



# Cooperative Program in Agricultural Marketing and Business

Department of Rural Economy  
University of Alberta



## 'What do consumers really want?'

### June 1, 2005

**8:00 – 8:30 am Registration**

**8:30 am Welcome and Symposium Overview**

**8:45-9:20 am Canadian Agricultural Policies and Their Impact on Food Choices: Examples from the Meat Sector,**



*Professor Ellen Goddard, University of Alberta,*

Prior to her appointment as Cooperative Chair in Agricultural Marketing and Business, University of Alberta, Ellen Goddard was Professor of Agribusiness at the Institute of Land and Food Resources at the University of Melbourne. In her position at the University of Melbourne she was also Associate Dean, Coursework and worked on implementing a new agriculture, horticulture and forestry curriculum for the state of Victoria. Prior to that Australian appointment Ellen Goddard worked in the Department of Agricultural Economics at the University of Guelph for fourteen years. Over the past 18 years Professor Goddard has been undertaking economic modeling of domestic and international commodity sectors. Professor Goddard has worked extensively on the economics of advertising and promotion of food products and agricultural commodities and has worked very closely with agricultural industry groups on modeling the effectiveness of promotion and setting marketing and promotion policy. Much of her work has concerned various aspects of supply management for Canadian dairy and poultry industries. Current research includes various aspects of management of co-operatives and market concentration issues.

A major influence on dietary choices is the availability of foods within a particular country or region. The foods available are affected by a variety of government policies. These policies are often created as parts of social agendas that may have little to do with health and nutrition. In any industrialized country dietary choices can be directly affected by agricultural policies. Most countries fail to consider health, dietary, and nutrition outcomes in the design and implementation of agricultural policies such as those aimed at increasing and stabilizing farm incomes.

The meat sector in Canada has been affected by policies such as supply management, trade policies, for example, import quotas in the beef sector, stabilization programs, agricultural research programs, grading and standards established by government agencies to name only a few programs. The implications of these policies for nutrient intake will be established using a two stage demand model for Canadian meats.

**9:20-9:55 am Fat Taxes and Thin Subsidies,**



*Professor Sean Cash, University of Alberta*

Sean Cash came to Alberta in July of 2003 to join the faculty of the Department of Rural Economy at the University of Alberta as an assistant professor. His research focuses on how food and nutrition policies affect both producers and consumers. Current and recent projects in this area include the nutritional impacts of pesticide policies; the relationship between food security and obesity; the role of agricultural policies on nutrition; how consumers value social aspects of food relative to other attributes; and how health information impacts consumers' demand for food. He also conducts research in the areas of environmental regulation and resource conservation, and teaches in the agriculture and environmental conservation programs at the University of Alberta. He serves on the executive committees of the Canadian Agricultural Economics Society, the Alberta Agricultural Economics Association and of Growing Food Security Alberta.

"Fat Taxes" have been proposed as a way of addressing food-related health concerns. In this paper, we investigate the possible effects of "thin subsidies," consumption subsidies for healthier foods. Empirical simulations, based on data from the *Continuing Study of Food Intake by Individuals*, are used to calculate the potential health benefits of subsidies on certain classes of fruits and vegetables. Estimates of the cost per statistical life saved through such subsidies compare favourably with existing government programs.

9:55-10:25 am Coffee

**10:25-11:00 am Novel Functional Foods: Trans Fat Free Nexera Canola and Health Care Costs,**



*Professor Jill Hobbs, University of Saskatchewan*

Dr. Jill E. Hobbs is an Associate Professor in the Department of Agricultural Economics at the University of Saskatchewan. She teaches and undertakes research in the general areas of agri-food marketing, supply chain economics and consumer issues. Her current research interests include the economics of traceability, food safety and quality assurance in agri-food supply chains, and consumer attitudes toward new food quality attributes, including health, origin, on-farm production methods and biotechnology. Dr. Hobbs grew up on a dairy farm in the UK and moved to Canada in 1995. She holds a PhD from the University of Aberdeen in Scotland.

A growing awareness of the link between diet and health is creating new opportunities for the food industry and new challenges for regulators. Recent scientific evidence has shown that trans fats are particularly harmful. Trans fats occur naturally in a variety of foods, but are also created through hydrogenation of vegetable oils. Nexera canola produces a virtually trans fat free canola oil, Nateron, that is stable without hydrogenation. Using the example of Nexera canola, the potential health care cost savings for Canada of consumers switching consumption to a trans fat free vegetable oil are estimated. The estimates are based on a detailed review of the scientific literature with respect to the effect of trans fats on coronary heart disease risk. The results suggest that, even using conservative assumptions, the potential savings in health care costs are non-trivial. A range of policy implications is apparent: from labelling, a trans fat tax, a ban on trans fats, and support for R&D into food products with positive health benefits.

**11:00-11:35 am Consumer Response to Functional Attributes: The Moderating Effects of Nutritional Knowledge and Motivation,**



*Professor Randy Westgren, University of Illinois*

Randy Westgren is Professor of Agribusiness Management at the University of Illinois. He teaches courses in Strategic Management in Agri-Food and in the Principles of Management. He also teaches strategic planning and marketing strategy to agri-food executives in his outreach and continuing education programmes.

