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**Department of Agricultural Economics**



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Seventh Heath Memorial Lecture

**THE ROLE OF COMPETITION**  
**IN**  
**CONTEMPORARY AGRICULTURE**

by

**ROGER SAVARY**

Delivered on 14th March, 1961

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## THE HEATH MEMORIAL LECTURE.

WILLIAM E. HEATH was born in Leicestershire in 1904 of a large farming family. All the family have been associated with agriculture and some are now farming in Canada and New Zealand.

He was a student at the Midland Agricultural College and graduated as a B.Sc. of the University of London. (The Midland Agricultural College is now the School of Agriculture of the University of Nottingham).

He started work at the Agricultural Economics Department at Sutton Bonington and then moved to the Farm Economics Branch at the Department of Agriculture for Scotland, in due course becoming Head of that Department. During this period he was responsible for an economic survey of marginal farming in Scotland.

In 1947 he was appointed Reader in Agricultural Economics at the University of Nottingham. He played an active part in the School of Agriculture and later was Vice-Dean of the Faculty of Agriculture and Horticulture. In 1951 he was selected to visit the United States of America to study research and teaching methods.

He was particularly interested in all the international aspects of agricultural economics and devoted a good deal of time to lecturing and writing articles on the subject of food and people. He was an active member of the International Conference of Agricultural Economists and of the Agricultural Economics Society.

Although handicapped from his youth by an attack of infantile paralysis, he refused to bow to this handicap and shared in full in the whole life of the University. It was a shock to many when he died suddenly in 1951 at the age of 45.

The Heath Memorial Lecture was established in his memory, largely through the initiative and generosity of past and present students (The Old Kingstonian Association) and of the farmers who appreciated his work in the East Midlands province.

THE LECTURER, 1961.

ROGER SAVARY was born in Paris, in 1911. He studied mathematics at the Sorbonne and Economics at the Societe d'Etudes et d'Informations Economiques. From 1936 to 1947 he was a correspondent and assistant-editor for various French financial newspapers and reviews. During the war he served as an artillery officer, staff officer and liaison officer with the Allied Forces and was awarded the Croix de Guerre.

In 1945 he became the first senior economist of the French Confederation Generale de l'Agriculture and served, in that capacity, on a number of official advisory bodies, especially the National Prices Committee and the National Credit Council. He was an adviser to the French delegation at post-war international agricultural conferences, including the first sessions of the FAO Conference and the Wheat Conferences.

In 1948, Roger Savary was appointed Assistant Secretary-General of the International Federation of Agricultural Producers, established the year before at an international conference of national farmers' organizations held in the Hague and immediately recognised by the United Nations and FAO as the voice of agriculture in world affairs. After five years, during which he was in charge of the Federation's European Office and Secretary to its European Regional Committee, he was appointed Secretary-General by the 1953 General Conference of IFAP, a position he has held since that time. In that capacity he has represented the Federation at most sessions of the FAO Conference, Council and Committees and of the UN Economic and Social Council over the last twelve years and has travelled extensively throughout the world.

From March to August, 1960 Roger Savary was seconded by IFAP to FAO, at the Director-General's request, to assist him as the first co-ordinator of the "Freedom from Hunger" Campaign.

Roger Savary is a member of the Societe Francaise d'Economie Rurale and of the International Conference of Agricultural Economists. He is a knight of the Legion of Honour.

## THE ROLE OF COMPETITION IN CONTEMPORARY AGRICULTURE

What is competition? According to the Shorter Oxford Dictionary it is "the action of endeavouring to gain what another endeavours to gain at the same time". (In commerce, adds the same source, the earliest known use of the word in that sense was in 1793!) In essence competition is, therefore, a process of elimination. The major agricultural problem of our time is concerned with the contradiction between the aim of elimination through competition and that of fair earnings and full employment for the rural population.

