Chapter 7
Impact of the Sugar-Sweetened Beverage Tax on the South African Sugar Industry:
Implications for Navigating Stakeholder Relations and Power Dynamics

Ncebakazi P. Latsha
University of KwaZulu-Natal, South Africa

Cecile Naomi Gerwel Proches
https://orcid.org/0000-0002-2330-9575
University of KwaZulu-Natal, South Africa

Nikita Singh
https://orcid.org/0000-0002-7795-3534
University of KwaZulu-Natal, South Africa

ABSTRACT

The purpose of this study was to explore the impact of the sugar-sweetened beverage tax on the South African sugar as well as navigating power dynamics within the sugar industry. The study was guided by a qualitative research approach involving key sugar industry stakeholders. The sugar-sweetened beverage and power differentials amongst key sugar industry stakeholders has negatively impacted the South African sugar industry which is already beset by various challenges. The sustainability of the sugar industry has been threatened, forcing industry stakeholders to consider alternatives for survival. Public policies should be better informed before implementation, especially for industries pivotal to the economic welfare of developing countries. Furthermore, the sugar industry in South Africa needs to become more resilient to withstand similar shocks in the future. The study demonstrates how well-intentioned public policies often lead to unintended and disruptive consequences. In situating itself against the background of a developing country, the study further highlights how such consequences can be more severe in such contexts.

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INTRODUCTION

Abdool Karim, Kruger, Mazonde, Erzse, Goldstein and Hofman (2023) noted an escalating burden of illnesses resulting from non-communicable diseases (NCDs) in the sub-Saharan Africa (SSA). Like various countries across the globe, South Africa is also beset by the increasing burden of obesity and diseases such as Type two diabetes, cardiovascular diseases and dental cavities. This is attributed to the excessive consumption of sugar-sweetened beverages (SSBs) (Myers, Fig, Tugendhaft, Mandle, Myers and Hofman, 2017), thus, public health institutions around the world have enforced a reduction in the consumption of SSBs in order to curb these epidemics. SSBs have been identified as products that contain a high added sugar content, do not contain any nutritional value, pose health risks, and are commonly a source of excessive energy, especially for children. South Africa is a major consumer of sugar and is the third most obese country in Africa (Backholer, Blake and Vandevijvere, 2016). In an attempt to reduce the consumption of SSBs, countries demonstrate soft power through the introduction of taxes on these products to discourage consumers from buying them. It was recommended that adding a tax of between 10-20 percent to the SSBs would ultimately achieve significant health benefits (Tamir, Cohen-Yogev, Furman-Assaf and Endevelt, 2018).

In South Africa, the sugar-sweetened beverage tax on SSB products became effective on the first of April 2018. The objective of introducing the SSB tax, just like in other countries, was to reduce SSB consumption by increasing the price of the products containing sugar so that those who were price sensitive would be discouraged from buying them due to the increased price of such products. This ultimately improves the health status of the population and reduces the financial burden of public health costs. Food environments are regulated by health advocates and policymakers to influence societal eating behaviours, which is usually done in response to adverse health conditions caused by these foods. Therefore, these policies are aimed at restricting access to these unhealthy foods. SSB tax works in a similar way to the sin tax that is applied to reduce consumption of tobacco and alcohol. (Fuster, Burrowes, Cuadrado, Velasco Bernal, Lewis, McCathy and Shen, 2021). The World Health Organisation has urged governments around the world to develop SSB tax policies in order to promote healthy lifestyles and funding investments for the communities highly affected by diet related diseases and mortality (Falbe, 2020). However, once the tax was implemented, the reduction in SSB consumption had a direct impact on the manufactures of SSBs and related sugar products and consequently the sugar industry in South Africa due to a decline in revenue (Briggs, 2016).

The Sugar Industry in South Africa and Related Challenges

The South African sugar industry is comprised of six milling companies that produce sugar from eleven sugar mills situated in the sugarcane growing regions of South Africa. The sugar industry in South Africa is predominantly in the regions of KwaZulu-Natal and Mpumalanga where there is significant contribution towards employment and skills needed by the industrial and agricultural sectors (Dubb, Scoones & Woodhouse, 2017). The industry is comprised of three major sugar producers which are Transvaal Sugar Limited - now known as Rainbow Chicken Limited (RCL), Tongaat-Hulett and Illovo (Myers, et al., 2017).

Sugar cane growers are represented by two associations, namely the South African Cane Growers Association (SACGA) and the South African Farmers Development Association (SAFDA) (South African Sugar Association, 2019c). The sugarcane growers and millers mainly focus on refined sugar and