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The true price of food

Food costs more than we pay for it. Producing it can involve soil exhaustion, loss of biodiversity or child labour. A new method aims at making those hidden costs visible. 'Hopefully, this will prompt consumers and producers to look for more sustainable options.'

TEXT RENÉ DIDDE PHOTO HOLLANDSE HOOGTE

‘The true price helps people choose the most sustainable product’

Not long ago, Willy Baltussen was standing in the vegetable section of the supermarket with a packet of green beans in his hand. ‘I love green beans,’ says the researcher at Wageningen Economic Research. ‘But they come from Kenya and they are much more expensive than Dutch beans.’ Baltussen, who is involved as a researcher in the ‘True and Fair Price’ project, weighed up the matter. ‘Of course these beans have clocked up a lot of air miles so they score very poorly on transport and CO₂ emissions,’ he says. ‘On the other hand, I feel as though my purchase is a little bit of development aid. Because I know I’m helping Kenyan families get work, and I know there is hardly any child labour there and the children can go to school.’

Baltussen also knows that beans are leguminous crops that capture nitrogen from the air. The use of pesticides is limited and labour conditions in Kenya are good, he says. ‘On water consumption the score is probably poor, although it will depend on the region the beans come from. And I also know that green beans score highly in terms of my health.’

CHILD LABOUR AND ANIMAL WELFARE

The Wageningen economist is doing his bit to ensure that in four years’ time a method is available that indicates the true price of green beans and other foods, including the still hidden costs arising from such things as climate change, soil exhaustion, land use, water and air pollution, and loss of biodiversity. The method must also factor social aspects such as child labour, discrimination and animal welfare into the true price. ‘There are numerous hidden costs which we would like to calculate in hard dollars or euros,’ says Baltussen. ‘We don’t know yet how we are going to communicate it, but if you put the true price on the label with a short explanation, the consumer would get some idea of the main hidden costs. This helps consumers choose the most sustainable product. And hopefully it will prompt producers to look for more sustainable options.’

In a public-private collaboration over four years, Wageningen Economic Research is going to develop a method of calculating the true price which includes the hidden costs currently excluded from the commercial prices. At the most, those costs are paid later from public funds, for example for climate measures, water purification, and soil or nature restoration.

Discrimination, animal welfare and child labour are generally not compensated for at all, though.

Two private parties are involved in the consortium alongside Wageningen Economic Research: True Price, whose mission it is to give every product a true price, and Bionext, the branch organization for the organic sector. Other organizations working on the research are the certification organization EKO, the Dutch Potato Organization (NAO), a fruit and vegetable organization Groenten-Fruithuis, the association of Organic Pig Farmers, the Dutch Federation of Agriculture and Horticulture (LTO Nederland), and lastly the Rabobank and the ABN Amro bank. The study, which will cost over two million euros, will get half its funding from two of the Dutch ‘top sectors’: Horticulture and Propagation Materials and Agri & Food. The other half has to come from the participants in the consortium.

CO₂ EMISSIONS

So identifying the true price of food items such as green beans turns out to be quite a task. The easiest part of it seems to be expressing the contribution of the green bean trade to climate change – including air transport – in euros through a price for CO₂ emissions.

Researchers can work out how much CO₂ is involved in this crop. Then they add the societal costs of keeping this CO₂ out of the air, or of extracting it from the air, to the kilo price of the beans.

The same can be done with the costs of water purification. But it seems a lot more difficult to measure the societal costs of child labour or the intimidation of women workers. ‘As an independent party, we expose such matters through research,’ says Michel Scholte, co-founder and director of True Price. ‘On the basis of



The price the consumer pays for food does not cover the social costs of the production process, such as loss of biodiversity or contribution to climate change.

compensation for damages, low wages and missed education or the costs of recovery from traumas, we estimate the costs the victims would need for education and physical or mental support.' These are not rough estimates, says Scholte. 'The rules of the International Labour Organization (ILO), for instance, are increasingly detailed and precise. Already, around the world, businesses in every branch increasingly get told how they should perform.' Bavo van den Idsert, director of the branch organization for the organic sector, Bionext, one of the private parties in the consortium, sees the 'true price' primarily as a tool and a means of communicating to producers and consumers to

help them navigate the often hidden costs. 'Since the 1950s, cost effectiveness has been the priority in food production, and the impact on water, soil, nature and climate has been endlessly externalized. Even now, it is still society that bears those costs if something needs cleaning up or restoring. The system has become cut-throat, even for the farmers themselves,' says Van den Idsert, who seeks to strengthen organic agriculture with a staff of 25 in campaigns and projects.

He believes that CO₂ emissions will be a major part of the true price. 'Unlike animal welfare or biodiversity, the CO₂ footprint of food is relatively easy to calculate. And because >

agriculture and food production are responsible for 30 per cent of global CO₂ emissions, a CO₂ tax on food would provide an important incentive to save on energy.'

