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Opinion

Is Taxing Sugar to Tackle Rising Obesogenic Environment Really a Sweet Deal?

Ramna Hamza*

Nutritionist, Pakistan

***Corresponding Author:** Ramna Hamza, Nutritionist, Pakistan.

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Obesity figures, in the UK, continue to increase relentlessly and sugar is the prime culprit behind this epidemic. Organisation for Economic Co-operation and Development, in its report, states that around 25pc adults in Britain are obese against 18pc Canada [1]. Obesity is a normal response to an abnormal stimulus- cheap, accessible food; affecting one in every four adults and one in every five children (aged 10 - 11 years) approximately [2]. Given the rise in national obesogenic environment and food related co-morbidities to a crisis point, the tax on sugar sweetened beverages (SSBs) certainly is a breakthrough. SSBs are immensely palatable and high sugar density improves their shelf lives making them a suitable market for aggressive profit gains. The tax (Soft Drinks Industry Levy), which levies 24p on eight grams of sugar per 100ml drink, is a magic bullet. For, it serves to force manufacturers to seek similar but low sugar alternatives through reformation.

The Task Force on Fiscal Policy for Health terms SSB taxes as a quantum leap in the fight against obesity [3]. A report published by The Scientific Advisory Committee on Nutrition (SACN) highlights that SSBs are associated with Diabetes Mellitus (DM) type 2 and obesity. Yet, many are cynical and questioning: are such rulings worth a sweet deal? Some critics call it a "nanny state ploy" as people may look for substitutes or will likely to shop in lower tax dominions across borders. This practice can severely jeopardy its effectiveness as a policy tool. Similarly, some are convinced that such jurisdictions are blatantly regressive that is sparing the rich and targeting the poor instead [4].

Interestingly, frizzy drink is a highly profitable commodity. Swayed by financial gains, beverage industries seem reluctant in following any form of legislation at the cost of their profits. Tobacco industry fashioned the same strategy to manoeuvre taxes; hence, skeptics name it 'Sugar- A New Tobacco' [3]. Additionally, sugar politics has also paralysed the legislative process. Therefore, keeping up with the political economy landscape and public awareness of personal costs (lower life expectancy and productivity) on sugar consumption are the new challenges for reformers in improving nation's neo-liberal diet. In Thailand, for instance, sugar reforms are fraught because opposition has mobilised the local sugar cane farmers to resist any jurisdiction. On the flip side, in Tonga taxes go unchallenged as products are mostly imported [4].

Dr Cornelsen (assistant professor in Public Health Economics and research fellow at the London School of Hygiene and Tropical Medicine) points out that in 'Behavioural Economics' strong preferences are hard to die. According to her, price responsiveness tends to be lower as individuals will remain habituated to an intensely sweet flavour in diet [5]. Ironically, Coca Cola in the UK has reduced its sugar content by 63pc of the original cola and is sold with 6.7g of sugar per 100 ml liquid. However, it has added 'Stevia' (intense sweetener) to compensate for the taste of its consumers [2]. Moreover, there's no global consensus on sugar threshold at which the taxes should be applied. The UK, for example, has chosen 8g/100 ml while South Africa has kept it at 4g/100 ml [5].

In the backdrop of regulations within Europe aiming at reduction in sugar prices and abolition of production quotas within European Union (EU), Common Agricultural Policy (CAP) liberal reforms seem to monopolise price and accessibility of food commodities across the European countries. Liberalisation has increased the probability of high-fructose corn syrup (HFCS), commonly exported outside Europe as liquid sweeteners, to replace sucrose from sugar beet. As sugar beet alone is responsible for entire sugar production in EU markets, its replacement will allow industries to absorb any price hike under sugar tax with little financial impact. Research has also shown that amid SSB taxes global trends are shifting towards the increased consumption of high sugar snacks [3].

