The wheat export ban in Serbia. Are export restrictions an effective instrument to dampen food price inflation?

IAMO Policy Brief 10 provides new insights into this topic

Halle (Saale), 19 March 2013 – Sharp price increases in world agricultural markets between 2008 and 2010 prompted nine countries around the globe to impose export restrictions on wheat. Beside major exporting nations, such as Argentina, Kazakhstan, Russia and Ukraine, EU accession candidate Serbia also advocated wheat export controls. Export restrictions are aimed at decoupling domestic agricultural prices from price changes in international markets in order to protect consumers from excessive food spending. The latest IAMO Policy Brief authored by agricultural economists Dr. Linde Götz, Ivan Djuric and Professor Thomas Glauben analyses the impacts of the export ban in Serbia on domestic price developments of wheat, flour and bread and whether certain players along the wheat-to-bread supply chain profited from those political market interventions.

Export restrictions are government instruments of protection against world market price peaks meant to increase supplies in the domestic market and to dampen domestic price levels respectively food price inflation. Surprisingly enough, wheat, flour and bread prices rose during the export ban in Serbia (2007/08). Repeated wheat purchases by the government in order to replenish national wheat stocks and restrictions of wheat imports through an import tax even increased domestic wheat prices above world market prices levels.

The study does not identify any damping effects of the export ban on Serbian flour and bread prices. Quite on the contrary, the bread price even increased by 50 per cent in the domestic market. Those price developments cannot be explained by rising production costs, i.e. expenses for wheat, labor and energy. Large milling and bakery industries, however, were not at all affected by high market prices (spot prices) of wheat because they have their own wheat storage capacities and only purchase wheat during the harvest season at low prices. Mills and bakeries, however, cleverly used high spot prices as rationale for charging higher flour and bread prices. Hence, export restrictions in
Serbia did not benefit consumers but players at the intermediate stages of the wheat-to-bread supply chain.

‘All in all, our analysis has shown that export controls as an instrument of protection against food price inflation are highly questionable. The far-reaching global consequences of export restrictions and their inherent low effectiveness should make their application mandatory for regulation at a multilateral level by the World Trade Organization (WTO),’ says IAMO scholar Linde Götz.

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Further information

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