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# **Agric. Econ. — Czech**

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## **The development of the price parity in the foodstuffs production and consumption vertical**

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The analysis of the development of prices in the foodstuffs vertical, it means the prices of inputs into the agriculture, agricultural products, food products and consumption prices of foodstuffs, on the

basis of the price scissors, and with crucial products on the basis of the price shares and differences, has shown that price liberalisation with the applied partial regulation of their development within the market-oriented reform has evoked the greatest raise of prices within 1991–2001 regarding inputs into the agriculture, while prices of agricultural products were growing slower. The parity coefficient (the ratio of price indices) between the development of the prices of inputs and outputs became worse as of 1989 to the detriment of agriculture from 93.9 reached in 1990 to 50.3 in 2001, what means a significant opening of the price scissors to the detriment of agricultural producers. That situation was influenced mostly by the development in the first year of the reform but the trend of opening the price scissors, except for 1994, was persisting, though in the last two years the differences in the trends of the development of prices of inputs and outputs have been moderated. At the beginning of the development, the effect of the low level of the agricultural products prices was not adequately reflected in the prices of food producers

and consequently in consumer prices. This was influenced mainly by the pressure of food producers evoked by the need of settlement of additional costs connected with the transformation, in particular to the detriment of the agricultural products prices (opening of the price scissors with the parity coefficient dropping from 90.8 in 1990 to 56.5 in 2001), but this negative trend has been stopped in the last two years. A gradual accommodation of demand and supply and a growing competition environment also through large retails established in our country has been reflected in closing the price scissors between the prices of food producers and consumer prices of foodstuffs (the parity coefficient raised from 76.6 in 1991 to 88.7 in 2001). The development of the shares and differences in prices as of 1994 pointed to a substantial differentiation in the development of prices in the vertical of the production and consumption of individual products what was effected by the applied regulation system as well. With milk and milk products, the majority of the evaluated products was showing a slightly raised share of the raw cow milk price in the final

food products prices, and in the last three years, also the processor price share in the consumer price. This narrowed the difference between the producer and dealer prices. With slaughter cattle and the major kinds of beef, a gradual decline of the slaughter cattle price share in the processor price was interrupted in 2001, what, to a certain extent, was also caused by the crisis evoked by the BSE and by the minimum price which prevented transferring of these consequences, to a larger extent, to farmers. Similarly, in 2001, a non-standard situation occurred between the processor and consumer prices of the individual kinds of beef. With slaughter pigs and the evaluated kinds of pork, after the period of dropping slaughter pig prices share in the processor price of the major kinds of pork, its growth was recorded mostly in 2001, when the processor price share in the consumer price dropped as well.

**Keywords:**

the price, price regulation, parity coefficient, price scissors, food vertical

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