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Estimating Implicit Marginal Prices of Quality Characteristics of Tomatoes for Trinidad and Tobago

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Abstract

Large structural shifts in the global economy are causing a dramatic rise in the price of food. Since 1994, food prices in Trinidad and Tobago have risen above 350%, faster than the price of other items. From March 2006 to 2007, the food component of the retail price index increased by 19% whilst the overall price index increased by 8%. Sizable and fluctuating price differences have been recorded between wholesale and retail prices.

Non-linear hedonic models are estimated using auction price and quality data for specific commodities and markets to examine whether buyers have systematic preferences for specific attributes (weight, sales lot size, market location and timing of sale) and whether they pay significantly different prices for these attributes consistent with their preferences.

The results show that buyers have systematic preferences for specific product attributes and that these preferences are implicitly reflected in prices offered in traditional auction markets. The results underscore the need for increased producer supply response to capitalize on the opportunity offered by higher commodity prices by targeting specific attributes and by better timing production and marketing undertakings.

Keywords: food prices, food security, price lags, price transmission, hedonic prices, market segmentation