Global Trends - Beverages

Brandy industry welcomes differential excise tariff

Government's decision to introduce a differential excise tariff for pot-still and vintage brandy has been welcomed by the brandy industry. To be phased in over two years, the excise rate will be lowered by a 10% differential to the spirits excise tariff.

With five litres of wine required to produce one litre of brandy, this has had serious implications for the economy and for job opportunities in the local wine industry, which is one of the most labour intensive agri-sectors in the country.

The Department of Agricultural Economics at Stellenbosch University estimates that from 2006 to 2013, the brandy decline resulted in a loss of R1.56bn in economic value-add to the South African economy and a loss of 7,526 job opportunities throughout the economy.

Reade-Jahn added that the recovery of the industry would also have a positive knock-on effect for the wine industry. "For every 1% increase in brandy sales volumes, the price of distilling wine will rise by 0.9%, with obvious cash benefits for producers."

Ironically, as sales have been sliding, the country's international reputation for brandy excellence has been steadily rising. South Africa is globally renowned for its brandies, made according to extremely stringent regulations. Three of the country's prominent players, Distell, KWV and Oude Molen are consistently awarded top prizes on international competitions. Over the past 25 years, at the International Wine & Spirit Competition alone, South Africa has claimed the Best Worldwide Brandy title no fewer than 15 times.

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