

Fair prices for farmers and consumers in the value chain

Philippe Baret – 05.02.2024



 UCLouvain

WWW.SYTRA.BE

The issue

- The price of food on the shelf doesn't include the overall cost of food, as the production of food causes damage to the environment and to the society that is not paid for.
- An externality is a cost or benefit caused by one party but financially incurred or received by another.
- Externalities can be negative or positive.
- A negative externality is the indirect imposition of a cost by one party onto another.



Four questions

1. How do we quantify these negative externalities?
2. How do we input these externalities to the actors of the food system (consumer, value chain, institutions)?
3. How to organize the governance of this cost repartition ?
4. What are the political dimensions of a true price approach?



Q1. How do we quantify externalities? (1)

The assessment of externalities is a complex process, but it is worthwhile to check different elements :

Components

- **global impact = quantity of product x impact of one unit of product**
- Quantity
 - *The more we use pesticides, the more critical the global impact will be.*
- Impact per unit
 - *The more damageable the unit of pesticides, the more the global implications for a given volume will be.*

Q1. How do we quantify externalities? (1)

Share

- The attribution of the impacts to a given factor is difficult
- *What is the share of fertilizers in water pollution?*
- *What is the share of the food system in greenhouse gas emissions?*

Units

- *We can measure the impact on climate in greenhouse gas emissions, but how can we measure the impact on biodiversity?*

Monetization

- How do you convert externalities into currency?

Beyond pricing

1. Before « pricing » the externalities, the **amount of externalities may be reduced** by
 - regulation or incentives (taxation)
 - Neonicotinoids are forbidden in Europe, and their impact on biodiversity has no more to be taken into account.
 - and change of agricultural models and innovation

Giving a price may induce a right to pollute :
"Fine is a price" concept.



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the European Union



Report on policies with
internalised externalities at the
European level

UCLouvain individual report,
as part of the FOODCoST Deliverable 2.1

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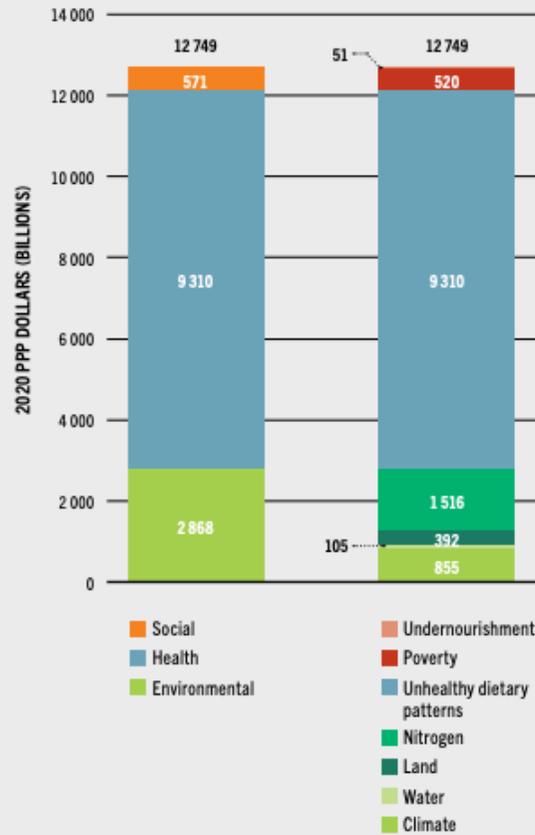
Food and Agriculture
Organization of the
United Nations

2023

THE STATE OF FOOD AND AGRICULTURE

REVEALING THE TRUE COST
OF FOOD TO TRANSFORM
AGRI-FOOD SYSTEMS

FIGURE 6 QUANTIFIED HIDDEN COSTS OF AGRIFOOD SYSTEMS BY COST CATEGORY (LEFT) AND SUBCATEGORY (RIGHT), 2020



NOTE: All values are expected values.
SOURCE: Lord, S. 2023. *Hidden costs of agrifood systems and recent trends from 2016 to 2023 – Background paper for The State of Food and Agriculture 2023*. FAO Agricultural Development Economics Technical Study, No. 31. Rome, FAO.

