

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

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Presentation to the CDC Food Exporters Breakfast meeting,
Christchurch, 3 April 2014



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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



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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.



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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



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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



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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



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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



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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



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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



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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



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Market Schemes



GLOBALG.A.P.

- 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



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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.”



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www.globalgap.org

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)



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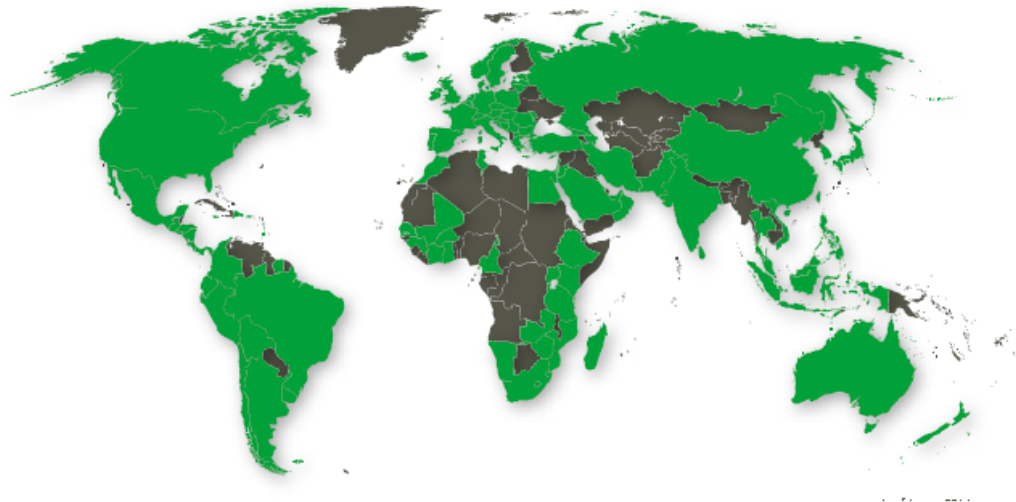
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GLOBALG.A.P.

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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



