



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

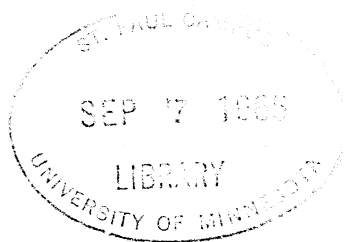
<http://ageconsearch.umn.edu>

aesearch@umn.edu

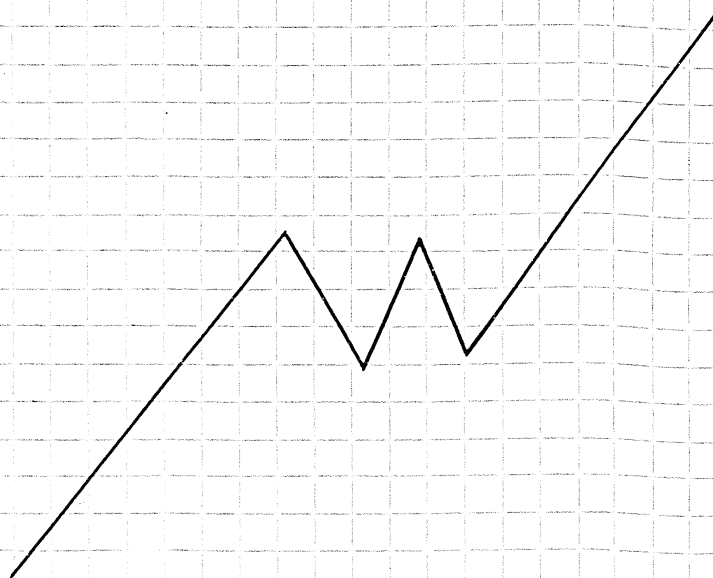
*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Vol. 4, No. 3
July 1965



PRICE 20c



QUARTERLY JOURNAL
ON AGRICULTURAL
ECONOMICS

Issued by the Department of Agricultural Economics and Marketing, Pretoria

Agrekon

VOL.4 No. 3

JULY 1965

Editorial committee: Dr. C. van der Merwe (chairman),
A.J. du Plessis (vice-chairman), Dr. J. Gregory, Dr. A.P. Scholtz
Editors: O.E. Burger and H.J. van Rensburg
Technical editing: Q. Momberg

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.)

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

"Agrekon" is also published in Afrikaans.

Advances, Selling Prices and Levies Payable on Oilseeds, 1965/66 Marketing Season

Report prepared by the

NATIONAL MARKETING COUNCIL

PROPOSALS OF THE CONTROL BOARD

At its meeting held on 1st April 1965, the Oilseeds Control Board decided as follows in respect of the 1965/66 marketing season:

1. To increase the advance price payable for the basic grade of groundnuts (S2) by R5 per ton from R88 per ton to R93 per ton, and to increase the advance price payable on the basic grade of sunflower seed (F2) by R2.00 per ton from R38.50 per ton to R40.50 per ton.
2. To keep the selling prices for groundnuts unchanged at last year's level, but to increase the selling price of the basic grade of sunflower seed (F2) by R5.00 per ton.
3. To make the proposed selling prices applicable also to any carry-overs.
4. To keep the monthly price increase in the Control Board's selling prices unchanged at last year's level, namely R1.00 per ton of groundnuts per month from 1st July 1965, and R0.55 per ton of sunflower seed per month from 1st June 1965.
5. To increase the special levies on groundnuts and sunflower seed by R4.90 and R5.00 per ton respectively. The proposed increase in the levy payable on sunflower seed is subject to the condition that the increase of R5.00 per ton in the selling prices of sunflower seed is approved.
6. To fix the advance prices for unshelled groundnuts on the basis of

those for shelled groundnuts, as in the past.

7. To make available groundnuts and sunflower seed provisionally to local expressers in the ratio of 1 ton of groundnuts to 1 ton of sunflower seed.

PRODUCTION AND MARKETING OF OILSEEDS

Since 1957/58 the Oilseeds Control Board had handled quantities of oilseeds as indicated in Table 1.

