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Hedonic Analysis on Retail Egg Prices in Canada

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Increased awareness by some consumers regarding animal welfare is beginning to impact how eggs are produced and marketed in Canada. While an estimated 98% of eggs sold in Canada are produced using conventional housing systems, a number of producers (especially larger producers) are shifting production to systems that enhance the welfare of laying hens. However, demand for eggs from production systems intended to enhance the welfare of hens is still not clearly understood in Canada. This research aims to discover new economic knowledge about the price premiums for eggs from such production systems in Canada. By understanding these premiums, egg producers will be better able to understand the economics of adoption of these animal welfare enhancing systems, and hopefully make more informed adoption decisions.

The present study estimates a hedonic price model for retail egg markets in Canadian order to measure the shadow prices of eggs with different attributes. The main objectives of the study are to: (1) identify the price premium of enhancing welfare qualities of eggs; (2) identify regional variation in these premiums; and (3) identify trends in these price premiums. Appropriate attributes were identified based on available data and included: (1) production methods (free run eggs and omega-3 eggs); (2) egg size (large, extra large and jumbo); (3) place of production (Alberta, British Columbia, Maritimes, Ontario, Quebec and Saskatchewan); and (4) seasonality. In addition, a time trend and interaction terms between this trends other attributes were also included. A log-linear hedonic price model was estimated.

Results reveal that retail egg prices were influenced by specific product attributes including nutritional characteristics and enhanced housing methods. Coefficients on dummies variables for free run and omega-3 eggs were significant and positive compared to jumbo eggs. The estimates for interaction between production methods and time trend were not significant in contrast to the expectation of positive time trend in free run and omega-3 egg prices. Results indicate that the price premiums of free run and omega-3 eggs haven't adjusted over time.