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# Role of Agricultural Marketing in Transforming Subsistence Agriculture: African Case Study

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**Abstract:** A lack of agricultural marketing facilities is generally seen as one of the major obstacles to agricultural development. However, subsistence producers in southern Africa are influenced by certain exogenous factors, such as competition from commercial production, the well-developed marketing system, and off-farm employment opportunities in South Africa. This paper studies the effect of the institution of an organized marketing system in Ciskei on the level of agricultural production. This is found to have had no significant effect because the majority of the able-bodied males are working in the metropolitan areas of South Africa. This has resulted in agriculture becoming a part-time supplementary activity for the women, old men, and children in the rural areas.

## Introduction

Researchers in the field of agricultural development (Abbott, 1962; Heyer, 1976; Lele, 1975; and Mellor, 1966) generally agree that marketing is one of the main ingredients in agricultural development, and that inadequate marketing facilities will have a detrimental effect on rural development. With improvements in productivity and greater specialization, a demand for services provided by the marketing situation is created.

Developing countries are generally characterized by the inefficiency of their marketing systems, so that if farmers do not receive an economic return from the sale of their marketable surplus production, they will tend to produce at the subsistence level only (Arnon, 1981). On the other hand, a shortage in the supply of a marketable surplus makes the development of an efficient marketing system extremely difficult. The production of a marketable surplus and the concomitant specialization in agricultural production are only possible if people are willing to buy the added output (Anthony *et al.*, 1979). Abercrombie (1967) makes the point that "... the transition from a predominantly subsistence agriculture must depend mainly on the growth of domestic markets. This, in turn, is largely tied to industrialization and the growth of nonagricultural, generally urban, occupations."

Several problems peculiar to the situation in southern Africa further complicate the role of marketing in development. In the first place, subsistence production often takes place in close geographic proximity to commercial production. Thus, although a developed marketing system also exists in close proximity to subsistence producers, they nevertheless find themselves separated from markets. Second, most urban consumers are well supplied with high quality products, thus providing little stimulus to subsistence producers. Third, off-farm employment opportunities, both at regional and national levels, tend to make agricultural production an unattractive alternative. Low (1986) has argued persuasively that householders with the greatest comparative disadvantage in wage employment will be allocated first to agriculture.

The present study reports on the effect of the institution of agricultural marketing facilities in Ciskei on the level of production in rural areas, which face the additional constraints of lack of off-farm employment opportunities and strong competition from commercial production and marketing channels.

## Study Area

Ciskei, which covers an area of about 7,800 km<sup>2</sup>, is situated in the southeastern part of southern Africa. The entire area, from the coast to the farthest inland point, about 170 km, falls within the Republic of South Africa (RSA). Historically, much of the area was demarcated in the time of the British occupation of the Cape in the early 1800s and

remained relatively underdeveloped in terms of infrastructure, industry, and agriculture until 1981, when Ciskei was created as an independent "homeland."

Within the immediate geographical context, Ciskei's economy has been inextricably linked with that of the Eastern Cape-Border region, which itself has been recognized as one of the most economically disadvantaged regions within the RSA's so-called Regional Development Plan. Ciskei, like Botswana, Lesotho, and Swaziland, is heavily dominated by the larger South African economy. Nevertheless, such development as did take place occurred mostly in towns such as East London and King William's Town in the RSA and, to a very much lesser extent, in Mdantsane (50 km from East London) and Zwelitsha (30 km from King William's Town) in Ciskei. Major expansion of urban and industrial areas has occurred at Bisho and Dimbaza, which both border King William's Town.

