Willingness to Pay and Information Demand for Locally Produced Honey

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Introduction
The market for honey is changing rapidly. One important factor affecting this is the recent die-off of domestic honey bees at dramatic rates, leading to drastic decreases in domestic honey production. The honey market, therefore, increasingly relies on foreign honey to satisfy demand. Foreign honey, however, may pose risks to consumer health because of reports of high levels of pesticides and heavy metals.

Objectives
This project aims at analyzing how consumers evaluate health risks of consuming international honey and how these risks influence consumer willingness to pay for honey produced in Wyoming. Our focus is on Wyoming consumers. More specifically, our objectives are to answer the following: (1) are consumers willing to pay a premium for Wyoming honey? (2) how is consumer willingness to pay for Wyoming honey impacted by health information about Wyoming honey?; and (3) do consumers value information regarding the origin of honey?

Materials and Methods
The study was conducted using economic experiments at (1) the James C. Hageman Sustainable Agriculture Research and Extension Center (SAREC) near Lingle during spring 2015; (2) Eastern Wyoming College in Torrington during spring 2015; and (3) the University of Wyoming during fall 2015. The experiments were designed to extract consumers’ true willingness to pay for Wyoming honey versus honey of unknown origin. The study included 449 participants who were divided into different treatment groups, which enabled measures of how consumer demand for local honey is affected by different types of information. Locally produced honey and honey of unknown origin were put in identical looking “honey bear” bottles (Figure 1). Each subject was randomly given a bottle, which they could switch to a bottle of different origin, depending on their decisions in the experiment. Each subject got to keep the bottle they chose as part of the experiment. We also included treatments where consumers could choose to take or avoid information. In real markets, consumers are often able to choose if they want to learn or disregard product information, including origin information. The latter enabled us to test if demand for origin information matters for demand for local honey.

Results and Discussion
We found that consumers were highly concerned about their honey being locally produced. A majority of consumers (53%) were willing to pay a premium of $2.48 for an eight-ounce jar of honey produced in Wyoming.

Figure 1. Locally produced honey and honey of unknown origin were put in identical looking bottles that were given randomly to subjects.

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compared to honey of unknown origin. We also found that providing information on the health benefits of locally produced honey increased the percentage of consumers willing to pay the premium for Wyoming honey. Further, consumers generally assign a positive value to information on the origin of the honey they are offered to buy. More specifically, around 80% of study participants preferred information about the origin of the honey (over not knowing the origin), and they used that knowledge to ensure that they bought locally produced honey, even if the local honey came at an additional cost of $2.48.

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