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Directorate L. Economic analysis, perspectives and evaluations
L.2. Economic analysis of EU agriculture

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NOTE TO THE FILE

Subject: November update on recent agricultural commodity and food price developments in the EU

Development in agricultural prices

Most major agricultural commodities showed a strong price decrease during the last months, with the recent fall in prices accelerating. October 2008 price levels for major agricultural products were in parts considerably below the levels observed during October 2007 (soft wheat (-35%), barley (-39%), maize (-41%), skimmed milk powder (-37%), and butter (-30%)) (cf. Table 1). For cereals, SMP and butter, prices now came back to levels comparable to or even lower than those reached before the start of the price surge (cf. Graphs 3, 4 and 5 in annex).

Table 1 Change in EU agricultural commodity prices (% , October 2008 compared to October 2007)

	Soft wheat	Durum wheat	Maize	Barley	SMP	Butter	Cheese (Edam)	Beef	Pork	Poultry
EU	-35,3%	-27,0%	-40,9%	-39,3%	-36,9%	-30,2%	-0,3%	8,8%	19,7%	-0,7%
Austria	-27,6%		-51,3%	-40,1%				9,0%	18,1%	0,3%
Belgium	-39,8%		-34,9%	-45,7%	-45,2%	-42,4%		8,3%	19,1%	1,9%
Bulgaria	-43,9%		-51,9%	-38,0%					9,4%	8,7%
Cyprus		62,9%		-12,6%					3,5%	0,6%
Czech Republic	-29,7%		-48,4%	-39,9%	-28,6%	-35,7%	-11,7%	10,9%	24,2%	6,4%
Germany	-39,7%		-44,3%	-45,3%	-44,1%	-41,5%	-27,1%	11,6%	20,3%	-2,1%
Denmark	-30,3%			-47,6%	-30,8%	-13,9%		13,6%	17,1%	7,2%
Estonia	-26,6%			-34,4%			-5,3%	-5,0%	8,6%	-9,6%
Spain	-35,7%	-29,5%	-30,0%	-34,8%		-14,9%		6,9%	20,4%	-21,1%
Finland	-22,3%			-41,7%		-16,3%	6,7%	5,3%	7,0%	21,4%
France	-41,4%	-41,0%	-38,7%	-47,7%	-46,3%	-44,1%		7,4%	17,9%	-2,2%
United Kingdom	-34,8%			-48,4%				17,9%	11,5%	
Greece	-31,4%	-14,6%	-34,5%	-24,6%				2,4%	7,2%	-2,7%
Hungary	-40,1%		-60,4%	-60,6%	-54,6%	21,8%		15,8%	20,6%	-2,0%
Ireland				-39,1%	-41,8%	-47,2%		16,9%	10,7%	2,5%
Italy	-35,8%	-34,2%	-40,1%	-39,8%				4,5%	33,7%	-4,5%
Lithuania	-33,1%		-28,9%	-40,5%				20,9%	31,2%	6,0%
Luxembourg								4,5%	17,7%	
Latvia	-27,9%			-31,6%	-14,2%	-29,2%	-1,7%	14,3%	20,4%	2,5%
Malta								-19,4%	22,4%	7,6%
Netherlands				-45,2%	-45,7%	-47,1%		13,0%	21,8%	2,9%
Poland	-39,9%		-48,2%	-38,9%	-44,5%	-41,4%	-26,3%	9,3%	21,6%	-2,7%
Portugal	-7,7%	-100,0%	-28,2%	-26,6%		-36,5%		-6,1%	14,6%	-3,4%
Romania	-35,3%		-49,1%	-19,9%				26,9%	17,5%	-6,1%
Sweden	-24,2%			-44,8%				1,8%	2,3%	5,1%
Slovenia	-23,3%		-48,8%				3,2%	7,6%	13,1%	-4,6%
Slovakia	-22,5%		-51,6%	-36,9%	-15,7%	-6,0%	-13,9%	21,6%	28,3%	-7,9%

Source: AgriView.

