Nutrition Information, Nutrition Knowledge and Consumers' Willingness to Pay for Pasture-Fed Beef: Empirical Evidence from In-Store Experiments

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Submitted for 19th Annual World Forum and Symposium, June 20 - 23, 2009,
Budapest, Hungary

Abstract

Consumer demand for beef has been changing and a diversification of the attributes is demanded. This trend has provided beef producer incentive to differentiate their products in the beef market. Pasture-fed beef (PFB) is one beef product that is raised so that it has a different taste and visual quality, as well as nutritional aspects such as lower fat and calories, and higher omega-3 and CLA. These differences could have a significant impact on consumers' demand for PFB and their willingness to pay for it relative to their willingness to pay for conventional feedlot-produced beef. Despite its perceived potential, however, there has been limited marketing research on PFB so that we have little knowledge as to the extent to which the special attributes of PFB motivate consumer purchases and how consumers are influenced by the provision of information about these attributes. This article uses experimental economics techniques to examine the impact of nutritional information and sensory characteristics of PFB on consumer's willingness to pay (WTP). Our analysis shows that consumers' awareness of PFB products' positive impact on human health, environment and animal welfare do not necessarily increase their WTP. Beef products' palatability attributes play a central role in determining consumers' preferences and WTP. This study also reveals that nutrition knowledge can significantly influence consumers' WTP. With respect to the impact of consumers' socio-demographic characteristics on their WTP for PFB, only consumers' living status and household size have significant impact on consumers' WTP, implying that socio-demographic variables play small role in explaining consumers' food behavior. Our findings could serve as guidelines for PFB producers and marketers to promote the

quality traits of PFB in favor of consumers' preference and to design effective marketing strategies.

Consumer demand for beef has been changing and becoming more diverse. Such tendencies are increasing consumer demand for novel products, increasing consumer concern with health and food quality, as well as growing consumer demand for "intangible" attributes such as those that are associated, in beef markets, with animal welfare, the environmental impact of the production and marketing chain, and local economic development. Together, these factors have provided beef producers with incentives to increase the value of their product they are offering by improving palatability and enhancing the nutritional value of traditional beef products along the lines valued by consumers as well as providing the intangible attributes that consumes seek. For example, according to the Beef Research Annual Report (2005), "the retail and foodservice segments are lowering beef's fat content by closely trimming beef cuts…. Beef is 20% leaner than even 14 years ago." The 2005 National Beef Tenderness Survey indicates that there has been an approximately 18% overall increase in tenderness as measured by Warner-Bratzler shear force values since 1999. In addition to these efforts, beef producers and marketers are striving to differentiate the beef market by providing value-added non-traditional beef products with special attributes to meet the diverse consumer demand. Pasture-fed beef (PFB) is such a product that emerged from this innovation process.

The USDA has established grass-fed marketing claim standards which require that grass-fed ruminant animal be fed solely with grass and forage for its life time and have continuous access to pasture during the growing season (USDA 2007). Pasture-fed cattle are featured as "free range," living in a more natural way than those confined in

factory farms and feedlots. The natural diets of pasture-fed cattle consist of only grasses, hay, or grass silage. As a result, the meat characteristics of PFB are different from conventional beef in terms of the tenderness, juiciness, flavor, color, meat texture, etc. Studies have also found that PFB has a different nutritional composition than conventional beef, including (a) the concentration of natural vitamin E[1] in PFB is 2 - 4 times higher than that found in conventional beef (Arnold et al., 1992); (b) pasture-fed cattle incorporate significantly higher amounts of β-carotene[2] into muscle tissues as compared to grain-fed cattle (Descalzo et al., 2005); (c) PFB has approximately 60% more Omega-3[3] fatty acids than conventional beef (Duckett et al. 1993); and (d) Pasture-fed cattle produce 2 to 3 times more CLA[4] than grain-fed cattle (Duckett et al. 1993).

Since consumers fundamentally differ in their preferences in general, the novel attributes of PFB will have significantly different impacts on their preference for PFB. An extensive literature review reveals that little marketing research assessing the impacts

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[2] *β-carotene is a safe dietary source for vitamin A supplementation. Vitamin A is a critical fat-soluble vitamin that is important for normal vision, bone growth, reproduction, cell division, and cell differentiation.*

[3] *Omega-3 fatty acids are essential fatty acids but cannot be produced by human body and they must thus be obtained from food. A proper balance of Omega-6/Omega-3 ratio helps maintain and improve health.*

[4] *Animal tests results have suggested that numerous health benefits can be attributed to CLA, including actions to reduce carcinogenesis, atherosclerosis, onset of diabetes, and fat body mass.*

of these attributes on consumers purchasing decision for PFB has been done. The notable work includes Umberger's (2001) study on consumers' WTP for the flavor of beef steak, McCluskey et al. (2005) study of consumers' WTP for grass fed steaks, and Evan's (2007) study of consumers' WTP for grass-fed beef products in both steak and ground beef. McCluskey et al. (2005) found that low fat and calorie steak could sell for $5.65 more per pound than the high fat and calorie steak, and steak with high levels of omega 3 fatty acids could sell $3.45 more. The hypothetical nature of the choices that participants made in the experiments raises the question of the validity of the high estimates from this study. By comparing the flavor of corn-fed beef and Argentine grass-fed beef, Umberger (2001) found that 62% of their experiment participants preferred corn-fed beef to the Argentine grass-fed beef and were willing to pay an average of $1.61 per pound extra for the corn-fed beef. Only 23% of the participants preferred the Argentine beef and were willing to pay an average of $1.36 per pound extra. In contrast, Evan's (2007) study showed that a majority of sampled beef consumers preferred the grass-fed steak and ground beef and were willing to pay a price premium in order to obtain them. There is obvious inconsistency in these results about consumers' preferences for PFB. The differing results may be due to various reasons such as the difference in experimental design, experimental subjects, experimental context, etc. Further research needs to be done in order to clarify the contradicting findings in existing studies and to advance our understanding of the PFB market.

In this study, we conduct in-store experiments to examine consumers' WTP for pasture-fed beef (PFB) using the Becker-DeGroot-Marshak (BDM) auction. In our

experiments, we first collect the participants' background information, including their beef consumption habits, experience with PFB, health related information, and demographic information. Then at the sensory evaluation stage we conduct a visual test and a palatability test to study consumers' perception of the sensory characteristics of PFB. In the visual test, participants rate the lean meat color, fat color, and meat texture of PFB and conventional beef. In the palatability test, participants rate the PFB and conventional beef in terms of beef's tenderness, juiciness, and flavor. After the tests, participants who prefer PFB are given a pound of conventional beef as well as an opportunity to bid to upgrade their conventional beef to PFB under the BDM auction rule. A nutrition information shock is randomly introduced before the sensory evaluation stage or before the auction stage to examine the information impact on consumers' WTP.

Our study shows that consumers' awareness of PFB products' positive impact on human health, environment and animal welfare do not necessarily increase their WTP. Beef products' sensory attributes play a central role in determining consumers' preferences and WTP. As the first time in the literature, this study reveals that nutrition knowledge can significantly influence consumers' WTP. Furthermore, different types of nutrition knowledge can express such influence in distinct ways.

The remainder of the article proceeds as follows: in section II, we discuss the conceptual framework; in section III, we explain the experimental design; in section IV, we present summary results of the experimental data; in section V, we discuss the empirical model and estimation results; section VI concludes the article.

Conceptual Framework

Consumers obtain utility from a bundle of attributes of beef products, such as nutritional benefits and taste. The nutritional value is different from other attributes in the sense that, at the point of purchase, its effects can only be experienced under expectation. The difference of the expected utility of consuming PFB and the expected utility of consuming conventional beef determines a consumer's WTP for PFB. Based on this assumption, we derive consumers' WTP for PFB under Von Neumann and Morgenstern (1944)'s random utility framework.

