APPLICATION OF LINEAR APPROXIMATE ALMOST IDEAL DEMAND SYSTEM MODEL TO STUDYING FOOD CONSUMPTION PATTERNS IN MALAYSIA

OOI BEE CHEN

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APPLICATION OF LINEAR APPROXIMATE ALMOST IDEAL DEMAND SYSTEM MODEL TO STUDYING FOOD CONSUMPTION PATTERNS IN MALAYSIA

By

OOI BEE CHEN

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfillment of the Requirements for the Degree of Doctor of Philosophy

October 2016
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DEDICATION

To MY:
late father Mr Ooi Yam Chong,
beloved mother Madam Law Meng Soo,
beloved parent in laws Dr. Stetphen Quinn Won Yean Chen
& Madam Ai Mei Chen,
husband Dr. Brian Christopher Chen,
and my beloved family.
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the Degree of Doctor of Philosophy

APPLICATION OF LINEAR APPROXIMATE ALMOST IDEAL DEMAND SYSTEM MODEL TO STUDYING FOOD CONSUMPTION PATTERNS IN MALAYSIA

By

OOI BEE CHEN

October 2016

Chairman : Professor Khalid Abdul Rahim, PhD
Faculty : Economics and Management

With growing income, consumption of food in Malaysia has shifted from starchy staples towards livestock products, wheat, seafood, vegetables, and fruits. This has been powered by a rise in the populace of Malaysia and its purchasing power, which puts the focus on understanding the consumption patterns in this country. The food requirement is guided by the consumption patterns. This study aims to quantify the impact of a family’s socio-demographic characteristics in terms of outlay on 11 food groups in Malaysia by employing LES model, and the projection in food consumption patterns in term of the income elasticity, compensated and uncompensated own-price elasticity by employing the LA/AIDS model. The results are utilised to estimate prospective consumption of food up to the year 2025. The study utilised data from the Household Expenditure Survey (HES) 2009/2010, conducted by the Department of Statistics, Malaysia. A total of 21077 samples were obtained. The study relies primarily on the descriptive as well as econometric analysis of the most recent. The projection is carried out by employing the Statistical Analysis System (SAS) program, and through the application of the Iterative Seemingly Unrelated Regression (ITSUR) process. The Full Information Maximum Likelihood (FIML) method was employed to project the demand model. More than 50 percent of the parameter estimates in every equation system in this study are statistically significant, and the model specification is appropriate. The projection outcomes signify that families exhibit a significantly rising food consumption with higher income at a 1% significance level. The sign and scale of the elasticities show that cereal, rice, fruits, oil, vegetables, sugar and other food are ‘necessities to price change’ among families in Malaysia. Likewise, fish, cereal, milk, vegetables and other foods tend to be ‘luxurious to income change’. Notably, own-price elasticities for fish, meat, and other food are quite elastic with change in price. This signifies the behaviour of Malaysian customers correctly, and if fish, meat and other food products are imported, it could bring down the prices, benefitting sellers as well as consumers. The income elasticity is more pronounced in rural areas than urban regions. Usually, the income elasticities for 11 food items, with the exception of other foods, are comparatively high in the LA/AIDS model in comparison to the Tobit
model. This is because, given the economic scenario in Malaysia, several poor families are dealing with tight budgetary limits. Moreover, all chosen food commodity groups are termed as very essential items as they cater to the basic needs of people. Outlays on all commodities are considerably driven by the income of the household. Furthermore, size of the family, the reference person’s age, and gender of the head of family are crucial variables which would affect the purchase decisions. In terms of estimated food consumption until the year 2025, self-sufficiency in food may unlikely be achieved for Malaysia. Over the period of estimation, the percentage of cereal consumption is likely to be higher compared to rice products in 2020 and 2025. There would be a downhill trend in the consumption of fish, rice, and vegetables, and an upward trend for meat, cereal, and fruits for the next 10 to 15 years, as against the base year 2010. Lastly, our findings imply that income-focused policies are vital for attaining better nutrition and diminish the issue of unbalanced diets in Malaysia. The country would have to raise its production of food and enhance its food distribution systems to ensure enough supply for its burgeoning populace.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

PERMOHONAN MODEL LINEAR APPROXIMATE ALMOST IDEAL DEMAND SYSTEM DALAM CORAK PENGAMBIAN MAKANAN DI MALAYSIA

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I certify that a Thesis Examination Committee has met on 31 October 2016 to conduct the final examination of Ooi Bee Chen on her thesis entitled "Application of Linear Approximate Almost Ideal Demand System Model to Studying Food Consumption Patterns in Malaysia" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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Name of Member of Supervisory Committee: Associate Professor Dr. Alias Radam

