

Price policies to promote healthy nutrition

Denmark's experience with the tax on saturated fat

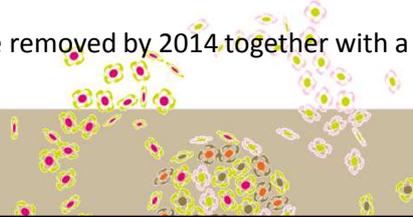
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Europe day of the 8th Global conference on health Promotion
 Helsinki, Finland



History of the Danish fat tax

- First prospective estimates of Danish food tax reform in 2004
- Disease Prevention Commission established in 2008
- General tax reform,
 - Decrease taxation on income financed by, among other things, increased taxation on energy and unhealthy foods as tobacco, sugar-products, ice-cream, sugar sweetened soft-drinks
- The fat tax was adopted almost unanimously by the Danish parliament March 17th, 2011
- The abolition of the fat tax was unanimously agreed upon by the Danish parliament November 10th, 2012 together with an abolishment of an extension of the sugar tax.
- Taxes on soft-drinks are decided to be removed by 2014 together with a decrease in the tax on beer

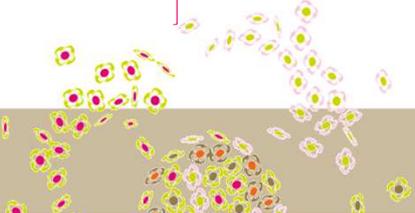


Structure of the fat tax



- Tax paid on the weight of saturated fat in foods and on saturated fat used for the production of foods when the content of saturated fat exceeds 2.3 g/100 g
- Tax rate: DKK 16.00 (€2.15) per kg saturated fat + 25% VAT
 - Price of a 250 g package of butter (with saturated fat content of 52g/100g) increases by €0.33
– an increase of about 20%
 - Price of a 250 g package of chips (with saturated fat content of 13.6g/100g) increases by €0.09
– an increase of about 5.7%

Non trivial
Price changes!

