

Cost of Production Statistics

Update and objectives of this Global Strategy research activity

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Objectives

Provide developing countries with relevant and implementable **guidelines** on the:

- Collection;
- Compilation; and
- Dissemination of **CoP statistics**



**Internationally comparable statistics
on agricultural CoP**

Uses of cost of production statistics

Government level

- Basis for economic analysis
- Basis for effective policy-making
- More efficient resource allocation
- Better program-targeting of farmers

Economic operator level

- More efficient markets
- Better decisions by farmers (input use, commodity specialization etc.)
- Better decisions by input producers

Uses of cost of production statistics

Examples

Taxation

- Morocco recently introduced a **tax on agricultural activities**. CoP statistics are essential to: set tax rates, estimate distributional effects (winners and losers) and costs and benefits (to the treasury and the economy)

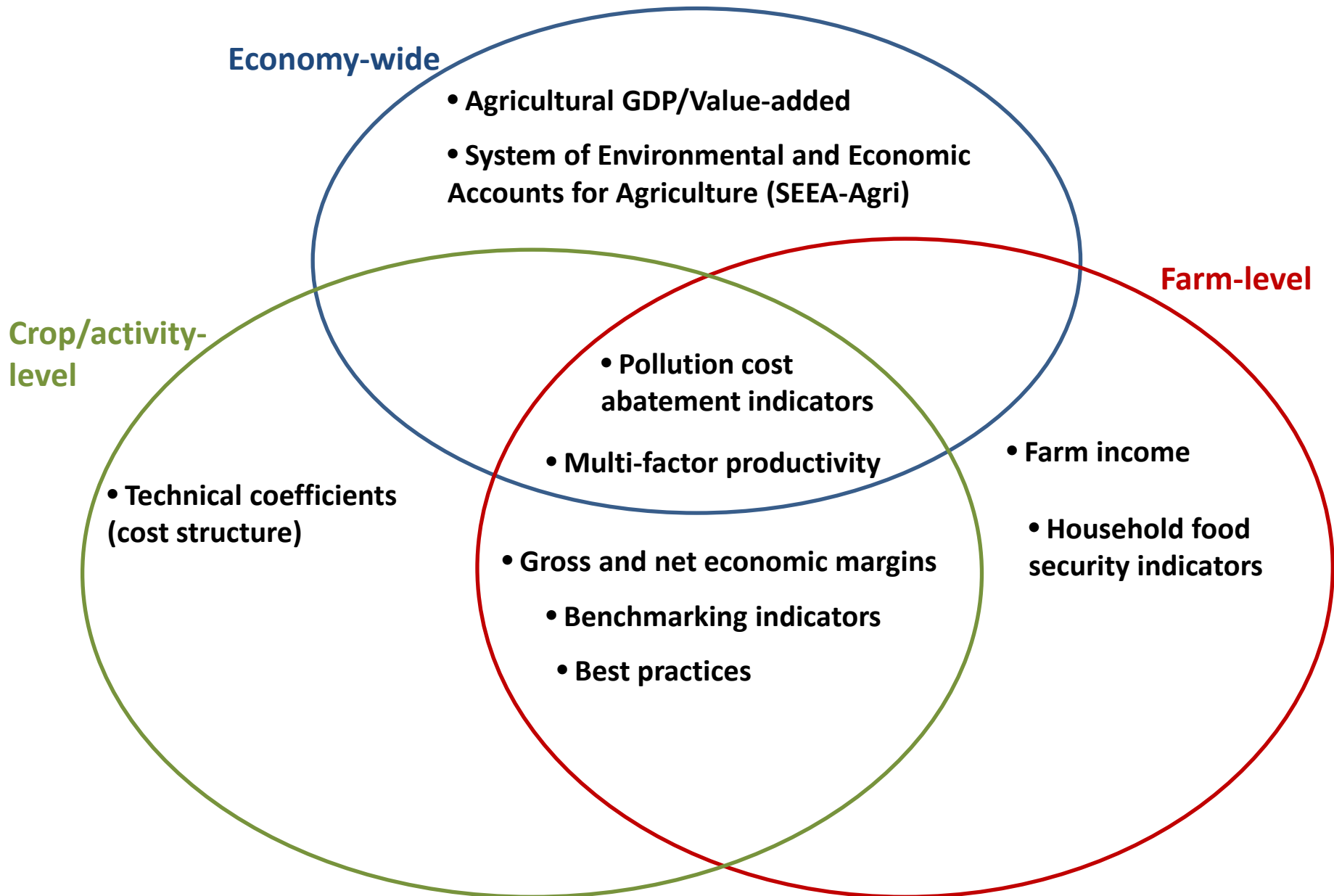
Price support schemes

- **India** uses its annual CoP estimates as a basis to set the level of **price support mechanisms** for the different crops

