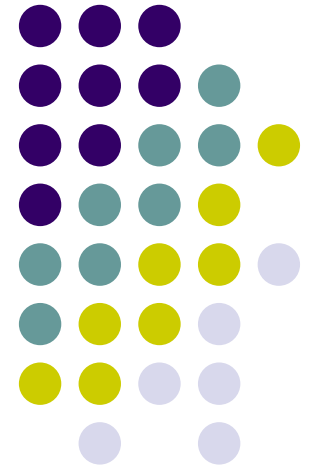


Evaluating Consumer Preferences For Organic Food Production Standards

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Motivation

- Food product attributes
- Attribute based production system
 - Credence characteristics
- Third party certification can alleviate the associated information problem
- Unfettered number of organic standards crowds the marketplace – makes choice difficult

Proliferation of organic standards in Canada



Complex issue with a knowledge gap



- Proposed organic standard more about production process than product standards
- Do components of a standard influence consumer demand?
- Organic standard's composition largely ignored in the literature
 - Exception is Batte et al. (2007)
- Conjoint experiment to look at how consumer's trade-off components of a standard

Conjoint experiment: Organic Red Delicious apple defined across:



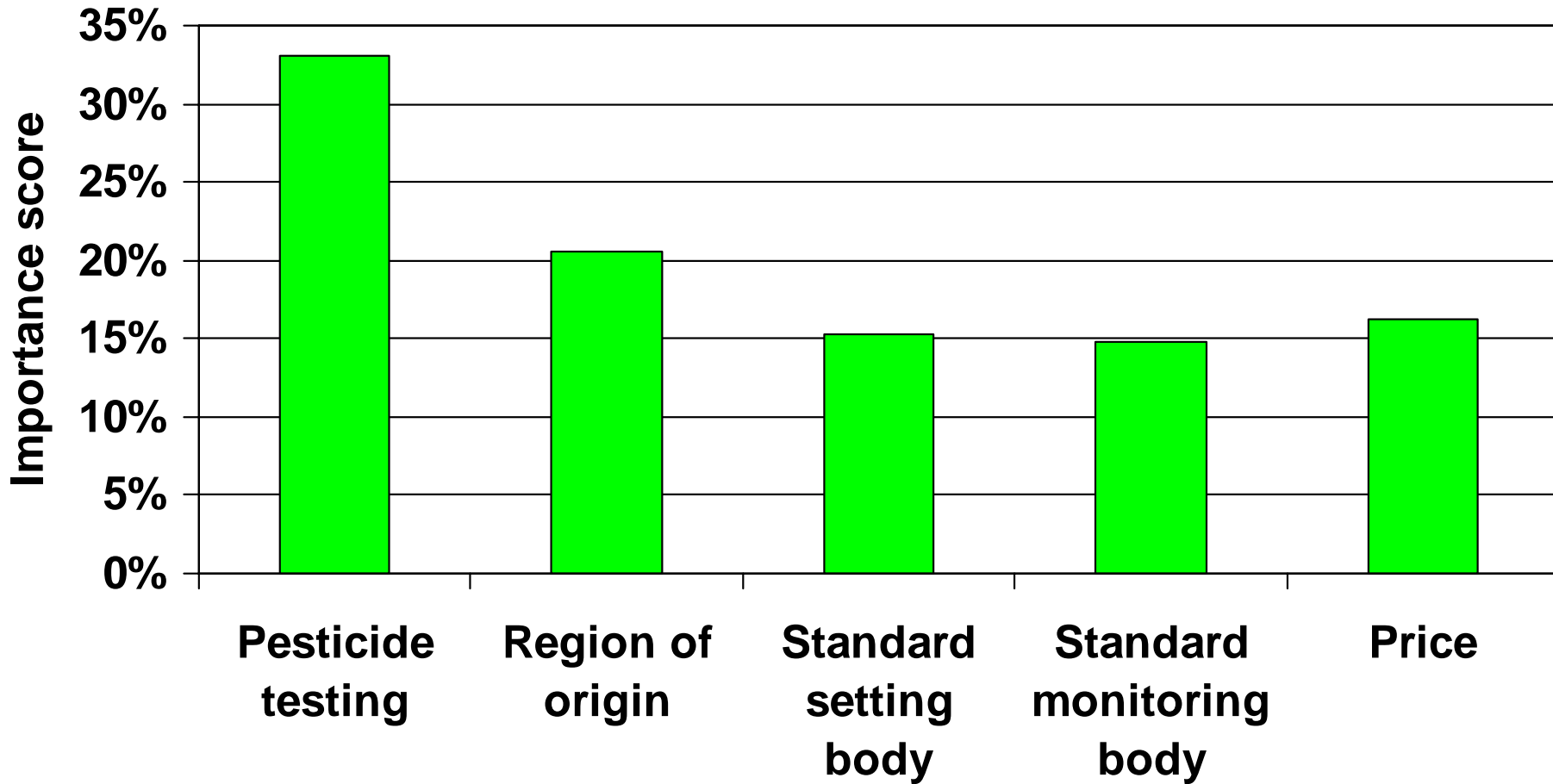
Attribute	Attribute level
Testing for pesticide residues	Regular testing; possible contamination; no testing
Rules on region of origin	Ontario; Canada; no rules
Who establishes the standard	Farmer agency; non-farmer agency; government agency
Who monitors compliance	Federal government; prov. government; private agency
Price	\$1.69/lbs; \$2.19/lbs; \$2.69/lbs



