

# Living Income Webinar Series

How accounting for the true costs of food can open new opportunities for living income strategies

27<sup>th</sup> November 2018





# Today's webinar facilitators



**Adam Romo**  
Coordinator, Impacts  
and Innovations  
**ISEAL Alliance**



**Stephanie Daniels**  
Sr. Program Director,  
Agriculture & Development  
**Sustainable Food Lab**



**Rita Mendez**  
Assistant, Impacts  
and Innovations  
**ISEAL Alliance**

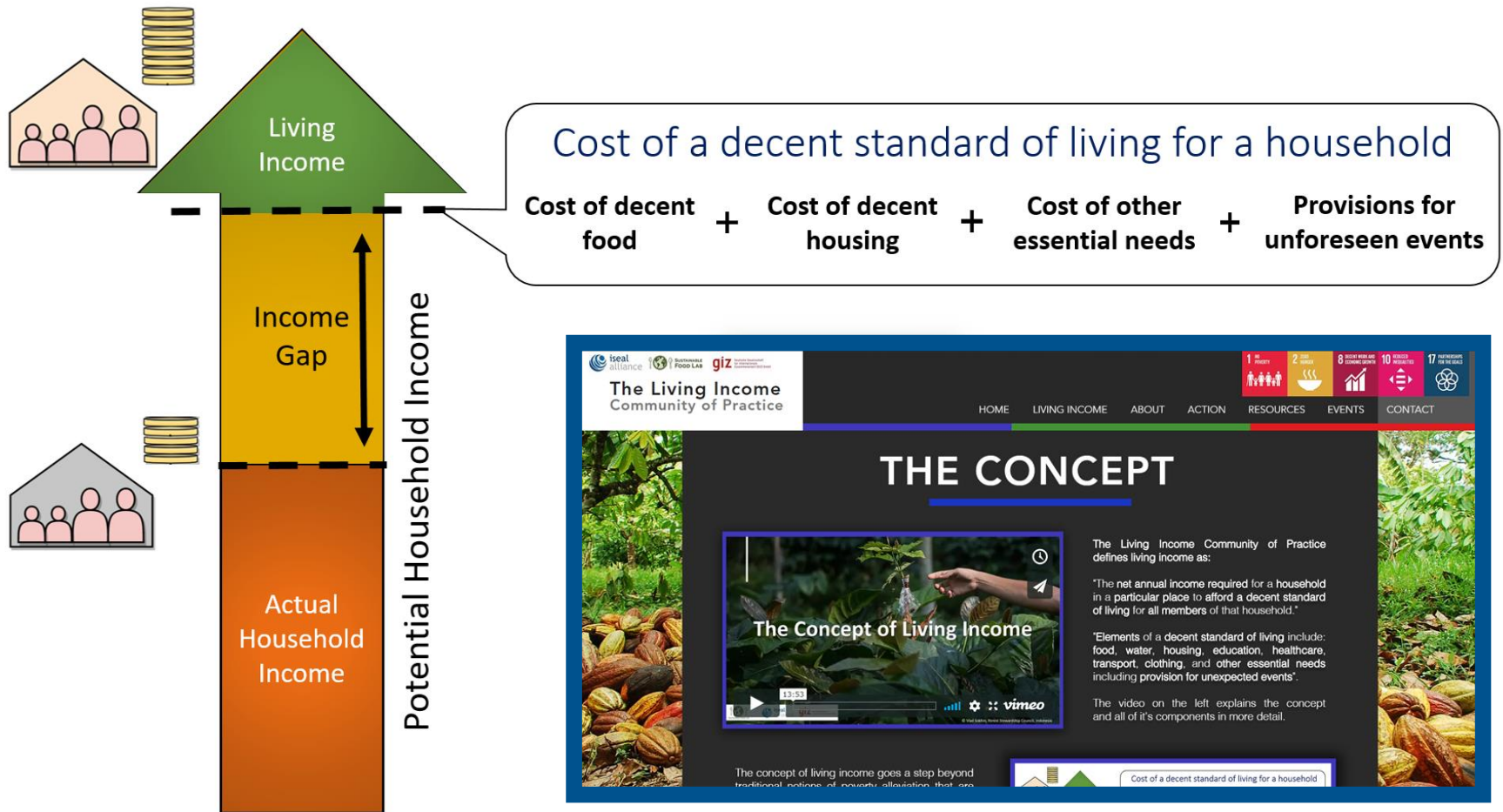


# Agenda

1. **Introduction** to the Living Income CoP, and guest speakers.
2. **Impact Institute:** Calculating the 'true cost' of raw materials: pilot work to calculate the true price of coffee
3. **Solidaridad:** Discussant – Implications for research for own work.
4. **Open Q&A**

# The Living Income Community of Practice

Foster collaboration and support organisations in their journey towards improving farmer incomes, and enabling farmers to achieve a decent standard of living.





# The Living Income Community of Practice

Fostering collaboration and support organisations in their journey towards improving farmer incomes, enabling farmers to achieve a decent standard of living.

Facilitate learning and exchange around measurement

Understand the gap between actual and living income

Identify and discuss strategies to close the income gap

Learning across sectors  
and helping organisations realise SDG commitments

**Open community of practice**

Sharing information about the efforts of different actors in this space

Learn more: [www.living-income.com](http://www.living-income.com)  
Contact: [adam@isealalliance.org](mailto:adam@isealalliance.org)

# Today's guest speakers



**Andrea Rusman**  
Associate  
Impact Institute



**Joel Brounen**  
Country Director,  
Colombia  
Solidaridad Network





A man in a dark shirt and light blue jeans is leaning over a woven basket filled with yellow and orange fruits in a forest. He is holding a small tool and appears to be examining the fruit. The background is a blurred forest floor with fallen leaves and trees.

