

SUBJECT: AGRICULTURAL SCIENCE

TOPIC: BASIC ECONOMIC PRINCIPLES (FACTORS OF PRODUCTION)

CLASS: SS2

WEEK: 11

TERM: THIRD TERM

### MEANING OF FACTORS OF PRODUCTION

Factors of production can be defined as all resources or materials needed during agricultural production process. They are known as agents of production. Examples are land, labor, capital, and entrepreneur.

#### LAND

Land can be defined as a free gift of nature which comprises all natural resources such as forest, sea, water, timber, oil, etc. The characteristics of land are:

1. It is a free gift of nature
2. It is fixed in supply
3. It is immobile
4. It appreciates, it does not depreciate
5. It receives rent as a reward

#### CAPITAL

This refers to the amount of wealth set aside to produce more wealth for the owner of the business. The characteristics of capital are:

1. The reward is interest
2. It is mobile and can easily be moved from one place to another
3. It is variable in supply
4. It is prone to depreciation

#### LABOUR

Labour is the total sum of both physical and mental efforts of human beings used in production process. The reward is wages and salary. It possesses the following features:

1. It is mobile
2. It is variable in supply
3. It is prone to depreciation

#### ENTREPRENEUR

Entrepreneur refers to a person who coordinates all other factors of production (e.g land, labour, and capital).he receives profits as a compensation for services rendered or goods produced. He bears all risks that occur. He also makes decision that is pertinent to the survival of the business.

#### BASIC ECONOMICS PRINCIPLES

1. Scarcity
2. Wants
3. Choices
4. Resources
5. Scales of preference

#### IMPORTANCE OF SCALE OF PREFERENCE

1. It aids individual or organizations to meet their maximum satisfaction using their limited resources.
2. It helps individual to make the right choices when it comes to allocating their resources
3. It promotes the efficient use of the scarce resources.
4. It also aids to set the priorities of the individual or firms

#### LAW OF DIMINISHING RETURNS

This is the decrease in the marginal (per unit ) output of a production process as the amount of a production is increased ,the amount of all other factors of production remains constant.

#### BASIC PRINCIPLES OF DEMAND AND SUPPLY

##### Definition of demand

Demand may be defined as the amount of commodities which a consumer is willing and able to buy at a particular time and at a particular price.

#### LAW OF DEMAND

The law of demand states that the lower the price of a certain commodity, the higher the quantity demanded of such commodity and vice versa

#### FACTORS AFFECTING DEMAND

1. Price of the commodity
2. Price of other commodities
3. Income of consumer
4. Size of the population
5. Taste and fashion
6. Government policy

#### TYPES OF DEMAND

There are four types of demand,

1. Joint or complementary demand
2. Competitive or substitute demand
3. Composite demand
4. Derived demand