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## CAGE-FREE IMPACT INCENTIVES

*In regions where cage-free egg inventory is low, impact incentives make it easier than ever for food businesses to transform their supply chains—and eradicate cages once and for all. This guide gives an explanation of what impact incentives are, and how they push forward cage-free progress.*

As consumers clamor for ethically-sourced products, cage-free impact incentives are making it possible for companies to shift away from cages—an outmoded and abusive method of housing hens that has dominated egg production for decades. In regions where limited cage-free infrastructure has been a roadblock to wider cage-free egg availability, such as Asia, impact incentives put real money on the table, empowering producers in emerging markets to overhaul their facilities and spare hundreds of millions of hens from extreme cruelty. The ideal outcome is a domino effect of positive change, as the relentless drumbeat of consumer demand combines with the catalytic power of strategic investment to rewrite the rules of the global egg industry.

### **What's driving the need for cage-free impact incentives?**

The cage-free movement has triggered a seismic shift in the way the global egg industry raises hens.



As consumers demand better, and as food companies embrace corporate social responsibility, more and more businesses have made the common-sense decision to commit to sparing animals, including egg-laying hens, from extreme cruelty. In particular, these corporate commitments offer hope to hundreds of millions of hens who would otherwise spend their entire lives confined in cages so small they can't even spread their wings. By transitioning to cage-free housing systems, food companies can spare these sensitive animals from immense suffering and grant them the basic freedom to express natural behaviors like nesting, perching, and dust bathing.

The global shift to cage-free egg production has accelerated at a staggering pace. As of April 2024, 89% of corporations with public commitments to go fully cage-free in or by 2023 have succeeded in doing so—protecting hundreds of millions of hens from battery cages. This breakneck pace of change is a testament to the power of consumer demand and to the food industry's readiness to adapt to evolving ethical standards.

Yet, even as the vast majority of global companies honor their cage-free pledges, this paradigm shift comes with a practical challenge: cage-free eggs are not yet universally available in every region of the world. In emerging markets, and in regions with less established cage-free infrastructure, the transition can still be slowed by logistical hurdles like a low supply of cage-free eggs.

Given that many food businesses remain invested in meeting their deadlines for their own cage-free goals, animal advocates and forward-thinking producers have



pioneered an innovative solution to the issue of cage-free egg availability: cage-free impact incentives. Global companies can continue to source cage-free eggs in their own regions, wherever they operate, prioritizing local suppliers, and—as a last resort, where sourcing local cage-free eggs isn't possible, like in parts of Asia—complement their efforts with cage-free impact incentives.

## **What are cage-free impact incentives, exactly?**

"Impact Incentives"—also known as "cage-free credits"—were established by Global Food Partners to mitigate supply concerns and other variables impeding the egg industry's transition away from cage systems in emerging markets. According to Global Food Partners, companies can "source cage-free eggs wherever possible and fill the gap with credits." Companies can then "transition to physical cage-free eggs as the market matures."

Cage-free impact incentives, in the form of financial credits, enable egg producers to transition from cages to cage-free housing systems for hens. Food businesses—restaurants, supermarkets, fast food chains, foodservice providers, food manufacturers—can elect to purchase cage-free credits that directly benefit egg producers, helping them to offset the higher costs associated with shifting to cage-free production. To put it another way, the purchase of cage-free impact incentives makes it more economically feasible for egg producers to invest in upgrading their facilities, to scale up their cage-free egg production, and ultimately to improve the welfare of their laying hens. By incentivizing the shift to cage-free systems, and increasing the overall cage-free egg availability in emerging markets,



this credit-based program can drive meaningful change in the lives of hundreds of millions of hens in the global egg industry.

As Global Food Partners explains, "Impact Incentives are a new-and-improved Book and Claim credit system for eggs. If challenges prevent a food business from sourcing cage-free eggs, it can continue buying caged eggs from its existing suppliers. The company can then offset these caged eggs by buying 'Incentives', achieving a 100% cage-free position."

## **Are cage-free credits similar to carbon offsets?**

It's worth noting that cage-free credits don't work the same way as carbon offsets.

