

Abstract

in recent years, the agricultural sector has been affected by adjustment and consolidation policies and the Fluctuations Of domestic currency leads to uncertainty and the main effects on the value added of this sector. Due to the importance of this issue, in the present study the effects of real exchange rate fluctuations has been examined on the value added of the agricultural sector during 1357-89. To reach this goal, the volatility of real exchange rate has been modeled in the framework of GARCH model and then using the ARDL model, short-term and long-term effects this variable beside of real exchange rate, the value added in the oil sector, the value added of the industries sector, employment in agriculture and capital stock in the agricultural sector has been studied. The results of this study indicated the volatility of the real exchange rate has been the greatest effect on value added of agricultural sector in the short and long term. So that, with by 10 percent increasing of the real exchange rate volatility, the value added of agriculture will decrease by 9/4 and 8/8 percent in the short and long-term. After this variable, the values added of oil and industry sectors have been the greatest impact on agriculture value added. Also the results of this study showed that although the short-term real exchange rate had not been significant effect on the value-added of agriculture, However these variable has been positive and significant effect on the value added of the agricultural sector during long-term. The results indicated a positive and direct effect of employment growth in agriculture and the growth of the capital stock of agricultural on value added of agriculture over the short and long term, such that by 10% increasing in two variables, the value added of the agricultural sector grew 0.7% and 0.5% over short period and 2.1% and 0.9% in long term. Finally, the result of error correction model (ECM) showed the speed of adjustment toward long-run equilibrium in the agricultural value added model slowly being carried out. In other words, if a shock is inserted into the model, the two periods are needed to model adjust itself, and again to get the initial equilibrium.

Keywords: value added of agriculture sector, the volatility of exchange rate, GARCH model, ARDL model.



University of Zabol
Graduate school

Faculty of Agriculture
Department of Agricultural Economics

**The Thesis Submitted for the Degree of M.Sc
In the field of Agricultural Economics**

Title:

**The effect of uncertainty due to
exchange rate volatility on added value
agricultural sector during 1978-2010
in Iran**

Supervisor:

Dr. M. Salarpour

Advisers:

Dr. H. Mohammadi

Dr. S. Ziayi

By:

O. Abgoun

February 2013