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Consumer preferences for eco labelling of food products: A study from the Kandy District

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Market failures due to imperfect information, could lead to socially undesirable outcomes. Regulation on labelling is generally intended to correct such market failures especially when the cost of obtaining information is prohibitively high for individuals. Labelling therefore provides information in a cost effective way enabling consumers to make better informed choices. Although eco-labelling is not very common in Sri Lanka, there are a few products that have attracted consumer attention. However, consumer preferences on these products have not yet been subjected to adequate analysis hindering their wider adoption. This study, therefore, intends to investigate the preferences of consumers for the eco - labeled products using the contingent valuation method.

The sample involved 120 households which represented about 0.5% of the total 24,019 households in the Kandy Municipal Council area. The multi-stage sampling method is used to select the sample. In the first stage, Grama Niladari divisions were selected from each of the Divisional secretariats located close to the Kandy town. In the second stage, a proportional number of households that are close to the Kandy town were selected. The respondents were asked about their buying habits related to food items and were asked to state their willingness to pay for unlabelled, labelled and government certified organic foods. Multiple regression analysis was carried out to estimate the bid function for organic rice vegetables and fruits.

According to the results, mean additional willingness to pay (WTP) for unlabelled, labelled and certified organic products are Rs 695.96, Rs 1487.77 and Rs.2246.37, respectively. With regard to the factors affecting WTP, both education and income has always contributed positively while the number of individuals in the household has contributed negatively to the WTP values for unlabelled, labelled and government certified organic foods. The implications of the results are also discussed.