

Problem of Agricultural Surplus

THE rice crop at the end of 1952 was particularly good in the normal importing countries of South East Asia but their governments utilised the opportunity to reduce their import requirements rather than to allow increased internal consumption. This resulted in the accumulation of surplus stocks in the exporting countries like Burma and Thailand according to the document on "Disposal of Agricultural Surplus" prepared by the Secretariat of the FAO for the Committee on Commodity Problems (CCP) which is meeting in Washington in June to discuss the problem. The document provides a detailed and factual study of various questions ranging from methods and principles of surplus disposal to the size of current stocks and prospects for selected commodities. Appendices study *inter alia* commodities facing the prospects of stock accumulation.

Amongst other commodities, commercial and government stocks of wheat, butter and vegetable oils have been nearly doubled in the past year, while substantial increases have also been registered by coarse grains, tobacco and rubber. Though the bulk of the stock accumulation has taken place in the US, yet the problem is fairly widespread especially in the case of sugar in Cuba and rice in South East Asia. Rice stocks are expected to be doubled by July next compared to those of last December.

The rice tables given in the Current Statistics pages of this issue show that exceptional stocks have begun to accumulate during the last two years in Burma, Thailand, Vietnam and Cambodia. The stocks are estimated to have risen from 100,000 tons in December 1951 to 1.1 million tons by the end of 1953 and are expected to rise further to 2.75 million tons by July 1954. But since the Government of India has purchased the whole of the Burmese¹ surplus stock of 0.9 million tons, the stocks will come down approximately to 1.75 million tons. As the consumption of rice has remained relatively static in the face of an improvement in supply, world trade in rice fell by 12 per cent in the first 9 months of 1953. The fall was as great as 67 per cent for India and 50 per cent for Indonesia, which normally take the bulk of the exports from countries now accumulating large stocks.

The FAO document hastens to add that these stocks are not sur-

pluses at all in the real sense of the term. They are high only in terms of current trade, not in terms of consumption requirements. Even though the *per capita* consumption of rice in the rice eating countries is only 80 per cent of the prewar level, which was itself low. They are also surplus in the strictly economic sense *ie* at current prices.

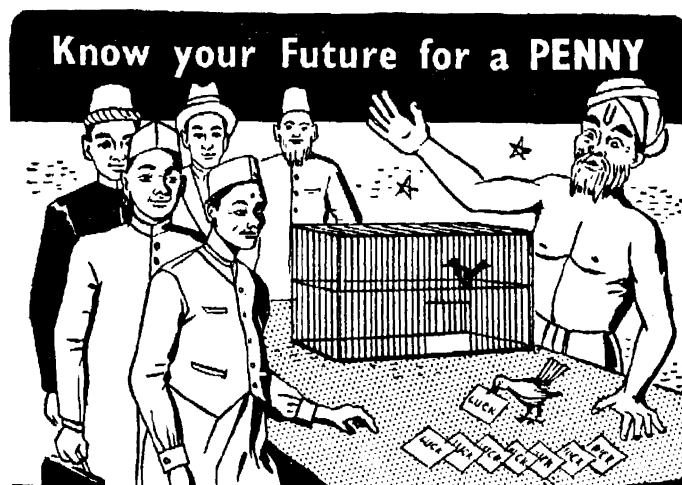
Steps already taken for clearance of these stocks include the building of additional storage facilities in Burma and subsidisation of rice consumption in some countries. As there are similar surpluses of other grains, particularly wheat, the task of disposal of rice becomes complicated. The document indicates two possible solutions—reduction in the export price of rice and removal of restrictions on rice consumption in countries like Japan, Indonesia and some big cities of India.

In spite of the construction of storage facilities by the State Agricultural Marketing Hoard in Burma, these are still inadequate. This is one of the factors as already mentioned in these columns last week which explains the ready acceptance by Burma of the option given by the Government of India to supply the entire quantity of rice in one

year instead of spreading the supply over three years.

Though the world price of rice fell by about 30 per cent in the first nine months of 1953 and have remained 23 per cent below their peak in January last, this has not proved sufficient to clear off stocks. A further lowering of the price is recommended on the assumption that "taking the world as a whole . . . the demand for rice by individuals is at present considerably elastic for a zone of expansion of a to 3 million tons." There are, however, important limitations. There are "millions of rice eaters in Southern India and Bengal whose demand is quite inelastic to price movements—but elastic to incomes." In Indonesia, on the other hand, rice is substituted by wheat as income rises. Although a large increase in rice consumption in Asia can only be expected through a rise in incomes, yet reduced export prices can also go a long way in disposing oil" the surplus by stimulating government or commercial buying.

The document does not examine the possibility of disposing off stocks outside Asia, especially in Europe, as suggested by the ECAFE study on *Trade between Asia and Europe*,



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