A sugar tax on soft drinks could exacerbate industry revenue declines as the industry attempts to innovate.

A total of 29 countries around the world have implemented some form of sugar tax. Recent scrutiny from a number of health organisations is putting pressure on the already struggling Soft Drink Manufacturing industry. Many carbonated soft drinks (CSDs), which account for most industry products, have a high sugar content. Organisations such as the Cancer Council and Diabetes Australia have launched an online campaign, highlighting the negative health effects of the sugar content in these drinks. In addition to this, these groups have called for the Federal Government to introduce a 20% tax on high-sugar content drinks. Sales volumes in the Soft Drink Manufacturing industry are declining as a result of rising health consciousness among Australian consumers.

A total of 29 countries around the world have implemented some form of sugar tax. This includes Britain, which has a two-tier tax system. In Britain, carbonated soft drinks that have between 5 grams and 8 grams per every 100 grams are taxed 18 pence. Drinks with more than 8 grams of sugar content per 100 grams are taxed 24 pence.

The Federal Government and the Labor Party have both rejected the idea of a sugar tax, despite support from the Greens. Many industry professionals, including Coca-Cola Amatil Limited (CCA) CEO Alison Watkins, believe that a sugar tax will likely be implemented in Australia in the near future. A survey conducted by Deakin University in 2018 found that 48% of people aged 18-30 supported a tax on sugary drinks. The Soft Drink Manufacturing industry has already felt the effects of increasing health consciousness among consumers. Industry revenue has declined by 0.4% over the five years through 2018-19, to $4.4 billion. Australian consumers are shifting away from sugary drinks and towards healthier alternatives such as fruit juice and bottled water. The Bottled Water Manufacturing Industry’s revenue has risen by 0.8% in 2018-19.

The Soft Drink Manufacturing industry is also responding to increasing health consciousness by introducing low- and no-sugar alternatives and new, healthier product lines. New businesses have also entered the industry and are manufacturing products with sugar-substitute stevia and the fermented tea drink kombucha. As a result, industry enterprise numbers have increased at an annualised 1.8% over the past five years. Realising the potential of this product In September 2018, CCA acquired South Australia-based kombucha producer, Organic & Raw Trading Co. The fact that the larger companies such as CCA and Asahi Beverages Australia are also major players in the Bottled Water Manufacturing industry will likely insulate them from significant revenue falls if a sugar tax is introduced. Sustained demand for energy and sports drinks has also mitigated some...
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of the industry’s revenue decline over the past five years.

The Soft Drink Manufacturing industry will continue to innovate by introducing new products and through the entry of new producers. The increasingly health conscious consumer is anticipated to continue putting pressure on the industry to change. The potential introduction of a sugar tax in reaction to the new campaign by some health organisations would accentuate these forces in the industry.

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