Structural and Economic Overview of the Italian Agri-food System: A Focus on Food Prices

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Abstract. An analysis of the main items characterizing the agri-food system highlights the existence of a strong demand for a politically-correct decisional process. This paper analyzes the value of the agri-food sector at national level in terms of Gross Domestic Product, Value Added at basic and current prices (ISTAT), comparing data with the EU level (Eurostat). Farms' structure and production are analyzed in order to highlight the current situation and future development of the agri-food sector. After an overview of the main structural characteristics of farms, the study focuses on a direct survey (FADN/RICA sample): in order to collect specific data an "ad hoc" questionnaire was drawn up to identify farm characteristics, productive potential and main market regulatory mechanisms. With the objective of highlighting the farmers' point of view, a case study on an Italian region is presented to evaluate three main topics: a) sales prices: main factors occurring in the price fixing phase; b) distribution channels and commodities prices: perception of strength in terms of trade agreement; c) rules and checks: actions to enhance and increase price transparency through supply chain rings.

Keywords: Agri-food System, Farms, Market, Prices.

1. Introduction

European agriculture is passing through a difficult period linked to freeing of the market and the strong competitiveness of some extra-European countries. The line of demarcation that today appears to allow the sector to remain profitable is the capacity to give Value Added to agri-food products. In Italy this Value Added is to be found in the alliance of quality with territory. The fundamental elements for the maintenance and enhancement of the system probably consist of new relationships between agricultural producers and the market: on the one hand there is the need to safeguard the incomes of the former and on the other that of ensuring high-quality products. The search for a new equilibrium also requires a more accurate definition of the role of the whole agri-food system, because it is facing the double challenge of competitiveness and environmental conservation.

The prices of some farm products began to rise in 2006 (maize), 2007 (wheat) and 2007-2008 (rice). The jump arrived after a period of substantial stability of basic prices, although within the framework of a slow upturn beginning in 2000-01. At the end of 2007 many had predicted that the surge in prices would be brief, with a return to normality in 2008, but this did not happen. There have been other episodes in the past of high increases in agricultural prices: 1972-74, 1979-80, 1988-89, 1995-96. In real terms the agricultural prices trend is decreasing: even the peak of 2007-08 is below the historical highs of the early 1970s[2]. The inversion of trend around 2000 did not regard only farm products, as a comparison shows that the real prices of energy and other commodities have overtaken their respective historical highs, rising more than those of food and agriculture. One of the characteristics of the recent trend in agricultural prices is the close correlation with the price of oil, due mainly to increased production costs (technical inputs and fuels) and the increasingly cheap cost of producing bio-fuels[3].

The first part of this paper uses official data to describe the productive structure of the economic system and proceeds with an analysis of the principal factors that have determined the rise in agricultural prices. Lastly the results are presented from a regional case study conducted through a survey of a sample of farms. The questionnaire highlighted three main questions: a) sales prices: main factors occurring in the price fixing phase; b) distribution channels and commodities prices: perception of strength in terms of

trade agreement; c) rules and checks: actions to enhance and increase price transparency through supply chain rings.

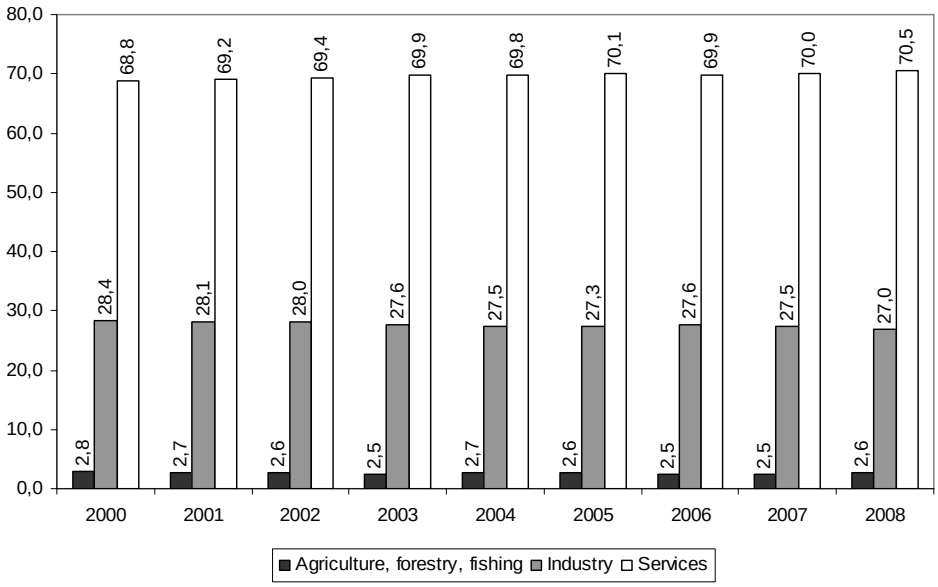
2. The Agri-food System in Italy

2.1. The primary sector in the Italian socio-economic system

A first characteristic of Italian agriculture is illustrated by its position within the local economy in terms of Value Added (VA). It is also possible to clearly define its contribution to the national economy in terms of other characteristics, such as the composition and trend of the value of Gross Saleable Production (GSP).

A declining trend of agriculture's contribution to total national VA can be identified. In 2008 VA at basic prices was 2.6% (Fig. 1). The contribution of Italy's economic system has approached the EU-27 level, which was 1.8% in 2008 [4].

