



**OPEN LETTER TO FOOD PRODUCERS,
MINISTER OF FINANCE AND TRADE AND INDUSTRY**

15 April 2016

Artificial inflation of Bread Prices

President Jacob Zuma in his State of the Nation Address this year failed to appreciate the seriousness of the drought and its impact on South African society. He failed to understand how increasing food prices would further condemn millions to hunger in our society. With 14 million people going to bed hungry, even before the drought, President Zuma should have prioritized drought and hunger relief that deepens food sovereignty. Instead he has ignored this issue. Many are going hungry as food prices increase. He is complicit in their hunger and must go!

It is with grave concern that we approach all the role players and stakeholders in the food value chain with regards to spiraling food price inflation. Food price inflation is eroding disposable income of both middle class and poor families to such an extent that we are witnessing unprecedented levels of actual starvation amongst the rural and urban poor. Increases in wages and social grants have already been eroded within the first 3 months of 2016 even before it came into effect. The effects of the severe drought, our weakening economy, increasing fuel and electricity costs have had a devastating impact on all sectors of our population but most severely the poor and vulnerable.

The Bread Price Scam

It is within this context that we want to draw attention to a disturbing trend within the Food Manufacturing and retail sector: the artificial inflation of food prices and blatant profiteering. The latest ruse being the increase in the price of bread, by bread producing corporations and retailers, ostensibly due to the increase in tariffs on imported wheat. Grain SA has effectively blown the whistle on the artificial inflation of bread price and we quote:

Import tariff hike won't hit bread prices - Grain SA

News 24 / 12 April: Edward. West

Pietermaritzburg - Grain SA said the new import tariff on wheat is not expected to result in higher bread prices.

The association, which represents a number of grain farmers, has also questioned why the price of bread has not fallen since January 2015 in line with the low international wheat prices - Statistics SA's bread price survey shows the prices have instead increased over this period. As stakeholders representing consumers as well as a communities battling for survival in extremely harsh economic climates we demand immediate action on the ever increasing food prices.

De Villiers said the view that the higher wheat import duty will increase the bread price by 10%, is not correct.

"It would also be a setback to the consumer if opportunistic behavior resulted in an increase in the price of bread," he said in a statement yesterday. End Quotes

What the information from Grain SA is highlighting is that producers are using negative publicity to artificially inflate prices. In the Western Cape Premier Foods has increased their prices by 30% over the past 6 months citing input costs such as fuel, wheat as well as the latest tariff increases. What we can decisively prove is that they have been lying to the public and that both wheat and fuel prices had in fact decreased significantly over the same period and had only recently been adjusted to prices that had in fact previously been factored in already. So in essence there had been significant decreases in input costs whilst input costs have not risen to new levels other than the recent increase in electricity costs. Even the tariff increases will not result in wheat costing more than what it had cost previously as the international price of wheat has decreased.

From Price Fixing to the Bread Price Scam

We have to remember that these are the very same companies that were found guilty of Price Fixing and Collusion in 2007 and 2010. Premier Foods who used legal loophole to escape penalties are again at the forefront of exploiting vulnerable consumers by artificially inflating prices without regard for the consequences of their actions. Together with Pioneer, Tiger Brands and Foodcorp, they were also found guilty of manipulating wheat and maize milling operations by the competition commission and even admonished in the Constitutional Court for their abhorrent conduct. What we are witnessing is a pattern of profiteering in the basic food manufacturing sector that is now causing untold suffering to our most vulnerable citizens.

We quote: <http://mg.co.za/article/2015-10-01-malnutrition-rises-despite-social-grants>

More than one in five children in South Africa are stunted because of malnutrition, according to the Global Nutrition Report 2015 released on Friday.

Experts warn that this will get worse as food prices rise.

Childhood stunting is the significant impairment of a child's growth. The child is very short compared with their population and age average because of malnutrition or chronic disease.

“South Africa is one of 12 countries in the world [where data was available] where stunting rates went up in the millennium development goal period,” says Sheryl Hendriks, the director of the Institute for Food, Nutrition and Wellbeing at the University of Pretoria.

This occurred despite South Africa having a strong social grant system and dozens of food security programmes.

In addition to stunting, child malnutrition also affects the learning capacity of children. Our children’s ability to learn is compromised. From this evidence it is clear that the Food Manufacturing and retail sector is complicit in the suffering of especially children and needs to be held accountable.

