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with

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PRINCIPLES & PRACTICE OF FARM COSTING
WITH
FARM STUDIES

BY

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with the assistance of
T. B. PAWAR, B.Ag.
and others

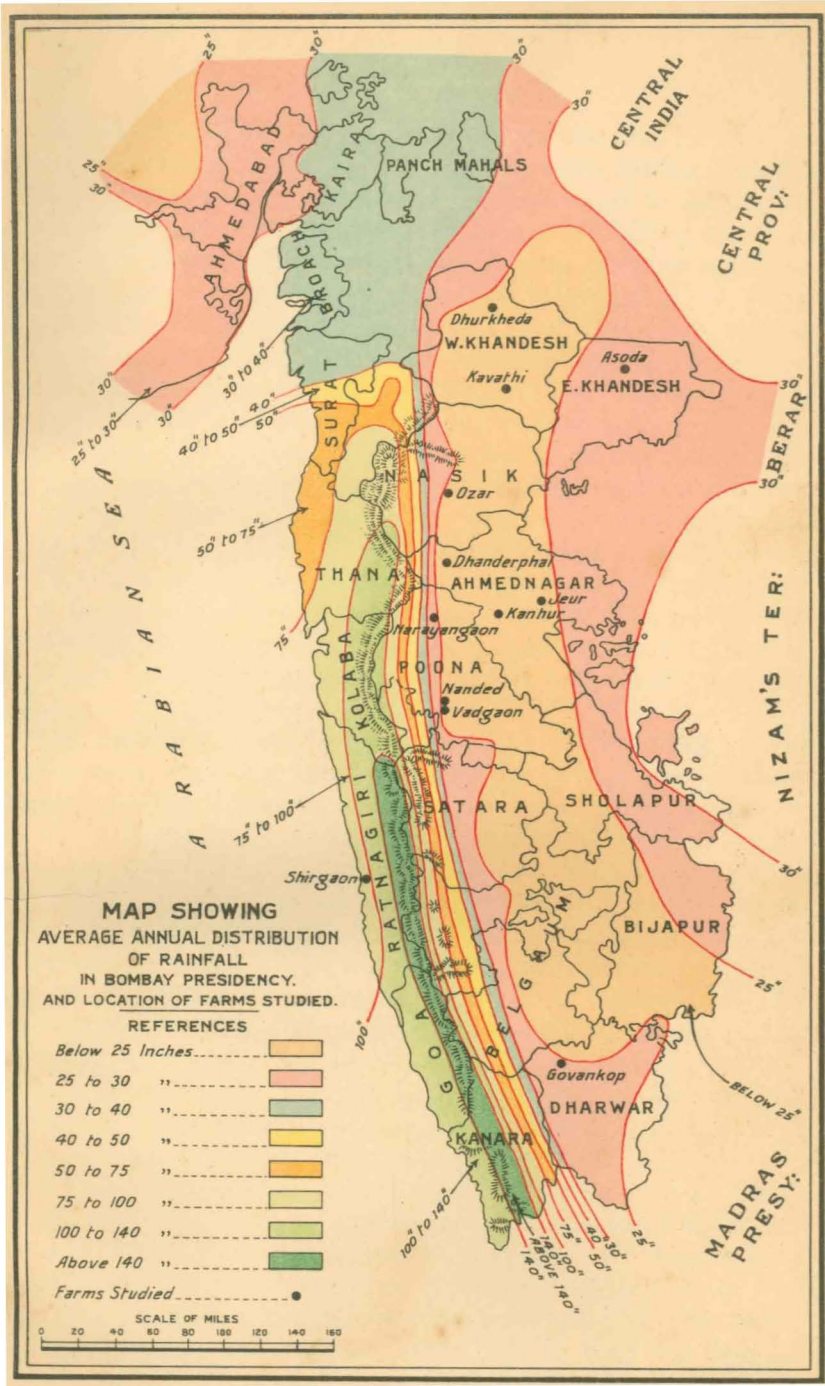
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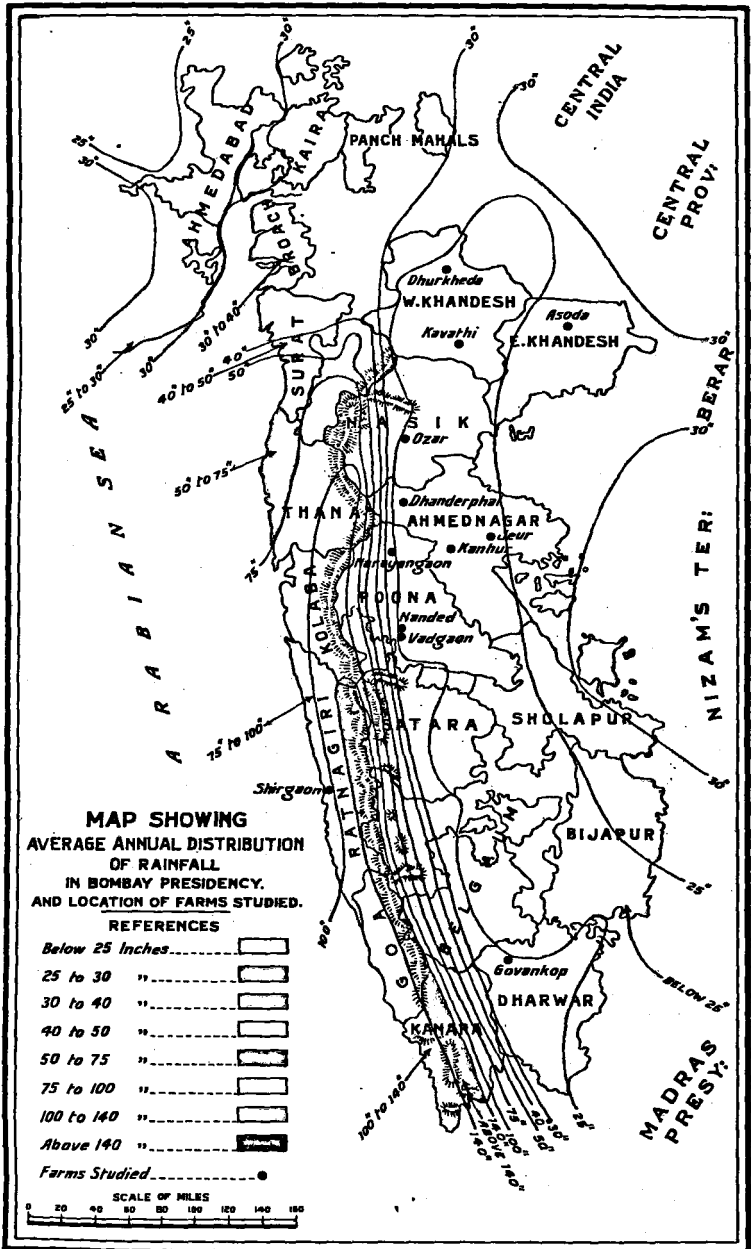
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PRINTED AT THE GOVERNMENT CENTRAL PRESS
1933

