

CMD 528

528 – A hedonic model of beef product prices: Implications for willingness-to-pay for quality and convenience

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Research Summary

Efforts are underway to further enhance and incorporate quality and convenience characteristics in beef products. Examples of products with such characteristics include: a beef patty containing Omega-3 fatty acid; ready-to-eat or ready-to-cook (i.e. oven ready) beef cuts; various fresh, frozen, and prepared beef cuts; and beef products from production systems which do not use animal proteins, or are based on pasture and forage finishing programs. Presumably, the trend towards enhanced quality and convenience products reflects an underlying trend in market demand and cattle and beef firms' ability to respond to such trends. Development of beef products with enhanced quality and convenience characteristics, and meat products in broader terms, necessitates a better understanding of how the marketplace values the characteristics of such products. The project will investigate how quality and convenience characteristics affect the price of beef products in Canada. This will be accomplished using a hedonic analysis of retail level beef prices in Canada over the period 2002 to 2006.

Significance of Research

1. Identifying the extent to which the market values of beef products with enhanced quality and convenience characteristics will aid in directing future product development and commercialization programs.
2. Decomposition of characteristic values will provide lower-bounds to willing-to-pay for the observed quality and convenience. Such economic information is useful when deciding whether new beef products will improve producer or processor profit margins, and in developing policies which encourage enhanced quality food products.
3. Results will help illustrate the impact of BSE on the price of various beef cuts and types, and illustrate the value-impact on non-animal protein feeding regimes in Canada's post-BSE market place.
4. A better understanding of the price structure of beef products serves to inform the broader literature related to food quality.