Summary of the Non-Tariff Measures Applied with a View to Protecting Agriculture and to Supporting the Agricultural Producers' Income, Submitted by the Government of France

STUDY ON AGRICULTURAL INCOME

The figures relating to agricultural income were calculated in accordance with the rules and concepts as applied in the official accounting practice of the French Government.

Additional comments are deemed necessary with regard to the following items:

(a) the definition of agriculture,
(b) the period covered by the investigation,
(c) the accounting framework,
(d) the terminology used,
(e) the method of keeping accounts of stocks.

(a) Definition of agriculture

Before attempting to gauge the extent to which agriculture has contributed to national product or its share in the national income, it is first of all necessary, if serious equivocations are to be avoided, to agree on a clear definition of what exactly is meant by agriculture, since this term is open to various interpretations.

It applies as the case may be:

- to a socio-professional group - the farmers group; in this sense, it has the connotation of active or total "agricultural population";
- to an aggregate of enterprises - the farming establishments; in this sense, it has the connotation of "agricultural sector of production";

- to an activity - the activity having as a purpose the obtainment of products of vegetal or animal origin; in this sense, it has the connotation of "agricultural branch of activity".

These three connotations do not overlap each other:

- on one hand, within the agricultural enterprises, the activities exercised are not exclusively agricultural; the farming enterprises often perform initial processing operations, such as the processing of milk into cream, butter and cheese; they also carry out work which normally comes under the scope of industrial or handicraft activities, such as repair and maintenance of buildings or machinery, construction or other miscellaneous work for their own account. Inversely, agricultural activity may be exercised outside of the farming enterprises proper, as in the case of domestic gardening;

- on the other hand, all farmers and their families do not earn their living exclusively out of agricultural activities: a farmer may, in addition to exploiting a rural estate, exercise a profession or a handicraft; he may also derive non-agricultural income from investments of his capital in other branches of activity; again he may draw additional income from social legislation, and to the extent where the re-distribution of income achieved by such legislation goes beyond the socio-professional class of agriculturists, it results in a non-agricultural income for the whole of the agricultural population.

It follows that there is a distinction between the three notions: production and income from agricultural activity, production of and income from the agricultural sector, and production and income of the agricultural population:

A proper distinction is not always made between "sector" and "branch of activity". Even the "CEE/FAO Handbook of Definitions and Methodology" fails to differentiate accurately, in respect of both terminology and concepts, between these two notions. The terms "sector" and "branch of activity" are used indiscriminately, whereas it is expressly specified that the criterions of classification is neither the product nor the activity, but the location, and that provision is made for processing at the farm and constructions for one's own account; nevertheless, the authors of the Handbook are still puzzled as to the classification of "domestic and labourers' gardens".
- the first notion refers to production and income derived from agricultural activity, regardless whether this activity is exercised by agriculturists or non-agriculturists;

- the second notion refers to production and income derived from the activities - agricultural or non-agricultural - exercised by the heads of enterprises and within their enterprises;

- the third notion refers to production and income derived from the activities - agricultural or non-agricultural - exercised by agriculturists within and without their enterprises.

The figures quoted hereinafter, however, only refer to agriculture in the sense of "branch of activity".

(b) Period covered by the investigation

As will be noted, the income figures are shown by calendar year.

The reference to calendar year may seem surprising, since it has become customary to refer to "agricultural campaigns" and to reckon on the basis of "campaigns". The reference to calendar year is nevertheless justified and logical because, in the field of economic analysis, the notion of "campaign" is apt to be more confusing than clear, while the recourse to the calendar year, far from having any drawbacks, presents a number of advantages.