## True pricing – measuring and monetizing externalities

ISEAL - webinar



# ***Agenda***

1. About Impact Institute
2. True Pricing
3. Growing Flowers
4. True pricing underpayment
5. True price of coffee from Mexico



# About Impact Institute

# About Impact Institute

- Mission to contribute to an economy that creates value for all
- Developed the first true price and IP&L methodologies
- Make methods open source: starting with true price method
- Track record: delivered 60+ impact (valuation) projects, of which 15+ IP&L projects

Our tools:



Training & workshop



Software



Strategy



Data

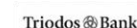


Excel tools



Protocols

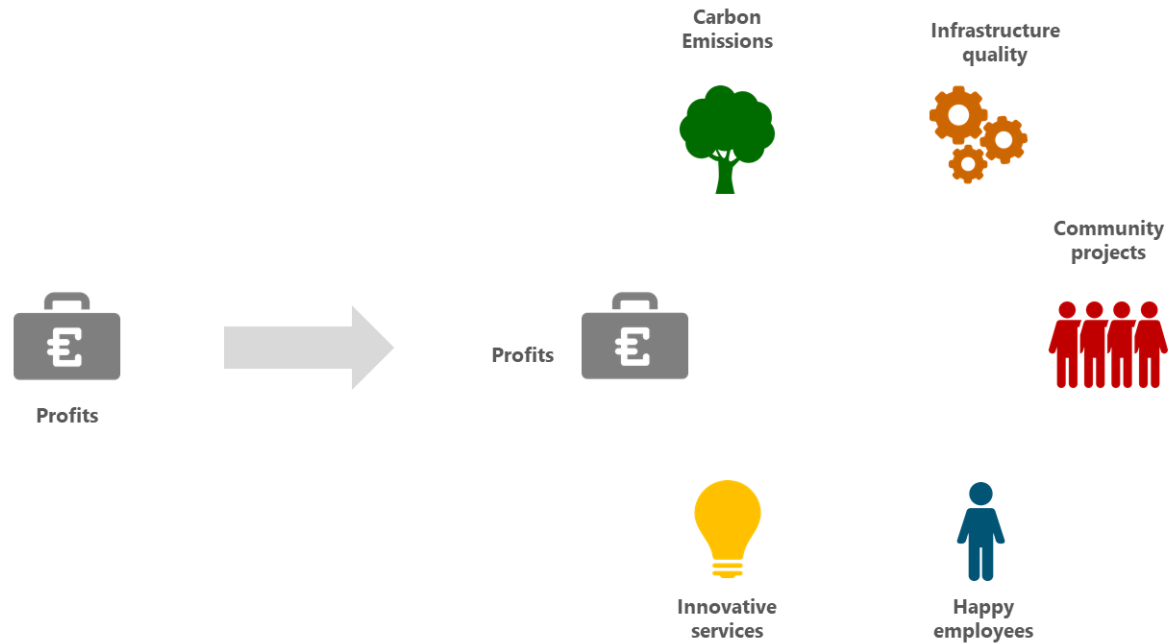
Selection of clients:





# *Impact Institute measures the value that businesses create beyond their financial value*

Measure effects of  
business activities  
on society beyond  
profit









***The Integrated Profit & Loss measures all value that a company creates or diminishes***





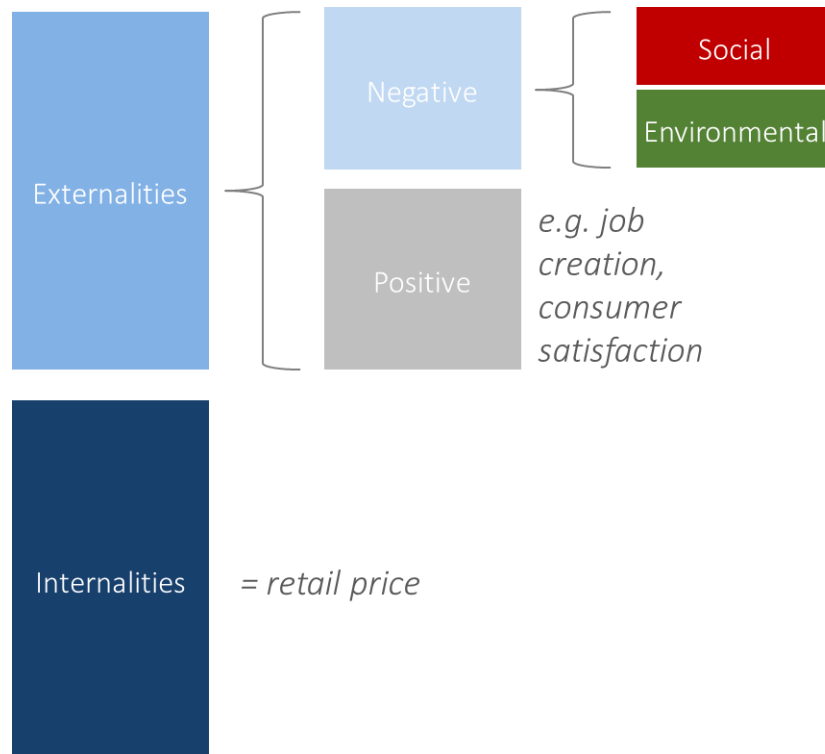
## *Some examples of impacts of the six capitals of the IP&L*

Capital	Examples
 Financial	Profits, salaries, taxes
 Manufactured	New buildings, transportation, products
 Intellectual	Patents, data
 Natural	Climate change, water use, materials use
 Social	Social activities, nuisances to local communities
 Human	Health, job satisfaction, labor productivity

# True Pricing



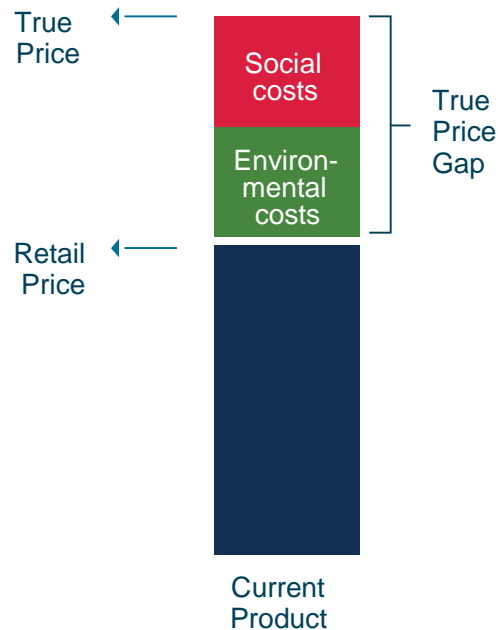
## *Eliminating the **social** and **environmental** costs will create fair and sustainable value chains*



