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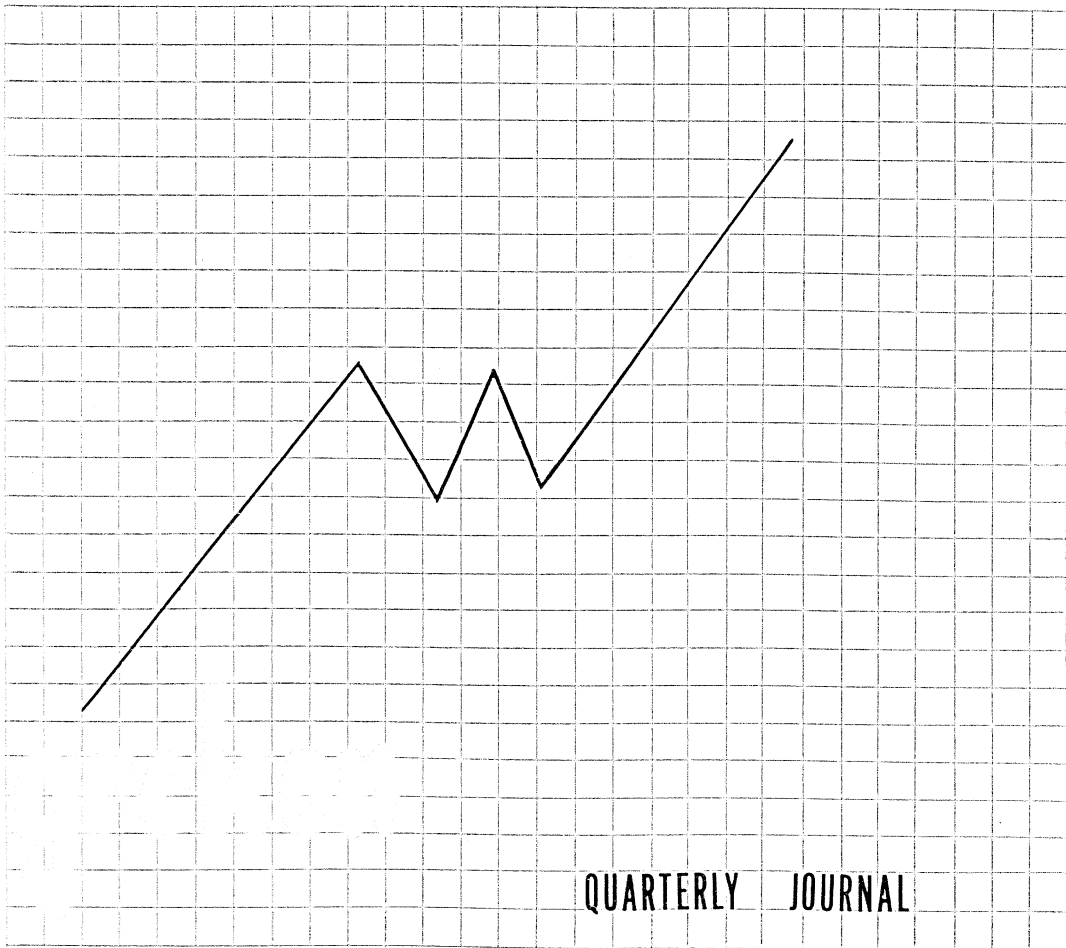
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## REQUIREMENTS FOR CONTRIBUTIONS

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 DIVISION OF COMMODITY SERVICES —its Creation, Function, Extent and Future Organisation\*

by B.J. Dippenaar

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## INTRODUCTION

There are in all probability relatively few primary producers of agricultural products, and may be even fewer consumers thereof, who fully realise how intimately the activities of the Division of Commodity Services almost daily affect their interests; or who are aware of the indispensable role the Division has come to play in the orderly marketing, both at home and abroad, of our agricultural products. This role consists of either the grading or inspection of certain commodities marketed in the nine controlled areas in the Republic, or of the inspection of the major agricultural commodities which are exported.

