



MANUFACTURING SUBSECTORS

Beverages

December 2017

Industrial policy aims to promote diversification and tailor interventions to the needs of individual manufacturing industries. To support evidence-based policymaking, TIPS has completed a series of notes on the main manufacturing subsectors in South Africa. These notes provide information on the contribution to the GDP, employment, profitability and assets, the market structure and dominant producers, major inputs and international trade. They bring together data from Statistics South Africa, Quantec and Who Owns Whom to provide a more detailed overview of each sector.

This note summarises key data and information on the beverages subsector as of December 2017. It will be updated as information becomes available.

The beverages industry comprises alcoholic and soft drinks excluding fruit juices, which are classed under fruit and vegetable processing. Soft drinks were around a fifth of beverages turnover.¹

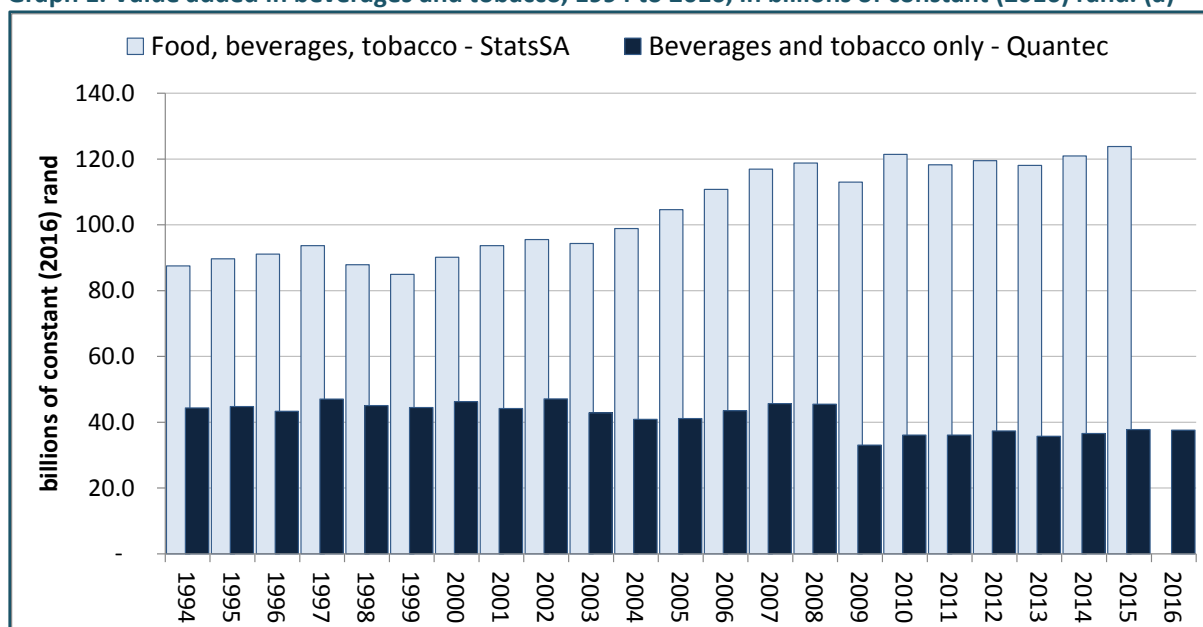
1 Contribution to GDP

Data for the contribution of manufacturing industries to the GDP (that is, for value add by industry) come from two sources: the GDP data published by Statistics South Africa, and Quantec, which develops estimates based on the Statistics South Africa figures for sales, production and employment by industry and sub-industries. The figures are not identical, although they typically show the same trends. This note provides both.

Neither Quantec nor Statistics South Africa provides data on the contribution to value add of beverages alone. Statistics South Africa groups beverages with food processing and tobacco, while Quantec estimates combine beverages and tobacco. Sales by South African tobacco producers are around a quarter those of beverages,² but the value added may be lower because most tobacco is imported while alcoholic beverages use mainly domestic inputs.

In constant rand, beverages and tobacco declined around 0,2% a year from 2000 to 2008, according to Quantec estimates. It fell by a quarter in 2008/9 in the global financial crisis, recovered some 9,3% from 2009 to 2010, but then grew only 0,7% a year through 2016 – more slowly than the population. As Graph 1 suggests, the rate of growth for value added in beverages and tobacco was considerably slower than for food processing.

Graph 1. Value added in beverages and tobacco, 1994 to 2016, in billions of constant (2016) rand. (a)



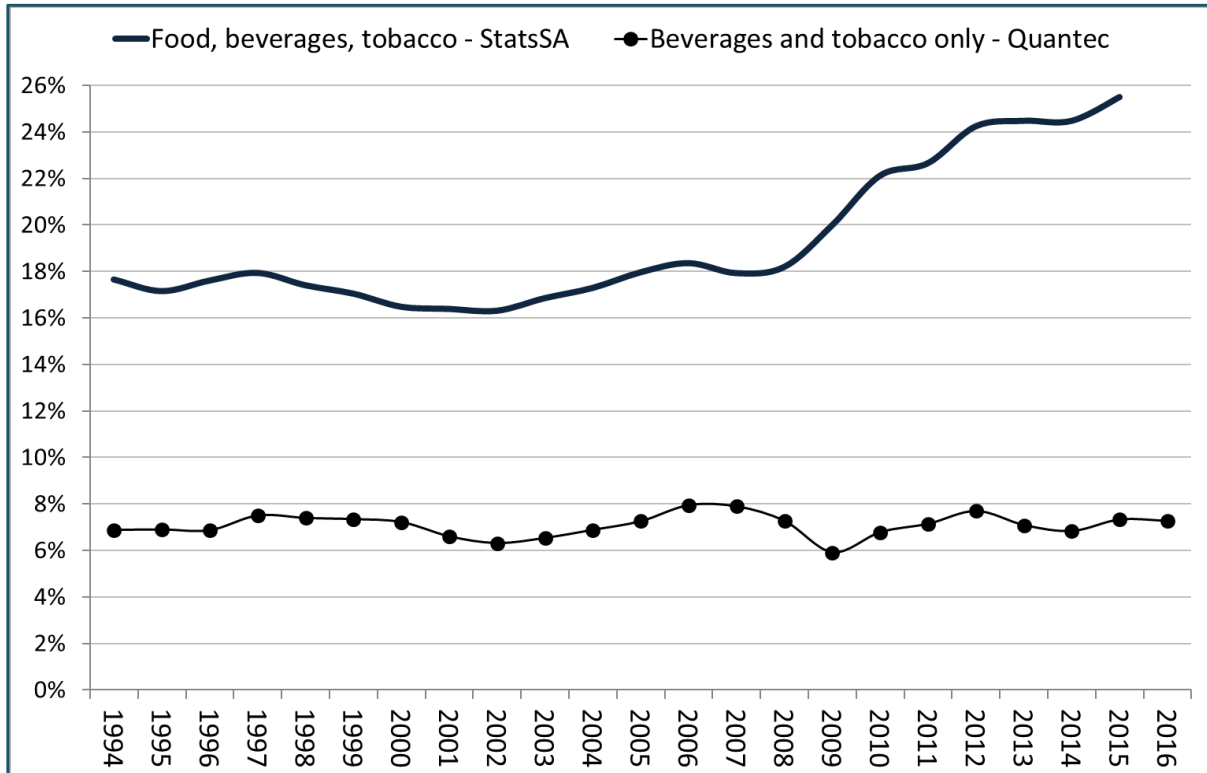
Note: (a) Deflated by calculating the deflator used in the sources from figures in current and constant rand, and then rebasing to 2016. Source: Statistics South Africa, GDP P0441. Annual quarter and regional revisions. Q4 2016. Excel spreadsheet. Series on manufacturing subsectors in current and constant rand. Downloaded from www.statssa.gov.za in September 2017; and Quantec EasyData. Standardised regional data. Database in electronic format. Series on value added in current and constant rand. Downloaded from www.quanis1.easydata.co.za in September 2017.

