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B.A. Economics
B.A. Part - 3
Paper - 8 (Group -B) Agricultural Economics
Topic - Nature and scope of Agricultural Economics

Nature and scope of Agricultural Economics

Meaning of Agricultural Economics:

Agricultural Economics, as its title implies is that 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 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. He defines agricultural economics, “as the science in which the principles and methods of economics are applied to the special conditions of agricultural industry.”

Prof. Hubbard has defined agricultural economics as, “the study of relationship arising from the wealth-getting and wealth-using activity of man in agriculture.” This definition is based on Prof. Ely’s definition of economics and is mere akin to Marshall’s conception of economic activities and therefore it is also limited in scope.

According to **Lionel Robbins**, economics deals with the problems of allocative efficiency i.e. choice between various alternative uses-particularly when resources are scarce— to maximize some given ends. Thus it provides analytical techniques for evaluating different allocations of resources among alternative uses.

Scope of agricultural economics:

Agriculture sector is considered to be the most important in Indian scenario. The scope of agricultural production economics includes production, distribution, consumption and government activities in relation to agriculture and farm enterprises. To be more specific, the scope of agricultural economics can also be analysed on the political aspect. Self sufficiency in food produce can reduce foreign dependence from food supply and raw materials, specially in times of crisis. There is a large scope of agri. economics in various factors of production also viz. land, labour, capital, organization etc.

The scope of agricultural production economics as quoted by **Taylor** “Agricultural economics deals with the principles which underline the farmers’ problems of what to

produce and how to produce what to sell and how to sell in order to secure the largest net profit for himself consistent with the best interest of the society as a whole. ”

Principles applied in Agricultural Production Economics

1. Law of equi-marginal return
2. Law of diminishing return
3. Law of opportunity cost
4. Law of substitution
5. Law of comparative advantage
6. Principle of combining enterprises
7. Cost concepts and principles

Nature and scope of agricultural production economics

The nature of agricultural economics is such that it obtains most of the principles from general economics, thus there is no basic difference between general and agricultural economics. Thus the need to separate these two is that agricultural economics does not imply direct application of the principles but before application they are modified so that their postulates totally tally with the situations. These modifications are so large and varied that there is a complete justification for studying it as a separate branch of knowledge.

Terminology

Microeconomics

Macroeconomics

Static economics

Dynamic economics

Resources

Wants

Profit

Utility

Consumption economics

production economics

Production function

Marginal product

Total product

Average product

Elasticity of production

Nature of agricultural economics:

Micro as well as Macro

When the subject of study is individual farmer then it is **micro-economics** and when we study agricultural economy as a whole then it is called **macro-economics**

Static as well as Dynamic

The basic difference between the two is that in former , time variable is not taken into account while the latter analysis deals with a period of time. In the present day dynamic concept is gaining momentum.

Applied science or Pure science

Agriculturist economics such as Frosten and Leoger have classified it as an applied science as it is concerned with the identification, description and classification of economic problems of agriculture. Thus, agricultural economics is concerned with the evolving of appropriate principles that govern the amount of land, labour, and capital that the farmer should use to maximize his profit and using the factors efficiently.

Science or Art

Agriculture is the science and art of cultivation of crops and raising the livestock and is not only a mode of livelihood but also a way of life. Agricultural production economics is a science because it relies on the principles and verifications of the data. It is an art because it deals with the various ways of application of the principles and to suit the conditions.