

March 2022



Report

# Financing the cage-free farming transition in Europe

Institute for European Environmental Policy



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J. Urios, D. Baldock, J.-F. Hulot and F. Bas-Defossez (2022) 'Funding the cage-free farming transition in Europe', Policy Report, Institute for European Environmental Policy

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## ACKNOWLEDGEMENTS

We gratefully acknowledge helpful reviews and comments from Compassion in World Farming (CIWF) EU.

This report was commissioned by Compassion in World Farming (CIWF) EU.

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This work has been produced with the financial support of the LIFE Programme of the European Union. The paper reflects only the views of its authors and not the donors.

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## 1. EXECUTIVE SUMMARY

In June 2021, in response to the European Citizens' Initiative (ECI) on "End the Cage Age", the European Commission (EC) gave a clear commitment to issue legislative proposals to end the use of cages for farmed animals within the EU before the end of 2023. An impact assessment and a consultation process were scheduled for 2022. The legislation will cover the use of cages for all animals, including rabbits, laying hens and layer breeders and cover farrowing crates for sows, those sow stalls that are not prohibited already and individual calf pens that are not prohibited already.

### **The transition to the elimination of cages**

The proposal will be to phase out and finally prohibit the use of cages by a given date, so initiating a transition period. It will come as part of the current review and potential revision of the EU animal welfare legislation under the Farm to Fork Strategy (F2F). As of June 2021, the EC's intention was to "assess the feasibility of working towards the proposed legislation entering into force from 2027". In effect, new EU legislation will drive a transition that already is underway in a number of Member States, with cages almost eliminated in a few countries but much further to go in others.

### **Transition costs and financial support**

The net costs of transition are likely to vary considerably between farms, depending on the changes required, the age of existing equipment, changing market conditions and prices, altered feed requirements and many other factors. No estimate of the costs of compliance with the proposed legislation has been published as yet and further work on this topic is a priority. Clearly, however, costs can be a barrier and may include a combination of both one-off investments, for example in new buildings, equipment and training, and some ongoing expenditure, for example on higher feed and labour costs on some farms.

The EC's announcement envisaged the provision of aid for producers who need to make the transition together with other supportive policy measures, including possible adjustments in trade policy. The principle of financial aid also has received support from within the European Parliament and elsewhere.

This report considers the question of which sources of public funding, EU and national, might be utilised to aid the transition, alongside the contributions of producers themselves and others in the food chain, including processors, retailers and consumers, all of which have a role.

### EU funds

A review of current EU funds indicates that the most directly relevant and sizeable source of potential funding to help a transition to cage-free systems is the Common Agricultural Policy (CAP). The newly amended CAP, applying from 2022, can play an important role in helping progress towards a cage-free transition. It is designed so that the Member States are now responsible for the implementation of their own national CAP Strategic Plans (CSPs), including the selection of animal welfare measures and the scale of any EU and national funding allocated to them. At present draft plans are in the process of being approved by the EC. Consequently, the Member States have the opportunity to use the funds to increase the number of farms meeting higher welfare standards and help roll out cage-free systems.

One of the specific objectives of the new CAP is to improve animal welfare. Amongst the concrete CAP measures or 'interventions' that can be used to help pursue this goal are:

- The new 'eco-scheme' in Pillar I of the CAP, which is an area payment scheme for compensating farmers for the cost of signing up to voluntary yearly contracts to provide public goods. This is a very flexible form of aid, covering practices that offer farm animal welfare benefits and reduced antimicrobial resistance as well as environmental public goods. The Member States are responsible for designing and implementing the eco-schemes and have a lot of discretion over the way this part of the budget is allocated, so they have the lead role in determining how much priority to give to animal welfare measures in this element of farm support.
- A group of measures in Pillar II of the CAP, under which the cost of the payments made to farms and others is split between the CAP and Member State budgets.
- Probably the form of aid within Pillar II which is most directly applicable to ending the use of cages is the scheme for sharing the costs of new farm investment. This allows Member States to grant aid to farmers to meet a significant proportion of new investment costs, provided they meet certain conditions. (This is the continuation of measure M4 from the previous programming period.) Investments for enhancing animal welfare are in principle eligible for aid and could include support for new buildings and refurbishing old ones to the new norms for cage-free systems. Aid schemes could be introduced from 2023, starting well before the entry into force of the future EU regulation banning cages, potentially applying from 2027. The choice of whether and how to use this measure for animal welfare purposes lies at the national or in some cases, regional level. To trigger a

good level of uptake, governments should be prepared to offer generous budgetary amounts and support rates. The maximum permitted by the regulation is 75 % of eligible costs.

- Other relevant farm support measures in Pillar II include the agri-environmental and climate measures (AECM), which are not confined to environmental objectives and can also cover schemes supporting higher animal welfare standards on farms. In the same category is the long-established measure to support both conversions to organic farming, with the accompanying costs to be shouldered and agreement to maintain organic farming over a period of years. Since organic farmers commit to significantly higher welfare standards than conventional agriculture, expansion of the sector can contribute to an overall reduction in the use of cages.

Alongside these CAP funding options, other EU policies have the potential to help with the transition process, either now or in future. These include:

- The “conditionality” provisions in the CAP, which require farmers to receive the main support payments to respect certain legal conditions, including some concerned with farm animal welfare.
- The CAP funded policy for promoting foods from EU farms in the market, which has not been used to favour higher welfare products up to now but could be in future.
- A new EU food labelling regime, which would go further in addressing animal welfare than the present system is under consideration.
- EU research and innovation policies and budget lines, which have the potential to support the transition, for example by identifying the most appropriate cage-free systems to suit particular conditions.

#### **National funds**

There are many ways in which national and regional authorities can act to support the transition away from the use of cages, using a combination of EU funds and national resources. Conditions vary between countries but in all parts of the EU new policy choices will need to be made in the near future while the behaviour of processors, retailers, and others in the food supply chain will alter as the timetable for transition becomes clearer. There will be market pressures on farmers and more corporate producers to invest in alternative systems and an increased pressure on governments to introduce policies to support them, not least in order to maintain their position in the EU market.

In developing national approaches, a key step should be conducting assessments of the challenge, the opportunities and the potential costs involved, to assist the development of appropriate and well-targeted forms and levels of aid. Some national governments will look for funding from inside the food sector and from consumers, others will choose to provide substantial aid from public funds, including from EU sources. EU state aid requirements will need to be adhered to. There is no single formula for raising and deploying national funds, with the options including the alteration of VAT rates on food. A range of options has been considered by the Borchert Commission in Germany and this may be a useful source for other countries as well.

In terms of public funding for the farm sector, a key measure might be targeted investment aid for new livestock housing and ancillary equipment required, given the end of cages. Other forms of financial help for farms may be needed, particularly to cover transitional expenses and any increase in longer-term running costs. In principle, this could be provided either through a single integrated transitional aid scheme, or a set of separate measures. Given the importance of the organic sector, Member State authorities should design and implement a national organic action plan without delay.

In some countries, wider strategic initiatives concerning the future of livestock production could help to bring forward and frame measures to phase out cages. Such initiatives are being considered by the new coalition government in Germany in relation to welfare and climate concerns and are being developed in response to high pollution levels in the Netherlands. Several governments are examining or moving towards greater use of food labelling to distinguish between different welfare standards and there is a scope for these and other measures to flank direct assistance to producers.

National aid programmes should include the use of the EU funds outlined here and Member States should take the opportunity in the coming months to make the best use of appropriate measures that are available within the CAP. Although they are not yet under a legal obligation to eliminate cages it is appropriate to build this goal into plans well ahead of time. Their CAP Strategic Plans may be modified as they progress, and this could be reflected in the first annual performance report that the Member States will need to submit to the EC in 2024.

### **In conclusion**

In summary, a programme of measures is required and can support the transition to cage-free production, bringing together actions by both the EU and Member States, in an interlocking suite of interventions that makes use of the EU funds available, alongside national resources and private sector investment. More

concrete EC legislative proposals and assessments of their impact should be amongst the first steps to be taken, together with active preparatory measures in the member states to encourage producers to move ahead of mandatory requirements rather than waiting for the ultimate deadline. Some CAP measures, including eco-schemes and organic farming support, could be deployed by governments now. Appropriate and well-targeted forms of aid that address both the initial investment and the longer-term costs of change will need to be a core element of a programme of support. However, such aid should be applied within a wider matrix of policy measures that also includes labelling and consumer-focused initiatives for example.

## 2. INTRODUCTION AND POLICY BACKGROUND

This report considers potential ways of moving forward the recent commitment to end the cage age for animals on farms in the EU and in particular reviews the key sources of public funding that are or could be available to support this effort. The main focus is on EU funding sources and the accompanying legislation and policy context. However, funding from Member States will be required as well and a number of options that could be deployed at the national level are considered as well. The structure of the report is as follows:

- An initial introduction and policy background
- A short overview of the key forms of animal production where cages are used
- The transition to cage-free systems and its costs
- A review of the sources of EU funds that could contribute towards the costs of the transition, including more recent opportunities
- A review of some of the funding options at Member State level
- A set of recommendations on the actions that Member States could take to advance the animal welfare transition alongside related goals
- Conclusion

Pivotal to the policy background of the report is the announcement by the European Commission (EC) in June 2021 in response to the European Citizens' Initiative (ECI) on "End the Cage Age". This gave a clear commitment to issue legislative proposals to end the use of cages within the EU, before the end of 2023 following an impact assessment and a consultation process in 2022. The legislation will cover the use of cages for rabbits, laying hens, layer breeders, broiler breeders, pullets, quail, ducks and geese. It will also cover farrowing crates for sows, those sow stalls that are not inhibited already and individual calf pens that are not prohibited already.

The proposal will be to phase out and finally prohibit the use of cages and will come as part of the current review and potential revision of the EU animal welfare legislation under the Farm to Fork Strategy (F2F).<sup>1</sup> It will include the specification of a length of time for the transition period. As of June 2021, the EC's intention was to "assess the feasibility of working towards the proposed legislation entering into force from 2027". The deadline for the completion of the phase-out process

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<sup>1</sup> EC (2020). 'Farm to Fork Strategy'. [https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy\\_en](https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en).

has not been proposed as yet. An impact assessment, to be completed by the end of 2022 “will determine, in particular, the length of a reasonable transition period and the accompanying and supporting measures to facilitate the transition”. The nature of these accompanying and supporting measures is not specified but the question of financial assistance is likely to be addressed as part of this overall policy package. The EC does however indicate that the approach proposed will be “species to species, meaning that it will take into account and assess characteristics of each different animal species or categories, which should have housing systems suited to their specific needs”.

The exact requirements of the intended legislation and the deadlines involved are not yet certain and there will be the usual process involved in adopting new EU law, which includes an important role for both the European Parliament and the European Council, where the views of Member States will come into play. No specific outcome or timetable can be guaranteed. However, the intention is clear and the indicative phase-out timetable of 2027 is not as ambitious as that adopted already in several Member States, including leaders on this issue, such as Austria. Several food companies, including major players, such as Nestle, have written in support of the initiative and this will be a factor to be taken into account, together with the concerns of farmers and their representative groups. The EC has been clear in its view that producers would receive support with the transition. Alongside the legislation and with the purpose of facilitating a ‘balanced and economically viable transition to cage-free farming’, the EC stated that it would ‘seek specific supporting measures in key related policy areas, such as trade and research and innovation’. The lead Commissioner Kyriakides, in a speech in September 2021, repeated the intention of seeking a balanced transition, ‘taking into account the economic impacts, including market opportunities.’ Farmers will be given the necessary time and support to adapt their practices.

The impact assessment will look at trade options, including animal welfare labelling and import requirements. The findings from a study into animal welfare labelling should be available by the end of the year.

The EC has also referred specifically to the role of the recently agreed new Common Agricultural Policy, suggesting that it will be a “key contributor” in helping farmers to move to cage-free systems and undertake the investments required. Member States, it is pointed out, will be able to take farm animal welfare into account when preparing their national CAP strategic plans. Most of these plans have been submitted to the EC at the time of writing. And the process of review has begun. In addition to investment aid options within the rural development pillar, there are measures in the CAP that allow support for adopting

appropriate farm management to meet welfare standards above those required by law, as well as payments for organic conversion and aid for training and advice.

The role of these CAP schemes is explored in Section 5.4 below. Although they are of particular importance because the CAP is the main source of EU funds for agriculture and food production, Member States also will be able to draw both from other EU funds and from national initiatives to support farmers and these options are also considered briefly in this report.

Since the EC announcement was made there has been support for the principle of new legislation from several quarters and also political backing for the use of public funds to help the transition. This was emphasised by the Council of Ministers in July 2021 at the time when they agreed with the EC proposal to bring forward proposals for new legislation in 2023. The need to find the right mix between financial and regulatory measures in the transition was confirmed by a recent Committee on Petitions of the European Parliament (PETI), for the European Parliament stating that “a shift towards cage-free housing systems may be achieved by financial and policy measures in the short term and legislation in the long term”.<sup>2</sup>

The need to accompany a legislative shift with appropriate plans for offering financial support also has been underlined by Norbert Lins, Chair of the European Parliament’s Agriculture and Rural Development (AGRI), speaking at the “End the Cage Age ECI” public hearing: “It is of utmost importance that (...) before planning any radical shift [to fully cage-free housing], we need to analyse the cost of such a change” and “think about providing sufficient financial support, compensation or other incentives to the farmers”. While recognition of the importance of the costs involved and a willingness to consider and develop appropriate forms of support on the necessary scale is crucial, it is also essential not to use the costs of the transition as a reason to delay legislative progress. More information on costs and ways of addressing them will become available once the EC’s impact assessment is completed and published. However, given that several Member States and leading food companies already have committed to going cage-free before any EU legislation is adopted, it seems that this is both a feasible option within Europe and the direction of travel that has public support behind it.