The SOFA report
(Steven Lord et
al. 2023

Hidden costs of
world agrifood
systems exceed
12 billions dollars

Nation based
estimation

The social costs of pesticide use in France

Christophe Alliot¹, Delphine Mc Adams-Marin¹, Diana Borniotto² and Philippe V. Baret^{2*}

¹BASIC—Bureau d'Analyse Sociétale d'Intérêt Collectif, Paris, France, ²SYTRA—Earth and Life Institute-Agronomy, Université catholique de Louvain (UCLouvain), Louvain-la-Neuve, Belgium

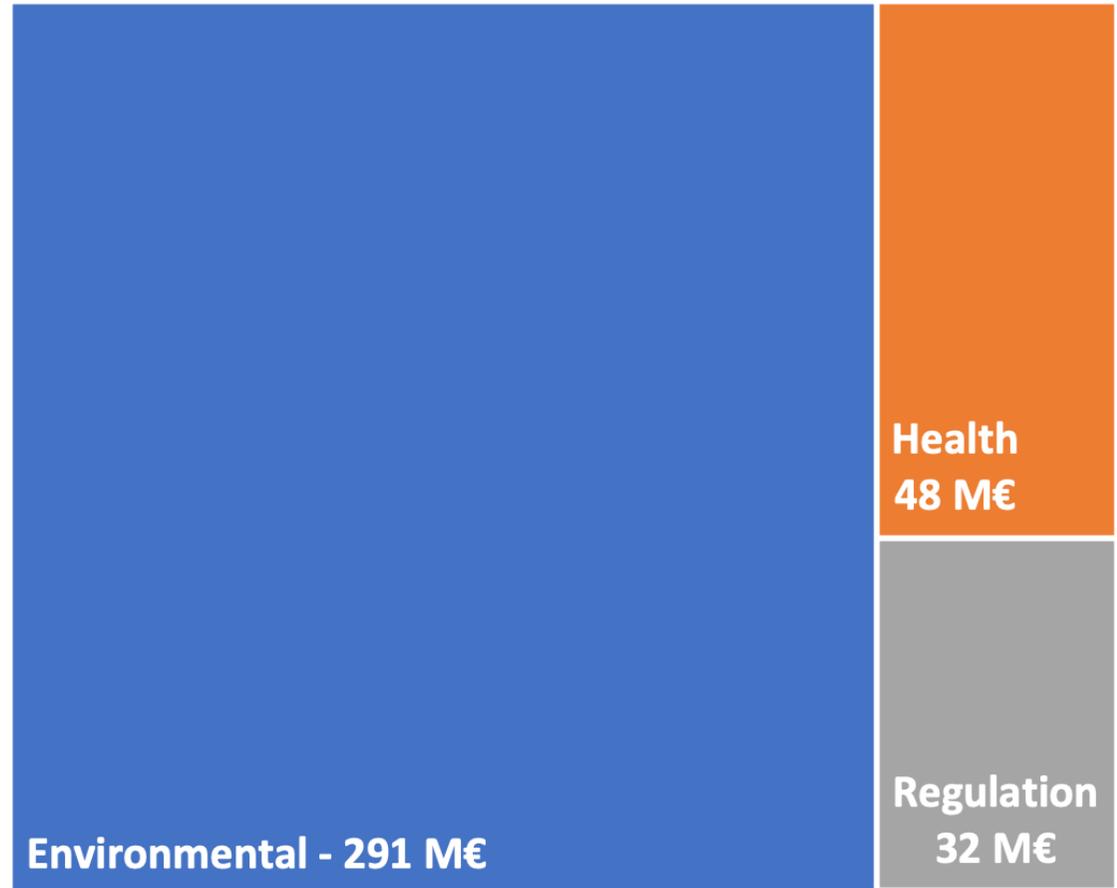
The modern agricultural production system relies heavily on the use of synthetic pesticides, but over the course of recent decades various concerns have been raised on the associated negative externalities touching a variety of dimensions, such as human health and the environment. Yet, the magnitude of those effects is still unclear and data availability is scattered and heterogenous across dimensions, regions, and time. The public sector is called upon to develop and implement strategies to face those externalities and their associated social costs. This study aims to provide an assessment of social costs of pesticides in France in the prospect of an integration to the public budget spending, helping public authorities to identify financial flows of public funding with an impact perspective, within a methodological framework based on the social norms at the core of the public system. The results show that the social costs attributable to synthetic pesticide use in France amounted to 372 million euros, of which environmental costs are estimated at least at 291.5 million euros, health costs at least at 48.5 million euros, regulation at least at 31.9 million euros and public financial support to the sector at least at 0.4 million euros. For comparison, this total value of social costs represents more than 10% of the annual budget in 2017 of the French Ministry of Agriculture and Food (3,587 million euros). The analysis can be used as a monitoring indicator for the implementation of public policies in the context of the growing social and environmental issues they face.

