COMMERCE ÉQUITABLE ORIGINE FRANCE
COMITÉ NATIONAL

Commerce Équitable France

ANALYZING SUSTAINABLE AGRICULTURAL PRODUCTION COSTS TO SET FAIR PRICES

Note #1 | **INSIGHTS AND RECOMMENDATIONS** Collection

JANUARY 2025

INTRODUCTION

In France, as well as in international markets, the balance of power between upstream and downstream actors in the agricultural sector is often tilted against farmers. Moreover, the globalization of agricultural markets and the intensification of climate change effects are amplifying the volatility of agricultural commodity prices. In an open and highly globalized market, price formation often becomes detached from local production realities. Under these circumstances, it is challenging to create an economy that can offer a sustainable future for farmers.

To ensure that farmers receive fair compensations, Fair Trade has implemented rules and tools designed to account for the full cost of production when setting prices.

Originating from international solidarity, Fair Trade has gradually expanded its presence within the French agricultural sector over the past decade. Today, more than 10,000 French farmers, organized into nearly 130 groups, benefit from fair trade partnerships.

Farmers' organizations, companies, and fair trade labels have developed specialized expertise that draws from both global Fair Trade experience and specific challenges in France.

The National Consultative Committee on Domestic Fair Trade in France, led by Commerce Équitable France, serves as the platform for fostering collective expertise within the sector.

This document outlines the sector's expertise, perspectives, and recommendations for analyzing agricultural production costs, a crucial element in determining fair and remunerative prices.

CONTENT

© Agribio Union

COMMERCE ÉQUITABLE ORIGINE FRANCE
COMITÉ NATIONAL

The **"Insights and Recommendations"** collection presents the collective expertise of the Fair Trade movement on the agricultural and food sectors in France.

The members of the National Consultation Committee on Domestic Fair Trade, in France:

Commerce Équitable France

Producer Organizations

Bio Loire Ocean
biolait
FOREBio
ETIC MONTS BIO

Support Structures

FADEAR RÉSEAU DE L'AGRICULTURE PAYSANNE
Ingénieurs sans frontières
FNAB
TERO COOPÉRATIVE D'EXPERTS ENGAGÉS
FAIRNESS

Fair Trade Labels

Agri éthique France
fair for life
BIO ÉQUITABLE EN FRANCE
ÉQUITABLE & BIO BIOPARTENAIRE
FAIRTRADE MAX HAVELAAR

Companies, Brand

Artisans du Monde
LES PRÉS RIENT BIO
ETHIQUABLE

Distributors

biocoop

1. THE EXPERIENCE OF FAIR TRADE IN PROMOTING REMUNERATIVE PRICES FOR FARMERS IN FRANCE

Fair Trade: Tools for stable and remunerative prices

Fair Trade seeks to establish fairer and more stable prices for farmers, protecting them from the volatility of market rates, which are often too low to ensure fair compensation. It is also about ensuring decent prices that adequately reward agricultural labor. Furthermore, Fair Trade advocates for prices that support environmentally sustainable farming practices and help farmers adapt to the effects of climate change.

Overcoming tensions between the conflicting interests of farmers and consumers

Fair Trade stakeholders face the challenge of balancing the goal of fair prices for farmers with the need to offer consumers competitively priced products—especially during periods of high inflation and low purchasing power.

Enhancing the price competitiveness of Fair Trade products remains a priority for the sector, as it is for all actors in the food supply chain. Achieving this involves fostering collective initiatives among farmers and strengthening collaborative supply chains, which allow for shared investments and reduced costs.

A fair price must also sustain the economic viability of small and medium-sized enterprises (SMEs) involved in processing agricultural products. In some cases, price ceilings may be necessary to address speculative price spikes for agricultural commodities—such as the surge in wheat prices in 2022—that threaten the profitability of processors.

Prices that cover the costs of sustainable production... And reduce hidden costs

Any discussion of fair prices and production costs must now include the concept of «hidden costs» or «societal costs»[1]. Superficial analyses of the «costs of sustainable production» risk painting an artificially unfavorable picture of systems that adopt agro-ecological practices or invest in climate adaptation. However, these systems significantly reduce societal costs, such as environmental degradation.

Incorporating societal costs into price calculations allows for a more accurate evaluation of the social and environmental benefits of Fair Trade production chains. This is not merely a methodological adjustment but a critical step toward reshaping agricultural policies and farmer support systems.

The Fair Trade movement champions innovative public policies to rebalance competition between farming practices that externalize environmental costs and those that internalize them through sustainable methods. Measures such as differentiated tax policies or a comprehensive reform of agricultural subsidies could drive large-scale transitions to agro-ecological practices while promoting social equity.

