

Economic analysis of the farming industry essay



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Farming is the beginning of the cultivation of plants and the domestications of animals in Prehistory (Encarta 2005) Farming is the production of food and fiber from the soil; it is a slow biological process involving soil cultivation, planting, harvesting, and the disposition of the harvest. Farming in ancient times was a disorganized affair, consisting of the raising of few kinds of plants and animals (American Encyclopedia 2004) Farming plays important industry for the whole world. People depend entirely of what they consume in order to survive to the farmers.

What will happen to the world without the existence of the farmer? Even how rich and powerful the nations are if they don't have anything to buy in the market. No farmer to plant it result to no production, no production result to no consumption. Throughout the history, farming has been the occupation of nine- tenths or more of human kind. It ca be carried only where climate and soil are favorable. Farming is a production process that requires much care and attention; farms have been usually family operations. The essential traits of a good farmer are the physical stamina to do the work and a considerable amount of interest in it.

A farmer needs skills in basic operations dealing with plants Page 3

Livestock, patience, a nimble pair of hands, a capacity for hard work, and sufficient knowledge of his or her special area of farming interest. Body of the Paper !. Economics is the study of how society makes decisions and manages its scarce resources, and in these principles managers or farm owners has its lead to come out to a good decision making, People face Tradeoffs to give one thing, farmers have to give up something else. The

Cost of Something is What You Give Up to get it. Making decisions requires trading off one goal against another.

Decisions-makers have to consider both the obvious and the implicit costs of their actions. Rational People Think at the Margin. To look for the best of the industry this principles of economics guide farmers attain the goal they want to achieved for the success of the industry. 2. Consistency with market equilibrium places constraints on the pricing policies of food marketing firms in a competitive industry. This examines the implications of simultaneous equilibrium in three related markets, retail food, farm output, and marketing services.

From equations representing the demand and supply sides of each market, elasticity's are generated which show how the farm-retail price changes when retail food demand, farm product supply, or the supply functions of marketing service shifts. This examines the consequences of competitive equilibrium in product and factor markets for the relationship between farm and retail food prices. The model is used to generate justifiable predictions about how various shifts in the Page 4 Demand and supply of food well affect the retail- farm price ratio and the farmer's share of retail food expenditures. 3. Estimating the environment costs of agriculture is difficult because the impacts are not directly valued in the market place, and so estimates of the costs have very broad margins of uncertainty.

The study of Hartridge and Pearce seeks to estimate the external costs of Agriculture based on a range of willingness to pay studies – both from abroad. This study estimates the depreciation of the stock of natural capital

associated with agriculture and the environment services generated, and then obtain the relevant values from willingness to pay estimates to arrive at the costs. The price of the supply depends upon the demand of the consumers basing on the availability of the goods or products. The role of the income elasticity of demand for environmental quality as a driving force for the inverted V- shaped relationship between income and pollutants This explore the role of the income elasticity of demand for quality 4. Ever since Farming Industry is not fully recognized and it seem to be left behind.

Slow progress can be seen in this industry especially to the less developed nations. Government authorities seem not to focus their main concern to the farming industry. They are not be oriented how important is the farming industry; they don't have concern what's happening to the farming industry. Superficial observation of farming performance suggests a declining cost industry. Real Page 5 Prices received by farmers have fallen over time as the farm population as a percentage of total population has decreased. Although farming is not a monopoly or an oligopoly, the number of farms has decreased steadily for a number of decades, and the adequacy of returns in farming has been a source of persistent social concern.

5. Public goods, goods own by the people. Example goods spend by political people, used the funds for public projects that is useful to all the people Common Resources, a common feature is that the welfare of one country depends upon the internal economic behavior of a foreign country. Public (or c collective) goods. The indivisibility and no excludability or joint rose of supply with respect to a given amount.

6. Previous analysis of trade and development in the past and at present shows that problems in agriculture have neglected the role of exchange rate policy. It is argued that the overvaluation of the dollar, and the policy measures to combat it aggravated the adjustment problem of Agriculture especially during the 1950's and resulted in shifting an important share of the benefits of technical change to the consumer. During the past decades agriculture suffered a lot of shortfalls in their income. It resulted to the shifting of all resources to the modern technology to be updated and gain more income in the future. 7.

In Farming Industry the price of the goods or products are not fix it is elastic, it is based to the demand of the consumers, and the availability of the goods. The more products the Page 6 Industry produced the lesser price it has. In Farming Industry goods can be replaced or substituted by other products from other places. Farming Industry produced products that are a necessity to all mankind. 8.

Price Elasticity of supply for farming industry is important to monitor the price of the basic products. It is elastic depends to the availability of the products and the demand of the consumers. Gardner investigated the effects of three distant forces affecting food system equilibria: shifts in retail demand, shifts in farm commodity supply, and shifts in marketing input supply. 9. Monopoly or oligopoly, if a certain firm or industry is the only one that can produce a certain good.

It has a monopoly in the market for those goods. Monopoly means there is one firm that provides the overwhelming majority of sales and a handful of

small companies that have little or no impact on the dominant firm. 10. The theories of supply and demand describe how the demand for labor can affect equilibrium in the labor market it is the result of a balance between product availability.

