bungle involved a hasty reduction of the excise duty on wine spirits — from the 85,7c/l AA in the Minister's budget speech to 80,3c a litre AA This may or may not have been done in response to reports of open rebellion by 2 000 winegrowers at a meeting in Paarl on the day the reduced excise duties were published in a special Government Gazette

Now that a blanket rebate will be extended to both wine spirit ingredients of brandy, government has decided to reinstate Horwood's original proposal to hoist the tax on wine spirit to 85,7c/l AA It's a fair bet, therefore, that KWV will redouble its promotional efforts to get people to drink more brandy

Bottling plant back to normal production

Ev Post 16/10/81

182 182 184 182 145A 183

By GRANT AUBIN

THE SA Bottling plant was back to normal production today and the firm was building up to a full labour force, Mr P H Gutsche, managing director, said today

In a management statement on the situation at the plant where 250 workers struck two weeks ago, Mr Gutsche said he was anticipating some of the workers would return and would be engaged on merit

Strikes at SA Bottling began on September 25, when all weekly paid workers and two salary-paid workers walked off the job

After discussions with management the strikers returned to work and were paid for the full day while on strike

On October 6, workers once again went on strike

"There were many reluctant strikers, but they followed after being intimidated by a group of instigators," he said

The strikers gave their reason as the employment of five coloured workers standing in for absent employees

It was alleged that they were paid at a higher rate

"This is totally incorrect, as they were paid at the normal rate," said Mr Gutsche

Strikers also alleged that they were being used to train the coloured workers, who would then replace them This was also denied by Mr Gutsche

In his absence overseas, workers were given an ultimatum to return to work or be fired

Meanwhile, 80 to 100 of the 180 workers who were out on strike at Motorvia in Uitenhage, returned to work yesterday A spokesman said Bloemfontein-based convoy drivers were expected back on Monday

About 200 strikers at Imperial Cold Storage at Aloes also returned to work yesterday

In East London, striking workers at Johnson and Johnson decided at a mass meeting today not to return to work until a dismissed worker was re-instated

The workers downed tools yesterday in protest against the dismissal of the worker

The companys' personnel director, Mr Wayne Munro, was today unable to say how many were involved in the strike, but a spokesman for the South African Allied Workers Union (Saawu) said more than 600 workers were involved and production was at a standstill

The striking workers held a meeting with SAAWU officials this morning

GENERAL NEWS

Union men freed in crackdown on strikes

Star 17/10/81

By Drew Forrest

The Ciskeian authorities have withdrawn charges against 59 members of the SA Allied Workers Union (SAAWU) in two separate hearings in the Mdantsane district court this week

But in the countrywide crackdown on illegal strikes, more than 30 workers have appeared in court this week either to be charged or for remand and another 23 are expected to face charges shortly

On Monday, the Ciskeians dropped charges of public violence against 24 SAAWU members who were among the 500 workers dismissed after the February Wilson-Rowntree strike in East London The 24 were held for two months under Ciskeian security laws

And yesterday, charges of attending an illegal gathering against another 35 SAAWU members were dropped They were arrested in May after attending an East London court case involving a colleague

On the East Rand two more former employees of Telephone Manufacturers of SA in Springs appeared in the KwaThema magistrate's court on Wednesday on assault charges

Nine former Temsa employees were charged with assault on Monday after the recent strike at the plant, which resulted in the dismissal of 1 600 black workers All the cases were postponed

Our Port Elizabeth correspondent reports security police as saying that 15 of the 180 workers dismissed after last week's strike at two post office yards would appear in court shortly, together with eight of the 250 workers who struck recently at SA Bottling

And according to Sapa, the Port Elizabeth chief magistrate, has imposed a weekend ban on meetings of the General Workers Union of SA and the Motor Assemblers and Component Workers Union (Macwusa)

Meanwhile, after last month's strike at Cobra Brassware in Luipaardsvlei, on the West Rand, 13 workers appeared in the Krugersdorp magistrate court for formal remand yesterday.

83 men arrested under Riot Act

CV Post 19/10/81

Crime Reporter

SECURITY Police have arrested 83 men on charges of intimidation under the Riotous Assemblies Act the officer commanding Security Police in the Eastern Cape Colonel Gerrit Erasmus, said today

He said the men all had links with strikes at SA Bottling and the Post Office

Those who had not yet appeared in court were expected to appear today and tomorrow for remand for a regional court trial date

The arrests followed complaints of intimidation at SA Bottling and the Post Office

A total of 59 men made a brief appearance in the Port Elizabeth Magistrate's Court today on a charge of allegedly attending an illegal gathering

No evidence was led and the magistrate Mr P Crous postponed the case to October 29 The men were not asked to plead

The charge sheet stated the alleged offence happened on October 12

Mr B J Pienaar appeared for the State The men were not represented

Bottling firm re-employs several workers

E/ Post 19/10/81

182 ~~152~~ 139 142 ~~182~~ ~~145A~~

Post Reporters

THE managing director of SA Bottling Company Mr P H Gutsche said today that several workers who had been on strike had been re-employed

But a spokesman for the General Workers Union of South Africa (Gwusa) and the Motor and Components Workers Union of South Africa (Macwusa) said the 250 workers were still on strike

He did not know of any workers being re employed

Mr Gutsche said he could not reveal the number of re-employed workers or their names

Last week Mr Gutsche said in a statement that striking workers would be re employed on merit

Strikes at SA Bottling began on September 25, when all weekly-paid workers and two salary-paid workers walked out

After discussions with management, the strikers returned to work and were paid for the full day while on strike On October 6 workers once again went on strike

A spokesman for Gwusa said a meeting would be held later this week as weekend meetings had been banned

Meanwhile 80 to 100 of the 180 workers at the Motorvia plant in Uitenhage have gone back to work A spokesman for the company said the rest of the workers, based in Bloemfontein were expected back today

In East London, striking Johnson & Johnson workers decided at a meeting yesterday not to return to work until a woman who was dismissed last week had been re-instated

About 600 Johnson & Johnson workers downed tools on Thursday after the dismissal of Mrs Eunice Tempi, who allegedly stole two toilet rolls

The Johnson and Johnson management agreed to institute an appeal committee to investigate the dismissal, provided the workers returned this morning

A South African Allied Workers Union (Saawu) official said this morning that union organisers would meet representatives of the companys' management today to tell them the decision taken at yesterday s meeting

Star 20/10/81

59 appear under riots Act after strikes

182

Labour Reporter

Fifty-nine workers appeared yesterday in the Port Elizabeth Magistrate's Court under the Riotous Assemblies Act after recent labour unrest in the area

The case was postponed to next week

The 59 along with 24 other workers were held by police in connection with strikes at two post office yards and at the SA Bottling Company

In both disputes workers were dismissed — 180 at the post office and 250 at SA Bottling

The other 24 appeared on Friday and their case was also postponed

In the Security Police swoop last week, an organiser of the Motor Assembly and Component Workers Union, Mr Themba Duze, was held for two days and later released without being charged

In Uitenhage last week charges against five union shop stewards of participating in an illegal strike were dropped However, charges of intimidation under the Riotous Assemblies Act were postponed to next Monday

The men are being charged in connection with the Dorbyl motor components firm dispute from earlier this year

All 180 Motovia drivers back at work

EV Post 20/10/87

(182)

Post Reporters

THE strike at the Uitenhage firm of Motorvia which is involved in the delivery of new vehicles to the rest of the country is over because 130 drivers returning from Bloemfontein failed to support the strikers

A spokesman for the company said today that all 180 drivers who were on strike were back at work yesterday

"Everything is back to normal," he said

The strike began last week when 130 drivers demanded the company recognise the Transport and General Workers Union They also wanted higher pay A meeting between management and union representatives will be held tomorrow to discuss both issues

The managing director at SA Bottling Mr P R Gutsche said today that re-employment of some of the 250 workers deemed to have "dismissed themselves" after striking three weeks ago would continue "on merit and subject to the availability of vacancies"

