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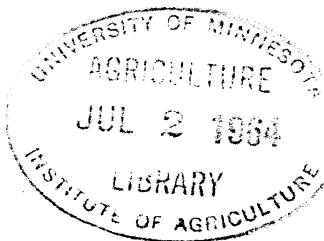
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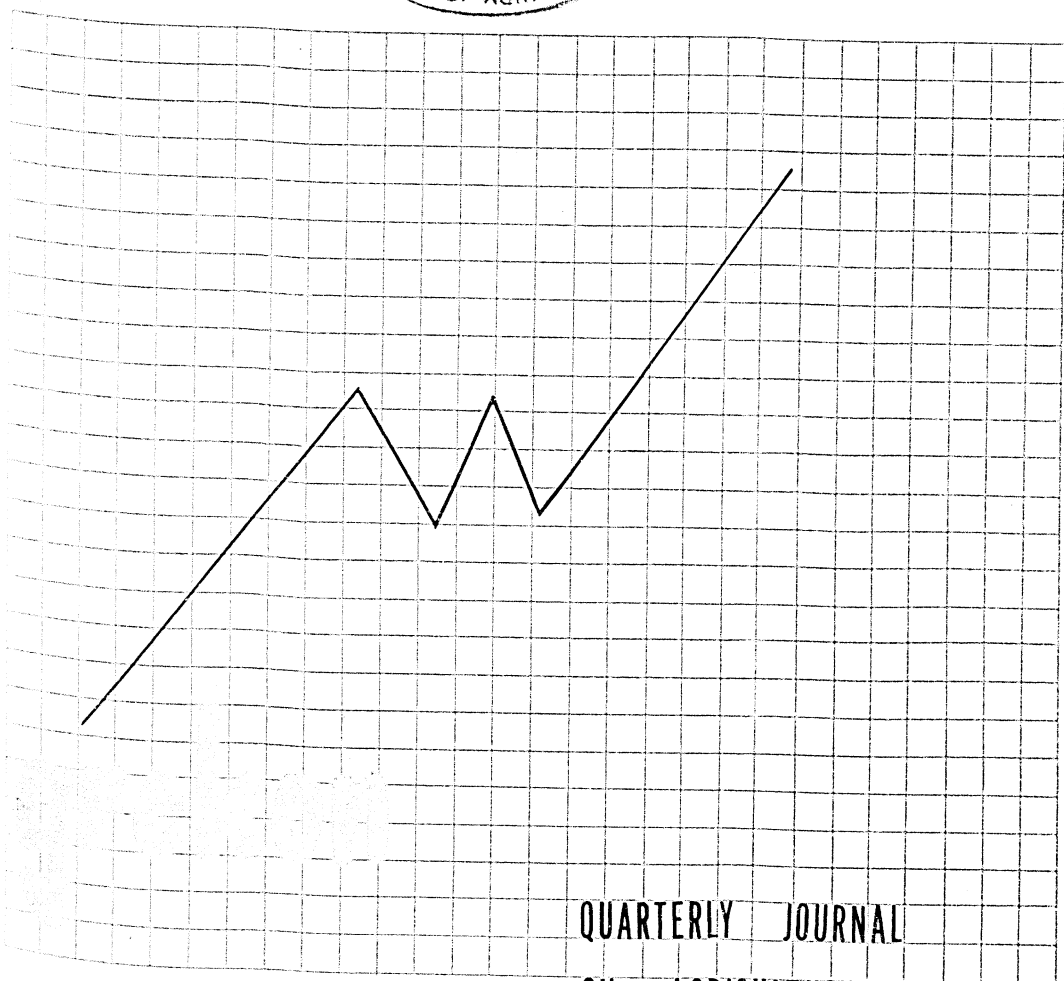
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VOL. 3, No. 2
APRIL 1964



PRICE 20c



QUARTERLY JOURNAL
ON AGRICULTURAL
ECONOMICS

Issued by the Department of Agricultural Economics and Marketing, Pretoria

Agrekon

VOL. 3, No. 2

APRIL 1964

Editorial committee: Dr. C. van der Merwe (chairman),
A.J. du Plessis (vice-chairman), Dr. J. Gregory, Dr. A.P. Scholtz
Editors: O.E. Burger and H.J. van Rensburg
Technical editing: Q. Momberg

REQUIREMENTS FOR CONTRIBUTION

Deserving articles in the field of agricultural economics, for publication in this journal, will be welcomed.