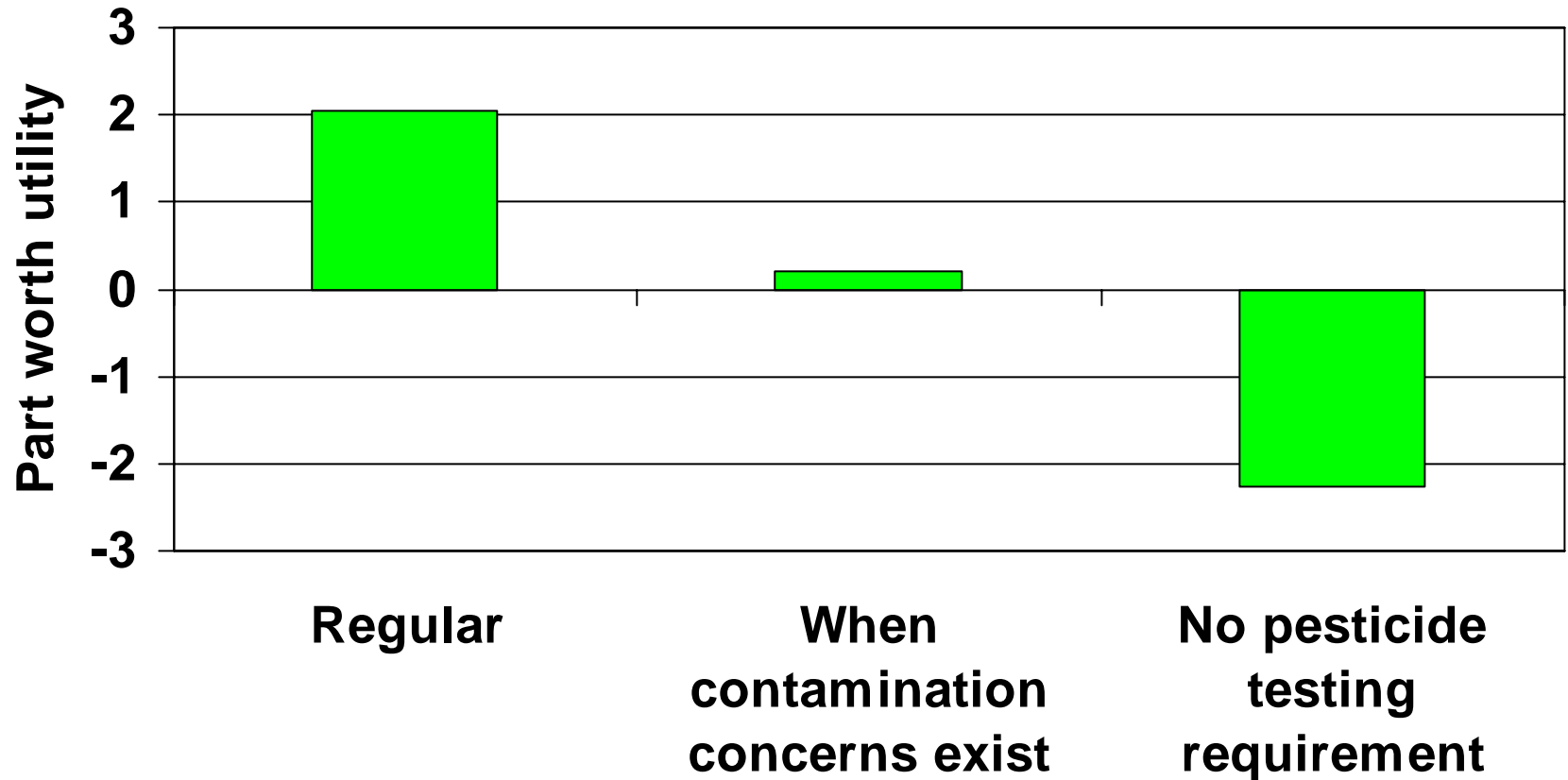
Conjoint experiment

- Mall intercept survey
 - October 2006
 - Trained enumerators
 - Stone Road Mall, Guelph, Ontario
 - Random days/times; every third passerby
 - N=183; 137 usable (some questions refused)
- Conjoint on each subject's responses
 - Look at averages across sample

