

True Cost of Food in Switzerland

Second Action Lab

29th August 2023, Bern

Contributors: Charlotte Ahrens, Ana Cristina Vides Gomez, Laurence Jeangros and Veronica Petrencu

SUMMARY

On August 29 2023, E4S hosted the second edition of the Action Lab¹ on the True Cost of Food in Switzerland. The event brought together a wide diversity of actors representing different constituencies of the food system, including farmers and value chain actors, governments, civil society, research, and industry.

The first part consisted of a **series of presentations** covering various subjects: an overview of the forthcoming 'State of Food and Agriculture (SOFA)' report of the Food and Agriculture Organization of the United Nations (FAO); economic insights with respect to true cost implementation; and an overview of the True Cost Accounting for Food (TCAF) in Switzerland SNSF-SINERGIA funded project.

The second part was organized around **interactive small-group discussions** aimed at fostering debate around opportunities and challenges of TCAF in Switzerland. The following perspectives were covered: consumers, value chain stakeholders, norms and public policies.

The discussions identified that the major **opportunity** of TCAF is that it can bring the environmental, health and social impacts of the food system under one single key component - the cost. This science-based measure does neither include values, nor ideas or ideologies. Through increased collaboration of various actors, TCAF can be used for behavioral change at all levels. By incentivising good behaviors and lowering hidden costs, TCAF can positively affect the environment, health and better valorise the work of farmers without hampering the affordability of food. The government's financial support to agriculture is an important opportunity for redistributing those funds according to TCAF principles, avoiding a general increase of costs throughout value chains.

On the other hand, one of the main **concerns** is the lack of implementation. Despite TCAF attracting a lot of attention there is little action of implementation in the real world. In particular, concerns about the measurement approaches and precision, concerns about consumer's freedom of choice, acceptability of higher costs across the value chain, as well

¹ Action Labs are multi-stakeholder platforms enhancing dialogue and fostering discussion to collaboratively contribute to a sustainable, resilient and inclusive economic transformation.

as power imbalances among stakeholders in the context of winners and losers of TCAF implementation were raised during the discussions.

Participants' suggestions for **solutions** included i) the involvement of international and national political entities; ii) the communication and collaboration between various stakeholders by fostering debates and hands-on experiences through events such as Action Labs, iii) concrete transformation scales, dimensions, timeline, and responsibilities for the implementation of TCAF. Overall, the high level of public engagement looks promising for tackling the challenges and using TCAF as a tool to help guide the transformation of food systems.

TAKEAWAYS OF GROUP DISCUSSIONS

This section dives into the results of the group discussions. An infographic synthesizing the results can be found on page 5.

Consumers

The implementation of the TCAF offers consumers **opportunities** in terms of education, behavioral change and health:

- **Education.** TCAF offers the potential to educate consumers about the environmental, social and health impacts of their food choices, simplifying the information available for better comprehension. This also conveys an opportunity for retailers to develop responsible and transparent marketing.
- **Behavioral change.** Empowering consumers by providing information can lead to behavioral change towards choosing food products with less negative externalities (e.g. ultra-processed foods) and those with more positive externalities (e.g. supporting local businesses).
- **Health.** In the long run, changes to daily habits can lead to the acknowledgement of the relationship between the planet and human health. In addition, benefits can even extend to areas beyond food systems such as alcohol and drug consumption.

On the other hand, the implementation of TCAF raises **concerns** among consumers:

- **Rise in food prices.** The largest concern is the rise in the price of food given the monthly budget households allocate to their food baskets. Communication around price changes plays a key role in alleviating such concerns, for example stating clearly to consumers that farmers are fairly compensated for their work.
- **Authoritarian approach.** Applying true prices based on true costs is a nudging strategy that may be perceived as authoritarian in the sense that, based on TCAF, authorities would suggest which food choices are best for the population.

Value chain

Actors from the food value chain acknowledge multiple **opportunities** for the implementation of TCAF:

- **Redefinition of prices.** TCAF can provide the possibility to redefine value chains by shifting incentives towards producing more responsibly with respect to the environment, social and health aspects. Participants envisioned a TCAF that drives

changes to the *relative* prices of food products and not to the absolute prices. This would resolve the consumers' concerns about the rise in food prices.

- **Increased collaboration.** TCAF has the potential to enhance collaboration among different stakeholders of food value chains, as divergent perspectives can sit together and think about the best way to implement it. Furthermore, Switzerland has a great opportunity to collaborate and align with the European Union's efforts and thus gain knowledge of the best way to implement TCAF.

On the contrary, TCAF brings several **concerns** for actors of the food value chain.

- **Uneven responsibilities and interests.** The implementation of TCAF can imply uneven responsibilities across the supply chain. For instance, farmers could be heavily penalized by their production methods, while they are one of the stakeholders with the least resources to shift their processes. As a way forward, participants suggested the allocation of externalities payment within the supply chain.
- **Risk of greenwashing.** Food system business actors are interested in maximizing profits and TCAF could be used for this purpose notably by an increase in prices in less ethical ways (i.e. greenwashing). This risk could be reduced through regulation.
- **Transparency and access to data.** Not every supplier is willing to disclose information regarding the impacts of their products and this jeopardizes the TCAF measurement accuracy since the methodology is based on real data.
- **Lack of standards.** The fact that there is no internationally-agreed upon standard can reduce the credibility and trust in the methodology. Hypotheses and boundaries linked to the measurement and calculation of externalities should be clearly stated and agreed upon in discussions that include the voices of all stakeholders.