¹ Calculated from Statistics South Africa. AFS 2010 to 2016. Disaggregated industry estimates. Excel spreadsheets. Series on turnover. Downloaded from www.statssa.gov.za in November 2017.

² Calculated from Statistics South Africa. AFS 2010 to 2016. Disaggregated industry estimates. Excel spreadsheet. Series on turnover. Downloaded from www.statssa.gov.za in November 2017.

According to the Quantec estimates, the share of beverages and tobacco in total manufacturing value add fluctuated between 6% and 8% from 1994 to 2016. By extension, the rapid increase in the share of food, beverages and tobacco in total manufacturing was driven by the relatively stable growth in food processing rather than by beverages and tobacco.

Graph 2. Beverages and tobacco contribution to manufacturing value added



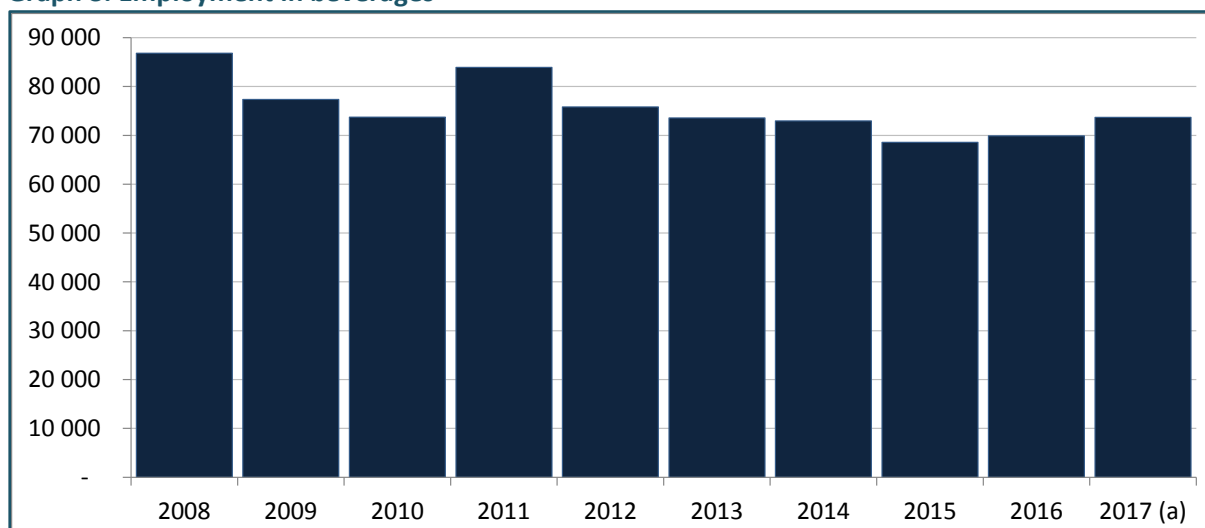
Source: Calculated from Statistics South Africa, GDP P0441. Annual quarter and regional revisions. Q4 2016. Excel spreadsheet. Series on manufacturing subsectors in current rand. Downloaded from www.statssa.gov.za in September 2017; and Quantec EasyData. Standardised regional data. Database in electronic format. Series on value added in current rand. Downloaded from www.quanis1.easydata.co.za in September 2017.

2 Employment

Employment data provided in this section draw on Statistics South Africa’s Quarterly Labour Force Survey, which was introduced in 2008. Its annual figures, in the Labour Market Dynamics, are averages of the quarterly findings. This methodology is used to derive annual data for total employment by industry in 2016 and the year to the third quarter of 2017.

Employment in beverages dropped by 3,5% a year from 2008 to 2015, losing almost 20 000 jobs. From 2015 to the third quarter of 2017, however, it regained around 5 000, or 7%.

