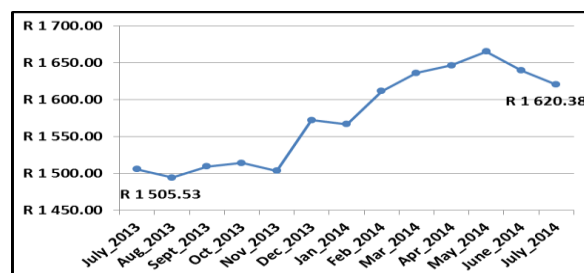


**MEDIA STATEMENT**

**Eskom's 2015 electricity tariff increases may wreak havoc on the ability of working class to buy food.**

Last week the National Energy Regulator of South Africa (NERSA) granted permission to Eskom to raise its electricity tariffs from next year April to between 2-5% above the 8% already granted. High electricity tariff increases will mean that less money will be available to spend on food because electricity, regardless of cost must be secured - without electricity food cannot be cooked. High electricity tariffs are a direct threat to the ability of working class households to secure sufficient and nutritious food. Increased electricity tariffs mean that households must purchase quicker cooking foods which negatively affect nutritional levels.



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

In July 2014 the price of PACSA's Monthly Food Price Barometer fell R19.04 (-1.16%) to R1620.38 when compared to June 2014. The marginal decline was due to downward spikes of rice (-10.36%), chicken portions (-10.61%) and margarine (-22.72%). The decline in the basket cannot be attributed definitively to overall trends in food price inflation as all three foods are known to spike; and therefore may just as easily increase next month. The PACSA Monthly Food Price Barometer for July 2014 shows the impact of municipal electricity tariff increases (which come into effect annually in the month of July) on available household income. July 2014 saw Pietermaritzburg's electricity charges increase by 7.6%. The average prepaid electricity consumption of working class households in Pietermaritzburg (350kWh) increased by R32.87 to R465.54 per month. This means that despite a marginal decline in food prices; electricity price increases actually served to not only absorb any relief on lower food prices but deepened the financial burden of households.

The staple foods eaten by working class South Africans – maize meal, rice, potatoes, flour, and meat – must be cooked. Electricity is an essential component of preparing food. It is not an either or – we can't have food or electricity; we need both food and electricity. Many households are unable to adjust their budgets upwards to absorb electricity increases because they have no extra money – money meant to pay for other essential requirements is diverted to pay for electricity. For others, traditional more nutritious foods are replaced by quicker cooking foods, highly processed foods (which are more expensive) or other sources of energy are gotten – paraffin, candles, coal or wood (none of which are safe). Struggles to cope with high electricity prices typically mean less food diversity; greater exposure to burning; greater burden on women and increased indignity.

In a food price focus group held last year 5 April 2013 in Pietermaritzburg; women said "high electricity prices are changing what we eat and how food is prepared. We used to eat a lot more maize meal than rice, now it's about half and half. We eat more rice because it is quicker to cook [rice is not fortified]. We cook less sugar beans, ujeqe and samp because they use lots of electricity [beans are an important source of protein]. We would like to cook these foods more often but we don't because they use lots of electricity and so if we want these foods, and we can find wood, we cook it outside on a fire."

Unless NERSA intervenes at municipal level to ensure that tariffs are restructured to ensure affordability at low consumption volumes and free basic electricity volumes are increased substantially and provided to all low-income households (particularly households in Pietermaritzburg on prepaid meters who are currently excluded); Eskom's increases next year may have a devastating effect on the working class.

*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](http://www.pacsa.org.za). For further information on the monthly food price barometer, contact Julie Smith on [julie@pacsa.org.za](mailto:julie@pacsa.org.za) or 033 342 0052.*

