

Cost of Production and World Market Outlook

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OECD Trade and Agriculture

7th Meeting of the OECD Network for Farm Level Analysis
OECD, 8 April 2011

Modelling production costs

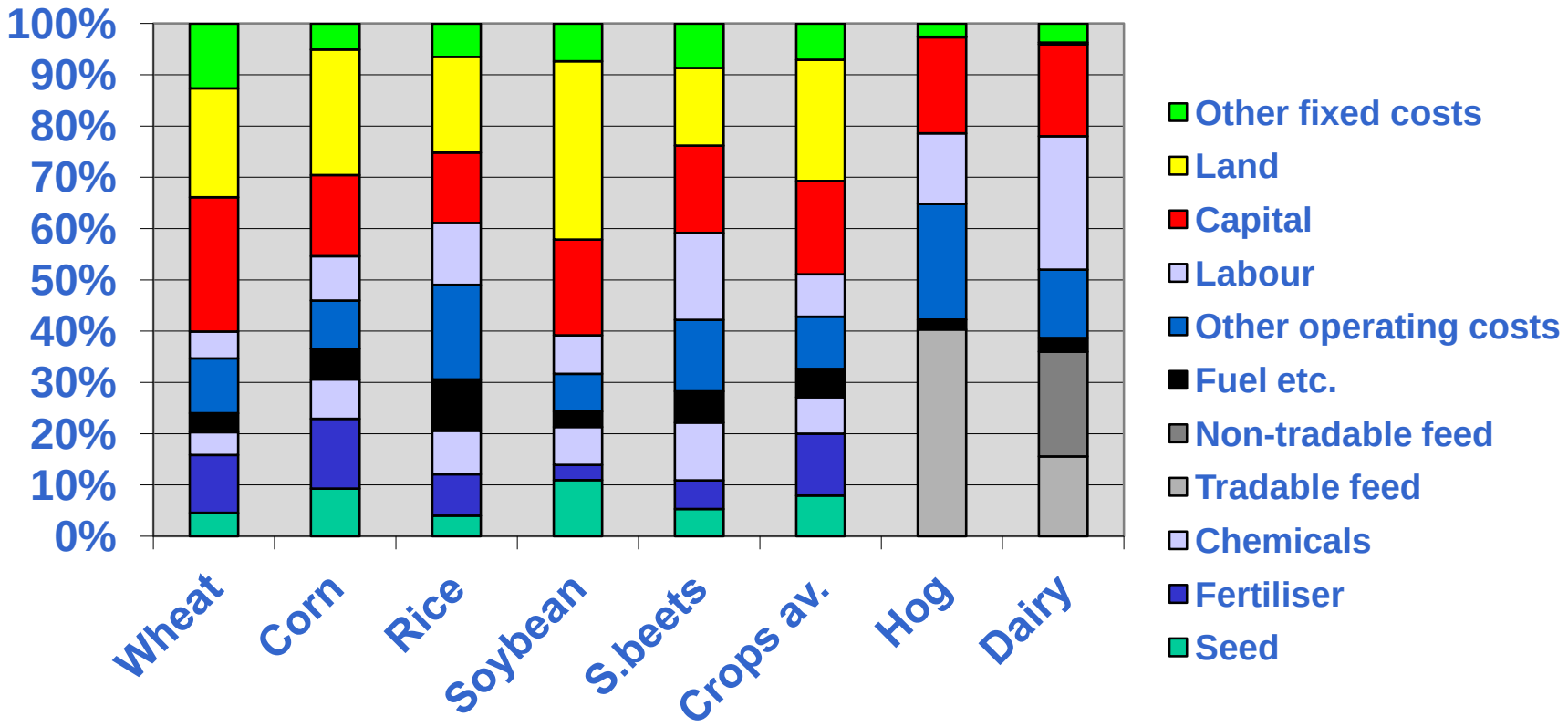
- **Explicit representation of production costs seemed impractical in Aglink**
- **Normalising by GDP deflator (until 2003)**
- **Cost index: the preferred approach (since 2004)**

$$AH = f(RH / CPCI); \qquad QP = f(PP / CPCI)$$

AH	*area harvested (crop production)*
RH	*returns per hectare (crop production)*
CPCI	***commodity production cost index***
QP	*production quantity (livestock production)*
PP	*producer price (livestock production)*

