

Measurement and Analysis of Total Factor Productivity Growth in Modern Variety Potato

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ABSTRACT

The study dealt with the whole scenario of modern variety potato production in Bangladesh covering the period from 1980-81 to 2005-06. The study estimated the extent of shift of production function or the supply curve of modern variety of potato in Bangladesh. The total factor productivity index was estimated using the Tornqvist-Theil index formulation. The growth rate of area, production and yield were found increasing steadily from the year 1980-81. A substantial change has been started from the year 1998-99. The trend of inputs used was found increasing. Almost all the partial as well as the input, output and total factor productivity indices were also found increasing. It may be concluded that for sustaining the present growth of modern variety potato production, the development of new varieties of potato and extensive extension works are needed.

Key words: Growth rate, partial factor productivity, total factor productivity, modern variety potato.

INTRODUCTION

Potato is the leading vegetable crop in the world. At least 40 countries used potato as their staple food (Swaminathan et. al., 1982 and Islam, 1987). In Bangladesh, it is one of the most important vegetables and considered as cash crop. It ranks third after rice and wheat. Almost each and every family consumes potato as vegetable year round in Bangladesh. Both acreage and production of potato are found increasing day by day in the country. But if we look at the productivity it was found not highly encouraging as the modern variety introduction in the country. In the last two consecutive decades there has been tremendous growth both in acreage and production of modern variety potato. Now this is the right time to analyze the factors of productivity for whole scenario of modern variety potato by disaggregating into three sub-periods i.e. a) 1980-81 to 1989-90, b) 1990-91 to 1999-00 and 2001-02 to 2005-06.

In light of the fact that the present study was undertaken to identify the factor of productivity, to estimate the input used in modern variety of potato production, to estimate the partial as well as total factors productivity indices and finally to provide some policy guidelines for scientists, extension personnel and policy makers.

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MATERIALS AND METHODS

Total factor productivity (TFP) analysis is the extension of the partial factor productivity analysis (PFP). Its nature is non-frontier non parametric analysis (Grosskopf, 1993). There are three types of measurement of total factor productivity (Christensen, 1975). The first one is called arithmetic measurement, the second is called geometric measurement while the latest and the most widely used measurement developed by Tornqvist-Theil in 1976 popular with the name Divisia index or Tornqvist Divisia index or Tornqvist-Theil index in most of the literatures (Diewert 1976). This formula was used by Rosegrant *et al.* (1992) in their measurement of TFP in Indian agriculture. However, it is one kind of ex-post type of analysis. In other words, it is known as inter-temporal analysis. The Tornqvist Divisia index formulation was used for the analysis of the present study on modern variety potato. The technique was as follows:

Total Output Index (TOI)

$$TOI_t/TOI_{t-1} = \prod_j (Q_{jt}/Q_{jt-1})^{(R_{jt}+R_{jt-1})/2}$$

Total Input Index (TII)

$$TII_t/TII_{t-1} = \prod_i (X_{it}/X_{it-1})^{(S_{it}+S_{it-1})/2}$$

Total Factor Productivity Index (TFPI)

$$TFPI_t = (TOI_t/TII_t) * 100$$

where, R_{jt} is the share of output j in total revenue, Q_{jt} is output j , S_{it} is the share of input i in total input cost, X_{it} is input i in all period t . By specifying TOI_{t-1} and TII_{t-1} equal to 100 in the initial year. The above equations provide the total output, total input and total factor productivity indices for the specified period t . The indices were estimated considering the base year 1980-81=100. All the inputs and output were computed based on the current prices. Our intension was to analyze the whole scenario of modern variety potato covering the period from 1980-81 to 2005-06.

Data sources and estimation

The time series data on both inputs and outputs were needed to estimate the total factor productivity index. The production data on output and area were obtained from Bangladesh Bureau of Statistical (BBS) year books of 1984-85, 1994-95 and 2005-06. But, the yearly data on cost of production of potato in both physical and monetary terms were not readily available. It was very difficult to estimate all the inputs in both physical and monetary term. For estimating these data, the first step was to collect the relevant information on physical quantity of inputs from various published sources e.g. Journals, Annual reports and Thesis. The second step was to collect the price data on various inputs from the Bangladesh Bureau of Statistical (BBS) year book and Department of Agricultural Marketing (DAM). Besides, certain statistical techniques were used to interpolate and extrapolate the inputs data. Having all the information, the aggregation of total output and inputs in quantities and monetary terms were estimated for the estimation of total factor productivity index of modern variety of potato.

RESULTS AND DISCUSSION

This section deals with the growth rates of acreage, production, yield, inputs used and research and extension cost. Subsequently, the total output and input indices and also the total factor productivity indices in three sub-periods i.e. a) 1980-81 to 1989-90, b) 1990-91 to 1999-00 and 2001-02 to 2005-06 for modern variety of potato were presented.