## July 2014 PACSA Monthly Food Price Barometer

| PACSA food basket for the month of July 2014 |                  |                     |
|--|------------------|---------------------|
| Foods tracked                                | Quantity tracked | Price               |
| Maize meal                                   | 15kg             | ↓ R 107.48          |
| Rice   | 10kg             | ↓ R 64.98           |
| Sugar Beans                                  | 5kg              | ↓ R 111.24          |
| Samp   | 5kg              | ↓ R 35.19           |
| Pasta (Macaroni)                             | 1kg              | ↔ R 19.99           |
| Cooking Oil                                  | 4L               | ↑ R 68.49           |
| Cake Flour                                   | 10kg             | ↑ R 79.69           |
| Soup   | 400g             | ↓ R 12.49           |
| Salt   | 500g             | ↔ R 10.64           |
| Brown bread                                  | 12 loaves        | ↑ R 121.71          |
| Powdered milk                                | 1kg              | ↑ R 36.49           |
| Canned fish                                  | 2 cans           | ↑ R 29.69           |
| Canned beans                                 | 3 cans           | ↓ R 22.00           |
| Yeast  | 10 X 7g pkts     | ↓ R 17.62           |
| Brown sugar                                  | 4kg              | ↓ R 43.11           |
| Beef Stock                                   | 240g             | ↓ R 14.99           |
| Curry Powder                                 | 200g             | ↑ R 21.17           |
| Tea Bags                                     | 250g             | ↑ R 15.92           |
| Coffee                                       | 750g             | ↑ R 71.24           |
| Margarine                                    | 500g             | ↓ R 13.32           |
| Cheese                                       | 1kg              | ↔ R 91.21           |
| Fresh Milk                                   | 2L               | ↑ R 25.99           |
| Maas   | 2L               | ↑ R 25.49           |
| Eggs   | 42 eggs          | ↑ R 57.23           |
| Frozen chicken portions                      | 8kg              | ↓ R 151.92          |
| Beef   | 3kg              | ↓ R 139.41          |
| Carrots                                      | 1kg              | ↓ R 8.86            |
| Spinach                                      | 1 bunch          | ↔ R 5.37            |
| Cabbage                                      | 3 pieces         | ↑ R 24.72           |
| Onions                                       | 2kg              | ↑ R 18.48           |
| Tomatoes                                     | 8kg              | ↑ R 112.94          |
| Potatoes                                     | 10kg             | ↑ R 41.34           |
| <b>Total food basket</b>                     |                  | <b>↓ R 1 620.38</b> |

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 July 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 July food basket  | R 1 620.38         | R 1 620.38       | R 1 620.38        |
| <b>Monies left over AFTER FOOD to buy <u>some</u> essential household requirements</b>  | <b>-R 270.38</b>   | <b>R 659.62</b>  | <b>R 1 579.62</b> |
| MINUS Burial insurance  | R 150.00           | R 150.00         | R 150.00          |
| MINUS Electricity (350kWh prepaid)  | R 465.54           | R 465.54         | R 465.54          |
| MINUS Transport   | R 66.00            | R 132.00         | R 440.00          |
| MINUS Water (fixed tariff, unmetered)   | R 72.16            | R 72.16          | R 72.16           |
| MINUS July domestic & household hygiene products  | R 207.32           | R 207.32         | R 207.32          |
| <b>Monies left over AFTER FOOD &amp; <u>some</u> essential households requirements calculated*</b>  | <b>-R 1 231.40</b> | <b>-R 367.40</b> | <b>R 244.60</b>   |
| * 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 May 2014                            | 6.60%             | 8.80%             | 11.23%                     | R 168.13                       |
| Annual inflation rate June 2014                           | 6.60%             | 8.80%             | 10.95%                     | R 161.75                       |
| Annual inflation rate July 2014                           | not available yet | not available yet | 7.63%                      | R 114.85                       |

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 July 2013 to July 2014 (per PACSA barometer) |                  |                   |               |
|--|------------------|-------------------|---------------|
|  | Quantity tracked | Increase in Rands | Increase in % |
| Tomatoes   | 8kg              | R 35.02           | 44.94%        |
| Carrots  | 1kg              | R 2.58            | 40.99%        |
| Fresh milk   | 2L               | R 5.29            | 25.53%        |
| Potatoes   | 10kg             | R 8.10            | 24.36%        |
| Maize meal   | 15kg             | R 18.60           | 20.93%        |
| Powdered milk (Cremora)  | 1kg              | R 6.25            | 20.67%        |

| PACSA food basket year-on-year from July 2013 to July 2014 |            |            |            |            |            |            |            |            |            |            |            |                   |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|
| Jul_2013   | Aug_2013   | Sept_2013  | Oct_2013   | Nov_2013   | Dec_2013   | Jan_2014   | Feb_2014   | Mar_2014   | Apr_2014   | May_2014   | June_2014  | July_2014         |
| 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 | <b>R 1 620.38</b> |

## 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 21<sup>st</sup> and 24<sup>th</sup> 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 R1.3301 per kWh because prepaid meters are installed in the homes of low-income households. The 2014/15 rand value is R465.54 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 R11 or R22 return (Pietermaritzburg kombi charges, July 2014). Three differentials across total household income are presented:

- R1350: 3 return trips to the CBD per month (3 x R22 = R66). 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 R22 = R132). 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 R22 = R440). This is calculated on an employed household member who works in town and takes one kombi trip return. Transport for a 2<sup>nd</sup> 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](http://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."