Danish Organic Food Demand
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Separability and Substitution Patterns

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April 2003

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The research leading to this paper was funded by The Danish Environmental Research Programme through the Centre for Organic Farming (FØJO). Laura Mørk Andersen has provided invaluable data handling, aggregation and programming assistance. I also thank Laura Mørk Andersen, Søren Arnberg, Martin Browning, Ian Crawford, Søren Leth Petersen and Mette Wier for invaluable help on concepts, estimation methodology and interpretation of results though out. Finally I thank GFK-Denmark for providing access to their data.

Abstract

Most studies of organic food demand are based on questionairs focussing on buying motives. Only a handful of studies estimate organic food demand and these all focus on food sub-markets and must assume separability of the organic/non-oragnic nest of analysed food from other food submarkets. The soundness of this separability assumption may nevertheless be questioned since general attributes such as animal welfare and environmental effects are cited as buying motives for organic variants irrespective of food type in most surveys. The assumption of separabilety of nests of organic/non-oragnic variants of foods has, however, not been tested empirically. In this paper we exploit unique Danish micro level data where all food demand has been registered on a disaggregated good level and in all cases with an indicator of weather the good is of an organic or non-organic variant to test the separability assumption empirically. Our results indicate that the assumption should be rejected and further that the cross-price elasticity pattern resulting from estimation of a non-nested system is consistent with non-separability being caused by general organic food attributes such as animal welfare and environmental effects. This has implications for policy, and organic food estimation.