

Measuring global market power for the agricultural industry with input-output data

Topic: Input-Output Analysis: Trade and Global Value Chains Policies - IV

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The study of market power in the primary food industry is of high interest to policymakers seeking to help develop poorer countries, due to its potential source to create market inefficiencies and hamper economic development. Recent papers have provided ample empirical evidence, that market power around the world has been increasing nearly continuously since the 1980s. Nevertheless, due to the availability of firm-level data, most research is constrained to analyzing the firms of More Developed Countries with a particular focus on manufacturing and service sectors. This paper proposes to remedy this gap in the literature by using aggregate data contained within the Eora Input-Output Tables and a procedure based on Generalized Maximum Entropy to provide estimates of the markup for the Primary Foods industry (defined as the agriculture, hunting and fishing industries) for up to 188 countries in the world. We document a large heterogeneity based on a country's income level classification, with poorer countries having progressively higher markups. Furthermore, measures of globalization are seen to both significantly impact markups negatively (reducing them).