



Consumer Focus

► by Emily Caldwell, Ohio State University

Premium prices for local producers

New research suggests that the average supermarket shopper is willing to pay a premium price for locally produced foods, providing some farmers an attractive option to enter a niche market that could boost their revenues.

Finding a niche

The study also showed that shoppers at farm markets are willing to pay almost twice as much extra as retail grocery shoppers for the same locally produced foods. Both kinds of shoppers also will pay more for guaranteed fresh produce and tend to favor buying food produced by small farms compared to what they perceive as corporate operations, according to the study.

“Our conclusion is that if a farmer wants to consider producing food for local distribution and marketing it locally, there are people who are willing to pay more for it,” said Marvin Batte, a co-author of the study and the Fred N. VanBuren

professor of agricultural, environmental and development economics at Ohio State University (OSU). “We are not saying that we should be producing all of our foods locally, just that this may be a viable, profitable activity for farmers.”

And what’s good for farmers also benefits consumers in this case, said Batte, director of the research project.

“This is an indication that certain groups out there value locally produced food and, if farmers deliver that, it makes these consumers happier, so it’s good for them, too,” he said.

Most of the survey was conducted in late 2005. Batte said the findings — and

his contention that not all food should be produced locally — still apply today, even in the face of rising fuel and food prices. Many food crops that thrive in specific types of climates cannot be efficiently and affordably produced for local distribution elsewhere. And, he said, those who buy local food to support nearby growers likely would be even more motivated to lend that support in a flagging economy.

The study is published in the May 2008 issue of the *American Journal of Agricultural Economics*.

The researchers surveyed shoppers at 17 Midwestern locations, including seven retail grocery stores, six on-site farm markets and four farmers’ markets hosting sellers from multiple farms. The researchers used data from 477 surveys.

The survey presented shoppers with two product options. Both were baskets of strawberries, but they were presented with

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Recipe of the Month: Mojo Beef Kabobs

Ingredients:

- 1 lb. boneless beef top sirloin steak* cut 1-in. thick
- 1 tsp. coarse-grind black pepper
- 1 large lime, cut into 8 wedges
- 1 small red onion, cut into 8 thin wedges
- 1 container grape or cherry tomatoes (about 10 oz.)

Mojo Sauce:

- ¼ cup fresh orange juice
- ¼ cup fresh lime juice
- 3 Tbs. finely chopped fresh oregano
- 3 Tbs. olive oil
- 2 Tbs. finely chopped fresh parsley
- 1 tsp. ground cumin
- 1 tsp. minced garlic
- ¾ tsp. salt

Instructions:

1. Whisk Mojo Sauce ingredients in small bowl. Set aside.
2. Cut beef steak into 1¼-in. pieces; season with pepper.
3. Alternately thread beef with lime and onion wedges evenly onto four 12-in. metal skewers. Thread tomatoes evenly onto four 12-in. metal skewers.
4. Place kabobs on grill over medium, ash-covered coals. Grill tomato kabobs, uncovered, about 2-4 minutes or until slightly softened, turning occasionally. Grill beef kabobs, uncovered, about 8-10 minutes for medium-rare to medium doneness, turning occasionally.
5. Serve kabobs drizzled with sauce.

Cook's Tips:

- If using eight 12-in. bamboo skewers, soak them in water for at least 10 minutes before grilling.



- When cutting onion into wedges for kabobs, leave root end intact so wedges hold together during skewering.
- To make lime wedges, cut lime crosswise in half. Cut each half into quarters, forming wedges.

Makes 4 servings.

Nutrition information per serving: 285 calories; 15 g fat (3 g saturated fat; 10 g monounsaturated fat); 50 mg cholesterol; 500 mg sodium; 10 g carbohydrate; 1.8 g fiber; 27 g protein; 8.2 mg niacin; 0.6 mg vitamin B₆; 1.4 mcg vitamin B₁₂; 2.6 mg iron; 31.9 mcg selenium; 5.1 mg zinc.

Recipe and photo as seen in *The Healthy Beef Cookbook*, published by John Wiley & Sons.

*The *Angus Journal* suggests using *Certified Angus Beef*® (CAB®).

CONSUMER FOCUS

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less than 80 combinations of price, farm location and farm type. Some scenarios also included a freshness guarantee. After presenting the options, the researchers asked shoppers which basket of strawberries they would buy.

“Statistically, we sorted out what explains each person choosing one basket over the other. We were able to determine how important price was, how important where the strawberries were produced was and whether the freshness guarantee was

a factor,” said Batte, who also holds an appointment with the Ohio Agricultural Research and Development Center (OARDC). “Basically what made the biggest difference was local production.”

In the study, local production meant the berries were grown within Ohio.

How much more?

The average retail shopper was willing to pay 48¢ more for strawberries produced locally, and shoppers at farm markets were willing to pay 92¢ extra. With the base price for a quart of berries set at \$3, farm market shoppers were willing to pay almost a third

more for the local produce.