KEYWORDS

pesticide use, social cost accounting, externalities, public budget accounting, sustainability assessment, health impact of pesticides

Introduction

Total cost of pesticides for French state budget : 372 M€



updates

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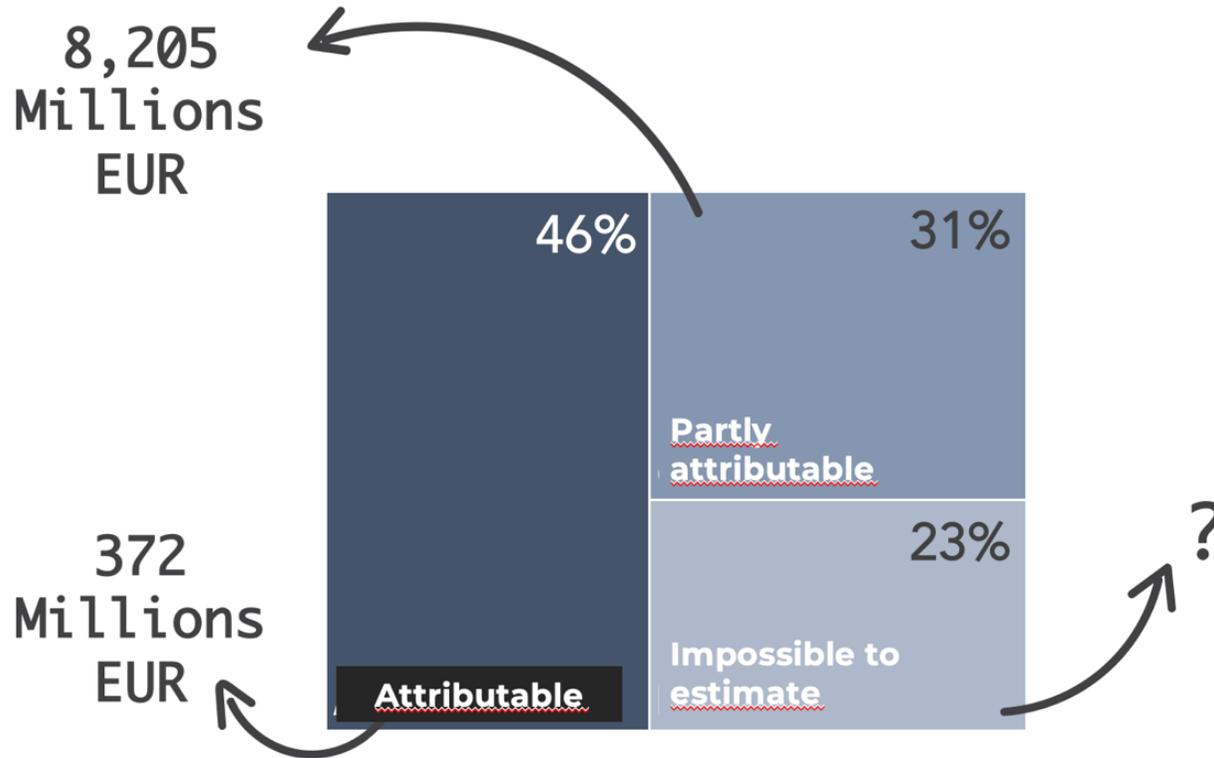
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Food Syst. 6:1027583.
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An accountability method allows easy assignment to a budget (either private or public).

Who should pay for the externalities ?

Step 1 - Reduce externalities

<- regulation & taxation

Step 2 - Calculate externalities

Step 3 - Assign externalities



Who is paying **now** ?



The planet -> future generation



States

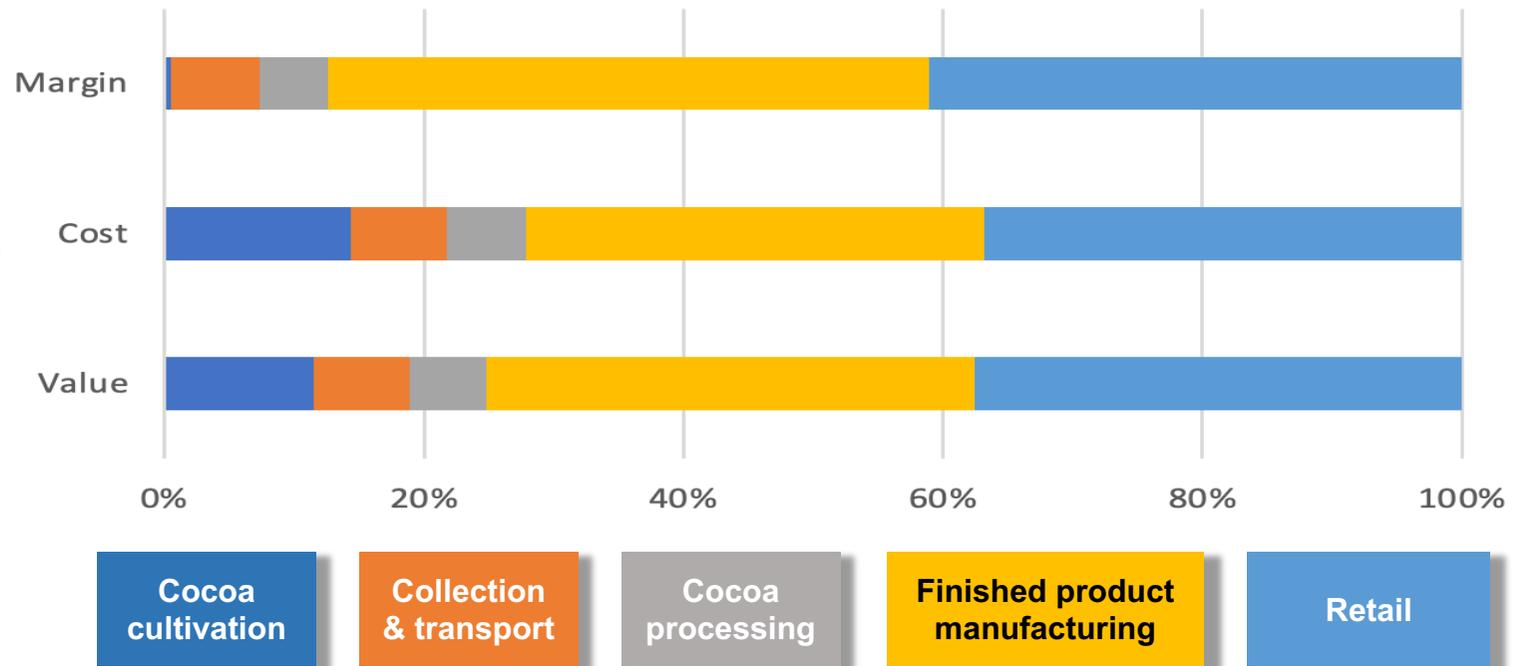
water purification, biodiversity restoration, social security



