AGRIGRID 2° meeting –
Prague 16-18 July 2007

Ideas and concepts to develope a metodology for WP8 - Logic models and grids development

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Working Package 8
Contents (from DOW)

- LMD (Logic Model diagram) and GRID representation of justification of premiums will define objective, criteria, baseline for the calculation of premia in different situation (including source of data).
- Describe appropriate methods to assess transaction costs.
- Problems associated to standard costs.

Working Package 8
Contents (from DOW)

- Initial work based on bibliographic research and methodological analysis. We found several applications of grid methodology in different field (computer science and software development, medicine, health services, …)
- In our project the development and the structure of the grids will include an assessment of the different baseline requirements (i.e. environmental standards, cross compliance and minimum requirements) and a comparison with specific RD commitments

Working Package 8 general issues

- What does the grids system represent?
  - a way of summarizing and organizing the relevant information collected in the first phases of the project
  - A "guideline" for the correct implementation of the process: a sort of scheme of analysis which should be used in the economic justification of RD premiums

Phasis of analysis

Define baseline for each measure/submeasure/action

- National legislation
- EU Legislation (cross compliance According to 1782/2003

Define additional commitments With reference to BASELINE

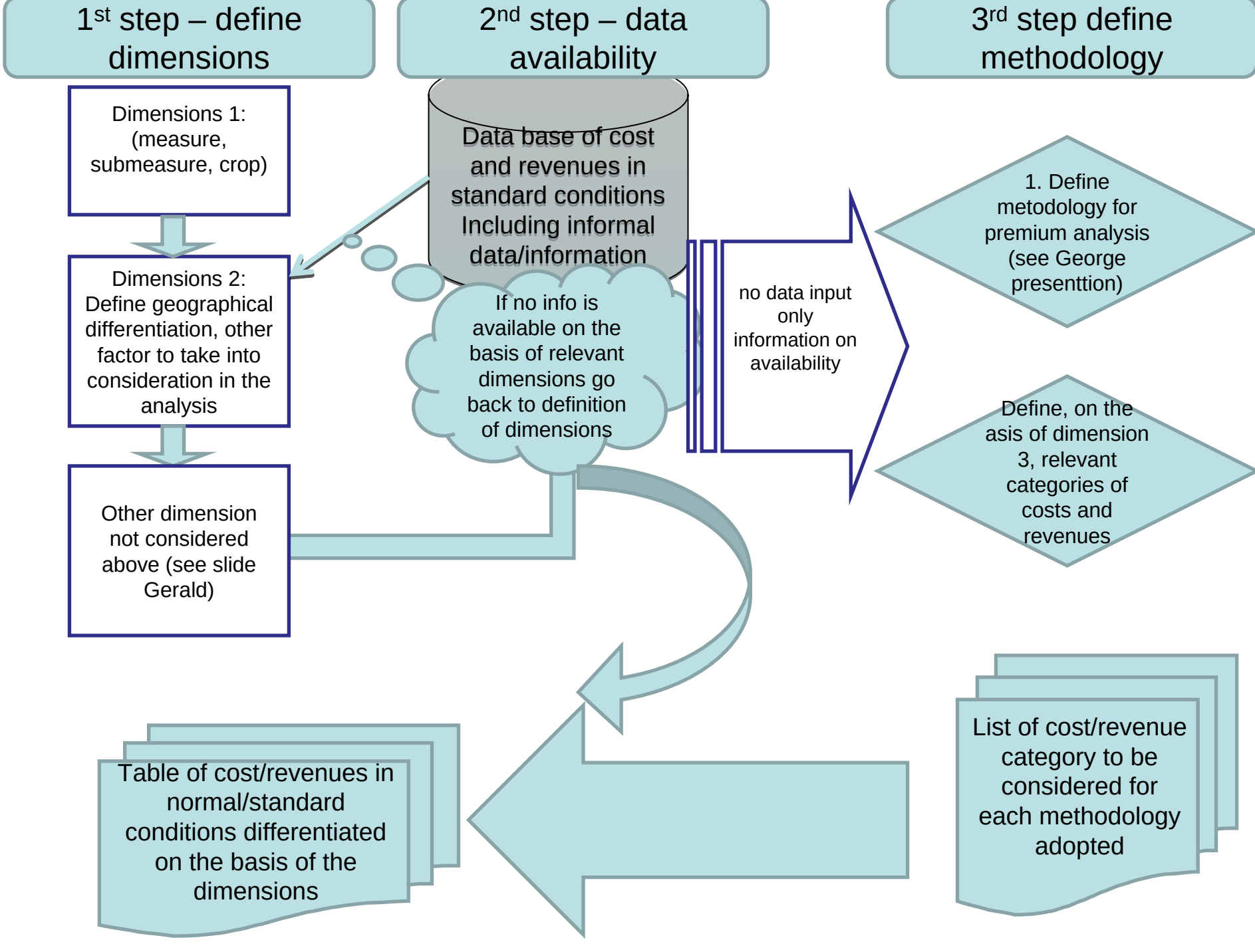
- Rural Development Plan

Are additional commitments influencing cost structure

Are addittional commitments influencing revenues (crop yields, prices, ….)

