

MEDIA STATEMENT

High food prices exacerbate struggles by working class households to keep bread on the table

High food prices and fuel costs over the last several months are the primary drivers of high levels of inflation. In raising the interest rate by 25 basis points, Gill Marcus, Reserve Bank Governor specifically mentioned the influence of rising food prices for the inflation level having breached the upper end of the target inflation range. Unless we bring food inflation down to affordable levels; working class households will struggle to keep bread on the table and the proliferation of strikes over wages will intensify.

South Africa's annual inflation rate of 6.6% in May 2014 was the highest recorded rate in five years (since July 2009). The food component of the CPI (excluding non-alcoholic beverages) increased by 9.1% over the same period – the highest annual rate since February 2012. Annualised increases in the PACSA food basket indicate that the price of maize meal increased by 23.2%; brown bread by 19.7%; and frozen chicken pieces by 22.3% from June 2013 to June 2014. PACSA's food price barometer for June 2014 showed that the total cost of the food basket was R1639.42, a 10.95% increase or additional R161.75 from June 2013.

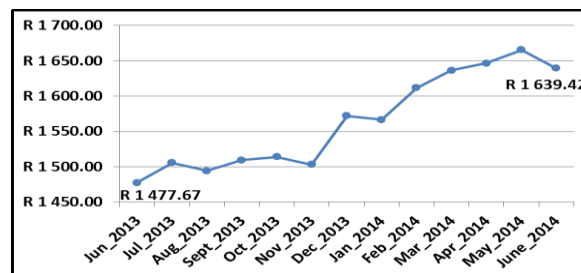
High rates of inflation on food exacerbate cycles of hunger, poverty and low-productivity in the workplace, schools and in homes; which finds negative expression back into society and the economy. South Africa's working class is particularly vulnerable to high levels of inflation on food because extremely low incomes remove options to absorb food price increases. Households unable to absorb the increases must reduce, skip or drop foods from their trolleys with the implication that people may not actually be able to afford to eat enough energy and essential protein and micro-nutrients to perform in their homes, schools or jobs.

In a food price focus group held in Pietermaritzburg on 20 June 2014; women expressed their experiences of high food prices as follows: "We still have to buy certain foods whether the price goes up or not. It is not correct to say we are coping. It is more about just getting through. The spoons of uphuthu grow like a mountain next to everything else which just shrinks away to almost nothing. We don't eat to be healthy; we eat so we are not hungry - we just eat to get full."

Projections are that maize, soybeans and sunflower prices will decline. Wheat prices have come down off the high in April and May. However fuel prices driven by the weak exchange rate continue to exacerbate the price of food. The domestic economy remains weak and unemployment levels are extremely high and household incomes low. Municipal service tariff increases in July and increases in local kombi fares will put even more pressure on working class households. Unless we break the cycle of hunger and poverty by making food prices affordable the cycle will deepen.

*The Pietermaritzburg Agency for Community Social Action [PACSA] **Food Price Barometer** tracks the price of a basket of 32 basic food items from four different retail stores servicing the lower-income market in Pietermaritzburg, KwaZulu-Natal. The barometer serves as an index for food price inflation and provides insight into the affordability of food and other essential household requirements for working class households in a context of low wages, social grants and high levels of unemployment.*

The PACSA Food Price Barometer is released annually on World Food Day, 16th October. The 2013 PACSA Food Price Barometer can be accessed at www.pacsa.org.za. For further information on the monthly food price barometer, contact Julie Smith on julie@pacsa.org.za or 033 342 0052.



Food price inflation on the PACSA food basket from June 2013-June 2014

June 2014 PACSA Monthly Food Price Barometer



PACSA food basket for the month of June 2014		
Foods tracked	Quantity tracked	Price
Maize meal	15kg	↔ R 108.73
Rice	10kg	↑ R 72.49
Sugar Beans	5kg	↓ R 118.74
Samp	5kg	↔ R 36.69
Pasta (Macaroni)	1kg	↓ R 19.99
Cooking Oil	4L	↓ R 66.24
Cake Flour	10kg	↓ R 78.19
Soup	400g	↑ R 13.67
Salt	500g	↑ R 10.64
Brown bread	12 loaves	↑ R 120.18
Powdered milk	1kg	↑ R 34.74
Canned fish	2 cans	↓ R 28.18
Canned beans	3 cans	↓ R 22.85
Yeast	10 X 7g pkts	↑ R 18.15
Brown sugar	4kg	↑ R 43.95
Beef Stock	240g	↑ R 15.99
Curry Powder	200g	↓ R 20.67
Tea Bags	250g	↑ R 15.67
Coffee	750g	↓ R 70.74
Margarine	500g	↓ R 17.24
Cheese	1kg	↔ R 91.21
Fresh Milk	2L	↑ R 22.49
Maas	2L	↑ R 24.74
Eggs	42 eggs	↑ R 54.86
Frozen chicken portions	8kg	↑ R 169.96
Beef	3kg	↓ R 142.47
Carrots	1kg	↓ R 9.00
Spinach	1 bunch	↔ R 5.37
Cabbage	3 pieces	↓ R 22.86
Onions	2kg	↑ R 17.32
Tomatoes	8kg	↓ R 107.46
Potatoes	10kg	↓ R 37.96
Total food basket		↓ R 1 639.42

