TAXATION AND PRICE OF SUGARY DRINKS: COUNTERING INDUSTRY CLAIMS

Claim: Taxing sugary drinks will not improve the obesity and diabetes problem.

TRUTH: Taxes on sugary drinks can successfully lead to decreases in consumption.

- The obesity and diabetes epidemics are complex.\(^1\) The two major causes of obesity (and associated diseases such as diabetes and cardiovascular diseases) are drinking sugary drinks and a general intake of excess sugar.\(^2-4\) Reducing sugary drink consumption won’t solve the problem alone but will play a major role in doing so.

- Sugary drinks are a major contributor to obesity, diabetes, cardiovascular diseases, stroke, and certain cancers. Their consumption must be reduced using a variety of initiatives, including taxes.\(^2,5\)

- The World Health Organization has declared that consumption of sugary drinks is a major cause of obesity, diabetes, and dental caries and taxing sugary drinks is one of the best strategies to discourage sugary drink intake.\(^6\)

- Taxes are one of the most effective ways to reduce sugary drink consumption\(^7,9\) because they have population-wide reach and are easily implemented, requiring way fewer resources than they produce.

- The revenue from these taxes should fund other public health or social programs to promote health and reduce the obesity and diabetes problem.

- A comprehensive approach is needed to address obesity, including sugary drink taxes, marketing restrictions, front-of-package labeling, and other measures, but this is no reason to wait to implement one of the most effective and easily implemented interventions when we know it will improve health and save lives.

- Lower income and lower educated individuals have significantly lower rates of awareness, treatment, and control of hypertension and diabetes.\(^10,11-13\)

Claim: Taxes on sugary drinks will not lower consumption of these drinks. There is only weak evidence that a beverage tax will reduce consumption of sugary drinks.

TRUTH: Sugary drink taxes are effective public health policy.

- Taxes on sugary drinks have been proven to reduce purchases and consumption, proportionate to the size of the tax.\(^14-16\)

- Mexico’s sugary drink tax (of about 10%) is effective. Sugary drink purchases fell by 6% in the first year of the tax.\(^16\) Furthermore, the Mexican sugary drink tax impact got bigger over time during the first year of the tax. A second-year study found that the reduction in sugary drink consumption was sustained and was even larger, up to a 10% decline\(^17\).

- Economic theory and modeling shows that higher sugary drink taxes would lower sugary drink consumption even more than the changes found in Mexico.\(^16,18\)

- Berkeley’s penny-per-ounce sugary drink tax lowered purchases of sugary drinks by 10% on average during the first year,\(^19\) with greater reductions among lower-income residents.\(^20\)

- Beverage companies have spent large sums of money to oppose sugary drink taxes; this strongly suggests that they too believe the taxes will reduce consumption.\(^21,22\) For example, beverage companies spent at least US$106 million between 2009 and 2014 in the US alone attempting to sway political and public opinion away from initiatives (such as tax efforts) to curb sugary drink consumption.\(^23\)
Claim: Consumption of carbonated soft drinks and fruit drinks have already been declining in many high-income and some low- and middle-income countries, but the obesity rates have not fallen.

TRUTH: Everyone knows it takes them longer to lose weight than to put it on. This is the same at the population level too.

- Globally, while carbonated soft drinks and fruit drinks sales are declining, sales of OTHER sugary drinks—such as sports and energy drinks, vitamin waters, and sugared teas and coffees—are increasing. Substituting one sugary drink for another will not improve health.

- These recent declines come after massive increases in sugary drink consumption over the past two to three decades. People across the globe are still drinking far too much liquid sugar. Decreasing consumption of sugary drinks and sustaining this lower rate of consumption prevents weight gain and helps weight loss.

- Lowering obesity rates will take time. Current rates of obesity took decades of poor diets and increasing consumption of sugary drinks to develop; thus, slowing down, stopping, and then reversing this trend will also take time and require a comprehensive suite of effective measures including restricting marketing of unhealthy foods and informing consumers of the health risks of these foods though education and labeling.

Claim: All calories are equal. Calories are calories; it is unfair to target sugary drinks.

TRUTH: The sugar in sugary drinks is sugar your body doesn’t need.

- Most sugary drinks have no nutritional value. The “empty” calories from sugary drinks cannot be compared to the nutritious calories of other foods. For example, the fiber from an apple leaves a person feeling fuller and less hungry than a serving of regular soda.

- Because sugary drinks do not make one feel full, they result in extra calorie consumption, not just unhealthy calorie consumption.

- Independent of the “empty” calories from sugary drinks, the sugars in sugary drinks alter the body’s metabolism, affecting insulin, cholesterol, and metabolites that cause high blood pressure and inflammation. These changes to the body increase the risk of diabetes, cardiovascular disease, tooth decay, and liver disease.

- The large amounts of liquid sugar in sugary drinks are especially harmful to the liver because of the quick absorption by the liver, in addition to their association with all forms of heart disease.