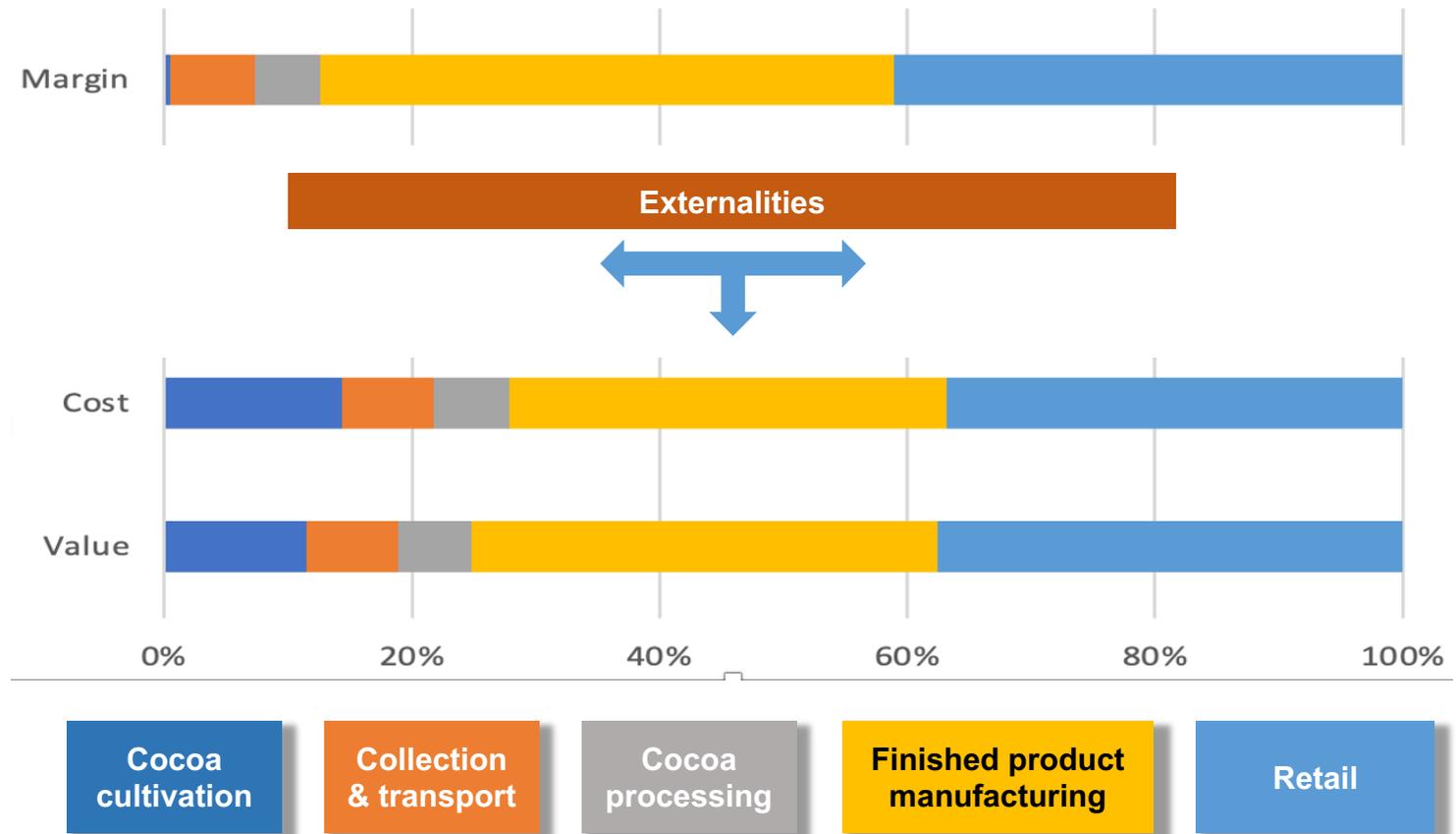
Citizens

cost of resources (water), health costs, ...

