



Image: Fairtrade International

SUSTAINABLE AGRICULTURE STARTS WITH FARMERS:

POLICIES FOR FAIR REMUNERATION OF FARMERS AROUND THE WORLD

Position Paper

**Fair
Trade**
ADVOCACY OFFICE

AUTHORS

Virginia Enssle

Isabel Garland

Published in December 2024



This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the FTAO and do not necessarily reflect the views of the European Union.

**Fair
Trade**
ADVOCACY OFFICE

INTRODUCTION

The incoming European Commission has pledged to deliver a ‘Vision for Agriculture and Food’ that underscores a fundamental principle: ensuring that farmers receive fair and sufficient incomes. Specifically, it highlights the importance of preventing farmers from being forced to sell their products below production costs. The Fair Trade Advocacy Office (FTAO) fully endorses this vision and emphasises that the upcoming evaluation and potential revision of the Unfair Trading Practices (‘UTP’) Directive offers a critical opportunity to translate this commitment into tangible outcomes.

Addressing farmer remuneration is not merely a European challenge but a global imperative. While smallholder European farmers grapple with rising production costs and diminishing incomes, their counterparts in non-EU countries often face even graver injustices, operating under fragile systems and earning far below living income thresholds. The EU’s reliance on agricultural imports from non-EU countries – vital for commodities such as cocoa and coffee – amplifies the interconnectedness of these issues. Therefore, achieving fair incomes for farmers worldwide is essential to fostering a sustainable and equitable global food system.

This paper argues for a comprehensive approach that extends beyond the EU’s borders, calling for policies that uplift both EU and non-EU farmers. Such an approach not only levels the playing field but also reinforces the EU’s commitments to the UN Sustainable Development Goals and its broader sustainability objectives. By integrating fair remuneration into existing and future policies, including the UTP Directive, public procurement rules, and trade agreements, the EU can cement its leadership in advocating for fair and sustainable agricultural practices globally.





Image: The Century Cooperative Credit Society

THE PROBLEM

As rightly expressed by President von der Leyen: “farmers are often the most vulnerable part of this chain, we have to correct existing imbalances, strengthen farmers’ position and further protect them against unfair trading practices” [1]. However, we must be careful to not put farmers into the same box: the “vulnerable parts of the chain” referred to by Von der Leyen are the small-scale farmers, many of which after decades of rising production costs and terribly low incomes have been forced to shut down because they simply cannot compete on the market with giant agri-businesses and big landowners who soak up 80% of the EU’s Common Agricultural Policy (CAP) budget, while only accounting for 20% of farms. Smaller and more disadvantaged European farmers have a right to express their anger and protest against this structural injustice.

However, it is necessary to contextualise the plight of EU farmers within a broader global perspective. For starters, the EU agri-food sector is highly dependent on imports from third countries who supply the EU market, and without which, many EU industries such as cocoa and coffee would simply collapse. Moreover, the farmers in third countries supplying the EU with these products are often living in dire circumstances, experiencing the same systematic injustices as EU farmers, but on an exponentially bigger scale. For example, in Ghana and the Ivory Coast, which produce most of the EU’s cocoa, up to 58% of cocoa farmers live below the World Bank’s extreme poverty line, and up to 90% do not make a living income. These farmers often operate without any substantial financial and technical support systems, with less regulatory oversight and are more vulnerable to climate shocks. In contrast, European farmers are among the most subsidised and supported in the world, benefitting significantly from financial support from systems such as the CAP, which despite its flaws, do not exist in the EU’s trading counterparts.

The intention here is not to put the struggles of EU and non-EU farmers against each other, but merely to highlight that smallholder farmers around the world are victims of the same systematic power imbalances and situations of precarity. For that reason, the measures that the EU intends to take to improve the position and incomes of farmers in agri-food supply chains must cover non-EU farmers exporting to the EU as well.

[1] Ursula von der Leyen, [‘Political Guidelines for the next European Commission 2024-2029’](#) (2024)

If the EU only introduces measures to improve conditions for EU farmers (i.e. through the CAP), it will likely create a competitive imbalance. Due to compliance with these measures, EU farmers will face higher production costs, while buyers may opt for cheaper imports from non-EU farmers who are not bound by similar standards. This would undermine the intended benefits of the measures for EU farmers and create incentives for a ‘race to the bottom’ in global farming standards as producers in non-EU countries compete on price alone.

