Food Marketing and Labeling

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CONSUMER ISSUES CONFERENCE 2014

FOOD
PERCEPTIONS, PRACTICES & POLICIES

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Production Method Claims

Five labels on this package front:
Demand for Differentiated Food Products

(1) a growing separation between agricultural producers and food consumers
(2) increasing food safety concerns
(3) rising disposable household incomes
Components of retail food costs

- Labor: 38.5%
- Transportation: 4.0%
- Energy: 3.5%
- Packaging: 8.0%
- Profits: 4.5%
- Rent: 4.5%
- Advertising: 4.0%
- Depreciation: 3.5%
- Taxes: 3.5%
- Interest: 2.5%
- Repairs: 1.5%
- Other Costs: 2.5%
- Farm Value: 19.5%
Production Practices
Nutrition Labeling

- U.S. FDA nutrition label
- Used by $\frac{1}{2}$ of U.S. adults
- May promote healthier choices
Misconceptions of labels

Certification versus Branding
Front of package labels

“Antioxidant rich”
“Heart healthy”
“Smart choice”
“Boosts immunity”
Menu Labeling
SLICED PEPPER JACK

The Certified Non-GMO Organic Cheese!

- Grass Fed Year Round
- Certified Humane

NET WT. 6 oz (170g)
Grass fed happy cows from the pristine coastal pastures of Northern California.

No artificial hormones or pesticides

Our cheese is made from organic milk from local family farms in our region.

4 generations of the Rumiano Family bringing you the best tasting organic hand-crafted cheese on the planet!

The Rumiano Family

CONTAINS 0g OF LACTOSE PER SERVING

Nutrition Facts
Serving Size: 1 oz. (28g)
Serv. Per Pack: 6
Calories 110
Calories From Fat 80

<table>
<thead>
<tr>
<th>Nutrient</th>
<th>Amount/serving</th>
<th>%DV*</th>
<th>Amount/serving</th>
<th>%DV*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fat</td>
<td>9g</td>
<td>14%</td>
<td>Total Carb</td>
<td>1g</td>
</tr>
<tr>
<td>Sat. Fat</td>
<td>5g</td>
<td>25%</td>
<td>Dietary Fiber</td>
<td>0g</td>
</tr>
<tr>
<td>Trans Fat</td>
<td>0g</td>
<td></td>
<td>Sugars</td>
<td>0g</td>
</tr>
<tr>
<td>Cholest.</td>
<td>30mg</td>
<td>10%</td>
<td>Protein</td>
<td>7g</td>
</tr>
<tr>
<td>Sodium</td>
<td>170mg</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Percent Daily Values (DV) are based on a 2,000 calorie diet
So What?

The abundance of food label claims has caused food decisions to become higher-involvement decisions.

Not only do consumers have to navigate all these production method claims, they still take traditional factors into consideration as well:

- Price
- Brand
- Shelf Life
- Personal Taste Preferences
Which label(s) do consumers value the most?

Research has shown consumers are willing to pay for product attributes related to production processes and animal welfare, BUT:

– Obtaining the appropriate certifications can be costly ($ and time)
– Much overlap exists between labels
– May be decreasing marginal WTP for additional labels
Selection of Production Method Claims and Livestock Products

Focus on specific on-farm practices:
1. Product is certified organic.
2. Animals were humanely raised.
3. Animals were grass-fed (or raised on a vegetarian diet).
4. Animals were not administered growth hormones.
5. Animals were not administered antibiotics.
6. Animals were raised in a free-range (or cage-free) environment.
7. Genetically modified organisms were not used in the production of this product (Non-GMO).

- Considered these claims on four product types:
  - Beef meat products, Milk, Chicken meat products, Eggs
## Best-Worst Scaling Results (Pref. Shares)

<table>
<thead>
<tr>
<th>Production Method Claim</th>
<th>Beef</th>
<th>Milk</th>
<th>Chicken</th>
<th>Eggs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animals were not Treated with Growth Hormones</td>
<td>0.220</td>
<td>0.246</td>
<td>0.258</td>
<td>0.269</td>
</tr>
<tr>
<td>No Genetically-Modified Organisms Used in Production (Non-GMO)</td>
<td>0.211</td>
<td>0.210</td>
<td>0.236</td>
<td>0.208</td>
</tr>
<tr>
<td>Animals were Humanely Raised</td>
<td>0.204</td>
<td></td>
<td>0.234</td>
<td>0.190</td>
</tr>
<tr>
<td>Animals were not Treated with Antibiotics</td>
<td></td>
<td>0.132</td>
<td>0.170</td>
<td>0.155</td>
</tr>
<tr>
<td>Animals were Raised in a Free-Range (Cage-Free) Environment</td>
<td>0.093</td>
<td>0.082</td>
<td>0.074</td>
<td>0.064</td>
</tr>
<tr>
<td>Product is Certified Organic</td>
<td>0.038</td>
<td>0.020</td>
<td>0.035</td>
<td>0.018</td>
</tr>
<tr>
<td>Animals were Grassfed (Raised on a Vegetarian Diet)</td>
<td>0.090</td>
<td>0.075</td>
<td>0.037</td>
<td>0.018</td>
</tr>
<tr>
<td>Number of Individuals</td>
<td>256</td>
<td>264</td>
<td>272</td>
<td>247</td>
</tr>
</tbody>
</table>
Do Halos Exist?

Many qualitative studies have shown that when consumers are asked what a label claim means (i.e., organic), they often attribute many more benefits to the claim than actually exist by definition.

Brooks and Ellison test for seven potential ‘halos’ for each production claim using Likert Scale questions:

- Better tasting
- More nutritious
- Safer to consume
- More environmentally friendly
- Better for local economy
- More socially acceptable
- Better for small farmers
## Halo Results

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Organic</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Humanely Raised</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Non-GMO</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Administered Growth Hormones</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Not Administered Antibiotics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Free-Range</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Grass-Fed</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Conclusions - Brooks

Use of growth hormones most important across all categories; however, USDA already prohibits this in poultry

• Lack of consumer knowledge?

Most shocking: Lack of importance for Organic

• One of the most comprehensive claims

• Suggests growing skepticism of this label?

• Or less knowledge related to organic livestock products requirements?

For producers, the top three preferred claims were very clear; BUT there are many factors at play in food purchase decisions
With thanks to

• Johns Hopkins Center for a Livable Future
• Which Livestock Production Methods Matter Most to Consumers? Kathleen Brooks & Brenna Ellison, University of Illinois at Urbana-Champaign
• What is Driving Food Price Inflation? Jason Henderson
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