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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.

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Control of Production and Marketing of Wattle Bark

by

A.J. BEYLEVELD,
in collaboration with the Department of Forestry

Wattle trees (*Acacia mollissima* Willd, *Acacia decurrens* Willd and *Acacia pycnantha* Benth) are indigenous to Australia. The first experimental consignment of wattle bark from South Africa, valued at R22 was sent to Britain during 1886. This new tanning-bark proved most acceptable and during the succeeding 60 years a steady increase in the value of wattle bark and extract exported took place and the areas planted with wattle trees increased.

The value of bark and extract exported and the areas under wattle trees are shown, for certain years, in table 1.

TABLE 1 - Value of bark and extract exported and area under wattle trees for years indicated

Year	Export value	Area planted
	R	Acres
1886	22	n.a.
1903	140,000	n.a.
1913	620,000	n.a.
1923	1,800,000	300,000
1933	1,100,000	500,000
1943	3,170,000	600,000
1953	15,240,000	700,000
1963	8,490,000	900,000
1964	8,754,000	751,000
1965	n.a.	696,000

About 1953 the industry reached a peak of production. More than 120,000 long tons of bark and extract valued at R15,240,000 were exported in that year. In the meantime the area planted increased from 600,000 acres in 1943 to 900,000 acres in 1963. From 1953 to 1963 the area planted increased by 200,000 acres as a result of

the high prices. During 1963 the value of the products exported was, however, only 55.7 per cent of that of 1953 while the tonnage exported had decreased by 27.5 per cent from 120,000 long tons in 1953 to 87,000 long tons in 1963. The area planted reached a peak in 1963.

The yearly domestic consumption of extract is about 6,100 tons. The local leather tanning industry does not use any bark.

The first setback was experienced during 1957 when prices suddenly declined, and all the problems associated with over-production arose. Along with the decrease in prices, producers were not able to dispose of all the available bark and some succeeded in selling more than others. Abroad wattle extract must also compete with other tanning extracts particularly those obtained from quebracho and chestnut trees.

Free on board prices from 1949 are given in table 2.

While everything prospered a voluntary agreement between producers, bark millers and extract manufacturers was in operation. After the collapse of prices this necessary collaboration was largely lacking and the bark producers in particular considered that they were not being fairly treated in respect of bark quotas which were determined in relation to probable foreign demand.

During 1958 the Minister of Forestry appointed a committee to investigate the difficulties which had arisen. The committee found that special legislation was

TABLE 2 - Average f.o.b. prices of wattle extract, 1949-1965

	Price per long ton		Price per long ton
	R		R
1949	80	1957 (Feb.)	112
1950	85	1958	112
1951	106	1959	112
1952	140	1960	112
1953	140	1960 (July)	92
1954	140	1961	92
1955	140	1962 (Feb.)	99
1956	140	1962 (Oct.)	101
1957 (Nov.)	140	1964 (March)	112
		1965 (March)	110

required to regulate matters in the industry. The powers contained in the Marketing Act did not in all respects cover the circumstances peculiar to the wattle bark industry and during 1960 the Wattle Bark Industry Act was passed (Act No. 23 of 1960).

A provision similar to that in the Sugar Act provides for an agreement to be entered into between the three interested parties in the industry - bark producers millers and manufacturers of extract. The agreement is binding upon every grower, manufacturer and miller. An agreement was not concluded voluntarily between the three parties, and the Minister exercised his power to determine the terms of an agreement which were published in Government Notice No. R1019 of June 29, 1962.

The Act provides for the creation of two important bodies.

BOARD FOR THE WATTLE BARK INDUSTRY

The Board consists of sixteen members with equal representation of wattle growers and processors of bark. A chairman is appointed by the Minister of Forestry and he may not have any fi-

nancial interests in the industry. The members representing bark processors are nominated by two associations and those representing wattle growers are elected on an area basis.

