



**UEBT**  
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WITH RESPECT

# GUIDELINES ON FAIR PRICES AND SOURCING ARRANGEMENTS

This document was developed by UEBT to support the work of companies and organisations in ensuring that fair prices are paid to producers (i.e., local pickers/collectors or farmers cultivating natural raw materials) in sourcing areas.

This document explains the requirements contained in the UEBT standard related to fair prices and how to make sure that sourcing arrangements with producers are based on dialogue, trust and long-term collaboration.

## UEBT STANDARD AND FAIR PRICES

Fair prices and sourcing arrangements with producers are considered in the UEBT standard under **Principle 3 – Fair and equitable sharing of benefits derived from the use of biodiversity.**

There are two criteria that focus on this topic:

### 3.1 Prices paid for natural raw materials are fair

### 3.2 Sourcing arrangements with producers are based on dialogue, trust and long-term collaboration

## PARTS OF THE SUPPLY CHAIN THESE GUIDELINES APPLY TO

**Organisation at Source**

**Sub-Suppliers**  
(If relevant)

**Field Operators**  
Farmers/Collectors

### Organisations at Source

Organisations at Source are the units that manage the cultivation and/or collection activities of the natural raw material to be certified or verified. They are directly responsible for ensuring compliance with the UEBT standard's requirements applicable to them (management system and operations requirements), and, directly or indirectly, for those applicable to the Sub-Suppliers and Field Operators (pickers/farmers/collectors–field level requirements) that they manage.

In some cases (depending on the setup), the Organisations at Source can be the UEBT Certificate Holder or the UEBT verification client. They may also be a UEBT member.

### Sub-Suppliers

Sub-Suppliers may or may not exist in the supply chain. Generally, they are intermediaries (e.g., an individual person, company, association or producers, or an NGO) between the organisation at

source and Field Operators that are in direct contact with farmers/wild collectors and supply certified or verified natural raw materials (ingredients from biodiversity) to the organisation at source. The entity may have warehouses or drying/processing or other facilities.

Depending on the local circumstances, the organisation at source may formally delegate (through formal agreement) the implementation of the UEBT requirements to this entity (i.e., training of Field Operators on health and safety requirements, price negotiation, Field Operator payment for production, etc.). Very often, this entity does not exist locally, as the organisation at source can be in direct contact with the Field Operators.

### Field Operators

Field Operators are individuals (farmers/collectors) or groups of individuals directly involved in the cultivation and/or collection of the raw materials.

## THE UEBT REQUIREMENTS CRITERION 3.1 FAIR PRICES

The criterion on the topic of fair prices in the UEBT standard is:

### 3.1 Prices paid for natural raw materials are fair

#### Why this requirement

This criterion is intended to ensure that prices paid to producers (farmers/collectors) in sourcing areas are fair and based on cost calculations. Organisations at source are the entities responsible for making sure that this criterion is implemented locally.

In short, this criterion requires that:

- Prices for producers (farmers and/or pickers) are based on cost calculations
- Cost calculations include relevant elements from the UEBT standard, as shown in the Annex of this guidance
- The time spent by producers in cultivation/wild collection activities, among other parameters, is an essential element of the cost calculation
- Time spent is valued based on national and/or local minimum wages levels first, and living wage levels in a second step as a contribution to living income
- The cost calculation is periodically reviewed
- There are measures in place to contribute to living income for producers

#### Criterion 3.1 has four indicators

Indicators have levels of importance in the UEBT standard and two of these indicators are 'critical'<sup>1</sup>.

**3.1.1 Critical** Prices paid to producers of natural raw materials are based on cost-calculation and cover, at a minimum, the costs of production—including labour, materials, overheads, and margin—undertaken in line with the practices defined in this standard, such as those related to conservation and sustainable use, human and worker rights and conditions.

**3.1.2 Critical stepwise** Cost calculations consider the average time spent by producers on cultivation or wild collection activities related to the raw material, at a rate proportional at least to the national minimum wage or, in absence of a national minimum wage, the local opportunity cost for labour. Calculations are based on amounts of natural raw materials collected or harvested during regular working hours.

**3.1.3 Critical** Cost calculations are periodically reviewed to reflect changes in cost of living and costs associated to the stepwise improvement measures required by this standard.

**3.1.4 Critical stepwise** Measures are in place to contribute to a living income for producers of natural raw materials.

