

A stack of white sugar cubes is the central focus of the image. The stack is composed of several cubes, with the top one slightly offset. The cubes are set against a dark, textured background. The lighting is soft, highlighting the granular texture of the sugar.

Project Sweeter 3.0

The assessment of sugar-sweetened
beverage consumption in the Philippines



PROJECT OBJECTIVES

General Objective:

To describe consumer and industry response after the SSB tax implementation

Specific Objective: Industry Side

To assess the sales of taxed and untaxed beverages

To assess the changes in in-store promotion and other marketing strategies employed by industries

To describe the cost-shifting strategies employed by industries and retailers

Specific Objective: Consumer Side

To identify the interim changes in consumption of SSBs and the effect on sugar intake

To assess the perceived increase in retail prices of SSBs

To assess the price differences between the taxed and untaxed products

The study will unearth tax implementation insights and opportunities for policy enhancements.





PROJECT METHODOLOGY

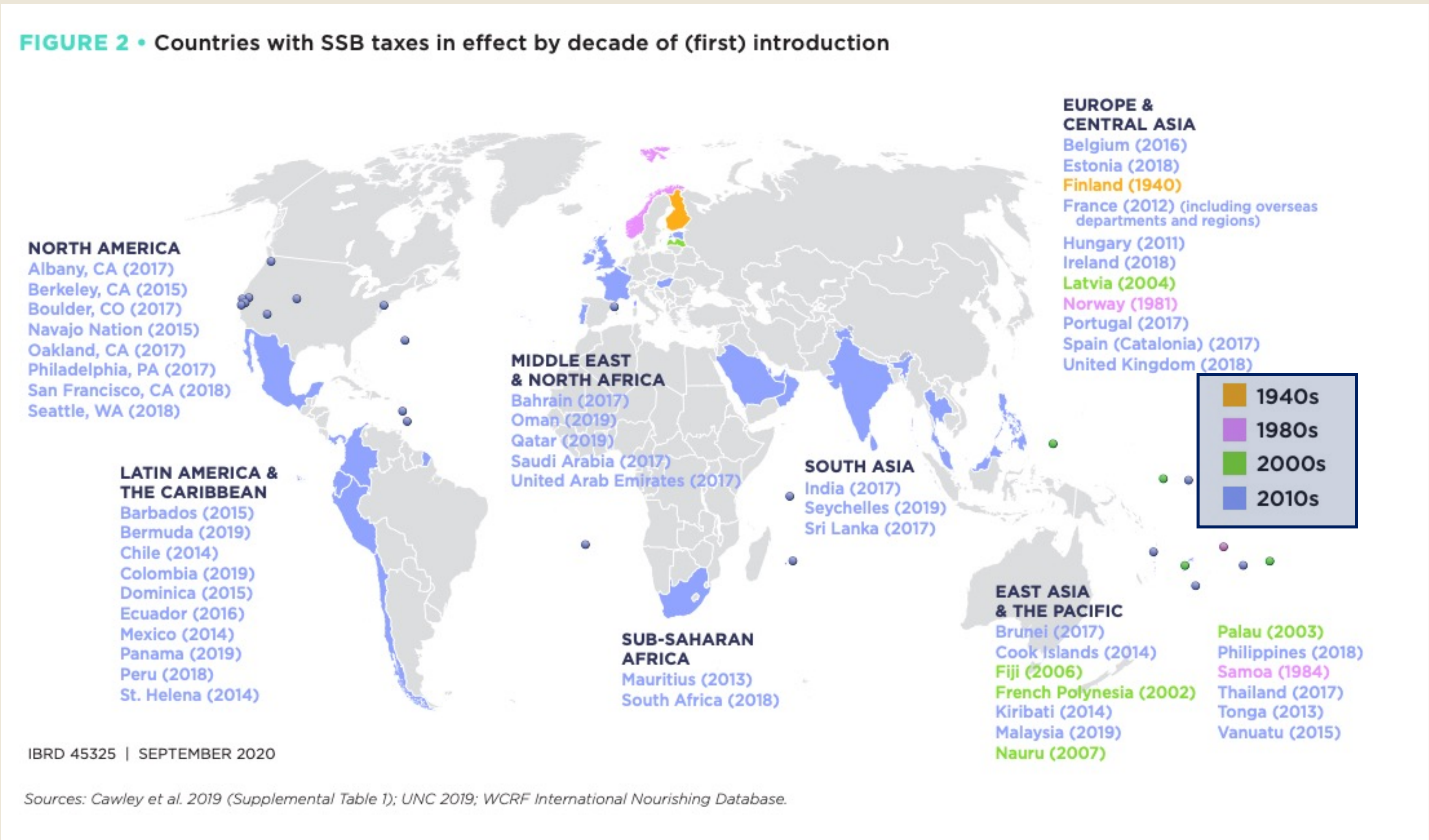
LANDSCAPE SCAN

covers international and local secondary data (scientific journals, meta-analyses, publications, news articles, population studies) up to early 2020



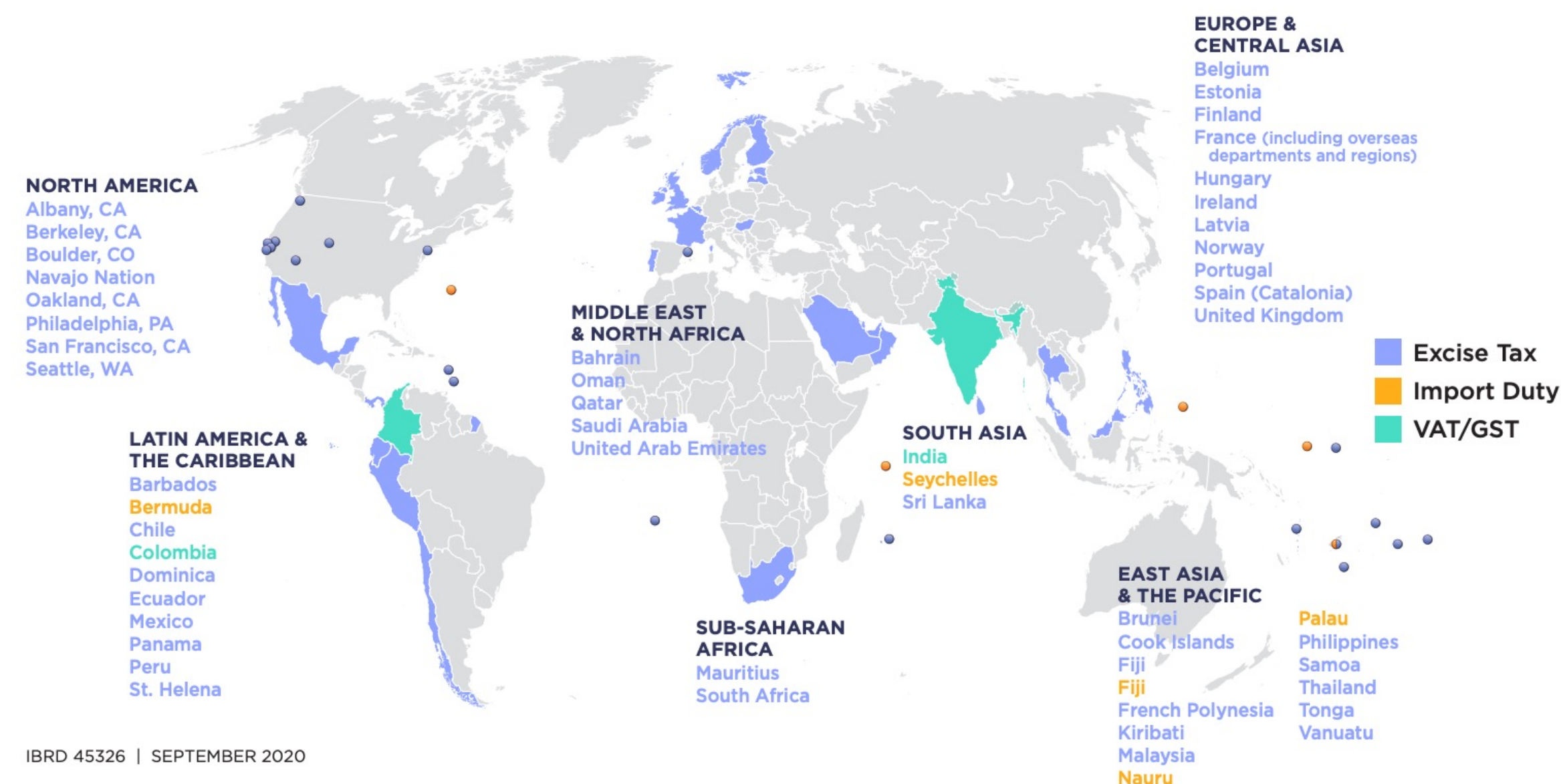
GLOBAL STATE OF SSB TAXES

As of September 2020, 52 jurisdictions have adopted the sugar tax. Majority of those were implemented within the last decade.



Of these jurisdictions, majority (73%) have chosen to adopt the Excise Tax design.

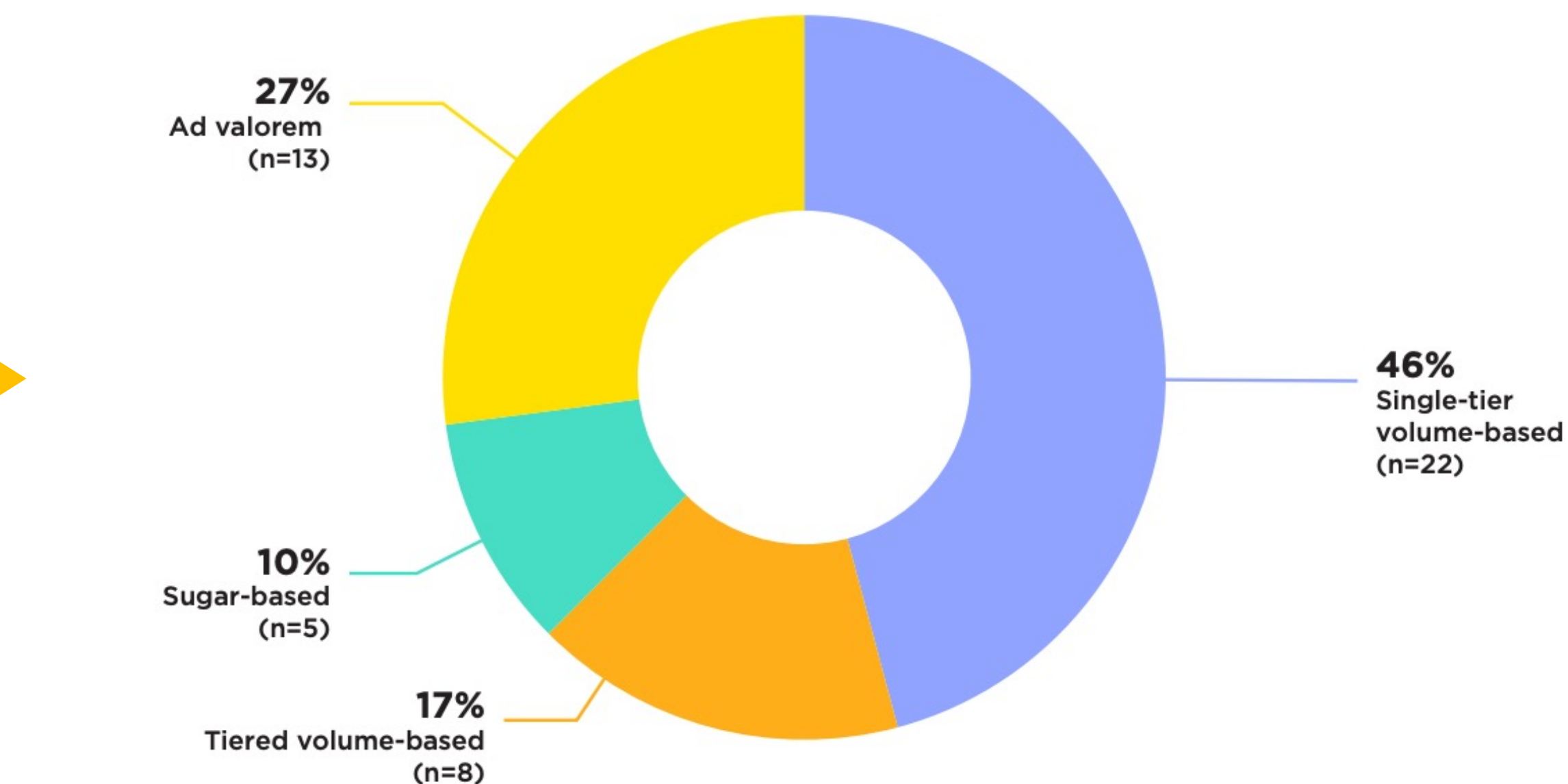
FIGURE 8 • Countries with SSB taxes in effect, by tax type



IBRD 45326 | SEPTEMBER 2020

Sources: Cawley et al. 2019 (Supplemental Table 1); UNC 2019; WCRF International Nourishing Database.

