**Quadrant II – Glossary**

**Programme:** T. Y.B. Sc. (Hons.) Agri.

**Subject:** Agricultural Economics

**Course Code:** ECON-365

**Course Title:**  Farm management, Production and Resource Economics

**Module Name:** Iso-cost lines, Product-Product relationship and Iso-revenue line

**Module No: 11**

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**Glossary of terms/words:**

**Iso-cost lines**

An iso-cost line is a curve which shows various combinations of inputs that cost the same total amount. For the two production inputs labour and capital, with fixed unit costs of the inputs, the iso-cost curve is a straight line.

**Iso-cost line:** Locus of all possible combination of two inputs which can be purchased with a given outlay or budget.

**Expansion Path**

There can be numerous isoclines for different possible combinations of input prices. All these sets of prices of inputs do not prevail at any particular given time. A farm manager has to be considered only one set of input prices that is most appropriate for the planning period. The isoclines depending upon this set of prices (most appropriate) is called expansion path. At any particular time there is only our expansion path possible.

**Iso clines**

A line or curve connecting the least cost combinations of inputs for all output levels is known as isocline. Isocline passes through all isoquants at points where they have same slope. It shows how the relative proportion of the factors changes as the output is increased. It shows that resources should be used along this line as long as MVP> MC of resources used.

**Ridge line**

Represent the points of maximum output from each input, given a fixed amount of the other input. On the ridge lines MPP is zero. Ridge lines represent the economic relevance within the ridge lines MPPs of both the inputs is positive but decreasing.

**Product-product relationship:** The farmers have limited resources and have a number of enterprises/or enterprise combinations of crops and livestock to choose from. So the question is:

How much of what to produce and with what technology. In other words, what combination of enterprises should be produced?

Algebraically, y1 = f (y2)

**Production Possibility curve**

**Production possibility frontier (PPF)** is a curve illustrating the varying amounts of two products that can be produced when both depend on the same finite resources. The PPF demonstrates that the production of one commodity may increase only if the production of the other commodity decreases.

**Joint products:** Result from the same production process and the production of one without the other is not possible. For instance, cotton lint & seed, wheat & straw. In such cases the quantity of one product produced decides the quantity of other product. For production decisions, joint products can be treated as one product. Changes in product combinations are possible in long run only.

**Complementary Products:** Complementarity between two enterprises exists when with a change in the level of one, the other also changes in the same direction. e.g. Maize after berseem.

**Supplementary products:** Exists when increase or decrease in one product does not affect the production level of the other product. All supplementary relationships should be taken advantage of by producing both products to the point where the products become competitive.

**Antagonistic products:** Two products may be detrimental to each other because of disease or similar factors. When this is true, only one of the products should be produced. Eg: Aqua culture and paddy cultivation.

**Competitive products:** This relationship holds when increase or decrease in the production of one product affects the production of another commodity inversely. Competitive enterprises compete for farm resources & substitute for each other. When two products are competitive, some amount of one product must be given up to increase the level of other product. MRPS between products is negative. When two products are competitive, they may substitute at constant rate, increasing rate or decreasing rate.

**Iso- revenue line:** Represents all possible combination of two products which would yield an equal (same) revenue or income.