



Fair Producer Prices



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Sub-Saharan
Africa and
Asia



80 % food supply
produced by small-scale
and family farmers

investments to improve
their productivity are
urgently needed

Universal Declaration of Human Rights

- Article 23
- “Everyone who works has the right *to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.*”
- Article 25
- “Everyone has *the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.*”

Resulted in

- **SDG's**
 - Goal 1 'No Poverty'
 - Goal 2 'Zero Hunger'
 - about ending poverty and hunger, and achieving food security
- **Industry: Living Wage**
- **Agriculture: Living Income**

A living wage is the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.

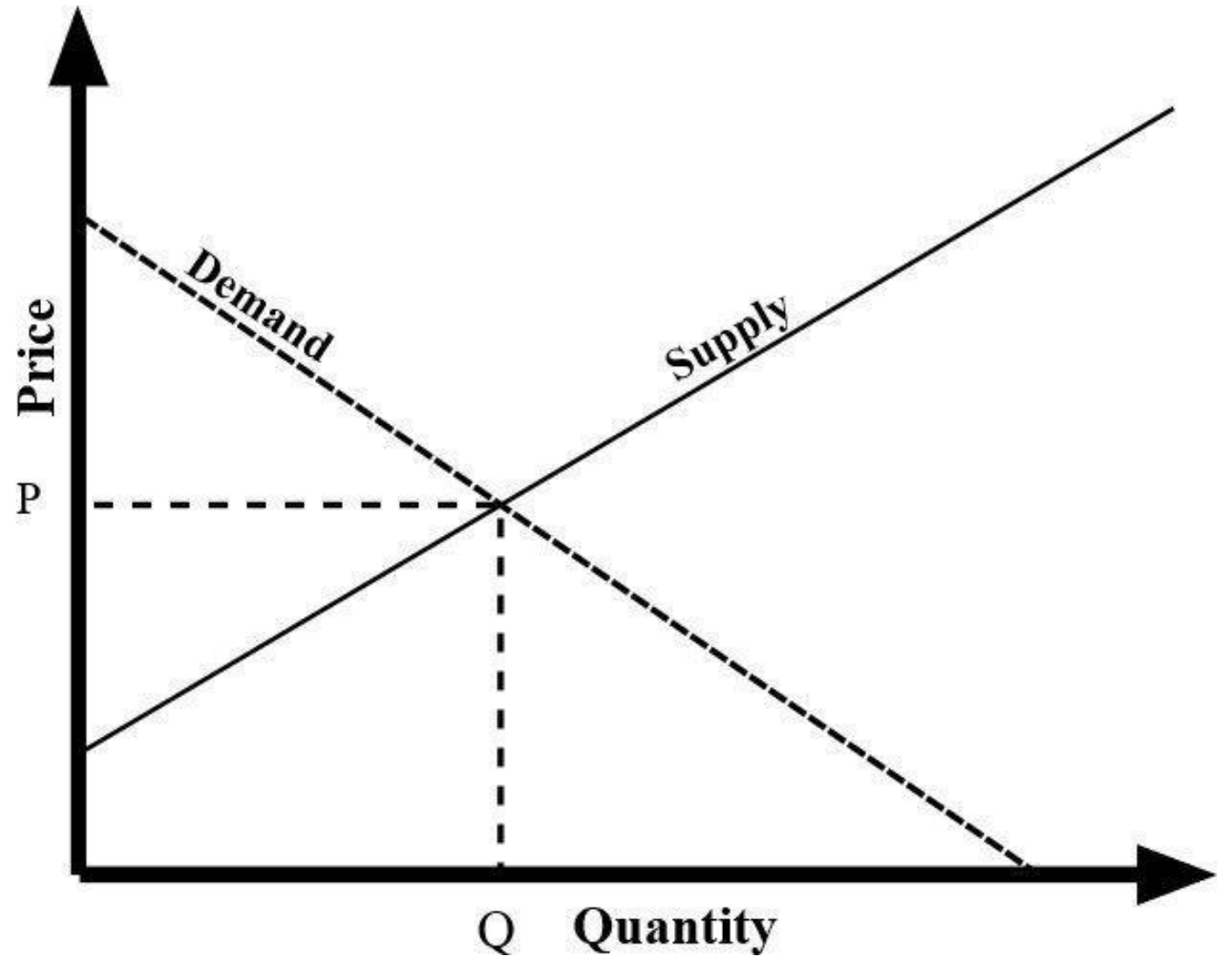
Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events

A living income is "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, transport, clothing, and other essential needs including provision for unexpected events. To this should be added a percentage for investments.

