

Alabama Consumer Willingness to Pay for Organic Produce

► Are Alabamians willing to pay more for organic food? Is advertising products as organic worthwhile for producers and retailers? Learn more in this study of Alabama consumers.

The Organic Market

Organic food is produced without pesticides, herbicides, fertilizers, antibiotics, and genetically modified organisms. The organic produce sector is a rapidly expanding segment of the United States food market, reaching a record \$61.7 billion in 2022 sales.

While the production of organic produce often incurs higher costs than conventional methods, growers can benefit from organic production if consumers are willing to pay a premium for these products. One study found that retail prices for organic produce are more than 50 percent higher than prices for corresponding non-organic products. This result is mirrored in consumer surveys.



Table 1. Respondent Demographics		
Characteristic	Category	Sample (%)
Gender	Male	32%
	Female	68%
Ethnicity	Black	19%
	White	76%
	Hispanic	01%
	Other race	04%
Marital Status	Married	49%
	Not Married	51%
Educational Level	Less than high school	05%
	High school	35%
	Some college	21%
	College	22%
	Post-college	17%
Age	19 to 29 years	20%
	30 to 39 years	16%
	40 to 49 years	17%
	50 to 59 years	18%
	60 to 69 years	15%
	70 years and above	14%
Annual Household Income (2020)	Less than \$100,000	79%
	\$100,000 or more	21%

For example, consumers in Utah were willing to pay premiums of \$0.50 per pound for organic strawberries and \$0.20 per pound for organic apples.

This publication presents a study of perceptions of organic produce and hypothetical organic price premiums from a sample of Alabama consumers. Producers and retailers can use this information to set appropriate prices for organic products and decide whether advertising products as organic could be a good marketing strategy.

Sample of Alabama Consumers

The survey in this study was administered in 2020 to a Qualtrics panel of Alabama consumers 18 years and older. A total of 2,038 respondents completed the survey. As shown in table 1, 20 percent of the respondents were 19 to 29 years old. Nearly one-third were male, while two-thirds were female. Most respondents were white (76 percent) followed by black (19 percent). Regarding education, 35 percent had a high school education, and 22 percent attended college. The majority of the respondents (79 percent) had an annual household income of less than \$100,000, and nearly half (49 percent) were married.

Alabama Consumer Perceptions of Organic Food

Respondents were asked to indicate their level of agreement with several statements about organic food. As shown in figure 1, 21 percent of respondents believed that there is no difference between organic and non-organic food. Only 49 percent disagreed with the statement, “I don’t know anything about organic food,” suggesting an opportunity to increase consumer knowledge about organic products. Additionally, 11 percent were unfamiliar with where to buy organic food, and 13.5 percent reported difficulty finding the organic versions of the food they wanted. A significant majority (70 percent) agreed that organic food is expensive. Overall, these results indicate that consumers view organic food as costly and lack sufficient information about it, including its accessibility and benefits.

