

REGULATORY FRAMEWORK, EXPORT REGULATIONS AND CHALLENGES FOR SA WINE

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□ THE LIQUOR PRODUCTS ACT (ACT 60 OF 1989)



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OVERVIEW..

1. Scope
2. Review of the LP Act
3. Regulatory framework
4. Brief background to EU agreements
5. What is the importance of the OIV?
6. Importance of the WWTG?
7. Where does the WCA fit in?
8. How is the LP Act administered?
9. Wine Online – export process
10. Constraints with export to Africa / VOC programs
11. Closure



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SCOPE of the LP Act

ALL liquor products with an alcohol percentage of more than 0,5 %, **except for medicine**



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REGULATORY FRAMEWORK/AGREEMENTS

- Liquor Products Act, Act 60 of 1989
- Export country legislation - compliance to EACH export destination before wine can be exported
- International bodies like the OIV (International Wine Office in Paris, France) and the WWTG (World Wine Trade Group) play an important role in setting international guidelines and enhancing trade
- Bi-lateral and multilateral agreements with the European Union (EPA agreement on GI's) impact trade



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PHASE OUT – Port, Sherry, Ouzo, Grappa...NOT allowed on SA market!



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AGREEMENTS BETWEEN SA AND THE EU – impact on trade

- Wines and Spirit Agreement (WSA) – provisionally implemented in 2002
- EPA (Economic Partnership Agreement) protection of GI's (geographical Indicators) between EU and SA- October 2016
- Port / Sherry phase-out agreed under TDCA (Trade Development and Cooperation Agreement) agreement
- Grappa, Ouzo phase-out agreed under WSA agreement



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OIV – WHO AND WHAT?

- OIV – International Organization of Vine and Wine
- Intergovernmental Organisation
- Scientifically based and provide norms and standards on all wine and vine products
- Set guidelines on new winemaking practices and techniques
- Promotion and sharing of scientific research
- Harmonizing standards



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HISTORY OF THE OIV

- OIV first established in 1924
- South Africa member since 1963
- The SA government pays annual membership fees of R1,5 million – significant financial investment from government!
- Currently: 50 member and 12 observer countries comprise 85 % of world's grape producers
- Joint Government & Industry delegation (3 to 6 people)
- 3 meetings a year



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WHY is the OIV important?

- Ensure that TBTs (Technical Barriers) are not introduced into standards (arbitrary limits) and that standards do not impact negatively on SA wine industry and trade in wine
- Decision making – consensus based – SA therefore has a veto right if standards impact negatively on wine trade
- All OIV standards are accepted by the EU in their internal legislation – ensures trade harmonization – EU is SA's biggest export market
- Free access to all scientific work
- OIV Press office –receives updated information in relation to wine and vine – keeps our Industry competitive



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WORLD WINE TRADE GROUP (WWTG)

- The WWTG is an informal group of wine producing countries with the following objectives:

- ☐ Facilitate the trade in wine
- ☐ Reduce barriers in the wine trade
- ☐ Share information/collaborate on trade and wine issues
- ☐ Share and exchange laws & regulations related to wine making practices and wine labelling

- The Group has no formal membership, membership fees and no secretariat.



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Images WWTG – meetings and visit to wineries



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WORLD WINE TRADE GROUP..continued

- The Group is chaired by a rotating chair who functions as secretariat and organises the meetings of the group (1 or 2 meetings per year).
- Meetings are attended by both Government and wine industry representatives (in joint and separate sessions).
- The group was formed in 1998.
- Participants: Argentina, Australia, Canada, Chile, Georgia, New Zealand, South Africa and the USA.
- The Mutual Acceptance Agreement (MAA) and the Labelling Agreement are at the core of the group.



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WORLD WINE TRADE GROUP – Benefits

•MOU on Certification Requirements - Benefits

- reduce certification/analyses certificates for WWTG
- Certification documentation should only be required for health and safety reasons

•Future Work/ Focus of the Group

- Sustainability labelling (e.g. Greenhouse gas emissions, impact on environment)
- Labelling for allergens (e.g.possibility to use pictograms)
- Co-ordination with regard to Maximum Residue Levels
- Outreach Asia - China to attend meetings as observer



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WHAT GUARANTEES CERTIFICATION CONTROL?

...SEALCODE ON THE NECK OF THE BOTTLE



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WHERE does the Wine Certification Authority (WCA) fit in?

