



# Consumer preferences regarding country of origin for multiple meat products



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## ABSTRACT

Despite the growing use of country of origin (CoO) information and labels on food, the extent to which consumers really value this information is unclear. In an effort to understand this issue we present results of a hypothetical discrete choice experiment examining consumer willingness-to-pay for CoO information about meat and meat products. Our results reveal that CoO information is positively valued for all the food products we consider. However, it is relatively less important compared to other food attributes for a large number of products such as bacon, pizza and ready meals. Our results suggest that consumers do not value very highly CoO information for many of the food products examined. Therefore, if the associated costs of mandatory CoO implementation are sufficiently high this raises questions about the inclusion of this information on food labels.

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## 1. Introduction

There is growing interest in the use and development of, country of origin (CoO) information and labels for food in many countries. The reasons for this growth are varied, but are frequently justified by policy makers as a means to correct market failures resulting from asymmetric information especially with regard to meat quality, safety and authenticity. Within the EU mandatory CoO has applied to beef, fruit and vegetables, olive oil, wine, eggs, imported poultry, honey and hops since the 1990/2000s. Japan introduced CoO labels for meat and various other food products in 1997 and the 2002 US Farm Bill introduced CoO labels for multiple unprocessed foods including beef, pork, lamb and various others sold through multiple retailers' grocery stores that took effect in 2009. In July 2016 the Australian Federal government introduced a new system of CoO labels that maintains mandatory labels for most food sold whilst also including a kangaroo symbol plus a graphical indication of the percentage of Australian ingredients by product weight.<sup>1</sup>

Another example of this increasing consideration and use of CoO information has occurred within the EU in relation to fresh, chilled and frozen meat from pig, poultry, sheep and goat meat. Specifically, Regulation (EU) No. 1169/2011 requires mandatory indication of country of origin or place of provenance for unprocessed meat of pigs, poultry, sheep and goats with effect from April, 2015 (via Commission Implementing Regulation (EU) No. 1337/2013). Regulation (EU) No. 1169/2011 also required the Commission to investigate whether mandatory CoO labels should be extended to, inter alia, processed meat products such as bacon and sausages as well as products that contain meat products e.g., pepperoni pizza, lasagne, etc. The extension of mandatory CoO labels to this new group of meat products raises several interesting research questions.

First, the proposed extension of mandatory CoO labels to many more products can in principle be supported if existing estimates of the value placed on CoO information by consumers are assumed (Umberger, 2010). However, there is no reason to assume that consumer values of CoO with regard to beef steak apply to products such as pepperoni pizza or streaky bacon. Thus, not only do we need to be sure that consumers' value CoO, but we need to know that what value they place on CoO for a wide range of products. If it transpires that the absolute values attached to CoO information vary significantly by product type this raises questions regarding the economic case for extending mandatory CoO labels based

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<sup>1</sup> Details are provided on the Australian Federal government website: <http://www.foodlabels.industry.gov.au/>.

on evidence from a small set of products. In addition, there is no reason to assume that the relative value of CoO with regard to other product attributes is the same for all products. It is highly unlikely that we can assume that consumers value CoO to the same extent for all products, simply because it has been found that consumers value it for a specific product that have previously been examined extensively in the literature.

Second, within the literature there is an important distinction made between mandatory versus voluntary CoO labels (Roe et al., 2014). Mandatory labelling is usually (but not exclusively) intended to correct market inefficiencies where there is asymmetric information (concerning for example, food safety or production standards) whereas voluntary labels tend to be used to provide quality differentiation by food manufacturers and producers for credence attributes. There are, however, serious questions being raised about the need to extend the coverage of mandatory CoO labels to ever more food products. Within the EU mandatory CoO labels were introduced in 1997 for beef because of concerns over BSE and are assumed to be used by consumers to infer product quality (Verbeke and Roosen, 2009). However, evidence in support of mandatory CoO labels for one product does not provide support for their extension to all related or similar products. The extended use of CoO labels with pig, poultry, sheep and goat meat is derived from an apparent increased consumer expectation for such information. But, if this is the case then this rationale bears more similarity to that supporting voluntary labelling than it does to mandatory labelling. Thus, in the context of recent EU legislation, should mandatory CoO labels be extended to this more diverse group of meat food products? The difficulty in answering this question definitively partly stems from the fact that CoO information is a form of extrinsic information about product quality (Caswell and Anders, 2011). In principle a CoO label should help a consumer “infer” or at least form an expectation about quality. However, there is also a point at which a CoO label can become of greater value, when it is actively sought by consumers because it takes on the form of being a search cue. That is, a consumer sees the label and this indicates within a food search activity the increased likelihood of a (perceived) quality product.