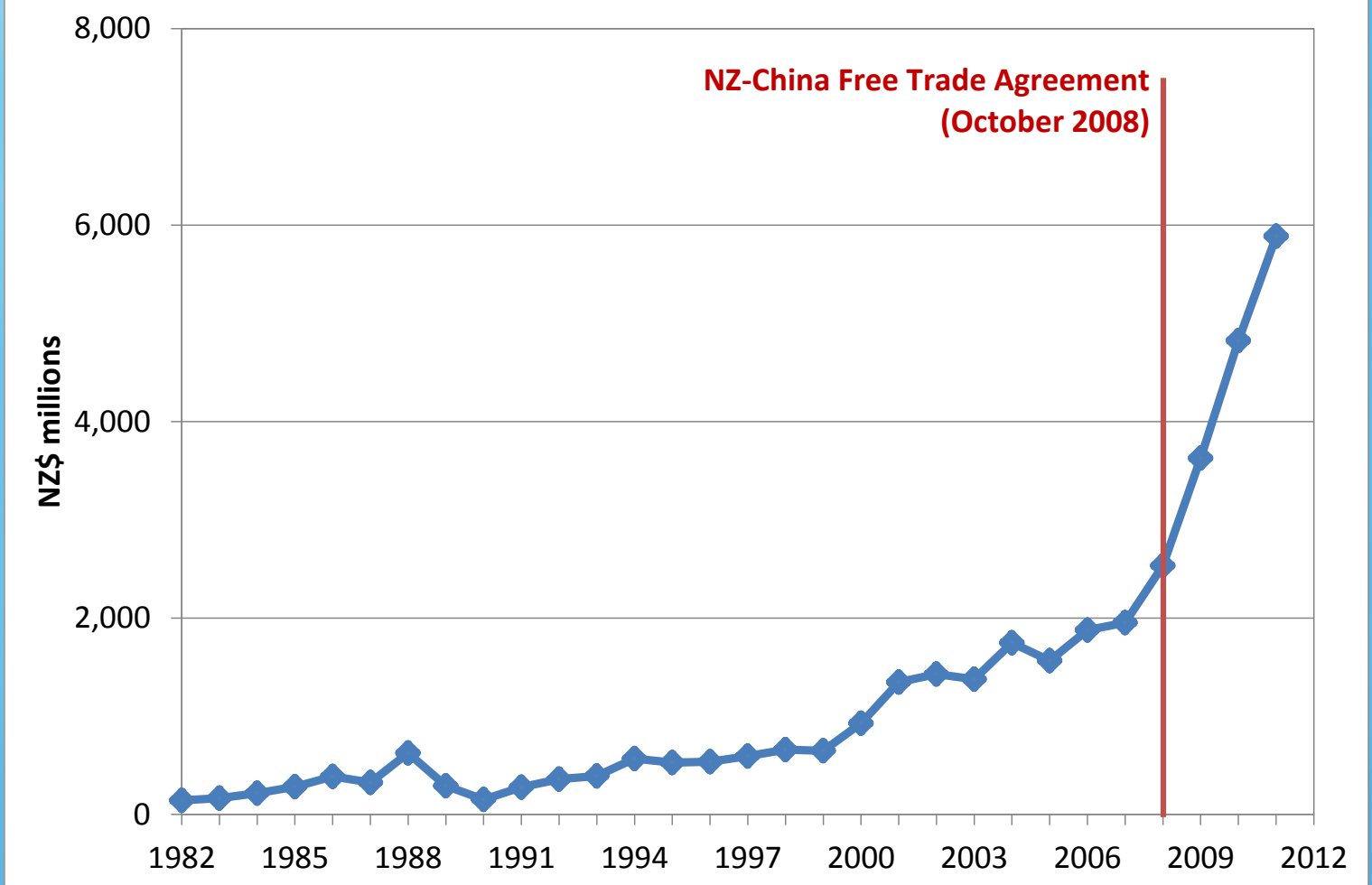
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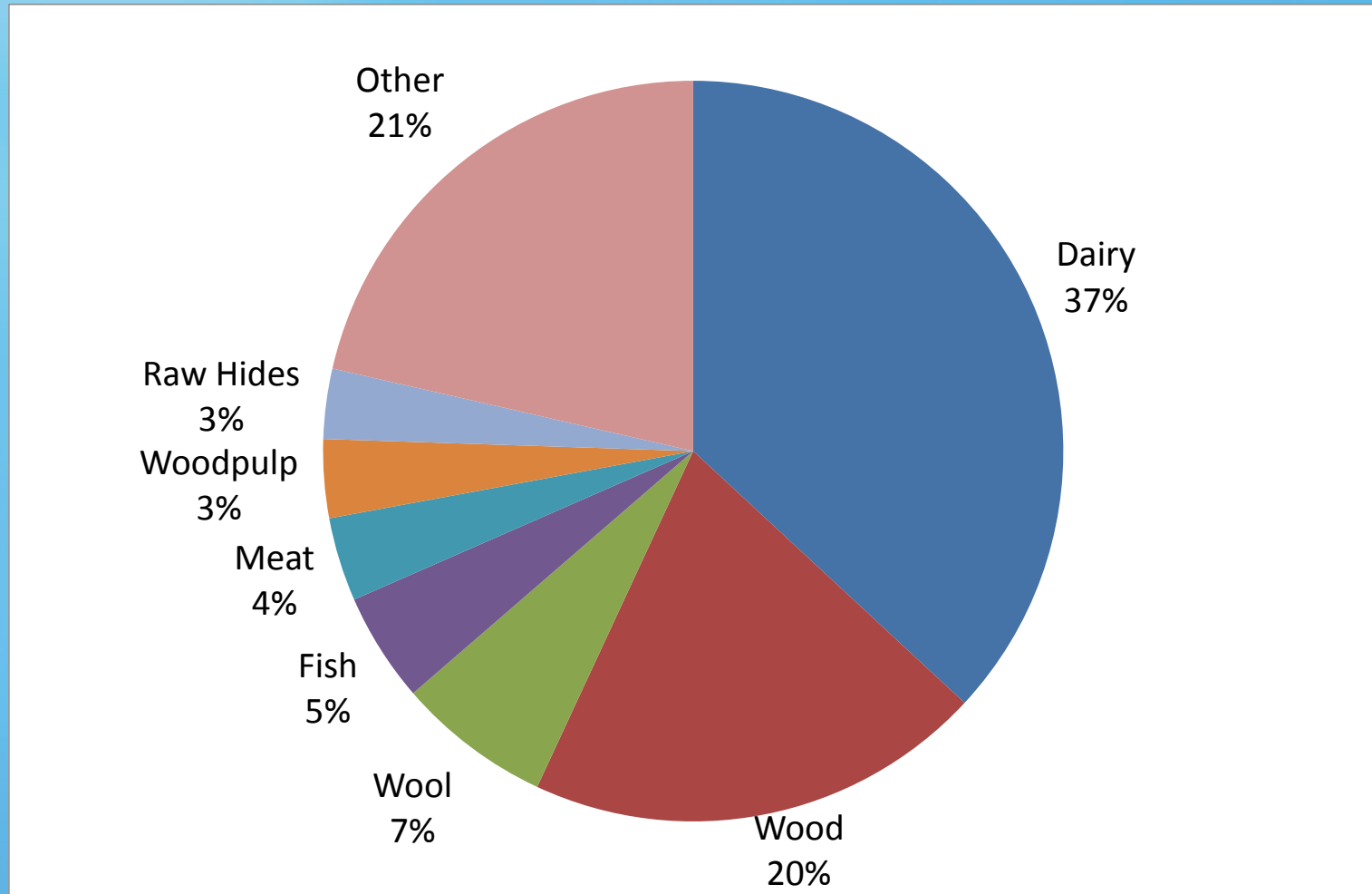
NZ Exports to China, 1982-2011



