



Federal Agriculture
Research Centre

Institute of Farm Economics

WP 7

Case study analysis of existing and proposed grids

WP7 - Objectives

- To analyse selected existing approaches to highlight impacts of standard costs and more differentiated approaches on calculated premium levels
- To derive recommendations for differentiated approaches in new grids

Start month 4; Milestone 7.1 month 12 (midterm workshop)

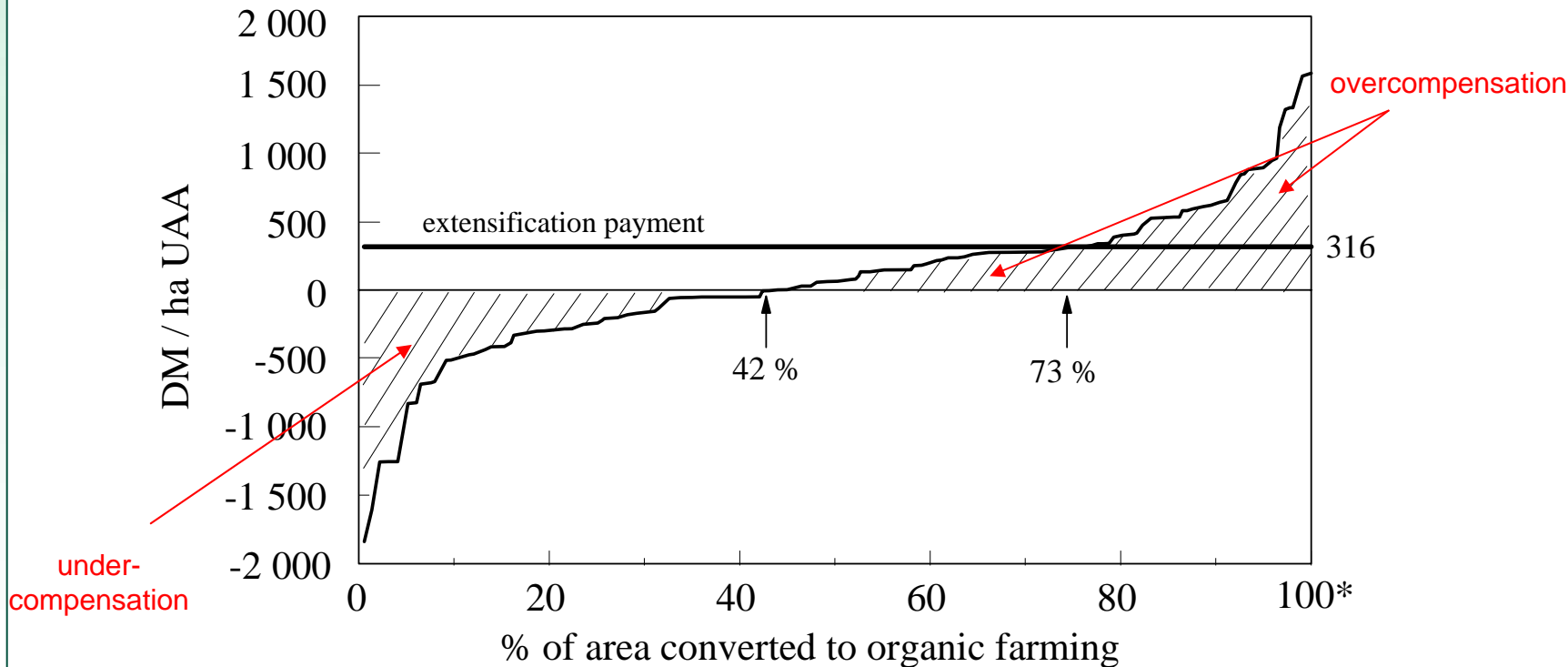
- To test the proposed grids of WP 2-6
- To provide examples for the application of the new grids for the software tool and its user guide

Approach

- Review of literature

Impact of conversion to organic farming under EC Reg. 4116/88 (extensification programme)

Change of profits compared to conventional reference
(average of first 3 years after conversion)



* 100 = 6006 ha UAA

Source: Nieberg and Isermeyer 1996 based on data from 107 farms which converted to organic farming in 1989

Approach

- Review of literature
- Analysis of distribution of influencing factors across farms

