Soft drink industry fizzes over sugar tax/obesity claims

The soft drink industry has weighed in on the debate around the proposed tax on sugar-sweetened beverages (SSBs), with the Beverage Association of South Africa (BevSA) reacting to an article by Dr Sundeep Ruder, where he says the levy will help to reduce obesity and the associated lifestyle conditions in South Africa.

Source: BevSA

The association is naturally defensive about the so-called sugar tax, given the implications it would have on the soft drink industry in terms of cost and revenue.

Little or no impact

"It may be a cost-effective way for government to raise additional revenues, but unfortunately it will have little or no impact on tackling obesity in South Africa," BevSA says, stating that the science Ruder uses to support that there could be 250,000 fewer obese South Africans in three to five years if the SSB tax is introduced is flawed. "There are many contributing factors to obesity – a lifestyle disease that is the result of consuming too many kilojoules and exercising too little."

Just a drop in the calorific ocean

"SSBs contribute just 3% of the total kilojoules consumed by the average South African on a daily basis. So even if the tax did reduce consumption of sugary drinks – and there is little global evidence to show this – it would have a negligible impact on the total kilojoule intake of consumers," Mapule Ncanywa, executive director of BevSA explains. "As noted recently by one local academic, taxing sugar-sweetened beverages without providing incentives for consumer education and advice on a balanced approach to diet and lifestyle is 'just a drop in the caloric ocean'."

She goes on to say that the tax on SSBs assumes that people will consume less sugary drinks if they become more expensive – but experience in both developed and developing countries shows otherwise.

Switch to cheaper substitutes

While consumption decreases following the addition of a tax, it soon seems to start climbing again. "Take Mexico for example, where firms reported that sales volumes – an accurate proxy for sodas consumed – are now the same as before a sugar tax was introduced or growing. Denmark scrapped its long-standing sugar tax in 2014 because it had very little impact on public health."

A 2014 study commissioned by the European Union reported that while food taxes reduced consumption of the taxed products, consumers simply switched to cheaper and even less healthy alternatives. One potential consequence of an SSB tax is that price-sensitive consumers will simply switch to other sugary products such as confectionary and biscuits – which currently aren't targeted under the proposed tax.

One of the most authoritative reports on tackling obesity in recent years comes from the McKinsey Global Institute's 2014 study. It found that of all the possible options available to combat the lifestyle disease, the most effective by far were portion size and reformulation of products to reduce sugar content. BevSA is working with the department of health to find the best possible solutions to tackle obesity through its efforts as a contributor to the initiative by the Consumer Goods Council of South Africa.

Merely a money spinner for the government

"While Ruder compares the proposed tax on sugary drinks to that of the recent legislation on regulating the salt content in food, they are entirely different policy approaches. A standalone tax on soda will have little health benefits and is merely a money spinner for government. The economic and social consequences of this headline-grabbing tax, however, should be scrutinised – some 60,000 jobs are on the line, many of those are amongst small spaza owners and vendors in the informal sector," Ncanywa says.

Because it is an excise duty and not a sales tax, soft drink manufacturers may also have to increase the price of other drinks too – including healthier options such as bottled water and fruit juice to cross-subsidise losses or, in the case of smaller soft drink manufacturers to merely stay in business. The regressive nature of this tax is that the poor simply pay more.

SSBs a soft tax target

Given the treasury's dislike for ring-fencing, the proceeds from a sugar tax are likely to go into the melting pot of tax revenue, rather into a demarcated fund to tackle the causes and effects of obesity, she points out.

Indeed, the department of health itself agrees that a multiple-intervention approach to tackling obesity is needed, rather than individual interventions. Implementing policies that fund infrastructure and support sport in schools and communities, healthy eating education and awareness campaigns as well as working with industry to better label products would be far more effective in preventing obesity.

"There's no doubt that SSBs are a soft target when the tax coffers need some plumping, but a tax on sugary drinks won't improve the nation's health. If government's intentions are truly to address obesity we must look at evidence-based interventions, rather than misguided, potentially damaging fiscal policies that could affect the livelihoods of thousands of

South Africans with negligible health benefits," Ncanywa concludes.