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Puerto Rican Consumers' Attitudes toward Willingness to Pay a Premium for Ethnic Produce: An Econometric Analysis

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The demand for specialty products has been increasing for the last two decades. These specialty produce items have unique flavor and characteristics for which consumers are willing to pay a premium. Culture and taste are obvious reasons for consumer preference for ethnic fruits and vegetables. Asp (1999) argues that food decisions are made by consumers based on cultural factors, psychological factors, lifestyle factors, and food trends. In many communities, food is an integral part of the culture and there is an established link between food and culture (Bhugra 1999). The types of produce consumed, the purchasing pattern and the expenditures on different produce items depend on socio-cultural and economic factors, and these underlying factors tend to influence ethnic consumers to pay a premium for ethnic produce.

The Puerto Rican population East-Coast region of the U.S. is 2.7 million—46 percent of the four main ethnicities—followed by 1.5 million Mexicans (26 percent), 0.9 million Chinese (15 percent), and 0.8 million Asian Indians (14 percent) (U.S. Census Bureau 2000). According to these census figures, Puerto Ricans are the first largest ethnic population segment in the East-coast region including Washington, DC. This large Puerto Rican population presents significant opportunities for ethnic fruit and vegetable producers, especially those in the East-Coast region who can take advantage of their close proximity to the densely populated areas. This also has led to the opening of new supermarkets geared toward the ethnic consumer and an increasing diversity of fresh fruits and vegetables even in the mainstream supermarkets of the region. Studies conducted throughout the region have shown that growing ethnic produce items presents a viable opportunity (Tubene et al. 2001). Traditionally, a large part of the ethnic crops tend to be sold in small stores or farmer's markets (Lawrence et al. 2000; Hilchey 2003). While growing specialty produce can be beneficial to farmers in general, with intensive produc-

tion systems aimed at increasing production there is a risk of oversupply in the market and consequent price depreciation. This creates a need to expand the markets to regions beyond the local area, which can be established with the help of affiliations with other produce-marketing systems. Knowing how and where people currently purchase specialty crops will help us map a trajectory to establish such co-operatives. This study includes questions intended to fill that gap of knowledge.

This paper predicts Puerto Rican consumer's willingness to pay a premium for ethnic produce. Importantly, this paper analyzes the effects of Puerto Rican consumers' socio-economic characteristics and their expressed value judgments on their willingness to pay a premium for ethnic produce using a logit analysis. A survey questionnaire was developed for the Puerto Rican ethnic group in 17 states of the East-Coast United States from Florida to Maine including Washington, DC. A random sample of 271 respondents were interviewed through a telephone survey in 2006. Consumers who participated in the survey were asked whether they were willing to pay a premium price for Puerto Rican ethnic produce; based on this response, a logit model was developed to predict their willingness to pay a premium for ethnic produce.

The results indicate that 67 percent of survey respondents were willing to pay more for ethnic produce and 33 percent were not. Based on the descriptive statistics of the model's independent variables, each Puerto Rican respondent spent on average about \$75 on ethnic produce and \$122 on total produce items per month. Only 27 percent of Puerto Rican respondents bought their ethnic produce from American grocery stores. About 38 percent of respondents thought that the quality of produce is better in ethnic stores than in conventional establishments. The results also indicated that 51 percent of respondents felt that the price is better in ethnic stores than in conventional establishments. Furthermore, 55 percent of respondents were more willing to buy organic ethnic produce and 64 percent were less willing to buy genetically

modified ethnic produce items. In terms of labeling, 51 percent of respondents were more willing to buy country-of-origin labeled (COOL) produce items. About 21 percent of respondents had a four-year college degree, and 12 percent were self-employed. Twenty-two percent of respondents had a family income less than \$20,000 and 27 percent of them had an income between \$20,000 and \$39,999.

According to the logit model results, spending more on ethnic fruits and vegetables, spending more on total produce in a month, thinking that the quality and price are better in ethnic stores than in conventional establishments, being willing to buy organically grown produce items, and holding a four-year college degree all were positively related to willingness to pay more for ethnic produce. Purchasing all ethnic fruits and vegetables from typical American grocery stores, being more willing to buy country-of-origin labeled produce items, and being self-employed were negatively associated to willingness to pay more for ethnic produce. The results are important to all the market segments, such as producers, wholesalers, retailers, and farm policy makers to develop production, marketing strategies, and policies that instill consumer confidence, assure consumer satisfaction, and meet demand needs.

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