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THE SOUTH AFRICAN SUGAR ASSOCIATION (SASA) SUBMISSION TO PARLIAMENT ON THE HEALTH PROMOTION LEVY ON SUGARY BEVERAGES

The South African Sugar Association (SASA) values the opportunity to submit to the parliament Standing Committee on Finance written comments on the Health Promotion Levy on Sugary Beverages.

The South African sugar industry does not support the proposed tax on sugar sweetened beverages (SSBs). The imposition of the tax will negatively impact both the sugar milling and sugarcane agricultural sectors in KwaZulu-Natal and Mpumalanga. Loss in revenue and reduction in sugar consumption will result in a shrinkage of the industry. The potential of sugarcane agricultural land going out of production and the consequent jobs losses, will certainly not support the National Development Plan and Nine-Point plan of Government.

Despite the positive footprint of the industry in KwaZulu-Natal (KZN) and Mpumalanga, its sustainability is threatened by a number of external factors. The sugar industry is currently fighting for its survival in the midst of the worst drought since the early 1990's, which has led to a decrease in production of 53% in some areas and the unprecedented closure of 2 mills in the 2015/2016 season, with other mills having a shorter than normal milling season. Compounding the situation has been insufficient import tariff protection resulting in an influx of imports. Despite the industry being in the top 15 most efficient cost competitive producers out of 120 countries, these challenges have eroded the financial viability of the industry and have pushed the sector to the edge of ongoing sustainability.

In the midst of the crises faced by the industry, National Treasury has proposed a levy on sugary beverages. The singling out of an individual ingredient in a particular product as the tax aims to do, is unlikely to achieve the desired health outcomes, which requires a multi-disciplinary approach. Insufficient consideration has been given to the full impact of the imposition of the tax, and the significant negative unintended industrial, socio-economic and agricultural consequences. The impact of the proposed tax has been detailed in the prior submissions referred to below.

SASA has made the following prior submissions to national government, parliament on the SSBs tax. :

- Submission to parliament on the SSBs tax – 24 January 2017
- Submission to National Treasury on statements made about the sugar industry in the presentation to the National Economic Development and Labour Council (Nedlac) sub-committee on proposed SSBs tax: policy rationale – 1 March 2017;

- Submission to National Treasury on rates and monetary amounts and amendment of revenue laws bill – 31 March 2017.

SASA is concerned about the increase in obesity and non-communicable diseases (NCDs) in South Africa and is committed to collaborating with the Department of Health in implementing a response to these concerns. The Association has a longstanding commitment, for more than 30 years, promoting healthy lifestyles and the prevention of NCDs.

In South Africa there has never been a completed dietary intake study. There is a limited understanding of what the population is currently eating and which foods contribute to calorie intake and impact the most on obesity. The singling out of an individual ingredient in a particular food product as the proposed SSBs tax aims to do, is unlikely to resolve a complex health condition that requires a multi-disciplinary approach.

According to the World Health Organisation (WHO) and Food and Agriculture Organisation (FAO), world food supply rose from 1961 to 2011 from 2 194 to 2 868 kcal/day per person. At the same time, the share of sugars and sweeteners reduced from 9% to 8%. The WHO recommends that a healthy, balanced daily diet for males and females averages 2 250 kcal/day.

Linking the FAO information on food supply and the WHO guidelines illustrates that the total energy intake from all sources exceeds requirements by 50% on average in the developed world and by 23% in the developing world. The consumption of excess energy and the lack of physical exercise according to WHO and literature is the reason given for the rise in obesity.

At the proposed level of tax on SSBs the impact on the total energy intake is about 12 kcal/capita/day or 0.4% of energy intake. This explains why no evidence can be found that a single approach on one component of the diet has an impact on obesity or NCDs of which the cause is multifactorial. The Organisation for Economic Co-operation and Development (OECD) policy research clearly states that the link to health outcomes and taxes on food has not been established¹.

The structure of health promotion levy reduced the effective rate but leaves the marginal rate largely unchanged. The Minister of Finance can change in the future, the level of the health promotion levy. Based on the track record, National Treasury have increased taxes on alcohol and tobacco many factors in real terms. National Treasury has already stated on many occasions, that if obesity will not come down, the level of the tax will be increased. The future level of the levy or tax and thus eventual economic and job impact is thus unknown and can be severe over time.

Since the announcement of the proposed tax on SSBs in February 2016, SASA has consistently opposed the tax as it would be ineffective in achieving the desired outcome of reducing rates of obesity, and will negatively impact both the sugar milling and sugarcane agricultural sectors in KZN and Mpumalanga.

¹ OECD (2016) Health-Related Taxes on Food and Non-Alcoholic Beverages in OECD Countries, Key Design Issues, Working Party No 2 on Tax Policy Analysis and Tax Statistics

Recommendations by the sugar industry on the Health Promotion Levy (SSBs Tax):

- The proposed levy on sugary beverages should be withdrawn in its entirety from the parliamentary process to allow all stakeholders sufficient time to consider the adverse implications of the levy, alternatives and pro-active mitigation.
- Meaningful engagement must take place between National Treasury and the sugar industry.
- A full assessment of the causes of obesity and NCD's in the South African context must be undertaken. A Total Dietary Intake Study to establish what South Africans are eating must be completed to inform policy development.
- Multiple, evidence-based interventions to prevent and manage obesity in South Africa should be developed, planned, budgeted and implemented. A strong campaign is needed to accurately inform and enable the public in managing their weight.
- The Nedlac SSBs Tax Team (convened by the Public Finance and Monetary Policy chamber) process has only started and should be properly concluded. Only two meetings have taken place due to the limited availability of Government. Government issued a Technical Appendix to a Socio Economic Impact Assessment Study (SEIAS) only on 15 May 2017 to the Nedlac task team. Engagement on pro-active mitigation, intervention and prevention of urban and rural job losses still needs to commence in Nedlac.
- A SEIAS of the National Strategy for Prevention and Control of Obesity and Health Promotion Levy must be conducted and shared by Government.

SASA, through BUSA, is participating in the Nedlac SSBs Tax task team. As part of these discussions, SASA is putting forward policy interventions that can promote the sustainability and growth of the South African sugar industry. Survival, growth and sustainability of the South African sugar industry is not possible without the continued support, interventions and partnerships with our South African Government.

Before any measures in terms of taxation or levies on producers of food and drink, and associated commodities is implemented, government should consider the issues and recommendations raised by the sugar industry and going forward through Nedlac.

SASA is of the view that the singling out of an individual ingredient as a measure to reduce obesity, as the tax aims to do, is unlikely to resolve a complex health condition and requires a multi-disciplinary approach.

SASA thanks the parliamentary committee for this opportunity to provide written comment on the Health Promotion Levy on sugar beverages.