Agricultural production for the market predominates in the RSA, while, in Ciskei, production is generally for own consumption, with some notable exceptions. The Ciskei Agricultural Corporation, while exercising wide powers of control (such as pricing, import-export control, and production control), is effectively limited by the statutory South African Control Boards. Several commodities produced in Ciskei are marketed in cooperation with South African institutions; e.g., milk is supplied to the Model Dairies Co-operative in East London, and wool is ultimately marketed through the SA Wool Board, which acts as a single channel marketing scheme. In the case of livestock, the SA Meat Board, through its pricing and supply limitation policies in its controlled areas such as East London and Port Elizabeth, effectively sets prices in Ciskei, since the controlled market floor prices are used as floor prices on Ciskei auctions. The Ciskei Agricultural Corporation, to encourage the marketing of local produce, has established subregional offices, which operate as agencies for the purchase of products such as wool, grain, and fresh vegetables, but these operations still reach a relatively small proportion of subsistence producers. Fresh produce markets are to be found in both East London and nearby Mdantsane and in King William's Town and nearby Zwelitsha, with those in East London and King William's Town being substantially larger and better developed and thus exercising a dominant role.

## Methodology

A sample survey was conducted in two typical rural villages, Majwareni and Roxeni. The villages were selected from different areas based on their suitability for rainfed cropping, so as to provide a basis for comparison of the level of production and marketing of agricultural products.

Orthophotographs and aerial photographs were used to draw a sample, and houses were used as the sampling units. The number of houses identified in Majwareni and Roxeni was 151 and 131, respectively, and a random sample of 60 was drawn from each village. In some cases, houses drawn in the sample were occupied by the same household or the houses were vacant. This resulted in only 51 interviews being conducted in Majwareni and 43 in Roxeni, approximately one third of the total identified houses in each of the villages.

## Survey Results

The socioeconomic factors prevailing in the rural areas play an important role in the level of agricultural production. The majority of the respondents in each of the villages were female (75 percent). In a number of cases, however, the male head of the household did reside in the village but was not available at the time of the interview. Despite this, 65 percent and 63 percent of the *de facto* heads of the households in Majwareni and Roxeni, respectively, were female. The survey also revealed that approximately 40 percent of the *de jure* heads of households in each of the villages were female. Of the heads of households in Majwareni and Roxeni, 36 percent and 40 percent, respectively, were not permanently

resident in the villages. A large percentage (76 percent) of the 17 absentee heads of households in each of the villages are males working in the metropolitan areas of the RSA.

The age distribution shows that the majority of the heads of households fall into the upper age groups. Of the 51 heads of households interviewed, 75 percent were 60 years of age or older and an additional 15 percent were between 50 and 59 years of age. None of the heads of households interviewed was under 40 years of age. The majority (58 percent) of the wives of heads of households were 50 years of age or older. The husbands of the remaining 42 percent of the wives interviewed are among those employed elsewhere in the RSA or engaged in occupations other than farming.

Although nine of the residents in Majwareni regard their present employment as farming, only one stated that farming was the main source of income. This gives an indication of the relative lack of importance of agriculture as a source of income in the villages. Farming was not regarded by any of the respondents in Roxeni as an avenue of employment or their chief source of income. More than half (54 percent) the households surveyed in the two villages derived their income either entirely or in part from government old-age pensions. In eight households in Roxeni, pensions were supplemented by either wage employment or migrant remittances, which form the next single most important source of income. This is the case in about 30 percent of the households surveyed. The remainder of the respondents stated that their main source of income was nonfarm employment, either in the village or in the nearby town. Two of these respondents, however, also had this income supplemented by remittances.

Crop production in the two villages did not enjoy a very high priority. The survey revealed that 30 percent of the respondents had no arable land holdings, and respondents with land had an average of 2.8 hectares. This compares with an estimated 4 hectares under dryland cropping needed for subsistence-level farming (Bembridge, 1984). Only 11 percent of the respondents had 4 hectares or more of land. However, a number of the respondents in Majwareni with no land holdings do use garden plots next to their homestead. Despite the shortage of land, only 58 percent and 46 percent of the land holdings in Majwareni and Roxeni, respectively, were ploughed in the season studied.

