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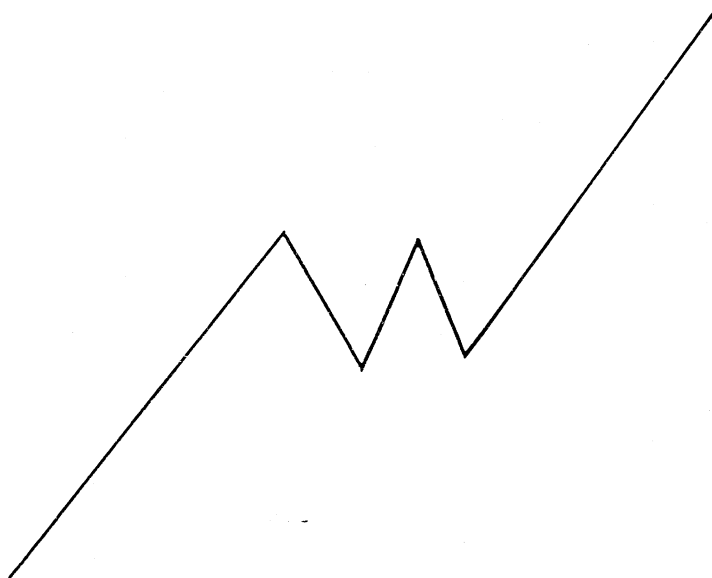
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# Agrekon

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## REQUIREMENTS FOR CONTRIBUTIONS

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 South African Agricultural Policy and its Support Measures\***

The agricultural policy had been explained by the Ministers of Agriculture at several occasions in the Senate and in the Assembly during the 1962 Parliamentary Session, and on the 17th October 1962 the Secretary for Agricultural Economics and Marketing (at the S.A.A.U. Congress) outlined the principles underlying this agricultural policy, as it has been shaped over the years and is at present applied.

In the following a summary is given for the benefit of the readers of "Agrekon", with explanatory comments where deemed necessary. This is mainly done with a view to the discussions at present in the country on the subjects of agricultural and farm planning, because such planning should always be seen against the background of the country's agricultural policy as a whole. It is also necessary to keep these principles of policy in mind when prices for controlled agricultural products are being fixed, and when measures of support for a particular section of agriculture are being considered.

## Five principles of policy

The South African agricultural policy is based on the following five fundamental principles, the first two being applicable to all sectors of the country's economy:

1. The best use has to be made of the Republic's natural resources, including its labour force. Therefore, when measures regarding agriculture are being considered, the broad, balanced economic development of the Republic should be kept constantly in mind.
2. Personal or private initiative is respected and private enterprise is encouraged, provided it fits in the national pattern. The Government interferes only with the free functioning of the economy when it is considered to be in the country's interest. For agriculture the principle is, therefore, that farmers are independent entrepreneurs, who decide for themselves, for example, where to farm, what to produce, how much to produce, with what to produce and how much to pay for their land.
3. A highly efficient agriculture is envisaged. The aim is to ensure that the most efficient use is made of the land, capital and the labour force. The main target therefore is increased technical and economic efficiency. In the technical field much progress has already been made during the past few years, but as in the economic field, which is growing in importance, there is still ample room for improvement.

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\*This article links with the Editorial.

4. Agriculture must continuously adjust itself to changing conditions. This adjustment has to be effected in the economic as well as in the technical field, with due regard to occurrences at home and overseas. In this connection industrialisation may be mentioned, which has to be fostered to the advantage of the country as a whole. As far as agriculture is concerned, industrialisation is particularly of importance, because it creates employment and thereby an expanding market for agricultural products. It should be kept in mind that South Africa is still a young industrial country. South Africa started as an agricultural country; next it developed into an agricultural-mining country, and at present it is switching over to an agricultural-mining-industrial country. In the field of agricultural economics important adjustments are knocking at the door. Sporadic surpluses in the past did not cause much of a problem, because these could be exported at reasonable prices. The situation is at present that, in the case of several products, exports in proportion to domestic consumption are on the increase, while export realisations of the products concerned show a declining tendency. Furthermore, the traditional importing countries are becoming more and more self-sufficient and, due to enormous technical development, some of the Western European countries now produce surpluses themselves. On the other hand, development and a larger urban population are instrumental to an increased demand for certain products which South African agriculture can supply, the production of which was not very profitable in the past. Attention must therefore continuously be given also to the production of new products, or to expanding the production of commodities that used to be considered of little importance. Here one can think of products such as timber, cotton, sisal, kenaf, phormium tenax, coffee and even tea.
5. In spite of the emphasis which is laid on efficiency and adjustment to changing conditions, and sometimes because of this, the human aspect has to be kept constantly in mind, namely a fair living standard must be assured as far as possible to the farmer and his family. As a matter of fact, agriculture is a most decentralised industry, which stretches over vast areas. Time and again agriculture is subjected to the unpredictable and varying influences of the climate, pests, diseases, etc. The farmers are also spread over wide areas and it is difficult for them to assert their common cause in a joint and co-ordinated effort. Agriculture is characterised by an inherent rigidity, which makes it difficult for the producers to adjust themselves to changing conditions - economic and technological; that is, due to the high capital requirements involved, and also because the new techniques are sometimes hard to learn and not easily applied.

