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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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# AGRICULTURAL MARKETING MANAGEMENT UNDER THE SOUTH AFRICAN CONTROL BOARD SYSTEM

by  
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The three phases of development of the organisation structure for the marketing of agricultural products in South Africa may be identified as unco-ordinated sales on an individualist basis up to the beginning of the century, a strong reliance on co-operative action thereafter and the expansion of a statutory control board system from the thirties. By the early seventies this development had reached the stage where almost ninety per cent of the total value of agricultural production was subject to some form of control. Whereas the model decision-making unit for the marketing programme of the industrialist and merchant is usually the individual undertaking, the control system that has come into being in agriculture has become the most important single complicating factor in the formulation of an agricultural marketing management concept.

In spite of the existence of a large number of secondary sources that can be consulted on controlled marketing, the evaluation of the management possibilities offered by the system also requires the gathering of primary data. A questionnaire on control board objectives, organisation structures and information matters was given personally to senior staff members of some control boards and sent by post to others in 1972 and the answers served as a useful supplement to control board reports and Government publications<sup>1</sup>.

In a previous article a distinction was made between the two key components of the marketing management concept; a philosophy part, which is strongly objectives-oriented and a management part, in which efficient decision-making is the central problem. Consequently, the logical procedure in an evaluation of the South African control system from an agricultural marketing management viewpoint is to look first at the control objectives that can be distinguished and, secondly, at the organisation structure within which marketing decision-making by or on behalf of

agricultural producers can take place. Because of the abstractions in the marketing management concept and the substitutability and combined effect of the components of the concept, in this article when the organisation structure and objectives are considered account is taken of the possible existence of management practices which have not previously been fully identified and of the possibility of delegation of the managerial function to various persons and bodies in the total structure.

It is not my intention to consider within the scope of this article the basic content of a possible product, distribution price and promotion policy in agriculture. The content of these policy instruments will be discussed in a subsequent article.

In a discussion of the structural characteristics of the control system the existence of a macro-structure and the internal organisation structures of control boards must be considered. An evaluation of an organisation structure in terms of marketing management requirements is complicated by the fact that a perfect design for a marketing organisation has not yet been found<sup>2</sup>. The main points of departure that are valid, however, are the requirements that it must be possible for marketing decision-making to take place efficiently and that the structures must be such that functional, product-oriented or market-oriented adjustments can be made according to immediate demands. Discussion of the objectives of control requires attention to both the objectives of national control and those of individual boards. Finally, it is possible to discern a division of management functions. At the time of writing this article it was not yet known what adjustments would arise from the activities of the Commission of Inquiry into the Marketing Act. A few guidelines, however, emerge from the position at the beginning of the nineteen seventies.

1. For more details on the survey consult Du Toit, C.M. *'n Bedryfsekonomiese ondersoek na wolbemarking in Suid-Afrika met spesiale verwysing na bestuursbeplanning, -organisasie en -besluitvorming*. Unpublished D. Com. thesis, P.U. vir C.H.O., 1973, Chapters 4 and 5.

2. Compare Kotler, P. *Marketing Management: Analysis, Planning and Control*. Englewood Cliffs, N.J., Prentice-Hall, 1972, p. 280.

## A MACRO-ORGANISATION STRUCTURE

By depicting the South African control system structurally as in Diagram A, a picture is obtained of a macro-organisation structure with the following characteristics:

- (i) The upper echelons consist of the Minister, who is assisted in an advisory capacity by the Department of Agricultural Economics and Marketing, the National Marketing Council and the Consumers' Advisory Committee. The National Marketing Council, in addition to its advisory function, fills an important decision-making role in connection with co-ordination, liaison with control boards, the investigation and submission of new or amended control schemes and cost investigations into the enterprises.
- (ii) The lower echelons consist of the various product boards, arranged according to types of Marketing Act schemes, which may be regarded as a set of internal rules for the functioning of a board. Products which are marketed under special legislation or uncontrolled according to their particular circumstances are, from the managerial point of view, indirectly connected with the broader structure functioning under the Marketing Act.

