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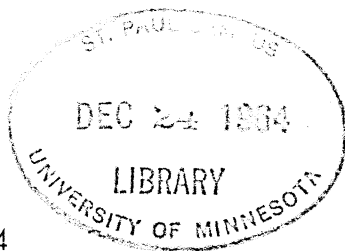
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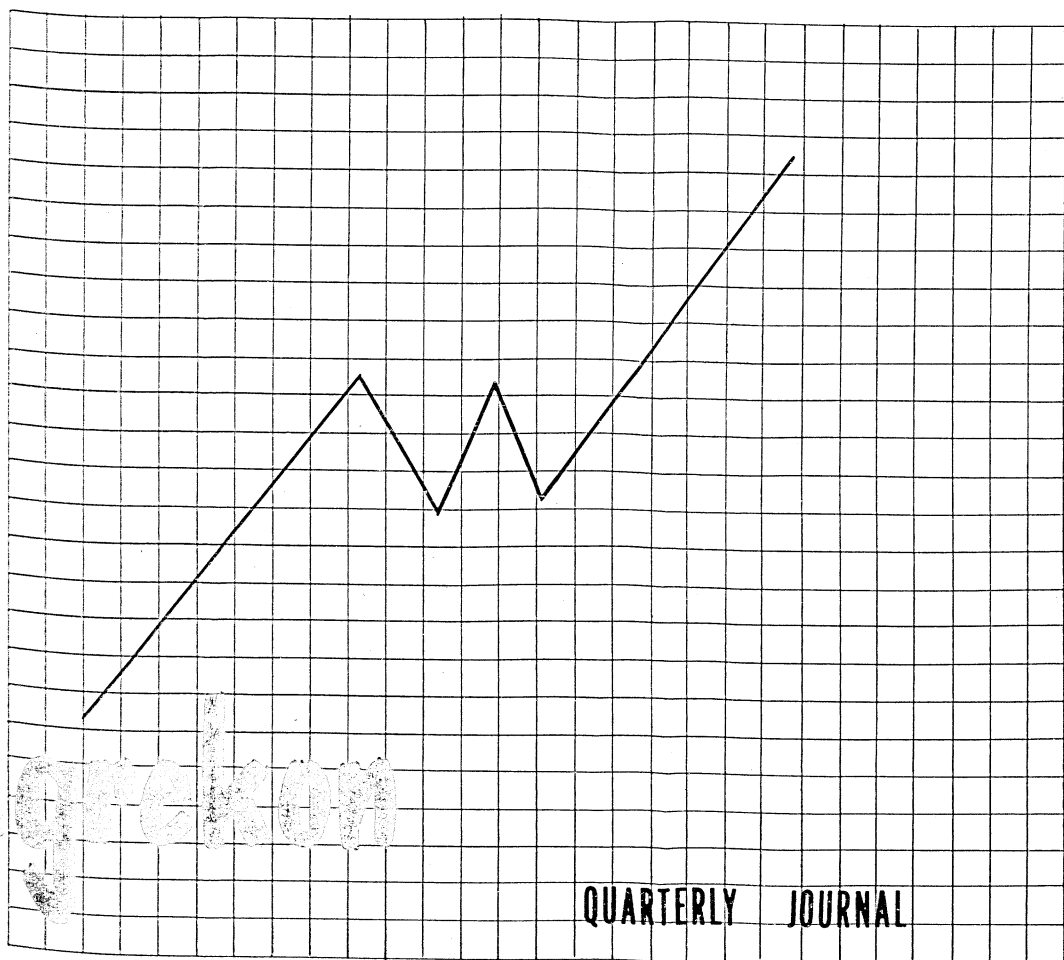
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REQUIREMENTS FOR CONTRIBUTION

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 price is 20 cents per copy or 80 cents per annum, post free.)

Dates of issue, on a quarterly basis, are the following: January, April, July, and October.

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How the Maize Crop is Marketed *

Since the 1944/45 marketing season, a one-channel marketing system has been in operation in the major producing areas, while less comprehensive measures have been applied to the rest of the country. The purpose of this article is to give readers a clear picture of how maize is being distributed from producer to the ultimate consumer.

