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Demand for Dairy Products in Canada and the Aging of the Population

Jean-Germain Ntetani, Gale West et Bruno Larue
Laval University

Changes in demand are of public interest because of their effect on consumer health and the profitability of the industry. While the Canadian population ages, we observe a consistent downward trend in per capita milk consumption. This study investigates differences in the behaviour of different profiles of Canadian households in terms of their purchases of dairy products. A two-stage econometric procedure was implemented on subsamples of a dataset pooling three food expenditure surveys. In the first stage, the probability of purchase is estimated to account for the relatively high frequency of zero purchases for some of the ten goods. In the second stage, a demand system allowing for quadratic expenditure effects is estimated. The findings indicate that demand elasticities tend to be higher for households headed by a person between 35 and 64 years old and when household size increases. Relative to other goods, low-fat milk has a higher probability of purchase and its demand is price and expenditure elastic. Generally, price and income elasticity patterns across goods are quite robust across household profiles differing in terms of the age of the head, size, and income.

Keywords: dairy products, QUAIDS, elasticities

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