We will engage all community stakeholders to demand an immediate end to this blatant profiteering especially with regards to staple foods. This letter serves to put the food manufacturing sector and retail sector on notice.

We Will Resist

We will embark on sustained campaigns under the #BREADPRICESMUSTFALL, #FOODPRICESMUSTFALL banners that will include Consumer Boycotts, Mass Actions as well as laying criminal charges against all believed to be involved in artificially inflating food prices. The Corporate Retail Sector such as Shoprite, Pick N Pay and SPAR and Massmart will also be targeted as being complicit in the profiteering off basic essentials as well as their ongoing exploitation of workers through outsourcing. We as grassroots community movements are emboldened and commend the successes of the #FEESMUSTFALL initiatives. We call on all citizens, movements and community organisations to join us in this struggle.

With regards to Tariffs we believe that treasury has an obligation to ring fence import tariffs on Basic Foods such as wheat, maize and sugar which is quite a significant revenue stream that is not necessarily budgeted for as additional revenue. This income should be utilized to mitigate the impact of high food prices on especially poor and marginalized communities. In the Budget Speech the Minister of Finance announced a number of interventions to assist farmers impacted by the drought and besides the fact that we believe more should be done in this regard we need to highlight the fact that absolutely no relief for poor consumers from the spiraling costs of food resulting from the drought were mentioned. It is this forgotten marginalized sector of society that suffers most and the meager increase in Social Grants have had absolutely no impact.

The Reserve Bank has forecasted headline inflation to average 6.8% this year with a peak of 7.8% in the fourth quarter. It has further projected that food inflation will peak at 11% in the fourth quarter. Current levels of food price inflation in the January CPI are 6.9%. Minister Gordhan increased the state pension by 6.3% and the child support grant by 6.1%. These increases are below even the current food price inflation on the CPI food basket – a basket that is much better able to absorb food price inflation given its size (includes more than 100 foods and beverages) and because it includes a greater variety of food types. In addition, the below projected inflationary food price increases given on social grants, are delivered on top of total rand values that are entirely inadequate to secure not only the current cost of a food basket; but when pegged against the cost of a proper but basic nutritional basket - what households should actually be buying for proper but basic nutrition – callously insufficient.

- Total old-age pension (R1510 in April/October 2016) vs. current cost of food basket (R1879.24 in February 2016) – a difference of R369.24.
- Increase on pension (R80 in April + R10 in October 2016 = R90) vs. current monthly increase in February 2016 = R82.20.
- Total child support grant (R350 in April 2016) vs. current cost of feeding small child a nutritious diet (R546.80 in February 2016) – a difference of R196.80.
- Increase on child support grant (R20 in April 2016) vs. current monthly increase on nutritious diet for small child in February 2016 = R18.55.
- PACSA food basket (what households try and buy every month) in February 2016 = R1879.24 vs PACSA Minimum Nutritional Basket (what households should buy every month for proper but basic nutrition) = R4 239.58 (household of 7) and R3061.99 (household of 5) and R2 420.77 (household of 4) in February 2016.

Because social grants have not been increased at the level of projected food price inflation; and in a context of low and capped incomes – we expect a crisis to emerge in the households of low-income families. Families will not be able to absorb these massive food price hikes. Households are already underspending on food by 56% and taking on debt to cover food shortfalls. The health and nutrition status, child development and productivity in the work place will be severely affected. Having access to good food is core to being fully human; and all of our aspirations as a people and our country's developmental outcomes (social, economic, education and health) are built thereon. Budget 2016 has missed this mark.

Source

http://www.pacsa.org.za/images/food_barometer/2016/February_2016_PACSA_monthly_food_price_barometer.pdf

Our Demands

We demand immediate food relief to vulnerable communities through increased social grants linked to redirecting import tariff revenues.

We will be laying criminal charges against CEO's of food companies for stealing from the poor due to artificially inflating bread prices. We demand these CEOs be held criminally liable for profiteering from the poor and denying the right to food to millions in our society.

We call upon the Public Protector and Human Rights Commission to investigate the bread price scam in South Africa and its impact on the poor.

We demand a National Food Sovereignty Act containing sustainable solutions and alternatives to the corporate food monopolies that are profiteering and colluding against the poorest of the poor and the most vulnerable in our society.

We demand Zuma must go together with the criminal bread and food profiteers.

This is a joint statement by the South African Food Sovereignty Campaign and the Consumer Action Network.

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