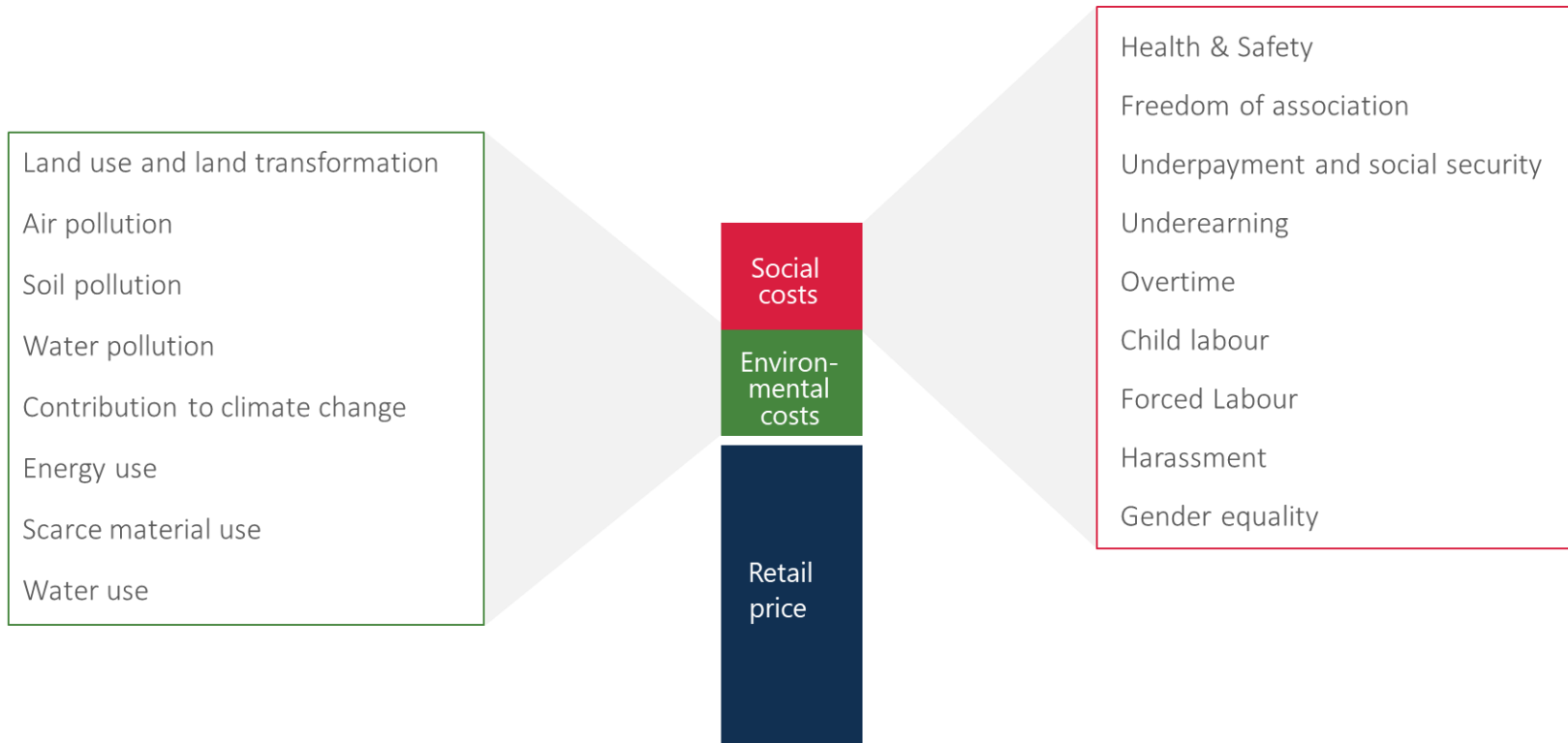
**Social external costs** are borne by workers in the supply chain or local communities, and arise if basic human and labour rights are violated

**Environmental external costs** emerge when the production, processing or transport of the product reduces the quality of ecosystems, air, soil or water or the availability of scarce resources. External costs are borne by society at large and future generations

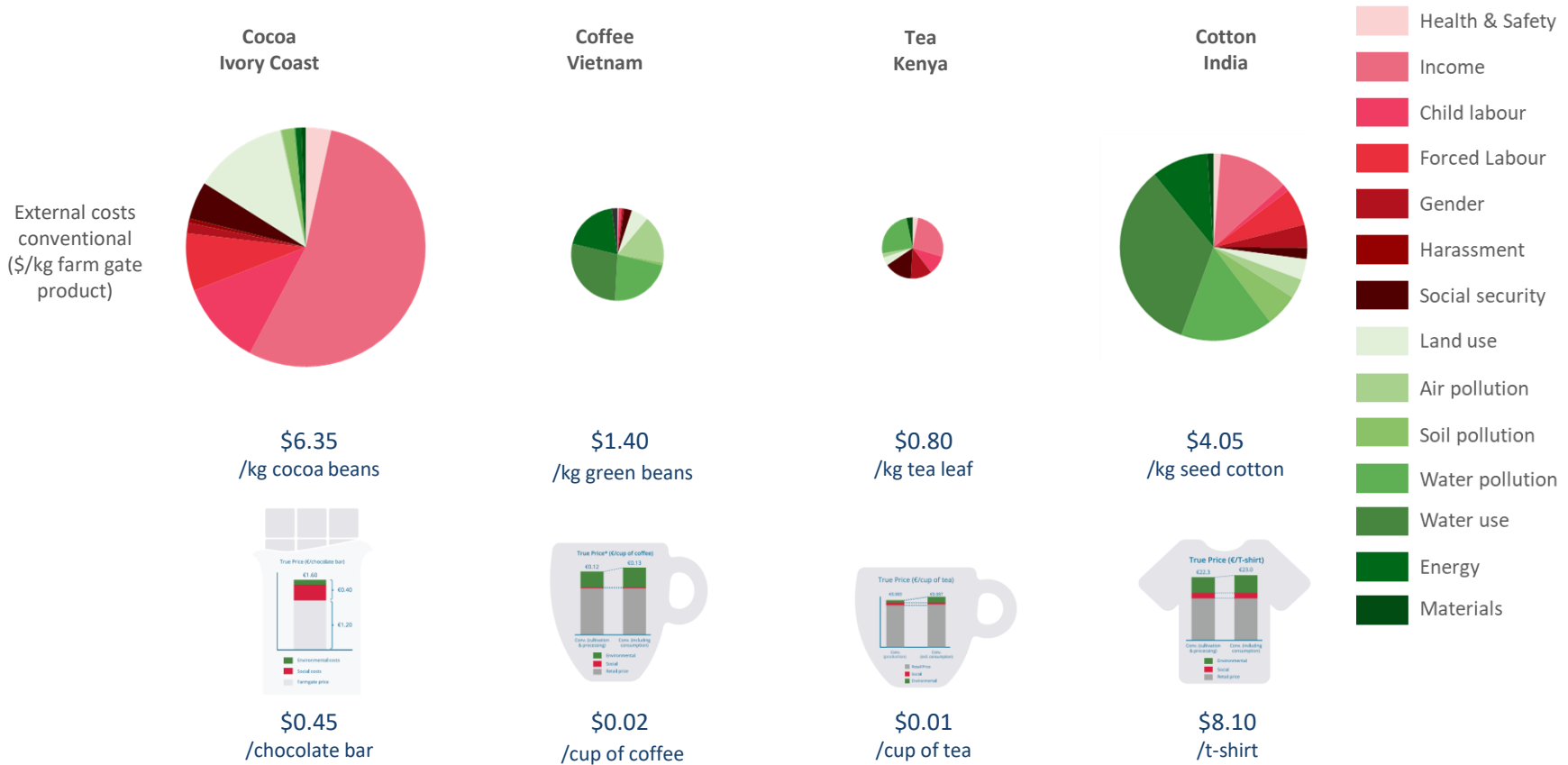
***A True Price is a measurement of societal costs that are not accounted for in the retail price of a product***



