Reinstated liquor ban puts pressure on agricultural commodities

With the first ban on liquor sales, due to Covid-19 regulations, there was already an accumulation of supply of raw materials, some of which could not be stored for extended periods and which also did not have any export opportunities.

A second ban puts more pressure on the system and has far-reaching financial and ecological consequences.

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Malt barley is an important crop within the winter grain production area that has limited crop choices. This season saw good malting barley plantings and the weather contributed to a good season thus far. Unfortunately, with the new liquor ban in place, a substantial surplus can build up with limited export opportunities, which will result in significantly fewer plantings in the next season.

This directly affects producers in terms of financing profiles, crop rotation systems and the control of ecosystems. The result – significant financial pressure on an area that has already experienced a lot of pressure with droughts over the past few seasons and where agricultural debt is at record levels.

Impact of the ban

The second ban on liquor further impacts small-scale producers, who are supported in various programmes by these companies. Not only will producers' access to markets now be reduced due to surpluses, but the risks that support will be discontinued due to financial losses of companies are becoming a reality.

It is worrying that quick decisions such as the ban on liquor are being made with direct consequences on crops that were still affected by drought until as early as last year. South Africa's producers do not have subsidised crop insurance or drought relief programs like competing countries. So a producer can only farm himself out of a difficult financial position, but if the demand is taken away in good production years, the direct effect is the same as a drought - especially with limited export opportunities.

The ban is an instant decision that will be implemented rapidly with far-reaching consequences, while the wheat industry in the same production area has been waiting since 24 March 2020 for the announcement on the new wheat import tariff. This tariff is specifically in place to support producers without any disadvantageous impact on consumers.

Competitive countries offer enormous support for their agricultural sector as a whole where similar decisions have been made due to COVID-19. The question, now and during droughts, is still being raised - how will local producers be supported as a result of this ban and have the consequences of this decision been consulted and researched? The current scenario is causing great concern among producers as single-buyer markets are now disappearing and the agricultural sector is suffering.

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