A Functional Approach to Test Trending Volatility: Evidence of Trending Volatility in the Price of Mexican Agricultural Products

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**Introduction**

- In Mexico, prices of fruits, vegetables and livestock show large fluctuations compared to other products prices. In recent periods, variations of these prices seem to have increased.

**Data and analytical issues**

- The model is applied to 43 monthly agricultural and livestock price time series and the composite agricultural CPI for three selected periods based on historical considerations of price policies:
  - 2006-2014: Commodity supercycle.

**Results**

- Before 1994, many products exhibited negative volatility trends and no clustering.

**Conclusions**

- Perishable agricultural products show higher price volatility trends than the non-perishable ones.
- For most products, volatility clustering and trends increased after 1994.
- Price volatility of the fruit and vegetable CPI increased ten-fold between 1994-2014 compared to the period 1987-1993.