1. Societal costs are all the direct and indirect, present and future losses and expenses borne by third parties or by society as a whole as a result of the social, health, and environmental impacts of production and consumption methods.

Building Fair Prices Based on Farmers' Realities

Establishing fair prices requires a deep understanding and analysis of the economic realities faced by farmers. In 2024, Fair Trade partnerships in France encompassed 127 producer groups across a diverse range of products, including cereals, pulses, fruits and vegetables, meat, eggs, milk, aromatic plants, honey, and wine. This broad reach has enabled the Fair Trade movement to gather valuable insights into production costs across various contexts.

This document synthesizes the experiences and collective expertise of the Domestic Fair Trade movement in France, offering recommendations grounded in the lived realities of farmers.

The analysis of production costs remains a complex exercise that continues to be refined and often sparks debate, as discussed in this note. Despite its imperfections, this analysis plays a crucial role in establishing objective pricing within agricultural sectors and in strengthening the economic sustainability of farms.

What does the legal framework say about Fair Trade?

Fair Trade is based on 7 commitments, in accordance with law no. 2005-882 of 2 August 2005.

Fair Trade relationships are voluntary partnerships based on practical tools:

- **A remunerative price for workers (male and female producers), based on the identification of production costs and balanced negotiation between the contracting parties.**
- **A long-term commitment spanning at least three years.**
- **Support for collective producer organizations, particularly through the provision of a development premium.**

Decree 205-1157 outlines the following key aspects of pricing:

"II - The price paid by the buyer,» as referenced in section 2° of II above and specified in the contract, must:

a) Cover production costs;

b) Provide adequate remuneration to meet the basic needs of workers and their families while improving their standard of living;

c) Generate a margin enabling workers to make the investments necessary to improve the efficiency of their production and marketing facilities.

Seven labels ensure the fulfillment of these commitments within French agricultural sectors:

How Fair Trade prices are established: a review of specifications for Fair Trade labels

All Fair Trade labels that monitor French Fair Trade sectors incorporate the concept of a fair price and how to implement it in their specifications. Two different methods are currently employed:

1) The label ensures that, in each Fair Trade partnership, prices do not fall below a minimum threshold determined through an assessment of production costs. The label checks the existence of a cost analysis, which may be based on external sector references or calculated specifically for the partnership on an ad hoc basis.

» **This is how the Agri-Ethique, Biopartenaire, Bio Equitable en France, Fair For Life and FNAB labels work.**

2) The label itself organizes an assessment of production costs and publishes regularly updated regional minimum price references for each product. The label checks that the prices charged in the Fair Trade channels are higher than this defined minimum price.

» **The Max Havelaar France label works as follows**

2. VOCABULARY AND DEFINITIONS: WHAT ARE AGRICULTURAL PRODUCTION COSTS?

» Farmers

In this note, we have chosen to use the term "farmers" to refer to people who are heads of farms, whether they manage their farms independently or in partnership. Where the document refers to people working on farms as employees, the note makes explicit mention of this.

» Farm gate production costs and cost price

In the context of Fair Trade, the concept of production costs encompasses all the charges relating to the production of an agricultural product, sold by farms, at a more or less advanced stage of processing, including labor expenses. The identification of production costs is used here to define a purchase price for each unit of production. Production costs will therefore be calculated on a per-unit basis of product (1 tonne of wheat, 1000 L of milk, 1 kg of vegetables, etc).

Revenues and resources linked to production, such as income from co-products or public subsidies, are also taken into account. In fact, these additional revenues can offset some costs not fully covered by the selling price of the main product.

By adding up the costs and subtracting the other income, we obtain (in simplified terms) **a cost price.**

In this note, the term "production costs" is used to be consistent with the terminology used Fair Trade legal texts, though the terms "price or cost price" are synonymous in our context.

» Production costs for a group of farmers

Fair Trade focuses on farmers who are collectively organized into groups with various legal statuses (associations, agricultural cooperatives, GIE, SARL, SCIC, etc.). A company, processor, manufacturer or distributor enters into a long-term contractual agreement with these groups, ensuring a purchase price that is both remunerative for the group members and sustainable for the group's operations.

This contract is, therefore based on production costs applying to the whole group. The group's production costs include the production costs of individual farms and the operational costs of the group itself. Producer groups have logistical, commercial, administrative, community development, processing, storage, and certification functions, the costs of which must also be covered by the Fairt Trade contract.

