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Title of Paper: AJAE Appendix: "Does Production Labeling Stigmatize Conventional Milk?"

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Date of Publication: March 1, 2009

Keywords: rBST-Free milk, organic milk, conventional milk, product labeling, stigma, experimental economics

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Note: The material contained herein is supplementary to the article named in the title and published in the *American Journal of Agricultural Economics*.

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## **Introduction**

These experimental instructions were given to subjects who participated in the research described in the manuscript entitled “Does Production Labeling Stigmatize Conventional Milk?” which will be published in the *American Journal of Agricultural Economics*.

## **Instructions – (Part A)**

Welcome to an experiment in the economics of decision making. In the course of the experiment, you will have opportunities to earn money. Any money earned during this experiment is yours to keep, thus please read these instructions carefully. Additionally, you are guaranteed a **\$5.00 show-up fee** for participating, regardless of what you may earn during the experiment. Please do not communicate with other participants during the experiment. As stated in the **Consent Form**, your participation in this experiment is voluntary.

In today’s experiment, you will be asked to indicate the *highest* amount of money you would pay for different purchase decisions. We will refer to this amount as your **bid**. Sometimes a **purchase decision** will refer to a cash value and sometimes it will refer to a food item.

For the first several purchase decisions, the experiment proceeds as follows:

First, you will receive an **initial balance** of \$5. You will then be informed of your **cash value** that you would receive if you purchase the decision. Your cash values will vary during the course of the experiment. The possible amounts are \$1, \$2.50, and \$4.

You will then be asked to indicate the *highest* amount that you would pay for this purchase decision. For each decision, you can bid any amount between \$0 and your initial balance of \$5. Once you have decided your bid, you will type it into the computer spreadsheet, hit ENTER on the keyboard, and then click the “Submit” button. After everyone has submitted their bids, the price for the purchase decision will be determined.

The **price** will be determined by having a volunteer subject drop a pen onto a random number table. Since these numbers have been generated by a random number table each price between \$0.00 and \$5.00 is equally likely. Whether the decision is purchased depends on your bid and the randomly determined price. There are two possible outcomes:

**The decision is PURCHASED:** The decision is purchased if your bid is *equal to or greater than the price*. In this case, you will receive the cash value in addition to your initial balance of \$5. However, you will also have to pay the randomly determined price. Therefore, your earnings would be your initial balance, plus your cash value, minus the price.

**The decision is NOT PURCHASED:** The decision is not purchased if your bid is *less than the price*. In this case, you will not receive the cash value, but you will not have to pay the price. Therefore, your earnings would simply be your initial balance of \$5.

In this setting, it is in your best interest (i.e. you will make the most possible earnings) if you submit bids equal to your cash value for the decision. Note that while your bid helps determine whether the decision is purchased, your earnings are calculated based on your initial balance, the cash value and the determined price (not your bid). For example, if a decision was *not purchased* and the cash value was \$2.50 and the determined price was \$4.50, your earnings would still be \$5. However, if the decision was *purchased* with the same cash value and price, your earnings would be \$3 ( $=\$5 + \$2.50 - \$4.50$ ).

*Example 1.*

<b>Outcome</b>	<b>Initial Balance</b>	<b>Cash Value</b>	<b>Price</b>	<b>Earnings</b>
Purchased	\$5.00	\$2.50	-\$4.50	\$3.00
Not Purchased	\$5.00	\$2.50	-\$4.50	\$5.00

Consider another example where the cash value was \$5 and the determined price was \$1.

In this example if the decision was *not purchased* your earnings would again be \$5, while if the decision was *purchased*, your earnings would be \$5.50 ( $=\$5 + \$2.50 - \$1$ ).

*Example 2.*

<b>Outcome</b>	<b>Initial Balance</b>	<b>Cash Value</b>	<b>Price</b>	<b>Earnings</b>
Purchased	\$5.00	\$2.50	-\$1.00	\$6.50
Not Purchased	\$5.00	\$2.50	-\$1.00	\$5.00

### **Calculation of Earnings**

After everyone has submitted their bids for the decision and the price has been determined, the administrator will display all of the bids on the screen in the front of the room. These bids will be displayed anonymously from lowest to highest and no subject

numbers will be associated with these bids. The administrator will then ask all the participants the following questions:

- 1) Can you identify your bid?
- 2) Which subjects purchased the decision?
- 3) How much will these subjects have to pay and how much will they earn in this round?
- 4) How much will the subjects who did not purchase the decision earn in this round?