These articles should have a maximum length of 10 folio pages (including tables, graphs, etc.), typed in double spacing. All contributions should be submitted in triplicate (preferably in both languages) to the editors, c.o. Department of Agricultural Economics and Marketing, Pretoria, and should be received by the editors at least one month prior to publication date.

The journal is being distributed by and is obtainable from the distributors: "Agrekon", Private Bag 144, Pretoria.

(The price is 20 cents per copy or 80 cents per annum, post free.)

Dates of issue, on a quarterly basis, are the following: January, April, July, and October.

"Agrekon" is also published in Afrikaans.

General Comments and Announcements

Special premium on Butterfat and Industrial Milk

The Dairy Board has, with the approval of the Minister, decided to pay as from the 1st of March 1964 a special premium of 1.5c per pound butterfat and 3c per 100 lb industrial milk to producers. Dairy prices for the 1963/64 season will be reconsidered at the Board's price meeting during April 1964, and the special premium will, therefore, only be applicable until 31st May 1964.

The premiums are intended to provide a special incentive to producers and difficult circumstances, caused mainly by drought conditions at present in extensive areas of the Republic and which have resulted in a substantial decrease in production especially of cream. The level of production of butterfat relative to the consumption of butter, and the relatively limited stocks of butter (so much so that further imports of butter have been deemed necessary) were the most important factors taken into account at the time of fixing the special premiums.

The basic price for butterfat has been increased, as from the 1st of June 1963, with 4c per pound to 33c per pound. This includes the special premium. As shortages have to be supplemented by imports, the question is frequently asked whether it would not be desirable, on account of the difficult position facing the dairy industry, to increase the producer price still further in order to overcome the shortages by an increase in local production.

It is, however, not practically possible for producers of cream to respond quickly to changes in prices. Furthermore, it should also be borne in mind that the full effect of the price increments, which came into operation in June 1963, cannot as yet be fully reflected in production. Of

particular importance is also the stimulating effect of price increments on future production. The relationship between supply and demand must also be taken into consideration, especially as a further increase in producers' prices will inevitably lead to an increase in consumers' prices.

