



REALISING POTENTIAL

Friday, 27<sup>th</sup> January 2017

**Honourable Mr. Yunus Carrim**

Chairperson: Standing Committee on Finance  
National Assembly  
Parliament of the Republic of South Africa  
P.O. Box 15  
Cape Town  
8000

**Honourable Ms Mary-Ann Dunjwa**

Chairperson: Portfolio Committee on Health  
National Assembly  
Parliament of the Republic of South Africa  
P.O. Box 15  
Cape Town  
8000

**Attention:** Mr Allan Wicomb

Committee Secretary: Standing Committee on Finance  
National Assembly  
By email: [awicomb@parliament.gov.za](mailto:awicomb@parliament.gov.za)

Dear Honourable Carrim and Honourable Dunjwa

---

**RE: CALL FOR SUBMISSIONS FOR PROPOSED TAXATION OF SUGAR SWEETENED BEVERAGES**

**SUBMISSION BY PIONEER FOODS ON THE PROPOSED TAXATION OF SUGAR SWEETENED BEVERAGES (SSBS) AND THE CATEGORISATION OF UNSWEETENED % FRUIT AND VEGETABLE JUICE**

REALISING POTENTIAL

Glacier Place, 1 Sportica Crescent, Tygervalley, 7530 | T: +27 21 974 4000 | F: +27 86 407 0044  
Pioneer Foods (PTY) LTD | Reg. No. 1957/000634/07  
Directors PM Roux, Ms J Jacobs | Ms J Jacobs (Company Secretary)

[www.pioneerfoods.co.za](http://www.pioneerfoods.co.za)

## Executive Summary

### **Our Mission:**

*“We believe in nourishing lives with trusted, well-loved brands, empowering families to get more out of life.”*

Pioneer Foods acknowledges the problem of excess sugar intake in ordinary South African’s diets and the impact this has on the prevalence of Non-Communicable Diseases (NCDs).

We also acknowledge the Department of Health’s concern, efforts, attempts and desire to positively impact this.

Pioneer Foods recognises the importance and value of fruit in one’s diet and that juice that is made from concentrate is a practical and relatively cost effective way of complementing fruit into one’s diet.

We do however acknowledge that this is not as beneficial as consuming fresh fruit from nature’s source. However, Pioneer Food’s unsweetened 100% fruit and vegetable juice provides an accessible and complimentary source for achieving natural fruit and vegetable intake into one’s diet.

Our diverse range of unsweetened 100% fruit and vegetable products contains fruit concentrate. Fruit concentrate **is not** a sugar. It can however be used as a sweetener in other product categories.

Pioneer Food unsweetened 100% fruit and vegetable products, **do not** contain added sugar. Nor do we add any additional sweeteners or preservatives.

In recognition of the merits of fruit intake in the diets of South Africans, Pioneer Foods is committed to amplifying the benefits of fresh fruit from nature’s source in support of Government’s initiatives regarding responsible product labelling, consumer education and awareness.

To this end, we are committed to deepening our research and development and innovation in areas such as:

- Voluntary initiatives
- Better labelling disclosures
- Means to further reduce the added sugar in other beverages in our portfolio

## **Introduction**

Pioneer Foods is a leader in the food and beverages industries in Southern Africa. The Group operates predominately in South Africa and multiple other African countries and sells its products around the world. The Group's core business is the production, distribution, marketing and selling of a diverse range of food, beverages and related products. The Group in its current form (after the merger between SASKO and Bokomo) was established in 1997 and listed on the Johannesburg Stock Exchange ("JSE") since 2008.

Pioneer Foods has studied the Policy Paper entitled "*Taxation of Sugar Sweetened Beverages*" dated 8 July 2016 which was published by the National Treasury and which outlines the motivation and possible policies on implementation of the proposed tax. We submitted our written comments to National Treasury by the requisite deadline of 22 August 2016.

Pioneer Foods appreciates the opportunity to submit written comments to the National Assembly Standing Committee on Finance as well as the Portfolio Committee on Health. We respect the mandate of these respective Committees and value the opportunity afforded to interested and affected stakeholders such as ourselves to put forward our submission on the proposed taxation of SSBs.

