



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

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.

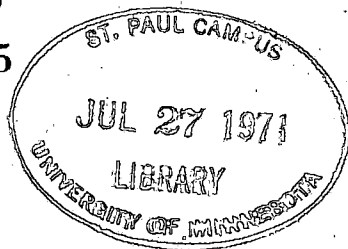
Help ensure our sustainability.

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.*

**INTERNATIONAL
JOURNAL OF
AGRARIAN AFFAIRS**
Vol. IV, No. 6, August 1965



**Contemporary
Problems in
the Economics of
Agriculture—1964**

*Produced by the
University of Oxford Institute of Agrarian Affairs
in conjunction with the International Association
of Agricultural Economists*

Price 10s. 6d. net

OXFORD UNIVERSITY PRESS
LONDON

GROUP 1 (d). PRICE AND INCOME POLICY

Chairman: M. Shafi-Niaz, *Pakistan*

Secretary: F. Popping, *South Africa*

Consultants

S. Kulthongkham, *Thailand*

Richard H. Roberts, *U.S.A.*

Ruth Cohen, *U.K.*

D. Gale Johnson, *U.S.A.*

Robin G. Henning, *U.S.A.*

Paavo Kaarlehto, *Finland*

Jack N. Lewis, *Australia*

William MacKenzie, *Canada*

Clark C. Milligan, *U.S.A.*

Shoichi Nishimura, *Japan*

Helmut Schmidt, *Germany*

Louis Smith, *Ireland*

W. J. Thomas, *U.K.*

It was pointed out that the average reward of resources in agriculture is lower than in other important sectors of the economy. The reason is that agriculture, traditionally the main economic occupation, experiences difficulties in adjusting itself to changing circumstances. The process of adjustment can be accelerated by the creation of investment opportunities outside agriculture, but the indications are that the so-called 'income gap' is not likely to be closed in most countries.

Full parity of incomes in the agricultural and the non-agricultural sectors was not seen by the Group as a practical goal, for the reason that the necessary reallocation of resources in a growing economy would be seriously inhibited; this applies in particular to the shift of labour from the land. Limited financial assistance to farmers who lag behind may, however, be justified on social grounds. Income support with a view to keeping potentially viable farms in production was considered a desirable measure. In this connexion several instruments designed to increase the rewards to agricultural resources were discussed. Investment in human resources to increase efficiency and mobility, and improvements in the structural framework of agriculture can be expected to have a beneficial effect in the long run; the subsidizing of inputs and the administering of price supports are short-term possibilities which unfortunately tend to outlast their usefulness.

During the Depression of the thirties widespread dissatisfaction was felt with the free market price as a factor determining the level of farm income. Price supports were considered a relatively convenient method for reaching certain income objectives. This way of thinking led to government interventions in the chain of transactions linking producers and consumers. A large variety of devices was applied,



GROUP 1 (d). PRICE AND INCOME POLICY

First row, left to right:

Richard H. Roberts, *U.S.A.*
M. Shafi-Niaz, *Pakistan*
F. Popping, *South Africa*
S. Kulthongkham, *Thailand*

Second row, left to right:

Robin G. Henning, *U.S.A.*
D. Gale Johnson, *U.S.A.*
William MacKenzie, *Canada*
Shoichi Nishimura, *Japan*

Third row, left to right:

Ruth Cohen, *U.K.*
Paavo Kaarlehto, *Finland*
W. J. Thomas, *U.K.*
Helmut Schmidt, *Germany*

Fourth row, left to right:

Jack N. Lewis, *Australia*
Louis Smith, *Ireland*
Clark C. Milligan, *U.S.A.*

ranging from marketing boards for farm products to schemes for state storage and direct price subsidies. The drive to support producer prices resulted also in measures taken at the frontiers—such as import quotas, variable levies and export subsidies.

From the experience in different countries it would appear that advanced countries, where agriculture constitutes a small percentage of GNP, are in a position to maintain price supports in respect of their agricultural products. Some of these countries have, however, become increasingly concerned about the rising costs of support programmes. Developing countries, especially those exporting a large proportion of their agricultural output, or of certain products, often experience difficulties in supporting prices owing to lack of finance, inadequate storage facilities and inexperienced administration.

It was emphasized by the Discussion Group that price policy can play an important role in stabilizing prices of agricultural commodities, much to the benefit of the farming community. Forward prices greatly assist the farmers in making the right production decisions. It was further observed that by a judicious price policy some guidance can be given which would lead to a more profitable choice of crops, or to an improvement in the quality of production, to the benefit of farmers' incomes.

In the fixing of prices the supply and demand position, both national and international, should be taken into account in order to avoid distortions in the economic pattern of production.

On the other hand, the Discussion Group appeared highly critical of the use of price supports as a major instrument for raising the level of farmers' income. Price supports tend to perpetuate a mal-allocation of resources which could more profitably be distributed within agriculture or between agriculture and the rest of the economy. Moreover, price supports favour the larger, more efficient, farmers while little is achieved in the way of helping the majority of the smaller, less efficient, ones and the subsistence farmers. The disparities existing within agriculture may thus be increased.

It was therefore felt that income support should rather be given by other means of which structural reforms, such as increasing the size of farms and the consolidation of holdings, were especially recommended.

The Discussion Group viewed with concern the fact that, because of trade barriers and domestic price supports, the world market is no longer instrumental towards achieving a better international allocation

of agricultural resources. The efforts of a number of developing countries to earn foreign exchange for financing further progress have been impeded by depressed world market prices for which high support prices in some countries can, at least in part, be held responsible. This shortcoming has been alleviated to a certain extent by special export programmes.

The Discussion Group wished to draw attention to the income disparities which exist within agriculture. Agricultural economists should be more concerned with the problem of a satisfactory distribution of income in agriculture and the need for collecting reliable data relating to this matter. When more research has been done in this field it may become possible to devise appropriate measures, such as the structural reforms mentioned earlier, to alleviate present hardships.