Ensuring fair remuneration for non-EU farmers can also benefit EU farmers indirectly. By reducing the competitive pressure from low-cost, low-standard imports, EU farmers can compete more fairly. Additionally, more stable global agricultural markets and stronger rural economies in producer countries can help stabilise supply chains, benefiting EU consumers and producers alike.

The EU is one of the world’s largest importers of agricultural products and has also committed to advancing the UN Sustainable Development Goals (SDGs) and respecting human rights in global supply chains. By implementing measures that improve the remuneration conditions of all farmers the EU can uphold its commitments to SDGs 1, 2, 8 and 12, inter alia; as well as demonstrate leadership in building fairer global agricultural trade systems.

Connectedly, EU policies are increasingly focused on fostering sustainability, but the global dimension of sustainability must also be addressed by: improving remuneration and working conditions for both EU and non-EU farmers; strengthening global supply chain resilience; reducing social and environmental risks, such as deforestation, child labour, and exploitative working conditions; and ensuring that the EU’s efforts to address climate change and social inequality are not undermined by offshoring problems to non-EU countries.

By improving remuneration conditions for both EU and non-EU farmers, the EU can achieve multiple objectives: securing the livelihoods of its farmers, fostering a transition to more sustainable food systems worldwide, advancing its global commitments, and ensuring fairness in international trade. This comprehensive approach avoids unintended consequences and positions the EU as a leader in building equitable, sustainable agricultural systems worldwide.





Image: Fairtrade Indonesia

The mission letter to Commissioner Hansen clearly commands that “in all of your work will ensure that farmers have a fair and sufficient income. You will engage to strengthen farmers’ position within the food value chain and protect farmers against unfair trading practice, notably to ensure they are not forced to systematically sell below their products costs” [2]; and this shall not be restricted by policies targeting EU farmers exclusively as this would actually run counter to their protection. Any EU income policy for farmers that the EU wishes to put through, must consider the wider external dimension and potential impacts outside the EU.

We echo the recommendation from the Strategic Dialogues on the future of EU Agriculture when calling for an independent task force composed of social policy, economic and agronomic experts to be mandated by the European Commission to evaluate the most appropriate mechanisms and criteria to better target income payments [3]; and we would expect this task force to bear in mind the points mentioned above and determine most appropriate mechanisms to improve income of EU and non-EU farmers.

SOLUTIONS

Living Income as a way to achieve fair income for farmers

A Living Income ensures fair income for farmers by defining the minimum income they need to cover essential needs like housing, food, healthcare, education, and savings for emergencies. It addresses income gaps in agricultural supply chains, promotes equity by ensuring farmers receive a fair share of value, and empowers them to live dignified lives. It is defined as the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include: food, water, housing, education, healthcare, transportation, clothing, and other essential needs including provisions for unexpected events [4].

In many agricultural supply chains, farmers face a gap between their actual income and what they need to achieve a living income. Efforts to bridge this gap—such as through price premiums, better contractual terms, or capacity building—directly contribute to fair income.

[2] Ursula von der Leyen, [‘Mission Letter Christophe Hansen, Commissioner-designate for Agriculture and Food’](#) (2024)

[3] [‘Strategic Dialogue on the future of EU Agriculture’](#) (2024), page 43

[4] Living Income Community of Practice, [‘Living Income’](#)

Fair income underpinned by living income ensures that farmers are not just surviving but living with dignity.

Living income benchmarks provide a clear, data-driven target to achieve this level of fairness, considering local economic realities. By adopting living income benchmarks, stakeholders can drive systemic changes, enabling farmers to invest in their livelihoods and build resilient communities.