FIGURE 9 • Currently implemented excise taxes on SSBs

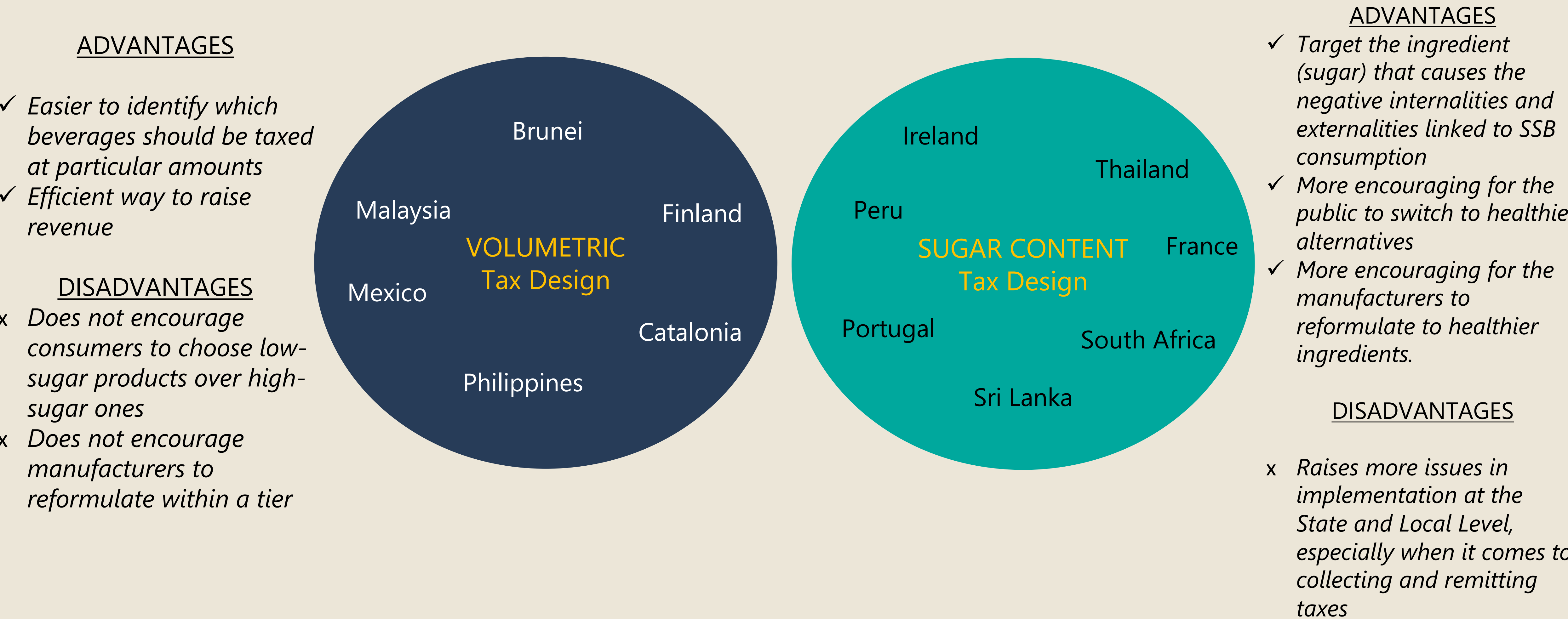


Sources: UNC 2019; WCRF International Nourishing Database.

1. *Specific Excise Tax - based on quantity (Volume or Sugar Content)*
2. *Ad Valorem - calculated on a percentage of the wholesale or retail price*
3. *Import Tax - Tax collected on imported products*
4. *Value-added Tax - a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to point of sale. A GST is, in most cases, a type of VAT.*

Specific excise taxes are preferred, compared to ad valorem taxes because they are easier to administer, they increase the price of the sugared beverage that the increased price is more effective at discouraging consumption, and provide more stable revenues (WHO 2016a).

Health professionals, economists and researchers recommend a sugar-based taxed design as it is considered the most efficient way to decrease sugar consumption.

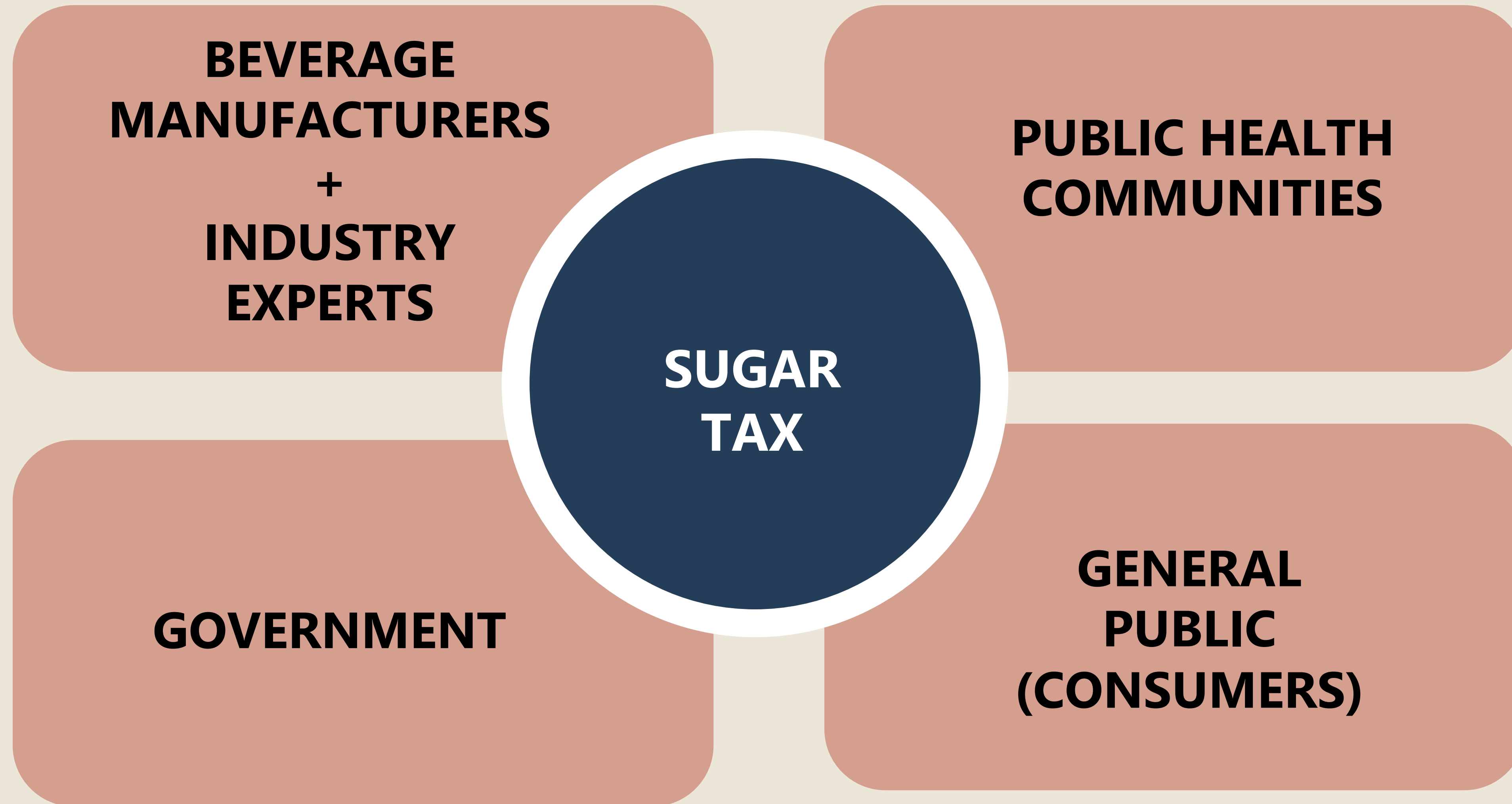




GLOBAL

Industry and Consumer Response

Political and public acceptance of the sugar tax continues to be met with skepticism from the stakeholders – beverage manufacturers, industry experts, public health communities, government, and the general public.



Leading SSB giants - Coca-Cola and PepsiCo - expressed their disapproval of and has invested efforts on disproving the rationale behind the SSB tax.

They argue that obesity and diabetes is *not* directly caused by sugar consumption. Rather, it's the lifestyle that should be monitored.

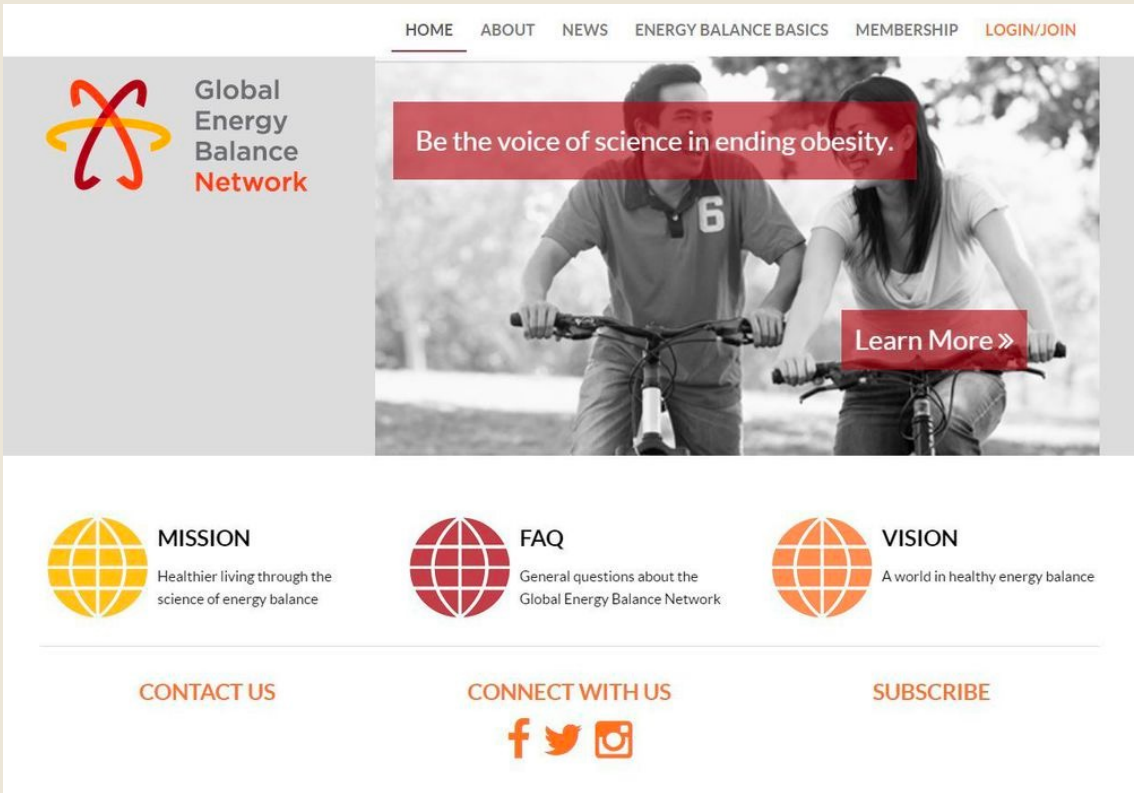
- They have funded and campaigns from 2008-2016 to disregard the role of diet in obesity and redirect the focus to physical activities (Serodio, 2018). Instead of solely on sugar consumption, they identify the cause of obesity and NCD to be poor lifestyle.
- From 2009-2015, Coca Cola, Pepsico and the American Beverage Association (ABA) spent \$114.2M on federal lobbying to delay bills taxing sugar beverages.

Higher spend in advertisements and marketing.

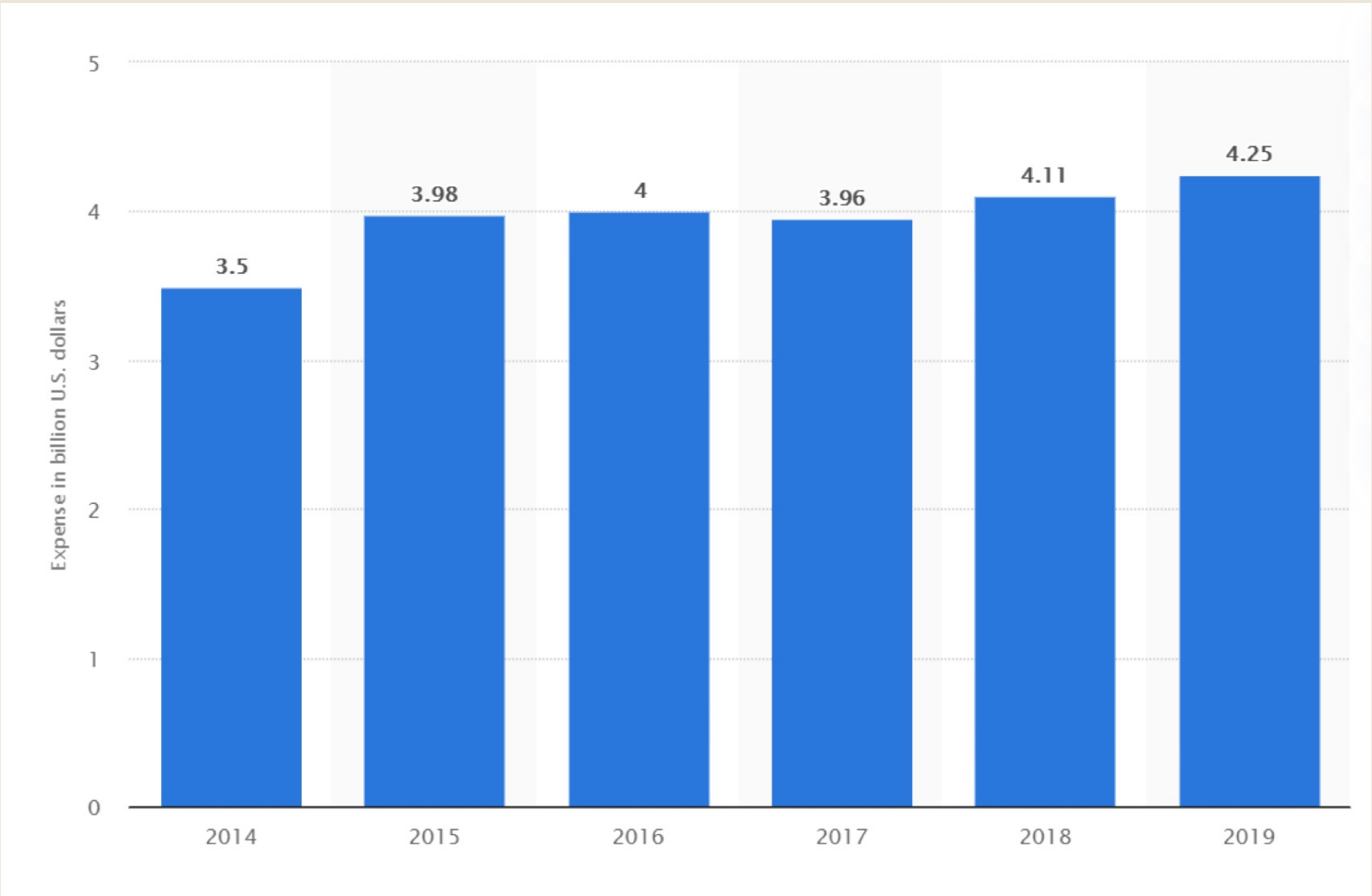
- In the past six years, Coca-Cola has spent an average \$4 B yearly on global advertising. In the United States alone, in 2017, it spent \$377 M for advertising the flagship Coke brand.
- Pepsi outspent Coca-Cola, in terms of annual global advertising spend, four out of five times from 2014 to 2018.