Cheese (Edam) prices in October 2008 were a moderate 0.3% lower than one year before (with pronounced differences across countries), while beef and pork quotations were 9% and 20% respectively higher (despite the sharp price falls observed since September 2008 for pork). Poultry meat prices fell only marginally from their relatively high levels of October 2007 (-0.7%), with the overall meat sector meanwhile better reflecting the higher feed costs of previous periods. However, latest weekly information on agricultural meat market prices seems to confirm a continued downward price trend.

Development in consumer prices

Consumer prices for food kept increasing until July 2008. Then, they slightly fell in August 2008 and resumed their rise in September and October 2008. Consumer prices for food in October 2008 still remain at levels significantly higher than one year ago (food in general (+5.6%), bread and cereals based products (+8.7%), meat (+5.5%), fish (+2.7%), milk/cheese/eggs (+6.7%), oils and fats (7.7%), fruits (+2.1%), vegetables (+3.4%), sugar (+5.0%) and other food (+5.6%)) (cf. Table 2).

Table 2 Change in EU consumer prices for food (% , October 2008 compared to October 2007)

	All items	Food	Bread/cereals	Meat	Fish	Milk, cheese, eggs	Oils and fat	Fruit	Vegetables	Sugar	Other food
EU	3,7	5,6	8,7	5,5	2,7	6,7	7,7	2,1	3,4	5	5,6
Belgium	4,8	5,9	8,5	3,6	2,4	11,1	13,2	3,3	1,6	5,5	9,6
Bulgaria	11,2	10,2	12	14,7	13,2	5,1	14,5	10,1	8,7	5,4	10,8
Czech Republic	5,7	5,3	17,9	3,9	5,7	2,4	11,7	-8,7	-2,7	7,5	12,6
Denmark	3,8	6,5	9,8	6,1	5,7	6,7	11,7	3,8	4,3	4,7	5,7
Germany	2,5	4	7,1	5,1	2,2	4,2	-2,9	0,4	1,5	6,3	3,6
Estonia	10,1	9,5	16	9,6	1,7	8,7	14,4	3	4,7	10,5	12,9
Ireland	2,7	4,6	5,9	4,8	2,5	10,9	14,6	-0,7	-1,5	6,8	2,8
Greece	4	4,4	7,9	3,1	4,3	4,8	1,5	7,5	3,1	2,8	3,6
Spain	3,6	3,9	6,1	3,2	0,5	3,1	2,7	7,6	3,4	5	9
France	3	4,9	5,8	4,1	3,5	9,1	9,7	2,6	1,5	3,9	5,2
Italy	3,6	5,2	9,3	3,2	4,1	6,3	4,8	6,2	2	3,5	5,8
Cyprus	4,8	11,4	13,8	4,6	1,5	5,3	16,1	13,8	38	0,6	5,6
Latvia	13,7	15,4	25,3	16,6	13,4	12,1	27,2	0,1	14,1	7,6	11,4
Lithuania	10,7	12,7	17,2	21,4	7,2	2,4	16,3	5,5	5,5	7,3	12,1
Luxembourg	3,9	4,9	5,5	4,3	-1	8	10,1	9,8	-0,1	3,8	2,5
Hungary	5,1	5,2	8,3	9,2	6,8	9,5	30,4	-17	-13,8	2,3	10,5
Malta	5,8	10,2	12,2	4,6	21,5	9,7	13,8	9,3	12,6	10,1	3,9
Netherlands	2,5	6,3	6,2	5,2	5,3	11,6	12,1	6,8	4,1	6,4	2,5
Austria	3	5	8,9	4,7	2,7	2,6	6,5	3,7	3,1	6,4	4,3
Poland	4	3,5	8	4,3	3	3,1	5,1	-18,2	6,8	1,2	5,6
Portugal	2,5	3,5	10,2	0,6	-1,2	5,1	14,1	0,2	5,3	0,8	1,1
Romania	7,4	7,3	8,4	6,2	3,3	10,4	25,6	2,5	0,1	3,5	3,7
Slovenia	4,8	5,6	1,7	2,7	12	12,1	32,9	6,1	-3	4,9	6,3
Slovakia	4,2	4,7	14,3	2,9	1,8	3	21,2	-5,8	-1,9	0,6	8,9
Finland	4,4	10,6	10	8,9	6,9	20,3	21	5,6	4,7	7	8,5
Sweden	3,4	7,4	8,8	8,4	3,8	10	9,8	7,3	7	3,8	3,9
United Kingdom	:	:	:	:	:	:	:	:	:	:	:

