

# South Africa's food security crisis

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## **Table of contents**

|  |    |
|--|----|
| PROBLEM STATEMENT .....                      | 1  |
| COSATU'S CONCERNS.....                       | 4  |
| ANALYSIS OF THE CAUSES OF THE SITUATION..... | 7  |
| Speculative profiteering.....                | 7  |
| Long-term factors .....                      | 11 |
| POLICY DIMENSIONS.....                       | 13 |
| PROPOSALS.....                               | 13 |
| REFERENCES.....                              | 16 |

## **List of figures**

|  |    |
|--|----|
| Figure 1: The percentage of annual household expenditure spent on food, 1995-2000....                            | 1  |
| Figure 2: V.A.T. zero rating anomalies in the retail price of bread.....   | 5  |
| Figure 3: Wheat product sales in the eThekweni (Durban) metropole.....   | 6  |
| Figure 4: Changes in domestic consumption of major grain products 1993 – 1999.....                               | 7  |
| Figure 5: Domestic maize surpluses / shortfalls SADC: 1999/2000, 2000/2001 and<br>2001/2002 marketing years..... | 8  |
| Figure 6: Towards a set of key indicators to monitor maize meal price formation.....                             | 8  |
| Figure 7: Investment in agriculture compared to the economy as a whole .....                                     | 11 |
| Figure 8: The long-run trend in agricultural employment.....   | 12 |

## **List of tables**

|   |   |
|---|---|
| Table 1: The percentage of households that farm in order to supply food for the household ..... | 2 |
| Table 2: Price differentials for basic foods according to location.....                         | 6 |

## Problem Statement

South Africa faces a crisis of rising food prices and food insecurity. The food price index rose 16.7 per cent in the year to June 2002 as compared to non-food inflation of 7.2 per cent (Stats SA, 2002b). The price of maize meal doubled in the year to June 2002 and may escalate to even higher levels in the next few months.

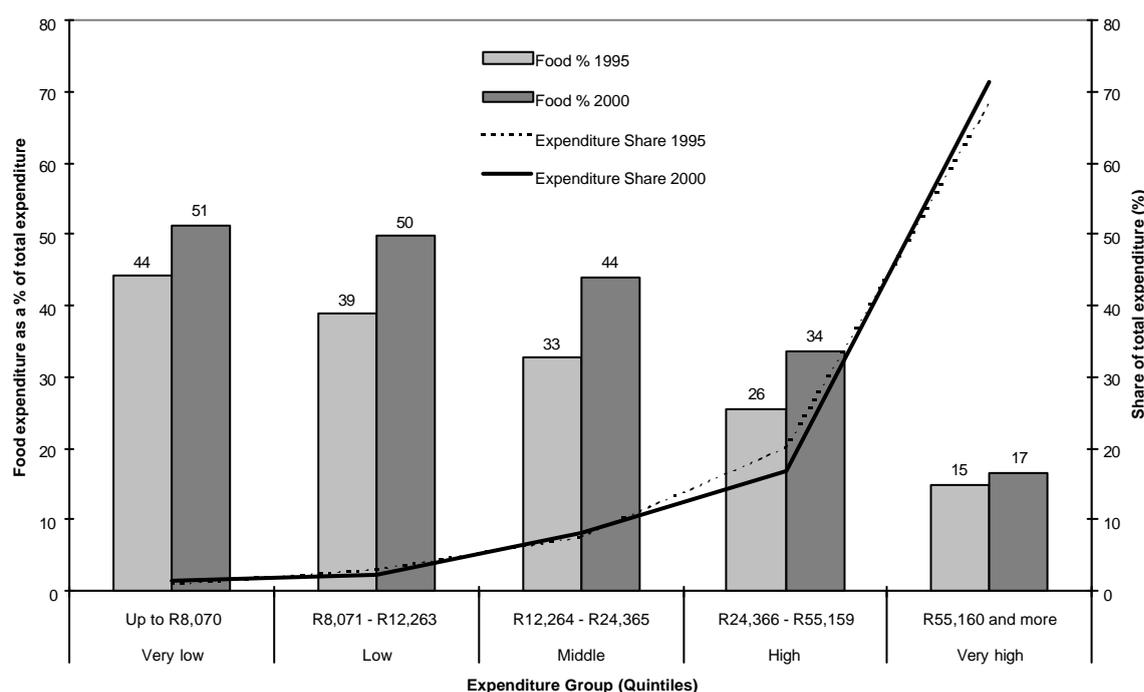
Food and maize meal price increases are devastating for the working class. Workers typically spend more than a third of their income on food. The ultra-poor spend over 50 per cent of their income on food (see Figure 1), and up to 20 per cent on maize alone (NIEP, 1995). Over two thirds of ultra poor households are located in rural areas and more than half have members who are pensioners and whose main supporters are women (Watkinson and Horton, 2001).

Food makes up such a high share of spending by the poor that rapid inflation in food prices has a devastating impact on living standards as well as on the efficiency of the economy as a whole. It means the price index for the low-income groups rises far more rapidly than the overall Consumer Price Index (CPI). For households earning below R2030 a month, the CPI in the year to June 2002 rose by between 11 and 14 per cent, compared to 8 per cent for the very high-income group, and 9 per cent for the overall CPI in metropolitan and other urban areas (Stats SA, 2002b).

As a result of the approach taken by Statistics South Africa in calculating and publishing the CPI, it is not possible to demonstrate exactly which items of expenditure are responsible for the 11-14 per cent price increase experienced by low-income households (see Box 1, for a more detailed discussion of the CPI and low-income consumers). Despite this, it is possible to say that food price increases for low-income households ranged from 18 to 19 per cent and therefore warrant more detailed investigation.

**Figure 1: The percentage of annual household expenditure spent on food, 1995-2000**

Source: Stats SA, 2002a (CPI, Metropolitan and other urban areas)



**Box 1:**  
**The Consumer Price Index (CPI) is not sensitive to the prices paid by the working class and the ultra poor**

Caution is necessary when interpreting changes in the CPI. Figure 1 above shows that the percentage of total expenditure on food increases dramatically with the level of expenditure poverty. Other categories of expenditure that show a similar pattern to food include: energy (paraffin, candles or electricity), cleaning and washing materials and to a lesser extent clothing and footwear.

