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EDITORIAL.**FEED PRICE ANOMALIES.**

For some time past, considerable inconvenience has been caused in the Australian livestock industries by recurrent shortages of protein concentrates. One facet of this problem which strikes the economist most forcibly is the distorted relationships which have developed between the prices of feedstuffs and the prices of livestock products in recent years. These anomalies have occurred mainly through the preservation of relatively rigid feedstuff prices (through administrative devices such as import and export controls and various forms of price control), while prices of livestock products have risen with a greater degree of freedom.

There is considerable evidence that the deficit which exists between demand and supply of feed concentrates has been induced to a large extent by such uneconomic price relationships. The overall supply position has not deteriorated significantly. But with the prices for livestock products and feedstuffs currently ruling, producers are willing to purchase larger quantities of such feedstuffs than are available. The net result is that processing of animal feedstuffs is being curtailed in certain cases, various methods of informal rationing are in vogue and livestock producers are discouraged from expanding output, due to difficulties encountered in getting feed supplies.

The protein concentrate position is complicated further by the fact that most concentrates are by-products from some other industrial process. Offals from abattoirs and the various meals which are residues from oil extraction are cases in point. Processors' decisions on output in these instances are made principally on the basis of the supply and demand position for the major product. This does not mean that the prices of offals are unimportant. The Australian Wheat Board became very much aware of this fact last year when Australian flour struck very severe competition from United States and Canadian flour in the Far East. The North American mills were able to cut prices because of the fact that mill offals in their countries bring relatively higher returns than they do in this country. Similarly, the fact that the prices paid for protein concentrates in Europe and North America are in several cases twice, and even three times, the price at which identical products are sold in this country means that it is more practicable for Australian processors to import a product like linseed oil than to import the linseed and process it in this country.

The prices of Australian livestock products have long been out of line with prices ruling in other countries. Producers in those countries where higher prices for livestock products obtain, have obviously been in a good position to pay high prices for scarce protein concentrates and so affect the world price of important feeds like linseed meal.

Recent advances in local and contract prices for Australian livestock products, should enable local producers to pay higher prices for protein concentrates, thus stimulating local production and improving the prospects of increasing imports. The fact that there are insufficient feedstuffs to go round at existing prices suggests that some readjustment of the prices of protein concentrates is overdue.