

Consumer confidence is inevitable: European Animal Welfare Label



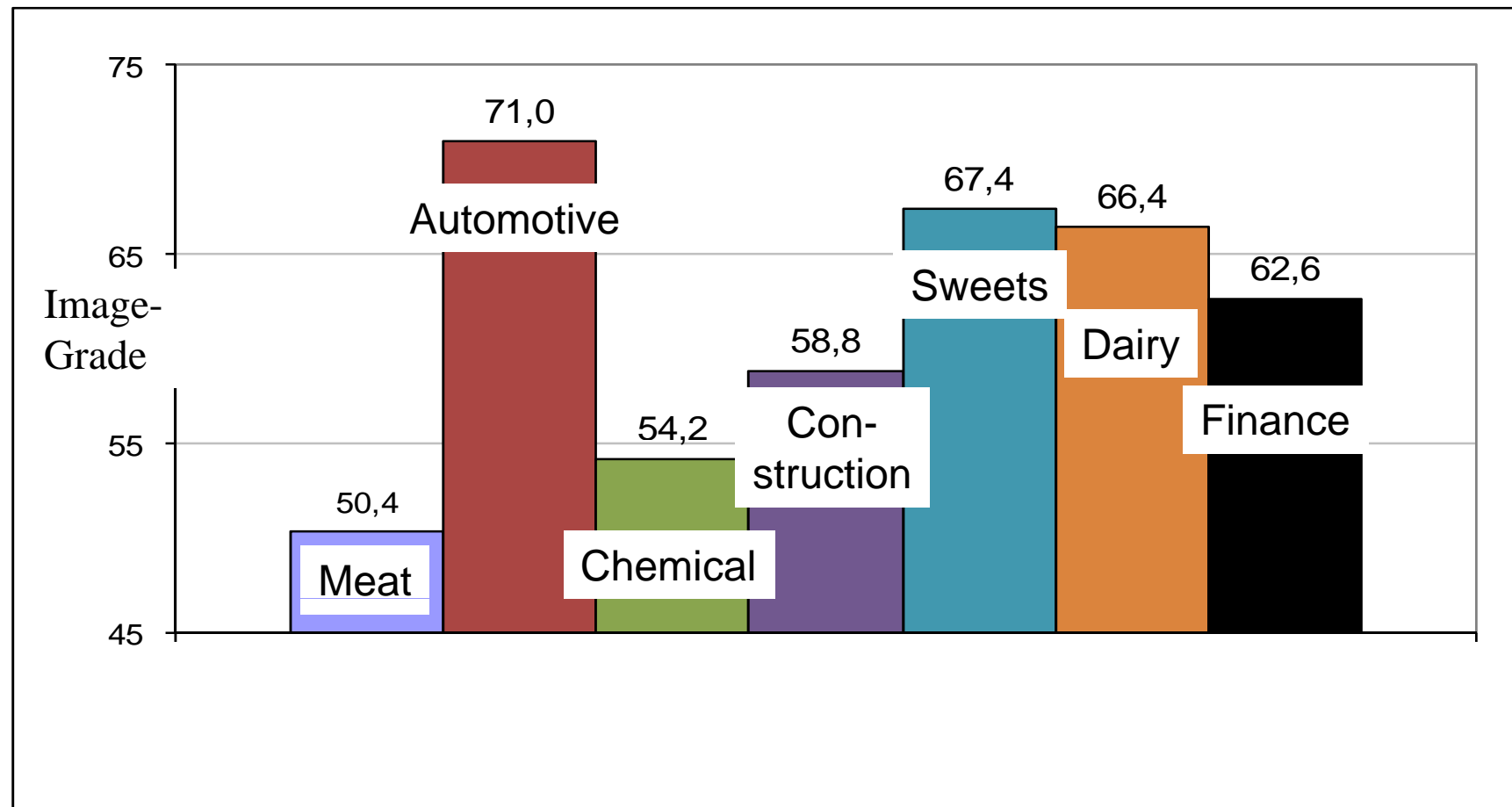
Achim Spiller
Food Marketing

2nd Expert Forum Sustainable Pork production in Europe in
Ingelheim

GEORG-AUGUST-UNIVERSITÄT GÖTTINGEN



Image of different industries in Germany



Animal Welfare – a long-term perspective

Ethics:

- Animal welfare problems in livestock husbandry (animal behaviour, animal health)

Society:

- Changing values in western Europe, increasing relevance of animal welfare

Reasons for the increasing animal welfare requirements

Economics:

