



## Research Working Papers

# Firm-Level Pass-Through of Supply Chain Disruptions: Insights from the U.S. Beef Market

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November 25, 2025

A supply disruption's effect on retail prices depends on the magnitude of the shock and the perceived reliability of the seller.

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RWP 25-20, November 2025

We leverage a fire outbreak that caused a large but temporary capacity loss at the largest U.S. beef packer to study how firm conduct shapes the pass-through of supply disruptions along the supply chain. Despite evidence of industry-wide increases in processing costs, retail prices for the affected packer's products fell. To rationalize this pattern, we develop a model of bilateral retailer-packer bargaining that accounts for reliability of product delivery. The model highlights how disruptions alter bargaining leverage and shift margins between buyer and seller. Counterfactual simulations demonstrate that the sign and magnitude of pass-through are highly sensitive to the magnitude of capacity loss and perceived reliability.

JEL classifications: Q14, Q18, L13, D81

## Article Citations

- Scott, Francisco, Marco Duarte, and Meilin Ma. 2025. "Firm-Level Pass-Through of Supply Chain Disruptions: Insights from the U.S. Beef Market." Federal Reserve Bank of Kansas City, Research Working Paper no. 25-20, November. Available at <https://doi.org/10.18651/RWP2025-20>
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