

Bread and the Bosses

WORKING families have been hit the hardest by the sharp rise in food prices, transport and other basic necessities.

Recently, there has been a great outcry against the sharp increase in the bread price. Bread was once, and still is a staple food, but it has been priced

out of the reach of most working people

On this page GRASSROOTS tries to explain why there has been this increase and who will be affected most by it.

THE recent sharp increase in the bread price came about because the government was not prepared to increase the bread subsidy.

A subsidy is a payment by the government to producers, such as farmers, to keep prices lower so that working people can afford to buy it.

Usually, staple foods such as bread, milk, sugar and grain are subsidised. The aim is to lighten the burden of buyers and to help the poorest people achieve a decent standard of living.

Historically, in South Africa, subsidies were not granted to benefit the shoppers but to benefit the farmers. Subsidies keep prices low, in this way more goods can be bought and agriculture expands - farmers can then make more profits.

So, we see that subsidies are not there to benefit working people.

Last year, the government subsidised the bread price by R162 million. This year, the price of bread has shot up by 11 cents for white bread and 8 cents for brown bread.

Why has the price increased so drastically?

The price of bread is made up of farming costs, milling, baking costs and transport costs.

Earlier this year, the S.A. Chamber of Baking, the National Chamber of Milling and the farmers have demanded higher profits to offset rising costs.

Because of the bad wheat crop, the Wheat Board will be recommending higher wheat prices to the government in

October.

Faced with the demands of the Farmers, the Bakers and the Millers, the government had to decide how to handle this situation. They had three choices:

* The government could have refused to meet their demands and prevented the price from rising. But, this would have angered them as their profits would be cut.

* Or, the government could have increased the subsidy - that is, more money could have been set aside to keep the prices down. To do this, the government would

have had to add R70 million to the subsidy.

* Instead of setting this money aside to keep the bread price down, they chose a third option of making the people bear the cost by paying higher prices.

Why was the government not prepared to spend the extra R70 million? Let us look at where the government gets its money from. It comes from profits of big companies, tax on income and sales tax.

To raise this extra money, taxes would have had to increase.

Over recent years the government has decreased the taxes on company profits and income taxes on high income earners by a large amount.

Subsidy

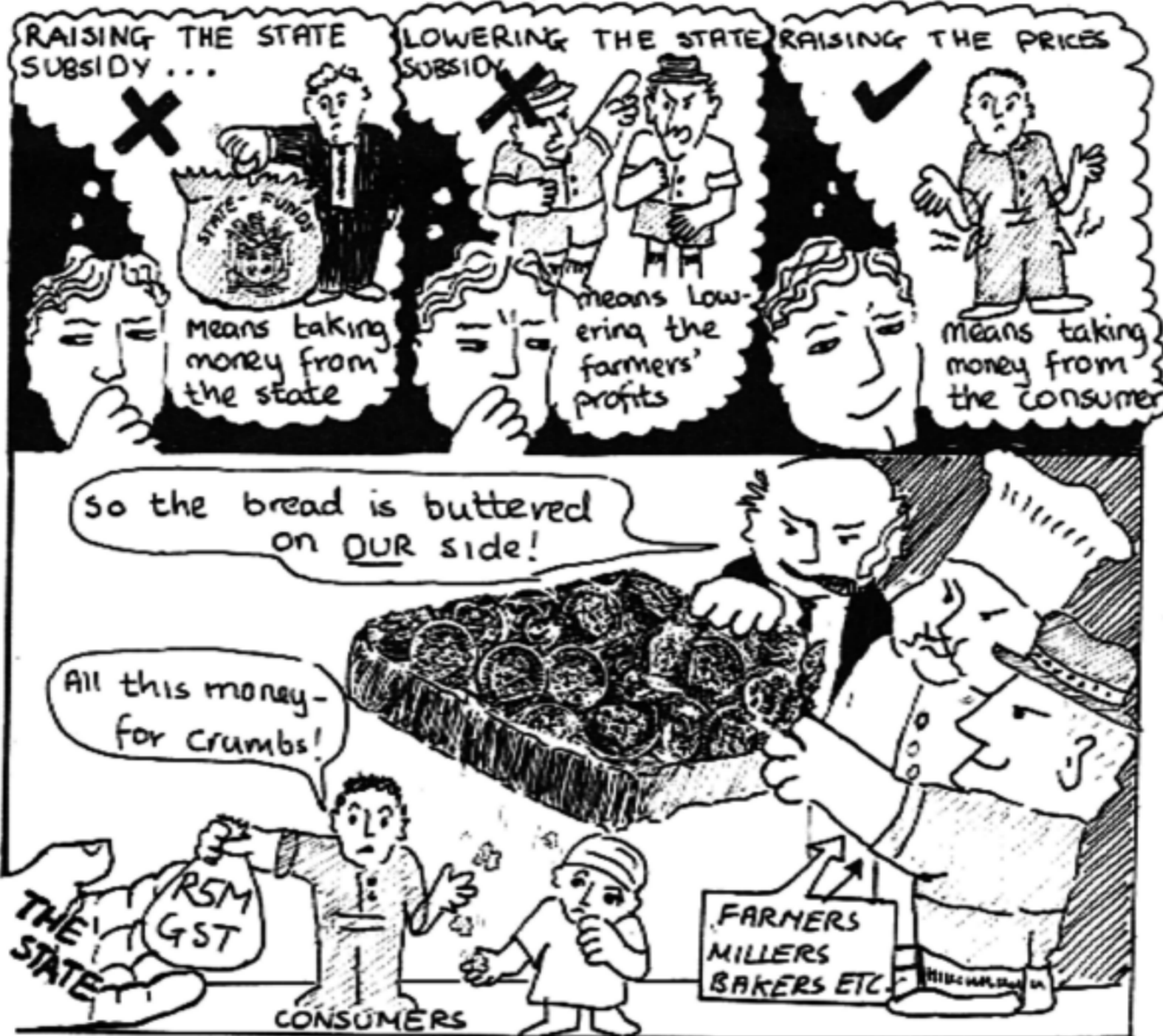
At the same time, they imposed the general sales tax which hurts low income people more.