Simulate cost/revenue sheet for Measure/submeasure/action

- Sources of data (FADN, other source
- Statistic representativeness → probl
- Verificability of the calculations
- Level of spatial detail
- Consideration of transaction costs


1st step – define dimensions
2nd step – data availability
3rd step define methodology
Dimensions 1: (measure, submeasure, crop)
Dimensions 2: Define geographical differentiation, other factor to take into consideration in the analysis
Other dimension not considered above (see slide Gerald)
Data base of cost and revenues in standard conditions Including informal data/information
If no info is available on the basis of relevant dimensions go back to definition of dimensions
no data input only information on availability
1. Define metodology for premium analysis (see George presenttion)
Define, on the asis of dimension 3, relevant categories of costs and revenues
Table of cost/revenues in normal/standard conditions differentiated on the basis of the dimensions
List of cost/revenue category to be considered for each methodology adopted

Calculation approaches

Three approaches

1. Complete accounting exercise for both participant and non participant using either survey or existing FADN data.
2. By using non participant as a starting point calculating changes due to participation.
3. By stating the differences in cost elements and adding them up.

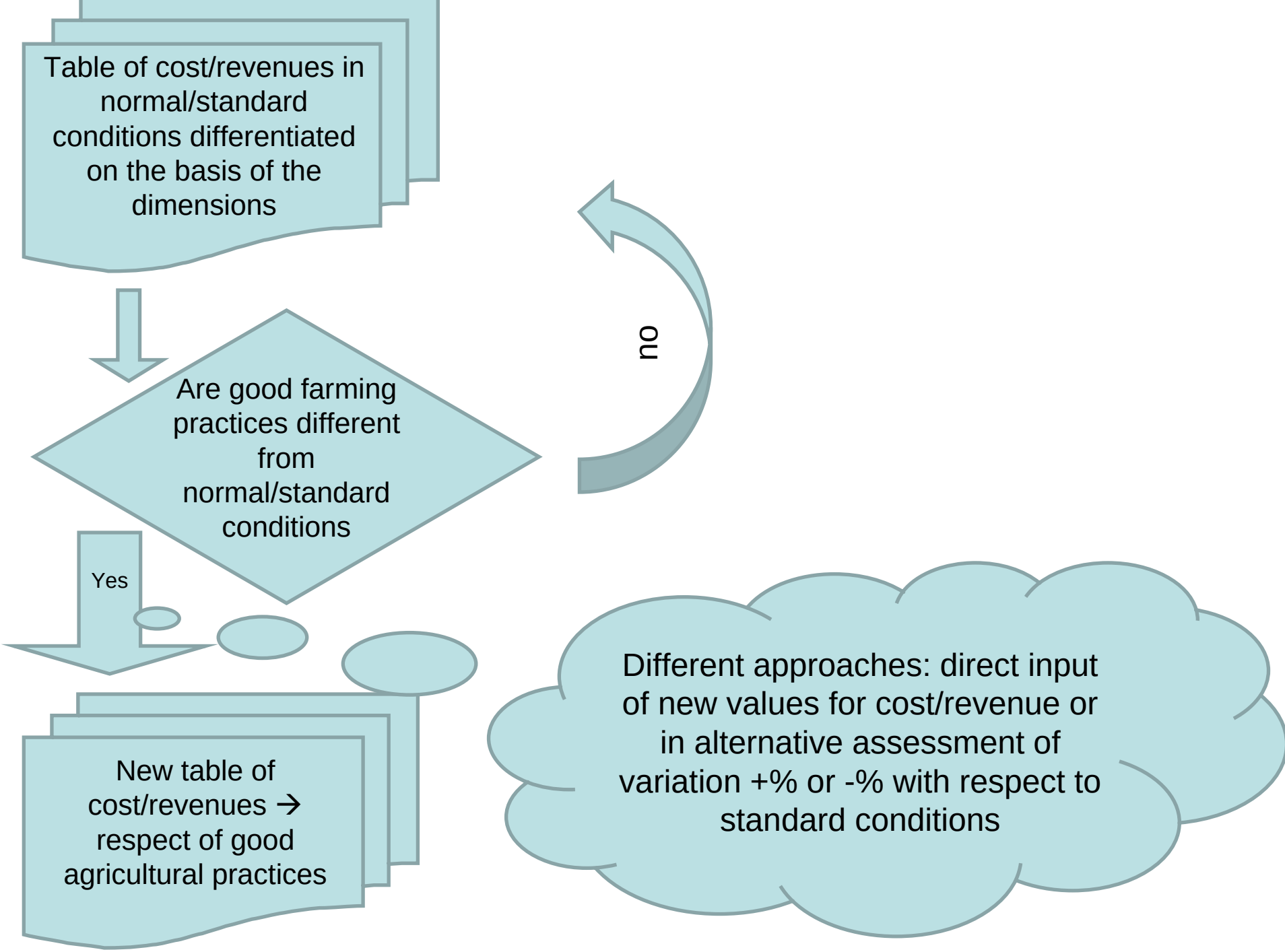


Table of cost/revenues in normal/standard conditions differentiated on the basis of the dimensions
Are good farming practices different from normal/standard conditions
no
Yes
New table of cost/revenues → respect of good agricultural practices
Different approaches: direct input of new values for cost/revenue or in alternative assessment of variation +% or -% with respect to standard conditions

Example of filled table
Cost and revenues in standard conditions

	214/4-vineyards low impact	Plain (slope=0)	Mountain (s <20%)	Mountain (s >20%)
Variable costs (€/ha)				
	VC1 – Fertilizers	160	150	150
	VC2 – Pesticides	700	730	730
	VC4 – Family labour	320	340	360
	VC9 – Other costs	400	450	470
Production Yield (t/ha)				
	P12 – Grapes	13	7	6
Price (€/t)				
	P12 - grapes	180	200	220

