



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

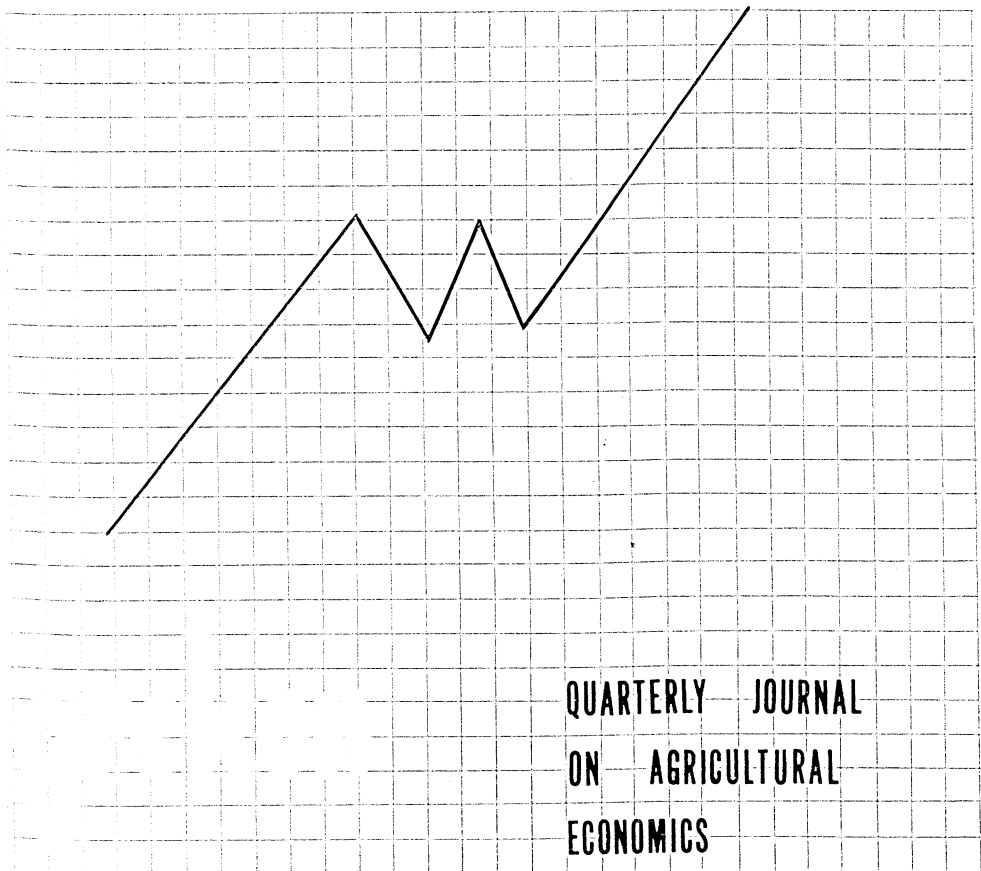
*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Vol. 1, No. 2
April 1962



PRICE 20c



QUARTERLY JOURNAL
ON AGRICULTURAL
ECONOMICS

Issued by die Department of Agricultural Economics and Marketing, Pretoria



REQUIREMENTS FOR CONTRIBUTIONS

Editorial committee: Dr. C. van der Merwe (chairman), A.J. du Plessis (vice-chairman), dr. F.R. Tomlinson, dr. A.P. Scholtz, dr. M.L. van As (technical editing), O.E. Burger and H.J. van Rensburg (editors)

Deserving articles in the field of agricultural economics, for publication in this journal, will be welcomed.

These articles should have a maximum length of 10 folio pages (including tables, graphs, etc.), typed in double spacing. All contributions should be submitted in triplicate to the editors, c.o Department of Agricultural Economics and Marketing, Pretoria, and should be received by the editors at least one month prior to publication date.

The journal is being distributed by and is obtainable from the Director, Division of Soil Conservation and Extension, Private Bag 144, Pretoria.

(The price is 20 cents per copy or 80 cents per annum, post free.)

