



Briefing Paper 549

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Outliving the High Cost of Living

"The poor you will always have with you." (Mk 14:7)

1. Introduction

The 'poverty premium' that flows from price increases of petrol, diesel, illuminating paraffin, electricity, etc., affects the poor differently than the rich or the middle class. This 'poverty premium' is best summed up by a Terry Pratchett Discworld character, Captain Samuel Vimes,¹ who muses that the rich are rich because they manage to spend less money. They have choices about what to buy – the poor do not. The narrator of the story expounds on this by focusing on Vime's boot buying habits:

"[Vimes] earned 38 dollars a month plus allowances. A really good pair of leather boots cost 50 dollars. But an affordable pair of boots, which were OK for a season or two and then leaked like hell when the cardboard gave out, cost about 10 dollars... A man who could afford 50 dollars had a pair of boots that'd still be keeping his feet dry in 10 years' time, while the poor man who could only afford cheap boots would have spent 100 dollars on boots in the same time and would still have wet feet."

This so-called 'boots theory of socio-economic unfairness' is now being used by British anti-poverty campaigner, Jack Monroe, as the inspiration for her "Vimes Boots (price) Index", which is intended to document the insidiously creeping prices of basic food items in the UK. Here in South Africa, the Pietermaritzburg Economic Justice and Dignity Group (PMBEJD) releases a monthly Household Affordability Index, which tracks food price data from 44 supermarkets and

30 butcheries in Johannesburg, Durban, Cape Town, Pietermaritzburg, and Springbok in the Northern Cape. The main drive behind the organization is to provide credible data that brings to life the political economy as it impacts on low-income households in South Africa. In a recent CPLO webinar, Mervyn Abrahams, programme co-ordinator for the PMBEJD, laid bare how the high cost of living impacted poor households, what contributed to high food prices, and what can and should be done to mitigate the blows of high food prices, unemployment, high inflation and global economic drivers.

2. What Are the Drivers of High Food Prices?

2.1. Inflation

South Africa's overall rate of inflation (the purchasing power of your money year on year) in March 2022 was 5.9 %, yet the rate of increase in the price of food and non-alcoholic beverages was 6.2%.² Thus, food prices are increasing faster than overall inflation, meaning that whatever income poor households may have will buy them a lot less of this most basic item than before.

2.2. Fuel

Between March 2021 and March 2022, the cost of petrol increased by 32.6%, and diesel increased by 35.1%.³ An increase in fuel prices means higher food prices for consumers as the farming and freight sectors try to mitigate the higher cost of transporting goods. According to Dawie Maree, head of information and marketing at FNB

Agriculture, most of South Africa's crops (around 80%) are transported by road. For example, raw maize is transported by road to the millers in Gauteng and the end product – processed mealie meal – is transported back to the rural areas by road.

Meanwhile, the soaring price of paraffin – used for cooking and heating in mostly poor and working-class households – will hit the vulnerable bottom of South Africa's income ladder at a time of mounting job losses, inflationary pressures and the onset of winter.

2.3. Global pressures and agricultural input costs

According to Wandile Sihlobo, chief economist of the Agricultural Business Chamber of South Africa (Agbiz),⁴ the main drivers of high food prices are the “production constraints in South America, combined with rising demand for oilseeds and grains in China and India”. Thus, while South Africa has improved its domestic crop supply, its reliance on imported grains and oilseeds, together with a volatile exchange rate, leaves it vulnerable to soaring global prices. South Africa also imports approximately 80% of its annual fertiliser consumption, of which about 41% goes towards maize production. Fertiliser constitutes about 35% of grain farmers' input costs, and is a substantial share of input costs for other agricultural commodities and crops.⁵ Thus, global developments have a direct bearing on the cost of agricultural goods in South Africa.

3. The Household Affordability Index⁶

All of the above-mentioned drivers impact what poor households can afford and what they prioritize as they try to make ends meet. According to the PMBEJD, South African households were paying R4 450.90 in March for a basket of 44 basic food items. The food items are tracked by women data collectors at 44 supermarkets and 30 butcheries that target the “low-income market and which women identified as those they shop at in the areas where they live”. The items are selected on relative affordability, reasonable quality and what is on special. A basic food basket includes items like sugar, maize, bread, chicken feet, eggs, chicken and beef liver, maas, cabbage, tomatoes, potatoes, etc.

Over a period of three months this year (March to May), the cost of a basket of basic foods increased by 3.5%. In May it came in at R4 609.89, which was an increase of R158 from the March cost. According to Mr Abrahams, a bag of 10kg of potatoes has increased by 10% over the period; a 10kg bag of frozen chicken increased by 13%; and there was a 9% increase for brown bread. These, however, are by no means the only increases. The index also tracks the costs of personal hygiene products, because personal hygiene is also about human dignity, and it also tracks domestic cleaning products. Over the three months, items like sanitary towels, washing powder, Vaseline, green bar-soap, etc., all increased significantly.

The increases in transport costs, electricity, paraffin and the servicing of debt compete in terms of the household budget. An increase in one area impacts another. For example, if the green bar-soap increases massively that means that there is less money available to purchase food because the food budget contains both what must be spent on food as well as what must be spent on personal hygiene and household domestic products. Trying to make ends meet often means that poor households compromise on the quality and nutritional value of the foods that are bought. Core foods such as maize, bread and rice are bought first to ensure that a family can eat. The consequence is that there is less money in the budget to spend on nutritionally-rich foods like meat, eggs, fruit, vegetables, pilchards, peanut butter, dairy products, etc., which are essential for health, especially for strong immune systems. The PMBEJD research has shown that the core foods contribute more than half (54%) of the total cost of the food basket. In May this total amounted to R2 478.42. According to the PMBEJD, the average cost of a basic nutritious diet for a child per month was R787.99 in March; by May it had increased to R803.46. While an argument is often advanced that the Child Support Grant (CSG) should aid in feeding children, the reality is that the increase in the CSG does not keep up with the rate the increases in food prices. The value of the CSG (R480) is far below the food poverty line of R624, and 40% below the average cost of securing a basic nutritious diet for a child.