#### Fair Prices: terminology used and more information

##### Cost calculations

Cost calculations for producers (farmers/pickers) are considered crucial by UEBT to ensure that fair prices are paid. Without knowing production costs, it is very difficult to assess whether the price paid for certain natural raw material is fair or not.

It is a common mistake in many cost calculation exercises that the time spent by farmers or pickers is omitted from the exercise as it is not considered to be a 'production cost'.

There are different methods and tools to calculate costs of production and it is important to make sure the most appropriate ones are taken into consideration for the calculations. It is important to always consider the time of a producer and producer's own workers (in some cases) in the cost calculation exercises. It is a common mistake in many cost calculation exercises that the time spent by producers (farmers/pickers) is omitted from the exercise as it is not considered to be a 'production cost.'

When the prices of raw materials are defined by the market or by governments, the organisation at source is still required to make sure that cost calculations are in place to clearly understand the situation, and make sure that these costs are always covered by the price being set.

Documentation is expected to be in place (at the level of the organisation at source) to prove that the cost calculation exercise has been completed properly.

A list of relevant topics to be considered in cost calculation exercises is found in the Annex. UEBT also makes available a Cost Calculation Tool to facilitate the implementation of production cost calculations by supply chain actors. To obtain this tool, write to us at [verification@uebt.org](mailto:verification@uebt.org)

##### Average time spent by producers in cultivation/wild collection activities

UEBT defines in indicator **3.1.2** that cost calculations consider the average time spent by producers on cultivation or wild collection activities related to the raw material, at a rate proportional at least to the national minimum wage or, in absence of a national minimum wage, the local opportunity cost for labour.

UEBT requires that cost calculations take into consideration the time that producers (farmers/pickers) spend in the sourcing activity. Commonly, producers are not formally hired to implement the sourcing activities, therefore they do not receive a formal salary. Taking into consideration the fact that they are not formally hired, it is essential that the time spent in sourcing activities is compensated at least with a rate proportional to the applicable minimum wage equivalent or, in absence of it, with a rate proportional to the local opportunity cost for labor. This is also applicable to independent workers (not formally or legally contracted, such as daily labourers or informal workers).

## Fair Prices: additional considerations

### Productivity-based payments (quotas or piece rate)

A calculation is made considering how much a worker can produce in a determined period (day or hour), in a way that is respectful of a reasonable workload without undue pressure. The average productivity of the workers, which needs to be a representative average based on the characteristics of the typical workers (e.g., based on age, experience), must ensure that an equivalent of the minimum wage is paid.

### Minimum wage equivalent

In the case of informal contract work or self-employment (i.e., day laborers as collectors/pickers), the remuneration received should be compared to the official minimum wage of the sector for the type of activity (or in the absence of national/regional minimum wage, the local opportunity cost for labour).

Consequently, this remuneration should be equivalent to this minimum wage/opportunity for labour, pro-rated by hour if necessary – when informal workers/pickers do not work the same number of hours as defined by legislation in force.

Please refer to the national government/regional government legislation that applies for your sector.

### Lean and peak seasons

This minimum wage equivalent (per hour, day or week) must be ensured both in lean season (when productivity is lower) and peak season independently.

### In-kind benefits

In the calculation of a fair price, in-kind benefits cannot be counted as income to reach the minimum wage level (however, in-kind benefits are additional benefits that can be considered as a contribution to reaching living wage levels or living income).

### Contribution to living income

The contribution to living income (through, for example, giving value to the time of producers that is spent at living wage levels) is important in the UEBT standard. It is embedded in our vision and mission of 'respect for people' that the standard defines across its principles.

### Definition of living income in the UEBT standard

**Living income** enables producers (farmers/pickers) to achieve a decent standard of living. According to the Living Income Community of Practice, this 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.*

In supply chains working with the UEBT standard, the ingredient assessed represents in most cases part of the general income of farmers/pickers. Because of this, it can be complex to assess a full living income for the actors in the supply chain. However, the remuneration for the work conducted or the price paid for that specific ingredient should contribute to a living income (among other elements such as income diversification activities, in-kind benefits, etc.).

One important measure to contribute to a living income is to value the average time spent by producers (farmers/pickers) on cultivation or wild collection activities for the natural raw material at a rate proportional at least to a living wage (see the UEBT standard criterion **6.3.2** on definition and calculation of living wage). Other initiatives aimed at supporting a living income for producers are:

- Investing in technologies that increase yield and quality
- Supporting the diversification of local revenue streams
- Providing in-kind benefits that can be valued as part of living income elements as defined by the Living Income Community of Practice (see box above).