- Consumers perceive animal welfare as quality signal
- WTP for animal welfare: about 20 % of German consumers
- Insufficient development of premium segments in the meat market

Politics:

- EU: Action Plan on Animal Welfare; Welfare Quality-Project
- Animal Welfare as part of the coalition agreement of the federal government
- Germany: NGOs started campaigns against factory farming

It is common sense in the society



Animal Welfare from a PET-Perspective

How many animals could live on a farm before you perceive it as factory farming („Massentierhaltung“)



From this number of animals on, about 90 % of all consumers perceive this as factory farming

Comparison of real farm size (number of animals) and the perception of factory farming

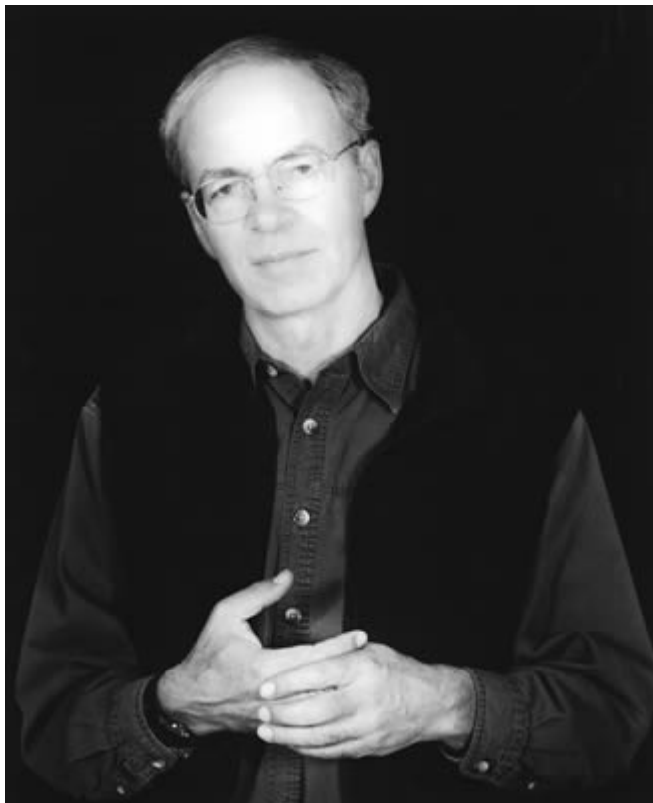
Species	Ø farm size in Germany	Ø farm size in Lower Saxony	Factory farming from the consumer point of view starts at ...
Pigs	294	519	1,000
Poultry	14,900	35,100	5,000
Cows	46	59	500

Source: Destatis 2011

Open question: “What comes into your mind when you think about factory farming („Massentierhaltung“)”