However, since the CPI is weighted by the total expenditure of each income group, it is not sensitive to price increases in the goods that are bought predominately by lower income households. The 2000 weights applied to each income group (starting from the lowest) were 1.4, 2.3, 8.1, 17.0, and 71.3. In addition to these massive gaps in share of total expenditure, expenditure inequality actually increased between 1995 and 2000 (Stats SA, 2002a).

The CPI weighting system means that the overall index is 1.7 times as sensitive to changes in the price of computers than it is to the price of maize meal. The food price index also represents the situation in wealthy provinces like Gauteng (where prices are weighted by a factor of 41) as opposed to poorer provinces like Limpopo (where prices are only weighted by a factor of 2).

Most households in South Africa depend on food industries and food retailers for their food supplies. However, more than 600,000 households engage in farming to produce the main source of food for the family. In addition, over a million households farm to supplement what they purchase (see Table 1).

**Table 1: The percentage of households that farm in order to supply food for the household**

Source: Stats SA, 2000

| <i>Province</i> | <i>Total number of households</i> | <i>Number of households farming for main source of food</i> | <i>% of households farming for main source of food</i> | <i>Number of households farming for supplementary food</i> | <i>% of households farming for supplementary food</i> |
|-----------------|-----------------------------------|---|--|--|---|
| Western Cape    | 1,067,117                         | 3,241   | 0%   | 12,900   | 1%  |
| Gauteng         | 3,082,113                         | 17,338  | 1%   | 51,329   | 2%  |
| Northern Cape   | 191,287                           | 4,569   | 2%   | 8,291  | 4%  |
| North West      | 784,633                           | 14,591  | 2%   | 52,544   | 7%  |
| Free State      | 693,196                           | 30,219  | 4%   | 65,450   | 9%  |
| KwaZulu-Natal   | 2,047,498                         | 111,249   | 5%   | 315,062  | 15%   |
| Mpumalanga      | 643,221                           | 54,511  | 8%   | 85,550   | 13%   |
| Eastern Cape    | 1,434,280                         | 169,765   | 12%  | 277,322  | 19%   |
| Limpopo         | 1,001,423                         | 195,402   | 20%  | 272,568  | 27%   |
| <b>Total</b>    | <b>10,944,768</b>                 | <b>600,885</b>  | <b>5%</b>  | <b>1,141,016</b>   | <b>10%</b>  |

According to the September 2000 Labour Force Survey (Stats SA, 2000), the percentage of households involved in farming for cash or food is highest in the lowest income category and then decreases steeply, from 39 per cent of ultra-poor households, to 22 per cent of the poor, to 12 per cent, 6 per cent and 3 per cent of the wealthiest income group. Farming for own consumption is widespread in South Africa and can be understood as a strategy by poor rural households to save income.<sup>1</sup> As demonstrated in the Labour Force Survey, the burden of subsistence production weighs heavily on women, young people and very old people.<sup>2</sup>

Section 2.11.6 of *the Reconstruction and Development Programme* states that:

The democratic government should institute a National Nutrition Surveillance System, which should aim to weigh a statistically significant proportion of children under the age of five years each month to establish their levels of growth and wellbeing. These simple data will provide measures of food security in each area, measures which are essential both for health planning and for targeting relief, for instance during drought. More widely, South Africa currently lacks an early warning system which can alert central authorities to threats to food and water security. The RDP should establish institutions to collect and monitor nutritional and other key socio-economic and agricultural data.

(ANC, 1994)

As part of fulfilling this obligation, information collected by the Department of Health indicates that there has been an increase between 1995 and 1999 in the number of malnourished children (Sanders, 2002). Wasting amongst children (a measure of chronic malnutrition) has increased dramatically in some provinces (Health Systems Trust, 2002). According to these measures, the scale of the food insecurity problem in South Africa is growing. Studies confirm that childhood malnutrition rates increase with increasing levels of income poverty and higher food shares in total consumption (i.e., malnutrition rates follow a similar trend to that shown in Figure 1). It is also accepted internationally that malnutrition perpetuates the cycle of poverty. To appreciate this statement fully it should be understood that approximately **2 million households** in South Africa reported members going hungry in the year preceding the September 2000 Labour Force Survey.<sup>3</sup>

As Box 2 shows, there are steps that the state can take to break the cycle of poverty. There is also a clear link between addressing the impact of the HIV/AIDS epidemic and adequate nutrition. Adequate and affordable nutrition is essential for HIV/AIDS sufferers. In addition, appropriate diet is crucial for patients who receive anti-retroviral treatment. In this context, some epidemiologists have raised serious concerns about the level of harmful toxins found in common food products (Dutton, 2001).

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<sup>1</sup> Purchased food in remote rural areas is comparatively expensive (see later section on food price variations by location and outlet).

<sup>2</sup> The September 2000 Labour Force Survey indicates the following regarding farming activities, gender, age and total number of people: a) main source of food for the household, 61% women, 15-24 and 65+ years 40% (1,259,826); b) as an extra source of food for the household, 62% women, 15-24 and 65+ years 38% (2,141,666), c) main source of income, women 46%, 15-24 and 65+ years 24% (161,348); d) extra source of income, women 51%, 15-24 and 65+ years 31% (224,024).

<sup>3</sup> The figure of 2 million households with members going hungry relates to the findings of a 2002 study into absolute poverty conducted by Dr Samuel Bonti-Ankomah of the National Institute for Economic Policy (Bonti-Ankomah, 2002).

