

Milk Production Costs 2017



→ The Netherlands

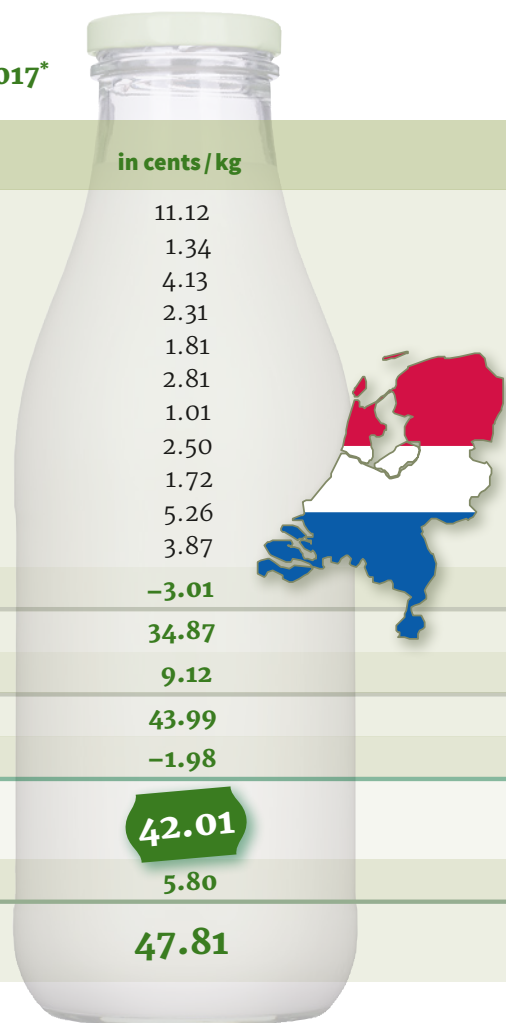
In 2017, the production costs for one kilogram of milk in the Netherlands were 42.01 cents. Even if the milk price increased by 6.7 cents from 2016 to 2017, 16% of the costs were not covered. Over the last 10 years, between 2007 and 2016, Dutch milk producers invested an average of 5.80 cents net. These costs are not yet included in the milk production costs. In response to the falling milk prices, necessary investments in means of production were cut back sharply

from 2015 to 2016 (-5.62 cents net). This resulted in falling depreciation and the corresponding reduction in production costs since 2015.

In the calculated cost of production, the effects on the short and long term of the phosphate reduction programme are not included yet. They will be included as soon as the costs related to this programme have been published.

Overview of milk production costs in the Netherlands in 2017*

cost items	in cents / kg
+ bought-in feed	11.12
+ home-grown fodder (seeds, fertilizers, plant protection products, other)	1.34
+ livestock costs (veterinary costs, insemination, etc.)	4.13
+ building & machine upkeep	2.31
+ energy	1.81
+ contract work	2.81
+ wages paid	1.01
+ other indirect costs	2.50
+ rent paid	1.72
+ depreciation	5.26
+ interest and taxes	3.87
- production value of beef	-3.01
= incurred costs of milk production (only for delivered milk)	34.87
+ income variable (labour costs)	9.12
= total production costs	43.99
- subsidies	-1.98
= milk production costs	42.01
+ net investments (10-year average)	5.80
= milk production costs including net investments	47.81



Development of investments in the Netherlands 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	8.07	12.83	12.47	9.56	10.85	12.84	10.99	13.77	12.26	6.43	11.01
net investments (without depreciation)	3.72	8.02	7.29	4.15	5.22	7.21	5.28	8.38	7.15	1.53	5.80

Milk production costs in the Netherlands 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*	34.87	9.12	43.99	1.98	42.01	5.80	47.81
2016	34.93	9.12	44.05	1.98	42.07		47.87
2015	35.32	9.31	44.63	2.17	42.46		48.26
2014	38.73	9.85	48.58	2.11	46.47		52.27
2013	37.30	9.88	47.18	2.61	44.57		50.37
Ø (2013-2017)	36.23	9.46	45.69	2.17	43.52		

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

year	2010	2011	2012	2013	2014	2015	2016	2017*	Ø (2013-2017)
production costs in c/kg	39.96	43.05	42.96	44.57	46.47	42.46	42.07	42.01	43.52
farm gate milk prices in c/kg**	30.75	34.22	32.38	37.40	38.90	30.75	28.75	35.45	34.25
shortfall in c/kg	-9.21	-8.83	-10.58	-7.17	-7.57	-11.71	-13.32	-6.56	-9.27
shortfall in %	-23%	-21%	-25%	-16%	-16%	-28%	-32%	-16%	-21%
MMI (index. base year = 2010)***	100	108	108	112	116	106	105	105	

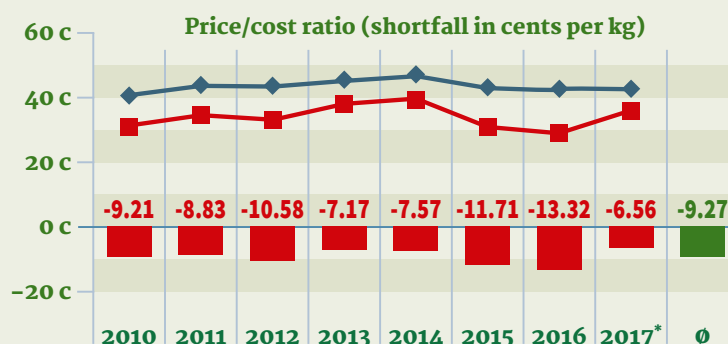
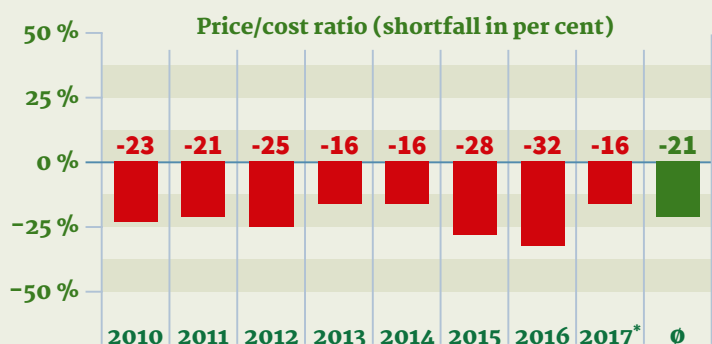
3 Source: MMO of the EU 2018, natural fat and protein contents

4 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 five years, 9.27 cents or 21% of milk production costs in the Netherlands could not be covered.



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