Seven workers who went on strike at SA Bottling are to appear in court on November 10 on charges of intimidation

A spokesman for the General Workers Union of South Africa (Gwusa) to which most SA Bottling workers belong, said today he was still trying to arrange a meeting with the firm's management to discuss re-employment

CT 20/10/81

900 still on strike

PORT ELIZABETH — Altogether, about 900 workers are still on strike at Johnson and Johnson in East London and SA Bottling in Port Elizabeth

In spite of an ultimatum by management, about 650 workers at the Johnson and Johnson factory continued their strike yesterday over the sacking of a woman worker who allegedly stole two rolls of toilet paper

The workers demanded the woman be re-engaged The company's personnel manager, Mr Wayne Munro, said he would do "everything possible" to find a fair solution to the dispute

At SA Bottling, where about 250 workers have been on strike since October 6 and have since lost their jobs, management said yesterday that it was prepared to re-employ some of the strikers on merit

The managing director of SA Bottling, Mr P H Gutsche, said they were obliged — because of distrubition commitments — to take on new workers in the place of some of the strikers — Sapa

LABOUR

660 out in new worker unrest

Star 21/10/81 (T182) (152) (356) (183) (407) (139) (189)

By Drew Forrest

In the latest outbreak of pensions-related labour unrest, more than 600 workers at factories in Port Elizabeth and Durban were on strike yesterday.

Management at Henkel (SA) in Prospecton outside Durban has warned 260 strikers who have demanded the immediate repayment of their pension contributions that unless they are back at work today they face dismissal.

The strike at the detergent company began on Monday. Management has been dealing with Fosatu's Chemical Workers' Industrial Union which is informally recognised at the plant.

At the Port Elizabeth plant of Feltex Foam and Automotive Products the 400 workers who downed tools yesterday in a pensions dispute returned to work this morning pending talks between management and the Motor Assemblers and Component Workers' Union (Macwusa).

More labour unrest has been reported from the East Rand where the Boksburg-based General Tire subsidiary, Pigott, Miskew and Company is restaffing after last Friday's strike over wages by its entire 450 strong black workforce.

The company recently recognised the Chemical Workers Industrial Union. The managing director, Mr Vic Pretorius accused union members of "striking during negotiations, and in breach of the recognised agreement."

He said the workers had "resigned" by failing to meet a management return to work deadline.

According to a CWIU spokeman, the workers struck in rejection of management's final offer of a productivity bonus. They wanted a 50c an hour flat rate wage increase, she said.

Our Cape Town correspondent reports that about 200 workers at the Appletiser factory near Grabouw, in the western Cape, have been on strike since Friday.

The workers, represented by the Food and Canning Workers Union, are demanding a minimum hourly wage of R1.50.

Hundreds sacked at Huletts

ABOUT 500 Huletts Aluminium workers were paid off yesterday after they insisted on having their pension fund contributions refunded to them.

Sowetan 21/10/81

LABOUR BEAT

And in Durban more than 200 workers at the Henkel Chemical works at Prospecton have gone out on strike in support of pay demands and pension negotiations.

The events at Huletts followed the issuing of an ultimatum by the company on Friday, in which 300 workers were told they were on an "illegal strike" and that they should either return to work at 6 am on Monday, or lose their jobs.

Workers at Henkel Chemical Works said they had downed tools during the morning tea break on Monday because discussions about wage increases and the possibility of paying out pension scheme contributions had been under way with representatives of management and the chemical workers' industrial union for some months without resolving anything

They were subsequently told in writing that the strike was illegal

Meanwhile negotiations aimed at settling a wage dispute at the Appletiser factory near Grabouw continued yesterday between management and representatives of the workers and the Food and Canning Workers' Union

Workers at the factory have been on strike since Friday, demanding a minimum of R1,50 an hour as opposed to 96 cents offered by management

In East London the dispute leading to a strike of 600 workers of Johnson and Johnson plant is also still deadlocked. The South African Allied Workers' Union reported to the striking workers yesterday that the management still refuses to re-instate a Mrs Eunice Tempi whose dismissal led to the walkout on Thursday

A spokesman for the union said that management had offered to institute an appeal committee to investigate the dismissal provided the workers returned, but such a committee was not acceptable to the union or the workers as it would be biased.

In Port Elizabeth 59 workers appeared in the Magistrate's Court on Monday under the Riotous Assemblies Act following strikes at two post office yards and at the SA Bottling Company. All were remanded until October 29

Another 24 also arrested last week appeared at the end of last week under the same Act.

In both disputes workers were dismissed — 180 at the post office and 250 at SA Bottling

The 83 men were arrested for alleged intimidation of workers during the strikes.

Strikers go back pending new round of meetings

Ev Post 21/10/81

(182)

By MOKONE MOLETE

THE 400 workers at Feltex rubber factory in Korsten Port Elizabeth who went on strike yesterday after demanding that they be paid their pension fund contributions, have resumed work pending the outcome of a meeting between management and one of the trade unions, a union spokesman said

Workers at the factory said they wanted to withdraw from the pension fund but were told by management that they had to resign before the money would be paid out

At about 1pm yesterday workers downed tools after refusing an ultimatum from management to resume work or leave

The company public relations manager, Mr S Thompson described talks held between the National Union of Motor Assembly and Rubber Workers of South Africa (Numarwosa) as "fruitful"

A spokesman for Numarwosa which is affiliated to Fosatum said there would be further talks between the union and management as "nothing final has been decided yet"

Mr Thompson said according to clock card records 97% of workers who struck yesterday were at work today

Meanwhile the Transport and General Workers' Union at the Motorvia plant in Uitenhage will hold a meeting with management today to discuss demands that led to a strike last week

The managing director at the SA Bottling Company, Mr P R Gutsche said that re-employment of the 250 who went on strike three weeks ago and were deemed to have "dismissed" themselves, was continuing "on merit and subject to the availability of vacancies"

