

Danish Organic Food Demand

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Separability and Substitution Patterns

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Abstract

Most studies of organic food demand are based on questionnaires focussing on buying motives. Only a handful of studies estimate organic food demand and these all focus on food submarkets and must assume separability of the organic/non-organic 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 separability of nests of organic/non-organic 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 whether 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.