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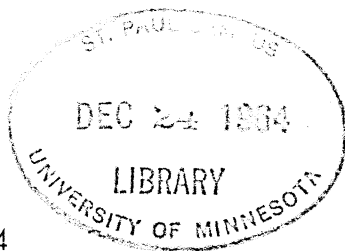
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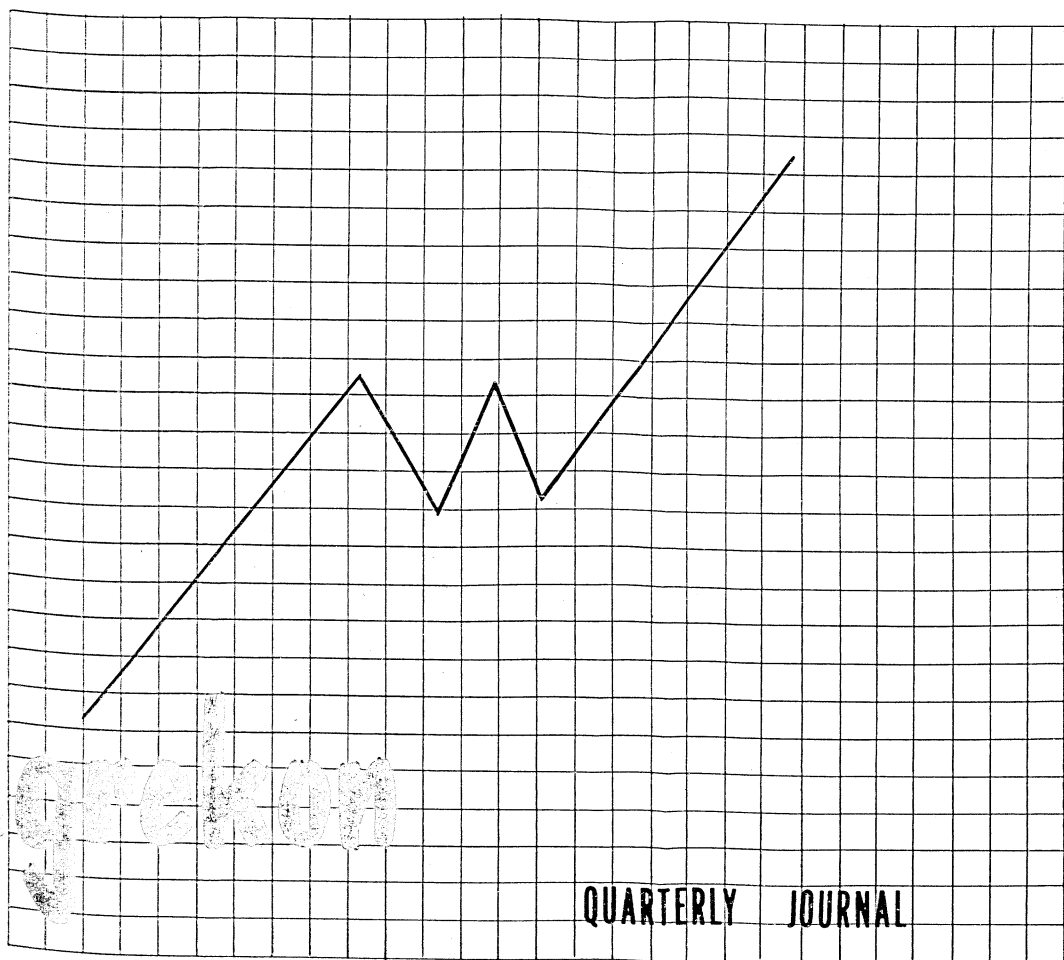
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VOL. 3, No. 4
OCTOBER, 1964

PRICE 20c



Agriculture

QUARTERLY JOURNAL
ON AGRICULTURAL
ECONOMICS

Issued by the Department of Agricultural Economics and Marketing, Pretoria

Agrekon

VOL. 3, NO. 4

OCTOBER 1964

Editorial committee: Dr. C. van der Merwe (chairman),
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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.

The journal is being distributed by and is obtainable from the distributors: "Agrekon", Private Bag 144, Pretoria.

(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.

"Agrekon" is also published in Afrikaans.

Selling Prices of Rooibos Tea, Advances and Levies for the 1964 Crop

Report prepared by
NATIONAL MARKETING COUNCIL

DECISIONS OF THE CONTROL BOARD

Selling prices, advances and levies

At a meeting held on 18th September 1963, the Control Board decided to recommend the selling prices, advances to producers and levies for the 1964 crop as set out in Table 1, for the Minister's approval.