Source: Eurostat.

However and nonetheless of continuously increasing overall consumer prices (including food prices), it should be noted that the annual rates of change of both the overall inflation and food price inflation have slowed down since July 2008 (cf. Graph 1).

In October 2008 compared to one month before, the overall consumer price for food increased by 0.4%, while the overall rate of inflation came to a halt (+/- 0.0 %, cf. Table 3 and Graph 2 in annex). The slight increase in consumer prices for food (+0.4%) resulted from higher prices for all food categories with the exception of "fish/seafood" (-0.6%), "oils/fats" (-0.4%) and "fruits" (-0.3%).

It should be noted that decreasing cereals prices could be expected to release the pressure on the consumer prices for bread and cereals based products (though, respective consumer prices in October 2008 were still 8.7% higher than one year before and even 0.2% higher than one month before), and should contribute to ease animal product and meat price increases (both at agricultural and consumer level) due to the price-lowering

impact on feed as a major input cost factor. Decreasing raw milk and dairy commodity prices should also trigger lower consumer prices for derived products by tendency (while consumer prices for "milk/cheese/eggs" still increased in October 2008 compared to September 2008 (+0.1%), prices for "oils/fats" (including butter) already fell by 0.4%).

Graph 1 Relative development in EU consumer prices (1997=100, %)

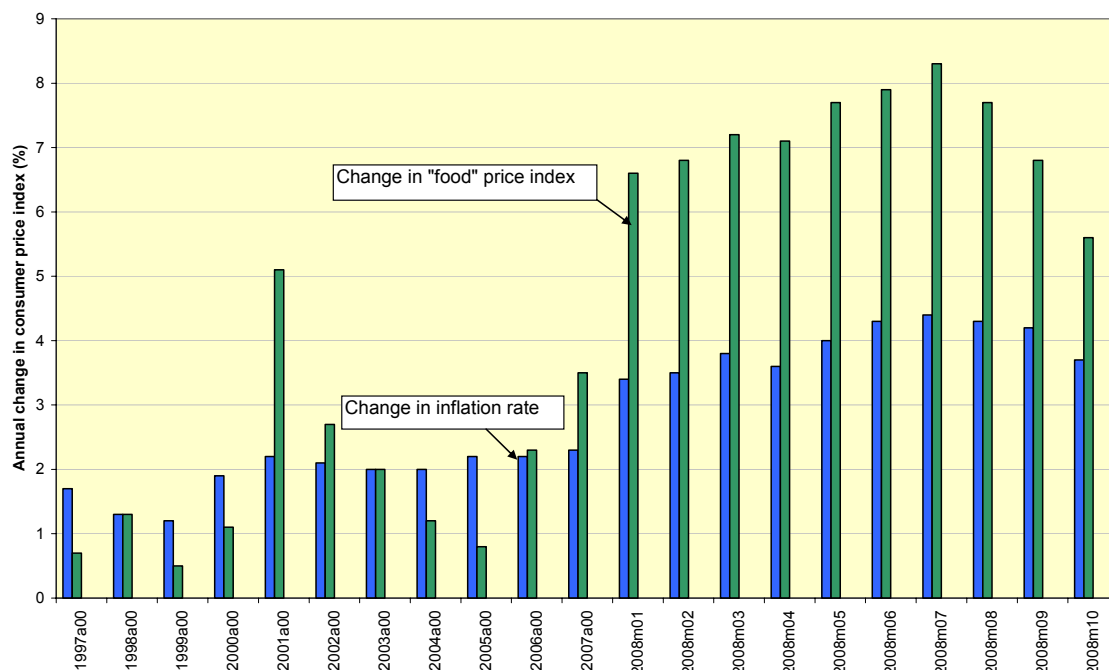


Table 3 Change in EU consumer prices for food (% , October 2008 compared to September 2008)

