Consumer Preferences For Locally Raised Beef

Convenience and place of purchase influence consumers’ beef purchases

By Katherine Lacy, University of Nevada, Reno; Malieka Bordigioni, University of Nevada, Reno; Dr. Ruby Ward, Utah State University; Staci Emm, University of Nevada, Reno; Karin Allen, Utah State University; and Anne Whyte, Utah State University

Summary

As the COVID-19 pandemic disrupted the meat supply, many states used CARES Act funds to help expand their small meat processing facilities as a method of improving supply chain resiliency. These smaller facilities experience diseconomies of scale compared to larger national processors resulting in higher production costs. As a result, higher consumer prices are necessary for the smaller facilities to be economically viable in the long-term. Implementing a survey of Nevada and Utah residents, we found that consumers are willing to pay a premium for locally produced ground beef. However, Utah and Nevada residents reported differences across price sensitivity and purchasing preferences. Approximately two-thirds of Utah participants preferred locally raised ground beef when it was priced equally to non-locally raised ground beef but were more price-sensitive as the mark-up increased for local meats. In Nevada, about half of the participants preferred locally raised ground beef at no mark-up but were less price-sensitive at higher price premiums. Overall, about a fifth of all participants from both before and after COVID-19 indicated that price was the most influential factor in the decision to shop at a specific food retailer. However, participants also reported convenience as influential to food shopping decisions. More than half would prefer buying locally raised meat from a supermarket, while 46% reported purchasing directly from the rancher as the least preferred locally raised meat retailer. When asked about what prevents them from purchasing directly from a producer, about a third indicated it was easier to buy meat from their regular food retailer, and over a fourth indicated they did not know how to purchase directly from a local producer.

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Recommendations

There is a need to help consumers be aware of locally raised meat options and convenient ways of purchasing it. Use of social media and regional programs like Nevada Grown and Utah’s Own could help address these needs. Food hubs may also play a role in making it more convenient for both supermarkets to carry locally raised beef and informing consumers about purchasing options.
Introduction
In Spring 2020 the COVID-19 pandemic initially surged in the U.S. Nationwide quarantines established to address the health impacts resulted in shuttered industries and institutions, and in turn, severe economic impacts. In particular, the meat processing and packing industries experienced very large supply chain disruptions. These industries are highly centralized and the decrease in demand due to shuttered commercial operations along with decreased skilled labor and transportation options created processing backlogs and shortages in the meat supply. In response, many states used CARES Act funds to help expand their small meat processing facilities as a method of improving supply chain resiliency. However, the highly centralized structure of the meat packing and processing industries is motivated in large part by reducing production costs. Smaller regional processors suffer from diseconomies of scale that result in higher production costs than the larger facilities. For the smaller facilities to be economically viable in the long-term, higher overall retail prices may be needed. The question becomes: what are consumer preferences and willingness to pay for locally raised beef?

Consumer Survey Responses
In August 2020, a market research company was contracted to administer an online survey, which yielded 998 responses with an approximately even split between residents of Utah and Nevada. Participants were asked about their local food preferences and willingness to pay for locally raised ground beef. When determining what classifies as locally produced food, the survey results indicated that consumers generally define “local” to be within 100 miles of their residence.

In Utah, 42% of respondents have purchased meat or produce directly from a local producer, while only 28% had in Nevada. And 65% of all respondents had never purchased meat directly from a local farmer. Of those respondents, 30% said that price was a concern and they believed it was cheaper to purchase meat from their regular retailer.

Figure 1. Participant Preference for Locally Raised Ground Beef at Various Price Premiums vs. Non-Locally Raised Ground Beef.
Many of the participants were willing to pay a premium for locally raised ground beef (Figure 1 - see previous page). At an equal price, about two-thirds of Utah respondents would prefer locally raised ground beef over non-locally raised ground beef compared to only about half of Nevada respondents. In contrast, more Nevada participants are willing to pay price premiums for locally raised ground beef. Overall, there does seem to be a portion of participants in both states that desire locally raised ground beef even with substantial price premiums. It should be noted that these are stated preferences and do not imply every purchase will be local beef, but does indicate desires.

Our results suggest that if given the option of locally raised ground beef, especially in a grocery store, many consumers may prefer to purchase locally raised ground beef over non-locally raised ground beef. Initially, Utah respondents had a higher desire for local beef, but were more price sensitive than Nevada respondents.

Quality of the food was a very influential factor in determining where to shop pre-COVID-19 followed by cleanliness then price. Post-COVID-19 cleanliness was most influential, followed by mask requirements for customers, then price (Table 1). This would indicate that Utah’s Own or Nevada Grown sales could increase if the local product or brand is positioned as a premium, quality product. Locally raised beef could be combined with other quality characteristics such as grass-fed, organic, or natural to capture additional premiums and markets.

Location and convenience are also important considerations for increasing sales of locally raised beef. Respondents in both states ranked supermarkets as their preferred place to purchase locally raised meat. There was a slightly stronger preference in Nevada than Utah. But, it may be difficult for individual producers to develop a brand and sell meat directly through supermarkets. Food hubs may be able to fill a gap by aggregating product from producers to sell to supermarkets. Purchasing directly from the producer was ranked as the least preferred place of purchase for local meats, with Nevada ranking purchasing directly from the producer slightly lower than Utah.

The survey results revealed the most common reason for consumers not purchasing their meat products directly from the producer was the ease of getting meat from their regular retailer (over 30%), followed closely by not knowing how to purchase meat directly from the producer (over 25%). This information indicates that the demand for locally produced meat is present, even at a premium price, if producers better inform consumers about how to purchase their products. Programs such as

<table>
<thead>
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<th>Factors influencing the consumers’ decision on where to shop</th>
<th>Before COVID-19</th>
<th>After COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most Influential</td>
<td>Very Influential</td>
</tr>
<tr>
<td>Online, self-pick up</td>
<td>6.3%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Online, delivery</td>
<td>6.5%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Price</td>
<td>20.5%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Quality of food</td>
<td>19.9%</td>
<td>43.7%</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>20.3%</td>
<td>38.9%</td>
</tr>
<tr>
<td>Mask mandate</td>
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<td>--</td>
</tr>
</tbody>
</table>

Table 1. Factors Influencing Utah and Nevada Consumers’ Decision to Shop at Specific Food Retailers.
Utah’s Own or Nevada Grown might serve a role in educating consumers about locally produced purchasing options.

**Conclusions**

Overall, consumers in Nevada and Utah desire locally raised beef and are willing to pay a premium for it. However, in addition to price, convenience is an important characteristic in the success of locally raised meat markets. As states try to support small processing facilities and local foods branding, it is important to remember a “one policy fits all” approach may not be appropriate. As shown, there are regional differences in local meat preferences suggesting that not all markets will behave the same.

Although consumers indicate demand for locally raised beef, there are some hurdles producers face when attempting to sell local foods directly to the consumer. Without an established local market many consumers don’t know how to purchase directly from a producer. Cooperative Extension specialists and policy makers may consider working with producers and retailers to increase the availability of locally produced meats in supermarkets.

In addition to establishing a market and customer base, producers also need to have outlets to get their product processed under meat inspection regulations that allows meat to be sold to the public. Individual producers will have to find the right strategy for their own situation in whether to sell to a food hub or grocery store versus selling directly to the public. Selling local meat does come with the complicating factor of needing to get the meat processed and also needing to sell a mix of products that utilizes the whole animal. These are questions that could be examined with additional research.

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