Public policy

TCAF is an important **opportunity** for public policy:

- **Policy tool.** TCAF can guide the policy tools necessary to reduce negative external costs in terms of environmental, social and public health aspects.
- **Existing governmental financial support.** Repurposing the governmental support, notably the subsidies in the agriculture sector, such that it fosters the shift in relative prices is a key opportunity for implementing TCAF.
- **Start with 'low hanging fruits'.** The reduction in externalities could be initiated for example by offering more vegetarian menus in catering services.
- **Fair redistribution and social acceptance.** Policies should incentivize virtuous behaviors, while making sure to redistribute values in a fair manner. Engagement of and communication with all actors from farmers to consumers should be ensured with a special attention to vulnerable populations.

Nevertheless, possible **concerns** include:

- **Winners and losers.** The implementation of the TCAF in Switzerland could create new or consolidate ancient losers and winners in the food system. A clear outline of goals, stakeholders mapping, and clarity on the timeline could help create an inclusive process ensuring fairness.
- **International trade.** Since Switzerland imports 50% of the food consumed domestically, participants wondered whether trade laws and agreements would impede an efficient application of TCAF.

Norms

Having norms and standards can rise the following **opportunities** for TCAF:

- **Performance measurement.** Norms allow us to measure performance, when policies do not go far enough. An example is the local prohibition of cage farming in Switzerland, while imports allow such practices. TCAF could help create a harmonized framework on norms.
- **Harmonization of labels.** Norms in the form of labels can create information overload for consumers, leaving society with unclear priorities and choice contradictions in terms of health, environment, and social compliance. TCAF can be an opportunity to harmonize and simplify information under a holistic measure.

Various **concerns** were raised including:

- **Degree of freedom.** What would be and how would the degree of freedom be defined in terms of voluntary versus mandatory implementation of TCAF? It was suggested to have a clear analysis of policy consequences for each type of stakeholder, focusing on equality and fairness at different levels (local, national, international).
- **Precision and trust.** Positive and negative externalities can be incorrectly captured by the system, leading to misinformation when creating norms and standards. Collaborative creation of measurable metrics for externalities, focusing on additional support for innovation could foster trust.

NEXT STEPS

The participants of the Action Lab showed significant interest in a TCAF approach in Switzerland. More than anything, the event reaffirmed that a multi-stakeholder platform representing the different interests present in the Swiss food system is necessary to accompany the development of this approach.

TCAF can be perceived either as an objective (implementing true costs along value chains), a lens (shaping policies according to TCAF), or a tool to raise awareness (sharing this information to stakeholders in the value chains). In all cases, the implementation of TCAF should be framed around the shift in *relative* prices all along the supply chain. On the consumer side, the change in relative prices implies that for a given value of household food basket, more healthy, fairly produced, and environmentally friendly food products would be more affordable than the less-so alternatives.

The research project **“From Farm to Fork and beyond: A Systemic Approach for Implementing True Cost Accounting for Food in Switzerland (TRUE-COST)”** will begin in January 2024 and last for four years. Among other, it embeds a multi-stakeholder platform which will be organized and followed by a group of scientists specialized on participatory approach and fairness.

We will keep you informed by email as the project progresses. For more information, please visit our website for project news: <https://e4s.center/resources/projects/true-cost-of-food/>

Infographic of identified challenges and solutions

Topic	Consumers		Value Chain		
Challenges	<p>Authoritarian approach</p> <p>Authorities guide food choices and give influential nudges</p>	<p>Increase of food prices</p> <p>Limited household budgets and reallocation of expenses</p>	<p>Uneven responsibilities and interests</p> <p>Conflict of interest can lead to possible misuse of TCAF and penalization of various tasks in the supply chain</p>	<p>Lack of standards and implementation</p> <p>No universal boundaries and KPIs, neither actions towards real world adoption</p>	<p>Data challenges</p> <p>Time consuming and sensitive data collection, lack of transparency and disclosure, challenging data regulation</p>
Opportunities/Suggestions	<p>Educational tools to raise public awareness of the true cost of food</p>	<p>Communication can address shift in prices as opportunity to wealth redistribution</p>	<p>Merging concrete data from various stakeholders to build a strong holistic system</p>		
	<p>Behavioral change away from ultra-processed and packaged foods to fresh products having a positive impact in the long run</p>		<p>Price redefinition focusing on relative product prices</p>		
			<p>Administration takes responsibility allocating TCAF more evenly along the Supply Chain, including externalities within prices, and shifting from profit- to value-based methodology</p>		
			<p>Collaboration among stakeholders through national and international events</p>		
Topic	Public Policy		Norms		
Challenges	<p>Winners and losers</p> <p>Imbalance of power relationship</p>	<p>International trade</p> <p>Trade laws and agreements</p>	<p>Degree of freedom</p> <p>The degree of freedom between voluntary <-> mandatory</p>	<p>Precision and Trust</p> <p>System incorrectly captures effects of positive and negative externalities</p>	
Opportunities/Suggestions	<p>Ensure clear communications, outline of goals, stakeholder engagement, and timeline</p>	<p>Redistribute profit incentives, reward early in Supply Chain</p>	<p>Clear analyses of policy consequence for each stakeholder in terms of fairness (local, national, international)</p>	<p>Measure performance (positive and negative effects) and give extra support to positive innovations</p>	
	<p>Repurpose governmental financial support (subsidies -> TCAF)</p>		<p>Quantity overflow of various labels can be harmonized and simplified through TCAF</p>		
	<p>Apply Policy mix utilizing system thinking to understand interdependencies of various sectors (environment, law, health, economics, technology,...)</p>		<p>Measure positive effects and add support to innovations</p>		