Press release

Despite a slight drop in costs: no relief for German dairy farmers

The current numbers show a slight drop in the cost of milk production in Germany. Nevertheless, by no means is that a reason to celebrate.

(Brussels, 2 December 2013) Compared to April this year, the cost of milk production in Germany dropped by about 1 cent in July 2013 to reach a value of 42 cents/ kg milk . At the same time, the average milk price amounted to 38,55 cents/ kg milk. This means that there is still a gap of 3,45 cents between the farm-gate price and production costs. These are the results of the current study on production costs, carried out by the German Office for Agriculture and Agricultural Sociology (BAL) and launched by the European Milk Board (EMB) and the milk producers association MEG Milch Board. The numbers for Germany are calculated on a quarterly basis. The Milk Marker Index (MMI), calculated by the MEG Milch Board on the basis of the study's results, shows – with 113 points - an increase of 13 percent in costs since 2009.

Romuald Schaber, President of the European Milk Board, expresses his critical view on the current situation with dairy farmers not being able to cover their costs: "At the moment the drop in milk volumes leads to slightly higher prices. This has somewhat shortened the gap between milk prices and production costs, but we are still far from being able to cover our costs –not to mention from generating profit."

The price/cost ratio published by the MEG Milch Bord on a quarterly basis shows that in July costs were only covered by 92 percent. "It's the dairy farmers who have to pay the missing 8 percent from their own pocket – just as they had to come up for the missing 18 percent in April. For many farmers these repeated extra costs are only bearably for a certain time – even whit the help of loans. At the end, an increasing number of farmers in Germany and in Europe as a whole have to abandon production", says President Schaber concerning the consequences of the systematic shortfall between the prices paid and the costs occurred.

The reason why milk producers do not receive a cost-covering price for their milk is their position on the market. "It is a fact that due to their weak position on the market dairy farmers do not have the possibility to act against the pressure on prices exerted by buyers", explains Schaber. And the more milk is pumped into the market without any limitation, the weaker the farmers' position is and the bigger is the pressure on prices. "There is a way to regulate the produced milk volumes reasonably, so that – once adapted to demand – the produced milk can be sold at cost-covering prices. Thanks to a Monitoring Agency which calculates how much milk is really needed on the market and which adapts production accordingly, it is possible to guarantee stability on the market", explains Romuald Schaber, referring to the proposed solution which would allow a sustainable and geographically homogeneous milk production in the future.

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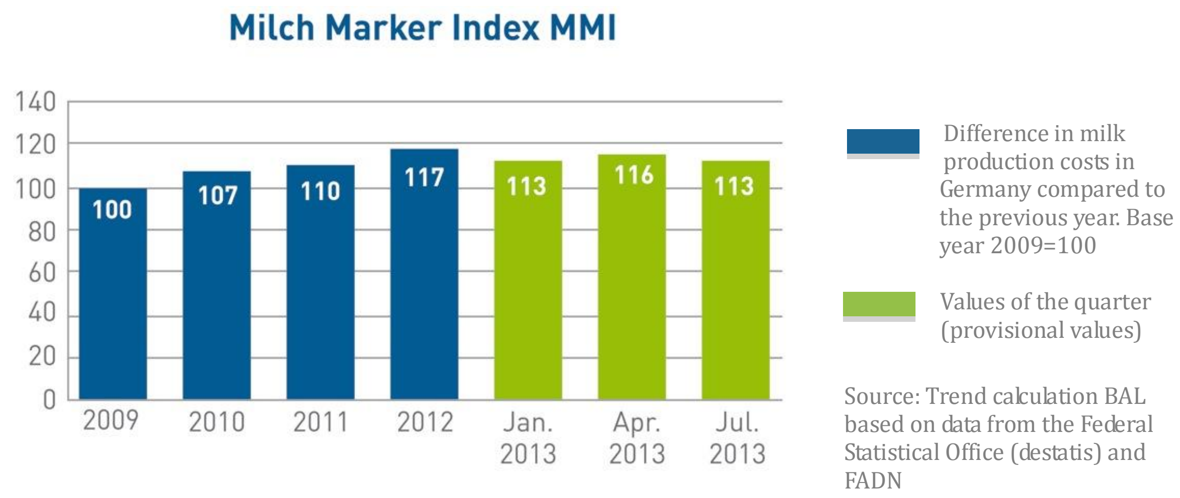
Price/Cost Ratio

Deutschland Year/quarter value	2009	2010	2011	2012	January 2013	April 2013	July 2013
Milk production costs in ct/kg	37,10	39,55	40,87	43,41	41,76**	43,03**	41,98**
Farm-gate prices in ct/kg *	25,84	31,89	35,92	32,68	34,95**	35,25**	38,55**
Price/cost ratio	**0,70**	**0,81**	**0,88**	**0,75**	**0,84**	**0,82**	**0,92**

*all milk prices for 4% fat and 3.4% protein. Sources: prices for conventionally produced raw cow milk sold between 2009 and 2011. In: statistical yearbook 2012 and statistical monthly reports from BMELV, www.bmelv-statistik.de, published by: Federal Ministry of Food, Agriculture & Consumer Protection.
**provisional results



Background:
The joint study on production costs of the European Milk Board (EMB) and MEG Milch Board carried out by the German Office for Agriculture and Agricultural Sociology (BAL) calculates milk production costs across Germany. It is based on data of the European Commissions' Farm Accountancy Data Network (FADN). To update the data it uses price indices for agricultural means of production such as feed, fertiliser, seed and energy from the German Federal Statistical Office. Additionally, a wage variable is used which calculates the work capacity of farm managers and their family members.
You can find the study on our website at the following address:
http://www.europeanmilkboard.org/en/milk-production-costs.html

On the basis of this study, the MEG Milch Board has developed the Milk Marker Index (MMI) which records the current progress in production costs (using base year 2009 = 100). The results of the index are published on a quarterly basis along with a price/cost ratio which shows the relation between officially recorded farm-gate prices for raw milk and milk production costs.

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