Abstract

To study the degree of integration of markets is important in order to evaluate the effectiveness of economic policy reforms, the degree of intervention in markets or the commercial liberalization, since they are active processes. This study was focused on the European Union (EU) with the analysis of the effects of market integration of the Common Agricultural Policy (CAP) global Reform of 2003. The main measure of this reform is to dissociate supports to the sector from production decisions (decoupling) and it attempts to achieve a theoretical strengthening of free market mechanisms for European agri-food production. Specifically, the case of maize was examined, a sector characterized by a context of instability and uncertainty generated by the growing global demand, price volatility, the alternate destination of production to obtain ethanol, and the concentration and potential dominating position of the United States market in the offer. The objective of the study was to evaluate in a double context, intra-community and international, the effect of the Reform on the degree of integration of the maize market from a series of prices in: 1) three EU countries with complementary profiles (France, main producer and exporter; Italy, producer and importer; and Spain, main importer); 2) the US (world leader); and, 3) Argentina (second world exporter). The methodology used was Co-integration and Vector Error Correction. Results showed that the European maize market was integrated into the international market after the Reform, in addition to experiencing an advance in the degree of intra-community integration. The initial hypothesis that a change in agricultural policy based on less market intervention, as well as a process of trade liberalization, must positively affect the integration of markets was confirmed.

Keywords

CAP, trade liberalization, market co-integration, maize, vector error correction.