

Movement of agricultural prices *vis-à-vis* manufactured prices

5.28 Agriculture accounts for one fourth of the country's GDP. Due to the sheer size of the agricultural economy, gains (and setbacks in a bad year) in agricultural production have significant potential impact on growth and poverty. A good agricultural growth provides demand stimulus for industrial products. In the post-reform period, policy emphasis shifted to liberalising trade in agriculture. Quantitative restrictions (QRs) were dismantled in April 2001. These policy changes now provide an opportunity to farmers and agro-based industries to tap the world markets. The new economic environment has created a conducive environment for improving the terms of trade for agriculture *vis-a-vis* the manufacturing sector. The price index of agricultural products has moved much faster as compared to the manufactured products in recent years. Trade liberalisation and removal of quantitative restrictions have helped promote greater export growth in agricultural commodities. (Table 5.7)

Table 5.7 : Index numbers of wholesale prices of agricultural commodities relative to manufactured products				
Year	General index of wholesale prices	Price index of agricultural products*	Price index of manufactured products	Agriculture price index as percent of manufacturing
Base : 1981-82=100				
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	110.0
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	103.4
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	113.3
1993-94	247.8	271.4	243.2	111.6
Base : 1993-94=100				
1994-95	112.6	116.1	112.3	103.3
1995-96	121.6	126.0	121.9	103.3
1996-97	127.2	136.4	124.4	109.7
1997-98	132.8	140.3	128.0	109.6
1998-99	140.7	157.2	133.6	117.7
1999-00	145.3	159.1	137.2	116.0
2000-01	155.7	163.7	141.7	115.5
2001-02	161.3	169.6	144.3	117.5
2002-03**	165.8	174.5	147.4	118.4
* Composite index of the sub-groups - Food Articles and Non-food Articles				
** Apr-Dec 2002				