

An Analysis of Imported Food Prices and Exchange Rates Volatility Risks Using Input-Output Models

Fumihiko KABUTA

Summary

The exchange rates and international food prices have been recently fluctuating, and it has become a concern that this would influence import food prices, and hence the consumption of the Japanese people. Against this background, this paper analyzed imported food prices and exchange volatility risks using Input-Output price models. Results of the analysis are as follows.

Firstly, with regard to the likelihood of each risk, both import food prices of highly dependent to importation and exchange rates had fluctuated greatly in the past, and would continue to be volatile. Second, in relation to the impact of each risk, this analysis shows that the impact of each import food price and exchange rate volatility risk on final consumer prices would be generally limited. However, if adverse conditions such as soaring major import food and oil prices like in 2008 and the depreciation of Japanese Yen should be encountered all at once, it may lead to serious impact on the consumers. Third, the impact of exchange rates and import food prices fluctuation on each sector varies, and some of the food system industries would encounter business management risks in passing the steep cost rise on to product prices under a prolonged deflationary economy.