

Achieving Price Balance

In economics, price rise may be unreal and may also be real.

The unreal price rise usually takes the form of harmful agreement between manufacturers, traders or importers who control a certain commodity. Such practices are illegal and such an agreement is punishable by the Competition Regulation and Harmful Practices Law.

The law also prevents detrimental practices. This entails guarantees to face this phenomenon, in addition to the additional guarantees stipulated in the Consumer Protection Law.

This step per se is preventive. The undisputable treatment among economists, marketing experts and price controllers is the supply and demand mechanism, which is the real determinant of prices in the market.

Therefore, the actual rule for achieving price balance, i.e. guaranteeing that supply in markets is sold for real prices, can only be achieved by increasing supply over demand by a reasonable percentage.

On the other hand, the State, represented in the Ministry of Supply and Domestic Trade is the only body that is able to and is assigned the task of assuming the current role in monitoring prices and immediately increasing basic consumable goods by 10% over the demand in markets.

This will definitely contribute to stability of prices at their real limits without any exaggeration or speculation and put an end to the frequently high demand for some goods.

Therefore, the practical solution to this problem is to provide goods according to their priority, beginning with the highly demanded and then the less demanded goods.

Of course, this differs from a commodity to another, according to the nature of its production, provision of its raw materials, its controlling system of distribution, the type of package and wrapping.

In Egypt, we have a successful experiment in providing bread. But this success has not been developed to keep abreast of the developments that control demand for this strategic good.

Military factories and the Arab Organization for Industrialization also managed to produce a model of automatic bakery that met the high production and energy-saving specifications to a great extent.

This successful experiment has been a reasonable solution that could be generalized in middle and big cities. However, success stopped at this point and no further steps were taken to provide small-sized automatic bakeries fitting villages and districts. The result is that small areas have been deprived of the provision of this good.

Linking such activities in the future with the small industries may be a way to solve the problem. This can be achieved by providing real job opportunities to the youth in this highly demanded good.

The process of packaging and weighing at the end of production is an ideal solution to thousands of cases about the underweighted loaf problem, which is attributed to the fact that production is manual and that the degree of drying reduces the end weight of the loaf.

That is why the increase of the supply and activation of competition is the key to reducing prices without underestimating the necessity of paying attention to quality in a way that protects the consumer rights and makes competition in prices without disregarding quality requirements.

The current program of comprehensive economic reforms has started with facilitating measures of importation and decreasing customs duties together with the multiple privileges of the new Tax Law will activate markets on the one hand and enhance competition over production on the other.

Making efforts to boost the citizens' power of purchase, through increasing salaries of more than 6 million civil servants, contributes to activating markets. This provides an opportunity to hone domestic production, thus enhancing competitiveness with other countries, setting foot in global markets and boosting exports.

With regard to the price rise of goods for reasons that are not related to low supply, this may be attributed to other factors, including rise of production cost for unessential reasons, i.e. waste, which may occur in collecting crops, packaging, transporting, or manufacturing (raw material, energy and time). We should consider the efficiency of each process to know the elements of waste that can be addressed in each case.

Suffice it to know that collecting, packaging and transporting tomato results in no less than 40% waste. This should not continue. In many third world countries, tomato pressing and concentrating processes are carried out in movable production units and concentrates are transported in sterilized barrels to be ready for procession.

The same applies to the olive crop, which is pressed and packed in barrels to be transported to factories for procession.

This matter per se can provide several activities that can boost fair distribution of income at the rural level. It can also provide real job opportunities to activate the labor market and achieve best distribution of job opportunities and establish specialized activities according to the availability of these goods at the geographical distribution level.