

# Milk Production Costs 2017

## → Denmark

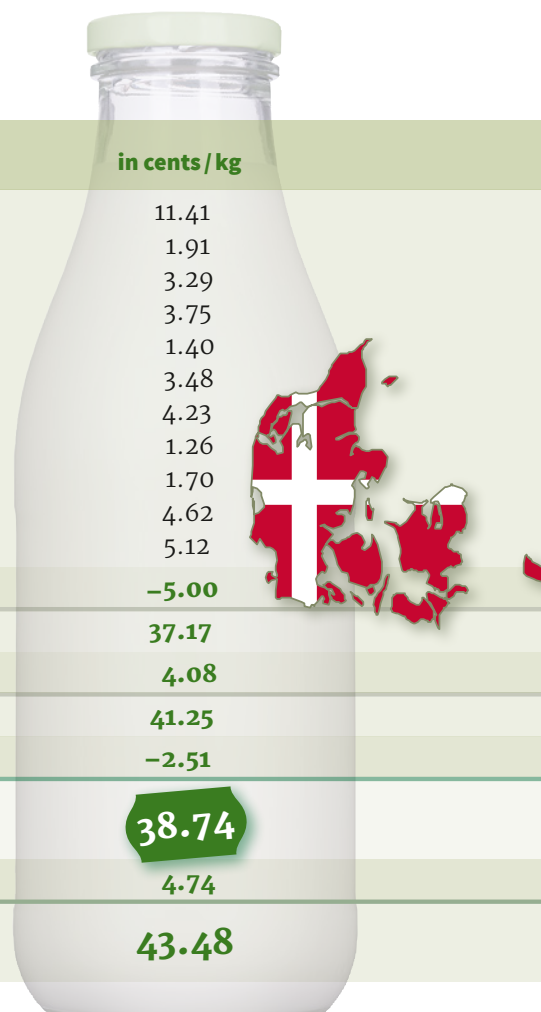


In 2017, the production costs for one kilogram of milk in Denmark were 38.74 cents, representing a slight decrease compared to the previous year. Milk prices, on the other hand, were 8.10 cents up on 2016 at 36.78 cents. Nevertheless, 5% of the producers' costs could not be covered. Over the past 10 years, between 2007 and 2016, Danish

milk producers have invested an average of 4.74 cents net. Net investments are not yet included in the final result of production costs. For dairy farms, however, these additional expenses are necessary to secure their future. The lower production costs in recent years were mainly caused by falling depreciation as a result of a lack of investment.

### Overview of milk production costs in Denmark in 2017\*

cost items	in cents / kg
+ bought-in feed	11.41
+ home-grown fodder (seeds, fertilizers, plant protection products, other)	1.91
+ livestock costs (veterinary costs, insemination, etc.)	3.29
+ building & machine upkeep	3.75
+ energy	1.40
+ contract work	3.48
+ wages paid	4.23
+ other indirect costs	1.26
+ rent paid	1.70
+ depreciation	4.62
+ interest and taxes	5.12
- production value of beef	-5.00
<b>= incurred costs of milk production (only for delivered milk)</b>	<b>37.17</b>
+ income variable (labour costs)	4.08
<b>= total production costs</b>	<b>41.25</b>
- subsidies	-2.51
<b>= milk production costs</b>	<b>38.74</b>
+ net investments (10-year average)	4.74
<b>= milk production costs including net investments</b>	<b>43.48</b>



### Development of investments in Denmark 2007–2016 in cents/kg (based on FADN 2016)

year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ø 10 years
<b>gross investments</b>	15.16	25.90	11.96	6.42	6.72	4.59	6.20	5.51	5.09	4.96	<b>9.25</b>
<b>net investments (without depreciation)</b>	11.09	21.13	7.09	1.69	1.96	0.08	1.62	0.99	0.92	0.88	<b>4.74</b>

## Milk production costs in Denmark in cents/kg (based on FADN 2016)

year	paid costs	+ income variable	= total costs	- subsidies	= production costs	net investments + Ø (2007-2016)	costs + net investments
2017*	37.17	4.08	41.25	2.51	38.74	4.74	43.48
2016	37.77	4.08	41.85	2.51	39.34		44.08
2015	38.19	4.07	42.26	2.51	39.75		44.49
2014	42.04	4.26	46.30	3.54	42.76		47.50
2013	42.09	4.83	46.92	4.07	42.85		47.59
Ø (2013-2017)	39.45	4.26	43.72	3.03	40.69		

## Development of milk production costs in Denmark 2010–2017 (without net investments)

year	2010	2011	2012	2013	2014	2015	2016	2017*	Ø (2013-2017)
production costs in c/kg	41.77	42.98	41.94	42.85	42.76	39.75	39.34	38.74	40.69
farm gate milk prices in c/kg**	31.94	35.67	34.04	38.63	39.67	31.03	28.68	36.78	34.96
shortfall in c/kg	-9.83	-7.31	-7.90	-4.22	-3.09	-8.72	-10.66	-1.96	-5.73
shortfall in %	-24%	-17%	-19%	-10%	-7%	-22%	-27%	-5%	-14%
MMI (index. base year = 2010)***	100	103	100	103	102	95	94	93	

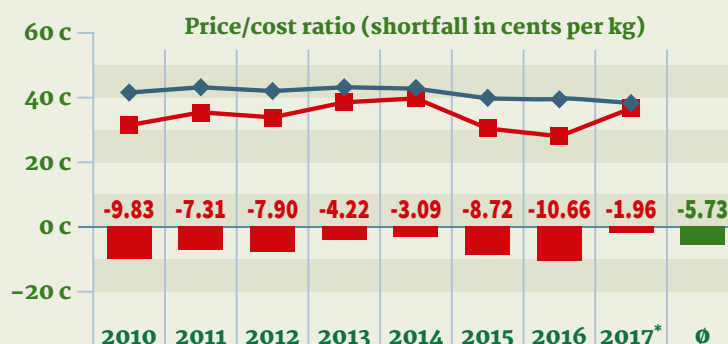
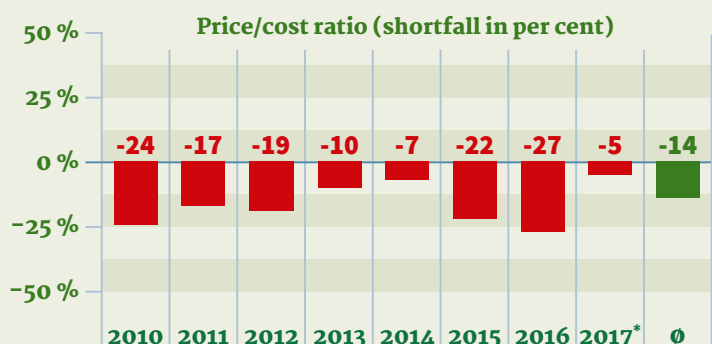
\*\* Source: MMO of the EU, natural fat and protein contents

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

### Shortfall in milk production costs

The current results also serve as a basis for the calculation of the price/cost ratio. This ratio shows to which extent farm gate milk prices allow to cover production costs. On average

over the last 5 years, Danish milk producers have been short 5.73 cents or 14% to cover their costs.



■ farm gate milk price

◆ production costs

Ø = 5-year average (Ø 2013–2017)