We assume a consumer's expected utility of purchasing one pound of PFB is of the form:

(1) $$EU_1 = \pi^1 u_c(m, X, Z, S; 1) + (1 - \pi^1) u_{nc}(m, X, Z, S; 1)$$

Where m denotes the wealth. X is a vector of observable characteristics of the choice, i.e. the observable physical attributes of PFB. Z is a vector of the unobservable attributes of the choice, such as the potential health benefits. The socio-economic characteristics of the consumer are denoted by a vector S. The number 1 denotes that the consumer decides to purchase one pound of PFB. To factor the nutritional information effect into the model, we let this representative consumer face two states: the occurrence or nonoccurrence of the positive health outcome from purchasing PFB. u_c, u_{nc} denote the state-dependent utility of occurrence and nonoccurrence respectively. The probabilities attached to the two states when the consumer chooses to purchase PFB are: π^1 for occurrence and $1 - \pi^1$ for nonoccurrence. These probabilities do not indicate the occurrence/ nonoccurrence of positive health outcomes from one-time PFB consumption, rather they

reflect the cumulative outcomes from repeated consumption. Note the fact that consumers are offered numerous alternatives by the market and they can gain possible health benefits by choosing to consume other products, we therefore set the probabilities the consumer faces when he chooses not to purchase PFB as: π^0 for occurrence of a positive health outcome and $1-\pi^0$ for nonoccurrence. We assume that the prior knowledge k and new information I provided enter the model via probability, i.e. π^0 and π^1 are functions of k, I. Similarly, the expected utility of choosing not to purchase PFB is:

(2) $$EU_0 = \pi^0 u_c(m, X, Z, S; 0) + (1-\pi^0) u_{nc}(m, X, Z, S; 0)$$

The expected utility thus could be expressed as:

(3) $$EU_d = EV_d(m, X, Z, S, \pi^d; d) + \varepsilon_d$$

Where

(4) $$E[EU_1] = EV_1(m, X, Z, S, \pi^1; 1)$$

(5) $$E[EU_0] = EV_0(m, X, Z, S, \pi^0; 0)$$

d is a state variable: d = 1 if the individual chooses to purchase PFB; d = 0, otherwise. $\varepsilon_0, \varepsilon_1$ are iid random variables with zero means. A money value of the individual's maximum WTP for one pound of PFB should satisfy:

(6) $$EV_1(m - WTP, X, Z, S, \pi^1; 1) + \varepsilon_1 = EV_0(m, X, Z, S, \pi^0; 0) + \varepsilon_0$$

Hanemann (1984) shows a utility maximization based approach to obtain the utility-theoretical measure of the money value of a permit to the individual hunter. Using similar method, we set

(7) $$\Delta EV = EV_1(m - WTP, X, Z, S, \pi^1; 1) - EV_0(m, X, Z, S, \pi^0; 0)$$

Then

(8) $\Pr\{\eta < \Delta EV(WTP)\} = F_\eta[\Delta EV(WTP)\ ]$=p

Where $\eta = \varepsilon_0 - \varepsilon_1$, $F(\cdot)$ denotes the CDF of η. p is the probability that we perceive the consumer will purchase PFB. p can be assumed to be 0.5(Davis, DeGroot and Hinich 1972) which indicates that at least half the population either prefers to purchase or is indifferent between purchasing and not purchasing.

Thus,

(9) $\Delta EV(WTP) = F_\eta^{-1}(p)$

If we postulate some functional form of the expected utility function EV and chose a specific form of F_η which is ensured to have an inverse representation, we can solve equation (8) to get the individual's WTP for one pound of PFB:

(10) $\text{WTP} = \Delta EV^{-1}(WTP \mid F_\eta^{-1}(p)) = w(m, X, Z, S, k, I)$

The above theoretical framework serves as the foundation for our study. It explicitly incorporates consumers' utility maximization behavior and the influence of information into the model.

Experimental Design

Our experiment intends to answer questions such as: How do quality attributes and health information of PFB affect the value of PFB perceived by consumers? What kinds of consumers are more likely to prefer PFB to conventional beef? How much more are consumers willing to pay for PFB than conventional beef? Visual test and palatability test are conducted to measure consumers' evaluation of the sensory characteristics of PFB,

nutrition information is presented to participants to test the information influence, and Becker-DeGroot-Marshak (BDM) auction is employed to simulate the PFB purchasing situation that consumers face in real world.

Visual Tests and Palatability Tests

In the visual test, unlabeled samples of conventional New York strip steaks and Pasture-fed New York strip steaks are presented to the participant. The participants rate these attributes of the beef samples: (a) lean meat color: the color of beef muscle; (b) fat color: the color of intramuscular and marbling fat; and (c) meat texture: fineness or coarseness of the cut surface. We index each attribute on a discrete scale of 1 to 7, ranging from very pale (1) to very dark (7) for lean meat color, very white (1) to very yellow (7) for fat color, and very fine (1) to very coarse (7) for meat texture: Overall acceptability is rated from strongly like (1) to strongly dislike (7) (see Appendix A).

In the palatability test, the participants taste the two unlabeled steak samples and rate the tenderness, flavor, and juiciness of each sample. Again, we index each attribute on a discrete scale of 1 to 7, ranging from very tender (1) to very tough (7) for tenderness, very juicy (1) to very dry (7) for juiciness, and very intense (1) very bland (7) for flavor. Overall acceptability is also rated from strongly like (1) to strongly dislike (7).

Information Shock

Enhanced nutritional value is an important intrinsic attribute of PFB. Studies have found that PFB has high (a) the concentration of natural vitamin E[5] in PFB is 2 - 4 times higher

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than that found in conventional beef (Arnold et al., 1992); (b) pasture-fed cattle incorporate significantly higher amounts of β-carotene[6] into muscle tissues as compared to grain-fed cattle (Descalzo et al., 2005); (c) PFB has approximately 60% more Omega-3[7] fatty acids than conventional beef (Duckett et al. 1993); and (d) Pasture-fed cattle produce 2 to 3 times more CLA[8] than grain-fed cattle (Duckett et al. 1993). The impact of nutrition information on consumers WTP has been inadequately addressed in previous studies though it is critical to understanding how consumers' food purchasing behavior is affected by nutrition information. Therefore, we randomly introduce a nutrition information shock in our experiments to assess its effect on consumers WTP for PFB. The information shock consists of the provision of information describing the unique nutrition attributes of PFB relative to conventional beef, including the high concentration of ß-Carotene, Vitamin E, Omega 3 and Conjugated Linoleic Acid (CLA) (see Appendix B). We use two sets of questions to measure consumers' nutrition knowledge. One measures consumers' familiarity with the function of the four nutrients: Vitamin A, Vitamin E, Omega 3 and CLA. The other probes consumers' knowledge of the main food

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sources of these nutrients. To ensure credibility of the information, we use research-based information which is excerpted from a research paper by Daley, et al. (2006).

Treatment Groups

We randomly assign subjects to three treatment groups numbered A, B, C. Group A is the control group in which a visual test and a palatability test are conducted first to measure consumers' perception of the physical quality of PFB, and then the BDM auction is conducted to elicit consumers' WTP for PFB for those for prefer it. This group is labeled as V+P group. In group B, we introduce the information shock first. Then the visual and palatability tests are conducted, and the auction is conducted following the tests. This group is labeled as I+V+P group. In group C, we conduct the visual test and palatability tests, then introduce the information shock, and the auction is conducted last. This group is labeled as V+P+I group. This design provides a clear structure to disentangle treatment effect and sequencing effects. We randomly assign treatments during the experiment by drawing a group for each participant at the outset of the experiment.

Experimental Protocol

1. In the supermarket, we approach each potential participant randomly chosen from shoppers. We ask her/him if s/he is a beef consumer and if s/he is over the age of 18. If s/he responds affirmatively to both questions, we then ask if s/he is the primary person who purchases food for her/his household and if s/he is the primary person who prepares food for her/his household. If s/he answers yes for either of the questions, then s/he is qualified for our experiment. We invite her/him to take the survey, and offer a $10 store gift for participating in the research.

2. After agreeing to participate, the participant completes the written survey portion of the experiment. The written survey is designed to collect the participant's beef consumption behavior, prior-experience with and expectations about PFB, health status, nutrition knowledge and demographic information (see Appendix C).

3. After the participant finishes the survey questions, the investigator randomly chooses one of the three group numbers as A, B, or C and treats the subject with corresponding treatments. We treat subjects with health-related information by letting subjects read the information card.