SUNCRUSH 182

More to come

FM 23/10/81

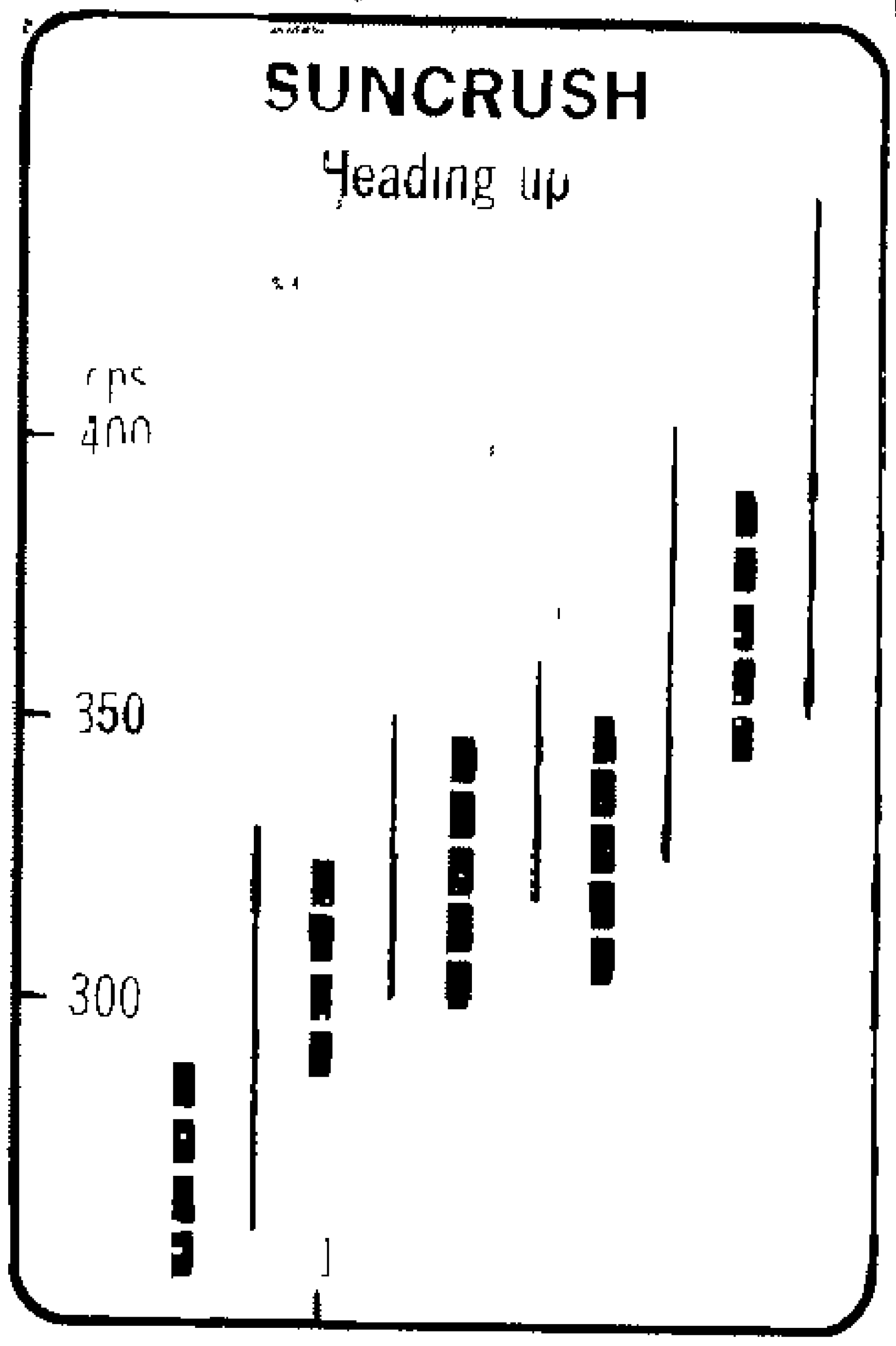
Activities. *Manufactures and markets soft drinks including Coca-Cola and Schweppes products A subsidiary holds the International Harvester franchise in Durban and Pietermaritzburg*
Chairman and managing director. *R D Hamilton*
Capital structure· *2,7m ordinaries of 50c, 300 000 7% red prefs of R1 Market capitalisation R13,2m*
Financial *Year to June 30 1981 Borrowings long- and medium-term, R5,1m Net cash R1,6m Debt equity ratio 39,1% Current ratio 1,4 Group cash flow R4,7m Capital commitments R1,8m*
Share market: *Price 490c (1980-81 high, 490c, low, 240c, trading volume last quarter, 32 200 shares) Yields 27,2% on earnings, 8,2% on dividend Cover 3,3 PE ratio 3,70*

	'78	'79	'80	'81
Return on cap (%)	16,5	19,2	21,4	29,7
Turnover (Rm)	28,3	34,3	39,8	55,6
Pre-tax profit (Rm)	1,7	2,6	3,3	6,0
Gross margin (%)	8 7	9,5	9,9	12,0
Earnings (c)	41 9	59 3	75 8	133 4
Dividends (c)	15	19	24	40
Net asset value (c)	302	355	428	562

Despite general expectations of a slowdown n consumer spending, Suncrush chairman Robin Hamilton is forecasting further substantial profit growth this year Turnover, he says, is budgeted to increase 28% and taxed profit is expected to improve at an even faster pace

This assessment is based on a number of factors, not least of which are extensions to building and plant installations at three of the group's bottling plants In particular, capacity of the Klerksdorp facility has increased three-fold At the same time, three competitors in the area have withdrawn, giving rise to a substantially higher sales potential

The increased level of activity could also enhance prospects of further improving trading margins, as could productivity gains which Hamilton expects in the distribution division this year For the rest, he is satisfied with the group's general level of efficiency



At the bottom line, earnings will also benefit from a lower tax rate as a result of capital expenditure allowances At the time of the preliminary report, Hamilton told the *FM* that the effects on the tax rate, which last year was 40,2%, could be "fairly significant"

Conditions on the soft drinks side, however, are likely to be offset to some extent by the International Harvester operation Results here were unusually buoyant last year, partly because of advance purchases of heavy vehicles and tractors by customers wanting to avoid price increases and engine changes which will come about with the Atlantis project

But even if there is a downturn in this division, the effect on overall profit will not be too severe despite a 219% increase in pre-tax profit last year, it still accounted for less than 7% of the total

The balance sheet is beginning to look a little under-utilised, with a build-up of cash resources (R2,5m against R900 000 previously) and a borrowings total which is less than half the authorised limit Total debt last year was little changed at R6m, but the debt equity ratio came down from 48% to 39%, aided by a property revaluation which added R1m to non-distributable reserves

Finances were also improved by acceptance of Sage's offer for the group's 400 000 Unisec shares, which realised a capital surplus of R569 000 The company ploughed the book value of the Unisec shares back into the market, with the result that the year-end total of listed investments at book value was virtually unchanged

The current share price of 490c is an historic high, but Suncrush by no means looks over-priced The historic dividend yield at this level is 8.2%, and on the assumption that the 1982 payout will increase 35%, the prospective yield is well over 11%

Brian Thompson

Suncrush's Hamilton ... 28% sales growth ahead

STAR 23/10/81 ~~199~~ ~~200~~ ~~152~~ ~~145A~~ ~~123~~ ~~134~~ 182

600 EL workers suspend their strike

By Drew Forrest

More than 600 workers at Johnson and Johnson in East London agreed yesterday to suspend their week-long strike pending negotiations between management and the SA Allied Workers Union.

But the mass of workers were still meeting with SAAWU officials outside the plant today.

They were deciding whether to meet a management deadline for a return to work today or to go back only after the weekend.

The strike was sparked off last week by the dismissal of a cleaner, Miss Eunice Noncoba Tempi, allegedly for stealing two toilet rolls.

Workers refused to return before her reinstatement.

The company refused to re-examine her case until the workers went back.

Sapa reports that at yesterday's mass meeting SAAWU officials, including its president, Mr Thozamile Gqweta, recommended a return to work.

Sandock Austral, a Durban ship building firm, was hit by a one-day pensions-related strike on Wednesday.

The Star's Durban Correspondent estimates that between 700 and 900 workers struck in demand for the repayment of pension contributions.

● A dispute at the Appletiser plant in Grabouw ended on Wednesday with a wage increase.

CAPE WINE

(182)

