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Research Announcement

An analysis of the whole milk powder prices in the international market through econometrics techniques

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Abstract

Brazil is one of the largest milk producers in the world. Nevertheless, the country is not a great exporter. In recent years, it exported mainly whole milk powder, condensed milk and cheese. Because whole milk powder is also an important dairy product in the international market, we decided to study the relationship among the Brazilian prices and the prices in Argentina, Oceania, UE and USA. These countries represent the most important prices and exporters of whole milk powder in the world. Using cointegration methods, Directed Acyclic Graphs (DAGs) and Impulse Response Functions (IRF) we made a profound econometric analysis of the data prices. The results showed that all the price series were cointegrated, which means that the Brazilian prices are following the same tendency that the international prices, in the long run. The DAG analysis indicated a strong relationship between Oceania and UE prices, but it is not a causal relationship. The IRF showed that a shock of one standard deviation in UE and Oceania prices cause a strong and permanent impact in Brazil while shocks in Argentina and USA prices have a quick and immediate effect in Brazil.

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