Living Wage and Living Income

Equilibrium price with perfect competition



Conditions perfect competition

- large number of firms
- homogeneous product
- free entry
- perfect knowledge producers and consumers market conditions
- complete mobility of factors of production

- Besides:
- Effective and Potential demand
- Supply forced by poverty

Conclusions market prices



MARKET PRICE IS NOT THE SAME AS
EQUILIBRIUM PRICE

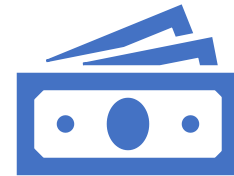


MARKET PRICE TAKES TOO
LITTLE INTO ACCOUNT THE
NEEDS OF THE PRODUCERS
AND OF POOR CONSUMERS

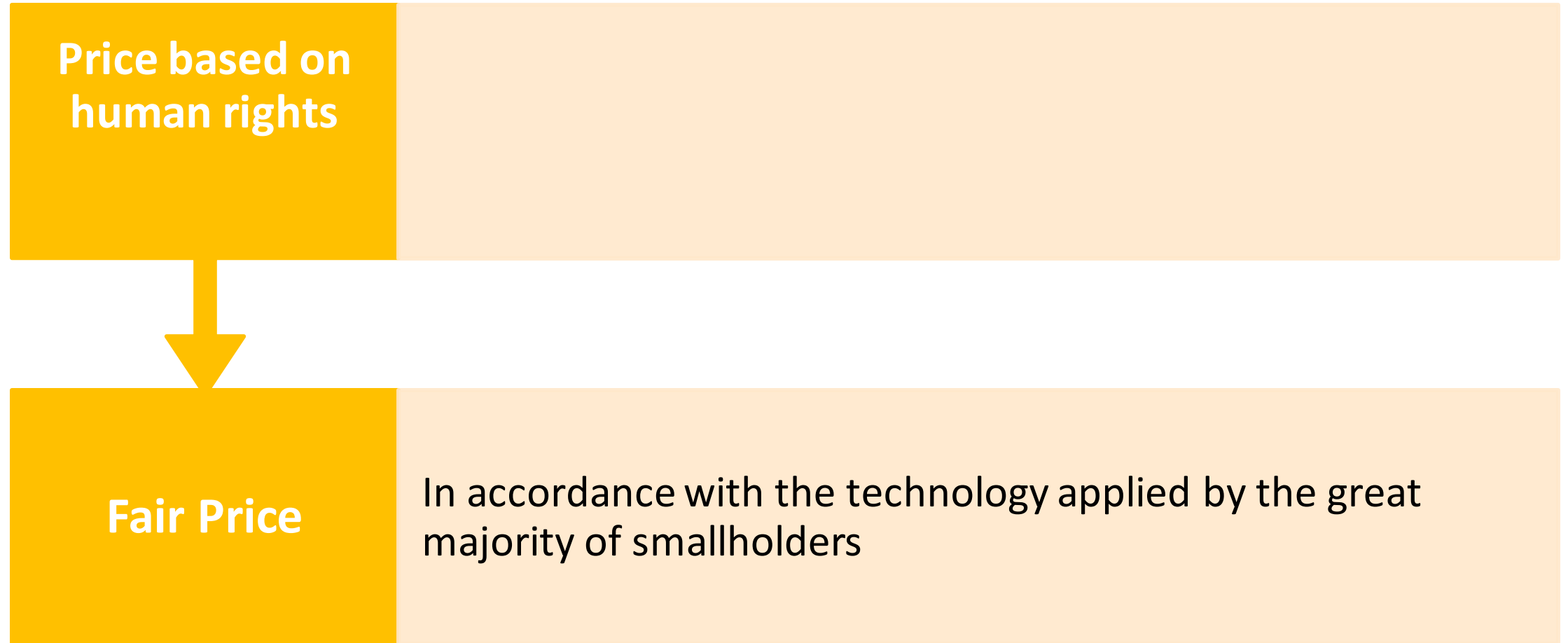


THEREFORE PRICES
CANNOT BE LEFT TO
THE MARKET ALONE

- Therefore:
- Need to find an equilibrium price that can be considered 'fair' by both negotiating parties
- For the seller this means a price that covers costs and secures him/her of a decent income
- Must be a price that makes continuation of production possible
- For each product such a price should be calculated



An alternative approach



Fair Price

(a) the price is sufficient to **pay all costs**, both fixed and variable costs;

(b) all workers get paid **at least a 'Living Wage'** as well as the **legal minimum wage**;

(c) the producer himself has an **income that equals at least both the 'Living Wage' as well as the legal minimum wage**;
and

(d) this price is sufficient to **expand the business** in a gradual way.

