

Movement of Agricultural Prices Relative to Industrial Prices

28. The terms of trade, of late, is moving in favour of the agricultural sector. Significant increase in the MSP in recent years helped secure a higher benchmark free market prices thus benefitting the surplus-producing farmers. The current agricultural policy, by lifting some of the restrictions on agricultural trade and reducing trade protection to industry has attempted to correct the earlier policy bias favouring industry, thus improving the incentive regime for agricultural producers. The movement in the indices for agricultural and manufactured products since early eighties indicates, that agricultural product prices have moved faster than the prices of manufactured products. This trend is clearly visible in the movement of the price index of agricultural products relative to the index of prices of manufactured products from 103.5 in 1989-90 to 116.8 in 1997-98 (Table 5.12).

TABLE 5.12				
Index Numbers of Wholesale Prices of Agricultural Commodities Relative to Manufactured Products (Base: 1981-82=100)				
Year	General Index of Wholesale Prices	Price Index of Agricultural Products	Price Index of Manufactured Products	Agriculture Price index as percent of Manufacturing
Weight	100.00	27.47	57.04	
1982-83	104.9	107.3	103.5	103.7
1983-84	112.8	121.4	109.8	110.6
1984-85	120.1	129.2	117.5	109.9
1985-86	125.4	129.1	124.4	103.8
1986-87	132.7	142.8	129.2	110.5
1987-88	143.5	161.8	138.5	116.8
1988-89	154.2	170.9	151.6	112.7
1989-90	165.7	174.4	168.6	103.5
1990-91	182.7	198.3	182.8	108.5
1991-92	207.8	236.8	203.4	116.4
1992-93	228.7	255.5	225.6	113.2
1993-94	247.8	271.4	243.2	111.6
1994-95	274.7	307.6	268.8	114.4
1995-96	295.8	330.5	293.1	112.8
1996-97	314.6	358.4	305.0	117.5
1997-98**	329.8	371.0	317.6	116.8

* Composite index of the sub-groups - Food Articles and Non-food Articles
 ** Annual average April-March, 1998(Provisional)
 Source: Office of Economic Adviser, Ministry of Industry.