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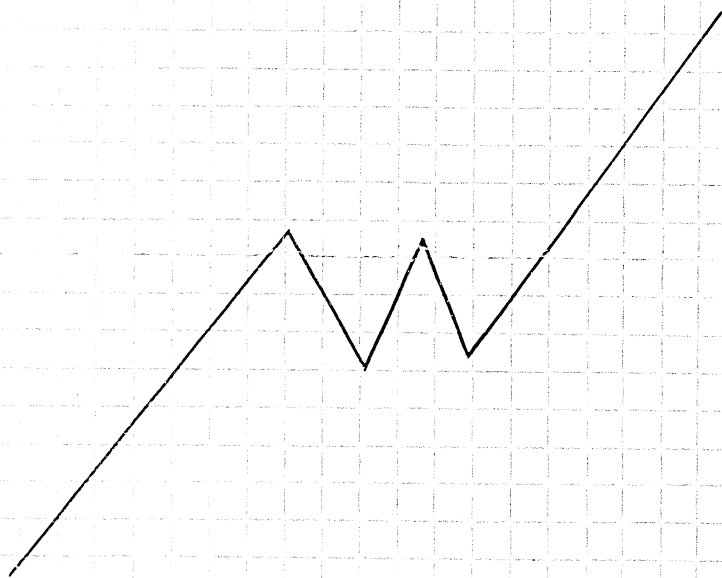
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# Agrekon

## REQUIREMENTS FOR CONTRIBUTIONS

Editorial committee: Dr. C. van der Merwe (chairman), A.J. du Plessis (vice-chairman), Dr. F.R. Tomlinson, Dr. A.P. Scholtz

Editors: O.E. Burger and H.J. van Rensburg

Technical editing: Q. Momberg

Deserving articles in the field of agricultural economics, for publication in this journal, will be welcomed.

These articles should have a maximum length of 10 folio pages (including tables, graphs, etc.), typed in double spacing. All contributions should be submitted in triplicate (preferably in both languages) to the editors, c.o. Department of Agricultural Economics and Marketing, Pretoria, and should be received by the editors at least one month prior to publication date.

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## "THE UNION'S FARMING RESOURCES"

- An extract from the concluding portion of a lecture delivered by Prof. H.D. Leppan to the Workers' Educational Association at the University of the Witwatersrand in 1934.\*

(At the time Prof. Leppan was Professor of Agricultural Economics at the University of Pretoria. It is left to the reader to view the contents of this extract in the light of the position as it exists today - Editor.)

"But the future promises sufficient adventure to be stimulating and the mind is filled with questions as to the best future utilisation of our agricultural resources. What is our goal and how are we to attain that goal?

Production aims at the profitable disposal of products. It is necessary, then, to examine the effective and potential demand, both locally and abroad, for our farming produce.

The trend of world affairs during the last decade or two gives little hope for any rapid cessation of the emotionalism underlying the development of national economic self-sufficiency. Any adjustment to the world situation would have to take into account a continuance, for an appreciable period, of the restricting influence of national economic self-sufficiency on international exchange. Willy nilly, each national unit is being compelled to develop internal exchange - which demands of course, diversity in internal economic activities. Attempts to establish equilibrium on an internal basis alone are the order of the day - whatever the material loss to humanity as a whole! These attempts to obtain national security in this way have fallen heavily upon the primary producers of exporting countries - particularly those exporting grain.

The lack of confidence in the bona fides of other peoples has resulted also in the drying up of international loans, thus adding to the restrictions on world trade.

Another trend, for populations in many European countries to become stationary and then to decline, must be reckoned with. It is safe to assume that concomitant with this change will be an increase in the per capita purchasing power of the peoples of Western Europe, that is, when the present maladjustments in the world's exchange machinery are rectified. This means that our oversea markets for foodstuffs and raw materials will contract, and that greater discrimination with regard to quality will be shown.

These features of the situation developing abroad point to the difficulties that will be encountered in marketing our surpluses overseas. Although a contraction in

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\*Published in 1935 by the University of Pretoria in a bulletin "University of Pretoria Series No. 1, 30" and distributed by J.L. van Schaik Ltd., Pretoria.

the market abroad for the volume of our farming products is likely to take place, nevertheless the meeting of some needs there will continue and must remain an important focal point in any agrarian policy which may be formulated for South Africa. Any internal development must allow for a gearing into the probable future trends abroad. What are these trends?

Price indices show a far greater decline in the prices of the cereals than has taken place in respect of animal and horticultural products. And the reasons are not far to seek.