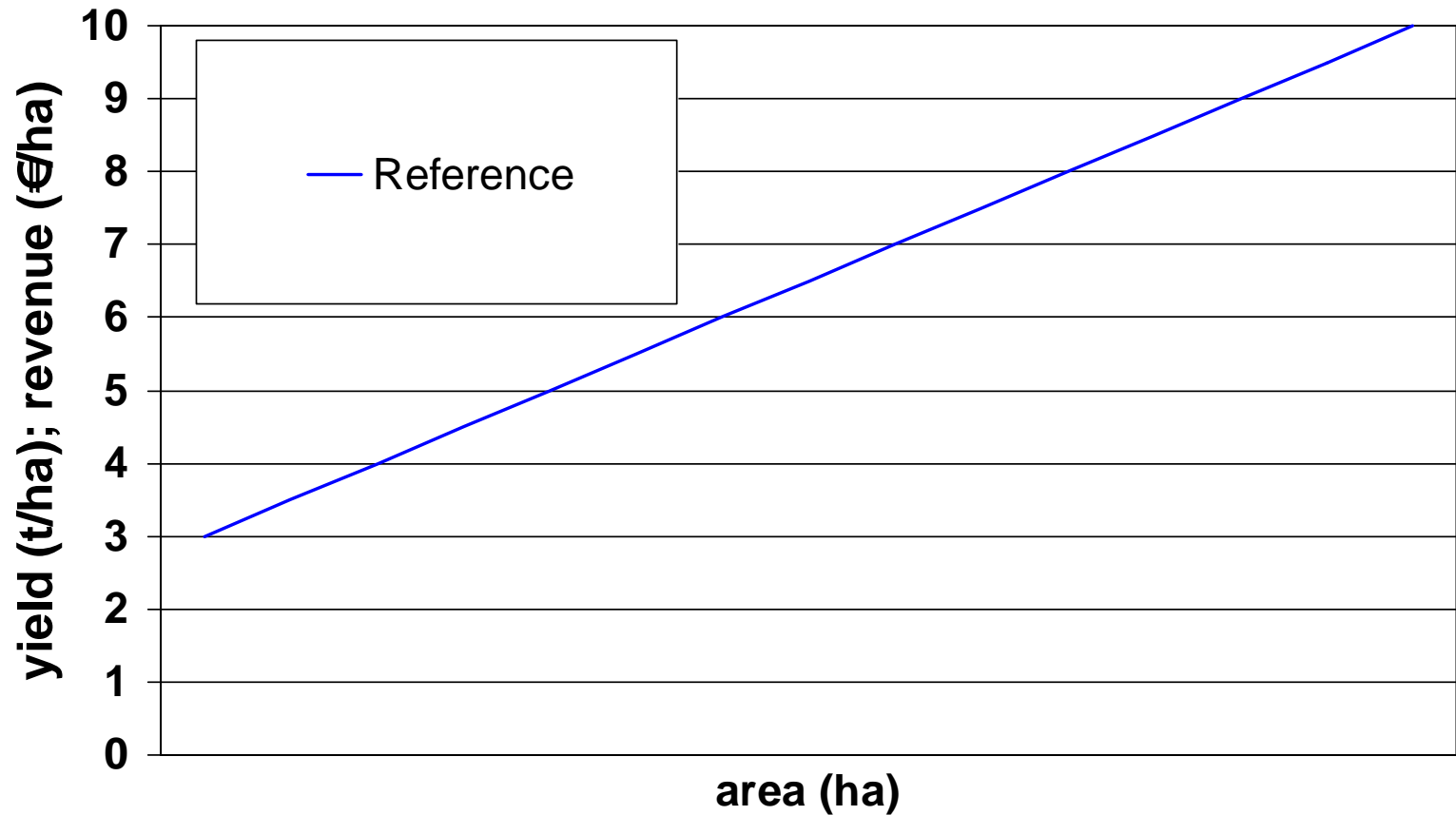
Typical assumptions in 'simple' standard cost approaches

