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Consumption Patterns and Welfare Implications of the Maize Policy in Swaziland

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Abstract

The domestic food policy in Swaziland has been linked to high and rising food prices especially, maize and maize meal prices. As a food grain that is of significant importance for food security in Swaziland, the price of maize has important welfare implications on household welfare. This is of particular importance when we take into account the potential risks associated with import dependence as Swaziland is highly reliant on imports to meet domestic demand for basic staples in particular. Moreover, maize expenditure accounts for over 20% of poor households' income as well as maize accounts for 63% of calorie intake in the country. This suggests that severe price movements in the maize market negatively influence the food security and nutritional status, especially for vulnerable, low-income households that spend a substantial proportion of their income on food. On the other hand, high prices of agricultural products have the potential to increase rural incomes and food security levels, resulting from positive production effects. The current study therefore, analyses the food consumption patterns of rural households in Swaziland using a QUAIDS model to obtain the estimates of price and expenditure elasticities for major food items consumed. The estimated elasticities are subsequently used to evaluate the distributional effects of the maize policy changes on household welfare through the compensating variation welfare measure. The results of the study suggest that majority of the food items are demand inelastic with meat and dairy exhibiting elasticities greater than 1. Moreover, the results of the study indicate that poor households are the major beneficiaries of maize market liberalisation as they spend a larger share of their food budget on maize. However, lowering the price of maize may have potential risks to net selling households, by discouraging production in the long-run. Therefore, policy strategies should focus more on expanding agricultural production and diversification of production activities, which can improve household income as well as stimulate food demand in Swaziland.

Keywords: Consumption patterns, food prices, household welfare, Swaziland