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>i</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>v</td>
</tr>
<tr>
<td>APPROVAL</td>
<td>vi</td>
</tr>
<tr>
<td>DECLARATION</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xv</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xvi</td>
</tr>
</tbody>
</table>

## CHAPTER

1 **INTRODUCTION**

1.1 Background of the Study

1.1.1 Population in Malaysia

1.1.2 Income Growth in Malaysia

1.1.3 Food Consumption Patterns in Malaysia

1.1.4 Urbanisation of Food Consumption

1.2 Problem Statement

1.3 Objectives of the Study

1.4 Significance of the Study

1.5 Organization of the Study

2 **LITERATURE REVIEW**

2.1 Overview

2.2 Food Security and Nutrition Security

2.2.1 Food Security and the Urban Poor

2.2.2 Poverty Defined in Terms of Access to Food

2.2.3 Food and Nutrition Situation of the Urban Poor

2.3 Dietary Urban-rural Differences

2.3.1 Food Outlay of Urban Households

2.4 Determinants of Food Consumption

2.4.1 Gender

2.4.2 Size of the Family

2.4.3 Age Group

2.4.4 Ethnic Group

2.4.5 Educational

2.4.6 Cultural

2.4.7 Income

2.5 Past Studies of Food Consumption Patterns in Selected Countries

2.5.1 Malaysia

2.5.2 Thailand

2.5.3 Other Countries

2.6 Past Studies of LA/AIDS Model in Malaysia and Selected Countries

2.7 Review of Consumer Theory
2.8 Commodity Grouping and Separability 2.21
2.9 Observed Zero Expenditure 2.22
2.9.1 Problem of Zero Price 2.25
2.10 New-classical Theory of Consumer Behaviour 2.28
2.11 Basic Concepts 2.28
2.11.1 Preference Axioms 2.29
2.11.2 Utility Function 2.30
2.11.3 Setting-Up a Consumer Demand Function 2.30
2.12 Properties of Marshallian Demand Function 2.30
2.12.1 Adding up 2.31
2.12.2 Homogeneity 2.32
2.12.3 Negativity 2.33
2.12.4 Symmetry 2.33
2.13 Cost Minimization and Hicksian Demand Function 2.36
2.14 Aggregation over Consumers 2.37
2.15 Empirical Demand System 2.37
2.15.1 Engel Curve and Single Demand Equations 2.38
2.16 Partial and Complete Demand System 2.40
2.16.1 Partial Demand Models – Analysis of Engel Curves 2.41
2.16.2 Complete Demand Systems 2.42
2.16.2.1 Linear Expenditure System (LES) 2.42
2.16.2.2 Indirect Addilog Model (IAD) 2.44
2.16.2.3 Rotterdam Model 2.45
2.16.2.4 The Indirect Translog System 2.48
2.16.2.5 Quadratic Expenditure System (QES) 2.49
2.17 Almost Ideal Demand System (AIDS) Model 2.50
2.17.1 Introduction of AIDS 2.51
2.17.2 Popularity of AIDS Model 2.54
2.18 Computation of Elasticities of Demand 2.54
2.19 Why Opt for a Linear Approximation? 2.56
2.20 Tests of Restrictions 2.56