Figure 1. Value Added at basic prices by sector (%, ref. year 2000)

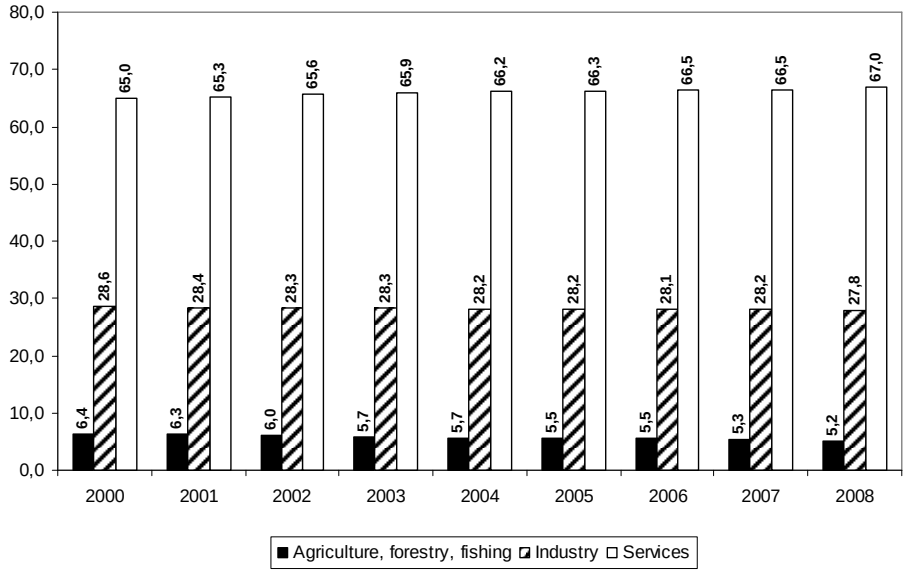


Source: Elaboration of ISTAT data [2]

Another traditional indicator used to measure the role of agriculture within the local socio-economic system is the total labour force employed, measured in standard work units (WU). In Italy, agricultural employment has continued to decrease over the past ten years (Fig. 2), dropping from 6.4% in 2000 to 5.2%.

In the EU-27 in 2007, the percentage of total civilian employment in agriculture was 5.6%[4].

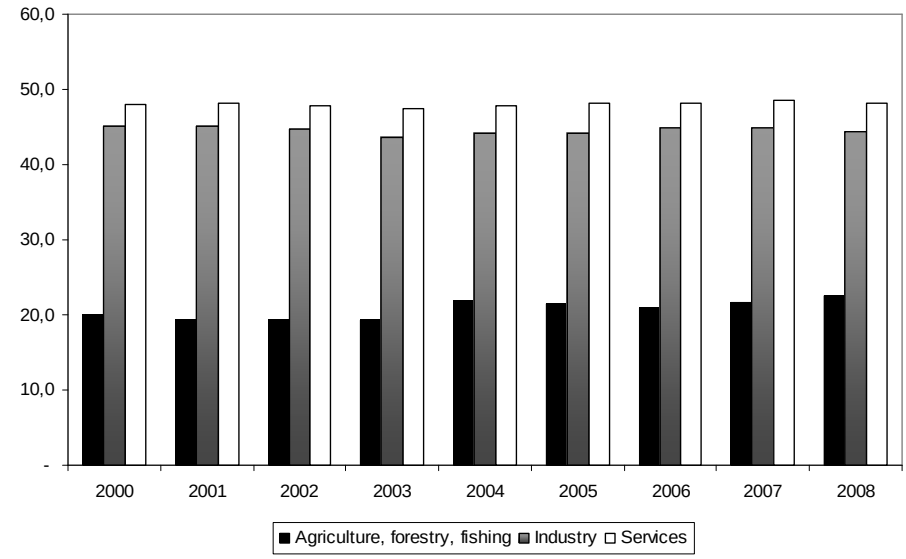
Figure 2. Work Units by sector (%)



Source: Elaboration of ISTAT data [8]

To point out the productivity in agriculture, we illustrate the Value Added at basic prices per WU. It can be noted that it was € 22,600 (Fig. 3). Compared to 2000, productivity rose (€ 20,000 in 2000) mainly due to a decline in the labour forces and stability of Value Added.

Figure 3. Value Added at basic prices per Work Units by sector (€)

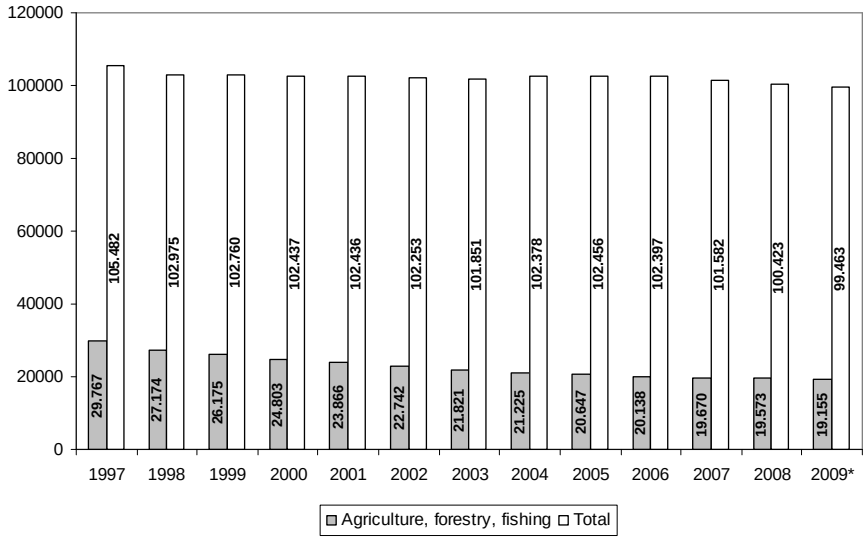


Source: Elaboration of ISTAT data [8]

2.2. Structure of the primary sector in Italy and in Friuli Venezia Giulia Region

In Italy during first quarter 2009 the number of active farms registered by the Enterprises Register was 890,934 (the total number of active enterprises was 5,279,013)[7]. It may be noted that the value is continuing its declining trend (in 1997 there were 1,115,252 active farms).

