

Milk Production Costs 2017



→ Belgium

In 2017, the production costs for one kilogram of milk in Belgium were 42.53 cents. Even if the milk price increased by 8.35 cents from 2016 to 2017, 18% of the costs were not covered. Over the last 10 years, between 2007 and 2016, Belgian milk producers invested an average of 3.27 cents net per kilogram of milk. These costs are not yet included in the costs. In response to falling milk prices, necessary investments in means of production were cut back sharply

at least until 2016 (-2,25 cents since 2014). This resulted in falling depreciation and the resulting drop in production costs since 2015.

In the present edition, a new income variable was introduced to calculate the labour costs of self-employed family workers in Belgium. Milk production costs since 2010 have been recalculated based on this approach and the FADN 2016 data.

Overview of milk production costs in Belgium in 2017*

cost items	in cents / kg
+ bought-in feed	9.80
+ home-grown fodder (seeds, fertilizers, plant protection products, other)	2.25
+ livestock costs (veterinary costs, insemination, etc.)	3.07
+ building & machine upkeep	2.17
+ energy	1.57
+ contract work	2.63
+ wages paid	0.19
+ other indirect costs	0.75
+ rent paid	1.79
+ depreciation	5.12
+ interest and taxes	1.66
- production value of beef	-3.62
= incurred costs of milk production (only for delivered milk)	27.38
+ income variable (labour costs)	17.54
= total production costs	44.92
- subsidies	-2.39
= milk production costs	42.53
+ net investments (10-year average)	3.27
= milk production costs including net investments	45.80

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

year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ø 10 years
gross investments	9.70	11.99	7.53	9.75	7.15	8.31	9.57	8.42	6.78	5.27	8.45
net investments (without depreciation)	4.87	6.61	2.59	4.47	1.78	2.96	3.68	3.17	1.67	0.92	3.27

Milk production costs in Belgium 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*	27.38	17.54	44.92	2.39	42.53	3.27	45.80
2016	26.68	17.83	44.51	2.39	42.12		45.39
2015	28.25	19.22	47.47	2.27	45.20		48.47
2014	29.62	21.02	50.64	4.55	46.09		49.36
2013	30.48	20.59	51.07	4.11	46.96		50.23
Ø (2013-2017)	28.48	19.24	47.72	3.14	44.58		

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

year	2010	2011	2012	2013	2014	2015	2016	2017*	Ø (2013-2017)
production costs in c/kg	42.88	45.66	44.15	46.96	46.09	45.20	42.12	42.53	44.58
farm gate milk prices in c/kg**	30.46	33.11	30.19	37.22	36.00	27.93	26.70	35.05	32.58
shortfall in c/kg	-12.42	-12.55	-13.96	-9.74	-10.09	-17.27	-15.42	-7.48	-12.00
shortfall in %	-29%	-27%	-32%	-21%	-22%	-38%	-37%	-18%	-27%
MMI (index, base year = 2010)***	100	106	103	110	107	105	98	99	

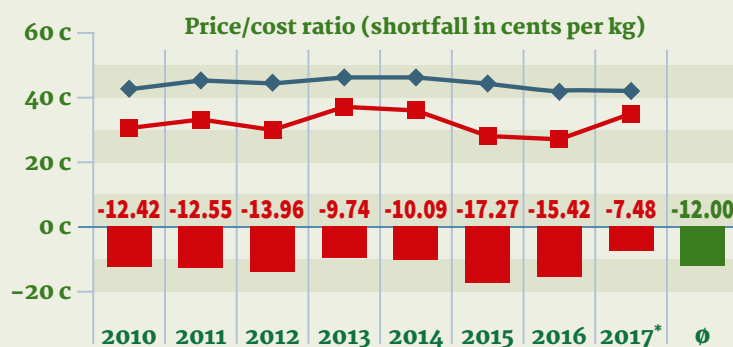
** Source: MMO of the EU 2018, natural fat and protein contents

*** 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 past five years, 12 cents or 27 % of milk production costs in Belgium could not be covered.



—■— farm gate milk price —◆— production costs Ø = 5-year average (Ø 2013–2017)