Claim: Sugary drinks are not the only problem. Sugary drinks account for just a portion of calories in the average person’s diet. Obesity is caused by many factors.

TRUTH: Sugary drinks are a big part of the obesity and diabetes problem.

- Sugary drinks account for nearly half of the calories coming from added sugar in an average person’s diet in many countries.

- Sugary drink sales and the prevalence rates of obesity have grown rapidly in concurrence globally, and especially in low and middle-income countries.

- The World Health Organization recommends major reductions in sugary drink consumption, and notes that they are the top target for reduced consumption to decrease our risks of obesity, diabetes, and many other diseases, including tooth decay.
Claim: Sugary drinks are not to blame. Lack of physical activity and bad diets are the real culprits. Weight control is an issue of “calories in and calories out.”

TRUTH: Physical activity while important, cannot make up for the destructive nature of sugary drinks and cannot prevent tooth decay from sugary drinks.

- The overwhelming scientific evidence is that reducing the intake of calories is more effective than exercise at limiting weight gain and encouraging weight loss.46,47

- An average adult would need to run at least two kilometers / jog for 20 minutes to offset drinking one 355ml can of regular soda (typically contains 150 kcals or 630 kJ). Running two kilometers per can of soda is an unlikely proposition for most people.

- Studies have shown that humans do not appropriately account for calories consumed in liquid form the same way we do when consumed in solid form. Consequently, liquid calories can very quickly result in overconsumption of sugar and calories.48-50

- The scientific consensus is that consuming too much sugar is harmful to health, impacting the liver, heart, and teeth, and promoting diabetes.1-4,40 Because of the cascade of ill-effects from overconsuming sugary drinks, exercise alone cannot counteract all these negative effects.

- The beverage industry has spent large sums of money trying to convince the public that physical activity is the ONLY way to lose or maintain weight in order to distract from more effective approaches.

Claim: Individuals are responsible for their own choices. Why should everyone else have to bear the burden of people who make bad decisions and consume too many sugary drinks?

TRUTH: Everyone has the right to safe and healthy choices unimpeded by manipulation or coercion. Advertising influences people’s choices and promotions incentivize children to make unhealthy choices.

- The beverage industry spends billions of (US) dollars globally on advertising to influence people to buy their products, places them within reach, makes few other options (particularly healthy ones) available or affordable, then turns around and blames individuals for not practicing self-control. Heavy marketing corrupts individual decision-making abilities, and interference in policy making promotes an environment in which unhealthy options are more available than healthy options, and can make it difficult for individuals to make a well-reasoned choice.51

- Everyone pays for healthcare and medical costs associated with obesity, diabetes, and other cardio-metabolic and dental health diseases. This is true for government sponsored health care, paid for by taxpayers, as well as privately paid healthcare, in which insurance premiums for health and dental care rise as the population and the insurance pool is less healthy.52-54

- Children and teens are uniquely vulnerable to manipulation and coercion because they are highly impressionable, cannot yet recognize advertising intent, lack nutritional knowledge, and tend to be motivated by immediate gratification rather than long-term consequences. Studies have shown that if promotions were linked to healthy meals, children in fact prefer healthier meals over unhealthy ones55. Unfortunately, the bulk of food-related advertisements and promotions targeting children are for sugary drinks and unhealthy foods56,57.

- Because children are not always able to make appropriate choices, many countries now recognize the vulnerability of children and the need to protect them from abusive advertising practices. For example, Brazil’s Superior Court has ruled that food advertising directed at children, either directly or indirectly is abusive.58
Claim: Governments are over-reaching in enacting a tax on sugary drinks. Governments interfere with consumers’ freedom of choice when they tax sugary drinks. Governments’ responsibility should end with educating the public about not consuming too much sugar from all types of foods and beverages.

TRUTH: Consumers will still have the freedom of choice on whether and how much they buy and consume sugary drinks. Governments have the duty to encourage behaviors that are beneficial and discourage those that are harmful.

- Consumers will still have the freedom of choice on whether and how much they buy and consume sugary drinks.
- Governments must be concerned about the poor health of its citizens, and should take preventative action. This is a public—not a private—health issue.59
- In many countries, citizens have a right to health as part of their constitution, and those governments have an affirmative duty to take steps to protect the health of its citizens.
- Overconsumption of sugary drinks leads to serious, long-term health issues that place massive burdens on the health care costs of individuals, families, and the nation.60-64 These societal costs are not currently included within the purchase price of these products.
- Governments take many actions to encourage behaviors that are beneficial and discourage those that are harmful. For example, prohibiting smoking in certain areas, requiring use of seatbelts, and regulating marketing of unhealthy foods to children (e.g., in Chile).
- Sugary drink manufacturers spend billions marketing unhealthy products, much of it directed at kids. The sugary drink tax will help counter the impact of this marketing on our children.

Claim: Taxes on sugary drinks will hurt the poor. The tax is regressive and will disproportionately hurt low-income people who can least afford it.

