

Voluntary Report – Voluntary - Public Distribution

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Report Name: South Africa Lifts the Fourth Prohibition on Domestic Transportation and Sale of Liquor Products

Country: South Africa - Republic of

Post: Pretoria

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

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Report Highlights:

On July 25, 2021, South Africa partially lifted the prohibition on the domestic transportation and sale of alcoholic beverages. This was met with widespread relief, but there still remains uncertainty on how the government could handle future alcohol bans. The impact of alcohol bans to the domestic liquor industry and associated supply chains has been substantial. Alcohol bans have also substantially affected South African liquor imports, including the United States. While U.S. liquor exports from January to May 2021 have grown by 27 percent year-over-year, to US\$6 million, this may not be enough to rebound to the pre-COVID-19 level of nearly US\$17 million in 2019. The most recent alcohol ban likely slowed U.S. exports once again, and the uncertainty created by the ad-hoc prohibitions by South Africa has caused some alcohol brands to struggle to regain lost market share.

Background

On July 25, 2021, South African President Cyril Ramaphosa partially lifted the prohibition on the domestic transportation and sale of alcohol beverages from stores, restaurants, and bars. The most recent ban had been in place for four weeks. Alcohol sales by licensed premises for off-site consumption, is now permitted from 10:00 a.m. to 6:00 p.m., from Mondays to Thursdays. Alcohol sales are not permitted at any time on Fridays, Saturdays, Sundays, and public holidays. Licensed premises for on-site consumption such as restaurants and bars are permitted to sell alcohol from 10:00 a.m. to 8:00 p.m. The full regulations may be downloaded on the following link, https://www.gov.za/sites/default/files/gcis_document/202107/44895rg11314gon651.pdf. Below is an excerpt of the section relevant to the liquor industry:

"Sale, dispensing and transportation of liquor.

44. (1) The sale of liquor –

(a) by a licensed premises for off-site consumption is only permitted from 10H00 to 18H00, FROM Mondays to Thursdays, excluding Fridays, Saturdays, Sundays and public holidays, and

(b) by a licensed premises for on-site consumption is permitted until 20H00.

(2) The provisions of subregulation (1)(a) do not apply to duty-free shops at international airports which are permitted to operate in accordance with their operating license.

(3) The consumption of liquor in public places, except in licensed on-site consumption premises, is not permitted.

(4) Registered wineries, wine farms, micro-breweries and micro-distilleries may continue to operate in offering wine-tastings and other brew-tastings, and the selling of wine and other brews to the public for off-site and on-site consumption is permitted until 20H00 and further subject to strict adherence to social distancing measures and health protocols.

(5) The transportation of liquor is permitted.

(6) The sale and consumption of liquor in contravention of subregulations (1) and (3) is an offence.”

The lifting of the recent alcohol prohibition has been met with widespread relief by the liquor industry and consumers. However, various liquor industry associations and contacts have lamented the damage that has already been done and how long it may take the industry to recover from the four alcohol bans that have implemented since March 2020, resulting in a loss of about 161 trading days. In addition, the uncertainty on how the government could handle future alcohol prohibitions has resulted in the wine sector and some beer companies opting to proceed with pending court cases against the government in order to set a legal precedence and to avoid future losses due to unexpected alcohol bans by government.

South African Alcohol Imports Substantially Affected

While the lifting of the recent alcohol prohibition is positive, the cumulative impact of all the alcohol bans on trade has been adverse. The four alcohol bans that South Africa has implemented since March 2020, have resulted in decreased trade for South African trading partners, including the United States. The South African liquor industry was permitted to export its products, but imports were curtailed due to the domestic prohibition of liquor local sales and transportation. As a result, South African liquor imports in 2020 decreased by 44 percent to US\$338 million. In comparison, South African liquor

exports only decreased by 11 percent to US\$856 million in 2020. This trend is expected to continue in 2021, based on the most recent alcohol ban in July 2021. **Table 1** shows that South African alcohol imports from January to May 2021 have only increased by 16 percent year-over-year, reaching US\$196 million, while South African exports have rebounded by 53 percent during the same period, amounting to US\$396 million.

Table 1: South African Trade in Liquor Products*

	Calendar Year					January to May		
	2016	2017	2018	2019	2020	2020	2021	%Δ 2021 vs 2020
SA Exports (US\$ million)	915	1,021	1,096	965	856	258	396	53%
SA Imports (US\$ million)	355	411	517	603	338	170	196	16%

*Liquor products include distilled spirits, wine and beer.

