

Consumer purchasing response to mandatory genetically engineered labeling

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A Thesis

Submitted to the Faculty of

Mississippi State University

in Partial Fulfillment of the Requirements

for the Degree of Master of Science

in Agriculture

in the Department of Agricultural Economics

Mississippi State, Mississippi

August 2020

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2020

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Title of Study: Consumer purchasing response to mandatory genetically engineered labeling

Pages in Study: 68

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On January 1, 2022, mandatory genetically engineered (GE) food disclosure labeling will be required nationwide in the United States. To date, the only mandatory GE labeling law implemented in the U.S. was Act 120 in Vermont. This thesis examines the consumer purchasing response to the implementation of Vermont Act 120 using store-level scanner data of food purchases. I measure the effects of Vermont Act 120 on the grocery store sales of non-GMO, organic, and GE- labeled products in Vermont. Using a difference-in-difference approach, I can compare stores in Vermont to control states before and after the law was passed, implemented, and repealed. I find that during the implementation period, sales of non-GMO and organic labeled products increased, and the sales of GE-labeled products decreased. The sales trend reverted after the law was repealed but not quite to the baseline levels for organic and GE-labeled products.

The analysis, findings, and conclusions expressed in this report should not be attributed to IRI

DEDICATION

I dedicate this thesis to my parents for their resilience and constant support.

PREVIEW

ACKNOWLEDGEMENTS

Thank you to members of my committee for their patience and dedication to my thesis. Dr. Linlin Fan deserves special recognition, for consistently encouraging me to go deeper with my research and helping push me across the finish line.

The Agricultural Economics Department is the best department at Mississippi State and is made up of wonderful professors and staff who care deeply for their student's success. I have been blessed to be a part of the department for both my undergraduate and graduate studies and cannot thank everyone enough for their support and guidance over the years. Dr. Steve Turner, thank you for getting me into agricultural economics through your SEC Football class and highly encouraging me to pursue graduate school. Dr. Keith Coble, thank you for deepening my love of agricultural policy and fun, political discussions. Ms. Debra Price and Ms. Frances Walker, thank you for your companionship, chocolate breaks, and keeping the Ag Econ Department running like clockwork!

Finishing this thesis during a global pandemic was an unexpected hurdle. Thank you to Madeline Poss, my social distancing office buddy, for keeping me accountable. Thank you to my friends Ben Mackin and Bailey Archey for keeping me sane on our long, winding walks through Starkville. And, while she cannot read, thank you to the best dog in the world, Sally, who provided the best companionship and unconditional love throughout graduate school.

Lastly, I must thank my family. Dad, thank you for introducing me to Mississippi and teaching me grit. Mom, thank you for instilling me a love of knowledge and teaching me to face

obstacles with humor and grace. Tori, thank you for being my sounding board and motivator.

Grandma Betty, thank you for your phone calls, perspective, and encouragement. I am honored to be named after you and to carry on the Anders family legacy in agriculture.

PREVIEW

TABLE OF CONTENTS

DEDICATION	ii
ACKNOWLEDGEMENTS	iii
LIST OF TABLES	vii
LIST OF FIGURES	viii
CHAPTER	
I. INTRODUCTION	1
II. BACKGROUND	4
Genetic engineering.....	4
National Bioengineered Food Disclosure Standard	12
III. LITERATURE REVIEW	14
Labeling theory	14
GE labeling debate	15
Response to Vermont law	17
IV. DATA AND METHODS	19
Data	19
Product category selection.....	20
Control state selection	23
Summary Statistics	25
Treatment effect without controls	27
Similarity of treated and untreated stores	28
Differences in differences estimation	31
Empirical Specifications.....	33
V. RESULTS	35
Main analysis.....	35
Investigating Heterogeneity.....	43
External Validity	47

Robustness Tests	49
Synthetic control method.....	50
VI. CONCLUSION	56
REFERENCES	59
APPENDIX	
A. ROBUSTNESS TEST	64

