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# Pesticides, Animal Feed and Meat Consumption - The Food Revolution

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The development of world food affairs is shaped by the continuous rise in demand for animal products. Where has meat consumption increased most?

The increase in meat consumption is due to changes in dietary habits: the food revolution is happening mainly in developing countries which account for the majority of global population growth. According to the Food and Agriculture Organization (FAO), global meat production has almost quadrupled since 1965, from 84 million tonnes to 335 million tonnes.

According to data from FAO, meat consumption is up an annual 5-6%, while the consumption of dairy and poultry products rises by 3.4-3.8% per year. Historically speaking, China and Brazil account for large parts of consumption growth: the global average per capita consumption of meat increased from 30.7kg in the 1980s to 36.4kg in the 1990s. This is largely due to the strong increase in pork production in China during that period; in Brazil, meat consumption increased by 55% from 1975 to 1990.

The FAO also expects this trend to continue, because emerging countries will likely converge towards this “Western diet” that is heavy in meat consumption.

## Meat production is tied to animal feed

The rising demand for meat is correlated with demand for animal feed (mainly grain and oilseeds), whose cultivation also comes with negative environmental and climate effects:

- The large-scale cultivation of animal feed ousts primary forests, which are an important CQ reservoir
- The use of chemical fertiliser is both energy- and CO<sub>2</sub>-intensive and burdens the environment, because the application on fields also affects other ecosystems such as waterways. The higher content of nutrients in the water makes these systems uninhabitable for sensitive forms of life
- Pesticides that are also used by conventional agriculture have negative effects on the environment and are suspected of carcinogenicity

## Bayer AG & Monsanto Co: punitive damages

After the takeover of Monsanto by Bayer, the herbicide Roundup was faced with numerous lawsuits in the USA. This herbicide is part of the portfolio of Monsanto and has been suspected of carcinogenicity.

Bayer AG has been accused of underestimating the legal and reputational risks that came with the takeover of Monsanto and that could have a detrimental effect on the enterprise value. The international proxy advisory firm ISS (International Shareholder Services) therefore suggested to express discontent with this misjudgement by refusing to discharge the Management Board from liability at this year's AGM.

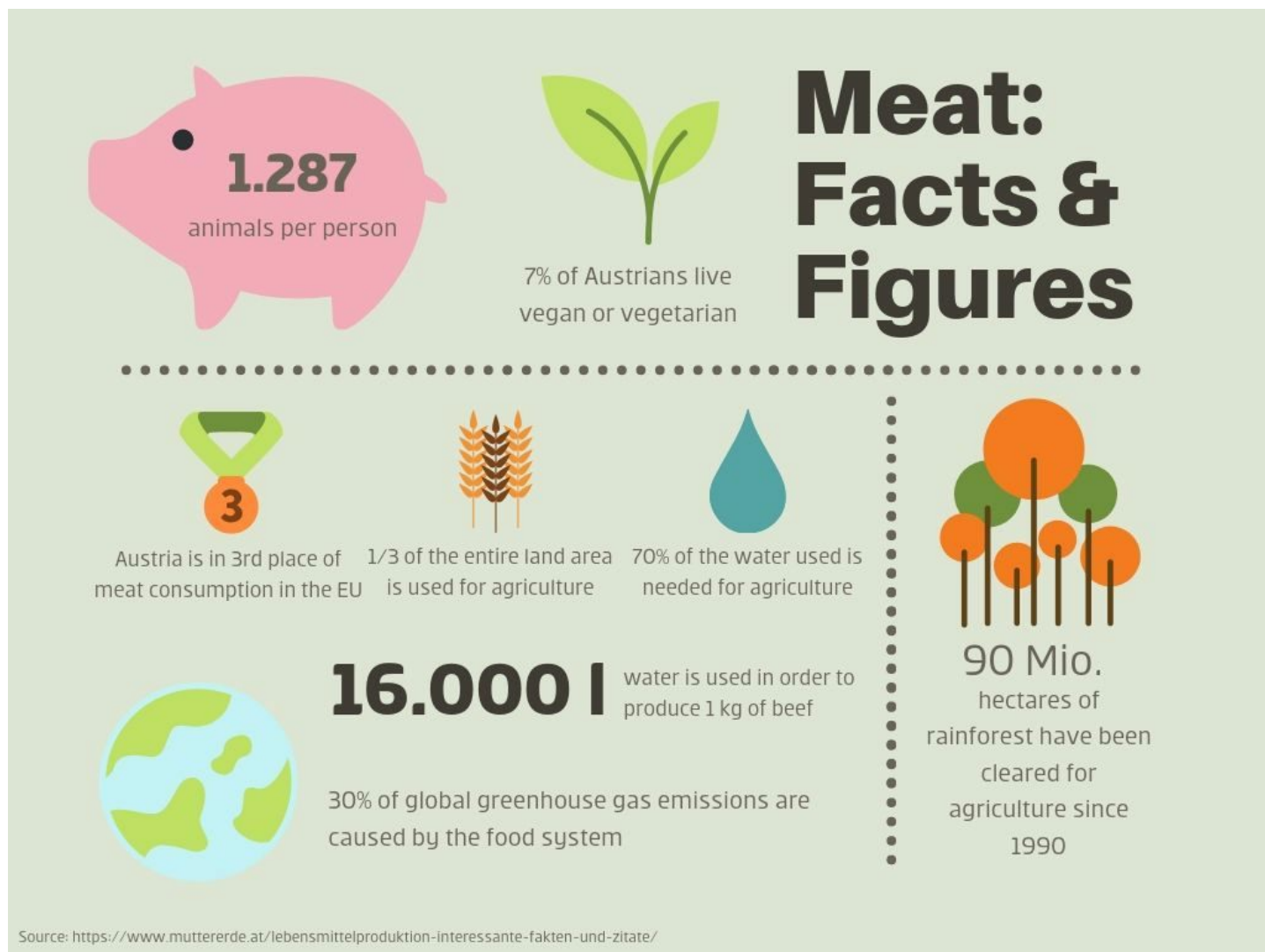
In a reaction, Bayer AG pointed out that according to the results of numerous studies a link between Roundup and carcinogenic diseases could be ruled out.

However, in the United States three verdicts have been passed to the contrary; in the most recent verdict, the plaintiff couple has been awarded more than USD 2bn, the highest amount of punitive damages to date. Punitive damages means that the fine exceeds the damage so as to have a deterrent effect. Bayer AG is confronted with about 13,000 lawsuits in the USA in connection with its glyphosate-based products.

A ban of glyphosate use has been discussed as well: in Los Angeles, it has already been introduced; the herbicide cannot be used until official healthcare bodies and environmental protection officers can ensure that the substance is harmless. A majority may be found in favour of a ban in Austria as well.

## Bayer Management Board refused discharge from liability by shareholders

At the AGM held on 26 April 2019, a 56% majority voted in favour of refusing the Management Board discharge from liability, while a 66% majority voted to grant the Supervisory Board said discharge. This result has symbolic character. Much like in the case of climate-related motions in the past (Exxon Mobil, 2017), investors are making increasing use of their vote in order to address topics of sustainability that could negatively affect the enterprise value.



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