

Nature and Scope of Agricultural Economics

Agricultural Economics, as its title implies is the branch of economics which deals with all aspects of problems related to agriculture. According to Snodgrass and Wallace, **“Agricultural economics is an applied phase of the social science of economics in which attention is given to all aspects of problems related to agriculture.”**

Prof. Gray treats agricultural economics as a branch of the general subject of economics. It is only one of the many branches of applied economics such as Industrial Economics, Labour Economics, Monetary Economics, Transport Economics, Public Economics, International Economics, Household Economics, etc.

Thus according to Prof. Gray, agricultural economics is only a phase of an immense field called economics in which primary attention is paid to the analysis of the economic problems associated with agriculture, Prof. Gray defines agricultural economics, “as the science in which the principles and methods of economics are applied to the special conditions of agricultural industry.”

Agricultural economics treats the selection of land, labour, and equipment for a farm, the choice of crops to be grown, the selection of livestock enterprises to be carried on and the whole question of the proportions in which all these agencies should be combined. These questions are treated primarily from the point of view of costs and prices.

As we know, economic activities are divided into production, exchange, distribution and consumption, agricultural economics covers all of them- what to produce, how to produce, how much to produce, what to sell, where to sell and at what price to sell; what to distribute, among whom to distribute and on what basis to distribute; and what to consume and how much to consume.

Specifically, we can say agricultural economics includes the choice of farming as an occupation, the choice between cultivator and animal husbandry, machinery and labour; combination of various factors of production, intensity of cultivation, irrigation, manure, marketing, soil conservation, land revenues system, costs, prices, wages, profits, finance, credit, employment, etc. In all these cases the fundamental problem before the agricultural economist is to recommend the combination of factors of production in ideal proportion under given conditions in the economic interests of the agricultural community.

Agricultural economics is concerned with the allocation of resources in the agricultural industry, with the alternatives in production, marketing or public policy. Agricultural economists are concerned with the study of efficiency in farm production, with the returns that will result from employing various quantities and combinations of inputs in farming, and with determining the best farm production alternatives under given physical and economic conditions.

They are concerned with the economics of agricultural markets, with the costs of marketing various farm products, and with the alternative steps

or changes that may be made in the marketing structure to serve the objectives of society more efficiently.

They are interested in analysis of the alternatives in public policy and the economic effects of carrying out a particular programme, such as price support law or a soil conservation programme. Agricultural economists make use of the tools of economic analysis in studying these situations.

Scope of Agricultural Economics

The above definitions indicate the scope of agricultural economics. A common theme of scarcity of resources and multitude of uses runs through almost all of these definitions. This way agricultural economics is not that different from general economics.

All the tools of analysis used in general economics are employed in agricultural economics as well. We have the same branches of agricultural economics i.e. economics of production, consumption, distribution, marketing, financing and planning and policy making as in the case of general economics. A study at the micro and macro level for the agricultural sector is also generally made. Static and dynamic analyses are also relevant for the agricultural sector of the economy.

To be more specific, these definitions point out that agricultural economics examines how a farmer chooses between various enterprises e.g., production of crops or raising of cattle and how he chooses various

activities in the same enterprise e.g., which crop to grow and which crop to drop; how the costs are to be minimized; what combination of inputs for an activity are to be selected; what amount of each crop is to be produced; what type of commercial relation the farmer have to have with people from whom they purchase their input or to whom they sell their product.

Agricultural economics does not only study the behaviour of a farmer at the farm level. This is, in a way, the micro analysis. Agricultural problems have a macro aspect as well. Instability of agriculture and agricultural unemployment are the problems which have to be dealt with, mainly at the macro level.

There are the general problems of agricultural growth and the problems like those concerning tenure systems and tenure arrangements, research and extension services which are predominantly macro in character. Such problems their origin, their impact and their solutions are the subject matter of agricultural economics.

The scope of agricultural economics is larger than 'mere economizing of resources'. Agriculture is, as we know an important sector, of the overall economy. The mutual dependence of the various sectors of the economy on each other is well established. Growth of one sector is necessary for the growth of the other sectors.

As such, in agricultural economics, we study how development of agriculture helps the development of the other sectors of the economy;

how can labour and capital flow into the non-agricultural sectors; how agricultural development initiates and sustains the development of other sectors of the economy.

This implies that agricultural economics is not only concerned with the use of scarce resources in agriculture proper but also examines the principles regarding the out flow of scarce resources to other sectors of the economy and about the flow of these resources from other sectors into the agricultural sector itself.

Nature of Agricultural Economics

Agricultural economics makes use of the principles of general economics. The first point to be noted with regard to the nature of agricultural economics is that, in general, it borrows most of its principles from its parent body of knowledge i.e., the general economics.

Even the main branches of agricultural economics are similar to those of general economics. But then a question arises, if the principles of general economics are not different from the principles of agricultural economics, why is there a need for separate study of agricultural economics?

The answer lies in the fact that agricultural economics does not merely imply a direct application of principles of economics to the field of agriculture. The principles of economics are too general in nature and the

general theory of economics has been considered as an abstraction from reality.

Before this theory is applied to agriculture which includes, besides crop production, forestry and animal husbandry, for the purpose of economic analysis its principles have to be modified so that their postulates totally tally with the main features of the agricultural sector.

A few examples will make it clear. We study in economic theory, price formation under various market structures e.g., monopoly, perfect competition and oligopoly. So far as agriculture is concerned, it is presumed that as the number of farms is very large and at the same time, their size is relatively small and the crops produced are undifferentiated (homogeneous), perfect competition is likely to prevail in the agricultural produce market.

In other words, we shall almost be completely ignoring the study of price formation of agricultural produce under condition of oligopoly or monopolistic competition or monopoly. There is the system of tenancy or crop sharing in agriculture – a problem particular to agriculture only. Study of this problem will necessitate modification of the principle of resource allocation as propounded in general economics.

The modification of the economic principles, required to be made before being applied to agriculture are so large and varied that there is a complete justification for studying agricultural economics as a separate body of knowledge.