SA FARMERS DEVELOPMENT Association

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MEDIA STATEMENT
FOR IMMEDIATE RELEASE
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Sugar Tax increase breaks Sugar Masterplan social compact

SAFDA is disappointed about the decision of the National Treasury to increase the Sugar Tax formally known as Health Promotion Levy (HPL). 'Sugar tax' is a slap in the face to our small-scale farmers. The increase of 4.5% in the rate of sugar tax seeks to undermine the Master Plan commitment by the government to put a moratorium on product tax policy changes. Our farmers are still reeling from the devastation of July 2021 civil unrest where farms were burned and harvested sugarcane was rejected by sugar mills, farming equipment and machinery were destroyed, and employment was disrupted, including seasonal employment. Growers lost millions of rands as a result of the unrest. Exorbitant fuel price increases thus far are not making life easy for our farmers. As if the turmoil that farmers are experiencing is not enough, they were impacted by floods in December 2021 which caused a lot of havoc in many farms. So, increasing the HPL to 2,31 cent per gram of sugar content that exceeds four grams per 100ml, will add salt to the wounds of our farmers.

The Health Promotion Levy (HPL) on sugary drinks was introduced in 2018, at a fixed rate of 2,1 cent per gram of the sugar content that exceeds four grams per 100ml. The HPL was increased again to 2,21 cents per gram of the sugar content that exceeds four grams per 100ml during the 2019/20 financial year. The introduction of the Health Promotion Levy (HPL) has had a devastating impact on sugar demand. It shrunk local market demand for sugar by about 20%, which contributed to a marked reduction in industry-related jobs, with many small-scale farmers exiting the industry due to the significant reduction in revenue. Industry revenue in the 2019/2020 season declined by R2.2 billion following the implementation of the HPL.

As SAFDA we see this act by National Treasury as a breach of the social compact by all participants and stakeholders in the sugar value chain who supports and signed the Sugar Masterplan. Government is reneging on their end of the deal. The manufacturers will decrease the quantity of sugar in their products, which will lead to the decline of local demand of sugar and result to the increase in export sugar which is a loss of revenue for the industry.

Government response to the crisis facing the sugar industry was the formulation of the Sugar Industry Value Chain Masterplan 2030 (Masterplan), which seeks to ensure stability, growth, and long-term sustainability for the sugar industry. Short-term objectives of the Masterplan aim to restore local market demand for sugar in the first year of implementation by at least 150 000 tons and by 300 000 tons by year three. Industrial users and retailers have committed to a ‘buy local campaign’, which requires users to source at least 80% of their requirements from local sugar production. This commitment to purchase South African sugar increases to 95% by year three. In return sugar industry stakeholders have committed to restraining notional and producer price increases to within consumer price inflation for a period of three years, thereby ensuring that future price increases are competitive and sustainable for customers.

We wonder whether the Sugar Masterplan will still achieve some of its objectives if the social compact has been broken. Our farmers who have started to see tangible benefits of the Plan are likely to be serious losers.

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