Accordingly it is necessary that the Government keeps a vigilant eye on the impact of occurrences which threaten the existence of the individual farmer. Temporary aid can be given by the State where this enables farmers to meet emergencies and unexpected adversities, and to assist them in adjusting themselves to changing economic conditions. As a result of all these considerations, the State (from the early days and increasingly so in recent years) had to devise special measures for the sake of protection and adjustment of agricultural producers in the face of unforeseen emergencies and changing conditions.

This subject is elaborated upon below where the means used in the implementation of agricultural policy are discussed. It may, however, be mentioned here that because human interests, which are also the concern of the State, are very much at stake in the implementation of agricultural policy, it has become of utmost importance to guard against farming units becoming so small that they cannot provide the farmer and his family with a fair level of net income.

#### Support measures\*

In order to implement the objects of the agricultural policy, as outlined above, a number of support measures have been developed. These are the products of an evolution over the years, with due regard to the state of the country's development and adjustments to the changing conditions affecting a young, dynamic country with a growing population.

First. Agriculture, together with other sectors, benefits from the basic facilities which are established by the authorities in the public interest - such as roads, railways, radio and telephone services. These facilities, the erection whereof is made possible mainly by public funds, are going hand in hand with the progress of technical knowledge and the development of agriculture. Apart from their economic advantages, these facilities enable the agricultural community to lead a fuller life.

Second. The State provides a wide variety of protective services from which agriculture derives direct benefits, and the community in an indirect way. Under this category fall measures such as the control of plant and livestock diseases and pests; control of fertilisers, feedstuffs, seeds, sprays and remedies; measures for the improvement of livestock, for example by means of the Herdbook Act, the Livestock Improvement Act and the Artificial Insemination Act. The provision of these services originated in the inability of individuals to fight effectively against, for instance, pests (such as locusts) and livestock diseases (such as foot and mouth disease).

Third. With respect to the most valuable assets of agriculture, viz. land and water, the Government pursues a long-term policy of conservation, efficient utilisation and improvement as envisaged in the Soil Conservation Act (Act No. 45 of 1946) and the Water Act (Act No. 54 of 1956). The purpose of the Soil Conservation Act is to provide for the combating and prevention of soil erosion; protection of the natural vegetation, catchment areas and the water supplies of the country; and to increase the productivity of the veld and of cultivated land. The Water Act envisages the control, conservation and the use of water for domestic, agricultural, urban and industrial purposes. The ambitious Orange River scheme is another example of the endeavours by the Government to develop our natural resources in the interest of the country as a whole, and of agriculture in particular, so that these can be utilised in the best possible way.

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\*See Annexure hereto for most recent statistical data in this respect.

Fourth. Science and technique are placed at the disposal of the farmers in order to assist them in their efforts towards increased production and greater efficiency. The extensive research services of the Department of Agricultural Technical Services and the education of scientists and technical officers at our universities and agricultural colleges are all part of this great undertaking. Furthermore, much useful information concerning agriculture is brought to the farmers' notice by means of a large extension service - through reports, magazines, articles in the press, radio talks, farmers' days and personal talks by specially trained and experienced officials. Moreover, short courses and diploma courses at agricultural colleges are made available to an increasing number of young farmers.

Fifth. The Government, with a view to increasing the efficiency of production and marketing of agricultural products, has fostered the co-operative movement and a system of agricultural credit, which comply with the farmers' special requirements. Agricultural co-operative societies nowadays play a very important role in the handling and marketing of almost every agricultural product, and in supplying farming requirements and services to the farmers. It has been encouraged, because a healthy co-operative system can make important contributions to the economic efficiency and independence of the farming population. The Land Bank Act had its origin in the desire to make specialised credit, as far as terms, rates of interest and securities are concerned, available to farmers and their co-operative societies.

