

Massachusetts Center for Agriculture

University of Massachusetts Amherst

Determinants of Food System Performance: Product Quality and Prices

Issue

The combinations of quality attributes and prices offered to consumers in food products are changing, affecting the performance of the food system. This project uses case studies to examine the factors that influence the quality and price combinations offered to food consumers.

Impact

Our empirical work suggests that consumers tend to switch brands of higher quality when the same per unit tax is imposed on brands of varying quality. Our work on demand estimation makes a significant methodological contribution to the literature by suggesting a new method of how to estimate the potential market

Walmart: Our research quan-

tifies the impact of Wal-Mart Supercenters on the price of groceries at competing supermarkets of New England. We show that taking into account demographics, store characteristics, and market conditions, Wal-Mart decreases prices by 6 to 7 percent for national brand goods and by 3 to 8 percent for private label goods. Our research is helping the general public understand how the arrival of a new Wal-Mart Supercenter will affect their grocery bill and prices of organic Products.

Organic Products: Analysis of pricing and product availability in a sample of seventeen New England micro-markets shows that product pricing for thirteen fresh produce items is affected by product, store, community, and market characteristics.

Our research shows that safety and quality attributes have important impacts on demand for food products, particularly for imported products.

Primary impact area(s)

- Research
- Education
- Extension

Funding sources

- Hatch

Topics

- Product quality
- Product differentiation
- Industrial organizations

Contacts

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Planned Program: Developing Tools for Decision-Making