

PACSA Monthly Food Price Barometer: JUNE 2015
MEDIA STATEMENT

Davis Tax Committee may have underestimated exposure levels of working class households to VAT on food.

The First Interim Report on Value-Added Tax¹ released by the Davis Tax Committee for the Minister of Finance analyses zero-rating and VAT in isolation of the actual consumption patterns of working class households. As a consequence, the negative impact on inequality of raising VAT levels has been suggested as being very small. This understanding has given greater credence in the public domain to suggest that raising VAT will be less disruptive than increasing Personal Income Tax and Corporate Tax. This June 2015 statement analyses the Davis Report in the context of food price affordability. The assumption is that the food baskets of low-income households are comprised primarily of zero-rated foods. This assumption leads to the conclusion that the impact of raising VAT on foods for low-income households will be marginal. PACSA's Monthly Food Price Barometer for June 2015 finds that low-income households spend proportionally more on foods subject to VAT than on zero-rated foods. It further finds that as the overall affordability crisis facing households deepens; households are pushed into buying more foods which are subject to VAT. These findings based on actual food consumption patterns of working class households, suggest that the negative impact on inequality by raising VAT as indicated in the report of the Davis Tax Committee may be underestimated. The exposure of low-income households to VAT on foodstuffs is greater than we imagined; this makes households more vulnerable to raising VAT rates.

The foods selected to be tracked in the PACSA food basket are based on empirical research of the food consumption patterns of low-income households since 2006. Food consumption patterns change in response to affordability constraints. The current basket includes 36 basic food items which low-income households buy every month. Of the 36 food items: 17 are zero-rated and 19 are subject to VAT. In June 2015, the cost of the total PACSA food basket was R1654.81. The foods which are subject to VAT made up 55.4% (R916.48) of the total June 2015 food basket and the VAT amount came to R112.55. On the June 2015 PACSA food basket 6.8% (R112.55) of the total food basket is made up of VAT. See table below:

Foods in PACSA basket subject to VAT				Zero-rated foods in PACSA basket			
Foods tracked	Quantity tracked	Jun_2015 Price	VAT	Foods tracked	Quantity tracked	Jun_2015 Price	VAT
Cake Flour	10kg	R 75.65	R 9.29	Maize meal	25kg	R 174.15	R 0.00
White bread	8 loaves	R 85.43	R 10.49	Rice	10kg	R 67.49	R 0.00
Pasta	1kg	R 21.15	R 2.60	Brown bread	4 loaves	R 38.25	R 0.00
White sugar	10kg	R 108.30	R 13.30	Samp	5kg	R 25.66	R 0.00
Canned beans	3 cans	R 25.92	R 3.18	Sugar beans	5kg	R 69.48	R 0.00
Margarine	1kg	R 36.48	R 4.48	Cooking oil	4L	R 59.65	R 0.00
Chicken pieces	6kg	R 147.95	R 18.17	Fresh Milk	2L	R 25.32	R 0.00
Chicken feet	4kg	R 76.29	R 9.37	Maas	2L	R 26.55	R 0.00
Chicken necks	6kg	R 105.94	R 13.01	Eggs	30 eggs	R 35.74	R 0.00
Beef	1kg	R 50.48	R 6.20	Canned fish	4 cans	R 58.60	R 0.00
Polony	2.5kg	R 35.48	R 4.36	Carrots	2kg	R 15.14	R 0.00
Salt	1kg	R 11.18	R 1.37	Spinach	4 bunches	R 14.65	R 0.00
Yeast	4 X 7g pkts	R 12.15	R 1.49	Apples	1.5kg	R 11.64	R 0.00
Beef stock	240g	R 14.95	R 1.84	Cabbage	2 heads	R 15.99	R 0.00
Soup	600g	R 20.27	R 2.49	Onions	10kg	R 34.50	R 0.00
Curry powder	200g	R 20.98	R 2.58	Tomatoes	3kg	R 35.36	R 0.00
Rooibos tea bags	200g	R 15.98	R 1.96	Potatoes	10kg	R 30.17	R 0.00
Coffee	100g	R 15.40	R 1.89				
Cremona	1kg	R 36.48	R 4.48				
Total for foods subject to VAT		R 916.48	R 112.55	Total for zero-rated foods		R 738.33	R 0.00
Monthly cost of PACSA food basket June 2015(including foods subject to VAT and zero-rated foods) = R1654.81							

¹See <http://www.taxcom.org.za/docs/20150707%20DTC%20VAT%20First%20Interim%20Report%20for%20public%20comment.pdf>

On analysis of why the trollies of low-income households include proportionally more foods which are subject to VAT, our research suggests that this is because zero-rated foods have not kept track with the actual food consumption patterns of low-income households; because of the deepening affordability crisis facing households and the high levels of food price inflation on the core starches. As zero-rated basic core starches increase in price (e.g. maize meal); households reduce or drop nutrient rich foods off the plate (e.g. milk, animal proteins and vegetables) as a strategy to secure energy, and keep hunger at bay. In order to make the increasingly limited variety of foods palatable and cling to some semblance of a 'proper' meal – households buy more of the relatively cheaper fats, salts and sugars. These foods tend not to be zero-rated e.g. salt, stock cubes, soups, sugar, margarine and cream. Bread offers a further scenario. In Pietermaritzburg bread consumption by adults has decreased. Households have switched more regularly to make their own 'bread' (ojeqe and amadombolo), using cake flour, sugar, salt and yeast. These food items are all subject to VAT. The trend therefore is that as food prices increase and the affordability crisis facing households' deepens; foods subject to VAT will form a larger portion of the monthly household food basket.

These findings suggest that the exposure of low-income households to VAT on foodstuffs is greater than we imagined and that the deepening affordability crisis is driving households to purchase more foods subject to VAT. The current reality of household purchasing patterns and the projected trends make households more vulnerable to raising VAT rates. For example, projecting National Treasury's illustrative model of increasing the VAT rate by 3% from 14% to 17% onto PACSA's food basket for June 2015; the revised 17% results in total VAT on the basket increasing from 6.8% to 8.3% (from R112.55 to R136.66). For low-income households with no possibility of absorbing the additional R24.11 increase; food will drop out of the trolley or the nutritional quality of the food purchased will decline.

In the light of PACSA's research, having read the Davis Committee's First Interim Report on Value- Added Tax as it relates to food price affordability, the following recommendations are worth considering:

- Food prices are highly volatile, unpredictable and subject to significant levels of inflation (food price inflation on the PACSA food basket increased by 6.5% from January 2015 to May 2015). Modelling VAT increases on a good or service which is relatively stable allows a more accurate prediction of the impact of the increase. We feel that, given the current context, it is not possible to accurately predict the extent of the negative impact of raising VAT for working class households.
- Just because foods are zero-rated does not mean that these foods are affordable. Foods which are zero-rated must be affordable to limit the need to purchase foods subject to VAT.
- Food is not the same as other goods. Health, well-being and productivity come from the body – eating less food or foods of poorer nutritional value adversely affect our education, health and economic outcomes. Treating food like any other commodity subject to VAT may have far reaching negative implications.
- The consideration of the extent of the impact of raising VAT on food for low-income households, before one can suggest that the impact on inequality will be negligible, must include an analysis of food consumption patterns. In the absence of such an analysis; such a suggestion must be treated with great caution.
- Although the report recommends strongly that no new foods are added, because of changing consumption patterns and a deepening affordability crisis; we suggest that frozen chicken portions be considered for inclusion. Chicken is the cheapest animal protein however its cost is becoming prohibitive for households. It is essential that households are able to access some form of animal protein to help the body build and replace cells, tissues, enzymes, hormones and fluids. Proteins strengthen the immune system and help it to function.
- We urge that if it happens that raising VAT becomes a consideration; that the current food affordability crisis context guides the deliberation. The majority of working class households in South Africa are not able to afford a basic nutritional diet because income levels are so low. The average minimum wage set across sectoral determinations for 2014 was in the region of just R2362.36 per month. The difference in cost between the PACSA food basket (which is what households buy) and the cost of PACSA's Minimum Nutritional food basket (which is what is required for households if a basic level of nutrition is to be secured) is R2 134.59 (R1 654.81 vs. R3789.40 for households with 7 members).
- Social grants offset some of the inequities in the tax system. We have to move to a level whereby grants are able to absorb these and then allow people to live at a basic level of dignity.

It seems to us that a multipronged approach should be taken to raise additional revenue through a revised tax system. A principle guiding this approach should be that we don't choose any instrument which deepens inequality – even if marginal. That is, if there is a burden to be shouldered that poor working class households be excluded from sharing in this burden. Poor households have carried this burden too heavily and for too long. The burden of inequality and injustice must be shifted to those who can afford it and in solidarity so that by paying a bit more; all can at least live at a basic level of dignity.

June 2015
PACSA Monthly Food Price Barometer

TABLE 1: PACSA Food Basket showing prices for the last three months - from April 2015 to June 2015.