- STATUTORY Body establish under section 2 of LPA
- Administers Wine of Origin Scheme, IPW (sustainable production of wine) and Estate Brandy Scheme
- Reports directly to the Minister of DALRRD- advisory body
- Members of the Authority is appointed by the Minister
- SAWIS (non-profit organization) does inspections and collation of industry information on behalf of WCA on a contractual basis
- Control and protection of GI's adds value to wine – premium wine



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WHAT DOES THE WO SCHEME DO?

Guarantees the following claims on wine labels:

- Origin (STELLENBOSCH OR PAARL)
- Vintage (YEAR 2011)
- Cultivar (CABERNET SAUVIGNON)



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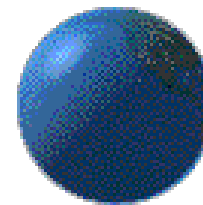
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WHY A WO SYSTEM?

- To prevent fraud



- International requirement



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WHAT ABOUT QUALITY OF GI WINES?

- Tasting panels taste all SA wine under WO Scheme
- Tasting every day of the week
- Taste for cultivar/terroir (origin/area) typicity
- Ensure quality and safety compliance (healthy/drinkable)



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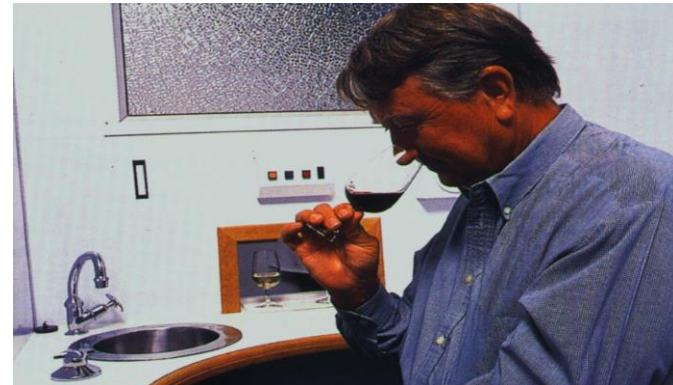
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HOW IS THE TASTING PERFORMED?

- Panel members - experts in the Industry
- All have tasting qualification – prerequisite
- Panel members alternate between different panels
- Blind tasting
- Taste for cultivar typical/minimum quality



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SA regulatory framework - HOW is the LP Act administered?

- **Administering Officer (AO)** responsible for administering the Liquor Products Act, Act 60 of 1989 Current AO - Ms Wendy Jonker-Hanekom
- Powers and functions delegated by AO to officials of DALRRD performing activities in terms of LP Act
- Complimentary functions of 2 directorates involved:



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SA regulatory framework ...continued

- **Directorate FSQA (Sub-directorate: Liquor Products): Export documentation**

- Establish norms and standards for liquor products
- Draft policy and guidelines for implementation
- Import and export certification (initial risk assessment and authorization/issuing of foreign country documentation/guarantees required)

- **Directorate: (Inspection Services): Inspections**

- Ensures implementation/monitors local compliance of LP Act
- Import and export control (checks compliance based on consignments and issuing of further certification/documentation to ensure control of movement and compliance)
- BASED at PLANT QUARANTINE Station - Stellenbosch



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WHAT is verified before an export certificate is issued?

EXPORT:

- Labels are checked for compliance with LP Act and export country requirements
- Sensorial tasting performed by tasting panels (ONLY for wine)
- Analyses results is verified for compliance with LP Act and export country requirements

ONLY if **ALL three requirements** have been met, can an export certificate be issued.