TRUTH: Sugary drinks and their resultant health impacts hurt low-income people disproportionately. Sugary drink taxes are a progressive way to rebalance the regressive health impacts of sugary drinks.

- Sugary drinks HURT low-income people disproportionately. In many countries, lower-income households consume more sugary drinks, so they suffer more from obesity, diabetes, and other diet-related illnesses.65-68 The costs of these diseases (treatment costs, loss in productivity, loss of quality of life, family members providing care) are also a heavier burden on lower-income households compared to higher-income households.52,60
- Because lower-income consumers are more responsive to price increases, they will reduce their consumption of sugary drinks more than will higher income consumers. Thus, they will benefit more in terms of health outcomes and the costs of health care.
- Since the poor are more responsive to prices, they will lower their purchases of sugary drinks more and therefore pay similar taxes to higher income people as a proportion of annual income.16,17,69 Those who stop buying sugary drinks will save money, and will have more money to spend on healthier purchases.16
- Revenues from these taxes can be used to prevent and address health concerns in low-income communities, thus providing an additional benefit.65,70,71

Claim: Taxes on sugary drinks will hurt the economy. The taxes will eliminate jobs—in food retail, beverage manufacturing, and in the sugar industry—which will hurt struggling families. Consequently, the tax will have an adverse impact on the entire economy.
TRUTH: Profits from sugary drinks go into the pockets of large corporations, they leave a trail of NCDs in their wake. Governments are well within their rights to demand that some of those profits are retained within country to help fund the treatment of these devastating and costly diseases.

- People who stop buying sugary drinks will instead spend money on less harmful drinks, as well as on other products.\textsuperscript{16,19} In both Mexico and Berkeley, the sales of plain waters rose significantly after a sugary drink tax was implemented.\textsuperscript{16,19} This helps business.

- In jurisdictions that have implemented, sugary drink taxes, there is no evidence that shifting away from sugary drinks reduces jobs. Studies in the US have not found job losses for the beverage manufacturing or the food retail industry in the wake of sugary drink taxes.\textsuperscript{72} For example, in Berkeley California US, food retail store revenues have not fallen after the sugary drink tax.\textsuperscript{19}

- In Mexico, a very detailed analysis of the impact of the sugary drink and nonessential food taxes found that there was no decrease in total employment following the introduction of these two taxes in the manufacturing sector for beverages and nonessential foods; employment in commercial stores selling food and beverages did not decrease after the two taxes were implemented; and unemployment rates in the country did not increase after the taxes were implemented.\textsuperscript{73}

- To the contrary, a study in Australia found that a 20\% tax on sugary drinks would not only improve health outcomes and reduce healthcare costs (by AU$ 425 million), but would also provide productivity gains in both the paid sector (by AU$ 751 million) and unpaid sectors (by AU$ 1172 million) of the economy.\textsuperscript{74}

- Sugar is a globally traded commodity, so a local sugary drink tax is very unlikely to affect the global demand for sugar.

\textit{Claim: Taxes on sugary drinks will not be passed down to consumers. Manufacturers will absorb the cost of the tax rather than pass the tax down to consumers, resulting in no overall rise in prices or reduction in consumption.}

TRUTH: Sugary drink companies don’t hesitate to make their customers pay twice – once for the product and again with their health.

- Peer reviewed research has shown that manufacturers for the most part have not absorbed the taxes and have generally passed down sugary drink taxes to consumers. This is because sugary drink companies’ key objectives are to maximize their profits.

- For example, in most parts of Mexico, manufacturers completely passed down the sugary drink tax to consumers (i.e. the price increase matched the tax amount).\textsuperscript{75}

- In France, the sugary drink tax was fully passed down to consumers for most types of sugary drinks such as sodas and fruit drinks. Beverage manufacturers’ revenues actually rose in spite of a decline in sugary drink consumption.\textsuperscript{76}

- The degree to which manufacturers pass down taxes to consumers will depend on a number of factors, including market share of the various beverages they produce (i.e. how competitive the market is) and the amount of the tax increase. This is true for many types of products including tobacco, alcohol and beverages.\textsuperscript{77-80}

- In most locations, only a few companies (oligopolies) dominate the beverage industry, so sugary drink taxes are expected to be passed down to consumers.\textsuperscript{80-82}

- While manufacturers may choose to absorb some of a tax increase, a larger tax will help ensure they cannot undermine the health impact of the tax by absorbing the increase.
Claim: Taxes on sugary drinks will result in people smuggling or crossing borders to buy them. The taxes will encourage consumers to travel across borders to buy sugary drinks at lower prices.

TRUTH: There is no evidence to date on any sign of these issues.

- It is both expensive and difficult to smuggle beverages across borders because of their weight and how much space they can take up. Current tax rates are not high enough to make this economically worthwhile.
- There is no evidence to date on any sign of significant cross-border shopping or smuggling of beverages.
References


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