

# 2012 Livestock Care Conference



*Defining the Future*  
March 21 & 22, 2012

In Partnership With



## ***Consumer Expectations and their Economic Impact***

**Glynn T. Tonsor**

Dept. of Agricultural Economics, Kansas State University

KANSAS STATE UNIVERSITY



# Background & Motivation

- Consumer interest in production methods is growing
  - Think about discussions on food safety, farm size, GM-feed, hormone use, etc....
  - Includes animal welfare
    - well-being, care, and handling of livestock being raised for meat, milk, and egg production (Tonsor)



Yuck...

Beats eating  
GMO. Reduces  
animal slaughter.  
Solves world  
hunger. Looks  
promising.

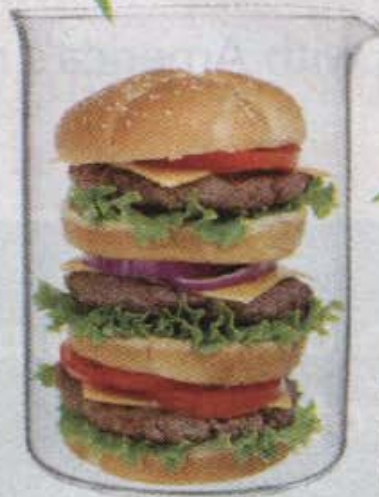
Your  
move,  
Taco  
Bell!

Americans  
have been proven  
to eat anything that  
comes in a nice  
package with  
the right  
marketing.

#### **SOCIAL MEDIA**

## **Man-Made Meat**

A TIME.com piece on the world's first lab-grown burger, to be served in 2012, got our Google+ followers so riled up that they maxed out the site's 500-comment limit, with many answering our question, Would you eat test-tube meat?



Comments, clockwise from left: Brontae Hunter, Miss M, Gian Robinson, Phil DiNuzzo

Source: March 12, 2012 TIME magazine



# Events Summary

- U.S. State-by-State: Ballot initiatives, legislature, agreements
- Live Trade Events
  - May 11': Australia banned live cattle exports to Indonesia because of inhumane treatment
- National Legislation & Labeling?
  - July 11': UEP & HSUS agreement
- 2012:
  - McDonald's – wants plans for g.stall phase out
  - OK pork video – pressure on Wal-Mart sourcing



# Animal Welfare Research Overview

- 4 Surveys (w/ Christopher Wolf, MSU) Since 07'
  - Mainly gestation crate/stall and laying hen cage focused
- Aggregate meat demand, AW media impact study
- Online dairy video impact study
- Mandatory labeling of AW information study
- Just started 3-Yr USDA Beef and Dairy Cattle project





## *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 (Nov 2008): 63% FOR
- Survey national question:
  - National support: 70% FOR (Oct/Nov 2008)
  - National support: 66% FOR (May 2010)

Source: Survey of 2,001 & 800 U.S. residents



# Determinants of voting response in national Proposition 2 questions:

- State of residence not a factor
- Some observable socio-economic traits are influential
- Info. accuracy perceptions are most influential
  - Those perceiving livestock industry (consumer groups) to provide accurate AW information are much less (more) likely to vote FOR.

Source: Survey of 2,001 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





# Mean vs. Median Issues...

- **Egg Purchasing Analysis** (Chang, Lusk, & Norwood, 2010)
  - Cage-free premium is 57%
    - driven by minority: <4% of sales nationally are cage-free
- *Majority show voting support but not matching retail purchasing behavior...*



# ***Impacts of Animal Welfare Media Coverage on Meat Demand***



# Methods: Media Indices

(collaborated w/ Nicole Olynk, Purdue Univ.)

- Lexis-Nexis searches (1980-2008) of major U.S. newspaper and magazine articles with key words:  
*“(animal welfare) or (animal friendly) or (animal care) or (animal handling) or (animal transportation) AND (food or diet or meat).”*



# Results Summary

- AW media elasticities are notably smaller than price & expenditure effects
- Increases in AW media have:
  - Not directly impacted beef demand
  - Reduced pork demand (both in short- and long-run)
  - Reduced poultry demand (in long-run)
- AW impacts lead to expenditure reallocation to non-meat food rather than to increases in competing meats...
- 1999(1)-2008(4) pork & poultry AW media indices increased by 181% & 253%
  - = 2.65% pork & 5.01% poultry demand reductions...



