

Consumer Willingness to Pay for Local Meat Products

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Locally produced meat products are considered by many as a potential source of income for Kentucky farmers. When the practical aspects of the enterprise are analyzed, it becomes clear that Kentucky farmers cannot produce and deliver commodity meat products as inexpensively as other states. The smaller, independently owned processors in Kentucky have higher per pound operating costs than large plants typical of the meat industry. Therefore, the profitability of a local meat system is dependent on the willingness of consumers to pay a premium for the types of products delivered. Are consumers willing to pay more? This question was investigated by a research project of the “direct/local meat marketing” effort in the College of Agriculture and the results are presented in this paper.

Two surveys were used to evaluate consumer willingness to pay. The first survey was conducted in conjunction with a taste panel held at the University of Kentucky. All participants were UK employees, and most were employees of the College of Agriculture. A second “willingness to pay” survey was conducted at the Kentucky State Fair. This survey yielded a more random sample of consumers, but was not as in depth.

Sixty-one individuals took part in the consumer taste panel at UK. They were asked to complete a four-page survey before moving into the tasting lab. Willingness to pay questions were asked for alternative ground beef, steak, and sausage products.

Participants were told the price of the grocery store product and asked if they would pay a price 40% higher for the same product that was produced and processed in Kentucky. This question was asked separately for all four products. Next, participants were asked the same four questions, but with a 20% price premium. Finally, they were asked which product they would choose if there were no price difference.

When asked about willingness to pay a 40% premium, consumers were least willing to buy ground beef and most willing to purchase sausage. When the price premium was decreased to 20%, ground beef became the product that consumers were most willing to buy, while they were least willing to buy steak. Finally, it was not surprising that almost all consumers chose local products when they were not asked to pay a premium. The results from these twelve questions are summarized below.

Percent of Respondents that would purchase local products

% Premium	40%	20%	None
Ground Beef	15%	63.9%	100%
Steak	20%	51.7%	98.3%
Sausage	34.4%	52.5%	100%

A similar survey was conducted at the Kentucky State Fair. This survey was intended to reach a larger and more representative group of consumers. At the state fair, questions again focused on willingness to pay for local ground beef, steak, and sausage. Participants were again told the price of grocery store product and asked what they would pay for the same product that was produced and processed in Kentucky. However, price choices ranged from no premium to a 50% premium in 10% intervals.

Results from this survey were quite varied. For low premiums, consumers were most willing to pay for steaks. As premiums grew, consumers were more willing to pay for ground beef and sausage. There was little interest in purchasing locally produced meat produced once the premium exceeded 30%. These results are summarized below.

Percent of consumers willing to pay various premiums for local meat products

% Premium	50%	40%	30%	20%	10%	None
Ground Beef	2.6%	2.6%	10.4%	17.4%	27.8%	39.1%
Ribeye Steak	.9%	2.7%	1.8%	14.2%	37.2%	43.4%
Sausage	1.8%	0%	7.2%	19.8%	26.1%	45%

In this survey, results suggested that older people were more willing to pay for Kentucky products than were younger people. It was also learned that income was not a very important factor in determining the willingness to pay, but was more of a factor for steaks than for ground beef or sausage. It was also not surprising that people who were willing to pay premiums for one product were more willing to pay a premium for another product.

Based on results from these two studies, it is clear that consumers are price sensitive as they consider purchasing local meat products. However, there may be significant groups of consumers who are willing to pay moderate premiums (20%) for Kentucky products. Research is needed on production costs to determine if we can profitably produce within a 20% premium and market research should be conducted to identify specific types of products for which consumers are interested. By targeting our marketing efforts, we can put more dollars into the pockets of our farmers and keep a significant amount of money in the local economy.