

Voluntary Report – Voluntary - Public Distribution

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Report Name: Widespread Relief as South Africa Lifts Alcohol Ban but
Uncertainty Remains

Country: South Africa - Republic of

Post: Pretoria

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

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Report Highlights:

On February 1, South African President Cyril Ramaphosa partially lifted the ban on the domestic transportation and sale of alcohol beverages. While the lifting of the alcohol ban has been met with widespread relief, there still remains uncertainty on how government could handle future alcohol bans. The impact of alcohol bans to the domestic liquor industry and associated supply chains has been substantial, and has placed the sustainability of these sectors at risk. Alcohol bans have also resulted in entrenched criminality and unfavorable trade between South African trading partners, including the United States. U.S. exports to South Africa decreased by 46 percent to US\$11.6 million in 2020, and this may worsen if the South African government continues implementing ad hoc alcohol bans in 2021. South African wine comes into the United States duty free under the African Growth and Opportunity Act (AGOA).

Background

On February 1, 2021, South African President Cyril Ramaphosa partially lifted the ban on the domestic transportation and sale of alcohol beverages from stores, restaurants and bars. Alcohol sales by licensed premises for off-site consumption, is now permitted from 10h00 to 18h00, from Mondays to Thursdays, excluding Fridays, Saturdays, Sundays and public holidays. Licensed premises for on-site consumption such as restaurants and bars are permitted to sell alcohol from 10h00 to 22h00. The regulations may be downloaded on the following link, [Disaster Management Act](#). While the lifting of the alcohol ban has been met with widespread relief by the liquor industry and consumers, there still remains uncertainty on how government could handle future alcohol prohibitions. Various liquor industry associations are calling for more structured engagement by government to prevent unexpected restrictions in future. Despite the lifting of the alcohol ban, the wine industry has indicated that they will proceed with a court case against government in order to set a legal precedence and to avoid future losses due to unexpected alcohol bans by government.

The skepticism by the liquor industry is understandable given the impact of the previous alcohol bans and the unpredictable nature of the last alcohol ban, implemented on December 28, 2020. (See [No Ringing in the New Year for South Africans - Alcohol Banned Again - Report No. - SF2020-0068](#)). This ban was extended on January 11, 2021 in response to surging cases of COVID-19. The extension of the prohibition was met with widespread and brutal criticism. As a result, some liquor industry stakeholders resorted to the legal process through court cases. [AB InBev](#) (owner of [South African Breweries](#)), and [VinPro](#) (an association representing more than 2,000 wine farmers and producers) have lodged court challenges against the South African government on the constitutionality of the alcohol bans, which they intend to continue to set legal precedence for possible future prohibitions.

Unfavorable and Unfair Trade Balance

The three alcohol bans that South Africa has implemented since March 2020, have resulted in unfavorable trade and have been prejudicial to South African trading partners, including the United States. While the South African liquor industry is permitted to export its products, imports have been curtailed due to the domestic prohibition of liquor local sales and transportation. **Table 1** confirms this unfair trade, as South African imports in 2020 decreased substantially by 44 percent, while total South African alcohol exports only decreased by 11 percent. If South Africa continues with these alcohol bans in 2021, liquor imports are expected to be adversely affected again this year.

Table 1: South African Trade in Liquor Products*

	2015	2016	2017	2018	2019	2020	%Δ 2020 vs 2019
Imports (US\$ million)	389.8	354.5	410.7	517.2	602.5	338.0	-44%
Exports (US\$ million)	993.8	915.5	1,021.1	1,095.5	965.2	855.6	-11%

*Liquor products include distilled spirits, wine and beer.

Source: Trade Data Monitor

U.S. exports of alcohol beverages to South Africa have also been adversely affected by the alcohol bans. **Table 2** shows that U.S exports decreased by 46 percent to US\$11.6 million in 2020, a huge drop from US\$21.5 million in 2019. U.S exports of distilled spirits have been most impacted by the bans. Comparatively, South African wine and beer exports to the United States only decreased by 0.1 percent in 2020 as shown in **Table 3**. This confirms that the government implemented alcohol bans have been unfair to South African trading partners such as the United States. It is expected that if South Africa continues with the alcohol bans in 2021, U.S. liquor exports will be further impacted and may struggle to regain the market share that has been lost by the bans.

