The Impact of Food Price Volatility on Consumer Welfare in Cameroon

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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.

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.

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.

Results

Materials and Methods

Figure 1: Average expenditure shares of food commodities by income groups

Table 1: Compensating variation implied by 40% change in price

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

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