

## Trends in Domestic Terms of Trade of Agricultural Sector of Pakistan

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**Abstract :** The changes in the prices of the agriculture commodities combined with changes in population and agriculture productivity affect farmers' profitability and standard of living. This study intends to estimate various domestic terms of trade for agriculture sector and also to assess the volatility in the standard of living and profitability of farmers. The terms of trade has been estimated for Pakistan and its provinces using producer prices indices, consumer price indices, input prices indices and quantity indices using the data for the period 1990-91 to 2008-09. The domestic terms of trade of agriculture sector has been improved in terms of both approaches i.e. the ratio of producer prices indices to consumer prices indices and the real per capita income approach. However, the cross province estimates indicated that the terms of trade also improved for Khyber Pakhtunkhwa, Sindh and Punjab while Balochistan's domestic terms of trade deteriorated drastically. In other words the standard of living of the farmers in Pakistan and its provinces except Balochistan improved. Using the input prices, the domestic terms of trade deteriorated for Pakistan as a whole and its provinces as well. This also explores that as a whole the profitability of the farmers reduced during the study period. The farmers pay more prices for inputs as compared to they receive for their produce. This further indicates that the poverty at the gross root level has been increased. Further, summing, the standard of living of the farmers improved but their profitability reduced, which indicates that the farmers do not completely rely on the farm income but also utilize some other sources of income for their livelihood. The study supports to give subsidies on farm inputs so as to improve the profitability of the farmers.

**Keywords :** agricultural terms of trade, farmers' profitability, farmers' standard of living, consumer and producer price indices, quantity indices

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