- (iii) The schematic representation of the control system shows up the strongly product-oriented structured character of the system. The structure consequently shows a basic likeness to that of an ordinary enterprise with a specialised organisation structure.

Within the total structure there is the possibility of one or more smaller (micro-) organisation structures at enterprise level for each product. On the one hand, therefore, the advantages of specialisation can be turned to account. On the other hand, the necessity for co-ordinated central decision-making is evident.

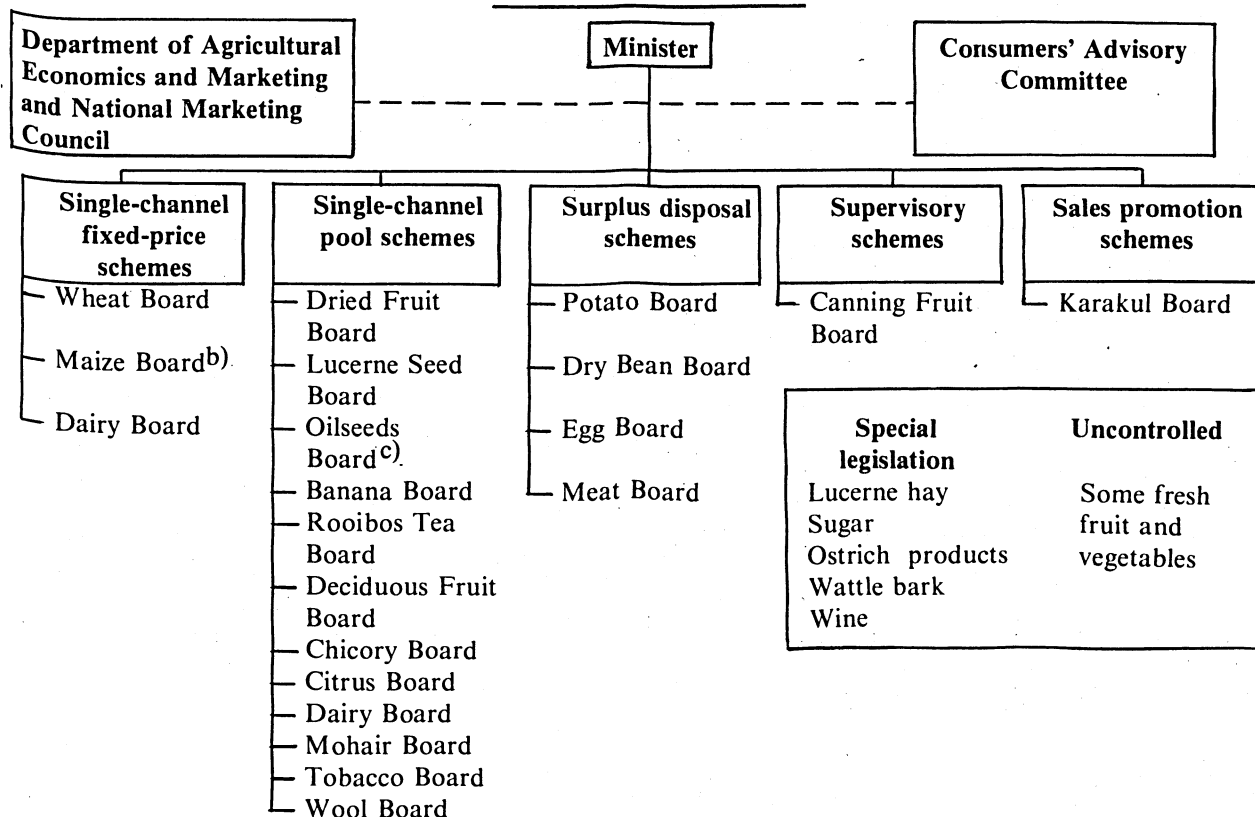
- (iv) The functional division according to type of control scheme or legislation gives the control structure various organisation alternatives which may be decided upon according to the particular circumstances of the enterprise.