## **Market Share and Product Portfolio**

1. The Pioneer Foods brand portfolio includes trusted names like Weet-Bix, Liqui-Fruit, Ceres, SASKO, Safari, Bokomo, Spekko and White Star.
2. As at the end of July 2016, Pioneer Foods had an approximate 50% market share in the fruit and vegetable juice and nectar sector.
3. The unsweetened 100% fruit juice product categories alone represent almost 31% of the total fruit juice and nectar sector.
4. A pioneer in the juice category, Liqui Fruit entered the market as the first ever-long shelf life fruit juice 40 years ago. Made with the highest quality local and exotic fruits, it offers unsweetened 100% fruit juice. Liqui-Fruit contains no added sugar or colourants. Flavours range from citrus fruits all the way through to smooth berry blends.
5. The Ceres brand of fruit juices are not only one of South Africa's popular brands but also exported and known in a multitude of countries around the world. Ceres juice is made of unsweetened 100% fruit and contains no added sugar, no preservatives and no colourants. Each variant is rich in Vitamin C and minerals.

## **Pioneer Food Group's Enterprise and Supplier Development**

1. The Group has many world-class production facilities across South Africa, producing a range of products consumed by South Africans across the socio-economic spectrum.
2. The Group's Enterprise and Supplier Development activities include farmers and suppliers across South Africa, throughout the value chain.
3. The Group supports primary agriculture projects including eight commercial farming operations whose beneficiaries are mentored by external commercial farmers and by internal Pioneer Foods employees.
4. Supplier engagement improved by implementing a total value of ownership ("TVO") approach. This resulted in more emphasis on transformation, leading to a larger number of high-value

contracts being allocated to a vendor base with level 4 or higher B-BBEE credentials. Supplier development initiatives include the following focus areas: Access to business development support, Access to market opportunities and Access to finance.

Beneficiaries	Description
<b>Primary agriculture projects</b>	Pioneer Foods support eight majority Black owned farm operations in Northern Cape and Western Cape provinces. These farms focus on raisin grapes, peach and nectarines. As part of the supplier development Pioneer Foods buy their produce during their harvesting seasons.
<b>Varhoyi and Mgodleni Co-Operative</b>	This is a community initiative in the rural Eastern Cape Province just outside King Williams Town. Pioneer Foods supports this project whereby the community farms maize, which is used as animal, feed by their customers. This project employs youth and old people in the community and it generate income for this community.
<b>Heart of Kayamandi Co-operative</b>	Pioneer Foods support this Kayamandi Township agricultural hub with the capacity to produce approximately 76 800 vegetable bunches every year.

### **Our Food Policy and Support for National Health Objectives**

1. Pioneer Foods is as a responsible corporate citizen committed to the wellbeing of our consumers and employees.
2. Pioneer Foods provides high quality, safe and nutritious food products to our consumers. Our products are well-recognised household brands and form an integral part of many people's daily diets. We recognise and accept the responsibility this brings. That's why we provide foods of consistently high quality, adhering to the most stringent health and safety regulations. Our manufacturing facilities undergo frequent third party scrutiny and audits in line with international best practices and standards.
3. We follow all applicable food manufacturing regulations and legal requirements. We also diligently adhere to the protection of consumer rights as governed by the Consumer Protection Act. Our product labelling is comprehensive, transparent and accurate, placing our consumers in a position to make informed decisions when purchasing our products.
4. Consistent with our Food Policy and model of responsible corporate citizenship, Pioneer Foods supports the policy and national health objectives and outcomes, which Government collectively seeks to address through a package of measures to control and prevent Non Communicable Diseases (NCDs) as well as obesity, heart diseases, type-2 diabetes and other forms of cancer.
5. Pioneer Foods supports the policy intent and objectives of the Department of Health and its efforts and initiatives to reduce the intake of excess sugar in diet of South Africans, which is in the interests of national population health outcomes.