Figure 4. Registered number of active farms and total enterprises in Friuli Venezia Giulia (1997-2009)



* first quarter

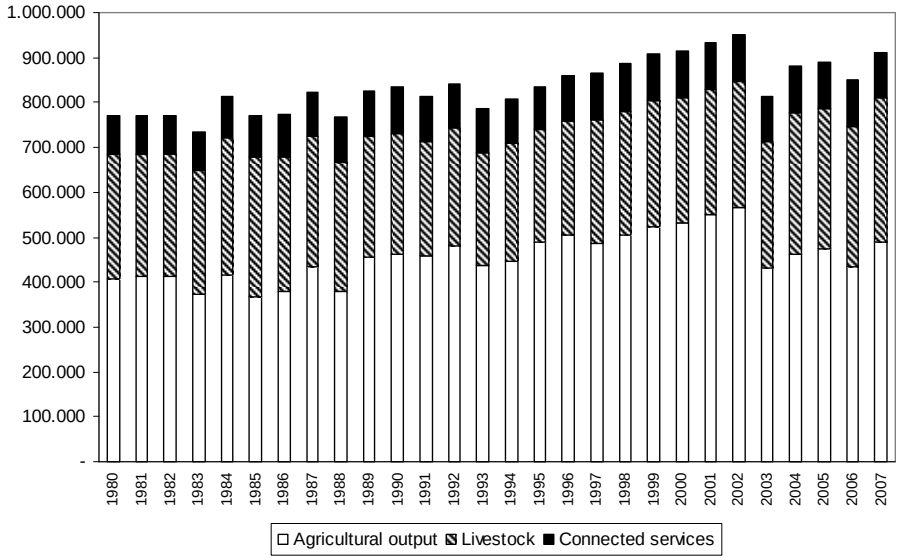
Source: Elaboration of Infocamere data [7]

The number of active farms registered in Friuli Venezia Giulia dropped from 29,767 in 1997 to 19,155 in first quarter 2009 (i.e. 2.15% of Italian active farms) (Fig. 4).

As regards production levels, in Italy in 2007 agricultural output at basic prices, including forestry and fishing, increased in value compared to 2006. It was 49,766 million €, as a result of stable output volume and increased basic prices[9].

In Friuli Venezia Giulia, the data evidence the highest value in 2002 (more than 900 million €) and the drop due to bad weather during 2003 (Fig. 5). From the figure it is possible to point out that the main part of production was due to crops, in particular field and tree crops. However, livestock also played a significant role, while the share of connected services was constant over the period but lower than other productions: in 2007 it counted for 10.1% of total output.

Figure 5. Output and services at basic prices (basis=2000) in Friuli Venezia Giulia (000 €)



Source: Elaboration of Istat data [9]

In Italy in 2007 the VA of agriculture, forestry and fishing was 28,507 million €. It was mainly produced by agriculture (95.3% of total VA). Due to the different economic size of fishing (6.3% instead of 3.4%) in Friuli Venezia Giulia, agriculture contributed 93.5% of VA (Tab. 1).

Table 1. Value Added at basic prices (base=2000) in Friuli Venezia Giulia (thousand €)

	1980	**1985**	**1990**	**1995**	**2000**	**2005**	**2007**
Agriculture	351.776	391.774	461.101	518.940	555.006	527.171	574.922
Forestry	8.076	7.789	9.183	11.150	8.969	7.865	7.553
Fishing	24.485	30.542	38.448	49.493	74.707	36.228	38.537
Agriculture, forestry, fishing	377.998	422.926	500.411	576.094	638.682	566.981	615.101

Source: Elaboration of Istat data [9]

In Italy 1,680,000 agricultural holdings were recorded in the 2007 Farm Structure Survey (2.8% less than in 2005). The Utilized Agricultural Area (UAA) has increased by 0.3% (Tab. 2). It was about 12.5 million hectares (ha) and represented an average of 9 ha per holding.
In Friuli Venezia Giulia the total number of farms has increased by 1.5% from 2005 to 2007, but has decreased by 26.6% compared with 2000. In 2007 24,206 agricultural holdings were recorded. They used about 228 thousand ha of UAA, an increase of 1.6% compared with 2005.

Table 2. Number of farms and Utilized Agricultural Area (EU universe – years: 2000, 2005 and 2007)

REGION	FARMS				
	2007	2005	2000	% 2007/05	% 2007/00
Friuli Venezia Giulia	**24.206**	**23.837**	**32.981**	**1,5**	**-26,6**
ITALY	1.679.439	1.728.532	2.153.724	-2,8	-22,0
North Italy	449.880	453.935	580.116	-0,9	-22,4
Centre Italy	268.823	281.784	375.916	-4,6	-28,5
South Italy	960.736	992.809	1.197.692	-3,2	-19,8
REGION	UTILIZED AGRICULTURAL AREA				
	2007	2005	2000	% 2007/05	% 2007/00
Friuli Venezia Giulia	**228.063**	**224.521**	**237.747**	**1,6**	**-4,1**
ITALY	12.744.196	12.707.846	13.062.256	0,3	-2,4
North Italy	4.652.783	4.578.414	4.856.018	1,6	-4,2
Centre Italy	2.316.260	2.329.479	2.424.277	-0,6	-4,5
South Italy	5.775.153	5.799.953	5.781.961	-0,4	-0,1

Source: Elaboration of Eurostat data [5]

In 2007, 26% of the Italian agricultural holdings (437 thousand) had less than 1 ha UAA, while in Friuli Venezia Giulia they accounted for 13% (Tab. 3). They used, respectively, about 2% and 1% of UAA.
The agricultural holdings with more than 50 ha of UAA were 2% of the total in Italy, while they were 3% in Friuli Venezia Giulia. Nevertheless, they used about 40% and 37% of total UAA, respectively. These Friulian farms used less UAA than northern-Italian agricultural holdings.

