AGRARIAN PERFORMANCE AND FOOD PRICE INFLATION IN INDIA: INSIGHTS AND LESSONS FROM PRE- AND POST- ECONOMIC LIBERALISATION EXPERIENCES

Sthanu R. Nair[1]
Leena Mary Eapen[2]

It has been argued that the rising food inflation in India in recent years is rooted in the dismal performance of the Indian agricultural sector after the economic reforms period. In this context, this paper examines the impact of agrarian performance on food inflation in India from a long-run perspective. For the purpose, the growth path of Indian agricultural sector is divided into four phases: pre-Green Revolution (GR) period (1950-51 to 1966-67), initial stage of GR (1967-68 to 1979-80), maturing stage of GR (1980-81 to 1991-92) and post-economic reform period (1992-93 to present).

The results show that despite the decline in the agricultural sector during the post-economic reforms period, food was relatively cheaper during this period compared with the best phase (1980-81 to 1991-92) of Indian agriculture. The much celebrated maturing stage of GR has not turned out to be price friendly. In our view, there are two reasons for this outcome. First, thanks to open trade and comfortable foreign exchange reserve position, since 1992 India has managed to import adequate quantities of food whenever a domestic supply-shock emerged. Second, the growth path of Indian agriculture was more stable during the post-economic reforms period than the other periods, implying that from the point of view of food prices stability of growth is more important than high and fluctuating growth.

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Research, Conference & Publications Office,
IIM Kozhikode, IIMK Campus PO, Kozhikode 673 570, Kerala, India

Phone: (91)0495 2809238
Email: rcp@iimk.ac.in

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[1] Associate Professor, Economics, Indian Institute of Management Kozhikode (IIMK), email: srn@iimk.ac.in
[2] Assistant Professor, Economics, Indian Institute of Management Kozhikode (IIMK), email: leenaeapen@iimk.ac.in