



LANDBOUW-ECONOMISCH INSTITUUT

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GUIDING PRINCIPLES FOR DETERMINING THE UNIT-COST OF MILK

a. The calculations of the unit-costs of milk for the period 1st Nov. - 1st Nov. are based on data of 6 groups of mixed farms and of 8 groups of dairy farms.

b. In selecting the farms the following criteria are applied:

1. average production circumstances prevailing in the areas concerned;
2. normal farm organization and a skilful farmer.

c. The costs and returns for the forward-calculation are calculated with due observance of the results of former years. In that way the calculations do not depend on the results of only one accounting year. A given year may deviate by accidental circumstances from what has to be considered as normal. By taking data of several years the quantities needed can be normalized.

The normalization is only carried out with reference to the quantities of the means of production and the yields.

In the concerning reports the methods of normalization are explained for each separate cost item. Usually, the average of the last years is guidance for the normalized figures of the coming year. If there are strong indications that in a special case this principle cannot be followed, certain tendencies and expectations about the coming year are taken into account.

d. With regard to the prices of the means of production the present price level or that which can be expected for the near future is used. If necessary, figures and calculations of other departments and/or institutions are used.

e. The accounts of some elements are computed in accordance with agreements between the Government and the Farmers' Organization.

It deals principally with the appraisal of: a. rent;

b. remuneration for management;

c. home-produced feeds.

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