Agricultural
Economics
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Introduction
Pictures & ideas in your mind when you hear the word
economics?
Pictures & ideas in your mind when you hear t...

Course organization
This course is divided into 4 chapters:
Chapter 1: Important Concepts in Agricultural Economics
Chapte...

1. Important Concepts in Agricultural Economics
Objectives of this chapter
To introduce the basic concepts necessary for t...

1.A. Definition and scope of the field of
agricultural economics
Economics is the science of the administration of scarce ...

1.A. Definition and scope of the field of
agricultural economics
Modern vision of agricultural system:
The farm sub-sector...

1.A. Definition and scope of the field of
agricultural economics
The public sub-sector:
Government agencies that provide s...

1.A. Definition and scope of the field of
agricultural economics
The agri-food filière:
The upstream pole which includes f...

1.B. Global trends in supply
World food producers:
1. Asia 45%
2. North and Central America 16.1%
3. Europe 15%
4. Africa ...

1.B. Global trends in supply
World food production has exceeded population growth since the
1970s.
1990-1999: The populati...

1.B. Global trends in supply
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1.B. Global trends in supply
Regional specialization in a country’s agricultural production:
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1.C. The role of agriculture in economic
development
Economic development and economic growth
Economic growth: the increas...

1.C. The role of agriculture in economic
development
Sustainable development
1980s: the economic development has been revi...

1.C. The role of agriculture in economic
development
Agricultural development theories
Agricultural development theories a...

1.C. The role of agriculture in economic
development
The distance from cities >> transport and marketing costs
The availab...

1.C. The role of agriculture in economic
development
Technology-related theories
Natural factors: natural resources + unsk...

1.D. Trends in agricultural activity
Agricultural activity is a declining portion of the economies of all
countries in the...

2. Demand and Supply – Market Mechanisms for
Agricultural Products
Objectives of this Chapter
To explain the mechanism of ...

2. A. The Demand function – price and income
elasticity of demand
Knowledge about the characteristics of the market demand...

2. A. The Demand function – price and income
elasticity of demand
The Demand Function
The demand function relates the quan...

2. A. The Demand function – price and income
elasticity of demand
The Demand Function
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...

2. A. The Demand function – price and income
elasticity of demand
The Demand Function
Changes in price
Changes in other va...

2. A. The Demand function – price and income
elasticity of demand
The Demand Function
At macroeconomic level, the demand e...

2. A. The Demand function – price and income
elasticity of demand
The Demand Function
Q is the quantity demanded per time ...

2. A. The Demand function – price and income
elasticity of demand
Price elasticity of demand
The percentage change in the ...

2. A. The Demand function – price and income
elasticity of demand
Price elasticity of demand
In developing countries, the ...

2. A. The Demand function – price and income
elasticity of demand
Income elasticity of demand
The sensitiveness of demand ...

2. A. The Demand function – price and income
elasticity of demand
Income elasticity of demand
Ernst Engel’s law: food expe...

2. B. Supply function
Characteristics of Supply
Agricultural production: the process of converting certain inputs or
facto...

2. B. Supply function
Input-Output Relationship
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2. B. Supply function
Law of diminishing returns
Marginal physical product (MPP) = Q/ Xi
MPP of an input Xi refers to the ...

2. B. Supply function
Production and supply function
Q = f (T, Pp, P1...Pn, I1...Im, O, MS, W, G)
Q: quantity of an agricu...2. C. The market mechanism for agricultural
products
The supply-demand interaction
Simple: from producer to consumer
Compl...2. B. Supply function
Production and supply function
Q = f (L, K, l)
Q: output produced within a specified time period
L: ...

2. C. The market mechanism for agricultural
products
The damand and supply schedules and the equilibrium
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2. C. The market mechanism for agricultural
products
The damand and supply schedules and the equilibrium
Sticky price
Shif...

3. Government Intervention in Agriculture
Objectives:
Economic rationale for government intervention in Agriculture
Main e...

3. A. Why government intervenes in agriculture?
Agricultural policy as an Economic Policy
Objectives
Instruments
Agricultu...

3. A. Why government intervenes in agriculture?
Purpose of agricultural policy
Stabilize farmers’ income
Slowdown the migr...

3. B. Agricultural Support Policies
Deficiency Payment System
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3. B. Agricultural Support Policies
Import Quotas
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3. B. Agricultural Support Policies
Tariffs
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3. B. Agricultural Support Policies
Variable Levies
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Thank you for your attention
and hard work so far.
Good luck to everyone!
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Basic Definition ofBasic Definition of
EconomicsEconomics
The demand for goods and services
is unlimited.
 Yet the resou...

The Study of EconomicsThe Study of Economics
Although economics deals with
ordinary, everyday things, it does so
scientif...

Economic ConceptsEconomic Concepts
In order for any profession to function
it must develop a working set of
relevant conc...

What Is It That GivesWhat Is It That Gives
Something Value?Something Value?
For something to be of value it
must be useful...

What Is the RelationshipWhat Is the Relationship
Between Utility and Price?Between Utility and Price?
Water is a necessit...

Utility, Scarcity, & PriceUtility, Scarcity, & Price
The key to understanding price
is the relationship between the
amoun...

Utility, Scarcity, & PriceUtility, Scarcity, & Price
 Two-headed dogs are scarce,
yet they do not command a high
price in...

Opportunity CostOpportunity Cost
Opportunity cost is what one is
willing to give up to consume a
particular good or servi...

Marginal AnalysisMarginal Analysis
(Step by Step)(Step by Step)
Analyzing a process
incrementally
 

Law of Diminishing MarginalLaw of Diminishing Marginal
UtilityUtility
 When an individual
consumes additional units
of a ...

Law of Diminishing MarginalLaw of Diminishing Marginal
UtilityUtility A very hungry lad
purchases a dozen donuts.
 The c...

MacroeconomicsMacroeconomics
Deals with the economic system as a
whole. Scope; national & world
economy.
– GDP
– Money su...

MicroeconomicsMicroeconomics
 Scope; from a single individual
to a specific industry.
 Market supply and demand
 Commod...

Agricultural EconomicsAgricultural Economics
The agricultural industry is unique
because;
– It produces products from liv...

AgribusinessAgribusiness
The sum total of all businesses
involved in the production,
manufacture, and sale of agricultura...

Positive vs. NormativePositive vs. Normative
EconomicsEconomics
Facts vs. opinions
 

GraphsGraphs
Economic data is often
displayed in graphic form.
 Graphs make it easier to see
relationships.
 

Y
X
Quadrant I
values of X are positive
values of Y are positive
Quadrant II
values of X are negative
values of Y are posi...

GraphsGraphs
Dependent variable.
– Variable whose value changes as
the result of a change in another
(independent) variab...

GraphsGraphs
 The value of the dependent
variable is shown on one axis
and the value of the independent
variable on the o...

Y
X0
Positive relationship - an
increase in X causes an
increase in Y.
 

Y
X0
Negative relationship - an
increase in X causes a decrease
in Y.
 

Y
X0
Constant relationship - an
increase in X does not change
the level of Y.
 

Y
X0
Changing relationships - an
increase in X has a variable
affect on Y.
 

Y
X0
Changing relationships - an
increase in X has a variable
affect on Y.
 

Implicit Assumptions AboutImplicit Assumptions About
GraphsGraphs
Economists tend to make a lot of
assumptions in order t...

Implicit Assumptions AboutImplicit Assumptions About
GraphsGraphs
 Homogeneous units = the
physical units measured along
...