One danger that arises with the introduction of more demanding welfare standards in the EU is that these could be undermined by a flow of imports from countries elsewhere with lower standards, especially if they are being supplied at

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<sup>2</sup> European Parliament (2020), *End the cage age: Looking for alternatives*, study requested by the PETI committee, November 2020.

a significantly lower cost. The question of protecting EU farmers and EU standards from this kind of competition is now entering the trade policy agenda, with the current French Presidency of the EU emphasising the potential role of 'mirror clauses', applying EU standards to imports. This could apply to welfare, environmental and other standards affecting the food system and is an area of policy requiring further investigation.

### 3. KEY FORMS OF ANIMAL PRODUCTION USING CAGES IN THE EU: A BRIEF OVERVIEW

According to the organisers of the “End the Cage Age” petition, there are over 300 million farmed animals in the EU kept in systems that include the use of cages.<sup>3</sup> In terms of numbers, the most important categories of systems involving the use of cages are for:

- Hens, particularly laying hens and laying breeders
- Sows, including both farrowing crates and sow stalls
- Rabbits
- Ducks and geese (for foie gras production)
- Quail
- Calves

A brief profile of production concerning the first three groups of animals is given below. It is based on an earlier IEEP report,<sup>4</sup> with some data updated from Eurostat<sup>5</sup> and other sources.<sup>6</sup> The extent to which cages are still being used and the types of alternative systems that are being used instead vary between the groups of animals as well as between EU member states. The graph below, derived from the “End the Cage Age” website, gives an indication of the differences between Member States, using a variety of sources of data.

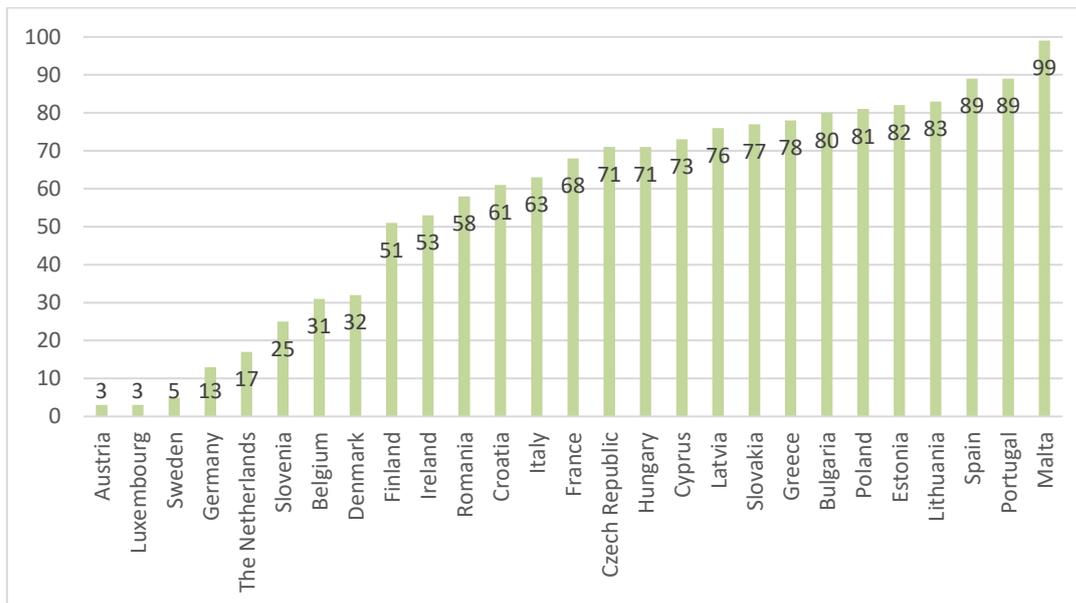
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<sup>3</sup> End The Cage Age (2021). ‘Caged farming is a nightmare that together, we are ending’. <https://www.endthecageage.eu/>

<sup>4</sup> Kollenda, E., Baldock, D., Hiller, N. and Lorant A. (2020) Transitioning towards cage-free farming in the EU: Assessment of environmental and socio-economic impacts of increased animal welfare standards. Policy report by the Institute for European Environmental Policy, Brussels & London

<sup>5</sup> Eurostat (2021). ‘Agriculture Database’ <https://ec.europa.eu/eurostat/web/agriculture/data/database>

<sup>6</sup> EC (2021). ‘Eggs’ [https://ec.europa.eu/info/food-farming-fisheries/animals-and-animal-products/animal-products/eggs\\_en](https://ec.europa.eu/info/food-farming-fisheries/animals-and-animal-products/animal-products/eggs_en)

**Figure 1: Percentage of animals caged in each EU Member State (2021)**

Source: CIWF<sup>7</sup>

### The laying hen sector

Around 372.4 million laying hens were farmed in the EU in 2020 (excluding the UK). They are currently raised almost entirely in four different systems: 'enriched' cages, barns (including aviaries), free-range and organic systems. In 2020, approximately 52% of laying hens were housed in cages and 48% in alternative housing systems.<sup>8</sup>

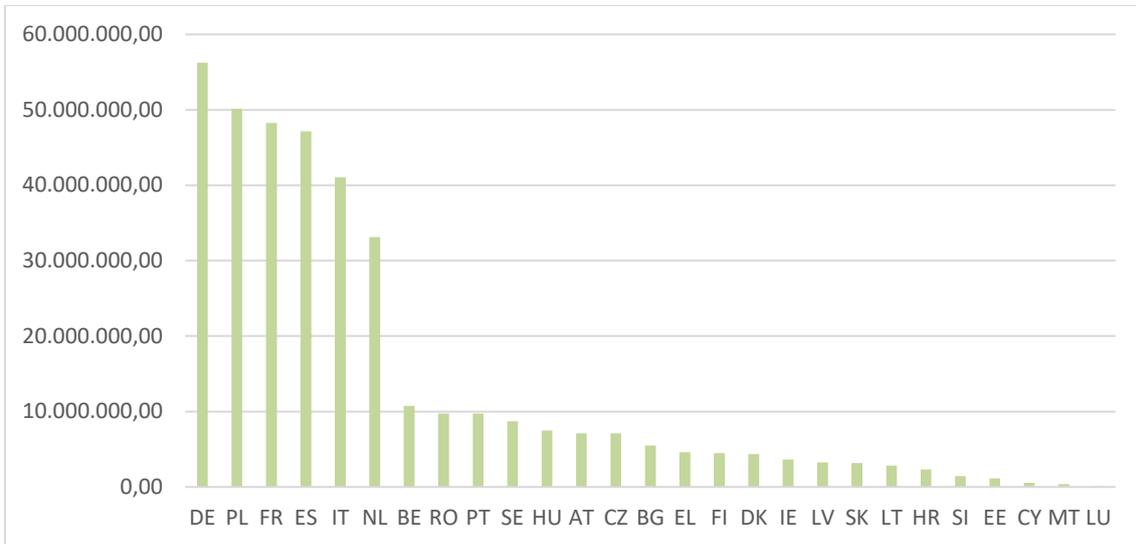
Approximately 65% of laying hens are concentrated in just five EU Member States (Germany, Poland, France, Spain, and Italy). There is wide variability in the mix of housing systems used across the EU, ranging from 99.4% of housing in enriched cages in Malta to 0 in Austria and Luxembourg. Enriched cages are still dominant in most eastern, central, and southern EU Member States but have been reduced to a small fraction of overall numbers in a limited group of North-West European countries.

<sup>7</sup> End The Cage Age (2021). 'How close are we to a cage-free Europe'.

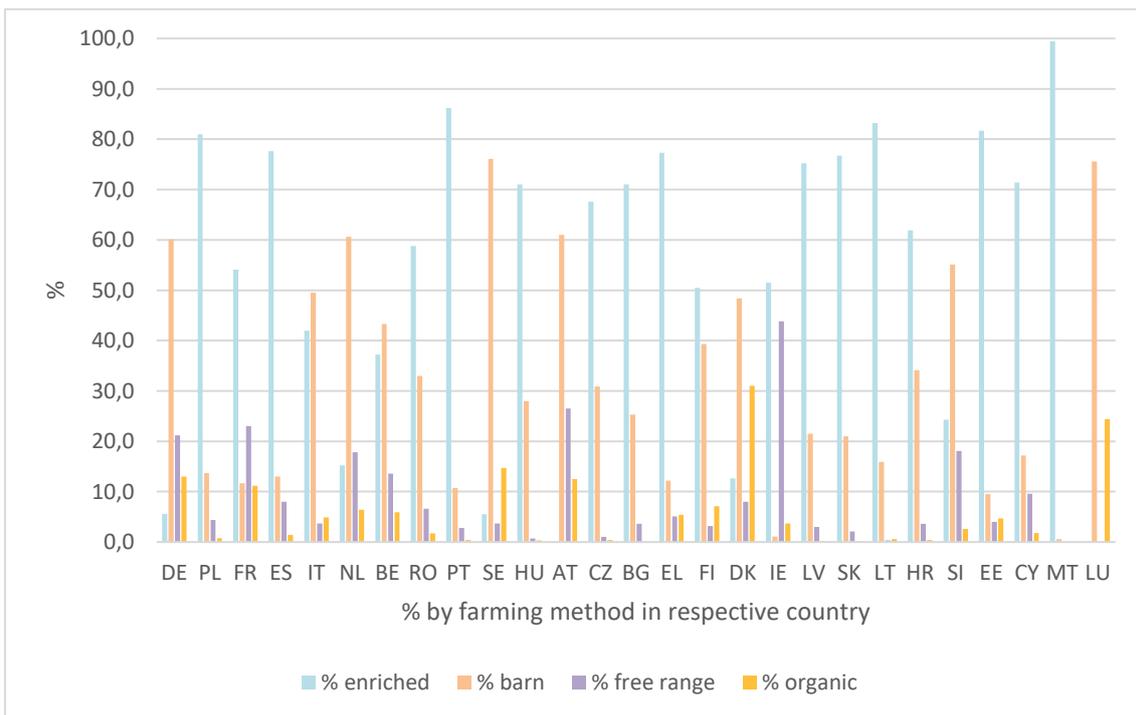
<https://www.endthecageage.eu/how-close-are-we-to-a-cage-free-europe/>

<sup>8</sup> EC (2021). 'Eggs' [https://ec.europa.eu/info/food-farming-fisheries/animals-and-animal-products/animal-products/eggs\\_en](https://ec.europa.eu/info/food-farming-fisheries/animals-and-animal-products/animal-products/eggs_en)

**Figure 2: Total number of laying hens in Member States (millions of laying hens, 2020)**



**Figure 3: Laying hens by farming method in each Member State (2020)**



Source: European Commission<sup>9</sup>

<sup>9</sup> European Commission (2022) 'EU Market situation for eggs.' [https://ec.europa.eu/info/food-farming-fisheries/animals-and-animal-products/animal-products/eggs\\_en](https://ec.europa.eu/info/food-farming-fisheries/animals-and-animal-products/animal-products/eggs_en)

### The front-runners

A few Member States have advanced beyond the standards set out at the EU level:

- Enriched cages are prohibited in Luxembourg and **Austria** (in Austria the transitional period for already existing enriched cages ended in January 2020).
- In **Germany**, a ban on enriched cages will come into force from 2025 onwards and in exceptional cases from 2028.
- In Wallonia (**Belgium**) a ban on cages for egg-laying hens will come into effect by 2028 (Region of Wallonia - Le Code Wallon Du Bien-Être Animal, 2018).
- In September 2020, the lower house of the Parliament of **Czechia** voted to ban cages for laying hens from 2027.
- In **Slovakia**, the government and industry bodies have signed a memorandum to end the use of cages for hens by 2030.

### The EU pig sector

In December 2020, approximately 146 million pigs were farmed in the EU, which the EU Farm Structure Survey classifies in three different categories:

- 42.08 million piglets (up to 20 kg)
- 11.49 million breeding animals (11.32 million sows, 0.16 million boars)
- 92.44 million other animals (31.23 young pigs, 59.42 fattening and 'cull' pigs)

Pig production has been increasingly concentrated in a handful of Member States, with farms being progressively more specialised and intensive. The EU's leading pig producers are Spain and Germany.<sup>10</sup>

At present, most sows in the EU are caged during large parts of their reproductive cycle. Most EU breeding sows are confined in narrow sow stalls for around 5 weeks where they are inseminated. They must then be released into a group (non-caged) housing with other sows. When they are due to farrow, most sows are

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<sup>10</sup> Eurostat (2021). 'Pig population'

[https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apro\\_mt\\_lspig&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=apro_mt_lspig&lang=en)

confined in individual farrowing crates with metal bars. The farrowing crate severely restricts movement and natural behaviour.

Currently, approximately 3.5 million sows are kept in alternative systems during the reproductive cycle.<sup>11</sup> Alternative farrowing systems often abolish crates completely, housing sows in individual pens or group systems instead. This method gives the animals space to turn around and move more freely.

Directive 2008/120/EC defines minimum requirements of indoor group housing. Sows must be kept in groups starting from four weeks after the service to one week before the expected time of farrowing. There is no legal definition of 'free-range pork' in the EU and outdoor housing of sows can take different forms. Generally, sows housed outdoors have the greatest range of movement while also being able to form their own separated areas. Huts are used to give shelter and warmth. This form of housing is used mainly in Denmark, Italy, and the UK. Often pigs are housed outdoors all year round, in all stages of the reproductive cycle. In some cases, sows are housed indoors for the lactation period.

Organic production involves some additional rules designed to ensure that animals live a healthy life and to enable species-specific behaviour, as defined in the applicable rules until 2021 (Regulation 834/2007 and Regulation 889/2008). The new EU organic Regulation (2018/848), which came into effect in January 2022 after a covid related delay, also provides that sows are housed in groups except in the last stages of pregnancy and during the suckling period and further adds that during this time "the sow must be able to move freely in her pen and her movement shall only be restricted for short periods". Additionally, sows must be provided with a sufficient amount of straw a few days before the expected farrowing, which allows them to build nests.