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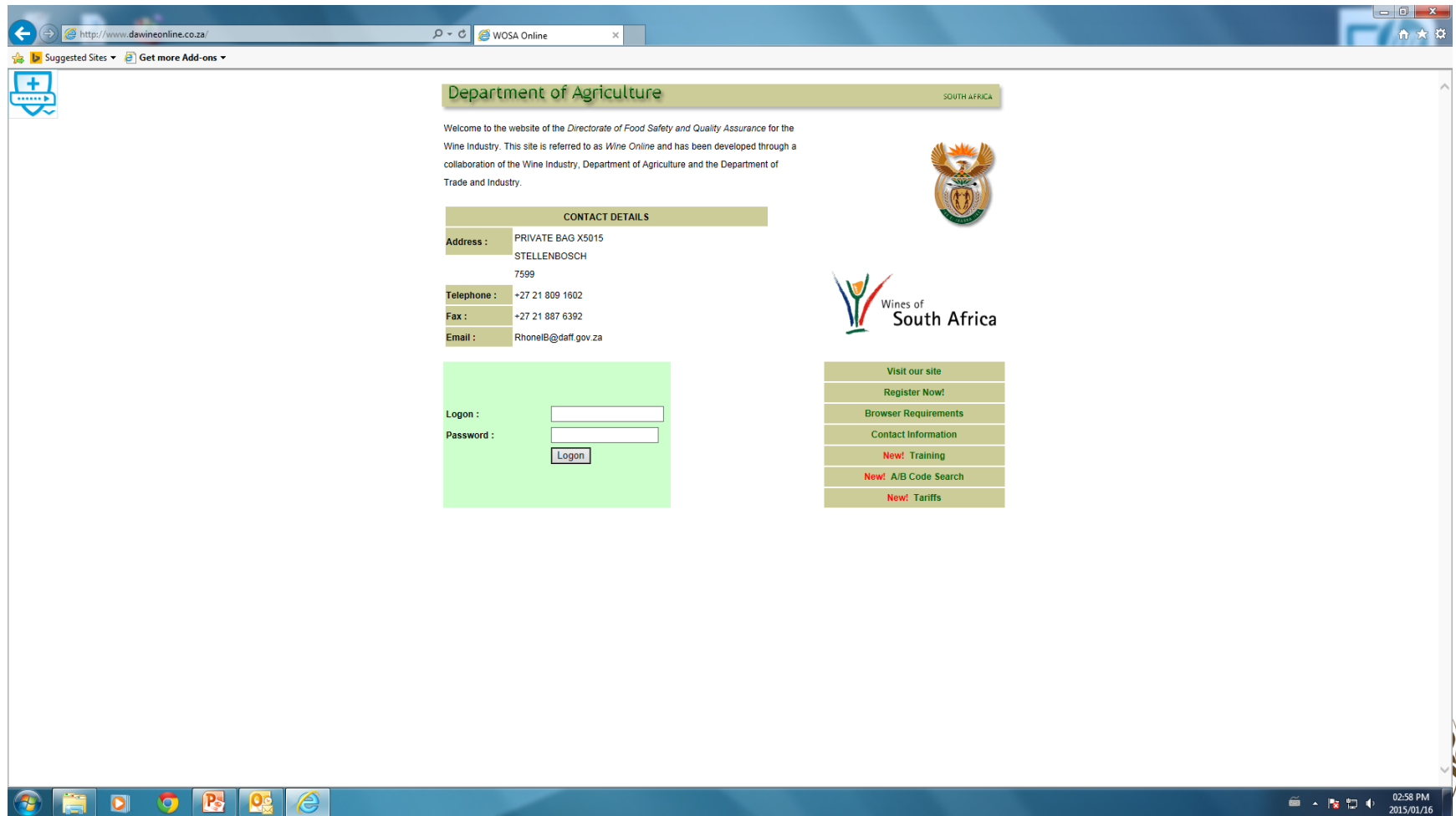


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WINE ONLINE homepage



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WINE ONLINE export certification system

- Wine Online is a web-based system: controlling the local and export certification of Liquor Products
- ONLY such online system in the world!!
- It was developed through collaboration between DALRRD, DTI and the wine industry
- All the procedures and controls governed by the LPA
- All exports of liquor products have to go through Wine Online in order to get the necessary documentation
- System owned by Industry, data owned by DALRRD
- System maintained through Industry paid levy



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WINE ONLINE – benefits?

- User submits an export application online from anywhere in the world
- Remote printing of export certificates at premises of loading – unique code issued per certificate
- Quick turnaround time
 - export certificate issued every few minutes
 - VI 1/consignee documentation available within 24 hrs
- Ensures **full traceability** from vineyard to the market
- Unique control system – health and food safety assured – foreign control bodies trying to replicate SA system



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What is the methodology in WOL?

- Application for an **EXPORT CERTIFICATE** and approval
- **NOTIFICATION** of loading to DALRRD inspectors to check consignment
- **INSPECTION** – inspectors select which consignments they want to inspect on a risk basis
- **INSPECTION APPROVAL** (if consignment was selected for inspection, inspector must approve consignment/ system auto approves consignments for loading within 24 hours after initial notification of loading)
- **DECLARATION** of loading by exporter to confirm volume loaded
- Issuing of **CLEARANCE DOCUMENTATION** , e.g. VI1 documentation , etc. automated by WOL
- WOL tracks total volume usage per liquor product/export certificate – in compliance with international traceability requirements



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Export control procedures for BULK wine