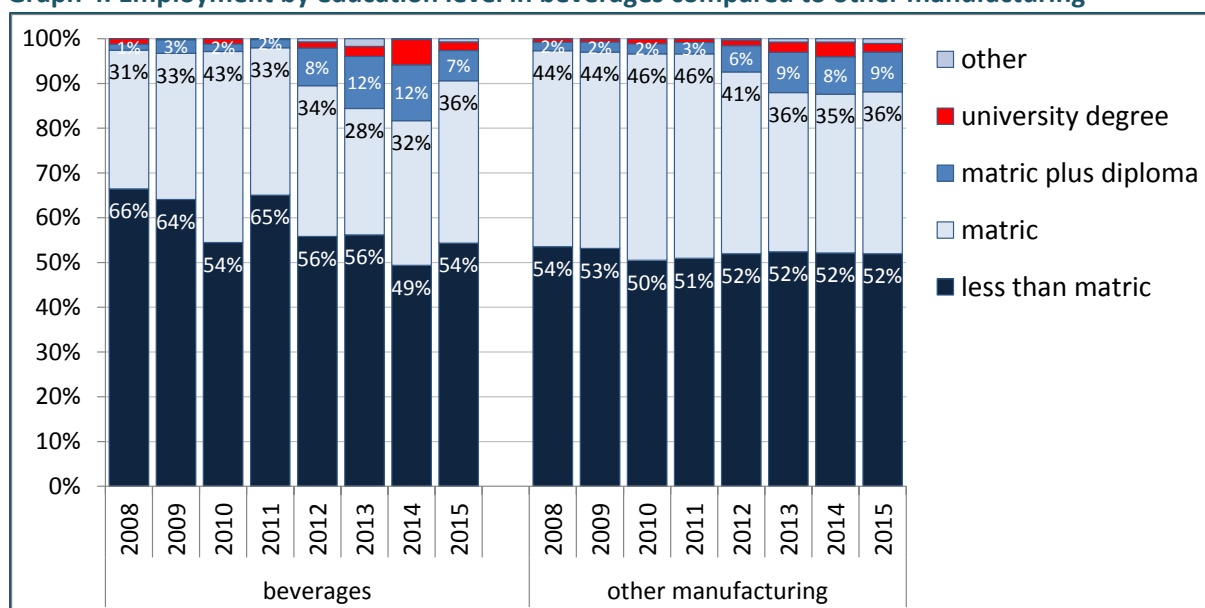
Graph 3. Employment in beverages



Note: (a) Calendar years except for 2017, which is the year to the third quarter. Source: Calculated from Statistics South Africa. Labour Market Dynamics. 2008 to 2015. Series on employment by industry. Electronic databases. Downloaded from www.statssa.gov.za Nesstar facility in September 2017; and Quarterly Labour Force Survey. Q1 2016 to Q3 2017. Series on employment by industry. Electronic databases. Downloaded from www.statssa.gov.za Nesstar facility in December 2017.

Education levels in beverages were virtually identical to the rest of manufacturing. Just over half of workers had not completed matric, over a third had matric, and around a tenth had a tertiary diploma or degree.

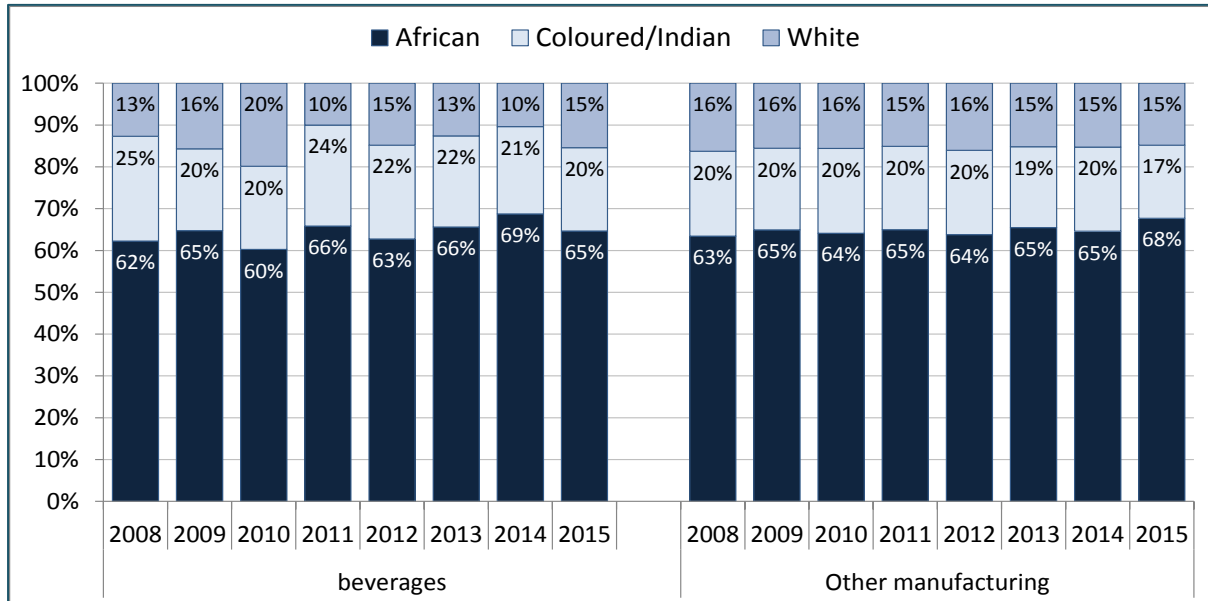
Graph 4. Employment by education level in beverages compared to other manufacturing



Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and education. Electronic databases. Downloaded from www.statssa.gov.za Nesstar facility in September 2017.

The composition of employment in beverages was virtually identical to the rest of manufacturing, with around two thirds African, a fifth Coloured, and a seventh white.

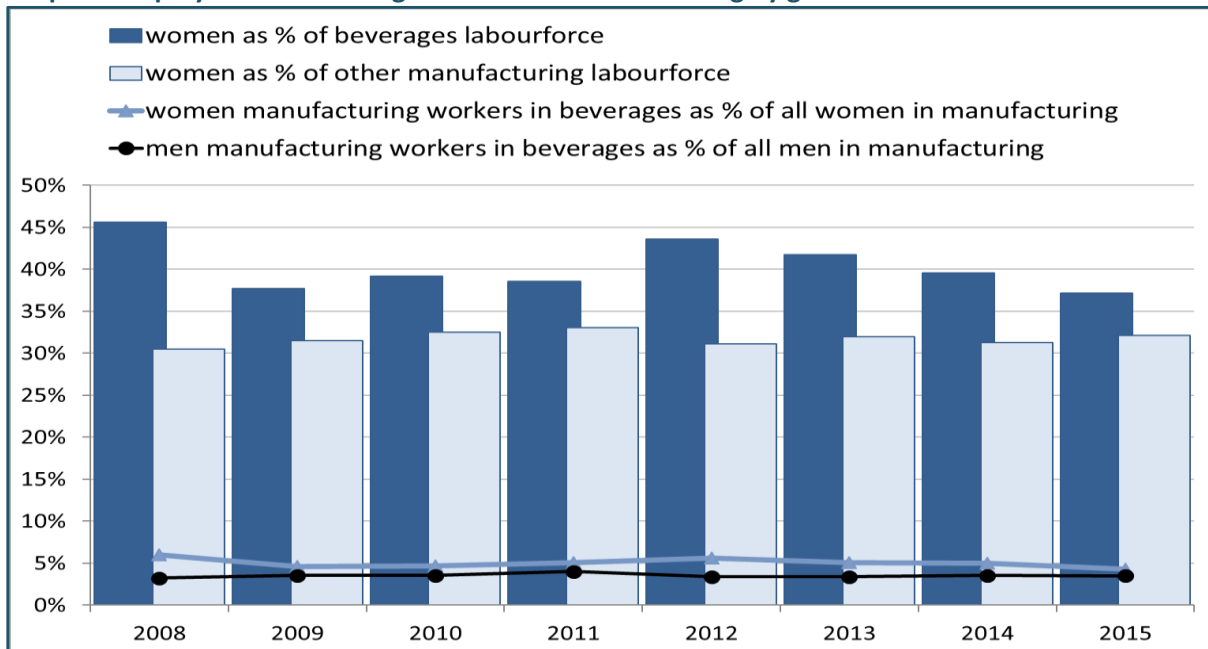
Graph 5. Employment in beverages by race



Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and population group. Electronic databases. Downloaded from www.statssa.gov.za Nesstar facility in September 2017.