**Box 2:**  
**The role of integrated nutrition planning,  
ID books and child support grants**

Public health workers deep within the rural areas of the Eastern Cape have been able to make a positive impact on poverty and childhood nutrition. Through understanding the circumstances of children who were admitted to hospital because they were suffering from malnutrition, an integrated nutrition programme was able to identify the immediate as well as the more distant causes of the problem. While mothers of the malnourished children had taken the nutritional advice of hospital workers to heart, when they returned to their homesteads they were too poor to buy the food that was required, and too landless to produce it. Without access to employment, an identity book and the means to access the state social security system (i.e., time and transport money), many of the households with malnourished children were experiencing social exclusion. Once the Minister of Social Development was made aware of the problem, Department of Home Affairs officials travelled into rural areas to supply ID books, which enabled social workers to register vulnerable households for monthly child support grants.

Source: Adapted from [Sanders, 2002](#)

## **COSATU's Concerns**

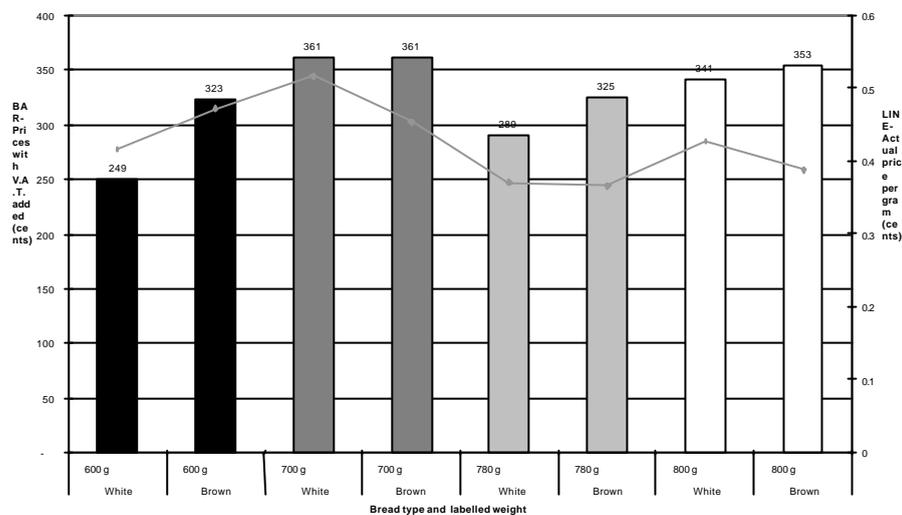
Taking note of the statement of the problem as presented above, COSATU's specific concerns are:

1. The combined effect of large-scale job losses and widespread informalisation is that working class families are becoming poorer and there is a resultant problem with food affordability (see [Makgetla, 2001](#), for a discussion of unemployment trends).
2. The price of food has increased dramatically in the last year and further increases are expected. At the time of writing, in the absence of any intervention, market actors expect that maize meal prices will ramp up again soon. The most immediate cause of this next round of maize meal price increases will be the milling industry recuperating the costs of their purchases of expensive grain made earlier in 2002. Additional market factors predicted to hold up South African Futures Exchange (SAFEX) white maize spot prices, and therefore final maize meal prices, include:
  - exports to Zambia and other Southern African countries (especially Zimbabwe if problems with affordability and transport logistics are resolved);
  - expectations of El Nino related crop failure and damage in Southern Africa in the next maize season (i.e., planting in September / October 2002 and harvesting between May and August 2003);
  - US maize price increases following reports of a below average harvest.
3. The quality of some products has declined following deregulation:
  - There has been a hidden price rise in bread, with the real price per gram rising 293 per cent between 1990 and 2001. This reflects a substantial deterioration in both the weight and quality of the 'standard loaf', while the price of each loaf has risen only slightly. Processes related to this are: a) a lack of business interest in complying with food legislation; b) low government capacity to monitor and enforce product quality legislation; and c) low levels of consumer education.

- Despite the Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972, public monitoring of Maximum Residue Levels<sup>4</sup> and mycotoxin contamination in domestic food is not taking place.
4. The benefit of V.A.T. zero rating on basic foodstuffs is not being passed on to consumers.
- There are several inconsistencies in the pricing of bread. Brown bread is V.A.T. exempt, whilst white bread is not. This should mean that brown bread is no more than the price of white bread when 14 per cent is added to the price. However, as Figure 2 shows, only the 700g brown loaf complies, while all others do not. It is not clear which part of the industry chain is responsible for inflating brown bread prices (Stats SA, 2002c).

**Figure 2: V.A.T. zero rating anomalies in the retail price of bread**

Source: Statistics SA, consumer product prices, October 2001



5. Prices paid by consumers in low-income areas (informal settlements, townships and rural areas) are higher than in formal suburbs where large retail chain stores are available:.
- Table 2 provides an indication of how maize meal prices vary according to location and grade. Table 2 also shows bread retail margins by type of outlet. The Consumer Price Index only measures food prices from major supermarket chains in urban areas. Price variations between urban and rural areas are not accounted for. In urban areas, bread retail margins double when purchases are not made at national supermarkets. In the eThekweni metropolis, more bread is sold from informal outlets than from formal stores (see Figure 3).

<sup>4</sup> Maximum Residue Levels (MRLs) are set out in a schedule attached to the Foodstuffs, Cosmetics and Disinfectants Act. The Act is intended to regulate levels of pesticide and fungicide residue, food additives and preservatives. Requests for information from the relevant Department of Health officials resulted in the provision of some information on exported food, but no information on domestic food. Importing countries require a certificate that proves compliance with their mycotoxin and MRL specifications (from an approved laboratory) before allowing an import consignment. However, in order to meet its obligations in terms of the Codex Alimentarius, the Directorate of Food Control at the Department of Health appears to be building its capacity to test local food and establish levels of exposure to harmful chemicals and substances (see Nel and Steyn, 2002).

