



clean air farming

Reducing Ammonia and Methane Emissions from Agriculture

Summary of the international expert talk

Economic instruments for a sustainable transformation of the livestock sector

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Meat production in Germany and many other European countries is not sustainable. It is not only marked by animal welfare problems, but also by immense negative environmental impacts on climate, air quality and biodiversity. It is further accompanied by increasing economic challenges, especially for smaller farmers what accelerates the industrialisation of the sector.

Livestock farming must transform towards sustainability. Economic instruments are being discussed alongside regulatory law as part of the solution shaping the path towards this transformation. In many countries such as Sweden, Denmark, the Netherlands or Germany, meat taxes or meat levies are being implemented or are under discussion. In Germany, the Borchert Commission (German: Kompetenznetzwerk Nutztierhaltung), appointed by the Federal Minister of Agriculture, Julia Klöckner, has proposed a levy on meat (Borchert approach) to increase animal welfare in the livestock sector. However, it cannot sufficiently contribute to achieve climate and air quality targets of the agricultural sector and needs to be supplemented by additional measures.

In our expert talk we discussed how economic instruments can contribute to transform the livestock sector towards sustainability. Guiding questions were:

1. What type and mix of instrument can induce the transformation?
2. How to design a tax or levy that effectively shapes the transformation?
3. How can a meat levy promote synergies between animal welfare, air quality and climate protection, preventing also the outsourcing of the problems?

During the workshop, experts from science and politics presented approaches and learnings of economic instruments or meat levies to internalise negative effects of livestock farming from different European countries.

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Economic instruments for a sustainable transformation of the livestock sector

Presentations

Learnings from the implementation of economic instruments in Denmark

Anne Ohm, *Ministry of Food, Agriculture & Fisheries of Denmark*

- Anne Ohm presented the approach of a fat tax that was implemented in Denmark between 2011 – 2013
- Aim was to shape diets and increase health
- The tax was abolished in 2013, mainly due to high administrative costs and lobbyism
- Further environmental approaches like a generalised carbon tax are under discussion
- Learnings:
 - Design
 - In line with Polluter pays principle (internalisation)
 - Tax synergy between health and climate objectives
 - Effects
 - The fat tax led to an a change in food consumption
 - Reduction in saturated fat and increase in vegetables
 - But also increase in salt consumption
 - Effects regressive in terms of mortality, progressive economically.
 - Experience
 - Strong business resistance due to administrative burdens
 - Precise tax base is difficult to obtain presently
 - General
 - The size and design of a tax means a lot for the effect
 - Be aware of substitution effects
 - Taxing production versus consumption should be considered
 - Life cycle approach is essential to ensure real climate effects

Approaches for advances in sustainable animal production in the Netherlands

Robert Hoste, *Economic Research, Wageningen University and Research*

- Areas with high livestock densities and sustainability issues in the Netherlands
- A variety of economic instruments to reduce livestock numbers have been implemented in the history of the Netherlands
- However, some instruments have had the opposite effect and have increased the number of livestock
- Exit scheme (Stoppersregeling): instrument to support the abolishment of farms by monetary incentives
 - Farmers had to stop production totally and the production rights were taken away
 - Reduction of 6.7% pigs achieved
- Measures to increase sustainability: Legal measures, Covenants, Efficiency, Pricing, Awareness
- Recommendations:
 - Use legislation as an effective tool

Economic instruments for a sustainable transformation of the livestock sector

- Enforcement necessary
- Especially when non-compliance expected
- Goal oriented legislation and covenants
 - Flexibility, tailor-made solutions
 - Clear goals
 - Legislation (threat) as backup option
- Exit schemes helpful to contribute to integrated sustainability approach

Dutch meat tax proposals - True pricing environmental costs

Jeroom Remmers, *TAPPCoalition (True Animal Protein Price Coalition)*

- Meat price does not reflect all environmental costs
- Approach to include all external costs in the price of meat
- Several approaches are proposed by various Dutch parties
- Most consumers in the Netherlands, Germany and France also support the proposal
- Can have substantial benefits for the environment, health and economy
- Environmental effects due to reduction of meat consumption; additionally farmers subsidies for reducing emissions at farm level if revenues are channeled to the farmer

How the transformation of the German livestock sector can be supported by pricing emissions at farm level

Ann-Cathrin Beermann, *Forum Ökologisch-Soziale Marktwirtschaft (FÖS)*

- Especially in terms of reduction targets for climate and air quality, German livestock production is stagnating and unsustainable
- Additional animal welfare issues
- Borchert approach on increasing animal welfare not sufficient enough, mid-sized farms may be incentivised to increase production
- Need for additional economic instruments to speed up the transition and prevent an increase in livestock
- Reducing number of animals instead of more efficiency is needed in Germany
- Three ways of pricing emissions at farm level have been analysed:
 - 1) air pollutant tax to generate revenues for animal welfare measures
 - 2) taxing air pollution for air quality
 - 3) internalising climate impact costs

Discussion

The audience had many questions and comments for the speakers. The final discussion gave space to answer them and addressed the question of which instruments are useful and how they shall be designed to shape the path towards sustainable livestock farming.

Economic instruments for a sustainable transformation of the livestock sector

The participants discussed on whether a tax should be raised at the production or the consumption level. Different arguments and opinions were:

- In Germany, a main argument against taxing production is that this will shift problems abroad as cheap low standard products will be advantaged.
- Since this is because of less competitiveness of the national farmers, a lump sum to compensate them might assist.
- On the other hand, at least a part of the money will be transferred to the consumer when a tax is based on the production side.
- Not 100% of negative effects is shifted abroad. For example, changes in consumption patterns that are induced by the tax can lower the costs that occur abroad.
- However, an outsourcing of the problem cannot be prevented completely.
- But the effect can also have positive economic impacts.
- The inclusion of the exported production requires addressing the production side with economic instruments.
- To prevent losing the steering effect, any environmental tax should be based on emissions, and not on the final quantity consumed. For example, a tax on nitrogen surpluses could tackle air pollution, water pollution and GHG pollution at the same time. Consumption taxes in contrast may be more suitable to achieve health impacts.
- A suggestion to harmonise the different viewpoints was to implement a consumer tax which revenues are channeled back to the producers.

A conclusion from this discussion can be, that economic instruments need to consider both ends of the supply chain, the consumers as well as the producers which in turn calls for a mix of economic instruments.

A further issue raised was that not only economic instruments themselves are important but also how to communicate them. Meat production and consumption is a very sensitive topic and it is important to increase consumer acceptance on price increases and willingness to shift consumption.

Other points and topics raised:

- Size of the revenues in relation to the administrative costs is an important factor.
- When taxing production: how to prevent relocation effects?
- Border adjustment taxes from the European Union as a problem?
- Manure trading between European countries is an issue.
- Shift in consumption patterns due to a tax depending on social status.
- Economic instruments are often a fast solution but regulatory law has to be considered.
- How to address big international companies in the dairy and meat sector that promote more consumption of meat and dairy worldwide? - We need a decrease of production in EU in order not to have a surplus to export globally.