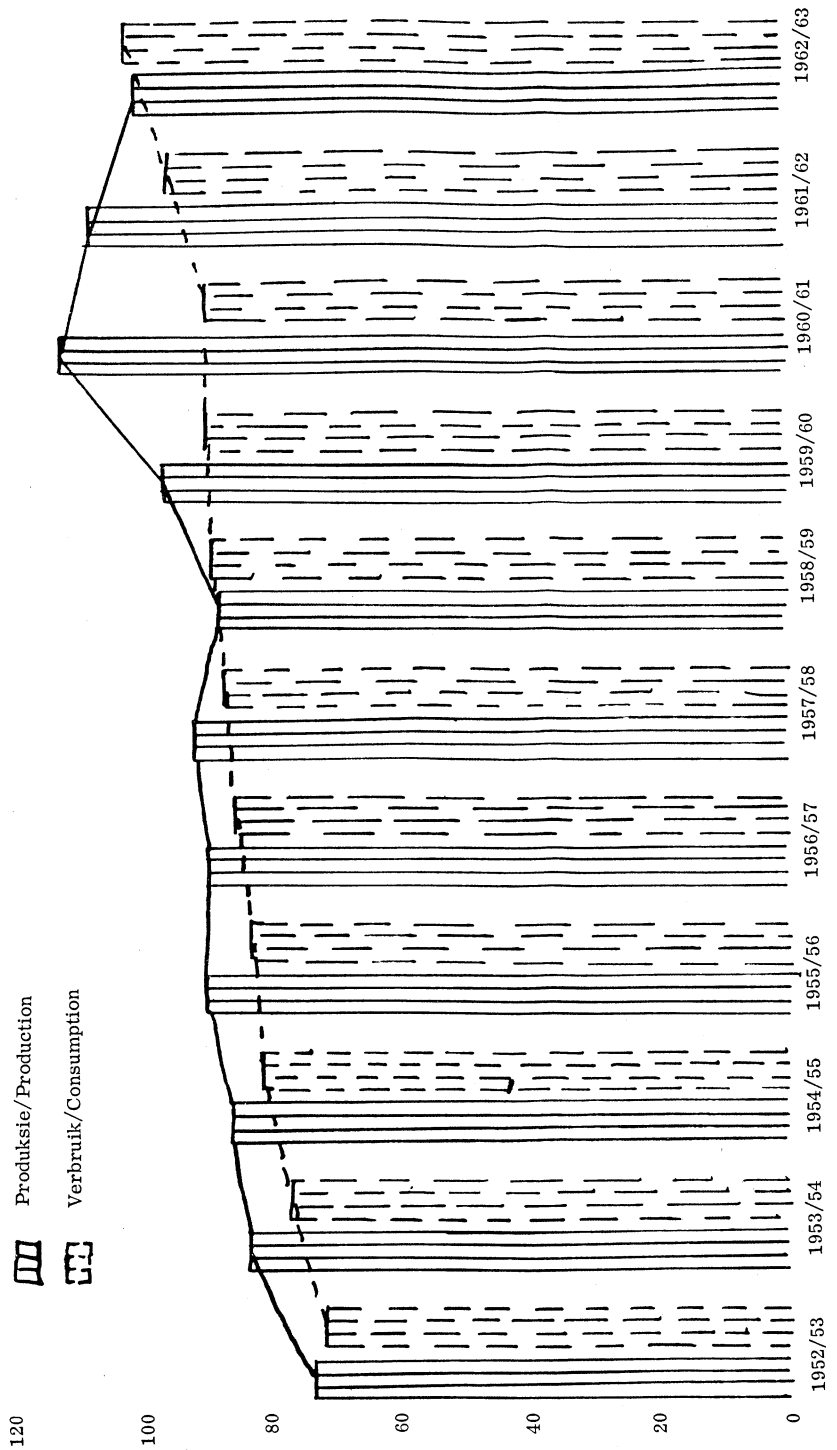
RELATIONSHIP BETWEEN SUPPLY AND DEMAND

To best judge the position, it is necessary to look particularly at the supply/demand relationship for butter as it has developed during the past few years.

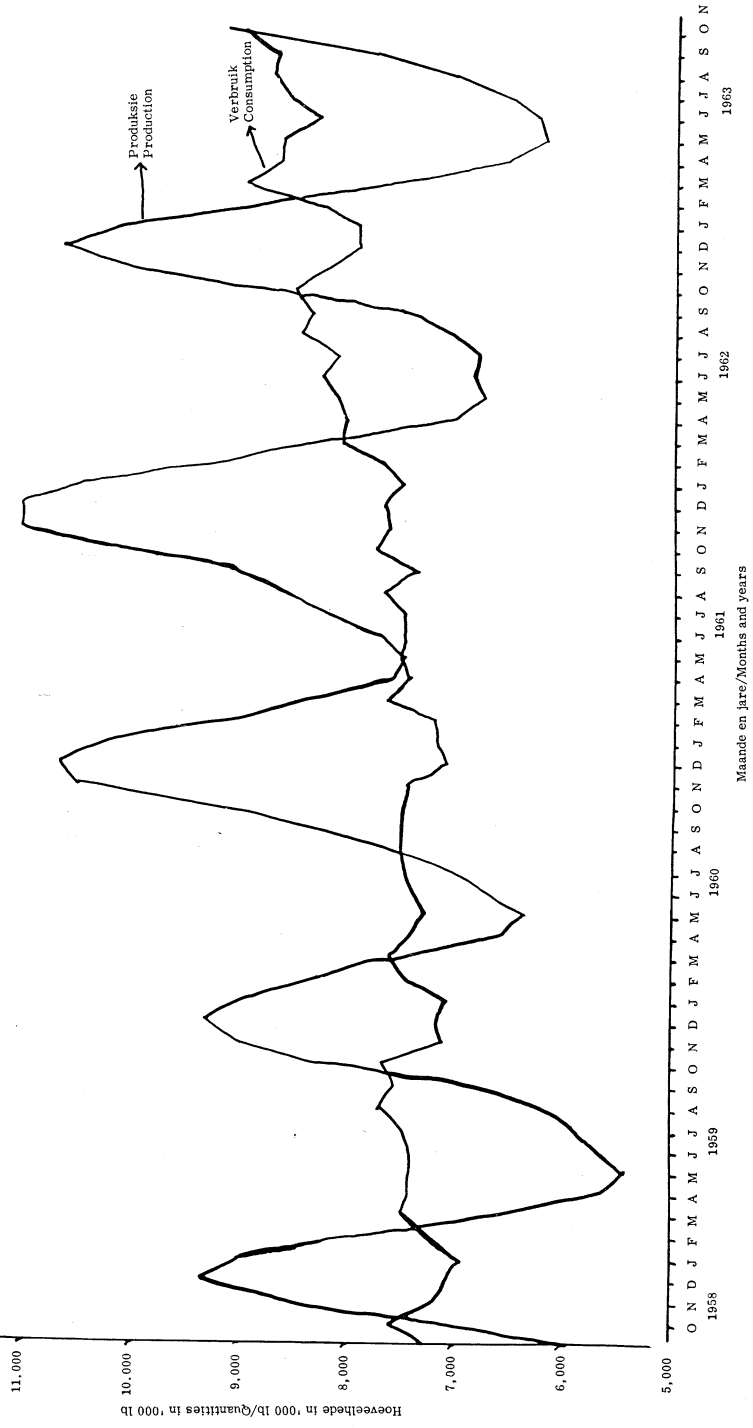
Figure 1 gives a review of the pool production and consumption of butter for the dairy seasons 1952/53 to 1962/63. Since the beginning of 1950, both the production and consumption of butter have gradually increased until and including the 1957/58 season, in the case of production, and the 1958/59 season in the case of consumption. Limited quantities of butter have been exported overseas annually, but during the 1958/59 and 1959/60 seasons, when shortages occurred as a result of declining production, limited quantities of butter were imported.

