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1978 FOOD AND AGRICULTURAL OUTLOOK

Papers Presented at the Food and Agricultural Outlook
Conference Sponsored by the U.S. Department
of Agriculture—Held in Washington, D.C.,
November 14–17, 1977

PREPARED FOR THE
COMMITTEE ON AGRICULTURE, NUTRITION,
AND FORESTRY
UNITED STATES SENATE

DECEMBER 19, 1977



Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1977

Historic, Archive Document

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**U.S. OUTLOOK IN
WORLD PERSPECTIVE**

THE WORLD FOOD ECONOMY: A DEVELOPED COUNTRY VIEW

(By Geoff Miller, Director, Bureau of Agricultural Economics, Canberra,
Australia)

In my remarks to you this evening, I have been asked to take up some of the issues raised in Lynn Daft's paper "From a developed country viewpoint." This is no mean assignment for an Australian. Developed country agriculture is characterized by policies aimed at domestic self-sufficiency in food supplies, and income support for producers. A by-product of these policies is periodic surpluses and deficits. These fluctuations are responsible for much of the instability in world trade. As a result of unstable markets and access difficulties, many Australian rural industries are contracting despite the abundant supply of resources available for farm production.

Even an Australian from an objective and professionally independent agency as the Bureau of Agricultural Economics, would find it difficult to view the emerging world agricultural situation from "a developed country viewpoint." There are too many conflicts between current practice and economic rationality for me to act as a spokesman for developed country agriculture. But nor would I wish to act as a partisan Australian position.

Both the Universal Declaration on the Eradication of Hunger and the recent U.S. Academy of Sciences World Food and Nutrition Study support the proposition that we have the physical resources and know-how to deal with the world food problem. Many have concluded that all that is needed is the political will.

In a sense this conclusion is a correct one. But in a very important sense it is not. In a moment I shall explain this contradiction but let us first break the world food problem up into two parts.

ADEQUACY OF SUPPLIES

One part is the adequacy of world food supplies and the capacity of the world to feed the impoverished and undernourished. The other part, identifiably separate though related, is the question of world food security. I'll come back to the food security issue in a moment or two.

The world most certainly has the capacity to feed itself. Malthus was wrong, is wrong and will remain wrong. Unfortunately his hypothesis will continue to be revisited by pseudointellectual writers—people seeking a quick way to fame and fortune in the publication world. These people make a brief (even if sometimes intellectually brilliant) stopover in an area too complex to be understood in even an extended and serious investigation.

Such writings usually appear at times of temporary food shortage. The unfortunate part about them is that they galvanise public attitudes, so that any increase in the incentive to produce food is seen as a good thing. In fact these periodic surges in food production incentives generate, a few years later, surpluses that disillusion both producers and policymakers. Thus the seeds for the next shortage are sown.

The 3.8 billion people in the world in 1973 had 21 percent more food per person than the 2.7 billion inhabiting the globe in 1954. During this period food production grew at an average annual rate of 2.8 percent. So we are making progress. The problem with adequacy of food supplies is that if you express these figures on a per capita basis, there was an enormous disparity in the rate of growth in supplies in developed and developing countries. Per capita supplies increased at 1.5 percent in the developed countries, but only 0.4 percent in the developing countries. It is, of course, relevant that most of the difference was attributable to different rates of population growth.

Nevertheless there has been and will continue to be a steady improvement in the overall adequacy of food supplies. The problem is in the distribution of the benefits. This is an extremely important humanitarian problem. It involves not only stimulating the growth in agricultural production in the less developed countries, but stimulating the rate of economic development itself.

Given the political will to pay, there is no doubt that we could substantially increase the rate of food production growth in the developing countries. Many of the measures taken in the aftermath of the World Food Conference will certainly assist in dealing with this fundamental long-term problem.

But let us not forget that the problem of human poverty and undernutrition is not just a question of increased food production. It is a process of economic and social transformation of whole nations of people. The political will must indeed be strong.

