

Voluntary Report – Voluntary - Public Distribution

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Report Name: South Africa Lifts Ban on Alcohol Sales and Distribution

Country: South Africa - Republic of

Post: Pretoria

Report Category: Agricultural Situation, Agriculture in the News, Beverages, Wine

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Report Highlights:

Initially banned in response to the COVID-19 pandemic, South Africa announced that the sale and distribution of alcohol would be reauthorized from August 17, 2020. However, some restrictions will still apply, such as sales will only be allowed from Monday to Thursday during the hours 9 am - 5 pm at retail outlets and until 10 pm only at restaurants. While the lifting of the ban has been widely welcomed, the economic impact has been devastating. The domestic industry is reported to have lost more than R25 billion (US\$1.4 billion) in revenue; about 120,000 jobs have been lost; 80 wineries and 350 wine grape producers will go out of business; and about 45 percent of craft brewers have closed down. So far in 2020, U.S. exports of distilled spirits, wine and beer to South Africa are already 39 percent lower than the same period last year due to the ban and related restrictions.

Sources:

Liquor Traders Association of South Africa (LTASA) - <http://salta.org.za/>

South African Beer Association - <https://beersa.org/>

South African Liquor Brand Owners Association (SALBA) - <https://salba.co.za/>

VINPRO - <http://vinpro.co.za/>

Wines of South Africa (WOSA) - <https://www.wosa.co.za/home/>

Exchange Rate – 1US\$ = 17.41 Rands (As at August 17, 2020)

South African Government Lifts the Ban on Alcohol Sales and Distribution

On August 15, 2020, South African President Cyril Ramaphosa announced that the sale and distribution of alcohol would be permitted to resume from midnight August 17, 2020. This announcement may be downloaded from the following link, <https://www.gov.za>. The basis of lifting the ban and permitting the sale and distribution of alcohol was due to the slow-down in the number of new COVID-19 cases from 12,000 to 5,000 per day, decline in active COVID-19 cases, and the improvement of the recovery rate from 48 percent to 80 percent. Based on the [Amended Regulations](#) published on August 17, 2020, the following restrictions on alcohol sales and distribution will still apply: alcohol will be permitted for on-site consumption in licensed establishments (e.g. restaurants) until 10 pm only; and liquor outlets and retail stores will be allowed to sell alcohol for off-site consumption from Monday to Thursday during the hours 9 am – 5 pm only.

The sale and distribution of alcohol was prohibited from the end of March to June 1, 2020, and also from July 12 to August 17, 2020. Post published the following GAIN reports to highlight the impact of these restrictions, [South Africa Again Suspends the Sale and Distribution of Liquor While Permitting Exports](#); [Alcohol Restrictions Cause United States Exports of Distilled Spirits to Lag](#); and [Wine Industry at a Crossroads Due to Export and Domestic Sales Restrictions](#). The sections below detail the impact of these restrictions to the domestic liquor industry and United States liquor exports to South Africa, and the possible developments following the lifting of the alcohol ban.

Impact of Restrictions to the Domestic Industry

The domestic liquor industry and consumers have widely welcomed the recent lifting of the ban on the sale and distribution of alcohol. However, the ban and other restrictions, such as disruptions to exports, have been devastating to the liquor industry, and full recovery may take a while. Some industry bodies have even indicated that the lifting of the ban on August 17, 2020 is a little too late. The domestic liquor industry (distilled spirits, beer, and wine) is reported to have lost more than R25 billion (US\$1.4 billion) in revenue during the ban, and about 120,000 jobs have been lost since the introduction of sales restrictions in March 2020.

The various industry associations have publicly indicated the extent of the impact of the ban and the negative effects it has placed their members. According to the wine industry, many wine businesses have already closed down, and it is estimated that more than 80 wineries and 350 wine grape producers will go out of business over the next 18 months, with a potential loss of more than 21,000 jobs. According to the South African Beer Association, many businesses in the beer industry have still not

recovered and about 45 percent of craft breweries were bankrupted and shut down permanently due to the bans. In addition, about R10.6 billion (US\$609 million) worth of capital and infrastructure upgrades by beer companies, such as the South African Breweries (SAB) and Heineken, is at risk of being halted due to the ban. The restrictions also placed a huge financial strain on businesses such as retail liquor outlets and taverns, who had bought stock which they were prevented from selling, which had to be subsequently discarded due to being expired. Taverns are liquor outlets predominantly located in the low to middle class communities. The South African Liquor Traders Association has reported that about 10,000 taverns have already closed permanently, and an additional 12,500 taverns are at risk of closure.

