

28 January 2015

Dear Minister Motsoaledi
Cc: Ms Malebona Matsoso

Re: The impact of food price affordability on the public health care system

We trust this letter finds you well. Dr Motsoaledi we write this letter to you because we support the Department of Health's work to improve our public health care system, and particularly through the NHI. PACSA works around several areas relating to social justice and dignity, two areas of which are around the NHI and food prices, and their impact on low-income households.

Our research on food prices is showing that working class households are unable to buy a basic basket of food each month. This has the effect that households are not eating enough food, and the food which they are eating is extremely deficient in the necessary nutritional requirements for productivity, health and well-being. High food prices in a context of low wages and social grants is resulting in households prioritising foods that at least fills bellies - households are eating more starches, sugar, salt and fat and less nutritionally rich meats, dairy products and vegetables. These deficiencies in energy, protein, fats, vitamins and minerals are serious and are resulting in severe levels of stunting and malnutrition but also escalating cases of obesity, diabetes and hypertension. Minister, clinics and hospitals service massive numbers of patients whose common ailments could have been resisted through a nutritious plate of food. Our research is suggesting that unless the problem of food price affordability is addressed; the pressures put on clinics and hospitals will become increasingly severe and possibly even insurmountable.

The NHI's emphasis on preventative health care, where the system will not wait until we get very sick before we get care but rather looking at treating us earlier and preventing us getting sick in the first place; will we think frequently rest on people having access to sufficient and nutritious food. Although the DoH may be able to address this problem temporarily for individual cases; it is a structural issue and requires an intergovernmental strategy with directly targeted interventions through current effective instruments. One of which we have advocated around is to increase the value of the child support grant (currently at R320) at a minimum cost of ensuring that the nutritional needs of a child are met (our December prices put this figure at R489 for a child of 3-9 years).

As a country we do not take the access to affordable food seriously and yet all of our economic, social, health and education outcomes continue to be poor (despite massive investments) because they are hinged on people having enough to eat. The problem of food price affordability however is not dealt at its causal level but typically is left up to the Department of Health to deal with its effects.

We are starting to engage specific government departments around our data on food prices and the implications we see for low economic growth, poor social, education and health outcomes and for entrenching poverty and inequality. We would welcome a chance to have a conversation with the DoH about our work on food price affordability which we think may be valuable to address the core of many of the health problems we see today and which will escalate if the problem of food is not addressed. Our Minimum Food Basket which has been developed by a registered Dietician, using the DoH's Guidelines for Health Eating, and which tracks the food prices of a basket of 34 foods that meets the minimum nutritional requirements for persons of different ages, genders and life stages; we think may be of particular interest.

The appendix to this letter (pages 2-4) provides some basic data on our monthly food price barometers, explanation for our concerns around food price affordability and recommendations. We have further attached our 2014 Food Price Barometer and Minimum Food Basket for your interest.

Yours sincerely



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The Pietermaritzburg Agency for Community Social Action [PACSA] tracks the prices of a basket of 36 basic foods which form the monthly food basket of low-income households. Prices are tracked from six 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 food price inflation on the ability of working class households to secure access to affordable and sufficient quantities of a diverse range of nutritious food.

Our research is showing that working class households are unable to buy a basic basket of food each month. The difference between how much people are able to spend on food and the cost of food to meet minimum nutritional requirements is stark. Households in Pietermaritzburg have told us that they are only able to allocate **R600 to R1000** to food each month. However the December cost to feed a family of four a minimum nutritional diet for a month cost **R2158**. Similarly we found that the Child Support Grant of **R320** a month was not even enough to cover the nutritional requirements for a child of 3-9 years, which cost **R489** a month, based on December prices. A pension of **R1350** cannot even buy a basic basket of food.

Our findings are consistent with statistics on hunger and stunting which find that out of our National population 54.3% of people either experience hunger or are at risk of hunger. Nearly a third (30%) of all children under the age of five are stunted, wasted or underweight (HSRC, 2014: 211).¹ Further to this, our trends from Pietermaritzburg on high rates of food price inflation are similar to those tracked in the national monthly CPI-Food and NAB. The statistics are alarming however the implications of what these statistics mean are not being taken seriously by the state, industry and business.

