Protect food insecure households against rapid food price inflation

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Household food security in the context of rapid food price inflation and economic recession…

- About 12% of households reported experiences of hunger in 2007 whereas by 2009 20% of households said they went without food in the past year because they had no money to buy food.
- Two main channels through which households are affected:
  - The *food price crisis* raised the cost of foods and, consequently, made it increasingly difficult for low-income households to afford their pre-crisis food baskets.
  - The *knock-on effects of the downturn* endured beyond the official end of the recession through the ongoing rise in job losses

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Rapid food price increases…

- Global food commodity prices peaked mid 2008, fell dramatically (between Aug 2008 and Jan 2009), but have started creeping up again, to be 50% higher than Sept 2005 levels.

- Domestic retail food prices rose in line with global prices. But they did not fall in response to improvement in global commodity prices.

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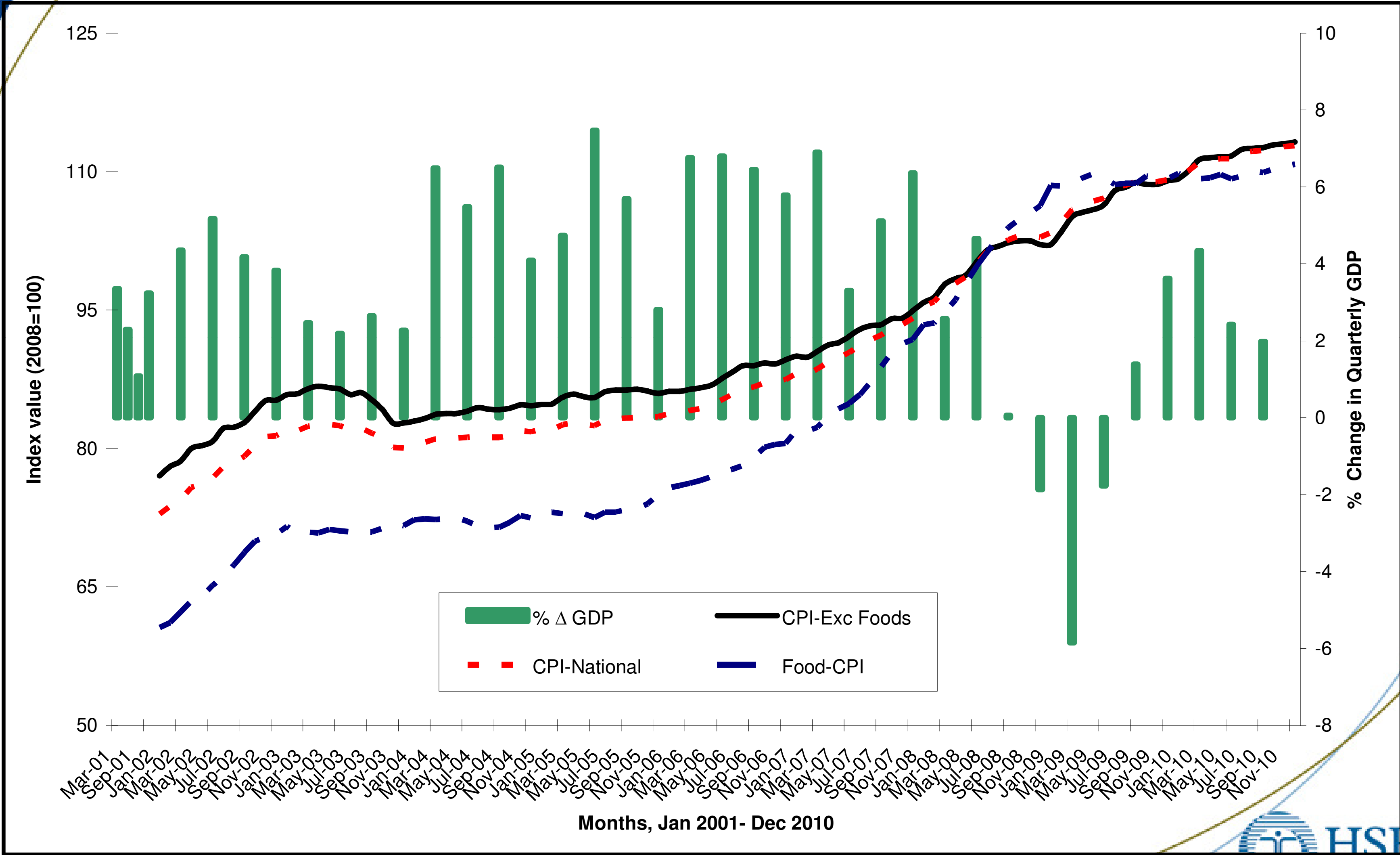
External shocks induced rapid food inflation and economic downturn: 2007-2010