4. Following step 3, the participant is asked which sample s/he prefers and is then told which sample is which. If the participant is indifferent between two beef samples, then we terminate the experiment and give her/him $10 gift card for participating in the research. If the participant prefers conventional beef, the participant is also given $10 gift card and is asked a hypothetical question: how much would the pasture-fed beef have to be discounted compared to the price of conventional beef for you to buy it instead of conventional beef? No real transaction is made in this case. Finally, if the participant prefers pasture-fed beef, we give her/him $10 gift card and a pack of conventional beef. Then we explain to him that s/he can use part of the $10 gift card to upgrade her/his conventional beef to PFB and we will play a simple game to determine the trade price. The game is explained as following: we give you $10 gift card and a pound of conventional beef. You tell us how much more you are willing to pay to trade your beef with one pound of pasture-fed beef. We then draw a sale price from a sealed box which contains possible prices. If the price we draw is lower than or equal to the price you offer,

you purchase one pound of pasture-fed beef at the price we draw and can keep the rest of the $10 gift card; otherwise you can't buy the beef but can keep the $10 gift card (see Appendix D).

Data

The experiments were conducted in three supermarkets in Knoxville, TN, Middlesboro, KY and Bluefield, WV during September and October 2008. These experimental sites were chosen because they have relatively large and diverse populations within an easily accessible distance from researchers' university. The availability of the chain supermarket stores where we were allowed to conduct in-store experiments was another factor determining site selection. Therefore, generalizing the results from this study to a broader population should be made with conditions. Previous studies on shopping behavior show that different types of consumers have different shopping frequencies during a week (Kahn and Schimittlein 1989) and that consumers are more likely to shop on Thursday, Friday, and Saturday (East et al. 1994). The experiments thus were conducted in both weekday and weekend periods at each experimental site, throughout the morning, afternoon and evening hours to capture a broad range of consumers.

Table 1 summarizes the socio-demographic characteristics of our sample. Table 2 provides comparative data for each area. In general, the participants are predominately white, female, and middle aged. Most participants have some college education or above and are in the middle income category. Participants who are identified as householders living alone only comprise a small portion of the sample (30%, 10%, and 13% for Knoxville, Middlesboro and Bluefield respectively). In direct contrast with the population

in each area, female consumers and non-single living consumers seem to be over-represented in our sample. However, this should not be treated as sampling bias but rather reflects the fact of disproportionate composition of primary food shoppers in terms of gender and living status, which may suggest the target group for PFB marketing.

Table 3 reports the participants' preferences for PFB solely based on visual examination, solely based on palatability test, or based on both. The results show that the majority of the participants preferred PFB if the judgment was based on the visual comparison between PFB and conventional beef only. The proportion is 58%, 50%, and 58% for Knoxville, Middlesboro, and Bluefield respectively. However, the trend reverses when the participants choose the beef samples based on palatability. Only 38%, 39% and 35% of the participants at each site preferred PFB over conventional beef. Combining the visual and palatability impression, the proportion of the participants who preferred PFB remain almost the same with 38%, 40%, and 38% for Knoxville, Middlesboro, and Bluefield respectively. This table indicates that consumers generally possess positive attitudes towards the visual appearance of PFB but not towards its taste. Based on the evaluation of the visual attributes and palatability attributes of PFB jointly, the participants tend to choose conventional beef over PFB, which implies the influential role of palatability in consumers' beef choice.

Table 4 reports the participants' auction bid results by experimental location. Only the observations from participants who preferred PFB to conventional beef are included. Knoxville has the highest mean bid of $2.07 while Bluefield has the lowest mean bid of $1.66. We observe the similar trend in participants' household annual

income level in thee experimental sites, implying the income effect on consumers' WTP for PFB. Table 5 reports the auction results by treatment groups. Participants in group B and group C exhibit higher mean bids than participants in group A. A nonparametric Wilcoxon- Mann-Whiteney U test is applied to test the significance of these bid differences because it is robust to outliers and efficient when the underlying distributions are far from normal (Hollander and Wolfe, 1999). Table 6 and table 7 provide the comparison results of mean bids between participants by location and by treatment group. The results from table 6 indicate that the mean bids are not significantly different from each other in three experimental sites. Geographic variation does not seem to have influence on participants' WTP. In contrast, table 7 indicates that the bids in treatment group A are significantly different from the bids in treatment group B and treatment group C, with high possibilities that bids in group A are smaller than bids in group B and group C. Nevertheless, solely based on this finding, we cannot conclude that the hypothesis that the health benefit information has significant impact on increasing participant's WTP for PFB is supported by the data, since we don't control for the other potentially influential factors across different treatment groups. The confounded effect may be attributed to a set of factors which will be explored in the regression analysis.

Empirical Model and Estimation Results

We now turn to the discussion of the econometric analysis results. Estimates from Tobit model and Probit model are presented to explain consumers' PFB purchasing behavior.

WTP Model

Previous studies suggest that consumers are willing to pay a premium for food perceived as natural, organic or environment friendly (e.g. Gil et al. 2000; Loureiro and Hine 2002; Wandel and Bugge 1996). Harper and Henson (2001) show that consumers may claim high levels of concern about farm animal welfare, however, such concerns do not necessarily translate into price that they actually are willing to pay. According to Melton et al. (1996) study, appearance and taste experience are important to predict consumer perceptions and WTP for fresh food. The effect of sensory attributes on consumer food behavior has been identified by many studies. For example, Alfnes et al. (2006) show that consumers color are willing to pay significantly more for salmon fillets with normal or above-normal redness, as compared with paler salmon fillets, and Lusk et al. (2001) show that consumer are willing to pay extra for more tender steaks. It has also been indentified that health concern and nutritional knowledge are influential factors in consumer WTP for food products with proven health benefits (Bower et al., 2003). With respect specifically to PFB, Evan (2007) study indicates that the frequency of in-home steak preparation, grass-fed purchasing experience, and gender all have significant impacts on consumers preferences for PFB. Based on these findings, we hypothesize that 1) consumers who consume beef more frequently are more aware of the risk/health benefits of the beef they consume and thus are willing to pay more for healthier beef products; 2) consumers' prior experience of PFB affects their attitudes towards PFB which will be translated into their WTP; 3) consumers who possess positive expectation of PFB's impact on human health, environment and animal welfare are willing to pay a premium

for PFB; 4) consumers' health status is negatively associated with their WTP for PFB; 5)sensory characteristics largely determine consumers' WTP for PFB. As the first time in the literature, we investigate the nutrition knowledge impact on consumers' WTP for PFB. We expect that consumers who are knowledgeable on nutrition will be more capable of processing nutrition information and put more value on PFB's nutrition attributes. At the same time, however, consumers may be also aware of the food substitutes available in the market which have equal or better nutritional value than PFB but at a lower cost. To disentangle these two effects on WTP, we include two nutrition knowledge variables in the WTP equation. They measure consumers' nutrition knowledge in terms of consumers' knowledge on the functions of the four nutrients (Vitamin A, Vitamin E, CLA, Omega 3) and the main food sources for these nutrients. With respect to the nutrition knowledge, we hypothesize that 6) consumers' knowledge about the nutrient functions has positive impact on consumers' WTP for PFB while the knowledge about food sources negatively impacts consumers' WTP for PFB. Hence, our empirical WTP model is of the following form:

$$WTP = f(Tb, Tc, Freq, Experience, Eeph, Eepe, Expa, Disease, Kf, Ks, DLColor, DFColor, DTexture, DTenderness, DJuiciness, DFlavor, Tb*DLColor, Tb*DFColor, Tb*DTexture, Tb*DTenderness Tb*DJuiciness, Tb*DFlavor, Tc*DLColor, Tc*DFColor, Tc*DTexture, Tc*DTenderness, Tc*DJuiciness, Tc*DFlavor, Gender, Age, Single, Householdsize, Ethnicity, Edu, Income_i, D2, D3)$$

The description and the summary statistics of the variables in the model are reported in Table 8.

