

**Voluntary Report** – Voluntary - Public Distribution

**Date:** July 01, 2021

**Report Number:** SF2021-0041

**Report Name:** Industry Outcry as South Africa Imposes 14-Day Prohibition on the Sale and Distribution of Liquor Products

**Country:** South Africa - Republic of

**Post:** Pretoria

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

**Prepared By:** Wellington Sikuka

**Approved By:** Kyle Bonsu

**Report Highlights:**

On June 27, 2021, South Africa re-introduced the prohibition of the sale, dispensing and distribution of liquor products for 14 days due to the recent surge in COVID-19 infections. This is the fourth ban on liquor products since the start of lockdowns in March 2020. The 14-day prohibition will affect domestic sales and imports of liquor products, including United States exports. As a result, this may dampen the recovery and growth of U.S. liquor exports in 2021. Alcohol bans in 2020 contributed to U.S. liquor exports to South Africa falling by 46 percent to US\$11.6 million. Some domestic industry associations are now challenging the national government in court due to the desperate state of the liquor industry, which is still trying to recover from the previous three alcohol bans.

## Sources:

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/>

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

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

South African Liquor Traders Association – <https://salta.org.za/>

1US\$ = R14.31 as at June 29, 2021

## Background

On June 27, 2021, South Africa re-introduced the prohibition of the sale, dispensing and distribution of liquor products with immediate effect. According to the South African government, the prohibition was due to the recent surge in COVID-19 infections as South Africa is battling a third wave. This is the fourth ban on liquor products since the start of lockdowns in March 2020 due to COVID-19. Alcohol bans in South Africa are based on government`s position that alcohol induced trauma and motor vehicle accidents place substantial pressure on hospitals, including Intensive Care Units (ICU). The government insists that alcohol consumption and related problems are affecting the efforts and available resources to address COVID-19. Post GAIN reports on these bans may be found in **Table 2** at the end of this report.

The regulations giving effect to this suspension can be downloaded from the following link, [https://www.gov.za/sites/default/files/gcis\\_document/202106/44772rg11299gon565.pdf](https://www.gov.za/sites/default/files/gcis_document/202106/44772rg11299gon565.pdf). Below is an extract of the relevant clauses from the regulation:

### "Sale, dispensing or transportation of liquor.

29. (1) The sale, dispensing and distribution of liquor is prohibited.
- (2) The transportation of liquor is prohibited, except where the transportation of liquor is –
  - (a) in relation to alcohol required for industries producing hand sanitizers, disinfectants, soap or alcohol for industrial use and household cleaning products;
  - (b) for export purposes;
  - (c) from manufacturing plants to storage facilities; or
  - (d) being transported from any licensed premises for safe keeping,
- (3) The transportation of liquor for export purposes is permitted.
- (4) No special or events liquor licenses may be considered for approval during the duration of the national state of disaster.
- (5) The Cabinet member responsible for transport must, after consultation with the Cabinet members responsible for cooperative governance and traditional affairs, health, police and trade, industry and competition, issue directions for the transportation and storage of liquor. "

The 14-day prohibition will affect domestic sales and imports of liquor products, including United States exports. Notably, South African liquor exports will not be affected. While, the prohibition is expected to be reviewed in 14 days, there is uncertainty if it will be lifted. As a result, the prohibition has been met with widespread criticism by the domestic liquor industry.

## Disruptions to United States Liquor Exports

The 14-day prohibition is expected to disrupt United States liquor exports to South Africa. Alcohol bans in 2020 contributed to the substantial decline in U.S. liquor exports to South Africa by 46 percent to US\$11.6 million, from US\$21.5 million in 2019, as shown in **Table 1**. In 2021, U.S. liquor exports to South Africa were starting to recover, and year-to-date exports up to April 2021 were already up 41 percent in comparison to the same period in 2020. The latest June 2021 alcohol prohibition may dampen this growth, and create uncertainty for future U.S. liquor exports. There are also concerns that the South African government may impose further alcohol bans in 2021 should COVID-19 cases continue to surge again in the future, which will disrupt the rebounding U.S. liquor exports. A major concern is that alcohol prohibitions will only affect imports, while South African exports will continue uninterrupted. This is unbalanced treatment of liquor imports into South Africa, including U.S. exports. Of the liquor products exported from the United States, whiskey is the leading product, accounting for 69 percent of the total U.S. liquor exports to South Africa in 2020.