The urge for national self-sufficiency, engendered by fears arising out of the War, turned man instinctively to the source of his food supplies - the soil. To the ordinary citizen of Western countries, bread (wheat) is synonymous with food. In consequence policies favouring State aid for wheat production have been adopted. And so a host of States - France, England, South Africa, Germany and others - have fostered unduly the cultivation of wheat. Further, with the rapid mechanisation of agriculture during the last decade, draught animals have been replaced by the tractor, and, in consequence, a large quantity of cereals which would have been fed to these animals is now thrown on the market. The surplus has probably been accentuated by the change in human dietary - following medical teaching regarding the requirements for minerals, protein and vitamin contents, as well as the value of fresh animal and vegetable foodstuffs - away from farinaceous foodstuffs to those coming from animals, fruit and vegetables; by the vogue for slim figures; and, by the change from manual to sedentary occupations - where less fuel is required for the human organism - brought about by labour-saving machinery.

Two aspects of the general situation support the contention that the present emphasis on cereal production will not be in conformity with the needs of the world market in the near future.

One hundred million unemployed and their dependants in Western countries are at present consuming (thanks to unemployment relief) all they require of starchy foodstuffs. When exchange again moves smoothly and the demand for labour increases, the purchasing power of the present unemployed will improve, which will result in their utilising less farinaceous foodstuffs but more of the refined products, i.e. foodstuffs from animals (meat, eggs, cheese, butter, milk, cream, etc.), also fruit and vegetables.

The other aspects is to be seen in the recent strides made by the Russians in the vernalisation of wheat. This not only makes the cultivation of wheat under precarious conditions more assured, but, because of the shortened growing period required, extends the northern edge of the wheat belts of Canada and Russia. The slightest improvement in the prices of cereals will immediately bring sub-marginal land into cultivation, and, of course, the increased supply will bring prices down again.

So far as the future overseas markets are concerned the following conclusions seem warranted: That their requirements measured in calories, will contract; that a greater insistence on quality will be apparent; and, that the disposal of surpluses will be increasingly difficult except in respect of animal products, fruit and vegetables.

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We come now to a consideration of local requirements - which, for obvious reasons, cannot ignore the necessity for some adjustment to the position just sketched. By a happy coincidence our efforts to adjust ourselves to the trends abroad are also in conformity with those which our natural and other controls require for local adjustment - for those enterprises in South African farming enjoying comparative advantage are also those whose surplus output is most likely to be in demand abroad - namely, animal and horticultural products.

Our proper rural development, will entail the taking of measures to engender stability in production; to conserve, and at times to reclaim, some of our resources; and to procure a satisfactory internal market.

By following a policy stressing animal and fruit production we automatically stabilise production, for the cultivation of fruit is usually undertaken under conditions of assured moisture supplies, and animals properly catered for suffer less loss from drought than is found in the cultivation of ordinary crops. Many areas in which grain growing is a hazardous undertaking are suitable for fodder production, which, if used to supplement the poor pasturage afforded by the indigenous vegetation, will tend to mitigate losses in animals and so stabilise pastoral enterprises. Further, a properly maintained and well organised animal industry will absorb the assured production of feed-stuffs grown under irrigation. Again, the surpluses in maize, peanuts, cotton-seed meal and other crop products, which are finding an outlet abroad with increasing difficulty, would be utilised locally. Obviously, then, a properly conducted animal industry must form the keystone to the country's farming arch, and so must add to the security of the Union's economic structure. If production, apart from fruits, is focussed on catering for the needs of a well-maintained animal industry, an interlocking of rural enterprises is brought about which must result in securing a more stabilised future.

The chief obstacle facing the development of pastoral farming is to be found in unsatisfactory pastures and the faulty utilisation of what pastures we have. In any country the nature of the pastures is the chief determinant in animal farming and they are basic to a balanced and advanced agriculture. Good pasture gives a cheap and high nutritional plane, based on which concentrates can be profitably fed. Fortunately, research workers in the Union are now fully alive to the necessity for proper veld management and the economic establishment of artificial pastures - and what work has already been done, although only a beginning, is full of promise.

Erosion has already caused serious losses to the Union's resources. The damage has been caused principally by over-stocking - a practice which in recent years farmers in desperation have felt themselves compelled to follow. If intensive methods are followed on land where extensive methods should be practised, losses through erosion are bound to occur. Fortunately, here again those concerned are fully alive to the situation and active steps are being taken to provide methods for reclamation and conservation. It might be noted in this connection that a properly maintained animal industry will assist not only in reclamation but in conservation, through the additions to the soil in the quality and quantity of the manure derived from well-fed animals.