Growth rates of acreage, production and yield

Comparing the growth rates of acreage, production and yield for three sub-periods, all of the parameters were found significantly different from zero. In period 1980-81 to 1989-90, the growth rates were found lowest while highest rates were observed in the period 2001-02 to 2005-06. This

was only due to the technological breakthrough started in the production of modern variety potato at the beginning of the year 1990 onward (Table 1).

Table 1. Annual growth rates of acreage, production and yield of modern variety of potato during the period from 1980-81-2005-06.

Period	Acreages	Production	Yield
1980-90	3.0***	2.3*	-0.6ns
1991-00	6.9***	8.7***	1.8***
2001-06	13.0***	14.5*	1.5ns
1980-06	5.9***	7.6***	1.6***

*** 0.01 level, ** 0.05 level, * 0.10 level and ns=not significant.

Growth rates of inputs used

Table 2 revealed that the period average inputs used in modern variety potato production in Bangladesh. Majority of the potato farmers of Bangladesh did not use the recommended doses. However, inputs used in potato production were found highest in the period 2000-06 followed by previous period. This was only due to fact that the technological breakthrough was started from the mid eighties and farmers were adopted more and more new technologies. Among them, the seed used was found highest followed by human labour. But if we look at the growth rate of inputs used for potato production in the period 2000-06, all the parameters were found positive except cow-dung, urea, insecticides and rent. On the contrary, almost all the growth parameters were found highest and significantly positive except cow-dung, insecticide and rent in the period of 1990-99. But, almost all the partial factor productivity indices were found highest in the period 2000-06 (Table 4). This was only due to the higher yield of potato. The inputs indices of human labour, animal power, seed, urea and TSP were found highest in the nineties except cow-dung, MP & gypsum insecticides, irrigation and rent.

Table 2. Period average inputs used in modern variety of potato production in Bangladesh (per hectare)

Period	Human labour mandays	Animal power pairdays	Seed kg	Cow-dung kg	Urea kg	TSP kg	MP & gyp. kg	Insect. litre	Irrig. hrs	Rent as kg kg
1980-89	178.20 (.58)	27.35 (1.48)	1248.91 (.63)	1184.20 (.95)	184.55 (2.8)	121.14 (1.86)	216.50 (4.38)	3.85 (21.00)	37.40 (.15)	430 (-2.70)
1990-99	222.75 (2.94)	34.01 (1.82)	1472.22 (2.81)	1133.92 (-.22)	254.33 (1.90)	150.99 (1.72)	366.15 (1.48)	8.68 (-.12)	40.20 (1.50)	390 (-1.76)
2000-06	248.42 (.55)	39.44 (.74)	1688.32 (1.10)	1026.85 (-.87)	283.25 (-.36)	177.76 (3.09)	413.48 (.55)	6.62 (-2.7)	42.67 (2.70)	340 (-8.11)
1980-06	211.54 (1.86)	32.70 (2.00)	1436.20 (1.66)	1128.55 (-.71)	234.16 (2.47)	145.69 (2.12)	319.52 (3.77)	635 (5.55)	39.69 (.76)	390 (-1.41)

Source: Own estimation and figures in bracket indicate growth rates

Table 3. Period average inputs used in modern variety potato production in Bangladesh (000 unit)

Period	Human labour mandays	Animal power pairdays	Seed kg	Cow-dung kg	Urea kg	TSP kg	MP & gyp. kg	Insec. litre	Irrig. hrs	Rent as kg kg
1980-89	11509	1769	80701	76070	11986	7859	2413	27	2413	27570
1990-99	22135	3362	146211	110543	25172	14924	3960	36	3960	36801
2000-06	52043	8240	354420	214209	58861	37666	9018	69	9018	61855
1980-06	24950	3875	169063	121207	27875	17455	4532	40	4532	40737

Source: Own estimation

Table 4. Period average partial factor productivity indices of different inputs used in modern variety potato production in Bangladesh

Period	Human labour	Animal power	Seed	Cow-dung	Urea	TSP	MP & gyp.	Insect.	Irrig.	Rent
1980-89	97.31	101.20	93.76	111.28	83.64	84.60	95.53	112.52	95.53	111.36
1990-99	89.48	92.65	90.92	132.72	68.68	77.26	101.57	141.88	101.57	140.96
2000-06	97.21	97.49	96.64	178.63	75.37	80.05	116.71	197.80	116.71	196.11
1980-06	94.27	97.06	93.33	135.07	75.98	80.73	102.74	143.49	102.74	142.30

Source: Own estimation

In Table 5, the growth rate of research and extension was found high and significant at 1 % level. Tuber Crops Research Centre (TCRC) of Bangladesh Agricultural Research Institute (BARI) contributed a lot for the development of a number of new varieties. But the growth rate of extension was higher than that of research. But the technological breakthrough was not only the preconditions to produce more potato it was also necessary to conduct research to the development of new varieties of potato.