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

Description	2015	2016	2017	2018	2019	2020	%Δ 2020 vs 2019
All	16.475	13.966	16.560	21.467	21.467	11.604	-46%
Distilled Spirits (US\$ million)	16.366	13.924	16.042	19.639	20.482	11.051	-46%
Wine & Beer (US\$ million)	0.109	0.042	0.517	1.828	0.985	0.553	-44%

Source: Trade Data Monitor

Table 3: South African Liquor Products Exports to the U.S

Description	2015	2016	2017	2018	2019	2020	%Δ 2020 vs 2019
All	44.319	40.690	50.369	45.509	42.831	42.806	-0.1%
Distilled Spirits (US\$ million)	41.178	38.362	47.403	41.953	39.530	40.335	2.0%
Wine & Beer (US\$ million)	3.141	2.328	2.965	3.555	3.300	2.471	-25.1%

Source: Trade Data Monitor

Far-Reaching Consequences Extending to Other Industries and Entrenching Crime

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 Related GAIN reports on **Table 4**). The liquor industry is still in the process of determining the exact impact of the most recent alcohol ban between December 28 and February 1. Notably, the previous bans caused an estimated loss of R25 billion (US\$1.4 billion) in revenue, and about 120,000 jobs lost since March 2020. The wine and beer sectors are left with substantial stocks due to the alcohol bans. For example, winemakers have a surplus of 300 million liters (79.2 million gallons or around 400 million bottles), which is nearly half of the 2020 harvest, due to alcohol bans. The industry is increasingly concerned about the entrenchment of illicit alcohol sales, which may be difficult to eradicate. Several investments and capital expenditures by some liquor companies have also been cancelled due to the alcohol bans and may affect future investment decisions into South Africa. Thus the economic and job loss from these alcohol bans may extend for many years to come.

Input and service suppliers to the alcohol industry have also been severely impacted. South African barley farmers are facing declines in the demand for grains used to make beer. For example, AB InBev which uses malt barley to make beer, has reduced its demand for the 2020/2021 season from 475,000 Metric Tons (MT) last season to 380,000 MT. In addition, stockpiles have increased as a result of the alcohol bans. According to the South African Grain Information Service (SAGIS), inventories of unused barley planted primarily for malt production in South Africa were approximately 719,307 MT by

December 2020, an increase of 49 percent from 2019. As a result, planting of barley during the 2021/22 season is expected to decrease based on the high stock levels and reduced demand.

The Restaurants Association of South Africa which represents about 11,000 restaurants announced that additional alcohol and curfew restrictions could cause about 12 percent of restaurants will close within a day, 38 percent will close within one week, 48 percent will close within a month and only 6 percent will be able to survive past the month. The restaurant industry relies heavily on profits from alcohol sales.

Another sector set to be severely impacted by the alcohol ban is the glass and bottling industry. About 70 percent of the glass and bottling sector relies on the alcohol industry. According to [Consol](#), one of the leading glass manufacturers in South Africa, the glass packaging sector lost about R1.5 billion (US\$ 99 million) in sales from the alcohol bans in 2020, and could lose similar revenue if alcohol bans continue in 2021. Consol has deferred investments to keep its workforce employed, but that could change if bans are reinstated.

Concerns of More Restrictive Liquor Regulations in Future

Several Post contacts have indicated that more stringent liquor regulations are expected to be announced post the COVID-19 alcohol bans. This is based on the growing sentiment ([Refer to South African President Ramaphosa`s speech on January 8, 2021](#)) by the South African government on the impact of alcohol consumption and abuse on road accidents, hospital trauma units, gender based violence, crime, and associated diseases. The [National Liquor Policy and Act 59 of 2003](#), is one of the measures expected to be amended and passed to enforce stricter regulations. If more stringent measures are passed, it will affect U.S. liquor exports through restrictive advertising, labelling and extended liability to manufactures in cases of harm caused by alcohol consumption.

Post Comments:

The sections above have highlighted the adverse impact of alcohol bans to the domestic liquor industry, associated sectors and to trade including U.S. exports. 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. In addition, the possibility of more stringent regulations being introduced by the South African government in future, remains a concern, and Post will monitor this closely. Contact Post at agpretoria@fas.usda.gov.

Table 4: Other Related GAIN Reports:

Report Name	Link
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.