Consumer preferences and WTP for food attributes in the UK, China and India

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Introduction to the AERU

- Founded in 1962 by Professor Philpott
- Required Cabinet approval!!
- Originally part of Commerce at Lincoln, but made a separate unit in 2009
- Currently 10 full-time and 5 part-time staff plus several postgraduate staff and students
- Housed on the campus in the Lodge
AERU - Statement of Intent

• AERU Mission: To exercise leadership in research for sustainable well-being.

• Vision: The AERU is a cheerful and vibrant workplace where senior and emerging researchers are working together to produce and deliver new knowledge that promotes sustainable well-being.
Examples of Recent AERU Research

• High Tech, Med Tech, BioTech studies
• International Market Watch
• Lincoln Trade and Environment Model
• Canterbury Regional Economic Development
• Carbon Calculator
• Sustainable Development Indicators
• Training and Skills Development
• Discrete Choice Modelling
NZ: A Biological Economy

• Large part of our economic activity is related to land (1/3 GDP exports, 70% from land)
• Great achievements in productivity (ag 3% per annum compared to 1% ROE)
• Target increase exports by $10Bill (to 40% of GDP)
• This will not just be from more output
Issues and Economic sustainability in NZ

• NZ built upon preferential access into the UK (then EU) for food …. and now China
• Culture of taking orders?
• BGA wants double exports from agriculture. This will not be from more output!
• And needs to consider social and environmental factors
So for NZ

• To access high value markets need to assess attributes of product

• This includes being aware of market requirements and watching policy developments which reinforce these

• Market assurance schemes becoming more and more important and can lead to win win situation for NZ with greater social and environmental outcomes
Research questions

• What do markets want and what are they willing to pay for this?
• How can this be translated to farmers and a value chain established to allow this to happen
• How can this then be used to empower others?? Overseas and in NZ
Credence Attributes

• These are those that are not discernible by looking or consuming product
• They require respectable market assurance schemes or auditing to have credibility
• Retailers vie amongst themselves how they position themselves according to these attributes
• E.g. Food Miles to Tesco and carbon footprinting
Credence Attributes

- Sustainability
- Ethical food – fair trade, organic!
- Carbon and water footprint
- Nutritional content – additives
- Local and seasonal consumption
- Biodiversity and wildlife
- Water quality and quantity
- Animal welfare
Market Schemes

- Leaf Marque: UK, Germany, France, Italy, Sweden and Luxembourg
- Nature’s Choice: Tesco
- Eco Plan A: Marks and Spencer
- Good Steward Chain: Walmart
- Assured Food Standard: Red Tractor Label
- GLOBAL G.A.P. – 100,000 producers, 100 countries
GLOBALG.A.P.

The Global Partnership for Safe & Sustainable Agriculture

• G.A.P. stands for Good Agricultural Practice and GLOBALG.A.P. is the worldwide standard that assures it.

• “We’re a global organization with a crucial objective: safe, sustainable agriculture worldwide. We set voluntary standards for the certification of agricultural products around the globe—and more and more producers, suppliers and buyers are harmonizing their certification standards to match.”
GLOBALG.A.P. Certification covers:

- Food safety and traceability
- Environment (including biodiversity)
- Workers’ health, safety and welfare
- Animal welfare
- Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP)

www.globalgap.org
GLOBALG.A.P. CERTIFICATION WORLDWIDE

23 standards and programs, 132,547 producers under certification in more than 110 countries, 42 National Technical Working Groups, 35 accreditation bodies, 138 certification bodies, 900 inspectors, 690 auditors

Updated January 2014
NZ Exports to China, 1982-2011

NZ-China Free Trade Agreement (October 2008)
Composition of Exports to China, 2011

- Dairy: 37%
- Wood: 20%
- Wool: 7%
- Fish: 5%
- Meat: 4%
- Woodpulp: 3%
- Raw Hides: 3%
- Other: 21%
Growth of Exports to China, 2008-2011