The implication of our working class not eating enough nutritious food has serious implications for energy and productivity levels in the workplace, schools and homes; the ability to resist common illnesses; for children to develop their cognitive and physical capacities and learn at school; and for feelings of general wellbeing and vitality.

We are investing billions of rands in education and health care but a large proportion of this money is going to waste because our children are being deprived of food and cannot learn properly and our clinics and hospitals continue being overwhelmed by children whose common ailments could have been resisted through nutritious plates of food. Our economic and development trajectory remains poor because all of our economic, social, education and health outcomes are hinged on the ability of households to have enough to eat. The protests that are mushrooming across the country and the increasingly protracted and violent wage strikes are indicative of the situation in which workers can no longer afford to feed their families on their low wages.

The crisis of the working class not being able to afford nutritious food is because our wages and social grants are too low; and the escalating costs of other non-negotiable expenses such as transport, electricity and household debt reduce the amount of money available to be spent on food. High food prices and fuel costs are the primary drivers of high levels of inflation and yet even though poor households spend a greater proportion of their incomes on food; annual increases on our low-level wages and social grants are not linked to food inflation but on overall inflation. From April 2014 to December 2014, headline CPI averaged 6.1% vs. CPI-Food and NAB which averaged 8.3%. The weighting given to food itself in the CPI is underestimated because its value of 15.41% is half of which poor households actually spend on food (33.5% according to STATSSA's 2014 report on poverty trends). This means that annual wage and social grant increases are not only insufficient because increases are granted on headline inflation; but the actual extent of the food inflation itself is underestimated in the CPI. This means that the state does not adequately protect poor households from high rates of food price inflation.

If we continue to omit food as the essential component of our developmental state; not only will we waste an enormous amount of money, but we will continue structuring our economy to be poor and entrenching poverty and inequality. Putting our monies into instruments which ensure that all can access sufficient and nutritious food is not only the most effective pathway out of poverty and inequality and the best investment in our economy; but it is also the most efficient use of money.

PACSA would like to make the following recommendations for input into finding the most effective and efficient way to ensure that working class households are able to access sufficient and nutritious food for their families so that, as a country, we are able to reduce poverty and inequality and substantially improve our economic, social, education and health outcomes:

In South Africa, poverty is highest amongst children. Despite the impressive roll-out and expansion of the Child Support Grant (CSG) which now reaches 69% of all children (according to the Department of Social Development); more than half of our

¹ Human Sciences Research Council (2014). South African National Health and Nutrition Examination Survey (SANHANES-1), 2013. 2014 Edition. The Health and Nutritional Status of the Nation. HSRC Press. Cape Town, South Africa.

children (56%) still live below the poverty line and nearly a third of children under the age of five (30%) are stunted, wasted or underweight. This suggests that stunting in children is occurring amongst significant numbers of households who are receiving child support grants. Studies indicate that the CSG is well targeted and is being used for its intended purpose but it is not enough to sufficiently break the poverty cycle or improve our economic, social, education and health outcomes.

The first step to addressing poverty and inequality is to eradicate child poverty. The most effective way to eradicate child poverty is to make sure that all children are able to access sufficient and nutritious food. The CSG is currently the most efficient way to do this – it is correctly targeted and widely held as one of government’s most successful anti-poverty interventions. We have the correct instrument; what needs to be done now is to substantially increase its value.