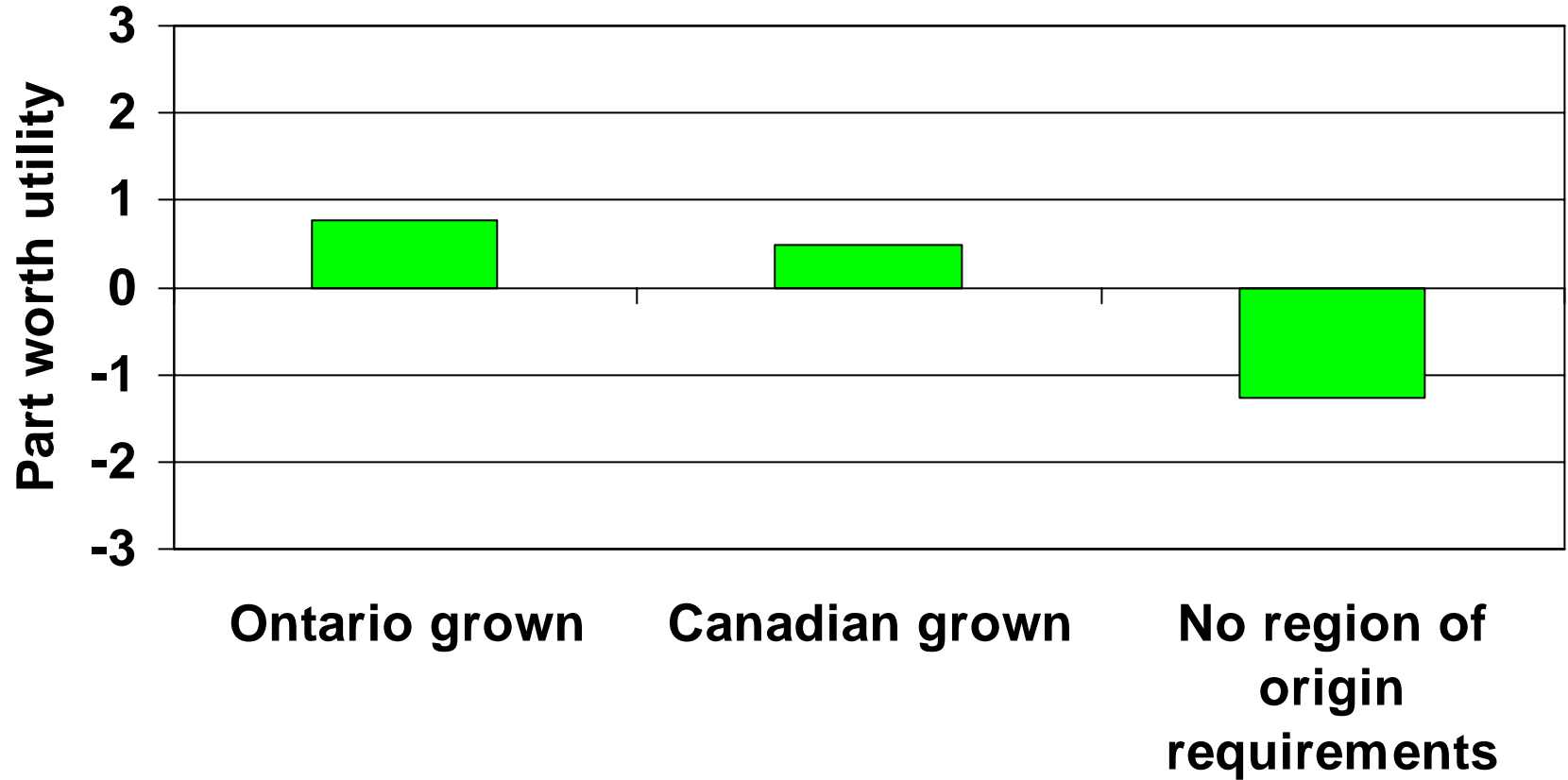
WHAT'S IMPORTANT: pesticide testing, region of origin...price



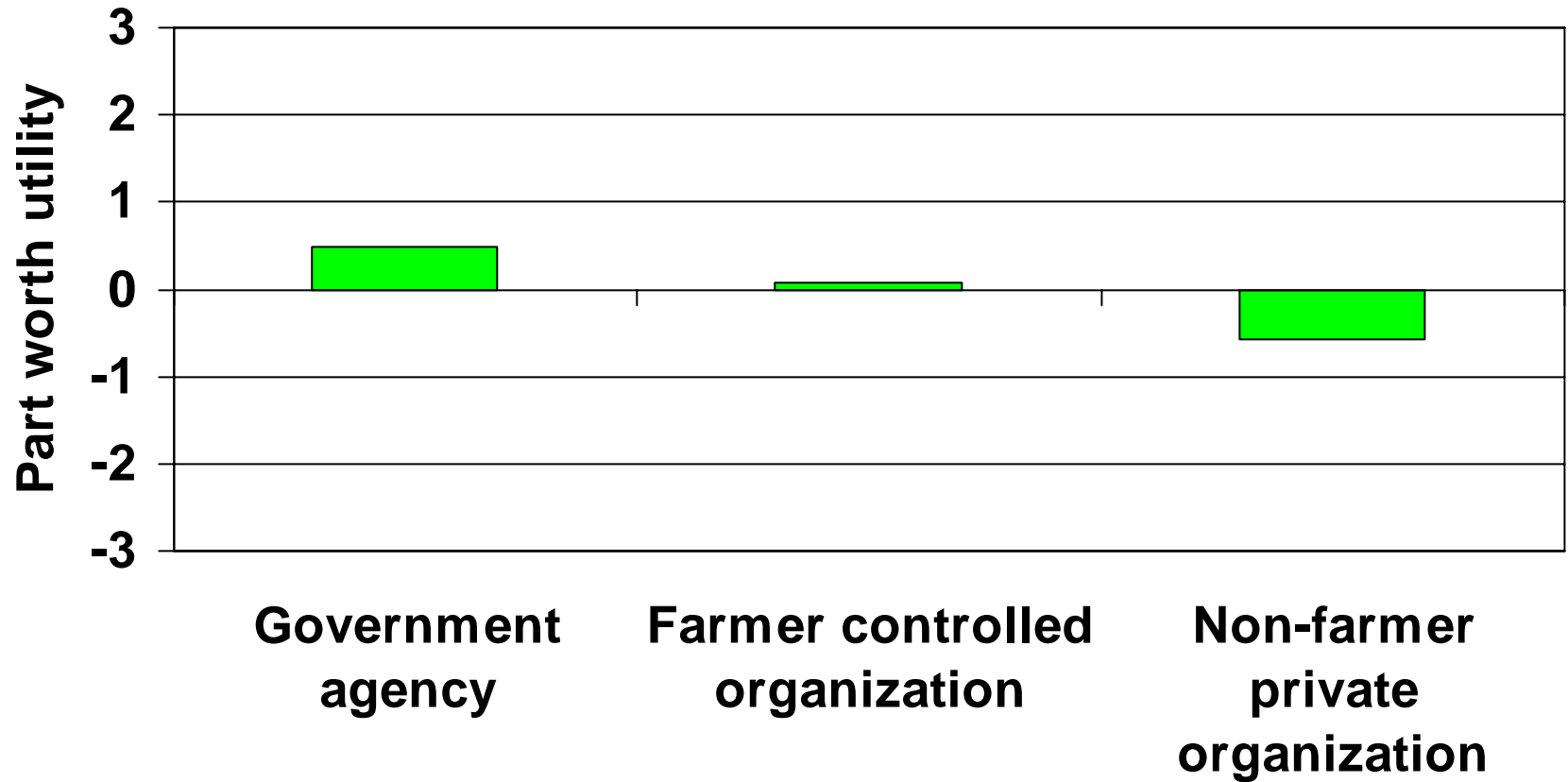
Products with regular pesticide testing had higher preference rank



