

# The impact of government responses in the management of Covid-19 on the food supply chain in South Africa

## *Addendum to Mini Report of 28 August 2020*

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This Addendum contains a summary of three more industry organizations interviewed on the above-mentioned topic. For these interviews, the same procedures were followed as for the original mini-report submitted on 28 August, 2020 in terms of informing participants, obtaining their consent to be interviewed and attribution as well as providing a list of questions. Questions for the alcohol and restaurant industries were adapted to suit those industries. These are added to this Addendum as Appendix 1 (alcohol industry questionnaire) and Appendix 2 (restaurant industry questionnaire). Table 1 below lists the organizations interviewed.

**Table 1: List of additional organizations interviewed for determining cooperation and coordination with stakeholders outside of government related to the food supply chain**

<b>Association</b>	<b>Scope</b>
SA Liquor Brand Owners Association (SALBA)	Alcohol industry
Restaurant Association of South Africa (RASA)	Restaurant industry
Restaurant Collective	Sit-down restaurant industry

### *SALBA*

SALBA was not consulted in good time prior to lockdown by government and their sector was taken completely by surprise. They were informed of an impending lockdown and given just days for their sector to prepare. Government had no idea of the reverse effect the lockdown would have on the farmers producing wine grapes, malt and barley, unintended consequences of their decisions and the complexities of the value chain. The products had to be harvested and could not be left on the fields to rot; the harvest had to be processed and made into wine and beer, which could at least be stored for longer periods of time and not spoil. The sector therefore had to engage with government to

explain these matters. They had to apply for special dispensations for each step of the process to ensure that the crops did not go to waste. Such permission was obtained only the following week into lockdown, from DTIC to complete processes that were continuous. Once produced however, the final goods could not be moved to other depots due to transportation restrictions. This resulted in a health and safety risk in production warehouses when pallets were stacked higher than what was permitted by law.

Tremendous fragmentation and lack of coordination between government departments was experienced, with reports of SAPS officials not interpreting the regulations correctly, for example, they only thought a person was an essential worker if he/she was a health care worker or worked in the food manufacturing and retail sector. Farm workers were not regarded by SAPS as “essential” despite letters from DTIC, stating the opposite. Even within DTIC, there was confusion with some staff members not understanding that farm labourers needed to be added to the list of essential workers.

One of the most perplexing decisions made by government was halting the export of alcoholic products e.g. wine from South Africa to other well-established export markets, which generate very lucrative income for the country as a whole. Italy continued to export their wines in March, even when they were the epicenter of the pandemic. Some South African wine producers were committed to export after the initial lockdown, however, lockdown was extended and the ban on exports was extended as well, without prior notification to the alcohol industry, once again. South Africa competes with other countries in the south for wines e.g. Chile. Customers began trading with such countries when SA could not supply wine and so, important markets were lost. Establishing export markets takes many years of negotiations and once lost, they are very difficult to regain. Industry provided detailed plans to DTIC on keeping employees safe related to wine exports. However, DTIC only gave permission for exports to resume on 01 May, despite these comprehensive plans. The SAPS then became the next stumbling block, with industry facing the same issues as mentioned above. Harbours became the next problem as they were not well-prepared to handle the stock and shipping lines were passing by Cape Town Harbour, due to lack of staff at the Harbour (only running at 30% capacity). However, the Port authorities were extremely helpful. Task teams were formed, which met regularly. Senior Port officials attended those meetings and this provided a mechanism for quick decision-making and problem-solving. SALBA reported a good working relationship with the relevant division at DALRRD as well, which regulates certain aspects of the liquor industry. However, a further example of lack of coordination between government departments was manifested in that despite exports being permitted from 01 May by DTIC, the

Department of Transport prohibited trucks from transporting alcohol and the SAPS arrested truck drivers transporting alcohol to harbours for export.

Alcoholic beverages that were being imported were already on their way to South Africa prior to lockdown; these were not allowed to be collected at the harbours when they arrived. This significantly increased demurrage costs and created blockages at the harbour, even for essential goods. Much later, did SALBA members receive dispensation for fetching their imported goods. Truck drivers then needed special permission to travel with alcohol. It was felt that all these issues could have been avoided if government had consulted with industry prior to the lockdown as industry was fully supportive of the principle of the initial lockdown to provide government with the time it needed to assess the burden on the health system. Consultation would have also given the industry an opportunity to offer their employees some degree of certainty in terms of planning for operations. Industry felt that the extension beyond the initial three weeks of lockdown was not justified in terms of the alcohol ban on both local sales and exports. Furthermore, industry received no evidence-based justification for neither the initial decision to ban alcohol nor the continued ban after several attempts by industry to obtain this information. Data that government submitted publicly was not supported by the Medical Research Council, which acknowledged that this data was not peer-reviewed. Projections made by government related to alcohol consumption and the effect on overburdening the health system never materialized.

Industry held meetings with DTIC, appealing to government to allow limited sales of alcohol for off-consumption purposes; however, this was not granted. A request for excise tax on alcohol for the months of April and May to be deferred as part of financial relief to businesses, was not granted either until 01 June, in spite of factual evidence provided by industry, which included economic data that they shared with government.