The freshness guarantee also held meaning for shoppers. If shoppers were promised fresh produce that was recently harvested, farm market shoppers were willing to pay 73¢ extra and retail shoppers indicated they would pay 54¢ more.

The researchers also tried to test shopper interest in supporting small vs. large farms by naming one fictional berry producer “Fred’s” and the other “Berries Inc.” Shoppers in grocery stores were willing to pay 17¢ extra for a quart of berries from Fred’s, and farm market shoppers were willing to pay 42¢ more for the perceived small-farm produce.

SHOWING



Show Schedule

► Information about ANGUS shows

AUGUST

OHIO STATE FAIR

Location: Columbus
Date: Aug. 4
Time: Noon
Entry Deadline: June 20

MISSOURI STATE FAIR

Location: Sedalia
Date: Aug. 8
Time: 8 a.m.
Entry Deadline: July 1

WISCONSIN STATE FAIR

Location: Milwaukee
Date: Aug. 9
Time: 1 p.m.
Entry Deadline: July 1
Judge: Steve Patton

INDIANA STATE FAIR

Location: Indianapolis
Date: Aug. 10
Time: Noon
Entry Deadline: July 1

ILLINOIS STATE FAIR

Location: Springfield
Date: Aug. 12
Time: 8 a.m.
Entry Deadline: July 1

IOWA STATE FAIR

Location: Des Moines
Date: Aug. 12
Time: 7:30 a.m.
Entry Deadline: July 1
Judge: Randy Daniel

WEST VIRGINIA STATE FAIR*

Location: Lewisburg
Date: Aug. 12
Time: 9 a.m.
Entry Deadline: July 12
Judge: Kyle Conley

WESTERN IDAHO FAIR*

Location: Boise
Date: Aug. 16
Time: 9 a.m.
Entry Deadline: Aug. 2
Judge: Jake Scott

APPALACHIAN FAIR

Location: Gray, Tenn.
Date: Aug. 19
Time: 6 p.m.
Entry Deadline: Aug. 5

NEBRASKA STATE FAIR

Location: Lincoln
Date: Aug. 23
Time: 5 p.m.
Entry Deadline: Aug. 3

KENTUCKY STATE FAIR

Location: Louisville
Date: Aug. 23
Time: 8 a.m.
Entry Deadline: July 10
Judge: Jim Williams

OREGON STATE FAIR*

Location: Salem
Date: Aug. 24
Time: 11 a.m.
Entry Deadline: Aug. 1
Judge: Cheramie Viator

CALIFORNIA STATE FAIR

Location: Sacramento
Date: Aug. 27
Time: 1 p.m.
Entry Deadline: July 18
Judge: Doug Parrett

MINNESOTA STATE FAIR

Location: Saint Paul
Date: Aug. 30
Time: 8 a.m.
Entry Deadline: July 28
Judge: Kevin Jensen

SEPTEMBER

TENNESSEE STATE FAIR*

Location: Nashville
Date: Sept. 7
Time: 9 a.m.
Entry Deadline: Aug. 1
Judge: Jim Williams

WESTERN WASHINGTON FAIR

Location: Puyallup
Date: Sept. 7
Time: 12:30 p.m.
Entry Deadline: Aug. 2
Judge: Kyle Colyer

UTAH STATE FAIR

Location: Salt Lake City
Date: Sept. 9
Time: 3:30 p.m.
Entry Deadline: Aug. 22

KANSAS STATE FAIR

Location: Hutchinson
Date: Sept. 13
Time: 9 a.m.
Entry Deadline: Aug. 15
Judge: Joel Judge

MID-SOUTH FAIR

Location: Memphis, Tenn.
Date: Sept. 22
Time: 3 p.m.
Entry Deadline: Aug. 15
Judge: David Martin

WORLD BEEF EXPO*

Location: Milwaukee, Wis.
Date: Sept. 27
Time: 8 a.m.
Entry Deadline: Aug. 15
Judge: Kevin Jensen

OCTOBER

KEYSTONE INT'L

Location: Harrisburg, Pa.
Date: Oct. 3
Time: 8 a.m.
Entry Deadline: Aug. 31
Judge: Doug Sattree

ARKANSAS STATE FAIR

Location: Little Rock
Date: Oct. 12
Time: 1:30 p.m.
Entry Deadline: Aug. 22
Judge: Quintin Smith

NORTHERN INT'L LIVESTOCK EXPO*

Location: Billings, Mont.
Date: Oct. 17
Time: 8 a.m.
Entry Deadline: Sept. 14
Judge: Doug Sattree

AMERICAN ROYAL**

Location: Kansas City, Mo.
Date: Oct. 31
Time: 8 a.m.
Entry Deadline: Sept. 10
Judge: Travis Pembroke