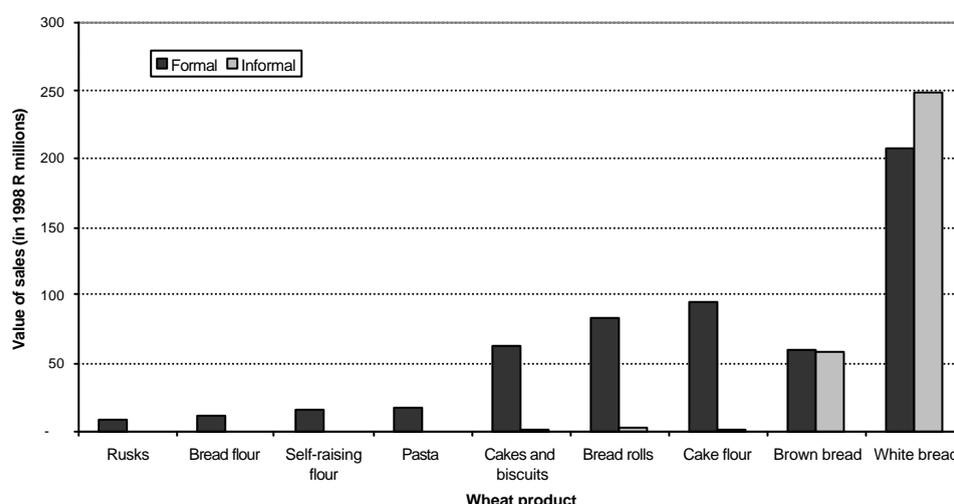
**Table 2: Price differentials for basic foods according to location**

|                    | <b>Product and location</b> | <b>Price per unit weight / retail markup</b> |
|--------------------|-----------------------------|--|
| <b>Maize meal</b>  | Sifted 50kg rural           | R1.18 -R1.30 / kg                            |
|                    | Sifted 50kg small town      | R1.04 -R1.06 / kg                            |
|                    | Sifted 50kg medium town     | R1.09 / kg                                   |
|                    | Super 50kg medium town      | R1.16 / kg                                   |
| <b>Brown bread</b> | National supermarkets       | <13%   |
|                    | Independent supermarket     | 20%  |
|                    | Urban cafe                  | 20-26%                                       |
|                    | Rural cafe                  | 20-26%                                       |
|                    | Urban spaza shop            | 20-26%                                       |

Source: Maize - [Bayley, 1997a](#); and Bread - [Beynon, 1995](#)  
 Notes: Maize meal prices are for July 1997. Sifted maize meal is a lower grade of maize meal than super maize meal. Bread prices are for February 1994. In both cases information was ultimately derived from industry sales representatives

**Figure 3: Wheat product sales in the eThekweni (Durban) metropole**

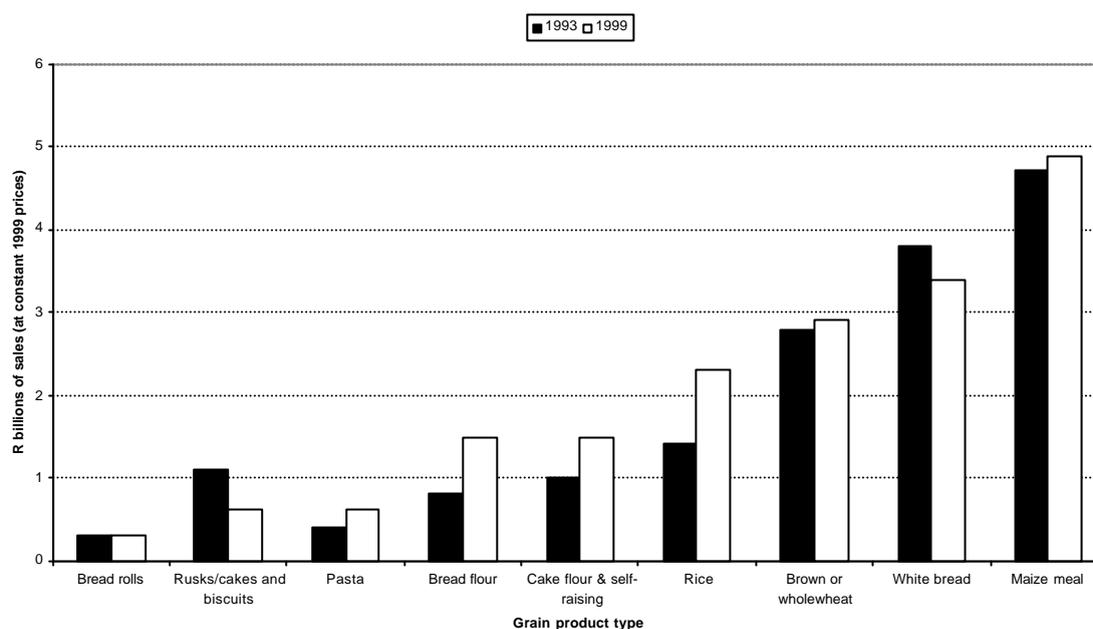
Source: [BMR, 1998](#)



6. Bread price increases may have encouraged lower income consumers to switch to staples that are imported (e.g., rice) or to lower value added products (e.g., flour) – see Figure 4. The loss of domestic added value has had a negative impact on employment.
7. Discussions with grain farm workers in the Free State during October 2001 exposed their frustration that trade protection for farmers did not translate into any form of employment protection for farm workers. Similar discussions with milling industry workers across the country earlier in the year also revealed widespread employment losses and downgrading (see [Watkinson, 2001](#)).

**Figure 4: Changes in domestic consumption of major grain products 1993 – 1999**

Source: BMR, 1993 and BMR, 1999



### Analysis of the causes of the situation

Effective policies to end the disproportionate rise in food prices and the food security problem must address the underlying causes. Causes include both speculative profiteering and longer-term structural problems.