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Sustained rise in retail prices of basic food items

Food product group	2007		2008	
	July-Dec	Jan-Dec	July-Dec	Jan-Dec
Wheat	9.19	21.95	1.24	30.41
Maize	-1.13	23.87	17.74	16.7
Fresh vegetables	9.61	26.17	14.01	11.78
Processed Vegetables	2.03	2.03	0.44	14.91
Fresh meat	8.53	12.5	5.23	6.44
Processed Meat	-2.14	7.47	8.06	16.03
Fruit	16.99	21.14	11.38	-8.24

- SA experienced 2 major waves of rapid food price inflation in the last decade
- 1st Wave occurred in 2002-2003
- 2nd Wave end of 2007- mid-2009

- Average retail prices of major food groups for 2007 and 2008
- Most sustained and relatively higher average food group price increases concentrated in staple grains (especially wheat products) and vegetables.

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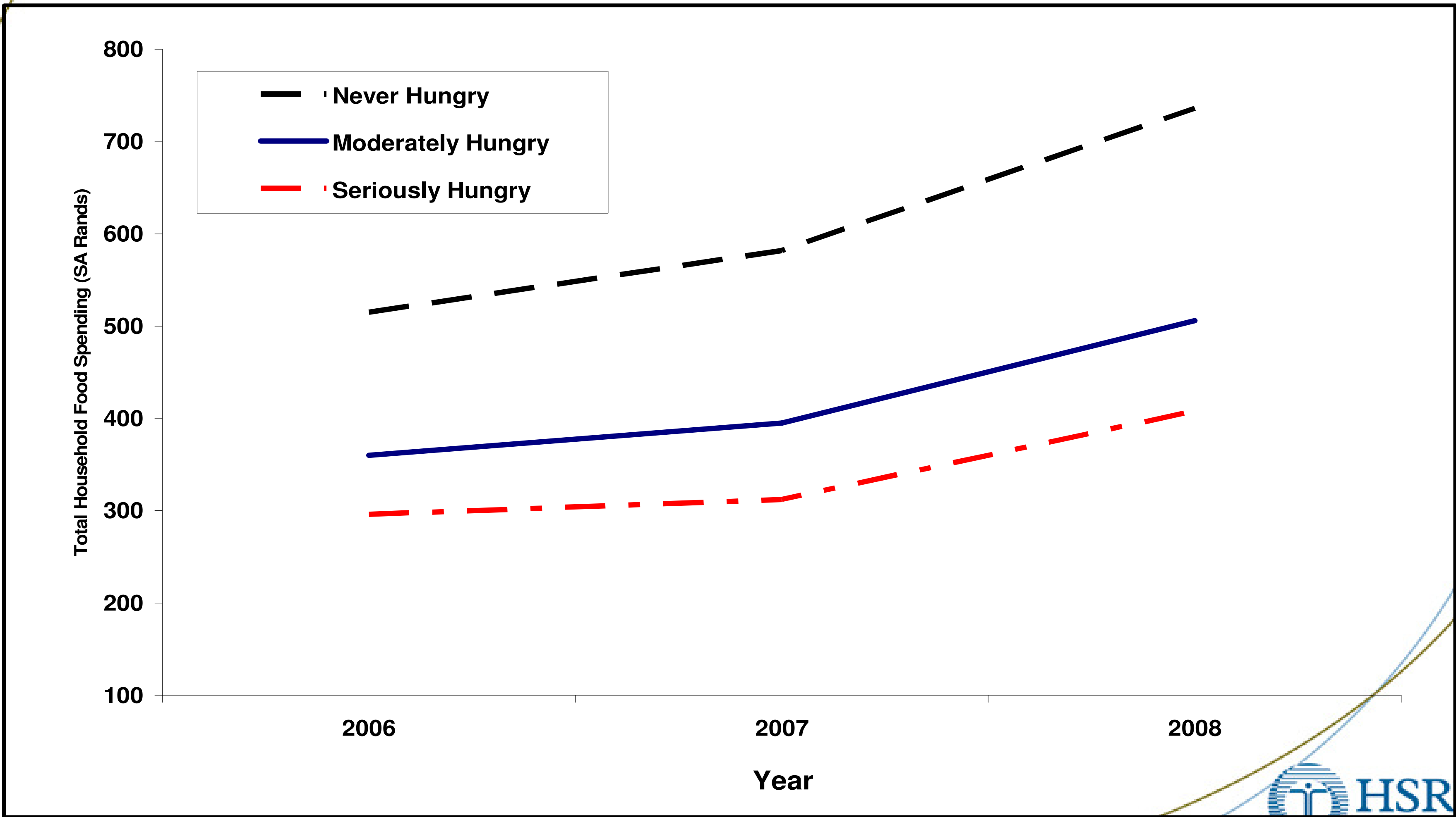