Women made up around 40% of the labour force in beverages, compared to 32% for the rest of manufacturing. Around one woman manufacturing worker in 20 was employed in beverages production.

Graph 6. Employment in beverages and other manufacturing by gender



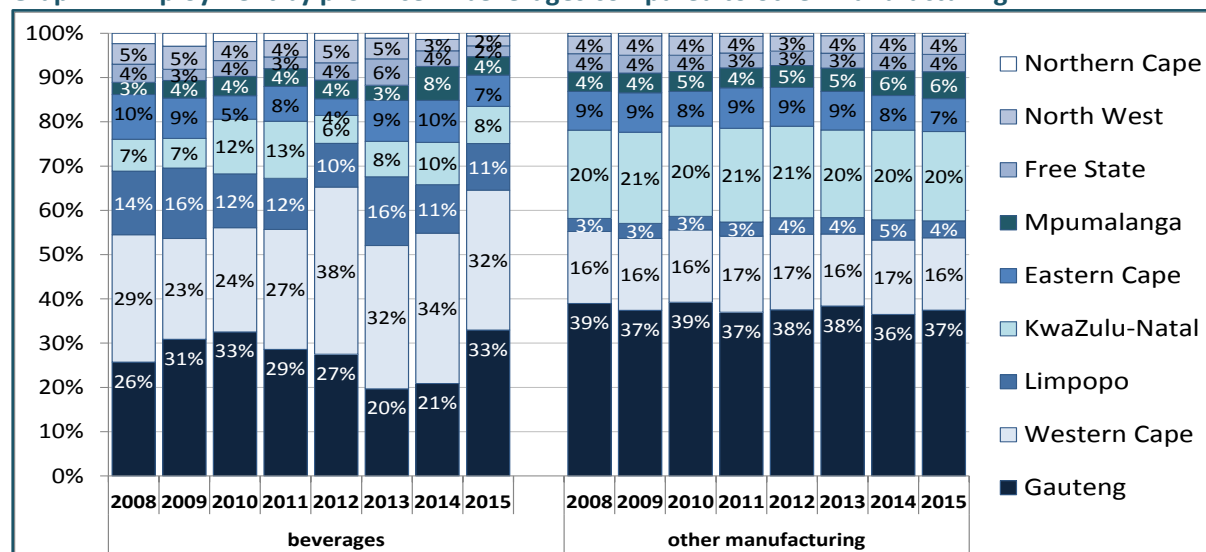
Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and gender. Electronic databases. Downloaded from www.statssa.gov.za Nesstar facility in September 2017.

3 Location

Statistics South Africa provides information on employment by province. As Graph 7 shows, the Western Cape and Gauteng accounted for around two thirds of beverages employment. Limpopo

contributed over 10%, a much higher share than for other manufacturing industries. In contrast, the KwaZulu-Natal share was around half as high as for the rest of manufacturing.

Graph 7. Employment by province in beverages compared to other manufacturing



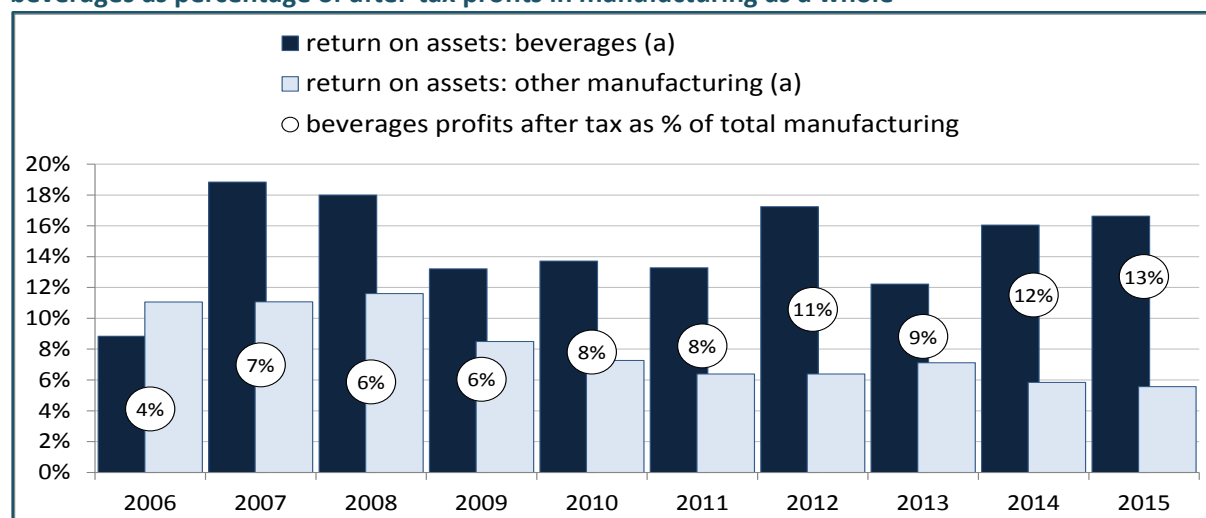
Source: Statistics South Africa. Labour Market Dynamics. Relevant years. Series on employment by industry and province. Electronic databases. Downloaded from www.statssa.gov.za Nesstar facility in September 2017.

The location of manufacturing can also be understood in how it was embedded in apartheid geography. To this day, only a tenth of manufacturing employment is in the former so-called “homeland” regions, where around a quarter of the population lives. In the case of beverages, however, around 18% of total employment was in the former “homeland” regions from 2008 to 2015.

4 Profitability and assets

The return on assets in beverages was consistently higher than in the rest of manufacturing from 2008. In 2014 and 2015, it was around 16%, and had risen from 2008. In the rest of manufacturing, it was just under 6% in 2014 and 2015, and had fallen after 2008.