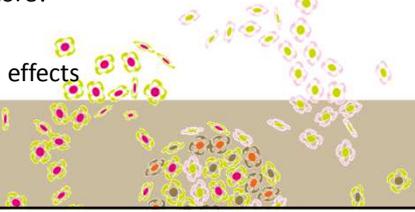


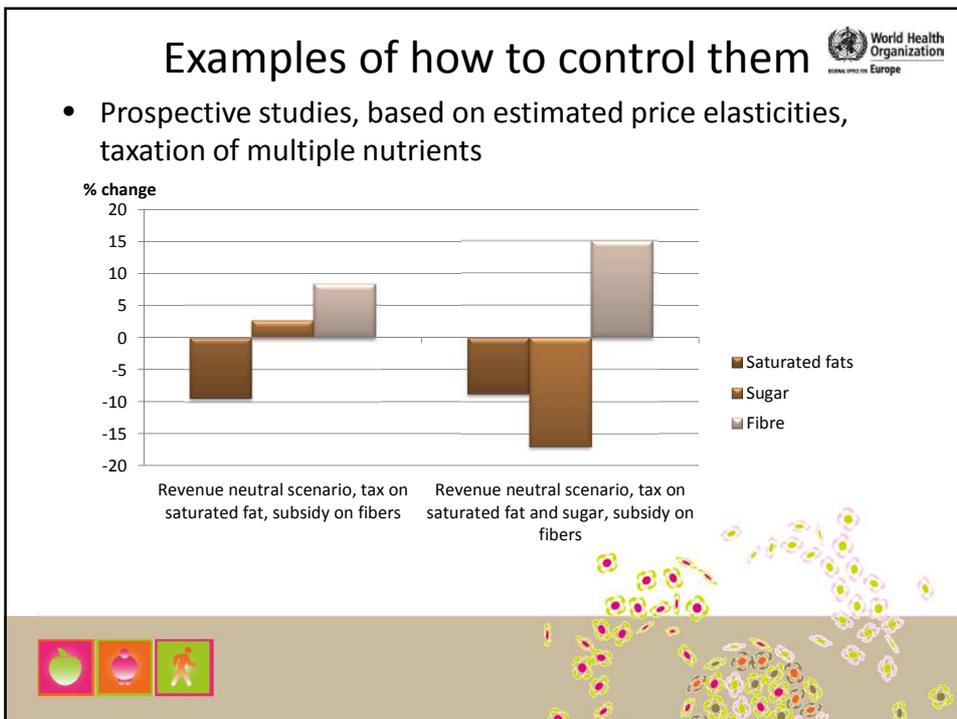
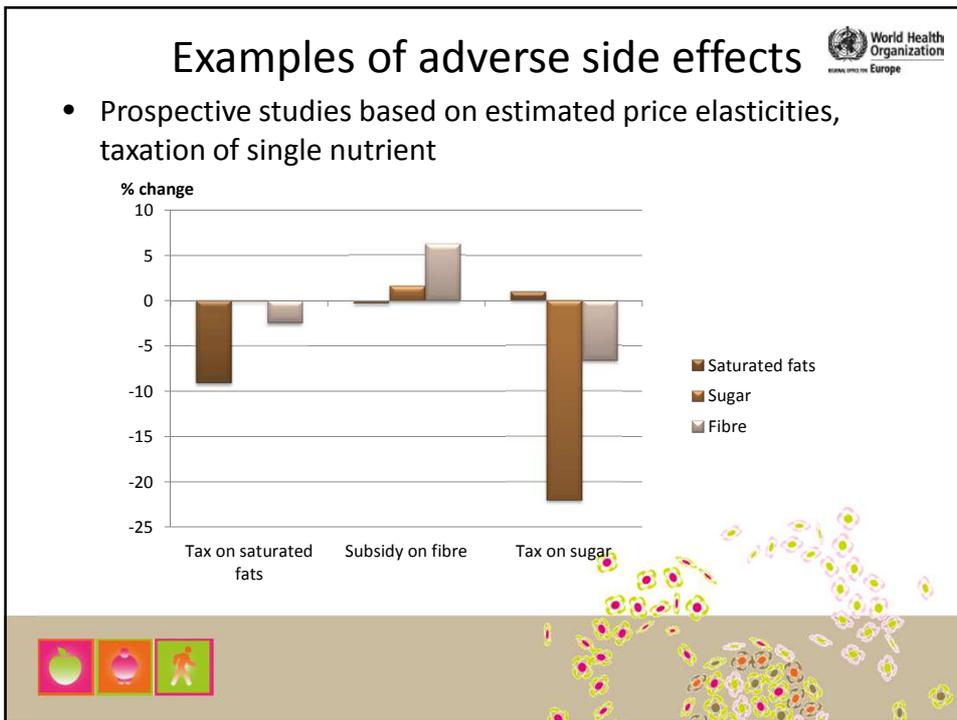

How do taxes work?



- Administrative and political challenges
- Market challenges
 - Price setting structure in retail
 - Income effect
 - Lack of resources or willingness to change behaviour → same basket available at an extended cost → less money to buy unhealthy foods AND healthy foods
 - Substitution effects
 - What kind of substitutes are available?
 - Healthier type?
 - Cheaper brand or cheaper store?
 - Across border trade?

→ Unwanted unexpected adverse health effects

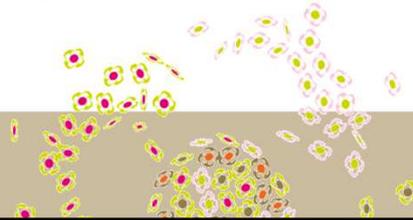


Effect estimates of the Danish fat tax

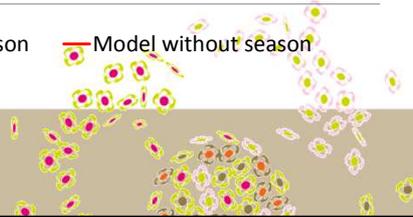
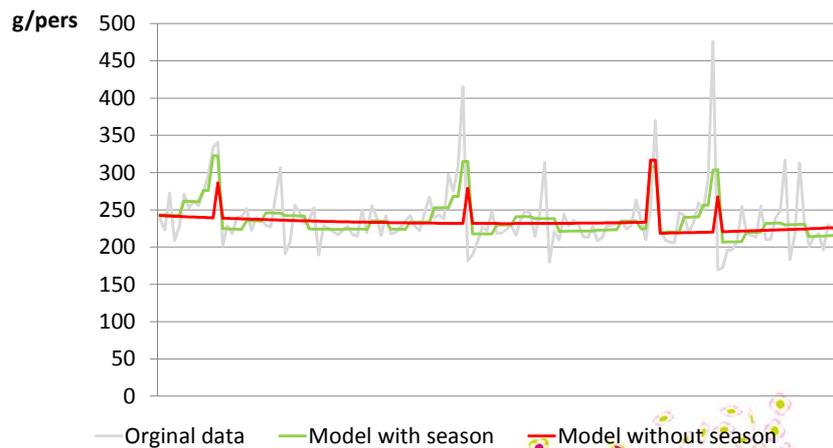


