



→ Luxembourg Milk production costs 2019

In 2019, milk production costs in Luxembourg were 42.33 c/kg. This means that milk production costs have not decreased in the last seven years, in spite of further intensification of dairy farming and, at the same time, an increase in total production (25% increase in size of dairy herd and 10% increase in milk production). In fact, the shortfall reached 22% in 2019 because milk prices have also decreased since 2017.

The average costs for farming inputs and general operating costs (paid costs) between 2015 and 2019 amounted to 38.16 c/kg. The farm-gate milk price in this period, however, was only an average 31.46 c/kg. With the addition of CAP payments

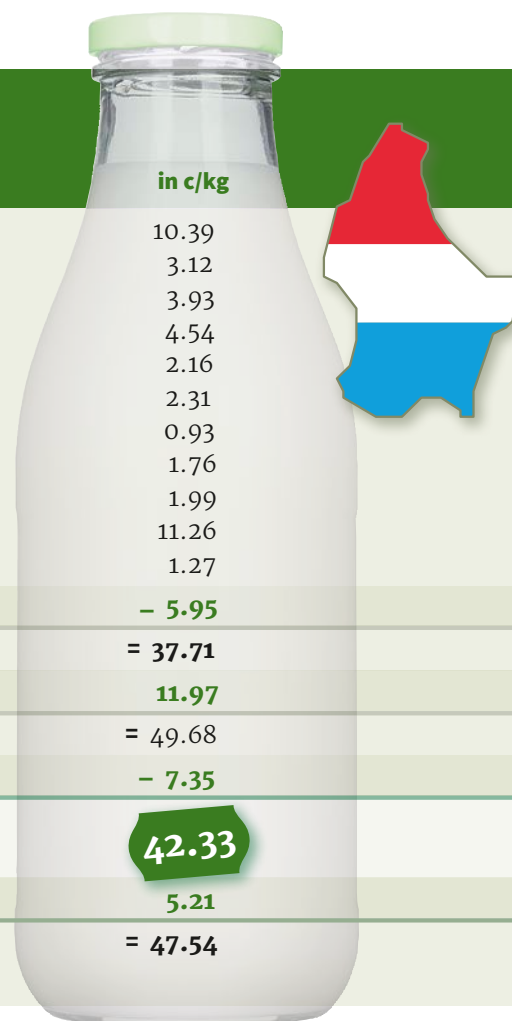
(7.48 c/kg), dairy farmers in Luxembourg could just about break even with their paid costs. An average dairy farm in Luxembourg was left with a meagre 0.77 c/kg in hand from milk production. This is not even 7% of labour costs as per the income variable.

The income variable was calculated on the basis of an hourly wage of about 28.30 euros (including employer contributions).

Overview of milk production costs in 2019²

Cost items

	in c/kg
Purchased feed	10.39
Fodder production (seeds, fertilizers, plant protection products, other)	3.12
Livestock costs (veterinary costs, insemination, etc.)	3.93
Building & machinery upkeep	4.54
Energy	2.16
Contract work	2.31
Wages paid	0.93
Other farming overheads	1.76
Rent paid	1.99
Depreciation	11.26
Interest and taxes	1.27
- Production value of beef	- 5.95
= Paid costs of milk production (for collected milk only)	= 37.71
+ Income variable (labour costs)	11.97
= Total costs	= 49.68
- CAP payments	- 7.35
= Milk production costs	42.33
+ Net investments (10-year average)	5.21
= Milk production costs including net investments	= 47.54



Development of net investments 2009 – 2018 (in c/kg, FADN 2018)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ø 10 years
Gross investments	11.48	11.93	17.22	21.97	21.86	27.29	12.26	10.04	11.54	11.05	15.66
Net investments (without depreciation)	1.07	0.73	6.63	11.46	10.71	16.08	2.27	0.33	1.34	1.49	5.21

Composition of milk production costs 2015 – 2019 (in c/kg, FADN 2018)

Year	Paid costs	+ Income variable	= Total costs	- CAP payments	= Production costs	+ Net investments (Ø 2009 – 2018)	= Costs + net investments
2019 ²	37.71	11.97	49.68	7.35	42.33	5.21	47.54
2018	38.28	11.45	49.73	7.35	42.38		47.59
2017	39.37	11.05	50.42	7.74	42.68		47.89
2016	37.28	12.46	49.74	7.31	42.43		47.64
2015	38.16	12.42	50.58	7.64	42.94		48.15
Ø 2015 – 2019	38.16	11.87	50.03	7.48	42.55	-	-

Development of milk production costs 2012 – 2019 (in c/kg, without net investments)

Year	2012	2013	2014	2015	2016	2017	2018	2019 ²	Ø 2015 – 2019
Production costs	41.39	42.92	42.73	42.94	42.43	42.68	42.38	42.33	42.55
Milk price*	29.94	35.69	36.39	28.82	27.48	34.85	33.00	33.13	31.46
Shortfall in c/kg	-11.45	-7.23	-6.34	-14.12	-14.95	-7.83	-9.38	-9.20	-11.10
Shortfall in %	-28%	-17%	-15%	-33%	-35%	-18%	-22%	-22%	-26%
MMI (index, base year = 2015)**	96	100	100	100	99	99	99	99	-

* Source: SER Luxembourg, converted by BAL to 4% fat and 3.4% protein.

** The Milk Marker Index (MMI) reflects the development of milk production costs.

Price/cost ratio (shortfall)