### Speculative profiteering

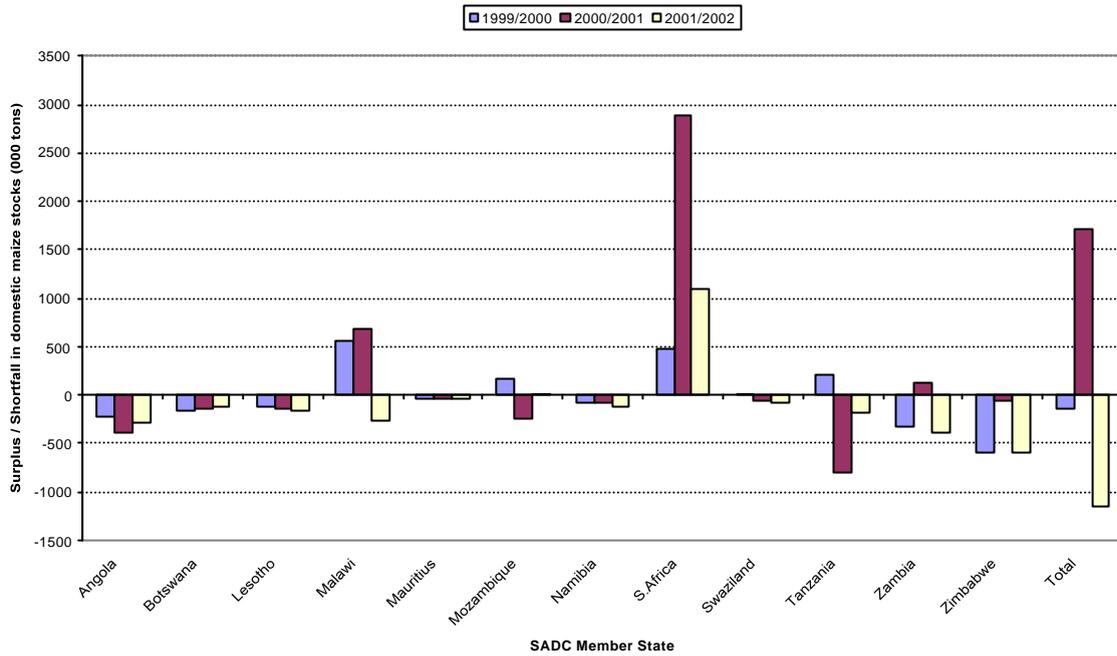
In-depth analyses of the production and marketing chains for specific commodities are the best way to reveal the underlying causes of food price increases. Here we only present a brief analysis of maize production and marketing in order to encapsulate our concerns about speculative profiteering and its effect on consumer prices.

South Africa generally exports maize and retains sizeable opening stocks each year. The last sizeable import of white maize occurred in the 1995/1996 season when there was a very small harvest.<sup>5</sup> Based on historic production levels, there appears to have been no serious domestic supply shortage in the last marketing year, primarily because of a large crop in the 2000/2001 season and a reasonable crop in 2001/2002 (see Figure 6 below). The domestic price of maize (i.e., the South African Future Exchange (SAFEX) spot price) is currently trading well above the import parity price (see Box 3 and Figure 6).

When turning to the regional maize production situation it becomes clearer that there has been a dramatic worsening of domestic maize availability in several countries from the 1999/2000 to the 2001/2002 marketing year. This has resulted in several countries requiring significant imports of maize (see Figure 5).

<sup>5</sup> South African consumers prefer to eat white maize meal (although millers have discovered that a 10% yellow maize content does not affect demand). Most of the largest maize exporting countries like the USA produce yellow maize (used in chicken and livestock feed). The price of white maize hinges on production (and export) levels in South Africa and several Southern African countries.

**Figure 5: Domestic maize surpluses / shortfalls within SADC: 1999/2000, 2000/2001 and 2001/2002 marketing years**

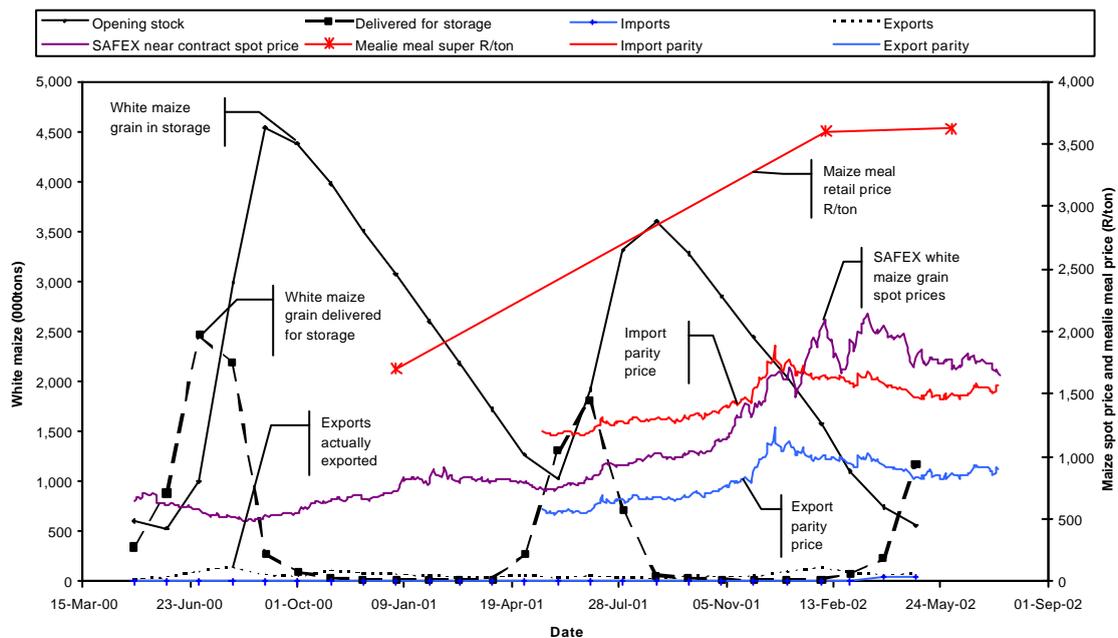


Source: SADC, 2000, SADC, 2001 and SADC, 2002

More detailed time-series indicators of the production and marketing of white maize in South Africa since the beginning of the 2000/2001 marketing year (May 2000) are shown in Figure 6.