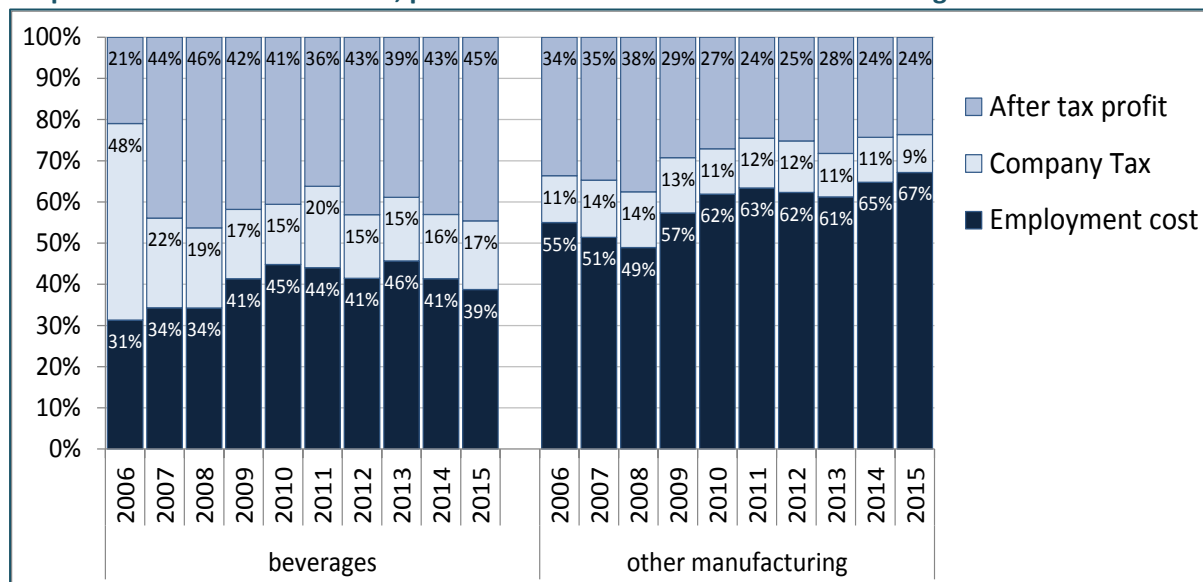
Graph 8. Return on assets (a) in beverages and other manufacturing, and after-tax profits in beverages as percentage of after-tax profits in manufacturing as a whole



Note: (a) Profits before taxes and dividends less company tax as percentage of total assets. Source: Calculated from Statistics South Africa. Annual Financial Statistics. Disaggregated Industry Statistics for relevant year. Excel spreadsheet. Downloaded from www.statssa.gov.za in September 2017.

The share of profits in value added in beverages was around 45%, compared to 24% in the rest of manufacturing. In contrast, remuneration came to around 40% in beverages, while it was over 60% in the rest of manufacturing from 2010. Company taxes were over 15% in beverages, but only just over 10% in the rest of manufacturing.

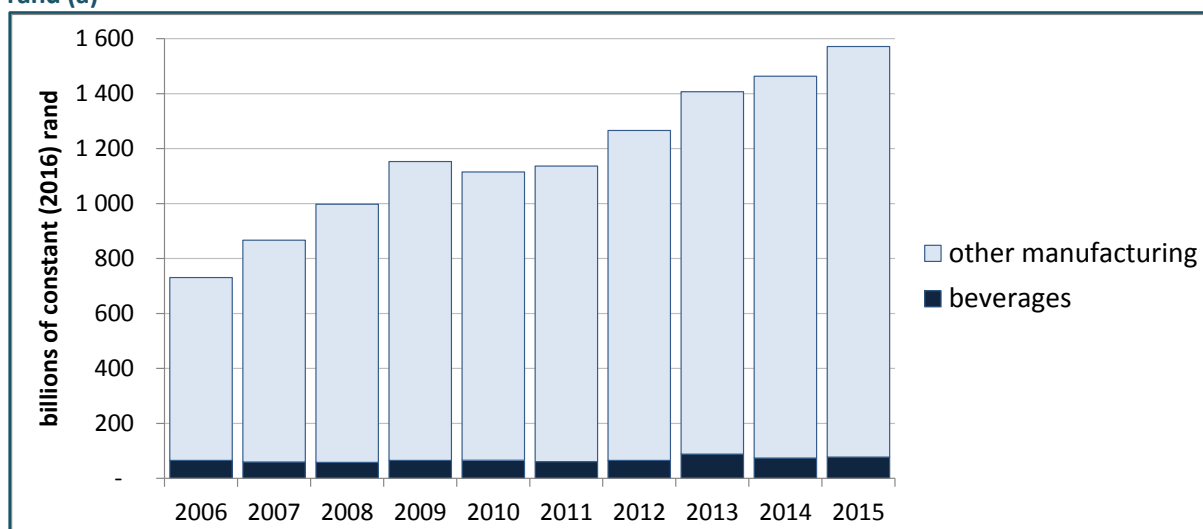
Graph 9. Share of remuneration, profits and taxation in income from beverages



Source: Calculated from Statistics South Africa. Disaggregated Industry Statistics for relevant year. Excel spreadsheet. Downloaded from www.statssa.gov.za in September 2017.

The value of assets in the beverage industry climbed substantially less than in the rest of manufacturing from 2008 to 2015. They increased 34% from 2008 to 2015, while the assets in the rest of manufacturing rose 59%. As a result, the share of beverages total manufacturing assets fell from 6% to 5% over this period.

Graph 10. Value of total assets in beverages and other manufacturing in billions of constant (2016) rand (a)



Notes: (a) Deflated with CPI. Source: Calculated from Statistics South Africa. Disaggregated Industry Statistics for relevant year. Excel spreadsheet. Downloaded from www.statssa.gov.za in September 2017.

5 Market structure and major companies

According to Statistics South Africa's Manufacturing Financial Statistics, in 2014 the largest five companies in beverages got 75% of income in the industry. That was around twice the norm for other manufacturing industries, pointing to a high level of concentration in beverages production. That said, there were a number of small producers in wine and craft beer production, but they contributed only a minor portion of turnover. In soft drinks, several small manufacturers have emerged that provide bargain-priced drinks for the lower end of the market.

In 2015, the Labour Market Dynamics Survey found around 8 000 formal enterprises (that is, employers and self-employed) in formal food, beverages and tobacco, compared to a total of around 60 000 in manufacturing as a whole and 671 000 for the entire economy.