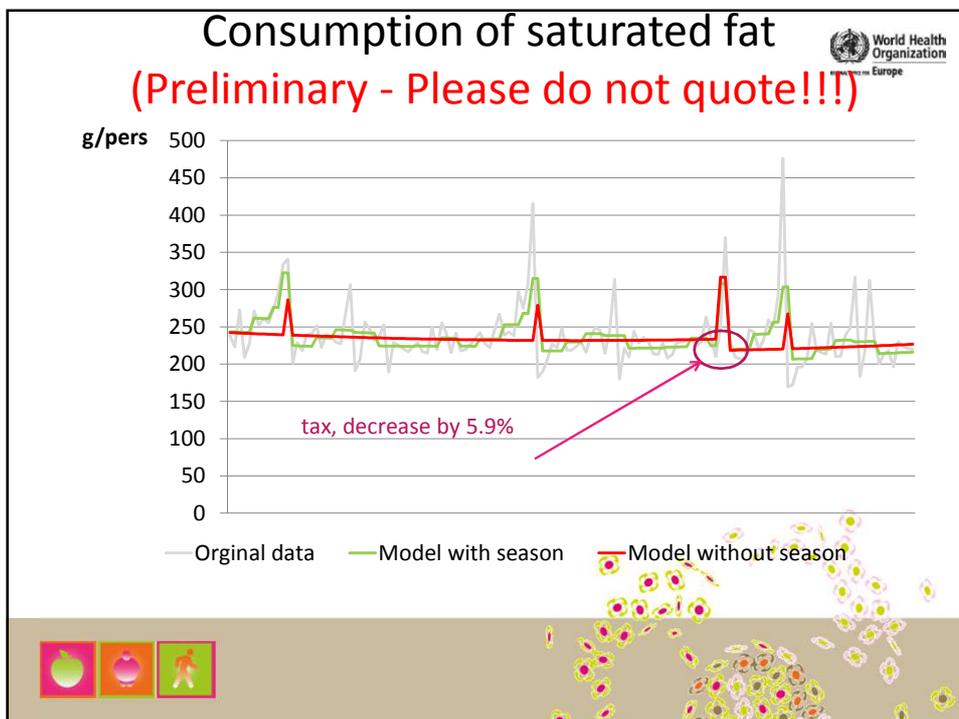
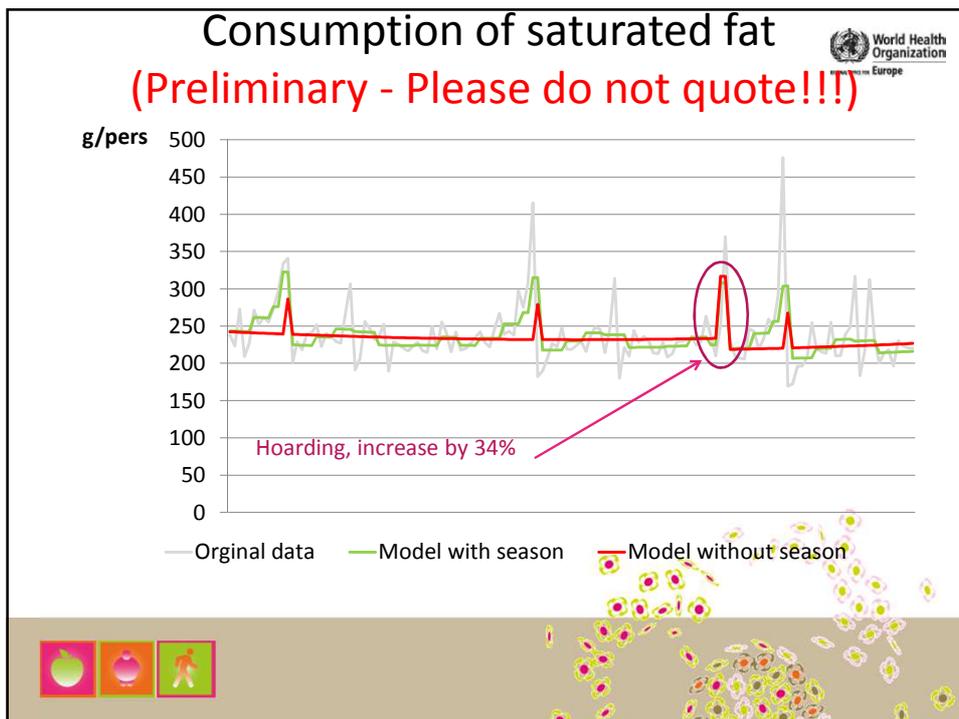
- GfK Household Consumer Tracking Scandinavia weekly household panel (cohort) data
- **PRELIMINARY** effects on total consumption of saturated fat, energy and carbohydrates (July 2009 – July 2012)
- Econometric analysis of the market for fats and oils: butter, mixed butter, margarine and vegetable oils (January 2008 – July 2012)
 - Consumption effects
 - Substitution effects between products and stores
 - Price - setting mechanisms