# *The True Price gap consists of 17 impacts*



# A comparison of four commodities





# Growing Flowers

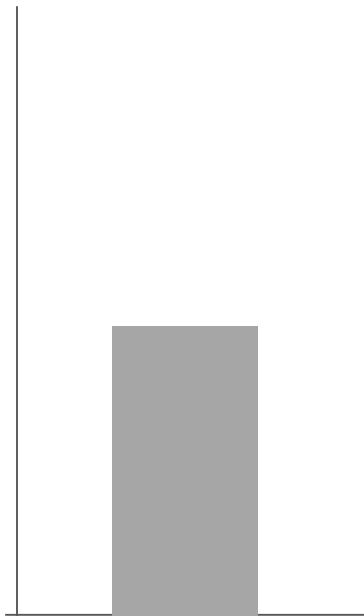
*Relieving the negative externalities is the responsibility of the entire value chain, not just the grower!*



## A rose from Kenya

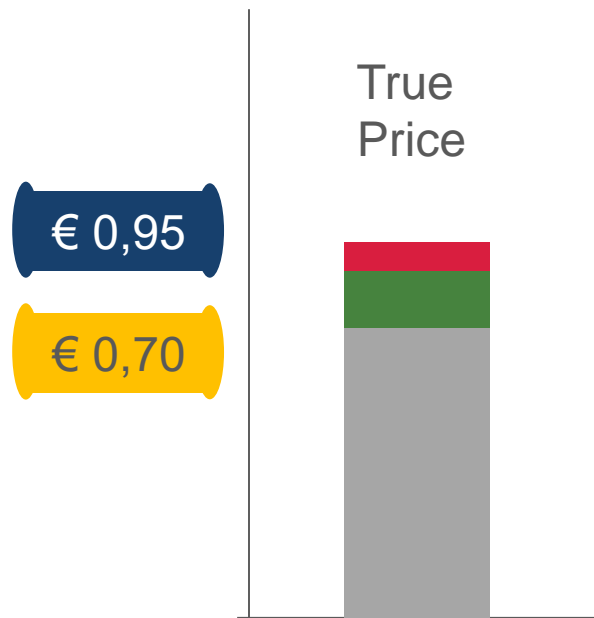
Hivos & True Price

€ 0,70



## A rose from Kenya

Hivos & True Price



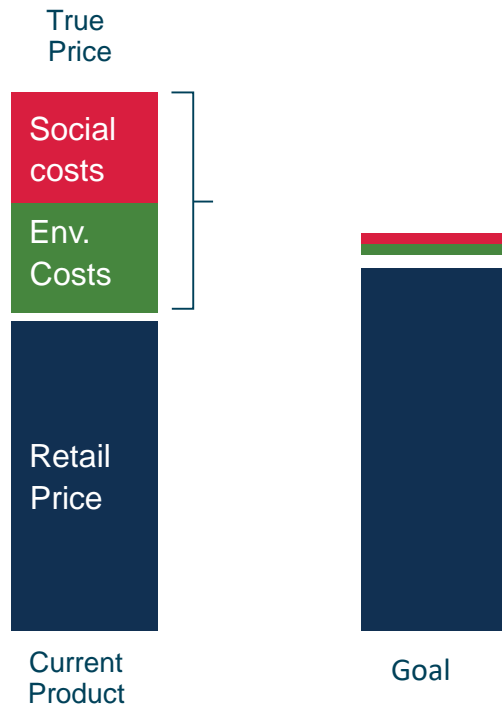


Calculate  
true price



Calculate  
true price

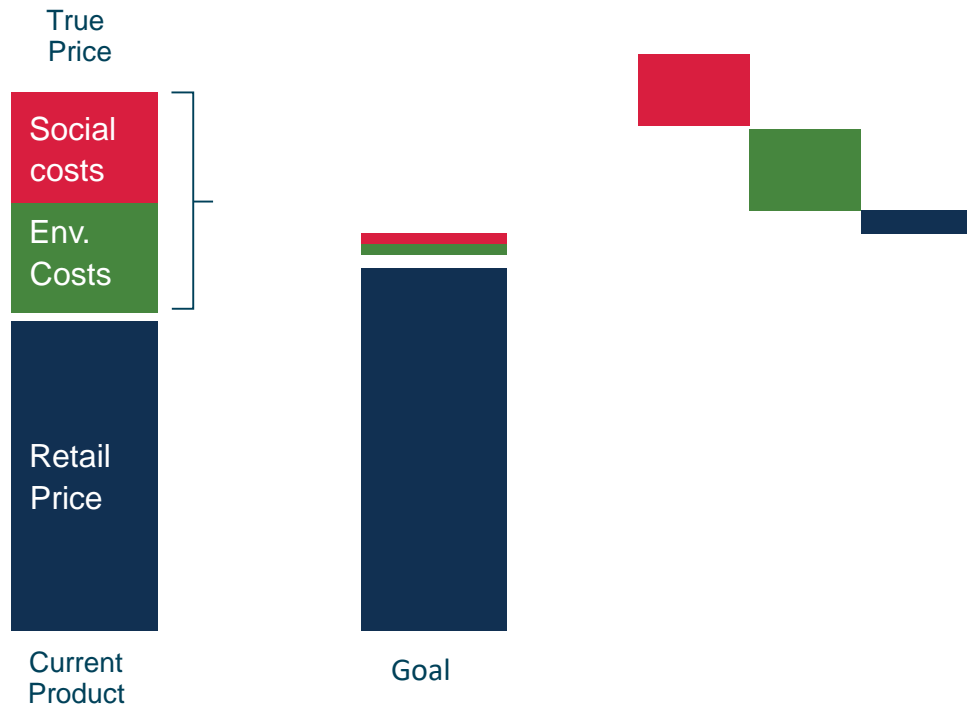
Determine  
future  
product



Calculate  
true price

Determine  
future  
product

Make a plan to  
get there

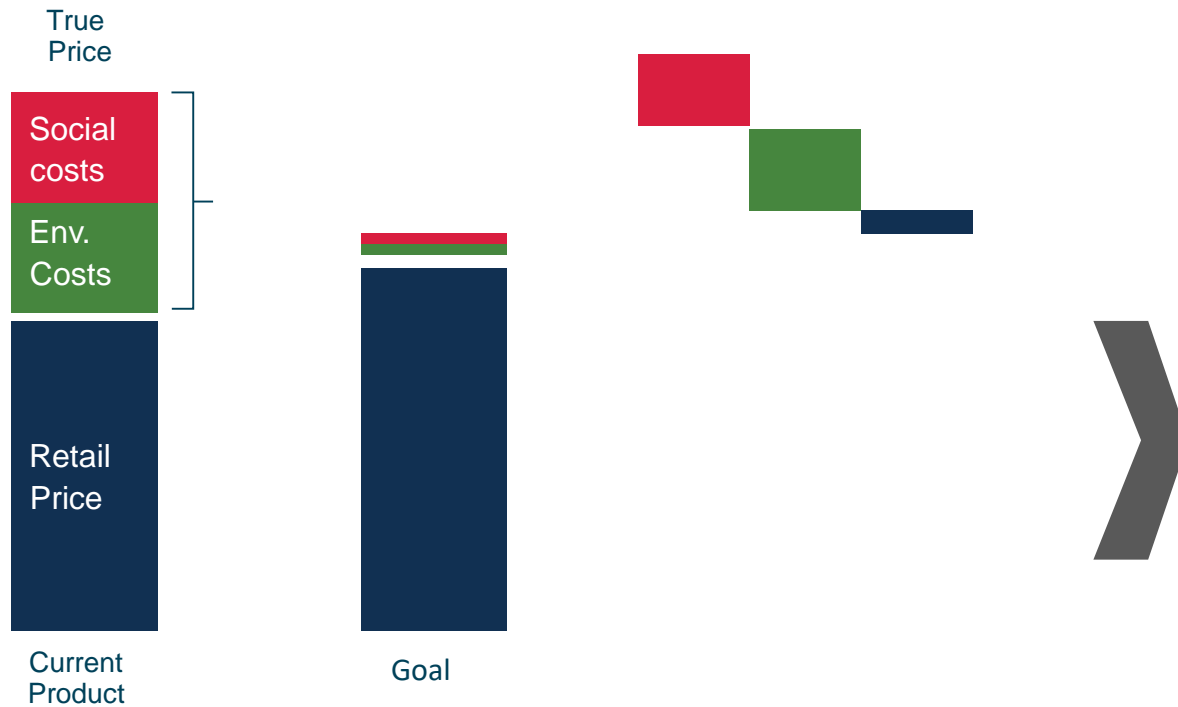


Calculate  
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Make a plan to  
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Implement  
plan





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Monitor and  
improve  
progress



# True Pricing living wages

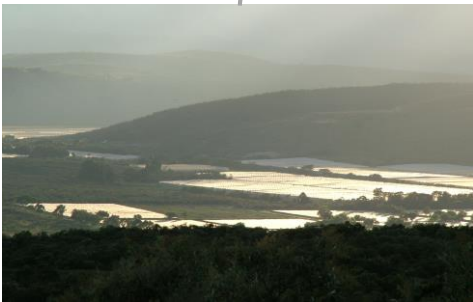
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	€/yr
Food	€
Housing	€
Clothing	€
Health & Hygiene	€
Healthcare	€
Transportation & Communication	€
Children Education	€



Calculate  
true price

Determine  
future  
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Make a plan to  
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Implement  
plan

Monitor and  
improve  
progress

	€/yr
Food	€
Housing	€
Clothing	€
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Healthcare	€
Transportation & Communication	€
Children Education	€
<b>Basic living income/Household</b>	<b>€</b>
Insurance	€
Social Security Contribution	€
Pension Contribution	€

Calculate  
true price

Determine  
future  
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Make a plan to  
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Monitor and  
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Food	€
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Healthcare	€
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Children Education	€
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Insurance	€
Social Security Contribution	€
Pension Contribution	€
<b>Net living income/FTE</b>	<b>€</b>
Taxes	€
<b>Gross living income/FTE</b>	<b>€</b>

