

9 November 2021

Waterway House South
No 3 Dock Road
Waterfront
Cape Town, 8000
P O Box 631
Cape Town, 8000

Tel: +27 (0) 21 003 6500
www.batsa.co.za

RAMPANT ILLICIT CIGARETTE TRADE HITS RECORD HIGHS – NEW IPSOS REPORT

- **Almost HALF of stores (43%) nationwide are selling illegal cigarettes. This increases to more than [75%] in TWO hotspot provinces.**
- **Cigarettes are selling for as little as R8 per pack, almost less than ONE-THIRD of the Minimum Collectible Tax (MCT)**
- **The number of forecourts selling illegal cigarettes has almost TREBLED in the past four months**
- **FOUR TIMES as many stores in Northern Cape are now selling illegal cigarettes than four months ago**
- **TWO-THIRDS of shops in FOUR hotspot provinces are selling illegal cigarettes**
- **NEW COMPETITORS, many based overseas, have entered South Africa's illegal price war**

Tax-evading criminals tighten stranglehold on tobacco market

Tuesday, 9 November - South Africa's rampant trade in tax-evading cigarettes has hit record highs as brazen manufacturers, smugglers and traders defy the efforts of law enforcement agencies to stem the tide.

A new nationwide investigation by independent market researchers IPSOS has found that at least two-thirds of stores in four hotspot provinces are now selling cigarettes below the Minimum Collectible Tax (MCT) level of R21.60.

That number rises to three in four stores in Free State and Western Cape as criminals tighten their stranglehold on the tobacco market and rob the fiscus of billions of rand in much-needed revenue.

“South Africa’s illicit cigarette trade –the biggest black market for cigarettes in the world - is now officially out of control,” said British American Tobacco South Africa (BATSA) General Manager Johnny Moloto.

“Over a year since the disastrous lockdown sales ban, the illegal networks it enabled and enriched continue to dominate the retail sector. They are destroying legal jobs and livelihoods and depriving the Treasury of R19 billion in cigarette excise for 2021 alone.

“Much-publicised efforts by SARS, SAPS and SANDF to disrupt these cartels have merely scratched the surface. Government has a duty to make this menace a national priority, enforce the law without fear or favour and rid our country of this revenue-sapping scourge once and for all.”

Following its fourth investigation of the year into the tobacco trade, IPSOS reveals today:

- Illegal cigarettes are available in almost HALF of stores (43%) nationwide
- Cigarettes are selling for the equivalent of R8 per pack, almost less than ONE-THIRD of the MCT
- The number of forecourts selling illegal cigarettes has almost TREBLED in the past four months
- The number of stores in Northern Cape selling illegal cigarettes (63%) has QUADRUPLED in the past four months
- That means FOUR hotspot provinces now have shops selling illegal cigarettes in TWO-THIRDS of their stores
- THREE IN FOUR stores in Free State (76%) and Western Cape (77%) sell illegal cigarettes

The latest IPSOS fieldwork was carried out from 8 – 15 October 2021 and follows similar studies in March, February and June of this year. Using the 'mystery shopper' model, the researchers bought the cheapest cigarettes in 4,486 stores nationwide.

Brands owned or licensed by Gold Leaf Tobacco Corporation (GLTC), which has factories in South Africa and Zimbabwe, continue to win the illegal price war, being the cheapest available in 1,761 (39%) of stores with almost half (42%) of those purchases below the MCT.

Purchases of brands that are owned or licensed by Carnilinx, the principal member of the Fair-Trade Tobacco Association (FITA), were the most frequently (62%) found below MCT.

Purchases of brands owned or licensed by Afroberg, whose name has been removed from the FITA website since the last IPSOS survey, were the second-most prevalent (59%) below MCT.

All purchases of brands owned or licensed by Folha, whose name still appears on the FITA website, and former FITA member Amalgamated Tobacco (ATM) were below MCT.

The survey found a high incidence of foreign brands as the cheapest on offer, with GLTC's Remington Gold brand being the most prevalent and selling at below MCT in two-thirds (59%) of instances.

New brands, not purchased in the studies earlier this year and new to the cheapest prices purchase list, included Liberty (R18.00), Roxbury (R10.00 and R15.00), Chief (R10.00 to R18.00), Ecco Nano (R18.000), and GMB (R10.00).

"All evidence suggests that South Africa's cigarette market is now a lawless free-for-all," said Mr Moloto.

"In a week when voters have expressed their deep dissatisfaction with the direction we're heading, we urge Government to take the long overdue measures that will finally demonstrate crime does not pay in South Africa."

To stamp out illicit trade, BATSA is calling for the following:

1. Compliance of all manufacturers with SARS production counter rules
2. Immediate introduction of a minimum retail sales price of R28 for a pack of 20
3. Stricter controls of all manufacturers and borders
4. Ratification of the WHO Illicit Trade protocol to fight illicit trade this week, where the FCTC Meeting of the Parties is taking place virtually
5. Adoption of a comprehensive track-and-trace system for the tobacco industry.

-ends-

NOTE TO EDITORS:

Find the latest [IPSOS report here](#).