© Commerce Équitable France

Minimum or floor group price

The minimum price or floor price is the threshold below which the actual purchase price paid by the company to the producer group cannot fall. This price is determined based on an analysis of the group's production costs.

Group purchase price

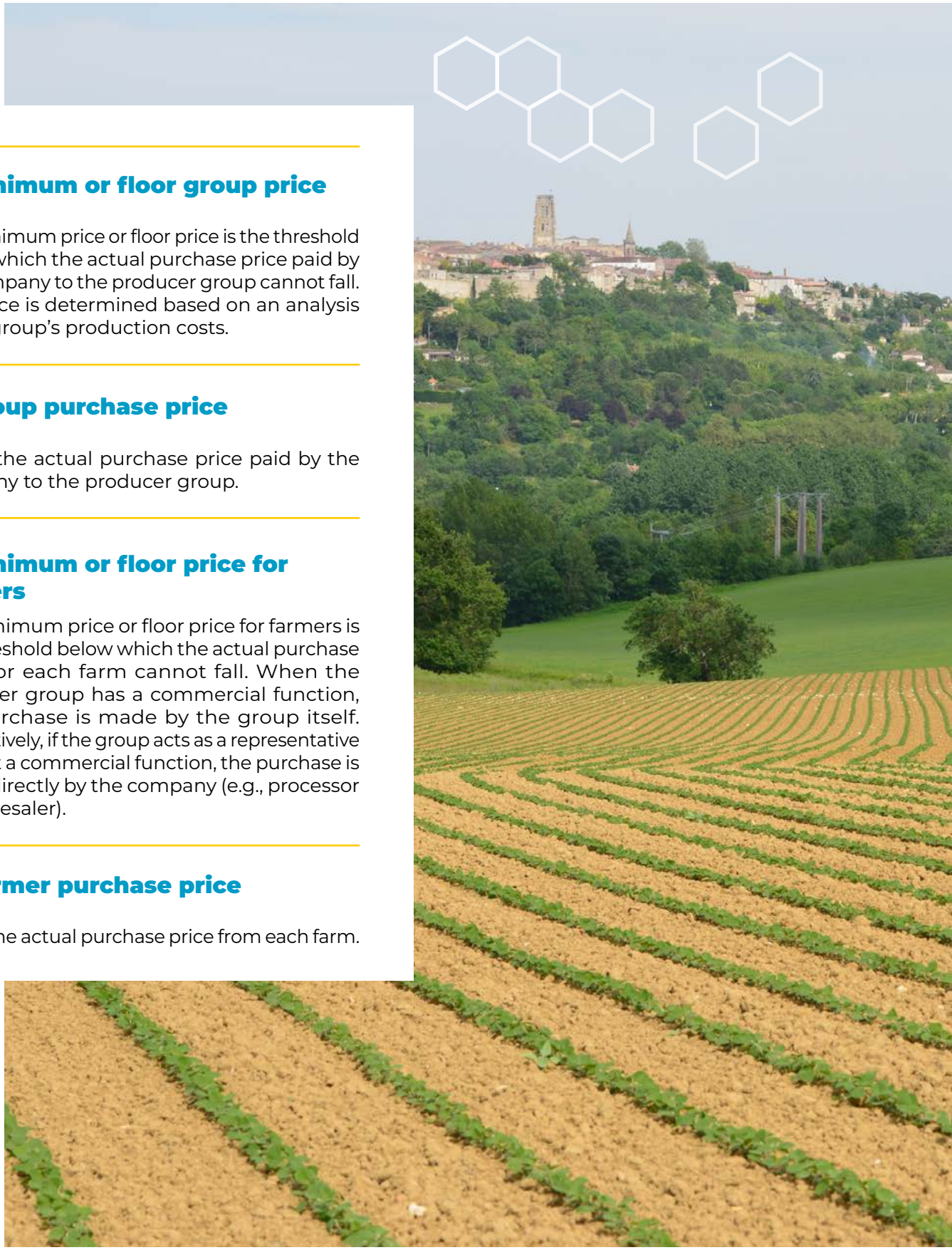
This is the actual purchase price paid by the company to the producer group.

Minimum or floor price for farmers

The minimum price or floor price for farmers is the threshold below which the actual purchase price for each farm cannot fall. When the producer group has a commercial function, this purchase is made by the group itself. Alternatively, if the group acts as a representative without a commercial function, the purchase is made directly by the company (e.g., processor or wholesaler).

