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RESEARCH NOTE: PROBLEMS AND OPPORTUNITIES IN AGRICULTURE - PERCEPTIONS OF COMMERCIAL FARMERS IN NATAL

MR Woodburn

Post-graduate Student, Department of Agricultural Economics, University of Natal, Pietermaritzburg

GF Ortman

Associate-Professor, Department of Agricultural Economics, University of Natal, Pietermaritzburg

The perceptions of commercial farmers in Natal of factors influencing the direction of their farm business in the future, and views of future management problems and opportunities in agriculture are discussed in this research note. Economic and financial changes, as well as changes in political, labour and climatic conditions were expected to be the most important factors influencing the future direction of farm businesses. Labour management was cited by most respondents to be a problem, other areas of concern being increasing production costs, political changes, economic and financial aspects, and climatic uncertainty. Improved production efficiency and marketing opportunities were perceived as the most important management opportunities in the future.

Probleme en geleenthede in die landbou: Persepsies van kommersiële boere in Natal

Die persepsies wat kommersiële boere in Natal het van die faktore wat die toekomstige rigting van hul eie boerderysake sal beïnvloed, en hul sienings oor toekomstige bestuursprobleme en -geleenthede in die landbou, word in hierdie navorsingsaantekening bespreek. Die boere verwag dat ekonomiese en finansiële veranderinge, asook veranderinge in politieke, arbeids- en klimaatstoestande, die vernaamste faktore sal wees wat die toekomstige rigting van boerderysake sal beïnvloed. Arbeidsbestuur is deur die meeste respondente as problematies genoem, met ander sorgwekkende gebiede die stygende produksiekoste, politieke veranderinge, ekonomiese en finansiële aspekte, en klimaatsonsekerheid. Verbeterde produksiedoeltreffendheid en bemarkingsgeleenthede word as die belangrikste bestuursgeleenthede in die toekoms beskou.

1. Introduction

South Africa is presently experiencing a political and economic transition which, with a prolonged drought and increasing violence, is influencing perceptions about the future amongst various sectors of the population and the economy. Political reform leads to uncertainty as to future land, labour and tax policies, while the economy (presently in a recession) is entering the post-sanctions era. These factors, together with deregulation of marketing in agriculture, influence farmers' perceptions of future management problems and opportunities in agriculture and the direction in which the farm operation is likely to move.

In this research note, characteristics of a sample of commercial farmers in Natal, their perceptions of factors expected to change the direction of their farm business in the future, and their views on future management problems and opportunities in agriculture are discussed. The issues raised could provide useful insights as to the future information needs of commercial farmers in Natal and may assist advisors to channel appropriate management information to farmers to help them make improved decisions in an uncertain environment.

2. Data source and characteristics of respondents

Data for this study were collected from commercial farmers in Natal through a postal survey. An address list was obtained from the Natal Agricultural Union from which a stratified random sample was drawn. A total of 567 farmers (10,4 percent) were randomly selected from the 5 435 farmers on the address list, and were mailed a questionnaire. Two hundred and fifty nine farmers responded to the survey of whom 199 returned usable questionnaires, representing 35 percent of the original sam-

ple. Thirty usable responses came from Northern Natal, 86 from the Natal Midlands and 83 from the Coastal Belt.

The most common business arrangement was individual ownership, comprising 64,3 percent of farm operations. This was followed by close corporations (13,1 percent) and companies (11,1 percent). The average size of farm operation was 887 hectares, the median farm operated being 435 hectares. About 86 percent of the land operated was owned by the farmer while a further 11,4 percent was cash rented. Other land was share leased and one respondent indicated having usufruct rights to land.

