APPENDIX - I: METHOD OF COST ANALYSIS

Cost Procedures:

The total cost is divided into two broad categories (i) variable cost and (ii) fixed cost.

i). Variable cost
   a) Seed Farm
       Produced seed has been evaluated at the village prices prevalent at the time of sowing. Purchased seeds have been evaluated at actual rates paid by the sample farmers.
   b). Farm Yard Manures (FYM)
       Farm produced manure was evaluated at the village prices prevalent at the time of sowing. FYM was evaluated at the village prices prevalent at the time of sowing. FYM purchased was evaluated at actual rates paid by the sample farmers.
   c). Fertilisers and Plant Protection Chemicals
       Costs for fertilisers and plant protection chemicals were the amounts actually paid by the sample farmers.
   d). Irrigation Charges
       In case the crop is irrigated by lift irrigation the electrical or diesel charges as the case may be were determined in proportion to the acreage under the crops. In case the water is taken on rent Rs10 per hour has been considered which is the prevailing rate in the study area other-wise whatever the fee levied by the irrigation department has been taken into account..
   e). Repair Charges
       Repair charges were based on the sample farmers estimate of normal annual repairs for each item of equipment used. Repair charges for a particular crop is determined in proportion to the acreage under the crop. In case certain implements/equipments are used only for a particular crop the entire repair charges were charged to that crop only.
   f). Miscellaneous Charges
       This item includes the expenses incurred by sample farmers which cannot be included in any other item of expenditure.
g). Labour

Labour was charged at the prevailing wage rates paid per day (eight hours) in that locality for men, women and bullock pair and tractor. Family labour was charged at the same rate as hired labour.

ii) Fixed Cost

a). Interest on Investments on Implements

Estimated annually at the rate of 12 per cent on half the purchase value of the implements till its existence. The allocation of cost to different crops grown by the sample farmers was done in proportion to the acreage under the crop. In case certain implements (such as pump sets) are used only for a particular crop/crops, the whole amount has been charged to that crop/crops.

b). Land Revenue & Other Taxes

Land revenue and other taxes were charged at the rates levied by the government. Allocation of the cost was done in proportion to the area under the crop.

c). Interest on Working Capital

Interest has been charged at the rate of 19% per annum for a crop period on the variable cost incurred during the period of cultivation.

d). Depreciation Charges

Depreciation charges on implements/machineries were calculated by straight line method, i.e., by dividing the original cost of item by the expected life of the item as estimated by the sample farmers. Allocation of depreciation charges to individual crop were done in proportion to the acreage under the crops. In case of certain implements/machineries (such as pump sets) which are used only for a particular crop/crops, the entire amount of depreciation charges on account of such implements has been charged to that particular crop/crops.

e). Rental Value:

Rental value has been estimated based on the existing rent for the land. All the 200 households were enquired about the status of their land i.e., in case they rent out the land how much rent they get. The same rate has been taken into account to work out the rental value.
f). Procedure for Imputation of Value of Main and the By-Products

The value of the main product and by-product is imputed at the post harvest prices prevailing in the selected villages. In case farmers sold the produce (like paddy, groundnut, sugar cane, chillies and sunflower) the actual price of these has been considered. In case of silk cocoons only the actual price which the farmers have got after disposing the cocoons has been considered as these are perishable in nature and therefore farmers cannot store them.