Year	Pepsi Marketing expenses (\$Billion)	Coca Cola Marketing Expenses (\$billion)
2018	\$4.2	\$4.1
2017	\$4.1	\$3.96
2016	\$4.2	\$4
2015	\$3.9	\$3.98
2014	\$3.9	\$3.5

Coca-Cola vs Pepsi global advertising spend



Global Energy Balance Network, a health and lifestyle program commissioned by Coca-Cola.



Coca-Cola Company's advertising expense from 2014 to 2019 (in billion U.S. dollars)

Industry associations have leveraged their political power and lobbied against SSB taxes describing these measures as regressive, discriminatory and threatening to the economy.

Catalonia, Spain

- In 2018, The Spanish Food and Drink Industry Federation described the tax as, *"threat of discriminatory legislative or fiscal initiatives that hamper market unity and generate constant difficulties in the development of the activity."*

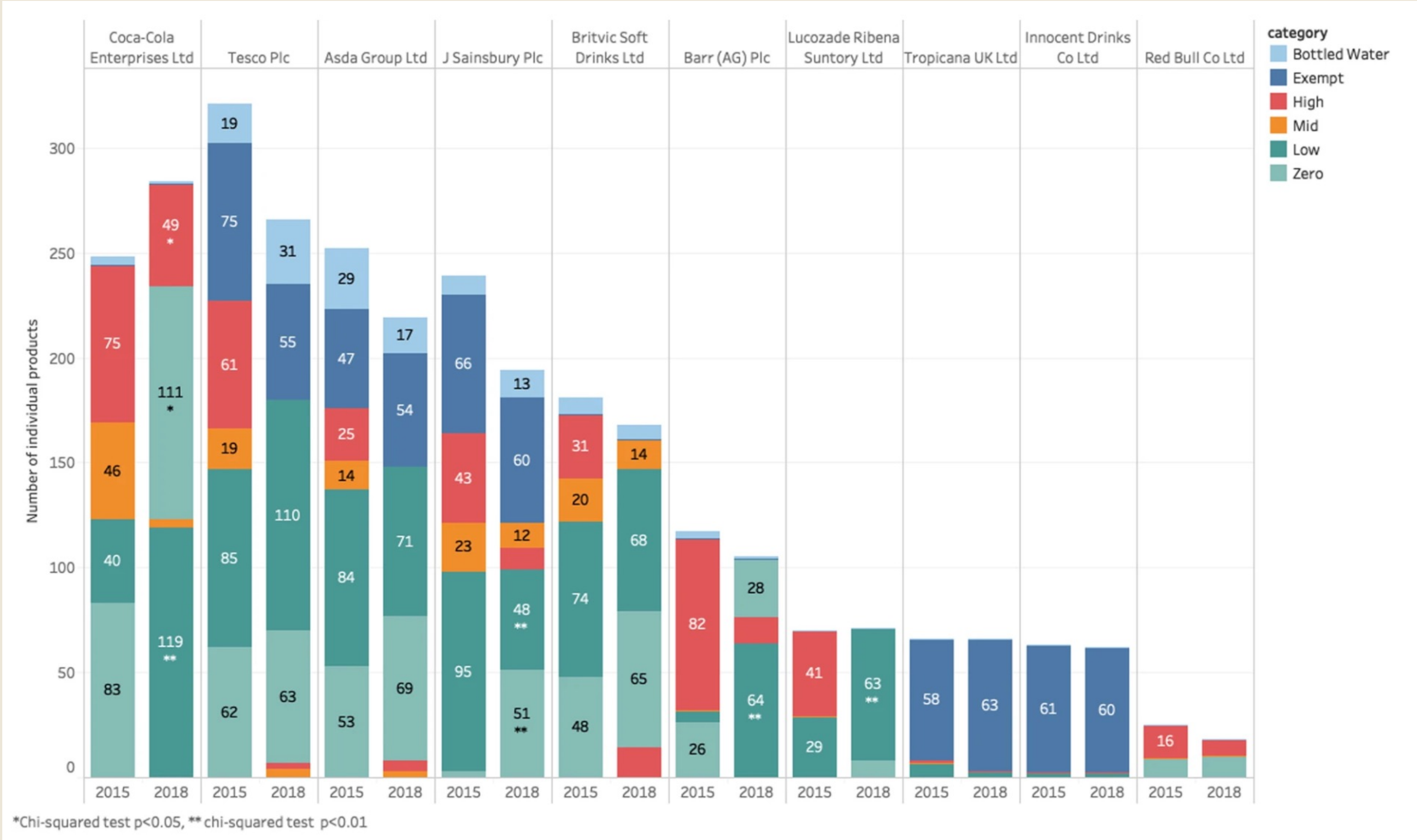
Philippines

- *"While I support the government's tax reform drive, a tax that increases prices of basic goods like 3 in 1 coffee and powdered juice by as much as 100 or even 200 percent is simply unreasonable. And the sari-sari industry will feel the economic burden of this tax. I work for Coca-Cola Philippines and the sari-sari store sector is a key partner of our industry."* - Comment by Adel Tamano (Coke Public Affair Chief) on PASCO's change.org Petition
- *"We also continue to maintain that we would want the legislators, the senators, to review all facts and consider, maybe, delaying the implementation of the SSB [tax] being that they're looking at it as health measure and couple it with our recommendations. **By delaying the implementation on SSB tax, it really allows us to work with the government to adjust the health measures in the appropriate way.**"* - BIAP (Beverage Industry Association of the Philippines)
- *"Paano na lamang po ang kabuhayan namin kapag naisabatas na ang dagadag buwis na ito? Nangangamba kami na tuluyan nang mawawala ang aming maliliit na negosyo."* - PASCO (Philippine Association of Stores and Carinderia Owners)
- PASCO started a petition which has amounted to 300,000 signatures to oppose the tax.



PASCO (Philippine Association of Stores and Carinderia Owners) rallying against the SSB tax in 2017

Across different countries, implementation of the sugar tax pushed manufacturers to reformulate and introduce new "healthier" drink varieties.



Profiles of beverages by company in the UK, 2015 vs 2018

UNITED KINGDOM

- In 2015, 6 out of top 10 beverage companies reformulated their portfolio to reduce the high-sugared beverages (in red).
- This trend is also notable with the increase of zero-sugar softdrinks in 2018.
- This contributed to a decrease of 50% of the products that were covered by the SDIL.

Across different countries, implementation of the sugar tax pushed manufacturers to reformulate and introduce new "healthier" drink varieties.

THAILAND

- In 2019, after the first phase of the tax, manufacturers have reformulated existing products while some are creating more healthy product options.
 - *Tipco* has reformulated their current juice line-up and will be introducing healthier options by the year
 - *Oishi* has adjusted the sugar content of its green tea drink while introducing a sugar-free variant in the market.

MALAYSIA

- Fraser and Neave (F&N) plans to reformulate 70% of their product line-up and introduce 13 'healthier' products



Fraser and Neave drinks in Malaysia

TAX NAVIGATION STRATEGIES

Company	Business segment affected	Comment
PepsiCo Services Asia	Soft drinks	<ul style="list-style-type: none">• Already adjusted operations to cope with the new sugar requirements two years ago• Kept the sugar content of its core products the same. Looking to enlarge its portfolio of healthier products
Coca-Cola Thailand	Soft drinks	Not adjusting its sugar-based sweetener
Nestle	Soft drinks	Launched a sugar-free Milo chocolate and malt drink in Thailand
Tipco Foods	RTD fruit and vegetable juices	<ul style="list-style-type: none">• Has been preparing for the last two years by creating more healthy product options• Will reformulate the formula of a protein drink
World Food International	Fruit juice from concentrate	Already adjusted all product formulas. Forecast no drop in y-o-y sales
Oishi Group	RTD green tea	<ul style="list-style-type: none">• Gradually adjusted sugar levels in tea products• Launched Oishi gold sugar-free green tea
Ichitan Group	RTD green tea	Reduced the content of sugar in green tea products to less than 6g per 100ml by adopting an alternative sweetener
Sermasuk	Soft drinks	Announced a plan to cut the content of sugar in existing products in stages

Sources: Company press releases, Fitch Solutions BKPgraphics

Strategies of beverage manufacturers in Thailand.

Across regions, some public health groups acknowledge that the tax contributes to lowering SSB consumption. While others expressed skepticism that the sugar tax alone would be enough to curb obesity and diabetes.

Further studies on the root causes of obesity and diabetes pandemics will not only raise public awareness, but would allow more comprehensive and effective public health measures.

- Dr. Harry Rutter, from a university in London, said that sugar consumption in the form of beverages should be seen within the wider context of determinants of obesity and poor health.
- Medical researchers from Chulalongkorn University and the Thai Ministry of Public Health modeled the impact of sugar taxes alone versus aggressive oral health interventions and determined that taxes alone can only decrease the prevalence of dental carries by 1%. When combined with more aggressive measures, the prevalence of dental carries can be decreased by as much as 21%.
- Dr. Ahmed Razman Abdul Latiff, from Universiti Putra Malaysia Putra Business School, suggested that tax be levied on sugar (and not merely soda), as well as a study be conducted to determine the real cause behind diabetes rates in Malaysia.



Researchers from Thailand model the impact of sugar taxes alone versus aggressive oral health interventions

Ideally, SSB taxes will encourage consumers to switch to other healthier beverage options (particularly safe drinking water). However, substitution may be for an equally or more unhealthy product, weakening the overall effectiveness of the tax. For this reason, taxing a broad set of energy-dense, nutrient-poor foods and beverages, including SSBs, may have a greater and more consistent impact on overall diets and health outcomes (Smith et al. 2018; Thow et al. 2018)

While government officials across regions generally supported the objective of the tax, they had reservations on its design, appropriateness and impact on the general population’s health condition.

ISRAEL

- Citizens are already burdened by the heavy taxes. Legislators from Ministry of Finance and the Israeli Tax Authority emphasize that the tax will further burden the lower-income population who are prone to consume less healthy products.
- Moreso, there are technical and bureaucratic obstacles identified that makes the implementing difficult.

UNITED STATES OF AMERICA

- The political set-up of the states (city-wide vs state-wide) in America made it difficult to implement the tax. It brought about inconsistencies in which beverages are covered and the tax faced resistance from government officials and consumers. Some officials questioned why their jurisdiction has to comply with the tax when neither obesity nor diabetes is a local concern.
- Some states (California and Michigan) prevented SSB taxes to be implemented by passing bills in advance that will pre-empt any SSB tax laws in the future.



This pamphlet in a store in Illinois aggressively convincing consumers to go against the tax was placed on drink shelves.

In some countries, consumer advocacy groups believe the tax to be regressive and discriminatory, especially to the poorer populations. Some of these, particularly those in the US, were indirectly supported by beverage associations.

UNITED STATES OF AMERICA

- Residents of Santa Fe, New Mexico rallied against the tax in 2017.
- In Pennsylvania, the tax was only effective for five months after it was implemented. Residents later found a way to avoid the tax by purchasing outside the city limits. This shows that the tax only rendered the consumers to change their purchase channels through cross-border shopping, but not to decrease or drop their habit of drinking sweetened drinks.
- Other protest rallies in San Francisco were supported by the American Beverage Association, which was largely funded by the SSB giants – Coca-Cola and Pepsi.



Resident rallying against the soda tax in 2017

Researchers from a university in New Zealand conducted a meta-analysis and observed that there has been a decline in intake, sales and purchase of SSBs. However, in some states in the US, there is an increase in purchase of SSBs from nearby stores & cities.

JURISDICTION	HOW IT WAS IMPLEMENTED				IMPACT OF THE SSB TAX			
	WHEN INTRODUCED	TYPE OF TAX	TAX DESIGN	AMOUNT OF TAX	OUTCOME	N (sample size)	MAIN RESULTS	VISUAL SUMMARY OF IMPACT
Berkeley, California	2017	Specific Excise	Volume-based	US\$1 per ounce	Intake	2679	Consumption of SSBs decreased 21% in Berkeley and increased 4% in comparison cities, P = .046	==
					Sales	10 152	Posttax year 1 scanner data SSB sales (ounces/transaction) in Berkeley stores declined 9.6% (P < .001, volume sold per transaction) compared to estimates if the tax were not in place, but rose 6.9% (P < .001) for non-Berkeley stores.	=
Cleveland, Ohio					Sales	720	2% decline	↓
Portland, Maine					Sales	576	2% decline	↓
United States					Intake	35 940	1.566 increase in calories from soda (only) for every 1% increase in tax, P = .526. The mean level of calories from soft drinks was 130. (Linear specification was preferred)	
Mexico	2014	Specific excise	Volumetric	MXN 1 per liter (around US\$0.05, or 10%). 25% special tax has applied to energy drinks (concentrates, powders and syrups used to prepare energy drinks) since 1 January 2011.	Sales	57 164	Pre vs both years posttax: decline of 7.3%, P < .01 (pre vs year 1 posttax: decline of 6.2%; pre vs year 2 posttax: decline of 8.7%)	↓
					Purchases	75 954	6.3% reduction (P < 0.001) in the observed purchases of SSBs in 2014 compared with the expected purchases in that same year based on trends from 2008 to 2012	↓
Chile	2014	Ad valorem		10% on all sugary drinks with less than 6.25 g of sugar per 100 ml; 18% on all sugary drinks with >6.25 g per 100 ml of sugar	Purchases	1 795	Households decreased monthly per capita purchase volumes of (high sugar) SSBs by 3.4% (95% CI: –5.9% to –0.9%) and 4.0% by calories (95% CI: –6.3% to –1.9%)	↓
					Purchases	2 836	21.6% reduction in high tax soft drink volumes purchased, P < .001	↓

North America + Latin & Caribbean America

↓ DECREASE == NO SIGNIFICANT CHANGE ↑ INCREASE


The implementation of the sugar tax accelerated the decline in intake, sales volume and purchases of SSBs in the European region. This is attributed to beverage manufacturers reformulating their products.