Table 3. Number of farms and Utilized Agricultural Area (UAA) by size of UAA (2007)

REGION	Size of Utilised Agricultural Area							Total
	< 1	1 - 2	2 - 5	5 - 10	10 - 20	20 - 50	>=50	
FARMS								
Friuli Venezia Giulia	**3.221**	**5.722**	**6.354**	**4.544**	**2.161**	**1.568**	**620**	**24.191**
%	**13**	**24**	**26**	**19**	**9**	**6**	**3**	**100**
ITALY	436.974	394.930	397.118	202.560	122.747	83.423	40.014	1.677.765
%	26	24	24	12	7	5	2	100
North Italy	104.905	80.234	106.353	69.229	42.493	29.513	16.592	449.325
%	23	18	24	15	9	7	4	100
UTILIZED AGRICULTURAL AREA								
Friuli Venezia Giulia	**1.462**	**7.736**	**20.479**	**31.924**	**30.909**	**49.192**	**86.361**	**228.063**
%	**1**	**3**	**9**	**14**	**14**	**22**	**37**	**100**
ITALY	231.187	541.938	1.247.528	1.407.878	1.701.083	2.598.736	5.015.847	12.744.196
%	2	4	10	11	13	20	40	100
North Italy	54.369	111.014	342.589	487.653	590.832	926.493	2.139.834	4.652.783
%	1	2	7	10	13	20	47	100

Source: Elaboration of Eurostat data [5]

There were 309 thousand Italian farms with livestock in 2007 (2.4% more than 2005), with 9.88 million Livestock Units (LSU), an increase of 3.6% compared with 2005[5] (Tab. 4). 4.8 thousand (1.6%) of these livestock farms were in Friuli (13% more than 2005).

The main types of Italian livestock were rabbits and pigs, but there were also a considerable number of sheep and cattle. In Friuli Venezia Giulia there were more than 1 million rabbits (12.2% of Italian total) and 43 thousand dairy cows (2.5% of Italian total). The total number of farmed rabbits in Friuli Venezia Giulia increased by more than 200% from 2005 to 2007, while dairy cows decreased by 7% during the same period. It is worth noting that the number of sheep in the Region also rose (by more than 130%) from 2005 to 2007.

Table 4. Number of livestock farms, number of heads (2007)

REGION	Livestock farms	Livestock									
		Cattle and other bovine animals	Cattle	Dairy cows	Other bovine animals	Pigs	Sheep	Goats	Equidae	Rabbits	Poultry
HEADS											
Friuli Venezia Giulia	**4.850**	**95.077**	**94.909**	**43.235**	**167**	**175.181**	**6.349**	**1.827**	**967**	**1.115.828**	**5.234.581**
ITALY	309.468	6.364.355	6.080.762	1.702.657	283.593	9.040.247	6.790.053	936.843	156.610	9.155.889	157.227.881
North Italy	112.526	4.271.609	4.254.232	1.287.808	17.378	7.687.520	362.833	170.524	73.871	6.800.221	127.797.948
Centre Italy	60.821	561.493	502.861	110.371	58.632	545.223	1.510.893	59.808	35.210	908.010	13.981.827
South Italy	136.122	1.531.253	1.323.670	304.478	207.582	807.503	4.916.328	706.511	47.529	1.447.659	15.448.107
%											
Friuli Venezia Giulia	**1,6**	**1,5**	**1,6**	**2,5**	**0,1**	**1,9**	**0,1**	**0,2**	**0,6**	**12,2**	**3,3**
ITALY	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
North Italy	36,4	67,1	70,0	75,6	6,1	85,0	5,3	18,2	47,2	74,3	81,3
Centre Italy	19,7	8,8	8,3	6,5	20,7	6,0	22,3	6,4	22,5	9,9	8,9
South Italy	44,0	24,1	21,8	17,9	73,2	8,9	72,4	75,4	30,3	15,8	9,8

Source: Elaboration of Eurostat data [5]

In Italy the family labour force has decreased by 4% from 2005 to 2007, but its weight in the total labour force has decreased from 67% in 2005 to 66% in 2007[5] (Tab. 5). On the contrary, in Friuli Venezia Giulia the labour force rose by 16% from 2005 to 2007. The increase was mainly in the family labour force and more specifically regarded relatives of sole holders (73%). Moreover, non-family labour also registered a consistent increase (more than 50%).

Table 5. Labour force-persons (2007)

REGION	Labour force							Total
	Holders	Family labour force			Family labour force total	Non Family labour		
		Spouses of the sole holders	Other family members	Relatives of the sole holders		Working full time	Working part time	
PERSONS								
Friuli Venezia Giulia	**23.605**	**12.432**	**5.847**	**5.549**	**47.433**	**5.975**	**9.675**	**63.083**
ITALY	1.663.508	752.549	459.022	181.460	3.056.539	72.485	885.560	4.014.584
North Italy	443.042	195.533	137.128	81.194	856.897	37.695	179.644	1.074.236
Centre Italy	263.834	120.366	69.045	27.820	481.065	18.476	76.758	576.299
South Italy	956.633	436.651	252.848	72.448	1.718.580	16.313	629.160	2.364.053
%								
Friuli Venezia Giulia	**1,4**	**1,7**	**1,3**	**3,1**	**1,6**	**8,2**	**1,1**	**1,6**
ITALY	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
North Italy	26,6	26,0	29,9	44,7	28,0	52,0	20,3	26,8
Centre Italy	15,9	16,0	15,0	15,3	15,7	25,5	8,7	14,4
South Italy	57,5	58,0	55,1	39,9	56,2	22,5	71,0	58,9

Source: Elaboration of Eurostat data [5]

In 2007 121 thousand farms had another gainful activity than agricultural production in Italy (Tab. 6). Amongst these, 72 thousand processed farm vegetable products. In the same year 3.3 thousand farms with another gainful activity were recorded in Friuli Venezia Giulia, a 39% increased compared with 2005. Despite a consistent decrease in processing livestock output and agritourism, there was a 70% increase in other gainful activities.

