Comparable appraisal of efficiency measures

The different efficiency measures of wheat production are closely interrelated and cannot be analyzed separately.
Each measure can be used to make a statement about whether the production (long-term or short-term) is economically reasonable.

Form 5

It is impossible that one measure says that the production is profitable, while another measure indicates the inefficiency of the production!
The relations among the different efficiency measures can be illustrated in this way:

	Gross Margin / Net Profit	Factor Return	Threshold price
not profitable	< 0	< (opportunity) costs	< product price
profitability limit	= 0	= (opportunity) costs	= product price
profitable	> 0	> (opportunity) costs	> product price

In the example calculation these relations cannot be verified. Especially clearly this relation is shown in Form 5, because all efficiency measures are shown (simplified) parallel close to one another.

If the product price is set to be equal to the long-term lowest price limit (profitability threshold), then the resulting Net Profit (if other conditions remain unchanged) is equal zero (output=total costs) and the return of factors capital, labour and land will be exactly equal to the assumed imputes costs (weighted average).

If the costs of one of the factors capital, labour and land are set to be equal to the calculated factor return, then (if other conditions remain unchanged) the resulting Net Profit is equal zero (output=total costs), the return of other factors is equal to the assumed imputed costs (weighted average) and the lowest price limit is equal to the current product price.

These relations apply to both long-term (net profit & profitability threshold) and short-term indicators (gross margin I, II, III & production threshold I, II, III).