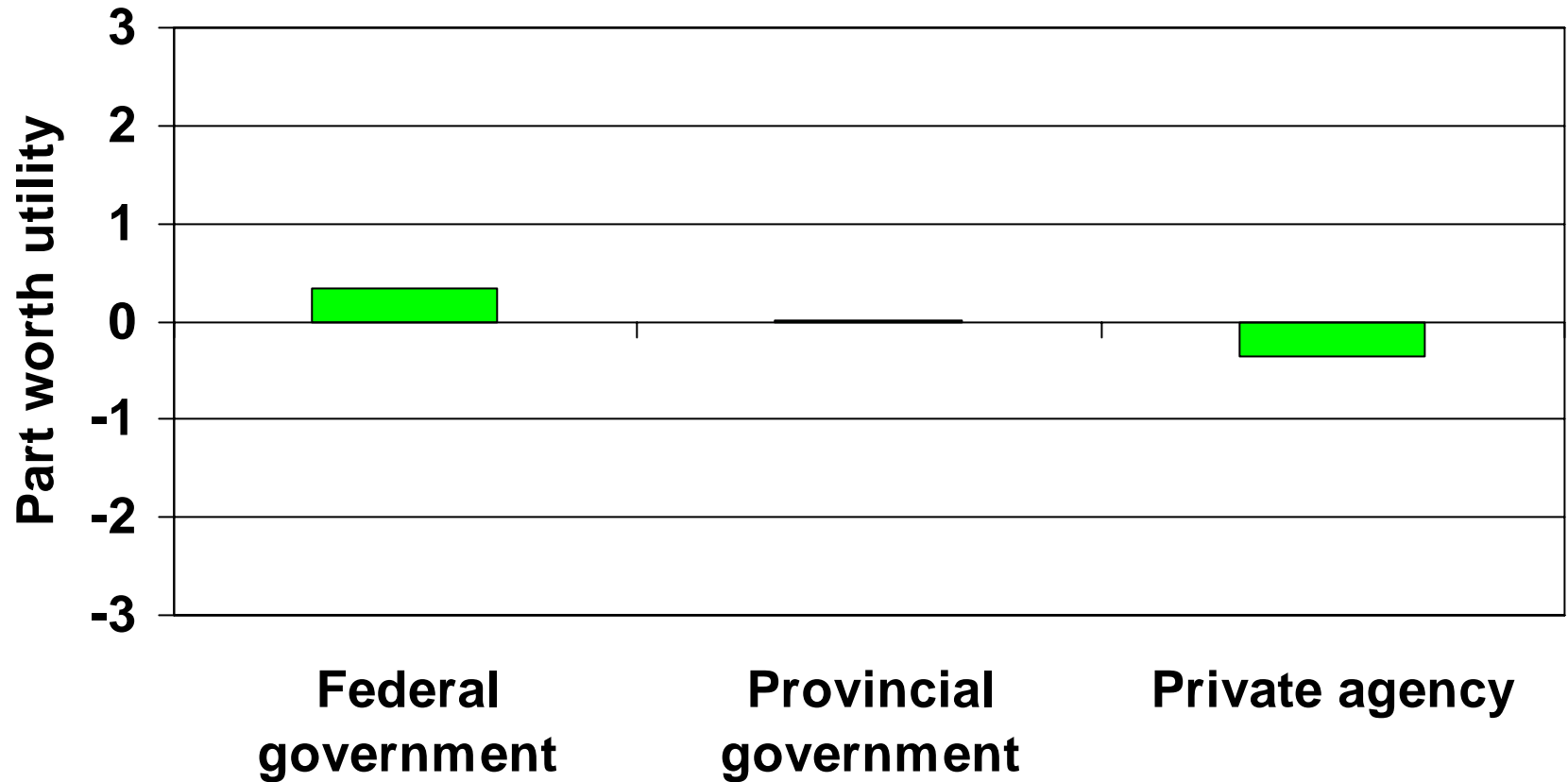
Ontario produced apple had higher preference rank



Preference for government agency to set the standard...



...and for federal government to monitor!