3 METHODOLOGY 3.1
3.1 The Concepts and Definitions 3.1
3.1.1 Household 3.1
3.1.2 Consumption Expenditure 3.1
3.2 Household Expenditure Survey Data 3.2
3.2.1 Sampling Methods 3.3
3.2.1.1 Data Collection Methods 3.3
3.2.1.2 References Period 3.4
3.2.1.3 Coverage and Scope 3.4
3.3 Data Handling 3.4
3.3.1 Price of Commodity 3.5
3.3.2 Price of Grouped Commodity 3.6
3.3.3 Limitation of Data 3.7
3.3.3.1 The Problem of Missing Observation 3.8
3.3.3.2 The Zero Expenditure Problem 3.8
3.3.3.3 Selectivity Bias 3.9
3.4 Estimation Procedure and Results 3.10
3.4.1 Testing of Theoretical Restriction 3.10
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Population and Urbanisation Distribution in Malaysia, 2000, 2005 and 2010</td>
<td>1.3</td>
</tr>
<tr>
<td>1.2</td>
<td>Mean Monthly Gross Household Income by Strata, Malaysia, 2004, 2009 and 2012</td>
<td>1.4</td>
</tr>
<tr>
<td>1.3</td>
<td>Consumption of Different Food Items Per Household in Malaysia (kg/month), 1993-2010</td>
<td>1.6</td>
</tr>
<tr>
<td>2.1</td>
<td>Composition of household expenditure by stratum, Malaysia, 2009/10</td>
<td>2.8</td>
</tr>
<tr>
<td>2.2</td>
<td>Description of Explanatory Variable in the Statistical Model and Expected Relationship with the Dependent Variables</td>
<td>2.19</td>
</tr>
<tr>
<td>4.1</td>
<td>Descriptive Statistics of Household Expenditures</td>
<td>4.2</td>
</tr>
<tr>
<td>4.2</td>
<td>Number of Households by Area and Ethnic Groups</td>
<td>4.2</td>
</tr>
<tr>
<td>4.3</td>
<td>Number of Households by Region and Ethnic Groups</td>
<td>4.3</td>
</tr>
<tr>
<td>4.4</td>
<td>Socio-Economic Characteristics of Households by Ethnic Group</td>
<td>4.3</td>
</tr>
<tr>
<td>4.5</td>
<td>Occupation of Households by Ethnic Group</td>
<td>4.4</td>
</tr>
<tr>
<td>4.6</td>
<td>Monthly Income Composition of Households by Ethnic Group</td>
<td>4.4</td>
</tr>
<tr>
<td>4.7</td>
<td>Gender of Reference Person in the Household</td>
<td>4.4</td>
</tr>
<tr>
<td>4.8</td>
<td>Food Consumption for 11 commodities by Urban and Rural Areas</td>
<td>4.6</td>
</tr>
<tr>
<td>4.9</td>
<td>Average Monthly Expenditures by Ethnic Groups</td>
<td>4.8</td>
</tr>
<tr>
<td>4.10</td>
<td>Monthly Expenditure of Age Group (RM/Monthly)</td>
<td>4.10</td>
</tr>
<tr>
<td>4.11</td>
<td>Average Consumption of Gender Group (RM/monthly per households)</td>
<td>4.11</td>
</tr>
<tr>
<td>4.12</td>
<td>Average Consumption by Occupation Group (RM/monthly per households)</td>
<td>4.13</td>
</tr>
<tr>
<td>4.13</td>
<td>Comparison of Food Consumption for 11 Food Items by Household Size, 2009/2010</td>
<td>4.15</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>4.14</td>
<td>Expenditure on Food Groups as a Proportion to Total Food Expenditure by Households based on Income level (RM/Monthly).</td>
<td></td>
</tr>
<tr>
<td>4.15</td>
<td>Testing of Theoretical Restriction</td>
<td></td>
</tr>
<tr>
<td>4.16</td>
<td>Average Share of Food Groups (monthly per household), Malaysia</td>
<td></td>
</tr>
<tr>
<td>4.17</td>
<td>Uncompensated and Compensated Own Price (LA/AIDS Model)</td>
<td></td>
</tr>
<tr>
<td>4.18</td>
<td>Comparison of Own-Price Elasticities</td>
<td></td>
</tr>
<tr>
<td>4.19</td>
<td>Own-Price and Income Elasticities in Urban (LA/AIDS Model)</td>
<td></td>
</tr>
<tr>
<td>4.20</td>
<td>Own-Price and Income Elasticities in Rural (LA/AIDS Model)</td>
<td></td>
</tr>
<tr>
<td>4.21</td>
<td>Comparison of Income Elasticities</td>
<td></td>
</tr>
<tr>
<td>4.22</td>
<td>LA/AIDS Estimation on 11 Commodities</td>
<td></td>
</tr>
<tr>
<td>4.23a</td>
<td>Tobit Estimation on 11 Commodities</td>
<td></td>
</tr>
<tr>
<td>4.23b</td>
<td>Tobit Estimation on 11 Commodities</td>
<td></td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>2.2</td>
</tr>
<tr>
<td>4.1</td>
<td>4.36</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Balance of Trade for Foodstuff, Malaysia (RM million), 2006-2013</td>
<td>2.2</td>
</tr>
<tr>
<td>4.1</td>
<td>Percentage Change of Projection Per Capita Yearly Food Consumption, 2009/10-2025</td>
<td>4.36</td>
</tr>
</tbody>
</table>
### LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS</td>
<td>Almost Ideal Demand System</td>
</tr>
<tr>
<td>BOT</td>
<td>Balance of Trade</td>
</tr>
<tr>
<td>CDS</td>
<td>Complete Demand System</td>
</tr>
<tr>
<td>CLR</td>
<td>Classical Linear Regression</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>DAIDS</td>
<td>Dynamic Almost Ideal Demand System</td>
</tr>
<tr>
<td>DS</td>
<td>Demographic Scaling</td>
</tr>
<tr>
<td>DT</td>
<td>Demographic Translating</td>
</tr>
<tr>
<td>EB</td>
<td>Enumeration Block</td>
</tr>
<tr>
<td>EG</td>
<td>Extended Gorman</td>
</tr>
<tr>
<td>ERG</td>
<td>Extended Reverse Gorman</td>
</tr>
<tr>
<td>ES</td>
<td>Equivalence Scales</td>
</tr>
<tr>
<td>EQG</td>
<td>Extended Quadratic Gorman</td>
</tr>
<tr>
<td>FIML</td>
<td>Full Information Maximum Likelihood</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GLES</td>
<td>Generalized Version of the Linear Expenditure System</td>
</tr>
<tr>
<td>HES</td>
<td>Household Expenditure Survey</td>
</tr>
<tr>
<td>IAD</td>
<td>Indirect Addilog Model</td>
</tr>
<tr>
<td>IMR</td>
<td>Inverse Mills Ratio</td>
</tr>
<tr>
<td>ITSUR</td>
<td>Iterative Seemingly Unrelated Regression</td>
</tr>
<tr>
<td>LES</td>
<td>Linear Expenditure System</td>
</tr>
<tr>
<td>LA/AIDS</td>
<td>Linear Approximate Almost Ideal Demand System</td>
</tr>
<tr>
<td>LQ</td>
<td>Living Quarters</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>OLS</td>
<td>Ordinary Least Squares</td>
</tr>
<tr>
<td>PIGLOG</td>
<td>Price-independent Generalized Logarithmic</td>
</tr>
<tr>
<td>QES</td>
<td>Quadratic Expenditure System</td>
</tr>
<tr>
<td>SAS</td>
<td>Statistical Analysis System</td>
</tr>
<tr>
<td>8MP</td>
<td>Eighth Malaysian Plan</td>
</tr>
<tr>
<td>9MP</td>
<td>Ninth Malaysian Plan</td>
</tr>
<tr>
<td>10MP</td>
<td>Tenth Malaysian Plan</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

