The True Cost and True Price of Food

Presented by Pietro Galgani, R&D Manager True Price Foundation / Impact Institute
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THE TRUE COST AND TRUE PRICE OF FOOD STUDY

Science Group for the UN Food Systems Summit

- Food price data
- Environmental impact data
- Health impact data
- Valuation data
- Diet scenarios
- Trade data

Global cost of the food system

Impact of dietary shifts

Figure 1. The annual true cost of food for the globe

Note: the bar represents the range of possible costs.

Figure 6. Costs and benefits of potential dietary shifts

REF = Healthy Reference diet, PSC = pescatarian, VEG = vegetarian and VGN = vegan diets.
THE STUDY SHOWS HOW MUCH THE CURRENT FOOD SYSTEM ERODES NATURAL CAPITAL AND HEALTH

ESTIMATE OF THE ANNUAL TRUE COSTS OF FOOD

- Economic costs (unhealthy diets)
- Costs to human life (unhealthy diets)
- Environmental cost
- Food expenditure

Estimate of the annual environmental costs of food systems
DIETARY SHIFTS CAN REDUCE ENVIRONMENTAL COSTS OF THE FOOD SYSTEM

Environmental benefits and additional costs of dietary shift compared to benchmark diet

- REF: Current average diet
- PSC: Switch to pescatarian diet
- VEG: Switch to vegetarian diet
- VGN: Switch to vegan diet

Legend:
- Food cost
- Climate change benefits
- Phosphorous and Nitrogen leaching benefit
- Land use benefit
- Bluewater use benefit (cost)
EXTERNALITIES ARE A BARRIER TO HEALTHY, SUSTAINABLE AND AFFORDABLE DIETS FOR ALL

• Food prices do not take benefits of affordable or healthy food into account, nor costs of unhealthy or unsustainable food
• Business’ profits do not reflect the value they create or reduce for society
• GDP contribution of food system does not reflect its contribution to welfare

As a result:
• Sustainable & healthy food is too expensive
• Unsustainable & unhealthy food is too cheap

Example: External costs of banana $/box Global (Fairtrade International, 2018)
HOW TO IMPROVE DECISION MAKING?

• Difficult to realize transition to sustainable food system as long as true costs and benefits are externalised.

• Proposed strategy to address externalities:
  • **True Cost Accounting**: Redefine the value of food
  • **True Pricing**: Use TCA to redesign the market economics of food

• This way consumers and business buyers can also improve their decision making through Natural Capital Accounting
TRUE COST ACCOUNTING / TRUE PRICING IN RELATION TO NCA/ GREEN RECOVERY

Natural Capital (ecosystem services, natural resources, stable climate) → Unsustainable production leads to loss of Natural Capital → Damage to society → True cost accounting (partly, a form of natural capital accounting)

True pricing of food
1) Include costs born by society
2) Subsidize healthy and sustainable diets → Market forces promote healthy and sustainable diets → Gradual internalisation of externalities and more sustainable production → Green Recovery

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### Address:
Haarlemmerplein 2, 1013 HS, Amsterdam

### Site:
www.trueprice.org

### Facebook:
/TruePrice.org

### Twitter:
true_price

### Tel.:
+31 202 403 440

### Mail:
info@trueprice.org

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