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Analysis of the Brazilian milk prices in the international market

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Abstract

Brazil has been traditionally a great milk producer. In the world milk production ranking, Brazil is in the sixth position. However, the country is not a significant player in the international market. It was a net exporter from 2004 and 2008. But, after the world crisis, the country becomes again, a net importer. On this context, we believed that it is important to analyze the Brazilian milk prices in order to see whether it is correlated or integrated with the prices in other countries. For that, we chose to work with milk prices from USA, EU and New Zealand, which are the largest players in the international dairy market. We found cointegration among the prices in Brazil, USA and New Zealand. Using Directed Acyclic Graphs (DAGs), we did not find causal relationship among any prices. So, we can conclude that Brazil is integrated with the greatest dairy market in the world. However, the milk prices in Brazil are not caused by international prices, which it is important information for the policymakers in the country.

Completed draft available on request from:

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