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Aquaculture Economics & Management >

Volume 11, 2007 - Issue 3

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TESTING FOR MARKET INTEGRATION AND THE LAW OF ONE PRICE IN WORLD SHRIMP MARKETS

Ferdinand D. Vinuya

Pages 243-265 | Published online: 19 Oct 2007

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Abstract

Using import price data from Japan, United States, and the European Union, shrimp price movements in these markets were evaluated to test if it denotes an integrated world market for shrimp. Cointegration techniques were utilized to investigate if prices in these markets share a common stochastic trend and if the law of one price holds. Results indicated a strong link amongst Japanese, American, and European markets. The results on the aggregated shrimp markets were checked against the results at a more disaggregated level. Data from wholesale markets in Tokyo, New York, and Europe for specific shrimp products confirm the integrated nature of shrimp markets. Evidence also supports the law of one price in shrimp markets.

Keywords:

cointegration Law of One Price market integration

ACKNOWLEDGMENTS

The author gratefully acknowledges comments on earlier drafts from David Barkley, Ferdinand DiFurio, Michael Hammig, Mark Henry, Celeste Regino, and anonymous referees. All remaining errors are the author's. The findings, interpretations, and conclusions expressed in this article are entirely those of the author. They do not necessarily represent the views of the World Bank, its Executive Directors, or the countries it represents.

shrimp prices

Notes

- **Indicates significance at the 1% level.
- *Indicates significance at the 5% level.
- Critical value at 1% level is -3.48 with constant and -4.03 with a trend.
- Critical value at 5% level is -2.88 with a constant and -3.45 with a constant and trend (MacKinnon, 1996).
- **Denotes rejection of the hypothesis at 5% level.
- *Denotes rejection of the hypothesis at 10% level.
- ***Denotes rejection of the hypothesis at 1% level.
- Note: NY = New York, Tok = Tokyo, EU = European Union, USBr = U.S. Brown, IndWht = India White, IndoWht = Indonesia White, IndBr = India Brown, MexWht = Mexico White, and EcuWht = Ecuador White ***, **, * deontes rejection of the hypothesis at 1%, 5%, and 10% level, respectively.
- Note: ***, **, * Denote rejection of the hypothesis at 1%, 5%, and 10% levels, respectively.

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