

Evaluating the Rate of Return to Peach and Nectarine Research in South Africa: 1971-2012

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Abstract : Agricultural research conducted by the Agricultural Research Council has played an important role in increasing the productivity and profitability of the South African peach and nectarine industry. However, the importance of this research remains unclear to the industry stakeholders because a rate of return for this research has never been done. As a result, funding for the research at Agricultural Research Council has been waning because it is not clear how much value has been created and how much the industry stands to gain with continued research investment. Therefore, this study seeks to calculate the benefit of research investments in a bid to motivate for an increase in funding. The study utilized the supply response function to do this. The rate of return calculation revealed that agricultural research had a marginal internal rate of return of 55.9%. This means that every R1 invested yields a 56 c increase in value in the industry. Being this high, it can be concluded that investment in agricultural research is worthwhile. Thus justifies for an increase in research funding.

Keywords : Benefits of research investment, productivity.

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