

## An analytical study of cost-return structure and economic surplus of marginal and small farmers in Punjab

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### ABSTRACT

The economic and ecological crisis of Punjab agriculture has resulted in consistent rise in cost of production and dwindling profit margins. This raised the concern of economic sustenance of marginal and small farmers. The present study was undertaken in three districts viz., Ropar, Ludhiana and Bathinda representing three different agro-climatic regions of the state to have an in-depth analysis of the cost-return structure and economic surplus of marginal and small farmers in Punjab. The study revealed that the crop farming generated negative returns on both the categories of farms in all the zones, except small farms in Central Punjab. The returns over cost  $C_2$  from crop production and dairy farming as a whole showed that the marginal and small farmers were in deficit in Kandi and Southwestern regions while they were left some surplus in Central region after paying reward to the owned land and family labour. The study further highlighted that the marginal farmers in all the zones and even the small farmers in the Kandi region were not economically viable depending only upon crops and dairy farming. The main conclusions of the study indicate that the off-farm income and dairy are the major resources, which can promote the viability of marginal and small farmers. The farmers will also have to rationalize their domestic expenditure by exploring more income-generating avenues.

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### INTRODUCTION

Agriculture continues to hold the place of pride in our economy since time immemorial. In Punjab, out of 11.7 lakh operational holdings during 1990-91, 2.04 lakh holdings (18.3%) were of one to two hectare and 2.96 lakh holdings (26.5%) were of less than one hectare in size. The total holdings declined to 9.97 lakh in 2000-01. As such, the number of small holdings declined to 1.73 lakh (17.4%) and that of marginal holdings to 1.23 lakh (12.3%), respectively (Statistical Abstract of Punjab, 2005). The decline in proportion of small and marginal holdings may be due to the operation of reverse tenancy and the small and marginal land owner-farmers leasing out their lands to other farm-size groups as the crop raising is becoming less remunerative and there is hardly any scope left for improving their incomes from tiny holdings (Kaur *et al.*, 2001).

It was observed that growth in dairy incomes was more perceptible on marginal and small farms. The growth in income from dairy was 5.68 per cent against 0.81 per cent from crops on marginal farms and 4.70 per cent against 1.67 per cent on small farms from 1987-90 to 2000-03 (Sidhu and Bhullar, 2004). It has also been conveyed that optimum combination of dairying along with the existing

cereal based production system has the potential to enhance the income of the small farmers (Kaur, 2001). This indicated that there exists a scope to increase the income of small and marginal farmers by organizing their resources optimally. However, before going for policy formulation for the marginal and small farmers, it will be desirable to have an analysis of the economics of farming on marginal and small farms. The present study was planned with the specific objectives, to examine the costs and returns structure on crop production and dairy farming on marginal and small farms in Punjab, to evaluate the economic surplus with marginal and small farmers in Punjab and to suggest some measures to improve the economic condition of marginal and small farmers in Punjab.

### METHODOLOGY

The study was conducted in three districts of Punjab state *i.e.* Ropar, Ludhiana and Bathinda representing Zone-I, Zone-II and Zone-III, respectively of the state. Three-stage-stratified-random sampling technique was adopted for the study. The three stages of selection were comprised of development block as the first stage-sampling unit, village as the second stage unit and the operational

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