JURISDICTION	HOW IT WAS IMPLEMENTED				IMPACT OF THE SSB TAX			
	WHEN INTRODUCED	TYPE OF TAX	TAX DESIGN	AMOUNT OF TAX	OUTCOME	N (sample size)	MAIN RESULTS	VISUAL SUMMARY OF IMPACT
Catalonia, Spain	2017	Specific excise	Volumetric Tiered	€0.08 per liter for drinks with 5–8 g per 100 ml sugar, €0.12 per liter for drinks with >8 g per 100 ml. Mandatory 100% pass-through of tax to final consumer	Sales	284 464	Purchases of SSBs are reduced by 4.7 L per product, establishment and week (standard error for absolute difference was 1.111), which implies a reduction by 15.42% with respect to the mean of SSB purchases before the reform (mean 30.48 L)	↓
Finland	2011	Specific excise	Volumetric	€0.11 per liter on sugar-free soft drinks and mineral waters; €0.22 per liter (US\$0.25) on sugar-containing soft drinks	Sales		Soft drinks: “slightly downward trend” between 1999 and 2013. Since 2007, demand in decline. Years following tax implementation demand declined at a faster pace: 2011: –0.7%, 2012: –3.1%, 2013: –0.9%. Uncertainty was not available so could not be included in meta-analysis.	↓
France	2017	Specific	Sugar Content	Sliding scale tax starting at 1 g sugar per 100 ml and rising to €0.20 per L (US\$0.23 per L) on drinks with >11 g sugar per 100 ml;	Purchases	416	15.3% reduction for the average household of drinks for home consumption with a standard error for the 46 mL rate difference of 0.001 (regional calculation).	↓
					Sales		Cola 2012: –3.3%, 2013: –3.4%. Decrease in demand of 6.7% for regular cola for 2012 and 2013 combined. Demand for regular cola and low calorie cola has “steadily been increasing until 2011.” After 2011, “both beverages show a decline in demand.” Years following tax implementation: Regular cola: 2012: –3.3%, 2013: –3.4%. Uncertainty was not available so could not be included in meta-analysis.	↓
Hungary	2011	Specific	Volumetric	HUF 7 per liter (around US\$0.024) on soft drinks; HUF 200 per liter (around US\$0.70) on concentrated syrups used to sweeten drinks	Sales		Cola 2011: –2.7%, 2012: –7.5%, 2013: –6.0%. Demand for cola decreased by 10.2%. BUT, was already experiencing declining demand pretax, although decline appears to be accelerated by the tax. Uncertainty was not available so could not be included in meta-analysis.	↓
Ireland	2018	Specific excise	Volumetric Tiered	US\$20 per liter for drinks with between ≥5 g per 100 ml and 8 g per 100 ml; US\$30 per liter for drinks with ≥8 g per 100 ml				
Portugal	2017	Specific excise	Volumetric Tiered	€0.08 (around US\$0.10) for drinks with 80 g per liter	Intake		A preliminary evaluation reported a 41% reduction in volume of beverages consumed in the highest tax tier (more than 80 g sugar per liter) and a 15% reduction in sugar intakes from beverages covered by the tax, both attributed to reformulation (Goiana-da Silva et al. 2018a). This is estimated to have prevented around 40-78 cases of obesity per year between 2016 and 2018, with the biggest projected impact observed in adolescents 10 to <18 years old.	↓
United Kingdom	2018	Specific excise	Sugar content Tiered	£0.18 per liter (US\$0.25) for drinks with 5–8 g total sugar per 100 ml; £0.24 per liter (US\$0.34) on drinks with >8 g total sugar per 100 ml	Sales		Between 2015 and 2018, the volume of sugars sold per capita per day from soft drinks declined by 30%, equivalent to a reduction of 4.6 g per capita per day. The sales-weighted mean sugar content of soft drinks fell from 4.4 g/100 ml in 2015 to 2.9 g/100 ml in 2018. The total volume sales of soft drinks that are subject to the SDIL (i.e. contain more than 5 g/100 ml of sugar) fell by 50%, while volume sales of low- and zero-sugar (< 5 g/100 ml) drinks rose by 40%.	↓

Europe

↓ DECREASE = NO SIGNIFICANT CHANGE ↑ INCREASE

Only Thailand has a population study so far on the impact of the SSB tax in the Pacific Region.

JURISDICTION	HOW IT WAS IMPLEMENTED				IMPACT OF THE SSB TAX			
	WHEN INTRODUCED	TYPE OF TAX	TAX DESIGN	AMOUNT OF TAX	OUTCOME	N	MAIN RESULTS	VISUAL SUMMARY OF IMPACT
Brunei	2017	Specific excise	Volumetric Tiered	BND 0.40 per liter (around US\$0.28) on SSBs with more than 6 g per 100 ml total sugar; soy milk drinks with >7 g per 100 ml total sugar; malted or chocolate drinks with >8 g per 100 ml total sugar; coffee-based or flavored drinks with ≥6 g per 100 ml				
India	2017	Increased rate of Goods and Services Tax		40% (28% GST + 12% cess - tax upon a tax)				
Malaysia	2019	Specific excise	Volumetric Tiered	MYR 0.40 (around US\$0.10) per liter on soft drinks with >5 g sugar per 100 ml, milk- based drinks with >7 g per liter, and fruit or vegetable drinks with >12 g added sugar per 100 ml				
Philippines	2018	Specific excise	Volumetric Tiered	PHP 6 per liter (around US\$0.12) on drinks containing sugar and artificial sweeteners; PHP 12 per liter (around US\$0.24) on drinks containing HFCS				
Saudi Arabia	2019	Ad valorem		100% on energy drinks; 50% on all SSBs				
Thailand	2017	Ad valorem		10% on fruit and vegetable juices; 14% on artificial mineral water, soda water, carbonated soft drinks with and without sugar or other sweeteners and flavors	Intake	5594	The decline in taxed SSB consumption is significantly greater than that of the non-taxed consumption. The greater reduction in taxed SSB consumption than the non-taxed SSB consumption was found to be significant among males, older persons, the lower-income population, and the unemployed.	
		Specific Excise Tax	Volume-based Tiered	Tax increases every two years. From 2023 onward, it will be as follows: • 6–8 g per 100 ml - THB 1 per liter (around US\$0.031) • 8–10 g per 100 ml - THB 3 per liter (around US\$0.095) • >10 g per 100 ml - THB 5 per liter (around US\$0.15)				

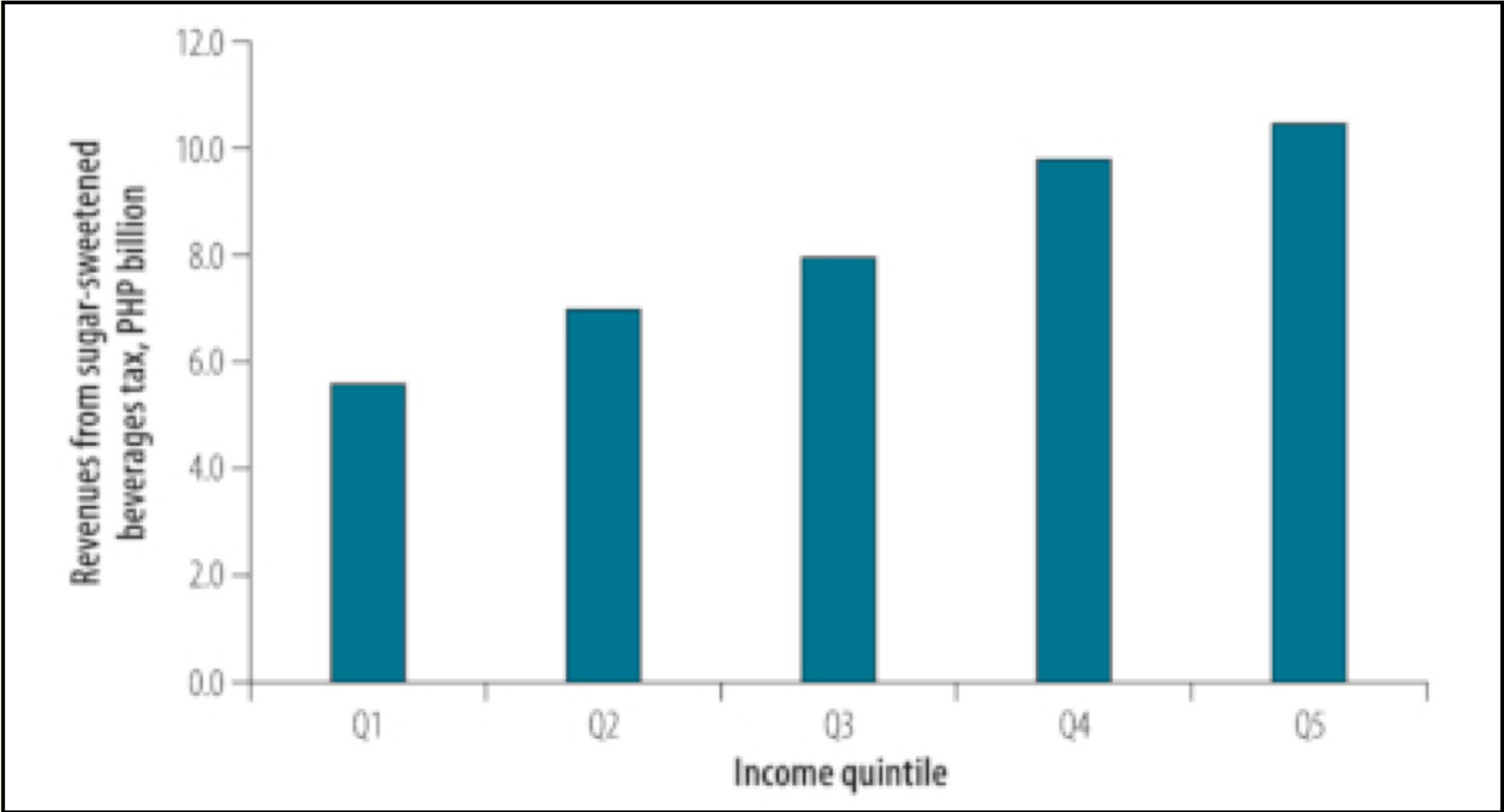
East Asia and Pacific

 DECREASE  NO SIGNIFICANT CHANGE  INCREASE



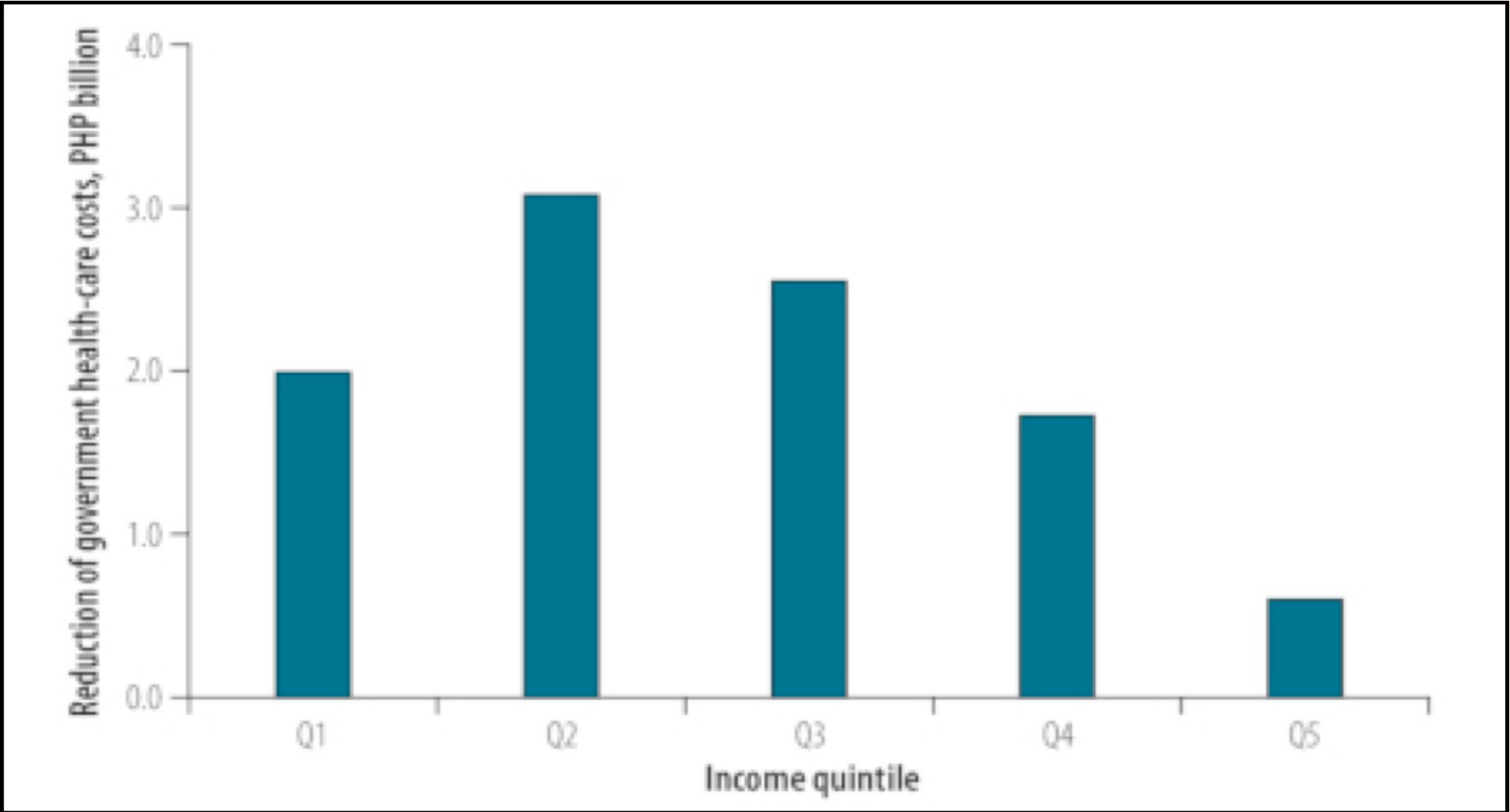
LOCAL
Industry and Consumer's response

A cost-effective analysis from the Bulletin of WHO show the revenues generated from the sugar tax is projected to reduce government healthcare costs as well as avert incidences of death from diabetes, heart disease and stroke.

