Glossary of terms used in agri benchmark

agri benchmark

Whole Farm Level

Nr.	Name of variable	Explanation / definition
Cost structure used for profitability calculations		
	Cash cost	Cash cost for purchased feed, fertiliser, seeds, fuel, maintenance, land rents, interest on liabilities, wages paid, veterinary costs plus medicine, water, insurance, accounting, etc (excl. VAT).
	Cost from the profit and loss account	Cash cost + depreciation.
	Depreciation	Linear depreciation on machinery and buildings, calculated on replacement values.
	Factor cost	Sum of labour, land and capital cost (including opportunity cost).
	Non-factor cost	The residual of total cost less factor costs including depreciation.
	Opportunity cost	Calculated cost for using own production factors like labour (family working hours * wage for qualified local labour, land (own land * regional land rents) and capital (non-land equity * long-term government bonds interest rate).
Price indices in national currencies		
	Domestic impact	The change in costs associated with changes in domestic prices and productivity with the USD exchange rate kept constant.
	Exchange rate impact	The change in costs associated with changes in the USD-exchange rate with national price and productivities kept constant.
	GDP-Deflator	It is a price index measuring changes in prices of all new, domestically produced, final goods and services in an economy. GDP stands for gross domestic product, the total value of all goods and services produced within that economy during a specified period. The list of GDP-deflators used is provided in Annex A.1.
	Real prices	Real prices are derived by adjusting nominal (market) prices for inflation. To do this, an appropriate deflator has to be chosen. For this exercise, the decision was made for the GDP-deflator as it reflects all goods and services of the economy. To obtain the real price index from the nominal price index the following calculation was performed: Nominal price index / GDP-deflator * 100.

Calculation flow on whole farm level

	Total receipts
+	market returns enterprises
+	coupled government payments enterprises
+	decoupled payments whole farm level
–	**Total expenses**
+	variable costs enterprises (direct costs)
+	fixed/overhead costs whole farm
+	paid wages whole farm
+	paid land rent whole farm
+	paid interest on liabilities whole farm
=	**NET CASH FARM INCOME**
–	Depreciation
+ / –	Change in inventory
+	Interest on savings
+ / –	Capital gains / losses
=	**PROFIT, FARM INCOME**
–	Opportunity costs
	(+ calculated interst on own capital)
	(+ calculated rent on land)
	(+ calculated cost for own labour)
=	**RETURN TO MANAGEMENT**