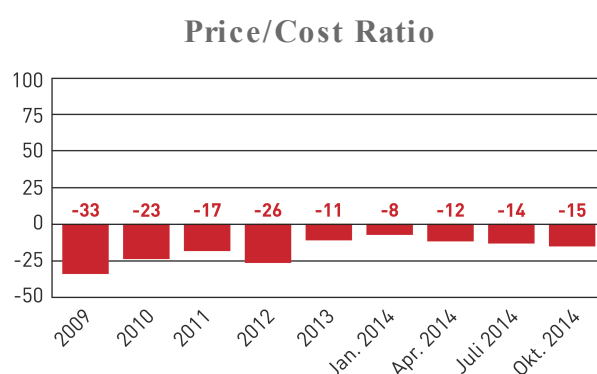


Publication of current production costs in the German dairy sector

Milk prices do still not cover production costs – EMB calls for MRP

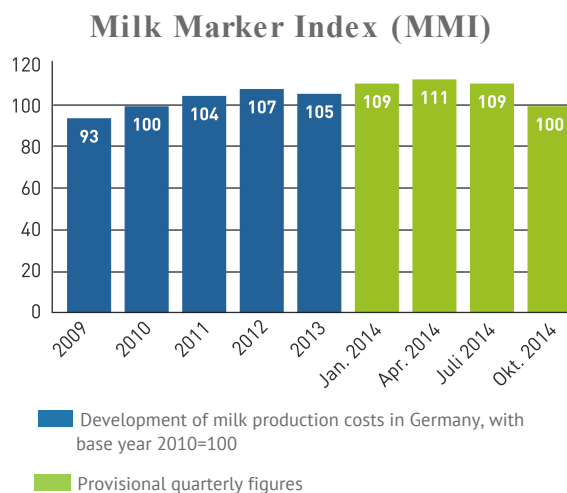
(Brussels, 02.03.2015) The newest study on production costs of the BAL (Büro für Agrarsoziologie & Landwirtschaft) shows that in October 2014 production costs in Germany amounted to an average of 41,62 cents/kg milk. The average milk price in the same period was, however, only 35,45 cents/kg milk – and thus 6 cents underneath the cost of production. The study was launched as a common project of the European Milk Board (EMB) and the MEG Milch Board.



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

In the future, this tendency will be further reinforced, as due to EU policies the market will be more subject to crises. "There is a possibility to defuse the situation by means of a Market Responsibility Programme (MRP)", Schaber continues. "This programme, which can predict and prevent crises, is absolutely necessary." The EMB calls for the implementation of the MRP in order to strengthen the dairy sector and make it more sustainable.

For October 2014, the price/cost ratio calculated by the MEG Milch Board showed a cost coverage of only 85 per cent in Germany. According to EMB President Romuald Schaber, the deficit between milk prices and the cost of production has 'unhealthy' consequences: "The dairy sector suffers from anaemia and has little to build on. The daily production soaks dairy farmers so much that they are unable to put money aside for investments and are continuously fighting for their survival." According to Romuald Schaber, a growing number of farms are losing this battle and are thus forced out of business.



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 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 October 2014 is 100 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's website: www.europeanmilkboard.org

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