

EU Food Price Debate – 12.11.2020

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F2F & 25% organic target

Presenting the study “Taxation as a tool towards true cost accounting”

ONE VOICE FOR ORGANIC STAKEHOLDERS



WHO WE REPRESENT

- IFOAM Organics Europe represents the entire organic food chain and beyond
- We count more than 210 members in 34 European countries
- Based on the IFOAM principles of organic agriculture:
Health, Ecology, Fairness & Care

25% organic land in EU by 2030

- IFOAM Organics Europe welcomes EGD and F2F strategy
- 25% organic land in EU by 2030, ambitious but achievable with adequate push-pull strategies:
 - Stimulate overall demand,
 - Increase production and
 - Enhance research, innovation, development and capacity building
- F2F strategy: “The Commission’s proposal on VAT rates (...) could allow Member States to make more targeted use of rates, for instance to support organic fruit and vegetables”



Why true cost accounting?

- Currently financially more advantageous to harm environment, negatively affect health and exploit people → “externalities” borne by society and nature.
- Consumers pay 3-4 times for food: at the counter, in terms of health expenses, financing mitigation of negative impacts, taxes to subsidize unsustainable agriculture.

*The hidden cost of UK food,
sustainable food trust, 2019*

<https://sustainablefoodtrust.org/wp-content/uploads/2013/04/Website-Version-The-Hidden-Cost-of-UK-Food.pdf>

Breakdown of every hidden £1 spent on food:

• Natural capital degradation	31.1p
• Biodiversity loss	6.5p
• Production-related ill-health	8.8p
• Diet-related disease	37.4p
• Imported food	7.8p
• Farm support payments	2.4p
• Regulation and research	2.9p

Total £0.97

IFOAM Organics Europe & True Cost Accounting

- Fair play fair pay pillar: “develop a unified framework of indicators for true cost accounting and value pricing, which helps reward practices that deliver public benefits”.
- CAP Advocacy: “public money for public goods”; farmers rewarded for contribution to protection of natural resources.
 - Not possible with next CAP, but Member States can have opportunity to better incentivise and support farmers who adopt more sustainable practices.
- Study “Taxation as a tool towards true cost accounting”*
 - December 2018, Soil & More Impacts (with Ernst & Young)

*https://www.organicseurope.bio/content/uploads/2020/06/ifoameu_final_study_on_taxation_as_a_tool_towards_true_cost_accounting.pdf?dd

Study on True Cost Accounting & Taxation

- Goal of study: analyse potential for using indirect taxes to bring food market closer to “polluter pays” principle
- 6 mechanisms to achieve goal:
 - **Excise tax on plant protection products (PPPs)**
 - **Standard VAT rates on PPPs + reduced VAT for organic pesticides**
 - **Excise tax on non-organic products**
 - VAT rate differentiation for food products (\neq reduced VAT rates for org and non-org)
 - Standard VAT rate for non-organic produce
 - Reduced VAT rate for organic produce



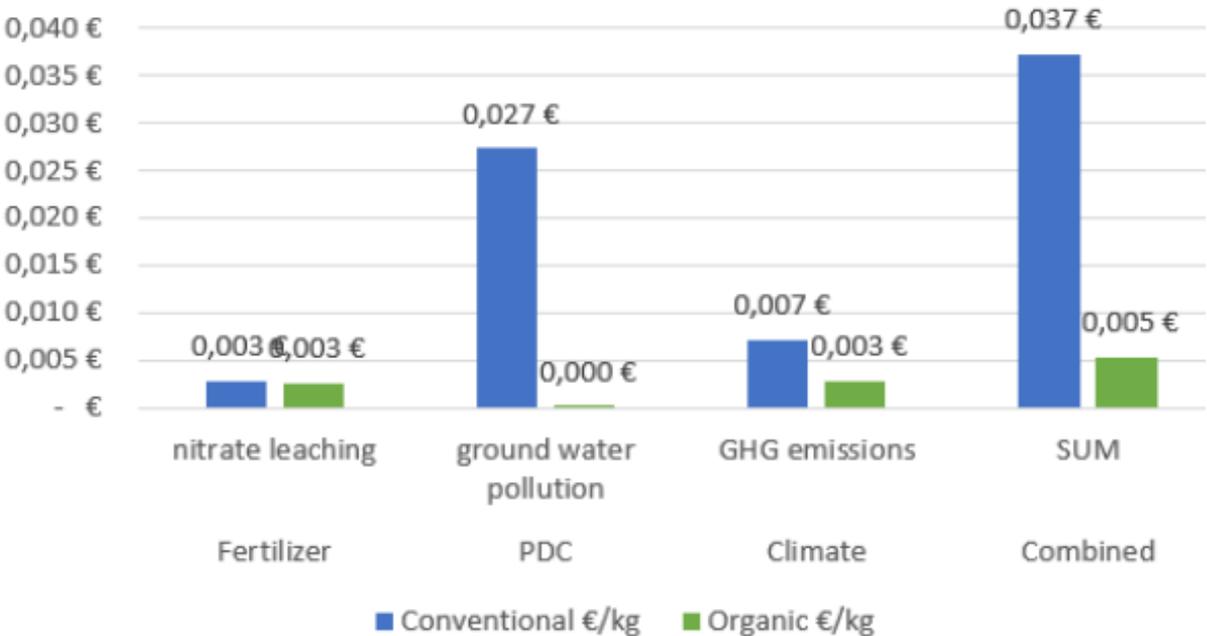
Non-harmonized excise tax on non-organic PPPs/fertilizers