Food grouping	Foods tracked	Quantity tracked	Apr_2015 Price	May_2015 Price	Jun_2015 Price	Change from May_2015 to Jun_2015	Change per month (in food group)
Starchy foods	Maize meal	25kg	↑ R 164.16	↑ R 169.99	↑ R 174.15	R 4.16	-R 3.19
	Rice	10kg	↑ R 65.74	↑ R 67.66	↓ R 67.49	-R 0.17	
	Cake Flour	10kg	↑ R 73.48	↑ R 76.15	↑ R 75.65	-R 0.50	
	White bread	8 loaves	↓ R 80.99	↑ R 88.17	↓ R 85.43	-R 2.75	
	Brown bread	4 loaves	↓ R 36.33	↑ R 39.69	↓ R 38.25	-R 1.44	
	Samp	5kg	↔ R 27.66	↑ R 28.32	↓ R 25.66	-R 2.67	
	Pasta	1kg	↑ R 21.32	↓ R 20.99	↑ R 21.15	R 0.17	
Sugar	White sugar	10kg	↑ R 104.64	↑ R 108.30	↔ R 108.30	R 0.00	R 0.00
Dry beans, canned beans	Sugar beans	5kg	↓ R 71.66	↑ R 72.66	↓ R 69.48	-R 3.17	-R 1.45
	Canned beans	3 cans	↓ R 23.95	↑ R 24.20	↑ R 25.92	R 1.72	
Fat, oil	Cooking oil	4L	↑ R 63.14	↓ R 62.32	↓ R 59.65	-R 2.67	-R 3.50
	Margarine	1kg	↓ R 34.65	↑ R 37.32	↓ R 36.48	-R 0.83	
Milk, maas	Fresh Milk	2L	↑ R 25.68	↓ R 25.40	↓ R 25.32	-R 0.09	-R 0.60
	Maas	2L	↔ R 26.91	↑ R 27.07	↓ R 26.55	-R 0.52	
Meat, eggs, fish	Eggs	30 eggs	↓ R 33.82	↑ R 36.82	↓ R 35.74	-R 1.08	R 13.43
	Canned fish	4 cans	↑ R 55.58	↑ R 58.60	↔ R 58.60	R 0.00	
	Chicken pieces	6kg	↓ R 138.97	↑ R 141.95	↑ R 147.95	R 6.00	
	Chicken feet	4kg	↓ R 64.96	↑ R 70.28	↑ R 76.29	R 6.01	
	Chicken necks	6kg	↓ R 105.94	↔ R 105.94	↔ R 105.94	R 0.00	
	Beef	1kg	↑ R 49.32	↓ R 47.98	↑ R 50.48	R 2.50	
	Polony	2.5kg	↓ R 34.48	↑ R 35.48	↔ R 35.48	R 0.00	
Vegetables	Carrots	2kg	↑ R 19.30	↓ R 17.63	↓ R 15.14	-R 2.50	-R 22.30
	Spinach	4 bunches	↑ R 22.64	↑ R 23.98	↓ R 14.65	-R 9.33	
	Apples	1.5kg	↓ R 12.98	↓ R 12.15	↓ R 11.64	-R 0.51	
	Cabbage	2 heads	↑ R 17.58	↓ R 16.57	↓ R 15.99	-R 0.58	
	Onions	10kg	↓ R 36.33	↑ R 37.91	↓ R 34.50	-R 3.42	
	Tomatoes	3kg	↑ R 35.67	↑ R 38.17	↓ R 35.36	-R 2.81	
	Potatoes	10kg	↑ R 37.33	↓ R 33.33	↓ R 30.17	-R 3.16	
Miscellaneous	Salt	1kg	↔ R 11.07	↑ R 11.23	↓ R 11.18	-R 0.05	R 2.23
	Yeast	4 X 7g pkts	↓ R 11.95	↔ R 11.95	↑ R 12.15	R 0.20	
	Beef stock	240g	↑ R 14.29	↓ R 13.45	↑ R 14.95	R 1.50	
	Soup	600g	↓ R 20.85	↓ R 20.52	↓ R 20.27	-R 0.25	
	Curry powder	200g	↑ R 20.15	↓ R 19.98	↑ R 20.98	R 1.00	
	Rooibos tea bags	200g	↓ R 14.65	↑ R 15.32	↑ R 15.98	R 0.67	
	Coffee	100g	↔ R 15.40	↔ R 15.40	↔ R 15.40	R 0.00	
	Cremora	1kg	↓ R 35.48	↑ R 37.32	↓ R 36.48	-R 0.83	
Monthly cost of PACSA food basket			↓ R 1 629.04	↑ R 1 670.20	↓ R 1 654.81	-R 15.39	

The price of the PACSA food basket decreased by R15.39 or -0.92% from its May price of R1 670.20 to R1 654.81 in June 2015.