Before dealing with the various control measures, as applied in the different areas, a special note should be taken of the main functions of the Maize Board, which serves as the co-ordinate body for the maize industry.

THE BOARD'S MAIN FUNCTIONS

Among the most important functions of the Board are the maintenance of fair and reasonable price levels for the different groups affected directly, or indirectly, by the policy of controlled marketing. Also included among its duties are the introduction and application of a proper system of grading and quality standards for both maize and its products - to ensure, inter alia, that both consumer and producer reap the benefits of price differentiation. The Board too has to arrange for the smooth running of the marketing process by ensuring that its agents perform the task of collecting the crop in a reasonable and efficient manner, providing for safe and hygienic storage of the stocks that cannot immediately be consumed, and by ensuring that the wholesale distribution of stocks is carried out as effectively and rapidly as possible.

*Article reproduced from MIELIENUUS (July 1964), with the approval of the Manager of the Maize Control Board. - Editor.

In addition to these, it is the Board's duty to stimulate general productivity in the industry and to promote conservation farming by having due regard in the fixation of prices to general price levels in other branches of agriculture; thereby, as far as possible, to achieve the co-ordination envisaged under the Marketing Act. Furthermore, it has to assist the two Departments of Agriculture in the promotion of research and extension work with a view to giving guidance to the maize industry.

CONTROL AREAS

For the purpose of the implementation of the control scheme, the Republic has been divided into three areas, viz. Area A, Area B and a part known as the Exempted Area (refer to the May issue of MIELIENUUS for a detailed definition of the three areas).

MEASURES GOVERNING THE MARKETINGS OF PRODUCERS

In area A

(which comprises the whole of the Transvaal, Orange Free State and four magisterial districts in the Cape Province).

The one-channel system of marketing applies only to area A, in which about 98¹/₂% of the total quantity of maize marketed annually is produced.

In terms of the one-channel system, the Board is the only buyer of maize, and all producers are obliged to sell to it all the maize they wish to market. The price which producers receive is fixed annually by the Board, with the approval of the Minister of Agri-

cultural Economics and Marketing. For the current season (May 1964 to April 1965) the "net producers' price" is R3.00 per 200 lb bag of the best grade white or yellow maize.

In order to cushion the effect of fluctuating export prices on the net producers' price, the Board established in 1953 a Stabilisation Fund from which any possible shortfalls during a season can be met. Contributions to this fund are made in the form of producers' and consumers' levies; the first-mentioned is collected when producers market their maize, while the last-mentioned is collected when the Board sells maize for internal consumption. As a result of favourable prices realised by the Board during the 1963/64 season, when large exportable supplies gave rise to pessimistic expectations, the fund is now R27½ million strong - which will stand the maize industry in good stead in the future.

The Maize Board, as sole buyer of maize, does not handle maize itself but appoints agents to purchase on its behalf all quantities of maize offered for sale by producers. Furthermore, such agents store the maize and dispatch or otherwise dispose of it according to the directions of the Board. For fulfilling these functions of handling, storing and dispatching, the agents are remunerated at predetermined rates.

There are three classes of agents - co-operative agents, miller agents and trader agents - all of whom are required to furnish the Board with monthly returns of their maize transactions. The information contained in these keeps the Board posted on the quantities of maize concentrated at the various points. Needless to say that the regular flow of such statistics is of vital importance for the orderly marketing of the maize crop.

At present 19 co-operative agents (with 350 receiving depots), 169 miller agents and 68 trader agents are registered with the Board for fulfilling the above-mentioned functions in area A.

Practically all producers in this area are reasonably close to an agent where his maize can be delivered. In the exceptional case where no agent of the Board operates within a reasonable distance from a producer, he may, on application to the Board, be granted a permit authorising him to sell his maize direct to a consumer. The object of this arrangement is not to control consumption, but to ensure that the required stabilisation fund levy is collected in respect of the transaction, and to protect existing agents who have to make heavy capital investments in order to equip themselves for the proper handling and storage of grain. Agents of the Board are allowed to supply orders of up to 100 bags per person per month.