Government did not consider the livelihoods of the estimated 1 million jobs that are supported by the alcohol industry value chain. This is despite the impact on workers' livelihoods being pointed out to government repeatedly when the ban was extended. Transformation in the sector was also dealt a serious blow because new entrants to the market were among the hardest hit by the ban. SALBA provided support to the tavern market in the form of advice, developing posters, marking out areas for social distancing and more, to ensure that customers who purchased their products at a tavern were doing so in a safe environment. They also developed plans for safe use of forklifts at harbours and many more such initiatives, in response to government requiring the sector to look after itself.

Conversion of tavern on-site licences into off-consumption operations by government was a good decision, which considered the major role of taverns in supporting the township economy, however, this was only considered by government as late as 1 June.

Due to these issues listed, the industry lost trust in government's ability to make justifiable decisions after the initial lockdown period. There was no clarity on the formula used to allow some industries to resume operations ahead of others e.g. mining vs other manufacturing sectors.

On the prohibition of sale of alcohol, SA did not benchmark itself against similar markets such as Kenya and Nigeria which did not opt for an outright ban. However, countries that banned alcohol such as India and Thailand abandoned this approach early in their lockdowns as they realized that it was not a justifiable ban.

SALBA felt that a firm focus on measures to contain the pandemic as opposed to highlighting other historical social issues, such as lawlessness, would have assisted in building public confidence related to restrictions of constitutional rights being primarily for health reasons.

#### *RASA and the Restaurant Collective*

The restaurant industry in South Africa falls under the Ministry of Tourism and the sit-down restaurant industry is supported by the Tourism Business Council of South Africa (TBCSA). Both RASA and the Restaurant Collective (RC) reported not being consulted with by government prior to lockdown and little consultation during initial and subsequent lockdown levels. The RC did connect with TBCSA and was kept abreast of developments, but all communication was reactive, rather than pro-active. Both organizations felt that there was little understanding by government of the importance of the restaurant sector to the economy and that Tourism should not be the "home" of this sector as it is vastly different to hotels and lodges. Furthermore, the restaurant industry is more focused on the local market, whereas Tourism is more focused on the international market.

Consultations with the Minister of Tourism was sought by industry, not the other way around and these resulted in no actions being taken by the Minister to assist this industry sector. RC also consulted with the Minister of Small Business Development, the Director-General and other staff members from that department with no outcomes whatsoever. RASA wrote numerous letters to this same Minister with requests and possible solutions to deal with debt and tax relief for restaurants with no responses to date. In desperation, RASA took the legal route and submitted lawyer's letters to the Minister of Tourism, which resulted in a further breakdown in communication. RASA received no responses from DTIC, the Liquor Board or the Department of Labour either. RASA then bypassed the Minister of Tourism and communicated directly with COGTA. Communication with COGTA directly, resulted in

saving time in communicating to restaurants about next levels of lockdown, but served no other purpose. Therefore, this industry sector felt completely abandoned by government prior to and further into subsequent lockdown levels.

Lack of coordination and communication between government departments was also reported by both groups, as for SALBA. Communication about regulations between the Minister of Police and the Minister of Tourism created many difficulties; at the time of interviewing RASA late October 2020, some restaurants were still being harassed by the SAPS. SAPS was confused by liquor licence status, by trading and curfew times and Health & Safety protocols. SAPS was also unclear on interpreting and understanding regulations and applying them consistently.

This sector felt that government does not understand the restaurant industry and how it operates, the risks associated with this kind of business and the significant contribution it makes to employment in the country. Government took decisions with no statistics or data to substantiate their decisions e.g. alcohol sales, which constitute a greater portion of their income than food (approximately 80:20). It was reported that in most other countries, take-away foods were permitted from the beginning, which was not the case in SA. Converting a business to provide take-away food during initial lockdown, in particular, would have had a significantly improved outcome in the industry. The debacle of the take-away rotisserie chicken that some retailers provided and were then stopped, is a case in point. Regardless of additional precautions that industry has submitted to government, buffets are still not permitted – this decision by government remains perplexing and not based on risk.

The livelihoods of employees was not considered at all in the decision-making process by government. As for SALBA, both organizations supported and understood the need to lockdown initially, but thereafter, decisions were uncoordinated and unjustified and it was felt that these were being made by incompetent and untrustworthy people, with the situation still disorganized and uncertain. This situation has created tremendous dissatisfaction and lack of trust in government.

Both organizations had to take charge to look after themselves when no government assistance was provided. They developed protocols and submitted them to government, with no communication in return as to whether they were deemed acceptable.

In answering a question on where the organizations saw weaknesses in government, one response was telling i.e. “we are not sure where the weaknesses are as there was nothing, total absence and just silence, even to this day”. If the restaurant sector remains within the Department of Tourism, it requires appropriate recognition and there needs to be direct representation between the Minister of Tourism and the restaurant industry, with far better communication. Industry should not have been

the one going to Ministries and even the President; the Department of Tourism should have done that on their behalf.

Regarding economic data, there is apparently none. RASA asked the Minister of Tourism to provide that information as industry doesn't have funding to develop that data. The sector, including the Minister, need to understand employment numbers, contribution of the restaurant sector to the GDP of the country, the number of restaurants that have closed and how much money is needed to keep businesses open. Many businesses that have closed are locked in court battles as the insurance industry is reticent in providing pay-outs, without any assistance from government. Furthermore, government should develop and provide funding for a recovery plan for the restaurant sector.

RASA felt that the pandemic has caused huge emotional trauma to people in the restaurant sector, due not only to the direct effects of the pandemic, but more importantly, the complete abandonment by government of this sector.

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