

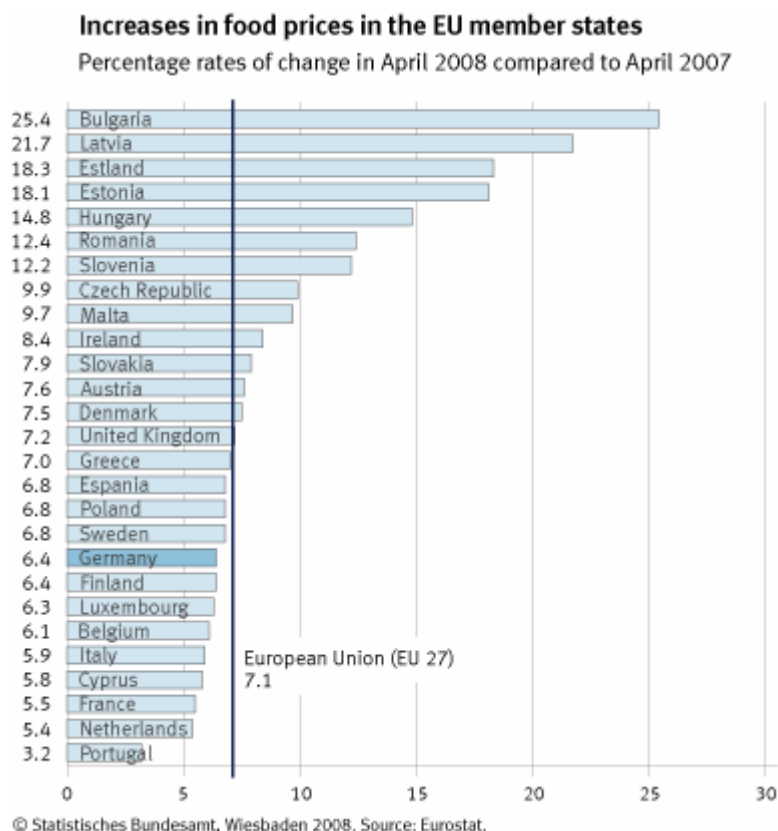
## Food price increases: a comparison across the EU

Destatis, 21 May 2008

### Soaring food prices in the European Union

The dramatic increase in food prices is not confined to Germany – food prices have soared in almost all EU states in recent months. Average food prices in the European Union were up by more than 7% in both March and April 2008 compared with a year earlier – these were the highest rates of inflation since June 2001. June 2001 saw a significant increase, for instance, in the prices of meat and meat products, which was mainly due to the occurrence of Bovine Spongiform Encephalitis and Foot and Mouth Disease.

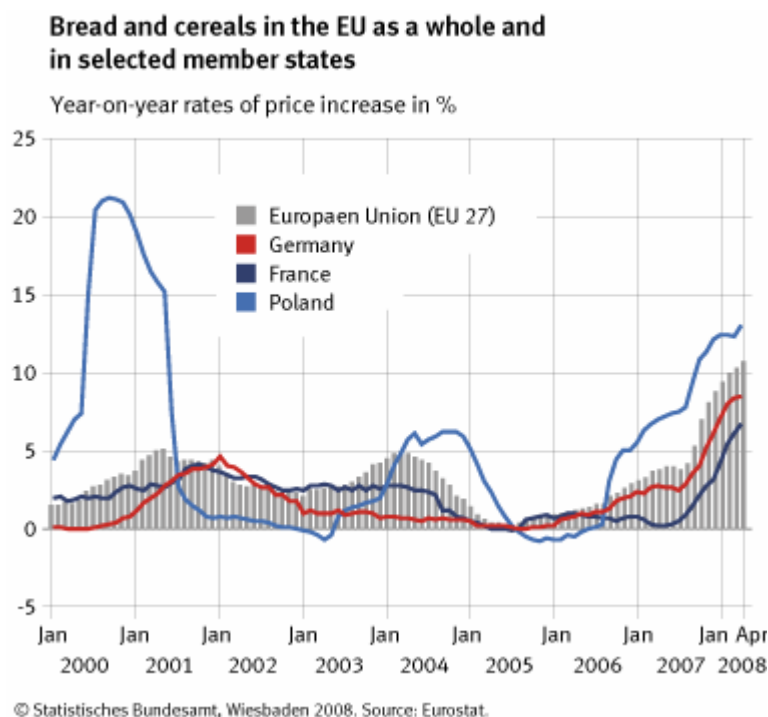
Today, the main reasons for rising food prices are the increase in global demand for agricultural raw materials, high prices for energy, seeds and fertilizers, and changes in the dietary habits in newly industrialised and developing countries. In addition, poor grain harvests in several countries have resulted in global supply shortages. Moreover, a substantial proportion of arable land is used to grow biofuels, which is another reason for the shrinking food supply and growing prices.