Still maturing

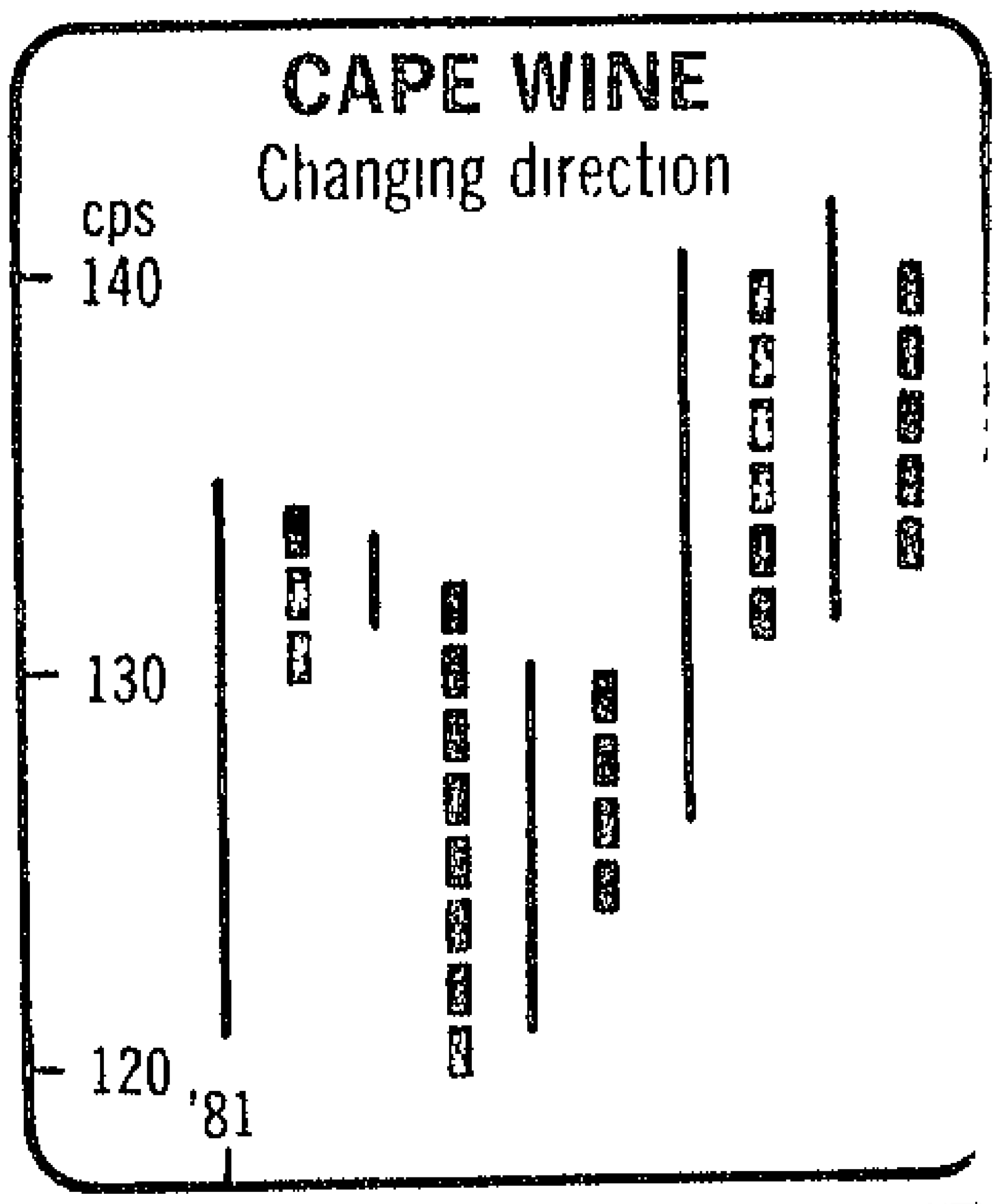
FM 23/10/81

Activities *Investment company with subsidiaries operating in the manufacture distribution and wholesale marketing of wines and spirits Holding companies Rembrandt KWV Investments*
Chairman *A J du Toit*
Capital structure *140m ordinaries of no par value Market capitalisation R203m*
Financial *15 months to June 30 1981 Borrowings long- and medium-term R40,1m net short-term R[illegible]m Debt equity ratio 54,1% Current ratio 2,0 Net cash flow R[illegible]m Capital commitments R[illegible]m*
Share market *Price 145c (1980-81 high 163c low 110c) Trading volume last quarter 642 000 shares Yields 15,4% on earnings* 7,7% on dividend* Cover 2,0 PE ratio 6,5**

	81
Return on cap	[illegible]
Turnover index †	116,2
Pre-tax profit (Rm)	65
Earnings (c)	28
Dividends (c)	14
Net asset value (c)	118

* Annualised † 1980=100

A levelling-off of consumer spending coupled with high interest rates and squeezed gross margins, will probably restrict earnings growth this year It is, in fact, unlikely that this year's increase will exceed the 30% rate of improvement on the prospectus forecast which was achieved in financial 1981



Though the 1981 grape crop shows great promise, the cost of holding this stock will be high And at the same time increased excise duties on brandy and other spirits, as well as on fortified and sparkling wines, is expected to depress sales this year

The group's gearing is comfortable enough to be able to increase borrowings, but the income statement projection probably dictates against significantly higher debt For a start, cash flow will probably be squeezed this year and the capex commitment gives little room for manoeuvrability

Though Cape Wine is an amalgamation of what individually were regarded as excellent operating companies, it has yet to be shown that management can derive synergistic benefits out of the whole

Cape Wine's Du Toit . . . trying for separation

Much management attention, for instance, is devoted to an almost single-handed attempt to redefine the liquor industry and improve the domestic market environment The Union Wine fiasco is an example

Chairman André du Toit explains that one of the reasons for initiating the acquisition by Senbank of Union Wine shares earlier this year was Union Wine's "share scheme of arrangement that would have led to further integration between wholesale and retail"

Du Toit says control of Union Wine was wanted "in order to dispose of its retail interests over a period, thus making it easier for the government to implement the principle of total separation (of retail and wholesale interests)"

It is most unusual to find a commercial enterprise prepared to go to this extent to smooth the path of government Though the attempt has backfired (see *Leaders*), it will probably not cost shareholders much — other than embarrassing management and pinpointing some diffusion of energies

On the domestic sales front, the outlook is mixed A "heartening upswing" is evident in wine and spirit sales, but Du Toit expects reduced consumer spending and the higher excise duty to blunt that growth This "must necessarily have a material effect on your group's trading results"

Exports, despite continued worldwide recognition of quality, have not yet made a material impact on results due both to the strength of the rand and to overseas micro- and macro-economic conditions But the recent SFW joint venture with a British liquor company for the bulk export of wines could be the start of a successful market strategy

Cape Wine's balance sheet is sound enough to withstand a bit of a liquidity squeeze over the next year or two Over the longer-term, growth is likely to be respectable, though eclipsed by other liquor groups such as SA Breweries and even Union Wine

But the current return on capital is attractive and a small boost to margins in the next recovery phase of the economy could see the group move sharply higher off its somewhat lacklustre earnings base

The current historic yield of 7,7% fairly values the company on short-term prospects *Ian Muil*

UNION WINE

(182) FM 23/10/81

Ferment in the industry

This week's statement by Commerce and Industries Minister Dawie de Villiers on the Union Wine affair raises more questions than it answers

Indeed, one of the questions it raises is whether De Villiers is equipped to handle his portfolio

In the *FM*'s view, the Minister stands compromised And, were it not for the fact that there is so much confusion about the Liquor Act and what its general intent is, there may have been grounds to call for his resignation

This week De Villiers authorised the transfer and registration of almost 1m Union Wine shares into the name of Senbank (*FM* October 2) — shares bought in terms of an agreement with Cape Wine and Distillers (CWD) He gave consent on condition Senbank sell the shares "within a reasonable period " It is now evident that the Minister consented, if only by not acting, to an unlawful arrangement

The Minister, through a spokesman, told the *FM* that, after legal advice, he felt legally justified in his actions

Early this month Union Wine refused to register 950 000 Union Wine shares in the name of Senbank Union Wine stated that in purchasing the shares, Senbank had been acting for, or had been the agent of, CWD In terms of Section 186 of the Liquor Act it is an offence for a producer, such as CWD, to acquire without ministerial consent, an interest in a liquor distributor, such as Union Wine

It appears the Minister was at best inadequately informed before the now legendary bear squeeze in Union Wine shares on the stock exchange in March this year And he was poorly advised after those events

De Villiers has now admitted that he had knowledge before its commission of a stock market manoeuvre in conflict with the law These were his words

"Earlier this year CWD informed me on an informal basis about *their arrangement with Senbank to buy shares in Union Wine on the stock exchange* (*FM*'s emphasis) with the object of achieving a complete division between the wholesale and retail trade

"If the acquisition of the shares," he added, "were to promote the rationalisation of the liquor industry by the selling off of the retail sales outlets of Union Wine, then such acquisition would have been favourably considered by the government However, it now appears that the aim could not be achieved "

If this is what De Villiers was told before the operation, and if this is what he believed, he and his department are gullible And if this is what the directors of CWD and Senbank believed, then they seem to have been a little confused De Villiers and Senbank/CWD should have known that it was mathematically impossible to gain control of Union Wine by buying up shares on the open market Those who held control — the Natie Kirsh and Jan Pickard groups — were never sellers

But the reasoning is, to say the least, curious De Villiers and his advisers must know, or should know, that what CWD told him they had in mind was illegal without, as the Act states, "the consent of the Minister " This consent was not granted, but the share purchases were made and the Minister knew what was happening That is the nub of the matter

De Villiers chooses in his statement to describe his contact with CWD as "informal " This is irrelevant The fact is he knew

He now states that this illegal share buying would have been countenanced if its objective had been achieved In other words, he was prepared to allow an infringement of the Act if the scheme worked It didn't work, and now he chooses to apply the law

A puzzling aspect of this affair was a

Minister De Villiers some questions to be answered

press statement by CWD at the height of the bear squeeze that it was acting to protect a pre-emptive right it held over Union Wine shares This right had been passed on to CWD by SA Breweries (SAB) as a result of the 1979 restructuring agreement (see box) But surely the agreement — and the terms of the Act which prohibited SAB, a producer, from buying shares in Union Wine, a distributor — applied equally to CWD, also a producer?

