Macro and micro economics

Economics

Micro Economics:- Microeconomics is a branch of economics that analyzes the market behavior of individual consumers and firms in an attempt to understand the decision-making process of firms and households. It is concerned with the interaction between individual buyers and sellers and the factors that influence the choices made by buyers and sellers. In particular, microeconomics focuses on patterns of supply and demand and the determination of price and output in individual markets (e. g. coffee industry). Areas microeconomics covers: Supply and demand ? Competition ? Monopolies ? Profit and loss ? Opportunity cost Elasticity •Rigid laws:- Businesses may be doomed to be non starters due to restrictive businessenvironmentwhich may take the form of rigid government laws (no polluting industry can ever be located in around 50 Km radius of the Taj) , state of competition (Car manufacturing capacity presently in the country is far in excess of demand) etc. •Environment impact:- The present and future viability of an enterprise is impacted by the environment For eg no TV manufacturer can be expected to survive by making only B&W television sets when consumer preference has clearly shifted to color television sets. Key Inputs:- The availability of all key inputs like skilled labor , trained managers, raw materials, electricity, transportation, fuel etc are a factor of the business environment. •Public awareness:- Increasing public awareness of the negative aspects of certain industries like hand woven carpets (use of child labor) , pesticides (damage to environment in the form of chemical residues in groundwater), plastic bags (choking of sewer lines) have resulted in the slow decline of some industries. •The Market:- Organizations closely monitor their customer markets in order to adjust to changing tastes and preferences.

A market is people or organizations with wants to satisfy, moneyto spend, and the willingness to spend it. Each target market has distinct needs, which need to be monitored. It is imperative for an organization to know their customers, how to reach them and when customers' needs change in order to adjust its marketing efforts accordingly. The market is the focal point for all marketing decisions in an organization. •Marketing Intermediaries:- Physical distribution firms help the organization to stock and move products from their points of origin to their destinations.

Warehouses store and protect the goods before they move to the next destination. Marketing service agencies help the organization target and promote its products and include marketing research firms, advertising agencies, and media firms. Financial intermediaries helpfinancetransactions and insure against risks and include banks, credit unions, and insurance companies. Macro Economics:- Macroeconomics is a branch of economics dealing with the performance, structure, behavior, and decision-making of the entire economy.

This includes a national, regional, or global economy. Macroeconomists study aggregated indicators such as GDP, unemployment rates, and price indices to understand how the whole economy functions. In Macroeconomics there are two areas of research that are emblematic of the discipline: the attempt to understand the causes and consequences of short-run fluctuations in national income (the business cycle), and the attempt to understand the determinants of long-run economic growth (increases in national income).

Areas of macroeconomics covers: ? Money supply ? Interest rates ? Fiscal and monetary policy ? Unemployment ? Growth ? Inflation ? Inflation:- In recent years, a confluence of macroeconomic and industry-specific factors has led to record-high prices and unprecedented volatility in the global agricultural commodity markets. Specifically, simultaneous increases in demand and production costs along with intensifying supply-side pressures have led many experts to forecast extended periods of higher-than-average prices for many commodities.

Farm-based commodities have recently experienced unprecedented growth in demand from both traditional and non-traditional sources. Traditional demand has increased primarily via worldwide population growth. The world's population currently exceeds 6. 5 billion, is projected to reach nearly 9. 5 billion by 2050. Increases in demand have also been driven by global industrialization's positive effect on disposable income in emerging economies like China and India.

As a result, citizens of these countries have begun to shift away from the grain-centric diet of developing countries to the protein-rich diet common to countries with higher per capita GDP. Because, on average, one pound of protein requires nearly seven pounds of grain to produce, the increase in demand for meat has a large multiplier effect on the demand for grain. Moreover, increasedglobalization, free trade, and currency exchange considerations have increased agriculture-based exports from producing countries like the U. S. Canada, and Australia, as well as Europe and South America, which has increased competition and intensified demand on a global scale. In addition to traditionalfood-related demand, coarse grains such as corn, sorghum, barley, oats, and rye and edible oils and edible oil products have experienced exponential demand growth due to the rapidly expanding biofuels initiative in the United States, Brazil, and the European Union. The World Bank estimated that nearly all of the increase in global corn production between 2004-2007 was used for biofuels production in the United States.

Moreover, as evidenced by Congress’s recent mandate to increase domestic ethanol production nearly five-fold by 2022, the biofuels component of agricultural commodity demand is not likely to decline in the near, or even intermediate, future. Most agricultural commodities are also experiencing significant supply-side pressure from a variety of sources. Recently, the global supply of agricultural commodities has been severely affected by unfavorable weather conditions (e. g. , droughts, flooding, and freezes) in several regions, including the U. S. , Europe, Canada, Argentina, Ukraine, and Russia.

As a result, global stockpiles of agricultural commodities have fallen to their lowest levels in many years. At the same time, increased competition for productive crop land and the reconfiguration of planting decisions to maximize returns from biofuels-related plantings (e. g. , corn and soybeans) have drastically affected the supplies of most agriculture commodities. Significant increases in production costs, led by record oil and fertilizer prices, and increasing scarcity of productive farmland and sufficient and accessible water supplies have further contributed to limits on worldwide production capacity.

Finally, political unrest in producing countries has slowed or stopped production on otherwise physically productive land, further tightening supplies. Unlike many other commodities, agricultural commodities are crucial to the survival of nations. In a recent study, researchers concluded that nearly 60 percent of all global conflicts over the past two decades have been primarily driven by disputes related to food, land, or water. Recent spikes in food prices have lead to food smuggling in some countries and riots in others.

Because of the universal necessity for food and the irreplaceable role that agricultural commodities have in worldwide food production, market analysts, including the United Nations Food and Agricultural Organization (FAO) predict that “ when commodity supplies eventually recover and prices moderate from current high levels, the new equilibrium prices will be significantly higher than has traditionally been observed during periods of market balance. ” As summarized in the table below, even when the volatility is removed from short-term prices, long-run ommodity price projections forecast equilibrium prices for most major crops that are 19 to 110 percent higher than their recent five-year average. The preceding analysis suggestsagribusinessand agricultural-related firms may present interesting investment opportunities. Companies with operations and/or substantial investments in one or more key grain producing nations, such as the U. S. , Canada, Europe, Russia, Brazil, and China, may be favorable over countries operating primarily in resource poor nations.

Companies with significant command over their supply chain are likely to display significant operating advantages, but because of the capitalintensive nature of the industry, especially for companies with significant supply chain investment, firms with low debt, good credit rating, and/or relatively easy access to credit markets are preferred in light of current global economic conditions. Moreover, any company with significant supply chain investment should be providing logistical synergies and optimizing efficient operation of all its assets.

In particular, companies that invest intechnologyto produce more robust, more efficient farmland and crops may provide unique opportunities for investment in the short- and intermediate-term. In summary, although current prices and volatility may not be sustainable in the long term, the long-term factors affecting agricultural commodities will most likely result in an extended period of high, although not necessarily record, prices. As a result, investments in agriculturally-oriented firms appear to be promising over intermediate- and long-term horizons.