

VINPRO MEDIA RELEASE

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Wine producers reach breaking point with excise hike

The hike in excise duties, as announced by the Minister of Finance, will cause the serious financial plight of many wine producers to reach breaking point. VinPro therefore expects that this will be a watershed year for producers who have been under severe financial pressure in recent years.

Despite the fact that producers have done their utmost to endure over the past five years, the point has now been reached where producers simply cannot survive financially anymore. The recommended rate at which vineyards need to be replaced could also not be maintained over the past five years.

This in an environment characterised by a decrease of up to 40% in grape prices, a 40% increase in production costs, a 69% increase in excise duties on both wine and spirits and, subsequently, an effective halving of net farming income.

The primary wine producer earns 44 cents on average from a bottle of wine that sells for R24 in retail – from which he must cover his cost of living and interest. At the same time, the government earns R4,56 per bottle of wine from VAT and excise duties, following this increase.

Although the increase of 8.1% on wine and 8.9% on spirits is in line with the government's long-term targets for calculating the increases on alcoholic products, VinPro is disappointed that these adjustments are still above inflation and that the government does not show an understanding for the current situation of the wine producer. The ongoing excise increases impact negatively on the wine industry's considerable contribution to the economy, as well as job creation. The industry contributes no less than R26,2 billion (2.2%) to the country's GDP, according to the latest research.

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