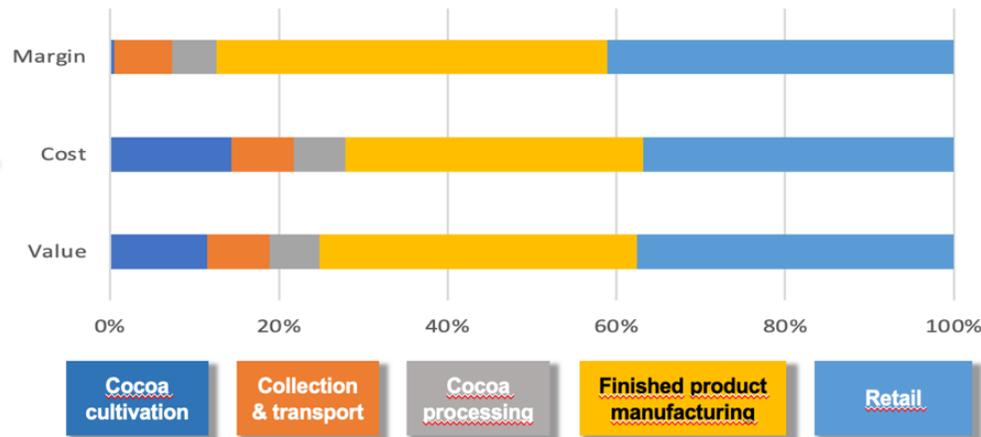
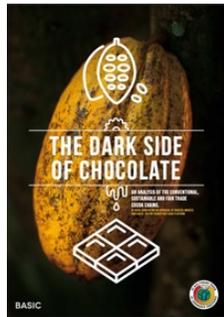
How is the margin distributed in the value chain ?



How is the margin distributed in the value chain ?



How is the margin distributed in the value chain ?



Three issues

1. Should margins be proportional to value share or to cost share ?
2. How to distribute externalities among actors of the value chain ?
3. Should the price reflects externalities or not ?

The consumer dimension

- Will the externalities increase the price ?
- Different models have different externalities
- -> choice of consumers
- Inclusion of externalities
 - Less costs for state
 - No change in costs