The notion of campaign, while being technical, is not sufficiently accurate to be of practical use. Rather than having a single meaning, it is variable. There is no such thing as an agricultural campaign, since there are as many agricultural campaigns as there are agricultural products: there is a wheat campaign, likewise a cauliflower campaign and a potato campaign. All these campaigns are far from overlapping each other, whereas animal productions, despite seasonal fluctuations, are practically continuous. Moreover, when delving deeper into the subject, one comes to the conclusion that, since there are several phases to each campaign (cultivation, harvesting, merchandizing) it would become necessary to sub-divide the different classifications. To mention only a few, there are campaigns for production media, for fertilizers (1 May - 30 April) for parasite-killing and anti-cryptogamic agents, for binder twine, etc. A campaign dealing with fertilizers would be of no interest, for example, to cereal stocking organizations.

Besides, campaigns have not the same duration from one year to the next nor do they extend to a like degree to the whole of a territory. A fortiori, the extent or delimitation of a campaign for a particular product may vary greatly, depending on geographical latitude. If the intent of an economic analysis is to draw comparisons on an international basis, this factor of variation constitutes a further reason militating against the use of campaigns as the framework of such an analysis.
It should even be considered as arbitrary to reckon on a fixed date, as is customary, to determine the transition from one campaign to another - the more so that, as a matter of fact, for a number of speculations, the cycle which opens with the initial tilling preparations and closes with the final merchandising operations covers a period in excess of twelve months. Thus, not only is there an overlapping of campaigns for several products, but an overlapping also of successive campaigns for one and the same product.

Finally, due to the advancement of agronomic research - development of early and late varieties, or of cold-resisting varieties, for example - combined with the progress in propagation techniques, the tendency is for any particular production, even though the process of production might be accelerated, to spread over an increasingly longer period of each year - which in turn means that campaigns also tend to be of longer duration.

Economic analysis is not compatible with such multiplicity and diversity. In order to draw valid conclusions from such an analysis, it is imperative that all aspects of a particular branch of activity be considered within the same period of time; at whatever point the period covered by the analysis terminates, it will encounter actions which are only beginning, others which are in full evolution, and still others which are nearing completion or even entirely completed.

In fact, beyond the "campaigns" peculiar to certain productions, agriculture - considered from an overall standpoint - is a continuous activity, and the efforts in agronomic research referred to above are ample evidence of the constant endeavours made to reduce the breaks in continuity in agricultural production.

In this respect, agriculture does not differ fundamentally from other activities. In trade and industry, production and sales activities are subject to seasonal movements; textiles are a case in point. Moreover, in these activities, by the same token as in agriculture, the cycle of working processes - from the purchase of raw material or even of equipment to the delivery of the finished product - does not exactly coincide with the calendar year, and neither does the merchandising cycle. Nevertheless, when drawing up economic studies for these non-agricultural activities, the calendar year is consistently used without untoward results.

It should be borne in mind, in this connexion, that the sole purpose of economic accounting is to draw up a balance sheet for a given period and to use it as a basis to compare future balance sheets. When referring to agricultural accounting, the accounts relating to "stocks" and to "work in process" afford the possibility of reckoning, at any given time, with crops still to be realized as well as with preparatory work for future crops.

The use of the calendar year for studying the evolution of agricultural economy has the further advantage of permitting comparisons to be made with national income without requiring any adjustment whatsoever.
(c) The accounting framework

The form of statement used for economic accounting work, including agricultural accounting, was expressly conceived to fulfill the following purposes:

- on one hand, to show accounts corresponding to well-defined groups of agents, or to branches of activity,

- on the other hand, to re-group the operations of the same type performed by all of the groups of agents and branches of activity.

Included, therefore, within its framework, are accounts relating to agents and branches, and accounts relating to operations.

Accounts pertaining to agriculture, within the meaning of the aforementioned definition, appear in the accounts pertaining to branches.

The activity of the agricultural branch of activity, comprising all agents and activities, is reflected in three accounts known as "compte d'exploitation" (operating account) "compte d'affectation" (allocation account) and "compte de capital" (capital account).

