

# Regional Variations in Foodgrain Prices

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THE all-India index numbers of the wholesale prices of foodgrain are constructed on the basis of prices reported from a large number of markets spread over the country. The index numbers represent a simple average of these prices, the implicit weightage given to the prices prevailing in 'surplus' and 'deficit' areas depending therefore on the geographical distribution of the reporting markets. Since the absolute price levels for (more or less) comparable qualities of grain, as well as their movements over time, have displayed very considerable regional differences, the all-India index numbers conceal almost as much as they reveal about the behaviour of foodgrain prices in the country.

## Widening Margins

Table 1 shows the absolute prices of coarse rice reported from a representative sample of markets located in areas generally known to import/export large quantities of rice. Since there were no restrictions on inter-regional movements between 1954 and 1956 the differences in price during this period were of a relatively small order, but the position changed with the formation of zones<sup>1</sup> early in 1957 and the imposition more recently of restrictions on inter-State (and even inter-District) movements of rice.

Since the quotations for September 1965 refer to controlled prices (except for Ranchi) they do not really show the impact of the restrictions on prevailing open market prices. While the market prices might have been held close to the controlled

prices in the exporting centres they are likely to have been very much higher in the importing areas (as in fact is indicated by the price reported in Ranchi where it was not controlled). If therefore we consider only the reported changes between 1955 and 1964 it will be seen that while the price of rice went up by about 100 per cent in the importing areas (in Ranchi and Bihar a little more), and almost as much in the

Since the price of wheat has not been controlled in any of the markets concerned, the quotations for September 1965 can be taken as reflecting the prices prevailing in the open market in the respective areas. It will be seen that, even in this year of acute food shortage, the price of wheat in the Punjab was only about 57 per cent higher than it was a decade ago while it was twice as high in Madhya Pradesh,

Table 2: Wholesale Prices of Wheat

(in Rs. per maund)

|                          | Sept. 1955 | Sept. 1958 | Sept. 1961 | Sept. 1964 | Sept. 1965 |
|--------------------------|------------|------------|------------|------------|------------|
| <b>Exporting Centres</b> |            |            |            |            |            |
| Moga (Punjab)            | 12.56      | 16.12      | 16.05      | 21.74      | 19.78      |
| Kotah (Rajasthan)*       | 10.25      | 17.75      | 15.87      | 19.25      | 19.22      |
| <b>Importing Centres</b> |            |            |            |            |            |
| Hapur (Uttar Pradesh)    | 11.13      | 22.50      | 15.00      | 35.45      | 29.38      |
| Khagaria (Bihar)         | 12.00      | 19.50      | 19.25      | 28.64      | 39.18      |
| Sagar (Madhya Pradesh)†  | 11.25      | 21.25      | 14.00      | 26.49      | 22.57      |

\* Rajasthan is normally self-sufficient and is only marginally an exporting area.

† Madhya Pradesh is normally a net exporter of rice and importer of wheat.

exporting centres of Madhya Pradesh and Orissa, it rose by only about two-thirds in both Andhra Pradesh and Madras, resulting in a widening of the margins between the absolute prices prevailing in these two areas and in the rest of the country.

Similar divergence of price movement can be noticed in the case of wheat<sup>2</sup> (see Table 2), though in this case one would expect imports from abroad to have had a greater impact on prices in the importing areas.

more than 2½ times as high in Uttar Pradesh, and more than 3 times as high in Bihar.

The price-level of commodities other than foodgrain had risen during this period by more than 60 per cent. The relative price of wheat has therefore in fact fallen in the Punjab compared to a decade ago<sup>3</sup>. This is in contrast with the trend elsewhere, since the relative price of foodgrain in India as a whole in 1964-65 was nearly 30 per cent higher than in 1955-56 and the rise must have been even greater in the 'importing' areas where foodgrain prices have risen much more sharply than in the country on the average.

Table 1: Wholesale Prices of Coarse Quality Rice

(in Rs. per maund)

|                            | Sept. 1955 | Sept. 1958 | Sept. 1961 | Sept. 1964 | Sept. 1965 |
|----------------------------|------------|------------|------------|------------|------------|
| <b>Exporting Centres</b>   |            |            |            |            |            |
| Kakinada (Andhra Pradesh)  | 14.25      | 19.75      | 22.00      | 23.88      | 23.51†     |
| Jagdalpur (Madhya Pradesh) | 11.00      | 14.25      | 16.00      | 21.64      | 21.73†     |
| Balasore (Orissa)          | 13.00*     | 14.50      | 17.50      | 25.37      | 22.20†     |
| Kumbhakonam (Madras)       | 14.00      | 20.75      | 24.00      | 25.19      | 23.32†     |
| <b>Importing Centres</b>   |            |            |            |            |            |
| Ranchi (Bihar)             | 14.00      | 18.25      | 17.25      | 29.49      | 38.99      |
| Kalyan (Maharashtra)       | 15.00      | 27.00      | 20.75      | 33.58      | 26.33†     |
| Contai (W. Bengal)         | 15.50      | 25.00      | 18.50      | 24.02†     | 24.46†     |
| Kozhikode (Kerala)         | 13.75      | 19.50      | 22.96      | 25.19      | 23.51†     |

\* The quoted price is for December 1964.

