

Why Hungarian Meat Processors Failed? Evidence using Price Transmission Analysis

Zombor Berezvai*

Eötvös Loránd University (Budapest, Hungary)

Abstract

Between 2011 and 2013 many high-capacity Hungarian meat processors went bankrupt that was possibly caused by an unfavorable market situation. In this paper we carry out vertical price transmission analysis to identify the degree of competition in meat processors input as well as output markets, separately. The results suggest that both input and output markets can be characterized as a competitive market where real prices did not change considerably in the reviewed time period from 2004 to 2012. Granger causality tests indicate that price shocks starting at pig breeders run through the supply chain and also influence consumer prices, however, there is no significant feedback effect. One plausible reason for the failure could be the continuous fall in demand. [EconLit Classifications: Q11, C22, L11].

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* Corresponding author: Zombor Berezvai, Eötvös Loránd University, Faculty of Social Sciences, Department of Economics. Mailing address: Pázmány Péter sétány 1/a, H-1117 Budapest, Hungary. Email address: bzombor@caesar.elte.hu

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Zombor Berezvai is a master student at the Eötvös Loránd University (Budapest). He holds a BA degree in economics from the Corvinus University of Budapest. His main research area is price transmission and production analysis.