Table 6. Agricultural holdings with another gainful activity (2007)

REGION	Farms with another gainful activity	Gainful activities			
		Agritourism	Processing of farm vegetable products	Processing of farm livestock output	Other gainful activities
NUMBER					
Friuli Venezia Giulia	**3.291**	**443**	**2.141**	**458**	**1.130**
ITALY	120.775	17.893	71.534	19.827	24.775
Nord Italy	47.217	7.844	25.402	9.373	10.888
Centre Italy	26.424	6.639	17.594	2.148	3.054
South Italy	47.135	3.410	28.537	8.307	10.833
%					
Friuli Venezia Giulia	**2,7**	**2,5**	**3,0**	**2,3**	**4,6**
ITALY	100,0	100,0	100,0	100,0	100,0
Nord Italy	39,1	43,8	35,5	47,3	43,9
Centre Italy	21,9	37,1	24,6	10,8	12,3
South Italy	39,0	19,1	39,9	41,9	43,7
% VARIATION 2007/2005					
Friuli Venezia Giulia	**39,0**	**-21,0**	**22,7**	**-31,1**	**69,9**
ITALY	14,6	40,8	-3,2	12,4	40,4
Nord Italy	19,6	43,0	0,9	37,2	59,3
Centre Italy	15,3	49,4	2,2	61,1	129,1
South Italy	9,7	23,0	-9,4	-12,4	14,3

Source: Elaboration of Eurostat data [5]

3. The increase in agricultural prices: principal causes and consequences

3.1. Structural and cyclical factors

A complex set of causes are linked to structural factors of supply and demand and cyclical factors, which have all been operating in the same direction in recent years and reinforcing one another. Factors of cumulative pressure can also be identified, which are self-subsisting.
The main consequences of the increase in agricultural prices include:

- macro effects on inflation and demand
- inflation perceived as higher than it really is
- effects on families' consumption and on some countries of the world in particular.

The countries most badly affected are those more dependent on imported food and where there is the highest incidence of poverty. The families hardest hit are those on low incomes, even if this varies according to whether they are net buyers or sellers of food and is therefore worst in urban areas. The effects on dietary composition and malnutrition are serious: modification of the diet in favour of foods that are less costly but also less nutritious and varied; reduction in spending on health and children's education[6]. As regards inflation and demand, the effect is also significant in the developed countries: an EU study estimates it as being equal to an increase of 5% in the retail price index of food in the EU, but with differences and imbalances along the supply chain: some sectors are penalized (meat, milk-dairy products) [1].
On the supply side, alongside the specific characteristics of inflexibility and seasonality in the supply of agricultural products, other factors of pressure on the prices have been added: from a slowing down of the growth rates in production due especially to a lower growth in the yields, to a reduced profitability of agricultural products, due to increased costs and deterioration of the terms of trade. There has also been a reduction in investments in agriculture because of excess supply and low world prices. According to the EU Commission, the products where the price increase is due mainly to factors operating on the supply side are wheat, rice and milk-dairy products[1].

On the demand side there has been a growth in that for foodstuffs (especially of protein foods in the emerging countries, in particular China and India) and an increase in the demand for biofuels[11] caused by the high price of oil and government subsidies. This latter demand has been greatly emphasized in the debate on the food emergency but no agreement has been reached on its role. According to the EU Commission, the products where the price rise is due mainly to factors operating on the demand side are soybean and maize[1].

In general, the structural factors which act from the supply and demand side only determine tendencies and so do not explain the explosion of prices. Their combined trend has led to a situation where, in recent years, consumption has almost always been higher than production, causing a reduction in stockpiles.

As regards the cyclical factors, these are mainly linked to unfavourable climate (drought), the increased price of oil and devaluation of the dollar with a consequent growth in demand for imports and higher prices. The financial crisis has also fuelled speculation on agricultural commodities. The debate on the role and weight of the speculation is an open one: for some it is the principal cause; for others, it is the symptom of the problem rather than the cause. Moreover, the effects of the political response to the crisis has determined high taxes on exports with the consequent stockpiling. The effect of these actions has been to reduce the supply and increase the demand on the international markets, with a consequent further pressure on prices.