What is the PACSA Food Basket?

The PACSA Food Basket is an index for food price inflation. It 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 Basket tracks the prices of a basket of 36 basic foods which working class poor households, with 7 members, said they buy every month (based on conversations with women). The food basket is not nutritionally complete; it is a reflection of reality - what people are buying. Data is collected on the same day between the 21st and 24th of each month from six different retail stores which service the lower-income market in Pietermaritzburg, KwaZulu-Natal. Women have told us that they base their purchasing decisions on price and whether the quality of the food is not too poor. Women are savvy shoppers and so foods and their prices in each store are selected on this basis. The PACSA Food Basket tracks the foods working class households buy, in the quantities they buy them in and from the supermarkets they buy them from. PACSA has been tracking the price of the basket since 2006. We release our Food Price Barometer monthly and consolidate the data for an annual report to coincide with World Food Day annually on the 16th October.

June 2015
PACSA Monthly Food Price Barometer

TABLE 2: PACSA Monthly Minimum Nutritional Food Basket for June 2015.

				Energy Group 1		Energy Group 2		Energy Group 3		Energy Group 4	
				6 500 kJ		8 500 kJ		10 500 kJ		12 000 kJ	
				Girls/Boys 3 - 9 yrs		Girls/Boys 10-13 yrs Adult women 19-64 yrs Elderly women > 65 yrs		Girls 14-18 yrs Very active women 19-64 yrs Adult men 19-64 yrs Elderly men > 65 yrs		Boys 14-18 yrs Very active men 19-64 yrs Pregnant & lactating women	
Food group	Foods tracked	Unit (Kg/L/Loaves)	Prices per unit	AP Weight	Cost	AP Weight	Cost	AP Weight	Cost	AP Weight	Cost
Starchy Foods	Maize meal	Kilogram	R 6.97	3.2	R 22.47	3.9	R 27.17	5.7	R 39.71	6.0	R 41.80
	Oats porridge	Kilogram	R 24.32	0.2	R 5.84	0.2	R 5.84	0.4	R 8.75	0.4	R 8.75
	Brown bread	Loaves (700g)	R 9.56	1.8	R 17.21	3.0	R 28.69	3.6	R 34.42	5.7	R 54.50
	Rice	Kilogram	R 6.75	0.9	R 6.00	1.3	R 9.00	1.9	R 13.00	1.9	R 13.00
	Samp	Kilogram	R 5.13	0.4	R 2.22	0.8	R 3.88	0.9	R 4.43	1.0	R 4.99
	Potatoes	Kilogram	R 3.02	0.4	R 1.11	0.7	R 2.23	0.7	R 2.23	0.7	R 2.23
Vegetables	Onion	Kilogram	R 3.45	2.8	R 9.62	2.8	R 9.62	2.8	R 9.62	2.8	R 9.62
	Tomato	Kilogram	R 11.79	1.4	R 16.19	1.4	R 16.19	1.4	R 16.19	1.4	R 16.19
	Carrot	Kilogram	R 7.57	0.1	R 1.06	0.1	R 1.06	0.1	R 1.06	0.1	R 1.06
	Spinach	Kilogram	R 3.66	0.5	R 1.78	0.5	R 1.78	0.5	R 1.78	0.5	R 1.78
	Cabbage	Kilogram	R 8.00	2.3	R 18.78	2.3	R 18.78	2.3	R 18.78	2.3	R 18.78
	Green pepper	Kilogram	R 17.15	1.2	R 20.53	1.2	R 20.53	1.2	R 20.53	1.2	R 20.53
	Butternut	Kilogram	R 5.82	0.4	R 2.04	0.4	R 2.04	0.4	R 2.04	0.4	R 2.04
Fruit	Orange	Kilogram	R 7.65	1.9	R 14.21	1.9	R 14.21	1.9	R 14.21	1.9	R 14.21
	Apple	Kilogram	R 7.76	1.3	R 10.13	1.3	R 10.13	1.3	R 10.13	1.3	R 10.13
	Banana	Kilogram	R 8.65	2.7	R 23.04	2.7	R 23.04	2.7	R 23.04	2.7	R 23.04
Dry beans, canned beans	Sugar beans	Kilogram	R 13.90	0.7	R 9.26	0.7	R 9.26	0.7	R 9.26	2.0	R 27.77
	Baked beans	Kilogram	R 21.07	0.6	R 11.85	0.5	R 9.48	0.5	R 9.48	1.4	R 28.45
Fish, chicken, lean meat, eggs	Eggs	each (50g each)	R 1.19	24.0	R 28.59	24.0	R 28.59	24.0	R 28.59	24.0	R 28.59
	Beef, neck, stewing	Kilogram	R 50.48	0.4	R 20.23	0.4	R 20.23	0.4	R 20.23	0.4	R 20.23
	Pilchards, tinned	Kilogram	R 36.63	0.6	R 23.24	0.6	R 23.24	0.6	R 23.24	0.6	R 23.24
	Chicken pieces	Kilogram	R 24.66	1.0	R 24.71	1.0	R 24.71	1.0	R 24.71	1.0	R 24.71
	Chicken livers	Kilogram	R 33.64	0.2	R 5.80	0.3	R 11.60	0.3	R 11.60	0.3	R 11.60
Milk, maas	Low fat milk	Litre	R 12.66	4.2	R 53.17	4.2	R 53.17	4.2	R 53.17	4.2	R 53.17
	Maas	Litre	R 13.28	7.8	R 103.55	7.8	R 103.55	7.8	R 103.55	7.8	R 103.55
Fat, oil	Margarine, soft tub	Kilogram	R 36.48	0.2	R 6.57	0.2	R 8.76	0.3	R 10.95	0.3	R 12.04
	Oil, sunflower	Litre	R 14.91	0.3	R 4.70	0.5	R 7.83	0.8	R 11.41	0.7	R 10.96
	Peanut butter	Kilogram	R 57.83	0.03	R 1.74	0.03	R 1.74	0.03	R 1.74	0.03	R 1.74
	Mayonnaise	Kilogram	R 25.52	0.2	R 4.59	0.2	R 6.13	0.2	R 6.13	0.2	R 6.13
Sugar	Sugar, white	Kilogram	R 10.83	0.3	R 2.73	0.8	R 8.97	0.8	R 8.97	0.8	R 8.97
	Jam	Kilogram	R 23.03	0.1	R 2.76	0.2	R 5.53	0.2	R 5.53	0.2	R 5.53
Miscellaneous	Tea	each bag	R 0.16	60.0	R 9.59	60.0	R 9.59	60.0	R 9.59	60.0	R 9.59
	Salt	Kilogram	R 11.18	0.1	R 1.34	0.1	R 1.34	0.1	R 1.34	0.1	R 1.34
	Soup powder	Kilogram	R 33.79	0.1	R 3.04	0.1	R 3.04	0.1	R 3.04	0.1	R 3.04
Total cost per person per month					R 489.69		R 530.93		R 562.44		R 623.29
Total cost per person per day					R 16.32		R 17.70		R 18.75		R 20.78