e.g. renunciation of pesticides

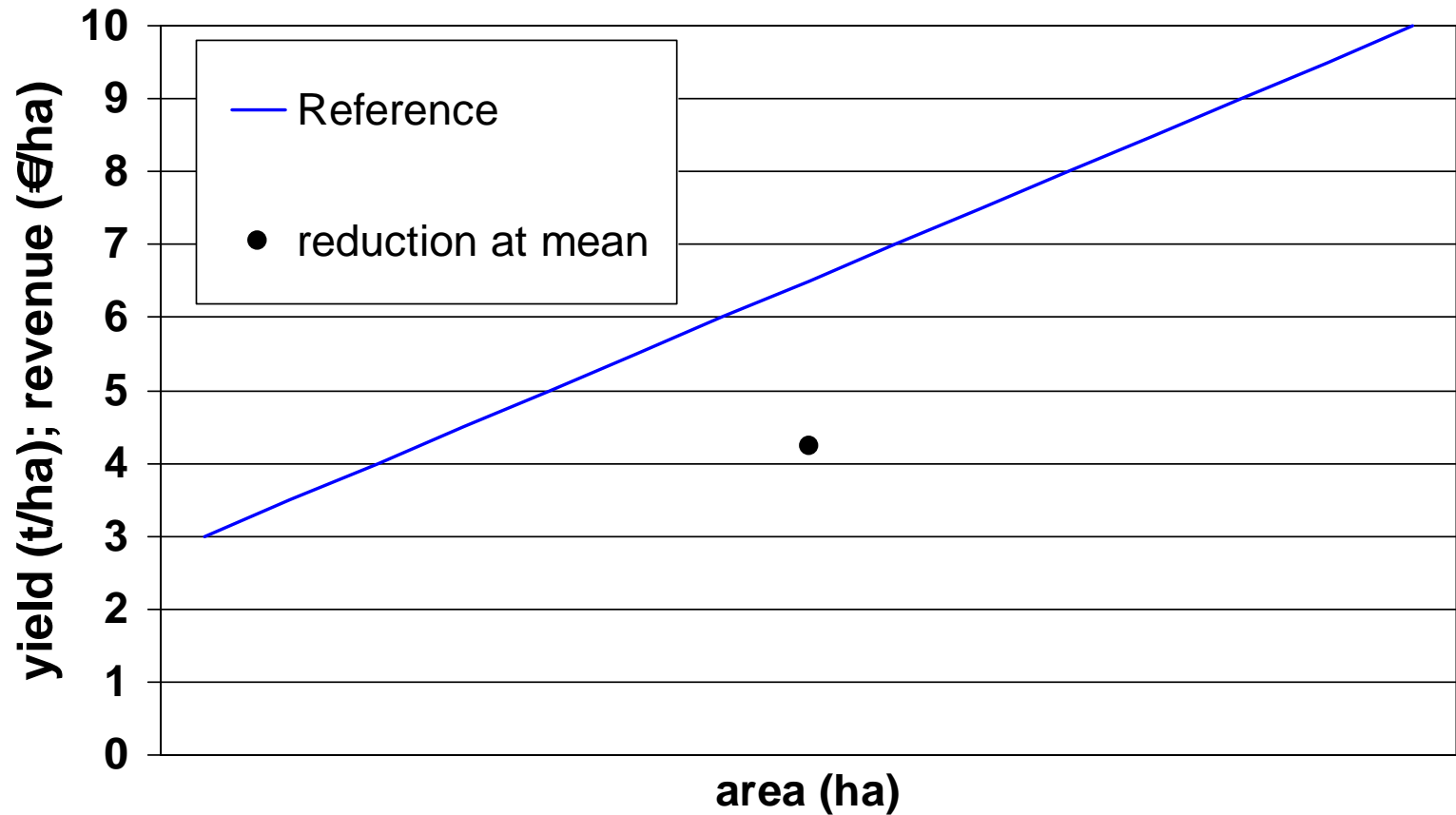
„... leads to loss of revenues: - 272 €/ha“

	Reference	AEM
Yield – 35 %	6,50 t/ha	4,23 t/ha
Revenues (120 €/t)	780 €/ha	508 €/ha

