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AN OPINION SURVEY ON ASPECTS OF BEEF MARKETING IN SOUTH AFRICA*

by M.B. ELLIOTT, W.L. NIEUWOUDT and M.C. LYNE**

ABSTRACT

An opinion survey was carried out on 178 beef farmers, using the two-stage sampling technique. Survey results were analysed using a computer program developed at the University of Natal. The estimates derived pertain to all South African beef farmers. Results show that, while the average beef producer is close to a country auction (22 km), the distance to the nearest Abattoir Corporation facility is considerable (345 km). Preference is expressed for many small abattoirs situated in production areas, as opposed to a few large abattoirs in consumption areas. Farmers experience greatest difficulty in obtaining quotas and permits during April and December.

INTRODUCTION

From time to time South Africa's red meat industry is faced with stockpiles and increased competition from poultry meat. The per capita consumption of beef has declined, while in real terms its price has increased - the opposite is true of the per capita consumption and price of poultry (Hancock 1983, p.29). Marketing policies have a significant effect on the industry and in this study a survey was conducted to establish producer opinion on aspects of marketing policy. In an effort to isolate problem areas and possible inequities of the control system the questionnaire included both quantitative and qualitative variables. Topics covered included producer opinion of the Meat Board, floor prices, abattoirs and the quota/permit scheme.

SURVEY TECHNIQUE

Information on farmers' opinions was obtained from a sample of beef farmers drawn from all four provinces. The two-stage sampling technique was

used because of a lack of a suitable list frame for beef farmers. Although multi-stage sampling may lead to less efficient sample estimates than other sampling methods, it is far less costly. Nevertheless, judicious stratification and selection of primary stage units (PSUs) with probability proportionate to size reduce the potential loss in efficiency (Lyne, 1981, p. 7-11). The target area was stratified by province, climate and veld type to ensure homogeneity of sampling units within strata. Each stratum was divided geographically into unique primary stage units (magisterial districts). Certain of these PSUs were sampled with probability proportional to size where size was estimated by cattle numbers. The secondary stage unit (SSU) was the beef farmer himself. A list of all the SSUs in selected PSUs was drafted and certain of these SSUs were chosen using simple random sampling. Both postal and personal interview techniques were employed. The survey was conducted over a two-and-a-half month period during May, June and July, 1985. Of 178 responses, 35% were postal.

SURVEY RESULTS

Use was made of a computer program developed by Lyne and Reid (Lyne, 1981, p. 73). The program estimates population totals, ratios and their variance from two-stage sample data. In particular, the program allows for stratification of PSUs and their selection with probability proportionate to size. Estimates derived pertain to all South African beef farmers and not merely those surveyed. Population totals compare reasonably well with published statistics on the S.A. beef herd.

(A) QUANTITATIVE VARIABLES

The types of Market supplied by producers are listed in Table 1. The greater proportion of beef (41%) is sold through Abattoir Corporation facilities and about one third (32%) is sold at country auctions. Coefficients of variation (CVs) shown, indicate confidence bounds on estimated variables. Although CVs are not mentioned in the text in subsequent tables, the calculated CVs affected the interpretation of results discussed in the text.

Average distances from farms to the markets supplied are presented in Table 2. While, on average,

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TABLE 1 - Markets supplied by farmers*

Market supplied	Percentage of beef %	Coefficient of variation %
Abattoir Corporation	41	13
Country auctions	32	17
Feedlots	16	30
Private treaty	4	-
Private abattoir	4	-
Other	3	-
Total	100	-

*Data calculated from percentages of beef sold by each farmer to each outlet

TABLE 2 - Average distances from farms to various markets

Market supplied	Average distance from farm to market km	Coefficient of variation %
Abattoir Corporation facility	345	13
Country auction	22	11
Private abattoir	19	31
Black independent area	29	-

farmers are close to country auctions (22km), distances to Abattoir Corporation facilities are considerable (345 km). Coefficients of variation on both estimates are small.

(B) QUALITATIVE DATA

Producer opinion was obtained on aspects of livestock marketing in respect of floor prices, abattoirs and the quota/permit system.

Floor prices

Approximately 72% of producers expressed awareness that beef is losing a share of its market to the poultry industry. In general, these producers knew that the price of their product and the level of consumption were inversely related. 48% of farmers (Table 3) were therefore satisfied with the current level of the floor price.

TABLE 3 - Producer opinion as to the level at which the floor price should be set

Desired change in the floor price compared with the current level	Percentage of producers %	Coefficient of variation %
As at present	48	16
Higher	24	18
Abolished	23	31
Lower	5	-
Total	100	-

Abattoirs

Abattoirs and restrictions imposed on these facilities are a contentious issue amongst producers. 43% of farmers were of the opinion that hygiene regulations imposed on abattoirs are excessively stringent, whilst 31% were of the opinion that slaughtering restrictions were too rigid.