The observations with missing responses in written survey questions and in auction sessions are dropped. Therefore, we use a sample of 404 observations from the

three experimental sites. The hypothetical negative WTPs for PFB are scaled up to zero in the estimation. All the possible interactions between information effect and sensory evaluation are included in the model. We believe that nutritional information has significant impact on consumers' value perception of the sensory characteristics of PFB. Indeed, likelihood ratio test suggest that the interactions jointly significantly increase the explanatory power of base model which excludes these interactions (test statistic LR chi-square (12) = 24.61, $p<0.05$). Table 9 presents the estimates of the WTP equation from Tobit analysis. The Likelihood-Ratio test suggests significant joint effect of all the explanatory variables with large LR values as 230.86 (d.f.=37). Tobit models heavily rely on the normality assumption, and the MLE will be inconsistent if the underlying distribution is nonnormal, thus the conditional moment test (Skeels and Vella 1999) using a bootstrap approach (Drukker 2002) is used to test the null that the underlying distribution of the error term is normal. The value of the conditional moment test statistic is 8.13, with the critical value of 16.29 and 16.83 at 10% level under the 500 and 1000 replications respectively. There is no statistical evidence indicating the violation of the normality assumption. By plotting the residuals from WTP equation, we also diagnose the potential heteroskadasticity problem but detect no obvious heteroskedasticity either.

Coefficients from the Tobit estimation cannot be directly interpreted as the marginal effects of the independent variables on WTP since these independent variables have distinct effects on the dependent variable for cases with zero value and for cases with non-zero value of the dependent variable. McDonald and Moffitt (1980) provide a formula for the expected value of the dependent variable for all cases

$Ey = X\beta \times F(z) + \Sigma \times f(z)$,where F(z) is the normal CDF, f(z) is the normal density function and Σ is the standard deviation of the error term. The marginal effect of an independent variable on Ey is given by

$$\frac{\partial Ey}{\partial X_i} = F(z) \times \frac{\partial Ey^*}{\partial X_i} + Ey^* \times \frac{\partial F(z)}{\partial X_i}$$

Where $\frac{\partial Ey^*}{\partial X_i}$ measures the change in expected value above the censoring limit and $\frac{\partial F(z)}{\partial X_i}$ measures the possibility change of being above the limit. McDonald and Moffitt (1980) show that

$$\frac{\partial Ey^*}{\partial X_i} = \beta_i \times [1 - (z \times \frac{f(z)}{F(z)} - \frac{f(z)^2}{F(z)^2}]$$

$$\frac{\partial F(z)}{\partial X_i} = \beta_i \times \frac{f(z)}{\Sigma}$$

Table 9 reports the Tobit coefficient estimates, the marginal effects on unconditional expected value, $\frac{\partial Ey}{\partial X_i}$ and the marginal effects conditional on being uncensored, $\frac{\partial Ey^*}{\partial X_i}$.

The estimates suggest that the main effect of nutritional information is not significant. The corresponding coefficients of information treatments are not significantly different from zero. However, as a moderator, information expresses its effect via consumers' value perception of the sensory characteristics. The interaction effects between the information and the sensory characteristics evaluation shows that consumers

who received nutritional information treatment did respond differently from the consumers who did not received the information treatment. The negative coefficients of the interactions between information treatment and visual inspection of the lean meat color and fat color suggest that visual effect of PFB exercises less impact on WTP for consumers who are exposed to the nutritional information of PFB. It implies that nutritional facts do matter in consumers' beef purchase, and visual appeal is less important in their valuation if they are aware of the enhanced nutritional value of the beef products.

An interesting finding is the impact of consumers' nutrition knowledge on WTP. The coefficients of the knowledge about the nutrient functions and the main food sources are significant and carry the expected signs. The coefficient of the knowledge about the nutrient functions is positive and strongly significantly different from zero. The marginal effect estimates suggest that each point increase in this set of knowledge score induces a $0.16 increase in all participants' WTP. For those who are willing to pay a positive premium for PFB, each point increase of the knowledge score induces a $0.14 increase in WTP. Concerning the knowledge about the main food sources of the four nutrients, the effect is significantly negative. This supports our hypothesis that consumers with higher levels of knowledge about nutritious food are more aware of the substitutes they can purchase in the market, which in turn reduces their' valuation for the nutritious attributes of PFB. The marginal effect of the knowledge about food sources is -$0.13 on unconditional expected WTP and -$0.11 on uncensored WTP. Each point increase of the score of this set of knowledge thus reduces WTP about $0.13 for all participants and

about $0.11 for participants who hold positive WTP for PFB. The relative magnitude of the effects of this two sets of nutrition knowledge suggest a positive overall influence of the nutrition knowledge on consumers' WTP for PFB: the more knowledgeable a consumer is, the more she/he is willing to pay for the nutrition attributes of PFB. These findings strongly support our hypothesis that nutrition knowledge has significant impact on consumers' WTP for PFB, with positive impact of the knowledge about the nutrient functions and negative impact of knowledge about the food sources.

Sensory characteristics of PFB are important determinants of consumers' WTP. The results show that the coefficients of the difference of lean meat color, meat texture, tenderness, juiciness evaluation between PFB and conventional beef are significantly positive, implying that these attributes are particularly valued by beef consumers. On average, if a consumer perceives that PFB is less dark than conventional beef, each rank difference generates about $0.11 increase in her/his WTP for PFB; if a consumer perceives that PFB is finer than conventional beef in terms of meat texture, each rank difference increases her/his WTP for PFB about $0.08; regarding the tenderness and juiciness, if a consumer perceives that the PFB tastes more tender and juicier than conventional beef, each rank increase in tenderness and juiciness generates about $0.19 and $0.16 increase in her/his WTP for PFB respectively. In contrast to the effects of other sensory attributes, tenderness exhibits the largest magnitude on consumers' WTP. This is in line with previous studies' results (e.g. Feldkamp, Schroeder, and Lusk 2003; Lusk et al. 2001). However, our results suggest insignificant impact of flavor on consumers' WTP, which is inconsistent with the findings from Huffman et al. (1996) who found that

flavor accounts for most of the variation in palatability of beef steaks. Over all, the impact of palatability attributes is much larger than the visual attributes, which indicates that consumers are more likely to base their value perception of beef products on the palatability than on the visual appearance, and the actual eating satisfaction largely determines how much they are willing to pay for beef products.

The influence of consumers' beef consumption habit on their WTP for PFB is confirmed by the estimates. The results suggest that consumers who consume beef at home more frequently are willing to pay more for PFB. For example, if a consumer eats beef at home 3 or more times a week, she/he will be willing to pay about $0.18 more to purchase PFB than consumers who eat beef at home only 1-2 times a week.

The estimation results lend little support to our hypotheses that consumers' expectation of PFB on human health, environment, and animal welfare impact consumers' WTP for PFB. None of the coefficients corresponding to these variables are statistically significant from zero. Various reasons could be attributed to this. For example, although consumers may hold positive impression of these impacts of PFB, it does not necessarily translate into consumers' WTP since other concerns may dominate the decision process. These concerns could include a wide range of factors, such as the immediate consumption satisfaction, budget constraints, etc. Further research need be conducted to reveal the nature of the insignificant impact of these variables.

An important finding is that a consumer's or family members' health status is associated with her/his WTP for PFB. The parameter estimate suggests that if a consumer or any of his family members has diabetes, heart disease, high blood pressure, high

cholesterol, or obesity, she/he is willing to pay more for PFB. Our finding indicates that consumers now are aware of the linkage between food consumption and health. They are willing to pay more to reduce the negative impact of beef consumption by consuming more nutritious beef products.

Regarding the socio-demographic characteristics, living status and household size have significant influence on consumers WTP for PFB. The results suggest that, in general, the consumers who live alone are less willing to pay about $0.5 than consumers who do not live alone when purchasing PFB. We may infer from this result that consumers who do not live alone are more concerned with the heath of the household members and thus are willing to pay more for healthier food. However, there is a negative relationship between household size and WTP in non-single living household. The negative coefficient of household size in the WTP equation suggests that consumers from larger household are less willing to pay for PFB than these from smaller household. This may reflect the fact that larger households usually face a tighter budget constraint than smaller households. In this case, economizing on food expenditure may dominate in food purchase decision, reducing consumers' WTP for PFB as household size increases. Finally, according to the Tobit estimates, other demographic variables do not exhibit significant influence in WTP model.

