Inter-Secretariat Working Group on National Accounts (ISWGNA)

Updating System of National Accounts (SNA)

Comments on: (i) Annex to Chapter 6 production of storage services while holding products in inventory; and (ii) chapter 20 on the role of capital services in the national accounts.

Separating storage production from holding gains and losses

Tanzania just like in the rest of the world, stores its surplus products for future consumption. Generally the country realizes the products produced by all activities in the economy.

The storage production from holding gains and losses in Tanzania may be explained as follows;

- An example can be drawn from agricultural and especially crops production follows what is termed as agriculture season (august to June) each year, which implies that production of crops in Tanzania are of seasonal nature. For instance, maize crop which is the staple food in most parts of the country, its demand for maize crop consumption by Tanzanian is more or less constant throughout the year, while its supply is of seasonal in nature. Many farmers sell their surplus maize crop to the market due to demand for money or lack of enough storage facilities for the farmers.
- The developed storage units in Tanzania are few and not enough to handle the total production in the country such as Strategic Grain Reserves (SGR). In this case, the SGR purchases the maize crop at the time of harvesting; at this stage prices are low due to too much supply of the maize grain. The SGR stores the purchased maize until during the low supply of maize crop in the markets, and sell them at a higher price compared to the price it paid for them.

The question is the SGR sell maize crop at a higher price due to the low supply in the market and not due the “storage production”.

- The monetary gain from storage by SGR does not increase output—this is not an output gain as it has increased considering inflation. In this case acquisition/gaining is therefore a reflection of inflation.
- There is a need to differentiate between holding gain and trading margin (i.e selling at a bigger value).There has been a confusion between trading margin and holding gain and therefore a need of having a demarcation. Experience from the field has shown a confusion for example the reason for SGR reserving/hoarding grains for the future in case of an eventuality, the storage costs is born by the government. Furthermore, the SGR can be used to stabilize prices incase of droughts, floods etc.

Goods with long production period

Goods which value increases with time; this type of goods includes spirits and wines which increases value as time passes. The value increase but the cost of storage is not spelt out/given. The concern here is time of maturity—as these goods are ripening/maturing their prices changes. The question here is how the demarcation between the two points can be measured and what transpires in between. The issue of how to assess holding gains is not explicit.

Capital Stock

Mineral exploration is a capital issue. SNA 10:9 says capital stock expenditure incurred in mineral exploration is treated as acquisition of intangible assets and therefore must be capitalized. The problem here is how can mineral exploration be evaluated? In case of Tanzania we have 15 gaseous blocks but only few gaseous blocks have yielded results– how do we evaluate capital (monetary value) – is it a gain or a loss. The issue of timing also is uncertain. The period you start capitalizing and the period that will be tangible—Is there a capital gain or loss?