- + Counteracts price subsidies that PPPs receive from reduced VAT rates
- + Incentivize producers to switch to organic production
- + Excise tax linked to demonstrable externalities
- + Single stage taxation (implemented where most feasible)
- + Influences price paid by farmers for non-organic agricultural material and price paid by consumers for non-organic product
- May not be effective enough to profoundly alter consumer behaviour
- Could lead to food prices increases, unpopular, and could run against social policies for low-income families.

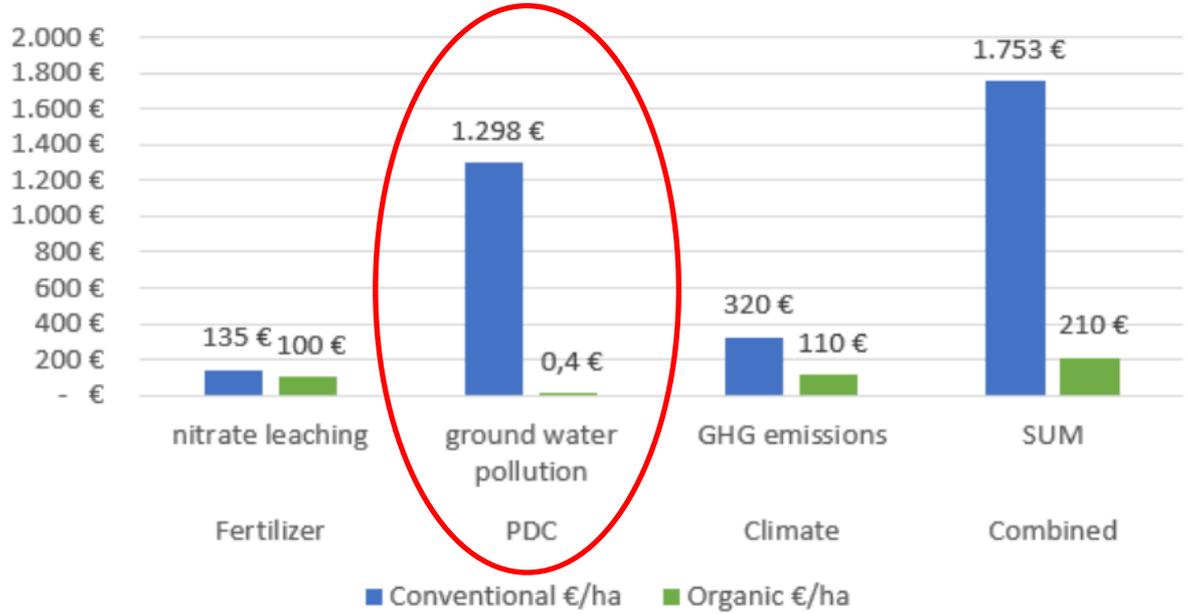
True Cost calculation on hectare potatoes

To approach PPP expenses to their true cost, the cost per ha would rise from 400 €/ha (current expense) to 1700 €/ha.

External cost/kg potato



External cost/ha potato



Recommendations of study

- Advocate for excise tax on PPPs
- Tax policies have to be implemented in a MS' specific cultural and political context, accompanied with awareness-raising
- Revenue collected to support (research on) alternative production methods
- Complex risk rating system of active substances should be mastered



Road ahead

- Goal: healthy ecosystems, healthy products for healthy people, sustainable livelihoods.
- Profitable environmentally, socially, and economically.
- Assess the environmental, social and economic costs and benefits of food production and make these costs and benefits more 'visible' to e.g. decision-makers.
- CAP strategic plans need to provide adequate levels of support to agroecological practices such as organic conversion and maintenance (through pillar I ecoschemes or pillar 2 RD measures, or both).