Then you will be asked to click the RECEIVE button and the computer will display whether you purchased the decision and calculate your earnings. The computer will add your experimental earnings for all of the rounds, and convert this amount to US dollars by applying an exchange rate of 2 experimental dollars to \$1 USD. For example, if you earn 20 experimental dollars, your monetary payoff from this part of the experiment would be \$10 USD.

### **Instructions - Part B**

You will be asked to indicate the *highest* amount of money you would pay for a pencil using the same procedures as discussed previously. In this case, your starting balance will be \$0.50 and you can submit any bid between \$0 and \$0.50. The random price will again be determined using a random numbers table, however, now the price will range from \$0.00 to \$0.50. In this part, there will not be an exchange rate as one experimental dollar will equal \$1 USD.

Note that in the case, you will need to determine the “highest amount” that you would pay to purchase this pencil. Again, it is in your best interest to submit a bid equal to this highest amount, since, if you purchase the pencil, you will pay the randomly determined price not your bid. The two possible outcomes are as follows:

**The pencil is PURCHASED:** The pencil is purchased if your bid is *equal to or greater than the price*. In this case, you will receive the pencil in addition to your initial balance of \$0.50. However, you will also have to pay the randomly determined price.

**The pencil is NOT PURCHASED:** The pencil is not purchased if your bid is *less than the price*. In this case, you will not receive the pencil, but you will not have to pay the price. Therefore, your cash earnings would simply be \$0.50.

After everyone has submitted their bids and the price is determined, the administrators will distribute the pencils to the subjects which purchased them.

### **Instructions – (Part C)**

The procedures are similar to the ones used in Part B of the experiment, with some important differences.

You will receive an initial balance of \$5. The purchase decision is one quart of milk.

One quart of milk is equal to one-quarter gallon, or 32 fluid ounces. The milk is cold and fresh and is being stored in the refrigerator in the lab.

You will be making a total of nine purchase decisions regarding milk. However, only one of the nine milk types will be selected for implementation and will result in cash earnings. The type of milk that will be selected for implementation has been randomly determined prior to the experiment and this information has been placed in a dated, sealed envelope that will be opened at the end of the experiment. Each of the milk types is equally likely to be implemented. Therefore consider each decision as if it is the one that will be actually implemented.

You will be served a series of three flights of milk that you will be invited to taste. Each flight of milk consists of three different milk types. The milks will be placed a tasting sheet that provides information related to the milk you will be tasting.

After sampling each milk type, please complete the questions related to the milk you tasted and then submit a bid for each of the milks. Again, your bid should represent the



*highest amount that you would be willing to buy that one-quart of milk today.* You may bid any amount between \$0 and \$5 for each milk type. The price for the decision will be determined in the same manner as in Part A using a new random number table.

There are two possible outcomes:

**The milk is PURCHASED:** *The carton of milk is purchased if your bid is **equal to or greater than the price**.* In this case, you will receive the carton of milk in addition to your initial balance of \$5. However, you will also have to pay the randomly determined price.

**The milk is NOT PURCHASED:** *The carton of milk is not purchased if your bid is **less than the price**.* In this case, you will not receive the carton of milk, but you will not have to pay the price. Therefore, your cash earnings would simply be \$5.

Please do not submit your bid until instructed by the administrator.

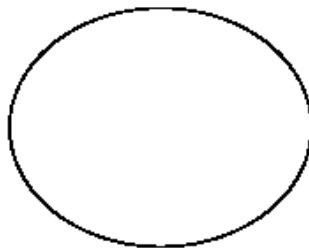
In the event that the milk is purchased, you may either take it with you immediately, or store it in the lab until the end of the day. Milk that is stored in the lab may be picked up between 4 p.m. and 5 p.m.

*It is important that you clearly understand these instructions.*

*Please raise your hand if you have any questions.*

*Please do not talk with other participants in the experiment*

## Sample Tasting Template



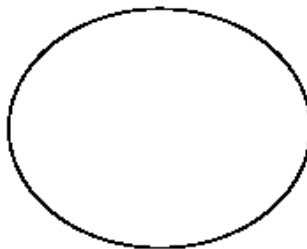
**0%MILK (Skim)**

1) Please rate how closely this product matches your expectation of fresh, high quality milk (1 = Worse than Expected; 5 = Meets Expectations; 10 = Better than Expected).