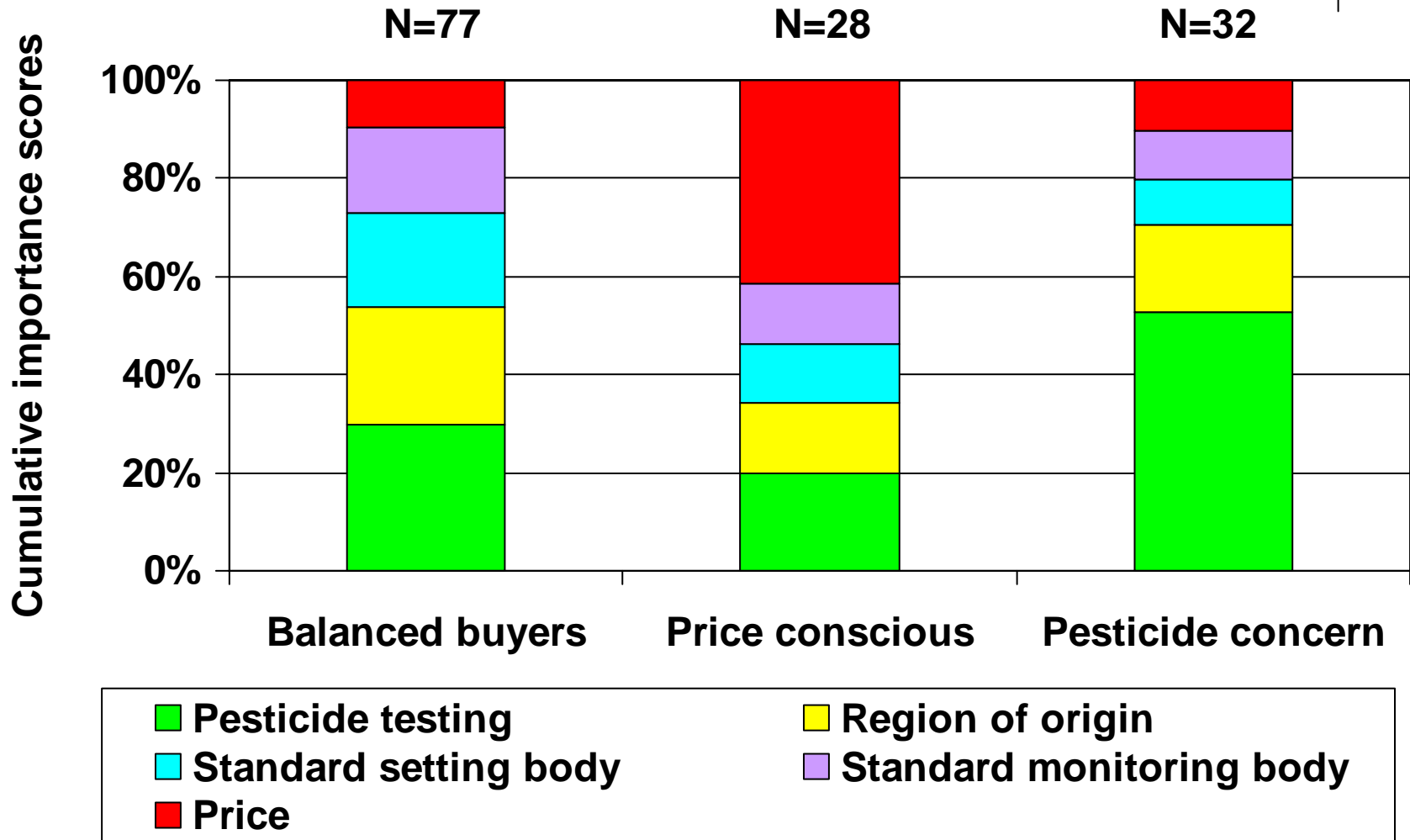




Conjoint Results, cont

- Price had a significant and negative effect on preference rankings (estimate= -1.67 [t=6.4])
 - Higher the product's price, the lower the product's preference rank (all other things equal)
- Product with highest preference ranking:
 - Regular pesticide testing
 - Grown in Ontario
 - Federal government sets & monitors the standard
 - Priced at \$1.69/lbs

Pesticide, region of origin & price define the segments



Multinomial logit model to explain segment membership



- **Balanced buyers:**
 - Organic purchaser (+)
 - HHLD income between \$25 and \$50 k (+)
- **Price conscious:**
 - 45 yrs & older (+)
 - Number of children in HHLD (-)
 - HHLD size (+)
 - HHLD income < \$25 (-)
- **Pesticide concern:**
 - 18-24 yrs (+)
 - HHLD size (+)
 - HHLD income < \$25 (-)
- **What's not significant?**
 - Gender
 - Education
 - Higher income



Proposed standard

- CFIA assumes oversight of CAN/CGSB 32.310
- Option 1: Status quo
- Option 2: federal regulations on accreditation and certification; delivered by third party
- Option 3: federal regulations on accreditation and certification; delivered by a federal agency
- Weak consumer preference for standard setting and monitoring body compared to testing and region of origin



Take home messages

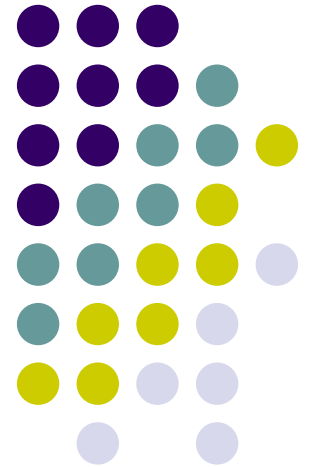
- Consumers not terribly interested in standard setting and monitoring bodies