PREVIEW

LIST OF TABLES

Table 4.1	Means of treated and control product categories.....	26
Table 4.2	Testing similarities in treated and control stores in the “pre” period.....	30
Table 5.1	Difference-in-differences regression for log of quantity sold of non-GMO labeled products.....	38
Table 5.2	Difference-in-differences regression for log of quantity sold of organic labeled products.....	39
Table 5.3	Difference-in-differences regression of log of quantity sold of GE Campbell’s Soup	40
Table 5.4	Comparing average treatment effects relative to the preceding time period.....	41
Table 5.5	Price regressions.....	42
Table 5.6	Comparing soup-buyers to non-soup buyers in Vermont and nationally.....	47
Table 5.7	Synthetic control estimates of average treatment effects of GE labeling policy changes on food sales.....	53
Table A.1	Difference-in-differences regression for log of quantity sold including income and education variables.....	65
Table A.2	Difference-in-differences regression for log of quantity sold with the addition of a UPC count variable	66
Table A.3	Difference-in-differences regression for log of quantity, only including products sold in each state in every week	67
Table A.4	Difference-in-differences for log of quantity of GE Campbell’s Soup, including temperature.....	68

LIST OF FIGURES

Figure 2.1	Google searches for “GMO” in Vermont and the United States	11
Figure 2.2	Google searches for “GMO” in Vermont, Oregon, and Washington.....	12
Figure 2.3	USDA approved National Bioengineered Food Disclosure Standard symbols	13
Figure 4.1	Average quantity of organic and non-GMO labeled products sold by week and state	24
Figure 4.2	Average quantity of GE Campbell’s Soup products sold by week and state	25
Figure 4.3	Parallel trend assumption	32
Figure 5.1	The impact of Act 120 on quantities sold of non-GMO products across income and education distributions in Vermont.....	45
Figure 5.2	The impact of Act 120 on quantities sold of organic products across education and income distributions in Vermont.....	45
Figure 5.3	The impact of Act 120 on quantities sold of GE Campbell’s Soup across education and income distributions in Vermont.....	46
Figure 5.4	Aggregate volume sold for organic and non-GMO foods per grocery store per 4-week period	54
Figure 5.5	Aggregate volume sold for GE Campbell’s Soup per grocery store per week	55

CHAPTER I

INTRODUCTION

On January 1, 2022, mandatory genetically engineered (GE) food disclosure labeling will be fully required nationwide in the United States on foods produced with GE ingredients¹. To date, the only mandatory GE labeling law implemented in the U.S. has been Vermont Act 120, which required foods with GE ingredients sold in Vermont be labeled with a GE disclosure statement on the package.

The law was implemented for the month of July 2016 before being preempted by the National Bioengineered Food Disclosure Standard (NBFDS). In this research I study the consumer purchasing response to the initial implementation of mandatory GE labeling in Vermont using store-level scanner data of food purchases. Using Vermont Act 120 as a natural experiment, I measure the effects of the GE labeling law on the quantities sold of Non-GMO (GMO - Genetically Modified Organism, equivalent to GE), Organic, and GE- labeled products in Vermont grocery stores compared to comparable control states using difference-in-differences for the main analysis and synthetic control method as a primary robustness check.

While the implementation of the law was unique to Vermont and rife with complications, I will attempt to control for these complications in several ways. Once Vermont Act 120 was

¹ The National Bioengineered Food Disclosure Standard will require foods with over 5% bioengineered (BE) ingredients to be labeled. While GE and BE are different terms, to date the list of approved bioengineered crops listed by the USDA Agricultural Marketing Service are the same as the GE crops approved for production in the United States.

passed in May 2014, the law met immediate opposition from the food industry, which feared a state-by-state patchwork of labeling requirements would affect their ability to distribute food nationally. This led to efforts in Congress to pass a law preempting Vermont Act 120. While these efforts failed to preempt the initial July 2016 implementation of the law, there was a sense that Congress would eventually preempt the law, which they did by the end of July by passing the NBFDS. Additionally, there was a six-month grace period for foods without a GE label produced prior to July 1, 2016 and a one-year grace period before lawsuits could be brought against manufacturers for non-compliance (O’Gorman 2016). In anticipation of Vermont Act 120 being overturned and the grace periods, many food companies were apprehensive to begin labeling in Vermont, creating a fundamental empirical challenge. Therefore, we are unable to definitively conclude whether each product was or was not correctly labeled during the month the policy was in place. I account for this ambiguity by focusing on products that were most likely to be labeled: non-GMO labeled products, organic labeled products, and GE labeled Campbell’s soup.

Overall, food manufactures feared consumers would decrease purchases of GE labeled products, due to mistrust and confusion over genetic engineering, and increased food costs (Van Eenennaam, Chassy, and Kalaitzandonakes 2014). Although there is no scientific evidence that GE foods are unsafe for human consumption (National Academies of Science, Engineering, and Medicine 2016), food manufacturers were concerned that GE labels could potentially signal to consumers that the product was inferior. A 2018 Pew Research Center survey found that 49% of Americans believe that foods with GE ingredients are worse for one’s health than non-GE foods, an increase of 10 percentage points from the same survey question compared to 2016 (Funk and Kennedy 2016; Funk, Kennedy, and Hefferon 2018).