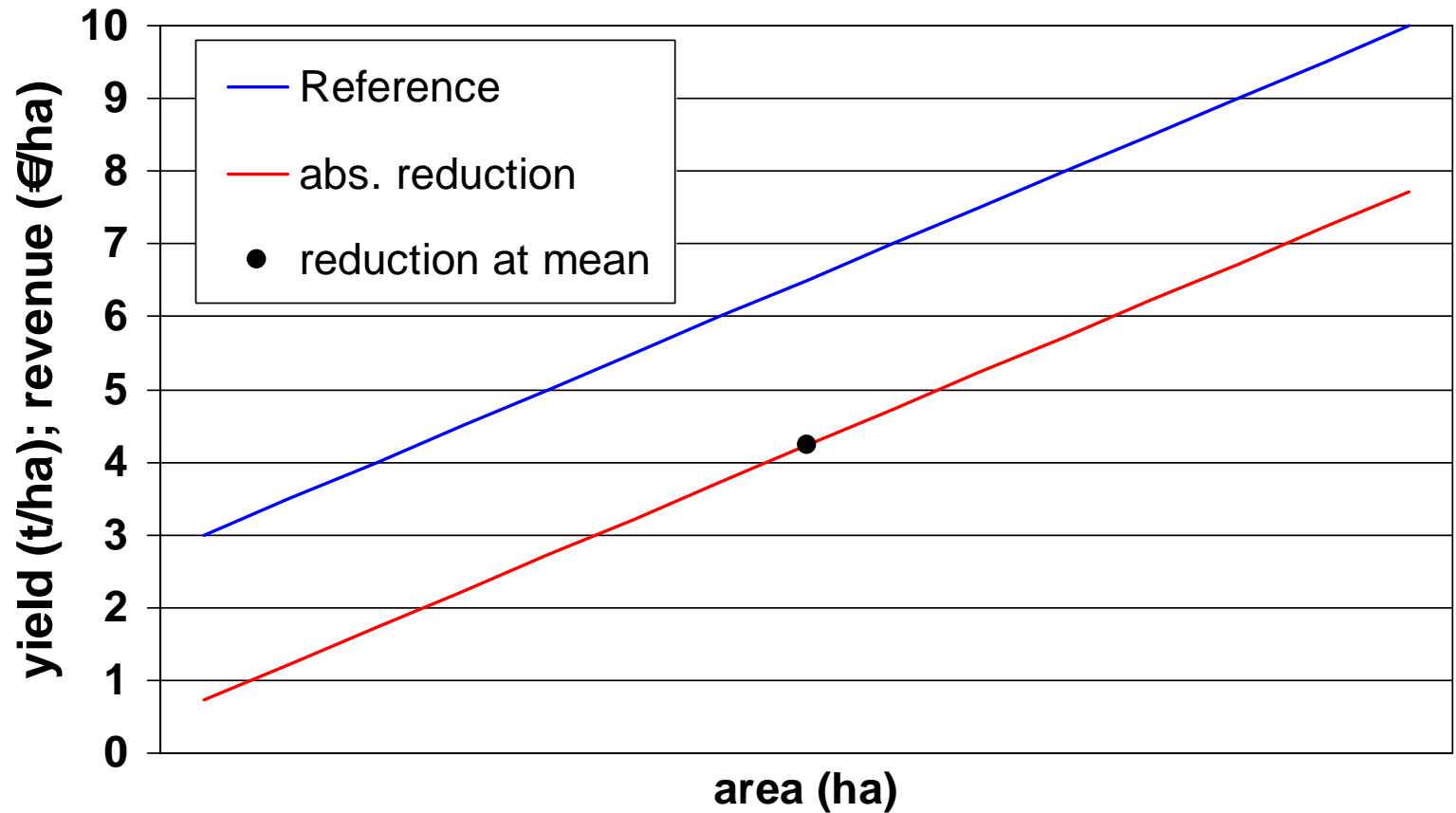
Performance of 'simple' standard cost approaches



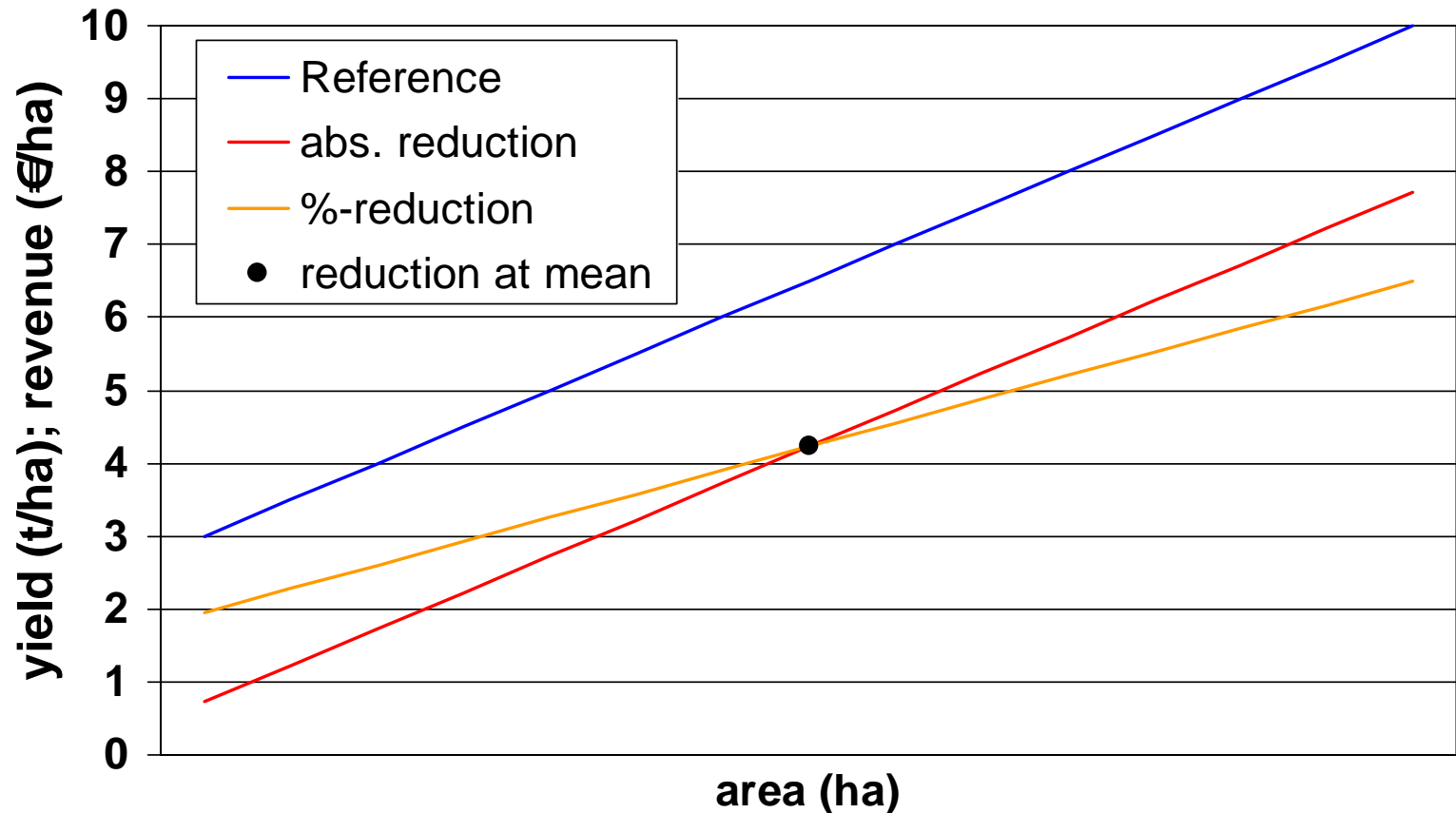
Performance of 'simple' standard cost approaches