Table 5. Annual growth rates of research and extension investment for potato improvement from 1980 to 2006.

Period	TCRC/BARI	BARC	CIP	Extension	Research
	1	2	3	4	(1+2+3)
1980-2006	8.20***	4.52**	4.64***	13.84***	6.17***

Source: TCRC/BARI, BARC and DAE, *** 0.01 level

Growth rates of output, input and TFPI indices

The annual average growth rates in the total output index (TOI), total input index (TII) and total factor productivity index (TFPI) shown in Table 6. The results estimated for individual years appeared to vary widely (Table 7) because of fluctuation in the prices of input and output. The TOI growth rate was found highest in the period of 2001-2006 but TFPI growth rate was found highest in the period 1991-2000. It indicated that the lion share of profits was received by the potato farmers. In other words, higher the TFPI growth rates higher the efficiency meaning that the farmers were more benefited than that of consumers. It indicated that the farmers were more aware to produce commercially the modern variety of potato using the available potato technologies.

Table 6. Annual growth rates of output, inputs and TFPI indices of modern variety potato production from 1980 to 2006.

Period	TOI	TII	TFPI
1981-90	7.49***	2.01*	3.90*
1991-00	11.3***	7.39***	5.40***
2001-06	15.00**	10.01*	4.55***
1981-06	7.86***	3.68**	4.18***

*** 0.01 level, ** 0.05 level, * 0.10 level and ns=not significant.

Table 7 revealed that the trend of both TII and TOI were found increasing, but the rate was found higher in TOI than that of TII. As a result, TFPI was increasing over the year with the exception in the year of 1982-83 and 1983-84. This was only due to the fact the farmers did not adopt primarily the modern varieties of potato. Moreover the total factor productivity index (TFPI) of modern variety of potato production increased steadily due to the technological progress. In addition, increase in productivity can be induced by giving more attention in the prices of input and output compare to that of research and extension.

Table 7. Annual indices of total input, total output and total factor productivity from 1981-82 to 2005-06.

Year	TII	TOI	TFPI
1981-82	100.00	100.00	100.00
1982-83	118.81	83.16	69.99
1983-84	122.09	73.82	60.47
1984-85	141.95	161.53	113.79
1985-86	151.64	152.56	100.60
1986-87	158.30	178.42	112.71
1987-88	172.60	152.92	88.59
1988-89	190.74	188.26	98.70
1989-90	193.29	229.39	118.68
1990-91	193.43	216.12	111.73
1991-92	217.88	225.78	103.62
1992-93	250.80	265.55	105.88
1993-94	269.94	320.59	118.77
1994-95	252.01	309.38	122.76
1995-96	218.71	281.87	128.88
1996-97	290.14	363.28	125.21
1997-98	286.63	406.94	141.97
1998-99	242.34	347.32	143.32
1999-00	249.71	407.04	163.01
2000-01	311.99	543.35	174.16
2001-02	244.90	442.90	180.85
2002-03	186.44	360.34	193.28
2003-04	208.51	423.18	202.96
2004-05	323.02	706.29	218.65
2005-06	331.92	742.23	223.62
Average	217.11	307.29	132.89

Source: Own estimation

CONCLUSIONS AND POLICY IMPLICATION

The change in yield is a sufficient indicator of productivity. The land productivity can be improved by costly investments that may not fully compensate for the increase in yield. The total factor productivity index is a necessary and sufficient indicator for changes in productivity. But, the present total factor productivity indices of potato were found increasing but the rate was found moderate and satisfactory. This finding was further confirmed by the partial factor productivity indices. All of these factor productivity indices were found encouraging. On an average, the technological change in modern variety potato production during the past period was mostly cost effective for the farmers. In view of these, a) the potato scientist should give effort to break the present yield ceiling of potato by developing high yielding new varieties, b) the Government should give more attention to allocate sufficient fund for further development of potato, c) Policy makers should give attention to minimize inputs price and maximize the output price by any means and d) the extension personnel should be encouraged to increase potato acreage.