Even though markets for agricultural products may seem to fulfil several of the conditions of the theoretical economist's definition of a perfectly competitive market (namely, a number of sellers and buyers large enough to assure that no one by himself can exert measurable influence upon the market as a whole - a standardized or undifferentiated product - full information as to market conditions) they also fail to fit this description in many respects. Two other essential features of a perfectly competitive environment are often lacking in agriculture, namely the facility to get into or out of the business easily, and perfect mobility of the production factors. ✓

Agriculture in most countries is not an economic undertaking competing, along with other business ventures, for the capital and managerial ability of an entrepreneurial class. Rather it is an inherited environment for a large number of rural families.

At the last International Conference of Agricultural Economists held in New Delhi in 1958 there was an almost pathetic consensus among my learned colleagues on one point. This point was that all the economic and social difficulties confronting contemporary agriculture - and especially the widening gap between farm and non-farm incomes - could be traced to lack of flexibility in the functional and structural aspects of social institutions.

But is this kind of conclusion really useful in terms of policy formulation? Granted that it is appropriate to take stock of the obstacles which stand in the way of a rapid adaptation of agrarian structures and agricultural institutions to the changing needs of a society in the process of industrial-

zation, and that such an analysis can lead to a better appreciation of the considerable room there is for improving factor mobility in agriculture, the fact remains that what we have to deal with is a fairly static type of socio-economic pattern.

Competition as understood in general economic theory is supposed to assure the growing prosperity and wealth of the most able and the elimination of the least efficient. The fact of agricultural life is simply that the comparatively less efficient being in the majority, and usually having no alternative occupation to move to, are not systematically eliminated. Many of my friends in the rural circles of continental Europe and even in North America would add that there are many social and political reasons why they should not be eliminated.

### Competition at the National Level.

Throughout a rapid survey of the meaning and limits of competition in contemporary agriculture we will be confronted with this fact: agricultural society, consciously or unconsciously, actively or passively, resists changes which would accelerate its transformation to the point of setting a pace out of line with the tempo at which factors of production - and above all manpower - can be reallocated partly within, but more frequently outside, the farming sector of the economy.

How these resistances manifest themselves is not difficult to observe and we will consider them from the point of view of market equilibrium and of farm structure.

Economic theory states that prices on the market allocate resources. The higher the current price the larger the proportion of high cost producers in the cohort. The lower the current price the greater the chance that uneconomic producers are driven out of the picture, leaving the field to highly efficient ones.

But, for many decades at least, this mechanism has not been working at anything like the speed which would be necessary to assure a balanced evolution. In an agricultural community where the majority of producers are only moderately efficient - in terms of modern technological standards - a widespread fall in prices often leads them to increase their production (either through sheer overwork or more commendably it is thought,

through improved practices) in order to maintain at least minimum earnings. Long before the much-heralded process of elimination of the unfits has time to assert itself the price level reaches an unbearable low - unbearable, that is, even for the reasonably efficient units of production - and the government steps in to "stabilize" agricultural prices.

I know that economists deny the existence of what they call "perverse supply curves" and a large amount of literature has been devoted to demonstrating that, in all cases where they have been alleged to appear, there was some misinformation among producers. In other words had they known that prices would keep falling they would not have taken the trouble to overproduce. Fortunately or unfortunately we are unlikely to observe scientifically many such developments for the simple reason that no government in this second half of the twentieth century would dream of allowing the price mechanism to work fast enough and long enough for all the inefficient to be driven out by the efficient.

What is more, there is a real doubt as to any government's desire to see "too many" of the inefficient ousted from their farms. It would seem that the universal tendency is for a sweeping improvement in every individual farmer's ability - technical and managerial - to make his operation profitable. To this end advisory services and grants in aid are extended everywhere with the not surprising result that production keeps increasing, price trends keep weakening, and the cost of supporting farm incomes at "acceptable" levels is increasingly difficult for national budgets to bear.

Be that as it may, we will not attempt to look more deeply into the making of this vicious circle to-night and - returning to the subject of competition - we will now consider how modern agricultural policies have substituted, or failed to substitute, other devices for it.

If market forces are not allowed to rule the agricultural economy - and experience has shown how poorly they often rule it in the short-run, especially on the supply side - there must be one form or another of supply management. And, to be true to its social objectives, that management has to be so conceived that it gives a softer deal to the less - albeit not admittedly to the least - efficient producers.