In total, 31 enterprises were reported by respondents, the most common enterprises being dairy, beef, maize, timber and sugar-cane. In cases where dairy and sugar were farmed, these enterprises tended to comprise the major portion of farm turnover. Nearly 17 percent of respondents had annual turnovers of less than R250 000. About 30 percent had turnovers of between R500 000 and R1 million while 34,8 percent had turnovers of R1 million or more. Fourteen percent of respondents had no farm liabilities and 72,8 percent had debt/asset ratios of less than 30 percent. On average, Coastal Belt farmers had the largest turnover, followed by those from Northern Natal and the Natal Midlands.

The average age of the respondents was 45,5 years and they had completed an average of 14 years formal education. Just over 92 percent of the farmers were full time farmers, and 47,7 percent reported owning a personal computer. The majority of farmers considered themselves highly skilled, relative to other farmers, in production management (65 percent), financial management (60,3 percent) and in overall farm management (64,8 percent).

Table 1: Factors expected by respondents to lead to a different direction of their farm operation in the next ten years (N=155).

Factors	Respondents	
	Frequency	Percentage*
Economic and financial changes	98	63,2
Political changes	75	48,4
Labour changes	40	25,8
Climatic conditions (drought)	30	19,4
Changes in the market place	12	7,7
Changes in management	11	7,1

* Percentages add up to more than 100 because some respondents gave more than one answer.

In contrast, less than 39 percent of the respondents considered themselves relatively highly skilled in marketing management. Nearly 50 percent of respondents were more willing to take risks in farm production relative to other farmers, while 35 percent, 34 percent and 38 percent of respondents were more willing to take risks in marketing, finance and overall farm management respectively, relative to other farmers.

Eleven percent of the respondents and 20,1 percent of their spouses had off-farm employment. About 13 percent of farmers and 11,6 percent of their spouses were involved in off-farm businesses, while 63,3 percent of respondents and 47,7 percent of their spouses had off-farm investments.

On average, the respondents spent R3 504 per year on information sources. The most common expenditure was on farm magazines, while expenditure on own farm records and accountants represented 69 percent of total expenditure on information sources. Keeping own farm records required 4,4 hours per week on average and was rated as the most important source of information for production, marketing and financial decisions.

3. Future business directions, management problems and opportunities

Farmers in the sample were asked three open-ended questions regarding the future of their farming operations, namely what factors might lead to a different direction of their farming operation in the future, and perceptions of the most difficult management problems and the most important management opportunities over the next ten years. These questions were answered by 155, 176 and 118 farmers respectively, with many respondents giving more than one answer to each question.

3.1 Factors leading to a different direction of the farm business

It was reported by 63,2 percent of respondents that changes in the economic and financial environment would have an important influence on the direction of their business in the future (Table 1). Included here are the demand for and supply of products, market prices, a changing consumer base (which may play an important role in the demand for certain products), interest rates, exchange rates, gross margins, enterprise profitability and the stability of certain industries (namely dairy and sugar).

About 48 percent of respondents anticipated changes in politics to play a role in changing the future direction of their business. These changes include land redistribution, property rights, changes in government regulations, the economic policies of a new government and changes in land and other taxes. Changes in the labour force was mentioned by 25,8 percent of respondents (this factor could be closely linked to changes in the political environment). Included here are labour costs, labour legislation, labour productivity, health problems due to AIDS and developments in mechanization.

Nearly 20 percent of respondents indicated that climatic changes would have an important influence on the direction of their farm operation. Of major concern to these respondents was the drought affecting the region. Deregulation of agricultural marketing and opening up of export markets was seen as important by 7,7 percent of respondents, while changes in management (which include health and age of the farmer, estate planning and acquiring new management) were important to 7,1 percent of respondents.

3.2 Most difficult management problems

These responses are presented in Table 2. Issues regarding labour management, including the possibility of trade union activity, were of concern to 75,6 percent of respondents. More than 28 percent of respondents expected difficulties in production, particularly with regard to the cost-price squeeze (where input prices are rising faster than product prices), being able to produce competitively, competition from imported agricultural products, and machinery management.

