

# Consumer Demand for Animal Welfare Practices

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## Introduction

- Animal welfare is a growing issue in the U.S.
  - Gestation crate, state-specific changes: FL, AZ, OR, CO
  - California's Proposition 2 (passed 63% to 37%):
    - Veal crates, battery cages, and gestation crates
    - Must allow "to turn around freely, lie down, stand up, and fully extend their limbs"
  - Burger King and others are sourcing %X from "crate-free sources"
  - USDA – PVPs are beginning to incorporate "animal handling" claims

# Importance to Agricultural Lenders

- Substantial producer implications (*and hence lenders*):
  - New investments (i.e., alternative buildings)
    - Impact full spectrum from 100% depreciated to rather new buildings
  - Relocation of production
    - State-specific legislation (within U.S. changes)
    - Country regulation differences (global changes)
  - Industry structure
    - Not all producers will respond the same
    - Nor will all be willing to re-invest
    - Likely increase consolidation

## Overview

- Core issues highlighted here:
  - Summarize consumer perceptions regarding animal welfare practices.
  - Are legislative bans needed or could producers/free-market adjustments appease consumers?
  - What drives consumers to vote for legislative bans?
  - Do consumers implicitly associate animal welfare with food safety, quality, and/or farm size?

## 3 Surveys Conducted

- Nov. 2007; 1,000 surveys in MI
  - 205 completes available for analysis
- June 2008; 1,001 surveys across U.S.
  - Focused on pork; gestation crate use
- Oct./Nov. 2008; 2,000 surveys across U.S.
  - Focused on gestation crates, laying hen cages, dairy pasture access

*When was the last time you visited a farm with animals/livestock being raised for milk, meat, or egg production?*

■ Never	24%	} 67% - not in last 5 years
■ Over 10 years ago	35%	
■ 6-10 years ago	8%	
■ 1-5 years ago	15%	
■ Within last year	18%	

Source: Survey of 2,000 U.S. residents

*Please rank the following animal industry segments and production stages in order of animal welfare/handling concerns (where 1 indicates your highest level of concern):*

	Mean rankings
■ Farmer	2.74
■ Transportation	2.66
■ Auction Markets	2.83
■ Processors	1.77
• Westland Hallmark – Chico, CA (143 mil lb beef recall; school lunches)	

Source: Survey of 2,000 U.S. residents

*Please rank the following species in order of concern you have regarding current animal welfare/handling practices (1 being most concerned):*

	Mean rankings
■ Beef cattle	2.47
■ Dairy cattle	3.01
■ Swine/hogs	3.28
■ Broilers	2.99
■ Laying hens	3.25
• Beef cattle have highest mean concern (Chico perceptions may underlie this...)	

Source: Survey of 2,000 U.S. residents

*CA's Proposition 2 Question:  
Law would require farmers nationally to confine calves raised for veal, egg-laying hens, and pregnant pigs only in ways that allow these animals to lie down, stand up, fully extend their limbs, and turn around freely.*

- CA actual vote (Tuesday): 63% FOR
- Survey national question:
  - National support: 70% FOR
  - CA residents: 70% FOR
  - MI residents: 69% FOR
  - IA residents: 57% FOR
  - Weakest support in SD: 33% FOR

Source: Survey of 2,000 U.S. residents

*“... three states have passed either ballot initiatives (AZ and FL) or state legislature (OR) that will ban the use of gestation crates by swine operations in their respective states at different points in the future. ... Would you vote **FOR** or*

***AGAINST** the ban?”*

- 69% would vote FOR the ban
- Determinants of voting response:
  - Observable demographics are NOT drivers
  - State of residence and pork industry prevalence are NOT drivers
  - Perceptions are highly influential
    - Those associating g.c use with more food safety risk, lower pork quality, larger farm size, or corporate ownership are more likely to support the ban.

Source: Survey of 1,001 U.S. residents

## Ballot Voting Implications

- Targeting residents is difficult (latent perceptions drive voting)
- Residents were insensitive to # years for producers to comply (6-8 is common).
  - 1<sup>st</sup> or most heard voice may set adjustment timetable
  - Substantial costs of not being active or sending mixed signals
  - Industry may have opportunity to pursue longer implementation timetable

## *Would you be in favor of mandatory labeling of:*

- *all pork that was produced by farms using gestation crates/stalls?*
  - 62% YES
    - CA: 66%; IA: 44%; MI: 59%
- *all eggs that were produced by farms using laying hen cages?*
  - 62% YES
    - CA: 65%; IA: 44%; MI: 65%
- COMPARE WITH COOL DISCUSSIONS
- LABELING IS ALTERNATIVE TO PRODUCTION BANS

Source: Survey of 2,000 U.S. residents

# Consumer Pork Preferences

## Simulated Purchasing Analysis

- Pork chop attributes:
  - Production Practice:
    - Typical, Labeled Gestation Crate-Free, Gestation Crate Ban
- Test if  $WTP\ G.C.\ Ban > WTP\ Labeled\ G.Crate-Free$ 
  - Necessary to economically justify ban
  - Test if public good benefits (beyond personal consumption/valuation benefits) outweigh private option loss

# MI Consumer Pork Preferences

- 4 Segments – Highly heterogeneous
- Consumers associate smaller farm size with gestation crate use
- Wide support for gestation crate-free pork
- HOWEVER:
  - 20% have preferences 'justifying a gestation crate ban'
  - 80% could be appeased by voluntary production of g.c. -free pork

Source: Survey of 205 MI residents

## National Consumer Pork Preferences

- Consumers infer food safety and pork quality from gestation crate use.
  - Common perception is that g.c use reduces food safety and pork quality.
- Supporting evidence:
  - Valuations of gestation crate-free pork are lower when food safety & quality claims are present on pork chop labels.

Source: Survey of 1,001 U.S. residents

## Summary Points: Consumers

- Consumer/resident desires regularly initiate change
  - Perception drives decisions
  - "Accurate knowledge" and familiarity is NOT necessary to be influential in ballot initiatives
- Ballot voting behavior & regulation impacts all residents & consumers
  - Pork product choice set for all is impacted
- Little is known about true desires
  - Is group indoor housing sufficient or outdoor pasture necessary???
  - Would 'site unseen' meat from other countries be accepted if U.S. production costs accelerate???



## Summary Points: Industry

- Livestock industry will have to respond
  - Proactive approach benefits
    - May negotiate more favorable timetable
    - May influence what are considered acceptable replacement practices
    - May enhance ability to meet other (i.e., environmental regulations) likely adjustments
    - Could consider promoting voluntary adjustments as buildings are replaced ...
  - Reactive approach benefits
    - Short-term appeasement of those resistant to change

## Summary Points: Ag. Lenders

- MUST be up-to-speed
  - Understand if proposed investments are suspect on animal welfare acceptability
  - Be cognizant of state, regional, global differences (both legislatively and voluntary industry) in animal welfare response
  - Understand possible industry structure adjustments from animal welfare and other driving forces
  - Have animal welfare on your internal 'loan checklist'

# QUESTIONS & DISCUSSION

- Tonsor's website (includes presentation):
  - <http://www.msu.edu/user/gtonsor/>