<b>Doesn't Meet</b>		<b>Does Meet</b>
<b>Expectations</b>		<b>Expectations</b>
1 2 3 4 5 6 7	8 9 10	

2) Please rate how much you like this product (from 1-10, with 10 being most favorable)

<b>Least</b>		<b>Most</b>
<b>Favorable</b>		<b>Favorable</b>
1 2 3 4 5 6 7	8 9 10	



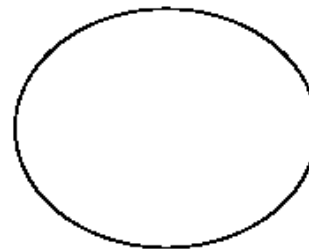
**1%MILK (Low Fat)**

1) Please rate how closely this product matches your expectation of fresh, high quality milk (1 = Worse than Expected; 5 = Meets Expectations; 10 = Better than Expected).

<b>Doesn't Meet</b>		<b>Does Meet</b>
<b>Expectations</b>		<b>Expectations</b>
1 2 3 4 5 6 7	8 9 10	

2) Please rate how much you like this product (from 1-10, with 10 being most favorable)

<b>Least</b>		<b>Most</b>
<b>Favorable</b>		<b>Favorable</b>
1 2 3 4 5 6 7	8 9 10	



**3.25%MILK (Whole)**

1) Please rate how closely this product matches your expectation of fresh, high quality milk (1 = Worse than Expected; 5 = Meets Expectations; 10 = Better than Expected).

<b>Doesn't Meet</b>		<b>Does Meet</b>
<b>Expectations</b>		<b>Expectations</b>
1 2 3 4 5 6 7	8 9 10	

2) Please rate how much you like this product (from 1-10, with 10 being most favorable)

<b>Least</b>		<b>Most</b>
<b>Favorable</b>		<b>Favorable</b>
1 2 3 4 5 6 7	8 9 10	

Nutritional Information

Nutrition Information: 0% Fat (Skim)

<b>Serving Size:</b>	1 cup (240 mL)	
<b>Calories:</b>	90	
<b>Calories from Fat:</b>	0	
<b>% Daily Value*</b>		
<b>Total Fat:</b>	0g	0%
<b>Saturated Fat:</b>	0g	0%
<b>Trans Fat:</b>	0g	
<b>Cholesterol:</b>	0-5mg	0-1%
<b>Sodium:</b>	125mg	5%
<b>Carbohydrate:</b>	11-13g	4%
<b>Dietary Fiber:</b>	0g	0%
<b>Sugar:</b>	11-12g	
<b>Protein:</b>	8g	16%
<b>Vitamin A:</b>		10%
<b>Calcium:</b>		30%
<b>Vitamin D:</b>		25%
<b>Vitamin C:</b>		2-4%
<b>Iron:</b>		0%

\*% Daily Values are based on a 2000 calorie diet

Ingredients: Fat Free Milk, Vitamin A Palmitate, Vitamin D3 added.

Nutrition Information: 1% Fat (Lowfat)

Serving Size:	1 cup (240 mL)	
Calories:	100-110	
Calories from Fat:	20	
% Daily Value*		
Total Fat:	2-2.5g	3-4%
Saturated Fat:	1-1.5g	5-8%
Trans Fat:	0g	
Cholesterol:	10-15mg	3-4%
Sodium:	125-130mg	5%
Carbohydrate:	11-13g	4%
Dietary Fiber:	0g	0%
Sugar:	11-12g	
Protein:	8g	16%
Vitamin A:		10%
Calcium:		30%
Vitamin D:		25%
Vitamin C:		2-4%
Iron:		0%

\*% Daily Values are based on a 2000 calorie diet

Ingredients: 1% Lowfat Milk, Vitamin A Palmitate, Vitamin D3 added.

Nutrition Information: 3.25% Fat (Whole)

<b>Serving Size:</b>	1 cup (240 mL)	
<b>Calories:</b>	150	
<b>Calories from Fat:</b>	70	
<b>% Daily Value*</b>		
<b>Total Fat:</b>	8g	12%
<b>Saturated Fat:</b>	5g	25%
<b>Trans Fat:</b>	0g	
<b>Cholesterol:</b>	30-35mg	10-11%
<b>Sodium:</b>	120-125mg	5%
<b>Carbohydrate:</b>	11-12g	4%
<b>Dietary Fiber:</b>	0g	0%
<b>Sugar:</b>	11-12g	
<b>Protein:</b>	8g	16%
<b>Vitamin A:</b>		4-6%
<b>Calcium:</b>		30%
<b>Vitamin D:</b>		25%
<b>Vitamin C:</b>		4%
<b>Iron:</b>		0%

\*% Daily Values are based on a 2000 calorie diet

Ingredients: Milk, Vitamin D3 added.