

Estimating AIDS Model for Rice Imports in K.S.A

By

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Abstract

This paper has used the (AIDS) model to study and analyze the import demand for rice of the Kingdom of Saudi Arabia. Further, the level of competition and the separability among the main sources of importation (India, U.S.A., Pakistan and Thailand) has been investigated. The method of estimating the demand function includes the iterative seemingly unrelated regression (ISUR). The method has also considered imposing the necessary demand conditions (additivity, homogeneity and symmetry). The parameters of the model were used to calculate the relevant demand elasticities for the sources of importation.

The main results of the study show that the demand of imported rice is price elastic for all resources. Rice importations from India, Pakistan and Thailand are normal (necessary) goods, while rice importation from U.S.A. luxury good.

The study shows a complementary relation between U.S.A and the other sources (India, Pakistan and Thailand). There is no complementary relation between India, Pakistan and Thailand, this rice importations have the same trends in prices and quantities.