The "compte d'exploitation" is intended to set off the income derived in the course of production operations. The production under consideration represents the difference between total production and the intermediate consumption relating to this total production. In this account are entered, on one hand, the proceeds corresponding to this production or accruing to producers in consideration of their productive activity, such as the cultivation subsidies paid out by Government; on the other hand, the charges incurred, such as current purchases, rents, salaries and social charges, direct and indirect taxes. The balance represents the gross operating income.

The "compte d'affectation" reflects the utilization of the gross operating income and of certain other incomes not directly connected with a current production activity (such as war damage indemnities, equipment subsidies, etc). Part of the income is disbursed in the form of direct taxes; the balance represents the producers' gross income.

1 Actual proceeds in the case of merchandise sold or fictitious proceeds on the basis of production costs in the case of self-consumption.
The "capital account" takes up again as resources the share of the producers gross income allocated for investments intended to be devoted to agricultural production, and in addition the miscellaneous credits (loans and credits) which the producers have at their disposal. These gross resources are utilized in the form of gross investments (gross formation of fixed capital, variation of stocks) or of miscellaneous uses, such as increases of cash-balances, investments (whereby only the balance between credits obtained and investments appears in the account).

The accounts are set up for each group of agents and for each branch on the basis of the double entry bookkeeping system, each operation being booked twice for the same amount in the accounts of the group or of the branch under consideration. In addition, since each operation generally concerns at least two groups of agents or branches, the operations booked in the accounts of one group or branch have their counterpart in the accounts of another group or branch, with the result that the agents and branch accounts balance with the operation accounts.

In this manner, through the intermediary of the accounts relating to transactions in agricultural products, the accounts of the agricultural branch of activity are linked to the accounts of the various agents, enterprises, households, and administration.

d) Terminology used

(1) The following synthetic tabulation repeats the various definitions given in the preceding paragraphs of this methodological outline:

1. Production, mechanized
2. Production, self-consumed.
3. Variation of stocks

4. Production of the agricultural branch of activity, \((1 + 2 + 3)\)
5. Deduct: current purchases of goods and services

6. Gross product of the agricultural branch of activity at market price \((4 - 5) = \text{added value or gross income}\)
8. Add: operating subsidies.
9. Deduct: taxes and fees of indirect nature
10. Gross product at cost of items \((6 \times 8 \times 9)\)

11. Deduct: write-offs (amortizations)

12. Net product of the agricultural branch of activity at cost of items \((10 - 11)\) = Net income realized in the branch = share of the branch in the national income.

This income is distributed as follows:

- remuneration of salaried personnel,
- social dues relating to above personnel,
- cost of rents and comparable dues,
- gross income of the enterprise.

(2) Current purchases booked on the debit side of the operating account and appearing on line 5 of the above tabulation include primarily the following goods and services:

(a) Goods

Feed for livestock,
sowing seeds,
fertilizers,
parasite-killing and anti-cryptogamic products,
solid and liquid fuels, lubricating oils and greases,
electricity,
binder twine,
wire for packing purposes
wire for enclosure,
horse shoeing, horse trappings,
small tools,
miscellaneous small material.

(b) Services and upkeep

repairs,
threshing,
veterinary services,
interest on loans.
(c) **Method of keeping stock accounts**

The book-keeping of agricultural stocks cannot be handled by the same methods as those currently practiced in other branches of economy, whereby all variations of stocks of any kind are booked, regardless whether they apply to finished products or to intermediate products such as barley for instance.

In the first place, if stock variations of cattle feed such as barley are booked without at the same time booking an increase in meat stocks, any increase in stocks of barley taking place in the course of a particular year would disappear during the course of the following year without leaving any trace in the accounts.

In principle, any increase in stocks of barley in the course of a particular year, involving as it does an increase in intermediate consumption the following year, should translate itself during this second year into a corresponding increase in the stocks of meat. Logically, therefore, it would seem that all variations of stocks should be taken into account. It has not been possible to-date, however, to express in figures the variations of stocks of meats without resorting to such doubtful hypothetical assumptions as would render the item "variations in stocks" entirely valueless.