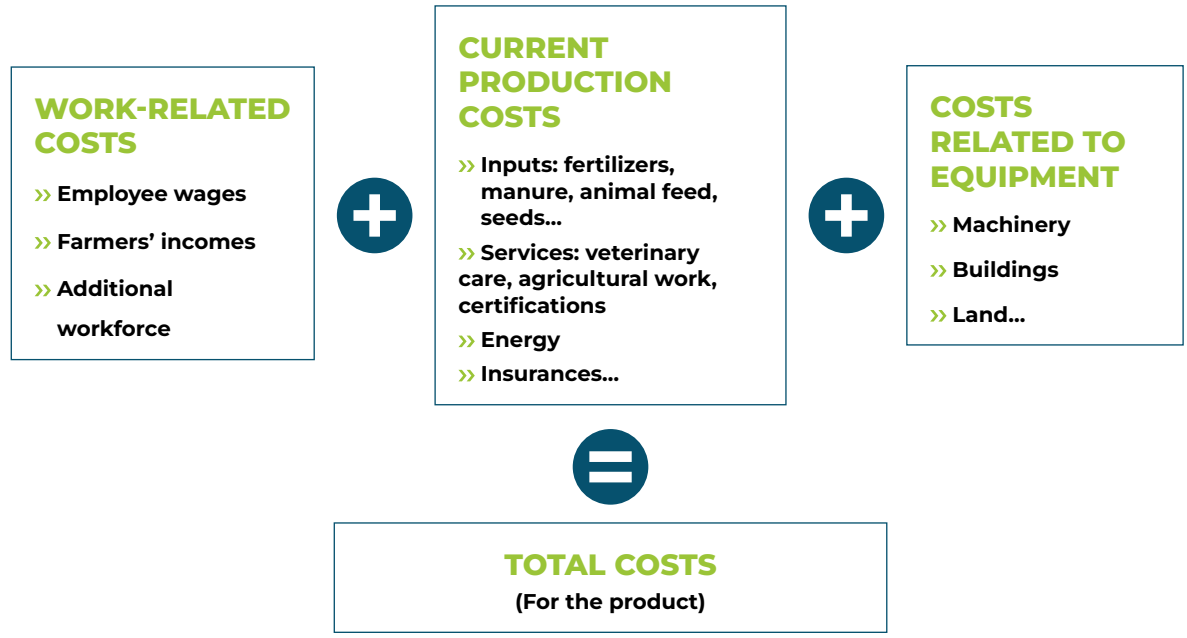
Farmer purchase price

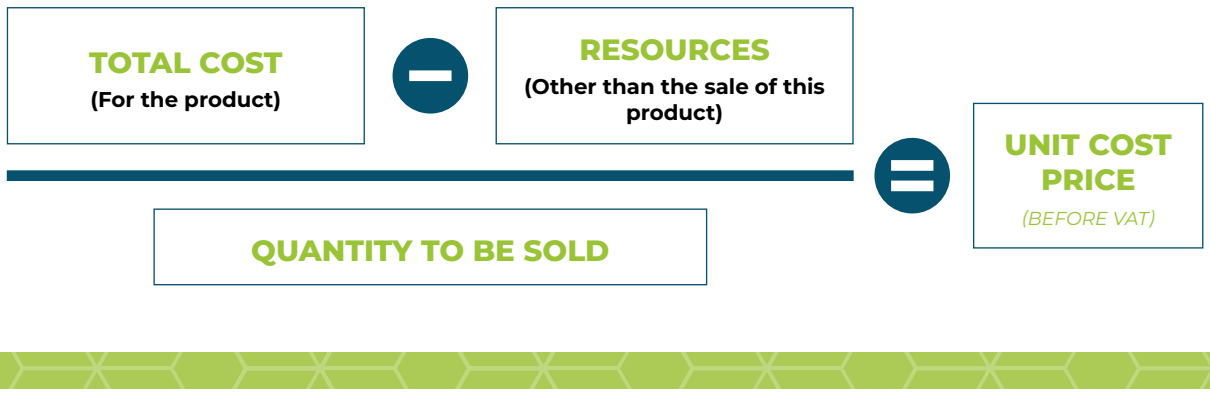
This is the actual purchase price from each farm.



3. CALCULATING PRODUCTION COSTS AT FARM LEVEL

The following diagram explains the general approach to calculating production costs at the farm level:





Costs for production methods vary according to agro-ecological practices

Taking account of the specific features of production systems

Current production costs, quantities produced and working hours are all linked to the farm's cultivation practices and production systems. An organic farm will have different input costs and yields compared to a conventional farm. Organic farming or production that incorporates agro-ecological practices often requires more labor (family labor or hired labour), and can lead to higher energy costs. Yields are of course also different. Animal welfare considerations can also have an impact on labor requirements and production volumes.

