

PRICE BEHAVIOR OF AGRICULTURAL COMMODITIES

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ABSTRACT

This paper analyses the price behavior of agricultural commodities in India. The analysis pertains to the period 1975-76 to 2001-02. The results reveal that over the years the importance of technology (yield) and input cost on influencing the prices has declined. The study reveals the importance of the amount of money with the public and real income on the demand side and the quantum of public distribution of foodgrains on the supply still play an important role in the explanation of the price variations. However, the stock variable which is supposed to have an inverse relationship with the prices has not turned out to be significant. Alternative models for analysing the price behaviour was attempted by testing for stationarity of the error terms of the above variables for the period 1950-51 to 2004-05.

Keywords: Price behavior, Public distribution system.