In area B

(which comprises 10 magisterial districts in the Cape Province and practically the whole of Natal).

Although the quantity of maize marketed by producers in area B amounts to about 750,000 bags, it is insufficient for the commercial requirements of the area. Substantial quantities of maize and maize products have therefore to be "imported" from area A. Under these circumstances it is only reasonable that the Board's control measures should be less rigid.

Producers in area B may sell their maize only to traders registered with the Board, but these traders (as opposed to agents in area A) purchase the maize for their own account and not on behalf of the Board. Consequently they never receive any disposal instructions from the Board, but are none the less obliged to furnish the Board with monthly returns of their transactions.

The "producers' price", which the Board fixes annually in respect of area A, serves as a minimum price at which traders may purchase maize from producers in area B.

In the exempted area

(which comprises the remainder of Natal and the Cape Province).

A negligible quantity of maize is marketed annually by producers in the exempted area. For this reason the area is not subject to any of the control measures applicable in areas A and B. Producers are free to sell their maize to any person in the area at the best price they can realise; buyers are not required to register with the Board, and consequently no returns of maize transactions need be submitted. Should a producer, however, sell his maize to a buyer in area A or B, the prescribed levies are payable to the Board.

MEASURES GOVERNING THE PROCESSING OF MAIZE

The regulations of the Board allow for three types of processors of maize, viz. gristing millers, commercial millers and manufacturers of secondary maize products. Any person who is not registered with the Board, and who processes maize other than for private consumption, is guilty of an offence and is liable to be prosecuted.

Gristing millers are authorised to process maize at a milling fee on behalf of other people. The fee is not fixed by the Board, but is mutually agreed upon between the two parties. These millers are required to furnish the Board with annual returns of their maize transactions.

Commercial millers may, in addition to gristing maize for customers, also process maize with the object of selling such products. They are required to furnish the Board with monthly returns of their milling transactions. The quantity of maize purchased from the Board by commercial millers represents about 92% of the Board's sales for local consumption.

Manufacturers annually process very nearly 750,000 bags of maize into such secondary products such as glucose, dextrine, dextrose, starch, edible foodstuffs,

etc. The only limitation on the registration of a manufacturer is that he is not allowed to manufacture commercially any maize products normally produced by commercial millers. Manufacturers are obliged to submit monthly returns of their maize transactions.

THE BOARD'S SELLING PRICES

The Board annually fixes its selling price for maize for local consumption. The selling price is based on the producers' price, plus handling, storage and administration costs, less the Government subsidy. This subsidy is paid by the Government because maize is regarded as a staple food, particularly for the lower-income groups, and because maize is used extensively as an animal feed for the production of poultry products, beef, dairy produce, wool, etc.

The Board's selling price of best grade maize for the current season is as follows (free on rail sender's station):

<u>Quantity purchased at a time</u>	<u>White</u>	<u>Yellow*</u>
10 to 24 bags	332	307
25 to 49 bags	528	303
50 to 99 bags	325 ¹ / ₂	300 ¹ / ₂
100 to 399 bags	324	299
400 to 1,199 bags	321 ¹ / ₂	296 ¹ / ₂
1,200 to 4,799 bags	319 ¹ / ₂	294 ¹ / ₂
4,800 and over	317	292

Commercial millers and other processors of maize are supplied with maize at the 4,800-bag price, irrespective of the number of bags purchased at a time.

*In order to stimulate the consumption of yellow maize, the Government has increased its subsidy of 15c per bag in 1963/64 to 23.5c for the current season; this is the reason why the Board is in the position to sell best grade yellow maize at a price which is lower than the net producers' price of R3.00.

SUPPLYING THE LOCAL MARKET

Whole maize

The public, in general, can purchase their requirements of whole maize from-

- (1) any trader or commercial miller situated conveniently close to him, or
- (2) any local agent of the Board, or
- (3) grain distributors, or
- (4) the Board directly.

The price of maize in the trade (i.e. other than sales by the Board), is not controlled. Regular surveys by the Board continue to show that traders practically always charge a most reasonable price, particularly when proper allowance is made for railage and handling and a profit margin, which must be added to the Board's selling price.