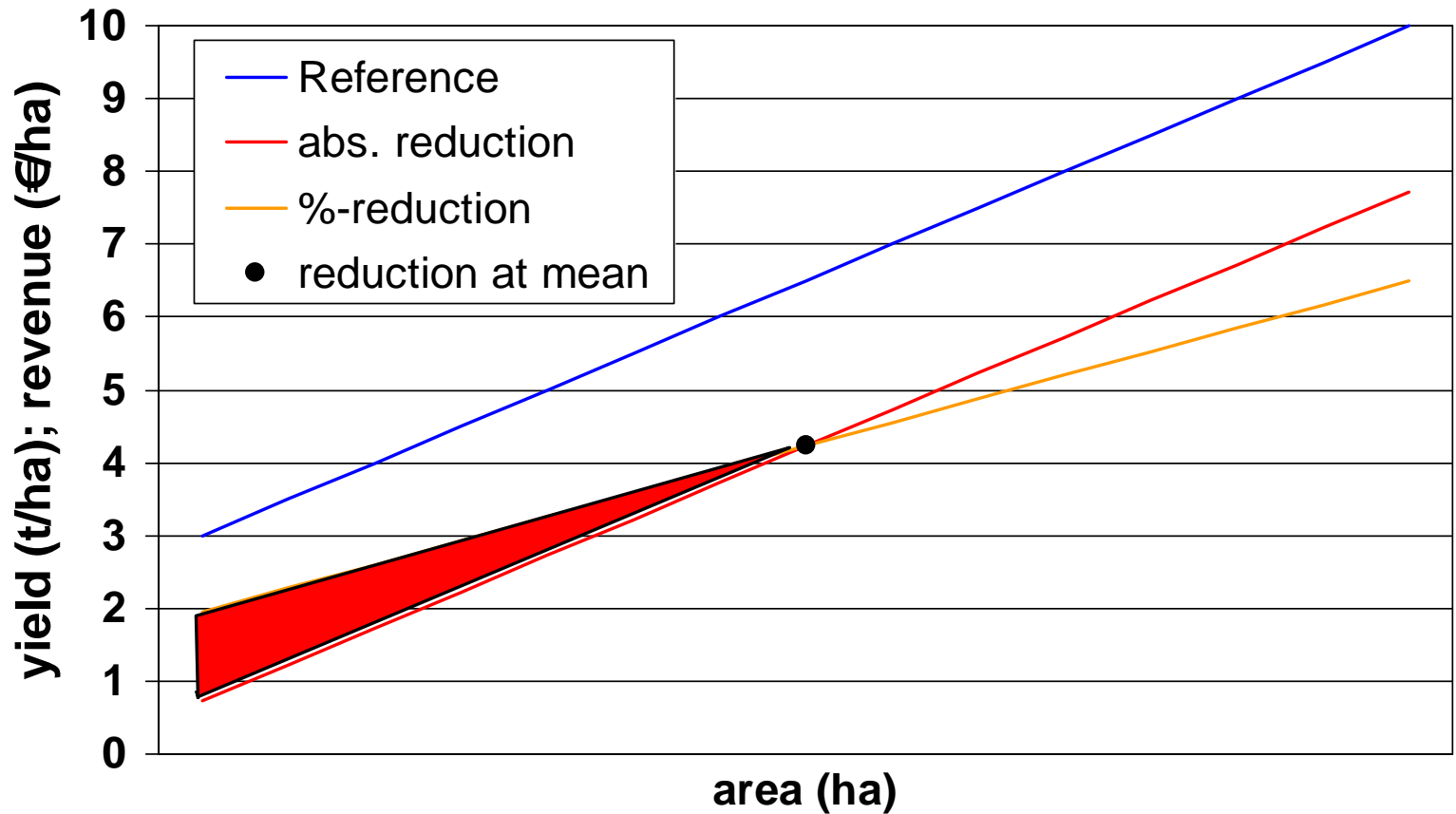
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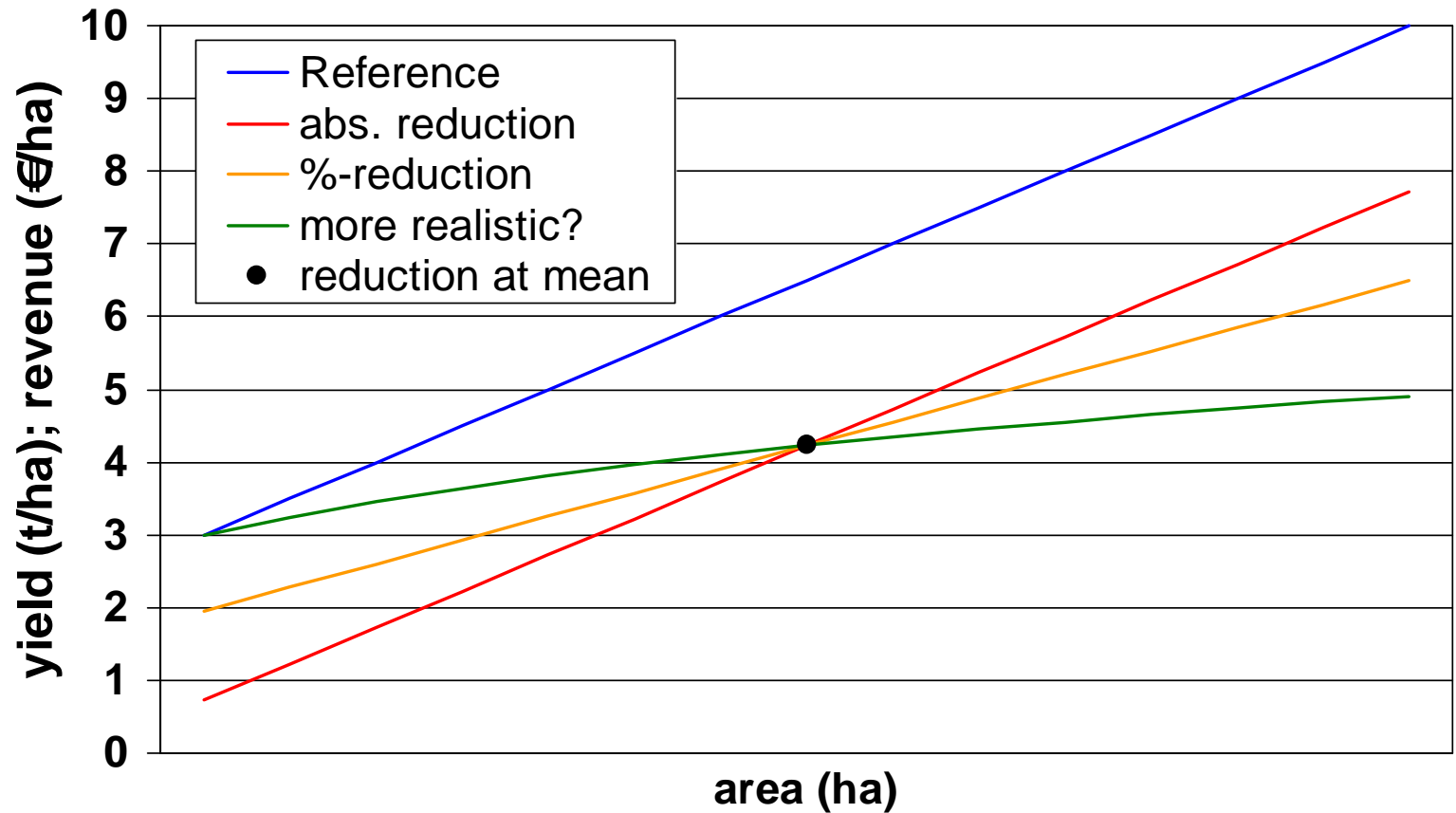
