MEASURING THE DEGREE OF AGRICULTURAL PROTECTION

Note by the Delegation of the Federal Republic of Germany

Attempts to determine the degree of agricultural protection meet right from the beginning with the difficulty of marking precisely the point at which economic measures begin to have a protectionist effect. From the economist's angle it appears impossible to determine that point. But leaving aside this reflexion, it is doubtful whether the degree of agricultural protection can be ascertained by comparing producer prices of individual products. In fact, part of the protectionist measures do not result in increased incomes but in reduced costs. In addition, measures aimed at improving the farm structure or the quality of farm land (melioration) etc. cannot be associated with the prices of the individual products.

International price comparisons of any kind suffer from the discrepancy between exchange rate parities on the one hand and purchasing power parities on the other. Even if this fact is disregarded, differentials in producer prices can by no means be regarded as indicators of the degree of protection. In importing countries domestic producer prices benefit by the natural protection flowing from lower transport costs as compared with those of exporting countries, and in the case of perishable products producers profit by a further price advantage resulting from the difference in quality (e.g. for butter, meat, eggs, fruit, vegetables, etc. in the case of long-distance transportation). The magnitude of these differentials is brought out, for instance, by the computation of the price equivalents for wheat of equal quality on the basis of different parity points (f.o.b. and c.i.f. on the other) as provided in Article VI of the International Wheat Agreement for the computation of maximum and minimum prices.

Differences in quality and the effect on prices of consumer preferences for similar commodities and/or groups of commodities are more important than is generally assumed. These phenomena have nothing in common with protection. National price relations between the different farm products vary from one country to another and are due to various factors of a non-protectionist nature. They partly depend on the possible utilization of the products, inter alia on the extent to which the domestic products can be used at home or exported (e.g. differences in quality in the case of wheat and meat; utilization of rye as bread and fodder grain; utilization of milk as drinking milk - as predominantly in Great Britain - or as butter in exporting countries with a small domestic
consumption in relation to production). Therefore, the last column of Table I (document COM.II/W.6) does not only show the relative national level of agricultural products but includes also the influence of all other factors mentioned above.

The attempt to ascertain the degree of protection as a residual item — after eliminating all other factors determining the level and interrelation of farm prices — necessitates detailed inquiries. Document COM.II/W.6 gives rise to some doubts as regards its theoretical basis and is insufficient in its statistical analysis. This computation raises more questions than it is able to answer. The restrictive references in the footnotes of COM.II/W.6 are sufficient to show that the question cannot be answered in this way. There exists rather the danger that the questionable result will be used without any qualifications, making an objective judgment more difficult.

Economists have tried again and again to measure, on a quantitative basis, the degree of protectionism, in particular of agricultural protectionism, but have not so far achieved satisfactory results. If there exists any quantitative solution at all to this problem the best that could be obtained by applying corresponding statistical methods would be partial results from very detailed studies for individual products. However, whether such partial results will justify the necessary input of time and work appears doubtful, particularly in view of similar efforts made by other international organizations.