Gender perspective in the analysis of production costs

It is also possible, and even desirable, to adopt a gender perspective when analyzing production costs, in order to take account of inequalities between women and men. This can be done by carrying out a gendered analysis of the direct and indirect farm costs, in order to highlight the hidden costs associated with gender inequalities (division of labor, evaluation of the time spent on farm work and unpaid domestic work that contributes to productivity, inequalities in access to resources or credit, etc.). Such an analysis helps identify investments or initiatives—like training programs or tailored equipment—that can reduce these inequalities.

Regional references / national references

At the same time, production costs are also influenced by regional factors such as soil quality, climate, altitude, and topography, all of which affect yields for a given product.

This is why production costs should ideally be calculated **based on the specific practices and conditions of the farms in their area.** At least initially, when detailed localized data is unavailable, producers and partners may rely on **existing or modeled references (technical itineraries, production costs and yields in particular).** In this case, it is recommended, wherever possible, to use references for a given production specification and references tailored specifically to the region. Support structures and management centers can assist farming groups in addressing these issues.

Farmers and their groups could draw **on national production cost references** drawn up by technical institutes or inter-branch organisations. However, existing references for organic farming or other agro-ecological production methods (e.g. grass-fed farming) remain limited. **There is a pressing need for technical institutes and inter-professional organizations to expand their efforts in creating production cost references for a variety of farming methods, especially organic farming.**

Noteworthy efforts include the Institut de l'élevage, which has developed differentiated benchmarks for conventional and organic farming, with variations between lowland and mountain regions (www.idele.fr).

© Volailles Bio de l'Ouest

More on expenses

Equipment and land costs

The equipment linked to the production process (buildings, equipment, machinery, vehicles, breeding stock or plants for perennial crops) must be able to be replaceable in case of failure (e.g., purchase of a tractor, etc). Funding these replacements should come from the working capital generated by the farming activity. However, traditional accounting methods that rely on depreciation only partially address this need for renewal (for instance, an old tractor, depreciated for accounting purposes, has a book value of zero, whereas it has a value in use and will have to be replaced the day it is no longer operational).

This is why Fair Trade advocates recommend **including the replacement value of equipment in annual production costs by projecting the useful life of the equipment.** Of course, the logic of accounting depreciation remains a possible option, but it provides a less accurate reflection of agricultural reality.

In the case of farmland, a **rental value** can be included, whether the producer rents or owns the land, in order to include a land-related charge.

Work-related expenses

1/ Labor costs must first and foremost take into account **the costs of permanent and seasonal employees** working on the farm. These wages must comply with France's minimum social standards, collective agreements, and applicable laws, including regulations governing the recruitment of foreign nationals, particularly for seasonal workers.

2/ When **remunerating farmers**, Fair Trade advocates emphasize several key points:

» For the Fair Trade movement, it is essential that farming is seen as a viable and attractive profession, both now and in the future. To achieve this, farmers must be able to earn a living that align with national standards and averages. The profession should offer work hours, on-call duty and access to holiday periods that are comparable to other professions. Today, the reality for many farmers remains challenging, with regularly long working hours, particularly heavy call-outs on livestock farms, short holiday periods and low incomes.

In response to this situation, it is **essential that the time farmers spent working in their profession is accurately accounted for when calculating production costs.**

The aim is both to raise awareness of this time and its value, and to create the conditions to ensure that farm prices reflect the actual working time. Farm prices that are too low are holding back the recruitment of employees and creating a work overload for farmers that is detrimental to their quality of life, as well as to the attractiveness of the profession for younger generations.

The evaluation of working time can be addressed through vocational training. Collective discussions between farms are often very useful in identifying possible time savings and reduce physical strain. Identifying the amount of time spent on these tasks enables the farmers to reassess their situation and, if necessary, consider solutions such as as hiring additional staff or engaging in collective arrangements to alleviate their workload.

Fair Trade advocates recommend aligning with the I**nternational Labour Organization's standards**, specifically the Working Hours Convention (No. 30), which sets a maximum target of **2,500 hours annually** for farmers (approximately 48 hours per week).

Once working hours for production activities are quantified, a **reference remuneration** can be established to integrate labor expenses into production costs.

A number of studies have shown that the average income generated by farming in France barely reaches the monthly minimum wage, and varies significantly depending on the type of farming.

» Fair Trade advocates recommend a minimum hourly remuneration equivalent to at least one minimum wage, calculated based on the total hours worked. The long-term objective is to progressively increase this rate to two minimum wages per hour.

