The Impact of Food Price Volatility on Consumer Welfare in Cameroon

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Introduction

➢Food prices hikes between 2005-2008 and continue to rise

➢This leads to poverty and undernourishment rates increases in developing countries including Cameroon

➢and raises the concern about the effect of food prices on households welfare

➢Economic analysis found that socio-economic and demographic characteristics of households play an important role in determining how prices changes affect their welfare.

➢Therefore, this paper assesses the effect of food price increase on households welfare in Cameroon taking into account heterogeneity across households.

Materials and Methods

✓Data used are from the third Cameroonian household consumption survey (ECAM III).

✓Differences among area (urban, rural) and income groups (poor, non-poor) have been examined.

✓To estimate the price elasticity, QUAIDS (Quadratic Almost Ideal Demand System) model were used and then employed for the compensating variation framework to evaluate the distributional impacts of food price changes.

✓Four food groups were considered : cereals, roots and tubers, vegetables, and animal products.

Results

Figure 1: Average expenditure shares of food commodities by income groups
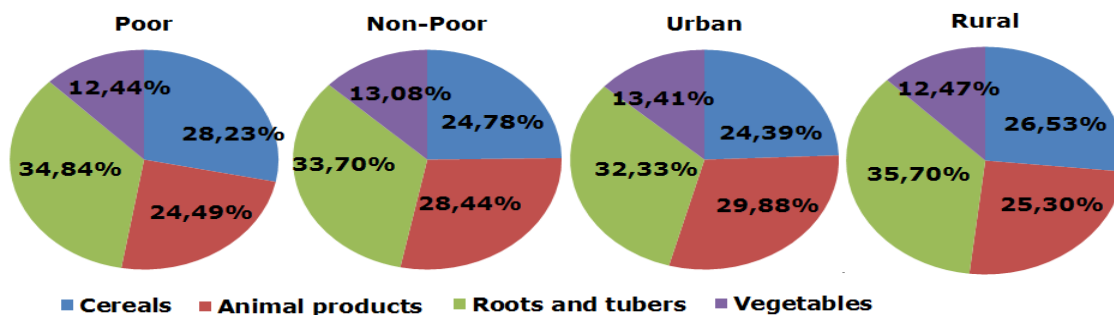
Table 1: Compensating variation implied by 40% change in price

	Cereals	Animal Product	Root and Tuber	Vegetable
Rural				
non-poor	12,26%	11,97%	15,96%	5,62%
poor	13,15%	11,10%	16,28%	5,30%
Urban				
non-poor	11,33%	13,84%	14,65%	5,94%
poor	13,82%	11,94%	13,90%	6,18%

Key Findings

❖The intensity of the effect of food prices increase on households welfare is related to the structure of their food expenditures.

❖The welfare losses of food prices increase depends on the extent of the price changes.

❖The welfare effect of food prices increase in the long run is greater than the short one.

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