The spectrum of forms of organisation is represented schematically in Diagram B for the purposes of a management approach.

At one end of the spectrum there is no control legislation, as in the case of various types of fresh vegetables and fruit where mainly free initiative is relied on for decision-making on marketing matters. The Marketing Act schemes fall at the other end of the spectrum

**DIAGRAM A**

### THE SOUTH AFRICAN AGRICULTURAL CONTROL SYSTEM ACCORDING TO TYPE OF SCHEME<sup>a)</sup>



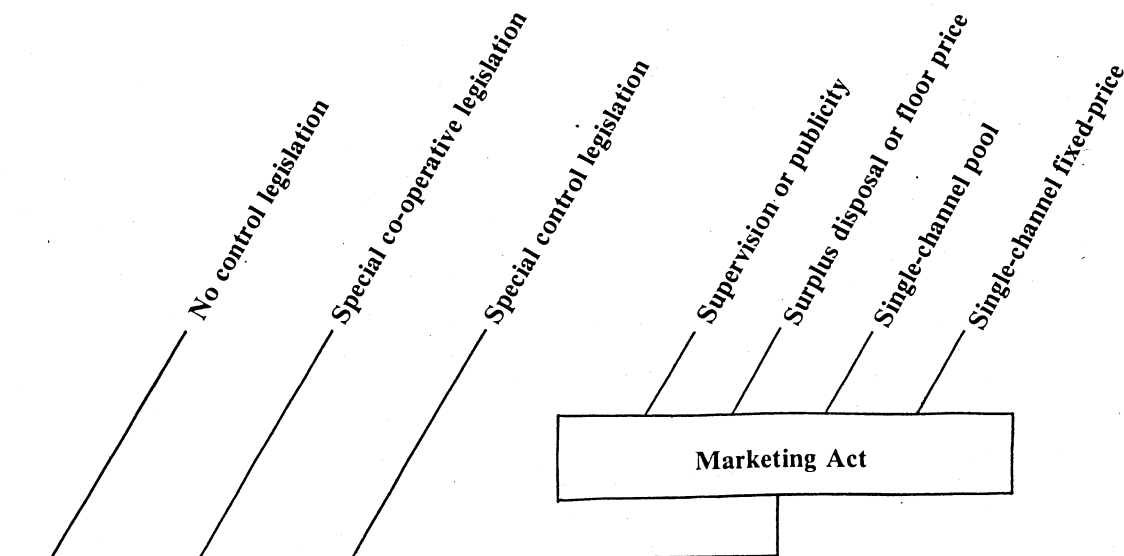
(a) As at 1 July 1972

(b) Including buckwheat (pool scheme) and grain sorghum (surplus disposal scheme).

(c) Including soya beans (surplus disposal scheme).

DIAGRAM B

SPECTRUM OF ORGANISATION FORMS IN THE MARKETING OF SOUTH AFRICAN AGRICULTURAL PRODUCTS



and vary from supervisory or publicity schemes, implying the least control, to single-channel fixed-price schemes, which offer the possibility of the most far-reaching control measures. The forms occurring between these extremes, namely, special co-operative legislation, as applied in the marketing of wine and lucerne hay, and special control legislation, as is found in the case of sugar, may be similar to some Marketing Act schemes as regards type of price or remuneration system, but nevertheless differ in type of control legislation. The differentiation between Marketing Act schemes is not absolute because a product is classified according to the dominant characteristics of a scheme, but not to the exclusion of other scheme characteristics.

Although of a macro-nature, the control system has a structure which, taken as a whole, can serve as an organisational basis for, firstly, a form of marketing management on behalf of South African agriculture at macro-level and, secondly, various forms of "specialised" marketing management by or on behalf of producers in the various enterprises.