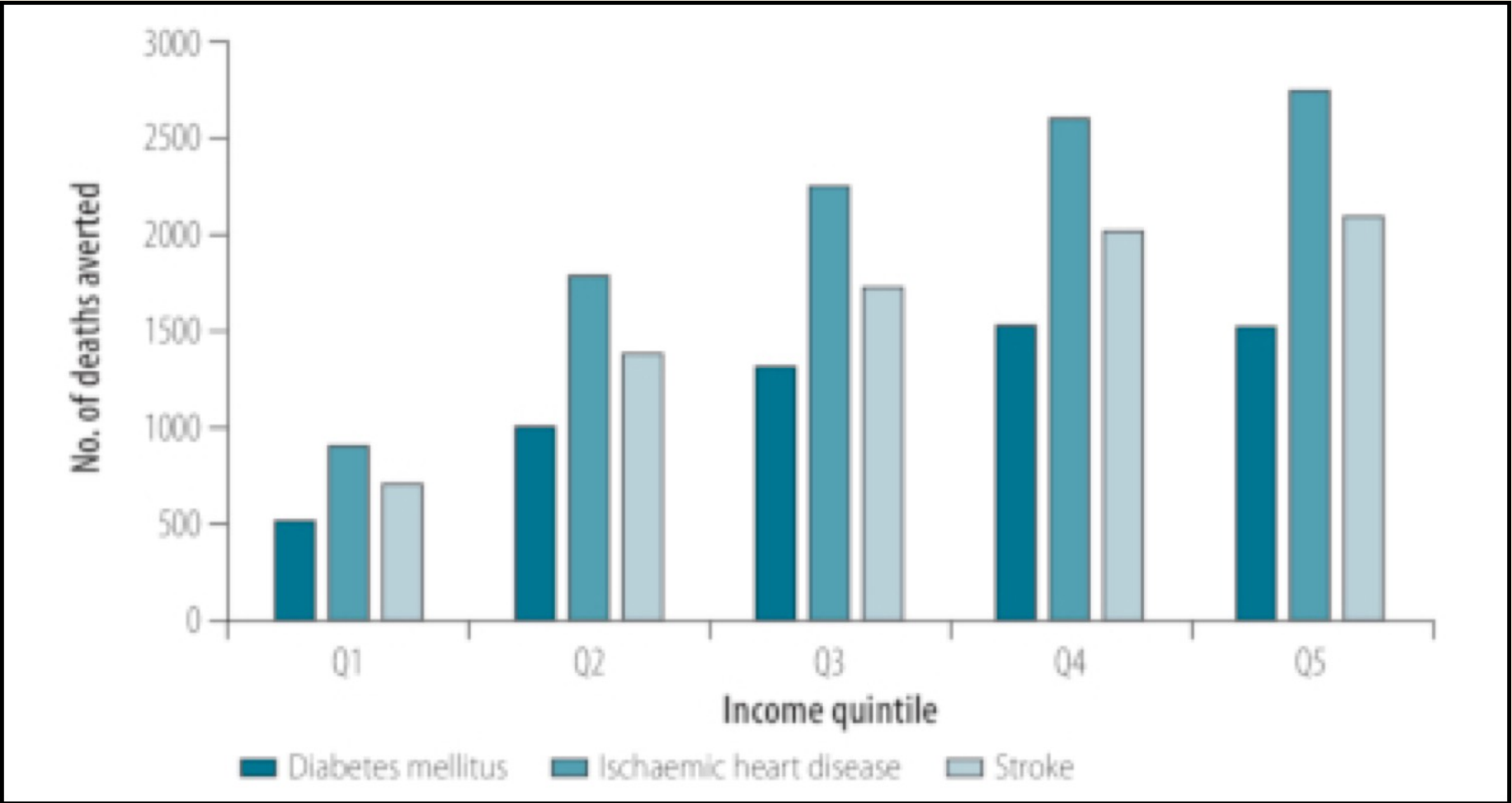


Projected annual revenues from the sweetened beverages tax by income quintile in the Philippines, per annum, 2018–2037

- The projection estimates that the tax could generate total health-care savings of 31.6 billion Philippine pesos and raise an additional 41.0 billion Philippine pesos per annum.
- Their research suggests that sugar-sweetened beverage taxes are compatible with health-system goals that include funding the universal health coverage, especially in the low to lower middle-income countries.



Projected reduction of government health-care costs by income quintile after implementation of the sweetened beverages tax in the Philippines, 2018–2037



Projected potential deaths averted due to diabetes mellitus, ischaemic heart disease and stroke after implementation of the sweetened beverages tax in the Philippines, 2018–2037

In the Philippines, majority reformulated their beverages, shifting from using HFCS to caloric and non-caloric sweetener to have a lower tax of P6 per liter.



In 2018, Coca Cola shifted to a 100% sugar formulation to avail of a lower tax rate and weather the sugar tax. No negative feedback from the public has been raised so far in terms of the new formulation.



In response to the Php 12 per liter tax added to beverages using HFCS under the TRAIN law it was reported in 2018 that RC Cola is shifting to using 100% sugar instead of a sugar-HFCS mix in its products.

RC Cola reported an increase in sales revenue in Q1 2018 due to significant price increase. However, sales volume significantly decreased and impacted net profits.



Pepsico has also shifted to 100% sugar formulation (previously 60% sugar and 40% HFS blend) in 2018.



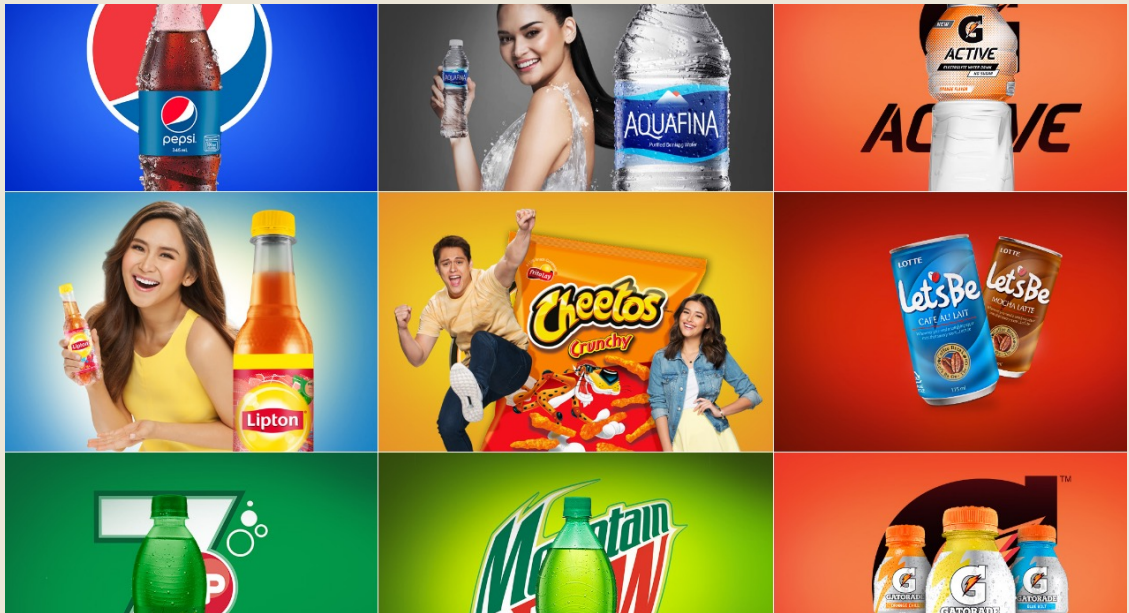
In 2018, ABI issued a price increase of Php 2 on its 240 mL glass bottle. This resulted to an increase in revenue despite significant decline of sales volume in Q1 of 2018. In 2019, ABI reformulated its Berry Blast variant. This variant is the most affordable Cobra variant in the product line at Php 12 versus Php 13 of other Cobra flavors.



Coca-Cola Philippines president and general manager, Winn Everhart, in an interview with ANC



RC's publicity material



Pepsico line-up of beverages



Cobra Berry Blast

Other manufacturers plan to repackage their original SKUs, as well as introduce new flavors or grow other untaxed beverages and products to boost sales and compensate losses.



Given the surge in domestic sugar prices, Coca Cola decreased its production of the original taste products and instead focused on producing other SKUs, strengthening their water and “still” beverages.



Coke relaunched its Sakto SKU in 2017



Coca-Cola carbonated and still beverages



Pepsico launched a 237 mL SKU pack for Mountain Dew (originally 355 mL in traditional and non-traditional outlets) under the tagline #LupitSulit.

A year after, it was reported that the company will discontinue its production of snack brands e.g. Cheetos in order to focus on their beverage business.



James Reid promoting #LupitSulit of Mountain Dew



In Q1 of 2018, Mondelez reported a single digit decrease in sales for the Tang brand. In hopes of boosting sales, Tang has launched its half-litro SKU and new flavors.



Tang's half-litro SKU launched in 2018 and is priced at only P9.25.



Tang's Lychee flavor launched end of 2019.



Del Monte had some innovations in product and packaging formats. Most notable milestones are: a) its launch of the 100% juice product line and b) its switch to resealable 1L carton packaging.



Del Monte's 100% juice line-up launched in 2017.

Others responded by repositioning their campaigns with a healthier messaging.



According to Forbes 2017, PepsiCo took on a new motto “Performance with a Purpose” which aims to adapt along with the consumer’s shift towards healthier beverage and snacking category.



PepsiCo’s line-up of products, including the snacking category



Recent marketing efforts in 2020 revive previous campaigns using a healthier approach.



Nestea’s “Wag ma-guiltea, it’s the good tea. Ang gaan ng Nestea”.



Campaigns and communications for its products highlight the natural benefits of its ingredients, thus balancing the taste and health benefits of the drink.



Zesto’s ‘healthier’ juice line-up

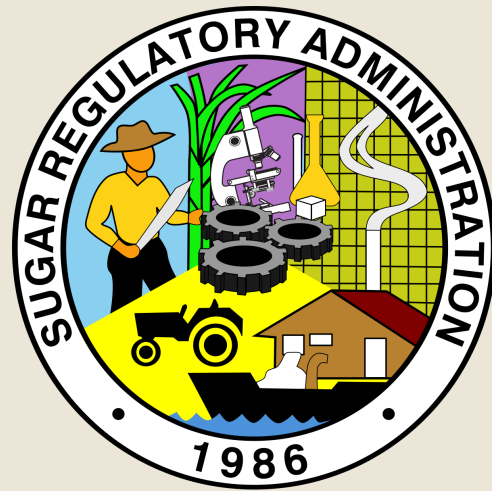


Del Monte strengthens its health and wellness-focused positioning as it introduces healthier and more nutritious products.



Del Monte’s ‘healthier’ juice line-up

Mid-2019, an issue involving Coca-Cola Philippines and their massive importation of HFCS despite promising to support the local sugar industry faces backlash.



- Coca-Cola's Chief Financial Officer wrote a letter to the Department of Finance requesting for a slash on the tax rate for HFCS (from P12/L to P6/L) in order to maintain and continue the growth of the industry
- The Sugar Regulatory Administration replies that such a request is no longer needed since they have allowed private sectors to import 250,000 metric tons of sugar amidst the increase in demand but low local production.
- The United Sugar Federation reacted negatively and recalled that the beverage giant pledged to use local sugar in its operations. They called out the Department of Agriculture Secretary for not regulating the importation of HFCS in the country, which could lead to the demise of the local sugar industry.
- The Sugar Regulatory Commission was granted power to regulate HFCS importation.
- Coca-Cola responded by filing a civil case against the Agriculture secretary, Bureau of Customs Commissioner, SRA Chiefs, and Board members of the United Sugar Federation.
- The Agriculture secretary called to suspend the regulation of HFCS for the meantime to the dismay and disappointed of the sugar groups.



A rally in Bacolod, the region with the top production of sugar, involving 6,000 individuals who call for a boycott for Coca-Cola and other beverage manufacturers who continue to use HFCS.



Sugar industry leaders boycotting Pepsi products (this event followed the protest in Bacolod)

"We have been stabbed in the back by Coke. They are wolves in sheep's clothing ... He [Everhart] promised us he will be buying local sugar and no more HFCS, and he promised to help the local sugar industry... Coke is a traitor and you can quote me on that," United Sugar Federation president Manuel Lamata said.

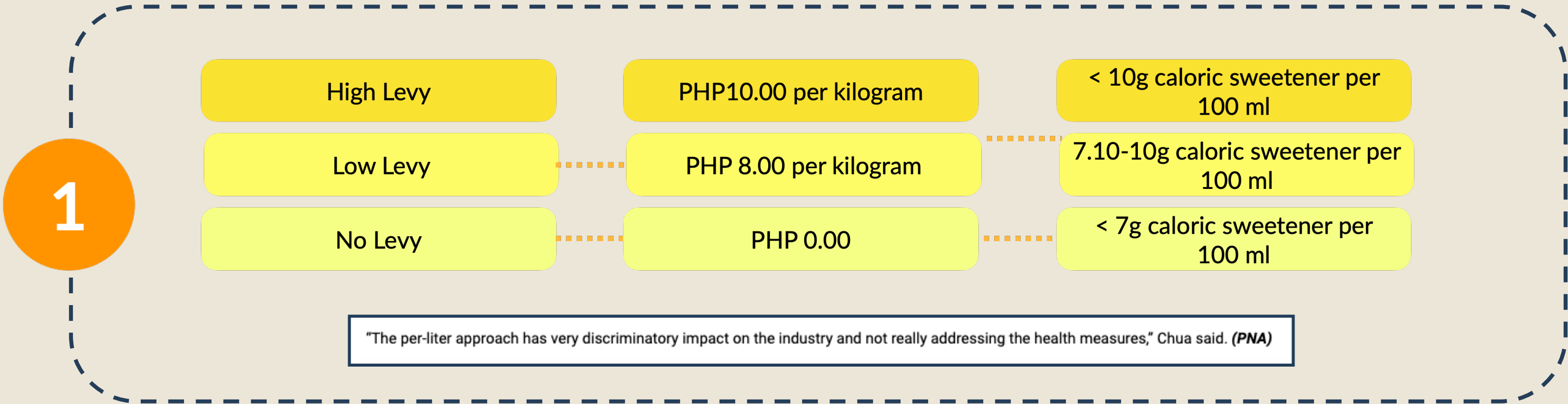
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- *"We also continue to maintain that we would want the legislators, the senators, to review all facts and consider, maybe, delaying the implementation of the SSB [tax] being that they're looking at it as health measure and couple it with our recommendations. **By delaying the implementation on SSB tax, it really allows us to work with the government to adjust the health measures in the appropriate way.**"*
- BIAP (Beverage Industry Association of the Philippines)
- *"Paano na lamang po ang kabuhayan namin kapag naisabatas na ang dagadag buwis na ito? Nangangamba kami na tuluyan nang mawawala ang aming maliliit na negosyo."* - PASCO (Philippine Association of Stores and Carinderia Owners)
- PASCO started a petition which has amounted to 300,000 signatures to oppose the tax.