His research program centers on joint strategies for producer organizations and supply chains to improve their competitiveness. His recent projects include an analysis of membership commitment to agricultural cooperatives in the US, EU, and Canada; and the modeling of entrepreneurial behaviour within supply chains. For the past three years, he has led a research programme on consumer and producer attitudes towards risks in biotechnology adoption in agriculture and the development of supply chain strategies to mitigate those risks. This project has led to additional work on supply chains to deliver quality attributes. He is part of a new research initiative on consumer behaviour in the management of obesity.

There are several variables which mediate or moderate the consumption of functional foods. We examine two of these: the different consumption behaviors of taste-motivated and health-motivated consumer segments; and whether the consumer has knowledge of the existence of the functional attributes, of the benefits of the attributes, or both. A sample of North American households was surveyed about their attitudes toward, and consumption behaviors of, soy products; and their knowledge of the functional attributes of soy foods and the benefits derived from them. Results suggest that taste-motivated consumers may be a more fruitful target for the promotion of soy foods than the health-motivated segment. Consumers who had both attribute knowledge and knowledge of health benefits did not have different attitudes towards soy, but they did have stronger purchase intentions. Implications for marketing are drawn from these results.

**11:35-12:10 pm Using Scanner Data for Better-Informed Pricing Strategies,**



*Professor Leigh Maynard, University of Kentucky*

Leigh Maynard is an associate professor of ag marketing at the University of Kentucky. Recent research includes developing more accurate ways to estimate willingness-to-pay for new food products, performing demand analyses of dairy product scanner data, evaluating an employee incentive program to reduce health care costs, and evaluating programs promoting healthy food choices in middle schools. This is Leigh's second trip to Alberta this year; in March he spoke about consumer willingness-to-pay for nutraceutical dairy products at the Western Canadian Dairy Seminar in Red Deer.

Aggregate data is often used to estimate the demand for agricultural commodities. The resulting elasticities are then used for agricultural policy formulation. This presentation examines the improved information obtained by using actual retail scanner data as opposed to published aggregate data. Brand level data can provide meaningful information on attributes consumers are willing to pay for.

**12:10-1:30 pm Lunch and short research poster presentations – The Faculty Club**

**1:30-2:05 pm Consumers Attitudes, Willingness to Pay and Revealed Preference for Different Egg Production Attributes: A Case Study of the Canadian Egg Industry,**



Professor Ellen Goddard, University of Alberta

In recent years there has been a significant industry led/consumer oriented drive to put innovative value-added products on retail shelves. Value-added products provide consumers with a wider range of food products that address concerns of food safety, nutrition, and quality. At the forefront of this value-added advancement is the Canadian poultry industry. A growing selection of consumer oriented value-added egg products (i.e. Omega-3 enhanced, organic, vitamin enhanced, vegetarian, free run/free range, and processed) have appeared. It must however, be recognized that with large product differentiation, there may come consumer confusion. Which consumers are willing to pay for which product/production attributes of eggs are examined using historical household purchase data from Ontario and Alberta.

**2:05-2:40 pm Marketing Opportunities for Certified Pork Chops: All Pork is Good but Certified Pork Cuts are Better,**



Professor Tomas Nilsson University of Alberta

Tomas will join the Department of Rural Economy this summer and expects to do research and teaching in the areas of industrial organization and agribusiness. In particular, his research interests are in the areas of food safety, certification and market structure in the food supply chain.

Tomas holds a MS in agriculture from the Swedish University of Agricultural Sciences, Uppsala and is currently completing his PhD in Agricultural Economics at Purdue University, Indiana. His dissertation analyzes the welfare effects of voluntary certification in the U.S. pork industry.

The objective of the paper is to characterize the demand and the potential marketability of process certification programs for fresh pork cuts in the U.S. The novelty of the paper is that it draws on studies of both the supply and demand for credence certification programs. This is one of the first national studies of U.S. household's preferences for credence certification programs, such as the environment, animal welfare and antibiotic residues. The household's willingness to pay is compared to the marginal costs of certification using firm impact studies.

**2:40-3:15 pm Traceability and Quality Verification in the Canadian Food Chain,**



Professor Jill Hobbs, University of Saskatchewan

Traceability has become a hot button topic recent years, with industry initiatives to introduce livestock traceability systems, discussion of traceability in the grains sector, and inclusion of a traceability target for the domestic food supply in the Federal-Provincial government Agricultural Policy Framework. But what does 'traceability' really mean? Traceability is often linked to animal health and food safety. It has also been linked to a broader notion of quality verification. What do consumers really want? Will Canadian consumers pay more for food that is guaranteed to be traceable? Why? This paper examines the functions of a traceability system, including traceback, liability and quality verification. The results of a consumer research experiment to evaluate consumer willingness to pay for traceability per se in meat products, a food safety assurance and an on-farm production method assurance are reported.

**3:15- 3:30 pm Wrap-up, Ellen Goddard, Cooperative Chair in Agricultural Marketing and Business, University of Alberta**

**3:30-4:00 pm Coffee**