But it is more than common sense – development of philosophy

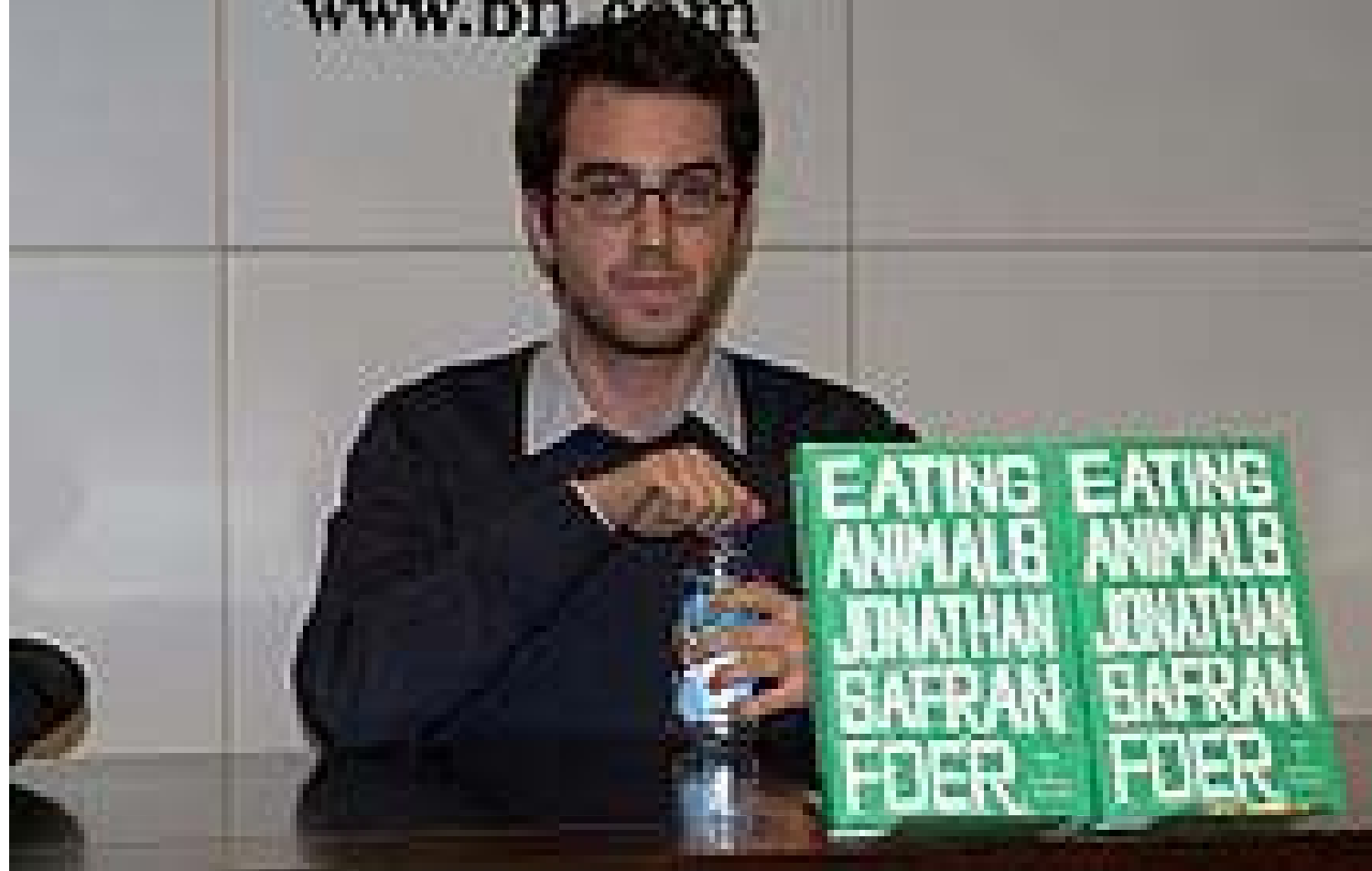
Prof. Peter Singer



- "...Is an international movement that aims to defend the rights of the non-human great primates - chimpanzees, gorillas, orangutans and bonobos, our closest relatives in the animal kingdom. The main rights are: the right to life, the protection of individual liberty and the prohibition of torture.
- The American animal rights movement, which in its early years focused largely on the use of animals in research, now has come to see that factory farming represents by far the greater abuse of animals."

BARNES & NOBLE

www.bn.com



First summary

- Pressure on the agribusiness especially in Middle Europe
- In Germany massive debate about the acceptance of meat business in mass media as well as in local conflicts



Two reactions

1. The political or market standard strategy
(see “Niedersächsischer Tierschutzplan”, Yellow Card in Denmark or de facto standards by powerful retailers in GB)
2. The market differentiation way
(see Animal Welfare Labelling)

Two reactions

1. The political or market standard strategy
(see “Niedersächsischer Tierschutzplan”, Yellow Card in Denmark or de facto standards by powerful retailers in GB)

Advantage	Disadvantage
Equal requirements for all producers	International competitiveness is weakened
No free riding behaviour	All consumers have to pay
Broad, but typically small impact on the market	Bureaucratic
	Difficult to predict
	Reactive - image problems

Two reactions

2. The market differentiation way (see Animal Welfare Labelling)

Advantage	Disadvantage
Consumers with Animal Welfare preferences pay only	High segmentation costs
Market differentiation, new value added	Difficulties of couple production
Company approaches possible	Convincing of farmers is tricky
No impact on international competitiveness	

Meat marketing as coupled production

- Typical problem in slaughtering and cutting
- Slaughterhouses have to ensure the full utilization of an animal through various distribution channels
- Different preferences for animal welfare in various distribution channels
- Experiences from the organic market: prime cuts (with label) subsidize residual pieces
- => enormous price gap between standard and niche product