X9(J):873.231

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PREFACE

From the year 1925 to 1928 studies in the cost of production of important crops in the Deccan were conducted with a view to ascertaining net profits or losses and to suggesting economies, while prices of farm produce were falling after the World War Boom. That work had its own purpose and use. Crop study, however, does not provide information to judge the economic position of the farmer and does not supply sufficient material for suggesting adjustments in crops and cropping plans. Moreover, the income measure, i.e., the net profit measure which is in vogue in India and England, does not seem to be suitable for peasant farming in India, at any rate in the Bombay Presidency where farming is followed more as a means of livelihood than as a business. This view was supported by Mr. T. F. Main, B.Sc., O.B.E., the Director of Agriculture, Bombay, and it was therefore thought desirable to investigate a few farms in different agricultural regions with a view to formulating *modus operandi* for farm cost accounting and to adopt new income measures more suitable for peasant farming in India.

After carefully considering the plan of the study, this investigation was commenced early in 1928. The income measures used in this work are the "Family Labour Income" and the "Farm Business Income." After sufficient data for discussion was collected, a note on the Accounting Principles suggesting "Family Labour Income" and "Farm Business Income" was circulated (on 29th July 1929) to the members of the Agricultural Economics Committee of the Bombay Department of Agriculture and discussed in the committee on the 10th September 1929. While this work was progressing on the new lines, it was a great satisfaction to find that in another part of the world Dr. Earnest Laur, Professor at Zurich and Director of Swiss Peasants' Union, propounded almost similar income measures in the International Review of Agriculture*. Hence I have no hesitation to place the *modus operandi* and income measures before investigators in Agricultural Cost Accounting and Farm Management in India. Dr. Laur's note on accounting principles is not yet available but from the definitions of the income measures appearing in the International Review, referred to above, I find that his income measures are the same as I have used. What I call "Family Labour Income" and "Farm Business Income" are called

* Issue of September 1929,

‘Family Labour Earnings’ and ‘Family Farm Earnings’ by Dr. Laur.