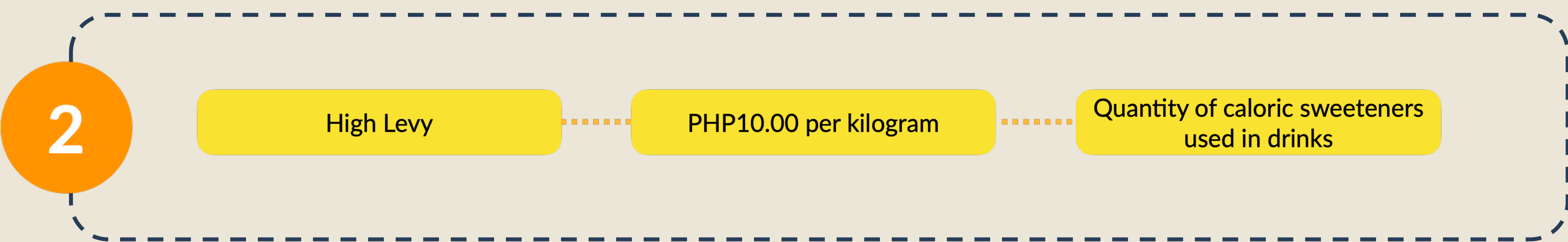


PASCO (Philippine Association of Stores and Carinderia Owners) rallying against the SSB tax in 2017

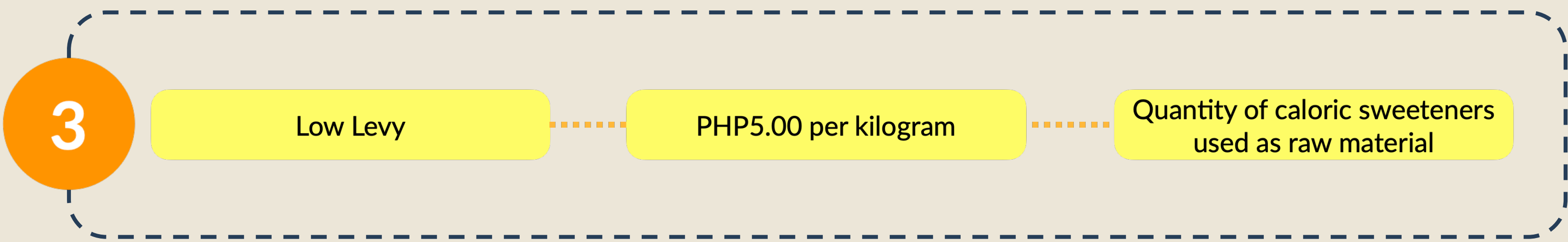
The Beverage Industry Association of the Philippines (BIAP) proposed alternative taxation designs, all based on caloric and non-caloric sweetener content, to lessen the tax burden for the manufacturers and end-consumers.



Based on caloric sweetener content only. The following tiering was inspired by UK's SDIL structure and applies the tax based on the amount of sweetener used per 100 mL.



A rate PHP10 per kilogram on all caloric sweeteners used in beverages only. This will only tax the quantity of caloric sweetener used in beverages, disregarding the water content of the beverage.



This will affect all users of caloric sweeteners, widening the tax base and not only the beverage industry. This will also have a lesser impact on retail prices of SSBs.

Public health groups have similar sentiments with their global counterparts – while the tax would work, there should be further studies to identify the causes of obesity and NCDs as part of a comprehensive health program.

- *"For these poor people who couldn't meet the requirement, it still helps them meet their dietary needs. I know they're saying it's a poor excuse that these sugar-sweetened beverage gives calories. But let's face the reality: It really contributes."* - Food and Nutrition Research Institute
- *"The SSB tax is not a panacea. Done in isolation, imposing tax on sugary drinks to reduce diabetes and obesity rate is bound to fail. The SSB tax needs to be part of a comprehensive program to promote health."* -- Philippine Center for Diabetes Education Foundation, Inc. (PCDEF)



Nutritionist-dietician Joan Sumpio and ex-FNRI Trinidad Trinidad talk about the importance of sugar in a healthy diet


While the government officials recognize the benefits of the tax, they question its impact on the lower classes.

- Some legislators suggest a sugar-content based tax design as this is found in other countries to be a more effective health measure, instead of a revenue measure.
- There are also qualms on the TRAIN Law, which the sugar excise tax is a part of.
- Even tax experts question the real intent of the tax and note that it shouldn't be the only source of government revenue.

“


A P10-excise would jack up the prices of some sugary drinks by 50%.

Sonny Angara
Senator



"But we are looking at what [amount] is reasonable because it appears that the [House bill] increase would be 50 percent. We find that somewhat high... Because at the end of the day, even if you say it's a health measure, it's still a burden for Juan de la Cruz so we have to be careful. Whether it's a health or revenue measure, it needs to be reasonable"

Philippine senator and Chairman of Ways and Means Committee, Sonny Angara



"They [minimum wage workers, farmers, fishfolk] don't benefit from the tax reform program, yet they suffer from the other bills or laws, or provisions that we seek to recover," said Quimbo. "Unfortunately, the transfer [of burden] will affect those [who] are not going to benefit from the program."

House of Representatives Deputy Speaker Miro Quimbo backs up the lower-income classes with regards to the TRAIN Law enactment

A financial report by the Department of Finance uncovered several gaps and challenges 10 months after the sugar tax was implemented. These are due to deficiencies in implementing mechanisms from the Food and Drug Administration (FDA).



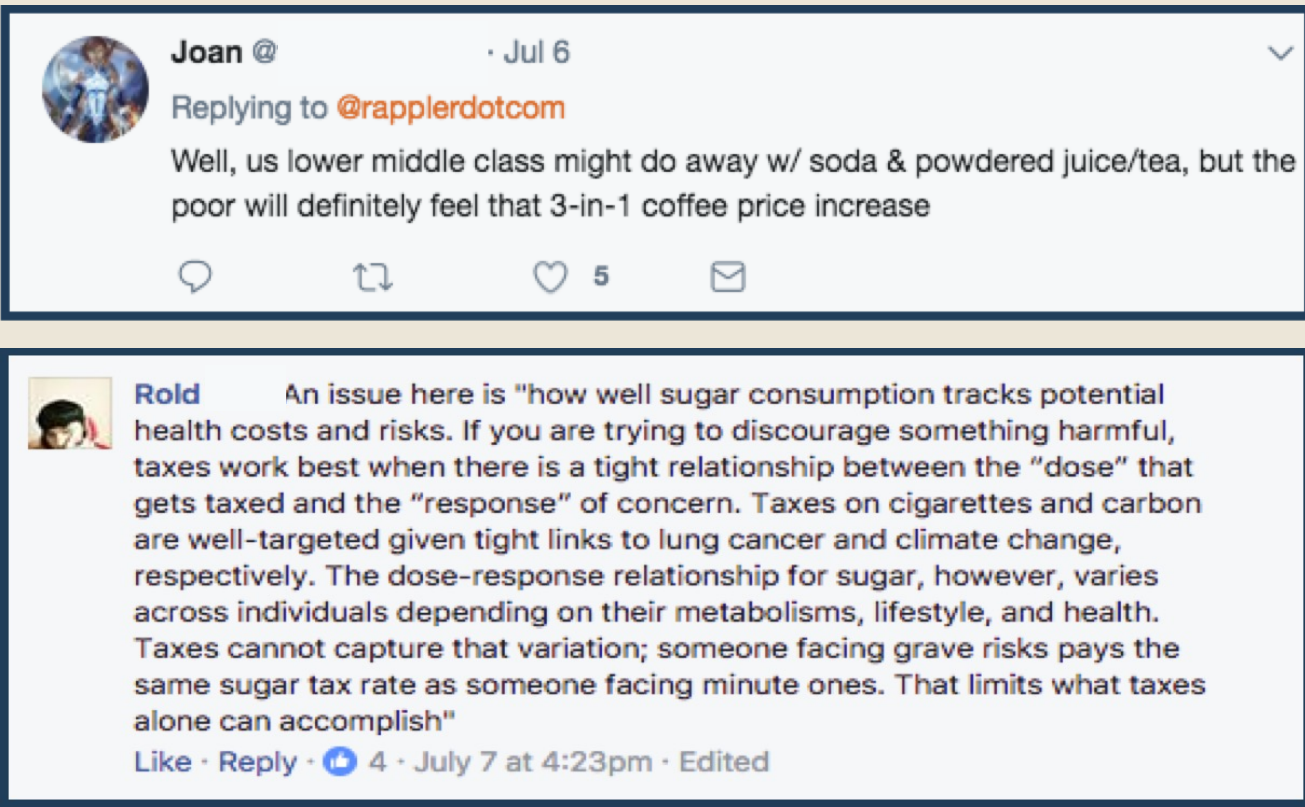
*A financial report from the Department of Finance the tax revenue reached only PHP 30B, 25% short of their target of PHP 40B. There were speculations by the Department of Finance that **some manufacturers were not paying the right amount**. This is based on the report that Coca-Cola is the only manufacturer which has secured FDA's approval to switch from HFCS to sugar. Thus, there is a suspicion that some manufacturers may be paying P6/L instead of P12/L. The Bureau of Internal Revenue will be auditing the beverage manufacturers.*

Moreso, the DOF Undersecretary revealed that the revenue, supposedly benefiting the farmers and cushioning the sugar law's impact on them, were not yet distributed

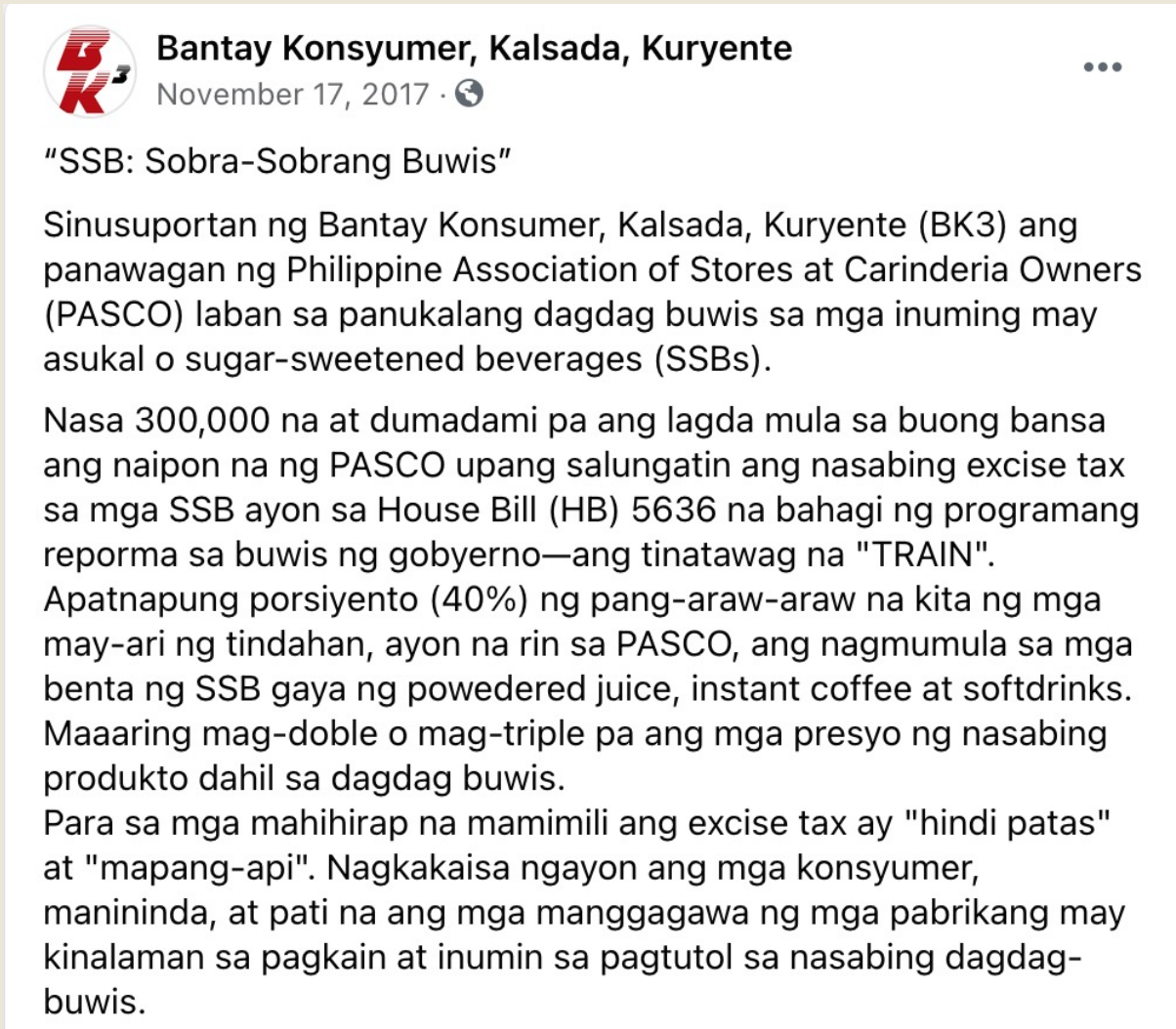
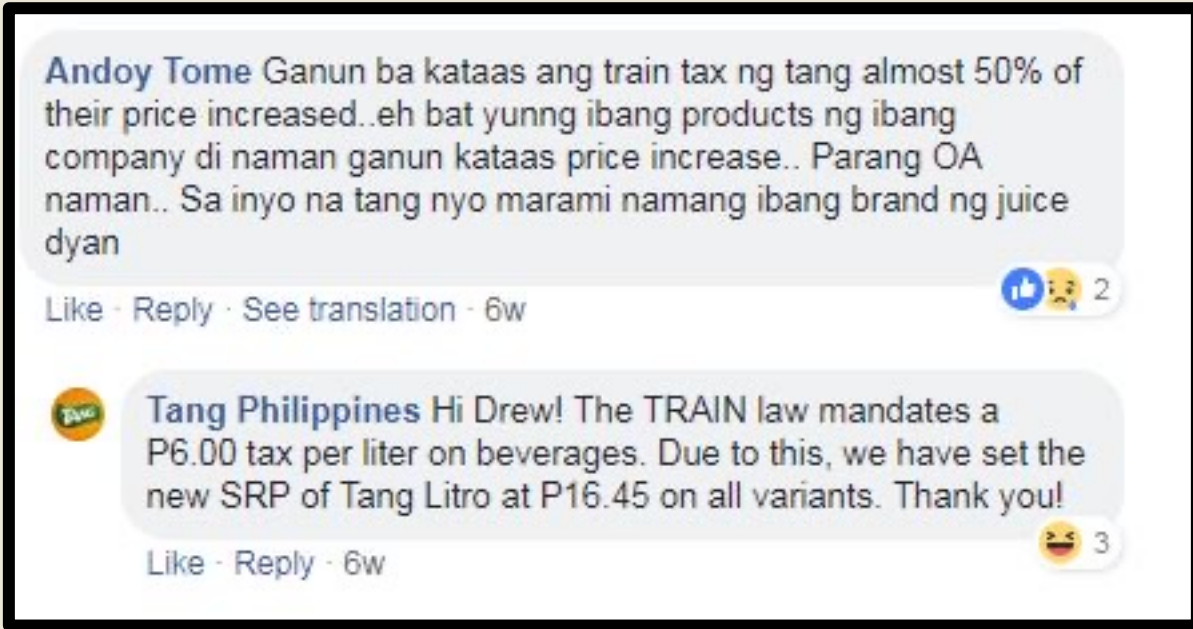
*The Food and Drug Administration (FDA) admitted that **more equipment was needed to determine which beverages were using local sugar or high-fructose corn syrup**. Given this, they faced problems in identifying which beverage companies and their beverages fell according to the tier system. **Without accurate identification, the correct tax amount may not be collected.***