- Strong consumer preference for a product standard – regular pesticide testing
- **Private standards**
● Strong preference for Ontario grown apple – local matters

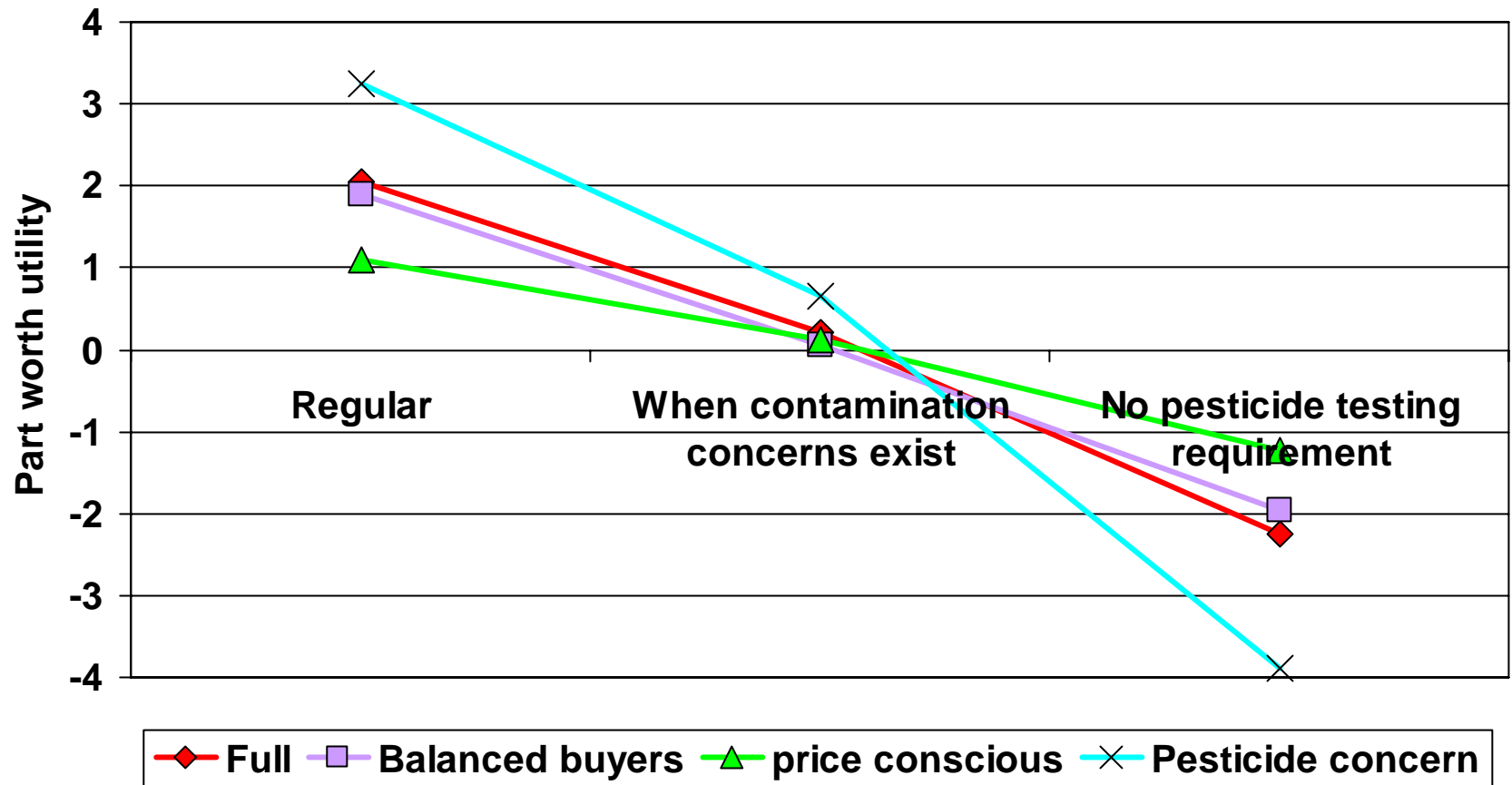
We gratefully acknowledge the financial
support of: OMAFRA
Consumer and Market Demand APRN
Advanced Foods & Materials Network
Michigan State University