## **Pioneer Foods Position on the Taxation of SSBs**

1. Consistent with our Food Policy and approach to responsible corporate citizenship Pioneer Foods recognizes that obesity is a global epidemic and a major risk factor linked to the growing burden of non-communicable diseases (NCDs) including heart diseases, type 2 diabetes and some forms of cancers. NCDs are the leading causes of mortality globally, resulting in more deaths than all other causes combined, and the world's low and middle-income populations are the most affected. Moreover, we are acutely aware that the problem of obesity has grown over the past 30 years in South Africa resulting in the country being ranked the most obese country in sub-Saharan Africa.
2. We support the Department of Health's Strategic Plan for the Prevention and Control of NCDs 2013-2017 as well as the National Strategy for the Prevention and Control of Obesity 2015-2020, including the set target of reducing obesity prevalence by 10 percent by 2020 and measures identified to address NCDs, and more specifically unhealthy diets.
3. Pioneer Foods recognises that although the causes of obesity and being overweight are complex, dietary intake and food choices play an important role. Moreover, ingesting more calories than expended, results in weight gain and Sugar Sweetened Beverages which contain added sugars, versus those which contain inherent intrinsic sugars (such as unsweetened 100% fruit and vegetable juice) provide calories but virtually no nutrients.
4. Pioneer Foods acknowledges that a package of measures and interventions are required by both Government and the private sector to contribute to the prevention and control of NCDs as well as to address the obesity epidemic at a population level due to the disproportional affects on lower socio-economic groups. Unsweetened 100% fruit and vegetable juice, which do not contain added sugar and provides access to a healthier alternative than SSBs (which contain added sugar) for lower income groups and for the entire population.
5. In this regard, unsweetened 100% fruit and vegetable juice are not SSBs as these do not contain added sugar and should therefore not be categorised as such. Accordingly, the scope of the taxation should be limited to those beverages, which have 'added sugar' and have no nutritional value.
6. Pioneer Foods acknowledges recent global trends in the use of fiscal measures such as the taxation on SSBs proposed by National Treasury in accordance with its Policy Paper on the Taxation of Sugar Sweetened Beverages (8 July 2016), as a complementary tool to help tackle the NCDs and obesity, to promote health and prevent disease, to encourage reduced consumption and/or products reformulation.
7. However, the introduction of a tax on SSBs in South Africa must take into account the unique consumption profile and distinct product differentiation of the South African consumer and beverage product market along with other measures and interventions to address national health priorities.
8. Pioneer Foods' extensive and diverse product range of unsweetened 100% fruit and vegetable juice, which do not contain added sugars (only intrinsic sugars), confirms that the South African population has a preference for products of this nature as a healthier alternative to SSBs, which do contain added sugars.
9. Any proposed taxation on unsweetened 100% fruit and vegetable juice which do not contain added sugars, and results in a product price increase, which is passed on to the consumer will result in a marginal opportunity cost in the choice between unsweetened 100% fruit and vegetable juice which do not contain added sugars and SSBs, which do contain added sugars.
10. This will result in little to no behaviour modification and consumption shifts away from SSBs (which do contain added sugars), to healthier alternatives such as unsweetened 100% fruit and

vegetable juice (which do not contain added sugars), which encourage and promote behaviour modification and lifestyle changes in support of Government's health policy objectives to address, control and prevent NCDs including obesity, diabetes and heart disease amongst others.

## **Proposals and Recommendations**

Pioneer Foods respectfully submits to Parliament's Standing Committee on Finance that, in order to effectively implement and administer a proposed tax SSBs in support of realising Government's National Health Policy Objectives to address, control and prevent NCDs including obesity, diabetes and heart disease amongst others.

