



LEOPOLD CENTER
FOR SUSTAINABLE AGRICULTURE

Consumer perceptions of place-based foods, food chain profit distribution, and family farms

Abstract: Consumers were asked for their views on a variety of alternative marketing scenarios for food products; the scenario responses offer guidance for producers seeking new ways to position their products.

Question & Answer

Q: What value, if any, do consumers place on food produced by locally owned and operated companies that share the majority of their economic benefits with the rural communities and local farmers that grow the product?

A: These survey results suggest that consumers are willing to pay more for products from such local companies.

Background

Modern food markets are dominated by large producers who are able to capitalize on economies of scale. This places small and midsize agricultural producers at a significant competitive disadvantage. However, an alternate marketing strategy that may help smaller operators is to differentiate their products based on where they are grown and how much value is captured by the farmer.

One factor examined in this study is whether consumers have different perceptions of place-based foods from regional producers than of foods from conventional operations. (Place-based foods have unique taste and quality characteristics that are influenced by the ecology, culture, and traditions of a specific geographic region.) Specifically, this study seeks to determine how much value consumers ascribe to place-based fruits and

vegetables and whether they are willing to pay price premiums for these items.

A secondary study objective is to examine two potential factors that might alter consumers' willingness to pay. The first is whether consumers will cognitively adhere to the initial product price they see in the grocery store, and use that price to adjust (or fail to adjust) their decision making in evaluating similar products.

Another study factor is the involvement level of the decision. This relates to the level of importance the purchase decision has in the consumer's world. The question is posed: Would the importance, or consumer involvement, of purchasing a particular food group alter consumer decision strategies and "willingness to pay" perceptions for the local, place-based product? Other questions in the study assessed consumer perceptions about food value chain profit distribution and family farms.

Approach and methods

The survey was distributed via e-mail through a third-party company to a randomly selected sample population of consumers in the United States. The initial sample of 3,500 consumers yielded a final sample of 851 partially or fully completed surveys. The last step in the process allowed for review of individual responses for each question.

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Budget:

\$4,486 for one year

Results and discussion

Survey respondents were asked questions related to selecting fresh produce from Company A or Company B under various levels of involvement and order of presentation. The vast majority (84-89 percent) chose produce from the locally owned and operated company, regardless of when they saw the produce and the involvement level of the decision. In open-ended inquiries, respondents talked about why they chose that particular company's produce. Some of the reasons were: beneficial to farmers, beneficial to community, fresher food, better price or bargain, first item seen, company provided everything needed, and quality.

Thirty-seven percent of the consumers surveyed would pay more than the \$2.00 base price for Company A's produce (i.e., large, out-of-state conglomerate), while 56 percent would pay more for Company B's produce (local company). Nearly 62 percent of consumers said they would pay the base price or less for Company A's produce, while 40 percent of consumers would pay the base price or less for Company B's produce. In addition, further analysis showed that respondents were more likely to believe that Company B's produce should be priced higher than Company A's.

A series of questions was included to gain more insights about consumer views on sustainable and local agricultural issues. Respondents clearly preferred to buy meat or produce items that generated the most significant economic benefit for the farmers and local investors in their state. Knowing who would receive the highest economic benefit was considered preferable to knowing that outside investors would profit most. More than two-thirds of the group preferred to see farmers receive a higher percentage of profits than other partners in the food chain.

Regarding place-based foods, one-third of the respondents believed it is likely that natural resource character-

istics of a particular region influence the taste and quality of foods such as meat, produce, and dairy. More than 56 percent of respondents were willing to pay more for place-based foods grown in their states, while only 33 percent of respondents were willing to pay more for place-based foods if those items were grown outside of their state.

Conclusions

The study yielded these conclusions:

- Respondents are more likely to choose a local food product that offers clear economic benefits to the farmers who grew the product and the community that supported the farmer, rather than a good product that does not deliver significant economic benefits to the local economy.
- A majority of respondents would like to see farmers receive a higher share of the profits for retail food products relative to other partners in the food chain (processors, distributors, and retailers).
- A majority of respondents believed it to be at least somewhat likely that the taste and quality of meat, produce and dairy products are influenced by the natural resource characteristics of the region where the products were grown.
- Respondents were more likely to pay amounts above the conventional price for place-based food products grown in their state than for those place-based food products grown outside their state.
- Respondents were most likely to view family farms as those where family members provided labor and made management decisions, farms whose revenue was a primary source of income, and farms that used conservation practices.

Leveraged funds

No additional funds were leveraged.

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