

# Challenging times for SA wine industry with excise hikes

During the annual National Budget Speech on 22 February 2017, Minister of Finance, Pravin Gordhan, announced excise hikes of 8.8% on wine and sparkling wine and 8.5% on spirits. While the South African wine industry understands the government's economic challenges, the above-inflation hikes in wine and brandy excise will be challenging for producers and cellars to absorb.



©Peter Titmuss via [123RF](#) - Sauvignon blanc grapes arriving at Goudini Cellar in Rawsonville, Western Cape South Africa

“In a depressed economy where wine retail price increases are below inflation, wine producers and cellars will find it difficult to absorb these increases,” said Rico Basson, managing director of VinPro, the representative organisation for close to 3,500 South African wine producers and cellars.

Only a third of grape producers are currently operating at financially sustainable levels and return on investment has dropped below 2%.

The industry comprises 97,000 ha under wine grapes and employs close to 300,000 people in total. “Investment, policy certainty and direct support with regard to agriculture-related aspects such as housing, water, land, and market access will be critical to take the industry forward,” said Basson.

The industry remains concerned about the extent of illicit trade and the socio-economic impact of alcohol abuse and calls on the government for a responsible policy framework with joint, direct interventions.

“The South African wine and brandy industry is busy with the implementation of a new strategic framework, the Wine Industry Strategic Exercise (Wise). Close collaboration with and support from government will be key in reaching the set targets,” said Basson.

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