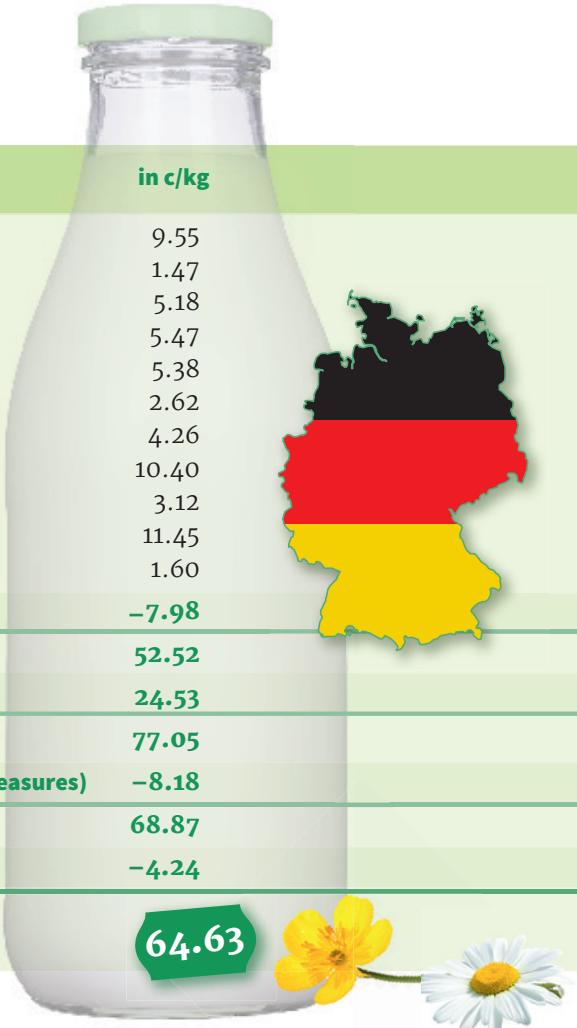


# Production costs of organic milk in 2019/20

## → Germany

### Overview of organic milk production costs (milk year 2019/20)

Cost items	in c/kg
+ purchased feed	9.55
+ fodder production (seeds, fertilizers, plant protection products, other)	1.47
+ livestock costs (veterinary costs, insemination, etc.)	5.18
+ building & machinery upkeep	5.47
+ energy	5.38
+ contract work	2.62
+ wages paid	4.26
+ general operating costs and materials	10.40
+ rent paid	3.12
+ depreciation	11.45
+ interest and taxes	1.60
<b>- revenue from cattle sold</b>	<b>-7.98</b>
<b>= incurred costs of milk production (only for collected milk)</b>	<b>52.52</b>
<b>+ income variable (labour costs)</b>	<b>24.53</b>
<b>= total cost of production</b>	<b>77.05</b>
<b>- subsidies (direct payments and subsidies, without agri-environmental measures)</b>	<b>-8.18</b>
<b>= subtotal</b>	<b>68.87</b>
<b>- organic premium</b>	<b>-4.24</b>
<b>= Production costs of organic milk</b>	<b>64.63</b>



### Cost development and organic milk prices in Germany (milk years 2011/12 – 2019/20)

Milk year	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	(*trend) 19/20*	Ø (15/16-19/20)
<b>Production cost of organic milk in c/kg*</b>	60.18	64.76	69.13	69.53	66.90	62.87	61.23	63.43	64.63	63.81
<b>Organic milk price in c/kg**</b>	n/a	41.55	47.63	47.07	48.04	48.05	48.54	47.40	47.17	47.84
<b>Shortfall in c/kg</b>	n/a	<b>-23.21</b>	<b>-21.50</b>	<b>-22.46</b>	<b>-18.86</b>	<b>-14.82</b>	<b>-12.69</b>	<b>-16.03</b>	<b>-17.46</b>	<b>-15.97</b>
<b>Shortfall in %</b>	n/a	<b>36</b>	<b>31</b>	<b>32</b>	<b>28</b>	<b>24</b>	<b>21</b>	<b>25</b>	<b>27</b>	<b>25</b>
<b>MMI - Index organic milk***</b>	<b>90</b>	<b>97</b>	<b>103</b>	<b>104</b>	<b>100</b>	<b>94</b>	<b>92</b>	<b>95</b>	<b>97</b>	

