



20 January 2014

Dear Minister Gordhan

The Pietermaritzburg Agency for Community Social Action [PACSA] tracks the prices of a basket of 32 basic foods from four different retail stores which service the lower-income market in Pietermaritzburg, KwaZulu-Natal. PACSA has been tracking the price of the basket since 2006. The basket serves as an index for food price inflation and tracks the impact of these on the ability of working class and poor households to secure access to affordable and sufficient quantities of a diverse range of nutritious food.

In October 2013 we released the 2013 PACSA Food Price Barometer for the period September 2012 to September 2013. The cost of the basket had increased 8.7% to R1509.34 per month. We found that struggling households could not afford to buy a basic basket of food. Inflation on the core starches of maize meal, rice, cake flour, brown bread and potatoes increased by 14.02%. Our findings find resonance in the HSRC's South African National Health and Nutritional Examination Survey (SANHANES-1, 2012), which found that 28.3% of the population were at risk of hunger and 26% experienced hunger. In October National Treasury allocated an additional R200 million for social relief. Mr Gordhan, we like you, are extremely concerned that many households are struggling to afford a basic basket of food.

Minister, whilst social relief for households that always and sometimes go hungry is critical; we think that we need to look at more comprehensive ways to deal with hunger and poverty. Essentially, either income must increase or food prices must come down. Supermarkets are the main source of food for the majority of South African households. The main determinant for access to food for net buyers is sufficient money and affordability of food prices. Household income and the prices of food are therefore crucial in determining access to affordable and sufficient quantities of a diverse range of food for adequate nutrition.

Headline CPI is used as a guide to determine increases on wages and social grants. Struggling households spend the bulk of their income on food. The CPI-Food weighting is 17.5% but in Pietermaritzburg we have found that 60% of households earn less than R3200 and spend 47% of their income on food. The CPI-Food component of the CPI also due to the country's massive inequities, tracks the middle class expenditure on food. This means that it is not reflective of low-income households. Further, food prices vary across geography – urban and rural areas; and other essential expenses competing on the household purse such as transport, municipal services differ greatly across localities as do employment opportunities.

We would like to make the following recommendations for input into the 2014 Budget:

- We would like to see a realignment of the CPI to better reflect the higher proportional food expenditures of low-income households. This CPI-F component will be higher than headline inflation. We would like the National Treasury to look into using this new indicator as a guide for annual wage and social grant increases.
- We would like to see social grants increased so that families are able to secure a basic basket of food. Data from our Pietermaritzburg Barometer indicates that this basket cost R1509.34 for September 2012-September 2013. This is less than the R1260 provided through old-age pensions. We know that you can't base social grant increases on one geographical area but our research suggests that old-age pensions are not sufficient.
- We would like to see child support grants significantly increased from R300 and that the increase is given immediately and not staggered over 6 months. The reason why this is so important is because even temporary interruptions in intake of nutritious food during childhood can lead to permanent reductions in cognitive capacities. If children are unable to access sufficient quantities of nutritious and diverse food then they will not thrive. They are more likely to get serious infections and common childhood illnesses will be more severe. These children, if they survive, will often be less able to concentrate in school and their bones and muscles will not grow as well. When these children grow up they will be less able to perform well in the workforce as adults, so their economic prospects and their earnings

potential will diminish. When they have children of their own, their children too will be more likely to suffer from under-nutrition than the children of healthier parents.

- We further would like to see the introduction of the CSG for pregnant mothers because poverty begins in the womb. We would like our futures to be given the best possible start.
- We would like to see minimum wages are adequate so that workers can access affordable and sufficient quantities of nutritious food. We are noticing that households are unable to afford the energy and dietary diversity they require. Our findings resonate with a study done in the Western Cape around the farm sectoral determination of agricultural wages for farm workers released by The Bureau for Food and Agricultural Policy (Dec 2012), which found that workers were not actually consuming enough energy to do their work. Minister if workers don't eat properly; they cannot work productively.
- Our national outcomes continue to be poor because hungry people cannot benefit from government investments. Hunger and poverty must be dealt with for our national policies to bear fruit; and for our national budgets to be well spent.
- We would like to see that keeping food price inflation low remains a major policy objective.

Minister, we would like our input to be considered as you develop the 2014 budget. We have included the 2014 PACSA Food Price Barometer which unpacks our concerns and suggestions in greater detail. We would also however like to have a one-on-one dialogue with you should you be open to this, beyond the upcoming budget processes. In this regard we would like to look into other areas which we feel are eroding much of the benefits of the social wage – such as municipal service tariff affordability and the unconditional Equitable Share.

Yours sincerely



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