

# Potential Retail Value of Pre-Harvest Food Safety and Animal Welfare Certification

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### Background

Among the most important concerns facing the beef industry is consumer demand. Prosperity of all sectors of the industry relies critically upon producing products consumers want and maintaining consumer trust in beef products. Prominent among the long list of demand drivers are attributes consumers simply expect of beef products including industry measures taken to ensure food safety and that producers follow animal friendly production practices. A recent survey conducted by Drovers's CattleNetwork, indicates producers share similar sentiments as more than 1,100 cattle producer respondents to an on-line survey ranked "animal well-being" as their most important concern and "assuring beef quality and safety" ranked sixth on the list.<sup>1</sup>

However, in recent years several highly publicized food safety breaches and/or animal welfare concerns have surfaced in the beef industry. Such events reduce customer and consumer trust in the product and the industry. Food safety events have lead to rapid substantial economic losses to the industry as market access can be restricted, product recalls occur, and liability costs arise. Animal welfare breaches reduce consumer trust in livestock production and often result in increased regulation and regulatory compliance costs. One way to regain and enhance consumer trust is through proactive interventions and practices to address concerns, increase transparency and information sharing regarding food safety and animal welfare practices, and develop independent third-party audits. The purpose of this study was to determine retailer reaction to beef that certified to possess a bundling of enhanced food safety and assured animal welfare production practices. Essentially, we set out to determine the value retailers would place on such

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<sup>1</sup> <http://www.cattlenetwork.com/drovers/columns/Survey-suggests-producers-are-optimistic-182417721.html>

a third-party certification system that cattle producers could design and adopt to increase customer and consumer trust in the production process and thus beef products they purchase.

This is the third in a series of fact sheets exploring the value of pre-harvest enhanced food safety and animal welfare certification. The first fact sheet assessed animal welfare practices of cattle feeders in Kansas.<sup>2</sup> The animal welfare practices fact sheet provides guidelines for animal friendly production practices that could constitute assured animal welfare certification. A second fact sheet assessed the costs cattle feeders would incur in adopting cattle vaccination protocols to reduce post-harvest prevalence of *Escherichia coli* O157:H7 (*E. coli*).<sup>3</sup> Such a vaccination plan could be part of an enhanced beef food safety certification by cattle producers. The purpose of this fact sheet is to summarize results of interviews conducted with retailers regarding their preferences for, and willingness-to-pay for beef specifically produced under a third-party certified pre-harvest food safety enhancement and animal welfare assured production system. That is, we set out to determine if cattle producers certified the procedures outlined in the two fact sheets regarding animal welfare and food safety enhancements, would retailers value this and be willing to pay more for beef produced with such a certification.

### **Approach**

The approach taken was to interview retail meat buyers and/or managerial staff to determine their perceptions of beef food safety and animal welfare associated with the beef they procure and present to consumers in their retail grocery stores. A total of 41 retail beef buyers from different retail grocery firms were contacted to invite them to participate in our study which involved about a 30-minute telephone interview. The 41 retailers represented a broad spectrum of grocers including large national firms with stores located across the United States (as well as stores in other countries) to small grocers with only regional or local presence. We assured the retailers that their participation was entirely voluntary and that the information we collected would only be reported in summarized fashion and no individual retailer would be identified in our study. Ten retailers agreed to participate in our survey and completed the interview during March and April 2012. The low participation rate in itself is interesting as it illustrates some combination of lack of time willing to devote to the survey process, company policy prohibiting

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<sup>2</sup> <http://www.agmanager.info/livestock/marketing/AnimalWelfare/BeefWelfareAssessment.pdf>

<sup>3</sup> [http://www.agmanager.info/livestock/budgets/production/beef/TCS\\_FactSheet\\_EcoliVaccination\\_12-07-12.pdf](http://www.agmanager.info/livestock/budgets/production/beef/TCS_FactSheet_EcoliVaccination_12-07-12.pdf)

sharing such information, lack of trust in confidentiality of our survey, or lack of interest. Those who did agree to participate as such are likely not a representative sample and may represent those with most interest in such issues as food safety and animal welfare assurances.

