SASA demands threaten to add billions to consumer costs

Demands by the South African Sugar Association (SASA) to increase tariffs for imported sugar will result in higher prices for sugar, adding R6-billion per year to consumers' shopping bills and raising the costs of production for South Africa's food, beverage and confectionery manufacturers.

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According to the Association of Southern African Sugar Importers (ASASI), the tariff demands by SASA will mean an immediate 44%[1] price increase on all imported sugar affecting the costs of key pantry staples such as bread, cereal, tomato sauce, and sweets. SASA has petitioned the International Trade Administration Commission of South Africa to double the threshold to allow increased tariffs on imported sugar. Specifically, it is requesting to raise the "dollar-based reference price" to $764 from $358 per tonne of sugar. If permitted this would further protect one of the most sheltered sugar industries in the world, eliminate competition in the market, and lead to a complete monopoly of the domestic market.

"South Africa consumers are already being hit hard by rising food prices", said Chris Engelbrecht, chairman of ASASI. In the last five years, the price of a 2.5 kilogram bag of sugar has increased more than 60%[2]. If enacted, this tariff increase will increase South African grocery bills even further and crush countless South African small businesses and eliminate thousands of local jobs."

Threat from "cheap imports"

SASA's claims that the South African sugar industry is under threat from "cheap imports" are nothing more than exaggerations intended to raise concerns and advance their price demands. Imports are filling a critical gap in the domestic market. Crystal sugar, a key ingredient in confectionery and sweet processing, accounts for a large and significant proportion of South Africa's sugar imports and is not even produced domestically.

Today, the backbone of the South African sugar industry is not small-scale sugar production, instead 90% of South African sugar is produced by large commercial farmers and wealthy companies with eight of the country's 14 sugar mills controlled by only two companies[3]. The SASA tariff application seeks to further protect and benefit these companies who are reporting robust profits."

"We welcome a thorough and complete investigation of the distorted facts in SASA's application and call on our ministers and regulators to reject this petition which stands to hurt the South African economy," continued Engelbrecht.

Footnotes:

[1] ASASI,2013. Source data: Future Source, Global Trade Atlas, SARS.
[2] ASASI,2013. Source data: Future Source, Global Trade Atlas, SARS.
[3] Global Agricultural Information Network, 17 April 2013.