**Figure 6: Towards a set of key indicators to monitor maize meal price formation**

Source: SAGIS (www.sagis.org.za), SAFEX (www.safex.co.za), National Crop Estimates Committee (www.nda.agric.za), own retail price survey points



Domestic consumption of white maize does not fluctuate much within a year and has demonstrated gradual yearly increases over the last decade. The 2000/2001 marketing year was a large harvest for white maize (6.4 million tons) with producer prices being close to export parity prices. Prior to planting last year, this translated into about R700 per ton, but when it came to the actual harvest, producer prices went as low as R500 per ton. Maize farmers were not pleased by this development. Millers claim that consumers benefited from these low producer prices in the 2000/2001 marketing year. However, given the problems with accessing maize meal prices, there is no means for us to validate this claim independently.

Upon entering the 2001/2002 marketing year, maize farmers were deliberately more conservative in their maize plantings. Because of their attempts to avoid a repeat of previous years' low producer prices, combined with unexpected inclement weather in parts of the country, the crop that has been harvested in 2001/2002 is significantly smaller (4.4 million tons). Together with reduced plantings and output, a perception has been created that South Africa may export a significant quantity of white maize to SADC countries.

This perception has played havoc with the domestic white maize price on the SA Futures Exchange. According to information released by Grain South Africa on 30 November 2001:

The projected exports of white maize in 2001/02 is 450,000 tons to the neighbouring BLNS countries, 150,000 tons to Zimbabwe, 180,000 tons to Malawi, 150,000 tons to Zambia, 80,000 tons to Mozambique and 150,000 tons to food aid organisations.

(Grain SA, 2001)

In addition to the impact of these perceptions, the maize tariff, which is denominated in dollars, makes maize imports very expensive.<sup>6</sup> The overall consequence has been that the working poor have been shocked by a 114 per cent increase in the maize meal price in the year to June 2002.

Unlike the 2000/2001 marketing year, when there was a large harvest, it is now the millers who are displeased by price developments, especially following the steep increase in grain and maize meal prices from October 2001 onwards. The National Chamber of Milling (NCM) has raised concerns about 'market manipulation' and has made more specific points about crop estimation. According to a press release issued by them, for every 1 per cent underestimation in the maize crop there is a 0.71 per cent increase in the maize price. The NCM goes on to say that "statistical work carried out by the Agricultural Research Council in November 2001 confirmed with 97% accuracy that the white maize crop is always underestimated" (National Chamber of Milling, 2002).

In the case of crop estimates, inaccurate and incomplete market information affects the price of maize on the South African Futures Exchange (SAFEX). The same could be said for estimates of regional maize exports.

We now turn to the question of 'who benefits?'. This question deserves serious policy attention and we are aware that a National Agricultural Marketing Council report on the maize industry is currently being reviewed by the Minister of Agriculture and Land Affairs but as it is not publicly available we have not been able to make use of its insights.

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<sup>6</sup> There is also very little white maize available on the international market (USA and Mexico). Furthermore, the white maize that can be bought is mostly genetically modified.

#### **Box 4: An introduction to the South African Futures Exchange**

SAFEX is the price regulating mechanism that replaced the Maize Board. The previous system was essentially a system of price setting where the Minister of Agriculture decided on a dispensation after having been lobbied by farmer and processor representatives. The SAFEX system relies on market mechanisms to determine prices. In essence, SAFEX consists of the hedging and speculating activities of brokers in the employ of maize sellers, maize buyers and major banks. Hedging is defined by SAFEX as “the transfer of price risk in order to avoid potential losses”. Speculation is defined by SAFEX as “the assumption of price risk in order to earn potential profits”. According to the CEO of SAFEX, speculation in maize futures and options can be a problem when the prices generated by the system no longer reflect “underlying factors over the long term” (personal communication, Rod Gravellet-Blondin, CEO SAFEX, January 2002).

In addition to SAFEX maize futures prices, there are also forward contracts and cash prices. Larger buyers of maize use forward contracts directly with farmers to hedge their risk. They usually buy a third of their milling requirement at the beginning of the season, another third midway through and the final third after harvest. Forward contract prices are not published. Of course, farmers can just sell their maize at a price agreed with a buyer and, like forward contracts, such agreements are not published. Large volumes of green mealies are also sold informally through the so-called bakkie trade. In the eThekweni Metro alone, R12 million worth of cooked mealies are sold on the streets during the season.

Below we make a limited set of points to stimulate discussion on where benefit lies:

1. **Farmers:** despite a request to the National Department of Agriculture, which sends more than 3,800 crop estimate questionnaires to summer grain farmers each year and receives 1,200 replies, no information could be supplied to us indicating trends in concentration of ownership in maize farming. Nonetheless, it is commonly understood that there has been a dramatic increase in the sale of smaller and more marginal grain farms since 1997 ([see below](#)).
2. **Silo owners and input suppliers:** analytical work on concentration of ownership amongst a few former grain co-operatives suggests that there are good reasons for concern about oligopoly pricing. Grain silo ownership is highly concentrated, with three former co-operatives, Sentraalwes (SWK), OTK and NWK owning 72 per cent of all silos. In addition, it has been shown that their 1997 share of silo capacity in the summer rainfall area was as follows: Sentraalwes 31.2%, OTK 21%, NWK 18.1% ([Bayley, 1997b](#)).

According to an OTK financial statement:

OTK has become a major buyer and seller of all grains. Its physical stock position has grown significantly. The resultant risk from the increased volumes is hedged on SAFEX. The growth in trading has occurred both nationally and on a selected basis in sub-Saharan Africa. OTK is now a leading player in product trading in the African sub-continent. The increased trading activity was preceded by the introduction of improved internal controls and world-class risk management techniques ... Silo capacity utilisation will increase in the second half of the financial year by leveraging

OTK's significant growth in its physical stock position. This better utilisation will ensure that profits will at least be maintained in the last six months of the current financial year, when compared to the prior year."

(OTK, 2001)

In addition, there has been preparatory work done by the National Department of Agriculture on a proposed Agricultural Warehouse Bill.