Why was it necessary for CWD to mount a costly operation to try to part Union Wine from its retail arm? This modest wine and spirit house has only 8% of the market It is not a brewer It buys most of its raw material from the KWV and its agencies which have 30% of CWD's capital Two of CWD's principal shareholders, Rembrandt and SAB, between them own twice as many operating liquor stores as Union Wine, including the latter's entitlement to 75 more

And the *FM* now learns that, contrary to industry and public interpretation of the 1979 agreement, the outlets owned by the producers are to be sold off at 10% a year on the *outstanding balance*

De Villiers' understanding of the economic theory of power concentration in the liquor business is faulty His own Competition Board and the Board of Trade would be the first to confirm that real competition should be stimulated at the manufacturing level The most sinister cartels are those which control the means of production

THE BIRTH OF CWD

Cape Wine & Distillers was founded in 1979 through the re-grouping of the production and wholesale interests in wines and spirits formerly controlled by Rembrandt and SA Breweries

In exchange for Stellenbosch Farmers' Winery (SFW), which was injected into CWD, SAB got Rembrandt's Intercontinental Breweries and 30% of CWD Rembrandt injected Oude Meester and its other liquor interests into CWD in return for 30%, the KWV bought 30% and 10% was offered to the public

Rembrandt and the KWV have pooled their interests into a holding company, Rembrandt-KWV Investments

The official motivation behind the restructuring was to separate producer from distributor and it was accordingly decreed that the existing retail outlet interests of producers would have to be sold over a period of time (see leader)

But many industry observers believed that at the heart of the 1979 restructuring agreement was not so much the desire to get wholesale producing merchants out of the retail trade It was rather to induce SAB to relinquish control of SFW

By using beer as the lever, the possibility existed that SAB and SFW could have curbed the growth of Rembrandt's Oude Meester The marketing backing Oude Meester received from Rembrandt's brewer Intercontinental was inadequate Company-owned stores were important to Rembrandt because they provided an assured outlet for Oude Meester's products The criticism is, however, that those stores never generated the competition consumers want for the simple reason that it would have been madness for the Rembrandt outlets to stimulate competition within the producer's best customers

Also, the Liquor Act was amended to prevent any one person, or group, from owning more than five licensed liquor outlets

But one exception was made On application to the Minister of Justice, Jan Pickard's Union Wine/Picotel group was granted the right to acquire 75 new outlets That concession would enable Pickard's interests to grow into the country's largest liquor retailer/wholesaler

Natie Kirsh then clinched a partnership agreement with Pickard and a scheme of arrangement was proposed by Kirsh, whereby Union Wine and Picotel would become wholly-owned subsidiaries of a Picbel/Coki company But this scheme worried the CWD camp to the extent that furious buying of Union Wine on the stock market early this year was started to build up a "blocking" stake

CWD gained a stake of over 22% of Union Wine, which gave the group the ability to block, under conditions then existing, the proposed scheme of arrangement CWD in effect held over 50% of the outstanding minorities and Kirsh needed a 75% majority vote in the minority stake Since then, however, the Kirsh-Pickard group has proposed share issues which will legitimately remove this problem

A counter-move?

What seems to make some sense in a confusing affair is that perhaps CWD was bent not on promoting the "rationalisation of the liquor industry" — as De Villiers put it this week — but on countering the creation of a vast new distributive network by the Kirsh-Pickard forces Such a network would be within the law, providing Union Wine does not exceed its quota of 75 new stores

Certainly, CWD's inordinate interest in the affairs of Union Wine was aroused when Natie Kirsh announced his partnership agreement with Pickard This led to speculation that the deal would give birth to the country's most extensive distributive network for liquor products And one with special potential in the newly unshackled African township market using, perhaps, Metro Cash & Carry's immense distribution network and wholesaling skills

Did CWD perceive a potential menace to its interests? If so, why? There is no way that a specialist liquor distributor could survive without the support of SAB and CWD — unless it was forced to import its liquor

Why De Villiers regards CWD's efforts in trying to prevent a legal development as worthy of State consent — given retroactively — to infringe the Act is a difficult question to answer

Had the Minister consulted with Union Wine his perspective may have been different But Union Wine was not consulted in the covert negotiations that preceded the November 1979 restructuring In that exercise, too, Senbank was the agency of change What this means is that Union Wine was the target of a clandestine operation because it presumably did not fit into a neat scheme brought about without the company's knowledge in the first place

Senbank has given the Minister a private undertaking that it will, "in a reasonable period of time," dispose of the 940 000-odd Union shares it secured at great expense in March But when, and to whom? At least the Minister seems to have made it clear that CWD is not entitled to hold shares in Union Wine But he has written a letter to Union Wine asking for particulars of the Kirsh group's interest in Union Wine "with a view to ensure that the principle of division between the wholesale and retail trade is strictly complied with" In view of the fact that the Kirsh group is not a liquor producer, its investment in Union should be seen as no different to any other commercial investment

Senbank, on the other hand, must be a reluctant holder of its Unions, acquired at a premium of at least 100% in excess of net asset value

It's a fair bet that the now-unnecessary R2m-odd write-off provided in CWD's accounts will be mirrored by Senbank, probably with interest at 14%-16% for the period it has been holding the shares

Who bears the loss?

Does Senbank have any claim on CWD for losses it may suffer? A Senbank spokesman will not comment on the possibility of any financial agreement between Senbank and CWD And he says the Minister has not yet given any indication of what "a reasonable time" is for the sale of the shares

"But we need not suffer financially," he says

"We can sell to anyone outside of CWD and at any price we can obtain At the moment the JSE price for Union Wine is no reflection of the market value"

CWD shareholders and members of the KWV will doubtless have many questions at the forthcoming annual meetings of the two bodies The very least they should demand to know from CWD is what the true aim of the exercise was With a R2m write-off provision in the books they have a right to know

EL car plant strikers return

E. Post 26/10/79

152 142 140 183 154 182 134

Post Reporter

THE giant East London motor manufacturing plant Car Distributor Assemblies, returned to normal today with its 3 300 workers back at their posts after a series of strikes over the past fortnight

According to a spokesman for the firm, 258 black and coloured workers from the stores and cut-and-sew sections, involved in a wildcat strike on two days last week, were among those who clocked in today

"In the interests of industrial peace, the company made no move to bar them from their places of work or to recruit new workers to fill their places," he said

The firm assembles the South African range of Mercedes Benz vehicles

At the Johnson and Johnson factory, hit by strikes after a woman was dismissed for alleged theft, the situation has returned to normal Officials of the SA Allied Workers Union were negotiating with management, a spokesman for the union said today

In Port Elizabeth, at the firm of SA Bottling, the managing director, Mr P R Gutsche, said the factory was back to full employment except for a "limited" number of key positions

STAR 29/10/81

Four detained PO workers released

152 ~~268~~ ~~629~~ 182 ~~187~~

Labour Reporter

Four post office workers from Soweto, detained by the Security Police in March this year, have been released.

The four were initially detained under section 22 of the General Law Amendment Act before being held under section 6 of the Terrorism Act.