### **Recognition of unsweetened 100% fruit and vegetable juice (which do not contain added sugar)**

1. In our view, unsweetened 100% fruit and vegetable juice (which do not contain added sugars) is the healthier and nutritionally beneficial alternative than SSBs, which contain considerable amounts of added sugar and are devoid of any nutritional benefits.
2. Unsweetened 100% fruit and vegetable juice (which do not contain added sugars) are widely regarded as healthy beverage options and often included in dietary guidelines. In addition, they are also affordable and available throughout the year irrespective of the seasonality of the fresh produce. It is therefore important for consumers to retain consumption thereof in moderation within a balanced diet.
3. In particular, unsweetened 100% fruit and/or vegetable juice contains not only intrinsic sugars, such as glucose, fructose and sucrose, but is also rich in nutrients and essential vitamins and minerals which are beneficial to the health of consumers. It should, however, be born in mind that fructose (i.e. one of the intrinsic sugars in fruit juice) has a very low Glycaemic Index ("GI") of 23 when compared to other sugars such as glucose, which has a GI index of 100. The latter alone, differentiates unsweetened 100% fruit juice from sugar sweetened beverages which have a high or very high GI index and far less nutritional value. For this reason, the attached reports issued in particular by FACTS and the GI Foundation are in support of these assertions. Both of these organisations are respected bodies recognised in the food industry and by the Department of Health, for being fully independent, credible and acting in the public interest in these matters.
4. Although there are some criticisms of excessive fructose in the diet, scientific research does not support this position and in research reported in a recent peer reviewed article, Brouns et al (2015), "Fructose as a driver of diabetes: An incomplete view of the evidence", *Mayo CUn Proc. n July 2015; 90(7): 984-991*, the authors conclude that there is insufficient evidence to link the consumption of fructose to diabetes and that the most likely cause of diabetes remains a high calorie intake. In another recent study pertaining to the effect of fructose on the liver, Chung Met al. (2014), "Fructose, high-fructose corn syrup, sucrose, and non-alcoholic fatty liver disease or indexes of liver health: a systematic review and meta-analysis", *Am J Clin Nutr.* 2014 Sep; 100(3): 833-849, the authors conclude that there is insufficient scientific evidence to link such a liver disease to the consumption of fructose. There is thus no scientific evidence leading to a conclusion that fructose found in juice is unhealthy to consumers. This is likely one of the factors considered in other countries which have a sugar tax and which exempt unsweetened 100% fruit juice from the tax.
5. By affording unsweetened 100% fruit and vegetable juice (which do not contain added sugars) such differentiation and distinction in Government policy, legislation and regulation, will significantly improve the probably of behaviour modification and consumption shifts away from SSBs (which do contain added sugars), to healthier alternatives such as unsweetened 100% fruit and vegetable juice (which do not contain added sugars). This will

encourage and promote behaviour modification and lifestyle changes in support of Government's health policy objectives to address, control and prevent NCDs including obesity, diabetes and heart disease amongst others.

### **Definitional Issues**

1. The finalisation of the Policy Paper on the Taxation of Sugar Sweetened Beverages as well as enabling legislation and regulation including consequential amendments to concurrent existing legislation and regulations of the Department of Health (DoH), Department of Agriculture, Forestry and Fisheries (DAFF), as well as the Department of Trade and Industry (Dti) caters for a clear and unambiguous differentiation and distinction between unsweetened 100% fruit and vegetable juice (only inherent intrinsic sugars) which do not contain added sugars versus those beverages which contain added sugars.
2. The term "added sugar" is defined by both the Department of Health ("DoH") under Regulation R146 in terms of the Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972 as amended from time to time) and by the Department of Agriculture Forestry and Fisheries ("DAFF") under Regulation 286 in terms of the Agricultural Product Standards (Act 119 of 1993 as amended from time to time). Both the aforementioned regulatory requirements, clearly state that sugar in any form, when added as a sweetener to a beverage will be considered an "added sugar" and that unsweetened 100% fruit juice is not considered to have been sweetened with "added sugar" even though it is reconstituted from fruit juice concentrates.
3. Accordingly, in order to align definitions regarding fruit juices, we recommend that the Regulation 286 in terms of the Agricultural Product Standards (Act 119 of 1993 as amended from time to time) be appropriately amended and used as a guideline and point of reference in the application of the proposed tax and categorisation of what constitutes a SSB.
4. It is our contention that unsweetened 100% fruit and vegetable juice (which do not contain added sugars) should not be categorised as a sugar sweetened beverage. In the case of Pioneer Foods products, these do not contain any added sugar and these are also not sweetened with sugar.

