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Short Note on Agricultural Economics

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Description

Agricultural economics, involves the study of the allocation, distribution, and utilization of the resources used, along with the commodities produced, by farming. Agricultural economics plays a vital role in the economic growth, for a constant level of farm surplus is one of the sources of technological and profitable growth. In general, one can give voice that when a large proportion of a nation's population is contingent on agriculture for its livelihood and average incomes are low. That does not mean that a country is poor because maximum of its populace is involved in agriculture; it is closer to the fact to estimate that because a country is poor, maximum of the populaces need trust upon agriculture for a living. As a country progresses economically, the comparative prominence of agriculture declines. The core reason for that was exposed by the 19th Century German statistician Ernst Engel, who discovered that as incomes increase, the proportion of income spent on food declines. It follows that as incomes increase, a smaller portion of the entire resources of society is required to produce the amount of food demanded by the population. That fact would have surprised most economists of the early 19th century, who scared that limited supply of land in the populated the regions of Europe would determine the continent's ability to feed its growing population. Their fear was based on the so-called law of diminishing returns: that under given conditions an increase in the sum of labour and investment applied to a static amount of land results in a less-than-proportional rise in the output of food. That principle is a lawful one, but what the standard economists could not predict was the range to which the state of the arts and the methods of production would change. Some of the deviations occurred in agriculture; others occurred in other sectors of the economy but had a main effect on the supply of food. In looking back upon the history of the more settled countries, one can understand that agriculture has played an important part in the process of their enhancement. For one thing, if growth is to occur, agriculture must be able to produce a surplus of food to maintain the growing non-agricultural labour force. Since food is more important for life than the services provided by merchants or bankers or factories, an economy cannot change to such activities unless food is available for exchange or sale in sufficient quantities to support those engaged in them. Unless food can be gained through international trade, a country does not generally develop industrially until its farm areas can supply its towns with food in exchange for the products of their factories. Economic development also requires a growing labour force. In an agricultural country most of the labour wanted must originate from the rural population. Thus agriculture must not only source a surplus of food for the towns, but it must also be able to produce the increased amount of food with a relatively smaller labour force. It may do so by replacing animal power for human power or by gradually introducing labour-saving machinery. Agriculture may also be a source of the capital desired for industrial development to the extent that it offers a surplus that may be converted into the funds needed to purchase industrial equipment or to build roads and provide public services.

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