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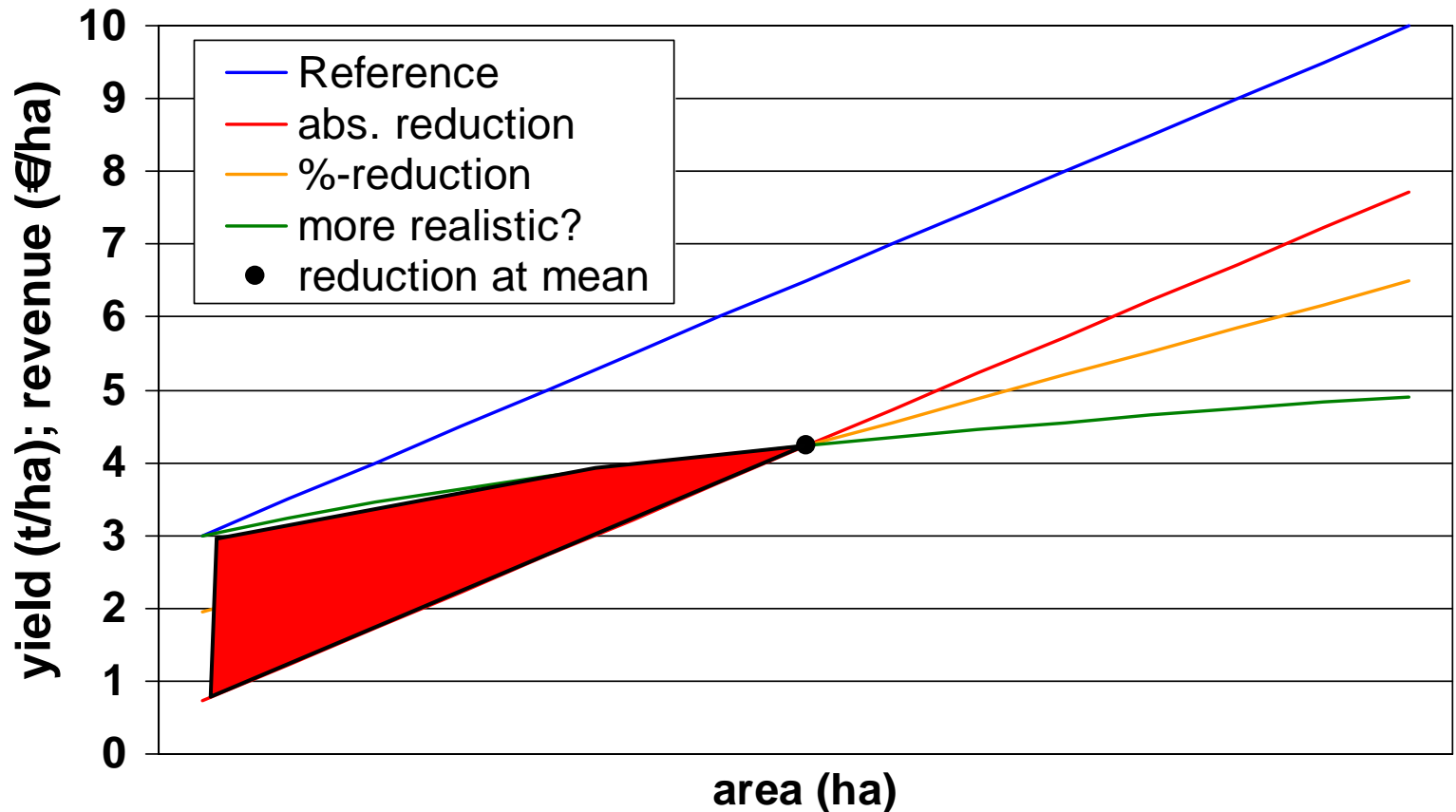