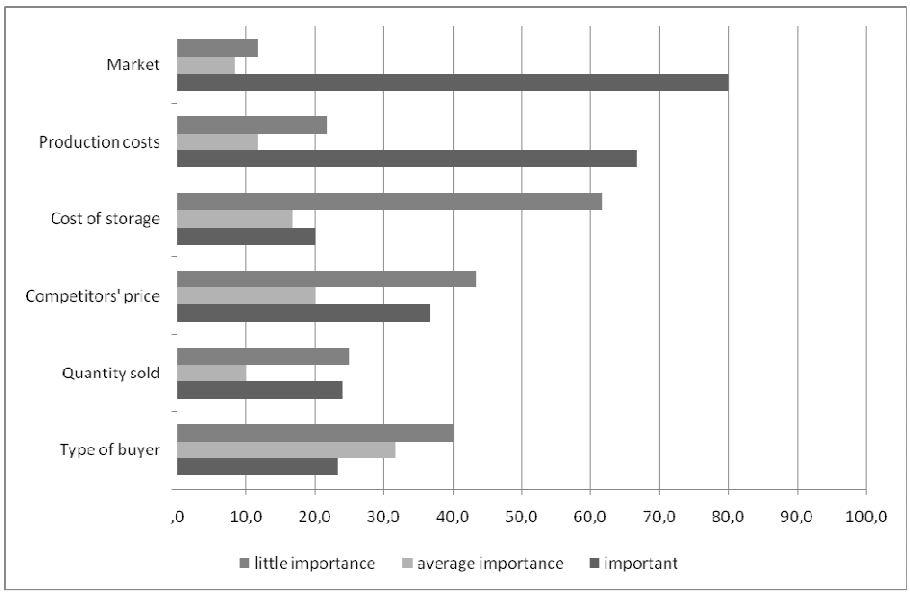
4. The Farmer's Point of View: A Direct Survey

4.1. Main results of the questionnaire

In order to learn about the points of view of farmers a sub-sample of farms was identified from the RICA/FADN Data Bank of the Friuli Venezia Giulia Region. The selected farmers were given a questionnaire compiled ad hoc. The raw data collected made it possible to identify the factors which mainly influence the sales price fixing of the products, their perception of their bargaining powers with the external channels, and possible actions that could contribute towards guaranteeing transparency and control on the price fixing of agri-food products.

The main factors that determine sale price (figure 6) are the market (80.0%) and production costs (66.7%), while storage/transformation costs (61.7%) and the prices of competitors (43.3%) are less important.

Figure 6 – Factors that influence the sales price of the products by level of importance (%)



Source: Elaboration of questionnaire data.

The farmers interviewed have the perception that they have little bargaining power with the external channels. Table 7 explores the relationships between the farms and the main links considered in the questionnaire: it should be noted that the majority of respondents declared that the link connecting farms with Large-scale Distribution is missing.

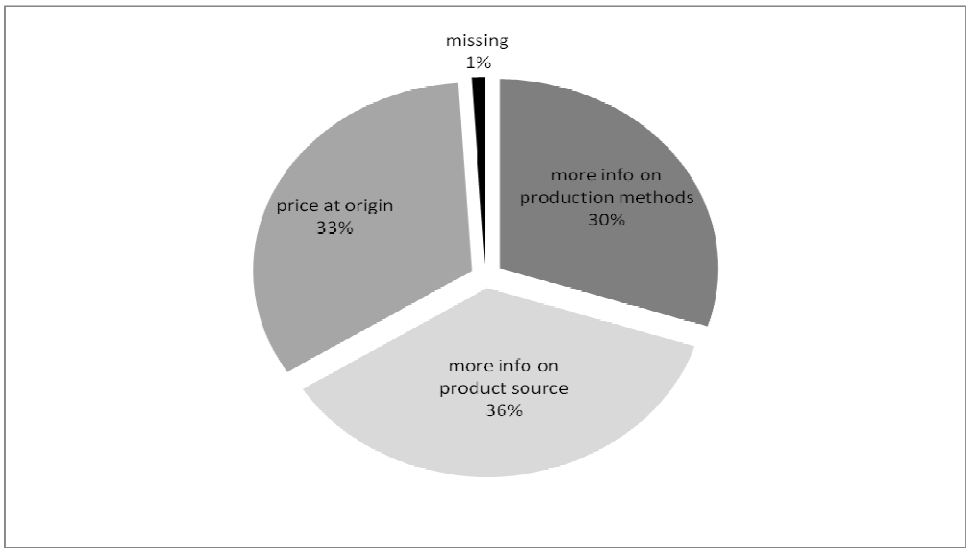
Table 7 – Perception of the farmers' bargaining power with the external channels in terms of prices (%)

	Wholesaler	Buying Association	Traditional Distribution	LSD
High	10.0	3.3	3.3	1.7
Average	16.7	6.7	10.0	1.7
Low	68.3	45.0	40.0	35.0
Missing	5.0	5.0	5.0	5.0
Missing link		40.0	41.7	56.6
Total	100.0	100.0	100.0	100.0

Source: Elaboration of questionnaire data.

In many cases, for the farmers in the sample, direct sales is still the preferred method for the marketing of agri-food products. Nonetheless, 36.7% declare that the step which contributes most to the increasing of the sales price is that of wholesaler – buying association. More information on the source of the products and production methods are considered important elements that, together with the indication of the price at origin, could contribute towards increasing the transparency of the sales prices (figure 7).

