

Prices and summer phantoms

In this excessively hot summer, our survival instinct suggests that we should tone down physical activity in favour of more contemplative options. One such option is reading, another is doing the accounts: taken together they form a powerful tool which I have made much use of, over these recent sweaty months.

And so it is that, reading and counting, I have come to the conclusion that the summer has been made even hotter by a significant increase in the cost of living.

They're talking and writing about it everywhere: ISTAT daily tells that inflation reached 2.7% in July and 2.8% in August.... and that consumer goods are becoming ever more costly.

The TV makes war-like announcements every day: today plums are still affordable, but what about the impact on the family budget of the price of watermelons, which have risen from 40 to 70 cents per kilo?

And, lurking behind the troubling silhouettes of tomatoes and melons, lies the question of questions: why???

Why do prices rise?

According to the newspapers, the collective finger of accusation is pointed at, in order:

1) lack of rainfall,

2) the farmers, who are facing rising costs due to the excessive heat and low production, but who are suspected of aiming at disproportionate earnings on the back of the emergency...

And since it is hard to be really annoyed at the weather, no matter how crazy it is, public opinion generally ends up assigning the blame to the farmers.

But things are a bit different, if we are interested in the truth and not just flag-waving...

I am very fond, myself, of a number of illuminating graphics:

(http://www.clal.it/index.php?type=section§ion=lista_graf) which clearly show how the production costs and consumer prices of dairy products, for example, are widely divergent, so that the graph looks like the yawning maw of a crocodile, or an open pair of scissors: it often happens that, even when production costs are actually falling, consumer prices are sharply on the rise.

This opens a window on the mechanism of price formation, and we would do well to keep this window open, to ensure that responsibilities are equitably distributed.

Food prices are not determined only by the producers' raw material costs: these costs are really only a small part of the final price of the product which, by the time it gets to market, can be 3 to 10 times greater than the raw material costs.

During its growth, the price is inflated by industrial processing, packaging, shipping and commercialisation costs: by every step, in other words, along the route the product takes from the producer to the market stall or supermarket shelf.

If this is the way things are, why do commentators of price increases always talk about such distant mechanisms as the greenhouse effect, instead of looking at such much closer mechanisms as those mentioned above? This strange *pudeur* makes us suspect that the real divergence operating here is that between what is said and what is passed over in silence.

They talk about drought, about production cost increases, but they never mention the contribution of the large-scale distribution, whose profit margins are never called into question. And yet every year the large-scale distribution obtains 2/3 points of extra margin from the processing industry, together with financial commitments for combined publicity and promotional campaigns.

Why does nobody ever mention the effect of these profit margins on consumer prices and consequently on family budgets?



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It's as if the large-scale distribution is an impalpable phantom, which cannot be localised or touched in anyway.... Not only it is never mentioned in newspapers and magazines, but it does not appear even in official reports, such as those of the Assolatte association, in which when it is time to call for newly competitive pricing for our domestic products, it is always the producer who is targeted, but never the large-scale distribution's responsibility for price increases, in terms of organisation and efficiency!

If we are to close the mouth of the crocodile, and reduce the divergence of production costs and consumer pricing, we have to beard the phantom in its den and open a serious and genuine dialogue between all players, to defend both the interests of the consumer and make our products competitive and fairly priced.

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