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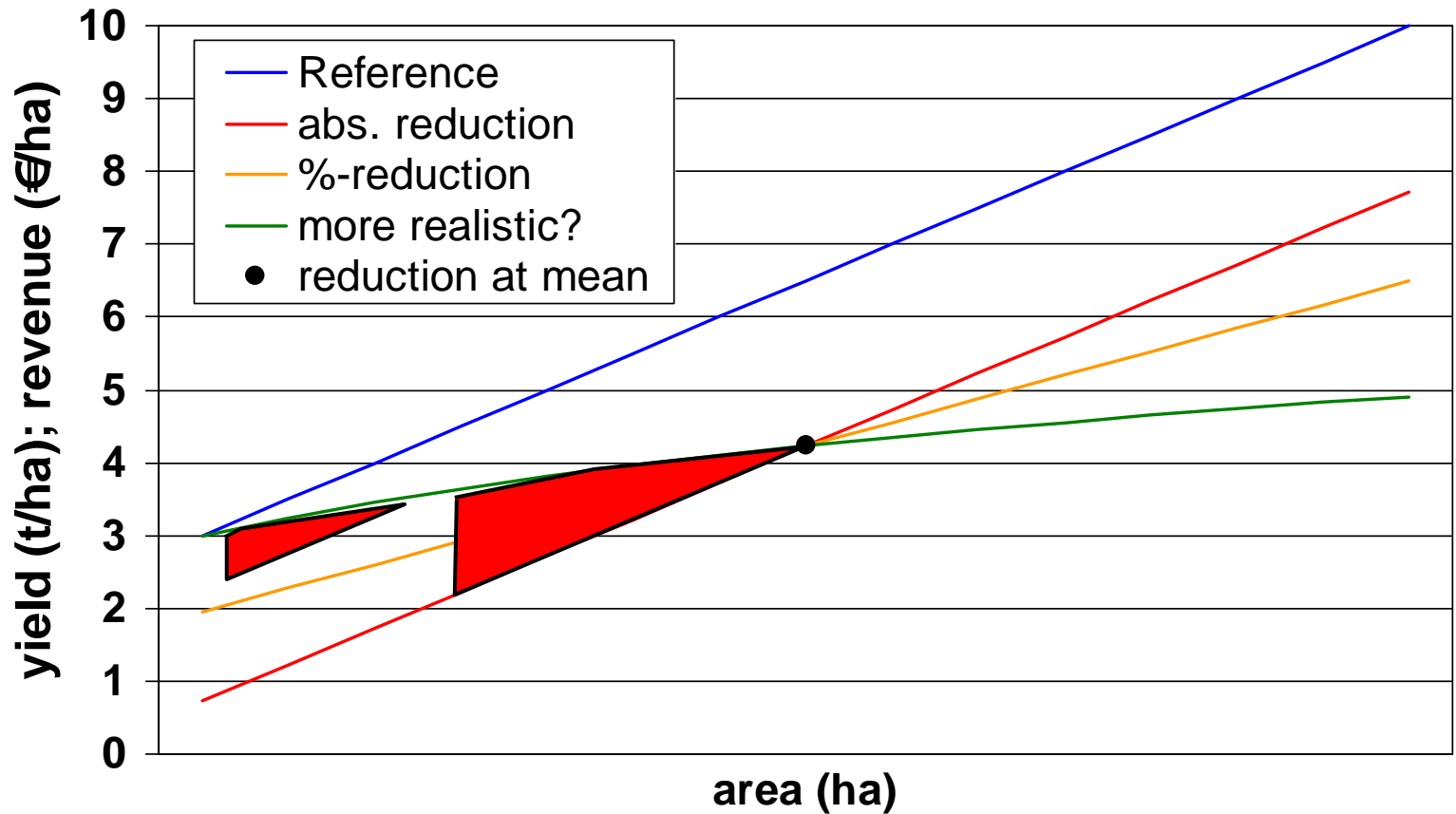
Performance of 'simple' standard cost approaches



