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DIFFERENTIATION OF FOOD PRICES IN THE EUROPEAN UNION

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Abstract

The purpose of the paper is to analyse the differentiation of food prices in the European Union. The analysis is based on data from Eurostat, that periodically compares prices of consumer goods and services in households in the EU-28. As regards food products, the comparative analysis covers prices of approximately 440 comparable products. For each country, Price Level Index (PLI) is calculated with respect to food, non-alcoholic beverages, alcoholic beverages and tobacco, to compare price levels in different countries with the average food price level in the EU. PLI values are calculated taking into account the ratio of Purchasing Power Parity (PPP) to the official exchange rate in each country against EUR (for countries outside the euro area), which makes it possible to compare the prices of the same food products in one common currency. The analysis of the differentiation of prices of food product in particular groups in the EU was based on differentiation coefficients, calculated for particular food product groups. The comparative analysis of food price differentiation was carried out for all EU-28 countries. The analysis covers the period of 2004-2017.

The analysis shows that PLIs of food and non-alcoholic beverages vary significantly between particular EU Member States. At the same time, prices of these products in the “new” EU Member States (EU-13) are much lower than in the “old” Member States (EU-15). Gradual levelling of food prices in the EU can also be observed. The convergence of food prices, despite being a long-term process, means that cost-price advantages gradually cease to be a key determinant of international competitiveness for producers from the EU-13 countries. Due to globalization and European integration, the importance of non-price competitiveness factors is systematically growing. This phenomenon compels food producers from particular countries to seek new sources of competitive advantages on the demanding EU market.

Key words: Food, Prices, Differentiation, Convergence, European Union.

JEL classification: E31, O13, Q11, Q13.

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