An increase in economic growth, industrialisation, globalisation, urbanisation, and trade liberalisation has contributed in transforming the food marketing industry in Malaysia, like the other countries in Asia (Arshad et al., 2006). It is noted that the food consumption pattern in Malaysia is very similar to Asian emerging economies; especially the Republic of Korea, China, and Thailand (Ishida et al., 2003; Warr et al., 2008). Also, Malaysia shows a lower livestock consumption (including dairy) per capita income in comparison to the Organisation for Economic Cooperation and Development (OECD), which includes Australia, USA, and Japan; however, it is higher than that in the Republic of Korea, China and Thailand. For instance, in the year 2005, Malaysia showed a consumption of 44 kg (kilogramme) of milk for every person annually, in comparison to 25 kg in 2004 (Warr et al., 2008). The consumption of fresh milk per capita showed an increase of 33%, from 32.9 to 43.5 kg in a 15-year period ranging between 1990 and 2005. In their reports, Dong (2006) and Beghin (2006) had forecasted that the Malaysia would show an increase in the dairy consumption in the next 10 years because of increasing population and higher income. Also, the food industries can now be featured for market structure, market conduct, studying marketing strategies, cooperation, conflict and innovation (Michman and Mazze, 1998).

1.1 Background of this Study

Malaysia is a country with a diverse culture, where a majority of the population belongs to the upper-middle-income bracket. There has been a rapid increase in the Malaysian population since 1957. Also, since the year 2000, Malaysia has shown a rapid increase in the economic growth, with an average of 4.64 % growth per year (Department of Statistics, Malaysia, 2013), which has led to an increase in the economic income of the families. It was seen that in 2006, the per capita income in Malaysia ranked third amongst the South East Asian countries (the others being, Brunei and Singapore), which was approximate US$5800. Also, the Malaysians are seen to assign a huge percentage of their household expenses on the food consumption. In recent studies, researchers showed that this food consumption has shown a gradual shift from the starchy products like rice to seafood, wheat, livestock products, fruits and vegetables, with an increase in the per capita income (Mitchell et al., 1997; Lee and Kennedy 2006).

1.1.1 Population in Malaysia

A study of the Malaysian population and the purchasing power of the people helps in understanding the consumption process. This consumption process can significantly affect the requirement for many goods and services that are provided by the Malaysian industries. For instance, it was seen that in 2011, the Malaysian beef industries showed
an increase in their imports, and also, the milk consumption in the country increased by 3%.

In Table 1.1, shows the distribution of the general and the urban population within the different Malaysian states. Out of the 13 states, Selangor showed the largest population size, followed by Johor and Perak. All the Malaysian states showed an increase in the population of the urban areas except Kelantan, on the eastern coast of Peninsular Malaysia, due to natural growth or immigration. In general, there has been a 1.1% increase in the population growth in 2012, as compared to that in 2010 (9th Malaysia Plan, 2006).

