

Fiscal Policies for Foods and Beverages

Policy Position Statement

Key messages:

Most Australians' eating patterns are inconsistent with the Australian Dietary Guidelines (ADGs). A significant driver of low-quality eating patterns are food environments dominated by low cost, easily accessible, intensively advertised, highly processed, discretionary products.

Fiscal policies incentivising purchases of items in line with the ADG can effectively and cost-effectively help manage and prevent diet-related chronic diseases.

Fiscal policies recommended by public health organisations include levies on sugar sweetened beverages (SSBs) and discretionary foods; subsidies on healthy foods; reviewing agricultural subsidies to ensure fairly priced fresh, minimally processed items, and restrictions on discounts on discretionary foods.

Key policy positions:

1. The GST-exemption for fresh, minimally processed and staple food categories in Australia should be retained.
2. As per PHAA's policy statement, *Health Levy on Sugar Sweetened Beverages* and World Health Organisation recommendations¹, a levy of 20% or more should be applied to SSBs as part of a package to address diet-related diseases.
3. A levy should be applied to discretionary foods to reduce dietary risks associated with obesity, chronic disease and related health care costs, and any revenue generated should be used to fund other public health nutrition initiatives and/or health promoting activities.
4. To offset the potentially fiscally regressive effect of levies on foods and beverages, healthy food subsidies and improved income support/targeted subsidies for households receiving low incomes should be considered.
5. Restrictions on the use of price promotions (discounts) on discretionary foods should be mandated by government.
6. Existing agricultural subsidies should be reviewed to ensure they are aligned with promoting public health.

Audience:

Federal, State and Territory Governments, policymakers and program managers, PHAA members, media.

Responsibility:

PHAA Food and Nutrition Special Interest Group

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Fiscal Policies for Foods and Beverages

Policy position statement

This position statement focuses on fiscal policies other than levies on sugar sweetened beverages (SSBs). This is covered in the PHAA Health Levy on Sugar Sweetened Beverages position statement.

PHAA affirms the following principles:

1. Low quality eating patterns in high-income countries are often influenced by food environments dominated by accessible, intensively advertised, cheap, highly processed, discretionary foods and beverages.²
2. Regulatory and legislative reforms are likely to be the most effective and cost-effective obesity and chronic disease prevention policy actions; providing substantial savings to the health-care system.³
3. Fiscal policies can promote healthy eating by disincentivising customer purchases of discretionary foods and beverages, incentivising purchases of healthy foods and beverages, and ensuring the provision of healthy products at fair prices.^{4,6-8} Revenue generated from levies on unhealthy products can also be used to fund other public health and/or health promoting activities.^{4,5}

PHAA notes the following evidence:

4. Healthy eating patterns are important for good health, contributing to the maintenance of a healthy weight, protection against infection and reduction of non-communicable disease (NCD) risk.⁹ However, few Australians have eating patterns consistent with the Australian Dietary Guidelines. In 2020–21, most Australians (94%) did not eat the recommended amount of fruit and vegetables¹⁰ and 38% of energy was consumed from discretionary foods and beverages.¹¹
5. A significant driver of low quality eating patterns in high-income countries is food environments dominated by easily accessible, intensively advertised, cheap, highly processed, discretionary foods and beverages (i.e., foods and drinks high in energy, saturated fat, added sugars, and added salt).²
6. Price is commonly reported as a barrier to healthy eating.¹² Several studies conducted across Australia indicated that while healthy diets are less expensive than unhealthy diets, they remain unaffordable (i.e., cost >30% of income) for some population groups, such as those living below the poverty line, rural and remote communities, and some Aboriginal and Torres Strait Islander communities.¹³⁻¹⁵
7. In Australia, price promotions (discounts) are a common and effective marketing technique used to increase purchases of the discounted foods and beverages.^{7,16,17} Price promotions are more commonly applied to unhealthy foods and beverages, than healthy options.^{18,19} Food environments encouraging the purchase of unhealthy options are likely to contribute to the uptake of unhealthy eating patterns. Discounts on discretionary foods may undermine price-related policies (e.g., levies on the same items).
8. Evidence indicates that regulatory and legislative reforms are likely to be the most effective and cost-effective obesity prevention policy actions, providing substantial savings to the health-care system.³

