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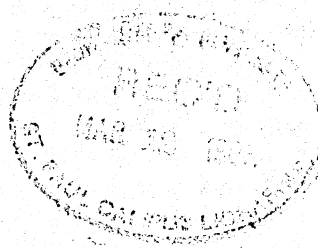
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POSSIBLE DEVELOPMENTS IN AGRICULTURE - INTERNATIONAL VIEWPOINT
 - DR EARL BUTZ, EX SECRETARY OF AGRICULTURE, U S A

I think so often in agriculture, we try to solve what is essentially a sociological problem by means of price supports. We try to retain in agriculture inefficient resources and inefficient people. We try to perpetuate failure in agriculture by our price support system and the problem is essentially a sociological one and if you have a small inefficient operator in agriculture whose gross receipts are R10 000 per year there is no way he can have a net of R8 000.

We try to perpetuate that in our country. We have a kind of bi-modal distribution of farmers in our country. We used to have these family farmers: middle-sized family farmers, typically 160 acres or 60 hectares. You provided most of your own labour, you made your own fertilizer, made your own harvest - that still persists in our sociological view of agriculture - that's the view of the typical politician; we have to save this family farmer up here. He has a wrong concept of the family farmer. His concept is something less than a family farmer. His concept is where you starve to death slowly, and politically we try to save that and we spend tremendous sums of money trying to save that less-than-economic entity where you starve to death slowly. We're getting more of these commercial farmers, family farmers still, but they're big, they are highly capitilized, they are highly efficient and then we have a lot of these small farmers who are essentially part-time farmers. In our country more than half of our farmers make more income off the farm than they do on the farm, yet we call them farmers. And the average then - we come out with the wrong answer working for the average fun, but there is no average farmer in our country and I suspect there is no average farmer in your country anymore either as I have listened to these discussions the last couple of days. But we try and give them a program to bolster up this little chap and keep him in and keep those inefficient recources in which make our industry inefficient, which makes it non-competitive, makes it costly. So we have these high levels of price supports which induce inefficient resources to stay in, induce people to put in additional production inputs whose marginal cost is so high that you ought not to use them, but it pays to because of our high level of guaranteed prices we have here usually. But worst of all, with the USA being the world's major ex-

porter of maize, for example, if we turn our maize farmers loose, we have to export about 40% of it or cut back our production. We send a signal to all the rest of the world that we have taken the price risk out of your production, you make your investments in inefficient areas, people, resources - you can just undersell the world's major exporter by ten dollars a ton until you empty your warehouses and the USA takes what's left. That is precisely where we are and we spent years teaching inefficient production areas in the world that you go into production, put your resources in, and markets guaranteed at this level and worse than that, our Congress is built in an escalator-factor: the increase mandated by our Congress so much per year, hopefully to outrace the inflation index. As a matter of fact, they have more than outraced it now, and as a consequence we are encouraging production outside these 7 major exporting nations, outside your nation. We have brought high-priced resources into production, we have raised the social and economic cost of feeding the world, because I think we ought to follow a policy where we produce or where we can do it most efficiently and your country falls in that category in the world's group of nations. We should produce where we can do it most efficiently, we should get our cost down, we should be careful we do not follow internal price support levels where excess would be capitalized into land values or into excess investment in equipment or whatever it may be, as we have done in our country, and then be competitive. That means we continue to support research and development, we look always for ways to lower our costs, to be competitive and to send a signal to the non-economic parts of the world that the honeymoon is over. We are going to produce the world's foodstuff for we can do it efficiently, because that means trade.

Let's not try to solve what is essentially a sociological problem by legislation and subsidy on price support means. There are ten golden rules in agriculture:

- 1) Recognise what you cannot do. I think that is very important. I just enquired a moment ago what percentage of your population in South Africa is engaged in actual farming and I got the answer - 7%. That means for every one of us in this nation who believes in

a decent return for farmers there are fourteen who don't. For me, for everyone that does earn, there are 95 that don't. I have a more severe problem than you have, but they are gaining on you too. You've got to recognise that they are going to exert pressure through Parliament as they do through the Congress of the USA and both the political parties. That is bound to grow in this country when they see the cost of subsidies rising, when they see the repressive practices carving up this market, protecting this market. Inevitably it results in higher prices at the consumer level. There's going to be reaction at Parliament. I predict that just as surely as I stand here. You must recognise what you cannot do.

- 2) Know your markets. There are just three simple rules to marketing: (a) Know your stuff; (b) Know who you are stuffing; (c) Keep on stuffing! You have to know your customers, you have to know when they are going to react adversely; you have to know their pressure points and then keep at it.
- 3) Know your politicians. The people at this table were either politicians or ex-politicians who ultimately in democratic societies make the decision, they make it in terms of tax laws, they make it in terms of special concessions or special burdens they impose on you one way or the other.
- 4) Be competitive - it's that kind of world. The worst place you are going to get subsidised competition, are the socialist nations where they set prices politically and they can set it any place they want - what is the cost?
- 5) Be efficient. Part of the problem of a quota system is that you don't have to be efficient, you've been given by the Government the right to produce, you don't have to be good - be efficient.
- 6) Support research and education: We haven't adjourned research, we haven't adjourned innovation, we haven't adjourned education - these young scientists on your university campuses and in your research laboratories are engaged in a constant battle with mother nature and she's very stubborn. She holds her secrets close to her chest and she yields them reluctantly. But these young scientists are always

trying to turn another leaf in that book of nature to see what is written on the back side. When they turn that leaf in that book of nature, they discover some interesting things on the back side. Now that are not new, they have been written there ever since God created the universe. We just haven't read them. There are a lot of pages to be turned in that book - and each time you turn a page the next one becomes tougher and tougher. But that's the way we're going to lick this problem ahead of us in this biological industry we're in.

- 7) Keep profits in agriculture. Yesterday I mentioned those signs people were carrying outside the hall where I was speaking - food is for people not for profit. Of course we're in business to make a profit. That's the very reason we invest our capital; the reason we work 14 hours a day. Never apologize for making a profit. I have seen industries in agriculture apologise, I have seen agricultural organisations apologise for making a profit - "Our profits were only so much" and my question is: "Why were they only so much? Were you inefficient? Were your costs too high? Hadn't you assessed your market? What was wrong that they were only so much?" That's what we're in business for; that's the reason that we camp on the doorstep of these scientists at university to see what was on that page in that book of nature that we turned over because we want to make a little money. It is the fuel that makes this machine go. It is the reason you figure yourselves in this country with 7% of you on farms and Russia takes 40% because they are working for Moscow and here they are working for themselves and that makes the difference.
- 8) Don't try to solve sociological problems by economic means.
- 9) Keep agriculture flexible. Keep it so it can change, so it can grow. Keep your industry flexible, don't freeze it, don't set it in concrete, don't have legislation that sets it in concrete.
- 10) Set your goals high - as an industry, as a commodity group, as a nation.