Policy recommendations

General recommendations

In general terms, to operationalise the goal of fair income for farmers and fair trading practices in agri-food supply chain, the EU could:

- Adopt sustainability policies that require domestic and foreign production to comply with heightened standards on fair remuneration of farmers.
- Connectedly, and as suggested by the Strategic Dialogues on the future of EU Agriculture, the Commission should adopt a comprehensive strategy for agri-food trade, covering both export and import policies, with a special view to sustainability policies [5] (and within that, to those that can work to the betterment of farmers' incomes and presence of unfair trading practices).
- Support EU and non-EU farmers in meeting standards. Technical and financial assistance shall be provided to EU and to non-EU producers to help them comply with fair income standards [6].
- Promote International Agreements. The EU shall advocate for global agreements on fair wages and sustainable practices in agriculture, ensuring a level playing field.
- The tax system should also be used as a way to reflect the true cost of production and to achieve fair prices for farmers while eliminating harmful subsidies for agricultural commodities. For example, VAT reductions on socially sustainable products.

[5] Strategic Dialogue on the future of EU Agriculture (2024), page 48

[6] Ibidem





Image: Fairtrade International

- Food labelling should ensure that consumers receive trustworthy information about the conditions in which their products are produced (i.e. presence of forced or child labour, compliance with labour laws, assurance of decent work and fair remuneration).
- As proposed by the Strategic Dialogues on future of EU Agriculture, the EU should support the agroecological transition by promoting agroecological practices either at farm level or food system level [7].

Detailed recommendations

In more concrete terms, this paper lays out two possible solutions to tackle the unfair remuneration of farmers under the following headings:

1. Ban the practice of “purchasing below the cost of production” by adding it to the banned practices stipulated in the [Unfair Trading Practices \(UTP\) Directive](#) (EU 2019/633).
2. Make use of existing policy frameworks to enable farmers to receive a Living Income.

Banning below cost purchases under the UTP Directive

One of the most readily available tools to combat this is the Directive on Unfair Trading Practices (UTPs) in the agri-food supply chain. The Directive has been in force since 2019 and is currently undergoing [evaluation](#), and potentially a revision.

It must be underlined that regarding UTPs in global supply chains and international trade, the UTP Directive offers non-EU actors to lodge complaints as long as they have a contract with an EU-based buyer. In most cases, it is however the exporter and not the farmer/producer who has a contract with an EU buyer; this means that non-EU actors may only benefit indirectly from a ‘trickle down’ effect, i.e. the exporter is protected against UTP from its EU buyer, and therefore is less likely to impose UTPs the farmers it sources from. Additional research is needed to determine to what extent the protection the UTP Directive offers to exporters can have a more direct and positive impact on producers and farmers.

[7] [‘Strategic Dialogue on the future of EU Agriculture’](#) (2024), page 64

The current UTPs regulatory model, as done by the European Union, is not a direct tool to achieve Living Incomes as there is not a strict causality relation between regulation of UTPs and the achievement of Living Incomes. However, it can – indirectly – contribute to farmers achieving a Living Income by restricting behaviour that buyers can have towards suppliers and, subsequently, smallholder farmers as well by having a deterrent effect [8].

Suppliers see themselves forced to accept orders even when they are not even covering the cost of production and often engage in agreements with buyers changing the terms unilaterally or to accept poor payment terms. The pervasiveness of these unfair practices prevents suppliers from investing in their farms and processing businesses, and in addition, make it extremely difficult for smallholder farmers to achieve a Living Income or to invest in the implementation of sustainable agricultural practices [9].

One concrete way to increase the income of producers (both EU and non-EU based) through this instrument would be to add banning purchasing products below the cost of production to the list of black practices in the Directive. We believe that if the prohibition of buying or selling below the cost of production in the entire supply chain were to be taken up as a UTP, there would be a direct causal relationship between achieving Living Incomes and the UTP Directive.

Information on cost of sustainable production:

- The production cost includes all costs incurred in relation to the production of the primary product. Production costs shall be calculated using an adapted version of the methodology of the Farm Sustainability Data Network (FSDN).
- In all cases, the production costs should include costs for bought-in feed, fodder, crop cultivation (seeds, fertilisers, plant protection products), animal husbandry, maintenance of machinery and buildings, contract work, paid wages and social security as well as remuneration for farm managers and other farm workers (including family workers), overheads, rent, depreciation, interest and taxes. Only production support measures must be deducted from costs as subsidies.

[8] Fair Trade Advocacy Office, Sustainable Food Lab, '[The Role of Governments in enabling Living Income in Global Agriculture Value Chains: Guidance for public policy makers](#)' (2022)

[9] Ibidem.