9. The excess consumption of discretionary foods and beverages creates economic costs to governments and society that are not incorporated into the costs borne by producers or by customers at the point of sale.²⁰ Discretionary foods and beverages can be inexpensive to produce and purchase but are associated with increased risk of NCDs, and therefore incur a very high cost to society over the long term.^{20, 21} Thus, there is market failure which justifies government fiscal intervention to increase the price of such products, thereby reducing demand.²⁰
10. Fiscal policies refer to governments' revenue and spending policies. These are primarily proposed to promote healthy diets by disincentivising customer purchases of discretionary foods and beverages (e.g., by raising their prices through levies) and incentivising customer purchasing of healthy foods and beverages (e.g., by lowering their prices through subsidies).⁴
11. A number of countries have implemented fiscal interventions such as taxing SSBs and other discretionary foods.^{4, 22} The World Health Organization (WHO) has advised that "there is reasonable and increasing evidence that appropriately designed taxes on sugar-sweetened beverages result in proportional reductions in consumption, especially if they raise the retail price by 20% or more".⁴
12. The main fiscal policies that have been proposed for promoting healthy diets are levies on SSBs and other discretionary foods, and subsidies on healthy foods, mainly fruits and vegetables.⁴ Furthermore, there is growing evidence for the effectiveness of combining discretionary food and beverage taxation with healthy food subsidies.⁴
13. Evidence suggests the most successful way to frame a levy on discretionary foods and beverages is to use funds raised for a social or public good.⁵ One study found that framing a levy as a tool to increase spending on a social good (e.g., funding public health/health promoting initiatives), at the same time as creating health benefits, leads to the highest likelihood of legislation passing.⁵
14. The Food and Agriculture Organisation (FAO) has called for the repurposing of agricultural fiscal policies to ensure fresh and minimally processed, staple foods and beverages are fairly priced.⁶
15. A key modelling study in Australia²³ suggests a combined levy (on sugar, SSBs, salt and saturated fat) and subsidy (on fruits and vegetables) package could be a key public health strategy. Modelling found a combined package would encourage the public to purchase healthier options and avert up to 470,000 DALYs in a population of 22 million; a net cost saving of \$3.4 billion to the health sector.²³
16. Even with the considerable evidence of the public health benefits of fiscal policies, they often receive considerable pushback from industry stakeholders, despite no evidence they affect industry employment and profitability.^{24, 25} Food fiscal policy is yet to be actively considered in Australia.
17. An existing measure that does meet international best practice is the goods and services tax (GST) exemption for fresh and minimally processed staple foods.²⁶ Reversing this exemption would decrease consumption by 5%, which, given current consumption in Australia, would render vegetable intake to virtually zero.^{27, 28} The consequences of this have been estimated as an additional 90,000 cases of heart disease, stroke and cancer, with at least a \$1 billion health care price tag.²⁸ Further, those most affected by diet-related diseases, such as Aboriginal and Torres Strait Islander peoples, people on low incomes and people living in rural and remote areas, would be most adversely affected by a 10% GST on fruits and vegetables.
18. Agricultural subsidies in Australia mostly consist of government funding for research and development and risk management tools for Australia's variable climactic conditions.³⁰ Products such as rice, sugar, sunflower, meat and dairy attract greater support than others. For example,

farmers in the sugar industry are directly subsidised by an average of 2.6%. While it is unlikely this situation will change in the near term, future fiscal policies should be repurposed to support the affordability and accessibility of healthy food and beverages as recommended by the FAO.⁶

19. A systematic review of food and beverage taxes and subsidies commissioned by the WHO found consistent evidence that food taxes increased prices and reduced purchases of taxed products.²⁴
³¹ Meta-analysis showed that fruit and vegetable subsidies were associated with increased purchases of fruit and vegetables. The evidence of the effect of food taxes on purchases of untaxed products was mixed, highlighting the importance of further evaluation. Studies reporting on change in fruit and vegetable consumption were fewer in number and of lower quality.²⁴
20. In 2023, the UK government plans to implement legislation to restrict large and medium retailers from offering volume-based discounts (e.g., 'buy-one-get-one-free') for foods and beverages high in fat, sugar, or salt. Australian modelling shows that, if restrictions on discounting discretionary foods were implemented, it could improve the quality of eating patterns and be cost-effective.⁸

PHAA seeks the following actions:

21. Australian governments (Commonwealth, State and Territory) should retain the GST-exemption for fresh, minimally processed and staple food categories.
22. Australian governments should use WHO guidance¹ to implement a levy of 20% or more on SSBs as part of a comprehensive package to address existing and prevent further diet-related diseases.
23. Australian governments should levy discretionary foods, as well as review existing agricultural subsidies to ensure they are aligned with promoting public health as recommended by the FAO.⁶
24. Any revenue generated from a levy on discretionary foods and beverages, should be used to fund other public health nutrition initiatives and/or health promoting activities.
25. Australian governments should also investigate the use of healthy food subsidies and improved income support/targeted subsidies for households receiving low incomes, in order to offset the potentially fiscally regressive effect of taxation on discretionary foods and beverages.
26. Australian governments should mandate restrictions on the use of price promotions (discounts) on discretionary foods. Such price promotions are highly prevalent, incentivise the consumption of discretionary foods, and may undermine other price-related policies (such as levies and subsidies).
27. Australian governments should adopt a model that is line with Australian Dietary Guidelines for use in classifying foods to be levied or subsidised.
28. Any food fiscal policy should be monitored and evaluated to ensure dietary, health and fiscal goals are met or where necessary adjust strategies to better align with desired outcomes.

PHAA resolves to:

29. Advocate for the above steps to be taken based on the principles in this position statement.

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