Besides, by applying to agricultural stocks the same book-keeping methods as are being used in other branches of the economy, it might result in conveying a distorted picture of the evolution of agricultural revenue, as will be shown by the following example.

Assuming that, for a particular year, the stock variation is negative (-100 billion francs for instance), the usual method of accounting would show a reduction of 100 billion francs from the total value of actual sales and self-consumption; whereas during the following year the stock variation being positive (say +100 billion francs), the total value of sales and self-consumption would be increased by 100 billion francs. The evolution of the income derived from the farming operations would thus be distorted, since actual movements in income - which are one of the important features of agricultural economy - would remain hidden. In trade or industry, such a method of handling stock accounts would be quite in order, because a commercial or industrial enterprise which draws from its stocks in the course of a year, and builds them up again during the following year, must necessarily increase its expenditures. The same is not true in the case of agriculture where there is no stable link on a short-term basis between expenditure involved and production.

Depending on atmospheric conditions, for instance, a given amount of expenditure may result in a volume of production which may easily vary by as much as 100 per cent with consequent very substantial variations in stocks. But these variations do not imply that the expenditure to be incurred the following year will vary to a corresponding degree. To replenish their stocks of wine in 1959 for example, the growers will not necessarily need to
increase their outlay. With the same amount of expenditure, if atmospheric conditions are favourable, they may obtain a bumper crop enabling them to replenish their stocks.

Whereas in industry, where there is a fairly stable link, on a short-term basis, between current expenses and production, the replenishing of stocks always requires an increase in expenditure (all things being otherwise equal), the situation is quite different in agriculture, where stocks may be replenished without incurring additional expense. And whereas, in industry, a reduction of stocks is equivalent to a reduction of capitalization, such is not at all the case in agriculture.

For all these reasons, two sets of accounts are being submitted: one in which variations in stocks are shown, thus permitting an analysis of the agricultural production, while the other, where variations in stocks do not appear, reflects the evolution, on a short-term basis, of the actual operating returns of the agricultural enterprises.

These comments may assist in interpreting the dual statement presented hereunder for the years 1957 and 1958.
I. Branch of Activity:

AGRICULTURE AND FORESTRY - WITH VARIATION OF STOCKS

(in billions of French francs)

A - OPERATING ACCOUNT

<table>
<thead>
<tr>
<th>Utilization</th>
<th>1957</th>
<th>1958</th>
<th>Resources</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current purchases of goods and services</td>
<td>700</td>
<td>809</td>
<td>Merchandizing</td>
<td>2,398</td>
<td>2,708</td>
</tr>
<tr>
<td>Rents and métayages</td>
<td>145</td>
<td>155</td>
<td>Self-consumption</td>
<td>485</td>
<td>563</td>
</tr>
<tr>
<td>Salaries and benefits i.: kind</td>
<td>270</td>
<td>295</td>
<td>Operating subsidies</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Social dues</td>
<td>42</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and fees of an indirect nature</td>
<td>52</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating income</td>
<td>1,536</td>
<td>1,957</td>
<td>Variation of stocks</td>
<td>-154</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>2,745</td>
<td>3,321</td>
</tr>
</tbody>
</table>

B - ALLOCATION ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1958</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes and fees of</td>
<td>6</td>
<td>8</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>a direct nature</td>
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<td></td>
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</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>War damages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross income to</td>
<td>1,576</td>
<td>2,002</td>
<td>26</td>
<td>38</td>
</tr>
<tr>
<td>producers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,582</td>
<td>2,010</td>
<td>Total</td>
<td>1,582</td>
</tr>
</tbody>
</table>
II. Branch of Activity

AGRICULTURE AND FORESTRY - WITHOUT VARIATION OF STOCKS

(in billions of French francs)

