

# Milk Production Costs 2017



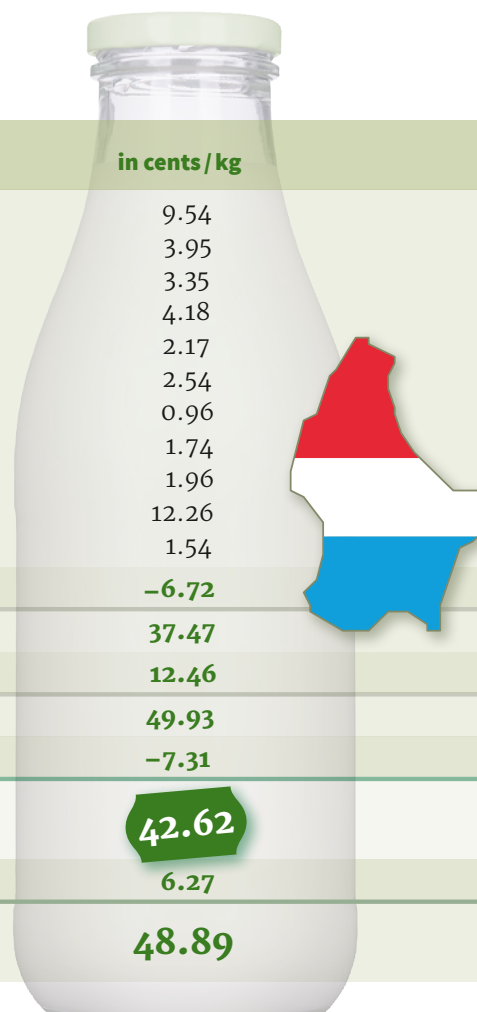
## → Luxembourg

In 2017, the production costs for one kilogram of milk in Luxembourg were 42.62 cents. Even if the milk price increased by 7.35 cents from 2016 to 2017, 18 % of the costs were not covered. Over the last 10 years, between 2007 and 2016, Luxembourg dairy farmers have invested an average of 6.27 cents net. These costs are not yet included in the

milk production costs. In response to the milk crisis, Luxembourg's milk producers have almost completely reduced their net investments by 2016. They were only about 1 cent per kilogram of milk after very high investments of almost 16 cents in 2014.

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

cost items	in cents / kg
+ bought-in feed	9.54
+ home-grown fodder (seeds, fertilizers, plant, protection products, other)	3.95
+ livestock costs (veterinary costs, insemination, etc.)	3.35
+ building & machine upkeep	4.18
+ energy	2.17
+ contract work	2.54
+ wages paid	0.96
+ other indirect costs	1.74
+ rent paid	1.96
+ depreciation	12.26
+ interest and taxes	1.54
- <b>production value of beef</b>	<b>-6.72</b>
<b>= incurred costs of milk production (only for delivered milk)</b>	<b>37.47</b>
<b>+ income variable (labour costs)</b>	<b>12.46</b>
<b>= total production costs</b>	<b>49.93</b>
- <b>subsidies</b>	<b>-7.31</b>
<b>= milk production costs</b>	<b>42.62</b>
<b>+ net investments (10-year average)</b>	<b>6.27</b>
<b>= milk production costs including net investments</b>	<b>48.89</b>



### Development of investments in Luxembourg 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>	19.34	14.97	13.17	12.44	17.72	23.69	23.80	27.08	13.13	5.27	<b>17.06</b>
<b>net investments (without depreciation)</b>	7.22	3.14	1.23	0.76	6.82	12.36	11.66	15.96	2.63	0.92	<b>6.27</b>

## Milk production costs in Luxembourg 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*	37.47	12.46	49.93	7.31	42.62	6.27	48.89
2016	37.28	12.46	49.74	7.31	42.43		48.70
2015	38.16	12.42	50.58	7.64	42.94		49.21
2014	41.48	10.38	51.86	9.13	42.73		49.00
2013	41.18	11.61	52.79	9.87	42.92		49.19
Ø (2013-2017)	39.11	11.87	50.98	8.25	42.73		

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

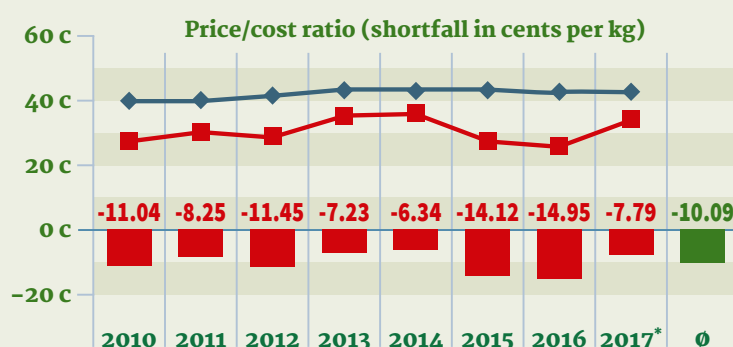
year	2010	2011	2012	2013	2014	2015	2016	2017*	Ø (2013-2017)
production costs in c/kg	39.77	40.06	41.39	42.92	42.73	42.94	42.43	42.62	42.73
farm gate milk prices in c/kg**	28.73	31.81	29.94	35.69	36.39	28.82	27.48	34.83	32.64
shortfall in c/kg	-11.04	-8.25	-11.45	-7.23	-6.34	-14.12	-14.95	-7.79	-10.09
shortfall in %	-28%	-21%	-28%	-17%	-15%	-33%	-35%	-18%	-24%
MMI (index. base year = 2010)***	100	101	104	108	107	108	107	107	

\*\* Source: SER Luxembourg, calculated by the BAL on the basis of milk prices with 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 prices allow to cover production costs. On average over

the last 5 years, 10.09 cents or 24% of milk production costs in Luxembourg could not be covered.



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