The PMBEJD also argues that the household budget of a poor family, which is dependent on family members earning a minimum wage, is insufficient for survival. For example, where a household has a family member earning the government-mandated national minimum wage (NMW) of R23.19 per hour, the income is not

enough to buy food and pay for transport and electricity. The family member would earn only R3 895.92 if they worked for 21 days at 8 hours a day. If this amount is disbursed in a family of four, each one would get R973.98 – which is well below the upper-bound poverty line⁷ of R1 335 per month. If transport and electricity costs are deducted, the household budget would shrink to less than R2 000, which equates to only R500 per person for a family of four. This means that each family member would receive much less than the food poverty line of R624. PMBEJD further argues that the small annual increments to the national minimum wage “do not reflect inflation levels as experienced by workers (including not projecting inflation forward for workers in the entire 2022 term), which means that workers on the NMW are getting poorer and poorer each year”.

4. Cushioning the Blow

All indications are that things will get worse – petrol prices will continue to rise; commodity prices will keep rising as the war in Ukraine drags on, and inflation will keep rising. The question that arises is what can be done to cushion or insulate poor households from falling further below the poverty line?

There is not much South Africa can do to mitigate global developments which impact such things as cooking oil prices, grain prices and fuel prices but, according to Mr Abrahams, we can contribute in small, individual ways to tackling the heftier systemic challenges. These include:

4.1. Sharing with the poor

An immediate response could include doubling our efforts, whether through our faith communities, individually or through our families, to share with those who do not have. A relatively small donation by a middle-class or wealthy household can equate to a large portion of a poor household’s food budget.

4.2. Growing our own

While the countries like Kenya and Zambia (and the rest of Africa) are also experiencing sharp rises in food prices, research indicates that these countries are somewhat less impacted because there is a culture of households growing their own food. South Africans, on the other hand, according to Mr Abrahams, obtain close to 90% of their food

from the retail sector. What is thus required is a behavioural change that would encourage growing food items – such as tomatoes, leafy greens, etc. – at home. While this may not completely change a culture of retail reliance, it can contribute to lessening the burden on the household budget.

4.3. Changing our food system

According to a 2021 Council for Scientific and Industrial Research (CSIR) study,⁸ South Africa’s food waste is equivalent to 34% of local food production, but because the country is a net exporter of food, the losses and waste are equivalent to 45% of the available food supply. The 2019 Food Waste Prevention and Management guidelines⁹ produced by the CSIR and the Department of Environment, Fisheries and Forestry, indicate that, on average, each person in Johannesburg disposes of 12kg of food a year into the municipal bin, and in Ekurhuleni it is 8kg per person per year.

Mr Abrahams argues that food wastage can be kept to the absolute minimum if there is a change from a dominant commercial-agricultural model to a more localised system that encourages the participation of small scale-farmers.

4.4. Transforming the economic model

One of the biggest challenges is to create an economic model that will ensure that people can earn a living wage through means of employment and livelihood creation. A means to achieve this is to implement the much-touted basic income grant, which can encourage entrepreneurship that will provide services that communities need. In turn, communities will be able to buy these services with the income from their basic income grant. According to its proponents, this kind of multiplier effect of a basic income grant outweighs the costs of implementing it.

5. Conclusion

The poor will always be with us – which means that solutions must be found to mitigate the hardships they endure. The positive impact that social grants can make is undisputable, but much more is needed. Government’s dithering ineptness in distributing the R350 Social Relief of Distress Grant (SRD) is worsening the already perilous position millions of South Africans are finding

themselves in. The delay in implementing a basic income grant is arguably also another example of the government's inability to care for its poor. What is needed is a complete mind-set shift in how the economy can be transformed so that poorer

households can, unlike the Terry Pratchett character Vimes, afford to buy a better quality boot that will keep their feet dry much longer than a cheap pair.

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¹ Terry Pratchett (1993): *Men at Arms*

² Statistics South Africa (2022): *Consumer Price Index, March 2022*. Available online at <https://tinyurl.com/2dftu9du>

³ Statistics South Africa (2022): *Transport costs continue to drive inflation higher*. Available online at <https://www.statssa.gov.za/?p=15341>

⁴ Ina Opperman (2022): *Food inflation: the culprit is primarily global developments – economist*. The Citizen Online. Available at <https://tinyurl.com/bdzk27pr>

⁵ Wandile Sihlobo (2022): *Agricultural input costs remain elevated, squeezing farmers' profits*. Available online at <https://tinyurl.com/43nfdytf>

⁶ PMBEJD (2022): *Household Affordability Index, March and May*. Available online at <https://pmbejd.org.za/index.php/household-affordability-index/>

⁷ This refers to the amount of money that an individual needs to afford the minimum required daily energy intake (food poverty line of R624) plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line.

⁸ Oelofse SHH, Polasi T, Haywood L, Musvoto C (2001). *Increasing reliable, scientific data and information on food losses and waste in South Africa*. CSIR South Africa. Available online at <https://tinyurl.com/yck55p2c>

⁹ Available online at <https://tinyurl.com/2p85t9d6>

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