Products	Rural food prices (R)			Urban food prices (R)			Price difference (R/unit)		
	Dec-08	Jul-09	Dec-09	Dec-08	Jul-09	Dec-09	Dec-08	Jul-09	Dec-09
Full cream long life milk 1 l	9.39	9.97	10.46	7.48	9.52	9.86	1.91	0.45	0.61
Tagless tea bags 62.5 g	6.31	7.09	7.32	6.43	6.85	7.04	-0.12	0.24	0.28
Loaf of brown bread 700 g	6.86	6.86	6.91	7.07	7.11	6.98	-0.21	-0.25	-0.07
Loaf of white bread 700 g	7.61	8.71	7.77	7.86	7.87	7.84	-0.25	0.84	-0.07
Maize meal 5 kg	**28.27**	**29.05**	**28.59**	**22.52**	**23.94**	**23.2**	**5.75**	**5.11**	**5.39**
Margarine 500 g	13.56	14.37	13.15	14.44	13.31	13	-0.88	1.06	0.15
Peanut butter 410 g	15.35	17.37	17.62	14.92	16.07	15.82	0.43	1.3	1.8
Rice 2 kg	**28.14**	**30.45**	**29.02**	**25.67**	**25.24**	**23.1**	**2.47**	**5.21**	**5.92**
Sunflower oil 750 ml	16.17	13.61	13	14.77	13.28	13	1.4	0.33	0
White sugar 2.5 kg	19.28	20.45	22.77	16.4	18.02	18.15	2.88	2.43	4.62
Total							**13.38**	**16.73**	**18.63**