This recommendation to apply a minimum hourly wage may prove difficult to apply: taking into account the actual time spent by farmers would in some cases — such as beef production for example — result in final prices significantly higher than current market rates. Intermediate solutions can be used in this case, by incorporating a flat-rate remuneration (e.g., the equivalent of 2 minimum wages as an annual flat rate).

However, this is not a sustainable solution for the long-term viability of farming activities. To address this issue, we call for **public support mechanisms to be put in place to bridge the cost differential, as it is unreasonable to expect consumers alone to bear the entire burden through price increases.**

3/ It is also advisable to to account for the **cost of unpaid labor provided by individuals who are not employed under a formal contract.** This includes: spouses, more or less occasional family helpers, participants in workcamps, WOOFing volunteers, etc. These helpers can ultimately represent a significant portion of the farm's labor force. Failing to account for this labor could undermine the farm's economic balance. The farm may find itself obliged to hire labor to make up for the lack of work subsidies, for example when a farm is transferred to new ownership. It should also be noted that the use of unsalaried labour represents a social risk: these helpers are not insured and their contributions remain invisible.

© Biolait

Spotlight on resources

Resources other than the sale of the main product are deducted from the calculation. These resources primarily include **co-products** (e.g., sales of calves in cow's milk production) and **aid or subsidies**, particularly those linked to the Common Agricultural Policy (CAP).

Taking into account the value of co-products

For simplicity, the value of co-products can be estimated based on market prices. However, co-products are often sold at low prices, such as calves raised under organic farming specifications. Buyers and downstream partners in the Fair Trade sector can play a role in finding ways to enhance the value of these co-products, providing a pathway to improved profitability.

Subsidies taken into account

Subsidies can account for a significant proportion of farm income in certain production sectors and profoundly impact purchase price levels in the agricultural sector. These subsidies can be considered as income support, but they can also be used to pay for environmentally-friendly practices. Therefore, the costs of such sustainable practices should not fall solely on consumers of eco-friendly products but instead be passed on to society as a whole, which will ultimately benefit from them, via public aid schemes.

Fair Trade advocates recommend that **aid or subsidies of a permanent nature (such as CAP payments) should be taken into account in the calculations, and therefore considered as resources.** On the other hand, one-off subsidies should not be deducted (e.g. aid for planting hedges).

Integrating agricultural risks and sharing the cost of climate risks

Agricultural production is an activity that is particularly sensitive to climate variability with risks exacerbated by climate change and an increase in extreme weather events (e.g., droughts, heavy rains, or late frosts). These risks can have a major impact on yields and quantities produced, leading to higher production costs.

Fair Trade stakeholders believe that these climatic risks cannot be borne by farmers alone. They emphasize the importance of integrating agricultural risks into cost calculations and exploring mechanisms for sharing climate-related costs across the value chain.

This is why, in order to take these agricultural risks into account, Fair Trade stakeholders recommend **analyzing historical yield data over a period of at least 3 to 5 years.** This approach can include years with zero yields to provide a realistic view of average production quantities.

It is also possible to include a higher risk percentage or margin for crops that are particularly sensitive to the climate: for example, in field crop rotations, lentils may warrant a higher margin compared to wheat due to their greater vulnerability to climate variability.

A multi-year commitment for climate risk sharing in the industry

Fair Trade offers other ways of sharing risk within the agricultural and food sectors through **long-term contractual commitments.** These agreements between buyers and groups of farmers give producers visibility on their purchases. Sellers and buyers are **partners**, and engage in dialogue to find solutions ensuring that farmers are not penalized when production is disrupted by extreme weather (e.g. no penalties for non-delivery, finding alternative uses for lower-quality products, shifting purchases to other crops, etc.). Discussions between partners should also address support in case of season-specific hazards, such as exceptional climate events.

To what perimeter should these calculations and analyses be applied?

The calculation of production costs aims to determine the purchase price for a specific agricultural raw material under a Fair Trade partnership.

However, this product is typically part of the farm's broader economic and production system. For example: lentils may be integrated into a crop rotation over several years with cereals; an egg production unit might coexist with other farming activities, while vegetable crops like tomatoes or carrots often follow rotational or intercropping sequences. This diversification of crops and rotations is all the more important in agro-ecological systems as it provides significant agronomic benefits and strengthens the farm's economic resilience.

When calculating production costs, we will focus on the costs directly associated with each production workshop, especially when multiple workshops are involved. We will also allocate a portion of the fixed costs to the production process.