### The concepts of 'living wage' and 'living income' are both about achieving a decent standard of living for households

**Living wage is an individual concept**, focused on a worker in an individual work week earning enough to enable their family to afford a decent standard of living.

**Living income is a household concept**, focused on farming households earning enough in a year from all income sources to afford a decent standard of living.



## THE UEBT REQUIREMENTS CRITERION 3.2 SOURCING ARRANGEMENTS

The criterion on the topic of sourcing arrangements in the UEBT standard is:

### 3.2 Sourcing arrangements with producers are based on dialogue, trust and long-term collaboration

#### Why this requirement

This criterion is intended to ensure that the relationship between the supply chain actors – the organisation at source, the producers (farmers/pickers) and any sub-suppliers are based on dialogue, trust and long-term collaboration.

UEBT believes that without this approach, there is no way to make sure that ethical sourcing practices are promoted in sourcing areas.

In short, this criterion requires that:

- Discussions on commercial agreements with producers be respectful, balanced and inclusive
- Discussions with producers are based on transparent, complete and accessible information
- Agreements with producers aim for a long-term relationship (minimum of 3 years)
- Payment terms are reasonable, and pre-financing is available for producers when relevant
- Strategies are in place to reduce/avoid negative impact of termination/changes in the sourcing relationship with producers who have a high level of dependency on the specific ingredient for an income source

#### Criterion 3.2 has five indicators

One of these indicators is 'critical'<sup>1</sup>.

**3.2.1 Critical** Producers perceive discussions on commercial agreements to take place in a respectful, balanced and inclusive manner.

**3.2.2 Critical stepwise** Discussions on sourcing arrangements with producers are based on transparent, complete and accessible information to allow for a good understanding of relevant issues.

**3.2.3 Critical stepwise** Sourcing arrangements with producers establish long-term collaboration, covering at least three years.

**3.2.4 Regular** Payment terms to producers are reasonable and place them under no undue pressure. If requested and justified, pre-financing is available for producers for at least part of the contract value.

**3.2.5 Regular stepwise** In case of high levels of producer dependency on the natural raw materials, strategies are in place to minimize any significant negative impact of the termination of sourcing relationships on producers and their communities in cultivation and wild collection areas.

#### Sourcing arrangements: terminology used and further explanations

##### Sourcing agreements

Commercial sourcing agreements are very important to make sure that the farmers/pickers are aware of their obligations and rights in the relationship with the supply chain actors. The type of agreements to be in place depends on the level of formality and complexity of the supply chain and on the level of trust among the supply chain actors. Some important things to consider include:

- Written agreements are expected to be in place between the organisations at source and sub-suppliers (in case this structure exists). It is important that obligations and responsibilities of the different actors in this relationship are clearly defined (i.e. Who trains the producers? What is the defined price? What are the quality requirements? How is payment done? What traceability information is required to be in place? etc.)
- Agreements between organisations at source and sub-suppliers and individual farmers/pickers can be either written or in non-written (verbal) agreements. The level of formality of such agreement depends on the level of formality and understanding of obligations and rights of different actors. Non-written agreements are accepted for this level if producers are comfortable with this situation.







### Discussions with producers based on 'transparent, complete and accessible information'

Organisations at source are expected to address challenges such as unevenness or irregularity in information that often exists between supply chain actors, having a clear and constant local representation to generate trust and solid interaction and procedures. For example, the organisation at source may have tools to ensure an adequate exchange of information, such as educational exchanges that facilitate a better understanding among producers of the issues to be dealt with.

While it is fundamental for those ultimately making decisions to participate, ethical sourcing negotiations should be participatory processes, in which producers, as well as other local relevant stakeholders, are required to take part.

The level of engagement and participation of producers depends on local circumstances and local logistical restrictions. Because of that, the organisation at source needs to identify the best way to share information with local producers to make sure they have access to all relevant information for the negotiations, including cost calculations and other relevant topics.



### Sourcing arrangements: additional considerations

#### Living wage equivalent

In the case of farmers, informal contract work or self-employment (i.e., day laborers as collectors/ pickers), the remuneration received should be compared to a credible living wage benchmark.

