Bloomberg

Taxes on Meat Could Join Carbon and Sugar to Help Limit Emissions

Emily Chasan 12/11/2017

Move over, taxes on carbon and sugar: the global levy that may be next is meat.

Some investors are betting governments around the world will find a way to start taxing meat production as they aim to improve public health and hit emissions targets set in the Paris Climate Agreement. Socially focused investors are starting to push companies to diversify into plant protein, or even suggest livestock producers use a “shadow price” of meat -- similar to an internal carbon price -- to estimate future costs.

Meat could encounter the same fate as tobacco, carbon and sugar, which are currently taxed in 180, 60, and 25 jurisdictions around the world, respectively, according to a report Monday from investor group the FAIRR (Farm Animal Investment Risk & Return) Initiative. Lawmakers in Denmark, Germany, China and Sweden have discussed creating livestock-related taxes in the past two years, though the idea has encountered strong resistance.

Greenhouse gas emissions from livestock are about 14.5 percent of the world’s total, according to the Food & Agriculture Organization, which projects global meat consumption to increase 73 percent by mid-century, amid growing demand from economies like India and China. That could result in as much as $1.6 trillion in health and environmental costs for the global economy by 2050, according to FAIRR, a London-based initiative created by Coller Capital.

“Investors are starting to consider this in a similar way to how they have considered climate risk,” said Rosie Wardle, who manages investor engagements at FAIRR. “It’s kind of accepted now that we need to address livestock production and consumption to meet that 2-degree global warming limit.”

The Guardian newspaper reported on the FAIRR report earlier Monday.

Sugary Drinks

FAIRR’s sustainable protein engagement plan, currently supported by 57 investors with $2.3 trillion under management, plans to ask 16 major food multinationals this year to “future proof” their supply chains by diversifying their protein sources.

The possible impact of a meat tax could be similar to sugar taxes. While sugar taxes aimed at fighting obesity in the U.S. have faced some resistance, similar levies have been implemented in 18 countries and six U.S. cities, according to data compiled by Bloomberg Intelligence. When Mexico imposed a special tax in 2014 on sugary drinks, it lowered per capita consumption of those beverages by 6 percent in 2014, 8 percent in 2015 and 11 percent in the first half of 2016, according to Mexico's National Institute of Public Health.

The idea of taxing meat has been hamstrung by fears of creating a political backlash by taxing farmers, FAIRR said in the report.

Plant protein, however, is already capturing a sizable amount of demand for protein, pushed partially by millennials and a trend toward incorporating more vegetarian food into Western diets. About 4 in 10 Americans and Canadians are actively trying to incorporate more plant-based food into their diets, according to a Nielsen Co.* global survey.

Gates, DiCaprio

A venture capital fund owned by Tyson Foods Inc.,* made its second investment last week in Beyond Meat, which creates a plant-based burger that's also backed by billionaire Bill Gates and Leonardo DiCaprio and sold in thousands of U.S. grocery stores and restaurants. Tyson took an initial 5 percent stake in the burger creator last year. Green Century Capital Management asked the poultry powerhouse in an August 2016 shareholder proposal to explore more plant-based protein opportunities.

Tyson started work on the Beyond Meat* deal several months before receiving the proposal amid growing "consumer interest in all forms of protein," said Gary Mickelson, a spokesman for the Springdale, Arkansas-based company.

"Besides all of the risks that are in the meat industry, where you are talking about huge amounts of emissions and water pollution, this is about diversifying and figuring out what areas can lead to growth," Marissa LaFave, shareholder advocate at Boston-based Green Century, said in an interview.

The firm, which oversees about $500 million, plans to introduce more plant-based proposals at food companies this year, according to LaFave, who said companies including General Mills Inc.,* Campbell Soup Co.,* Unilever NV,* Kraft Heinz Co.,* Kellogg Co.* and Chipotle Mexican Grill Inc.* are already introducing more plant-based food. Danone SA* agreed to acquire WhiteWave Foods,* a top maker of nut and soy milks, for a 23 percent premium last year, and said in July that the acquisition is expected to help sales.

Tyson, which described itself for years as a producer and marketer of chicken, beef and pork, is quickly recasting its image. The company now calls itself "one of the world's largest food companies and a recognized leader in protein."

###

*As of December 31, 2017, General Mills, Inc. comprised 0.00%, 0.01%, and 0.33%; Campbell Soup Company comprised 0.00%, 0.00% and 0.08%; Unilever NV comprised 2.31%, 1.61% and 0.00%; The Kraft Heinz Company comprised 0.00%, 0.00% and 0.46%; Kellogg Company comprised 0.00%, 0.00% and 0.17%; and Danone SA comprised 1.50%, 0.00% and 0.00% of the Green Century International Index Fund, the Green Century Balanced Fund and the Green Century Equity Fund, respectively. Other securities mentioned were not held in the portfolios of any of the Green Century Funds as of December 31, 2017. References to specific securities, which will change due to ongoing management of the Funds, should not be construed as a recommendation by the Funds, their administrator, or their distributor.

You should carefully consider the Funds' investment objectives, risks, charges and expenses before investing. To obtain a Prospectus that contains this and other information about the Funds, please visit www.greencentury.com for more information, email info@greencentury.com or call 1- 800-93-GREEN. Please read the Prospectus carefully before investing.

Stocks will fluctuate in response to factors that may affect a single company, industry, sector, country, region or the market as a whole and may perform worse than the market. Foreign securities are subject to additional risks such as currency fluctuations, regional economic and political conditions, differences in accounting methods, and other unique risks compared to investing in securities of U.S. issuers. Bonds are subject to risks including interest rate, credit, and inflation. The Funds' environmental criteria limit the investments available to the Funds compared to mutual funds that do not use environmental criteria.

This information has been prepared from sources believed reliable. The views expressed are as the date of publication and are those of the Advisor to the Funds.

The Green Century Funds are distributed by UMB Distribution Services, LLC. 1/18