How does income affect a country’s imports of agrifood?

What is this research about?
“BRIC” is an acronym referring to Brazil, Russia, India and China. These four countries are emerging markets, meaning their growth is rapid and important to the world economy. Not much is known about the agrifood trade of the BRIC countries. Agrifood includes raw, processed and consumer ready agricultural products (for example cattle, hides and beef).

Income elasticity measures how a change in income affects the demand for a product. In this study, income is the income of the country (their gross domestic product, or GDP). The demand being measured is agrifood from other countries. A high income elasticity means when income grows, the demand for a product grows more rapidly than income. A low income elasticity means that demand stays relatively unchanged even when income changes.

This research studies the economic growth of BRIC countries and low, middle, and high-income countries and compares their income elasticities and agrifood imports.

Keywords:
BRIC economies, economic growth, emerging economics, food trade, income elasticities

What you need to know:
“BRIC” is an acronym referring to Brazil, Russia, India and China. These countries are emerging markets that have an important role in the world economy.

This research looks at the BRIC countries to see what effect they have on global agrifood trade patterns. In low-income countries (including India), income doesn’t play a significant role in import demand. In middle and high-income countries (including Brazil, Russia, and China) income is an important determinant in trade.

How can you use this research?
Agrifood producers can use the research to learn about international economies that may be changing their demand of agrifood products

Government and other organizations working in agrifood can use this information to shape policies regarding agrifood production and export, as well as international agrifood trade relations.
What did the researchers do?
The researchers studied the data of countries’ GDP growth and agrifood imports. Economic equations were used to model the demand of agrifood imports. The model was used to see if a country’s income could explain their trade performance. Countries were split into 3 groups: low, middle, and high-income countries. The researchers compared these groups and looked specifically at the BRIC economies. Eight agrifood product sectors were studied: meat; dairy; cereals; vegetables; fruits; tea, and oilseeds.

What did the researchers find?
Across all countries, imports of most agrifoods grew between 1990 and 2006. The greatest increases were in middle-income countries, particularly China. Income is an important determinant of trade in middle-income and high-income countries including Brazil, Russia, and China.

China had the highest elasticity; meaning income had a larger effect on their demand for agrifood imports.

In low-income countries, including India, income elasticity is most often zero. The income elasticities are higher in middle-income countries than high-income countries. The researchers conclude that among the BRIC economies, China and Russia are the markets that will have the most growth of agrifood imports in the future.

About the researchers:
This research formed a part of Dr. Zahoor Haq’s doctoral dissertation. Dr. Karl Meilke is OAC Professor Emeritus in Food, Agriculture and Resource Economics at the University of Guelph.

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