- In relation to the ‘sustainable production’ aspects, at least the following elements should be taken into account:
 1. Paid wages and social security, as well as remuneration for farm managers and other farm workers (including family workers), should be calculated based on existing collective agreements in countries, actual wages, the applicable minimum wages or living wage benchmarks, whichever is highest;
 2. Costs incurred following sustainable farming practices that generate ecosystem services (for example organic farming, agro-ecological practices, biodiversity protection or restoration, or carbon capture) should be taken up accordingly;
 3. Costs related to certification of sustainable and fair farming practices as well as costs associated with meeting environmental requirements.
- Cost calculation should be based on averages of data points of predetermined time frames per product type and production systems, to average out cost fluctuations throughout production cycles.
- An accompanying UTP should be added that allows farmers and cooperatives to renegotiate contracts in cases of input shocks that significantly alter the cost of sustainable production.
- Given that cost structures in low-income countries in the Global South are different to those within the European Union and might be more difficult to calculate, the FSDN should provide simplified and contextualised methodologies -potentially relying on existing living income benchmarks- for key imported products from the Global South as applicable.

Furthermore, the fact that several Member States such as Spain have been prohibiting selling below the cost of production since 2013 with relative success is proof that such legislation could be applied on a wider scale. It is common to mistake the prohibition of purchasing below the cost of production and initiatives such as France’s Egalim law that introduce floor prices. However, in the latter case, there is a bigger risk of overproduction, and also of larger farmers reaping some of the benefits since they are able to sell their goods at a lower price, and can benefit more from prices being made “higher”. Banning below cost purchasing, on the other hand, will not strictly benefit larger farms, as they are less likely to be selling below production costs because they have relatively lower production costs due to the logic of economies of scale, as well as having an exponentially higher income than smaller farmers.

There is also a concern that prohibiting purchasing below the cost of production may have unintended environmental consequences such as more intensification and an increase in pollution from higher fertiliser and pesticide use. However, the reality today is that the smallholder farmers are under enormous pressure to maximise production and use harmful chemicals to guarantee their survival. Allowing them to simply sell their goods at a price the same or higher than their production costs may give them the margins they need to produce in a less intensive way.

Using existing policies to enable farmers to earn a Living Income

a. Public Procurement Directive

The EU not only has on its toolbox the Directive 2019/633 to improve the position and incomes of farmers in agri-food supply chains; it can also resort to other existing instruments to achieve the objective.

For instance, the 2014 EU Public Procurement Directive could be a tool to improve farmers' income as well. Even if the EU Public Procurement rules do not explicitly refer to Living Income of farmers, they enable public authorities to include sustainability considerations into their public procurement processes, such as giving additional points to products of “fair trade origin, including the requirement to pay a minimum price and price premium to producers”.

Despite this favourable legal framework, the percentage of public contracts including social and Fair Trade considerations are still limited [10].

For that reason, we recommend reviewing the current 2024 Public Procurement Directive with a view to [11]:

- Prohibit lowest price criteria, making only possible in some well-justified exceptional cases

[10] Fair Trade Advocacy Office, Sustainable Food Lab, [‘The Role of Governments in enabling Living Income in Global Agriculture Value Chains: Guidance for public policy makers’](#) (2022)

[11] Ibidem.