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Appendices

Table 1. Total input cost used in modern variety of potato in Bangladesh

Year	Human labour (000 tk)	Animal power (000 tk)	Seed (000 tk)	Cow-dung (000 tk)	Urea (000 tk)	TSP (000 tk)	MP & gyp. (000 tk)	Insect. (000 tk)	Irrig. (000 tk)	Rent (000 tk)	Total (000 tk)
1980-81	121105	29809	234236	6578	21188	11372	35665	5099	92452	35440	592944
1981-82	149836	33765	345927	7057	31727	18001	54164	7935	99107	37991	785510
1982-83	189675	44387	379910	8863	38767	26653	72143	12361	91898	35228	899885
1983-84	217640	50951	459395	11565	48393	29578	85149	22488	120612	46235	1092006
1984-85	303690	65663	437079	9475	66029	42248	118123	33570	151242	57976	1285094
1985-86	328759	87195	366163	9394	62171	38797	111311	25532	172010	65937	1267269
1986-87	397893	101869	376883	12222	62321	43328	116574	30189	206678	79226	1427182
1987-88	452338	133499	579569	13838	74207	51335	136776	62123	252607	96833	1853125
1988-89	356505	86520	523618	7776	64041	41554	114808	68725	217442	83353	1564341
1989-90	382116	91997	652967	11331	64607	40768	114907	90545	231387	88698	1769323
1990-91	445055	110681	774045	15823	89783	62842	166730	91567	269331	103243	2129099
1991-92	537802	141991	840568	12305	102293	81343	200948	129318	298521	114433	2459523
1992-93	496885	129986	985871	13038	103696	84032	208990	152599	318174	121967	2615237
1993-94	712454	175492	1468977	19682	117388	116278	260779	135651	339015	129956	3475671
1994-95	722813	162821	1269061	21434	128170	127335	282460	198224	355276	136189	3403784
1995-96	780648	175879	1977738	23316	122868	166968	318588	205881	357457	137025	4266369
1996-97	744449	171286	1607414	20121	125216	184049	340084	201229	390885	149839	3934572
1997-98	943842	236543	1415471	22624	138920	183110	352348	213581	404787	155168	4066393
1998-99	1809435	399291	2902117	37229	264038	334932	663724	388229	668385	256214	7723594
1999-00	1898414	407635	3783485	42811	253576	326136	638364	396521	686347	263100	8696389
2000-01	2250898	495030	4555570	44963	268521	342472	671102	425024	702094	269136	10024809
2001-02	2888482	574219	4047734	40639	290853	357357	713137	417596	695338	266546	10291904
2002-03	3287308	657577	5144073	48449	317737	377694	767397	442813	754084	289066	12086198
2003-04	3588292	873257	7123939	57597	350285	418209	848261	486388	889061	340807	14976097
2004-05	5745168	1263937	12168585	102663	483628	759856	1374056	770375	1466965	562337	24697570
2005-06	5662140	1403226	10831920	91087	477743	861630	1465261	755325	1555769	596378	23700478
Following are the averages of the period from 1980 to 2006, 1980 to 1989, 1990 to 1999 and 2000 to 2006 respectively											
1980-06	1362063	311712	2509704	27380	160314	197226	393533	221880	453343	173782	5810937
1980-89	289956	72566	435575	9810	53345	34363	95962	35857	163543	62692	1253668
1990-99	909180	211161	1702475	22838	144595	166703	343302	211280	408818	156713	4277063
2000-06	3903715	877874	7311970	64233	364795	519536	973202	549587	1010552	387378	15962843

Sources: BBS, BARI annual report (2006-07), TCRC report, Krishi Diary of different years and journals

Table 2. Acreage, production, yield and harvest price of MV potato in Bangladesh

Year	Area (ha)	Production (ton)	Yield (ton/ha)	Harvest price (tk/ton)
1980-81	50993.93	590400.00	11.58	1520.77
1981-82	56275.30	680615.00	12.09	1210.61
19882-83	61803.64	745064.00	12.06	1078.20
1983-84	64251.01	793681.00	12.35	2302.40
1984-85	67139.68	802500.00	11.95	2247.28
1985-86	65466.40	763505.00	11.66	2693.59
1986-87	65627.53	767450.00	11.69	2302.40
1987-88	77653.85	936935.00	12.07	2747.28
1988-89	65452.23	778989.00	11.90	3393.59
1989-90	69649.80	737525.00	10.59	3593.59
1990-91	76305.67	893860.00	11.71	3393.59
1991-92	80823.89	1049725.00	12.99	3600.00
1992-93	82485.83	1063040.00	12.89	4380.00
1993-94	84307.69	1120120.00	13.29	4100.00
1994-95	84892.71	1151140.00	13.56	3660.00
1995-96	85251.01	1175195.00	13.79	4640.00
1996-97	86364.37	1187720.00	13.75	5210.00
1997-98	88439.27	1229190.00	13.90	4400.00
1998-99	154611.34	2126850.00	13.76	5210.00
1999-00	155987.85	2335390.00	14.97	6390.00
2000-01	162408.91	2600630.00	16.01	4870.00
2001-02	163763.16	2462140.00	15.03	4220.00
2002-03	169141.70	2832090.00	16.74	4450.00
2003-04	189921.05	3298630.00	17.37	7160.00
2004-05	290160.00	4996320.00	17.22	7589.60
2005-06	279750.00	4562800.00	16.31	8044.98

Sources: BBS, BARI annual report (2006-07), TCRC report, Krishi Diary of different years and journals