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An Empirical Analysis of Rice Demand in Tanzania

Abstract

This study analyzes the consumer side of the Tanzania rice market. The study's primary objective is to estimate own-price and cross-price elasticity of imported and domestically-produced rice. Previous studies into the Tanzanian rice market have claimed that consumer preference protects the local rice market; this line of research implies that the small amount of imported rice allowed on the market cannot disrupt the local rice market because consumers prefer domestic varieties. However, in practice, little has been observed in terms of the natural protection of local rice through consumer preference. In fact, rice traders have increasingly complained about the impact of imported rice, which has continuously dragged down the prices of domestic rice. To date, there are conflicting views regarding the extent of substitutability between imported and domestic rice when accounting for price and consumer preference. Therefore, this study pays particular attention to the question of substitutability for these two varieties. Using consumer data from a survey conducted by the researcher, the Linear Approximate Almost Ideal Demand System (LA/AIDS) provides estimates of price and income elasticities for different rice varieties and maize. The results show that consumers have a high preference for domestic rice varieties with elasticity estimates indicate weak substitutability between domestic and imported rice varieties. The results of the study provide little justification for the country's rice import tariff. However, the study does not account for the possibility of rice mixing, whereby local varieties are mixed with imported rice. When prevailing market issues, such as rice mixing, are included in the analysis, the country's import tariff may be justified.