The eastern EU member states have been hit hardest by the soaring prices. The three Baltic states, Hungary, Slovenia, Bulgaria and Romania recorded double-digit increases in food prices in April 2008.

However, above-average inflation rates have also been observed in countries which have been EU member states for many years. In April 2008, the Harmonised Index of Consumer Prices for food exceeded the average EU level of 7.1% in Austria, Denmark, Ireland and the United Kingdom. In Germany, the rate of increase in food prices was 6.4%.

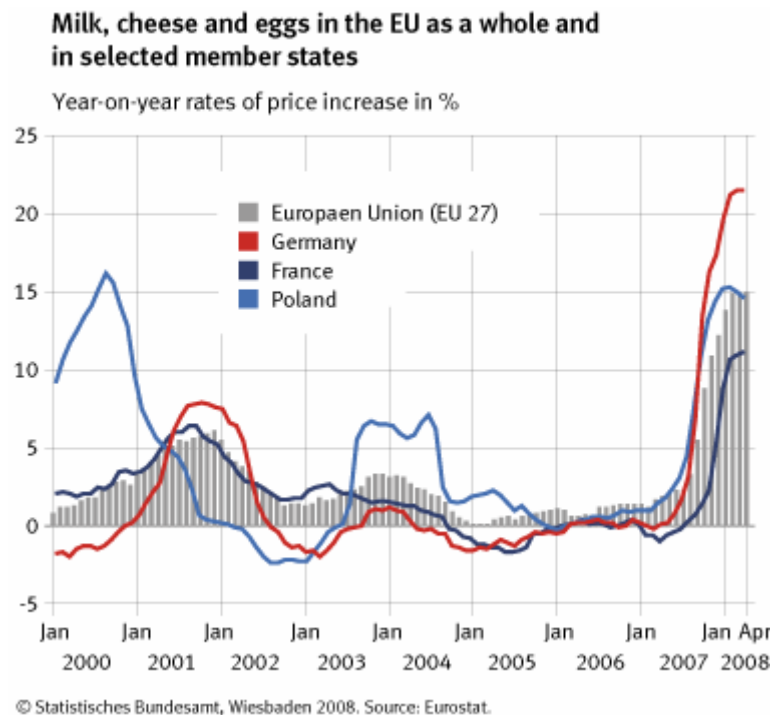
### Strong price increases for bread and cereals



In the EU as well as in Germany, particularly sharp price increases have been recorded for staple foods like milk products, bread and cereals. In April 2008, the prices of bread and cereals in almost all EU member states were well above the level of the previous year. Only seven EU states reported single-digit inflation rates for cereals in April 2008 (including Germany: +8.4%). In all other states inflation rose above the 10% level.

### Markedly higher prices for milk products as well

The prices of milk, cheese and eggs increased by nearly 15% in the EU in each of the months from February to April 2008 as compared to the same months a year earlier and were at their highest level in the last ten years. The price increases registered in almost all EU countries have been particularly strong in some states, including Germany where prices were up by 21.6% in April 2008 as compared to a year earlier. ([Table: Percentage rates of change in the EU member states in April 2008 compared to April 2007](#)).



In the case of milk products, too, changing dietary habits and the ensuing increase in demand in countries such as China and India have contributed to the rise in inflation rates.<sup>1</sup> An additional factor is the rather rigid supply of milk in the European Union, which is due, among other things, to the quota system for milk production. In consequence, supply shows a quite inflexible response to changes in demand. This may also explain why the increasing pressure of demand for exports of milk products from the EU has, on the whole, not resulted in the production of larger quantities. Apart from that, the EU intervention stocks ("butter mountains" and "milk lakes") have continually been reduced since 2004.

### More stable development of meat, fish and vegetable prices

The inflation rates for food products like meat and fish have remained at a comparatively low level in the EU as a whole. On an EU average, relatively slow price increases have also been observed for vegetables in the past few months – in April 2008, vegetable prices were even lower than the year before.

### Price-increasing factors vary from country to country

While food prices have risen in all EU states, the individual factors behind the rising inflation rates vary from country to country. What is important in this context is the specific structure of retail trade in a country and the conditions of competition. If, for instance, the profit margins are small because of strong competition, increases in raw material prices will have stronger effects on consumer prices. Another reason for diverging price trends are the different trade relations of the individual EU countries.

<sup>1</sup> Vgl. Cf. also Schmidt und Linz (2007), [Milk prices in summer 2007](#), STATmagazin, September 2007, Federal Statistical Office