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 CMD(2010)

NOTE TO THE FILE

Subject: APRIL 2010 update on recent agricultural commodity and food price developments in the EU

Development in agricultural prices

The prices for major agricultural commodities showed a mixed picture in March 2010. While the prices for skimmed milk powder, cheese (Edam) and poultry meat increased, the quotations for soft wheat, durum wheat, barley, butter, beef and pork fell in March 2010 as compared to February 2010 (cf. Table 1).

For several products, March 2010 price levels were still below the levels observed one year ago (soft wheat (-9%), durum wheat (-25%), barley (-8%), beef (-3%), pork (-2%) and poultry meat (-7%)) (cf. Table 2, Graphs A2 and A3 in annex). March 2010 price levels for maize (+8%) and for the bulk dairy products skimmed milk powder (+7%), butter (+25%) and cheese (Edam) (+13%) were higher than in March 2009 (cf. Table 2, Graph A4 in annex).

Table 1 Change in EU agricultural commodity prices (%), March 2010 compared to February 2010)

	Soft wheat	Durum wheat	Maize	Barley	SMP	Butter	Cheese (Edam)	Beef	Pork	Poultry
EU	-1%	-3%	0%	-1%	2%	-2%	4%	-2%	-1%	7%
Austria	-3%	-2%	0%	-1%				-2%	-2%	0%
Belgium	-2%		-1%	-2%	7%	0%		0%	-3%	3%
Bulgaria	-4%		0%	0%					0%	5%
Cyprus		0%		0%					4%	0%
Czech Republic	2%		2%	2%	-1%	9%	1%	2%	3%	-1%
Germany	-3%		-2%	-2%	5%	1%	0%	-3%	-3%	0%
Denmark	-2%			0%	-1%	0%		1%	2%	9%
Estonia	-1%			1%			8%	-4%	1%	3%
Spain	-2%	-3%	0%	-3%		0%	0%	-2%	2%	9%
Finland	-3%			-2%		-5%	-2%	0%	0%	-1%
France	0%	1%	2%	-1%	7%	0%		-1%	2%	-1%
Greece	-4%	-1%	0%	-2%				1%	-3%	-1%
Hungary	2%		0%	4%		1%			2%	0%
Ireland				-1%	0%	0%		0%	1%	0%
Italy	-3%	-6%	1%	-3%		0%		-1%	-6%	17%
Lithuania	1%			5%				1%	3%	-1%
Luxembourg								0%	-4%	
Latvia	11%			-2%	2%	-7%	3%	-1%	-2%	6%
Malta								0%	0%	0%
Netherlands			1%	-1%	4%	-1%	0%	-3%	-4%	6%
Poland	-2%		1%	-1%	4%	3%	3%	-5%	5%	5%
Portugal	-1%		1%	-2%		-3%		-1%	2%	7%
Romania	-1%		2%	0%				-11%	-3%	-1%
Sweden	2%			0%				4%	0%	3%
Slovenia	0%		2%				0%	-4%	-3%	0%
Slovakia	2%		-2%	-3%	1%	1%	-2%	0%	0%	0%
United Kingdom	-4%			-3%	-7%	-14%		-4%	-2%	-3%

Source: AgriView.

Table 2 Change in EU agricultural commodity prices (% , March 2010 compared to March 2009)