Performance of 'simple' standard cost approaches



Performance of differentiated approaches



Approach

- Review of literature
- Analysis of distribution of influencing factors across farms
- Case study calculations of typical farm constellations (LADSS)

Approach

- Review of literature
- Analysis of distribution of influencing factors across farms
- Case study calculations of typical farm constellations (LADSS)
- Review of administrations' experiences (WP1)

Questions arising from WP7 to be integrated in WP1 review

- Is potential overcompensation an issue when designing new measures and payment schemes ?
- What kind of differentiated payments (e.g. by regional or farm structural characteristics) exist ? If none, reasons?
- Have differentiated approaches been implemented in past but not in subsequent programmes ? Which ? Why ?
 - e.g. Germany, organic farming:
 - Bavaria: by stocking rate
 - Meck.-Vorp.: by year of conversion
 - Schl-Hols.: by farm size (ha)
- Have differentiated approaches been discussed in-house but not been implemented ? Which ? Why ?

Key output of WP7, year one

- Theoretical concept for analysis of key issues
- Empirical evidence
 - Performance of ‚simple‘ standard cost calculations
 - Scope for improvements by differentiation and other alternatives (tendering)
 - Evaluate costs and benefits of differentiated approaches
costs: e.g., administrative and private transaction costs
benefits: e.g., reduction of overcompensation, increased participation

Workplan

- Input into design of WP1-Questionnaire (month 2, P2)
- Review of performance of ‚simple‘ and differentiated standard cost calculations
 - Design guideline (month ?, P2)
 - Collect and evaluate literature (month ?, all partners)
- FADN and Regio based analysis (month 6-11, P2, P?)
- Model (LADSS) based analysis (month ?-11, P1, P7)
- Results presented at midterm WS (month 12/13, P2)