Subsidies

- CoP estimates are one of the main information sources for the setting of **EU direct subsidies** within the Common Agricultural Policy

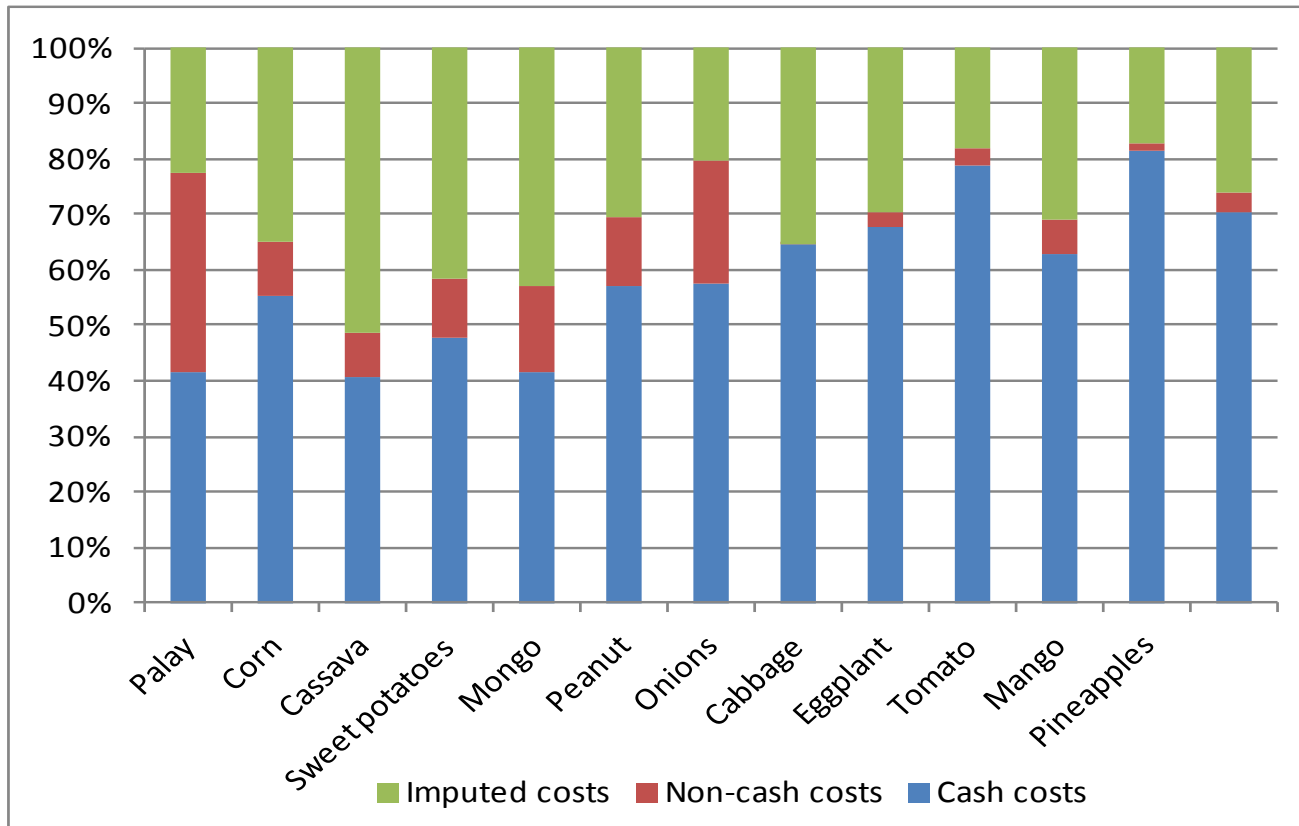
Outputs and indicators



Outputs and indicators

Examples

Structure of costs – Philippines (2012)