One would expect therefore that such marketing arrangements would usually give some kind of preferential treatment - e.g. higher prices - to those whom they are intended to protect. Although throughout the industrialized portions of the world there are beginning to appear a growing number of examples of this kind of treatment (from genuine preferential prices to price guarantees applicable to a maximum volume of production per farm) it is remarkable that they are not yet widespread.

The explanation for this apparent paradox is usually that, contrary to widely held opinion, actual unit cost prices on the more efficient farms are not far below those on the less efficient ones because the latter manage to survive by the very low return given to the work of self-employed family labour and to its limited investment. The former, on the other hand, which employ hired labour at wage rates influenced by the prevailing level in non-farm occupations, have some regard for returns on a more sizeable investment, and above all buy a larger proportion of their production requisites on the commercial market, are not making even at prices acceptable to the less efficient anything like the profits which a crude comparison of productivity in physical terms would suggest. After all, in most countries price levels are not generally above the unit costs of "reasonably efficient" farms.

It is a matter of speculation whether a purely rational farm structure - combining the effects of the elimination of uneconomic producers and their replacement by technically more advanced ones - would solve the farm income problem. It may well be that the need for supply management would not be found any less pressing at a lower price level if a lesser number of more efficient farm units still have to compete for a glutted market. Manpower is only one among the factors of production and is possibly not the most important.

In the United States, for example, it is probably not by chance that instead of attempting to cure the ills of the less efficient farms - which are not, after all, contributing very much to the production of surpluses - and throwing markets open to the purifying winds of competition, the tendency has been and is to allocate the right to produce and to take some land out of farming. Even the most outspoken proponents of the free market must realize that with progress in productivity continuing its course they would soon find themselves confronted with a situation where the structural adjustments to a new price

pattern would lag behind what would be necessary to maintain the supply/demand equilibrium.

It is always a matter of interest for European economists to read English studies explaining the need for a drastic reduction in the number of farms in Britain if income per farm is to be improved. The fact is that there are fewer farms per thousand acres and per thousand head of population in the United Kingdom than anywhere else in the industrialized world. Countries like France and Germany - at the current rate of evolution - will not reach a situation comparable to that in Britain for several decades. And nevertheless they see that with only five per cent of the active population engaged in agriculture the United Kingdom is advised that it must be reduced faster.

It has been calculated that the rate of increase in the number of non-farm employment positions in Western Europe during the unprecedented phase of economic growth of the last fifteen years would be just sufficient to absorb the increase in population numbers plus a very moderate movement of labour out of agriculture (say two per cent annually). Any spectacular shift of farm people to non-farm employment, such as that which a significant rationalization of farm structures would imply, would call for a much higher rate of investment and economic growth than any coherent projection has yet been able to anticipate.

These observations conjure up a picture which can be conducive to hopelessness. The magnitude of the task confronting us before we can envisage a return to the dream world of healthy competition, where supply tends to adjust itself to demand through prices, is tremendous. It has to be tackled in two directions at the same time: deliberate supply management in the short-run and steady rationalization of farm structures as a long-term aim.

It is only realistic, however, to recognize that there exists a degree of incompatibility between price support policies and the automatic reallocation of productive resources within agriculture. The notion of a deliberate governmental policy for the transformation of the farm structure is consequently gaining growing acceptance. Such a policy will, of course, have to define its aims and its methods and few countries - the possible exception being Sweden - seem to have gone very far in this direction.

There has been a tendency to attack the farm problem at the level where it raises the most obvious social difficulties - namely at that of the so-called non-viable units. But even the total elimination of what the current journalistic vocabulary probably would call "non-farms" will hardly make real inroads into the fundamental issue.

The partial neutralization of the price mechanism as the means of discouraging unwanted production is bound to lead to the use of other corrective devices. Among these the simplest is, of course, production quotas. Few, however, are the countries which have drawn this logical conclusion from their original principle that no "reasonably efficient" farmer should be thrown out of business. But the tendency to move in this direction is clear. Its earliest manifestation is probably to be found in the sugar beet industry where it was, of course, easier to limit supplies per farm through individual contracts with the factories. It is now taking the form of price guarantees given for a certain proportion only of the farm's historical output and, in the proposals recently submitted by President Kennedy to Congress for coarse grains, the additional disincentive has been announced of action on the market to drive free prices low enough (by releases from government stocks) to assure that those exceeding their production quotas will be hurt.