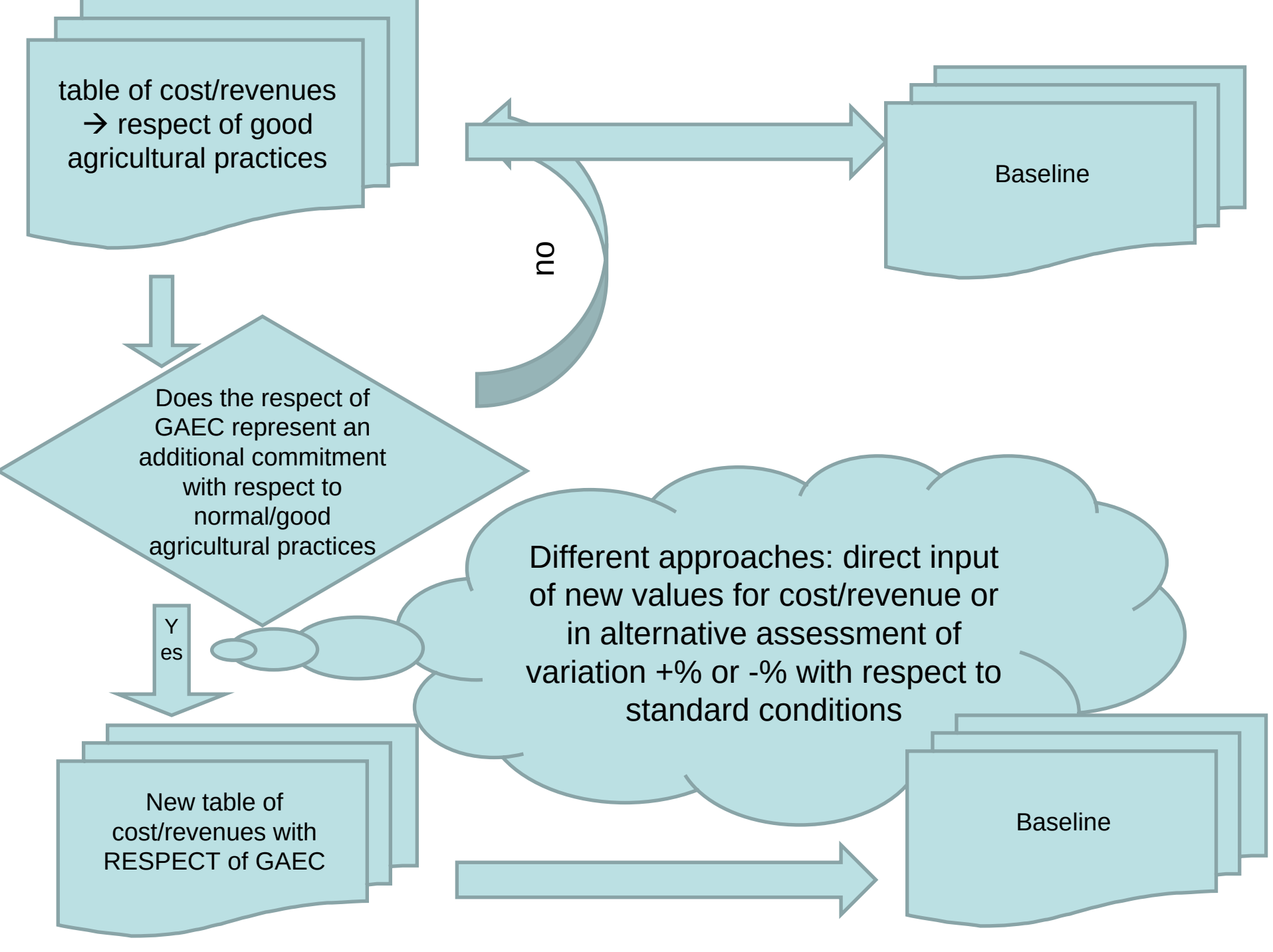
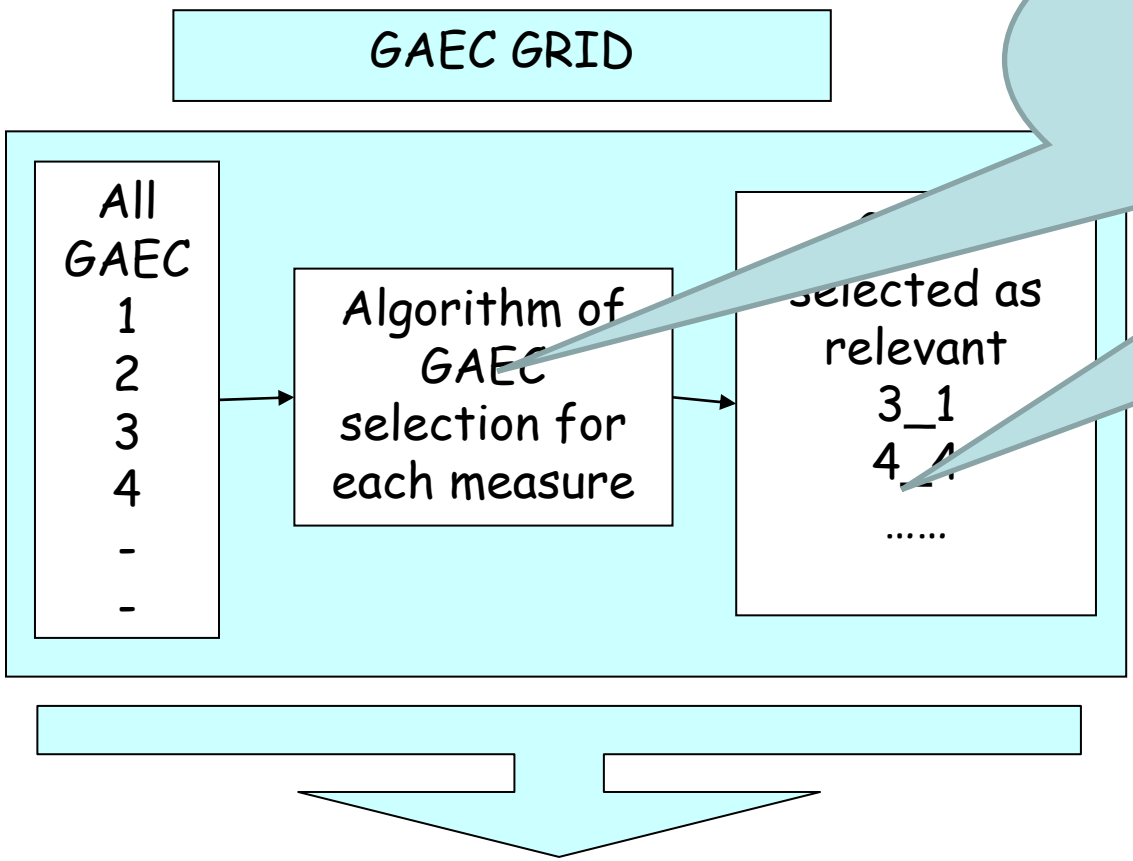


table of cost/revenues → respect of good agricultural practices
Baseline
no
Does the respect of GAEC represent an additional commitment with respect to normal/good agricultural practices
Yes
Different approaches: direct input of new values for cost/revenue or in alternative assessment of variation +% or -% with respect to standard conditions
New table of cost/revenues with RESPECT of GAEC
Baseline