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<sup>11</sup> Compassion in World Farming (2018). 'End the cage age. Why the EU must stop caging farm animals'. <https://www.ciwf.org.uk/media/7434596/end-the-cage-age-why-the-eu-must-stop-caging-farm-animals.pdf>

### The front-runners

Several Member States have passed more ambitious legislation, going beyond the baseline set at the EU level, for example:

- **Sweden** banned sow stalls and farrowing crates entirely in 1994. The ban has been reinforced in the recently updated Swedish animal welfare legislation (Animal Welfare Act 2018:1192 and its Ordinance 2019:66).
- **The Netherlands** has restricted housing in sow stalls to four days after insemination since 2013.
- **Germany** will phase out the use of sow stalls by 2029 and limit the time sows are allowed to spend in the farrowing crate to 5 days starting in 2036

### The EU rabbit sector

There are approximately 170 million rabbits farmed for meat in the EU, out of which a relatively large share (about one third) is reared on backyard farms as opposed to large commercial producers. Production is concentrated in a few Member States, primarily in Spain, France, and Italy, which together are responsible for 83% of total EU production (EFSA, 2020). Other Member States with relatively high production levels include Germany, Portugal, Hungary, Poland, Greece, and Belgium. Rabbits are often classified into three categories:

- Breeding does: reproductive females from first kindling (giving birth) till culling
- Kits: new-borns, from birth to weaning
- Growing rabbits: from weaning to slaughter age

There is currently no EU regulation specifically addressing the welfare of farmed rabbits, although Directive 98/58/EC on the protection of farmed animals covers all species bred or kept for farming purposes, including rabbits, laying down some minimum standards. In the absence of any European legislation, there is a clear risk that only minimum standards will be followed by many producers.

Six types of housing systems exist for rabbits: conventional cages, structurally enriched cages, elevated pens, floor pens, outdoor/partially outdoor systems, and organic systems. The majority of commercially farmed rabbits are housed in cages.

Conventional barren cages, which account for approximately 85% of total EU production, are the most prevalent form of housing in which animals are kept either individually (common for does) or in small groups (common for fatteners) without bedding and with limited space for movement.

Compared to the conventional barren cages, enriched cages, accounting for around 9% of total EU production, provide more space to the animals and need to incorporate some gnawing materials such as wooden sticks, which allows rabbits to express some normal behaviour. However, the space allowances and technical features of enriched cages differ as there are no EU-wide legal requirements for enriched cages.

Alternative, non-caged systems account for a small proportion of production and there has been less work on developing them than for pigs or hens. Objective data on the welfare implications of different systems is limited and further research is needed on this topic and on the most appropriate housing and management systems to be put in place as cages are scrapped.

### **The front-runners**

In some Member States, farmed rabbits are better protected by national law than the basic EU standards:

- Barren cages are banned in **Austria, Germany, and the Netherlands.**
- **Belgium** has banned all cages for growing rabbits.
- In **Germany** rabbits must have a platform, gnawing material and roughage.
- In **the Netherlands** fattening rabbits must be housed in pairs with a platform and gnawing material.

Nevertheless, in Spain, France, and Italy where EU production is concentrated, conventional cages remain the most prevalent form of housing.

## 4. THE TRANSITION TO CAGE-FREE LIVESTOCK PRODUCTION AND POTENTIAL COSTS

While recent developments point towards a decline in certain caged livestock housing systems in the EU, they are still common practice and dominant in many Member States, especially in more southern and central Europe, as indicated in Figure 1. The use of cages has been the critical building block for the development of large-scale intensive livestock farming operations, characterised by high stocking densities and high levels of animal confinement. Consequently, extensive changes in production systems are required to allow their removal, with potentially significant shifts away from the current pattern of production.

However, the precise details of the changes in structures, systems, equipment, and management practice that are likely to follow the change in the law have yet to be spelt out in an EU-wide study or impact assessment. This is needed, along with a broader assessment of the longer-term consequences for animal production in Europe of both the cage-free transition and other legislative improvements that are likely to be proposed as part of the wider review of EU legislation in this field now underway. At this stage, further clarification of both the shorter and the longer-term alterations required on the timetable to be laid down is still needed and the level of costs involved for producers remains uncertain for the moment. Nor should it be overlooked that the impacts will extend beyond the farm level to affect other parts of the supply chain, including trade in a range of products.

There will be consequences for consumers as well. Changes in consumer behaviour and purchasing choices will need to be part of a successful transition, especially if imports of products from farms in other countries where caged animals continue to be permitted and are available on the EU market. Consumer responses to the switch to more welfare-friendly systems and any long-term increase in the price of eggs and meat may be predicted to some extent based on trends in the front runner countries mentioned above but remain to be tested. However, this consumer dimension is beyond the scope of this report.

Despite this uncertainty over the exact timetable and the alternative approaches that will be adopted, some more general aspects of the transition and related costs can be anticipated in advance. Going cage-free involves a spectrum of changes to the structure of farms, buildings, equipment, approaches to management, skills, and labour requirements.

The changes need to be considered species by species and according to the varying conditions in the Member States. There are significant differences in the

use of cages, both between species of animals and between farms with different forms of management, as well as the specific type and size of the cages themselves. While chickens and rabbits are kept in cages for most of their lives, the main use of cages in pig production is to confine sows at the time of farrowing for periods that differ considerably between farms. Consequently, the steps required to eliminate cages will vary as well.

While some farms would need to completely change their systems and buildings there will be others, some groups of pig producers for example, who might be able to cease the use of cages with more limited changes to some of the primary physical structures on the farm, while investing in significant changes in management. On some farms there may be changes in the level and composition of feed purchased, but not in all cases. Similarly, it could be expected that the need for land for keeping the animals now in cages will increase to some extent, depending on the alternative systems adopted and whether the number of stock remains the same, which is far from certain. Some changes, such as the adoption of free farrowing systems for sows, involve greater risks than others. There will be no single formula applying throughout the EU.

Furthermore, levels of indebtedness and credit facilities will vary between individual farms and will be a much larger constraint for some than for others. For example, some will have secured loans on facilities that need to be scrapped. Some farmers may conclude that it is necessary to contract or expand to maintain viability. For farmers, the broader financial viability of transition will have many strands, with costs an important consideration but not the only one.

The net costs themselves will depend on the scale of change necessary and desired and the particular circumstances of the producer and are likely to vary from the substantial to the relatively modest.

Broadly, the costs involved in the elimination of cages on farms can be divided into one-off expenditure, such as investment in new buildings and equipment (and also training) and ongoing increases in production costs associated with the management of the cage-free systems adopted. Specific costs might include:

- Capital investment in new buildings, including the costs of credit and paying off loans where applicable;
- Investment in new equipment, including facilities for animals, feed handling and waste management for example;
- Associated infrastructure such as drainage, water supply and energy supply and management;

- Acquisition or renting of additional land, especially if moving to an outdoor system;
- Training and knowledge acquisition;
- Additional costs of purchased inputs where applicable: these might include feed supply and energy in some cases. Higher feed costs are associated with some systems;
- Additional costs of buying suitable animals for a different system where this applies;
- Additional labour costs where applicable;
- Additional costs of marketing the farm's production, where applicable;
- Additional costs of lower feed conversion rate and so higher unit costs in some cases.

As an example of possible changes in costs, there is the case of moving from enriched cages to barn or aviary systems for laying hens. A report commissioned by the industry association from Wageningen University employs figures which assume that the transition could reduce the number of hens per worker from 70,000 to 40,000 and increase feed consumption from 110 to 120 grammes per hen per day. Investment needed in housing costs per hen were assumed to rise from EUR 8.16 to 12.<sup>12</sup>

Generally, farmers will seek new management systems that do not entail higher costs than can be avoided and the timing of the change will be an important decision. Many farmers will wait until the last moment that cages are permitted before making the change, but others will be open to a faster response, especially if they receive encouragement from governments, food chain partners and others. There could be economic as well as ethical reasons for moving faster. For example, if the major purchasers of meat and eggs in a locality, such as retail chains and processors, decide to adopt new standards ahead of the legal deadline then their suppliers may need to make the transition at the same time or find other outlets.

The search for efficiency gains from new investments to try to offset any cost increases, at least to some degree, also will be a factor. A legislative deadline for eliminating cages affects producers in different ways. Some will bring forward investments in new systems that they were planning to make soon anyway, for

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<sup>12</sup> Saatkamp, H. W., Vissers, L. S. M., van Horne, P. L. M., & de Jong, I. C. (2019). Transition from Conventional Broiler Meat to Meat from Production Concepts with Higher Animal Welfare: Experiences from The Netherlands. *Animals*, 9(8), 483. MDPI AG.

example, because of growing demand for non-caged products or because equipment and buildings were reaching the end of their economic life. Some efficiency gains are likely to come when improved facilities are installed and in principle, cost increases, if any, for these producers will be less than in cases where relatively new caged systems need to be replaced- although there may be efficiency gains here as well. Consequently, there will be significant differences between producers in the scale of the costs they face, even within the same sector and with the same technical changes to make. For some, the cost burden will be much greater than for others. This difference may be accentuated if some producers can recover increased costs through securing higher prices while others may not be able to. In designing a plan to provide financial aid to assist the transition these factors need to be considered.

Farmers making the transition need to be able to justify the new investment in economic terms and to have access to the capital required, for example through a bank loan. Some may choose to cease production rather than make the changes, even if they could recover the costs, others may decide it is an opportunity to expand. The availability of public funding to reduce the burden of new investment could be a decisive factor for many farmers considering their options.

A second and closely related question for farmers will be whether they will be able to secure a sufficient market return from cage-free products to cover any increases in costs, including interest on any new loans they have had to take out. Market considerations as well as the potential availability of support under the CAP for certain forms of farm management will be a key consideration here. The level of consumer willingness to pay for cage-free products is important. So is the attitude of retailers and other intermediate food companies buying products such as eggs and meat, as has been noted already. If they cease to be willing to buy products associated with cages by a certain time this will remove the option available to farmers. Equally, they can help to accelerate and assist the transition by offering better prices or terms and conditions to farmers, giving them confidence that there is a future market for them.

In assessing the likely costs of the transition and how these falls on individual farmers, both the initial investment and adjustment and the longer-term market conditions for different kinds of cage-free products need to be taken into account.

In the short term, there is a risk that the financial burden of adjustment to new systems will fall disproportionately on producers, although over time most additional costs are likely to be passed on down the value chain and to fall on consumers. For many farmers operating with a limited financial surplus, there will

be an immediate need to find support for the initial investment and adjustment costs, for example, changes to buildings, new structures and equipment and perhaps securing more land for outdoor animals if this is needed. Therefore, financial support for a transition to higher standards entailing higher costs for producers is likely to be needed at least on some farms for a time-limited period to provide a secure financial basis to allow them to embark on a major change in production methods. With many pig farms working with small margins, it has been recognised for some time that moving away from crates can influence financial stability.<sup>13</sup> In the longer term, on the other hand, labour costs and time requirements are estimated not to vary greatly from conventional systems with farrowing cages.<sup>14</sup>

The market will adjust over time to cover the costs of production if these are higher than previously as a consequence of the elimination of cages, as could arise from greater feed consumption and additional labour requirements for example, as well as capital investment needs. However, this will not necessarily mean overall increases in prices; some companies already only buy cage-free products and are competing successfully in the market. It is early to say how far any higher costs are passed on to consumers or absorbed by processors, retailers, and others in the food chain, at least in part.

There may be a case for providing financial assistance not only to livestock farmers themselves but also for some of the downstream entities in the food supply chain that are involved in processing, distribution, and marketing for example. That being said, these costs might well be low in comparison with the ones necessary in primary production on farms and might mostly relate to the need to set mechanisms in place to separate flows between cage-free/high animal welfare products and others during the transition.

Well-targeted aid for transition and new investment would address the largest immediate financial impact on producers and should in principle help to reduce the extent to which higher prices are passed on to consumers. Some of the EU funding sources outlined in this report are focused only on the farm level but others have a broader remit and have the potential for assisting activities beyond the farmgate.

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<sup>13</sup> Harvey, D., Hubbards, C., Majewski, E., & Malak-Rawlikowska, A. (2013). Impacts of improved animal welfare standards on competitiveness of EU animal production (No. 1021-2016-81789, pp. 251-274).

<sup>14</sup> Guy, J. H., Cain, P. J., Seddon, Y. M., Baxter, E. M., & Edwards, S. A. (2012). Economic evaluation of high welfare indoor farrowing systems for pigs. *Animal Welfare-The UFAW Journal*, 21(1), 19

## 5. EU FUNDING FOR THE CAGE-FREE TRANSITION

In this section, we look at the sources of funding and related measures at EU level that are or could be directed to improving animal welfare and particularly the elimination of cages on farms. This starts with an overview and then focuses particularly on the key measures within the CAP, many of which have been in place for some time but a few of which are new, being embodied in the current version of the policy that is now being put in place at Member State level. Some consideration of experience with relevant measures is included. In the final part, broader policies that do not provide sources of funding, but complement it, such as research and innovation and food labelling policies, are discussed briefly to give a more rounded picture.

### 5.1 Potential sources of EU funding for a transition to cage-free systems

The most directly relevant and sizeable source of funding for a transition to cage-free systems of animal production in the EU is the Common Agricultural Policy (CAP),<sup>15</sup> as underlined by EU Commissioners on various occasions. Most of the CAP budget is devoted to payments to producers and other actors on the supply side. Only a small proportion of CAP expenditure is devoted to the consumption side of the equation, like support for geographical indications, organic products, and other promotion programmes. This expenditure sits alongside the principal EU consumer-focused measures such as food labelling legislation, which stand as regulatory policy without a significant EU budget.

