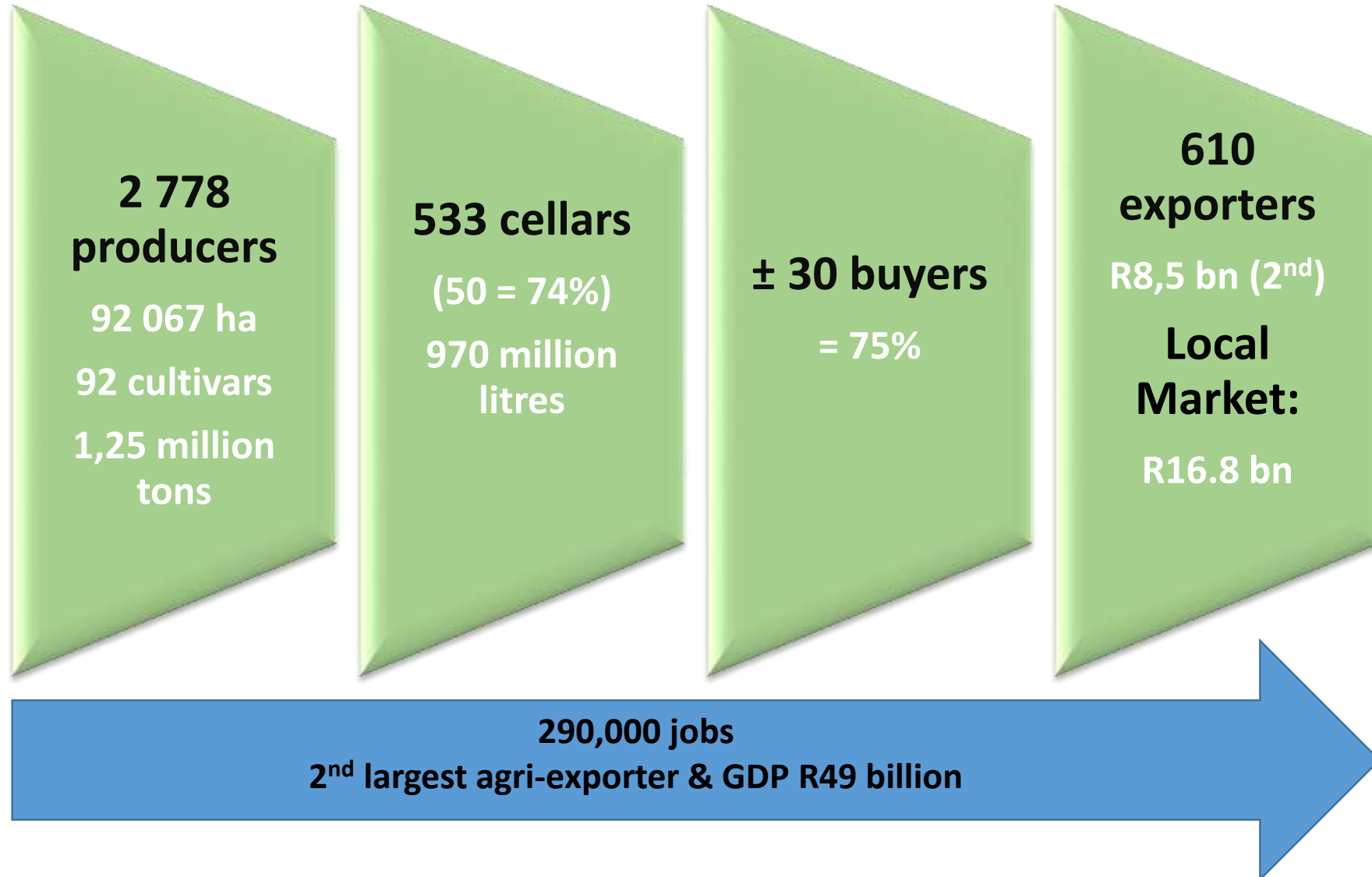


Effect of
Covid-19 on
the SA Wine
Industry

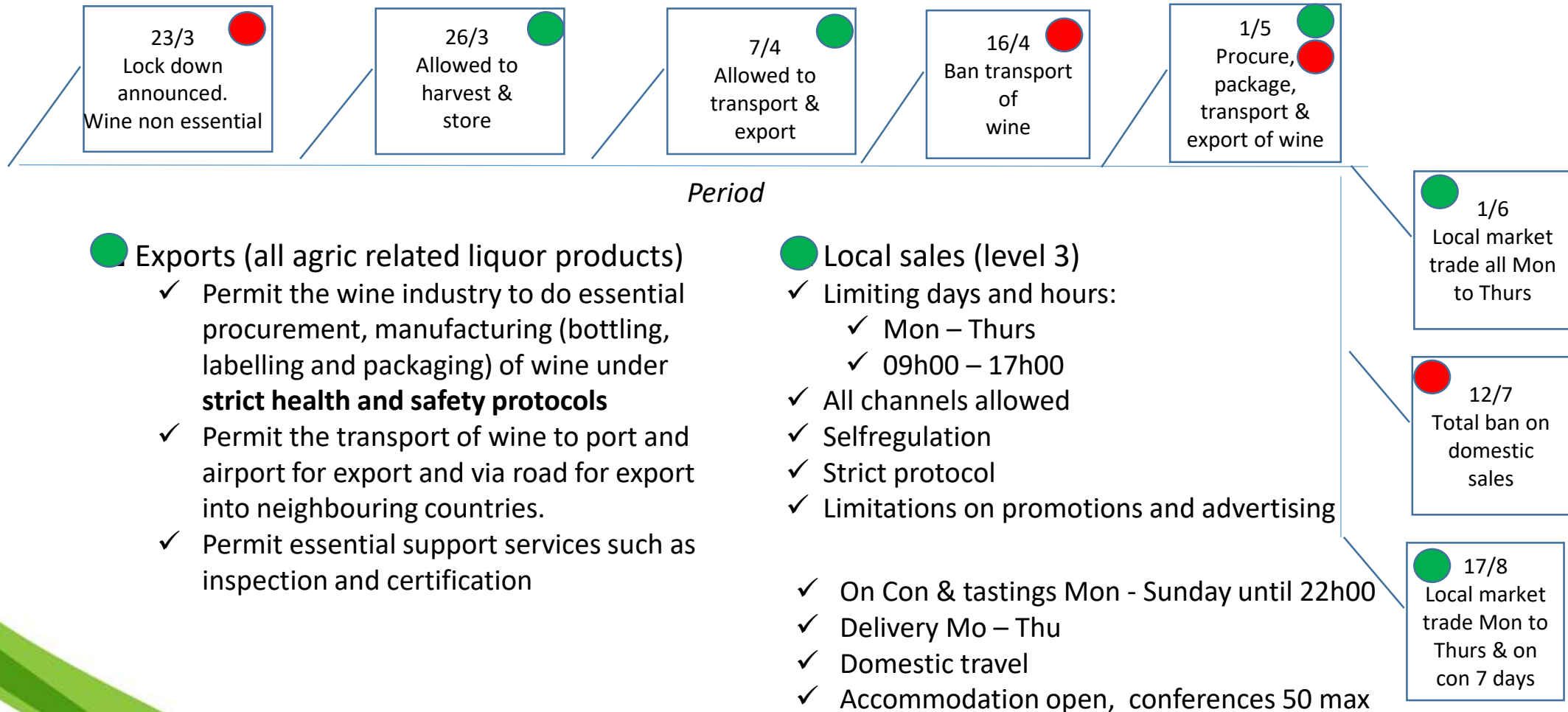
Presentation to the Covid19 Committee

**Rico Basson
26 Augustus 2020**

SA Wine Industry Value Chain

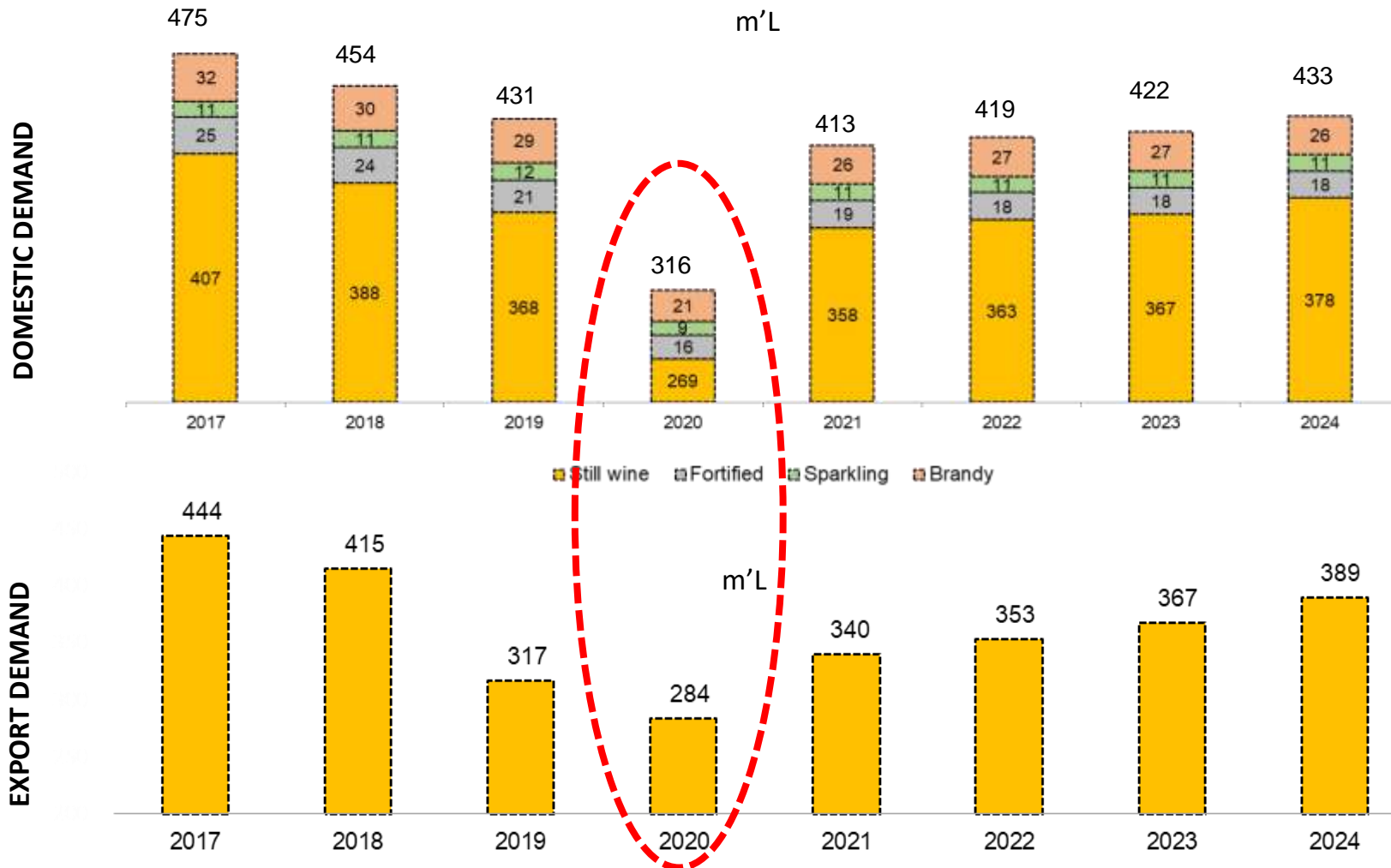


SA Wine Industry: Significant disruption over the past for 20 weeks



R7,5 billion lost in revenue over 14 weeks

Demand forecasted at 600 million litres (domestic and export) vs 750 million litres



- 300 million litres of surplus stock
- Global glut of wine
- 25,000 jobs losses
- 80 wineries and 350 producers lost
- 64% drop in tourism & 45% of jobs
- Challenges at CPT port
- Cashflow implications
- Urgent financial dispensation needed for recovery

*Distell analysis, SAWIS, BER

Addressing Government's concerns around alcohol

ISSUES:

POTENTIAL OUTCOMES:

SOLUTIONS:

SOCIAL DISTANCING

The spread of COVID-19

Strict safety protocols in the workplace as trade opens up

GENDER BASED VIOLENCE

Increase in cases

Targeted research, investment and partnership with SAPS & DoSD in taverner network

DRINK DRIVING

Diverting precious Health resources during pandemic

Targeted investment behind awareness and calling out culture; partnership with DoT/DOSD/SAPS