Mr Ben Raboeane, counter clerk, was detained a week before the other three — Mr Elias Mosunkutu, Mr Bob Mabaso and Mr Rupert Khumalo.

Fifty-nine Port Elizabeth workers, many of them former post office employees, who were detained earlier this month by the Security Police are due to re-appear in the Port Elizabeth Magistrates' Court today in connection with their alleged role in labour unrest in that city.

On their first court appearance last week the case was postponed.

LABOUR

Star 30/10/81

Firm hit by pension row

~~181~~ ~~152~~ ~~1454~~ ~~300~~ ~~183~~ ~~183~~ ~~224~~ 182 ~~129~~ ~~248~~

By Tony Davis
Labour Reporter

There was no production again yesterday at the Defy Industries plant in Durban as about 1 000 workers continued their pension strike

The black workforce downed tools on Tuesday, demanding pay-out of pension contributions They were told that under pension fund conditions their contributions would be held until they turned 65

There is a possibility that management may negotiatie with the Fosatu-affiliated Metal and Allied Workers Union and the South African Allied Workers Union (Saawu)

Talks have been held with a works committee, and Defy's managing director, Mr Ron Collie, said there might be future meetings with the unions to resolve the dispute

Talks were held again yesterday at the Johnson and Johnson plant in East London where workers are demanding reinstatement of a sacked colleague.

The pension unrest had also spread to another Durban firm — Reckitt and Colman, where 400 were reportedly on strike.

Ensor Plastics in Durban started to engage a new workforce after about 140 workers were dismissed after refusing to work until they received their pension contributions

At the Aberdare Cable plant in Port Elizabeth about 400 workers were warned to return to work or face dismissal. They are demanding that a recently dismissed colleague be reinstated.

Also in Port Elizabeth yesterday the case against 59 former workers was postponed until next month They were appearing in court a second time under the Riotous Assemblies Act.

LIQUOR

(182) FM 30/10/81

Another challenge to SAB

For the umpteenth time, hopeful entrepreneurs are working on a scheme to challenge SA Breweries' dominant position in the local beer market

The plan — which first surfaced locally with an advertisement in the *FM* (*Business* June 26) — has been been put together by a Luxembourg company called Profunda Holdings

The idea is to brew a well-known German beer under licence Profunda's representatives have already discussed the project with both Niko Becker, principal shareholder and MD of the German brewery, Becker, and with at least two SA liquor distributors

The privately-owned Becker Brewery is situated in St Ingbert near Saarbrucken, close to the German-French border It brews several varieties of pilsener which are distributed mainly in Germany, France and Italy The brewery's annual output is in the region of 750 000 h*l* (SAB puts out 10m h*l* a year)

Three representatives of Profunda and Becker's personal representative will arrive in SA this week to consider property options and to firm up their plans They will be looking at land in south Johannesburg, in the Halfway House area between Johannesburg and Pretoria, and in two homelands

German entreprenuer Klaus Braun, of Profunda, declined to go into detail with the *FM* on the telephone He said he would discuss the matter fully when he arrived in SA Asked about backing, he said Profunda was a "international holding company with property interests "

All involved say no deals have been signed yet Niko Becker told the *FM* that at this stage he does not intend to build a brewery in SA himself But he confirmed that he had been "approached to lend the name of my brewery, as well as our technical expertise, to the venture

"If the possibilities are as good as they sounded when they were outlined to me by the gentlemen from Profunda, then I would think about it very seriously

"I can, however, assure you of two things One is that my representative will be carrying a very long checklist The second is that all the options are still open "

A leading SA liquor wholesaler says plans are still at an embryonic stage

"We have had discussions on the possibility of investing in a brewery in SA, but this should not be read out of context since the discussions were of a very preliminary nature and we have made no commitments at this stage "

According to associates of Fred Marx, the Bedfordview marketing consultant who acts locally for Profunda, the beer will be selectively marketed — in contrast, for example, to the campaign waged by Anton Rupert's Intercontinental Breweries which tried to do battle with SAB across the full market spectrum

A number of campaigns are being mooted by the local marketing men But the campaign will probably be based on Becker's European image — a "young" and "fresh" beer with an outdoor theme

It is also understood that German songstress Nola Tilaar will be brought to SA to promote the campaign

One area which might become a focus is the black market, especially if the legalisation of shebeens becomes a reality

This, however, would seem dicey ground on which to challenge the might of SAB In fact, no liquor company has ever tangled with SAB and come off best

Despite ongoing oppositions, SAB remains the country's biggest andmost profitable liquor company

Competitiors who have fallen or been absorbed include Union Breweries and Ohlsson's Cape Breweries (1956) and SFW and Monis (1966)

Subsequently, SAB was forced to reduce its holdings in SFW to a maximum of 33,3% (It now has no interest at all in SFW, but 30% in CWD) At the same time, two new beer competitors, Old Dutch and Whitbread, entered the market but failed to stop the SAB sales graph In due course they were bought out

So was the Louis Luyt operation after it was taken over by Remgro SAB now competes with its beer brands against wines and spirits

SAB's best protection against competition comes from its wide range of brands It believes each market segment is covered and competitors will thus find it difficult to find a foothold

Interim payment bumped up to 10c

Beer boom boosts SA Brews by 60%

RDM 5/11/81 182

SA BREWERIES doubled beer profits to lift group earnings more than 60% in the six months to September.

First-half earnings a share were 60,4% better at 26,8c (1980: 16,7c), and the interim dividend has been lifted 54% to 10c (6,5c).

By DAVID CARTE

The directors say this in line with SAB's policy of reducing the dividend to 40% of earnings from 50% in the next few years

While its major listed subsidiaries, OK Bazaars, Afcol, Amrel and Southern Sun increased their contribution to attributable profit 21% to R28 444 000 (1980 R23 527 000), the group as a whole hoisted taxed attributable profit 60,4% to R59 500 000.

This means the group's other interests, mainly beer, lifted their contribution 128% to R31 100 000 (R13 600 000)

Because of a change in the yearend of Cape Wine & Distillers, SAB has included only three months of earnings from its 30% stake in CWD against six months in the comparative period

Otherwise growth in the "beer and other" divisions would have been more than 128%. The inference is that beer profit doubled or came close

Booming beer profit was largely due to a 25% increase in volume sales of beer, Mr Dick Goss, managing director of SAB, told me yesterday.

He said the rate of increase in volume sales had slowed slightly from the 33% achieved last year, particularly in recent months, because of the increase in excise duty imposed in the Budget

The January 1981 price increase and the scrapping of discounts that obtained in the beer war with ICB will also have been important factors in the beer profit surge.

Mr Goss said SAB had capital spending plans of about R300-million — R200-million of which would be spent on increasing brewing capacity.

At September 30, capital commitments were R98-million (R64-million). A further R224-million (R244-million) had been authorised, but only R60-million (R40-million) would be committed this year

SAB had been able to meet strongly rising demand for beer. A large brewery opened in Bophutatswana last month and SAB's capacity would rise further after the opening of the Rosslyn brewery at the end of next year.

He was confident that even Christmas demand would be met and said a beer price increase was not likely "in the immediate future".

Legalisation of shebeens would not lead to an overnight surge in demand, but would ensure growth for some time

Sales in the first half rose 33,4% to R1 386 400 000 and operating profit 53% to R123 500 000.

Thanks to higher interest rates and increased stocks and debtors in most group companies, but particularly in OK, and Amrel, the interest bill soared 64% to R20 500 000

Mr Goss said group borrowings had risen, but so had equity and he did not expect gearing to have increased significantly by the yearend in spite of huge capital expenditure

The tax rate fell slightly to 36,3% (36,7%) and dividend income rose 26% to R14 400 000 The minority slice of profits rose 17,8% to R20 500 000, making taxed attributable profit 60,4% better at R59 500 000.

The directors expect the economy to continue losing momentum. This and the exceptional performance last second half, they say, "will lead to a somewhat slower rate of growth in both group sales and earnings" for the rest of the year.