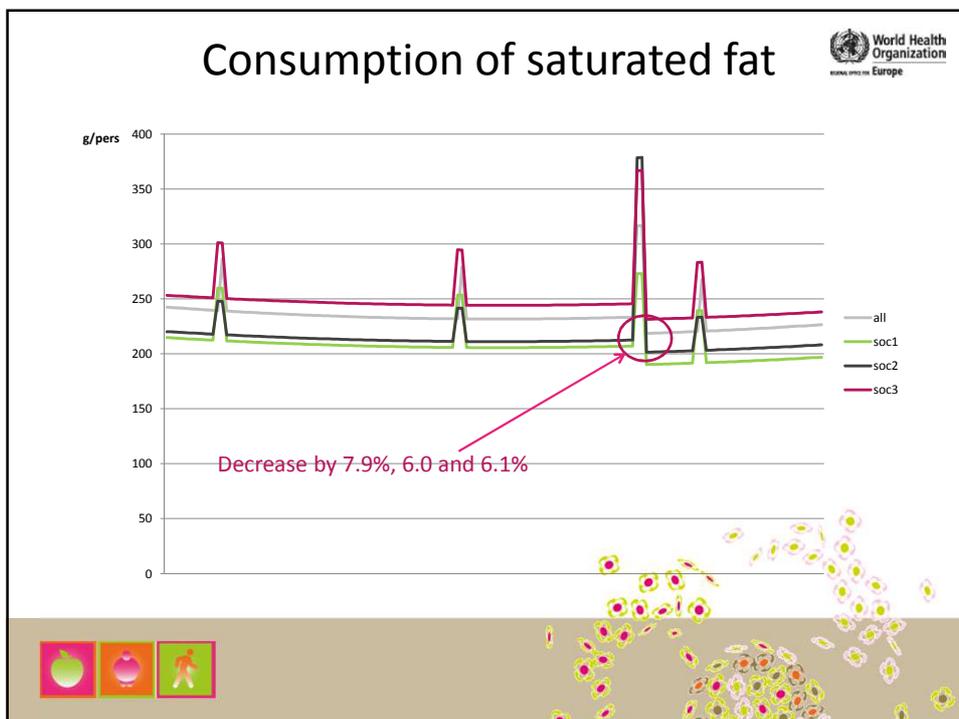
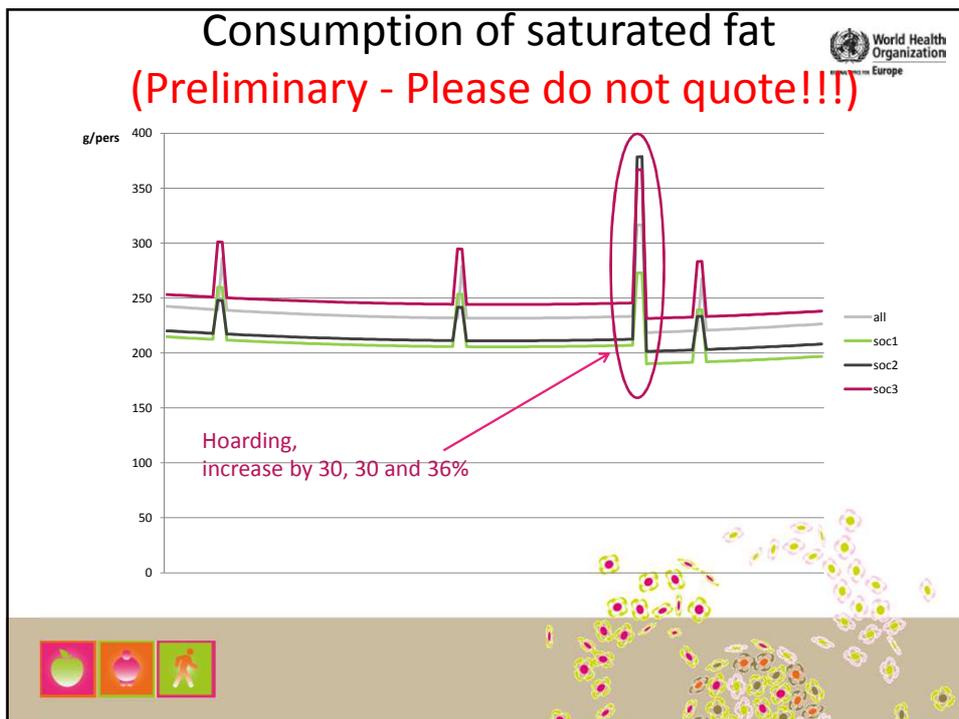