The largest companies in beverages are described in Table 1. The dominant company was historically South African Breweries (SAB), which after 1994 listed overseas, undertook very large acquisitions globally, and was taken over by InBev in 2016. Distell, which is owned by Remgro, dominates local alcohol and wine production, and Coca Cola licensees control most soft-drink bottling activities.

Table 1. Large companies in beverages

Company	Employees	Nature of Business
ABI SAB	70 000 (global)	The world's second-largest brewer measured by revenues, and a major bottler of Coca-Cola and other soft drinks. Produces leading brands including Castle, Hansa, Brutal Fruit and Appletiser. Among others, operates seven breweries in SA and the Appletiser factory. SAB listed in London in 1999; merged to become SABMiller in 2002; was taken over by InBev in 2016. Around a quarter of SAB turnover was in SA before it was taken over by InBev.
Alcoholic drinks		
Distell	5 000 (group)	Produces, distributes and markets branded wine and spirits for the local and overseas markets. Majority owned by Remgro (Public Investment corporation (PIC) owns 28%).
Diageo	1 000	Through subsidiaries, produces, manufactures, imports and exports beer, sorghum beer and alcoholic beverages. Its sorghum beer subsidiary, Newshelf1167, has three breweries and one malt plant, and employees 500 people. Diageo (formerly Guinness), also owns Johnny Walker, Bells and Guinness brands, among many others.
Oranjerivier Wynkelders Co-Operative	780	Produces wine and manufactures concentrated grape juice for export to Japan. Commercial farmers' co-operative in the Northern Cape.
Graham Beck Enterprises	480	Wine estate consisting producing for local and overseas markets; also owns stud stable and hotel.
KWV	450	Manufactures wines and spirits and bottles various alcoholic beverages for wholesale to the local and export markets. Has three distilleries.
DGB	433	Produces and imports wines and spirits for wholesale to the local and export markets. Sold both locally and internationally. Has one manufacturing facility.
Edward Snell	318	Produces, bottles, markets and distributes spirits and liquor with two factories.
Van Loveren Vineyards	244	Grape growing and wine-making farm for local and international markets.
Pernod Ricard SA	226	In addition to its core business of importing liquor, produces rum, brandy and liquors for local and export markets and partners with Roberson Winery.
Spier Farm Management	220	Produces wine for local and international markets, as well as operating a wine estate, property and investment concern.

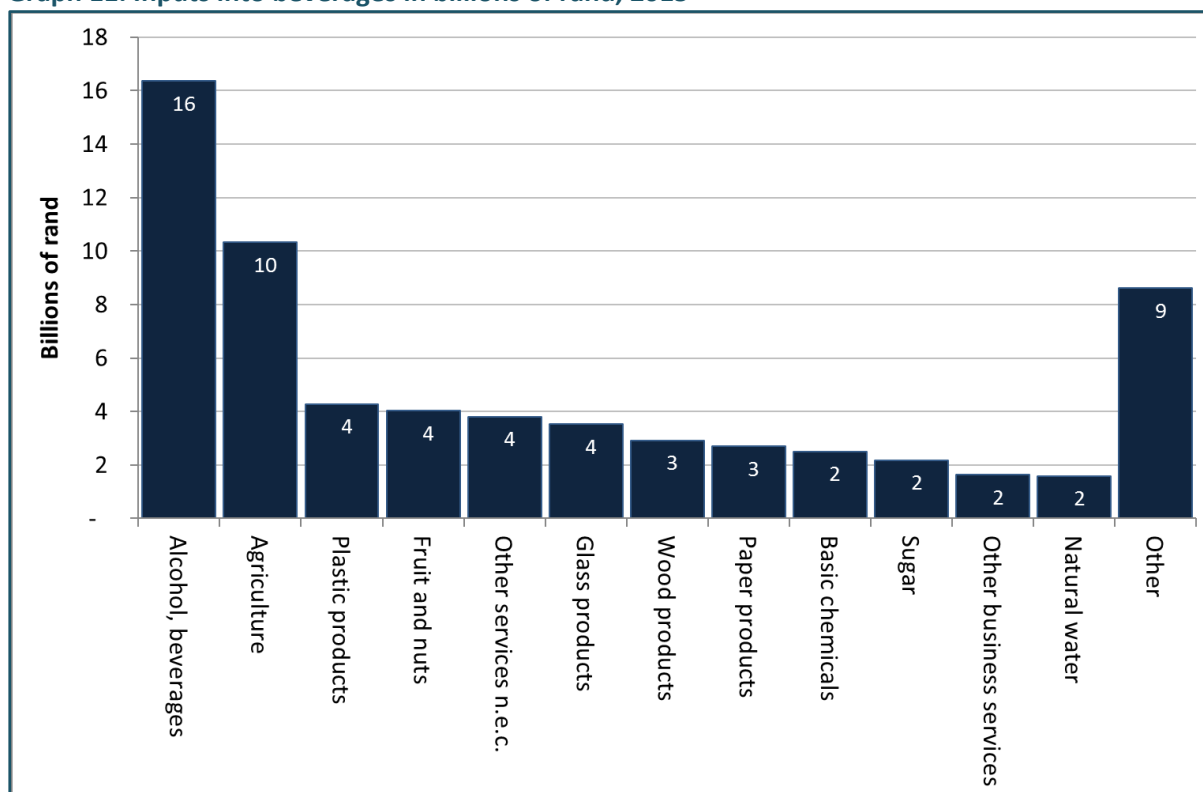
Company	Employees	Nature of Business
Delaire	210	Produces wine for local and international markets, as well as operating a wine estate, spa, hotel and restaurant.
Lusan Premium Wines	180	Operates as distiller and wine maker, distributing exclusively through Distell.
Simonsig Landgoed	180	Produces wine for local and international markets, as well as operating a wine estate. Around 60% of production for export.
Vergelegen Wines	180	Produces wine for local and international markets, as well as operating a wine estate. Around 50% of production for export.
Fairview Wines	150	Produces wine for local and international markets, as well as operating a wine estate.
NCP Alcohols	100	Manufactures and markets ethanol, produced from sugar-cane molasses, for domestic and international pharmaceutical and beverage markets.
Stellenbosch Vineyards	65	Produces wine for local and international markets.
Oude Molen Distillery	28	Distills and wholesales neutral alcohol and rebate brandy.
Soft drinks		
Coca-Cola Sabco	3 922	Manufactures, bottles and distributes branded soft drinks, water and energy drinks. Operates in seven Southern and East African countries and two Asian countries, with a total of 21 bottling plants, with six in SA. 80% owned by Gutsche Family Investments, 20% by Coca Cola.
Coca-Cola Peninsula Beverages	1 300	Manufactures and bottles carbonated, waters and energy drinks. Has three bottling plants.
SoftBev	980	Subsidiaries manufacture, bottle and market water and soft drinks. Subsidiaries operate four bottling plants.
Coca-Cola Shanduka Beverages SA	800	Bottles and manufactures aerated soft drinks under licence for Coca-Cola. 70% owned by Shanduka Beverages, 30% by Coca Cola.
Kingsley Beverage	500	Manufactures, bottling and cans soft drinks. Has four factories.
Chill Beverages International	350	Manufactures and cans drinks. Has one bottling plant.
Ultimate Sports Nutrition	108	Manufactures and distributes sports nutritional drinks and powders. Has one bottling plant.
Clover Waters	48	Produces and bottles mineral water and ice-tea. Owned 70% by Clover SA, 30% by Nestle.
Twizza	428	Manufactures carbonated soft and energy drinks. Has three bottling plants.