The idea behind is that only some

GAEC Table – includes also GAEC defined at national/regionale level

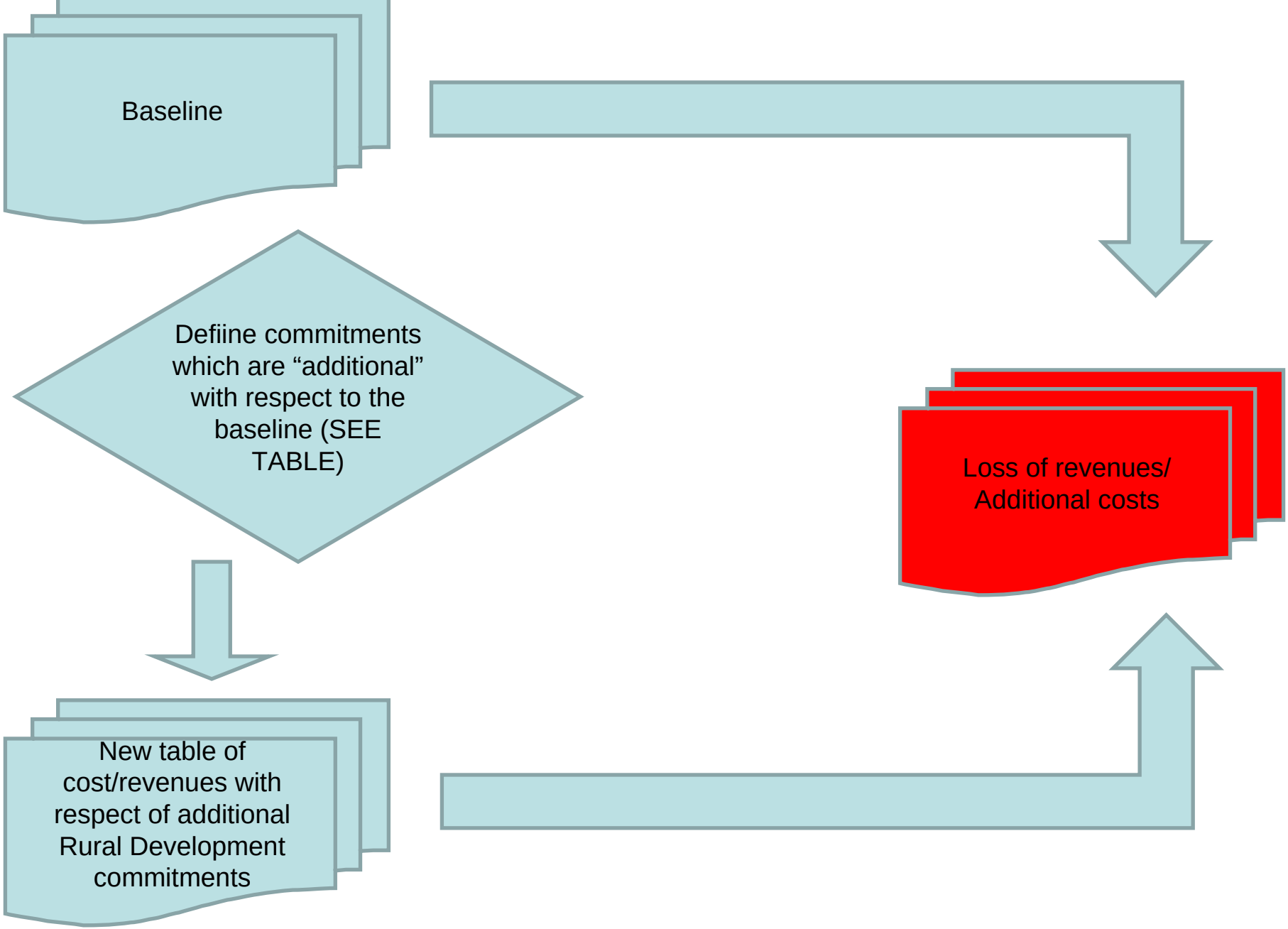
The question behind is the following one:
is there any modification in the agricultural practices (as defined in the previous step) inducted by the respect of GAEC

	Select of possible GAEC interacting with m			
CODE	214/4-vineyards low impact	Plain (slope=0)	Mountain (s<20%)	Mountain (s>20%)
3_1	Drainage system maintenance	no interac.	no interac.	YES.
4_4	Terracing	no interac.	no interac.	no interac.