Arrangements of this kind are also made use of by marketing boards where they are in operation. In this case the consensus of at least a majority of the producers concerned is implied. Such agreement cannot, of course, be taken for granted; and even where marketing boards are reasonably successful there is always a minority of vocal opponents, presumably consisting of those who feel that they would beat their competitors on a freer market.

It would be wrong, however, to ignore the fact that the social traditions of farming communities are generally inclined towards solidarity and mutual help, at least among neighbours, rather than towards a "dog eat dog" concept of economic life. And in recent years there has been as well a consolidation of the spirit of solidarity among all farmers. The strengthening of farmers unions and commodity groups in many countries is proof that, in spite of the well known individualism of the farmer, he tends to turn more and more towards a joint approach to agricultural problems. In such a climate a competitive

spirit remains a virtue but it is by no means a cardinal one.

### Competition still Plays its Part.

It would be wrong to conclude, however, that competition is no longer alive in agriculture. In fact there is apparent everywhere a revival of the spirit of competition. Farmers producing those commodities which do not benefit from price guarantees - and there are still many - and are not concerned with marketing schemes are, of course, those who remain closest to the model of the "laissez-faire" entrepreneur.

But even in mixed farming, competition of a kind is at work and accounts for a good deal of the spectacular advances in productivity achieved during the last fifteen years. While the efficient operator can hardly expect to displace his competitors and secure their share of the market he is still free to outperform them in farm management. He can - and does - improve his financial position in two ways: by a better allocation of his productive resources among the various enterprises from which he can choose and by a more efficient utilization of the factors of production at his disposal. Competition becomes a fight against the odds of unfavourable price relationships.

In every country of the West there is to-day a thickening layer of progressive farmers who are making the most of the new advanced techniques of farm accounts and production programming. One of the most significant developments of the post-war period in France, for example, has been the creation of the Centres d'Etudes Techniques Agricoles (Centres for Agricultural Technical Studies). These voluntary groups of a small number of operators working under similar conditions have spread throughout the country and with the help of technical advisers of their own are utilizing the results of systematic and scientific studies of their production, management, and marketing practices.

As the average level of productivity in the industry is raised through the efforts of a large number of progressive farmers a new form of competition emerges. It could be called the race against the rising average performance. Even the most generous system of price support uses average results in the industry as its yardstick. And those who fail to follow the tempo of progress are bound in the end to be displaced. The pinch is sometimes made even more decisive by a deliberate

policy which takes into account, for the determination of the support level, results achieved by advanced farms.

Although one still reads occasionally in the press of the feather-bedding agricultural policies which are indicted for discouraging individual efforts and perpetuating some stagnation, it is probably truer that at no time in the past have farm operators been so conscious of the need to improve their methods and to take notice of the winds of change.

Competition among farmers is also taking new forms as it is transferred to the collective level. Co-operative societies do not only apply the same rules of efficiency to their day-to-day operations which make the difference between a routine performance and a successful business. Where they are not nationally integrated they also compete severely among themselves and with the conventional trade in the most remunerative part of the market, establish their brand names, and jockey for position with all competitors.

Competition is no less keen among regions to secure consumer's preference for their special products, among breeders for the trade of livestock producers, and so on.

To those well known expressions of the competitive spirit, new additions have recently been made. The most significant is perhaps that of "contract farming" where a genuine entrepreneur undertakes to mobilize the productive capacity of a large number of farm units. The actual producer is freed to a considerable extent from the preoccupations concerning the supply of requisites and the marketing of the final product and is thus able to concentrate on improving his technical performance. The contractor, on the other hand, is able to operate on a large scale and to utilize fully better and more up-to-date information on market conditions and outlook as well as a skill in commerce.

