



True and Fair Prices

for sustainable products

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GOAL

In the PPS project “True and Fair Price”, cases are used to develop a tool which calculates the true and fair price of products in food chains, with attention for societal values such as: CO₂ reduction, animal welfare, biodiversity, water quality, soil fertility, fair pricing, and health.

CONTEXT

Life is not possible without food. Regrettably, the production of food, drink and ornamentals has a negative impact on humans and the environment – think of CO₂ emissions, water pollution and possibly hazardous working conditions. Part of this negative impact is mitigated through legal measures, but often measures above the statutory requirements are needed to realise a truly socially responsible and sustainable product.

TRUE PRICING

To produce something, costs are made. Many of these costs are passed on to the end user, but not all. Some costs are ‘externalised’, or carried by others, for instance by the people who make the product in the form of too low wages, child labour or unsafe working conditions. Or the costs are carried by the environment in the form of water waste, the use of pesticides, loss of soil resources, greenhouse gas emissions and deterioration of biodiversity. These ‘hidden costs’ are paid by society and future generations. Identifying the external costs of a product and comparing it to the market price is called true pricing.

True pricing gives an integral picture of the economic and sustainability costs of the production and consumption of food. This enables businesses, governments and NGOs to obtain insight into the sustainability of production. In addition, it becomes clear how the build-up of the true prices of various products, production methods or production chains relates to each other.

This can help manufactures to produce as sustainably as possible, make consumers aware of choosing the right product, and help governments to stimulate the economy and the sustainability transition in the right way.

FAIR PRICING

Consumers, policy makers, and supply chain actors are increasingly concerned with the effects of food production for the environment, animal welfare and consumer health, as well as the position of labourers and farmers. Therefore, supermarkets and food processors increasingly require farmers and other suppliers to adhere to stricter requirements with respect to good agricultural practices, food quality and social issues. A rise in the use of sustainability labels is noticeable. The dynamics emanating from these changes lead to the creation of new value chains, as well as changes in existing ones. One of the issues here is whether the (additional) costs and benefits of sustainability are fairly distributed between the actors in the value chain.

One of the goals of the Public Private Partnership project True and Fair Price is to help value chain actors to implement fair pricing practices. A lot of economic research has been performed on the functioning of markets and pricing, also in relation to improving sustainability of production, trade and consumption. However, a comprehensive framework to analyse the aspects that affect the distribution of costs and profits in agricultural supply chains and the way that actors assess the fairness of prices and other contract terms is missing. Ideally, it has to be a practical framework that not only detects potential causes of (price) unfairness, but also prioritises the aspects to address when establishing new value chains or improving existing ones. It should be a comprehensive checklist and decision tool to achieve sustainable trading relations. The work programme of the PPP offers opportunities for developing and applying such a methodical approach to allow chain parties to achieve better cooperation and fair prices. An important step for this is to provide insights into aspects that play a role in fair prices and to developing a framework for assessing the fairness of pricing in food value chains.

PRODUCTS

1 FAIR PRICING FRAMEWORK

Based on scientific literature, a framework has been developed that offers leads for improving the organisation of and cooperation in food chains. This should lead to a 'fair price' for everyone in the chain, taking into account both economic and ethical aspects.



2 TRUE PRICE

The manufacture and consumption of our products and services goes together with externalities that we subdivide into environmental costs (greenhouse gas emissions) and social costs (workplace accidents and child labour).



Within the PPS, the true price of food products is determined with the purpose of driving down social and environmental costs.

3 CONSUMER RESEARCH

Consumers can contribute to sustainability. This can be done in a novel way. Have you ever leased a pair of jeans? Or done any pixel farming? These examples show that focusing solely on product acceptance is a thing of the past. Innovations, social norms and consumer preferences change. How do you continue to connect with current and new clients? What motivates them?

4 CASES

A practical application of the true and fair price is found in the cases. Practice and theory are combined, based on contributions of businesses. 'What is the true price of my product?' and 'How do we reach a fairer distribution of the price in the chain?' are examples of questions that are worked out by researchers together with business partners. The following are current cases:

| **Organic pig production** | **Table potatoes** | **Organic grain chain** |
| **Deltaplan biodiversity** | **Indoor Farming** | **Tropical Fruits** |



Within the project there is still room to bring in new cases.

To participate, a financial contribution as well as a contribution in kind are requested. If you are interested or have any questions, please contact 'True and Fair Price' at: Echte-en-eerlijke-prijs@wur.nl

Project Organisation

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