

March 23, 2020



BFAP
DATA
DRIVEN
INSIGHT

HOW SOUTH AFRICANS SPEND THEIR FOOD BUDGETS

On Monday 23 March 2020, the President announced that, starting Thursday at midnight, the country would go into a 21-day lock down period. All South Africans will have to stay at home for the next three weeks unless they are involved in essential goods and services, including the provision of food. This is a critical message to all food and feed producers, traders, processors, logistic companies, ports, farmers and input suppliers. South Africans are used to relying on a highly competitive and effective food system, which will now be tested to its limits, especially in rural areas where critical information is lacking and we have a big concentration of vulnerable people. Effective collaboration and coordination between communities, the private sector and government will be decisive and researchers and analysts will have to support decision makers with accurate information and analyses. In this second brief on the impact of COVID-19, we are providing a detailed breakdown of South Africans' food consumption patterns for various types of households.

One of the key features of any economy experiencing the scale and magnitude of the current COVID-19 outbreak is to assess the ability of people to get access to food. Although South Africa's rural population depends on some form of own household food production, the majority of the population buy food that is produced by formal agricultural value chains. This short brief describes the current structure of consumer spending, highlighting the differences in income distribution and in consumers' ability to afford food.

Figure 1 shows the general spread of households divided into equal-sized groups according to their total monthly household spending. All values are given in February 2020 prices using Statistics South Africa's Living Conditions Survey (LCS, 2015). Moving from the lowest income groups starting with Group 1, total spending increases disproportionately as one moves to the right. An important characteristic widely known as the Engle Curve is also evident: as incomes increase, the proportion of income spent on food declines. The poorest consumers, for example, spend around 40% of their income on food, while the wealthiest (Group 10) spend only 5% on food. This highlights the importance of understanding just how vulnerable South Africa's poor are to the current COVID-19 crisis to potential temporary food shortages, as well as to the longer-term impacts of food prices movements.

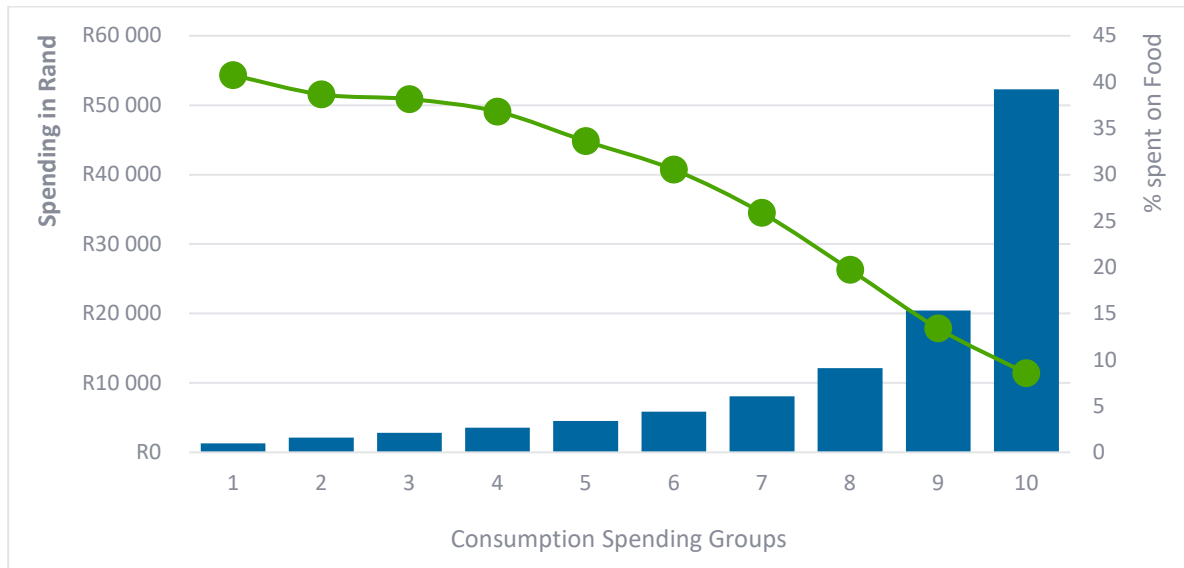


Figure 1: Consumption spending for South Africa household in 2020
Source: LCS, 2015

So what are the main items that households spend their money on in any given month? We break the different spending groups into the bottom half and the top half of the spending income groups in Figure 2. Apart from spending most of the households' budget on food (37%), consumers in spending group 1-5 typically spend around 24% on housing, 9% on travel and 8% on clothing. After these, there is very little left for households to spend on health (1%) and education (1%), which is why these services are mainly provided by the state. Spending groups 6-10's allocate 34% to housing and only 14% on food. These more wealthy consumers rather spend 14% on vehicles, with much smaller proportions dedicated to admin, clothing and travel. There is also a much larger percentage spend on other items which include hobbies, pets, sports etc.

