Food prices in Serbia are rising faster than in the EU

We are not only, in relation to the countries of the European Union, “the best” in terms of inflation, but also in terms of rising food prices, especially those that are existential and that consumers cannot give up.

According to the calculations of the Republic Statistical Office, in November compared to the same month in 2020 (year-on-year) inflation in Serbia reached 7.5 percent, while Eurostat measured the average for the eurozone countries of 4.9 percent and the total for all members 5.2 percent.

European statistics have not yet released data for December, and the SSO measured a certain slowdown, as prices reached a growth rate of 7.9 percent.

At the same time, inflation in Serbia was mostly influenced by the rise in food and energy prices, while in European countries the biggest contribution was made by transport costs and sometimes housing, which their statistics include energy consumption in households.

Economists believe that the growth of food prices in Serbia will continue in the coming period, and Dr. Vlada Kovacevic from the Institute of Agricultural Economics reminds that agricultural production is cyclical, so when farmers sow a crop or prepare livestock, they do not know what the market situation will be at the time of sale and only in the next cycle can they adjust their production.

He points out that in cereals this period is one year, the cycle in pig breeding lasts four years, in cattle seven, which is why these producers can react very slowly to changes in prices.

– These are natural cycles, but this imbalance is now artificially caused. The prices of all agricultural products fell first, producers gave up production, invested less, had less supply and the result was expected – a sharp jump in prices. Producers will now react to these increased prices, they will return to production and this new, now larger offer this year will result in a reduction and stabilization of prices. We have long been highly correlated with world prices in the cereals market, and wherever there are no import stops or non-tariff barriers, we are very equal with world producers. There should be no major oscillations in fruits and vegetables – says Kovacevic and claims that the fact that food is cheaper on the European market has little to do with subsidies enjoyed by their farmers because in the EU the state’s ability to react and help with some mechanisms producers in agriculture.

However, Professor of the Faculty of Economics in Belgrade Predrag Bjelic points out that the EU has a common agricultural policy with large subsidies, so a lot of food is produced locally, about 60 percent, which contributes to the stability of that market.

– Despite the belief that we are large producers in agriculture, we import a lot of food, a percentage more than EU countries. Most goods come from CEFTA, some even from further destinations. That is why the increase in the prices of transport, logistics, costs and broken supply chains is also affecting the price increases, and customs duties are being reintroduced somewhere. We have a disturbance in the liberalization of the world market,
so not everything is caused by the corona, more international relations, a process of deglobalization that closes the markets again – says Bjelic and adds that price movements will further depend on market structure, how many producers we have, how many traders and whether there is competition, but he is worried about the fact that the prices of essential foodstuffs have risen the most, existential ones that the consumer cannot avoid, Predrag Bozin from the company Kamendin, which is engaged in the production and processing of meat, reminds that the price of soybeans first jumped, at times it doubled, followed by corn and wheat, they rose by up to 50 percent, which automatically raised the prices of animal feed.

– The production price of pigs jumped to 1.5 euros per kilogram, and the average sales price last year was 1.25 euros. Due to that difference in price, we had a disastrous year, both on pig farms and with cattle where the situation is the same. This influenced the increase in the price of food in stores, and this year fuel, electricity and other energy sources started to rise. Producers were drastically affected, many gave up, farms reduced the number of heads, and that immediately increased the price on the market, and the domino effect began. If the producers draw zero, it will be good, but I do not expect the situation to improve either. The price of cereals will still remain the same, mineral fertilizer is 300 percent more expensive, so it will probably be used less in crop production, which means a low yield, which again affects the fact that prices rise. Make a vicious circle – says Bozin and points out that farmers in the EU last year did not mind when at one point the price of live cattle approached production, because they have large subsidies, they live from it, they feel less price shocks and therefore their production does not fall.

Food prices in Serbia are rising the fastest

Food prices in most European countries even before the pandemic were the same as in our country, but the interruption of supply chains, the jump in fuel prices and certain stock exchange goods affected Serbian consumers much more. In November last year, compared to November 2020, we paid 11.4 percent more for food and drink, which was not achieved by any of the European countries. Unprocessed food, which includes fruits, vegetables, meat, was paid 20.7 percent more in November last year than in the same month in 2020, and processed food was 7.1 percent more expensive.

Cheaper in Cyprus

The largest increase was recorded in Lithuania, 8.5 percent, followed by Estonia with five percent. Those two countries are also the only ones that have a slightly higher inflation rate than Serbia. The lowest growth in food prices, excluding Cyprus, which even had a negative rate of one percent, was recorded in Belgium (0.3), followed by France (0.4), the Netherlands (1.2), Portugal (1.4), Italy (1.4). Germany has a growth rate of 4.5 percent as much as Slovakia, Slovenia 4 and Greece 3.6 percent, Danas reports.