The Division as such was created soon after the former Department of Agriculture in 1958 was divided into two separate and independent departments. The new Department of Agricultural Technical Services' main concern henceforth is to be production research in agriculture and an extension service for the primary producer. The second new department, that of Agricultural Economics and Marketing again, is to concern itself chiefly with matters of marketing, economic research and the inspection service for agricultural products.

Father to the thought of splitting the Department of Agriculture into two departments, and creating amongst other things a Division of Commodity Services, was the late Dr. M.S. du Toit, Secretary of the former department and subsequently Secretary of the new Department of Agricultural Economics and Marketing.

Prior to 1958, the professional and technical staff of the Department of Agriculture was organised into separate divisions such as the Division of Agronomy, the Division of Horticulture, of Animal Husbandry and Dairying, etc. Each division in turn, and in its own field, was entrusted with research, specialised extension and in certain cases with the inspection of agricultural commodities.

Under the existing order, it stands to reason that there could be no co-ordination of various sections of commodity inspection whilst each was being controlled by different divisions. With the creation of the Division of Commodity Services one of the objects was to end the old order, and to consolidate under a single division the various sections of inspection which naturally lent themselves for this new approach. And thus the different sections of agricultural commodity inspection also found a natural

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\* This contribution will be spread over two issues of "Agrekon"; the second part of which will appear after completion of the current public service inspection of the Division, when the proposed new organisational set-up for the Division should also be finalised. Some statistical data will then also be presented to show the extent of the Division's activities.

home under the department concerning itself with matters of marketing; at the same time the divisions under the new Department of Agricultural Technical Services found themselves free to concentrate on production research and communicating the results of their research to the primary producer. Simultaneously the administration of all those Acts pertaining to marketing and inspection (such as the Marketing Act, 1937; Fruit Export Act, 1957, etc.) was left in the hands of the Department of Agricultural Economics and Marketing.

The Division of Commodity Services started functioning early in 1959, and initially consisted of marketing inspection (meat grading, market products inspection in controlled areas, and export inspection for hides and skins) and fruit inspection (chiefly fresh fruit, and canned fruit and vegetables for the home and export market). Marketing inspection and fruit inspection previously had fallen under the Divisions of Economics and Markets and of Horticulture respectively. In 1960 cotton grading, and somewhat later the inspection of tobacco, was transferred from the Division of Agronomy and Pasture Research to the Division of Commodity Services. The transfer of dairy inspection and grading from the Division of Animal Husbandry and Dairying occurred in October 1960.

#### Inspection services not transferred

The inspection services concerned with plant control and quarantine, more specifically related to production and research, were for obvious reasons left under the Department of Agricultural Technical Services; likewise the administration of those acts pertaining amongst other things to -

- (a) the inspection and control of fertilisers, feedstuffs, seeds and plant sprays; and
- (b) wine, spirits and vinegar.

These were left in the hands of the Department of Agricultural Technical Services in view of the fact largely that this department already had at its disposal well-equipped laboratories for both the physical and chemical analysis essential for any form of control inspection. Liquor inspection, particularly in respect of adulteration, was left in hands of the Enological Research Institute at Stellenbosch.

Wool is another commodity the inspection of which is being done by inspectors of the Wool Commission on behalf of the Division of Commodity Services. The inspection of hides en skins was undertaken in April in 1963 by the Livestock and Meat Industries Control Board, also on behalf of the Division.

#### Acts under which inspection is instituted

One of the essential elements for the orderly marketing of any specific agricultural product is the grading and inspection thereof. Such inspection could be either on a voluntary basis or mandatory.

The inspection of agricultural commodities as done by the Division of Commodity Services is practically in all instances mandatory; i.e. no owner of a specific agricultural product can legally refuse the inspection of such a product at a specified time or a specified place, where the Department of Agricultural Economics and Marketing for well-considered reasons may have decided to institute inspection for such a commodity.

There are at present five Acts administered by the Department, and in which provision is made for the mandatory inspection of agricultural products for purposes of the Act itself. These Acts are:-

- (a) The Marketing Act, 1937, as amended;
- (b) the (consolidated) Fruit Export Act, 1957;
- (c) the (consolidated) Agricultural Produce Export Act, 1959;
- (d) the (consolidated) Agricultural Products Grading Act, 1959; and
- (e) the (consolidated) Dairy Industry Act, 1961.

