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# International Trade in Agricultural Commodities

An article on "International Commodity Agreements" by W.H. Burger - a very topical subject - appears in this issue.

The writer describes the problems and difficulties, both in the economic and administrative fields, that are encountered in the operation of international commodity agreements. He comes to the conclusion that the policies of the developed countries should firstly be aimed at the stabilisation of incomes, rather than of prices, through the maintenance of general economic stability and, secondly, at measures to widen the markets for products of the less-developed countries.

Exporting countries, particularly the lesser developed ones, are experiencing increasing difficulties in maintaining remunerative outlets for their surplus primary products. The shrinking of world markets for these are due to various factors, such as the increasingly protectionist policies followed by importing countries; the growing use of synthetics; and the more economical use of raw materials in the manufacturing processes.

Whilst during the past year or more, world prices for a fairly wide range of agricultural commodities have shown a tendency to rise - due largely to the relatively favourable economic conditions existing in most of the developed countries - the long-term outlook, nevertheless, appears less encouraging. This view is mainly based on the fact that the industrialised countries of the West, which happen to be the major importers of agricultural commodities moving in international trade, also have to cope with the problem of appreciable disparity of per capita income between agriculture and the other sectors of their economies.

In an endeavour to decrease this gap in incomes, these countries have tended to become more protective in their agricultural policies. Substantial aid is given to the domestic agricultural industry, not only by various agricultural price-support measures, but also by promoting the general efficiency in agriculture.

The anticipated unfavourable long-term tendency in world prices of agricultural commodities has led to increasing interest in international commodity agreements for the major products - a fact also pointed out in the article referred to.

Although many problems and difficulties are visualised in the successful operation of such agreements, it is nevertheless encouraging to note the change in approach to this matter which had been in evidence during recent years. The idea appears to be gaining ground that international commodity agreements should be wider in scope than had been the case in the past - in order to cover not only international marketing arrangements, but also national price-support and production policies.

It stands to reason that developments of this nature are of vital interest to South Africa, whose export trade is to a large extent based on processed and unprocessed agricultural products. Our agricultural exports have shown a marked increase since the war, and have already become an important facet of our national economy as a major contributor to foreign exchange earnings. This not only applies to our traditional export products such as wool and fruit, but also to commodities such as maize, sugar and oilseeds - whilst sizeable surpluses of some other commodities also occur from time to time.

For South Africa to maintain a reasonable annual rate of economic growth in future, it is generally accepted that (amongst other requirements) exports will have to be stepped up substantially. In view of the increasing difficulties and problems expected in the world markets for agricultural commodities, more emphasis may have to be placed on developing exports in the field of manufactured goods.

In order to achieve this, however, the required growth of our secondary and

tertiary industries could hardly be expected to be attained through their own efforts exclusively. In our present highly integrated economy, the successful expansion of industrial exports (in the face of increasing international competition) would depend not only on the degree of efficiency attained in the industrial field but also on sustained progress in agriculture. From such a development both these sectors, as well as the rest of our economy, can only stand to gain.