

What does a Schnitzel really cost?

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Summary

The researchers from IÖW (Institute for Ecological Economy, Berlin) found rather surprising results with their study about the real cost of a Schnitzel and they can be summarised as follows:

The extreme difference in price between organically and conventionally produced pork is due to the fact, that on one hand the comparatively high environmental cost for conventional pork is not included in the price, and on the other hand processing and distribution cost are significantly higher for organic pork.

The 60 percent higher producer price for an organic Schnitzel is based upon higher costs for piglets and feed, animal housing and higher labour costs.

A very important additional reason for the price difference lies in the fact that the detrimental environmental effects and therefore costs caused by the method of production, are not paid for by the farmers. The environmental damage is significantly higher in conventional as compared to organic production. Damage includes CO₂-emissions and also pollution of water with phosphates, nitrates and pesticides. Because these costs are carried by society, they do not appear in the producer price of a Schnitzel. These kinds of costs are much lower in organic production, because chemical fertilizers and pesticides are not used.

In the production of one kg of organic as compared to conventional Schnitzel the following savings occur:

- ¼ of the energy
- ¾ of nitrogen pollution
- ¾ of green house gases
- 100 g mineral fertilizer
- 1,5 g pesticides

At the same time there are additional requirements in organic production, such as

- 50% greater land base for feed production
- 40 – 95% more labour

Environmental Cost

If the conventional producer had to pay for the real environmental cost (approx. 45 Cents for 1 kg Schnitzel), the difference to organic meat would be reduced from 83 Cents to 38 Cents per kg - that means from 58% to only 20% higher price. Instead of only 1,43 €/kg of meat the conventional farmer would have to ask for 1,90 €/kg, compared to the organic farmer whose price would be increased only from 2,26 €/kg to 2,28 €/kg, because of the much lower environmental cost.

Influence of environmental cost per kg pork				
producer price	conventional	organic	Δ price €	in %
without environmental cost	1,43	2,26	0,83	58
with environmental cost	1,90	2,28	0,38	20

Marketing Cost

In the butcher shop organic meat can be as much as 90% more expensive than conventional meat. This has to do with very small amounts of organic in comparison to the total pig market: 61.000 organic pigs as compared to 10,5 million conventional pigs (the organic pig market is only 0,5% of the total market). Organic meat is a niche product within an extremely rationalised system of pork production. The costs for the investment of separate transport, slaughtering, butchering and distribution to the shops are relatively high. This leads to a reduction in demand and in turn again to higher distribution cost (a vicious circle).

Compared with conventionally produced pork additional costs for organically produced pork per kg are:

- €0,14 additional cost for transport to the slaughter unit
- €0,06 higher cost for slaughtering
- €4,00 higher cost for distribution/marketing into the shop

The €4,00 higher cost for distribution/marketing between conventional and organic meat is due to the fact, that only the high value parts (fillet, ham, Schnitzel etc.) can be sold as organic, the rest has to be sold at conventional prices for processing into sausages. That amounts to approx. half of the pig carcass. The market for organic sausages is not sufficiently developed to take up all the lower value meat. If that situation could be improved, and also this meat could be sold at “organic prices”, a reduction in price for the other meat parts would be possible at the counter.

The following example shows that if the distribution system of supermarkets is utilised also for organic meat the difference in price at the counter is significantly reduced compared to a “normal” butcher shop. That difference is further reduced, if the environmental costs are included.

The influence of environmental and distribution cost on the price of 1 kilogramme pork				
WITHOUT ENVIRONMENTAL COST	price convent. €	price organic €	△ in €	△ in %
from slaughter house	1,66	2,70	0,38	63
distribution	5,30	9,30	4,00	76
price at counter (average in shops)	7,00	13,00	6,00	86
price supermarket (selling conv. and organic pork)	7,00	8,50	1,50	22
INCLUDING ENVIRONMENTAL COST				
price at counter (average in shops)	7,50	12,02	4,52	60
price supermarket (selling conv. and organic pork)	7,50	8,52	1,02	14

Summary of the "German Food Watch" - Study by the Institute for Ecological Economy, Berlin (2004). Edited Prof Dr H. Vogtmann, 2005