### **Exemptions of unsweetened 100% fruit and vegetable juice (which do not contain added sugars)**

1. National Treasury in its Policy Paper on the Taxation of Sugar-Sweetened Beverages, references a number of international jurisdictions and countries, which all exempt unsweetened 100% fruit juice from their respective sugar taxes.
2. We therefore advocate that the same principle applies when taking cognisance of the rationale as to why other beverage categories where sugar was added, are taxed internationally whilst unsweetened 100% fruit and vegetable juices which contain only intrinsic sugars, are exempted from the tax provision.
3. As cited in the Policy Paper with reference to foreign sugar tax regimes, in France, for example, products have to fulfil several criteria to fall under the soda tax. The second criteria is that the beverage must contain "added sugar". Moreover, it is outlined that drinks and preparations containing sugar naturally, such as fruit juices containing no added sugar at all, are excluded. A link to this document is provided below, and page 4 thereof is especially relevant.
  - Source: [http://circulai.res.legifrance.gouv.fr/pdf/2015/01/cir\\_39144.pdf](http://circulai.res.legifrance.gouv.fr/pdf/2015/01/cir_39144.pdf)
4. In our view the aforementioned, is furthermore indicative of the status of Unsweetened 100% fruit and vegetable juices (which do not contain added sugars) when compared to other beverage categories, which have been sweetened by having sugar added.

5. Consideration should be afforded to the exemption of unsweetened 100% fruit and vegetable juice (which do not contain added sugars) from the proposed tax. This is based on scientific recognition and acknowledgment of the beneficial nutritional characteristics inherent in unsweetened 100% fruit and vegetable juice products (with its intrinsic sugar), when compared to sugar sweetened beverages to which sugar and other sweeteners are added to the list of ingredients.

The taxation of sugar sweetened beverages should be implemented on the basis of "added sugar" only as per the product recipe and as such, not require any product analysis and/or a nutritional table. Instead, where no "added sugar" input information as a base ingredient used is available, the "added sugar" quantity is deemed a predetermined quantity for taxation purposes.

6. The criteria for such exemption (in accordance with applicable definitions), the application and evaluation process and procedure for qualifying unsweetened 100% fruit and vegetable juice (which do not contain added sugars) should be provided for in finalisation of the Policy Paper on Sugar Sweetened Beverages, legislation, regulations and consequential amendments to existing concurrent legislation and regulations.
7. As per the supporting documents attached hereto (marked herein as "Annexures A", "Annexure B" and "Annexure C" - i.e. compiled and prepared independently by recognised subject matter experts which includes FACTS, the GI Foundation, and Adv Sholto-Douglas S.C.), substantiation is provided as to why unsweetened 100% fruit and/or vegetable juice should not be considered a sugar sweetened beverage ("SSB") and accordingly, should be exempted from the proposed *"Taxation of Sugar Sweetened Beverages"* in the public interest.

## **Practical Implementation**

1. As proposed and identified in the Policy Paper as a viable option, "added sugar" would be the easiest of all to tax, as it can be determined from the recipe used to produce a product without any need for technical and/ or scientific analysis of the product as such. We therefore deduce that the total amount of sugar added to the recipe could be taxed at the appropriate rate. Where a manufacturer or importer fails to disclose this information, or is unable to do so, a deeming provision, again as proposed, may be applied.
2. Pioneer Foods is of the view that, given the structure of the proposed taxation in alignment with the definition of added sugar, this is the simplest, fairest and most practical way of implementing the tax without creating further burdens on industry, especially small industry participants who may find any other approach virtually impossible, both technically and from a cost perspective given laboratory analyses which are among others, very costly.
3. Thus, Pioneer Foods recommends that the only practical way to implement such as a tax is on an "added sugar" basis which does not require any analytical data, scientific analysis, a nutritional table or any other such information. Conversely, the latter would naturally exclude unsweetened 100% fruit and vegetable juice as there is no "added sugar" in these beverage categories – it only comprises intrinsic (natural) sugar.
4. In the Policy Paper reference is made to the use of the Nutritional Table to determine the amount of sugar in an SSB and then to tax the sugar on the value of the "total sugars" therein. However, it needs to be appreciated that "total sugars" in the context of a Nutritional Table are not only sugar in the normal understanding of the term – i.e. sucrose, glucose, fructose etc., but include other carbohydrates which would not ordinarily be considered as such. Thus, a diabetic product to which no sugar has been added at all would still reflect a total sugar value, based on other

