

The Strategic Food Demandfor Non Poor rural Households in Indonesia

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The strategic food demand for non poor rural households in Indonesia

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Abstract

Non poor rural households are households that have a minimum income of Rp. 755,912.25, - / week. This study aims to analyse the influence of socio-demographic variables, price and income on strategic food for non-poor rural households in Indonesia, and to estimate income and price elasticity of strategic food for non-poor rural households. The data is collected Data from the National Social and Economic Survey for Households (SUSENAS) in 2016. The total data used in the study were 145,390 non-poor rural households. The data taken regarding to it contains zero expenditure then use the demand system by censored model. The empirical result for the specified model for demand functions (LA-AIDS) illustrates that all estimated coefficients agree with a priori theoretical expectations. The expenditure elasticity are positive for rice, beef, shallot, chili, and sugar. Otherwise the expenditure elasticity are negative for corn. According to the values of the cross-price elasticity, among commodities have substitution and complementary relationship are observed.

Keywords: demand system, price elasticity, expenditure elasticity, marginal share expenditure

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INTRODUCTION

Household income is one of the factors that determine the pattern of household consumption of strategic commodities. Sa'diyah et al. (2018) argue that high income households (non-poor) have a consumption pattern that is different from low income (poor) households for strategic commodities. Engel stated that the poorer the household, the more the proportion of income spent to meet food needs (Bourguignon and Chakravarty 2003, Hussain and Hanjra 2004). One indicator to see consumption patterns is share of household expenditure. The size of the share value of household expenditure is determined by the price and the quantity consumed by the household. Non-poor households in the urban area have different consumption patterns compared to non-poor households in the rural area (Table 1). This difference in consumption patterns applies to each type of household.

The difference in consumption patterns between households further illustrates the ability of households to access food and absorb food (Deaton and Drèze 2009, Khan Dey et al. 2005). Table 1 shows that the highest share of expenditure on non poor households in rural areas is for rice. This shows that households with an average income of IDR 755,913 / week (BPS, 2016) cannot yet be used to regulate consumption patterns according to sufficient nutritional consumption patterns.

In addition to consumption patterns with an analysis of expenditure share, another important study to do is how households behave in consuming strategic commodities due to changes in commodity prices and household income. This analysis can be carried out on various types of households, such as non poor rural households. This analysis can be done using the Demand System approach. One model that is often used in the Demand System approach is Almost Ideal Demand System/AIDS (Bilgic and Yen 2013, Hayat et al. 2015, Katchova and Chern 2004, Mwenjeri et al. 2016, Yeong-Sheng et al. 2008, Zhou 2015).

The AIDS model was first introduced by (Deaton and Muellbauer 1980a). The AIDS model is the development of the Marshallian demand function model in the form of expenditure proportions. While the demand function is generally in the form of the quantity of goods requested. Deaton and Muellbauer in 1984 stated that the AIDS model has a function that is flexible and can answer the demands of consumer preferences. According to Dong et al. (2003), the estimation of Demand System using household-level data is more challenging than time-series data approach. But the problem that is often faced by researchers who use household data is zero

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