	Soft wheat	Durum wheat	Maize	Barley	SMP	Butter	Cheese (Edam)	Beef	Pork	Poultry
EU	-9%	-25%	8%	-8%	7%	25%	13%	-3%	-2%	-4%
Austria	-19%		9%	-5%				-4%	-2%	0%
Belgium	-10%		0%	-11%	24%	29%		-3%	-4%	-9%
Bulgaria	0%		13%	1%					-5%	-19%
Cyprus		14%		-11%					-7%	-1%
Czech Republic	-10%		0%	-14%	29%	35%	-2%	3%	-7%	-2%
Germany	-10%		6%	-8%	25%	34%	3%	-5%	-4%	3%
Denmark	-13%			-11%	17%	11%		0%	3%	4%
Estonia	-16%			-19%			1%	-4%	-4%	-12%
Spain	-1%	-20%	1%	-6%		26%	0%	-1%	0%	-14%
Finland				-11%		5%	-8%	-4%	-6%	0%
France	-12%	-30%	3%	-12%	24%	33%		-4%	-5%	-17%
Greece	-19%	-33%	22%	-18%			1%	-11%		2%
Hungary	-7%		10%	12%		8%			-1%	7%
Ireland				-9%	20%	23%		-3%	-6%	2%
Italy	-6%	-32%	12%	2%		25%		-5%	7%	-15%
Lithuania	-15%			3%				4%	-9%	-11%
Luxembourg								-2%	-5%	
Latvia	-23%			-19%	-33%	28%	10%	-15%	-10%	-17%
Malta								7%	0%	-1%
Netherlands			3%	-10%	22%	33%	20%	-3%	-4%	-13%
Poland	-1%		13%	1%	33%	38%	31%	12%	-7%	0%
Portugal	-11%		2%	-9%		33%		-1%	-2%	-12%
Romania	-3%		17%	-4%				-12%	0%	4%
Sweden	-23%			-5%				23%	7%	10%
Slovenia	-3%		9%				1%	-3%	-2%	3%
Slovakia	-17%		18%	1%	-11%	47%	33%	-7%	-2%	-5%
United Kingdom				-18%	17%	39%		-3%	1%	-6%

Source: AgriView.

Development in consumer prices

While prices for major agricultural commodities came back to levels comparable to those reached before the start of the price surge, consumer prices for food still remain at rather high levels (including prices for the staple foods bread and cereals based products, meat and dairy products) (cf. Graphs A1-A4 in annex). Food prices in March 2010 were 10.1% higher than in March 2007. Food price inflation (+10.1%) was higher than the overall consumer price inflation (+7.1%) over the last three years. Food prices fell by 0.3% in March 2010 as compared to March 2009 and increased by 0.3% in March 2010 as compared to February 2010 (cf. Tables 3 and 4).

Table 3 Change in EU consumer prices for food (% , March 2010 compared to February 2010)

	All items	Food	Bread/c.b.p.	Meat	Fish	Milk, cheese, eggs	Oils	Fruits	Vegetables	Sugar	Other food
EU	0,7	0,3	0	-0,1	0,4	-0,2	-0,4	0,4	2,9	0,1	0
Belgium	0,5	0,9	0	0,2	0,4	-0,1	-1,2	1,8	5,7	0,9	-0,5
Bulgaria	0,4	-0,3	-0,6	0,3	0,8	1,4	0,6	1	-3,5	0,1	0,4
Czech Republic	0,2	1,1	-0,4	-0,2	0,2	-0,7	-1,1	2,7	10,8	0,2	0,3
Denmark	0,7	0,9	-0,2	0,5	1,5	0,7	1,2	0,7	5,7	0,3	0
Germany	0,6	1	0,1	-0,3	-0,2	0	-0,3	1	6,4	0,5	0,1
Estonia	1,2	2,4	0,3	0,1	0,6	1,8	-1,9	2,7	18,2	-0,3	2,2
Ireland	0,1	-0,2	0,5	-0,9	-0,2	0,4	0,1	0,2	-1,3	0,1	0,3
Greece	3,1	0,2	-0,2	0,3	0,2	-0,7	0,2	3,8	-0,1	0	-0,3
Spain	0,7	0	-0,2	-0,2	0,7	-0,1	-1	-0,3	0,9	-0,3	-0,6
France	0,5	0,4	0	-0,2	0,3	-0,1	-0,3	1,2	4,1	0	0
Italy	1,5	0,1	0,1	0,1	0,4	-0,1	-0,3	-0,5	0,1	-0,1	0,2
Cyprus	0,9	-0,2	0,2	0,3	1,4	0,4	-0,8	-0,4	-2,7	0,6	0,6
Latvia	0,5	0,9	-1,2	-0,3	1,4	0,6	-1	2,3	8,9	0,2	0,6
Lithuania	0,3	0,4	-0,4	-0,6	0,2	0,6	0,8	-0,5	7,5	0,6	0,1
Luxembourg	0,7	0,1	0	0,2	0,6	0,3	0	-0,7	0,7	0	0,5
Hungary	0,6	1,3	0,1	-0,4	0,4	-0,3	-1,2	4,8	7,9	-0,3	0,3
Malta	1,4	0,6	0,1	0	-0,4	5	0,8	-1,4	-0,6	0	-1
Netherlands	1,5	0,2	-0,5	-1	0,5	0,4	-0,5	1,5	3,2	0,4	-0,7
Austria	1	0,6	0,7	-0,6	1,1	0,2	-0,8	2,1	3,1	0,4	-0,1
Poland	0,3	0,3	0,2	-0,4	0	-0,2	-1,2	1,6	3,9	-0,5	0
Portugal	1,2	0,1	-0,1	-0,2	0,1	0	-0,5	1	1,2	-1	0,1
Romania	0,2	0,2	0	0,5	0	-0,9	0,6	1,3	0,9	-0,1	0,1
Slovenia	1	0	2,2	-1,4	-0,2	0,1	-0,8	-2,2	0,7	0	0,6
Slovakia	0,1	0,4	-0,7	-0,8	-0,1	-0,4	-1,5	1	8,1	-0,8	-0,2
Finland	0,6	0,2	0	-0,3	2,4	-2,4	0	4,5	1,8	1,2	-0,2
Sweden	0,3	0,4	0	-0,1	-0,7	0,2	0,7	-2,2	5	-0,1	0,4
United Kingdom	:	:	:	:	:	:	:	:	:	:	:

Source: Eurostat. NB: The category "bread and cereals based products" includes rice in all forms, cereals in the form of grain, flour or meal, bread and other bakery products, pasta, couscous and other cereal preparations.

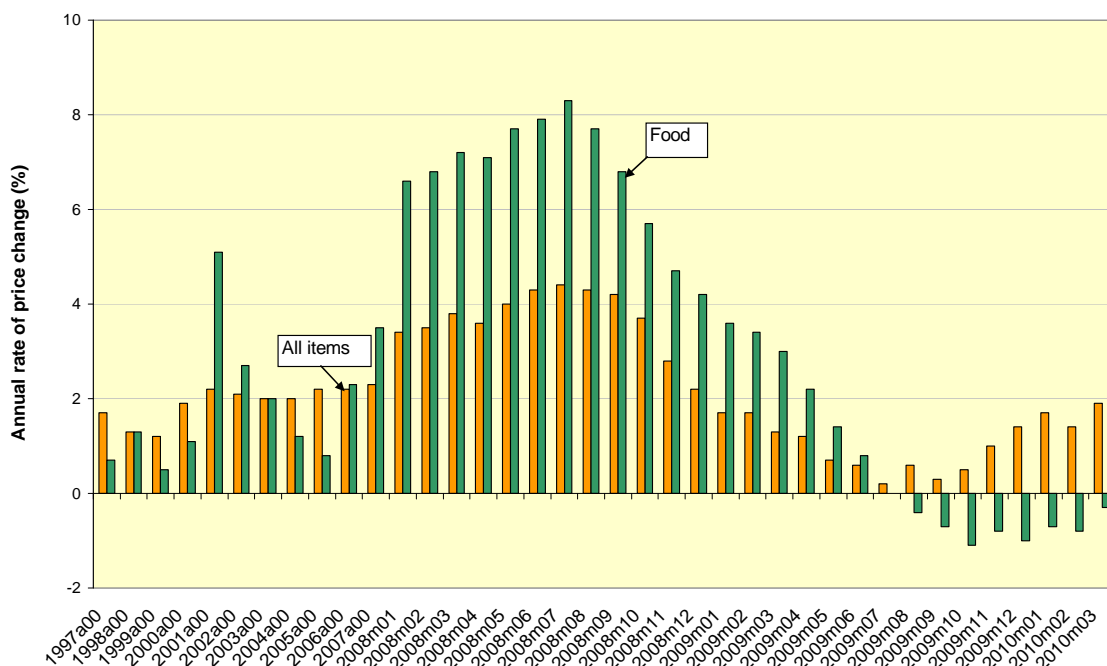
Table 4 Change in EU consumer prices for food (% , March 2010 compared to March 2009)