Calculate  
true price

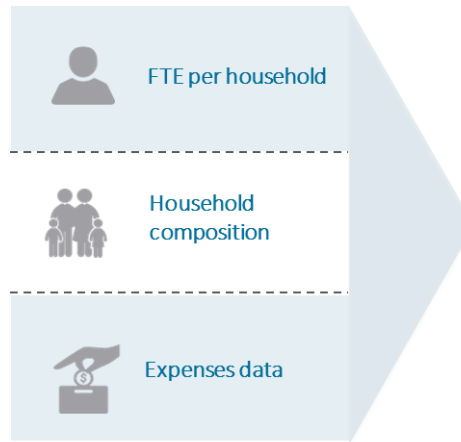
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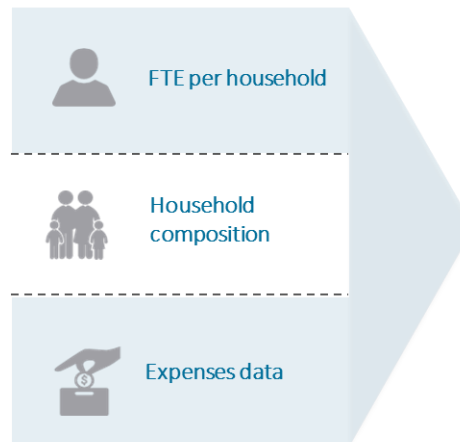
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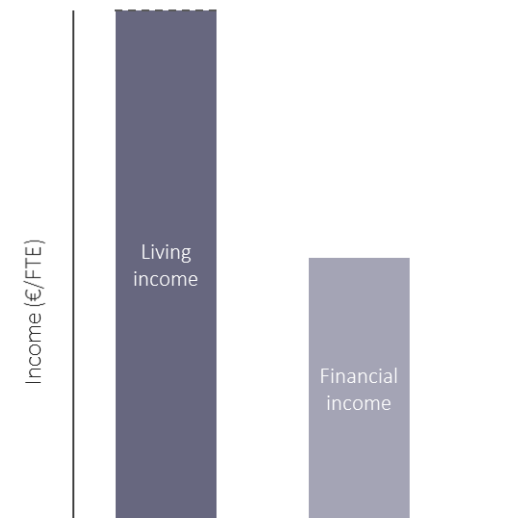
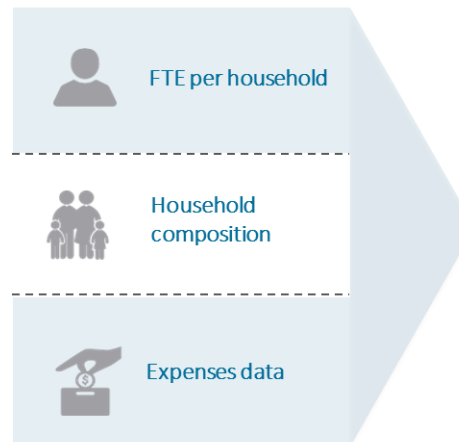
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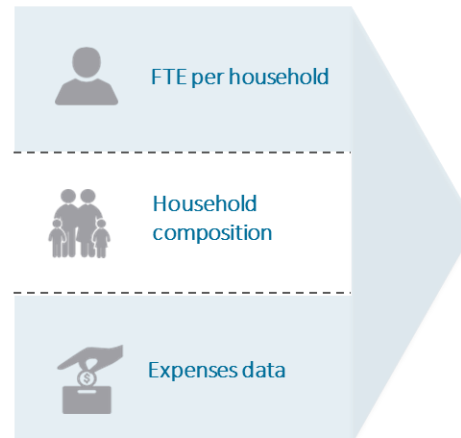
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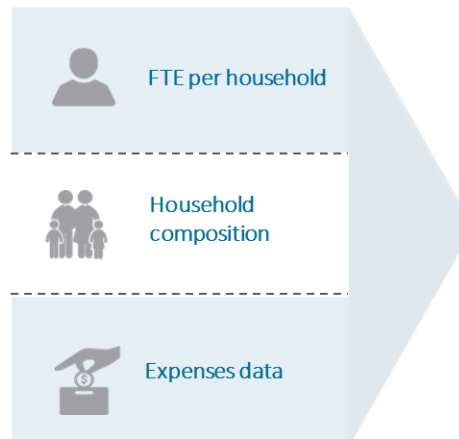
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Increased pay



Productivity training



Increased in-kind  
benefits

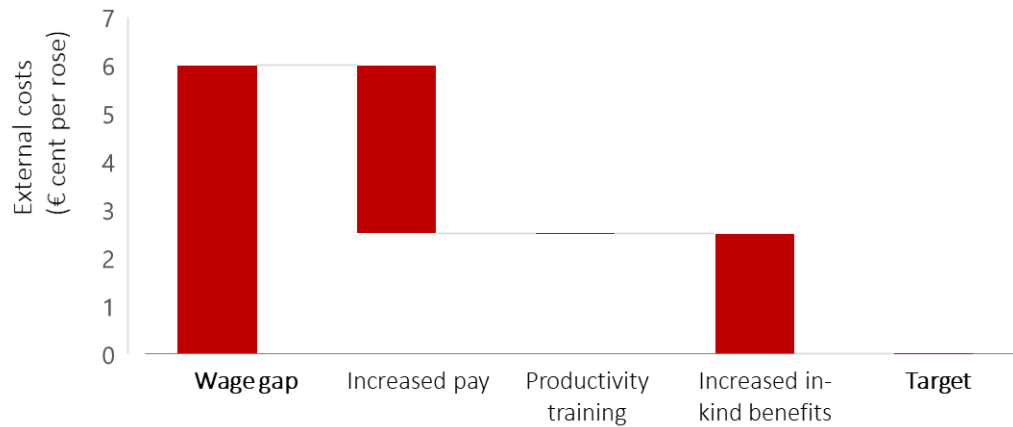
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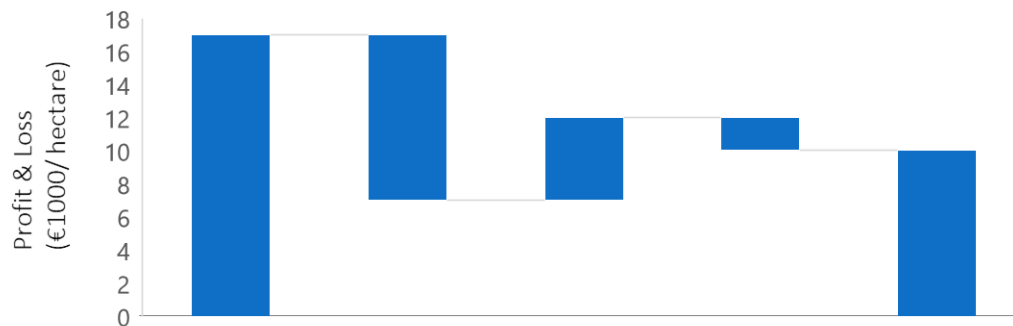
Increased pay