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Composition of Exports to China, 2011



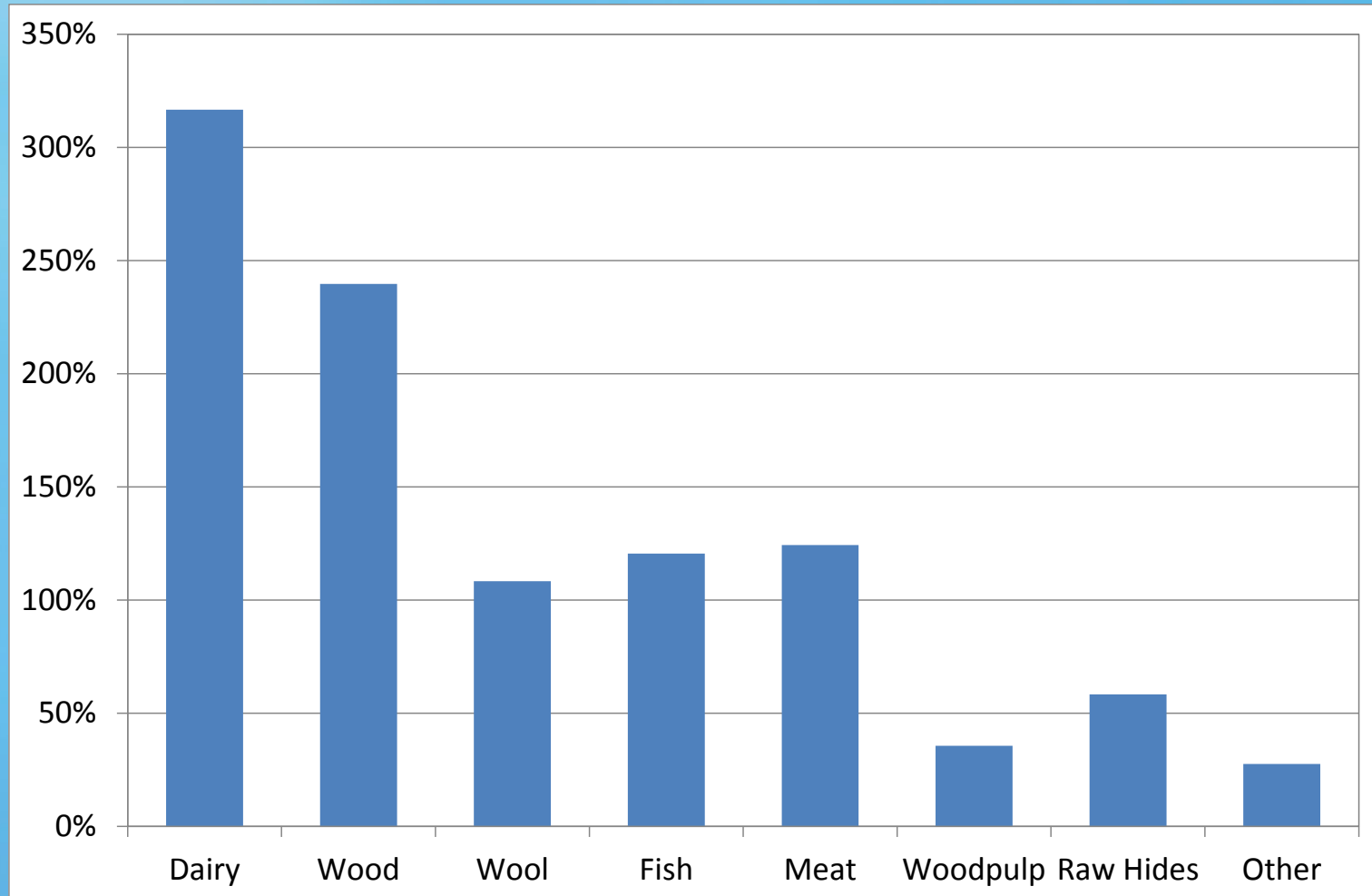
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Growth of Exports to China, 2008-2011