	All items	Food	Bread/c.b.p.	Meat	Fish	Milk, cheese, eggs	Oils	Fruits	Vegetables	Sugar	Other food
EU	1,9	-0,3	-0,4	-0,4	1,4	-1,8	-1,6	-2,6	2,4	0,6	0,4
Belgium	1,9	1,7	-0,7	0,9	1	1,3	0,4	-1,4	13,8	0	-2,1
Bulgaria	2,4	-2,5	-3,5	-3,6	-2,9	1	-4,2	-10,3	-0,9	-1,3	3
Czech Republic	0,4	-1,2	-8,3	-2,2	-0,4	-1,3	-2,6	-6,7	14,4	0,6	0,3
Denmark	2,1	-0,8	-1,3	-1,8	1,5	-2,5	-1,3	-4,2	0,1	3,1	1,5
Germany	1,2	0,3	-0,4	-0,3	4	-2,4	4,8	-1	4,7	-0,3	-0,3
Estonia	1,4	-2,4	-8	-4,2	4,5	-4,5	-5,1	-10,2	18,1	-0,4	-0,3
Ireland	-2,4	-7,6	-6,1	-8,4	-5,3	-5,9	-8,8	-13	-7,9	-8,4	-6,5
Greece	3,9	-1,5	-0,2	1,6	3,2	-3,9	-4	-5,1	-5,2	1,8	1,3
Spain	1,5	-2,1	-0,9	-2,2	1,4	-4,9	-3,3	-4,5	-3	-1,8	0,3
France	1,7	0,4	0	0,1	1	-2,2	-2,9	-1,9	8	-0,1	1
Italy	1,4	0	0,3	0,4	1,6	-0,4	-2,1	-4,1	0,4	1,4	1,7
Cyprus	2,3	-1,9	0,7	0,5	4,2	0,1	-7,8	-11,4	-6,2	0,9	-0,7
Latvia	-4	-5	-5,8	-6,2	-1,4	-5,9	-10,4	-9,6	-1,4	-2,9	-1,2
Lithuania	-0,4	-4,9	-3,3	-6,1	-1,8	-4,8	-5,8	-15,2	-7	1,7	-0,1
Luxembourg	3,2	-0,5	0	-0,1	2,9	0,2	-1,2	-5,6	-3,9	0,9	4,2
Hungary	5,7	1	-1,6	2,1	11,4	-2,5	-1,9	-12,2	14,6	2,9	10,2
Malta	0,6	-3,5	0	2	12	4,2	-2,5	-7,4	-28,1	2,4	-1,7
Netherlands	0,7	-1,4	-0,7	-1,8	1,1	-2,2	-2,1	-3,2	-1,7	-0,7	-0,2
Austria	1,8	-0,4	-0,9	-0,6	-2,1	-2,1	-1,9	2,2	4,6	-2,2	-0,6
Poland	2,9	1,1	1,5	-0,3	6,1	2	4,5	-3,1	4,2	-3,4	2,6
Portugal	0,6	-3,9	-2,3	-2,2	-8,2	-4,2	-5,4	-6,2	-1,2	-2,3	0,4
Romania	4,2	-0,5	0,5	1,7	1,3	1,1	-10	-8,1	-1,9	1,6	2,1
Slovenia	1,8	-0,9	0,4	-2,2	1,4	-0,4	-3,4	-9,9	-0,2	3,3	4,2
Slovakia	0,3	-1,7	-3,7	-3,2	1,1	-2,9	-5	-5,4	10,1	-2,5	-0,3
Finland	1,5	-6,2	-4,8	-6,7	0	-8,7	-9,5	-10,1	-4,3	-3,6	-5,5
Sweden	2,5	0,8	0,8	1,2	0,9	0,3	-0,9	-6,1	2,8	3	3,5
United Kingdom											

Source: Eurostat. NB: The category "bread and cereals based products" includes rice in all forms, cereals in the form of grain, flour or meal, bread and other bakery products, pasta, couscous and other cereal preparations.