Consumers and advocacy groups voice out how the tax is regressive and discriminatory, especially to the poorer populations. More scientific evidence is needed to convince them of the tax’s effect on public health.

- In 2017, Filipinos’ reacted negatively over news of the proposed SSB Tax imposition, even claiming the tax to be “anti-poor”, especially for the lower-income classes who can only afford sachets in small retail outlets (sari-sari stores). Nielsen’s study found that 80% of beverage consumers have low income.
- Further research and information campaigns were preferred over the SSB Tax as these were perceived to be more efficient in reaching the tax’s goal. It’s not advisable to apply taxes on SSBs because sugar’s effects on people vary by their “metabolism, lifestyle, and health.”
- **Bantay Konsumer, Kalsada, Kuryente (BK3)**, a non-stock non-profit organization, argues that the focus should be on solving undernutrition, instead of obesity, as it is a more detrimental problem with its 13.8% prevalence (higher than obesity).



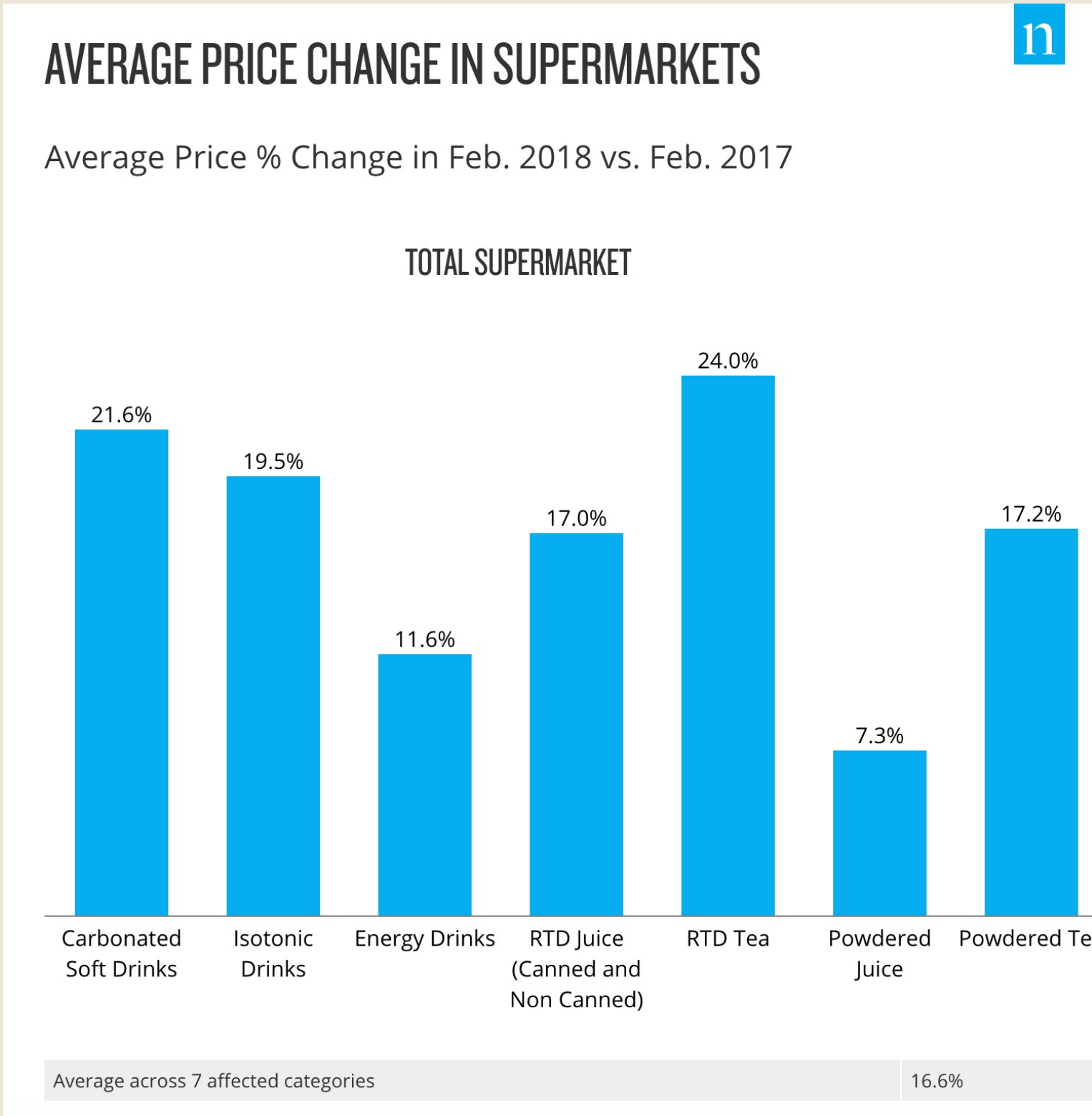
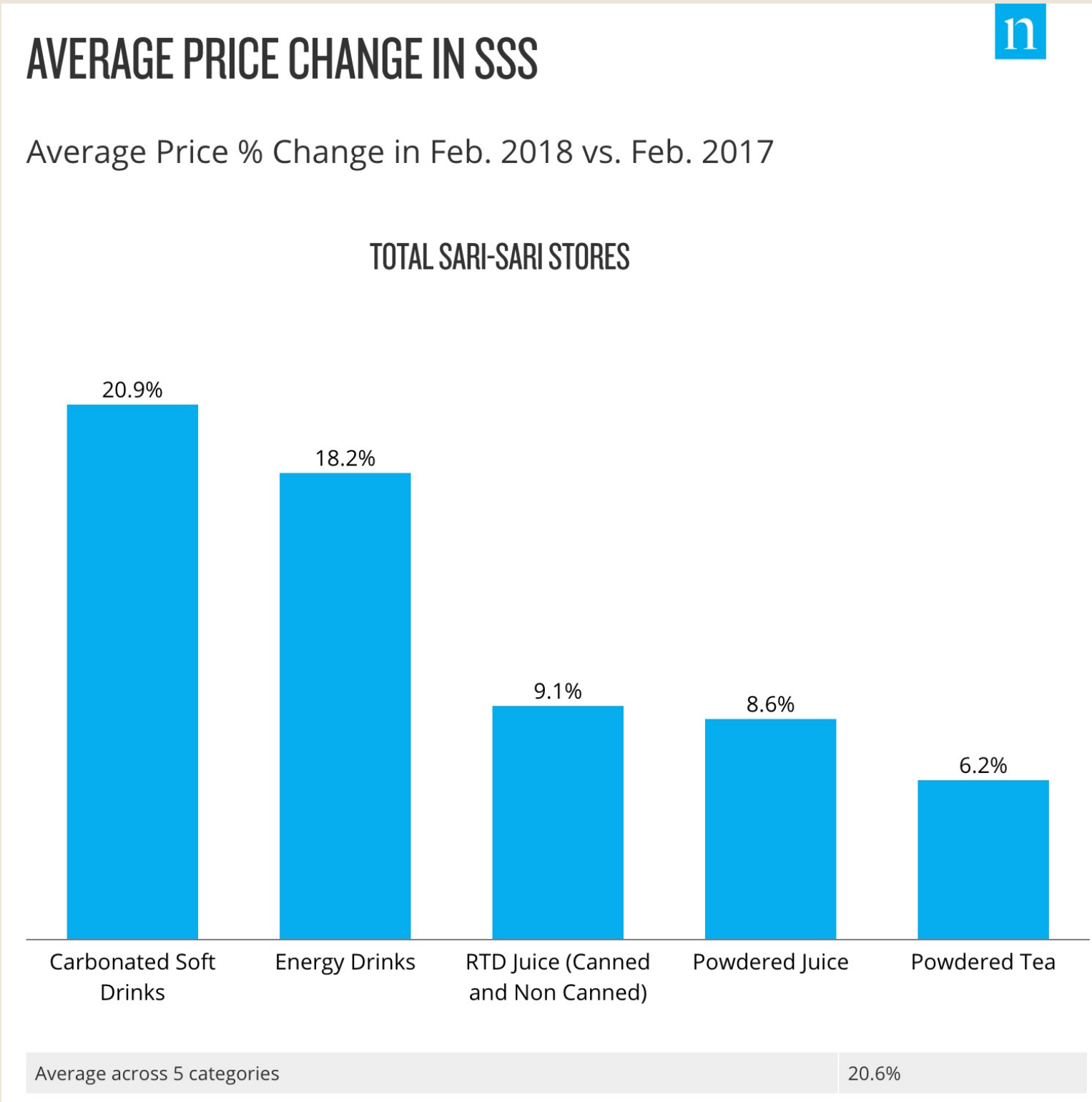
Online sentiments from Filipinos regarding the sugar tax



Facebook post from Bantay Konsumer, Kalsada, Kuryente

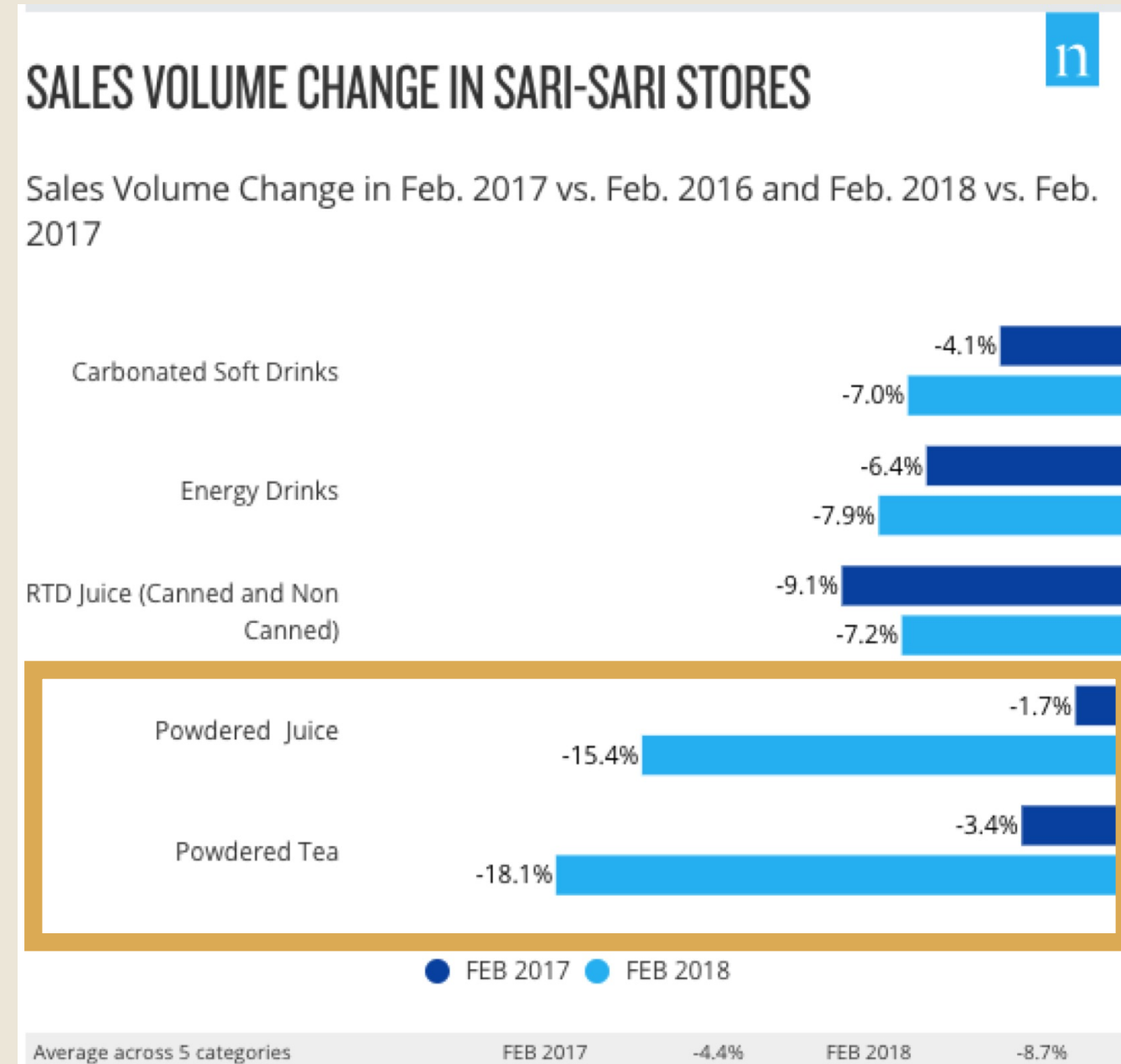
Since the SSB law’s implementation in 2018, there was an increase in the retail prices of SSBs in sari-sari stores and grocery supermarkets.

