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Is the Grass Really Greener across the State Line? A Regional Analysis of State Branding Programs

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Background

The Farmer-to-Consumer Direct Marketing Act of 1976 and subsequent block grant funding in the 1980s helped many states start or revamp state branding programs (Nganje, Hughner, and Lee, 2011). The goal of implementing these programs was and is to increase demand for state-produced products, essentially a “scaled-down” version of generic advertising commonly used for certain agricultural commodities (e.g. pork, beef, milk, etc.). Theoretically, these programs increase in-state demand for products and generate a spill-over effect in other states, promoting state branded products beyond their borders (e.g. a Texas-made salsa with the “Go Texan” label establishes a market presence in neighboring Oklahoma). However, since surrounding states have their own state labeling programs, the in-state products are competing with out-of-state products, which could lead to a beggar-thy-neighbor effect (Hughes and Boys, 2015).

Numerous studies have estimated the impacts of state branding programs on in-state demand for food products (e.g. Adelaja et. al, 1990; Patterson et. al, 1999; Darby et. al, 2008;). However, studies examining the impacts of state programs on out-of-state demand are virtually non-existent. This study estimates the relative values of state branding logos for a generic commodity across multiple neighboring states, thereby considering a beggar-thy-neighbor scenario.

Objectives

- 1.) Evaluate the effectiveness of the “Made in Oklahoma” brand for a staple food item with generic product characteristics: milk.
- 2.) Determine if there is a beggar-thy-neighbor effect, and quantify the effect.



Data and Methods

The data for this project was collected through an online choice-based survey. A total of 994 completed surveys from Oklahoma consumers were collected.

The analysis for this project uses a multinomial and random parameters logit model. From these results, simulations of the market share for each state label are used to evaluate the beggar-thy-neighbor effects for the demand of Made In Oklahoma milk.

Results

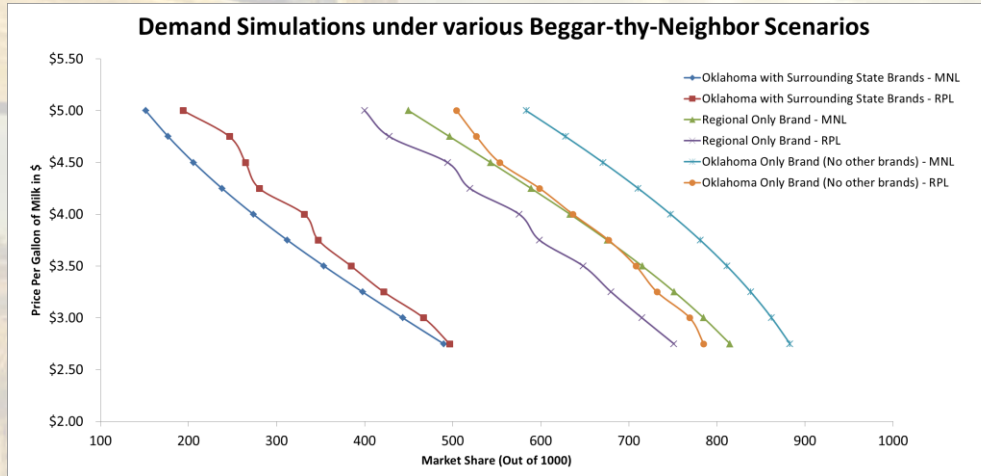


Table 1. Model Results and Market Share Simulations under the “Oklahoma with Surround State Brands” Scenario

Parameters	RPL Results	RPL Market Shares (%)	MNL Results	MNL Market Shares (%)
Oklahoma	5.27***	0.33	4.07***	0.32
Distns. Std Dev	[2.27***]			
Texas	3.24***	0.06	2.55***	0.07
Distns. Std Dev	[1.48***]			
Kansas	3.19***	0.04	2.29***	0.05
Distns. Std Dev	[0.73***]			
Colorado	3.18***	0.04	2.25***	0.05
Distns. Std Dev	[0.80***]			
New Mexico	1.59***	0.02	1.22***	0.02
Distns. Std Dev	[1.30***]			
Missouri	3.17***	0.03	2.20***	0.05
Distns. Std Dev	[0.61***]			
Arkansas	2.79***	0.04	2.18***	0.05
Distns. Std Dev	[1.36***]			
Louisiana	2.13***	0.01	1.26***	0.02
Distns. Std Dev	[0.53***]			
Regional	4.72***	0.23	3.53***	0.18
Distns. Std Dev	[2.03***]			
National	4.02***	0.19	3.35***	0.15
Distns. Std Dev	[2.53***]			
Price	-1.07***		-0.75***	

Conclusions

By itself, the Made in Oklahoma brand positively impacts the willingness-to-pay for Oklahoma milk. However, the presence of other state products and labels results in a reduction of 30-40% in demand, meaning other states’ labeling programs have spillover effects in Oklahoma.

Similarly, a cooperative regional brand with no state branding performs better than all states having an individual state brand, supporting the beggar-thy-neighbor hypothesis.

Overall, state branding programs impact demand for even a generic product like milk. However, the demand for Oklahoma milk becomes more elastic as more labels enter the market. In other words, as more options enter into a market, consumers become more price sensitive.

Future research will identify the relative values of each state’s brand on milk demand in each of the eight states relative to regional and national brands

Citations

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