

# CMD 512

## 512 - Neglected Products in Food Demand Analysis in Canada: The Case of Sweeteners

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### Research Summary

The question of consumer demand for "healthy/unhealthy" foods is a topic of growing interest in agricultural economics. Concerns over diabetes, high blood pressure, cancer, and nutrient deficiencies, weight gain, obesity-related disorders and dental caries are shaping a need for manufacturers and food/beverage processors to reconsider product additives use and alterations required to meet consumer demand for something sweet with low caloric or non-carbohydrate attributes. At the same time, consumers' concerns in recent years to avoid fat may have benefited sweeteners, which is often a key ingredient in products promoted as "fat-free." For example, the rising per capita consumption over the period 1995 (i.e., 38 kg/ person) to 2004 (47 kg/person) suggests that sugar has a more positive image than was the case a decade or two ago. Over the past several years, consumer preference for sweeteners in the diet has created an active marketplace for sweeteners with few or no calories. As markets change to reflect consumer preferences and concerns, a thorough analysis of the relationship between health concern, prices, income and demand for sweeteners becomes vital to the industry's success and public (health) policy development. For example, the growing obesity epidemic, and the economic externalities it spawns, represents a public health problem that necessitates an exploration of public policy measures that can impact food consumption, physical activity, and consequently, body weight. Market interventions such as taxes and subsidies may be necessary to correct the market failures related to obesity.

Demand for sweeteners is an important part of designing agricultural and food policy. Consumer demand for sweeteners may be affected by many different variables including the price, income, age and geographic distribution of the population, cultural norms, and health concerns. Per capita refined sugar, honey and maple syrup consumption in Canada has been very stable for many years. On average, per capita refined sugar and maple syrup consumption has been declining at approximately 0.3% and 2%, respectively, while per capita honey consumption was rising at approximately 0.11% annually.

One of the issues to be addressed is consumer responsiveness to price and health information. Of the growing numbers of food demand analyses, no study has been conducted to investigate the demand for sweeteners in Canada. The main objectives of this study are to analyse consumption patterns of sweetener and to conduct an econometric analysis of the sweeteners demand structure in Canada.

### Significance of Research

The concern of this study is to investigate the responsiveness of sweeteners demand to prices, consumer income, and health concern. The potential benefit of developing the demand models is to improve the sweetener industry's understanding of the impact of changes in the economic and non-economic variables on the welfare of the industry players and consumers. Knowledge about the elasticities of sweeteners may help in evaluating domestic sweeteners policy. Both the public and private sector participants can address different policy questions using elasticity estimates from this study. For example, would Canadian consumers obtain benefits from the reduction in the refined sugar tariffs/taxes? If so, by how much? What would be the impact of a high-calorie food tax, a low-calorie subsidy or an income subsidy public policy in order to lower public health expenses attributable to

obesity? To answer such questions, knowledge of the responsiveness of demand for sweeteners to changes in prices, income and health information is crucial.