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## FOREWORD

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This study was commissioned by the Commonwealth Secretariat, London, from the National Council of Applied Economic Research, New Delhi. The object of the study was to investigate and analyse the impact of the oil price increase on the production of rice and wheat, the two major foodgrains in India, and on the basis of this analysis to gain some knowledge of the likely course of production in the future.

On account of the basic structural changes that have occurred over the last decade in the input-output relationships in both wheat and rice cultivation, the considerable importance of weather in the short run, and the quite extraordinary rise in the prices of petroleum based agricultural inputs, particularly fertilizers, it was felt that much reliance could not be put on the predictive techniques normally used in such cases. Instead, it was decided to go direct to the farmer for primary data on his response to the increase in the prices of petroleum based inputs. It was further decided to use this data for foreseeing the probable course of production in the future, not quantitatively, but in terms of identifying the dynamic forces that would be released under pressure and those that might need to be released in order to absorb the impact of the price rise without endangering the existing trends in production growth or long-term plan targets. Apart from technical considerations, the dominant reason for adopting this approach was the imperative for increased foodgrain production in India and the fact that directive planning is an accepted instrument for economic development.

The sample of farmers selected for the study is relatively small and restricted, but this was a limitation imposed by the constraints both of time and money. However, it provides an adequate basis for the purpose for which it is used. Conclusions do not lead to quantitative estimates but to insights into farmers' behaviour in the face of a dramatic change in the factor price relationships.

In conducting this study, I was ably assisted by Dr. S.N. Kaul, Mr. H.Y. Siddiqui and Mr. P.K. Roy. A group of interviewers did commendable work in assembling the data.

Thanks are due to Mr. A.F.A. Husain of the Commonwealth Secretariat, who requested this study from the National Council of Applied Economic Research, New Delhi, and to Prof. M.V. Mathur, who was Director-General of the National Council for his support.

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