Meat tax: does tax have to be taxing?

How can we fairly respond to the meat challenge?

Report of Business Forum, 22nd May 2018

What role for food and drink taxes, done well?
Several food and drink taxes have been introduced in recent years, with varying degrees of success – from fat taxes in Denmark to a tax on high calorie foods in Mexico. The recent introduction of the sugary drinks levy in the UK begs questions such as 'are such taxes effective' and, if so, should meat be 'next'? If not, what might be more effective in shifting towards healthier, more humane and lower environmental impact diets?

The 'meat challenge' is hugely complex
Average per capita UK meat consumption is approximately twice the global average. Conversely some people, particularly in low income countries, consume very low levels of animal products and would benefit nutritionally from increased consumption. From an equity perspective, do we need a 'contraction and convergence' model to transition towards people globally eating fairer shares of animal products[1]?

There are major complex environmental, health, animal welfare[2] and social issues relating to meat and livestock. In addition, millions of livelihoods depend on livestock, and moderate meat consumption does have nutritional value. Crucially not all meat is produced equally, e.g. intensively-reared farm animals should not be considered the same as those produced to higher welfare and environmental standards e.g. organic or pasture-fed meat and dairy.

A complex set of issues requires a nuanced response
A consensus is building amongst businesses as well as civil society in the UK about the need to eat less and better meat (Eating Better has set out eight principles for 'better' meat[3]). It was suggested the argument is shifting from moral choice to societal need. There is a paucity of policy responses towards this goal. Responses need to be carefully thought-through, to avoid unintended consequences.

Many feel a meat tax is too blunt an instrument. At a time when flexitarianism is growing and there has been some 'bridge-building' between what were previously regarded as opposing pro- and anti- meat eating groups, would a meat tax risk re-polarising the debate?

"The risk is a fiscal intervention like this would end up taking the issue into controversy"

KEY POINTS FROM BUSINESS FORUM MEETING

- There is a growing consensus on the *need* to eat less and better meat in the UK – whether on environmental, climate change, human health, global equity and animal welfare grounds.
- *How* to change eating habits most effectively remains uncertain.
- On the one hand, the idea of true cost accounting for food is slowly gaining traction in the UK. Prices that reflect externalities, i.e. are taxed on a range of environmental, health and other social impacts, might be more palatable than a single impact tax.
- On the other hand, many feel that a meat tax is too blunt an instrument. It risks demonising meat and undoing constructive progress made in the UK on the broader meat issue. Overall, there does not currently appear to be much of an appetite for a meat tax.
- Some claim the *threat* of a meat tax might be a useful lever to push investors to divest from companies with damaging forms of meat production. Others argue a meat tax would unhelpfully re-polarise the debate.
- National governments, city regions, civil society organisations and food businesses should use the full range of tools in their toolkits to tackle the meat issue, rather than relying on one (contentious) intervention.
- Key questions to ask include:
  - How can existing incentives (e.g. subsidies) and disincentives to eat meat be 'laid bare'?
  - Is the threat of a meat tax on food companies' corporate risk registers?
  - Is 'less and better' meat consumption on corporate opportunity registers for food and farming businesses, and what might those opportunities be?
  - What lessons can be learned from food and drink taxes introduced in other countries?
  - Can NGOs or academics produce a global map of interventions on 'less and better' meat that shows how effective measures have been and reasons why?
  - What might a 'Blue planet moment' for meat be to catalyse progress, and how to make it happen?

[1] Note – while this discussion focused primarily on meat, it is important to consider all animal products e.g. dairy, eggs and fish.
[2] Farm animals should not be treated as 'units of production'; the intrinsic value of all life must be appreciated.
[3] https://www.eating-better.org/uploads/Documents/2018/better_meat_report_FINAL.pdf

The climate change argument

There are many environmental impacts from livestock production, e.g. water use and biodiversity loss, with monocultures arguably ‘feeding our meat-eating habit’. Perhaps the strongest current environmental argument for introducing a meat tax is a climate change one. The food system is responsible for c. one quarter of global greenhouse gas (‘GHG’) emissions, of which c. three-quarters comes from animal products.