- Control samples drawn from the CONTAINER, before the consignments of wine is exported
- Control analyses COMPARED with initial bulk analyses
- Free SO₂ minimum of 30 mg/l & VA maximum of 0.80 g/l: to ensure quality and protect image of SA wines
- Fully dressed samples requested from overseas on a risk basis
- Verify label and quality compliance –report submitted to the Wine Certification Authority
- ONLY such formalized system in the world to protect image of SA wines



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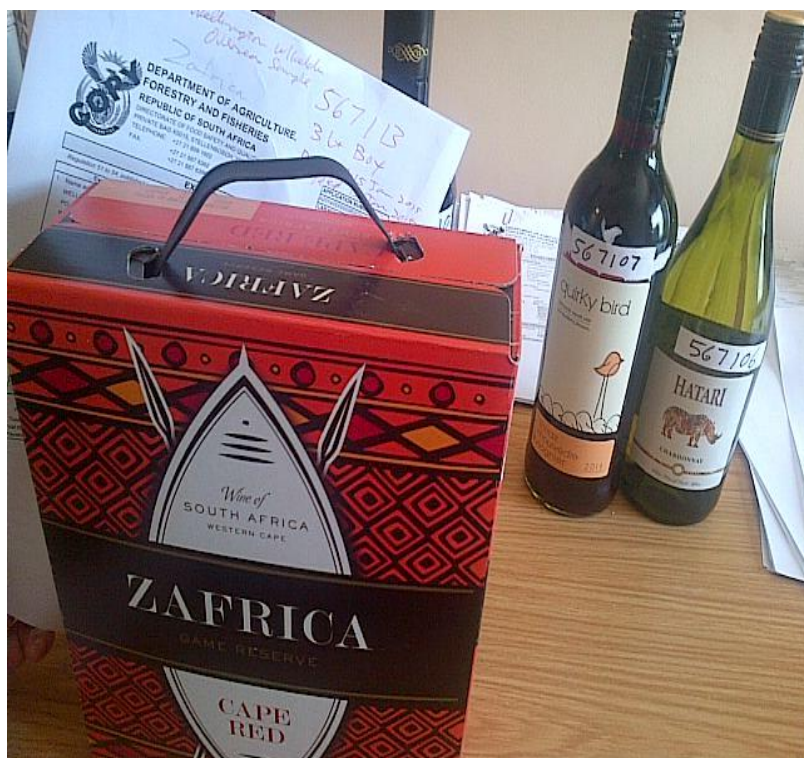


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SAMPLES returned from OVERSEAS



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CONSTRAINTS – Export to Africa

- RENEWED focus on export to Africa
- Constraint - verification of compliance programs: SGS & Bureau Veritas
- Technical requirements not based on international norms – several TBT's
- Examples of TBT's:
 - ❖ Kenya – total solids between 40 and 150 g/L
 - ❖ Micro test required for wine with alcohol content of less than 8% - coliforms and total plate count



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CONSTRAINTScontinued

- Further examples of TBT's to Africa:
 - ❖ Heavy metal analyses not relevant to wine (lead, arsenic, iron) are MANDATORY for export of wine to Africa – not required by any other country in the world
 - ❖ Wine definitions and sugar classifications not aligned – dry, semi dry, etc – leads to rejection of SA wines
 - ❖ African countries are the ONLY countries in the world that requests **microbiological analyses** – the low pH, high alcohol and presence of SO₂ makes it impossible for bacteria and contaminants to survive in a wine – analyses is costly and unnecessary



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VOC program – Negatives and positives

•NEGATIVES:

- Additional Analysis – expensive
- Leads to duplication - SA has mandatory export certification control and legislation in place
- Extra Analysis- Longer lead times to export
- Only 2 VOC agents – logistical constraints
- South Africa is part of Africa – entry into Africa has become restricted due to TBTs, logistical constraints and cost - VOC controls should not be applicable to SA



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VOC program – Negatives and positives

•POSITIVES:

- Liquor products exported to these countries checked and controlled and should be safe to consume
- VOC countries initially did not accept DALRRD export certification documentation – after numerous letters and complaints, DALRRD documentation now accepted
- DALRRD has good relations with VOC agents



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SUMMARY

- MANY constraints remain when exporting wine
- International wine arena is complicated
- Challenge to remain informed of ever changing export country and certification requirements
- Difficult to remain competitive with Duty Free agreements on wine being agreed between EU/ASIA with our direct competition: Australia, USA and Chile
- SA should focus on making QUALITY wine and selling in the premium wine category
- Despite the constraints - SA remains under the top 10 wine producers and exporters in the world!!



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