- According to Nielsen Philippines, average prices in two purchase channels had increased in February 2018, a month after the tax was implemented.
- The average price of taxable sweetened beverages in sari-sari stores had increased by 20.6% and those in supermarkets had increased by 16.6%. Carbonated non-alcoholic drinks experienced the highest average price hike, at 21.0%.

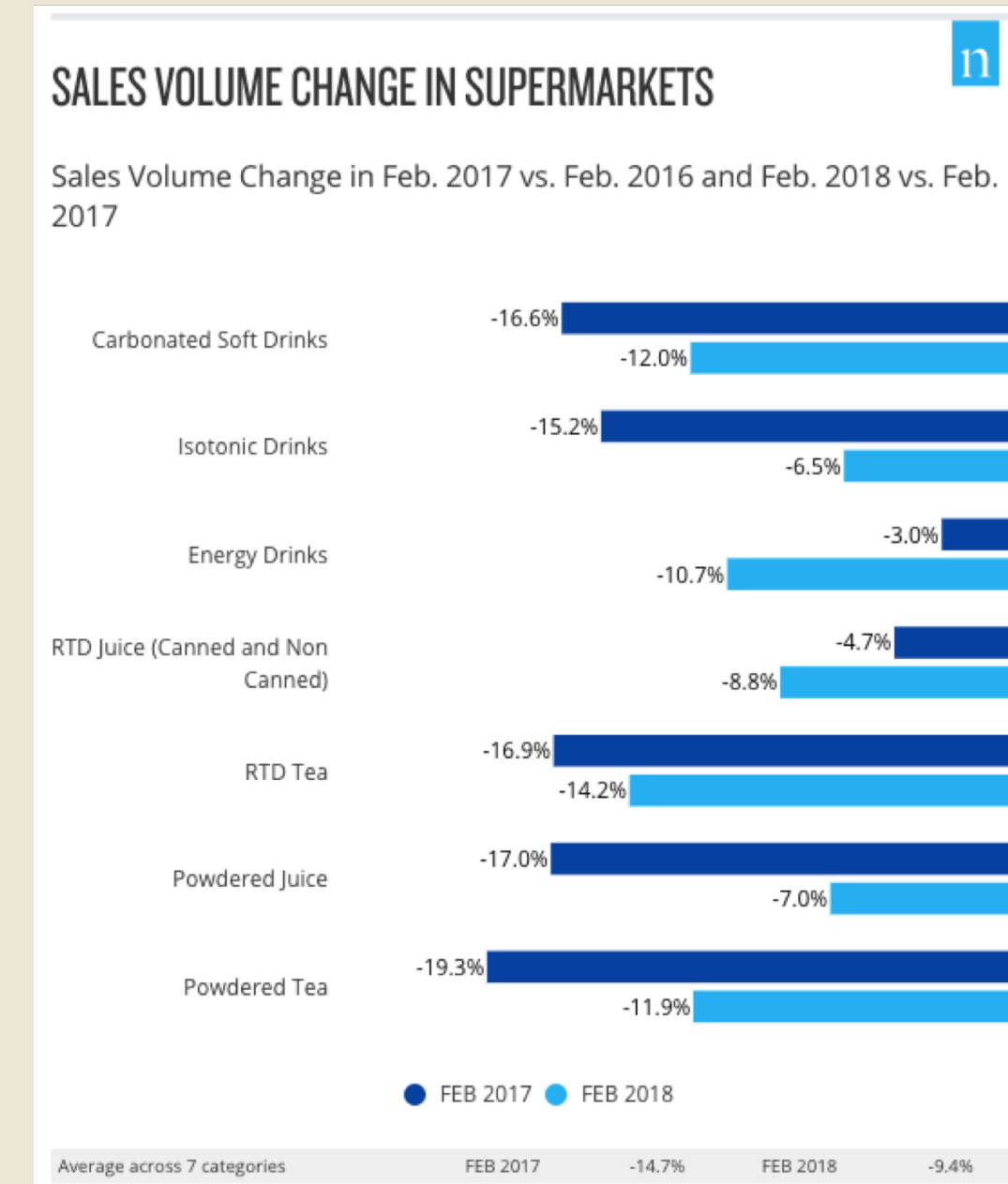


The resulting decline in sales was more severe for the sari-sari stores than the grocery supermarkets. Nielsen attributes this polarity to the differences in purchase patterns of consumers.

Cater more to lower-income consumers who are sensitive to price hikes and susceptible to forego some items.



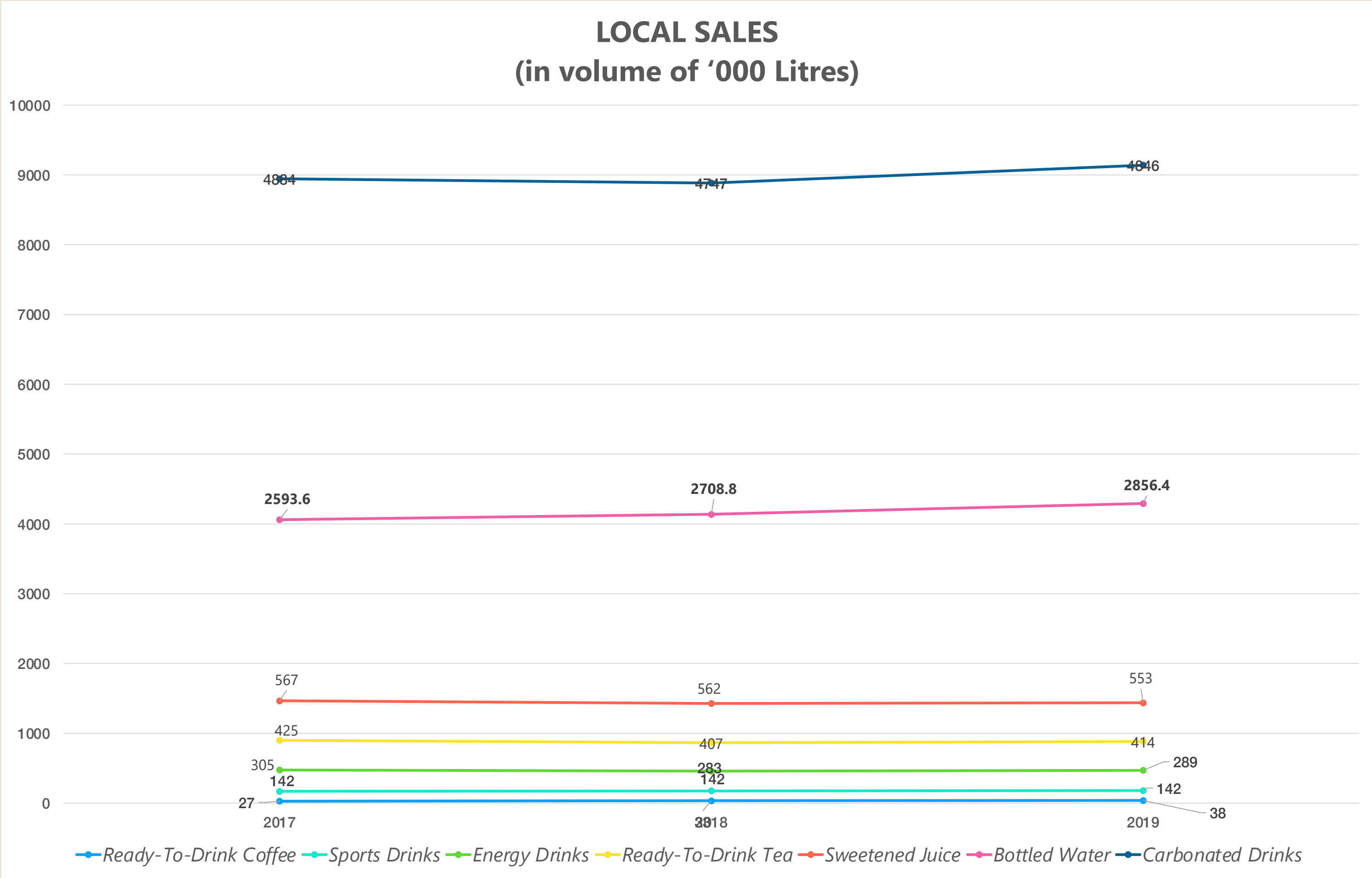
- According to Nielsen's study comparing the February 2017-February 2018 sari-sari store (SSS) sales of the five categories, 2018 demonstrated a bigger decline compared to 2017. Average sales decline in 2018 was at 8.7% while 2017 saw 4.4%.
- Powdered tea showed an average decline of 18.1% (3.4% in 2017) while powdered juice faced a dip of 15.4% (1.7% in 2017).
- Carbonated soft drinks on the other hand experienced a 7% plunge in sales.
- Only Ready-To-Drink Juice didn't face an increase in sales decline in 2018.



- As opposed to the severe decline in sari-sari stores, the seven categories didn't experience huge decline in supermarkets from the same time period. 2017 average sales decline was at 14.7% while 2018's was at 9.4%.

Grocery trips are usually planned in terms of schedule and budget. Mid-upper class consumers interviewed said that higher prices will not affect their shopping behaviors.

However, an overview from Euromonitor on the Philippines' SSB sales still showed an upward trend in consumption by 2019.




- Since the tax implementation in 2018, 3 out of 7 categories (Ready-To-Drink Tea, Energy Drinks, Carbonates) decreased in volumes in 2018 but partially recuperated in 2019.
- Along with the steady growth of the health & wellness trend, sports and energy drinks have been steadily consumed.
- There is a steady increase in sales for bottled water.

A Year of Innovation in Carbonated Softdrinks (2018) Euromonitor

Sweetened Juice is the most affected by the SSB tax while Ready-To-Drink Coffee was the least impacted.

CATEGORY	PHILIPPINES' SUMMARY
READY-TO-DRINK TEA	Decreased in 2018, then increased in 2019
READY-TO-DRINK COFFEE	Steady increase since 2017
SWEETENED JUICE	Steady decrease since 2017
SPORTS DRINKS	No change observed
ENERGY DRINKS	Decreased in 2018, then increased in 2019
CARBONATES / SOFTDRINKS	Highest consumption in the category; decreased in 2018, then increased in 2019
BOTTLED WATER	Steady increase since 2017

If the temporary decrease in the rest of the categories was caused by the SSB tax, then its influence was inconsistent and short-lived as volumes increased again in 2019.



CONCLUSIONS AND RECOMMENDATIONS

INDUSTRY

Beverage manufacturers employ different strategies in response to the tax:

1. Lobbying through public (consumer advocacy groups) and political means
2. Reformulating (shifting from HFCS to caloric and non-caloric sweeteners)
3. Repackaging (smaller SKUs)
4. Redirecting the focus towards other untaxed beverages (still beverages) or categories (snacks)
5. Launching product campaigns with a healthier messaging

Public Health Communities support the objective of the tax, but call for a more comprehensive health measure (i.e. not just decreasing sugar consumption to curb obesity and NCDs, but addressing the individual's overall nutritional and lifestyle).

Within the governments across countries, there are still oppositions on the tax's implications towards the tax being a burden and discriminatory towards the lower-income groups.

CONCLUSIONS

CONSUMERS

- Retail prices of sugared beverages have been increased to raise discomfort for some in purchase.
- In the global context, consumption of SSBs has significantly decreased since the tax was implemented (41% in Portugal, United Kingdom, Thailand). The coherent implementation of the sugar tax in the jurisdiction and reformulated line-up of SSBs from the manufacturers contributed to this.

RECOMMENDATIONS

POLICY COHERENCE

- Conduct regular monitoring studies to track the impact of the SSB tax measure over time and identify areas for improvement in policy implementation and further reform. Formulate standardized study protocol to allow comparability between monitoring studies.
- Look into other policies that would help or counter the end goal of curbing obesity and NCDs.

INSTITUTIONAL CAPACITY

- Ensure institutions (e.g. FDA) are well-equipped with the necessary equipment to implement the policy.

RECOMMENDATIONS

ADVOCACY AND STAKEHOLDER MOBILIZATION

- Implement focused health promotion strategies (e.g. multi-sectoral dialogues, social and behavior change communication campaigns, institutional capacity building) targeting key population segments and stakeholders (beverage industries, consumer groups, public health communities) based on the outcomes of the study.
- Benchmark local strategies against international best practices.
- Investigate and document local industry tactics that undermine implementation of the SSB tax measure.

A stack of white sugar cubes is the central focus of the image. The stack is composed of several cubes, with the top one being the most prominent. The cubes are arranged in a slightly irregular, pyramid-like shape. The background is a dark, textured surface, possibly a table or countertop, which contrasts with the bright white of the sugar. The lighting is soft, highlighting the texture of the sugar cubes.

Project Sweeter 3.0

The assessment of sugar-sweetened
beverage consumption in the Philippines