In this paper, we examine UK consumer preferences for CoO information for meat and meat products. In assessing consumer preferences, we focus on a choice situation in which all products have a CoO label. Thus, we are not specifically concerned with the choice between a product with and without a CoO label, which has been examined by Klain et al. (2014). This is because the legislative environment in the UK (EU more generally) is such that a CoO label is for a number of meat products now mandatory and for many others there is the widespread adoption of voluntary labels by retailers. Therefore, the key question is no longer the choice between a label or not, but rather the format and whether or not the label is voluntary or mandatory.<sup>2</sup>

In keeping with much of the earlier research, we examine consumer preferences for CoO information using stated preference methods. Specifically, we have designed and implemented 12 discrete choice experiments (DCE) to assess consumer preferences for CoO information provided on a food label for a range of meat types and products. The reason for simultaneously implementing 12 DCE is that we need to have sufficient coverage of meat types and products so that we could detect any differences in preferences by type of meat as well as type of product. Furthermore, research on consumer attitudes with regard to CoO information finds that origin can be important but that this varies with the set of attributes considered, the products considered and the specific consumer segments asked (Greibitus et al., 2012). We also note that Tonsor

et al. (2013) have identified the need to conduct research that considers a wide set of products so that researchers can assess if the relative value of CoO information varies systematically across various types of meat and product.

When considering CoO it is important to be clear on the definition of “country of origin”. This is relatively self-explanatory for unprocessed meat,<sup>3</sup> which is the only form of meat product for which mandatory CoO labels are in operation within the EU. However, CoO information needs to be defined more specifically when referring to lightly processed and composite products. In these cases the term can refer to:

- (i) the meat (country of birth, rearing and slaughter); or
- (ii) the product produced, in which case origin is considered to be the place of last substantial transformation.<sup>4</sup>

So, for example, bacon cured in the UK from Danish pigmeat could be labelled as Danish under the first approach and UK under the second. Any research on CoO for processed or composite products needs to be aware of these definitions if the research is to be credible.

This research makes several contributions to the literature. First, we have generated a large number of relative and absolute willingness-to-pay (WTP) estimates for CoO for several meat products considered, with some that have not been considered before in the literature. The importance of these estimates is that they allow us to examine the relative importance attached to CoO compared to other food label attributes. Importantly, for all our DCE, we specifically focus on the relative value of CoO given the other products attributes used, because we are employing hypothetical DCE which are more likely to yield inflated point estimates of WTP compared to non-hypothetical DCE. As we explain, our results are revealing with regard to the way in which the relative importance of CoO varies. Second, our examination of CoO has focused on the way in which CoO is included within our DCE design. Specifically, we presented the CoO attribute using both text and graphics. We have also been careful in the selection of countries that products are attributed to as this may have a bearing on how important CoO might be. Finally, our results have potentially important policy implications going forward because of the coverage of the products we consider and the variation we observe in relative value attached to CoO. Indeed, our results raise questions about the blanket introduction of mandatory CoO labels when there would appear to be significant variation in consumer preferences by meat and product type.

## 2. The economics of CoO

The literature on CoO is large, although the point at which specific consideration of CoO begins and ends within the literature is far from clear. This can be traced to the fact that CoO is part of a much wider literature on food labels. Also, what is sometimes considered as research on CoO is in fact research with minimal emphasis on CoO, a point made by Deselnicu et al. (2013) in a meta-analysis of label research. In their meta-analysis they do not consider CoO because they argue that CoO does not provide a sufficiently strong link between a geographic name, a specific production activity or agronomic conditions. Given this distinction,

<sup>3</sup> See Article 5 of Commission Implementing Regulation (EU) No 1337/2013 for various caveats and exceptions.

<sup>4</sup> This is defined in Article 24 of Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code as the “last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture”.

<sup>2</sup> Tonsor et al. (2013) discuss this specific issue in detail.

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