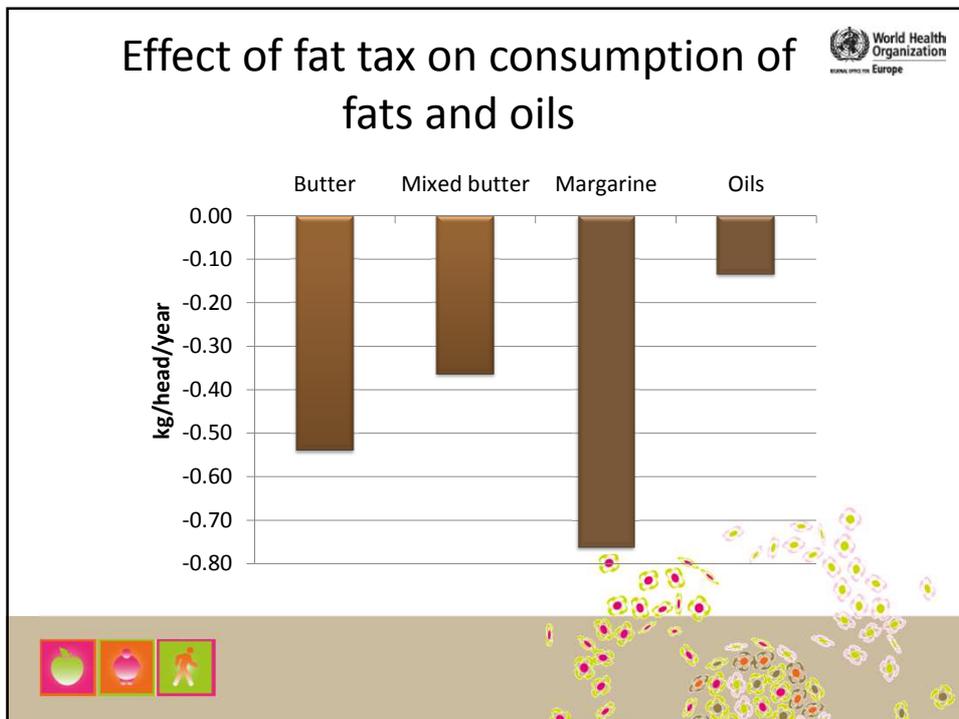
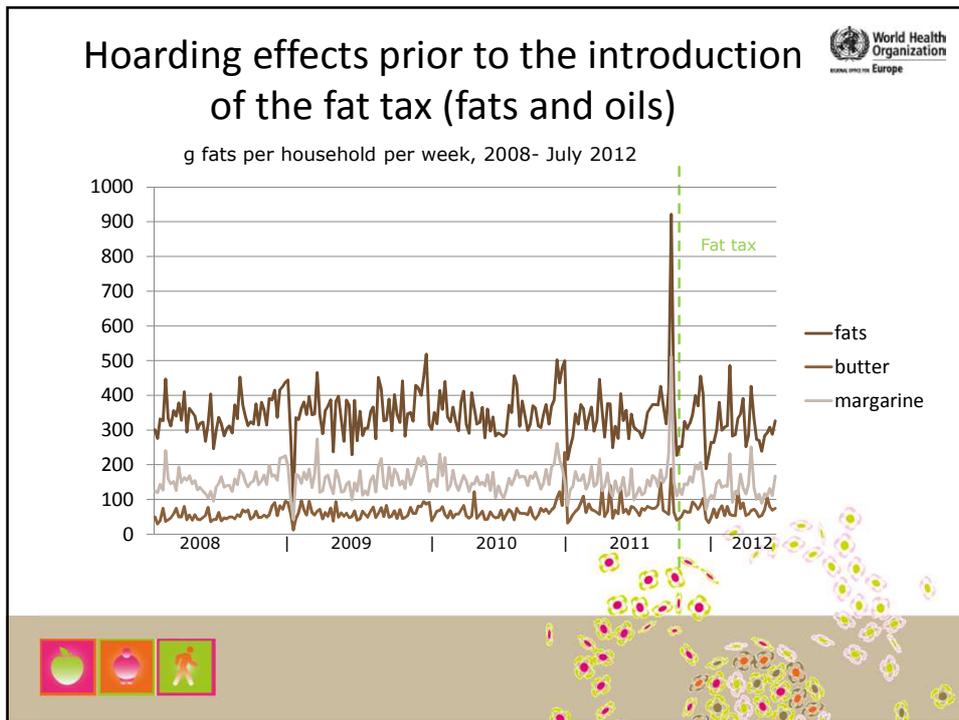
Consumption of saturated fat