For more information on how the figures were generated and the methodology behind them, refer to Notes and References (pg 3-4).

The impact of low incomes and high food prices on the available monies of households to secure food and <u>some</u> essential household requirements for the month of June 2014			
Household socio-economic scenarios	Household A	Household B	Household C
Total household income	R 1 350.00	R 2 280.00	R 3 200.00
MINUS June food basket	R 1 639.42	R 1 639.42	R 1 639.42
Monies left over AFTER FOOD to buy <u>some</u> essential household requirements	-R 289.42	R 640.58	R 1 560.58
MINUS Burial insurance	R 150.00	R 150.00	R 150.00
MINUS Electricity (350kWh prepaid)	R 432.67	R 432.67	R 432.67
MINUS Transport	R 60.00	R 120.00	R 400.00
MINUS Water (fixed tariff, unmetered)	R 72.16	R 72.16	R 72.16
MINUS June domestic & household hygiene products	R 209.45	R 209.45	R 209.45
Monies left over AFTER FOOD & <u>some</u> essential households requirements calculated*	-R 1 213.70	-R 343.70	R 296.30
* continue deducting for other essential requirements			

Food price inflation is borne highest by low-income households because most or all of household monies are spent on food.

Consumer Price Index (CPI) vs. PACSA food price barometer				
	Headline CPI	CPI-Food	PACSA food price barometer	PACSA food price barometer (R)
Annual inflation rate April 2014	6.10%	7.80%	9.18%	R 138.45
Annual inflation rate May 2014	6.60%	8.80%	11.23%	R 168.13
Annual inflation rate June 2014	not available yet	not available yet	10.95%	R 161.75

The CPI is a national measure of inflation compiled by STATSSA. It tracks across a range of incomes and foods and is therefore skewed by SA's extreme levels of inequality, implicating that it captures the middle. PACSA's food price barometer tracks food prices from supermarkets which service the lower-income market in Pietermaritzburg; the foods low-income households actually buy and from the supermarkets low-income households buy from. The PACSA food price barometer therefore better reflects food price inflation for low-income households.

Top 6 drivers of increased food prices from June 2013 to June 2014 (per PACSA barometer)			
	Quantity tracked	Increase in Rands	Increase in %
Carrots	1kg	R 3.09	52.35%
Tomatoes	8kg	R 29.54	37.91%
Sugar beans	5kg	R 23.00	24.03%
Maize meal	15kg	R 20.50	23.23%
Frozen chicken portions	8kg	R 31.00	22.31%
Brown bread	12 loaves	R 19.80	19.73%

PACSA food basket year-on-year from June 2013 to June 2014

Jun_2013	Jul_2013	Aug_2013	Sept_2013	Oct_2013	Nov_2013	Dec_2013	Jan_2014	Feb_2014	Mar_2014	Apr_2014	May_2014	June_2014
R 1 477.67	R 1 505.53	R 1 494.11	R 1 509.34	R 1 514.04	R 1 503.26	R 1 572.25	R 1 566.50	R 1 611.56	R 1 636.27	R 1 646.68	R 1 665.46	R 1 639.42

Notes and References

Total household income

We have selected 3 total household income scenarios:

Household A: R1350 = 1 old-age pension

(National Treasury, 2014. Budget Speech: 13).

Household B: R2280 = 1 old age-pension (R1350) + 3 child support grants (3 x R310 = R930)

(National Treasury, 2014. Budget Speech: 13).

Household C: R3200 was selected because 60% (98 680) of all Pietermaritzburg households earn between zero and R3200 a month (STATSSA, Census 2011). This total household income figure provides for 1 employed member receiving minimum wages (earning R1200 – R2000 a month, see URL

<http://www.mywage.co.za/main/salary/minimum-wages>) with the additional income found by unemployed members through alternative and insecure means.

PACSA food basket

This figure presents the monthly price of the PACSA food basket. 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 food basket is based on the foods that households having an average of 7 members each, said they buy (based on a 2010 PACSA Income and Expenditure Survey). The food basket is not an indication of a nutritionally complete basket; it is a reflection of what people are buying. The basket serves as an index for food price inflation. Data is collected from the 4 retail stores on the same day between the 21st and 24th of each month.

