

Analyzing the Gap Between Producer and Consumer Food Prices in Turkey

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Abstract:

Recently, food inflation in Turkey became one of the major problems of the Turkish economy. As of January 2019, year over year food inflation reached 30%. On the other hand, farmers complain that they sell their vegetables and fruits with a very low profit margin and even in some cases with a loss. In this study, our aim is to understand the gap between the farmer prices and consumer prices of vegetables and fruits using both autoregressive distributed lag models (ARDL) and vector autoregressive models (VAR). Our models include the ratio of farmer and consumer prices, the USD/TRY exchange rate, world oil prices, the nominal interest rate and the output gap. We estimate models recursively with a 3-year rolling window between January 2003 and January 2019 to analyze the evolution of relationships between variables over time. Our preliminary results show that there is a divergence between farmer and consumer food prices after 2015. Furthermore, the exchange rate and oil prices are important determinants of the gap between farmer and consumer food prices.

Keywords: Food Inflation, Producer Prices, Consumer Prices.

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