Which products could be made subject to mandatory inspection

Any "product" or any "agricultural product" which is defined in any of the above Acts itself could (for purposes of that particular Act) be made subject to compulsory inspection. In the Marketing Act; the Agricultural Produce Export Act and the Agricultural Products Grading Act, however, provisions is also made for any other agricultural commodity (not defined in the Act itself) to be declared a "product" or an "agricultural product" for the purposes of the Act. In the Marketing Act "product" also means "(g) any other commodity which the State President may by proclamation in the Gazette declare to be a product for the purpose of this Act".

In the Agricultural Produce Export Act "agricultural produce" or "produce" "for purposes of this Act" also means "(b) any article whatever (.....) which in the opinion of the State President is produced by or derived from farming operations or is the product directly derived from any such article and which the State President has by proclamation in the Gazette declared to be agricultural produce for the purposes of this Act and any regulation; and includes any such substance or article which has undergone any change as a result of some process or treatment applied to it, and any product intended for human consumption as food or drink which has been derived mainly from fruit of any kind or from one or more such substances or articles and has been declared by the State President in the Gazette to be agricultural produce for the purposes of this Act or regulation".

According to the definition in the Agricultural Products Grading Act, "agricultural product" means "also fresh fruit and any agricultural produce as defined in the Agricultural Produce Export Act, 1959, and any article produced or derived from such fruits or produce whether or not it has undergone a change of form as the result of some process applied to it".

It was under the above definition in the Marketing Act and the Agricultural Produce Export Act that canned fruits and vegetables, for instance, were first declared to be "agricultural products", and so could subsequently also be made subject to compulsory inspection.

Other prerequisites for mandatory inspection

- (a) According to the requirements of clause 36 of the Marketing Act, the State President by proclamation in the Gazette "may prohibit the sale of any product specified in the proclamation, in any area or at any place likewise specified, either generally or for a specified purpose or for a purpose other than a specified purpose unless it is packed or marked according to grade in a manner prescribed by regulation.

Unless the sale of a specific product is first prohibited by proclamation under clause 36 as above, no compulsory inspection of that particular

product could be instituted. It should also be obvious from the requirements of clause 36 that a proclamation to prohibit a sale would be without effect unless there are grading regulations prescribing amongst other things the method of packing and labelling.

- (b) Grading regulations. In each of four of the Acts referred to above, provision is made for the State President to promulgate regulations by proclamation in the Gazette; under the Agricultural Products Grading Act, however, the "Minister" and not the State President promulgates the regulations.

In summarising it could be said that there are three, or rather four, prerequisites to be complied with before compulsory inspection could be made applicable to any particular agricultural product:-

- (1) The particular product should be one of those listed and defined as an agricultural product under definitions in the Act, or should be so declared by proclamation;
- (2) grading regulations should be promulgated either by the State President or by the Minister of Agricultural Economics and Marketing;
- (3) by proclamation the sale of the commodity must be prohibited unless it is packed or marked according to grade as prescribed, or compulsory inspection must be required by the Act itself - as in the case of the Fruit Export Act and the Agricultural Produce Act. In both these Acts the export of fruit and of agricultural produce is prohibited unless first inspected by the government inspector and branded as prescribed by regulation; and
- (4) provision should be made in the relevant Act for the appointment of inspectors and the necessary powers for inspection.

#### Voluntary inspection

It is rather the exception to the rule to find in any of the Acts referred to above provision for the inspection of agricultural produce on a voluntary basis. Actually only two instances of non-mandatory inspection of agricultural produce are provided for:-

- (1) Provision under the Marketing Act for a National Mark for agricultural products. Thus, the State President may by proclamation in the Gazette prescribe a national mark (quality requirements) for a particular product named in the proclamation and which may be sold only in an area likewise named in the proclamation. The national mark may be applied to a product or to containers, only with the written permission of the Minister. Inspectors of the Division of Commodity Services will inspect such products under the regulations applying to the national mark.