ILLICIT TRADE

Rise in criminality/ordinary people becoming criminals

Opening up formal sector to combat need for illicit products

ECONOMIC IMPACT

Loss of jobs, tax income, social burden on state

Phased, responsible approach to restarting industry; repurposing taverns

Besides our COVID 19 response, alcohol industry committed >R150m to combat Alcohol Harm through AWARE & Industry Programmes

1

DRINKING & DRIVING

We believe that when you drive you should never drink and that's why we support targeted legislation and enforcement measures to reduce drinking and driving/walking, including strict mandatory BAC limits

- a. Capacitate law enforcement with resources to effectively enforce drinking & driving – **25* AEC's nationally**
- b. Partner with retailers for interventions in high risks area to address driving and walking (buddy system)

* Number to be determined with Dept of Transport

2

BINGE -DRINKING

Pacing and moderation are key elements in our responsible drinking agenda, our products are only for moderate consumption.

- a. Ramp up consumer education campaigns on binge drinking through responsibility messaging on above the line communication, packaging and point of sale
- b. Define drinking guidelines and drinking limits to influence behavior change to responsible consumption

3

UNDERAGE DRINKING

Our products are not for the sale to, or for consumption by, anyone under the age of 18

- a. Implement an ID verification system in all retail outlets (all classes of trade)
- b. Build underage-drinking interventions via youth based community organizations & municipal youth councils

4

GENDER BASED VIOLENCE & FEMICIDE

We are concerned with the high levels of gender based violence and Femicide in our society and commit to be part of the solution by partnering with government and civil society organisations

- a. Provide additional resources for the #NoExcuse campaign to increase the counseling support provided
- b. Support government to implement GBVF masterplan
- c. Provide targeted counseling for repeated offenders of GBVF and facilitate dialogues with men in taverns

Various targeted interventions on wine farms



farr
foundation for alcohol related research

WHAT IS THE FOUNDATION FOR ALCOHOL RELATED RESEARCH?
The Foundation for Alcohol Related Research (FARR) was established in 1997 and is registered as a Non Profit Company.

OUR VISION
FARR is dedicated to building positive futures in South African communities by significantly reducing birth defects caused by alcohol consumption during pregnancy. The focus of our major activities is on Fetal Alcohol Spectrum Disorders (FASD).

OUR MISSION STATEMENT
To establish sustainable awareness, prevention, intervention and training programmes designed to eliminate substance abuse with the focus on Fetal Alcohol Spectrum of Disorders (FASD) as a preventable disorder among children in South Africa.

FARR is dedicated to building positive futures in South African communities

www.farrsa.org.za



WINE TOURISM IMPACT

FOCUS AREAS RECOVERY:

1

SUSTAIN SUPPLY

DE-RISK HIGH YIELD, LOW RISK SERVICES

Communication, business continuity research, lobbying and health & safety protocol developed.

TOURISM SUPPLY SUPPORT FUNDING.

2

RE-IGNITE DEMAND

DOMESTIC DEMAND DRIVEN

Strong affinity for wine tourism products drives hyper-local day trips and overnight stays.

WINE TOURISM CAMPAIGN FUNDING.