Thank you

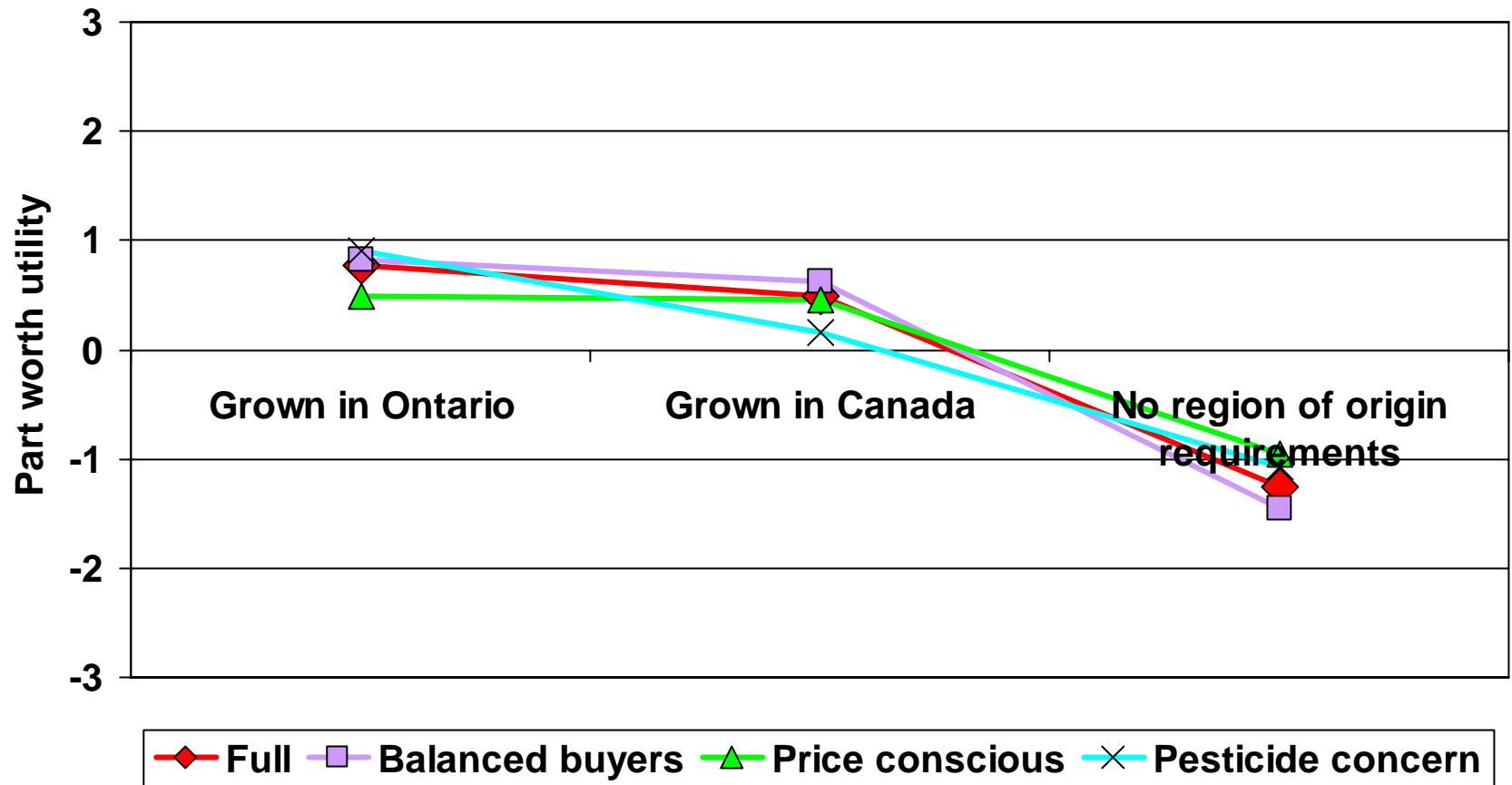
Questions?