Animal Welfare Attitudes of German Farmers

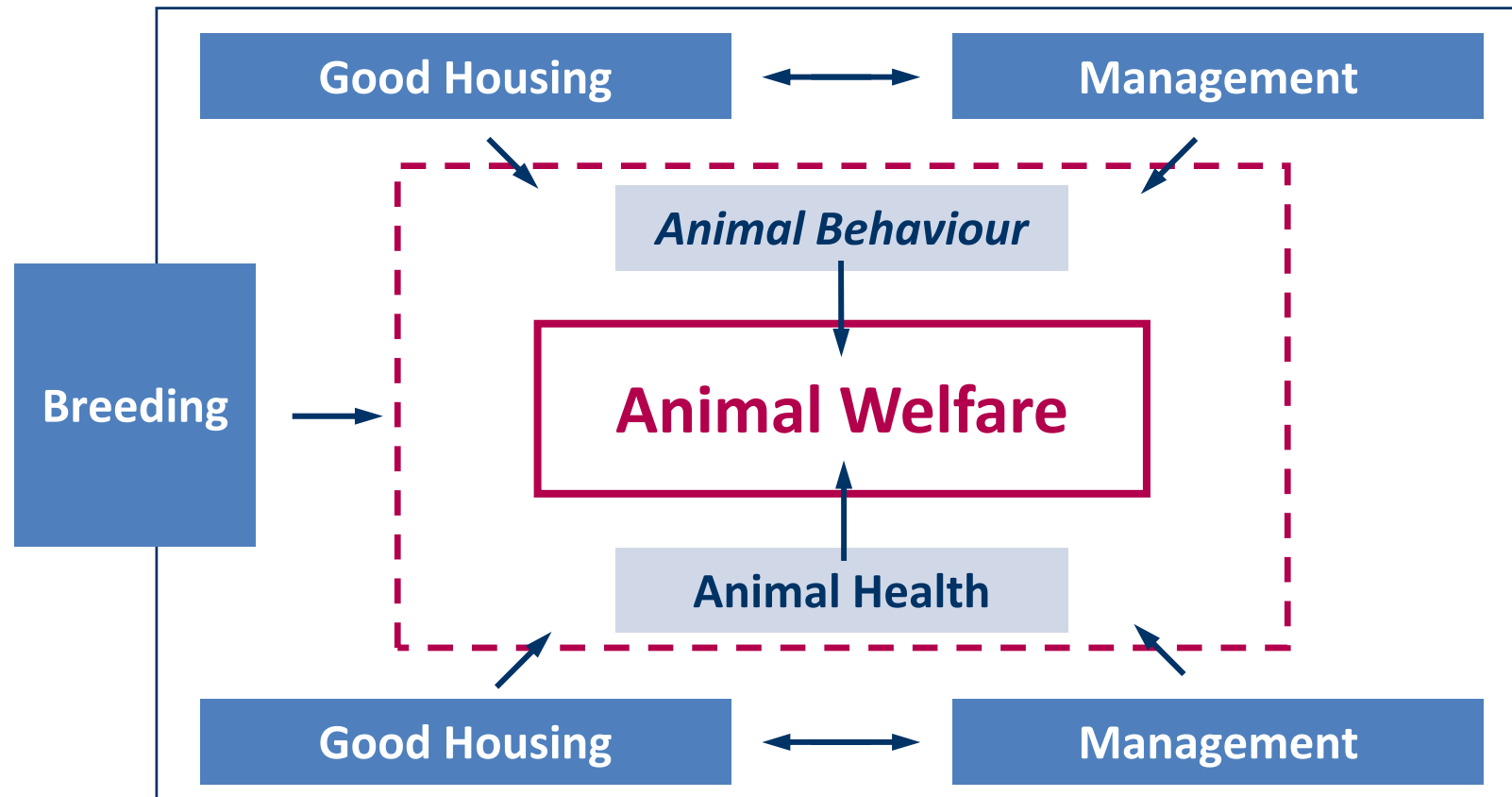
- Online-survey
- Year 2010
- 160 German farmers
- Conventional farms
- Nearly representative, but:
 - better educated
 - Farm size above average

Animal Welfare Attitudes of German Farmers

	agree- ment (%) ³
Biological technical animal welfare approach (Cronbach's Alpha: 0.650)	
How strong should the biological performance (e. g. daily growth) be taken into account when assessing animal welfare in husbandry systems? ¹	78.2
How strong should the farmer's management (e. g. good feeding, good housing) be taken into account when assessing animal welfare in husbandry systems? ¹	88.8
How strong should the structural and technical equipment of the housing (e. g. available space, ventilation temperature, lighting) be taken into account when assessing animal welfare in husbandry systems? ¹	89.4
How strong should the animal health (e. g. health level, housing-, diet- and performance-related diseases and injuries) be taken into account when assessing animal welfare in husbandry systems? ¹	93.8
Behaviour orientated animal welfare approach (Cronbach's Alpha: 0.605)	
Performing their innate and natural behaviour (e. g. grubbing, playing, hygiene) is important for the comfort of the pigs. ²	38.9
How strong should the possibility for the pigs to express their natural, innate behaviour (e. g. exploration, playing, social behaviour) be taken into account when assessing animal welfare in husbandry systems? ¹	31.9