To account for the production costs of a product in a rotation, we can either apply the same margin to all products or assign higher costs to more challenging or riskier crops. (e.g. allocating higher production costs to lentils than to wheat in a rotation due to yields greater uncertainty).

Organising change over time

In times of significant inflation, such as rapidly increasing energy costs, production costs can change substantially within short periods.

In line with the French EGALIM law, it is recommended that the production cost components most likely to change in a situation of inflation be identified and that production costs be adjusted each year to reflect inflationary changes.

© Etic Monbio

© Commerce Équitable France

4. TRANSITIONING FROM FARM-LEVEL TO GROUP-LEVEL PRODUCTION COSTS

Insights into the collective approach

In a Fair Trade partnership, when producer groups take on a commercial role, a purchase price is agreed upon between the group and the purchasing company.

As a result, the analysis of production costs must shift from the individual farm level to the collective level of the farmer group.

On the one hand, the goal is to establish a baseline for production costs that reflects the diversity of situations across the farms within the group. On the other, it serves to include the operational costs of the group itself, calculated per unit of product sold, ie. administrative, logistical, and staffing costs, among others.

Taking into account the size of the group

Here are some considerations to support the groups and their progress in this area:

» For small groups of fewer than 10 or 15 farmers, organizing collective training on production costs seems feasible. This would involve all farmers participating in the process of determining an average or minimum value together.

» For larger groups, it would be helpful to create a typology of member farms and calculate production costs based on a representative sample from each typology. This approach will allow for the establishment of either a single production cost level for the entire group or different levels based on varying qualities (such as environmental production standards).

To begin, the group can use existing references at the national or regional level and gradually refine the analysis with farmers over time.

It should also be noted that production costs for the same product can vary between groups. For instance, the same Fairtrade buyer might set a different minimum price for wheat produced by one group in Île-de-France compared to another group in Charente.

Providing Farmers with Tools for Analyzing Production Costs

Understanding and analyzing production costs is crucial for every farmer, as it serves as a foundation for negotiating appropriate and profitable sales prices, and can also help identify opportunities for productivity improvements.

As highlighted earlier, the methodology behind analyzing production costs is a complex and evolving matter.

Fair Trade organizations recommend that **farmers be given access to training and support in analyzing production costs,** ideally within a collective framework that encourages in-depth learning through exchange and comparison. Financial resources should be specifically allocated to these efforts, for example, through training insurance funds or other public aid programs. Part of the Fair Trade development fund could also be used to support this initiative.

5. RESOURCES FOR SUPPORTING THE CALCULATION OF SUSTAINABLE PRODUCTION COSTS

Several organizations provide tools and training to help with calculating agricultural production costs. Here are a few examples:

- FNAB Network Cost Price Tools and Training
  www.fnab.org/nos-formations

- AFOCG network training courses
  www.interafocg.org

- Chambers of Agriculture training courses

- COUTS PROD software for breeders
  www.idele.fr/detail-article/couprod

- Arvalis training courses on arable crops

National benchmarks for production costs or changes in cost items for different types of production:

- https://observatoire-prixmarges.franceagrimer.fr/sites/default/files/sauv/documents-divers/tableau_egalim_indicateurs_couts_de_production_et_marche.xlsx_.pdf

CONCLUSION

The insights shared in this note highlight the complexity of analyzing production costs. While no method is perfect, addressing and quantifying this issue is a major step forward in rebalancing power within agricultural sectors. It also helps reconnect agricultural prices with the realities of farming, and supports negotiations for prices that sustain agricultural activity as it evolves and adapts to climate change.

However, analyzing production costs may encounter resistance or fears, particularly when it challenges farmers' and businesses' day-to-day realities (such as taking the time to reflect, reassess systems, or change practices). This process, along with the necessary dialogue, can take time.

Finally, while an analysis of production costs is an essential part of the negotiations between farming groups and downstream partners in the food supply chain, it is only one piece of the puzzle in securing a fair income for farmers. Fair Trade also involves commitments to purchase volumes, long-term contractual agreements, and the strengthening of farmers' collective organizations, in particular through the Fair Trade premium.