Producers cited cases of cattle being transported over large distances to controlled abattoirs for slaughter, the carcass then being transported back to markets in the area of origin. One producer summed up the situation by saying: "Our profits are going straight out of the exhaust pipe".

Producers were requested to state their preference for different types of abattoirs (Table 4).

TABLE 4 - Producer preference for location and size of abattoir

Preference	Percentage of producers %	Coefficient of variation %
Many small abattoirs	73	9
A few large abattoirs	30	24
Abattoirs situated in production areas	82	6
Abattoirs situated in consumption areas	16	32

Most producers were in favour of small, more numerous abattoirs sited in production areas. Although 60% of producers were of the opinion that South Africa's slaughtering facilities were adequate, these facilities were considered to be incorrectly situated. The majority of farmers favoured privately owned abattoirs and country butcher slaughterhouses as opposed to Abattoir Corporation facilities.

The quota/permit system

36% of farmers were satisfied with their quota/permit allocations. 75% of producers were of the opinion that their inability to obtain quotas/permits had led to a deterioration in their financial position. The small confidence bound on this estimate (CV = 6%) implies confidence in the estimate.

Farmers were requested to state the months in which they experienced the most difficulty in obtaining quotas or permits. Their responses are summarised in Figure 1.

A clear pattern is discernible, with two definite peak periods over the Easter and Christmas holidays. Figure 1 shows that quotas/permits are more restrictive in December and during the Easter period than in August, September and October. Beef prices also generally peak during December. *It appears that although producers wish to respond to the higher prices in December, they are prevented from taking full advantage of them.*

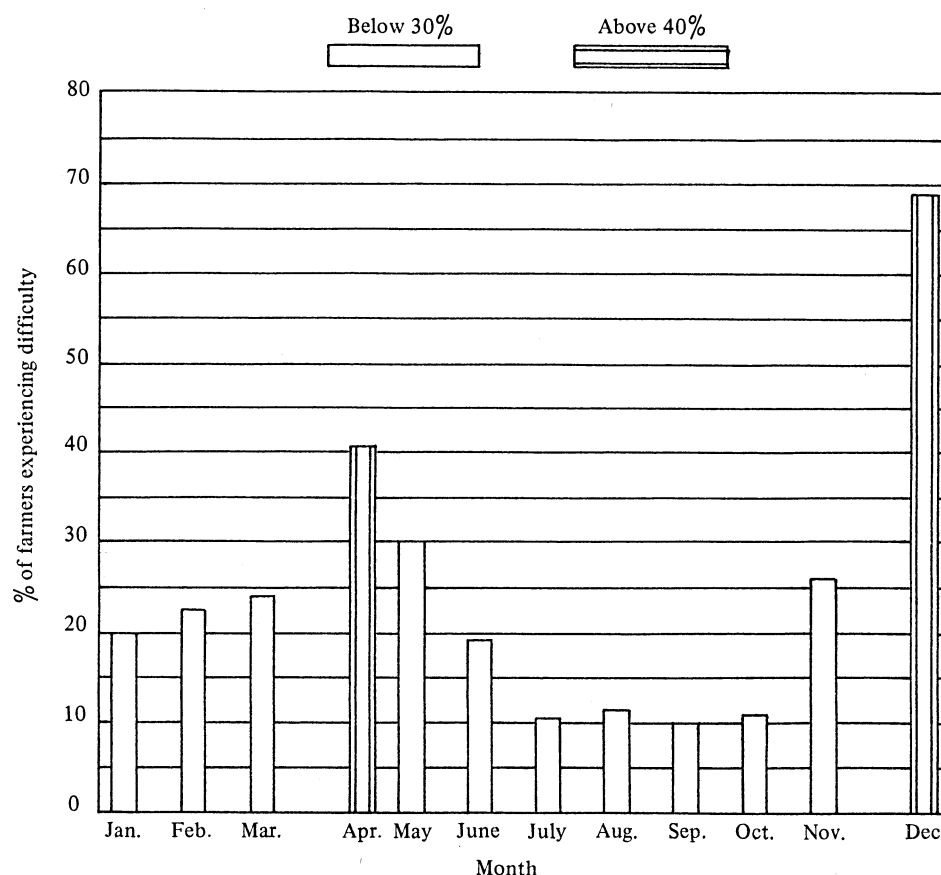


FIG. 1 - The periods of the year in which farmers have difficulty in obtaining quotas/permits

In the event of being unable to gain access to the main city markets, producers are obliged to sell stock to different markets and possibly to make use of alternative feeding strategies. These markets and strategies are presented in Table 5.