TABLE 1 - Quantities of oilseeds handled

	Groundnuts (shelled)	Sunflower seed
	tons	tons
1957/58	127,400	82,200
1958/59	98,200	75,700
1959/60	133,400	109,300
1960/61	146,900	98,900
1961/62	188,100	122,600
1962/63	131,300	107,300
1963/64	191,400	107,700
1964/65		
(provisional)	148,000	84,000
1965/66		
(estimate)	150,000	90,500

In contrast with the good crops obtained in respect of the 1963/64 marketing season, those in respect of the 1964/65 seasons were adversely affected by unfavourable weather conditions.

Together with carry-overs from the previous seasons, and after allowing for storage losses, the quantities of ground-

TABLE 2 - Distribution of the marketing of groundnuts - tons

	Marketed at local prices				Marketed at export prices	Total marketed
	To expressers	For seed	Other	Total		
1957/58	66,173	5,279	8,983	80,435	41,298	121,733
1958/59	34,911	7,808	9,726	52,445	53,574	106,019
1959/60	44,050	7,231	10,874	62,155	69,239	131,394
1960/61	60,823	9,271	10,456	80,550	66,695	147,245
1961/62	61,407	6,560	12,141	80,108	100,650	180,758
1962/63	52,492	9,861	13,786	76,139	61,618	137,757
1963/64	49,176	10,431	13,741	73,348	116,699	190,047
1964/65 ¹⁾	50,000	8,500	16,000	74,500	73,500	148,000
1965/66 ²⁾	93,000	10,000	17,000	120,000	30,000	150,000

1) Provisional.

2) Estimate.

nuts shown in Table 2 had been marketed annually.

Although there was a rising trend in the production of groundnuts during the period 1957/58 to 1964/65, local sales of crushing groundnuts at the Control Board's fixed prices did not change much. The local consumption of groundnut and sunflower seed oil, however, increased from 31,000 tons to 53,000 tons of oil per annum from 1957/58 to 1964/65. The fluctuation in the quantity of crushing nuts annually bought by expressers at local prices is closely related to the policy followed by the Control Board in the marketing of sunflower seed. The sunflower-seed crop is reserved for the local market in the first place and groundnuts are only crushed in supplementation of sunflower seed to satisfy the oil and oil-cake requirements of the Republic. The proportionately greater loss on the export of crushing groundnuts arising from this arrangement is partly offset by a contribution of the sunflower seed to the groundnut pools.

The export of groundnuts not required locally is conducted at varying prices. Whereas in the past the Control Board had always shown a profit, on the basis of its local prices, on the export of H.P.S.*

*Hand-selected.

edible-market groundnuts, crushing nuts are normally exported at a loss to the Control Board. Consequently the Control Board aims at expanding the export of edible-market groundnuts in order to minimise the quantity which has to be exported as crushing nuts. As is indicated in Table 3, the export of edible nuts has, however, not increased appreciably over the years, while the export of crushing nuts has considerably fluctuated according to the size of the crop.

The major portion of the crop is normally supplied to the local and overseas expressers market, while in 1964/65 only 38,000 tons were made available to the local and overseas edible-market. The inability of the Control Board to further increase the export of edible-market groundnuts is to be attributed to a lack of co-operation in the past on the part of the agents of the Control Board who are responsible for the selection of groundnuts for the "edible" market. New developments indicate, however, that agents will co-operate better this year and will be able to prepare the crop better. Consequently it may be expected that a larger quantity of edible nuts will be available for export.