Burial insurance

This figure of R150 presents basic family burial insurance costs for a low-income household registered with insurance companies which serve the low-income market (2014). Burial insurance has been included as an essential and prioritised expense because interviews with households reveal that burial insurance is typically paid before any other expense and very seldom defaulted as a mechanism to ensure food is secured.

Electricity

The electricity cost is calculated on 350kWh per month. This is the average consumption for low-income households in Pietermaritzburg. We use the prepaid electricity tariff of R1.2362 per kWh because prepaid meters are installed in the homes of low-income households. The 2013/14 rand value is R432.67 per month (excluding transport and time costs of buying tokens).

Households on prepaid meters in Pietermaritzburg are excluded from accessing free basic electricity.

Transport costs

The transport cost is calculated for a household living outside the CBD, given that apartheid geography has not changed and low-income Black African households still live outside the CBD and far from places of work. It is calculated on 1 kombi trip at R10 or R20 return (Pietermaritzburg kombi charges, June 2014). Three differentials across total household income are presented:

- R1350: 3 return trips to the CBD per month (3 x R20 = R60). This is calculated on trips to the CBD to purchase food, electricity tokens, and clinic visits/other.
- R2280: 6 return trips to the CBD per month (6 x R20 = R120). This is calculated on additional trips – households indicated that they make 3 electricity token purchases a month; the extra allocated trips are similar to those above and provide greater albeit still very limited mobility and connection with society.
- R3200: 20 return trips to the CBD per month (20 x R20 = R400). This is calculated on an employed household member who works in town and takes one kombi trip return. Transport for a 2nd kombi trip if the member requires more than one kombi stop is excluded, as is transport within the CBD. Transport for work seekers is excluded.

Note that transport costs excludes school transport fees, transport to seek work, transport to access municipal library, transport for church, recreation, cultural and family activities.

Water

The water expense is calculated on a fixed monthly charge for a non-metered household. This is a typical scenario for low-income households living in RDP housing in Pietermaritzburg. The 2013/14 charges on an unmetered water supply is R72.16 per month (includes VAT).

Domestic and household hygiene products

This figure presents the monthly price of personal and domestic hygiene products tracked through PACSA's barometer. Like the PACSA food price barometer, it is an indicator of inflation on personal and domestic hygiene products; it is not a complete list of all products nor is it a reflection of requisite quantities. Personal hygiene products tracked include: toilet paper, bath soap, toothpaste and sanitary pads. Domestic hygiene products tracked include: dishwashing liquid, washing powder, toilet cleaner, kitchen cleaner and jik.

Other expenses ... continue deducting ...

The expenses listed exclude education costs (school fees, stationery, uniforms and shoes, books, lunch boxes, transport etc.); health care and medicine costs, communication costs (cell phone charges, newspapers), any shocks or emergency costs, social and cultural costs, home maintenance costs, savings etc. The graphic only includes those expenses listed.

Consumer Price Index (CPI and CPI-Food) vs. PACSA food price barometer

Figures are derived from STATSSA monthly statistical releases on the Consumer Price Index (see www.statssa.gov.za). We track the CPI-Food component because it differs from the CPI. It is the CPI and not CPI-Food which is used to determine salary and social wage increases. Low-income households spend most or all of their monies on food. The price inflation on food therefore is important. PACSA's food price index is higher than CPI-Food because CPI-Food tracks

greater varieties of foods (many which low-income households do not actually consume) and averages the data across diverse income ranges – in a country with extreme levels of inequality, national averages are not sufficient to capture the reality of food price inflation for low-income households. Moreover the PACSA food price index which tracks food prices from 4 retail stores which service the lower-income market in Pietermaritzburg better reflects both the foods low-income households actually buy but also from the retail stores low-income households buy from. The PACSA food price barometer therefore provides a more accurate indicator of food price inflation for low-income households.

Food price affordability

Supermarkets are the main source of food for the majority of Pietermaritzburg households. In a cash-based economy it is income and affordability of prices that determines access to goods and services. 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. Food price inflation must remain low and income levels must increase.

About PACSA

The Pietermaritzburg Agency for Community Social Action (PACSA) is a faith-based social justice and development NGO that has been in operation since 1979. PACSA operates in the uMgungundlovu region of KwaZulu-Natal, South Africa and focusses on socio-economic rights, gender justice, youth development, livelihoods and HIV & Aids. Our work and our practice seek to enhance human dignity. We are convinced that those who carry the brunt of the problem must be a part of the solution – at the heart of PACSA's core strategy is the notion "nothing about us without us."