Source: South African Revenue Service (SARS)

U.S. Liquor Exports Rebounding but Not Enough

U.S. exports of liquor products to South Africa have been adversely affected by the four alcohol bans implemented since March 2020. American exports to South Africa in 2020 decreased by 37 percent year-over-year, falling to US\$11 million (down from US\$17 million in 2019). At the same time, U.S. liquor imports from South Africa, increased by 8 percent to US\$52 million in 2020, up from US\$48 million in 2019. While U.S. liquor exports from January to May 2021 have grown by 27 percent year-over-year, to US\$6 million as shown in **Table 2**, this may not be enough to rebound to the pre-COVID-19 level of nearly US\$17 million in 2019. The most recent alcohol ban likely slowed U.S. exports once again, and the uncertainty created by the ad-hoc prohibitions by South Africa has caused some alcohol brands to struggle to regain lost market share. American exports of distilled spirits have been the most impacted. **Table 3** shows that South African exports of liquor to the United States are continuing to grow, in part because South African producers have seen fewer domestic sales due to the alcohol bans.

Table 2: U.S Exports of Liquor Products to South Africa

Description	Calendar Year					January-May		
	2016	2017	2018	2019	2020	2020	2021	%Δ 2021 vs 2020
All (US\$ million)	13.746	13.121	17.527	16.883	10.578	4.656	5.923	27%
BICO-Distilled Spirits	12.945	12.232	16.047	15.758	9.754	4.195	5.793	38%
BICO-Beer	0.000	0.608	1.334	0.893	0.609	0.330	0.030	-91%
BICO-Wine & Related Products	0.801	0.282	0.145	0.232	0.216	0.131	0.099	-24%

Source: SARS

Table 3: U.S Imports of Liquor Products from South Africa

Description	Calendar Year					January-May		
	2016	2017	2018	2019	2020	2020	2021	%Δ 2021 vs 2020
All (US\$ million)	48.493	56.102	50.896	48.389	52.176	20.214	21.981	9%
BICO-Wine & Related Products	46.924	54.179	48.887	45.866	49.913	19.476	21.132	9%
BICO-Distilled Spirits	1.556	1.891	2.003	2.481	2.237	0.719	0.834	16%
BICO-Beer	0.013	0.033	0.005	0.042	0.026	0.019	0.014	-26%

Source: SARS

Losses and Consequences of Alcohol Bans to the Liquor Industry Keep Adding-Up

The impact of alcohol bans to the South African liquor industry are well-documented in various media platforms and have also been reported by Post (See **Table 4** for a list of related GAIN reports). The July 2021 alcohol ban together with the looting of over 160 liquor outlets during the recent civil unrest, have placed the liquor industry and its value chain in a more precarious position. This is expected to further dampen the recovery of the liquor industry and lessen its contribution to the economy through employment and taxes.

Post Comments:

The alcohol bans have adversely impacted the liquor industry and South African imports including from the United States. Post will continue monitoring and engaging with various stakeholders to ensure that U.S. liquor exports to South Africa are not unfairly restricted and are treated equally to the domestic liquor industry. Contact Post at agpretoria@fas.usda.gov if you need assistance with exports to South Africa.

Table 4: Other Related GAIN Reports:

Report Name	Link
Impact of the Ongoing Civil Unrest in South Africa on Food and the Agricultural Sector (SF2021-0045)	Download
Industry Outcry as South Africa Imposes 14-Day Prohibition on the Sale and Distribution of Liquor Products (SF2021-0041)	Download
No Ringing in the New Year for South Africans - Alcohol Banned Again (SF2020-0068)	Download
South Africa Repeals the Contentious Regulations Relating to Health Messages on Container Labels of Alcoholic Beverages (SF2020-0062)	Download
South Africa Lifts Ban on Alcohol Sales and Distribution (SF2020-0045)	Download
South Africa Again Suspends the Sale and Distribution of Liquor While Permitting Exports (SF2020-0041)	Download
Alcohol Restrictions Cause United States Exports of Distilled Spirits to Lag (SF2020-0029)	Download
Wine Industry at a Crossroads Due to Export and Domestic Sales Restrictions (SF2020-0021)	Download
Rebounding South African Wine Industry facing Rising Imports and Growing Stocks (SF2020-0007)	Download
Prospects for U.S. Exports of Craft Beer Ingredients to South Africa (SF2019-2799)	Download
Proposed National Liquor Policy (Liquor Act 59 of 2003) (SF2015-3232)	Download

Attachments:

No Attachments.