Living wage is meant to enable a standard of living that is decent from a human rights perspective and supports the possibility of an intact family in the location where the work is done. Therefore, the living wage benchmark or reference value that is consulted should be used for the work location to estimate living wages for both migrant and local workers.

#### Finding credible benchmarks

UEBT's preferred benchmark are the benchmarks and reference values set by the Global Living Wage Coalition. Please consult [www.globallivingwage.org](http://www.globallivingwage.org) to see if a living wage benchmark or a reference value exists for your country or sub-national region.

If unavailable, please refer to any other recognized benchmarks. Living income benchmarks can also be used as reference.

Please also see the following UEBT factsheets available at [UEBT.org/resources](http://UEBT.org/resources):

- UEBT guidance on minimum and living wage
- UEBT references to available living wage benchmarks and reference values

## ANNEX

### Elements to be considered in cost calculations

The elements listed below are essential for cost calculations in supply chains of natural raw materials. Please refer to the UEBT Cost Calculation Tool for more information. The tool can be obtained by writing to us at [verification@uebt.org](mailto:verification@uebt.org)

This is not an exhaustive list, and some elements may not be relevant in all supply chains.

**Table 1** Elements to be considered in cost calculations

Cost element	Description
<b>Agricultural inputs and production related costs</b>	<ul style="list-style-type: none"> <li>■ <b>Inputs</b> <ul style="list-style-type: none"> <li>– Seeds, seedlings, fertilizers, etc.</li> <li>– PPE</li> <li>– Bills related to business (machinery, depreciation, storage etc.)</li> <li>– Others</li> </ul> </li> <li>■ <b>Investment related to farm operations</b> <ul style="list-style-type: none"> <li>– Machinery</li> <li>– Irrigation system</li> <li>– Land</li> <li>– Maintenance and repair, etc.</li> </ul> </li> </ul>
<b>Labour</b>	<ul style="list-style-type: none"> <li>■ Proportional costs of labour involved in the activities of cultivation, harvesting, handling, transportation, others (it is expected that at least minimum wages and aspirational living wages are paid to contracted workers), both in lean and peak season when relevant</li> <li>■ Time spent by farmers (and household) and/or independent workers (i.e., day laborers, pickers) in sourcing activities (valued at minimum wages and aspirational living wages equivalents)</li> <li>■ Secondary costs (social security charges when applicable, waste management, etc.)</li> </ul>
<b>Other associated costs</b>	<ul style="list-style-type: none"> <li>■ <b>Sustainable use of biodiversity/biodiversity conservation and restoration activities</b> <ul style="list-style-type: none"> <li>– ecological management of soil, water, and crops, agricultural production/traceability records</li> <li>– appropriate waste management</li> <li>– correct handling of agrochemicals</li> <li>– creation of areas in the fields for the promotion of spontaneous biodiversity</li> <li>– creation of buffer zones for the protection of habitats and ecosystem</li> <li>– creation of natural structures for the promotion of targeted species (e.g., nesting fields for birds, bee hotels etc.)</li> <li>– creation of habitat connectivity</li> </ul> </li> <li>■ <b>Other costs</b> <ul style="list-style-type: none"> <li>– land tenure</li> <li>– insurance</li> <li>– certification/verification costs</li> <li>– local monitoring system cost or internal audit</li> <li>– consultant's costs or agronomist support</li> <li>– cost of transportation for goods and/or workforce (if relevant)</li> <li>– compliance with the fiscal and tax requirements applied to the supply chain structure, together with authorization or permits needed for the activity</li> <li>– projects contributing to local development</li> <li>– cost of training and awareness raising event, etc.</li> </ul> </li> </ul>
<b>Margin</b>	10% recommended

### REFERENCE

<sup>1</sup> **Critical indicators** are considered essential practices and compliance is required to receive or maintain UEBT certification of ingredients (natural raw materials). In UEBT supply chain verification, any non-compliance with these indicators must be addressed with priority. **Critical stepwise** indicators may require more time but must be achieved in three years. **Regular** indicators are focused on positive impact and allow more flexibility in their implementation. UEBT certification

requires compliance with a certain number of these indicators. **Regular stepwise** indicators have additional time for compliance, but after three years these are considered to have a 'regular' level of importance.

### Images

Collecting damask roses, Türkiye © UEBT | Collecting jasmine, Egypt © Weleda



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