### INTERNAL ORGANISATION STRUCTURES

In considering the internal organisation structures of control boards functioning under the Marketing Act, it is sometimes difficult to draw a clear distinction between the organisation structure of a control board and that of the central co-operative organisation jointly responsible for the marketing function. By looking at the total or combined structure, unless a separ-

ate administrative division is clearly to be detected, certain deductions can nevertheless be made. Four general management characteristics may be observed:

- (i) A uniform pattern is found in the upper echelons constituting the control board hierarchy above the chief executive officer. In addition to the fact that all boards liaise with the Department of Agricultural Economics and Marketing, the National Marketing Council and the Minister of Agriculture, one or more committees are constituted from among the members of each board. The committees, which function in executive, special, advisory, liaison or ad hoc capacities, help to meet the management requirements in respect of communication, exchange of ideas and planning.
- (ii) Control boards functioning under the Marketing Act are characterised throughout by a mixed membership, determined by enterprise circumstances, but always with a producer majority. Although it is not in principle a requirement for the pursuit of a management approach, mixed representation can be defended on the grounds of the particular circumstances in agriculture, the assistance given by the State and the possibilities of delegation of the management task. Majority representation for primary producers is in line with the original thinking behind the Marketing Act of 1937 and may be advantageous to greater management orientation in respect of the integrating-back of marketing requirements and the entrenching of agricultural marketing management.

- (iii) Below the chief officer's post the lower echelons have a markedly functional character. The division of the management function into administrative, physical supply or general marketing functions is very clear.
- (iv) Division of functions according to product and type of client is found particularly in the committees of the upper echelons. Division according to area is found in more isolated cases in the committees of the upper echelons and in some of the lower echelons.

An analysis of the *distinguishing* structural characteristics shows that the boards can be divided into two main groups. The formation of departments in the organisation structures of the first group takes place on the basis of at most two types of functions, namely, administrative services and/or the physical supply function. The second and larger group, in addition to the two functions mentioned, makes provision for more comprehensive marketing services by the creation of special departments. The creation of departments according to marketing areas, in the case of some boards, and even the maintenance of foreign departments in certain cases, illustrates the exploitation of the advantages of delegation of decision-making and decentralisation of authority in the execution of the management task. It is also proof of a capacity for structural adjustment to meet particular requirements.

This consideration of the formal organisation structures of individual boards fits in with an evaluation of the management possibilities under the control system. It does not, however, provide a comprehensive picture of organisation structures within enterprises. For that it would also be necessary to consider, for each branch of agriculture, the structures of co-operatives, producer associations and individual undertakings, which do not fall within the scope of this article.

### OBJECTIVES OF NATIONAL CONTROL

A key question which requires answering from the point of view of integrated management is whether the objectives of national control are reconcilable with the philosophical elements of the marketing management concept, namely, the long-term maximisation of profits or profitability of resources, consumer-orientation and the integration of marketing requirements.

The traditional content of the marketing objectives at national level must be interpreted against the background of, in particular, three principles recognised by the Government and stated by the Minister of Agriculture in 1962, namely:<sup>3</sup>

- (i) The principle that *price stability* must be promoted in the interests of both the producer and the consumer and that a reasonably *stable income* for

producers be ensured as far as practicably possible;

- (ii) the principle that each branch of agriculture should *pay its way*; and
- (iii) the principle that *free enterprise* should be retained as far as possible.

Against the background of the principles of stability, enterprise independence and free initiative, the Commission of Inquiry into Agriculture refers to the objectives for controlled marketing as summarised by the Marketing Council, namely:

- "(a) The agricultural control boards strive for settled prices, i.e. price stability.
- (b) In controlled marketing an attempt is also made to keep the price spread between the producer and consumer as small as possible"<sup>4</sup>.

An important further qualification of the objectives is stated by the Commission of Inquiry in pursuance of another aim brought to the attention of the Commission by the Departments of Agriculture. In the view of the Commission one of the aims of control is "... that, subject to the long-term supply and demand situation, the *per capita* income of the farmer should be stabilised at a level in keeping with the rest of the national economy"<sup>5</sup>.