	All items	Food	Bread/cereals	Meat	Fish	Milk, cheese, eggs	Oils and fat	Fruit	Vegetables	Sugar	Other food
EU	0	0,4	0,2	0,2	-0,6	0,1	-0,4	-0,3	2,8	0,3	0,4
Belgium	-0,2	0,4	0,5	0,2	-0,9	0,2	0,4	-1,4	4,4	0	0,5
Bulgaria	0,1	1,4	-0,5	2	1,8	0,9	-6,2	-0,6	11	0,4	0,9
Czech Republic	0,1	0,4	-0,5	0,2	0,9	0,3	-0,2	-2,3	6,5	-1,5	0,5
Denmark	-0,2	-0,1	0,4	0,5	-0,2	1,2	-0,7	-1,6	-3	0,3	1,1
Germany	-0,3	0,2	0,4	0,7	0,5	-0,1	-1,2	-2,2	1,6	0,5	0,2
Estonia	0,4	-0,1	0	0,2	-1,5	-1	-0,5	-1	2,6	-0,2	0,6
Ireland	-0,4	-0,1	-0,6	0,5	1,7	-0,8	0,7	-0,7	0,3	-0,2	-0,4
Greece	0	1,9	0,5	0,8	0,6	0,3	-0,9	-0,7	16,1	0,5	0,9
Spain	0,3	-0,1	-0,1	0	-1,1	-0,1	-0,2	0,4	0,1	0,2	0,4
France	-0,1	0,6	0,2	0	-0,6	-0,3	-0,5	0,8	5,9	0	0,7
Italy	0,5	0,2	0,4	0,3	-0,7	-0,1	-0,2	-0,2	0,4	0,6	0,6
Cyprus	0,7	0,8	1,1	1,4	-0,3	2	4,2	-0,6	-2	1,4	0,8
Latvia	1	0,8	-0,3	1,4	1	-0,2	1,9	-4	8,7	-1,5	-0,5
Lithuania	0,9	0,9	0,8	0,7	2	-0,4	0	-1,7	7,6	0,1	1,5
Luxembourg	-0,4	0,1	0,1	0,7	1,1	-0,2	0,2	0,6	-1,1	-0,1	-0,7
Hungary	0,4	0,2	-0,4	0,3	0,4	-0,6	1	2,4	1,7	-0,5	-0,3
Malta	1	4	0,2	1,5	2,3	0,3	0,6	9,5	20,7	0,6	0,3
Netherlands	-0,2	0,3	0,5	0,7	-0,1	0,3	0,6	-3,9	1,9	0,7	0,6
Austria	0	0,6	0,6	0,6	-0,4	0,4	0,2	-1	2,8	0,6	1,3
Poland	0,4	0,9	0	-0,2	0,5	-0,1	0,3	3,1	8,2	1,5	0,2
Portugal	-0,2	-0,5	0	-0,7	-1,4	-0,4	-1,3	-0,3	0,9	-0,3	0,1
Romania	1,1	1,2	0,4	1	0,7	2,7	-0,5	-0,2	3,7	0,6	0,6
Slovenia	0	0,6	-0,2	2	2,5	0,2	1,5	0	-0,9	-0,6	0,6
Slovakia	0,3	-0,1	0,4	0,2	0,5	0	0,6	-5,4	2,6	-0,8	0,2
Finland	0	0,2	0,6	0,7	-0,5	0,1	0	-0,9	-0,5	0,2	0,4
Sweden	-0,2	0,5	0	-0,3	-0,3	0,1	-0,3	0,6	5,2	-0,4	-0,1
United Kingdom	:	:	:	:	:	:	:	:	:	:	:

Source: Eurostat.