Despite the flaws in taxation policy, a duty on sugar from obesity point of view is a step in the right direction. Negative externalities (such as obesity and associated co-morbidities like DM type 2, cardiovascular diseases etc.) can be minimised by incentivising individuals to bring down unhealthy practices. This can be reinforced by precisely internalising welfare cost to get fair discount on future health via nutrition awareness campaigns and harm reduction strategies. Soft earmarkings, for example, with standard budgeting are instrumental in enhanced public support for SSBs. Philippines is a case in point where health is the top priority in overall government spending [1].

A study conducted by the National Bureau of Economic Research shows that taxes are rather progressive as low-income families tend to cut down consumption with price hikes. Unlike liquor and wine industries which are usually price-inelastic, sugar demands are more elastic and people are forced to reduce intake as price rises (WB).

By the same token, revenue generation from duties on carbonated beverages are not trivial. As per the statistics published by HM Revenue and Customs (HMRC), since April, 2018 beverage industry has paid an extra 153.8 million pounds as tax adding to the national exchequer to fund health care system [6]. Similarly, taxes will encourage firms to go for healthy alternatives. For example, in McDonald's free refills with a Big Mac will be replaced by water or other substantially low sugar drinks (ibid).

Concerned about its effectiveness, authorities need to envision a sound policy design for sugar tax to work at its best. Excise taxes are best known for reducing price gaps among various brands; thereby, eliminating the chance for consumers to switch to cheaper substitutes when price increases [3]. A novel and even better practice is a scaled volumetric tax (beer is taxed this way) where duty is scaled down on drinks with low sugar and scaled up for drinks with high sugar content. Empirical evidences have confirmed health benefits of a scaled volumetric tax with < 2.5g/100 ml exemption threshold [2]. Furthermore, legislations on product labelling complement administration's capacity to access sugar content in the products and to moderate efficient tax policy [7].

From the health point of view, it is mandatory to quantify the tax impact on sales. Ample research needs to be carried out before and after its implementation to understand the population response and demand patterns following sugar replacement in the food. Previous taxation policies in the UK can be used to compare and analyse the degree of taxation required to achieve meaningful outcomes. A research published by the *British Medical Journal* (BMJ) testifies that a sales tax of 20pc on soft drinks significantly reduce the number of obese and overweight adults by 1.3pc and 0.9pc respectively. It further states that this tax percentage, like the United States of America and France, will generate ample revenue to support public health care systems.

Consequently, public surveys and awareness campaigns will mitigate the negative effects (political influence, firm monopoly etc.) and allow population support by understanding their response and addressing the complaints if any. Moreover, the time frame is a crucial factor while analysing the outcomes on individual's health. It should be kept in mind that it's a matter of how well, not how long because Body Mass Index (BMI) isn't something that changes immediately and obese adults (with BMI 40 and above) usually develop disease symptoms later in life. In the same manner, tax and ban on advertisements targeting children coupled with education initiatives will be way more effective in tackling the perils of sugar. In an obesity prevention conference in America, it turned out that negative health behaviours (eating pathology, binge-eating etc.) were corrected. Likewise, programs aiming at children obesity reduction have also benefited from such models.

To sum, the decision to imply a sugar tax is a fundamental step in sugar regulation strategy but isn't enough to ensure sugar free environment. Therefore, more needs to be done for a smooth policy execution and to set the consumption pace on the desired path. Although research lacks sufficient evidence underpinning sugar tax a win-win to combat obesity, it plays a constructive role in encouraging healthy food choices and raising money to compensate for the increased medical costs. Studies based on sugar taxes in other countries can be compared with those in the UK and negative consequences can be implied to UK's advantage to moderate a well-designed tax structure. Moreover, sugar tax isn't a silver bullet but a silver lining in the cloud and other legislations should also be adopted to quadruple its impact in dealing with obesity pandemic. Overall, it comes out to be a sweet deal with a net welfare gain and merest economic disruption.

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