Sugar Value Chain Partners Calls for a Moratorium on Sugar Tax to Enable Economic Growth & Sustainability through Cohesive Policies

Dear Minister of Finance, Enoch Godongwana,

Cc: Minister of Trade, Industry and Competition Parks Tau, and

Minister of Agriculture, John Steenhuisen

Today we are united in calling on the Minister of Finance, Mr Enoch Godongwana to honour the commitment made publicly, in his 2023 budget announcing that consultations would be initiated with affected and interested parties as National Treasury considers adjustments to the Health Promotion Levy (HPL), including the proposed lowering of the 4g threshold and the extension of the levy to fruit juices. These consultations are essential for affected and interested parties to provide factual information and data on the potential unintended consequences of the HPL, which will help guide the National Treasury decision-making process.

We represent a range of South African industry associations that stretch across the whole sugar value chain – from small- and large-scale sugarcane growers, to sugar millers to food and beverage manufacturers to retailers. Together, we represent hundreds of thousands of jobs and millions of livelihoods with our industry making a significant contribution to the South African economy.

We are deeply concerned that the HPL led to the loss of 16,000 jobs in the first year of the tax alone, according to a study by Nedlac, and if increased, it would lead to the loss of further jobs including in impoverished rural cane growing provinces that need employment the most.

The HPL was implemented in April 2018, as one of the measures by the Department of Health to address obesity and non-communicable diseases (NCDs) in South Africa. Since then, there has not been a single study conducted or provided to show if the tax has led to meaningful health outcomes such as reduced diabetes or obesity, or a healthier population.

What we do know is the tax has added to economic instability, cut jobs and further threatens livelihoods. At current levels, agricultural consultancy BFAP calculated that the tax will lead to a 10% percent decrease in sugarcane under cultivation by 2030. Any increase will further decimate the land under cultivation and force thousands of small-scale growers into abject poverty. An increased tax on sugar threatens the one million livelihoods the sugar industry supports and undermines both food security and economic stability in the provinces of Mpumalanga and KwaZulu-Natal where sugarcane is grown. In short, more job losses will increase hunger and food insecurity when there is no scientific evidence that the tax has improved people's health.

Since the introduction of the HPL, industry associations have been awaiting a cohesive government policy approach to the sugar industry and the tax. One such mechanism that all parties committed to, was the Sugarcane Industry Value Chain Master Plan to 2030.

The masterplan process – in which government, value chain stakeholders and industry partnered together – attempts to create a framework in which government policies across departments align to address the negative effects of the HPL. The masterplan process also aims to ensure that the country's sugar industry is sustainable and creates inclusive growth for emerging and small-scale sugarcane growers. In addition, under the process the industry has committed to continuing its investment in diversification and has supported increased transformation among sugarcane growers and in the value chain.

The government, for its part, committed to commissioning two evidence-based studies. One was to measure the total dietary intake of the population to better understand the full array of causes of obesity and lifestyle diseases among South Africans and the other study aimed to measure the full socio-economic impact of the sugar tax.

The sugar industry has invested significant time and effort into committing to its part of the bargain - by driving transformation and diversification strategies, but the promised studies on the population's nutritional intake or the socio-economic impact of the HPL have not yet been concluded.

Honourable Minister, when you commendably imposed a two-year moratorium on increases of the HPL in you promised industry-wide consultations on the tax.

However, the industry is still awaiting these promised consultations and has yet to see any credible evidence justifying an increase or extension of the tax.

We once again ask for a commitment to cohesive and evidence-based policies in government, and a commitment to saving and creating jobs, particularly in rural agricultural areas. We are of the considered view that this critical matter must be approached in a manner which accentuates the importance of evidence-based decision-making.

Therefore, as a united industry, we call on the Minister of Finance to scrap the HPL, or at the barest minimum, extend the moratorium on any increases or broadening of the reach of the HPL until the promised inclusive consultations on the impact of the HPL are held with industry. The parties will thereafter require adequate time to consider the implications of the consultations, if any, on the sugar value chain, the economy and the health of the nation.

We invite you to engage with the sugar and downstream industries to learn about our plans for ensuring the long-term viability of sugarcane farming through diversification, and the value chain as a whole and how a cohesive policy environment will help further unlock growth and employment, while fostering a healthier nation.

Signed by:

SASA – The South African Sugar Association

SASMA - South African Sugar Millers' Association

SAFDA - South African Farmers Development Association

SACGA – SA Canegrowers

CGCSA – Consumer Goods Council of South Africa

SASCA - The South African Sugar Converters Association