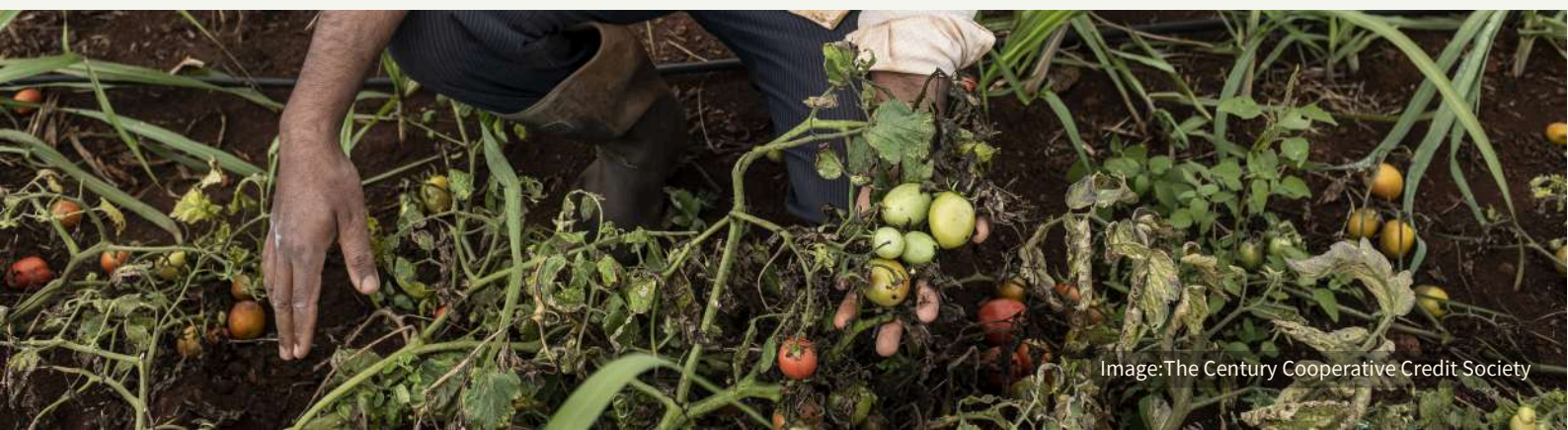




Image: Unsplash

- Include the lowest price criterion as ground for exclusion to end the race to the bottom and ensure that public procurement supports fair and sustainable practices throughout the supply chain.
- Add the term “social” to Article 42(3)(a) referring to technical specifications, even without a direct link to the subject matter of the tender.
- Refer to all internationally recognised human rights, including a reference to Living Incomes as a precondition for the fulfilment of other human rights.
- Better enforcement of social clauses prescribing the respect of collective agreements, including by allowing for exclusion of bidders not respecting them, labour law and/or the ILO Core Labour Standards and by referring to ILO Convention 94 (1949) on Labour Clauses in Public Contracts.
- Make it mandatory for public procurers to conduct Human Rights and Environmental Due Diligence (HREDD) and address the direct and indirect impacts of own purchasing practices, including prices.
- Enable the option to contract authorities to favour suppliers that source themselves from smallholder farmer organisations and social economy actors, such as social enterprises.
- Place greater emphasis on monitoring and measuring of quality and sustainability, both in the tendering process and contract performance. To do so, requiring self-reporting and the mandatory collection of SPP data through e-Forms and facilitate and help public procurement when there are no criteria of verification in place.
- Set up minimum mandatory criteria for food public procurement that goes beyond Green Public Procurement and considers health and social sustainability aspects as well.
- Put in place mandatory Fair Trade criteria for certain categories of products, like it is the case in Italy since 2020 [12].
- Provide contracting authorities help-desks like Engagement Global Sustainability Compass and practical tools, such as trainings, toolboxes, analysis of how sustainability and Fair Trade labels contribute to Living Income, based on existing guides on Fair Trade labels [13].

[12] The Italian Ecological Transition Ministry adopted in April 2020 mandatory minimum sustainability requirements for food and catering in public procurement, including requiring that all bananas and pineapples served in schools across Italy must be Fair Trade and Organic, and all chocolate must be Fair Trade, for example.

[13] Commerce Equitable France, '[International Guide to Fair Trade labels](#)' (2020)

b. Corporate Sustainability Due Diligence Directive

The Corporate Sustainability Due Diligence Directive ('CSDDD') crystallises the global consensus that companies have a responsibility to respect human rights along their supply chains.

A very positive aspect of the CSDDD is that it refers to Living Incomes as a protected right in the Annex. However, the lack of a definition for Living Income within the CSDDD threatens farmers at the beginning of the supply chain receiving adequate remuneration, which can facilitate their ability to achieve a living income.

Companies in scope of the CSDDD who sell agricultural products (e.g. large supermarkets) will need to identify whether their activities risk violating other people's right to a living income. As this right is not defined in the current version of the CSDDD, companies in scope could determine that the manner in which they currently operate (i.e. what prices they pay to their suppliers, who in turn pay the farmers) is legitimate. Even if they assess that there is a risk of violating the right to a living income, their corrective action plan might not be ambitious enough and seek to provide an income that continues to be insufficient. This would create a critical loophole and mean that farmers might be left with little bargaining power to demand better prices at the farmgate and leave them actually bearing the brunt of the costs of climate adaptation and other investments.