However, with regard to food price formation at retail level, it should be kept in mind that the price development of non-agricultural cost components (labour, capital and energy costs, margins along the downward-supply chain) appears to be crucial, too.

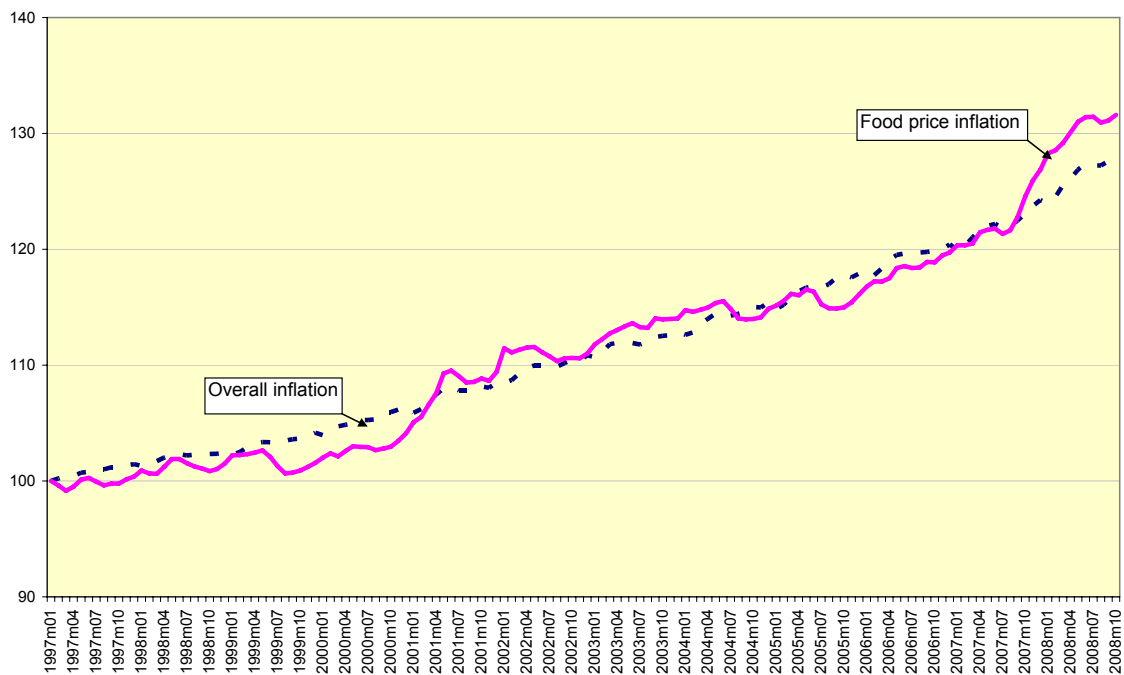
In this context, the recent fall in crude oil prices from its peak value of 142.45 US\$/barrel in the first week of July 2008 to 60.45 US\$/barrel in the first week of November 2008 (-58%) should further help to reduce food prices by tendency. However, it should be noted that the recent appreciation of the US-\$ vis-à-vis the Euro tends to countervail the oil price relief in Europe (in the first week of November 2008 and in relation to the Euro, the value of the US-\$ was 18% higher than in the first week of July 2008).

Finally, the impact of the current turmoil on the world financial markets and the deterioration of the economic environment are expected to significantly affect EU agricultural commodity and food price developments.

