Quality differences, location, and coffee price returns networks: Insights from a high-dimensional CoVaR-copula analysis

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Resumen:

This paper analyses daily coffee price returns over a two-decade period for 17 varieties across the United States, Germany, and France. We examine the coffee price relationships considering coffee quality, origin, and trade location, using a high-dimensional CoVaR-copula network approach. By exploring CoVaR connectedness, we assess patterns of risk co-movement and potential spillovers, particularly during periods of market stress. Our findings suggest that higher-quality coffees tend to exhibit stronger within-market connections, with distinct clusters emerging across different markets. The United States appears as a central node within the risk network, with notable spillover effects from both Germany and France — likely reflecting its position as the world's largest coffee importer. Additionally, trade location is associated with varying connectedness patterns, with marked differences observed across the US, German, and French markets.

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