1. To see a greater eradication of child poverty our national Budgets would need to **increase the rand value of the CSG at a minimum to the cost of ensuring that the nutritional needs of a child are met** (our figures in December put this figure at R489.88 for children aged between 3-9 [see Table 1 below]; this age group is particularly important because the National School Nutrition Programme only captures children in school – children not in school and those below the ages of 5-6 are excluded). Increasing the value of the CSG to meet the nutritional requirements for children aged between 0-6 years should be prioritised because this life stage is critical for the physical and cognitive development of a child and may have long term and irreversible effects on the child’s capacity to learn and develop. It is similarly this age group that does not benefit from the National School Nutrition Programme.
2. **The rand value of the CSG would need to be increased at different stages of the child’s life** because as a child grows s/he has increased nutritional needs which implicates a higher food expenditure (our December figures put the cost of feeding girls and boys aged between 10-13 years at R529.70; R558.81 for girls aged between 14-18 years; and R619.85 for boys aged between 14-18 years). This is important because the current uniform value of R320 does not support the increased nutritional requirements of growing children.

Table 1: Monthly nutritional requirements of children as they grow up based on December 2014 food prices.

| Energy group | KJ value | Age, gender and life stage groups | Monthly cost |
|----------------|----------|---|--------------|
| Energy group 1 | 6 500 | Girls/Boys 3 - 9 years | R489.88 |
| Energy group 2 | 8 500 | Girls/Boys 10 - 13 years Adult women 19 - 64 years Elderly women > 65 years | R529.70 |
| Energy group 3 | 10 500 | Girls 14 - 18 years Very active women 19 - 64 years Adult men 19 - 64 years Elderly men > 65 years | R558.81 |
| Energy group 4 | 12 000 | Boys 14 - 18 years Very active men 19 - 64 years Pregnant & lactating women | R619.85 |

(see the Minimum Food Basket, attached which shows how the instrument on which the prices are tracked was designed)

3. **Annual increases in the CSG would need to be linked to food price inflation** (CPI-Food and NAB) because caregivers spend most of the CSG on food and inflation on food is higher than overall inflation (e.g. for December 5.3% vs. 7.2%).
4. **The full allocation of the CSG would need to be provided on a once-off bases** (similarly with all other social grants) in April (not halved and split over 6 months) to ensure that optimal protection is derived against high food inflation. Last year a 3.3% increase was effected in April and the second increase of 3.3% was only given 6 months later in October – this meant that whilst food inflation was averaging 8.72%; caregivers had only a R10 or 3.3% increase.
5. **Introduce a grant for pregnant and breastfeeding women.** Pregnant and breastfeeding women have higher energy and nutritional requirements. Meeting these requirements is essential to ensure the good health and the best possible start for their foetus in the womb, during lactation and the first 1000 days of their child’s life. We costed the monthly nutritional requirements for pregnant and breastfeeding women at R619.85 per month for December 2014 (see Table 1 above: Energy group 4).

Even temporary interruptions in intake of energy, protein, fats, vitamins and minerals during the first one thousand days of a child’s life 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 (diarrhoea, measles, pneumonia, colds and flu). 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. This is the intergenerational cycle of hunger and poverty.

6. **The Rand value of old-age pensions should be substantially increased** because these are used to feed entire families. The rand value of the old-age pension must increase to allow families to be able to afford a basic basket of food as well as pay for other non-negotiable goods and services like water, electricity and transport (whose costs reduce the monies available for food). The December food basket shows that the current pension of R1350 is less than the cost of a minimum nutritional basket of food (R2158.42) to feed a family of four (see Table 2 below). Old-age pensions stabilise and support families and build healthy social structures. Annual increases in old-age pensions must be guided by food price inflation.

Table 2: Rand value of old-age pension for 2014/15 vs. December 2014 PACSA Minimum food basket.

| Household socio-economic situation | PENSION |
|--|--------------------|
| Total household income | R 1 350.00 |
| MINUS December Minimum Basket for family of 4 | R 2 158.42 |
| Monies left over AFTER FOOD to buy <u>some</u> essential household requirements | -R 808.42 |
| MINUS Burial insurance | R 150.00 |
| MINUS Electricity (350kWh prepaid) | R 465.54 |
| MINUS Transport | R 66.00 |
| MINUS Water (fixed tariff, unmetered) | R 76.20 |
| MINUS December domestic & household hygiene items | R 528.81 |
| Monies left over AFTER FOOD & <u>some</u> essential households requirements calculated* | -R 2 094.97 |