The absence of an explicitly stated profit goal in the objectives of national control cannot automatically lead to the conclusion that it disqualifies the control system as a medium for the application of integrated marketing management. Scope for a responsible and limited general pursuit of profits or profitability by or on behalf of agricultural producers is *by implication* present in the recognition given under the control system to the principles of enterprise viability and maximum free initiative and to the endeavour to ensure for the agricultural producer at least the same earnings as those of the mainly profit-motivated producers of the non-agricultural sectors.

The necessity for pursuing an objective of consumer-orientation was emphasised by the National Marketing Council as early as 1947:

"A first essential of efficient production is that producers develop and concentrate on farming systems suited to their area but with due regard to consumers' wants. This will only be done if there is a comparable measure of price-stability for all the major farm crops. Producers will continually jump from one line of farming to another, if returns from different products fluctuate as excessively as they do without organised marketing"<sup>6</sup>.

In spite of the noticeable absence of any direct reference in the objectives of national control to the integration of marketing requirements at organisational level, any aims for the exclusion of this element are

3. RP 19/72, Third (Final) Report of the Commission of Inquiry into Agriculture, p. 122. Compare also "The South African agricultural policy and its support measures." Agrekon, April 1963, pp. 6-13.

4. RP 19/72, *op. cit.*, p. 122.

5. RP 19/72, *op. cit.*, p. 123.

6. U.G. 27/47, Report of the National Marketing Council on the Marketing Boards, p. 7.

equally noticeably absent. As in the case of consumer-orientation, the National Marketing Council in referring to increased production efficiency in 1947 pointed out a need connected with integration:

"The Marketing Council would urge that the function of the boards to assist production be extended in the directions indicated. If this is done, the boards will soon come to be directly concerned with the weaknesses on the production side of their respective industries. Remedial measures will be assured of their active support, and the tendency to rely on price as the only corrective of the economic ills of farming will be powerfully counteracted"<sup>7</sup>.

### INTERNAL OBJECTIVES OF CONTROL BOARDS

In the questionnaire to control boards there were questions on related objectives which the boards might have formulated in addition to the objectives of national control. It is remarkable that the related objectives reflected in the answers can without exception fit into a marketing management concept. The high frequency of objectives aimed at market development, consumer-orientation and the creation of a product image reveal a strong market-mindedness. About a third of those who replied quoted consumer-orientation as a conscious aim. The impression was nevertheless created that particularly the boards which concentrate mainly on domestic marketing could pursue the objectives of integrated marketing management more positively.

### DIVISION OF MANAGEMENT FUNCTIONS

The general pattern which appears from the aspects of organisation and objectives is one of a control structure which makes possible two basic forms of marketing management: "macro-marketing management" at the national level and "micro-marketing management" at the level of the enterprise or individual undertaking<sup>8</sup>.

Probably the most remarkable distinguishing characteristic of agricultural marketing management in South Africa is the division of functions between persons and bodies within the total structure. By way of illustration, Diagram C gives on one side a list of each of the key persons or bodies, from the Minister to the producer associations, having some part in the marketing organisation. On the other side and opposite the persons or bodies is shown the nature of the main managerial decisions in which the various persons or bodies are involved.

The distinction between the decisions is not absolute and their arrangement is of the nature of a contin-

uum, with various shades of intensity in the extent or nature of involvement in the decisions. On the one hand, the Minister is concerned with final decisions on supervision and the authorisation of prices, imports, exports, statutory amendments and other aspects of national policy. On the other hand, producer associations, among them the South African Agricultural Union and individual growers' associations, play a part in decisions on general policy of an initiating and controlling nature, and in the appointment of representatives to key bodies.

The Department of Agricultural Economics and Marketing, including the National Marketing Council, contributes mainly in a staff capacity to the co-ordinating, administrative and controlling decisions. The Department's contribution, however, does not exclude similar decisions by the control boards, co-operative or other organisations to meet immediate requirements.