Table 1.1, also shows the change in the urbanisation trend, where an increase in the urban population brought many lifestyle changes in the people, irrespective of their educational status. These changes included an increase in the working women population (full time or part time), which was due to a higher cost of living seen in the urban areas.
Table 1.1: Population and Urbanisation Distribution in Malaysia, 2000, 2005 and 2010.

<table>
<thead>
<tr>
<th>States</th>
<th>Population (mil)</th>
<th>Urban population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kedah</td>
<td>1.67</td>
<td>1.85</td>
</tr>
<tr>
<td>Perlis</td>
<td>0.21</td>
<td>0.23</td>
</tr>
<tr>
<td>Pulau Pinang</td>
<td>1.33</td>
<td>1.5</td>
</tr>
<tr>
<td>Perak</td>
<td>2.09</td>
<td>2.28</td>
</tr>
<tr>
<td>Central States:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melaka</td>
<td>0.65</td>
<td>0.79</td>
</tr>
<tr>
<td>N. Sembilan</td>
<td>0.87</td>
<td>1.03</td>
</tr>
<tr>
<td>Selangor</td>
<td>4.19</td>
<td>4.87</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>1.42</td>
<td>1.62</td>
</tr>
<tr>
<td>Southern:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johor</td>
<td>2.76</td>
<td>3.17</td>
</tr>
<tr>
<td>East Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kelantan</td>
<td>1.36</td>
<td>1.51</td>
</tr>
<tr>
<td>Pahang</td>
<td>1.3</td>
<td>1.45</td>
</tr>
<tr>
<td>Terengganu</td>
<td>0.9</td>
<td>1.02</td>
</tr>
<tr>
<td>East Malaysia:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labuan</td>
<td>0.08</td>
<td>0.09</td>
</tr>
<tr>
<td>Sabah</td>
<td>2.6</td>
<td>3.13</td>
</tr>
<tr>
<td>Sarawak</td>
<td>2.07</td>
<td>2.34</td>
</tr>
<tr>
<td>Total</td>
<td>23.50</td>
<td>26.88</td>
</tr>
</tbody>
</table>


1.1.2 Income Growth in Malaysia

Malaysia is a multi-cultural country with an upper-middle-income in the South-Eastern Asian region. Over 60% of Malaysians belong to the middle-income population level. However, approximately 40% of Malaysians earn lesser than RM2,300 every month. The income disparity and an economic difference is seen in rural and the urban areas, and also between the Peninsular and the East Malaysian regions (Sabah and Sarawak). 79.9% of the Malaysian population dwells in the peninsular areas, while 1.3% and 8.8% of the population dwells in the Sabah and the Sarawak regions (CIA World Factbook, 2012).
According to a survey, in the year 2010, the Malaysian population comprised of: 50.4% Malays, Chinese (23.7%), Indians (7.1%), Indigenous groups (Other Bumiputeras) (11%) and non-citizens, 7.8%. All these people are fairly distributed across Malaysia, however, the Bumiputera population is predominantly seen to exist on the eastern coast, and a majority of the Indigenous groups live in the Sabah-Sarawak regions, on the island of Borneo. It is seen that more than a 2/3rd of the Malaysian population lives in the urban areas, whereas the urbanisation ranges between 35-90% (Department of Statistics Malaysia, 2010).

Table 1.2 shows the average gross household monthly income for the Malaysian income groups. This has shown an increasing trend between 1992 and 2012. Also, the average gross household monthly income of all the major ethnic groups has shown a 1-2% increase. An increase in the income leads to many changes in the consumption pattern. An increase in the income since the past two decades has brought about a massive shift in the food consumption, with an increase in the consumption of meat. According to Kumar (2007), the food consumption pattern along with its evolution depends on the expenditure level of the people. For example, the higher income group households show a lower consumption of cereals and tend to buy a higher amount of non-food items in comparison to the poorer households (absolutely or relatively).

Table 1.2: Mean Monthly Gross Household Income Distributed by the Ethnicity in Malaysia for the years 1992, 1999, 2007, 2009 and 2012.

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>1992</th>
<th>1999</th>
<th>2007</th>
<th>2009</th>
<th>2012</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malay</td>
<td>3,100</td>
<td>4,855</td>
<td>7,666</td>
<td>3,624</td>
<td>4,457</td>
<td>1.83</td>
</tr>
<tr>
<td>Chinese</td>
<td>5,348</td>
<td>8,470</td>
<td>11,878</td>
<td>5,011</td>
<td>6,366</td>
<td>0.88</td>
</tr>
<tr>
<td>Indians</td>
<td>3,743</td>
<td>6,456</td>
<td>9,119</td>
<td>3,999</td>
<td>5,233</td>
<td>1.68</td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Malaysia, 2012

1.1.3 Food Consumption Patterns in Malaysia

In their reports, Blandford (1984), Garnaut and Ma (1992), Mitchell, et al., (1997) and Wu and Wu (1997), showed that increase in per capita income significantly affected the change in the diet of the people. The Malaysian government wishes to convert the country into a higher-income economy by 2020 using The Economic Transformation Program. A higher per capita income would result in a change in the diet pattern of the people.

