

PREPARATORY WORKING PARTY FOR THE
EUROPEAN CONFERENCE ON THE ORGANISATION
OF AGRICULTURAL MARKETS

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Or. Fr.

PROJECT FOR COMPARING FARMING COSTS
IN THE VARIOUS COUNTRIES

1. The possibilities and difficulties of any unification of agricultural markets depend largely on the different conditions of competition.
2. It is essential to discover the nature and extent of these differences by a comparison of concrete cases in the various countries.
3. The causes of these difference can be classified as follows :
 - a) Causes inherent to the farm
 - I. Differences in soil and climate.
 - II. Differences in farm management resulting from differences in the land, labour and capital available, as well as in the technical ability of the farmers. (level of productivity).
 - b) External causes
 - I. Economic differences of a general character (wage and rent levels, general price level).
 - II. Economic differences of a specific character (taxation and social insurance, family allowances etc..)
 - III. Differences arising from credit facilities and the extent of investments.
4. In order to make an accurate comparison between the farms in (1) the various countries, farms of the same type should be compared. With a view to unifying agricultural markets, a comparison of farms or groups of farms which are economically viable or which may become so through technical progress should be undertaken. This subject will be studied separately by a Committee of experts.

(1) For instance a farm where the main activity is stock breeding, cereal growing, mixed farming, horticulture, wine growing.

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*Min hand, 45 Aug 64, Interim Working Party
Subje 3 - Industriële Cijfers*

5. A comparison of the profitability of such farms in one country with the profitability if those in others would give some indication of the importance of the causes referred to in paragraph 3. Profitability is calculated by establishing the balance between farm income and costs with a breakdown into the components of these two figures.
6. The effect of the external causes referred to in paragraph 3 (wage and rent levels, general price level, taxation and social insurance, family allowances etc) can be assessed by calculating farming costs at prices current in the countries compared.
7. In order to assess the effect of the causes inherent to the farm (differences in soil, climate, farm management), the structure of costs and income in each country should be discovered.

The best method of making this comparison would be to take the income of the labour per hectare as a basis. Since there are considerable differences in rents (external causes), the remaining income available for the land, farm buildings and labour together should be calculated.

Finally, these figures should be worked out, on the assumption that the prices in the different countries are the same.

The difference between these two figures might give some indication of the effect of the causes inherent to the farm.

The attached table may illustrate the method proposed.

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COSTS AND INCOME PER HECTARE OF A SAMPLE FARM
IN DIFFERENT COUNTRIES

COUNTRY A			COUNTRY B		
1948/49	1949/50	1950/51	1948/49	1949/50	1950/51
(in national currency)			(in national currency)		

a. Costs

1. Wages and evaluation of family labour
2. Feed purchased
3. Fertilizers
4. Rent or interest on the capital invested in land, buildings etc..
5. Other costs (depreciation of working capital etc..)
6. Total costs

b. Income (including consumption on the farm)

7. Milk
8. Cattle and sheep
9. Pigs
10. Poultry
11. Other commodities
12. Other income
13. Total income
14. Net income (13-6)
15. Income of labour (14+1)
16. Income of labour and land (15+4)
17. Ditto in the currency of country B
18. Ditto at country B prices
19. Difference between country A (18) and country B (16)
20. 19 in percentage.

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} in the currency of country B