“A Definition at Last, but What Does It All Mean?”

—Newspaper Coverage of the USDA Organic Seal and its Effects on Food Purchases—

Kristin KIESEL

PhD Candidate

University of California, Berkeley

Department of Agricultural and Resource Economics

308 Giannini Hall, Berkeley, CA 94720-3310

tel: (510) 643 - 5413

fax: (510) 642 - 8911

email: kiesel@are.berkeley.edu

web page: http://are.berkeley.edu/~kiesel/

Keywords: demand, labeling, media, organic

---

1 Headline from New York Times (10. 16. 2002).
Abstract:

The $30 billion organic food industry was created by consumers voting with their dollars. Such specialty foods allow shoppers to express their political opinions—concern about the environment, animal welfare, ethically and socially responsible production processes, and support for small and local farmers—every time they buy groceries. But choosing among 320,000 food and beverage products currently available is not an easy task and the myriad of words and symbols printed on packaging keeps growing in complexity and diversity. Do the intricacies of product labels really inform consumers, or intimidate and confuse them? And what motivates consumers to read labels and ultimately alter their purchase decisions? The National Organic Program (NOP) and its implemented USDA organic seal is one example of regulatory practices aimed at increasing reliability and credibility of labels by reducing search and information costs for consumers. A number of studies have attempted to assess the impact of labeling regulations on consumer demand. However, interdependencies between regulation, media coverage, and product marketing as other related sources of information, and its implications on efficiency and effectiveness of policy interventions, have received little attention. Research in this area can help determine which regulatory tools best serve consumers’ interest and policy objectives at the same time while providing valuable insights for policymakers, marketers and food retailers alike.

This paper provides an empirical analysis of media coverage of regulatory changes as one aspect of a comprehensive policy evaluation of the NOP and extends previous work on consumer valuation of the USDA organic seal (Kiesel, Villas-Boas 2007). While the USDA and other agencies directly provide information about regulatory programs through their websites and other materials, consumers might get exposed to these regulatory changes through the mainstream media. The specific research questions addressed are: (i) What is the impact of newspaper coverage of organic food production and the NOP on consumer purchases? (ii) Do these effects vary by national versus local newspaper coverage? (iii) Do these effects differ depending on positive versus negative portrayal, as well as general coverage versus framing within specific product categories? (iv) Do these effects differ based on differences in circulation of newspapers and demographics of readers and shoppers?

A unique data set is utilized, matching weekly store-level data on fluid milk purchases in Northern California provided by a major supermarket chain with newspaper coverage compiled from three alternative data sources (LexisNexis™, Proquest®, NewsLibrary.com), newspaper circulation measures obtained from the Audit Bureau of Circulations, and demographic information from the United States Census Bureau. Fluid unflavored milk can be viewed as a relatively standardized and ubiquitously processed commodity, which permits abstracting from brand and taste preferences when comparing organic versus conventional products. In addition, some identified newspaper articles directly address milk and allow investigating framing effects within a specific product category. Fixed effect models and difference-in-differences estimations are employed as the primary estimation techniques, and information treatment effects are identified by time as well as cross-sectional variation in local newspaper coverage.

Preliminary results suggest that increases in organic milk sales prior to the implementation of the USDA organic seal coincide with relevant media coverage. Effects further differ by local versus national coverage, intensity of news coverage at a given week, and geographic area.