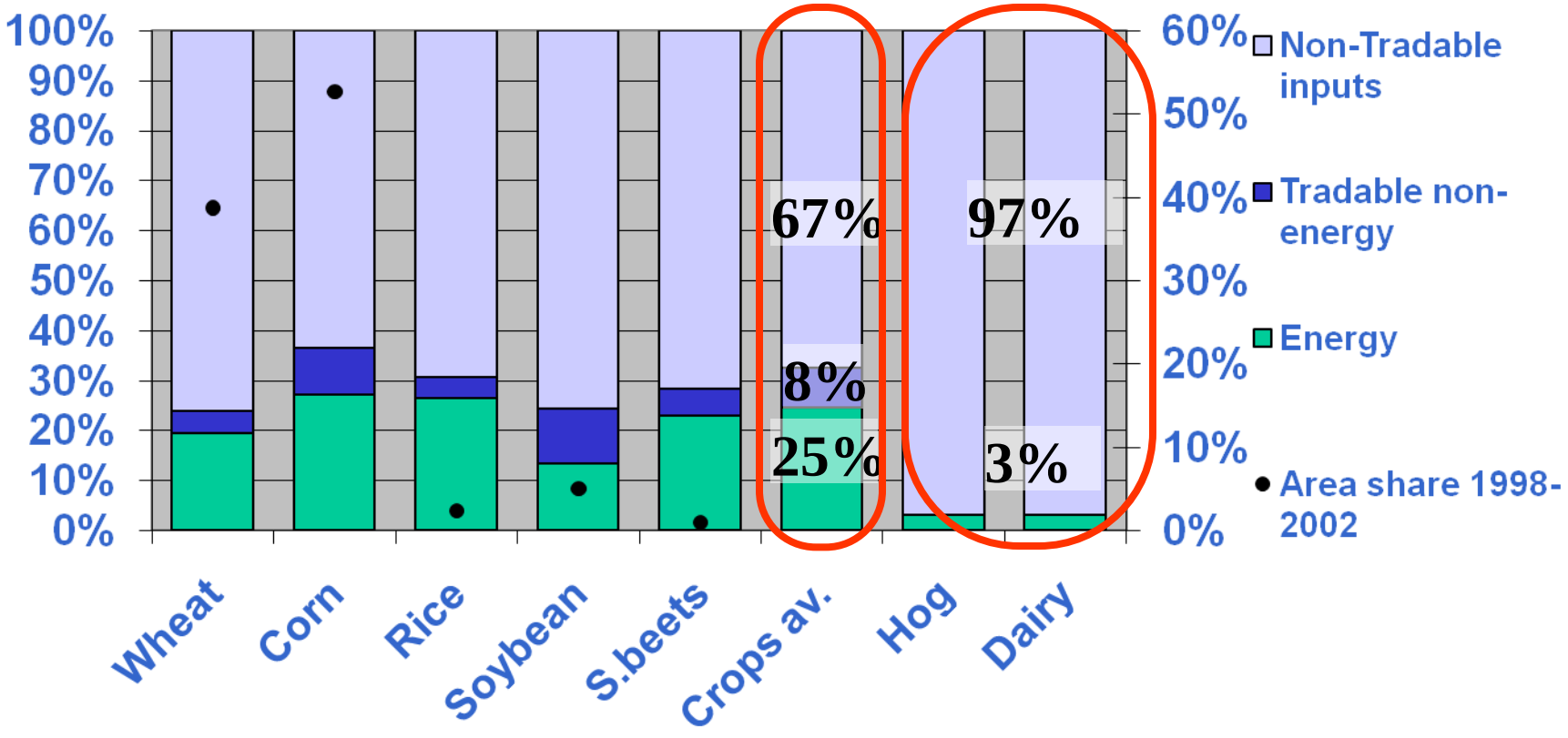
Modelling production costs

US cost shares 1998-2002



Modelling production costs

US cost shares 1998-2002 by type



Cost index for Livestock

- Cost index is calculated separately for <u>each</u> livestock type.
- Cost index has 3 categories
  - Energy, Other tradables, Non tradables

