



Written by [Michael Tennant](#) on November 12, 2012

Danes Say “Cheese” as Fat Tax Is Repealed

“The suggestions to tax foods for public health reasons are misguided at best and may be counterproductive at worst. Not only do such taxes not work, especially when they choose the wrong foods to tax, they can become expensive liabilities for the businesses forced to become tax collectors on the government’s behalf.”



So declared the government of Denmark in announcing that it was [repealing its year-old tax on fatty foods](#). Since October 1, 2011, any food sold in Denmark containing over 2.3 percent saturated fat has been subject to a \$1.29-per-pound tax on the fatty portion of the food. The price of butter, which is 63 percent saturated fat, increased by 90 cents per pound; cheese rose 50 cents per pound; and lard shot up \$1.40 per pound.

All of this, of course, was done in the name of public health. Making these allegedly unhealthy foods more expensive was supposed to drive Danes to more healthful alternatives, thereby reducing obesity, diabetes, and cardiovascular disease.

The law was popular among the political elites, with nearly 90 percent of the Danish parliament voting in favor of it. “But few outside the government seem to think it’s a good idea — or even a healthy one,” [Time](#) magazine observed at the time. Now even the government admits that it was a bad idea — so bad that a planned tax on sugary foods has also been scrapped.

Clearly one year was insufficient time in which to determine whether the tax had improved Danes’ health. However, it was plenty of time to discover the tax’s negative effects.

“There is little evidence the tax impacted consumers financially, but it did spark a shift in consumer habits,” noted the [Wall Street Journal](#). “Many Danes have bought lower-cost alternatives, or in some cases hopped the border to Germany, where prices are roughly 20% lower, or to Sweden.”

The law didn’t reduce fat consumption. “Since the introduction of the new tax the demand for butter has risen,” Lars Aarup, head of analysis for the Danish retail chain FDB, told the *Journal*. And Danes are not eating less cheese, just lower-quality varieties.

The law did, however, reduce employment. The *Journal* reports:

Lone Saaby, director of economic policy at Denmark’s Landbrug & Fødevarer farmers association, said the fat tax “increased border trade as well as administrative costs,” putting Danish jobs in jeopardy. Ms. Saaby’s organization lobbied the government to kill the fat tax and abandon the sugar tax before the impact to employment became too noticeable.

[Peter] Giørtz-Carlson [head of the Danish consumer market at Arla Foods, the country’s largest dairy company] said the fat tax cost his company about [\$852,000] over one year, and estimates “smaller



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companies probably had disproportionately higher costs.”

“The Danish Agriculture and Food Council says it expects the fat tax to cost Denmark 1,300 jobs in the next three years,” a spokesman for the Danish Food and Allied Workers Union told [FoodNavigator.com](#) in August.

“This is not what is needed in the current economic situation,” Holger Nielsen, Denmark’s minister for taxation, said when the fat-tax repeal was announced. “We have listened to objections that were raised.”

The objections were not simply matters of dollars and cents (or kroner). Among the non-economic objections was that the government was taxing basic necessities like butter and cheese.

“What made consumers upset was probably that an extra tax was put on a natural ingredient,” Sinne Smed, a professor at the University of Copenhagen’s Institute of Food and Resource Economics, told the *Journal*.

In addition, the government failed to distinguish between healthful and unhealthful fatty foods, so cheese and chocolate bars were being treated as equally detrimental. Moreover, by increasing the price of local, organic food products, the tax may have had the effect of driving consumers to less expensive, industrially produced foods, which are generally less healthful — a policy that Christian Puglisi, chef of Copenhagen’s Relae restaurant, told *Time* was “insanely stupid.”

“The fat tax is one of the most maligned we [have] had in a long time,” Mette Gjerskov, the minister for food, agriculture and fisheries, said Saturday. “Now we have to try improving the public health by other means.”

In other words, while the government is repealing the law because of public complaints and job losses, it is still committed to the general policy of controlling Danes’ lifestyles. It is also committed to not seeing a dime of lost revenue — the tax brought in \$216 million — as a result of repeal. “Danish lawmakers will slightly raise income taxes and reduce personal tax deductions to offset the lost revenue,” says the *Journal*.

Still, even a small victory for individual liberty is worth celebrating. How about a Danish pastry and a hot chocolate?



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