

SUMMARY

Inflation is considered as one of the most important problems which influence other sectors of the national economy.

Economic development is accompanied, in general, by increase in general level of prices. This is due to achieving the infra-structure projects which need large quantities of capital costs inducing actual demand, and creating increasing consumption of commodities (industrial and agricultural) and services.

For these considerations, agricultural sector is very sensitive to inflatory pressures.

The study is composed of four parts:

Part one: presents the various theories of inflation in two chapters.

Chapter one definitions, Kinds and forces leading to demand push and costpull. They were explained using index numbers and coefficient of monetary stability with special references to developing countries.

Chapter two reviews the literature concerning inflation at the national and agricultural levels. Studies on price

policy, money exchange rate, and their effects on agricultural sector were explained.

Part two: is dealing with inflation and its effects on the national economy during the period of 1976-1990, using the various infaltion indices. It was found that the coefficient monetary stability had been flactuated at a minimum of 0.87 in 1984 and maximum of 10.8 at 1983, showing the high pressure of inflation upon Egyptian economy during this period.

The rate of financing facilities in 1990 was 20% greater than in 1976. The inflatory gap began to increase (using net demand excess) from 4.5% in 1976 to about 819.2% in 1990. Figures of increase in monetary supply had been flactuated from its minimum of 330.8 LE in 1980 to maximum of 23425 LE in 1988.

The study showed that the Egyptian expoerts were mostly of raw materials. The world demand for them is characterized by high elasticity. On the contrary the demand of Egyptian imports had a wide range of elasticity. The gap between exports and imports is widening at 7.69%. The effect of imported inflation was clrealy observed.

The study showed that exchange rate induced inflation

pressure, where official and free ones raised price increase by 9.46% and 11.36% yearly.

It had been shown that values of agricultural productive utilities such fertilizers, pesticides and seeds were raising by 6.45% annually.

All these factors reflected inflation pressures on agricultural production. At last the budget deficit during the period of study reached a decrease of an average of 19.45% per year.

The third chapter deals with studying and analysis of the inflation in the agricultural sector in Egypt during the period 1976-1990, where the index numbers of wholesale prices of agricultural crops, consumers index numbers and cost index of rural living have an increasing trend with an annual growth rate of 49%, 46% and 45.8% respectively.

The annual rate of increase in values of imports and exports were 11.13% and 2.9% respectively. Most of the increase in national imports due to increase of imports of agricultural commodities.

In Egypt the agricultural credit bank loans increased 31 times during the period of 1976-1990, because most of the government subsidised interest rates. Agricultural income in

Egypt has grown at a lower rate than the rate of increase in agricultural loans, in addition the internal elasticity of agricultural loans during the last three years were negative.

The study showed also the decreasing share per person of crop area from 0.296 feddan to 0.207 feddan and cultivated area from 0.153 feddan to 0.113 feddan showing that the agricultural sector cannot sustain the food requirements of population, therefore, imports have been necessary for solving this difficult problems.

Relations between productivity, wages and prices were studied, where annual growth rate of these items were 5.4%, 13.6%, 14.49% respectively during the period 1976 to 1990. Wages increases were higher than these of productivities which induced inflation pressure at the national level.

The annual growth rate of current agricultural capital and fixed capital investement (at fixed prices) were only 4.7% and 3.5% respectively which led to retardation of the agricultural sector. The study showed that the annual rates of increase in production value, value of production inputs and agricultural income at current prices were 12.05%, 12.23% and 11.94% respectively. Annual increase rates of agricultural investement and agricultural subsidies were 11.2% and 10.43% respectively.

Estimations obtained in this research showed a significant positive relation between the index number of wholesale prices of agricultural products and index numbers of prices of seeds, fertilizers, pesticides and wages in agricultural sector. The R^2 between these four productions inputs and wholesale prices of agricultural products were 0.96, 0.97, 0.84 and 0.92 respectively. It means that 96%, 97%, 84% and 92% of price fluctuation were due to inflation in that sector. The double logarithmic model estimated the elasticity between the wholesale prices and the four inputs prices. Increase in the index number by 10% of these four production inputs the wholesale prices of agricultural products will increase by 9.7%, 10.8%, 16.6% and 8.9% respectively.

Correlation between interest rate and inflation rate was positive but not statistically significant. This can be explained by the stability of interest rate during the first half of period under investigation.

This disseration reveals a positive significant correlation between agricultural loans and interest rate, also between investement and interest rate leading to high production costs.

The first part of the fourth chapter deals with the effect of inflation upon certain crops which are wheat,

summer rice, summer corn, cotton, sugarcane, summer potatoes and winter tomatoes with respect of production costs, profitability and farm gate price, in addition to the correlation between production costs and net revenue per feddan for these seven crops.

Period of study 1976-1990 has been characterized by the following:

1. Steady rate of interest during 1976-1981.
2. Beginning of consumer price liberation.
3. Rising inflation rate.
4. Inflation rate was greater than interest rate.

Period of study was subdivided into two subperiods to be able to explain the effects of liberating interest rate upon the consumer prices of the seven crops under investigation.

The interest rate was increasing at higher rate than the rate of inflation during the period of study. Production costs were affected seriously by increasing interest rate which showed a general positive trend statistically significant with an average annual increase of 6.14%.

Using the first subperiod (1976-1981) as basic period index number of interest rate was 210.5, for the second

subperiod (1982-1990), while inflation rate was only 176.16 for the second subperiod.

Inflation rate of production inputs of wheat, summer rice, summer corn, cotton, sugarcane, summer potatoes and winter tomatoes were 12.13%, 11.98%, 12.09%, 12.32%, 11.42%, 13.16% and 11.04% respectively.

Also inflation rate for wages were 10.23%, 10.45%, 10.74%, 10.48%, 10.98%, 10.94% and 10.48% respectively.

Inflation rate of farm gate prices per unit were 15.92%, 12.56%, 12.93%, 13.91%, 12.85%, 5.93% and 10.18% respectively.

Inflation rate of net revenue per feddan were 11.94%, 12.83%, 12.05%, 15.25%, 14.63%, 10.31% and 13.11% respectively.

Inflation rate of production cost per unit were 9.32%, 10.44%, 9.85%, 12.54%, 10.61%, 10.54% and 11.54% respectively.

Most of these crops were affected by inflation especially wheat, potatoes, tomatoes to a less degree than cotton, sugarcane because they were not liberated yet at the time of study.