Sixth. The Government comes to the assistance of farmers who find themselves hard pressed because of natural and other setbacks in farming. Whenever drought conditions assume such proportions that farmers are forced to move their livestock to distant pastures, substantial rebates on the transport of livestock and feed are granted to all farmers in the stricken areas\*. Where such farmers do not have the means, or cannot obtain the necessary credit, to purchase the feed and to pay for its transport, or cannot hire suitable grazing, loans are made available for these purposes on easy terms. Similarly, loans on easy terms are granted for the purchase of seed, fertilisers, fuel, insecticides and other goods which are used in the production of crops. During the financial year 1961/62 an amount of R220,000 had been paid on rebates, and loans amounting to R1,535,000 had been granted.

In cases where, despite the abovementioned Government assistance, financial encumbrances become so burdensome that otherwise deserving farmers get into serious difficulties, other forms of assistance can be obtained under the Farmers' Assistance Act. This aid consists of a settlement being arranged with creditors, under the supervision of a curator, to the effect of postponing the payment of debts. When the proposed settlement is rejected by the creditors, and if the farmer chooses to hand over his assets to his creditors, the Farmers' Assistance Board may consider the possibility of taking over essential assets, and subsequently resell them to the farmer, in order to set him on his feet again. In cases where aid had already been given, but without redemption of the first mortgage, the bond may be taken over if notice of termination is served on the farmer.

\*For further particulars see "Drought Assistance to Farmers" ("Agrekon" Vol. 2, No. 1, p. 46).

Seventh. Certain measures of price stabilisation are taken with respect to agricultural products, which cover about 90 per cent of total agricultural production. These measures are mainly taken under the Marketing Act, but for a few products by virtue of special legislation and the Co-operative Societies Act. In respect of only 10 per cent of total production no formal stabilisation measures are in force. Statutory devices are therefore extensively used in order to ensure agricultural producers, where at all possible, of stability in so far as prices and markets for their products are concerned.

On the basis of 1961/62 data, about 73 per cent of total agricultural production, calculated at farm prices, is covered by 17 marketing schemes under the Marketing Act. The application of these schemes, each one being administered by its own statutory board, is to a large extent subjected to the supervision and right of veto of the Minister of Agricultural Economics and Marketing, who is advised by a competent and independent National Marketing Council. Owing to the differences in the marketing conditions of the various products, the schemes are, of course, very dissimilar, but for the purpose of this survey the following summary is given:

- (1) One-channel fixed-price schemes, which are in existence in respect of the marketing of maize, wheat, oats, barley, rye, tobacco and dairy products, represent 33.5 per cent of the total farm value of agricultural production.
- (2) One-channel pool schemes are in force for citrus fruit, deciduous fruit for export, bananas, dried fruit, oil seeds, fresh milk, chicory, lucerne seed and rooibos tea - and these comprise 16.8 per cent of total production.
- (3) Floor-price schemes are applied in the case of kaffircorn, dried beans, potatoes, slaughter stock and eggs, making up 22.2 per cent of total production.

In respect of about 18 per cent of total production, viz. for wool, sugar and wine, measures to stabilise prices had been taken through special legislation. In the case of wool, the Wool Commission had already acted as a buyer when auction prices fall below a predetermined level. As far as sugar is concerned, farmers are assured of relatively stable prices on the domestic market, while, in respect of wine, minimum producers' prices are fixed every year. For sugar, and to some extent also for wine, the obligatory restriction of supply, in accordance with anticipated marketing outlets, have also become important aids in maintaining producers' prices.

#### The purpose of price stabilisation

The Marketing Act (Act No. 26 of 1937) was enacted after it had become apparent in the thirties that the farmers, despite the co-operative organisations that were at their disposal at the time, were relatively helpless when faced with a serious depression.

The system of marketing boards can be described as a device through which farmers can improve their bargaining power; being at the same time an instrument to close the price gap between producers and consumers; and to establish more satis-



factory and stable prices for agricultural products. It envisages orderly marketing and, where at all possible, the elimination of short-term fluctuations in prices and, where necessary, the gradual adjustment of prices to changing conditions. The main object of South Africa's marketing scheme is, therefore, to bring about price stability for both producers and consumers.

Stabilisation of prices does, however, not mean that prices will not change at all. It must be pointed out that price stabilisation only implies that prices will not change rapidly in the short run; that is, orderly and planned changes in prices in accordance with requirements and circumstances.

With orderly marketing, coupled with reasonably stable prices, it is (as far as practically possible) also intended to assure producers of reasonably stable incomes, but the Government has never undertaken to secure producers a fixed level of income. Within reasonable bounds incomes of producers are therefore actually protected, but there is no guarantee of a continued level of income being earned by specific classes of producers.

Guaranteed incomes are irreconcilable with the best use of natural resources and the other factors of production. Such rigidity of the factors of production which one would like to eliminate, if possible, is made even worse by such income guarantees. These will also cause complicated administrative difficulties. Furthermore, the moment this principle is conceded to the producers of one product, producers of other products would be entitled to claim similar privileges.

