True
Full
Fair

Cost Accounting

3rd Organic Asia Congress, OFIA Summit 2018 – Bislig, Philippines
David Gould, Senior Facilitator
Why true cost accounting?

The SDGs are interdependent.
Organic and Conventional Farming: reversal of fortunes

Relative fertilizer use efficiency as per World Bank data, FAO & MALR, (2000-2009)

Comparison of farm economics between organic and conventional farming system in rice production
True Cost Accounting & Organic 3.0

#1 A culture of innovation
#2 Continuous improvement towards best practice
#3 Diverse ways to ensure transparent integrity
#4 Inclusive of wider sustainability interests
#5 Holistic empowerment from farm to final consumer
#6 True value and fair pricing
The True Cost of a Big Mac:

We pay three times: in the supermarket, for repairing environmental damage, and in our health systems.

- Health care: $5.69
- Subsidies: $0.70
- Environment: $0.67
- Cruelty: $0.38
- Retail price: $4.56

Total: $12.00
Ways of using true cost accounting

- Enabling individual enterprises, whole value chains, or production sectors to self-evaluate and improve performance;
- Incorporation into certification schemes for market access;
- Landscape-based applications, eg flood disaster mitigation, water resource management, biodiversity protection, etc.;
- Policy reform related to government payments (e.g. taxes and subsidies), loan and insurance schemes, and accounting rules and related laws;
- Affecting the actual price of goods and services.
Happenings in different sectors.

The New York Times

BlackRock’s Message: Contribute to Society, or Risk Losing Our Support

By Andrew Ross Sorkin

Jan. 15, 2018

On Tuesday, the chief executives of the world’s largest public companies will be receiving a letter from one of the most influential investors in the world. And what it says is likely to cause a firestorm in the corner offices of companies everywhere and a debate over social responsibility that stretches from Wall Street to Washington.

Laurence D. Fink, founder and chief executive of the investment firm BlackRock, is going to inform business leaders that their companies need to do more than make profits — they need to contribute to society as well if they want to receive the support of BlackRock.

Mr. Fink has the clout to make this kind of demand: His firm manages more than $6 trillion in investments through 401(k) plans, exchange-traded funds and mutual funds, making it the largest investor in the world, and he has an outszie influence on whether directors are voted on and off boards.

“Society is demanding that companies, both public and private, serve a social purpose,” he wrote in a draft of the letter that was shared with me. “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”
A Much Bigger Movement

NATURAL CAPITAL COALITION

Natural Capital Protocol (NCC)
NCC Sector guides: food & beverage
Convergence
3 roles for TCA*

1: Communicative use: TCA can help to change perspectives and therefore creates even a “business-case” opportunity for companies.

2: Operational use: TCA can help to generate insights that can help with decision making and choices in organisations (companies, farms etc.)

3: Political use: TCA can address the need for systemic change on macro level.

*From a recent report in The Netherlands on Natural Capital/ TCA.
Work in Progress on True Cost Accounting

Conceptual framework – engaging multiple stakeholders; white paper discussions and surveys

Practical tools for operators – starting at farm level, other links in the chain to be added; Linkage to price calculations

Policy reform: suggestions and strategies
Organic has the ingredients for a solution.

Farm-level „no-brainers“

• Crop rotation & diversity
• Green manure
• Intercropping
• Recycling of biomass
• Less tillage
Linchpin Practices...

...are practices which, if changed, cause virtually all other practices to change along with them.

By focusing on these and affecting change, we can simplify, unify, and focus efforts for maximum impact.

Practices can be linked to key metrics to assess costs and benefits. *(This could form the template for a new standard for agriculture.)*
Examples of linchpins

- Synthetic nitrogen fertilizer
- Water quality
- Wages
- Soil Organic Matter
- Biodiversity Indicator Species
- Waste quantity and disposal
Using existing metrics

**GHG/SOM:**
Cool Farm Tool

**Erosion:**
Universal soil loss equation

**Water:**
ClimWat/CropWat/GreyWater

**Health:**
Disability adjusted life years

**Economic Capital:**
„Gross Value Added“

**Human Capital:**
„Expected value of incremental future earnings“
Regenerative agriculture is the most viable way of farming

Implementing sustainable farming practices is cheaper and cost/yield development is less volatile

This shows the farms and companies their expected future earnings – it will be a game changer.
Soil & More’s TCA and training App

On/offline Collection of CO2 and sustainability data

Cloud Database

CO2 results

Training/learning formats

Cool Farm Tool Webservice

CO2 Data results

sustainability data

Farm dashboard
2.2 Graphical presentation in this report

Within the report, we typically use the following two types of graphs to compare organic (yellow) with non-organic (grey) in relation to livelihoods, climate, and soil:

- True Value

Comparison organic (yellow) / non-organic (grey)
BUY ORGANIC GRAPES AND SAVE 25,200 LITRES* OF WATER.
* PER 100 SQM AND YEAR

DISCOVER THE TRUE BENEFITS OF ORGANIC
Thank you.