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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

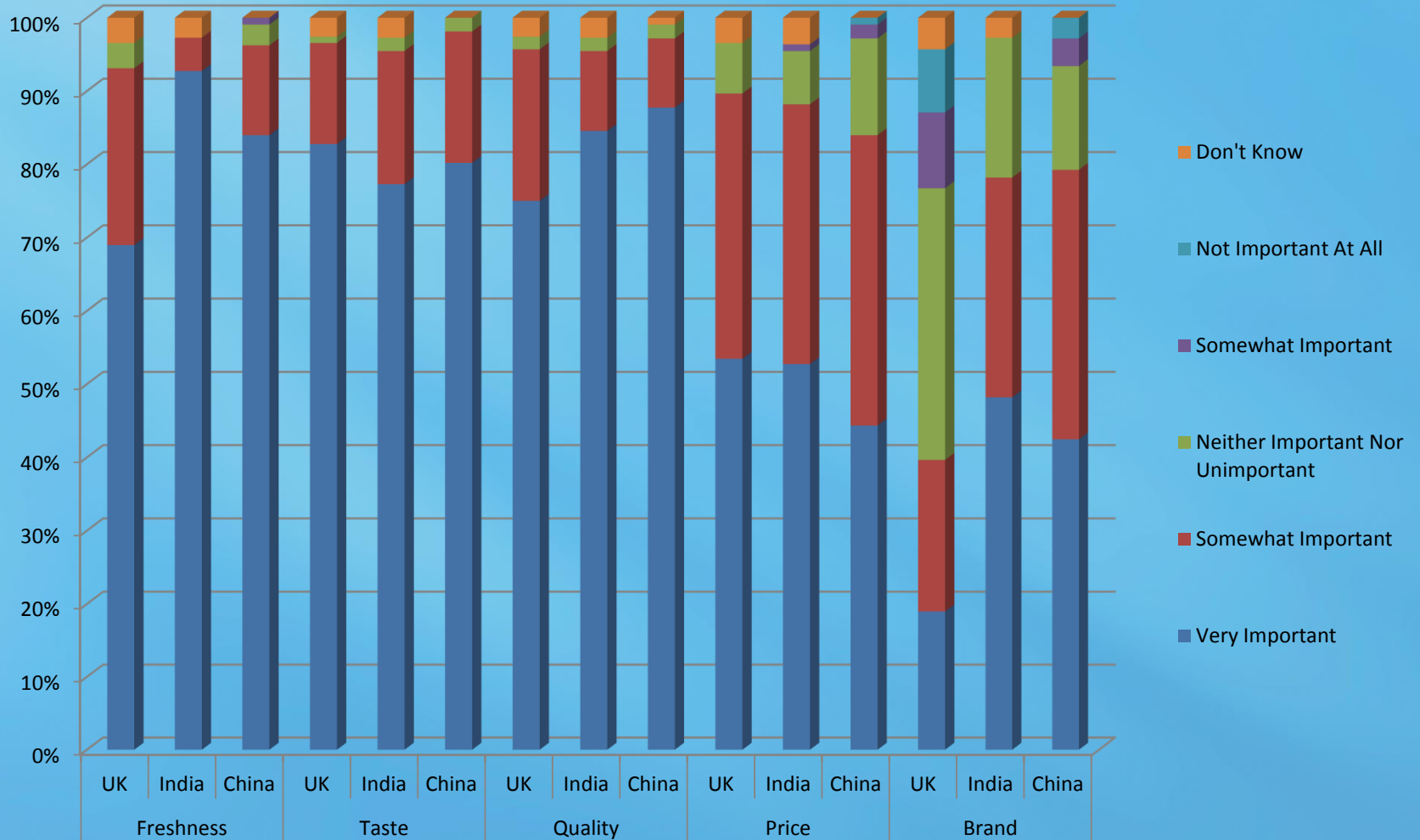


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Importance of attributes of New Zealand food products