The comparison of monthly and annual rates of change of overall consumer price inflation and food price inflation in the EU for March 2010 shows the following: the annual and monthly rates of change of the general inflation amounted to +1.9% and +0.7%, respectively, while the annual rate of change in food price inflation was still negative (-0.3%) whereas the monthly rate of change in food price inflation was positive (+0.3%) (cf. Graph 1 and Graph A5 in annex).

Graph 1 Annual rate of change in EU overall and food consumer prices (% , 1997-Mar2010)



Source: Eurostat.

Regarding the relation between agricultural commodity and food price developments, it should be noted that lower cereals prices could be expected to release the pressure on the consumer prices for bread and cereals based products (though, respective consumer prices in March 2010 were still 13.6% higher than in March 2007 and 0.4% lower than one year before, while bread wheat prices in March 2010 were 21% lower than in March 2007 and 9% lower than in March 2009). This should also 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 (March 2010 consumer prices for meat were 8.4% higher than in March 2007 and 0.4% lower than one year ago, while agricultural market prices for beef, pork and poultry meat were 4%, 4% and 1% higher in March 2010 as compared to March 2007 and 3%, 2% and 5% lower, respectively, as compared to March 2009).

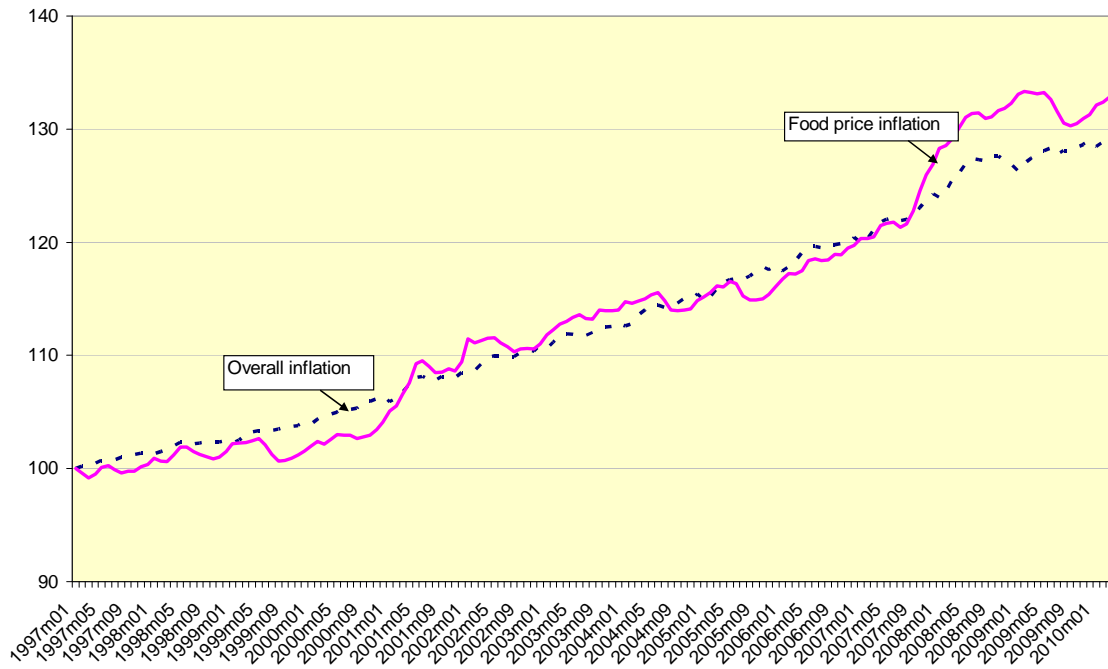
Lower raw milk and dairy commodity prices at producer level should also contribute to ease consumer prices for derived products by tendency. The consumer prices for milk, cheese and eggs in March 2010 remained 12.1% higher than in March 2007, but were 1.8% lower than in March 2009. Agricultural market prices for skimmed milk powder decreased by 20% while butter and cheese (Edam) prices were 11% and 17% higher in March 2010 as compared to March 2007. Skimmed milk powder, butter and cheese (Edam) prices were 7%, 26% and 13% higher in March 2010 as compared to one year ago.

