FULL LENGTH ARTICLE

Effects of high food prices on consumption pattern of Saudi consumers: A case study of Al Riyadh city

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Abstract   This paper investigates how urban households in Riyadh city, capital of Saudi Arabia, coped with higher food prices depending on a survey for selected group of households. The primary data were obtained in a survey from a sample of 286 household heads. Before analysis, the collected data were first grouped and classified according to the income level of respondents and then descriptive statistics and analysis of variance were applied. The results showed that the consumption quantities of major food commodities decrease due to high prices and at the same time expenditure increases, which lead to erosion of some of the consumers' savings. High food expenditure makes lower income group more fragile and sensitive for any future increase in food prices. The perception of consumers for price increase in the future is also registered which reflects the lower consumer confidence in the food markets. The respondents iterate the absence of the role of the government to control the food market that may reduce the impact of higher food prices. Therefore, the paper recommends that government should intervene through food policy to mitigate the effects of food price volatility.

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1. Introduction

The consumption pattern is one of the most important drivers of the development pattern of industrialized world. The main factor explaining food consumption patterns is the level of disposable income. However, consumption pattern changes not only measure increases in the amount of calories consumed with the rising income, but also the share of animal products in overall diets. There are other additional explanatory factors that determine consumption pattern rather than income like culture, religion or – possibly – lifestyle choices. Moreover, the consumption structure differs widely even at the same high income level (Reusswig et al., 2003).

The pattern of Saudis food consumption has been undergoing dramatic changes over the last 30 years due to high economic growth and living standards driven by oil revenues. The consumption of meats, dairy products, rice, fish, fresh fruits and fresh and processed vegetables has been increasing. Many factors have influenced Saudi food consumption pattern like higher household income, higher growth rate of population and a more westernized lifestyle. Saudi market depends

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mainly on the world market to cover its domestic demand for food products e.g. the food imports in Saudi Arabia represented 16.5% of total merchandise imports in 2010 (up from 15.3% in 2005) (WTO, 2012). Furthermore, Saudi Arabia does not expect to cover its food needs from domestic production with its present weather, limited water supply, rapid population growth and high living standards. This makes Saudi food market more vulnerable to the changes and fluctuation of the world food market production and prices.

Recently, soaring food prices have become a major concern amongst policy makers. For example, the group of 20 developed and leading emerging economies (G20) has put the food price spike and food security at the top of their 2011 agenda (Alem and Soederbom, 2012). In due time after the sharp decline from their peak in the second half of 2008, the international food prices soared again. Prices for cereals, cooking oils and sugar increased most, while the increase of meat prices was more moderate. Global supply and demand imbalances in agricultural commodity markets appear to have been a main driving factor for this recent increase. Unfavorable weather conditions in important producing countries and growing world population are the main driver of food prices. Other factors driving food prices (both on the supply and demand sides) are higher energy prices and the expansion of bio-fuel production (OECD, 2012).

Saudi consumers are not immune from the effects of high global food prices. High food prices might inevitably erode the Saudi household's purchasing power, especially low-income households reducing equity and efficiency standards (World Bank, 2008). In particular, high costs of food may curtail household spending for other essential goods and services, such as health care (Huang and Wu Huang, 2012).

Thus, it is important to investigate how consumers react and adjust to high food prices and evaluate the speculation of consumers to the future food markets. This paper investigate how urban households in Riyadh city, capital of Saudi Arabia, coped with higher food prices depending on a survey for selected group of households.

2. Analytical framework

2.1. The study area and data collection

A cross sectional study was conducted in the Riyadh city, capital of Saudi Arabia, to study the effects of higher food prices

Table 1 Marital status and family size.

	Frequency	Valid percent
Single	47	16.6
Married	231	81.6
Family size		
1–3	55	26.3
4–6	85	40.7
> 6	69	33.0
Divorce or widow	5	1.8

Source: survey results.

Table 2 Job description.

	Frequency	Valid percent
Government employee	174	63.0
Private sector employee	66	23.9
Freelancer	22	8.0
No job	14	5.1

Source: survey results.

Table 3 Income groups of the respondents.

	Frequency	Valid percent
Lower income group	49	17.8
Medium income group	158	57.2
Higher income group	69	25.0

Source: survey results.

on consumption pattern of households. Purposive sampling was used to select the study district in Riyadh city, while random sampling method was used to select the respondents. The primary data were then obtained in a survey from a sample of 286 household heads, using a structured questionnaire in 2011.

2.2. Analytical techniques

Descriptive statistics using frequency tables, graph illustration, and cross tabulation were applied to achieve the study objectives. Also, analysis of variance (one way anova) was

Table 4 Consumption pattern of the selected respondents in percent.

Commodity group	Lower income	Medium income	Higher income	F value
Food and beverages	24.0	23.0	22.4	2.0
Clothes and shoes	6.7	6.5	6.5	1.1
Rent	16.4	15.8	15.7	3.9[*]
Furniture	7.0	7.2	6.8	2.8
Medical services	2.6	2.7	2.4	1.8
Transportation	14.5	14.6	14.6	1.1
Education	5.7	5.6	5.6	1.1
Other services	23.1	24.6	26.0	4.4[*]
	100	100	100	

Source: survey results.
[*] Significant difference at 5%.