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

South Africa Imports from United States							
Commodity: Distilled Spirits, Wine & Beer							
Description	Calendar Year (US\$)				January-April		
	2017	2018	2019	2020	2020	2021	%Δ 2021 vs 2020
All	16,559,508	21,466,804	21,466,934	11,604,446	4,815,780	6,806,361	41%
Distilled Spirits	16,042,012	19,638,927	20,482,175	11,051,287	4,339,244	6,716,451	55%
Beer	399,193	1,660,275	847,945	506,667	438,126	64,931	-85%
Wine	118,304	167,602	136,814	46,492	38,409	24,979	-35%

Source: Trade Data Monitor (TDM)

## Domestic Liquor Industry Challenging Government in Court

On June 29, 2021, Vinpro (an association representing wine producers and cellars) announced that they had launched an urgent interim interdict application for the national government to lift the ban on the sale of wine in the Western Cape Province. Vinpro initially approached the High Court on January 27, 2021 to seek urgent relief during the previous alcohol ban. This was subsequently postponed when the ban was lifted and the matter was set to be heard in the Western Cape High Court on August 23 – 27, 2021. Vinpro reserved the right to launch an interim interdict in case of a full ban being reinstated before the court date, as has happened on June 27, 2021. Vinpro is advocating for decisions, such as alcohol bans, be made at a regional/provincial level instead of national level, based on scientific evidence, COVID-19 infection rates and hospital admissions across these provinces. The preliminary date for this urgent court hearing is scheduled for July 2, 2021.

The Beer Association of South Africa (BASA) whose members include Craft Brewers Association (BASA), Heineken South Africa and South African Breweries (Owned by [Ab InBev](#)) also announced that they are seeking legal advice on national government's inexplicable decision to implement a fourth alcohol ban, in the interest of protecting jobs and livelihoods.

While there are reservations that court actions may alienate the liquor industry from government, this may be the last resort given the dire state of the industry still trying to recover from the previous three

alcohol bans. Notably, the tobacco industry, which also suffered several similar prohibitions in 2020, won their court case against government, on the basis that such bans were unconstitutional and unnecessary.

### **Recovery of the Distressed Domestic Liquor Industry at Risk**

The alcohol bans implemented in 2020 have not only devastated the domestic liquor industry, but also its associated value chains. Post GAIN reports on the impact of these bans may be found in **Table 2** at the end of this report. According to the Beer Association of South Africa, the three previous alcohol bans resulted in over 7,400 jobs lost in the beer industry, R14.2 billion (US\$992 million) in lost sales revenue, and more than R7.8 billion (US\$545 million) losses in taxes and excise duties. The South African Liquor Brand Owners Association (SALBA) have reported that the previous three bans had resulted in losses of up to R36.3 billion (US\$2.5 billion) for the liquor industry. The prohibitions also entrenched an illicit market, and deprived the economy of an estimated R11 billions (US\$769 million) of rand in taxable revenue.

The recent alcohol ban in June 2021 is expected to further delay the recovery of the distressed liquor industry and could inflict ‘irreversible damage’ especially to smaller businesses. This is expected to result in more job losses, business closures and loss in revenue for the national fiscus. Other associations including the National Liquor Traders Council (NLTC), and Restaurants Association of South Africa (RASA) have criticized the ban on the basis that while it will have dire consequences to their members and employees, they were not consulted and given an opportunity to propose alternative solutions. The wine industry also indicated that their submissions and recommendations that would ensure a balanced approach to curb the spread of COVID-19 were not taken into account. In addition, no support measures have been offered to the liquor sector, which has created concerns that that some industry members may defy the recent ban on the sale of alcohol or sell their stock on the illicit market.

**Table 2: Related GAIN Reports**

<b>Report Name</b>	<b>Link</b>
Widespread Relief as South Africa Lifts Alcohol Ban but Uncertainty Remains (SF2021-0004)	<a href="#">Download</a>
No Ringing in the New Year for South Africans - Alcohol Banned Again (SF2020-0068)	<a href="#">Download</a>
South Africa Repeals the Contentious Regulations Relating to Health Messages on Container Labels of Alcoholic Beverages (SF2020-0062)	<a href="#">Download</a>
South Africa Lifts Ban on Alcohol Sales and Distribution (SF2020-0045)	<a href="#">Download</a>
South Africa Again Suspends the Sale and Distribution of Liquor While Permitting Exports (SF2020-0041)	<a href="#">Download</a>
Alcohol Restrictions Cause United States Exports of Distilled Spirits to Lag (SF2020-0029)	<a href="#">Download</a>
Wine Industry at a Crossroads Due to Export and Domestic Sales Restrictions (SF2020-0021)	<a href="#">Download</a>
Rebounding South African Wine Industry facing Rising Imports and Growing Stocks (SF2020-0007)	<a href="#">Download</a>
Prospects for U.S. Exports of Craft Beer Ingredients to South Africa (SF2019-2799)	<a href="#">Download</a>
Proposed National Liquor Policy (Liquor Act 59 of 2003) (SF2015-3232)	<a href="#">Download</a>

**Attachments:**

No Attachments.