

2016

## MILK PRODUCTION COSTS

### Netherlands



#### Current development of costs in the Netherlands

As opposed to milk prices, production costs in the Netherlands have not changed significantly in 2015 and 2016 compared to the respective previous years. After deducting aid to the tune of 2.20 cents, production costs of milk in 2015 were 44.50 cents/kg and thus way over 40 cents. In the three quarters of 2016 costs kept on increasing by about half a cent. These figures include an income rate of 9.88 cents, i.e. wages paid for work done by the farm manager and for family labour. In the third quarter of 2016, the calculated cost for middle-sized farms (Ø 82 dairy cows) was 45.79 cents and for large dairy farms (Ø 231 cows) 40.71 cents per kilogramme of milk produced. The Milk Marker Index (MMI, base year=2010) for the Netherlands was 113 points.

Milk production costs in the Netherlands (FADN 2013)

year	paid costs	+ income rate	= total costs	- subsidies	= production costs
in cents per kg					
2016/Q3	36.97	9.88	46.85	2.20	44.65
2016/Q2	37.12		47		44.80
2016/Q1	37.28		47.16		44.96
2015	36.82		46.70	44.50	
2014	37.45		47.33	2.40	44.93
2013	37.30		47.18	2.61	44.57

Milk production costs by farm size classes

farm size	dairy cows	paid costs	+ income rate	= total costs	- subsidies	= production costs
in cents per kg						
5	82	37.4	10.63	48.03	2.24	45.79
6	231	36.98	5.73	42.71	2.00	40.71

Since 2010, costs have shown only a slight but constant increase. In the current crises, dairy farmers thus barely had any leeway to cut costs. And even if they managed to slightly reduce their costs for inputs such as seeds, fertilisers or bought-in fodder, the effect of these efforts was evened out by lower proceeds from cattle production.

Whereas the cost of milk production has shown a constant increase, farm-gate milk prices have been dropping continuously since 2015: reaching the price level of the crisis year 2010 already in 2015, with a price of 30,75 cents, prices continued dropping in the second quarter to a level below 24 cents and showed no signs of recovery in the third quarter.

Between April and July 2016, the ratio between costs and prices reached a shortfall in cost coverage of 47 percent, probably the lowest point in the producer price crisis.

#### Impressum

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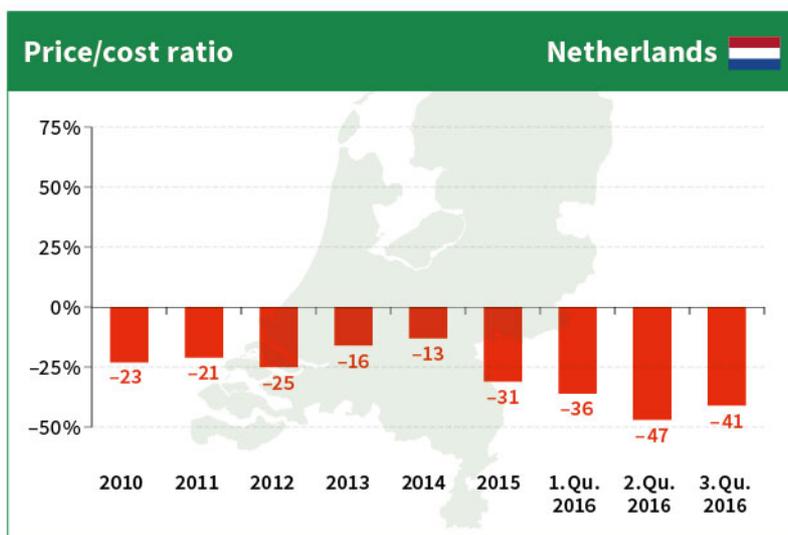
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### Milk production costs in the Netherlands 2010 – 2016

	2010	2011	2012	2013*	2014**	2015**	1. Qu. 2016	2. Qu. 2016	3. Qu. 2016
Production costs in ct/kg	39,96	43,05	42,96	44,57	44,93	44,5	44,65	44,8	44,96
Farmgate milk prices in ct/kg***	30,75	34,22	32,38	37,4	38,9	30,75	27,85	23,68	26,7
Price/cost ratio	0,77	0,79	0,75	0,84	0,87	0,69	0,62	0,53	0,59
Shortfall in %	23	21	25	16	13	31	38	47	41
MMI (index)	100	108	108	112	112	111	112	112	113

\* For the June 2016 publication, all values until 2013 were replaced by real costs calculated on the basis of the FADN database 2010–2013 | \*\* as from 2014, trend calculation by the BAL (Büro für Agrarsoziologie und Landwirtschaft) on the basis of FADN 2013, LEI 2013 and 2014 as well as Eurostat 2015. Annual value for 2014 on the basis of FADN 2013 revised upwards. | \*\*\* all milk prices for 3,7 % fat, source: Price Information Desk (LEI), 1st-3rd quarter 2016 three months average.



### Brief scientific comment

In the first edition of the study on milk production costs in the Netherlands published in June 2014, costs for the year 2013 had been extrapolated on the basis of the FADN 2010 data. The present edition includes the real results calculated on the basis of the FADN 2013 data.

The projections for 2013 were 44.52 cents – the calculation based on the available accounting data for 2013 reported a price of 44.57 cents per kilogramme. The methodology used to extrapolate milk production costs thus clearly proved itself to be valid for the Netherlands as well. In the FADN 2013, representative data is no longer available for smaller dairy farms with less than 30 cows on an average. Therefore, such farms are no longer included in the milk production costs published for the Netherlands for the year 2015.



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