A CLOSER LOOK AT DOMESTIC FAIR TRADE IN FRANCE

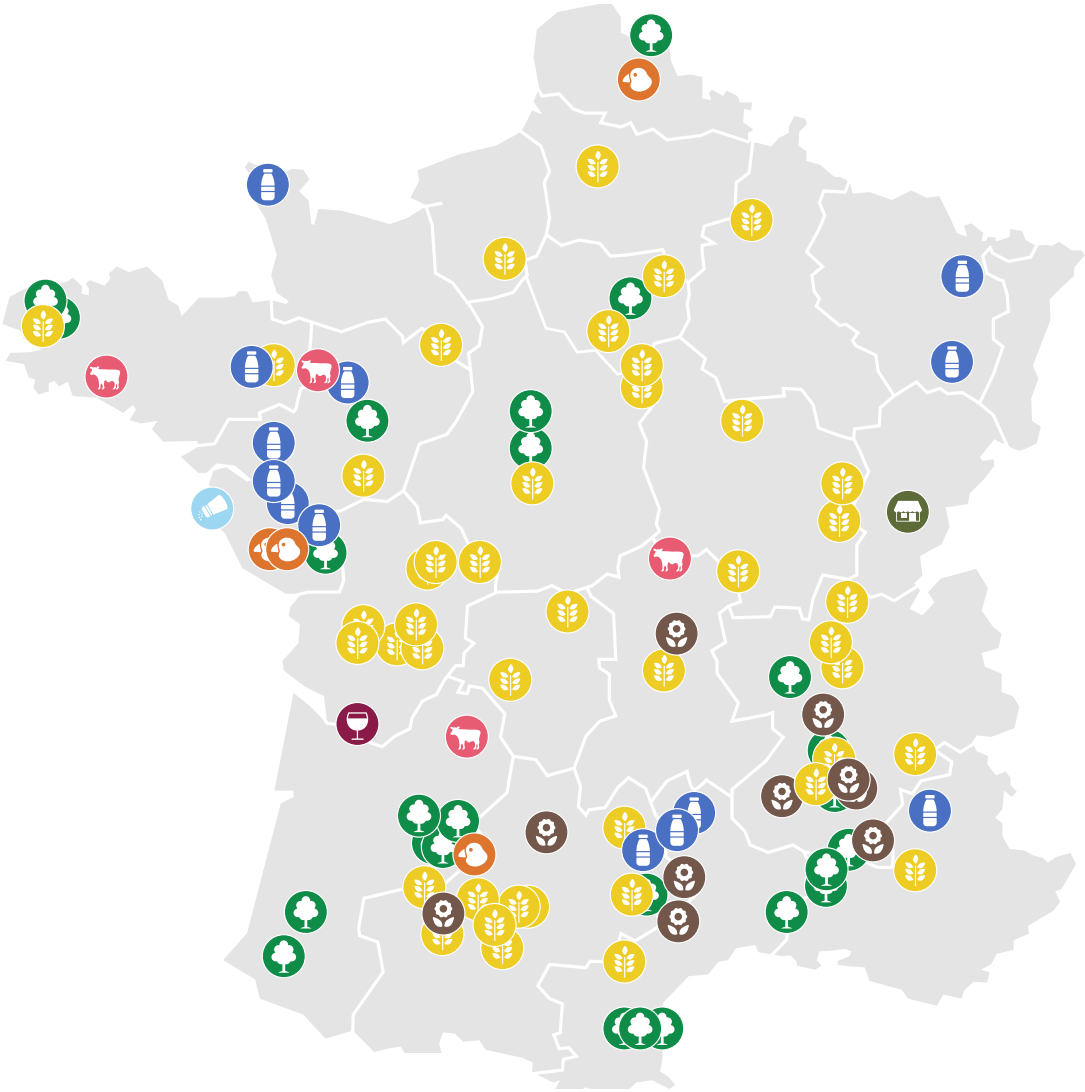
SALES

781 Millions in 2023

X 4 in 9 years

Over 2200 Product references

127 groups benefiting from fair trade partnerships, representing 12,000 farmers (year 2023)



Cereals
Fruits and vegetables
Aromatic plants
Beef
Salt
Wine
Eggs and poultry
Dairy products
Honey

WITH THE SUPPORT OF

Fondation Charles Léopold Mayer pour le Progrès de l'Homme

Carasso Daniel & Nina
Fondation sous l'égide de la Fondation de France

Commerce Équitable France

Non-profit association under the French 1901 law, Commerce Équitable France is the collective of French fair trade stakeholders and promotes the values of fair trade in France and internationally.

The collective works to establish fairer global trade rules aligned with the Sustainable Development Goals and to democratize sustainable consumption.

A fair price for producers and the transformation of public regulatory frameworks are the levers of fair trade to achieve social justice and ecosystem protection.

Commerce Équitable France
Jardin d'Agronomie Tropicale de Paris
45 bis, avenue de la Belle Gabrielle - 94736 Nogent sur Marne Cedex
www.commercequitable.org - contact@commercequitable.org