WORLD FOOD SECURITY

World food security has to do with fluctuations in the availability of supplies. There I think we are lacking in more than political will. What we have is a world of nation states, or blocs of nation states, each pursuing its own domestic farm policies for essentially its own domestic reasons. Then the individual surpluses or deficits generated by these policies are left to the world market to accommodate. Countries are like subsistence farmers—they meet their own needs from their own resources until something goes wrong.

I don't think we can legitimately blame individual countries for pursuing the goal of food security through striving for self-sufficiency. Adequate food supplies on a reliable basis are something we in the food surplus countries take for granted. I think the premium that consumers in Western Europe and Japan pay for food security—basically through paying high enough prices to ensure self-sufficiency—is as much a measure of failure of the international commodity trading system as it is a reflection of the political power of their producers. If consumers in these countries could be shown an alternative way to reliable and secure food supplies, the power of the producer lobby would be considerably weakened.

If developed food deficit countries are not confident that they can obtain food security through trade, small wonder the developing countries feel disillusioned. Countries responsible for abrupt shifts in demand and supply in world markets pay no price for the costs they impose on others. Countries who are regular and stable suppliers or reliable buyers receive no premium. Indeed, our residual world markets for agricultural products are as good an example of market failure as the failure of our domestic price mechanisms to charge for the externalities involved in pollution and environmental degradation.

If mankind is to obtain the enormous benefits potentially available from increased specialisation and trade in agricultural products, new economic institutions will be needed. By that I do not mean new international bureaucracies. Of course, efforts are currently being made, through the multilateral trade negotiations, to break down some of the barriers to international trade in farm producers. Efforts are also being made to regulate trade in sugar and grains through the negotiation of international commodity agreements.

My own view is that these efforts are more an expression of political will, galvanised by the food crisis of 1973, than of the realisation of new insights into how to regulate and stabilize trade. The commodity agreements are a worthwhile endeavour, but unfortunately they are doomed to a difficult future. Agreements so far negotiated, or advanced as a basis for negotiation, are characterised by many of the same rigidities that characterise most countries' domestic farm policies.

Efforts are being made to fix prices, markets shares and stock levels at arbitrary historically predetermined levels, rather than to provide a framework within which the dynamic economic forces of the world food economy can express themselves. Even bilateral agreements of this type encounter difficulties, such as those recently experienced in relation to the pricing provisions of the sugar agreement between Australia and Japan. In a multilateral framework, the difficulties are greatly compounded.

In world commodity markets the individual decisionmaking unit is a country or large multinational corporation. Subject to some qualification, existing market mechanisms work reasonably well in short term (within crop year) pricing. But they work very poorly at the longer term end. What is needed is a dynamic institutional framework within which contracts can be negotiated and prices established with sufficient reliability to encourage major long-term investment in productive capacity and storage.

The longer term price mechanism needs to provide the incentive for appropriate stocks and trade volumes to be established and adjusted by the individual decisionmaking units (producing and consuming countries) rather than set these variables at historical or arbitrary levels. Volumes of trade need to be "normalised" without being straightjacketed. Countries who use the world market as a dumping ground for surpluses generated by too rigid domestic policies, or as a source of supplies to substitute for inadequate local storage, must be given incentives to desist.

Efforts are being made to integrate some dynamic elements into commodity agreements and I have no doubt that emerging agreements

have the potential to surpass their predecessors. Nevertheless if we are to obtain more permanent good security through these arrangements, many more rigidities are yet to be removed from both the structure of domestic price policies and the format of international institutional arrangements.

Let me conclude, Mr. Chairman, by saying that future world food security requires something more than political will, statesmanship and negotiating skills. These things are necessary but not sufficient. A more concerted and fundamental scientific endeavour in the policy development field is also necessary. The issues are extremely complex and solutions will not be unearthed quickly or simply. However, I believe that we have now developed some useful ideas on where to begin.

Without underestimating the difficulties, I hope that the work being embarked upon will yield dividends in the next few years. In the meantime, world food security must remain heavily dependent on self-sufficiency in individual countries; on the stocks accumulated largely as a byproduct of domestic agricultural policies; on the still too rigid fabric of such international regulatory mechanisms as are negotiable; and on a liberal dose of good luck! This is unsatisfactory for hungry people, for efficient farmers in food exporting countries and ultimately for mankind.