

True price transparency for coffee forces consumers to confront the real costs of their daily indulgence - by Yuca Waarts and Willy Baltussen, 2 October 2023

We disagree with the above statement. If consumers get informed they become knowledgeable about the externalities involved in the production and consumption of coffee. However transparency as such doesn't lead to a sustainable way of coffee production through changes in consumer behaviour. The voluntary payment of the true price (counter price + societal costs) does not happen often (e.g. only 15% in the experiment [with coffee in AH to go](#)). The same experiment shows that switching to a more sustainable option did not happen. German research shows that the stated Willingness to pay decreases as the relative counter prices increases by the societal costs. To conclude: simply informing the consumer and asking to pay the true price will not lead to a sustainable food system or to sustainable coffee production. A group of experts and front runners in the public private participation project "true price from insight to action" also recently indicated to perceive the likelihood of consumers and buyers (any company or organisation other than consumers buying food products) to invest in paying a true price at scale is low or average. This means that it is not expected, under current conditions, that a true price will be paid for all products and at scale.

Wageningen University & Research has studied the coffee chain and interventions that could reduce the true price gap. Social and environmental externalities are present in almost all coffee chains. Most externalities are found at farm level and externalities vary per coffee producing country. There are multiple reasons for the existing externalities: poverty, vulnerability, discrimination, deforestation, excessive use of chemical inputs, inadequate waste management, irrigation. These are linked to root causes such as path dependency from colonisation, shareholder led business models based on capitalistic structures and the financialization of society, which lead to unequal risk and value distribution between higher and lower/middle income countries, and downstream and upstream value chain actors. Using True Cost Accounting and the True Price framework enables actors to assess which externalities are most important to address in a certain supply chain, sector and/or location, and what cost and benefits can be connected to such externalities. They are therefore important as a basis for designing policies and interventions, which should focus on achieving high impact, at scale.

To address the externalities effectively, we propose the following strategies

- Based on True Cost Accounting¹: all organisations to commit to addressing the externalities and secure sufficient funding to do so, individually or in collaboration with others.
- Implement better procurement practices throughout value chains (from retailers / organisations serving coffee to their staff to roasters and traders), for instance increased farm-gate price, long term contracts with farmers, and premium measures, which could be linked to sustainability standards initiatives. These could be implemented without raising consumer prices (very much) through buying companies/organisations for instance reducing their cost of production, including shareholder value. However, even if price and premium measures will increase incomes of all supplying households, such measures will not likely fully ensure all externalities are mitigate: For example, coffee farming households selling larger volumes benefit more from price increases than farming households selling lower volumes, while the latter need support the most. Other strategies are therefore also needed:
- Legislation, to level the playing field for all companies and enable producing households to thrive, investments in addition to premiums, or through separate programs in which multiple actors collaborate intensively such as biodiversity protection through landscape approaches, social protection programs and payments for environmental services. Such investments could be connected to standard' implementation as they are already implemented at scale. In addition, also job creation within and beyond coffee and agriculture value chains should be considered to address the externalities, as well as improvement in land use governance, investments in basic infrastructure (water, electricity, communication, roads, schooling) and social protection depth and coverage.

¹ or other sustainability hotspot analyses results