Statistically, Table 1.3, shows the average monthly expenditure for every Malaysian household from 1993/94 to 2009/10. It can be seen that generally, there has been a diversification in the food consumption pattern amongst the Malaysian people as the per capita increased. During 1993/94, due to an increase in the economic development in the country, there was an increase in the disposable income, with changes in the
price ratios and levels changing the population structure, altering the taste and habits, thus, resulting in more import of new food products in the country by the multinational food companies.

There has been a significant decrease in the rice consumption (50%) per person as compared to the bread or other cereals between 1993 and 2009. This resulted in the increase of the cereal consumption from 28 kg (1993) to 42 kg (2009). However, despite this fact, rice is the main staple food of the Malaysians and provides 1/3rd of the daily calorie intake on an average. Also, the diversification has led to an increase in the consumption of more expensive food items like meat, fish, fruits and vegetables. Statistics have shown that people consumed more fish products as compared to meat items, which was surprising.

The meat consumption showed a massive increase from 1993 to 2009. Generally, chicken is the most preferred meat in Malaysia and it accounts for 50% or more of the overall meat consumption. Also, there has been an increase in the consumption of other types of meat, especially pork, during this period. The fish consumption per person also increased from 53 kg in 1993 to 64 kg in 2009. The other food items which showed an increase in consumption during this time period included oil, sugars and milk.
Table 1.3: Consumption of Different Food Items Per Household in Malaysia (kg/month), 1993-2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>276</td>
<td>368</td>
<td>393</td>
<td>444</td>
</tr>
<tr>
<td>Rice</td>
<td>28</td>
<td>39</td>
<td>36</td>
<td>42</td>
</tr>
<tr>
<td>Cereals</td>
<td>28</td>
<td>42</td>
<td>44</td>
<td>53</td>
</tr>
<tr>
<td>Meat</td>
<td>41</td>
<td>50</td>
<td>54</td>
<td>64</td>
</tr>
<tr>
<td>Fish and seafood</td>
<td>53</td>
<td>74</td>
<td>82</td>
<td>98</td>
</tr>
<tr>
<td>Milk, Cheese and eggs</td>
<td>24</td>
<td>30</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Oils and fats</td>
<td>8</td>
<td>12</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Fruits</td>
<td>25</td>
<td>30</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>Vegetables</td>
<td>33</td>
<td>45</td>
<td>44</td>
<td>47</td>
</tr>
<tr>
<td>Sugar</td>
<td>10</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Food products</td>
<td>13</td>
<td>14</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Coffee and non-alcoholic beverages</td>
<td>13</td>
<td>19</td>
<td>25</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Malaysia, 2011.
1.1.4 Urbanisation of Food Consumption

Malaysia is multi-racial with several races, out of which Malays, Indians and Chinese are prominent. The other races in the Malaysian population are the Dusuns, Kadazans, Ibans, Muruts, Melanau, Orang Ulu, Penans, Bidayuhs etc., in Malaysia, all festivals for Buddhists, Hindus, Muslims and Christians are celebrated with equal fervour, which involves crowds of several thousand people each year. A large amount is spent on food consumption amongst the urban population due to rise in economic growth. Additionally, a higher degree and convenience in accessing the different food locations in the urban population also encourages the people to eat outside often (Department of Statistics, Malaysia, 2012).

It was seen that the rural population spends a lot of their income on the food outlay as compared to an urban household. Also, it is seen that the income along with the education level of the people can positively affect the household spending pattern (Maitra et al., 2006). The substantial increase in the Malaysian population and an increase in the purchasing power has led to a growing market for the food items. The market condition is seen to be very interesting for the growth of the food industries.

In many Asian countries, rice is a staple food; wherein it is essentially consumed in similar quantities within all villages. Besides rice, wheat is also consumed, however its consumption quantity varies depending upon the location. Also, sugar consumption was seen to be variable amongst the Malaysian households (Department of Statistics, Malaysia, 2013).

