Cost of Production: Uses and Users

Regional training workshop on Agricultural Cost of Production statistics
(Cairo, 3-7 April 2016)
Uses and Benefits of CoP Statistics

- For **Farmers** and Agricultural **Markets**
- For **Policy-makers** and **Governments**
- For the **System of National Accounts**
- Measures how **efficient** the farm business uses resources;
- Provides data on **area**, **yield** and **production**, farm **revenues**, **expenses** and **capital costs**.
- Improves the effectiveness of farm **extension** services.
- Illustrates **capitalization** of the farm sector and its **rate of growth**.
- Distinguishes between **fixed** and **variable costs**
- Collects data on **paid** and **unpaid labour**.
- Measures total and gross net **farm incomes**
How do Farm Operators Benefit?

Unique program because providers of information can directly benefit by it.

- **Self-assessment**; enterprise and whole farm.
- **Benchmarking**
- Improves efficiency, performance, productivity and returns
- Improved decision making
- Accurate financial analysis - reallocation between enterprises
- Knowledge of the **breakeven points** - short-term success
- **Investment decisions in capital assets** - long-term success
How can Farming Practices be improved through Extension Programs?

- Farm extension workers are provided with evidence to support training and outreach activities - better evaluation.
- Provision of data to support training and outreach activities.
- Evaluation of an individual farm’s management practices against norms for the region.
- Identification of where to best target changes so that largest payoffs are earned.
- Improves efficiency and effectiveness of the extension workers.
Price Setting and Support Payments: Improve the targeting and efficiency of agricultural policies (1/2)

- Reduced risk to government and to recipients as price determination can be empirically informed
- Perception and reality that decisions are based on objective sound information
- Better determination of price formation
- Reduction of the risk of overpaying or overspending by countries with respect to price support, investment aid and/or agriculture-related import or export decisions
- Cost of production generally is often used to set the procurement prices for products covered under the price support programs.
Price Setting and Support Payments: Improve the targeting and efficiency of agricultural policies (2/2)

- Data are used to inform on **food security and poverty alleviation**.
- Production estimates can differentiate between **farm food consumption** from **marketable production**.
- Illustrates the **sensitivity** of the food supply in response to different production practices.
- Time series analysis provides indications of **stability of the food supply**.
- Informs on **environmental and sustainability** concerns.
- Informs on the **impact** of the various farm management practices.
Uses and benefits of CoP Data for the System of National Accounts

• Improves the measurement of **intermediate consumption** by different agricultural activities, hence their **economic Value Added**

• Allows construction of a **proper sequence of economic-accounts for agriculture**

• Each main agricultural activity requires **detailed data on input uses and costs, by activity**, which is helpful for analysts to understand **links between agricultural activities**.
Analysis and Research

- Data linkage
- Program evaluation
- Time series
- Industry analysis and transformation
- Impact of technology and scale on output
- Regional analysis
- Research
• Current and sustainable farming practices
• Assess fertilizer and pesticide use, CO2 emissions, sustainable practices, GMO usage, etc.
• Energy and water use
• Measurement of variables of interest
Using CoP estimates for determining price support

FRA price = 65,000 ZMK/bag

Production at cost lower than FRA price = 2.06 m MT

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1.6*
CoP Structure for different products in Philippines (2012)
References