Beyond food and agriculture policy areas, there are EU funds with much broader objectives such as regional development and research and development, a sphere which includes the scientific, technological, and socio-economic. These less agriculturally focused funds are a potential source of support for certain welfare focused activities and initiatives, provided that they fit within the specific criteria of the individual funding instruments. However, they are not likely to be central to funding the transition away from caged systems, which is more in the remit of the agricultural funds.

In addition to these long-established funds, there is a new, shorter-term EU fund that has been created very recently. As part of the EU budgetary agreement of

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<sup>15</sup> EC (2021). 'The Common Agricultural Policy at a glance'. [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance\\_en](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance_en)

July 2020,<sup>16</sup> a new temporary fund was created to support the post Covid recovery and resilience of the economies of the Member States: Next Generation EU (NGEU).<sup>17</sup> This financial support package of EUR 750 billion (at 2018 prices) aims to help Member States' economies rebound from the economic and social difficulties brought by the Covid-19 pandemic.

Each Member State was invited to submit their "recovery and resilience plan" to the EC, with a requirement that a minimum of 37% of expenditure should be earmarked for climate measures and a minimum of 20% for measures taking forward the digital transition. Plans were submitted and in practice, those targets were exceeded, and these themes absorb about two-thirds of the recovery and resilience facility. The rest of the funding may be used on social issues or to address specific economic difficulties due to the pandemic. According to the EU regulation 2021/241, establishing the facility for recovery and resilience, the whole plan should be conceived as the national response to the pandemic and be coherent with the EU Semester recommendations, the National Plan for Energy and Climate, the plan for a Just Transition Mechanism and other Operational Programmes financed by the EU budget. Since the transition to cage-free farming is a new EU initiative, not directly stemming from the Covid-19 pandemic and the EU legislation to advance the transition has not been adopted yet, it is not within the main focus of this fund, and it is not considered further in this report. Nonetheless, if a Member State chooses to bring in a new initiative that improves welfare, reduces the use of cages, and decreases GHG emissions, it might be proposed as eligible within the climate strand of the NGEU.

Finally, the Farm to Fork Strategy should be mentioned as it aims at establishing a new sustainable food system in the EU. Whilst animal welfare improvements are mentioned alongside other societal needs, the EC does not set out any quantitative objectives for improved animal welfare, by contrast with other policy priorities, like pesticide use reduction or organic farming for which 2030 targets are fixed in numeric terms. In the Strategy, the EC continues to envisage legislation as the main mode of action for improving animal welfare and will *"revise the animal welfare legislation, including on animal transport and the slaughter of animals, to align it with the latest scientific evidence, broaden its scope, make it easier to enforce and ultimately ensure a higher level of animal welfare."*<sup>18</sup> At this stage, no new funding capacity for financing a transition to a cage-free system is planned as part of the F2F strategy itself. Of course, this does not rule

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<sup>16</sup> European Council (2020). 'Long-term EU budget 2021-2027 and recovery package'.

<https://www.consilium.europa.eu/en/policies/the-eu-budget/long-term-eu-budget-2021-2027/>

<sup>17</sup> EC (2021). 'Recovery plan for Europe'. [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_en](https://ec.europa.eu/info/strategy/recovery-plan-europe_en)

<sup>18</sup> Op. Cit.

out future proposals for funding by the EC, for example in the context of the new welfare legislation that is in the pipeline.

Given this context, it is the existing agricultural funds, notably the CAP, which are available in the immediate future and are considered in more detail in Sections 5.2, 5.3, and 5.4 below.

## 5.2 EU funding with direct impact on animal production systems

The CAP is formed of two “pillars”, with different funding mechanisms and rules. The larger Pillar I focuses on area payments to farmers and on measures to regulate the EU agricultural markets. No funding is available for meeting transaction costs or aiding structural investments. Such costs can be partially covered by grants paid out from the European Agricultural Fund for Rural Development (EAFRD), the CAP fund for Rural Development, generally known as Pillar II. Its budgetary allocation is however far smaller than Pillar I, as Pillar II gets roughly only 24% of the total envelope for the CAP. This is operated through a range of measures that are brought together in 7-year Rural Development Plans (RDPs) that Member States are required to draw up. These have to be approved by the EC and effectively are the gateway to securing EU funds for the different measures that are chosen by Member States and regions. The EU does not cover all the cost of the aid provided to farmers under Pillar II measures; the Member States have to meet part of the cost themselves from domestic funds. The proportion of EU funding varies considerably between measures and the Member State involved. An example of a measure relevant to animal welfare objectives and potentially usable to assist with the phasing out of cage systems is measure 4 (M4). This is designed for supporting on-farm investments and could, if programmed within national plans, pay a portion of the cost of investment for new buildings more adapted to animal needs and the elimination of cages. Of course, in most cases, the beneficiaries of investment aid, often individual farmers, must bear part of the costs themselves.

The CAP is revised regularly, usually on a seven-year cycle, although this can get stretched sometimes. After a particularly drawn-out recent revision, a new CAP recently was agreed for the period 2023-2027. Most of the individual measures within the previous CAP remain valid but there are also some new elements. In particular, the previous Pillar II RDPs are replaced by the new CAP Strategic Plans (CSPs), consisting of single national strategic and budgetary plans for each Member State and for the two Belgian regions. They now span the measures contained in both pillars and give the Member States more discretion than previously.

In addition, Pillar II is simplified: from a list of 20 different measures and numerous sub-measures in 2014-2020, there will now be 8 broader “interventions”, and these will be much less prescriptive than before.

As well as changes in Pillar II, a significant new annual agri-environmental scheme is introduced in Pillar I, known as the CAP “eco-scheme”. This is considered further in Section 5.3 below.

This revised set of measures and greater discretion to use them in different combinations at various levels of the budget scale creates a new setting for the use of CAP funds and opens an opportunity for the Member States to design a coherent set of measures to help meet the relevant costs of the transition to the cage-free farming system, which could include part of the investment costs with Pillar II as well as many of the initial running costs with an eco-scheme in Pillar I.

### 5.2.1 Learning from the experience of M14 (animal welfare) over the CAP period 2014 – 2020

In their Rural Development Plans (RDP) for the period (which subsequently was extended), Member States were able to choose to implement a specific CAP measure aiming at improving farm animal welfare. The legal base for this was the Rural Development Regulation (Article 33 of Regulation 1305/2013) and it was known as M14 (measure 14). It requires that the actions funded must necessitate the adoption by beneficiaries of standards of welfare going beyond the relevant mandatory standards. Funding should not be applied to measures that simply bring a farm into line with current legislative requirements e.g., on minimum cage size. The formula for determining the payments that can be made is based on the same model as the agri-environmental and climate measure (AECM, M10). The payments are to be granted annually and will only compensate farmers for all, or part of the additional costs incurred, and the income foregone as a result of the animal welfare commitment made. Payments may also cover up to 20 % of the transaction costs involved but cannot provide additional financial reward to the farmer who chose to enter this voluntary scheme. The regulation sets a maximum limit of EUR 500 per livestock unit (LU) for this measure.

The response was that animal welfare payment schemes under M14 were included in only 34 of the total of 118 RDPs. They were put in place in 18 Member States, as shown in Table 1 below. This was an increase compared to the previous funding period, which ended in 2013 (only 10 Member States at the time). However, the great majority of the EAFRD funding allocated to M14 in the RDPs, which amounted to around EUR 1.5 billion, or 2.5 billion when national contributions were added as well, was concentrated in only 5 Member States: Romania, Finland, Italy, Austria, and Hungary. Most Member States planned

relatively little expenditure. Furthermore, progress in spending the agreed allocations for M14 was lagging at the time of an examination at the end of 2017 and seemed unlikely to reach the levels initially projected.<sup>19</sup>

**Table 1: Uptake of animal welfare and organic measures in Rural Development Programmes (2018)**

Member State	M14 (Animal welfare)	M11 (Organic farming)
Austria	X	X
Belgium FL	-	X
Belgium WL	-	X
Bulgaria	X	X
Croatia	X	X
Cyprus	X	X
Czech Republic	X	X
Denmark	-	X
Estonia	X	X
Finland	X	X
France	-	X
Germany	X	X
Greece	X	X
Hungary	X	X
Ireland	X	X
Italy	X	X
Latvia	-	X

<sup>19</sup> ECA (2018) *Animal welfare in the EU: closing the gap between ambitious goals and practical implementation*. Special Report n° 31/2018, Luxembourg, November 2018

<b>Lithuania</b>	-	X
<b>Luxembourg</b>	-	X
<b>Malta</b>	-	X
<b>Netherlands</b>	-	-
<b>Poland</b>	-	X
<b>Portugal</b>	-	X
<b>Romania</b>	X	X
<b>Slovakia</b>	X	X
<b>Slovenia</b>	X	X
<b>Spain</b>	X	X
<b>Sweden</b>	X	X
<b>UK<sup>20</sup></b>	X	X

Alongside the issue of relatively low expenditure on M14 in practice, the EU Court of Auditors also questioned the quality and added value of the measure. In some Member States, such as Italy, their enquiries suggested that at least a portion of the welfare improvements funded might have been implemented anyway without the aid provided. For example, this could happen because the farmers concerned had joined a certification scheme that required them to respect standards above the legal minimum but offered higher market prices for the certified products. This could have provided sufficient incentive to make improvements without the aid under M14.

It is more difficult to establish how far Member States used other RDP measures to advance animal welfare standards during the period, other than general encouragement for the adoption of organic farming. The 2018 Court of Auditors report suggested that they were rarely used to support animal welfare, and this is reflected in their general conclusion that “there is room to improve coordination with cross-compliance checks, and the financial resources of the

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<sup>20</sup> The UK is included since the table refers to the programming period when the UK was still a member of the EU.

CAP could be better used to promote higher animal welfare standards”.<sup>21</sup> This echoes an earlier judgement in the EC’s evaluation of the EU Strategy for the Protection and Welfare of Animals 2012-2015.<sup>22</sup> This found that Member States made insufficient use of the opportunities under the CAP’s second pillar to fund animal welfare measures while commenting that the co-financing opportunities constitute “the most important source of financial funding for animal welfare activities in the EU.”<sup>23</sup>

It is notable that many Member States with more ambition concerning farm animal welfare did not make great use of M14 but took their own approach, including Germany, France and the UK (which was part of the EU when the decisions on rural development programmes were made and the funding allocated between the then 28 Member States). As discussed further below, Germany has developed an active approach to improving welfare while making little use of M14.

#### **Box 1: Conclusions for M14**

- The measure was not widely used in the RDPs, although there was scope to apply it more widely to help promote welfare improvements, including in schemes to promote front runners
- In several Member States national measures were used instead
- As a stand-alone measure, it was frequently misused to support livestock farmers with little impact on animal welfare
- This measure, especially if combined with other measures, could help to finance a transition to cage-free farming and remains relevant.

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<sup>21</sup> Ibid

<sup>22</sup> Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the European Union Strategy for the Protection and Welfare of Animals 2012-2015. COM/2012/06 (2012)

<sup>23</sup> EC (2021), Evaluation of the European Union Strategy for the Protection and Welfare of Animals 2012-2015. Commission Staff Working Document (SWD(2021) 77 final)

### 5.2.2 Other measures in the Rural Development Programmes

As with M14, Member States have not made extensive use of M4, the farm investment aid measure within EAFRD, to promote animal welfare.<sup>24</sup> Although some examples of targeting animal welfare improvements in M4 investment aid measures were found by the Court of Auditors, they were not common.

CAP support had and continues to have the potential to help improve animal welfare conditions in farming, but the use of the various measures offered to Member States under this policy so far has not been optimal. Support to investments with the help of CAP funding needs to be better targeted and better designed to successfully stimulate a shift away from cage housing. Furthermore, as recommended in a study requested by the PETI committee of the European Parliament, such subsidies *“should only be used for cage-free systems and not for the improvement of housing conditions within cage systems or the development of new cage systems”*.<sup>25</sup>

### 5.3 New CAP funding opportunities and the introduction of the eco-schemes

The future CAP, applying from 2022, can play an important role in helping progress towards a cage-free transition. Given that the Member States are at the heart of the new architecture of the revised CAP, responsible for the implementation of the CSPs, the design of animal welfare measures and the size of allocation of funding in these plans, they have the opportunity to use the funds to build up the number of farms meeting higher welfare standards and help the roll out of cage-free systems.

The EC has an important role here as a watchdog, examining the coherence of CSPs, the approaches taken and their alignment to EU targets, before approving such plans and clearing them to be put into operation. This role is highlighted in the Biodiversity Strategy: the EC will *“ensure that the CAP Strategic plans are assessed against robust climate and environmental criteria, and that MS set explicit national values for the relevant targets set in this strategy, as well as in the F2F. These plans should lead to sustainable practices, such as precision agriculture, organic farming, agro-ecology, agro-forestry, low-intensive permanent grassland,*

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<sup>24</sup>Op. cit. ECA 2018

<sup>25</sup> EP, 2020, *End the cage age: Looking for alternatives*, study requested by the PETI committee, November 2020.

*and stricter animal welfare standards”.*<sup>26</sup> The EC needs to give sufficient weight to this last point when assessing CSPs in 2022. Since there is as yet no binding EU legislation on the ending of cages, they will not insist on this being addressed in CSPs, but they can underline the importance of strategic planning ahead in this regard for the future of livestock farms, including organic producers.