# Implications

- Aggregate meat demand impacts exist. Do they cover avg. adjustment costs?
  - Highlights the resident voting vs. consumption decision dilemma ...
  - Also consistent with limited “free market” disadoption observed to-date by livestock industry...
- Budget reallocation effects:
  - Supports notion of a broader meat industry response rather than species-specific responses
  - All species lose as expenditures leave meat complex...



# ***Nature of “Media” is Changing... How Influential are Today’s Videos?***

- Information flows constantly and instantly
  - Mobile devices complement computers, TVs, print material
  - Videos related to food production are posted regularly
    - Yet impacts and effectiveness are largely unknown
  - Previous work suggests media (non-video) influences meat demand...





# Methods: Video Treatments

- National online sample of 800; May 2010
- Three videos – randomly allocated
  1. “Happy Cow” video (CA dairy producers)
    - Check-off funded; very positive tone
  2. “Unhappy Cow” video (PETA)
    - Very negative tone – presumably seeks consumption reduction
  3. Farmers Feed Us video (Center for Food Integrity)
    - Farm family focused - \$5k grocery lottery rollout



# Video Study: Take Home Points

- Perceptions may be altered by videos
  - We assessed short-term, reaction impacts – what about persistence???
- Stated milk WTP is unaltered by videos
  - Altering perceptions (and hence votes) but not purchasing behavior = industry dilemma...



***Mandatory Labeling of Animal  
Welfare Attributes:  
Public Support and Considerations  
for Policy Makers***



# Comparative Ad(dis)vantages = National Legislation???

- Adjustments of production practices varies across states
- Timelines of implementation vary across states
  - Possible support for national legislation to “level the field”
  - Increasingly pockets of producers may lead the call..
- July 7, 2011 UEP & HSUS agreement
  - call for national standards regarding laying hen housing
  - call for mandatory labeling of eggs



# Objectives of this Study

(collaboration w/ Dr. Chris Wolf – Michigan State Univ.)

1. Examine U.S. resident support for mandatory labeling of AW information on pork and eggs
2. Outline considerations for assessment prior to implementing any mandatory labeling policies



# Results

- 62% in favor of mandatory labeling of pork (gestation crate/stall use) and eggs (laying hen cage use)
  - 44% reversed support with price considered
- Perceived accuracy of AW info. from livestock industries *relative* to consumer groups is critical demand driver





# **Pre**-Mandatory Labeling Implementation Considerations

- Through benefit-cost assessment is needed
- Delineations needed:
  - Frequent consumer vs. advocates for change/bans
  - Producer impacts likely vary within industries
  - Mean vs. median economic welfare distinctions
- Alternative voluntary labeling consideration
- Consumer choice may not be enhanced
- Information overload possibility
- Composite AW index needed – AW isn't univariate



# ***Summary Points & Thoughts***



# Summary Points:

## Consumers & Residents

- Consumer/resident desires regularly initiate change
  - “Perception is reality” ... perception drives decisions
  - “Accurate knowledge” and familiarity is NOT necessary to be influential
  - No one individual can be “educated” on everything...



# Summary Points:

## Consumers & Residents

- Consumers associate “good AW practices” with smaller farms, higher food safety, improved product quality...
- Ballot voting behavior & regulation impacts all:
  - Product choice set for all is impacted
    - Even if only a minority  $WTP > MC$  (mean vs. median distinction)



# An Additional Critical Point

- A state passing a ballot initiative isn't likely necessary to cause change:
  - Packers or retailers may drive a switch:
    - Cost of segregation; switch at some critical volume
    - External pressures will likely continue to mount (e.g. Jan. 2012 HSUS video w/r/t OK pork; Wal-Mart PR pressure)
- **Implication**: “Fighting ballot initiatives at all costs” may not be optimal



# Wrap-Up Points


- AW discussion is here to stay
- No species nor state/region is immune
- Industry will increasingly face social pressures regarding food production practices
- Much more work is needed
  - Industry changes and policy consideration discussions are WAY ahead of current research based knowledge...
- Be aware, think carefully, and be proactive:  
“this isn’t your father’s world”...