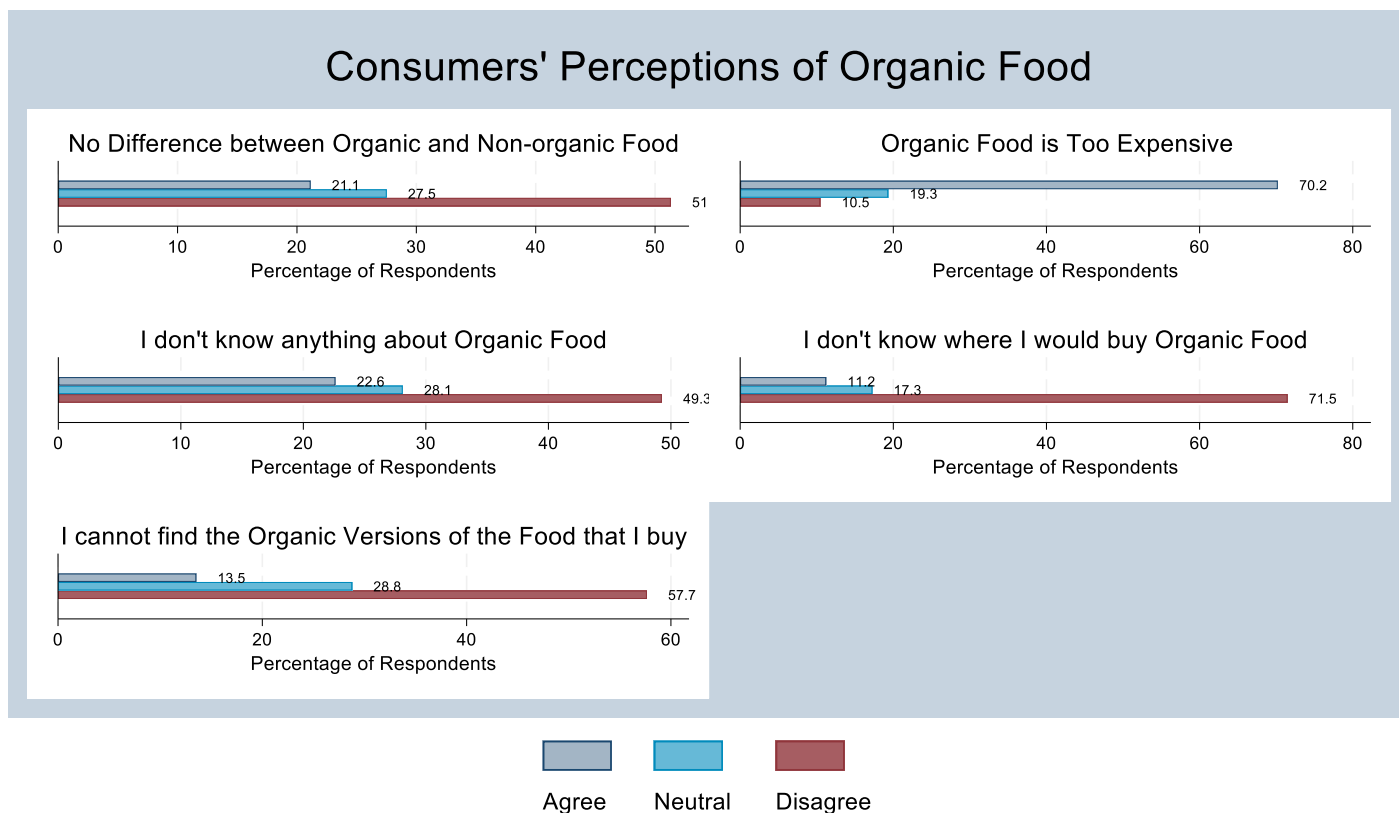


Figure 1. Agreement with statements regarding organic food.

Price Premia for Organic Produce

Price premiums for organic versus conventional produce were elicited for six fruits and vegetables: one bunch of collard greens, a 2-pound box of tomatoes, 2 pounds of broccoli, a 2-pound bag of apples, a 1-pound box of strawberries, and a 2-pound bag of grapes. Respondents answered a series of questions about whether they would choose one unit of a conventional (non-organic) product at \$2.99 or an organic product at successively higher prices. A respondent’s premium was calculated as the difference between the conventional product’s price and the organic product’s price when the respondent selected the organic product. As shown in table 2, consumers were willing to pay average premiums ranging from \$0.28 to \$0.33, with an average overall premium of \$0.29. Consumers were willing to pay on average a \$0.28 premium for organic apples and broccoli, \$0.29 for organic grapes and collards, \$0.31 for organic strawberries, and \$0.33 for organic tomatoes. These premiums represent a willingness to pay for organics 10 percent higher than the price for the conventional product.

Table 2. Average Premium by Product		
Product	\$ Premium	% Premium
All	\$0.29	10%
Apples	\$0.28	09%
Grapes	\$0.29	10%
Strawberries	\$0.31	10%
Tomatoes	\$0.33	11%
Broccoli	\$0.28	09%
Collards	\$0.29	10%

Conclusions

Most respondents perceived organic food as expensive, while a smaller but significant proportion lacked knowledge about organic food, including differences from non-organic food and its accessibility. Consumers' willingness to pay for organic produce showed the lowest premium for apples and broccoli, slightly higher premiums for grapes, strawberries, and collards, and the highest premium for tomatoes. While Alabama consumers are willing to pay a premium for organic products, the premium of 10 percent over the conventional product is less than the difference between retail prices between organics and conventional products nationwide (50 percent). Alabama producers can use this information to aid in pricing decisions of organic products at farmers markets and other retail settings. Additionally, Alabama producers may consider the benefits and costs of growing organic tomatoes, since they command the highest premium over the conventional version.

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Acknowledgments

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