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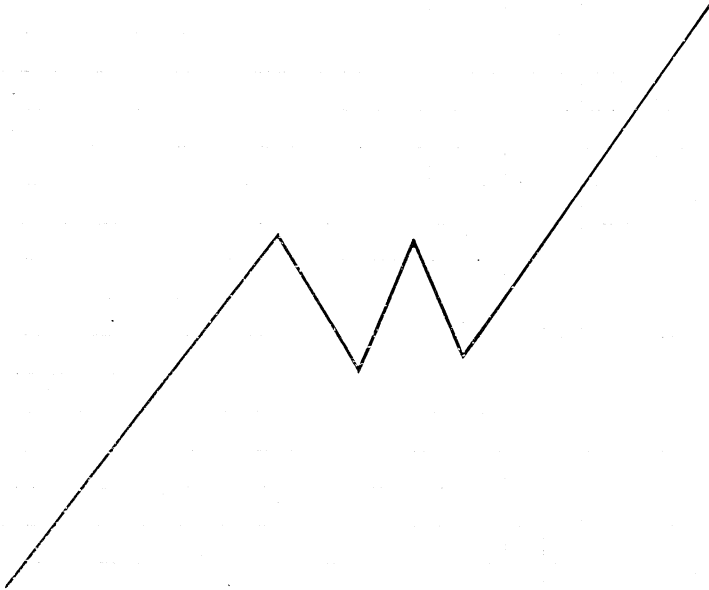
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Dr. A.P. Scholtz, H.J. van Rensburg and O.E. Burger  
Editor: Dr. A.J. Beyleveld  
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## REQUIREMENTS FOR CONTRIBUTIONS

Articles in the field of agricultural economics, suitable for publication in the journal, will be welcomed.

Articles should have a maximum length of 10 folio pages (including tables, graphs, etc.), typed in double spacing. Contributions, in the language preferred by the writer, should be submitted in triplicate to the Editor, c.o. Department of Agricultural Economics and Marketing, Pretoria, and should reach him at least one month prior to date of publication.

The Journal is obtainable from the distributors: "Agrekon", Private Bag 144, Pretoria.

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

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## Certain economic tendencies in agriculture

The economic revival experienced in South Africa since about 1962/63, along with growing inflationary conditions during the past few years, largely coincided for the agricultural industries with a period of widespread and continuous droughts. These conditions resulted in the volume of agricultural production remaining more or less constant from 1962/63 to 1965/66; but during the 1966/67 season production again recorded a significant increase.

The growing demand for agricultural foodstuffs which resulted from the higher level of economic activity and full employment, thus coincided with a period during which supplies were relatively smaller than would have been the case if more average weather conditions had prevailed.

This contributed to a marked increase in consumer prices of agricultural food products. The retail price index of food increased by 21 per cent between 1963 and July 1967.

With the steady and high economic prosperity and the relatively higher average income levels in most sectors it can be expected that the domestic consumption of agricultural food products should be maintained at a high level, and it might even increase, provided consumer prices do not again increase significantly. On account of the marked increase of most agricultural products during the 1966/67 season and the surpluses for which markets must in many instances be found, the maintenance of a high level of consumption in the domestic market will be of particular importance to the agricultural sector.

Based on preliminary calculations, the gross value of agricultural production (at farm prices) for the 1966/67 season will amount to about R1,307 million in comparison with R1,052 million for the previous season.

For producers this means that their gross income will be increased by about R255 million. Where many producers are burdened with accumulated debts, the higher incomes should bring considerable relief. This applies to crop as well as livestock producers. Production is being undertaken under a growing cost structure, not only as a result of price increases in the means of production, but also because of their more extensive employment. A few crop failures, therefore, resulted in a serious financial set-back for many crop producers. Livestock producers had of necessity to incur considerable costs in providing feed - in most instances this merely served to keep the animals alive and provided little income. The increases in interest rates during the past few years also created problems for some farmers.

The higher incomes of the past season might, however, lead to efforts to increase production further during the coming season. Along with this there are also instances where a backlog has resulted during the years of drought in respect of capital goods - tractors and other agricultural implements - which must be replaced and which may require increased expenditure.

It is, however, not only sound policy to guard against over-capitalization, but considering the prevailing inflationary

conditions, extensions in this respect should be undertaken with circumspection.

It is significant that, notwithstanding the droughts in many parts of the country during the three years, 1964 to 1966, net investments in agricultural machinery, implements, vehicles etc. as well as fixed improvements were, based on estimates, continued at a comparatively high level. These net capital investments along with the fact that livestock numbers were not reduced significantly because of better care, must have contributed, after the droughts, to recovery and the production in some instances of record crops.

The ability of farmers to be in a position, as a result of the unparalleled progress in the technological field, to increase production under average weather conditions to such heights, creates greater demands concerning the existing marketing facilities in respect of storage, transport, processing and the disposal of surpluses of several summer crops. During this year these facilities are being taxed to the utmost. Should this level of production be maintained during the coming seasons, these facilities will be totally inadequate and the establishment of additional facilities requires time.

#### AGRICULTURAL CREDIT

In the case of the agricultural sector, I would like to make a special appeal. It is understandable that this sector had to receive special assistance during the years of drought, and it is also clear that special provision had to be made for the financing of the larger crops following upon the good rains. This was done, and indeed, on such a scale that more than 20 per cent of all bank credit presently extended to the private sector represents credit for agriculture, whereas this sector contributes only about 10 per cent to the gross domestic product. Moreover, the maize farmer, for example, receives the full price for his product immediately even though approximately half of the total crop will only be exported over a period of about two years and possibly, at a loss. In particular, the fact should be borne in mind that the special concessions which were granted in connection with credit extended to the agricultural sector, did, in fact, conflict with the general disinflationary policy of the authorities and undoubtedly made it more difficult to carry out this policy. In consequence, a responsibility now rests upon the farming community, and particularly upon those farmers whose crops have done well, to repay their debts out of the proceeds of their larger crops. Not only will this reduce their interest burden, but it will also help to curb inflation and, in so doing, bring nearer the time when interest rates can be reduced and other restrictions lessened.

Address by the Governor of the S.A. Reserve Bank, at the Annual General Meeting, August, 1967.