Source: *Who Owns Whom. Report Generator. Electronic database. Downloaded from www.wow.co.za in November 2017.*

6 Major inputs

Statistics South Africa's information on inputs aggregates beverages and tobacco. The main inputs for the industry were alcohol and beverages, agricultural products, and plastic and glass for packaging. In constant rand, the value of inputs remained almost unchanged from 2012 to 2015. Packaging constituted around a fifth of all inputs other than beverages in 2015.

Graph 11. Inputs into beverages in billions of rand, 2015



Source: Calculated from Statistics South Africa. Statistics South Africa, GDP data in excel format, Fourth Quarter 2017. Use Tables. Downloaded from www.statssa.gov.za in October 2017.

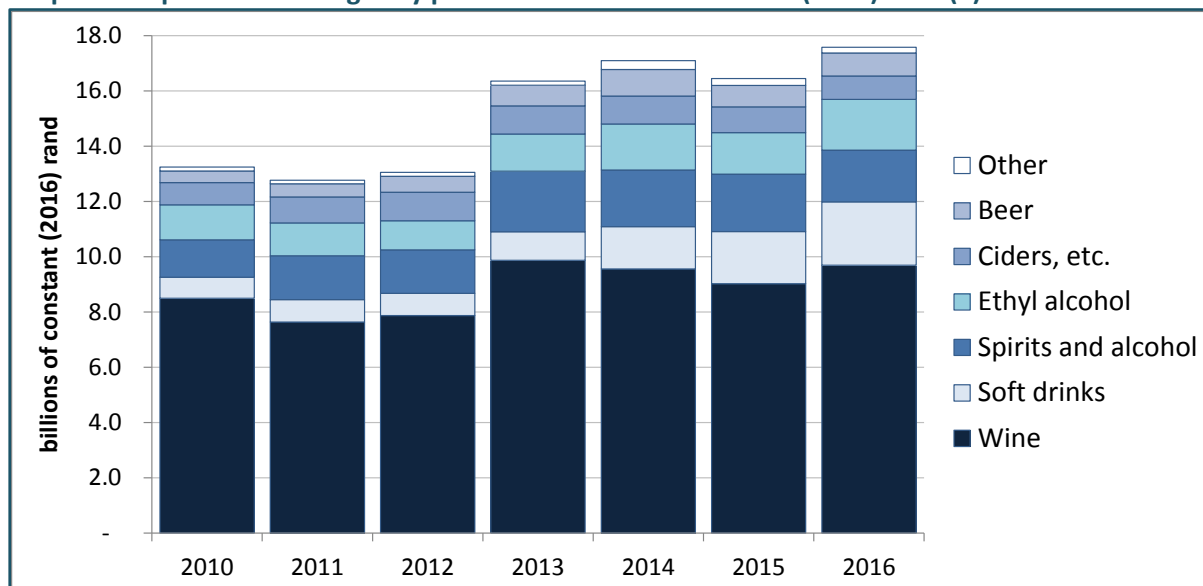
7 Trade

Exports of beverages totalled just under R18 billion in 2016, or around 1,6% of South Africa's total exports. Imports were substantially smaller, at R11 billion, or 1% of the total.

Exports of wine dominated South African beverage exports, accounting for over half of the total and around 1% of all South African exports.

After a rapid increase in 2013, related in part to depreciation of the rand with the end of the metals price boom, the value of wine exports flattened out in constant rand terms. In contrast, soft-drink exports doubled from 2013 to 2016, although they remained much smaller than wine.

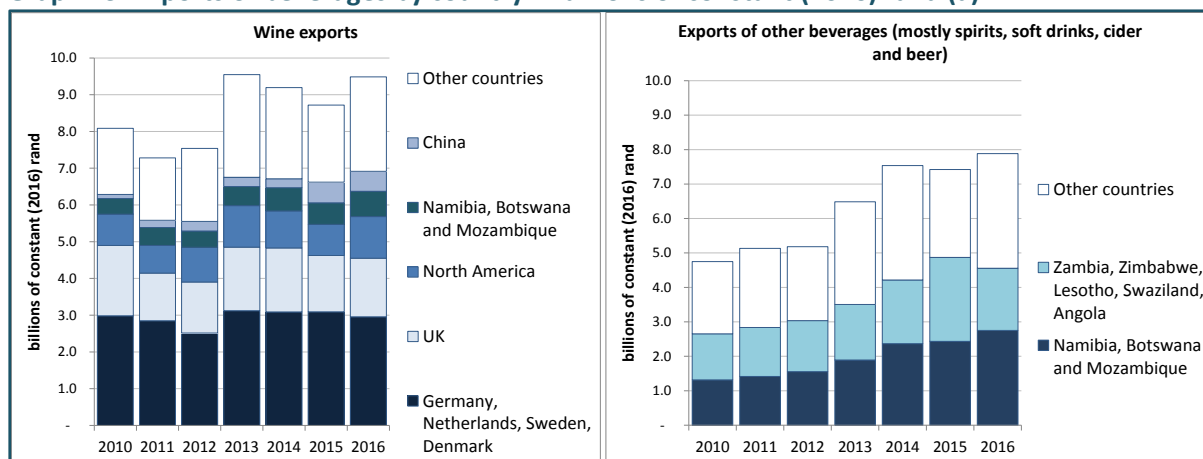
Graph 12. Exports of beverages by product in billions of constant (2016) rand (a)



Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on exports of beverages in rand. Downloaded from www.trademap.org in November 2017.

