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Current figures from Germany show: gap between production costs and milk price is further increasing

(Brussels, 16.07.2018) The quarterly cost figures for Germany are now available and show that cost coverage in April 2018 was only 78%, while it was 88% in January. Production costs in April amounted to 42.70 cents; however, producers only received 33.42 cents per kilogram of milk. This problematic combination of falling milk prices and higher costs is currently a cause of concern for Germany's dairy farmers. These figures come from the German quarterly cost studies published by the Farm Economics and Rural Studies Office (BAL).

According to Johannes Pfaller, dairy farmer from southern Germany and European Milk Board (EMB) Executive Committee member, these figures unequivocally represent the situation on farms. "We are afraid about production costs rising further in coming weeks because it has become necessary to buy in feed in large parts of Europe due to the drought. We milk producers need rising prices and a crisis instrument now to relieve the market."

Evolution of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2009 to April 2018.

Price-cost ratio (shortfall)

The price-cost ratio illustrates to which degree milk prices cover production costs. In April 2018, producers only recovered 78% of their production costs from the milk price; the shortfall was thus 22%.

Here you see the cost shortfall since 2009.

Milk Marker Index (MMI)

The Milk Marker Index represents the evolution of milk production costs. In April 2018, the MMI was at 103, i.e. production costs for German dairy farmers had risen by 3% as compared to the base year 2010 (2010=100).

Here you see the evolution of the Milk Marker Index over time.

Production cost study for five key milk production countries

Cost calculations are regularly carried out in Germany and four other European countries as well. They also clearly show that milk producers are not paid cost-covering prices.

[Here](#) you can find the milk production cost calculations for France, Germany, Denmark, the Netherlands and Belgium for 2016.



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There is a chronic shortfall in milk production cost coverage – how can this be solved?

The European Milk Board promotes a legally-anchored crisis instrument to counteract the chronic cost shortfall. The Market Responsibility Programme (MRP) observes and reacts to market signals by aligning production.

[Here](#) you have a short description of the EMB Market Responsibility Programme.

Background:

Commissioned by the European Milk Board and Germany's MEG Milch Board, the Farm Economics and Rural Studies Office (BAL) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

[Download the data sheet](#)

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