I find that the implementation of Vermont's GE labeling law led to increases in sales of non-GMO and organic labeled products and decreases in sales of GE labeled soups during the month it was implemented. Sales reverted back towards the baseline for all three product categories after Vermont Act 120 was preempted, but remained above the baseline for organic products, below the baseline for GE labeled soups, and fell below the baseline for non-GMO labeled products.

This thesis contributes to the literature in several ways. To the best of my knowledge, this is the first study to analyze the impact of mandatory GE labeling on the purchasing decisions of consumers using store-level scanner data and a multi-year framework. This is also the first study to investigate the impact of mandatory GE labeling on the sales of substitute products, i.e. non-GMO and organic labeled foods in a real-world context. While the Vermont GE labeling implementation was imperfect and differs from the NBFDS in a number of ways, this research will help inform industry groups on what to expect from consumers at the grocery store as NBFDS goes into effect and is relevant for policy makers who are curious about the impact of mandatory GE labeling on food sales.

CHAPTER II

BACKGROUND

Genetic engineering

The National Academies of Science, Engineering, and Medicine (2016) define genetic engineering as, “a process by which humans introduce or change DNA, RNA, or proteins in an organism to express a new trait or change the expression of an existing trait.” Genetically Engineered foods, often referred to as Genetically Modified Organisms (GMO’s) by the public, were first utilized commercially in the mid-1990’s. There are ten GE crops in commercial production in the United States: corn, soybeans, cotton, potatoes, papayas, squash, canola, alfalfa, apples and sugar beets (ISAAA, 2018). Ingredients from corn, soybeans, cotton, sugar beets, and canola are particularly common in processed foods available in U.S. grocery stores². In addition to the ten GE crops in commercial production in the United States, the Agricultural Marketing Service (AMS) includes eggplant, pink fleshed pineapple, and AquAdvantage Salmon on its List of Bioengineered Foods available worldwide (USDA AMS, 2018). Bioengineered foods are defined by the National Bioengineered Food Disclosure Standard as those that, “contain detectable genetic material that has been modified through certain lab techniques and cannot be created through conventional breeding or found in nature” (National Bioengineered Food Disclosure Standard, 2018). While these definitions are somewhat ambiguous, the current

² Ingredients derived from these crops are wide-ranging. Examples include many forms of oils, sweeteners, thickeners, starches, and more.

AMS bioengineered foods list includes all genetically engineered foods listed by ISAAA, the International Service for the Acquisition of Agri-biotech Applications.

Genetic Engineering is used to add desirable traits to crops such as herbicide-tolerance, insect-resistance (e.g., Bt Bacterium), or enhanced nutritional benefits (NASEM, 2016). Genetic Engineering has been found to increase the world supply of corn, cotton, and soybeans, reduce food prices, and reduce land conversion, preventing increases in greenhouse gas emissions (Barrows, Sexton, and Zilberman 2014; Taheripour, Mahaffey, and Tyner 2016; Lusk, Tack, and Hendricks 2017; Scheitrum, Schaefer, and Nes 2020). Switching from non-Bt to Bt crops specifically has led to decreases in synthetic insecticide use and higher insect biodiversity (NASEM, 2016).

Despite scientific consensus on the safety of GMOs, many consumers remain skeptical. A 2018 survey by the Pew Research Center found that 49% of Americans believe that foods with GE ingredients are worse for one's health than non-GE foods, 44% believe they are neither better nor worse, and 5% say GE ingredients are better for one's health than non-GE foods (Funk, Kennedy, and Hefferon 2018). This represents a 10% increase from 2016, when 39% of Americans believed that foods with GE ingredients were worse for one's health than non-GE foods (Funk and Kennedy 2016).

Arguments against GE foods tend to focus on the potential consequences on human health and the environment. The Non-GMO Project, which designates the Non-GMO Project Verified Label, cites the increased use of the herbicide glyphosate, emergence of herbicide and pesticide resistant weeds and pests, concerns over farmer sovereignty due to patented GE seeds, and lack of epidemiological studies on health impacts as reasons to avoid GE foods. Vermont Law 120 also cited concerns in the law's preamble over the effects on biodiversity, cross-