Concerning food price formation at retail level, it should be kept in mind that the developments of the prices of non-agricultural cost components (labour, capital and energy costs, margins along the downward-supply chain) have a much greater weight on food price inflation than changes in the prices for raw agricultural components.

In this context, it should be noted that the potential for EU food consumer prices to fall would particularly be limited by the fact that non-agricultural costs of food supply in the EU like energy and capital related costs along the downward supply chain appear to be much higher nowadays than in the past. Despite their sharp fall in the second half of 2008, current energy prices (crude oil, Brent Europe) are still quoted around four times higher than their long-term historic averages (and are forecast to stay, at least, at these levels), and capital costs appear to have increased remarkably over recent times (for example, agricultural (borrowed) capital costs are estimated to have increased by 20% over the period 2005 until 2009).

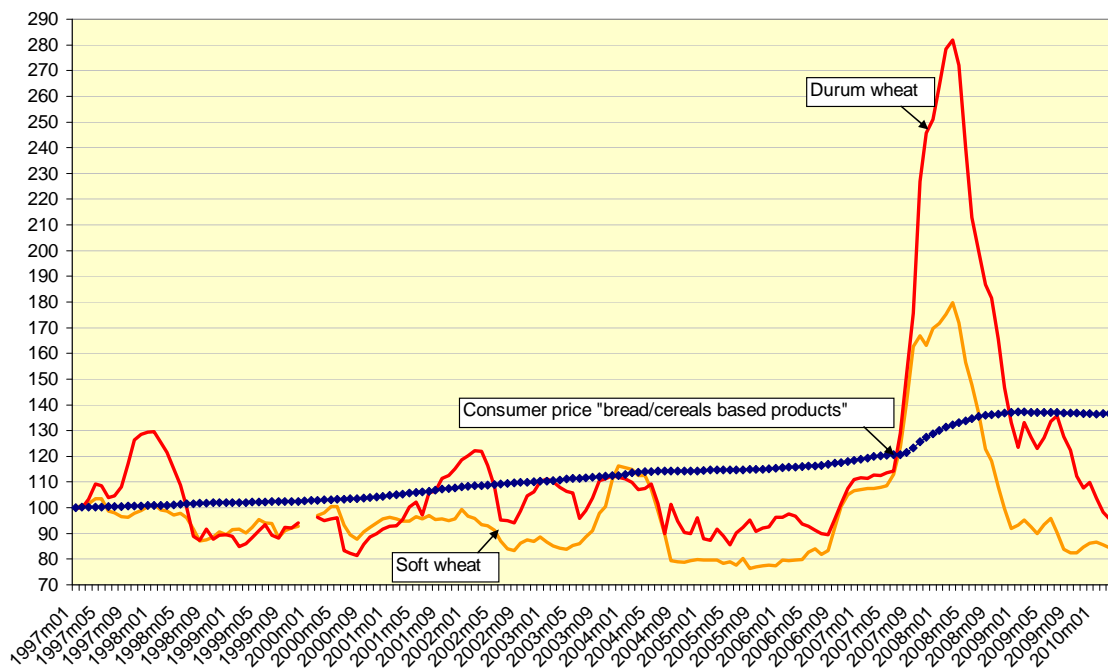
Annex: Graphs on EU agricultural market and consumer price developments.

