



Impact of Mexico's Sugary Drink Excise Tax

Tina Zuk, Government Relations Dir., VT
American Heart Association

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Mexico implemented a sugary drink tax as obesity rates were among the highest in the world

- In September 2013, the Mexican Congress passed an excise tax on sugary drinks. Starting in January 2014, Mexico implemented a sugary drink excise tax of one peso per liter.**
- Why? The prevalence of overweight and obesity in Mexico had risen to 33% for young people and 70% for adults – half of whom were obese -- and ischemic heart disease and diabetes were the two leading causes of mortality.**

With more than a year of sales data, the tax appears to be working as predicted -- Sales of unhealthy drinks decreased

- A study by the Center for Health Systems Research in Mexico, the University of North Carolina at Chapel Hill and the Nutrition and Health Research Center in Mexico examined the first-year impact on beverage sales in Mexico after tax implementation.**
- It found that a tax of one peso per liter, which increased the price of sugary drinks by approximately 10%, decreased the volume of sugary drinks purchased by a significant amount -- a 6% monthly average.**

Sales of unhealthy drinks still decreasing

The drop in sugary drink purchases accelerated as the year went on, reaching 12 percent by December 2014.

Of great notice was the impact on poorer families – the households at the greatest risk of health problems related to high sugary drink consumption

All three income groups reduced purchases of the sugary taxed beverages,

but reductions were higher among the households of low socioeconomic status.

averaging a 9% decline during 2014, and up to a 17% decrease by December 2014.

The authors noted:

“results from this study showing a larger reduction in purchases among households of low socioeconomic status suggest that the burden of the tax was lower than it would have been if there was no differential impact by socioeconomic status.”

Sales of healthier drinks increased:

- While decreasing consumption of sugary drinks, sales of healthier non-taxed beverages, like bottled water, increased on average 4% a month.
- Middle income residents had the biggest increase in purchases of healthier drinks with a 5.9% increase followed by low income at 2.4% and high income at 1.5%

Revenues generated exceeded estimates:

**Predicted revenue prior to tax:
\$1.2 billion pesos**

**Revenue actually generated:
\$1.9 billion pesos**

Mexico's experience also shows the tax is passed on to customers:

- One study finding answers questions that raised by this committee last March concerning whether the tax would be passed through to consumers.
- *“Agencies collect the excise tax on sugar sweetened beverages from the manufacturers, and other research indicates that this tax is entirely passed on to consumers at the point of sale.*
- *Prices of sugar sweetened beverages increased on average by 1 peso/L in 2014 (exactly the amount of the tax), and these changes in prices, which began in the tax's first month, were observed throughout the year.”*

Mexico's experience sets the course for others to follow:

Scientific research shows that overconsumption of added sugars contribute to heart disease and other chronic diseases such as obesity and diabetes. Mexico has paved the way for other nations to decrease sugary drink intake and has shown sugary drink taxes are an effective strategy to make healthy choices easier.

The American Heart Association is excited to see such progress in just one year of this new tax, and looks forward to tracking long-term impact and changes to consumer health. We will continue to support similar efforts to make heart-healthy living easier for all communities.

Berkeley following suit:

Last spring, Berkeley enacted a tax on sugar-sweetened drinks. The city council recently voted to spend their tax revenue as follows:

- \$1.5 Million to reduce sugary drink consumption and address the health disparities from SSB consumption**
- Up to 42.5% will go to school-based prevention efforts**
- At least 42.5% will go to community based efforts**
- 15% will be reserved for administration and evaluation of the grant process.**
- An additional \$250,000 will be released in mini-grants and other marketing/branding initiatives**

Vermont has gone backward in addressing obesity – an SSB excise tax could help

Last session, the Vermont legislature eliminated the only obesity prevention funding the state was spending -- \$300,000 in CHAMPPS obesity prevention community grants.

Even a small portion of the \$30.5 million a 2 cent per ounce excise tax would raise in Vermont could go a long way towards reducing obesity – one of our biggest drivers of health care spending.

It's time to act

- **Adults should consume no more than about 36 ounces of these drinks, or 450 calories, each week - yet the average 8-year-old boy consumes about 8 servings, or 64 ounces, each week.**
- **Reducing consumption will help improve rates of obesity, diabetes, dental caries, and heart disease.**

<http://blog.heart.org/mexicos-sugary-drink-tax-tied-to-drop-in-sales/>