Sugary drinks tax

Why trade unions can support it

The Treasury has proposed a tax on sugary drinks. This is opposed by sugar companies and some trade unions on the grounds of job losses. **Tracey Malawana** explains how the tax will save thousands of lives and that the sugar industry is in rapid decline and jobs are, and will be, lost for other reasons than the tax.

In one sense, the proposed tax on sugary drinks in South Africa is nothing new. The government, like many others, has long levied 'sin taxes' on products like tobacco and alcoholic drinks that are harmful.

But the sugary drinks tax is a first in this country. While government saw other sin taxes as primarily a means of generating revenue from bad habits, the sugary drinks tax was born as a public health measure.

WHY A SUGAR TAX?

The logic behind the sugar tax, also known as the health promotion levy, is that increasing the price of drinks with high levels of added sugar will reduce consumption. People will not be able to afford to buy them as much.

Reduced consumption of sugary drinks will show in lower rates of obesity and being overweight. Lower rates of obesity will help contain rapidly rising non-communicable diseases like diabetes and heart disease and people will enjoy better health and live longer.

South African research shows that a 20% tax on sugary beverages could reduce the number of obese people by almost a quarter of a million.

South Africa has a serious and growing epidemic of non-communicable diseases – such as diabetes, high blood pressure, heart disease, and strokes. These conditions affect the rich and the poor.

In 2015, diabetes became the second most common cause of death in South Africa, according to the last mortality report released by Statistics SA. Among women diabetes tops the list of causes of death. Living with diabetes is dangerous because it causes other illnesses like kidney failure, blindness and poor circulation leading to the amputation of limbs.

In South Africa, obesity looms very large. One-third of men and two-thirds of women are overweight or obese. What's very concerning is that over 20% of children are overweight or obese. We are the heaviest population in sub-Saharan Africa.

Severe obesity is higher among women than men, and it increases as incomes increase. However, even amongst the poorest of women 12% are classified as severely obese (Stats SA).

There is no single factor which is solely responsible for obesity. Reducing the population's intake of sugary drinks won't solve the health issues but there is strong scientific evidence that eating sugar increases obesity, diabetes, liver and kidney disease, and some cancers. The World Health Organization recommends that we restrict added sugar to six teaspoons a day.

The average sugar content of a single 330ml fizzy drink is nine teaspoons. Some of these drinks contain even more sugar – the average energy drink contains 12 teaspoons and fruit juice, like Appletiser, contains 10 teaspoons.

Furthermore, people don't count the calories in drinks as they count calories in food, and this can lead to overconsumption of sugary drinks and weight gain.

Large amounts of liquid sugar are especially harmful to the body because they are quickly absorbed. The concentrated sugar in drinks can alter the body's functioning, affecting the chemical insulin, leading to fat build-up around the organs of the body. This causes high blood pressure in addition to diabetes.

The science is clear. But is South Africa's consumption of sugary drinks high enough to make us worried? The answer is YES. As a nation, we are among the top 10 worldwide consumers of sugary drinks and about one-third of the added sugar in our diets comes in the form of beverages.

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The sales of sugary drinks is rising at 3-4% per year. While higher income groups consume more soft drinks, the fastest growth in the fizzy drinks market is in the lower income groups. The beverage industry is targeting the poor as their growth market.

WILL A SUGAR TAX WORK?

Finally, we need ask: does money talk loudly enough to change people's habits? And will more expensive sugary drinks encourage healthier living?

Government tax targeting certain products has been successful in changing behaviour that is damaging to health.

For example, heavy tobacco taxes have reduced smoking in many countries, including South Africa. Targeted taxes work best when they are combined with public education and other policy interventions, such as advertising bans and restrictions on smoking in public places.

A growing number of countries and cities have introduced a tax on sugary soft-drinks such as in the United States. In Mexico, which once had the highest consumption of sugary drinks worldwide, a 10% tax on sugary drinks from 2014 saw in the following two years a drop of 9.5% in soft drink consumption. The reduction was greatest among low-income groups.

In South Africa, public support for the government to reduce obesity has increased over the past year. A recent survey by Genesis Analytics showed that the tax on sugary drinks now has the support of 7 out of 10 South Africans in major cities. However, people want the tax revenue to be invested in programmes to benefit the public.

ARE JOB LOSSES A BIG ISSUE?

The big companies in the sugar industry oppose the sugar tax on soft drinks often on the grounds of job losses. They have used the threat of job losses to drive a wedge between government and the labour movement to try and stop the sugar tax. They also speak of the damage to the small sugar grower, from whom they buy, if the tax is introduced.

