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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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Marketing policy instruments in the light of small markets and low purchasing-power of non-Whites

by

F. J. VAN EEDEN

Bureau for Economic Research re Bantu Development

1. INTRODUCTION

During the past two decades the economic situation has been characterised by a switch-over from a production - orientated economy to a marketing-orientated economy. In this process, marketing lost its traditional colour, and is now seen as a management problem, that must also be instrumental in the obtaining of maximum profits.

Few individual farmers in South Africa took part in this switch-over. The reason for this inter alia lies in the fact that, in most cases, the market for the South African farmer is guaranteed by the intercession of control boards or their agents. If fault is to be found with the marketing of agricultural products, it must be looked for in these bodies handling the different marketing policy instruments.

2. THE DEMAND FOR AGRICULTURAL PRODUCTS

The South African market is much smaller, in terms of purchasing power, than is indicated by its total population. A more realistic picture is obtained if the different non-White groups are expressed in terms of "White consumer units" by decreasing their numbers according to their income levels. This results in a market of only approximately 6 million.¹⁾

It must be taken into account, however, that non-Whites spend a larger percentage of their income on agricultural products than Whites. As a result, the income-elasticity of the demand for agricultural products in South Africa is fairly high, compared to the U.S.A., for example. The production of foodstuffs is nevertheless increasing faster than its consumption and it is expected that this trend will continue.²⁾

Foreign markets hold great possibilities and could be better exploited through an aggressive marketing policy. Problems occur, however, because of tariff protection and trade agreements, as shown again by Britain's entering the E.E.C. Furthermore, in many of the more developed countries problems of overproduction of agricul-

tural products already exist, and the production of foodstuffs has increased faster than the population.³⁾

3. THE SUPPLY OF AGRICULTURAL PRODUCTS

The production of agricultural products has increased considerably during the past two decades. The index of the physical volume of agricultural production for example, increased from 102 in 1947/48 to 145 in 1958/59 and 209 in 1968/69. This increase was caused by the increase in the number of primary resources applied, as well as an increase in yield per unit of primary resources. In addition to the above, it must also be mentioned that the developing Bantu homelands of the Republic also have an enormous agricultural potential, which up to now has hardly been developed. The supply of agricultural products is also supplemented by synthetic substitutes, from which considerable competition can be expected in future.

4. MARKETING POLICY INSTRUMENTS

4.1 Product policy

To the supplier a product is not a technical object, but a way of meeting a demand. The product is, therefore, not an end in itself, but a means to the end of meeting a demand. As such, increased productivity is not the automatic guarantee of increased prosperity for the producer.

With the increasing number of working women and urbanisation a bigger demand for time-saving products and products with built-in conveniences will result. The question can rightly be put whether enough attention is being paid to instant products, pre-cooked products and pre-mixed products, as well as frozen foods. Should not the control boards take the initiative in doing research in this connection?

4.2 Distribution policy

Because of the widespread and seasonal character of most agricultural products, transport, collec-

1) Rädcl, F.E. Marketing in the seventies. Navorsing vir Bemarking, Vol. 1, No. 1, December 1970, p. 11.

2) Haylett, D.G. Population growth and food resources in South Africa. South African Journal of Science, No. 64, 1969, pp. 369-374.

3) Shefrin, F. World agricultural production and trade. Proceedings of the Conference on International Trade and Canadian Agriculture, A.E. R.C., Canada, 1966.

tion and storing are of the utmost importance. The various control boards must ask themselves every now and again whether their present policy is still the most effective. Do co-operatives make proper use of economies of scale? Does unnecessary duplication exist? Is all well with the distribution policy of the meat industry? Because of the length of the distribution channel, contact between producer and consumer disappears to a great extent. Are the control boards keyed to this very necessary liaison, in order to bring the needs of the consumer to the attention of the producer?

What about channels to the foreign market? And the Bantu market? Are active steps being taken to route channels in this direction?

4.3 Sales promotion policy

A great task awaits the agricultural control boards in the advertising field. Is enough research being undertaken on this important policy instrument? In this connection one thinks especially of the complicated field of the Bantu with his increasing purchasing power. Great possibilities also exist for co-operation between different control boards, particularly in the foreign market. Is there any sense in two separate delegations abroad, for example, for apples and oranges when buyers are interested in package deals? Are different sales organisations really necessary?

4.4 Price policy

What is probably the biggest single source of criticism against the marketing system of agricultural products in South Africa, is the price policy which is being followed. In this connection the Secretary for Agricultural Economics and Marketing has to remark:

"..... omdat die prys wel dikwels 'n betreklike maklike metode bied om, altans vir die korttermyn, inkomste te onderskraag, is die druk

altyd sterk om die reguleringvereiste (van pryse) op die agtergrond te skuif, die inkomste-aspek te beklemtoon en na ander meer kunsmatige middele te soek om die ewewig tussen die aanbod en die aanvraag te herstel of te bewaar."⁴⁾

The needs and demands of the consumer are too often in the background. At the same time the farmer is being misled and as a result, takes wrong production decisions, leading to the export of some products at a loss, while others have to be imported. Is the role played by demand and supply in the determination of prices important enough? How many control boards have reached the point where the elasticity of their products is estimated in order to determine prices on a scientific basis?

Isn't it a dangerous fact that producers have a majority vote on control boards? Would a central master body, that could see to co-ordination in price determination, not be a better solution?

5. CONCLUSION

Through history we have learned that the marketing of agricultural products in a disorganised way is impossible. In South Africa the system has already contributed to the effective collecting, storing and grading of products. It is certain, however, that many adjustments will be necessary in a new marketing-orientated world. Agricultural control boards will progressively have to aim at this in future.

4) Van der Merwe, C. Die Landboupolitiek, in Lombard, J. A. (Ed.), Die Ekonomiese politiek van Suid-Afrika, H.A.U.M., Cape Town, 1967, p. 24.