

DETERMINANTS OF SUPPLY BEHAVIOUR : THE CASE OF VIRGINIA TOBACCO IN INDIA*

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ECONOMISTS and the administrators have, in recent years, shown increasing interest in agricultural supply both in its micro and macro perspectives. This is evident from a number of studies on supply function conducted in developed and developing economies. While most of the studies (1-6, 13, 16, 17, 23 and 24) reveal positive and significant impact of prices on farmers' acreage and production decisions, a few of them (14, 15, 21 and 22) also suggest little, or even an inverse, relationship between changes in prices and those in production and or marketable surplus. However, most of the studies have concentrated on price as the most dominant determinant of supply behaviour ignoring thus the non-price factors such as yield, cost, diseases and pests, etc. Besides, most of the studies conducted so far have estimated mostly aggregate or macro supply functions, implicitly assuming thereby homogeneity in all the producing areas. But the different producing regions may not be identical in all respects, be it soils, climate, farmers' behaviour pattern including managerial skills.

The present study attempts in examining the role of price including price-risk as well as non-price factors in determining supply behaviour. Additionally, it also tries to quantify the effects of inter-regional characteristics on supply. As a case study, the supply behaviour of virginia tobacco in India has been undertaken. The study is confined to the Guntur-Godavari belt of Andhra Pradesh as almost all of the virginia tobacco produced in the country is raised in the four districts of Andhra Pradesh, viz. Guntur (80 per cent of the total supply comes from this district), Krishna, East Godavari and West Godavari which account for as much as 95 per cent of country's total supply (7 and 26). The acreage under virginia tobacco in this area has more than doubled during the last three decades. It increased from 97,700 acres in 1940 to as high as 274,400 acres in 1967-68. There have however, been considerable year-to-year variations during this period in both its acreage and supply resulting into scarcity as

* The terms supply response or behaviour and acreage response have been used synonymously in the present study.

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