Sugar tax-related job losses threaten the livelihoods of small-scale growers

Recently released research fundamentally misrepresents the negative impact of the so-called sugar tax on job losses in the South African sugar industry, according to Higgins Mdluli, SA Canegrowers Association (CGA) chairman.

The SA Medical Research Council (SAMRC)/ Wits Centre for Health Economics and Decision Science released a study that found that the introduction of the Health Promotion Levy (HPL) or sugar tax `has not been associated with job losses in the sugar-related industries in South Africa`.

This incorrect and disingenuous conclusion was drawn by using the Quarterly Labour Force Survey (QLFS) dataset averaging employment in the full agricultural sector of South Africa.

The data set includes employment across all industries in agriculture in South Africa, including major employers such as the grain, citrus and livestock sectors. The sugar tax has had little to no impact on the viability of most sectors in South African agriculture but has a very real and direct impact on the demand for sugarcane.

To suggest otherwise is in bad faith, according to the CGA. The SAMRC/Wits Centre for Health Economics and Decision Science Research Unit in their own publications and website admit they `advocated for the Health Promotion Levy before it was implemented by the government in April 2018`.

Having been a major advocate for this tax, their research on its impact may be at risk of not being impartial. There is both independent and industry data that reveals the sugar tax led to job losses for sugarcane farmers. An independent study by National Economic Development and Labour Council (Nedlac) released in 2020 put the job losses in the sugar and beverage industries at 16,000. The Nedlac study compared employment figures in the industry between 2017 and 2019 and found that more than 9,700 jobs were lost by commercial and small-scale cane-growers after the sugar tax was introduced in 2018.

These job losses due to the impact of the sugar tax happened before the Covid-19 pandemic and the associated disruption of the economy after 2020. This is in contrast to the conclusion drawn by the SAMRC/Wits study.

SA Canegrowers also conducts annual surveys among member growers. Demand for sugar from local buyers has fallen due to the sugar tax, with the SA Sugar Association estimating the sugar tax accounts for a 250,000 ton drop in domestic sales. Studies done by the Bureau for Food and Agricultural Policy (BFAP) have shown that under a continuing sugar tax regime, the canegrowers can expect a further loss of 10 of direct jobs by 2031.

Even a small increase in the sugar tax will lead to decreasing areas of land under sugarcane cultivation due to decreasing demand for sugar. The biggest job losses are expected among small-scale growers in rural areas of KwaZulu-Natal and Mpumalanga.

The SAMRC/Wits Centre for Health Economics and Decision Science Research Unit study looks at the employment trends in the entire agricultural sector. South Africa`s agricultural sector employs over 900,000 people directly and many more indirectly. By contrast, there are currently about 22,000 canegrowers in South Africa, of which 21,000 are small-scale growers.

The sugar industry, including canegrowers and others, currently support an estimated 65,000 jobs directly and 271,000 jobs indirectly, with one million livelihoods relying on the income this provides, Mdluli said.

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