

Glossary: Standard gross margin (SGM)

Statistics Explained

The **standard gross margin**, abbreviated as **SGM**, is a measure of the production or the business size of an [agricultural holding](#). It is based on the separate activities or 'enterprises' of a farm and their relative contribution to overall revenue. For each separate activity (for instance wheat, [dairy cows](#) or a vineyard), a SGM is estimated, based on the area (for [crop output](#)) or the number of heads (for [animal output](#)) and a standardised SGM coefficient for each type of crop and livestock, calculated separately for different geographical areas to allow for differences in profit. The sum of all these margins per hectare of crop and per head of livestock in a farm is a measure of its overall economic size, expressed in [European size units](#) or ESU - 1 ESU is a 1200 euro SGM.

SGMs represent the level of profit to be expected on the average farm under 'normal' conditions (discounting, for example, disease outbreaks, fires and floods, adverse weather). The standard gross margin (SGM) for a farm is the difference between the gross production (to which subsidies are added) and the variable specific costs.

The definition and principles for calculating SGM coefficients can be found in Annex I to [Commission Decision \(EEC\) No 377/1985](#), listing also the types of farming or the farm structure characteristics to be used. On a farm, the share of each separate activity in the total SGM of a farm enables to classify the farm in one of the types of farming defined by the legislation. For instance, if the share of olive trees in the total SGM is over 2/3, the farm is taken as specialist olives.

Since 1985, the typology of the agricultural holdings was based on SGMs calculated taking into account the gross output and the subsidies, as well as certain deductible specific costs. In the meantime the common agricultural policy has drastically changed and the majority of the direct payments has been decoupled. Due to this decoupling of direct payments since 2005, it was not possible to maintain the previous typology (Commission Decision (EEC) No 377/1985) based on SGM. A SGM without subsidies could be negative and therefore can not be used as classification criteria. Therefore, a new typology has been established.

From FSS 2010 onward the SGM has been replaced by [standard output](#) (abbreviated as SO) according to the [Commission Delegated Regulation \(EU\) No 1198/2014](#) of 1 August 2014 supplementing Council Regulation (EC) No 1217/2009 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Union) repealing Commission Regulation (EC) No 1242/2008).

Please find all standard gross margin and standard output coefficients for each Member State in Eurostat Website at page [SO coefficients](#).

Further information

- [European Commission - Farm Accounting Data Network - Methodology](#)
- [Structure of agricultural holdings](#) (ESMS metadata file — ef_esms)
- [Farm structure survey — methodological articles](#)
- [Commission Decision \(EEC\) No 377/1985](#) of 7 June 1985 establishing a Community typology for agricultural holdings (legal text)

- [Commission Regulation \(EC\) No 1242/2008](#) of 8 December 2008 establishing a Community typology for agricultural holdings
- [Commission Regulation \(EC\) No 867/2009](#) of 21 September 2009 amending and correcting Regulation (EC) No 1242/2008 establishing a Community typology for agricultural holdings
- [Commission Implementing Regulation \(EU\) 2015/220](#) of 3 February 2015 laying down rules for the application of Council Regulation (EC) No 1217/2009 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Union
- [Commission Delegated Regulation \(EU\) No 1198/2014](#) of 1 August 2014 supplementing Council Regulation (EC) No 1217/2009 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Union

Related concepts

- [Farm structure survey \(FSS\)](#)
- [Standard output \(SO\)](#)
- [Economic size unit](#)
- [Agricultural holdings](#)

Statistical data

- [Agriculture, forestry and fishery statistics](#)
- [Standard Output coefficients](#)