Approximately 60 percent of respondents in both villages produced no crops during the preceding 12 months. Only six of the respondents in Majwareni and three in Roxeni stated that they planted crops with the intention of producing enough to be able to market the surplus. Of the remaining 24 and 23 respondents who planted crops in Majwareni and Roxeni, respectively, 79.2 percent in Majwareni and all in Roxeni planted solely as a source of food. The main reasons given for not attempting to produce a surplus for sale in Majwareni were that the land holdings were too small and a combination of no markets and low rainfall. In Roxeni, the main reasons given were low rainfall and poor soils. Other reasons put forward were that production of crops was not necessary as other sources of income were enough and that, traditionally, food produced was not sold. In Majwareni and Roxeni, 47 percent and 77 percent, respectively, did not produce enough to meet their own food needs. This problem was overcome by buying food, which indicated that the availability of money was not a major constraint in the production decision.

Livestock is the major component of farming enterprises in Ciskei (Steyn, 1982), and most of Ciskei is suited to livestock production off natural veld (rangeland). The turnover of livestock, especially cattle, however, is very low (van Rooyen *et al.*, 1981). Only nine of the respondents stated that they sold livestock on a regular basis, and, of these, seven were in Roxeni. Of the remaining respondents, the main reason given for not selling was not enough animals.

The survey revealed that more than half the respondents (66 percent and 54 percent in Majwareni and Roxeni, respectively) did not own cattle and that the average herd size of those with cattle was 5.1 animals in both the villages.<sup>2</sup> The herd sizes varied between 1 and 12, but less than 30 percent of the cattle owners had 8 or more cattle. Van Rooyen *et al.* (1981) came to the conclusion that the marketing system in Ciskei was therefore directed only at a minority group of wealthier farmers and would not necessarily increase sales. One of the three main reasons for keeping cattle given by approximately half the cattle owners was that, by selling them, they were a source of income. During the 12 months

prior to the survey, a total of 5 cattle were sold, all in Majwareni. This constitutes a 2.6 percent turnover of cattle held by the respondents in the two villages, which would seem to imply that, although the cattle are seen as a potential source of income, cattle are sold only when a definite need exists for money, rather than on a regular basis.

A greater proportion of the respondents in Roxeni (72 percent) than in Majwareni (51 percent) did not own sheep but the average flock size in Roxeni (19.7 animals) was greater than in Majwareni (15.3). The sales of sheep were also very small, only 1.7 percent of the total number of sheep owned. This is not surprising considering that two thirds of the sheep owners in Roxeni and 88 percent in Majwareni regard the sale of wool as the main reason for keeping sheep.

The turnover of goats in the villages is even lower than that of sheep, only 1 percent, despite the fact that 71 percent of the goat owners in Majwareni maintained that they kept goats as a source of income. In Roxeni, which had a larger proportion of goat owners and a larger average flock size, the reasons given for keeping goats were somewhat different; i.e., that they were kept for customary purposes (37.9 percent) and for meat (27.6 percent), or as a source of income (20.7 percent).

The only marketing channel used by the respondents to any great extent, albeit for relatively small quantities, was that for wool and hides and skins. All the sheep owners sold wool during the 12 months prior to the survey, and 40 percent of the respondents sold hides and skins. These products were marketed more readily as they were generally of little use to the people in their raw state.

## Conclusion

Evidence from two villages showed that the institution of an organized marketing system in Ciskei has not had the expected effect of encouraging rural households to produce a marketable surplus. The less-developed areas of southern Africa, such as Ciskei, are exposed to certain exogenous influences not experienced in other areas of Africa. The off-farm employment opportunities in the RSA, with their relatively high wages, attract the abler people away from the rural areas. Remittances to family members remaining in the rural areas largely negate their need to produce enough to meet their own food needs as well as to provide income for the purchase of consumer goods. In order to attract more rural people to farming, certain other sensitive issues like land tenure will have to be tackled. Possibly the land holdings could become a marketable asset, which would enable people wishing to farm to obtain an economically viable unit. Farming will have to provide an income equivalent to that obtainable in off-farm employment before better use will be made of the agricultural resources and a marketable surplus be produced.

