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## BI Daily

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### SOUTH AFRICAN TRENDS

#### Alcohol warning for South Africa

The illicit alcohol industry is booming in South Africa, and consumers need to be especially careful when buying liquor since they could end up with an illegal product without even realising it.

Russell explained that Illicit alcohol refers to products where taxes and duties haven't been paid, and it comes in several forms:

- **Smuggled Goods:** Over 50% of South Africa's illicit alcohol includes smuggled products, such as undeclared imports or goods hijacked on the way to market and reintroduced illegally.
- **Counterfeit Alcohol:** These are fake products, often involving refilled bottles that don't meet safety standards and pose public health risks.
- **Homebrews:** This category, which grew during COVID-19, now accounts for about 24% of the market.

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#### South Africa must push agricultural exports within Brics

South Africa has an export-led agricultural sector, with exports a major catalyst in the sector's growth over the past three decades. But rising geopolitical tensions have introduced new risks, leading to an increased need for the country to diversify its export agricultural markets. In this article, we argue that South Africa should expand market access to some key Brics countries, such as China, India, Egypt, and Saudia Arabia. Other strategic export markets for South Africa's agricultural sector include South Korea, Japan, Vietnam, Taiwan, Mexico, the Philippines, and Bangladesh. Currently, the significant challenges in these markets are high import tariffs and phytosanitary barriers.

Remarkably, the products these countries imported include soybeans, beef, maize, berries, wheat, palm oil, poultry meat, cotton, barley, dairy products, pork, apricots and peaches, sugar, wool,

sunflower seed, nuts, sorghum, goat meat, wine, grapes, bananas, avocados, mangos, guavas, and fruit juices, among other products.

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## GLOBAL TRENDS

### What can we learn from 10 years of IWSR's wine market attractiveness rankings?

Over the past ten years, the wine industry has faced a shifting market landscape:

- Lasting impacts of recent high inflation: For several years, rising inflation has been one of the key factors shaping the global alcoholic beverage and hospitality sectors. The impact of inflation – a fundamental reduction in household spending power – will continue to shape preferences, spending and demand for wine around the world.
- Shifting drinking habits: Moderation, driven both by increasing health consciousness and the rising cost of living globally, has seen wine consumption continue to fall, particularly among younger consumers of legal drinking age. Moderated alcohol consumption is increasingly accepted socially, and the stigma around not drinking is starting to diminish in many markets.

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### UK Wine Drinkers to Pay (Even) More for Wine

Any wine with an ABV of 12.5% will carry the same £2.67 duty as at present. Lower-strength wines will cost less, but the rise in tax on wines with 13% ABV or more will be significant. So, when 20% VAT sales tax is included, a red at 14.5% will cost £0.52 more next year. These figures will rise even further in order to keep in line with inflation.

The implications of this move are already being felt, and several importers are looking to introduce 'mid-strength' wines of 7-11%, in order to take advantage of the lower duty rates. These will either be sweet and/or partly dealcoholized. The 8%-or-lower figure, may prove popular among producers following a change in the law in Finland where wines with this ABV can now be sold outside the monopoly stores.

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## MAJOR WINE PRODUCING COUNTRIES

### Argentina Faces Biggest Crisis in 20 Years. Domestic Wine Sales Halved

A report from the Center for Economic Studies of Bodegas de Argentina, the national wine industry association, concludes that Argentina's wine sector is experiencing its most severe crisis in two decades. Domestic sales fell to a historic low of 801m litres from June 2023 to May 2024, marking a 50% decline compared to 2014. This drop has affected both entry-level and premium categories. Exports, including both bottled and bulk wine, also reached a record low of 207m liters.

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