$$CPCI_l = ShrEN_l * P_{EN} +$$

$$ShrTR_l * XR * GDPD_{USA} +$$

$$ShrNT_l * GDPD$$

- Base year of 2005

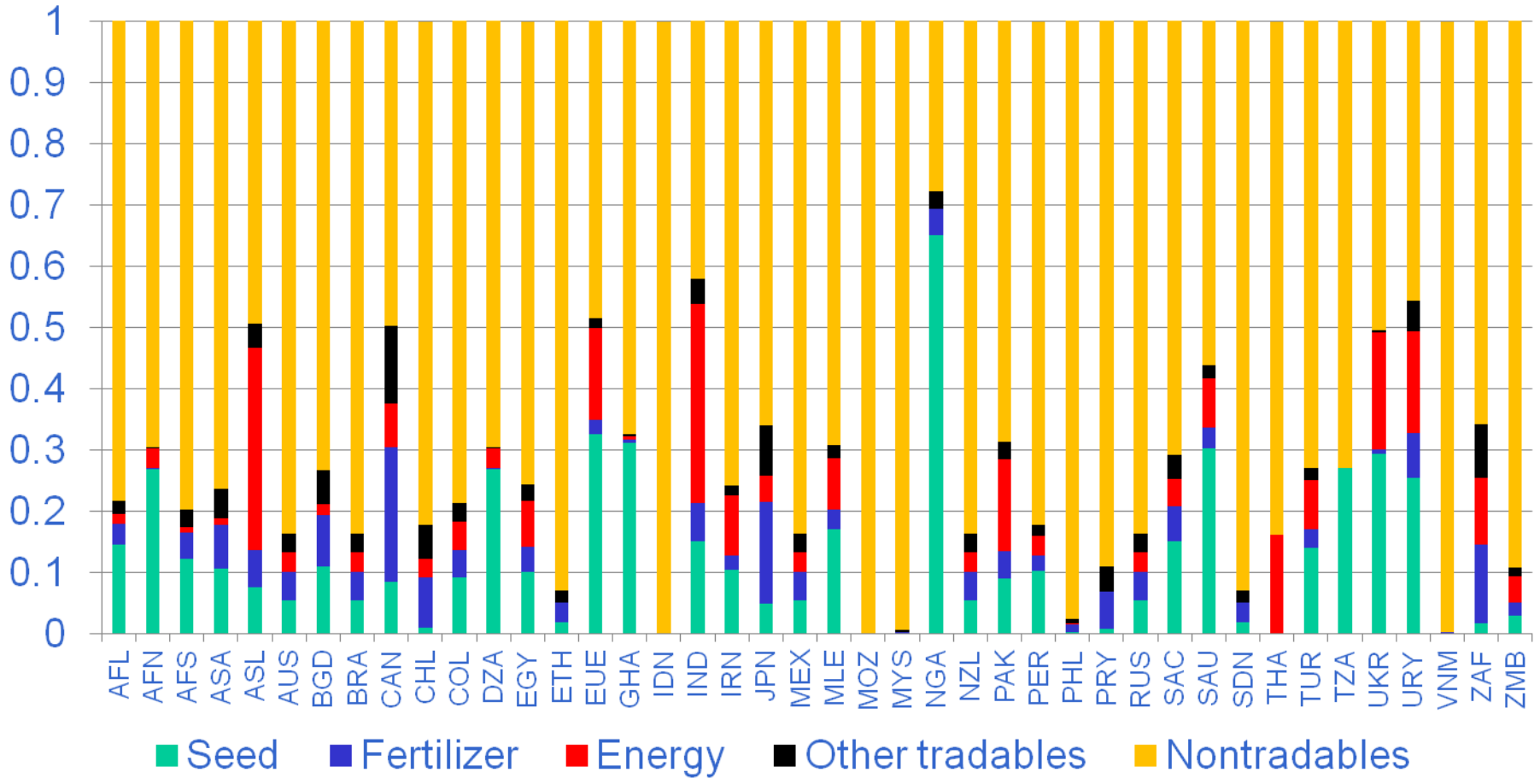
Cost index for Crops

- Cost index is calculated separately for each crop.
- Now cost index for crops has 5 categories
  - Seeds, Fertilizer, Energy, Other tradables, Non tradables

$$CPCI_c = ShrSD_c * P_c(-1) +$$
$$ShrFT_c * P_{ft} +$$
$$ShrEN_c * P_{EN} +$$
$$ShrTR_c * XR * GDPD_{USA} +$$
$$ShrNT_c * GDPD$$

- Base year of 2005

Wheat CPCI Cost Shares



Information on cost shares

- For some countries, cost studies exist (USA, EU…), others no..
- Agri-benchmark has many data on “typical farm” cost shares
- Experiment was taken to use GTAP 7, Intermediate Expenditure matrix to compute cost shares.
  - Mixed results
  - More study, assessment is needed

World Outlook Conference

Agenda WOC Germany 2011_draft.doc [Compatibility Mode] - Microsoft Word

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OECD 50
BETTER POLICIES FOR BETTER LIVES

