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MEDIA STATEMENT

“SUGAR TAX” WILL SHRINK INDUSTRY

The South African Sugar Association (SASA) has noted with disappointment the announcement by Finance Minister Tito Mboweni during his Budget Speech that there will be an increase in the Health Promotion Levy (HPL), commonly known as “sugar tax”.

“The HPL has already had a significant impact on the volumes of refined sugar sales in the local market and a consequent increase in the exposure of the sugar industry to the loss-making export market – it is estimated that the impact represents a decline in local demand for sugar of approximately 200 000 tons per annum (reducing industry revenue by approximately R1bn per annum),” said SASA Chairperson Hans Hackmann.

It is regrettable that the implementation of mitigation measures, as recommended by the Nedlac Task Team (which was established as per the resolution of Parliament’s Portfolio Committee on Finance) comprising all relevant stakeholders, with regards to the HPL has been delayed. The industry is currently facing a number of serious challenges threatening its sustainability and survival. The need for the industry to pursue diversification has become even more urgent.

“The impact of the HPL on the sustainability of our industry needs to be addressed urgently. We will seek engagement with government and Parliament on the way forward to discuss the process of expediting the implementation of mitigation measures,” said Hackmann. The mitigation measures include the raising of the import duty on dumped sugar to a more appropriate level (via the Dollar Based Reference Price formula or any other more appropriate mechanism). Past experience shows that when Parliament, government and the industry work together, more can be achieved.

Last year, the Portfolio Committee on Trade and Industry (which has been guiding and helping the sugar industry on its transformation journey), President Cyril Ramaphosa, Trade and Industry Minister Davies, Economic Development Minister Patel, and Agriculture, Forestry and Fisheries Minister Zokwana came to the rescue

of the industry when it applied to the International Trade Administration Commission of South Africa (ITAC) for an increase in the DBRP from \$566 to \$856. Eventually, ITAC increased the reference price from \$566 to \$680. Although SASA did not get the reference price it had applied for, the new tariff did bring much-needed temporary relief for the industry.

“We would have been worse off, had it not been for the interventions by the President, the Portfolio Committee on Trade and Industry, the Departments of Trade and Industry, Economic Development, and Agriculture, Forestry and Fisheries. We hope the same spirit will prevail, with the relevant stakeholders, when it comes to addressing the exigent issue of the HPL,” said Hackmann.

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