

# Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Šarlota Smutná
Advisor:	Milan Ščasný, PhD.
Title of the thesis:	Analýza spotřeby mléka v českých domácnostech

## OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

This thesis examines milk consumption across Czech households, paying special attention for the income-expenditure relationship and estimation of price and income elasticities of household demand for milk.

The thesis consists of seven chapters: Chapter 1 introduces to the subject; Chapter 2 briefly summarizes consumer theory, properly describes the state-of-the-art demand systems, and reviews literature on food and particularly milk demand, which all provides condensed very useful input for further own empirical work. Chapter 3 describes data, while next chapter introduces econometric models. Chapter 5 presents results and last chapter concludes. Author's thesis in this way follow a paper structure being followed in standard scientific outcomes. Thesis is written in Czech.

Thesis is well written, summarizing main literature relevant to food/milk demand modelling. Empirical literature is referenced while describing theoretical models of demand, however only some of them have been included in her review of empirical literature that is a pity (as I know Šarlota has prepared very useful table-designed literature review). She is using quite unique database, a household-level household budget data for the period of 1993-2011. The income-expenditure relationship, i.e. the Engel law, is described by a regresogram. Milk consumers are analysed by Probit model, while milk demand is estimated via a single demand equation by OLS. I consider these less demanding model specifications adequate to bachelor thesis. As far as I know, this thesis is one of the first empirical study that estimates milk demand for a CEE country. Quality of this work has been supported by selecting a paper – based on this thesis – to be presented at *The 7<sup>th</sup> International Days of Statistics and Economics*, University of Economics in Prague, September 19–21, 2013.

Most of my main comments have been reflected in the final version of this thesis.

Suggested question for the defense is:

- Price of milk can be endogenous in a way that specific households may also choose on (lower) price of (lower quality) milk. Have you reviewed a model that would control for price endogeneity?
- Demand estimate might be biased in a case of large proportion of zero consumption. What is a proportion of non-consumers? Could you suggest an econometric model which can be used to correct for this potential bias in demand elasticity estimation?

In the case of successful defense, I recommend „výborně“ (excellent, 1), and suggest considering this thesis for the Faculty Dean award.

## SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	28
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	97
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Milan Ščasný

DATE OF EVALUATION: June 5h, 2013

  
Referee Signature