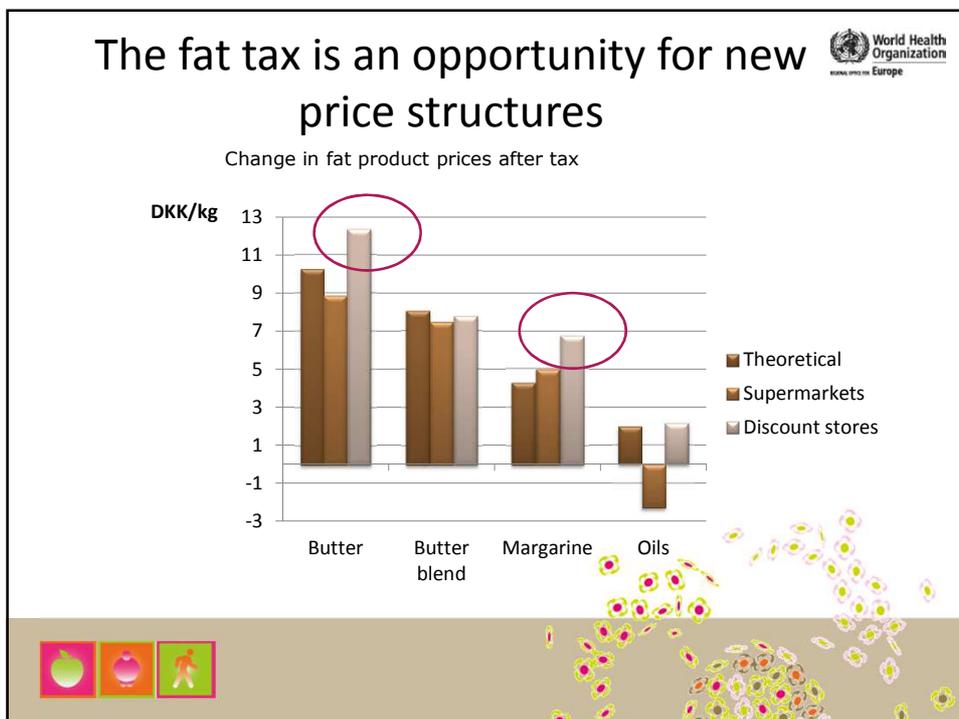
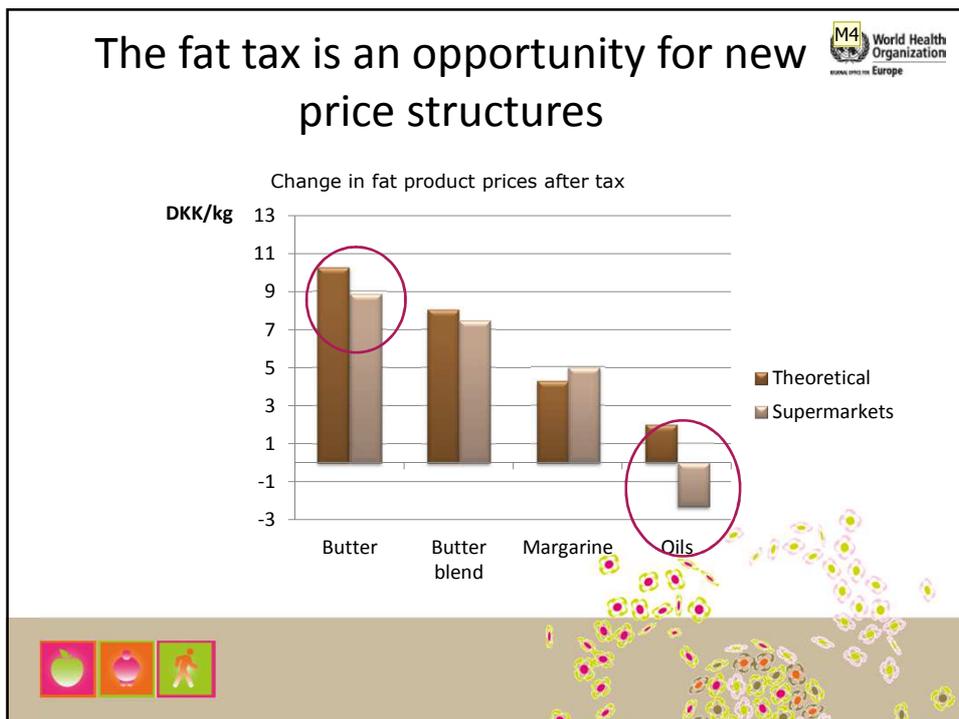
(Preliminary - please do not quote!!!)











