



Milk Production Costs 2017

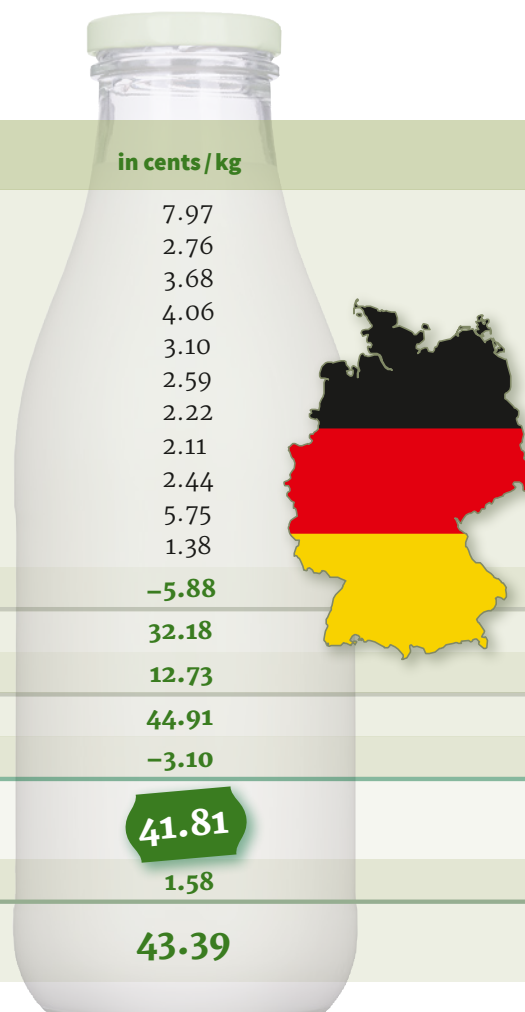
→ Germany

In 2017, the production costs for one kilogram of milk in Germany were 41.81 cents. Even if the milk price increased by 9.47 cents from 2016 to 2017, 11% of the costs were not covered. Over the last 10 years, between 2007 and 2016, German milk producers have invested an average of 1.58 cents net. These costs are not yet included in the milk production

costs. In response to the falling milk prices, necessary investments in means of production were almost completely reduced from 2013 to 2016 (from 3.48 to 0.19 cents net). The sharp drop in costs in 2015 was due to lower depreciation, reduced staff costs and also reduced feed costs.

Overview of milk production costs in Germany in 2017*

cost items	in cents / kg
+ bought-in feed	7.97
+ home-grown fodder (seeds, fertilizers, plant protection products, other)	2.76
+ livestock costs (veterinary costs, insemination, etc.)	3.68
+ building & machine upkeep	4.06
+ energy	3.10
+ contract work	2.59
+ wages paid	2.22
+ other indirect costs	2.11
+ rent paid	2.44
+ depreciation	5.75
+ interest and taxes	1.38
- production value of beef	-5.88
= incurred costs of milk production (only for delivered milk)	32.18
+ income variable (labour costs)	12.73
= total production costs	44.91
- subsidies	-3.10
= milk production costs	41.81
+ net investments (10-year average)	1.58
= milk production costs including net investments	43.39



Development of investments in Germany 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	7.08	7.52	5.85	6.87	8.13	7.19	9.43	6.51	5.65	4.79	6.90
net investments (without depreciation)	1.51	2.08	0.68	1.13	2.52	1.67	3.48	1.57	1.01	0.19	1.58

Milk production costs in Germany 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*	32.18	12.73	44.91	3.10	41.81	1.58	43.39
2016	32.81	12.73	45.54	3.10	42.44		44.02
2015	31.88	12.31	44.19	2.99	41.20		42.78
2014	35.36	13.30	48.66	4.27	44.39		45.97
2013	37.60	13.22	50.82	4.92	45.90		47.48
Ø (2013-2017)	33.97	12.86	46.82	3.68	43.15		

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

year	2010	2011	2012	2013	2014	2015	2016	2017*	Ø (2013-2017)
production costs in c/kg	41.44	42.05	44.08	45.90	44.39	41.20	42.44	41.81	43.15
farm gate milk prices in c/kg**	31.89	35.92	32.90	38.75	38.78	30.53	27.93	37.40	34.68
shortfall in c/kg	-9.55	-6.13	-11.18	-7.15	-5.61	-10.67	-14.51	-4.41	-8.47
shortfall in %	-23%	-15%	-25%	-16%	-13%	-26%	-34%	-11%	-20%
MMI (index. base year = 2010)***	100	101	106	110	107	99	102	101	

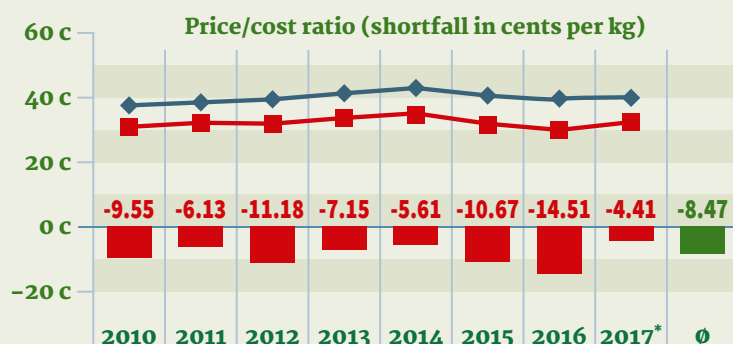
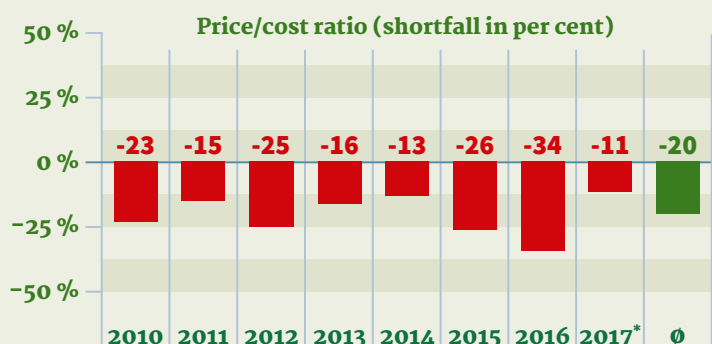
** Source: MMO of the EU 2018, natural fat and protein contents

*** 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 price allow to cover production costs. On average over

the last 5 years, 8.47 cents or 20% of milk production costs in Germany could not be covered.



■ farm gate milk price

◆ production costs

Ø = 5-year average (Ø 2013–2017)