TABLE 3 - Sales of crushing and other groundnuts - tons

	Crushing groundnuts			Edible groundnuts			Other	Total marketed	Percentage marketed as crushing nuts
	Local	Exports	Total	Local	Exports	Total			
1957/58	72,395	11,556	83,951	8,932	23,520	32,452	5,330	121,733	69
1958/59	60,549	6,956	67,505	9,690	20,980	30,670	7,844	106,019	64
1959/60	57,616	35,938	93,554	10,846	19,735	30,581	7,259	131,394	71
1960/61	70,649	33,997	104,646	10,439	22,099	32,538	10,061	147,245	71
1961/62	69,653	68,362	138,015	12,135	24,042	36,177	6,566	180,758	76
1962/63	65,852	25,320	91,172	13,717	22,938	36,655	9,930	137,757	66
1963/64	65,539	76,750	142,289	13,633	23,586	37,219	10,539	190,047	75
1964/65 ¹⁾	65,000	35,000	100,000	14,000	24,000	38,000	10,000	148,000	68
1965/66 ²⁾	93,000	5,000	98,000	17,000	25,000	42,000	10,000	150,000	65

1) Provisional.

2) Estimate.

PRICE TRENDS OF GROUNDNUTS AND SUNFLOWER SEED

Since the institution of the Oilseeds Control Board in 1952/53 the basic producer and selling prices of groundnuts and sunflower seed had been as indicated in Table 4.

1965/66 groundnut pools are expected to realise R106.00 and R114.00 per ton respectively.

The net proceeds of the groundnut pools, the contribution of the sunflower-seed pool to the groundnut pools, the amount placed on reserve, and the sur-

TABLE 4 - Price trends of groundnuts and sunflower seed

	Natal Common groundnuts: S2 per ton			Sunflower seed F1* per ton		
	Producers' price		Local selling price to ex-pressers	Producers' price		Local selling price to ex-pressers
	Advance	Total price		Advance	Total price	
	R	R	R	R	R	R
1952/53	100.00	108.00	120.00	44.00	45.50	53.50
1953/54	100.00	107.75	116.00	44.00	45.50	52.50
1954/55	98.00	102.00	110.00	43.00	44.49	50.00
1955/56	90.00	100.00	111.00	40.00	42.50	50.70
1956/57	90.00	102.00	108.00	40.00	44.00	49.33
1957/58	85.00	104.50	107.00	37.50	44.00	49.25
1958/59	85.00	100.00	100.50	37.50	42.00	49.00
1959/60	85.00	100.00	105.00	36.00	42.00	49.00
1960/61	92.00	102.43	105.00	40.00	44.00	51.00
1961/62	85.00	102.00	102.50	37.00	42.85	51.00
1962/63	85.00	102.00	102.50	37.00	44.00	51.00
1963/64	85.00	102.00	102.50	37.00	44.00	51.00
1964/65	88.00	106.00 ²⁾	105.50	38.50	48.00 ²⁾	53.00
1965/66 ¹⁾	93.00	110.00 ²⁾	105.50	40.50	49.00 ²⁾	58.00

1) Proposed.

2) Estimate.

*Since 1961/62 the prices for F2 sunflower seed are indicated.

As a result of the drop in overseas price levels during the years 1960/61 to 1963/64, and the increasing quantities of groundnuts that had to be exported at less favourable prices during this period, the groundnut pools systematically realised less and the total payment to producers could only be maintained with an increasing contribution of the sunflower-seed pool and the groundnut stabilisation fund to the groundnut pools. As a result of an increased selling price, and more favourable overseas prices, the realisation of the groundnut pools increased considerably, however, during the past season; and the 1964/65 and

pluses or shortfalls showed by the Control Board on the basis of its local selling prices to expressers on the exports of crushing nuts and H.P.S. groundnuts for the edible market, are reflected in Table 5.

With the increase in overseas price levels that has occurred, in particular, it is expected that there will be no or little loss for the 1964/65 and 1965/66 seasons on the export of crushing groundnuts; and that the R5.00 per ton taken from the sunflower-seed pool, as a possible contribution to the groundnut pools for the partial covering of such export

TABLE 5 - Net pool proceeds, contribution, etc.