Especially owing to favourable winter weather conditions, production sharply increased during the ensuing two seasons, at first by 8.8 and then by 16.2 million pounds per season, to the record level of 112 million pounds for 1960/61. During the same seasons consumption remained virtually unchanged at 89 million pounds, and the surplus of production above consumption for the 1960/61 season amounted to 23 million pounds. Almost the same quantity of butter was exported at that time, and the losses thereon were

Figuur 1 - Poelproduksie en die Republiek se verbruik van botter, 1952/53 tot 1962/63-suiwelseisoene
 Figure 1 - Pool production and consumption of butter in the Republic, 1952/53 to 1962/63 dairy seasons



Figur 2 - Kommersielle biomelke produksie en verbruik van botter, Oktober 1958 tot November 1963
 Die sifers verteenwoordig 'n driemaandelikse skuwendende gemiddelde
 Figure 2 - Commercial local production and consumption of butter, October 1958 to November 1963
 (The figures represent a three-monthly moving average)



so substantial that the amount in the Board's Stabilisation Fund decreased from R3,136,000 at the beginning of the season to R641,000 at the end thereof.

World surpluses of butter existed and quota restrictions on exports to the United Kingdom, practically the only market, were imposed. It had become clear that the industry could only be successfully developed on the domestic market, and several steps were taken to ensure this.

DEVELOPMENT OF THE DOMESTIC MARKET

As a first step, the consumers' price of butter was reduced by 5c to 30c per pound. This was made possible by equal contributions from producers and the Government. Basic butterfat prices were reduced by 3c per pound to 29c per pound and the Government subsidy was increased by 2½c per pound to about 5c per pound. In addition, the Dairy Board launched an intensive advertising campaign and special marketing promotion schemes.

During the 1961/62 and the 1962/63 seasons the supply/demand relationship reversed to such an extent that shortages had to be supplemented by imports at the end of the 1962/63 season. The change was just as much the result of decreasing production (12.4 million pounds) as increasing consumption (12.0 million pounds).

As will be observed from Figure 1, the 1962/63 production, bearing in mind the ascending tendency, does not at all compare unfavourably with those before the 1960/61 season. The production of butter during December of the past four seasons also shows that the production potential exists to produce under favourable weather conditions sufficient quantities to satisfy current needs:

	Production (1,000 lb)
December 1960	10,747
December 1961	11,909
December 1962	10,299
December 1963	10,723

According to Figure 2, where the three-monthly moving average production and consumption are indicated, it appears that the local consumption of butter remained fairly constant until about the end of the 1960/61 season; increased sharply during 1961/62 and thereafter more gradually and more unevenly. The increase in consumption is not so promising as it would appear. The consumption of choice butter remains comparatively constant and the increase, therefore, has occurred in the lower grades where prices are more competitive with other spreading fats and cooking oils. It would appear that part of the consumption of butter is very sensitive to changes in the price of butter.

