
WINE INDUSTRY

APPLICATION FOR THE CONTINUATION, AMENDMENT AND ESTABLISHMENT OF STATUTORY MEASURES IN THE WINE AND BRANDY INDUSTRY

NAMC REQUESTING COMMENTS / INPUTS FROM DIRECTLY AFFECTED GROUPS IN THE WINE INDUSTRY

On 27 May 2021, the Minister of Agriculture, Land Reform and Rural Development received a request from the wine industry, in terms of the Marketing of Agricultural Products Act (MAP Act), Act No 47 of 1996, for the continuation, amendment and the establishment of statutory measures (registration, records & returns and levies) in the wine and brandy industry. It is proposed that statutory levies be implemented for a new four-year term from date of publication (1 January 2022) to 31 December 2025.

The applicants for the proposed statutory measures are SALBA (South African Liquor Brandowners' Association), representing trade and Vinpro, representing wine grape producers, wineries and wine cellars. SALBA and Vinpro therefore, represents the payers of the proposed wine statutory levy.

The current and proposed statutory measures applicable in the wine industry (the current statutory measures will expire on 31 December 2021), are as follows:

- Registration;
- Records & Returns; and
- Levies:
 - Brandy levy (*new proposed levy*);
 - Ethical trade levy (*new proposed levy*);
 - Information levy;
 - Research and development levy (R&D levy);
 - Wine export generic promotion levy (Export levy); and
 - Empowerment and transformation levy (Transformation levy).

The following non-profit companies will be responsible for the implementation of the proposed statutory measures, namely –

- 1) SABF (the South African Brandy Foundation), a non-profit organisation, for the Brandy levy;
- 2) Transformation Unit (South African Wine Industry Transformation Unit), a non-profit organisation, for the Transformation levy;
- 3) SAWIS (SA Wine Industry Information and Systems), a non-profit organisation, for the Information levy;
- 4) WIETA (The Wine and Agricultural Ethical Trading Association), a non-profit organisation, for the Ethical trade levy;
- 5) WINETECH (Wine Industry Network of Expertise and Technology), a non-profit organisation, for the R&D levy; and
- 6) WOSA (Wines of South Africa), a non-profit organisation, for the Export levy.

The purpose and objective of the statutory measures in the wine and brandy industry are as follows:

- **Registration and Records & Returns:**

To ensure that continuous, timeous and accurate information is available to all role players. Market information is deemed essential for all role players in order for them to make informed decisions. By combining compulsory registration with the keeping of information and the rendering of returns on an individual basis, market information for the whole of the industry can be processed and disseminated and will form the basis for the collection of statutory levies. SAWIS will be responsible in this regard.

- **Payment of the statutory levy amount** for the funding of the following functions in the wine and brandy industry, namely:

Brandy levy (*new levy*)

Currently this is part of the research levy. It is proposed that it now be established as a separate levy to be administered by SABF.

The objective of the brandy levy, is to contribute in creating a transformed and responsible value chain and focus market for brandy. An integrated approach in collaboration with the wine industry will create a larger impact on the entire value chain. This is important to empower new entrants into the category and offer support/mentorship to ensure successful launches.

The proposed brandy levy is to be used by SABF to grow the entire brandy industry and to position South African brandy as a credibly quality alternative to Cognac, locally and globally.

Ethical trade levy (new levy)

The objective of the ethical trade levy is to fund, maintain and further develop an ethical trade system. It will ensure rapid transitioning to a transformed, ethical, just and sustainable environment, which is a key global sourcing requirement to ensure that impacts on workers are positive and developmental rather than negative, contributing to violations, and worker abuse.

South Africa's international markets are having an increased focus on addressing their South African suppliers' readiness to address the protection of workers and their human rights.

Information levy

To fund the continued implementation, administration and enforcement of the statutory measures relating to registration and records & returns and to fund the processing, auditing, verification and dissemination of information. This levy will also be used for providing generic intelligence and facilitating market research.

R&D levy

To co-ordinate and fund research and development, innovation training, technology and knowledge transfer in the wine industry.

Export levy

To generically promote SA wines on selected export markets and to improve the efficiency of the export process.

Transformation levy

To continue to facilitate social and economic development and transformation in the wine industry through programmes such as economic empowerment and development, social development and upliftment and human resource development and training in support of broad based Black Economic Empowerment.

