

Vinpro survey shows SA wine industry in dire straits

According to a survey conducted by Vinpro, the South African wine industry stands at a tipping point, with many wine businesses, especially smaller companies, and those under Black ownership, facing potential closures in the next three to twelve months due to recurring and now fifth domestic wine sales restrictions.



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According to Vinpro's *Impact of Covid-19 on the Wine Value-Chain Survey*, conducted in early July among wine grape producers, wineries and other wine-related businesses, 58% of the 549 respondents indicated that their businesses would have to make drastic changes over the next year to be able to overcome the current challenges related to Covid-19, and 22% will in all probability not be able to survive at all. Even more alarming is the fact that 46% of black-owned brands and farms believe that their businesses won't be able to survive the next year.

Around two-thirds of all respondents' revenue is generated from domestic wine sales, which reiterates the importance of domestic trade for the survival of the industry. The local market is of particular importance to smaller wineries and black-owned brands which are heavily reliant on sales channels such as their tasting rooms, hospitality offering and e-commerce.

According to the *Economic Value of Wine Tourism Study* conducted by Vinpro in 2019, wine tourism represents 41% of these small business' total turnover. "It is especially the small and micro enterprises that do not have sufficient bridging finance to sustain them through the current and continued restrictions," says Rico Basson, Vinpro MD.

Lack of assistance

"Many wine businesses are at the edge of a cliff and the livelihoods of thousands of employees are being endangered in the process. South Africa is the only country in which liquor sales have been banned with no financial assistance from national government, despite repeated requests from the wine industry. Instead, government chooses to close our industry without reliance on empirical evidence to back their decisions and seem apathetic towards its citizens' plight for survival," says Basson.

Vinpro and its partners in wine, tourism and agriculture have submitted numerous funding proposals over the past year to various national government departments to stabilise an industry that has already incurred financial losses of more than R8bn. The Western Cape Department of Agriculture need to be commended in heeding the call and for funding two initiatives, namely a R12m Wine Tourism Worker Support Stipend (WTWSS) and a R13.5m Producer and Brand Owner Protection Support Grant.

"However, the fact that national government chooses not to take a differentiated approach to decisions with regard to the management of Covid-19 means that the current ban could be extended for the next four to five weeks after the current two-week ban is set to end on 11 July 2021. Many wine businesses would go under, or would have to lay off staff as they won't have sufficient cash-flow to fund their payroll," says Basson.

Thousands laid off

According to the survey, participants already had to lay off a significant number of workers since the start of the lockdown in March 2020, had to take in less seasonal labour or were unable to fill new positions. Many who have managed to keep staff on, were unable to pay their full salaries, which also has a negative effect on the livelihoods of the families who are dependent on the industry.

Should the ban continue for another six weeks, respondents in the survey indicated that they would only be able to fund 51% of their normal monthly payroll. Compared to this, black-owned brands and farms will only be able to fund 31% of their payroll, leaving more than two-thirds of their staff without an income.

Urgent intervention needed

"Covid-19 is endangering both the lives and livelihoods of South Africans. It is certainly not viable to cut off an entire industry's lifeline every time there is a spike in infections, in part due to citizens not being disciplined, as well as delays in the vaccine roll-out. Urgent intervention is needed by government to ensure proper policing, and to accelerate the vaccination programme," says Basson.

"The liquor ban is not only about whether people are allowed to enjoy their favourite drink or not. It's also about keeping businesses afloat that put food on the table for thousands of families. As long as government continues denying these businesses' their income, while not providing any financial relief, we will see many people not only suffering from Covid-19 but also from poverty."

"This irrational cycle needs to stop. Government needs to either partially or fully open up our industry or start providing financial assistance to help these hardworking men and women to feed their families. Substantial structural damage has been done to the extensive value chain ranging from the vineyard to wineries and the market, which will take years to mend," adds Basson.

Key findings

- Sixty-six percent of all participants' turnover is generated from local sales, compared to 30% exports and 4% from other

sources. Black-owned brands and farms receive 64% of their income from local sales, 27% from exports and 9% from other sources.

- Fifty-seven percent of all respondents have a turnover of less than R10m per annum, compared to 87% in black-owned brands and farms.
- Thirty-eight percent of all respondents indicated that there is a high probability that their business would close down if the local wine sales ban continues for six weeks after 11 July 2021, compared to 68% in black-owned brands and farms.
- All participants indicated that they would only be able to fund 51% of their total payroll should the ban be reinstated for another six weeks after 11 July 2021, compared to 31% in black-owned brands and farms.
- Twenty-two percent of all participants have indicated that their business will not be able to survive the challenges related to Covid-19 in the past year, and 58% would have to make drastic changes to be able to survive. In comparison, 46% of black-owned brands and farms have indicated that their business will not survive, and 50% would need to make drastic changes.

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