In Pillar I of the CAP, the eco-scheme is the new area payment scheme for compensating farmers for the cost of signing up to specifically designed yearly contracts for the voluntary provision of environmental and related public goods. It is up to the Member States to design the eco-schemes, the content of the contractual commitments and their implementation. To guide them, the EC has given some indications on what an eco-scheme could contain and identified a series of practices that could get support through eco-schemes. Among them, several practices are aligned with the specific objective of improving animal welfare, which is one of the features of the new CAP. The EC has advised that such practices could cover activities related to climate, environment, animal welfare and antimicrobial resistance. The more specific practices mentioned are as follows:

### **Husbandry and animal welfare plans**

- Feeding plans: suitability of and access to feed and water, feed and water quality analyses (e.g., mycotoxins), optimised feed strategies
- Friendly housing conditions: increased space allowances per animal, improved flooring (e.g., straw bedding provided daily), free farrowing, provision of enriched environment (e.g., rooting for pigs, perching, nest-building materials, etc.), shading/sprinklers/ventilation to cope with heat stress
- Practices and standards as set under organic farming rules
- Practices increasing animal robustness, fertility, longevity and adaptability, e.g., lifespan of dairy cows; breeding lower-emission animals, promoting genetic diversity and resilience
- Animal health prevention and control plans: overall plan for reducing the risk of infections that require antimicrobials and covering all relevant husbandry practices, e.g., crawl space between two rearing belts, vaccination and treatments, enhanced biosecurity, use of feed additives, etc.
- Providing access to pastures and increasing grazing period for grazing animals

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<sup>26</sup> EC (2020). 'Biodiversity Strategy'. [https://ec.europa.eu/environment/strategy/biodiversity-strategy-2030\\_en](https://ec.europa.eu/environment/strategy/biodiversity-strategy-2030_en)

- Providing and managing regular access to open-air areas

### **High nature value (HNV) farming**

- Land lying fallow with species composition for biodiversity purposes (pollination, birds, game feedstocks, etc.)
- Shepherding on open spaces and between permanent crops, transhumance and common grazing
- Semi-natural habitat creation and enhancement
- Reduction of fertiliser use, low-intensity management in arable crops

All the practices listed above must go beyond the baseline of environmental and welfare requirements applicable to all farmers receiving CAP payments, as set by the “conditionality” rules within the new CAP (See 5.5.1 below). In other words, the eco-schemes, if well designed, can provide a complementary payment to farmers choosing a higher standard of animal welfare.

### **Box 2: Examples of an ambitious eco-scheme to improve animal welfare**

A recent study for the EP\*\* formulates proposals for eco-schemes, notably:

- **Animal welfare:** Eco-scheme payments would reward livestock producers for efforts that go beyond the SMR baseline, namely actions aimed at reducing animal density in livestock buildings, providing access to natural light, facilitating outdoor access and eliminating mutilations.
- **Antibiotics:** Payment according to an antimicrobial use index (AUI) for each type of reared animal. First payment level for AUI per livestock unit (or per ha?) under the national or regional median, second level for AUI under the first quartile and third level for AUI under the first 10% percentile (that will benefit most organic farms).

\*\* Source: IPOL, November 2020 (INRAE an Agro Paris Tech)<sup>27</sup>

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<sup>27</sup> Guyomard, H., Bureau J.-C. et al. (2020). ‘Research for AGRI Committee – The Green Deal and the CAP: policy implications to adapt farming practices and to preserve the EU’s natural resources.’ European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

The eco-schemes and other measures aiding farmers for action over and above what is required in law are particularly relevant in the period of years covered by the current CAP and before binding legislation to end cages is in place and applies at Member State level. This seems unlikely to be before 2027 according to the EC's current indications. After this date, the new cage-free regulation will set part of the baseline applying to farmers benefitting from the CAP. Once the baseline is set in EU legislation at this higher level, banning cages, the eco-scheme can no longer help because eco-schemes can offer payment only for meeting standards higher than the baseline. This applies equally to other key sources of current CAP aid, like agri-environmental and climate measures.

Consequently, there are good arguments for Member States to anticipate the transition and to use CAP funds in the present period instead of waiting for the legislation to be in place. These include investments to raise welfare standards on farms and to introduce high welfare, cage-free management systems going beyond obligatory conditions.

An additional reason for starting or accelerating change from caged systems now, ahead of the legislation, is to spread the financial burden of the transition over a larger number of years and avoid a front-loading approach once the new standard enters into force. Under the eco-schemes the payment offered is permitted not only to compensate for farm income foregone but also to create a certain level of incentive to sign up to the action. Eco-schemes open an opportunity for initiating a movement in the direction of higher animal welfare standards, on a voluntary basis for both farmers and Member States. The new CAP strategic plans could be used to that effect, for example providing measures that combine training, investment support, innovation, dissemination, demand-driven actions, etc. By contrast, several of the welfare-related practices listed by the EC in the realm of animal husbandry might, if implemented through the eco-scheme only, offer only marginal improvement in the system and not foster the necessary transition towards cage-free farming.

The cage-free transition will require considerable investment and advice to farmers, both of which are eligible for aid under Pillar II schemes, (see below). There is plenty of scope for developing integrated packages of support, including eco-scheme measures, in a coherent and timely plan, designed at the national or regional level. By contrast, a low ambition eco-scheme introduced alone, might cover some extra running costs and marginally improve animal welfare standards (slightly beyond current regulation) and even could be applied in intensive in-house livestock production systems. Based on the experience of implementation of M14 in the past period, such investment and sunk costs could be used afterwards as a justification for delaying the implementation of the necessary

system changes triggered by the upcoming legislation scheduled for 2023. Here again, the EC's role as a watchdog will be critical and it will need to scrutinise the level of ambition of the animal welfare eco-schemes proposed by the Member States and assess their complementarity with other interventions within CSPs.

#### 5.4 Pillar II opportunities with the new CAP

Most of the current EU approach to raising farm animal welfare standards relies on setting legal standards and driving change on the production side. It is linked to a wider set of goals to de-intensify aspects of agriculture, including the livestock sector, while changes in demand patterns like reducing meat consumption will play a role as well. An array of changes in animal production is desirable, but the depth and speed of the change will be highly dependent on farmers' decisions. They in turn will be influenced by the CAP and the availability of transformative funding.

Helping to transform systems is one of the roles of Pillar II. In addition to tailored advice for farmers, which comes within the knowledge exchange and information segment of the new RDPs, two types of intervention will be particularly relevant for the cage-free transition:

- A. The agri-environmental and climate measures (AECMs), as they can also cover "other management commitments" such as higher animal welfare standards (corresponding to M14 in the previous programming period). They also cover conversion to and maintenance of organic farming. An important condition is that payments of the farm should be paid based on the surface area contracted within an agreement. The contractual period, normally of 5 to 7 years duration, may be shortened to 1 year, which risks creating overlaps with the eco-schemes, which do apply on an annual basis and care will be needed to avoid double payments on the same land. Even if this is not a requirement, it is probably wise for Member States to decide between using either the eco-scheme or the Pillar II approach as the main incentive measure for area-based animal welfare agreements. As pointed out above concerning eco-schemes, AECMs are likely to be most relevant to the displacement of cages in favour of alternative systems if they are combined with other measures in a coherent plan.
- B. The investment support intervention, which is the continuation of M4 from the previous programming period, is also relevant for enhancing animal welfare and making the transition. The type of actions selected could include support for new buildings and refurbishing old ones to the new norms for cage-free systems. They could be introduced from 2023, starting well before the entry into force of the future regulation banning cages,

potentially from 2027. The choice of whether and how to use this measure for animal welfare purposes lies at the national or in some cases, regional level. To trigger a good level of uptake and build momentum towards more ethical and cage-free livestock farming, governments should be prepared to offer generous budgetary amounts and support rates (ideally to the maximum permitted by the regulation, which is 75 % of eligible costs). Interestingly, “non-productive” investments for the protection of livestock against predators (e.g., fencing) is a recognized exception under EAFRD aid rules justifying a support rate up to 100 %.

## 5.5 Other EU measures and legislation with more indirect impacts on ending the use of cages in animal production

### 5.5.1 Conditions on CAP payments: Cross-compliance and conditionality

Cross-compliance was a key element of the CAP 2014-2020 but not a source of funding per se. It requires farmers to respect certain rules, relating particularly to the environment, animal health and welfare in order to maintain their right to direct payments. The rules that farmers need to respect under cross-compliance fall into two groups. One group covers a set of basic environmental and climate-related legal requirements known as ‘Good Agricultural and Environmental Conditions’ (GAECs) that relate to land and soil management. The second and larger group of rules are the “Statutory Management Requirements” (SMRs), among them some animal welfare-related requirements, most notably compliance with the general animal welfare directive (Council Directive 98/58/EC of 20 July 1998) as well as with the directives addressing specifically the welfare of calves and pigs (Council Directive 2008/119/EC of 18 December 2008 and Council Directive 2008/120/EC of 18 December 2008 respectively). Other animal welfare-related legislative requirements, e.g., minimum standards set for poultry, are not included in the current set of SMRs.

Cross-compliance is not a policy lever for ending the use of cages. However, it does potentially have a role in raising awareness of farmers about animal welfare issues and as such to prepare mindsets for a transition to other types of production systems with more attention paid to the animals and respect for their behaviour.

The system of cross-compliance is replaced in the new CAP by “Conditionality”, but the requirements for animal welfare are identical. Even the minimum standards set for poultry are still not part of it. Conditionality only includes basic animal welfare requirements and plays the limited role of helping to get the EU animal welfare rules properly applied to farm animals, insofar as non-compliance

runs the risk of triggering penalties affecting farmers' CAP support payments (although this risk is rarely materialized in practice). Conditionality obliges Member States to set an explicit minimum baseline for CAP beneficiaries, which in turn sets the point of departure for introducing more ambitious voluntary measures that can be granted CAP support, yet conditionality alone cannot directly boost a cage-free transition nor provide targeted funding for it.

### 5.5.2 A demand-side funding instrument: Promotion policy

There is an agricultural promotion policy focused on enhancing the competitiveness of EU agricultural products, mainly by financing information campaigns, with the help of a budget amounting to EUR 185,9 million for 2022. Its legal base<sup>28</sup> allows for flexibility in targeting product categories and priority setting through annual work programmes. As it has been applied in recent years, the policy has been actively promoting meat and dairy products, which have absorbed 32% of the budget in recent years.<sup>29</sup> Since it has not promoted cage-free products in preference to others<sup>30</sup> it has tended to reward the status quo in production terms and as such has been more of a barrier than a transition aid.

Whilst a recent evaluation found no major inconsistencies between the agricultural promotion policy and other EU policies, it noted that the promotion of specific product types or production methods may in certain circumstances have negative health, environmental and climate impacts.<sup>31</sup> Yet the current framework could provide opportunities to improve coherence between the promotion policy and other EU policy objectives. The 2021 work programme marked a start in the right direction as it dedicated half its budget to the promotion of organic farming products, sustainability in agricultural production

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<sup>28</sup> Current rules are laid down in Regulation (EU) No 1144/2014 supplemented by Commission Delegated Regulation (EU) 2015/1829 of 23 April 2015 and Commission Implementing Regulation (EU) 2015/1831 of 7 October 2015

<sup>29</sup> Eräjää, S. (2021) 'Marketing meat. How EU promotional funds favour meat and dairy' Report for Greenpeace Europe. <https://www.greenpeace.org/static/planet4-eu-unit-stateless/2021/04/20210408-Greenpeace-report-Marketing-Meat.pdf>

<sup>30</sup> Indeed, the promotion of meat and dairy do not make distinctions between conventional farming and more sustainable ways of producing meat and dairy (such as free-cage farming initiatives)

<sup>31</sup> Evaluation of the impact of the EU agricultural promotion policy in internal and third countries markets, SWD (2020) 400 final, Brussels, December 2020

and consumption of fruit and vegetables in the context of balanced and proper dietary practices. This is set to continue in 2022.<sup>32</sup>

Up to now, the promotion policy has not been used to highlight welfare standards or to promote the benefits of cage-free systems but nothing would prevent this from becoming a priority in future. In any case, it needs to transition towards a more sustainability-focused direction. In the words of EU agriculture Commissioner Janusz Wojciechowski: *promotion policy must support the reform of the CAP and the F2F strategy, by “rewarding those who have already made the transition to sustainable practices, enabling others to make the transitions, and creating additional opportunities for all agri-food businesses.”*<sup>33</sup> By prioritising funding to cage-free farming standards, promotion policy would be able to play a significant role in increasing consumer awareness of the different practices employed and allow intermediaries and end consumers to make more informed choices.

### 5.5.3 Organic farming

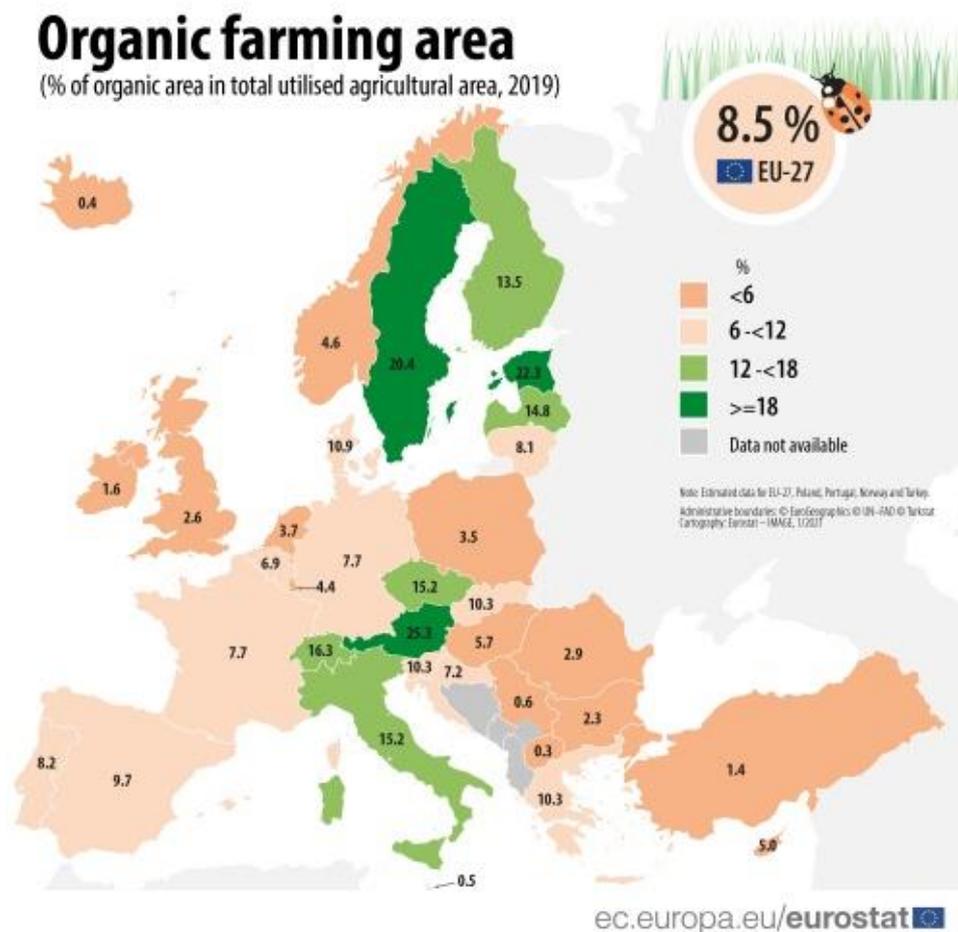
The CAP supports organic farming mainly through aid for both conversion and maintenance through a measure in Pillar II (M11 of the RDPs). Land farmed under organic rules has increased constantly in the EU, reaching 8.5 % of the agricultural area in 2019, with notable variations between Member States. (ref. Map from Eurostat, 2019).<sup>34</sup>

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<sup>32</sup> Commission decision of 15.12.2021 on the financing of information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries and the adoption of the work programme for 2022, COM (2021)9236 final.