This development is too recent yet for any conclusion to be reached in the light of experience. But it is not improbable that, in the longer run, contract farming will induce keener competition among contractors for the "patronage" of efficient operators and for market outlets. As some will succeed and some will fail it is likely that an increasingly efficient body of "contractors" will emerge and secure the following of the best producers. This integration of the

economic side of agricultural activity may, of course, lead to the establishment of monopoly positions but, in the short run it seems more likely to promote more active competition.

It would be imprudent to try and draw a balance sheet of the many factors which militate against a return to more open competition among farm enterprises or which tend to introduce more competition in the agricultural economy. Even though the major preoccupation during recent decades has been to protect the farming industry against the excessive hazards of "laissez-faire" policies it is obvious that the role of competition in selecting those individuals who are best qualified to run agricultural enterprises cannot be reduced to nothing. It is a condition of progress that efficiency has its rewards and inefficiency its penalties.

The chief obstacle to a freer play of competition in many countries and for many years will continue to be the inability of the non-farm sector to absorb manpower - and especially self-employed manpower which is unable to meet the more exacting requirements of modern husbandry. Governments will always endeavour to mitigate the hardships resulting from such a situation and in so doing will often have to restrain competition.

But competition will always reassert its rights and although agriculture is probably moving in the direction of a more articulated structure of larger units and collective business associations there is no reason to believe that the ferment of competition will be any less active therein than in the other sectors of the economy where such changes started long ago.

#### International Competition.

At a time when competition among producers within each country is so universally restricted or tampered with, it is logical for its role in international trade to be considerably reduced. And it is bound to remain small as long as countries do not find it possible to transpose to the international level their search for a system of distribution policies consistent with the attainment of their social objectives.

## Competition between Producers in Traditionally Exporting and Traditionally Importing Countries.

Since pre-World War II net imports of temperate zone food products from overseas into the OEEC area have increased only slightly in volume and have declined as a percentage of total consumption.

This development is not the result of any reduction in the competitive advantage enjoyed by the producers of non-European countries over those in Europe. It is due to the development of European production and protection has, of course, played no small part in that process.

It is no exaggeration to say that, for the main commodities entering international trade, non-European exporting countries are not allowed to compete for the European food market. No doubt there is a substantial import trade but its actual volume is determined above all by the extent to which domestic production is still unable to cover effective demand at prices considered acceptable by governments. There is little or no opportunity for effective international competition.

And although the prices at which supplies are available on world markets may - to a limited extent - influence governments' decisions regarding the proportion of needs which it is appropriate to cover from foreign sources, this consideration invariably takes second place not only to that of assuring a certain price level to domestic producers but also to that of assuring them better opportunities of earning - through increased production - incomes which are less out of line with those of people engaged in other pursuits.

If we undertake now to examine what the prospects are of a return to a system of international agricultural trade which would give better opportunities to the exports of low-cost producers, we are confronted with an almost perfect case of diametrically opposed views. While New Zealand farmers, for example, argue convincingly that their dairy industry is the most favoured in the world from the standpoint of natural advantages and advanced technology and should be given every opportunity to supply consumers with the cheapest products, European producers hold that it is absolutely unfair to be expected to compete on equal terms with such well-placed rivals.

This difficulty places in sharp focus the concept of the role which most agricultural circles in industrialized countries are prepared to recognize for international competition. It is one which does not go beyond the establishment of relative standards of efficiency - standards which producers in high-cost countries are not prepared to accept as criteria on the basis of which their usefulness to the community should be measured but only as illustrations of their need for protection against unbearable competition.

It is instructive to note, in this respect, that one of the most often heard requests of European producers in the early years of intra-European trade liberalization was for the bringing into line of the economic conditions of production in the various countries.

Much the same philosophy is to be found in the proposals for a common agricultural policy recently submitted by the Commission of the European Economic Community. Vis-a-vis third countries the Community's producers are to be protected by various devices - especially import levies - the stated purpose of which is to compensate for differences in conditions of production.

