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Agric. Econ. — Czech

Weldesensbet T.

Asymmetric price transmission in the Slovak liquid milk market

Agric. Econ. — Czech, 59 (2013): 512-524

The divergence in liquid milk price trends has raised concern about the efficiency of the milk market price transmission in Slovakia. The paper provides empirical evidence on the price transmission among the producer, wholesale, and retail markets of liquid milk in Slovakia, using

the monthly data from 1995 to 2010. The empirical analysis is based on the Granger causality and the Johansen cointegration tests and on the asymmetry tests (Houck approach and error correction model approach). The causality test results show that the changes in producer prices cause changes in the wholesale and retail prices; there is a feedback from the retail to producer prices. Moreover, the direction of causality between the wholesale and retail prices flows in both directions. The long-run elasticities of price transmission are, as expected, greater than the short-run elasticities. The cointegration results indicate that the wholesale and producer prices as well as the retail and producer prices are cointegrated, but there is no evidence of cointegration between the wholesale and retail prices. The results of an asymmetric error correction models suggest that the price transmission in the Slovakian liquid milk market is asymmetric both in the short- and long-runs.

Keywords:

cointegration, elasticity, error correction, milk, price asymmetry

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