Dates of issue, on a quarterly basis, are the following: January, April, July and October.

"Agrekon" is also published in Afrikaans.

Disposal of Food Surpluses

As long as a product can be exported at prices higher than, or at least equal to, those obtainable in the domestic market, not much is usually heard of "surpluses". As soon as the net realisation on exports drops below that obtainable from domestic sales, however, there is immediate concern about "surpluses". Especially in a country such as South Africa, where large sections of the population can do with more food, these exports at so-called "losses" are from time to time subjected to close scrutiny. People ask why the prices of these products are not reduced in order to encourage increased domestic consumption; or insist that at least a portion of the "surpluses" should be made available at reduced prices to those who are in need thereof but who cannot afford the cost at the normal prices.

Where prices are relied upon for the regulation of production and distribution - and in South Africa this is to a large extent still the case - it must be conceded that, also in respect of agricultural products for which price stabilisation schemes have been instituted, price as a regulatory factor cannot be disregarded without disadvantage. Under a system of price control there will naturally be an element of tardiness in the adjustment of prices. In the administration of control schemes, however, care has always been taken to guard against rigid price policies and adjustments in prices are in fact made when circumstances demand it.

On the other hand, a policy of price stability, if it is to mean anything, implies that in the process of price formation a free play of supply and demand is not always permitted. From this it follows that, at the controlled prices, "surpluses" or "shortages" of a particular product may at times occur. The matter is also complicated by the fact that for various reasons the efficacy of price adjustments to preserve or re-establish the balance between supply and demand are relatively limited in the case of most foodstuffs. It is already well known that the demand for food is normally highly inelastic to prices. The impact of this phenomenon is accentuated by the rigid elements of transport, processing and distribution costs, which represent a high percentage of the consumers' price of food.

Due to the biological nature of agricultural production, adjustments on the supply-side also tend to be tardy. This is especially true of the major products. For instance, the volume of production of maize, meat and dairy products is so large that the possibility of a change-over from these to minor products (and conversely) on a sufficiently large scale to be effective, is necessarily limited in practice. In such circumstances the price adjustments required, if they are to be effective, tend to be of such magnitude that they might prove disastrous to the industry concerned - not only from a social point of view but also with regard to the conservation of the soil.

The problem of "surpluses" is, moreover, not confined to South Africa only. Because of the policy of high protection for agriculture in most of the developed countries, and the concomitant stimulation of production, "surpluses" have virtually become a world problem. Adjustments which may be undertaken by any single country can hardly affect the position noticeably. As a matter of fact, in the case of many products one can now hardly speak of a world market - in most developed countries the producers' prices of a whole range of products are kept at levels which are considerably higher than those obtainable in international trade. In many cases it would be impracticable to attempt to adjust to these levels - it would simply paralyse certain agricultural industries.

An alternative possibility, which is constantly receiving attention, is to find additional outlets internally at subsidised prices. Although much can be said in favour of this idea, it is important to realise that the possibilities in this direction are also not unlimited. For the success of subsidised internal outlets for surpluses, arrangements have to be made which effectively prevent people from replacing their normal purchases of the product with purchases at the subsidised price, or the subsidised product from finding its way back to the normal outlets. Although a two-price system is practicable in a few cases, it usually involves elaborate arrangements which make it a costly procedure. Currently a more simplified procedure is being followed in respect of butter and potatoes, whereby only certain grades of these products are made available, at special prices, in certain residential areas or to certain approved institutions.

While there is, therefore, no ready solution to the problem of "surpluses" it remains all the more necessary to persevere systematically with efforts to improve the internal marketing and to increase demand, and also in so far as it may be necessary or unavoidable, to gradually adjust producers' prices in an effort to bring about a closer relationship between production and consumption.

The tempo of development in every direction in South Africa will undoubtedly continue to contribute towards the expansion of the domestic market. Meanwhile, the control boards are also constantly endeavouring, by means of publicity and guidance to consumers, to promote increased consumption of agricultural products.