

INVESTOR BRIEFING NO. 7

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## Farm Animal Welfare and the Consumer

### Summary

Animal welfare is an increasingly important factor in food purchasing decisions<sup>1</sup> and a growth in animal welfare products in many markets, even during the recession<sup>2</sup> suggests it is an important issue for consumers. Several surveys have aimed to quantify consumer concern for farm animal welfare in recent years, repeatedly demonstrating that upwards of 70% of consumers in the UK,<sup>3,4</sup> the US<sup>5</sup> and Australia<sup>6</sup> are concerned about farm animal welfare, with animal welfare being consistently rated above food health and safety concerns as the single most important sustainability related food issue for British consumers.<sup>2,3</sup>

There is growing evidence that consumer interest in animal welfare is starting to translate into real changes in the products that they purchase. For example, in the UK, almost 70% of consumers claim to buy free-range eggs 'always or often'; a German study of chicken consumers found 59% expressed an interest in buying chicken from higher welfare systems with a further 82% of these willing to pay more for it; and in France, the market for higher welfare Label Rouge chicken in the whole chicken market was over 62% in 2006. There are obstacles to consumer action, including a lack of availability of higher animal welfare products, a lack of knowledge, a lack of available information and financial barriers. Yet, these obstacles are being progressively addressed through education, better labelling, and better pricing. It is clear that consumers are increasingly willing to purchase higher welfare products, and it is clear that this market is likely to grow substantially as the obstacles are addressed.

### **Consumer Concerns and Values**

**Laying hens** and the barren battery cage are arguably the flagship symbols of the farm animal welfare movement. Consumer awareness of the system is high relative to other production systems and thus it is commonly associated with poor animal welfare. It is not surprising therefore, that laying hens were identified as the animals most in need of animal welfare improvements by EU citizens.<sup>7</sup> The recent introduction of legislation banning the use of barren battery cages within the EU reflects both public and scientific concern and similar initiatives are beginning to take place elsewhere: several US states, including Arizona, Florida and California have recently introduced bans following public votes.<sup>8,9</sup>

Consumer preference is for free-range systems although eggs produced in barn or aviary systems are still rated more favourably than caged production.<sup>8</sup> However,

the knowledge that the birds are free to roam is not necessarily sufficient; consumers have indicated a preference for free-range systems where shelter and pasture access are provided to further improve opportunities for natural behaviour. For example, in the US, 69% of citizens believe that systems for egg laying hens with 'inferior animal care' should be banned<sup>8</sup>, whilst in the UK 61% believe that the new enriched (or furnished) cages designed specifically to improve welfare, do not meet adequate welfare standards.<sup>10</sup>

**Chicken** is one of the most widely consumed animal proteins, making up 90% of the farm animals produced worldwide each year, the vast majority in intensive systems. Consumer concerns regarding chicken production largely centre on space and light provision. Consumers associate space provision with lowered stress, improved cleanliness and ability to access food and water. Forty per cent of British consumers have indicated they are willing to pay more for increased space<sup>11</sup> and for the ability to perform natural behaviours.<sup>12</sup> It is also relevant to note most consumers have little prior knowledge of the reality of broiler farming and are often shocked at discovering the reality.<sup>11</sup> Indeed, after Channel 4 aired a series of programmes on broiler welfare in the UK in 2008, data suggested that nearly two-fifths of consumers subsequently switched to free-range chicken.<sup>13</sup>

**Pigs** are amongst the most intensively produced animals and the welfare concerns are wide ranging. Large pig farms (with more than 800 sows) and farms with fully slatted floors, elicited the most negative consumer evaluation in a study by Verbeke et al. (2010).<sup>14</sup> Swedish consumers were 'strongly opposed' to the 'fixation' (confinement) of sows,<sup>15</sup> whilst more space and group housing were preferred by Dutch consumers over confinement and individual penning.<sup>16</sup>

Consumers value free-range and outdoor systems for pigs very highly,<sup>8,14,16</sup> with one survey suggesting that US consumers were willing to pay almost twice as much for their meat when pigs were reared in open barns, pasture and organic systems. Any negative impacts of outdoor rearing on piglet survival were considered by consumers to be outweighed by the benefits of pasture access for piglets and sows.<sup>16</sup> The benefits of outdoor access and bedding provision are more highly valued by consumers than any quality or health attributes of the meat.<sup>8</sup>

**Dairy cattle** are typically considered to be less intensively produced than many other farmed animals, yet dairy cows have been so intensively bred to produce increasing volumes of milk, that it is having serious consequences on their health and lifespan. Recent media coverage of plans for US-style mega-dairies in the UK has increased consumer awareness and consumers are demonstrating concern about the way in which dairy cows are kept, particularly the large scale intensification of dairy farming, the impact of farming on the environment and the welfare of the dairy cow. Recent surveys and polls in Britain and the UK have shown that 95% of respondents believe it is unacceptable to keep cows permanently indoors<sup>17</sup>, and 61% would never buy milk produced in this way.<sup>18</sup> Ninety-three percent said they would pay more for good welfare if welfare was guaranteed.<sup>17</sup>

