

## Movement of Agriculture Prices relative to Industrial Prices

31. The Terms of Trade Index as indicated by the comparative movement of the Wholesale Price Index (WPI) of Agricultural sector over the Manufacturing sector has moved in favour of Agriculture. The Agriculture sector has remained more remunerative relative to the manufacturing sector since early eighties, which is borne out by the fact that the agriculture prices have moved faster than prices of manufacturing sector. The trend is clearly visible in the movement of the index of prices of agricultural products relative to the index of prices of manufactured products from 103.5 in 1989-90 to 126.1 in 1998-99 (as indicated in Table 5.13). Recent changes in trend in allowing higher increase in MSP as part of agricultural policy changes including lifting some of the restriction on agricultural trade, have created conditions to bring about a more favourable trade regime for agriculture products.

TABLE 5.13				
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	370.5	317.5	116.7
1998-99**	352.0	417.4	331.0	126.1

\* Composite index of the sub-groups - Food Articles and Non-food Articles  
 \*\* Annual average April-December, 1998 (Provisional)