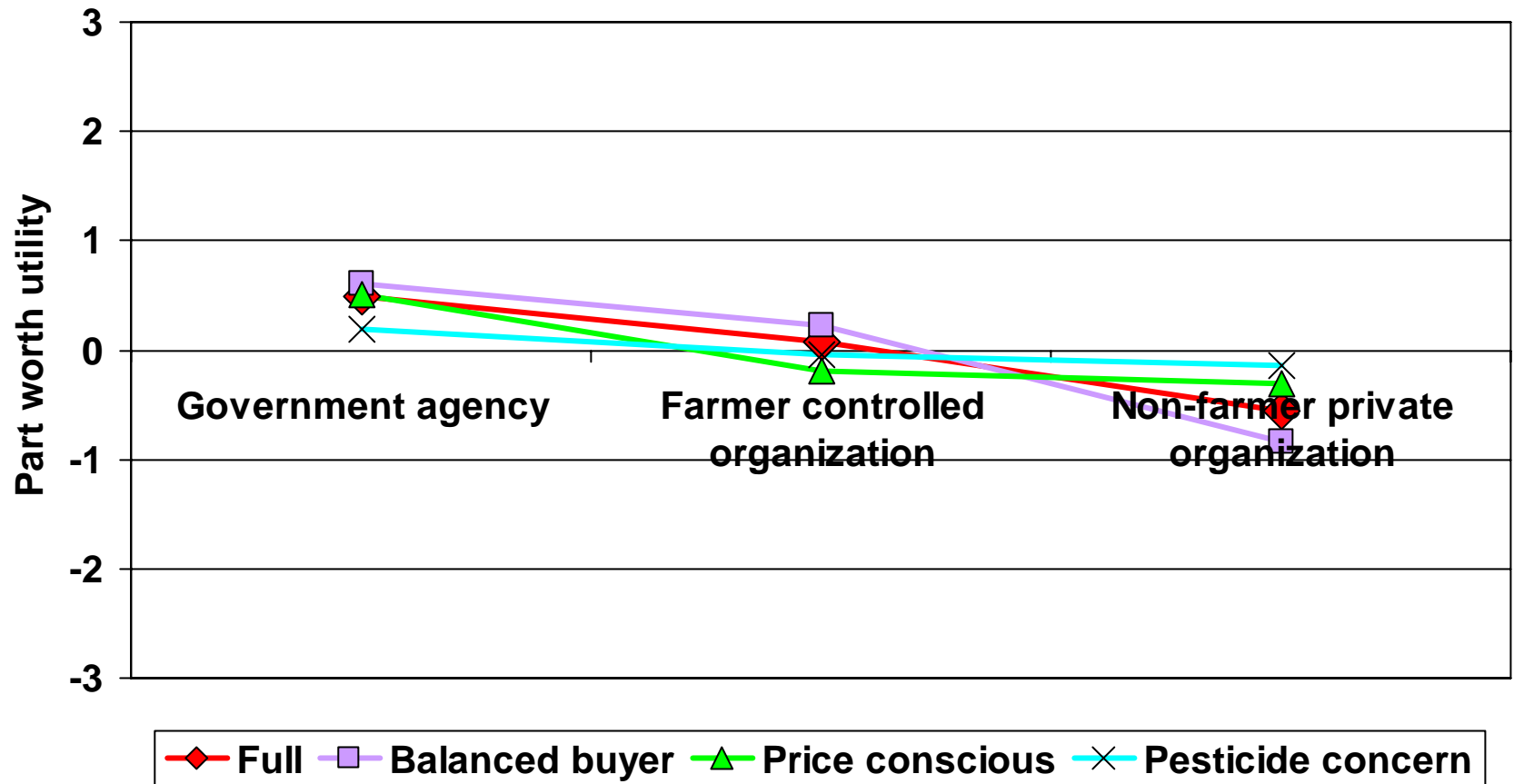
Disaggregate pesticide testing



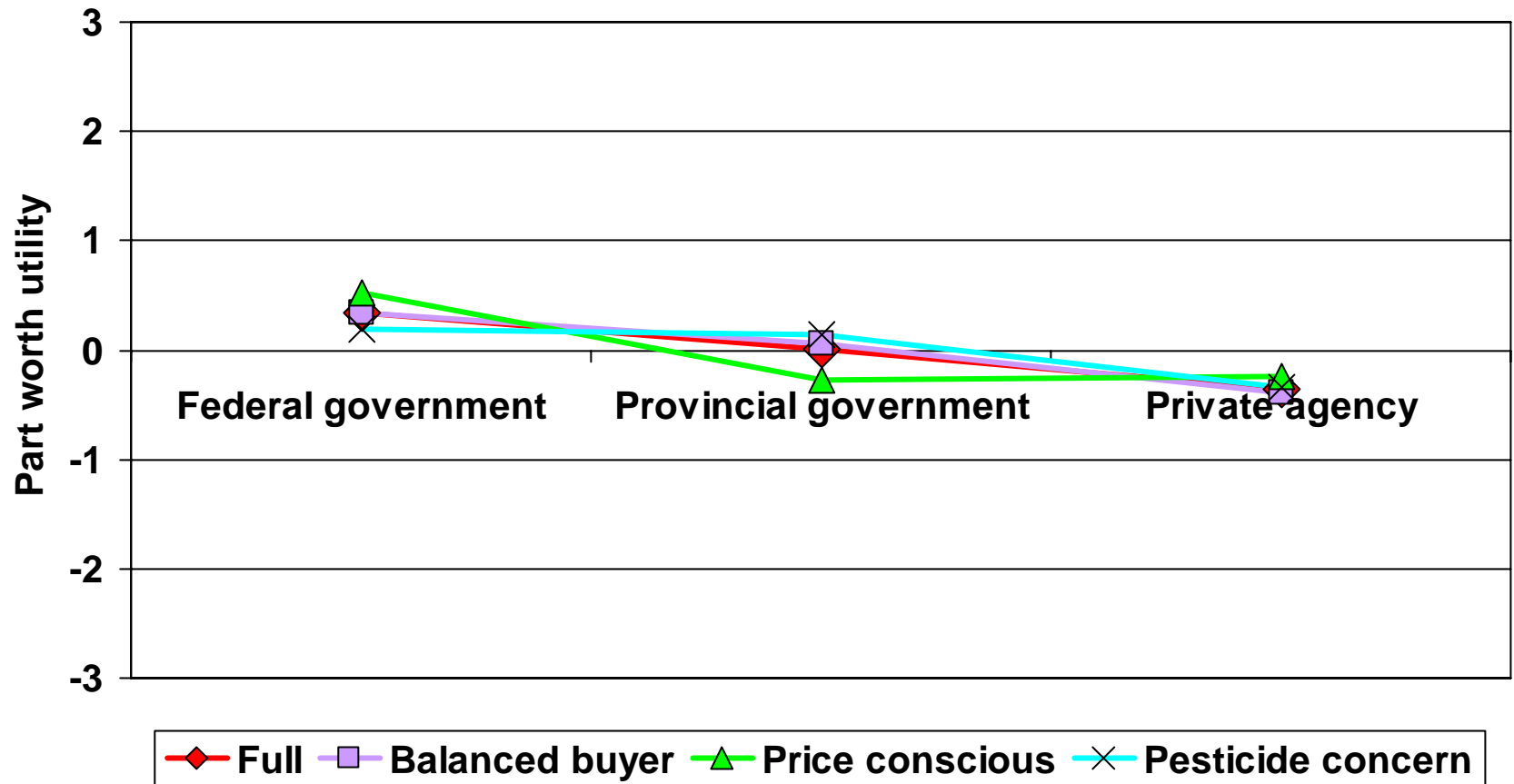
Disaggregate region of origin



Disaggregate standard setting agency



Disaggregate standard monitoring agency



Disaggregate price coefficients

