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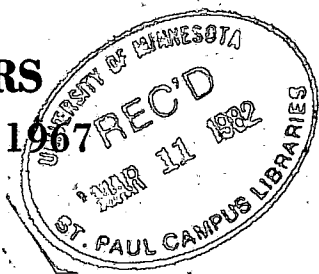
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GROUP 3b. FARM POLICY IN INDUSTRIAL ECONOMIES

Chairman: D. R. Bergmann, *France*

Secretary: H. C. Trelogan, *U.S.A.*

Consultants:

J. Klatzmann, *France*

S. Kulthongkham, *Thailand*

Policy in the context of the group's discussions pertains to government policy with the initial focus on individual nations. It is concerned with agriculture rather than farming. Distinguishing it from general governmental policy is difficult in the light of the numerous and sometimes conflicting goals with which it is inextricably associated. A list of such goals includes: (i) efficient resource allocation, (ii) price stability, (iii) balance of payments equilibrium, (iv) facilitating adjustment needs, (v) provisions for national defence, (vi) preservation of strongly held social values, (vii) full employment, (viii) equitable income distribution, (ix) equality of opportunity, and (x) rising standards of living.

To restrict discussion to topics of particular interest to agricultural economists the main goal was arbitrarily determined to be to assure an adequate food supply for the nation's population at reasonable cost. Self-sufficiency as an end in itself was rejected as an objective; efficiency and justice or welfare goals were emphasized. Balance between short and long term objectives was recognized in practice as being dependent on the effectiveness of interest groups.

In reviewing the actors, forces, and instruments for deciding and implementing agricultural policies, attention was first directed to statistics. Different countries use extremely varied types of censuses, non-probability and probability samples, and farm accounts for obtaining inventory, production, cost, price and income data. The data obtained are often closely related to price or income support or production subsidization programmes. They are typically multi-purpose data, collected and issued by public agencies and accepted by all parties to policy decision making. With greater commercialization of farming accompanied by greater industrialization, both within agriculture and in other sectors of the economy, demands arise for more complete, detailed and accurate statistics.

In addition to direct use by decision makers in government and business, the data are used for economic analysis and increasingly for cost-benefit analyses which often require supplementary survey data.



GROUP 3b. FARM POLICY IN INDUSTRIAL ECONOMIES

Front row, left to right:

G. Vorobiev, *U.S.S.R.*
 J. Klatzmann, *France*
 H. C. Trelogan, *U.S.A.*
 D. R. Bergmann, *France*
 S. Kulthongkham, *Thailand*
 J. H. Niehaus, *Germany*

Third row, left to right:

C. Beer, *U.S.A.*
 F. Popping, *OECD*
 M. E. Andal, *Canada*
 B. J. Standen, *Australia*
 J. G. Ryan, *Australia*
 R. J. Colley, *OECD*

Second row, left to right:

V. J. Nazarenko, *U.S.S.R.*
 F. Fekete, *Hungary*
 H. T. Williams, *U.K.*
 D. Dumitpiu, *Rumania*
 A. E. Saxon, *Australia*
 L. C. Allen, *Canada*
 K. E. Ogren, *U.S.A.*
 T. V. Edwards, *Australia*
 J. G. Falconer, *Australia*

Other members of group:

H. C. Haszler, *Australia*
 W. A. Ryan, *Australia*

Examination of circumstances in the different nations revealed that both the statistical and the analytical bases for decision making pertaining to factors and structures operative in the agricultural economy are scarce, compared with commodity supply and distribution data. The institutional and legislative frameworks for facilitating adjustments to meet the needs of farm people are likewise deficient. These problems involving conflicting interests that demand attention are evident in all types of political and social systems.

In industrial economies, structure and factor problems assume greater importance. Community responsibilities give place towards national responsibilities. A greater share of national income goes into collective consumption instead of individual consumption. The problems in agricultural policy become more difficult to deal with. Rural welfare aspects of policy need to be treated more directly.

Agricultural economists must deal with exogenous constraints introduced by political and administrative necessities. They have to seek the optimum use of resources within the constraints. Their role is none the less important in pointing out defects in the economy, in suggesting possible solutions, in assessing opportunity costs, and analysing the consequences of actions bound by the restraints. They must recognize that business management applied to the farm firm is assuming more of the characteristics found in other businesses. Also that welfare programmes for rural people are likely to emulate those adopted for urban labour and non-farm professional management.

In the quest for structural reform, structural goals need to be reconciled with production goals. Coincident policies for coping with surpluses and for supporting production expansion activities, such as irrigation schemes and research, require rationalization. Cost-benefit analyses applied to welfare proposals such as pension systems, health programmes and education for farm families would be advantageous and timely.

Size-of-farm questions are prevalent in industrial economies. Socialist countries have dealt with the problems more definitively but they are working on solving difficulties such as shortages of capital for large farms, conflicts between large farms and household plots about what to produce, the age distribution of farmers, and inadequate incentives for large farm production. Integration in capitalist countries has created problems of identification of farms, firms, and farmers. Irrelevant measurements may make a mockery of policies. Surprisingly the question of who owns the land seems to be less critical

in highly developed countries. In fact land ownership by individual farm operators may be inconsistent with resource mobility goals.

For state-owned land it was recognized that land taxation or differential prices are introduced to compensate for the equalizing effect of land rent to achieve the objectives of equalizing income and obtaining efficient allocation of resources.

Increasingly, government policies include intervention in markets and prices to insulate the domestic economy to such a degree that the concepts of world markets and prices previously held are now far less meaningful. At this juncture, policies of numerous countries and groups of countries are so inward looking that they will become very costly to maintain, leading to extensive revision and greater concern with international trade.