

THE EVOLUTION OF AGRO-FOOD PRODUCT PRICES

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Abstract:

The paper covers issues with respect to the agro-food product prices on the agro-food market in Romania, in general, from a micro and a macroeconomic perspective, and the basic features of these products within the nutrition of a nation.

Key words: rural trade, agro-food products, prices, tariffs.

JEL classification: Q130

Creating prices in the market economy is a complex and contradictory economic process, with characteristic features in agriculture. Prices of agricultural and agro-food products can be found within the activities undertaken in the agricultural sector, but included in the general economic activity. Here, we have the products obtained by using the factor of production – land, transformed then into plant and animal products, as well as agro-food products, from the completion of the agricultural activity, with the processing of raw materials, from agriculture.

Theoretically, the price is determined in confrontation of the demand and the supply of agricultural goods within the market, in an environment of free competition. In modern economies, by the development and widespread of the market system, the prices of products and services have an important role in its proper functioning. The ratio between the supply and the demand influences the pricing of agricultural and agro-food products, and the free market is the one that establishes the direct link between consumers and producers.

The market for any product or service can be defined as the meeting place, at a certain time, of the provision of the producers, expressed by their supply and the one of the consumers, expressed by means of the demand, as the form of organization of the area where buyers and sellers establish, through negotiation, the exchange of products, groups of products or services.

According to Philip Kotler (Principles of Marketing, 1999), the price, in a broader sense, is "the sum of all values that the consumer offers in exchange for the advantage of having or using the product or service." The key factors for the pricing process of a company are grouped into external factors (state intervention, economic progress, competition, market demand and nature, etc.) and internal factors (organizing the pricing, production costs, marketing strategy, the company's objectives, and so on).

The price, the main element of the marketing of agro-food products, characterizes all the specific elements of these products: quality, perishability, seasonality and is an important economic and social instrument. The level of prices should reflect the market realities, in space and time, as well as a different elasticity, by product categories, in the confrontation between the supply and the demand, within the free market, based on the consumer's free demand, competitiveness and initiative.

In a market economy, prices satisfy the distributive, simulative and informative functions, such as: the measuring function of the income purchasing power, the redistribution function of assets and incomes; the function to reward entrepreneurs and the cost recovery function; the function to stimulate the interests of economic agents; the function of information with respect to market requirements and its evolution, the function of measuring costs, calculation and evaluation of results, etc..

On a macroeconomic level, there were a lot of interventions with respect to the prices of agricultural products, aiming to stabilize these markets. Agricultural markets have particular aspects related to the specific of the competition, the level of economic development of the country, the degree of economic and social organization of the agro-food sector, the emphasis on the process of internationalization of markets, the linkages with other sectors, the specific of the goods destined for consumption, by the fact that agriculture self-produces some of the necessary inputs, by the degree of atomization of the two categories of participants, by the customer's requirements, etc..

The production in the agricultural sector is characterized by a large number of producers, by highly dispersed production lands, very different areas, in terms of productivity, for different species of animals, as well as different cultures, facts which, overwhelmingly influence pricing. The agricultural market is characterized by a high dispersion of consumers and producers. The lack of agricultural supplies, with a high concentration degree, creates great difficulties in what regards the stabilization of the market and high price fluctuations, which can be regular and annual.

There are a variety of factors that influence the pricing of agricultural and agro-food products, such as: uncontrollable or controllable, external or internal. The controllable factors, especially natural disasters, economic situations, the production cycles, with a strong influence in the prices of agricultural products, as well as the lack of market disposition and the implementation of appropriate agricultural policies on a national level.

Table no.1.

Average prices of main products sold in agro-food markets in Timisoara

-lei-				
	2000	2008	2010	%
Autumn potatoes (lei/kg.)	0,40	1,21	1,46	+365
Dry onions (lei/kg.)	0,60	2,15	2,01	+335
Dry beans (lei/kg.)	1,145	6,56	5,67	+495,19
Autumn cabbage (lei/kg.)	-	1,92	1,59	-
Field tomatoes (lei/kg.)	-	3,51	4,23	-
Apples (lei/kg.)	0,9357	2,58	3,01	+321,68
Cow milk (lei/kg.)	0,60	2,52	2,50	+416,66
Sheep milk cheese (lei/kg.)	4,00	15,69	16,17	+404,25
Eggs (lei/piece.)	0,18	0,52	0,44	+244,44
Honey (lei/kg.)	-	15,87	19,65	-

Source: National Institute of Statistics. Romanian Statistical Yearbook 2011

In Table no. 1., we can observe the average of the main products sold in agro-food markets in Timisoara, and the analyzed period is between the years 2000-2008-2010.

One can see dramatic increases in prices, over the decade analyzed, 2000-2010 by: 365% for potatoes, 495% for beans, 416% cow's milk, etc. However, in the period 2008-2010, we can see a relative stability, having both increases and decreases in the prices considered as benchmarks.

The high degree of dependence of the farmers' incomes, the elasticity of the demand and the seasonality of production, requires some long-term forecasts of the pricing level, as well as the shaping of several objectives, with the purpose of ensuring a sufficient level of the farmers' incomes.

Large companies, as part of the market strategies, grant an important role for the development of price strategies, however, small and medium-sized producers need support in guiding the production structure, in order to avoid bankruptcy. This

supporting role would have to be achieved by the bodies responsible for agricultural counseling or by the interprofessional bodies, consisting of agricultural producers and businesses in the agro-food production chains.

Unfortunately, over the last 22 years, any sustained actions, of information and support of agricultural producers, on the evolution of agricultural prices in the domestic and foreign market, have lacked.

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