The individual boards take part in the management process in accordance with the rules of their schemes and, in particular, take decisions on the control and regulating of the physical marketing functions, often initiate new plans for scheme amendments and other marketing activities and are responsible for administrative duties, two-directional communication and the integration of marketing requirements. The implementation of policy by the boards is limited by their scheme rules. Usually there is the absolute minimum of participation by the boards in physical activities. In exceptional cases, as in the case of chicory, the Board itself undertakes the primary processing, and there are virtually no co-operative or even producer associations. In other cases, the control board plays a less important part and central co-operatives deal with the most important executive policy decisions, as in the case of the Co-operative Citrus Exchange — Citrus Board combination.

Local co-operatives and private enterprises take part, in particular, in the decisions relating to the provision of agency services, the collection, grading, packing, storage, processing and delivery of the product, passing on information to producers, control boards and clients, financing and, where possible, marketing by private initiative.

Because of the possibilities for breaking down the management function, the producer of an uncontrolled product can make his own "philosophy" of marketing and plan and implement a product, distribution, price and promotion policy himself. The cases of the market gardener, flower farmer and dairy farmer marketing in an uncontrolled area provide examples. In the case of a product marketed under a control scheme it is useful first to take into account the fact that the objectives of national control are supported and, secondly, that in each enterprise the main decision-making unit or units may be identified by a capacity to decide on an ongoing basis on the controllable policy instruments. In the case of wool, for example, before reorganisation in 1972, a primary management role for

7. *Ibid.*, p. 8.

8. A distinction based on the usual definition of "macro-marketing" and "micro-marketing" in literature.



## DIAGRAM C

### MANAGERIAL DECISIONS IN THE MARKETING OF SOUTH AFRICAN AGRICULTURAL PRODUCTS ACCORDING TO BODY OR PERSON

#### PERSON OR BODY

Minister

Department of Agricultural  
Economics and Marketing with  
National Marketing Council

Individual control boards

Central co-operatives

Local co-operative and  
private undertakings

Producer associations

#### NATURE OF MANAGERIAL DECISIONS

Policy authorisation  
Supervision

Data gathering and presentation  
Advice upwards and downwards  
General co-ordination  
Statutory administration  
National control

Implementation of policy limited by  
scheme rules  
Physical control and regulating  
Scheme administration  
Initiation of planning  
Two-directional communication

Execution of policy limited by  
control board decisions  
Initiation of planning  
Two-directional communication

Agency services  
Executive collection, processing  
and supply functions  
Marketing as far as it is entrusted  
to private initiative  
Two-directional communication

Organisational representation  
Initiation of policy  
Control

the Wool Board, the Wool Commission and wool-brokers could be discerned. After reorganisation, the Wool Board became the main marketing management body. The possibility that dealing with parts of the instrument combination in the wool industry could be delegated to the Government, brokers or producers nevertheless remained.

### CONCLUSION

The extent to which marketing management principles as already applied in South African agriculture can be extended in the direction of a more integrated approach at the various levels was, at the time of the survey of control boards, still noticeably dependent on the degree to which consideration could be given, in particular, to the following aspects:

- (i) The promotion of explicitly formulated management objectives, limitations and responsibilities in all decision-making units in the total organisation structure.
- (ii) The extension of a functionally strong central agricultural management body to pursue and promote general objectives and marketing objectives in

a co-ordinated way and on a full-time basis. The most important marketing management tasks for the central body are probably in the line of the discovery of new marketing possibilities, timely identification of national marketing and adjustment problems and long-term planning at national level.

- (iii) The further expansion of ongoing and prospective information systems according to the requirements for efficient decision-making by the different management units in the total organisation structure.
- (iv) The revision and adjustment, where necessary and in accordance with management requirements, of legislation, training programmes, job descriptions, salary structures, manuals and administrative procedures.
- (v) The re-evaluation of efficiency and other management yardsticks in the light of the latest developments in the field of marketing management in South Africa and abroad.
- (vi) The conceptualisation and wide dissemination of the agricultural marketing management concept.