It should be considered inadvisable in principle to use prices in such a way that the incomes of certain classes of producers are artificially supported. Apart from accompanying administrative difficulties, this sort of support would soon lead to the creation of established interests, detrimental to the Community. Therefore, if special assistance is deemed necessary in respect of certain classes of producers or producers generally, such aid should be granted by other means in preference to price supports - for instance through subsidised loans, subsidies on farming requirements and railway tariffs, or certain social services.

#### The human aspect

Notwithstanding all efforts that are being made in order to increase efficiency, to stabilise prices and to assist farmers to survive during lean periods (due to natural causes or collapses in prices), it is found that there are still farmers who, for various reasons, are unable to maintain their credit-worthiness and to keep up a fair standard of living on their farms without special assistance. This subject is a vast one which cannot be dealt with here. The problem is, however, extensively dealt with in the report of the Study Group for Inquiry into Agricultural Credit, which was published in 1961 (see e.g. par. 38, 514 and 515)\*.

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\*U.G. 16/1961

Much has already been done under the Farmers' Assistance Act to assist in deserving cases, but it may suffice to mention here that the problem of the farmers who lag behind in the highly competitive economic struggle, characteristic for the farming enterprise of today, is receiving increasing attention; and that ways and means are being considered in order to identify such farmers before it is too late, and to assist them more effectively than has hitherto been possible.

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#### AS OTHERS SEE US

The following which appeared in the editorial of "The California Citrograph", Vol. 47, No. 7 of May 1962, is quoted with kind permission:

"As others see us

The following excerpts are from an editorial in a recent issue of the "Carolina Co-operator":

'It is no secret that California farmers have a much higher net income from farming than do Carolina farmers.

With the thought in mind of finding out whether or not California agriculture has anything 'magic' that we don't have in the Carolinas, a group of about 100 South Carolina farmers, bankers and farm leaders visited California farm lands this past summer.

This South Carolina group, as other groups that have visited California farm lands in the past few years, did find one big difference between California agriculture and Carolina agriculture. That difference is chiefly the attitude of the farmers of each area toward quality production.

California farmers strive first, last and always for quality in their farm products. California farm produce is advertised throughout the nation and the world as being the best obtainable; and every California farmer seems to take personal pride in doing his part to maintain that reputation.

Although not mentioned in the report of the South Carolina visitors, we think it is significant to point out that co-operative marketing is another reason why California farmers are so far ahead of us. California leads the nation in the amount of farm produce that is marketed through co-operative associations that are owned and controlled by farmers.

California farmers can turn out high-quality farm products with full confidence that their co-operatives will be able to get the top prices for their top-quality products."

# ANNEXURE

TABLE 1 - Direct State Subsidies to Farmers\*

Year	(a) Subsidy on fer- tilizers	(b) Railage rebate on fer- tilizers	(c) Railage rebate on drought affected livestock	(d) Railage rebate on feeds	(e) Soil conser- vation works	(f) Com- bating pests and diseases	(g) Eradi- cation of noxious weeds	(h) Irriga- tion works	(i) Bore holes
Amounts in R									
	'000	'000	'000	'000	'000	'000	'000	'000	'000
1955/56	1,868	1,926	54	26	1,103	-	-	31	1,768
1956/57	1,858	2,413	16	23	762	52	23	31	1,889
1957/58	2,109	2,586	20	35	575	93	218	35	1,952
1958/59	2,160	3,073	155	138	658	470	207	45	1,968
1959/60	2,365	3,442	131	172	687	72	308	41	1,930
1960/61	2,371	3,598	196	547	762	100	263	118	2,143
1961/62	2,695	3,631	852	158	965	58	411	67	2,085

\*The Departments concerned are: Agricultural Economics and Marketing, S.A. Railways, Agricultural Technical Services and Water Affairs.

TABLE 2 - State Loans to Farmers\*

Year	(a) Irrigation works	(b) Bore holes	(c) Improve- ments and purchase of livestock	(d) Purchase of land	(e) Soil con- servation works	(f) Seed, fer- tilizers, feeds, etc.	(g) Foot and mouth disease
Amounts in R							
	'000	'000	'000	'000	'000	'000	'000
1955/56	8	266	213	1,749	268	316	-
1956/57	34	280	233	1,827	568	805	-
1957/58	31	280	265	2,422	834	446	-
1958/59	64	314	186	2,082	1,144	5,127	-
1959/60	33	279	404	1,220	1,144	914	-
1960/61	59	284	471	999	1,222	2,670	75
1961/62	33	130	124	222	1,609	997	511

\*The Departments concerned are: Water Affairs,  
Lands,  
Agricultural Technical Services,  
Agricultural Economics and Marketing and  
State Advances and Recoveries.