Sensory Evaluation and Consumer Choice

The WTP model estimation suggests that consumers' sensory evaluation plays an important role in determining consumers WTP. However, how each of these attributes can affect consumers' beef preference is not revealed in the WTP model. We therefore

employ a Probit model to disassembly the effects of these intrinsic attributes on consumers' beef purchasing choice. The following Probit model is used to model consumers' choice behavior:

$$\begin{aligned} &Probability(consumer\ i\ chooses\ PFB) \\ &= f(DLeanMeatColor, DFatColor, DMeatTexture, DTenderness, DJuiciness, \\ &\quad DFlavor, D2, D3) \end{aligned}$$

The explanatory variables are the differences of the valuation scores of lean meat color, fat color, meat texture, tenderness, juiciness, and flavor between conventional beef sample and PFB sample, i.e. conventional beef sample score minus PFB sample score. Observations with missing responses or with "don't know" answers are dropped from the sample, hence 407 observations is used in the analysis. Table 10 presents the Probit estimates. After the estimation, we use the model to predict consumers' choices using the sample data. High percentage of the correct predictions indicates that our model performs well in explaining the impact of sensory attributes on consumer purchasing choice.

The estimates suggest that four of the six attributes significantly influence consumers' preference and carry the expected signs. The more that a consumer rates the PFB beef sample favorably in terms of its meat texture, tenderness, juiciness, and flavor, the more likely she/he will prefer PFB to conventional beef. Only one of these attributes is a visual cue; the other three are palatability attributes and have a relatively greater impact on the consumers' choice. It seems that consumers are more likely to base their choice of beef products on eating satisfaction than appearance. Considering the influence of geographic difference, the significant coefficients of the location dummies suggest that these intrinsic attributes of beef products do have discernable different impact on

consumers across different locations. Specifically, the results suggest that the likelihood of consumers' choosing PFB decreases from Middlesboro to Bluefield and to Knoxville. This may indicate that consumers living in more urban area are less likely to choose PFB over conventional beef.

Conclusion

Our analysis shows that beef products' sensory attributes play a central role in determining consumers' preferences and WTP. However, the visual attributes and the palatability attributes do not exert their influence to the same extent. Actual eating satisfaction plays a more important role in consumers' purchasing choice. As the first time in the literature, this study reveals that nutrition knowledge can significantly influence consumers' WTP. Furthermore, we found that consumers' nutrition knowledge about the functions of the four nutrients (Vitamin A, Vitamin E, CLA, Omega 3) can positively influence consumers' WTP, while the knowledge about the main food sources for these nutrients has negative impact on consumers' WTP. This may be because those consumers who are more knowledgeable about the nutrient functions are more capable of processing the nutrition information of PFB and thus put more value on PFB's nutritional attributes; at the same time, however, consumers with better food source knowledge are more knowledgeable of the food substitutes available in the market which can provide equal or better nutrition than PFB does but at a lower cost, as a result, we observe that consumers' WTP is negatively associated with their food source knowledge. The influence of consumers' beef consumption frequency is confirmed by the estimates, suggesting that consumers who consume beef at home more frequently are willing to pay

more for PFB. An important finding is that health status is associated with consumers' WTP for PFB. If a consumer or any of his family members has food related disease, she/he is willing to pay more for PFB. With respect to the impact of consumers' socio-demographic characteristics on their WTP for PFB, only consumers' living status and household size have significant impact on consumers' WTP , implying that consumers living along or from large size household are less willing to pay for PFB. It seems that socio-demographic variables play small role in explaining consumers' food behavior.

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Appendix A

Visual Evaluation

Definitions of Visual Traits of Beef
Lean meat color: the color of beef muscle
Fat color: the color of intramuscular and marbling fat
Meat texture: fineness or coarseness of the cut surface
Overall acceptability: overall like/dislike of the sample visually examined

Please evaluate the visual traits of beef samples when you examine each sample that is displayed in the retail cases, and mark the boxes that indicate how you feel about the visual attributes of each sample.

(1) Visual Evaluation: Beef sample # 1

Lean Meat Color	□ Very pale	□ Pale	□ Pink	□ Neutral	□ Red	□ Dark	□ Very dark	Don't Know ○
Fat color	□ Very white	□ White	□ Somewhat white	□ Neutral	□ Somewhat yellow	□ Yellow	□ Very yellow	Don't Know ○
Meat Texture	□ Very fine	□ Fine	□ Somewhat fine	□ Neutral	□ Somewhat coarse	□ Coarse	□ Very coarse	Don't Know ○
Overall Acceptability	□ Strongly like	□ Like	□ Somewhat like	□ Neutral	□ Somewhat dislike	□ Dislike	□ Strongly dislike	Don't Know ○

(2) Visual Evaluation: Beef sample # 2

Lean Meat Color	□ Very pale	□ Pale	□ Pink	□ Neutral	□ Red	□ Dark	□ Very dark	Don't Know ○
Fat color	□ Very white	□ White	□ Somewhat white	□ Neutral	□ Somewhat yellow	□ Yellow	□ Very yellow	Don't Know ○
Meat Texture	□ Very fine	□ Fine	□ Somewhat fine	□ Neutral	□ Somewhat coarse	□ Coarse	□ Very coarse	Don't Know ○
Overall Acceptability	□ Strongly like	□ Like	□ Somewhat like	□ Neutral	□ Somewhat dislike	□ Dislike	□ Strongly dislike	Don't Know ○

Which sample of beef do you prefer?
□ Sample 1 □ Sample 2 □Indifferent

Palatability Evaluation

Definitions of Palatability Traits of Beef

Tenderness: the force required to bite through a piece of beef
Flavor: the taste of beef
Juiciness: the perception of moistness
Overall acceptability: overall like/dislike of the sample tasted

Please evaluate the palatability traits of beef samples when you taste each sample, and mark the boxes that indicate how you feel about the palatability attributes of each sample.

(1) Palatability Evaluation: Beef sample # 1

Tenderness	□ Very tender	□ Tender	□ Somewhat tender	□ Neutral	□ Somewhat tough	□ Tough	□ Very tough	Don't Know ○
Juiciness	□ Very juicy	□ Juicy	□ Somewhat juicy	□ Neutral	□ Somewhat dry	□ Dry	□ Very dry	Don't Know ○
Flavor	□ Very intense	□ Intense	□ Somewhat intense	□ Neutral	□ Somewhat bland	□ Bland	□ Very bland	Don't Know ○
Overall Acceptability	□ Strongly like	□ Like	□ Somewhat like	□ Neutral	□ Somewhat dislike	□ Dislike	□ Strongly dislike	Don't Know ○

Please cleanse your palate with a sip of water between samples.

(2) Palatability Evaluation: Beef sample # 2

Tenderness	□ Very tender	□ Tender	□ Somewhat tender	□ Neutral	□ Somewhat tough	□ Tough	□ Very tough	Don't Know ○
Juiciness	□ Very juicy	□ Juicy	□ Somewhat juicy	□ Neutral	□ Somewhat dry	□ Dry	□ Very dry	Don't Know ○
Flavor	□ Very intense	□ Intense	□ Somewhat intense	□ Neutral	□ Somewhat bland	□ Bland	□ Very bland	Don't Know ○
Overall Acceptability	□ Strongly like	□ Like	□ Somewhat like	□ Neutral	□ Somewhat dislike	□ Dislike	□ Strongly dislike	Don't Know ○

Which sample of beef do you prefer?
□ Sample 1 □ Sample 2 □Indifferent

Appendix B

Nutritional Facts about Pasture-Fed Beef[9]

Compared to the conventional beef*, pasture-fed beef has:

- **Higher concentrations of ß-carotene (also called ProVitamin A)**

Pasture-fed steers incorporate higher amounts of β-carotene into muscle tissues as compared to grain-fed animals. β-carotene is a safe dietary source for vitamin A supplementation. Vitamin A is a critical fat-soluble vitamin that is important for normal vision, bone growth, reproduction, cell division, and cell differentiation.

- **Higher concentrations of vitamin E**

The concentration of natural vitamin E found in pasture fed beef is 2 - 4 times higher than that found in conventional beef. Vitamin E supplementation may help prevent or delay coronary heart disease, block the formation of nitrosamines, and protect against the development of cancers by enhancing immune function.

