Alcohol ban dampens SAB and Heineken's investment ambitions

The South African Breweries (SAB) has halted R5bn in investments in South Africa over the next two years due to the consequences of the 12-week long alcohol ban, and Heineken South Africa is reevaluating plans to establish a new major production facility in KwaZulu-Natal.

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SAB announced it has cancelled R2.5bn of scheduled investments that were earmarked as part of its annual capital and infrastructure upgrade programme. These funds were previously scheduled as part of its capital allocation programme for this financial year, while an additional R2.5bn planned expenditure for the next financial year remains under review.

The brewer's vice president of finance, Andrew Murray, said the cancelation of this planned expenditure is a direct consequence of having lost (as at 3 August 2020) 12 full trading weeks, which effectively equates to some 30% of the SAB's annual production.

"This decision is a result of the first, and current, suspension of alcohol sales which has led to significant operating uncertainty for ourselves, our partners, as well as colleagues in the industry, including participants in the entire value chain, and which impacts over one million livelihoods across the country," he said.

The investments that were being considered included upgrades to operating facilities and systems, as well as the installation of new equipment at selected plants. SAB's decision will also have an impact on the external supply chain companies that had been selected for these upgrades.

Alcohol industry applies for deferment of R5bn in excise tax
20 Jul 2020

Meanwhile, Heineken SA said a statement that it has been forced to reassess its expansion ambitions as a result of tough micro and macro-environment challenges, in addition to the strain brought on by the Covid-19 lockdown with restrictions on alcohol sales. Plans to establish a R6bn brewery in KwaZulu-Natal are now uncertain.

However, the company added that it remains invested in South Africa for the long term, and will continue with operations and expansion of its Sedibeng brewery, albeit constrained under the current adverse climate. "South Africa remains a priority market for Heineken globally, and we continue to explore growth opportunities that will benefit the business and the local economy," the company said.

Heineken SA is a key player in the beer and cider industry in the country, with a portfolio of brands comprising Heineken, Sol, Desperados, Windhoek, Miller Genuine Draft, Amstel, Strongbow, Fox, Soweto Gold and Tafel.

Heineken SA extends Covid-19 care to its employees' families
Heineken South Africa 22 Jul 2020

Alcohol industry under pressure

Heineken added that the current alcohol ban is placing "immense pressure" on the industry to retain jobs, create new ones and contribute to the local economy. "Local production is hampered, resulting in ongoing efforts by the business to implement cost-cutting measures including, but not limited to, salary cuts as we desperately attempt to protect the jobs of more than 900 employees.

"Approximately 117,000 jobs were lost in the industry during the first ban on alcohol sales. Currently, countless businesses that rely on Heineken have had to close their doors or scale down their operations because of the sudden nature of the government's decision to stop the sale of alcohol. This has caused job losses and untold suffering, stress and panic, with an estimated one million livelihoods at risks," Heineken SA said.

Heineken joins many industry voices calling for the immediate recommencement of alcohol trade, and stated its willingness to work with government on specific issues that negatively affect our society. "The industry demonstrated its commitment in the initial resumption of trade, by delivering numerous solutions to ensure safe and responsible trading throughout our value chain. We urge the government to prioritise both lives and livelihoods at this time," Heineken said.

New click and collect drinks ordering platform targets taverns
10 Jun 2020

SAB said that the excise tax lost from the first ban is sitting at over R12bn. It added, "The jobs and financial losses magnify considerably when considering the severe impact the suspension is having on communities, as well as the downstream supply chain, including, farmers and other raw material suppliers, tavern owners, packaging and logistics companies, among many others that have had to immediately stop operations, and are facing dire consequences."

The many thousands of people that have now joined the significant number of South Africans already unemployed is of great concern, the company said. These vulnerable South Africans are not in a position to afford healthcare, services or products, and are therefore being placed at great risk in terms of being infected by Covid-19.

Excuse me Mr President, could we have a drink, please?

Rowan Leibbrandt 3 Aug 2020

“As SAB we are focused on our priority of ensuring the well-being and safety of our employees and all members of our communities, and this commitment will remain intact for as long as possible. We will continue our attempts at engaging with the South African government to obtain some form of clarity on when we can resume operations," said SAB's Andrew Murray.

Regardless of the decision to cancel capital expenditure, SAB said it will continue to implement measures that are having a meaningful impact on the health crisis and in support of South Africa’s much-needed economic recovery.