1.2 Problem Statement

Malaysia is a diverse country with a multi-cultural, multi-ethnic, and multi-linguistic population, of about 30.6 million. Malaysia is becoming gradually more dependent on the food aids and food imports. As a result, the government is carrying out many experiments regarding the agricultural sector reconstruction for improving the self-sufficiency levels. A vast majority of the food in Malaysia is imported, which includes cereals, fish, fruits and vegetables, meat, sugar, dairy products, rice and sugar. The balance in the food trade has been slowly increasing over the past decade from the deficit of RM8,486.40 million (2006) to a deficit of RM16,770.00 million in the year 2013 (MOA, 2014). It was reported that Malaysia imported vegetables to the tune of approximately RM1.17 billion in 2003. This value is 5-times higher than the overall exports value, which was RM0.2 billion.

It becomes very important to have a thorough knowledge regarding the different determinants of the food demand for designing a detailed and comprehensive policy for the agricultural, food and a social option plan which could improve the access to different foods within the country. Other than the preferences, according to the demand theory, various economic variables like income and the price are the essential factors which determine food consumption. Therefore, the prediction of the changes in the consumer expenditure caused due to the changes in their income and the price,
forms the important information in this regards, and the econometric analysis is needed for their empirical estimation.

In the past 20 odd years, the Malaysian market has shown a very exponential growth in terms of population and the purchasing power, which has brought about unprecedented opportunities in the food sector, especially for the rice and cereal food products that form the major components of the people’s diet. Malaysia is an example of a populous and rapidly developing country, which has undergone several changes in the food consumption in the past few years. For instance, the cereal consumption was seen to increase marginally to 1.3 million tonnes (2010), and its consumption has been predicted to remain high. Besides, according to a study (Norimah Jr. 2008), it was observed that Malaysians consumed on an average 2.5 rice plates daily, and it was forecast that the rice consumption pattern would grow steadily till 2050 (Abdullah et al., 2006). An improvement in the living standard and an increase in the middle-class income would lead to an increasing growth in the demand for bread, pork and other poultry food products. This was seen to contribute marginally to the increase in the demand for cereals.

Meanwhile, the per capita consumption of poultry was doubled, whereas the fish consumption increased 3-fold. However, the meat consumption did not show any variation during this time period. With regards to the average monthly budget share, the data showed that people spent 20% of their monthly budget on fish, which was the highest amongst the commodity products studied. The fish consumption was also seen to be increased worldwide, because of the growing awareness among the people regarding the relationship between the saturated fats and human health. Malaysia showed a good positive relationship with regards to its income levels and consumption of the animal proteinaceous products, where milk, meat and eggs consumption was seen to increase at the expense of the other staple food products.

The food preference and elasticities are most likely to change with a change in the population, acculturation and income growth within the Malaysian population. The information regarding the food consumption pattern in the country and the elasticities for food, specifically cereals and rice should be regularly updated so that it can be helpful to the Malaysian food industries.

The majority of the studies published with regards to the food consumption in Malaysia have not considered the interdependent nature of the demand. Some of the reports have not included the food elasticities, and are only descriptive. How has the food expenditure pattern in the country changed? Which of the food products are the best substitutes and complementary to the meat products? How do the people react while consuming the 11 food items, when there is a change in the prices? What is the impact of the changes in income on the expenditure for the 11 food items? Are the different parameters for the food consumption significant and sensitive? What are the statistical differences noted with regards to the change in the price, income, and the socio-economic variables amongst the different ethnic groups within the country? In our study, we have aimed to answer these questions.
One main challenge that the government of any developing country faces is balancing the food and the nutrition requirements of the people along with the developmental needs of the agricultural sector. The issue of proper nutrition is considered to be a main strategic problem, which has attracted a lot of attention from every level, and its importance is seen to stem from the socio-economic and political areas. For instance, consider an agricultural policy which supports higher prices to encourage the increase in the food and agricultural production could greatly affect the low-income population, specifically the urban poor and the rural landless population. On the other hand, a low-price policy would be a disincentive to the producers, though it would help meet the nutritional and food demands of the population.

1.3 Objectives of this Study

Based on the above information, the major objective of our study includes seeking information regarding the food consumption preferences of the Malaysian households, based on the household survey carried out between 2009 and 2013. This can be achieved by estimating the demand parameters using the approach of the demand analysis across various income groups. Based on these demand parameters, the specific objectives of our study include:

1. To examine the effect of the socio-demographic characteristics for the income of a household for the 11 food commodities in the urban and rural populations.
2. To study the variations in the food consumption patterns by determining the income elasticity, the compensated and the uncompensated own-price elasticity for the chosen 11 food commodities.
3. To forecast the future consumption pattern of the main food commodities, and outline policy recommendations for improving the dietary consumption pattern within the country.
4. To provide recommendations regarding the designs and advertise the foods which meet the requirements for the specific socio-demographic market segment (Darlin, 1996).