Organic farming consumers decrease externalities for all citizens



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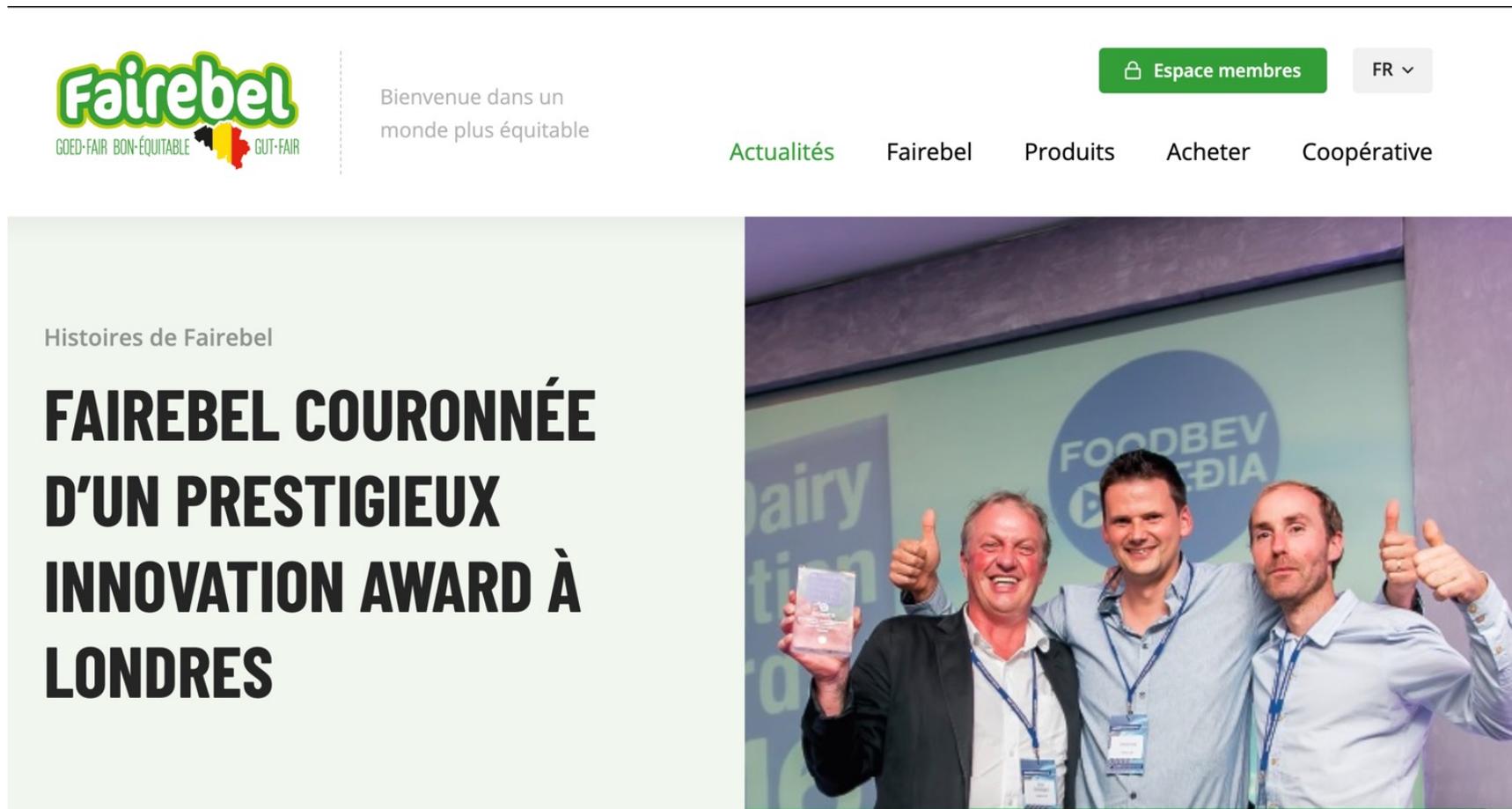


Fair price, fair relationships

- True pricing requires more transparency -> more trust
- More trust -> better relationship and is not only a matter of **quantitative** margin distribution



A cooperative approach



The image shows a screenshot of the Fairebel website. At the top left is the Fairebel logo with the tagline "GOED-FAIR BON-ÉQUITABLE GUT-FAIR". To the right of the logo is the text "Bienvenue dans un monde plus équitable". In the top right corner, there is a green button labeled "Espace membres" and a language selector "FR". Below the navigation bar, there are menu items: "Actualités", "Fairebel", "Produits", "Acheter", and "Coopérative". The main content area features a headline "Histoires de Fairebel" followed by "FAIREBEL COURONNÉE D'UN PRESTIGIEUX INNOVATION AWARD À LONDRES". To the right of the text is a photograph of three men on a stage. The man on the left is holding a trophy. The man in the middle has his arm around the man on the right. They are all giving thumbs up. In the background, there is a logo for "FOODBEV MEDIA" and the word "Dairy" is partially visible.

Fairebel
GOED-FAIR BON-ÉQUITABLE GUT-FAIR

Bienvenue dans un monde plus équitable

Espace membres FR

Actualités Fairebel Produits Acheter Coopérative

Histoires de Fairebel

FAIREBEL COURONNÉE D'UN PRESTIGIEUX INNOVATION AWARD À LONDRES



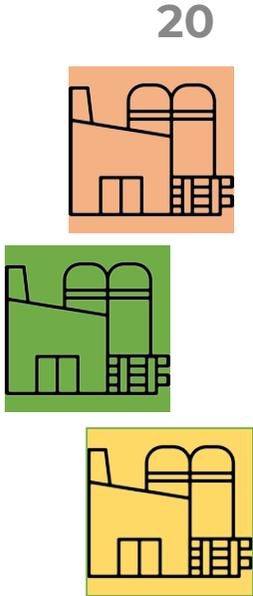
The Fairbel system



The farmer sells the milk to his/her dairy plant



The dairy plant process and sells the milk



The fair price of milk is calculated

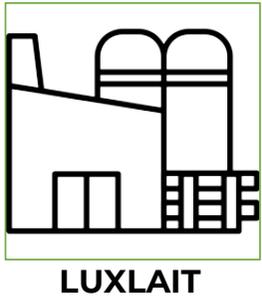


The overall margin is used to compensate between the market price and the fair price

The milk is sold via different channels including big retail



The Fairbel cooperative buys the same quantity of milk and does the marketing



Considerations on cooperative models

STRONGER TOGETHER, BUT HOW?