## Notes

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<sup>2</sup>Bembridge (1979) estimated that, in traditional subsistence-oriented agriculture, a requirement of up to eight animals was needed to meet the many primary and social needs.

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## DISCUSSION OPENING—*Brian D'Silva* (Economic Research Service, U.S. Department of Agriculture)

The paper's title states that this is a paper on the "Role of Agricultural Marketing in Transforming Subsistence Agriculture: African Case Study." The title promises more than it provides. While this may be a case study of two villages in Ciskei, we are not told about how representative these villages are of agriculture in Ciskei. In fact, little information is provided on the role of agriculture at an aggregate level in Ciskei. Secondly, I question whether a major institutional marketing development has occurred in Ciskei and if that is what the paper really tries to analyze.

The paper mentions the establishment of a Ciskei Agricultural Corporation (CAC), but also states that it is "effectively limited by the statutory South African Control Boards." We are also told that the CAC has established subregional offices, "but these operations still reach a relatively small proportion of subsistence producers." Finally, we are told that, due to historical factors, Ciskei is largely a rural residential settlement and that agriculture is a part-time supplementary activity of women, old men, and children. All of this suggests that we are not being told about anything major or substantial, as the title promises.

We are talking of a situation that is unrepresentative of the situation in southern Africa, let alone Africa. As the authors themselves conclude, Ciskei is exposed to certain exogenous influences not experienced in other areas of Africa. We could debate the political economy of the region, but that will not lead us anywhere. But the authors have not specified how they view Ciskei within the Southern African region, especially within the agricultural economy of the region.

The reader has the impression that the conclusions are predetermined. For example, the points I mentioned earlier on the role and extent of the Ciskei Agricultural Corporation and historical factors (such as agriculture in Ciskei being a part-time supplementary activity) all appear before the methodology and data are presented. This gives the reader the feeling that the conclusions are already known. One can rationalize that if we have a minimal agricultural labour force and hence minimal agricultural activity, the introduction of marketing institutions will not have an impact.

The main conclusion of the paper is that the introduction of a marketing institution has not led to an increase in marketed surplus among rural households. The reason for this is clear: not much being produced. Farming is not considered a major occupation by most surveyed. Over 50 percent of the respondents produced no crops; over 50 percent owned no cattle or sheep. So, the reasons for the conclusions are clear: this is not a representative African environment. To go further, other countries in Southern Africa have made major marketing infrastructural changes and have seen an increase in marketed surplus. Of specific interest is Zimbabwe, where total marketed surplus of maize from the traditional "communal" sector has now reached nearly 50 percent of the country's total marketed output. It was close to zero at independence in 1980. We find no references to this or other recent findings reported in the literature from other parts of Africa.

## GENERAL DISCUSSION—*Gopal Naik, Rapporteur* (Indian Institute of Management)

Questions from the participants were: Whether adequate marketing institutions could raise livestock production in Ciskei, to what extent the collective action can assist small farmers in Ciskei, concern about the study area not having a strong farming background, what kind of tenancy system exists, and whether farmers can avail themselves of subsidies from the government.

In reply, Fraser agreed that while collective actions could be taken in the study area, only a few such actions exist at present. On the question of importance of farming in the area, he said that maize is the main crop and the yields are low. Farmers have access to land which they cannot sell. Share cropping also exists in the study area. Farmers can participate in the Ciskei Agricultural Corporation packages (mainly for input supply) to avail themselves of subsidies. Organized credit facilities exist in the study area.

Fraser agreed that the title is misleading. But he stressed his conclusion that improvements in marketing facilities will not increase production because off-farm employment opportunities exist.

Participants in the discussion included T. Gina, G.T. Jones, and J. van Rooyen.