There is now an extra 1 cent G.S.T. on white bread. It means that bread buyers will be paying an extra R5m G.S.T. per year to help pay for last year's subsidy. This means that the subsidy has in fact decreased.

If income tax had to be increased to subsidise bread it would have made big companies and the rich unhappy.

So we see that the bread price has increased to keep farmers, producers and the rich happy.

They are being sheltered from the effects of the rising cost of living while the workers who can least afford it, have to bear the burden.



WHO BEARS BURDEN OF PRICE INCREASES

The Minister of Finance, Senator Horwood said that the increase will not hit the lower income groups hardest. He said: "When you are subsidising bread to the extent that we already are, how can you say that we are burdening the poor? After all, what does bread come to a month?"

Despite this, it is the workers that suffer most. Because of low wages, workers are forced to eat more bread than people with higher incomes.

As the price of meat, offal and other food has been rising, less and less of these foodstuffs can be afforded and therefore more staples such as bread is being eaten.

Now that the price of bread has gone up by so much, there will be even less money left over to buy food to eat with the bread.

Although wages have been rising, it has not kept up with the rising cost of living, of which bread is the latest.

The Minister also argued that lower income groups had seen

their incomes rise at higher rates than those of other groups.

But this means very little to the worker if he is told that his wages have gone up by 15 per cent while his boss' income has only gone up by 10 per cent.

15 per cent of R200 is R30. 10 per cent of R1 500 is R150.

'STARVING US TO DEATH'

MR Bernard Smith, 64 of Facticeon, spends more than 20 per cent of his monthly income on bread.

"And I can count myself as one of the fortunate ones," he said.

"I have a small family - there is only my wife, a step-daughter and her 13-year-old son. We can make do with only two loaves a day. But this works out to 84 cents a day or R25,20 a month."

Mr Smith is a retired street sweeper. His monthly council pension is R120,60.

His bread bill almost matches his combined expenditure on rent, electricity and water, which is R27,60.

"It's really a battle to make ends meet. As things were we could seldom afford to eat meat. With the bread price increase we will meat on our table at all."

Mrs Mary Jeptha of Steenberg said:

"We use 4 loaves a day. There is just no way I can afford the increase."

"This means I will have to buy less. Hunger pangs will just have to

become more part of our lives than before.

"I think the government's plan is that we should all slowly starve to death."

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