"Nevertheless, the improvement for the full year is expected to be satisfactory"

An extraordinary profit of R900 000 probably represents profits on the sale of bottle stores

Mr Goss said SAB was on quota with the forced sale of its bottle stores but this was having little effect on profit

SAB has published a group balance sheet showing shareholders' funds up 31% to R548-million and long-term borrowings up 31% to R324-million. Debt to equity rose to 59% (50%) Fixed assets rose 36% to R841-million, current assets 34% to R816-million and current liabilities 47% to R566-million

COMMENT: These results are way ahead of the most optimistic forecast. But the second half of the year is by far the most important. Last year nearly 70% of earnings came in this time. With everything a little less rosy at the moment and some really tough comparative numbers to beat, SAB will be doing well to be 40% ahead at the yearend.

But earnings growth of 35% and a dividend increase of 30% look within reach, suggesting earnings of 73c and a total payout of 34c. At 475c, this would give a prospective yield of 7,2% and a PE of 6,5 — fair value for a high performance blue chip, even if it is consumer based.

WINE (182)

Growers in ferment

FM 20/11/81

Tough-talking winegrowers put a gun to the head of the KWV board of directors this week and demanded a 25% increase at the January 14 1982 price "fix" In a display of uncompromising self-confidence, the normally docile growers left little doubt at their meeting in Worcester that the board had better "shape up or ship out"

At the end of the meeting a vote of confidence was passed — to the obvious relief of the board — but only after the directors had been given plenty to reflect on Chairman Andre du Toit, who appeared to have been singled out for most of the criticism, was at times visibly shaken by references to board members with so many outside directorships and commitments that they had no time for advancing the interests of winegrowers

Growers were responding to suggestions generated at a recent series of report-back house meetings that they should try to restore closer contact with the board of the KWV by "contact and constructive confrontation" Frank dialogue, they were told, was the sole means of restoring contact with leaders of the industry

KWV's Du Toit . catching flak from farmers

They delivered a formidable catalogue of complaints There were even gripes about the handling of the Cape Wine/Union Wine affair and Frans Malan of Simonsig declared he was not satisfied with the explanation given

There were complaints about KWV's "conservative" pricing policy which had "created the gap" for Finance Minister Owen Horwood to hoist duties on wine spirit Financial returns, growers said, were inadequate to allow ploughbacks for improved cellar and vineyard techniques

The *FM* established this week that a demand boom is developing in natural wine While the 12-month demand trend shows only a modest advance of 12%, merchants say the month-on-month rise in demand is running in excess of 30%

It is claimed that demand in the Transvaal for higher priced wines is more than the estates can handle If this is true, prices of quality growths will soar, followed shortly afterwards by wines in the medium price categories

If this happens, KWV and its 72 satellite co-ops will probably press the advantage and squeeze wholesale producing merchants to pay more for good wine prepared from shy-bearing cultivars Something that has long bothered co-op winegrowers is their inability to determine what portion of wine delivered at the minimum good wine price of 27,33c a litre is finally sold at R1,50 or R3 a litre They suspect they are being shut off from whopping premiums obtained at the upper end of the market

The problem is that scientists have no empirical evidence that the grapes of a noble cultivar necessarily convert to a fine wine Dr Johan Burger, director of the Oenological and Viticultural Research Institute at Stellenbosch, says growers would have every right to demand higher payment for quality grapes delivered to co-ops if it could be proved that such grapes yielded quality wine

A major problem at the level of co-operative winemaking is that grapes of the same cultivar originating from different growers could be of vastly different quality But they end up in the same tank in order to achieve economy of scale To fragment processing in the interests of "separate development" of good and bad grapes would plunge co-ops into capital investment in additional tanks and vats

A third problem, says Burger, is that growers who go to great lengths to nurture a quality wine grape crop are inadequately rewarded for their efforts For this reason, most producers strive for no more than medium quality grapes in vast volumes, rather than small batches of quality grapes

To reverse the trend greater price incentive will have to be worked into the system At this week's Worcester meeting chairman Du Toit promised he would do just that As chairman of Cape Wine as well, he is well placed to do so

LIQUOR

(182) FM 27/11/81

In high spirits

Liquor sales are buoyant in the run-up to the festive season And the trend seems strong enough to ride out even the inhibiting effects of intensified blitzes on liquored-up motorists

In the three months ending August 1981, sales of medium-priced still and Perle natural wine shot up 131%, from 7m *l* to 17m *l*/month Wholesale merchants report that, if anything, the trend will strengthen as the season peaks

The biggest rise in demand is for semi-sweet whites sold in the bag-in-the-box In the quarter under review, consumption rose 157%, while sales of higher-priced (hp) reds rose 19% in the 12 months to end-July and quality dry whites gained 32%

Standard price (lp) wines are on a modest 2% annual growth trend, reflecting either a more sophisticated wine market, or a greater degree of product substitution at the lower end of the income scale because of higher levels of disposable income

Total natural wine sales are running at an annualised 206m *l*, according to KWV chairman Andre du Toit But the moving average will have increased sharply since the end of July so that total disposals for 1981 could be in the region of 220m *l*-230m *l* An interesting perspective on these numbers, however, is that at 206m *l*, current sales of light wines are not even 2% over 1973 levels

Brandy looks interesting At the end of July this year, sales were bowling along at a 12-month rate of 38,6m bulk *l*, an improvement of more than 10% on last year It may be too early to say for sure, but the 23% increase in wine spirit duty announced in the August 12 Budget does not seem to have dented sales materially

Finance Minister Horwood may have something to say to winegrowers about this in his March 1982 Budget

An unusual feature of improved brandy sales is that 66% of the growth in national consumption seems to have taken place in Natal (1,66m out of 2,43m bulk *l*) This growth seems to have been at the expense of cane, which at July's end was running at a 12-month rate of 19,8m *l* — an improvement of 8,7% on last year

The reason for the Natal brandy explosion is difficult to determine, but some liquor marketing men say it could possibly be attributed to a large body of consumers looking for a new product-linked identity The same thing may be true of gin and vodka, both of which are showing extraordinary growth trends

At the end of July this year, gin sales were swelling at a 12-month rate of 8,7m bulk *l*, an improvement of 50% on last year's small base, while vodka was on 5,6m bulk *l*, an improvement of 40%

Beer, despite a heavy excise tax attack in the August Budget, seems to be maintaining an annual growth rate of more than 30% and total sales this year will go well over a billion litres

Whisky sales at the end of July were down to 8m bulk *l*, a drop of about 8% Scotch seems to have lost ground to local grain spirits and whisky blends which are selling at an annual 2m bulk *l*, an increase of 9,2%

F.M. 18/12/81
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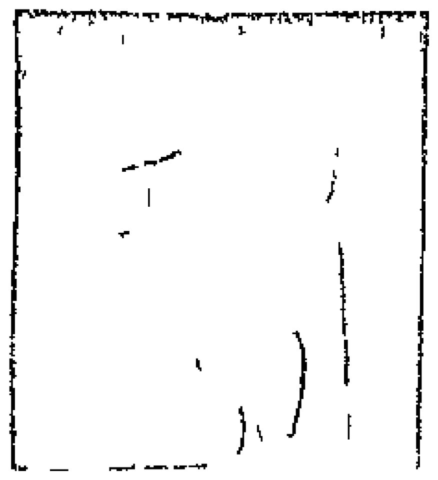
MAN OF THE YEAR

Dick Goss



To the outsider, Dick Goss is a [illegible] chap. He [illegible] the [illegible] and [illegible] at ease in social gatherings [illegible] his predecessor, the [illegible] [illegible], his [illegible] to introversion, which is seen by some as aloofness

"Don't go to him with a bull proposal because he will analyse it out of existence," says a trusted lieutenant who has served with him for years. "He is not an easy guy to relate to and puts the fear of God into people "

How then has he mobilised 53 000 employees into one of the most highly motivated and efficient workforces in the country? And how has he raised group pre-tax profits from R10m in 1967 to R240m this year, at the same time improving pre-tax return on assets from 12% to 22%?