	Net pool proceeds per ton of groundnuts (prior to deduction of special levies)	Contribution of sunflower seed pool - per ton of groundnuts	Amount per ton of groundnuts placed on reserve (+) or with-drawn (-)	Surplus (+) or shortfall (-) on the export of groundnuts: per ton	
				Crushing nuts	Edible nuts
	R	R	R	R	R
1957/58	110.50	-	+ 6.00	+ 4.64	+ 37.20
1958/59	101.00	2.67	+ 3.67	- 20.36	+ 28.46
1959/60	102.00	1.61	+ 1.61	- 13.77	+ 7.57
1960/61	107.00	0.55	+ 4.78	- 5.00	+ 31.03
1961/62	101.40	0.61	-	- 9.68	+ 23.46
1962/63	100.60	1.39	-	- 18.93	+ 24.53
1963/64	93.31	2.81	- 5.92 ³⁾	- 17.19	+ 19.58
1964/65 ¹⁾	106.00	-	-	-	+ 21.56
1965/66 ²⁾	114.00	-	+ 4.00	-	-

1) Estimate.

2) Provisional estimate on basis of ruling price levels.

3) Excluding losses on the sale of aflatoxin-infected groundnuts.

losses, will not be necessary, and will have to be returned to the sunflower-seed pool and paid out to sunflower-seed producers. It is estimated that this will increase the total payment to producers for sunflower seed from the 1964/65 and 1965/66 crops by about R5.00 per ton.

VIEWS OF THE CONTROL BOARD

In support of its proposal, the Control Board points out that the production of groundnuts and sunflower seed is not increasing appreciably. According to the Board the decrease in the crops of the past two seasons can also not be attributed solely to adverse weather conditions. The seed sales of groundnuts over the past two seasons were on an average 1,000 tons less than the previous year, while according to the Division of Agricultural Economic Research the area planted to groundnuts this year is estimated to be smaller by 76,000 morgen than that of the previous year. This lack of interest in the cultivation of groundnuts is attributed by the Control Board in the first

place to an increase in production costs - particularly on account of the danger of aflatoxin infection - and a price level which does not compare very favourably with that of maize. If the favourable prices which were obtained overseas during the past season, and which are also expected during the coming year, are borne in mind, an increase in the advance prices payable on groundnuts, is, according to the Control Board, not only justified but is also considered essential to encourage further planting of groundnuts. It is expected that, as a result of the expected favourable pool results, the total payment on the 1964/65 and 1965/66 seasons groundnuts will be appreciably better than in previous years.

Since sunflower seed for crushing purposes is relatively cheaper than groundnuts, there is a keen demand for sunflower seed for crushing. In order to encourage the production of sunflower seed and increase the advance prices payable on it so as to bring the prices into line with those of groundnuts, the Control Board proposes an increase of R2.00 per

ton in the advance price payable on the basic F2 grade of sunflower seed, in comparison with an increase of R5.00 per ton on the advance price for the basic S2 grade groundnuts.

With respect to the selling price of sunflower seed, the Control Board points out that sunflower seed is relatively cheaper than groundnuts - particularly on account of the higher oil yield obtained at present in the crushing of sunflower seed, as compared with that of the previous years. This unfavourable price difference increases the demand for sunflower seed and gives rise to black-market sales. In addition it places the expresser at the coast, who is at present able to export groundnut oil at a higher profit than the local expresser, in a stronger position to obtain large quantities of sunflower seed for local marketing. In order to bring the price of sunflower seed more into line with that of groundnuts, the Control Board feels that an increase of R5.00 per ton in the price for the basic grade sunflower seed is justified. Since it is expected that the producer will already receive R5.00 per ton more for sunflower seed as a result of the repayment of the proceeds of the equalisation levy into the pool, the Control Board proposes that if the increase in the selling price of sunflower seed is approved, the special levy payable on sunflower seed should be raised by the same amount. This will bring the total levy on sunflower seed to R12.00 per ton, of which R5.00 per ton will, as in the past, be reserved for a possible contribution to the groundnut pool.

The manufacturer representatives on the Control Board could not support the increase in the selling prices of sunflower seed. They pointed out that the average cost of oil to the industry would already increase considerably as a result of the decrease in the sunflower-seed crop. While it was the intention to place on reserve the higher income which would be realised from the increase, they considered the increase not to be in the interest of the industry if the strong re-

serves of the Control Board were taken into account.