† Controlled price.

## Puzzling Behaviour of Wheat Prices

One of the puzzling features about the behaviour of wheat prices is however the sharp rise in prices recorded in the 'importing' areas (listed in Table 2) after 1961 despite the continuing and large volume of wheat imports into the country. The rise was relatively much sharper in the areas depend-



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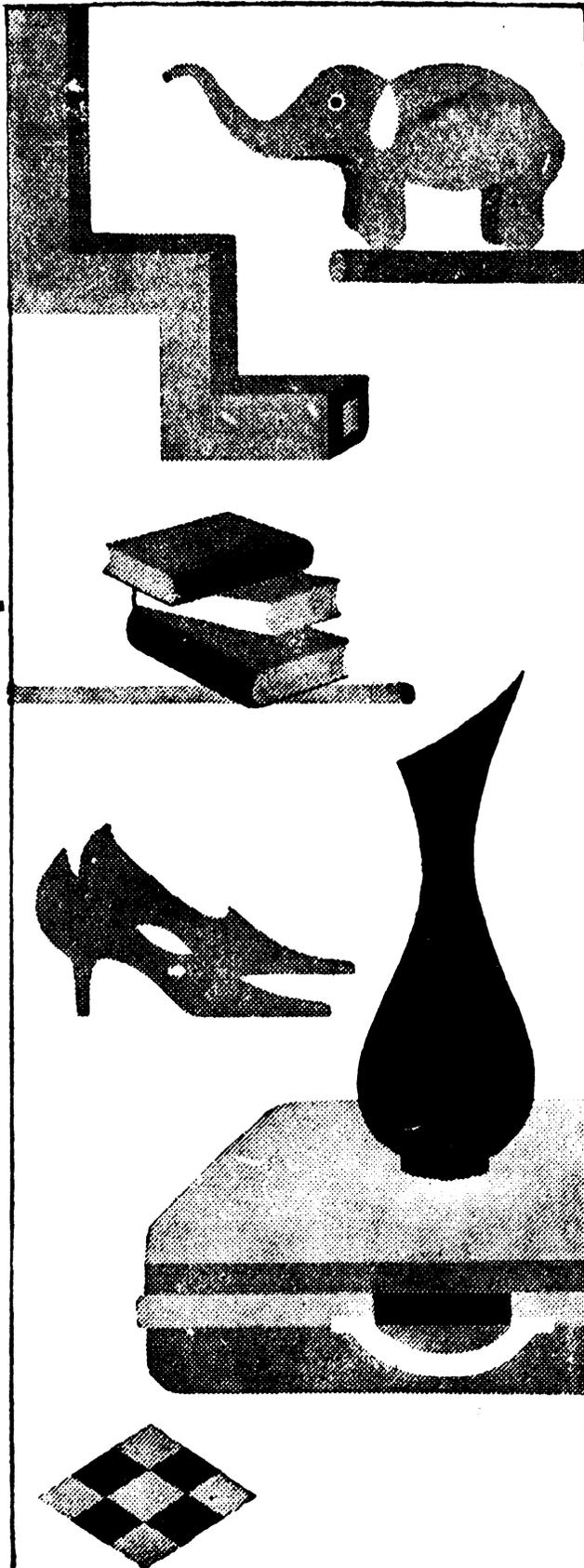
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Table 3: Issue of Foodgrain by Government, 1961

|                | Total Amount of Foodgrain Issued by Government (in million tonnes) | Grain Issued Per Capita (in tonnes) | Percentage of Urban to Total Population (1961) |
|----------------|--|-------------------------------------|--|
| Maharashtra    | 1.352  | 0.032                               | 28.2   |
| Gujarat        | 0.546  | 0.025                               | 25.8   |
| West Bengal    | 1.128  | 0.030                               | 24.5   |
| Uttar Pradesh  | 1.352  | 0.017                               | 12.9   |
| Bihar          | 0.765  | 0.016                               | 8.4  |
| Madhya Pradesh | 0.197  | 0.006                               | 14.3   |

ent on imports of wheat than in areas dependent on imports of rice (see Table 1).

The explanation is probably that, though imported wheat was being sold by the Government until January, 1965 at Rs 14.00 per maund, the distributing agencies were located mainly in the urban centres. The sales could not have therefore had any considerable impact on States having a relatively small percentage of their population in the towns and which needed imports for meeting the requirements of rural areas.

That the average amount of grain issued per capita by the Government in the urbanised States of Maharashtra, Gujarat and West Bengal have been much larger than in the three States (referred to in Table 2) which are net importers of wheat but which are not so urbanized will be evident from Table 3.