Storage costs

The Control Board also desires approval to charge storage costs, as during

1963, at 3.5c per bag per month from 1st March 1964, to 28th February 1965. The Control Board proposes that the pools be debited with the storage costs for March and April 1964, and that these costs be recovered from packers for the period 1st May 1964 to 28th February 1965.

Production, consumption and supply

Since 1957 the Control Board has received the quantities of tea from producers as set out in Table 2.

TABLE 1 - Selling Prices, Advances and Levies for 1964 crop

Control Board's recommendation for 1964 (cents per pound)					Approved for 1963 (cents per pound)			
Grade	Basic selling price	Advance	Levies		Basic selling price	Advance	Levies	
			Ordinary	Special			Ordinary	Special
A 1	16.0	11.0	0.4	1.0	16.0	11.0	0.4	0.8
A 2	14.0	9.0	0.4	1.0	14.0	10.0	0.4	0.8
A 3	12.0	8.0	0.4	1.0	12.0	8.0	0.4	0.8
B 1	9.0	6.0	0.4	0.5	9.0	6.0	0.4	0.4
B 2	6.5	4.0	0.4	0.3	6.5	4.0	0.4	0.2
Under- grade	3.0	-	0.4	-	4.0	-	0.4	0.2
Pale Tea								
Grade I	8.0	4.0	0.4	0.45	9.0	6.0	0.4	0.4
Grade II	4.0	-	0.4	0.25	5.0	-	0.4	0.2
Black Tea								
Grade I	8.0	4.0	0.4	0.45	8.0	4.0	0.4	0.4
Grade II	4.0	-	0.4	0.25	4.0	-	0.4	0.2
Sticks	3.0	-	0.4	-	3.0	-	0.4	-

TABLE 2 - Quantities of Rooibos tea received from producers

Year	Rooibos tea taken in (after being sifted by the Board)	Recovered by re- sifting of sticks	Total
1957	1,380,000 lb	-	1,380,000 lb
1958	1,426,000 lb	-	1,426,000 lb
1959	872,000 lb	-	872,000 lb
1960	1,345,000 lb	-	1,345,000 lb
1961	815,000 lb	130,000	945,000 lb
1962	1,495,000 lb	220,000	1,715,000 lb
1963	1,950,000 lb	-	1,950,000 lb
1964*	2,450,000 lb	-	2,450,000 lb

*Estimated quantity.

From the 1963 crop 350,000 lb sticks were obtained. Most of these supplies are still being stored by the Board and are sold direct to institutions such as prisons. Any dealer in tea may obtain orders from institutions, but the Board sends the sticks direct to the institutions. According to members of the Board, the tea obtained from the sticks is not of inferior quality.

The low production of 1959 and 1961 may be attributed mainly to drought conditions. During the past two years the crops improved appreciably and, according to members of the Board, the 1964 crop may easily exceed the 1963 crop by 500,000 lb of tea. During 1963 weather conditions were favourable and a record crop, which exceeded that of 1962 by about 450,000 lb, was harvested.

The Board estimates the local demand and the supply required for export at about 2 million pounds a year. However, since the Board has rationed supplies for four years, and because in the past the crops have never reached the 2 million pound mark, no real indication of the actual demand exists. This may be determined during 1964 if supplies are more freely available.

Since 1958 the Control Board has sold all tea supplies taken in to packers before the end of each respective year. At the end of each year since 1958 packers had the following supplies on hand:

1958	1,252,000 lb
1959	304,600 lb
1960	367,600 lb
1961	190,000 lb
1962	376,300 lb
1963	Not available.

During the past number of years supplies could not be built up by the Board, because since 1959 the whole crop has been sold to the trade under four allocations.

It is alleged that maturing improves the quality of the tea, and that it would be well if supplies which are a year old, could be made available. There are no indications, however, that such matured tea will fetch a better price than more or less fresh tea - and the cost of storage and interest should be added.

Prices

Table 3 shows how the net producers' prices have increased since the establishment of the Board in 1955.

Against this, the basic selling prices compare as shown in Table 4.

If the Board's price and levy proposals are accepted, the Board's average selling prices for all grades will be approximately the same as those for the 1963 crop. As a result of the increased levy rates now being proposed by the Board, the average net producers' price for all grades is expected to decrease by 2 cents per lb.