In farming industry demand for labor supply increased at the time of planting and harvesting the products. In that season equilibrium in the labor market is affected due to the scarcity of the labor force to do the work. 11. In the Farming Industry usually the owners or the staff calculate or compute the wages of their workers base on their profits or productions, and it is also based according to their responsibilities to the industry but following to the minimum wages imposed by the law. Page 7 .

12. “ Inequality” is in itself used in connection with a number of awkward social and economic problems. In farming industry there is income inequality happened. Rein and Miller revealingly this standard of equality in the industry: One hundred percentism: in order words, complete horizontal equity, “ equal treatment of equals” The social minimum: here are aims to ensure that no one falls below some minimum standard of well-being.

Equalization of lifetime income profits: this focus in inequality of factors of some prospects, rather than on people’s current position. Mobility: that is, a desire to narrow the differentials and to reduce the barriers between occupational groups. Economic inclusion: the objectives are to reduce or eliminate the feeling of exclusion from society caused by differences in incomes or some other endowment. Income shares: society aims to increase

the share of net income enjoyed by a relatively disadvantaged group – such as the lowest tenth of income recipients.

: Lowering the ceiling: attention is directed to wards limiting the share of the cake enjoyed by a relatively advantaged section of the population.

Avoidance of income and wealth crystallization: this just means eliminating the disproportionate advance in education, political power, social acceptability and so on that maybe entailed by an advantage in the income or wealth sector. 13. Budget Constraint and preferences affect consumer's choices, in price, cost, and value of the goods. In economics it is the relation between price, value to the consumer, and cost of the production. The price of the goods is determined by its value to the user, and the cost of production determines the price.

The price is equals both cost of production and its value to the user. Page 8 , Both of which must be therefore equal to each other. The costumers must decide to buy with his limited resources. The most obvious constraint is created by a person's income, combined with the price he or she faces. The combination of income and prices creates a set of combinations of goods that the person can purchase without preferences. The budget constraints is that $\text{income} = \text{expenditures}$.

14. Gross Domestic Product (GDP) is measured the UK agri food sector, comprising the agriculture, fisheries, food and drink and catering industries – accounts for broadly 8 % of gross domestic product in the country and currently provides around 12 % of the total employment. Agriculture's share is smaller – 0.8 % of GDP in 2000 and 2% of total employment – and is a

declining trends reflecting underlying trends in consumption patterns and technology, which will continue to some degree in the future.

15. Consumer Price Index strength can be expressed by giving companies a powerful incentive to make efficiency savings. CPI knows that it will earn profit from making the cost saving. This helps many industries to maintain stable earnings and it helps build good motivations to make the companies work hard for their improvements and for many powerful incentives they can get. CPI weaknesses based in the lack of rigid specifications guiding the periodic review. This leads to a perceived distortion by the regulated of the process via excess discretion exercised by Page 9 Regulators.

General weaknesses of the review cycle are that the companies faced different incentives at different points in the regulating cycles. 16. The coexistence of high inflation and low real growth has its share of attention in the attempts to understand economic performance on the 1970" s. Inflation can reduce the efficiency of the price system and have relations price variability is likely to be greater where there are unanticipated changes in the price level. Inflation also can be happen through the devaluation of currency.

17. Food and Farming makes a significant contributions to the countries economy both directly, through the production of food, and indefinitely, through the impacts upon the countryside environment. But present agriculture policies also result in very significant costs to the nation's economy: and at the same time there have been significant economic costs from animal out breaks. Farms income is close to an all time low and

recovery may well be gradual, unless there is a rapid increase in the level of the monetary side 18. Monetary matters are important to nation's economic sustainability, when there are insufficient funds, the nations will suffer shortfalls and it surely affects the standing of every industry in that place, and it leads bankruptcy and many workers will be affected many workers will lost their jobs 19. Farming figures importantly in the government policies of most nations.

Farms are the source of strategic food supplies, of important raw materials for industry, and of major commodities for trade and commerce. Page 10 Farming interests may possess considerable political power and influence the disadvantage of small-scale farming in an industrialized economy, especially evident at the time of the Great Depression of the 1930s gave rise to federal efforts to support farm prices. The bank also grants loans for the business industry with less interest rate. CONCLUSION Therefore I conclude a country's standard of living depends on its ability to produce goods and services, Countries whose workers produce a large quantity of goods and services per unit of time enjoy a high standard of living. Similarly, as a nation's productivity grows, so does its average income.

Farming is a business in which efficiency is the key to success. The farming Industry in a developed country is a large component of that nation's total industry. Farming Industry plays important rule in nation's economy. And Farmers must learn about agricultural economics to know when to buy materials and when to sell their products. The crucial factor in farming is the farmer, a bad farmer will often be a failure on the best land, but a good

farmer sometimes make a successful production on a very poor farm. It depends on their ability, commitment, and knowledge in farming industry.

Good farming aim is to produce the maximum economic out put from the land.