- **Higher levels of Omega-3 fatty acids**

Omega-3 fatty acids are essential fatty acids but cannot be produced by human body and they must thus be obtained from food. A proper balance of Omega-6/Omega-3 ratio helps maintain and improve health. Beef from cattle fed primarily on grass has approximately 60% more Omega-3 fatty acids than conventional beef and a more favorable Omega-6 to Omega-3 ratio.

- **Higher levels of Conjugated Linoleic Acid (CLA)**

Pasture-fed cattle produce 2 to 3 times more CLA than conventional beef. Animal tests results have suggested that numerous health benefits can be attributed to CLA, including actions to reduce carcinogenesis, atherosclerosis, onset of diabetes, and fat body mass.

* Conventional beef refers to beef produced from cattle fed in confinement on concentrate-only diets.

[9] Daley, C.A., A.Abbott, P. Doyle, G. Nader, and S. Larson. California State University, College of Agriculture, University of California Cooperative Extension Service. (2006, May). A literature review of the value-added nutrients found in grass-fed beef products.

Appendix C

Beef Consumer Survey

1 Qualifying Questions

1.1 Do you eat beef? □ Yes □ No

If Yes: would you like to participate in a 10 minute survey and a taste test for $10?

If Yes, continue; otherwise terminate.

1.2 Are you over the age of 18? □ Yes □ No

If Yes, continue; otherwise terminate.

1.3 Are you the primary person who purchases food for your household? □ Yes □ No

1.4 Are you the primary person who prepares food for your household? □ Yes □ No

Respondent must answer Yes to either 1.3 or 1.4 to continue; otherwise terminate.

2 Beef Purchasing Behavior

2.1 Does the beef you consume at home usually come from the supermarket? □ Yes □ No

If **No**, where do you get it?

□ Health/Natural Foods Store

□ Farmers Market/Local Cooperative

□ Directly from Producer

□ Internet or Direct Mail Order

2.2 How many times a week does your household typically eat beef prepared at home?

□ Less than once

□ 1 – 2 times

□ 3 or more times

2.3 How frequently do you typically purchase each of the following types of beef?

	At least once a week	2-3 times a month	About once a month	Less than once a month	Never
Ground beef	□	□	□	□	□
Steak	□	□	□	□	□
Roast	□	□	□	□	□

2.4 When you purchase beef, how many pounds of the following types of beef do you typically purchase at a time?

Ground beef: _____lbs or □ Do not purchase

Steak: _____lbs or □ Do not purchase

Roast: _____lbs or □ Do not purchase

2.5 How much does your household spend on food that will be consumed at home during a typical week or month?

$ _____ □ per week □ per month

2.6 Do you usually do your main supermarket shopping on one particular day of the week?

□ Yes □ No

If **Yes**, what day(s) of the week do you usually do your main supermarket shopping?

(Check all that apply)

□ Monday □ Tuesday □ Wednesday □ Thursday □ Friday □ Saturday □ Sunday

2.7 Do you usually go to the supermarket more often at a particular time of day?

□ Yes □ No

If **Yes**, when do you usually go to the supermarket of day?

□ Morning □ Noon □ Afternoon □ Evening

Other:_____(Please specify)

2.8 What is your experience with "natural" beef? (Natural beef is minimally processed, and it cannot contain any artificial ingredients and any preservatives. Examples: Coleman's, Laura's Lean, etc.)

□ I have never heard of it.

□ I have heard of it, but never consumed it.

□ I have consumed it, but do not regularly consume it.

□ I consume it regularly.

2.9 What is your experience with "organic" beef? (Organic beef is USDA certified and it has USDA Organic seal on labels.)

□ I have never heard of it.

□ I have heard of it, but never consumed it.

□ I have consumed it, but do not regularly consume it.

□ I consume it regularly.

2.10 What is your experience with "pasture-fed," "grass-fed" or "pasture-raised" beef?

□ I have never heard of it.

□ I have heard of it, but never consumed it.

□ I have consumed it, but do not regularly consume it.

□ I consume it regularly.

2.11 What is your expectation or impression regarding pasture-fed beef's…

impact on *human health*?	□ Negative	□ Neutral	□ Positive	□ No expectation
impact on *environment*?	□ Negative	□ Neutral	□ Positive	□ No expectation
impact on *animal welfare*?	□ Negative	□ Neutral	□ Positive	□ No expectation
taste compared to conventional beef?	□ Worse	□ Indifferent	□ Better	□ No expectation

3 Exercise and Health

3.1 How frequently do you undertake moderate or vigorous physical activities (including any activities that cause an increase in your heart or breathing rate so that you can talk but not sing, such as brisk walking, bicycling, vacuuming or other forms of exercise)?

□ Less than once a week

□ 1 – 2 times a week

□ 3 or more times a week

3.2 Have you ever been diagnosed by a medical professional with any of the following? (Check all that apply)

□ Diabetes □ Heart disease. □ High blood pressure

□ High Cholesterol □ Obesity □ None of the above

3.3 Have any of your family members been diagnosed by a medical professional with any of the following? (Check all that apply)

□ Diabetes □ Heart disease. □ High blood pressure

□ High Cholesterol □ Obesity □ None of the above

3.4 How often do you read nutrition labels when deciding to buy a food product?

□ Always □ Rarely □ Never

□ Most of the time □ Sometimes □ Don't know

3.5 How often do you read health claims on packages when deciding to buy a food product? (Such as "low fat," "low cholesterol"…)

□ Always □ Rarely □ Never

□ Most of the time □ Sometimes □ Don't know

.

3.6 Please indicate whether you agree or disagree with the following statements

(1). High levels of vitamin A in the body are toxic.

□ Agree □ Disagree □ Not sure

(2). Vitamin E can help protect against the development of cardiovascular disease and cancer.

□ Agree □ Disagree □ Not sure

(3). Omega 3 fatty acids can help reduce the risk of heart attacks.

□ Agree □ Disagree □ Not sure

(4). CLA (conjugated linoleic acid) has an anti-cancer effect.

□ Agree □ Disagree □ Not sure

3.7 Please indicate whether you agree or disagree with the following statements

(1). Beta-carotene is a safe dietary source for vitamin A.

□ Agree □ Disagree □ Not sure

(2). Nuts and green leafy vegetables are good sources of Vitamin E.

□ Agree □ Disagree □ Not sure

(3). Canola and soybean oils are good sources of Omega 3 fatty acids.

□ Agree □ Disagree □ Not sure

(4). Butterfat and meat are good food sources of CLA.

□ Agree □ Disagree □ Not sure

4 Demographic Information

4.1 What is your gender? □ Male □ Female

4.2 What year were you born? _____

4.3 Which of the following options best describes your living arrangement?

□ Live alone □ Live with spouse / partner

□ Live with unrelated people □ Live with spouse / partner and children

□ Live with extended family □ Live with children

4.4 Including yourself, how many individuals currently live in your household? _____

a) How many infants (0-2 years old) are there in your household? _____

b) How many children (3-17 years old) are there in your household? _____

c) How many adults (between the age of 18-64) are there in your household? (Including yourself) _____

d) How many seniors (over the age of 65) are there in your household? (Including yourself) _____

4.5 What is your ethnicity?

□ White □ Native Hawaiian or other Pacific Islander

□ Black or African American □ Other_____

□ Asian □ Not Sure

□ American Indian/Alaskan Native

4.6 Are you of Hispanic or Latino background?

□ Yes □ No □ Not Sure

4.7 What is the highest level of education you have completed?

□ No high school diploma or equivalent
□ High school diploma or equivalent
□ Some college/technical school
□ Associate's degree
□ Bachelor's degree
□ Graduate or professional degree

4.8 What is your current employment status?

□ Employed part time (including students who work on campus or off campus)
□ Student (full time)
□ Employed full time
□ Unemployed
□ Homemaker (unpaid)
□ Retired
□ On disability

4.9 What is your spouse's/partner's current employment status?

□ Not applicable
□ Employed part time (including students who work on campus or off campus)
□ Employed full time
□ Unemployed
□ Homemaker (unpaid)
□ Retired
□ On disability

4.10 What is your approximate annual household income before taxes?

- □ Less than $10,000
- □ $10,000 - $19,999
- □ $20,000 - $29,999
- □ $30,000 - $39,999
- □ $40,000 - $49,000
- □ $50,000 - $59,999
- □ $60,000 - $69,999
- □ $70,000 - $79,000
- □ $80,000 - $89,999
- □ $90,000 - $99,999
- □ More than $100,000

4.11 Do you or any member of your household currently participate in any of the following food assistance programs?

- □ Food Stamp Program (FSP)
- □ Women, Infants and Children Program (WIC)
- □ School Lunch program
- □ None

Appendix D

Pasture-fed Beef Evaluation

Overall, which sample of beef do you prefer?