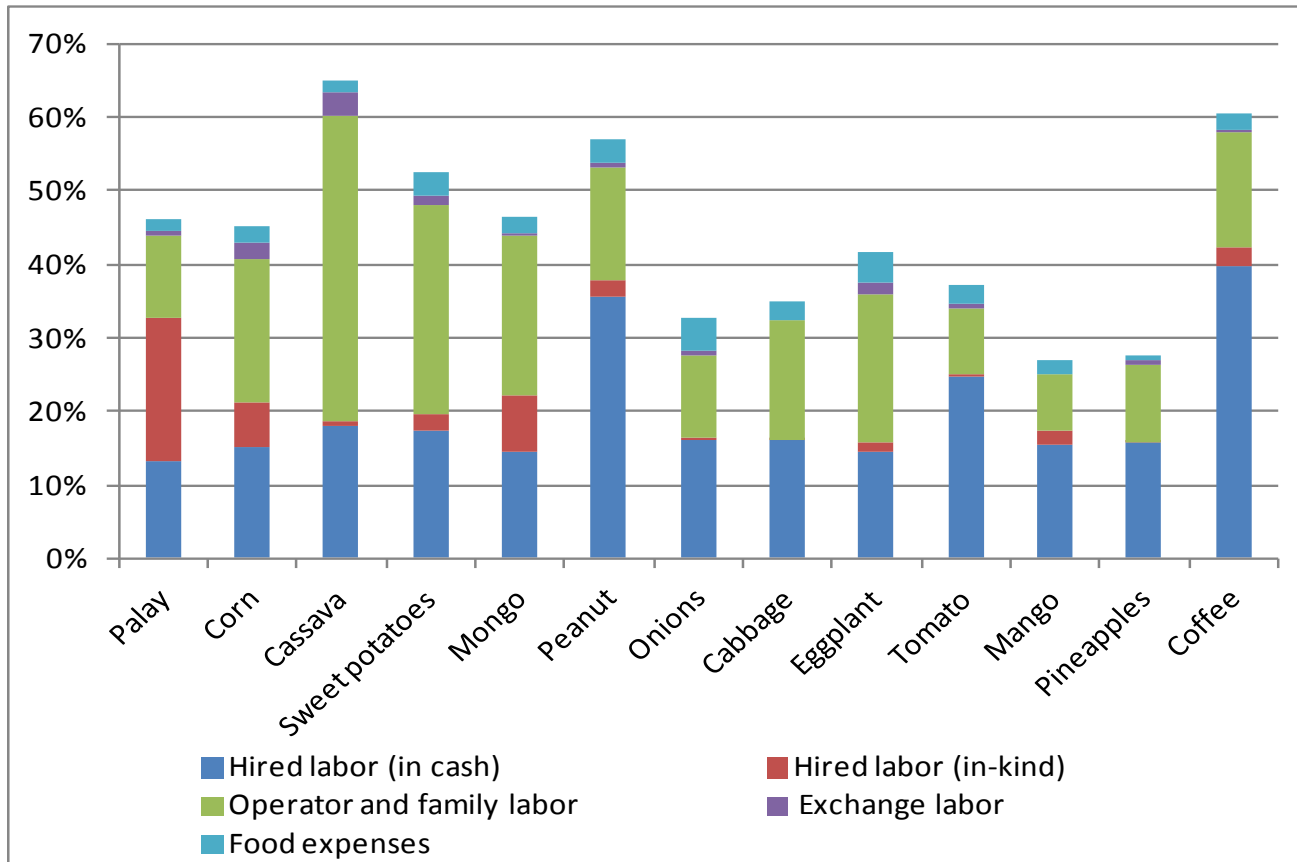


Source: CountryStat (provided by the BAS), own calculations

Outputs and indicators

Examples

Labor costs (share in total costs) – Philippines (2012)