Christine Moeller

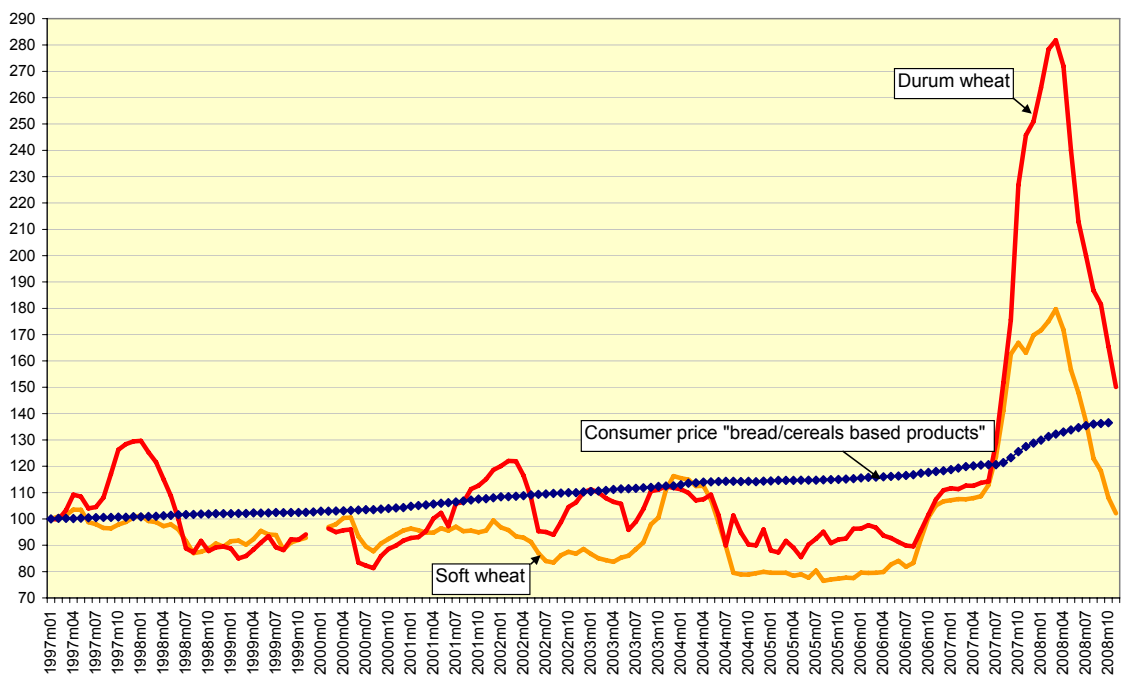
Annex: Table and graphs on EU agricultural market and consumer price developments.

Graph 2 Overall and food price inflation in the EU (Jan 1997=100)



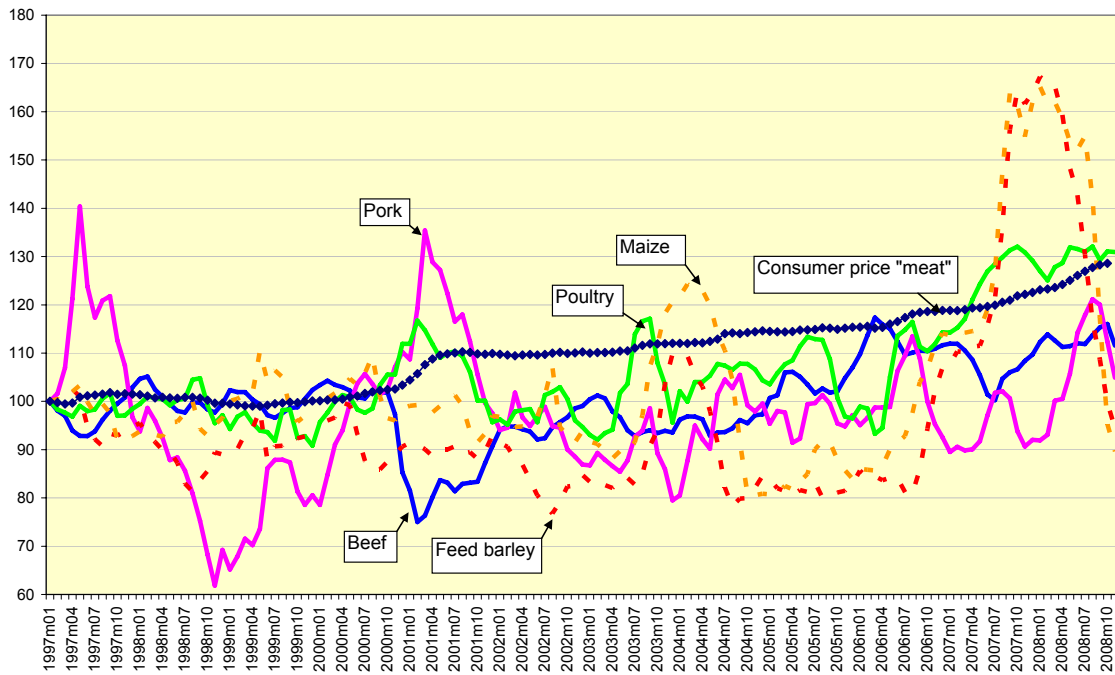
Source: Eurostat.