Graph A1 Overall and food price inflation in the EU (Jan1997 until Mar2010, 1997=100)



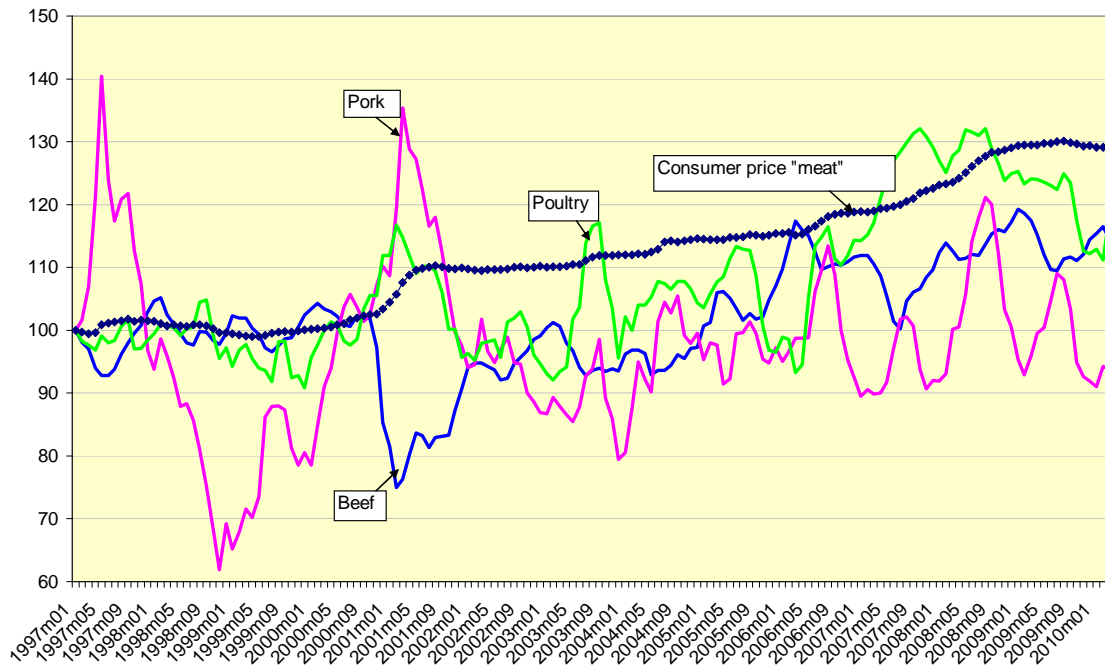
Source: Eurostat.

Graph A2 Cereals/bread and cereals based products: EU agricultural market and consumer price developments (Jan1997 until Mar2010, Jan 1997=100)



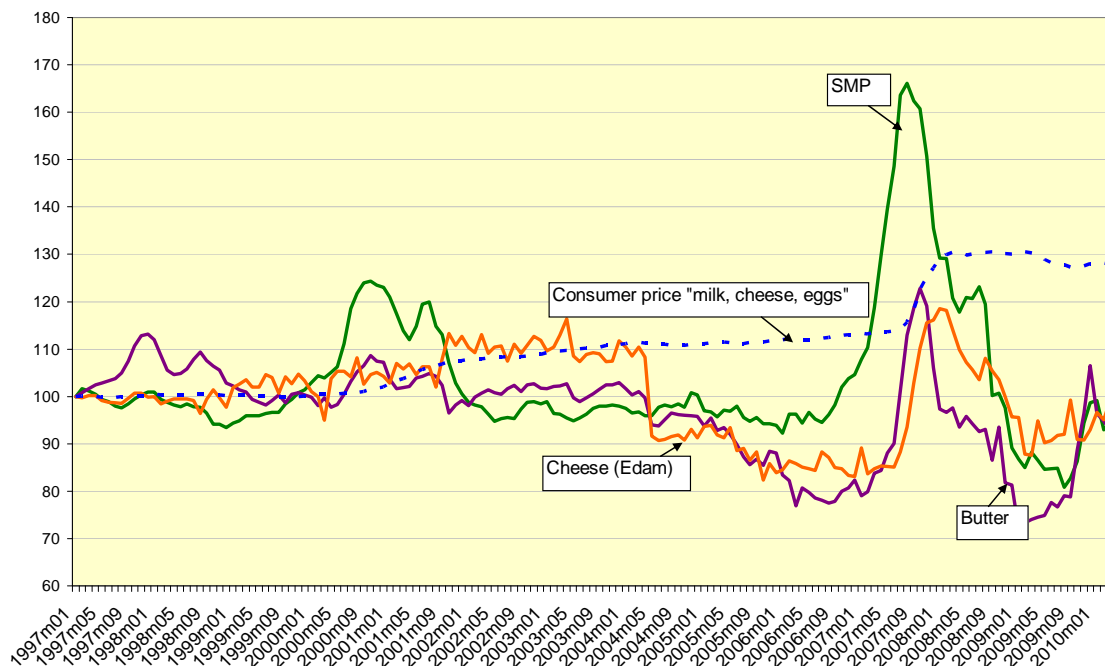
Source: AgriView, Eurostat.

