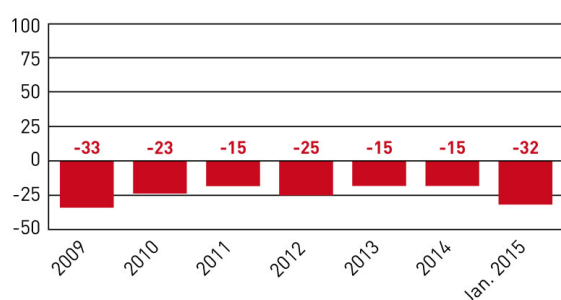


A price of 31 cents cannot cover production costs of 46 cents

*New figures of the dairy sector still reveal large deficit for dairy farmers –
EU crisis instrument necessary*

(Brussels, 01.06.2015) In January 2015, the average production costs in Germany were 45,64 cents/kg milk. This is the result of the current cost study of the German office BAL (Büro für Agrarsoziologie & Landwirtschaft), which was launched as a common project of the European Milk Board (EMB) and the MEG Milch Board.

Price/Cost Ratio

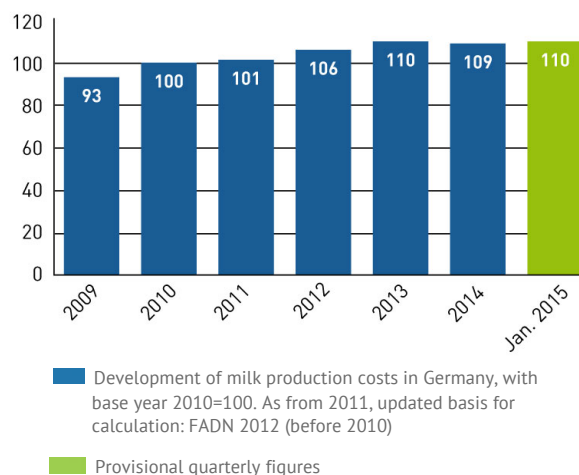


Source: trend calculations of the BAL based on Destatis and FADN data

With an average milk price of 31,03 cents/kg, dairy farmers thus have to face large deficits. The price/cost ratio also reveals that costs in Germany are covered by only 68 per cent. Romuald Schaber, President of the EMB, concludes that the situation remains "very critical". According to him, it is very unlikely to currently reach adequate prices for milk producers, as the amount of milk on the market is simply too high. "This puts enormous pressure on dairy farmers. Many of them will not be able to face this pressure any longer and their very existence is at stake. This applies above all to growing farms and those which are undertaking investments."

As currently no adequate legal framework exists for the EU dairy market, this trend will grow even stronger. But in the event of a crisis it is important to be able to stabilise the market. "We therefore presented decision-makers the Market Responsibility Programme (MRP)", explains Romuald Schaber. This programme is primarily based on voluntary cuts in production, which prevent overproduction in times of crisis. This would allow better milk prices for all dairy farmers in a fast and efficient way, thus allowing EU milk production to be spread across regions, also in the future.

Milk Marker Index (MMI)



Source: trend calculations of the BAL based on Destatis and FADN data

Background

The joint study on production costs of the European Milk Board (EMB) and the MEG Milch Board, carried out by the German Office for Agriculture and Agricultural Sociology (Büro für Agrarsoziologie & Landwirtschaft, BAL), calculates milk production costs across Germany. It is based on data of the European Commission's Farm Accountancy Data Network (FADN). To update the data it uses price indices for agricultural means of production such as feed, fertilisers, seeds and energy from the German Federal Statistical Office. Additionally, an income rate is used, which calculates the workload of the farm managers and their family members.

On the basis of this study, the MEG Milch Board has developed the Milk Marker Index (MMI), which records current developments in production costs (using as base year 2010 = 100). The MMI for January 2015 is 110 points. 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.

For further information on the Market Responsibility Programme (MRP) please visit the EMB website: www.europeanmilkboard.org

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