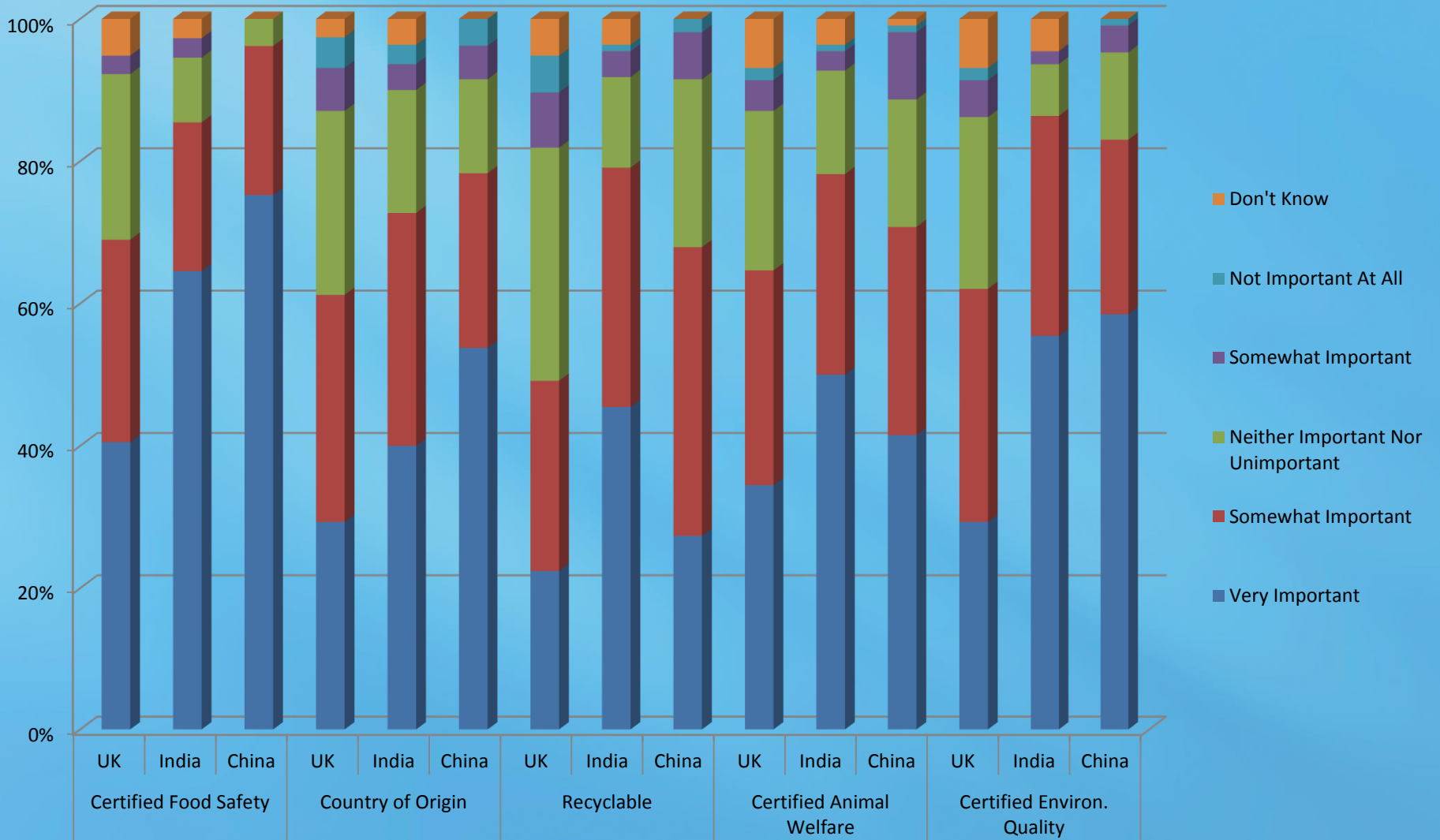
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Importance of sustainability attributes of New Zealand food products I



