Chapter I

INTRODUCTION
CHAPTER I

INTRODUCTION

1.01 Introduction

Agriculture is the past, present and the future phenomenon of Indian economy. In the past, agriculture was mainly intended for meeting household requirements. The present form of agriculture is rather an improved one, which even crosses the territory of national boundary. In the near future, with greater emphasis in this vital field through Five-Year Plans, it can be transformed into an industry which would not only generate more home consumable surplus but would also provide surplus for export to a great extent over the present scenario.

During the First Five-Year Plan (1951-56), India was facing the problem of severe food crisis. Accordingly, the First Plan laid emphasis on the rapid agricultural development in order to attain self-sufficiency in food production. The working of the Second Five-Year Plan (1956-61) shown that the rate of growth in agricultural production was the main limiting factor in Indian economic development. The experience of first two plans suggested that agriculture be given top priority. Consequently, the Third Five-Year Plan (1961-66) popularly termed as blueprint for Green Revolution gave top priority to agriculture for its all round improvement. So the Green Revolution and other relevant development programmes, have brought a rapid change in the agricultural scenario of West Bengal as well as in the district of Nadia.

The increase in foodgrain production in the district from 1986-87 (Table 2.08), inspite of unfavourable weather in certain years, indicates that such consistent good performance could not have been possible because of some fortuitous factors like favourable weather but was the result of certain structural and fundamental changes that have taken place in the agricultural sector in the district of Nadia in recent years. It needs no emphasis that the progress of Indian economy is greatly dependent on the development of agriculture as ‘In India, where about 70 per cent
of the people are dependent on the produces of the farms, there is need and scope for extension of the utilisation of the costing principles to the farms as well.\textsuperscript{1} Therefore, any study on agriculture, particularly on the profitability analysis of agricultural farming undoubtedly assumes significance.

An agricultural farming may have many connotations. In Indian context, an agricultural farm is one which produces agricultural crops, consumes a part of the same and sells the surplus, if any, to the market either directly or through other channels. Therefore, agricultural farming may be defined as the functions of production, consumption and marketing of agricultural crops. The pattern of consumption however varies widely between different farms as they do with respect to size. For example, many farms produce crops only for consumption whereas many have enough surplus of production over consumption to sell them in the market. In our sample of agricultural farms, we have both the groups as highlighted elsewhere in this thesis.

It is pertinent to mention that agricultural farming plays an important role in the development of our economy in a number of ways. Firstly, it provides job opportunities not only to the farmers alone but also to the agricultural labourers. Secondly, it requires various inputs, e.g. farm machinery and implements, fertilisers, insecticides etc. which are supplied by other sectors of the economy. Again, agricultural produces, e.g. jute, cotton etc. are used as input by some industries. So, for supplying input to agriculture and for utilising produces of agriculture, several agro-based industries are functioning side by side. Thirdly, some agricultural produces are exported for earning foreign exchange. So our effort should be to make the agricultural farming more and more successful.

The success of agricultural farming is not merely dependent on suitable agricultural environment but it is also dependent on the optimal utilisation of the four factors of production — land, labour, capital and organisation. The last factor of production, i.e. organisation, includes management. The optimum allocation and utilisation of

resources requires managerial efficiency. The greater the managerial efficiency the better the utilisation of resources, other things remaining constant. But the poor farmers have little ideas about the cost of their produces, their profitability, remedies to financial and marketing constraints. The middlemen are thriving at the cost of the poor farmers.

In agricultural farming, cost analysis for product costing, income determination, pricing, cost control and profitability is important. But very little attention has been given to this aspect of agricultural farming. No systematic study on profitability analysis of agricultural farming in West Bengal appears to have been done. The present study is, therefore, a humble attempt in this crucial area in the Nadia district in West Bengal. The rationale for selection of this district, an overview of it, the method of selection of agricultural farms in Nadia etc. have been given in detail in Chapter II.

1.02 Objectives of the Study

The main objective of the present work is to make a study on profitability analysis of agricultural farming in the Nadia district in West Bengal. Based on the analysis, suggestions are made for improvement of the scenario. More specifically, it seeks to examine the following issues:

- How costs can be classified according to elements, produces or functions in relation to agricultural farming?

- What are the difficulties in collecting and allocating costs and how these difficulties can be overcome with a view to determining correctly the costs of produces, valuation of inventory and quantum of profit or loss?

- Why does the cost fluctuate among various produces and what are the main reasons thereof?
How can we simplify the cost determination procedure/system to suit the requirements of the farmers whose level of education is very low?

What measures, if any, are taken for cost control and cost reduction?

Do the farmers prepare any budget/estimate?

What financing and marketing problems are faced by the farmers and how can they be solved partially or fully?

Do the farmers get any support from Panchayats and other government agencies in the matter of improvement of agricultural farming? If so, how a better co-ordination at different levels can be ensured.

Is the present procurement/distribution system helpful to the farmers economically?

What problems are faced by the farmers regarding transportation system, modern storage facilities and promotional financing schemes?

What is the nature of agricultural farming in the Nadia district in relation to production, consumption and marketing?

How profitability of the produces can be improved?

What are the impediments to productivity?

What is the impact of productivity on profitability?

Many more similar issues have been raised. In fact, the above issues are not peculiar to Nadia district only — they are found in other districts too. Therefore, the present study, which is based on the experience of selected household units of Nadia
district, is a pointer to the practices in agricultural farming in other districts as well and, for the matter, in West Bengal in general. The study highlights the procedure followed, if any, by the farmers for profitability analysis of produces, its shortcomings, various problems faced by the farmers and how these can be overcome either partially or fully. Finally, it suggests a workable and simplified profitability analysis technique for various produces for overall improvement of agricultural farming in the State.

1.03 Organisation of the Study

For attainment of the objectives as stated earlier, the study is divided into following further chapters:

- An Overview of Nadia District (Chapter II)
- Methodology (Chapter III)
- Cost Analysis (Chapter IV)
- Financing and Marketing (Chapter V)
- Profitability and Productivity (Chapter VI)
- Issues Emerging from the Study (Chapter VII)
- Suggestions and Conclusion (Chapter VIII)