More information @ AgManager (<http://www.agmanager.info/>)


<http://www.agmanager.info/livestock/marketing/AnimalWelfare/default.asp>



[About](#)
[Contributors](#)
[Useful links](#)
[Site map](#)
[Feedback](#)

Search AgManager

**AG MANAGER.INFO**  
Department of Agricultural Economics

- ✓ Agribusiness
- ✓ Crops
- ✓ Energy
- ✓ Farm Management
- ✓ Livestock & Meat
- ✓ Policy
- ✓ Decision Tools
- 
- ✓ Ag Econ News
- ✓ Contributors
- ✓ Programs
- ✓ Sponsors
- ✓ Upcoming Events
- 
- ✓ [KFMA](#)
- 
- ✓ [Department Theses & Dissertations](#)
- 
- ✓ [SIGN-UP for Weekly Email Updates](#)
- 
- ✓ [RSS](#)
- 
- 

### Home / Livestock Marketing

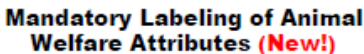
Market Outlook and Newsletters	Charts and Databases	Marketing Extension Bulletins	USDA News, Reports, Futures Market Prices	Budgets, Economics, LRP and Policy	Related Sites	Cross-Subject Areas
<a href="#">In The Cattle Markets</a>	<a href="#">Livestock &amp; Hay Charts</a>	<a href="#">Marketing Strategies</a>	<a href="#">USDA News</a>	<a href="#">Projected Budgets</a>	<a href="#">BeefBasis.com</a>	<a href="#">Animal ID &amp; Traceability</a>
<a href="#">Livestock Outlook Radio</a>	<a href="#">Livestock Databases</a>	<a href="#">Financial Analysis</a>	<a href="#">Futures Market Prices</a>	<a href="#">Historical Budgets</a>	<a href="#">NAIBER</a>	<a href="#">Animal Well-Being</a>
<a href="#">Cattle Finishing Returns</a>	<a href="#">Beef Demand Charts</a>	<a href="#">Trade and Demand</a>	<a href="#">Pork Price Reporting</a>	<a href="#">Production Economics</a>	<a href="#">LMIC</a>	<a href="#">CLPER</a>
	<a href="#">Grain Supply &amp; Demand</a>	<a href="#">Price Risk</a>	<a href="#">Interest Rate Forecasts</a>	<a href="#">LRP Insurance</a>		
		<a href="#">Management</a>		<a href="#">Policy</a>		

### Livestock & Meat Marketing: Animal Well-Being and Welfare

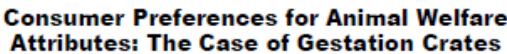
Title	Author	Date	Factsheet, Paper, Presentation, or Journal article	Video
Mandatory Labeling of Animal Welfare Attributes: Public Support and Considerations for Policymakers	<a href="#">Tonsor</a> and Wolf	July, 2011	<a href="#">Journal Article</a> <a href="#">Fact Sheet (AM-GT-2011.1)</a>	<a href="#">WMV</a> <a href="#">MP4</a>
U.S. Meat Demand: The Influence of Animal Welfare Media Coverage	<a href="#">Tonsor</a>	September, 2010	<a href="#">Journal Article</a> <a href="#">Fact Sheet (MF2951)</a>	<a href="#">WMV</a> <a href="#">MP4</a>
Consumer Preferences for Animal Welfare Attributes: The Case of Gestation Crates	<a href="#">Tonsor</a> , Olynk, and Wolf	December, 2009	<a href="#">Journal Article</a>	<a href="#">WMV</a> <a href="#">MP4</a>
Consumer Voting and Demand Behavior Regarding Swine Gestation Crates	<a href="#">Tonsor</a> , Wolf, and Olynk	July, 2009	<a href="#">Journal Article</a>	<a href="#">WMV</a> <a href="#">MP4</a>
Consumer Use, Perceptions, and Demand Impacts of Alternative Animal Information Sources	<a href="#">Tonsor</a>	July, 2009	<a href="#">Presentation</a>	
Alternative Animal Welfare Responses: Options and Implications for Producers and Industry-at-Large	<a href="#">Tonsor</a>	March, 2009	<a href="#">Presentation</a>	

### Animal Welfare Videos by [Dr. Glynn Tonsor](#)

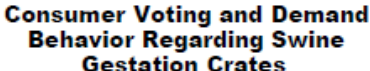
**Mandatory Labeling of Animal Welfare Attributes (New!)**



**Consumer Preferences for Animal Welfare Attributes: The Case of Gestation Crates**



**Consumer Voting and Demand Behavior Regarding Swine Gestation Crates**





Glynn T. Tonsor  
Assistant Professor  
Dept. of Agricultural Economics  
Kansas State University  
[gtt@agecon.ksu.edu](mailto:gtt@agecon.ksu.edu)