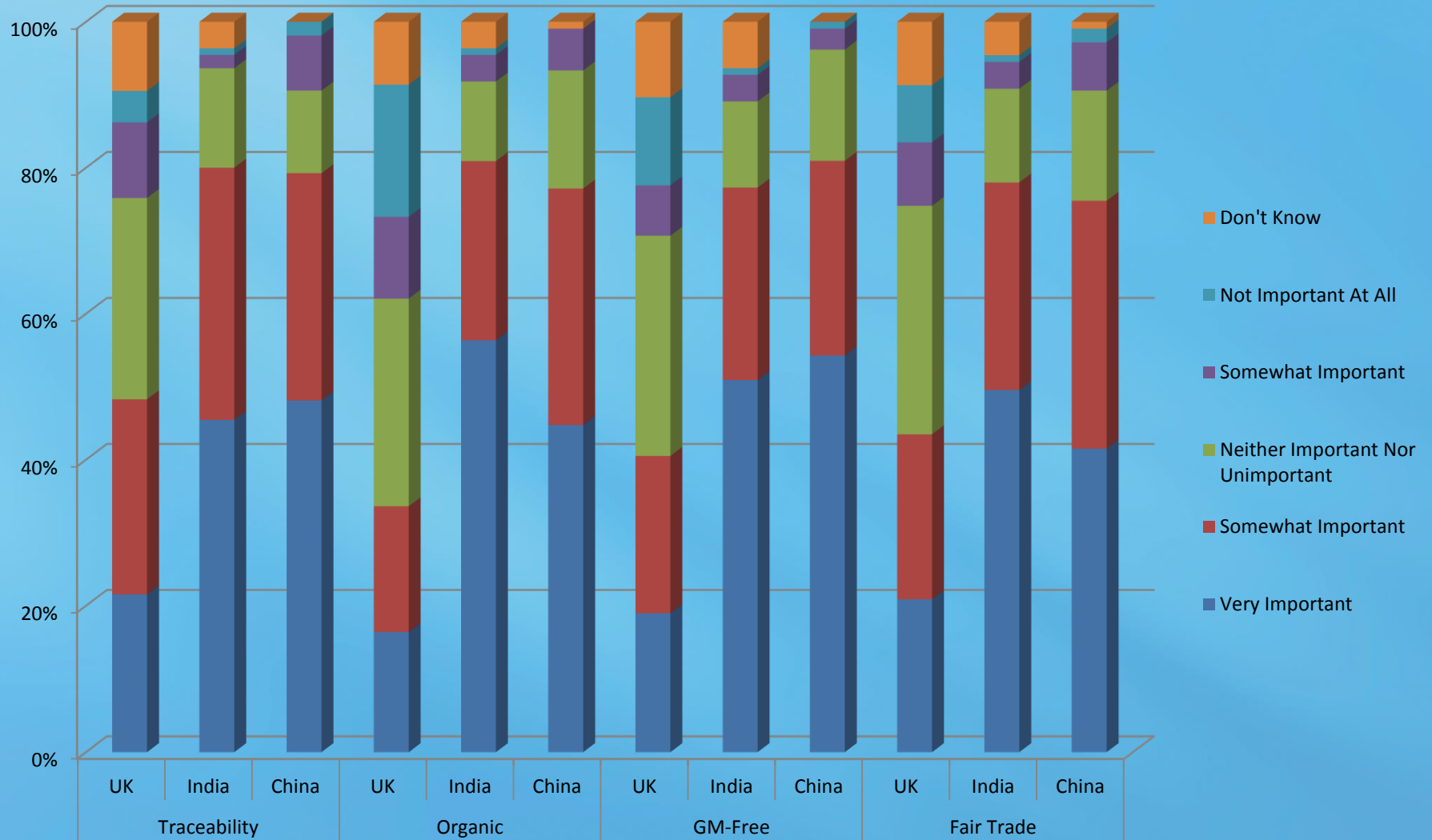
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Importance of sustainability attributes of New Zealand food products II



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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.



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WTP of attribute as % of product price in China, India and the UK

	China		India		UK	
	Dairy	Lamb	Dairy	Lamb	Dairy	Lamb
Safety	74%	44%	73%	77%	16%	18%
Welfare	26%	13%	42%	41%	17%	22%
Water	16%	12%	19%	26%	3%	7%
GHG	25%	14%	38%	39%	7%	7%
Biodiversity	22%	15%	27%	42%	6%	6%
Foreign Origin	26%	10%	-20%	-	-4%	-5%
NZ Origin	49%	24%	10%	21%	3%	6%
Notes:	WTP derived using Krinsky and Robb method.					



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How to add value

- Better positioning of products in overseas markets
- Value added processing
- Niche and/or specialist marketing of products



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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...



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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



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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



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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



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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



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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



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