SA Canegrowers
Since 1927

South African Cane Growers' Association
KwaShukela, 170 Flanders Dr, Mt Edgecombe
P.O. Box 888, Mount Edgecombe
KwaZulu-Natal, Durban 4300

+27 31 508 7200
+27 31 508 7201
central@canegrowers.co.za
www.sacanegrowers.co.za

0072/2021
ARM/tn

18 October 2021

To: Hon. Mkhacani Maswanganyi MP
Chairperson: Standing Committee on Finance
Per email: jmaswanganyi@parliament.gov.za
C/O: Gadija Salie / Allan Wicomb / Teboho Sepanya
Secretary to the Chairperson / Secretary to the Committee
gsalie@parliament.gov.za / awicomb@parliament.gov.za / tsepanya@parliament.gov.za

Dear Honourable Maswanganyi,

Re: Request for intervention regarding the Health Promotion Levy

I write to you today regarding the Health Promotion Levy (hereafter 'the sugar tax') which came into effect in April 2018. Its stated objective is to reduce obesity levels, thereby decreasing the burden of disease on the healthcare system.

Despite a lack of evidence for the effectiveness of the sugar tax for reducing obesity levels, proponents of the tax nevertheless continue to advocate for an increase in the tax. However, given the devastating impact the tax has already had, we believe it is vital for the survival of the industry and the success of the Sugar Industry Value Chain Masterplan that the sugar tax be eliminated entirely.

You will be aware of the recently released impact assessment report titled *Economic Impact of the Health Promotion Levy on the Sugar Market Industry*. The report was commissioned by the National Economic Development and Labour Council (NEDLAC) and fulfilled a key commitment under the Sugar Industry Value Chain Masterplan to "review the impact of the sugar tax on rural communities and economies in sugarcane growing areas including on employment, household incomes, small businesses and on investment and financial sustainability in the sugar and sugar-related value chains."

The report's findings are dire. In the first year of its implementation, the sugar tax cost South Africans:

a) an estimated 16,621 jobs,
b) a cumulative R180 million decline in sugar exports, and
c) a R653 million decline in investment into the economy by 2019.

Taking all these losses into account, South Africa's GDP declined by a cumulative R2,05 billion because of the sugar tax.

The canegrowing sector was hardest hit by the job losses. Before the sugar tax, sugarcane growers supported 94,621 direct, indirect, and induced jobs – more than 11% of all agricultural workers. By 2019 the sector had lost 9,154 jobs, almost 10% of the workforce.

The impact is no less alarming when measured in terms of the lost contribution to Gross Domestic Product (GDP):

a) In 2017, sugarcane farming directly contributed R5,1 billion to South Africa's GDP. This figure fell by an estimated R414,2 million after the sugar tax was introduced.
b) In 2017, sugar millers directly contributed R8,6 billion to South Africa's GDP. This contribution declined by R772,1 million after the sugar tax.
c) In 2017, the sugar-sweetened beverage industry directly contributed an estimated R14,9 billion to the country's GDP. After the sugar tax, this declined by R1,5 billion.

In November 2020, Ministers Ebrahim Patel and Thoko Didiza signed the Sugar Industry Value Chain Masterplan, which is designed to revive the sugar industry. The Masterplan identifies a number of threats to the industry and vital interventions to ensure the survival of the industry. The sugar tax is one of the most urgent challenges to address if the Masterplan is to have any chance of success.

SA Canegrowers appreciates the need to tackle obesity amongst other health problems plaguing South Africa. We would, however, ask that government take a data-led approach to solving this problem. We believe that it would devastating to destroy desperately needed jobs without substantive evidence that the sugar tax has achieved its objective, or any discussion of alternative interventions that would be more effective at less cost to the national economy and rural livelihoods.

The expiration of the three-year moratorium on the increase of the tax means that government will need to reconsider whether to continue the tax and, if so, the amount of it.

Given the important oversight function of Parliament, SA Canegrowers would welcome the opportunity to present to the Standing Committee on Finance the extent of the damage wrought by the sugar tax. We believe that the support of the Committee will be vital to ensuring that the sugar industry can survive the sugar tax and plays its part in creating a thriving economy with opportunities for South Africa's people, and its youth in particular.

We look forward to the opportunity to present on this matter to the Committee. With Parliament's support for scrapping the tax, we can alleviate the suffering endured by the industry and its workers because of the sugar tax.

Yours sincerely,

ARussell

AR RUSSELL
CHAIRMAN