The truth is that sugar production in South Africa has declined substantially in the last decade. The majority of small-scale sugar cane growers have long stopped planting. This is not connected to the sugary drinks tax. Greater economic forces are at play reshaping sugar growing and processing.

The giants of the South African sugar industry, Illovo, Tongaat Hulett, and Transvaal Sugar Ltd, have remained profitable although production has shrunk. It has shrunk due to diversification of products, conversion of land into cash, and the moving of most farming and milling operations to outside South Africa's borders.

The big threat to South Africans whose jobs depend on the sugar industry is climate change. The 2016 drought had a devastating impact. Also the domestic industry is dominated by multinational players that sacrifice worker and national interests in their quest for growth and profitability.

In fact the South African sugar industry is likely to benefit by diversifying into the 'green' industry and undertaking large-scale biomass processing. This will produce a range of products, including renewable fuels such as ethanol. This is a strategy that is fast gaining traction.

For example, Illovo Sugar has been investing substantially in downstream production of sugar by-products, such as ethanol and furfural. It controls three ethanol distilleries and it is expanding production into Zambia in 2018. These activities contribute more and more to the to Illovo Sugar's profits. The company's 2016 financial report noted these sugar by-products, accounted for 16% of profits in 2015 and 24% in 2016.

But will workers benefit? Only 8% of Illovo Sugar's profit comes from South Africa, while 70% derives from Malawi and Zambia.

This shows that the fate of South Africa's 79,000 direct sugar workers lies less in a decline in sugar production due to the taxation of sugary beverages, and more in the fact that multinationals are working in countries where climatic and other economic factors are more favourable.

Tongaat Hulett has made huge profits by selling land in KwaZulu-Natal and investing in cane growing land elsewhere in southern Africa. Land restitution has featured in the company's move. Between 2014 and 2016 Tongaat made R3bn from the sale of 488ha of land with good development potential and was negotiating the sale of a further 233ha valued at about R1.58bn.

This strategy enabled Tongaat to remain profitable through the 2016 drought, despite a drop of 85% in profits from sugar. The impact on workers and small-scale sugar farmers who supply the company is clear.

Transvaal Sugar has pursued a different strategy. It remains strongly invested in local growing, under irrigation, in the province of Mpumalanga, but has diversified through its merger with RCL Foods. RCL is one of Africa's leading food producers and owners of Rainbow Chicken, Selati Sugar and Vector Logistics. Its sugar holdings remain profitable and recovered after the drought.

Man buying fizzy drinks. CNN

The cultivation and milling of sugar cane is hard work and producers are turning to migrant labour as local residents are less willing to work for the low wages.

Cane cutting is more skilled and has largely been externalised by the major producers, with contractors providing seasonal labour. This arrangement makes workers very vulnerable. They are employed for only part of the year and are responsible for their own accommodation and subsistence between cutting seasons. Sugar producers shrug off responsibility for the working conditions of workers on sugar farms.

WILL SMALL GROWERS DECLINE?

Likewise, the concerns of the big sugar companies for the fate of small sugar growers if consumer demand for sugary drinks declines, are false.

The small-scale growers system was set up under apartheid so that major sugar producers could access land for cane growing in KwaZulu and KaNgwane Bantustans. It was illegal for them to buy or lease tribal land directly so they accessed it through local homeland farmers. Special financing, including big funding from Bantustan governments, as well as 'extension services' allowing companies to manage growers, was a profitable arrangement.

Between the 1970s and 1990s the number of small-scale cane growers increased dramatically from about 4,000 to 50,000 largely due to a change in registration requirements. At their peak, these farmers contributed about 14% of the total sugar crop.

But the system buckled under the rapid expansion and closed down. The majority of small-scale growers dropped out of the system. By 2012, fewer than 14,000 remained, contributing only 8.5% of the total sugar crop. Those who survived did so because they had significant non-cane sources of income.

Trade unions are understandably opposed to policies that may cause job losses, especially as the economy has declined. But they must question whether the big sugar companies are using the sugary drinks tax as a scape-goat to excuse industry for its role in job losses and the destruction of the small cane grower sector.

The sugary drinks tax is only one of several interventions government must make to reset the balance between corporate profit and the health needs of millions of people. The tax originally proposed for 2017 has now been delayed to April 2018. In the interim, hundreds of thousands of South Africans will suffer and die of obesity related diseases. LB

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