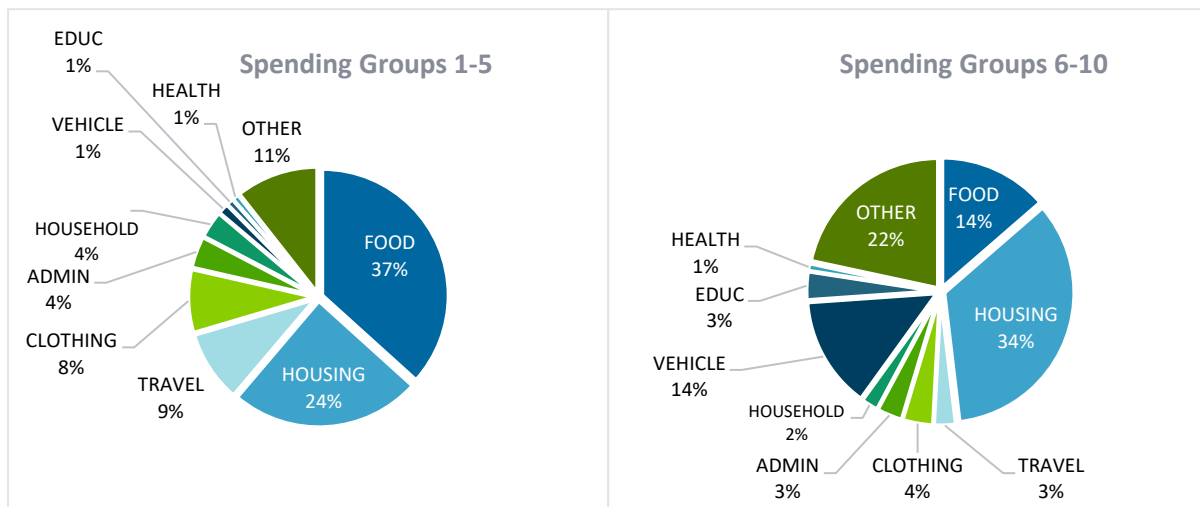


Figure 2: Breakdown of Consumption spending per item for South African household
Source: LCS, 2015



This leads us to the next level of analysis; looking at monthly spending on the types of food products and services purchased for the different consumption groups (Figure 3). As expected, a significant amount of spending on eating out (restaurants, hotels, boarding houses etc.) takes place from groups 8 through to 10. Social distancing would in all likelihood impact these consumers by directing spending towards buying more household products. Thus, in the short term, consumers in Group 8 (R290), Group 9 (R400) and Group 10 (R1231) will spend significantly less on eating out.

On the other hand, poor consumers spend a large part of their food budget on bread and cereals (32%), meat (21%), and vegetables (13%), followed by dairy (8%) and beverages (7%). Important to note from the lowest consumer groups is that the analysis presented here does not include the value of the households' own production if they are subsistence producers, nor does it include in-kind payments via government assistance. Regardless, the precarious amounts of spending available to lower income groups is a grave concern, especially due to the link between people's nutrition and their health.