3. **Millers:** a report commissioned by the Milling Industry states that:

Data released in March 2001 indicated that profit on turnover, in the maize milling industry, excluding tax and interest, is 0.64%.

(de Villiers, 2001)

4. **Futures trading on SAFEX:** It is currently not possible to assess reports of the price increasing effects of 'large trades' by US and South African food companies and banks.

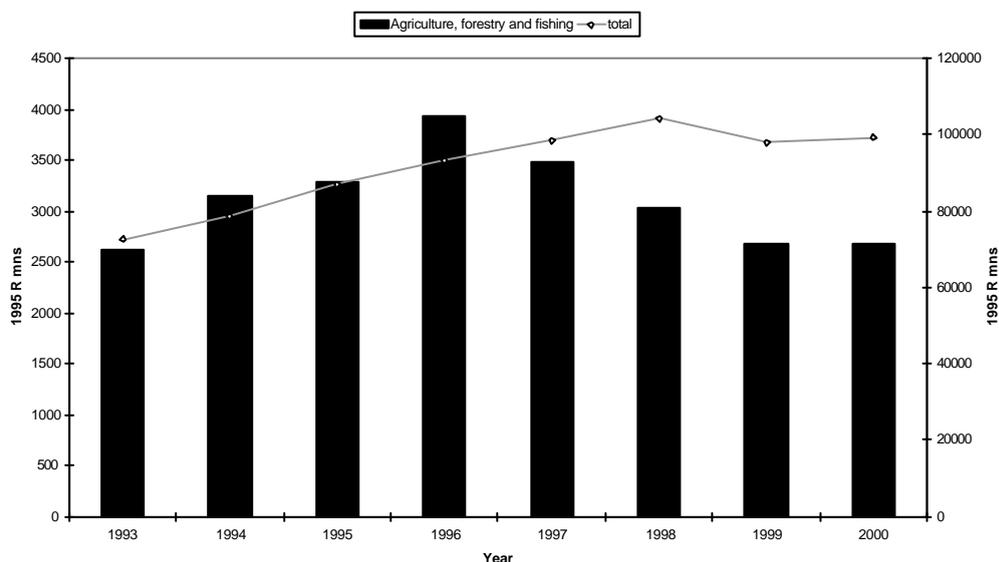
5. **Retailers:** retail mark-ups for maize meal are not known publicly with any degree of accuracy.

### Long-term factors

Since the mid-1990s, there has been a substantial decline in agricultural investment. The decline in agricultural investment has been more severe than in the economy as a whole (see Figure 7).

**Figure 7: Investment in agriculture compared to the economy as a whole**

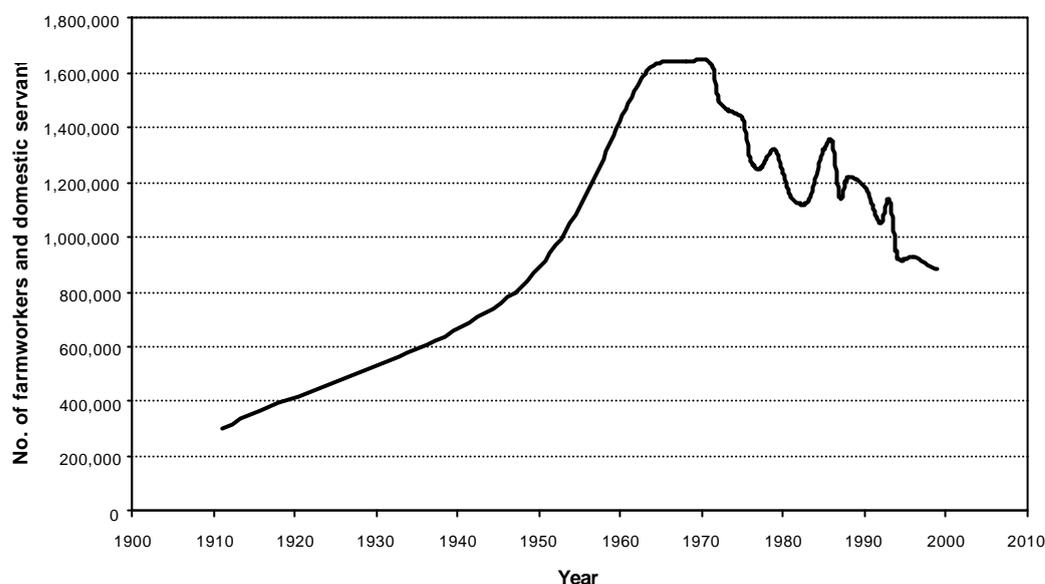
Source: SARB, 2001



There has also been a long-run precipitous decline in agricultural employment (see Figure 8).

**Figure 8: The long-run trend in agricultural employment**

Sources: 1987 (Murphy, 1995), 1988-1996 (StatsSA, 1999), 1999 (NDA, 1999)



The agricultural decline has been associated with growing differentiation within commercial farming, as less successful farmers go under, while larger ones become increasingly successful. The lack of investment shown in the graph above is related to the R20 billion farm debt that had accumulated by the late 1990s. About R10.5 billion in debt is held by private banks and R9 billion by the Agricultural Credit Board and Land Bank. The banks and the board began collecting debts from 1997 onwards. Private banks also tightened their lending criteria from that point onwards.<sup>7</sup>

Concentration of ownership in agricultural production has increased. Large producers are well organised in most sub sectors – notably wheat and maize (Grain SA for farmers and SA Chamber of Milling for millers). The formal retail sector is also highly concentrated, with effective domination by three supermarket chains. This level of concentration in production and distribution gives rise to concern about price collusion and profiteering. Finally, retail prices in poor communities are comparatively high because of the dependence on poorly organised and resourced micro-traders with relatively high mark-ups over the big retail chains.