NOVEMBER

NORTH AMERICAN INT'L LIVESTOCK EXPO**

Location: Louisville, Ky.
Date: Nov. 17-18
Time: 8 a.m.
Entry Deadline: Oct. 1

DECEMBER

ARIZONA NAT'L STOCK SHOW*

Location: Phoenix
Date: Dec. 30
Time: 9 a.m.
Entry Deadline: Nov. 15
Judge: Scott Bush

*Denotes ROV shows

**Denotes Super ROV shows



"We suspected people who go to farmers' markets go there for a reason, because they are willing to pay more, hunt it down and travel there. But we also found that the typical shopper in a retail grocery store is willing to pay more, as well. And in fact, we're seeing that grocery stores are figuring this out by prominently labeling locally produced food," Batte said. "So we were trying to see if that group of people who shops at retail groceries are willing to pay 'X' amount, and determine what that amount is."

Though the study was conducted in Ohio, Batte said the findings could easily extend to the rest of the country. However,

the definition of local would likely differ in California, a large state with multiple growing regions, and New England, where several small states are clustered closely together.

"The shoppers are expected to be there in each kind of shopping venue nationally, but 'local' would need to be defined more precisely for various regions," Batte said.

Though not all farmers would be able to set up a niche operation to grow and sell their produce to nearby consumers, Batte said some smaller farm owners could consider adding hand-harvested local production with the expectation that they can charge a premium for that produce.

"Farmers could actually be a little less efficient on the production side and still be more profitable on the revenue side if they can capture that premium price," he said.

This work was supported by the National Research Initiative of the U.S. Department of Agriculture (USDA), the OARDC and the Fred N. VanBuren Program in Farm Management at OSU.

Co-authors of the study were graduate student Kim Darby, outreach program leader Stan Ernst, and professor Brian Roe of Ohio State's Department of Agricultural, Environmental and Development Economics.



PERSPECTIVES



Market Advisor

► by **Tim Petry**, livestock marketing economist, North Dakota State University

Cow prices may set record in 2008

Cull cow prices averaged record-high levels for the first half of 2008. Cow prices in the Northern Plains averaged about \$53.50 per hundredweight (cwt.) compared to near \$50.50 per cwt. last year and \$48.50 for the 2002-2006 average.

Record-high prices

The U.S. Department of Agriculture Agricultural Marketing Service (USDA-AMS) reports wholesale prices for beef from cull cows, which are used to estimate the weekly Cutter Cow Cutout value [90% lean, 350 pounds (lb.) and up]. The Cutter Cow Cutout value has been quite strong in 2008.

Since April 2007, the Cutter Cow Cutout value has been above the prior year. It usually doesn't follow a strong seasonal pattern, but the cutout value does tend to be rather strong during spring and summer months. Last year, the Cutter Cow Cutout peaked in May at \$119.48 per cwt. but softened for the remainder of the year. By January of this year, the Cutter Cow Cutout was at \$113.58 per cwt., and then increased to more than \$119 per cwt. in February, which was \$4.70 per cwt. more than in 2007.

After declining some in March and

April, the Cutter Cow Cutout skyrocketed to \$130.68 per cwt. in May, a new record high. In fact, on a weekly basis the Cutter Cow Cutout was more than \$130 per cwt. in

each of the last two weeks of May. Compared to last year, the Cutter Cow Cutout has averaged nearly 6% higher during the first half of 2008.

The cutout and cow prices have been strong due to lower beef imports, a weakening U.S. economy and rising fuel prices that may have shifted consumer demand away from more expensive beef cuts toward hamburger.

Imports and harvest effects

Beef imports were down about 20% for the first half of 2008. The weakening of the U.S. dollar relative to other currencies has made our market less lucrative.

At the same time, declining beef production in Russia has made it a good market for beef. Europe banned beef from Brazil in February;

so, countries like Australia, New Zealand and Uruguay have been shipping beef to Europe and Russia instead of the U.S.

Beef cow harvest averaged about 5% higher for the first six months of 2008. Higher harvest was due to both continued dry weather in parts of the Southeast, Southwest and Northern Plains (particularly North Dakota) and cows being imported from Canada. Last year during this time period, cows were not allowed from Canada.

Cow prices are expected to stay seasonably high at near-record levels through summer. If trends during the first six months continue the rest of the year, the annual average cull cow price in 2008 could be record-high.

But, keep in mind that normal seasonal weakness into fall will likely occur when cull cow culling starts. The typical seasonal low occurs in November, when the highest number of beef cows go to market.

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Editor's Note: Addressing marketing issues affecting the livestock industry, "Market Advisor" is a monthly column distributed by the NDSU Agricultural Communication office. Petry is a livestock economist with the NDSU Extension Service. In that role, he provides assistance to all livestock segments in the state, focusing on adding value to the livestock industry in the region. An archive of columns can be found at www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm.