



“Investing in Africa’s future”

**COLLEGE OF HEALTH, AGRICULTURE AND NATURAL
SCIENCES**

NAEC 409: AGRICULTURAL POLICY ANALYSIS

NOVEMBER 2021

LECTURER: MRS. R. MUCHANYUKA

DURATION: 5 HOURS

INSTRUCTIONS

1. Choose and Answer **ONE** Question Only
2. Answer in Essay form
3. DO NOT Repeat Material

QUESTION 1

Read the passage below and answer the questions that follow

Britain has the highest rates of obesity for 15 to 19-year-olds among 14 European countries, including Italy, France, Belgium, Spain, Greece and Germany. Children and young people in the UK are also far more likely to be obese if they are poor. Fast food outlets have become one of the most popular after-school destinations. The UK Royal Society for Public Health (RSPH) said outlets viewed as selling unhealthy food should be banned within a five-minute walk of the school gates. It also wants billboard adverts for fast food outlawed in the same areas, as well as removed from all council-owned advertising sites. A third suggestion is the banning of app-based delivery services from taking food to schools. The ban would also help them to control fast food advertising near schools, nurseries and children's centres to beat the child obesity crisis, across all billboards, along with a strengthening of advertising standard.

- a) Use the GRADE framework to analyse this set of policies. Your response should be in essay format with subheadings for the GRADE framework. [50]
- b) In order to come up with a good policy, a lot has to be done and considered. Explain with examples how good and bad policies are formulated. [50]

QUESTION 2

Read the paragraph below and answer the question that follow

The **Targeted Command Agriculture** is a Zimbabwean agricultural scheme aimed at ensuring food self-sufficiency that was introduced at the start of the 2016 - 2017 farming season following the drought of the previous season. The scheme was introduced as Zimbabwe struggled with economic problems. It was announced in August 2016.

The scheme targeted farmers near water bodies who could put a minimum of 200 hectares under maize per individual. These were found to be 2,000 in total and each farmer was required to produce at least produce 1,000 tonnes of maize. Each participating farmer was required to commit 5 tonnes per hectare towards repayment of advanced loans in the form of irrigation equipment, inputs, and chemicals, mechanized equipment, electricity and water charges. Farmers would retain a surplus product produced in excess of the 1,000 tonnes. The programme costed \$500 million. Each farmer was earmarked to receive US\$250,000

- 1. Using any of the tools in agricultural policy analysis, analyze the Command Agriculture policy in Zimbabwe [100]

QUESTION 3

Read the passages below and answer the questions that follow

Sugar Tax: An update – where are we at currently?



Posted on March 23, 2020

The obesity epidemic

South Africa is facing a severe and growing obesity epidemic. According to the South African Demographic and Health Survey (2016), 68% of women, 31% of men and 13% of children are overweight or obese. This makes South Africa the country with the highest overweight and obesity rate in Sub-Saharan Africa.

Sugar and health

Added sugars (added sugars are any sugars added to foods or drinks by a manufacturer, cook or consumer), particularly in beverages, are a major cause of increased weight gain and tooth decay. The World Health Organisation (WHO) recommends that: the daily consumption of added sugars should be less than 10% of an individual's daily energy intake. This would be equivalent to about 12 teaspoons of granular sugar per day for adults. For additional health benefits, this amount can further be reduced to 5% of daily energy intake (about six teaspoons of sugar).

Sugar-sweetened beverages

Sugar-sweetened beverages (SSB) are non-alcoholic beverages, sweetened with added sugars. There is convincing evidence to support a positive link between the intake of SSB and the risk of obesity, diabetes and other conditions, such as stroke and heart disease.

SSB consumption rates among urban and rural communities in South Africa have increased considerably over the past 20 years. Reports show that the total SSB consumption has risen by 68,9% from 1999 to 2012. This increase is accompanied by an increase in the rate of overweight and obesity, leading to an increased risk of non-communicable diseases, such as diabetes.

Regular, high-calorie carbonated soft drinks are considered the most frequently consumed of all SSB categories. Several studies indicated that the frequent consumption of these drinks is due to habit, addiction, advertising and the wide availability of inexpensive SSB, as opposed to more expensive fruits, vegetables and wholegrain products.

What is the sugar tax?

The Health Promotion Levy (HPL) on sugary beverages is a levy that was introduced, in support of the South African Department of Health's Strategic Plan for Prevention and Control of Obesity and aims to reduce obesity by 10% by 2020.

South Africa was the first country in Africa to introduce the taxation of SSB, when the tax was introduced in April 2018, with the objective of reducing SSB consumption. In 2018, sugar tax started at a rate of 2,1 cents per gram of sugar content, which exceeds 4 grams (about one teaspoon of granulated sugar) per 100ml. The first 4 grams per 100ml are levy free.

The sugar tax results in an average price increase of 11% on SSB, whereas the WHO recommends an increase of 20% or more, to be effective. In 2019, sugar tax increased from 2,1 cents to 2, 21 cents, in line with the then inflation rate of 5,2%. This amount is unchanged for the 2020/2021 financial year.

A can of 300ml (current can size) Original Taste Coke (contains 33g sugar) will not be taxed on the first 12g (4g for each 100ml) of sugar. The remaining 21g of sugar will be taxed at a rate of 2,21 cents per gram. Thus, a 300ml can of Original Taste Coke is taxed by 46,41 cents. A can of 300ml Less Sugar Coke (contains 24g sugar) is taxed by 26,52 cents. Locally manufactured SSB are taxed at source, meaning that the tax should be paid by the manufacturer.

Effect on consumption

In countries where sugar tax has been implemented, such as Mexico, Portugal, Ireland, Canada and in some states in the USA, the impact on consumption has been greater in poorer households. Unfortunately, the same impact is expected in South Africa. Mexico has so far been the most successful with their sugar tax levy. There was a decrease in the consumption of taxed beverages by an average of 6%, after implementation in 2014.

Manufacturers

Producers of SSB have started to reduce the sugar content of their products to reduce sugar tax. Coca-Cola has reduced the sugar content of its SSB by 26%. Another strategy by manufacturers of SSB, was to reduce the volume of the product by 10%.⁷ A 330ml can of SSB now only contains 300ml and a 500ml bottle now contains 440ml. The reduction in sugar content and container size may possibly contribute to a decrease in sugar intake by consumers. A recent study found that, since the introduction of sugar tax, there has been a significant price increase in carbonated soft drinks. It was found, however, that the price increase was similar for no sugar and high-sugar beverages, despite the underlying difference in tax liability.

Effect on the sugar industry

According to the SA Cane Growers Association, the price of sugar cane is at a record low. This is due to the impact of a devastating drought; cheap sugar being imported from other countries; and a substantial drop in the demand for sugar since the implementation of the sugar tax.

Tax income

During the first year after its introduction, sugar tax has raised almost R3 billion. Many public health experts called for this money to be specifically allocated for obesity prevention initiatives. Money generated from the HPL goes into the National Revenue Fund, to be used for general government expenditure, including health expenditure, which also include health promotion interventions.

The future

Non-profit organisation, the Healthy Loving Alliance (Heala), has asked Treasury to increase (to 20%) and expand (to include fruit juices which have high sugar content) South Africa's sugar tax, as the country deals with growing health issues. Studies are currently underway to determine the impact of sugar tax on the consumption of SSB, to determine its reduction of obesity.

Sugary drinks tax turns one — amid opposition

1st April 2019

The tax on sugary drinks has raised almost R3 billion. Coca-Cola says it has reduced the sugar levels of its drinks range by more than a quarter, irritating those who said the levy wouldn't cut sugar consumption. But is the profit being used for health promotion? Could political parties rally against it after the election? South Africa's sugar tax has generated a profit of R2.7-billion in a little under a year since it was implemented, according to the latest Treasury figures.

But Health Minister Dr Aaron Motsoaledi told *Health-e News*: "The true motivation of the tax is not to refund, but to reduce the levels and consumption of sugar". If this is the standard, then South Africa is walking the talk, as the country's biggest sweetened beverage manufacturer Coca-Cola has reported that it has reduced the sugar levels across its range of sweetened beverages by a quarter (26%). This is according to Department of Health Deputy Director-General Yogan Pillay. "We can't take that at face value, of course, so we will verify that with an independent audit not paid for by the private sector," Pillay said.

On the anniversary of the tax, known formally as the Health Promotion Levy (HPL), Treasury has deemed it a "success", according to national spokesperson Jabulane Mulambo. In addition to the revenue, he said that the implementation has gone "smoothly".

True motivation for tax

In the run-up to the HPL's introduction, public health experts called for this money to be specifically allocated, or ring-fenced, for obesity prevention initiatives in line with its "true motivation". But, explained Mulambo, the ring-fencing of any tax is against Treasury's policies and money generated from the HPL goes into the National Revenue Fund to be used for general government expenditure, including health expenditure.

However, the Treasury did allocate about R50-million to the Department of Health for "health promotion" interventions in early 2018. According to Pillay, the majority of this has gone towards the department's cancer campaign and most agree that this amount pales in comparison to what is needed. While sugar is responsible for some cancers, the tax was introduced to deter South Africans from buying and drinking sugary drinks in an attempt to decrease obesity-related illnesses, such as type 2 diabetes and strokes. According to 2016 World Health Organisation figures, almost a third (28%) of adult South Africans are obese.