It is thus optional for the primary producer to market a product for which a national mark has been prescribed under the national mark or not. Thusfar it has only been the tomato growers who have availed themselves of marketing their product under the national mark on a large scale in any proclaimed area. To producers of agricultural products the national mark has more or less the same significance as has the South African Buro of Standards mark (S.A.B.S. mark) to the

industrialist. Experience has shown that the national mark has found less use where mandatory grading regulations for the same product have been introduced.

- (2) Provisions in the Agricultural Products Grading Act for the optional application by a manufacturer, co-operative society or a company to the Minister to introduce grading and inspection of an agricultural commodity which might be manufactured, by departmental officers against remuneration. The Minister may agree to comply where he is satisfied that the aggregate of the inspection fees would be sufficient to defray the costs of grading and inspection. Inspection or grading will then be made under regulations prescribing the standards of composition and quality.

Voluntary inspection and grading of agricultural commodities have not been favoured by the South African primary producer. Almost without exception "Organised Agriculture" and other bodies interested in grading have requested the Department of Agricultural Economics and Marketing or the Division to introduce compulsory inspection rather than optional grading or inspection.

#### Grading regulations, grading and inspection

In each of the Acts considered above, as well as in quite a number of other Acts, provision is made for "regulations", but in no instance are regulations incorporated in the Act itself. However, matters and aspects in respect of which regulations may be made are clearly set out, but the formulation of the regulations and particularly of grading regulations is left entirely, and quite rightly too, in the hands of the Department (Minister) administering the relevant Act.

Stipulations as to what may be incorporated in regulations or not, is best illustrated by quoting Clause 8 of the Fruit Export Act:-

"The State President may make regulations, not inconsistent with this Act, as to all or any of the following matters, namely -

- (a) the time and place at which and the manner in which notice of intention to export fruit shall be given;
- (b) the manner in which fruit for export shall be packed and the sizes, description, quality and material of the receptacles to be used for the export;
- (c) the time at which fruit intended for export shall be delivered at the port for shipment;
- (d) the manner in which the receptacles in which the fruit is to be exported shall be marked, addressed and closed;
- (e) the condition and grading of fruit intended for export and the manner in which the different grades shall be marked;
- (f) the grades and species of fruit that shall be shipped at any time and the order in which shipment of the grades and species shall take place;
- (g) the percentage of the boxes of fruit in any one consignment intended for export which shall be inspected;
- (h) the manner in which the receptacles of fruit passed as suitable for export shall be marked by the inspector;
- (i) the fees that shall be paid by the consignor under this Act for the inspection or storage of fruit and the time of payment of those fees;

- (j) the period for which and the temperature at which fruit intended for export shall be kept in cold storage at the port of shipment or elsewhere prior to shipment;
- (k) the time within which fruit which in terms of this Act is required to be removed from the place of inspection, shall be so removed;
- (l) the constitution of the board of reference mentioned in section six, and generally for the better carrying out of the objects and purposes of this Act".

(To be continued)

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### FARMER INCOME AND "REAL" CAPITAL GAINS

There are several measures of farmers' well-being other than measures of current income which deserve scrutiny. One of these is the change in the current value of the assets owned by farmers. . . . In a number of years these changes in asset values have exceeded the magnitude of net farm income. Thus, it is possible for a farm owner who has never enjoyed a high annual income to accumulate substantial assets over his lifetime, and it is also possible for a farmer who has consistently earned a good annual income and reinvested it in his business to reach the point of retirement and have accumulated few or perhaps no assets.

- D.E. Hathaway in "Agriculture and the Business Cycle".

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### INTEREST IN CAPITAL GAINS AND LOSSES

In recent years analyses in which capital gains play an important part have appeared in the literature more and more frequently. The range of problems in agriculture to which the concept of capital gains has been applied includes the rate of farm capital investment, agricultural supply response, pricing of farm real estate, and income receipts of farmers. The increased concern about capital gains has risen because of the importance of general price level changes over the past thirty years. The use of the concept in many instances has been less than optimal because for the most part published measures of capital gains have been inadequate for the purposes to which they have been put. An alternative to current measures of capital gains exists which, if properly developed, will be more appropriately used by agricultural economists in studying several problems. The alternative can be termed "real capital gains" or "purchasing power gains" in contrast to the current - or absolute - dollar measures used in recent literature.

- Dale M. Hoover, North Carolina State College.