3

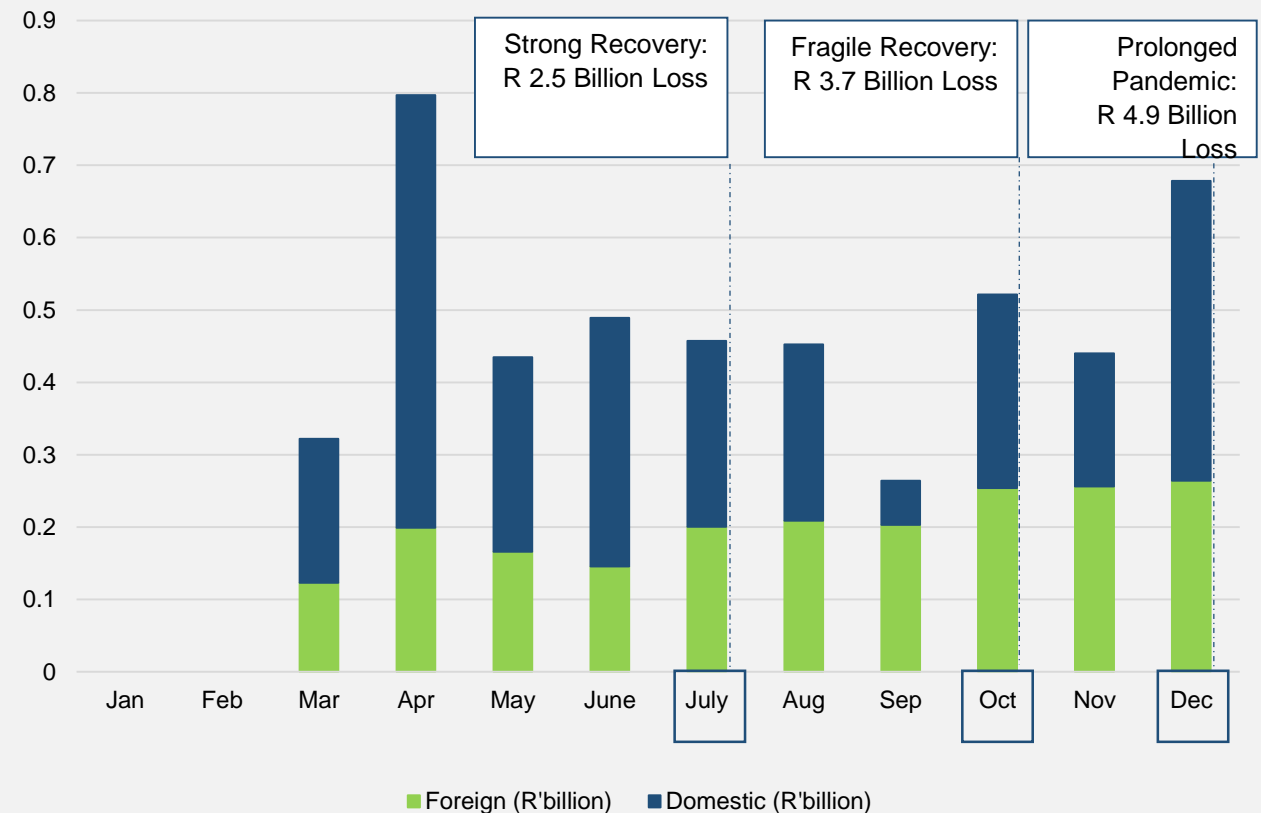
STRENGTHEN ENABLING CAPABILITY INFRASTRUCTURE INVESTMENT

Enhance digital ability. Skills development baseline established and funding secured.

Transformation drive.

BUSINESS & SKILLS DEVELOPMENT SUPPORT.

Forecast Wine Tourism Revenue Losses 2020





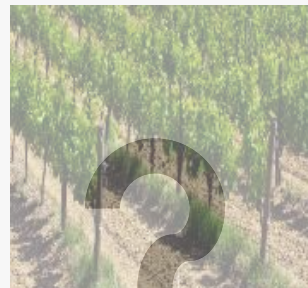
SOUTH AFRICA OPTIONS TO REDUCE THE WINE SURPLUS

The surplus is a 2-3 year issue and the first 2 options are focused on 2020, and the rest are options for 2021, the latter are dependant on grape production

2020

DEMAND	WINE PROCESSING
 <p>Reduce bulk wine prices by 20% SA & Exports</p>	 <p>Grape-based Hand Sanitizer Africa (incl SA)</p>
	<p><i>DRINKING WINE BASE</i></p>

2021

GRAPE & WINE PROCESSING		SUPPLY
 <p>Grape juice concentrate Import substitution & Exports</p>	 <p>Reconstituted wine</p>	 <p>Cap production 2021 onwards</p>
<p><i>WINE GRAPES</i></p>		

- Interventions needed to stabilize the sector and retain jobs:**
- Surplus removal subsidy – R176 million
 - Marketing & promotion – R50 million
 - Tourism recovery – R25 million
 - Black Owned Brands – R8,5 million
 - TERS subsidy – R225 million

Key takeouts

- Major **structural decline** ahead aggravated by a **collapse in producer prices** due to excess supply
- **Decline in production hectares** will take several years to restore to current production capacity
- Wine like most fruit is **highly labour intensive**, and jobs lost is mostly outside urban areas where unemployment is rife
- Wine grapes have **limited other commercial applications** beyond wine vs. other cash crops
- Brand SA will lose equity internationally if **SA's wine tourism** offering deteriorates
- **Government intervention** is required to stabilise the value chain in partnership with industry