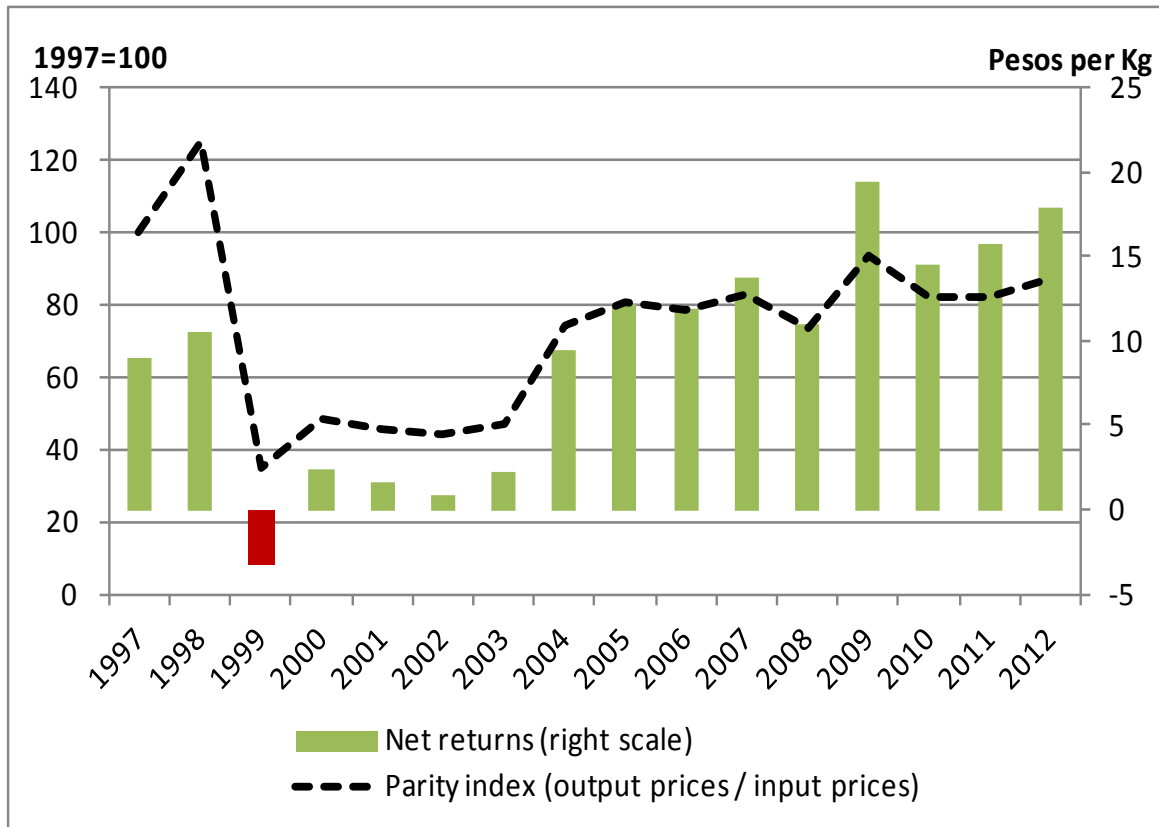


Source: CountryStat (provided by the BAS), own calculations

Outputs and indicators

Examples

Economic profitability (Peanuts) – Philippines (2012)



Source: CountryStat (provided by the BAS), own calculations

Main methodological questions

Data collection strategies

Collection of farm-level data

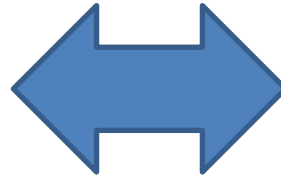
Sampling survey approaches

Typical farm approaches

Administrative information

Combination of data sources

TRADE-OFFS



Costs of the program

Relevance and accuracy of the data

Representativity of the indicators

Main methodological questions

Estimation of costs

Imputation of costs for inputs when

Inputs are produced on the farm (feed, manure, etc.)

Inputs are owned by the farm (family labor, land, etc.)

Payments are made in-kind

Information on costs is not available or usable

Principle

Use of **market prices** for similar inputs

Question : what to do when markets for these inputs do not exist ?

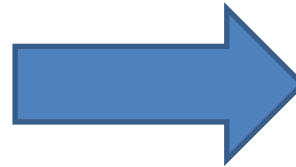
Main methodological questions

Allocation of costs

Farm-level costs need to be allocated to each activity/commodity when:

The farm produces more than one commodity

Inputs are jointly used by multiple activities



Multiple allocation methods

Based on area harvested

Based on gross revenues, ...

Based on econometric techniques

Questions : should costs be always allocated ? What are the negative implications of these allocations ?

Progress & achievements to date

2009 (AFCAS Ghana)

Study of country experiences in cost of production and price statistics; request to initiate work on CoP

2011 (AFCAS Ethiopia)

1st EGM on CoP with country case-studies (Mali, Zambia and Ethiopia)
FAO mandated to: administer a global survey on country CoP practices ;
prepare a Handbook on CoP statistics focused on developing countries

2012

CoP is included as a research activity of the Global Strategy
APCAS Viet Nam : 2nd EGM on country practices in CoP;
presentation of an annotated outline of the Handbook

2013

Literature review on CoP prepared by the EU-JRC
3rd EGM in Rome: discussion of the first draft of the Handbook
and preparation of the field tests
AFCAS Morocco: presentation of the outputs and objectives

Next milestones

Late 2013/early
2014

- Revise CoP Handbook
- Identify countries for field tests (AFCAS, APCAS, etc.)
- Develop survey module
- Launch field tests

Mid-late 2014

- Continue field tests
- Develop and test software
- Hold expert group meeting
- Finalize Handbook

Process and organization

Project team

Combined effort

Statistics Division of FAO

Friends of the Chair (group of experts)

National and international consultants

Country participants (NSOs, agriculture departments, etc.)

Process and organization

Contacts

FAO Statistics Division

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