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Abstract

Vertical Price Transmission in the Canadian Beef Industry: Does the Canada-US Exchange Rate Matter?

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Cross-border trade with the United States is a crucial factor in the performance of the Canadian beef industry. While many studies have analyzed vertical price transmission in agricultural markets, studies that consider exogenous and trade-related information in the analysis of domestic vertical price relationships are missing. This study fills this gap by estimating regime-switching farm-to-wholesale price transmission in the Canadian beef industry using the Canadian-U.S. dollar exchange rate as the regime inducing variable in a threshold vector error-correction model. We find that the exchange rate acts as a regime-inducing factor in the coordination between Canadian cattle producers and their packer buyers.

Keywords: Canadian beef supply chain, CAD/USD exchange rate, price transmission, regime-switching, threshold ECM, BSE.

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