This is probably the first attempt at an exhaustive farm cost study in India, at any rate in the Bombay Presidency which opportunity costs (i.e., costs not directly incurred) are calculated and allocated in consonance with cost accounting principles avoiding arbitrary assumptions as far as possible. Not remaining content with academic research at finding suitable income measures and formulating *modus operandi* for farm cost study, I have organized the study of 14 farms carried out in 1928 to 1930, which is presented in the following pages, and which I believe elucidates the method followed and at the same time gives an idea of the position of the agricultural business and of the crops grown during the years 1928-29 and 1929-30 in some of the tracts of Bombay Presidency. Farms were selected in different tracts, worked under different climatic and economic conditions, with a view to study farm business under varying conditions. One of the farms studied was a rice farm situated in the heavy rainfall tract getting about 100 inches of rain; three cotton farms in Khandesh which are more of a *kharif* tract getting 25 to 30 inches rain; two cotton farms near Dharwar in Karnatic getting about 33 inches rain and where cotton is grown as a semi-*rabi* crop; three farms in Ahmednagar district, notorious for its poor rainfall, getting less than 20 inches; one farm in the north of Poona; one in Nasik district lying in the transition tract and three sugarcane farms, on the Mutha Canal near Poona, which grow fruit and vegetables as supplementary crops. The study comprises cases of owned farms, cash rented farms, share rented farms and farms run with the help of partners. In the case of some farmers they had yearly farm servants. There are cases in which farmers exchanged labour. It will thus be seen that the study includes cases of different kinds of cropping, ownership and climatic conditions, etc.

This statistical study of farms is restricted to farm business only. Farm costs and farm receipts are studied with a view to finding farm business income and family labour income. Household expenses on food, clothing and social functions, etc., are not considered. The newness of farm cost study and the differences of opinions on the subject are discussed in the first part. As this study progressed many difficulties cropped up. With the experience gained in India (as Deputy Director of Agriculture and Professor at the College) and in other countries I have attempted a system which, I expect will suit farm cost study under Indian conditions.

It may be remembered that the costs, receipts and incomes in the different studies are actuals belonging to particular years under conditions of rainfall, labour and market obtaining in particular years. In such investigations the investigator, not concerning himself with what the farmers should have done but with what they did. Labour used on particular plots, or manure given to particular plots, whether more or less than customary, have to be viewed in the light of the special circumstances of the farmer. Though it is quite fair to take special cases involving more or less expenditure to explain away some of the causes of more or less yield, with a view to improving efficiency, it won't be fair to pick up such cases for generalization. For example, though one will find in the book, that in the year 1929-30, *bajri* crop on the Kanhur farm did not produce a single pound of grain and that the yields of other crops on the same farm were ridiculously low, it would be hazardous to generalize from such facts. The cause of the failure of crops in the case referred to was the scarcity of rainfall. Costs and receipts referred to above hold good under particular conditions for Kanhur. It is therefore incumbent on those, who like to use the material from such investigations, to go below the surface and find the causes of the abnormal crops. Cases of crops may be found in which a farmer gave too much manure and spent too much home labour or applied no manure and spent very little labour. The explanation of such cases lies in the prices of farm produce and of the services of capital and labour, as also in the peculiar economy of the locality and of the individual. In a year of scanty rainfall a farmer may employ home labour in watching his crop, the calculated cost of which may not be covered by the crop saved. In peasant farming this is bound to happen and peasants cannot be blamed for their actions if they are based upon sound economic reasoning.

Economic investigation in Agriculture is really a work which necessitates a separate section with a fairly large staff. It is, however, not possible to persuade the Government to sanction such a separate establishment before they are convinced of the importance of such new work. Even in the United States of America it took some time before the Governments of the different States were persuaded to sanction appropriations for organizing "Agricultural Cost Accounting Sections." In the Bombay Presidency, Dr. H. H. Mann, Rao Bahadur D. L. Sahasrabudhe, Messrs. N. V. Kanitkar and V. A. Tamhane studied two villages between 1917 and 1921. The nature of their investigations was different. From 1925 to 1928,

I carried out crop studies with the help of two agricultural graduates and three agricultural teachers. The present work is the third one in the category. It was conducted with the help of ten investigators all of whom, with the exception of one, served as honorary investigators in addition to their usual work. The following gentlemen worked as investigators :—

1. Mr. T. B. PAWAR, B.Ag. Graduate Assistant under the Professor of Agricultural Economics, studied three farms at Nanded and Wadgaon near Poona.
2. Mr. K. D. GUMASTE, B.Ag. Graduate Assistant to the Deputy Director of Agriculture, Southern Division, studied two farms at Govankop near Dharwar.
3. Mr. N. V. MANDKE, B.Ag. Graduate Assistant to the Deputy Director of Agriculture, Konkan, studied one farm at Shirgaon near Ratnagiri.
4. Mr. R. M. CHOUDHARI, B.Ag. Graduate Assistant to the Deputy Director of Agriculture, North Central Division, studied one farm at Dhurkheda in West Khandesh.
5. Mr. B. L. DUMBRE. Agricultural teacher, studied one farm at Narayangaon (District Poona).
6. Mr. K. M. TAWALE. Agricultural teacher, studied one farm at Kanhur (District Ahmednagar).
7. Mr. Y. P. SUPEKAR. Agricultural teacher, studied one farm at Jeur in 1928-29 and another at Dhandarphal in 1929-30 (both in Ahmednagar District).
8. Mr. T. R. PATIL. Agricultural teacher, studied one farm at Kavthi (West Khandesh District).