Almost a third of South African beverage exports went to neighbouring countries (Namibia, Botswana, Mozambique, Swaziland and Lesotho) plus Zambia, Zimbabwe and Angola. Most of these exports were spirits and soft drinks, not wine. In contrast, the main markets for wine were in Northern Europe plus the UK, followed by North America. These countries, however, imported only small amounts of beverages other than wine.

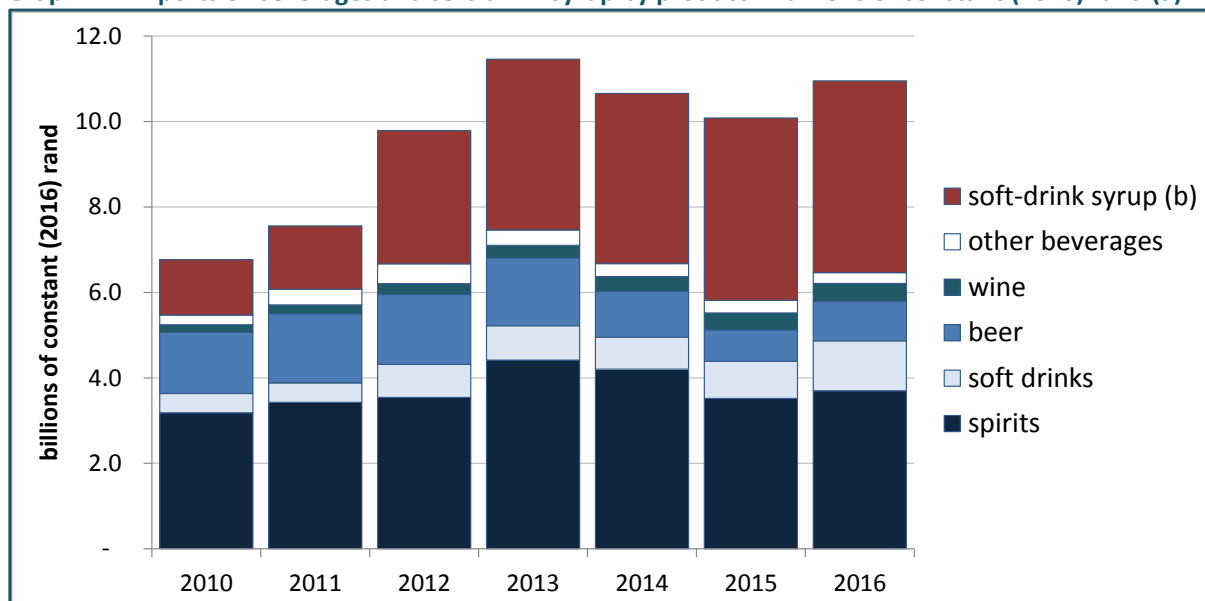
Graph 13. Exports of beverages by country in billions of constant (2016) rand (a)



Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on exports of beverages in rand. Downloaded from www.trademap.org in November 2017.

Spirits account for over half of all South African imports of beverages. But South African imports from Swaziland of syrups for Coca Cola products – categorised as flavourings under essential oils in the trade data – had a higher value than alcohol imports in 2016, having risen from less than half as much. Taken together, beverages and the syrup from Swaziland absorb around 1% of South Africa's total imports.

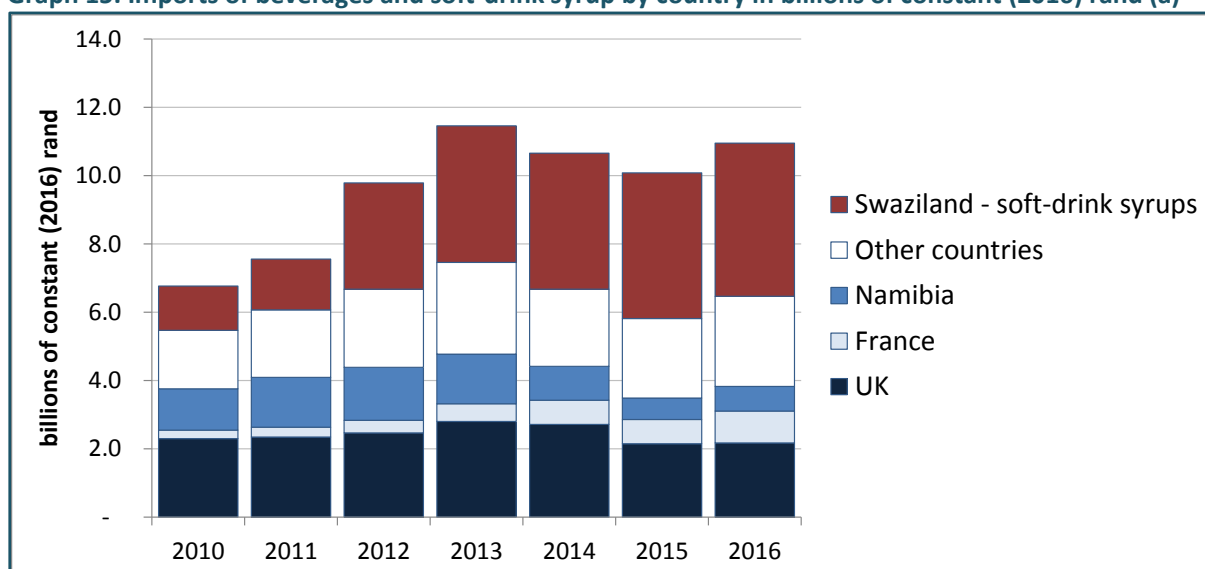
Graph 14. Imports of beverages and soft-drink syrup by product in billions of constant (2016) rand (a)



Note: (a) Deflated with CPI. (b) Mostly for Coca Cola products. Source: Calculated from ITC. TradeMap. Electronic database. Series on imports of beverages and food flavourings in rand. Downloaded from www.trademap.org in November 2017.

By far the largest supplier of beverages, mostly spirits, was the UK, followed by Namibia and France. Swaziland was the main supplier of flavourings for soft drinks.

Graph 15. Imports of beverages and soft-drink syrup by country in billions of constant (2016) rand (a)



Note: (a) Deflated with CPI. Source: Calculated from ITC. TradeMap. Electronic database. Series on imports of beverages and food flavourings in rand. Downloaded from www.trademap.org in November 2017.

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