<sup>33</sup> Dahm, J. (2021, Jul 20). ‘Stakeholders split over EU food promotional funding for meat, exports.’ *Euractiv*. <https://www.euractiv.com/section/agriculture-food/news/stakeholders-split-over-eu-food-promotional-funding-for-meat-exports/>

<sup>34</sup> Eurostat (2019). ‘Organic farming statistics’ [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Organic\\_farming\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Organic_farming_statistics)



Once it becomes legally binding, the F2F strategy's objective of reaching 25 % of all EU agricultural land subject to organic production rules in 2030 should in principle trigger further action by Member States, leading to an acceleration in the conversion of land to organic production. This should in turn increase the share of animals raised under organic conditions, although this is not an obligation on governments and consumer demand will be a factor. This will provide further indirect support for the conversion to cage-free systems, as cages are banned by the EU organic regulations (See Box 3 below for detailed rules on organic animal production).<sup>35</sup> The scale, pace, and location of conversion to organic farming in the next 8 years will help to determine the significance of this supporting factor. In any case, the EC should assess the effectiveness of the CSPs as a contribution to attaining that 25% objective.

<sup>35</sup> EC (2021). 'Organics at a glance' [https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance\\_en](https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en)

**Box 3: Animal production organic rules go beyond general EU standards**

Animals raised on organic farms enjoy higher welfare, as their biological and ethological needs are better included in farm management. The EU organic farming regulation sets principles and rules for animal production\* that livestock organic farmers must obey in order to get organic certification and the right to affix the EU organic logo on meat, milk, eggs or any other animal product they produce.

Those elements most relevant to animal welfare, like nutrition, housing, health care and husbandry practices are regulated through general requirements applicable to all animals and supplemented with rules specific to certain types of animals.

General organic requirements prohibit landless production, cages, boxes, and flat desks, tethering and isolation, cloning, growth promoters, synthetic amino acids, antibiotics used for prevention, tranquillisers and electric stimulators. As a general rule, animals must have permanent access to open air, shelters and shady areas as appropriate. Housing and density must provide sufficient space for all natural postures and movements. Mutilation may not be allowed unless there are justified exceptions, physical castration is conditional on anaesthesia.

Additional rules exist for ruminants, cervines, pigs and poultry, rabbits, and bees, as well as specific rules for fish and other aquaculture animals. For example, to avoid intensive production methods for poultry, slow-growing strains are to be used, and if not available then minimum slaughtering age shall be respected. Limits are set in relation to the scale of housing or number of laying hens; animals should have access to the open air for at least one-third of their lives and benefit from at least 8 hours per day without light. Live plucking is prohibited, beak trimming is exceptional, subject to defined conditions.

The duration of transport must be minimised under the regulation which also stipulates that any suffering, pain and distress shall be avoided during slaughter, in both cases however without setting stricter welfare standards on the matter.

\*Council Regulation 2018/848 (applicable from 2022), article 14 and Annex II, part 2

### 5.5.4 Food labelling

EU food labelling requirements only cover farm animal welfare to a limited degree. There are marketing standards for poultry meat, but only on a voluntary basis. The only mandatory labelling system for animal welfare applies to table eggs, since 1999: farming method codes are shown on the egg packaging or stamped on the egg as follows:

- 0: organic
- 1: free-range
- 2: barn
- 3: caged hens

This simple system has changed consumer behaviour and shifted demand in the direction of eggs and egg products associated with higher welfare standards. An extended system of labelling to identify products from non-caged systems could help to shift purchasing patterns further and potentially help the transition. If consumers were ready to pay more for products that were reliably labelled as cage-free, it would help to meet the cost of the transition, assuming higher prices were passed on to farmers.

The current EU system of food labelling to provide information on animal welfare standards is clearly far from comprehensive. This is likely to change in the future, since the EC is now considering options for animal welfare labelling, in the context of the revision of the current animal welfare legislation package (See Box 2 above), as announced in the F2F strategy. This is scheduled for the fourth quarter of 2023.<sup>36</sup>

#### **Box 4: The review of the animal welfare legislation**

The European Commission will evaluate and review the current EU animal welfare legislation, by the fourth quarter of 2023. Currently, the EU legislative framework on animal welfare is composed of five EU directives and two EU regulations laying down some minimum requirements for all

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<sup>36</sup> The revision of the EU animal welfare legislation is open to public consultation from 15 October 2021 to 21 January 2022: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12950-Animal-welfare-revision-of-EU-legislation\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12950-Animal-welfare-revision-of-EU-legislation_en)

farmed animals as well as for some species, including in specific circumstances such as transport and slaughter:

1. Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes;
2. Council Directive 1999/74/EC of 19 July 1999 laying down minimum standards for the protection of laying hens;
3. Council Directive 2007/43/EC of 28 June 2007 laying down minimum rules for the protection of chickens kept for meat production;
4. Council Directive 2008/119/EC of 18 December 2008 laying down minimum standards for the protection of calves;
5. Council Directive 2008/120/EC of 18 December laying down minimum standards for the protection of pigs;
6. Council Regulation (EC) No 1/2005 of 22 December 2004 on the protection of animals during transport and related operations;
7. Council Regulation (EC) No 1099/2009 of 24 September 2009 on the protection of animals at the time of killing.

#### **Box 5: Options considered by the EC for an EU system for animal welfare**

Option 1: Regulating animal welfare claims. Under this approach, common minimum requirements for all animal welfare claims made on food on the EU market would be established, e.g., general principles and conditions of use, scientific substantiation.

Option 2: An EU animal welfare label, limited to cage/ non-cage systems. Under this approach, an EU animal welfare labelling would distinguish farming methods between cage vs non-cage systems during the transition towards the cage-free systems, with an approach similar to the one currently in place for eggs in shell. Under this option, the impact assessment will look into a compulsory vs voluntary scheme, with a main focus on fresh products.

Option 3: An EU animal welfare label, with key welfare criteria. Under this approach, an EU animal welfare label will be developed beyond the issue of cages (e.g., scheme governance, technical standards, verification of compliance, and logo/visual entity). Under this option, the impact

assessment will look into a compulsory vs a voluntary scheme, with a main focus on fresh products.

Source: EC (2021). Inception Impact Assessment concerning the revision of the EU legislation on animal welfare. [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12950-Animal-welfare-revision-of-EU-legislation\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12950-Animal-welfare-revision-of-EU-legislation_en)

If done right, an EU-wide animal welfare label will increase transparency and the credibility of claims and allow consumers to make more informed choices. From a survey conducted in 2016, the majority of EU citizens (59 %) responded that they were willing to pay more (5 % in most cases, and up to 20% in Sweden)<sup>37</sup> for animal welfare-friendly products. Insofar as consumer attitudes and purchasing decisions move in this direction, it would contribute to motivating the cage-free transition. Some or all of the costs would be met by consumers, as has occurred already as cages have been phased out in varying degrees in several Member States.

Net increases in food prices clearly are a concern unless compensated for by balancing mechanisms, which might include targeted welfare payments. This however opens up a question about the impact of the transition on food prices, the extent to which any cost increases at the farm level will be absorbed by other actors along the food chain, the extent to which imports of products associated with cages will be permitted to flow into Europe at what cost, decisions by producers and retailers about whether to simply stop buying cage related products, (as seems likely in a number of cases), as well as other factors. Whereas there are reasons why cage-free products may cost more to produce, especially in the shorter term, there is also a case for policy adjustment so that food pricing mechanisms better reflect the negative externalities of unsustainable food, so less sustainable foods with fewer negative externalities become more expensive relative to sustainable foods. Ways of doing this need further exploration in the context of the forthcoming EU horizontal framework legislation on sustainable food systems, where the systems approach should come to the fore.

Irrespective of price considerations, a harmonised animal welfare label, encompassing all species and linked to the banning of cages and other unethical

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<sup>37</sup> 59% of EU citizens are willing to pay more for products that are sustainable and animal friendly. (...) Most of those willing to pay more, will be willing to pay 5% extra. Almost a fifth of Swedes are willing to pay 20% extra." <https://nltimes.nl/2016/03/30/85-percent-willing-pay-sustainable-meat>

forms of production, seems to be a critical element in creating a dynamic market for products and producers meeting the requirements set out in the labelling scheme.

#### 5.5.5 Research and innovation (R&I)

EU R&I funding clearly does not support farm level activity such as the replacement of cages but could play a less direct part in the transition to cage-free farming and the wider sustainability of the food system. The current R&I programme, named Horizon Europe, has a budget that has increased to EUR 95.5 billion, of which close to 10 billion will be dedicated to Food, Bioeconomy Natural Resources, Agriculture and Environment (the so-called “Cluster 6”).

Although the contribution of these funds to the free cage transition is likely to be rather limited, they could play a bigger role in moving beyond the current methods of animal production in Europe and help deepen knowledge and disseminate it. There were already some projects targeting animal welfare in the previous research programme, Horizon 2020, and some others are foreseen in Horizon Europe (e.g., Animal Welfare 2.0). There is a space in Cluster 6 of Horizon Europe, in the next Work Programme 2023-24 for pushing forward a research topic on the economics of cage-free systems, assessment of new production costs and of investment costs, animal health benefits, sharing knowledge and exchanging best practices.

## 6. FUNDING INSTRUMENTS AND APPROACHES AT MEMBER STATE LEVEL TO FOSTER THE TRANSITION

### 6.1 Member States' competencies and their role in the transition

While there is a division in competence for animal welfare issues and a significant role for the EU, a considerable share of formal competence and practical policymaking resides at the Member State level.

Setting legislative standards is an important role for the EU. Council Directive 98/58/EC<sup>38</sup> establishes minimum standards for all farmed animals while specific directives address specific types of animals.<sup>39</sup> Most of the EU legislation covers farmed animals, dealing with their management, transport and slaughter, although it also covers wildlife, laboratory animal testing and pets. Member States have the right to introduce stricter legislation, but only if it is compatible with EU law and does not conflict with Single Market provisions. For instance, 13 Member States have passed national measures on slaughtering standards. Several Member States have taken steps to phase out cages, as noted already.

Member States are responsible for enforcing EU legislation, including implementing the required level and quality of inspections. The EC, and more specifically the Directorate-General for Health and Food Safety (DG SANTE), is in charge of overseeing the correct application of EU legislation at the national level. In addition, the European Food Safety Authority (EFSA) releases scientific opinions to support the EC. The Member States are required to communicate the results of their inspections annually to the EC. In case of infringement of EU law by a Member State, the EU can take legal action.<sup>40</sup>

Not surprisingly, there are already differences in Member State standards relating to farm animal welfare and these are permitted within the EU legislative framework. This applies to the use of cages as well as other issues, as is clear in

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<sup>38</sup> Council Directive 98/58/EC concerning the protection of animals kept for farming purposes (1998). *Official Journal L 221/23*.

<sup>39</sup> EC (2021). 'Food Safety: Animal Welfare in practice' [https://ec.europa.eu/food/animals/animal-welfare/animal-welfare-practice\\_en#:~:text=Harmonised%20EU%20rules%20are%20in,the%20protection%20of%20individual%20animals](https://ec.europa.eu/food/animals/animal-welfare/animal-welfare-practice_en#:~:text=Harmonised%20EU%20rules%20are%20in,the%20protection%20of%20individual%20animals).

<sup>40</sup> European Court of Auditors (2018). 'Animal welfare in the EU: closing the gap between ambitious goals and practical implementation' Report n. 31

the summary of different Member State conditions portrayed in the “End the Cage Age” website.<sup>41</sup> There are also variations in non-legislative initiatives, funding schemes and voluntary measures. There will certainly be a key role for Member States in developing objectives, policies and suitable interventions to make the transition a reality.

There is a range of ways in which national and regional authorities can act to support the transition away from the use of cages in farm animal production. Some involve using EU funds available to Member States under current policies, others rely on national resources. Both are likely to be needed in different combinations, bearing in mind that the precise nature of the transition required, and the costs involved will vary considerably between Member States. In all parts of the EU, the announcement of the end of cages as they are used now will alter the market outlook for livestock products and the behaviour of processors, retailers, and others in the food supply chain as they prepare for a significant alteration in supply. There will be market pressures on farm level producers to invest in alternative systems and an increase in the incentive for governments to introduce policies to support their producers in order to maintain their position in the EU market. It will not only be those governments that have been generally supportive of higher welfare standards that will look for ways to assist the transition.