Slide 15

M4 enten: 'new price structures' eller 'a new price structure'
Maren; 05-03-2013

Implications



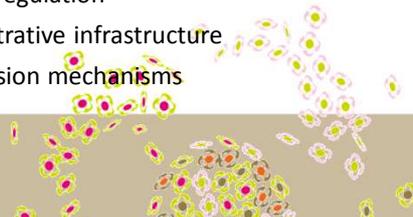
- The fat tax generated revenues for the government about €130 million annually equivalent to €72 annually per household
- The fat tax seems to have affected the consumption of oils and fats with a 10 – 12% decrease – at least in the short term
- **VERY PRELIMINARY** data analysis suggests a decrease in saturated fat consumption of 6%, no significant differences between social classes
- The tax opened a 'window of opportunity' for retailers to restructure their price setting, product sizing and marketing (fats and oils)
- Substitution from supermarkets to discount stores (fats and oils)



Possibilities of a revival of the Danish fat tax?



- We still lack to access the full dietary effects of the fat tax
- A full assessment includes a full cost/benefit approach
 - Costs in terms of: administration cost, extra expenses for the consumers, lost revenue due to increased border trade
 - Benefits in term of saved health care cost and increased well being for consumers due to better health condition
- Inclusion of all partners, nutrition and consumer experts, retail sector, industry, administrative staff in ministries etc.
- Joint European initiative, take account of differences in:
 - Price elasticities and need of dietary regulation
 - Current price levels, VAT and administrative infrastructure
 - Industry structure and price transmission mechanisms



Slide 17

- M3** stod også på den sidste eller forrige slide - har rettet den til. så hvis du beholder teksten her også., kan du tage rettelserne med ned
Maren; 05-03-2013

Literature/contact



- Email: ss@ifro.ku.dk and jorgen@ifro.ku.dk
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 - Smed S., J.D. Jensen and S. Denver (2007): Socio-economic characteristics and the effect of taxation as a health policy instrument *Food Policy*. *Food Policy*, 32(5-6):624-639
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 - On the Danish fat tax
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