Comments on Annex to chapter 6: Separating storage production from holding gains and losses

Your name:	Charles Aspden
Your country/organization:	OECD
Contact (e.g. email address):	Charles.aspden@oecd.org
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General comments

This is a welcome addition to the SNA as it gives practical guidance as to how to measure storage production which the 1993 SNA failed to do.

Specific comments

6A.2 second last sentence: The costs incurred in storage comprise intermediate consumption, compensation of employees and the cost of capital. The margin has to be sufficient to cover all these costs.

6A.5 first sentence: delete "the".

6A.7 final sentence: replace the second "the" with an "a".

6A.11 This paragraph makes an assertion that it is not very likely that a suitable "benchmark" measure of price change is available for determining the contribution of storage to the change in price of a maturing product. This is overly pessimistic. For example, in the case of maturing wine an adequate proxy "benchmark" price index would be a constant-quality price index of wine, and one would expect countries that have significant wine-producing production to compile such a producer price index. Hence, if values of wines at different stages of maturity are available then it would be possible to estimate storage as described in paragraphs 6A.9 and 6A.10, using the output price index for wine. Ideally, the output price index should relate to the end of each period, and if it does not a transformation may be required. If values of wines at different stages of maturity are unavailable then one would need to consider using a model based on expectations of real price change due to storage as described in the existing text.

6A.17 In order to estimate the seasonal pattern (or seasonal factors) a model must be specified. Generally, and particularly for a time series subject to inflation, like a price index, a multiplicative model is used. That is, it is assumed that the absolute seasonal variation is directly proportional to the trend. Multiplicative seasonal factors do not reflect the effects of inflation, which means that if they are used to determine storage output the resulting estimates will be at the constant prices of the beginning of the storage period, i.e. harvest time. Hence, no allowance is made for changes to the price of storage output through the year due, for example, to general inflation.

This problem can be overcome by using the seasonally adjusted price index as the benchmark price index in the same way as the price index for wine output can serve as the benchmark price index for the storage of maturing wine. Storage output over a period can then be measured as the volume of the crop in storage multiplied by the difference between the change in the market price of the crop over the period and the change in the seasonally adjusted market price over the period. By this means, changes in the price of storage output are reflected in the estimates. The nominal holding gain is determined by the change in the seasonally adjusted price.

Using seasonal factors rests on the assumption that for periods between harvests the seasonal factors rise from quarter-to-quarter or month-to-month. If the seasonal factors do not behave in this way then they cannot be used to estimate storage output. If seasonal factors do rise between harvests and quarterly data are available then storage output can be estimated for the three quarters in which there is no harvest. Likewise, if there are monthly data available storage output can only be estimated for the months in which there is no harvest. This means that if there is a significant time lapse between the harvest going into storage and the first month, or quarter, for which usable seasonal factors are available then a seasonal factor should be imputed for the interval between harvest time and the first period for which there is a usable seasonal factor.

If reliable market prices throughout the year are unavailable and it is not possible to derive a reliable seasonally adjusted price, then storage output should be estimated using the estimated seasonal pattern, as described in 6A.17 and 6A.18.

6A.18 This paragraph is a bit confusing because it starts by stating the difficulties in determing robust seasonal factors for the price of the crop and then goes on to describe a “pragmatic suggestion” that requires determing the seasonal factors.