A - OPERATING ACCOUNT

<table>
<thead>
<tr>
<th>Utilization</th>
<th>1957</th>
<th>1958</th>
<th>Resources</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current purchases of goods and services</td>
<td>700</td>
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<td>Merchandizing</td>
<td>2,398</td>
<td>2,708</td>
</tr>
<tr>
<td>Rents and métayages</td>
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<td>155</td>
<td>Self-consumption</td>
<td>485</td>
<td>563</td>
</tr>
<tr>
<td>Salaries and benefits in kind</td>
<td>270</td>
<td>295</td>
<td>Operating subsidies</td>
<td>16</td>
<td>25</td>
</tr>
<tr>
<td>Social dues</td>
<td>42</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and fees of an indirect nature</td>
<td>52</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating income</td>
<td>1,690</td>
<td>1,931</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,899</td>
<td>3,295</td>
<td>Total</td>
<td>2,899</td>
<td>3,295</td>
</tr>
</tbody>
</table>

B - ALLOCATION ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1958</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
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<td>Taxes and fees of a direct nature</td>
<td>6</td>
<td>8</td>
<td>Gross operating income</td>
<td>1,690</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>War damages</td>
<td>20</td>
</tr>
<tr>
<td>Gross income to producers</td>
<td>1,730</td>
<td>1,984</td>
<td>Equipment subsidies</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>1,736</td>
<td>1,984</td>
<td>Total</td>
<td>1,736</td>
</tr>
</tbody>
</table>
The figures developed in these statements differ appreciably depending on whether the accounts are reckoned with or without variation of stocks.

Whereas the actual merchandizing proceeds plus the value of self-consumed products amount to 3,271 billion francs for 1958 against 2,883 billions for 1957, equivalent to an increase of 13.5 per cent in 1958, and whereas the total resources of the operating account without variation of stocks rose by 396 billions (+ 13.6 per cent) from 1957 to 1958, this percentage of improvement of resources from 1957 to 1958 is raised to 20.9 per cent when taking into consideration the item "variation of stocks", which in the same lapse of time registers a stock increase amounting to 170 billions.

There is no doubt that this latter percentage of improvement gives a better picture of the evolution of production, since it reflects the changes which took place in the market of certain products during the course of these last two years; as an instance, during 1958, the high stocks of secondary cereals which had been built up as a result of exceptional weather conditions continued to decrease steadily, while wine stocks, despite a poor crop, were higher on 31 December 1958 than they were on 31 December 1957 (+ 10,426,000 hectolitres).

On the other hand, if these stock operations are disregarded, one is afforded a more accurate evaluation of the actual income derived from operations and accruing to producers. The advance is registered during the period under consideration in the gross income from operations and in the gross income to producers, which figures at 27.3 per cent and 27 per cent respectively if variations of stocks are taken into account, drops to 14.2 per cent if this item is left out of consideration.

This results from the fact that, while the production of certain commodities, such as wine primarily, benefited by conditions generally favourable to their sale, producers were faced with substantial increases in the various expense items of their operating accounts. This is particularly true in the case of current purchases of goods and services, which represent about 60 per cent of these expenses, and which rose in one year by 15.5 per cent. Salary rates, for instance, were raised three times in the course of the year (1 January, 1 March and 1 June).

It is only fair to mention, in this connexion, that through the application of the provisions of Decree No. 57-1017 of 18 September 1957, an increment of 12.4 per cent was made possible in the price of a number of products which, at 31 December 1957, made up about 60 per cent of the total value of agricultural production.

When evaluating these figures, it should be borne in mind that, while they apply to the agricultural activity as a whole, they were affected to a very large extent this year by the exceptional conditions prevailing in the vine-growing sector. The inference is that the improvement in the standard of living of the agricultural class can only be considered as average. The distribution of agricultural income is uneven, varying according to regions, according to the size of farms, according to commodities produced. In this respect, however, information is lacking, as it is also lacking with regard to the financial standing of producers, considering the various payment facilities available.