□ Sample 1 (Pasture-fed beef) □ Sample 2 (Conventional beef) □Indifferent

If the answer is **Indifferent,** you can stop here and this completes the survey.

Supermarket price of conventional beef: _____/lb

Supermarket price of natural beef: _____/lb

Supermarket price of organic beef: _____/lb

If you preferred conventional beef, how much would the pasture-fed beef have to be **discounted** compared to the price of conventional beef for you to buy it instead of conventional beef?

$_____/lb

If you preferred pasture-fed beef, how much **more** would you be willing to pay to trade your conventional beef for an equivalent amount of pasture-fed beef?

$_____/lb

What factors influence your preference for/against the pasture-fed beef relative to the conventional beef? (Check all that apply)

□ Eye appeal

□ Flavor

□ Tenderness

□ Juiciness

□ Health benefits

□ Other (please specify): _____

Appendix E

Beef Preparation

A. Experimental Beef

Conventional beef used in the experiments was the New York strip steaks sold at the experimental supermarket stores. Pasture-fed beef used in the experiments was fresh pasture-fed New York strip steaks shipped from a beef supplier in Georgia to experimental supermarket stores the day before the experiments.

B. Visual Test

Participants were presented with conventional beef and pasture-fed beef samples cut into 1/2 pound of weight and ½ inch thick. Similar shape and size of the beef samples were carried on disposable 12 inch deli trays labeled Sample 1 or Sample 2. In every one hour, old samples were replaced by newly cut samples to ensure freshness of the beef samples.

C. Palatability Test

Raw beef samples for palatability test were cut into 1/2 inch cubes. When a participant started the written part of the survey, a sample of pasture-fed beef and a sample of conventional beef were put on a potable Hamilton Beach indoor electric grill at high temperature. Each sample was cooked for 5 minutes with each side grilled for 50 seconds. Taste samples were carried in small disposable plastic cups labeled Sample 1 and Sample 2 and served hot. Between sample 1 and sample 2 taste sessions, a small cup of distilled pure water was provided to participants for mouth raisin.

D. Auction

Conventional New York strip and pasture-fed New York strip used at auction stage were cut into ½ inch thick and1 pound of weight packs. Similar shape and fat content were ensured to avoid choice bias.

Appendix F: Tables and Figures

Table 1. Characteristics of Experiment Participants

		Knoxville (N =141)		Middlesboro (N=161)		Bluefield (N=124)		Overall (N=426)	
Variable	Definition	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
GENDER	Male=1, 0 otherwise	0.29	0.46	0.33	0.47	0.39	0.49	0.33	0.47
AGE	Participant's age	4.04	1.59	3.51	1.50	4.20	1.42	3.89	1.54
	1 if <=24 2 if >24 and <=34 3 if >34 and <=44 4 if >44 and <=54 5 if >54 and <=64 6 if >64								
HOUSEHOLDSIZE	Number of people in participant's household	2.33	1.33	2.89	1.35	2.73	1.39	2.65	1.37
ETHNICITY	White=1, Black=2, Other=3	1.12	0.42	1.04	0.22	1.05	0.28	1.07	0.32
EDU	No high school diploma or equivalent =1 High school diploma or equivalent = 2 Some college/technical school = 3 Associate's degree = 4 Bachelor's degree = 5 Graduate or professional degree = 6	4.10	1.39	2.69	1.32	3.41	1.50	3.37	1.52

		Knoxville (N =141)		Middlesboro (N=161)		Bluefield (N=124)		Overall (N=426)	
Variable	Definition	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
INCOME	Less than $10,000 = 1	5.47	3.20	3.94	2.49	5.04	2.87	4.76	2.92
	$10,000 - $19,999 = 2								
	$20,000 - $29,999 = 3								
	$30,000 - $39,999 = 4								
	$40,000 - $49,000 = 5								
	$50,000 - $59,999 = 6								
	$60,000 - $69,999 = 7								
	$70,000 - $79,000 = 8								
	$80,000 - $89,999 = 9								
	$90,000 - $99,999 = 10								
	More than $100,000 = 11								
SINGLE	Live alone =1, Otherwise = 0	0.30	0.46	0.10	0.30	0.13	0.34	0.18	0.38

Table 2. Population Socio-demographic Characteristics of the Experimental Area

Variable	Definition	Knoxville Mean(Median)	Middlesboro Mean(Median)	Bluefield Mean(Median)
GENDER	Male=1, 0 otherwise	0.49	0.46	0.46
AGE	Participant's age (year)	33.9(median)	38.6(median)	42.2(median)
HOUSHOLDSIZE	Number of people in participant's household	2.07	2.30	2.23
ETHNICITY	White=1, Other=0	0.80	0.93	0.76
EDU	No high school diploma or equivalent =1 High school diploma or equivalent = 2 Some college/technical school = 3 Associate's degree = 4 Bachelor's degree = 5 Graduate or professional degree = 6	3.12	2.21	2.88
INCOME	Dollars	34185(median)	19565(median)	27672(median)
SINGLE	Live alone=1, Otherwise = 0	0.41	0.32	0.35

Source: American Community Survey, U.S. Census Bureau. Knoxville: 2005-2007 data. Middlesboro and Bluefield: 2000 data.

Table 3. Consumer Preference for Pasture-Fed Beef / Conventional Beef

Preference		Knoxville(N=141)		Middlesboro(N=161)		Bluefield (N=124)		All Regions	
		Proportion	S.E.	Proportion	S.E.	Proportion	S.E.	Proportion	S.E.
Based on visual test	Pasture-fed beef	0.58	0.04	0.50	0.04	0.58	0.04	0.54	0.02
	Conventional beef	0.36	0.04	0.45	0.04	0.36	0.04	0.41	0.02
	Indifferent	0.06	0.02	0.05	0.02	0.06	0.02	0.05	0.01
Based on palatability test	Pasture-fed beef	0.38	0.04	0.39	0.04	0.35	0.04	0.40	0.02
	Conventional beef	0.59	0.04	0.56	0.04	0.61	0.04	0.56	0.02
	Indifferent	0.03	0.02	0.05	0.02	0.04	0.02	0.04	0.01
Over all	Pasture-fed beef	0.38	0.04	0.40	0.04	0.38	0.04	0.42	0.02
	Conventional beef	0.59	0.04	0.57	0.04	0.57	0.04	0.55	0.02
	Indifferent	0.03	0.01	0.03	0.01	0.05	0.02	0.03	0.01

Table 4. Pasture-Fed Beef Auction Bids by Location

	Knoxville (obs=54)				Middlesboro (obs=65)				Bluefield (obs=46)			
	Mean	S.D.	Min	Max	Mean	S.D.	Min	Max	Mean	S.D.	Min	Max
WTP	2.07	1.84	0	10	1.71	1.62	0	6	1.66	1.45	0	6

Table 5. Pasture-Fed Beef Auction Bids by Treatment Group

	Treatment A(obs=60)				Treatment B(obs=62)				Treatment C (obs=43)			
	Mean	S.D.	Min	Max	Mean	S.D.	Min	Max	Mean	S.D.	Min	Max
WTP	1.61	1.82	0	10	1.74	1.26	0	5	2.20	1.87	0	6

Table 6. Wilcoxon-Mann-Whitney Test of the Auction Bids for Pasture-Fed Beef between Locations

	Knoxville (obs=54)	Middlesboro (obs=65)	Bluefield (obs=46)
Knoxville		0.134	0.248
		0.578	0.566
		0.422	0.434
Middlesboro			0.845
			0.489
			0.511

Note: In each comparison, the first number is the probability that the mean bid of the row location equals the column location. The second number is the probability that the random draw from the row location is greater than the random draw from the column location. The third number is the probability that the random draw from the row location is less than the random draw from the column location.

