

Farm Product Price Index (FPPI)

The Farm Product Price Index (FPPI) follows the prices farmers receive for their products. In April 2008, the FPPI (1997 = 100) stood at 119.7. Sub-index weightings for 2008 were Crops 45.4% and Livestock 54.6%. Each sub-index is broken down into basic-indices representing, for example, grain, fruit, cattle, eggs, and so on.

a) Explain what is meant by 1997 = 100, and how it relates to 2008.

b) In April 2008, the Crop sub-index had a value of 144.2 and the Livestock sub-index had a value of 99.4. Show how these values are used to determine the value of the FPPI.

c) If the Crop sub-index increased by 1% from its April 2008 value and the Livestock sub-index decreased by 0.5% from its April 2008 value, calculate the new value of the FPPI.