

'Unacceptable' levels of illicit trade - liquor association

The South African Liquor Brandowners Association (Salba) is calling for stronger law enforcement to curb the rising prevalence of illicit trade in the alcohol industry.



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A report by Euromonitor International, commissioned by Salba, Beer Association of South Africa (Basa) and Vinpro last year to better understand the illicit market during the pandemic, found that the illicit market in South Africa grew by 10% (CAGR) in volume terms from 2017 to 2020.

Kurt Moore, Salba CEO, said, "The total share of illicit alcohol in 2020, was estimated to be worth R20.5bn and comprises 22% of total alcohol volumes – meaning one in five bottles are potentially illicit products. This is unacceptable."

What's driving illicit sales?

The report confirmed the growth in demand for illicit alcohol in 2020 as a direct consequence of the prohibition of alcohol sales.

Moore went on to say that the report identified several other reasons for the growth of the illicit market, significantly including weak regulatory enforcement, inadequate punitive measures and enforcement which have incentivised crime syndicates to ramp up their smuggling and counterfeit operations and compounded the rise of illegal traders.

Overall, he said the expansion of the illicit trade has had a devastating social impact on citizens' health and well-being and fuelled the engines of organised crime, which have increasingly become more firmly entrenched and sophisticated.



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Lauren Hartzenberg 2 Feb 2022



Salba noted that the growth in illicit trade – a direct consequence of the prohibition of alcohol sales during the Covid-19 measures – took advantage of the depressed legal market. South Africa's rampant illicit market is also compounded by stringent regulations on the legal sale of alcohol, including high real increases in alcohol excise taxes, it said.

This, combined with a weakening macro environment where unemployment increased [to 34.5%](#) in 2022, along with increasingly high inflation rates have subsequently fuelled the demand for cheaper illicit products.

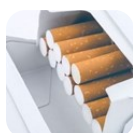
At the time of the report, the illicit alcohol trade sales by volume had overtaken the entire combined wine and cider sectors (665 431 HL vs 627 758 HL).

"If we consider that our cider market is second only to the UK, and we are the eighth-largest wine producer in the world, having illicit volumes that exceed the cider and wine market is a significant shift," Moore said.

Safety risks

Moore added, "We are deeply concerned about the safety risks associated with the consumption of illegal concoctions and the commercial growth of an illicit alcohol network.

"Unregulated alcohol is not subject to stringent quality control measures are not adequately policed. Many of these illegal alcoholic concoctions contain dubious ingredients which are unfit for human consumption and may be lethal if ingested. We urge both liquor outlets and consumers to purchase their preferred products from trusted sources."



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Stalling economic recovery

The rise in illicit trade is also stalling the country's economic recovery while fuelling the engines of organised crime. Euromonitor estimated that in 2020, the South African Revenue Service lost R11.3bn due to the illicit alcohol trade. This is enough to pay for more than two million child support grants for a year or to place an additional 34,000 police on the streets.

"The alcohol industry remains committed to working with the government as it has been for years, including SAPS and Sars, to find solutions to the problem of illicit trade that not only poses a public health risk to our communities, but also a mutual revenue risk for the government and the industry. We can best accomplish this by operating within a well-regulated space with adequate support from law enforcement," Salba said.

The industry urges consumers and traders to call the Consumer Goods Council hotline on 0800 014 856 to report any suspicion of illicit activity.

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