If the pool proceeds of groundnuts will be as high as estimated by the Control Board, the payment to producers will have to be increased to an exceptional level unless funds are withdrawn from the pools by imposing a higher special levy. In order to avoid the necessity of making an excessive payment to producers of groundnuts, the Control Board proposes that the special levy on groundnuts should be raised by R4.90 per ton from R2.10 per ton to R7.00 per ton.

COMMENTS AND RECOMMENDATIONS OF THE MARKETING COUNCIL

While the prices of most agricultural products have been increased during recent years, producers of oilseeds have for a number of years received approximately the same price for their product. According to present indications, it is expected that producers of groundnuts and sunflower seed will receive R4.00 per ton more for the 1964/65 crops than in previous years, and the proceeds from this year's groundnut crop will according to estimate also show a considerable surplus on the payment over that of previous years. Seeing that the groundnut pool, together with the contribution by the sunflower-seed pool, has never produced less than R95 per ton, not even in the most unfavourable years, an increase in the basic advance price from R88 for S2 groundnuts to R93 per ton does not seem to be unfair under the circumstances, and the Marketing Council wishes to recommend it for approval by the Minister. An increase of R2.00 per ton from R38.50 to R40.50 in the basic advance price for sunflower seed also seems to be justified under the circumstances, and is recommended by the Marketing Council for approval by the Minister.

Owing to the relatively lower prices at which sunflower seed is made available to expressers, considerable pressure is brought to bear on the Control Board annually for the provision of sunflower seed. An adjustment in the proportionate

prices at which groundnuts and sunflower seed are made available to expressers will, therefore, have to be effected sooner or later. This may be done either by reducing the prices of groundnuts or by increasing them to a lesser extent than those of sunflower seed. With the favourable prices at which groundnuts are exported at present, the expected pool proceeds are, however, already such that an increase in the selling prices of groundnuts cannot be considered at this stage. If the losses suffered in the past on the export of groundnuts are taken into account, a reduction in the selling price of groundnuts, without any adjustment in the selling prices of sunflower seed in order to ensure a correct relation, can also hardly be considered at this stage.

With respect to the increase in the selling prices of sunflower seed, it must be pointed out that the expected pool proceeds are such that no increase in the selling price of sunflower seed, with a view to making possible a higher payment to producers of sunflower seed, is necessary. The proceeds obtained from any increased selling prices will, therefore, be used to strengthen the reserves of the Control Board. In view of the fact that the Board had R1,924,651 in its sunflower-seed re-

serve fund on 30th June 1964, while the average turnover in sunflower seed for the past four seasons amounted to R5 million, a further strengthening of the fund at the expense of the consumer, and at a stage at which the costs have already gone up as a result of a less favourable selling relationship in which groundnuts and sunflower seed are made available to the industry, does not seem to be justified.

Although the Marketing Council feels that the selling price of sunflower seed should be brought more into line with that of groundnuts, it is of the opinion under the circumstances that the time is not now opportune for such action and that such adjustment should rather be considered at a stage when a general adjustment in the selling prices of groundnuts and sunflower seed is considered essential. The Marketing Council cannot, therefore, support the proposed increase in the selling price and the levies payable in respect of sunflower seed.

For the rest, the proposals of the Control Board appear to be in order, and the Marketing Council recommends them for approval by the Minister.

THE PROBLEMS WE FACE

(L.R. Brown, "Foreign Agriculture", 10.2.1964)

As new land becomes increasingly scarce and as larger needs can only be met by raising yields, there will come a point when cost per unit of food begins to rise. Japan, one of the world's most densely populated countries, produces rice at a cost three to four times as high as in some other countries less densely populated. What will happen when countries less advanced and lacking in Japan's broad educational base and highly productive industrial sector face a similar population-land relationship? Asia must now rely almost entirely on rising yields for additional food; Africa and Latin America, though still able to add some new land, are becoming increasingly dependent on yields for additions to current output. The necessity of making this transition is not generally realized. And even where it is, the difficulties involved are not sufficiently appreciated.