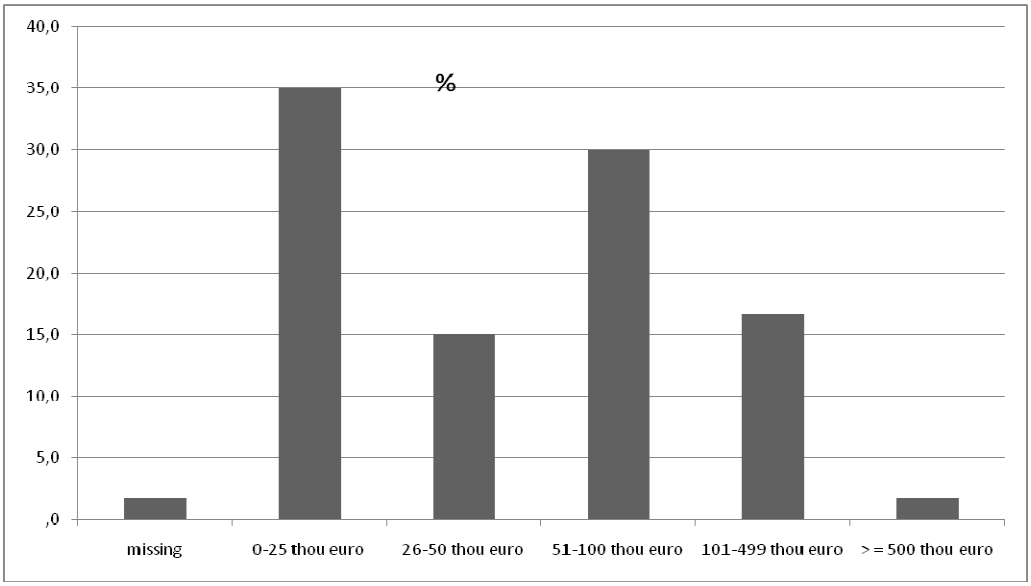
Figure 7 – Perception of the information on products: what it is important to find on the sales tags (%)



Source: Elaboration of questionnaire data.

60% of the farmers interviewed are not members of a consortium, cooperative or association. 83.3% do not have an internet site. They are mainly small farms, the majority of which are family-run (81.7%). In regard to permanently employed workers, 10% are in the class from 1 to 2 employees, 6.7% in the class from 3 to 5 and only 1.6% in the class from 6 to 9. In 70% of cases they are sole proprietors. The income for 2008 is concentrated in the classes 0-25,000 € and 51-100,000 € (figure 8).

Figure 8 – Income of the farmers interviewed, year 2008 (%)

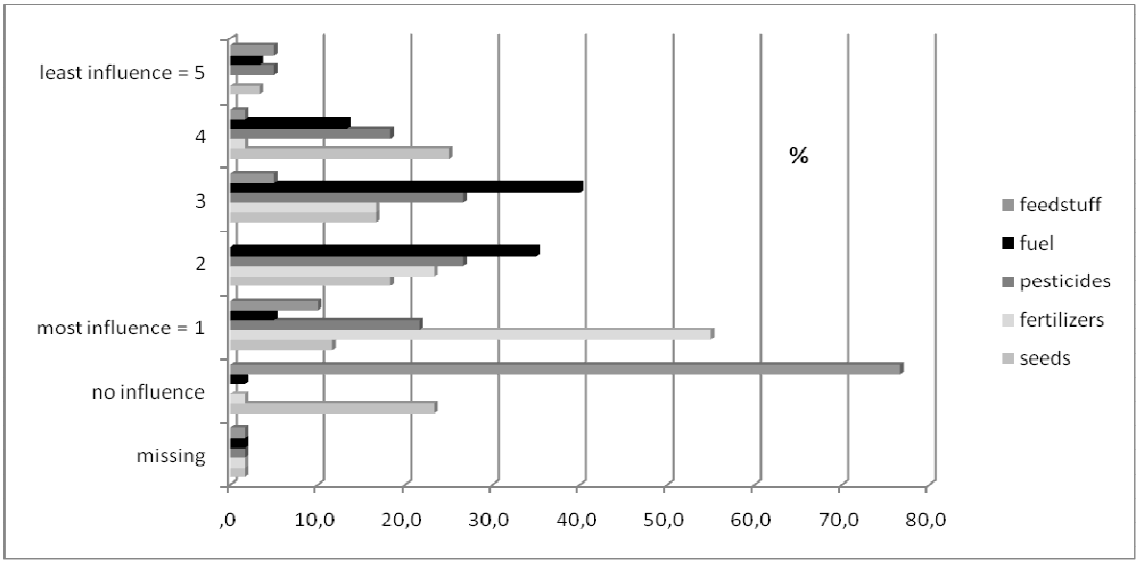


Source: Elaboration of questionnaire data.

The principal raw materials placed on the market are: cereals, oil crops, milk, grapes, fruit, vegetables, pigs. The principal transformed products placed on the market are: dairy produce, wine, processed vegetables, meat. 85% of the farmers declare that they do not draw up a proper Market Plan. 86.7% do not invest a significant portion of their income in advertizing.

Figure 9 reports level of importance of some costs that most influence the sales price fixing of the products.

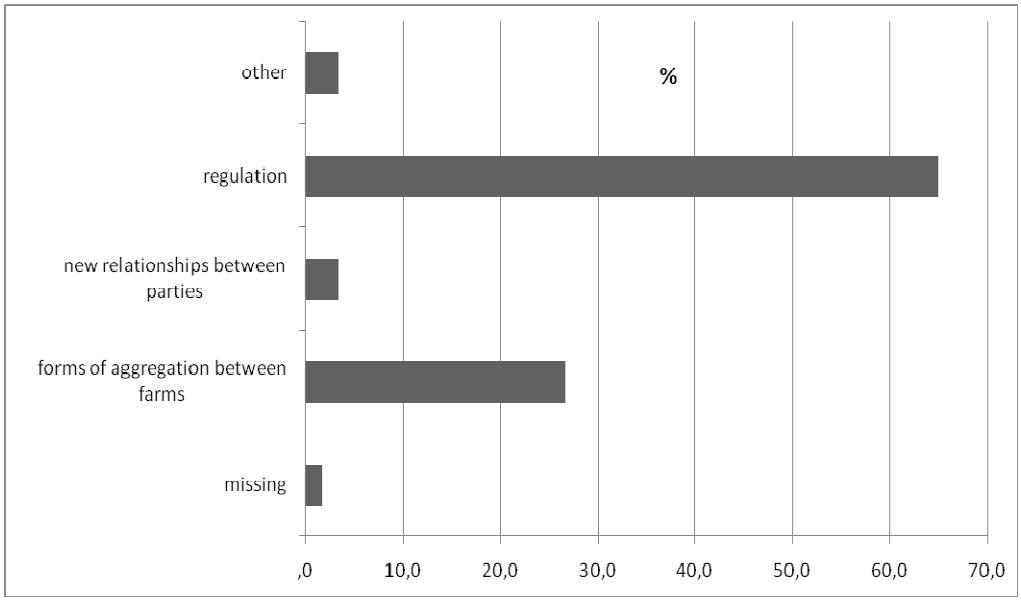
Figure 9 – Level of importance of some costs that most influence sales price fixing (%)



Source: Elaboration of questionnaire data.