Long-term effects

Higher income farmer

More well-being

Food, Education, Housing, Medical care

Less child labour

More investments

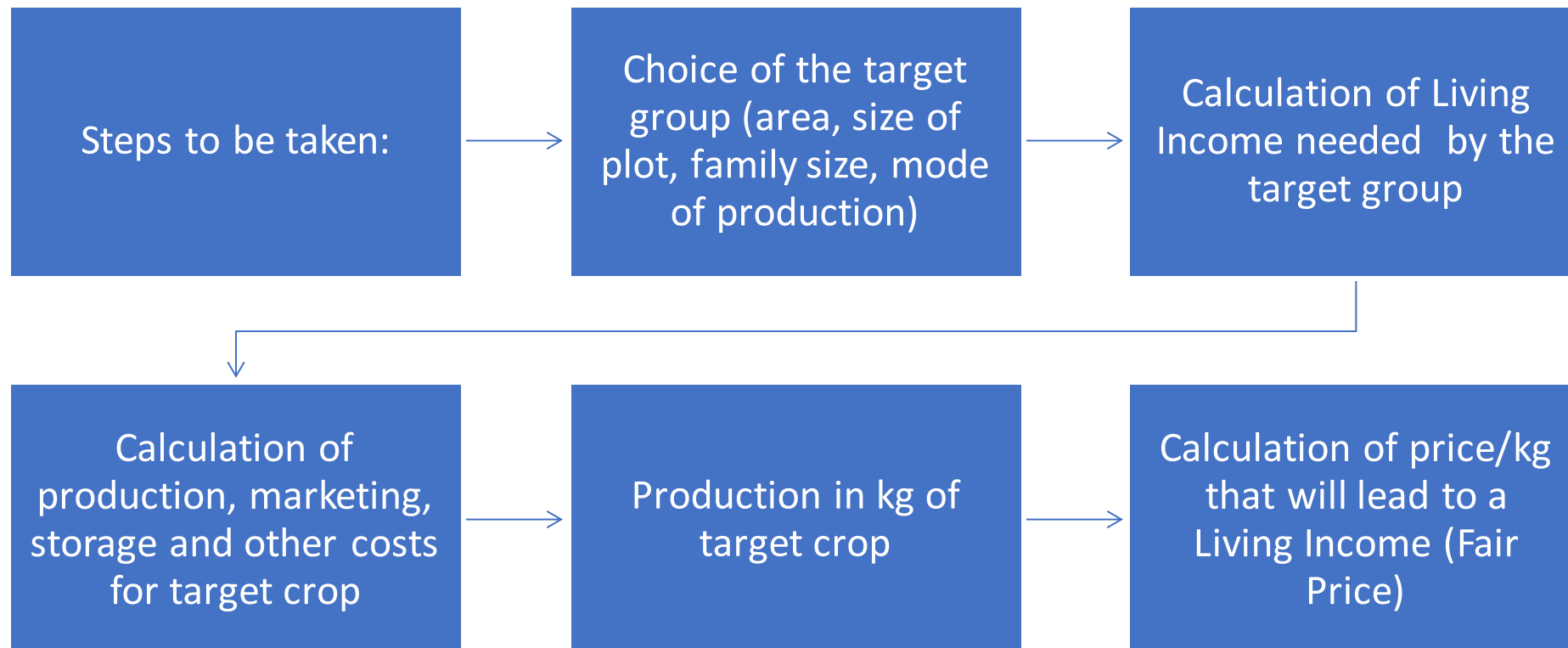
- *Higher production*
- *Climate change*
- *Sustainability*

Multiplier effects community

Less purchasing power consumers

- *Effects on local shops*
- *More income from producers*
- *Less income from other consumers*
- *Greater supply versus diminished demand of locally produced food ?*

Calculation of Fair Price



Assumption

Full-employment

Applications

PLANNING

EVALUATION

MONITORING

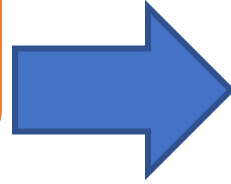
Fair price Tea Malawi				
		Needed hh income/yr		MWK 1.132.257
<i>Average number of adult earners per hh</i>		1,6		
		LW pp/yr (per earning adult)		MWK 712.111
		Total working days / yr		246
	<i>LW per adult earning family member per working day</i>			MWK 2.890
Size of the farm in ha		1,39		
Production (kg)	Tea			
		6950		
	Production costs			
	Tea	Maize	Pigeon Peas	Total
Total production costs	MWK 559.521	MWK 123.108	MWK 64.867	MWK 747.496
On basis of this Living Income (LI) can be calculated		factor>	1,05	
<i>LI/yr= (Number of Adult earners * LW + costs) x 1,05</i>				MWK 1.973.741
Additional income	Maize	Pigeon Peas	Total	
Total additional	MWK 150.583	MWK 145.950	MWK 296.533	
FP = (LI - add income) / production	241,32			

Difference between Fair prices and market prices

- Market prices are based on supply and demand may be influenced by **market distortions**
- Fair prices are based on production costs and costs of living based on **real costs**

Suggestions Research project

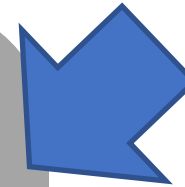
Application methodology to calculate Fair Prices



Payment Fair Prices

Evaluate Effects payment Fair Prices

- Income farmer
- Income labourer
- Child labour
- Social effects
- Multiplier effects
- Food security situation
- Government revenues
- Climate change
- Sustainability
- Cooperatives



Thanks for your attention

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