According to [Spirits Europe](#) (an organization that represents 31 associations of spirits producers as well as 10 leading multinational companies in Europe), the ban on the sale and distribution of alcohol in South Africa was impacting the trade relations between the Europe Union (EU) and South Africa, and was placing at risk the benefits of the Southern African Development Community (SADC) - European Union Economic Partnership Agreement (EPA). Under the EPA, the EU exports about US\$360 million worth of liquor products duty free to South Africa, while South Africa has 110 million liters quota to the EU. The lifting of the ban on the sale and distribution of alcohol seems to have been implemented a few days after [Spirits Europe](#) publicly criticized South Africa and highlighted the risks posed to the EPA.

Contrarily, the lifting of the ban on alcohol sales and distribution has been met with some criticism as well. Some civil organizations are concerned that permitting alcohol sales again without addressing existing concerns, such as alcohol abuse and road fatalities due to alcohol consumption, may reverse the gains that were achieved during the bans. Notably, the alcohol industry has acknowledged the challenges posed by alcohol abuse and has indicated that it will continue working with government to address these. Other liquor outlets, taverns and restaurants have also criticized the restrictions on the limited days and time permitted to sell liquor products as being inconsistent and over-regulation.

U.S. Exports Severely Impacted

Importers and distributors of liquor products have also welcomed the lifting of the ban as it will allow the importation of liquor products into South Africa, including U.S. liquor exports. In 2019, U.S. exports of liquor products to South Africa were about US\$21 million. Peak alcohol consumption in South Africa is during the months of November and December. Planning, preparation and the scheduling of shipping to supply liquor products during this peak period was put at risk due to the bans. The lifting of the ban allows sufficient time and planning for United States exports to be shipped and distributed for the peak demand season.

However, the prohibition of the sale, dispensing and distribution of liquor has already severely affected U.S. liquor exports in 2020 as shown in **Table 1** (below). U.S. exports of distilled spirits, wine and beer to South Africa in the year 2020 are already lagging by 39 percent due to the various prohibitions. Notably, U.S. wine and beer exports in 2020 so far are exponentially higher than the same period last year, but the decline in distilled spirit exports offsets that increase. Of the liquor products exported from the United States, whiskey is the leading product, accounting for 67 percent of the total U.S. liquor exports to South Africa in 2019.

Table 1: South Africa's Liquor Imports from the United States

South Africa Imports from the United States						
Commodity: Distilled Spirits, Wine & Beer						
Annual & YTD Series (US\$)						
Description	2017	2018	2019	01/2019 - 05/2019	01/2020 - 05/2020	% Change 2020 vs 2019
All	16,559,508	21,466,804	21,466,934	10,516,254	6,420,190	-39%
Distilled Spirits	16,042,012	19,638,927	20,482,175	10,306,279	5,937,847	-42%
Wine & Beer	517,497	1,827,877	984,760	209,974	482,343	130%

Source: Trade Data Monitor (TDM)

The lifting of the ban allows sufficient time for United States exports to be shipped for the peak demand season from November to December. Post will continue monitoring the situation to ensure that U.S. imports are treated equally when domestic sales resumes, as per the World Trade Organization (WTO) guidelines. The domestic industry is now focused on working across the value chain to begin to rebuild the sector, and to ensure the efficient delivery of liquor products. However, Post expects a higher than average closing stocks of liquor products in 2020, based on the available supply, low sales due to the impact of the ban or existing restrictions and incomes affected by COVID-19.

Table 2: Related GAIN Reports

Name of Report	Link
Alcohol Restrictions Cause United States Exports of Distilled Spirits to Lag	Download
Wine Industry at a Crossroads Due to Export and Domestic Sales Restrictions	Download
Rebounding South African Wine Industry facing Rising Imports and Growing Stocks	Download
Prospects for U.S. Exports of Craft Beer Ingredients to South Africa	Download
Proposed National Liquor Policy (Liquor Act 59 of 2003)	Download
Regulation Amendment on Container Labels of Alcoholic Beverages	Download

Attachments:

No Attachments.