With carbon offsets, companies can simply purchase credits to "neutralize" their carbon emissions—without actually reducing their own footprint. Greenwashing is a major concern here, as some companies use carbon offset programs to create the illusion of climate action without meaningfully curbing their carbon emissions. Moreover, carbon offsets have been criticized for a lack of transparency and traceability. So often, companies buying carbon credits can't verify that those credits are genuine, making it hard to assess the true value of the credits.

In the case of cage-free credits, food companies aren't just buying credits to neutralize their caged egg purchases—they're directly sponsoring the development of cage-free infrastructure and enabling the production of cage-free eggs that wouldn't have existed otherwise. In other words, food companies participating in Impact Incentives are not only offsetting their own caged egg usage, but also



actively expanding the supply of cage-free eggs in regions where infrastructure is lacking. This creates tangible progress towards building a more ethical and sustainable cage-free egg supply. While the credits system may seem, at first glance, to add extra complexity, it actually drives real change on the ground by incentivizing cage-free production where it's needed most. Plus, companies know exactly who their purchased credits are benefitting: local, certified cage-free egg producers.

Cage-free credits function more like credit programs used for other commodities, such as sustainable palm oil. According to the Roundtable on Sustainable Palm Oil (RSPO): “By selling certified sustainable palm (kernel) oil products as RSPO Credits using the Book and Claim supply chain model, you are contributing to offsetting the palm (kernel) oil use of buyers. In the long term, these efforts will help transform the palm oil and palm kernel oil market into a more socially just and environmentally sustainable place. The premium you receive for your sustainability efforts is a viable business opportunity—a well-deserved reward for contributing to sustainable market transformation.”

## **So, how do cage-free impact incentives actually work in practice?**

Cage-free impact incentives can serve as an important catalyst, propelling the egg industry towards less cruel practices through strategic financial support. In regions where food companies are unable to source cage-free eggs due to market limitations, they can continue to buy caged eggs, as normal, to meet their business needs. However, when these food companies participate in the Impact Incentives



program, they can also buy cage-free credits to catalyze cage-free egg production in their region by directly supporting cage-free farmers whose eggs would otherwise be sold into the general market without an additional premium.

Once purchased, the cage-free credits go straight to a cage-free egg farmer, making it possible for the farmer to afford the higher initial cost of producing cage-free—rather than caged—eggs. Cage-free credits offset the additional production costs associated with cage-free egg production, particularly where infrastructural development is needed. Essentially, the food company covers the additional cost of transitioning to—or sticking with—cage-free egg production.

As a result, the egg farmer ends up producing cage-free eggs for the same amount of money it costs them to produce caged eggs; and the egg farmer can sell the cage-free eggs at the price of caged eggs. With the financial sponsorship of the food company, the egg farmer acquires the means to produce higher welfare eggs and, what's more, doesn't have to turn around and sell those eggs for a premium.

In short, Impact Incentives increase the availability of cage-free eggs in a region by giving egg farmers the ability to utilize a production method they couldn't afford to on their own. And, Impact Incentives ensure consumers can actually afford to buy cage-free eggs in that region.

## **What's an example of how cage-free credits work?**



In order to really break this down, here's a simplified example of how the credit system works for cage-free impact incentives.

ABC Company has publicly committed to going 100% cage-free by 2025, and it plans to fulfill its commitment to animals and customers on time, even though it operates in a region where the availability of cage-free eggs is low. To meet its business needs, let's say ABC Company needs to source 1 million eggs in a region where the availability of cage-free eggs is low. ABC Company is able to source 500,000 genuine cage-free eggs from Farm 1 (at 1.50 per egg, costing a total of 750,000). So, in order to reach its goal of being 100% cage-free throughout its supply chain, ABC Company needs to find a way to make good on the remaining 500,000 cage-eggs in its commitment.

ABC Company decides to participate in Impact Incentives, a cage-free credit system. As part of the program, ABC Company purchases the remaining 500,000 caged eggs from Farm 2 (at 1 per egg, costing it 500,000), in order to meet its basic business needs.