One aspect of the Board's endeavour to make whole maize freely available to consumers needs special mention. The Board is prepared to enter into storage agreements with financially sound parties who have suitable storage for at least 2,000 bags of maize and who expect to sell not less than 5,000 bags per annum. In terms of the agreement the storage agent could finance the maize himself or obtain finance from the Board, in which case the maize remains the property of the Board until it has been paid for and released to the buyer. Grain merchants who have such arrangements with the Board are consequently guaranteed of always having stocks on hand for immediate disposal to consumers. Special storage agreements can be entered into in any of the three control areas.

Furthermore, the Board has arranged that only elevator-cleaned WD1 maize, packed in sound bags and weighing exactly 200 lb net, will be distributed to consumers in the local market. This arrangement came in force as from 15th June 1964, with the result that "distribution maize" should be reaching consumers by this time. Because of the additional cost involved in the cleaning

and packing of the maize, the Board's selling price for elevator maize is 5c per bag more than the usual selling price.

Maize products

Maize products such as maize meal, samp, crushed maize, etc. should be freely available in the distributive trade. In the event of any particular type of product not being available in the local trade, enquiries should be directed to commercial maize millers in the area or else to the Board.

In the case of maize products, the Board annually determines maximum prices at which they may be sold by millers. In the fixation of prices, the basic cost of converting maize into products, packaging, selling costs and interest on capital invested are taken into account. In addition to the fixed price, millers are allowed to recover the railage cost on whole maize, and the delivery costs on their sales, in the form of prescribed additions to their selling prices.

Since 1960 retailers' selling prices have not been subject to control by the Board. Price levels are, however, being watched closely by the Board and, should circumstances necessitate it, price control would be re-introduced.

SELLING MAIZE FOR EXPORT

From time to time the Board determines what quantity of surplus maize will be available for export. Thereafter it publishes in advance a programme of export sales, giving full particulars about the quantities that will be put out on tender at specific dates, the respective ports of loading and the periods during which the consignments are to be shipped. These export programmes usually cover a few months forward.

As outlined in the September 1963 issue of MIELIENUUS ("Method of Sale"), the Board itself does not export maize, but undertakes to deliver the maize to the buyer free alongside ship in the case of bagged maize and free alongside coastal elevator in the case of bulk maize.

The Board's agents, situated at points where surplus stocks are available, are given the necessary instructions to rail the maize intended for export ex inland elevators and bulks storage installations to the coastal elevators at Cape Town and Durban, and ex inland bag stores to the coastal bag storage sheds at Port Elizabeth, East London and Lourenco Marques.

During the intake period, producers' maize is deposited directly into the inland elevators for export, but later in the season the elevator stocks often have to be replenished by drawing maize from bag stores.

MARKETING PROMOTION

The Board's view is that the development of the internal market is mainly the function of the trade. However, the Board is intimately concerned with the creation of a favourable atmosphere in which the

trade can fulfil this function and it is therefore actively involved in a number of projects aimed at increasing the consumption of maize and maize products. For full details of the Board's contribution in this respect, refer to the January 1964 issue of MIELIENUUS.

THE MAIZE MARKETING COMMITTEE

The entire system of one-channel marketing of maize, as it presently applies, is now the subject of a special investigation by the Maize Marketing Committee. The purpose of the study is not a matter of considering whether or not the existing marketing system should be continued, but rather to see to what extent it could be made more flexible.

The final report of the Committee is expected to be submitted to the Board by the end of this year.

ANNEXURE

THE MARKETING OF THE MAIZE CROP

Marketing season	Carry-over from pre-vious season	Marketed by producers	Sold for local consumption**	Maize and maize products sold for export	Carry-over to next season
in '000 bags of 200 lb net					
1959/60	4,309	33,000	23,838	6,160	7,311
1960/61	7,311	36,141	26,217	9,792	7,443
1961/62	7,443	46,013	23,983	17,201	12,272
1962/63	12,272	53,670	26,407	27,496	12,039
1963/64*	12,039	54,228	27,172	30,601	8,494

* Preliminary figures.

** Includes physical losses and sales to adjoining territories.