³ number refers to the sum of the % data relating to categories +2 and +1

Assessment of Animal Welfare: Results from the EU project „Welfare Quality“



Author's source according to „EU Welfare Quality“ Project

1. Please imagine the following situation:

In Germany a quality assurance label for pork from especially animal friendly husbandry is developed. This meat is sold in shops for a higher price in comparison to conventionally produced pork. This provides you with the opportunity to gain a price premium per kg of slaughter weight. A purchaser asks you to take part in this animal welfare programme. For this, your production has to fulfil the following cri-

Can you imagine investing in such a husbandry system?

Yes, definitely	Yes, likely	Maybe	No, unlikely	No, certainly not
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- structure of the bay activity
- floor design: comb raw
- provision of toys animals' well-being
- hygiene management: cleaning and disinfection of the bays before each restocking
- genetics: using stress resistant breeds

12 % = yes

59 % = no

29 % undecided

Second summary

You can not force trust, you have to invest

(Niklas Luhmann)

Animal Welfare Labels in Europe



Animal Welfare in Germany?

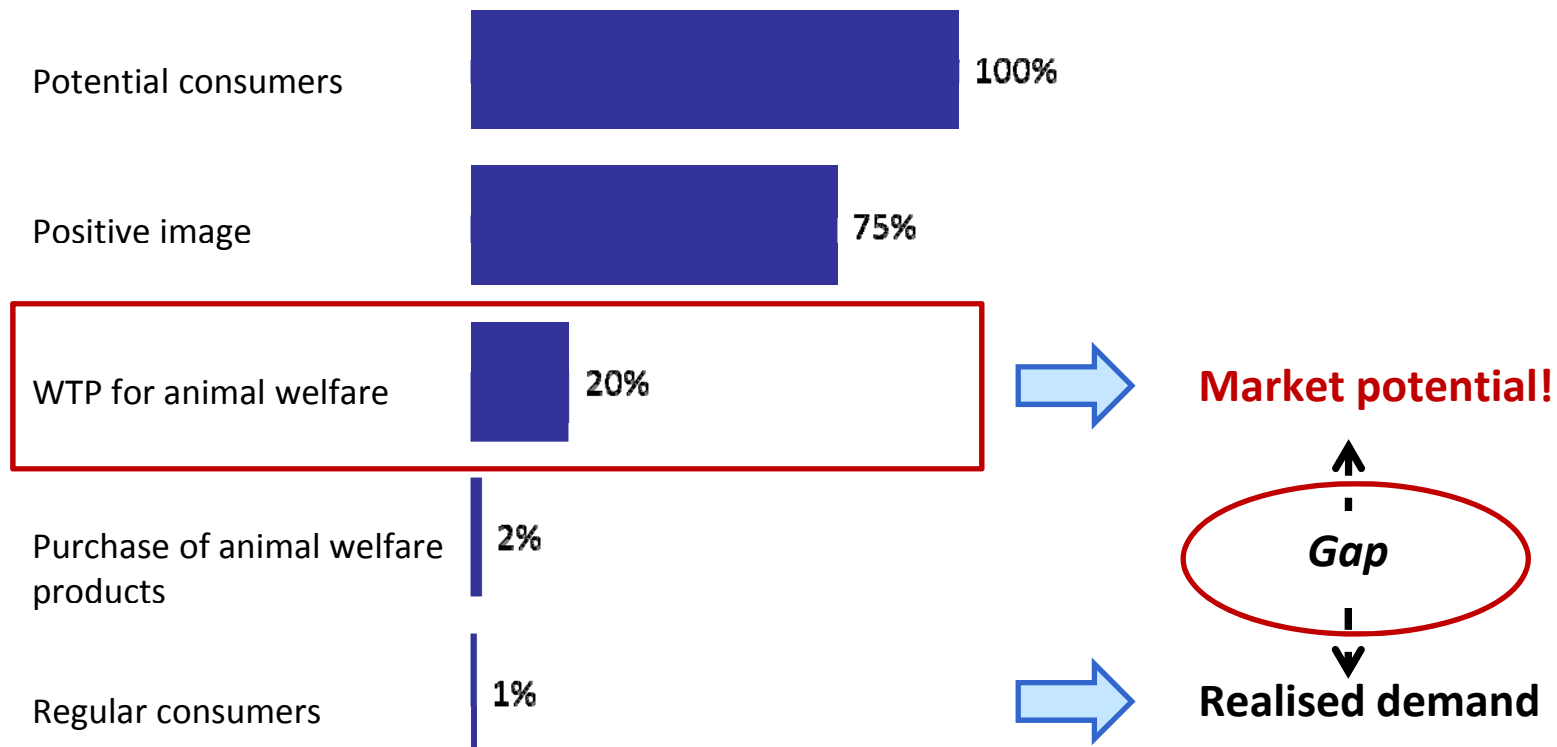


Today: Animal Welfare as a niche in the niche (<0.5 % market share)