TABLE 5 - Alternative markets and feeding strategies used by producers unable to market at controlled abattoirs

Alternative market/ feeding strategy	Percentage of producers %	Coefficient of variation %
Country auction	73	10
Privately owned abattoirs	22	32
Feedlots	17	39
Carry stock on veld	17	46
Carry stock on concentrate feeds	8	35

The most frequently used alternative to controlled marketing is that of selling stock at country auctions. Almost three quarters of producers sell at country auctions. 25% of producers who are awaiting access to controlled markets carry animals on veld or feed.

Restricted access to controlled markets poses disadvantages to certain producers. Farmers who do not qualify for permits/quotas fall into the following two main groups:

- (i) The producer who has no past performance record of being a regular supplier of beef to controlled markets, i.e. young farmers or producers new to the industry.
- (ii) The producer who is trying to gain access to controlled markets by building up a performance record. These farmers are obliged to carry marketable animals and this can become an expensive procedure. Not only are there the costs of feed/grazing and opportunity costs, but there are also cash flow and planning considerations. 36% of producers in this category felt that this practice had led to a deterioration in the condition of their veld. Some producers complained of being "made into speculators" in order to build up a performance record.

The value of permits/quotas

Permits and quotas are administered by different bodies in the beef industry. The focus here is not on the administration of the scheme, but on the economic effects of supply restrictions.

84% of farmers were aware that the permit or quota may have a monetary value, even though this was invisible, since permits/quotas are not tradeable. Producers were requested to stipulate what they would be prepared to pay for permits/quotas under

TABLE 6 - Estimates of the monetary value of a permit/quota per animal under different situations

Situation being experienced by the producer	Monetary value of permit/quota	Coefficient of variation
	R	%
During a most desperate time (i.e. drought)	35	21
During a moderately desperate time	9	12
During a least desperate time	3	25

situations such as those shown in Table 6.

Producers were asked whether they were in favour of permits/quotas becoming tradeable. Only 11% answered in the affirmative, as most farmers suspected that this would lead to "greater corruption".

It is interesting to note that the permit/quota has a value even during a least desperate time period. This may be due to the desire to build up a performance record.

36% of producers were satisfied with permit/quota allocations. Reasons for discontent include favouritism shown towards specific groups involved in the livestock industry and the inflexibility of the system. Producers were asked whether, in their opinion, certain groups were being given preference in allocations. According to Table 7, feedlots topped the list of groups perceived to be favoured. Many producers feel that the supply restriction policy "forces" them to market through feedlots.

TABLE 7 - Producer opinion of groups favoured by the permit/quota system

Group favoured	Percentage of producers	Coefficient of variation
	%	%
Feedlots	63	8
"Speculators"*	58	7
Big farmers	37	17

*A livestock agent cannot sell cattle purchased from farmers direct on main city abattoirs. The connotation attached to the word "speculator" by farmers is related to their perception of the reason why the agent purchases their cattle

38% of the producers who were dissatisfied with the current livestock marketing scheme attribute their grievances to inflexibility of the system. This is partly the result of having to market when permits/quotas are available. Producers claim that it is difficult to foresee when the stock will be marketable under conditions of extensive grazing. Here the more experienced producer may face the

uncertainty of being unable to secure permits/quotas for given periods.

Producers were of the opinion that the current system favours the feedlot owner, the big farmer and the farmer closer to town, while discriminating against the grazier, small farmer and producer in outlying districts (Table 8).

Reasons for the rankings in Table 8 stem largely from the farmers' perception of who has the best access to quotas or permits. For the rest, they are ascribed to lack of competition owing to various forms of control.

TABLE 8 - Producer opinion on groups favoured and discriminated against by current marketing system

Group favoured	Group(s) discriminated against	Percentage of producers	Coefficient of variation
		%	%
Feedlot	Grazier	81	5
Big farmer	Small farmer	78	6
Middleman	Producer and consumer	77	10
Poultry farmer	Beef farmer	72	5
Farmer close to town	Farmer in outlying districts	57	9

CONCLUSIONS

A two-stage sample of 178 beef farmers produced the following findings:

- The average distance to the nearest country auction is 22 km and to the nearest Abattoir Corporation facility 345 km.
- Preference was expressed for many small abattoirs situated in production areas as opposed to a few large abattoirs situated in consumption areas.
- Farmers experience the greatest difficulty in obtaining quotas during April and December.
- The view was expressed that the current system favours the feedlot owner, big farmer and producer closest to town while it is disadvantageous to the grazier, small farmer and producers in outlying districts.

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