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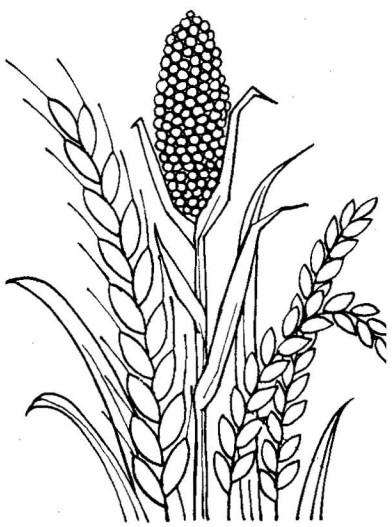

INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

ANNOUNCEMENTS

SEMINAR ON DATA BASE AND METHODOLOGY FOR THE STUDY OF GROWTH RATES IN AGRICULTURE

The Indian School of Political Economy has kindly agreed to organize on behalf of the Society a Seminar on "Data Base and Methodology for the Study of Growth Rates in Agriculture" at Lonavla. The Seminar will be held sometime in October/November 1979. A few papers on the main theme of the Seminar will be invited from scholars who have done work on this topic. About 20-25 scholars would be invited to participate in the Seminar.

SUBJECTS SELECTED FOR THE NEXT (39TH) ANNUAL CONFERENCE OF THE SOCIETY

The 39th Annual Conference of the Society will be held under the auspices of the Institute for Social and Economic Change, Bangalore-72 from 18th to 20th December, 1979. The following subjects have been selected for discussion at the Conference:

1. Economics of Investment in Organization of Extension Services in Agriculture.
2. Price Spreads of Agricultural Commodities in Recent Years.
3. Inter-sectoral Linkages.

The synopses of these subjects are given below. Papers (in triplicate along with Summaries) for discussion at the Conference should reach the Society's Office not later than 15th August, 1979.

SYNOPSES

Subject I

Economics of Investment in Organization of Extension Services in Agriculture

During the past few decades, considerable interest has been focused on the need to establish effective systems of agricultural extension in India and most other Third World countries. This is understandable in the context of a general enough consensus as to the useful role which extension organizations can play in modernizing agriculture. They are regarded as important instruments in the diffusion and adoption of new innovations in farming through improvements in knowledge and skills of farmers and the rendering of other related services. A claim has been made that "an extension service

when properly organized is one of the least expensive mechanisms that can contribute effectively to the success of agricultural development efforts and the consequent improvement of rural living standards".

Whereas the stipulations that investments in extension and advisory systems are socially productive and that the returns to these investments are positive and significant are true in a broader sense, not enough systematic evidence is available as to the precise contributions which can be attributed to the extension input. Very few, if any, studies have been done in India and elsewhere to establish the profitability of public expenditures on extension organizations. The importance of such empirical investigations can be hardly over-emphasized. The need becomes readily apparent when one takes into consideration the magnitude of resources allocated in the establishment of extension organizations in India in the past and the continuing emphasis laid on these institutions in the Sixth Five-Year Plan. In order to allocate available resources in an efficient and productive manner, planners have to use rational decision criteria based on knowledge of the expected benefits and costs associated with the extension organizations. Fortunately for us in India, a number of alternate systems and approaches in agricultural extension have been experimented with over the past 30 years. Granting that the task of correctly estimating returns to extension expenditures is quite formidable, both conceptually and methodologically, the past experience can be a rich source of material to attempt an appropriate scholarly response to this challenge.

There can be alternate approaches to the required economic analysis of extension organizations. Outlays for agricultural extension can be viewed as capital inputs and the time path of these outlays ascertained in order to impute the appropriate rate of return either by discounting the inputs and returns or by aggregating the yearly outlays using some measure of the opportunity cost of capital. Extension expenditures or other relevant indicators of extension activities can be used as a separate variable in a well-defined production function. A third alternative for estimating the profitability of extension investments could be based on data relating to innovation diffusion curves. This approach used by Ruthenberg assumes an autonomous diffusion curve and a diffusion curve induced by extension work. The area between the two curves gives an estimate of the effect of extension, assuming constant prices. These estimates can be compared to the costs incurred on the extension effort in order to arrive at a measure of its relative profitability.

Other relevant dimensions which can be studied are the comparative profitability of different extension systems such as multi-purpose Community Development oriented organization, Intensive Agricultural District Programme, Small and Marginal Farmers Development Agencies, the Training and Visit System introduced in the Chambal Valley area in Rajasthan and some other States, the Comprehensive Area Development Approach being followed in West Bengal, etc. Returns to extension systems could also be estimated for different production enterprises such as Crops, Dairying, Poultry, Horticulture, etc. Again, the approach may differentiate between *ex ante*

and *ex post* analysis taking the extension organization as a whole or some particular projects such as National Demonstrations, Farmers Training Programme, etc. Yet another set of questions to answer through these studies may include relative profitability of extension outlays for agriculture under irrigated and unirrigated conditions and at different stages of technological development. To test the latter proposition, pre- and post-green revolution period data can be used. It has been hypothesized that the marginal contribution of extension input is low in areas of high productivity. This needs to be confirmed.