vTI
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DRAFT AGENDA

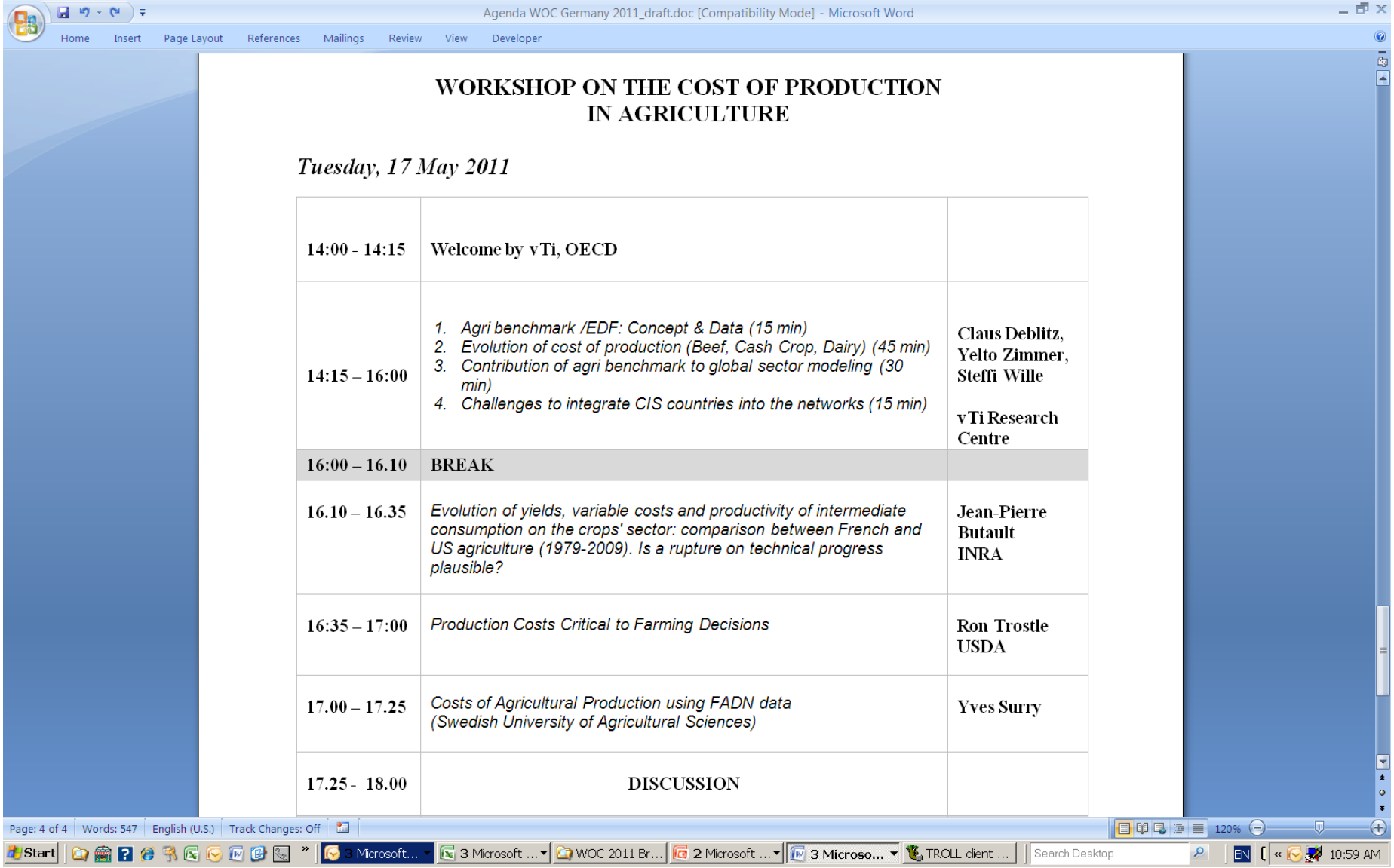
20th World Outlook Conference
Braunschweig, Germany
Johann Heinrich von Thünen-Institute (vTI)
16-18 May, 2011

The objectives of this Conference are to compare various agricultural commodity market projections; to share recent model developments and research results; and to identify areas of possible future collaboration among participating organizations.

Page: 1 of 4 Words: 547 English (U.S.) Track Changes: Off 140%

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Workshop on the Cost of Production



WORKSHOP ON THE COST OF PRODUCTION IN AGRICULTURE

Tuesday, 17 May 2011

14:00 - 14:15	**Welcome by vTi, OECD**	
14:15 – 16:00	1. *Agri benchmark /EDF: Concept & Data (15 min)* 2. *Evolution of cost of production (Beef, Cash Crop, Dairy) (45 min)* 3. *Contribution of agri benchmark to global sector modeling (30 min)* 4. *Challenges to integrate CIS countries into the networks (15 min)*	**Claus Deblitz, Yelto Zimmer, Steffi Wille** **vTi Research Centre**
16:00 – 16.10	**BREAK**	
16.10 – 16.35	*Evolution of yields, variable costs and productivity of intermediate consumption on the crops' sector: comparison between French and US agriculture (1979-2009). Is a rupture on technical progress plausible?*	**Jean-Pierre Butault INRA**
16:35 – 17:00	*Production Costs Critical to Farming Decisions*	**Ron Trostle USDA**
17.00 – 17.25	*Costs of Agricultural Production using FADN data (Swedish University of Agricultural Sciences)*	**Yves Surry**
17.25 - 18.00	**DISCUSSION**	



THANK YOU



Contact

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