

The Technical Conversion Factor and its Relation with the Price Ratio of Processing Livestock

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Abstract: The Food and Agriculture Organization of the United Nations has published survey results on the technical conversion factor (TCF) for processing livestock in 1960, 1972 and 2009. They are estimates of the percentage of carcass weight obtained per unit of live weight. We test empirically whether the technical conversion factor is also informative about the price effects of processing livestock in Europe. By regressing the price ratio on the inverse value of the corresponding TCF for a large panel of European countries and animal types, we find a significant positive relation between these variables. This result is shown to be robust to animal type, year and country fixed effects. It confirms the validity of the technical conversion factor and the pass-through of gains in food processing efficiency to lower agricultural producer prices.

Keywords: Agriculture, Carcass weight, Live weight, Pass-through, Price effect

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