Concentration of ownership may also explain the high price increases in dairy, where smaller local producers have been displaced by a large foreign concern. This situation has been associated with substantial job losses in the dairy sector. According to the Survey of Total Earnings and Employment (Stats SA, 2002c), a total of almost 7 000 dairy manufacturing workers have lost their jobs since 1994.

<sup>7</sup> There is now R1.2 billion in the Agricultural Debt Management Account that was collected from indebted white farmers, many of whom were liquidated. The Food Security Bill will soon be tabled in Parliament and it proposes an administrative structure for disbursing the R1.2 billion to approved food security projects.

## Policy dimensions

The negative trends in agriculture seem related to a strong ideological commitment to freeing up agricultural markets, except for support for land reform and smallholders. In contrast, in most industrialised countries, the government makes some effort to stabilise prices, usually through a system of stockpiling. The full liberalisation of agricultural markets in South Africa has led to rising food inflation.

In the recently published Strategic Plan for South African Agriculture ([Department of Agriculture, 2001](#)), the list of aims includes food security and employment creation. However, these aims are virtually unmentioned elsewhere in the document. It does not discuss anywhere the desirability of stable, low prices for staple foods such as maize. Instead, page 7 lists, as one of its “basic premises and values,” that “market forces [are] to direct business activity and resource allocation”.

The strategy writers agree that the shift to free markets has caused a serious fall in investment and employment in commercial agriculture:

The rapid process of deregulation and liberalisation in the past decade has also exposed the limited capacity of many farmers to adjust to policy and market changes. Greater exposure to international competition has negatively affected their competitiveness, causing many farmers to leave the industry. In this much more competitive and open economy, small farming systems are also failing or finding it hard to become part of mainstream agriculture.

(Pages 11-12)

Despite this analysis, the document does not propose any solutions, or indicate the possible impact on food security. It is worth noting that the task team working on the strategy included only business and government representatives, and no one from consumer organisations or labour. The executive summary stresses:

In all of this the valuable role of the private sector in achieving the goals of participation, competitiveness and sustainability is recognised. Therefore everything will be done to ensure greater collaboration and co-ordination between government and the private sector – implying farmers, farmers' organisations and agribusiness...

(Page XV)

## Proposals

A general framework for intervention is already provided by the RDP:

- 2.11.3 The most important step toward food security remains the provision of productive employment opportunities through land reform, jobs programmes and the reorganisation of the economy.
- 2.11.4 Short-term interventions should support nutrition education and the stable, low-cost supply of staple foods combined with carefully targeted income transfers and food subsidies.
- 2.11.5 The democratic government must ensure that VAT is not applied to basic foodstuffs, improve social security payments and reintroduce price controls on standard bread. It must enhance the efficiency of marketing so that farmers receive good prices while consumers pay as little as possible. To that end, the government should curb the

powers of marketing boards and monopolies, and review the effect of tariffs.

(ANC, 1994)

To achieve these aims, we propose:

1. Overall, government should develop a clearer vision for the role of agriculture and the food industry in the economy. That means defining its expected contribution in terms of food security, employment, investment and output. For this purpose, COSATU proposes a tripartite Food Security and Jobs Summit by the end of 2002. This could make proposals about how the R1.2 billion in the Agricultural Debt Management account is used.

In particular, to deal with current price hikes for basic foods, we propose:

2. The NEDLAC constituencies must consider ways to support food security at household levels, including:
  - School feeding schemes;
  - Special nutrition schemes for people with HIV and their families;
  - More effective welfare grants;
  - Food stamps;
  - Improving access to the state social security system through rapidly improving the performance of administrative systems (e.g., the child support grant and the provision of ID books);
  - Ensuring that state social grants (especially the old age pension) increase relative to cost of living for the poor, not the overall CPI.
3. The NEDLAC constituencies initiate an investigation into food safety and food quality monitoring systems and report on progress with staple food fortification initiatives.
4. An immediate investigation into pricing practices in maize, milling, dairy and meat production and food retailing should be conducted. This investigation should explore the impact of the market structure and any evidence of collusion, and develop appropriate policy responses. If necessary, it should define active state interventions to stabilise food prices. The investigation should also look into the crop estimates committee and the futures market, and how to control impact on actual prices. There is also a need to look at transport costs (including fuel) and how to shift to rail, if possible, to reduce costs. In the short term, the call is for cost-plus controls on maize and other food necessities.
5. Support for consumer co-ops, especially in poor communities, from all the NEDLAC constituencies is needed. The Department of Trade and Industry (DTI) should immediately draft enabling legislation.
6. The Department of Agriculture should set up a unit (at director level at least) to monitor agricultural prices throughout the production and distribution chain. It should also monitor land use patterns, land ownership, agricultural employment and land prices. The unit would alert the government and the public to actual and potential increases in consumer prices for staple foods. Monitoring must include the futures market and would ensure reporting to Parliament and Cabinet on a regular basis.

7. NEDLAC constituencies should develop a new procedure for setting agricultural tariffs that will be more responsive to short-term changes in local production and regional demand. The system should ensure a six-month review, with public hearings, on the tariff system for staples, especially maize. The tariff system should then aim to protect stable local production while guarding against excessive increases in the prices of staple foods. Obviously, it will have to ensure fast-tracking through the new Southern African Customs Union (SACU) procedures.
8. South Africa should develop vigorous and effective programmes to support maize production in neighbouring countries. SADC must urgently identify where maize can best be grown and South Africa must assist the relevant countries as far as possible to realise this potential.
9. NEDLAC constituencies need to ensure more stable and increased maize production in South Africa, especially by smallholders. This would require land reform and the development of appropriate crop strains and production technologies. A critical need is to define how government can support subsistence farmers, who cannot afford to participate in the government's current smallholder schemes.
10. Legislation to ensure that the benefits of V.A.T. zero rating is transferred to consumers.
11. That Statistics South Africa revises the calculation of the CPI to reflect real consumption by the poor, and ensures a better publication of the CPI for the majority – a 'people's CPI' weighted by population, not by consumption. For a start, Statistics South Africa should release electronic price data for each product in the CPI basket from 1994 onwards.

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