TABLE 3 - Prices paid to producers (cents per pound)

Grades	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964 ²⁾
A 1	5.94	6.87	8.44	9.30	10.83	12.29	13.81	13.62	14.57	14.40
A 2	5.52	6.35	7.50	8.07	8.96	10.21	11.95	12.11	12.58	12.40
A 3 ¹⁾	-	4.95	5.52	6.15	7.29	8.54	10.30	10.63	10.58	10.40
Weighted average for the A grade	5.57	6.19	7.69	8.30	9.66	10.79	12.66	12.64	13.20	13.03
B 1	2.92	2.92	3.28	3.65	4.79	6.46	7.39	8.01	7.98	7.90
B 2	1.20	1.08	1.09	1.93	3.33	4.17	5.11	5.72	5.68	5.60
Under-grade ¹⁾	-	-	-	1.15	1.67	2.50	3.22	3.17	3.17	2.40
Pale tea Grade I ¹⁾	-	-	-	-	-	-	-	-	7.97	7.00
Grade II	-	-	-	-	-	-	-	-	4.14	3.20
Black tea Grade I ¹⁾	-	-	-	-	-	-	-	-	6.94	6.95
Grade II	-	-	-	-	-	-	-	-	3.15	3.15
Weighted average for all grades ³⁾	5.22	6.02	6.87	6.92	7.98	9.28	11.08	10.85	11.29	11.10
Sticks	-	-	-	-	-	-	2.13	2.10	2.10	2.10

1) Grade A 3 was introduced in 1956, undergrade in 1958, stick-grade in 1961 and black and pale tea in 1963.

2) Estimate on the basis of the Board's price proposals for 1964.

3) Excluding sticks.

Levies and funds of the Board

The Control Board proposes that the ordinary levy of 0.4 cent per pound on all tea, as applicable during the 1963 season, be kept unchanged for the 1964 season. The Board recommends, however, that the special levy be changed for the 1964 crop as set out in Table 5.

From the ordinary levy of 0.4 per cent per pound on all tea the Board's administrative expenses are covered. The income from this source usually exceeds the administrative expenses, and it is estimated that the fund built up in this way now has a credit balance of about R42,000. The special levies are reserved for the stabilisation of the industry, but

to date it has not been necessary to make use of this fund. A credit balance of about R90,000 is now available in this fund.

Views of the Control Board

The Board decided unanimously to keep the basic selling prices for the coming season unchanged at the levels which applied during the 1963 season, but to reduce the price of pale tea and that of undergrade tea by 1 cent per pound. The Board points out that pale tea is less popular, and is of the opinion that the demand for this type will disappear in time as the production of the better grades increases. In the case of undergrade tea the Board feels that in certain cases this type is of a poorer grade than

TABLE 4 - Board's selling prices

Grades	1955	1956	1957	1958	1959	1960	1961	1962	1963	Control Board propo- sal for 1964
A 1	7.50	8.33	10.00	10.42	12.08	13.75	15.00	15.00	16.00	16.00
A 2	7.08	7.92	9.17	9.17	10.42	11.67	13.33	13.50	14.00	14.00
A 3	-	6.67	6.67	7.50	8.75	10.00	11.67	12.00	12.00	12.00
Weighted average for the A grades	7.13	8.28	8.81	9.47	11.00	12.25	13.92	14.03	14.63	14.63
B 1	4.37	4.37	4.37	4.58	5.83	7.50	8.33	9.00	9.00	9.00
B 2	1.67	1.67	1.67	2.50	4.17	5.00	5.83	6.50	6.50	6.50
Undergrade	-	-	-	1.67	2.50	3.33	4.17	4.00	4.00	3.00
Pale tea										
Grade I	-	-	-	-	-	-	-	-	9.00	8.00
Grade II	-	-	-	-	-	-	-	-	5.00	4.00
Black tea										
Grade I	-	-	-	-	-	-	-	-	8.00	8.00
Grade II	-	-	-	-	-	-	-	-	4.00	4.00
Weighted average for all grades	6.76	8.08	8.31	7.97	9.21	10.61	12.26	12.09	12.60	12.50
Sticks	-	-	-	-	-	-	3.33	3.00	3.00	3.00

TABLE 5 - Special levy - cents per pound

Grade	1963	1964	Change
A1		1.0	+ 0.2
A2	0.8	1.0	+ 0.2
A3	0.8	1.0	+ 0.2
B1	0.8	0.5	+ 0.1
B2	0.4	0.3	+ 0.1
Undergrade	0.2	-	- 0.2
Pale tea Grade I	0.4	0.45	+ 0.05
" " " II	0.2	0.25	+ 0.05
Black tea Grade I	0.4	0.45	+ 0.05
" " " II	0.2	0.25	+ 0.05

the tea sticks, and the Board therefore proposes that the price of this grade be fixed at the same level as that recommended for the sticks. In agreement with the proposed reduction in the selling price of pale tea to packers, the Board recommends that the advance payment to producers for grade I pale tea be reduced by 2 cents per pound.