LESSONS FROM THE WALLOON DAIRY HISTORY ON
THE STRATEGIC RELEVANCE OF COOPERATIVE
MODELS

Véronique De Herde



Tool : List of criteria for defining a 'fair price'

Production and market criteria

1. Higher than conventional prices

2. Consistent with the production costs.

3. Allows for a fair farmers' revenues level.

4. Consideration for the added value compared to other crops.

Comparison to other options for the rotation
How to assess the added value? What about the externalities/environmental benefits?

5. Consumer acceptability of the price.

Chain development criteria

6. Allows for investments.

7. Risk-sharing and premium for innovation/risk taking.

8. Stability and/or reassessment of price.

Relationship between actors

9. Transparency.

10. Fair value distribution.

11. Long term commitment of the actors

12. Shared effort by all actors of the chain to guarantee commercial outlets.

13. Fair governance mechanisms

14. Payment in a fair time.

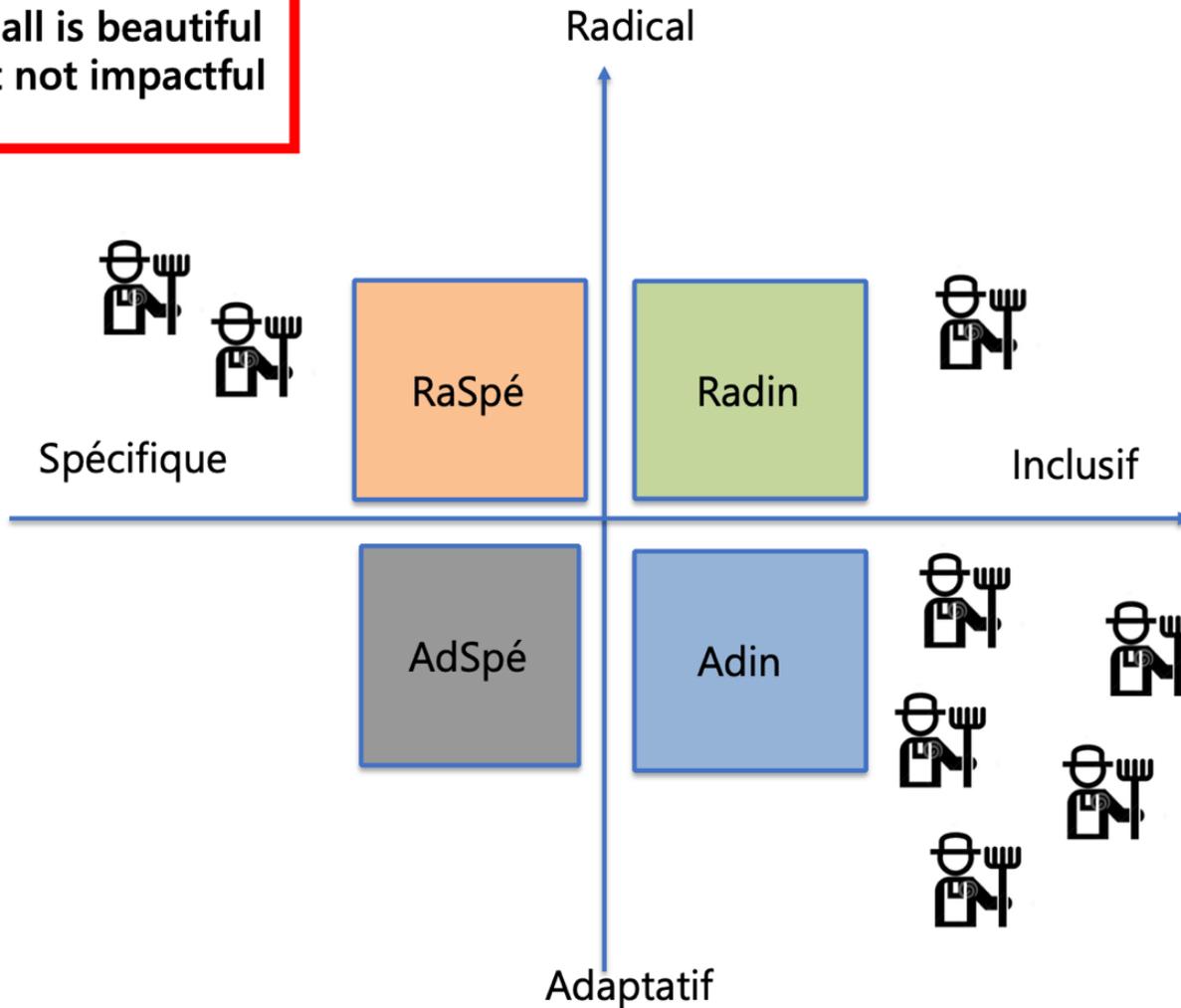
A key question, the coexistence of business models