Changes in local politics was an area of concern to 23,9 percent of respondents. This includes uncertainty in security, changes in tax laws, land policies, government interference, obtaining more land and a disintegrating infrastructure. This was followed by economic and financial difficulties (18,8 percent) which includes the costs of financing capital, financial management and the economic recession.

Twenty respondents (11,4 percent) expected to have difficulties with climatic conditions (drought), while 18 (10,2 percent) saw marketing in a free economy and vertical integration as difficulties. Introducing new management, conservation of the environment and road ordinance laws were other problems mentioned.

Table 2: Most difficult management problems over the next ten years (N=176).

Management problems	Respondents	
	Frequency	Percentage*
Labour	133	75,6
Production costs	50	28,4
Political changes	42	23,9
Economic and financial aspects	33	18,8
Climatic difficulties (drought)	20	11,4
Marketing of produce	18	10,2
Other	38	1,7

* Percentages add up to more than 100 because some respondents gave more than one answer.

Table 3: Most important management opportunities over the next ten years (N=118).

Management opportunities	Respondents	
	Frequency	Percentage*
Improving production efficiency	68	57,6
Marketing opportunities	45	38,1
Diversification	21	17,8
Economic recovery	12	10,2
Water storage	5	4,2
Other	8	6,8

* Percentages add up to more than 100 because some respondents gave more than one answer.

3.3 Most important management opportunities

Improving production efficiency was indicated as the most important management opportunity (Table 3). This includes improving technical efficiency in both quality and quantity of production. Raising productivity per unit input, having better quality labour through education and training, making use of improved machinery, technology and computers, reducing input costs and specialization were all expected to play a role. About 38 percent of respondents saw opportunities arising in the marketing of their produce. Market deregulation, export markets and a growing population were all important, while vertical integration was also mentioned.

Enterprise diversification (especially by sugar-cane farmers), having off-farm investments and entering the tourism industry were seen as important opportunities by 17,8 percent of respondents, while 12,2 percent looked forward to an economic recovery. The construction of dams to improve and secure water supplies was indicated by five respondents as a significant management opportunity, while other opportunities include reducing the labour requirement of their farm, political reform, farm expansion, retirement and reliable contractors.

4. Conclusions

Farmers expected factors that are out of their control to play the most influential roles in their farming operations over the next ten years. These include the state of the

economy and its future, political changes, unreliable climatic conditions, deregulation of the agricultural industry and inflation.

The future direction of the farming operation was expected to be influenced primarily by external factors. These include economic and financial changes, as well as changes in politics, labour and climatic conditions. This indicates that farmers expect the future direction of their farm business to be heavily influenced by policy changes. Policy makers should therefore be circumspect as to the implications of alternative policies.

Labour management is expected to be the most difficult management problem over the next ten years. This has been brought about by changes in the political environment and suggests that farmers will need to improve their skills in this area of management. Farmers therefore need to be well informed about the implications of alternative labour policies. Some policies may encourage greater labour union activity, subsidization of rural education and labour housing, and the provision of tax relief on labour rather than on capital. Active encouragement by agricultural unions, extension services and private consultants for farmers to improve wage and working conditions for their workers may be an important route to follow. Keeping farmers informed of the potential costs and benefits of labour policies may well lead to improved decision making and better labour management.

Although most farmers reported labour management as being a management problem, many also viewed it as being an important management opportunity. It is also noticeable that while the future direction and management problems of the farming operation are influenced by external factors, the most significant management opportunities appear to be in areas where the farmer has some control or influence. These include improving production efficiency and diversification of the farming operation. There is therefore a need for the extension services and private consultants to provide information specific to these areas of farm management.

The fact that most respondents (176) indicated some kind of management problem while relatively few (118)

responded to the management opportunities question highlights the need to keep farmers well informed regarding the implications of policy changes. By channelling appropriate management information effectively, farmers may be expected to manage their problems and make better use of the opportunities available to them.

Note

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