- Increased employee retention and decreased sick leave



Productivity training

- Increased productivity



Increased in-kind benefits

- Increased employee retention and decreased sick leave

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## Innovation

5



## Communicate



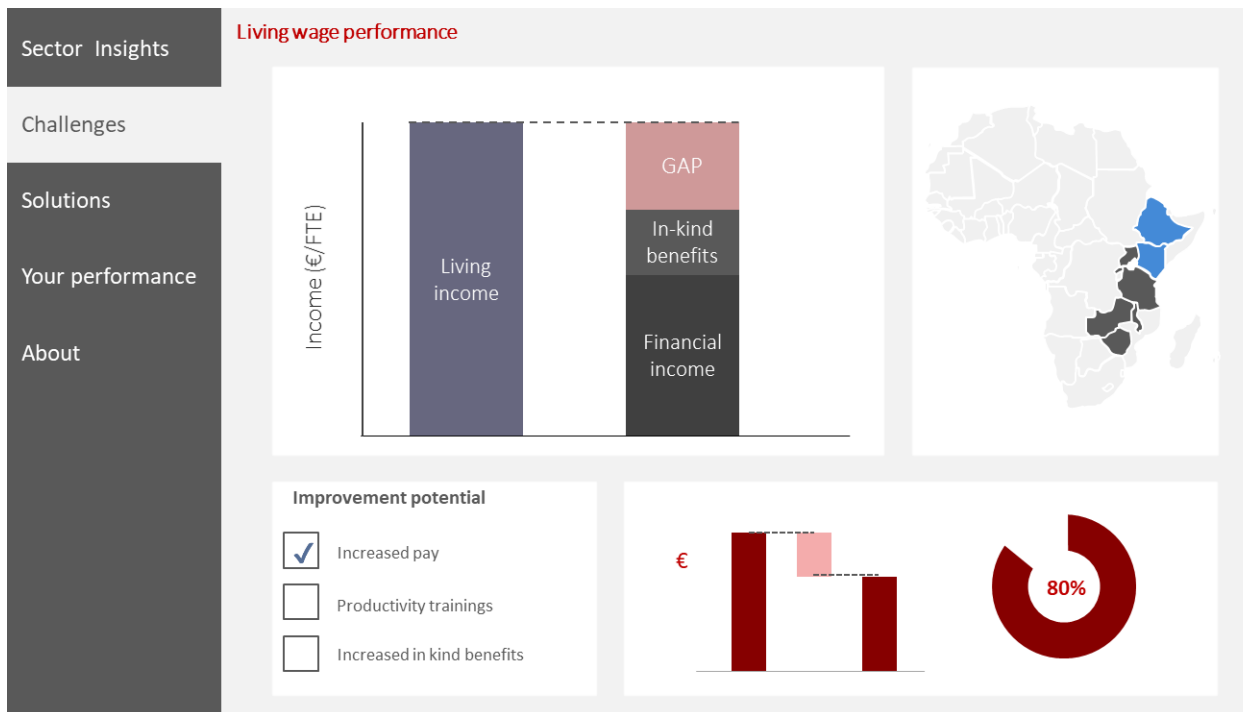
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# True price of coffee from Mexico

# *The true price of Mexican coffee*

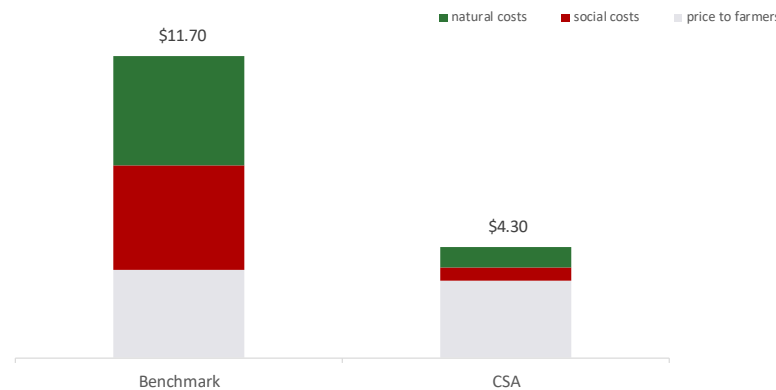
- Impact Institute and Solidaridad have successfully collaborated on a project on the **true price of coffee** in Mexico.
- Solidaridad supports smallholder farmers across the globe to **improve their livelihoods** as well as their impact on society and the environment.
- **Climate-Smart Agriculture (CSA)** is a key program that helps farmers adapt to climate change, as well as become sustainable in a broader sense.
- Mexican coffee farmers are one of the groups supported by Solidaridad. In recent years Mexico has seen a significant decline in yields due to climate change, putting the profitability of smallholders under severe pressure and threatening their livelihoods.
- In this project, True Price used the measurement framework of true pricing and true return on investment to **quantify the impacts of CSA** from a cost-benefit perspective.

## **Solidaridad**



# *Main result 1: The true price of CSA coffee from Mexico is lower than that of conventional coffee*

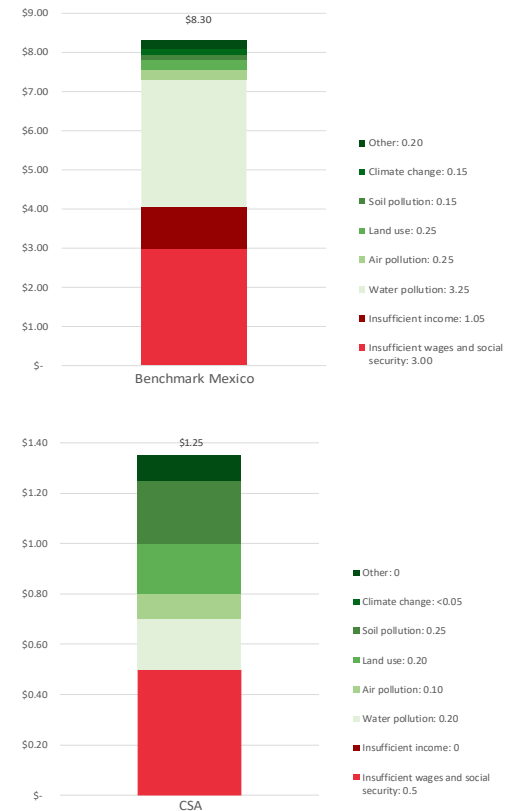
- The true price of CSA coffee is USD 4.30. This is lower than the average conventional coffee in Mexico, which has a true price of USD 11.70.
- The market prices are almost the same (USD 3.45 for conventional and USD 3.00 for CSA).





