



Food Prices and Inflation in Tamilnadu: A Case Evidence from Secondary Data

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The higher food prices is the rising demand for high value agriculture products such as pulses, milk, livestock, vegetables, and food grains .The present study concern about Cereals from food grains. This paper analyzes the causes of food inflation of six Cereals between the period of 2001 to 2010 for Tamilnadu. It includes paddy, cholam, Combo, Maize, Ragi, and small millets. During the study period (2001-2010) the quantity of such valuable commodities and its share value to GDP has been declined. The inflation pressure on these commodities arises due to seasonal factors and supply constraints. The seasonal factors namely unfavorable and inadequate rainfall and poor agro-climatic conditions are the main cause of inflation of food prices in India in general and Tamilnadu in particular. This study also finds that the relationship between annual rainfall, growth of Cereals which causes of the inflation. The global economy has influenced the domestic prices mainly through on oil price hikes. The import of the non–foodgrain commodities has also been one among the factor which was primarily responsible for increases of food prices in India as well as Tamilnadu too.

KEYWORDS: Food prices, food inflation, growth of cereals, Minimum support price

Methodology:

Objectives

- ❖ To find the relationship between annual rainfall and growth of cereals
- ❖ To identify the growth of cereals in tamilnadu
- ❖ To find the causes of inflation for cereals.

The study period covers from 2001-02 to2010-11. The regression analysis is used to growth of production over the decade. The correlation is used to find the relationship between rainfall and production. The variables are rainfall, production, wholesale price index, minimum support price. The data were obtained from RBI Bulletin, Ministry of Agriculture, India, Office of Economic adviser, ministry of commerce and industry.

Growth of cereals

Table.1 shows the production of coarse cereals is increased by 834.7 thousands of tones to 1878.7 thousands of tones. It increased by 2.25 times over the period of 2001-02 to 2010-11. The average production of coarse cereals is 1230.05 thousands of tones during this period. The annual growth rates were positive, except two years. The index number also shows production of cereals increased by 2.25 times.

The results of the trend analysis reveals that the growth of cereals production increased annually by 142.61 thousands of tones during the period of 2001-02 to 2010-11. The regression co-efficient of the semi-log linear model implies that production of cereals increased CGR 12.30 percent for this period. The regression co-efficient of both models are significant at 1 percent level. The value of adjusted R^2 exceeds 7.0 in the both models. It means that production of cereals has shows a linear trend and more than 70 percent of variations in the dependent variables are explained by the independent variables.

The relationship between production and rainfall

Factors such as fertility of land, monsoon behavior, rainfall, application of fertilizers, climate condition, marketing facilities, prices, availability of labors are determinant the area and productivity of any crop. Hence one among the reasons, namely rainfall has linked with production of cereals during the year of 2001-02 to 2010-11

The correlation co-efficient of rainfall and production shows a positive relationship. Because of rainfall may the cause of increase the level of production.

Wholesale price index and Minimum support price

The Wholesale price index of coarse cereals has shown an increasing trend during the period from 2001-02 to 2010-11. It increased 1.31 times over the period. It increased from 136.1 to 178.4

The minimum support price given by the government has been increased by 1.18 times during the 2001-02 to 2010-11. This is also one of the reasons to increase the production of Cereals. The government has announced the e minimum support price for coarse cereals Rs 485 per quintal in 2001-02. It increased Rs 880 per quintal in 2010-11. This is the important reason for increase domestic supply. Even though food prices and rate of inflation have been increased. The imports of oil commodities and imbalance between exports and imports are the important factors of inflation on food prices.

TABLE .1**PATTERN OF GROWTH OF CEREALS DURING 2001-02 TO 2010-11**

YEAR	PRODUCTION	INDEX NUMBER	ANNUAL GROWTH RATE
2001-02	834.0	100	-
2002-03	682.8	81.9	-18.12
2003-04	983.0	117.9	17.86
2004-05	868.0	104.1	4.08
2005-06	730.2	87.6	-12.45
2006-07	1361.9	163.3	63.30
2007-08	1357.1	162.7	62.00
2008-09	1755.1	210.4	110.43
2009-10	1850.4	221.9	121.87
2010-11	1878.2	225.2	125.20

Source: RBI BULLETIEN

TABLE.2**CORRELATOIN BETWEEN RAIFALL AND PRODUCTION**

VARIABLE	MEAN	SD	CORRELATION
PRODUCTION	1230.07	472.868	.330
RAINFALL	1009.42	180.062	.330

TABLE.3**GROWTH OF PRODUCTION IN****TAMILNADU**

Variable	Year	Model	a	b	SE _b	R ²	Adjusted R ²	CGR
Production of Cereals	2001-02 TO 2010-11	Simple linear	445.720	142.609**	22.516	.834	.813	-
		Semi-log linear	6.408	0.116**	0.20	0.801	0.776	

Significant at 1 percent level

TABLE.4
MINIMUM SUPPORT PRICE OF FARMERS

YEAR	Wholesale price Index BASE 1993-94=100	Minimum Support price (Rs per Quintal)
2001-02	136.1	485
2002-03	106.3	485
2003-04	154.0	505
2004-05	136.1	515
2005-06	138.5	525
2006-07	138.5	540
2007-08	166.4	600
2008-09	163.5	840
2009-10	137.0	840
2010-11	178.4	880

Source: RBI BULLETIEN

Conclusion

The relationship between rainfall and production of coarse cereals were positive. Hence sufficient rainfall has been produced more cereals, which is domestic supply of cereals is increasing trend in India, particularly Tamilnadu. The government has been given the minimum support price to farmers to encourage domestic production of cereals. The sufficient rainfall is also increase the production of cereals during 2001-02 to 2010-11. Even though, the rises in food prices in India due to import of oil commodities and relative commodities. India importing not only oil price hikes but also import the high inflation rate. The government should increase domestic supply and exports, shall reduce the payments and increase the receipts. It should also reduce the gap between exports and imports.

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