It seems clear that the supply and demand position of butter, at this stage at least, is very fluent, and that the matter should be handled very carefully - as it is the intention to ensure the best balance between supply and demand.

- Submitted by S.J. du Toit, Department of Agricultural Economics and Marketing.

The Egg Position

Due to the enormous increase in egg production during the past few months in most European countries, especially in Western Germany and Italy, egg prices dropped to an exceptionally low level. At present Western Germany, the world's largest egg importing country during the past few years, produces almost sufficient eggs for its own requirements, while Italy is already looking for export markets.

This sharp increase in production, and a corresponding reduction of prices in those countries which have hitherto been the most important importers of

eggs, together with the present heavy import duties in the European Common Market countries on eggs from non-member countries, virtually prohibit the export of eggs to those countries, even at substantial losses.

With the usual seasonal decline in egg production in Germany, Italy, the United Kingdom and various other European countries, as well as the possible discouragement of production due to the current low producers' prices, conditions on the overseas market may improve from the end of July 1964. A possible reduction at that time in the import duties for the Common Market countries may make the export of South African eggs to Europe again possible.

Under these difficult circumstances, the Egg Control Board has warned producers to be extremely careful about further expansion of egg production.

Agricultural Investment

According to the Division of Agricultural Economic Research, the value of total investments in agriculture, after deduction for depreciation, amounted to R4,819 million in 1963, compared to R3,300 million in 1953. The value of land increased from R1,343 million in 1953 to R2,275 million in 1963; fixed improvements from R832 million to R1,065 million; machinery, implements, vehicles and tractors increased from R379 million to R506 million, while livestock increased from R744 million to R973 million over the same period.

The gross investment in agriculture (before deduction of depreciation) remained fairly constant over the past decade and amounted to about R100 million yearly.

The amount (preliminary) invested during 1963 amounted to R103.3 million, as against R96 million in 1953. In 1954 and again in 1960 some R107 million

had been invested, while the record sum of R119 million was invested in 1951.

The amount of R103.3 million for 1963 represented R64.1 million in respect of vehicles, machinery, implements and tractors, and R39.2 million in respect of fixed improvements. No figures are as yet available in respect of livestock.

Farmers analyse their own Figures

According to the Division of Agricultural Economic Research, three groups of farmers sacrificed time to attend a short course in economic analysis during 1963.

These courses were centrally organised in the vicinity of Underberg in Natal, Aliwal North and Molteno. The farmers had to travel every day (for 3 to 4 days per month) several miles to attend the course.

The course attendants analysed their own farms with the aid of their farm record books. Afterwards the figures of all the groups were added together, in order to obtain average figures for comparison with the figures of each farm.

Two officials from the Division conducted the course and assisted inter alia in calculating averages. This experiment was beyond doubt a success. This is definitely a big step towards obtaining co-operation from farmers in the field of economic research work.

Personal

The council of the "Suid-Afrikaanse Akademie vir Wetenskappe en Kuns" awarded Prof. B.J. Dippenaar, Head of the Division of Commodity Services, the Havenga Prize for Agriculture at the end of 1963. The prize was primarily awarded for his research in the field of various plant diseases and his contribution to publications on subjects relating to plant disease. The

ceremony took place on the 27th of February 1964.

Mr. P.J. Geyer will commence duties in Washington on the 14th of March 1964 in the capacity of Agricultural Attaché (Economic) of this Department in the United States of America. He will mostly be interested in marketing investigation and matters relating to the disposal and marketing of agricultural products - mainly controlled products. He will also represent the Department in other agricultural economic fields.

Prior to his appointment as Agricultural Attaché, Mr. Geyer was attached to the Division of Agricultural Economic Research, since February 1955.

His address is: C/o The South African Embassy, 3101 Massachusetts Avenue, N.W., Washington 8, D.C.

Mr. W.H. Burger, Chief Professional Officer with the National Marketing Council, was a member of a delegation which the Deciduous Fruit Board appointed to visit Australia.

The purpose of the delegation was to determine to what extent prices and conditions in the Australian canning industry were comparable with those in the Republic.

The other two members of the delegation were Mr. P.G. van Breda, member of the Deciduous Fruit Board, and Mr. I.J. Burger, Deputy Chief, Fruit and Food Technology Research Institute, Stellenbosch.

The Mission departed on 6th February 1964 and returned on the 1st of March.