

Diesel rebate policy 'too selective', ignores broader food industry value chain - Fasa

According to the Franchise Association of South Africa, the temporary extension of the diesel fuel levy refund to food manufacturers in a bid to limit the impact of the energy crisis on food prices "does not go far enough" as it excludes the rest of the food value chain.



Source: [Pexels](#)

In the government's recent budget it was announced that manufacturers of foodstuffs (excluding beverages and ingredients used to produce beverages and certain other foodstuffs) may claim back the prescribed portion of the Road Accident Fund (RAF) of the price paid for diesel if the diesel is used in the manufacturing process of the relevant foodstuffs.

If diesel is used for a generator that powers any portion of or the whole food production process, then the producer can claim the relevant part of the RAF levy paid. This will take effect from 1 April 2023, with refund payments taking place once the system is developed and will be in place for two years until 31 March 2025.

Food safety

Fasa, which represents franchise brands that cut across 14 different business sectors, has expressed concern that giving relief to only one section of the food chain is unfair to those retailers, transport businesses and restaurants that rely on diesel to ensure food safety along the supply chain and who are also impacted severely by load shedding.

“While it’s important that food manufacturers get relief at the source of food manufacturing, what about the rest of the food chain – from the refrigerated trucks that transport the food to retailer to the food retailers who make sure to keep that food fresh and safe for human consumption?” says Fred Makgato, CEO of Fasa.



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This, alongside an announcement of no increase in the general fuel levy, is intended to benefit sectors such as agriculture, farming, forestry, fishing and mining sectors. Although government started implementing a diesel refund system in 2000 to provide full or partial relief from the general fuel levy and the RAF, in light of the electricity crisis a similar refund on the RAF levy for diesel used in the manufacturing process, such as for generators, has been extended to the manufacturers of foodstuffs.

As this new regulation applies only to pure manufacturing operations, and not to any premises at which wholesale or retail sales of foodstuffs take place, Fasa criticises the policy as being “too selective and not taking into consideration the rest of the value chain”, which it says is also impacted negatively by high fuel prices and load shedding.

Counting the costs of load shedding

Retailers that rely on 24-hour generators have to put in place long-term energy generation plans – and it’s costing them dearly. Just in the last few months of 2022, two of the country’s largest supermarket groups – Shoprite and Pick n Pay – spent a combined R906m on diesel for generators at stores, with Woolworths adding another R90m - taking it up to a staggering R1bn.

“It is small businesses that will bear the brunt and be the biggest losers in this if they are also not assisted,” says Tony Da Fonseca, CEO of OBC Better Butchery and past chairman of Fasa.

He adds, “Food retailers are already burdened with unrealistic energy increases, extended blackouts not only due to scheduled load shedding but also ailing infrastructure and constant cable theft in certain areas. The food retail sector has little choice but to run their generators and to insist on imposing road-related taxes which is an absolute injustice. Retailers simply can’t absorb these costs.

“In a franchise environment where individual owners do not have the benefit of having a group ownership structure, these irregular and unexpected expenses are placing individual retailers under undue stress and destroying the ability of individual franchisees from growing and creating employment. The wholesale and retail sector employs 20% of the nation’s workforce and this attitude reflects how little understanding government has of what it costs to secure the food value chain. Or they simply don’t care!”



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Food price relief

Whilst the diesel levy refund is intended to alleviate some pressure off food prices, it doesn't go far enough, according to Maria D'Amico, chairperson of Fasa.

"I hope that the manufacturers factor these rebates in their prices, so they are passed down and if they do, that the next tier i.e. the wholesalers and retailers also accommodate the prices down to the end user. If not, then it defeats the purpose of providing relief to the public where only the first tier i.e. the manufacturers, receive some reprieve."

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