

Exploring Indonesian consumers' willingness to pay for high-value agricultural products

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Abstract

Traditional food systems in Indonesia are being transformed as a result of modern food retail development and the penetration of multinational retailers. Rising disposable incomes and food safety concerns have prompted food retailers to market food products with additional quality assurances and/or safety claims, often termed credence attributes. Although marketing of credence attributes is growing, public quality standards or certification schemes for credence attributes are essentially non-existent in Indonesia. Thus, credence marketing claims are often not certified by a third-party. The Indonesian government is currently under pressure to develop certification programs allowing claims such as organic or pesticide-free to be verified. As little is known about how Indonesian consumers will benefit from a public food labelling program, we investigate consumers' understandings, perceptions and demand for food products marketed as certified organic or pesticide-free using an urban consumer survey conducted in Indonesia. The potential demand for certified organic food products is quantified using respondents' stated willingness to pay (WTP) for certified organic fruit and vegetables, shrimp and poultry. Some 67% of respondents were willing to pay an average premium of 20% for certified organic products, and 60% indicated that they preferred certification to be overseen by the Central Government. Female respondents with children living at home, as well as those who were older, more educated, more concerned about nutrition, and those indicating that they had previously purchased organic products were more willing to pay more for certified organic food products. The results suggest further demand growth in Indonesia for certified organic food products.