In other words, European producers do not usually accept an international division of labour according to the law of comparative advantage. Self-sufficiency, it should be noted here, is not usually advocated by them as a political necessity in the perspective of a nationalistic policy such as that which coined the word autarchy. The current underlying philosophy is one which expects the national society to govern itself in such a way that every citizen can derive a minimum level of income from his productive activity as long as he reaches a reasonable degree of efficiency in his trade. That "reasonable" degree of efficiency is vaguely defined by reference to current national standards and not by comparison with those which may prevail elsewhere.

Admittedly this approach takes little inspiration from the teachings of economic theory and, considering the extent to which that line of thinking affects actual policy-making, it is somewhat surprising that nobody has so far attempted to elaborate a global formulation of the thesis. We have no Friedrich List in this twentieth century and this is further proof of the declining attention being paid to general theories which are replaced by pragmatism.



We have observed, however, that - except in a few countries beleaguered by recurring balance of payments difficulties - the notion that there should be a deliberate attempt to cover as much of the food needs as possible from domestic sources, irrespective of costs, is losing support. Similarly the idea that a minimum percentage of the population should remain on the land is being slowly discarded. But what remains is a determination to protect and even bolster income per head for the farm population. And this, in present circumstances, entails larger production at remunerative prices so long as economic evolution and growth have not pulled enough labour - especially self-employed labour - out of farming.

The crucial issue in this respect is, therefore, an adequate rate of growth in the secondary and tertiary sectors - sufficient that is to assure full employment and high earnings to all those who are not able to sustain competition with other producers in the world agricultural economy.

Proponents of a more open economic system argue that protective agricultural policies impair general economic development in two ways: by reducing the incentive of the farm population to seek alternative employment in the other sectors and by depriving manufacturing industries of their normal outlets in agricultural exporting countries.

Farm circles are seldom impressed by this line of reasoning. They retort that the income differential between farm and non-farm occupations is certainly wide enough to ensure that all those who really have a chance do shift to non-farm employment and that it would not be humane to tighten the screws. They also express doubts regarding the over-all benefits to be derived from a systematic endeavour to spur industrial growth through policies inimical to agriculture. To the extent that some industries in some countries find themselves short of manpower it is a question of education and vocational training of labour much more than one of numbers. As to the improved export prospects which a more liberal policy of agricultural imports would open up, they have to be carefully analysed to assess whether - considering the low value of the agricultural products to be bought compared with the high unit value of the industrial goods to be exported - they would really make a considerable addition to the national product of the industrialized countries.

One ancillary aspect of this age-old controversy deserves to be mentioned. One of the strong arguments against a limitation of international competition rests upon the assumption that non-farm industries and services are severely impaired in their ability to compete on their own export markets - and therefore to develop - by the higher production costs entailed by high food prices and the high wages which they have to pay their workers in consequence. But it has been common knowledge since Engels that, as national income per head increases, the proportion of food expenditure in workers' budgets declines with the result that food prices do not govern the level of wages quite so much as they did formerly. Furthermore, that portion of the consumer's food bill corresponding to the payments received by the primary producer for his products also tends steadily to decline. All told it would seem that producer prices do not stand in very direct relationship to industrial wages and it is a fact that the latter have recently kept going up irrespective of the weak trend on agricultural markets.

That the influence of food prices on manufacturers' competitiveness can be exaggerated is perhaps best illustrated when one compares the export performance of the West German industry (whose workers pay comparatively high prices for the food supplied by the protected German agriculture) and that of the British industry (whose workers are said to benefit from cheap food supplies).

From the selfish viewpoint of an industrial country which can afford to support its farmers at what it considers to be an acceptable level of income without impairing its export trade in manufactured goods, and which in this way is saved the social and political commotion of an upheaval in the allocation of manpower, there is indeed much to be said for maintaining a protectionist outlook.

#### Competition among Exporting Countries.

While producers in low-cost countries are unable to secure the outlets to which the economic law of comparative advantage would theoretically entitle them, it is not surprising that competition among them is fierce for those markets which remain open.

But here again the present - and prospective - situation is far from corresponding to the description of classical and neo-classical textbooks. For all the pious resolutions passed year after year at international conferences in condemnation of export aids, there are few major commodities which move in international trade without the assistance of governmental or government-sponsored agencies.