*Note that AP Weight means As Purchased Weight (dry weight) – the figure is rounded off.

What is the PACSA Minimum Nutritional Food Basket?

The PACSA Food Basket is assessed every 3 years to see if the foods and the quantities of these foods in our basket are still being purchased by women living in working class poor families. Consistent with previous assessments women told us that purchasing patterns change in response to affordability. Last year however we noticed a significantly starker change in purchasing patterns due to much steeper increases in electricity and transport coupled with higher food prices. The foods women identified as being in their trolleys were increasingly limited in their diversity. Some nutritionally-rich foods such as high quality proteins and calcium and vegetables were dropping out of their trolleys altogether or being reduced. Similarly, women told us that they were buying starches in greater volumes and switching to cheaper meats as well as buying more sugar, salts and fats.

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June 2015
PACSA Monthly Food Price Barometer

What is the PACSA Minimum Nutritional Food Basket? *(continued)*

Because households are forced to buy foods with poorer nutritional value; the gap between what households are buying and what they would like to and indeed should be buying for basic nutrition is widening. In early 2014 PACSA, in consultation with a Registered Dietician, formulated a Minimum Nutritional Food Basket. The rationale was to keep tracking what households are actually able to afford to buy but not to lose sight of the actual cost of foods required in terms of balanced nutrition, in order to grow and develop properly. The PACSA Minimum Nutritional Food Basket provides data on which we can start talking realistically about adequacies in wages and social grants and ensures that current food expenditure patterns are not conflated with the food expenditure required to secure a nutritional basket of food.