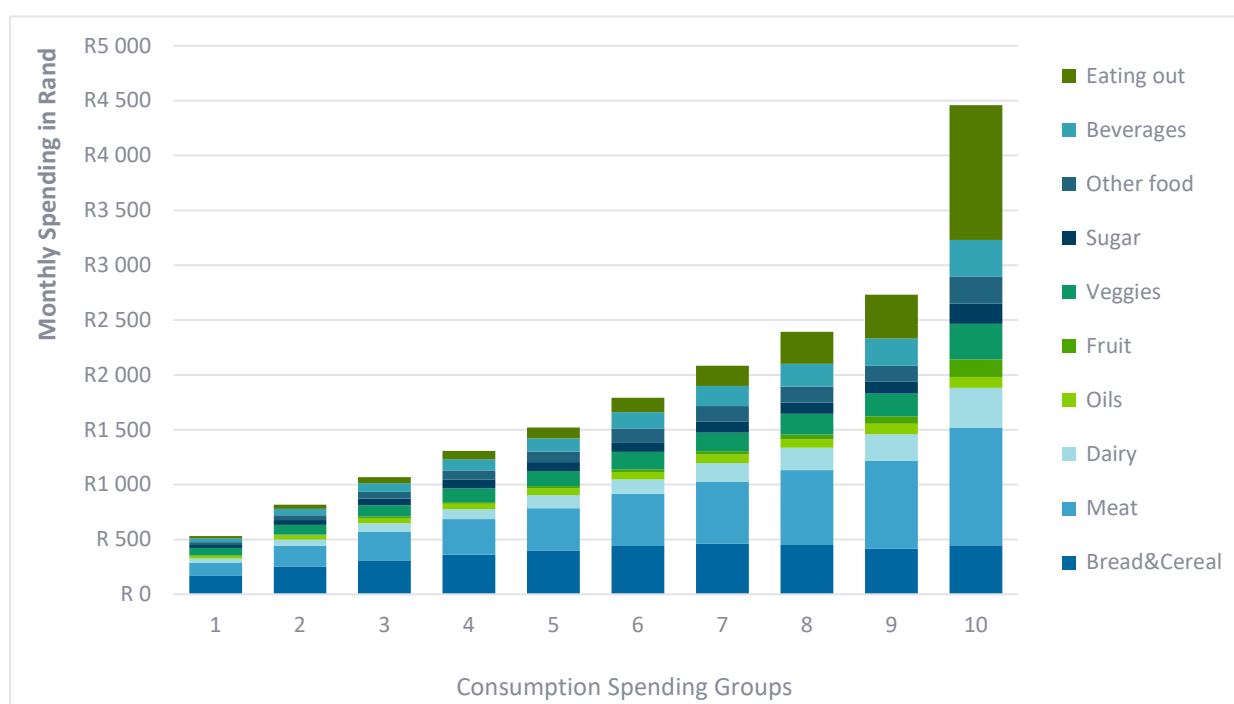


Figure 3: Food spending for South Africa household in 2020

Source: LCS, 2015

Continuing our theme of analysing South African spending according to the socio-economic spectrum, there is a variety of factors affecting movement into higher groups such as higher household income levels, increasing urbanisation, higher educational attainment and lower unemployment (see Table 1). As already noted, even though marginalised and lower middle-income households only contribute approximately 38% to total food expenditure in South



Africa, they are the most vulnerable to food price shocks due to the high share of their total expenditure allocated to food.

Table 1: Socio-economic consumer sub-segments in South Africa

	Low income households	Lower middle-income households	Upper middle-income households	Affluent households
Share of SA households	30%	30%	20%	20%
Consumption spending groups	1 to 3	4 to 6	7 and 8	9 and 10
Contribution to total food expenditure in SA*	13%	25%	24%	39%

*Source: LCS, 2015

Table 2 presents an overview of the dominant (top ten) food expenditure items for the four main socio-economic sub-segments in South Africa. These data highlight the general importance of staples (maize meal, bread and rice), animal source foods (chicken, beef, eggs and milk), edible oil and sugar is evident from Table 2.

Table 2: Dominant (top ten) food expenditure items for the four main socio-economic sub-segments in South Africa*

Low income households:	Lower middle-income households:	Upper middle-income households	Affluent households
Chicken (13%)	Chicken (14%)	Chicken (12%)	Beef (11%)
Maize meal (12%)	Maize meal (9%)	Beef (9%)	Chicken (9%)
Brown bread (8%)	Brown bread (7%)	Brown bread (6%)	Milk (5%)
Rice (5%)	Beef (6%)	Maize meal (5%)	Mutton, lamb (3%)
Granular sugar (4%)	Rice (4%)	White bread (4%)	High-sugar foods (3%)
Beef (4%)	Granular sugar (4%)	Milk (4%)	Brown bread (3%)
Edible oil (4%)	White bread (4%)	Rice (3%)	Fish (3%)
White bread (3%)	Milk (3%)	Granular sugar (3%)	White bread (3%)
Potato (3%)	Edible oil (3%)	Eggs (2%)	Eggs (2%)
Milk (3%)	Fish (2%)	Fish (2%)	Maize meal (2%)

* Percentage in brackets: estimated contribution of household-level expenditure on particular item to total food expenditure of the particular socio-economic sub-group

* Source: Source: LCS, 2015

Finally, we ask whether South Africans can afford a healthy diet – an important question in the current crisis where many vulnerable households stand to lose their source of income. In this regard, the BFAP healthy food baskets (refer to relevant consumer chapters in annual BFAP Baseline publications for more detail - www.bfap.co.za) measure the cost of healthy (nutritionally balanced) eating in South Africa for a reference nuclear family of four people.



The design of these baskets is based on the Department of Health (DoH) Food Based Dietary Guidelines and Guidelines for Healthy Eating (<http://www.adsa.org.za/Portals/14/Documents/FoodBasedDietaryGuidelinesforSouthAfrica.pdf>), the typical food preferences of lower-income households in South Africa, nationally representative urban food prices monitored by Stats SA and household composition data. Currently the BFAP Healthy Food Baskets includes starch-rich staple foods (maize meal, brown bread, rice, potatoes and wheat flour), animal protein foods (beef mince, chicken pieces, canned pilchards, eggs and cheese), dairy (full cream milk), fruit (apples, bananas, oranges), vegetables (tomatoes, onions, carrots, cabbage, pumpkin), fats / oils (sunflower oil, margarine, peanut butter) and legumes (dried beans and baked beans in tomato sauce) and a very limited intake of granular sugar (as specified in the DoH healthy eating guidelines). The BFAP healthy food baskets were developed at two costing levels: a thrifty / low-cost option (containing all the food groups but proportionally more staple servings) and a moderate-cost option (containing all the food groups but with higher dietary diversity).

