DEFINITIONS AND CONCEPTS

DEFINITIONS:

1. Farm: The area of land actually cultivated (including current fallow) by the farmer and his family irrespective of title or location. The farm or cultivated holding has been used synonymous to operational holding.

2. Fragment: All contiguous fields or plots of a farm constitute one fragment.

3. Cultivated Area: Net sown area plus current fallow.

4. Cropped Area: It refers to the area, in which, area sown more than once during an agricultural year is counted twice or thrice as the case may be. If three crops have been taken in succession, the area is counted thrice.

5. Farm enterprise: The farm enterprise is an income producing branch of the farm business such as crops or class of livestocks.

6. Cropping intensity: It is the ratio of cropped area to cultivated area.

7. Worker: Worker is defined as the male family members of 14-60 years, who work whole time on the farm. The female members do not work whole time on the farm. They attend to domestic work mainly hence they have not been included among workers.

8. Helper: Those family members who are not working whole time but working from time to time on the farm to help the workers i.e. women, children and old persons.

9. Farm family workers: Farm family workers are members of the farm family who work on the farm as a owner.
10. **Casual labour**: The labour which is employed temporarily on daily wages during peak seasons.

11. **Farm workers**: Farm workers include farm family workers and permanent farm servants (annual farm servants).

12. **Manday**: Unit of work equivalent to 8 hours of a male adult worker.

13. **Animal labour day**: Unit of work equivalent to 8 hours work done by a pair of drought animal is synonymous to animal labour day or pair day.

14. **Farm Assets**: (Investment) - This include owned land, farm buildings (non-residential), wells, livestocks, implements and machinery.

15. **Working capital**: It includes the value of human labour, seed, manures and fertilizers.

16. **Farm output**: It includes cash received from the produce (main and by-product) sold, value of produce used in the household or held over for the use of family, value of seed kept for sowing, value of produce given over to others as wages or customary charges to barber, washerman, carpenter etc., value of the by-products fed to the cattle or carried over to next year as feed for cattle.

17. **Inputs**: These include:
   
   (a) Wages of hired labour (cash and kind).
   
   (b) Imputed value of the family labour.
   
   (c) Value of hired and owned animal labour.
   
   (d) Value of seed, manures and fertilizers (farm product or purchased).
(e) Depreciation of farm building, machinery and implements.
(f) Rent paid for leased - in land.
(g) Rental value of owned land.
(h) Interest on owned fixed capital.
(i) Irrigation charges, land revenue, cess, water charges etc.
(j) Interest on working capital.

**CONCEPT OF COST:**

1. Cost $A_1$: It includes:
   - (a) Value of hired human labour.
   - (b) Value of hired animal labour.
   - (c) Value of owned animal labour.
   - (d) Value of seeds (produced and purchased).
   - (e) Value of manures (owned and purchased), and fertilizers.
   - (f) Depreciation.
   - (g) Irrigation charges.
   - (h) Land revenue, cess, water charges and other taxes.
   - (i) Interest on working capital.


3. Cost $B$: Cost $A_2$ + rental value of owned land + interest on owned fixed capital (including land).

CONCEPT OF INCOME:

1. **Gross income**:
The value of total produce including main and by-product at average price for different produce. It is synonymous with the value of output.

2. **Net income (Profit or loss)**:
   Gross income - Cost C.

3. **Family labour income**:
   Returns to family labour and management i.e. gross income - Cost B.

4. **Farm Business income**:
   Gross income - cost $A_1$ (cost $A_2$ in case of tenant operated land.

5. **Farm investment income**:
   Net income + rental value of owned land + interest on owned fixed capital.

18. **EVALUATION AND ALLOCATION OF COSTS**:

1. Evaluation of farm assets -
   (a) **Farm land** - The value of land has been evaluated on the basis of the prevailing rates for various grades of land in the village or in the neighbourhood.
   (b) **Dwelling houses, cattlesheds, storage sheds etc.**,
      evaluated at the prevailing price in the village.
   (c) **Implement and Machinery**:
      Original purchase price less depreciation in the case of purchased implements and home produced ones evaluated at the
market price (Annual replacement or minor implements treated as current expenses).

(d) Livestock - Evaluated at prevailing local prices.

2. Evaluation of farm output:

(a) Crops - Both main and by products evaluated at average prices for different produce.

(b) Fodder - Evaluated at rates prevailing in the village.

3. Evaluation of Farm Inputs:

(i) Human labour

(a) Hired labour - includes permanent as well as casual labour. The evaluation and estimation has been done on the basis of the prevailing rates for both in the locality.

(b) Family labour - Evaluated on the basis of permanent hired labour.

(c) Exchange (or gratis labour) - Evaluated at family labour rates.

(ii) Animal Labour:

(a) Owned animal labour - On the basis of working cost per labour day.

(b) Hired animal labour - On the basis of rates prevailing in the villages.

(iii) Seeds - Purchased seed valued at actual cost plus transportation charges, if any. Farm produced seeds evaluated at prevailing prices (For crops which are generally transplanted with seedlings such as paddy, the cost of raising seedlings has also been taken into account.)
(iv) Depreciation - Straight line method has been used.

(a) Farm Buildings: Evaluated at the rate of 5 per cent for Kachcha buildings and 2 per cent for pucca buildings (depreciation of cattle shed has been charged to the livestock account.

(b) Implements and machinery - Evaluated at the rate of 10 per cent, cost of repairs added to the depreciation, if it is less than ₹.10/-. If it exceeds ₹.10/-, the entire cost of repair added to the inventory value and depreciation calculated on that value.

(c) Livestock - Depreciation at the rate of 20 per cent after the age of 5 years (assuming the age of animal as 10 years).

(v) Irrigation charges - It includes water charges for canal and tubewell directly paid to Government.

(vi) Manures and Fertilizers - Farm produced manure valued at prevailing market prices. In the case of purchased manure and fertilizers, actual cost of purchase plus transportation charges, if any is taken.

(vii) Land revenue, cess, and other taxes and rent paid for leased in land. Estimated amount is not taken in account, but actual amount if paid in cash or kind (fixed or as share of produce) at prevailing prices has been considered.

(viii) Rental value of owned land (Self cultivated) - The estimates were on the basis of prevalent rents in the villages for similar type of land.

(ix) Interest on fixed capital:

Interest charges on all agricultural assets (farm investments) excluding land at the rate of 6 per cent.
(x) Interest on working capital:

Evaluated at the rate of 6 per cent in case of owned capital and on borrowed capital on the basis of rate of interest.

19. Allocation of cost to crops and other enterprises:

1. Depreciation:
   (a) Farm buildings - In proportion to the area under the crop.
   (b) Implements - In proportion to the area under the crop.
   (c) Irrigation equipment - In proportion to the irrigated days for crops which require irrigation by the help of implements.

2. Manures - Residual effect of manures is not taken into account.

3. Rent paid - In proportion to the area under the crop.

4. Rental value of owned land - In proportion to the area under the crop to the total cropped area of self cultivated owned land.

5. Land revenue - In proportion to the area under the crop to the total cropped area of self cultivated owned land.

6. Interest on fixed capital - Proportional to the area under the crops to the total cropped area.

7. Allocation of cost between main and by-products of crops estimation of cost per unit of production of main product (grain).

Cost of cultivation apportioned between main and by-product in proportion to the value of main product in proportion to the value of output. The cost thus calculated for main product is divided by the yield of main product to get the cost per unit of main product.

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