



## Agricultural market prices and income developments – status quo and outlook

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In the last years the prices of many agricultural commodities registered significant rises. These price developments mainly result from the combination of supply side factors at EU and world levels and demand-side drivers. Some of the factors are of a structural nature and they have set conditions for tighter, demand driven markets and thus firmer price levels. Most commodity markets have recently shown similar developments but the impact on agricultural prices is amplified by the seasonality that characterizes agricultural production and which limits its capacity for shortterm adjustment as compared to other industrial sectors. In this paper we intend to analyze the structural factors and effects caused by them such as: the steady rise in global commodity demand driven by record economic growth rates, urbanization and changes in dietary patterns (notably for meat) in many parts of the world; the emergence of new market outlets; the successive reforms of the CAP have certainly contributed to making agriculture more competitive but they have also produced shifts in production responses between sectors; the growth in cereal yields in the EU has considerably slowed down since 1995 and this could increasingly constrain the capacity of the agricultural sector to meet a rising domestic and global demand. Whilst caution is necessary in asserting that we have entered a new period of strong market prices after two decades of price decreases, it is becoming increasingly clear that structural factors like the growth in global food demand and the development of new market outlets can be reasonably expected to maintain prices at sustained levels over the medium-term. The high agricultural prices can be expected to be reflected in consumer prices to a much lower extent given the low and declining share of agricultural raw materials in food production costs and the competitive structure of the food supply-chain.