The following levy amounts are proposed:

	Brandy levy <u>(new proposed levy):</u>	Ethical trade levy <u>(new proposed levy):</u>	Export Levy	Information levy	Research and Development levy
Grapes intended for the production of wine Rand per ton	n/a	2022: 1.82 2023: 1.89 2024: 1.96 2025: 2.03	n/a	2022: 16.45 2023: 17.22 2024: 17.99 2025: 18.83	2022: 28.21 2023: 29.47 2024: 30.80 2025: 32.20
Grape juice concentrate intended for use in wine at 17.4 degrees Balling cents per litre	n/a	2022: 0.26 2023: 0.27 2024: 0.28 2025: 0.29	n/a	2022: 2.35 2023: 2.46 2024: 2.57 2025: 2.69	2022: 4.03 2023: 4.21 2024: 4.40 2025: 4.60
Drinking wine cents per litre	n/a	2022: 0.26 2023: 0.27 2024: 0.28 2025: 0.29	n/a	2022: 2.35 2023: 2.46 2024: 2.57 2025: 2.69	2022: 4.03 2023: 4.21 2024: 4.40 2025: 4.60
Certified bulk export wine cents per litre	n/a	n/a	2022: 14.62 2023: 15.28 2024: 15.97 2025: 16.69	n/a	n/a
Certified packaged wine cents per litre	n/a	n/a	2022: 17.56 2023: 18.35 2024: 19.18 2025: 20.04	n/a	n/a
Uncertified export wine cents per litre	n/a	n/a	2022: 13.92 2023: 14.55 2024: 15.21 2025: 15.89	n/a	n/a
Distilling wine or wine spirit at 10% alcohol per volume cents per litre	2022: 3.19 2023: 3.33 2024: 3.48 2025: 3.64	n/a	n/a	n/a	n/a

Transformation levy shall be 20% (twenty per cent) of the total amount of levies collected.

Proposed business plan for the four (4) year period:

	2022	2023	2024	2025	
	R				
Income	101 502 002	106 073 230	110 841 270	115 864 452	
Expenditure					
• Market growth – international (export)	39 069 935	40 825 837	42 669 602	44 589 230	
• Market growth - local and global (brandy)	3 485 294	3 638 254	3 802 139	3 976 950	
• Transformation	19 995 359	20 897 873	21 839 749	22 832 653	20%
• Market growth – enterprise development	15 196 473	15 882 383	16 598 209	17 352 816	
• People development *	4 798 886	5 015 490	5 241 540	5 479 837	
• Research, development and innovation	22 115 486	23 112 736	24 168 648	25 283 222	
• People development **	3 050 412	3 167 736	3 285 058	3 402 382	
• Information / business intelligence	13 785 515	14 430 794	15 076 074	15 780 015	
Total expenditure	101 502 002	106 073 230	110 841 270	115 864 452	

* Includes Management Control, Skills Development and Socio-economic Development

** Includes Skills Development and Ethical Trade System Support

A product is levied only once, for example, if grapes intended for the production of wine was levied for the information levy, it will not be levied in another format (such as packaged wine) again for the information levy.

Furthermore, it should be noted that, on 7 May 2021, another application was received from the South African Wine Industry Development Empowerment Foundation (SAWIDEF). SAWIDEF application focusses on the continuation of the statutory levies in the wine industry. SAWIDEF is a non-profit company without members and is inclusive of black business, civil society and labour structures, with the company registration number 2020/909022/08.

SAWIDEF proposed that they will be the responsible entity and implementing agent and that they will commission or delegate assignments to its partner organisations where appropriate, and that a detailed implementation plan will be developed. SAWIDEF also indicated that they be a beneficiary and the implementer of the proposed statutory levies (e.g. the export promotion -, information -, research - and the transformation levies).

The NAMC published details of SAWIDEF's application in the Government Gazette of 21 May 2021 (No. 44593) notice 300 of 2021, requesting comments.

The NAMC believes that the application by Vinpro and SALBA for the continuation of the proposed statutory measures is consistent with the objectives of the MAP Act (as set out in section 2 of the Act).

Directly affected groups (e.g. wine producers, wine traders, wine spirit producer, and exporters of drinking wine) in the wine industry are kindly requested to submit any comments, in writing, regarding the proposed statutory measures, to Mathilda van der Walt (mathildavdw@namc.co.za) on or before 2 July 2021, to enable the NAMC to finalise its recommendation to the Minister in this regard.