The Board is charged with the orderly production and marketing of wattle bark. This work is carried out by two committees of the Board - the Bark Quota Committee and the Bark Price Formula Committee.

The first-mentioned Committee has inter alia the power to regulate and restrict the production and sale of bark by producers, taking into account the demand for processed wattle products, the size of commercial plantations of individual growers and the ages of the trees in the plantations. On this Committee growers have a majority and the committee must ensure that all growers receive equal treatment. Processors who also grow wattle are treated as growers in respect of their own plantations.

The second committee is the Bark Price Formula Committee which consists of the Chairman of the Board, and three representatives of both growers and manufacturers. The prices of bark according to grade are determined in relation to a f.o.b. price of R92 per long ton for wattle extract and any variation in this basic price is accompanied by an adjustment in the price of bark.

MARKETING COMMITTEE

The Act provides that such a committee must be appointed. It is charged with the marketing of extract and processed bark and consists of eleven members of which three represent growers. This committee elects its own chairman but he must also be a member of the Board.

Each processor himself sells his share of the quantity of extract or milled bark which may be sold every year, while the committee ensures that this is done in an orderly manner and that the correct prices are maintained. In this way a great

measure of stability in marketing abroad has been brought about, and the processors of bark do not compete amongst themselves in foreign markets.

DETERMINATION OF QUOTAS

Every grower was required to have a proper survey made of his plantations and the Wattle Growers' Union arranged for an extensive aerial survey of the production areas. At the same time the ages of the trees had to be ascertained. Before all this had been completed considerable difficulty was experienced in obtaining reliable data. The land of each grower under commercial plantations is registered with the Board and any increase in his quota land is subject to the approval of the Board.

From the information obtained through the surveys and the aerial photographs a basic bark quota for each grower was determined and allotted to him. This basic quota is attached to the land and may only be transferred with the approval of the Board. The bark quota which growers may sell every year is a percentage of their basic quotas.

Every year, not later than July 31 the Marketing Committee must make an estimate of the quantities of extract and milled bark which the markets are likely to take up during the year. After the estimate has been completed the Committee reports to the Growers' Bark Quota Committee. This committee then calculates the equivalent in green bark, determines the bark quota and this is divided amongst growers. Each grower receives a permit which shows the quantity of green bark he may sell. A block bark quota is allocated to the Department of Bantu Administration and Development for distribution amongst Bantu growers.

During the course of the year but not later than March 31, the two manufacturers' associations may revise their estimates in accordance with demand and supplementary quotas, in which allowance is also made for growers who will not deliver their initial quotas, are issued.

For manufacturers a sales quota for extract and milled bark is determined and no manufacturer may sell more than his share which is stipulated in the agreement.

RATIONALISATION OF PRODUCTION

On account of the restricted demand and over-production which has continued for nine years, it is desirable that production should be rationalised. The redundant land under wattle trees could be used to better advantage for other purposes. Frequently it does not pay to produce bark from small plantations; there are plantations on less suitable soils and others which are not favourably situated in relation to factories. On the other hand it would be possible to produce more economically from other plantations if the scale of production were increased.

To bring about such adjustments without compelling producers to reduce the areas under wattle trees, the Board permits the sale of basic quotas for cash. After a grower has sold his basic quota he may no longer produce bark. These adjustments are progressing gradually. Up to 1965 more than 500 growers have discontinued bark production. The land which will now be used for other purposes is equal to 149,300 acres.

It does not necessarily mean that growers who purchase basic quotas may extend their plantations. Through such purchases they obtain larger basic quotas which enable them to manage their existing plantations more profitably.

NOTE

The best grades of bark are obtained when the trees are cut at ages varying from eight to twelve years. The delay in cutting trees because of the restricted quota which is allocated every year, does not result in an immediate loss of bark, but if the demand does not improve a steady accumulation of bark (on the trees) will take place and this bark deteriorates in quality as the ages of the trees increase.

- Editor.