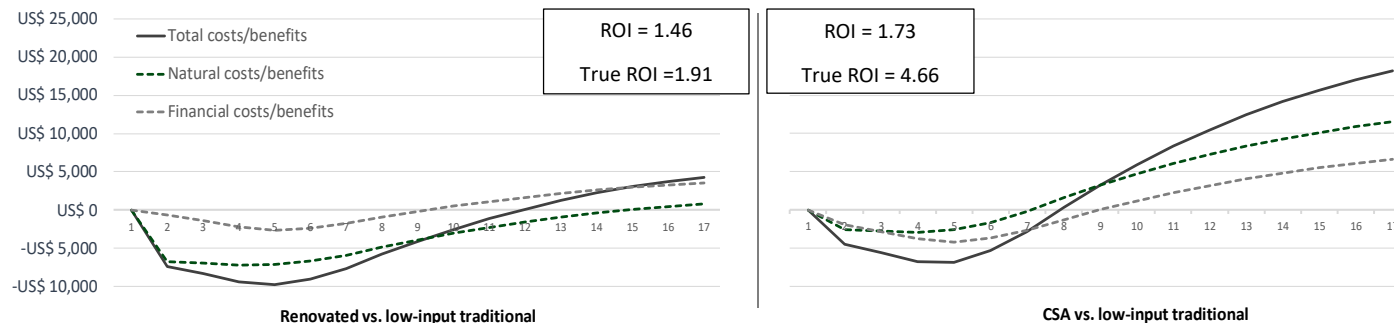
# *CSA coffee lowers environmental external costs and provides more income to the farmers*

- Main environmental external costs: water and air pollution
- Main social external costs: underearning of smallholders and underpayment of workers
- CSA coffee has lower environmental external costs mostly due to less fertilizer use
- CSA coffee also provides more income to the farmers, eliminating the cost of underearning.



## Main result 2: Investing in CSA has a higher ROI and true ROI than realistic alternatives

- The (true) ROI is higher for investments in CSA. This has three main reasons:
  - Increased farmer income due to higher yields from climate-smart production
  - Lower external costs due to production
  - More carbon sequestration as climate-smart coffee plots contain more shade trees



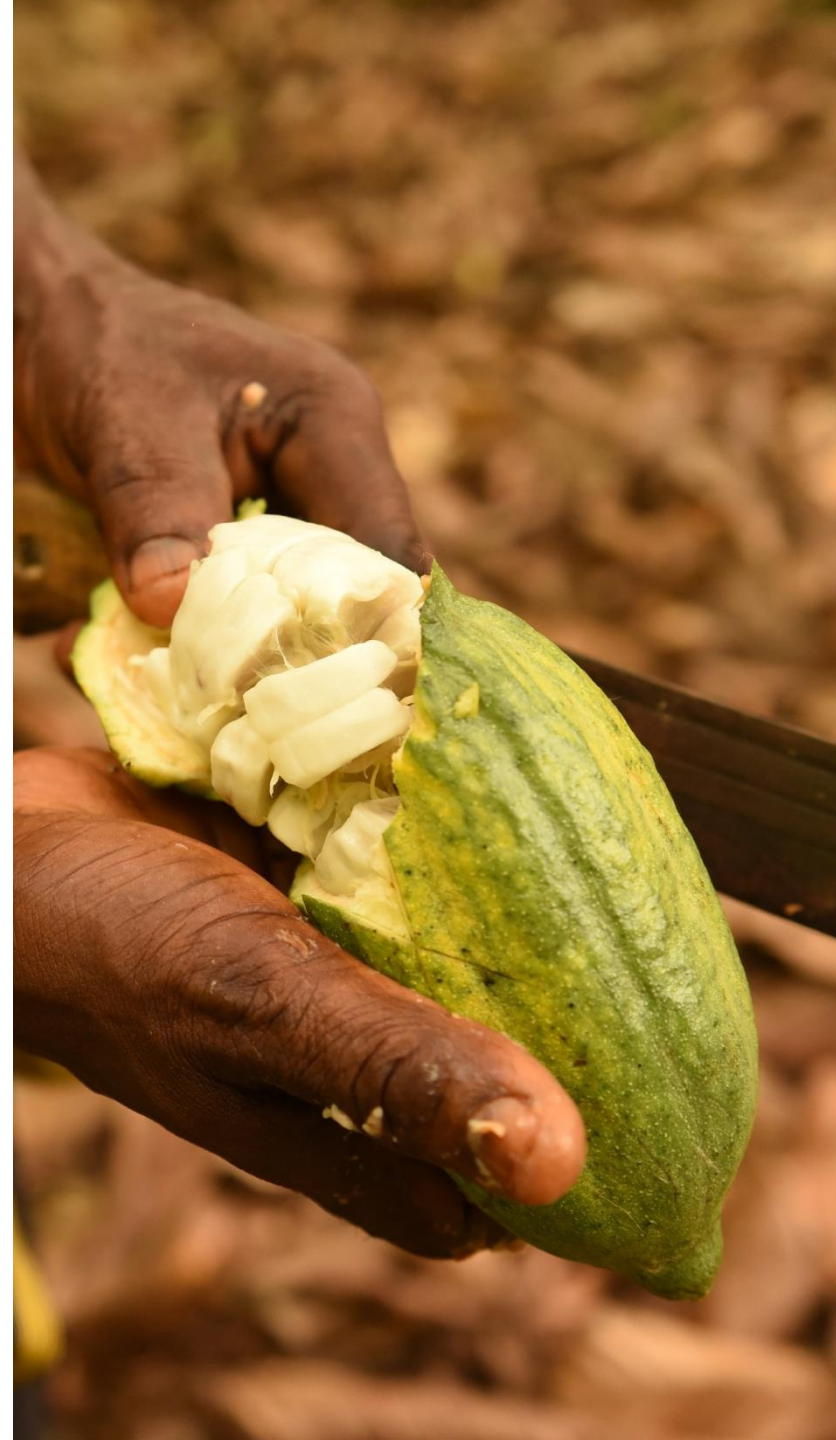


Thank you.



# Community of Practice Updates

- **Webinar:** [Pricing mechanisms in the cocoa sector: options to reduce price volatility and promote farmer value – 6<sup>th</sup> December](#)
- **Report:** [Living Income Benchmark for Ghana and comparison study with actual incomes.](#)
- **Report:** [Oxfam: A Living Income for Small-Scale Farmers – Tackling Unequal Risks and Market Power](#)





Thanks!



# Stay informed!

## Living income

[www.living-income.com](http://www.living-income.com)

## Living wage

<http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

[SIGN UP FOR GLWC BENCHMARK RELEASES](#)

## Questions? Email us at:

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[adam@isealalliance.org](mailto:adam@isealalliance.org)

[rita@isealalliance.org](mailto:rita@isealalliance.org)

And remember to add your upcoming, ongoing and finalised studies to the Sustainability Impacts Learning Platform

<http://www.sustainabilityimpactslearningplatform.org>