- Dairy
- Wood
- Wool
- Fish
- Meat
- Woodpulp
- Raw Hides
- Other
Emerging markets

• Considerable growth especially for livestock products (but much met by their own increase in production)
• One billion middle class in Asia, Latin America and central and eastern Europe
• Main change from small retailers to supermarkets and global procurement
• Eg China from no supermarkets in 1990 to 60,000
• Growth from western chains (Tesco Walmart) and these likely to require same standards of procurement for their other markets
Importance of attributes of New Zealand food products

- UK
- India
- China

- Freshness
- Taste
- Quality
- Price
- Brand

- Don't Know
- Not Important At All
- Somewhat Important
- Neither Important Nor Unimportant
- Somewhat Important
- Very Important
Importance of sustainability attributes of New Zealand food products

Chart showing the importance of various sustainability attributes by country:
- Certified Food Safety
- Country of Origin
- Recyclable
- Certified Animal Welfare
- Certified Environ. Quality

Countries:
- UK
- India
- China

Importance levels:
- Don't Know
- Not Important At All
- Somewhat Important
- Neither Important Nor Unimportant
- Very Important
Importance of sustainability attributes of New Zealand food products II

Don't Know
Not Important At All
Somewhat Important
Neither Important Nor Unimportant
Somewhat Important
Very Important

UK | India | China | UK | India | China | UK | India | China | UK | India | China
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---
Traceability | Organic | GM-Free | Fair Trade

Lincoln University
AERU | Agribusiness and Economics Research Unit
Definitions – asked for bad & good

• **Animal welfare** – generally good quality of life and absence of cruelty (UK also free range).

• **Food safety** – UK referred to hygiene; India quality production and processing also safe to consume and organic; Chinese good regulations and organic.

• **Environment sustainability** – generally low pollution also hygienic (esp. China); India low pesticide use.

• **In general**, respondents knew of the terms.
WTP of attribute as % of product price in China, India and the UK

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<th>China</th>
<th>India</th>
<th>UK</th>
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<tbody>
<tr>
<td></td>
<td>Dairy</td>
<td>Lamb</td>
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<td>74%</td>
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<td>Biodiversity</td>
<td>22%</td>
<td>15%</td>
<td>27%</td>
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<tr>
<td>Foreign Origin</td>
<td>26%</td>
<td>10%</td>
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<tr>
<td>NZ Origin</td>
<td>49%</td>
<td>24%</td>
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Notes: WTP derived using Krinsky and Robb method.
How to add value

• Better positioning of products in overseas markets
• Value added processing
• Niche and/or specialist marketing of products
Enhanced value added – existing products

• But... to access high value markets need to assess attributes of product
• This includes being aware of consumer, retailer and market requirements as well as policy
• Assurance schemes can lead to win win situation for NZ
• Attributes include carbon; local food and seasonal consumption; ethical food; biodiversity and wildlife; Water quality and quantity; Animal Welfare...
Enhanced value added

• Respect for market and attributes of product
• Empowered supply chain
• Benefits/information flow down chain
• Integrated value chain
• Differentiated market strategy - branding
• Boards with commercial experience
Niche marketing – strategy depends on scale

- Marketing product through novel approaches; eg: web based selling
- Box schemes and farmers markets
- Specialist chains to (eg:) restaurants
- Slow food movement
- Direct marketing
New Products/ food processing

• Market requirements
• Growth in functional foods
• Access to market.. Getting on the shelf
• Orphan products developed without market appreciation
• Governance structures
Export issues

• In development of products have to export early in product life cycle to obtain scale
• Sufficient knowledge of need for funds and access to capital for marketing
• Regulatory access eg FDA
• Information flows up and down supply chain
• In country capability
AERU – what are we doing?

- MBIE funded project to dig deeper re attributes and how measured in markets (China, India, Singapore, Indonesia and the UK)
- Use of ‘smart technologies’ to get the message into market
- How to relay the message to the different markets
- Evaluate the different threats and opportunities in markets and market access
- Value chain analysis to ensure benefits and information flows up and down the chain