

## Determinants of Oils Prices (Edible and Non-Edible Oils) 1952-53 to 1978-79

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Over the past decades, the oils prices particularly edible oil prices have increased sharply in India. Comparing the movements in groundnut oil prices with price index of "all commodity" group (Table 1) it is revealed that while in 1950's the prices of groundnut oil were decreased by 2 per cent, in 1960's the price index of groundnut oil rose by almost 45 per cent more than that of "all commodities" (158.5 per cent against 82.7 per cent). In the 1970's the increase was 102.2 per cent in case of groundnut oil against 121.6 per cent in case of "all commodities". Thus between 1949 and 1979, as compared to increase of 367.2 per cent in the index of wholesale prices for "all commodities", the wholesale price index of groundnut oil experienced a rise of 412 per cent. Similar upward trend is also observed in case of remaining oils (Table 1).

The prices of oils particularly groundnut oil thus subjected to more significant variations as compared to the movements in the prices of all commodities. Many factors have been added to explain the movements in prices of oils; increased real income, rise in population, variations in the domestic supply of oils, lagged demand, imports of oils etc., all of which have resulted into an expansion of demand for oils. In addition to these real factors, the oilmillers'/traders' behaviours in regulating prices have played an important role (Narappanavar and Bharadwaj, 1983). In this study, an attempt is made to understand the market mechanism of oils economy and to measure the relative importance of various factors in influencing the price movements in major oils consumed in India. The details of formulation of the relationship between oils prices and some of the major demand and supply factors listed above, have been presented in the following section.

### 2. THE MODEL

The behaviour of foodgrain prices in India (Mellor and Dar, 1968; Divatia and Pani, 1968; Thamarajaksji, 1970; Ray, 1972) have been examined by a number of research workers. They all have come to the conclusion that the demand functions for foodgrain are price inelastic and past