While the technique commonly employed in the Union's farming leaves room for improvement, nevertheless a marked improvement is already apparent. Fertilizers are being more generally used, so that soil exhaustion should be arrested and the fertility improved.

We turn now to the Union's internal market.

For various reasons the internal market is very important in a country of youthful industries - manufacturing must have a preliminary canter to gain experience in large-scale operations before it can effect the economies necessary for competition in external markets. But in the Union, manufacturing as well as farming is hampered by a small internal demand. How can the South African demand be made more effective? It is almost unnecessary to tell a Johannesburg audience that the development of mining must have this effect. Unquestionably if equitably taxed and with reasonable assurances as to future treatment no action could add more quickly to the country's purchasing power than would a fuller exploitation of our underground resources.

More slow but of more permanent importance would be any improvement in the purchasing power of the six million natives. To satisfy their demand would give employment to both whites and blacks, and would furnish a market for factory and farm products.

But how is the native to obtain a higher purchasing power?

He can do so only if his productive ability is improved sufficiently to warrant higher wages. And this can be brought about only by suitable education, through which he would be taught efficiency in production and rational consumption. Any improvement in his productive ability should increase the national income, add to the country's purchasing power, create a larger internal market, and so benefit the country as a whole. It is obviously folly to allow six million natives to remain relatively inefficient.

Not only will the judicious development of mining and manufacturing promote internal exchange, but it will also add to the employed, many of whom would be natives, and so enlarge the number of consumers of farm products. The South African farmer should be made to realise that it is often in his own interest to support (politically and otherwise) industries other than his own. Indeed the careful and co-ordinated development of mining, manufacturing and commerce, by creating markets for his produce, might well relieve the farmer of his burdens more effectively than many measures of direct relief. In addition, such a policy would give employment to some of his own sons, who for various reasons cannot be retained on the land.

In the development of our agricultural resources a number of maladjustments require to be rectified: The pastoral industry has not been properly interlocked with that of cropping; protective and relief measures have encouraged the production of quantity rather than quality and have bolstered up land value; misspent relief is undermining the character of the rural population; the development of the internal market by fostering non-agricultural activity has too often been neglected; nearly £300,000 is spent annually on agricultural research and advice - a fraction of this

amount of State aid is given to mining and manufacturing for similar work; and a host of other points might be mentioned.

Obviously, our legislative machinery is inadequate to give a co-ordinated development to the country's economic activities. The necessity for an Economic Advisory Council which would formulate a general policy as a guide to the best utilisation of South African resources is all too apparent. Our present parliamentary system, assisted by a statutory Advisory Council appointed on a functional basis, would help to remedy the situation. The duty of the Council would be not only to prepare and revise policies but also to give general co-ordination to the necessary research, e.g. the economic classification of South African land. The required prestige, something like that of the judiciary, of such a body could only be assured by the appointment of men in whom the public has absolute confidence regarding their capability and integrity of purpose."

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#### BROADER MARKETS

The establishment of the E.E.C. and the possibility of the United Kingdom's accession thereto, have posed special problems for a large number of South African exporters. Consequently, South African exporters have been compelled to study closely the possibility of broadening their markets and it seems to be clear that in their studies the United States and Canada will figure very largely. The South African products which are likely to be affected by Britain's accession to the European Economic Community (products such as fresh and preserved fruit, wattle bark extract, sugar and wine) are all marketed on a not insignificant scale in North America.

- Dr. N. Diederichs, Minister of Economic Affairs, in  
"FINANCIAL TIMES" (November 1962)

#### DECLINING TARIFFS

An important fact to consider in relation to trade with the United States is the considerable reduction in tariffs which has taken place over the past 25 years, to which should be added the substantial tariff-cutting powers which President Kennedy is seeking primarily with a view to the negotiation of lower duties in the common external tariff of the European Economic Community. In the past, the significance of this downward trend has tended to be overshadowed by the publicity given to protective devices such as "escape clause" action, the "Buy American" provisions and discretionary action by American customs officials. It should, however, be emphasized that the reductions in American customs duties which have already taken place, as well as those in prospect, are of considerable importance to exporters to the United States.

- Dr. N. Diederichs, Minister of Economic Affairs, in  
"FINANCIAL TIMES" (November 1962).