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South Africa to Impose Restrictions on Alcohol Advertising

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Trade Policy Monitoring

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Report Highlights:

On September 18, 2013, the South African Government Cabinet approved the Control of Marketing of Alcohol Beverages Bill. The bill aims to diminish alcohol abuse in South Africa by limiting the advertising, sponsorship, and promotion of alcoholic beverages, and could have an impact on imports of U.S. alcoholic beverages. The South African Department of Health is conducting an Independent Regulatory Impact Assessment to look at the economic and societal impact of the bill.

General Information:

On September 18, 2013, the South African Government Cabinet approved the Control of Marketing of Alcohol Beverages Bill. The bill aims to diminish alcohol abuse in South Africa by banning the advertising, sponsorship, and promotion of alcoholic beverages, and could have potential effects on imports of U.S. alcoholic beverages. Next, the bill will be published in the *Gazette* for public comment and then proceed to Parliament for a final vote. Once the bill is published in the *Gazette*, U.S. companies and trade associations are welcome to comment on the bill. It will be open for three months and available here: <http://www.gov.za/documents/index.php>.

South Africa's Department of Health recently noted the proposed rule will be published "soon."

As of right now, Brandhouse, one of South Africa's leading producer and importer of alcohol companies and the current chair for the Industry Association for Responsible Alcohol Use, is drafting a formal proposal to submit during the public comment period. Michael Mabasa, Corporate Relations Director for Brandhouse has stated his opposition to any form of a ban, but is happy to constructively engage with the South African Government to consider regulations aimed at reducing alcohol abuse in South Africa. Brandhouse recommends a reduction in the number of alcoholic beverage advertisements on television, especially during the hours of 5 p.m. to 8 p.m., to tone down the "cool, superstar" impression that the advertisements promote, and to limit the number of billboard ads in community areas, such as schools and churches.

Effects on U.S. companies and U.S. alcohol exports to South Africa are both direct and indirect. As of right now, the Distilled Spirits Council of the United States does not fund the promotion of U.S. spirits in South Africa through the United States Department of Agriculture's Market Access Program due to decreased exports since 2008. However, U.S. exports of alcoholic beverages continue to expand, especially in developing economies. In 2012, the United States exported \$13.2 million of distilled spirits to South Africa, mostly rum and whiskey. Although this figure is down from years past, it is still comparable other leading beverage exports. For example, the U.S. exported \$13 million of beverage waters in 2012 and is South Africa's largest supplier. Also, leading U.S. whiskey brands, Jack Daniel's and Jim Beam, have recently released new whiskey products to the South African market in the past two years.

Currently, Jack Daniel's, a leading U.S. brand of whiskey, has a strong presence in South Africa. The company, which is owned by Brown Forman, sponsors an ongoing talent search for singers and songwriters called Jack Daniel's Music Scouts. South African based music scouts travel throughout the country to find one winning artist and one "lucky consumer" who receive an all expenses paid trip to New York City. In addition, the company recently announced the release of their merchandise website for South Africa, including souvenirs and t-shirts. U.S. alcohol companies like Jack Daniel's also advertise to their South African consumers through social networking, including Facebook and Twitter. If the Control of Marketing of Alcohol Beverages Bill were to become law, U.S. alcohol companies would be prohibited from some of these marketing tools; forcing their online presence to be a more direct marketing tool.

Table 1. Advertising Ban's Potential Effects on the United States

Topic	Potential Implication	Additional Information
Changes to Current Marketing Campaigns	Depending on the legislation passed, an end or change to current marketing would occur. This has both economic and cultural implications. For example, Jack Daniel's Music Scouts campaign works with local musicians and singers. This project would end.	https://jackscouts.co.za/announcement/ and Jack Daniel's Merchandise Just Released in SA, Oct 2013 http://www.bizcommunity.com/Article/196/16/102083.html
Introducing New Brands	It will be difficult to introduce new brands to South Africa. Jack Daniel's just released a new whiskey to	http://www.themarketingsite.com/live/article/another-classic-jack-daniels-taste-launches-in-south-africa-new-tennessee-honey/23115/ and http://www.bizcommunity.com/Article/196/429/64938.html

	<p>the market in July 2012 called Tennessee Honey. Jim Beam released Red Stag in 2011.</p>	
Market Competition with the EU	<p>The U.S. already has a high level of competition with the EU due to high tariff differentials.</p> <p>Wine – 25% Spirits over 80% ABV - 317c/li Spirits under 80% ABV - 154c/li and 136c/li</p>	<p>See Chapter 22: http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-04%20-%20Schedule%20No%201%20Part%201%20Chapters%201%20to%2099.pdf</p>
U.S. Advertising Agencies	<p>Many alcohol companies in South Africa work with international ad agencies, some of which are based in the United States.</p>	<p>Recent ad for Jack Daniel's from the media company, Brand New School: http://www.brandnewschool.com/Projects/LabelStory</p>

	These companies will also be affected.	
Prevention of Future Advertising and Market Expansion	The Distilled Spirits Council of the United States (DISCUS) promotes U.S. alcohol abroad through funding from the USDA's Market Access Program (MAP). They would not be able to use this funding in South Africa.	http://www.fas.usda.gov/mos/programs/map.asp

To weigh the impact of the bill on South Africa's economy and society, the Department of Health is conducting an Independent Regulatory Impact Assessment. An advertisement for proposals to conduct the Assessment was recently advertised in the newspaper and the deadline is December 19, 2013. However, the public will be able to comment on the bill before these results are released.

Further Information

S.A. Government Statement on Bill (Minister of Social Development, Ms Bathabile Dlamini)
<http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=39918&tid=122603>

S.A. Medical Journal Article on Bill <http://www.samj.org.za/index.php/samj/article/view/5945/4280>

Data on Alcohol Advertising Bans (Saffer, 2000)
http://www.nber.org/papers/w7758.pdf?new_window=1

Industry Association for Responsible Alcohol Use
<http://www.ara.co.za/research>

Article on Bill's Approval
<http://www.bizcommunity.com/Article/196/12/100595.html>

Article on Effects for Brandhouse
<http://www.legalbrief.co.za/article.php?story=20131029105403260>

Article on Opposition of Bill (Gleason, November 2013)
<http://www.bdlive.co.za/opinion/columnists/2013/11/08/ads-prohibition-drives-one-to-drink>

Article on Bill Regarding Disarray in Cabinet (Paton, October 2013)
<http://www.bdlive.co.za/national/2013/10/16/cabinet-in-disarray-over-bill-banning-alcohol-adverts>

Article on Overview of the Bill (Smith, 2013)
<http://www.polity.org.za/article/the-new-control-of-marketing-of-alcohol-beverages-bill-2013-10-02>