For the rest, the recommendation regarding advances is the same as that for the 1963 crop, except in the case of the A2 grade, where one cent per pound less is recommended. The Board finds this reduction necessary because the advance of 10 cents per pound, as paid during the 1963 season, was more than 75% of the net value of the grade. The Board's general policy is that the advance should not be more than 75%.

Although the Board cannot determine at this stage how much tea will be taken up in the trade and by exporters each year, the Control Board is of the opinion that this quantity will amount to about 2 million pounds. As a result of the expected crop of 2½ million lb during 1964 the Board is of the opinion that it would possibly not be able to sell the total quantity during the coming year. From 1956 to 1963 the number of producers had increased from 131 to 176.

The object of the increase in the special levy is to have more funds available for -

- (a) extensive advertising; and
- (b) the financing of carry-overs.

The aim is to build up funds that will be sufficient to finance an entire crop which may be carried over.

Remarks and recommendations of the Marketing Council

Since the introduction of the Control Board in 1955, the basic selling prices have been increased each year, with the result that the net producers' prices have also shown a yearly increase. Although the Board may possibly not sell the full

crop of 1964 to packers, the Marketing Council is of the opinion that it is not necessary at this stage to reduce prices in order to discourage production or to encourage consumption. The Marketing Council therefore supports the Control Board's price proposal. For reasons mentioned by the Board, the Marketing Council recommends that the basic selling prices of undergrade tea and of pale tea grades I and II be reduced by one cent per lb.

As regards the Board's proposal to reduce the advance to producers in respect of grade A2 tea from 10 cents to 9 cents per pound, the Marketing Council wishes to point out that the advance of 10 cents per pound during the 1963 season constituted 79.5% of the net producers' price and that such a high advance may possibly hold out dangers when the Board has to cope with surplus conditions. The Marketing Council therefore recommends that the advance payment for grade A2 tea be reduced, as proposed by the Board, by one cent from 10 cents to 9 cents per pound. As a result of the reduction in the price proposed for pale tea grade I, it is also necessary to reduce the advance for this grade of tea, and the Marketing Council therefore supports this proposal.

The ordinary levy, as imposed by the Board at present, is sufficient to cover the Board's administrative expenses and also to leave a surplus income. Together with the special levy fund, which has not yet been used by the Board for the stabilisation of prices, it is estimated that the funds constitute about 50% of the annual turnover in Rooibos tea. The position is therefore quite sound.

It is estimated that the income from the special levies will amount to about R12,500 during the 1963 season, while the surplus from the administrative levy should amount to about R6,000. An amount of R8,300 had to be withdrawn from the special levy fund, however, to defray the Board's costs in respect of the Easter Show. The interest on the funds should

more or less cover this latter amount. If the special levies are increased, as proposed by the Board, an additional income of between R3,000 and R4,000 will be earned.

The Marketing Council is of the opinion that the rate at which the Board is now building up its funds is quite satisfactory, and that sufficient funds are available to launch the Board's sales-promotion campaign. If a surplus should arise next year, it would probably not be very large - and the Board will have enough funds available to keep the prices stable. The Marketing Council cannot agree with the Board's idea to build up a cash fund of R250,000 or more to finance carry-overs.

However, since conditions are favourable and production is still increasing - an anticipated increase during 1964 of about 1 million lb as compared with 1962 - the Marketing Council is prepared to recommend the proposed increase for 1964.

The proposed arrangements for the defrayal of storage costs are the same as those for the 1963 season, and are supported by the Marketing Council.

The Marketing Council therefore recommends that the Control Board's proposals in regard to selling prices, advances and levies, as well as the proposal for the defrayal of storage costs, be accepted.

ILLINOIS (U.S.A.) CROP YIELDS BREAK RECORDS

The 1963 Illinois corn crop averaged 85 bushels per acre. This was two bushels over the record set last year, and 12 bushels over the five-year 1958-62 average. This was the second highest U.S.A. average - just two bushels short of the yield reported for Indiana. Other Illinois records include wheat at 39 bushels per acre and oats at 57 bushels per acre.

- Illinois Farmers' Outlook Letter, November 1963.

LEGISLATIVE FORESIGHT

Being prepared through legislative foresight can help soften the impact and ease the adjustment in the inevitable problems that confront farmers today. For example, many farm homesteads have suffered lately as metropolitan areas have expanded into what used to be rural hinterland. Most farmers know little about what to expect as a changeover from rural to urban uses occurs.

- Co-operative Extension Service, Michigan, March 1963.