3/14 MEININGER'S WBI

THE PROMISING MARKETS OF AFRICA

The end to civil wars plus tremendous mineral wealth has the potential to turn countries like Angola into major economies. As they grow, they're consuming more wine. Dr Stephen Quinn reports.

Spiro Malandrakis, Euromonitor analyst

Angola is one of Africa's major emerging wine markets, along with Nigeria. The boom in consumption in Angola is the result of prosperity that followed, in 2002, the end of a civil war that lasted 27 years. Oil and diamonds are fueling Angola's prosperity, though big money remains in the hands of an elite of perhaps 5% of the population. Angola is Africa's second-largest oil producer and the fourth-largest diamond producer in the world.

A report published by the Canadian government in 2012 noted that the value of the wine market increased 229% between the end of the civil war and 2006.

Growing wealth

In April 2014, Euromonitor published a major report looking at the future of the Angolan wine market to 2017. Spiros Malandrakis, their senior alcoholic drinks analyst, said countries like Nigeria and Angola were becoming Westernised. "While money in the country is not equally divided, perhaps 5% of the people in these countries are seriously wealthy and willing to spend lots of money on luxury items."

Average per capita wine consumption in sub-Saharan Africa is about a third of the world average, he said. Malandrakis noted it was difficult to find accurate information about many sub-Saharan nations because of the suspect nature of much of the data available in those countries.

That said, Portugal is one of the main beneficiaries of the boom in sales in Angola, helped by the cultural links between the two nations. Portugal ruled Angola for almost 400 years after colonizing the country in 1483. Angola gained independence in 1975, but the civil war started that year. In 2012 ViniPortugal, Portugal's main wine marketing organisation, identified its target markets for the 2012-2014 period. Those markets are the USA, Brazil, Canada, the United Kingdom, Germany, Norway, Sweden, Finland, Angola and China.

In 2012 Angola purchased 68.7 mL of wine from Portugal. This represented one out of every five litres of wine Portugal exported, and was worth €87m ($118m). Denise Madeira, the area manager for Angola at ViniPortugal said that in 2013 Portugal sold 64 mL to Angola worth €94m.

Portugal's Vine and Wine Institute (IVV) reported that total wine exports in 2012, valued at €700m, rose 7.1% on the previous year. That same year Angola's wine imports from Portugal soared by 18.2% compared with the previous year.

IVV's president Frederico Falcão confirmed Angola had become one of the main destinations for Portuguese wines outside the European Union. "The increase in value and volume of imports are an indication of the importance of the market," he said.

Data from IVV also showed that Africa had become one of Portugal's wine markets, and accounted for sales of more than 90 mL, worth €107m, in 2012. Sales were mainly driven by Angola, but the Mozambican market was also a factor. Portugal remains in recession, but Angola and other African nations are seen as its possible economic saviours.

In Angola wine has stiff competition from homemade alcohol. A range of bootleg beverages such as capatica (made from bananas), caporoto (from maize) and maluva (sometimes described as "palm wine") are available. While cheap, they are dangerous.

Malandrakis warned of the dangers of people going blind or dying after consuming homemade alcohol in Africa. "Beer and wine are not seen as the problem in the [African] continent but rather as the solution. Illegal moonshine can, has and will continue posing a much greater threat to lives and public health than moderate alcohol consumption or implicit references to improving one's love life through indulging."

Future growth

Malandrakis ranked Nigeria as the top of the likely future markets for Champagne sales, thanks to the 'Nollywood' trend of conspicuous consumption. Euromonitor noted that Nigeria's wine imports in 2012 totalled 44 mL and predicted they would reach 80 mL in 2016.

He attended Ghana's first wine conference in Accra in February this year. The conference slogan was "Tickle your taste buds, tickle your love life". The event was launched by two government ministries and marked, Malandrakis said, "a watershed moment for a continent that is increasingly tickling global growth figures and producers' medium- and long-term strategic plans."

Malandrakis believes the sub-Saharan region has high potential as a wine market compared with Europe's "terminally mature" markets. He outlined a range of issues when selling wine into nations like Angola, citing potential problems with distribution and infrastructure. One vital factor to be considered were the "macro-economic and socio-political volatility [which were] an integral part of the continent's market dynamics. And while premiumisation retains its long-term momentum, the importance of affordability should not be brushed aside."

Malandrakis said "an avalanche" of ambitious investments in the African region had started recently. "SABMiller is currently in the process of investing $110m in expanding production capacity in Nigeria while another $100m is earmarked for an extension already underway in Ghana itself."

Diageo had spent about $1.6bn on capacity expansion and acquisitions in the past decade. "Even more interestingly – and highlighting the urgency and evolutionary adaptability of such moves – it has additionally built a mobile distillery from shipping containers, a contraption it plans to use in Angola and Mozambique to speed up expansion in hard-to-reach markets."

The wine world will watch developments in sub-Saharan Africa with interest. ■