Agriculture et biodiversité : une alliance pour l'avenir

The Radin model

Small is beautiful
but not impactful

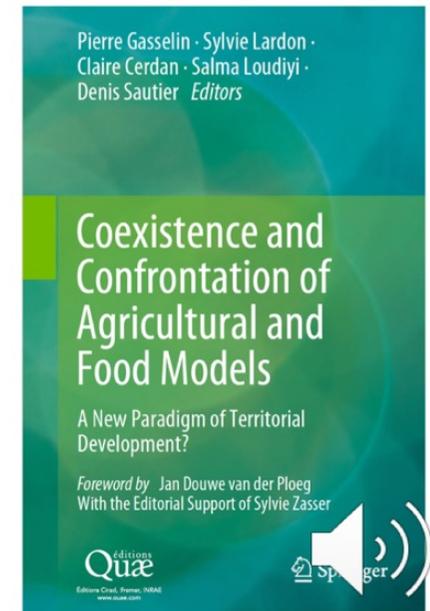
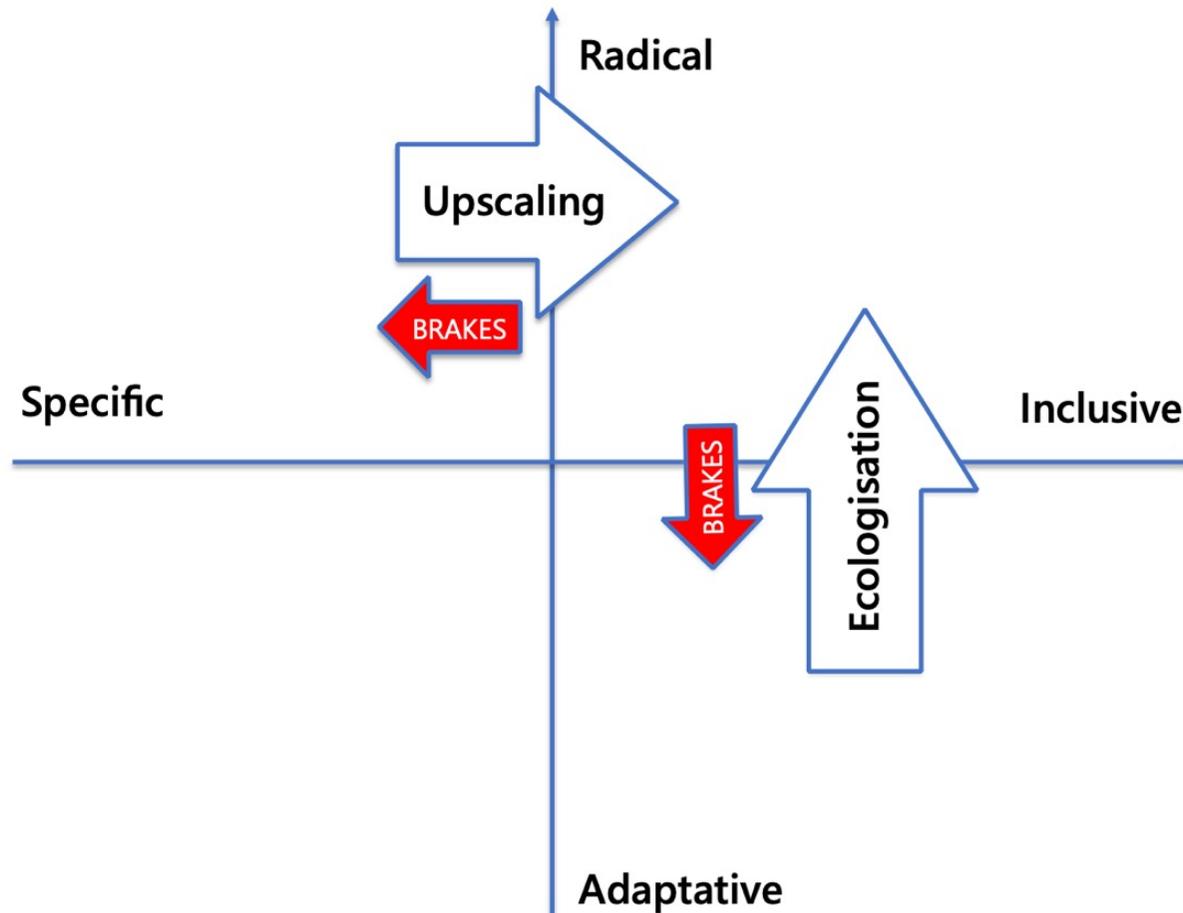


To fit planetary boundaries, farmers should be in Radin quadrant

Most of the farmers are still in an unsustainable mode of production



The Radin model



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Q.4 A policy of true pricing

True pricing implies regulation

- To decrease externalities before pricing
- To provide a frame for pricing

True pricing implies public – private partnerships

- In terms of organization
- In terms of share of costs and benefits

True pricing is not a policy in itself but true pricing may be the instrument of a policy





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Wallonie



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