"The implementation of the HPL is the first step in addressing the contributing factors to obesity and non-communicable diseases," said Mulambo. "There are other food items that are consumed frequently and in large amounts that play a role in obesity. The health department will be doing further work through the dietary intake study to guide future interventions."

Taxing unhealthy products

The tax came into effect on 1 April 2018 and it will increase marginally from its first anniversary to "avoid an erosion" caused by inflation, Finance Minister announced in his Budget speech. Activists in support of the levy say it will yield the same results as levies introduced on tobacco. "[Tobacco taxes] have systematically reduced smoking, the HPL can contribute to healthier lifestyles especially... The cost to the country is far higher than the yield from the tax and more needs to be done," said Russell Rensburg, Director of the Rural Health Advocacy Project.

The HPL increases from 2.1 cents to 2.21 cents for every gram of sugar per 100ml, with the first four grams of sugar — about one teaspoon of granulated sugar — still exempt from taxation. For

example, the first three teaspoons of a 330ml can of Coke — which contains just above eight teaspoons of sugar — are not taxed. The remaining five teaspoons are taxed at a rate of 2.21 cents per gram.

But the South African Cane Growers Association recently claimed that the tax has cost the industry R925-million during the 2018-19 financial year. In February, the Democratic Alliance also claimed that more than 1,000 jobs had already been lost due to the levy. In the statement released by its chief whip John Steenhuisen, the party further claimed that 350,000 jobs in the sugar industry are at risk because of the sugary drinks tax and called for a moratorium on the tax in Parliament. The party is likely to continue the fight against the levy once Parliament resumes after the elections.

Job loss claims guesswork

But Treasury's Mpho Legote told *Health-e* that any current estimates on job losses are guesswork. The government will assess its impact on jobs after the levy's first anniversary. The DA acknowledges that there is ample scientific research to show that high sugar consumption can lead to various health problems which place a burden on the healthcare system, the party's director of communications Mabine Seabe told *Health-e News*.

Sugary drinks are a major source of sugar consumption in children and adults and contribute to obesity and obesity-related diseases, including type 2 diabetes, according to a 2016 study published in the *Diabetes & Endocrinology* journal. The research found that “an incremental reduction in free sugars” in sugary drinks without using artificial sweeteners is predicted to reduce the prevalence of overweight, obesity, and type 2 diabetes.

“As a party, we're opposed to sugar tax. We believe sugar tax drives up food prices, thus severely affecting the poor,” Seabe said. But Rensburg argues the impact of the levy on poor people is “overstated” because sugary drinks aren't included in any basic food basket and, as such, should not increase food prices. According to the Bureau for Food and Agricultural Policy, a “balanced food basket” includes starch fruits and vegetables and about 25 other food items.

Experts argue that the impact of the tax on the sugar industry has been negligible, but that the industry is using the tax as a scapegoat for “longer-term structural challenges”.

Long-standing sugar industry crisis

“The South African sugar industry was excluded from preferential trade agreements with the European Union (EU) that saw sugar production move to other southern African countries who received the EU benefits,” said Nick Stacey, an Economist at PRICELESS, a research unit at Wits School of Public Health that assists government to develop cost-effective health interventions. “The country's sugar industry is not internationally competitive. The removal of the levy is not going to address these structural challenges and the industry will continue to reduce production and lose jobs,” explained Stacey.

Meanwhile, the Healthy Living Alliance (HEALA) says that “the sugar industry has been in crisis for more than a decade” caused by the halving of the world sugar price between 2009 and 2014 (from about US\$600 a ton to about US\$300 a ton), and a reduction in the European Community's export quota for sugar “which many southern African sugar producers had access to under the Lomé Convention”.

“Sugar production in South Africa has dropped by around 33% between 2002 and 2012. Illovo reduced its workforce by 25% between 2009 and 2014 and three successive droughts have had a

significant impact on cane production,” according to HEALA. “Today, Illovo and Tongaat Hulett both source more cane from other sub-Saharan countries than South Africa because labour costs are cheaper. Regional production of sugar cane totalled 36 million tons in 2012, and South Africa’s share of total regional production dropped from 60% in 1992 to 40% in 2012. This is driving local job losses, not the HPL,” according to HEALA. Meanwhile, a 2017 study published in the *Preventive Medicine* journal found there were no changes in Mexico’s national unemployment rates caused by the introduction of the sugar tax, and, there no jobs losses in commercial food stores or the manufacturing industry.

QUESTION 3

- a) Analyse the sugar tax policy using the eight fold path. Your response should be in essay format with subheadings for the eight fold path. [80]
- b) With examples in Agriculture, explain why we need Agricultural policies. [20]

END OF EXAMINATION PAPER