Summary and Conclusion

The price policy is considered an important part of economic policy as well as the agricultural policy. It aims at reduce fluctuations of prices and incomes, and to insure necessary production for local consumption and export.

The agricultural price policy in Egypt can be considered a partial policy where it deals with every crop separately. Such policy depends on a full cost production approach in determining the farm prices. The farm prices is equal to the total cost plus the rent value of land and discounting the value of the by-products, then it divided by the crop yield. This method neglect the demand side and its remarkable effects on farm prices.

The price policy is its preceeding approach leads to disequilibrium between the local and world prices, The farm prices don't interact with the rate of inflation in the Egyptian economy which amount to 16 percent. The policy contribute in farmers evasion from planting the required crops that are planned by the Ministry of Agriculture and from delivering the quotas to state preferring to pay the fines.

This study aims at analyze the Egyptian agricultural price policy and measure the economic effects of the governmenta intervention in agricultural pricing on producers and consumers welfare and on the government revenue. The study also aims at recognize the effect of alternative pricing policies on alloca ing the agricultural resources.

The study contains five chapters beside the introduction and summary, the first chapter deals with the relationship between agriculture and the economy, the second chapter concerned with the historical evolution of agricultural price policy during the period (1914-86), while the third chapter concentrates on the different pricing alternatives, the fourth chapter care of the economic effects of the governmental intervention in the agricultural price policy, finally the fifth chapter examine the role of agricultural prices in directing the agricultural production.

Agriculture and the economy:

This part examined the relative importance of agriculture in the economy, the study showed that the agriculture's share of national income decreased from 32 percent in (1976/68) to 19 percent in (1983/84). The agricultural employment has also decreased from 50 percent in (1967/68) to 34 percent in (1983/84) of the total employment. As for foriegn trade, agricultural exports comprised about 77 percent of that total exports in 1968 and about 20 percent in 1983, while agricultural imports reached 22.4 percent and about 10.5 percent of the total imports in 1968 and 1983 respectively. As for agricultural expenditures, the study indicated that the agriculture's has decreased from 6.5 percent of total current expenditures in (1970/71) to 3.5 percent of that total in (1986/87), The wages represented about 39 and 78 percent of agricultural current expenditures in (1970/71) and (1986/87) respectively, but the share of agriculture amounted

to 8.5 percent of total capital expenditures in (1970/71) and 7.7 percent of that total in (1986/87). The expenditures elasticity of agriculture reached about 0.77 and 0.59. Computed in current prices-by using linear and log mathematical models respectively, but reached about 1.2 as a capital expenditure by using the same models. The study showed that the agricultural subsidy represented about 11 percent of the total subsidies as average during the period (1970/71-1986/87). By using leontief's table, the study indicated that the value of agricultural inputs is estimated at L.E 1820 millions while the value of agricultural outputs amounted to L.E. 6407 millions and the added-value for agricultural sector amounted to L.E. 4578 millions.

The historical evolution of agricultural price policy:

The study showed that the price policy for agricultural crops has passed three stages; the first stage is from 1914 to 1952, in this stage the farm prices has strong; fluctuations and there was no determined agricultural price policy. The economic policy contained some legislations to put upper limit on the cultivated area of cotton to prevent it prices from depression, and to put lower limit on the cultivated area of cereals, especially wheat and barely, to satisfy a part of domestic consumption particularly during the world wars. Other legislations aimed at determining prices of some consumption goods. The second stage is from 1952 to 1962, in this period cotton prices decreased and the inventory increased, therefore the government continued to put upper limit on the cultivated area and canceled the Contracters Stock Market in Alexanderia during the period of

(1952-55). The Egyptian committee for cotton bought and sold cotton in this period, in 1955 the Contracters Stock Market re- opened until 1961 where it canceled again. The third stage is from 1962 to 1986 where the Cooperative system was applied. According to this system cooperative production quotas (differ from one crop to another) are handled to the state at fixed price

As for the price policy for agricultural inputs, the study showed that starting from 1964 all production, importation and distribution of fertilizers are controlled by the state. The ministry of agriculture determines the fertilizer distribution rates for all regions and crops at prices lower than the actual costs, these prices are equal across all areas. The state has ful control of distributing cotton and soy beans seeds, and partial control on wheat, rice seeds. Maize, vegetable and fruit seeds belong to private sector, the price of distributed seeds by the state is slightly below actual cost. Finally as to pesticides,the governmental intervention started in 1961, that state distribute the pesticides according to actual cost, in the same time subsi- dize cotton, onions, soy beans pesticides.