1.4 Significance of this Study

In this study, we consider the different microeconomic variables which can significantly affect the overall monthly food expenditure within the urban and the rural areas equally. Unlike the previously published studies, in this study, we have explicitly tested the food consumption patterns in the urban and the rural regions of Peninsular Malaysia, Sabah and Sarawak.

In this study, we provide essential consumer data which can be further applied for designing marketing and business plans for new and the established industries. The Malaysian market is mainly composed of a young population which is constantly growing. It is also characterised by a diversity of different levels of the geographic concentrations and households which have a higher number of members as compared to other ethnicities. Furthermore, the Malaysian markets also show a higher variation
with regards to the acculturation level and the educational attainment. This has made the market more heterogeneous and requires a more comprehensive understanding.

Our study would be very helpful to researchers, corporate sector, farmers, agribusinesses, government agencies, marketers, policy makers and general businesses. Our study also offers a potential for the determination of the effect of the domestic policies for allocation of expenditures on the food consumption.

There are very few nation-wide survey reports, especially for the Eastern Malaysian regions, which have surveyed the urban and the rural areas, though the empirical reports on the food consumption pattern are fairly common. Many researchers have carried out a survey of the food consumption patterns of particular population groups in different regions of Malaysia. However, these reports had surveyed a small population. We use large sample data in our study to provide a better idea regarding the food consumption pattern in the country.

In this study, we can get a better understanding of the manner in which the socio-demographic factors could affect the food demand in the country. This would help the markets which wish to target their marketing campaigns against certain specific population groups. Additionally, a better understanding of the variables would also help the Malaysian governmental authorities to make and formulate better public policies for improving the food sector of Malaysia.

1.5 Organisation of this Study

In this study, we have aimed to identify the food consumption pattern in the different Malaysian households by investigating different aspects of the food consumption. We have restricted the scope of our study to the food expenditure. We do not study other household expenditures like housing or clothing.

Chapter 2 presents an outline of the neoclassical theory of the consumer demand. It has summarised 2 commonly used techniques for presenting the problem of consumer decision which includes the utility maximisation and the cost minimisation. Also, it has presented the different properties of the demand system which act as guidelines for selecting an appropriate functional form for the particular empirical study. Then, we have compared the partial and the complete demand system, discussed the particular functional forms of the demand and finally select a particular model for the empirical portion of our study.

Chapter 3 presents the methodology used in our study. In this chapter, we aimed to present an empirical model and estimation method for collecting data. Finally, we discussed the data generation and its characteristics based on the household budget survey of 2009/10.
In Chapter 4, we have presented the estimation results, our corresponding interpretation of the results and discussion. We have also forecasted the future food consumption pattern in the chapter.

Finally, in Chapter 5, we have presented the summary, conclusions, and the recommendations for achieving a better food consumption pattern by the implementation of several developmental and fiscal policies.
REFERENCES


R.12


R.13


R.23


R.26


BIODATA OF STUDENT

Ooi Bee Chen (Crystal) was born in Sg. Petani, Kuala Ketil, Kedah, Malaysia. She obtained her primary education at Sekolah Jenis Kebangsaan Cina, Kuala Ketil, Kedah. She received her early secondary education at Sekolah Menengah Vokasional Ipo, Perak. She spent about a year gaining experience in the working life in Sungai Petani before joining Politeknik Ungku Omar to obtained her Diploma in Finance and Banking at Politeknik Ungku Omar for three years from 1999-2001. She received the awarded an excellent student in academic and cocurricular in in 2001. She was awarded Bachelor of Economics (majoring in International Trade and Financial) in 2005 by Universiti Putra Malaysia Serdang, Selangor, while working part time as a tuition tutor. She then pursued her Master degree in Economics at Universiti Putra Malaysia, Serdang, Selangor from 2005-2007 and working at the same time as a full time lecturer in Multimedia University, Malacca, Malaysia. She is currently a lecturer at the Department of Economics at the Universiti Tunku Abdul Rahman, Sg Long, Selangor, Malaysia and her current research interests are in the areas of food consumption and organic food.
LIST OF PUBLICATIONS

Journal Articles


Conference Proceedings


Ooi Bee Chen, Khalid Abdul Rahim, Alias Radam, Norashidah Mohamed Nor, Food Elasticities of Demand in Malaysia by using LA/AIDS Model., International Foundation for Research and Development (IFRD), Rainbow Paradise Beach Resort, Penang, Malaysia, 16-17 May 2015

Ooi Bee Chen, Khalid Abdul Rahim, Alias Radam, Norashidah Mohamed Nor, Own Price and Income Elasticities of Food in Malaysia, Advances in Economics and Business Issues Research International Conference (AEBIRIC 2016), Park Royal Hotel, Kuala Lumpur, Malaysia, 10th -11th May 2016.
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