INTRODUCTION
INTRODUCTION

Economic structures of developing countries are highly dualistic and the dualism is not confined to any specific segment of the economy. These economies have sectoral, inter and intra regional, class and group dualism. Whereas manufacturing sector is modern and developed, agricultural sector is backward, by and large. Consequently, a majority of the people engaged in this sector lives in pools of back-waters. In fact, a large number of peasants are employed in subsistence farming with the result that many of them are not able to meet even their own requirements for foodgrains, which are the staple diet of practically the entire population of countries like India.

Agricultural sector is considered as the largest contributor to domestic output and an absorber of the largest proportion of total labour force. Hence, output and prices of food-grains play a pivotal role in developing countries. The major bones of contention among economists have, however, been the determinants of prices and income. Inflation not only emanates from agricultural sector but it has also percolated to the other sectors of the economy. Therefore, for an understanding of the genesis of inflation in developing countries, it is imperative to study determinants of food-grain prices.
Keynesian theory or new classical propositions or pure price models have proved inadequate to explain properly the persistence of inflationary pressures in various production sectors. This necessitates a careful evaluation of the conceptual framework and the analytical tools that are appropriate for telescoping the essential features of the behaviour pattern of the economy in general and price movements in particular. Aggregative analysis may not be adequate to explain properly the structure and price movements in the economy. Hicks (33) for the first time distinguished between flex prices and fix prices.

Flex prices are determined by the configuration of their supply and demand. Same is the case of food-grains prices. Supply of food-grains is not determined by output alone. In fact, supply comprises of marketed surplus plus changes in stocks. Thus, changes in stocks affect the balance equation in general equilibrium system. Therefore, market supply can not be estimated from individual preference function alone (33).

Mathur-Ezekiel propounded the hypothesis that in developing countries farmers sell that amount of output which will provide them sufficient amount of cash they want; they retain the rest for their own consumption. With the increase in output and prices, farmers sell less and with the fall in output and prices they sell more.
Thus, marketable surplus tend to move in opposite direction. With the increase in output, they want to satisfy their pent up demand. This makes the short-run supply curve backward bending and consumption curve positively upward sloping (25).

This hypothesis has earlier been tested by Krishnan and Tripathi for all India and for Punjab farmers. The objective of the present study is to estimate the farmers' propensities to consume, and sell food-grains in different price and income situations, as it is essential to know the mechanics of change in prices. We want to test the hypothesis at all India as well as at regional level. Study for Punjab has already been completed; so we have selected the Haryana State for regional variations. For this study, we have taken the pre-green revolution period for all India and post-green revolution period for Haryana. Krishnan in his study has covered the period till 1959; but we extended it to 1965 in order to study the whole pre-green revolution period. Studies on post-green revolution period at all India level and on pre-green revolution period for Haryana will be taken up in subsequent period. As post-green revolution period is known as the period of high rate of growth of output and income, it is expected that farmers' behaviour with respect to consumption and sales will be different in the later period. Hence the objective is to make an assessment of the behaviour pattern of
farmers both qualitatively and quantitatively.

The organisation of the study is as follows:

First chapter deals with the review of literature. Chapter II deals with detailed mathematical model to estimate demand and supply functions for general equilibrium. Chapter III deals with estimation of consumption and supply functions of food-grains for India in Pre-Green Revolution period. Chapter IV deals with the estimation of consumption function of farmers of Haryana. Chapter V deals with the determinants of marketable surplus of Punjab: A case study of Sunhor Village. Chapter VI deals with the estimation of supply functions of farmers of Haryana. Chapter VII concludes the main findings of the present study.