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Latvian food price increases highest among Baltic States

Report Categories:

Agricultural Situation

Agriculture in the Economy

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Report Highlights:

The Latvian Agricultural Market Promotion Center's reports prices for some of the most popular food products more than doubled over the past twelve months. Latvian food price increases are driven in part by events occurring outside its borders, specifically as related to milk products, sugar, coffee, and grains. Short supplies of potatoes in Russia and of vegetables in Poland due to unfavorable weather are generating export opportunities for Latvian producers but at a steep cost for Latvian consumers at retail. Add in the mix profound changes to Latvia's tax policy and rising costs for production resources Latvian food prices will likely continue upward for the foreseeable future.

General Information:

The Agricultural Market Promotion Centre in Latvia conducted a research on food prices in all three Baltic State capitals' and when comparing first quarter (Q1) 2011 levels against the fourth quarter (Q4) 2010 discovered. Riga recorded the biggest increase between the two time periods. The research showed price increases were largest for cabbages (104 percent), carrots (100 percent), potatoes (70 percent), and yellow peppers (60 percent). In this period, Riga recorded price drops only for oranges and liquor (12 percent). Comparing food price changes in the Q1 2011 to Q1 2010, prices rose more than one-third for cabbages (159 percent), potatoes (109 percent), onions (49 percent), and milk (36 percent). Agricultural Market Promotion Centre research also revealed that in the Q1 2011 only *Kellogg's* original cornflakes (9 percent) recorded a considerable price reduction.

For the first time the Q1 2011 saw higher food prices at Latvia's stores than in neighbor capitals Vilnius and Tallinn. The Agricultural Market Promotion Centre reported that tax changes in Latvia in early 2011 played a role, while local economists attribute rapidly rising global oil prices as the bigger contributor to the March price rise. In March, the Latvian consumer price index rose 0.7 percent pushing the annual rate of inflation up 0.2 percent to 4.2 percent overall. The Bank of Latvia published its expectation that the annual rate of inflation will stabilize, but several factors will continue to push prices up in the near term: global food and oil prices, electrical power tariffs and another tax rise scheduled for mid-2011. Meanwhile, private consumption is expected to soften further due to weak economic recovery, further price increases due to supply factors, and high unemployment. When taking into consideration the possibility of limited supply and reduced reserve levels, food prices will remain under pressure for the foreseeable future. In April the Central Statistical Bureau of Latvia reported further consumer price level increase (1.1 percent).

Two factors – volatility of oil and food prices in global markets and tax-related consolidation measures of the Latvian government, are going to decide further inflation dynamics in 2011. According to market projections, oil prices will rise notably above the rate the Bank of Latvia utilized for its inflation forecast model. If high oil prices persist, a substantial food price drop is not to be expected in the near term, as these two indicators tend to move in tandem together.

According to Agricultural Market Promotion Center's calculations, prices for some of the most popular food products have more than doubled over the past twelve months. Food prices remained stable in April, with major fluctuations registered only for fresh fruits and vegetables which reacted to depletion of the previous year's harvest supply. The Agricultural Market Promotion Center in Latvia reported in April price gains were the most significant for carrots (38 percent), radishes (34 percent), table beets (20 percent), oranges (15 percent), red bell peppers (12 percent), cabbages (11 percent), and green grapes (10 percent). In March, price increases were more dramatic as compared to March 2010 steep increases were registered for cabbages (195 percent); potatoes (131 percent); buckwheat (119 percent); onions (66 percent); beets (62 percent); "Merrild" coffee (42 percent); Janagold apples (41 percent); milk (3.5 percent fat content) and pears (40 percent); sour cream (37 percent); bananas (29 percent); kefir and orange juice (25 percent); cheese and carrots (24 percent); butter (23 percent). When comparing prices in February 2011 versus February 2010, prices increased for cabbages (188

percent), potatoes (161 percent), wheat (141 percent), beets (57 percent), "Jonagold" apples (53 percent), 2% whole milk (47 percent), sour cream (40 percent), bananas (39 percent), pears (37 percent), salt (36 percent), and "Merrild" black coffee (34 percent).

Agricultural producer prices up 19 percent in 2010

The Central Statistics Bureau reports that from 2009 to 2010, the Producer Price Index in agriculture surged 19 percent, crop product prices spiked 23.6 percent, and livestock product prices rose 14.4 percent. In 2010, compared to a year before, prices grew for all crop products: grain (44.8 percent), rapeseed (29.3 percent), vegetables (38.9 percent), fruit and berries (17.7 percent) and potatoes (10.2 percent).

The average purchase price of grain rose 44.8 percent (from 73.25 lats per ton in 2009 to 106.06 lats per ton in 2010) including prices of wheat by 38.2 percent (from 79.75 lats to 110.21 lats per ton), rye by 42.3 percent (from 56.02 lats to 79.72 lats per ton), barley by 49.9 percent (from 61.95 lats to 92.86 lats per ton). The price gains of livestock production were reflected in milk, beef, sheep, and goat meats which climbed 37.6 percent, 2.1 percent and 27.0 percent, respectively. Prices of pork, poultry meat, and eggs, however, fell 6.6 percent, 10.7 percent, and 9.8 percent, respectively.

Please note: Average Exchange Rate of Convertible Currencies and Gold Set by the Bank of Latvia (lats per unit) from 01.01.2010 to 31.12.2010 for US dollar is 0.53053699

Currency converter	LVL (lats)	US dollar
May 20, 2011	1	2.3300
April 20, 2011	1	2.0240
March 18, 2011	1	1.9840
February 18, 2011	1	1.9310
January 20, 2011	1	1.9160