## **Consumer Buying Habits and Motivations**

In recent years there has been an 'explosion' of schemes specifically aimed at improving farm animal welfare standards<sup>19</sup> which suggests that there is a heightened consumer demand and marketing opportunities for food producers and retailers. However, whilst citizens express strong concerns for farm animal welfare and strong motivations to buy products from higher welfare systems in questionnaires, this does not always translate to consumer buying habits. The key barriers include a lack of availability, a lack of knowledge, lack of available information and financial barriers. In the UK, almost 70% of consumers claim to buy free-range eggs 'always or often'<sup>4</sup> and only 13% considered they were 'not likely to buy free-range eggs in the future.'<sup>3</sup> Together these surveys suggest there is very little market for caged eggs in the UK. More broadly, an EU wide survey found that 57% of citizens were willing to pay more for eggs from higher welfare systems.<sup>7</sup> In parts of California, share of spend on cage-free eggs rose significantly (up 51%) following the introduction of legislation banning cages, despite a price increase for cage-free eggs whilst conventional egg prices remained static.<sup>20</sup>

A German study of chicken consumers found 59% expressed an interest in buying chicken from higher welfare systems with a further 82% of these willing to pay more for it<sup>21</sup>. In the UK, 46% of consumers claimed to buy free-range poultry 'always' or 'often'<sup>4</sup> and in France, the market for higher welfare Label Rouge chicken has always been high, particularly for the whole chicken market which was over 62% in 2006.<sup>22</sup> Despite this, price differential is often cited as a major barrier to purchasing higher welfare chicken meat.<sup>12</sup> However, there may be significantly inflated margins on these products further aggravating the price differential. By altering margins and/or capitalizing on the associated benefits of higher welfare products, retailers have the ability to meet consumer aspirations for purchasing higher welfare products – products that they also associate with improved quality, nutrition and food safety.<sup>23,24,25,26</sup>

A 1999 study assessing public attitudes towards pig welfare in the UK,<sup>27</sup> showed a general lack of knowledge of pig production. However, 80% of respondents were still prepared to pay more for bacon from alternative systems (indoor straw-court/outdoor bred/outdoor bred and fattened), equating to 30.5% of the price of a pack of bacon at that time. More recently, the RSPCA (2010) reported an increased spend of 64% on Freedom Food pre-packed pork products, compared with the previous year, reflecting increasing consumer demand. At the start of 2012, 80% of French survey respondents declared their concern with the way pigs are farmed in intensive systems and 21% were prepared to pay more for higher welfare pig meat.<sup>28</sup> According to a 2009 report,<sup>29</sup> the typical US consumer is willing to pay 20% more for pork and eggs labelled sow stall free or cage free respectively.

## **Consumer Demands; Labelling and Information**

According to Verbeke<sup>30</sup> 'improved welfare can pay for itself', provided that customers are able to differentiate products that match (or do not match) their aspirational buying preferences. Most consumers believe better education of the issues and more informative labelling can make a positive impact on purchasing choices.<sup>12,31</sup>

The food industry trend watcher Hartman Group (2012) expects the demand for grass-fed beef, grass-fed dairy and cage-free eggs to increase in the US in 2012 and beyond.<sup>32</sup> Effective labelling will facilitate this growth, as it plays an important role in conveying product attributes<sup>33</sup> including animal welfare. The Eurobarometer Survey of 2005 suggests that labelling is the preferred way of consumers accessing such information. There has been a growth in welfare related claims on food packaging facilitating consumer choice and providing producers with opportunity to differentiate their product. However, the sheer range of claims and labels, may also lead to consumer confusion.<sup>34</sup> Consumer responses to the Eurobarometer survey (2005) reflect consumer dissatisfaction with the current state of voluntary labels: 55% of those surveyed within the EU-25 considered it hard to find information relating to welfare-friendly production systems, and 87% of British consumers felt that retailers did not provide enough information on welfare conditions.

The labelling requirements for eggs in the EU offer consistent, clear messaging that consumers are able to understand. Since mandatory labels were introduced in the EU in 2004, the market share of cage-free eggs in the UK has risen from 34% (Q2, 2004) to 51% (Q2, 2012)<sup>35</sup> highlighting the potential impact method of production labelling can have on consumer behaviour. A recent survey showed that almost 70% of UK citizens believed the labelling rules should be extended to products containing egg.<sup>36</sup> There is also demand for mandatory labelling across other species and markets. In the US for example, there is support for the use of mandatory labelling of pork from farms using sow stalls and eggs from caged hens.<sup>37</sup>

### **Business Response to Public Concern**

Forward-thinking businesses are beginning to respond to consumer demands. Sainsbury's, one of the UK's largest retailers, ensures it uses only cage-free eggs across its entire supply chain,<sup>38</sup> whilst in the US, Wal-Mart (the world's largest grocery retailer) uses only cage-free shell eggs in its private-label supply.<sup>39</sup> Large global enterprises such as Unilever and Royal Ahold are rolling out ethical animal policies across their brands, and Smithfield Foods, the world's largest pork producer, is phasing out the use of sow stalls<sup>40</sup> (or gestation crates) used to confine sows during their pregnancy. Industry as a whole is also taking note. The Australian pig industry for example is introducing a voluntary phase out of sow stalls<sup>41</sup> and in the EU the industry has agreed to phase out piglet castration by 2018.<sup>42</sup> The Humane Society of the United States has reached an agreement with United Egg Producers on minimum national housing standards for egg laying hens. They have jointly proposed legislation that, if passed, will require mandatory labelling of eggs according to their method of production, similar to that in the EU.<sup>43</sup>

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The **Business Benchmark on Farm Animal Welfare** is designed to help drive higher farm animal welfare standards in the world's leading food businesses. It is the first global measure of animal welfare standards in food companies and is designed for use by investors, companies, NGOs and other interested stakeholders.

For more information, go to [www.bbfa.com](http://www.bbfa.com) or contact the Programme Director, Nicky Amos: [nicky@nicky-amos.co.uk](mailto:nicky@nicky-amos.co.uk).



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