

The Political Economy of Food Price Policy in SOUTH AFRICA

Policy Brief No. 9

March 2013

JOHANN KIRSTEN

For almost 60 years during the 20th century, South African agricultural and food markets were controlled and regulated by the government. Several parastatals performed a number of functions such as import control, price control, and issuing of licenses, quotas, and permits on behalf of the state. This era of controlled food marketing came to an end in the mid-1990s, and since then South Africa has had a liberalized agricultural and food market with limited or no border controls and no controls on the behavior of farmers, traders, food companies, and retailers in the food value chain. The spirit of liberal capitalism is in full operation.

Since deregulation in the mid-1990s, South Africa has experienced two food price crises: in 2002/2003 and again 2007/2008.

The 2002/2003 crisis was caused largely by a sharp depreciation of South Africa's currency, but it was amplified by staple food shortages in the Southern African Development Community (SADC) region. In 2007/2008 global commodity price trends were dominant factors in South African food price inflation.

The study on the basis of which this brief was developed, analyzed trends in the main food prices during these two periods and unpacked the political reaction and policy responses to the food price

crises. Analysis of media reports and government statements, as well as a personal recollection of events during the past decade, suggested that the government's responses were restricted to statements and comments by senior politicians and a few isolated government programs introduced to deal with the negative consequences of the crisis within the neediest communities. There was no major policy response following the two crises. Although the Competition Commission increased the number of investigations into uncompetitive behavior in food supply chains, resulting in heavy fines for a number of food companies, agricultural and food policy in South Africa remain largely unchanged, with no controls or regulations introduced.

The South African government adopted no major policy changes but focused on alleviating the effects of the food price crises on the poor.

The government's responses during the two periods of rapid food price inflation can be classified as "second-class" interventions that mostly sought to mitigate the negative effects of prices changes on the poorer segment of the population through, for example, welfare payments, school feeding programmes, and food parcels.

These responses required no regulatory or legislative changes but were possible under existing

Johann Kirsten, Professor and Head of Dept. Agricultural Economics, Extension and Rural Development, University of Pretoria, South Africa

The author prepared this brief as a member of a research network on the Political Economy of Food Price Policy coordinated by Cornell University, UNU-WIDER, and the University of Copenhagen.

The complete paper is available at: http://www.wider.unu.edu/research/current-programme/en_GB/Political-Economy-of-Food/

The policy briefs can be found at: <http://www.foodpolicy.dyson.cornell.edu>

The project director is Per Pinstrup-Andersen who may be contacted at ppg4@cornell.edu

government mandates. They only required additional Treasury funding, which was made available fairly quickly given the political seriousness of the crisis. The years 2004 and 2009 were election years in South Africa, and the distribution of food parcels for relief for poor people was a useful instrument to show that the government was looking after its people.

In addition, South Africa has a well-funded social safety net program that provides some form of welfare payment to between 12 and 14 million people. This in itself served as an important cushion during the periods of high food prices. It could be argued that the comprehensive social welfare programs provided an important safety net preventing food riots in South Africa. In 2012, however, civil unrest, in the form of protests for higher wages and better service delivery, started to rock the country, suggesting that poor people are only now starting to feel the impact of the higher cost of living and inadequate service delivery by local governments.

Given the history of the political economy related to agriculture, land, and food, political factors may explain why the food crises did not lead to civil unrest or political instability in the country. The policy of neoliberal capitalism is so well entrenched that it was difficult for the cabinet or bureaucrats to contemplate radical interventions in the market for agricultural commodities and food products. The government's fairly neutral response occurred despite the call for action by the trade unions, the South African Communist Party,

and some strong media reporting. The evidence clearly suggest that the government's response was more focused in the line of statements and comments by senior politicians and a few government programmes introduced to deal with the negative consequences of the crisis within the neediest communities.

South Africa still does not have a comprehensive food security policy in place.

Oversight of food security is allocated to the National Department of Agriculture, Fisheries, and Forestry, and specifically to a weak directorate within the department. This situation essentially prohibits the South African government from introducing a comprehensive and coordinated food security strategy. It could be argued that current social welfare payments are insufficient and that the neediest communities of South Africa need better-coordinated and better-planned food security interventions. This, however, is part of an on-going debate in South Africa and does not necessarily follow from the crises of 2002/2003 and 2007–08.

THE POLITICAL ECONOMY OF FOOD PRICE POLICY

This material is based on research funded by the coordinating organizations and a grant from the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.



**UNITED NATIONS
UNIVERSITY**

UNU-WIDER

World Institute for Development
Economics Research



Cornell University



**UNIVERSITY OF
COPENHAGEN**