Policy responses…

- Immediate responses
  - Competition Commission interventions: bread price fixing, milk prices, agricultural input costs…
  - Social grants: state increased the monthly cash value per social grant to the roughly 14 million beneficiaries on social welfare, for instance, launched a series of investigations
- Longer term food security policy interventions
  - Constitutional right to food into a concrete strategy to achieve access to adequate food for all by 2015
  - IF&NS (2002) to "Zero Hunger Policy"- food security is a small holder production issue

Higher food prices translated into in steeper food spending across all households, 2006-2008



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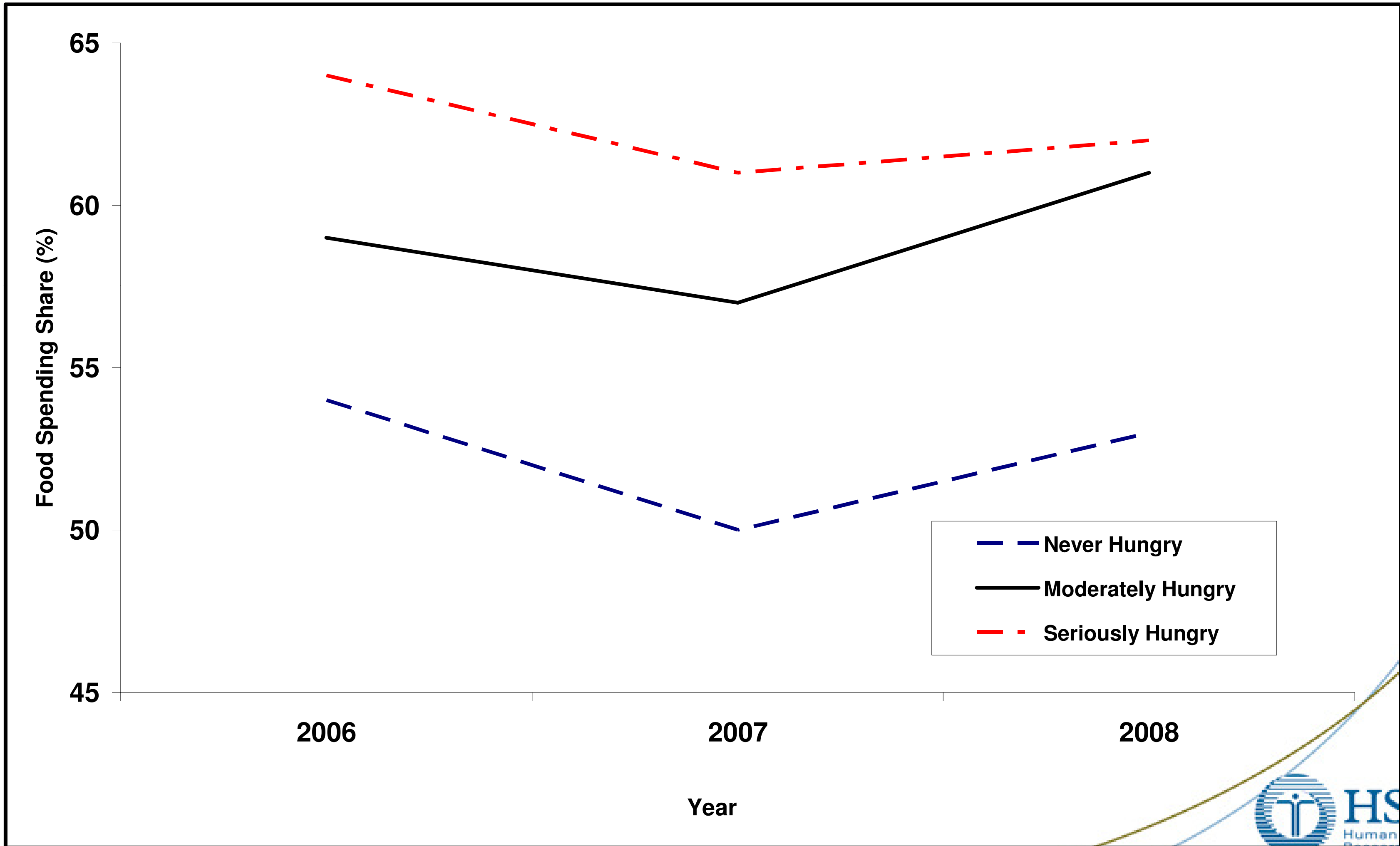
Higher food prices translated into in reversals in food spending shares across, 2006-2008



Insights from evidence…

- Many believe that food price crisis has passed. However, the legacy of the 2008 price rises is still felt, and prices are again rising. Retail prices did not respond at all to the market corrections in the second half of 2008.
- Within a year after the early onset of the crisis, the share of hungry families had risen by 2 to 3%- reversing the gains of previous 3 years.
- Female-headed households, despite being a less than 40% of South African households, experienced a disproportionately greater impact of the two interacting crises as evidenced by reported experiences of hunger [rising 5-7%].
- Women headed households in squatter settlements in Gauteng and backyard shacks in Western Cape also reported rising levels of hunger
- Whilst remittances and social grants accounted for falls household experiences of moderate hunger, a higher proportion of households dependent on salaries and wages reported larger increases in experiences of moderate hunger- working poverty and job losses of key breadwinner.
- Comparing official data over time suggests that household food insecurity in South Africa has increased from 12% in 2007 (GHS, 2008) to 20% in 2009 (GHS, 2010).

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Key policy Recommendations

1. **Gender-based targeting** in food security policies must incorporate these additional determinants if they are to effectively and sustainably address transitory food insecurity induced by similar livelihood shocks.
2. Fluctuating agro-food markets expose people who might be perceived as food-secure at one moment to enormous risks, and therefore raise their vulnerability to unanticipated livelihood shocks (food price inflation, unemployment etc.). **Stabilize food prices**.
3. Set up an **appropriate food and nutrition security monitoring and evaluation system** for early effective support to the most vulnerable households.