Turkish Journal

of

Agriculture and Forestry



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Turkish Journal of Agriculture and Forestry

An Application of Linear Approximation of Almost Ideal Demand System: Data from Erzurum Central District

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Abstract: In this study, a food demand analysis of Erzurum central district was conducted. This study differs from previous ones by the use of current data and a new model. Various elasticities computed in this study might be used in the analysis of food consumption policies. The cross-sectional and time series data used were collected by surveying 30 families once every three months from July 1995 to April 1997. Data from a total of 240 families were used to divide the families into high and low income groups. A demand analysis was done using LA/AIDS for five food groups (cereal, vegetable, fruit, meat, and milk and milk products). According to the survey results, the ratio of food expenditure to income was 38.4% and 50.2% for all and low income families respectively. Estimated coefficients satisfied all adding-up conditions. All the expenditure and own-price elasticities complied with economic theory. Marshalian price elasticities were found to be higher than Hicksian price elasticities in general as expected. Cross-price elasticities in most cases were found to be low. Changes in cereal prices affected other food consumption quantities.

Key Words: LA/AIDS, food, demand analysis, elasticity, Erzurum

Turk. J. Agric. For., **25**, (2001), 119-128. Full text: <u>pdf</u> Other articles published in the same issue: <u>Turk. J. Agric. For.,vol.25,iss.2</u>.