

Price rise, Jan-Dec/Jan-Dec	1999/1998	2000/1999	2001/2000	2002/2001	2003/2002	Structure in 2003, %
Consumer prices, total	6.1	8.9	8.4	7.5	5.6	100.0
of which: food, non-alcohol. beverages, total	3.7	5.5	9.2	7.5	4.6	20.7
food	3.8	6.1	9.8	7.5	4.6	18.7
- bread and cereals	8.1	13.3	13.4	13.4	6.5	4.0
- meat	3.6	6.2	13.4	4.0	1.8	5.1
- fish	4.0	4.2	10.8	8.7	5.1	0.5
- milk, cheese, eggs	2.8	8.6	4.5	7.8	1.4	2.8
- oils and fats	1.7	2.0	2.4	20.3	6.7	0.9
- fruit	0.0	-2.0	12.8	0.7	4.3	1.6
- vegetables	1.4	5.4	5.9	6.1	9.5	1.7
Producer prices of agricultural prod., total	-0.4	6.3	9.0	1.8	0.9	100.0
of which: arable crops	-5.3	5.3	2.3	10.1	7.4	9.7
- cereals	-16.4	27.8	-5.6	3.6	9.9	4.8
- industrial crops	6.0	-18.6	9.5	17.8	-0.6	4.2
- vegetables	5.2	-10.6	16.1	8.2	42.1	0.6
- fodder plants	-1.0	9.4	-0.3	21.3	30.0	0.1
- fruits and grapes	23.0	2.2	3.1	14.8	3.9	6.7
livestock breeding	-1.4	6.7	10.3	-1.4	0.3	76.0
- animals for slaughter	-3.6	7.0	12.5	-4.2	-1.2	41.3
- animal products	1.5	6.4	7.3	2.1	2.2	33.1
fishery	3.8	-0.8	4.5	1.4	0.9	0.7

Source of data: the SORS.

In 2003, the prices of food and non-alcoholic beverages from the consumer price index climbed by 4.6%, 1.0 percentage point less than the average rise in total consumer prices (see table). This was somewhat surprising because the prices of food and beverages were expected to rise faster following the low agricultural production seen in Slovenia and abroad. Prices were mainly held back by the prices of meat and animal products – the lowest rises were seen in milk, cheese and eggs (1.4%) and meat (1.8%) – which offset the relatively strong rises in the prices of bread and cereals (6.5%), oils and fats (6.7%) and vegetables (9.5%).

The prices of food and non-alcoholic beverages would have risen less if they had moved in line with the average rise in **producer prices of agricultural products**. They rose by an average of just 0.9%, however, variation among individual groups was wide. In **livestock breeding**, representing three-quarters of total producer prices, prices edged up 0.3%. The supply of animals for slaughter increased in the second half of the year because of shortage of fodder, while demand for meat fell in both domestic and export markets. Purchase prices only rose for poultry following an increase in demand. The prices of **fruit and grapes** rose relatively little (3.9%) despite the poor crops. The supply of fruit was abundant in early 2003 after bumper crops were seen in the previous year, while the supply of grapes continued to be bigger than demand because of excess stocks of wine. Prices rose faster in **arable crops** (7.4%) due to the drought and low crop levels: prices soared in the groups of vegetables (42.1%), industrial crops (30.0%) and cereals (9.9%). Similarly, the drought pushed up the average producer prices of agricultural products in EU members, where they rose faster than in Slovenia because of different shares of arable crops and livestock breeding in the total structure. As in Slovenia, prices mainly rose towards the end of the year and climbed by 7.8% year on year in November (3.5% in Slovenia): the prices of arable crops rose by 12.9% (13.7% in Slovenia) and those of livestock by 2.5% (2.2% in Slovenia).

The **gap between the rise in producer prices of agricultural products and consumer prices** widened further in 2003 (see graph). The former rose 25.4% and the latter 3.1% less than inflation in 2003 compared to 1991. Falls in producer prices were planned and roughly offset by direct financial aid to agricultural holdings with a view to lowering inflation. This was one of the main objectives of agricultural policy reform from 1998, however, realisation of this objective was minimal given that food prices in the consumer price index did not fall closely in line with producer prices of agricultural products. Intermediary entities in the food chain, i.e. the food-processing industry and distributive trades, turned this gap to their advantage.

Graph: Changes in agricultural producer and food prices relative to inflation, 1991-2003

