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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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REVIEW OF AGRICULTURE

During the past few years the agricultural scene has been dominated by the upward-spiralling prices of both agricultural products and farming requisites. This is a consequence of physical and economic factors both national and international. The prevailing conditions are in some cases the result of short-term occurrences; others have a long history and because of the long-term nature of agricultural production, the events of the moment are often the result of circumstances and decisions of a year or so earlier.

As regards physical factors, 1974 will always be remembered as a good year for rain. Grain crops are exceeding all previous records and natural grazing is abundant. The nutritive value of the grazing, however, is low, mainly because of excessive and late rains. Rains also made the harvesting of hay difficult so that it is hard to come by and, in addition, the quality leaves much to be desired.

The maize, grain sorghum, groundnut and sunflower seed crops for 1974 are at present estimated at 11 023 000, 623 000, 374 000 and 276 000 tons, respectively. The wheat crop, which has already been harvested, also reached a record of 1 870 000 tons. The combined result of this is that the estimated volume of field crop production for 1973/74 will be about 75% higher than that of the previous year.

Conditions were less favourable for horticulture, but nevertheless the indications are that the volume of production for 1973/74 has, on estimate, risen by about 4%. The supply of both vegetables and fruit has increased. Deciduous fruit export have been maintained at almost the level of the previous year and it is expected that a larger quantity of citrus will be exported.

The volume of livestock production shows a drop of nearly 3% for 1973/74, in which the fall-off in the production of beef, dairy products and wool played a part. The production of dairy products and beef began to fall sharply from the beginning of 1974. That, and the low level of production, which is naturally continuing at that level, are largely the result of inadequate feeding, although stock diseases took a heavier toll than usual this year. In regard to slaughter stock production it is also necessary to take account of long-term factors such as the droughts during the sixties, the relatively low level at which prices of various livestock products have remained until fairly recently and restrictions on the supply of cattle to abattoirs for some years in succession.

As regards economic factors, the exceptionally sharply rising trend in producer prices experienced during 1972/73 continued during the 1973/74 season at a slower rate. Prices rose by 26% and 14%, respectively. These higher prices, but in particular the marked increase in the volume of field crop production, contributed to an increase in the gross value of agricultural production for 1973/74 to the record amount of R2 341 million. This is 35% higher than the figure for the previous season, which was also a record. The estimated gross value of field products rose by 85% to R1 083 million. The price index for farming requisites rose last year by 10% and this year by an average of 14%. The total expenditure on intermediary goods and services reached a record figure of R552 million in 1973/74 — an increase of 19%. Important individual items of expenditure were fuel and fertiliser, on which R98 million and R187 million, respectively, were spent. In the case of capital goods the expenditure for 1973/74 is estimated at R226 million compared with R209 million in the previous year.

The income of farmers has risen to a new record height. The estimated gross income shows an increase of R185 million to R1 924 million and the net income an increase of R101 million to R996 million.

Financially agriculture is doing well. The sharply rising prices in export markets have made a considerable contribution because of the effect they have had on local prices as well as export realisations. Export realisations have risen to such an extent that the export of various products, which normally achieved lower realisations than the local prices, could be undertaken on an economic basis this year. The value of unprocessed and processed agricultural products exported is estimated at 786 million for 1973 and the latest indications are that the value of agricultural exports will increase further to nearly R900 million in 1974.

Agriculture cannot be divorced from the rest of the economy, and similarly events in one country have an effect on the economy of others. In recent years world conditions have on occasion changed rapidly and sometimes radically. An example of this is the 1973 oil crisis. The sudden and drastic increase in the price of fuel, which can undoubtedly be considered one of the most important events of the post-war years, changed the economic balance of power in the world overnight with far-reaching consequences for the countries that import oil as well as for those that export it. This is important to the South African export trade because various countries are now experiencing

balance-of-payment problems as a result of higher import prices, particularly for fuel. Important buyers of South African products are being hard hit.

In South Africa agricultural conditions and prospects, seen as a whole, are at present favourable. Timely rains in May 1974 helped to bring about a considerable improvement in grazing conditions on the winter rainfall region. Good rains have fallen since then. Because of the mild winter and the high moisture content of the soil, grazing conditions in the summer rainfall regions should be favourable in the spring and, with normal rains, exceptionally favourable. Local demand for agricultural products is keen and export opportunities for more important products are at this stage particularly good. It is hard to tell how long these conditions will continue and the evaluation of export opportunities, in particular, is risky.

The favourable export markets are partly attributable to the unfavourable production conditions that obtained during 1972 in countries such as Russia, India, South-East Asia and Australia and in parts of Africa. It was necessary to rely on carry-over supplies to such an extent that the available world food supplies dropped to an exceptionally low level. The position has improved since then, although supplies are still limited and crop prospects in some of the important producing countries are uncertain at this stage. The unsettled conditions result in an upward trend in grain

prices — in fact, export maize is at present fetching record prices. The export opportunities for livestock products are showing the opposite trend. Meat exports, for example, are flagging, mainly because of high local prices. In contrast with the vigorous demand and rising prices of a year ago, various Western countries are now experiencing problems with surplus stocks and in maintaining domestic meat prices. In some overseas countries changes have already begun and the prices of various products have dropped sharply in relation to the record levels of 1973. In the interests of South African agriculture and of the country as a whole the upward spiral in prices cannot be maintained without check. As has happened in other countries, it is undoubtedly also possible that consumer resistance to unrealistically high prices may develop.

To judge by the prices being paid for agricultural land, the present favourable financial position in agriculture is giving rise to optimism and possibly to over-optimism. Unprecedented high prices are being paid for land and when this is done with borrowed money the ruling high rates of interest create an even heavier financial burden. Conditions may change rapidly and poorer international economic conditions can have an important influence on both the volumes and the prices of our most important export products. Farmers should not take on too heavy financial obligations — in fact, they should rather make use of the favourable financial conditions to consolidate their financial position.