carbohydrates therein. For this reason, taxing the "total sugars" as reflected on the Nutritional Table would not tax the added sugar content of a beverage which has been sweetened.

5. Furthermore, page 2 of the Policy Paper starts off under the heading of the "Scope of the Tax on SSBs" by stating, that "SSBs are beverages that contain added caloric sweeteners...", and this is restated in paragraph 5.6 thereof. Pioneer Foods is hence in support of taxing "added sugar" as proposed above. However, the Policy Paper continues in paragraph 5.15 with the proposal that "every gram of sugar in an SSB" be taxed – this has been regarded as Option 2 in the Policy Paper. The challenge, however, with this approach is that it requires an analysis of the SSBs to determine the total sugar content and in no way distinguishes between intrinsic natural ("good") sugars which may have a "very low GI", such as those that can be found in unsweetened 100% fruit juice, and other "added sugars" typically used in other SSBs.
6. As per previously stated, countries such as France have also adopted the "added sugar" principle for its sugar taxes whereas in Poland drinks with a fruit juice content of 20% or above attract VAT of 7%, while drinks with a fruit juice content of less than that as well as carbonated soft drinks are attracting VAT at 23%. There are also similar examples in various States of the USA, for example in Philadelphia, drinks that are at least half milk or fruit juice are not taxed (Source: <https://consumerist.com/2016/06/17/heres-what-you-should-know-about-philadelphias-new-tax-on-soda/>), and in California "sweetened beverages" are taxed, but the definition of "sweetened beverages" does not include any sweetened beverage containing 50% or more of natural fruit juice or natural vegetable juice or combined natural fruit juice and natural vegetable juice.

Source: <https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?billid=201320140SB622>

7. Thus, the recommendation made in paragraph 7.1. of the Policy Paper to tax the sugar content of beverages, rather than the "added sugar", is not a widely adopted. It is Pioneer Foods view that this is therefore also not the most feasible or best option as discussed herein and supported by the Annexures attached hereto. However, we agree and support the recommendation made in paragraph 7.4. to exempt unsweetened 100% fruit and vegetable juices from said taxation.
8. Thus, the recommendation made in paragraph 7.1. of the Policy Paper to tax the total sugar content of beverages, rather than the "added sugar", does not flow naturally from the discussion, which precedes it and indeed is not the most feasible or best option as discussed herein and supported by the Annexures attached hereto. For obvious reasons though, the Group agrees and support the recommendation made in paragraph 7.4. to exempt unsweetened 100% fruit and vegetable juices from said taxation.

## **Conclusion**

Pioneer Foods is committed to working with Government and the respective Departments such as Department of Health and National Treasury to meet the policy and health objectives and outcomes of the proposed tax as a package of measures to address, control and prevent NCDs as well as obesity and other regressive diseases.

We thank the Committee for affording us the opportunity to submit our comments on the proposed taxation of Sugar Sweetened Beverages.

We trust our submission and supplementary information provided will be given due consideration during Parliament's processes and deliberations on the proposed taxation on SSBs.

We remain at the Committee's disposal should you require any further information and/or clarification regarding our submission and matters related hereto.

Kindly do not hesitate to contact us in this regard.

Thanking you in advance and with appreciation.

Yours faithfully



---

**Phil Roux**

Chief Executive Officer  
Pioneer Foods (Pty) Ltd

**ANNEXURES:**

**Annexure A: Food and Allergy Consulting and Testing Services (FACTS) Analysis**

**Annexure B: GI Foundation Report**

**Annexure C: Opinion of Adv Sholto-Douglas S.C.**