To offset its purchase of 500,000 caged eggs from Farm 2, ABC Company signs onto the Impact Incentives program, purchasing cage-free credits from Global Food Partners to sponsor Farm 3 to overhaul its infrastructure and produce 500,000 cage-free eggs to sell in the region. Farm 3 normally charges 1 per egg for caged eggs, so ABC Company pays them an additional 0.50 per egg to cover the higher \$1.50 cost of cage-free production.



Ultimately, ABC Company pays \$1,500,000:

- \$750,000 to Farm 1 to produce 500,000 cage-free eggs
- \$500,000 to Farm 2 to produce 500,000 caged eggs
- \$250,000 to the Impact Incentives program to help Farm 3 produce 500,000 cage-free eggs

The 1,500,000 total sum—which would have been the cost for 1 million cage-free eggs—covers the cost of the 1,000,000 eggs (500,000 cage-free and 500,000 caged) that ABC Company needs to run its business. The 1,500,000 also covers the cost of ABC Company helping a new cage-free egg operation produce 500,000 additional cage-free eggs, allowing ABC Company to claim that it has successfully met its 100% cage-free goal of reaching 1,000,000 cage-free eggs, even though only half of the eggs it used to run its business were physically sourced as genuinely cage-free.

Finally, ABC Company communicates publicly that it's met its 100% cage-free commitment through a combination of (1) directly sourcing cage-free eggs and (2) directly supporting cage-free farmers to equal the entirety of its supply chain. To note, the prices used in this example are not the actual prices of eggs, nor do they reflect accurate price differences between caged and cage-free eggs. The numbers used here were chosen to make this thought experiment easier to understand.

## **How do cage-free impact incentives benefit food companies?**



Cage-free impact incentives offer a versatile range of strategic advantages for food companies committed to less cruel practices:

1. **Cost efficiency.** By leveraging impact incentives, companies can potentially save significant amounts—often tens of thousands of dollars annually—while also incentivizing and reducing the costs of cage-free production.
2. **Supply chain stability.** Companies can fulfill their cage-free commitments without disrupting existing supplier relationships, maintaining operational continuity.
3. **Flexibility in challenging markets.** Impact incentives offer solutions to common hurdles like high prices, insufficient cage-free egg supply, logistical issues in remote locations, and minimum order quantity constraints for processed eggs.
4. **Credibility with customers.** When corporations successfully follow through on their commitments, customers take notice. Additionally, major animal welfare organizations, including The Humane League and members of the Open Wing Alliance, endorse cage-free credit programs. This approval strengthens a company's reputation for corporate social responsibility.
5. **Rapid implementation.** Even in areas where cage-free infrastructure is lacking, impact incentives allow companies to make immediate progress towards their cage-free benchmarks.
6. **Commitment fulfillment.** Cage-free credits ensure food companies can fully meet their cage-free pledges by deadlines they set, regardless of local supply chain challenges.



7. **Support for local agriculture.** By directing funds to local farmers, companies contribute to the growth of high-welfare, cage-free production in regions where it's needed.

By utilizing cage-free impact incentives, food companies can align their practices with evolving business standards, meet consumer expectations, and drive positive change in the global egg industry—all while managing costs and maintaining operational efficiency.

## Which companies have already started using cage-free credits?

Numerous companies have already started to use cage-free impact incentives to meet their cage-free goals and spur the development of the cage-free egg industry in regions around the world. Notably:

- [Compass Group](#)
- [Unilever](#)
- [Aramark](#)

## How can food companies start using cage-free impact incentives?

Global Food Partners outlines the [simple process](#) a company would follow to take advantage of cage-free impact incentives:



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Identify where you cannot source physical cage-free eggs

- Calculate the total number of eggs to offset
- Based on the volume, Global Food Partners liaises with producers and calculates the cost of credits
- Pay for the credits
- Publicly report the status of your cage-free commitment

To get started, food companies can sign up with the Global Food Partners impact incentives program and keep the public informed.

*Written by Abby Sarfas. Note that this article was originally shared on The Humane League's website: [What Are Cage-Free Impact Incentives, and How Do They Spare Hens From Extreme Cruelty?](#)*