Graph A3 Meat: EU agricultural market and consumer price developments (Jan1997 until Mar2010, Jan 1997=100)



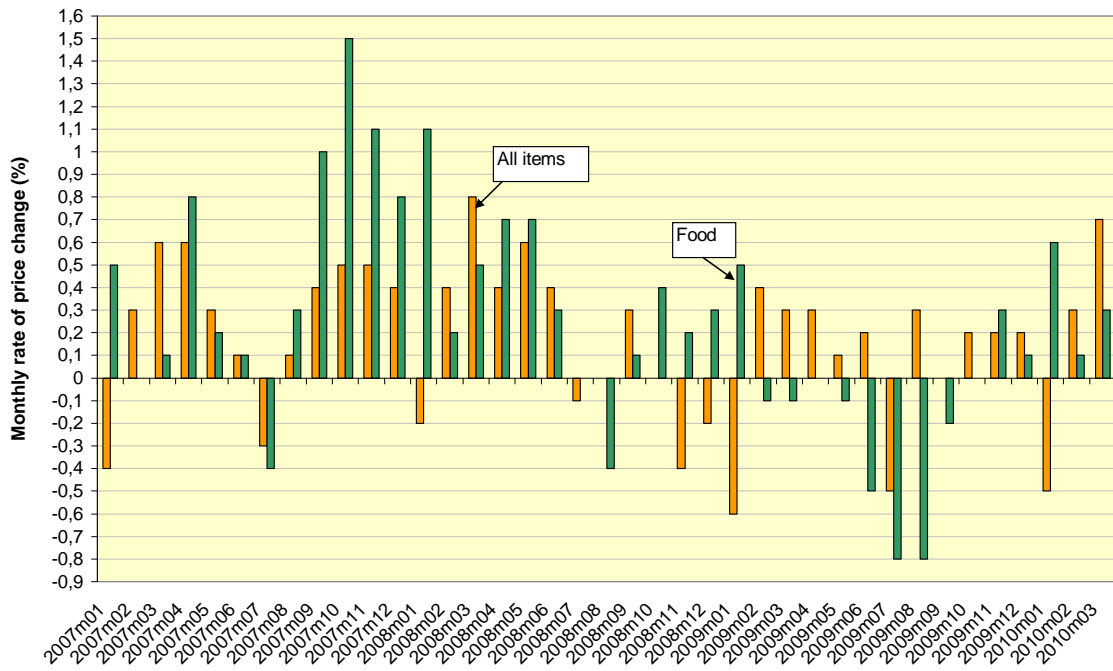
Source: AgriView, Eurostat.

Graph A4 Dairy: EU agricultural market and consumer price developments (Jan1997 until Mar2010, Jan 1997=100)



Source: AgriView, Eurostat.

Graph A5 Monthly rate of change in overall and food price inflation (Jan2007-Mar2010, %)



Source: Eurostat.