Similarly, research studies can be undertaken in a number of different areas in India in order to determine whether regional differences exist. The data on costs and returns could be gathered at different levels such as district, State or country as a whole by using either time-series or cross-sectional approach. In both cases, appropriate operational definitions of the concepts and variables included in the analysis will be an important requisite. The problems of complementarities and substitutions between extension and other inputs such as research, credit and supplies of material inputs, etc., and specification of costs and returns and the externalities associated with the latter will also need to be explicitly addressed and resolved in these studies.

Subject II

Price Spreads of Agricultural Commodities in Recent Years

Price spreads or marketing margins express the economic efficiency of the marketing system. The margins are expected to be lower the more competitive the marketing organization. However, low marketing margin by itself is not necessarily a test of marketing efficiency. Apart from factors like distance between the producing and consuming markets or for example, perishability or the bulk of the product, the cost would vary according to the nature and quality of service provided to the consumer, *e.g.*, processing, packaging, etc.

Those contributing papers on the subject may focus their discussion on any one of the following themes:

1. Measurement of Price Spread

Price spread is the actual difference between the prices of a given commodity of comparable quality in the village, mandi and terminal markets.

One of the first task in the study of price spread is to establish an acceptable methodology for its measurement. Two methods are currently followed known as concurrent and time-lag methods.

The papers may provide empirical data on the magnitude of price spreads between primary (village) markets, mandi towns and terminal markets and compare the same with marketing costs.

2. Tests of Hypotheses relating to Competitive Marketing, Market Integration and Efficiency through Specific Commodity Market Case Studies

The hypothesis relating to market integration could be supported if price differential between one primary market and another, or between any two terminal markets are not out of line with transport and merchandising costs. The test of hypothesis on marketing efficiency would require an evaluation of the proportion that marketing margin or price spread bears to primary or terminal market price. The papers through case studies may furnish evidence in support of the fact that the hypothesis of horizontal integration of wholesale markets *per se* does not ensure competitive prices to farmers; vertical integration of village markets with wholesale markets is necessary for competitive wholesale prices to be translated into competitive prices to farmers in the village markets. Documentary case studies may be presented to show whether absence of regulated markets, indispensability of brokers, poor communication channels, etc., undermine competitive marketing in village markets.

3. Comparative Efficiency of Alternative Marketing Agencies

Following the marketing cost criterion, the comparative efficiency of alternative marketing agencies (private trade, co-operatives, and government agencies) could be assessed in terms of the cost of their rendering grading, transportation, processing and storage services. The studies may critically evaluate the limitations of cost criterion in judging market performance.

4. Seasonal Price Spreads and Inventories of Agricultural Commodities in Recent Years

The emergence of foodgrains surplus, specially in wheat, following the Green Revolution, it is stated, has contributed to a dampening in the seasonal variation in foodgrain prices in recent years and during the same period the seasonal variation in prices of cash crops, like cotton and groundnut, have risen. Analytical studies may be presented on the relationship between seasonal price movement or storage cost with consumption demand and level of inventories to evaluate whether the seasonal price spread or cost of storage increases *pari passu* with the level of inventories and consumption demand. The studies may explain the underlying causes which contributed to a shift in the seasonal variation in foodgrains and cash crop prices in recent years.

5. Hoarding and Speculative Gains in Commodity Markets

It is often alleged that traders hoard stocks, particularly during periods of shortage, and their activity of holding up stocks during periods of rising prices further aggravates the rise in prices, which are taken advantage of in reaping large speculative gains. Papers dwelling on this theme may present case studies of specific commodities and evaluate whether the rise in prices that occurred during specific periods were largely in excess of storage, interest and insurance costs and normal trading profits including returns for risk bearing.

6. Seasonal Price Spreads and Forward Trading

Papers on this theme may examine through specific case studies the role of forward trading in stabilising prices and in aligning seasonal price movements with storage costs.

7. Price Spread and Price Received by Small and Marginal Farmers

Papers on this topic might through data-based studies examine whether small and marginal farmers receive, as is often alleged, comparatively lower product prices than large and medium farmers, and the reasons thereof.

To what extent do the market imperfections—such as monopsonistic practice—tend to increase the price spread?

Suggestions for reducing price spreads and/or improving marketing efficiency.

Subject III

INTER-SECTORAL LINKAGES

1. The economy is usually divided into two sectors: agriculture and industry. While the internal dynamics of the two sectors are somewhat different, their mutual inter-relationships are quite important for growth of the economy.

2. At the level of demand and supply the two sectors are very much inter-linked. Agriculture supplies vital inputs for industry, and vice versa. The agricultural (rural) sector also provides a sizeable market for industrial consumer goods.

3. If the agricultural sector does not expand adequately, while the industrial production goes up steadily, it will have a significant impact on income distribution as well as on the composition of industrial output. Kalecki in his paper 'Problems of Financing Economic Development' discussed this issue.

4. The question of terms of trade between industry and agriculture is being debated recently in India. What is the optimal terms of trade between the two sectors? What happens if the terms of trade deviate from that optimal, if any? What has been the experience of India in this respect?

5. One can also analyse the linkages between agriculture and (rural) industries, within the rural sector itself. This is an important matter in the present Indian context.

6. Another linkage between industry and agriculture operates through the flow of surplus for financing investment. Should the agricultural sector be called upon to provide investible surplus for industry, or vice versa?

7. Other possible ways of classifying sectors and identifying their linkages may be explored.