The recommendation in this regard is to ensure that the Commission (DG JUST) includes a definition of living income in the CSDDD guidelines and in the FAQs. Having a definition for living income would support EU and non-EU farmers in holding their buyers accountable for not respecting their right to a living income.

The CSDDD can also play a relevant role when it comes to purchasing practices. In this sense, the European Commission should ensure that measures required from companies regarding purchasing practices are coherent with the content of the UTP Directive on Agri-food. That is, ensure that the enforcement authorities of both coordinate with each other, and that the CSDDD guidelines on how companies adjust their purchasing practices should at least contain as minimum what the UTP Directive says.





Image: Fairtrade International

c. EU trade agreements

EU trade agreements can play a significant role in promoting living incomes and living wages by incorporating provisions that ensure fairer and more sustainable trade practices. Though the current trade agreement model used by the EU may be falling short of its objectives to promote sustainable development [14], the EU can better align trade agreements with EU development policies, focusing more on poverty reduction and decent work.

Below are some recommendations as to how ‘new generation’ trade agreements could work towards improving position and incomes of farmers in agricultural supply and value chains:

- Include explicit references to living incomes and living wages as commitments in the Trade and Sustainable Development (TSD) chapters .
- Require adherence to International Labour Organization (ILO) Conventions, particularly those related to fair remuneration (e.g., Convention 131 on Minimum Wage Fixing) and the ILO Decent Work Agenda.
- Create mechanisms to monitor and enforce compliance with living wage and income benchmarks within supply chains.
- Provide preferential market access for products certified as contributing to living wages and incomes (e.g., Fair Trade-certified goods).
- Make compliance with living wage and income standards a condition for reduced tariffs, with penalties for non-compliance.
- Encourage governments to prioritise products meeting living wage and income standards in procurement linked to trade agreements.
- Provide technical and financial support for developing countries to implement and monitor living wage/income programmes.
- Engage producer organisations, workers, and civil society in the negotiation of trade agreements to ensure their needs are reflected.

d. Competition policy

We echo the recommendations from the Strategic Dialogues on the Future of EU Agriculture in

[12] Young Fair Trade Advocates, [‘Un-doing EU Trade Agreements to re-build a fairer puzzle’](#) (2023)

calling for the European Commission and the Member States to promote cooperation initiatives between farmers and other supply chain actors in line with art. 210 a CMO Regulation[15].

In this sense, the EC has already adopted a new set of guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements which include a specific section on sustainability agreements[16]. While these guidelines offer a certain level of clarification of the kind of cooperation agreements related to fair working conditions that are unlikely to raise competition concerns, competition law is still perceived as a barrier to sustainability agreements by many companies. The EC and Member States competition authorities should remain open to offer further clarification to business actors and civil society including by issuing comfort letters when relevant. This would ensure that agreements that could potentially improve the incomes of farmers occupying weak positions in the supply chain are not aborted for fear of infringing competition law.

CONCLUSION

The EU already has several tools at its disposal to improve the position of farmers in the food-chain and improve their income, both inside and outside the EU. It would be a tremendous waste if the EU did not already capitalise on this opportunity to leverage its policies to improve the livelihoods of farmers around the world. The Fair Trade movement hopes that the Commission listens to these tangible recommendations so that millions of non-EU farmers and producers that feed EU citizens can benefit from its policies.

In the end, the Fair Trade movement hopes that the Vision for Agriculture and Food lands the promise to work on fair income for farmers and improve their position in the supply chain. The Fair Trade movement believes the achievement of living incomes and banning unfair practices, such as selling below cost of production under the Unfair Trading Practices Directive, are the most effective tools available for doing this.

[15] [‘Strategic Dialogue on the Future of EU Agriculture’](#) (2024)

[16] European Commission, [‘Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements’](#) (2023)





Image: Fairtrade International

**Fair
Trade**
ADVOCACY OFFICE

www.fairtrade-advocacy.org