If dietary trends continue, by 2050, half the emissions budget to limit global warming to 2˚C would be taken by what people eat. Best estimates suggest that to keep within a 1.5˚C rise by 2050, as per the Paris climate agreement, meat and dairy consumption would need to reduce by c. 80-90%. Hence it is vital that food and agriculture is a key component of climate policy. But how? Other sectors, notably the energy sector, have attempted to price in GHG emissions.

Potential taxes can be calculated using the social cost of carbon, an estimate of future climate damages - calculated by integrated assessment models – which is then discounted back to its net present value. The expected results depend on the estimates and discount rates used. However, *if* a tax route is pursued, surely the best option would be to set tax rates based on what the best current science suggests.

Measuring and modelling an effective tax rate

One challenge is that there are many different methods of measuring product environmental footprints, including climate impacts. What is needed is a consistent global approach. The absence of such metrics though should not be used as an excuse for inaction until the ‘perfect metrics’ get developed.

There is scope for technological improvements to further reduce GHG emissions from livestock - from ‘fitbits for cows’ to lower carbon feed alternatives. However, the extent of such reductions is limited and measures to reduce demand and hence output are also needed. This leads some economists to state those are the preconditions to tax meat at the point of consumption rather than at point of production, like for energy or electricity. Taxing at point of consumption would avoid domestic animal products being disproportionately penalised versus imports.

A 2016 paper in Nature[4] calculated the additional price on a kilogram of beef should be roughly $3/kg, i.e. over 30% of the current price, as a global average. But the tax rate would vary depending on how the meat was produced and in what system. So, taxes might be lower in much of Europe, where meat and dairy systems tend to be more efficient, than in other parts of the world. Beef is particularly GHG-intensive, with direct emissions due to the digestion system of the cow. For all animal products, the indirect effect of GHG emissions from animal feed needs to be included.

Models suggest an average global tax on meat of 30-35% would lead to a reduction in meat consumption of c. 15% (c. half a portion per week), albeit that varies by region. The paper in Nature also concluded other food products should be taxed, e.g. 20% on milk and dairy on average. A proportion of any tax revenue would be needed to administer any food or drink tax, and this should be factored into any cost-benefit analysis.

Revenues generated from a meat tax might be used to mitigate potential negative impacts. For example, tax revenues could be used to subsidise health promotion programmes, like fruit and vegetable consumption.

The human health argument

It was argued that the environmental case set out above would bring health co-benefits. There is also a health argument in its own right. In 2015, the WHO declared processed meats as carcinogens and red meats as probable carcinogens. It can therefore be argued that as a carcinogen, it should be regulated.

Models have suggested health-motivated taxes would be roughly comparable to GHG-driven taxes, i.e. in high income countries, c. 25% taxes on red meat would be needed to drive effective change. Under such models, processed meat - being more unhealthy than other meats - would carry a significantly higher tax burden.

Could the *threat* of a meat tax be a powerful lever?

It was argued by some that the *threat* of a meat tax would be much more likely than other ‘softer’ responses to grab the attention of media and investors. Even if a meat tax was never brought in, the potential that it *might* be introduced could be enough to encourage investors to influence major companies with significant interests in meat and livestock.

“If you took a meat tax off the table, whether it’s a good or bad intervention I don’t know, but that [immediately] gets a lot of people disinterested in an issue like this… In the short-term, the risk that will get investor attention is a meat tax. That’s what will really get investors thinking about how they need to shift their capital onto a more sustainable system”

A meat tax is far from inevitable. Is it desirable?

Others felt a meat tax might (wrongly) imply a quick fix solution, when the reality needs to be a considered long-term transition. A simplistic meat tax might distract from alternative measures that might be more

[4] https://www.nature.com/articles/nclimate3155

effective in the long run and that might be more likely to be gain widespread public acceptance. After all, since when were taxes ever popular?