Market share of organic meat in Germany

- Beef = 4.6 %
- Pork = 0.6 %
- Poultry = 0.8 %

Market situation in Germany



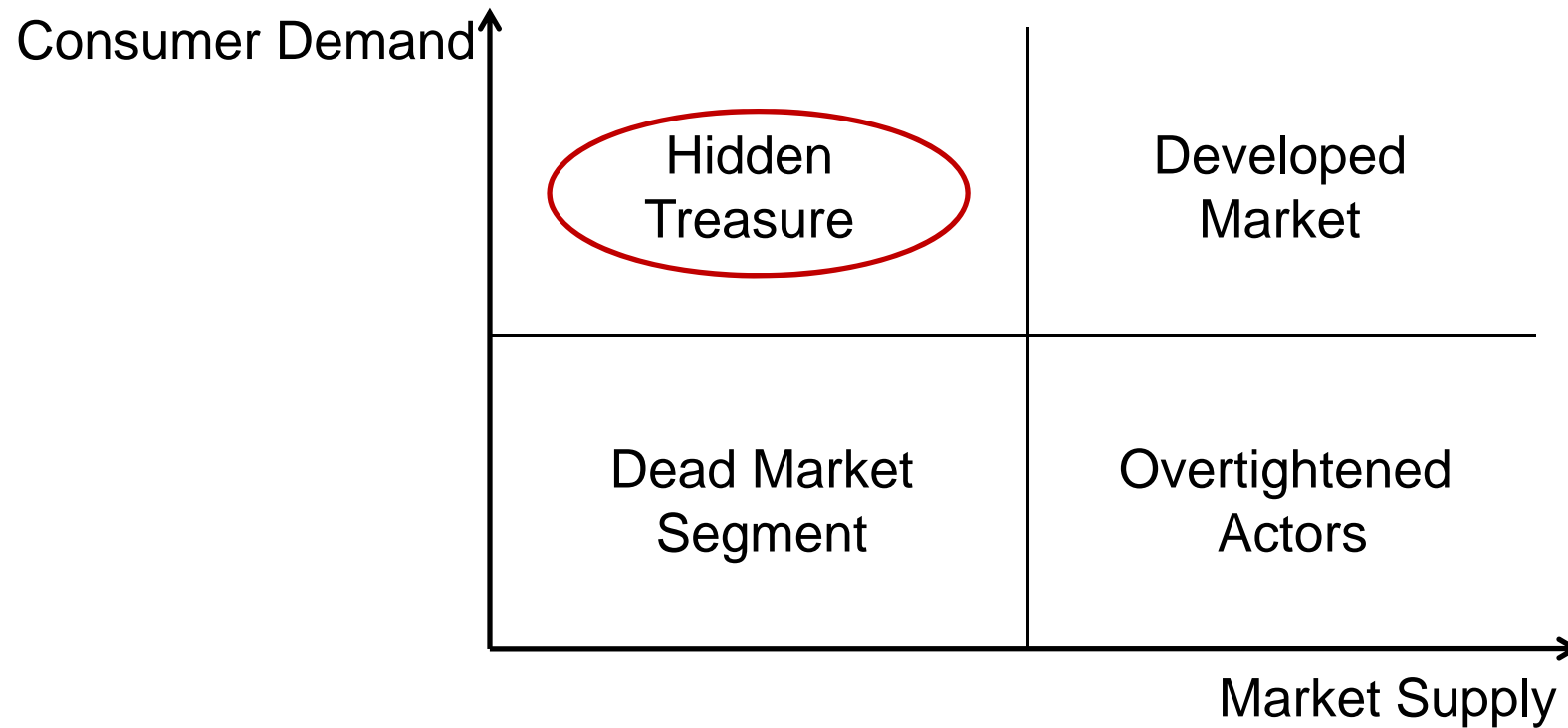
Consumer Behaviour in Germany

Groups	Concerned animal protectionists	Animal welfare concerned carnivores	The uninterested	Careless carnivores	Bothered by animal welfare
Respondents	19%	15%	22%	31%	13%
Attributes	Ethical attitudes, assessment of animal welfare deficient, WTP	Ethical attitudes, but animal welfare basically okay	No involvement, but assessment of animal husbandry deficient	Animal husbandry okay, no involvement, high meat consumption	Rejection of animal welfare, Taste is important

