



2014

## MILK PRODUCTION COSTS

### Italy

#### Brief comments on the cost calculation for Italy

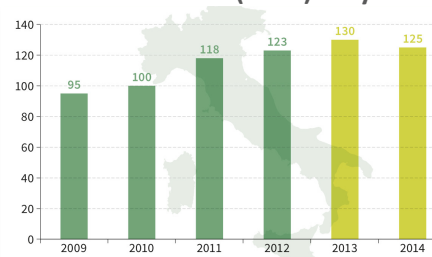
The milk production costs calculated for the specialised dairy farms in Italy for the whole of 2014 were – after deducting 3.82 cents in subsidies – 38.92 cents per kilo of milk. Based on the FADN data, this produces a similar cost level to that of Denmark. The income parameter included in the milk production costs was 11.52 cents a kilo of milk. This was worked out as a figure that self-employed milk producers in Italy would at least have to factor in on average for their labour if they were paid in accordance with their professional qualifications (according to the standards of collective bargaining provisions). For Italy the milk production costs have been additionally set out for three different structural regions, as there is a very heterogeneous structure with very intensively managed larger and medium-sized dairy farms in hill and valley regions, and smaller dairy farms in mountain regions. The medium-sized dairy farms in hill and valley regions produce by far the most milk in Italy and define the level of the production costs worked out.

Year	Paid costs	+ Income parameter	= Total costs	- Subsidies	= Production costs
2014	31.09 ct/kg	11.52 ct/kg	42.61 ct/kg	3.63 ct/kg	38.92 ct/kg

Milk production costs in cents per kilo of milk in 2014 (estimate)			
	Mountain region	Hill and valley region	
	Smaller farms	Medium-sized farms	Larger farms
Milk production volume in tons	209,711	4,213,125	2,471,548
Paid costs	32.52	27.63	36.87
+ Income parameter	38.93	14.59	3.95
= Total costs	71.45	42.22	40.82
- Subsidies	8.18	3.61	3.42
= Production costs	63.27	38.61	37.40

The Milk Marker Index (MMI) shows the average trend in production costs for Italy since 2009 (base year 2010 = 100). The production costs worked out for individual regions were summarised (weighted by milk volume in the region) to calculate the MMI. This enabled the fluctuation ranges stated in the FADN base data to be balanced out. The MMI in 2014 was 125 points. This means that on average the costs of milk production in Italy in 2014 were 5 percent lower than in the previous year. In 2013 the MMI was 130 points. Between 2009 and 2014 the index rose in Italy by a total of 30 percent.

#### Milk Marker Index (MMI) Italy



#### Key to the graph:

**Dark green:** change in milk production costs in Italy from the previous year, base 2010 = 100,  
**Light green:** projected interim result for the years 2013 and 2014

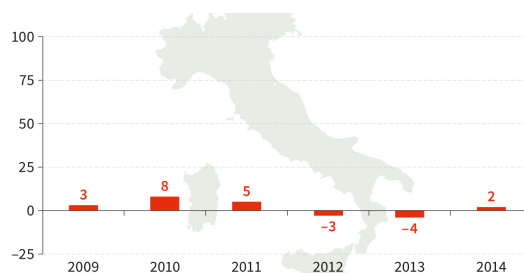


## 2014 MILK PRODUCTION COSTS Italy

The price-cost ratio demonstrates to what extent the “farm-gate price” covers production costs. To calculate the ratio, the production costs worked out by the BAL are based on the officially ascertained farm-gate prices for milk.

The result of cost pressure in 2012 and 2013 together with relatively low farm-gate prices was that for two years Italian farms were unable to cover their costs. In 2014 the decrease in costs on the one hand and the rise in farm-gate prices on the other meant that at least production and labour costs were covered. Assuming production costs on a par with 2014, costs are currently not being covered. The reason is the milk price (as per July 2015), which has fallen by 4.43 cents to 34.49 cents since 2014.

Price-cost Ratio Italy



### Brief scientific comment

The very first question the APL had with the expert opinion was whether the data published in the EU FADN are a reliable basis for working out milk production costs. Studying the quality of the data was an important aspect of the analyses. In the milk production costs worked out for the individual regions, the officially recorded data showed fluctuations and spikes for some of the relevant structural data (e.g. milk output, herd size, working hours) in the period from 2004 to 2012 that were hard to explain. The expert opinion is accompanied by a recommendation to demand a better quality of data recording in the Italian test farm network. These data are what the EU bases its political decision-making on.

### Legal information

European Milk Board asbl  
Rue du Commerce 124, bte 4  
1000 Brussels  
Belgium  
Tel.: +32 (0)2 808 1936  
office@europeanmilkboard.org  
www.europeanmilkboard.org

APL della PianuraPadana  
Via Boccaccio, 4  
24047 Treviglio  
Italy  
Tel.: +39 (0) 36 330 47 06  
info@aplplanurapadana.it  
www.aplplanurapadana.it

Büro für Agrarsoziologie und  
Landwirtschaft (BAL)  
Heiligenstädter Str. 2  
37130 Gleichen-Bremke  
Germany  
Tel.: +49 (0) 55 92 927567  
kj@agrarsociologie.de