



Tropentag, September 17-19, 2018, Ghent

“Global food security and food safety:
The role of universities”

Do Indonesian Consumers Value Organic Rice? Evidence from a Willingness-to-Pay Experiment with Randomised Pricing

FRANZISKA STEINHÜBEL, NATHALIE LUCK, MICHAEL GRIMM

University of Passau, Chair of Development Economics, Germany

Abstract

Organic agriculture can contribute to food security on several levels as it addresses social, economic and political constraints of conventional farming. Due to the benefits of organic agriculture, its integration in agricultural policy is crucial to strengthen food security and safety. To discuss shifts on the agricultural production side, the consumer side must not be neglected. Indonesia's organic sector can be divided into an export-oriented production sector and locally-oriented production sector. Currently, the awareness and level of organic food consumption in Indonesia is at a quite low level, yet local markets offer great potential especially for smallholders who do not have access to international markets.

Research can contribute to enhancing the linkage of the agricultural production side and local consumption side by providing farmers and public policy makers with important information about the current demand on the market. To analyse the linkage of agricultural producers and consumers in Indonesia, we conduct a willingness-to-pay (WTP) experiment in semi-urban areas near Yogyakarta. The revealed WTP is elicited through a variant of the Becker-DeGroot-Marschak (BDM) method which confronts participants with a real purchase decision as they are invited to submit a price bid for 1 kg of certified organic rice. In total, about 300 participants from randomly selected sectors are interviewed. Respondents are randomly assigned to treatment or control groups. There are two different treatment groups, one which is provided with information on health benefits of organic farming and one with information on environmental benefits of organic farming. The data collection is ongoing and will be completed end of April 2018. The findings will show the uptake for the current market price and alternative price levels. They will also show whether actual information on health or environmental aspects can increase the willingness to pay and how various individual characteristics correlate with the willingness to pay.

Keywords: Food safety, Indonesia, organic food, willingness-to-pay