The effects of the ban on exports for the South African wine industry

The world is currently facing a crisis of unpredictable magnitude, and South Africa is no exception. Measures have been taken across the globe by governments and industry to address this crisis, and in this regard, the South African wine industry takes pride of place as a leader in responsible management of the crisis.

Whilst we have the highest regard for the magnitude of the Covid-19 crisis we are dealing with and fully subscribe to the measures needed to ensure containment, we also need to position that the ban on the export of bulk and packaged wine, raises a significant risk towards the economic sustainability of this industry and, more importantly, the social-economic stability of the rural communities where more than 40,000 workers and their dependants are employed on grape farms and wineries.

Through extensive lobbying the wine industry has continuously engaged with various government entities to urgently request that wine for export be classified as an essential food product, which will allow producers to ship finished goods (packaged and bulk wine) during the lockdown period.

Despite an initial exemption made by the government on the 7th of April to allow the transport of finished goods to harbours and airports for the purpose of export, this exemption was revoked in a government briefing on the 16th of April, once again bringing all exports to a halt – an industry which, on average, exports wine to the value of R175 million.

The effect of this, compounded with the fact that all local sales and distribution of wine and all other alcohol products is strictly prohibited, could see an industry which has been struggling financially for years, finally brought to its knees.

As an industry, our contribution to the GDP for the SA economy exceeds R49 billion annually and creates roughly 290,000 jobs directly and indirectly. These figures include a R7.5 billion excise and VAT contribution to SARS as per 2019. As South Africa’s second biggest agricultural export product, wine earns more than R9 billion worth of foreign revenue each year through exports of roughly 50% of total production, with the other 50% sold locally.

The industry is not only the biggest supplier of Fairtrade certified wine in the world, but has also made significant progress in terms of ethical compliance via the Wine Industry Ethical Trade Association (www.wieta.org.za), transformation at farm level, development of talent and the support and development of Black Owned Enterprises. Add to this the global recognition that has been earned for its environmental sustainability and wine of origin scheme which is considered to be world class.

Wine is, in the global official nomenclature, classified as an agricultural food product. This is confirmed by our main competitor nations in export markets, such as Argentina, Chile, Australia, USA and New Zealand, who all classify wine as an agricultural food product and their governments are allowing exports to continue during the current crisis. Even countries such as Italy, which has one of the highest rate of infections and deaths from Covid-19, has allowed their wine industry to export as it is considered an essential service. South Africa is therefore the only wine producing country to experience such a stringent ban on exports in this time.

It is estimated that the five-week ban during the lockdown period could conservatively have a direct export revenue loss of more than R1 billion (FOB value), however the damage to reputation and consistent supply as well as future market opportunities could in fact be astronomical in the longer term with the loss of listings for many South African wines within
the retail environment. What will happen beyond this initial five-week period is yet to be seen with longer lock-downs likely, but yet an unknown.

In communications with government, the industry has outlined clear plans which take the safety of each and every individual into consideration, putting clear measures in place in order to ensure the containment of the Covid-19 virus. The loading of export-ready goods is not a labour-intensive exercise and require minimal human interaction, making it viable to continue with exports while still adhering to social distancing rules in order to stop the spread of the virus.

Government concerns for wine ending up being sold on the black market which was initially intended for the export market also poses no risk whatsoever as export wine has a specific value chain that is different from local distribution. It is regulated and strictly monitored by SARS and the Wine and Spirits Board and SAWIS (South African Wine Information Systems).

Despite the industry clearly appreciating and embracing government regulations that have been implemented to ‘flatten the curve’ of the Covid-19 virus, the South African wine industry’s pleas are seemingly falling on deaf ears with the government. The ban placed on wine exports is counter-productive, as it raises a significant risk to the economic, and more importantly, socio-economic stability of South Africa, along with risking the livelihoods of rural communities who will be directly affected due to the financial implications from an industry that could quite likely see devastation.

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**Note to the editor:**

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**WINES OF SOUTH AFRICA (WoSA) is a not for profit organization which promotes the export of all South African wine in key international markets. Apart from the head office in Stellenbosch, South Africa, WoSA also has offices in Johannesburg, England, Canada, USA, Sweden, China, The Netherlands and Germany.**