The PACSA Minimum Nutritional Food Basket includes a greater variety of nutritionally-rich foods to provide a family with a basic but nutritionally complete monthly diet. The basket can be amended to respond to families of various sizes, ages and lifestyles through its connection to 4 energy groups. Food price data for the PACSA Minimum Nutritional Food Basket is collected with the PACSA Food Basket and conforms to the same methodology. The full report and methodologies on which the PACSA Minimum Nutritional Food Basket is based is accessible off www.pacsa.org.za.

TABLE 3: Monthly costs of PACSA Minimum Nutritional Food Basket for families of various sizes, ages and life stages for June 2015

Total family size		4	5	7
Number of adults and children in family		2 Adults and 2 Children	3 Adults and 2 Children	3 Adults and 4 Children
Ages and lifestyles of family members	Energy group 1	2 children (3-9 years)	1 child (3-9 years)	2 children (3-9 years)
	Energy group 2	None	1 child (10-13 years) 1 elderly woman	1 child (10-13 years) 1 elderly woman
	Energy group 3	1 very active woman	1 very active woman	1 girl (14-18 years) 1 very active woman
	Energy group 4	1 very active man	1 very active man	1 very active man
Number of members in Energy group 1: 6 500 kJ		2	1	2
Number of members in Energy group 2: 8 500 kJ		0	2	2
Number of members in Energy group 3: 10 500 kJ		1	1	2
Number of members in Energy group 4: 12 000 kJ		1	1	1
Total cost of food to meet basic nutritional requirements per family per month:		R2 165.11	R2 737.27	R3 789.40

TABLE 3 provides an example of how the data in the PACSA Minimum Nutritional Basket can be used. By changing family member variables and linking these variables to the energy groups, it is possible to calculate the monthly costs of a basic but nutritional basket of food for any family.

June 2015
Key indicators and commodities

TABLE 4: Key indicators

Indicators	Feb_2015	Mar_2015	Apr_2015	May_2015	Jun_2015
Total PACSA food basket	R 1 617.26	R 1 632.85	R 1 629.04	R 1 670.20	R 1 654.81
PACSA month-on-month change (R)	R 49.01	R 15.59	-R 3.81	R 41.16	-R 15.39
PACSA month-on-month change (%)	3.13%	0.96%	-0.23%	2.53%	-0.92%
CPI-Food & NAB month-on-month rates	0.4%	0.8%	0.5%	0.6%	-0.3%
CPI-Food & NAB year-on-year rates	6.4%	5.8%	5.0%	4.7%	4.3%
CPI headline year-on-year rates	3.9%	4.0%	4.5%	4.6%	4.7%

Data sourced from: Statistics South Africa. Consumer Price Index. <http://www.statssa.gov.za/publications/P0141/P0141June2015.pdf>

Key indicators

The Consumer Price Index (CPI) is a national measure of inflation compiled by STATSSA. It is a measure of average price changes for consumer goods and services. South Africa's CPI is used to measure inflation for macroeconomic analysis and monetary policy and is used as the basis for wage negotiations and adjustments to social grants.

The CPI is constructed on a range of expenditure levels and spending patterns. Because all South African data is skewed by our extreme structural inequality, national measures tend to capture the middle – the middle is not the majority. The CPI approximates the expenditure of households that spend R12 900 a month. Similarly the weighting given to the 12 categories making up the total CPI basket do not capture the reality of the majority of our people. Workers earning low wages spend money on fewer items in the CPI basket and the proportion of money spent on these items is higher e.g. food, transport and electricity account for ± 90% of the expenditure for the majority of Pietermaritzburg low-income households. In the CPI however; food, transport and electricity are weighted at less than 50% of the total basket of household expenditure.

The PACSA Food Price Barometer tracks the expenditure patterns specifically of low-income households. It tracks the foods low-income households actually buy and the supermarkets low-income households buy from. Because our data is specifically focused on working class poor households, it is able to capture the reality of food price inflation for low-income households.

TABLE 4 presents the CPI-headline inflation (the full basket making up the CPI), the CPI-food component (just the food and non-alcoholic beverage category) and the PACSA food price barometer. Comparing CPI with CPI-food is useful because food prices typically drive overall inflation; and wages and social grant increases are often granted on CPI-headline inflation and not CPI-food. This distinction is important because food price inflation is borne highest by low-income households because most household monies are spent on food. Similarly comparing CPI-food with the PACSA food price barometer is useful because our barometer specifically shows the impact of food price inflation for poor working class households. Hence although both indicators will follow similar trends, the PACSA food price barometer provides a starker indication of the immediate reality of food price inflation.