In the field of climate measures, there are some interesting developments in agriculture taking place at the moment, says Van den Idsert. 'We are involved with "carbon farmers" in the peaty soil area who raise the groundwater level so that less CO₂ is released from the soil. These farmers work with less protein-rich, more herb-rich grassland, which provides a healthier diet for the cow. They plough less and return organic matter to the soil, so less CO₂ escapes. The farmers have a lower milk yield but they earn more from the organic milk and they also save on veterinary costs.' To make investments in these kinds of climate measures standard practice everywhere, all farmers who make the effort should be rewarded for it, says Van den Idsert.

FAIR SHARE

The consortium that is working on a 'true price' is also studying the scope for a protocol for sharing the costs of more sustainable food production fairly among all the parties in the food chain. 'That method aims to ensure a "fair price". A fair price means that the actors who invest in reducing the hidden costs are fairly compensated within the supply chain for their efforts. In the end the costs should be shared across all parties, from supermarkets, greengrocers, importers and trading companies to the carbon farmers and bean growers,' explains economics researcher Baltussen. 'Currently, it is mainly farmers who are expected to pursue sustainability and who meet the costs of improvements such as more spacious, clean barns, alternative crop protection and energy efficiency.' 'The "true price" is intended to make the costs that are currently often met by society visible, and the "fair price" should ensure that farmers are also rewarded for their efforts,' says Van den Idsert. 'That only works in united and ethically responsible chains, from the farmer right up to the consumer.'



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Researcher at Wageningen
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MICHEL SCHOLTE

Director of True Price



BAVO VAN DEN IDSERT

Director of Bionext

‘The CO₂ footprint of food is relatively easy to calculate’

Investing in sustainable production – and therefore reducing the hidden costs – does not always lead to a more expensive product, predicts Scholte of True Price. This can be because a farmer who invests in using less water or energy also has a lower cost price. And sometimes an interesting technology is available which makes more sustainable production economically viable, adds Scholte. ‘Look, those green beans are currently transported by plane from East Africa. But there will soon be ships that can cool their freight with solar energy. This change in transport will lower the impact on climate but also lower the total transport cost. Don’t forget that air transport is a big part of the price of green beans at the moment. Anyway, I think by around 2030 it won’t be normal anymore for companies to work with fossil fuels, to underpay people or to employ children. Companies that are still working like that then will price themselves out of the market.’

BUTTERFLY POPULATION

At LTO Nederland, policy adviser Klaas Johan Osinga hopes this instrument will put an end to the discussion about measuring sustainability. He thinks farmers and horticulturalists are only too keen to make a contribution to tackling issues such as climate, animal welfare and biodiversity. ‘But a true and fair price has to be more than an expenses allowance,’ he says. ‘It would be lovely if we could use a “true price method” to calculate how many more cents per kilo potatoes would cost if there were significant improvements to biodiversity, for example to the butterfly population in the field borders, or to the climate through capturing more CO₂ in the soil. Farmers and horticulturalists should be rewarded by the market when they take action, because farming is an economic activity. That would really promote more sustainable agriculture and horticulture.’

Wageningen Economic Research, Bionext and True Price believe that the independent and scientific knowledge-based tool of a ‘true and fair price’ could

provide a full picture of all aspects of production. The tool is to be an open-source method, freely available to all.

Economists attempted to internalize external costs as far back as the 1970s. Roefie Hueting of the Tinberg Institute and later the government statistics agency CBS worked, for example, on a ‘sustainable national income’ in which the costs of the ‘loss of scarce environmental functions’ were factored in. The idea never became mainstream.

CLIMATE DEBATE

Nevertheless, the members of the consortium expect that the ‘true and fair price’ will be embraced this time. ‘The government, industry and even consumers are more open to it now,’ believes Scholte of True Price. ‘Look at the climate debate. There is a price tag on CO₂ emissions for the big industrial energy users in Europe. Increasingly, that plays a role in the price of products and resources, thanks to various emissions trading systems. They are only getting better and more extensive. And don’t forget the influence of technology. With satellites and drones we can measure more and more accurately how many trees are being felled, where nature is being lost, and how much spraying with chemicals is going on. Then we can get closer and closer to the “true price”.’

Willy Baltussen expects the method to lead to companies and farmers seeking to stand out for sustainable and fair products. ‘That will go faster and be more accepted by the public than government legislation, even though that can play a positive role in steering the transition. The private market-based approach is probably the fastest route to sustainability. Conscious consumption can be persuasive for farmers and supermarkets, as well as other players such as transporters. A “true price” with a “fairly” distributed profit margin is the reward.’ ■

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