The different approaches for determination the farm prices:

This chapter examine the different approaches determinir prices of cotton, wheat, maize, rice, broad beans, lentils, grour nuts, sesame, suger cane and winter onions during the period (1968-84). The study indicated that the actual farm prices are less than the calculated prices by the parity price formulas that used the ratio between the index number for cost of living and th index number for wholesale prices. The study has also indicated

that the actual farm prices for the main crops (cotton, wheat, maize, rice) are less than the calculated prices by using most of the alternative methods. The correlation between the rate of inflation and the rate of increasing in actual and calculated prices amounted to 0.77 for the calculated prices using the parity price formula-that used the index number for cost of living, this means that the actual prices don't reflect the rate of inflation in the Egyptian economy. The study also showed that the terms of trade for agricultural crops by using the ratio of farm prices to costs per unit and to world prices has decreased specially after the open door policy that has been applied since 1974.

The economic effects of governmental intervention in agricultural policy

This chapter aims at investigate the impacts of governmental intervention on producers, consumers and state for wheat,maiz rice, cotton, broad beans, lentils, sugar cane and winter onions during the period of 1976-83. The study showed that the net socia loss amounted to L.E. 220.5, 26.1, 216.7, 137.6, 6.5, 7.33,81.4 and 87.8 millions for the eight crops respectively as a lower limit, and L.E. 337.3, 48.6, 264.1, 137.6, 11.5, 7.33, 127.2 and 140.5 millions annually for the same crops respectively as th upper limit. Loss in producers welfare totaled L.E.177.8,130.2, 425.1, 542.5, 28.5, 1.7, 177 and 186.1 millions annually for the same crops as a lower limit compared to L.E. 189.4, 148.5,450.8, 542.5, 28.5, 1.7, 209 and 234.3 millions as the upper limit, consumer welfar has increased by about L.E. 325.2, 102.6, 147.1, 193.7, 14.9, 9.6, 45.4 and 41.9 millions annually for the same

eight crops respectively as a lower limit compared to L.E. 430.5, 106.6, 168.9, 193.7, 19.9, 9.6, 59.1 and 45.9 millions for the same crops as the upper limit. Meanwhile the loss in foriegn exchange reached about L.E. 622, 196.6, 641.9, 437.8, 22.6, 21.6 239.8 and 233.6 millions annually as a lower limit compared to L.E. 958, 209.9, 809.1, 437.8, 40.2, 21.6, 376.3 and 36.9 millions as the upper limit for the eight crops respectively. While the government revenue has increased for rice, cotton, broad beans, sugar cane and winter onions. It amounted to L.E. 12.6, 211.2, 2, 36.6 and 52.1 millions for these five crops respectively, and has decreased for wheat, maize and lentils amounting to L.E. 473, 11.5 and 15.4 millions respectively. This means that the agricultural policy is a discriminative in favor of consumers against producers and that the agricultural sector is heavily taxed.

Agricultural prices and their effects in directing the agricultural production

This section of the study deal with the impact of pricing alternative methods on cropping pattern. Six models of linear programming were constructed, the first model used the world prices with absence of the organizatory constraints, the second and third models used the local and world prices respectively with maximum constraints for the cultivated area of crops of high net revenue (sesame, tomatoes, potatoes, groundnuts, lentils winter onions, long barseem), the fourth and fifth models used the local and world prices respectively with minimum constraints for the cultivated area by traditional crops to insure total or some of local consumption,and the sixth model used world prices

for strategic crops (cotton, rice, wheat) and local prices for the other crops with maximum constraints for cultivated area by high net revenue crops and minimum constraints for cultivated area by traditional crops.

The results showed that the net revenue amounted to L.E. 23039, 1759, 2428, 2068, 5205 and 1889 millions for the six models respectively compared to about L.E. 1404 millions for the actual cropping pattern. This means that the use of agricultural inputs were inefficient, and also means that the net revenue by using world price is greater than the net revenue by using local prices. The difference between them amounted to L.E. 670 millions in case of maximum constraints and L.E. 3134 millions in case of minimum constraints, the study also showed that the strategic crops were less profitability and consequently were less comparative advantage, so the farmers don't have the desire to plant these crops.

The study recommends that the governmental intervention in planning and regulating the agricultural sector should continue to achieve the targets of national plans in completely agricultural price policy taking into its consideration both world prices and rate of inflation beside cost production in order to determine the farm prices. It should separate consumer and industry subsidy from producers prices in order to reduce the implicit taxes that imposed on agriculture. The government should increase the relative profitability for strategic crops to encourage farmers to plant these crops. It also should redetermine the delivery quotas to the state specially for rice and takes both farm size and cultivated area into consideration.

An Analytical Study of Price Policy For

Agricultural Crops in A . R . E

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