TABLE 5: Key commodities

Commodities	Feb_2015	Mar_2015	Apr_2015	May_2015	Jun_2015
Exchange rate	R 11.53	R 12.04	R 11.96	R 11.90	R 12.56
Oil price per barrel (\$)	\$53.00	\$59.73	\$57.82	\$65.39	\$63.31
Petrol (Inland) per litre	R 10.09	R 11.05	R 12.61	R 12.61	R 13.08
Diesel (Reef) per litre	R 9.26	R 10.00	R 11.23	R 11.17	R 11.67
RSA White Maize per ton	R 2 410.00	R 2 658.00	R 2 559.00	R 2 681.00	R 2 727.00
RSA Yellow Maize per ton	R 2 228.00	R 2 405.00	R 2 396.00	R 2 370.00	R 2 434.00
RSA Wheat per ton	R 3 803.00	R 3 910.00	R 3 869.00	R 3 819.00	R 3 902.00
RSA Soybeans per ton	R 5 300.00	R 4 960.00	R 4 816.00	R 4 807.00	R 4 844.00
RSA Sunflower seed per ton	R 5 060.00	R 5 000.00	R 4 860.00	R 4 840.00	R 5 234.00

Data sourced from: Department of Energy. Fuel Price History 2015 <http://www.energy.gov.za/files/esources/petroleum/July2015/Fuel-Price-History.pdf> and Department of Agriculture, Forestry and Fisheries. Weekly Price Watch <http://www.daff.gov.za/daffweb3/Portals/0/Price%20Watch/PriceWatch%202015-06-05.pdf>

Commodity prices

Most of our food is planted for profits and not for the plate. Analysing food prices is difficult because we need to consider the logic of the market and not a logic which would follow if food was grown for people. Most of the food on supermarket shelves is grown through agro-industrial methods. The crude oil price and exchange rate are key drivers of food prices locally. Our basic staple foods are commodified and speculated upon on international markets. The price of maize meal in our local supermarket tracks international commodity prices e.g. if the price per tonne of USA maize increases then South African farmers may choose to export their harvest to make more profits, so the price of local South African maize increases.

TABLE 5 includes some of the core drivers of food price inflation as well as our core staple foods subject to international commodity speculation.

June 2015
Affordability tables

TABLE 6: Income and expenditure for households of various socio-economic scenarios

Household socio-economic scenarios	Household A	Household B	Household C	Household D	Household E
Total household income	R 1 410.00	R 2 362.00	R 3 200.00	R 4 660.00	R 8 000.00
Number of household members	5	5	5	5	5
MINUS MINIMUM NUTRITIONAL food basket	R 2 737.27	R 2 737.27	R 2 737.27	R 2 737.27	R 2 737.27
Monies left over AFTER FOOD to buy some essential household requirements*	R -1 327.27	R -375.27	R 462.73	R 1 922.73	R 5 262.73
MINUS Burial insurance	R 200.00	R 200.00	R 200.00	R 200.00	R 200.00
MINUS Electricity and water	R 589.95	R 589.95	R 589.95	R 589.95	R 589.95
MINUS Transport	R 660.00	R 660.00	R 660.00	R 660.00	R 660.00
MINUS Education	R 500.00	R 500.00	R 500.00	R 500.00	R 500.00
MINUS Communication and media	R 150.00	R 150.00	R 150.00	R 150.00	R 150.00
MINUS Clothing and footwear	R 416.66	R 416.66	R 416.66	R 416.66	R 416.66
MINUS Domestic & household hygiene items	R 530.20	R 530.20	R 530.20	R 530.20	R 530.20
MINUS Cultural obligations	R 350.00	R 350.00	R 350.00	R 350.00	R 350.00
Monies left over AFTER FOOD & SOME ESSENTIAL HOUSEHOLD REQUIREMENTS secured	R -4 724.08	R -3 772.08	R -2 934.08	R -1 474.08	R 1 865.92

* Please note expenditures in Table above exclude monies for debt repayments, health care, education, rent, emergencies, amongst others.

** Our research in Pietermaritzburg has shown that a household of five needs at least R8 000 a month to afford the expenditures that allow a family to live at a basic level of dignity (see "Household E").

Food price affordability

TABLE 6 shows the impact of low incomes and high food and other essential goods and service costs on the ability of households with different incomes and socio-economic scenarios to secure food. Please refer to Appendix 1 for the justification of income, household size, food indicator, and quantity and value of goods and services presented in the table above. All figures are purposive to present a realistic picture of the socio-economic situation affecting a wide range of low-income households and the costs of goods and services in Pietermaritzburg.