If the hypothesis is correct it would seem that while imports of wheat had the effect of meeting consumer demand in the urban areas, and depressing the price of wheat in areas with exportable surpluses (which would otherwise have had to meet this demand), they had only a peripheral effect on wheat prices in the less urbanized areas which needed imports. This again is in the ultimate analysis attributable to restrictions on inter-regional movements. As will be seen from Table 2, the differences in the price of wheat as between the 'exporting' and 'importing' centres (as well as between the prices in these centres and the price at which wheat was being issued by the Government)<sup>1</sup> were not very large in 1961 when there were no such restrictions.

### Movement Restrictions

The full impact of the movement restrictions on foodgrain prices in different parts of the country is not really reflected in the prices reported from wholesale markets, since prices in a large number of these markets (particularly of rice) have been recently controlled. While the price at which foodgrain is issued by the Government has risen even less than the controlled prices in the wholesale markets, foodgrain prices have risen far more in areas which are dependent on imports but are neither covered by the government's distribution system nor permitted to have the benefit of inflow of foodgrain from other areas through private trade. It is the resulting disparities in price movement, and more particularly the sharp rise in prices to which some areas have been subjected, that have made the food crisis assume serious proportions in the current year.<sup>2</sup> (See Table below to

be read with footnote 5 on page 52) Unfortunately the data necessary for bringing out the full extent of the disparities in price movement are not available.

Taking a longer view, it is evident that areas with potentially large export surpluses of foodgrain but which were hitherto relatively much less exposed to forces of commercialization (like Madhya Pradesh and Orissa) have got more closely integrated into the economy during the last decade. This is reflected in the steady upward trend of foodgrain prices in these areas over the decade 1955-1964, almost matching the trend of prices in the 'importing' areas (see Table 1). The exporting areas which show a different trend (i.e. a significantly lower rate of rise in prices than in the importing areas) are, curiously enough, those which were already very considerably commercialized and which have experienced high rates of agricultural growth during this period i.e., Madras, Andhra Pradesh and the Punjab.<sup>6</sup> These States account for a considerable proportion of the cultivated area with irrigation and/or assured water supply and will therefore receive particular attention in any programme for accelerating the rate of increase of foodgrain production in the country. The need to have a policy which not only promotes high rates of growth in these areas but integrates them fully into the national market for foodgrains, so that other areas are able to share in the resulting benefits, is therefore self-evident.

|         | Output of Previous Agricultural Year | Imports | Total Available Supply | Population (In millions) | Per Capita Availability during the Year |
|---------|--------------------------------------|---------|------------------------|--------------------------|---|
|         | (In million metric tonnes)           |         |                        | (In metric tonnes)       |   |
| 1960-61 | 76.7                                 | 5.1     | 81.9                   | 432.7                    | 0.189                                   |
| 1961-62 | 82.0                                 | 3.5     | 85.5                   | 442.7                    | 0.193                                   |
| 1962-63 | 82.8                                 | 3.6     | 86.4                   | 453.4                    | 0.191                                   |
| 1963-64 | 78.5                                 | 4.6     | 83.0                   | 464.3                    | 0.179                                   |
| 1964-65 | 80.1                                 | 6.3     | 86.4                   | 475.5                    | 0.182                                   |
| 1965-66 | 88.4                                 | N.A.    | (88.4)                 | 487.0                    | 0.182                                   |

**Footnotes:**

- 1 The Southern Rice Zone comprising Andhra Pradesh, Madras, Kerala and Mysore was formed in July 1957; the Eastern Rice Zone comprising West Bengal and Orissa in December 1959; and a common rice-wheat zone comprising Madhya Pradesh, Gujarat and Maharashtra in November 1960.
- 2 In the case of wheat three zones were formed in June 1957 comprising: (i) Himachal Pradesh, Punjab and Delhi, (ii) Uttar Pradesh, and (iii) Rajasthan, Bombay State (excluding the City) and Madhya Pradesh. All restrictions on the movement of wheat were removed in April 1961, but were reintroduced in March 1964.
- 3 The Punjab has also experienced a high rate of economic growth in this decade, with probably an average rate of growth of per capita income of about 3 per cent. If we assume the income-elasticity of demand for foodgrain to be 0.45 (taking here the 'quantity elasticity') the per capita consumption of foodgrain in the Punjab in 1964-1965 is therefore likely to have been about 15 per cent higher than a decade earlier. In contrast, in States like Bihar and Orissa, in which per capita income does not appear to have risen significantly but the relative price of foodgrain has risen sharply, per capita consumption of foodgrain has probably fallen during this period.
- 4 The issue price of wheat was raised by the Government in January 1965 to about Rs. 18 per maund; this was still much lower than the wholesale price of wheat in September 1965 in the 'importing centres' listed in Table 2.
- 5 As the output of the agricultural year 1965-66 could be assumed to affect market supply with a time-lag, the availability of foodgrain per capita in 1965-66 would appear to have been higher (even without taking imports into account) than the per capita availability in 1964-65 imports.
- 6 The linear rate of growth of rice production in Madras and Andhra Pradesh between 1952-53 and 1961-62 was 5.5 and 4.7 per cent respectively; in the Punjab the rate of growth of production of wheat during the same period was 5.5 per cent. See Ministry of Food and Agriculture, "Growth Rates in Agriculture," December 1964.

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