Agricultural and Applied Economics Seminar

The Welfare Impacts of Increased Demand for “Super Grain”: The Case of Teff in Ethiopia

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Teff is an ancient grain primarily grown and consumed in Ethiopia for thousands of years. It is also the main staple of Ethiopians providing more than 15 percent of all calories consumed in this country. However, in recent years teff has become the new generation of “super grain” with increasing demand and prices worldwide. The objective of this paper is to evaluate welfare impacts of changes in teff prices on Ethiopian consumers and discuss potential policies in response to the increasing teff prices. Using the data from two waves of Ethiopia Socioeconomic Survey 2013-2014 and 2015-2016, we estimate a two-stage demand system and document the consumption patterns of cereals in Ethiopia. We find that teff is the most inelastic cereal and an increase of 10 percent in teff prices will lead to a decrease of 4.69 percent in total consumer welfare. Subsequently, we examine the effectiveness of alternative food-aid policies in response to the increasing teff prices. Our results show that the food-aid offering wheat is the best alternative, lending support to the ongoing Ethiopian food policy that distributes wheat in a large scale.