



The Business of Brandy

Text: Eugene Yiga
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It all began in 1672. This was when South Africa's first brandy was distilled on *Pijl*, a Dutch ship anchored in Cape Town.

■ FAST-forward over 300 years to 1984 and the establishment of the South African Brandy Foundation. This Stellenbosch-based non-profit organisation represents over 95 % of the local industry and aims to promote the long-term growth of South African brandy.

"It takes about five litres of wine to produce one litre of brandy," explains Christelle Reade-Jahn, Director of the South African Brandy Foundation. "As such, the South African brandy industry has a symbiotic relationship with the wine industry, increasing local manufacturing value and stimulating local job creation."

The South African brandy industry has long played a major role in the economy. It is estimated that South Africa is the world's seventh largest brandy producer. And while the majority of brandy is consumed within the local market, the industry is looking to accelerate its export growth.

"The market demand for brandy has a significant impact on the primary wine producers in South Africa," Reade-Jahn

says. "Low sales of brandy lead to a 'wine lake'. And if this excess wine isn't sold, the result is either job losses or wine sold in bulk. Selling wine in high volumes undermines the efforts to create a global image of top quality South African wines."

In other words, the brandy industry has to succeed in order for the local wine industry to flourish. According to a study, commissioned by the SA Wine Industry Information and Systems (SAWIS) and published in January 2015, around 300,000 people were employed in the wine industry in 2008. The South African Brandy Foundation supports this platform.

The Bureau of Economic Research (BER) shows that for every 1 % increase in South African brandy sales volumes, the price of distilling wine to South Africa's grape producers increases by 0.9 %. This means that growth of the South African brandy industry will positively influence the profitability of South African wine producers, who are

significant local employers.

“The economic value added multiplier for South African brandy has been estimated at 1.30, the Government tax multiplier at 1.44, and the employment multiplier at 6.85,” Reade-Jahn says. “This shows that for every R1 million increase in the demand for brandy, economic value added in the economy will increase by R1.3 million, Government tax revenue from excise and VAT will increase by R1.44 million, and 6.85 jobs will be gained. The economic growth potential from a world class local product such as South Africa’s brandies is substantial.”

But there are challenges. The cost of producing quality South African brandy is far higher than that of spirits produced from grain or sugar cane. And yet brandy and whisky have the same excise duty. On top of this, South Africa’s legal requirements for the production of brandy are superior to most other brandy-producing countries. These strict standards make it even more expensive to produce.

“In his budget speech, [Minster of Finance] Nhlanhla Nene announced that they are considering giving us a preferential excise duty,” Reade-Jahn says. “This is the result of continuous open dialogue between the brandy industry and various Government departments around the unique challenges facing wine producers and cellars.”

Looking ahead, the South African Brandy Foundation will use its dedicated projects – such as Fine Brandy Fusion, the Urban Brandy Cocktail Route, and Brandy Homes – to promote brandy as a quality spirit with the power to last another 300 years.

Learn more at www.sabrandy.co.za. ■

A Brief History of the South African Brandy Foundation

- **September 1984:** The South African Brandy Foundation is established in Stellenbosch.
- **April 1985:** The Foundation considers the possibility of allowing for brandy with 38 % ABV (alcohol by volume).
- **May 1991:** The new Liquor Products Act makes provision for potstill brandies with a minimum ABV of 38 %.
- **May 1992:** The first members are inducted into the Brandy Guild.
- **August 1997:** The first Brandy Route is launched.
- **March 2007:** An isotopic database is developed by the Agricultural Research Council to identify illicit brandy products.
- **May 2008:** The Goodlife Brandy Festival takes place in Sandton.
- **May 2012:** Fine Brandy Fusion debuts in Sandton.
- **March 2013:** The Urban Brandy Cocktail Route is launched.
- **May 2013:** Fine Brandy Fusion debuts in Cape Town.
- **October 2014:** Brandy Homes launched.
- **April 2015:** Brandy Bar and Reuben Riffel menu launched at Abalone House in Paternoster.

