or exporters, or in some cases both. Import requirements among these countries tend to be dictated by a fundamental imbalance between agricultural output and population levels. Basic natural resources often are not in plentiful supply and much production is based on traditional agriculture with low productivity and static methods. Exporters among this group of countries tend to be centered around specialized crops whose principal markets are in the developed countries of the world.

Within this structural framework of world agricultural markets, the principal flows of trade are: (1) among the developed countries of the world and involve largely temperate zone agricultural products; (2) shipments, largely on a concessional basis, of temperate zone agricultural products from the developed to importing underdeveloped countries; and (3) exports of tropical and specialty commodities from the developing to the developed countries (table 4). It is within this frame of reference and in relation to the question of comparative advantage, economic efficiency, and the economic growth problems facing the developing countries that specific international trade problems in agriculture need to be defined.

PROBLEMS STEMMING FROM CHARACTERISTICS OF DEMAND

The market for agricultural products is inelastic both in respect to price and in respect to income. This means that a 1-percent increase in supply at a point in time results in a greater than 1-percent decrease in price; and, a 1-percent increase in disposable income is matched by a less than 1-percent increase in sales. These inelasticities of price and income, as they are called, vary among countries with the level of income and other socioeconomic characteristics, and among commodities. These fundamental characteristics of demand impose very real limitations on the economic growth potentials and policy alternatives for the agricultural sector.

In developed nations price elasticities tend to be low, which means that small changes in volume are matched by large changes in price. Experience with these conditions leads many farmers and farmer representatives to press for public action to limit the price changes for those important commodities subject to moderate to substantial changes in production from year to year. Grain, especially wheat, potatoes, and tobacco are likely to be at the low end of the scale of elasticities, and therefore more likely to be exposed to such pressures. Meat, dairy products, and fruits tend to be toward the upper end of the scale of elasticities (but still less than 1), and therefore somewhat less likely to become involved in such measures. These low price elasticities lead to price instability in world markets as well as in domestic markets. A number of crops, particularly tree crops, also are characterized by an inelastic supply, or a supply influenced mainly by weather. The combination of supply and demand inelasticities can lead to even wider price fluctuations, but can also be offsetting.

Similarly, income elasticities for farm products in developed countries tend to be low, with about the same range among commodities, so that rising levels of national income do not flow equally to the producers of agricultural and manufactured products. These characteristics often are exacerbated by the way in which prices are established in the several markets, since as technology advances, consumers are