The idea of food-specific taxes is controversial, not just with some food and drink companies, but also with those who argue a crude meat tax would be regressive and would hit those on low incomes hardest.

Policymakers are nervous because they perceive meat to be a controversial issue. Whilst there are strong vested interests, as with other sectors, that is only part of the picture. The complexity of the 'meat issue' makes it harder to argue that a meat tax is 'inevitable' and that it will necessarily follow the same path as sugar and tobacco.

Learning lessons from interventions elsewhere

The saturated fat tax in Denmark did not last very long, whereas Mexico's sugary drinks tax seems to have been more effective. One lesson to take from this is the need to integrate a new tax with a wider programme that delivers visible advantages to citizens.

One reason for the Danish tax being short-lived was that tax revenues were used to give citizens tax breaks on other taxes, but given that most people do not scrutinise tax returns, most did not see the benefit. By contrast, in Mexico, sugary drinks tax revenues were ringfenced and used to install clean water fountains. This was accompanied by a strong publicity campaign to highlight tangible benefits.

The broader suite of options

The 'four Es approach to behaviour change' was a model developed by the Department for Environment, Food and Rural Affairs and provides a valuable articulation of the range of options to drive behaviour change. The four Es consist of:

i. *Enabling* – making it easier for people to make responsible choices. For shifting to 'less and better' meat eating this includes reformulating products to include less meat, providing information, having healthy eating guidelines that integrate sustainability (and explicitly encourage less and better meat eating) and offering more plant-based choices. Some food companies are focusing on plant-based innovation, recognising the huge business opportunities this presents. For this to really accelerate, it was suggested it would take a bold move by one of the world's largest multinationals that is heavily dependent on meat (e.g. leading burger chains).

ii. *Engaging* – getting people involved, making less and better meat become the social norm, e.g. campaigns like Veganuary and Meat Free Monday.

iii. *Encouragement* – giving the right signals, via taxes, tariffs, trade policy, fiscal disincentives or incentives. Different potential policy interventions can be considered, ranging from subsidies to redesigning the VAT system (to incentivise people to buy food that is better for people, animals and the planet) or "taxes on the most harmful aspects of intensive agriculture, such as the use of nitrogen fertiliser"[5].

iv. *Exemplifying* – leading by example, whether that be public sector food procurement or businesses leading the way in promoting less and better meat.

Typically, a suite of mutually supportive measures is needed to create the desired widespread sustainable behaviour change. It was recognised that catalytic moments are helpful to drive such change. Perhaps a 'Blue Planet moment' is needed for meat?

Unravelling existing incentives and disincentives

It is important to recognise that current food systems do not constitute a 'blank canvas'. When exploring ways to drive change, it is important to 'follow the money' and to understand the incentives and disincentives that already exist – from tax breaks to major subsidies such as the CAP.

Concluding comments

There is a growing consensus on the *need* to eat less and better meat in the UK, and that is beginning to translate into action amongst some groups.

How to do that most effectively remains uncertain. On the one hand, a meat tax feels too blunt an instrument, demonises meat and risks undoing the constructive progress made in the UK. On the other hand, the idea of true cost accounting for food is gradually becoming more widely accepted in the UK. Food and drink prices that reflect externalities more broadly, i.e. are taxed on a range of environmental, health and other social impacts, might be more palatable.

There does not currently appear to be much of an appetite for a meat tax. Even if there was, it would need to be part of a broad-ranging approach, not a simplistic intervention on its own.

This is a report of the Business Forum meeting on 22nd May 2018. We are grateful to our keynote speakers, **Dr Marco Springmann**, senior researcher, Nuffield Department of Population Health, University of Oxford; and **Sue Dibb**, Executive Director of Eating Better. The meeting was chaired by **Geoff Tansey**, curator of the Food Systems Academy and member of the Food Ethics Council. The views expressed in this report do not necessarily represent those of the Food Ethics Council, nor its members.
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[5] For example, as called for by the Sustainable Food Trust