The farmers interviewed declared that new rules and new forms of aggregation between firms would be necessary to guarantee greater transparency and control of prices (figure 10).

Figure 10 – Actions to guarantee greater transparency and control of sales prices (%)



Source: Elaboration of questionnaire data.

The links in the chain that mostly determine the increasing of the sales price (table 8) are the transition from wholesaler to buying association (36.7%) and from this latter to distribution (28.3%).

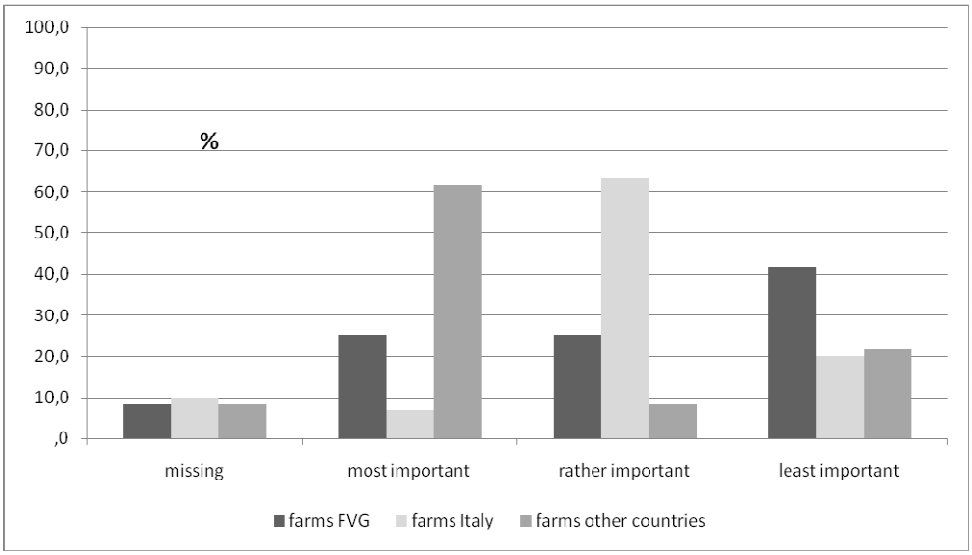
Table 8 – Price increase along the supply chain (%)

producer-wholesaler	5.0
wholesaler-buying association	36.7
wholesaler-distribution	26.7
buying association-distribution	28.3
missing values	3.3

Source: Elaboration of questionnaire data.

Friuli Venezia Giulia is the only market of reference for 50% of the farmers, while it represents a 70% share for 8.3% of the respondents. Italy is the only market of reference for 5% of the farmers, while it represents a 20% share for 13.3% of them. The EU is the only market of reference for 1.7% of the farmers, while it represents a 10% share for 8.3% of them. The main competitors are farms in other Italian Regions (figure 11).

Figure 11 – Main competitors (%)



Source: Elaboration of questionnaire data.

In short, the determining factors for sales price fixing include market and production costs. The farmers' have a poor perception of their own bargaining powers with the external channels. The possible actions in order to contribute towards guaranteeing transparency and control on the price fixing of agri-food products are more information on the source of the products and on production methods.

5. Conclusions

On the basis of what has emerged from the study, the price crisis is the result of many contributory factors that can be attributed to both structural and cyclical mechanisms, aggravated by combined interrelationships. It appears evident that the current scenario differs from past trends, so understanding the amount of this change will be essential for designing the policies of the sector in the near future[3]. This does not regard only strictly agricultural policies, but also short-term actions for food aid, development strategies for agriculture in developing nations, trade agreements, energy policies, possible actions against speculation. The debate on agricultural policies is an open one, nevertheless the current crisis has revived the strategic nature of agriculture and the consequent impossibility of considering it, as in the past, a marginal sector. The challenge will therefore be to define a new strategy to ensure adequate space and resources for the development of agriculture in the less-advanced countries, but also to allow developed countries to guarantee competitiveness, adequate production capacity and appropriate enhancement of this sector.

The prices of agricultural products will remain high: according to a new OCSE/FAO report[10] the volatility may increase. The prices of agricultural products should slow in comparison with recent peaks, but for the next 10 years it is forecast that they will stabilize well above the low levels of the past decade, according to the most recent joint OCSE/FAO report "Agricultural Outlook 2008-2017". The prices may also become more volatile due to the low level of stockpiles and because part of the demand for agricultural products will be less responsive to price changes. The recent increase in funds invested in the futures markets might also become a factor of price instability. Climate change might also affect agricultural production and availability in unexpected ways. The growing demand for biofuels is another factor that contributes towards price increases. The world ethanol production has tripled in the period 2000/2007 and is forecast to double yet again between now and 2017, to reach 127 billion litres annually. The production of biodiesel is expected to expand from the 11 billion litres annually in 2007 to around 24 billion litres in 2017. The increase in the production of biofuels weighs heavily on the demand for cereals, oil seeds and sugar, thus contributing to rising prices[12].

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