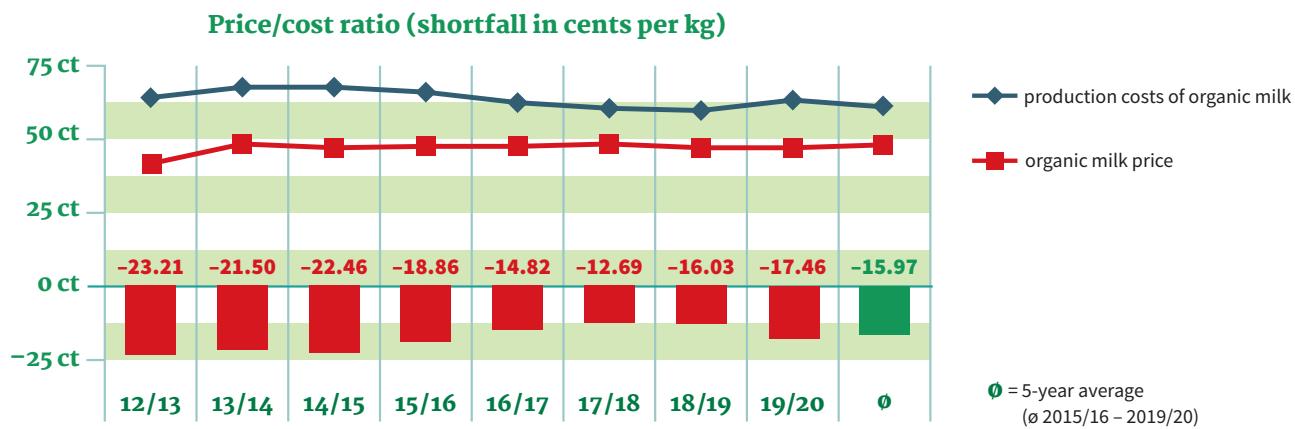
\* Milk year 2019/20: trend calculation. All data excl. VAT. Extrapolation on the basis of data from the BMEL farm accountancy network for milk years 2011/12 – 2018/19 as well as from Destatis and AMI. All revenues from direct payments and subsidies were deducted from the milk production costs, including the organic premium as part of the agri-environmental measures (AUM), but not other agri-environmental payments.

\*\* All prices are farm-gate prices for 4% fat and 3.4 % protein. Source: Prices for organic cow's milk, ed. German Federal Agency for Agriculture and Food – BLE (423). Conversion to prices for milk years by BAL, based on weighted averages of monthly published organic farm-gate prices.

\*\*\* Base year = 2015/16. The Milk Marker Index (MMI) for organic milk reflects the development of organic milk production costs..

## Price/cost ratio

The price-cost ratio shows to which extent farm-gate milk prices cover the cost of production on organic dairy farms. On average over the past five years, 15.97 c/kg or 25% of the cost of production of organic milk in Germany could not be covered.



## Overview of organic milk production costs: income variable and subsidies (milk years 2015/16 – 2019/20, in c/kg)

Milk year	Incurred costs	+ Income variable	= Total cost	- Subsidies	= Cost of production
(*trend) 2019/20*	52.52	24.53	77.05	- 12.42	64.63
2018/19	52.64	23.23	75.87	- 12.44	63.43
2017/18	50.15	22.68	72.83	- 11.60	61.23
2016/17	50.70	24.19	74.89	- 12.02	62.87
2015/16	51.64	28.34	79.98	- 13.08	66.90
Ø 5 years	51.53	24.59	76.12	- 12.31	63.81

## Income of dairy farmers

Reference period	Revenue (in c/kg)			- Costs (in c/kg)		= Income of dairy farmers		Income based on collective agreements	
	Milk price	Subsidies for milk production	Total income from milk price and subsidies	Incurred costs (inputs + operating costs, - revenue from cattle)	Remaining income in c/kg	in EUR/hour*	in c/kg	in EUR/hour* (incl. employer's contribution)	
Ø 2014/15 – 2018/19	47.82	12.29	60.11	51.70	8.41	7.62	25.38	23.02	
Trend 2019/20	47.17	12.42	59.59	52.52	7.07	7.03	24.53	24.39	

\* The hourly rates are calculated based on the assumptions made in the present cost study in relation to the income rate and the number of working hours.

In the five years from 2014/15 to 2018/19, organic milk producers received a total of 60.11 cents on average from milk prices paid by their dairies and subsidies related to milk production. They spent an average of 51.70 cents on inputs and general operating costs. The remaining income was thus 8.41 cents per kilogram of organic milk. This corresponds to an hourly wage of 7.62 euros, which is below the German minimum wage. It is only around 33 per cent of the average income rate calculated on the basis of the standards set by relevant collective agreements. The calculated income rate is based on an hourly wage of 23.02 euros. According to the cost forecast for 2019/20, the hourly wage this year would even be only about seven euros per hour.