

Estimating agricultural demand for electricity in Iran (1975-2007)

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High electricity consumption in agricultural sector is an important issue in Iran economy. The main reason is the low price of electricity. In this study we estimated demand function of electricity in agriculture sector (1975-2007) using ARDL method. Results indicated that (1) the short-term & long-term price elasticity is -0.1 and -0.49, respectively, (2) short-term & long-term income elasticity is 0.43 and 2.07, respectively, and (3) the lagged error correction term was significant with expected negative sign (-0.21). The CUSUM and CUSUMSQ tests have been done and the results showed a stabilization of coefficient in confidence level 5%.

Keywords: electricity demand, ARDL, elasticity