

Cost-benefits of sustainability standards

Certified commodities have lower external costs benefiting farmers, the environment and society¹

Certified vs non-certified

The **external costs** of cultivation were found to be **significantly lower** for certified than non-certified commodities for three key sectors...^{2,3}



Certified cocoa
from Côte d'Ivoire

16%

▼ lower external costs

Why?

Higher productivity and **better** social and environmental **conditions** on certified farms



Certified coffee
from Vietnam

20%

▼ lower external costs

Why?

Lower water usage, higher productivity and **better** social and environmental **conditions** on certified farms



Certified cotton
from India

35%

▼ lower external costs

Why?

Higher productivity and **better** social and environmental **conditions** on certified farms



The **profitability** of certified farms is **significantly higher** than non-certified¹



▲ higher profitability

Certified cocoa
from Côte d'Ivoire



▲ higher profitability

Certified coffee
from Vietnam



▲ higher profitability

Certified cotton
from India

Why?⁴

Higher revenues due to higher yields and access to premiums



Economies of scale with joint investing, processing and marketing **reduces costs**



Lower rates of water, pesticide and fertilizer use on certified farms and **associated costs**



"The monetisation of social and environmental externalities leads to better decisions."

The Business Case for True Pricing by True Price, Deloitte, PwC and EY



1. Joint Report Series by True Price and IDH: The True Price of Cocoa from Ivory Coast; The True Price of Coffee from Vietnam; The True Price of Cotton from India, published in 2016. 2. Applying the True Price methodology to calculate the external costs of smallholder produced cocoa, coffee and cotton. The true price of a product reflects the visible as well as the hidden costs of its production. It is defined as the sum of the retail price and the unpaid environmental and social costs. Understanding the true cost and price of commodities allows businesses to improve the social and environmental impacts of their operations. 3. External costs are costs caused by economic activities i.e. a monetisation of externalities which are not reflected in the prices charged for the goods and services being provided. External costs can be classified as environmental costs if they have a direct effect on the environment and as social costs if they have a direct effect on the well-being of people. 4. This list is indicative not exhaustive.