## 6.2 National use of EU agricultural policies

A recent review of the use of M14 by Member States in the period 2014-2020 found that 17 RDPs had activated schemes for which pig farms were eligible but for poultry and laying hens the total was lower, with eligibility only in 11 RDPs.<sup>42</sup> Some examples of recent initiatives taken from this review are in the Boxes below.

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<sup>41</sup> End the Cage Age (2021). ‘How close are we to a cage-free Europe’

<https://www.endthecageage.eu/how-close-are-we-to-a-cage-free-europe/>

<sup>42</sup> Macri, M. and Scornaienghi, M. (2020). ‘Animal welfare in the rural development programme for the 2014-2020 period in the European Union.’

**Box 6: M14 use in Germany “Mehr Tierschutz” label (“more animal welfare labels”)**

The province of Baden-Wuerttemberg in Germany has linked the provision of M14 payments to farmers to compliance with the “Für Mehr Tierschutz” label specifications for fattening pigs and broilers. For pigs, this entails offering the animals more space and handling materials (straw, bales, wood shavings) and, for those participating in the higher, premium level of the label, access to the outdoors and a straw bedding area. The payment is EUR 9 per pig for the entry-level label or EUR 14 per pig, for the premium label<sup>43</sup>. For farmers choosing to raise standards, there are additional opportunities to draw on partially CAP funded RDP measures, notably within M4 (investments in physical assets), M11 (organic farming), and M10 (agri-environment-climate).

**Box 7: Increasing space for pigs in Greece**

In Greece, a scheme under RDP measure M14 provides aid for adopting housing systems with straw and soft bedding disposal in lying areas for pigs. Beyond this it also promotes a 3% increase in the space allowance for all pigs, a minimum increase of 20% for sows and gilts after 4 weeks from farrowing and an additional 6 sq. m. before farrowing. A 20% reduction in the total number of farm animals is promoted under this scheme as well (relevant payments are EUR 33.93/head/year or EUR 135.7 LSU/year). In calculating these payments, a 4.5 % reduction in income from the enterprise is allowed for, on the basis of the assumed reduction in the number of animals expected to be kept<sup>44</sup>.

The considerable freedom Member States have been given under the new CAP to design their CSPs gives an opportunity to include measures to pursue higher animal welfare standards on livestock farms. In the previous 2014-2020 RDP

<sup>43</sup> Ifip (2019). ‘Les différentes solutions financières pour accompagner l’évolution des élevages de porcs.’ <https://www.franceagrimer.fr/content/download/63197/document/ETU-VBL-PORC-Solutions%20financement%20C3%A9levages%20de%20porcs%20-%202019.pdf>

<sup>44</sup> Macri, M. and Scornaienghi, M. (2020).

period, a range of measures was introduced by national or regional bodies and the future CSPs could build further on those and see an extension in the number of Member States that utilise this option.

### 6.3 Use of national funds to advance welfare goals and end cages

Member States are free to use their own funds to advance animal welfare goals provided that they remain within the limits laid down in EU regulations e.g., for state aids. Many Member States do this. Germany is an interesting example, not least because of its large population of farmed animals. The German government has included EUR 300 million for raising animal welfare standards in their economic stimulus programme in the wake of the pandemic.<sup>45</sup> The German experience includes a considerable amount of investigative work of potentially wider interest, but Member States will want to choose their own approach to implementing similar policies, taking into account their own particular circumstances.

Potentially significant sums of national money could be made available for aiding different forms of transition in the livestock sector, including increasing sustainability and increasing welfare. The current political discussion in the Netherlands is a good example.

The recently formed coalition government has outlined a plan to resolve a long-running problem of excessive levels of Nitrogen and environmentally damaging ammonia emissions derived from the particularly heavy concentration of intensively managed livestock in the Netherlands. At the time of writing the government had just published a paper on how it intends to address this issue and the broader question of agricultural transition, proposing a "National Programme for Rural Areas". This will involve achieving targets for nature restoration, climate, and water quality, including a reduction of 50% in nitrogen use by 2030. Significant cuts in livestock numbers are envisaged alongside technological approaches to reducing emissions. Sizeable funds are to be spent on compensating farmers, some of whom are expected to cease production. Expenditure of EUR 25 billion in the period up to 2035 is proposed for the programme as a whole, to be spent in the framework of an agreement with the provinces.<sup>46</sup> Whereas this initiative is not driven primarily by welfare concerns it will involve the pig and poultry sectors where the use of cages has not been

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<sup>45</sup> TPistorious, M. (2021, Mar 22). 'Germany eyes new animal welfare levy to help raise standards in livestock farming.' *Euractiv*. <https://www.euractiv.com/section/agriculture-food/news/stakeholders-split-over-eu-food-promotional-funding-for-meat-exports/>

<sup>46</sup> Agra Facts No.105-21 19/11/2021

eliminated and it is clear that a strong welfare component could be added to broader initiatives of this kind with significant budgets.

## 6.4 National use of demand side measures such as taxation, labelling public procurement

Member States hold most of the competencies for interventions on the consumer or demand side of the equation, including the use of most of the economic instruments that have significant potential to support the free cage transition. In this section, we focus on three of the principal economic instruments that could be used in relation to the transition, namely taxation, labelling and public procurement.

It is important to highlight that there are also important differences among Member States. In some countries, mainly the Nordics, Austria, Luxembourg, the Netherlands, and Germany, increasing animal welfare standards have featured in the policy agenda and certain initiatives have been put forward, such as specific welfare labels in Finland and Germany, or animal welfare criteria in public procurement guidelines (see below). This contrasts with many other Member States, particularly Eastern European countries, where the public debate over increasing animal standards and cage farming has been relatively limited.

### Domestic taxation

Taxation of products, including the use of differential rates with respect to particular attributes, is one of the most powerful instruments available to drive demand towards certain types of products because of its influence on prices which generally are an important determinant of consumer choice. It is also a key mechanism to deploy in pursuing a policy to internalise negative externalities. In the EU, taxation is largely a Member State competence.<sup>47</sup> Hence, it is up to each country to set up its own fiscal framework and priorities: of course, this leads to divergence among Member States. For instance, Romania applies a 5% VAT rate for organic foods, while Austria has a standard 10% VAT rate for all foods.<sup>48</sup>

Concerning animal welfare, no Member State has introduced specific taxes to support the quest for higher animal welfare standards. However, in recent years there has been some debate over the benefits and costs of introducing selective taxation measures intended to reduce overall meat consumption and increase

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<sup>47</sup> European Parliament (2021). 'Fact Sheets on the European Union : General tax policy' <https://www.europarl.europa.eu/factsheets/en/sheet/92/general-tax-policy>

<sup>48</sup> Avalara (2021). 'European Union VAT rates' <https://www.avalara.com/vatlive/en/vat-rates/european-vat-rates.html>

animal welfare, such as in the Netherlands and in Germany<sup>49</sup> for example (See Box 8 below).

### **Box 8: Possible German levy on livestock products to increase animal welfare**

As part of a wider debate on improving farm animal welfare, the former German Agriculture Minister has been particularly vocal on the issue at the EU level. In parallel, as part of the debate within the country, on March 5<sup>th</sup>, 2021, the German Federal Council requested the government to produce a funding strategy to meet the costs of assisting farmers to create a more environmentally friendly and humane livestock sector for the whole of Germany (a larger and costlier transformation<sup>49</sup> than the ending of cages). Proposals are awaited but a number of options were outlined in an independent study for the Ministry of agriculture and food (BMEL), including the possibility of a dedicated levy on selected livestock products, such as meat and milk.<sup>50</sup>

Known as the Borchert Commission report, the study<sup>51</sup> considered ways of funding the costs of increasing animal welfare across the board. This was estimated to cost somewhere around EUR 2.9 billion by 2025 and EUR 4.3 billion by 2030. The Commission considered a number of options that could be used to raise funds to meet at least part of these costs. They included drawing directly on Federal government revenues, such as revenues from income and corporation taxes. Another possible approach was to transfer funds now used to support agriculture through the system of EU direct payments. (Transferring a portion of the national CAP funding allocations from Pillar I to Pillar II is an option for all Member States).

However perhaps the most striking of the options considered was the introduction of a new dedicated levy on selected livestock products., such as meat

<sup>49</sup> Dahm, J. (2021, Mar 22). 'Stakeholders split over EU promotional funding for meat, exports.' *Euractiv*. <https://www.euractiv.com/section/agriculture-food/news/stakeholders-split-over-eu-food-promotional-funding-for-meat-exports/>

<sup>50</sup> Archyde (2021, Mar 2). 'Animal welfare in agriculture: Julia Klöckner does not commit to the implementation of the Borchert plan.' *Archyde*. <https://www.archyde.com/animal-welfare-in-agriculture-julia-klockner-does-not-commit-to-the-implementation-of-the-borchert-plan/>

<sup>51</sup> Bundesministerium für Ernährung und Landwirtschaft, Empfehlungen des Kompetenznetzwerks Nutztierhaltung (Federal Ministry of Agriculture of Germany, Recommendations of the competence network for livestock husbandry), "Borchert Report", February 2020

and milk. This has proved controversial, with the possibility of a tax related to animal welfare raising concerns among German farmers, not least the fear that they will be subjected to unfair competition from other Member States and neighbouring countries. On the other hand, the German government also hopes that consumers will be willing to pay more for products with higher animal welfare standards since according to a survey,<sup>52</sup> between 43% and 36% of Germans are 'very willing' and 'rather willing' to do so respectively. In addition, according to the 2016 Eurobarometer on animal welfare, 61% and 34% of German citizens considered that it is 'very important' and 'somewhat important' to protect the welfare of farmed animals. A 55% majority also thought that the welfare of farmed animals in Germany should be better protected than it is now.<sup>53</sup>

### **Increased consumer awareness through labelling**

There is no harmonised system for identifying animal welfare standards on products at the EU level and most animal welfare labelling remains voluntary, except those applied to eggs, as already explained above.<sup>54</sup> However, on December 2020 the EU agriculture ministers approved the introduction of an EU-wide welfare label (see 5.5.4 above). The option of a mandatory label is now on the table and if adopted could be a significant driver of change. In the interim, several European governments have chosen to act.

At the Member State level, certain countries already have developed and introduced their own national animal welfare labels, resulting in a variety of schemes and levels of ambition. Amongst the leading examples are Denmark (See Box 6 above), the Netherlands and Germany. Other countries such as Finland are planning to introduce schemes in the future.<sup>55</sup>

In the case of Germany, the new Ministry of Agriculture Cem Özdemir has outlined his intentions to implement a mandatory national animal husbandry label 'step by step' by the end of 2022 while pushing for an origin label at the EU level. It

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<sup>52</sup> Statista (2021). 'How would you rate your willingness to pay a higher price at the till for more animal welfare in livestock farming?'

<https://de.statista.com/statistik/daten/studie/486415/umfrage/umfrage-zu-mehrzahlungsbereitschaft-fuer-tierschutz-in-deutschland/>

<sup>53</sup> EC (2016). 'Attitudes of Europeans towards animal welfare.' Eurobarometer 2016

<https://europa.eu/eurobarometer/surveys/detail/2096>

<sup>54</sup> EC (2021). 'Food safety : Animal welfare labelling.' [https://ec.europa.eu/food/animals/animal-welfare/other-aspects-animal-welfare/animal-welfare-labelling\\_en](https://ec.europa.eu/food/animals/animal-welfare/other-aspects-animal-welfare/animal-welfare-labelling_en)

<sup>55</sup> Eurogroup for Animals (2020). 'Animal Welfare and Food labeling : Initiating the transition through high quality consumer information.'

[https://www.eurogroupforanimals.org/files/eurogroupforanimals/2021-05/E4A-AW-Food\\_Labeling-2020-web-version.pdf](https://www.eurogroupforanimals.org/files/eurogroupforanimals/2021-05/E4A-AW-Food_Labeling-2020-web-version.pdf)

would apply to German producers but remain voluntary to imported products in order to avoid conflicts with EU internal market rules.<sup>56</sup>

### Box 9: The Danish animal welfare label



In 2017 the Danish Government introduced a national animal welfare label applying to pork meat, which is widely consumed in Denmark. The label was developed by the Danish Veterinary and Food Administration, working closely with relevant stakeholders throughout the whole value chain.<sup>57</sup> The scheme was extended in 2019 to beef and dairy cattle. The label has the stated intention of increasing animal welfare through the exercising of better-informed consumer purchases. The scheme has 3 levels of animal welfare standards linked to highformser retail prices and production costs. Although the label does not reflect directly on the existence or not of cage-free farming practice, it serves as an example of an effective and visual way to signal to consumers standardised information about the level of welfare standards employed in the production of a specific product. It would be simple to extend it to cover the use of cage-free practices.

According to a survey carried out by the government, 67% of Danes are willing to pay extra for better animal welfare, while 61% of Danes know about the label and 75% trust the scheme.

<sup>56</sup> Dahm, J. (2022, Jan 26). 'Germany favours 'pragmatic' approach to animal welfare' *Euractiv*. <https://www.euractiv.com/section/agriculture-food/news/germany-favours-pragmatic-approach-to-animal-welfare-labelling/>

<sup>57</sup> Ministry of food, agriculture and fisheries of Denmark (2022). 'The governmental animal welfare label' [https://www.foedevarestyrelsen.dk/english/Animal/AnimalWelfare/Pages/New animal welfare label will win the hearts of Danes.aspx](https://www.foedevarestyrelsen.dk/english/Animal/AnimalWelfare/Pages/New%20animal%20welfare%20label%20will%20win%20the%20hearts%20of%20Danes.aspx)

## Public procurement

Public administrations spend around 14% of GDP (around EUR 2 trillion every year) on public procurement. In certain sectors, public administrations are the main buyers (e.g., in health and education services). EU law sets out a set of minimum harmonised public procurement rules on the way that public authorities are permitted to purchase goods and services. These are transposed into national law for tenders for goods or services the value of which exceeds a certain amount. For tenders of a lower value, national law applies, always respecting the general principles of EU law.<sup>58</sup>

The EU has also set out voluntary Green Public Procurement criteria (GPP)<sup>59</sup> to boost sustainable consumption and production practices. Amongst other topics, these criteria include some provisions for animal welfare standards. Although the EU sets minimum standards that apply to general public procurement, and voluntary approaches to sustainable procurement, it is up to each Member State to determine its ambitions on the level of requirements they apply concerning sustainability.