Table 7. Wilcoxon-Mann-Whitney Test of the Auction Bids for Pasture-Fed Beef between Treatments

	Treatment A(obs=60)	Treatment B(obs=62)	Treatment C (obs=43)
Treatment A		0.084 0.311 0.589	0.035 0.379 0.621
Treatment B			0.572 0.468 0.532

Note: In each cell, the first number is the probability that the mean bid of the row treatment group equals the column treatment group. The second number is the probability that the random draw from the row treatment group is greater than the random draw from the column treatment group. The third number is the probability that the random draw from the row treatment group is less than the random draw from the column treatment group.

Table 8. Variable Description

Variable	Description	Scale	Mean	S.D.	N
Dependent					
wtp	Willingness-To-Pay	>=0, continuous	0.7089	1.3607	404
Independent					
Tb	Treatment B	1=Treatment B,0 otherwise	0.3614	0.4810	404
Tc	Treatment C	1=Treatment C,0 otherwise	0.2599	0.4391	404
Freq	Beef consumption frequency per week		2.3515	0.6062	404
		1=Less than once			28
		2=1 or 2 times			206
		3=3 or more times			170
Experience	Consumption experience about PFB	1=Yes, 0 otherwise	0.5767	0.4947	404
Exph	Impression of pasture-fed beef's impact on human health	1= positive, 0 otherwise	0.4505	0.4982	404
Expe	Impression of pasture-fed beef's impact on environment	1= positive, 0 otherwise	0.4530	0.4984	404
Expa	Impression of pasture-fed beef's impact on animal welfare	1= positive, 0 otherwise	0.4604	0.4990	404
Disease	If the participant and her/his household member has ever been diagnosed with any of the five food-related diseases	1=Yes, 0 otherwise	0.8663	0.3407	404

Variable	Description	Scale	Mean	S.D.	N
Df	Nutrient function knowledge	0-4,(low to high)	1.4827	1.1037	404
		0			86
		1			127
		2			120
		3			52
		4			19
Ks	Food source knowledge	0-4(low to high)	1.6609	1.2469	404
		0			98
		1			90
		2			88
		3			107
		4			21
Dlcolor	Difference of lean meat color evaluation scores: conventional beef minus pasture-fed beef	-6 to 6	-0.8540	1.3718	404
Dfcolor	Difference of fat color evaluation scores: conventional beef minus pasture-fed beef	-6 to 6	-0.3713	1.8307	404
Dtexture	Difference of meat texture evaluation scores: conventional beef minus pasture-fed beef	-6 to 6	0.0693	1.8112	404
Dtender	Difference of tenderness evaluation scores: conventional beef minus pasture-fed beef	-6 to 6	-0.3366	2.0851	404
Djuicy	Difference of juiciness evaluation scores: conventional beef minus pasture-fed beef	-6 to 6	0	1.6921	404
Dflavor	Difference of flavor evaluation scores: conventional beef minus	-6 to 6	-.2921	1.6904	404

Variable	Description	Scale	Mean	S.D.	N
	pasture-fed beef				
Age	Participant's age		3.9035	1.5396	404
		1 if <=24			33
		2 if >24 and <=34			53
		3 if >34 and <=44			67
		4 if >44 and <=54			93
		5 if >54 and <=64			83
		6 if >64			75
Single	Marital status	1=single, 0 otherwise	0.1733	0.3790	404
Householdsize	Household size	>=1, integers	2.6485	1.3642	404
Ethnicity	Participant's ethnicity	1=White, 0=otherwise	0.9554	0.2066	404
Edu	Education level		3.3342	1.5026	404
		1=No high school diploma or equivalent			34
		2= High school diploma or equivalent			106
		3=Some college/technical school			113
		4=Associate’s degree			37
		5=Bachelor’s degree			70
		6=Graduate or professional degree			44

Variable	Description	Scale	Mean	S.D.	N
Income	Household income level		4.7451	2.9151	404
		1=Less than $10,000			33
		2=$10,000 - $19,999			75
		3=$20,000 - $29,999			68
		4=$30,000 - $39,999			49
		5=$40,000 - $49,000			42
		6=$50,000 - $59,999			36
		7=$60,000 - $69,999			30
		8=$70,000 - $79,000			18
		9=$80,000 - $89,999			10
		10=$90,000 - $99,999			9
		11=More than $100,000			34
D2	location dummy	1= Middlesboro, 0 otherwise	0.3861	0.4875	404
D3	location dummy	1= Bluefield, 0 otherwise	0.2896	0.4541	404

Table 9. Tobit Estimates of WTP Equation

			Marginal Effects	
Variable	Coefficient	S.E.	Unconditional Expected Value	Conditional on being Uncensored
Constant	-2.70	1.27		
Tb	-0.23	0.44	-0.08	-0.06
Tc	-0.72	0.56	-0.23	-0.20
Freq	0.56**	0.27	0.18**	0.16**
Experience	-0.03	0.31	-0.01	-0.01
Exph	-0.19	0.48	-0.06	-0.05
Expe	0.44	0.49	0.14	0.12
Expa	-0.12	0.43	-0.04	-0.03
Disease	1.20**	0.54	0.39**	0.33**
Kf	0.50***	0.17	0.16***	0.14***
Ks	-0.40***	0.15	-0.13***	-0.11***
Dlcolor	0.33*	0.18	0.11*	0.09*
Dfcolor	0.09	0.14	0.03	0.03
Dtexture	0.26*	0.14	0.08*	0.07*
Dtender	0.58***	0.16	0.19***	0.16***
Djuicy	0.49**	0.22	0.16**	0.14**
Dflavor	-0.10	0.18	-0.03	-0.03
Tb*Dlcolor	-0.52**	0.27	-0.17**	-0.14**
Tb*Dfcolor	-0.49**	0.25	-0.16**	-0.14**
Tb*Dtexture	0.07	0.20	0.02	0.02
Tb*Dtender	0.16	0.28	0.05	0.04
Tb*Djuicy	-0.19	0.32	-0.06	-0.05
Tb*Dflavor	0.28	0.29	0.09	0.08
Tc*Dlcolor	-0.66**	0.33	-0.21**	-0.18**

			Marginal Effects	
Variable	Coefficient	S.E.	Unconditional Expected Value	Conditional on being Uncensored
Tc*Dfcolor	-0.35	0.33	-0.12	-0.10
Tc*Dtexture	0.12	0.24	0.04	0.03
Tc*Dtender	-0.34	0.28	-0.11	-0.09
Tc*Djuicy	0.01	0.32	0.00	0.00
Tc*Dflavor	0.92***	0.30	0.30***	0.25***
Gender	-0.30	0.33	-0.10	-0.08
Age	-0.02	0.11	-0.01	-0.01
Single	-1.54***	0.52	-0.50***	-0.43***
Householdsize	-0.25*	0.14	-0.08*	-0.07*
Ethnicity	0.24	0.73	0.08	0.07
Edu	0.10	0.12	0.03	0.03
Income	-0.04	0.06	-0.01	-0.01
D2	-0.05	0.42	-0.02	-0.01
D3	-0.39	0.42	-0.13	-0.11
Likelihood-Ratio Test, χ^2	230.86			

Notes: (*) denotes statistical significance at least at a=0.1. (**) denotes statistical significance at least at a=0.05. (***) denotes statistical significance at least at a=0.01.

Table 10. Probit Estimates for Consumer Choice Equation

	Coefficients	Std.Err	Marginal Effect	Std.Err
Constant	-0.7417	0.2166		
Dlcolor	-0.0049	0.0784	-0.0016	0.0255
Dfcolor	-0.0208	0.0736	-0.0068	0.0239
Dtexture	0.2397***	0.0622	0.0781	0.0197
DTender	0.6419***	0.0886	0.2090	0.0272
DJuicy	0.4626***	0.0887	0.1506	0.0287
DFlaor	0.3954***	0.0846	0.1287	0.0284
d2	0.6668***	0.2542	0.2244	0.0860
d3	0.4725*	0.2666	0.1618	0.0940
Percentage of correct predictions	89%			

Notes: (*) denotes statistical significance at least at a=0.1. (**) denotes statistical significance at least at a=0.05. (***) denotes statistical significance at least at a=0.01.