It would take hours to go into details about the variety of devices used, singly or in combination, to promote sales on foreign markets: from the straight subsidy paid to producers or exporters to the more subtle formula of the so-called "two-price" system; from the export guarantee schemes to the preferential transport rates; from the equalization schemes where subsidies are replaced by bank loans to the differential exchange rates and currency retention schemes.

But export aids are not limited to even such direct support of commercial transactions. When a country sets its sights on the export market it has many means of placing its producers in a more favourable competitive position: production subsidies and provision of requisites at low prices, tax advantages, marketing and shipping facilities, to say nothing of the technical services of government advisers.

It is a well-known fact that agriculture is far from being the only beneficiary of government solicitude; the merchant marine, air transport, and many others are almost universally supported. But none of these industries, on a world basis, is placed in a position where supply has a chronic and so far uncontrolled tendency to outrun effective demand.

For several years already things have been at the stage where international competition on world agricultural markets is, in large measure, a contest between governments as much as much as between producers. And although there is little governments can do if producers lack initiative and efficiency, governmental support has become the key to success.

Among government-supported competitors there can be no business-like competition. The choice for the future is therefore among the following three possibilities :

- (1) a genuine renunciation of all forms of governmental and semi-governmental assistance;

(2) intensified economic warfare among Western governments;

or (3) international co-operation and arrangements.

I should say quite frankly that I do not believe in the practicability of the first solution. No doubt OEEC, GATT, and FAO will continue to convene international meetings where crocodile tears will be shed and solemn promises made. Pledges will be taken to renounce export aids forever, but within months new devices will be invented and supplied to maintain or strengthen a country's position on the critical markets. The simple truth is that no exporting country feels that it can afford to lose markets to competition - even to the fairest competition - and is determined to act accordingly. There will be comparatively free and fair competition when vital national interests are not at stake and when the only result thereof is to change prices a few points. But comes a crisis and the choice will soon narrow to one alternative: warfare or co-operation.

I realize that frantic efforts are under way in OEEC, GATT, and FAO to formulate codes of good behaviour and to lead countries back to the straight and narrow path of "no governmental interference with the price mechanism". But I am frankly sceptical of the outcome.

It seems more likely that producers and governments will progressively come to realize that (just as they have had willy-nilly to organize their domestic marketing in a way which leaves only a limited role for competition and limited scope for the actual displacement of the less efficient by the more efficient) in agriculture they have to adopt a system of international trade taking into account many factors beside the ironclad rule of the free market. Most of the elements of such a system are already at hand: there are international commodity groups and councils where the situation of supply and demand is analysed on a world basis, there are periodical consultations on policies; there are even informal outlook conferences at frequent intervals for the more volatile commodities.

Competition will probably take the form of a contest between negotiating skill and political as well as economic trump cards at the international conference table. It is

remarkable that where academic discussions fail to make any impression on a national delegation the threat of discrimination against the country's exports usually does.

Instead of evolving, as the promoters of GATT had expected, towards freer trade in agricultural as well as in other products, the world may well find itself evolving towards a form of multilateral arrangements including consolidated import quotas assured by importing countries or measures with similar effect. While such provisions would certainly not satisfy the most aggressive sellers, confident of the strength of their competitive position, they would at least give them some security against the risk of being precluded altogether from entering competition.

Among the developments which could well illustrate the decade of the sixties it seems only prudent to include growing pressure by the developing countries to secure a part of the European and North American market for their export products, especially sugar and tobacco. As the obligations of the more advanced countries toward the under-developed world are increasingly recognised it seems paradoxical that the latter be denied the right to earn sorely needed resources by making use of their natural advantages.

When we consider the sad state of affairs on world agricultural markets to-day and the discouraging outlook for the future, it is always tempting to speculate on the prospects which a generous programme of food distribution to the under-nourished peoples could open up. If only world effective demand could be raised by a few percentage points there would apparently be no surpluses, no depressed markets, no need for harmful protectionist policies. World agriculture would - so the reasoning goes - shift from a buyer's to a seller's market and most of the pains of adjustment to a new technological era would disappear. Industrial countries would not be urged to sacrifice their comparatively uneconomic productions to make room for imports which would find their way into areas where they are sorely needed.

