

Abstract

The last twenty years undoubtedly represented a very tumultuous run for the agrifood markets worldwide. Mergers and acquisitions (especially at the processing and retail levels) have raised worries about concentration level within the agro-food industry about market power exertion, and the following inefficient distribution of value. Recent international agricultural commodities price fluctuations have been pass-through along food chains, whereas the European Common Agricultural Policy (CAP) moved towards a strong liberalization of the agricultural markets. Disentangling how these two events framed price transmission mechanisms in European agricultural markets is a priority for policymakers and the academic community, allowing for a better understanding of the food sector functioning. The analysis of vertical price transmission dynamics has attracted considerable interest among agricultural economists. Indeed, prices are the first link among market economic agents, driving both strategic and structural decisions. Unveiling price transmission dynamics deepens the understanding of how the chain works, spotting inefficiencies, and draw hypothesis over the source of such inefficient behaviors. Facilitating the understanding on which agents of the supply chain the burden of price changes is taking place, provides a basis for policy assessment and contributes to the debate of the distributional effects in the food system. The dairy sector represents a fascinating argument, both for its economic importance and for being the most intervened agricultural sector under the CAP. Dairy farmers are claiming the distribution system is eroding their margins through the exertion of market power. The interrelation with the cereal markets – being cereals and oil crops raw inputs for bovine feeding, and accruing for more than a half of milk production costs in Italy – makes the system even more complex, since the 2007 commodity price increase opened up a fierce debate over the causes of such rise. The CAP featured important reforms since the 2000s, aimed at a liberalizing the European agricultural markets. Applying non-structural time series econometric models, this Thesis offers an analysis of the Italian milk supply chain, discovering price transmission processes considering three different macro-arguments (i.e., the role of distributors, the CAP liberalization reforms, and the effect of market (non) fundamentals) approached with three different econometric models. Firstly, we analyzed the PT mechanism between the processing and distribution phases, accounting for the conventional fluid milk and its organic counterpart. We relied on a unique retail-scanner price dataset accruing for a quality-differenced product, two aspects providing new insights both on the functioning of the distribution level and niche markets. Long and short-run behaviors describe different mechanisms of transmission according to specific structures of the two different retailing systems. Accounting for CAP reforms (i.e., structural breaks) in the cointegrating relationship, we investigated the price transmission process between industrial processors

and retailers, disentangling how reforms impacted the process. Results indicate the set of reforms eliminated asymmetries, although the increase in price volatility hampered the speed of adjustment of the market to the equilibrium. Finally, a more flexible approach has been designed to investigate the impact of a wide range of variables, both exogenous and endogenous, on the vertical price transmission mechanism between Italian maize and Italian compound feed for dairy cows. Considering energy-related price series for both crude oil and biofuels, as well as financial-related variables, we conclude that non-fundamentals have negligible effects on the mechanism of transmission concerning the Italian scenario, while market fundamentals (i.e., supply and demand) still play a relevant role in shaping price cycles.