Regarding animal welfare, some countries have stipulated in their national public procurement strategies the need to include animal welfare criteria. However, no specific provisions have been identified for cage-free farming. This is the case for Sweden,<sup>60</sup> Germany and Finland (See Box 7 above). However, at the moment overall animal welfare standards are not a priority for public procurement strategies in most Member States. Clearly, there is scope to change this to foster the transition. This could be done by explicitly including criteria giving priority or leverage to free-cage food suppliers over conventional farming in public procurement guidelines.

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<sup>58</sup> EC (2022). 'Single market and standards: public procurement'. [https://ec.europa.eu/growth/single-market/public-procurement\\_en](https://ec.europa.eu/growth/single-market/public-procurement_en)

<sup>59</sup> EC (2020). 'Green public procurement'. [https://ec.europa.eu/environment/gpp/index\\_en.htm](https://ec.europa.eu/environment/gpp/index_en.htm)

<sup>60</sup> Ministry of Finance of Sweden (2019) 'National Public Procurement Strategy' <https://www.government.se/4aba88/contentassets/9ec42c71c00442a39d67169d3c25faed/national-public-procurement-strategy.pdf>

**Box 10: Food-related public procurement in Finland**

Education and, more specifically, catering services for schools, is an important sector in relation to food public procurement. Each year around 383 million public meals are served in Finland with a total cost of around EUR 350 million. In 2016, Finland adopted new guidelines to increase the sustainability and the quality of these meals, including the use of environmentally friendly and higher animal welfare standards, although no specific provisions for cage-free farming were identified. To foster implementation on the ground a guide was produced to help public procurers.<sup>61</sup> Besides promoting a healthier diet (including less red meat consumption and more vegetables, fruits, and berries) the Ministry for Agriculture and Forestry also promotes the consumption of organic and local food in public purchases.<sup>62</sup>

The Finnish case shows how an appropriate public procurement framework could help foster the free-cage transition by providing an opportunity for farmers who have engaged in such practices to be rewarded financially. Many different criteria are considered in public procurement processes (e.g., cost for the administration, capacity to deliver, etc.). The use of cage-free farming should be taken into consideration as well as an additional category.

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<sup>61</sup> Motivan hankintapalvelu (2017) Guide for Responsible Procurement of Food. Recommendations for requirements and evaluation criteria

<sup>62</sup> European Public Health Alliance (2019). 'How can the EU Farm to Fork Strategy contribute? Public procurement for sustainable food environments' <https://epha.org/wp-content/uploads/2019/12/public-procurement-for-sustainable-food-environments-epha-hcwh-12-19.pdf>

## 7. CONCLUSIONS AND RECOMMENDATIONS FOR FOSTERING THE TRANSITION

Preparations for the transition to cage-free systems need to get underway well ahead of the final agreement on binding EU legislation, the proposal for which is due in 2023 since the direction of travel is clear and the goal of eliminating cages is unambiguous. Forward planning will help the process of adjustment at the farm level and throughout the food chain. Many farms will be considering their future objectives and their investment cycle several years in advance and clear messages about the need to change and the types of aid that will be available in which circumstances will help them to make the transition with less avoidable disruption.

There is a need for further analysis to identify more precisely the scale and nature of changes that will be required at the farm level and the associated costs-and opportunities- that will arise. One element of this must be the impact assessment that the EC will present. This should attempt to capture the welfare and environmental costs of inaction and changing patterns of demand as well as the consequences of the intervention. However, there will need to be further detailed appraisal at the Member State level as well, to capture more specific information and analysis. Information and experience from those Member States that already are advanced in the transition will be available in addition to local sources. Such assessments should help to clarify in greater detail the types of aid most needed by farms and the extent to which other players in the supply chain, including processors and retailers, should bear the burden of adjustment costs. It is not too soon to begin the design of specifically targeted new support schemes if these are needed in addition to the measures already available, such as investment aid under the CAP. Nor is it too soon to discuss different means of funding aid measures, as is occurring in Germany at present.

At a broader level, more ambitious welfare goals and the removal of cages need to be woven into the spectrum of sustainability challenges that must be addressed by EU food systems in the coming decades in response to a combination of environmental, public health and climate priorities. Different approaches will be needed according to regional circumstances and priorities. Opportunities for synergy will be particularly strong in the organic sector which is due to expand to cover at least a quarter of farmland in the EU by 2030, if confirmed as a binding objective. There will be opportunities to expand this organic target to cover a proportion of food products as well, as is now being considered in Germany.

The EU objective of carbon-neutrality by 2050 has a direct impact on the livestock sector, as agriculture is responsible for 10.3% of the EU's GHG emissions of which nearly 70% come from livestock. Consequently, significant changes in farming practices and systems are required, including reductions in both nitrogen fertilization use and in the overall number of farmed animals, as well as reduced consumption of critical feed materials like soy grown on deforested land. At the same time, appropriate livestock farming with the right levels of stocking density and good management can play a positive environmental role, for example in grassland maintenance and biodiversity management as well as supplying animal-based fertilizers that could be required to balance nutrient flows while using less synthetic fertilizers.

We are now at a pivotal point in the debate over policies to advance sustainable and higher welfare farming and food systems. Several steps need to be taken at the EU level. These include:

- Recognising that the ending of cages is part of the wider transition to sustainable food systems being taken forward via the Green Deal, the F2F strategy and the EU sustainable food systems initiative, which is scheduled to include an EC proposal for a legislative framework in 2023. The ending of the cage age commitment was triggered by a citizens' movement, the successful ECI, rather than being developed as part of the Green Deal agenda. However, the two forms of transition need to be understood and taken forward together rather than separately, especially as the legislative timetable is similar for both. The forthcoming sustainable food systems legislation needs to take account of the ending of cages, both conceptually and with respect to more specific elements such as monitoring, metrics and assessment of sustainability, accountability measures, new standard-setting and targets, transparency, policy coherence, fairness within the supply chain, public participation and other matters.<sup>63</sup>
- The EC should ensure that Member States are fully aware of the options that exist for using EU funds to assist in the transition away from cages and how these interact with Green Deal and other priorities. Providing support through technical assistance and networks such as the European Rural Development Network could help to build both awareness and capacity to address the issue.
- The EC also should encourage Member States to plan ahead for this transition and build it into their strategic thinking, taking advantage of the

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<sup>63</sup> Some of these issues are considered in Baldock, D. and Hart, K. (2021) Pathways towards a legislative framework for sustainable food systems in the EU. IEEP Brussels

aid available, particularly from the CAP before the final versions of the national strategic plans are signed off. Particular attention should be given to short-term investments in marginal technological development and technological gains that could result in lock-in and barriers to the transition to cage-free farming later on (e.g., investments in new caging systems for climate purposes).

- Supporting the growth of organic farming is one of the ways that improved animal welfare and reduced reliance on cages can be advanced within the existing policy framework. Amongst the measures available are those within the CAP and others that can be advanced within national policy, for example making greater use of public procurement to support the consumption of organic produce. The EC will need to give close attention to ensuring that national CAP strategic plans have sufficient measures to support organic conversion on the scale needed to meet the 2030 target.
- When the EC starts work in the mid-2020s on preparing the next version of the CAP for beyond 2027, it should build in the measures needed to assist with the cage-free transition, reflecting the timetable embodied in the transition legislation which should have been adopted significantly prior to this date.
- The EC should plan for the forthcoming regulation ending the use of cages in the proposals that it puts forward in relation to trade policy and the need to protect EU standards and EU producers from being undermined by imports from countries with lower animal welfare and environmental standards. If “mirroring” requirements applying to imports are introduced on food imports, standards relating to cages should be one of the topics which are potential candidates for inclusion in the list.

Turning to the Member State level, the next steps should include:

- It would be helpful for Member States to start now to compile an analysis of the changes required on the farms and associated parts of the relevant supply chains within their territories and the estimated costs involved, excluding those that will be compensated for through the market. This will enable them to pinpoint where assistance is most likely to be required in which forms, to develop suitable forms of targeted and generally time-limited support and to develop cross-cutting measures such as improved advice, dissemination of research, appropriate training, and other measures, such as changes to local regulations if they are an impediment to change. The potential role of relevant EU funds can be clarified in such an analysis and the need for supplementary national measures set out clearly.

- At the same time, Member States should take the opportunity in the coming months to make the best use of appropriate measures that are available within the CAP, alongside national sources of funding, to provide the support required for the transition. The CAP strategic plans for the period to 2027 are in the process of being approved by the EC. Member States need to give careful thought to including measures that contribute to the ending of the cage age alongside other priorities, including those set out in the Green Deal. The interventions most likely to be applicable are the investment aid measure, the agri-environment measure and the organic measure in Pillar II and the eco-scheme in Pillar I. Although Member States are not yet under a legal obligation to eliminate cages it is appropriate to build this goal into plans well ahead of time. Strategic plans may be modified as they progress, and this could be reflected in the first annual performance report that the Member States will need to submit to the EC in 2024.
- Given the importance of the organic sector, Member State authorities should design and implement a national organic action plan without delay, if they have not done so already, in line with the EU organic action plan.<sup>64</sup> They should set an ambitious national target for 2030 and ensure that a sufficient budget is allocated to farmers converting to organic farming, taking advantage of the opportunity to use eco-schemes and CAP Pillar II measures.
- Beyond organics, several forms of assistance can be used that rely wholly on Member State funds and governments need to select and develop the most promising options, targeting producers most in need. A combination of instruments rather than a single one is likely to be required. The Borchert Commission in Germany undertook a detailed analysis of funding instruments that could be used to improve farm animal welfare and this will be useful for policy development in other parts of Europe since it addresses some important general issues, such as which forms of aid are compatible with EU law on state aid, competition etc. These are important constraints that have to be respected in every Member State.<sup>65</sup>
- A key measure might be targeted investment aid for new livestock housing and ancillary equipment required, given the end of cages and adoption of higher welfare practices. This aid could take the form of a capital grant covering a significant proportion of the investment cost or a subsidized

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<sup>64</sup> EC (2021), Action Plan for the Development of Organic Production, COM(2021)141 final, action 3

<sup>65</sup> Op. cit. Borchert Report

loan at a very low-interest rate. The support would be subject to conditions, for example, full compliance with new welfare rules and the presence of a clear plan to complete the transition on time and at a reasonable cost. Other regulations, such as those concerned with waste management, would need to be respected as part of the conditions. Some financial contribution from the farmer/beneficiary would be required. Account also needs to be taken of the interests of farmers who have moved forward faster and eliminated the use of cages without receiving aid for doing so. In Member States where access to credit for farmers may be difficult or unreasonably costly, there may be a need for additional governmental support to help to secure credit for the period of transition.

- In addition to targeted investment aid, other forms of financial help for farms may be required, particularly to cover transitional expenses and any increase in longer-term running costs. In principle, this could be provided either through a single integrated transitional aid scheme, or a set of separate measures. Additional costs might include finding a new location for production, securing access to a greater area of land where stock can be kept, altering feed patterns, securing technical advice, recruitment and other personnel costs, training or retraining of the workforce if this is required, revisions to marketing, veterinary services etc. There is scope for tailoring such schemes closely to national circumstances and the sectors most affected.
- National funds will be required for national measures such as this and to pay for the national contribution to those CAP schemes, such as investment aid, which require contributions from Member State funds. Usually, such expenditure is funded through general taxation. However, alternative approaches to raising funds for special sectoral requirements of this kind are possible, avoiding a general burden on taxpayers as a whole and there is a good case for exploring these. In principle, there is a good case for introducing targeted levies that place the costs on the sector itself, including the consumers of the relevant livestock products. This is more compatible with the principle of internalizing external costs within the food chain and with the polluter pays principle. It is also fairer to members of society who do not consume the relevant products. This approach is being discussed actively in Germany.
- Altering the rate of VAT in a differential way is another possible way both to raise funds for aid schemes and to influence consumption patterns towards healthier and more sustainable diets. Some Member States have done this, and it is an option worth examining elsewhere. For example, in

2011 Spain raised the rate of VAT on meat from 8 to 10% while reducing the rate on vegetables to 4%. A similar option is now part of the German discussion. If the adjustments in VAT rates and subsequent revenues are balanced so that the total burden on consumers is not increased, the impact on affordability and more vulnerable consumers is much diminished. Further differentiation in VAT rates between cage produced and cage-free products would target change more precisely if this was feasible. This approach warrants further investigation.

In summary, a programme of measures is required to support the transition to cage-free production, bringing together actions involving both the EU and Member States, in an interlocking suite of interventions that makes use of the EU funds available, alongside national resources and private sector investment. More concrete EC legislative proposals and assessments of their impact should be amongst the first steps to be taken, together with active preparatory measures in the Member States to encourage producers to move ahead of mandatory requirements rather than waiting for the ultimate deadline. Some CAP measures, including eco-schemes and organic farming support, could be deployed by governments now. Appropriate and well-targeted forms of aid that address both the initial investment and the longer-term costs of change will need to be a core element of a programme of support. However, such aid should be applied within a wider matrix of policy measures that also includes labelling and consumer-focused initiatives for example.

The wider context also needs to be recognised. An array of other changes is expected from agriculture and the EU food chain in the wake of the Green Deal and Farm to Fork Strategy, many on a similar timetable, by 2030. The ending of cages should be embedded more clearly within the strategies being developed to make sustainability central to European food systems.



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