Subordinates say it is through leadership based on personal example. Goss has never sought popularity with backslaps in the pub, but has won the admiration and respect of his staff for his immense personal abilities and astute mind

And in a tight corner his qualities of aggressiveness and determination shine. He infects his entire staff with a zeal to lick the competition at all costs

"The tougher things get, the more dedicated we become," he says. "It is almost like a war psychosis "

His own toughness probably took root while doing articles in the trust department of a firm of accountants

"I saw the seamier side of business, like liquidations and receiverships," he recalls "At a tender age I was brought face-to-face with what happens to people who go to the wall and lose everything but the bed they sleep on. But, for me, it was destructive work "

His next job was different. After obtaining his CA he joined SAB and, in the 30 years since, he has been the major force in building it into one of the biggest industrial groups in the country

Says Goss "The beer excise figures are our monthly score sheet and everybody down to the floor sweeper knows them and knows if we are winning or losing. Without seeing the figures, I can tell how we are doing by walking into a reps room and looking him in the eye "

He claims that lack of a beer competitor is his greatest concern at present. "Uppermost in my mind is the danger of our becoming complacent. My challenge is to find meaningful goals to keep us in trim

"I cannot manufacture a competitive situation, but I enforce the condition that our planning assumes we have a competitor in three years time. And we work to a formula which keeps our price increases below inflation

These prescriptions will probably deter the competition [illegible] the SAB beer division has built up a formidable defence [illegible] and packaging [illegible] designed to cater for a [illegible] market segment. New brands and packs are launched from time to time even in the absence of competition

Any new beer aiming for a significant market share will thus have to compete eyeball to eyeball with an established SAB brand that is a household name. Backing it up is one of the most advanced beer brewing and distribution facilities in the world

This range proved itself after SAB took over the brands of its defeated rival Rembrandt's Intercontinental Breweries (ICB) in 1979. None of them was better suited for the market than the existing SAB brands so all were phased out. SAB also dropped its own Stallion 54 brand, which had been put on the market only to pre-empt the launch of ICB's Colt 45

SAB may lack a commercial competitor in the beer market, but many consider that it still faces an even bigger adversary, the SA government. Goss is understandably reticent on the matter, but it is no secret that SAB has probably suffered more from government attempts to clip its wings than any other SA public company - much of it during his term as MD

Some examples

- When Whitbread's brewery was established, government introduced an additional excise on beer produced by big breweries. SAB's big Isando brewery was the only one in the country to qualify for this burden
- In spite of government's declared policy of encouraging the consumption of low alcohol drinks, numerous supermarkets have received licences to sell wine but not beer which contains less alcohol
- Beer excise is nearly as high as spirits excise and is 23 times higher than natural wine excise. In the last budget, beer excise was raised further
- In 1977 government forced SAB to reduce its controlling share in Stellenbosch Farmers' Winery (SFW) to 33%

Characteristically in countering these challenges the group has emerged stronger each time

The performance of his beer division is [illegible] the [illegible] success. He led the SAB diversification into non liquor [illegible] which today contribute [illegible]% of its earnings

The diversification was prompted largely by the forced sale of SAB shares in SFW which provided a lot of spare cash. This was supplemented by cash from the sale of SAB's 300 hotels which did not comply with the star-grading system then being introduced

Goss then began what he calls his aggressive policy of growth through acquisition. He not only took an active role in running the beer division [illegible] competition from Whitbread and Luyt Lager in the process, but personally negotiated most of the takeovers

During this feverish activity, he was selected as the FM's businessman of the year for 1969. He was hailed for leading SAB's expansionist leap and for raising after-tax profits growth from 10% to 25% a year

But his methods of managing have changed markedly. He now regards the Sixties as "learning days" and likens the early phase of growth to "quickly slapping up a house without worrying too much if the roof leaks or the door does not quite fit "

Says he "I had a highly autocratic and risk taking style but it allowed fast decisions and implementation

"It was not conducive to people-building. So it is hardly surprising that in this period, productivity in terms of operating returns showed relatively small improvement "

Between 1967 and 1974 SAB purchased several food companies to form Food Corporation, hotels to form Southern Sun, shoe companies to form Shoe Corporation and Afcol the furniture manufacturer. In 1974 it acquired Federated Stores, at the time one of the biggest acquisitions in SA business history. It comprised OK Bazaars, UDC and interests in clothing manufacturers, property and investment portfolios

Goss admits that, by then, the SAB empire had taken on a higgledy-piggledy nature which was confusing investors and depressing the share price

"The realisation took root," he says, "that we should assume a profile which would make the investor feel good "

And SAB accustomed to its role of a liquor giant, was clearly not happy to play second fiddle in other markets

"We were not experienced in these businesses," he says, "and a number of our small companies had to compete with giants like Unilever and Premier Milling

"There was a danger we had bitten off,

A SUCCESS [illegible]

SAB [illegible]

	1967	1981
Turnover	R10m	R [illegible] 375m
Profit after [illegible]	[illegible]	R16 [illegible]m
Assets [illegible]	[illegible]	[illegible]
Gross [illegible]	[illegible]	[illegible]
Pretax [illegible]	[illegible]%	[illegible]
Earnings [illegible] share	15 cents	[illegible] 4 [illegible] cents
Dividends [illegible]	[illegible] cents	[illegible] cents

more than we could chew and would come a cropper, so in 1975 we introduced a new strategy more focused endeavour, organic growth improved productivity and strict financial discipline

"A number of weak sister businesses, misfits and low potential activities were sold Since then we have had no major takeovers but our growth rate has been identical to that during the acquisition phase "

At the same time Goss stepped back from the front line and handed over more responsibility to his managers in the field When he first took the job, only two of his managers sat on the SAB board, today there are eight

He now concentrates on corporate planning, procuring finance and top people, motivating the management team and monitoring performance

In this climate, wonderboy Sol Kerzner has pioneered a new concept in hotels and entertainment, and Meyer Kahn has put new life into OK Bazaars, the grandmother of SA discounters which was being harried increasingly by younger competitors

Says Goss "Our managers are highly imaginative and they get down to fundamentals They have the courage of their convictions, so are not afraid to take risks

"Over the years I have learned how important it is to create a confident management team If you are inconsistent, people do not know where they stand I therefore discipline myself to a constancy of conduct and I stick to set principles I no longer play too many things off the cuff, but am inclined to allow major changes in policy to evolve over time "

With this approach, taxed profits and earnings per share rose from R37m and 16.3c in 1974 to R163m and [illegible]4.3c in 1981 Productivity improved as the workforce increased from 41 200 to 52 200 and profit per employee from R1 050/year to R3 130

The diversified interests now contribute more than half of group earnings, while the beer division which has a monopoly, has increased its share of the total liquor market from 32% to 40%

Goss backs his claim that consumers have not been exploited by this monopoly by pointing out that price increases have been well below the inflation rate And group profits on sales have declined from 12% when he took over in 1967 to 10% last year, in spite of the enormous improvements in return on assets

A more rational group configuration is now emerging where most of the companies are the biggest in their fields OK Bazaars in retailing, Southern Sun in hotels and Afcol in furniture manufacture The only exceptions are Shoe Corporation and the Amrel retail operation This suggests they are slated for further expansion

Goss affirms he is now ready for another phase of expansion through acquisition "This time we will be highly focused," he says "and will be looking for major worthwhile acquisitions in consumer goods "

In 1969 he said SAB was so well organised that nobody would know if he left History has proved him wrong, for his greatest achievements were yet to come

Dick Goss should be the next chairman of SAB, but not yet He is still only a vigorous 53 years old and has more clarity of vision than ever Having made SAB the giant it is today, he has also ensured that it functions without his direct, daily intervention

He is now free to lead it into new ventures from a far firmer base, for he says "I leave the office at five and never take work home I am a very lucky man "