CHAPTER I

INTRODUCTION

Under the impact of economic pressures, farm business has to apply the cost and returns analyses for its successful running as any other competitive business or efficient trade will do. With the introduction of improved farm practices and production techniques factor-product ratios are changing and the farmers have to adjust and readjust continually their farm operations in order to maximise the returns to the fixed farm resources. Adjustments are necessitated not only by the changing input-output patterns within the farm economy, but also by the impact of the nonfarm economy on the farm organisations. The continuous process of development is altering the total economic environment. The farm business has to make adjustments in response to changing relationships between the farm and nonfarm economy and also within the farm economy. Farm planning procedures help the farmer to adjust his farm organisation to the developments in the farm and nonfarm economy.

The farm entrepreneur has to take many decisions such as what to produce, how much to produce, what to buy, where to buy, what to sell and where to sell. In deciding what to produce, he has to decide the optimum combination of farm enterprises. The optimum enterprise combinations are, however, subject to the restriction that some of the farm resources are
limited and fixed in supply. Most of the farm resources, especially land and capital are limiting factors to farm production in India. It is necessary to readjust factor allocations with a view to maximizing the returns to the limited farm resources. Farm planning helps in rational resource use and, thus, increases farm production and improves input efficiency.

With the intensification of development programmes, farm investments are increasing. Improved techniques of production are becoming popular with the farmer. As a result, input-output patterns are undergoing some changes. The farm planning process will help in rationalizing the resource use and in locating new optima on production surface. It will make the farmer conscious of business aspect of farming. It will help him to locate and correct the weaknesses in his farm organisation. He can figure out underutilization and overstocking of his farm resources and reallocate them in a rational and optimum manner.

Some advanced countries such as U.S.A., U.K., and Japan, have made an elaborate use of the farm planning procedures. These procedures have not been tried extensively in India. Indian farm situation has its own unique features. Average size of the farm is only 5.43 acres and the choice of enterprises is limited. In this context, it would appear that farm planning is not very necessary. This is not, however, all correct. Farm resources are in fact so much limited that their optimum use is all the more important. Again with the expanded use of Indian Agriculture in brief, Directorate of Economics and Statistics, Ministry of Food & Agriculture, 1960.
irrigation facilities and improved agricultural practices and production techniques, the choice of enterprises is increasing. Farm planning will become more and more important in the light of these developments.

Farm planning is of particular use to the farm management extension worker. So far the extension worker has laid emphasis on farm supplies and has ignored the importance of farm planning process. It is this process which introduces economic content in the farm business. After all, the farmer is much more concerned with the economic returns. Farm Planning will, therefore, help him to become business oriented and the extension worker to appreciate that farming is a business after all.

A beginning has been made in farm planning in India. Some factual studies have been made by various research organisations. These studies were not, however, analytical in nature. The main purpose of this study is to fill up this gap in farm planning. Such studies are particularly useful in exploring the applicability of various techniques of farm planning to individual and area planning processes.

More specifically, the objectives of the study are:

i) to develop optimum farm plans with existing production techniques and with the improved techniques for selected typical farm situations,

ii) to examine the scope of increasing farm production with the present level of farm resources and with additional resources hired or purchased, and

iii) to determine the marginal value productivity of fixed farm resources under different farm situations with and without improved techniques of production.

Scope of the Study

The study covered only one development block (sixty four villages). The results will, therefore, be applicable only to such farming areas which have identical farming characteristics.
One representative firm - farm, was selected to represent small, medium and large sized holdings. Variability within the farm size group could not be estimated. To that extent, the representative firm - farm did not fully represent the particular size group.

A synthetic farm situation was developed to represent the modal class of holdings. This situation adequately represented the modal sized holdings of the area, although the results could not be applied to other farm size groups.

Keeping in view the time and resource limitations, the study was extended only to two crop seasons. If the analysis could be projected to a longer period and covered larger areas, the results would have greater significance.