Abstract

Market power and imperfect tariff pass-through in the agricultural sector

Intermediaries play a huge role in today’s value chains. Their importance appears even more clearly when taking into account that production processes are increasingly fragmented internationally, and that the tasks characterized by a higher level of value added are those located upstream or downstream the so-called “global value chains”. Distribution channels are particularly relevant in sectors like agriculture, characterized by a high degree of vertical coordination, where producers and consumers are usually located far from each other, given the nature itself of the production processes.

Several contributions, both theoretical and empirical, underline the relevance of intermediaries in explaining the spread between production and consumer prices in agricultural economics. However, there is no general consensus about the link between market power and the degree of price transmission. Given the relevant implications in terms of policies and welfare, the matter is worth of being further investigated.

This research project, in particular, aims at analyzing if and how price reductions in the agricultural sector, determined by a cut in tariffs, are passed on to final consumers, taking into account the degree of competition among intermediaries.