South Africans are net buyers of food. Supermarkets are the main source of food for the majority of households. Food availability is not generally a problem. We have enough food. The problem is food price affordability. We do not have enough money to buy the food we need. Food insecurity therefore has its basis not in agriculture but is caused by economic and political choices.

For households living on low incomes, food expenditure is not the first priority. Households typically prioritise the non-negotiable expenses before food – such as those expenses which incur penalties for non-payment (e.g. household debt repayments) and those that simply have to be paid (e.g. transport to work, electricity and burial insurance). Food is one of the few expenses which households are able to control. To analyse food price affordability we therefore need to consider not only the level of wages and social grants but also the inflation on other non-negotiable goods and services as well as that of food.

TABLE 7: Comparing PACSA Monthly Food Basket with PACSA Monthly Minimum Nutritional Food Basket

PACSA Food Baskets	Cost of Basket for household size of 7
PACSA Monthly Minimum Nutritional Food Basket	R 3 789.40
PACSA Monthly Food Basket	R 1 654.81
Difference between Baskets	R 2 134.59

How affordability affects nutrition

Food is typically one of the few expenses which low-income households are able to control and because of this other non-negotiable expenses take precedent. This is the reason why we tend to see such low expenditure on food. It is not because that expenditure is what households' reasonably need to or wish to spend to secure sufficient quantities of a diverse range of food for adequate nutrition; it is because this is the amount of money households are able to spend on food.

TABLE 7 shows the severity of the impact of food price affordability on household nutrition when comparing the PACSA Food Basket to the PACSA Minimum Nutritional Food Basket. Low-income households are not able to secure sufficient nutritious food to ensure minimum nutrition, health, well-being and productivity.

Appendix 1: Notes and References for Affordability Table 6

Total household income

We have selected 5 total household income scenarios:

- Household A:** R1 410 = 1 old-age pension (National Treasury, 2014. Budget Speech: 13).
- Household B:** R2 362 = the average minimum wage set by the Employment Conditions Commission across sectoral determinations for 2014 was R2362.36.
- Household C:** R3 200 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.
- Household D:** R4 660 is the average monthly consumption expenditure for Black South African Households (STATSSA, 2012).
- Household E:** R8 000 is where we think the national minimum wage should be located if households are to have the possibility of accessing a basic level of dignity.

Burial insurance

This figure of R200 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 and water

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 R1.45 per kWh because prepaid meters are installed in the homes of low-income households. The 2015/16 rand value is R507.50 per month (excluding transport and time costs of buying tokens). Households on prepaid meters in Pietermaritzburg are excluded from accessing free basic electricity.

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 2015/16 charges on an unmetered water supply is R82.45 per month (includes VAT). **The figure in the table (R589.95) is the sum of electricity and water.**

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 R11 or R22 return (Pietermaritzburg kombi charges, July 2014).

The R660 is calculated as follows:

20 trips to work [20 X R22 = R440] + 5 trips to town for work/study /shopping/church etc. [5 X R22 = R110] + 1 long distance trip (we use Durban as the destination) [1 X R110].

Education

This figure has been derived from a focus group, it has its basis in the experience of women with children; it provides the possibility for stationery (± R500 per annum); Carlton paper and toilet paper (R50 once or twice a year); School fees (± R250 once or twice a year); School computer access (± R100 a month); contribution to transport costs.

Communication and media

This figure is arbitrary; it provides R150 per household per month – for newspapers, airtime, photocopying etc.

Clothing and footwear

This figure is arbitrary; it provides roughly R1 000 each for each member in a family of five. The annual figure of R5000 is divided by 12 months to give R416.66 per household per month. Note that for children, the R1 000 allocated may cover school clothes and shoes for a year but will exclude other clothes worn at home.

Domestic and household hygiene products

This figure presents the monthly price of personal and domestic hygiene products tracked through PACSA's barometer. This data and the products tracked were reweighted from October 2014.

Personal hygiene products tracked include:

toilet paper [1ply x 20 rolls], bath soap [200g x 6], toothpaste [100ml x 3], sanitary pads [pack of 10 x 2], Vaseline [250ml x 2], face & body cream [big bottle x2], roll-on [normal x 4], spray deodorant [big sprays x2], shoe polish [100ml x1].

Domestic hygiene products tracked include:

dishwashing liquid [750ml x1], washing powder [2kg x1], green bar soap [bars x4], toilet cleaner [750ml x 1], kitchen cleaner [750ml x1] and jik [750ml x1].

Cultural obligations

This figure is arbitrary; it provides R350 per month - includes monies for contributions to funerals, weddings, religious and cultural ceremonies, and possible intra and inter family and community financial assistance.

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."