Graph 3 Cereals/bread: EU agricultural market and consumer price developments (Jan 1997=100)



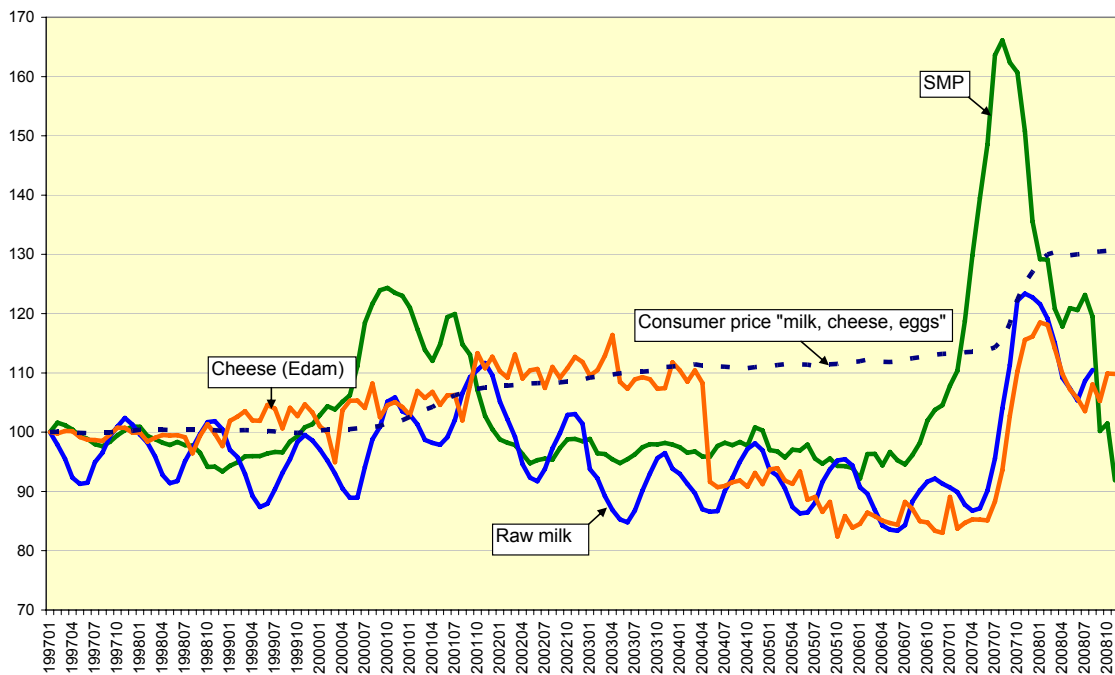
Source: AgriView, Eurostat.

Graph 4 Meat: EU agricultural market and consumer price developments (Jan 1997=100)



Source: AgriView, Eurostat.

Graph 5 Dairy: EU agricultural market and consumer price developments (Jan 1997=100)



Source: AgriView, Eurostat.