Extended target group

Main target group

Animal Welfare in Germany



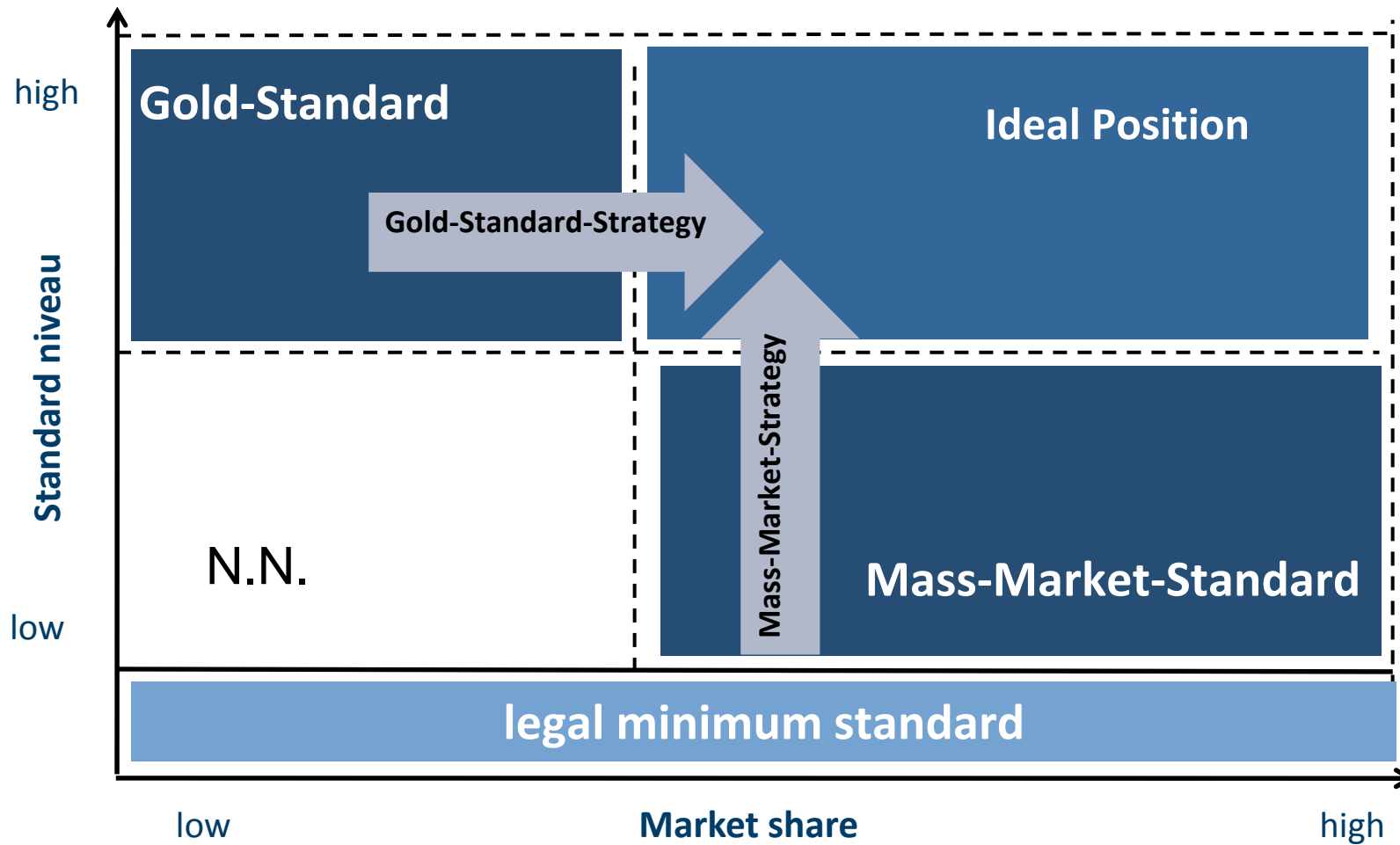
Source: authors' compilation

The New German Animal Welfare Label

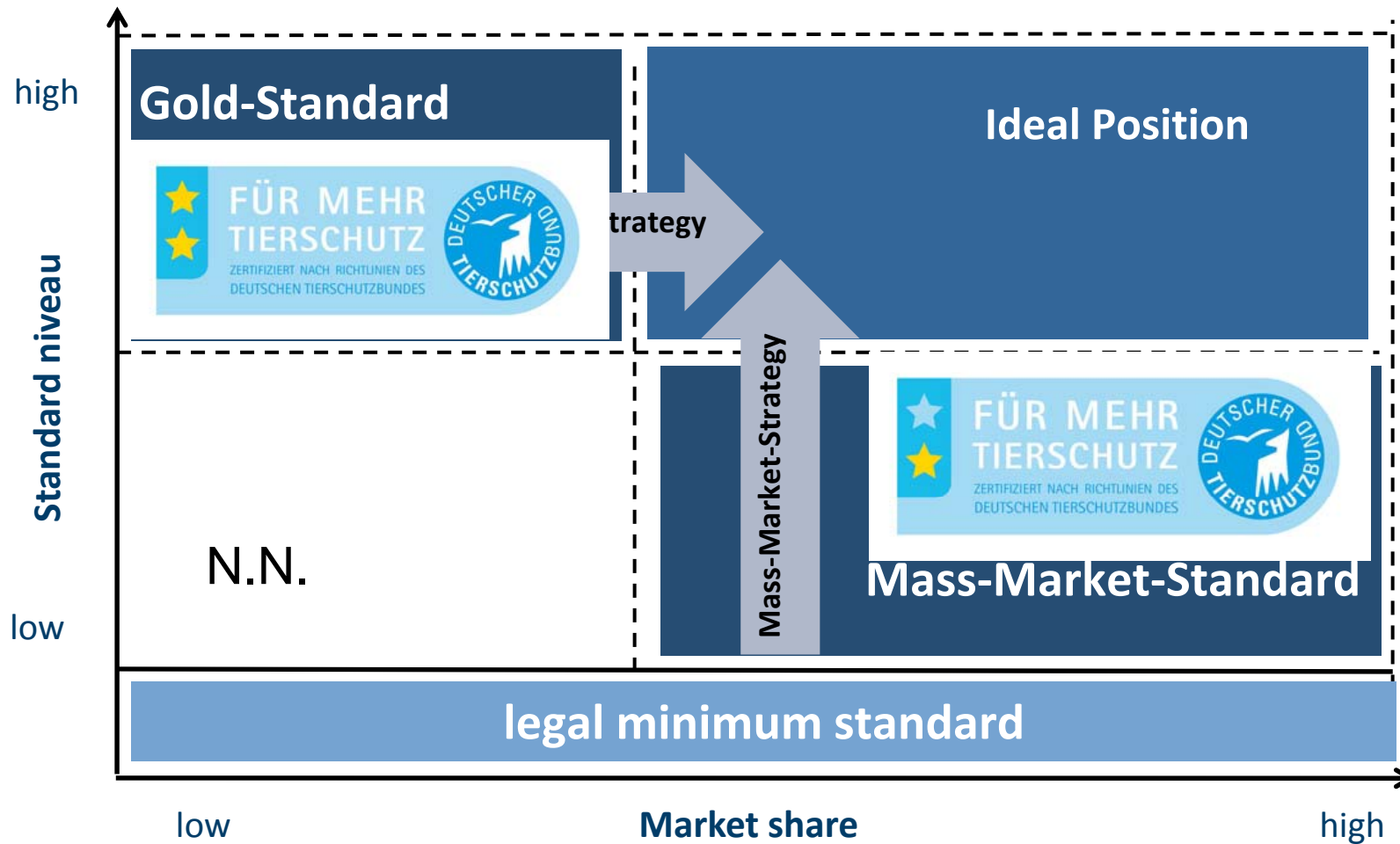
Standard Owner: Germany Society for the Protection of Animals



Labelling Concepts



Labelling Concepts



Conclusion

- Strategic management and trust building instead of waiting for pressure and politics
- Animal Welfare is more than square meters – animal health and real behaviour are in the focus
- Consumer demand - but market barriers from a supply chain perspective:
 - Processors have to sell the whole animal
 - In non-integrated supply chains farmers are critical gatekeepers

Contact

Prof. Dr. Achim Spiller

Chair of Marketing for Food and Agricultural Products

Department for Agricultural Economics and Rural Development

Georg-August-University Göttingen

Tel. +49 (0) 551-399897

Fax. +49 (0) 551/39-12 222

a.spiller@agr.uni-goettingen.de

www.agrarmarketing.uni-goettingen.de