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**Structural Shifts in Food Basket Composition of Rural and Urban
Philippines: Implications for Future Food Supply System**

by Subir Bairagi and Yacob Zereyesus

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Structural Shifts in Food Basket Composition of Rural and Urban Philippines: Implications for Future Food Supply System

Subir Bairagi and Yacob Zereyesus *

Abstract

Price and expenditure elasticities are estimated for seven food items (rice, other cereals, meat, fish, dairy products, fruits and vegetables, and miscellaneous food) for rural and urban Filipino households, using a two-stage almost-ideal demand system model. Multi-year (2016, 2009, 2012, and 2015) data of the Philippines Family Income and Expenditure Survey (FIES) is used to estimate the food demand system. The estimated expenditure elasticities imply that rice, a staple food in the Philippines, is a normal good. However, results show that it is an inferior good for the upper-income groups (top 10% and 20% of rural and urban Filipinos, respectively). This finding suggests that as income increases, these wealthy households tend to replace their rice-dominated diet with other nutrient-dense food products. Female-headed households and households with educated members are likely to consume significantly more nutrient-rich foods such as fish, meat, and dairy products in the future. From a policy perspective, the Philippines government should focus on diversifying food production at the farm level and improving their sustainability to meet the rising demand for these nutrient-rich food products.

Key words: demographic change; food demand; household expenditure; income growth; preferences change; urbanization; Philippines.

JEL classification: D12, C33, Q12, Q18.

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