Participants included a wide array of retail grocery firm sizes from a few large national grocers owning more than 1,000 stores, some owning 100-1,000 stores, and several small grocers with fewer than 20 stores. Six of the retailers interviewed had stores located across the nation, and others were mostly serving Midwest or East Coast locations. All participants were asked the same five questions as well as follow-up discussion for each question. The five questions presented in order were:

1. What factors do you consider in your beef purchasing decisions?
2. To what extent do food safety and animal welfare issues influence your beef purchasing behavior?
3. Would you be interested in a product that has enhanced food safety certification?
4. Would you be interested in a product that has animal welfare assurance certification?
5. What do you think the premium for an enhanced food safety and welfare assurance certification on beef products would be worth?

## Results

Seven of the 10 retailers interviewed indicated that they had been part of a food safety recall and all of these had occurred most recently within the past five years. The factors most often listed as influencing purchasing decisions for beef relative to question 1 included product quality (8 respondents), safety (5), and price (4). Other factors mentioned included product freshness, cuts or products available, and grade or trim specifications. Question 1 was asked before any information about the purpose of the survey was revealed to the participants. Therefore, we attempted to elicit unbiased responses to question 1 to avoid framing their responses around food safety and animal welfare. If the respondent did not list food safety as highest priority, a follow up question was asked about how food safety would rank. When probed further all 10 respondents indicated food safety was in fact their highest priority. A couple of quotes from the respondents help to illustrate the importance of food safety:

*“Safety is a non-negotiable factor. If the safety factor is not there, then the product is not considered.” - Anonymous retailer*

*“On one side you should have food safety by itself, with quality, price, service and other factors on the other.” - Anonymous retailer*

Seven of the 10 retailers indicated they would prefer beef products that had both food safety and welfare assurance certifications. Three of the 10 indicated that such a certification already existed and that they purchase certified safe products. The retailers tended to be more interested in purchasing beef products having such certification if the certification provided value to their customers and was labeled as such in the retail counter.

When asked about how much of a premium they would be willing to pay for beef that was certified as food safety enhanced and animal welfare assured, most retail meat buyers were unable or unwilling to provide an answer. They were inclined to want to pass any costs associated with certification directly on to consumers or make sure the costs were split among industry sectors. One retail buyer summarized his sentiment as: “The prices of meat are already too high and an additional increase in price would be ridiculous.” Four retailers were willing to provide estimates of the potential premium a food safety and animal welfare assured certification would be worth. Two quoted price premiums of \$0.01 to \$0.02 per retail pound of beef and two indicated \$0.02 to \$0.05 per pound premiums might be reasonable. During the time of the interviews, the average U.S. retail beef price was about \$5.00 per pound, so the price premiums quoted represent at most a retail price premium of 1% for a bundled food safety enhanced and animal welfare assured product.

### **Concluding Observations**

We found many retailers unwilling to discuss beef product preferences with us over the phone. This is not surprising given the competitive nature of the retail grocery industry, the sensitivity of the topic, and the fact we did not have an established relationship with most of these folks. Only about 25% of the retailers contacted were willing to grant us an interview when we approached them indicating that we wanted to visit with them about their beef product purchase preferences. In the future, in-person interviews may be one way to attempt to increase participation by retailers, but such interviews are very costly to administer, and may not increase participation rates.

Retailers that participated clearly indicated beef food safety is one of their highest priorities in beef product retailing. A few retailers also indicated that animal welfare assurances were increasingly gaining importance to them, but this sentiment was revealed only after probing this topic and it was not mentioned as a high priority in open-ended questions. This does not mean animal welfare is not important to retailer grocers, but it was not at the top of most of their concerns at the time our survey was conducted. Retailers generally supported having enhanced food safety and welfare assured certification in the beef industry but they were concerned about potential costs associated with such certification, who would incur the costs, and whether such certification could be presented to consumers through retail packaged labeling. Retailer grocers revealed strong desires to supply beef products that provide value to consumers, and to the extent consumers reveal specific product assurance preferences, they will strive to offer products possessing such characteristics.