Over the last five years, from 2015 to 2019, the cost of the BFAP thrifty healthy food basket increased by 19.1% to R2 479/household/month, while the BFAP moderate-cost healthy food basket increased by 19.6% to R3 618/household/month. As evident from Figure 4, the most affluent 50% of households in South Africa can afford the BFAP thrifty healthy food basket in 2019, while only the most affluent 30% of households can afford the BFAP moderate-cost healthy food basket.

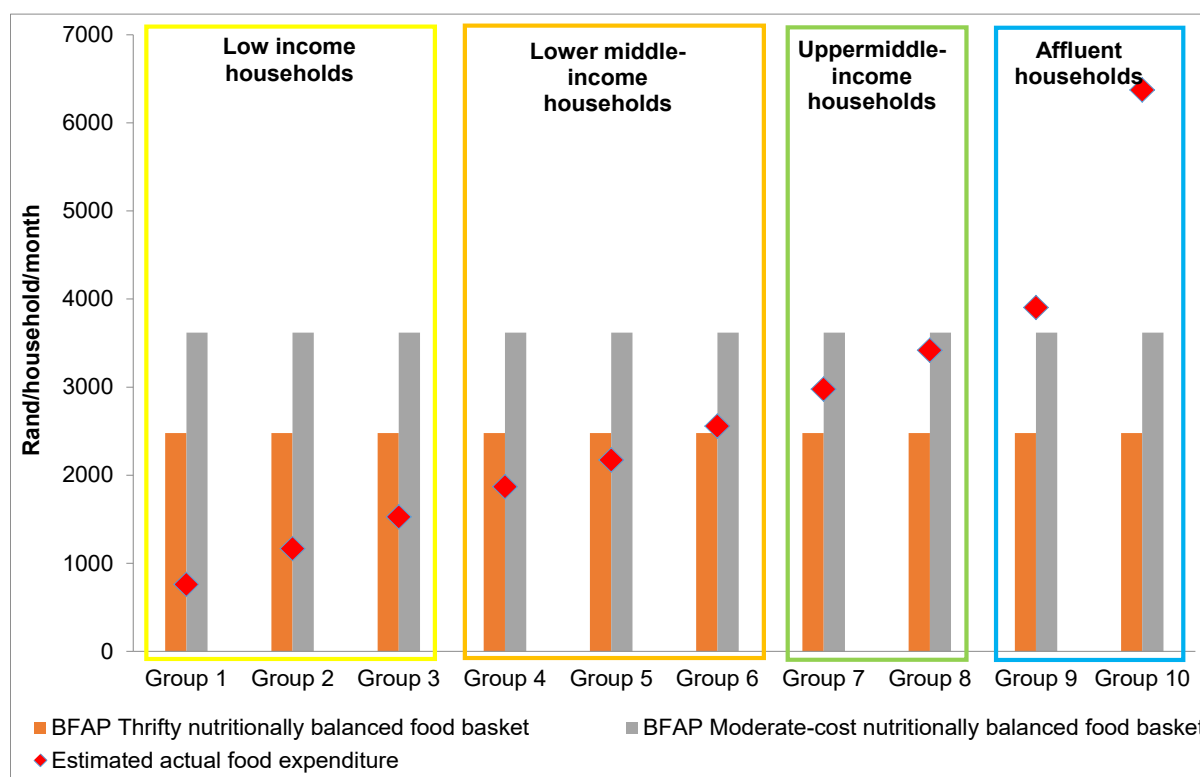


Figure 3: Monthly cost of the BFAP thrifty and moderate-cost healthy food basket for the reference family of four in 2019 compared to household income levels across the socio-economic spectrum

March 23, 2020



BFAP
DATA
DRIVEN
INSIGHT

This brief highlights two pertinent dynamics in the context of consumer spending in South Africa. Firstly, poorer households dedicate a significant proportion of total spending to buying food, which has wide-ranging implications if in the current fight against COVID-19, household income drops suddenly, or food prices increase unexpectedly. It is also exactly these households that are most vulnerable to health related shocks, which could place extra demands on their already low incomes unless relief is provided. Second, the analysis on food spending and affordability highlights once again that a large proportion of South Africans are already struggling to afford a basic healthy food basket. Could this crisis be the event that finally brings this unacceptable state of affairs home to all South Africans?