Is it a dream? Without entering into the intricacies of such a complex problem I can only say that I am one of those who believe that it could be done. But I hasten to add that it could only be done at a price. How high a price has never been accurately figured out. Let's say it would be of the

order of magnitude of several billion dollars annually. This is of course a small figure compared to the military expenditures of the great powers. The NATO countries between them spend well above \$100 billion year after year on defence.

The financial problem, however, is not the only one. It is not at all certain that the leaders of the under-nourished countries would subscribe to a plan which would give first priority, in the allocation of international financial aid, to a programme of food grants. They would be more likely to stress the need for productive investment in their own industry and agriculture. Even though it is universally agreed nowadays that food grants must find their place - as transitory expedients - in the framework of general economic development policies, many experts are still wondering whether it is advisable to use the roundabout method of agricultural investment and production in the wealthier countries to inject food supplies into the economies of developing countries. The billions of dollars involved might prove more productive in other directions.

The counter-argument is, of course, that the agricultural resources and skills of the more-developed countries are available now, that they are already used somewhat below maximum capacity and that, instead of pressing for more competition to further reduce their utilization while under-nourished areas see their development slowed down by nutritional deficiencies, it seems logical to make use of potential resources immediately.

After many years of procrastination the UN General Assembly has recently asked FAO to undertake a new study of the problem. It would be unwise, however, to assume that action will be taken soon on a scale large enough to make less necessary serious concern for the need to provide for means of bringing about profound international adjustments in the agricultural economy of the West.

### Conclusion.

At the end of this lengthy, albeit sketchy, review of the part which competition is still playing in shaping the fortunes of contemporary agriculture in the West, it is obviously presumptuous to offer conclusions. But I would like to record some of the main impressions left by this survey.

First of all I do not believe that any advanced society of men will, in this century, deliberately let blind economic forces dispose of millions of farm families. The national community will always - consciously or unconsciously - evolve legislative or empirical devices whereby all those who cannot yet earn a decent living in non-farm employment will be assured of a minimum welfare in the pursuit of agricultural production.

Second: This kind of agricultural support policy (which has so far met with open or concealed opposition from many quarters on theoretical and political grounds rather than with intrinsic difficulties) will soon meet its own limitations in the physical impossibility of finding outlets for the ever increasing volume of production.

Third: This situation will lead to renewed efforts in the search for formulae to make the surplus food resources of the West available to those areas of the world where local food supplies are grossly inadequate. But it is unlikely that such arrangements will be sufficient to correct the fundamental imbalance between productive capacity and aggregate demand, both commercial and concessional.

Fourth: It is to be expected, therefore, that all developed nations will tend to divorce income support policies on the one hand from the search for higher productivity and a large volume of production on the other. Clearly we are moving towards direct social support to those members of the farming community who do not meet satisfactory standards of economic efficiency.

Fifth: The key to a less paradoxical state of affairs - one where competition would be freer to determine those best qualified to operate the food and fibre producing sector of the economy at the least possible cost to the community - is to be found outside agriculture. Farming will be rationalized by the progressive shift of manpower from primary production to manufacturing and the services.

Sixth: While this slow process is in progress - and this means, at best, several decades - competition on agricultural markets will remain only one of the forces at play. Equally important will be the social objectives accepted by each national community. The best means of assuring that desirable progress is not unnecessarily retarded is a greatly speeded-up pace of economic growth which calls for more education as much as for more investment, nationally and internationally.

Seventh: In the meantime it is unrealistic to expect countries with a large farming population to multiply several times the Exchequer's cost of supporting it for the sake of promoting a better international division of labour and still more unrealistic to expect that they will let the position of their farming community deteriorate.

Eighth: International co-operation and co-ordination, especially among the countries of Europe, North America, and the Commonwealth, is absolutely necessary in agricultural matters. It cannot be restricted to questions of international trade nor even to the formulation of mutually acceptable principles. The whole outlook of the modern industrialized world towards its agriculture needs re-thinking and adaptation.