Example of
Baseline

Family labour cost increases because of the respect of GAEC

	214/4-vineyards low impact	Plain (slope=0)	Mountain (s <20%)	Mount >20%)
Variable costs (€/ha)				
	VC1 – Fertilizers	160	150	150
	VC2 – Pesticides	700	730	730
	VC4 – Family labour	320	340	360
	VC9 – Other costs	400	450	470
Production Yield (t/ha)				
	P12 – Grapes	13	7	6
Price (€/t)				
	P12 - grapes	180	200	220


Baseline
Defiine commitments which are “additional” with respect to the baseline (SEE TABLE)
Loss of revenues/ Additional costs
New table of cost/revenues with respect of additional Rural Development commitments

Specific RD obligations

	Select of possible RD obligations			
CODE	214/4-Vineyards - low impact	Plain (slope=0)	Mountain (s<20%)	Mountain (s>20%)
1_1	Keeping grassland cover under vineyard (slope>20%)	no interac.	no interac.	YES
1_2	Nitrogen fertilizer	YES	no interac.	no interac.

New and/or additional inputs

Plan area

New and/or additional inputs

Mountain area with slope>20%

Example of fill-table – respect of RD obbligations

No change in the cost categories - Only changes in values ??? Is it feasible ???

Different approaches: direct input of new values for cost/revenue or in alternative assessment of variation */- and % with respect to the baseline

	214/4 impact	(slope=0)	Mount	20%)
Variable costs (€/ha)				
	VC1 – Fertilizers	160	150	150
	VC2 – Pestici	700	730	730
	VC4 – Family labour	320	340	460
	VC9 – Othe sts	400	450	470
Production Yield (t/ha)				
	P12 – Grapes	11	7	6
Price (€/t)				
	P12 - grapes	180	200	220

To the final grid

RD SUBMEASURE

GEOGRAPHICAL POSITION

SLOPE

MEAS: 214/4- GEOG. POS. : PLAIN SLOPE: 0		Baseline	additional RD Commitments	difference (loss of revenue/additional costs)
Variable costs (€/ha)				
	VC1 – Fertilizers	160	160	0
	VC2 – Pesticides	700	700	0
	VC4 – Family labour	320	320	0
	VC9 – Other costs	400	400	0
	TOTAL COST	**1580**	**1580**	0
Production Yield (t/ha)				
	P12 – Grapes	13	11	-2
Price (€/t)				
	P12 - grapes	180	180	
VALUE OF PRODUCTION		**2340**	**1980**	-360
GROSS MARGIN		**760**	**400**	**-360**

Some issues to be discussed

- level of detail of data bank
  - Processes?
    - All processes are considered → impossible to manage – excess of information -- crop and livestock breeding list in FADN is longer than 10 pages….
    - Only those processes relevant for RD measures are considered → still the quantity of information is huge
    - Only "standard" processes are considered??? Ho to define them???
      - One possibility is to start from FADN typologies (specilised firms)
      - …… other ideas to have a set of comparable standard processes
      - One possibility

Some issues to be discussed

- level of detail of data bank
    - Another option is to consider the data bank in a more "soft" way, i.e consider it only as a set of data and information used to implement the tables

Some issues to be discussed

- level of detail of cost/revenue sheet/form
  - in our view it is convenient to have a **standardization** of the cost/revenue sheet.
  - It means that the **categories** of costs and revenues to be considered in the analysis must be the same at lease at measure level (difficult to have a standardization over the measures → ie forest measures)
    - Use the standard of EUROPEAN FADN → however with some simplification….. i.e. not include fixed costs as they are not admitted in the justification process.
    - The adoption of a standard form does not mean that every partner/county has to fill all the items, the role to be applied should be
      - Relevance (only cost/revenue elements that are relevant for the measure are filled in)
      - Availability of data (only cost/revenue elements that are available are filled in)

Time schedule

- general structure of grids sent to partners by end october

- general structure of grids adapted to measures by partner resposable by end of november

- Measure specific grids adapted at national/regional level and fill with data bank by end of january

- Meeting mid february